UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

(Mark One)
☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2018

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report _____

Commission File Number 001-36588

Höegh LNG Partners LP

(Exact name of Registrant as specified in its charter)

Republic of the Marshall Islands
(Jurisdiction of incorporation or organization)
Wessex House, 5th Floor
45 Reid Street
Hamilton, HM 12 Bermuda
(Address of principal executive offices)

Steffen Føreid
Wessex House, 5th Floor
45 Reid Street
Hamilton, HM 12 Bermuda
Telephone: +479-755-7406
Facsimile: +479-755-7401
steffen.foreid@hoeghlng.com

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)
Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common units representing limited partner interests	New York Stock Exchange
Series A cumulative redeemable preferred units representing limited partner interests	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

20,046,139 common units representing limited partner interests
13,156,060 subordinated units representing limited partner interests
6,129,070 Series A cumulative redeemable preferred units representing limited partner interests

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ Yes ☒ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. ☐ Yes ☒ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, non-accelerated filer or an emerging growth company. See definition of "large accelerated filer", "accelerated filer" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Emerging Growth Company ☒

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards + provided pursuant to Section 13(a) of the Exchange Act. ☒

+ The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☒ International Financial Reporting Standards as issued by the International Accounting Standards Board ☐ Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. ☐ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

HÖEGH LNG PARTNERS LP
INDEX TO FORM 20-F

PRESENTATION OF INFORMATION IN THIS REPORT

This annual report on Form 20-F for the year ended December 31, 2018 (this "Annual Report") should be read in conjunction with the consolidated financial statements and accompanying notes included in this Annual Report. Unless we otherwise specify, references in this Annual Report to "Höegh LNG Partners," "we," "our," "us" and "the Partnership" refer to Höegh LNG Partners LP or any one or more of its subsidiaries, or to all such entities unless the context otherwise indicates. References in this Annual Report to "our general partner" refer to Höegh LNG GP LLC, the general partner of Höegh LNG Partners. References in this Annual Report to "our operating company" refer to Höegh LNG Partners Operating LLC, a wholly owned subsidiary of the Partnership. References in this Annual Report to "Höegh UK" refer to Hoegh LNG Services Ltd, a wholly owned subsidiary of our operating company. References in this Annual Report to "Höegh Lampung" refer to Hoegh LNG Lampung Pte Ltd., a wholly owned subsidiary of our operating company. References in this Annual Report to "Höegh FSRU III" refer to Höegh LNG FSRU III Ltd., a wholly owned subsidiary of our operating company. References in this Annual Report to "PT Höegh" refer to PT Hoegh LNG Lampung, the owner of the *PGN FSRU Lampung*. References in this Annual Report to "Höegh Cyprus" refer to Hoegh LNG Cyprus Limited including its wholly owned branch, Hoegh LNG Cyprus Limited Egypt Branch ("Egypt Branch"), a wholly owned subsidiary of Höegh FSRU III and the owner of the *Höegh Gallant*. References in this Annual Report to "Höegh Colombia Holding" refer to Höegh LNG Colombia Holding Ltd., a wholly owned subsidiary of our operating company. References in this Annual Report to "Höegh FSRU IV" refer to Höegh LNG FSRU IV Ltd., a wholly owned subsidiary of Höegh Colombia Holding and the owner of the *Höegh Grace*. References in this Annual Report to "Höegh Colombia" refer to Höegh LNG Colombia S.A.S., a wholly owned subsidiary of Höegh Colombia Holding. References in this Annual Report to our or the "joint ventures" refer to SRV Joint Gas Ltd. and/or SRV Joint Gas Two Ltd., the joint ventures that own two of the vessels in our fleet, the *Neptune* and the *Cape Ann*, respectively. References in this Annual Report to "Global LNG Supply" refer to Global LNG Supply SA, a subsidiary of Total S.A. ("Total"). References in this Annual Report to "PGN LNG" refer to PT PGN LNG Indonesia, a subsidiary of PT Perusahaan Gas Negara (Persero) Tbk ("PGN"). References in this Annual Report to "SPEC" refer to Sociedad Portuaria El Cayao S.A. E.S.P.

References in this Annual Report to "Höegh LNG" refer, depending on the context, to Höegh LNG Holdings Ltd. and to any one or more of its direct and indirect subsidiaries, other than us. References in this Annual Report to "EgyptCo" refer to Höegh LNG Egypt LLC, a wholly owned subsidiary of Höegh LNG. References in this Annual Report to "Höegh LNG Management" refer to Höegh LNG Fleet Management AS, a wholly owned subsidiary of Höegh LNG. References in this Annual Report to "Höegh Maritime Management" refer to Höegh LNG Maritime Management Pte. Ltd., a wholly owned subsidiary of Höegh LNG. References in this Annual Report to "Höegh Norway" refer to Höegh LNG AS, a wholly owned subsidiary of Höegh LNG. References in this Annual Report to "Höegh Asia" refer to Höegh LNG Asia Pte. Ltd., a wholly owned subsidiary of Höegh LNG. References in this Annual Report to "Höegh Shipping" refer to Höegh LNG Shipping Services Pte Ltd, a wholly owned subsidiary of Höegh LNG. References in this Annual Report to "Leif Höegh UK" refer to Leif Höegh (U.K.) Limited, a wholly owned subsidiary of Höegh LNG.

FORWARD-LOOKING STATEMENTS

This Annual 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," "future," "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 our 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;
- our distribution policy and ability to make cash distributions on our units or any increases in the quarterly distributions on our common units;
- restrictions in our debt agreements and pursuant to local laws on our joint ventures' and our subsidiaries' ability to make distributions;
- our ability to settle or resolve the boil-off claim for the joint ventures, including the estimated amount thereof;
- the ability of Höegh LNG to satisfy its indemnification obligations to the Partnership, including in relation to the boil-off claim;

- the entry by us into any amendment to the lease and maintenance agreement ("LMA") for the *Höegh Gallant*;
- our ability to compete successfully for future chartering opportunities;
- demand in the FSRU sector or the LNG shipping sector; including demand for our vessels;
- our ability to purchase additional vessels from Höegh LNG in the future;
- our ability to integrate and realize the anticipated benefits from acquisitions;
- our anticipated growth strategies; including the acquisition of vessels;
- our 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;
- general market conditions, including fluctuations in hire rates and vessel values;
- changes in our operating expenses, including drydocking, on-water class surveys, insurance costs and bunker costs;
- our ability to comply with financing agreements and the expected effect of restrictions and covenants in such agreements;
- the financial condition liquidity and creditworthiness of our existing or future customers and their ability to satisfy their obligations under our contracts;
- our 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 our customers;
- our ability to perform under our contracts and maintain long-term relationships with our customers;
- our ability to leverage Höegh LNG's relationships and reputation in the shipping industry;
- our continued ability to enter into long-term, fixed-rate charters and the hire rate thereof;
- the operating performance of our vessels and any related claims by Total S.A. or other customers;
- our ability to maximize the use of our vessels, including the redeployment or disposition of vessels no longer under long-term charters;
- our ability to compete successfully for future chartering and newbuilding opportunities;
- timely acceptance of our vessels by their charterers;
- termination dates and extensions of charters;
- the cost of, and our ability to comply with, governmental regulations and maritime self-regulatory organization standards, as well as standard regulations imposed by our charterers applicable to our business;

- economic substance laws and regulations adopted or considered by various jurisdictions of formation or incorporation of us and certain of our subsidiaries;
- availability and cost of skilled labor, vessel crews and management;
- the ability of Höegh LNG to meet its financial obligations to us, including its indemnity, guarantee and option obligations;
- the number of offhire days and drydocking requirements, including our ability to complete scheduled drydocking on time and within budget;
- our incremental general and administrative expenses as a publicly traded limited partnership and our fees and expenses payable under our 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;
- our 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 our vessels including potential disruptions due to accidents, political events, piracy or acts by terrorists;
- future sales of our common units and Series A preferred units in the public market;
- our business strategy and other plans and objectives for future operations; and
- our ability to maintain effective internal control over financial reporting and effective disclosure controls and procedures.

Forward-looking statements in this Annual Report are made based upon management's current plans, expectations, estimates, assumptions and beliefs concerning future events impacting us and therefore involve a number of risks and uncertainties, including those risks discussed in "Item 3.D. Risk Factors." The risks, uncertainties and assumptions involve known and unknown risks and are inherently subject to significant uncertainties and contingencies, many of which are beyond our control.

We caution that forward-looking statements are not guarantees and that actual results could differ materially from those expressed or implied in the forward-looking statements. We undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict all of these factors. Further, we cannot assess the impact of each such factor on our 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. We make no prediction or statement about the performance of our common units. The various disclosures included in this Annual Report and in our other filings made with the Securities and Exchange Commission (the "SEC") that attempt to advise interested parties of the risks and factors that may affect our business, prospects and results of operations should be carefully reviewed and considered.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

The following table presents, in each case for the years and as of the dates indicated, our selected consolidated financial and operating data, which includes, for periods prior to the closing of our initial public offering ("IPO") on August 12, 2014, selected combined carve-out financial and operating data of the Partnership and its subsidiaries that had interests in the *PGN FSRU Lampung* and the joint ventures that own the *Neptune* and the *Cape Ann*. The transfer of these equity interests and related loans and promissory notes by Höegh LNG to the Partnership in connection with the IPO was recorded at Höegh LNG's consolidated book values, as adjusted to US GAAP.

Pursuant to our partnership agreement, our general partner has irrevocably delegated to our board of directors the power to oversee and direct the operations of, manage and determine the strategies and policies of the Partnership. Four of the seven board members were elected by the common unitholders at our first annual meeting of unitholders. As a result, Höegh LNG, as the owner of our general partner, does not have the power to control our board of directors or the Partnership, and we are not considered to be under the control of Höegh LNG for accounting purposes. As a consequence, we have accounted for acquisitions that are business combinations from Höegh LNG under the purchase method of accounting. Such historical acquisitions are included in our consolidated financial statements from the date of the acquisition and there has been no retroactive restatement of our financial statements to reflect the historical results of the entity acquired.

On October 1, 2015, the Partnership closed the acquisition of 100% of the shares of Höegh FSRU III, the entity that indirectly owns the *Höegh Gallant* (the "*Höegh Gallant* entities"). The results of operations of the *Höegh Gallant* are included in our results from the acquisition date.

On January 3, 2017, the Partnership closed the acquisition of a 51% ownership interest in the Höegh Colombia Holding, the owner of the entities that own and operate the *Höegh Grace* (the "*Höegh Grace* entities"). The results of operations of the *Höegh Grace* are included in our earnings for the full year of 2017. The interest not owned by the Partnership was reflected as non-controlling interest in net income and non-controlling interest in total equity.

On December 1, 2017, the Partnership closed the acquisition of the remaining 49% ownership interest in the *Höegh Grace* entities.

Two of the vessels in our fleet (the *Neptune* and the *Cape Ann*) are owned by our joint ventures, each of which is owned 50% by us. Under applicable accounting rules, we do not consolidate the financial results of these two joint ventures into our financial results. We account for our 50% equity interests in these two joint ventures as equity method investments in our consolidated financial statements. We derived cash flows from the operations of these two joint ventures from principal and interest payments on our shareholder loans to our joint ventures.

We have two segments, which are the "Majority held FSRUs" and the "Joint venture FSRUs." As of December 31, 2018 and 2017, Majority held FSRUs included the *PGN FSRU Lampung*, the *Höegh Gallant* and the *Höegh Grace*. As of December 31, 2016 and 2015, Majority held FSRUs included the *PGN FSRU Lampung* and the *Höegh Gallant.* As of December 31, 2014, Majority held FSRUs included the *PGN FSRU Lampung* and construction contract revenue and expenses of the mooring related to *PGN FSRU Lampung* ("the Mooring") under construction. The Mooring project was completed in the fourth quarter of 2014. As of December 31, 2018, 2017, 2016, 2015 and, Joint venture FSRUs included two 50%-owned FSRUs, the *Neptune* and the *Cape Ann*.

We measure our segment profit based on segment EBITDA. Segment EBITDA is reconciled to net income for each segment in the segment table below. The accounting policies applied to the segments are the same as those applied in the consolidated financial statements, except that i) Joint venture FSRUs are presented under the proportional consolidation method for the segment note in the consolidated financial statements and under equity accounting for the consolidated financial statements, ii) internal interest income and interest expense between the Partnership's subsidiaries that eliminate in consolidation are not included in the segment columns for the other financial income (expense), net line and iii) non-controlling interest in Segment EBITDA is subtracted in the segment note to reflect the Partnership's interest in Segment EBITDA as the Partnership's segment profit measure, Segment EBITDA. Under the proportional consolidation method, 50% of the Joint venture FSRUs' revenues, expenses and assets are reflected in the segment reporting. Management monitors the results of operations of our joint ventures under the proportional consolidation method and not the equity method. On January 1, 2017, the Partnership began consolidating its acquired 51% interest in the *Höegh Grace* entities. Since the Partnership obtained control of the *Höegh Grace* entities, it consolidates 100% of the revenues, expenses, assets and liabilities of the *Höegh Grace* entities and the interest not owned by the Partnership was reflected as non-controlling interest in net income and non-controlling interest in total equity. Management monitored the results of operations of the *Höegh Grace* entities based on the Partnership's 51% interest in the Segment EBITDA of such entities and, therefore, subtracted the non-controlling interest in Segment EBITDA to present Segment EBITDA. The adjustment to non-controlling interest in Segment EBITDA is reversed to reconcile to operating income and net income in the segment presentation. On December 1, 2017, the Partnership acquired the remaining 49% ownership interest in the *Höegh Grace* entities and, as of that date, there is no longer a non-controlling interest in the *Höegh Grace* entities.

You should read the following selected financial and operating data in conjunction with "Item 5. Operating and Financial Review and Prospects" and our consolidated financial statements and the combined financial statements of the two joint ventures that own the *Neptune* and the *Cape Ann* and the related notes thereto included elsewhere in this Annual Report.

Our financial position, results of operations and cash flows could differ from those that would have resulted if we operated autonomously or as an entity independent of Höegh LNG in the period prior to our IPO for which historical financial and operating data are presented below, and such data may not be indicative of our future operating results or financial performance.

(in thousands of U.S. dollars, except per unit information and fleet data)	Year Ended December 31, 2018	2017	2016	2015	2014 (3)
Statement of Income Data:					
Time charter revenues	$ 144,952	$ 143,531	$ 91,107	$ 57,465	$ 22,227
Construction contract revenues	—	—	—	—	51,868
Other revenue	1,609	—	—	—	474
Total revenues	146,561	143,531	91,107	57,465	74,569
Voyage expenses	—	—	—	—	(1,139)
Vessel operating expenses	(24,195)	(23,791)	(16,080)	(9,679)	(6,197)
Construction contract expenses	—	(151)	(315)	—	(38,570)
Administrative expenses	(8,916)	(9,910)	(9,718)	(8,733)	(12,566)
Depreciation and amortization	(21,146)	(21,054)	(10,552)	(2,653)	(1,317)
Total operating expenses	(54,257)	(54,906)	(36,665)	(21,065)	(59,789)
Equity in earnings of joint ventures	17,938	5,139	16,622	17,123	(5,330)
Operating income (loss)	110,242	93,764	71,064	53,523	9,450
Interest income	725	500	857	7,568	4,959
Interest expense	(26,814)	(30,085)	(25,178)	(17,770)	(9,665)
Gain (loss) on derivative instruments	4,681	2,463	1,839	949	(161)
Other items, net	(2,907)	(3,574)	(3,333)	(2,678)	(2,788)
Income (loss) before tax	85,927	63,068	45,249	41,592	1,795
Income tax expense	(8,305)	(3,878)	(3,872)	(313)	(481)
Net income (loss)	$ 77,622	$ 59,190	$ 41,377	$ 41,279	$ 1,314
Non-controlling interest in net income	—	10,408	—	—	—
Preferred unitholders' interest in net income	12,303	2,480	—	—	—
Limited partners' interest in net income (loss)	$ 65,319	$ 46,302	$ 41,377	$ 41,279	$ 1,314
Earnings per unit					
Common unit public (Basic and diluted)	$ 1.93	$ 1.37	$ 1.58	$ 1.56	$ 0.50
Common unit Höegh LNG (Basic and diluted)	$ 2.03	$ 1.44	$ 1.52	$ 1.57	$ 0.50
Subordinated unit (Basic and diluted)	$ 2.03	$ 1.45	$ 1.52	$ 1.57	$ 0.50
Cash distributions declared per unit	$ 1.76	$ 1.72	$ 1.65	$ 1.43	$ 0.52
Balance Sheet Data (at end of period):					
Assets:					
Cash and cash equivalents	$ 26,326	$ 22,679	$ 18,915	$ 32,868	$ 30,477
Restricted cash	19,128	20,602	22,209	25,828	37,119
Demand note due from owner	—	—	—	—	143,241
Current portion of advances to joint ventures	—	—	6,275	7,130	6,665
Long term advances to joint ventures	3,536	3,263	943	6,861	12,287
Net investment in direct financing lease	283,073	286,626	290,111	293,303	295,363
Total assets	1,023,040	1,058,959	810,467	763,743	549,418
Liabilities and equity:					
Accumulated losses of joint ventures	2,808	20,746	25,886	42,507	59,630
Amount, loans and promissory notes due to owners and affiliates	2,301	1,417	1,374	10,891	6,486
Long term debt	390,087	434,845	300,440	330,635	179,141
Revolving credit and seller's credit due to owners and affiliates	39,292	51,832	43,005	47,000	—
Total Partners' capital (excluding other comprehensive income (loss))	525,774	477,407	370,526	257,039	244,553
Total liabilities and equity	$ 1,023,040	$ 1,058,959	$ 810,467	$ 763,743	$ 549,418
Cash Flow Data:					
Net cash provided by (used in) operating activities(4)	$ 91,681	$ 79,947	$ 36,599	$ 32,778	$ 50,156
Net cash provided by (used in) investing(4) activities	3,067	(38,450)	(83,084)	15,455	(292,199)
Net cash provided by (used in) financing activities(4)	(92,478)	(39,340)	29,059	(56,234)	309,776
Fleet data					
Number of vessels	5	5	4	4	3
Average age (in years)	5.9	4.9	4.8	3.8	3.5
Average charter length remaining excluding options (in years)	10.5	11.5	13.1	14.1	16.7
Average charter length remaining including options (in years)	17.5	18.5	19.4	20.4	24.9
Other Financial Data:					
Segment EBITDA(1)	$ 145,687	$ 112,156	$ 99,159	$ 72,258	$ 48,931
Capital expenditures					
Expenditures for vessels and equipment	$ 747	$ 21	$ 537	$ 955	$ 172,324
Selected Segment Data:					
Joint venture FSRUs (proportionate consolidation)(2)					
Segment Statement of Income Data:					
Time charter revenues	$ 43,169	$ 42,165	$ 43,272	$ 42,698	$ 41,319
Segment EBITDA(1)	32,237	21,687	34,165	33,205	32,834
Operating income	$ 22,512	$ 11,872	$ 24,640	$ 23,978	$ 23,686
Segment Balance Sheet Data (at end of year):					
Vessels, net of accumulated depreciation	$ 261,614	$ 265,642	$ 274,932	$ 283,539	$ 279,670

Total assets	$ 286,283	$ 287,562	$ 298,712	$ 303,390	$ 300,327
Segment Capital expenditures:					
Expenditures for vessels and equipment	$ 5,795	$ 524	$ 783	$ 13,095	$ 2,358

(1) Please read "—Non-GAAP Financial Measures" below.
(2) Please read "Item 5. Operating and Financial Review and Prospects" below and note 5 of our consolidated financial statements for information on the basis of presentation for the Joint venture FSRUs segment.
(3) Prior to the closing of our IPO on August 12, 2014, our selected financial data is based on our combined carve-out financial statements.
(4) In November 2016, the Financial Accounting Standard Board ("FASB") issued revised guidance for *Statement of Cash Flows: Restricted Cash*. We implemented the revised guidance on January 1, 2018 using a retrospective transition method to all prior periods presented.

Non-GAAP Financial Measures

Segment EBITDA. EBITDA is defined as earnings before interest, depreciation and amortization and taxes. Segment EBITDA is defined as earnings before interest, depreciation and amortization, taxes and other financial items less non-controlling interest in Segment EBITDA. Other financial items consist of gains and losses on derivative instruments and other items, net (including foreign exchange gains and losses and withholding tax on interest expenses). 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, other financial items, depreciation and amortization and taxes, 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 US 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 US GAAP financial measure, for the periods presented:

	Year ended December 31, 2018					
(in thousands of U.S. dollars)	**Majority held FSRUs**	**Joint venture FSRUs (proportional consolidation)**	**Other**	**Total Segment reporting**	**Eliminations(1)**	**Consolidated reporting**
Reconciliation to net income (loss)						
Net income (loss)	$ 68,168	17,938	(8,484)	77,622		$ 77,622 (3)
Interest income	(305)	(234)	(420)	(959)	234 (4)	(725)
Interest expense	23,875	13,270	2,939	40,084	(13,270) (4)	26,814
Depreciation and amortization	21,146	9,725	—	30,871	(9,725) (5)	21,146
Other financial items (2)	(1,870)	(8,462)	96	(10,236)	8,462 (6)	(1,774)
Income tax (benefit) expense	8,253	—	52	8,305		8,305
Equity in earnings of JVs:						
Interest (income) expense, net	—	—	—	—	13,036 (4)	13,036
Equity in earnings of JVs:						
Depreciation and amortization	—	—	—	—	9,725 (5)	9,725
Equity in earnings of JVs:						
Other financial items(2)	—	—	—	—	(8,462) (6)	(8,462)
Segment EBITDA	**$ 119,267**	**32,237**	**(5,817)**	**145,687**		**$ 145,687**

(in thousands of U.S. dollars)	Year ended December 31, 2017					
	Majority held FSRUs	Joint venture FSRUs (proportional consolidation)	Other	Total Segment reporting	Eliminations(1)	Consolidated reporting
Reconciliation to net income (loss)						
Net income (loss)	$ 63,628	5,139	(9,577)	59,190		$ 59,190 (3)
Interest income	(18)	(76)	(482)	(576)	76 (4)	(500)
Interest expense	26,151	13,983	3,934	44,068	(13,983) (4)	30,085
Depreciation and amortization	21,054	9,815	—	30,869	(9,815) (5)	21,054
Other financial items (2)	1,060	(7,174)	51	(6,063)	7,174 (6)	1,111
Income tax (benefit) expense	3,893	—	(15)	3,878		3,878
Equity in earnings of JVs:						
Interest (income) expense, net	—	—	—	—	13,907 (4)	13,907
Equity in earnings of JVs:						
Depreciation and amortization	—	—	—	—	9,815 (5)	9,815
Equity in earnings of JVs:						
Other financial items(2)	—	—	—	—	(7,174) (6)	(7,174)
Non-controlling interest in Segment EBITDA	(19,210)	—	—	(19,210)		(19,210)
Segment EBITDA	**$ 96,558**	**21,687**	**(6,089)**	**112,156**		**$ 112,156**

(in thousands of U.S. dollars)	Year ended December 31, 2016					
	Majority held FSRUs	Joint venture FSRUs (proportional consolidation)	Other	Total Segment reporting	Eliminations(1)	Consolidated reporting
Reconciliation to net income (loss)						
Net income (loss)	$ 35,803	16,622	(11,048)	41,377		$ 41,377 (3)
Interest income	—	(2)	(857)	(859)	2 (4)	(857)
Interest expense	20,107	15,094	5,071	40,272	(15,094) (4)	25,178
Depreciation and amortization	10,552	9,525	—	20,077	(9,525) (5)	10,552
Other financial items(2)	1,435	(7,074)	59	(5,580)	7,074 (6)	1,494
Income tax (benefit) expense	3,852	—	20	3,872		3,872
Equity in earnings of JVs:						
Interest (income) expense, net	—	—	—	—	15,092 (4)	15,092
Equity in earnings of JVs:						
Depreciation and amortization	—	—	—	—	9,525 (5)	9,525
Equity in earnings of JVs:						
Other financial items(2)	—	—	—	—	(7,074) (6)	(7,074)
Segment EBITDA	**$ 71,749**	**34,165**	**(6,755)**	**99,159**		**$ 99,159**

(in thousands of U.S. dollars)	Year ended December 31, 2015					
	Majority held FSRUs	Joint venture FSRUs (proportional consolidation)	Other	Total Segment reporting	Eliminations(1)	Consolidated reporting
Reconciliation to net income (loss)						
Net income (loss)	$ 24,807	17,123	(651)	41,279		$ 41,279 (3)
Interest income	—	—	(7,568)	(7,568)	— (4)	(7,568)
Interest expense	15,617	16,113	2,153	33,883	(16,113) (4)	17,770
Depreciation and amortization	2,653	9,227	—	11,880	(9,227) (5)	2,653
Other financial items(2)	1,709	(9,257)	20	(7,528)	9,257 (6)	1,729
Income tax (benefit) expense	333	—	(20)	313		313
Equity in earnings of JVs:						
Interest (income) expense, net	—	—	—	—	16,113 (4)	16,113
Equity in earnings of JVs:						
Depreciation and amortization	—	—	—	—	9,227 (5)	9,227
Equity in earnings of JVs:						
Other financial items(2)	—	—	—	—	(9,257) (6)	(9,257)
Segment EBITDA	**$ 45,119**	**33,205**	**(6,066)**	**72,258**		**$ 72,258**

(in thousands of U.S. dollars)	Year ended December 31, 2014					
	Majority held FSRUs	Joint venture FSRUs (proportional consolidation)	Other	Total Segment reporting	Eliminations(1)	Consolidated and combined reporting
Reconciliation to net income (loss)						
Net income (loss)	$ 8,375	(5,330)	(1,731)	1,314		$ 1,314 (3)
Interest income	—	—	(4,959)	(4,959)	— (4)	(4,959)
Interest expense	9,198	17,121	467	26,786	(17,121) (4)	9,665
Depreciation and amortization	1,317	9,148	—	10,465	(9,148) (5)	1,317
Other financial items(2)	2,915	11,895	34	14,844	(11,895) (6)	2,949
Income tax (benefit) expense	505	—	(24)	481		481
Equity in earnings of JVs:						
Interest (income) expense, net	—	—	—	—	17,121 (4)	17,121
Equity in earnings of JVs:						
Depreciation and amortization	—	—	—	—	9,148 (5)	9,148
Equity in earnings of JVs:						
Other financial items(2)	—	—	—	—	11,895 (6)	11,895
Segment EBITDA	**$ 22,310**	**32,834**	**(6,213)**	**48,931**		**$ 48,931**

(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) 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.

(3) There is no adjustment between net income for Total Segment reporting and the Consolidated reporting because the net income under the proportional consolidation and equity method of accounting is the same.

(4) Interest income and interest expense for the Joint venture FSRUs is eliminated from the Total Segment reporting to agree to the interest income and interest expense in the Consolidated reporting and reflected as a separate adjustment to the equity accounting on the line *Equity in earnings of JVs*: Interest (income) expense for the Consolidated reporting.

(5) Depreciation and amortization for the Joint venture FSRUs is eliminated from the Total Segment reporting to agree to the depreciation and amortization in the Consolidated reporting and reflected as a separate adjustment to the equity accounting on the line *Equity in earnings of JVs*: Depreciation and amortization for the Consolidated reporting.

(6) Other financial items for the Joint venture FSRUs is eliminated from the Segment reporting to agree to the Other financial items in the Consolidated reporting and reflected as a separate adjustment to the equity accounting on the line *Equity in earnings of JVs*: Other financial items for the Consolidated reporting.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Some of the following risks relate principally to the industry in which we operate and to our business in general. Other risks relate principally to the securities market and to ownership of our common units. The occurrence of any of the events described in this section could significantly and negatively affect our business, financial condition, operating results or cash available for distribution or the trading price of our preferred and common units.

Risks Inherent in Our Business

Our fleet consists of five vessels as of March 31, 2019. Any limitation on the availability or operation of those vessels could have a material adverse effect on our business, financial condition and results of operations and could significantly reduce our ability to make distributions to our unitholders.

Our fleet consists of five vessels. If any of these vessels is unable to generate revenues as a result of off-hire time, early termination of the applicable time charter, purchase of the vessel by the charterer or otherwise, our financial condition and ability to make distributions to unitholders could be materially and adversely affected.

The charters relating to our vessels permit the charterer to terminate the charter in the event that the vessel is off-hire for any extended period. The charters also allow the charterer to terminate the charter upon the occurrence of specified defaults by us or in certain other cases, including termination without cause, due to force majeure or disruptions caused by war. Furthermore, PGN LNG was granted an option to purchase the *PGN FSRU Lampung* at specified prices commencing in June 2018 and SPEC has the option to purchase the *Höegh Grac*e in year 10, year 15 and year 20 of its charter. The termination of any of our charters could have a material adverse effect on our business, financial condition and results of operations and could significantly reduce our ability to make cash distributions to our unitholders. For further details regarding termination of our charters, please read "Item 4.B. Business Overview—Vessel Time Charters— *Neptune* Time Charter—Termination," "— *PGN FSRU Lampung* Time Charter—Termination and —Purchase Option," "—*Höegh Gallant* Time Charter—Termination," "— *Höegh Grace* Charter—Term and Termination and —Purchase Option". We may be unable to charter the applicable vessel, or replacement vessel, on terms as favorable to us as those of the terminated charter.

We are dependent on Global LNG Supply, PGN LNG, EgyptCo and SPEC as the sole customers for our vessels. A deterioration of the financial viability of Global LNG Supply, PGN LNG, EgyptCo or SPEC or our relationship with Global LNG Supply, PGN LNG, EgyptCo or SPEC or the loss of Global LNG Supply, PGN LNG, EgyptCo or SPEC as a customer, would have a material adverse effect on our business, financial condition, results of operations and ability to make cash distributions to our unitholders.

For the years ended December 31, 2018 and 2017, PGN LNG, EgyptCo and SPEC accounted for all of the revenues in our consolidated income statement. For the years ended December 31, 2016, PGN LNG and EgyptCo accounted for all of the revenues in our consolidated income statements. For each of the years ended December 31, 2018, 2017 and 2016, Global LNG Supply accounted for all of the revenues of our joint ventures from which we derived all of our equity in earnings of joint ventures. A deterioration in the financial viability of Global LNG Supply, PGN LNG, EgyptCo or SPEC or the loss of Global LNG Supply, PGN LNG, EgyptCo or SPEC as a customer, or a decline in payments under any of the related charters, would have a greater adverse effect on us than for a company with a more diverse customer base, and could have a material adverse effect on our business, financial condition, results of operations and ability to make cash distributions to our unitholders.

We or our joint ventures could lose a customer or the benefits of a charter as a result of a breach by the customer of a charter or other unanticipated developments, such as:

- the customer failing to make charter payments or reducing charter payments because of its financial inability, disagreements with us or our joint venture partners or otherwise;
- the insolvency, bankruptcy or liquidation of a customer or termination of the charter as a result thereof;

- the customer exercising its right to terminate the charter in certain circumstances, such as: (i) defaults of our or our joint ventures' obligations under the applicable charter, including breaches of performance standards or prolonged periods of off-hire; (ii) with respect to the *Neptune*, the *Cape Ann* and the *Höegh Gallant*, in the event of war that would materially interrupt the performance of the time charter; or (iii) with respect to the *PGN FSRU Lampung*, in the event of specified types of force majeure;

- the charter terminating automatically if the vessel is lost or deemed a constructive loss;

- with respect to the *Höegh Gallant*, the inability of Höegh LNG (i) to make payments pursuant to its guarantee of EgyptCo's obligations under the *Höegh Gallant* time charter under certain circumstances or (ii) to perform under the option agreement to charter the *Höegh Gallant* in the event of the expiration or early termination of the *Höegh Gallant* time charter; see "Item 7.B. Related Party Transactions—Acquisition of the *Höegh Gallant* ";

- with respect to the *PGN FSRU Lampung* or the *Höegh Grace*, the charterer exercising its option to purchase the vessel; or

- a prolonged force majeure event that materially interrupts the performance of the time charter.

If any charter is terminated, we or our joint ventures, as applicable, may be unable to re-deploy the related vessel on terms as favorable as the current charters or at all. In addition, any termination fee payable to us may not adequately compensate us for the loss of the charter. Furthermore, if there was a premature termination of our joint venture charters that does not result in termination fees, it would result in mandatory repayments of the outstanding balances under the loan facilities for the *Neptune* and the *Cape Ann*.

In September 2017, the charterer of the *Neptune* and the *Cape Ann* made a performance claim to the joint ventures that own the vessels. This claim could reduce charter payments to such joint ventures. As a precaution, such joint ventures have suspended payments under the shareholder loans. Our ability to make cash distributions to our unitholders depends on the performance of our joint ventures, subsidiaries and other investments. If we do not receive cash distributions or repayments under loan agreements from our joint ventures or if they are not sufficient, we will not be able to make cash distributions to unitholders unless we obtain funds from other sources. We may not be able to obtain the necessary funds from other sources on terms acceptable to us. Please read "—Any settlement of Global LNG Supply's performance claims may materially adversely affect our joint ventures' financial condition and results of operations."

Any event, whether in our industry or otherwise, that adversely affects a customer's financial condition, leverage, results of operations, cash flows or demand for our services may adversely affect our ability to sustain or increase cash distributions to our unitholders. Accordingly, we are indirectly subject to the business risks of our customers, including their level of indebtedness and the economic conditions and government policies in their areas of operation. Further, not all of our charters have parent company guarantees. For example, Global LNG Supply's obligations under the *Neptune* and the *Cape Ann* charters are not guaranteed by its parent, Total.

The ability of each of our customers to perform its obligations under its applicable charter depends on its future financial condition and economic performance, which, in turn, will depend on prevailing economic conditions and financial, business and other factors, many of which are beyond its control.

Our growth depends on our ability to expand relationships with existing customers and obtain new customers, for which we will face substantial competition.

One of our principal objectives is to enter into additional long-term charters for FSRUs, LNG carriers and other LNG infrastructure assets. The process of obtaining long-term charters for FSRUs, LNG carriers and other LNG infrastructure assets is competitive and generally involves an intensive screening process and competitive bids, and then often extends for several months. We believe FSRU and LNG carriers time charters are awarded based upon a variety of factors relating to the vessel operator, including:

- FSRU or LNG carrier experience and quality of ship operations;

- quality of vessels;

- cost effectiveness;

- shipping industry relationships and reputation for customer service and safety;

- technical ability and reputation for operation of highly specialized vessels;

- quality and experience of seafaring crew;
- safety record;
- the ability to finance vessels at competitive rates and financial stability generally;
- relationships with shipyards and the ability to get suitable berths;
- construction management experience, including the ability to obtain on-time delivery of new FSRUs, LNG carriers and other LNG infrastructure assets according to customer specifications;
- willingness to accept operational risks pursuant to the charter, such as allowing termination of the charter for force majeure events; and
- competitiveness of the bid in terms of overall price.

We face substantial competition for providing floating storage and regasification services and marine transportation services for potential LNG projects from a number of experienced companies, including state-sponsored entities and major energy companies. As the FSRU market continues to grow and mature there are new competitors entering the market. Many of these competitors have significantly greater financial resources and larger fleets than we do or Höegh LNG. In particular, expectations of rapid growth in the FSRU market has given owners the confidence to place orders for FSRUs before securing charters. This has led to more competition for mid- and long-term FSRU charters. We anticipate that an increasing number of marine transportation companies—including many with strong reputations and extensive resources and experience—will enter the FSRU or LNG carrier markets. This increased competition has already and may in the future cause greater price competition for time charters. As a result of these factors, we may be unable to expand our relationships with existing customers or to obtain new customers on a profitable basis, if at all, which would have a material adverse effect on our financial condition, results of operations and ability to make cash distributions to our unitholders.

We may not be able to redeploy our FSRUs on terms as favorable as our or our joint venture's current FSRU time charters or at all.

Due to increased competition and the limitations on demand for FSRUs, in the event that any of the time charters on our vessels are terminated, we may be unable to recharter such vessel as an FSRU. While we may be able to employ such vessel as a traditional LNG carrier, the hire rates and/or other charter terms may not be as favorable to us as those in the existing time charter. If we acquire additional FSRUs and they are not, as a result of time charter termination or otherwise, subject to a long-term, profitable time charter, we may be required to bid for projects at unattractive rates in order to reduce our losses relating to the vessels.

Requirements for some new LNG projects continue to be provided on a long-term basis, though the use of medium term charters of up to five years has increased in recent years. More frequent changes to vessel sizes and propulsion technology together with an increasing desire by charterers to access modern vessels could also reduce the appetite of charterers to commit to long-term charters that match their full requirement period, or to exercise options to extend their current charters. As a result, the duration of long-term charters could also decrease over time. We may also face increased difficulty entering into long-term time charters upon the expiration or early termination of our existing charters or of charters for any vessels that we acquire in the future. If as a result we contract our vessels on shorter term contracts, our earnings from these vessels are likely to become more volatile.

Hire rates for FSRUs may fluctuate substantially. If rates are lower when we are seeking a new charter, our earnings and ability to make distributions to our unitholders may decline.

Hire rates for FSRUs fluctuate over time as a result of changes in the supply-demand balance relating to current and future vessel supply. This supply-demand relationship largely depends on a number of factors outside our control. For example, driven in part by an increase in LNG production capacity, the market supply of FSRUs has been increasing as a result of the construction of new vessels before FSRU projects have matured to the point of entering FSRU contracts. The increase in supply has resulted in increased competition for FSRU contracts resulting in lower FSRU prices for recent contracts awarded. As of December 31, 2018, the FSRU order book totalled 9 vessels and the delivered FSRU fleet stood at 33 vessels. We believe any future expansion of the FSRU fleet may have a negative impact on charter hire rates, vessel utilization and vessel values, which impact could be amplified if the expansion of LNG production capacity or the approval of FSRU projects does not keep pace with the growth of the global fleet. The LNG market is also closely connected to world natural gas prices and energy markets, which we cannot predict. An extended decline in natural gas prices that leads to reduced investment in new liquefaction facilities could adversely affect our ability to re-charter our vessels at acceptable rates or to acquire and profitably operate new FSRUs. Accordingly, this could have a material adverse effect on our earnings and our ability to make distributions to our unitholders.

PGN LNG and SPEC have options to purchase the PGN FSRU Lampung and Höegh Grace, respectively. If either charterer exercises its option, it could have a material adverse effect on our operating cash flows and our ability to make cash distributions to our unitholders.

PGN LNG currently has the option to purchase the *PGN FSRU Lampung* on June 1st of each year, at a price specified in the time charter. SPEC also has the option to purchase the *Höegh Grace* at a price specified in the *Höegh Grace* charter in year 10, year 15 and year 20 of such charter. Any compensation we receive for the purchase of the *PGN FSRU Lampung* or the *Höegh Grace* may not adequately compensate us for both the loss of the applicable vessel and related time charter. If either charterer exercises its option, it would significantly reduce the size of our fleet, and we may be unable to identify or acquire suitable replacement vessel(s) with the proceeds of the option exercise because, among other things that are beyond our control, there may be no replacement vessel(s) that are readily available for purchase at a price that is equal to or less than the proceeds from the option exercise and on terms acceptable to us. Even if we find suitable replacement vessel(s), the hire rate(s) of such vessel(s) may be significantly lower than the hire rate under the current time charters. Our inability to find suitable replacement vessel(s) or the chartering of replacement vessel(s) at lower hire rate(s) would have a material adverse effect on our results of operations, cash flows and ability to make cash distributions to our unitholders. Please read "Item 4.B. Business Overview—Vessel Time Charters—*PGN FSRU Lampung* Time Charter—Purchase Option" and "—Vessel Time Charters— *Höegh Grace* Charter—Purchase Option."

We are exposed to tax risks associated with doing business in different countries, including in emerging market countries.

We conduct all of our operations outside of the United States and expect to continue to do so for the foreseeable future. Some of the countries in which we are engaged in business or where our vessels are registered, for example, Indonesia, Egypt and Colombia, have historically less developed and less stable tax regimes than the United States. We are affected by tax regulations in those countries with respect to withholding taxes, value added taxes, payroll taxes, taxes on certain financial transactions and corporate income taxes. Tax regulations, guidance and interpretation in these countries may not always be clear and may not contemplate floating infrastructure activities, such as FSRUs. In addition, such regulations may be subject to alternative interpretations or changes in interpretations over time, including as a result of audits by the local tax authorities. In this regard, our Indonesian subsidiary is subject to examination by the Indonesian tax authorities for up to five years following the completion of a fiscal year, and our subsidiaries in Singapore and Colombia are subject to examination by tax authorities for up to four years and three years, following the completion of a fiscal year or from the date of the tax return, respectively. As a result of a tax audit in Indonesia for the fiscal years ended December 31, 2013 and 2014, certain additional withholding tax amounts were paid by our Indonesian subsidiary and downward adjustments were made to the amount of our Indonesian subsidiary's tax loss carryforwards. To the extent that future adjustments result in material additional tax liabilities being imposed on our subsidiaries, this would adversely impact our ability to make cash distributions to our unitholders.

Due to our lack of diversification, adverse developments in our LNG transportation, storage and regasification businesses could reduce our ability to make cash distributions to our unitholders.

We rely exclusively on the cash flows generated from our FSRUs. Due to our lack of diversification, an adverse development in the LNG transportation, storage and regasification industry could have a significantly greater impact on our financial condition and results of operations than if we maintained more diverse assets or lines of business.

We may not have sufficient cash from operations following the establishment of cash reserves and payment of fees and expenses to enable us to pay quarterly distribution on our Series A preferred units or the minimum quarterly distribution on our common units.

We may not have sufficient cash from operations to pay the quarterly distributions on our Series A preferred units or the minimum quarterly distribution of $0.3375 per unit on our common units. The amount of cash we can distribute on our units principally depends upon the amount of cash we generate from our operations. We generate cash from our operations and through distributions from our joint ventures, and as such our cash from operations is dependent on our operations and the cash distributions and operations of our joint ventures, each of which may fluctuate based on the risks described herein, including, among other things:

- the hire rates we and our joint ventures obtain from charters;
- the level of operating costs and other expenses, such as the cost of crews, insurance, performance guarantees and liquidated damages;
- demand for LNG;
- supply and capacities of FSRUs and LNG carriers;

- prevailing global and regional economic and political conditions;
- currency exchange rate fluctuations;
- interest rate fluctuations; and
- the effect of governmental regulations and maritime self-regulatory organization standards on the conduct of our business.

In addition, the actual amount of cash we will have available for distribution on our units will depend on other factors, including:

- the level of capital expenditures we and our joint ventures make, including for maintaining or replacing vessels, building new vessels, acquiring existing vessels and complying with regulations;
- the number of off-hire or reduced-hire days for our fleet and the timing of, and number of days required for, scheduled drydocking of our vessels;
- our and our joint ventures' debt service requirements, minimum free liquid asset requirements under debt covenants, and restrictions on distributions contained in our and our joint ventures' current and future debt instruments;
- fluctuations in interest rates;
- fluctuations in working capital needs;
- variable corporate income tax rates, payroll taxes, value added taxes and withholding taxes and to the extent applicable, the ability to recover under charters;
- our ability to make, and the level of, working capital borrowings; and
- the amount of any cash reserves established by our board of directors.

In addition, each quarter we are required by our partnership agreement to deduct estimated maintenance and replacement capital expenditures from operating surplus, which may result in less cash available to unitholders than if actual maintenance and replacement capital expenditures were deducted. Our ability to pay distributions will also be limited to the extent that we have sufficient cash after establishment of cash reserves.

The amount of cash we generate from our operations and the cash distributions received from our joint ventures may differ materially from our or their profit or loss for the period, which will be affected by non-cash items. As a result of this and the other factors mentioned above, we may make cash distributions during periods when we record losses and may not make cash distributions during periods when we record net income.

At present, we only have two sources of available working capital borrowings that can be used to fund our general partnership purposes, including working capital and distributions: the $63 million revolving credit facility under our $385 million facility and the $85 million revolving credit facility with Höegh LNG. Höegh LNG's ability to make loans under the revolving credit facility may be affected by events beyond its and our control, including prevailing economic, financial and industry conditions. If market or other economic conditions deteriorate, our and their ability to comply with the terms of the revolving credit facility may be impaired. If we request a borrowing under the revolving credit facility, Höegh LNG may not have, or be able to obtain, sufficient funds to make loans under the revolving credit facility. In the event that Höegh LNG is unable to make loans to us pursuant to the revolving credit facility, or a default or other circumstance prohibits us from borrowing loans thereunder our financial condition, results of operations and ability to make cash distributions to our unitholders could be materially adversely affected.

Our ability to grow and to meet our financial needs may be adversely affected by our cash distribution policy.

Our cash distribution policy, which is consistent with our partnership agreement, requires us to pay the distribution on our Series A preferred units, which rank senior to our common units and subordinated units, and then distribute all of our available cash (as defined in our partnership agreement) to our common and subordinated units each quarter. Accordingly, our growth may not be as fast as businesses that reinvest their available cash to expand ongoing operations.

In determining the amount of cash available for distribution, our board of directors approves the amount of cash reserves to set aside, including reserves for future maintenance and replacement capital expenditures, working capital and other matters. We may also rely upon external financing sources, including commercial borrowings, to fund our capital expenditures. Accordingly, to the extent we do not have sufficient cash reserves or are unable to obtain financing, our cash distribution policy may significantly impair our ability to meet our financial needs or to grow.

Any settlement of Global LNG Supply's performance claims may materially adversely affect our joint ventures' financial condition and results of operations.

Pursuant to their charters with Global LNG Supply, the joint ventures undertake to ensure that the *Neptune* and the *Cape Ann* meet certain performance standards. The performance standards under each charter require that the vessel not exceed a maximum average daily boil-off of LNG, subject to certain contractual exclusions. Pursuant to the charters, the hire rate is subject to reduction by charterer in the event of failure to satisfy the performance standards. The charterer requested that the joint ventures calculate and present the boil-off since the beginning of the time charters, compared with the maximum average daily boil-off allowed under the charters. 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 of the charters. The charters for the *Neptune* and *Cape Ann* started in 2009 and 2010, respectively.

As of September 30, 2017, the joint ventures determined the liability associated with the boil-off claim was probable and could be reasonably estimated resulting in a total accrual of $23.7 million, which was recorded as a reduction of time charter revenues. The Partnership's 50% share of the accrual as of September 30, 2017 was approximately $11.9 million. As of December 31, 2017, the accrual was unchanged. The charterer and the joint ventures referred the claim to arbitration. The charterer's claim as submitted in the arbitration request was a gross amount of $52 million, covering the time period for the first performance period as defined in the time charters, and interest and expenses. 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. On the questions that the tribunal was asked to determine, certain issues were determined in favor of the charterer and one issue was determined in favor of the joint ventures. 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. 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-$30's, of which the Partnership's share would be 50%. The updated estimates 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 gross claim raised by the charterer through the end of the defined performance periods. Based upon the additional information from the tribunal’s determination and updated estimates of the potential range of liability, the joint ventures’ concluded the existing accrual of $23.7 million continues to represent their best estimate of the probable liability as of December 31, 2018. Accordingly, the accrual was unchanged as of December 31, 2018. The Partnership’ s 50% share of the accrual remains approximately $11.9 million as of December 31, 2018.

The joint ventures will continue to monitor this issue and adjust accruals, 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. Depending on the amount and timing of the potential settlement and whether such settlement is funded by the performance guarantees by Höegh LNG and the other major owner or by the joint ventures, a settlement of the claim for boil-off with Global LNG Supply could have a material adverse effect on the joint ventures’ financial condition and results of operations. As a precaution, the joint ventures have suspended payments on the shareholder loans pending the outcome of the boil-off claim.

Further, although we are indemnified by Höegh LNG for the cash impact of our share of any losses and expenses related to or arising from the failure of either of the *Neptune* or the *Cape Ann* to meet the performance standards related to the daily boil-off of LNG under their respective time charters, any settlement with Global LNG Supply could materially adversely affect the joint ventures’ financial condition and results of operations. The ultimate outcome of the boil-off claim, on an isolated basis, is not expected to have a material adverse effect on our financial position. However, other concessions by the joint ventures to Global LNG Supply, if any, would not be expected to be indemnified. In addition, the suspension of the payments of the shareholder loans reduces cash flows available to us. In addition, the increase in the accruals for or the resolution of the excess boil-off claim may have a material adverse effect on our results of operations for that period. Also, Höegh LNG’s ability to make payments to us with respect to such indemnification obligations may be affected by events beyond our and its control, including prevailing economic, financial and industry conditions. If market or other economic conditions deteriorate, Höegh LNG’s ability to meet its indemnification obligations to us may be impaired. If Höegh LNG is unable to meet its indemnification obligations to us or if either of the time charters is terminated by Global LNG Supply, our financial condition, results of operations and ability to make cash distributions to our unitholders could be materially adversely affected.

We are a holding entity that has historically derived a significant amount of our income from equity interests in our joint ventures. Neither we nor our joint venture partners exercise affirmative control over our joint ventures. Accordingly, we cannot require our joint ventures to act in our best interests. Furthermore, our joint venture partners may prevent our joint ventures from taking action that may otherwise be beneficial to us, including making cash distributions to us. A deadlock between us and our joint venture partners could result in our exchanging equity interests in one of our joint ventures for the equity interests in our other joint venture held by our joint venture counterparties or in us or our joint venture partner selling shares in a joint venture to a third party.

We are a holding entity and conduct our operations and businesses through subsidiaries. We have historically derived a significant amount of our income from our 50% equity interests in our joint ventures that own the *Neptune* and the *Cape Ann*. Please read "Item 4.B. Business Overview—Shareholder Agreements" for a description of the shareholders' agreement governing our joint ventures. Our ability to make cash distributions to our unitholders will depend on the performance of our joint ventures, subsidiaries and other investments. If our joint venture partners do not approve cash distributions or if they are not sufficient, we will not be able to make cash distributions unless we obtain funds from other sources. We may not be able to obtain the necessary funds from other sources on terms acceptable to us. The approval of a majority of the members of the board of directors is required to consent to any proposed action by such joint ventures and, as a result, we will be unable to cause our joint venture to act in our best interests over the objection of our joint venture partners or make cash distributions to us. Our inability to require our joint ventures to act in our best interests may cause us to fail to realize expected benefits from our equity interests and could adversely affect our business, financial condition, results of operations and ability to make cash distributions to our unitholders.

Our joint venture partners for our joint ventures that own the *Neptune* and the *Cape Ann* are Mitsui O.S.K. Lines, Ltd ("MOL") and Tokyo LNG Tanker Co., Ltd ("TLT"), whom we refer to in this Annual Report as our joint venture partners. These entities together exercise one half of the voting power on the board of directors of each joint venture. As such, our joint venture partners may prevent our joint ventures from making cash distributions to us or may act in a manner that would otherwise not be in our best interests.

If the directors nominated by us and our joint venture partner are unable to reach agreement on any decision or action, then the issue will be resolved in accordance with the procedures set forth in the shareholders' agreement. After the board of directors has met a second time to consider the decision or action, if the deadlock persists, one or more of our senior executives will meet with their counterpart(s) from our joint venture partners. Should, after no more than 60 days, these efforts be unsuccessful and we and our joint venture partners, on a combined basis, each own 50% of the shares in each joint venture or, when the shareholdings in each joint venture are aggregated by party, we and our joint venture partners, on a combined basis, each own 50% of the aggregate shares, we and our joint venture partners will attempt to agree within 30 days that our shareholdings be exchanged so that we own 100% of one joint venture and our joint venture partners own 100% of the other joint venture. If, however, the shareholdings are not as described in the previous sentence or we and our joint venture partners cannot agree within the specified time, we or our joint venture partners may sell our shares, including to a third party, in accordance with the procedures set forth in the shareholders' agreement. If any of these forms of resolution were to occur, the diversity of our fleet would be reduced, and our business, financial condition, results of operations and ability to make cash distributions to our unitholders may be adversely affected.

We must make substantial capital expenditures to maintain and replace the operating capacity of our fleet, which will reduce our cash available for distribution. In addition, each quarter we will be required, pursuant to our partnership agreement, to deduct estimated maintenance and replacement capital expenditures from operating surplus, which may result in less cash available for distribution to unitholders than if actual maintenance and replacement capital expenditures were deducted.

We must make substantial capital expenditures to maintain and replace, over the long-term, the operating capacity of our fleet. Maintenance and replacement capital expenditures include capital expenditures associated with drydocking a vessel, including costs for inspection, maintenance and repair, modifying an existing vessel, acquiring a new vessel or otherwise replacing current vessels at the end of their useful lives to the extent these expenditures are incurred to maintain or replace the operating capacity of our fleet. These expenditures could vary significantly from quarter to quarter and could increase as a result of changes in:

- the cost of labor and materials;
- customer requirements;
- fleet size;
- length of charters;
- vessel useful life;
- the cost of replacement vessels;

- re-investment rate of return;
- resale or scrap value of existing vessels;
- governmental regulations and maritime self-regulatory organization standards relating to safety, security or the environment; and
- competitive standards.

Our partnership agreement requires our board of directors to deduct estimated maintenance and replacement capital expenditures, instead of actual maintenance and replacement capital expenditures, from operating surplus each quarter in an effort to reduce fluctuations in operating surplus as a result of significant variations in actual maintenance and replacement capital expenditures each quarter. The amount of estimated maintenance and replacement capital expenditures deducted from operating surplus is subject to review and change by our board of directors at least once a year (with the approval of the conflicts committee of our board of directors). In years when estimated maintenance and replacement capital expenditures are higher than actual maintenance and replacement capital expenditures, the amount of cash available for distribution to unitholders will be lower than if actual maintenance and replacement capital expenditures were deducted from operating surplus. If our board of directors underestimates the appropriate level of estimated maintenance and replacement capital expenditures, we may have less cash available for distribution in periods when actual capital expenditures exceed our previous estimates. Refer to "Item 8.A. Consolidated Statements and Other Financial Information—The Partnership's Cash Distribution Policy—Estimated Maintenance and Replacement Capital Expenditures" for a description of our estimated annual maintenance and replacement capital expenditures.

The required drydocking or on-water surveys of our vessels could be more expensive and time consuming than we anticipate, which could adversely affect our cash available for distribution.

The drydocking or on-water survey of our vessels could become longer and more costly than we expect, and in the case of the *Neptune* and the *Cape Ann* could be drydocked for longer than the allowable period under the time charters. Although the *Neptune* and *Cape Ann* time charters, require the charterer to pay the hire rate for up to a specified number of days of scheduled drydocking and reimburse us for anticipated drydocking costs, any significant increase in the number of days of drydocking beyond the specified number of days during which the hire rate remains payable could have a material adverse effect on our ability to make cash distributions to our unitholders. Furthermore, under the *PGN FSRU Lampung* time charter, the vessel will be deemed to be off-hire if drydocking exceeds designated allowances, and under the *Höegh Grace* and the *Höegh Gallant* time charters, the vessels will be deemed to be off-hire during drydocking. There are no pass through provisions for drydocking or on-water expenses for the *PGN FSRU Lampung*, the *Höegh Grace* or the *Höegh Gallant.* A significant increase in the cost of repairs during drydocking could also adversely affect our cash available for distribution. We may underestimate the time required to drydock or perform on-water surveys of any of our vessels or unanticipated problems may arise. If more than one of our vessels is required to be out of service at the same time, if a vessel is drydocked longer than the permitted duration or if the cost of repairs during drydocking is greater than budgeted, our cash available for distribution could be adversely affected.

We may experience operational problems with vessels that could reduce revenue, increase costs or lead to termination of our time charters.

FSRUs are complex and their operations are technically challenging. The operations of our vessels may be subject to mechanical risks. Operational problems may lead to loss of revenue or higher than anticipated operating expenses or require additional capital expenditures. Moreover, pursuant to each time charter, the vessels in our fleet must maintain certain specified performance standards, which may include a guaranteed speed or delivery rate of regasified natural gas, consumption of no more than a specified amount of fuel, not exceed a maximum average daily boil-off or energy balance, loss of earnings and certain liquidated damages payable under the charterer's charter and other performance failures. In addition, we have received the performance claims related to the *Neptune* and the *Cape Ann* described above. Please read "Item 4.B. Business Overview—Vessel Time Charters." If we fail to maintain these standards, we may be liable to our customers for reduced hire, damages, loss of earnings and certain liquidated damages payable. Under the charterer's charter and, in certain circumstances, our customers may terminate their respective time charters. Any of these results could harm our business, financial condition, results of operations and ability to make cash distributions to our unitholders.

If capital expenditures are financed through cash from operations or by issuing debt or equity securities, our ability to make cash distributions may be diminished, our financial leverage could increase, or our unitholders may be diluted.

Use of cash from operations to expand our fleet will reduce cash available for distribution to unitholders. Our ability to obtain bank financing or to access the capital markets may be limited by our financial condition at the time of any such financing or offering as well as by adverse market conditions resulting from, among other things, general economic conditions, changes in the LNG industry and contingencies and uncertainties that are beyond our control. Our failure to obtain the funds for future capital expenditures could have a material adverse effect on our business, financial condition, results of operations and ability to make cash distributions to our unitholders. Even if we are successful in obtaining necessary funds, the terms of any debt financings could limit our ability to pay cash distributions to unitholders. In addition, incurring additional debt may significantly increase our interest expense and financial leverage, and issuing additional equity securities may result in significant unitholder dilution and would increase the aggregate amount of cash required to pay distributions to our unitholders.

We may be unable to make or realize expected benefits from acquisitions, which could have an adverse effect on our expected plans for growth.

Our growth strategy includes selectively acquiring FSRUs, LNG carriers and other LNG infrastructure assets that are operating under long-term charters with stable cash flows. Any acquisition of a vessel or business may not be profitable to us at or after the time we acquire such vessel or business and may not generate cash flows sufficient to justify our investment. In addition, our acquisition growth strategy exposes us to risks that may harm our business, financial condition and results of operations, including risks that we may:

- fail to realize anticipated benefits, such as new customer relationships, or cash flows enhancements;
- be unable to hire, train or retain qualified onshore and seafaring personnel to manage and operate our growing business and fleet;
- decrease our liquidity by using a significant portion of our available cash or borrowing capacity to finance acquisitions;
- significantly increase our interest expense or financial leverage if we incur additional debt to finance acquisitions;
- incur or assume unanticipated liabilities, losses or costs associated with the business or vessels acquired; or
- incur other significant charges, such as impairment of goodwill or other intangible assets, asset devaluation or restructuring charges.

Fluctuations in overall LNG supply and demand growth could adversely affect our ability to secure future long-term charters.

Demand for LNG depends on a number of factors, including economic growth, the cost effectiveness of LNG compared to alternative fuels, environmental policy and the perceived need to diversify fuel mix for energy security reasons. The cost effectiveness of LNG compared to alternative fuels is also dependent on supply. A change in any of the factors influencing LNG demand, or an imbalance between supply and demand, could adversely affect the need for LNG infrastructure and our ability to secure additional long-term charters.

Our future performance and growth depend on continued growth in demand for the services we provide.

Our growth strategy focuses on expansion in the floating storage and regasification sector and the maritime transportation sector, each within the LNG transportation, storage and regasification industry. The rate of LNG growth has fluctuated due to several reasons, including the global economic crisis, natural gas production from unconventional sources in certain regions, the relative competitiveness of alternative fossil fuels such as oil and coal, improvements in the competitiveness of renewable energy sources and the highly complex and capital intensive nature of new or expanded LNG projects. Accordingly, our growth depends on continued growth in world and regional demand for LNG, FSRUs, LNG carriers and other LNG infrastructure assets, which could be negatively affected by a number of factors, including:

- increases in the cost of LNG;
- increases in interest rates or other events that may affect the availability of sufficient financing for LNG projects on commercially reasonable terms;
- increases in the production levels of low-cost natural gas in domestic, natural gas-consuming markets, which could further depress prices for natural gas in those markets and make LNG uneconomical;
- decreases in the cost, or increases in the demand for, conventional land-based regasification systems, which could occur if providers or users of regasification services seek greater economies of scale than FSRUs can provide or if the economic, regulatory or political challenges associated with land-based activities improve;
- decreases in the cost of alternative technologies or development of alternative technologies for vessel-based LNG regasification;
- increases in the production of natural gas in areas linked by pipelines to consuming areas, the extension of existing, or the development of new, pipeline systems in markets we may serve, or the conversion of existing non-natural gas pipelines to natural gas pipelines in those markets;
- decreases in the consumption of natural gas due to increases in its price relative to other energy sources, regulation or other factors making consumption of natural gas less attractive;

- availability of new, alternative energy sources, including compressed natural gas and renewables; and
- negative global or regional economic or political conditions, particularly in LNG consuming regions, which could reduce energy consumption or its growth.

Reduced demand for LNG, FSRUs or LNG carriers would have a material adverse effect on our future growth and could harm our business, financial condition and results of operations.

Growth of the LNG market may be limited by many factors, including infrastructure constraints and community and political group resistance to new LNG infrastructure over concerns about environmental, safety and terrorism.

A complete LNG project includes production, liquefaction, regasification, storage and distribution facilities and FSRUs or LNG carriers. Existing LNG projects and infrastructure are limited, and new or expanded LNG projects are highly complex and capital intensive, with new projects often costing several billion dollars. Many factors could negatively affect continued development of LNG infrastructure and related alternatives, including floating storage and regasification, or disrupt the supply of LNG, including:

- the availability of sufficient financing for LNG projects on commercially reasonable terms;
- the availability long-term contracts that can support such financing;
- decreases in the price of LNG, which might decrease the expected returns relating to investments in LNG projects;
- the inability of project owners or operators to obtain governmental approvals to construct or operate LNG facilities;
- local community resistance to proposed or existing LNG facilities based on safety, environmental or security concerns;
- any significant explosion, spill or similar incident involving an LNG facility or vessel involved in the LNG transportation, storage and regasification industry, including an FSRU or LNG carrier; and
- labor or political unrest affecting existing or proposed areas of LNG production and regasification.

We expect that, in the event any of the factors discussed above negatively affect us, some of the proposals to expand existing or develop new LNG liquefaction and regasification facilities may be abandoned or significantly delayed. If the LNG supply chain is disrupted or does not continue to grow, or if a significant explosion, spill or similar incident occurs within the LNG transportation, storage and regasification industry, it could have a material adverse effect on our business, financial condition, results of operations and ability to make cash distributions to our unitholders.

Demand for FSRUs or LNG shipping could be significantly affected by volatile natural gas prices and the overall demand for natural gas.

LNG prices are volatile and affected by numerous factors beyond our control, including, but not limited to, the following:

- worldwide demand for natural gas and LNG;
- the cost of exploration, development, production, transportation and distribution of natural gas;
- expectations regarding future energy prices for both natural gas and other sources of energy;
- the level of worldwide LNG production and exports;
- government laws and regulations, including but not limited to environmental protection laws and regulations;
- local and international political, economic and weather conditions;
- political and military conflicts; and
- the availability and cost of alternative energy sources, including alternate sources of natural gas.

Weakness in the LNG market may adversely affect our future business, results of operations and financial condition and our ability to make cash distributions, as a result of, among other things:

- lower demand for LNG carriers, reducing available charter rates and revenue to us from short term redeployment of our vessels between FSRU projects or following expiration or termination of existing contracts;
- customers potentially seeking to renegotiate or terminate existing vessel contracts, or failing to extend or renew contracts upon expiration; or
- the inability or refusal of customers to make charter payments to us due to financial constraints or otherwise.

Weakness in demand for FSRUs or LNG carriers could come about because of excess capacity in the market, newly built vessels entering the market and existing vessels coming off contract.

In general, reduced demand for LNG, FSRUs or LNG carriers would have a material adverse effect on our future growth and could harm our business, results of operations and financial condition.

The debt levels of us and our joint ventures may limit our and their flexibility in obtaining additional financing, refinancing credit facilities upon maturity or pursuing other business opportunities or our paying distributions to you.

As of December 31, 2018, we had outstanding principal on long-term bank debt of $440.2 million, and revolving credit due to owners and affiliates of $39.3 million and our joint ventures had outstanding principal on long-term debt of $430.8 million, of which 50% is our share.

On January 29, 2019, we entered into a loan agreement with a syndicate of banks to refinance the outstanding balances of the credit facility secured by the *Höegh Gallant* and the *Höegh Grace*. The new facility is structured as a term loan with commercial and export credit tranches for each vessel to refinance outstanding amounts under the existing credit facility secured by the *Höegh Gallant* and the *Höegh Grace* and a revolving credit facility for the Partnership with a drawing capacity of $63 million (the "$385 million facility"). On January 31, 2019, we drew $320 million under the commercial term loans and the export credit tranches on the new facility to settle $303.2 million and $1.6 million of the outstanding balance and accrued interest, respectively, of the credit facility secured by the *Höegh Gallant* and the *Höegh Grace* and $5.5 million to pay arrangement fees under the new facility. Refer to “Item 5. B. Liquidity and Capital Resources—Borrowing Activities—Long-term Debt—$385 million facility”

As of March 31, 2019, we had outstanding principal on long-term bank debt of $451.3 million and revolving credit due to owners and affiliates of $39.3 million and our joint ventures had outstanding principal on long-term debt of $424.3 million. In addition, we have the ability to incur additional debt, and as of March 31, 2019 we had the ability to borrow an additional $45.7 million under our revolving credit facility with Höegh LNG and $63.0 million on the bank revolving credit facility, subject to certain limitations. If we acquire additional vessels or businesses, our consolidated debt may significantly increase. We may incur additional debt under these or future credit facilities. Our joint ventures’ credit facilities will mature in 2022 and require an aggregate principal repayment of approximately $330 million, of which 50% is our share. A portion of the credit facility secured by the *PGN FSRU Lampung* will mature in 2021 and requires that an aggregate principal amount of $16.5 million be refinanced. If such principal repayment is not refinanced, the export credit tranche of the *PGN FSRU Lampung* financing that will have an outstanding balance of $68.2 million at this time may be accelerated together with the attendant hedges. A portion of the new credit facility secured by the *Höegh Gallant* and the *Höegh Grace* will mature in 2026, respectively, and requires that an aggregate principal amount of $136.1 million be refinanced. If the principal repayment is not refinanced, the export credit tranche secured by the *Höegh Gallant* and the *Höegh Grace* financing, that will have an outstanding balance of $9.5 million may be accelerated. Please read “Item 5.B. Liquidity and Capital Resources—Borrowing Activities—Long-term Debt—Lampung Facility” and “—$385 million Facility.”

Our level of debt could have important consequences to us, including the following:

- our ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes may be limited or such financing may not be available on favorable terms;
- we will need a substantial portion of our cash flows to make principal and interest payments on our debt, reducing the funds that would otherwise be available for operations, future business opportunities and distributions to unitholders;
- our debt level will make us more vulnerable than our competitors with less debt to competitive pressures or a downturn in our business or the economy generally;
- our debt level may limit our flexibility in responding to changing business and economic conditions; and
- if we are unable to satisfy the restrictions included in any of our financing arrangements or are otherwise in default under any of those arrangements, as a result of our debt levels or otherwise, we will not be able to make cash distributions to you, notwithstanding our stated cash distribution policy.

Our ability to service or refinance our debt will depend on, among other things, our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond our control. If our operating results are not sufficient to service or refinance our current or future indebtedness, we will be forced to take actions such as reducing distributions, reducing or delaying our business activities, acquisitions, investments or capital expenditures, selling assets, restructuring our debt, or seeking additional equity capital or bankruptcy protection. We may not be able to effect any of these remedies on satisfactory terms, or at all.

The financing arrangements of us and our joint ventures are secured by our vessels and contain operating and financial restrictions and other covenants that may restrict our business and financing activities as well as our ability to make cash distributions to our unitholders.

The operating and financial restrictions and covenants in the financing arrangements of us and our joint ventures, including lease agreements and any future financing agreements, could adversely affect our and their ability to finance future operations or capital needs or to engage, expand or pursue our business activities. For example, the financing agreements may restrict the ability of us and our subsidiaries to:

- incur or guarantee indebtedness;
- change ownership or structure, including mergers, consolidations, liquidations and dissolutions;
- make dividends or distributions;
- make certain negative pledges and grant certain liens;
- sell, transfer, assign or convey assets;
- make certain investments; and
- enter into a new line of business.

In addition, our financing agreements require us and Höegh LNG to comply with certain financial ratios and tests, including maintaining a minimum liquidity and a minimum book equity ratio and require that our current assets exceed current liabilities, as defined by the financing agreements, and that our subsidiaries maintain minimum EBITDA to debt service ratios. Please read “Item 5.B. Liquidity and Capital Resources—Borrowing Activities—Long-term Debt—Lampung Facility” and “—$385 million Facility.”

Our joint ventures,' Höegh LNG's and our ability to comply with covenants and restrictions contained in financing arrangements may be affected by events beyond our control, including prevailing economic, financial and industry conditions. If market or other economic conditions deteriorate, our and their ability to comply with these covenants may be impaired. If restrictions, covenants, ratios or tests in debt instruments are breached, a significant portion of the obligations may become immediately due and payable, and the lenders' commitment to make further loans may terminate. We and/or our joint ventures or Höegh LNG may not have, or be able to obtain, sufficient funds to make these accelerated payments. In addition, obligations under our and our joint ventures' financing arrangements are secured by our vessels and, in some cases, guaranteed by us or Höegh LNG, and if we or they, as applicable, are unable to repay debt under our financing arrangements, the lenders could seek to foreclose on those assets. Please read "Item 5.B. Liquidity and Capital Resources."

Restrictions in our debt agreements and local laws may prevent us from paying distributions to our unitholders.

The payment of principal and interest on our debt will reduce our cash available for distribution. Our and our joint ventures' financing arrangements prohibit the payment of distributions upon the occurrence of certain events, including, but not limited to:

- failure to pay any principal, interest, fees, expenses or other amounts when due;
- certain material environmental incidents;
- breach or lapse of insurance with respect to vessels securing the facilities;
- breach of certain financial covenants;
- failure to observe any other agreement, security instrument, obligation or covenant beyond specified cure periods in certain cases;
- default under other indebtedness (including certain hedging arrangements or other material agreements);
- bankruptcy or insolvency events;
- inaccuracy of any representation or warranty;
- a change of ownership of the vessel-owning subsidiary, as defined in the applicable agreement; and
- a material adverse change, as defined in the applicable agreement.

Furthermore, our financing arrangements require that we maintain minimum amounts of free liquid assets and our subsidiaries and joint ventures to hold cash reserves that are, in certain cases, held for specifically designated uses, including working capital, operations and maintenance and debt service reserves, and are generally subject to "waterfall" provisions that allocate project revenues to specified priorities of use (such as operating expenses, scheduled debt service, targeted debt service reserves and any other reserves) and the remaining cash is distributable to us only on certain dates and subject to satisfaction of certain conditions, including meeting a 1.20 historical and in some cases, projected, debt service coverage ratio. In addition, the laws governing our joint ventures and subsidiaries may prevent us from making dividend distributions. Our joint ventures are subject to restrictions under the laws of the Cayman Islands and may only pay distributions out of profits or capital reserves if the joint venture entity is solvent after the distribution, Höegh Lampung is subject to Singapore laws and may make dividend distributions only out of profits. Dividends may only be paid by PT Höegh if its retained earnings are positive under Indonesian law and requirements are fulfilled under the Lampung facility. In addition, PT Höegh as an Indonesian incorporated company is required to establish a statutory reserve equal to 20% of its paid up capital. The dividend can only be distributed if PT Höegh's retained earnings are positive after deducting the statutory reserve. PT Höegh has not established the required statutory reserves as of December 31, 2018 and therefore cannot make dividend payments to us under Indonesia law. However, subject to meeting a debt service ratio of 1.20 to 1.00, PT Höegh can distribute cash from its cash flow from operations to us as payment of intercompany accrued interest and / or intercompany debt, after quarterly payments of the Lampung facility and fulfilment of the "waterfall" provisions to meet operating requirements as defined by the Lampung facility. Under Cayman Islands law, Höegh FSRU III, Höegh FSRU IV and Höegh Colombia Holding may only pay distributions out of profits or capital reserves if the entity is solvent after the distribution. Dividends from Höegh Cyprus may only be distributed out of profits and not from the share capital of the company. Dividends and other distributions from Höegh Cyprus, Höegh Colombia and Höegh FSRU IV may only be distributed if after the dividend payment, the Partnership would remain in compliance with the financial covenants under the $385 million facility. Please read "Item 8.A. Consolidated Statements and Other Financial Information—The Partnership's Cash Distribution Policy—Limitations on Cash Distributions and Our Ability to Change Our Cash Distribution Policy."

Höegh LNG's failure to comply with certain obligations under the Lampung facility, and certain other events occurring at Höegh LNG, could result in defaults under the Lampung credit facility, and the failure by EgyptCo, a wholly owned subsidiary of Höegh LNG, to comply with certain obligations under the $385 million facility could result in default under the $385 million facility, any of which could have a material adverse effect on us.

Höegh LNG guarantees the obligations of PT Höegh, the owner of the *PGN FSRU Lampung*, under the Lampung facility. (as described in "Item 5.B. Liquidity and Capital Resources—Borrowing Activities—Long-term Debt"). Pursuant to the terms of the Lampung facility, Höegh LNG must, among other things, maintain minimum book equity and comply with certain minimum liquidity financial covenants. Failure by Höegh LNG to satisfy any of the covenants applicable to Höegh LNG would result in a default under the Lampung facility. The lenders of the Lampung facility may foreclose upon any collateral securing that debt, including arrest and seizure of the *PGN FSRU Lampung*, even if Höegh LNG were to subsequently cure its default in the event of such acceleration and foreclosure, PT Höegh and the Partnership, as the case may be, might not have sufficient funds or other assets to satisfy all of their obligations under the related credit facility, which would have a material adverse effect on our business, results of operations and financial condition and would significantly reduce our ability, or make us unable, to make cash distributions to our unitholders for so long as such default is continuing. Please read "Item 5.B. Liquidity and Capital Resources—Borrowing Activities—Long-term Debt—Lampung Facility." EgyptCo is a guarantor under the $385 million facility. Failure by EgyptCo to comply with its obligations under the $385 million facility or the ancillary security documents would result in a default under the $385 million facility. The lenders of the $385 million facility may accelerate all amounts outstanding and accrued and take other actions under the related security documents.

An increase in the global supply or aggregate capacities of FSRUs or LNG carriers, including conversion of existing tonnage, without a commensurate increase in demand may have an adverse effect on hire rates and the values of our vessels, which could have a material adverse effect on our business, financial condition, results of operations and ability to make cash distributions to our unitholders.

The supply of FSRUs, LNG carriers and other LNG infrastructure assets in the industry is affected by, among other things, assessments of the demand for these vessels by charterers. Any over-estimation of demand for vessels may result in an excess supply of new vessels. This may, in the long term when existing contracts expire, result in lower hire rates and depress the values of our vessels. If hire rates are lower when we are seeking new time charters upon expiration or early termination of our current time charters, or for any new vessels we acquire, our business, financial condition, results of operations and ability to make cash distributions to our unitholders may be adversely affected.

During periods of high utilization and high hire rates, industry participants may increase the supply of FSRUs and/or LNG carriers by ordering the construction of new vessels. This may result in an over-supply and may cause a subsequent decline in utilization and hire rates when the vessels enter the market. Lower utilization and hire rates could adversely affect revenues and profitability. Prolonged periods of low utilization and hire rates could also result in the recognition of impairment charges on our vessels if future cash flow estimates, based upon information available at the time, indicate that the carrying value of these vessels may not be recoverable. Such impairment charges may cause lenders to accelerate loan payments under our or our joint ventures' financing agreements, which could adversely affect our business, financial condition, results of operations and ability to make cash distributions to our unitholders.

Vessel values may fluctuate substantially, and a decline in vessel values may result in impairment charges, the breach of our financial covenants or, if these values are lower at a time when we are attempting to dispose of vessels, a loss on the sale.

Vessel values for FSRUs and LNG carriers can fluctuate substantially over time due to a number of different factors, including:

- prevailing economic conditions in the natural gas and energy markets;
- a substantial or extended decline in demand for LNG;
- increases in the supply of vessel capacity;
- the size and age of a vessel;
- the remaining term on existing time charters; and
- the cost of retrofitting or modifying existing vessels, as a result of technological advances in vessel design or equipment, changes in applicable environmental or other regulations or standards, customer requirements or otherwise.

As our vessels age, the expenses associated with maintaining and operating them are expected to increase, which could have an adverse effect on our business and operations if we do not maintain sufficient cash reserves for maintenance and replacement capital expenditures. Moreover, the cost of a replacement vessel would be significant.

If a charter terminates, we may be unable to re-deploy the affected vessel at attractive rates and, rather than continue to incur costs to maintain and finance the vessel, we may seek to dispose of the vessel. Our inability to dispose of a vessel at a reasonable value could result in a loss on the sale and adversely affect our ability to purchase a replacement vessel, financial condition, results of operations and ability to make cash distributions to our unitholders. A decline in the value of our vessels may also result in impairment charges or the breach of certain of the ratios and financial covenants we are required to comply with in our credit facilities.

We depend on Höegh LNG and its affiliates for the management of our fleet and to assist us in operating and expanding our business.

Our ability to enter into new charters and expand our customer relationships will depend largely on our ability to leverage our relationship with Höegh LNG and its reputation and relationships in the shipping industry. If Höegh LNG suffers material damage to its reputation or relationships, it may harm our ability to:

- renew existing charters upon their expiration;
- obtain new charters;
- successfully interact with shipyards;
- obtain financing on commercially acceptable terms;
- maintain access to capital under the revolving credit facility; or
- maintain satisfactory relationships with suppliers and other third parties.

In addition, all our vessels are subject to management and services agreements with affiliates of Höegh LNG. Moreover, pursuant to an administrative services agreement among us, our operating company and Höegh UK and an administrative services agreement between our operating company and Leif Höegh UK, Höegh UK and Leif Höegh UK provide us and our operating company with certain administrative, financial and other support services. Höegh UK subcontracts some of these services to Höegh Norway and Leif Höegh UK pursuant to separate administrative services agreements. Our operational success and ability to execute our growth strategy will depend significantly upon the satisfactory performance of these services. Our business will be harmed if our service providers fail to perform these services satisfactorily, if they cancel their agreements with us or if they stop providing these services to us. Please read “Item 7.B. Related Party Transactions.”

The operation of FSRUs, LNG carriers and other LNG infrastructure assets is inherently risky, and an incident involving significant loss of life or property or environmental consequences involving any of our vessels could harm our reputation, business and financial condition.

Our vessels and their cargoes are at risk of being damaged or lost because of events such as:

- marine disasters;
- piracy;
- environmental accidents;
- bad weather;
- mechanical failures;
- grounding, fire, explosions and collisions;
- human error; and
- war and terrorism.

An accident involving any of our vessels could result in any of the following:

- death or injury to persons, loss of property or damage to the environment, natural resources or protected species, and associated costs;
- delays in taking delivery of cargo or discharging LNG or regasified LNG, as applicable;
- loss of revenues from or termination of time charters;
- governmental fines, penalties or restrictions on conducting business;
- higher insurance rates; and
- damage to our reputation and customer relationships generally.

Any of these results could have a material adverse effect on our business, financial condition and results of operations.

If our vessels suffer damage, they may need to be repaired. The costs of vessel repairs are unpredictable and can be substantial. We may have to pay repair costs that our insurance policies do not cover, for example, due to insufficient coverage amounts or the refusal by our insurance provider to pay a claim. The loss of earnings while these vessels are being repaired, as well as the actual cost of these repairs not otherwise covered by insurance, would decrease our results of operations. If any of our vessels are involved in an accident with the potential risk of environmental consequences, the resulting media coverage could have a material adverse effect on our business, our results of operations and cash flows, weaken our financial condition and negatively affect our ability to make cash distributions to our unitholders.

Our insurance may be insufficient to cover losses that may occur to our property or result from our operations.

The operating of FSRUs, LNG carriers and other LNG infrastructure assets is inherently risky. Although we carry protection and indemnity insurance consistent with industry standards, all of the risks associated with operating FSRUs, LNG carriers and other LNG infrastructure assets may not be adequately insured against, and any particular claim may not be paid. Any claims covered by insurance would be subject to deductibles, and since it is possible that a large number of claims may be brought, the aggregate amount of these deductibles could be material. Certain of our insurance coverage is maintained through mutual protection and indemnity associations, and as a member of such associations we may be required to make additional payments over and above budgeted premiums if member claims exceed association reserves.

We may be unable to procure adequate insurance coverage at commercially reasonable rates in the future. For example, more stringent environmental regulations have led in the past to increased costs for, and in the future may result in the lack of availability of, insurance against risks of environmental damage or pollution. A marine disaster could exceed our insurance coverage, which could harm our business, financial condition, results of operations, cash flows and ability to make cash distributions to our unitholders. Any uninsured or underinsured loss could harm our business and financial condition. In addition, our insurance may be voidable by the insurers as a result of certain of our actions, such as our ships failing to maintain certification with applicable maritime self-regulatory organizations.

Changes in the insurance markets attributable to terrorist attacks may also make certain types of insurance more difficult for us to obtain. In addition, upon renewal or expiration of our current policies, the insurance that may be available to us may be significantly more expensive than our existing coverage.

An increase in operating expenses could adversely affect our financial performance.

Our operating expenses, on water survey costs and drydock capital expenditures depend on a variety of factors including crew costs, provisions, deck and engine stores and spares, lubricating oil, insurance, maintenance and repairs and shipyard costs, many of which are beyond our control and affect the entire shipping industry. While many of these costs are borne by the charterers under our time charters, there are some circumstance where this is not the case. For example, we bear the cost of fuel (bunkers) for the *Höegh Gallant* and *Höegh Grace* time charters, and fuel is a significant expense in our operations when our vessels are, for example, moving to or from drydock or when off-hire. The price and supply of fuel is unpredictable and fluctuates based on events outside our control, including geopolitical developments, supply and demand for oil and gas, actions by the Organization of the Petroleum Exporting Countries and other oil and gas producers, war and unrest in oil-producing countries and regions, regional production patterns and environmental concerns. These may increase vessel operating costs further. If costs continue to rise, they could materially and adversely affect our results of operations.

A shortage of qualified officers and crew could have an adverse effect on our business and financial condition.

FSRUs and LNG carriers require a technically skilled officer staff with specialized training. As the global FSRU fleet and LNG carrier fleet continues to grow, the demand for technically skilled officers and crew has been increasing, which has led to a more competitive recruiting market. Increases in our historical vessel operating expenses have been attributable primarily to the rising costs of recruiting and retaining officers for our fleet. Furthermore, each key officer crewing an FSRU or LNG carrier must receive specialized training related to the operation and maintenance of the regasification equipment. If Höegh LNG Management and Höegh Maritime Management are unable to recruit and employ technically skilled staff and crew, they will not be able to adequately staff our vessels. A material decrease in the supply of technically skilled officers or an inability of Höegh LNG Management or Höegh Maritime Management to attract and retain such qualified officers could impair our ability to operate or increase the cost of crewing our vessels, which would materially adversely affect our business, financial condition and results of operations and significantly reduce our ability to make cash distributions to our unitholders.

We may be unable to attract and retain key management personnel, which may negatively impact our growth, the effectiveness of our management and our results of operations.

Our success depends to a significant extent upon the abilities and the efforts of our senior executives. While we believe that we have an experienced management team, the loss or unavailability of one or more of our senior executives for any extended period of time could have an adverse effect on our growth, business and results of operations.

Exposure to currency exchange rate fluctuations could result in fluctuations in our cash flows and operating results.

Currency exchange rate fluctuations and currency devaluations could have an adverse effect on our results of operations from quarter to quarter. Historically, the substantial majority of our revenue has been generated in U.S. Dollars, but we incur a minority of our operating expenses in other currencies. All of our long-term debt is U.S. dollar denominated, but we incur a minority of short term liabilities in other currencies. Please read “Item 5.B. Liquidity and Capital Resources—Critical Accounting Estimates—Use of Exchange Rates” and “Item 11. Quantitative and Qualitative Disclosures About Market Risk—Foreign Currency Risk.”

Acts of piracy on any of our vessels or on oceangoing vessels could adversely affect our business, financial condition and results of operations.

Acts of piracy have historically affected oceangoing vessels trading in regions of the world such as the South China Sea, the Gulf of Aden off the coast of Somalia and the Gulf of Guinea. If such piracy attacks result in regions in which our vessels are deployed being named on the Joint War Committee Listed Areas, war-risk insurance premiums payable for such insurance coverage could increase significantly and such insurance coverage might become more difficult to obtain. In addition, crew costs, including costs that may be incurred to the extent we employ onboard security guards, could increase in such circumstances. We may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on us. In addition, hijacking as a result of an act of piracy against our vessels, or an increase in cost or unavailability of insurance for our vessels, could have a material adverse impact on our business, financial condition and results of operations.

Terrorist attacks, increased hostilities, piracy or war could lead to further economic instability, increased costs and disruption of business.

Terrorist attacks may adversely affect our business, financial condition, results of operations, ability to raise capital and future growth. Continuing hostilities in the Middle East may lead to additional armed conflicts or to further acts of terrorism and civil disturbance in the United States or elsewhere, which may contribute further to economic instability and disruption of production and distribution of LNG, which could result in reduced demand for our services.

Terrorist attacks on vessels may in the future adversely affect our business, financial condition and results of operation. In addition, LNG facilities, shipyards, vessels, pipelines and natural gas fields could be targets of future terrorist attacks. Any such attacks could lead to, among other things, bodily injury or loss of life, vessel or other property damage, increased vessel operational costs, including insurance costs, and the inability to transport LNG to or from certain locations. Terrorist attacks, piracy, war or other events beyond our control that adversely affect the distribution, production or transportation of LNG to be shipped by us could entitle customers to terminate our charters, which would harm our cash flows and business. Terrorist attacks, or the perception that LNG facilities, FSRUs and LNG carriers are potential terrorist targets, could materially and adversely affect expansion of LNG infrastructure and the continued supply of LNG. Concern that LNG facilities may be targeted for attack by terrorists has contributed to a community and environmental resistance to the construction of a number of LNG facilities. In addition, the loss of a vessel as a result of terrorism or piracy would have a material adverse effect on our business, financial condition and results of operations.

We are exposed to political, regulatory, and economic risks associated with doing business in different countries, including in emerging market countries.

We conduct all of our operations outside of the United States and expect to continue to do so for the foreseeable future. Some of the countries in which we are engaged in business or where our vessels are registered, for example, Indonesia, Egypt and Colombia, are historically less developed and stable than the United States. We are affected by economic, political, and governmental conditions in the countries where we are engaged in business or where our vessels are registered. We are also affected by policies related to labor and the crewing of FSRUs. Any disruption caused by these factors could harm our business. Further, we derive a substantial portion of our revenues from shipping and regasifying LNG from politically unstable regions. Future hostilities or other political instability where we operate or may operate could have a material adverse effect on the growth of our business, financial condition, results of operations and ability to make cash distributions to our unitholders. In addition, tariffs, trade embargoes and other economic sanctions by the United States or other countries against countries in the Middle East, Southeast Asia, South America or elsewhere as a result of terrorist attacks, hostilities or otherwise may limit trading activities with those countries, which could harm our business and ability to make cash distributions to our unitholders.

Our vessels operating in international waters, now or in the future, will be subject to various international conventions and flag state laws and regulations relating to protection of the environment.

Our vessels traveling in international waters are subject to various existing regulations published by the International Maritime Organization (the "IMO"), as well as marine pollution and prevention requirements imposed by the IMO International Convention for the Prevention of Pollution from Ships of 1975, as from time to time has been or may be amended (the "MARPOL Convention"). In addition, our FSRUs may become subject to the International Convention on Liability and Compensation for Damage in Connection with the Carriage of Hazardous and Noxious Substances by Sea, as amended by the April 2010 Protocol to the HNS Convention (the "2010 HNS Convention"), if it is entered into force. The 2010 HNS Convention is intended to put in place a comprehensive regime to address the risks of fire and explosion and to cover pollution damage from hazardous and noxious substances carried by ships, including loss of life, personal injury, and property loss of damage. If the 2010 HNS Convention were to enter into force, we cannot estimate with any certainty at this time the costs that may be needed to comply with any such requirements that may be adopted. Please read "Item 4.B. Business Overview — Environmental and Other Regulation" for a more detailed discussion on these topics.

Our operations are subject to substantial environmental and other regulations, which may significantly increase our expenses.

Our operations are materially affected by extensive and changing international, national and local environmental protection laws, regulations, treaties, conventions and standards in force in international waters, the jurisdictional waters of the countries in which our vessels operate, as well as the countries of our vessels' registration, including those relating to equipping and operating FSRUs and LNG carriers, providing security and minimizing the potential for adverse impacts to the environment, natural resources and protected species from their operations. These include regulations of the IMO, including the International Convention on Civil Liability for Oil Pollution Damage of 1969, as from time to time amended, the MARPOL Convention, the International Convention for the Prevention of Marine Pollution of 1973, the IMO International Convention for the Safety of Life at Sea of 1974, as from time to time amended ("SOLAS"), the IMO International Convention on Load Lines of 1966, as from time to time amended, and the International Management Code for the Safe Operation of Ships and for Pollution Prevention (the "ISM Code") and national laws such as the U.S. Oil Pollution Act of 1990 ("OPA 90"), the U.S. Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), the U.S. Clean Water Act (the "CWA"), and the U.S. Maritime Transportation Security Act of 2002 and any counterpart laws in other jurisdictions with laws governing our operations. We may become subject to additional laws and regulations if we enter new markets or trades.

Many of these requirements are designed to reduce the risk of oil spills and other pollution. In addition, we believe that the heightened environmental, quality and security concerns of insurance underwriters, regulators and charterers will lead to additional regulatory requirements, including enhanced risk assessment and security requirements and greater inspection and safety requirements on vessels. We have incurred, and expect to continue to incur substantial expenses in complying with these laws and regulations, including expenses for vessel modifications and changes in operating procedures.

The design, construction and operation of FSRUs and interconnecting pipelines and the transportation of LNG are also subject to governmental approvals and permits. The permitting rules, and the interpretations of those rules, are complex, change frequently and are often subject to discretionary interpretations by regulators, all of which may make compliance more difficult or impractical and may increase the time it takes to secure needed approvals. The length of time it takes to receive regulatory approval for offshore LNG operations is one factor that has affected our industry, including through increased expenses.

Environmental and other regulatory requirements can affect the resale value or useful lives of our vessels, require ship modifications or operational changes or restrictions, lead to decreased availability of insurance coverage for environmental matters or result in the denial of access to certain jurisdictional waters or ports, or detention in, certain ports. Under local and national laws, as well as international treaties and conventions, we could incur material liabilities, including cleanup obligations, in the event that there is a release of hazardous substances from our vessels or otherwise in connection with our operations. We could also become subject to personal injury or property damage claims relating to the release of or exposure to hazardous materials associated with our operations. In addition, failure to comply with applicable laws and regulations may result in administrative and civil penalties, criminal sanctions or the suspension or termination of our operations, including, in certain instances, seizure or detention of our vessels.

Please read "Item 4.B. Business Overview—Environmental and Other Regulation."

Further changes to existing environmental laws applicable to international and national maritime trade may have an adverse effect on our business.

We believe that the heightened environmental, quality and security concerns of insurance underwriters, regulators and charterers will generally lead to additional regulatory requirements, including enhanced risk assessment and security requirements and greater inspection and safety requirements on all vessels in the marine LNG transportation markets and offshore LNG terminals. These requirements are likely to add incremental costs to our operations and the failure to comply with these requirements may affect the ability of our vessels to obtain and, possibly, collect on insurance or to obtain the required certificates for entry into the different ports where we operate.

Further legislation, or amendments to existing legislation, applicable to international and national maritime trade are expected over the coming years in areas such as ship recycling, sewage systems, emission control (including emissions of greenhouse gases) and ballast treatment and handling. Such legislation or regulations may require additional capital expenditures or operating expenses (such as increased costs for low-sulfur fuel) for us to maintain our vessels' compliance with international and/or national regulations.

Climate change and greenhouse gas restrictions may adversely impact our operations and markets.

Due to concern over the risk of climate change, a number of countries and the IMO have adopted, or are considering the adoption of, regulatory frameworks to reduce greenhouse gas emission from vessel emissions. These regulatory measures may include, among others, adoption of cap and trade regimes, carbon taxes, increased efficiency standards and incentives or mandates for renewable energy. Although the emissions of greenhouse gases from international shipping currently are not subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change (the "Kyoto Protocol") or the more recently announced Paris Agreement, a new treaty or IMO regulations may be adopted in the future that includes restrictions on shipping emissions. In 2016, the IMO reaffirmed its strong commitment to continue to work to address greenhouse gas emissions from ships engaged in international trade. The IMO adopted an initial GHG reduction strategy in 2018. The EU has indicated it intends to implement regulations to limit emissions of greenhouse gases from vessels if such emissions are not regulated through the IMO. Compliance with changes in laws and regulations relating to climate change could increase our costs of operating and maintaining our vessels and could require us to make significant financial expenditures that we cannot predict with certainty at this time.

Adverse effects upon the oil and gas industry relating to climate change, including growing public concern about the environmental and other impacts of climate change, may also have an effect on demand for our services. For example, increased regulation of greenhouse gases or other concerns relating to climate change may reduce the demand for oil and gas in the future or create greater incentives for use of alternative energy sources. Any long-term material adverse effect on the oil and gas industry could have a significant financial and operational adverse impact on our business that we cannot predict with certainty at this time.

Please read "Item 4.B. Business Overview—Environmental and Other Regulation—Regulation of Greenhouse Gas Emissions" below for a more detailed discussion.

Maritime claimants could arrest our vessels, which could interrupt our cash flows.

Crew members, suppliers of goods and services to our vessels, owners of cargo or other parties may be entitled to a maritime lien against one or more of our vessels for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lien holder may enforce its lien by arresting a vessel through foreclosure proceedings. In a few jurisdictions, claimants could try to assert "sister ship" liability against one vessel in our fleet for claims relating to another of our vessels. The arrest or attachment of one or more of our vessels could interrupt our cash flows and require us to pay to have the arrest lifted.

Governments could requisition our vessels during a period of war or emergency, resulting in loss of earnings.

The government of a jurisdiction where one or more of our vessels are registered could requisition for title or seize our vessels. Requisition for title or seizure occurs when a government takes control of a vessel and becomes her owner. Also, a government could requisition our vessels for hire. Requisition for hire occurs when a government takes control of a vessel and effectively becomes the charterer at dictated hire rates. Generally, requisitions occur during a period of war or emergency, although governments may elect to requisition vessels in other circumstances. Although we would expect to be entitled to government compensation in the event of a requisition of one or more of our vessels, the amount and timing of payments, if any, would be uncertain. A government requisition of one or more of our vessels would result in off-hire days under our time charters and may cause us to breach covenants in certain of our credit facilities. Furthermore, a requisition for title of either the *Neptune* or the *Cape Ann* constitutes a total loss under the terms of the related facility agreements, in which case we would have to repay all loans. If a government requisition of one or more of our vessels were to occur, it could have a material adverse effect on our business, financial condition, results of operations and cash flows, including cash available for distribution to our unitholders.

Compliance with safety and other vessel requirements imposed by classification societies may be very costly and may adversely affect our business.

The hull and machinery of every large, oceangoing commercial vessel must be classed by a classification society authorized by her country of registry. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and SOLAS. Each of our vessels is certified by Det Norske Veritas GL, compliant with the ISM Code and "in class." In order to maintain valid certificates from the classification society, a vessel must undergo annual surveys, intermediate surveys and renewal surveys. A vessel's machinery may be on a continuous survey cycle, under which the machinery would be surveyed periodically over a five-year period. Each of the vessels in our fleet has implemented a certified planned maintenance system. The classification society attends onboard once every year to verify that the maintenance of the equipment onboard is done correctly. For each of the *Neptune* and the *Cape Ann*, a renewal survey is conducted every five years and an intermediate survey is conducted within 30 months after a renewal survey. During the first 15 years of operation, the vessels have an extended drydock interval which allow them to be drydocked every 7.5 years, while intermediate surveys and certain renewal surveys occur while they are afloat, using an approved diving company in the presence of a surveyor from the classification society. After these vessels are 15 years old, they are expected to be drydocked every five years or, if required by the charterers, every 30 months. We do not anticipate drydocking of the *PGN FSRU Lampung* for the first 20 years as all the required surveys can be done afloat. In 2019, the *PGN FSRU Lampung* will have an on-water survey done. In the first 15 years after its delivery from the shipyard, we expect the *Höegh Gallant* to have a renewal survey every five years and to be drydocked every 7.5 years. The *Höegh Gallant* is scheduled to be drydocked in 2019. The *Höegh Grace* is also designed to carry out renewal surveys afloat and is not expected to go into drydocking for the duration of its current charter. If any vessel does not maintain her class or fails any annual survey, renewal survey, intermediate survey or special survey, the vessel will be unable to trade between ports and will be unemployable. We would lose revenue while the vessel was off-hire and incur costs of compliance. This would negatively impact our revenues and reduce our cash available for distribution to unitholders.

Failure to comply with the U.S. Foreign Corrupt Practices Act, the UK Bribery Act, the anti-corruption provisions in the Norwegian Criminal Code and other anti-bribery legislation in other jurisdictions could result in fines, criminal penalties, contract termination and an adverse effect on our business.

We may operate in a number of countries throughout the world, including countries known to have a reputation for corruption. We are committed to doing business in accordance with applicable anti-corruption laws and have adopted a code of business conduct and ethics which is consistent and in full compliance with the U.S. Foreign Corrupt Practices Act of 1977 (the "FCPA"), the Bribery Act 2010 of the Parliament of the United Kingdom (the "UK Bribery Act") and the anti-corruption provisions of the Norwegian Criminal Code of 1902 (the "Norwegian Criminal Code"), respectively. We are subject, however, to the risk that we, our affiliated entities or our or their respective officers, directors, employees and agents may take actions determined to be in violation of such anti-corruption laws, including the FCPA, the UK Bribery Act and the Norwegian Criminal Code. Any such violation could result in substantial fines, sanctions, civil and/or criminal penalties, curtailment of operations in certain jurisdictions, and might adversely affect our business, results of operations or financial condition. In addition, actual or alleged violations could damage our reputation and ability to do business. Furthermore, detecting, investigating, and resolving actual or alleged violations is expensive and can consume significant time and attention of our senior management.

If in the future our business activities involve countries, entities and individuals that are subject to restrictions imposed by the U.S. or other governments, we could be subject to enforcement action and our reputation and the market for our preferred and common units could be adversely affected.

The tightening of U.S. sanctions in recent years has affected non-U.S. companies. In particular, sanctions against Iran have been significantly expanded. In 2012, for example, the U.S. signed into law the Iran Threat Reduction and Syria Human Rights Act of 2012 ("TRA"), which placed further restrictions on the ability of non-U.S. companies to do business or trade with Iran and Syria. A major provision in the TRA is that issuers of securities must disclose to the SEC in their annual and quarterly reports filed after February 6, 2013 if the issuer or ''any affiliate'' has ''knowingly'' engaged in certain activities involving Iran during the timeframe covered by the report. This disclosure obligation is broad in scope in that it requires the reporting of activity that would not be considered a violation of U.S. sanctions as well as violative conduct, and is not subject to a materiality threshold. The SEC publishes these disclosures on its website and the President of the United States must initiate an investigation in response to all disclosures.

In addition to the sanctions against Iran, the U.S. also has sanctions that target other countries, entities and individuals. These sanctions have certain extraterritorial effects that need to be considered by non-U.S. companies. It should also be noted that other governments have implemented versions of U.S. sanctions. We believe that we are in compliance with all applicable sanctions and embargo laws and regulations imposed by the U.S., the United Nations or European Union (the "EU") countries and intend to maintain such compliance. However, there can be no assurance that we will be in compliance in the future, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations. Any such violation could result in fines or other penalties and could result in some investors deciding, or being required, to divest their interest, or not to invest, in our units. Additionally, some investors may decide to divest their interest, or not to invest, in our units simply because we may do business with companies that do business in sanctioned countries. Investor perception of the value of our units may also be adversely affected by the consequences of war, the effects of terrorism, civil unrest and governmental actions in these and surrounding countries.

Although we have remediated the material weaknesses in our internal control over financial reporting identified as of December 31, 2017, there may from time to time exist deficiencies in our control systems that could materially and adversely affect us.

We are required to establish and periodically assess the design and operating effectiveness of our internal control over financial reporting. As discussed in "Item 15. Controls and Procedures," in connection with our assessment of the internal control over financial reporting for the year ended December 31, 2017, we disclosed in our Annual Report on Form 20-F for the year ended December 31, 2017 a material weakness relating to operating effectiveness of information technology ("IT") general controls related to controls over user access controls related to financial applications and a material weakness related to controls over the accounting for procurement of goods and services. With respect to the material weakness related to our controls over user access controls related to financial applications, we implemented the following remedial measures in 2018: (i) formalized the operation and documentation of controls performed for discontinuing user access for terminated employees and consultants; (ii) reassessed all user access rights, evaluated appropriate segregation of duties and revised user access rights, as required; (iii) hired additional qualified personnel to monitor and perform controls over user access; and (iv) monitored the performance of our internal controls and procedures related to user access and took remediating actions when controls were not being appropriately performed or documented. With respect to the material weakness related to our controls over the accounting for procurement of goods and services related to vessel operating expenses, we implemented the following remedial measures in 2018: (i) reassessed and improved the design, operation and documentation of controls related to (a) input data to the three-way match of the purchase order, delivery confirmation and invoice to detect errors in supplier invoicing, and (b) accruals for delivered goods and services not yet invoiced, related to vessel operating expenses; (ii) trained those performing the controls on the procedures and documentation required; and (iii) monitored the performance of our internal controls and procedures related to procurement of goods and services related to vessel operating expenses. Although we believe these weaknesses have been remediated as of December 31, 2018, we cannot assure you that there will not be additional material weaknesses in our internal control over financial reporting in the future. Any such additional material weaknesses could materially and adversely affect our financial condition and results of operations and our ability to accurately report our financial condition and results of operations in a reliable and timely manner.

A cyber-attack could materially disrupt our business.

We rely on information technology systems and networks, which are provided by Höegh LNG, in our operations and the administration of our business. Our operations could be targeted by individuals or groups seeking to sabotage or disrupt our information technology systems and networks, or to steal data. A successful cyber-attack could materially disrupt our operations, including the safety of our operations, or lead to unauthorized release of information or alteration of information on our systems. Any such attack or other breach of our information technology systems could have a material adverse effect on our business and results of operations.

Changing laws and evolving reporting requirements could have an adverse effect on our business.

We are subject to laws, directives, and regulations relating to the collection, use, retention, disclosure, security and transfer of personal data. These laws, directives, and regulations, and their interpretation and enforcement continue to evolve and may be inconsistent from jurisdiction to jurisdiction. For example, the General Data Protection Regulation ("GDPR"), which regulates the use of personally identifiable information, went into effect in the EU on May 25, 2018 and applies globally to all of our activities conducted from an establishment in the EU, to related products and services that we offer to EU customers and to non-EU customers which offer services in the EU. GDPR broadens the scope of personal privacy laws to protect the rights of EU citizens and requires organizations to report on data breaches within 72 hours and be bound by more stringent rules for obtaining the consent of individuals on how their data can be used. Complying with GDPR and similar emerging and changing privacy and data protection requirements may cause us to incur substantial costs or require us to change our business practices. Noncompliance with our legal obligations relating to privacy and data protection could result in penalties, fines, legal proceedings by governmental entities or others, loss of reputation, legal claims by individuals and customers and significant legal and financial exposure and could affect our ability to retain and attract customers, which could have an adverse effect on our business, financial conditions, results of operations, cash flows and ability to pay distributions.

The results of the United Kingdom's referendum on withdrawal from the European Union may have a negative effect on global economic conditions, financial markets as well as our business, operating results and financial condition.

The 2016 United Kingdom referendum on its membership in the EU resulted in a majority of United Kingdom voters voting to exit the EU ("Brexit"), and in March 2017, the United Kingdom formally initiated the Brexit process. The referendum was advisory, and any terms of the withdrawal are subject to a negotiation period that lasts at least two years after the March 2017 initiation. Though the United Kingdom withdrawal from the EU was originally scheduled to occur in March 2019, there is currently no agreement in place regarding the withdrawal, creating significant uncertainty about the future relationship between the United Kingdom and the EU, including with respect to the laws and regulations that will apply as the United Kingdom determines which EU-derived laws and regulations to replace or replicate in the event of a withdrawal. Additionally, it remains possible that the United Kingdom's membership in the EU ends without any agreement between the United Kingdom and the EU on the terms of their relationship going forward. The referendum has also given rise to calls for the governments of other EU member states to consider withdrawal. These developments, or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Any of these factors could depress economic activity and restrict our access to capital, which could adversely affect our business, financial condition and operating results. As a result of the uncertainty and the potential consequences that may follow Brexit, we face risks with respect to volatility in exchange rates and interest rates due to potential effects on global economic conditions. Any of these effects of Brexit, and others we cannot anticipate, could adversely affect our business, operating results and financial condition.

As a Marshall Islands partnership with principal executive offices in Bermuda, and also having subsidiaries in the Marshall Islands and other offshore jurisdictions, our operations may be subject to economic substance requirements of the European Union, which could harm our business.

On December 5, 2017, following an assessment of the tax policies of various countries by the Code of Conduct Group for Business Taxation of the European Union (the "COCG"), the Council of the European Union (the "Council") approved and published Council conclusions containing a list of "non-cooperative jurisdictions" for tax purposes (the "2017 Conclusions"). On March 12, 2019, the Council adopted a revised list of non-cooperative jurisdictions (the "2019 Conclusions"). In the 2019 Conclusions, Bermuda and the Republic of the Marshall Islands, among others, were placed by the E.U. on its list of non-cooperative jurisdictions for tax purposes for failing to implement certain commitments previously made to the E.U. by the agreed deadline. Also, although not considered a non-cooperative jurisdiction in the 2017 Conclusions, the Cayman Islands were listed as having a "tax regime that facilitates offshore structures which attract profits without real economic activity." E.U. member states have agreed upon a set of measures, which they can choose to apply against the listed countries, including increased monitoring and audits, withholding taxes, special documentation requirements and anti-abuse provisions. The European Commission has stated it will continue to support member states' efforts to develop a more coordinated approach to sanctions for the listed countries in 2019. E.U. legislation prohibits E.U. funds from being channeled or transited through entities in non-cooperative jurisdictions.

We are a Marshall Islands partnership with principal executive offices in Bermuda. Our operating company is also a Marshall Islands entity and several of our subsidiaries are organized in the Cayman Islands. At present, the impact of being included on the list of non-cooperative jurisdictions for tax purposes is unclear. These jurisdictions have enacted or may enact economic substance laws and regulations with which we may be obligated to comply. For example, on December 17, 2018, the House of Assembly of Bermuda passed the Economic Substance Act 2018 of Bermuda (the "Economic Substance Act"), which became operative on December 31, 2018, along with the Economic Substance Regulations 2018 of Bermuda. The Economic Substance Act requires each registered entity to maintain a substantial economic presence in Bermuda and provides that a registered entity that carries on a relevant activity complies with economic substance requirements if (i) it is directed and managed in Bermuda, (ii) its core income-generating activities (as may be further prescribed) are undertaken in Bermuda with respect to the relevant activity, (iii) it maintains adequate physical presence in Bermuda, (iv) it has adequate full time employees in Bermuda with suitable qualifications and (v) it incurs adequate operating expenditure in Bermuda in relation to the relevant activity. Additionally, new legislation adopted in the Cayman Islands (which came into force on January 1, 2019) requires certain entities that carry out particular activities to comply with an economic substance test whereby the entity must show that it (i) carries out activities that are of central importance to the entity from the Cayman Islands, (ii) has held an adequate number of its board meetings in the Cayman Islands when judged against the level of decision-making required and (iii) has an adequate (a) amount of operating expenditures in the Cayman Islands, (b) physical presence in the Cayman Islands and (c) number of full-time employees in the Cayman Islands. Both the recent Bermuda and Cayman Islands legislation provide for a six-month transition period for entities already in those jurisdictions as of December 31, 2018 to come into compliance. If we fail to comply with our obligations under this legislation or any similar law applicable to us in any other jurisdictions, we could be subject to financial penalties and spontaneous disclosure of information to foreign tax officials, or could be struck from the register of companies, in related jurisdictions.

We do not know; if the E.U. will remove Bermuda or the Marshall Islands from, or add the Cayman Islands to, the list of non-cooperative jurisdictions; what actions the Marshall Islands may take, if any, to remove itself from the list; how quickly the E.U. would react to any changes in legislation of the Marshall Islands or Bermuda; or how E.U. banks or other counterparties will react while we or any of our subsidiaries remain as entities organized and existing under the laws of listed countries. The effect of the E.U. list of non-cooperative jurisdictions, and any noncompliance by us with any legislation adopted by applicable countries to achieve removal from the list, could have a material adverse effect on our business, financial conditions and operating results.

Risks Inherent in an Investment in Us

Höegh LNG and its affiliates may compete with us.

Pursuant to the omnibus agreement that we and Höegh LNG entered into in connection with the closing of the IPO, Höegh LNG and its controlled affiliates (other than us, our general partner and our subsidiaries) generally have agreed not to acquire, own, operate or charter certain FSRUs and LNG carriers operating under charters of five or more years. The omnibus agreement, however, contains significant exceptions that may allow Höegh LNG or any of its controlled affiliates to compete with us, which could harm our business. Additionally, the omnibus agreement contains no restrictions on Höegh LNG's ability to own, operate or charter FSRUs and LNG carriers operating under charters of less than five years. Thus, Höegh LNG's newbuildings may compete with our vessels for rechartering for charters of less than five years. Also, pursuant to the omnibus agreement, we have agreed not to acquire, own, operate or charter FSRUs and LNG carriers operating under charters of less than five years. Please read "Item 7.B. Related Party Transactions—Omnibus Agreement—Noncompetition."

Unitholders have limited voting rights, and our partnership agreement restricts the voting rights of the unitholders owning more than 4.9% of our common units.

Unlike the holders of common stock in a corporation, holders of common units have only limited voting rights on matters affecting our business. We will hold a meeting of the limited partners every year to elect one or more members of our board of directors and to vote on any other matters that are properly brought before the meeting. Common unitholders are entitled to elect only four of the seven members of our board of directors. The elected directors are elected on a staggered basis and will serve for staggered terms. Our general partner in its sole discretion appoints the remaining three directors and set the terms for which those directors will serve. Our partnership agreement also contains provisions limiting the ability of unitholders to call meetings or to acquire information about our operations, as well as other provisions limiting the unitholders' ability to influence the manner or direction of management. Unitholders will have no right to elect our general partner, and our general partner may not be removed except by a vote of the holders of at least 75% of the outstanding common and subordinated units, including any units owned by our general partner and its affiliates, voting together as a single class.

Our partnership agreement further restricts unitholders' voting rights by providing that if any person or group owns beneficially more than 4.9% of any class of units then outstanding, any such units owned by that person or group in excess of 4.9% may not be voted on any matter and will not be considered to be outstanding when sending notices of a meeting of unitholders, calculating required votes (except for purposes of nominating a person for election to our board of directors), determining the presence of a quorum or for other similar purposes, unless required by law. The voting rights of any such unitholders in excess of 4.9% will effectively be redistributed pro rata among the other common unitholders holding less than 4.9% of the voting power of all classes of units entitled to vote. Our general partner, its affiliates and persons who acquired common units with the prior approval of our board of directors will not be subject to this 4.9% limitation except with respect to voting their common units in the election of the elected directors. Holders of the Series A preferred units generally have no voting rights. However, in the event that six quarterly dividends, whether consecutive or not, payable on Series A preferred units or any other class or series of limited partner interests or other equity securities established after the original issue date of the Series A preferred units that is not expressly subordinated or senior to the Series A preferred units as to the payment of distributions and amounts payable upon liquidation, dissolution or winding up, whether voluntary or involuntary ("Parity Securities") are in arrears, the holders of Series A preferred units will have the right, voting together as a class with all other classes or series of Parity Securities upon which like voting rights have been conferred and are exercisable, to replace one of the members of our board of directors appointed by our general partner with a person nominated by such holders (unless the holders of Series A preferred units and Parity Securities upon which like voting rights have been conferred, voting as a class, have previously elected a member of our board of directors, and such director continues then to serve on the board of directors). The right of such holders of Series A preferred units to elect a member of our board of directors will continue until such time as all accumulated and unpaid dividends on the Series A preferred units have been paid in full.

Our general partner and its other affiliates own a significant interest in us and have conflicts of interest and limited fiduciary and contractual duties, which may permit them to favor their own interests to your detriment.

As of March 31, 2019, Höegh LNG owns approximately 10.5% of our common units and all of our subordinated units, which represent an aggregate approximate 46.0% limited partner interest in us. Certain of our directors will also serve as directors of Höegh LNG or its affiliates and, as such, they will have fiduciary duties to Höegh LNG that may cause them to pursue business strategies that disproportionately benefit Höegh LNG or its affiliates or which otherwise are not in the best interests of us or our unitholders.

Conflicts of interest may arise between Höegh LNG and its affiliates (including our general partner) on the one hand, and us and our unitholders, on the other hand. As a result of these conflicts, our general partner and its affiliates may favor their own interests over the interests of our unitholders. These conflicts include, among others, the following situations:

- neither our partnership agreement nor any other agreement requires our general partner or Höegh LNG or its affiliates to pursue a business strategy that favors us or utilizes our assets, and Höegh LNG's officers and directors have a fiduciary duty to make decisions in the best interests of the shareholders of Höegh LNG, which may be contrary to our interests;

- our partnership agreement permits our general partner to make a number of decisions in its individual capacity, as opposed to in its capacity as our general partner. Specifically, our general partner will be considered to be acting in its individual capacity if it exercises its call right, pre-emptive rights or registration rights, consents or withholds consent to any merger or consolidation of the Partnership, appoints any directors or votes for the election of any director, votes or refrains from voting on amendments to our partnership agreement that require a vote of the outstanding units, voluntarily withdraws from the Partnership, transfers (to the extent permitted under our partnership agreement) or refrains from transferring its units or general partner interest or votes upon the dissolution of the Partnership;

- our general partner and our directors have limited their liabilities and restricted their fiduciary duties under the laws of the Marshall Islands, while also restricting the remedies available to our unitholders, and, as a result of purchasing common units, unitholders are treated as having agreed to the modified standard of fiduciary duties and to certain actions that may be taken by our general partner and our directors, all as set forth in our partnership agreement;

- our general partner is entitled to reimbursement of all reasonable costs incurred by it and its affiliates for our benefit;

- our partnership agreement does not restrict us from paying our general partner or its affiliates for any services rendered to us on terms that are fair and reasonable or entering into additional contractual arrangements with any of these entities on our behalf;

- our general partner may exercise its right to call and purchase our common units if it and its affiliates own more than 80% of our common units; and

- our general partner is not obligated to obtain a fairness opinion regarding the value of the common units to be repurchased by it upon the exercise of its limited call right.

Although a majority of our directors will over time be elected by common unitholders, our general partner will likely have substantial influence on decisions made by our board of directors.

Our officers may face conflicts in the allocation of their time to our business.

Our sole existing officer and any future officers may face conflicts in the allocation of their time to our business. The affiliates of our general partner, including Höegh LNG, conduct substantial businesses and activities of their own in which we have no economic interest. As a result, there could be material competition for the time and effort of our officers who also provide services to our general partner's affiliates, which could have a material adverse effect on our business, financial condition and results of operations. Additionally, while our Chief Executive Officer and Chief Financial Officer is expected to devote the substantial majority of his time to our business, he may, from time to time, participate in activities for Höegh LNG that are linked to opportunities or challenges for us.

Our partnership agreement limits our general partner's and our directors' fiduciary duties to our unitholders and restricts the remedies available to unitholders for actions taken by our general partner or our directors.

Our partnership agreement provides that our general partner has irrevocably delegated to our board of directors the authority to oversee and direct our operations, management and policies on an exclusive basis, and such delegation will be binding on any successor general partner of the Partnership. Our partnership agreement also contains provisions that reduce the standards to which our general partner and directors may otherwise be held by Marshall Islands law. For example, our partnership agreement:

- provides that our general partner may make determinations or take or decline to take actions without regard to our or our unitholders' interests. Our general partner may consider only the interests and factors that it desires, and it has no duty or obligation to give any consideration to any interest of, or factors affecting us, our affiliates or our unitholders. Decisions made by our general partner will be made by its sole owner. Specifically, our general partner may decide to exercise its right to make a determination to receive common units in exchange for resetting the target distribution levels related to the incentive distribution rights, call right, pre-emptive rights or registration rights, consent or withhold consent to any merger or consolidation of the Partnership, appoint any directors or vote for the election of any director, vote or refrain from voting on amendments to our partnership agreement that require a vote of the outstanding units, voluntarily withdraw from the Partnership, transfer (to the extent permitted under our partnership agreement) or refrain from transferring its units, the general partner interest or incentive distribution rights or vote upon the dissolution of the Partnership;

- provides that our general partner and our directors are entitled to make other decisions in "good faith" if they believe that the decision is in our best interests;

- generally provides that affiliated transactions and resolutions of conflicts of interest not approved by the conflicts committee of our board of directors and not involving a vote of unitholders must be on terms no less favorable to us than those generally being provided to or available from unrelated third parties or be "fair and reasonable" to us and that, in determining whether a transaction or resolution is "fair and reasonable," our board of directors may consider the totality of the relationships between the parties involved, including other transactions that may be particularly advantageous or beneficial to us; and

- provides that neither our general partner nor our officers or our directors will be liable for monetary damages to us, our limited partners or assignees for any acts or omissions unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that our general partner or directors or its officers or directors or those other persons engaged in actual fraud or willful misconduct.

By purchasing a common unit, a common unitholder is deemed to have agreed to become bound by the provisions of our partnership agreement, including the provisions discussed above.

Fees and expenses, which Höegh LNG determines for services provided to us and our joint ventures, are substantial, are payable regardless of our profitability and will reduce our cash available for distribution to you.

Pursuant to the ship management agreements and related agreements, we and our joint ventures pay fees for services provided directly or indirectly by Höegh LNG Management, and we and our joint ventures reimburse Höegh LNG Management for all expenses incurred on our behalf. These fees and expenses include all costs and expenses incurred in providing certain crewing and technical management services to the *Neptune*, the *Cape Ann,* the *Höegh Gallant* and the *Höegh Grace*. In addition, pursuant to a technical information and services agreement for the *PGN FSRU Lampung*, we reimburse Höegh Norway for expenses Höegh Norway incurs pursuant to the sub-technical support agreement that it is party to with Höegh LNG Management.

Moreover, pursuant to an administrative services agreement among us, our operating company and Höegh UK and an administrative services agreement between our operating company and Leif Höegh UK, Höegh UK and Leif Höegh UK provide us and our operating company with certain administrative, financial and other support services. We reimburse Höegh UK and Leif Höegh UK for their reasonable costs and expenses incurred in connection with the provision of these services. In addition, under our administrative services agreement with Höegh UK, we pay Höegh UK a service fee equal to 5.0% of its costs and expenses incurred in connection with providing services to us.

Pursuant to the above-mentioned administrative services agreement with Höegh UK, Höegh UK subcontracts to Höegh Norway and Leif Höegh UK certain administrative services provided to us pursuant to administrative services agreements with Höegh Norway and Leif Höegh UK. Höegh UK reimburses Höegh Norway and Leif Höegh UK for reasonable costs and expenses incurred in connection with the provision of these services. In addition, Höegh UK (i) pays to Höegh Norway a service fee equal to 3.0% of the costs and expenses incurred in connection with providing services and (ii) pays to Leif Höegh UK a service fee equal to 5.0% of the costs and expenses of certain secretarial services with all other services of Leif Höegh UK reimbursed at cost.

For a description of the ship management agreements, the technical information and services agreement and the administrative services agreements, please read “Item 7.B. Related Party Transactions.” The fees and expenses payable pursuant to the ship management agreements, the technical information and services agreement and the administrative services agreements are payable without regard to our financial condition or results of operations. The payment of fees to and the reimbursement of expenses of Höegh LNG Management, Höegh UK, Leif Höegh UK and Höegh Norway could adversely affect our ability to pay cash distributions to you.

Our partnership agreement contains provisions that may have the effect of discouraging a person or group from attempting to remove our current management or our general partner, and even if public unitholders are dissatisfied, they will be unable to remove our general partner without Höegh LNG’s consent, unless Höegh LNG’s ownership interest in us is decreased, all of which could diminish the trading price of our common units.

Our partnership agreement contains provisions that may have the effect of discouraging a person or group from attempting to remove our current management or our general partner.

- The unitholders are unable to remove our general partner without its consent because our general partner and its affiliates own sufficient units to be able to prevent its removal. The vote of the holders of at least 75% of all outstanding common and subordinated units voting together as a single class is required to remove the general partner. Höegh LNG owns approximately 46.0% of the outstanding common and subordinated units. Additionally, during the term of the SRV Joint Gas shareholders’ agreement, Höegh LNG has agreed to continue to own common units and subordinated units representing a greater than 25% limited partner interest in us in the aggregate.

- If our general partner is removed without “cause” during the subordination period and units held by our general partner and its affiliates are not voted in favor of that removal, all remaining subordinated units will automatically convert into common units, any existing arrearages on the common units will be extinguished, and Höegh LNG will have the right to convert its incentive distribution rights into common units or to receive cash in exchange for those interests based on the fair market value of those interests at the time. A removal of our general partner under these circumstances would adversely affect the common units by prematurely eliminating their distribution and liquidation preference over the subordinated units, which would otherwise have continued until we had met certain distribution and performance tests. Any conversion of the incentive distribution rights would be dilutive to existing unitholders. Furthermore, any cash payment in lieu of such conversion could be prohibitively expensive. “Cause” is narrowly defined to mean that a court of competent jurisdiction has entered a final, non-appealable judgment finding our general partner liable for actual fraud or willful misconduct in its capacity as our general partner. Cause does not include most cases of charges of poor business decisions, such as charges of poor management of our business by the directors appointed by our general partner, so the removal of our general partner because of the unitholders’ dissatisfaction with the general partner’s decisions in this regard would most likely result in the termination of the subordination period.

- Common unitholders are entitled to elect only four of the seven members of our board of directors. Our general partner in its sole discretion appoints the remaining three directors.

- Election of the four directors elected by unitholders is staggered, meaning that the members of only one of four classes of our elected directors will be selected each year. In addition, the directors appointed by our general partner will serve for terms determined by our general partner.

- Our partnership agreement contains provisions limiting the ability of unitholders to call meetings of unitholders, to nominate directors and to acquire information about our operations as well as other provisions limiting the unitholders' ability to influence the manner or direction of management.

- Unitholders' voting rights are further restricted by our partnership agreement provision providing that if any person or group owns beneficially more than 4.9% of any class of units then outstanding, any such units owned by that person or group in excess of 4.9% may not be voted on any matter and will not be considered to be outstanding when sending notices of a meeting of unitholders, calculating required votes (except for purposes of nominating a person for election to our board of directors), determining the presence of a quorum or for other similar purposes, unless required by law. The voting rights of any such unitholders in excess of 4.9% will effectively be redistributed pro rata among the other common unitholders holding less than 4.9% of the voting power of all classes of units entitled to vote. Our general partner, its affiliates (including Höegh LNG) and persons who acquired common units with the prior approval of our board of directors will not be subject to this 4.9% limitation except with respect to voting their common units in the election of the elected directors.

- There are no restrictions in our partnership agreement on our ability to issue equity securities, including securities senior to the common units.

The effect of these provisions may be to diminish the price at which the common units will trade.

The control of our general partner may be transferred to a third party without unitholder consent.

Our general partner may transfer its non-economic general partner interest to a third party in a merger or in a sale of all or substantially all of its assets without the consent of the unitholders. In addition, our partnership agreement does not restrict the ability of the members of our general partner from transferring their respective membership interests in our general partner to a third party.

Substantial future sales of our common units in the public market could cause the price of our common units to fall.

We have granted registration rights to Höegh LNG and certain of its affiliates. These unitholders have the right, subject to some conditions, to require us to file registration statements covering any of our common, subordinated or other equity securities owned by them or to include those securities in registration statements that we may file for ourselves or other unitholders. As of March 31, 2019, Höegh LNG owns 2,101,438 common units and 13,156,060 subordinated units and all of the incentive distribution rights. Following their registration and sale under the applicable registration statement, those securities will become freely tradable. By exercising their registration rights and selling a large number of common units or other securities, these unitholders could cause the price of our common units to decline.

We are subject to Marshall Islands law, which lacks a bankruptcy statute or general statutory mechanism for insolvency proceedings.

We are a Marshall Islands limited partnership, and we have limited operations in the United States and maintain limited assets in the United States. Consequently, in the event of any bankruptcy, insolvency, liquidation, dissolution, reorganization or similar proceeding involving us, bankruptcy laws other than those of the United States could apply. The Republic of the Marshall Islands does not have a bankruptcy statute or general statutory mechanism for insolvency proceedings. If we become a debtor under U.S. bankruptcy law, bankruptcy courts in the United States may seek to assert jurisdiction over all of our assets, wherever located, including property situated in other countries. There can be no assurance, however, that we would become a debtor in the United States, or that a U.S. bankruptcy court would be entitled to, or accept, jurisdiction over such a bankruptcy case, or that courts in other countries that have jurisdiction over us and our operations would recognize a U.S. bankruptcy court's jurisdiction, if any other bankruptcy court would determine it had jurisdiction. These factors may delay or prevent us from entering bankruptcy in the United States and may affect the ability of our unitholders to receive any recovery following our bankruptcy.

We have been organized as a limited partnership under the laws of the Republic of the Marshall Islands, which does not have a well-developed body of partnership law.

The Partnership's affairs are governed by our partnership agreement and by the Marshall Island Limited Partnership Act (the "Marshall Islands Act"). The provisions of the Marshall Islands Act resemble provisions of the limited partnership laws of a number of states in the United States, most notably Delaware. The Marshall Islands Act also provides that it is to be applied and construed to make the laws of the Marshall Islands, with respect to the subject matter of the Marshall Islands Act, uniform with the laws of the State of Delaware and, so long as it does not conflict with the Marshall Islands Act or decisions of the High and Supreme Courts of the Marshall Islands, the non-statutory law ("case law") of the State of Delaware is adopted as the law of the Marshall Islands, with respect to non-resident limited partnerships like us. There have been, however, few, if any, court cases in the Marshall Islands interpreting the Marshall Islands Act, in contrast to Delaware, which has a fairly well-developed body of case law interpreting its limited partnership statute. Accordingly, we cannot predict whether Marshall Islands courts would reach the same conclusions as the courts in Delaware. For example, the rights of our unitholders and the fiduciary responsibilities of our general partner under Marshall Islands law are not as clearly established as under judicial precedent in existence in Delaware. As a result, unitholders may have more difficulty in protecting their interests in the face of actions by our general partner and its officers and directors than would unitholders of a similarly organized limited partnership in the United States.

Because we are organized under the laws of the Marshall Islands, it may be difficult to serve us with legal process or enforce judgments against us, our directors or our management.

We are organized under the laws of the Marshall Islands, and substantially all of our assets are located outside of the United States. In addition, our general partner is a Marshall Islands limited liability company, and a majority of our directors and officers generally are or will be non-residents of the United States, and all or a substantial portion of the assets of these non-residents are located outside the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the United States if you believe that your rights have been infringed under securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Marshall Islands and of other jurisdictions may prevent or restrict you from enforcing a judgment against our assets or the assets of our general partner or our directors or officers.

Höegh LNG, as the initial holder of all of the incentive distribution rights, may elect to cause us to issue additional common units to it in connection with a resetting of the target distribution levels related to the incentive distribution rights without the approval of the conflicts committee of our board of directors or holders of our common units and subordinated units. This may result in lower distributions to holders of our common units in certain situations.

Höegh LNG, as the initial holder of all of the incentive distribution rights, has the right, at a time when there are no subordinated units outstanding and Höegh LNG has received incentive distributions at the highest level to which it is entitled (50.0%) for each of the prior four consecutive fiscal quarters (and the amount of each such total distribution did not exceed adjusted operating surplus for each such quarter), to reset the initial cash target distribution levels at higher levels based on the distribution at the time of the exercise of the reset election. Following a reset election, the minimum quarterly distribution amount will be reset to the reset minimum quarterly distribution amount, and the target distribution levels will be reset to correspondingly higher levels based on the same percentage increases above the reset minimum quarterly distribution amount.

In connection with resetting these target distribution levels, Höegh LNG will be entitled to receive a number of common units equal to that number of common units whose aggregate quarterly cash distributions equaled the average of the distributions to Höegh LNG on the incentive distribution rights in the prior fiscal quarter. We anticipate that Höegh LNG would exercise this reset right in order to facilitate acquisitions or internal growth projects that would not be sufficiently accretive to cash distribution per common unit without such conversion; however, it is possible that Höegh LNG could exercise this reset election at a time when it is experiencing, or may be expected to experience, declines in the cash distributions it receives related to its incentive distribution rights and may therefore desire to be issued our common units, rather than retain the right to receive incentive distributions based on the initial target distribution levels. As a result, a reset election may cause our common unitholders to experience dilution in the amount of cash distributions that they would have otherwise received had we not issued additional common units to Höegh LNG in connection with resetting the target distribution levels related to its incentive distribution rights.

We may issue additional equity securities, including securities senior to the common units with respect to distributions, liquidation and voting which would dilute the ownership interests of common unitholders.

We may, without the approval of our common unitholders, issue an unlimited number of additional units or other equity securities. In addition, we may issue units that are senior to the common units in right of distribution, liquidation and voting. For example, in October 2017, we issued 4,600,000 8.75% Series A preferred units. The Series A preferred units rank senior to the Partnership's common units and subordinated units as to the payment of distributions and amounts payable upon liquidation, dissolution or winding up but junior to all of the Partnership's debt and other liabilities. In addition, on January 26, 2018, we entered into a sales agreement with B. Riley Inc. (the "Agent"). Under the terms of the sales agreement, we may offer and sell up to $120 million aggregate offering amount of common and Series A preferred units (the "ATM program"), from time to time, through the Agent. As of March 31, 2019, we had issued an aggregate of 253,106 common units and 1,529,070 Series A preferred units under the ATM program since its inception. The issuance by us of additional common units or other equity securities of equal or senior rank will have the following effects:

- our unitholders' proportionate ownership interest in us will decrease;
- the amount of cash available for distribution on each unit may decrease;
- we will not be able to pay our distributions to common unitholders if we have failed to pay the distributions on our Series A preferred units;
- because a lower percentage of total outstanding units will be subordinated units, the risk that a shortfall in the payment of the minimum quarterly distribution will be borne by our common unitholders will increase;
- because the amount payable to holders of incentive distribution rights is based on a percentage of total available cash, the distributions to holders of incentive distribution rights will increase even if the per unit distribution on the common units remains the same;
- the relative voting strength of each previously outstanding unit may be diminished; and
- the market price of the common units may decline.

Upon the expiration of the subordination period, the subordinated units will convert into common units and will then participate pro rata with other common units in distributions of available cash.

During the subordination period, the common units will have the right to receive distributions of available cash from operating surplus in an amount equal to the minimum quarterly distribution of $0.3375 per unit, plus any arrearages in the payment of the minimum quarterly distribution on the common units from prior quarters, before any distributions of available cash from operating surplus may be made on the subordinated units. Distribution arrearages do not accrue on the subordinated units. The purpose of the subordinated units is to increase the likelihood that during the subordination period there will be available cash from operating surplus to be distributed on the common units. Upon the expiration of the subordination period, the subordinated units will convert into common units and will then participate pro rata with other common units in distributions of available cash. The subordination period generally will end if we have earned and paid at least $0.3375 on each outstanding common and subordinated unit for any three consecutive four-quarter periods ending on or after June 30, 2019. We currently anticipate that the subordination period will end when we make our quarterly distribution for the quarter ended June 30, 2019.

In establishing cash reserves, our board of directors may reduce the amount of cash available for distribution to unitholders.

Our partnership agreement requires our general partner to deduct from operating surplus cash reserves that it determines are necessary to fund our future operating expenditures. These reserves also will affect the amount of cash available for distribution to our unitholders. Our board of directors may establish reserves for distributions on the subordinated units, but only if those reserves will not prevent us from distributing the full minimum quarterly distribution, plus any arrearages, on the common units for the following four quarters. As described above in "—Risks Inherent in Our Business—We must make substantial capital expenditures to maintain and replace the operating capacity of our fleet, which will reduce our cash available for distribution. In addition, each quarter we will be required, pursuant to our partnership agreement, to deduct estimated maintenance and replacement capital expenditures from operating surplus, which may result in less cash available to unitholders than if actual maintenance and replacement capital expenditures were deducted," our partnership agreement requires our board of directors each quarter to deduct from operating surplus estimated maintenance and replacement capital expenditures, as opposed to actual maintenance and replacement capital expenditures, which could reduce the amount of available cash for distribution. The amount of estimated maintenance and replacement capital expenditures deducted from operating surplus is subject to review and change by our board of directors at least once a year, with the approval of the conflicts committee of our board of directors.

Our general partner has a limited call right that may require unitholders to sell common units at an undesirable time or price.

If at any time our general partner and its affiliates own more than 80% of the common units, our general partner will have the right, which it may assign to any of its affiliates or to us, but not the obligation, to acquire all, but not less than all, of the common units held by unaffiliated persons at a price not less than the then-current market price of our common units. Our general partner is not obligated to obtain a fairness opinion regarding the value of the common units to be repurchased by it upon the exercise of this limited call right. As a result, unitholders may be required to sell common units at an undesirable time or price and may not receive any return on their investment. Unitholders may also incur a tax liability upon a sale of their units.

As of March 31, 2019, Höegh LNG, which owns and controls of our general partner, owns approximately 10.5% of our common units. At the end of the subordination period, assuming no additional issuances of common units, and the conversion of our subordinated units into common units, Höegh LNG will own approximately 46.0% of our common units.

Unitholders may not have limited liability if a court finds that unitholder action constitutes control of our business.

As a limited partner in a limited partnership organized under the laws of the Marshall Islands, you could be held liable for our obligations to the same extent as a general partner if you participate in the "control" of our business. Our general partner generally has unlimited liability for the obligations of the Partnership, such as its debts and environmental liabilities. In addition, the limitations on the liability of holders of limited partner interests for the obligations of a limited partnership have not been clearly established in some jurisdictions in which we do business.

We can borrow money to make cash distributions, which would reduce the amount of credit available to operate our business.

Our partnership agreement allows us to make working capital borrowings to make cash distributions. Accordingly, if we have available borrowing capacity, we can make cash distributions on all our units even though cash generated by our operations may not be sufficient to pay such distributions. Any working capital borrowings by us to make cash distributions will reduce the amount of working capital borrowings we can make for operating our business.

Increases in interest rates may cause the market price of our units to decline.

An increase in interest rates may cause a corresponding decline in demand for equity investments in general and in particular for yield based equity investments such as our units. Any such increase in interest rates or reduction in demand for our units resulting from other relatively more attractive investment opportunities may cause the trading price of our units to decline.

Reforms, including the potential phasing out of LIBOR after 2021, may adversely affect us.

We have floating rate debt, the interest rate of which is determined based on the London Interbank Offered Rate (''LIBOR''). LIBOR and other "benchmark" rates are subject to ongoing national and international regulatory scrutiny and reform. For example, on July 27, 2017, the United Kingdom Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR rates after 2021 (the "FCA Announcement"). We are unable to predict the effect of the FCA Announcement or other reforms, whether currently enacted or enacted in the future. They may result in the phasing out of LIBOR as a reference rate. The outcome of reforms may result in increased interest expense to us, may affect our ability to incur debt on terms acceptable to us and may result in increased costs related to amending our existing debt instruments, which could adversely affect our business, results of operations and financial condition.

Unitholders may have liability to repay distributions.

Under some circumstances, unitholders may have to repay amounts wrongfully returned or distributed to them. Under the Marshall Islands Act, we may not make a distribution to unitholders if, after giving effect to the distribution, our liabilities, other than liabilities to partners on account of their partnership interest and liabilities for which the recourse of creditors is limited to specified property of ours, exceed the fair value of our assets, except that the fair value of property that is subject to a liability for which the recourse of creditors is limited will be included in our assets only to the extent that the fair value of that property exceeds that liability. Marshall Islands law provides that for a period of three years from the date of the impermissible distribution, limited partners who received the distribution and who knew at the time of the distribution that it violated Marshall Islands law will be liable to the limited partnership for the distribution amount. Assignees who become substituted limited partners are liable for the obligations of the assignor to make contributions to the limited partnership that are known to the assignee at the time it became a limited partner and for unknown obligations if the liabilities could be determined from our partnership agreement.

The Series A preferred units represent perpetual equity interests.

The Series A preferred units represent perpetual equity interests in us and, unlike our indebtedness, we will not give rise to a claim for payment of a principal amount at a particular date. As a result, holders of the Series A preferred units may be required to bear the financial risks of an investment in the Series A preferred units for an indefinite period of time. In addition, the Series A preferred units rank junior to all our indebtedness and other liabilities, and any senior securities we may issue in future with respect to assets available to satisfy claims against us.

The Series A preferred units have not been rated.

We did not obtain a rating for the Series A preferred units, and they may never be rated. It is possible, however, that one or more rating agencies might independently determine to assign a rating to the Series A preferred units or that we may elect to obtain a rating of our Series A preferred units in the future. In addition, we may elect to issue other securities for which we may seek to obtain a rating. If any ratings are assigned to the Series A preferred units in the future or if we issue other securities with a rating, such ratings, if they are lower than market expectations or are subsequently lowered or withdrawn, could adversely affect the market for or the market value of the Series A preferred units. Ratings only reflect the views of the issuing rating agency or agencies and such ratings could at any time be revised downward or withdrawn entirely at the discretion of the issuing rating agency. A rating is not a recommendation to purchase, sell or hold any particular security, including the Series A preferred units. Ratings do not reflect market prices or suitability of a security for a particular investor and any future rating of the Series A preferred units may not reflect all risks related to us and our business, or the structure or market value of the Series A preferred units.

We distribute all of our available cash to our limited partners and are not required to accumulate cash for the purpose of making distributions on units.

Subject to the limitations in our partnership agreement, we distribute all of our available cash each quarter to our limited partners. “Available cash” is defined in our partnership agreement, and it generally means, for each fiscal quarter, all cash on hand at the end of the quarter (including our proportionate share of cash on hand of certain subsidiaries we do not wholly own):

- less the amount of cash reserves established by our board of directors to:
  - provide for the proper conduct of our business (including reserves for future capital expenditures and for our anticipated credit needs);
  - comply with applicable law, any debt instruments, or other agreements;
  - provide funds for payments to holders of Series A preferred units; or
  - provide funds for distributions to our limited partners and to our general partner for any one or more of the next four quarters; and
  - plus all cash on hand on the date of determination of available cash for the quarter resulting from working capital borrowings made after the end of the quarter. Working capital borrowings are generally borrowings that are made under our credit agreements and in all cases used solely for working capital purposes or to pay distributions to unitholders.

As a result, we do not expect to accumulate significant amount of cash. Depending on the timing and amount of our cash distributions, these distributions could significantly reduce the cash available to us in subsequent periods to make payments on our units.

Our Series A preferred units are subordinated to our debt obligations, and the interests of holders of Series A preferred units could be diluted by the issuance of additional limited partner interests, including additional Series A preferred units, and by other transactions.

Our Series A preferred units are subordinated to all of our existing and future indebtedness. As of December 31, 2018, our total outstanding principal amount of debt was $479.5 million and we had the ability to borrow an additional $45.7 million under our revolving credit facilities, subject to limitations in the credit facilities. We may incur additional debt under these or future credit facilities. The payment of principal and interest on our debt reduces cash available for distribution to us and on our limited partner interests, including the Series A preferred units.

The issuance of additional limited partner interests on a parity with or senior to our Series A preferred units would dilute the interests of the holders of our Series A preferred units, and any issuance of Senior Securities (as defined) or Parity Securities or additional indebtedness could affect our ability to pay distributions on, redeem or pay the liquidation preference on our Series A preferred units. No provisions relating to our Series A preferred units protect the holders of our Series A preferred units in the event of a highly leveraged or other transaction, including a merger or the sale, lease or conveyance of all or substantially all our assets or business, which might adversely affect the holders of our Series A preferred units.

The Series A preferred units rank junior to any Senior Securities and pari passu with any Parity Securities.

Our Series A preferred units will rank junior to any class or series of limited partner interests or other equity securities expressly made senior to the Series A preferred units as to the payment of distributions and amounts payable upon liquidation, dissolution, or winding up, whether voluntary or involuntary ("Senior Securities") and *pari passu* Parity Securities. If less than all distributions payable with respect to the Series A preferred units and any Parity Securities are paid, any partial payment shall be made pro rata with respect to Series A preferred units and any Parity Securities entitled to a distribution payment at such time in proportion to the aggregate amounts remaining due in respect of such units at such time.

The Series A preferred units do not have an established trading market, which may negatively affect their market value and ability of holders to transfer or sell Series A preferred units. In addition, the lack of a fixed redemption date for the Series A preferred units will increase unitholder reliance on the secondary market for liquidity purposes.

The Series A preferred units do not have a well-established trading market. In addition, since the Series A preferred units have no stated maturity date, investors seeking liquidity will be limited to selling their units in the secondary market absent redemption by us. The trading market for the Series A preferred units on the NYSE may not be active, in which case the trading price of the Series A preferred units could be adversely affected and the ability of holders to transfer such units will be limited. If an active trading market does develop on the NYSE, our Series A preferred units may trade at prices lower than the offering price. The trading price of the Series A preferred units depends on many factors, including:

- prevailing interest rates;
- the market for similar securities;
- general economic and financial conditions;
- our issuance of debt or preferred equity securities; and
- our financial condition, results of operations and prospects.

Market interest rates may adversely affect the value of our Series A preferred units.

One of the factors that will influence the price of our Series A preferred units will be the distribution yield on the Series A preferred units (as a percentage of the price of our Series A preferred units) relative to market interest rates. An increase in market interest rates, may lead prospective purchasers of our Series A preferred units to expect a higher distribution yield, and higher interest rates would likely increase our borrowing costs and potentially decrease funds available for distribution. Accordingly, higher market interest rates could cause the market price of our Series A preferred units to decrease.

The Series A preferred units are redeemable at our option.

We may, at our option, redeem all or, from time to time, part of the Series A preferred units on or after October 5, 2022. If we redeem Series A preferred units, holders will be entitled to receive a redemption price equal to $25.00 per unit plus accumulated and unpaid distributions to the date of redemption. It is likely that we would choose to exercise our optional redemption right only when prevailing interest rates have declined, which would adversely affect the ability of holders to reinvest their proceeds from the redemption in a comparable investment with an equal or greater yield to the yield on the Series A preferred units had such units not been redeemed. We may elect to exercise our partial redemption right on multiple occasions.

We are an "emerging growth company" and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common units less attractive to investors.

We are an "emerging growth company," as defined in the JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies." These provisions include an exemption from the auditor attestation requirement in the assessment of the emerging growth company's internal control over financial reporting and an exemption from compliance with any new requirements adopted by the Public Company Accounting Oversight Board requiring mandatory audit firm rotation or a supplement to our auditor's report in which the auditor would be required to provide additional information about the audit and our financial statements. For as long as we take advantage of the reduced reporting obligations, the information that we provide unitholders may be different than information provided by other public companies. We cannot predict if investors will find our common units less attractive because we may rely on these exemptions. If some investors find our common units less attractive as a result, there may be a less active trading market for our common units and our unit price may be more volatile. Furthermore, while we believe we have remediated the material weaknesses in our internal control over financial reporting as described in "Item 15. Controls and Procedures," we cannot assure you that there will not be material weaknesses in our internal control over financial reporting in the future. Our failure to maintain effective internal control over financial reporting could materially and adversely affect our ability to accurately report our financial condition and results of operations in a

reliable and timely manner or prevent fraud, which could cause investors to lose confidence in our reported financial information, leading to a decline in the trading price of our common units. Please read "—Risks Related to Our Business— Although we have remediated the material weaknesses in our internal control over financial reporting identified as of December 31, 2017, there may from time to time exist deficiencies in our control systems that could materially and adversely affect us."

Tax Risks

In addition to the following risk factors, you should read "Item 4.B. Business Overview—Taxation of Partnership" and "Item 10.E. Taxation" for a more complete discussion of the expected material U.S. federal and non-U.S. income tax considerations relating to us and the ownership and disposition of our common units.

We are subject to taxes, which reduces our cash available for distribution to you.

Some of our subsidiaries will be subject to tax in the jurisdictions in which they are organized or operate, reducing the amount of cash available for distribution. In computing our tax obligation in these jurisdictions, we are required to take various tax accounting and reporting positions on matters that are not entirely free from doubt and for which we have not received rulings from the governing authorities. We cannot assure you that upon review of these positions the applicable authorities will agree with our positions. A successful challenge by a tax authority could result in additional tax imposed on our subsidiaries, further reducing the cash available for distribution. In addition, changes in our operations could result in additional tax being imposed on us, our operating company or our or its subsidiaries in jurisdictions in which operations are conducted. Moreover, tax regulation and reporting requirements for value added taxes, withholding taxes and corporate income taxes are complex in Indonesia, Colombia and many of the countries where we operate. Tax regulations, guidance and interpretation in emerging markets may not always be clear and may be subject to alternative interpretations or changes in interpretation over time. In particular, Indonesia and Colombia have complex tax regulations and reporting requirements, which if not properly applied, could result in penalties that could be significant, which could also harm our business and ability to make cash distributions to our unitholders. Please read "Item 4.B. Business Overview—Taxation of the Partnership."

A change in tax laws in any country in which we operate could adversely affect us.

Tax laws and regulations are highly complex and subject to interpretation. Consequently, we and our subsidiaries are subject to changing tax laws, treaties and regulations in and between countries in which we operate. Our tax expense is based on our interpretation of the tax laws in effect at the time the expense was incurred. A change in tax laws, treaties or regulations, or in the interpretation thereof, could result in a materially higher tax expense or a higher effective tax rate on our earnings. Such changes may include measures enacted in response to the ongoing initiatives in relation to fiscal legislation at an international level, such as the Action Plan on Base Erosion and Profit Shifting of the Organization for Economic Co-operation and Development.

U.S. tax authorities could treat us as a "passive foreign investment company," which would have adverse U.S. federal income tax consequences to U.S. unitholders.

A non-U.S. entity treated as a corporation for U.S. federal income tax purposes will be treated as a "passive foreign investment company" ("PFIC") for U.S. federal income tax purposes for any taxable year in which at least 75.0% of its gross income consists of "passive income" or at least 50.0% of the average value of its assets (based on the average of the values at the end of each quarter) produce, or are held for the production of, "passive income." For purposes of these tests, "passive income" includes dividends, interest, gains from the sale or exchange of investment property, and rents and royalties other than rents and royalties that are received from unrelated parties in connection with the active conduct of a trade or business. For purposes of these tests, income derived from the performance of services does not constitute "passive income." U.S. shareholders of a PFIC are subject to a disadvantageous U.S. federal income tax regime with respect to the income derived by the PFIC, certain distributions they receive from the PFIC, and the gain, if any, they derive from the sale or other disposition of their interests in the PFIC.

Based on our current and projected method of operation, we believe that we were not a PFIC for any prior taxable year, and we expect that we will not be treated as a PFIC for the current or any future taxable year. We believe that more than 25.0% of our gross income for each taxable year was or will be nonpassive income, and more than 50.0% of the average value of our assets for each such year was or will be held for the production of such nonpassive income. This belief is based on certain valuations and projections regarding our assets, income and charters, and its validity is conditioned on the accuracy of such valuations and projections. While we believe these valuations and projections to be accurate, the shipping market is volatile and no assurance can be given that they will continue to be accurate at any time in the future.

Moreover, there are legal uncertainties involved in determining whether the income derived from time-chartering activities constitutes rental income or income derived from the performance of services. In Tidewater Inc. v. United States, 565 F.3d 299 (5th Cir. 2009), the United States Court of Appeals for the Fifth Circuit (the "Fifth Circuit") held that income derived from certain time-chartering activities should be treated as rental income rather than services income for purposes of a provision of the Internal Revenue Code of 1986, as amended (the "Code") relating to foreign sales corporations. In that case, the Fifth Circuit did not address the definition of passive income or the PFIC rules; however, the reasoning of the case could have implications as to how the income from a time charter would be classified under such rules. If the reasoning of this case were extended to the PFIC context, the gross income we derive or are deemed to derive from our time-chartering activities may be treated as rental income, and we would likely be treated as a PFIC. In published guidance, the Internal Revenue Service ("IRS"), stated that it disagreed with the holding in Tidewater, and specified that time charters similar to those at issue in the case should be treated as service contracts. We have not sought, and we do not expect to seek, an IRS ruling on the treatment of income generated from our time-chartering activities. As a result, the IRS or a court could disagree with our position. No assurance can be given that this result will not occur.

In addition, although we intend to conduct our affairs in a manner to avoid, to the extent possible, being classified as a PFIC with respect to any taxable year, we cannot assure you that the nature of our operations will not change in the future and that we will not become a PFIC in the future. If the IRS were to find that we are or have been a PFIC for any taxable year (and regardless of whether we remain a PFIC for subsequent taxable years), our U.S. unitholders would face adverse U.S. federal income tax consequences. Please read "Item 10.E Taxation—U.S. Federal Income Taxation of U.S. Holders—PFIC Status and Significant Tax Consequences" for a more detailed discussion of the U.S. federal income tax consequences to U.S. unitholders if we are treated as a PFIC.

We may have to pay tax on U.S. source income, which would reduce our cash flow.

Under the Code, U.S. source gross transportation income generally is subject to a 4.0% U.S. federal income tax without allowance for deduction of expenses unless an exemption from tax applies under Section 883 of the Code and the existing final and temporary regulations promulgated thereunder ("Treasury Regulations"). U.S. source gross transportation consists of 50.0% of the gross shipping income that a non-U.S. vessel-owning or chartering corporation, such as ourselves, derives (either directly or through one or more subsidiaries that are classified as partnerships or disregarded as entities separate from such corporation for U.S. federal income tax purposes) and that is attributable to transportation that either begins or ends, but that does not both begin and end, in the United States.

We believe that we and our vessel-owning subsidiaries currently qualify and we expect that we will continue to qualify for the foreseeable future, for an exemption from U.S. tax on any U.S. source gross transportation income under Section 883 of the Code, and we expect to take this position for U.S. federal income tax reporting purposes. Please read "Item 4.B— Business Overview—Taxation of the Partnership." However, there are factual circumstances, including some that may be beyond our control, which could cause us to lose the benefit of this tax exemption. In addition, our position that we qualify for this exemption is based upon legal authorities that do not expressly contemplate an organizational structure such as ours; specifically, although we have elected to be treated as a corporation for U.S. federal income tax purposes, we are organized as a limited partnership under Marshall Islands law. Therefore, we can give no assurance that the IRS will not take a different position regarding our qualification for this tax exemption.

If we or our subsidiaries are not entitled to this exemption under Section 883 of the Code for any taxable year, we generally would be subject to a 4.0% U.S. federal gross income tax on our U.S. source gross transportation income for such year. Our failure to qualify for the exemption under Section 883 of the Code could have a negative effect on our business and would result in decreased earnings available for distribution to our unitholders.

The vessels in our fleet do not currently engage, and we do not expect that they will in the future engage, in transportation that begins and ends in the United States or in the provision of regasification or storage services in the United States. If, notwithstanding this expectation, our subsidiaries earn income in the future from transportation that begins and ends in the United States, or from regasification or storage activities in the United States, that income would not be exempt from U.S. federal income tax under Section 883 of the Code and would be subject to a 21% net income tax in the United States (and the after-tax earnings attributable to such income may be subject to an additional 30% branch profits tax). Please read "Item 4.B Business Overview—Taxation of the Partnership—United States Taxation—The Section 883 Exemption" for a more detailed discussion of the rules relating to qualification for the exemption under Section 883 of the Code and the consequences for failing to qualify for such an exemption.

You may be subject to income tax in one or more non-U.S. jurisdictions, including the United Kingdom and Norway, as a result of owning our common units if, under the laws of any such jurisdiction, we are considered to be carrying on business there. Such laws may require you to file a tax return with, and pay taxes to, those jurisdictions.

We conduct our affairs and cause or influence each of our subsidiaries to operate its business in a manner that minimizes income taxes imposed upon us and our subsidiaries and that may be imposed upon you as a result of owning our units. However, because we are organized as a limited partnership, there is a risk in some jurisdictions, including the United Kingdom and Norway, that our activities or the activities of our subsidiaries may be attributed to our unitholders for tax purposes if, under the laws of such jurisdiction, we are considered to be carrying on business there. If you are subject to tax in any such jurisdiction, you may be required to file a tax return with, and to pay tax in, that jurisdiction based on your allocable share of our income. We may be required to reduce distributions to you on account of any tax withholding obligations imposed upon us by that jurisdiction in respect of such allocation to you. The United States generally will not allow a tax credit for any foreign income taxes that you directly or indirectly incur by virtue of an investment in us.

We believe we can conduct our affairs in a manner that does not result in our unitholders being considered to be carrying on business in the United Kingdom or Norway solely as a consequence of the acquisition, ownership, disposition or redemption of our common units. However, the question of whether either we or any of our subsidiaries will be treated as carrying on business in any jurisdiction, including the United Kingdom and Norway, will be largely a question of fact to be determined through an analysis of the decisions made and powers exercised by our board of directors, the limitation of the CEO/CFO's decision making to day-to-day management for the purpose of implementing the decisions made by our board of directors, contractual arrangements, including the ship management agreements that our joint ventures and subsidiaries have entered into with Höegh LNG Management, the sub-technical support agreement that Höegh Norway has entered into with Höegh LNG Management, the administrative service agreement we have entered into with our operating company and Höegh UK, the administrative service agreement our operating company has entered into with Leif Höegh UK and the administrative service agreements Höegh UK has entered into with Höegh Norway and with Leif Höegh UK, as well as through an analysis of the manner in which we conduct business or operations, all of which may change over time. Furthermore, the laws of the United Kingdom, Norway or any other jurisdiction may also change, which could cause that jurisdiction's taxing authorities to determine that we are carrying on business in such jurisdiction and that we or our unitholders are subject to its taxation laws. In addition to the potential for taxation of our unitholders, any additional taxes imposed on us or any of our subsidiaries will reduce our cash available for distribution.

Item 4. Information on the Partnership

A. History and Development of the Partnership

Höegh LNG Partners LP is a publicly-traded limited partnership formed initially by Höegh LNG Holdings Ltd. (Oslo Børs symbol: HLNG), a leading floating LNG service provider, to own, operate and acquire floating storage and regasification units ("FSRUs"), LNG carriers and other LNG infrastructure assets under long-term charters, which we define as charters of five or more years.

At the closing of our initial public offering ("IPO") in August 2014, Höegh LNG contributed interests in our initial fleet of three modern FSRUs to us.

On October 1, 2015, we acquired 100% of the shares of Höegh FSRU III, the entity that indirectly owned the FSRU *Höegh Gallant*. On January 3, 2017, we closed the acquisition of a 51% ownership interest in the *Höegh Grace* entities. On December 1, 2017, we closed the acquisition of the remaining 49% ownership interest in the *Höegh Grace* entities.

As of March 31, 2019, we had a fleet of five FSRUs. Our fleet consists of interests in the following vessels:

- a 50% interest in the *Neptune*, an FSRU built in 2009 that is currently operating under a time charter with Global LNG Supply, a subsidiary of Total, a French publicly listed company, that produces and markets fuels, natural gas and low-carbon electricity, that expires in 2029, with an option to extend for up to two additional periods of five years each;

- a 50% interest in the *Cape Ann*, an FSRU built in 2010 that is currently operating under a time charter with Global LNG Supply that expires in 2030, with an option to extend for up to two additional periods of five years each;

- a 100% economic interest in the *PGN FSRU Lampung*, an FSRU built in 2014 that is currently operating under a time charter with PGN LNG, a subsidiary of PT Perusahaan Gas Negara (Persero) Tbk, a subsidiary of PT Pertamina, government-controlled, Indonesian oil and gas producer, natural gas transportation and distribution company. The time charter expires in 2034, with options to extend the time charter either for an additional 10 years or for up to two additional periods of five years each;

- a 100% interest in the *Höegh Gallant*, an FSRU built in 2014 that is currently operating under a time charter with EgyptCo, a subsidiary of Höegh LNG, that expires in 2020. EgyptCo had a time charter agreement with the government-owned Egyptian Natural Gas Holding Company ("EGAS") until October 2018. EgyptCo has an LNG carrier time charter to a third party from October 2018 until April 2020. In addition, we have an option agreement pursuant to which we have the right to cause Höegh LNG to charter the *Höegh Gallant* from the expiration or termination of the EgyptCo charter until July 2025; and

- a 100% interest in *Höegh Grace,* an FSRU built in 2016 that is currently operating under a time charter with SPEC. SPEC is owned 51% by Promigas S.A. ESP, a Colombian company focused on the transportation and distribution of natural gas, and 49% by private equity investors. The non-cancellable charter period is 10 years. The initial term of the charter is 20 years. However, each party has an unconditional option to cancel the charter after 10 and 15 years without a penalty. However, if SPEC waives its right to terminate in year 10 within a certain deadline, we will not be able to exercise our right to terminate in year 10.

We were formed on April 28, 2014 as a Marshall Islands limited partnership and have our principal executive offices at Wessex House, 5th Floor, 45 Reid Street, Hamilton, Bermuda.

Capital Expenditures

Our capital expenditures amounted to $0.7 million, $21 thousand and $0.5 million for the years ended December 31, 2018, 2017 and 2016 respectively.

B. Business Overview

General

We own and operate FSRUs, under long-term charters, which we define as charters of five or more years. Our primary business objective is to increase quarterly distributions per unit over time by making accretive acquisitions of FSRUs, LNG carriers and other LNG infrastructure assets with long-term charters.

We intend to leverage our relationship with Höegh LNG to make accretive acquisitions of FSRUs, LNG carriers and other LNG infrastructure assets with long-term charters from Höegh LNG and third parties. Pursuant to the omnibus agreement we have entered into with Höegh LNG, we have a right to purchase from Höegh LNG any FSRU or LNG carrier operating under a charter of five or more years. We cannot assure you that we will make any particular acquisition or that as a consequence we will successfully grow the amount of our per unit distributions. Among other things, our ability to acquire additional FSRUs, LNG carriers and other LNG infrastructure assets will be dependent upon our ability to raise additional equity and debt financing.

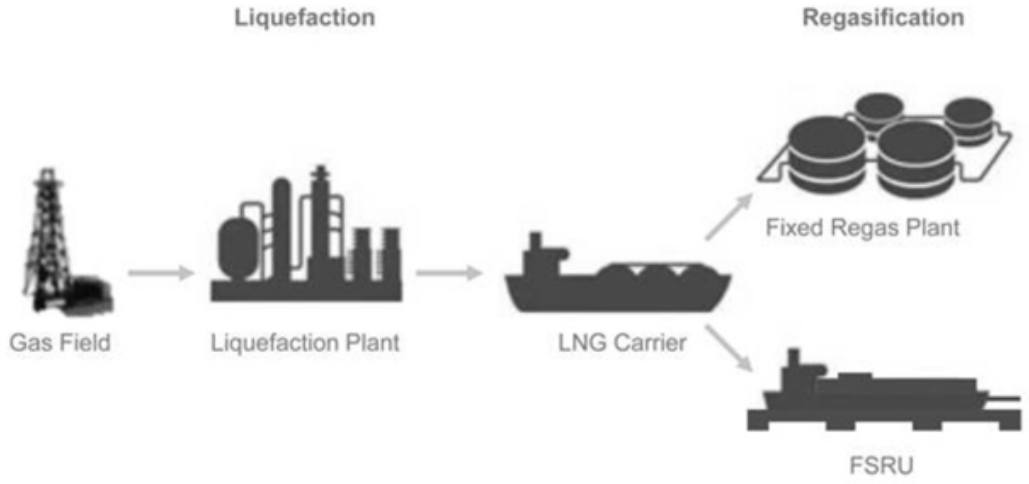
Natural Gas and Liquefied Natural Gas

Natural gas is used to generate electric power, has residential and industrial use and it is finding increasing application as a transportation fuel. The low carbon intensity and clean burning characteristics of natural gas contribute to the view that natural gas has the lowest environmental impact of hydrocarbon fuels.

The LNG trade developed from a need to transport natural gas over long distances with greater flexibility than is allowed by its movement via pipelines. Condensing natural gas into liquid form reduces its volume by a factor of over 600, making LNG an efficient means of transporting and storing natural gas in significant quantities. LNG is natural gas (predominantly methane (CH_4)) that has been converted to liquid form by cooling it to -160 degrees centigrade under compression.

The processing of natural gas, transportation of LNG and regasification process requires specialized technologies, complex liquefaction processes and cryogenic materials. The specially built carriers in which LNG is transported have heavily insulated cargo tanks that maintain cryogenic temperatures by allowing a small portion of LNG to evaporate as boil-off gas.

LNG projects are capital intensive. LNG project sponsors are typically large international oil and gas companies often partnering with national oil and gas companies on the export side of the chain. The importers of LNG are typically large, regulated natural gas companies or power utilities. The diagram below shows the flow of natural gas and LNG from production to regasification:



Floating Regasification Vessels

Traditionally, the import of LNG and its regasification has been done in land based terminals. However, the interest in and use of floating import and regasification solutions is increasing.

Floating regasification vessels may be called shuttle and regas vessels ("SRVs") or LNG regas vessels ("LNGRVs") but are more commonly referred to as FSRUs or Floating Storage and Regasification Units. FSRU technology represents a flexible, proven, expedient and cost effective means of allowing countries or regions to import LNG.

The underlying technology used in an FSRU is that of heat exchange between LNG and a warm fluid resulting in vaporization of the LNG into the gaseous state for delivery to shore. The fluid may either be seawater—often referred to as open loop vaporization—or recirculated water heated by a natural gas fired boiler on the FSRU itself—often referred to as closed loop vaporization. Vaporization capacity varies by vessel and is typically specified as a combination of continuous vaporization capacity (base capacity) and peak vaporization capacity (peak capacity). The vaporized LNG is replenished by delivery of LNG into the FSRU by LNG carriers serving as feeder vessels.

Key benefits of FSRU technology include:

- *Speed*. Planning, siting, permitting and constructing a traditional, land-based LNG terminal typically requires five to six years. In comparison, FSRU projects typically take less than 24 months to execute, and have been implemented in as little as six months.

- *Reduced Costs*. FSRUs are considerably less capital intensive than a land-based LNG terminal, where even small terminals can cost upwards of $600 million. More importantly, the providers of FSRUs are prepared to retain ownership of their vessels and charter them to the importing company for a short, medium or long term period, avoiding the need for major capital outlays and corresponding financing requirements.

- *Greater Cost Certainty*. An importer has greater clarity on fees for regasification services and delivery of gas with an FSRU as compared to a land-based LNG terminal, which may be more likely to face construction cost overruns and uncertainty around terminal throughput fees.

- *Operational Flexibility*. FSRU operators have entered into agreements as short as three years, whereas land-based LNG terminals often require long term commitments of 15 years or more.

- *Market Flexibility*. Some FSRUs can also be operated as conventional LNG carriers and owners have been prepared to build such vessels on a speculative basis. FSRU technology has the flexibility to meet different market needs and terminal location challenges.

However, FSRUs are not without limitations and constraints. Land-based terminals typically have larger storage capacity and potentially larger gas send out capacities than FSRUs, especially FSRUs that are a result of LNG carrier conversions. This disadvantage could be partially mitigated by using multiple FSRUs. Greater storage capacity of land-based terminals facilitates faster cargo offload in a situation when storage tanks are partially full. The boil-off rate of an FSRU is higher than that of a land-based terminals, and boil-off gas that cannot be used for fuel or regas purposes has to be flared in the gas combustion unit. The limitations on the physical size of an FSRU prevent it from having as much redundancy of vaporization equipment as a land-based terminal. As a result, an FSRU is more vulnerable to equipment outages, and thus requires the FSRU provider to hold very high standards regarding operations and maintenance. A technical problem with an FSRU could require a visit to drydock, which would result in a loss of service.

Our Relationship with Höegh LNG

We believe that one of our principal strengths is our relationship with Höegh LNG (Oslo Børs symbol: HLNG). With a track record dating back to the delivery of the world's first Moss-type LNG carrier in 1973, we believe that Höegh LNG is one of the most experienced operators of LNG carriers, and one of only a few operators of FSRUs in the world, excluding FSRUs owned by companies dedicated to single projects, and has one of the largest FSRU fleets in operation and under construction. Our affiliation with Höegh LNG gives us access to Höegh LNG's long-standing relationships with leading oil and gas companies, utility companies, shipbuilders, financing sources and suppliers, which we believe will allow us to compete more effectively when seeking additional long-term charters for FSRUs, LNG carriers and other LNG infrastructure assets. In addition, we believe Höegh LNG's more than 40-year track record of providing LNG services and its technical, commercial and managerial expertise, including its leadership in the development of floating liquefaction solutions, will enable us to continue to maintain the high utilization of our fleet to preserve our stable cash flows. We cannot assure you that our relationship with Höegh LNG will lead to high fleet utilization rates or stable cash flows in the future.

Business Strategies

Our primary business objective is to increase quarterly distributions per unit over time by executing the following strategies:

- ***Focus on FSRU Newbuilding Acquisitions***. We intend to acquire newbuilding FSRUs on long-term charters, which we believe generally offer greater flexibility than FSRUs based on retrofitted, first generation LNG carriers. Newbuilding FSRUs have superior fuel efficiency, improved storage performance and larger capacity than retrofitted, first-generation LNG carriers. Their larger capacity allows for a full cargo from a comparably sized, modern-day LNG carrier to be offloaded in a single transfer, and this streamlines logistics. We may also acquire retrofitted LNG carriers if such vessels are converted from modern LNG carriers with comparable and logistical benefits. In addition, Höegh LNG has strong customer relationships deriving from its ability to work alongside customers on their vessel design and infrastructure needs. Moreover, Höegh LNG pursues a strategy of generally maintaining one or more uncontracted newbuilding vessels on order so it can provide its customers an FSRU with minimum lead time. We believe that Höegh LNG's ability to offer newbuild vessels promptly and its engineering expertise make it an operator of choice for projects that require rapid execution, complex engineering or unique specifications. This, in turn, enhances the growth opportunities available to us.

- ***Pursue Strategic and Accretive Acquisitions of FSRUs, LNG Carriers and Other LNG Infrastructure Assets on Long-Term, Fixed-Rate Charters with Strong Counterparties***. We will seek to leverage our relationship with Höegh LNG to make strategic and accretive acquisitions. Pursuant to the omnibus agreement that we have entered into with Höegh LNG, Höegh LNG is required to offer us the opportunity to purchase all or portion of Höegh LNG's interest in FSRUs or LNG carriers under a charter of five or more years. We also intend to take advantage of business opportunities and market trends in the LNG transportation industry to grow our assets through third-party acquisitions of FSRUs, LNG carriers and other LNG infrastructure assets under long-term charters.

- ***Expand Global Operations in High-Growth Regions***. We will seek to capitalize on opportunities emerging from the global expansion of LNG production activity and the need to provide flexible regasification solutions in areas which require natural gas imports. We believe that Höegh LNG's position as one of a few FSRU owners and operators in the world, more than 40-year operational track record and strong customer relationships will enable us to have early access to new projects worldwide.

- ***Enhance and Diversify Customer Relationships Through Continued Operating Excellence and Technological Innovation***. We intend to maintain and grow our cash flows by focusing on strong customer relationships and actively seeking the extension and renewal of existing charters, entering into new long-term charters with current customers, and identifying new business opportunities with other creditworthy charterers. We believe our customer relationships are enhanced by our ability to provide expert technical advice to our customers through Höegh LNG's in-house engineering department, which in turn enables us to be directly involved in our customers' project development processes. We will continue to incorporate safety, health, security and environmental stewardship into all aspects of vessel design and operation in order to satisfy our customers and comply with national and international rules and regulations. We believe that Höegh LNG's operational expertise, recognized position, and track record in floating LNG infrastructure services will position us favorably to capture additional commercial opportunities in the FSRU and LNG sectors.

We can provide no assurance, however, that we will be able to implement our business strategies described above or that the business strategies discussed above will increase our quarterly distributions. For further discussion of the risks that we face, please read "Item 3.D. Risk Factors."

Our Fleet

Our Current Fleet

As of March 31, 2019, our fleet consists of interests in the following vessels:

- a 50% interest in the *Neptune*, an FSRU built in 2009 that is currently operating under a time charter with Global LNG Supply that expires in 2029, with an option to extend for up to two additional periods of five years each;

- a 50% interest in the *Cape Ann*, an FSRU built in 2010 that is currently operating under a time charter with Global LNG Supply that expires in 2030, with an option to extend for up to two additional periods of five years each;

- a 100% economic interest in the *PGN FSRU Lampung*, an FSRU built in 2014 that is currently operating under a time charter with PGN LNG that expires in 2034, with options to extend either for an additional 10 years or for up to two additional periods of five years each;

- a 100% interest in the *Höegh Gallant*, an FSRU built in 2014 that is currently operating under a time charter with EgyptCo, a subsidiary of Höegh LNG, that expires in 2020. EgyptCo had a time charter agreement with EGAS until October 2018. EgyptCo has an LNG carrier time charter to a third party from October 2018 until April 2020. In addition, we have an option agreement pursuant to which we have the right to cause Höegh LNG to charter the *Höegh Gallant* from the expiration or termination of the EgyptCo charter until July 2025; and

- a 100% interest in *Höegh Grace,* an FSRU built in 2016 that is currently operating under a time charter with SPEC. The non-cancellable charter period is 10 years. The initial term of the charter is 20 years. However, each party has an unconditional option to cancel the charter after 10 and 15 years without penalty. However, if SPEC waives its right to terminate in year 10 within a certain deadline, we will not be able to exercise our right to terminate in year 10.

Both the *Neptune* and the *Cape Ann* are owned in joint ventures with MOL and TLT, which own in the aggregate 50% of each joint venture. For a description of the joint venture agreements governing our joint ventures, please read "Item 4.B. Business Overview—Shareholder Agreements." The *PGN FSRU Lampung* is 49% owned by one of our subsidiaries and 51% owned by PT Bahtera Daya Utama ("PT Bahtera"), an Indonesian subsidiary of PT Imeco Inter Sarana, which provides products and services for various energy and infrastructure projects. Due to local Indonesian regulations, we are required to have a local Indonesian joint venture partner (e.g., PT Bahtera). However, we have a 100% economic interest in the *PGN FSRU Lampung*. For a description of the agreements related to this arrangement, please read "—Shareholder Agreements—PT Höegh Shareholders' Agreement."

The following table provides information about our five FSRUs:

FSRU	Our Economic Interest	Capacity (cbm)	Maximum send out capacity (MMscf/d)	Location of operation	Charter commencement	Charterer	Charter Expiration	Charter extension option period
Neptune	50%	145,000	750	Turkey	November 2009	Global LNG Supply	2029	Five years plus five years
Cape Ann	50%	145,000	750	Various	June 2010	Global LNG Supply	2030	Five years plus five years
PGN FSRU Lampung	100%	170,000	360	Indonesia	July 2014	PGN LNG	2034	Five or 10 years (1)
Höegh Gallant	100%	170,000	500	Various	April 2015	EgyptCo (2)	2020	n/a
Höegh Grace	100%	170,000	500	Colombia	December 2016	SPEC	2036(3)	n/a

(1) After the initial term, PGN LNG has the choice to extend the term by either five years or 10 years. If PGN LNG extends the term by five years, it subsequently may extend the term by another five years.

(2) Pursuant to an option agreement, the Partnership has the right to cause Höegh LNG to charter the *Höegh Gallant* from the expiration or termination of the EgyptCo charter until July 2025. Please read "Item 7.B. Related Party Transactions—Acquisition of the *Höegh Gallant*."

(3) The non-cancellable term is 10 years. The initial term is 20 years. However, each party has an unconditional option to cancel the charter after 10 and 15 years without penalty. However, if SPEC waives its right to terminate in year 10 within a certain deadline, we will not be able to exercise our right to terminate in year 10.

As of December 31, 2018, the *Neptune*, the *Cape Ann*, the *PGN FSRU Lampung,* the *Höegh Gallant* and the *Höegh Grace* were approximately 9.2 years old, 8.6 years old, 4.8 years old, 4.2 years old and 2.8 years old, respectively. FSRUs are generally designed to have a lifespan of approximately 40 years.

Since December 2016, the *Neptune* has been operating as the first FSRU in the Turkish market at the Etki Terminal near the port of Aliaga in Izmir province on the west coast of Turkey. Prior to that, the *Neptune* was used as an LNG carrier, delivering LNG from Trinidad to Boston, Spain, Asia and other locations. From April 2018, the *Cape Ann* has served as an LNG carrier prior to, and subsequent to, the drydock and modifications for the charterer's new FSRU sub-contract due to commence during 2019. From October 2017 to March 2018, the *Cape Ann* was sub-chartered as an FSRU, located in Tianjin outside Beijing, China. From November 2013 to January 2017, the *Cape Ann* was also sub-chartered and employed as China's first FSRU, serving the same terminal in Tianjin, China. At the time of construction, both the *Neptune* and the *Cape Ann* were the most advanced FSRUs ever built in terms of regasification technology, power generation and thermal insulation. In addition, the vessels received the "Green Passport" from Det Norske Veritas GL certifying the environmental considerations taken when constructing, operating and ultimately when disposing of the vessel.

The *PGN FSRU Lampung* is located offshore in the Lampung province at the southeast coast of Sumatra, Indonesia. The vessel is moored at a purpose-built mooring system built by a subcontractor of Höegh LNG, subsequently sold to PGN LNG and located approximately 16 kilometers offshore.

In October 2018, the *Höegh Gallant* commenced operating as an LNG carrier for EgyptCo.'s charter with a third party with a term until April 2020. The FSRU *Höegh Gallant* operated as an LNG import terminal at Ain Sokhna port, located on the Red Sea in Egypt, until October 2018. The *Höegh Gallant* was delivered from the shipyard in November 2014 and employed as an LNG carrier until mid-January 2015 when it entered the shipyard for minor modifications required for the contract in Egypt.

The *Höegh Grace* is operating as an LNG import terminal in the port of Cartagena on the Atlantic coast of Colombia. The *Höegh Grace* was delivered from the shipyard in March 2016 and employed as an LNG carrier by SPEC from June to October 2016.

Each of the *Neptune*, the *Cape Ann*, the *PGN FSRU Lampung,* the *Höegh Gallant* and the *Höegh Grace* has a reinforced membrane-type cargo containment system that facilitates offshore loading operations.

Additional FSRUs

Pursuant to the omnibus agreement we entered into with Höegh LNG at the time of the IPO, Höegh LNG is obligated to offer to the Partnership any FSRU or LNG carrier operating under a charter of five or more years.

Höegh LNG is actively pursuing the following projects that are subject to a number of conditions outside its control, impacting the timing and the ability of such projects to go forward. The Partnership may have the opportunity in the future to acquire the FSRUs listed below, when operating under a charter of five years or more, if one of the following projects is fulfilled:

- On December 21, 2018, Höegh LNG announced that it had entered into a contract with AGL Shipping Pty Ltd. ("AGL"), a subsidiary of AGL Energy Ltd., to provide an FSRU to service AGL's proposed import facility in Victoria, Australia. The contract is for a period of 10 years and is subject to AGL's final investment decision by the board of directors of AGL Energy Ltd. for the project and obtaining necessary regulator and environmental approvals.

- Höegh LNG has also won exclusivity to provide an FSRU for a potential import project at Port Kembia, Australia.

Höegh LNG has two operating FSRUs, the *Höegh Giant* (HHI Hull No. 2552), which was delivered from the shipyard on April 27, 2017 and the *Höegh Esperanza* (HHI Hull No. 2865), which was delivered from the shipyard on April 5, 2018. The *Höegh Giant* is operating on a three-year contract that commenced on February 7, 2018 with Gas Natural SGD, SA (“Gas Natural Fenosa”). The *Höegh Esperanza* is operating on a three-year contract that commenced on June 7, 2018 with CNOOC Gas & Power Trading and Marketing Ltd. (CNNOC) which has an option for a one-year extension. Höegh LNG took delivery of the *Höegh Gannet* (HHI Hull No.2909) on December 6, 2018, which will serve on a 15 month LNG carrier contract with Naturgy. Höegh LNG has one additional FSRU on order (SHI Hull No. 2220) (under a shipbuilding contract with Samsung Heavy Industries ("SHI")).

Pursuant to the terms of the omnibus agreement, we will have the right to purchase the *Höegh Giant*, the *Höegh Esperanza,* the *Höegh Gannet* and *SHI Hull No. 2220* following acceptance by the respective charterer of the related FSRU under a contract of five years or more, subject to reaching an agreement with Höegh LNG regarding the purchase price. There can be no assurance that we will acquire any vessels from Höegh LNG or of the terms upon which any such acquisition may be made.

The following table provides information about the additional FSRUs that we anticipate that we may have the right to purchase from Höegh LNG pursuant to the omnibus agreement or by agreement with Höegh LNG:

FSRU	Capacity (cbm)	Maximum send out capacity (MMscf/d)
Höegh Giant	170,000	750
Höegh Esperanza	170,000	750
Höegh Gannet	170,000	1,000
Hull no. 2220	170,000	750

Please read "Item 7.B. —Related Party Transactions—Omnibus Agreement" for a description of our omnibus agreement.

Technical Specifications

Each FSRU in our fleet, as well as the *Höegh Giant*, *Höegh Esperanza, Höegh Gannet* and *SHI Hull No. 2220*, has or will have the following onboard equipment for the vaporization of LNG and delivery of high-pressure natural gas:

- *High-Pressure Cryogenic Pumps*. Each FSRU has, or will have upon delivery from the shipyard, high-pressure cryogenic pumps, which pressurize the LNG prior to vaporization.

- *Vaporizers*. Each FSRU has, or will have upon delivery from the shipyard, vaporizers, which convert the LNG back to vaporous natural gas using heat generated by either steam boilers or seawater.

- *Dual-Fuel Diesel Electric Propulsion Plant*. Each FSRU has, or will have upon delivery from the shipyard, a dual-fuel diesel electric propulsion plant, which provides the power for the vessel's regasification, propulsion and utility systems.

- *Mooring System*. Each of the *Neptune* and the *Cape Ann* is equipped with a submerged turret loading ("STL") offshore mooring system and can also be moored to a jetty. The *PGN FSRU Lampung* is equipped for mooring to a tower yoke. The *Höegh Gallant,* the *Höegh Grace*, the *Höegh Giant*, the *Höegh Esperanza,* the *Höegh Gannet* and *SHI Hull No. 2220* are or will be equipped for quay-side mooring.

- *Gas Export System*. The *PGN FSRU Lampung* has an export pipeline on her bow, which is connected via jumper hoses to the tower yoke. The *Höegh Gallant*, the *Höegh Grace*, the *Höegh Giant*, the *Höegh Esperanza,* the *Höegh Gannet* and *SHI Hull No. 2220* have or will have a high-pressure manifold on the side, to connect to the loading arms on the purpose-built jetties. The *Neptune* and the *Cape Ann* have an STL buoy system, but have also been retrofitted with high-pressure gas manifold on the side, which can be connected to loading arms on a jetty.

Each of the *Höegh Giant*, the *Höegh Esperanza,* the *Höegh Gannet* and *SHI Hull No. 2220* is or will be equipped with the same reinforced membrane-type cargo containment system as our current fleet.

Each of the *Neptune* and the *Cape Ann* has a closed-loop regasification system, where heat for vaporization is generated by steam boilers. The *PGN FSRU Lampung*, the *Höegh Gallant,* the *Höegh Grace* and the *Höegh Giant* have open-loop regasification systems, where heat for vaporization is generated by pumping sea water. The *Höegh Esperanza* and the *Höegh Gannet* are equipped to operate using a regasification system that is closed-loop, open-loop or a combination of closed-loop and open-loop, i.e. any mix of seawater and steam heating. *SHI Hull No. 2220* will have an open loop regasification system, but will also be prepared for retrofitting with a closed and combined loop system.

Each of the *Neptune*, the *Cape Ann*, the *Höegh Gallant*, the *Höegh Grace*, the *Höegh Giant*, the *Höegh Esperanza,* the *Höegh Gannet* and *SHI Hull No. 2220* is or will be capable of operating as a conventional LNG carrier.

Customers

For the years ended December 31, 2018 and 2017, the total revenues in the consolidated statements of income are from PGN LNG, EgyptCo and SPEC. PGN LNG is a subsidiary of PT Perusahaan Gas Negara (Persero) Tbk, a subsidiary of PT Pertamina, a government-controlled, Indonesian oil and gas producer, natural gas transportation and distribution company. EgyptCo had a time charter agreement with EGAS until October 2018. EgyptCo has an LNG carrier time charter to a third party from October 2018 until April 2020. SPEC is owned 51% by Promigas S.A. ESP, a Colombian company focused on the transportation and distribution of natural gas, and 49% by private equity investors. For the year ended December 31, 2016, total revenues in the consolidated statements of income are from PGN LNG and EgyptCo. Global LNG Supply, accounted for 100% of our joint ventures' time charter revenues for the years ended December 31, 2018, 2017 and 2016. During 2018, Global LNG Supply was acquired by Total, a French publicly listed company, that produces and markets fuels, natural gas and low-carbon electricity, from ENGIE.

Vessel Time Charters

Our vessels are provided to the applicable charterer by our joint venture or us, as applicable (each, a "vessel owner"), under separate time charters.

A time charter is a contract for the use of a vessel for a fixed period of time at a specified hire rate. Under a time charter, the vessel owner provides the crew, technical and other services related to the vessel's operation, the majority or all of the cost of which is included in the hire rate, and the charterer generally is responsible for substantially all of the vessel voyage costs (including fuel, port and canal fees and LNG boil-off).

Neptune Time Charter

Initial Term; Extensions

The *Neptune* time charter commenced upon acceptance of the vessel by the charterer in November 2009. The initial term of the *Neptune* time charter is 20 years. Global LNG Supply has the option to extend the time charter for up to two additional periods of five years each.

Performance Standards

Under the *Neptune* time charter, the vessel owner undertakes to ensure that the vessel meets specified performance standards at all times during the term of the time charter. The vessel must maintain a guaranteed speed, consume no more than a specified amount of fuel oil and not exceed a maximum average daily boil-off, all as specified in the time charter. In addition, the vessel owner undertakes that the vessel will be capable of discharging her cargo within a specified time and regasifying and discharging her cargo at not less than a specified rate.

Hire Rate

Under the *Neptune* time charter, hire is payable to the vessel owner monthly, in advance in U.S. Dollars. The hire rate under the *Neptune* time charter consists of three cost components:

- *Fixed Element*. The fixed element is a fixed per day fee providing for ownership costs and all remuneration due to the vessel owner for use of the vessel and the provision of time charter services.

- *Variable (Operating Cost) Element*. The variable (operating cost) element is a fixed per day fee providing for the operating costs of the vessel, which consists of (i) a cost pass-through sub-element, which covers the crew (excluding the extra cost associated with a U.S. crew requirement, which is invoiced separately), insurance, consumables, miscellaneous services, spares and damage deductible costs and is subject to annual adjustment and (ii) an indexed sub-element, which covers management and is subject to annual adjustment for changes in labor costs and the size of the fleet under management.

- *Optional (Capitalized Equipment Cost) Element*. The optional (capitalized equipment cost) element consists of (i) costs associated with modifications to, changes in specifications of, structural changes in or new equipment for the vessel that become compulsory for the continued operation of the vessel by reason of new class requirements or national or international regulations coming into effect after the date of the time charter, subject to specified caps and (ii) costs associated with any new equipment or machinery that the owner and charterer have agreed should be capitalized. Such costs are distributed over the remaining term of the time charter.

While the hire rate under the *Neptune* time charter does not cover drydocking expenses or extra costs associated with a U.S. crew requirement, the charterer will reimburse the vessel owner on a cost pass-through basis.

If Global LNG Supply exercises its option to extend the *Neptune* time charter beyond its initial term, the hire rate will be determined as set forth above, provided that the fixed element will be reduced by approximately 30%.

The hire rate is subject to deduction by the charterer by, among other things, any sums due in respect of the vessel owner's failure to satisfy the undertakings described under "—Performance Standards" and off-hire accruing during the period. The hire rate is also subject to deduction by the charterer if the vessel owner fails to maintain the vessel in compliance with the vessel's specifications and contractual standards, provide the required crew, keep the vessel at the charterer's disposal or comply with specified corporate organizational requirements and such failure increases the time taken by the vessel to perform her services or results in the charterer directly incurring costs.

Expenses

The vessel owner is responsible for providing certain items and services, which include the crew; drydocking, overhaul, maintenance and repairs; insurance; stores; necessary spare parts; water; inert gas and nitrogen; communication expenses and fees paid to the classification societies, regulatory authorities and consultants. The variable (operating cost) element of the hire rate is designed to cover these expenses. Except for when the vessel is off-hire, the charterer pays for bunker fuels, marine gas oil and boil-off if used or burned while steaming at a reduced rate. Additionally, except for when the vessel is off-hire, the charterer pays for boil-off used to provide power for discharge and regasification; and fuel for inert gas, nitrogen and diesel generators.

Off-hire

Under the *Neptune* time charter, the vessel generally will be deemed off-hire if the vessel is not available for the charterer's use for a specified amount of time due to, among other things:

- failure of an inspection that prevents the vessel from performing normal commercial operations;
- scheduled drydocking that exceeds allowances;
- the vessel's inability to discharge regasified LNG at normal performance;
- requisition of the vessel; or
- the vessel owner's failure to maintain the vessel in compliance with her specifications and contractual standards or to provide the required crew.

In the event of off-hire, all hire will cease to be due or payable for the duration of off-hire. Notwithstanding the foregoing, hire is not reduced due to an event of off-hire if the event of off-hire does not exceed a specified number of days in any 12-month period.

Ship Management and Maintenance

Under the *Neptune* time charter, the vessel owner is responsible for the technical management of the vessel, including engagement and provision of a qualified crew, maintaining the vessel, arranging supply of stores and equipment, periodic drydocking and ensuring compliance with applicable regulations, including licensing and certification requirements. These services are provided to the vessel owner by Höegh LNG Management pursuant to a ship management agreement.

Termination

Under the *Neptune* time charter, the vessel owner is entitled to terminate the time charter if the charterer fails to pay its debts, becomes insolvent or enters into bankruptcy or liquidation.

The charterer is entitled to terminate the time charter and, at its option, convert the time charter into a bareboat charter, if (i) either the vessel owner or any guarantor (a) fails to pay its debts or (b) becomes insolvent or enters into bankruptcy or liquidation or (ii) the vessel owner's guarantee ceases to be in full force and effect. Furthermore, after the fourth anniversary of the delivery date of the vessel, the charterer has the option to terminate the time charter without cause by providing notice at least two years in advance of the charterer's election. On the date of such termination, the charterer will pay the vessel owner a specified termination fee, which declines over time and is based upon the year in which the time charter is terminated. Furthermore, the charterer may terminate the time charter if any period of off-hire due to (i) the vessel owner's failure to maintain the vessel in compliance with her specifications and contractual standards or to provide the required crew exceeds a specified number of days, (ii) damage to the vessel's cargo containment system as a result of the vessel owner's failure to comply with cargo and filling level restrictions exceeds a specified number of months or (iii) any reason other than scheduled drydocking or damage to the vessel's cargo containment system exceeds a specified number of months, unless such period of off-hire is due to the vessel owner's failure to comply with cargo and filling level restrictions.

After attempting to take mitigating steps for a specified number of days, both the vessel owner and the charterer have the right to terminate the time charter if war is declared in any location that materially interrupts the performance of the time charter. The time charter will terminate automatically if the vessel is lost, missing or a constructive or compromised total loss.

Indemnification

No liability is imposed upon the vessel owner for the death or personal injury of the charterer, its representatives or their estates (collectively, the "Global Charterer's Group") while engaged in activities contemplated by the time charter unless such death or personal injury is by the gross negligence or willful misconduct of the vessel owner, its employees or its agents. Additionally, no liability is imposed upon the vessel owner if any personal property of the Global Charterer's Group is damaged, lost or destroyed as a result of the gross negligence or willful misconduct of the vessel owner, its employees or its agents. Similar provisions apply to the charterer in both cases.

However, if any of the charterer's representatives dies or is personally injured while engaged in activities contemplated by the time charter and as a result of the gross negligence or willful misconduct of the vessel owner, its employees or its agents, the vessel owner will indemnify the Global Charterer's Group, as applicable. Additionally, if any personal property of the Global Charterer's Group is damaged, lost or destroyed as a result of the gross negligence or willful misconduct of the vessel owner, its employees or its agents, the vessel owner will indemnify the Global Charterer's Group, as applicable. Reciprocal obligations are imposed on the charterer in both cases.

The charterer will indemnify the vessel owner for losses associated with shipping documents to the extent they were signed as directed by the charterer or based upon information that it provided. In addition, the charterer will indemnify the vessel owner against taxes imposed on the vessel owner or the vessel in respect of hire by any country where loading or discharging of LNG takes place, where the vessel is located or through which the vessel travels, where the charterer is organized, does business or has a fixed place of business or where the charterer makes payments under the time charter, subject to certain exceptions.

The vessel owner will indemnify the charterer, its servants and agents against all losses, claims, responsibilities and liabilities arising from the employment of pilots, tugboats or stevedores, subject to certain exceptions.

The vessel owner will indemnify the charterer against any claim by a third party alleging that the construction or operation of the vessel infringes any right claimed by such third party, including but not limited to patent rights, copyrights, trade secrets, industrial property or trademarks. The charterer will indemnify the vessel owner for all amounts properly payable to the vessel builder if the charterer takes, or requires the vessel owner to take, any action that puts the vessel owner in breach of its intellectual property rights obligations under the vessel building contract.

Guarantee

Pursuant to the *Neptune* time charter, both Höegh LNG Ltd. and MOL guarantee the performance and payment obligations of the vessel owner under the time charter. Such guarantee is joint and several as to performance obligations and several as to payment obligations. If the guarantee is not maintained, the charterer may terminate the time charter.

Subcharter Provisions

Global LNG Supply entered into a subcharter to provide the *Neptune* as an FSRU for the Etki Terminal in Izmir province on the west coast of Turkey, pursuant to which Global LNG Supply and SRV Joint Gas Ltd. amended the *Neptune* time charter in December 2016 (the "*Neptune* charter amendments"). The *Neptune* charter amendments apply only during the term of the subcharter.

In connection with the subcharter, the charterer will after the expiration of the subcharter, reimburse the costs of reinstating the vessel, during which times the vessel will be on-hire. The charterer is also required to compensate the vessel owner for time spent and reasonable, direct and documented costs and expenses incurred in connection with the subcharter and arrange for the importation, stay and exportation into and from Turkey of the *Neptune* and any materials or equipment needed for the vessel owner's performance of the subcharter. The charterer will indemnify the vessel owner for (i) costs, claims or losses that the vessel owner incurs as a consequence of the subcharter, except that the vessel owner's liability for any tortious act (which includes negligence) to any third party will be treated in the same manner as under the original charter, and (ii) any Turkish tax implications. During the term of the subcharter and while the vessel is not on a voyage as an LNG carrier, certain amendments to the time charter apply, including the following:

- the charterer will provide port and marine facilities capable of receiving the vessel and berths and places that the vessel can safely reach and return from;

- in lieu of the off-hire provision, hire will be reduced proportionately to the extent the vessel does not achieve the specified discharge rate of regasified LNG or fails to meet other performance specifications;

- the maintenance provisions and allowances differ;

- a right of charterer to change the manager of the *Neptune* if the average commercial availability of the regasification system falls below certain thresholds; and

- performance standards different from those described above under "—Performance Standards," pursuant to which the vessel owner undertakes to ensure that the vessel delivers the nominated discharge rate in accordance with the daily curve agreed with the charterer, is capable of regasifying LNG in a closed-loop heating mode at a specified pressure and temperature and regasifies and discharges her cargo at neither less nor more than a specified LNG discharge rate, among others.

Cape Ann Time Charter

Initial Term; Extensions

The *Cape Ann* time charter commenced upon acceptance of the vessel by the charterer in June 2010. The initial term of the *Cape Ann* time charter is 20 years. Global LNG Supply has the option to extend the time charter for up to two additional periods of five years each. From October 2017 until March 2018, the *Cape Ann* operated as an FSRU pursuant to a subcharter between Global LNG Supply and CNOOC Tianjin LNG Limited Company ("CNOOC TLNG"). From November 2013 until January 3, 2017, the *Cape Ann* also operated as an FSRU pursuant to a similar subcharter with CNOOC TLNG.

Global LNG Supply entered into a subcharter with CNOOC TLNG, pursuant to which Global LNG Supply and SRV Joint Gas Two Ltd. amended the *Cape Ann* time charter in June 2012 and October 2017. Such amendments apply only during the term of the subcharter.

The terms of the *Cape Ann* time charter are substantially similar to those of the *Neptune* time charter unmodified by the *Neptune* charter amendments.

Guarantee

Pursuant to the *Cape Ann* time charter, both Höegh LNG Ltd. and MOL guarantee the performance and payment obligations of the vessel owner under the time charter. Such guarantee is joint and several as to performance obligations and several as to payment obligations. If the guarantee is not maintained, the charterer may terminate the time charter.

PGN FSRU Lampung Time Charter

Under a lease, operation and maintenance agreement, which we refer to as a time charter, we provide to PGN LNG the services of the *PGN FSRU Lampung*, which is moored at the Mooring owned by PGN LNG and located approximately 16 kilometers off the shore of Labuhan Maringgai at the southeast coast of Sumatra, Indonesia. Also under the time charter, we operate and maintain the Mooring.

Initial Term; Extensions

The long-term time charter for the *PGN FSRU Lampung* with PGN LNG has an initial term of 20 years from the acceptance date of October 30, 2014. The time charter hire payments began July 21, 2014 when the project was ready to begin commissioning. At any time on or before 17 years and 183 days after acceptance, PGN LNG may exercise its option to extend the time charter for either five or 10 years. If the term is extended for five years pursuant to such option, at any time on or before the date that is 22 years and 183 days after acceptance, PGN LNG may exercise its option to extend the time charter for a subsequent five years.

Performance Standards

Under the *PGN FSRU Lampung* time charter, the vessel owner makes certain performance warranties for the term of the time charter, excluding time during which the vessel is off-hire or in lay-up or a failure to satisfy any such warranty due to a "Lampung Charterer Risk Event" (which includes, among other things, any breach, act, interference or omission by the charterer that prevents or interferes with the vessel owner's performance under the time charter) or an event of force majeure, including the following:

- the management warranties, which consist of the following:
- the vessel complies with specifications; is classed by Det Norske Veritas GL; is in good order and condition and fit for service; and has onboard all certificates, documents, approvals, permits, permissions and equipment required by Det Norske Veritas GL or any law necessary for the vessel to carry out required operations on the Mooring;
- the vessel owner provides shipboard personnel in accordance with specified terms;
- the vessel owner loads LNG in accordance with specified procedures; operates all equipment in a safe and proper manner and as required by Indonesian law; keeps up-to-date records and logs; uses reasonable endeavors to cooperate with the charterer to comply with and satisfy any requirements of any governmental authority; stows LNG properly and keeps a strict account of all LNG loaded, boil-off and regasified LNG discharged; and exercises due diligence and good industry practice to minimize venting of boil-off; and
- the vessel owner provides and pays for all provisions, wages and discharging fees and all other expenses related to the master, officers and crew; insurance; spare parts and other necessary stores, including lubricating oil; drydocking in emergency cases, maintenance and repairs; certificates; customs or import duties arising in connection with any of the foregoing; and consents, licenses and permits required by governmental authorities to be in the vessel owner's name (collectively, the "Lampung Vessel Owner Expenses");
- the vessel receives LNG in accordance with a specified nominating loading rate;
- the vessel consumes fuel at or below a specified amount;
- during a nomination period, the vessel delivers regasified LNG at a specified average rate;
- during a period in which there is no regasification send-out, no LNG transfer or cargo tank cool down ongoing and no LNG pump running in any cargo tank, the amount of boil-off does not exceed a specified percentage of cargo capacity per day;

- the boil-off recondenser is able to recondense boil-off gas for the days when the vessel is sending out regasified LNG; and
- the cargo capacity of the vessel does not exceed the aggregate volume of LNG that can be stored in the cargo tanks of the vessel.

Hire Rate

Under the *PGN FSRU Lampung* time charter, hire is payable to the vessel owner monthly, in arrears in U.S. Dollars. The hire rate under the *PGN FSRU Lampung* time charter consists of three cost components:

- *Capital Element*. The capital element is a fixed per day fee, which is intended to cover remuneration due to the vessel owner for use of the vessel and the provision of time charter services.
- *Operating and Maintenance Element*. The operating and maintenance element is a fixed per day fee, subject to annual adjustment, which is intended to cover the operating costs of the vessel, including manning costs, maintenance and repair costs, consumables and stores costs, insurance costs, management and operational costs, miscellaneous costs and alterations not required by Det Norske Veritas GL to maintain class or the IMO.
- *Tax Element*. The tax element is a fixed per day fee, equal to the vessel owner's reasonable estimate of the tax liability for that charter year divided by the number of days in such charter year. If the vessel owner receives a tax refund or credit, the vessel owner will pay such amount to the charterer. Similarly, if any audit required by the time charter reveals that the vessel owner's reasonable estimate of the tax liability varied from the actual tax liability, the vessel owner or the charterer, as applicable, will pay to the other party the difference in such amount.

If PGN LNG exercises an option to extend the *PGN FSRU Lampung* time charter beyond its initial term, the hire rate will be determined as set forth above, provided that the capital element will be increased by 50% and the operating and maintenance element will equal cost pass-through.

The hire rate is subject to adjustment if any change in Indonesian law or tax occurs that alters the vessel owner's performance of the time charter or the charterer requires the vessel owner to lay-up the vessel.

Furthermore, the hire rate is subject to deduction by the charterer for sums due in respect of the vessel owner's failure to satisfy the performance warranties or if, as a result of an event of force majeure and subject to specified exceptions, the regasification flow rate is less than that required to meet the quantity nominated. However, any deduction for the vessel owner's failure to satisfy the performance warranties may not exceed the aggregate of the capital element and the operating and maintenance element for that day; provided, that such cap does not apply to the vessel owner's failure to satisfy specified fuel consumption or boil-off warranties.

The charterer will pay the vessel owner the hire rate for time lost due to a Lampung Charterer Risk Event.

Expenses

The vessel owner is responsible for providing certain items and services, which include the Lampung Vessel Owner Expenses and the supply of all LNG required for gassing up and cooling of the vessel. The vessel owner pays for non-Indonesian taxes and alterations required by Det Norske Veritas GL to maintain class or the IMO. The vessel owner also will provide, at its expense, accommodation space for at least two of the charterer's employees responsible for coordinating terminal operations onshore and offshore, provided that the charterer reimburses the vessel owner for the cost of provisions supplied to such employees.

The charterer pays for make-up of bunker fuels provided by the vessel owner and during tests; regasified LNG for use as fuel; port charges, pilotage, towing, mooring, agency fees or customs or import duties; duties, levies and taxes relating to unloading; costs and expenses relating to terminal security required by the International Ship and Port Facility Security Code (the "ISPS Code"); and mooring, periodic maintenance, repairs, insurance, inspections and surveys beyond daily inspections and capital spares. The charterer also pays for Indonesian taxes and alterations not required by Det Norske Veritas GL to maintain class or the IMO.

Off-hire

Under the *PGN FSRU Lampung* time charter, the vessel generally will be deemed off-hire if she is not available for the charterer's use for a specified amount of time due to, among other things:

- drydocking that exceeds allowances;
- the vessel failing to satisfy specified operational minimum requirements, except as a result of a Lampung Charterer Risk Event or an event of force majeure; or
- the vessel owner's failure to satisfy the management warranties described above under "—Performance Standards."

In the event of off-hire, all hire will cease to be due or payable for the duration of off-hire. Notwithstanding the foregoing, hire is not reduced due to an event of off-hire if the event of off-hire does not exceed a specified number of hours in any 12-month period.

Technical Support

Under the *PGN FSRU Lampung* time charter, the vessel owner is responsible for the technical support services with respect to the vessel, including engagement and provision of a qualified crew, maintaining the vessel, arranging supply of stores and equipment, periodic drydocking and ensuring compliance with applicable regulations, including licensing and certification requirements. These services are provided by Höegh LNG Management pursuant to the technical information and services agreement between the vessel owner and Höegh Norway and the sub-technical support agreement between Höegh Norway and Höegh LNG Management.

Termination

Under the *PGN FSRU Lampung* time charter, the charterer is entitled to terminate the time charter for the following reasons:

- if, due to one of several specified events of force majeure ("Lampung Nongovernmental Force Majeure") that results in physical damage to the vessel or the Mooring in respect of which insurance proceeds are payable under the loss of hire insurance and hull and machinery insurance ("Lampung Vessel Force Majeure"), the vessel owner is unable to comply with nominations for a specified number of days;
- if, due to an event of force majeure that is not Lampung Nongovernmental Force Majeure or Lampung Vessel Force Majeure ("Lampung Other Force Majeure"), the vessel owner is unable to comply with nominations for a specified number of days; or
- if there has been an event of force majeure caused by the Indonesian government ("Lampung Governmental Force Majeure") during a specified number of days.

If the charterer terminates for Lampung Other Force Majeure or Lampung Governmental Force Majeure, the charterer will pay the vessel owner a specified termination fee based upon the year in which the time charter is terminated.

Additionally, after the occurrence of an event of default by the vessel owner, and while such event of default continues, the charterer may terminate the time charter. If the charterer terminates the time charter for certain events of default that the vessel owner intentionally or deliberately committed for the purpose of terminating the time charter so that the vessel owner could employ the vessel with a third party, the vessel owner will transfer the vessel's title to the charterer.

The vessel owner may terminate the time charter after the occurrence of an event of default by the charterer while such event of default continues. If the charterer fails to pay invoiced amounts when due and such failure continues for a specified number of days following notice from the vessel owner, the vessel owner may suspend its performance and remain on-hire until such failure is corrected.

If the time charter is terminated by the vessel owner for an event of default of the charterer, the charterer will pay the vessel owner a specified termination fee based upon the year in which the time charter is terminated. Under such circumstances, as well as if the time charter is terminated by the charterer for Lampung Governmental Force Majeure, the vessel owner may require that the parties begin negotiation of terms under which the vessel owner would be willing to sell to the charterer a 50% ownership interest in the vessel for a specified amount that declines over time and is based upon the year in which the time charter is terminated. If the charterer terminates the time charter for force majeure other than Lampung Governmental Force Majeure or an event of default of the vessel owner, the charterer may require the parties to begin such negotiation.

The time charter will terminate automatically if the vessel is lost or a constructive total loss.

Indemnification

For losses arising out of claims for illness or injuries to or death of any employees of the vessel owner, the vessel owner's affiliates, certain subcontractors of the vessel owner, persons contracting with the vessel owner under the building contract or the Mooring contract and representatives of each of the foregoing (collectively, the "Lampung Owner's Group"), the vessel owner will indemnify the charterer, certain affiliates and subcontractors of the charterer, persons executing tug charters and terminal use agreements, persons receiving regasified LNG delivered by the vessel and representatives of each of the foregoing (collectively, the "Lampung Charterer's Group"). Reciprocal obligations are imposed on the charterer.

For losses arising out of claims for damage to or loss of the vessel or property, equipment or materials owned or leased by any member of the Lampung Owner's Group, the vessel owner will indemnify the Lampung Charterer's Group. Similarly, the charterer will indemnify the Lampung Owner's Group for losses arising out of claims for damage to or loss of property, equipment or materials owned or leased by any member of the Lampung Charterer's Group or LNG stored on the vessel or the Mooring.

For losses arising from pollution or contamination created by the vessel or the operation thereof or the Mooring, the vessel owner will indemnify the Lampung Charterer's Group; provided, that the vessel owner's aggregate liability for each applicable accident will not exceed $150,000,000. For losses arising from pollution or contamination created by, or directly related to, the operation of the downstream pipeline, any LNG carrier or any vessel operating under a tug charter, the charterer will indemnify the Lampung Owner's Group.

Purchase Option

PGN LNG was granted an option to purchase the *PGN FSRU Lampung* at specified prices based upon the year in which the option is exercised. Such option to purchase may be exercised commencing in June 2018; however, it may not be exercised if either of the charter extension options has expired without exercise. The option is exercisable upon PGN LNG giving us notice specifying the time and date of delivery, which must be after the third anniversary of the date of delivery. The option to purchase survives termination of the time charter. PGN LNG has discussed alternatives regarding the option, among other contractual provisions. However, no notice has been provided to indicate an intention of exercising this option as of March 31, 2019. Please read "Item 3.D. Risk Factors—Risks Inherent in Our Business—PGN LNG and SPEC have options to purchase the *PGN FSRU Lampung* and *Höegh Grace*, respectively. If either charterer exercises its option, it could have a material adverse effect on our operating cash flows and our ability to make cash distributions to our unitholders."

Guarantee

Pursuant to the *PGN FSRU Lampung* time charter, Höegh LNG guarantees the due and proper performance by PT Höegh of all its obligations and liabilities under the time charter.

Höegh Gallant Time Charter

Term

The *Höegh Gallant* lease and maintenance agreement (the "*Höegh Gallant* time charter") commenced in April 2015. The term of the *Höegh Gallant* time charter is 5 years.

Performance Standards

Under the *Höegh Gallant* time charter, the vessel owner undertakes to maintain the vessel in accordance with international standards, provide a suitably qualified marine crew and comply with applicable laws, rules and regulation at all times during the term of the time charter.

Hire Rate

Under the *Höegh Gallant* time charter, hire to the vessel owner is payable monthly, in arrears, with the rate denominated 90% in U.S. Dollars and 10% in EGP. The hire rate under the *Höegh Gallant* time charter has only one component, which is intended to cover remuneration due to the vessel owner for use of the vessel and the provision of time charter services as well as the operating and maintenance costs of the vessel, including manning costs, the cost of spare parts and any tax incurred.

The *Höegh Gallant* time charter does not have any pass-through provisions for drydocking expenses.

A price review of the hire rate may be conducted after three years, but a revised rate can only be implemented upon written agreement by both parties.

On October 15, 2018, we announced that Höegh LNG and EGAS agreed to amend the time charter for the *Höegh Gallant* between EgyptCo and EGAS whereby EgyptCo has chartered the *Höegh Gallant* on an LNG carrier time charter to a third party, and EGAS will compensate for the rate difference between the original FSRU charter and the new LNG carrier time charter. The amended contract structure became effective in October 2018 and expires in April 2020, the termination date of the original FSRU charter. As a result of the changes outlined above, a price review is expected to be conducted. To the extent that the parties reach an agree on a price adjustment, such an amendment would be subject to approval by the Conflicts Committee of our Board of Directors and would not be expected to have a material effect on us. We expect that all existing guarantees and the option provided by Höegh LNG to us would remain in place under any amendment.

Höegh LNG guarantees the payment of hire by the charterer (EgyptCo) under the *Höegh Gallant* time charter but only to the extent that the failure of the charterer to pay such hire is caused by the breach by EGAS of its obligation to make payments under EgyptCo's contractual arrangements with EGAS (and the charterer is unable to draw upon EGAS' performance guarantees.

Expenses

The vessel owner is responsible for providing certain items and services, which include the crew; bunker fuel, drydocking, overhaul, maintenance and repairs; insurance; stores; necessary spare parts; communication expenses and fees paid to the classification societies, regulatory authorities and consultants. The hire rate is designed to cover these expenses except for when the vessel is off-hire. The charterer pays for port and light dues.

Off-hire

Under the *Höegh Gallant* time charter, the vessel generally will be deemed off-hire if she is not available for the charterer's use due to, among other things:

- drydocking or other repairs and maintenance;
- any damage, defect, breakdown or deficiency to the vessel;
- any deficiency of crew, stores, repairs, surveys, or similar cause preventing the working of the vessel;
- any labor dispute, failure or inability of the officers or crew to perform the required services; or
- any failure to comply with laws, regulations or operational practices at the site of the vessel operations.

In the event of off-hire, all hire will cease to be due or payable for the duration of off-hire. Except for force majeure events and a specified maintenance allowance period, the vessel owner will be obligated to indemnify the charterer (up to a specified cap) for losses suffered during off-hire, including loss of earnings and certain liquidated damages payable under the charterer's charter.

Ship Management and Maintenance

Under the *Höegh Gallant* time charter, the vessel owner is responsible for the technical management of the vessel, including engagement and provision of a qualified crew, maintaining the vessel, arranging supply of stores and equipment, periodic drydocking and ensuring compliance with applicable regulations, including licensing and certification requirements. The crew is provided to the vessel owner by Höegh Maritime Management pursuant to a secondment agreement. The remaining services are provided to the vessel owner by Höegh LNG Management pursuant to a ship management agreement.

Termination

Under the *Höegh Gallant* time charter, the vessel owner is entitled to terminate the time charter if the charterer fails to pay its hire, debts, becomes insolvent, enters into bankruptcy or liquidation or otherwise materially breaches the terms of the charter.

The charterer is entitled to terminate the time charter if (i) the vessel owner (a) fails to pay its debts or is otherwise insolvent, (b) enters into bankruptcy or liquidation, (c) fails to maintain insurance or classification or (d) is otherwise in material breach of the terms of the agreement or (ii) the vessel is unavailable for the charterer for a specified period of days in any contract year. Furthermore, following the expiration of the third year of the contract term, the charterer may request to meet with the vessel owner to seek mutual agreement on terms for early termination of the time charter. After attempting to take mitigating steps, both the vessel owner and the charterer have the right to terminate the time charter if war is declared at the vessel site. The time charter will terminate automatically if the vessel is lost, missing or a constructive or compromised total loss.

Indemnification

The charterer will indemnify the vessel owner for any damage or loss of property, death or personal injury of the charterer, its affiliates or their contractors (collectively, the "Charterer Indemnified Parties") regardless of cause or whether or not the negligence, omission or default of the vessel owner, its affiliates or their contractors (collectively, the "Owner Indemnified Parties") caused or contributed to the damages. The charter will indemnify the Owner Indemnified Parties for (i) all damage and harm to the environment, including damages for control remediation and clean-up of all pollution arising from pollution, which originates from the property of any Charterer Indemnified Parties, regardless of fault or whether or not the negligence, omission or default of the Owner Indemnified Parties caused or contributed to the damages and (ii) losses caused by any non-compliance with sanctions as a consequence of the charterer's use of the vessel.

The vessel owner will indemnify the charterer for any damage or loss of the vessel and of its property and any cargo on board, and any death or personal injury of the Owner Indemnified Parties regardless of cause or whether or not the negligence, omission or default of the Charterer Indemnified Parties caused or contributed to the damages. The vessel owner will indemnify the Charterer Indemnified Parties for all damage and harm to the environment, including damages for control remediation and clean-up of all pollution arising from pollution, which originates from the vessel, regardless of fault or whether or not the negligence, omission or default of the Charterer Indemnified Parties caused or contributed to the damages.

Each of the vessel owner and the charterer will indemnify the other party for any loss, damage to any property or injury or death arising out of the time charter suffered by any third party, for which the vessel owner or charterer, as applicable, is responsible.

Option Agreement

In addition, we have entered into an option agreement with Höegh LNG pursuant to which we have the right to cause Höegh LNG to charter the *Höegh Gallant* from the expiration or termination of the EgyptCo charter until July 2025 at a rate equal to 90% of the rate payable pursuant to the current charter with EgyptCo, plus any incremental taxes or operating expenses as a result of the new charter. See "Item 7.B. Related Party Transactions—Acquisition of the *Höegh Gallant.*"

Höegh Grace Charter

The *Höegh Grace* is subject to two material agreements with SPEC: an International Leasing Agreement, pursuant to which Höegh FSRU IV leases the vessel to SPEC (the "ILA") and the FSRU Operation and Services Agreement, pursuant to which Höegh Colombia provides certain operational services to SPEC with respect to the vessel (the "OSA"). The ILA and the OSA are collectively referred to herein as the "*Höegh Grace* charter."

Term and Termination

The *Höegh Grace* charter has a term of 20 years. Each party has an unconditional option to cancel the *Höegh Grace* charter after 10 and 15 years without a penalty. However, if the charterer waives its right to terminate in year 10 within a certain deadline, the vessel owner will not be able to exercise its right to terminate in year 10. Accordingly, the non-cancellable charter period is for 10 years.

There are certain conditions under which the *Höegh Grace* charter could terminate prior to its expiration date. The charter will terminate automatically upon the loss of the vessel. Either party may also terminate the charter for force majeure after a specified period. Additionally, either party may elect to terminate the charter upon the occurrence of specified events of default. The charterer also has the right to terminate the charter in the event of a prolonged off-hire period. If the ILA is terminated for any reason, the OSA will automatically terminate as well.

Performance Standards

Under the *Höegh Grace* charter, the vessel owner undertakes to ensure that the vessel meets specified performance standards at all times during the term of the charter. The vessel owner is required to pay liquidated damages in the event that the *Höegh Grace* is unable to accept all or part of a delivered LNG cargo, is unable to deliver the specified amount of regasified natural gas, exceeds a maximum average daily boil-off, consumes more than a specified amount of fuel or suffers other performance failures, which damages are subject to various caps per cargo, per year and in the aggregate for the term of the *Höegh Grace* charter.

Hire Rate

Under the *Höegh Grace* charter, hire is payable monthly, in arrears, in U.S. Dollars. The charterer pays a fixed daily rate of hire (with respect to the ILA) and operating fees (with respect to the OSA), as set forth in the *Höegh Grace* charter. Under the OSA, the operating fees are escalated yearly by a fixed percentage, and the OSA provides for a review and reasonable adjustment by the parties if the actual operating costs increase by more than such percentage over a period of three consecutive years.

Expenses

The vessel owner is responsible for providing certain items and services, which include the crew; bunker fuel, drydocking, overhaul, maintenance and repairs; insurance; stores; necessary spare parts; communication expenses and fees paid to the classification societies and regulatory authorities. The hire rate is designed to cover these expenses except for when the vessel is off-hire. The charterer pays for fuel oil and port expenses.

Off-hire

Except for force majeure events and a specified maintenance allowance period, under the *Höegh Grace* charter the vessel generally will be deemed off-hire:

- if the vessel is not able to discharge regasified LNG at a specified rate;
- if the vessel owner breaches its warranties related to international sanctions; or
- if the vessel is not available for the charterer's use due to, among other things:
  - any damage, defect, breakdown or deficiency to the vessel;
  - any deficiency of crew, stores, repairs, surveys, or similar cause preventing the working of the vessel;
  - any labor dispute, failure or inability of the officers or crew to perform the required services; or
  - any failure to comply with laws, regulations or operational practices at the site of the vessel operations.

In the event of off-hire, all hire will cease to be due or payable for the duration of off-hire.

Ship Management and Maintenance

Under the *Höegh Grace* charter, the vessel owner is responsible for the technical management of the vessel, including engagement and provision of a qualified crew, maintaining the vessel, arranging supply of stores and equipment, periodic drydocking and ensuring compliance with applicable regulations, including licensing and certification requirements. The vessel owner has entered into services agreements with affiliates of Höegh LNG and Höegh Autoliners Ltd. to provide certain of these services. See "Item 7.B. Related Party Transactions—Ship Management Agreements and Sub-Technical Support Agreement" and "—*Höegh Grace* Services Agreements".

Indemnification

The charterer will indemnify the vessel owner for any damage or loss to the charterer's vessel interconnection infrastructure, including the jetty and interconnection pipeline, or to any other property, death or personal injury of the charterer, its affiliates or their contractors (collectively, the "Charterer Indemnified Parties") regardless of cause or whether or not the negligence, omission or default of the vessel owner, its affiliates or their contractors (collectively, the "Owner Indemnified Parties") caused or contributed to the damages. The charter will indemnify the Owner Indemnified Parties for all damage and harm to the environment, including fines imposed by a governmental authority, including damages for control, remediation and clean-up of all pollution or contamination that originates from the charterer's vessel interconnection infrastructure, including the jetty and interconnection pipeline, or any other property of any Charterer Indemnified Parties, regardless of fault.

The vessel owner will indemnify the charterer for any damage or loss of the vessel and of its property, and any death or personal injury of the Owner Indemnified Parties regardless of cause or whether or not the negligence, omission or default of the Charterer Indemnified Parties caused or contributed to the damages. The vessel owner will indemnify the Charterer Indemnified Parties for all damage and harm to the environment, including fines imposed by a governmental authority, including damages for control, remediation and cleanup of all pollution or contamination that originates from the vessel, regardless of fault.

Each of the vessel owner and the charterer will indemnify the other party for any loss, damage to any property or injury or death suffered by any third party, caused by the vessel owner or charterer, as applicable.

Purchase Option

Pursuant to the *Höegh Grace* charter, the charterer has the option to purchase the *Höegh Grace* in year 10, year 15 and year 20 at a price specified in the *Höegh Grace* charter. The option is exercisable upon the charterer giving notice at the end of the applicable term and survives any early termination of the charter in year 10 or year 15 thereof. Please read "Item 3.D. Risk Factors—Risks Inherent in Our Business—PGN LNG and SPEC have options to purchase the *PGN FSRU Lampung* and *Höegh Grace*, respectively. If either charterer exercises its option, it could have a material adverse effect on our operating cash flows and our ability to make cash distributions to our unitholders."

Guarantee

The Partnership guarantees the performance of Höegh FSRU IV and Höegh Colombia under the *Höegh Grace* charter.

Shareholder Agreements

The following provides a summary of the governance, distribution and other significant terms of our shareholders' agreements.

SRV Joint Gas Shareholders' Agreement

We hold our interests in two vessels in our fleet through the following joint ventures (collectively, the "SRV Joint Gas joint ventures"):

- SRV Joint Gas Ltd. (owner of the *Neptune*), a limited liability company incorporated under the laws of the Cayman Islands, 50% of the equity interests of which are owned by our operating company, 48.5% of which are owned by MOL, and 1.5% of which are owned by TLT; and

- SRV Joint Gas Two Ltd. (owner of the *Cape Ann*), a limited liability company incorporated under the laws of the Cayman Islands, 50% of the equity interests of which are owned by our operating company, 48.5% of which are owned by MOL and 1.5% of which are owned by TLT.

The SRV Joint Gas joint ventures are governed by the SRV Joint Gas shareholders' agreement. As a result, the terms and conditions for each of the SRV Joint Gas joint ventures are substantially the same.

The SRV Joint Gas shareholders' agreement provides that the management of each of the SRV Joint Gas joint ventures will be carried out by a board of directors consisting of four members. We have the right to appoint two members to each board of directors, and MOL has the right to appoint the remaining two members. Additionally, as long as TLT holds at least 1.5% of the shares in an SRV Joint Gas joint venture, it may appoint an observer to attend any meeting of the board of directors of such joint venture.

Pursuant to the SRV Joint Gas shareholders' agreement, neither we nor our joint venture partners exercise affirmative control over either of the SRV Joint Gas joint ventures. The approval of a majority of the members of the board of directors of an SRV Joint Gas joint venture is required to consent to any proposed action by such joint venture and, as a result, we are unable to cause such joint venture to act in our best interests over the objection of our joint venture partners. Moreover, a deadlocked dispute that cannot be resolved by the board of directors or the senior executives of the applicable joint venture may result in the transfer of our interest in such joint venture to our joint venture partners or a third party. Please read "Item 3.D. Risk Factors—Risks Inherent in Our Business—We are a holding entity that has historically derived a significant amount of our income from equity interests in our joint ventures. Neither we nor our joint venture partners exercise affirmative control over our joint ventures. Accordingly, we cannot require our joint ventures to act in our best interests. Furthermore, our joint venture partners may prevent our joint ventures from taking action that may otherwise be beneficial to us, including making cash distributions to us. A deadlock between us and our joint venture partners could result in our exchanging equity interests in one of our joint ventures for the equity interests in our other joint venture held by our joint venture counterparties or in us or our joint venture partner selling shares in a joint venture to a third party."

Additionally, certain matters relating to our joint venture partners require the unanimous approval of the board of directors of the applicable SRV Joint Gas joint venture, including:

- agreement of any form of time charter to be entered into by such SRV Joint Gas joint venture and any material amendment to such time charter;

- agreement of any form of ship management agreement to be entered into by such SRV Joint Gas joint venture;

- agreement of the terms of any financing of the *Neptune* or the *Cape Ann*, as applicable, or any other financing exceeding $5,000,000;

- investments exceeding $2,500,000 for an SRV Joint Gas joint venture or $5,000,000 for both SRV Joint Gas joint ventures;

- amendment or change of the articles of association, business or composition of the board of directors of such SRV Joint Gas joint venture;

- issuance of, or granting of options or rights to subscribe for, shares in such SRV Joint Gas joint venture, issuance of loan capital or convertible securities of such SRV Joint Gas joint venture, alteration of the share capital of such SRV Joint Gas joint venture or formation of any subsidiary;

- granting any security over shares of such SRV Joint Gas joint venture other than in accordance with the applicable security documents;

- acquisition of other companies;
- entering into joint ventures and other long-term cooperation with third parties;
- taking any action in respect of a significant contractual dispute, including commencement and defending any action or settling any dispute; and
- sale of the *Neptune* or the *Cape Ann*.

Höegh LNG, MOL and TLT made loans to each of the SRV Joint Gas joint ventures, in part to finance the operations of such joint ventures. In connection with the IPO, Höegh LNG's shareholder loans to each of the joint ventures were transferred to our operating company. For a description of the shareholder loans, please read "Item 5.B. Liquidity and Capital Resources—Borrowing Activities—Joint Ventures Debt—Loans Due to Owners (Shareholder Loans)."

Under the SRV Joint Gas shareholders' agreement, the board of directors of an SRV Joint Gas joint venture is responsible for determining the amount of profits to be distributed each financial year. Distributions must first be used to repay the principal of the shareholder loans. Subsequent distributions are permitted but are subject to (i) preexisting financial agreements between such SRV Joint Gas joint venture and its lenders and (ii) prudent maintenance of reserve accounts.

Pursuant to the SRV Joint Gas shareholders' agreement, in order for a party to transfer its shares, it must provide written notice and establish a fair price evaluation of the shares proposed to be transferred. Additionally, such party must permit the remaining parties (excluding TLT) to acquire such shares or sell their shares to the proposed transferor at the same price as the proposed transfer.

The SRV Joint Gas shareholders' agreement also contemplates certain events that, upon occurrence and failure to cure, if a cure period is allowed, will give rise to a potential exchange of shares or a liquidation of such joint venture. These events include a party's failure to make required payments, default in any material duties and/or obligations, insolvency and change of control, pursuant to which such party is acquired by a direct competitor. If one of these events occurs, we and our joint venture partners will attempt to exchange shares so that our operating company, on the one hand, will own 100% of one SRV Joint Gas joint venture, and MOL and TLT, on the other hand, will own 100% of the other SRV Joint Gas joint venture. If such an exchange cannot be agreed upon, then the party not in default, not insolvent or not undergoing a change of control may either purchase the shares and the shareholder loans from the other parties or demand termination of the SRV Joint Gas shareholders' agreement and a liquidation of the applicable SRV Joint Gas joint venture.

Until the termination of the SRV Joint Gas shareholders' agreement, Höegh LNG has agreed to continue to own common units and subordinated units representing a greater than 25% limited partner interest in us in the aggregate. In addition, Höegh LNG will be required to continue to directly or indirectly maintain the ability to control our general partner pursuant to an agreement with MOL.

The SRV Joint Gas shareholders' agreement terminates when one party holds a 100% interest in the SRV Joint Gas joint ventures or a party not in default, not insolvent or not undergoing a change of control elects to terminate the agreement.

PT Höegh Shareholders' Agreement

We own a 100% equity interest in Höegh Lampung, which owns a 49% equity interest in PT Höegh (the owner of the *PGN FSRU Lampung*). PT Bahtera, an Indonesian company established in February 2013, owns the remaining 51% equity interest in PT Höegh in order to comply with local Indonesian regulations. However, pursuant the Shareholders' Agreement, dated March 13, 2013, between Höegh Lampung and PT Bahtera ("the PT Höegh shareholders' agreement") and the PT Höegh shareholder loan, we have a 100% economic interest in the *PGN FSRU Lampung*.

The board of directors of PT Höegh manages PT Höegh, whereas the board of commissioners of PT Höegh supervise the operation and management of PT Höegh. Both such board of directors and board of commissioners must consist of between three and five members. Furthermore, Höegh Lampung may appoint three members to each, whereas PT Bahtera may appoint one member. A majority of present members of the board of directors or the board of commissioners, respectively, is required to pass any resolution.

Höegh Lampung and PT Bahtera, in their capacity as shareholders, may also convene general meetings to consider resolutions. Resolutions concerning most matters require the approval of two-thirds of the issued shares for passage. However, resolutions concerning filing for bankruptcy, changes of control, disposal of certain assets or the creation of certain encumbrances require the approval of 75% of the issued shares for passage.

When deadlock (as defined below) occurs, Höegh Lampung has the right to provide notice to, and subsequently confer with, PT Bahtera to resolve the matters giving rise to deadlock. Deadlock occurs under the PT Höegh shareholders' agreement if (i) a quorum is not present at a meeting of the board of directors of PT Höegh, the board of commissioners of PT Höegh or the shareholders as a result of the absence of PT Bahtera or (ii) any resolution proposed at a meeting of the board of directors of PT Höegh, the board of commissioners of PT Höegh and/or the shareholders of PT Höegh is approved by the directors appointed by Höegh Lampung, the commissioners appointed by Höegh Lampung or Höegh Lampung, as applicable, but is not passed.

The board of directors of PT Höegh is responsible for determining the amount of profits to be distributed each financial year. Once this determination is made, and prior to distributing net cash flow, the shares of Höegh Lampung are entitled to 65% of all dividends and distributions, and the shares of PT Bahtera are entitled to 35% of all dividends and distributions.

Höegh Lampung may transfer its shares in PT Höegh to anyone, subject only to the requirement that, upon the request of PT Bahtera, Höegh Lampung procures from the same transferee or an Indonesian entity an offer to purchase PT Bahtera's shares. Conversely, PT Bahtera may transfer its shares only to an affiliate it wholly owns and only if both Höegh Lampung and any applicable lenders consent to the transfer.

At any time or in the event of a default, Höegh Lampung may require PT Bahtera to transfer its shares to Höegh Lampung or any other person it designates. Events of default only apply to PT Bahtera and occur if it fails to pay any amount due and payable under the shareholders' agreement, becomes insolvent, materially breaches the shareholders' agreement, becomes controlled by other people or breaches a financing requirement.

Additionally, in association with the PT Höegh shareholders' agreement, PT Imeco Inter Sarana has guaranteed the performance and obligations of PT Bahtera. Furthermore, pursuant to the PT Höegh shareholders' agreement, Höegh Lampung indemnifies PT Bahtera against liabilities it may suffer as a result of a breach of statutory duty or infringement of laws committed by PT Höegh, a failure by PT Höegh to pay tax, a dispute, litigation or arbitration relating to PT Höegh and all costs, losses, liabilities and claims relating to the *PGN FSRU Lampung* as a result of environmental damage.

The PT Höegh shareholders' agreement terminates when:

- all of the shareholders agree in writing that the agreement should be terminated;
- all of the issued shares in PT Höegh become directly or indirectly owned by the same person; or
- Höegh Lampung requires the other shareholders to dissolve PT Höegh. PT Imeco Inter Sarana has guaranteed the obligations of PT Bahtera under the equity loan agreement pursuant to a deed of guarantee and indemnity.

PT Höegh Shareholder Loan

PT Bahtera, as borrower, entered into an equity loan agreement with Höegh Lampung, as lender, the proceeds of which were used to purchase PT Bahtera's 51% interest in PT Höegh. In connection with this loan, as security, PT Bahtera collaterally assigned its equity interest and any dividends it may receive from PT Höegh to Höegh Lampung for as long as amounts remain outstanding. As a result of the above and the PT Höegh shareholders' agreement, we will be entitled to all of the net cash flows from PT Höegh, after the payment of management, agency and local representation fees.

Employees

Other than our Chief Executive Officer and Chief Financial Officer and certain administrative staff in foreign subsidiaries, we do not have other direct employees and rely on the key employees of Höegh Norway and Leif Höegh UK who perform services for us pursuant to the administrative services agreements. Höegh Norway and Höegh LNG Management also provide commercial and technical management services to our fleet pursuant to ship management agreements, the Gallant management agreement, the Höegh Grace Services Agreements, a sub-technical support agreement and commercial and administration management agreements. Höegh Maritime Management also provides crew pursuant to a secondment agreement. Our crew may be employed by our or Höegh LNG's subsidiaries. Please read "—Maritime Personnel and Competence Development" and "Item 6.A. Directors and Senior Management."

Competition

The FSRU and LNG carrier industries are capital-intensive and operational expertise is critical, which create high barriers to entry. These industries are viewed as an integral part of the LNG industry. A company with a solid track record, knowledge of the market and an experienced, well-trained crew is preferred to a new entrant since the cost and impact of vessel downtime is significant for the customer. Our competitors in the FSRU sector include BW Maritime Pte. Ltd., Dynagas Ltd, Excelerate Energy L.P., Golar LNG Limited, Golar LNG Partners LP and MOL. Certain terminal operators have also ordered FSRUs directly from shipyards for specific projects. Our competitors in the LNG carrier universe is more diverse and, while we compete with this group when operating in LNG carrier mode, few have entered the FSRU market.

Classification, Inspection and Maintenance

Every large, commercial seagoing vessel must be "classed" by a classification society. The classification society certifies that the vessel is "in class," signifying that the vessel has been built and maintained in accordance with the rules of the classification society and complies with applicable rules and regulations of that particular class of vessel as laid down by that society and the applicable flag state. In addition, where surveys are required by international conventions and corresponding laws and ordinances of a flag state, the classification society will undertake to conduct a survey on application or by official order, acting on behalf of the authorities concerned.

Our FSRUs are "classed" as LNG carriers with the additional class notation REGAS-2 signifying that the regasification installations are designed and approved for continuous operation. To ensure continuous compliance, regular and extraordinary surveys of hull and machinery, including the power plant and any special equipment classed, are required to be performed by a class surveyor. For inspection of the underwater parts and for repairs related to intermediate inspections, vessels generally are drydocked, pursuant to a drydock cycle determined by the classification society and the flag state concerned. However, with FSRUs, certain inspections can be done without drydocking, as special measures are available to inspect the underwater parts. If any defects are found, the class surveyor will issue a "recommendation" which must be rectified by the vessel owner within prescribed time limits. The classification society also undertakes other surveys on request of the flag state and checks that regulations and requirements of that flag state are complied with. These surveys are subject to agreements made for each individual survey and flag state concerned.

It is a condition for insurance coverage (i.e., the "seaworthiness" of the vessel) that the vessel is certified as "in class" with a member of the International Association of Classification Societies. Each of our vessels is certified by Det Norske Veritas GL, compliant with the ISM Code, and "in class."

The ship manager carries out inspections of the ships on a regular basis; both at sea and while the vessels are in port, while the classification societies carry out inspections and ship audits to verify conformity with manager's reports. The results of these inspections, which are conducted both in port and underway, are presented in a report containing recommendations for improvements to the overall condition of the vessel, maintenance, improvements to the safety and environmental protection system and to crew welfare. Among others, based on these evaluations, the ship manager creates and implements a program of continuous maintenance and improvement for its vessel and its systems.

Safety, Management of Ship Operations and Administration

Safety is a top priority. Our vessels are operated in a manner intended to protect the safety and health of employees, the general public and the environment. We actively manage the risks inherent in our business and are committed to eliminating incidents that threaten safety, such as groundings, collisions, loss of containment and fire. We are also committed to reducing emissions and waste generation. We have established key performance indicators to facilitate regular monitoring of our operational performance. We set targets on an annual basis to drive continuous improvement, and we review performance indicators monthly to determine if remedial action is necessary to reach our targets. Höegh LNG's shore staff performs a full range of technical, commercial and business development services for us. This staff also provides administrative support to our operations in accounting, finance and cash management, legal, commercial insurance and general office administration and secretarial services.

Höegh LNG assists the vessel owners in managing ship operations and maintaining a technical department to monitor and audit ship manager operations. Höegh LNG hold its certifications for and works to the standards of ISO 9001 on Quality Management, ISO 14001 on Environmental Management and OHSAS 18001 Occupational Health and Safety Advisory Services. Additionally, Höegh LNG hold all compliance documents and permits needed to manage and operate LNG carriers and FSRUs. Through Det Norske Veritas GL, Höegh LNG Management has obtained approval of its safety management systems as being in compliance with the ISM Code, on behalf of the appropriate flag state for the vessels in our fleet, which are flagged in Norway and Indonesia. Our vessels' safety management certificates are being maintained through ongoing internal audits performed by Höegh LNG Management and through intermediate audits performed by the flag states or recognized classification societies on its behalf. To supplement our operational experience, Höegh LNG provides expertise in various functions critical to our operations. This affords an efficient and cost-effective operation and, pursuant to commercial and administration management agreements with Höegh Norway and a technical information and services agreement with Höegh Norway, access to accounting, finance and cash management, legal, commercial insurance and general office administration and secretarial services. Critical ship management or technical support functions that will be provided by Höegh LNG Management through its various offices around the world include:

- technical management, maintenance and drydocking;
- crew management;
- procurement, purchasing and forwarding logistics;
- marine operations;
- oil major and terminal vetting compliance;
- shipyard supervision;
- insurance; and
- financial services.

These functions are supported by onboard and onshore systems for maintenance, inventory, purchasing and budget management. In addition, Höegh LNG's day-to-day focus on cost control will be applied to our operations. To some extent, the uniform design of some of our vessels and the adoption of common equipment standards should also result in operational efficiencies, including with respect to crew training and vessel management, equipment operation and repair and spare parts ordering.

Maritime Personnel and Competence Development

As of March 31, 2019, entities in the Höegh LNG group employed approximately 580 maritime personnel who serve on our and Höegh LNG's vessels. The Scandinavian employees are employed by Höegh LNG Management. Non-Scandinavian employees, except for seafarers operating the *PGN FSRU Lampung* and the *Höegh Grace*, are employed by Höegh Maritime Management. The seafarers operating the *PGN FSRU Lampung* are employed by PT Höegh. The seafarers operating the *Höegh Grace* are employed by Höegh Colombia. Höegh LNG Management and Höegh Maritime Management will employ and train additional maritime personnel to assist us as we grow. Höegh LNG Management, the ISM-certified company, provides technical management services, including all necessary maritime personnel-related services, to the vessel owners pursuant to the ship management agreements. Please read "Item 7.B. Related Party Transactions—Ship Management Agreements and Sub-Technical Support Agreement."

We regard attracting and retaining competent and motivated seagoing personnel as a top priority. Like Höegh LNG, we offer our seafarers competitive employment packages and opportunities for personal and career development, which relates to a philosophy of promoting internally. The officers and crew operating our vessels are employed on individual employment contracts, which are based on International Transport Federation-Approved Collective Bargaining Agreements (CBAS) and include conditions determined both by the negotiating parties and the flag states. We believe our relationships with these labor unions are good. Höegh LNG currently is a member of the Norwegian Shipowners' Association and is participating in some of the collective bargaining agreement negotiations with trade unions.

Our commitment to training is fundamental to the development of the highest caliber of seafarers for our marine operations. Höegh LNG Management's cadet training approach is designed to balance academic learning with hands-on training at sea. Höegh LNG Management uses only recognized training institutions in Norway and other countries. Höegh LNG Management has cadets from Europe, Asia and the United States. We believe that high-quality crew and training policies will play an increasingly important role in distinguishing the preferred LNG-experienced independent shipping companies from those that are newcomers to LNG and lacking in-house experienced staff and established expertise on which to base their customer service and safety operations.

We will use in our operations Höegh LNG's thorough risk management program that includes, among other things, computer-aided risk analysis tools, maintenance and assessment programs, a seafarers competence training program, seafarers workshops and membership in emergency response organizations. We expect to benefit from Höegh LNG's commitment to safety and environmental protection as certain of its subsidiaries assist us in managing our vessel operations. Höegh LNG Management has been certified under the standards reflected in ISO 9001 for quality assurance and is certified in accordance with the International Marine Organization's International Management Code for the Safe Operation of Ships and Pollution Prevention on a fully integrated basis.

Risk of Loss, Insurance and Risk Management

The operation of FSRUs, LNG carriers and other LNG infrastructure assets has inherent risks. These risks include mechanical failure, personal injury, collision, property loss, vessel or cargo loss or damage and business interruption due to political circumstances in foreign countries or hostilities. In addition, there is always an inherent possibility of marine disaster, including explosion, spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade. We believe that our present insurance coverage is adequate to protect us against the accident-related risks involved in the conduct of our business and that we maintain appropriate levels of environmental damage and pollution insurance coverage consistent with standard industry practice. However, not all risks can be insured, and there can be no guarantee that any specific claim will be paid, or that we will always be able to obtain adequate insurance coverage at reasonable rates.

We have obtained hull and machinery insurance on all our vessels against marine risks, which include the risks of damage to our vessels, including claims arising from collisions with other vessels or contact with jetties or wharves, salvage or towing costs and also insure against actual or constructive total loss of any of our vessels. However, our insurance policies contain deductible amounts for which we will be responsible.

We have also obtained loss of hire insurance to protect us against loss of income in the event the vessel cannot be employed due to damage that is covered under the terms of our hull and machinery insurance. Under our loss of hire policy, our insurer will pay us the hire rate agreed in respect of each vessel for each day, in excess of 20 deductible days, for the time that the vessel is out of service as a result of damage, for a maximum of 180 days.

Protection and indemnity insurance, which covers our third-party legal liabilities in connection with our shipping activities, is provided by a mutual P&I club. This includes third-party liability and other expenses related to the injury or death of crewmembers, passengers and other third-party persons, loss or damage to cargo and other damage to other third-party property, including pollution arising from oil or other substances, and other related costs, including wreck removal.

We have war risk insurance for all our vessels cover standard hull and machinery, protection and indemnity and loss of hire, if the event causing the damage is a war peril. In addition, war risk insurance will also compensate the owner for the total loss of the ship caused by intervention of a foreign state power, or if the ship is prevented from leaving a port or a similar limited area.

Our current protection and indemnity insurance coverage is limited to $3.1 billion for all liabilities, except for pollution, which is limited to $1 billion per vessel per incident. We are a member of the Gard P&I Club and The Standard club, which are among the 13 P&I clubs that comprise the International Group. Members of the International Group insure approximately 90% of the world's commercial tonnage, and they have entered into a pooling agreement to reinsure each P&I club's liabilities. P&I clubs provide the basic layer of insurance, which is currently $10 million. For members of the International Group, the International Group provides the next layer of insurance, covering liability between $10 million and $90 million. For liabilities above $90 million, the International Group has one of the world's largest reinsurance contracts, with the maximum liability per accident or occurrence currently set at $3 billion. As a member of the Gard P&I Club or The Standard club, we are subject to a call for additional premiums based on the clubs' claims record, as well as the claims record of all other members of the P&I clubs comprising the International Group. However, our P&I club has reinsured the risk of additional premium calls to limit our additional exposure. This reinsurance is subject to a cap, and there is the risk that the full amount of the additional call would not be covered by this reinsurance.

The insurers providing the covers for hull and machinery, loss of hire and protection and indemnity have confirmed that they will consider the FSRUs as vessels for the purpose of providing insurance.

Environmental and Other Regulation

General

Governmental and international agencies extensively regulate the carriage, handling, storage and regasification of LNG. These regulations include international conventions and national, state and local laws and regulations in the countries where our vessels now or, in the future, will operate or where our vessels are registered. We cannot predict the ultimate cost of complying with these regulations or the impact that these regulations will have on the resale value or useful lives of our vessels. Various governmental and quasi-governmental agencies require us to obtain permits, licenses and certificates for the operation of our vessels.

We believe that we are substantially in compliance with applicable environmental laws and regulations and have all permits, licenses and certificates required for our vessels. In many cases where permits are required from countries to whose jurisdictional waters our vessels have been deployed, the charter party or its customer is responsible for obtaining the permit. A variety of governmental and private entities inspect our vessels on both a scheduled and unscheduled basis. These entities, each of which may have unique requirements and each of which conducts frequent inspections, include classification societies, flag state, or the administration of the country of registry, charterers, terminal operators, LNG producers and local port authorities, such as the U.S. Coast Guard, harbor master or equivalent. Our vessels are subject to inspections on an unscheduled basis and we expect, in the future, they will also be subject to inspection by the applicable governmental and private entities on a scheduled basis. However, future noncompliance or failure to maintain necessary permits or approvals could require us to incur substantial costs or temporarily suspend operation of one or more of our vessels.

Höegh LNG Management is operating in compliance with the ISO Environmental Standard for the management of the significant environmental aspects associated with the ownership and operation of a fleet of FSRUs and LNG carriers. Höegh Norway received its ISO 9001 certification (Quality Management Systems) in May 2008, which also includes certification of Höegh LNG Management. Höegh Norway also received its certification to the ISO 14001 Environmental Management Standard, which requires that we and Höegh LNG Management commit managerial resources to act on our environmental policy through an effective management system.

International Maritime Regulations of FSRUs and LNG Carriers

The IMO is the United Nations' agency that provides international regulations governing shipping and international maritime trade. The requirements contained in the International Safety Management Code ("ISM Code") promulgated by the IMO govern our operations. Among other requirements, the ISM Code requires the party with operational control of a vessel to develop an extensive safety management system that includes, among other things, the adoption of a policy for safety and environmental protection setting forth instructions and procedures for operating its vessels safely and also describing procedures for responding to emergencies. Höegh LNG Management holds a Document of Compliance under the ISM Code for operation of the *Neptune,* the *Cape Ann*, the *Höegh Gallant* and the *Höegh Grace* and PT Höegh holds a Document of Compliance under the ISM Code for operation of the *PGN FSRU Lampung*. All Documents of Compliance meet the standards set by the IMO.

Vessels that transport gas, including FSRUs and LNG carriers, are also subject to regulation under the International Gas Carrier Code (the "IGC Code"), published by the IMO. The IGC Code provides a standard for the safe carriage of LNG and certain other liquid gases by prescribing the design and construction standards of vessels involved in such carriage. Compliance with the IGC Code must be evidenced by a Certificate of Fitness for the Carriage of Liquefied Gases in Bulk. Each of our vessels is in compliance with the IGC Code, and each of our newbuildings contracts requires that the vessel receive certification of compliance with applicable regulations before she is delivered. Noncompliance with the IGC Code or other applicable IMO regulations may subject a vessel owner or a bareboat charterer to increased liability, may lead to decreases in available insurance coverage for affected vessels and may result in the denial of access to, or detention in, some ports.

The IMO also promulgates ongoing amendments to SOLAS. SOLAS provides rules for the construction of and equipment required for commercial vessels and includes regulations for safe operation. It requires the provision of lifeboats and other life-saving appliances, requires the use of the Global Maritime Distress and Safety System, which is an international radio equipment and watchkeeping standard, afloat and at shore stations, and relates to the Treaty on the Standards of Training and Certification of Watchkeeping Officers ("STCW"), also promulgated by the IMO. Flag states that have ratified SOLAS and STCW generally employ the classification societies, which have incorporated SOLAS and STCW requirements into their class rules, to undertake surveys to confirm compliance.

SOLAS and other IMO regulations concerning safety, including those relating to treaties on training of shipboard personnel, lifesaving appliances, radio equipment and the global maritime distress and safety system, are applicable to our operations. Noncompliance with these types of IMO regulations may subject us to increased liability or penalties, may lead to decreases in available insurance coverage for affected vessels and may result in the denial of access to, or detention in, some ports. For example, the U.S. Coast Guard and European Union authorities have indicated that vessels not in compliance with the ISM Code are prohibited from trading in U.S. and European Union ports.

In the wake of increased worldwide security concerns, the IMO amended SOLAS and added the ISPS Code as a new chapter to that convention. The objective of the ISPS Code, which came into effect on July 1, 2004, is to detect security threats and take preventive measures against security incidents affecting ships or port facilities. Höegh LNG Management has developed Security Plans and appointed and trained Ship and Office Security Officers, and all of our vessels have been certified to meet the ISPS Code. Please read "—Vessel Security Regulations" for a more detailed discussion about these requirements.

The IMO continues to review and introduce new regulations. It is impossible to predict what additional regulations, if any, may be passed by the IMO and what effect, if any, such regulations may have on our operations.

Air Emissions

The MARPOL Convention is the principal international convention negotiated by the IMO governing marine pollution prevention and response. The MARPOL Convention imposes environmental standards on the shipping industry relating to oil spills, management of garbage, the handling and disposal of noxious liquids, sewage and air emissions. MARPOL 73/78 Annex VI "Regulations for the Prevention of Air Pollution" ("Annex VI") entered into force on May 19, 2005, and applies to all ships, fixed and floating drilling rigs and other floating platforms. Annex VI sets limits on sulfur oxide and nitrogen oxide emissions from ship exhausts, emissions of volatile compounds from cargo tanks and incineration of specific substances, and prohibits deliberate emissions of ozone-depleting substances. Annex VI also includes a global cap on sulfur content of fuel oil and allows for special areas to be established in different regions of the world with more stringent controls on sulfur emissions. The certification requirements for Annex VI depend on size of the vessel and time of periodical classification survey. Ships weighing more than 400 gross tons and engaged in international voyages involving countries that have ratified the conventions, or ships flying the flag of those countries, are required to have an International Air Pollution Certificate (an "IAPP Certificate"). Annex VI came into force in the United States on January 8, 2009. All of our vessels currently have IAPP Certificates.

Annex I to the MARPOL Convention, which applies to various ships delivered on or after August 1, 2010. It includes requirements for the protected location of the fuel tanks, performance standards for accidental oil fuel outflow, a tank capacity limit and certain other maintenance, inspection and engineering standards. IMO regulations also require owners and operators of vessels to adopt Ship Oil Pollution Emergency Plans. Periodic training and drills for response personnel and for vessels and their crews are required.

On July 1, 2010, amendments to Annex VI took effect that impose progressively stricter limitations on sulfur oxide (SOx) emissions from ships. As of January 1, 2012, the cap on the sulfur content of fuel used to power ships was 3.5%, with this cap decreasing over time. Pursuant to Annex VI Regulation 14, for fuels used in the four Emission Control Areas ("ECAs") for SOx, i.e., the Baltic Sea, North Sea, North America, and United States Caribbean Sea ECAs, the cap settled at 0.1% in January 2015. For fuels used in all non-ECA seas, the cap decreases over time and will settle at 0.5% on January 1, 2020. The European Directive 2005/33/EU, which came into effect January 1, 2010, bans the use of fuel oils containing more than 0.1% sulfur by mass by any merchant vessel while at berth or anchored in any European Union country port. The European Commission continues to review directive 2005/33/EU after adopting a proposal to amend it to bring it into alignment with the latest IMO provisions on the sulfur content of marine fuels. Our FSRUs have achieved compliance with applicable low sulfur fuel requirements through use of gas boil-off and low sulfur marine diesel oil in their diesel generators and boilers.

MARPOL Annex VI regulations also establish progressively more stringent standards for emissions of nitrogen oxides (NOx) from new and certain modified marine engines, depending on their date of installation or the date of ship construction. Engine standards required under Annex VI to limit NOx emissions in designated areas are referred to as "Tier III" controls. Pursuant to amendments adopted in April 2014, the Tier III Annex VI requirements for NOx apply to certain newbuild vessels with marine diesel engines that are constructed on or after January 1, 2016, and that operate in the North American or United States Caribbean Sea NOx Tier III ECAs. And, pursuant to amendments adopted in July 2017 and entered into force on January 1, 2019, the Baltic Sea and North Sea ECAs have been designated as NOx Tier III ECAs, with NOx Tier III Annex VI requirements applying to certain newbuild vessels with marine diesel engines constructed on or after January 1, 2021 that operate in the Baltic Sea or North Sea NOx Tier III ECAs.

As discussed in "—U.S. Clean Air Act" below, U.S. air emissions standards are now equivalent to these amended Annex VI requirements. Additional or new conventions, laws and regulations may be adopted in the future and could require the installation of emission control systems. Because our vessels are largely powered by means other than fuel oil we do not anticipate that any emission limits that may be promulgated will require us to incur any material costs for the operation of our vessels but that possibility cannot be eliminated.

Ballast Water Management Convention

The IMO has negotiated international conventions that impose liability for oil pollution in international waters and the territorial waters of the signatory to such conventions. For example, the IMO adopted an International Convention for the Control and Management of Ships' Ballast Water and Sediments (the "BWM Convention") in February 2004. The BWM Convention's implementing regulations call for a phased introduction of mandatory ballast water exchange requirements, which is being replaced with a requirement for treatment. The BWM Convention was ratified by a sufficient number of countries in September 2016 and the requirement to install ballast water management systems ("BWMS") on new ships became effective in September 2017. As referenced below, the U.S. Coast Guard issued ballast water management rules on March 23, 2012, and the U.S. Environmental Protection Agency (the "EPA") issued a five-year Vessel General Permit (VGP) in March 2013 that contains numeric technology-based ballast water effluent limitations that apply to certain commercial vessels with ballast water tanks. The VPG program is in the process of being phased out and replaced with National Standards of Performance (NSP) to be developed by EPA and implemented and enforced by the U.S. Coast Guard. From 2016 (or not later than the first intermediate or renewal survey after 2016), only ballast water treatment will be accepted by the BWM Convention. Because the convention has been ratified and entered into force, installation of approved ballast water treatment systems will be required on the *Neptune* and the *Cape Ann* in order to call on US ports. The *Neptune* would require retrofitting to meet the BWMS requirements no later than November 30, 2022 based on the drydock schedule. The *Cape Ann* was not retrofitted to meet the BWMS requirements during the drydock in 2018 and, therefore, cannot call on US ports. The charterer would cover the cost of complying with the rules and, therefore, makes the decision on whether retrofit to meet the BWMS requirements based upon their plans for the use of the vessels.

Bunkers Convention/CLC State Certificate

The International Convention on Civil Liability for Bunker Oil Pollution 2001 (the "Bunker Convention") entered into force in signatory states to the Convention on November 21, 2008. The Bunker Convention provides a liability, compensation and compulsory insurance system for the victims of oil pollution damage caused by spills of bunker oil. The Bunker Convention requires the vessel owner that is liable for pollution damage to pay compensation for such damage (including the cost of preventive measures) caused in the territory, including the territorial sea of a State Party, as well as its economic zone or equivalent area. Registered owners of any seagoing vessel and seaborne craft over 1,000 gross tonnage, of any type whatsoever, and registered in a State Party, or entering or leaving a port in the territory of a State Party, are required to maintain insurance that meets the requirements of the Bunker Convention and to obtain a certificate issued by a State Party attesting that such insurance is in force. The State Party-issued certificate must be carried onboard at all times. The Bunker Convention complements the international regime of liability, limitation and mandatory insurance in place with respect to spills of persistent oils from tankers under the International Convention on Civil Liability for Oil Pollution Damage, 1992 (CLC). The CLC and the Bunker Convention do not overlap; in circumstances where the CLC applies, the Bunker Convention does not apply.

P&I clubs in the International Group issue the required Bunkers Convention "Blue Cards" to enable signatory states to issue certificates. All of our vessels have received "Blue Cards" from their P&I club and are in possession of a CLC State-issued certificate attesting that the required insurance coverage is in force.

Anti-Fouling Requirements

In 2001, the IMO adopted the International Convention on the Control of Harmful Anti-fouling Systems on Ships (the "Anti-fouling Convention"). The Anti-fouling Convention, which entered into force on September 17, 2008, prohibits the use of organotin compounds in coatings applied to vessels to prevent the attachment of mollusks and other sea life to the hulls of vessels and establishes a mechanism to prevent the potential future use of other harmful substances in anti-fouling systems. Vessels of over 400 gross tons engaged in international voyages must obtain an International Anti-fouling System Certificate and undergo a survey before the vessel is put into service or when the anti-fouling systems are altered or replaced. We have obtained Anti-fouling System Certificates for all of our vessels, and we do not believe that actions required to maintain such certificates will have an adverse financial impact on the operation of our vessels.

Compliance Enforcement

The flag state, as defined by the United Nations Convention on Law of the Sea, has overall responsibility for the implementation and enforcement of international maritime regulations for all ships granted the right to fly its flag. The "Shipping Industry Guidelines on Flag State Performance" evaluates flag states based on factors such as sufficiency of infrastructure, ratification of international maritime treaties, implementation and enforcement of international maritime regulations, supervision of surveys, casualty investigations and participation at the IMO meetings.

As of January 2016, auditing of flag states that are parties to the SOLAS convention is mandatory and are conducted under the IMO Instruments Implementation Code (III Code), which provides guidance on implementation and enforcement of IMO policies by flag states. These audits may lead the various flag states to be more aggressive in their enforcement, which may in turn lead us to incur additional costs.

Criminal sanctions including fines and penalties and possible charges against company employees are possible under the laws of various countries. For instance, the European Union directive on ship source pollution imposes criminal sanctions for intentional, reckless or negligent pollution discharges by ships. Implementing laws in the EU could result in criminal liability for pollution from vessels in waters of European countries that adopt implementation legislation. Criminal liability for pollution may result in substantial penalties or fines and increased civil liability claims. Similar consequences are possible for spills in other countries that have enacted similar laws.

U.S. Environmental Regulation of FSRUs and LNG Carriers

Our vessels operating in U.S. waters now or, in the future, will be subject to various federal, state and local laws and regulations relating to protection of the environment. In some cases, these laws and regulations require governmental permits and authorizations before we may conduct certain activities. These environmental laws and regulations may impose substantial penalties for noncompliance and substantial liabilities for pollution that occurs. Failure to comply with these laws and regulations may result in substantial civil and criminal fines and penalties. As with the industry generally, our operations will entail risks in these areas, and compliance with these laws and regulations, which may be subject to frequent revisions and reinterpretation, increases our overall cost of business.

Oil Pollution Act and CERCLA

OPA 90 established an extensive regulatory and liability regime for environmental protection and clean-up of oil spills. OPA 90 affects all owners and operators whose vessels trade with the United States or its territories or possessions, or whose vessels operate in the waters of the United States, which include the U.S. territorial waters and the 200 nautical mile exclusive economic zone of the United States. CERCLA applies to the discharge of hazardous substances, rather than oil, whether on land or at sea. While OPA 90 and CERCLA would not apply to the discharge of LNG, they may affect us because we carry oil as fuel and lubricants for our engines, and the discharge of these could cause an environmental hazard and subject us to liability under these laws. Under OPA 90, vessel operators, including vessel owners, managers and bareboat or “demise” charterers, are “responsible parties” who are all liable regardless of fault, individually and as a group, for all containment and clean-up costs and other damages arising from oil spills from their vessels. These “responsible parties” would not be liable if the spill results solely from the act or omission of a third party, an act of God or an act of war. The other damages aside from clean-up and containment costs are defined broadly to include:

- natural resource damages and related assessment costs;
- real and personal property damages;
- net loss of taxes, royalties, rents, profits or earnings capacity;
- net cost of public services necessitated by a spill response, such as protection from fire, safety or health hazards; and
- loss of subsistence use of natural resources.

Effective as of December 21, 2015, the U.S. Coast Guard adjusted the limits of OPA 90 liability to the greater of $2,200 per gross ton or $18,796,800 for any double-hull tanker that is over 3,000 gross tons (subject to possible adjustment for inflation) (relevant to our and Höegh LNG’s vessels). The liability limits are subject to possible further adjustment for inflation in the future. These limits of liability do not apply where the incident is caused by violation of applicable U.S. federal safety, construction or operating regulations, or by the responsible party’s gross negligence or willful misconduct. These limits likewise do not apply if the responsible party fails or refuses to report the incident or to cooperate and assist in connection with the substance removal activities. OPA 90 specifically permits individual states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries, and some states have enacted legislation providing for unlimited liability for discharge of pollutants within their waters. In some cases, states, which have enacted their own legislation, have not yet issued implementing regulations defining vessel owners’ responsibilities under these laws.

CERCLA, which also applies to owners and operators of vessels, contains a liability regime similar to OPA 90 and provides for cleanup, removal and natural resource damages for releases of “hazardous substances.” Liability under CERCLA is limited to the greater of $300 per gross ton or $0.5 million for each release from vessels not carrying hazardous substances as cargo or residue, and $300 per gross ton or $5 million for each release from vessels carrying hazardous substances as cargo or residue. As with OPA 90, these limits of liability do not apply where the incident is caused by violation of applicable U.S. federal safety, construction or operating regulations, by the responsible party’s gross negligence or willful misconduct or if the responsible party fails or refuses to report the incident or to cooperate and assist in connection with the substance removal activities. OPA 90 and CERCLA each preserve the right to recover damages under existing law, including maritime tort law. We believe that we are in substantial compliance with OPA 90, CERCLA and all applicable state regulations in the ports where our vessels call.

OPA 90 requires owners and operators of vessels to establish and maintain with the U.S. Coast Guard evidence of financial responsibility sufficient to meet the limit of their potential strict liability under OPA 90/CERCLA. Under the regulations, evidence of financial responsibility may be demonstrated by insurance, surety bond, self-insurance or guaranty. Under OPA 90 regulations, an owner or operator of more than one vessel is required to demonstrate evidence of financial responsibility for the entire fleet in an amount equal only to the financial responsibility requirement of the vessel having the greatest maximum liability under OPA 90/CERCLA. We currently maintain U.S. Coast Guard National Pollution Funds Center-issued three-year Certificates of Financial Responsibility supported by guarantees that we purchased from an insurance-based provider for all of our vessels.

In response to the BP Deepwater Horizon oil spill, the U.S. Congress considered a number of bills that could potentially increase or even eliminate the limits of liability under OPA 90. Compliance with any new requirements of OPA 90 may substantially impact our cost of operations or require us to incur additional expenses to comply with any new regulatory initiatives or statutes. Additional legislation or regulation applicable to the operation of our vessels that may be implemented in the future could adversely affect our business and ability to make cash distributions to our unitholders.

U.S. Clean Water Act

The CWA prohibits the discharge of oil or hazardous substances in U.S. navigable waters unless authorized by a permit or exemption, and imposes strict liability in the form of penalties for unauthorized discharges. The CWA also imposes substantial liability for the costs of removal, remediation and damages and complements the remedies available under OPA 90 and CERCLA. The EPA has enacted rules governing the regulation of ballast water discharges and other discharges incidental to the normal operation of vessels within U.S. waters. The rules historically have required commercial vessels 79 feet in length or longer (other than commercial fishing vessels) (“Regulated Vessels”) to obtain a CWA permit regulating and authorizing such normal discharges. This permit, which the EPA has designated as the Vessel General Permit for Discharges Incidental to the Normal Operation of Vessels (the “VGP”), incorporated the current U.S. Coast Guard requirements for ballast water management, as well as supplemental ballast water requirements including limits applicable to 26 specific discharge streams, such as deck runoff, bilge water and gray water. For each discharge type, among other things, the VGP establishes effluent limits pertaining to the constituents found in the effluent, including best management practices (the “BMPs”) designed to decrease the amount of constituents entering the waste stream. Unlike land-based discharges, which are deemed acceptable by meeting certain EPA-imposed numerical effluent limits, each of the 26 VGP discharge limits is deemed to be met when a Regulated Vessel carries out the BMPs pertinent to that specific discharge stream. The VGP imposes additional requirements on certain Regulated Vessel types that emit discharges unique to those vessels. Administrative provisions, such as inspection, monitoring, recordkeeping and reporting requirements, are also included for all Regulated Vessels.

In December 2018, the Vessel Incidental Discharge Act ("VIDA") was signed into law and restructured the EPA and the U.S. Coast Guard programs for regulating incidental discharges from vessels. Rather than requiring CWA permits, the discharges will be regulated under a new CWA Section 312(p) establishing Uniform National Standards for Discharges Incidental to Normal Operation of Vessels. Under VIDA, VGP provisions and existing U.S. Coast Guard regulations will be phased out over a period of approximately four years and replaced with National Standards of Performance (NSPs) to be developed by EPA and implemented and enforced by the U.S. Coast Guard. The scheduled expiration date of the 2013 VGP was December 18, 2018, but under VIDA the provisions of the VGP will remain in place until the new regulations are in place.

In addition to the requirements in the VGP (to be replaced by the NSPs established under VIDA), vessel owners and operators must potentially meet 25 sets of state-specific requirements under the CWA’s § 401 certification process. Because the CWA § 401 process allows tribes and states to impose their own requirements for vessels operating within their waters, vessels operating in multiple jurisdictions could face potentially conflicting conditions specific to each jurisdiction that they travel through.

U.S. Ballast Water Regulation

In the United States, two federal agencies regulate ballast water discharges, the EPA, currently through the VGP, and the U.S. Coast Guard, through approved BWMS. The 2013 VGP includes numeric effluent limits for ballast water expressed as the maximum concentration of living organisms in ballast water, as opposed to the current BMPs requirements. The 2013 VGP also imposes a variety of changes for non-ballast water discharges including more stringent BMPs for discharges of oil-to-sea interfaces in an effort to reduce the toxicity of oil leaked into U.S. waters. For certain existing vessels, the EPA adopted a staggered implementation schedule to require vessels to meet the ballast water effluent limitations by the first drydocking after January 1, 2014 or January 1, 2016, depending on the vessel size. Vessels that are constructed after December 1, 2013 became subject to the ballast water numeric effluent limitations immediately upon the 2013 VGP effective date.

On June 20, 2012, the final rule issued by the U.S. Coast Guard establishing standards for the allowable concentration of living organisms in ballast water discharged in U.S. waters and requiring the phase-in of U.S. Coast Guard-approved BWMS went into effect. The final rule adopts ballast water discharge standards for vessels calling on U.S. ports and intending to discharge ballast water equivalent to those set in the BWM Convention. The final rule requires that ballast water discharge have fewer than 10 living organisms per milliliter for organisms between 10 and 50 micrometers in size. For organisms larger than 50 micrometers, the discharge must have fewer than 10 living organisms per cbm of discharge. The rule requires installation of U.S. Coast-Guard approved BWMS by new vessels constructed on or after December 1, 2013 and existing vessels as of their first drydocking after January 1, 2016. The rule also provides for the use of an interim alternative management system ("AMS"), which is a BWMS approved pursuant to the BWM Convention standards by a foreign administration and determined by the U.S. Coast Guard to be at least as effective as ballast water exchange. AMSs can be used for up to five years following the compliance date for a vessel. As of February 1, 2019, the U.S. Coast Guard has type-approved 16 ballast management systems. In February 2016, the U.S. Coast Guard issued a new rule amending the Coast Guard’s ballast water management recordkeeping requirements. Effective February 22, 2016, vessels with ballast tanks operating exclusively on voyages between ports or places within a single Captain of the Port zone must submit an annual report of their ballast water management practices. Further, under the amended requirements, vessels may submit their reports after arrival at the port of destination instead of prior to arrival.

As discussed above, under VIDA, existing U.S. Coast Guard ballast water management regulations will be phased out over a period of approximately four years and replaced with NSPs to be developed by EPA and implemented and enforced by the U.S. Coast Guard.

U.S. Clean Air Act

The U.S. Clean Air Act of 1970, as amended, requires the EPA to promulgate standards applicable to emissions of volatile organic compounds and other air contaminants. Our vessels are subject to vapor control and recovery requirements for certain cargoes when loading, unloading, ballasting, cleaning and conducting other operations in regulated port areas and emission standards for so-called "Category 3" marine diesel engines operating in U.S. waters. The marine diesel engine emission standards are currently limited to new engines beginning with the 2004 model year. On April 30, 2010, the EPA promulgated final emission standards for Category 3 marine diesel engines equivalent to those adopted in the amendments to Annex VI. These emission standards require an 80% reduction in nitrogen dioxides for newly-built engines effective January 1, 2016. Aligned with the Annex VI Regulation 14 requirements, as of January 2015, the EPA emission standards also limit sulfur content in fuel used in Category 3 marine vessels operating in the North American ECA to 1,000 ppm (or 0.1% sulfur by mass). Compliance with EPA standards may cause us to incur costs to install control equipment on our vessels in the future.

Regulation of Greenhouse Gas Emissions

Pursuant to the Kyoto Protocol, which entered into force in 2005, adopting countries are required to implement national programs to reduce emissions of greenhouse gases. Currently, the emissions of greenhouse gases from international transport are not subject to the Kyoto Protocol. The Paris Agreement, which entered into force in November 2016, similarly does not cover international shipping. However, to the extent that individual countries increase their regulation of domestic greenhouse gas emissions as a result of the Paris Agreement, we may experience increased regulation of greenhouse gas emissions resulting from regasification activities.

The European Commission is pursuing a strategy to integrate maritime emissions into the overall European Union strategy to reduce greenhouse gas emissions. In accordance with this strategy, in April 2015 the European Parliament and Council adopted regulations requiring large vessels using European Union ports to monitor, report and verify their carbon dioxide emissions beginning in January 2018. On January 1, 2013, the IMO's approved mandatory measures to reduce emissions of greenhouse gases from international shipping went into force. These include amendments to Annex VI for the prevention of air pollution from ships adding a new Chapter 4 to Annex VI on energy efficiency requiring the Energy Efficiency Design Index (the "EEDI") for new ships, and the Ship Energy Efficiency Management Plan (the "SEEMP") for all ships. Other amendments to Annex VI add new definitions and requirements for survey and certification, including the format for the International Energy Efficiency Certificate. The regulations apply to all ships of 400 gross tonnage and above. The IMO also adopted a mandatory requirement in October 2016 that ships of 5,000 gross tonnage and above record and report their fuel oil consumption. The requirement entered into force in March 2018. These new rules will likely affect the operations of vessels that are registered in countries that are signatories to Annex VI or vessels that call upon ports located within such countries. The implementation of the EEDI and the SEEMP standards could cause us to incur additional compliance costs. The IMO has reaffirmed its strong commitment to work to address greenhouse gas emissions from ships engaged in international trade. At the October 2016 Marine Environmental Protection Committee (the "MEPC") session, the IMO adopted a roadmap for developing a comprehensive IMO strategy on reduction of GHG emissions. In April 2018, the MEPC adopted an initial strategy designed to reduce the emission of greenhouse gases from vessels, including short-term, mid-term and long-term candidate measures with a vision of reducing and phasing out greenhouse gas emissions from vessels as soon as possible in the 21st Century. The mid-term measures under consideration by IMO include the development of a market-based mechanism for greenhouse gas emissions from ships, but it is impossible to predict the likelihood that such a standard might be adopted or the potential impact of this or other IMO measures under consideration on our future operations at this time. The EU has indicated that it intends to implement regulation in an effort to limit emissions of greenhouse gases from vessels if such emissions are not regulated through the IMO.

In the United States, the EPA issued a final finding that greenhouse gases threaten public health and safety and has promulgated regulations that regulate the emission of greenhouse gases, but not from ships. The EPA may decide in the future to regulate greenhouse gas emissions from ships and has already been petitioned by the California Attorney General to regulate greenhouse gas emissions from oceangoing vessels. Other federal and state regulations relating to the control of greenhouse gas emissions may follow, including climate change initiatives that have been considered from time to time by the U.S. Congress. Any passage of climate control legislation or other regulatory initiatives by the IMO, the European Union, the United States or other countries where we operate, or any treaty adopted at the international level, that restrict emissions of greenhouse gases could require us to make significant financial expenditures that we cannot predict with certainty at this time. In addition, even without such regulation, our business may be indirectly affected to the extent that climate change results in sea level changes or more intense weather events.

Vessel Security Regulations

Since the terrorist attacks of September 11, 2001, there have been a variety of initiatives intended to enhance vessel security. On November 25, 2002, the Maritime Transportation Act of 2002 (the "MTSA") came into effect. To implement certain portions of the MTSA, in July 2003, the U.S. Coast Guard issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States. Similarly, in December 2002, amendments to SOLAS created a new chapter of the convention dealing specifically with maritime security. The new chapter became effective in July 2004 and imposed various detailed security obligations on vessels and port authorities, most of which are contained in the ISPS Code. The ISPS Code is designed to protect ports and international shipping against terrorism. Since July 1, 2004, to trade internationally, a vessel must obtain an International Ship Security Certificate (an "ISSC") from a recognized security organization approved by the vessel's flag state.

Among the various requirements are:

- onboard installation of automatic identification systems to provide a means for the automatic transmission of safety-related information from among similarly equipped ships and shore stations, including information on a ship's identity, position, course, speed and navigational status;
- onboard installation of ship security alert systems, which do not sound on the vessel but only alert the authorities onshore;
- the development of vessel security plans;
- ship identification number to be permanently marked on a vessel's hull;
- a continuous synopsis record kept onboard showing a vessel's history, including the name of the ship, the state whose flag the ship is entitled to fly, the date on which the ship was registered with that state, the ship's identification number, the port at which the ship is registered and the name of the registered owner(s) and their registered address; and
- compliance with flag state security certification requirements.

The U.S. Coast Guard regulations, intended to align with international maritime security standards, exempt non-U.S. vessels from obtaining U.S. Coast Guard-approved MTSA vessel security plans provided such vessels have onboard an ISSC that attests to the vessel's compliance with SOLAS security requirements and the ISPS Code.

Our ship manager has developed Security Plans and appointed and trained Ship and Office Security Officers, and each of the vessels in our fleet complies with the requirements of the ISPS Code, SOLAS and the MTSA.

Other Regulations

International Conventions

Our vessels may also become subject to the 2010 HNS Convention, if it is adopted by a sufficient number of countries. The Convention creates a regime of liability and compensation for damage from hazardous and noxious substances ("HNS"), including liquefied gases. The 2010 HNS Convention sets up a two-tier system of compensation composed of compulsory insurance taken out by vessel owners and an HNS Fund which comes into play when the insurance is insufficient to satisfy a claim or does not cover the incident. Under the 2010 HNS Convention, if damage is caused by bulk HNS, claims for compensation will first be sought from the vessel owner up to a maximum of 100 million from the supplementary foreign exchange reserve assets defined and maintained by the International Monetary Fund called Special Drawing Rights ("SDR"). If the damage is caused by packaged HNS or by both bulk and packaged HNS, the maximum liability is 115 million SDR. Once the limit is reached, compensation will be paid from the HNS Fund up to a maximum of 250 million SDR. The 2010 HNS Convention has not been ratified by a sufficient number of countries to enter into force, and we cannot estimate the costs that may be needed to comply with any such requirements that may be adopted with any certainty at this time.

Indonesia Environmental Regulation of FSRUs

In Indonesia, the environmental requirements of downstream business activity for the gas industry are regulated and supervised by the Government of Indonesia and controlled through business and technical licenses issued by the Minister of Energy and Mineral Resources and BPH Migas, the regulatory agency for downstream oil and gas activity. Under Law 22, the Government of Indonesia has the exclusive rights to gas exploitation and activities carried out by private entities based on government-issued licenses. Companies engaging in downstream activities must comply with environmental management and occupational health and safety provisions related to operations. This includes obtaining environmental licenses and conducting environmental monitoring and reporting for activities that may have an impact on the environment such as the environmental impact assessment required under Law No. 32 of 2009 regarding Environmental Protection and Management. Failure to comply with these laws and obtain the necessary business and technical licenses may subject us to sanctions including suspension and/or freezing of the business and responsibility for all damages arising from any violation. We believe we are currently in compliance with these laws and hold all applicable licenses. However, these laws are subject to change, and we cannot predict any future changes in the regulatory environment, which could result in increased costs to our business.

Colombia Environmental Regulation of FSRUs

While Colombia has a comprehensive suite of environmental regulations, there are currently no regulatory requirements specific to activities associated with the importation of LNG. In 2011, the Energy and Gas Regulatory Commission passed Resolution 106, which recognized that Colombia's demand for natural gas could be met through LNG imports and proposed technical requirements for, among other things, the construction of LNG import plants. The Mines and Energy Ministry in 2015 subsequently proposed a resolution regarding those technical requirements, but it has not yet passed the resolution. In the meantime, we have obtained a port concession from the Colombian National Infrastructure Agency, as well as an environmental license from the National Authority for Environmental Licenses, each with respect to the FSRU *Höegh Grace*. Our operations in Colombia may also be subject to other permits to be issued by various entities, including the General Maritime Director of the Ministry of Defense.

We are unable to predict the impacts that any Colombian regulations will have on our business. The adoption of national and local laws or regulations and additional international treaties or conventions could materially increase our costs of operation and materially impact our ability to operate in Colombian waters.

Turkey Environmental Regulation of FSRUs

In Turkey, LNG import operations are subject to environmental laws and regulations promulgated by the Ministry of Environment and Urban Planning. All LNG import facilities must obtain a positive assessment of the project's environmental impacts from the Ministry of Environment and Urban Planning. Thereafter, LNG import facilities must also obtain other permits and approvals, including an environmental permit. Under current Turkish environmental laws and regulations, governmental authorities may suspend or terminate non-compliant operations, levy monetary penalties and require non-compliant entities to bear the cost of related remediation programs. Turkish environmental and criminal laws allow private actions and impose liability for damages arising from non-compliant operations, as well as criminal penalties (such as imprisonment and monetary fines) for certain types of violations. We believe we are currently in compliance with these laws and hold all applicable licenses. However, these laws and permits are subject to change, and we cannot predict any future changes in the regulatory environment, which could result in increased costs to our business or restrictions on our operations.

Egyptian Environmental Regulation of FSRUs

The Egyptian Authority for Maritime Safety regulates vessels in the national waters of Egypt. Emissions associated with the operation of the vessel may also be regulated by other agencies. To the extent that a change in law in Egypt (other than future laws requiring changes to the structure, machinery, boilers, appurtenances or spare parts of the vessel) has an identifiable financial impact on the economics of a charter, the terms of the charter typically would require the owner and charterer to meet to discuss in good faith and agree upon the necessary actions and changes to offset such impact.

In-House Inspections

Höegh LNG Management, our ship manager, regularly inspects our vessels for compliance with laws of host countries; both at sea and while in port. We also inspect and audit our vessels regularly to verify conformity with manager's reports. These inspections result in a report containing recommendations for improvements to the overall condition of the vessel, maintenance, safety and crew welfare. Based in part on these evaluations, we create and implement a program of continual maintenance for our vessels and their systems.

Taxation of the Partnership

The following are discussions of the material tax considerations applicable to us under U.S., Marshall Islands, Norway, Singapore, Indonesia, Cyprus and Egypt law, respectively. These discussions are based upon provisions of the applicable tax law as in effect on the date of this Annual Report, regulations and current administrative rulings and court decisions, all of which are subject to change or differing interpretation, possibly with retroactive effect. Changes in these authorities or their interpretation may cause the tax consequences to vary substantially from the consequences described below.

United States Taxation

The following is a discussion of the material U.S. federal income tax considerations applicable to us. This discussion is based upon provisions of the Code as in effect on the date of this Annual Report, existing final and temporary Treasury Regulations thereunder, and current administrative rulings and court decisions, all of which are subject to change or differing interpretation, possibly with retroactive effect. Changes in these authorities or their interpretation may cause the tax consequences to vary substantially from the consequences described below. The following discussion does not purport to be a comprehensive description of all of the U.S. federal income tax considerations applicable to us.

Election to be Treated as a Corporation

We have elected to be treated as a corporation for U.S. federal income tax purposes. As such, we are subject to U.S. federal income tax to the extent we earn income from U.S. sources or income that is treated as effectively connected with the conduct of a trade or business in the United States, unless such income is exempt from tax under Section 883 of the Code or otherwise.

Taxation of Operating Income

Substantially all of our gross income is attributable, and we expect it will continue to be attributable, to the transportation, regasification and storage of LNG. Gross income generated from regasification and storage of LNG outside of the United States generally is not subject to U.S. federal income tax, and gross income generated from such activities in the United States generally is subject to U.S. federal income tax on a net basis plus a branch profits tax as described below. Gross income that is attributable to transportation that either begins or ends, but that does not both begin and end, in the United States ("U.S. Source International Transportation Income") is considered to be 50.0% derived from sources within the United States and may be subject to U.S. federal income tax on a gross basis as described below. Gross income attributable to transportation that both begins and ends in the United States ("U.S. Source Domestic Transportation Income") is considered to be 100.0% derived from sources within the United States and generally is subject to U.S. federal income tax on a net basis plus a branch profits tax. Gross income attributable to transportation exclusively between non-U.S. destinations will be considered to be 100.0% derived from sources outside the United States and generally is not subject to U.S. federal income tax.

We are not permitted by law to engage in transportation that gives rise to U.S. Source Domestic Transportation Income, and we currently do not anticipate providing any regasification or storage services within the territorial seas of the United States. However, certain of our activities give rise to U.S. Source International Transportation Income, and future expansion of our operations could result in an increase in the amount of U.S. Source International Transportation Income, all of which could be subject to U.S. federal income taxation unless an exemption from U.S. taxation applies under Section 883 of the Code (the "Section 883 Exemption").

The Section 883 Exemption

In general, the Section 883 Exemption provides that if a non-U.S. corporation satisfies the requirements of Section 883 of the Code and Treasury Regulations thereunder (the "Section 883 Regulations"), it will not be subject to the net basis and branch profits taxes or the 4.0% gross basis tax described below on the U.S. source portion of its U.S. Source International Transportation Income. The Section 883 Exemption applies only to U.S. Source International Transportation Income and does not apply to U.S. Source Domestic Transportation Income. As discussed below, we believe that based on our current ownership structure, the Section 883 Exemption applies and we are not subject to U.S. federal income tax on our U.S. Source International Transportation Income.

We qualify for the Section 883 Exemption for a particular taxable year if, among other things, we meet the following three requirements:

- we are organized in a jurisdiction outside the United States that grants an equivalent exemption from tax to corporations organized in the United States with respect to the types of U.S. Source International Transportation Income that we earn (an "Equivalent Exemption");

- we satisfy the Publicly Traded Test (as described below) or the Qualified Shareholder Stock Ownership Test (as described below); and

- we meet certain substantiation, reporting and other requirements.

In order for a non-U.S. corporation to meet the Publicly Traded Test, its equity interests must be "primarily traded" and "regularly traded" on an established securities market either in the United States or in a jurisdiction outside the United States that grants an Equivalent Exemption. The Section 883 Regulations provide, in pertinent part, that equity interests in a non-U.S. corporation will be considered to be "primarily traded" on an established securities market in a given country if, with respect to the class or classes of equity relied upon to meet the "regularly traded" requirement described below, the number of units of each such class that are traded during any taxable year on all established securities markets in that country exceeds the number of units in such class that are traded during that year on established securities markets in any other single country.

Equity interests in a non-U.S. corporation will be considered to be "regularly traded" on an established securities market under the Section 883 Regulations if one or more classes of such equity interests that, in the aggregate, represent more than 50.0% of the combined vote and value of all outstanding equity interests in the non-U.S. corporation satisfy certain listing and trading volume requirements. These listing and trading volume requirements will be satisfied with respect to a class of equity interests if trades in such class are effected, other than in de minimis quantities, on an established securities market on at least 60 days during the taxable year and the aggregate number of units in such class that are traded on such established securities market during the taxable year is at least 10.0% of the average number of units outstanding in that class during the taxable year (with special rules for short taxable years). In addition, a class of equity interests will be considered to satisfy these listing and trading volume requirements if the equity interests in such class are traded during the taxable year on an established securities market in the United States and are "regularly quoted by dealers making a market" in such class (within the meaning of the Section 883 Regulations).

Even if a class of equity interests satisfies the foregoing requirements, and thus generally would be treated as "regularly traded" on an established securities market, an exception may apply to cause the class to fail the regularly traded test for a taxable year if, for more than half of the number of days during the taxable year, one or more 5.0% unitholders (i.e., unitholders owning, actually or constructively, at least 5.0% of the vote and value of that class) own in the aggregate 50.0% or more of the vote and value of the class (the "Closely Held Block Exception"). For purposes of identifying its 5.0% unitholders, a non-U.S. corporation is entitled to rely on Schedule 13D and Schedule 13G filings with the SEC. In addition, an investment company that is registered under the Investment Company Act of 1940, as amended, is not treated as a 5.0% unitholder. The Closely Held Block Exception does not apply to a class of units, however, in the event the corporation can establish that a sufficient proportion of such 5.0% unitholders are Qualified Shareholders (as defined below) so as to preclude other persons who are 5.0% unitholders from owning 50.0% or more of the value of that class for more than half the days during the taxable year.

As set forth above, as an alternative to satisfying the Publicly Traded Test, a non-U.S. corporation may qualify for the Section 883 Exemption by satisfying the Qualified Shareholder Stock Ownership Test. A corporation generally will satisfy the Qualified Shareholder Stock Ownership Test if more than 50.0% of the value of its outstanding equity interests is owned, or treated as owned after applying certain attribution rules, for at least half of the number of days in the taxable year by:

- individual residents of jurisdictions that grant an Equivalent Exemption;

- non-U.S. corporations organized in jurisdictions that grant an Equivalent Exemption and that meet the Publicly Traded Test; or

- certain other qualified persons described in the Section 883 Regulations (which we refer to collectively as Qualified Shareholders).

We believe that we currently satisfy all of the requirements for the Section 883 Exemption, and we expect that we will continue to satisfy such requirements. First, we are organized under the laws of the Republic of the Marshall Islands. The U.S. Treasury Department has recognized the Republic of the Marshall Islands as a jurisdiction that grants an Equivalent Exemption with respect to the type of U.S. Source International Transportation Income we earn and expect to earn in the future. Consequently, our U.S. Source International Transportation Income (including for this purpose, any such income earned by our joint ventures and subsidiaries) should be exempt from U.S. federal income taxation provided we meet either the Publicly Traded Test or the Qualified Shareholder Stock Ownership Test and we satisfy certain substantiation, reporting and other requirements.

Our common units and our Series A preferred units are traded only on the New York Stock Exchange, which is considered to be an established securities market. Thus, the number of our common units and our Series A preferred units that is traded on the New York Stock Exchange exceeds the number of each class that is traded on any other securities market, and this is not expected to change. Therefore, we believe that our equity interests are "primarily traded" on an established securities market for purposes of the Publicly Traded Test. Although the matter is not free from doubt, based upon our analysis of our current and expected cash flow and distributions on our outstanding equity interests, we believe (i) that our common units and Series A preferred units represent more than 50.0% of the total value of all of our outstanding equity interests and (ii) our common units and our Series A preferred units represent more than 50.0% of the total combined voting power of our equity interests. In addition, we believe that our common units and our Series A preferred units each currently satisfy, and expect that our common units and our Series A preferred units each will continue to satisfy, the listing and trading volume requirements described previously. Therefore, we believe that our equity interests are "primarily traded" on an established securities market for purposes of the Publicly Traded Test.

Further, our partnership agreement provides that any person or group that beneficially owns more than 4.9% of any class of our units then outstanding generally will be treated as owning only 4.9% of such units for purposes of voting for directors. There can be no assurance that this limitation will be effective to eliminate the possibility that we will have any 5.0% unitholders for purposes of the Closely Held Block Exception. Nevertheless, we believe that our common units have not lost eligibility for the Section 883 Exemption as a result of the Closely Held Block Exception based upon the current ownership of our common units. Thus, although the matter is not free from doubt and is based upon our belief and expectations regarding our satisfaction of the factual requirements described above, we believe that we satisfied the Publicly Traded Test for 2018, and we expect that we will satisfy the Publicly Traded Test for the current and all future taxable years.

The legal conclusions described above are based upon legal authorities that do not expressly contemplate an organizational structure such as ours. In particular, although we have elected to be treated as a corporation for U.S. federal income tax purposes, we are organized as a limited partnership under Marshall Islands law. Accordingly, while we believe that, assuming the factual requirements described above are satisfied, our common units and Series A preferred units should be considered to be "regularly traded" on an established securities market and that we satisfy the requirements of the Section 883 Exemption, it is possible that the IRS would assert that our common units do not meet the "regularly traded" test. In addition, as described previously, our ability to satisfy the Publicly Traded Test depends upon factual matters that are subject to change. Should any of the factual requirements described above fail to be satisfied, we may not be able to satisfy the Publicly Traded Test. Furthermore, our board of directors could determine that it is in our best interests to take an action that would result in our not being able to satisfy the Publicly Traded Test in the future. Please read "—The Net Basis and Branch Profits Tax" and "—The 4.0% Gross Basis Tax" below for a discussion of the tax consequences in the event we do not qualify for the Section 883 Exemption.

The Net Basis Tax and Branch Profits Tax

If we earn U.S. Source International Transportation Income and the Section 883 Exemption does not apply, the U.S. source portion of such income would be treated as effectively connected with the conduct of a trade or business in the United States ("Effectively Connected Income") if we have a fixed place of business in the United States involved in the earning of U.S. Source International Transportation Income and substantially all of our U.S. Source International Transportation Income is attributable to regularly scheduled transportation or, in the case of vessel leasing income, is attributable to a fixed place of business in the United States. In addition, if we earn income from regasification or storage of LNG within the territorial seas of the United States, such income would be treated as Effectively Connected Income. Based on our current operations, substantially all of our potential U.S. Source International Transportation Income is not attributable to regularly scheduled transportation and is not received pursuant to vessel leasing, and none of our regasification or storage activities occur within the territorial seas of the United States. As a result, we do not anticipate that any of our U.S. Source International Transportation Income or income earned from regasification or storage activities will be treated as Effectively Connected Income. However, there is no assurance that we will not earn income pursuant to regularly scheduled transportation or vessel leasing attributable to a fixed place of business in the United States or earn income from regasification or storage activities within the territorial seas of the United States, in the future, which would result in such income being treated as Effectively Connected Income.

Any income we earn that is treated as Effectively Connected Income, net of applicable deductions, would be subject to U.S. federal corporate income tax (currently imposed at a rate of 21.0%). In addition, a 30.0% branch profits tax could be imposed on the after-tax amount of any income we earn that is treated as Effectively Connected Income, as determined after allowance for certain adjustments, and on certain interest paid or deemed paid by us in connection with the conduct of our U.S. trade or business.

Taxation of Gain from the Sale of a Vessel

On the sale of a vessel that has produced Effectively Connected Income, we could be subject to the net basis U.S. federal corporate income tax as well as branch profits tax with respect to the gain recognized up to the amount of certain prior deductions for depreciation that reduced Effectively Connected Income. Otherwise, we would not be subject to U.S. federal income tax with respect to gain realized on the sale of a vessel, provided the sale is considered to occur outside of the United States under U.S. federal income tax principles. In general, a sale of vessel will be considered to occur outside of the United States for this purpose if title to the vessel, and risk of loss with respect to the vessel, pass to the buyer outside the United States. It is expected that any sale of a vessel by us will be considered to occur outside of the United States.

The 4.0% Gross Basis Tax

If the Section 883 Exemption does not apply and the net basis tax does not apply, we would be subject to a 4.0% U.S. federal income tax on the U.S. source portion of our gross U.S. Source International Transportation Income, without benefit of deductions. Under the sourcing rules described above under "—Taxation of Operating Income", 50.0% of our U.S. Source International Transportation Income would be treated as being derived from U.S. sources.

Marshall Islands Taxation

Because we, our operating subsidiary and our controlled affiliates do not, and do not expect to conduct business, transactions or operations in the Republic of the Marshall Islands, neither we nor our controlled affiliates will be subject to income, capital gains, profits or other taxation under current Marshall Islands law, other than taxes, fines or fees due to (i) the incorporation, dissolution, continued existence, merger, domestication (or similar concepts) of legal entities registered in the Republic of the Marshall Islands, (ii) filing certificates (such as certificates of incumbency, merger, or redomiciliation) with the Marshall Islands registrar, (iii) obtaining certificates of good standing from, or certified copies of documents filed with, the Marshall Islands registrar, (iv) compliance with Marshall Islands law concerning vessel ownership, such as tonnage tax, or (v) non-compliance with requests made by the Marshall Islands Registrar of Corporations relating to our books and records and the books and records of our subsidiaries. As a result, distributions by our operating subsidiaries and our controlled affiliates to us will not be subject to Marshall Islands taxation.

Norway Taxation

The following is a discussion of the material Norwegian tax consequences applicable to us. This discussion is based upon existing legislation and current tax authority practice as of the date of this Annual Report. Changes in this legislation and practice may cause the tax consequences to vary substantially from the consequences described below. The following discussion does not purport to be a comprehensive description of all of the Norwegian tax considerations applicable to us.

As we do not have any Norwegian incorporated subsidiaries, there is no Norwegian taxation by virtue of being resident in Norway. We, our operating company, our joint ventures and our non-Norwegian incorporated subsidiaries do not contemplate to hold board meetings in Norway, to have a board consisting of a majority of Norwegian residents or to pass resolutions in any board with a majority of Norwegian resident directors.

Taxation of the Partnership and Non-Norwegian Incorporated Subsidiaries.

As we are a partnership and do not expect to be managed and controlled within Norway nor carrying out business in Norway, we do not expect to be subject to taxation in Norway. While certain of our joint ventures and non-Norwegian incorporated subsidiaries will enter into agreements with Höegh Norway and Höegh LNG Management, Norwegian incorporated and resident companies, for the provision of certain management and administrative services, we believe that the terms of these agreements will not result in us, our operating company or any of our non-Norwegian incorporated subsidiaries being treated as being resident in the Norway or having a permanent establishment or carrying out business in Norway. As a consequence, we expect that neither our profits, the profits of our operating company or any of our joint ventures and non-Norwegian incorporated subsidiaries will be subject to Norwegian corporation tax. We do not currently anticipate that any of our joint ventures and non-Norwegian incorporated subsidiaries will be controlled or managed in Norway or have a permanent establishment or otherwise carry on business in Norway. Accordingly, we do not anticipate that any of our joint ventures and non-Norwegian incorporated subsidiaries will be subject to Norwegian corporation tax.

Singapore Taxation

The following is a discussion of the material Singapore tax consequences applicable to us. This discussion is based upon existing legislation and current Inland Revenue Authority of Singapore practice as of the date of this Annual Report. Changes in the existing legislation and current practice may cause the tax consequences to vary substantially from the consequences described below. The following discussion does not purport to be a comprehensive description of all of the Singapore tax considerations applicable to us.

Taxation of the Partnership and non-Singapore Incorporated Subsidiaries.

As we are a limited partnership and do not expect to be managed and controlled within Singapore or carry on a trade or business in Singapore, we do not expect to be subject to taxation in Singapore. Similarly, as the non-Singapore incorporated subsidiaries are not managed and controlled within Singapore or carry on a trade or business in Singapore, the non-Singapore incorporated subsidiaries should not be subject to taxation in Singapore.

Taxation of the Singapore Incorporated Subsidiary.

Höegh Lampung is incorporated in Singapore, and we anticipate that it will be centrally managed and controlled in Singapore. As a result, Höegh Lampung will be regarded for the purposes of Singapore tax as being resident in Singapore and liable to Singapore corporate income tax on income accrued in or derived from Singapore or income received in Singapore from outside Singapore in respect of (i) gains or profits from any trade or business, (ii) income from investment such as dividends, interest and rental, (iii) royalties, premiums and any other profits from property and (iv) other gains of an income nature. The generally applicable rate of Singapore corporation tax is 17%. Höegh Lampung will generally be liable to tax at this rate on its income, profits and gains after deducting revenue expenses incurred wholly and exclusively for the purposes of the business being undertaken.

Under Section 12(6) of the Income Tax Act, Chapter 134 of Singapore ("ITA"), the following payments are deemed to be derived from Singapore:

- any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee, or service relating to any loan or indebtedness which is:

- borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore); or
- deductible against any income accruing in or derived from Singapore; or
- any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

Payments falling within the two bullet points above and made by Höegh Lampung, would fall within Section 12(6) of the ITA. Unless exempted, such payments, where made to a person not known to Höegh Lampung to be a tax resident in Singapore, are generally subject to withholding tax in Singapore.

Indonesian Taxation

The following is a discussion of the material Indonesia tax consequences applicable to us. This discussion is based upon existing legislation and current Directorate General of Taxes of Indonesia ("DGT") practice as of the date of this Annual Report. Changes in the existing legislation and current practice may cause the tax consequences to vary substantially from the consequences described below. The following discussion does not purport to be a comprehensive description of all of the Indonesia tax considerations applicable to us.

Taxation of the Partnership and non-Indonesian Incorporated Subsidiaries

As we are a limited partnership and do not expect to be managed and controlled or domiciled within Indonesia or conduct business or carry out activities through a permanent establishment in Indonesia, we do not expect to be subject to taxation in the Indonesia.

We do not currently anticipate that any of our other non-Indonesian incorporated subsidiaries will be controlled, managed or domiciled in Indonesia or conduct business or carry out activities through a permanent establishment in Indonesia. Accordingly, we do not anticipate that any of our non-Indonesian incorporated subsidiaries will be subject to Indonesian corporate income tax.

Taxation of Operating Income

PT Höegh's main business activity in Indonesia is to provide the lease, operation, and maintenance of the *PGN FSRU Lampung* to PGN LNG. As PT Höegh was established in Indonesia, it is a resident taxpayer. Under Law No. 36 Year 2008 regarding Income Tax ("Income Tax Law" or "ITL"), PT Höegh is subject to Corporate Income Tax ("CIT") of 25% on taxable profit derived from the business activities performed. Therefore, any income generated by PT Höegh from PGN LNG in regards to the lease, operation, and maintenance of the *PGN FSRU Lampung* is subject to CIT of 25% (after deductions for allowable expenses in accordance with the ITL provisions).

Taxable income is calculated on the basis of accounting profits as modified by certain tax adjustments. Any tax loss can be carried forward for a maximum period of 5 years. Loss carry back is not permitted in Indonesia.

For tax purposes, costs incurred in relation to the acquisition of fixed assets are deductible (through depreciation) over a useful life of four to twenty years depending on the type of the fixed assets. In this regard, although the commercial useful life of a fixed asset is more than twenty years, such asset shall only be depreciated for a maximum of twenty years for tax purposes.

Depreciation commences in the month when expenditures are incurred. The depreciation can be calculated either using the straight line method or double declining balance method.

The ITL taxes the world-wide income of Indonesian tax residents; however, we do not anticipate that PT Höegh will generate income outside of Indonesia.

Taxation of the Sale of the PGN FSRU Lampung to PGN LNG

PGN LNG was granted an option to purchase the *PGN FSRU Lampung* from PT Höegh at specified prices as set out in the time charter for *PGN FSRU Lampung*. Any gain arising from the sale of the FSRU (i.e. sales price less tax book value) will be subject to CIT at the rate of 25% to PT Höegh.

Withholding Taxes ("WHT")

PT Höegh is required to withhold:

- WHT under Article 23/26 of the ITL at the following rates:
  - 2% on payments for rent (other than land and/or building), fees for technical, management and other services to another resident taxpayer;
  - 15% on payments of dividends, interest and royalties to another resident taxpayer;
  - 20% (or a reduced tax treaty rate) on payments relating to services, dividends, interest and royalties to a non-resident taxpayer. The reduced tax treaty rate is also subject to the availability of the Certificate of Domicile of the counter party in the form prescribed by the Indonesian tax regulations and fulfilment of Indonesian Tax Treaty use requirements.
  - WHT under Article 4(2) of the ITL at the rate of 10% for rent of land and/or buildings and at 3% to 6% on payments for construction services to another resident taxpayer;
  - WHT under Article 15 of the ITL at the rate of 1.2% on payments related to domestic shipping services.

Salaries and wages paid to resident employees are subject to Employee Income Tax ("EIT") under Article 21 of the ITL at progressive rates of maximum 30%. Salaries paid to non-resident employees are subject to EIT under Article 26 of the ITL at the rate of 20% from the gross salary amount. PT Höegh is required to withhold and remit EIT on monthly basis.

Value Added Tax ("VAT")

Any fees charged by PT Höegh for services provided to PGN LNG are subject to VAT at 10%. Such VAT on revenue is called Output VAT. The Output VAT can be offset with the VAT that PT Höegh pays for the procurement of goods and/or services ("Input VAT"). If the Output VAT exceeds the Input VAT in a particular month, the balance is required to be settled by PT Höegh. However, if the Input VAT exceeds the Output VAT, the VAT overpayment can be carried forward to the following month or a refund can be requested at year end. A VAT refund request will automatically trigger a tax audit.

VAT of 10% would also be charged on the sale of the FSRU to PGN LNG, if applicable.

Debt to Equity Ratio Requirement

Under Minister of Finance ("MoF") Regulation No. 169/PMK.010/2015 ("PMK-169") Indonesian corporate taxpayers are subject to a limit in claiming financing costs as tax deduction where their debt to equity ratio exceeds 4:1. PMK 169 was effective from fiscal year 2016 onwards.

PMK 169 stipulates that debt shall include long-term debt, short-term debt and trade payables which bear interest. Equity includes all items recorded under the equity section of the balance sheet based on the prevailing accounting standards and interest-free loans from related parties.

In case the balance of equity is zero or negative, no financing costs of the taxpayer can be deducted. In case the actual ratio of the debt and equity exceeds 4:1 the deductible financing costs must be adjusted to an allowable amount based on the 4:1 ratio.

Certain industries, including the infrastructure industry, are exempted from the debt to equity ratio requirements. The infrastructure industry is not defined in PMK-169, and there has been no further guidance issued by the DGT regarding this matter. The DGT issued Regulation No. PER-25/PJ/2017 ("PER-25") in 2017 which provides information in relation to the implementation of PMK-169. PER-25 provides guidance that interest is not deductible on any debt for which the existence cannot be formally verified and specifies reporting requirements on the corporate income tax return to comply with the regulation.

Cyprus Taxation

The following is a discussion of the material Cyprus tax consequences applicable to us. This discussion is based upon existing legislation and current tax practice as of the date of this Annual Report. Changes in the existing legislation and current practice may cause the tax consequences to vary substantially from the consequences described below. The following discussion does not purport to be a comprehensive description of all of the Cyprus tax considerations applicable to us.

Taxation of profits and deduction for losses

Höegh Cyprus, acting through its Egypt Branch, provides a FSRU on a time charter to EgyptCo. The time charter activities are operated in the Egypt Branch.

Cyprus tax law exempts foreign branch profits from Cyprus corporate income tax, subject to certain exceptions. We have received a ruling from the Cyprus tax authorities confirming that this exemption applies for the profits in the Egypt Branch.

Any tax losses incurred by the Egypt Branch can be used as a deduction against the taxable income of Höegh Cyprus for the same year. Any unutilized branch tax losses can be carried forward. A claw-back applies for previous losses utilized in the year in which the Egypt Branch becomes profitable. Losses clawed back through taxation of equal profits are restricted to losses offset with profits/losses being carried forward and exclude expired losses (i.e. exclude losses which were carried forward but not offset with profits due to the lapse of the 5 year carry forward period from the date the losses were incurred).

Höegh Cyprus may elect, but has not to date made the election, to be taxed on foreign permanent establishment's ("PE") profits. If Höegh Cyprus made this election, it could claim a foreign tax credit ("FTC") for taxes incurred on foreign PE profits, even when an applicable tax treaty is not in force.

WHT

Cyprus does not levy any withholding taxes on interest and dividend payments to non-Cyprus tax residents (whether legal persons or individuals). As such, dividends and interest payments made by Höegh Cyprus should not be subject to WHT.

VAT

As per the ruling obtained with the Cyprus Tax Authority, Höegh Cyprus does not have an obligation to register for VAT purposes in Cyprus. Any income generated by Höegh Cyprus through the Egypt Branch from the time charter or any services (ship management, commercial management, crew management, etc.) received by the Egypt Branch will not trigger an obligation to account for Cypriot VAT.

Egyptian Taxation

The following is a discussion of the material Egypt tax consequences applicable to us. This discussion is based upon existing legislation and current practice as of the date of this Annual Report. Changes in the existing legislation and current practice may cause the tax consequences to vary substantially from the consequences described below. The following discussion does not purport to be a comprehensive description of all of the Egypt tax considerations applicable to us.

Taxation of Höegh Cyprus in Egypt – CIT and free zone

The Egypt Branch is registered as a legal entity in Egypt in the Suez Public Free Zone. The Egypt Branch is subject to a 1% free zone fee on the revenues from activities permitted under its free zone license (e.g., the time charter hire paid by EgyptCo), but is exempt from CIT on profits from the same activities.

WHT

Profit repatriation from the Egypt Branch is exempt from WHT.

The Egypt Branch has not drawn down debt with maturity less than three years and, as such, interest payments are not subject to WHT.

Payments for services made to recipients that are not tax resident in Egypt are subject to 20% WHT, subject to reduction or elimination under applicable tax treaties.

VAT

As a free zone entity, the Egypt Branch is not subject to VAT on the activities permitted under its free zone license and within the permitted location to operate (e.g., the time charter hire paid by EgyptCo and related acquired goods and services).

Exit taxation

The exit of the FSRU from Egypt after the end of the time charter may be considered a deemed sale of the FSRU for Egyptian tax purposes. The gains from the deemed sale would be subject to CIT (currently at 22.5%). The gain is calculated as the fair market value of the FSRU on the exit less the tax base value after deemed depreciation based on the assumption that it is considered as an asset of the branch.

Colombian Taxation

The following is a discussion of the material Colombian tax consequences applicable to us. This discussion is based upon existing legislation and current practice as of the date of this Annual Report. Changes in the existing legislation and current practice may cause the tax consequences to vary substantially from the consequences described below. The following discussion does not purport to be a comprehensive description of all of the Colombian tax considerations applicable to us.

Taxation of profits of Höegh FSRU IV

Höegh FSRU IV leases an FSRU to a charterer in Colombia. The lease agreement is regarded as a financial lease for Colombian tax purposes. Höegh FSRU IV would not have a permanent establishment in Colombia and therefore would not be subject to Colombian corporate income tax ("CIT"), VAT or Industry and Trade Tax ("ITT"). The financial component of the financial lease paid to Höegh FSRU IV would be subject to 1% withholding tax in lieu of corporate income tax in Colombia.

Taxation of profits of Höegh Colombia

Höegh Colombia provides services to the charterer in Colombia. Höegh Colombia is subject to CIT levied on its worldwide income at a rate of 33% for fiscal year 2019, 32% for fiscal year 2020, 31% for fiscal year 2021 and 30% for fiscal year 2022 and onwards. The taxable basis will be the net taxable income (gross revenues less allocable cost and expenses).

In addition, to the ordinary taxation system, a presumptive tax system applies. Under the presumptive tax system, Colombian rules provide that net taxable income cannot be less than a cap calculated as 1.5% of the company's net equity as of December 31 of the previous year. Accordingly, if net taxable income is lower than the cap, the ordinary taxation will be disregarded and the presumptive tax system considerations will apply. However, such system will not apply as from fiscal year 2021 and onwards, taking into account that the percentage to determine the presumptive income will be 0%.

WHT

Dividends paid out of retained profits as of December 31, 2018, that were subject to tax at the Colombian corporate level have a 7.5% WHT rate (dividend tax), applicable from January 1, 2019, when distributed as dividends to foreign non-resident shareholders. Otherwise, a 38.025%, 37.1%, 36.175% and 35.35% WHT rate applies for the dividends on profits for the years ended December 31, 2019, 2020, 2021 and 2022, respectively. Höegh Colombia expects to pay dividends from retained profits that were subject to tax at the Colombian corporate level.

VAT

The services rendered by Höegh Colombia are subject to 19% VAT.

Financial Transaction Tax

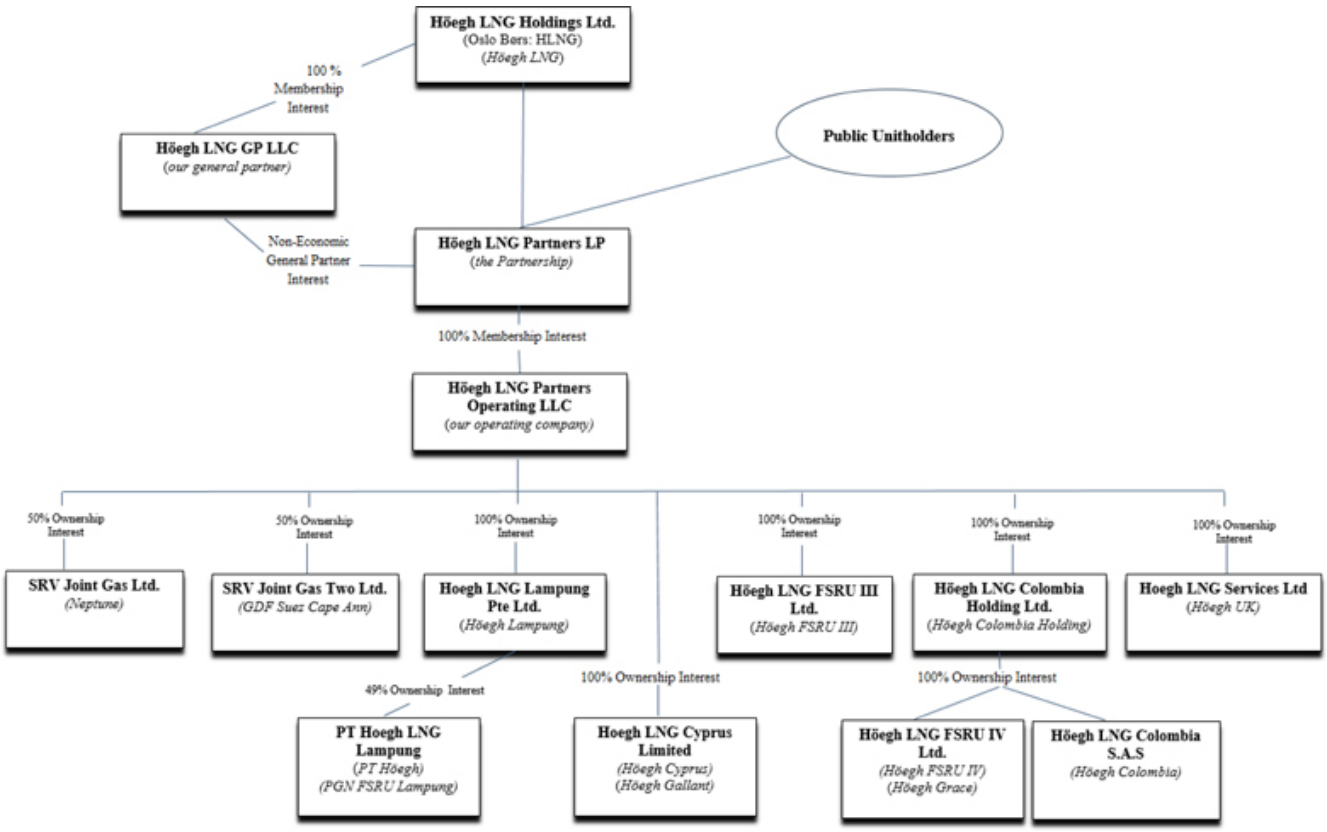
Financial Transaction Tax is levied on the transfers from Colombian bank accounts at a rate of 0.4% of the amount transferred. A 50% share of the Financial Transaction Tax is deductible for CIT purposes for the year ended December 31, 2017.

ITT

ITT will be applicable in Cartagena for the services provided through the Cartagena office and services provided on-shore or within the boundaries of the Cartagena District. Up to 50% of the ITT paid by the Company will be a tax credit for CIT purposes. In 2022, the tax credit will increase to 100% for CIT purposes.

C. Organizational Structure

We are a publicly traded limited partnership formed on April 28, 2014. The diagram below depicts our simplified organizational structure as of March 31, 2019. As of March 31, 2019, we have issued and outstanding 20,046,139 common units, 6,129,070 Series A preferred units, 13,156,060 subordinated units and incentive distribution rights, and as of March 31, 2019 Höegh LNG owns 2,101,438 of our common units, all subordinated units and incentive distribution rights issued and outstanding.



We listed our common units on the New York Stock Exchange ("NYSE") in August 2014 under the ticker symbol "HMLP."

We were formed under the law of the Marshall Islands and maintain our principal executive headquarters at Wessex House, 5th Floor, 45 Reid Street, Hamilton HM12, Bermuda.

A full list of our significant operating and vessel-owning subsidiaries is included in Exhibit 8.1.

D. Property, Plant and Equipment

Other than the vessels in our fleet, we do not have any material property.

Item 4A. Unresolved Staff Comment

Not applicable.

Item 5. Operating and Financial Review and Prospects

You should read the following discussion of our financial condition and results of operations in conjunction with "Item 3.A. Selected Financial Data" and "Item 4. Information on the Partnership" and the consolidated financial statements and related notes of Höegh LNG Partners LP and the combined financial statements and related notes of our joint ventures owning the *Neptune* and the *Cape Ann*, each included elsewhere in this Annual Report. We account for our equity interests in our joint ventures owning the *Neptune* and the *Cape Ann* as equity method investments in our consolidated financial statements. Among other things, those financial statements include more detailed information regarding the basis of presentation for the following information. Such financial statements, including related notes thereto, have been prepared in accordance with US GAAP and are presented in U.S. Dollars.

Prior to the closing of the IPO on August 12, 2014, Höegh LNG contributed to us all of its equity interests in and promissory notes due to it from Höegh Lampung, PT Höegh (the owner of the *PGN FSRU Lampung*) and our joint ventures, SRV Joint Gas Ltd. (the owner of the *Neptune*) and SRV Joint Gas Two Ltd. (the owner the *Cape Ann*) (the "initial fleet"). The transfer was recorded at Höegh LNG's consolidated book values, as converted to US GAAP.

Our financial position, results of operations and cash flows reflected in the consolidated and combined carve-out financial statements for periods prior to our IPO include all expenses allocable to our business, but may not be indicative of those that would have been achieved had we operated as a separate public entity for all periods presented or of future results.

Overview

We were formed on April 28, 2014 as a growth-oriented limited partnership by Höegh LNG, to own, operate and acquire FSRUs, LNG carriers and other LNG infrastructure assets under long-term charters, which we define as charters of five or more years.

On August 12, 2014, we completed our IPO. At the closing of the IPO, we sold 11,040,000 common units to the public for net proceeds, after deduction of underwriters' discount and offering expenses, of $203.5 million. We also issued 2,116,060 common units and 13,156,060 subordinated units, representing approximately 58.0% of the limited partner interest in the Partnership, and 100% of the incentive distribution rights ("IDRs") to Höegh LNG. A wholly owned subsidiary of Höegh LNG owns a non-economic general partner interest in us.

On October 1, 2015, we purchased 100% of the shares of Höegh FSRU III, the entity that indirectly owned the FSRU *Höegh Gallant*, which we accounted for as the acquisition of a business. Accordingly, the results of this acquisition are included in our earnings from October 1, 2015.

In December 2016, we completed a 6,588,389 common unit offering raising approximately $111.5 million in net proceeds, after deduction of underwriters' discount and offering expenses to be used primarily to fund the purchase price of the acquisition of a 51% ownership interest in Höegh Colombia Holding, the owner of Höegh FSRU IV and Höegh Colombia, the entities that own and operate the *Höegh Grace* (the "*Höegh Grace* entities").

On January 3, 2017, we closed the acquisition of a 51% ownership interest in the *Höegh Grace* entities for cash consideration of $91.8 million, excluding the working capital adjustment. On January 1, 2017, we entered into an agreement with Höegh LNG, under which Höegh LNG granted us the authority to make decisions about operations of Höegh Colombia Holding from January 1, 2017 to the closing date of the acquisition. Accordingly, the results of the *Höegh Grace* are included in our earnings from January 1, 2017.

On October 5, 2017, we issued to the public 4,600,000 8.75% Series A cumulative redeemable preferred units (the "Series A preferred units") for proceeds, net of underwriting discounts and expenses, of $110.9 million. A portion of the net proceeds was used to repay outstanding debt under the seller's credit note related to the *Höegh Gallant* acquisition and outstanding debt under the revolving credit facility and the remainder of the net proceeds were used to fund the acquisition of the remaining 49% ownership interest in the *Höegh* Grace entities.

On December 1, 2017, we closed the acquisition of the remaining 49% ownership interest in the *Höegh Grace* entities. From January 1, 2017 until November 30, 2017, the results of the *Höegh Grace* entities were reduced by non-controlling interest and until December 1, 2017 total equity was split between partners' capital and the non-controlling interest.

On January 26, 2018, we entered into a sale agreement with B. Riley Inc. (the "Agent"). Under the terms of the sales agreement, we may offer and sell up to $120 million aggregate offering amount of "at the market" common and Series A preferred units (the "ATM program"), from time to time, through the Agent. We intend to use the net proceeds of the sales of offered units for general partnership purposes, which may include the repayment of indebtedness, working capital needs, funding of acquisitions or other capital expenditures.

On January 31, 2019, Höegh FSRU III transferred its ownership in Höegh Cyprus to our operating company.

Our Fleet

Our fleet consisted of interests in the following vessels as of December 31, 2018:

- a 50% interest in the *Neptune*, an FSRU built in 2009 that is currently operating under a time charter with Global LNG Supply, a subsidiary of Total, that expires in 2029, with an option to extend for up to two additional periods of five years each;

- a 50% interest in the *Cape Ann*, an FSRU built in 2010 that is currently operating under a time charter with Global LNG Supply that expires in 2030, with an option to extend for up to two additional periods of five years each;

- a 100% economic interest in the *PGN FSRU Lampung*, an FSRU built in 2014 that is currently operating under a time charter with PGN LNG, a subsidiary of PT Perusahaan Gas Negara (Persero) Tbk, a subsidiary of PT Pertamina, a government controlled Indonesian oil and gas producer, natural gas transportation and distribution company, that expires in 2034, with options to extend either for an additional 10 years or for up to two additional periods of five years each;

- a 100% interest in the *Höegh Gallant*, an FSRU built in 2014 that is currently operating under a time charter with EgyptCo, a subsidiary of Höegh LNG, that expires in 2020. EgyptCo had a time charter agreement with EGAS until October 2018. EgyptCo has an LNG carrier time charter to a third party from October 2018 until April 2020. In addition, we have an option agreement pursuant to which we have the right to cause Höegh LNG to charter the *Höegh Gallant* from the expiration or termination of the EgyptCo charter until July 2025; and

- a 100% interest in the *Höegh Grace*, an FSRU built in 2016 that is currently operating under a time charter with SPEC. SPEC is owned 51% by Promigas S.A. ESP, a Colombian company focused on the transportation and distribution of natural gas, and 49% by private equity investors. The non-cancellable charter period of 10 years ends in December 2026. The initial term of the charter is 20 years. However, each party has an unconditional option to cancel the charter after 10 and 15 years without penalty. However, if SPEC waives its right to terminate in year 10 within a certain deadline, we will not be able to exercise our right to terminate in year 10.

For a description of our joint ventures and our shareholder agreements, please read “Item 4.B. Business Overview—Shareholder Agreements.”

Pursuant to the omnibus agreement we entered into with Höegh LNG at the time of the IPO, Höegh LNG is obligated to offer to us any FSRU or LNG carrier operating under a charter of five or more years. Accordingly, the Partnership may have in the future the opportunity to acquire certain FSRUs from Höegh LNG as described under “Item 4.B. Business Overview—Our Fleet—Additional FSRUs.”

There can be no assurance that we will acquire any vessels from Höegh LNG or of the terms upon which any such acquisition may be made.

Our Charters

We and our joint ventures generate revenues by chartering our vessels under long-term time charters. As of March 31, 2019, the average remaining term of the time charters for the vessels in our fleet was approximately 10.2 years, excluding the exercise of any customer options, and 17.2 years, assuming the exercise of all customer options.

Under our time charters for the *Neptune* and the *Cape Ann*, the rate charged for the services of each vessel, which we call the “hire rate,” is paid monthly in advance. Under our time charters for the *PGN FSRU Lampung,* the *Höegh Gallant* and the *Höegh Grace*, the hire rate is paid monthly in arrears. Under certain time charters, hire payments may be reduced and /or liquidated damages may be incurred if the vessel does not perform to certain of her specifications.

Moreover, when a vessel is “off-hire”—or not available for service—the customer generally is not required to pay any hire rate, and the vessel owner is responsible for all costs. Prolonged off-hire may lead to termination of the time charter.

Under the time charters for the *Neptune* and the *Cape Ann*, the hire rate includes the following three cost components:

- *Fixed Element*. The fixed element is a fixed per day fee providing for ownership costs and all remuneration due to the vessel owner for use of the vessel and the provision of time charter services.

- *Variable (Operating Cost) Element*. The variable (operating cost) element is a fixed per day fee providing for the operating costs of the vessel, which consists of (i) a cost pass-through sub-element, which covers the crew, insurance, consumables, miscellaneous services, spares and damage deductible costs and is subject to annual adjustment and (ii) an indexed sub-element, which covers management and is subject to annual adjustment for changes in labor costs and the size of the fleet under management.

- *Optional (Capitalized Equipment Cost) Element*. The optional (capitalized equipment cost) element consists of (i) costs associated with modifications to, changes in specifications of, structural changes in or new equipment for the vessel that become compulsory for the continued operation of the vessel by reason of new class requirements or national or international regulations coming into effect after the date of the time charter, subject to specified caps and (ii) costs associated with any new equipment or machinery that the owner and charterer have agreed should be capitalized. Such costs are distributed over the remaining term of the time charter.

Under the *Neptune* and *Cape Ann* time charters, a vessel generally will be deemed off-hire if the vessel is not available for the charterer's use for a specific amount of time due to, among other things:

- failure of an inspection that prevents the vessel from performing normal commercial operations;

- scheduled drydocking that exceeds allowances;

- the vessel's inability to discharge regasified LNG at normal performance;

- requisition of the vessel; or

- the vessel owner's failure to maintain the vessel in compliance with her specifications and contractual standards or to provide the required crew.

The hire rate under the *PGN FSRU Lampung* time charter consists of the following three cost components:

- *Capital Element*. The capital element is a fixed per day fee, which is intended to cover remuneration due to the vessel owner for use of the vessel and the provision of time charter services.

- *Operating and Maintenance Element*. The operating and maintenance element is a fixed per day fee, subject to annual adjustment, which is intended to cover the operating costs of the vessel, including manning costs, maintenance and repair costs, consumables and stores costs, insurance costs, management and operational costs, miscellaneous costs and alterations not required by Det Norske Veritas GL to maintain class or the IMO.

- *Tax Element*. The tax element is a fixed per day fee, equal to the vessel owner's reasonable estimate of the tax liability for that charter year divided by the number of days in such charter year. If the vessel owner receives a tax refund or credit, the vessel owner will pay such amount to the charterer. The tax liability includes Indonesian corporate income taxes, defined withholding taxes and all Indonesian taxes associated with the Mooring. The time charter requires an annual audit to determine the difference between the invoiced estimate of the tax liability and the actual tax liability. If the vessel owner's reasonable estimate of the tax liability varied from the actual tax liability, the vessel owner or the charterer, as applicable, will pay to the other party the difference in such amount.

Under the *PGN FSRU Lampung* time charter, the vessel generally will be deemed off-hire if the vessel is not available for the charterer's use for a specified amount of time due to, among other things:

- drydocking that exceeds allowances;

- the vessel failing to satisfy specified operational minimum requirements, except as a result of a Lampung Charterer Risk Event (as defined under "Item 4.B. Business Overview—Vessel Time Charters— *PGN FSRU Lampung* Time Charter—Performance Standards") or an event of force majeure; or

- the vessel owner's failure to satisfy the management warranties described under "Item 4.B. Business Overview—Vessel Time Charters— *PGN FSRU Lampung* Time Charter—Performance Standards."

The hire rate under the *Höegh Gallant* time charter is a fixed per day fee which is intended to cover remuneration due to the vessel owner for use of the vessel and the provision of time charter services as well as the operating and maintenance costs of the vessel, including manning costs, the cost of spare parts, bunker fuel and any tax incurred.

Under the *Höegh Gallant* time charter, the vessel generally will be deemed off-hire if the vessel is not available for the charterer's use for a specified amount of time due to, among other things:

- drydocking or other repairs and maintenance;
- any force majeure event acting on the vessel; and
- every other occasion the vessel ceases to be at the disposal of the charterer, including due to damage, defect, deficiency of crew or spare parts, labor disputes, time in and waiting to enter dry dock for repairs or because of a failure to comply with laws, regulations, physical requirements or operational practices at the site of vessel operations.

Additionally, we have agreed to indemnify EgyptCo for any loss (up to a specified cap), including loss of earnings and certain liquidated damages or performance warranties payable under EgyptCo's charter, caused by an operational failure of the vessel.

Under the *Höegh Grace* charter, hire is payable monthly, in arrears, in U.S. Dollars. The charterer pays a fixed daily rate of hire for use of the vessel and the provision of time charter services and operating fees, as set forth in the *Höegh Grace* charter. The operating fees are escalated yearly by a fixed percentage, and the charter provides for a review and reasonable adjustment by the parties if the actual operating costs increase by more than such percentage over a period of three consecutive years.

Except for force majeure events and a specified maintenance allowance period, under the *Höegh Grace* charter the vessel generally will be deemed off-hire:

- if the vessel is not able to discharge regasified LNG at a specified rate;
- if the vessel owner breaches its warranties related to international sanctions; or
- if the vessel is not available for the charterer's use due to, among other things:
  - any damage, defect, breakdown or deficiency to the vessel;
  - any deficiency of crew, stores, repairs, surveys, or similar cause preventing the working of the vessel;
  - any labor dispute, failure or inability of the officers or crew to perform the required services; or
  - any failure to comply with laws, regulations or operational practices at the site of the vessel operations.

In the event of off-hire, all hire will cease to be due or payable for the duration of off-hire.

Additionally, we have agreed to pay liquidated damages in the event that the *Höegh Grace* is unable to meet specified performance standards, which are subject to various caps per cargo, per year and in the aggregate for the term of the *Höegh Grace* charter.

As further discussed in note 2 to our consolidated financial statements; Significant accounting policies—Time charter revenue, related contract balances and related expenses;—Performance obligations; and Contract terms, determination of transaction price and allocation to performance obligations, the performance warranties included in all of our time charters is an important element in determining variable consideration for time charter services for revenue recognition purposes.

We have obtained loss of hire insurance to protect us against loss of income in the event one of our vessels cannot be employed due to damage that is covered under the terms of our hull and machinery insurance. Please read "—Insurance and Indemnifications."

For more information on our time charters, please read "Item 4.B. Business Overview—Vessel Time Charters."

Impact of Our Interests in Joint Ventures on Our Financial Information

Two of the five vessels in our fleet as of December 31, 2018 are owned by our joint ventures, each of which is owned 50% by us. Please read "Item 4.B. Business Overview—Shareholder Agreements." Under applicable accounting guidance, we do not consolidate the financial results of our joint ventures into our financial results, but we record our joint venture results using the equity method of accounting. The following provides a description of the impact of our interests in our joint ventures on selected components of our statements of income in our consolidated financial statements.

- *Equity in Earnings (Losses) of Joint Ventures*. Consists of our 50% share of the combined net income of our joint ventures. The net income of our joint ventures gives effect to interest expense associated with payments on the shareholder loans to the owners of our joint ventures as described below. Equity in earnings of joint ventures also includes the unrealized gains or losses on adjusting the interest rate swap contracts to fair value in each period, which can result in significant volatility between years. For the years ended December 31, 2018, 2017 and 2016 there was no income tax expense for our joint ventures. The equity in earnings of joint ventures is a "one line" consolidation of the results of our joint ventures. Therefore, our joint venture's revenues and expenses are not included in other lines of the consolidated income statement.

- *Interest Income*. Interest income represents our share of interest income accrued on the advances to our joint ventures (shareholder loans). The shareholder loans were originally issued by Höegh LNG to our joint ventures and were transferred to our operating company in connection with the IPO. For a description of the shareholder loans, please read "Item 5.B. Liquidity and Capital Resources—Borrowing Activities—Joint Ventures Debt—Loans Due to Owners (Shareholder Loans)."

The following provides a description of the impact of our interests in our joint ventures on selected components of our balance sheets in the consolidated financial statements.

- *Advances to Joint Ventures*. Represents our share of the advances to our joint ventures (shareholder loans). Please read note 14 to our consolidated financial statements.

- *Accumulated Losses of Joint Ventures*. Represents our share of the net liabilities of our joint ventures. Our joint ventures entered into interest rate swap contracts, which historically have had unrealized mark-to-market losses on the interest rate swap contracts recorded as derivative instrument liabilities on the combined balance sheets. As a result, the liabilities exceed the assets for our joint ventures' combined balance sheets and result in us having a net liability balance for our investment in our joint ventures. Please read note 17 to our consolidated financial statements. The investment in (accumulated losses) of our joint ventures is a "one line" consolidation of the balance sheet of our joint ventures. Therefore, our joint ventures' assets and liabilities are not included in other lines of the consolidated balance sheet.

We derive cash flows from the operations of our joint ventures from interest and principal payments on our share of the shareholder loans issued to such joint ventures. Under the terms of the shareholders' agreement, the payments are prioritized over any dividend payment to the owners. Our joint ventures have not paid any dividends to date. The payments of principal and interest are made based upon available cash after servicing our joint ventures' long-term bank debt. Therefore, the payments of interest have historically been less than interest income accrued for the period. The quarterly payments included a payment of interest for the first month of the quarter and interest is accrued for the last two months of the quarter for repayment after the full principal is repaid at the end of the loans. The joint ventures repaid the original principal of all shareholder loans during 2016 and all of the payments for the year ended December 31, 2017 represented payments of interest, including accrued interest to be repaid at the end of the loans. The shareholder loans are subordinated to long-term bank debt and the repayment plan is subject to quarterly discretionary revisions based on available cash after servicing of the long-term bank debt and meeting a 1.20 historical and projected debt service coverage ratio. As of September 30, 2017, the joint ventures suspended payments on the shareholder loans pending the outcome of the boil-off claim. Accordingly, the outstanding balance on the shareholder loans was classified as long-term as of December 31, 2017 and 2018. Refer to note 22 to our consolidated financial statements under "Joint ventures claims and accruals." As of December 31, 2018, the historical debt service ratio had not been met. As a result, no payments on the shareholder loans can be made until the debt service coverage ratio is met in future periods. Refer to note 14 to our consolidated financial statements. The following provides a description of the impacts of our interests in our joint ventures on select components of our statement of cash flows in our consolidated financial statements:

- *Cash Flows Provided by (Used in) Operating Activities*. Receipt of cash payments, including accrued interest repaid at the end of the loans, for interest income on the shareholder loans is reflected in cash flows provided by (used in) operating activities. For the years ended December 31, 2018, 2017 and 2016, such payments amounted to zero, $4.3 million and $1.6 million, respectively. All other cash flows provided by (used in) operating activities relate to our other activities.

- *Cash Flows Provided by (Used in) Investing Activities*. Receipts from repayment of principal of advances to joint ventures represent principal repayments paid by our joint ventures to us on its shareholder loans. The original principal was fully repaid during 2016. Therefore, there was no repayment of principal for the years ended December 31, 2018 and 2017. For the year ended December 31, 2016, such payment amounted to $6.0 million. All other cash flows provided by (used in) investing activities relate to our other activities.

Please read our consolidated financial statements and the combined financial statements of our joint ventures included elsewhere in this Annual Report for more detailed information.

Historical Employment of Our Fleet

The following table describes the operations of the vessels in our fleet as of December 31, 2018.

Vessel	Description of Historical Operations
Neptune	Delivered in November 2009. Has operated under a long-term time charter with Global LNG Supply, which commenced on delivery.
Cape Ann	Delivered in June 2010. Has operated under a long-term time charter with Global LNG Supply, which commenced on delivery.
PGN FSRU Lampung	Delivered in April 2014. Has operated under a long-term time charter with PGN LNG, which commenced on July 21, 2014.
Höegh Gallant	Delivered in November 2014. Acquired on October 1, 2015. Has operated under a long-term time charter with EgyptCo since acquisition date.
Höegh Grace	Delivered in March 2016. Acquired 51% ownership interest on January 3, 2017 and acquired the remaining 49% ownership interest on December 1, 2017. Has operated under a long-term time charter with SPEC since acquisition date.

Items You Should Consider When Evaluating Our Historical Financial Performance and Assessing Our Future Prospects

You should consider the following facts when evaluating our historical results of operations and assessing our future prospects:

- *The size of our fleet continues to change*. Our historical results of operations reflect changes in the size and composition of our fleet due to certain vessel deliveries. The *PGN FSRU Lampung* was delivered from the shipyard in April 2014 and commenced operations in July 2014 and, as such, has had historical operations for part of 2014 and the years ended December 31, 2018, 2017, 2016 and 2015. As of October 1, 2015, we increased our fleet with the acquisition of the *Höegh Gallant* which contributed to our results of operations in 2018, 2017, 2016 and in the fourth quarter of 2015. Commencing on January 1, 2017, the *Höegh Grace* has contributed to our earnings due to our acquisition of a 51% ownership interest in the *Höegh Grace* entities. On December 1, 2017, we acquired the remaining 49% ownership interest in the *Höegh Grace* entities. From January 1, 2017 until November 30, 2017, our net income was reduced with a non-controlling interest to arrive at the limited partners' interest in net income. As of December 1, 2017, the *Höegh Grace* has contributed 100% to our earnings without a reduction of non-controlling interest as such, the operations of the *Höegh Grace* have contributed 100% to our earnings during 2018. Furthermore, we may grow through the acquisition in the future of additional vessels as part of our growth strategy.

- *Upon completion of the Series A preferred unit offering on October 5, 2017, preferred unitholders have an interest in net income.* The Series A preferred units represent perpetual equity interests in us. The Series A preferred units rank senior to our common units and subordinated units as to the payment of distributions and amounts payable upon liquidation, dissolution or winding up. The distribution rate on the Series A preferred units is 8.75% per annum. The distributions accrue and are cumulative. Distributions are payable quarterly, when, and if declared by the Partnership's board of directors out of legally available funds for such purpose. The preferred unitholders' interest in net income is equivalent to the amount of preferred unitholders' distribution for the given quarter or annual period and reduces the net income attributable to the limited partners' interest in net income.

- *Our historical results of operations are affected by significant gains and losses relating to derivative transactions*. Our historical results of operations reflect significant gains and losses relating to interest rate swap contracts that impact our equity in earnings for our joint ventures and were entered into by our joint ventures. On January 1, 2017, we assumed the interest rate swap contracts related to the Grace facility (as defined below) as part of the acquisition of 51% ownership interest in the *Höegh Grace* entities. On October 1, 2015, we assumed the interest rate swap contracts related to the Gallant facility (as defined below) as part of the acquisition of the *Höegh Gallant.* On March 17, 2014, we entered into interest rate swap contracts related to the Lampung facility (as defined below). The interest rate swaps related to the Grace facility, the Gallant facility and the Lampung facility are designated as cash flow hedges for accounting purposes, however, certain amortization and the ineffective portion of the hedge impacts the results of operations. Hedge accounting was discontinued in the fourth quarter of 2018 as a result of firm commitment for the refinancing of the Gallant facility and Grace facility which was planned to occur in January 2019. As of December 31, 2018, the Partnership had entered into forward starting interest rate swaps for the commercial tranches of a new $385 million facility to refinance the debt facility for the *Höegh Gallant* and the *Höegh Grace*. Refer to note 21 of our consolidated financial statements. We may enter into additional (i) interest rate swap contracts to economically hedge all or a portion of our exposure to floating interest rates and (ii) foreign currency swap contracts to economically hedge risk from foreign currency fluctuations.

- *Our historical results of operations are impacted by management and service fees for vessel operating and administrative expenses provided by Höegh LNG's affiliates*. Our operating entities have entered into a variety of management, technical service and consulting agreements with affiliates of Höegh LNG related to the operations of the vessels. In connection with the IPO, we and our operating company have entered into an administrative services agreement with Höegh UK and our operating company has entered into an administrative services agreement with Leif Höegh UK, pursuant to which Höegh UK and Leif Höegh UK provide us and our operating company with certain administrative services. Höegh UK also subcontracts certain of the administrative services provided under its administrative services agreement to Höegh Norway and Leif Höegh UK. Refer to "Item 7. B. Related Party Transactions" for information on the management and service fees for these agreements.

- *Our results of operations are affected by accounting for the PGN FSRU Lampung time charter as a direct financing lease*. When the *PGN FSRU Lampung* began operating under her charter, we recorded a receivable (net investment in direct financing lease) and removed the *PGN FSRU Lampung* from our balance sheet. The lease element of time charter payments under the *PGN FSRU Lampung* time charter is split between revenues and the repayment of part of the receivable. The revenues are recorded using the effective interest method, which provides for a constant rate of return on the net investment. As a result, the revenues will decline over time as more of the time charter payments are treated as a repayment of the receivable. However, the cash flows from the *PGN FSRU Lampung* are not impacted by the accounting treatment. In addition, since the vessel is reclassified to the net investment in direct financing lease on the balance sheet, there is no charge for depreciation expense. In our consolidated statements of cash flows, the time charter payments reflected as revenues are included under net cash provided by (used in) operating activities while the repayment of the receivable are included under net cash provided by (used in) investing activities.

Factors Affecting Our Results of Operations

We believe the principal factors that will affect our future results of operations include:

- the number of vessels in our fleet;
- our ability to successfully employ our vessels at economically attractive hire rates as long-term charters expire or are otherwise terminated;
- our ability to maintain strong relationships with our existing customers and to increase the number of customer relationships;
- the operating performance of our vessels and any related performance warranty claims by Total or other customers;
- our ability to acquire additional vessels, including Höegh LNG’s other newbuildings;
- our ability to raise capital to fund acquisitions;
- the levels of demand for FSRU and LNG carrier services and other LNG infrastructure;
- the supply and capacities of FSRUs;
- the hire rate earned by our vessels, unscheduled off-hire days and the level of our vessel operating expenses;
- the effective and efficient technical and maritime management and crewing of our vessels;
- economic, regulatory, political and governmental conditions that affect the floating LNG industry;
- interest rate changes;
- mark-to-market changes in interest rate swap contracts;
- foreign currency exchange gains and losses;
- our access to capital required to acquire additional vessels and/or to implement our business strategy;
- variations in crewing and insurance costs;
- the level of our debt and the related interest expense; and

- the amount of distributions on our common, subordinated and preferred units.

Please read “Item 3.D. Risk Factors” for a discussion of certain risks inherent in our business.

Customers

For the years ended December 31, 2018 and 2017, time charter revenues in the consolidated statement of income are from PGN LNG, a subsidiary of a subsidiary of PGN; a subsidiary of PT Pertamina, a government controlled Indonesian oil and gas producer, natural gas transportation and distribution company, EgyptCo, a subsidiary of Höegh LNG, and SPEC, which is owned 51% by Promigas S.A. ESP, a Colombian company focused on the transportation and distribution of natural gas, and 49% by private equity investors. For the year ended December 31, 2016, time charter revenues in the consolidated statements of income are from PGN LNG and EgyptCo. Revenues included as a component of equity in earnings of joint ventures are from Global LNG Supply and accounted for 100% of our joint ventures’ time charter revenues for all periods presented. Global LNG Supply is a subsidiary of Total, a French publicly listed company.

Inflation and Cost Increases

Inflation has not had a significant impact on operating expenses, including crewing costs, for the *Neptune* and the *Cape Ann*. FSRUs are specialized vessels, and there has been demand for experienced crew, which has led to higher crew costs. The *Neptune* and the *Cape Ann* time charters provide for operating cost pass-through, which means that we will be able to pass on the cost increases to the charterer.

A portion of the operating cost for the *PGN FSRU Lampung* will increase for inflation in Indonesia, including part of the crew and certain supplies. Indonesian inflation has ranged from approximately 3.0% to approximately 6.5% in recent years. The *PGN FSRU Lampung* time charter provides that the operating cost component of the hire rate, established at the beginning of the time charter, will increase by a fixed percentage per year for the first five years and be reset each fifth year based on the average increase over the previous five years, which is expected to mitigate to some extent cost increases.

The *Höegh Gallant* operates in Egypt and inflation in Egypt has ranged from approximately 10.0% to over 23.0% in recent years however, a limited amount of operating expenses related to the *Höegh Gallant* is denominated in EGP. Most expenses are denominated in U.S. Dollars. Therefore, the inflation in Egypt has not had and is not expected to have a material impact on the consolidated financial statements. The *Höegh Gallant* time charter does not have pass-through provisions for operating costs. As such, we bear the risk of cost increases due to inflation and exchange rates. A review of the hire rate under the *Höegh Gallant* time charter is expected to be conducted this year but a revised rate can only be implemented after written approval by both parties to the time charter. As a result of changes in the charterer for EgyptCo, the rate could also be reduced. However, the impact of any change to the hire rate is not expected to be material to us.

The *Höegh Grace* operates in Colombia and inflation in Colombia has ranged from approximately 3.0% to over 7.0% in recent years. All revenues under the *Höegh Grace* charter are received in U.S. dollars. A limited amount of operating expenses related to the *Höegh Grace* is denominated in Colombian Pesos, and as such, we bear a limited risk of cost increase due to inflation and exchange rate.

Insurance and indemnifications

Please read “Item 4.B. Business Overview—Risk of Loss, Insurance and Risk Management” for information on the insurance coverage of certain risks inherent in our business.

Environmental indemnifications. Under the omnibus agreement, Höegh LNG will indemnify the Partnership until August 12, 2019 against certain environmental and toxic tort liabilities with respect to the assets contributed or sold to the Partnership to the extent arising prior to the time they were contributed or sold to the Partnership. Liabilities resulting from a change in law are excluded from the environmental indemnity. There is an aggregate cap of $5.0 million on the amount of indemnity coverage provided by Höegh LNG for environmental and toxic tort liabilities. No claim may be made unless the aggregate dollar amount of all claims exceeds $500,000, in which case Höegh LNG is liable for claims only to the extent such aggregate amount exceeds $500,000.

Other indemnifications. Under the omnibus agreement, Höegh LNG will also indemnify the Partnership for losses:

- related to certain defects in title to the assets contributed or sold to the Partnership and any failure to obtain, prior to the time they were contributed to the Partnership, certain consents and permits necessary to conduct the business, which liabilities arise within three years after the closing of the IPO;

- related to certain tax liabilities attributable to the operation of the assets contributed or sold to the Partnership prior to the time they were contributed or sold;

- in the event that the Partnership does not receive hire rate payments under the *PGN FSRU Lampung* time charter for the period commencing on August 12, 2014 through the earlier of (i) the date of acceptance of the *PGN FSRU Lampung* or (ii) the termination of such time charter. The Partnership was indemnified by Höegh LNG for the September 2014 and October 2014 invoices not paid by PGN LNG (refer to notes 19 and 22 of our consolidated financial statements);

- with respect to any obligation to pay liquidated damages to PGN LNG under the *PGN FSRU Lampung* time charter for failure to deliver the *PGN FSRU Lampung* by the scheduled delivery date set forth in the *PGN FSRU Lampung* time charter;

- with respect to any non-budgeted expenses (including repair costs) incurred in connection with the *PGN FSRU Lampung* project (including the construction of the Mooring) occurring prior to the date of acceptance of the *PGN FSRU Lampung* pursuant to the time charter; and

- pursuant to a letter agreement dated August 12, 2015, Höegh LNG confirmed that the indemnification provisions of the omnibus agreement include indemnification for all non-budgeted, non-creditable Indonesian value added taxes and non-budgeted Indonesian withholding taxes, including any related impact on cash flow from PT Höegh and interest and penalties associated with any non-timely Indonesian tax filings related to the ownership or operation of the *PGN FSRU Lampung* and the Mooring whether incurred (i) prior to the closing date of the IPO, (ii) after the closing date of the IPO to the extent such taxes, interest, penalties or related impact on cash flows relate to periods of ownership or operation of the *PGN FSRU Lampung* and the Mooring and are not subject to prior indemnification payments or deemed reimbursable by the charterer under its audit of the taxes related to the *PGN FSRU Lampung* time charter for periods up to and including June 30, 2015, or (iii) after June 30, 2015 to the extent withholding taxes exceed the minimum amount of withholding tax due under Indonesian tax regulations due to lack of documentation or untimely withholding tax filings. The Partnership is indemnified for recovery of the $6.2 million VAT liability related to a Mooring invoice.

For the years ended December 31, 2018 and 2017, the Partnership filed claims for indemnification of non-budgeted expenses (including warranty provisions, value added tax and withholding tax claims for previous years, other non-budgeted expenses and replacement capital expenditure) of $0.9 million and $0.7 million, respectively. Indemnification payments of $0.9 million, $1.6 million and $2.4 million were received from Höegh LNG for the years ended December 31, 2018, 2017 and 2016, respectively, and were recorded as a contribution to equity. Indemnification payments received from Höegh LNG are subject to repayment to the extent the amounts are subsequently recovered from insurance or deemed reimbursable by the charterer.

For the year ended December 31, 2018, the Partnership refunded to Höegh LNG approximately $2.4 million related to insurance proceeds received related to a warranty provision and costs for previous years determined to be reimbursable by the charterer. For the year ended December 31, 2017, the Partnership refunded to Höegh LNG approximately $2.5 million related to previously recognized revenue from 2014 that was deemed reimbursable in 2017 and an additional cost recovery of $1.5 million, which was recorded as a cash distribution from equity. Refer to notes 19 and 22 of our consolidated financial statements.

Under the contribution, purchase and sale agreement entered into with respect to the purchase of the entity that indirectly owns the *Höegh Gallant*, Höegh LNG will indemnify the Partnership for:

- losses from breach of warranty;
- losses related to certain environmental and tax liabilities attributable to the operation of the *Höegh Gallant* prior to the closing date;
- all capital gains tax or other export duty incurred in connection with the transfer of the *Höegh Gallant* outside of Höegh Cyprus's permanent establishment in a Public Free Zone in Egypt;
- any recurring non-budgeted costs owed to Höegh LNG Management with respect to payroll taxes;
- any non-budgeted losses suffered or incurred in connection with the commencement of services under the time charter with EgyptCo or EgyptCo's time charter with EGAS; and
- liabilities under the Gallant/Grace facility not attributable to the *Höegh Gallant*.

Additionally, Höegh LNG has guaranteed the payment of hire by EgyptCo pursuant to the time charter for the *Höegh Gallant* under certain circumstances.

For the years ended December 31, 2018 and 2017, the Partnership filed claims of $0.5 million and $0.5 million, respectively, for indemnification of losses incurred in connection with the time charter with EgyptCo. Indemnification payments of $0.5 million and $0.5 million received from Höegh LNG for the years ended December 31, 2018 and 2017, were recorded as contributions to equity. Refer to notes 19 and 22 of our consolidated financial statements.

Under the contribution, purchase and sale agreement entered into with respect to the acquisition of the 51% ownership interest in the *Höegh Grace* entities, Höegh LNG will indemnify the Partnership for:

- losses from breach of warranty;
- losses related to certain environmental liabilities, damages or repair costs and tax liabilities attributable to the operation of the *Höegh Grace* prior to the closing date;
- any recurring non-budgeted costs owed to tax authorities with respect to payroll taxes, taxes related to social security payments, corporate income taxes (including income tax for equality and surcharge on income tax for equality), withholding tax, port associations, local Cartagena tax, and financial transaction tax, including any penalties associated with taxes to the extent not reimbursed by the charterer;
- any non-budgeted losses suffered or incurred in connection with the commencement of services under the *Höegh Grace* charter with SPEC; and
- any losses suffered or incurred in relation to the performance guarantee we have provided with respect to the *Höegh Grace* charter, up to Höegh LNG's pro rata share of such losses, based on its remaining ownership interest in Höegh Colombia Holding. This provision is not applicable after December 1, 2017, when the Partnership acquired the remaining 49% interest in the *Höegh Grace* entities.

On September 27, 2017, the Partnership entered into an indemnification agreement with Höegh LNG with respect to the boil-off claims under the *Neptune* and *Cape Ann* time charters, pursuant to which Höegh LNG will, among other things, indemnify the Partnership for its share of any losses and expenses related to or arising from the failure of either *Neptune* or *Cape Ann* to meet the performance standards related to the daily boil-off of LNG under their respective time charters (including any cash impact that may result from any settlement with respect to such claims, including any reduction in the hire rate under either time charter.) Refer to notes 19 and 22 of our consolidated financial statements.

A. Operating Results

The following table summarizes our operating results for the years ended December 31, 2018, 2017 and 2016:

	Year ended December 31,		
(in thousands of U.S. dollars)	**2018**	**2017**	**2016**
Statement of Income Data:			
Time charter revenues	$ 144,952	$ 143,531	$ 91,107
Other revenue	1,609	—	—
Total revenues	146,561	143,531	91,107
Vessel operating expenses	(24,195)	(23,791)	(16,080)
Construction contract expenses	—	(151)	(315)
Administrative expenses	(8,916)	(9,910)	(9,718)
Depreciation and amortization	(21,146)	(21,054)	(10,552)
Total operating expenses	(54,257)	(54,906)	(36,665)
Equity in earnings (losses) of joint ventures	17,938	5,139	16,622
Operating income (loss)	110,242	93,764	71,064
Interest income	725	500	857
Interest expense	(26,814)	(30,085)	(25,178)
Gain (loss) on derivative instruments	4,681	2,463	1,839
Other items, net	(2,907)	(3,574)	(3,333)
Income (loss) before tax	85,927	63,068	45,249
Income tax expense	(8,305)	(3,878)	(3,872)
Net income (loss)	$ 77,622	$ 59,190	$ 41,377
Non-controlling interest in net income	—	10,408	—
Preferred unitholders' interest in net income	12,303	2,480	—
Limited partners' interest in net income (loss)	$ 65,319	$ 46,302	$ 41,377

Financial Highlights in 2018

The following sets forth our significant developments for the year ended December 31, 2018:

- Reported time charter revenues were $144.9 million for the year ended December 31, 2018 compared to $143.5 million for the year ended December 31, 2017;
- Operating income was $110.2 million for the year ended December 31, 2018 compared to $93.8 million for the year ended December 31, 2017; operating income was impacted by unrealized gains on derivative instruments included in the Partnership's share of equity in earnings of joint ventures for the years ended December 31, 2018 and 2017;
- Unrealized gain on derivative instruments was $8.5 million and $7.2 million on the Partnership's share of equity in earnings of joint ventures for the years ended December 31, 2018 and 2017, respectively;
- The increase in operating income was primarily due to increased contribution from equity in earnings of joint ventures. This is mainly due to the impact of the accruals for boil-off claims for the joint ventures for the year ended December 31, 2017;
- Net income was $77.6 million for the year ended December 31, 2018 compared to $59.2 million for the year ended December 31, 2017;
- On January 26, 2018, entered into sales agreement with the Agent. Under the terms of the sales agreement, the Partnership may offer and sell up to $120 million aggregate offering amount of common units and 8.75% Series A cumulative redeemable preferred units ("Series A preferred units"), from time to time, through the Agent, acting as Agent for the Partnership under the ATM Program. As of December 31, 2018, raised proceeds, net of sales commissions, of $4.6 million from the issuance of 253,106 common units and $38.7 million from the issuance of 1,529,070 Series A preferred units.

Year Ended December 31, 2018 Compared with the Year Ended December 31, 2017

Time Charter Revenues. The following table sets forth details of our time charter revenues for the years ended December 31, 2018 and 2017:

	Year ended December 31,		Positive (negative)
(in thousands of U.S. dollars)	**2018**	**2017**	**variance**
Time charter revenues	$ 144,952	$ 143,531	$ 1,421

Time charter revenues for the year ended December 31, 2018 were $144.9 million, an increase of $1.4 million from $143.5 million for the year ended December 31, 2017. The increase was mainly due to higher time charter revenue for the *PGN FSRU Lampung* but the *Höegh Gallant* also contributed positively. Time charter revenues for the *PGN FSRU Lampung* were impacted in both the years ended December 31, 2018 and 2017 by the conclusion of audits by the charterer of the final amounts that would be reimbursed for prior year expenses which resulted in the recognition of revenue that was previously considered constrained variable consideration. Refer to note 5 of our consolidated financial statements for additional information. Time charter revenues for the *Höegh Gallant* increased slightly for the year ended December 31, 2018 compared to for the year ended December 31, 2017 as the combination of performance claims and off-hire used for scheduled and other maintenance were lower in 2018 than in 2017.

Time charter revenues for the *PGN FSRU Lampung* consisted of the lease element of the time charter, accounted for as a direct financing lease using the effective interest rate method, as well as fees for providing time charter services, reimbursement for vessel operating expenses and certain taxes incurred. Time charter revenues for the *Höegh Gallant* consisted of the fixed daily hire rate which covers the operating lease and the provision of time charter services including the costs incurred to operate the vessel. The time charter revenues for the *Höegh Grace* consisted of a lease element accounted for as an operating lease, as well as fees for providing time charter services, reimbursement of vessel operating expenses and certain taxes incurred.

Other revenue. The following table sets forth details of our vessel operating expenses for the years ended December 31, 2018 and 2017:

(in thousands of U.S. dollars)	Year ended December 31, 2018	Year ended December 31, 2017	Positive (negative) variance
Other revenue	$ 1,609	$ —	$ 1,609

Other revenue consists of insurance proceeds received for a claim related to the *PGN FSRU Lampung's* warranty work from prior periods and the probable insurance recovery for repair expenses incurred for the *Höegh Gallant* of approximately $1.4 million and approximately $0.2 million, respectively.

Vessel Operating Expenses. The following table sets forth details of our vessel operating expenses for the years ended December 31, 2018 and 2017:

(in thousands of U.S. dollars)	Year ended December 31, 2018	Year ended December 31, 2017	Positive (negative) variance
Vessel operating expenses	$ (24,195)	$ (23,791)	$ (404)

Vessel operating expenses for the year ended December 31, 2018 were $24.2 million, an increase of $0.4 million from $23.8 million for the year ended December 31, 2017. The increase in vessel operating expenses reflects repair expenses incurred for the *Höegh Gallant* due to technical issues in the fourth quarter of 2018 which were largely offset by lower vessel operating expenses for the first nine months of 2018 compared with the same period of 2017 in part due to a more focused purchasing strategy for supplies.

Construction Contract Expenses. The following table sets forth details of our construction contract expenses for the years ended December 31, 2018 and 2017:

(in thousands of U.S. dollars)	Year ended December 31, 2018	Year ended December 31, 2017	Positive (negative) variance
Construction contract expenses	$ —	$ (151)	$ 151

The Mooring is an offshore installation that is used to moor the *PGN FSRU Lampung* to offload natural gas into an offshore pipe that transports the gas to a land terminal for the charterer, PGN LNG. As of December 31, 2014, a warranty allowance of $2.0 million was recorded to construction contract expenses for technical issues that required the replacement of equipment parts for the Mooring, which was sold to the charterer with final acceptance in 2014. During 2016, an additional warranty provision of $0.3 million was recorded. The warranty work was completed in 2017 resulting in additional expense of $0.2 million for the year ended December 31, 2017. For the year ended December 31, 2018, we recovered from our insurance carrier part of the costs incurred, net of deductible amounts. Refer to "Other revenues" discussed above. We were indemnified by Höegh LNG for all warranty provisions at the time the costs were incurred, subject to repayment to the extent recovered by insurance, and we repaid Höegh LNG for the insurance proceeds recovered for the year ended December 31, 2018. For additional information, refer to notes 19 and 22 of our consolidated financial statements.

Administrative Expenses. The following table sets forth details of our administrative expenses for the years ended December 31, 2018 and 2017:

(in thousands of U.S. dollars)	Year ended December 31, 2018	Year ended December 31, 2017	Positive (negative) variance
Administrative expenses	$ (8,916)	$ (9,910)	$ 994

Administrative expenses for the year ended December 31, 2018 were $8.9 million, a decrease of $1.0 million from $9.9 million for the year ended December 31, 2017. The decrease reflects lower administrative expenses for partnership expenses and for the entities operating the *PGN FSRU Lampung*, the *Höegh Gallant* and the *Höegh Grace*.

Depreciation and Amortization. The following table sets forth details of our depreciation and amortization for the years ended December 31, 2018 and 2017:

(in thousands of U.S. dollars)	Year ended December 31, 2018	Year ended December 31, 2017	Positive (negative) variance
Depreciation and amortization	$ (21,146)	$ (21,054)	$ (92)

Depreciation and amortization was $21.1 million for the years ended December 31, 2018 and 2017.

Total Operating Expenses. The following table sets forth details of our total operating expenses for the years ended December 31, 2018 and 2017:

(in thousands of U.S. dollars)	Year ended December 31, 2018	Year ended December 31, 2017	Positive (negative) variance
Total operating expenses	$ (54,257)	$ (54,906)	$ 649

Total operating expenses for the year ended December 31, 2018 were $54.3 million, a decrease of $0.6 million from $54.9 million for the year ended December 31, 2017. The decrease reflects lower administrative expenses which were partially offset by higher vessel operating expenses due to the repair expenses incurred for the *Höegh Gallant* as a result of technical issues.

Equity in Earnings (Losses) of Joint Ventures. The following table sets forth details of our equity in earnings of joint ventures for the years ended December 31, 2018 and 2017:

(in thousands of U.S. dollars)	Year ended December 31, 2018	Year ended December 31, 2017	Positive (negative) variance
Equity in earnings (losses) of joint ventures	$ 17,938	$ 5,139	$ 12,799

Equity in earnings of joint ventures for the year ended December 31, 2018 was $17.9 million, an increase of $12.8 million from equity in earnings of $5.1 million for the year ended December 31, 2017. Unrealized gains on derivative instruments in our joint ventures significantly positively impacted the equity in earnings of joint ventures for both years by $8.5 million and $7.2 million for the years ended December 31, 2018 and 2017, respectively.

Our share of our joint ventures' operating income was $22.5 million for the year ended December 31, 2018, an increase of $10.6 million compared with $11.9 million for the year ended December 31, 2017. The increase was mainly due to the accruals for boil-off claims under the joint ventures' time charters for the year ended December 31, 2017. Our 50% share of the accrual was approximately $11.9 million for the year ended December 31, 2017. For additional information, refer to "Segments; Joint venture FSRUs" below and notes 17 and 22 of our consolidated financial statements. Please also read "Item 3.D. Risk Factors" for additional information. Excluding the accrual, our share of our joint ventures' operating income decreased by $1.2 million mainly due to higher vessel operating expenses and higher administrative expenses.

Our share of other income (expense), net, principally consisting of interest expense, was $13.1 million for the year ended December 31, 2018, a reduction of $0.8 million from $13.9 million for the year ended December 31, 2018. The reduction in interest expense was due to lower outstanding debt as a result of repayment of principal during 2018.

Our share of unrealized gains on derivative instruments was $8.5 million for the year ended December 31, 2018, an increase of $1.3 million compared to $7.2 million for the year ended December 31, 2017. The joint ventures utilize interest rate swap contracts to exchange floating interest rate payments for fixed interest rate payments to reduce the exposure to interest rate variability on their outstanding floating-rate debt. The interest rate swap contracts are not designated as hedges for accounting purposes. As a result, there is volatility in earnings for the unrealized exchange gains and losses on the interest rate swap contracts. Historically, the joint ventures have accumulated unrealized losses on the interest rate swaps due to declining interest rates, which has resulted in liabilities for derivative instruments and an accumulated deficit in equity on their balance sheets.

There was no accrued income tax expense for the years ended December 31, 2018 and 2017. Our joint ventures did not pay any dividends for the years ended December 31, 2018 and 2017.

Operating Income. The following table sets forth details of our operating income for the years ended December 31, 2018 and 2017:

(in thousands of U.S. dollars)	Year ended December 31, 2018	Year ended December 31, 2017	Positive (negative) variance
Operating income (loss)	$ 110,242	$ 93,764	$ 16,478

Operating income for the year ended December 31, 2018 was $110.2 million, an increase of $16.4 million from $93.8 million for year ended December 31, 2017. Excluding the impact of the unrealized gains on derivatives for the years ended December 31, 2018 and 2017 impacting the equity in earnings of joint ventures, operating income for the year ended December 31, 2018 would have been $101.7 million, an increase of $15.2 million from $86.6 million for year ended December 31, 2017. The increase is primarily a result of recognition of revenue for reimbursement of prior period expenses, receipt of insurance proceeds related to prior period expenses, lower administrative expenses and increased contribution from equity in earnings of our joint ventures due to the impact from the accruals for boil-off claims for the joint ventures for the year ended December 31, 2017.

Interest Income. The following table sets forth details of our interest income for the years ended December 31, 2018 and 2017:

	Year ended December 31,		Positive (negative)
(in thousands of U.S. dollars)	**2018**	**2017**	**variance**
Interest income	$ 725	$ 500	$ 225

Interest income for the year ended December 31, 2018 was $0.7 million, an increase of $0.2 million from $0.5 million for the year ended December 31, 2017. Interest income is mainly related to cash balances and interest accrued on the advances to our joint ventures for the years ended December 31, 2018 and 2017, respectively. The interest rate under the shareholder loans to our joint ventures is a fixed rate of 8.0% per year.

Interest Expense. The following table sets forth details of our interest expense for the years ended December 31, 2018 and 2017:

	Year ended December 31,		Positive (negative)
(in thousands of U.S. dollars)	**2018**	**2017**	**variance**
Interest expense	$ (26,077)	$ (28,280)	$ 2,203
Commitment fees	(37)	(977)	940
Amortization of debt issuance cost and fair value of debt assumed	(700)	(828)	128
Total interest expense	$ (26,814)	$ (30,085)	$ 3,271

Total interest expense for the year ended December 31, 2018 was $26.8 million, a decrease of $3.3 million from $30.1 million for the year ended December 31, 2017. Total interest expense consists of the interest incurred, commitment fees and amortization of debt issuance cost and the adjustment for the fair value of debt assumed.

The interest incurred of $26.1 million for the year ended December 31, 2018 decreased by $2.2 million compared to $28.3 million for the year ended December 31, 2017, principally due to repayment of outstanding loan balances for the loan facilities related to the *PGN FSRU Lampung* (the "Lampung facility"), the *Höegh Gallant* (the "Gallant facility") and the *Höegh Grace* (the "Grace facility") and the repayment of the seller's credit note in October 2017. The positive impact on interest expense of the repayment of the seller's credit note was partially offset by the increased outstanding balance on the revolving credit facility.

Commitment fees were $0.04 million for the year ended December 31, 2018, a decrease of $0.94 million from $0.98 million for the year ended December 31, 2017. The commitment fees relate to the undrawn portion of the $85 million revolving credit facility. On January 29, 2018, the revolving credit facility was amended to eliminate the requirement to repay a commitment fee on the undrawn balance of the facility as of that date.

Amortization of debt issuance cost and fair value of debt assumed for the year ended December 31, 2018 was $0.7 million compared to $0.8 million for the year ended December 31, 2017.

Gain (Loss) on Derivative Instruments. The following table sets forth details of our gain/loss on derivative instruments for the years ended December 31, 2018 and 2017:

	Year ended December 31,		Positive (negative)
(in thousands of U.S. dollars)	**2018**	**2017**	**variance**
Gain (loss) on derivative instruments	$ 4,681	$ 2,463	$ 2,218

Gain on derivative instruments for the year ended December 31, 2018 was $4.7 million, an increase of $2.2 million from a gain on derivative instruments of $2.5 million for the year ended December 31, 2017. Gain on derivative instruments for the year ended December 31, 2018 and 2017 related to the interest rate swaps for the Lampung, the Gallant and the Grace facilities. The main reason for the increase was the gain of $3.6 million for the year ended December 31, 2018 which relates to the reclassification to earnings from other comprehensive income of the discontinued cash flow hedge related to the Gallant/Grace facility that was planned to be refinanced, and which was subsequently refinanced, in January 2019. The accumulated other comprehensive income balance for the cash flow hedge is reclassified to earnings once the hedged future cash flows are no longer expected to occur. The remaining net gain was of $1.1 million and $2.5 million for the years ended December 31, 2018 and 2017, respectively, which includes the amortization gain of the amount excluded from hedge effectiveness, the amortization loss related to the interest rate swaps reclassified from accumulated other comprehensive income and the loss on the ineffective portion of the cash flow hedges.

Other Items, Net. The following table sets forth details of our other items for the years ended December 31, 2018 and 2017:

	Year ended December 31,		Positive (negative)
(in thousands of U.S. dollars)	**2018**	**2017**	**variance**
Foreign exchange gain (loss)	$ (193)	$ (968)	$ 775
Bank charges, fees and other	(143)	(107)	(36)
Withholding tax on interest expense and other	(2,571)	(2,499)	(72)
Total other items, net	$ (2,907)	$ (3,574)	$ 667

Other items, net for the year ended December 31, 2018 were $2.9 million, a decrease of $0.7 million from $3.6 million for the year ended December 31, 2017. The decrease was mainly due to lower foreign exchange losses partly offset by increased withholding tax for the year ended December 31, 2018 compared to the year ended December 31, 2017.

Foreign exchange losses for the year ended December 31, 2018 were $0.2 million, a decrease of $0.8 million from $1.0 million for the year ended December 31, 2017. The foreign exchange losses for the year ended December 31, 2017 mainly related to the *PGN FSRU Lampung* and settlement of a long-term VAT liability denominated in Indonesian Rupiah. The VAT liability originated in 2014.

Withholding tax on interest expense and other for the year ended December 31, 2018 was $2.6 million, an increase of $0.1 million from $2.5 million for the year ended December 31, 2017. Withholding tax is primarily payable on interest expense to parties outside of Singapore and Indonesia.

Income (Loss) Before Tax. The following table sets forth details of our income before tax for the years ended December 31, 2018 and 2017:

	Year ended December 31,		Positive (negative)
(in thousands of U.S. dollars)	**2018**	**2017**	**variance**
Income (loss) before tax	$ 85,927	$ 63,068	$ 22,859

Income before tax for the year ended December 31, 2018 was $85.9 million, an increase of $22.9 million from $63.0 million for the year ended December 31, 2017. Excluding all the unrealized gains on derivative instruments, income before tax for the year ended December 31, 2018 would have been $72.8 million, an increase of $19.4 million from $53.4 million for year ended December 31, 2017. The increase is primarily a result of recognition of revenue for reimbursement of prior period expenses, receipt of insurance proceeds related to prior period expenses, lower administrative expenses and interest expense and the increased contribution from equity in earnings of our joint ventures.

Income Tax Expense. The following table sets forth details of our income tax expense for the years ended December 31, 2018 and 2017:

	Year ended December 31,		Positive (negative)
(in thousands of U.S. dollars)	**2018**	**2017**	**variance**
Income tax expense	$ (8,305)	$ (3,878)	$ (4,427)

Income tax expense was $8.3 million for the year ended December 31, 2018, an increase of $4.4 million compared to $3.9 million for the year ended December 31, 2017. The major reason for the increase was lower income tax expense for the year ended December 31, 2017 as a result of recording income tax benefits of $3.7 million from the amendment of the 2016 tax return of the Indonesian subsidiary in 2017.

We are not subject to Marshall Islands corporate income taxes. However, we are subject to tax for earnings of our subsidiaries incorporated in Indonesia, Singapore, Cyprus, the UK and for certain Colombian source income. The Singapore subsidiary's taxable income mainly arises from internal interest income. The charterer in Colombia pays certain taxes directly to the Colombian tax authorities on behalf of our subsidiaries that own and operate the *Höegh Grace*. The tax payments are a mechanism for advance collection of part of the income taxes for the Colombian subsidiary and a final income tax on Colombian source income for the non-Colombian subsidiary. We concluded these third party payments to the tax authorities represent income taxes that must be accounted for under the guidance for income taxes. The amount of non-cash income tax expense was $0.9 million for the years ended December 31, 2018 and 2017.

The Indonesian Minister of Finance introduced regulations effective for 2016 that limited the amount of interest expense that was deductible for current income taxes in certain circumstances. Certain industries, including the infrastructure industry, were exempted from the debt to equity ratio requirements. Although the infrastructure industry was not defined in the new regulations, additional guidance was expected to be provided during 2016. Because no subsequent guidance was issued, the Indonesian subsidiary reported its income tax expense as of December 31, 2016 and filed its 2016 tax return applying the limitations on the deductibility of interest expense.

Following an evaluation of how the application of the infrastructure industry exemption was being applied, it was concluded in 2017 that the infrastructure exemption did apply to the Indonesian subsidiary. Accordingly, the 2016 tax return was amended without the limitation on the deductibility of the interest expense which reduced taxable income, reinstated the amount of 2014 tax loss carryforward that had been utilized in 2016, and reversed the uncertain tax position recorded as current income tax expense for 2016. For the year ended December 31, 2017, tax benefits were recorded of $1.5 million and $2.2 million for the reinstatement of the tax loss carryforward and the reversal of the uncertain tax position, respectively, due to the amendment of the 2016 tax return. As of December 31, 2017 and 2018, the infrastructure exemption was applied by the Indonesian subsidiary for the reported income tax expense.

In December of 2018, the Indonesian tax authorities concluded an audit of corporate income tax filings for the Indonesian subsidiary for the years ended December 31, 2013 and 2014. The outcome of the audit the reduced the historical tax loss carryforward, mainly due to disallowed expenses, resulting in a settlement of $0.9 million with respect to the unrecognized tax benefits originating in 2013. Benefits of uncertain tax positions are recognized when it is more-likely-than-not that a tax position taken in a tax return will be sustained upon examination based on the technical merits of the position. For the year ended December 31, 2018, tax benefits of $0.4 million were recorded reflecting a reduction to the uncertain tax position originating in 2013 based on the audit's conclusion. In addition, there was an increase to the uncertain tax position of $0.4 million for tax positions to be taken in the 2018 tax return which is not more-likely-than-not of being sustained. As of December 31, 2018, the unrecognized tax benefits for uncertain tax positions were $1.7 million.

Net Income (Loss). The following table sets forth details of our net income for the years ended December 31, 2018 and 2017:

	Year ended December 31,		Positive (negative)
(in thousands of U.S. dollars)	**2018**	**2017**	**variance**
Net income (loss)	$ 77,622	$ 59,190	$ 18,432
Non-controlling interest in net income	—	10,408	(10,408)
Preferred unitholders' in net income	12,303	2,480	9,823
Limited partners' interest in net income (loss)	$ 65,319	$ 46,302	$ 19,017

As a result of the foregoing, net income for the year ended December 31, 2018 was $77.6 million, an increase of $18.4 million compared with net income of $59.2 million for the year ended December 31, 2017.

For the years ended December 31, 2018 and 2017, net income of $12.3 million and $2.5 million, respectively, was attributable to the Series A preferred units due the issuance of Series A preferred units on October 5, 2017 and subsequently as part of our at-the-market ("ATM") program. For the year ended December 31, 2017, net income of $10.4 million was attributable to non-controlling interest for the 49% interest in the *Höegh Grace* entities not owned by us in the period from January 1, 2017 to November 30, 2017. On December 1, 2017, we acquired the remaining 49% ownership interest in the Höegh Grace entities and, as of that date, there was no longer a non-controlling interest in the Höegh Grace. Our limited partners' interest in net income, for the year ended December 31, 2018 was $65.3 million, an increase of $19.0 million compared to $46.3 million for the year ended December 31, 2017.

Segments

There are two operating segments. The segment profit measure is Segment EBITDA, which is defined as earnings before interest, taxes, depreciation, amortization and other financial items (gains and losses on derivative instruments and other items, net) less the non-controlling interest in Segment EBITDA. Segment EBITDA is reconciled to operating income and net income in the segment presentation below. Please read “Item 3.A. Selected Financial Data—Non-GAAP Financial Measures” for a definition of Segment EBITDA and a reconciliation of Segment EBITDA to net income. The two segments are “Majority held FSRUs” and “Joint venture FSRUs.” In addition, unallocated corporate costs, interest income from advances to joint ventures and interest expense related to the outstanding balance on the $85 million revolving credit facility and the seller’s credit note, repaid in December 2017, are included in “Other.”

For the year ended December 31, 2018 and 2017, Majority held FSRUs includes the direct financing lease related to the *PGN FSRU Lampung,* the operating leases related to the *Höegh Gallant* and the *Höegh Grace*.

For the years ended December 31, 2018 and 2017, Joint venture FSRUs include the operating leases related to two 50% owned FSRUs, the *Neptune* and the *Cape Ann*, that operate under long term time charters with one charterer.

The accounting policies applied to the segments are the same as those applied in the consolidated financial statements, except that i) Joint venture FSRUs are presented under the proportional consolidation method for the segment note in the Partnership's consolidated financial statements and under equity accounting for the consolidated financial statements, ii) internal interest income and interest expense between the Partnership's subsidiaries that eliminate in consolidation are not included in the segment columns for the other financial income (expense), net line and iii) non-controlling interest in Segment EBITDA is subtracted in the segment note to reflect the Partnership’s interest in Segment EBITDA as the Partnership’s segment profit measure, Segment EBITDA. Under the proportional consolidation method, 50% of the Joint venture FSRUs’ revenues, expenses and assets are reflected in the segment note. Management monitors the results of operations of joint ventures under the proportional consolidation method and not the equity method of accounting. On January 1, 2017, the Partnership began consolidating its acquired 51% interest in the *Höegh Grace* entities. Since the Partnership obtained control of the *Höegh Grace* entities, it consolidated 100% of the revenues, expenses, assets and liabilities of the *Höegh Grace* entities and the interest not owned by the Partnership was reflected as non-controlling interest in net income and non-controlling interest in total equity. Management monitored the results of operations of the *Höegh Grace* entities based on the Partnership’s 51% interest in Segment EBITDA of such entities and, therefore, subtracted the non-controlling interest in Segment EBITDA to present Segment EBITDA. The adjustment to non-controlling interest in Segment EBITDA was reversed to reconcile to operating income and net income in the segment presentation. On December 1, 2017, the Partnership acquired the remaining 49% ownership interest in the *Höegh Grace* entities and, as of that date, there is no longer a non-controlling interest in the *Höegh Grace* entities.

Majority Held FSRUs. The following table sets forth details of segment results for the Majority held FSRUs for the years ended December 31, 2018 and 2017:

Majority Held FSRUs (in thousands of U.S. dollars)	**Year ended December 31, 2018**	**2017**	**Positive (negative) variance**
Time charter revenues	$ 144,952	$ 143,531	$ 1,421
Other revenue	1,609	—	1,609
Total revenues	146,561	143,531	3,030
Vessel operating expenses	(24,195)	(23,791)	(404)
Construction contract expense	—	(151)	151
Administrative expenses	(3,099)	(3,821)	722
Less: Non-controlling interest in Segment EBITDA	—	(19,210)	19,210
Segment EBITDA	**119,267**	**96,558**	**22,709**
Add: Non-controlling interest in Segment EBITDA	—	19,210	(19,210)
Depreciation and amortization	(21,146)	(21,054)	(92)
Operating income (loss)	98,121	94,714	3,407
Gain (loss) on derivative instruments	4,681	2,463	2,218
Other financial income (expense), net	(26,381)	(29,656)	3,275
Income (loss) before tax	76,421	67,521	8,900
Income tax expense	(8,253)	(3,893)	(4,360)
Net income (loss)	$ 68,168	$ 63,628	$ 4,540
Non-controlling interest in net income	—	10,408	(10,408)
Limited partners' and preferred unitholders' interest in net income (loss)	$ 68,168	$ 53,220	$ 14,948

Time charter revenues for the year ended December 31, 2018 were $144.9 million, an increase of $1.4 million from $143.5 million for the year ended December 31, 2017. As discussed above, the increase was mainly due to higher time charter revenue for the *PGN FSRU Lampung* but the *Höegh Gallant* also contributed positively. Time charter revenues for the *PGN FSRU Lampung* were impacted in both the years ended December 31, 2018 and 2017 by the conclusion of audits by the charterer of the final amounts that would be reimbursed for prior year expenses which resulted in the recognition of revenue that was previously considered constrained variable consideration. Time charter revenues for the *Höegh Gallant* increased slightly for the year ended December 31, 2018 compared to the year ended December 31, 2017 as the combination of performance claims and off-hire used for scheduled and other maintenance were lower in 2018 than in 2017.

The *PGN FSRU Lampung* and the Höegh Gallant were on-hire, or had only minor performance warranties impacting time charter revenues, for each of the years ended December 31, 2018 and 2017.

Other revenue consists of insurance proceeds received for a claim related to the *PGN FSRU Lampung's* warranty work from prior periods and the probable insurance recovery for repair expenses incurred for the *Höegh Gallant* of approximately $1.4 million and approximately $0.2 million, respectively.

Vessel operating expenses for the year ended December 31, 2018 were $24.2 million compared to $23.8 million for the year ended December 31, 2017. The increase was mainly due to the inclusion of the repair expenses incurred for the *Höegh Gallant* as a result of technical issues in the fourth quarter of 2018 which were partly offset by lower vessel operating expenses for the first nine months of 2018 compared with the same period of 2017 in part due to a more focused purchasing strategy for supplies.

Construction contract expenses were $0.2 million for the year ended December 31, 2017. As discussed in more detail above, the expenses were for installation of replacement parts under warranty related to the Mooring.

Administrative expenses for the year ended December 31, 2018 were $3.1 million, a decrease of $0.7 million from $3.8 million for the year ended December 31, 2017. Administrative expenses decreased for all the entities operating the *PGN FSRU Lampung,* the *Höegh Gallant* and the *Höegh Grace* for year ended December 31, 2018 compared to 2017. For the year ended December 31, 2017, there were some start-up costs being incurred for the *Höegh Grace*.

Segment EBITDA for the year ended December 31, 2018 was $119.3 million, an increase of $22.7 million from $96.6 million for the year ended December 31, 2017. The increase was mainly due to no longer having a non-controlling interest in Segment EBITDA because of the acquisition of the remaining 49% interest in the *Höegh Grace* entities, which closed on December 1, 2017. In addition, Segment EBITDA was positively impacted by the higher revenues related to prior periods expenses, the receipt of insurance proceeds and lower administrative expenses.

Joint Venture FSRUs. The following table sets forth details of segment results for the Joint venture FSRUs for the years ended December 31, 2018 and 2017:

Joint Venture FSRUs (in thousands of U.S. dollars)	Year ended December 31, 2018	Year ended December 31, 2017	Positive (negative) variance
Time charter revenues	$ 43,169	$ 42,165	$ 1,104
Accrual historical boil-off claim	—	(11,850)	11,850
Total revenues	43,169	30,315	12,854
Vessel operating expenses	(9,310)	(7,752)	(1,558)
Administrative expenses	(1,622)	(876)	(746)
Segment EBITDA	**32,237**	**21,687**	**10,550**
Depreciation and amortization	(9,725)	(9,815)	90
Operating income (loss)	22,512	11,872	10,640
Gain (loss) on derivative instruments	8,496	7,194	1,302
Other income (expense), net	(13,070)	(13,927)	857
Income (loss) before tax	17,938	5,139	12,799
Income tax expense	—	—	—
Net income (loss) & limited partners' and preferred unitholders' interest in net income (loss)	$ 17,938	$ 5,139	$ 12,799

Time charter revenues for the year ended December 31, 2018 were $43.2 million, an increase of $1.1 million compared to $42.2 million for the year ended December 31, 2017. Higher time charter revenues for the year ended December 31, 2018 mainly reflects reimbursements of costs incurred for a new project for the charterer related to the *Cape Ann*.

As further discussed in note 22 under "Joint ventures claims and accruals" of our consolidated financial statements, in 2017 the joint ventures recorded accruals for the probable liability for boil-off claims under the *Neptune* and the *Cape Ann* time charters. Our 50% share of the accrual was estimated at approximately $11.9 million which was recorded as a reduction of time charter revenues as of September 30, 2017. The accrual was unchanged as of December 31, 2018.

Vessel operating expenses for the year ended December 31, 2018 were $9.3 million, an increase of $1.5 million compared to $7.8 million for the year ended December 31, 2017. The higher vessel operating expenses related to the *Cape Ann* for the year ended December 31, 2018 compared with the year ended December 31, 2017. The *Cape Ann* commenced drydock, maintenance and modifications work in August 2018 and left the shipyard at the end of September 2018 resulting in increased maintenance expenses for the year ended December 31, 2018. The *Cape Ann* was on-hire during the drydock period.

Administrative expenses for the year ended December 31, 2018 were $1.6 million, an increase of $0.7 million compared to $0.9 million for the year ended December 31, 2017. The higher administrative expenses were mainly due to a new project for the charterer and the administrative procedures for the drydock and modifications work related to the *Cape Ann*.

Segment EBITDA was $32.2 million for the year ended December 31, 2018, an increase of $10.5 million compared with $21.7 million for the year ended December 31, 2017. The main reason for the increase was the accruals for historical boil-off claims recorded in the period ended December 31, 2017. Excluding the impact of the boil-off accruals for the year ended December 31, 2017, Segment EBITDA decreased by $1.3 million mainly due to higher vessel operating expenses and administrative expenses for the year ended December 31, 2018.

Other. The following table sets forth details of other results of Other for the years ended December 31, 2018 and 2017:

Other (in thousands of U.S. dollars)	Year ended December 31, 2018	Year ended December 31, 2017	Positive (negative) variance
Administrative expenses	$ (5,817)	$ (6,089)	$ 272
Segment EBITDA	**(5,817)**	**(6,089)**	**272**
Operating income (loss)	(5,817)	(6,089)	272
Other financial income (expense), net	(2,615)	(3,503)	888
Income (loss) before tax	(8,432)	(9,592)	1,160
Income tax benefit (expense)	(52)	15	(67)
Net income (loss) & limited partners' and preferred unitholders' interest in net income (loss)	$ (8,484)	$ (9,577)	$ 1,093

Administrative expenses and Segment EBITDA for the year ended December 31, 2018 were each $5.8 million, a decrease of $0.3 million from $6.1 million for the year ended December 31, 2017.

The decrease in administrative expenses of $0.3 million in 2018 was principally related to higher audit fees, legal fees and other expenses incurred in connection with the acquisition of the remaining 49% ownership interest in the *Höegh Grace* entities and the Partnership's offering and issuance of 4,600,000 Series A preferred units for the year ended December 31, 2017.

Other financial income (expense), net for the year ended December 31, 2018 was an expense of $2.6 million, a decrease of $0.9 million from an expense of $3.5 million for the year ended December 31, 2017. The decrease is mainly due to reduced interest expense incurred on the revolving credit facility for the year ended December 31, 2018 compared with the interest incurred for the year ended December 31, 2017 on the revolving credit facility and the seller's credit note which was repaid in October 2017.

Year Ended December 31, 2017 Compared with the Year Ended December 31, 2016

Financial Highlights in 2017

The following sets forth our significant developments for the year ended December 31, 2017:

- Total time charter revenues were $143.5 million for the year ended December 31, 2017 compared to $91.1 million for the year ended December 31, 2016;
- Operating income was $93.8 million for the year ended December 31, 2017 compared to $71.1 million for the year ended December 31, 2016; operating income was impacted by unrealized gains on derivative instruments included in the Partnership’s share of equity in earnings of joint ventures for the years ended December 31, 2017 and 2016;
- Unrealized gain on derivative instruments was $7.2 million and $7.1 million on the Partnership’s share of equity in earnings of joint ventures for the years ended December 31, 2017 and 2016, respectively;
- The increase in operating income was mainly due to the inclusion of the results from the *Höegh Grace* being consolidated for the full year ended December 31, 2017 partly offset by the reduced contribution from equity in earnings of joint ventures mainly due to the impact of the accruals for boil-off claims for the joint ventures for the year ended December 31, 2017 compared to 2016;
- Net income was $59.2 million for the year ended December 31, 2017 compared to $41.4 million for the year ended December 31, 2016;
- On January 3, 2017, closed the acquisition of a 51% ownership interest in the *Höegh Grace* entities. The results of the *Höegh Grace* contributed to the Partnership’s earnings for the full year of 2017;
- In October 2017, raised proceeds, net of underwriting discounts and expenses, of $110.9 million from the issuance of 4,600,000 Series A cumulative redeemable preferred units;
- On December 1, 2017, acquired the remaining 49% ownership interest in the *Höegh Grace* entities.

Time Charter Revenues. The following table sets forth details of our time charter revenues for the years ended December 31, 2017 and 2016:

(in thousands of U.S. dollars)	Year ended December 31, 2017	Year ended December 31, 2016	Positive (negative) variance
Time charter revenues	$ 143,531	$ 91,107	$ 52,424

Time charter revenues for the year ended December 31, 2017 were $143.5 million, an increase of $52.4 million from $91.1 million for the year ended December 31, 2016. The increase mainly relates to the revenue for the *Höegh Grace* for the year ended December 31, 2017 which was consolidated on January 1, 2017. Excluding the revenue for the *Höegh Grace*, time charter revenues increased by approximately $0.7 million due to higher revenues from the one-off impact of the conclusion of an audit for the amount the charterer would reimburse for certain 2014 and 2015 costs for the *PGN FSRU Lampung* which more than offset the lower revenues for the *Höegh Gallant*. Higher total day equivalents used for scheduled and other maintenance in 2017 compared with 2016 resulted in lower revenues for the *Höegh Gallant* for the year ended December 31, 2017 compared to the year ended December 31, 2016. The *PGN FSRU Lampung* was on-hire for the full period for each of the years ended December 31, 2017 and 2016. The *Höegh Grace* was fully on-hire for the year ended December 31, 2017.

Time charter revenues for the *PGN FSRU Lampung* consisted of the lease element of the time charter, accounted for as a direct financing lease using the effective interest rate method, as well as fees for providing time charter services, reimbursement for vessel operating expenses and withholding taxes borne by the charterer. Time charter revenues for the *Höegh Gallant* consisted of the fixed daily hire rate which covers the operating lease and the provision of time charter services including the costs incurred to operate the vessel. The time charter revenues for the *Höegh Grace* consisted of a lease element accounted for as an operating lease, as well as fees for providing time charter services, reimbursement of vessel operating expenses and certain taxes incurred.

Vessel Operating Expenses. The following table sets forth details of our vessel operating expenses for the years ended December 31, 2017 and 2016:

(in thousands of U.S. dollars)	Year ended December 31, 2017	Year ended December 31, 2016	Positive (negative) variance
Vessel operating expenses	$ (23,791)	$ (16,080)	$ (7,711)

Vessel operating expenses for the year ended December 31, 2017 were $23.8 million, an increase of $7.7 million from $16.1 million for the year ended December 31, 2016. The increase was mainly due to the inclusion of the *Höegh Grace* entities for the entire year of 2017. Excluding the vessel operating expenses for the *Höegh Grace*, the *PGN FSRU Lampung* and the *Höegh Gallant* had higher operating expenses of approximately $0.3 million in part due to higher maintenance costs during the period.

Construction Contract Expenses. The following table sets forth details of our construction contract expenses for the years ended December 31, 2017 and 2016:

(in thousands of U.S. dollars)	Year ended December 31, 2017	Year ended December 31, 2016	Positive (negative) variance
Construction contract expenses	$ (151)	$ (315)	$ 164

As of December 31, 2014, a warranty allowance of $2.0 million was recorded to construction contract expenses for technical issues that required the replacement of equipment parts for the Mooring. During 2016, the final replacement parts were ordered and an updated estimate prepared for the installation cost to complete the warranty replacements. The revised estimate exceeded the remaining warranty allowance. As a result, an additional warranty provision of $0.3 million was recorded for the year ended December 31, 2016. The warranty work, including the installation of the replacement parts, was completed in 2017. The actual cost exceeded the remaining warranty allowance resulting in additional expense of $0.2 million for the year ended December 31, 2017.

Administrative Expenses. The following table sets forth details of our administrative expenses for the years ended December 31, 2017 and 2016:

(in thousands of U.S. dollars)	Year ended December 31, 2017	Year ended December 31, 2016	Positive (negative) variance
Administrative expenses	$ (9,910)	$ (9,718)	$ (192)

Administrative expenses for the year ended December 31, 2017 were $9.9 million, an increase of $0.2 million from $9.7 million for the year ended December 31, 2016. The increase reflects approximately $1.0 million of higher administrative expenses due to the inclusion of the *Höegh Grace* entities for the entire year of 2017 which were partly offset by lower administrative expenses for partnership expenses and for the *PGN FSRU Lampung*.

Depreciation and Amortization. The following table sets forth details of our depreciation and amortization for the years ended December 31, 2017 and 2016:

(in thousands of U.S. dollars)	Year ended December 31, 2017	Year ended December 31, 2016	Positive (negative) variance
Depreciation and amortization	$ (21,054)	$ (10,552)	$ (10,502)

Depreciation and amortization for the year ended December 31, 2017 was $21.1 million, an increase of $10.5 million from $10.6 million for the year ended December 31, 2016. The increase of $10.5 million was due to the inclusion of the depreciation expense of the *Höegh Grace* as a result of the acquisition. Prior to the acquisition of the *Höegh Grace* entities, depreciation only related to the *Höegh Gallant*.

Total Operating Expenses. The following table sets forth details of our total operating expenses for the years ended December 31, 2017 and 2016:

(in thousands of U.S. dollars)	Year ended December 31, 2017	Year ended December 31, 2016	Positive (negative) variance
Total operating expenses	$ (54,906)	$ (36,665)	$ (18,241)

Total operating expenses for the year ended December 31, 2017 were $54.9 million, an increase of $18.2 million from $36.7 million for the year ended December 31, 2016. The increase was mainly due to the additional vessel operating expenses and depreciation for the year ended December 31, 2017 as a result of acquiring the *Höegh Grace* which was consolidated and included in operations from January 1, 2017.

Equity in Earnings (Losses) of Joint Ventures. The following table sets forth details of our equity in earnings of joint ventures for the years ended December 31, 2017 and 2016:

(in thousands of U.S. dollars)	Year ended December 31, 2017	Year ended December 31, 2016	Positive (negative) variance
Equity in earnings (losses) of joint ventures	$ 5,139	$ 16,622	$ (11,483)

Equity in earnings of joint ventures for the year ended December 31, 2017 was $5.1 million, a decrease of $11.5 million from equity in earnings of $16.6 million for the year ended December 31, 2016. Unrealized gains on derivative instruments in our joint ventures significantly positively impacted the equity in earnings of joint ventures for both years by approximately the same amount.

Our share of our joint ventures' operating income was $11.9 million for the year ended December 31, 2017, a decrease of $12.7 million compared with $24.6 million for the year ended December 31, 2016. The decrease mainly related to accruals for the probable liability for boil-off claims under the time charters. Our 50% share of the accrual was approximately $11.9 million for the year ended December 31, 2017. For additional information, refer to "Segments; Joint venture FSRUs" below and notes 17 and 22 of our consolidated financial statements. Please also read "Item 3.D. Risk Factors" for additional information. Excluding the accrual, our share of our joint ventures' operating income decreased by $0.8 million mainly due to lower revenues, higher vessel operating expenses and depreciation which were partially offset by lower administrative expenses.

Our share of other income (expense), net, principally consisting of interest expense, was $13.9 million for the year ended December 31, 2017, a reduction of $1.2 million from $15.1 million for the year ended December 31, 2016. The reduction in interest expense was due to lower outstanding debt as a result of repayment of principal during 2017.

Our share of unrealized gains on derivative instruments was $7.2 million for the year ended December 31, 2017, an increase of $0.1 million compared to $7.1 million for the year ended December 31, 2016.

There was no accrued income tax expense for the years ended December 31, 2017 and 2016. Our joint ventures did not pay any dividends for the years ended December 31, 2017 and 2016.

Operating Income. The following table sets forth details of our operating income for the years ended December 31, 2017 and 2016:

(in thousands of U.S. dollars)	Year ended December 31, 2017	Year ended December 31, 2016	Positive (negative) variance
Operating income (loss)	$ 93,764	$ 71,064	$ 22,700

Operating income for the year ended December 31, 2017 was $93.8 million, an increase of $22.7 million from $71.1 million for year ended December 31, 2016. Excluding the impact of the unrealized gains on derivatives for the years ended December 31, 2017 and 2016 impacting the equity in earnings of joint ventures, operating income for the year ended December 31, 2017 would have been $86.6 million, an increase of $22.6 million from $64.0 million for year ended December 31, 2016. The increase is primarily a result of the *Höegh Grace* being consolidated for the full year ended December 31, 2017 partly offset by the reduced contribution from equity in earnings of joint ventures mainly due to the impact of the accruals for boil-off claims for the joint ventures for the year ended December 31, 2017 compared to 2016.

Interest Income. The following table sets forth details of our interest income for the years ended December 31, 2017 and 2016:

	Year ended December 31,		Positive (negative)
(in thousands of U.S. dollars)	**2017**	**2016**	**variance**
Interest income	$ 500	$ 857	$ (357)

Interest income for the year ended December 31, 2017 was $0.5 million, a decrease of $0.4 million from $0.9 million for the year ended December 31, 2016. Interest income is mainly related to interest accrued on the advances to our joint ventures for the years ended December 31, 2017 and 2016, respectively. The decrease in interest income from joint ventures in the year ended December 31, 2017 is due to repayments made by our joint ventures of a portion of the principal of the shareholder loans and accrued interest between the periods.

Interest Expense. The following table sets forth details of our interest expense for the years ended December 31, 2017 and 2016:

	Year ended December 31,		Positive (negative)
(in thousands of U.S. dollars)	**2017**	**2016**	**variance**
Interest expense	$ (28,280)	$ (21,990)	$ (6,290)
Commitment fees	(977)	(1,175)	198
Amortization of debt issuance cost and fair value of debt assumed	(828)	(2,013)	1,185
Total interest expense	$ (30,085)	$ (25,178)	$ (4,907)

Total interest expense for the year ended December 31, 2017 was $30.1 million, an increase of $4.9 million from $25.2 million for the year ended December 31, 2016. Total interest expense consists of the interest incurred, commitment fees and amortization of debt issuance cost and the adjustment for the fair value of debt assumed for the period.

The interest incurred of $28.3 million for the year ended December 31, 2017 increased by $6.3 million compared to $22.0 million for the year ended December 31, 2016, principally due to higher average outstanding loan balances from the acquisition of the *Höegh Grace* entities which was partially offset by lower average loan balances on the seller's credit note and the revolving credit facility. In January 2017, we acquired a 51% ownership interest in the *Höegh Grace* entities and assumed the Grace facility. We used part of the proceeds received from the common unit offering in December 2016 to repay $12.6 million on the seller's credit note, issued in connection with the acquisition of *Höegh Gallant* on October 1, 2015. We used part of the proceeds received from the Series A preferred unit offering in October 2017 to repay the remaining balance of $34.4 million on the seller's credit note and the outstanding balance of $24.3 million on the revolving credit facility. In December 2017, we drew $41.4 million and $10.4 million on the revolving credit facility in connection with the acquisition of the remaining 49% interest in the *Höegh Grace* entities and for general partnership purposes, respectively.

Commitment fees were $1.0 million and $1.2 million for the years ended December 31, 2017 and 2016, respectively. The commitment fees relate to the undrawn portion of the $85 million revolving credit facility for the years ended December 31, 2017 and 2016.

Amortization of debt issuance cost and fair value of debt assumed for the year ended December 31, 2017 was $0.8 million, a decrease of $1.2 million compared to $2.0 million for the year ended December 31, 2016. As a result of the acquisition of the *Höegh Grace* entities, the long-term debt assumed under the Grace facility was recognized at its fair value which is amortized to interest expense using the effective interest method. The impact for the year ended December 31, 2017 was a reduction to interest expense of approximately $0.7 million compared to the year ended December 31, 2016. Amortization of debt issuance cost related to the Lampung facility reduced by $0.5 million for the year ended December 31, 2017 compared to 2016 as an effect of the effective interest method used.

Gain (Loss) on Derivative Instruments. The following table sets forth details of our gain/loss on derivative instruments for the years ended December 31, 2017 and 2016:

(in thousands of U.S. dollars)	Year ended December 31, 2017	Year ended December 31, 2016	Positive (negative) variance
Gain (loss) on derivative instruments	$ 2,463	$ 1,839	$ 624

Gain on derivative instruments for the year ended December 31, 2017 was $2.4 million, an increase of $0.6 million from a gain on derivative instruments of $1.8 million for the year ended December 31, 2016. Gain on derivative instruments for the year ended December 31, 2017 related to the interest rate swaps for the Lampung, the Gallant and the Grace facilities, while the gain on derivative instruments for the year ended December 31, 2016 related to the interest rate swaps for the Lampung and the Gallant facilities. The gain principally related to the amortization gain of the amount excluded from hedge effectiveness, net of the amortization loss related to the interest rate swaps reclassified from accumulated other comprehensive income and the loss on the ineffective portion of the cash flow hedges. The interest rate swaps are designated as cash flow hedges of the variable interest payments on the Lampung, the Gallant and the Grace facilities and the effective portion of the changes in fair value of the hedges are recorded in other comprehensive income. The increase is mainly due to higher amortization of the amount excluded from hedge effectiveness related to interest rate swaps for the Grace facility.

Other Items, Net. The following table sets forth details of our other items for the years ended December 31, 2017 and 2016:

(in thousands of U.S. dollars)	Year ended December 31, 2017	Year ended December 31, 2016	Positive (negative) variance
Foreign exchange gain (loss)	$ (968)	$ (383)	$ (585)
Bank charges, fees and other	(107)	(183)	76
Withholding tax on interest expense and other	(2,499)	(2,767)	268
Total other items, net	$ (3,574)	$ (3,333)	$ (241)

Other items, net for the year ended December 31, 2017 was $3.6 million, an increase of $0.3 million from $3.3 million for the year ended December 31, 2016. The increase was mainly due to higher foreign exchange losses partly offset by reduced withholding tax for the year ended December 31, 2017 compared to the year ended December 31, 2016.

Foreign exchange losses for the year ended December 31, 2017 was $1.0 million, an increase of $0.6 million from $0.4 million for the year ended December 31, 2016. The foreign exchange losses for the year ended December 31, 2017 mainly relate to the *PGN FSRU Lampung* and settlement of a long-term VAT liability denominated in Indonesian Rupiah. The VAT liability originated in 2014. We have also certain monetary assets and liabilities denominated in Egyptian pounds related to the operations of the *Höegh Gallant*. On March 14, 2016, the Egyptian authorities devalued the Egyptian pound to U.S. dollar by approximately 14%, resulting in a foreign exchange loss of approximately $0.2 million. On November 3, 2016, the Egyptian central bank announced the intention to allow the Egyptian pound to trade freely and increased the interest rates by 300 basis points, resulting in an additional foreign exchange loss of approximately $0.1 million.

Withholding tax on interest expense and other for the year ended December 31, 2017 was $2.5 million, a decrease of $0.3 million from $2.8 million for the year ended December 31, 2016. Withholding tax is primarily payable on interest expense to parties outside of Singapore and Indonesia.

Income (Loss) Before Tax. The following table sets forth details of our income before tax for the years ended December 31, 2017 and 2016:

(in thousands of U.S. dollars)	Year ended December 31, 2017	Year ended December 31, 2016	Positive (negative) variance
Income (loss) before tax	$ 63,068	$ 45,249	$ 17,819

Income before tax for the year ended December 31, 2017 was $63.0 million, an increase of $17.8 million from $45.2 million for the year ended December 31, 2016. The increase is primarily a result of the contribution from the acquisition of the *Höegh Grace* entities partly offset by the reduced contribution from equity in earnings of joint ventures mainly due to the impact of the accruals for boil-off claims for the joint ventures for the year ended December 31, 2017 compared to 2016.

Income Tax Expense. The following table sets forth details of our income tax expense for the years ended December 31, 2017 and 2016:

(in thousands of U.S. dollars)	Year ended December 31, 2017	Year ended December 31, 2016	Positive (negative) variance
Income tax expense	$ (3,878)	$ (3,872)	$ (6)

Income tax expense was $3.9 million for each of the years ended December 31, 2017 and 2016. The increase in income tax expense in 2017 related to Colombian source income due to the acquisition of the Höegh Grace entities was largely offset by the reduction in income tax expense in Indonesia.

We are not subject to Marshall Islands corporate income taxes. However, we are subject to tax for earnings of our subsidiaries incorporated in Indonesia, Singapore, Cyprus, the UK and for certain Colombian source income. For the years ended December 31, 2017, the income tax expense principally related to our subsidiaries in Indonesia, Singapore and Colombia. For the year ended December 31, 2016, the tax expense principally related to our Indonesian subsidiary and our Singapore subsidiary. The Singapore subsidiary's taxable income mainly arises from internal interest income. The charterer in Colombia pays certain taxes directly to the Colombian tax authorities on behalf of our subsidiaries that own and operate the *Höegh Grace*. The tax payments are a mechanism for advance collection of part of the income taxes for the Colombian subsidiary and a final income tax on Colombian source income for the non-Colombian subsidiary. We concluded these third party payments to the tax authorities represent income taxes that must be accounted for under the guidance for income taxes. The amount of non-cash income tax expense was $0.9 million for the year ended December 31, 2017.

During 2015, the Indonesian Minister of Finance introduced new regulations effective for 2016 that limited the amount of interest expense that was deductible for current income taxes where the Indonesian corporate taxpayer's debt to equity ratio exceeds 4:1. Certain industries, including the infrastructure industry, were exempted from the debt to equity ratio requirements. Although the "infrastructure industry" was not defined in the new regulations, additional guidance was expected to be provided by the Indonesian tax authorities during 2016. Because no subsequent guidance was issued, the Indonesian subsidiary reported its income tax expense as of December 31, 2016 and filed its 2016 tax return applying the limitations on the deductibility of interest expense. The increased taxable income, utilized all the remaining tax loss carry forward from 2014 for which a valuation allowance was recorded, and resulted in an income tax expense of $2.2 million for an uncertain tax position for the year ended December 31, 2016.

Following an evaluation of how the application of the infrastructure industry exemption was being applied, it was concluded in 2017 that the infrastructure exemption did apply to the Indonesian subsidiary. Accordingly, the 2016 tax return was amended without the limitation on the deductibility of the interest expense which reduced taxable income, reinstated the amount of 2014 tax loss carryforward that had been utilized in 2016, and reversed the uncertain tax position recorded as current income tax expense for 2016. For the year ended December 31, 2017, tax benefits were recorded of $1.5 million and $2.2 million for the reinstatement of the tax loss carryforward and the reversal of the uncertain tax position, respectively, due to the amendment of the 2016 tax return. As of December 31, 2017, the infrastructure exemption has also been applied by the Indonesian subsidiary for the reported income tax expense. The majority of the remaining tax loss carryforward from 2014 was utilized in 2017.

A valuation allowance for deferred tax assets is recorded when it is more-likely-than-not that some or all of the benefit will not be realized based on consideration of all the positive and negative evidence. As of December 31, 2016, the Indonesian subsidiary had generated taxable income for several years and was in a net deferred tax liability position. As a result, management concluded that all deferred tax assets for the Indonesian subsidiary were more-likely-than-not to be realized as of December 31, 2016. A reduction in the valuation allowance of $4.6 million was recorded to income tax expense in the consolidated statement of income for the year ended December 31, 2016.

Benefits of uncertain tax positions are recognized when it is more-likely-than-not that a tax position taken in a tax return will be sustained upon examination based on the technical merits of the position. In 2013, a tax loss was incurred in Indonesia principally due to unrealized losses on foreign exchange that does not impact the income statement prepared in the functional currency of U.S. dollars. Due to the uncertainty of realizing the benefit of the 2013 tax loss carryforward, no deferred tax asset or benefit was recognized in 2013. As a result of being unable to utilize the 2013 tax loss carry forward for the 2016 taxable income, a long-term income tax liability and income tax expense of $2.2 million was recognized for the uncertain tax position as of and for the year ended December 31, 2016. As described above, the uncertain tax position was reversed and a tax benefit recorded of $2.2 million as a result of amending the 2016 tax return of the Indonesian subsidiary for the year ended December 31, 2017. Please refer to note 9 to our consolidated financial statements.

Net Income (Loss). The following table sets forth details of our net income for the years ended December 31, 2017 and 2016:

(in thousands of U.S. dollars)	Year ended December 31, 2017	Year ended December 31, 2016	Positive (negative) variance
Net income (loss)	$ 59,190	$ 41,377	$ 17,813
Non-controlling interest in net income	10,408	—	10,408
Preferred unitholders' in net income	2,480	—	2,480
Limited partners' interest in net income (loss)	$ 46,302	$ 41,377	$ 4,925

As a result of the foregoing, net income for the year ended December 31, 2017 was $59.2 million, an increase of $17.8 million compared with net income of $41.4 million for the year ended December 31, 2016. Net income of $10.4 million was attributable to non-controlling interest for the 49% interest in the *Höegh Grace* entities not owned by us in the period from January 1, 2017 to November 30, 2017. Net income of $2.5 million was attributable to the preferred unitholders due the issuance of preferred units on October 5, 2017. Our limited partners' interest in net income, which includes our 51% interest in the *Höegh Grace* entities for the period from January 1, 2017 to November 30, 2017 and 100% interest in the *Höegh Grace* entities from December 1, 2017 to December 31, 2017, was $46.3 million for the year ended December 31, 2017, an increase of $4.9 million from $41.4 million for the year ended December 31, 2016.

Segments

There are two operating segments. The segment profit measure is Segment EBITDA, which is defined as earnings before interest, taxes, depreciation, amortization and other financial items (gains and losses on derivative instruments and other items, net) less the non-controlling interest in Segment EBITDA. Segment EBITDA is reconciled to operating income and net income in the segment presentation below. Please read “Item 3.A. Selected Financial Data—Non-GAAP Financial Measures” for a definition of Segment EBITDA and a reconciliation of Segment EBITDA to net income. The two segments are “Majority held FSRUs” and “Joint venture FSRUs.” In addition, unallocated corporate costs, interest income from advances to joint ventures and interest expense related to the seller’s credit note and the outstanding balance on the $85 million revolving credit facility are included in “Other.”

For the year ended December 31, 2017, Majority held FSRUs includes the direct financing lease related to the *PGN FSRU Lampung,* the operating leases related to the *Höegh Gallant* and the *Höegh Grace* consolidated on January 1, 2017. For the year ended December 31, 2016, Majority held FSRUs includes the direct financing lease related to the *PGN FSRU Lampung* and the operating lease related to the *Höegh Gallant.*

For the years ended December 31, 2017 and 2016, Joint venture FSRUs include the operating leases related to two 50% owned FSRUs, the *Neptune* and the *Cape Ann*, that operate under long term time charters with one charterer.

Majority Held FSRUs. The following table sets forth details of segment results for the Majority held FSRUs for the years ended December 31, 2017 and 2016:

Majority Held FSRUs (in thousands of U.S. dollars)	**Year ended December 31, 2017**	**2016**	**Positive (negative) variance**
Time charter revenues	$ 143,531	$ 91,107	$ 52,424
Total revenues	143,531	91,107	52,424
Vessel operating expenses	(23,791)	(16,080)	(7,711)
Construction contract expense	(151)	(315)	164
Administrative expenses	(3,821)	(2,963)	(858)
Less: Non-controlling interest in Segment EBITDA	(19,210)	—	(19,210)
Segment EBITDA	**96,558**	**71,749**	**24,809**
Add: Non-controlling interest in Segment EBITDA	19,210	—	19,210
Depreciation and amortization	(21,054)	(10,552)	(10,502)
Operating income (loss)	94,714	61,197	33,517
Gain (loss) on derivative instruments	2,463	1,839	624
Other financial income (expense), net	(29,656)	(23,381)	(6,275)
Income (loss) before tax	67,521	39,655	27,866
Income tax expense	(3,893)	(3,852)	(41)
Net income (loss)	$ 63,628	$ 35,803	$ 27,825
Non-controlling interest in net income	10,408	—	10,408
Limited partners' and preferred unitholders' interest in net income (loss)	$ 53,220	$ 35,803	$ 17,417

Time charter revenues for the year ended December 31, 2017 were $143.5 million, an increase of $52.4 million from $91.1 million for the year ended December 31, 2016. The increase mainly relates to the revenue for the *Höegh Grace* for the year ended December 31, 2017 which was consolidated on January 1, 2017. Excluding the revenue for the *Höegh Grace*, time charter revenues increased by approximately $0.7 million due to higher revenues from the one-off impact of the conclusion of an audit for the amount the charterer would reimburse for certain 2014 and 2015 costs for the *PGN FSRU Lampung* which more than offset the lower revenues for the *Höegh Gallant*. Higher total day equivalents used for scheduled and other maintenance in 2017 compared with 2016 resulted in lower revenues for the *Höegh Gallant* the year ended December 31, 2017 compared to the year ended December 31, 2016. The *PGN FSRU Lampung* was on-hire for the full period for each of the years ended December 31, 2017 and 2016. The *Höegh Grace* was fully on-hire for the year ended December 31, 2017.

Vessel operating expenses for the year ended December 31, 2017 were $23.8 million compared to $16.1 million for the year ended December 31, 2016. The increase was mainly due to the inclusion of the *Höegh Grace* entities for the entire year of 2017. Excluding the vessel operating expenses for the *Höegh Grace*, the *PGN FSRU Lampung* and the *Höegh Gallant* had higher operating expenses of approximately $0.3 million in part due to higher maintenance costs during the period.

Construction contract expenses were $0.2 million for the year ended December 31, 2017, a decrease of $0.1 million from $0.3 million for the year ended December 31, 2016. As discussed in more detail above, construction contract expenses related to replacement of equipment parts under the Mooring warranty.

Administrative expenses for the year ended December 31, 2017 were $3.8 million, an increase of $0.8 million from $3.0 million for the year ended December 31, 2016. Higher expenses for the year ended December 31, 2017 were mainly due to activities associated with the *Höegh Grace*, partly offset by a decrease in administrative expenses mainly related to the *PGN FSRU Lampung*.

Segment EBITDA for the year ended December 31, 2017 was $96.6 million, an increase of $24.8 million from $71.8 million for the year ended December 31, 2016. The increase was mainly due to the inclusion of the operations of the *Höegh Grace* consolidated on January 1, 2017.

Joint Venture FSRUs. The following table sets forth details of segment results for the Joint venture FSRUs for the years ended December 31, 2017 and 2016:

Joint Venture FSRUs	**Year ended December 31,**		**Positive (negative)**
(in thousands of U.S. dollars)	**2017**	**2016**	**variance**
Time charter revenues	$ 42,165	$ 43,272	$ (1,107)
Accrual historical boil-off claim	(11,850)	—	(11,850)
Total revenues	30,315	43,272	(12,957)
Vessel operating expenses	(7,752)	(6,711)	(1,041)
Administrative expenses	(876)	(2,396)	1,520
Segment EBITDA	**21,687**	**34,165**	**(12,478)**
Depreciation and amortization	(9,815)	(9,525)	(290)
Operating income (loss)	11,872	24,640	(12,768)
Gain (loss) on derivative instruments	7,194	7,092	102
Other income (expense), net	(13,927)	(15,110)	1,183
Income (loss) before tax	5,139	16,622	(11,483)
Income tax expense	—	—	—
Net income (loss) & limited partners' and preferred unitholders' interest in net income (loss)	$ 5,139	$ 16,622	$ (11,483)

Time charter revenues for the year ended December 31, 2017 were $42.2 million, a decrease of $1.1 million compared to $43.3 million for the year ended December 31, 2016. Reduced revenues for the year ended December 31, 2017 reflects that revenues for the year ended December 31, 2016 included reimbursements of certain administrative expenses incurred in preparation for the *Neptune's* sub-charter in Turkey. On October 28, 2017, the *Cape Ann* arrived in Tianjin, China to serve as an FSRU pursuant to a sub-charter made by its charterer.

As further discussed above and in note 22 under "Joint ventures claims and accruals" of our consolidated financial statements, in 2017 the joint ventures recorded accruals for the probable liability for boil-off claims under the *Neptune* and the *Cape Ann* time charters. Under the time charters, the joint ventures undertake to ensure that the vessel meets specified performance standards at all times 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 charters. 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. 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 was referred to arbitration. As of December 31, 2017, it was estimated that our 50% share of the excess boil-off claim could range from zero to negligible amounts to approximately $29 million, or the gross amount claimed by the charterer. Accruals 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. The joint ventures determined the liability associated with the boil-off claim was probable and could be reasonably estimated resulting in an accrual. Our 50% share of the accrual was estimated at approximately $11.9 million which was recorded as a reduction of time charter revenues as of September 30, 2017. The accrual was unchanged as of December 31, 2017.

Vessel operating expenses for the year ended December 31, 2017 were $7.8 million, an increase of $1.1 million compared to $6.7 million for the year ended December 31, 2016. The increase in vessel operating expenses was mainly due to costs related to the operations in Turkey for the *Neptune* for the year ended December 31, 2017.

Administrative expenses for the year ended December 31, 2017 were $0.9 million, a decrease of $1.5 million compared to $2.4 million for the year ended December 31, 2016. The decrease in administrative expenses was largely due to increased costs in relation to preparations for the *Neptune's* sub-charter in Turkey during 2016.

Segment EBITDA was $21.7 million for the year ended December 31, 2017, a decrease of $12.5 million compared with $34.2 million for the year ended December 31, 2016.

Other. The following table sets forth details of other results of Other for the years ended December 31, 2017 and 2016:

Other	**Year ended December 31,**		**Positive (negative)**
(in thousands of U.S. dollars)	**2017**	**2016**	**variance**
Administrative expenses	$ (6,089)	$ (6,755)	$ 666
Segment EBITDA	**(6,089)**	**(6,755)**	**666**
Operating income (loss)	(6,089)	(6,755)	666
Other financial income (expense), net	(3,503)	(4,273)	(770)
Income (loss) before tax	(9,592)	(11,028)	1,436
Income tax benefit (expense)	15	(20)	35
Net income (loss) & limited partners' and preferred unitholders' interest in net income (loss)	$ (9,577)	$ (11,048)	$ 1,471

Administrative expenses and Segment EBITDA for the year ended December 31, 2017 were each $6.1 million, a decrease of $0.7 million from $6.8 million for the year ended December 31, 2016.

The decrease in administrative expenses of $0.7 million in 2017 was principally related to higher audit fees, legal fees and other expenses incurred in connection with the common unit offering in December 2016, the filing of financial statements for the *Höegh Grace* entities to be acquired, and the preparation for the acquisition of the 51% ownership interest in the *Höegh Grace* entities.

Other financial income (expense), net for the year ended December 31, 2017 was an expense of $3.5 million, a decrease of $0.8 million from an expense of $4.3 million for the year ended December 31, 2016. The decrease is mainly due to lower average outstanding balances on the seller's credit note, issued in connection with the acquisition of *Höegh Gallant* on October 1, 2015, and the revolving credit facility during 2017 compared to 2016. Other financial income (expense), net, which is not part of the segment measure of profits, includes interest income accrued on the advances to our joint ventures and interest expense on a seller's credit note and interest expense including commitments fees on the $85 million revolving credit facility. We used part of the proceeds received from the common unit offering in December 2016 to repay $12.6 million on the seller's credit note. We used part of the proceeds received from the Series A preferred unit offering in October 2017 to repay the remaining balance of $34.4 million on the seller's credit note and the outstanding balance of $24.3 million on the revolving credit facility. In December 2017, we drew $41.4 million and $10.4 million on the revolving credit facility in connection with the acquisition of the remaining 49% interest in the *Höegh Grace* entities and for general partnership purposes, respectively.

B. Liquidity and Capital Resources

Liquidity and Cash Needs

We operate in a capital-intensive industry, and we expect to finance the purchase of additional vessels and other capital expenditures through a combination of cash from operations, the utilization of borrowings from commercial banks and debt and equity financings. Our liquidity requirements relate to paying our unitholder distributions, servicing interest and quarterly repayments on our debt ("debt amortization"), funding working capital and maintaining cash reserves against fluctuations in operating cash flows. The liquidity requirements of our joint ventures relate to the servicing of debt, including repayment of shareholder loans, funding working capital, including drydocking and on water surveys, and maintaining cash reserves against fluctuations in operating cash flows.

Our sources of liquidity include cash balances, cash flows from our operations, interest and repayment of principal from our advances to our joint ventures, our undrawn balance of $45.7 million as of March 31, 2019 under the $85 million revolving credit facility from Höegh LNG, our undrawn balance of $63 million under the revolving credit facility under our new $385 million facility as described below. In addition, liquidity can also be supplemented, from time to time, by net proceeds of the ATM program, depending on the market conditions. Cash and cash equivalents are denominated primarily in U.S. dollars. We do not currently use derivative instruments for other purposes than managing interest rate risks. The advances to our joint ventures (shareholder loans) are subordinated to the joint ventures' long-term bank debt, consisting of the Neptune facility and the Cape Ann facility, and payments can only be made subject to meeting a 1.20 historical and projected debt service coverage ratio. Under terms of the shareholder loan agreements, the repayments shall be prioritized over any dividend payment to the owners of the joint ventures. As discussed in note 22 under "Joint ventures claims and accruals" to the consolidated financial statements, the joint ventures have recorded accruals for the probable liability for boil-off claim under their time charters. As a precaution, the joint ventures have suspended payments on the shareholder loans pending the outcome of the boil-off claim. As of December 31, 2018, the historical debt service ratio was not met. As a result, no payments on the shareholder loans can be made until the debt service coverage ratio is met in future periods. Refer to note 14 to our consolidated financial statements. The suspension of the payments on the shareholder loans reduces cash flows available to us. Dividend distributions from our joint ventures require a) agreement of the other joint venture owners; b) fulfilment of requirements of the long-term bank loans; and c) under Cayman Islands law may be paid out of profits or capital reserves subject to the joint venture being solvent after the distribution. Dividends from Höegh Lampung may only be paid out of profits under Singapore law. Dividends from PT Höegh may only be paid if its retained earnings are positive under Indonesian law and requirements are fulfilled under the Lampung facility. In addition, PT Höegh as an Indonesian incorporated company is required to establish a statutory reserve equal to 20% of its paid up capital. The dividend can only be distributed if PT Höegh's retained earnings are positive after deducting the statutory reserve. As of December 31, 2018, PT Höegh had not established the required statutory reserves and therefore cannot make dividend payments under Indonesia law. However, subject to meeting a debt service ratio of 1.20 to 1.00, PT Höegh can distribute cash from its cash flow from operations to us as payment of intercompany accrued interest and/or intercompany debt, after quarterly payments of the Lampung facility and fulfilment of the "waterfall" provisions to meet operating requirements as defined by the Lampung facility. Under Cayman Islands law, Höegh FSRU III, Höegh FSRU IV and Höegh Colombia Holding may only pay distributions out of profits or capital reserves if the entity is solvent after the distribution. Dividends from Höegh Cyprus may only be distributed out of profits and not from the share capital of the company. Dividends and other distributions from Höegh Cyprus, Höegh Colombia and Höegh FSRU IV may only be distributed if after the dividend payment, the Partnership would remain in compliance with the financial covenants under the $385 million facility.

During the year ended December 31, 2018, we had sold 1,529,070, Series A preferred units under our ATM program at an average gross sales price of $25.74 per unit and received net proceeds, after sales commissions, of $38.7 million. As of December 31, 2018, we had sold 253,106 common units under our ATM program at an average gross sales price of $18.26 per unit and received net proceeds, after sales commissions, of $4.6 million. We have paid an aggregate of $0.8 million in sales commissions to the Agent in connection with such sales as of December 31, 2018. As of March 31, 2019, the Partnership had not made any sales under the ATM program during 2019.

As of December 31, 2018, we do not have material commitments for capital expenditures for our current business. However, during 2019, the *Höegh Gallant* will have a drydock and the *PGN FSRU Lampung* will complete a class renewal survey while remaining on the water. The combined expenditure, which is not yet committed, is expected to be approximately $6.5 to $7.0 million which will not be covered by the respective charterers. The *Höegh Gallant* and the *PGN FSRU Lampung* are expected to be off-hire for 10 days and 4 days, respectively, for these procedures. For the joint ventures, the *Neptune* will also have class renewal survey while remaining on the water during 2019. The majority of survey expenditures are expected to be compensated by the charterer and the *Neptune* will remain on-hire. During the class renewal survey of the *Neptune*, the joint venture expects to incur costs for certain capital improvements that will not be reimbursed by the charterer for which the Partnership's 50% share is expected to be approximately $0.2 million for the year ended December 31, 2019. The capital improvements are expected to reduce boil-off in certain modes of operation. As discussed in note 22 under "Joint ventures claims and accruals" in our consolidated financial statements, the joint ventures have a probable liability for a boil-off claim under the time charters. Our 50% share of the accrual was approximately $11.9 million as of December 31, 2017. The charterer and the joint ventures referred the claim to arbitration. 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. Based upon the additional information from the tribunal's determination and updated estimates of the potential range of liability, the joint ventures' concluded the existing accrual continues to represent their best estimate of the probable liability as of December 31, 2018. Accordingly, the Partnership's 50% share of the accrual of approximately $11.9 million was unchanged as of December 31, 2018. The joint ventures will continue to monitor this issue and adjust accruals, as might be required, based upon additional information and further developments. The claim may be resolved through negotiation or arbitration. To the extent that excess boil-off claims result in a settlement, we would be indemnified by Höegh LNG for its share of the cash impact of any settlement. However, other concessions, if any, would not be expected to be indemnified. Refer to "Item 3.D. Risk Factors" for additional information.

As of December 31, 2018, the total outstanding principal on our long-term debt was $479.5 million, including $440.2 million on the Lampung, Gallant and Grace facilities, and $39.3 million on the $85 million revolving credit facility.

On January 29, 2019, we entered into a loan agreement with a syndicate of banks to refinance the outstanding balances of the Gallant/Grace facility. The new facility includes a senior secured term loan and revolving credit facilities with an aggregate borrowing capacity of the lesser of (i) $385 million and (ii) 65% of the fair market value of the *Höegh Gallant* and 75% of the market value of *Höegh Grace* as of the initial borrowing date (the "$385 million facility"). The $385 million facility is structured as a term loan with commercial and export credit tranches for each vessel to refinance outstanding amounts under the existing Gallant/Grace facility and a revolving credit facility for the Partnership with a drawing capacity of $63 million. On January 31, 2019, we drew $320 million under the commercial term loans and the export credit tranches on the $385 million facility and used proceeds of $303.2 million and $1.6 million to settle the outstanding balance and accrued interest, respectively, on the Gallant/Grace facility and $5.5 million to pay arrangement fees under the $385 million facility. The remaining proceeds of $9.6 million are expected to be used for general partnership purposes. Refer to "—Borrowing Activities—Long-term Debt" for a description of the facilities and note 15 to our consolidated financial statements.

We have not made use of derivative instruments for currency risk management purposes. We had interest rate swap contracts for the Lampung facility ("Lampung swaps"), the Gallant facility ("Gallant swaps"), the Grace facility ("Grace swaps") and the $385 million facility ($385 million swaps) as of December 31, 2018. As of December 31, 2018, we had outstanding interest rate swap agreements for a total notional amount of $136.1 million, $114.6 million, $125.6 million and $130.0 million to hedge against the interest rate risks of our long-term debt under the Lampung facility, the Gallant facility, the Grace facility and the $385 million facility, respectively. We applied hedge accounting for the Lampung and the $385 million swaps for the year ended December 31, 2018. Hedge accounting was discontinued for the Gallant swaps and the Grace swaps for the fourth quarter of 2018. We receive interest based on three month U.S. dollar LIBOR and pay fixed rates of 2.8% on the Lampung swaps, 1.9105% to 1.9145% on the Gallant swaps, 2.305% to 2.315% on the Grace swaps and 2.941% to 2.838% on the $385 million swaps.

In February 2019, we entered into additional forward starting interest rate swaps related to the $385 million facility with a nominal amount of $127.7 million for which we will make fixed payments of 2.650% and 2.735% based on a nominal amount of $63.8 million for each. The export credit tranches have a fixed interest rate and therefore no interest rate swaps are required. The Lampung swaps amortize over 12 years to match the outstanding balance of the Lampung facility. The swaps entered into in relation to the $385 million facility amortize in line with the repayments until October 2025 and January 2026. The Gallant and Grace swaps were terminated on January 31, 2019 in connection with the refinancing of the Gallant/Grace facility. Refer to "Item 5.F. Tabular Disclosure of Contractual Obligations." The carrying value of the liability for derivative instruments was $1.5 million as of December 31, 2018. In addition, our joint ventures have utilized interest rate swap contracts that are not designated as hedges for accounting purposes. Please read note 21 to our consolidated financial statements. For information about our joint ventures' derivative instruments, please read note 12 to our joint ventures' combined financial statements.

In connection with the IPO, we entered into an $85 million revolving credit facility with Höegh LNG that bears interest of at a rate equal to LIBOR plus a margin of 4.0%, which provides us with liquidity to fund our distributions and other general liquidity needs. In February 2017, May 2017 and August 2017, we drew $1.6 million, $10.1 million and $4.0 million, respectively, on the revolving credit facility. In October 2017, we repaid the outstanding balance of $24.3 million on the revolving credit facility with a portion of the proceeds of the Series A preferred unit offering. In December 2017, we drew $41.4 million and $10.4 million on the revolving credit facility to fund part of the purchase price for the acquisition of the remaining 49% interest in the *Höegh Grace* entities and for general partnership purposes, respectively. In February 2018, we drew an additional $5.4 million on the revolving credit facility. In May 2018, June 2018 and August 2018, we repaid $6.5 million, $5.0 million and $6.0 million, respectively, of the outstanding balance on the revolving credit facility.

As of December 31, 2018, we had cash and cash equivalents of $26.3 million and an undrawn portion on the $85 million revolving credit facility of $45.7 million. Current restricted cash as of December 31, 2018 was $6.0 million of which relates to operating obligations of the *PGN FSRU Lampung*. Long-term restricted cash required under the Lampung facility was $13.1 million as of December 31, 2018. The long-term debt is repayable in quarterly installments of $11.0 million starting with the first repayment under the $385 million facility in April 2019. As of December 31, 2018, our total current liabilities exceeded total current assets by $10.3 million which is mainly due to the current portion of long-term debt of $45.5 million being classified current while restricted cash of $13.1 million associated with the Lampung facility is classified as a long-term asset. Further, the current portion of long-term debt reflects principal payments for the next twelve months which will be funded, for the most part, by future cash flows from operations. We do not intend to maintain a cash balance to fund our next twelve months' net liabilities.

We believe our cash flows from operations, including distributions to us from PT Höegh, Höegh Cyprus, and Höegh FSRU IV as payment of intercompany interest and/or intercompany debt or dividends, will be sufficient to meet our debt amortization and working capital needs, including the planned drydock and class renewal survey, and maintain cash reserves against fluctuations in operating cash flows. In addition, we require liquidity to pay distributions to our unitholders. We believe the available balance on the $85 million revolving credit facility will provide us with adequate liquidity reserve to fund our distributions and other general liquidity needs. As of December 31, 2018, the undrawn balance on the $85 million revolving credit facility was $45.7 million. We believe our current resources, including the undrawn balance on the $85 million revolving credit facility are sufficient to meet our working capital requirements for our current business for the next twelve months. As of March 31, 2019, the Partnership has a drawing capacity of $63 million under the $385 million facility in addition to the $45.7 million undrawn portion of the $85 million revolving credit facility from Höegh LNG.

Generally, our long-term source of funds will be cash from operations, long-term bank borrowings and other debt and equity financings. Because we will distribute all of our available cash, we expect that we will rely principally upon external financing sources, including bank borrowings and the issuance of debt and equity securities, to fund acquisitions and other expansion capital expenditures.

For information regarding estimated maintenance and replacement capital expenditures, impacting our cash distributions, please read "Item 8.A. Consolidated Statements and Other Financial Information—The Partnership's Cash Distribution Policy—Estimated Maintenance and Replacement Capital Expenditures."

Cash Flows

Cash Flows for the Years ended December 31, 2018 and 2017

The following table summarizes our net cash flows from operating, investing and financing activities and our cash and cash equivalents for the years presented:

	Year ended December 31,	
(in thousands of U.S. dollars)	**2018**	**2017**
Net cash provided by (used in) operating activities	$ 91,681	$ 79,947
Net cash provided by (used in) investing activities	3,067	(38,450)
Net cash provided by (used in) financing activities	(92,478)	(39,340)
Increase (decrease) in cash, cash equivalents and restricted cash	2,270	2,157
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(97)	—
Cash, cash equivalents and restricted cash, beginning of period	43,281	41,124
Cash, cash equivalents and restricted cash, end of period	$ 45,454	$ 43,281

Net Cash Provided by Operating Activities

Net cash provided by operating activities was $91.7 million for the year ended December 31, 2018 compared with $79.9 million for the year ended December 31, 2017. Before changes in working capital, net cash flows from operating activities were $85.7 million and $84.6 million for the years ended December 31, 2018 and 2017, respectively. The increase of $1.1 million was primarily due to increased earnings in the Majority held FSRU segment which was partially offset by the reduction on interest payments on advances to joint ventures for the year ended December 31, 2018 compared with the year ended December 31, 2017. Changes in working capital increased net cash provided by operating activities by $6.0 million for the year ended December 31, 2018, compared with a negative contribution of $4.7 million for the year ended December 31, 2017. For the year ended December 31, 2018, the positive contribution of changes in working capital was largely due to cash provided by the settlements of trade receivables. For the year ended December 31, 2017, the negative contribution of changes in working capital was largely due to a decrease in accrued liabilities as a result of the conclusion of an audit for the amount the charterer would reimburse for certain 2014 and 2015 costs for the *PGN FSRU Lampung*.

Net Cash Provided by (Used in) Investing Activities

Net cash provided by investing activities was $3.1 million for the year ended December 31, 2018 compared with net cash used in investing activities of $38.5 million for the year ended December 31, 2017. Cash provided by investing activities of $3.1 million for the year ended December 31, 2018 included $0.7 million in expenditures for equipment used on the vessels and $3.8 million in receipts of repayment on principal on the direct financing lease since the *PGN FSRU Lampung* charter is accounted for as a financial lease. For the year ended December 31, 2017, the cash used for the expenditure for the *Höegh Grace* entities was $137.5 million, of which $45.3 million related to the December 2017 acquisition and $92.2 million related to the January 2017 acquisition. The cash used in investing activities for the year ended December 31, 2017 primarily related to the cash payment of $45.3 million for part of the acquisition price for the remaining 49% interest in the *Höegh Grace* entities on December 1, 2017. The rest of the purchase price of $41.4 million was a non-cash transaction financed by draws on the revolving credit facility. The cash payments for the January 2017 acquisition of a 51% ownership interest in the *Höegh Grace* entities of $92.2 million was largely offset by the decrease of $91.8 million in cash designated for purchase of the *Höegh Grace* entities included in net cash used in financing activities. For the year ended December 31, 2017, the receipts of repayment on principal on the direct financing lease of the *PGN FSRU Lampung* was $3.5 million.

Net Cash Provided by (Used in) Financing Activities

Net cash used in financing activities was $92.5 million and $39.3 million for the years ended December 31, 2018 and 2017, respectively.

Net cash used in financing activities for the year ended December 31, 2018 was mainly due to the repayment of $45.5 million on the Lampung, Gallant and Grace facilities, the repayment of $17.5 million to owners and affiliates on the $85 million revolving credit facility, the repayment of $5.0 million for part of a customer loan that funded value added taxes for import of the *PGN FSRU Lampung*, a payment of $59.4 million of cash distributions to our common and subordinated unitholders, a payment of $13.1 million of cash distributions to our Series A preferred unitholders and the refund of indemnifications of $2.4 million previously received from Höegh LNG. This was partially offset by the receipt of $5.4 million drawn on the $85 million revolving credit facility and net proceeds of $4.6 million and $38.7 million for the issuance of common units and the Series A preferred units, respectively, under our ATM program.

Net cash used in financing activities for the year ended December 31, 2017 was mainly due to the repayment of $45.5 million on the Lampung, Gallant and Grace facilities, the repayment of $58.7 million to owners and affiliates, consisting of $34.4 repayment on the seller's credit note and $24.3 million on the revolving credit facility, the repayment of $5.9 million for part of a customer loan that funded value added taxes for import of the *PGN FSRU Lampung*, our payment of $57.0 million of cash distributions to our limited partners, cash distributions of $9.5 million to our non-controlling interest and the refund of indemnifications of $1.5 million previously received from Höegh LNG. This was partially offset by the receipt of $25.7 million drawn on the $85 million revolving credit facility, net proceeds, after deduction of underwriters' discounts and the expenses of the offering, of $110.9 million from the issuance of the Series A preferred units and receipt of $2.1 million from Höegh LNG for indemnification claims.

Cash Flows for the Years ended December 31, 2017 and 2016

The following table summarizes our net cash flows from operating, investing and financing activities and our cash and cash equivalents for the years presented:

	Year ended December 31,	
(in thousands of U.S. dollars)	**2017**	**2016**
Net cash provided by (used in) operating activities	$ 79,947	$ 36,599
Net cash provided by (used in) investing activities	(38,450)	(83,084)
Net cash provided by (used in) financing activities	(39,340)	29,059
Increase (decrease) in cash, cash equivalents and restricted cash	2,157	(17,426)
	—	(146)
Cash, cash equivalents and restricted cash, beginning of period	41,124	58,696
Cash, cash equivalents and restricted cash, end of period	$ 43,281	$ 41,124

Net Cash Provided by Operating Activities

Net cash provided by operating activities was $79.9 million for the year ended December 31, 2017 compared with $36.5 million for the year ended December 31, 2016. Before changes in working capital, net cash flows from operating activities were $84.6 million and $42.5 million for the years ended December 31, 2017 and 2016, respectively. The increase of $42.2 million was primarily the result of including the cash flows of *Höegh Grace* for the full year ended December 31, 2017 as a result of the acquisition of the 51% ownership interest effective on January 1, 2017. Changes in working capital contributed negatively to net cash provided by operating activities by $3.6 million for the year ended December 31, 2017, compared with a negative contribution of $3.0 million for the year ended December 31, 2016. For the year ended December 31, 2017, the negative contribution of changes in working capital was largely due to a decrease in accrued liabilities as a result of the conclusion of an audit for the amount the charterer would reimburse for certain 2014 and 2015 costs for the *PGN FSRU Lampung*. For the year ended December 31, 2016, the negative contribution of changes in working capital was mainly due to repayment and settlement of the working capital adjustment from the acquisition of the *Höegh Gallant*.

Net Cash Provided by (Used in) Investing Activities

Net cash used in investing activities was $38.5 million and $83.1 million for the year ended December 31, 2017 and 2016, respectively. For the year ended December 31, 2017, the cash used for the expenditure for the *Höegh Grace* entities was $137.5 million, of which $45.3 million related to the December 2017 acquisition and $92.2 million related to the January 2017 acquisition. The cash used in investing activities for the year ended December 31, 2017 primarily related to the cash payment of $45.3 million for part of the acquisition price for the remaining 49% interest in the *Höegh Grace* entities on December 1, 2017. The rest of the purchase price of $41.4 million was a non-cash transaction financed by draws on the revolving credit facility. The cash payments for the January 2017 acquisition of a 51% ownership interest in the *Höegh Grace* entities of $92.2 million was largely offset by the decrease of $91.8 million in cash designated for purchase of the *Höegh Grace* entities included in net cash used in financing activities. For year ended December 31, 2016, part of the proceeds from the issuance of common units of $91.8 million was included as cash designated for purchase of the *Höegh Grace* entities. Cash used in investing activities increased by $3.8 million in cash acquired in the purchase of the *Höegh Grace* entities and by the receipt of $3.5 million in principal on the direct financing lease of the *PGN FSRU Lampung*.

For the year ended December 31, 2016, cash used in investing activities primarily related to cash designated for the acquisition of a 51% ownership interest in the *Höegh Grace* entities of $91.8 million that closed on January 3, 2017 and cash used for expenditures for equipment of $0.5 million, which was partly offset by the receipt of $6.0 million for principal on advances to joint ventures and the receipt of $3.2 million in principal on the direct financing lease of the *PGN FSRU Lampung* .

Net Cash Provided by (Used in) Financing Activities

Net cash used in financing activities was $39.3 million for the year ended December 31, 2017 compared with net cash provided by financing activities of $29.1 million for the year ended December 31, 2016.

Net cash used in financing activities for the year ended December 31, 2017 was mainly due to the repayment of $45.5 million on the Lampung, Gallant and Grace facilities, the repayment of $58.7 million to owners and affiliates, consisting of $34.4 repayment on the seller's credit note and $24.3 million on the revolving credit facility, the repayment of $5.9 million for part of a customer loan that funded value added taxes for import of the *PGN FSRU Lampung*, our payment of $57.0 million of cash distributions to our limited partners, cash distributions of $9.5 million to our non-controlling interest and the refund of indemnifications of $1.5 million previously received from Höegh LNG. This was partially offset by the receipt of $25.7 million drawn on the $85 million revolving credit facility, net proceeds, after deduction of underwriters' discounts and the expenses of the offering, of $110.9 million from the issuance of the Series A preferred units and receipt of $2.1 million from Höegh LNG for indemnification claims.

Net cash provided by financing activities for the year ended December 31, 2016 was largely due to the net proceeds, after deduction of underwriters' discounts and the expenses of the offering, of $111.5 million from the common unit offering in December 2016, the receipt of $8.6 million drawn on the $85 million revolving credit facility and receipt of $3.8 million from Höegh LNG for indemnification claims. This was partly offset by repayments of $32.2 million on the Lampung and Gallant facilities, the repayment of $12.6 million on the seller's credit, the repayment of $6.2 million for part of a customer loan that funded value added taxes for import of the *PGN FSRU Lampung* and our payment of $43.9 million of cash distributions to our limited partners.

Borrowing Activities

Revolving Credit Facility Due to Owners and Affiliates

The following table sets forth the revolving credit facility due to owners and affiliates as of December 31, 2018 and 2017:

	As of December 31,	
(in thousands of U.S. dollars)	**2018**	**2017**
Revolving credit facility	$ 39,292	$ 51,832

Revolving Credit Facility with Höegh LNG

In connection with the IPO, we entered into an $85 million revolving credit facility with Höegh LNG.

On February 28, 2016, the maturity date of the $85 million revolving credit facility with Höegh LNG was extended to January 1, 2020, unless otherwise terminated due to an event of default. Interest on drawn amounts is payable quarterly at a rate equal to LIBOR plus a margin of 4.0%. Originally, we are required to pay a 1.4% annual commitment fee, payable quarterly, to Höegh LNG on undrawn available amounts under the revolving credit facility. On January 29, 2018, the revolving credit facility was amended eliminating the requirement to pay a commitment fee on the undrawn balance of the facility. Drawings on the revolving credit facility are subject to customary conditions precedent, including absence of a default or event of default and accuracy of representations and warranties in all material respects.

The revolving credit facility identifies various events of default that may trigger acceleration and cancellation of the facility, such as:

- failure to repay principal and interest;

- inaccuracy of representations and warranties;
- cross-default to other indebtedness held by us or our subsidiaries; and
- bankruptcy and certain other insolvency events.

As of December 31, 2018, the Partnership had drawn $39.2 million on the $85 million revolving credit facility. The Partnership had drawn $51.8 million under the facility as of December 31, 2017.

Long-term Debt

The following table sets forth our long-term debt as of December 31, 2018 and 2017:

	As of December 31,	
(in thousands of U.S. dollars)	**2018**	**2017**
Lampung facility:		
Export credit tranche	$ 109,096	$ 123,982
FSRU tranche	26,988	31,164
Gallant facility:		
Commercial tranche	111,264	120,743
Export credit tranche	29,333	33,000
Grace facility:		
Commercial tranche	135,813	146,063
Export credit tranche	27,750	30,750
Outstanding principal	440,244	485,702
Lampung facility unamortized debt issuance cost	(5,809)	(7,494)
Gallant facility unamortized fair value of debt assumed	215	552
Grace facility unamortized fair value of debt assumed	895	1,543
Total debt	435,545	480,303
Less: Current portion of long-term debt	(45,458)	(45,458)
Long-term debt	$ 390,087	$ 434,845

Refer to “Item 5.F. Tabular Disclosure of Contractual Obligations” and note 15 in the consolidated financial statements for the maturity profile of the debt.

Lampung Facility

In September 2013, PT Höegh (the “Borrower”) entered into a secured $299 million term loan facility (the “Lampung facility”) with a syndicate of banks and an export credit agency for the purpose of financing a portion of the construction of the *PGN FSRU Lampung* and the Mooring. Höegh LNG is the guarantor for the Lampung facility. The facility was drawn in installments as construction was completed. The term loan facility includes two commercial tranches, the FSRU tranche and the Mooring tranche, and the export credit tranche. The interest rates vary by tranche. The full principal amount on the Mooring tranche and accrued interest was repaid in 2014.

The FSRU tranche has an interest rate of LIBOR plus a margin of 3.4%. The interest rate for the export credit tranche is LIBOR plus a margin of 2.3%. The FSRU tranche is repayable quarterly over 7 years with a final balloon payment of $16.5 million. The export credit tranche is repayable in quarterly installments over 12 years assuming the balloon payment of the FSRU tranche is refinanced. If not, the export credit agent can exercise a prepayment right for repayment of the outstanding balance upon maturity of the FSRU tranche. The weighted average interest rate, excluding the impact of the associated interest rate swaps, for the years ended December 31, 2018 and 2017 was 5.9% and 4.9%, respectively.

The primary financial covenants under the Lampung facility are as follows:

- PT Höegh must maintain a minimum debt service coverage ratio of 1.10 to 1.00 for the preceding nine-month period tested beginning from the second quarterly repayment date of the export credit tranche and on each quarterly repayment date thereafter;
- Höegh LNG’s book equity must be greater than the higher of (i) $200 million and (ii) 25% of total assets; and
- Höegh LNG’s free liquid assets (cash and cash equivalents or available draws on credit facilities) must be greater than $20 million.

As of December 31, 2018 and 2017, the Borrower and the guarantor were in compliance with the financial covenants.

Höegh LNG, as guarantor, has issued the following guarantees related to the Lampung facility that remain in effect as of December 31, 2018: (a) an unconditional and irrevocable on-demand guarantee for the repayment of the balloon repayment installment of the FSRU tranche callable only at final maturity of the FSRU tranche; (b) an unconditional and irrevocable on-demand guarantee for all amounts due in respect of the export credit agent in the event that the export credit agent exercises its prepayment right for the export credit tranche if the FSRU tranche is not refinanced; and (c) undertaking that, if the time charter is terminated for an event of vessel force majeure, that under certain conditions, a guarantee will be provided for the outstanding debt, less insurance proceeds for vessel force majeure. In addition, all project agreements and guarantees are assigned to the bank syndicate and the export credit agent, all cash accounts and the shares in PT Höegh and Höegh Lampung are pledged in favor of the bank syndicate and the export credit agent.

The Lampung facility requires cash reserves that are held for specifically designated uses, including working capital, operations and maintenance and debt service reserves. Distributions are subject to "waterfall" provisions that allocate revenues to specified priorities of use (such as operating expenses, scheduled debt service, targeted debt service reserves and any other reserves) with the remaining cash being distributable only on certain dates and subject to satisfaction of certain conditions, including meeting a 1.20 historical debt service coverage ratio, no default or event of default then continuing or resulting from such distribution and the guarantor not being in breach of the financial covenants applicable to it. The Lampung facility limits, among other things, the ability of the Borrower to change its business, sell or grant liens on its property including the *PGN FSRU Lampung*, incur additional indebtedness or guarantee other indebtedness, make investments or acquisitions, enter into intercompany transactions and make distributions.

The Lampung facility identifies various events that may trigger mandatory reduction, prepayment and cancellation of the facility, including total loss or sale of the *PGN FSRU Lampung*. The Lampung facility contains customary events of default such as:

- change of ownership;
- inaccuracy of representations and warranties;
- failure to repay principal and interest;
- failure to comply with the financial or insurance covenants;
- cross-default to other indebtedness held by Höegh LNG or PT Höegh;
- bankruptcy and other insolvency events at Höegh LNG or PT Höegh;
- occurrence of certain litigation events at Höegh LNG or PT Höegh;
- the occurrence of a material adverse effect in respect of Höegh LNG, PT Höegh or the charterer;
- breach by the contractor of any technical services agreement, master maintenance agreement or a master parts agreement pertaining to the vessel;
- termination or breach of the charter; and
- cross-default to certain material project contracts.

Gallant/Grace Facility

On October 1, 2015, the Partnership acquired Höegh FSRU III, the entity that owned Höegh Cyprus, which owns the *Höegh Gallant*. Höegh Cyprus, together with Höegh FSRU IV, the owner of the *Höegh Grace*, are borrowers (the "Borrowers") under a term loan facility (the "Gallant/Grace facility") with a syndicate of banks and an export credit agency for the purpose of financing a portion of the *Höegh Gallant* and the *Höegh Grace*. The facility was secured by, among other things, a first priority mortgage of the *Höegh Gallant* and the *Höegh Grace*, an assignment of the Hoegh Cyprus's, EgyptCo's, Höegh FSRU IV's and Höegh Colombia's rights under their respective time charters, the assignment of a bank guarantee for the performance of EGAS under the time charter and a pledge of the Borrowers' and EgyptCo's cash accounts. The Partnership provided a pledge of its shares in Höegh FSRU III, Hoegh Cyprus and Höegh LNG Colombia Holding Ltd., and Höegh LNG provided a pledge of its shares in EgyptCo as security for the facility. Höegh LNG Colombia Holding Ltd. provided a pledge of its shares in Höegh FSRU IV. as security for the facility. Höegh LNG, Höegh LNG Colombia Holding Ltd., Höegh FSRU III and the Partnership were guarantors for the facility.

The Gallant/Grace facility included two commercial tranches and the export credit tranche related to the *Höegh Gallant* (the "Gallant facility") and a commercial tranche and the export credit tranche related to the *Höegh Grace* (the "Grace facility"). All of the tranches under the Gallant/Grace facility were cross-defaulted, cross-collateralized and cross-guaranteed. The obligations of the Borrowers were joint and several. The interest rates varied by tranche.

The two commercial tranches related to the Gallant facility had an interest rate of LIBOR plus a margin of 2.7% based on the facility agreement. The interest rate for the export credit tranche related to the Gallant facility had a fixed interest rate and guarantee commission of 4.18% based on the facility agreement. The commercial tranches were repayable quarterly with a final balloon payment of $106.5 million due in November 2019. The export credit tranche was repayable in quarterly installments with the final payment due in October 2026 assuming the balloon payments of the commercial tranches were refinanced. If not, the export credit agent could exercise a prepayment right for repayment of the outstanding balance of $26.6 million upon maturity of the commercial tranches.

The commercial tranche related to the Grace facility had an interest rate of LIBOR plus a margin of 2.7% based on the facility agreement. The interest rate for the export credit tranche related to the Grace facility had a fixed interest rate and guarantee commission of 4.07% based on the facility agreement. The commercial tranches were repayable quarterly with a final balloon payment of $123.0 million due in June 2020. The export credit tranche was repayable in quarterly installments with the final payment due in March 2028 assuming the balloon payments of the commercial tranches were refinanced. If not, the export credit agent could exercise a prepayment right for repayment of the outstanding balance of $24.0 million upon maturity of the commercial tranches.

The weighted average interest rate for the Gallant facility, excluding the impact of the associated interest rate swaps, for the years ended December 31, 2018 and December 31, 2017 was 4.7% and 4.0%, respectively. The weighted average interest rate for the Grace facility, excluding the impact of the associated interest rate swaps, for the years ended December 31, 2018 and December 31,2017 was and 4.9% and 4.0%, respectively.

The fair value of the Gallant facility as of the *Höegh Gallant* acquisition date of October 1, 2015 was determined based upon margins, fixed interest rates and guarantee commission had the financing been entered on the acquisition date. Based upon its fair value, the weighted average effective interest rate for the Gallant facility, excluding the impact of the associated interest rate swaps, was 4.5% and 3.8% for the year ended December 31, 2018 and 2017, respectively.

The fair value of the Grace facility as of the *Höegh Grace* acquisition date of January 3, 2017 was determined based upon margins, fixed interest rates and guarantee commission had the financing been entered on the acquisition date. Based upon its fair value, the weighted average effective interest rate for the Grace facility, excluding the impact of the associated interest rate swaps, was 4.5% and 3.7% for the years ended December 31, 2018 and 2017, respectively.

The primary financial covenants under the Gallant/Grace facility were as follows:

- Höegh LNG must maintain
  - Consolidated book equity (excluding hedge reserves and mark to market value of derivatives) equal to the greater of
    - $200 million, and
    - 25% of total assets
  - Free liquid assets (cash and cash equivalents, publicly trade debt securities with an A rating with Standard & Poor's and available draws under a bank credit facility for a term of more than 12 months) equal to the greater of
    - $20 million,
    - 5% of total consolidated indebtedness provided on a recourse basis, and
    - Any amount specified to be a minimum liquidity requirement under any legal obligation.

- The Partnership must maintain
  - Consolidated book equity (excluding hedge reserves and mark to market value of derivatives) equal to the greater of
    - $150 million, and
    - 25% of total assets
  - Free liquid assets (cash and cash equivalents, publicly trade debt securities with an A rating with Standard & Poor's and available draws under a bank credit facility for a term of more than 12 months) equal to the greater of
    - $15 million, and
    - $3 million multiplied by the number of vessels owned or leased by the Partnership

- Each Borrower must maintain
  - Current assets greater than current liabilities as defined in the agreements, and
  - A ratio of EBITDA to debt service (principal repayments, guarantee commission and interest expense) of a minimum of 115%

In addition, a security maintenance ratio based on the aggregate market value of the *Höegh Gallant*, the *Höegh Grace* and any additional security was required to be at least 125% of the aggregate outstanding loan balance.

If the security maintenance ratio was not maintained, the relevant Borrower had 30 days to provide more security or to repay part of the loan to be in compliance with the ratio no later than 30 days after notice from the lenders.

As of December 31, 2018 and 2017, Höegh LNG, the Partnership and each Borrower were in compliance with the financial covenants.

Under the Gallant/Grace facility, cash accounts were freely available for the use of the Borrowers, unless there was an event of default. Cash could be distributed as dividends or to service loans of owners and affiliates provided that after the distribution the Borrowers would remain in compliance with the financial covenants and security maintenance ratio. The Gallant/Grace facility limited, among other things, the ability of the Borrowers to change its business, sell or grant liens on its property including the *Höegh Gallant* or the *Höegh Grace*, incur additional indebtedness or guarantee other indebtedness, make investments or acquisitions and enter into intercompany debt that was not subordinated to the Gallant/Grace facility.

$385 million Facility

On January 29, 2019, the Partnership entered a loan agreement with a syndicate of banks to refinance the outstanding balances of the Gallant/Grace facility. The Partnership is the borrower (the "Borrower") for the senior secured term loan and revolving credit facility (the "$385 million facility"). The aggregate borrowing capacity is $320 million on the senior secured term loan and $63 million on the revolving credit facility. Höegh Cyprus, the owner of the *Höegh Gallant*, HöeghFSRU IV., the owner of the *Höegh Grace*, (collectively, the "Vessel Owners"), Höegh Colombia, and EgyptCo, a subsidiary of Höegh LNG, are guarantors for the facility (collectively, the "Guarantors"). The facility is secured by, among other things, a first priority mortgage of the *Höegh Gallant* and the *Höegh Grace*, an assignment of the Höegh Cyprus', EgyptCo's, Höegh FSRU IV's, Höegh Colombia's rights under their respective time charters and earnings and a pledge of the Borrower's and Guarantor's cash accounts. The Partnership and its subsidiaries have provided a pledge of shares in Höegh Cyprus, Höegh FSRU IV and Höegh Colombia, and Höegh LNG has provided a pledge of its shares in EgyptCo as security for the facility.

The senior secured term loan related to the $385 million facility includes a commercial tranche and the export credit tranche. Each tranche is divided into two term loans for each of the *Höegh Gallant* and the *Höegh Grace*.

The commercial tranche and the revolving credit facility related to the $385 million facility have an interest rate of LIBOR plus a margin of 2.30%. The commitment fee on the undrawn portion of the revolving credit facility is approximately 1.6%. The interest rate for the export credit tranche related to the $385 million facility have fixed interest rates and guarantee commissions of 3.98% and 3.88% on the term loans related to the *Höegh Gallant* and the *Höegh Grace*, respectively. The commercial tranche is repayable quarterly with a final balloon payment of $136.1 million due in January 2026. The term loans for export credit tranche related to the *Höegh Gallant* and the *Höegh Grace* are repayable in quarterly installments with the final payments in October 2026 and April 2028, respectively, assuming the balloon payments of the commercial tranches are refinanced. If not, the export credit agent can exercise a prepayment right for repayment of the total outstanding balance on both the terms loans of the export credit tranche of $9.5 million upon maturity of the commercial tranche. Any outstanding balance on the revolving credit facility is due in full in January 2026.

The primary financial covenants under the $385 million facility are as follows:

- The Partnership must maintain
  - Consolidated book equity (excluding hedge reserves and mark to market value of derivatives) equal to the greater of
    - 25% of total assets, and
    - $150 million
  - Consolidated working capital (current assets, excluding intercompany receivables and marked-to-market value of any financial derivative, less current liabilities, excluding intercompany payables, marked-to-market value of any financial derivative and the current portion of long-term debt) shall at all times be greater than zero
  - Minimum liquidity (cash and cash equivalents and available draws under a bank credit facility for a term of more than 12 months) equal to the greater of
    - $15 million, and
    - $2.5 million multiplied by the number of vessels owned or leased by the Partnership (prorate for partial ownership), subject to a cap of $20 million
  - A ratio of combined EBITDA for the Vessel Owners to debt service (principal repayments, guarantee commission, commitment fees and interest expense) for the preceding twelve months of a minimum of 115%

In addition, a security maintenance ratio based on the aggregate market value of the *Höegh Gallant*, the *Höegh Grace* and any additional security must be at least 125% of the aggregate outstanding loan balance.

If the security maintenance ratio is not maintained, the relevant Borrower has 30 days to provide more security or to repay part of the loan to be in compliance with the ratio no later than 30 days after notice from the lenders.

Under the $385 million facility, cash accounts are freely available for the use of the Borrower and the guarantors, unless there is an event of default. Cash can be distributed as dividends or to service loans of owners and affiliates provided that after the distribution the Borrower and guarantors would remain in compliance with the financial covenants. The $385 million facility limits, among other things, the ability of the Borrower and the guarantors to change their business, grant liens on the *Höegh Gallant* or the *Höegh Grace*, incur additional indebtedness that is not at pari passu with the $385 million facility, enter into intercompany debt that is not subordinated to the $385 million facility and for the Vessel Owners to make investments or acquisitions.

Refer to note 27 in our consolidated financial statements for information about amounts drawn on the facility subsequent to December 31, 2018.

The $385 million facility identifies various events that may trigger mandatory reduction, prepayment and cancellation of the facility, including total loss or sale of the *Höegh Gallant* or the *Höegh Grace*. The facility contains events of default such as:

- failure to repay principal and interest;
- failure to comply with the financial or insurance covenants;
- inaccuracy of representations;
- cross-default to other indebtedness held by the Partnership or any its subsidiaries;
- bankruptcy and other insolvency events for the Partnership or the Guarantors;
- occurrence of certain litigation events for the Partnership or the Guarantors;
- expiration or termination of time charter contracts without replacement contracts meeting certain criteria; and
- change of control of Höegh LNG or the Partnership.

Joint Ventures Debt

The debt of our joint ventures is not consolidated on our consolidated financial statements, but it is included as a component in "Investment in and advances to joint ventures" on our consolidated balance sheet in accordance with the equity method of accounting.

Loans Due to Owners (Shareholder Loans)

The loans due to owners consist of shareholder loans where the principal amounts, including accrued interest, are repaid based on available cash after servicing of long-term bank debt. As of December 31, 2018, our 50.0% share of the outstanding balance was $3.5 million. The shareholder loans are due not later than the 12th anniversary of the delivery date of each FSRU. The *Neptune* and the *Cape Ann* were delivered November 30, 2009 and June 1, 2010, respectively. The shareholder loans are subordinated to the long-term bank debt, consisting of the Neptune facility and the Cape Ann facility (described below). Under terms of the shareholder loan agreements, the repayments shall be prioritized over any dividend payment to the owners of our joint ventures. The shareholder loans bear interest at a fixed rate of 8.0% per year. The Partnership is due 50.0% of the outstanding balance and the other joint venture partners have, on a combined basis, an equal amount of shareholder loans outstanding at the same terms to each of our joint ventures.

The shareholder loans financed part of the construction of the vessels and operating expenses until the delivery and commencement of operations of the *Neptune* and the *Cape Ann*. In 2011, our joint ventures began repaying principal and a portion of the interest expense based on available cash after servicing of the external debt. The quarterly payments included a payment of interest for the first month of the quarter and a repayment of principal. Interest was accrued for the last two months of the quarter for repayment after the full principal is repaid at the end of the loans. The joint ventures repaid the original principal of all shareholder loans during 2016 and all of the payments for the year ended December 31, 2017 represent payments of interest, including accrued interest to be repaid at the end of the loans.

The shareholder loans are subordinated to long-term bank debt and the repayment plan is subject to quarterly discretionary revisions based on available cash after servicing of the long-term bank debt and meeting a 1.20 historical and projected debt service coverage ratio. As of September 30, 2017, the joint ventures suspended payments on the shareholder loans pending the outcome of the boil-off claim. Accordingly, the outstanding balance on the shareholder loans was classified as long-term as of December 31, 2018 and December 31, 2017. Refer to note 22 to our consolidated financial statements under "Joint ventures claims and accruals." As of December 31, 2018, the historical debt service ratio had not been met. As a result, no payments on the shareholder loans can be made until the debt service coverage ratio is met in future periods. Refer to note 14 to our consolidated financial statements.

Neptune Facility

In December 2007, our joint venture owning the *Neptune*, as the borrower, entered into a $300 million secured facility with a syndicate of banks as long term financing of the construction of the *Neptune* (the "Neptune facility"). As of December 31, 2018, our 50.0% share of the outstanding balance, excluding deferred debt issuance cost, was $105.8 million. The Neptune facility is secured with a first priority mortgage of the *Neptune*, an assignment of its rights under the time charter and a pledge of the borrower's cash accounts. We and the other owners of the borrower have provided a negative pledge of shares in the borrower as security for the facility. In addition, Höegh LNG and MOL guarantee funding of drydocking costs and remarketing efforts in the event of an early termination of the charter.

The Neptune facility is repayable in quarterly installments over 12 years with a final balloon payment of $165 million, of which $82.5 million is our share, due in April 2022. The Neptune facility bears interest at a rate equal to three months LIBOR plus a margin of 0.5%. The syndicate of banks also provides interest rate swap contracts to the borrower, which are not reflected in the LIBOR rate for the facility.

There are no financial covenants in the Neptune facility, but certain other covenants and restrictions apply. The borrower is required to maintain insurance coverage for damage to the FSRU equivalent to 120.0% of the aggregate outstanding loan balance and loss of hire insurance. The borrower must maintain cash accounts with the syndicate of banks for its operating account and restricted cash for debt service for the next 6 months, including interest payments on the facility and associated interest rate swap contracts and certain distribution accounts. Cash in the operating account from hire rates will be applied for the following purposes in the following order; first, to pay operating costs, insurance, taxes and technical management fees; second, to transfer to the debt service retention account on each debt service retention date all or part of the debt service retention amount for such debt service retention date; third, to transfer funds to the restricted cash account for debt service until reserve requirements are met; finally, to transfer funds to certain distribution accounts. Certain conditions apply to making distributions from the distribution accounts, including meeting a 1.20 historical and projected debt service coverage ratio, no event of default then continuing and debt service reserve and retention accounts are fully funded. The facility agreement limits the borrower's ability to raise additional debt, enter into certain material transactions and make guarantees.

The Neptune facility identifies various events that may trigger mandatory reduction, prepayment and cancellation of the facility, including total loss or sale of the *Neptune*. The Neptune facility contains customary events of default such as:

- change of ownership;
- inaccuracy of representations and warranties;
- failure to repay principal and interest;
- cross-default to other indebtedness held by the borrower;
- bankruptcy and other insolvency events related to the borrower; and
- termination or breach of the charter.

Cape Ann Facility

In December 2007, our joint venture owning the *Cape Ann*, as the borrower, entered into a $300 million secured facility with a syndicate of banks as long term financing of the construction of the *Cape Ann* (the "Cape Ann facility"). As of December 31, 2018, our 50.0% share of the outstanding balance, excluding deferred debt issuance cost, was $109.6 million. The Cape Ann facility is secured with a first priority mortgage of the *Cape Ann*, an assignment of its rights under the time charter and a pledge of the borrower's cash accounts. We and the other owners of the borrower have provided a negative pledge of shares in the borrower as security for the facility. In addition, Höegh LNG and MOL guarantee funding of drydocking costs and remarketing efforts in the event of an early termination of the charter.

The Cape Ann facility is repayable in quarterly installments over 12 years with a final balloon payment of $165 million, of which $82.5 million is our share, due in October 2022. The Cape Ann facility bears interest at a rate equal to three months LIBOR plus a margin of 0.5%. The syndicate of banks also provides interest rate swap contracts to the borrower, which are not reflected in the LIBOR rate for the facility.

There are no financial covenants in the Cape Ann facility, but certain other covenants and restrictions apply. The borrower is required to maintain insurance coverage for damage to the FSRU equivalent to 120.0% of the aggregate outstanding loan balance and loss of hire insurance. The borrower must maintain cash accounts with the syndicate of banks for its operating account and restricted cash for debt service for the next 6 months, including interest payments on the facility and associated interest rate swap contracts and certain distribution accounts. Cash in the operating account from hire rates will be applied for the following purposes in the following order; first, to pay operating costs, insurance, taxes and technical management fees; second, to transfer to the debt service retention account on each debt service retention date all or part of the debt service retention amount for such debt service retention date; third, to transfer funds to the restricted cash account for debt service until reserve requirements are met; finally, to transfer funds to certain distribution accounts. Certain conditions apply to making distributions from the distribution accounts, including meeting a 1.20 historical and projected debt service coverage ratio, no event of default then continuing and debt service reserve and retention accounts are fully funded. The facility agreement limits the borrower's ability to raise additional debt, enter into certain material transactions and make guarantees.

The Cape Ann facility identifies various events that may trigger mandatory reduction, prepayment and cancellation of the facility, including total loss or sale of the *Cape Ann*. The Cape Ann facility contains customary events of default such as:

- change of ownership;
- inaccuracy of representations and warranties;
- failure to repay principal and interest;
- cross-default to other indebtedness held by the borrower;
- bankruptcy and other insolvency events related to the borrower; and
- termination or breach of the charter.

Critical Accounting Estimates

The preparation of our consolidated financial statements and of the combined financial statements of our joint ventures in accordance with US GAAP requires that management make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The following is a discussion of the accounting policies applied by us that are considered to involve a higher degree of judgment in their application. Please read note 2 to our consolidated financial statements and the combined financial statements of our joint ventures.

Time Charter Revenue Recognition

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 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 operating leases is recognized on a straight line basis over the term of the charter. The *Höegh Gallant's* time charter, which had a five-year lease term at inception, is accounted for as an operating lease. The *Höegh Grace's* time charter contracts, which have a non-cancellable charter period of ten years, are accounted for as an operating lease.

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. Origination costs related to the time charter are a component of the net investment in direct financing lease and amortized over the lease term using the effective interest method. Direct financing leases are reflected on the consolidated balance sheets as net investments in direct financing leases. The *PGN FSRU Lampung* time charter, which had a 20-year lease term at inception, meets the criteria of transferring substantially all of the benefits and risks to the charterer and is accounted for as a direct financing lease.

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.

Joint venture FSRUs lease and time charter services revenue recognition:
The Partnership's interest in the Joint venture FSRUs' net income is included in the consolidated financial statements under the equity method of accounting, however, the Joint venture FSRUs' results are presented under the proportional consolidation method for the segment note (note 4 to our consolidated financial statements) and the time charter revenue note (note 5 to our consolidated financial statements). The *Neptune* and the *Cape Ann's* time charters, which had a twenty-year lease term at inception, are accounted for as operating leases. The joint ventures' time charters include provisions for the charterer to make upfront payments to compensate for variable cost for certain vessel modifications, drydocking costs, other additions to equipment or spare parts. The expenditures are considered costs required to fulfil the lease component of the contract. Payments for modifications are deferred and amortized over the shorter of the remaining charter period or the useful life of the additions. Payments for reimbursement of drydocking costs are deferred and recognized on a straight line basis over the period to the next drydocking.

The accounting policy for time charter services for the joint ventures is the same as described above.

Significant judgments in revenue recognition:
We do 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 a number of 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 two performance obligations could impact conclusions on the accounting for leases as financing or operating leases. In addition, variable consideration is estimated at the most likely amount that we expect to be entitled to. Variable consideration is reassessed at the end of the reporting period taking into account performance warranties. 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.

Evaluation of whether a time charter should be accounted for as an operating or financing lease requires use of judgment. In addition to estimating the transaction price for the lease element, our evaluations of each time charter require that we estimate the fair value of our FSRUs, the estimated useful lives of those vessels, whether the option price, if any, represents a bargain purchase option, whether options to extend the time charter are reasonably assured and

other factors. The impact of the change in such estimates could impact our evaluation of the accounting for the time charters as financing leases, if the criteria are met, or operating leases.

Estimated Useful Lives

The estimated economic life of our FSRUs is 40 years. Depreciation of FSRUs is calculated on a straight-line basis using our estimated useful life, less the estimated residual value. Our estimated useful life represents our best estimate of the period we will use the vessel, while the estimated economic life may involve periods an asset will be used by others. Our business model is to provide time charters of five years or more. Charterers tend to prefer newer vessels for long-term charters. Accordingly, we have estimated that the estimated useful life, or depreciable life, to us is 35 years.

Valuation of Derivative Instruments

Under our risk management policies, we currently use derivative instruments to manage interest rate risk. For interest rate swaps that are designated as cash flow hedges for accounting purposes, the changes in the fair value of the interest rate swaps are recorded in other comprehensive income (OCI) for that portion that is effective. Amounts included in accumulated OCI are reclassified to earnings in the consolidated statement of income when the hedged transaction is reflected in the statement of income. Ineffective portions of the cash flow hedges and amortization of amounts excluded form hedge effectiveness are recognized in statement of income as they occur or are amortized on a systematic basis, respectively. To qualify as a cash flow hedge, an assessment of whether the interest rate swap designated as a hedging instrument is highly effective in offsetting changes in the cash flows of hedged items must be assessed at the designation date and over the life of the instrument. If a hedge is no longer highly effective, hedge accounting is discontinued on a prospective basis. Changes in fair value of interest rate swaps that are not designated as cash flow hedges for accounting purposes are recognized in the consolidated statement of income.

The fair values of the interest rates swaps are estimated based on the present value of cash flows over the term of the instruments based on the relevant LIBOR interest rate curves, adjusted for our credit worthiness and the credit worthiness of the counterparty to the derivative. Determining credit worthiness is highly subjective and requires significant judgment.

Goodwill and intangible assets

We allocate the cost of acquired companies to the identifiable tangible and intangible assets and liabilities acquired, with the remaining amount being classified as goodwill. Certain intangible assets, such as above-market contracts, are being amortized over time. Additionally, an option agreement pursuant to which the Partnership has the right to cause Höegh LNG to charter *Höegh Gallant* from the expiration or termination of the existing charter in May 2020 until July 2025, will be amortized on a straight line basis over the extension period starting in May 2020. Our future operating performance will be affected by the amortization of intangible assets and potential impairment charges related to goodwill or intangible assets. Accordingly, the allocation of the purchase price to intangible assets and goodwill may significantly affect our future operating results.

The allocation of the purchase price requires management to make significant estimates and assumptions, including estimates of future cash flows expected to be generated by the acquired assets and the appropriate discount rate to value these cash flows. In addition, the process of evaluating the potential impairment of goodwill and intangible assets is highly subjective and requires significant judgment at many points during the analysis. The estimates and assumptions regarding expected future cash flows and appropriate discount rates are in part based upon existing contracts, anticipated future FSRU charter rates, historical experience, financial forecasts and industry trends and conditions.

Loss contingencies

Accruals 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. Significant judgment is required to determine the probability and the estimated amount of loss. Such assessments involve complex judgments about future events and estimates and assumptions that are deemed reasonable by management. Accruals are reviewed quarterly and adjusted to reflect the impact of additional information such as the impact of negotiations, advice of legal counsel or settlements.

As discussed in note 22 under "Joint ventures claims and accruals" to the consolidated financial statements, the joint ventures have recorded accruals for the probable liability for boil-off claim related to performance standards as specified in the time charters. Significant judgment is required to assess the interpretation of the contractual provisions related to performance standards, warranties, associated exclusions, the interaction of the contractual provisions, advice of legal counsel, the arbitration determination of key contractual interpretations and the application of the performance data and technical input associated with quantification of potential ranges of outcomes which might occur as a result of future events, such as a final arbitration award or a negotiated settlement, for the claim. The joint ventures monitor the boil-off issue on a continuous basis and will adjust accruals, as might be required, based upon additional information and further developments.

Recent Accounting Pronouncements

Recently adopted accounting pronouncements

Refer to note 2, under "Recently adopted accounting pronouncements," to our consolidated financial statements for a complete discussion of recent accounting pronouncements.

Recently issued accounting pronouncements

Refer to note 2, under "Recently issued accounting pronouncements," to our consolidated financial statements for a complete discussion of recent accounting pronouncements.

C. Research and Development, Patents and Licenses, Etc.

Not applicable.

D. Trend Information

Outlook
During 2019, the *Höegh Gallant* will have a drydock and the *PGN FSRU Lampung* will complete a class renewal survey while remaining on the water. The combined expenditure, which is not yet committed, is expected to be approximately $6.5 to $7.0 million which will not be covered by the respective charterers. The *Höegh Gallant* and the *PGN FSRU Lampung* are expected to be off-hire for 10 days and 4 days, respectively, for these procedures. None of the off-hire days are expected to be incurring during the first quarter of 2019.

E. Off-Balance Sheet Arrangements

As of December 31, 2018, there were no off-balance sheet arrangements.

F. Tabular Disclosure of Contractual Obligations

The following table sets forth our contractual obligations as of December 31, 2018:

	Payments Due by Period				
(in thousands of U.S. dollars)	Total	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years
Long term debt	$ 479,536	172,910 (3)	242,189 (3)	29,772	34,665
Interest commitments on long-term debt and interest rate swaps(1)	46,039	19,694	17,933	5,873	2,539
Other long-term liabilities(2)	99	—	99	—	—
Total	$ 525,674	192,604	260,221	35,645	37,204

(1) Our interest commitments on long-term debt and interest rate swaps are calculated based upon the varying margins by tranche of the Lampung facility and the fixed interest rate of the interest rate swaps since we are fully hedged. We swap a floating LIBOR interest rate on our long-term debt for a fixed interest rate on our swaps.

(2) Our consolidated balance sheet includes other long-term liabilities for an advance provided by the charterer to fund refundable value added tax on the import of the FSRU.

(3) The repayment profile for the years 2019 and 2020 include the original maturities under the Gallant /Grace facility. The amounts maturing in 2019 and 2020 have been classified as long-term in the consolidated balance sheet as of December 31, 2018 as a result of obtaining a firm commitment to refinance the Gallant/Grace facility in November 2018. The Gallant /Grace facility refinancing was finalized in January 2019 when the $385 million facility was drawn. Refer to note 27 of our consolidated financial statements.

G. Safe Harbor

Please read “Forward-Looking Statements.”

Item 6. Directors, Senior Management and Employees

Management of Höegh LNG Partners LP

Our partnership agreement provides that our general partner will irrevocably delegate to our board of directors the authority to oversee and direct our operations, management and policies on an exclusive basis, and such delegation will be binding on any successor general partner of the Partnership. Our general partner, Höegh LNG GP LLC, is wholly owned by Höegh LNG. Our officers will manage our day-to-day activities consistent with the policies and procedures adopted by our board of directors.

Employees of affiliates of Höegh LNG provide services to us under the Administrative Services Agreements. Please read "Item 7.B. Related Party Transactions—Administrative Services Agreements."

A. Directors and Senior Management

The following table provides information about our directors and executive officer. The business address for each of our directors and executive officer is Wessex House, 5th Floor, 45 Reid Street, Hamilton, HM12, Bermuda.

Name	Age	Position
Sveinung J.S. Støhle	60	Chairman of the Board of Directors
Richard Tyrrell	45	Director
Morten W. Høegh	45	Director
Andrew Jamieson	71	Director, Member of the Audit Committee
Robert Shaw	63	Director, Member of the Audit Committee, Chairman of the Conflicts Committee
David Spivak	51	Director, Chairman of the Audit Committee, Member of the Conflicts Committee
Kathleen McAllister	54	Director, Member of the Audit Committee, Member of the Conflicts Committee
Steffen Føreid	50	Chief Executive Officer and Chief Financial Officer

Sveinung J.S. Støhle has served as our director and chairman of our board of directors since April 2014. Since 2005, Mr. Støhle has served as the President and Chief Executive Officer of Höegh LNG through his employment with Höegh LNG AS. He is also a member of the board of directors for Avenir LNG Limited. Mr. Støhle has more than 25 years of experience from the LNG industry with both shipping and oil and gas companies. Prior to his employment with Höegh LNG, Mr. Støhle held positions as President of Total LNG USA, Inc., Executive Vice President and Chief Operating Officer of Golar LNG Limited, General Manager Commercial of Nigeria LNG Limited and various positions with Elf Aquitaine. Mr. Støhle has a Master of Business Administration from the University of San Francisco and a Bachelor of Science in Finance from California State University.

Richard Tyrrell has served as our director since September 2018. Prior to that, he served as the Chief Executive Officer and Chief Financial Officer of Höegh LNG Partners since our IPO in 2014. Since September 2018, Mr. Tyrrell has served as the Chief Development Officer of Höegh LNG AS through his employment with Leif Höegh UK. Mr. Tyrrell has served as a director of Leif Höegh UK from January 2014. Prior to joining Leif Höegh UK, Mr. Tyrrell served as a Managing Director in the energy team of Perella Weinberg Partners, a global, independent advisory and asset management firm, from June 2009 until January 2014. From 2008 to February 2009, Mr. Tyrrell was an investment professional with Morgan Stanley Infrastructure, an infrastructure investment and management platform with $4 billion under management, where he evaluated principal investment opportunities. From 2003 to 2008, Mr. Tyrrell worked for various departments of Morgan Stanley's Investment Banking Division, including its Global Energy and Utilities Group and its United Kingdom Mergers and Acquisitions Group. From 1994 to 2000, Mr. Tyrrell served as a technical manager and field engineer for Schlumberger Limited in Australia and Southeast Asia. Mr. Tyrrell has a Master of Business Administration from Harvard Business School and an undergraduate degree in Mechanical Engineering from the Imperial College of Science, Technology and Medicine.

Morten W. Høegh has served as our director since April 2014. Since 2006, Mr. Høegh has served as the Chairman of Höegh LNG, and he also serves as chairman of Leif Höegh UK. Since 2003, he has been a director of Höegh Autoliners Holdings AS (and its predecessors Leif Höegh & Co. ASA, Leif Höegh & Co. Ltd. and Höegh Autoliners Ltd.). Mr. Høegh is a director of Höegh Eiendom Holdings AS and, until October 2014, was a director of Hector Rail AB. He is a director and Chairman of Gard P&I (Bermuda) Ltd. and Chairman of its Risk and Election and Governance Committees and a director and Chairman of certain of its subsidiaries. He also serves as the Chairman of the Western Europe committee of DNV GL. From 1998 to 2000, Mr. Høegh worked as an investment banker with Morgan Stanley. He has a Master in Business Administration from Harvard Business School with High Distinction (Baker Scholar) and a Master of Science in Ocean Systems Management and a Bachelor of Science in Ocean Engineering from the Massachusetts Institute of Technology.

Andrew Jamieson has served as our director since April 2014. He has extensive experience in the energy industry, in general, and in LNG, in particular. Since 2009, Mr. Jamieson has served as a director of Höegh LNG. From 1974 to 2009, Mr. Jamieson held various positions with Royal Dutch Shell plc in the United Kingdom, the Netherlands, Denmark, Australia and Nigeria. Specifically, from 2005 to 2009, he served as Executive Vice President Gas & Projects and Member of the Gas & Power Executive Committee. From 1999 to 2004, he was Managing Director of Nigeria LNG Limited and Vice President of Bonny Gas Transport Limited. While at Royal Dutch Shell plc, Mr. Jamieson also was in charge of the North West Shelf Project in Australia and served as a director on various Royal Dutch Shell plc companies. In 2006, he was made an Officer of the Order of the British Empire (OBE) for "services to British business and sustainable development in Nigeria". Mr. Jamieson serves on the boards of GTT (Gaztransport & Technigaz), Chrysaor Holdings Ltd and Kerogen Capital Hong Kong. Previously, Mr. Jamieson also served on the boards of Woodside Petroleum Ltd., Seven Energy Limited and Velocys PLC. Mr. Jamieson holds a Ph.D. degree from Glasgow University, is the Past President of the Institute of Chemical Engineers and a Fellow of the Royal Academy of Engineering.

Robert Shaw has served as our director since April 2014. Since 2008, Mr. Shaw has been an owner and a managing director of Mystras Ventures LLC, which makes dry bulk shipping industry-related investments. He is a managing director of Sea Trade Holdings Inc., that owns and operates dry bulk carriers. From 2001 to 2007, Mr. Shaw held various positions at Navios Maritime Holdings Inc., including board member, Executive Vice President, General Counsel and President. From 1985 to 2000, Mr. Shaw was a partner at Healy & Baillie LLP, a law firm specializing in shipping and international commercial law. Mr. Shaw also was the chairman and is a member of the board of the Carnegie Council for Ethics in International Affairs and has served as a board member and the President of the Society of Maritime Arbitrators, Inc. Mr. Shaw was admitted to the Law Society of England and Wales in 1980 and the New York bar in 1981 and holds a Bachelor of Arts in Jurisprudence from St John's College, Oxford University.

David Spivak has served as our director since April 2014. Mr. Spivak is currently the group chief financial officer and senior vice president, corporate development of Persis Holdings Ltd. From May 2016 until May 2018, Mr. Spival served as the chief financial officer of Seaspan Corporation. From 2013 to 2016, Mr. Spivak was the president and founder of Brockstreet Consulting, a strategic business and financial consulting firm. From 1995 to 2012, Mr. Spivak worked at Citigroup as a capital markets professional and investment banker. He held a variety of positions at Citigroup, including serving as a Managing Director in the Investment Banking and Equity Capital Markets Divisions, as well as serving as the Canadian Head of Global Capital Structuring. From 2005 to 2009, Mr. Spivak was head of Citigroup's shipping equity franchise in New York. Prior to joining Citigroup, Mr. Spivak worked at Coopers & Lybrand in the Financial Advisory Services Group. Mr. Spivak has a Master of Business Administration from the University of Chicago and a Bachelor of Commerce from the University of Manitoba. He also is a Certified Public Accountant (inactive) and past member of the TSX Listings Advisory Committee.

Kathleen McAllister has served as our director since July 2017. Ms. McAllister served as President, Chief Executive Officer, and Director of Transocean Partners LLC from 2014 until its merger with Transocean Ltd. in December 2016 and as Chief Financial Officer from February 2016 until the merger. From 2011 to 2014 Ms. McAllister served as Vice President and Treasurer of Transocean Ltd. and led the initial public offering of Transocean Partners in 2014 after holding several corporate and operations finance, treasury, accounting and tax roles with Transocean. Ms. McAllister began her career at Deloitte and served in various finance, treasury, accounting and tax roles at Baker Hughes, Helix Energy Solutions Group and Veritas DGC Inc. prior to joining Transocean. Ms. McAllister serves as an independent non-executive director of Maersk Drilling (since 2019) and Q'Max Solutions (since 2017) and is a member of the University of Houston-Clear Lake Accounting Advisory Board. Ms. McAllister holds a Bachelor of Science degree in Accounting (with Honors) from the University of Houston-Clear Lake and is a NACD Board Leadership Fellow and a Certified Public Accountant.

Steffen Føreid has served as our Chief Executive Officer and Chief Financial Officer since September 2018 and served as our director from April 2014 until September 2018. From 2010 until September 2018, Mr. Føreid served as the Chief Financial Officer of Höegh LNG. From 2008 to 2010, Mr. Føreid was the Chief Financial Officer of and an advisor to Grenland Group ASA. From 2002 to 2007, Mr. Føreid held various positions at a corporate restructuring of Kværner ASA, including Executive Vice President during a management buy-out of Kværner ASA and Vice President of Group Business Development at Aker Kværner ASA. From 1996 to 2001, Mr. Føreid worked within Corporate and Investment Banking at JPMorgan Chase & Co. Mr. Føreid has a Master of Science in Finance from the University of Fribourg in Switzerland.

B. Compensation

Reimbursement of Expenses of Our General Partner

Our general partner does not receive compensation from us for any services it provides on our behalf, although it is entitled to reimbursement for expenses incurred on our behalf. In addition, PT Höegh, the owner of the *PGN FSRU Lampung*, reimburses Höegh Norway pursuant to the technical information and services agreement for expenses Höegh Norway incurs pursuant to a sub-technical support agreement with Höegh LNG Management. Höegh Cyprus, the entity that owns of the *Höegh Gallant*, reimburses Höegh LNG Management for expenses incurred pursuant to a ship management agreement with Höegh LNG Management, Höegh Norway for expenses incurred pursuant to the Gallant management agreement and Höegh Maritime Management for expenses incurred pursuant to a secondment agreement for crew with Höegh Maritime Management. Our joint ventures reimburse Höegh LNG Management for expenses incurred pursuant to ship management agreements with Höegh LNG Management. Please read "Item 7.B. Related Party Transactions—Ship Management Agreements and Sub-Technical Support Agreement." Our subsidiary, Höegh UK also reimburses each of Leif Höegh UK and Höegh Norway for expenses pursuant to administrative services agreements. Please read "Item 7.B. Related Party Transactions—Administrative Services Agreements."

Executive Compensation

We did not pay any compensation to our directors or our Chief Executive Officer and Chief Financial Officer or accrue any obligations with respect to management incentive or retirement benefits for our directors and our Chief Executive Officer and Chief Financial Officer prior to our IPO. Pursuant to the administrative services agreement that we and our operating company entered into with Höegh UK, Steffen Føreid provides and, prior to September 2018, Richard Tyrrell provided, executive officer functions for our benefit. Mr. Føreid is responsible for our day-to-day management subject to the direction of our board of directors. Our officers and employees and officers and employees of our subsidiaries and affiliates of Höegh LNG and our general partner may participate in employee benefit plans and arrangements sponsored by Höegh LNG, our general partner or their affiliates, including plans that may be established in the future. Under our administrative services agreement with Höegh UK, we paid $2.7 million for the year ended December 31, 2018, including $2.1 million for provision of services to Höegh UK from Höegh Norway under the Höegh Norway Administrative Services Agreement, under which Höegh UK has subcontracted provision of certain services to Höegh Norway. Prior to September 2018, Höegh UK paid Richard Tyrrell's compensation. During the remainder of 2018, Höegh Norway paid Mr. Føreid's compensation.

In connection with the IPO, Mr. Tyrrell entered into an employment agreement with Leif Höegh UK dated December 4, 2013 and effective on January 15, 2014, which was subsequently assigned from Leif Höegh UK to Höegh UK. Pursuant to the employment agreement, Mr. Tyrrell served as Höegh UK's Chief Executive Officer and Chief Financial Officer. His base salary was GBP 0.3 million for the year ended December 31, 2018. In addition, the employment agreement also provided for a discretionary annual bonus (as determined by Höegh UK) and pension benefits, which were equal to GBP 0.2 million for the year ended December 31, 2018. The employment agreement included post-termination restrictive covenants prohibiting Mr. Tyrrell from competing or soliciting customers or employees for a period of six months after the termination of his employment.

Mr. Føreid entered into an employment agreement with Höegh Norway dated June 9, 2010, which was subsequently amended on November 28, 2018 in connection with Mr. Føreid's appointment as our Chief Executive Officer and Chief Financial Officer. Pursuant to the employment agreement, Mr. Føreid's base salary was NOK 2.7 million for the year ended December 31, 2018. In addition, the employment agreement also provides for company car and pension benefits, which were equal to approximately NOK 0.2 million for the year ended December 31, 2018.

Compensation of Directors

Directors receive compensation for attending meetings of our board of directors, as well as committee meetings. During the year ended December 31, 2018, directors each received a director fee of $78,000 per year (paid half in cash and half in equity-based amounts). Chairpersons of the audit and conflicts committees each received a committee fee of $21,000 per year, and other committee members received a committee fee of $10,500 per year. In addition, each director is reimbursed for out-of-pocket expenses in connection with attending meetings of our board of directors or committees. Each director is fully indemnified by us for actions associated with being a director to the extent permitted under Marshall Islands law.

2014 Long-Term Incentive Plan

In connection with our initial public offering, we adopted the Höegh LNG Partners LP 2014 Long-Term Incentive Plan, or the "LTIP," for our employees, officers, consultants and directors who perform services for us and our subsidiaries. The LTIP provides for the grant of unit options, unit appreciation rights, restricted units, unit awards, phantom units, distribution equivalent rights, cash awards, performance awards, other unit-based awards and substitute awards (collectively, "awards"). These awards are intended to align the interests of employees, officers, consultants and directors with those of our unitholders and to give such individuals the opportunity to share in our long-term performance. Effective June 3, 2016, we granted 21,500 phantom units to Richard Tyrrell under the LTIP. One third of the phantom units vested as of each of December 31, 2017 and November 30, 2018 and one third will vest on November 30, 2019. On September 14, 2018, the award was amended to grant an additional 14,584 phantom units to Mr. Tyrrell, one third of which will vest on each of November 30, 2019, 2020 and 2021, so long as Mr. Tyrrell continues to provide services to the Partnership or an affiliate. During the year ended December 31, 2018, we also granted 14,584 phantom units to our new Chief Executive Officer and Chief Financial Officer, Steffen Føreid. One-third of such phantom units vest as of November 30, 2019, 2020 and 2021, respectively. Additionally, during the year ended December 31, 2018, we awarded a total of 11,050 common units to non-employee directors under the LTIP as compensation for directors' fees, with an aggregate grant date fair value of $0.2 million, based on our closing unit price on the grant date. During the year ended December 31, 2017, we granted a total of 9,805 common units to non-employee directors under the LTIP as compensation for directors' fees, with an aggregate grant date fair value of $0.2 million, based on our closing unit price on the grant date.

Administration

The LTIP is administered by our board of directors, or an alternative committee appointed by our board of directors, which we refer to together as the "committee" for purposes of this summary. The committee administers the LTIP pursuant to its terms and all applicable state, federal or other rules or laws. The committee has the power to determine to whom and when awards will be granted, determine the type and amount of awards (measured in cash or in common units), proscribe and interpret the terms and provisions of each award agreement (the terms of which may vary), accelerate the vesting provisions associated with an award, delegate duties under the LTIP and execute all other responsibilities permitted or required under the LTIP.

Securities to Be Offered

The maximum aggregate number of common units that may be issued pursuant to any and all awards under the LTIP shall not exceed 658,000 common units, subject to adjustment due to recapitalization or reorganization as provided under the LTIP. In addition, if any common units subject to any award are not issued or transferred, or cease to be issuable or transferable for any reason, including (but not exclusively) because units are withheld or surrendered in payment of taxes or any exercise or purchase price relating to an award or because an award is forfeited, terminated, expires unexercised, is settled in cash in lieu of common units or is otherwise terminated without a delivery of units, those common units will again be available for issue, transfer or exercise pursuant to awards under the LTIP, to the extent allowable by law. Common units to be delivered pursuant to awards under the LTIP may be newly issued common units or common units acquired in the open market, from any person, or any combination of the foregoing.

Awards

Unit Options. We may grant unit options to eligible persons. Unit options are rights to acquire common units at a specified price. The exercise price of each unit option granted under the LTIP will be stated in the unit option agreement and may vary; provided, however, that, the exercise price for a unit option must not be less than 100% of the fair market value per common unit as of the date of grant of the unit option. Unit options may be exercised in the manner and at such times as the committee determines for each unit option. The committee will determine the methods and form of payment for the exercise price of a unit option and the methods and forms in which common units will be delivered to a participant.

Unit Appreciation Rights. A unit appreciation right is the right to receive, in cash or in common units, as determined by the committee, an amount equal to the excess of the fair market value of one common unit on the date of exercise over the grant price of the unit appreciation right. The committee may make grants of unit appreciation rights and will determine the time or times at which a unit appreciation right may be exercised in whole or in part. The exercise price of each unit appreciation right granted under the LTIP will be stated in the unit appreciation right agreement and may vary; provided, however, that, the exercise price must not be less than 100% of the fair market value per common unit as of the date of grant of the unit appreciation right.

Restricted Units. A restricted unit is a grant of a common unit subject to a risk of forfeiture, performance conditions, restrictions on transferability and any other restrictions imposed by the committee in its discretion. Restrictions may lapse at such times and under such circumstances as determined by the committee. Cash distributions paid with respect to our common units will be paid to the holder of restricted units without restriction at the same time as such distributions are paid to unitholders generally, unless otherwise specified in the applicable award agreement governing the restricted units.

Unit Awards. The committee may grant common units that are not subject to restrictions to any eligible person in such amounts as the committee, in its sole discretion, may select.

Phantom Units. Phantom units are rights to receive common units, cash or a combination of both at the end of a specified period. The committee may subject phantom units to restrictions (which may include a risk of forfeiture) to be specified in the phantom unit agreement that may lapse at such times and under such circumstances as determined by the committee. Phantom units may be satisfied by delivery of common units, cash equal to the fair market value of the specified number of common units covered by the phantom unit or any combination thereof as determined by the committee. Distribution equivalent rights may be granted in tandem with a phantom unit award, which may provide that cash distribution equivalents will be paid during or after the vesting period with respect to a phantom unit, as determined by the committee.

Distribution Equivalent Rights. The committee may grant distribution equivalent rights in tandem with awards under the LTIP (other than unit awards or an award of restricted units), or distribution equivalent rights may be granted alone. Distribution equivalent rights entitle the participant to receive cash equal to the amount of any cash distributions made by us during the period the distribution equivalent right is outstanding. Payment of cash distributions pursuant to a distribution equivalent right issued in connection with another award may be subject to the same vesting terms as the award to which it relates or different vesting terms, in the discretion of the committee.

Cash Awards. The committee may grant awards denominated in and settled in cash. Cash awards may be based, in whole or in part, on the value or performance of a common unit.

Performance Awards. The committee may condition the right to exercise or receive an award, or the settlement or vesting of an award, or may increase or decrease the amount payable with respect to an award, based on the attainment of one or more performance conditions deemed appropriate by the committee.

Other Unit-Based Awards. The committee may grant other unit-based awards under the LTIP, which are awards that may be based, in whole or in part, on the value or performance of a common unit or are denominated or payable in common units. Upon settlement, these other unit-based awards may be paid in common units, cash or a combination thereof, as provided in the award agreement.

Substitute Awards. The committee may grant awards in substitution for similar awards held by individuals who become employees, consultants or directors as a result of a merger, consolidation or acquisition by or involving us, an affiliate of another entity or the assets of another entity. Such substitute awards that are unit options or unit appreciation rights may have exercise prices less than 100% of the fair market value per common unit on the date of the substitution if such substitution complies with applicable laws and exchange rules.

Tax Withholding

At our discretion, and subject to conditions that the committee may impose, tax withholding obligations with respect to an award may be satisfied by withholding from any payment related to an award or by the withholding of common units issuable pursuant to the award based on the fair market value of the common units.

Anti-Dilution Adjustments and Change in Control

In the event of any “equity restructuring” event (such as a unit dividend, unit split, reverse unit split or similar event) with respect to the common units that may result in an additional compensation expense under Financial Accounting Standards Board Accounting Standards Codification Topic 718 (“FASB ASC Topic 718”) if adjustments to awards in such event were discretionary, the committee will adjust the number and type of units covered by each outstanding award, the terms and conditions of each such award, the maximum number of units available under the LTIP and the kind of units or other securities available for grant under the LTIP, in each case, to equitably reflect the restructuring event. With respect to any similar event that would not result in a FASB ASC Topic 718 accounting charge if adjustments to awards were discretionary (such as certain recapitalizations, reclassifications, reorganizations, mergers, combinations, exchanges or other relevant changes in capitalization), adjustment will be made by the committee in its discretion in accordance with the terms of the LTIP with respect to, as appropriate, the maximum number of units available under the LTIP, the number of units that may be acquired with respect to an award and, if applicable, the exercise price of an award, in order to prevent dilution or enlargement of awards as a result of such events. Upon a “change in control” (as defined in the LTIP), the committee may, in its discretion, (i) remove any forfeiture restrictions applicable to an award, (ii) accelerate the time of exercisability or vesting of an award, (iii) require awards to be surrendered in exchange for a cash payment, (iv) cancel unvested awards without payment or (v) make adjustments to awards as the committee deems appropriate to reflect the change in control.

Termination of Employment or Service

The consequences on outstanding awards under the LTIP of the termination of a participant’s employment, consulting arrangement or membership on our board of directors will be determined by the committee in the terms of the relevant award agreement.

C. Board Practices

General

Our partnership agreement provides that our general partner irrevocably delegates to our board of directors the authority to oversee and direct our operations, management and policies on an exclusive basis, and such delegation is binding on any successor general partner of the Partnership. Our general partner, Höegh LNG GP LLC, is wholly owned by Höegh LNG. Our officers manage our day-today activities consistent with the policies and procedures adopted by our board of directors.

Our current board of directors consists of seven members, three of whom were appointed by our general partner and four of whom were elected by our common unitholders. Sveinung Støhle, Richard Tyrrell and Kathleen McAllister were appointed by our general partner and will serve for terms as determined by our general partner. The directors elected by our common unitholders, Morten W. Høegh, Andrew Jamieson, David Spivak and Robert Shaw, are divided into four classes serving staggered terms. Mr. Jamieson is designated as our Class I elected director and will serve until our annual meeting of unitholders in 2019, Mr. Shaw is designated as our Class II elected director and will serve until our annual meeting of unitholders in 2020, Mr. Spivak is designated as our Class III elected director and will serve until our annual meeting of unitholders in 2021, and Mr. Høegh is designated as our Class IV elected director and will serve until our annual meeting of unitholders in 2022. At each subsequent annual meeting of unitholders, directors will be elected to succeed the class of director whose term has expired by a plurality of the votes of the common unitholders. Directors elected by our common unitholders may be nominated by our board of directors or by any limited partner or group of limited partners that holds at least 10% of the outstanding common units.

Each outstanding common unit is entitled to one vote on matters subject to a vote of common unitholders. However, to preserve our ability to claim an exemption from U.S. federal income tax under Section 883 of the Code, if at any time, any person or group owns beneficially more than 4.9% of any class of units then outstanding, any such units owned by that person or group in excess of 4.9% may not be voted (except for purposes of nominating a person for election to our board of directors). The voting rights of any such unitholders in excess of 4.9% will effectively be redistributed pro rata among the other common unitholders holding less than 4.9% of the voting power of such class of units. Our general partner, its affiliates and persons who acquired common units with the prior approval of our board of directors will not be subject to this 4.9% limitation except with respect to voting their common units in the election of the elected directors.

The Series A preferred units generally have no voting rights except (i) with respect to amendments to the partnership agreement that would have a material adverse effect on the existing terms of the Series A preferred units, (ii) or in the event the Partnership proposes to issue Parity Securities, if the cumulative dividends payable on outstanding Series A preferred units are in arrears, or Senior Securities. However, if and whenever distributions payable on the Series A preferred units are in arrears for six or more quarterly periods, whether or not consecutive, holders of Series A preferred units (voting together as a class with all other classes of Parity Securities upon which like voting rights have been conferred and are exercisable) will be entitled to replace one of the members of our board of directors appointed by our general partner with a person nominated by such holders (unless the holders of Series A preferred units, voting together as a class with all other classes of Parity Securities upon which like voting rights have been conferred and are exercisable, voting as a class, have previously elected a member of our board of directors, and such director continues then to serve on the board of directors).

Committees

We have an audit committee that, among other things, reviews our external financial reporting, engages our external auditors and oversees our internal audit activities and procedures, if any, and the adequacy of our internal accounting controls. Our audit committee is comprised of four directors, Ms. McAllister, Mr. Jamieson, Mr. Shaw and Mr. Spivak. Each of Ms. McAllister, Mr. Jamieson, Mr. Shaw and Mr. Spivak satisfies the independence standards required for audit committee members of the SEC and the NYSE. Ms. McAllister and Mr. Spivak qualify as “audit committee financial experts” for purposes of SEC rules and regulations.

We also have a conflicts committee comprised of three members of our board of directors. The conflicts committee will be available at our board of directors’ discretion to review specific matters that our board of directors believes may involve conflicts of interest. The conflicts committee will determine if the resolution of the conflict of interest is fair and reasonable to us. The members of the conflicts committee may not be officers or employees of us or directors, officers or employees of our general partner or its affiliates, and must meet the independence standards established by the NYSE to serve on an audit committee of a board of directors and certain other requirements. Any matters approved by the conflicts committee will be conclusively deemed to be fair and reasonable to us, approved by all of our partners and not a breach by our directors, our general partner or its affiliates of any duties any of them may owe us or our unitholders. Our conflicts committee is comprised of Ms. McAllister, Mr. Shaw and Mr. Spivak.

Exemptions from Corporate Governance Rules

Because we qualify as a foreign private issuer under SEC rules, we are permitted to follow the corporate governance practices of the Marshall Islands (the jurisdiction in which we are organized) in lieu of certain of the corporate governance requirements that would otherwise be applicable to us. The NYSE rules do not require a listed company that is a foreign private issuer to have a board of directors that is comprised of a majority of independent directors. Under Marshall Islands law, we are not required to have a board of directors comprised of a majority of directors meeting the independence standards described in the NYSE rules. In addition, the NYSE rules do not require limited partnerships like us to have boards of directors comprised of a majority of independent directors.

NYSE rules do not require foreign private issuers or limited partnerships like us to establish a compensation committee or a nominating/corporate governance committee. Similarly, under Marshall Islands law, we are not required to have a compensation committee or a nominating/corporate governance committee. Accordingly, we do not have a compensation committee or a nominating/corporate governance committee. For a listing and further discussion of how our corporate governance practices differ from those required of U.S. companies listed on the NYSE, please read "Item 16G. Corporate Governance."

D. Employees

Employees of Höegh LNG's affiliates provide administrative services to us pursuant to the administrative services agreements. Our board of directors has the authority to hire other employees as deemed necessary. Certain affiliates of Höegh LNG also provide commercial and technical management services to our fleet pursuant to ship management agreements, the Gallant management agreement, a sub-technical support agreement, commercial and administration management agreements and other service agreements. Crew are employed directly by our or by Höegh LNG's subsidiaries to operate our FSRUs.

E. Unit Ownership

Please read "Item 7.A. Major Unitholders."

Item 7. Major Unitholders and Related Party Transactions

A. Major Unitholders

The following table sets forth the beneficial ownership of our common units and subordinated units as of March 31, 2019, by each of our directors and executive officers and each person that we know to beneficially own more than 5% of our outstanding common or subordinated units:

Major Unitholders

	Common Units Beneficially Owned		Subordinated Units Beneficially Owned		Percentage of Total Common and Subordinated Units Beneficially Owned
Name of Beneficial Owner	**Number**	**Percent**	**Number**	**Percent**	
Höegh LNG Holding Ltd.(1)	2,101,438	10.5%	13,156,060	100%	46.0%
FMR LLC(2)	1,995,306	10.0%	—	—	6.0%
Kayne Anderson Capital Advisors, L.P. and Richard A. Kayne(3)	1,317,163	6.6%	—	—	4.0%
Sveinung J.S. Støhle (Chairman of the Board of Directors)	*	*	—	—	*
Richard Tyrrell (Director)	*	*	—	—	*
Kathleen McAllister (Director)	*	*	—	—	*
Morten W. Høegh (Director)(4)	438,801	2.2%	—	—	1.3%
Andrew Jamieson (Director)	*	*	—	—	*
Robert Shaw (Director)	*	*	—	—	*
David Spivak (Director)	*	*	—	—	*
Steffen Føreid (Chief Financial Officer and Chief Financial Officer)	*	*	—	—	*
All directors and executive officers as a group (8 persons)	567,247	2.8%	—	—	1.7%

* Less than 1%

(1) Höegh LNG Holdings Ltd. is a public company listed on the Oslo Børs stock exchange. Leif Höegh & Co. Ltd. is the largest shareholder of Höegh LNG Holdings Ltd., holding a 42.92% ownership interest. Leif Höegh & Co. Ltd. is indirectly controlled by Leif O. Høegh and a family trust under which Morten Høegh, one of our directors, is the primary beneficiary.
(2) FMR LLC and Abigail P. Johnson (collectively, "FMR LLC") each have shared voting power and shared dispositive power as to 1,995,306 units. This information is based on the Schedule 13G/A filed by FMR LLC on February 13, 2019.
(3) Kayne Anderson Capital Advisors, L.P. and Richard A. Kayne have shared voting power as to 981,823 units and shared dispositive power as to 1,317,163 units. This information is based on the Schedule 13G/A filed by Kayne Anderson Capital Advisors, L.P. and Richard A. Kayne on February 1, 2019.
(4) Morten W. Høegh may be deemed to have shared beneficial ownership of 438,801 common units through direct and indirect ownership interests in Leif Höegh & Co Ltd. and Brompton Cross VII Limited. Morten W. Høegh has an indirect minority ownership and voting interest in Fraternitas AS, which beneficially owns 50,000 common units. If the common units owned by Fraternitas AS were deemed to be beneficially owned by Mr. Høegh, then he would share beneficial ownership of a total of 488,801 common units, or 1.5% of the common units issued and outstanding as of March 31, 2019.

Each outstanding common unit is entitled to one vote on matters subject to a vote of common unitholders. However, to preserve our ability to claim an exemption from U.S. federal income tax under Section 883 of the Code, if at any time any person or group owns beneficially more than 4.9% of any class of units then outstanding, any units beneficially owned by that person or group in excess of 4.9% may not be voted on any matter and will not be considered to be outstanding when sending notices of a meeting of unitholders, calculating required votes (except for purposes of nominating a person for election to our board of directors), determining the presence of a quorum or for other similar purposes under our partnership agreement, unless otherwise required by law. The voting rights of any such unitholders in excess of 4.9% will effectively be redistributed pro rata among the other common unitholders holding less than 4.9% of the voting power of all classes of units entitled to vote. Our general partner, its affiliates and persons who acquired common units with the prior approval of our board of directors will not be subject to this 4.9% limitation except with respect to voting their common units in the election of the elected directors.

Höegh LNG exercises influence over the Partnership through our general partner, a wholly owned subsidiary of Höegh LNG, which in its sole discretion appoints three directors to our board of directors. Please read "Item 6. Directors, Senior Management and Employees—Management of Höegh LNG Partners LP." Höegh LNG also exercises influence over the Partnership through its ownership of all of our subordinated units. At the end of the subordination period, assuming no additional issuances of common units and the conversion of our subordinated units into common units, Höegh LNG will own approximately 46.0% of our common units.

B. Related Party Transactions

As a result of our relationships with Höegh LNG and its affiliates, we, our general partner and our subsidiaries have entered into various agreements that were not the result of arm's length negotiations. A number of agreements were entered into in connection with our IPO. In addition, we may enter into new agreements in the future. We have established a conflicts committee that may review future related party transactions. Please refer to "Item 6.C. Board Practices—Committees." The related party agreements that we have entered into or were party to since January 1, 2016 are discussed below.

Our partnership agreement sets forth procedures by which future related party transactions may be approved or resolved by our board of directors. Pursuant to our partnership agreement, our board of directors may, but is not required to, seek the approval of a related party transaction from the conflicts committee of our board of directors or from the common unitholders. Affiliated transactions that are not approved by the conflicts committee of our board of directors and that do not involve a vote of unitholders must be on terms no less favorable to us than those generally provided to or available from unrelated third parties or be "fair and reasonable" to us. In determining whether a transaction or resolution is "fair and reasonable," our board of directors may consider the totality of the relationships between the parties involved, including other transactions that may be particularly advantageous or beneficial to us. If the above procedures are followed, it will be presumed that, in making its decision, our board of directors acted in good faith, and in any proceeding brought by or on behalf of any limited partner or the Partnership, the person bringing or prosecuting such proceeding will have the burden of overcoming such presumption. When our partnership agreement requires someone to act in good faith, it requires that person to believe that he is acting in the best interests of the Partnership, unless the context otherwise requires.

Our conflicts committee is comprised of at least two members of our board of directors. The conflicts committee is available at our board of directors' discretion to review specific matters that our board of directors believes may involve conflicts of interest. The conflicts committee may determine if the resolution of the conflict of interest is fair and reasonable to us. The members of the conflicts committee may not be officers or employees of us or directors, officers or employees of our general partner or its affiliates, and must meet the independence standards established by the NYSE to serve on an audit committee of a board of directors and certain other requirements.

Contribution, Purchase and Sale Agreement

On August 8, 2014, in connection with the closing of our IPO, we entered into a contribution, purchase and sale agreement with Höegh LNG that effected the transfer of the ownership interests in the entities that owned the vessels in our initial fleet and related shareholder loans, promissory notes and accrued interest and the use of the net proceeds of our IPO.

Omnibus Agreement

Upon completion of the IPO, we entered into an omnibus agreement with Höegh LNG, our general partner and certain of our other subsidiaries. The following discussion describes certain provisions of the omnibus agreement.

Noncompetition

Under the omnibus agreement, Höegh LNG agrees, and causes its controlled affiliates (other than us, our general partner and our subsidiaries) to agree, not to acquire, own, operate or charter any FSRU or LNG carrier operating under a charter for five or more years. For purposes of this section, we refer to these vessels, together with any related charters and ancillary installations or equipment covered by such charters, as "Five-Year Vessels" and to all other FSRUs and LNG carriers as "Non-Five-Year Vessels." The restrictions in this paragraph will not prevent Höegh LNG or any of its controlled affiliates (other than us and our subsidiaries) from:

(1) acquiring, owning, operating or chartering any Non-Five-Year Vessel;

(2) acquiring one or more Five-Year Vessels if Höegh LNG promptly offers to sell the vessel to us for the acquisition price plus any administrative costs (including re-flagging and reasonable legal costs) associated with the transfer to us at the time of the acquisition;

(3) delivering a Non-Five-Year Vessel under charter for five or more years if Höegh LNG offers to sell the vessel to us for fair market value (x) promptly after the time she becomes a Five-Year Vessel and (y) at each renewal or extension of that charter for five or more years;

(4) acquiring one or more Five-Year Vessels as part of the acquisition of a controlling interest in a business or package of assets and owning, operating or chartering those vessels; provided, however, that:

    (a) if less than a majority of the value of the business or assets acquired is attributable to Five-Year Vessels, as determined in good faith by Höegh LNG's board of directors, Höegh LNG must offer to sell such Five-Year Vessels to us for their fair market value plus any additional tax or other similar costs Höegh LNG incurs in connection with the acquisition and the transfer of such vessels to us separate from the acquired business; and

(b) if a majority or more of the value of the business or assets acquired is attributable to Five-Year Vessels, as determined in good faith by Höegh LNG's board of directors, Höegh LNG must notify us of the proposed acquisition in advance. Not later than 10 days following receipt of such notice, we will notify Höegh LNG if we wish to acquire any of such vessels in cooperation and simultaneously with Höegh LNG acquiring the Non-Five-Year Vessels. If we do not notify Höegh LNG of our intent to pursue the acquisition within 10 days, Höegh LNG may proceed with the acquisition and then offer to sell such vessels to us as provided in clause (a) above;

(5) acquiring a non-controlling interest in any company, business or pool of assets;

(6) acquiring, owning, operating or chartering any Five-Year Vessel if we do not fulfill our obligation to purchase such vessel in accordance with the terms of any existing or future agreement;

(7) acquiring, owning, operating or chartering a Five-Year Vessel subject to the offers to us described in clauses (2), (3) and (4) above pending our determination whether to accept such offers and pending the closing of any offers we accept;

(8) providing ship management services relating to any vessel;

(9) owning or operating any Five-Year Vessel that Höegh LNG owned on the closing date of our IPO and that was not part of our initial fleet; or

(10) acquiring, owning, operating or chartering a Five-Year Vessel if we have previously advised Höegh LNG that we consent to such acquisition, ownership, operation or charter.

If Höegh LNG or any of its controlled affiliates (other than us or our subsidiaries) acquires, owns, operates or charters Five-Year Vessels pursuant to any of the exceptions described above, it may not subsequently expand that portion of its business other than pursuant to those exceptions. However, such Five-Year Vessels could eventually compete with our vessels upon their re-chartering.

In addition, under the omnibus agreement we agree, and cause our subsidiaries to agree, to acquire, own, operate or charter Five-Year Vessels only. The restrictions in this paragraph will not prevent us or any of our subsidiaries from:

(1) owning, operating or chartering any Non-Five-Year Vessel that was previously a Five-Year Vessel while owned by us;

(2) acquiring Non-Five-Year Vessels as part of the acquisition of a controlling interest in a business or package of assets and owning, operating or chartering those vessels; provided, however, that:

(a) if less than a majority of the value of the business or assets acquired is attributable to Non-Five-Year Vessels, as determined in good faith by us, we must offer to sell such vessels to Höegh LNG for their fair market value plus any additional tax or other similar costs that we incur in connection with the acquisition and the transfer of such vessels to Höegh LNG separate from the acquired business; and

(b) if a majority or more of the value of the business or assets acquired is attributable to Non-Five-Year Vessels, as determined in good faith by us, we must notify Höegh LNG of the proposed acquisition in advance. Not later than 10 days following receipt of such notice, Höegh LNG must notify us if it wishes to acquire the Non-Five-Year Vessels in cooperation and simultaneously with us acquiring the Five-Year Vessels. If Höegh LNG does not notify us of its intent to pursue the acquisition within 10 days, we may proceed with the acquisition and then offer to sell such vessels to Höegh LNG as provided in clause (a) above;

(3) acquiring, owning, operating or chartering any Non-Five-Year Vessels subject to the offer to Höegh LNG described in clause (2) above, pending its determination whether to accept such offer and pending the closing of any offer it accepts; or

(4) acquiring, owning, operating or chartering Non-Five-Year Vessels if Höegh LNG has previously advised us that it consents to such acquisition, ownership, operation or charter.

If we or any of our subsidiaries acquires, owns, operates or charters Non-Five-Year Vessels pursuant to any of the exceptions described above, neither we nor such subsidiary may subsequently expand that portion of our business other than pursuant to those exceptions.

Upon a change of control of us or our general partner, the noncompetition provisions of the omnibus agreement will terminate immediately. Upon a change of control of Höegh LNG, the noncompetition provisions of the omnibus agreement applicable to Höegh LNG will terminate at the time that is the later of the date of the change of control and the date on which all of our outstanding subordinated units have converted to common units. On the date on which a majority of our directors ceases to consist of directors that were (i) appointed by our general partner prior to our first annual meeting of unitholders and (ii) recommended for election by a majority of our appointed directors, the noncompetition provisions applicable to Höegh LNG shall terminate immediately.

In the event that Höegh LNG is required to make an offer to sell to us a Five-Year Vessel, or we are required to make an offer to sell to Höegh LNG a Non-Five-Year Vessel, and we and Höegh LNG are unable to agree upon the fair market value of such vessel, the fair market value will be determined by a mutually acceptable investment banking firm, ship broker or other expert advisor, and we or Höegh LNG, as the case may be, will have the right, but not the obligation, to purchase the vessel at such price.

Rights of First Offer on FSRUs and LNG Carriers

Under the omnibus agreement, we and our subsidiaries grant to Höegh LNG a right of first offer on any proposed sale, transfer or other disposition of any Five-Year Vessels or Non-Five-Year Vessels owned by us. Under the omnibus agreement, Höegh LNG agrees (and will cause its subsidiaries to agree) to grant a similar right of first offer to us for any Five-Year Vessels they might own. These rights of first offer will not apply to a (i) sale, transfer or other disposition of vessels between any affiliated subsidiaries or pursuant to the terms of any current or future charter or other agreement with a charter party or (ii) merger with or into, or sale of substantially all of the assets to, an unaffiliated third party.

Prior to engaging in any negotiation regarding any vessel disposition with respect to a Five-Year Vessel with an unaffiliated third party or any Non-Five-Year Vessel, we or Höegh LNG, as the case may be, will deliver a written notice to the other relevant party setting forth the material terms and conditions of the proposed transaction. During the 30-day period after the delivery of such notice, we and Höegh LNG, as the case may be, will negotiate in good faith to reach an agreement on the transaction. If we do not reach an agreement within such 30-day period, we or Höegh LNG, as the case may be, will be able within the next 180 calendar days to sell, transfer, dispose or re-charter the vessel to a third party (or to agree in writing to undertake such transaction with a third party) on terms generally no less favorable to us or Höegh LNG, as the case may be, than those offered pursuant to the written notice.

Upon a change of control of us or our general partner, the right of first offer provisions of the omnibus agreement will terminate immediately. Upon a change of control of Höegh LNG, the right of first offer provisions applicable to Höegh LNG under the omnibus agreement will terminate at the time that is the later of the date of the change of control and the date on which all of our outstanding subordinated units have converted to common units. On the date on which a majority of our directors ceases to consist of directors that were (i) appointed by our general partner prior to our first annual meeting of unitholders and (ii) recommended for election by a majority of our appointed directors, the provisions related to the rights of first offer granted to us by Höegh LNG shall terminate immediately.

Indemnification

Under the omnibus agreement, Höegh LNG will indemnify us until August 12, 2019against certain environmental and toxic tort liabilities with respect to the assets contributed or sold to us to the extent arising prior to the time they were contributed or sold to us. Liabilities resulting from a change in law after the closing of the IPO are excluded from the environmental indemnity. There is an aggregate cap of $5.0 million on the amount of indemnity coverage provided by Höegh LNG for environmental and toxic tort liabilities. No claim may be made unless the aggregate dollar amount of all claims exceeds $500,000, in which case Höegh LNG is liable for claims only to the extent such aggregate amount exceeds $500,000.

Höegh LNG also indemnifies us for losses:

- related to certain defects in title to the assets contributed or sold to us and any failure to obtain, prior to the time they were contributed to us, certain consents and permits necessary to conduct our business, which liabilities arise within three years after August 12, 2014;
- related to certain tax liabilities attributable to the operation of the assets contributed or sold to us prior to the time they were contributed or sold;
- in the event that we do not receive hire rate payments under the *PGN FSRU Lampung* time charter for the period commencing on the closing date of our IPO through the earlier of (i) the date of acceptance of the *PGN FSRU Lampung* or (ii) the termination of such time charter;

- with respect to any obligation to pay liquidated damages to PGN LNG under the *PGN FSRU Lampung* time charter for failure to deliver the *PGN FSRU Lampung* by the scheduled delivery date set forth in the *PGN FSRU Lampung* time charter;

- with respect to any non-budgeted expenses (including repair costs) incurred in connection with the *PGN FSRU Lampung* project (including the construction of the related tower yoke mooring system) occurring prior to the date of acceptance of the *PGN FSRU Lampung* pursuant to the time charter; and

- pursuant to a letter agreement dated August 12, 2015, Höegh LNG confirmed that the indemnification provisions of the omnibus agreement include indemnification for all non-budgeted, non-creditable Indonesian value added taxes and non-budgeted Indonesian withholding taxes, including any related impact on cash flow from PT Höegh and interest and penalties associated with any non-timely Indonesian tax filings related to the ownership or operation of the *PGN FSRU Lampung* and the Mooring whether incurred (i) prior to the closing date of the IPO, (ii) after the closing date of the IPO to the extent such taxes, interest, penalties or related impact on cash flows relate to periods of ownership or operation of the *PGN FSRU Lampung* and the Mooring and are not subject to prior indemnification payments or deemed reimbursable by the charterer under its audit of the taxes related to the *PGN FSRU Lampung* time charter for periods up to and including June 30, 2015, or (iii) after June 30, 2015 to the extent withholding taxes exceed the minimum amount of withholding tax due under Indonesian tax regulations due to lack of documentation or untimely withholding tax filings.

Amendments

The omnibus agreement may not be amended without the prior approval of the conflicts committee of our board of directors if the proposed amendment will, in the reasonable discretion of our board of directors, adversely affect holders of our common units.

Pursuant to our partnership agreement, our general partner, our board of directors and our conflicts committee are entitled to make decisions in "good faith" if they believe that the decision is in our best interests. Our partnership agreement permits our general partner, our board of directors and our conflicts committee to consult with advisors and consultants, such as, among others, appraisers and investment bankers, selected by either of them to assist them with, among other things, the determination of the fair market value of a vessel. Any act taken or omitted to be taken in reliance upon the advice or opinion such advisors as to matters that our general partner, our board of directors and our conflicts committee reasonably believes to be within such advisor's professional or expert competence shall be conclusively presumed to have been done or omitted in good faith and in accordance with such advice.

Indemnification Agreement

On September 27, 2017, we entered into an indemnification agreement with Höegh LNG with respect to the boil-off claims under the *Neptune* and *Cape Ann* time charters, pursuant to which Höegh LNG will, among other things, indemnify us for our share of any losses and expenses related to or arising from the failure of either *Neptune* or *Cape Ann* to meet the performance standards related to the daily boil-off of LNG under their respective time charters (including any cash impact that may result from any settlement with respect to such claims, including any reduction in the hire rate under either time charter.)

Administrative Services Agreements

Höegh UK Administrative Services Agreement

In connection with the IPO, we and our operating company entered into an administrative services agreement with Höegh UK (the "Höegh UK Administrative Services Agreement"), pursuant to which Höegh UK provides us and our operating company certain administrative services. The agreement has an initial term of five years. The services provided under the Höegh UK Administrative Services Agreement will be provided in a diligent manner, as we or our operating company may reasonably direct.

The Höegh UK Administrative Services Agreement may be terminated prior to the end of its term by us and our operating company upon 90 days' written notice for any reason in the sole discretion of our and our operating company's boards of directors. The Höegh UK Administrative Services Agreement may also be terminated solely by Höegh UK upon 90 days' written notice if:

- there is a change of control of us or our general partner;

- a receiver is appointed for all or substantially all of our property or our operating company's property;

- an order is made to wind up the Partnership or our operating company;

- a final judgment, order or decree that materially and adversely affects our or our operating company's ability to perform the agreement is obtained or entered and not vacated, discharged or stayed; or

- we make a general assignment for the benefit of our creditors, file a petition in bankruptcy or for liquidation or commence any reorganization proceedings.

Under the Höegh UK Administrative Services Agreement, Richard Tyrrell, as an officer of Höegh UK, provided until September 2018 executive officer functions for our benefit. Since September 2018, Steffen Føreid has provided executive officer services to us through the Höegh UK Administrative Services Agreement, which services are subcontracted by Höegh UK to Höegh Norway under the Höegh Norway Administrative Services Agreement. Our board of directors has the ability to terminate the arrangement with Höegh UK regarding the provision of executive officer services to us at any time in its sole discretion.

The administrative services provided by Höegh UK to us include:

- **commercial management services**: assisting with our commercial management and the execution of our business strategies and investment decisions, although Höegh UK will not make any strategic or investment decisions;
- **bookkeeping, audit and accounting services**: assisting with the maintenance of our corporate books and records, assisting with the preparation of our tax returns and arranging for the provision of audit and accounting services;
- **legal and insurance services**: arranging for the provision of legal, insurance and other professional services and maintaining our existence and good standing in necessary jurisdictions;
- **administrative and clerical services**: assisting with office space, arranging meetings for our common unitholders pursuant to our partnership agreement, arranging the provision of IT services, providing all administrative services required for subsequent debt and equity financings and attending to all other administrative matters necessary to ensure the professional management of our business;
- **banking and financial services**: providing cash management including assistance with preparation of budgets, overseeing banking services and bank accounts, providing assistance and support with our capitalization, financing and future offerings, negotiating and arranging for hedging arrangements and monitoring and maintaining compliance with loan and credit terms;
- **advisory services**: assisting in complying with U.S. and other applicable securities laws;
- **client and investor relations**: providing advisory, clerical and investor relations services to assist and support us in our communications with our common unitholders; and
- assisting with the integration of any acquired businesses.

The administrative services provided by Höegh UK to our operating company include:

- advising on cash management and services;
- arranging for the preparation and provision of accounting information; and
- providing advice on financing and other agreements into which the operating company is considering entering.

Each month, we and our operating company reimburse Höegh UK for its reasonable costs and expenses incurred in connection with the provision of the services under the Höegh UK Administrative Services Agreement. In addition, Höegh UK receives a service fee in U.S. Dollars equal to 5.0% of the costs and expenses incurred by them in connection with providing services. Amounts payable by us or our operating company must be paid promptly upon receipt of an invoice for such costs, expenses and supporting detail that may be reasonably required. Our operating company reimbursed Höegh UK approximately $2.7 million, $2.7 million and $2.8 million in total under the Höegh UK Administrative Services Agreement for the years ended December 31, 2018, 2017 and 2016, respectively.

Under the Höegh UK Administrative Services Agreement, we and our operating company indemnify Höegh UK against all actions that may be brought against them as a result of their performance of the administrative services including, without limitation, all actions brought under the environmental laws of any jurisdiction, and against and in respect of all costs and expenses they may suffer or incur due to defending or settling such actions; provided, however, that such indemnity excludes any or all losses to the extent that they are caused by or due to the fraud, gross negligence or willful misconduct of the subcontractor or its officers, employees and agents.

Höegh Norway Administrative Services Agreement

Under the Höegh UK Administrative Services Agreement, Höegh UK is permitted to subcontract to Höegh Norway certain of the above-mentioned administrative services provided to us pursuant to an administrative services agreement with Höegh Norway (as amended, the "Höegh Norway Administrative Services Agreement"). This agreement has an initial term of five years. The services provided under the Höegh Norway Administrative Services Agreement will be provided in a diligent manner, as Höegh UK may reasonably direct. The Höegh Norway Administrative Services Agreement may be terminated by Höegh UK for any reason in its sole discretion upon 90 days' written notice. The Höegh Norway Administrative Services Agreement may also be terminated solely by Höegh Norway upon 90 days' written notice if:

- there is a change of control of us or our general partner;
- a receiver is appointed for all or substantially all of our property;
- an order is made to wind up the Partnership;
- a final judgment, order or decree that materially and adversely affects the ability of us, our operating company or Höegh UK to perform the agreement is obtained or entered and not vacated, discharged or stayed; or
- we, our operating company or Höegh UK make or makes a general assignment for the benefit of creditors, file a petition in bankruptcy or for liquidation or commence any reorganization proceedings.

The administrative services provided by Höegh Norway to Höegh UK include:

- bookkeeping, audit and accounting services: assisting with the maintenance of our corporate books and records, assisting with the preparation of our tax returns and arranging for the provision of audit and accounting services;
- legal and insurance services: arranging for the provision of legal, insurance and other professional services and maintaining our existence and good standing in necessary jurisdictions;
- administrative and clerical services: assisting with office space and arranging the provision of IT services;
- advisory services: assisting in complying with U.S. and other applicable securities laws;
- assisting with the integration of any acquired businesses.

Each month, Höegh UK reimburses Höegh Norway for its reasonable costs and expenses incurred in connection with the provision of the services under the Höegh Norway Administrative Services Agreement. In addition, Höegh Norway receives a service fee in U.S. Dollars equal to 3.0% of the costs and expenses incurred by them in connection with providing services. Amounts payable by Höegh UK must be paid promptly upon receipt of an invoice for such costs, expenses and supporting detail that may be reasonably required. Höegh UK reimbursed Höegh Norway approximately $2.1 million, $1.7 million and $1.7 million in total under the Höegh Norway Administrative Services Agreement for the years ended December 31, 2018, 2017 and 2016, respectively.

Under the Höegh Norway Administrative Services Agreement, Höegh UK will indemnify Höegh Norway against all actions that may be brought against them as a result of their performance of the administrative services including, without limitation, all actions brought under the environmental laws of any jurisdiction, and against and in respect of all costs and expenses they may suffer or incur due to defending or settling such actions; provided, however, that such indemnity excludes any or all losses to the extent that they are caused by or due to the fraud, gross negligence or willful misconduct of the subcontractor or its officers, employees and agents.

Leif Höegh UK Administrative Services Agreements

Our operating company and Höegh UK have entered into administrative services agreements with Leif Höegh UK (the "Leif Höegh UK Administrative Services Agreements"), pursuant to which Leif Höegh UK will provide certain administrative services for an indefinite term. The services provided under the Leif Höegh UK Administrative Services Agreements will be rendered using the competence and control systems used for similar third-party services performed for and by Leif Höegh UK. Each of the Leif Höegh UK Administrative Services Agreements may be terminated by either party thereto upon three months' notice.

The administrative services provided by Leif Höegh UK to Höegh UK include:

- administration and payroll services;
- provision of office facilities; and
- secretarial services.

Höegh UK reimburses Leif Höegh UK for its reasonable costs and expenses incurred in connection with its administrative services agreement with Höegh UK. In addition, Leif Höegh UK receives a services fee equal to 5% of the costs and expenses of secretarial services under the agreement. Höegh UK reimbursed Leif Höegh UK approximately $0.2 million, $0.1 million and $0.1 million in total under this administrative services agreement for each of the years ended December 31, 2018, 2017 and 2016.

Leif Höegh UK occasionally performs certain administrative services directly for our operating company, for which it is reimbursed for its reasonable costs and expenses.

Commercial and Administration Management Agreements

Each of SRV Joint Gas Ltd., SRV Joint Gas Two Ltd. and Höegh FSRU III has entered into a commercial and administration management agreement with Höegh Norway. Pursuant to each agreement, Höegh Norway provides the following services to SRV Joint Gas Ltd., SRV Joint Gas Two Ltd. and Höegh FSRU III, as applicable:

- accounting, including budgeting, reporting and annual audited reports;
- finance and cash management;
- in-house legal;
- commercial;
- insurance; and
- general office administration and secretary functions.

Each of SRV Joint Gas Ltd. and SRV Joint Gas Two Ltd. pays Höegh Norway an annual management fee equal to costs incurred plus 3%. Höegh FSRU III pays Höegh Norway a specified management fee with annual escalations of 3%. Höegh Norway was paid management fees of approximately $0.9 million, $0.8 million and $0.1 million under the commercial and administration management agreements with each of SRV Joint Gas Ltd., SRV Joint Gas Two Ltd and Höegh FSRU III, respectively, for the year ended December 31, 2018. For the year ended December 31, 2017 management fees of approximately $0.3 million, $0.7 million and $0.1 million were paid under the commercial and administration management agreements by each of SRV Joint Gas Ltd., SRV Joint Gas Two Ltd. and Höegh FSRU III, respectively. For the year ended December 31, 2016, management fees of approximately $0.7 million, $0.7 million and $0.1 million were paid under the commercial and administration management agreements by each of SRV Joint Gas Ltd., SRV Joint Gas Two Ltd. and Höegh FSRU III, respectively.

Each of SRV Joint Gas Ltd., SRV Joint Gas Two Ltd. and Höegh FSRU III also will indemnify Höegh Norway and its employees and agents against claims brought against them under the applicable commercial and administration management agreement. The agreements may be terminated by either party upon 90 days' written notice.

Ship Management Agreements and Sub-Technical Support Agreement

In order to assist with the technical and maritime management of the vessels, each of SRV Joint Gas Ltd., SRV Joint Gas Two Ltd., Höegh Cyprus and Höegh Colombia has entered into a ship management agreement with Höegh LNG Management, and Höegh Norway has entered into a sub-technical support agreement with Höegh LNG Management for the technical management of the *PGN FSRU Lampung*. Each of the ship management agreements and the sub-technical support agreement provides that Höegh LNG Management must use its best endeavors to provide technical services, including but not limited to the following:

- ***crew management***: except with respect to the ship management agreements with Höegh Cyprus and Höegh Colombia, providing suitably qualified crew for each vessel, arranging for all transportation of the crew, ensuring the crew meets all medical requirements of the flag state, training the crew and conducting union negotiations;

- ***technical management***: supervise the maintenance and efficiency of the vessel, arranging and supervising drydockings, repairs, alterations and maintenance of the vessel and arranging and supplying the necessary stores, spares and lubricating oils;

- ***provisions***: arranging for the supply of provisions; and

- ***accounting***: establishing an accounting system that keeps true and correct accounts with respect to ship management services and maintains the records of all costs and expenditures incurred.

Each of the ship management agreements may be terminated by Höegh LNG Management if the vessel owner fails to pay any amount due under the agreement or employs the vessel in a hazardous or illegal manner. Each of these agreements also may be terminated by the vessel owner if Höegh LNG Management is in material breach of its obligations. If the vessel is sold, becomes a total loss or is requisitioned, or if an order or resolution is passed for the winding up, dissolution, liquidation or bankruptcy of either party or if a receiver is appointed for either party, the agreement terminates. With respect to the ship management agreements or sub-technical support agreement with each of SRV Joint Gas Ltd., SRV Joint Gas Two Ltd., Höegh Norway and Höegh Cyprus, either party may terminate the ship management agreements and the sub-technical support agreement upon 30 days' notice (with respect to the ship management agreement with Höegh Cyprus) or 90 days' notice (with respect to the other agreements).

For the respective years ended December 31, 2018, 2017 and 2016, annual management fees of approximately $3.6 million, $3.7 million and $3.0 million in the aggregate were paid under the ship management agreements or sub-technical support agreement. In addition, the vessel owner must indemnify Höegh LNG Management and its employees, agents and subcontractors against all actions, proceedings, claims, demands or liabilities arising in connection with the performance of the ship management agreements or the sub-technical support agreement, unless the same resulted solely from the negligence, gross negligence or willful default of Höegh LNG Management or its employees, agents and subcontractors, in which case Höegh LNG Management will be liable in an amount up to 10 times the annual management fee.

Gallant Management Agreement

Höegh Cyprus is party to a management agreement with Höegh Norway, pursuant to which Höegh Norway provides administrative, commercial and technical management services, each as instructed from time to time by Höegh Cyprus. The services performed under the Gallant management agreement may include, but are not limited to:

- administrative management services, including:
    - provision of a person to be appointed as president or managing director of Höegh Cyprus;
    - services relating to the day-to-day running of the business of Höegh Cyprus;
    - management and provision of controller functions for financial matters;
    - arranging entry into loan agreements, currency exchange agreements, interest hedging agreements, financial swap agreements, and other agreements in respect of futures and derivative instruments, each subject to the authorization of Höegh Cyprus's board of directors;
    - provision of budgets and financial statements, including long- and short-term budgets, long term financial forecasts, status reports and projections, annual reports and quarterly reports;
    - handling and settling minor claims by third parties; and
    - bringing or defending actions, suits and proceedings;
- commercial management services, including;
    - chartering services, including seeking and negotiating employment for the *Höegh Gallant*, appointment of brokers and agents, and concluding charter contracts, subject to the authorization of Höegh Cyprus' board of directors;
    - arranging the provision of bunker fuel for the *Höegh Gallant*;
    - operation of the *Höegh Gallant*, including the provision of compatibility/interface studies, FSRU approval and vetting processes and voyage estimates and accounts and calculation of hire, freights, demurrage and dispatch moneys due from or due to the charterer, and the issuance of voyage instructions, appointing agents and stevedores and to arrange survey of cargoes; and
    - freight management, including provision of freight estimates and accounts and calculation of hire and freights and/or demurrage and dispatch money due from or due to charterers and arranging proper payment of all hire and freight revenues; and
- technical management services, including arranging insurance and handling and settling all insurance, salvage and other claims.

The Gallant management agreement's term is concurrent with the term of the *Höegh Gallant* time charter, and continues thereafter until either party terminates the agreement upon six months' notice. Additionally, Höegh Norway may terminate or suspend performance under the agreement if Höegh Cyprus fails to pay any amount due under the agreement. If an order or resolution is passed for the winding up, dissolution, liquidation or bankruptcy of either party or if a receiver is appointed for either party, the agreement terminates.

Höegh Cyprus pays Höegh Norway an annual management fee in NOK of Höegh Norway's documented costs plus 3%. An estimate of the annual management fee forms the basis of an amount payable by equal monthly installments in arrears. Settlement of the discrepancy between the estimated management fee and the actual management fee takes place at the end of each calendar year. Höegh Cyprus paid Höegh Norway approximately $0.2 million, $0.3 million and $0.1 million under the Gallant management agreement for the years ended December 31, 2018, 2017 and 2016.

Höegh Cyprus must indemnify Höegh Norway and its employees, agents and subcontractors against all actions, proceedings, claims, demands or liabilities arising in connection with the performance of the Gallant management agreement, unless the same resulted solely from the negligence, gross negligence or willful default of Höegh Norway or its employees, agents and subcontractors. If a claim is the sole result of the negligence, gross negligence or willful default of Höegh Norway or its employees, agents and subcontractors, then Höegh Norway is liable in an amount up to NOK 500,000 per incident.

Technical Information and Services Agreement

PT Höegh entered into a technical information and services agreement with Höegh Norway, pursuant to which Höegh Norway provides PT Höegh certain technical information and services. The technical information and services agreement's term is concurrent with the term of the *PGN FSRU Lampung* time charter, including any exercised extension options.

The technical information and services agreement may be terminated with immediate effect prior to the end of its term if either PT Höegh or Höegh Norway (i) fails to pay any amount due under the technical information and services agreement and such failure continues for more than 14 days after notice of such failure was given to the failing party, (ii) commits a material breach of the technical information and services agreement that remains unremedied for more than 30 days after the breaching party was notified of such material breach or (iii) suffers an insolvency event. The technical information and services agreement may also be terminated by PT Höegh or Höegh Norway upon 30 days' written notice.

Pursuant to the technical information and services agreement, Höegh Norway provides technical information, consisting of data, commercial information and technical information, to PT Höegh relating to the design, construction, operation and maintenance of the *PGN FSRU Lampung* and the Mooring. During the period of the *PGN FSRU Lampung* time charter, including any exercised extension options, Höegh Norway also provides PT Höegh non-transferrable and non-exclusive intellectual property rights in respect of the technical information, along with the safety management system and certain databases, technology and software.

The services provided by Höegh Norway to PT Höegh include:

- commercial support, including:
  - assisting in identifying suppliers, liaising with off-shore suppliers of goods and services, assisting in identifying insurance providers;
  - assisting in identifying insurance providers; and
  - assisting in negotiations and reviewing contracts and insurance policies;
- technical support and advice, including in relation to:
  - identification, assessment and resolution of technical issues;
  - information technology;
  - health, safety and the environment; and
  - maintaining, developing and improving a quality assurance system to ensure compliance with relevant mandatory international rules, regulations and standards;

- financial and cash management support, including budgeting, reporting and preparation of annual audited reports;
- in-house legal support;
- general administrative and back-office support;
- research and development; and
- training for employees.

Each month, PT Höegh pays Höegh Norway a fee for the provision of the technical information, including the intellectual property rights, and the services. The monthly fee consists of (i) a license fee and (ii) a service fee consisting of a pro rata payment of the estimated annual costs incurred by Höegh Norway under the technical information and services agreement and a 5.0% fee on such payment. The service fee is reconciled annually with the actual costs incurred by Höegh Norway during the prior calendar year. Any amounts payable after such reconciliation must be paid by the owing party no later than 44 days after the end of each such calendar year. Höegh Norway has never invoiced any amounts for the license fee. PT Höegh paid Höegh Norway approximately $0.03 million, $0.04 million and $0.05 million for the service fee under the technical information and services agreement for the years ended December 31, 2018, 2017 and 2016, respectively.

Under the technical information and services agreement, PT Höegh indemnifies Höegh Norway against all losses arising under the technical information and services agreement in connection with (i) losses suffered by third parties, (ii) the personal injury, sickness or death of any person that itself or together with its affiliates holds more than half of PT Höegh's issued share capital or any of PT Höegh's officers, directors, employees, agents, representatives, advisors and contractors and (iii) loss of or damage to property owned or under the custody of PT Höegh or any party listed above in section (ii) of this paragraph.

Master Spare Parts Supply Agreement

PT Höegh and Höegh Asia entered into a master spare parts supply agreement, pursuant to which Höegh Asia supplies certain spare parts and supplies for the *PGN FSRU Lampung* and the Mooring to PT Höegh. PT Höegh, from time to time, submits an order, which may be freely accepted or declined, to Höegh Asia for the supply of spare parts, lubricating oils and other provisions. In respect of each accepted order, Höegh Asia submits an invoice to PT Höegh consisting of the actual cost of the supplied services and a 5.0% fee on the cost of such supplied services, which must be paid by PT Höegh no more than 14 days after receipt of such invoice.

Master Maintenance Agreement

PT Höegh and Höegh Shipping entered into a master maintenance agreement, pursuant to which Höegh Shipping provides certain maintenance services to PT Höegh. PT Höegh, from time to time, submits an order, which may be freely accepted or declined, to Höegh Shipping for the supply of services, including maintenance of the *PGN FSRU Lampung*, its systems and equipment and the Mooring. In respect of each accepted order, Höegh Shipping submits an invoice to PT Höegh consisting of the actual cost of the supplied services and a 5.0% fee on the cost of such supplied services, which must be paid by PT Höegh no more than 14 days after receipt of such invoice.

Secondment Agreement

Höegh Cyprus has entered into a secondment agreement with Höegh Maritime Management pursuant to which Höegh Maritime Management provides crew to the *Höegh Gallant*. During their period of service, the crew members remain employees of Höegh Maritime Management, but are seconded to, and operate under the instruction and supervision of, Höegh Cyprus. Either party may terminate the secondment agreement upon six months' written notice to the other party or upon a material breach by the other party (not cured within 10 days). Höegh Cyprus reimburses Höegh Maritime Management for the salaries and other expenses of the seconded employees. Höegh Cyprus also reimburses Höegh Maritime Management for any amount paid to manning agents used for hiring crew, plus a service fee equal to 5.0% of such amount and an administration fee of up to $5,000, with all payments made in U.S. Dollars. During the years ended December 31, 2018, 2017 and 2016, respectively, Höegh Maritime Management charged approximately $2.9 million, $2.9 million and $3.9 million to Höegh Cyprus pursuant to the secondment agreement.

Höegh Grace Services Agreements

Höegh Colombia and Höegh FSRU IV have entered into several agreements with affiliates of Höegh LNG and Höegh Autoliners Ltd. to provide services related to the *Höegh Grace* (the "Höegh Grace Services Agreements"):

- a manning agreement with Höegh Fleet Services Philippines Inc. (an affiliate of Höegh Autoliners Ltd.) to recruit and engage crew for the vessel, including planning the crew rotation schedule, processing employment contracts and arranging visas and travel to the vessel; in exchange for reimbursement of costs, plus a service fee equal to 5.0%;

- a technical services agreement with Höegh Norway to provide technical services for the vessel, including arranging for the provision of bunker fuel, operational support, providing access to the information technology systems of Höegh LNG and providing technical information and supporting documentation as requested by Höegh Colombia; in exchange for specified hourly rates, plus a service fee equal to 3.0% and an additional fee calculated based on the scope of use of Höegh LNG's information technology systems;

- a management consulting agreement with Höegh Norway to provide support related to certain management activities, including support and advice to the management of Höegh Colombia regarding operational and financial matters, assistance with the preparation of budgets and the provision of controller functions for financial matters; in exchange for specified hourly rates, plus a service fee equal to 3.0%;

- a crew recruitment consulting services agreement with Höegh Maritime Management to provide professional consulting services in connection with recruitment of crew and other employees, including evaluating and recommending to Höegh Colombia individuals that meet its hiring specifications, executing employment contracts with individuals approved by Höegh Colombia and arranging visas and travel to the vessel; in exchange for reimbursement of costs, plus a 5.0% fee charged on certain administrative costs and on any amount paid to manning agents used for hiring crew;

- an agreement for provision of professional payment services with Höegh Maritime Management to provide services in connection with the payment of monthly salaries to the crew and employees working on the vessel; in exchange for reimbursement of costs, plus a service fee equal to 5.0%; and

- a spare parts procurement and insurance services agreement with Höegh LNG Management to arrange for the supply of spare parts and the insurance coverage for the vessel; in exchange for an annual fee plus reimbursement of certain expenses.

Höegh Colombia and Höegh FSRU IV paid an aggregate of approximately $0.5 million, $0.5 million and $1.2 million to the service providers under the Höegh Grace Services Agreements for the years ended December 31, 2018, 2017 and 2016, respectively.

Revolving Credit Facility with Höegh LNG

In connection with the closing of the IPO, we entered into an unsecured $85 million revolving credit facility with Höegh LNG, to be used to fund acquisitions and our working capital requirements. The revolving credit facility matures on January 1, 2020, unless otherwise terminated due to an event of default. Interest on drawn amounts is payable quarterly at a rate equal to LIBOR plus a margin of 4.0%. Originally, we were required to pay a 1.4% annual commitment fee to Höegh LNG on undrawn available amounts under the revolving credit facility. On January 29, 2018, the revolving credit facility was amended eliminating the requirement to pay a commitment fee on the undrawn balance of the facility. Drawings on the revolving credit facility are subject to customary conditions precedent, including absence of a default or event of default and accuracy of representations and warranties in all material respects.

For a more detailed description of this credit facility, please read "Item 5.B—Liquidity and Capital Resources—Borrowing Activities—Revolving Credit Facility Due to Owners and Affiliates."

License Agreement

At the closing of the IPO, we entered into a license agreement with Leif Höegh & Co. Ltd., pursuant to which Leif Höegh & Co. Ltd. granted to us a worldwide, nonexclusive, royalty-free license to use the name and unregistered trademark "Höegh LNG" and a flag and funnel mark. The license agreement will terminate, upon the election of Leif Höegh & Co. Ltd., if Höegh LNG ceases to control our general partner or Leif Höegh & Co. Ltd. beneficially owns less than 34% of the issued shares of Höegh LNG.

Time Charter and Option for the *Höegh Gallant*

The *Höegh Gallant* is currently operating under a time charter with EgyptCo, a subsidiary of Höegh LNG, that expires in 2020. In addition, we have entered into an option agreement with Höegh LNG pursuant to which we have the right to cause Höegh LNG to charter the *Höegh Gallant* from the expiration or termination of the EgyptCo charter until July 2025 at a rate equal to 90% of the rate payable pursuant to the current charter with EgyptCo, plus any incremental taxes or operating expenses as a result of the new charter.

Acquisition of the *Höegh Grace*

On January 3, 2017, we closed the acquisition of a 51% ownership interest in Höegh Colombia Holding, the entity that owns Höegh FSRU IV and Höegh Colombia, the entities that own and operate the *Höegh Grace* (together with Höegh Colombia Holding, the "*Höegh Grace* entities") for cash consideration of $91.8 million, excluding the working capital adjustment.

On December 1, 2017, the Partnership closed the acquisition of the remaining 49% ownership interest in the *Höegh Grace* entities with a combination of cash consideration of $45.3 million and draws on the revolving credit facility of $41.4 million.

Under the contribution, purchase and sale agreements entered into with respect to the acquisition of the 51% and 49% ownership interest in the *Höegh Grace* entities, Höegh LNG will indemnify the Partnership for:

- losses from breach of warranty;
- losses related to certain environmental liabilities, damages or repair costs and tax liabilities attributable to the operation of the *Höegh Grace* prior to January 3, 2017;
- any recurring non-budgeted costs owed to tax authorities with respect to payroll taxes, taxes related to social security payments, corporate income taxes (including income tax for equality and surcharge on income tax for equality), withholding tax, port associations, local Cartagena tax, and financial transaction tax, including any penalties associated with taxes to the extent not reimbursed by the charterer;
- any non-budgeted losses suffered or incurred in connection with the commencement of services under the *Höegh Grace* charter with SPEC; and
- any losses suffered or incurred in relation to the performance guarantee we have provided with respect to the *Höegh Grace* charter, up to Höegh LNG's pro rata share of such losses, based on its remaining ownership interest in Höegh Colombia Holding. This provision is not applicable after December 1, 2017, when we acquired the remaining 49% interest in the *Höegh Grace* entities.

For a more detailed description of the *Höegh Grace* time charter with SPEC and the Gallant/Grace facility, please read "Item 4.B. Business Overview—Vessel Time Charters— *Höegh Grace* Charter" and "Item 5.B. Liquidity and Capital Resources—Borrowing Activities—Long-term Debt—Gallant/Grace Facility", respectively.

Other Related Party Transactions

Our activities were an integrated part of Höegh LNG until the closing of the IPO on August 12, 2014. We entered into several agreements with Höegh LNG (and certain of its subsidiaries) for the provision of services. As such, Höegh LNG has provided general and corporate management services to us. A subsidiary of Höegh LNG provided ship management for *PGN FSRU Lampung*, *Höegh Gallant* and *Höegh Grace*. Refer to note 19 to our consolidated financial statements for additional information.

Amounts for related party transactions included in the consolidated statements of income for the years ended December 31, 2018, 2017 and 2016 or capitalized or recorded in the consolidated balance sheets as of December 31, 2018 and 2017 are as follows:

Statement of income:	**Year ended December 31,**		
(in thousands of U.S. dollars)	**2018**	**2017**	**2016**
Time charter revenue *Höegh Gallant*	$ 47,108	46,382	$ 47,741
Time charter and construction contract revenues indemnified by/refunded to Höegh LNG	—	(2,496)	—
Vessel operating and administrative expenses	(25,191)	(24,408)	(16,590)
Interest income from joint ventures and demand note	273	370	827
Interest expense and commitment fees to Höegh LNG	(2,938)	(3,934)	(5,071)
Total	$ 19,252	15,914	$ 26,907

Balance sheet:	**As of December 31,**	
(in thousands of U.S. dollars)	**2018**	**2017**
Equity:		
Cash contribution for indemnifications payments from Höegh LNG	$ 1,701	$ 2,075
Repayment of indemnification received from Höegh LNG	(2,353)	(1,534)
Issuance of units for board of directors' fees	200	189
Other and contribution from owner	472	632
Total	$ 20	$ 1,362

Our trade liabilities, revolving credit facility and shareholder loans to Höegh LNG and affiliates were $39.3 million and $53.2 million for the years ended December 31, 2018 and 2017, respectively. The outstanding revolving credit facility had a weighted average interest rate of 6.3% and 5.3% for the years ended December 31, 2018 and 2017, respectively. The seller's credit note was repaid as of December 31, 2017. The outstanding seller’s credit had a weighted average interest rate for the year ended December 31, 2017 of 8.2%.

Distributions to Höegh LNG

For the years ended December 31, 2018, 2017 and 2016, we paid quarterly distributions totaling $72.5 million, $57.0 million and $43.9 million of which $28.2 million, $27.0 million and $25.7 million were paid to Höegh LNG, respectively.

C. Interests of Experts and Counsel

Not applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

Please read "Item 18—Financial Statements" below for additional information required to be disclosed under this item.

Legal Proceedings

From time to time we have been, and expect to continue to be, subject to legal proceedings and claims in the ordinary course of our business, principally personal injury and property casualty claims. These claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources. Refer to note 22 "Commitments and Contingencies" to our consolidated financial statements for a description of certain claims made against us.

The Partnership's Cash Distribution Policy

Rationale for Our Cash Distribution Policy

Our cash distribution policy reflects a judgment that our unitholders will be better served by our distributing our available cash (after deducting expenses, including estimated maintenance and replacement capital expenditures and reserves) rather than retaining it. Because we believe we will generally finance any expansion capital expenditures from external financing sources, we believe that our unitholders are best served by our distributing all of our available cash. Our cash distribution policy is consistent with the terms of our partnership agreement, which requires that we distribute all of our available cash quarterly (after deducting expenses, including estimated maintenance and replacement capital expenditures and reserves).

Limitations on Cash Distributions and Our Ability to Change Our Cash Distribution Policy

There is no guarantee that unitholders will receive quarterly distributions from us. Our distribution policy is subject to certain restrictions and may be changed at any time, including:

- Our unitholders have no contractual or other legal right to receive distributions other than the obligation under our partnership agreement to distribute available cash on a quarterly basis, which is subject to the broad discretion of our board of directors to establish reserves and other limitations.

- We will be subject to restrictions on distributions under our financing agreements. Our financing agreements contain material financial tests and covenants that must be satisfied in order to pay distributions. If we are unable to satisfy the restrictions included in any of our financing agreements or are otherwise in default under any of those agreements, as a result of our debt levels or otherwise, we will not be able to make cash distributions to unitholders, notwithstanding our stated cash distribution policy. These financial tests and covenants are described in this Annual Report in "Item 5.B. Liquidity and Capital Resources."

- A part of our business is currently conducted through our joint ventures. Under the joint venture agreement that governs our joint ventures that own the *Neptune* and the *Cape Ann*, our joint ventures are prohibited from making distributions under certain circumstances, including when they have outstanding shareholder loans. In addition, we are unable to cause our joint ventures to make distributions without the agreement of our joint venture partners. Under the joint ventures' bank debt facilities certain covenants and restrictions apply to making distributions. In order to make distributions for the shareholder loans or dividends, a 1.20 historical and projected debt service coverage ratio must be met. As of December 31, 2018, the 1.20 historical debt service coverage ratio had not been met by our joint ventures. If our joint ventures are unable to make distributions to us, it could have a material adverse effect on our ability to pay cash distributions to unitholders in accordance with our stated cash distribution policy.

- We are required to make substantial capital expenditures to maintain and replace our fleet. These expenditures may fluctuate significantly over time, particularly as our vessels near the end of their useful lives. In order to minimize these fluctuations, our partnership agreement requires us to deduct estimated, as opposed to actual, maintenance and replacement capital expenditures from the amount of cash that we would otherwise have available for distribution to our unitholders. In years when estimated maintenance and replacement capital expenditures are higher than actual maintenance and replacement capital expenditures, the amount of cash available for distribution to unitholders will be lower than if actual maintenance and replacement capital expenditures were deducted.

- Although our partnership agreement requires us to distribute all of our available cash, our partnership agreement, including provisions contained therein requiring us to make cash distributions, may be amended. During the subordination period, with certain exceptions, our partnership agreement may not be amended without the approval of non-affiliated common unitholders. After the subordination period has ended, our partnership agreement can be amended with the approval of a majority of the outstanding common units. Höegh LNG owns approximately 10.5% of our common units and all of our subordinated units as of March 31, 2019.

- Even if our cash distribution policy is not modified or revoked, the amount of distributions we pay under our cash distribution policy and the decision to make any distribution is determined by our board of directors, taking into consideration the terms of our partnership agreement.

- The Series A preferred units rank senior to our common and subordinated units as to payments of distributions. Therefore, we will not be able to pay distributions to our common unitholders if we have failed to pay distributions to our Series A preferred units.

- Under Section 51 of the Marshall Islands Act, we may not make a distribution to unitholders if, after giving effect to the distribution, our liabilities, other than liabilities to partners on account of their partnership interest and liabilities for which the recourse of creditors is limited to specified property of ours, exceed the fair value of our assets, except that the fair value of property that is subject to a liability for which the recourse of creditors is limited shall be included in our assets only to the extent that the fair value of that property exceeds that liability.

- PT Höegh is subject to restrictions on distributions under Indonesian laws due to its formation under the laws of Indonesia. Under Article 71.3 of the Indonesian Company Law (Law No. 40 of 2007), dividend distributions may be made only if PT Höegh has positive retained earnings. In addition, PT Höegh as an Indonesian incorporated company is required to establish a statutory reserve equal to 20% of its paid up capital. The dividend can only be distributed if PT Höegh's retained earnings are positive after deduction of the statutory reserve. PT Hoegh LNG Lampung had not established the required statutory reserves as of December 31, 2018. Therefore, PT Hoegh LNG Lampung cannot make dividend payments under Indonesian law. However, subject to meeting a debt service ratio of 1.20 to1.00, PT Höegh can distribute cash from its cash flow from operations to us as payment of intercompany accrued interest and / or intercompany debt, after quarterly payments of the Lampung facility and fulfilment of the "waterfall" provisions to meet operating requirements as defined by the Lampung facility. Höegh Lampung, our subsidiary holding the ownership interest in PT Höegh, is subject to restrictions under Singapore law due to its formation under Singapore law. Under Section 403(1) of the Companies Act (Cap. 50) of Singapore, no dividends shall be payable to the shareholders of any company except out of profits.

- Under Cayman Islands law, Höegh FSRU III, Höegh Colombia Holding and Höegh FSRU IV may only pay dividends distributions out of profits or capital reserves if the entity is solvent after the distribution. Dividends from Höegh Cyprus may only be distributed out of profits and not from the share capital of the company.

- Our joint ventures for the *Neptune* and the *Cape Ann* are subject to restrictions on distributions under the laws of the Cayman Islands due to their formation under the laws of the Cayman Islands. Under such laws, a dividend distribution may only be paid out of profits or capital reserves if the entity is solvent after the distribution.

- We may lack sufficient cash to pay distributions to our unitholders due to decreases in total operating revenues, decreases in hire rates, the loss of a vessel, increases in operating or general and administrative expenses, principal and interest payments on outstanding debt, taxes, working capital requirements, maintenance and replacement capital expenditures or anticipated cash needs. Please read "Item 3.D. Risk Factors" for a discussion of these factors.

Estimated Maintenance and Replacement Capital Expenditures

Our partnership agreement requires our board of directors to deduct from operating surplus each quarter estimated maintenance and replacement capital expenditures, as opposed to actual maintenance and replacement capital expenditures, in order to reduce disparities in operating surplus caused by fluctuating maintenance and replacement capital expenditures. To the extent that our charterers reimburse our joint ventures or us, as applicable, for anticipated drydocking expenses, these are excluded from maintenance capital expenditures.

For the year ended December 31, 2017, our estimated maintenance and replacement capital expenditures for us and our joint ventures was $18.3 million per year for future vessel replacement and drydocking. Following our acquisition of a 49% ownership interest in Höegh Colombia Holding, the entity that owns the *Höegh Grace* on December 1, 2017, our estimated maintenance and replacement capital expenditures for us and our joint ventures was revised by our board of directors to $20.7 million per year, with the approval of the conflicts committee, for the year ended December 31, 2018. Estimated maintenance and replacement capital expenditures are based on assumptions regarding the remaining useful life of the vessels in our fleet, a net investment rate equivalent to our current expected long-term borrowing costs, vessel replacement values based on current market conditions, the residual value of the vessels at the end of their useful lives based on current steel prices, estimated expenditures for drydocking not reimbursable under time charters and an assumed level of inflation. The actual cost of replacing the vessels in our fleet will depend on a number of factors, including prevailing market conditions, hire rates and the availability and cost of financing at the time of replacement. For the year ended December 31, 2019, our estimated maintenance and replacement capital expenditures will be assessed for the first quarter reporting.

Our board of directors, with the approval of the conflicts committee, may from time to time determine that one or more of our assumptions should be revised, which could cause our board of directors to adjust the amount of estimated maintenance and replacement capital expenditures. Furthermore, we may elect to finance some or all of our maintenance and replacement capital expenditures through the issuance of additional common units, which could be dilutive to existing unitholders.

Please read "Item 3.D. Risk Factors—Risks Inherent in Our Business—We must make substantial capital expenditures to maintain and replace the operating capacity of our fleet, which will reduce our cash available for distribution. In addition, each quarter we will be required, pursuant to our partnership agreement, to deduct estimated maintenance and replacement capital expenditures from operating surplus, which may result in less cash available to unitholders than if actual maintenance and replacement capital expenditures were deducted."

Minimum Quarterly Distribution

Common unitholders are entitled under our partnership agreement to receive a quarterly distribution of $0.3375 per unit, prior to any distribution on the subordinated units to the extent we have sufficient cash on hand to pay the distribution, after establishment of cash reserves and payment of fees and expenses. There is no guarantee that we will pay the minimum quarterly distribution on the common units and subordinated units in any quarter. Even if our cash distribution policy is not modified or revoked, the amount of distributions paid under our policy and the decision to make any distribution is determined by our board of directors, taking into consideration the terms of our partnership agreement. We are prohibited from making any distributions to unitholders if it would cause an event of default, or an event of default is then existing, under our financing arrangements. Please read "Item 5.B. Liquidity and Capital Resources—Borrowing Activities" for a discussion of the restrictions contained in our credit facilities.

During the years ended December 31, 2018, 2017 and 2016, the aggregate amount of cash distributions paid was $72.5 million, $57.0 million and $43.9 million, respectively.

On February 14, 2019, we paid a $0.44 per unit distribution with respect to the fourth quarter of 2018. The aggregate amount of the cash distribution paid was $15.0 million, including $0.4 million paid to the holder of the incentive distribution rights.

On February 15, 2019, we paid a cash distribution of $3.4 million, or $0.546875 per Series A preferred unit, for the period commencing on November 15, 2018 to February 14, 2019.

Subordination Period

During the subordination period applicable to the subordinated units currently held by Höegh LNG, the common units will have the right to receive distributions of available cash from operating surplus in an amount equal to the minimum quarterly distribution of $0.3375 per unit, plus any arrearages in the payment of the minimum quarterly distribution on the common units from prior quarters, before any distributions of available cash from operating surplus may be made on the subordinated units. Distribution arrearages do not accrue on the subordinated units. The purpose of the subordinated units is to increase the likelihood that during the subordination period there will be available cash from operating surplus to be distributed on the common units.

Incentive Distribution Rights

Incentive distribution rights represent the right to receive an increasing percentage of quarterly distributions of available cash from operating surplus after the minimum quarterly distribution and the target distribution levels have been achieved. Höegh LNG currently holds the incentive distribution rights. The incentive distribution rights may be transferred separately from any other interest, subject to restrictions in our partnership agreement. Except for transfers of incentive distribution rights to an affiliate or another entity as part of a merger or consolidation with or into, or sale of substantially all of its assets to such entity, the approval of a majority of our common units (excluding common units held by our general partner and its affiliates), voting separately as a class, generally is required for a transfer of the incentive distribution rights to a third party prior to June 30, 2019. Any transfer by Höegh LNG of the incentive distribution rights would not change the percentage allocations of quarterly distributions with respect to such rights.

The following table illustrates the percentage allocations of the additional available cash from operating surplus among the unitholders and the holders of the incentive distribution rights up to the various target distribution levels. The amounts set forth under "Marginal Percentage Interest in Distributions" are the percentage interests of the unitholders and the holders of the incentive distribution rights in any available cash from operating surplus we distribute up to and including the corresponding amount in the column "Total Quarterly Distribution Target Amount," until available cash from operating surplus we distribute reaches the next target distribution level, if any. The percentage interests shown for the unitholders and the holders of the incentive distribution rights for the minimum quarterly distribution are also applicable to quarterly distribution amounts that are less than the minimum quarterly distribution.

	Total Quarterly Distribution Target Amount	Marginal Percentage Interest in Distributions	
		Unitholders	Holders of IDRs
Minimum Quarterly Distribution	$0.3375	100%	0%
First Target Distribution	up to $0.388125	100%	0%
	above $0.388125		
Second Target Distribution	up to $0.421875	85%	15%
	above $0.421875		
Third Target Distribution	up to $0.50625	75%	25%
Thereafter	above $0.50625	50%	50%

B. Significant changes

Not applicable.

Item 9. The Offer and Listing

A. Offer and Listing Details

Not applicable.

B. Plan of Distribution

Not applicable.

C. Markets

Our common units started trading on the NYSE under the symbol “HMLP” on August 8, 2014.

Our Series A preferred units began trading on the NYSE under the symbol “HMLP PRA” on October 9, 2017.

D. Selling Unitholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

Item 10. Additional Information

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

The information required to be disclosed under Item 10B is incorporated by reference to our Registration Statement on Form 8-A/A filed with the SEC on November 14, 2017 and our Registration Statement on Form 8-A filed with the SEC on October 5, 2017.

C. Material Contracts

The following is a summary of each material contract, other than material contracts entered into in the ordinary course of business, to which we or any of our subsidiaries is a party, for the two years immediately preceding the date of this Annual Report, each of which is included in the list of exhibits in "Item 19. Exhibits":

(1) Contribution, Purchase and Sale Agreement, dated August 8, 2014, among Höegh LNG Holdings Ltd., Höegh LNG Ltd., Höegh LNG Partners LP, Höegh LNG GP LLC and Höegh LNG Partners Operating LLC. Please read "Item 7.B. Related Party Transactions—Contribution, Purchase and Sale Agreement."

(2) Omnibus Agreement, dated August 12, 2014, among Höegh LNG Holdings Ltd., Höegh LNG Partners LP, Höegh LNG GP LLC and Höegh LNG Partners Operating LLC, as supplemented by a letter agreement dated August 12, 2015. Please read "Item 7.B. Related Party Transactions—Omnibus Agreement."

(3) 2014 Höegh LNG Partners LP Long-Term Incentive Plan. Please read "Item 6.B. Compensation."

(4) Höegh LNG Partners LP Amended and Restated Non-Employee Director Compensation Plan. Please read "Item 6.B. Compensation."

(5) Employment Contract, dated November 26, 2013, between Leif Höegh (U.K.) Limited and Richard Tyrrell. Please read "Item 6.B. Compensation."

(6) Employment Contract, dated June 9, 2010 between Steffen Føreid and Höegh LNG AS, as amended November 28, 2018. Please read "Item 6.B. Compensation."

(7) Administrative Services Agreement, dated July 2, 2014, among Höegh LNG Partners LP, Höegh LNG Partners Operating LLC and Höegh LNG Services Ltd., as amended. Please read "Item 7.B. Related Party Transactions—Administrative Service Agreements—Höegh UK Administrative Service Agreement."

(8) Administrative Services Agreement, dated July 2, 2014, between Höegh LNG Services Ltd and Höegh LNG AS, as amended. Please read "Item 7.B. Related Party Transactions—Administrative Service Agreements—Höegh Norway Administrative Service Agreement."

(9) Administrative Services Agreement, dated October 28, 2014, between Leif Höegh (U.K.) Limited and Höegh LNG Partners Operating LLC. "Item 7.B. Related Party Transactions—Administrative Service Agreements—Leif Höegh UK Administrative Service Agreements."

(10) Administrative Services Agreement, dated October 28, 2014, between Leif Höegh (U.K.) Limited and Höegh LNG Services Ltd. Please read "Item 7.B. Related Party Transactions—Administrative Service Agreements—Leif Höegh UK Administrative Service Agreements."

(11) Commercial and Administration Management Agreement, dated November 24, 2009, between SRV Joint Gas Ltd. and Höegh LNG AS (*Neptune*). Please read "Item 7.B. Related Party Transactions—Commercial and Administration Management Agreements."

(12) Commercial and Administration Management Agreement, dated May 19, 2010, between SRV Joint Gas Two Ltd. and Höegh LNG AS (*Cape Ann*). Please read "Item 7.B. Related Party Transactions—Commercial and Administration Management Agreements."

(13) Commercial and Administration Management Agreement, dated May 31, 2010, between Höegh LNG FSRU III Ltd. (as successor to HöeghStream LNG Ltd.) and Höegh LNG AS (*Höegh Gallant*). Please read "Item 7.B. Related Party Transactions—Commercial and Administration Management Agreements."

(14) Management Agreement, dated March 27, 2015, between Höegh Cyprus and Höegh LNG AS (*Höegh Gallant*). Please read "Item 7.B. Related Party Transactions—Gallant Management Agreement."

(15) Baltic and International Maritime Council Standard Ship Management Agreement, dated April 23, 2014, between SRV Joint Gas Ltd. and Höegh LNG Fleet Management AS (*Neptune*). Please read "Item 7.B. Related Party Transactions—Ship Management Agreements and Sub-Technical Agreements."

(16) Baltic and International Maritime Council Standard Ship Management Agreement, dated April 23, 2014, between SRV Joint Gas Two Ltd. and Höegh LNG Fleet Management AS (*Cape Ann*). Please read "Item 7.B. Related Party Transactions—Ship Management Agreements and Sub-Technical Agreements."

(17) Baltic and International Maritime Council Standard Ship Management Agreement, dated March 24, 2015, between Höegh LNG Cyprus and Höegh LNG Fleet Management AS (*Höegh Gallant*). Please read "Item 7.B. Related Party Transactions—Ship Management Agreements and Sub-Technical Agreements."

(18) Baltic and International Maritime Council Standard Ship Management Agreement, dated October 17, 2016, between Höegh LNG Colombia S.A.S. and Höegh LNG Fleet Management AS (*Höegh Grace*). Please read "Item 7.B. Related Party Transactions—Ship Management Agreements and Sub-Technical Agreements."

(19) Technical Information and Services Agreement, dated April 2, 2014, between PT Höegh LNG Lampung and Höegh LNG AS (*PGN FSRU Lampung*). Please read "Item 7.B. Related Party Transactions—Ship Management Agreements and Sub-Technical Agreements."

(20) Master Spare Parts Supply Agreement, dated April 2, 2014, between PT Höegh LNG Lampung and Höegh LNG Asia Pte. Ltd. (*PGN FSRU Lampung*). Please read "Item 7.B. Related Party Transactions—Master Spare Parts Supply Agreement."

(21) Master Maintenance Agreement, dated April 2, 2014, between PT Höegh LNG Lampung and Höegh LNG Shipping Services Pte Ltd (*PGN FSRU Lampung*). Please read "Item 7.B. Related Party Transactions—Master Maintenance Agreement."

(22) Sub-Technical Support Agreement, dated April 11, 2014, between Höegh LNG AS and Höegh LNG Fleet Management AS. Please read "Item 7.B. Related Party Transactions—Ship Management Agreements and Sub-Technical Agreements."

(23) Intercompany Agreement Regarding Secondment of Employees, dated March 31, 2015, between Höegh LNG Maritime Management Pte. Ltd. and Höegh Cyprus, as amended by Addendum No.1, dated November 17, 2015. Please read "Item 7.B. Related Party Transactions—Secondment Agreement."

(24) Manning Agreement, dated September 1, 2016, between Höegh LNG Colombia S.A.S. and Höegh Fleet Services Philippines Inc. (*Höegh Grace*). Please read "Item 7.B. Related Party Transactions—Höegh Grace Services Agreements."

(25) Management Consulting Agreement, dated October 1, 2016, between Höegh LNG Colombia S.A.S. and Höegh LNG AS (*Höegh Grace*). Please read "Item 7.B. Related Party Transactions—Höegh Grace Services Agreements."

(26) Agreement for the Provision of Professional Payment Services, dated October 1, 2016, between Höegh LNG Colombia S.A.S. and Höegh LNG Maritime Management Pte. Ltd. (*Höegh Grace*). Please read "Item 7.B. Related Party Transactions—Höegh Grace Services Agreements."

(27) Crew Recruitment Consulting Services Agreement, dated October 1, 2016, between Höegh LNG Colombia S.A.S. and Höegh LNG Maritime Management Pte. Ltd. (*Höegh Grace*). Please read "Item 7.B. Related Party Transactions—Höegh Grace Services Agreements."

(28) Spare Parts Procurement and Insurance Services Agreement, dated October 25, 2016, between Höegh LNG FSRU IV Ltd. and Höegh LNG Fleet Management AS (*Höegh Grace*). Please read "Item 7.B. Related Party Transactions—Höegh Grace Services Agreements."

(29) Technical Services Agreement, dated October 1, 2016, between Höegh LNG Colombia S.A.S. and Höegh LNG AS (*Höegh Grace*). Please read "Item 7.B. Related Party Transactions—Höegh Grace Services Agreements."

(30) SRV LNG Carrier Time Charterparty, dated March 20, 2007, between SRV Joint Gas Ltd. and Suez LNG Trading SA, as novated by the Novation Agreement, dated March 25, 2010, among SRV Joint Gas Ltd., GDF Suez LNG Trading SA (formerly known as Suez LNG Trading SA) and GDF Suez Global LNG Supply SA, as amended by Amendment No. 1, dated February 23, 2015, between SRV Joint Gas Ltd. and GDF Suez LNG Supply SA, as amended by Amendment No. 2, dated February 23, 2015, between SRV Joint Gas Ltd. and GDF Suez LNG Supply SA, as amended by Amendment No. 3, dated April 23, 2014, between SRV Joint Gas Ltd. and GDF Suez LNG Supply SA (*Neptune*). Please read "Item 4.B. Business Overview—Vessel Time Charters— *Neptune* Time Charter."

(31) SRV LNG Carrier Time Charterparty, dated March 20, 2007, between SRV Joint Gas Ltd. and Suez LNG Trading SA, as novated by the Novation Agreement, dated December 20, 2007, among SRV Joint Gas Ltd., Suez LNG Trading SA and SRV Joint Gas Two Ltd., as novated by the Novation Agreement, dated March 25, 2010, among SRV Joint Gas Two Ltd., GDF Suez LNG Trading SA (formerly known as Suez LNG Trading SA) and GDF Suez Global LNG Supply SA, as amended by Amendment No. 1, dated June 20, 2012, between SRV Joint Gas Two Ltd. and GDF Suez LNG Supply SA, as amended by Amendment No. 2, dated June 20, 2012, between SRV Joint Gas Two Ltd. and GDF Suez LNG Supply SA, as supplemented by the Side Letter, dated November 17, 2013, between SRV Joint Gas Two Ltd. and GDF Suez LNG Supply SA, as amended by Amendment No. 3, dated April 23, 2014, between SRV Joint Gas Two Ltd. and GDF Suez LNG Supply SA, as amended by Amendment No. 4, dated October 23, 2017, between SRV Joint Gas Two Ltd. and GDF Suez LNG Supply SA, as supplemented by the Side Letter, dated October 27, 2017, between SRV Joint Gas Two Ltd. and GDF Suez LNG Supply SA. (*Cape Ann*). Please read "Item 4.B. Business Overview—Vessel Time Charters."

(32) Amendment and Restatement Agreement of the Original Lease, Operation and Maintenance Agreement, dated January 25, 2012, between Höegh LNG Ltd. and PT Perusahaan Gas Negara (Persero) Tbk, as novated by the Novation Agreement for Amended & Restated Lease, Operation & Maintenance Agreement, dated September 18, 2013, among PT Perusahaan Gas Negara (Persero) Tbk, Höegh LNG Ltd. and PT Höegh LNG Lampung, as novated by the Novation Agreement for Amended & Restated Lease, Operation & Maintenance Agreement, dated February 21, 2014, among PT Perusahaan Gas Negara (Persero) Tbk, PT PGN LNG Indonesia and PT Höegh LNG Lampung (*PGN FSRU Lampung*). Please read "Item 4.B. Business Overview—Vessel Time Charters— *PGN FSRU Lampung* Time Charter."

(33) Lease and Maintenance Agreement, dated April 15, 2015, between Höegh Cyprus, acting through its Egypt Branch, and Höegh LNG Egypt LLC (*Höegh Gallant*). Please read "Item 4.B. Business Overview—Vessel Time Charters— *Höegh Gallant* Time Charter."

(34) International Leasing Agreement, dated November 1, 2014, between Höegh LNG FSRU IV Ltd. and Sociedad Portuaria El Cayao S.A. E.S.P., as amended by Amendment No. 1 thereto dated September 24, 2015 (*Höegh Grace*). "Item 4.B. Business Overview—Vessel Time Charters— *Höegh Grace* Charter."

(35) FSRU Operation and Services Agreement, dated November 1, 2014, between Höegh LNG Holdings Ltd. and Sociedad Portuaria El Cayao S.A. E.S.P., as amended by Amendment No. 1 thereto, dated September 24, 2015, as novated by the Deed of Novation, dated October 18, 2016, among Höegh LNG Holdings Ltd., Höegh LNG Colombia S.A.S. and Sociedad Portuaria El Cayao S.A. E.S.P. (*Höegh Grace*). "Item 4.B. Business Overview—Vessel Time Charters— *Höegh Grace* Charter."

(36) Second Amended and Restated Shareholders' Agreement, dated July 18, 2014, among Mitsui O.S.K Lines, Ltd., Höegh LNG Partners Operating LLC and Tokyo LNG Tanker Co., Ltd. Please read "Item 4.B. Business Overview—Shareholder Agreements."

(37) Shareholders' Agreement, dated March 13, 2013, between Höegh LNG Lampung Pte Ltd. and PT Bahtera Daya Utama. Please read Item 4.B. Business Overview—Shareholder Agreements."

(38) Novation Deed, dated August 31, 2010, among Mitsui O.S.K. Lines, Ltd., Tokyo LNG Tanker Co., Ltd., Höegh LNG Ltd. and SRV Joint Gas Ltd.

(39) Novation Deed, dated August 31, 2010, among Mitsui O.S.K. Lines, Ltd., Tokyo LNG Tanker Co., Ltd., Höegh LNG Ltd. and SRV Joint Gas Two Ltd.

(40) Amendment and Restatement Agreement, dated October 9, 2013, among Höegh LNG Lampung Pte Ltd., PT Bahtera Daya Utama and PT Imeco Inter Sarana.

(41) Revolving Loan Agreement, dated August 12, 2014, between Höegh LNG Partners LP and Höegh LNG Holdings Ltd. in the amount of $85,000,000, as amended by Amendment No. 1, dated February 28, 2016 and Amendment No. 2, dated January 29, 2018. Please read "Item 7.B. Related Party Transactions—Revolving Credit Facility with Höegh LNG."

(42) Neptune Facility Agreement, dated December 20, 2007, among SRV Joint Gas Ltd. and the other parties thereto, as amended by the Amendment Agreement, dated March 25, 2010, the Letter from the Agent for the Lenders, dated August 26, 2010, the Letter from the Agent for the Lenders, dated July 25, 2014, the Amendment Agreement, dated February 24, 2015 and the Amendment Agreement dated December 7, 2016. Please read "Item 5.B. Liquidity and Capital Resources—Borrowing Activities—Joint Ventures Debt—Neptune Facility."

(43) Cape Ann Facility Agreement, dated December 20, 2007, among SRV Joint Gas Two Ltd. and the other parties thereto, as amended by the Amendment Agreement, dated March 25, 2010, the Letter from the Agent for the Lenders, dated August 26, 2010, the Amendment Agreement, dated June 29, 2012 and the Letter from the Agent for the Lenders, dated July 25, 2014. Please read "Item 5.B. Liquidity and Capital Resources—Borrowing Activities—Joint Ventures Debt—Cape Ann Facility."

(44) $299 Million Lampung Facility Agreement, dated September 12, 2013, between PT Höegh LNG Lampung and the other parties thereto, as amended by the Second Side Letter, dated December 18, 2014. Please read "Item 5.B. Liquidity and Capital Resources—Borrowing Activities—Lampung Facility."

(45) $412 Million Amended and Restated Facilities Agreement, dated March 17, 2016, between Höegh LNG Cyprus and Höegh LNG FSRU IV Ltd., as borrowers, and the other parties thereto, as amended by the Amendment Letter, dated December 23, 2016. Please read "Item 5.B. Liquidity and Capital Resources—Borrowing Activities—Gallant/Grace Facility."

(46) $385 Million Senior Secured Term Loan and Revolving Credit Facility Agreement, dated January 29, 2019, among Höegh LNG Partners LP, as borrower, and the other parties thereto. Please read "Item 5.B. Liquidity and Capital Resources—Borrowing Activities—$385 Million Facility."

(47) License Agreement, between Leif Höegh & Co. Ltd. and Höegh LNG Partners LP. Please read "Item 7.B. Related Party Transactions—License Agreement."

(48) Contribution, Purchase and Sale Agreement, dated August 12, 2015, among Höegh LNG Holdings Ltd., Höegh LNG Ltd., Höegh LNG Partners LP and Höegh LNG Partners Operating LLC.

(49) Letter Agreement, dated October 1, 2015, among Höegh LNG Holdings Ltd., Höegh LNG Ltd., Höegh LNG Egypt LLC, Höegh LNG Partners LP and Höegh LNG Partners Operating LLC.

(50) Option Agreement, dated October 1, 2015, among Höegh LNG Holdings Ltd., Höegh LNG Ltd. and Höegh LNG Partners LP. Please read "Item 7.B. Related Party Transactions—Time Charter and Option for of the *Höegh Gallant*."

(51) Amended and Restated Seller's Credit Note, dated February 28, 2016, issued by Höegh LNG Partners LP in favor of Höegh LNG Ltd.

(52) Contribution, Purchase and Sale Agreement, dated December 1, 2016, among Höegh LNG Holdings Ltd., Höegh LNG Ltd., Höegh LNG Partners LP and Höegh LNG Partners Operating LLC. Please read "Item 7.B. Related Party Transactions—Acquisition of the *Höegh Grace*."

(53) Contribution, Purchase and Sale Agreement, dated November 16, 2017, among Höegh LNG Holdings Ltd., Höegh LNG Ltd., Höegh LNG Partners LP and Höegh LNG Partners Operating LLC. Please read "Item 7.B. Related Party Transactions—Acquisition of the *Höegh Grace*."

(54) Indemnification Agreement, dated September 27, 2017, among Höegh LNG Partners LP, Höegh LNG Partners Operating LLC and Höegh LNG Holdings Ltd. Please read "Item 7.B. Related Party Transactions—Indemnification Agreement."

(55) At-the-Market Issuance Sales Agreement, dated January 26, 2018, among Höegh LNG Partners LP, Höegh LNG GP LLC and Höegh LNG Partners Operating LLC and B. Riley FBR, Inc. Please read "Item 5.B. Liquidity and Capital Resources—Liquidity and Cash Needs."

D. Exchange Controls

We are not aware of any governmental laws, decrees, regulations or other legislation, including foreign exchange controls, in the Republic of the Marshall Islands that may affect the import or export of capital, including the availability of cash and cash equivalents for use by the Partnership, or the remittance of dividends, interest or other payments to non-resident and non-citizen holders of our securities.

E. Taxation

Material U.S. Federal Income Tax Consequences

The following is a discussion of the material U.S. federal income tax considerations that may be relevant to prospective unitholders.

This discussion is based upon provisions of the Code, Treasury Regulations and current administrative rulings and court decisions, all as in effect or existence on the date of this Annual Report and all of which are subject to change or differing interpretation, possibly with retroactive effect. Changes in these authorities may cause the tax consequences of unit ownership to vary substantially from the consequences described below. The following discussion applies only to beneficial owners of common units or Series A preferred units that own such units as "capital assets" within the meaning of Section 1221 of the Code (i.e., generally, for investment purposes) and is not intended to be applicable to all categories of investors, such as unitholders subject to special tax rules (e.g., financial institutions, insurance companies, broker dealers, tax-exempt organizations, retirement plans or individual retirement accounts, persons who own (actually or constructively) 10.0% or more of the voting power or value of our equity, or former citizens or long-term residents of the United States), persons who hold the units as part of a straddle, conversion, constructive sale or other integrated transaction for U.S. federal income tax purposes, or persons that have a functional currency other than the U.S. Dollar, each of whom may be subject to tax rules that differ significantly from those summarized below. If a partnership or other entity or arrangement classified as a partnership for U.S. federal income tax purposes holds our common units or Series A preferred units, the tax treatment of its partners generally will depend upon the status of the partner and the activities of the partnership. If you are a partner in a partnership holding our common units or Series A preferred units, you should consult your own tax advisor regarding the tax consequences to you of the partnership's ownership of such units.

No ruling has been or will be requested from the IRS regarding any matter affecting us or our unitholders. The statements made herein may be challenged by the IRS and, if so challenged, may not be sustained upon review in a court. This discussion does not contain information regarding any U.S. state or local, estate, gift or alternative minimum tax considerations concerning the ownership or disposition of common units or Series A preferred units. This discussion does not comment on all aspects of U.S. federal income taxation that may be important to particular unitholders in light of their individual circumstances, and each prospective unitholder is urged to consult its own tax advisor regarding the U.S. federal, state, local and other tax consequences of the ownership or disposition of common units or Series A preferred units.

Election to be Treated as a Corporation

We have elected to be treated as a corporation for U.S. federal income tax purposes. Consequently, among other things, U.S. Holders (as defined below) will not be directly subject to U.S. federal income tax on our income, but rather will be subject to U.S. federal income tax on distributions received from us and dispositions of units as described below.

U.S. Federal Income Taxation of U.S. Holders

As used herein, the term "U.S. Holder" means a beneficial owner of our common units or Series A preferred units that is:

- an individual U.S. citizen or resident (as determined for U.S. federal income tax purposes),
- a corporation (or other entity that is classified as a corporation for U.S. federal income tax purposes) organized under the laws of the United States or any of its political subdivisions,
- an estate the income of which is subject to U.S. federal income taxation regardless of its source, or
- a trust if (i) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) the trust has a valid election in effect to be treated as a U.S. person for U.S. federal income tax purposes.

U.S. Federal Taxation of Distributions

Subject to the discussion below of the rules applicable to PFICs, any distributions to a U.S. Holder made by us with respect to our Series A preferred units generally will constitute dividends to the extent of our current and accumulated earnings and profits, as determined under U.S. federal income tax principles, allocated to our Series A preferred units, and any distributions to a U.S. Holder made by us with respect to our common units generally will constitute dividends to the extent of our current and accumulated earnings and profits, as determined under U.S. federal income tax principles, allocable to our common units. Distributions in excess of our earnings and profits allocable to our Series A preferred units or common units, as applicable, will be treated first as a nontaxable return of capital to the extent of the U.S. Holder's tax basis in its Series A preferred units or common units and, thereafter, as capital gain. U.S. Holders that are corporations generally will not be entitled to claim a dividends received deduction with respect to distributions they receive from us because we are not a U.S. corporation. Dividends received with respect to our common units and Series A preferred units generally will be treated as "passive category income" for purposes of computing allowable foreign tax credits for U.S. federal income tax purposes.

Dividends received with respect to our common units or Series A preferred units by a U.S. Holder that is an individual, trust or estate (a "U.S. Individual Holder") generally will be treated as "qualified dividend income," which is currently taxable to such U.S. Individual Holder at preferential capital gain tax rates provided that: (i) our common units or Series A preferred units, as applicable, are readily tradable on an established securities market in the United States (such as the NYSE on which our common units and our Series A preferred units are listed); (ii) we are not a PFIC for the taxable year during which the dividend is paid or the immediately preceding taxable year (which we do not believe we are, have been or will be, as discussed below under "—PFIC Status and Significant Tax Consequences"); (iii) the U.S. Individual Holder has owned the common units or Series A preferred units for more than 60 days during the 121-day period beginning 60 days before the date on which the common units or Series A preferred units, as applicable, become ex-dividend (and has not entered into certain risk limiting transactions with respect to such units); and (iv) the U.S. Individual Holder is not under an obligation to make related payments with respect to positions in substantially similar or related property. There is no assurance that any dividends paid on our common units or Series A preferred units will be eligible for these preferential rates in the hands of a U.S. Individual Holder, and any dividends paid on our common units or Series A preferred units that are not eligible for these preferential rates will be taxed as ordinary income to a U.S. Individual Holder.

Special rules may apply to any amounts received in respect of our common units or Series A preferred units that are treated as "extraordinary dividends." In general, an extraordinary dividend is a dividend with respect to a common unit that is equal to or in excess of 10.0% of the unitholder's adjusted tax basis (or fair market value upon the unitholder's election) in such common unit , and a dividend with respect to a Series A preferred unit that is equal to or in excess of 5.0% of a unitholder's adjusted tax basis (or fair market value upon the unitholder's election) in such Series A preferred unit. In addition, extraordinary dividends include dividends received within a one-year period that, in the aggregate, equal or exceed 20.0% of a unitholder's adjusted tax basis (or fair market value). If we pay an "extraordinary dividend" on our common units or Series A preferred units that is treated as "qualified dividend income," then any loss recognized by a U.S. Individual Holder from the sale or exchange of such common units or Series A preferred units will be treated as long-term capital loss to the extent of the amount of such dividend.

Sale, Exchange or Other Disposition of Common Units and Series A Preferred Units

Subject to the discussion of PFIC status below, a U.S. Holder generally will recognize capital gain or loss upon a sale, exchange or other disposition of our common units or Series A preferred units in an amount equal to the difference between the amount realized by the U.S. Holder from such sale, exchange or other disposition and the U.S. Holder's adjusted tax basis in such units. The U.S. Holder's initial tax basis in its common units or Series A preferred units generally will be the U.S. Holder's purchase price for the units and that tax basis will be reduced (but not below zero) by the amount of any distributions on such units that are treated as non-taxable returns of capital (as discussed above under "—U.S. Federal Taxation of Distributions"). Such gain or loss will be treated as long-term capital gain or loss if the U.S. Holder's holding period is greater than one year at the time of the sale, exchange or other disposition. Certain U.S. Holders (including individuals) may be eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. A U.S. Holder's ability to deduct capital losses is subject to limitations. Such capital gain or loss generally will be treated as U.S. source income or loss, as applicable, for U.S. foreign tax credit purposes.

Medicare Tax on Net Investment Income

Certain U.S. Holders, including individuals, estates and trusts, will be subject to an additional 3.8% Medicare tax on, among other things, dividends and capital gains from the sale or other disposition of equity interests. For individuals, the additional Medicare tax applies to the lesser of (i) "net investment income" or (ii) the excess of "modified adjusted gross income" over $200,000 ($250,000 if married and filing jointly or $125,000 if married and filing separately). "Net investment income" generally equals the taxpayer's gross investment income reduced by deductions that are allocable to such income. Unitholders should consult their tax advisors regarding the implications of the additional Medicare tax resulting from their ownership and disposition of our common units or Series A preferred units.

PFIC Status and Significant Tax Consequences

Adverse U.S. federal income tax rules apply to a U.S. Holder that owns an equity interest in a non-U.S. corporation that is classified as a PFIC for U.S. federal income tax purposes. In general, we will be treated as a PFIC with respect to a U.S. Holder if, for any taxable year in which the holder held our common units or Series A preferred units, either:

- at least 75.0% of our gross income (including our pro rata share of the gross income of our vessel-owning joint ventures and subsidiaries) for such taxable year consists of passive income (e.g., dividends, interest, capital gains from the sale or exchange of investment property and rents derived other than in the active conduct of a rental business); or

- at least 50.0% of the average of the values of the assets held by us (including our pro rata share of the assets of our vessel-owning joint ventures and subsidiaries) during such taxable year produce, or are held for the production of, passive income.

Income earned, or treated as earned (for U.S. federal income tax purposes), by us in connection with the performance of services would not constitute passive income for PFIC purposes. By contrast, rental income generally would constitute "passive income" unless we were treated as deriving that rental income in the active conduct of a trade or business under the applicable rules.

Based on our current and projected methods of operation, we believe that we were not a PFIC for any prior taxable year, and we expect that we will not be treated as a PFIC for the current or any future taxable year. We believe that more than 25.0% of our gross income for each taxable year was or will be nonpassive income, and more than 50.0% of the average value of our assets for each such year was or will be held for the production of such nonpassive income. This belief is based on valuations and projections regarding our assets, income and charters, and its validity is conditioned on the accuracy of such valuations and projections. While we believe these valuations and projections are accurate, the shipping market is volatile, and no assurance can be given that they will continue to be accurate at any time in the future.

Moreover, there are legal uncertainties in determining whether the income derived from our time-chartering activities constitutes rental income or income derived from the performance of services. While there is legal authority supporting our conclusions, including IRS pronouncements concerning the characterization of income derived from time charters as services income, the Fifth Circuit held in *Tidewater Inc. v. United States*, 565 F.3d 299 (5th Cir. 2009) that income derived from certain marine time charter agreements should be treated as rental income rather than services income for purposes of a "foreign sales corporation" provision of the Code. In that case, the Fifth Circuit did not address the definition of passive income or the PFIC rules; however, the reasoning of the case could have implications as to how the income from a time charter would be classified under such rules. If the reasoning of this case were extended to the PFIC context, the gross income we derive or are deemed to derive from our time chartering activities may be treated as rental income, and we would likely be treated as a PFIC. The IRS has announced its nonacquiescence with the court's holding in the Tidewater case and, at the same time, announced the position of the IRS that the marine time charter agreements at issue in that case should be treated as service contracts.

Distinguishing between arrangements treated as generating rental income and those treated as generating services income involves weighing and balancing competing factual considerations, and there is no legal authority under the PFIC rules addressing our specific method of operation. Conclusions in this area therefore remain matters of interpretation. We are not seeking a ruling from the IRS on the treatment of income generated from our time chartering operations. Thus, it is possible that the IRS or a court could disagree with our position. In addition, although we intend to conduct our affairs in a manner to avoid being classified as a PFIC with respect to any taxable year, we cannot assure you that the nature of our operations will not change in the future and that we will not become a PFIC in any future taxable year.

As discussed more fully below, if we were to be treated as a PFIC for any taxable year (and regardless of whether we remain a PFIC for subsequent taxable years), a U.S. Holder would be subject to different taxation rules depending on whether the U.S. Holder makes an election to treat us as a "Qualified Electing Fund," which we refer to as a "QEF election." As an alternative to making a QEF election, a U.S. Holder should be able to make a "mark-to-market" election with respect to our common units or Series A preferred units, as discussed below. If we are a PFIC, a U.S. Holder will be subject to the PFIC rules described herein with respect to any of our subsidiaries that are PFICs. However, the mark-to-market election discussed below will likely not be available with respect to shares of such PFIC subsidiaries. In addition, if a U.S. Holder owns our common units or Series A preferred units during any taxable year that we are a PFIC, such holder must file an annual report with the IRS.

Taxation of U.S. Holders Making a Timely QEF Election

If a U.S. Holder makes a timely QEF election (an "Electing Holder"), then, for U.S. federal income tax purposes, that holder must report as income for its taxable year its pro rata share of our ordinary earnings and net capital gain, if any, for our taxable years that end with or within the taxable year for which that holder is reporting, regardless of whether or not the Electing Holder received distributions from us in that year. The Electing Holder's adjusted tax basis in the common units or Series A preferred units will be increased to reflect taxed but undistributed earnings and profits. Distributions of earnings and profits that were previously taxed will result in a corresponding reduction in the Electing Holder's adjusted tax basis in the common units or Series A preferred units and will not be taxed again once distributed. An Electing Holder generally will recognize capital gain or loss on the sale, exchange or other disposition of our common units or Series A preferred units. A U.S. Holder makes a QEF election with respect to any year that we are a PFIC by filing IRS Form 8621 with its U.S. federal income tax return. If contrary to our expectations, we determine that we are treated as a PFIC for any taxable year, we will provide each U.S. Holder with the information necessary to make the QEF election described above.

Taxation of U.S. Holders Making a "Mark-to-Market" Election

If we were to be treated as a PFIC for any taxable year in which a U.S. Holder holds our common units or Series A preferred units and, as we anticipate, our common units or Series A preferred units were treated as "marketable stock," then, as an alternative to making a QEF election, a U.S. Holder would be allowed to make a "mark-to-market" election with respect to our common units or Series A preferred units, as applicable, provided the U.S. Holder completes and files IRS Form 8621 in accordance with the relevant instructions and related Treasury Regulations. If that election is made, the U.S. Holder generally would include as ordinary income in each taxable year the excess, if any, of the fair market value of the U.S. Holder's common units or Series A preferred units, as applicable, at the end of the taxable year over the holder's adjusted tax basis in such units. The U.S. Holder also would be permitted an ordinary loss in respect of the excess, if any, of the U.S. Holder's adjusted tax basis in the common units or Series A preferred units over the fair market value thereof at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. A U.S. Holder's tax basis in its common units or Series A preferred units would be adjusted to reflect any such income or loss recognized. Gain recognized on the sale, exchange or other disposition of our common units or Series A preferred units would be treated as ordinary income, and any loss recognized on the sale, exchange or other disposition of the common units or Series A preferred units , as applicable, would be treated as ordinary loss to the extent that such loss does not exceed the net mark-to-market gains previously included in income by the U.S. Holder. Because the mark-to-market election only applies to marketable stock, however, it would not apply to a U.S. Holder's indirect interest in any of our subsidiaries that were determined to be PFICs.

Taxation of U.S. Holders Not Making a Timely QEF or Mark-to-Market Election

If we were to be treated as a PFIC for any taxable year in which a U.S. Holder holds our common units or Series A preferred units, a U.S. Holder that does not make either a QEF election or a "mark-to-market" election for that year (a "Non-Electing Holder") would be subject to special rules resulting in increased tax liability with respect to (i) any excess distribution (i.e., the portion of any distributions received by the Non-Electing Holder on our common units or Series A preferred units in a taxable year in excess of 125.0% of the average annual distributions received by the Non-Electing Holder in the three preceding taxable years, or, if shorter, the Non-Electing Holder's holding period for such units) and (ii) any gain realized on the sale, exchange or other disposition of the units. Under these special rules:

- the excess distribution or gain would be allocated ratably over the Non-Electing Holder's aggregate holding period for the common units or Series A preferred units;
- the amount allocated to the current taxable year and any taxable year prior to the taxable year we were first treated as a PFIC with respect to the Non-Electing Holder would be taxed as ordinary income; and
- the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax on ordinary income in effect for the applicable class of taxpayers for that year, and an interest charge for the deemed tax deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year.

These penalties would not apply to a qualified pension, profit sharing or other retirement trust or other tax-exempt organization that did not borrow money or otherwise utilize leverage in connection with its acquisition of our common units or Series A preferred units. If we were treated as a PFIC for any taxable year and a Non-Electing Holder who is an individual dies while owning our common units or Series A preferred units, such holder's successor generally would not receive a step-up in tax basis with respect to such units.

U.S. Federal Income Taxation of Non-U.S. Holders

A beneficial owner of our common units or Series A preferred units (other than a partnership or an entity or arrangement treated as a partnership for U.S. federal income tax purposes) that is not a U.S. Holder is referred to as a Non-U.S. Holder. If you are a partner in a partnership (or an entity or arrangement treated as a partnership for U.S. federal income tax purposes) holding our common units or Series A preferred units, you should consult your own tax advisor regarding the tax consequences to you of the partnership's ownership of such units.

Distributions

Distributions we pay to a Non-U.S. Holder will not be subject to U.S. federal income tax or withholding tax if the Non-U.S. Holder is not engaged in a U.S. trade or business. If the Non-U.S. Holder is engaged in a U.S. trade or business, our distributions will be subject to U.S. federal income tax in the same manner as a U.S. Holder to the extent they constitute income effectively connected with the Non-U.S. Holder's U.S. trade or business (provided, in the case of a Non-U.S. Holder entitled to the benefits of an income tax treaty with the United States, such distributions also are attributable to a U.S. permanent establishment). The after-tax amount of any effectively connected dividends received by a corporate Non-U.S. Holder may also be subject to an additional U.S. branch profits tax at a 30.0% rate (or, if applicable, a lower treaty rate).

Disposition of Units

In general, a Non-U.S. Holder is not subject to U.S. federal income tax or withholding tax on any gain resulting from the disposition of our common units or Series A preferred units provided the Non-U.S. Holder is not engaged in a U.S. trade or business. A Non-U.S. Holder that is engaged in a U.S. trade or business will be subject to U.S. federal income tax in the same manner as a U.S. Holder in the event the gain from the disposition of units is effectively connected with the conduct of such U.S. trade or business (provided, in the case of a Non-U.S. Holder entitled to the benefits of an income tax treaty with the United States, such gain also is attributable to a U.S. permanent establishment). The after-tax amount of any effectively connected gain of a Non-U.S. Holder that is a corporation for U.S. federal income tax purposes may also be subject to an additional U.S. branch profits tax at a rate of 30.0% (or, if applicable, a lower treaty rate). However, even if not engaged in a U.S. trade or business, individual Non-U.S. Holders may be subject to tax on gain resulting from the disposition of our common units or Series A preferred units if they are present in the United States for 183 days or more during the taxable year in which those units are disposed and meet certain other requirements.

Backup Withholding and Information Reporting

In general, payments to a non-corporate U.S. Holder of distributions or the proceeds of a disposition of common units or Series A preferred units will be subject to information reporting. These payments to a non-corporate U.S. Holder also may be subject to backup withholding if the non-corporate U.S. Holder:

- fails to provide an accurate taxpayer identification number;
- is notified by the IRS that it has failed to report all interest or corporate distributions required to be reported on its U.S. federal income tax returns; or
- in certain circumstances, fails to comply with applicable certification requirements.

Non-U.S. Holders may be required to establish their exemption from information reporting and backup withholding by certifying their status on IRS Form W-8BEN, W-8BEN-E, W-8ECI, W-8EXP or W-8IMY, as applicable.

Backup withholding is not an additional tax. Rather, a unitholder generally may obtain a credit for any amount withheld against its liability for U.S. federal income tax (and obtain a refund of any amounts withheld in excess of such liability) by timely filing a U.S. federal income tax return with the IRS.

In addition, individual citizens or residents of the United States holding certain “foreign financial assets” (which generally includes stock and other securities issued by a foreign person unless held in an account maintained by a financial institution) that exceed certain thresholds (the lowest being holding foreign financial assets with an aggregate value in excess of (i) $50,000 on the last day of the taxable year or (ii) $75,000 at any time during the taxable year) are required to report information relating to such assets. Significant penalties may apply for failure to satisfy these reporting obligations. U.S. Holders should consult their tax advisors regarding their reporting obligations, if any, that would result from their purchase, ownership or disposition of our units.

Non-United States Tax Consequences

The following is a discussion of the material non-U.S. tax considerations that may be relevant to prospective unitholders. Unless the context otherwise requires, references in this section to “we,” “our” or “us” are references to Höegh LNG Partners LP.

Marshall Islands Tax Consequences

The following discussion is based on the current laws of the Republic of the Marshall Islands applicable to persons who are not citizens of the Republic of the Marshall Islands and do not reside in, maintain offices in or engage in business, transactions or operations in the Republic of the Marshall Islands.

Because we and our subsidiaries do not and do not expect to conduct business, transactions or operations in the Republic of the Marshall Islands, under current Marshall Islands law you will not be subject to Marshall Islands taxation or withholding on distributions, including upon distribution treated as a return of capital, we make to you as a unitholder. In addition, you will not be subject to Marshall Islands stamp, capital gains or other taxes on the purchase, ownership or disposition of common units or Series A preferred units, and you will not be required by the Republic of the Marshall Islands to file a tax return relating to your ownership of units.

Norway Tax Consequences

The following is a discussion of the material Norwegian tax consequences that may be relevant to prospective unitholders who are persons not resident in Norway for taxation purposes, which we refer to as "Non-Norwegian Holders". Prospective unitholders who are resident in Norway for taxation purposes are urged to consult their own tax advisors regarding the potential Norwegian tax consequences to them of an investment in our common units. For this purpose, a company incorporated outside of Norway will be treated as resident in Norway in the event its central management and control is carried out in Norway.

Under the Tax Act on Income and Wealth, Non-Norwegian Holders will not be subject to any taxes in Norway on income or profits in respect of the acquisition, holding, disposition or redemption of the common units or Series A preferred units, provided that we are not treated as carrying on business in Norway, and the Non-Norwegian Holder is not engaged in a Norwegian trade or business to which the common units or Series A preferred units are effectively connected, or if the Non-Norwegian Holder is resident in a country that has an income tax treaty with Norway, such holder does not have a permanent establishment in Norway to which the common units are effectively connected.

We believe that we will be able to conduct our affairs so that Non-Norwegian Holders should not be subject to Norwegian tax on the acquisition, holding, disposition or redemption of the common units or Series A preferred units. However, this determination is dependent upon the facts existing at such time, including (but not limited to) the place where our board of directors meets and the place where our management makes decisions or takes certain actions affecting our business. We intend to conduct our affairs in a manner consistent with our Norwegian tax practice so that our business should not be treated as managed from or carried on in Norway for taxation purposes, and consequently, Non-Norwegian Holders should not be subject to tax in Norway solely by reason of the acquisition, holding, disposition or redemption of their common units or Series A preferred units. Nonetheless, there is no legal authority addressing our specific circumstances, and conclusions in this area remain matters of interpretation. Thus, it is possible that the Norwegian taxation authority could challenge, or a court could disagree with, our position.

While we do not expect it to be the case, if the arrangements we propose to enter into result in our being considered to carry on business in Norway for the purposes of the Tax Act on Income and Wealth, unitholders would be considered to be carrying on business in Norway and would be required to file tax returns with the Norwegian Tax Administration and, subject to any relief provided in any relevant double taxation treaty (including, in the case of holders resident in the United States, the U.S.-Norway Tax Treaty), would be subject to taxation in Norway on any income considered to be attributable to the business carried on in Norway.

United Kingdom Tax Consequences

The following is a discussion of the material United Kingdom tax consequences that may be relevant to prospective unitholders who are persons not resident or not domiciled in the United Kingdom for taxation purposes and who do not acquire their units as part of a trade, profession or vocation carried on in the United Kingdom, which we refer to as "Non-UK Holders."

Prospective unitholders who are resident or domiciled in the United Kingdom for taxation purposes, or who hold their units through a trade, profession or vocation in the United Kingdom are urged to consult their own tax advisors regarding the potential United Kingdom tax consequences to them of an investment in our common units or Series A preferred units and are responsible for filing their own UK tax returns and paying any applicable UK taxes (which may be due on amounts received by us but not distributed). The discussion that follows is based upon current United Kingdom tax law and what is understood to be the current practice of HM Revenue and Customs as at the date of this document, both of which are subject to change, possibly with retrospective effect.

Taxation of income and disposals. We expect to conduct our affairs so that Non-UK Holders should not be subject to United Kingdom income tax, capital gains tax or corporation tax on income or gains arising from the Partnership. Distributions may be made to Non-UK Holders without withholding or deduction for or on account of United Kingdom income tax.

Stamp taxes. No liability to United Kingdom stamp duty or stamp duty reserve tax should arise in connection with the issue of units to unitholders or the transfer of units in the Partnership.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

Documents concerning us that are referred to in this Annual Report may be inspected at our offices at Wessex House, 5th Floor, 45 Reid Street, Hamilton, HM12, Bermuda and may also be obtained from our website at www.hoeghlngpartners.com. Those documents electronically filed via the SEC's Electronic Data Gathering, Analysis, and Retrieval system may also be obtained from the SEC's website at www.sec.gov.

I. Subsidiary Information

Not applicable.

Item 11. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to various market risks, including interest rate and foreign currency exchange risks.

Interest Rate Risk

Interest rate swap contracts can be utilized to exchange a receipt of floating interest for a payment of fixed interest to reduce the exposure to interest rate variability on our outstanding floating rate debt. As of December 31, 2018, there are interest rate swap agreements on the Lampung, Gallant and Grace facilities' floating rate debt that are designated as cash flow hedges for accounting purposes. Please read notes 20 and 21 to our consolidated financial statements.

As of December 31, 2018, the following interest rate swap agreements were outstanding:

(In thousands of U.S. dollars)	Interest rate index	Notional amount	Fair value carrying amount liability	Term	Fixed interest rate (1)
LIBOR-based debt					
Lampung interest rate swaps (2)	LIBOR	$ 136,084	(920)	Sept 2026	2.8%
Gallant interest rate swaps (2)	LIBOR	$ 114,563	613	Sept 2019	1.9%
Grace interest rate swaps (2)	LIBOR	$ 125,563	586	March 2020	2.3%
$385 million facility swap	LIBOR	$ 65,000	(1,047)	Jan 2026	2.9%
$385 million facility swap	LIBOR	$ 65,000	(730)	Oct 2025	2.8%

(1) Excludes the margins paid on the floating-rate debt.
(2) All interest rate swaps are U.S. dollar denominated and principal amount reduces quarterly.

The table below provides information about our financial instruments that are sensitive to interest rates:

(In thousands of U.S. dollars) Liabilities	2019	2020	2021	2022	2023	Thereafter	Total	Fair value	Rate(1)
Long-term Debt									
Fixed rate	$ 32,333	24,750	—	—	—	—	$ 57,083	$ 56,423	4.1%
Variable rate	140,577	144,625	33,522	14,886	14,886	34,665	383,161	391,412	5.4%
Interest Rate Swaps									
Variable to fixed	$ (845)	536	740	493	313	261	$ 1,498	$ 1,498	2.5%

(1) Rate refers to the weighted-average interest rate for our variable long-term debt, including the margin we pay on our floating-rate debt. The average variable to fixed rate for our interest rate swaps excludes the margin we pay on our drawn floating-rate debt. Please read note 15 to our consolidated financial statements.

Our joint ventures have utilized interest rate swap contracts as described in note 12 to our joint ventures' combined financial statements.

Foreign Currency Risk

All financing, interest expenses from financing and most of our revenue and expenditures for vessel improvements are denominated in U.S. dollars. Certain operating expenses can be denominated in currencies other than U.S. dollars. For the years ended December 31, 2018, 2017 and 2016, no derivative instruments have been used to manage foreign exchange risk.

Credit risk

Credit risk is the exposure to credit loss in the event of non-performance by the counterparties related to cash and cash equivalents, restricted cash, trade receivables and interest rate swap agreements, if applicable. In order to minimize counterparty risk, bank relationships are established with counterparties with acceptable credit ratings at the time of the transactions. Credit risk related to receivables is limited by performing ongoing credit evaluations of the customers' financial condition. In addition, Höegh LNG guarantees the payment of *Höegh Gallant* time charter hire under certain circumstances. See "Item 4.B. Business Overview—Vessel Time Charters— *Höegh Gallant* Time Charter—Hire Rate."

Concentration of Risk

Financial instruments, which potentially subject us to significant concentrations of credit risk, consist principally of cash and cash equivalents, restricted cash, trade receivables and derivative contracts (interest rate swaps). The maximum exposure to loss due to credit risk is the book value at the balance sheet date. We do not have a policy of requiring collateral or security. Cash and cash equivalents and restricted cash are placed with qualified financial institutions. Periodic evaluations are performed of the relative credit standing of those financial institutions. In addition, exposure is limited by diversifying among counterparties. There are three charterers so there is a concentration of risk related to trade receivables. Credit risk related to trade receivables is limited by performing ongoing credit evaluations of the customer's financial condition. In addition, Höegh LNG guarantees the payment of *Höegh Gallant* time charter hire under certain circumstances. See "Item 4.B. Business Overview—Vessel Time Charters— *Höegh Gallant* Time Charter—Hire Rate." No allowance for doubtful accounts was recorded for the years ended December 31, 2018 or 2017. While the maximum exposure to loss due to credit risk is the book value of trade receivables at the balance sheet date, should the time charter for *PGN FSRU Lampung*, the *Höegh Gallant* or the *Höegh Grace* terminate prematurely, there could be delays in obtaining a new time charter and the rates could be lower depending upon the prevailing market conditions.

Item 12. Description of Securities Other than Equity Securities

Not applicable.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

As of December 31, 2018, we were in compliance with all applicable covenants under our debt agreements.

Item 14. Material Modifications to the Rights of Securities Holders and Use of Proceeds

Not applicable.

Item 15. Controls and Procedures

Disclosure Controls and Procedures

Under the direction of our Chief Executive Officer and Chief Financial Officer ("CEO and CFO"), we evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of December 31, 2018. Disclosure controls and procedures are designed to ensure that (i) information required to be disclosed in our reports that are filed or submitted under the Exchange Act, are recorded, processed, summarized, and reported within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms, and (ii) information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Based upon that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of December 31, 2018 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as (defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act). Internal controls are designed to provide reasonable assurance regarding the reliability of the financial reporting and the preparation and presentation of the financial statements for external purposes in accordance with accounting principles generally accepted in the United States. Internal control over financial reporting includes those policies and procedures that:

i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;

ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of our financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

In connection with the preparation of this Annual Report, management, under the supervision and with the participation of our CEO and CFO, conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2018, based on the criteria described in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). This evaluation included review of the documentation of controls, evaluation of the design of the Partnership's internal control over financial reporting, testing of the operating effectiveness of such controls and a conclusion on this evaluation. Based on this evaluation, management believes that our internal control over financial reporting was effective as of December 31, 2018.

Attestation Report of the Registered Public Accounting Firm

This Annual Report does not include an attestation report of the Partnership's registered public accounting firm due to a transition period established by rules of the SEC for emerging growth companies.

Remediation of Prior Year Material Weaknesses

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

As discussed in greater detail in Item 15 of our Annual Report on Form 20-F for the year ended December 31, 2017, management identified a material weakness in our internal control over financial reporting relating to operating effectiveness of information technology ("IT") general controls related to certain information systems that are relevant to the preparation of our consolidated financial statements. As of December 31, 2017, management determined that the operation of our controls over user access controls related to financial applications and data were ineffective and constituted a material weakness as of December 31, 2017. These controls are intended to ensure that access to financial applications and data is adequately restricted to appropriate personnel.

With respect to the material weakness related to our controls over user access controls related to financial applications, we implemented the following remedial measures in 2018:

(i) formalized the operation and documentation of controls performed for discontinuing user access for terminated employees and consultants;

(ii) reassessed all user access rights, evaluated appropriate segregation of duties and revised user access rights, as required;

(iii) hired additional qualified personnel to monitor and perform controls over user access; and

(iv) monitored the performance of our internal controls and procedures related to user access and took remediating actions when controls were not being appropriately performed or documented.

Based on our evaluation in accordance with the COSO criteria, we believe the material weakness related to controls over user access controls related to financial applications and data has been remediated as of December 31, 2018.

As discussed in greater detail in Item 15 of our Annual Report on Form 20-F for the year ended December 31, 2017, management identified a material weakness in our internal control over financial reporting relating to operating effectiveness of controls over i) input data to the three-way match of the purchase order, delivery confirmation and invoice to detect errors in supplier invoicing, and ii) accruals for delivered goods and services not yet invoiced, related to vessel operating expenses. As of December 31, 2017, management determined that the operation of our controls over the accounting for procurement of goods and services related to vessel operating expenses were ineffective and constituted a material weakness as of December 31, 2017.

With respect to the material weakness related to our controls over the accounting for procurement of goods and services related to vessel operating expenses, we implemented the following remedial measures in 2018:

(i) reassessed and improved the design, operation and documentation of controls related to a) input data to the three-way match of the purchase order, delivery confirmation and invoice to detect errors in supplier invoicing, and b) accruals for delivered goods and services not yet invoiced, related to vessel operating expenses;

(ii) trained those performing the controls on the procedures and documentation required; and

(iii) monitored the performance of our internal controls and procedures related to procurement of goods and services related to vessel operating expenses.

Based on our evaluation in accordance with the COSO criteria, we believe the material weakness related to controls over the accounting for procurement of goods and services has been remediated as of December 31, 2018.

Changes in Internal Control over Financial Reporting

As described above under "Remediation of Prior Year Material Weakness," we have undertaken a broad range of remedial actions in 2018 to address the material weaknesses in our internal control over financial reporting related to the deficiencies in IT general controls and the material weakness in our internal control over financial reporting related to the accounting for procurement of goods and services.

Inherent Limitations of Disclosure Controls and Procedures in Internal Control over Financial Reporting

Our system of controls is designed to provide reasonable, not absolute, assurance regarding the reliability and integrity of accounting and financial reporting. Our CEO and CFO does not expect that our disclosure controls and internal controls over financial reporting will prevent all errors and fraud. Because of inherent limitations in any such control system (e.g. faulty judgments, human error, information technology system error, or intentional circumvention), there can be no assurance that the objectives of a control system will be met under all circumstances. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met. In addition, expectations related to any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. The benefits of a control system also must be considered relative to the costs of the system and our judgment regarding the likelihood of potential events.

Item 16A. Audit Committee Financial Expert

Our board of directors has determined that Kathleen McAllister and David Spivak qualify as audit committee financial experts and are independent under applicable NYSE and SEC standards.

Item 16B. Code of Ethics

We have adopted the Höegh LNG Partners LP Code of Business Conduct and Ethics that applies to all of our employees, officers and directors. This document is available under the "Governance" section of our website (www.hoeghlngpartners.com). We intend to disclose, under this section of our website, any waivers to or amendments of the Höegh LNG Partners LP Corporate Code of Business Ethics and Conduct for the benefit of any of our directors and executive officers.

Item 16C. Principal Accountant Fees and Services

Our principal accountant for 2018 was Ernst & Young AS.

The audit committee of our board of directors has the authority to pre-approve permissible audit-related and non-audit services not prohibited by SEC and PCAOB standards to be performed by our independent auditors and associated fees. Engagements for proposed services either may be separately pre-approved by the audit committee or entered into pursuant to detailed pre-approval policies and procedures established by the audit committee, as long as the audit committee is informed on a timely basis of any engagement entered into on that basis. The audit committee separately pre-approved all engagements and fees paid to our principal accountant in 2018.

Fees Incurred by the Partnership for Ernst & Young AS' Services

(In thousands of U.S. dollars)	2018	2017
Audit Fees	$ 930	$ 1,135
Audit-Related Fees	—	14
Tax Fees	—	1
All Other Fees	—	—
	$ 930	$ 1,150

Audit Fees

Audit fees for 2018 and 2017 are the aggregate fees billed for professional services rendered by the principal accountant for the audit of the Partnership's annual financial statements and services normally provided by the principal accountant in connection with statutory and regulatory filings or engagements for the two most recent fiscal years.

Audit-Related Fees

There were no audit-related fees for 2018. Audit-related fees for 2017 relate to proposed transactions.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Not applicable.

Item 16F. Change in Registrants' Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

Overview

Pursuant to an exemption under the NYSE listing standards for foreign private issuers, the Partnership is not required to comply with the corporate governance practices followed by U.S. companies under the NYSE listing standards. However, pursuant to Section 303A.11 of the New York Stock Exchange Listed Company Manual, we are required to state any significant differences between our corporate governance practices and the practices required by the NYSE for U.S. companies. We believe that our established practices in the area of corporate governance are in line with the spirit of the NYSE standards and provide adequate protection to our unitholders. The significant differences between our corporate governance practices and the NYSE standards applicable to listed U.S. companies are set forth below.

Independence of Directors

The NYSE rules do not require a listed company that is a foreign private issuer to have a board of directors that is comprised of a majority of independent directors. Under Marshall Islands law, we are not required to have a board of directors comprised of a majority of directors meeting the independence standards described in the NYSE rules. In addition, the NYSE rules do not require limited partnerships like us to have boards of directors comprised of a majority of independent directors. However, our board of directors has determined that each of Ms. McAllister, Mr. Jamieson, Mr. Shaw and Mr. Spivak satisfies the independence standards established by the NYSE as applicable to us.

Executive Sessions

The NYSE requires that non-management directors of a listed U.S. company meet regularly in executive sessions without management. The NYSE also requires that all independent directors of a listed U.S. company meet in an executive session at least once a year. As permitted under Marshall Islands law and our partnership agreement, our non-management directors do not regularly hold executive sessions without management and we do not expect them to do so in the future.

Nominating/Corporate Governance Committee

The NYSE requires that a listed U.S. company have a nominating/corporate governance committee of independent directors and a committee charter specifying the purpose, duties and evaluation procedures of the committee. As permitted under Marshall Islands law and our partnership agreement, we do not currently have a nominating or corporate governance committee.

Compensation Committee

The NYSE requires that a listed U.S. company have a compensation committee of independent directors and a committee charter specifying the purpose, duties and evaluation procedures of the committee. As permitted under Marshall Islands law and our partnership agreement, we do not currently have a compensation committee.

Unitholder Approval

We are not required to obtain unitholder approval prior to the adoption of equity compensation plans or certain equity issuances, including, among others, issuing 20% or more of our outstanding common units or voting power in a transaction.

Corporate Governance Guidelines

The NYSE requires U.S. companies to adopt and disclose corporate governance guidelines. The guidelines must address, among other things: director qualification standards, director responsibilities, director access to management and independent advisers, director compensation, director orientation and continuing education, management succession and an annual performance evaluation. We are not required to adopt such guidelines under Marshall Islands law, and we have not adopted such guidelines.

We make available a statement of significant differences on our website (www.hoeghlngpartners.com) in the governance section.

We believe that our established corporate governance practices satisfy the NYSE listing standards.

Item 16H. Mine Safety Disclosure

Not applicable.

PART III

Item 17. Financial Statements

Not applicable.

Item 18. Financial Statements

The consolidated financial statements of Höegh LNG Partners LP and schedule set forth on pages F-1 through F-72, Exhibit 15.1 and the combined financial statements of SRV Joint Gas Ltd. and SRV Joint Gas Two Ltd. set forth on pages F-73 through F-96, together with the related report of Ernst & Young AS, Independent Registered Public Accounting Firm thereon, are filed as part of this Annual Report.

All other schedules for which provision is made in the applicable accounting regulations of the SEC are not required, are inapplicable or have been disclosed in the notes to the financial statements and therefore have been omitted.

Item 19. Exhibits

The following exhibits are filed as part of this Annual Report:

Exhibit Number	Description
1.1	Certificate of Limited Partnership of Höegh LNG Partners LP (incorporated by reference to Exhibit 3.1 to the registrant's Form F-1 Registration Statement (333-197228), filed on July 3, 2014)
1.2	Second Amended and Restated Agreement of Limited Partnership of Höegh LNG Partners LP, dated October 5, 2017, between Höegh LNG GP LLC and Höegh LNG Holdings Ltd. (incorporated by reference to Exhibit 4.1 to the registrant's Report on Form 6-K, filed on October 5, 2017)
4.1	Contribution, Purchase and Sale Agreement, dated August 8, 2014, among Höegh LNG Holdings Ltd., Höegh LNG Ltd., Höegh LNG Partners LP, Höegh LNG GP LLC and Höegh LNG Partners Operating LLC (incorporated by reference to Exhibit 4.1 to the registrant's Annual Report on Form 20-F, filed on April 24, 2015)
4.2	Omnibus Agreement, dated August 12, 2014, among Höegh LNG Holdings Ltd., Höegh LNG Partners LP, Höegh LNG GP LLC and Höegh LNG Partners Operating LLC (incorporated by reference to Exhibit 4.2 to the registrant's Annual Report on Form 20-F, filed on April 24, 2015)
4.2.1	Letter Agreement, dated August 12, 2015, among Höegh LNG Holdings Ltd., Höegh LNG Partners LP, Höegh LNG GP LLC and Höegh LNG Partners Operating LLC (incorporated by reference to Exhibit 4.32 to the registrant's Annual Report on Form 20-F/A, filed on November 30, 2015)
4.3	2014 Höegh LNG Partners LP Long-Term Incentive Plan (incorporated by reference to Exhibit 4.3 to the registrant's Annual Report on Form 20-F, filed on April 24, 2015)
4.4*	Höegh LNG Partners LP Amended and Restated Non-Employee Director Compensation Plan
4.5*	Employment Contract, dated June 9, 2010, between Steffen Føreid and Höegh LNG AS, as amended November 28, 2018

Exhibit Number	Description
4.6	Administrative Services Agreement, dated July 2, 2014, among Höegh LNG Partners LP, Höegh LNG Partners Operating LLC and Höegh LNG Services Ltd., as amended (incorporated by reference to Exhibit 4.6 to the registrant's Annual Report on Form 20-F, filed on April 24, 2015)
4.7	Administrative Services Agreement, dated July 2, 2014, between Höegh LNG Services Ltd and Höegh LNG AS, as amended (incorporated by reference to Exhibit 4.7 to the registrant's Annual Report on Form 20-F, filed on April 24, 2015)
4.8	Administrative Services Agreement, dated October 28, 2014, between Leif Höegh (U.K.) Limited and Höegh LNG Partners Operating LLC (incorporated by reference to Exhibit 4.30 to the registrant's Annual Report on Form 20-F, filed on April 24, 2015)
4.9	Administrative Services Agreement, dated October 28, 2014, between Leif Höegh (U.K.) Limited and Höegh LNG Services Ltd. (incorporated by reference to Exhibit 4.31 to the registrant's Annual Report on Form 20-F, filed on April 24, 2015)
4.10	Commercial and Administration Management Agreement, dated November 24, 2009, between SRV Joint Gas Ltd. and Höegh LNG AS (*Neptune*) (incorporated by reference to Exhibit 10.8 to the registrant's Form F-1 Registration Statement (333-197228), filed on July 3, 2014)
4.11	Commercial and Administration Management Agreement, dated May 19, 2010, between SRV Joint Gas Two Ltd. and Höegh LNG AS (*GDF Suez Cape Ann*) (incorporated by reference to Exhibit 10.9 to the registrant's Form F-1 Registration Statement (333-197228), filed on July 3, 2014)
4.12	Commercial and Administration Management Agreement, dated May 31, 2010, between Höegh LNG FSRU III Ltd. (as successor to HöeghStream LNG Ltd.) and Höegh LNG AS (*Höegh Gallant*) (incorporated by reference to Exhibit 4.13 to the registrant's Annual Report on Form 20-F, filed on April 28, 2016)
4.13	Management Agreement, dated March 27, 2015, between Hoegh LNG Cyprus Limited and Höegh LNG AS (*Höegh Gallant*) (incorporated by reference to Exhibit 4.14 to the registrant's Annual Report on Form 20-F, filed on April 28, 2016)
4.14	Baltic and International Maritime Council Standard Ship Management Agreement, dated April 23, 2014, between SRV Joint Gas Ltd. and Höegh LNG Fleet Management AS (*Neptune*) (incorporated by reference to Exhibit 10.10 to Amendment No. 4 to the registrant's Form F-1 Registration Statement (333-197228), filed on August 6, 2014)
4.15	Baltic and International Maritime Council Standard Ship Management Agreement, dated April 23, 2014, between SRV Joint Gas Two Ltd. and Höegh LNG Fleet Management AS (*GDF Suez Cape Ann*) (incorporated by reference to Exhibit 10.11 to Amendment No. 4 to the registrant's Form F-1 Registration Statement (333-197228), filed on August 6, 2014)
4.16	Baltic and International Maritime Council Standard Ship Management Agreement, dated March 24, 2015, between Hoegh LNG Cyprus Limited and Höegh LNG Fleet Management AS (*Höegh Gallant*) (incorporated by reference to Exhibit 4.17 to the registrant's Annual Report on Form 20-F, filed on April 28, 2016)
4.17	Baltic and International Maritime Council Standard Ship Management Agreement, dated October 17, 2016, between Höegh LNG Colombia S.A.S. and Höegh LNG Fleet Management AS (*Höegh Grace*) (incorporated by reference to Exhibit 4.17 to the registrant's Annual Report on Form 20-F, filed on April 6, 2017)
4.18	Technical Information and Services Agreement, dated April 2, 2014, between PT Höegh LNG Lampung and Höegh LNG AS (*PGN FSRU Lampung*) (incorporated by reference to Exhibit 10.12 to the registrant's Form F-1 Registration Statement (333-197228), filed on July 3, 2014)

Exhibit Number	Description
4.19	Master Spare Parts Supply Agreement, dated April 2, 2014, between PT Höegh LNG Lampung and Höegh LNG Asia Pte. Ltd. (*PGN FSRU Lampung*) (incorporated by reference to Exhibit 10.13 to the registrant's Form F-1 Registration Statement (333-197228), filed on July 3, 2014)
4.20	Master Maintenance Agreement, dated April 2, 2014, between PT Höegh LNG Lampung and Höegh LNG Shipping Services Pte Ltd (*PGN FSRU Lampung*) (incorporated by reference to Exhibit 10.14 to the registrant's Form F-1 Registration Statement (333-197228), filed on July 3, 2014)
4.21	Sub-Technical Support Agreement, dated April 11, 2014, between Höegh LNG AS and Höegh LNG Fleet Management AS (*PGN FSRU Lampung*) (incorporated by reference to Exhibit 10.15 to the registrant's Form F-1 Registration Statement (333-197228), filed on July 3, 2014)
4.22	Intercompany Agreement Regarding Secondment of Employees, dated March 31, 2015, between Höegh LNG Maritime Management Pte. Ltd. and Hoegh LNG Cyprus Limited, as amended by Addendum No. 1 dated November 17, 2015 (incorporated by reference to Exhibit 4.22 to the registrant's Annual Report on Form 20-F, filed on April 28, 2016)
4.23	Manning Agreement, dated September 1, 2016, between Höegh LNG Colombia S.A.S. and Höegh Fleet Services Philippines Inc. (*Höegh Grace*) (incorporated by reference to Exhibit 4.23 to the registrant's Annual Report on Form 20-F, filed on April 6, 2017)
4.24	Management Consulting Agreement, dated October 1, 2016, between Höegh LNG Colombia S.A.S. and Höegh LNG AS (*Höegh Grace*) (incorporated by reference to Exhibit 4.24 to the registrant's Annual Report on Form 20-F, filed on April 6, 2017)
4.25	Agreement for the Provision of Professional Payment Services, dated October 1, 2016, between Höegh LNG Colombia S.A.S. and Höegh LNG Maritime Management Pte. Ltd. (*Höegh Grace*) (incorporated by reference to Exhibit 4.25 to the registrant's Annual Report on Form 20-F, filed on April 6, 2017)
4.26	Crew Recruitment Consulting Services Agreement, dated October 1, 2016, between Höegh LNG Colombia S.A.S. and Höegh LNG Maritime Management Pte. Ltd. (*Höegh Grace*) (incorporated by reference to Exhibit 4.26 to the registrant's Annual Report on Form 20-F, filed on April 6, 2017)
4.27	Spare Parts Procurement and Insurance Services Agreement, dated October 25, 2016, between Höegh LNG FSRU IV Ltd. and Höegh LNG Fleet Management AS (*Höegh Grace*) (incorporated by reference to Exhibit 4.27 to the registrant's Annual Report on Form 20-F, filed on April 6, 2017)
4.28	Technical Services Agreement, dated October 1, 2016, between Höegh LNG Colombia S.A.S. and Höegh LNG AS (*Höegh Grace*) (incorporated by reference to Exhibit 4.28 to the registrant's Annual Report on Form 20-F, filed on April 6, 2017)
4.29†	SRV LNG Carrier Time Charterparty, dated March 20, 2007, between SRV Joint Gas Ltd. and Suez LNG Trading SA, as novated by the Novation Agreement, dated March 25, 2010, among SRV Joint Gas Ltd., GDF Suez LNG Trading SA (formerly known as Suez LNG Trading SA) and GDF Suez Global LNG Supply SA (*Neptune*) (incorporated by reference to Exhibit 10.16 to the registrant's Form F-1 Registration Statement (333-197228), filed on July 3, 2014)
4.29.1†	Amendment No 1. to the SRV LNG Carrier Time Charterparty, dated February 23, 2015, between SRV Joint Gas Ltd. and GDF Suez LNG Supply SA (*Neptune*) (incorporated by reference to Exhibit 4.16.1 to the registrant's Annual Report on Form 20-F, filed on April 24, 2015)
4.29.2†	Amendment No 2. to the SRV LNG Carrier Time Charterparty, dated February 23, 2015, between SRV Joint Gas Ltd. and GDF Suez LNG Supply SA (*Neptune*) (incorporated by reference to Exhibit 4.16.2 to the registrant's Annual Report on Form 20-F, filed on April 24, 2015)
4.29.3†	Amendment No. 3, dated April 23, 2014, to the SRV LNG Carrier Time Charterparty (*Neptune*) (incorporated by reference to Exhibit 10.16.1 to Amendment No. 4 to the registrant's Form F-1 Registration Statement (333-197228), filed on August 6, 2014)
4.29.4†	Amendment No. 4, dated December 9, 2016, to the SRV LNG Carrier Time Charterparty (*Neptune*) (incorporated by reference to Exhibit 4.29.4 to the registrant's Annual Report on Form 20-F, filed on April 6, 2017)

Exhibit Number	Description
4.30†	SRV LNG Carrier Time Charterparty, dated March 20, 2007, between SRV Joint Gas Ltd. and Suez LNG Trading SA, as novated by the Novation Agreement, dated December 20, 2007, among SRV Joint Gas Ltd., Suez LNG Trading SA and SRV Joint Gas Two Ltd., as novated by the Novation Agreement, dated March 25, 2010, among SRV Joint Gas Two Ltd., GDF Suez LNG Trading SA (formerly known as Suez LNG Trading SA) and GDF Suez Global LNG Supply SA, as amended by Amendment No. 1, dated June 20, 2012, between SRV Joint Gas Two Ltd. and GDF Suez LNG Supply SA, as amended by Amendment No. 2, dated June 20, 2012, between SRV Joint Gas Two Ltd. and GDF Suez LNG Supply SA, as supplemented by the Side Letter, dated November 17, 2013, between SRV Joint Gas Two Ltd. and GDF Suez LNG Supply SA (GDF Suez Cape Ann) (incorporated by reference to Exhibit 10.17 to the registrant's Form F-1 Registration Statement (333-197228), filed on July 3, 2014)
4.30.1†	Amendment No. 3, dated April 23, 2014, to the SRV LNG Carrier Time Charterparty (*GDF Suez Cape Ann*) (incorporated by reference to Exhibit 10.17.1 to Amendment No. 4 to the registrant's Form F-1 Registration Statement (333-197228), filed on August 6, 2014)
4.30.2†	Amendment No. 4, dated October 23, 2017, to the SRV LNG Carrier Time Charterparty, as supplemented by the Side Letter, dated October 27, 2017 (*GDF Suez Cape Ann*) (incorporated by reference to Exhibit 4.30.2 to the registrant's Annual Report on Form 20-F filed on April 6, 2018)
4.31†	Amendment and Restatement Agreement of the Original Lease, Operation and Maintenance Agreement, dated January 25, 2012, between Höegh LNG Ltd. and PT Perusahaan Gas Negara (Persero) Tbk, as novated by the Novation Agreement for Amended & Restated Lease, Operation & Maintenance Agreement, dated September 18, 2013, among PT Perusahaan Gas Negara (Persero) Tbk, Höegh LNG Ltd. and PT Höegh LNG Lampung, as novated by the Novation Agreement for Amended & Restated Lease, Operation & Maintenance Agreement, dated February 21, 2014, among PT Perusahaan Gas Negara (Persero) Tbk, PT PGN LNG Indonesia and PT Höegh LNG Lampung (*PGN FSRU Lampung*) (incorporated by reference to Exhibit 10.18 to the registrant's Form F-1 Registration Statement (333-197228), filed on July 3, 2014)
4.32†	Lease and Maintenance Agreement, dated April 15, 2015, between Hoegh LNG Cyprus Limited, acting through its Egypt Branch, and Höegh LNG Egypt LLC (*Höegh Gallant*) (incorporated by reference to Exhibit 4.26 to the registrant's Annual Report on Form 20-F, filed on April 28, 2016)
4.33†	International Leasing Agreement, dated November 1, 2014, between Höegh LNG FSRU IV Ltd. and Sociedad Portuaria El Cayao S.A. E.S.P., as amended by Amendment No. 1 thereto dated September 24, 2015 (*Höegh Grace*) (incorporated by reference to Exhibit 4.33 to the registrant's Annual Report on Form 20-F, filed on April 6, 2017)
4.34†	FSRU Operation and Services Agreement, dated November 1, 2014, between Höegh LNG Holdings Ltd. and Sociedad Portuaria El Cayao S.A. E.S.P., as amended by Amendment No. 1 thereto, dated September 24, 2015, as novated by the Deed of Novation, dated October 18, 2016, among Höegh LNG Holdings Ltd., Höegh LNG Colombia S.A.S. and Sociedad Portuaria El Cayao S.A. E.S.P. (*Höegh Grace*) (incorporated by reference to Exhibit 4.34 to the registrant's Annual Report on Form 20-F, filed on April 6, 2017)
4.35	Second Amended and Restated Shareholders' Agreement, dated July 18, 2014, among Mitsui O.S.K Lines, Ltd., Höegh LNG Partners Operating LLC and Tokyo LNG Tanker Co., Ltd. (incorporated by reference to Exhibit 4.19 to the registrant's Annual Report on Form 20-F, filed on April 24, 2015)
4.36	Shareholders' Agreement, dated March 13, 2013, between Höegh LNG Lampung Pte Ltd. and PT Bahtera Daya Utama (incorporated by reference to Exhibit 10.20 to the registrant's Form F-1 Registration Statement (333-197228), filed on July 3, 2014)
4.37	Novation Deed, dated August 31, 2010, among Mitsui O.S.K. Lines, Ltd., Tokyo LNG Tanker Co., Ltd., Höegh LNG Ltd. and SRV Joint Gas Ltd. (incorporated by reference to Exhibit 10.21 to the registrant's Form F-1 Registration Statement (333-197228), filed on July 3, 2014)
4.38	Novation Deed, dated August 31, 2010, among Mitsui O.S.K. Lines, Ltd., Tokyo LNG Tanker Co., Ltd., Höegh LNG Ltd. and SRV Joint Gas Two Ltd. (incorporated by reference to Exhibit 10.22 to the registrant's Form F-1 Registration Statement (333-197228), filed on July 3, 2014)

Exhibit Number	Description
4.39	Amendment and Restatement Agreement, dated October 9, 2013, among Höegh LNG Lampung Pte Ltd., PT Bahtera Daya Utama and PT Imeco Inter Sarana (incorporated by reference to Exhibit 10.23 to the registrant's Form F-1 Registration Statement (333-197228), filed on July 3, 2014)
4.40	Revolving Loan Agreement, dated August 12, 2014, between Höegh LNG Partners LP and Höegh LNG Holdings Ltd. in the amount of $85,000,000 (incorporated by reference to Exhibit 4.24 to the registrant's Annual Report on Form 20-F, filed on April 24, 2015)
4.40.1	Amendment No. 1 to the Revolving Loan Agreement, dated February 28, 2016 (incorporated by reference to Exhibit 4.32.1 to the registrant's Annual Report on Form 20-F, filed on April 28, 2016)
4.40.2	Amendment No. 2 to the Revolving Loan Agreement, dated January 29, 2018 (incorporated by reference to Exhibit 4.40.2 to the registrant's Annual Report on Form 20-F filed on April 6, 2018)
4.41	Neptune Facility Agreement, dated December 20, 2007, among SRV Joint Gas Ltd. and the other parties thereto, as amended by the Amendment Agreement, dated March 25, 2010, the Letter from the Agent for the Lenders, dated August 26, 2010, the Letter from the Agent for the Lenders, dated July 25, 2014 and the Amendment Agreement, dated February 24, 2015 (incorporated by reference to Exhibit 4.26 to the registrant's Annual Report on Form 20-F, filed on April 24, 2015)
4.41.1	Amendment Letter, dated December 7, 2016, to Neptune Facility Agreement, between SRV Joint Gas Ltd. and DNB Bank ASA, as security trustee and agent (incorporated by reference to Exhibit 4.41.1 to the registrant's Annual Report on Form 20-F, filed on April 6, 2017)
4.42	Cape Ann Facility Agreement, dated December, 20, 2007, among SRV Joint Gas Two Ltd. and the other parties thereto, as amended by the Amendment Agreement, dated March 25, 2010, the Letter from the Agent for the Lenders, dated August 26, 2010, the Amendment Agreement, dated June 29, 2012 and the Letter from the Agent for the Lenders, dated July 25, 2014 (incorporated by reference to Exhibit 4.27 to the registrant's Annual Report on Form 20-F, filed on April 24, 2015)
4.43	$299 Million Lampung Facility Agreement, dated September 12, 2013, between PT Höegh LNG Lampung and the other parties thereto, as amended by the Second Side Letter, dated December 18, 2014 (incorporated by reference to Exhibit 4.28 to the registrant's Annual Report on Form 20-F, filed on April 24, 2015)
4.44*	$385 Million Senior Secured Term Loan and Revolving Credit Facility Agreement dated January 29, 2019 among Höegh LNG Partners LP, as borrower, and the other parties thereto
4.45	License Agreement, between Leif Höegh & Co. Ltd. and Höegh LNG Partners LP (incorporated by reference to Exhibit 10.29 to Amendment No. 1 to the registrant's Form F-1 Registration Statement (333-197228), filed on July 17, 2014)
4.46	Contribution, Purchase and Sale Agreement, dated August 12, 2015, among Höegh LNG Holdings Ltd., Höegh LNG Ltd., Höegh LNG Partners LP and Höegh LNG Partners Operating LLC (incorporated by reference to Exhibit 4.39 to the registrant's Annual Report on Form 20-F, filed on April 28, 2016)
4.47	Letter Agreement, dated October 1, 2015, among Höegh LNG Holdings Ltd., Höegh LNG Ltd., Höegh LNG Egypt LLC, Höegh LNG Partners LP and Höegh LNG Partners Operating LLC (incorporated by reference to Exhibit 4.40 to the registrant's Annual Report on Form 20-F, filed on April 28, 2016)
4.48	Option Agreement, dated October 1, 2015, among Höegh LNG Holdings Ltd., Höegh LNG Ltd. and Höegh LNG Partners LP (incorporated by reference to Exhibit 4.41 to the registrant's Annual Report on Form 20-F, filed on April 28, 2016)

Exhibit Number	Description
4.49	Contribution, Purchase and Sale Agreement, dated December 1, 2016, among Höegh LNG Holdings Ltd., Höegh LNG Ltd., Höegh LNG Partners LP and Höegh LNG Partners Operating LLC (incorporated by reference to Exhibit 4.1 to the registrant's Report on Form 6-K, filed on December 1, 2016)
4.50	Contribution, Purchase and Sale Agreement, dated November 16, 2017, among Höegh LNG Holdings Ltd., Höegh LNG Ltd., Höegh LNG Partners LP and Höegh LNG Partners Operating LLC (incorporated by reference to Exhibit 4.1 to the registrant's Report on Form 6-K, filed on January 26, 2018)
4.51	Indemnification Agreement, dated September 27, 2017, among Höegh LNG Partners LP, Höegh LNG Partners Operating LLC and Höegh LNG Holdings Ltd. (incorporated by reference to Exhibit 4.1 to the registrant's Report on Form 6-K, filed on September 28, 2017)
4.52	At-the-Market Issuance Sales Agreement, dated January 26, 2018, among Höegh LNG Partners LP, Höegh LNG GP LLC and Höegh LNG Partners Operating LLC and B. Riley FBR, Inc. (incorporated by reference to Exhibit 1.1 to the registrant's Report on Form 6-K, filed on January 26, 2018)
8.1*	Subsidiaries of Höegh LNG Partners LP
12.1*	Rule 13a-14(a)/15d-14(a) Certification of the Principal Executive Officer and the Principal Financial Officer
13.1*	Certification under Section 906 of the Sarbanes-Oxley Act of 2002 of the Principal Executive Officer and the Principal Financial Officer
15.1*	Schedule I - Condensed Financial Information of Registrant
15.2*	Consent of Independent Registered Public Accounting Firm
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema
101.CAL*	XBRL Taxonomy Extension Schema Calculation Linkbase
101.DEF*	XBRL Taxonomy Extension Schema Definition Linkbase
101.LAB*	XBRL Taxonomy Extension Schema Label Linkbase
101.PRE*	XBRL Taxonomy Extension Schema Presentation Linkbase

* Filed herewith.
† Certain portions have been omitted pursuant to a confidential treatment order. Omitted information has been filed separately with the SEC.

SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

HÖEGH LNG PARTNERS LP

Date: April 10, 2019

By: /s/ Steffen Føreid
Name: Steffen Føreid
Title: Chief Executive Officer and Chief Financial Officer

INDEX TO THE FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Unitholders and Board of Directors of Höegh LNG Partners LP

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Höegh LNG Partners LP (the "Partnership") as of December 31, 2018 and 2017, the related consolidated statements of income, comprehensive income, partners' capital and cash flows for each of the three years in the period ended December 31, 2018, the related notes and financial statement Schedule I in Exhibit 15.1 of Item 19 (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Partnership at December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on the Partnership's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Partnership is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young AS

We have served as the Partnership's auditor since 2013.

Oslo, Norway

April 10, 2019

HÖEGH LNG PARTNERS LP
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(in thousands of U.S. dollars, except per unit amounts)

	Notes	2018	2017	2016
REVENUES				
Time charter revenues	4,5,6,19,22	$ 144,952	143,531	$ 91,107
Other revenue	4,5	1,609	—	—
Total revenues	4,5,6	146,561	143,531	91,107
OPERATING EXPENSES				
Vessel operating expenses	16,19	(24,195)	(23,791)	(16,080)
Construction contract expenses	7,22	—	(151)	(315)
Administrative expenses		(8,916)	(9,910)	(9,718)
Depreciation and amortization	11,12	(21,146)	(21,054)	(10,552)
Total operating expenses		(54,257)	(54,906)	(36,665)
Equity in earnings (losses) of joint ventures	4,17	17,938	5,139	16,622
Operating income (loss)	4	110,242	93,764	71,064
FINANCIAL INCOME (EXPENSE), NET				
Interest income	19	725	500	857
Interest expense	15,19	(26,814)	(30,085)	(25,178)
Gain (loss) on derivative instruments	21	4,681	2,463	1,839
Other items, net		(2,907)	(3,574)	(3,333)
Total financial income (expense), net	8	(24,315)	(30,696)	(25,815)
Income (loss) before tax		85,927	63,068	45,249
Income tax expense	9	(8,305)	(3,878)	(3,872)
Net income (loss)	4	$ 77,622	59,190	$ 41,377
Non-controlling interest in net income		—	10,408	—
Preferred unitholders' interest in net income		12,303	2,480	—
Limited partners' interest in net income (loss)		$ 65,319	46,302	$ 41,377
Earnings per unit				
Common unit public (basic and diluted)	26	$ 1.93	1.37	$ 1.58
Common unit Höegh LNG (basic and diluted)	26	$ 2.03	1.44	$ 1.52
Subordinated unit (basic and diluted)	26	$ 2.03	1.45	$ 1.52

The accompanying notes are an integral part of these financial statements.

HÖEGH LNG PARTNERS LP
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(in thousands of U.S. dollars)

	Notes	2018	2017	2016
Net income (loss)		$ 77,622	59,190	$ 41,377
Unrealized gains (losses) on cash flow hedge	21	(2,290)	3,335	1,883
Income tax benefit (expense)	9,21	(299)	(347)	(378)
Other comprehensive income (loss)		(2,589)	2,988	1,505
Comprehensive income (loss)		$ 75,033	62,178	$ 42,882
Non-controlling interest in comprehensive income		—	10,794	—
Preferred unitholders' interest in net income		12,303	2,480	—
Partners' interest in comprehensive income (loss)		$ 62,730	48,904	$ 42,882

The accompanying notes are an integral part of these financial statements.

HÖEGH LNG PARTNERS LP
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2018 AND 2017
(in thousands of U.S. dollars)

	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	20	$ 26,326	$ 22,679
Restricted cash	20	6,003	6,962
Trade receivables	20	1,228	7,563
Amounts due from affiliates	19,20	4,328	4,286
Inventory		646	668
Current portion of net investment in direct financing lease	6	4,168	3,806
Derivative instruments	20,21	1,199	—
Prepaid expenses and other receivables	10	2,967	462
Total current assets		46,865	46,426
Long-term assets			
Restricted cash	20	13,125	13,640
Vessels, net of accumulated depreciation	11	658,311	679,041
Other equipment	11	445	604
Intangibles and goodwill	12	20,739	24,370
Advances to joint ventures	14,20	3,536	3,263
Net investment in direct financing lease	6	278,905	282,820
Long-term deferred tax asset	9	174	204
Derivative instruments	20,21	—	228
Other long-term assets	13,20	940	8,363
Total long-term assets		976,175	1,012,533
Total assets		$ 1,023,040	$ 1,058,959

The accompanying notes are an integral part of these financial statements.

HÖEGH LNG PARTNERS LP
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2018 AND 2017
(in thousands of U.S. dollars)

	Notes	2018	2017
LIABILITIES AND EQUITY			
Current liabilities			
Current portion of long-term debt	15,20	$ 45,458	$ 45,458
Trade payables		529	381
Amounts due to owners and affiliates	19,20	2,301	1,417
Value added and withholding tax liability		1,175	1,511
Derivative instruments	20,21	259	2,015
Accrued liabilities and other payables	16	7,458	13,042
Total current liabilities		57,180	63,824
Long-term liabilities			
Accumulated losses of joint ventures	4,17	2,808	20,746
Long-term debt	15,20	390,087	434,845
Revolving credit facility due to owners and affiliates	19,20	39,292	51,832
Derivative instruments	20,21	2,438	2,102
Long-term tax liability	9	1,725	—
Long-term deferred tax liability	9	8,974	5,158
Other long-term liabilities	18	99	5,793
Total long-term liabilities		445,423	520,476
Total liabilities		502,603	584,300
EQUITY	24,25,26		
8.75% Series A preferred units:			
6,129,070 units issued and outstanding at December 31, 2018 and 4,600,000 units issued and outstanding at December 31, 2017		151,259	113,404
Common units public:			
17,944,701 units issued and outstanding at December 31, 2018 and 17,648,844 units issued and outstanding at December 31, 2017		325,250	317,149
Common units Höegh LNG:			
2,101,438 units issued and outstanding at December 31, 2018 and 2,116,060 units issued and outstanding at December 31, 2017		6,844	6,513
Subordinated units:			
13,156,060 units issued and outstanding at December 31, 2018 and 2017		42,421	40,341
Accumulated other comprehensive income (loss)	21	(5,337)	(2,748)
Total partners' capital		520,437	474,659
Total equity		520,437	474,659
Total liabilities and equity		$ 1,023,040	$ 1,058,959

The accompanying notes are an integral part of these financial statements.

HÖEGH LNG PARTNERS LP
CONSOLIDATED STATEMENTS OF
CHANGES IN PARTNERS' CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(in thousands of U.S. dollars)

	Partners' Capital						
	8.75% Series A Preferred Units	Common Units Public	Common Units Höegh LNG	Subor-dinated	Accumulated Other Comprehensive Income	Non-controlling interest	Total Equity
Consolidated balance as of December 31, 2015	—	209,372	6,604	41,063	(7,241)	—	249,798
Net income	—	18,133	3,221	20,023	—	—	41,377
Cash distributions to unitholders	—	(18,225)	(3,554)	(22,098)	—	—	(43,877)
Cash contribution from Höegh LNG	—	—	532	3,311	—	—	3,843
Other comprehensive loss	—	—	—	—	1,505	—	1,505
Net proceeds from issuance of common units	—	111,529	—	—	—	—	111,529
Issuance of units for Board of Directors' fees	—	189	—	—	—	—	189
Other and contributions from owners	—	93	46	287	—	—	426
Consolidated balance as of December 31, 2016	$ —	321,091	6,849	42,586	(5,736)	—	$ 364,790
Non-controlling interest acquired from the purchase of the *Höegh Grace* entities	—	—	—	—	—	88,561	88,561
Net income	2,480	24,217	3,055	19,030	—	10,408	59,190
Cash distributions to unitholders	—	(30,039)	(3,741)	(23,257)	—	—	(57,037)
Cash distributions to non-controlling interest	—	—	—	—	—	(9,457)	(9,457)
Cash contribution from Höegh LNG	—	—	315	1,760	—	—	2,075
Refund of indemnification received from Höegh LNG	—	—	(213)	(1,321)	—	—	(1,534)
Other comprehensive income	—	—	—	—	2,602	386	2,988
Net proceeds from public offering and issuance of Series A preferred units	110,924	—	—	—	—	—	110,924
Acquisition of non-controlling interest from the purchase of the *Höegh Grace* entities	—	—	—	—	—	(89,898)	(89,898)
Difference between net book value of acquired non-controlling interest and consideration paid	—	1,528	183	1,139	386	—	3,236
Issuance of units for Board of Directors' fees	—	189	—	—	—	—	189
Contributions from owners	—	163	65	404	—	—	632
Consolidated balance as of December 31, 2017	$ 113,404	317,149	6,513	40,341	(2,748)	—	$ 474,659

The accompanying notes are an integral part of these financial statements.

HÖEGH LNG PARTNERS LP
CONSOLIDATED STATEMENTS OF
CHANGES IN PARTNERS' CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(in thousands of U.S. dollars)

	Partners' Capital						
	8.75% Series A Preferred Units	Common Units Public	Common Units Höegh LNG	Subor-dinated Units	Accumulated Other Comprehensive Income	Non-controlling interest	Total Equity
Consolidated balance as of December 31, 2017	$ 113,404	317,149	6,513	40,341	(2,748)	—	$ 474,659
Net income	12,303	34,409	4,257	26,653	—	—	77,622
Cash distributions to unitholders	(13,107)	(31,211)	(3,881)	(24,298)	—	—	(72,497)
Refund of indemnification received from Höegh LNG	—	—	(325)	(2,028)	—	—	(2,353)
Cash contributions from Höegh LNG	—	—	234	1,467	—	—	1,701
Other comprehensive income	—	—	—	—	(2,589)	—	(2,589)
Net proceeds from issuance of common units	—	4,563	—	—	—	—	4,563
Net proceeds from issuance of Series A preferred units	38,659	—	—	—	—	—	38,659
Issuance of units for Board of Directors' fees	—	200	—	—	—	—	200
Other and contributions from owners	—	140	46	286	—	—	472
Consolidated balance as of December 31, 2018	$ 151,259	325,250	6,844	42,421	(5,337)	—	$ 520,437

The accompanying notes are an integral part of these financial statements.

HÖEGH LNG PARTNERS LP
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(in thousands of U.S. dollars)

	2018	2017	2016
OPERATING ACTIVITIES			
Net income (loss)	$ 77,622	59,190	$ 41,377
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	21,146	21,054	10,552
Equity in losses (earnings) of joint ventures	(17,938)	(5,139)	(16,622)
Changes in accrued interest income on advances to joint ventures and demand note	(273)	3,955	743
Amortization of deferred debt issuance cost and fair value of debt assumed	700	828	2,013
Amortization in revenue for above market contract	3,631	3,631	2,405
Changes in accrued interest expense	(605)	218	(227)
Unrealized foreign exchange losses (gains)	181	908	(109)
Unrealized loss (gain) on derivative instruments	(4,681)	(2,463)	(1,839)
Non-cash revenue: tax paid directly by charterer	(852)	(861)	—
Non-cash income tax expense: tax paid directly by charterer	852	861	—
Deferred tax expense and provision for tax uncertainty	5,272	1,614	3,548
Issuance of units for Board of Directors' fees	200	189	189
Other adjustments	472	632	426
Changes in working capital:			
Trade receivables	6,344	(1,035)	(83)
Inventory	22	29	70
Prepaid expenses and other receivables	(72)	188	(81)
Trade payables	155	(804)	(321)
Amounts due to owners and affiliates	842	(628)	(9,228)
Value added and withholding tax liability	4,257	4,519	3,043
Accrued liabilities and other payables	(5,594)	(6,939)	743
Net cash provided by (used in) operating activities	91,681	79,947	36,599
INVESTING ACTIVITIES			
Expenditure for purchase of *Höegh Grace* entities	—	(137,475)	—
Cash acquired in the purchase of the *Höegh Grace* entities	—	3,793	—
Decrease (increase) in restricted cash designated for purchase of the *Höegh Grace* entities	—	91,768	(91,768)
Expenditure for vessel and other equipment	(747)	(21)	(537)
Receipts from repayment of principal on advances to joint ventures	—	—	6,029
Receipts from repayment of principal on direct financing lease	3,814	3,485	3,192
Net cash provided by (used in) investing activities	$ 3,067	(38,450)	$ (83,084)

The accompanying notes are an integral part of these financial statements.

HÖEGH LNG PARTNERS LP
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(in thousands of U.S. dollars)

	2018	2017	2016
FINANCING ACTIVITIES			
Proceeds from loans and promissory notes due to owners and affiliates	$ 5,400	25,730	$ 8,622
Repayment of long-term debt	(45,458)	(45,458)	(32,208)
Repayment of amounts due to owners and affiliates	(17,500)	(58,705)	(12,617)
Repayment of customer loan for funding of value added liability on import	(4,993)	(5,878)	(6,233)
Net proceeds from issuance of common units	4,563	—	111,529
Net proceeds from issuance of Series A preferred units	38,659	110,924	—
Cash distributions to limited partners and preferred unitholders	(72,497)	(57,037)	(43,877)
Cash distributions to non-controlling interest	—	(9,457)	—
Proceeds from indemnifications received from Höegh LNG	1,701	2,075	3,843
Repayment of indemnifications received from Höegh LNG	(2,353)	(1,534)	—
Net cash provided by (used in) financing activities	$ (92,478)	(39,340)	$ 29,059
Increase (decrease) in cash, cash equivalents and restricted cash	2,270	2,157	(17,426)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(97)	—	(146)
Cash, cash equivalents and restricted cash, beginning of period	43,281	41,124	58,696
Cash, cash equivalents and restricted cash, end of period	$ 45,454	43,281	$ 41,124

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets for the years ended December 31, 2018, 2017, 2016 and 2015.

	2018	2017	2016	2015
Cash and cash equivalents	$ 26,326	22,679	18,915	$ 32,868
Restricted cash - current asset	6,003	6,962	8,055	10,630
Restricted cash - non-current asset	13,125	13,640	14,154	15,198
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	$ 45,454	43,281	41,124	$ 58,696

The accompanying notes are an integral part of these financial statements.

1. Description of business

Höegh LNG Partners LP (the "Partnership") was formed under the laws of the Marshall Islands on April 28, 2014 as an indirect 100% owned subsidiary of Höegh LNG Holdings Ltd. ("Höegh LNG") for the purpose of acquiring Höegh LNG's interests in Hoegh LNG Lampung Pte. Ltd., PT Hoegh LNG Lampung (the owner of the *PGN FSRU Lampung*), SRV Joint Gas Ltd. (the owner of the *Neptune*), and SRV Joint Gas Two Ltd. (the owner of the *Cape Ann*) in connection with the Partnership's initial public offering of its common units (the "IPO") in August 2014.

On August 12, 2014, the Partnership completed its IPO. Prior to the closing of the IPO, Höegh LNG contributed to the Partnership all of its equity interests and loans and promissory notes due to it and affiliates in each of the entities owning the *Neptune*, the *Cape Ann* and the *PGN FSRU Lampung*. The transfer of the interests was recorded at Höegh LNG's consolidated book values. At the closing of the IPO (including the exercise by the underwriters of the option to purchase an additional 1,440,000 common units), (i) 11,040,000 common units were sold to the public for net proceeds, after deduction of offering expenses, of $203.5 million; (ii) Höegh LNG owned 2,116,060 common units and 13,156,060 subordinated units, representing approximately 58% of the limited partner interests in the Partnership, and 100% of the incentive distribution rights ("IDRs") and (iii) a wholly owned subsidiary of Höegh LNG owned the non-economic general partner interest in the Partnership.

Under the partnership agreement, the general partner has irrevocably delegated to the Partnership's board of directors the power to oversee and direct the operations of, manage and determine the strategies and policies of the Partnership. Four of the seven board members were elected by the common unitholders at the Partnership's first annual meeting of unitholders held on September 24, 2014. As a result, Höegh LNG, as the owner of the general partner, does not have the power to control the Partnership's board of directors or the Partnership, and the Partnership is not considered to be under the control of Höegh LNG for United States generally accepted accounting principles ("US GAAP") purposes. Therefore, the sale of a business from Höegh LNG to the Partnership is a change of control. As a result, the Partnership accounts for acquisitions of businesses under the purchase method of accounting and not as transfers of entities under common control.

On October 1, 2015, the Partnership closed the acquisition of 100% of the shares in Höegh LNG FSRU III Ltd., the entity that indirectly owned the floating storage and regasification unit ("FSRU") the *Höegh Gallant* (the " *Höegh Gallant* entities"), as further described in note 4. The *Höegh Gallant* was constructed by Hyundai Heavy Industries Co., Ltd. ("HHI") and was delivered to Höegh LNG in November 2014.

In December 2016, the Partnership issued and sold 6,588,389 common units in an underwritten public offering for net proceeds of $111.5 million (refer to note 24) primarily to fund the purchase price of the acquisition of a 51% ownership interest in Höegh LNG Colombia Holding Ltd., the owner of the entities that own and operate the FSRU *Höegh Grace* (the "*Höegh Grace* entities"), in January 2017 (refer to note 3).

On January 3, 2017, the Partnership closed the acquisition of a 51% ownership interest in Höegh Colombia Holding Ltd. On January 1, 2017, the Partnership entered an agreement with Höegh LNG, under which Höegh LNG granted to the Partnership the authority to make decisions about operations of Höegh LNG Colombia Holding Ltd. from January 1, 2017 to the closing date of the acquisition. As a result, the Partnership has recorded the results of operations of the *Höegh Grace* entities in its consolidated statement of income from January 1, 2017. Refer to note 3.

On October 5, 2017, the Partnership issued 4,600,000 8.75% Series A cumulative redeemable preferred units (the "Series A preferred units") for proceeds, net of underwriting discounts and expenses, of $110.9 million. Refer to note 24. A portion of the net proceeds was used to repay outstanding debt under the seller's credit note related to the *Höegh Gallant* acquisition and outstanding debt under the revolving credit facility.

On December 1, 2017, the Partnership closed the acquisition of the remaining 49% ownership interest in the *Höegh Grace* entities with a combination of cash remaining from the net proceeds from the issuance of Series A preferred units and draws on the revolving credit facility. Refer to note 3.

On January 26, 2018, the Partnership entered into sales agreement with B. Riley FBR Inc. (the "Agent"). Under the terms of the sales agreement, the Partnership may offer and sell up to $120 million aggregate offering amount of common units and 8.75% Series A cumulative redeemable preferred units ("Series A preferred units"), from time to time, through the Agent, acting as agent for the Partnership (the "ATM Program"). Sales of such units may be made in negotiated transactions or transactions that are deemed to be "at the market" offerings, including sales made directly on the New York Stock Exchange or through a market marker other than on an exchange. Refer to note 24.

The interests in SRV Joint Gas Ltd. and SRV Joint Gas Two Ltd., collectively, are referred to as the "joint ventures" and the remaining entities owned by the Partnership, as reflected in the table below are, collectively, referred to as the "subsidiaries" in these consolidated financial statements. The *PGN FSRU Lampung*, the *Höegh Gallant*, the *Höegh Grace*, the *Neptune* and the *Cape Ann* are FSRUs and, collectively, referred to in these consolidated financial statements as the vessels or the "FSRUs." The Tower Yoke Mooring System (the "Mooring") is an offshore installation that is used to moor the *PGN FSRU Lampung* to offload the gas into an offshore pipe that transports the gas to a land terminal. PT Hoegh LNG Lampung, Hoegh LNG Cyprus Limited, the owner of the *Höegh Gallant*, Höegh LNG FSRU IV Ltd., the owner of the *Höegh Grace*, and the two joint ventures, SRV Joint Gas Ltd. and SRV Joint Gas Two Ltd., are collectively referred to as the "FSRU-owning entities."

The *Neptune* and the *Cape Ann* operate under long-term time charters with expiration dates in 2029 and 2030, respectively, and, in each case, with an option for the charterer, Global LNG Supply SA, a subsidiary of Total S.A. ("Total"), to extend for up to one additional period of ten years or two additional periods of five years each. The *PGN FSRU Lampung*, operates under a long term time charter which started in July 2014 with an expiration date in 2034, with an option for the charterer to extend for up to two additional periods of five years each, and uses the Mooring that was constructed, installed and sold to the charterer, PT PGN LNG Indonesia ("PGN LNG"), a subsidiary of PT Perusahaan Gas Negara (Persero) Tbk ("PGN"), a subsidiary of PT Pertamina, a government-controlled, Indonesian oil and gas producer, natural gas transportation and distribution company. The *Höegh Gallant* operates under a long term time charter which started in April 2015 with an expiration date in April 2020 with Hoegh LNG Egypt LLC ("EgyptCo"), a subsidiary of Höegh LNG. EgyptCo had a charter with the government-owned Egyptian Natural Gas Holding Company ("EGAS") until October 2018. EgyptCo has an LNG carrier time charter to a third party from October 2018 until April 2020. Pursuant to an option agreement, the Partnership has the right to cause Höegh LNG to charter the *Höegh Gallant* from the expiration or termination of the EgyptCo charter until July 2025. The *Höegh Grace* operates under a long term time charter which started in December 2016 with Sociedad Portuaria El Cayao S.A. E.S.P. ("SPEC"). SPEC is owned 51% by Promigas S.A. ESP, a Colombian company focused on the transportation and distribution of natural gas, and 49% by private equity investors. The non-cancellable charter period of 10 years ends in December 2026. The initial term of the charter is 20 years. However, each party has an unconditional option to cancel the charter after 10 and 15 years without penalty. However, if SPEC waives its rights to terminate in year 10 within a certain deadline, the Partnership will not be able to exercise its right to terminate in year 10.

The following table lists the entities included in these consolidated financial statements and their purpose as of December 31, 2018.

Name	Jurisdiction of Incorporation or Registration	Purpose
Höegh LNG Partners LP	Marshall Islands	Holding Company
Höegh LNG Partners Operating LLC (100% owned)	Marshall Islands	Holding Company
Hoegh LNG Services Ltd (100% owned)	United Kingdom	Administration Services Company
Hoegh LNG Lampung Pte. Ltd. (100% owned)	Singapore	Owns 49% of PT Hoegh LNG Lampung
PT Hoegh LNG Lampung (49% owned) (1)	Indonesia	Owns *PGN FSRU Lampung*
SRV Joint Gas Ltd. (50% owned) (2)	Cayman Islands	Owns *Neptune*
SRV Joint Gas Two Ltd. (50% owned) (2)	Cayman Islands	Owns *Cape Ann*
Höegh LNG FSRU III Ltd. (100% owned) (3) (5)	Cayman Islands	Owns 100% of Hoegh LNG Cyprus Limited
Hoegh LNG Cyprus Limited (100% owned) (3)	Cyprus	Owns *Höegh Gallant*
Hoegh LNG Cyprus Limited Egypt Branch (100% owned) (3)	Egypt	Branch of Hoegh LNG Cyprus Limited
Höegh LNG Colombia Holding Ltd. (100% owned) (4)	Cayman Islands	Owns 100% of Höegh LNG FSRU IV Ltd. and Höegh LNG Colombia S.A.S.
Höegh LNG FSRU IV Ltd. (100% indirectly owned) (4)	Cayman Islands	Owns *Höegh Grace*
Höegh LNG Colombia S.A.S. (100% indirectly owned) (4)	Colombia	Operating Company

(1) PT Hoegh LNG Lampung is a variable interest entity, which is controlled by Hoegh LNG Lampung Pte. Ltd. and is, therefore, 100% consolidated in the consolidated financial statements.
(2) The remaining 50% interest in each joint venture is owned by Mitsui O.S.K. Lines, Ltd. and Tokyo LNG Tanker Co.
(3) The ownership interests were acquired on October 1, 2015.
(4) The 51% of the ownership interests were acquired on January 3, 2017, and the remaining 49% of the ownership interests were acquired on December 1, 2017.
(5) On January 31, 2019, Höegh LNG FSRU III Ltd. transferred its ownership in Hoegh LNG Cyprus Limited to Höegh LNG Partners Operating LLC.

2. Significant accounting policies

Basis of presentation

The consolidated financial statements are prepared in accordance with US GAAP. All intercompany balances and transactions are eliminated.

It has been determined that PT Hoegh LNG Lampung, Höegh LNG FSRU III Ltd., Höegh LNG Colombia Holding Ltd., SRV Joint Gas Ltd. and SRV Joint Gas Two Ltd. are variable interest entities. A variable interest entity ("VIE") is defined by US GAAP as a legal entity where either (a) the voting rights of some investors are not proportional to their rights to receive the expected residual returns of the entity, their obligations to absorb the expected losses of the entity, or both, and substantially all of the entity's activities either involve or are conducted on behalf of an investor that has disproportionately few voting rights, or (b) the equity holders have not provided sufficient equity investment to permit the entity to finance its activities without additional subordinated financial support, or (c) equity interest holders as a group lack the characteristics of a controlling financial interest, including decision making ability and an interest in the entity's residual risks and rewards. The guidance requires a VIE to be consolidated if any of its interest holders are entitled to a majority of the entity's residual returns or are exposed to a majority of its expected losses.

Based upon the criteria set forth in US GAAP, the Partnership has determined that PT Hoegh LNG Lampung is a VIE, as the equity holders, through their equity investments, may not participate fully in the entity's expected residual returns and substantially all of the entity's activities either involve, or are conducted on behalf of, the Partnership. The Partnership is the primary beneficiary, as it has the power to make key operating decisions considered to be most significant to the VIE and receives all the expected benefits or expected losses. Therefore, 100% of the assets, liabilities, revenues and expenses of PT Hoegh LNG Lampung are included in the consolidated financial statements. Dividends may only be paid if the retained earnings are positive and a statutory reserve has been established equal to 20% of its paid up capital under Indonesian law. PT Hoegh LNG Lampung had not established the required statutory reserves as of December 31, 2018 and 2017. Therefore, PT Hoegh LNG Lampung cannot make dividend payments under Indonesian law. Under the Lampung facility, there are limitations on cash dividends and loans that can be made to the Partnership. Refer to note 15. As of December 31, 2018 and 2017, restricted net assets of the consolidated subsidiaries were $164.4 million and $150.1 million, respectively.

The Partnership has determined that Höegh LNG FSRU III Ltd. is a VIE, as the equity investment does not provide sufficient equity to permit the entity to finance its activities without financial guarantees. The Partnership is the primary beneficiary, as it has the power to make key operating decisions considered to be most significant to the VIE and receives all the expected benefits or expected losses. Therefore, 100% of the assets, liabilities, revenues and expenses of Höegh LNG FSRU III Ltd. are included in the consolidated financial statements. Under Cayman Islands law, dividends may only be paid out of profits or capital reserves if the entity is solvent after the distribution. Under the Gallant/Grace facility, there were limitations on dividends and loans distributions that could be made to the Partnership. Refer to note 15. The Partnership was a guarantor of the Gallant/Grace facility. As of December 31, 2018 and 2017, restricted net assets of the consolidated subsidiaries were $4.6 million and $4.0 million, respectively.

The Partnership has also determined that Höegh LNG Colombia Holding Ltd. is a VIE since the entity would not be able to finance its activities without financial guarantees under its subsidiary's facility to finance *Höegh Grace*. As of January 1, 2017, the Partnership is the primary beneficiary, as it has the power to make key operating decisions considered to be most significant to the VIE and receives the majority of the expected benefits or expected losses. Therefore, 100% of the assets, liabilities, revenues and expenses of Höegh LNG Colombia Holding Ltd., and subsidiaries, are included in the consolidated financial statements with a non-controlling interest reflected for the minority share until December 1, 2017. On December 1, 2017, the Partnership acquired the remaining 49% ownership interest in the *Höegh Grace* entities and, as of that date, there is no longer a non-controlling interest in the *Höegh Grace* entities. Under Cayman Islands law, dividends may only be paid out of profits or capital reserves if the entity is solvent after the distributions. Under the Gallant/Grace facility, there were limitations on dividends and loans distributions that could be made to the Partnership. Refer to note 15. The Partnership was a guarantor of the Gallant/Grace facility. As of December 31, 2018 and 2017, restricted net assets of the consolidated subsidiaries were $0.2 million and $0.4 million, respectively.

In addition, the Partnership has determined that the two joint ventures, SRV Joint Gas Ltd. and SRV Joint Gas Two Ltd., are VIEs since each entity did not have a sufficient equity investment to permit the entity to finance its activities without additional subordinated financial support. The entities have been financed with third party debt and subordinated shareholders loans. The Partnership is not the primary beneficiary, as the Partnership cannot make key operating decisions considered to be most significant to the VIEs, but has joint control with the other equity holders. Therefore, the joint ventures are accounted for under the equity method of accounting as the Partnership has significant influence. The Partnership's carrying value is recorded in advances to joint ventures and accumulated losses of joint ventures in the consolidated balance sheets. For SRV Joint Gas Ltd., the Partnership had a receivable for the advances of $2.8 million and $2.6 million, respectively, and the Partnership's accumulated losses or its share of net liabilities were $0.8 million and $10.7 million, respectively, as of December 31, 2018 and 2017. The Partnership's carrying value for SRV Joint Gas Two Ltd. consists of a receivable for the advances of $0.7 million and $0.7 million, respectively, and the Partnership's accumulated losses or its share of net liabilities of $2.0 million and $10.0 million, respectively, as of December 31, 2018 and 2017. The major reason that the Partnership's accumulated losses in the joint ventures are net liabilities is due to the fair value adjustments for the interest rate swaps recorded as liabilities on the combined balance sheets of SRV Joint Gas Ltd. and SRV Joint Gas Two Ltd. and eliminations for consolidation to the balance sheet. The maximum exposure to loss is the carrying value of the receivables, which is subordinated to the joint ventures' long-term bank debt, the investments in the joint ventures (accumulated losses), as the shares are pledged as security for the joint ventures' long-term bank debt, and Höegh LNG's commitment under long-term bank loan agreements to fund its share of drydocking costs and remarketing efforts in the event of an early termination of the charters. If the charters terminate for any reason that does not result in a termination fee, the joint ventures' long-term bank debt would be subject to mandatory repayment. Dividend distributions require a) agreement of the other joint venture owners; b) fulfilment of requirements of the long-term bank loans; c) and under Cayman Islands law may be paid out of profits or capital reserves subject to the joint venture being solvent after the distribution.

Significant accounting policies

Foreign currencies

The reporting currency in the consolidated financial statements is the U.S. dollar, which is the functional currency of the FSRU-owning entities. Nearly all revenues are received in U.S. dollars and a majority of the Partnership's expenditures for investments and all of the long-term debt are denominated in U.S. dollars. Transactions denominated in other currencies during the year are converted into U.S. dollars using the exchange rates in effect at the time of the transactions. Monetary assets and liabilities that are denominated in currencies other than the U.S. dollar are translated at the exchange rates in effect at the balance sheet date. Egyptian pounds are translated at an official published rate available. Resulting gains or losses are reflected in the accompanying consolidated statements of income.

Business combinations and asset acquisitions

Business combinations are accounted for under the purchase method of accounting. Under this method, the purchase price is allocated to identifiable assets acquired and liabilities assumed based on their fair values as of the acquisition date. Any excess of the purchase price over the fair values of net assets is recognized as goodwill. Acquisition related costs are expensed as incurred. The results of entity acquired are included in the consolidated financial statements from the date of acquisition.

Dependent upon facts and circumstances, the assessment of a transaction may be considered the acquisition of an asset, when substantially all of the fair value of assets acquired is concentrated in a single identifiable asset, rather than a business combination. Asset acquisitions are accounted for by allocating the cost of the acquisition to the individual assets acquired and liabilities assumed on a relative fair value basis. Acquisition related costs are capitalized as a component of the cost of the assets acquired.

Time charter revenue, related contract balances and related expenses

Time charter revenues and related contract balances:
The Partnership is required to evaluate whether two or more contracts should be combined and accounted for as a single contract, whether the contract promises to deliver more than one distinct good or service, or performance obligations, and/or a lease, determine the transaction price under the contract, allocate the transaction price to the lease and the performance obligations and recognize revenue as the performance obligation is satisfied.

Performance obligations:
The Partnership 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 the provisions of ASC 840; *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 the provision of ASC 606, *Revenue from Contracts with Customers*. The Partnership 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 transport cargos, to regasify the LNG and discharge the resulting gas into a pipeline in accordance with the charterer's instructions and requirements.

Time charter services revenue can be recognized as the performance obligation is satisfied over the 24-hour interval to the performance standards specified under the time charter contract. If the performance standards are not met, off-hire, reduced hire, liquidated damages or other performance payments may result.

Contract terms, determination of transaction price and allocation to performance obligations:
The Partnership's time charter contracts for all FSRUs, except the *Höegh Gallant*, include day rates or hire rates and warranty provisions with the following components:

- *Fixed element*: The fixed element is a fixed per day fee intended to cover remuneration for use of the vessel and the provision of time charter services.
- *Operating expense reimbursement element*: The operating expense reimbursement element is a rate per day intended to cover the operating costs of the vessel, including the crew, insurance, consumables, miscellaneous services, spares and maintenance and repairs costs and management services and fees. The amount of the operating expense reimbursement element may be based on actual cost incurred, or fees subject to indexing or other adjustments after a defined period, or a combination of both.
- *Tax reimbursement element*: The tax reimbursement element may be a rate per day, based on the estimated liability for the year divided by the number of days in the year, subject to adjustment for actual taxes incurred, or a reimbursement of the costs as the taxes are incurred. The tax reimbursement element may cover withholding taxes, payroll taxes, other local taxes and current income tax expense for the jurisdiction in which the vessel operates as defined by the provisions of the individual time charter contract.
- *Performance warranties element*: The performance warranties element includes defined operational capacity and standards that can result in the FSRUs being off-hire or require compensation to the charterer through provision of reduced hire, liquidated damages or performance payments. Examples of performance warranties include the ability to discharge regasified LNG at specified performance rates, guaranteed minimum fuel consumption, guaranteed minimum boil-off rates and the ability to accept cargos.

The *Höegh Gallant* has a single day rate intended to cover all of the elements listed above. In addition, the time charter contract for the *Höegh Gallant* includes a provision for 15 days of off-hire for scheduled maintenance. The joint ventures' time charter contracts also provide for upfront payments for variable costs for certain vessel modifications, drydocking costs, other additions to equipment or spare parts.

The hire rates for the *PGN FSRU Lampung* are invoiced at the beginning of the month. The *Höegh Gallant* and the *Höegh Grace* invoice time charter revenues monthly in arrears.

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 Partnership is expected to be entitled to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty related to the variable consideration is resolved. When there is significant uncertainty related to that amount of variable consideration to be received, that variable consideration is considered constrained. Typically, variable reimbursements and performance warranties are known at the end of each 24-hour interval, or as subsequently reassessed at the end of the reporting period. However, to the extent interpretations of contractual provisions are complex and/or disputed with the customer, this could give rise to constrained variable consideration. Constrained variable consideration is not estimated.

Variable consideration is allocated entirely to one performance obligation when the variable day rate relates specifically to the efforts to satisfy the signal performance obligation. The default method of the relative standalone selling price method was used to allocate the remaining transaction price, principally the fixed element, between the lease and the time charter services. The total estimated transaction price for time charter services is considered variable consideration because it may be reduced by performance warranties.

The Partnership has made a policy election to exclude from the measurement of the transaction price all taxes assessed by a government entity on revenues and collected on behalf of that government entity from customers, such as sales or value added taxes.

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 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 operating leases is recognized on a straight line basis over the term of the charter. The *Höegh Gallant's* time charter, which had a five-year lease term at inception, is accounted for as an operating lease. The *Höegh Grace's* time charter contracts, which have a non-cancellable charter period of ten years, are accounted for as an operating lease. Under one of the time charter contracts, the contract provides for additional variable payments, including a finance component, over the initial term depending upon the actual commencement date of the contract within a defined window of potential commencement dates. The variable payments are considered directly related to the lease performance obligation. The revenue, excluding the financing component, is recognized over the initial 10-year term. Payments made by the charterer directly to the tax authorities on behalf of the subsidiaries for final income tax directly related to the provision of the lease is recorded as a component of lease revenues. The amount of non-cash revenue is disclosed separately in the consolidated statement of cash flows.

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. Origination costs related to the time charter are a component of the net investment in direct financing lease and amortized over the lease term using the effective interest method. Direct financing leases are reflected on the consolidated balance sheets as net investments in direct financing leases. The *PGN FSRU Lampung* time charter, which had a 20-year lease term at inception, meets the criteria of transferring substantially all of the benefits and risks to the charterer and is accounted for as a direct financing lease.

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. The amount of non-cash revenue is disclosed separately in the consolidated statement of cash flows.

Joint venture FSRUs lease and time charter services revenue recognition:
The Partnership's interest in the Joint venture FSRUs' net income is included in the consolidated financial statements under the equity method of accounting, however, the Joint venture FSRUs' results are presented under the proportional consolidation method for the segment note (note 4) and the time charter revenue note (note 5). The *Neptune's* and the *Cape Ann's* time charters, which had a twenty-year lease term at inception, are accounted for as operating leases. The joint ventures' time charters include provisions for the charterer to make upfront payments to compensate for variable cost for certain vessel modifications, drydocking costs, other additions to equipment or spare parts. The expenditures are considered costs required to fulfil the lease component of the contract. Payments for modifications are deferred and amortized over the shorter of the remaining charter period or the useful life of the additions. Payments for reimbursement of drydocking costs are deferred and recognized on a straight line basis over the period to the next drydocking.

The accounting policy for time charter services for the joint ventures is the same as described above.

Significant judgments in revenue recognition:
The Partnership 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 a number of 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 two performance obligations could impact conclusions on the accounting for leases as financing or operating leases. In addition, variable consideration is estimated at the most likely amount that the Partnership expects to be entitled to. Variable consideration is reassessed at the end of the reporting period taking into account performance warranties. 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 impact the amount of variable consideration recognized for time charter services.

Contract assets:
Revenue recognized in excess of the monthly invoiced amounts, or accrued revenue, is recorded as contract assets on the consolidated balance sheet. The contract assets are reported in the consolidated balance sheet as a component of prepaid expenses and other receivables.

Contract liabilities:
Advance payments in excess of revenue recognized, or prepayments, and deferred revenue is recorded as contract liabilities on the consolidated balance sheet. Contract assets and liabilities are reported in a net position for each customer contract or combined contracts at the end of each reporting period. 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 in the consolidated balance sheet as components of accrued liabilities and other payables and other long-term liabilities, 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 accrued liabilities and other payables.

Remaining performance obligations:
Remaining performance obligations represent the transaction price of contracts with customers under the scope of ASC 606 for which work has not been performed excluding unexercised contract options to extend the term. The Partnership qualifies for and has elected to apply the exemption to disclose the aggregate amount of remaining transaction price allocated to unsatisfied performance obligations at the end of the reporting period as consideration for time charter services is variable and allocated entirely to wholly satisfied performance obligations. As described in note 1, the Partnership's FSRUs operate under long-term time charter contracts which terminate between April 2020 for the *Höegh Gallant* and 2034 for the *PGN FSRU Lampung*. As a result, the time service revenue for the period reflected in note 5, as adjusted for off-hire and warranty provision, when applicable, would be expected to be indicative of the of the future time charter service revenue until April 2020.

Related expenses:
Voyage expenses include bunker fuel expenses, port fees, cargo loading and unloading expenses, canal tolls and agency fees. Voyage expenses are all expenses unique to a particular voyage and when a vessel is on hire under time charters are generally the responsibility of, and paid directly by the charterers, and not included in the statement of income. When the vessel is off-hire, voyage expenses, principally fuel, may also be incurred and are paid by the FSRU-owning entity.

Vessel operating expenses, reflected in expenses in the statement of income, include crewing, repairs and maintenance, insurance, stores, lube oils, communication expenses and management fees. Vessel operating expenses also include bunker fuel expenses when the vessel is on hire and the expenses are not directly paid and owed by the charterers. When the vessel is on hire, vessel operating expenses are invoiced as time charter service fees to the charterer or are covered by time charter rates. When the vessel is off-hire, vessel operating expenses are not invoiced to the charterer.

Voyage expenses, if applicable, and vessel operating expenses are expensed when incurred.

Construction contract expenses

Construction contract expenses include direct costs on contracts, including project management, labor and materials, amounts payable to subcontractors and capitalized interest.

Loss contingencies, insurance and other claims

Accruals 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. Significant judgment is required to determine the probability and the estimated amount of loss. Such assessments involve complex judgments about future events and estimates and assumptions that are deemed reasonable by management. Accruals are reviewed quarterly and adjusted to reflect the impact of additional information such as the impact of negotiations, advice of legal counsel or settlements.

Insurance claims for property damage are recorded, net of any deductible amounts, for recoveries up to the amount of loss recognized when the claims to insurance carriers are probable of recovery. Claims for property damage in excess of the loss recognized and for loss of revenue during off-hire, whether from insurance providers or indemnification from Höegh LNG, are considered gain contingencies, which are recognized when the proceeds are received.

Indemnification proceeds from Höegh LNG that cover the Partnership's costs are accounted for following the guidance of the Securities and Exchange Commission's Staff Accounting Bulletin ("SAB") Topic 1.B and SAB Topic 5.T. SAB Topic 1.B provides that the separate financial statements of a subsidiary should reflect any costs of its operations which are incurred by the owner on its behalf. SAB Topic 5.T provides that costs should be reflected as an expense in the subsidiary's financial statements with a corresponding credit to contributed equity.

Income taxes

Income taxes are accounted for using the liability method. Payments made by the charterer directly to the tax authorities on behalf of the subsidiaries for advance collection of income taxes or final income tax is recorded as a component of income tax expense. The amount of non-cash income tax expense is disclosed separately in the consolidated statement of cash flows.

Deferred tax assets and liabilities are recognized for the tax consequences of temporary differences between the tax and the book bases of assets and liabilities. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Benefits of uncertain tax positions are recognized when it is more-likely-than-not that a tax position taken in a tax return will be sustained upon examination based on the technical merits of the position. If the more-likely-than-not recognition criterion is met, a tax position is measured based on the cumulative amount that is more-likely-than-not of being sustained upon examination by tax authorities to determine the amount of benefit to be recognized in the consolidated financial statements. Interest and penalties related to uncertain tax positions is recognized in income tax expense in the consolidated statement of income.

Cash and cash equivalents

Cash, banks deposits, time deposits and highly liquid investments with original maturities of three months or less are recognized as cash and cash equivalents.

Restricted cash and cash designated for acquisition

Restricted cash includes balances deposited with a bank as required under debt facilities to settle withholding tax, other tax liabilities and other current obligations of the entity, and principal and interest payments as required by the debt facilities. Restricted cash is classified as long-term when the settlement is more than 12 months from the balance sheet date. As of December 31, 2016, cash designated for acquisition was classified as long-term since it related to the payment made on January 3, 2017 for the 51% interest in the *Höegh Grace* entities. Classification of restricted cash and cash designated for acquisition in the consolidated statement of cash flows is as an operating, investing or financing activity when the purpose of the restriction or designation is directly related to operations, an investment or as collateral for borrowings, respectively.

Trade receivables and allowance for doubtful accounts

Trade receivables are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts, or impairment loss, is management's best estimate of the amount of probable credit losses in existing accounts receivable based on historical write-off experience and customer economic data. Account balances are charged off against the allowance when management believes that the receivable will not be recovered. The allowance for doubtful accounts was $0 for the years ended December 31, 2018 and 2017.

Investments in accumulated losses and advances to joint ventures

Investments in joint ventures are accounted for using the equity method of accounting. Under the equity method of accounting, investments are stated at initial cost and are adjusted for the Partnership's proportionate share of earnings or losses and dividend distributions. As of December 31, 2018 and 2017, the Partnership had an accumulated share of losses and the balance is classified on the consolidated balance sheet as a liability on the line accumulated losses of joint ventures.

Advances to joint ventures represent loan receivables due from the joint ventures and are recorded at cost. Interest on the advances to joint ventures is recorded to interest income in the consolidated statements of income as incurred. The quarterly payments from joint ventures included a payment of interest for the first month of the quarter and repayment of principal. Interest is accrued for the last two months of the quarter for repayment at the end of the loans after the original principal was fully repaid. The joint ventures repaid the original principal of all shareholder loans during 2016. Payments of interest, including accrued interest repaid at the end of the loans, are treated as return on investment and included as a component of net cash provided by operating activities in the consolidated statement of cash flows. Payments of principal are included as a component of net cash provided by investing activities in the consolidated statement of cash flows.

Investments in joint ventures are evaluated for impairment when events or circumstances indicate that the carrying value of such investments may have experienced an other-than-temporary decline in value below its carrying value. If the estimated fair value is less than the carrying value, the carrying value is written down to its estimated fair value and the resulting impairment is recorded in the consolidated statement of income.

Loan receivables are impaired when, based on current information and events, it is probable that the full amount of the receivable will not be collected. The amount of the impairment is measured as the difference between the present value of expected future cash flows discounted at the loan's effective interest rate and the carrying amount. The resulting impairment amount is recognized in earnings.

Inventory

Inventory consists of bunker fuel maintained on the FSRUs, if it is owned by the FSRU-owning entity. Inventory is stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method.

Vessels

All costs incurred during the construction of newbuildings, including interest and supervision and technical costs, are capitalized. The cost of an acquired vessel is the fair value. Vessels are stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over a vessel's estimated useful life, less an estimated residual value. Depreciation is calculated using an estimated useful life of 35 years for the FSRUs.

Modifications to the vessels, including the addition of new equipment, which improves or increases the operational efficiency, functionality or safety of the vessels, are capitalized. These expenditures are amortized over the estimated useful life of the modification.

Expenditures covering recurring routine repairs and maintenance are expensed as incurred.

Drydocking expenditures are capitalized when incurred and amortized over the period until the next anticipated drydocking. For vessels that are newly built, the "built-in overhaul" method of accounting is applied. Under the built-in overhaul method, costs of the newbuilding are segregated into costs that should be depreciated over the useful life of the vessel and costs that require drydocking at periodic intervals. The drydocking component is amortized until the date of the first drydocking following the delivery, upon which the actual drydocking cost is capitalized and the process is repeated. Costs of drydocking incurred to meet regulatory requirements or improve the vessel's operating efficiency, functionality or safety are capitalized. Costs incurred related to routine repairs and maintenance performed during drydocking are expensed.

Impairment of long-lived assets

Vessels are assessed for impairment when events or circumstances indicate the carrying amount of the asset may not be recoverable. When such events or changes in circumstances are present, the recoverability of vessels is assessed by determining whether the carrying value of such assets will be recovered through undiscounted expected future cash flows. If the vessel's net carrying value exceeds the net undiscounted cash flows expected to be generated over its remaining useful life, the carrying amount of the asset is reduced to its estimated fair value. An impairment loss is recognized based on the excess of the carrying amount over the fair value of the vessel.

Intangibles and goodwill

Intangible assets are initially measured at their fair value as of the acquisition date of a business combination. All intangible assets of the Partnership have a definite life. Intangible assets with a definite life are amortized over their useful life. Intangible assets with a definite life are tested for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized if the carrying amount exceeds the estimated fair value of the asset.

In determining the useful lives of intangible assets, the expected use of the assets, the contractual provisions that limit the useful life and other economic factors are considered. The contract related intangibles and their useful lives as of the acquisition dates, are as follows:

Intangible category	Useful life (Years)
Above market time charter *Höegh Gallant*	3.4
Option for time charter extension *Höegh Gallant*	5.3
Above market time charter *Höegh Grace*	9.5

The intangible for the above market value of the time charter contract associated with the *Höegh Gallant* is amortized to time charter revenue on a straight line basis over the remaining term of the contract of approximately 3.4 years as of the acquisition date. The intangible for the above market value of the time charter contract associated with the *Höegh Grace* is amortized to time charter revenue on a straight line basis calculated per day over the remaining non-cancellable charter term of approximately 9.5 years as of the acquisition date of the initial 51% interest in the *Höegh Grace* entities. Höegh LNG and the Partnership have entered into an option agreement pursuant to which the Partnership has the right to cause Höegh LNG to charter the *Höegh Gallant* from the expiration or termination of the existing charter in May 2020 until July 2025. The intangible for the option for time charter extension will be amortized on a straight line basis over the extension period starting in May 2020, subject to impairment testing for recoverability in the preceding periods.

Goodwill arises when an acquisition is accounted for under the purchase method of accounting. The assets acquired and liabilities assumed are recorded at their fair values as of the acquisition date. Any excess of the consideration over the net assets acquired is recorded as goodwill. Goodwill is not amortized and is tested annually for impairment of value and whenever events or circumstances indicate that the carrying amount may not be recoverable.

Derivative instruments

Interest rate swaps are used for the management of interest rate risk exposure. The interest rate swaps have the effect of converting a portion of the outstanding debt from a floating to a fixed rate over the life of the transactions.

All derivative instruments are initially recorded at fair value as either assets or liabilities in the consolidated balance sheet and are subsequently remeasured to fair value, regardless of the purpose or intent for holding the derivative. The method of recognizing the resulting gain or loss is dependent on whether the contract qualifies for hedge accounting.

For derivative instruments that are not designated or that do not qualify for hedge accounting, the changes in the fair value of the derivative instruments are recognized in earnings. In order to designate a derivative as a cash flow hedge, formal documentation of the relationship between the derivative and the hedged item is required. This documentation includes the strategy and risk management objective for undertaking the hedge and the method that will be used to assess the effectiveness of the hedge.

For derivative instruments qualifying as cash flow hedges, changes in the fair value of the effective portion of the derivative instruments are initially recorded in other comprehensive income as a component of total equity. Any hedge ineffectiveness is recognized immediately in earnings, as are any gains and losses or amortization on the portion of the derivative instruments that are excluded from the assessment of hedge effectiveness. In the periods when the hedged items affect earnings, the associated fair value changes on the hedging derivatives are transferred from accumulated other comprehensive income to the gain (loss) on derivative instruments line in the consolidated statement of income. If a cash flow hedge is terminated and the originally hedged item is still considered probable of occurring, the gains and losses initially recognized in accumulated other comprehensive income remain there until the hedged item impacts earnings, at which point they are amortized or transferred to gain (loss) on derivative instruments in the consolidated statement of income. If the hedged items are no longer considered probable of occurring, amounts recognized in total equity are immediately transferred to the gain (loss) on derivative instruments in the consolidated statement of income. Cash flows from derivatives instruments that are accounted for as cash flow hedges are classified in the same category as the cash flows from the items being hedged.

Deferred debt issuance costs and fair value of debt assumed

Debt issuance costs, including arrangement fees and legal expenses, are deferred and presented as a direct deduction from the outstanding principal of the related debt in the consolidated balance sheet and amortized on an effective interest rate method over the term of the relevant loan. Amortization of debt issuance costs is included as a component of interest expense. If a loan or part of a loan is repaid early, any unamortized portion of the deferred debt issuance costs is recognized as interest expense proportionate to the amount of the early repayment in the period in which the loan is repaid.

The discount or premium arising in a business combination for the difference in the fair value of the debt assumed compared to the outstanding principal is reported in the consolidated balance sheet as a direct adjustment to the outstanding principal of the related debt and amortized on an effective interest rate method over the term of the relevant loan. Amortization of fair value of the debt assumed is included as a component of interest expense. If a loan or part of a loan is repaid early, any unamortized portion of the discount or premium is recognized as interest expense proportionate to the amount of the early repayment in the period in which the loan is repaid.

Use of estimates

The preparation of financial statements in accordance with US GAAP requires that management make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates subject to such estimates and assumptions include revenue recognition, purchase price allocation, the useful lives of vessels, drydocking, loss contingencies and the value of derivative instruments.

Recently adopted accounting pronouncements

Revenue: In May 2014, the Financial Accounting Standards Board ("FASB") issued a new accounting standard, *Revenue from Contracts with Customers*, as subsequently updated by the FASB ("ASC 606"). 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. Revenue for most contracts with customers will be recognized when promised goods or services are transferred to customers in an amount that reflects consideration that the entity expects to be entitled, subject to certain limitations. The scope of this guidance does not apply to leases, financial instruments, guarantees and certain non-monetary transactions. However, the scope of the guidance does apply to the allocation of the transaction price to lease elements and non-lease elements. Effective January 1, 2018, the Partnership adopted the requirements of ASC 606 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 the Significant accounting principles: "*Time charter revenue, related contract balances and related expenses*" for a description of the adopted accounting principles and note 5 for the qualitative and quantitative disclosures provided.

Statement of cash flows: In August 2016, the FASB issued revised guidance for *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments*. The guidance clarifies how the predominance principle should be applied when cash receipts and cash payments have aspects of more than one class of cash flows. The Partnership implemented this guidance on January 1, 2018. The Partnership's adoption of this standard did not have a material impact on the Partnership's consolidated statement of cash flows or related disclosures.

In November 2016, the FASB issued revised guidance for *Statement of Cash Flows: Restricted Cash*. The amendments require that the statement of cash flows explain the change during the period in the total cash, cash equivalents and amounts generally described as restricted cash when reconciling the beginning of period and end of period total amounts shown on the statement of cash flows. The Partnership implemented the revised guidance on January 1, 2018 using a retrospective transition method to all periods presented. The adoption changed how restricted cash is reported in the consolidated statement of cash flows as follows for the year ended December 31, 2017 and 2016:

		As of December 31, 2017		
		Year ended		
(in thousands of U.S. dollars)	**Cash Flow Line Items**	**Balance Prior to Adoption**	**Adjustments Increase/(Decrease)**	**As Adjusted**
OPERATING ACTIVITIES	Restricted cash	$ 1,112	(1,112)	$ —
INVESTING ACTIVITIES	Cash acquired in the purchase of the *Höegh Grace* entities	3,774	19	3,793
FINANCING ACTIVITIES	Restricted cash	514	(514)	—
Increase (decrease) in cash, cash equivalents and restricted cash		3,764	(1,607)	2,157
Cash, cash equivalents and restricted cash, beginning of period		18,915	22,209	41,124
Cash, cash equivalents and restricted cash, end of period		$ 22,679	20,602	$ 43,281

		As of December 31, 2016		
		Year ended		
(in thousands of U.S. dollars)	Cash Flow Line Items	Balance Prior to Adoption	Adjustments Increase/(Decrease)	As Adjusted
OPERATING ACTIVITIES	Restricted cash	$ 2,829	(2,829)	$ —
FINANCING ACTIVITIES	Restricted cash	644	(644)	—
Increase (decrease) in cash, cash equivalents and restricted cash		(13,953)	(3,473)	(17,426)
Effect of exchange rate changes on cash, cash equivalents and restricted cash		—	(146)	(146)
Cash, cash equivalents and restricted cash, beginning of period		32,868	25,828	58,696
Cash, cash equivalents and restricted cash, end of period		$ 18,915	22,209	$ 41,124

Amounts included in restricted cash represent balances deposited with a bank as required under debt facilities to settle withholding tax, other tax liabilities and other current obligations of the entity, and principal and interest payments as required by the debt facilities. Restricted cash is classified as long-term when the settlement is more than 12 months from the balance sheet date.

There are no other recent accounting pronouncements, whose adoption had a material impact on the consolidated financial statements in the current year.

Recently issued accounting pronouncements

In February 2016, the FASB issued revised guidance for leasing, *Leases*. The objective is to establish the principles that lessors and lessees shall apply to report useful information to users of financial statements about the amount, timing and uncertainty of cash flows arising from a lease. The Partnership is the lessor for the time charters for its FSRUs. Accounting by a lessor is largely unchanged from the previous standard. The Partnership does not have any material leased assets. A lessee will be required to recognize in its balance sheet a lease liability to make lease payments and a right-of-use asset. The standard provides for optional practical expedients in implementing the standard under the modified retrospective approach. In July 2018, the FASB issued targeted improvements to the leasing guidance allowing for an additional optional transition method that allow entities to initially apply the new lease standard and its disclosures at the transition date and recognize a cumulative-effect adjustment to the opening balance of retained earnings. The Partnership will apply the additional optional transition method by applying the new standard at the transition date. The Partnership will adopt the new leasing standard on January 1, 2019. The Partnership will use the package of practical expedients and will not reassess whether any expired or existing contracts are, or contain leases, will not reassess lease classification, and will not reassess initial direct costs for any existing leases. Under the new lease standard, the Partnership will recognize a right-to-use asset and a lease liability on the balance sheet for office leases and other leases where the Partnership is the lessee based on the present value of future minimum lease payments, whereas currently no right-of-use asset or lease liability is recognized. The Partnership will use the short-term lease expedient for leases under 12-months. The Partnership believes that the amount of the right-of-use asset and lease liability to be recognized on January 1, 2019, is not material. Based upon preliminary assessments performed to date, the Partnership does not expect material effects on the accounting for existing leases applied in the consolidated financial statements. Direct finance lease payments received will be presented as an operating cash inflow instead of an investing cash inflow in the statement of cash flows.

In August 2017, the FASB issued revised guidance for *Derivatives and Hedging, Targeted Improvements to Accounting for Hedging Activities*. The guidance eliminates the requirement to separately measure and report hedge ineffectiveness. The entire change in fair value of the cash flow hedge included in the assessment of hedge effectiveness is included in other comprehensive income with the result that the hedge ineffectiveness is no longer recognized in earnings. Those amounts are reclassified to earnings in the same income statement line as the hedged item when the hedged item affects earnings. The guidance also eases certain documentation and assessment requirements and modifies the accounting for components excluded from the assessment of hedge effectiveness. Based upon preliminary assessments performed to date, the Partnership does not expect material effects on hedge accounting for its interest rate swaps applied in the consolidated financial statements. The Partnership will implement the revised guidance as of January 1, 2019.

3. Business combinations

Höegh Grace

Acquisition of 51% ownership interest in Höegh Grace

On January 3, 2017, the Partnership closed the acquisition of 51% ownership interest in Höegh LNG Colombia Holding Ltd., the owner of the entities that own and operate *Höegh Grace* pursuant to a purchase, sale and contribution agreement that the Partnership entered into with Höegh LNG on December 1, 2016. The cash consideration was $91.8 million, excluding the working capital adjustment. The working capital adjustment was $0.4 million.

In December 2016, the *Höegh Grace*, commenced on the time charter contract with a lease element and a services element with SPEC. The *Höegh Grace* serves as a LNG import terminal in Cartagena, on the Atlantic coast of Colombia. The initial term of the lease is 20 years. However, the Charterer has an unconditional option to cancel the lease after 10 and 15 years. As a result, the non-cancellable lease period is for 10 years.

Under terms of Höegh LNG Colombia Holding Ltd.'s memorandum and articles of association, the Partnership has the power to make key operating decisions considered to be most significant to the *Höegh Grace* entities and, therefore, has control over the *Höegh Grace* entities through the Partnership's ownership of the equity interest of Höegh LNG Colombia Holding Ltd. As a result, the Partnership accounted for the acquisition of the 51% interest in Höegh LNG Colombia Holding Ltd. as a business combination. On January 1, 2017, the Partnership entered an agreement with Höegh LNG, under which Höegh LNG granted to the Partnership the authority to make decisions over the operations of Höegh LNG Colombia Holding Ltd. from January 1, 2017 to the closing date of the acquisition. As a result, the Partnership recorded the results of operations of the *Höegh Grace* entities in its consolidated income statement as of January 1, 2017.

The purchase price of the acquisition has been allocated to the identifiable fair values allocated to each class of identifiable assets acquired.

Under the purchase method of accounting when control is obtained, the non-controlling interest is required to be measured at its fair value at the acquisition date. Management concluded that the pro-rata values of the controlling and non-controlling interests were the same. The fair value of the consideration transferred and the fair value of the 49% interest of the non-controlling interest was allocated to assets acquired and liabilities assumed as of the acquisition date with any remaining unallocated amount recognized as goodwill.

The following summarizes the fair values of assets and liabilities assumed as of the acquisition date:

(in thousands of U.S. dollars)		
Consideration		
Use of proceeds from public offering (issuance of 6,588,389 common units to the public)	$ 91,768	
Working capital adjustment	407	
Total consideration		$ 92,175
Assets acquired		
Cash and cash equivalents	3,774	
Restricted cash	19	
Trade receivables	4,446	
Prepaid expenses and other receivables	51	
Vessel	357,138	
Other equipment	30	
Intangibles: Above market time charter	11,760	
Other long term assets	830	
Total assets		378,048
Liabilities assumed		
Trade payables	(193)	
Amounts due to owners and affiliates	(622)	
Accrued liabilities and other payables	(1,569)	
Total long term debt	(192,286)	
Derivative instruments	(2,642)	
Total liabilities assumed		(197,312)
Total identifiable net assets		180,736
Non-controlling interest in total identifiable net assets		88,561
Acquired share in total identifiable net asset		$ 92,175

One contract related intangible was identified. The Partnership recorded $11.8 million for the favorable time charter contract with SPEC. Refer to note 2 Significant accounting policies: Intangibles and goodwill for information on the useful life and timing of amortization of the intangibles and note 12 for additional information.

The premium arising in a business combination for the difference in the fair value of the debt assumed compared to the outstanding principal is reported in the consolidated balance sheet as a direct adjustment to the outstanding principal of the related debt and amortized on an effective interest rate method over the term of the relevant loan. Amortization of fair value of the debt assumed is included as a component of interest expense.

The fair value of assets acquired and the liabilities assumed approximated the total consideration, therefore, no residual amount has been recognized as goodwill for the acquisition.

All of the excess value associated with the business combination is associated with assets and liabilities of Höegh LNG FSRU IV Ltd., a Cayman Islands company, which is not subject to corporate income taxes. Therefore, there are no deferred tax assets or liabilities included in the purchase price allocation. As of the acquisition date, Höegh LNG Colombia S.A.S. had net deferred tax assets of less than $0.1 million which were fully offset by a valuation allowance.

Acquisition of remaining 49% ownership interest in Höegh Grace

On December 1, 2017, the Partnership closed the acquisition of the remaining 49% ownership interest in Höegh LNG Colombia Holding Ltd., and, as of that date, the Partnership has a 100% ownership interest in the *Höegh Grace* entities and there was no longer a non-controlling interest in the *Höegh Grace* entities.

The purchase price for the acquisition was $85.9 million, excluding the working capital adjustment, pursuant to the purchase, sale and contribution agreement. The working capital adjustment was $0.8 million. The purchase price was settled with cash of $45.3 million from the issuance of the Series A preferred units and the rest of the purchase price of $41.4 million was financed by draws on the revolving credit facility.

The acquisition of 51% ownership interest in the *Höegh Grace* entities in January 2017 was accounted for under the purchase method of accounting. The December 2017 acquisition of the remaining 49% ownership interest in the *Höegh Grace* entities is a change in the Partnership's ownership and has been accounted for as an equity transaction for the acquisition of the 49% interest from the owner of the non-controlling interest. The carrying amount of the non-controlling interest is adjusted to reflect the change in ownership interest. Any difference between the fair value of the total consideration and the book value of the non-controlling interest is recognized as a capital contribution in equity attributable to the Partnership.

The following summarizes the acquisition of the non-controlling interest as of the acquisition date:

(in thousands of U.S. dollars)		
Consideration		
Cash portion of purchase price	$ 45,300	
Revolving credit facility draw	40,600	
Revolving credit facility draw for working capital adjustment	762	
Total consideration		$ 86,662
49% Assets acquired		181,420
49% Liabilities assumed		(91,522)
Total identifiable net assets		89,898
Non-controlling interest acquired		89,898
Difference between net book value of acquired non-controlling interest and consideration paid		(3,236)
Impact of acquisition of non-controlling interest on equity		$ 86,662

Revenue and profit contributions

Total revenues of $51.8 million and net income of $23.6 million have been included in the Partnership's consolidated statement of income from January 1, 2017 through December 31, 2017.

Pro forma financial information

The following unaudited pro forma information assumes the acquisition of the *Höegh Grace* entities occurred as of January 1, 2016. The unaudited information is for illustration purposes only. The *Höegh Grace* was delivered from HHI on March 30, 2016 and did not begin operations under the time charter until December 2016. Periods prior to December 2016 reflect costs incurred during the construction and pre-contract period of operations and would not be indicative of the future results of operations or the cash flows that the Partnership has and will consolidate going forward.

Unaudited pro forma information (in thousands of U.S. dollars)	**Year ended December 31, 2016**
Total revenue	$ 96,526
Net income (loss)	23,382
Non-controlling interest in net income (loss)	(8,818)
Partners' interest in net income (loss)	$ 32,200

4. Segment information

There are two operating segments. The segment profit measure is Segment EBITDA, which is defined as earnings before interest, taxes, depreciation, amortization and other financial items (gains and losses on derivative instruments and other items, net). Segment EBITDA is reconciled to operating income and net income in the segment presentation below. The two segments are "Majority held FSRUs" and "Joint venture FSRUs." In addition, unallocated corporate costs, interest income from advances to joint ventures and interest expense related to the outstanding balance on the $85 million revolving credit facility and the seller's credit note, repaid in October 2017, are included in "Other."

For the years ended December 31, 2018 and December 31, 2017, Majority held FSRUs includes the direct financing lease related to the *PGN FSRU Lampung* and the operating leases related to the *Höegh Gallant* and the *Höegh Grace*. For the year ended December 31, 2016, Majority held FSRUs includes the direct financing lease related to the *PGN FSRU Lampung* and the operating lease related to the *Höegh Gallant* from the acquisition date of October 1, 2015.

As of December 31, 2018, 2017 and 2016, Joint venture FSRUs include two 50% owned FSRUs, the *Neptune* and the *Cape Ann*, that operate under long term time charters with one charterer.

The accounting policies applied to the segments are the same as those applied in the consolidated financial statements, except that i) Joint venture FSRUs are presented under the proportional consolidation method for the segment note and under equity accounting for the consolidated financial statements, ii) internal interest income and interest expense between the Partnership's subsidiaries that eliminate in consolidation are not included in the segment columns for the other financial income (expense), net line and iii) non-controlling interest in Segment EBITDA is subtracted in the segment note to reflect the Partnership's interest in Segment EBITDA as the Partnership's segment profit measure, Segment EBITDA. Under the proportional consolidation method, 50% of the Joint venture FSRUs' revenues, expenses and assets are reflected in the segment note. Management monitors the results of operations of joint ventures under the proportional consolidation method and not the equity method of accounting. On January 1, 2017, the Partnership began consolidating its acquired 51% interest in the *Höegh Grace* entities. Since the Partnership obtained control of the *Höegh Grace* entities on that date, it consolidated 100% of the revenues, expenses, assets and liabilities of the *Höegh Grace* entities and the interest not owned by the Partnership was reflected as non-controlling interest in net income and non-controlling interest in total equity under US GAAP. Management monitored the results of operations of the *Höegh Grace* entities based on the Partnership's 51% interest in Segment EBITDA of such entities and, therefore, subtracted the non-controlling interest in Segment EBITDA to present Segment EBITDA. The adjustment to non-controlling interest in Segment EBITDA is reversed to reconcile to operating income and net income in the segment presentation. On December 1, 2017, the Partnership acquired the remaining 49% ownership interest in the *Höegh Grace* entities and, as of that date, there was no longer a non-controlling interest in the *Höegh Grace* entities.

In time charters, the charterer, not the Partnership, controls the choice of locations or routes the FSRUs serve. Accordingly, the presentation of information by geographical region is not meaningful. The following tables include the results for the segments for the years ended December 31, 2018, 2017 and 2016.

	Year ended December 31, 2018						
(in thousands of U.S. dollars)	**Majority held FSRUs**	**Joint venture FSRUs (proportional consolidation)**	**Other**	**Total Segment reporting**	**Elimin-ations**		**Consolidated reporting**
Time charter revenues	$ 144,952	43,169	—	188,121	(43,169)	(1)	$ 144,952
Other revenue	1,609	—	—	1,609		(1)	1,609
Total revenues	146,561	43,169	—	189,730			146,561
Operating expenses	(27,294)	(10,932)	(5,817)	(44,043)	10,932	(1)	(33,111)
Equity in earnings (losses) of joint ventures	—	—	—	—	17,938	(1)	17,938
Segment EBITDA	**119,267**	**32,237**	**(5,817)**	**145,687**			
Depreciation and amortization	(21,146)	(9,725)	—	(30,871)	9,725	(1)	(21,146)
Operating income (loss)	98,121	22,512	(5,817)	114,816			110,242
Gain (loss) on derivative instruments	4,681	8,496	—	13,177	(8,496)	(1)	4,681
Other financial income (expense), net	(26,381)	(13,070)	(2,615)	(42,066)	13,070	(1)	(28,996)
Income (loss) before tax	76,421	17,938	(8,432)	85,927	—		85,927
Income tax expense	(8,253)	—	(52)	(8,305)	—		(8,305)
Net income (loss)	$ 68,168	17,938	(8,484)	77,622	—		$ 77,622
Preferred unitholders' interest in net income	—	—	—	—	12,303	(2)	12,303
Limited partners' interest in net income (loss)	$ 68,168	17,938	(8,484)	77,622	(12,303)	(2)	$ 65,319

(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.

	As of December 31, 2018						
(in thousands of U.S. dollars)	**Majority held FSRUs**	**Joint venture FSRUs (proportional consolidation)**	**Other**	**Total Segment reporting**	**Elimin-ations**		**Consolidated reporting**
Vessels, net of accumulated depreciation	$ 658,311	261,614	—	919,925	(261,614)	(1)	$ 658,311
Net investment in direct financing lease	283,073	—	—	283,073	—		283,073
Goodwill	251	—	—	251	—		251
Advances to joint ventures	—	—	3,536	3,536	—		3,536
Total assets	1,007,202	286,283	15,838	1,309,323	(286,283)	(1)	1,023,040
Accumulated losses of joint ventures	—	—	50	50	(2,858)	(1)	(2,808)
Expenditures for vessels & equipment	257	3,305	—	3,562	(3,305)	(2)	257
Expenditures for drydocking	—	2,490	—	2,490	(2,490)	(2)	—
Principal repayment direct financing lease	3,814	—	—	3,814	—		3,814
Amortization of above market contract	$ 3,631	—	—	3,631	—		$ 3,631

(1) Eliminates the proportional share of the Joint venture FSRUs' Vessels, net of accumulated depreciation, and Total assets and reflects the Partnership's share of net assets (assets less liabilities) of the Joint venture FSRUs as Accumulated losses of joint ventures.
(2) Eliminates the Joint venture FSRUs' Expenditures for vessels & equipment and drydocking to reflect the consolidated expenditures of the Partnership.

	Year ended December 31, 2017						
(in thousands of U.S. dollars)	**Majority held FSRUs**	**Joint venture FSRUs (proportional consolidation)**	**Other**	**Total Segment reporting**	**Elimin-ations**		**Consolidated reporting**
Time charter revenues	$ 143,531	42,165	—	185,696	(42,165)	(1)	$ 143,531
Accrual historical boil-off claim	—	(11,850)	—	(11,850)	11,850	(1)(2)	—
Total revenues	143,531	30,315	—	173,846			143,531
Operating expenses	(27,612)	(8,628)	(6,089)	(42,329)	8,628	(1)	(33,701)
Construction contract expenses	(151)	—	—	(151)			(151)
Equity in earnings (losses) of joint ventures	—	—	—	—	5,139	(1)	5,139
Less: Non-controlling interest in Segment EBITDA	(19,210)	—	—	(19,210)	19,210	(3)	—
Segment EBITDA	**96,558**	**21,687**	**(6,089)**	**112,156**			
Add: Non-controlling interest in Segment EBITDA	19,210	—	—	19,210	(19,210)	(3)	—
Depreciation and amortization	(21,054)	(9,815)	—	(30,869)	9,815	(1)	(21,054)
Operating income (loss)	94,714	11,872	(6,089)	100,497			93,764
Gain (loss) on derivative instruments	2,463	7,194	—	9,657	(7,194)	(1)	2,463
Other financial income (expense), net	(29,656)	(13,927)	(3,503)	(47,086)	13,927	(1)	(33,159)
Income (loss) before tax	67,521	5,139	(9,592)	63,068	—		63,068
Income tax benefit (expense)	(3,893)	—	15	(3,878)	—		(3,878)
Net income (loss)	$ 63,628	5,139	(9,577)	59,190	—		$ 59,190
Non-controlling interest in net income	10,408	—	—	10,408			10,408
Preferred unitholders' interest in net income	—	—	—	—	2,480	(4)	2,480
Limited partners' interest in net income (loss)	$ 53,220	5,139	(9,577)	48,782	(2,480)	(4)	$ 46,302

(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) For additional information, refer to note 22 under "Joint ventures claims and accruals."
(3) Eliminations reverse the adjustment to Non-controlling interest in Segment EBITDA included for Segment EBITDA and the adjustment to reverse the Non-controlling interest in Segment EBITDA to reconcile to operating income and net income.
(4) Allocates the preferred unitholders' interest in net income to the preferred unitholders.

	As of December 31, 2017						
(in thousands of U.S. dollars)	**Majority held FSRUs**	**Joint venture FSRUs (proportional consolidation)**	**Other**	**Total Segment reporting**	**Elimin-ations**		**Consolidated reporting**
Vessels, net of accumulated depreciation	$ 679,041	265,642	—	944,683	(265,642)	(1)	$ 679,041
Net investment in direct financing lease	286,626	—	—	286,626	—		286,626
Goodwill	251	—	—	251	—		251
Advances to joint ventures	—	—	3,263	3,263	—		3,263
Total assets	1,041,517	287,562	17,442	1,346,521	(287,562)	(1)	1,058,959
Accumulated losses of joint ventures	—	—	50	50	(20,796)	(1)	(20,746)
Expenditures for vessels & equipment	287	525	—	811	(524)	(2)	287
Expenditures for drydocking	—	—	—	—	—	(2)	—
Principal repayment direct financing lease	3,485	—	—	3,485	—		3,485
Amortization of above market contract	3,631	—	—	3,631	—		3,631
Non-controlling interest: amortization of above market contract	$ (553)	—	—	(553)	—		$ (553)

(1) Eliminates the proportional share of the Joint venture FSRUs' Vessels, net of accumulated depreciation, and Total assets and reflects the Partnership's share of net assets (assets less liabilities) of the Joint venture FSRUs as Accumulated losses of joint ventures.
(2) Eliminates the Joint venture FSRUs' Expenditures for vessels & equipment and drydocking to reflect the consolidated expenditures of the Partnership.

	Year ended December 31, 2016					
(in thousands of U.S. dollars)	**Majority held FSRUs**	**Joint venture FSRUs (proportional consolidation)**	**Other**	**Total Segment reporting**	**Elimin-ations (1)**	**Consolidated reporting**
Time charter revenues	$ 91,107	43,272	—	134,379	(43,272)	$ 91,107
Total revenues	91,107	43,272	—	134,379		91,107
Operating expenses	(19,043)	(9,107)	(6,755)	(34,905)	9,107	(25,798)
Construction contract expenses	(315)	—	—	(315)		(315)
Equity in earnings (losses) of joint ventures	—	—	—	—	16,622	16,622
Segment EBITDA	**71,749**	**34,165**	**(6,755)**	**99,159**		
Depreciation and amortization	(10,552)	(9,525)	—	(20,077)	9,525	(10,552)
Operating income (loss)	61,197	24,640	(6,755)	79,082		71,064
Gain (loss) on derivative instruments	1,839	7,092	—	8,931	(7,092)	1,839
Other financial income (expense), net	(23,381)	(15,110)	(4,273)	(42,764)	15,110	(27,654)
Income (loss) before tax	39,655	16,622	(11,028)	45,249	—	45,249
Income tax expense	(3,852)	—	(20)	(3,872)	—	(3,872)
Net income (loss)	$ 35,803	16,622	(11,048)	41,377	—	$ 41,377

(1) Eliminations reverse each of the income statement line items of the proportional consolidation 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.

For the years ended December 31, 2018, 2017 and 2016, the percentage of consolidated total revenues from the following customers accounted for over 10% of the consolidated total revenues:

	Year ended December 31,		
(in thousands of U.S. dollars)	**2018**	**2017**	**2016**
PT PGN LNG Indonesia	33%	33%	50%
Höegh LNG Egypt LLC	31%	31%	50%
Sociedad Portuaria El Cayao S.A. E.S.P.	36%	36%	—

5. Time charter revenues and related contract balances

The Partnership presents its revenue by segment, disaggregated by revenue recognized in accordance with accounting standards on leasing and on revenue from contracts with customers for time charter services. In addition, material elements where the nature, amount, timing and uncertainty of revenue and cash flows differ from the monthly invoicing under time charter contracts are separately presented. Revenue recognized for the Majority held FSRUs includes the amortization of above market contract intangibles. Revenue recognized for Joint venture FSRUs include the amortization of deferred revenues related to the charterer's reimbursements for certain vessel modifications and drydocking costs. As a result, the timing of cash flows differs from monthly time charter invoicing.

The following table summarizes the disaggregated revenue of the Partnership by segment for the twelve months ended December 31, 2018:

	Year ended December 31, 2018					
(in thousands of U.S. dollars)	**Majority held FSRUs**	**Joint venture FSRUs (proportional consolidation)**	**Other**	**Total Segment reporting**	**Elimin-ations (1)**	**Consolidated reporting**
Lease revenues, excluding amortization	$ 89,215	25,690	—	114,905	(25,690)	$ 89,215
Time charter service revenues, excluding amortization	59,368	15,078	—	74,446	(15,078)	59,368
Amortization of above market contract intangibles	(3,631)	—	—	(3,631)	—	(3,631)
Amortization of deferred revenue for modifications & drydock	—	2,401	—	2,401	(2,401)	—
Other revenue (2)	1,609	—	—	1,609	—	1,609
Total revenues (3)	$ 146,561	43,169	—	189,730	(43,169)	$ 146,561

(1) Eliminations reverse the proportional amounts of revenue for Joint venture FSRUs to reflect the consolidated revenues included in the consolidated income statement. The Partnership's share of the Joint venture FSRUs revenues is included in Equity in earnings (loss) of joint ventures on the consolidated income statement.
(2) Other revenue consists of insurance proceeds received for claims related to repairs under the Mooring warranty and the probable insurance recovery for repair expenses incurred for the *Höegh Gallant*. The Partnership was indemnified by Höegh LNG for the cost of the repairs related to the Mooring, subject to repayment to the extent recovered from insurance proceeds. The amount was refunded to Höegh LNG during 2018. Refer to notes 4 and 22.
(3) Payments made by the charterer directly to the tax authorities on behalf of the subsidiaries for advance collection of income taxes or final income tax is recorded as a component of total revenues and is disclosed separately in the consolidated statement of cash flows.

The Partnership’s risk and exposure related to uncertainty of revenues or cash flows related to its long-term time charter contracts primarily relate 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 the utilization of the FSRU.

For the year ended December 31, 2017, the Partnership did not present disaggregated time charter revenues. Refer to note 4 for the combined time charter revenues by segment for the year ended December 31, 2017.

The consolidated trade receivables, contract assets, contract liabilities and refund liabilities included in the table below, exclude the balances for the Joint venture FSRUs. The Partnership’s share of net assets in the Joint venture FSRUs are recorded in the consolidated balance sheet using the equity method on the line accumulated losses in joint ventures.

The following table summarizes the allocation of consolidated receivables between lease and service components:

	As of	
(in thousands of U.S. dollars)	**December 31, 2018**	**January 1, 2018**
Trade receivable for lease	$ 2,898	$ 5,572
Trade receivable for time charter services	2,658	6,277
Total trade receivable and amounts due from affiliates	$ 5,556	$ 11,849

There were no impairment losses for lease or service receivables or contract assets for the year ended December 31, 2018. There were no impairment losses for trade receivables for the year ended December 31, 2017.

The following table summarizes the consolidated contract assets, contract liabilities and refund liabilities to customers:

	Lease related		Services related	
(in thousands of U.S. dollars)	**Contract asset**	**Contract liability**	**Contract asset**	**Refund liability to charters**
Balance January 1, 2018	$ 8,326	(8,326)	303	$ (6,187)
Additions	—	—	—	(1,747)
Reduction for receivables recorded	(809)	—	(303)	—
Reduction for revenue recognized	—	809	—	—
Reduction for revenue recognized from previous years	—	—	—	2,772
Repayments of refund liabilities to charterer	—	—	—	3,328
Balance December 31, 2018	7,517	(7,517)	—	(1,834)
Netting of contract asset and contract liability	(7,517)	7,517	—	—
Balance reflected in balance sheet December 31, 2018	$ —	—	—	$ (1,834)

Contract assets are reported in the consolidated balance sheet as a component of prepaid expenses and other receivables. Current and non-current contract liabilities are reported in the consolidated balance sheet as components of accrued liabilities and other payables and other long-term liabilities, respectively. Refund liabilities are reporting in the consolidated balance sheet as a component of accrued liabilities and other payables.

Under one of the time charter contracts, the contract provided for additional payments, including a finance component, over the initial term depending upon the actual commencement date of the contract within a defined window of potential commencement dates. The net present value of the additional payments was recorded as a lease related contract asset and a contract liability. The finance component of $279 for the year ended December 31, 2018 is included as a component of interest income in the consolidated statement of income. The contract asset and contract liability are netted per customer.

The service related contract asset reflected in the balance sheet relates to accrued revenue for reimbursable costs for other charterers.

Refund liabilities to charterers include invoiced revenue to be refunded to charterers for estimated reimbursable costs that exceeded the actual cost incurred and for non-compliance with performance warranties in the time charter contracts that result in reduction of hire, liquidated damages or other performance related payments. During the year ended December 31, 2018, the major changes related to recognition of previously constrained revenue related to prior periods' performance obligations of $2,772 and repayment of $3,328 for the conclusion of an audit by a charterer at the end of 2017 and in the third quarter of 2018 for the amount the charterer would reimburse for certain 2014, 2015 and 2016 costs.

6. Time charter revenues and net investment in direct financing lease

As of December 31, 2018, the minimum contractual future revenues to be received under the time charters for the *PGN FSRU Lampung,* the *Höegh Gallant* and the *Höegh Grace* during the next five years and thereafter are as follows:

(in thousands of U.S. dollars)	**Total**
2019	$ 127,446
2020	96,145
2021	79,606
2022	79,606
2023	79,606
Thereafter	542,360
Total	$ 1,004,769

The long-term time charter for the *PGN FSRU Lampung* with PGN LNG has an initial term of 20 years from the acceptance date of October 30, 2014 and the contract expires in 2034. The time charter hire payments began July 21, 2014 when the project was ready to begin commissioning. The lease element of the time charter is accounted for as a direct financing lease. The minimum contractual future revenues in the table above include the fixed payments for the lease and services elements for the initial term but exclude the variable fees from the charterer for vessel operating expenses and reimbursement of tax expenses. The charterer has an option to purchase the *PGN FSRU Lampung,* which can be exercised after the third anniversary of the commencement of the charter until the twentieth anniversary, at stated prices in the time charter. The minimum contractual future revenues do not include the unexercised purchase option price. Should the purchase option be exercised in the short to medium term, the contractual price would exceed the net investment in financing lease but the future hire payments would cease. The time charter also provides options for the charterer to extend the lease term for two five-year periods. Unexercised option periods are excluded from the minimum contractual future revenues.

The long-term time charter for the *Höegh Gallant* has an initial term of five years from April 2015 and the contract expires in 2020. The lease element of the time charter is accounted for as an operating lease. The minimum contractual future revenues in the table above include the fixed payments for the lease element and the services element which also covers the vessel operating expenses and taxes. Pursuant to an option agreement, the Partnership has the right to cause Höegh LNG to charter the *Höegh Gallant* from the expiration or termination of the initial five-year charter until July 2025 at a rate equal to 90% of the rate payable pursuant to the current charter plus any incremental taxes or operating expenses as a result of the new charter. Unexercised option periods are excluded from the minimum contractual future revenues.

The long-term time charter for the *Höegh Grace* has an initial term of 20 years and the contract expires in 2036. The minimum contractual future revenues in the table above include the fixed payments for the lease element and services element but exclude the variable fees from the charterer for vessel operating expenses and reimbursement of certain taxes. The non-cancellable charter period is 10 years. The initial term of the lease is 20 years. However, each party has an unconditional option to cancel the charter after 10 and 15 years without penalty. However, if the charterer waives its right to terminate in year 10 within a certain deadline, the Partnership will not be able to exercise its right to terminate in year 10. The charterer has an option to purchase the *Höegh Grace* at a price specified in the *Höegh Grace* charter in year 15 and year 20 of such charter. The minimum contractual future revenues do not include the unexercised purchase option price. Only the non-cancellable lease period is included the minimum contractual future revenues.

The lease element of time charter hire for the *PGN FSRU Lampung* is recognized over the lease term using the effective interest rate method and is included in time charter revenues. The direct financing lease is reflected on the consolidated balance sheets as net investment in direct financing lease, a receivable, as follows:

	As of December 31,	
(in thousands of U.S. dollars)	**2018**	**2017**
Minimum lease payments	$ 589,074	$ 589,074
Unguaranteed residual value	146,000	146,000
Unearned income	(440,345)	(440,606)
Initial direct cost, net	3,095	3,095
Net investment in direct financing lease	297,824	297,563
Principal repayment and amortization	(14,751)	(10,937)
Net investment in direct financing lease at December 31	283,073	286,626
Less: Current portion	(4,168)	(3,806)
Long term net investment in direct financing lease	$ 278,905	$ 282,820

There was no allowance for doubtful accounts as of December 31, 2018 and 2017.

7. Construction contract expenses

	Year ended December 31,		
(in thousands of U.S. dollars)	**2018**	**2017**	**2016**
Construction contract expenses	—	(151)	(315)

As of December 31, 2014, the Partnership recorded a warranty allowance of $2.0 million to construction contract expenses for technical issues that required the replacement of equipment parts for the Mooring, which was sold to the charterer with final acceptance in 2014. During 2016, an additional warranty provision of $0.3 million was recorded. The warranty work was completed in 2017 resulting in additional expense of $0.2 million for the year ended December 31, 2017. For the year ended December 31, 2018, the Partnership recovered from its insurance carrier part of the costs incurred, net of deductible amounts. The Partnership was indemnified by Höegh LNG for all warranty provisions at the time the costs were incurred, subject to repayment to the extent recovered by insurance, and has repaid Höegh LNG for the insurance proceeds recovered during the year ended December 31, 2018. Refer to notes 19 and 22.

8. Financial income (expense), net

The components of financial income (expense), net are as follows:

	Year ended December 31,		
(in thousands of U.S. dollars)	**2018**	**2017**	**2016**
Interest income	$ 725	500	$ 857
Interest expense:			
Interest expense	(26,077)	(28,280)	(21,990)
Commitment fees	(37)	(977)	(1,175)
Amortization of debt issuance cost and fair value of debt assumed	(700)	(828)	(2,013)
Total interest expense	(26,814)	(30,085)	(25,178)
Gain (loss) on derivative instruments	4,681	2,463	1,839
Other items, net:			
Foreign exchange gain (loss)	(193)	(968)	(383)
Bank charges, fees and other	(143)	(107)	(183)
Withholding tax on interest expense and other	(2,571)	(2,499)	(2,767)
Total other items, net	(2,907)	(3,574)	(3,333)
Total financial income (expense), net	$ (24,315)	(30,696)	$ (25,815)

Interest income related to cash balances and interest accrued on the advances to the joint ventures for each of the years ended December 31, 2018, 2017 and 2016. Interest expense related to the revolving credit facility, the seller's credit note until October 2017, the Lampung facility, the Gallant facility, and the Grace facility from January 1, 2017. Refer to notes 15, 19 and 20.

9. Income tax

The components of income tax expense recognized in the consolidated statements of income are as follows:

	Year ended December 31,		
(in thousands of U.S. dollars)	**2018**	**2017**	**2016**
Current tax (benefit) expense	$ 4,759	35	$ 2,553
Deferred tax (benefit) expense for			
Change in temporary differences	3,290	4,189	3,864
Tax loss and tax credit carried forward	247	(314)	2,016
Change in valuation allowance	9	(32)	(4,561)
Total deferred tax (benefit) expense	3,546	3,843	1,319
Total income tax (benefit) expense	$ 8,305	3,878	$ 3,872

Deferred tax (benefit) expense recognized in the consolidated statements of comprehensive income as a component of other comprehensive income ("OCI") are as follows:

	Year ended December 31,		
(in thousands of U.S. dollars)	**2018**	**2017**	**2016**
Cash flow hedge derivative instruments	$ 299	347	$ 378
Deferred tax (benefit) expense recognized in OCI	$ 299	347	$ 378

The reconciliation of the income before tax at the statutory rate in the Marshall Islands to the actual income tax expense for each year is as follows:

	Year ended December 31,		
(in thousands of U.S. dollars)	**2018**	**2017**	**2016**
Income before tax	$ 85,927	63,068	$ 45,249
At applicable statutory tax rate			
Amount computed at corporate tax of 0%	—	—	—
Foreign tax rate differences	7,513	7,119	3,258
Permanent differences:			
Amended tax return: reinstatement of tax loss carryforward	—	(1,486)	—
Tax audit or amended tax return: change in uncertain tax position	(41)	(2,228)	—
Non-deductible interest expense	875	752	5,243
Non-deductible withholding tax	838	686	782
Tax exemptions	(36)	(42)	(28)
Non-deductible other financial items	116	81	218
Other non-deductible costs	63	59	(35)
Tax credits	(1,032)	(1,031)	(1,005)
Adjustment for valuation allowance	9	(32)	(4,561)
Tax expense (benefit) for year	$ 8,305	3,878	$ 3,872

Deferred income tax assets (liabilities) are summarized as follows:

	As of December 31,	
(in thousands of U.S. dollars)	**2018**	**2017**
Deferred tax assets:		
Accrued liabilities and other payables	$ 196	$ 218
Derivative instruments	954	1,254
Other equipment	9	11
Tax credits carried forward	1,626	1,866
Tax loss carryforward	53	61
Valuation allowance	(53)	(44)
Deferred tax liabilities:		
Accrued interest income	(3,837)	(3,885)
Accrued liabilities and other payables	(154)	(3)
Direct financing lease	(7,594)	(4,432)
Deferred tax assets (liabilities), net	$ (8,800)	$ (4,954)

The Partnership is not subject to Marshall Islands corporate income taxes. The Partnership is subject to tax for earnings of its subsidiaries incorporated in Singapore, Indonesia, Cyprus, the UK and for certain Colombian source income. For the years ended December 31, 2018 and 2017, the tax expense principally related to subsidiaries in Indonesia, Singapore and Colombia. For the year ended 2016, the tax expense principally related to subsidiaries in Indonesia and Singapore. The Singapore subsidiary's taxable income mainly arises from internal interest income. The charterer in Colombia pays certain taxes directly to the Colombian tax authorities on behalf of the Partnership's subsidiaries that own and operate the *Höegh Grace*. The tax payments are a mechanism for advance collection of part of the income taxes for the Colombian subsidiary and a final income tax on Colombian source income for the non-Colombian subsidiary. The Partnership concluded these third party payments to the tax authorities represent income taxes that must be accounted for under the guidance for income taxes. The amount of non-cash income tax expense was $852 and $861 for the years ended December 31, 2018 and 2017.

A valuation allowance for deferred tax assets is recorded when it is more-likely-than-not that some or all of the benefit will not be realized based on consideration of all the positive and negative evidence. As of December 31, 2016, the Indonesian subsidiary had generated taxable income for several years and was in a net deferred tax liability position. Management concluded that all deferred tax assets for the Indonesian subsidiary were more-likely-than-not to be realized as of December 31, 2016. A reduction in the valuation allowance of $32 and $4,561 was recorded to income tax expense in the consolidated statement of income for the years ended December 31, 2017 and 2016, respectively.

The Indonesian Minister of Finance introduced regulations effective for 2016 that limited the amount of interest expense that was deductible for current income taxes where the Indonesian corporate taxpayer's debt to equity ratio exceeds 4:1. Certain industries, including the infrastructure industry, were exempted from the debt to equity ratio requirements. Although the infrastructure industry was not defined in the new regulations, additional guidance was expected to be provided during 2016. Because no subsequent guidance was issued, the Indonesian subsidiary reported its income tax expense as of December 31, 2016 and filed its 2016 tax return applying the limitations on the deductibility of interest expense. This increased taxable income, utilized all the remaining tax loss carryforward from 2014 for which a valuation allowance was recorded, and resulted in an income tax expense for an uncertain tax position for the year ended December 31, 2016. Due to the uncertainty of realizing the benefit of the 2013 tax loss carryforward, no deferred tax asset or benefit was recognized in 2013. As a result of being unable to utilize the 2013 tax loss carryforward for the 2016 taxable income, a long-term income tax liability and income tax expense of $2,228 was recognized for the uncertain tax position as of and for the year ended December 31, 2016.

Following an evaluation of how the application of the infrastructure industry exemption was being applied, it was concluded in 2017 that the infrastructure exemption did apply to the Indonesian subsidiary. Accordingly, the 2016 tax return was amended without the limitation on the deductibility of the interest expense which reduced taxable income, reinstated the amount of 2014 tax loss carryforward that had been utilized in 2016, and reversed the uncertain tax position recorded as current income tax expense for 2016. For the year ended December 31, 2017, tax benefits were recorded of $1,486 and $2,228 for the reinstatement of the tax loss carryforward and the reversal of the uncertain tax position, respectively, due to the amendment of the 2016 tax return.

As of December 31, 2017 and 2018, the infrastructure exemption was applied by the Indonesian subsidiary for the reported income tax expense. The majority of the remaining tax loss carryforward from 2014 was utilized in 2017.

In December of 2018, the Indonesian tax authorities concluded an audit of corporate income tax filings for the Indonesian subsidiary for the years ended December 31, 2013 and 2014. The outcome of the audit reduced the historical tax loss carryforward, mainly due to disallowed expenses, resulting in a settlement of $885 with respect to the unrecognized tax benefits originating in 2013. For the year ended December 31, 2018, tax benefits of $434 were recorded reflecting a reduction to the uncertain tax position originating in 2013 based on the audit's conclusion. In addition, there was an increase to the uncertain tax position of $418 for a tax position to be taken in the 2018 tax return which is not more-likely-than-not to be sustained. As of December 31, 2018, the unrecognized tax benefits were $1,725.

Benefits of uncertain tax positions are recognized when it is more-likely-than-not that a tax position taken in a tax return will be sustained upon examination based on the technical merits of the position. Changes in the unrecognized tax benefits is summarized below:

	Year ended December 31,		
(in thousands of U.S. dollars)	**2018**	**2017**	**2016**
Unrecognized tax benefits as of January 1,	$ (2,626)	(398)	$ (2,626)
Increase related to prior year tax positions	—	(2,228)	—
Decrease related to prior year tax positions	434	—	—
Increase related to current year tax positions	(418)	—	—
Decrease related to current year tax positions	—	—	2,228
Settlements	885	—	—
Unrecognized tax benefits as of December 31,	$ (1,725)	(2,626)	$ (398)

Tax loss carryforwards of $426 expire between 2020 and 2023. Tax credits carried forward of $594 and $1,032 expire in 2019 and 2020, respectively. The tax returns of Singapore and Indonesia are subject to examination for four years and five years, respectively, from the year of filing. For Colombia, tax returns are subject to examination for three years from the due date of the return. The tax returns from the years 2015 and subsequent years remain subject to review for Indonesia and Singapore. For Colombia, tax returns from the years 2016 and subsequent years remain subject to review. Refer to note 22.

10. Prepaid expenses and other receivables

The components of prepaid expenses and other receivables are as follows:

	As of December 31,	
(in thousands of U.S. dollars)	**2018**	**2017**
Refundable value added tax on import	$ 2,517	$ —
Other receivables	450	462
Total other prepaid expenses and other receivables	$ 2,967	$ 462

Refundable value added tax was paid in Indonesia in local currency on the import of *PGN FSRU Lampung* into the country in 2014. The receivable can be recovered by applying future periods net value added tax liabilities against the receivable. The original balance has been reduced for net value added tax incurred starting in 2014 until December 31, 2018 when the remaining balance is expected to be recovered during the next twelve months. Refer to note 13. The charterer provided an advance for the funding of the refundable value added tax on import. Refer to note 16.

11. Vessels and other equipment

(in thousands of U.S. dollars)	**Vessel**	**Dry-docking**	**Total**
Historical cost December 31, 2016	$ 352,433	3,267	$ 355,700
Additions (note 3)	354,025	3,400	357,425
Historical cost December 31, 2017	706,458	6,667	713,125
Depreciation for the year	(19,375)	(1,600)	(20,975)
Accumulated depreciation December 31, 2017	(31,484)	(2,600)	(34,084)
Vessels, net December 31, 2017	674,974	4,067	679,041
Historical cost December 31, 2017	706,458	6,667	713,125
Additions	257	—	257
Historical cost December 31, 2018	706,715	6,667	713,382
Depreciation for the year	(19,387)	(1,600)	(20,987)
Accumulated depreciation December 31, 2018	(50,871)	(4,200)	(55,071)
Vessels, net December 31, 2018	$ 655,844	2,467	$ 658,311

As of December 31, 2018 and 2017, other equipment consists principally of warehouse, office equipment and computers. Other equipment of $817 and $817 is recorded net of accumulated depreciation of $372 and $213 in the consolidated balance sheet as of December 31, 2018 and 2017, respectively. Depreciation expense for other equipment was $159, $79 and $65 for the years ended December 31, 2018, 2017 and 2016, respectively.

12. Intangibles and goodwill

(in thousands of U.S. dollars)	Above market time charter	Option for time charter extension	Total Intangibles	Goodwill	Total
Historical cost December 31, 2017	22,760	8,000	30,760	251	31,011
Amortization for the year	(3,631)	—	(3,631)	—	(3,631)
Accumulated amortization, December 31, 2017	(6,641)	—	(6,641)	—	(6,641)
Intangibles and goodwill, December 31, 2017	16,119	8,000	24,119	251	24,370
Historical cost December 31, 2017	22,760	8,000	30,760	251	31,011
Additions	—	—	—	—	—
Historical cost December 31, 2018	22,760	8,000	30,760	251	31,011
Amortization for the year	(3,631)	—	(3,631)	—	(3,631)
Accumulated amortization, December 31, 2018	(10,272)	—	(10,272)	—	(10,272)
Intangibles and goodwill, December 31, 2018	$ 12,488	8,000	20,488	251	$ 20,739

The following table presents estimated future amortization expense for the intangibles:

(in thousands of U.S. dollars)	Total
2019	$ 3,631
2020	3,053
2021	2,755
2022	2,755
2023	2,755
2024 and thereafter	$ 5,539

13. Other long-term assets

The components of other long-term assets are as follows:

(in thousands of U.S. dollars)	As of December 31, 2018	As of December 31, 2017
Refundable value added tax on import	$ —	$ 7,433
Other long-term assets	940	930
Total other long-term assets	$ 940	$ 8,363

The remaining refundable value added tax on import is reflected as a current asset. Refer to note 10.

14. Advances to joint ventures

(in thousands of U.S. dollars)	As of December 31, 2018	As of December 31, 2017
Current portion of advances to joint ventures	$ —	$ —
Long-term advances to joint ventures	3,536	3,263
Advances/shareholder loans to joint ventures	$ 3,536	$ 3,263

The Partnership had advances of $2.8 million and $2.6 million due from SRV Joint Gas Ltd. as of December 31, 2018 and 2017, respectively. The Partnership had advances of $0.7 million and $0.7 million due from SRV Joint Gas Two Ltd. as of December 31, 2018 and 2017, respectively.

The advances consist of shareholder loans where the principal amounts, including accrued interest, are repaid based on available cash after servicing of long-term bank debt. The shareholder loans are due not later than the 12th anniversary of delivery date of each FSRU. The *Neptune* and the *Cape Ann* were delivered on November 30, 2009 and June 1, 2010, respectively. The shareholder loans are subordinated to long-term bank debt and the repayment plan is subject to quarterly discretionary revisions based on available cash after servicing of the long-term bank debt. Under terms of the shareholder loan agreements, the repayments shall be prioritized over any dividend payment to the owners of the joint ventures. The shareholder loans bear interest at a fixed rate of 8.0% per year. The other joint venture partners have, on a combined basis, an equal amount of shareholder loans outstanding at the same terms to each of the joint ventures.

The shareholder loans financed part of the construction of the vessels and operating expenses until the delivery and commencement of the operations of the *Neptune* and the *Cape Ann*. In 2011, the joint ventures began repaying principal and a portion of the interest expense based on available cash after servicing of the external debt. The quarterly payments have included a payment of interest for the first month of the quarter and a repayment of principal. Interest was accrued for the last two months of the quarter for repayment at the end of the loans after the original principal was fully repaid. The joint ventures repaid the original principal of all shareholder loans during 2016 and all of the payments for the year ended December 31, 2017 represent payments of interest, including accrued interest to be repaid at the end of the loans.

As of September 30, 2017, the joint ventures suspended payments on the shareholder loans pending the outcome of the boil-off claim. Accordingly, the outstanding balance on the shareholder loans is classified as long-term as of December 31, 2018 and December 31, 2017. Refer to note 22 under “Joint ventures claims and accruals.” The advances, including accrued interest, can be repaid based on available cash after servicing of long-term bank debt. There are no financial covenants in the joint ventures’ bank debt facilities, but certain other covenants and restrictions apply. Certain conditions apply to making distributions for the shareholder loans or dividends, including meeting a 1.20 historical and projected debt service coverage ratio. As of December 31, 2018, the 1.20 historical debt service coverage ratio had not been met by either SRV Joint Gas Ltd. or SRV Joint Gas Two Ltd. As a result, no payments on the shareholder loans can be made until the debt service coverage ratio is met in future periods.

15. Long-term debt

(in thousands of U.S. dollars)	As of December 31, 2018	As of December 31, 2017
Lampung facility:		
Export credit tranche	$ 109,096	$ 123,982
FSRU tranche	26,988	31,164
Gallant facility:		
Commercial tranche	111,264	120,743
Export credit tranche	29,333	33,000
Grace facility:		
Commercial tranche	135,813	146,063
Export credit tranche	27,750	30,750
Outstanding principal	440,244	485,702
Lampung facility unamortized debt issuance cost	(5,809)	(7,494)
Gallant facility unamortized fair value of debt assumed	215	552
Grace facility unamortized fair value of debt assumed	895	1,543
Total debt	435,545	480,303
Less: Current portion of long-term debt	(45,458)	(45,458)
Long-term debt	$ 390,087	$ 434,845

Lampung facility

In September 2013, PT Hoegh LNG Lampung (the "Borrower") entered into a secured $299 million term loan facility (the "Lampung facility") with a syndicate of banks and an export credit agency for the purpose of financing a portion of the construction of the *PGN FSRU Lampung* and the Mooring. Höegh LNG is the guarantor for the Lampung facility. The facility was drawn in installments as construction was completed. The term loan facility includes two commercial tranches, the FSRU tranche and the Mooring tranche, and the export credit tranche. The interest rates vary by tranche. The full principal amount on the Mooring tranche and accrued interest was repaid in 2014.

The FSRU tranche has an interest rate of LIBOR plus a margin of 3.4%. The interest rate for the export credit tranche is LIBOR plus a margin of 2.3%. The FSRU tranche is repayable quarterly over 7 years with a final balloon payment of $16.5 million. The export credit tranche is repayable in quarterly installments over 12 years assuming the balloon payment of the FSRU tranche is refinanced. If not, the export credit agent can exercise a prepayment right for repayment of the outstanding balance upon maturity of the FSRU tranche. The weighted average interest rate, excluding the impact of the associated interest rate swaps, for the years ended December 31, 2018 and 2017 was 5.9% and 4.9% respectively.

The primary financial covenants under the Lampung facility are as follows:

- Borrower must maintain a minimum debt service coverage ratio of 1.10 to 1.00 for the preceding nine-month period tested beginning from the second quarterly repayment date of the export credit tranche and on each quarterly repayment date thereafter;
- Guarantor's book equity must be greater than the higher of (i) $200 million and (ii) 25% of total assets; and
- Guarantor's free liquid assets (cash and cash equivalents or available draws on credit facilities) must be greater than $20 million.

As of December 31, 2018 and 2017, the Borrower and the guarantor were in compliance with the financial covenants.

Höegh LNG, as guarantor, has issued the following guarantees related to the Lampung facility that remain in effect as of December 31, 2018: (a) an unconditional and irrevocable on-demand guarantee for the repayment of the balloon repayment installment of the FSRU tranche callable only at final maturity of the FSRU tranche; (b) an unconditional and irrevocable on-demand guarantee for all amounts due in respect of the export credit agent in the event that the export credit agent exercises its prepayment right for the export credit tranche if the FSRU tranche is not refinanced; and (c) undertaking that, if the time charter is terminated for an event of vessel force majeure, that under certain conditions, a guarantee will be provided for the outstanding debt, less insurance proceeds for vessel force majeure. In addition, all project agreements and guarantees are assigned to the bank syndicate and the export credit agent, all cash accounts and the shares in PT Hoegh LNG Lampung and Hoegh LNG Lampung Pte. Ltd. are pledged in favor of the bank syndicate and the export credit agent.

The Lampung facility requires cash reserves that are held for specifically designated uses, including working capital, operations and maintenance and debt service reserves. Distributions are subject to "waterfall" provisions that allocate revenues to specified priorities of use (such as operating expenses, scheduled debt service, targeted debt service reserves and any other reserves) with the remaining cash being distributable only on certain dates and subject to satisfaction of certain conditions, including meeting a 1.20 historical debt service coverage ratio, no default or event of default then continuing or resulting from such distribution and the guarantor not being in breach of the financial covenants applicable to it. The Lampung facility limits, among other things, the ability of the Borrower to change its business, sell or grant liens on its property including the *PGN FSRU Lampung*, incur additional indebtedness or guarantee other indebtedness, make investments or acquisitions, enter into intercompany transactions and make distributions.

Gallant/Grace facility

On October 1, 2015, the Partnership acquired Höegh LNG FSRU III Ltd., the entity that owned Hoegh LNG Cyprus Limited, which owns the *Höegh Gallant*. Hoegh LNG Cyprus Limited, together with Höegh LNG FSRU IV Ltd., the owner of the *Höegh Grace*, are borrowers (the "Borrowers") under a term loan facility (the "Gallant/Grace facility") with a syndicate of banks and an export credit agency for the purpose of financing a portion of the *Höegh Gallant* and the *Höegh Grace*. The facility was secured by, among other things, a first priority mortgage of the *Höegh Gallant* and the *Höegh Grace*, an assignment of the Hoegh LNG Cyprus Limited's, Höegh LNG Egypt LLC's, Höegh LNG FSRU IV Ltd.'s and Höegh LNG Colombia S.A.S.'s rights under their respective time charters, the assignment of a bank guarantee for the performance of EGAS under the time charter and a pledge of the Borrowers' and Höegh LNG Egypt LLC's cash accounts. The Partnership provided a pledge of its shares in Höegh LNG FSRU III Ltd., Hoegh LNG Cyprus Limited and Höegh LNG Colombia Holding Ltd., and Höegh LNG provided a pledge of its shares in Höegh LNG Egypt LLC as security for the facility. Höegh LNG Colombia Holding Ltd. provided a pledge of its shares in Höegh LNG FSRU IV Ltd. as security for the facility. Höegh LNG, Höegh LNG Colombia Holding Ltd., Höegh LNG FSRU III Ltd. and the Partnership were guarantors for the facility.

The Gallant/Grace facility included two commercial tranches and the export credit tranche related to the *Höegh Gallant* (the "Gallant facility") and a commercial tranche and the export credit tranche related to the *Höegh Grace* (the "Grace facility"). All of the tranches under the Gallant/Grace facility were cross-defaulted, cross-collateralized and cross-guaranteed. The obligations of the Borrowers were joint and several. The interest rates varied by tranche.

The two commercial tranches related to the Gallant facility had an interest rate of LIBOR plus a margin of 2.7% based on the facility agreement. The interest rate for the export credit tranche related to the Gallant facility had a fixed interest rate and guarantee commission of 4.18% based on the facility agreement. The commercial tranches were repayable quarterly with a final balloon payment of $106.5 million due in November 2019. The export credit tranche was repayable in quarterly installments with the final payment in October 2026 assuming the balloon payments of the commercial tranches were refinanced. If not, the export credit agent could exercise a prepayment right for repayment of the outstanding balance of $26.6 million upon maturity of the commercial tranches.

The commercial tranche related to the Grace facility had an interest rate of LIBOR plus a margin of 2.7% based on the facility agreement. The interest rate for the export credit tranche related to the Grace facility had a fixed interest rate and guarantee commission of 4.07% based on the facility agreement. The commercial tranches were repayable quarterly with a final balloon payment of $123.0 million due in June 2020. The export credit tranche was repayable in quarterly installments with the final payment due in March 2028 assuming the balloon payments of the commercial tranches were refinanced. If not, the export credit agent could exercise a prepayment right for repayment of the outstanding balance of $24.0 million upon maturity of the commercial tranches.

The weighted average interest rate for the Gallant facility, excluding the impact of the associated interest rate swaps, for the years ended December 31, 2018 and December 31, 2017 was 4.7% and 4.0%, respectively. The weighted average interest rate for the Grace facility, excluding the impact of the associated interest rate swaps, for the years ended December 31, 2018 and December 31,2017 was and 4.9% and 4.0%, respectively.

The fair value of the Gallant facility as of the *Höegh Gallant* acquisition date of October 1, 2015 was determined based upon margins, fixed interest rates and guarantee commission had the financing been entered on the acquisition date. Based upon its fair value, the weighted average effective interest rate for the Gallant facility, excluding the impact of the associated interest rate swaps, was 4.5% and 3.8% for the year ended December 31, 2018 and 2017, respectively.

The fair value of the Grace facility as of the *Höegh Grace* acquisition date of January 3, 2017 was determined based upon margins, fixed interest rates and guarantee commission had the financing been entered on the acquisition date. Based upon its fair value, the weighted average effective interest rate for the Grace facility, excluding the impact of the associated interest rate swaps, was 4.5 % and 3.7% for the years ended December 31, 2018 and 2017, respectively.

The primary financial covenants under the Gallant/Grace facility were as follows:

- Höegh LNG must maintain
  - Consolidated book equity (excluding hedge reserves and mark to market value of derivatives) equal to the greater of
    - $200 million, and
    - 25% of total assets
  - Free liquid assets (cash and cash equivalents, publicly trade debt securities with an A rating with Standard & Poor's and available draws under a bank credit facility for a term of more than 12 months) equal to the greater of
    - $20 million,
    - 5% of total consolidated indebtedness provided on a recourse basis, and
    - Any amount specified to be a minimum liquidity requirement under any legal obligation.

- The Partnership must maintain
  - Consolidated book equity (excluding hedge reserves and mark to market value of derivatives) equal to the greater of
    - $150 million, and
    - 25% of total assets
  - Free liquid assets (cash and cash equivalents, publicly trade debt securities with an A rating with Standard & Poor's and available draws under a bank credit facility for a term of more than 12 months) equal to the greater of
    - $15 million, and
    - $3 million multiplied by the number of vessels owned or leased by the Partnership

- Each Borrower must maintain
  - Current assets greater than current liabilities as defined in the agreements, and
  - A ratio of EBITDA to debt service (principal repayments, guarantee commission and interest expense) of a minimum of 115%

In addition, a security maintenance ratio based on the aggregate market value of the *Höegh Gallant*, the *Höegh Grace* and any additional security was required to be at least 125% of the aggregate outstanding loan balance.

If the security maintenance ratio was not maintained, the relevant Borrower had 30 days to provide more security or to repay part of the loan to be in compliance with the ratio no later than 30 days after notice from the lenders.

As of December 31, 2018 and 2017, Höegh LNG, the Partnership and each Borrower were in compliance with the financial covenants.

Under the Gallant/Grace facility, cash accounts were freely available for the use of the Borrowers, unless there was an event of default. Cash could be distributed as dividends or to service loans of owners and affiliates provided that after the distribution the Borrowers would remain in compliance with the financial covenants and security maintenance ratio. The Gallant/Grace facility limited, among other things, the ability of the Borrowers to change its business, sell or grant liens on its property including the *Höegh Gallant* or the *Höegh Grace*, incur additional indebtedness or guarantee other indebtedness, make investments or acquisitions and enter into intercompany debt that was not subordinated to the Gallant/Grace facility.

$385 million facility

On January 29, 2019, the Partnership entered a loan agreement with a syndicate of banks to refinance the outstanding balances of the Gallant/Grace facility. Höegh LNG Partners LP is the borrower (the "Borrower") for the senior secured term loan and revolving credit facility (the "$385 million facility"). The aggregate borrowing capacity is $320 million on the senior secured term loan and $63 million on the revolving credit facility. Hoegh LNG Cyprus Limited, which owns the *Höegh Gallant*, Höegh LNG FSRU IV Ltd., the owner of the *Höegh Grace*, (collectively, the "Vessel Owners"), Höegh LNG Colombia S.A.S., and Höegh LNG Egypt LLC, a subsidiary of Höegh LNG, are guarantors for the facility (collectively, the "guarantors"). The facility is secured by, among other things, a first priority mortgage of the *Höegh Gallant* and the *Höegh Grace*, an assignment of the Hoegh LNG Cyprus Limited's, Höegh LNG Egypt LLC's, Höegh LNG FSRU IV Ltd.'s, Höegh LNG Colombia S.A.S.'s rights under their respective time charters and earnings and a pledge of the Borrower's and Guarantor's cash accounts. The Partnership and its subsidiaries have provided a pledge of shares in Hoegh LNG Cyprus Limited, Höegh LNG FSRU IV Ltd. and Höegh LNG Colombia S.A.S., and Höegh LNG has provided a pledge of its shares in Höegh LNG Egypt LLC as security for the facility.

The senior secured term loan related to the $385 million facility includes a commercial tranche and the export credit tranche. Each tranche is divided into two term loans for each of the *Höegh Gallant* and the *Höegh Grace*.

The commercial tranche and the revolving credit facility related to the $385 million facility have an interest rate of LIBOR plus a margin of 2.30%. The commitment fee on the undrawn portion of the revolving credit facility is approximately 1.6%. The interest rate for the export credit tranche related to the $385 million facility have fixed interest rates and guarantee commissions of 3.98% and 3.88% on the term loans related to the *Höegh Gallant* and the *Höegh Grace*, respectively. The commercial tranche is repayable quarterly with a final balloon payment of $136.1 million due in January 2026. The term loans for export credit tranche related to the *Höegh Gallant* and the *Höegh Grace* are repayable in quarterly installments with the final payments in October 2026 and April 2028, respectively, assuming the balloon payments of the commercial tranches are refinanced. If not, the export credit agent can exercise a prepayment right for repayment of the total outstanding balance on both the terms loans of the export credit tranche of $9.5 million upon maturity of the commercial tranche. Any outstanding balance on the revolving credit facility is due in full in January 2026.

The primary financial covenants under the $385 million facility are as follows:

- The Partnership must maintain
  - Consolidated book equity (excluding hedge reserves and mark to market value of derivatives) equal to the greater of
    - 25% of total assets, and
    - $150 million
  - Consolidated working capital (current assets, excluding intercompany receivables and marked-to-market value of any financial derivative, less current liabilities, excluding intercompany payables, marked-to-market value of any financial derivative and the current portion of long-term debt) shall at all time be greater than zero
  - Minimum liquidity (cash and cash equivalents and available draws under a bank credit facility for a term of more than 12 months) equal to the greater of
    - $15 million, and
    - $2.5 million multiplied by the number of vessels owned or leased by the Partnership (prorate for partial ownership), subject to a cap of $20 million
  - A ratio of combined EBITDA for the Vessel Owners to debt service (principal repayments, guarantee commission, commitment fees and interest expense) for the preceding twelve months of a minimum of 115%

In addition, a security maintenance ratio based on the aggregate market value of the *Höegh Gallant*, the *Höegh Grace* and any additional security must be at least 125% of the aggregate outstanding loan balance.

If the security maintenance ratio is not maintained, the relevant Borrower has 30 days to provide more security or to repay part of the loan to be in compliance with the ratio no later than 30 days after notice from the lenders.

Under the $385 million facility, cash accounts are freely available for the use of the Borrower and the guarantors, unless there is an event of default. Cash can be distributed as dividends or to service loans of owners and affiliates provided that after the distribution the Borrower and the guarantors would remain in compliance with the financial covenants. The $385 million facility limits, among other things, the ability of the Borrower and the guarantors to change their business, grant liens on the *Höegh Gallant* or the *Höegh Grace*, incur additional indebtedness that is not at pari passu with the $385 million facility, enter into intercompany debt that is not subordinated to the $385 million facility and for the Vessel Owners to make investments or acquisitions.

Refer to note 27 for information about amounts drawn on the facility subsequent to December 31, 2018.

The principal on long-term debt outstanding as of December 31, 2018 was repayable as follows:

(in thousands of U.S. dollars)	Total
2019 [1]	$ 172,910
2020 [1]	169,375
2021	33,522
2022	14,886
2023	14,886
2024 and thereafter	34,665
Total	$ 440,244

[1] The repayment profile for the years 2019 and 2020 include the original maturities under the Gallant /Grace facility. The amounts maturing in 2019 and 2020 have been classified as long-term in the consolidated balance sheet as of December 31, 2018 as a result of obtaining a firm commitment to refinance the Gallant/Grace facility in November 2018.The Gallant /Grace facility refinancing was finalized in January 2019 when the $385 million facility was drawn. Refer to note 27.

The following table reflects the principal on long-term debt repayable after giving effect to the drawdown on the $385 million facility in January 2019:

(in thousands of U.S. dollars)	Total
2019	$ 39,178
2020	44,659
2021	59,119
2022	40,483
2023	40,483
2024 and thereafter	233,079
Total	$ 457,001

16. Accrued liabilities and other payables

	As of December 31,	
(in thousands of U.S. dollars)	2018	2017
Accrued administrative expenses	$ 1,058	$ 1,757
Accrued operating expense	1,946	1,195
Current tax payable	1,375	1,324
Refund liabilities (note 5)	1,834	—
Advance for refundable value added tax (note 10)	429	—
Other accrued liabilities	801	2,863
Other payables	15	5,903
Total accrued liabilities and other payables	$ 7,458	$ 13,042

As of December 31, 2017, the majority of the balance in other payables related to refund liabilities which were reclassified to a separate refund liabilities account as of January 1, 2018 with the adoption of ASC 606, *Revenue from Contracts with Customers*. Refer to note 5 for additional information on the refund liability to charterers.

17. Investments in joint ventures

(in thousands of U.S. dollars)	As of December 31, 2018	As of December 31, 2017
Accumulated losses of joint ventures	$ 2,808	$ 20,746

The Partnership has a 50% interest in each of SRV Joint Gas Ltd. (owner of the *Neptune*) and SRV Joint Gas Two Ltd. (owner of the *Cape Ann*). The following table presents the summarized financial information for 100% of the combined joint ventures on an aggregated basis.

(in thousands of U.S. dollars)	Year ended December 31, 2018	2017	2016
Time charter revenues	$ 86,338	84,330	$ 86,544
Accrual historical boil-off claim (note 22)	—	(23,700)	—
Total revenues	86,338	60,630	86,544
Operating expenses	(21,864)	(17,256)	(18,213)
Depreciation and amortization	(20,065)	(20,244)	(19,666)
Operating income	44,409	23,130	48,665
Unrealized gain (loss) on derivative instruments	16,992	14,388	14,183
Other financial expense, net	(26,140)	(27,854)	(30,220)
Net income (loss)	$ 35,261	9,664	$ 32,628
Share of joint ventures owned	50%	50%	50%
Share of joint ventures net income (loss) before eliminations	17,631	4,832	16,314
Eliminations	307	307	308
Equity in earnings (losses) of joint ventures	$ 17,938	5,139	$ 16,622

	Year ended December 31,	
(in thousands of U.S. dollars)	**2018**	**2017**
Cash and cash equivalents	$ 7,958	$ 8,100
Restricted cash	13,844	8,520
Other current assets	1,894	2,012
Total current assets	23,696	18,632
Restricted cash	25,448	25,208
Vessels, net of accumulated depreciation	539,324	547,993
Deferred charges	194	—
Total long-term assets	564,966	573,201
Current portion of long-term debt	26,599	25,003
Amounts and loans due to owners and affiliates	1,215	314
Derivative instruments	10,178	10,649
Refund liabilities	26,055	—
Other current liabilities	8,924	37,725
Total current liabilities	72,971	73,691
Long-term debt	403,052	429,307
Loans due to owners and affiliates	7,071	6,526
Derivative instruments	51,563	68,085
Other long-term liabilities	43,526	39,006
Total long-term liabilities	505,212	542,924
Net liabilities	$ 10,479	$ (24,782)
Share of joint ventures owned	50%	50%
Share of joint ventures net liabilities before eliminations	5,240	(12,391)
Eliminations	(8,048)	(8,355)
Accumulated losses of joint ventures	$ (2,808)	$ (20,746)

18. Other long-term liabilities

The other long term liabilities, as of December 31, 2018 and 2017, were as follows:

	As of December 31,	
(in thousands of U.S. dollars)	**2018**	**2017**
Advances for value added tax	$ —	$ 5,710
Other long-term liabilities	99	83
Total other long-term liabilities	$ 99	$ 5,793

The remaining advances for value added tax is reflected as a current liability. Refer to note 16.

19. Related party transactions

Income (expenses) from related parties

As described in *Related party agreements* below, subsidiaries of Höegh LNG have provided the administrative services to the Partnership and ship management and/or technical support services for the *PGN FSRU Lampung*, the *Höegh Gallant* and the *Höegh Grace*.

Amounts included in the consolidated statements of income for the years ended December 31, 2018, 2017 and 2016 or included in the consolidated balance sheets as of December 31, 2018 and 2017 are as follows:

(in thousands of U.S. dollars)	**2018**	**2017**	**2016**
Revenues			
Time charter revenue *Höegh Gallant* (1)	$ 47,108	46,382	$ 47,741
Time charter and construction contract revenues indemnified by/refunded to Höegh LNG (2)	—	(2,496)	—
Operating expenses			
Vessel operating expenses (3)	(21,520)	(21,124)	(13,416)
Hours, travel expense and overhead (4) and Board of Directors' fees (5)	(3,671)	(3,284)	(3,174)
Financial (income) expense			
Interest income from joint ventures (6)	273	370	827
Interest expense and commitment fees to Höegh LNG (7)	(2,938)	(3,934)	(5,071)
Total	$ 19,252	15,914	$ 26,907

Balance sheet	**As of December 31,**	
(in thousands of U.S. dollars)	**2018**	**2017**
Equity		
Cash contribution from Höegh LNG (8)	$ 1,701	$ 2,075
Repayment of indemnification received from Höegh LNG (8)	(2,353)	(1,534)
Issuance of units for Board of Directors' fees (5)	200	189
Other and contribution from owner (9)	472	632
Total	$ 20	$ 1,362

1) *Time charter revenue Höegh Gallant:* A subsidiary of Höegh LNG, EgyptCo, leases the *Höegh Gallant*.
2) *Time charter revenues indemnified by/ refunded to Höegh LNG:* As described under “Indemnifications” below, the Partnership refunded to Höegh LNG certain previous indemnification payments in 2017.
3) *Vessel operating expenses:* Subsidiaries of Höegh LNG provides ship management of vessels, including crews and the provision of all other services and supplies.
4) *Hours, travel expenses and overhead:* Subsidiaries of Höegh LNG provide management, accounting, bookkeeping and administrative support under administrative service agreements. These services are charges based upon the actual hours incurred for each individual as registered in the time-write system based on a rate which includes a provision for overhead and any associated travel expenses.
5) *Board of Directors’ fees:* As of December 31, 2018, a total of 11,050 common units were issued and the value at the issuance date amounted to $200. Effective May 22, 2017 and June 3, 2016, a total of 9,805 and 10,650 common units, respectively, of the Partnership were awarded to non-employee directors as compensation of $189 and $189, respectively, for part of directors’ fees under the Höegh LNG Partners LP Long Term Incentive Plan. The awards were recorded as administrative expense and as an issuance of common units. Common units are recorded when issued.

6) *Interest income from joint ventures:* The Partnership and its joint venture partners have provided subordinated financing to the joint ventures as shareholder loans. Interest income for the Partnership's shareholder loans to the joint ventures is recorded as interest income.
7) *Interest expense and commitment fees to Höegh LNG and affiliates:* Höegh LNG and its affiliates provided an $85 million revolving credit facility for general partnership purposes. The Partnership incurred a commitment fee on the undrawn balance until January 29, 2018 and an interest expense on the drawn balance. A seller's credit note to finance part of the *Höegh Gallant* acquisition incurred interest expense until it was repaid in October 2017.
8) *Cash contribution from/ distribution to Höegh LNG:* As described under "Indemnifications" below, Höegh LNG made indemnification payments to the Partnership or received refunds of indemnification from the Partnership which were recorded as contributions or distributions to equity.
9) *Other and contribution from owner:* Höegh LNG granted share-based incentives to certain key employees whose services benefit the Partnership. Related expenses are recorded as administrative expenses and as a contribution from owner since the Partnership is not invoiced for this employee benefit. Effective March 23, 2018 and June 3, 2016, the Partnership granted the Chief Executive Officer and Chief Financial Officer 14,584 and 21,500 phantom units in the Partnership, respectively. Related expenses are recorded as an administrative expense and as increase in equity.

Acquisitions from Höegh LNG: Effective January 1, 2017 and December 1, 2017, the Partnership acquired a 51% and a 49% interest in the *Höegh Grace* entities from Höegh LNG. Refer to note 3. The Partnership's Board of Directors (the "Board") and the Conflicts Committee of the Board (the "Conflicts Committee") approved the purchase prices for the acquisitions. The Conflicts Committee retained financial advisors to assist with its evaluation of the transaction.

Dividends to Höegh LNG: The Partnership has declared and paid quarterly distributions totaling $28.2 million, $27.0 million and $25.7 million to Höegh LNG for each of the years ended December 31, 2018, 2017 and 2016, respectively.

Receivables and payables from related parties

Amounts due from affiliates

	As of December 31,	
(in thousands of U.S. dollars)	**2018**	**2017**
Amounts due from affiliates	$ 4,328	$ 4,286

The amount due from affiliates is a receivable for time charter hire from a subsidiary of Höegh LNG, EgyptCo, for the *Höegh Gallant* time charter. The time charter hire is due 18 days from the receipt of the invoice. Time charter hire is invoiced at the end of the month in arrears.

Amounts, loans and promissory note due to owners and affiliates

	As of December 31,	
(in thousands of U.S. dollars)	**2018**	**2017**
Amounts due to owners and affiliates	$ 2,301	$ 1,417

As of December 31, 2018 and 2017 amounts due to owners and affiliates principally relate to trade payables for services provided by subsidiaries of Höegh LNG.

Revolving credit facility

	As of December 31,	
(in thousands of U.S. dollars)	**2018**	**2017**
Revolving credit facility	$ 39,292	$ 51,832

In August 2014, upon the closing of the IPO, the Partnership entered into an $85 million revolving credit facility with Höegh LNG, to be used to fund acquisitions and working capital requirements of the Partnership. The credit facility is unsecured and repayable on January 1, 2020. Interest due on the outstanding balance is payable quarterly at LIBOR plus a margin of 4.0%. In addition, a 1.4% quarterly commitment fee was due to Höegh LNG on the undrawn balance until January 29, 2018 when the revolving credit facility was amended to eliminate the commitment fee. The outstanding revolving credit facility had a weighted average interest rate for the years ended December 31, 2018 and 2017 of 6.3% and 5.3%, respectively

Related party agreements

In connection with the IPO the Partnership entered into several agreements including:

(i) An $85 million revolving credit facility with Höegh LNG, which was undrawn at the closing of the IPO;

(ii) An omnibus agreement with Höegh LNG, the general partner, and Höegh LNG Partners Operating LLC (the “operating company”) governing, among other things:

a. To what extent the Partnership and Höegh LNG may compete with each other;

b. The Partnership’s rights of first offer on certain FSRUs and LNG carriers operating under charters of five or more years; and

c. Höegh LNG’s provision of certain indemnities to the Partnership.

(iii) An administrative services agreement with Hoegh LNG Services Ltd., UK (“Höegh UK”), pursuant to which Höegh UK provides certain administrative services to the Partnership; and

(iv) Höegh UK has entered into administrative services agreements with Höegh LNG AS (“Höegh Norway”) and Leif Höegh (U.K.) Limited, pursuant to which Höegh Norway and Leif Höegh (U.K.) Limited provide Höegh UK certain administrative services. Additionally, the operating company has entered into an administrative services agreement with Leif Höegh (U.K.) Limited to allow Leif Höegh (U.K.) Limited to provide services directly to the operating company.

Existing agreements remained in place following the IPO for provision of certain services to the Partnership's vessel owning joint ventures or entity, of which the material agreements are as follows:

- The joint ventures are parties to ship management agreements with Höegh LNG Fleet Management AS ("Höegh LNG Management") pursuant to which Höegh LNG Management provides the joint ventures with technical and maritime management and crewing of the *Neptune* and the *Cape Ann*, and Höegh Norway is a party to a sub-technical support agreement with Höegh LNG Management pursuant to which Höegh LNG Management provides technical support services with respect to the *PGN FSRU Lampung*; and

- The joint ventures are parties to commercial and administration management agreements with Höegh Norway, and PT Hoegh LNG Lampung is a party to a technical information and services agreement with Höegh Norway.

Subsequent to the IPO, the Partnership has acquired vessel owning entities. Existing agreements remained in place following the acquisition for the time charter of the *Höegh Gallant* and receipt of certain services, of which the material agreements are as follows:

- Hoegh LNG Cyprus Limited acting through its Egyptian Branch has a Lease and Maintenance Agreement (the "time charter") with EgyptCo for the lease and maintenance of the *Höegh Gallant* and the provision of crew and certain ship management services for a combined daily hire rate. The time charter started in April 2015 with an expiration date in April 2020; and

- Hoegh LNG Cyprus Limited acting through its Egyptian Branch is party to a ship management agreement with Höegh LNG Management pursuant to which Höegh LNG Management provides the technical management of the *Höegh Gallant*, and Hoegh LNG Maritime Management Pte. Ltd. ("Höegh Maritime Management") is a party to a secondment agreement, as amended, with Hoegh LNG Cyprus Limited pursuant to which Höegh Maritime Management provides qualified crew for the Höegh Gallant;

- Hoegh LNG Cyprus Limited acting through its Egyptian Branch is party to a management agreement with Höegh Norway, pursuant to which Höegh Norway provides administrative, commercial and technical management services, each as instructed from time to time by Hoegh LNG Cyprus Limited.

Existing agreements remained in place for the time charter of the *Höegh Grace* following the acquisition and receipt of certain services, of which the material agreements are as follows:

- a ship management agreement with Höegh LNG Management pursuant to which Höegh LNG Management provides technical and maritime management services;

- a manning agreement with Höegh Fleet Services Philippines Inc. to recruit and engage crew for the vessel;

- a technical services agreement with Höegh Norway to provide technical services for the vessel;

- a management consulting agreement with Höegh Norway to provide support related to certain management activities;

- a crew recruitment consulting services agreement with Höegh Maritime Management to provide professional consulting services in connection with recruitment of crew and other employees;

- an agreement for provision of professional payment services with Höegh Maritime Management to provide services in connection with the payment of monthly salaries to the crew and employees working on the vessel; and

- a spare parts procurement and insurance services agreement with Höegh LNG Management to arrange for the supply of spare parts and the insurance coverage for the vessel.

Indemnifications

Environmental indemnifications:

Under the omnibus agreement, Höegh LNG will indemnify the Partnership until August 12, 2019 against certain environmental and toxic tort liabilities with respect to the assets contributed or sold to the Partnership to the extent arising prior to the time they were contributed or sold to the Partnership. Liabilities resulting from a change in law are excluded from the environmental indemnity. There is an aggregate cap of $5.0 million on the amount of indemnity coverage provided by Höegh LNG for environmental and toxic tort liabilities. No claim may be made unless the aggregate dollar amount of all claims exceeds $0.5 million, in which case Höegh LNG is liable for claims only to the extent such aggregate amount exceeds $0.5 million.

Other indemnifications:

Under the omnibus agreement Höegh LNG will also indemnify the Partnership for losses:

1. related to certain defects in title to the assets contributed or sold to the Partnership and any failure to obtain, prior to the time they were contributed to the Partnership, certain consents and permits necessary to conduct the business, which liabilities arise within three years after the closing of the IPO;

2. related to certain tax liabilities attributable to the operation of the assets contributed or sold to the Partnership prior to the time they were contributed or sold;

3. in the event that the Partnership did not receive hire rate payments under the *PGN FSRU Lampung* time charter for the period commencing on August 12, 2014 through the earlier of (i) the date of acceptance of the *PGN FSRU Lampung* or (ii) the termination of such time charter. The Partnership was indemnified by Höegh LNG for the September and October 2014 invoices not paid by PGN LNG in 2014 (refer to note 22);

4. with respect to any obligation to pay liquidated damages to PGN LNG under the *PGN FSRU Lampung* time charter for failure to deliver the *PGN FSRU Lampung* by the scheduled delivery date set forth in the *PGN FSRU Lampung* time charter;

5. with respect to any non-budgeted expenses (including repair costs) incurred in connection with the *PGN FSRU Lampung* project (including the construction of the Mooring) occurring prior to the date of acceptance of the *PGN FSRU Lampung* pursuant to the time charter; and

6. pursuant to a letter agreement dated August 12, 2015, Höegh LNG confirmed that the indemnification provisions of the omnibus agreement include indemnification for all non-budgeted, non-creditable Indonesian value added taxes and non-budgeted Indonesian withholding taxes, including any related impact on cash flow from PT Hoegh LNG Lampung and interest and penalties associated with any non-timely Indonesian tax filings related to the ownership or operation of the *PGN FSRU Lampung* and the Mooring whether incurred (i) prior to the closing date of the IPO, (ii) after the closing date of the IPO to the extent such taxes, interest, penalties or related impact on cash flows relate to periods of ownership or operation of the *PGN FSRU Lampung* and the Mooring and are not subject to prior indemnification payments or deemed reimbursable by the charterer under its audit of the taxes related to the *PGN FSRU Lampung* time charter for periods up to and including June 30, 2015, or (iii) after June 30, 2015 to the extent withholding taxes exceed the minimum amount of withholding tax due under Indonesian tax regulations due to lack of documentation or untimely withholding tax filings.

For the years ended December 31, 2018 and 2017, the Partnership filed claims for indemnification of non-budgeted expenses (including warranty provisions, value added tax and withholding tax claims for previous years, other non-budgeted expenses and replacement capital expenditure) of $0.9 million and $0.7 million, respectively. Indemnification payments of $0.9 million, $1.6 million and $2.4 million were received from Höegh LNG for the years ended December 31, 2018, 2017 and 2016, respectively, and were recorded as a contribution to equity. Indemnification payments received from Höegh LNG are subject to repayment to the extent the amounts are subsequently recovered from insurance or deemed reimbursable by the charterer.

For the year ended December 31, 2018, the Partnership refunded to Höegh LNG approximately $2.4 million related to insurance proceeds received related to the warranty provision and costs for previous years determined to be reimbursable by the charterer. For the year ended December 31, 2017, the Partnership refunded to Höegh LNG approximately $2.5 million related to previously recognized revenue from 2014 that was deemed reimbursable in 2017 and an additional cost recovery of $1.5 million, which was recorded as a cash distribution from equity. Refer to note 22.

Under the contribution, purchase and sale agreement entered into with respect to the purchase of the *Höegh Gallant* entities, Höegh LNG will indemnify the Partnership for:

1. losses from breach of warranty;

2. losses related to certain environmental and tax liabilities attributable to the operation of the *Höegh Gallant* prior to the closing date;

3. all capital gains tax or other export duty incurred in connection with the transfer of the *Höegh Gallant* outside of Höegh LNG Cyprus Limited's permanent establishment in a Public Free Zone in Egypt;

4. any recurring non-budgeted costs owed to Höegh LNG Management with respect to payroll taxes;

5. any non-budgeted losses suffered or incurred in connection with the commencement of services under the time charter with EgyptCo or EgyptCo's time charter with EGAS; and

6. liabilities under the Gallant/Grace facility not attributable to the *Höegh Gallant.*

Additionally, Höegh LNG has guaranteed the payment of hire by EgyptCo pursuant to the time charter for the *Höegh Gallant* under certain circumstances.

For the years ended December 31, 2018 and 2017, the Partnership filed claims of $0.5 million and $0.5 million, respectively, for indemnification of losses incurred in connection with the time charter with EgyptCo. Indemnification payments of $0.5 million and $0.5 million received from Höegh LNG for the years ended December 31, 2018 and 2017, were recorded as contributions to equity. Refer to note 22.

Under the contribution, purchase and sale agreements entered into with respect to the acquisitions of the 51% and 49% ownership interests in the *Höegh Grace* entities, Höegh LNG will indemnify the Partnership for:

1. losses from breach of warranty;

2. losses related to certain environmental liabilities, damages or repair costs and tax liabilities attributable to the operation of the *Höegh Grace* prior to the closing date;

3. any recurring non-budgeted costs owed to tax authorities with respect to payroll taxes, taxes related to social security payments, corporate income taxes (including income tax for equality and surcharge on income tax for equality), withholding tax, port associations, local Cartagena tax, and financial transaction tax, including any penalties associated with taxes to the extent not reimbursed by the charterer;

4. any non-budgeted losses suffered or incurred in connection with commencement of services under the *Höegh Grace* charter with SPEC; and

5. any losses suffered or incurred in relation to the performance guarantee the Partnership provided with respect to the *Höegh Grace* charter, up to Höegh LNG's pro rata share of such losses, based on its remaining ownership interest in Höegh LNG Colombia Holding Ltd. This provision is not applicable after December 1, 2018, when the Partnership acquired the remaining 49% interest in the *Höegh Grace* entities.

On September 27, 2017, the Partnership entered into an indemnification agreement with Höegh LNG with respect to the boil-off claims under the *Neptune* and *Cape Ann* time charters, pursuant to which Höegh LNG will, among other things, indemnify the Partnership for its share of any losses and expenses related to or arising from the failure of either *Neptune* or *Cape Ann* to meet the performance standards related to the daily boil-off of LNG under their respective time charters (including any cash impact that may result from any settlement with respect to such claims, including any reduction in the hire rate under either time charter.) For the years ended December 31, 2018 the Partnership filed claims of $0.3 million and received indemnification payments of $0.3 million from Höegh LNG. Indemnification payments were recorded as contributions to equity. No indemnification claims have been made or received by the Partnership for the year ended December 31, 2017. Refer to note 22.

20. Financial Instruments

Fair value measurements

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash and cash equivalents, restricted cash and cash designated for acquisition – The fair value of the cash, cash equivalents, restricted cash and cash designated for acquisition approximates its carrying amounts reported in the consolidated balance sheets.

Amounts due from (to) owners and affiliates – The fair value of the non-interest bearing receivables or payables approximates their carrying amounts reported in the consolidated balance sheets since the receivables or payables are to be settled consistent with trade receivables and payables.

Derivative instruments – The fair values of the interest rates swaps are estimated based on the present value of cash flows over the term of the instruments based on the relevant LIBOR interest rate curves, adjusted for the subsidiary's credit worthiness given the level of collateral provided and the credit worthiness of the counterparty to the derivative.

Advances (shareholder loans) to joint ventures – The fair values of the fixed rate subordinated shareholder loans are estimated using discounted cash flow analyses based on rates currently available for debt with similar terms and remaining maturities and the current credit worthiness of the joint ventures.

Lampung, Gallant and Grace facilities – The fair values of the variable rate debt are estimated based on the present value of cash flows over the term of the instruments based on the estimated currently available margins and LIBOR interest rates as of the balance sheet date for debt with similar terms and remaining maturities and the current credit worthiness of the Partnership.

Revolving credit due to owners and affiliates – The fair value of the fixed rate debt is estimated using discounted cash flow analyses based on rates currently available for debt with similar terms and remaining maturities and the current credit worthiness of the Partnership.

The fair value estimates are categorized by a fair value hierarchy based on the inputs used to measure fair value. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value as follows:

Level 1: Observable inputs such as quoted prices in active markets;
Level 2: Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The following table includes the estimated fair value and carrying value of those assets and liabilities that are measured at fair value on a recurring and non-recurring basis, as well as the estimated fair value of the financial instruments that are not accounted for at a fair value on a recurring basis. Trade payables and receivables for which the estimated fair values are equivalent to carrying values are not specified below.

		As of December 31, 2018		As of December 31, 2017	
(in thousands of U.S. dollars)	**Level**	**Carrying amount Asset (Liability)**	**Fair value Asset (Liability)**	**Carrying amount Asset (Liability)**	**Fair value Asset (Liability)**
Recurring:					
Cash and cash equivalents	1	$ 26,326	26,326	22,679	$ 22,679
Restricted cash	1	19,128	19,128	20,602	20,602
Amounts due from affiliate	2	4,328	4,328	4,286	4,286
Derivative instruments	2	(1,498)	(1,498)	(3,889)	(3,889)
Other:					
Advances (shareholder loans) to joint ventures	2	3,536	3,579	3,263	3,596
Current amounts due to owners and affiliates	2	(2,301)	(2,301)	(1,417)	(1,417)
Lampung facility	2	(130,275)	(142,087)	(147,652)	(162,597)
Gallant facility	2	(140,812)	(141,538)	(154,295)	(155,325)
Grace facility	2	(164,458)	(164,210)	(178,356)	(178,652)
Revolving credit facility	2	$ (39,292)	(38,999)	(51,832)	$ (51,099)

Financing Receivables

The following table contains a summary of the loan receivables by type of borrower and the method by which the credit quality is monitored on a quarterly basis:

Class of Financing Receivables (in thousands of U.S. dollars)	**Credit Quality Indicator**	**Grade**	**As of December 31, 2018**	**As of December 31, 2017**
Trade receivable	Payment activity	Performing	$ 1,228	$ 7,563
Amounts due from affiliate	Payment activity	Performing	4,328	4,286
Advances/ loans to joint ventures	Payment activity	Performing	$ 3,536	$ 3,263

The shareholder loans to joint ventures are classified as advances to joint ventures in the consolidated balance sheet. Refer to note 14.

21. Risk management and concentrations of risk

Derivative instruments can be used in accordance with the overall risk management policy.

Foreign exchange risk

All financing, interest expenses from financing and most of the Partnership's revenue and expenditures for vessel improvements are denominated in U.S. dollars. Certain operating expenses can be denominated in currencies other than U.S. dollars. For the years ended December 31, 2018, 2017 and 2016, no derivative instruments have been used to manage foreign exchange risk.

Interest rate risk

Interest rate swaps are utilized to exchange a receipt of floating interest for a payment of fixed interest to reduce the exposure to interest rate variability on its outstanding floating-rate debt. As of December 31, 2018 and 2017, there are interest rate swap agreements related to the Lampung, Gallant and Grace facilities floating rate debt that are designated as cash flow hedges for accounting purposes. As of December 31, 2018, the following interest rate swap agreements were outstanding:

(in thousands of U.S. dollars)	Interest rate index	Notional amount	Fair value carrying amount liability	Term	Fixed interest rate (1)
LIBOR-based debt					
Lampung interest rate swaps (2)	LIBOR	$ 136,084	(920)	Sept 2026	2.8%
Gallant interest rate swaps (2)	LIBOR	$ 114,563	613	Sept 2019	1.9%
Grace interest rate swaps (2)	LIBOR	$ 125,563	586	March 2020	2.3%
$385 million facility swaps (2)	LIBOR	$ 65,000	(1,047)	Jan 2026	2.9%
$385 million facility swaps (2)	LIBOR	$ 65,000	(730)	Oct 2025	2.8%

1) Excludes the margins paid on the floating-rate debt.
2) All interest rate swaps are U.S. dollar denominated and principal amount reduces quarterly from the effective date of the interest rate swaps.

The Borrower under the Lampung facility entered five forward starting swap agreements with identical terms for a total notional amount of $237.1 million with an effective date of March 17, 2014. The swaps amortize over 12 years to match the outstanding balance of the Lampung facility and exchange 3 month USD LIBOR variable interest payments for fixed rate payments at 2.8%. The interest rate swaps were designated for accounting purposes as cash flow hedges of the variable interest payments on the Lampung facility. As of December 29, 2014, a prepayment of $7.9 million on the Lampung facility occurred which resulted in an amendment of the original interest rate swaps and the hedge was de-designated for accounting purposes. The other terms of the amended interest rate swaps did not change but the nominal amount of the interest rate swaps was reduced to match the outstanding debt. The amended interest rate swaps were re-designated as a cash flow hedge for accounting purposes.

As of October 1, 2015, the Partnership acquired the *Höegh Gallant* entities which had outstanding debt under the Gallant facility and three associated interest rate swap agreements with a total notional amount of $146.3 million. The swaps amortized to match the debt amortization of the Gallant facility until the scheduled repayment date in September 2019. The swaps exchanged 3 month USD LIBOR variable interest payments for fixed rate payments ranging from 1.9105% to 1.9145%. As of October 1, 2015, the interest rate swaps were designated for accounting purposes as cash flow hedges of the variable interest payments for $146.3 million of the commercial tranches of the Gallant facility. Hedge accounting was discontinued in the fourth quarter of 2018 as a result of firm commitment for the refinancing of the Gallant facility which was planned to occur in January 2019.

Effective as of January 1, 2017, the Partnership acquired the Höegh Grace entities which had outstanding debt under the Grace facility and three associated interest rate swap agreements with a total notional amount of $164.0 million. The swaps amortized to match the debt amortization of the Grace facility until the scheduled repayment date in June 2020. The swaps exchanged 3 month USD LIBOR variable interest payments for fixed rate payments ranging from 2.305% to 2.315%. As of January 1, 2017, the interest rate swaps were designated for accounting purposes as cash flow hedges of the variable interest payments for $164.0 million of the commercial tranches of the Grace facility. Hedge accounting was discontinued in the fourth quarter of 2018 as a result of firm commitment for the refinancing of the Grace facility which was planned to occur in January 2019.

As of December 31, 2018, the Partnership had entered into forward starting interest rate swaps with a nominal amount of $130.0 million to hedge part of the interest rate risk on the floating element of the interest rate for the commercial tranches of the $385 million facility. The Partnership will make fixed payments of 2.941% and 2.838%, based on a nominal amount of $65 million for each, in exchange for floating payments. The interest rate swaps were designated for accounting purposes as cash flow hedges of the variable interest payments for $130.0 million of the commercial tranches of the $385 million facility expected to be drawn on January 31, 2019. Refer to Note 27 for additional interest rate swaps entered into subsequent to December 31, 2018.

The following table presents the location and fair value amounts of derivative instruments, segregated by type of contract, on the consolidated balance sheets.

(in thousands of U.S. dollars)	**Current assets: derivative instruments**	**Long-term assets: derivative instruments**	**Current liabilities: derivative instruments**	**Long-term liabilities: derivative instruments**
As of December 31, 2018				
Interest rate swaps	1,199	$ —	$ (259)	$ (2,438)
As of December 31, 2017				
Interest rate swaps	—	$ 228	$ (2,015)	$ (2,102)

The following effects of cash flow hedges relating to interest rate swaps are included in gain (loss) on derivative instruments in the consolidated statements of income for the years ended December 31, 2018, 2017 and 2016.

	Year ended December 31,		
(in thousands of U.S. dollars)	**2018**	**2017**	**2016**
Interest rate swaps:			
Ineffective portion of cash flow hedge	$ (990)	(2)	$ 90
Amortization of amount excluded from hedge effectiveness	2,969	3,320	2,604
Reclassification discontinued hedge from OCI	3,557	—	—
Reclassification from accumulated other comprehensive income	(855)	(855)	(855)
Unrealized gains (losses)	4,681	2,463	1,839
Realized gains (losses)	—	—	—
Total gains (losses) on derivative instruments	$ 4,681	2,463	$ 1,839

The reclassification to earnings from OCI for the discontinued cash flow hedges relates to Gallant/Grace facility which was to be refinanced on January 31, 2019. The accumulated other comprehensive income balance for the cash flow hedge is reclassified to earnings when the hedged future cash flows are no longer expected to occur.

The effect of cash flow hedges relating to interest rate swaps and the related tax effects on other comprehensive income included in the consolidated statements of other comprehensive income and changes in accumulated other comprehensive income ("OCI") in the consolidated statements of changes in partners' capital is as follows for the years ended and as of December 31, 2018, 2017 and 2016.

	Cash Flow Hedge			
(in thousands of U.S. dollars)	**Before tax gains (losses)**	**Tax benefit (expense)**	**Net of tax**	**Accumulated OCI**
Balance as of December 31, 2015	$ (8,830)	1,589	(7,241)	$ (7,241)
Effective portion of unrealized loss on cash flow hedge	1,028	—	1,028	1,028
Reclassification of amortization of cash flow hedge to earnings	855	(378)	477	477
Other comprehensive income for period	1,883	(378)	1,505	1,505
Balance as of December 31, 2016	$ (6,947)	1,211	(5,736)	**$ (5,736)**
Balance as of December 31, 2016	$ (6,947)	1,211	(5,736)	$ (5,736)
Effective portion of unrealized loss on cash flow hedge	2,480	—	2,480	2,480
Reclassification of amortization of cash flow hedge to earnings	855	(347)	508	508
Other comprehensive income for period	3,335	(347)	2,988	2,988
Balance as of December 31, 2017	$ (3,612)	864	(2,748)	**$ (2,748)**
Balance as of December 31, 2017	$ (3,612)	864	(2,748)	$ (2,748)
Effective portion of unrealized loss on cash flow hedge	412	—	412	412
Reclassification of amortization of cash flow hedge to earnings	855	(299)	556	556
Reclassification of discontinued cash flow hedge to earnings	(3,557)	—	(3,557)	(3,557)
Other comprehensive income for period	(2,290)	(299)	(2,589)	(2,589)
Balance as of December 31, 2018	$ (5,902)	565	(5,337)	**$ (5,337)**

Refer to note 9 for additional information on the tax effects included in other comprehensive income.

As of December 31, 2018, the estimated amounts to be reclassified from accumulated other comprehensive income to earnings during the next twelve months is $0.9 million for amortization of accumulated other comprehensive income for losses on the de-designated interest rate swaps.

Credit risk

Credit risk is the exposure to credit loss in the event of non-performance by the counterparties related to cash and cash equivalents, restricted cash, trade receivables and interest rate swap agreements. In order to minimize counterparty risk, bank relationships are established with counterparties with acceptable credit ratings at the time of the transactions. Credit risk related to receivables is limited by performing ongoing credit evaluations of the customers' financial condition. In addition, Höegh LNG guarantees the payment of the *Höegh Gallant* time charter hire by EgyptCo under certain circumstances.

Concentrations of risk

Financial instruments, which potentially subject the Partnership to significant concentrations of credit risk, consist principally of cash and cash equivalents, restricted cash, trade receivables and derivative contracts (interest rate swaps). The maximum exposure to loss due to credit risk is the book value at the balance sheet date. The Partnership does not have a policy of requiring collateral or security. Cash and cash equivalents and restricted cash are placed with qualified financial institutions. Periodic evaluations are performed of the relative credit standing of those financial institutions. In addition, exposure is limited by diversifying among counterparties. There are three charterers so there is a concentration of risk related to trade receivables. Credit risk related to trade receivables is limited by performing ongoing credit evaluations of the customer's financial condition. In addition, Höegh LNG guarantees the payment of the *Höegh Gallant* time charter hire by EgyptCo under certain circumstances. No allowance for doubtful accounts, or impairment loss, was recorded for the years ended December 31, 2018 or 2017. While the maximum exposure to loss due to credit risk is the book value of trade receivables at the balance sheet date, should the time charters for the *PGN FSRU Lampung*, the *Höegh Gallant* or the *Höegh Grace* terminate prematurely, or the option to acquire the *PGN FSRU Lampung* be exercised, there could be delays in obtaining new time charters and the hire rates could be lower depending upon the prevailing market conditions.

22. Commitments and contingencies

Contractual commitments

As of December 31, 2018, there were no material contractual purchase commitments. However, the *Höegh Gallant* will have a drydock and the *PGN FSRU Lampung* will complete a class renewal survey while remaining on the water during 2019. The combined expenditure is expected to be approximately $6.5 to $7.0 million which will not be covered by the respective charterers. The *Höegh Gallant* and the *PGN FSRU Lampung* are expected to be off-hire for 10 days and 4 days, respectively, for these procedures.

Claims and Contingencies

Joint ventures claims and accruals

Under the *Neptune* and the *Cape Ann* time charters, the joint ventures undertake to ensure that the vessel meets specified performance standards at all times 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 $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. Accruals 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. As of September 30, 2017, the joint ventures determined the liability associated with the boil-off claim was probable and could be reasonably estimated resulting in a total accrual of $23.7 million which was recorded as a reduction of time charter revenues in the third quarter of 2017. The Partnership's 50% share of the accrual was approximately $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 $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 $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-$30's, of which the Partnership's share would be 50%. Based upon the additional information from the tribunal's determination and updated estimates of the potential range of liability, the joint ventures concluded the existing accrual of $23.7 million continues to represent their best estimate of the probable liability as of December 31, 2018. Accordingly, the accrual was unchanged as of December 31, 2018. The Partnership's 50% share of the accrual remains at approximately $11.9 million as of December 31, 2018. Refer to notes 4, 14 and 17. 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 accruals, 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. Depending on the amount and timing of the potential settlement and whether such settlement is funded by the performance guarantees by Höegh LNG and the other major owner or by the joint ventures, a settlement of the claim for boil-off with the charterer could have a material adverse effect on the joint ventures' financial condition and results of operations. As a precaution, the joint ventures have suspended payments on their shareholder loans as of September 30, 2017 pending the outcome of the boil-off claim. Refer to note 14.

To the extent that an excess boil-off claim results in a settlement, the Partnership would be indemnified by Höegh LNG for its share of the cash impact of any settlement. Refer to note 17. The ultimate outcome of the boil-off claim, on an isolated basis, is not expected to have a material adverse effect on the Partnership's financial position. However, other concessions, if any, would not be expected to be indemnified. In addition, the joint ventures expect to incur costs for certain capital improvements to address boil-off issues and maintenance requirements that will not be reimbursed by the charterer or Hoegh LNG for which the Partnership's 50% share is approximately $0.2 million and $1.0 million for the years ended December 31, 2019 and 2020, respectively. As of December 31, 2018, the Partnership's share of capital improvements and maintenance incurred was approximately $1.8 million, primarily incurred during the drydock for the *Cape Ann*. Furthermore, the suspension of the payments of the shareholder loans reduces cash flows available to the Partnership. In addition, the increase in the accruals for, or the resolution of, the excess boil-off claim may have a material adverse effect on the Partnership's results of operations for that period.

Indonesian corporate income tax

Based upon the Partnership' s experience in Indonesia, tax regulations, guidance and interpretation in Indonesia may not always be clear and may be subject to alternative interpretations or changes in interpretations over time. The Partnership' s Indonesian subsidiary is subject to examination by the Indonesian tax authorities for up to five years following the completion of a fiscal year. The examinations may lead to ordinary course adjustments or proposed adjustments to the Partnership's taxes with respect to years under examination. In December 2018, the examination for the years 2013 and 2014 was completed. Refer to note 9 for additional information. Future examinations may or may not result in changes to the Partnership' s provisions on tax filings from 2015 through 2018.

PGN LNG claims including delay liquidated damages

The Partnership was indemnified by Höegh LNG for i) any hire rate payments not received under the *PGN FSRU Lampung* time charter for the period commencing on August 12, 2014 through the acceptance date of the *PGN FSRU Lampung* and ii) non-budgeted expenses (including warranty costs associated with repairs of the Mooring) incurred in connection with the *PGN FSRU Lampung* project prior to the date of acceptance, and for iii) certain subsequently incurred non-budgeted costs and expenses.

For the years ended December 31, 2018 and 2017, the Partnership filed claims for indemnification of non-budgeted expenses (including warranty provisions, value added tax and withholding tax claims for previous years, other non-budgeted expenses and replacement capital expenditure) of $0.9 million and $0.7 million, respectively. Indemnification payments of $0.9 million, $1.6 million and $2.4 million were received from Höegh LNG for the years ended December 31, 2018, 2017 and 2016, respectively, and were recorded as a contribution to equity. Indemnification payments received from Höegh LNG are subject to repayment to the extent the amounts are subsequently recovered from insurance or deemed reimbursable by the charterer.

For the year ended December 31, 2018, the Partnership refunded to Höegh LNG approximately $2.4 million related to insurance proceeds received related to the warranty provision and costs for previous years determined to be reimbursable by the charterer. For the year ended December 31, 2017, the Partnership refunded to Höegh LNG approximately $2.5 million related to previously recognized revenue from 2014 that was deemed reimbursable in 2017 and an additional cost recovery of $1.5 million, which was recorded as a cash distribution from equity. Refer to note 19.

Höegh Gallant claims and indemnification

In the third quarter of 2017, the Partnership began investigating with EgyptCo a performance measure included in EgyptCo's charter with respect to the *Höegh Gallant.* The investigation included whether such a performance measure is directly linked to a specified performance standard which could result in a customer claim for reduced hire or damages and legal basis for a potential claim, if any. No accrual was recorded. In October 2018, EgyptCo reached an agreement with EgyptCo's charterer that there would be no reduction in hire for this performance measure.

The Partnership was indemnified by Höegh LNG for losses incurred in connection with the commencement of services under the time charter with EgyptCo (including technical issues) incurred in connection with the *Höegh Gallant*.

For the years ended December 31, 2018 and 2017, the Partnership filed claims of $0.5 million and $0.5 million, respectively, for indemnification of losses incurred in connection with the time charter with EgyptCo. Indemnification payments of $0.5 million and $0.5 million received from Höegh LNG for the years ended December 31, 2018 and 2017 were recorded as contributions to equity. Refer to note 19.

23. Supplemental cash flow information

	Year ended December 31,		
(in thousands of U.S. dollars)	**2018**	**2017**	**2016**
Supplemental disclosure of non-cash investing activities			
Non-cash expenditures for vessel and other equipment	$ (229)	—	$ —
Non-cash acquisition of non-controlling interest for the remaining 49% interest in the *Höegh Grace* entities	—	41,362	—
Supplemental disclosure of non-cash financing activities			
Non-cash revolving credit facility draw for the acquistion of non-controlling interest for the remaining 49% interest in the *Höegh Grace* entities	$ —	41,362	$ —

Refer to note 3 for Business combinations.

24. Issuance of common units and Series A Preferred Units

On January 26, 2018, the Partnership entered into sales agreement with the Agent. Under the terms of the sales agreement, the Partnership may offer and sell up to $120 million in aggregate offering amount of common units and Series A preferred units, from time to time, through the Agent, acting as agent for the Partnership. Sales of such units may be made in negotiated transactions or transactions that are deemed to be "at the market" offerings, including sales made directly on the New York Stock Exchange or through a market marker other than on an exchange.

As of December 31, 2018, the Partnership had sold 253,106 common units at an average gross sales price of $18.26 per unit for net proceeds, after sales commissions, of $4.6 million. As of December 31, 2018, the Partnership had sold 1,529,070 Series A preferred units at an average gross sales price of $25.74 per unit for net proceeds, after sales commissions, of $38.7 million. The Partnership has paid an aggregate of $0.8 million in sales commissions to the Agent in connection with such sales as of December 31, 2018. Proceeds in the table below are included for all units issued for the year ended December 31, 2018.

	Year ended December 31, 2018		
(in thousands of U.S. dollars)	**Common units**	**Series A Preferred Units**	**Total**
Gross proceeds for units issued	$ 4,623	39,360	$ 43,983
Less: Commissions	(60)	(701)	(761)
Net proceeds for units issued	$ 4,563	38,659	$ 43,222

On October 5, 2017, the Partnership issued 4,600,000 8.75% Series A preferred units. The offering price was $25.0 per unit. The Partnership's total proceeds and net proceeds from the preferred unit offering were $115.0 million and $110.9 million, respectively. During October 2017, net proceeds of $34.4 million and $24.3 million were used to repay outstanding balances under the seller's credit note and revolving credit facility, respectively. During December 2017, the Partnership acquired the remaining 49% ownership interest in the *Höegh Grace* entities and settled part of the purchase price with cash of $45.3 million from the issuance of the Series A preferred units.

8.75% Series A Cumulative Redeemable Preferred Units:

(in thousands of U.S. dollars)	**Year ended December 31, 2017**
Gross proceeds received	$ 115,000
Less: Underwriters' discount	(3,623)
Less: Offering expenses	(453)
Net proceeds received	$ 110,924

On December 7, 2016, the Partnership sold 6,000,000 common units, representing limited partner interests in an underwritten public offering and granted the underwriters a 30-day option to purchase up to an additional 900,000 common units. In connection with the partial exercise by the underwriters of their option to purchase additional common units, on December 16, 2016, the Partnership sold 588,389 common units. The offering price was $17.60 per unit. The Partnership's total proceeds and net proceeds from the public offering were $116.0 million and $111.5 million, respectively. During December 2016, net proceeds of $12.6 million and $6.6 million were used to repay part of the seller's credit note and to settle the working capital adjustment, respectively, related to the acquisition of the *Höegh Gallant* on October 1, 2015. As of December 31, 2016, the Partnership designated $91.8 million of the net proceeds to acquire a 51% ownership interest in Höegh LNG Colombia Holding Ltd., the owner of the entities that own and operate the *Höegh Grace*. The acquisition was settled on January 3, 2017. Refer to note 3.

(in thousands of U.S. dollars)	**Year ended December 31, 2016**
Gross proceeds received	$ 115,956
Less: Underwriters' discount	(3,943)
Less: Offering expenses	(484)
Net proceeds received	$ 111,529

25. Common, subordinated and preferred units

The following table shows the movements in the number of common units, subordinated units and preferred units during the years ended December 31, 2018, 2017 and 2016:

(in units)	Common Units Public	Common Units Höegh LNG	Subordinated Units	8.75% Series A Preferred Units
December 31, 2015	**11,040,000**	**2,116,060**	**13,156,060**	**—**
June 3, 2016; Awards to non-employee directors as compensation for directors' fees	10,650	—	—	—
December 7, 2016; Common unit offering	6,000,000	—	—	—
December 16, 2016; Option Exercised	588,389	—	—	—
December 31, 2016	**17,639,039**	**2,116,060**	**13,156,060**	**—**
May 22, 2017: Awards to non-employee directors as compensation for directors' fees	9,805	—	—	—
October 5, 2017: Series A preferred units offering	—	—	—	4,600,000
December 31, 2017	**17,648,844**	**2,116,060**	**13,156,060**	**4,600,000**
June 6, 2018; Awards to non-employee directors as compensation for directors' fees	8,840	—	—	—
July 5, 2018; Awards to non-employee directors as compensation for directors' fees	2,210	—	—	—
Units issued to staff at Höegh LNG during 2018	14,622	(14,622)	—	—
Phantom units issued to CEO/CFO during 2018	17,079	—	—	—
ATM program (from January 26, 2018 to December 31, 2018)	253,106	—	—	1,529,070
December 31, 2018	**17,944,701**	**2,101,438**	**13,156,060**	**6,129,070**

As of December 31, 2018, 2017 and 2016 Höegh LNG owned 2,101,438 common units and 13,156,060 subordinated units. Subordinated units are not entitled to vote for the four elected directors to the Partnership’s board of directors. The general partner has a non-economic interest and has no units.

Refer to note 26 for information on distributions to common and subordinated unitholders.

The Series A preferred units represent perpetual equity interests in the Partnership and, unlike the Partnership's debt, do 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 Partnership's common units and subordinated units as to the payment of distributions and amounts payable upon liquidation, dissolution or winding up but junior to all of the Partnership's debt and other liabilities. The Series A preferred units have a liquidation preference of $25.00 per unit. At any time on or after October 5, 2022, the Partnership may redeem, in whole or in part, the Series A preferred units at a redemption price of $25.00 per unit plus an amount equal to all accumulated and unpaid distributions thereon to the date of redemption. The distribution rate on the Series A preferred units is 8.75% per annum of the $25.00 per unit value (equivalent to $2.1875 per annum per unit). The distributions are cumulative and recorded when declared. However, since the Series A preferred units rank senior to the Partnership's common and subordinated units, the portion of net income, equivalent to the Series A preferred units' paid and undeclared distributions for that period, is reflected as Preferred unitholders' interest in net income on the consolidated statement of income. Distributions are payable quarterly, when, and if declared by the Partnership's board of directors out of legally available funds for such purpose. Holders of the Series A preferred units generally have no voting rights. However, if and whenever distributions payable on the Series A preferred units are in arrears for six or more quarterly periods, whether or not consecutive, holders of Series A Preferred Units will be entitled to replace one of the members of our board of directors appointed by our general partner with a person nominated by such holders.

26. Earning per unit and cash distributions

The calculation of basic and diluted earnings per unit are presented below:

	Year ended December 31,		
(in thousands of U.S. dollars, except per unit numbers)	**2018**	**2017**	**2016**
Net income	$ 77,622	59,190	$ 41,377
Adjustment for:			
Non-controlling interest	—	10,408	—
Preferred unitholders' interest in net income	12,303	2,480	—
Limited partners' interest in net income	65,319	46,302	41,377
Less: Dividends paid or to be paid (1)	(59,952)	(57,764)	(46,627)
Under (over) distributed earnings	5,367	(11,462)	(5,250)
Under (over) distributed earnings attributable to:			
Common units public	2,900	(6,145)	(2,814)
Common units Höegh LNG	340	(736)	(338)
Subordinated units Höegh LNG	2,127	(4,581)	(2,098)
	5,367	(11,462)	(5,250)
Basic weighted average units outstanding (in thousands)			
Common units public	17,856	17,645	11,481
Common units Höegh LNG	2,101	2,116	2,116
Subordinated units Höegh LNG	13,156	13,156	13,156
Diluted weighted average units outstanding (in thousands)			
Common units public	17,864	17,657	11,486
Common units Höegh LNG	2,101	2,116	2,116
Subordinated units Höegh LNG	13,156	13,156	13,156
Basic and diluted earnings per unit (2):			
Common unit public	$ 1.93	$ 1.37	$ 1.58
Common unit Höegh LNG (3)	$ 2.03	$ 1.44	$ 1.52
Subordinated unit Höegh LNG (3)	$ 2.03	$ 1.45	$ 1.52

(1) Includes all distributions paid or to be paid in relationship to the period, regardless of whether the declaration and payment dates were prior to the end of the period, and is based the number of units outstanding at the period end.

(2) Effective March 23, 2018, the Partnership granted 14,584 phantom units to the CEO/CFO of the Partnership. One-third of such phantom units vest as of November 30, 2019, 2020 and 2021, respectively. Effective June 3, 2016, the Partnership granted 21,500 phantom units to the CEO/CFO of the Partnership. One-third of such phantom units vest as of December 31, 2017, November 30, 2018 and November 30, 2019, respectively. On September 14, 2018, the plan was amended for to extend the terms and conditions of such unvested units of the participant that changed roles from the CEO/CFO to a member of the Board of the Partnership. The phantom units impact the diluted weighted average units outstanding; however, the increase in weighted average number of units was not significant enough to change the earnings per unit. Therefore, the basic and diluted earnings per unit are the same.

(3) Includes total amounts attributable to incentive distributions rights of $1,591 and $1,141 for the years ended December 31, 2018 and 2017, respectively, of which $219 and $158 was attributed to common units owned by Höegh LNG and $1,372 and $983 was attributed to subordinated units owned by Höegh LNG, for the years ended December 31, 2018 and 2017, respectively.

Earnings per unit is calculated by dividing net income by the weighted average number of common and subordinated units outstanding during the applicable period.

The common unitholders' and subordinated unitholders' interest in net income are calculated as if all net income were distributed according to terms of the Partnerships' Second Amended and Restated Agreement of Limited Partnership (the "Partnership Agreement"), regardless of whether those earnings would or could be distributed. The Partnership Agreement does not provide for the distribution of net income; rather, it provides for the distribution of available cash. Available cash, a contractual defined term, generally means all cash on hand at the end of the quarter after deduction for cash reserves established by the board of directors and the Partnership's subsidiaries to i) provide for the proper conduct of the business (including reserves for future capital expenditures and for the anticipated credit needs); ii) comply with applicable law, any of the debt instruments or other agreements; iii) provide funds for payments on the Series A preferred units; and iv) provide funds for distributions to the unitholders for any one or more of the next four quarters. Therefore, the earnings per unit are not indicative of future cash distributions that may be made. Unlike available cash, net income is affected by non-cash items, such as depreciation and amortization, unrealized gains or losses on derivative instruments and unrealized gains or losses on foreign exchange transactions.

During the subordination period, the common units will have the right under the Partnership Agreement to receive distributions of available cash from operating surplus in an amount equal to the minimum quarterly distribution of $0.3375 per unit, plus any arrearages in the payment of the minimum quarterly distribution on the common units from prior quarters, before any distributions of available cash from operating surplus may be made on the subordinated units. Distribution arrearages do not accrue on the subordinated units.

Distributions of available cash from operating surplus are to be made in the following manner for any quarter during the subordination period:

- *first*, 100.0% to the common unitholders, pro rata, until the Partnership distributes for each outstanding common unit an amount equal to the minimum quarterly distribution of $0.3375 for that quarter;

- *second*, 100.0% to the common unitholders, pro rata, until the Partnership distributes for each outstanding common unit an amount equal to any arrearages in payment of the minimum quarterly distribution on the common units for any prior quarters during the subordination period; and

- *third*, 100.0% to the subordinated unitholders, pro rata, until the Partnership distributes for each subordinated unit an amount equal to the minimum quarterly distribution of $0.3375 for that quarter.

In addition, Höegh LNG currently holds all of the IDRs in the Partnership. IDRs represent the rights to receive an increasing percentage of quarterly distributions of available cash for operating surplus after the minimum quarterly distribution and the target distribution levels have been achieved.

If for any quarter during the subordination period:

- the Partnership has distributed available cash from operating surplus to the common and subordinated unitholders in an amount equal to the minimum quarterly distribution; and

- the Partnership has distributed available cash from operating surplus on outstanding common units in an amount necessary to eliminate any cumulative arrearages in payment of the minimum quarterly distribution;

then, the Partnership will distribute any additional available cash from operating surplus for that quarter among the unitholders and the holders of the IDRs in the following manner:

- *first*, 100.0% to all common and subordinated unitholders, pro rata, until each such unitholder receives a total of $0.388125 per unit for that quarter (the "first target distribution");

- *second*, 85.0% to all common and subordinated unitholders, pro rata, and 15.0% to the holders of the IDRs, pro rata, until each such unitholder receives a total of $0.421875 per unit for that quarter (the "second target distribution");

- *third*, 75.0% to all common and subordinated unitholders, pro rata, and 25.0% to the holders of the IDRs, pro rata, until each such unitholder receives a total of $0.50625 per unit for that quarter (the "third target distribution"); and

- *thereafter*, 50.0% to all common and subordinated unitholders, pro rata, and 50.0% to the holders of the IDRs, pro rata.

In each case, the amount of the target distribution set forth above is exclusive of any distributions to common unitholders to eliminate any cumulative arrearages in payment of the minimum quarterly distribution. The percentage interests set forth above assume that the Partnership does not issue additional classes of equity securities.

27. Subsequent events

On January 31, 2019, the Partnership drew $320 million under the commercial term loans and the export credit tranches on the $385 million facility to settle $303.2 million and $1.6 million of the outstanding balance and accrued interest, respectively, on the Gallant/Grace facility and used proceeds of $5.5 million to pay arrangement fees due under the $385 million facility. The remaining proceeds of $9.6 million are expected to be used for general partnership purposes. The Partnership terminated the existing interest rate swaps related to the Gallant/Grace facility on January 31, 2019. The revolving credit facility under the $385 million facility has not yet been drawn.

In February 2019, the Partnership entered into interest rate swaps related to the $385 million facility with a nominal amount of $127.7 million for which the Partnership will make fixed payments of 2.650% and 2.735% based on nominal amount of $63.8 million for each. The export credit tranches have a fixed interest rate and therefore no interest rate swaps are required.

On February 14, 2019, the Partnership paid a cash distribution of $15.0 million, or $0.44 per common and subordinated unit, with respect to the fourth quarter of 2018, equivalent to $1.76 per unit on an annual basis.

On February 15, 2019, the Partnership paid a cash distribution of $3.4 million, or $0.546875 per Series A preferred unit, for the period commencing on November 15, 2018 to February 14, 2019.

SRV JOINT GAS LTD. AND SRV JOINT GAS TWO LTD.
COMBINED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(in thousands of U.S. dollars)

	Notes	Unaudited 2018	Unaudited 2017	2016
REVENUES				
Time charter revenues	3	$ 86,338	60,630	$ 86,544
Total revenues		86,338	60,630	86,544
OPERATING EXPENSES				
Vessel operating expenses	10	(18,619)	(15,504)	(15,817)
Administrative expenses	10	(3,245)	(1,752)	(2,396)
Depreciation and amortization	6	(20,065)	(20,244)	(19,666)
Total operating expenses		(41,929)	(37,500)	(37,879)
Operating income		44,409	23,130	48,665
FINANCIAL INCOME (EXPENSES), NET				
Interest income	5	468	151	3
Interest expense	5, 10	(26,539)	(27,968)	(30,188)
Gain (loss) on derivative instruments	5, 12	16,992	14,388	14,183
Other financial items, net	5	(69)	(37)	(35)
Total financial income (expense), net		(9,148)	(13,466)	(16,037)
Income before tax		35,261	9,664	32,628
Income tax expense		—	—	—
Net income (loss)		$ 35,261	9,664	$ 32,628

The accompanying notes are an integral part of the combined financial statements.

SRV JOINT GAS LTD. AND SRV JOINT GAS TWO LTD.
COMBINED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(in thousands of U.S. dollars)

	Unaudited 2018	Unaudited 2017	2016
Net income (loss)	$ 35,261	9,664	$ 32,628
Other comprehensive income	—	—	—
Comprehensive income (loss)	$ 35,261	9,664	$ 32,628

The accompanying notes are an integral part of the combined financial statements.

SRV JOINT GAS LTD. AND SRV JOINT GAS TWO LTD.
COMBINED BALANCE SHEETS
AS OF DECEMBER 31, 2018 AND 2017
(in thousands of U.S. dollars)

	Notes	Unaudited 2018	Unaudited 2017
ASSETS			
Current assets			
Cash and cash equivalents	11	$ 7,958	$ 8,100
Restricted cash	9,11	13,844	8,520
Trade receivables	3	1,733	95
Prepaid expenses and other receivables	10	161	1,917
Total current assets		23,696	18,632
Long-term assets			
Restricted cash	9,11	25,448	25,208
Vessels, net of accumulated depreciation	6,13,14	539,324	547,993
Deferred charges		194	—
Total long-term assets		564,966	573,201
Total assets		$ 588,662	$ 591,833
LIABILITIES AND EQUITY			
Current liabilities			
Current portion of long-term debt	9,11	$ 26,599	$ 25,003
Trade payables		606	101
Amounts due to owners and affiliates	7	1,215	314
Derivative instruments	11,12	10,178	10,649
Contract liabilities including deferred revenue	3	3,074	—
Prepaid and deferred revenue	3	—	6,212
Refund liability	3	26,055	—
Accrued liabilities	8,10	5,244	31,412
Total current liabilities		72,971	73,691
Long-term liabilities			
Long-term debt	2b,9,11	403,052	429,307
Loans due to owners	7,11	7,071	6,526
Derivative instruments	11,12	51,563	68,085
Contract liabilities including deferred revenue	3	43,526	39,006
Total long-term liabilities		505,212	542,924
Total liabilities		578,183	616,615
EQUITY			
Paid in capital		100	100
Retained earnings (deficit)		10,379	(24,882)
Total equity		10,479	(24,782)
Total liabilities and equity		$ 588,662	$ 591,833

The accompanying notes are an integral part of the combined financial statements.

SRV JOINT GAS LTD. AND SRV JOINT GAS TWO LTD.
COMBINED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(in thousands of U.S. dollars)

	Paid in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income	Total Equity
Balance as of December 31, 2015	$ 100	(67,174)	—	$ (67,074)
Net income	—	32,628	—	32,628
Other comprehensive income	—	—	—	—
Balance as of December 31, 2016	100	(34,546)	—	(34,446)
Net income (Unaudited)	—	9,664	—	9,664
Other comprehensive income (Unaudited)	—	—	—	—
Balance as of December 31, 2017 (Unaudited)	100	(24,882)	—	(24,782)
Net income (Unaudited)	—	35,261	—	35,261
Other comprehensive income (Unaudited)	—	—	—	—
Balance as of December 31, 2018 (Unaudited)	$ 100	10,379	—	$ 10,479

The accompanying notes are an integral part of the combined financial statements.

SRV JOINT GAS LTD. AND SRV JOINT GAS TWO LTD.
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 and 2016
(in thousands of U.S. dollars)

	Unaudited 2018	Unaudited 2017	2016
OPERATING ACTIVITIES			
Net income (loss)	$ 35,261	9,664	$ 32,628
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	20,065	20,244	19,666
Unrealized gain (loss) on derivative instrument	(16,992)	(14,388)	(14,183)
Accrued interest expense on loans to owners	545	(7,910)	(1,486)
Amortization of deferred revenue	(4,803)	(4,647)	(4,156)
Amortization of deferred debt issuance cost	345	353	358
Expenditure for drydocking	(4,863)	—	(270)
Change in deferred revenue and prepaid time charter	8,842	(5,495)	6,835
Changes in working capital:			
Trade receivables	(806)	1,253	(1,348)
Prepaid expenses and other receivables	(54)	2,006	540
Amounts due to owners and affiliates	901	(790)	569
Trade payables	504	15	22
Contract liabilities, refund liabilities and accrued liabilities	(1,550)	22,594	1,433
Net cash provided by operating activities	37,395	22,899	40,608
INVESTING ACTIVITIES			
Expenditure for vessel modification and equipment	(6,970)	(639)	(1,129)
Net cash used in investing activities	(6,970)	(639)	(1,129)
FINANCING ACTIVITIES			
Repayment of long-term debt	(25,003)	(23,503)	(22,093)
Repayment of principal of loans due to owners	—	—	(12,060)
Net cash provided by financing activities	(25,003)	(23,503)	(34,153)
Increase (decrease) in cash, cash equivalents and restricted cash	5,422	(1,243)	5,326
Cash, cash equivalents and restricted cash, beginning of year	41,828	43,071	37,745
Cash, cash equivalents and restricted cash, end of year	$ 47,250	41,828	$ 43,071

The following table (unaudited) provides a reconciliation of cash, cash equivalents and restricted cash reported within the combined balance sheets for the years ended December 31, 2018, 2017, 2016 and 2015.

	2018	2017	2016	2015
Cash and cash equivalents	$ 7,958	8,100	9,506	$ 4,197
Restricted cash - current asset	13,844	8,520	8,458	8,444
Restricted cash - non-current asset	25,448	25,208	25,107	25,104
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	$ 47,250	41,828	43,071	$ 37,745

The accompanying notes are an integral part of the combined financial statements.

SRV JOINT GAS LTD. AND SRV JOINT GAS TWO LTD.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
(in thousands of U.S. dollars, unless otherwise indicated)

1. Description of business

Höegh LNG Partners LP (the "Partnership") was formed under the laws of the Marshall Islands on April 28, 2014 as an indirect 100% owned subsidiary of Höegh LNG Holdings Ltd. ("Höegh LNG") for the purpose of acquiring certain of Höegh LNG's interests in entities including SRV Joint Gas Ltd. (the owner of the *Neptune)*, and SRV Joint Gas Two Ltd. (the owner of the *Cape Ann*) in connection with the Partnership's initial public offering of its common units (the "IPO"). On August 12, 2014, the Partnership completed its IPO. Prior to the closing of the IPO, Höegh LNG contributed to the Partnership its 50% equity in each of the entities owning the *Neptune*, the *Cape Ann* and the shareholder loans due to it from those entities.

These combined financial statements which include the individual financial statements of SRV Joint Gas Ltd. and SRV Joint Gas Two Ltd., have been prepared in accordance with United States generally accepted accounting principles ("US GAAP") to meet the requirements of Securities and Exchange Commission Rule 3-09 of Regulation S-X. The Partnership owns 50% in each of SRV Joint Gas Ltd. and SRV Joint Gas Two Ltd., and the remaining 50% ownership interests are held by joint venture partners, Mitsui O.S.K. Lines, Ltd. and Tokyo LNG Tanker Co. The *Neptune* and the *Cape Ann* are floating storage regasification units ("FSRUs") and are collectively referred to in these combined financial statements as the vessels or the "FSRUs." SRV Joint Gas Ltd. and SRV Joint Gas Two Ltd. are referred to in these combined financial statements individually as the "joint venture" and together as the "joint ventures."

The *Neptune* and the *Cape Ann* operate under long-term time charters with Global LNG Supply S.A. ("Global LNG Supply"), a subsidiary of Total S.A. ("Total"), with expiration dates in 2029 and 2030, respectively, and, in each case, with an option to extend for up to two additional periods of five years each. In the years ended December 31, 2018, 2017 and 2016, 100% of the joint ventures' total revenues were derived from Global LNG Supply.

Höegh LNG Fleet Management AS, a subsidiary of Höegh LNG, provided commercial and technical operations of the FSRUs for the years ended December 31, 2018, 2017 and 2016.

The following table lists the entities combined in these combined financial statements and their purpose as of December 31, 2018.

Name	Jurisdiction of Incorporation	Purpose
SRV Joint Gas Ltd.	Cayman Islands	Owns *Neptune*
SRV Joint Gas Two Ltd.	Cayman Islands	Owns *Cape Ann*

2. Significant accounting policies

a. Basis of presentation

The combined financial statements include the financial statements of SRV Joint Gas Ltd. and SRV Joint Gas Two Ltd., which are under common management. The combined financial statements are prepared in accordance with the US GAAP policies of the Partnership. All intercompany balances and transactions are eliminated.

b. Accounting policies

Foreign currencies

The reporting currency in the combined financial statements is the U.S. dollar, which is the functional currency of each of the joint ventures. All revenues are received in U.S. dollars and a majority of the expenditures for investments and all of the long-term debt and shareholder loans are denominated in U.S. dollars. Transactions denominated in other currencies during the year are converted into U.S. dollars using the exchange rates in effect at the time of the transactions. Monetary assets and liabilities that are denominated in currencies other than the U.S. dollar are translated at the exchange rates in effect at the balance sheet date. Resulting gains or losses are reflected in the accompanying combined statements of income.

Time charter revenues, related contract balances and related expenses

Time charter revenues and related contract balances:

The joint ventures are required to evaluate whether two or more contracts should be combined and accounted for as a single contract, whether the contract promises to deliver more than one distinct good or service, or performance obligations, and/or a lease, determine the transaction price under the contract, allocate the transaction price to the lease and the performance obligations and recognize revenue as the performance obligation is satisfied.

Performance obligations:

The joint ventures 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 the provisions of ASC 840; *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 the provision of ASC 606, *Revenue from Contracts with Customers.* The joint ventures 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 transport cargos, to regasify the LNG and discharge the resulting gas into a pipeline in accordance with the charterer's instructions and requirements.

Time charter services revenue can be recognized as the performance obligation is satisfied over the 24-hour interval to the performance standards specified under the time charter contract. If the performance standards are not met, off-hire, reduced hire, liquidated damages or other performance payments may result.

Contract terms, determination of transaction price and allocation to performance obligations:

The joint ventures' time charter contracts include day rates or hire rates and warranty provisions with the following components:

- *Fixed element*: The fixed element is a fixed per day fee intended to cover remuneration for use of the vessel and the provision of time charter services.
- *Operating expense reimbursement element*: The operating expense reimbursement element is a rate per day intended to cover the operating costs of the vessel, including the crew, insurance, consumables, miscellaneous services, spares and maintenance and repairs costs and management services and fees. The amount of the operating expense reimbursement element is estimated based on budgeted cost, subject to adjustment to the actual cost incurred.
- *Tax reimbursement element*: The tax reimbursement element is a reimbursement of the costs as the taxes are incurred. The tax reimbursement element may cover withholding taxes, payroll taxes, other local taxes and current income tax expense for the jurisdiction in which the vessel operates as defined by the provisions of the individual time charter contract.
- *Performance warranties element*: The performance warranties element includes defined operational capacity and standards that can result in the FSRUs being off-hire or require compensation to the charterer through provision of reduced hire or performance payments. Examples of performance warranties include the ability to discharge regasified LNG at specified performance rates, guaranteed minimum fuel consumption, guaranteed minimum boil-off rates and the ability to accept cargos.

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 joint ventures is expected to be entitled to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty related to the variable consideration is resolved. When there is significant uncertainty related to that amount of variable consideration to be received, that variable consideration is considered constrained. Typically, variable reimbursements and performance warranties are known at the end of each 24-hour interval, or as subsequently reassessed at the end of the reporting period. However, to the extent interpretations of contractual provisions are complex and/or disputed with the customer, this could give rise to constrained variable consideration. Constrained variable consideration is not estimated.

Variable consideration is allocated entirely to one performance obligation when the variable day rate relates specifically to the efforts to satisfy the signal performance obligation. The default method of the relative standalone selling price method was used to allocate the remaining transaction price, principally the fixed element, between the lease and the time charter services. The total estimated transaction price for time charter services is considered variable consideration because it may be reduced by performance warranties.

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 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 operating leases is recognized on a straight line basis over the term of the charter.

The *Neptune's* and the *Cape Ann's* time charters, which had a twenty-year lease term at inception, are accounted for as operating leases. The joint ventures' time charters include provisions for the charterer to make upfront payments to compensate for variable cost for certain vessel modifications, drydocking costs, other additions to equipment or spare parts. The expenditures are considered costs required to fulfil the lease component of the contract. Payments for modifications are deferred and amortized over the shorter of the remaining charter period or the useful life of the additions. Payments for reimbursement of drydocking costs are deferred and recognized on a straight line basis over the period to the next drydocking.

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.

Significant judgments in revenue recognition:

The joint ventures do 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 a number of 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 two performance obligations could impact conclusions on the accounting for leases as financing or operating leases. In addition, variable consideration is estimated at the most likely amount that the joint ventures expect to be entitled to. Variable consideration is reassessed at the end of the reporting period taking into account performance warranties. The time charter contracts include provisions for performance guarantees that can result in off-hire, reduced hire 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 impact the amount of variable consideration recognized for time charter services.

Contract assets:

Revenue recognized in excess of the monthly invoiced amounts, or accrued revenue, is recorded as contract assets on the combined balance sheet. The contract assets are reported in the combined balance sheet as a component of prepaid expenses and other receivables.

Contract liabilities:

Advance payments in excess of revenue recognized, or prepayments, and deferred revenue is recorded as contract liabilities on the combined balance sheet. Contract assets and liabilities are reported in a net position for each customer contract or combined contracts at the end of each reporting period. 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 in the combined balance sheet as components of accrued liabilities and other payables and other long-term liabilities, 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 combined 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 combined balance sheet as components of accrued liabilities and other payables.

Remaining performance obligations:

Remaining performance obligations represent the transaction price of contracts with customers under the scope of ASC 606 for which work has not been performed excluding unexercised contract options to extend the term. The joint ventures qualify for and have elected to apply the exemption to disclose the aggregate amount of remaining transaction price allocated to unsatisfied performance obligations at the end of the reporting period as consideration for time charter services is variable and allocated entirely to wholly satisfied performance obligations. As described in note 1, the joint ventures' FSRUs operate under long-term time charter contracts. As a result, the time service revenue for the period reflected in note 3, as adjusted for off-hire and warranty provision, when applicable, would be expected to be indicative of the future time charter service revenue.

Related expenses:

Voyage expenses include bunker fuel expenses, port fees, cargo loading and unloading expenses, canal tolls and agency fees. Voyage expenses are all expenses unique to a particular voyage and when a vessel is on hire under time charters are the responsibility of, and paid directly by the charterers, and not included in the statement of income. When the vessel is off-hire, voyage expenses, principally fuel, may also be incurred and are paid by the joint venture.

Vessel operating expenses, reflected in expenses in the statement of income, include crewing, repairs and maintenance, insurance, stores, lube oils, communication expenses and technical management fees. Höegh LNG Fleet Management AS provides the technical operation services of the FSRUs. Therefore, the joint ventures have no employees. When the vessel is on hire, vessel operating expenses are invoiced as fees to the charterer. When the vessel is off-hire, vessel operating expenses are not invoiced to the charterer.

Voyage expenses, if applicable, and vessel operating expenses are expensed when incurred.

Insurance claims and loss contingencies

Insurance claims for property damage are recorded, net of any deductible amounts, for recoveries up to the amount of loss recognized when the claims to insurance carriers are probable of recovery. Claims for property damage in excess of the loss recognized and for loss of hire are considered gain contingencies, which are recognized when the proceeds are received.

Accruals 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. Significant judgment is required to determine the probability and the estimated amount of loss. Such assessments involve complex judgments about future events and estimates and assumptions that are deemed reasonable by management. Accruals are reviewed quarterly and adjusted to reflect the impact of additional information such as the impact of negotiations, advice of legal counsel or settlements.

Income taxes

The joint ventures are not liable for income taxes to the Cayman Islands and therefore would only incur income tax liabilities to the extent assessed by countries in which they operate. As of December 31, 2018, 2017 and 2016, the joint ventures believe that they incurred no income tax expenses or liabilities.

Cash and cash equivalents

Cash, banks deposits, time deposits and highly liquid investments with original maturities of three months or less are recognized as cash and cash equivalents.

Restricted cash

Restricted cash consist of bank deposits, which may only be used to settle payments as required by loan agreements. Restricted cash is classified as long-term when the settlement or required loan agreement period is more than 12 months from the balance sheet date.

Trade receivables and allowance for doubtful accounts

Trade receivables are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts, or impairment loss, is management's best estimate of the amount of probable credit losses in existing accounts receivable based on historical write-off experience and customer economic data. Account balances are charged off against the allowance when management believes that the receivable will not be recovered. The allowance for doubtful accounts was $0 for the years ended December 31, 2018 and 2017.

Vessels

All costs incurred during the construction of newbuildings, including interest and supervision and technical costs, are capitalized. Vessels are stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over a vessel's estimated useful life, less an estimated residual value. Depreciation is calculated using an estimated useful life of 35 years for the FSRUs.

Modifications to the vessels, including the addition of new equipment, which improves or increases the operational efficiency, functionality or safety of the vessels are capitalized. These expenditures are amortized over the estimated useful life of the modification.

Expenditures covering recurring routine repairs and maintenance are expensed as incurred.

Drydocking expenditures are capitalized when incurred and amortized over the period until the next anticipated drydocking. For vessels that are newly built, the "built-in overhaul" method of accounting is applied. Under the built-in overhaul method, costs of the newbuilding are segregated into costs that should be depreciated over the useful life of the vessel and costs that require drydocking at periodic intervals. The drydocking component is amortized until the date of the first drydocking following the delivery, upon which the actual drydocking cost is capitalized and the process is repeated. Costs of drydocking incurred to meet regulatory requirements or improve the vessel's operating efficiency, functionality or safety are capitalized. Costs incurred related to routine repairs and maintenance performed during drydocking are expensed.

Impairment of long-lived assets

Vessels are assessed for impairment when events or circumstances indicate the carrying amount of the asset may not be recoverable. When such events or changes in circumstances are present, the recoverability of vessels are assessed by determining whether the carrying value of such assets will be recovered through undiscounted expected future cash flows. If the vessel's net carrying value exceeds the net undiscounted cash flows expected to be generated over its remaining useful life, the carrying amount of the asset is reduced to its estimated fair value. An impairment loss is recognized based on the excess of the carrying amount over the fair value of the vessel.

Derivative instruments

Interest rate swaps are used for the management of interest rate risk exposure. The interest rate swaps have the effect of converting a portion of the outstanding debt from a floating to a fixed rate over the life of the transactions. As of December 31, 2018 and 2017, the interest rate swaps were not designated as hedges for accounting purposes.

All derivative instruments are initially recorded at fair value as either current or long-term assets or liabilities as derivative instruments in the combined balance sheet and are subsequently remeasured to fair value. The changes in the fair value of the derivative instruments are recognized in earnings under financial income (expenses), net as gain (loss) on derivative instruments.

Interest on shareholder loans

Interest on the shareholder loans is recorded to interest expense in the combined statements of income as incurred. The quarterly payments included a payment of interest for the first month of the quarter and repayment of principal. Interest was accrued for the last two months of the quarter for repayment after the full principal was repaid at the end of the loans. The joint ventures repaid the original principal of all shareholder loans during 2016 and all of the payments for the year ended December 31, 2017 represented payments of interest. No interest was paid on shareholder loans during 2018 pending the outcome of the boil-off claim. Refer to note 13. Payments of interest, including accrued interest repaid at the end of the loans, are treated as a component of net cash provided by operating activities in the combined statements of cash flows. Payments of principal were included as a component of net cash used in financing activities in the combined statements of cash flows.

Deferred debt issuance costs

Debt issuance costs, including arrangement fees and legal expenses, are deferred and presented as a direct deduction from the outstanding principal of the related debt in the combined balance sheets and amortized on an effective interest rate method over the term of the relevant loan. Amortization of debt issuance costs is included as a component of interest expense. If a loan or part of a loan is repaid early, any unamortized portion of the deferred debt issuance costs is recognized as interest expense proportionate to the amount of the early repayment in the period in which the loan is repaid.

Use of estimates

The preparation of financial statements in accordance with US GAAP requires that management make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates subject to such estimates and assumptions include loss contingencies, the useful lives of vessels, drydocking and the valuation of derivatives.

Recently adopted accounting pronouncements

Revenue: In May 2014, the Financial Accounting Standards Board (“FASB”) issued a new accounting standard, *Revenue from Contracts with Customers*, as subsequently updated by the FASB (“ASC 606”). 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. Revenue for most contracts with customers will be recognized when promised goods or services are transferred to customers in an amount that reflects consideration that the entity expects to be entitled, subject to certain limitations. The scope of this guidance does not apply to leases, financial instruments, guarantees and certain non-monetary transactions. However, the scope of the guidance does apply to the allocation of the transaction price to lease elements and non-lease elements. Effective January 1, 2018, the joint ventures adopted the requirements of ASC 606 to 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 the Significant accounting principles: “*Time charter revenue, related contract balances and related expenses*” for a description of the adopted accounting principles and note 5 for the qualitative and quantitative disclosures provided.

Statement of cash flows: In August 2016, the FASB issued revised guidance for *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments*. The guidance clarifies how the predominance principle should be applied when cash receipts and cash payments have aspects of more than one class of cash flows. The joint ventures implemented this guidance on January 1, 2018. The joint ventures' adoption of this standard did not have a material impact on the joint ventures' combined statement of cash flows or related disclosures.

In November 2016, the FASB issued revised guidance for *Statement of Cash Flows: Restricted Cash*. The amendments require that the statement of cash flows explain the change during the period in the total cash, cash equivalents and amounts generally described as restricted cash when reconciling the beginning of period and end of period total amounts shown on the statement of cash flows. The joint ventures implemented the revised guidance on January 1, 2018 using a retrospective transition method to all periods presented. The adoption changed how restricted cash is reported in the combined statement of cash flows as follows for the years ended December 31, 2017 and 2016:

		Unaudited As of December 31, 2017		
		Year ended		
(in thousands of U.S. dollars)	**Cash Flow Line Items**	**Balance Prior to Adoption**	**Adjustments Increase/(Decrease)**	**As Adjusted**
FINANCING ACTIVITIES	Restricted cash	$ (163)	163	$ —
Increase (decrease) in cash, cash equivalents and restricted cash		(1,406)	163	(1,243)
Cash, cash equivalents and restricted cash, beginning of period		9,506	33,565	43,071
Cash, cash equivalents and restricted cash, end of period		$ 8,100	33,728	$ 41,828

		Unaudited As of December 31, 2016		
		Year ended		
(in thousands of U.S. dollars)	**Cash Flow Line Items**	**Balance Prior to Adoption**	**Adjustments Increase/(Decrease)**	**As Adjusted**
FINANCING ACTIVITIES	Restricted cash	$ (17)	17	$ —
Increase (decrease) in cash, cash equivalents and restricted cash		5,309	17	5,326
Cash, cash equivalents and restricted cash, beginning of period		4,197	33,548	37,745
Cash, cash equivalents and restricted cash, end of period		$ 9,506	33,565	$ 43,071

Amounts included in restricted cash represent balances deposited with a bank as required under debt facilities to settle other current obligations of the entity and principal and interest payments as required by the debt facilities. Restricted cash is classified as long-term when the settlement is more than 12 months from the balance sheet date.

There are no other recent accounting pronouncements, whose adoption had a material impact on the combined financial statements in the current year.

Recently issued accounting pronouncements

In February 2016, the FASB issued revised guidance for leasing, *Leases*. The objective is to establish the principles that lessors and lessees shall apply to report useful information to users of financial statements about the amount, timing and uncertainty of cash flows arising from a lease. The joint ventures are the lessor for the time charters for their FSRUs. Accounting by a lessor is largely unchanged from the previous standard. The joint ventures do not have any leased assets. The standard provides for optional practical expedients in implementing the standard under the modified retrospective approach. In July 2018, the FASB issued targeted improvements to the leasing guidance allowing for an additional optional transition method that allow entities to initially apply the new lease standard and its disclosures at the transition date and recognize a cumulative-effect adjustment to the opening balance of retained earnings. The joint ventures expect to apply the additional optional transition method by applying the new standard at the transition date. The joint ventures will adopt the new leasing standard on January 1, 2019. The joint ventures will use the package of practical expedients and will not reassess whether any expired or existing contracts are, or contain leases, will not reassess lease classification, and will not reassess initial direct costs for any existing leases. The joint ventures do not expect material effects on the accounting for existing leases applied in the combined financial statements.

3. Time charter revenues and related contract balances

The joint ventures present revenue disaggregated by revenue recognized in accordance with accounting standards on leasing and on revenue from contracts with customers for time charter services. In addition, material elements where the nature, amount, timing and uncertainty of revenue and cash flows differ from the monthly invoicing under time charter contracts are separately presented. Revenue includes the amortization of deferred revenues related to the charterer's reimbursements for certain vessel modifications and drydocking costs. As a result, the timing of cash flows differs from monthly time charter invoicing.

The following table summarizes the disaggregated revenue of the joint ventures for the year ended December 31, 2018:

(in thousands of U.S. dollars)	**Unaudited Year ended December 31, 2018**
Lease revenues, excluding amortization	$ 51,380
Time charter service revenues, excluding amortization	30,156
Amortization of deferred revenue for modifications & drydock	4,802
Total revenues	$ 86,338

The joint ventures' risk and exposure related to uncertainty of revenues or cash flows related to their long-term time charter contracts primarily relate 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 the utilization of the FSRUs.

For the year ended December 31, 2017, the joint ventures did not present disaggregated time charter revenues.

The following table summarizes the allocation of combined receivables between lease and service components:

	As of	
(in thousands of U.S. dollars)	**December 31, Unaudited 2018**	**January 1, Unaudited 2018**
Trade receivable for lease	$ 832	$ —
Trade receivable for time charter services	901	95
Total trade receivable and amounts due from affiliates	$ 1,733	$ 95

There were no impairment losses for lease or service receivables or contract assets for the year ended December 31, 2018. There were no impairment losses for trade receivables for the year ended December 31, 2017.

The following table summarizes the combined contract assets, contract liabilities and refund liabilities to customers (unaudited):

	Lease related		Services related		
(in thousands of U.S. dollars)	**Contract asset**	**Contract liability**	**Contract asset**	**Contract liability**	**Refund liability to charters**
Balance January 1, 2018	$ —	(43,544)	1,219	—	$ (26,730)
Additions	2,815	(9,806)	4,731	(6,472)	(765)
Reduction for receivables recorded	(1,738)	—	(3,068)	—	—
Reduction for revenue recognized (excluding amortization)	—	—	—	4,451	180
Amortization to revenue	—	4,812	—	—	—
Reduction for revenue recognized from previous years	—	—	—	—	—
Repayments of refund liabilities to charterer	—	—	—	—	1,260
Balance December 31, 2018	1,077	(48,538)	2,882	(2,021)	(26,055)
Netting of contract asset and contract liability	(1,077)	2,357	(2,882)	1,602	—
Balance reflected in balance sheet December 31, 2018	$ —	(46,181)	—	(419)	$ (26,055)

Contract assets are reported in the combined balance sheet as a component of prepaid expenses and other receivables. Contract liabilities are reported in the combined balance sheet as contract liabilities including deferred revenue. Refund liabilities are reported in the combined balance sheet as a refund liability.

The service and lease related contract assets reflected in the balance sheet relates to accrued revenue or unbilled balances for reimbursable costs from the charterer.

Refund liabilities to charterers include invoiced revenue to be refunded to charterers for estimated reimbursable costs that exceeded the actual cost incurred and for non-compliance with performance warranties in the time charter contracts that could result in reduction of hire or other performance related payments. During the year ended December 31, 2018, the major change related to the repayment of $1,260 for lower reimbursable costs than invoiced for prior periods.

4. Time charter revenues and minimum contractual future revenues

As at December 31, 2018, the minimum contractual future revenues to be received under the time charters as of December 31, 2018, during the next five years and thereafter are as follows:

(in thousands of U.S. dollars)	Unaudited Total
2019	$ 65,375
2020	65,375
2021	65,375
2022	65,375
2023	65,375
Thereafter	402,965
Total	$ 729,840

The long-term time charters for the *Neptune* and the *Cape Ann* have initial terms of 20 years expiring in 2029 and 2030, respectively. The time charters are accounted for as operating leases. The minimum contractual future revenues include the fixed payments for the lease and services elements for the 20 year period but exclude the variable fees from the charterer for vessel operating costs, and the subsequent modification and drydocking costs. Additionally, each time charter has options to extend the contract term for two five-year periods. Payments for option periods are not included in minimum contractual future revenues until such time as the options are exercised.

5. Financial income (expense)

	Years ended December 31,		
(in thousands of U.S. dollars)	Unaudited 2018	Unaudited 2017	2016
Interest income	$ 468	151	$ 3
Interest expense:			
Interest expense	(26,194)	(27,615)	(29,830)
Amortization of deferred debt issuance cost	(345)	(353)	(358)
Total interest expense	(26,539)	(27,968)	(30,188)
Unrealized gain (loss) on derivative instruments	16,992	14,388	14,183
Other financial items, net	(69)	(37)	(35)
Total financial income (expense), net	$ (9,148)	(13,466)	$ (16,037)

Interest expense for the years ended December 31, 2018, 2017 and 2016 included interest expense of $546, 739 and $1,655 respectively, on the subordinated shareholder loans from the Partnership and other joint venture owners (note 7). The unrealized gain (loss) on derivative instruments related to the mark-to-market adjustment on the interest rate swaps (note 12).

6. Vessels, net of accumulated depreciation

(in thousands of U.S. dollars)	Vessel	Dry-docking	Total
Historical cost December 31, 2016	$ 684,601	12,041	$ 696,642
Additions (Unaudited)	1,050	—	1,050
Historical cost December 31, 2017 (Unaudited)	685,651	12,041	697,692
Accumulated depreciation December 31, 2016	(120,695)	(8,760)	(129,455)
Depreciation for the year (Unaudited)	(19,222)	(1,022)	(20,244)
Accumulated depreciation December 31, 2017 (Unaudited)	(139,917)	(9,782)	(149,699)
Vessel, net December 31, 2017 (Unaudited)	$ 545,734	2,259	$ 547,993
Historical cost December 31, 2017 (Unaudited)	$ 685,651	12,041	$ 697,692
Additions (Unaudited)	6,416	4,980	11,396
Historical cost December 31, 2018 (Unaudited)	692,067	17,021	709,088
Accumulated depreciation December 31, 2017 (Unaudited)	(139,917)	(9,782)	(149,699)
Depreciation for the year (Unaudited)	(19,419)	(646)	(20,065)
Accumulated depreciation December 31, 2018 (Unaudited)	(159,336)	(10,428)	(169,764)
Vessel, net December 31, 2018 (Unaudited)	$ 532,731	6,593	$ 539,324

7. Amounts and loans due to owners and affiliates

Amounts due to owners and affiliates include trade liabilities. Trade liabilities due to owners and affiliates principally relate to service provided by affiliates and do not bear interest.

	As of December 31,	
(in thousands of U.S. dollars)	Unaudited 2018	Unaudited 2017
Trade liabilities due to owners and affiliates	$ 1,215	$ 314

The long-term loans due to owners and affiliates are as follows:

	As of December 31,	
(in thousands of U.S. dollars)	Unaudited 2018	Unaudited 2017
Long-term loans due to owners	$ 7,071	$ 6,526

The loans due to owners consist of shareholders loans where the principal amounts, including accrued interest, are repaid based on available cash after servicing of long-term bank debt. The shareholder loans are due not later than the 12th anniversary of delivery date of each FSRU. The *Neptune* and the *Cape Ann* were delivered November 30, 2009 and June 1, 2010, respectively. The shareholder loans are subordinated to the long-term bank debt, consisting of the Neptune facility and the Cape Ann facility described in note 9. Under the terms of the shareholder loan agreements, the repayments shall be prioritized over any dividend payment to the owners of the joint ventures. The shareholder loans bear interest at a fixed rate of 8.0% per year. The Partnership is due 50% of the outstanding balance and the other joint venture partners have, on a combined basis, an equal amount of shareholder loans outstanding on the same terms to each of the joint ventures.

The shareholder loans financed part of the construction of the vessels and operating expenses until the delivery and commencement of the operations of the *Neptune* and the *Cape Ann*. In 2011, the joint ventures began repaying principal and a portion of the interest expense based on available cash after servicing of the external debt. The quarterly payments have included a payment of interest for the first month of the quarter and a repayment of principal. Interest was accrued for the last two months of the quarter for repayment at the end of the loans after the original principal was fully repaid. The joint ventures repaid the original principal of all shareholder loans during 2016 and all of the payments for the year ended December 31, 2017 represented payments of interest. No interest was paid on shareholder loans during 2018 pending the outcome of the boil-off claim, refer to note 13. In the combined statements of cash flows, the interest expense paid for the period is included in net cash flows provided from operating activities.

As of September 30, 2017, the joint ventures suspended payments on the shareholder loans pending the outcome of the boil-off claim. Accordingly, the outstanding balance on the shareholder loans is classified as long-term as of December 31, 2018 and December 31, 2017. The advances, including accrued interest, can be repaid based on available cash after servicing of long-term bank debt. There are no financial covenants in the joint ventures' bank debt facilities, but certain other covenants and restrictions apply. Certain conditions apply to making distributions for the shareholder loans or dividends, including meeting a 1.20 historical and projected debt service coverage ratio. As of December 31, 2018, the 1.20 historical debt service coverage ratio had not been met by either SRV Joint Gas Ltd. or SRV Joint Gas Two Ltd. As a result, no payments on the shareholder loans can be made until the debt service coverage ratio is met in future periods.

8. Accrued liabilities

	As of December 31,	
(in thousands of U.S. dollars)	**Unaudited 2018**	**Unaudited 2017**
Accrued external interest expense	$ 4,189	$ 4,393
Accrual historical boil-off claim (note 13)	—	23,700
Other accruals	1,055	3,319
Accrued liabilities	$ 5,244	$ 31,412

9. Debt

	As of December 31,	
(in thousands of U.S. dollars)	**Unaudited 2018**	**Unaudited 2017**
$300 million Neptune facility	$ 211,664	$ 224,236
$300 million Cape Ann facility	219,105	231,536
Outstanding principal	430,769	455,772
Unamortized debt issuance cost	(1,118)	(1,462)
Total debt	429,651	454,310
Less: Current portion of long-term debt	(26,599)	(25,003)
Long-term debt	$ 403,052	$ 429,307

Neptune facility

In December 2007, the joint venture owning the *Neptune*, as the borrower, entered into a $300 million secured facility with a syndicate of banks as long-term financing of the construction of the *Neptune* (the "Neptune facility"). The facility is secured with a first priority mortgage of the *Neptune*, an assignment of its rights under the time charter and a pledge of the borrower's cash accounts. The Partnership and the other owners of the borrower have provided a negative pledge of shares in the borrower as security for the facility. In addition, Höegh LNG Holdings Ltd. and Mitsui O.S.K. Lines, Ltd. guarantee funding of drydocking costs and remarketing efforts in the event of an early termination of the charter.

The Neptune facility is repayable in quarterly installments over twelve years with a final balloon payment of $165 million due in April 2022. The Neptune facility bears interest at a rate equal to three month LIBOR plus a margin of 0.5%. The syndicate of banks also provides interest rate swaps to the borrower (see note 12), which are not reflected in the LIBOR rate for the facility.

There were no financial covenants in the Neptune facility as of December 31, 2018 and 2017, but certain other covenants and restrictions apply. The borrower is required to maintain insurance coverage for damage to the FSRU equivalent to 120% of the aggregate outstanding loan balance and loss of hire insurance. The borrower must maintain cash accounts with the syndicate of banks for its operating account, restricted cash for debt service for the next six months including interest payment on the facility and associated interest rate swap agreements and certain distribution accounts. Cash in the operating account from charter hire will be applied for the following purposes in the following order; first, to pay operating costs, insurance, taxes and technical management fees; second, to transfer to the debt service retention account on each debt service retention date all or part of the debt service retention amount for such debt service retention date; third, to transfer funds to the restricted cash account for debt service until reserve requirements are met; finally, to transfer funds to certain distribution accounts. Certain conditions apply to making disbursements or paying dividends from the distribution accounts, including meeting a 1.20 historical and projected debt service coverage ratio, no event of default then continuing and debt service reserve, retention accounts are fully funded, or the written consent of the lenders. The facility agreement limits the borrower's ability to incur additional debt, enter into certain material transactions and make guarantees.

As of December 31, 2018, neither the historical or projected debt service coverage ratios were met for Neptune facility. As a result, no distributions or payments on the shareholder loans can be made until the debt service coverage ratio is met in future periods.

Cape Ann facility

In December 2007, the joint venture owning the *Cape Ann*, as the borrower, entered into a $300 million secured facility with a syndicate of banks as long-term financing of the construction of the *Cape Ann* (the "Cape Ann facility"). The facility is secured with a first priority mortgage of the *Cape Ann*, an assignment of its rights under the time charter and a pledge of the borrower's cash accounts. The Partnership and the other owners of the borrower have provided a negative pledge of shares in the borrower as security for the facility. In addition, Höegh LNG Holdings Ltd. and Mitsui O.S.K. Lines, Ltd. guarantee funding of drydocking costs and remarketing efforts in the event of an early termination of the charter.

The Cape Ann facility is repayable in quarterly installments over twelve years with a final balloon payment of $165 million due in October 2022. The Cape Ann facility bears interest at a rate equal to three month LIBOR plus a margin of 0.5%. The syndicate of banks also provides interest rate swaps to the borrower (see note 12), which are not reflected in the LIBOR rate for the facility.

There are no financial covenants in the Cape Ann facility as of December 31, 2018 and 2017, but certain other covenants and restrictions apply. The borrower is required to maintain insurance coverage for damage to the FSRU equivalent to 120% of the aggregate outstanding loan balance and loss of hire insurance. The borrower must maintain cash accounts with the syndicate of banks for its operating account, restricted cash for debt service for the next six months including interest payment on the facility and associated interest rate swap agreements and certain distribution accounts. Cash in the operating account from charter hire will be applied for the following purposes in the following order; first, to pay operating costs, insurance, taxes and technical management fees; second, to transfer to the debt service retention account on each debt service retention date all or part of the debt service retention amount for such debt service retention date; third, to transfer funds to the restricted cash account for debt service until reserve requirements are met; finally, to transfer funds to certain distribution accounts. Certain conditions apply to making disbursements or paying dividends from the distribution accounts, including meeting a 1.20 historical and projected debt service coverage ratio, no event of default then continuing and debt service reserve, retention accounts are fully funded, or the written consent of the lenders. The facility agreement limits the borrower's ability to incur additional debt, enter into certain material transactions and make guarantees.

As of December 31, 2018, the historical debt service coverage ratio was not met for Cape Ann facility. As a result, no distributions or payments on the shareholder loans can be made until the debt service coverage ratio is met in future periods.

The debt is denominated in U.S. dollars and bears interest at floating rates at a weighted average interest rate for the years ended December 31, 2018, 2017 and 2016 of 2.6%, 1.7% and 1.2%, respectively.

The outstanding debt as of December 31, 2018 is repayable as follows:

(in thousands of U.S. dollars)	**Unaudited Total**
2019	$ 26,599
2020	28,297
2021	30,103
2022	345,770
Total	$ 430,769

10. Related party transactions

The joint ventures are single purpose joint ventures owning and operating the FSRUs. See note 7 for amounts and loans due to owners and affiliates. The joint ventures do not have any employees. As described in note 1, a subsidiary of Höegh LNG has charged the joint ventures for the years ended December 31, 2018, 2017 and 2016 for the provision of technical and commercial management of the FSRUs. Amounts included in the combined statements of income for the years ended December 31, 2018, 2017 and 2016 were as follows:

	Year ended December 31,		
Statement of income: (in thousands of U.S. dollars)	**Unaudited 2018**	**Unaudited 2017**	**2016**
Vessel operating expenses:			
Technical management fees for FSRUs (1)	$ 1,332	1,428	$ 1,402
Other vessel operating expenses (2)	17,287	14,076	14,415
Administrative expenses:			
Commercial management fees for FRSUs (1)	700	622	544
Other fees (3)	1,034	437	862
Other administration expenses (4)	1,619	—	812
Financial income (expense):			
Interest expense from shareholder loans (5)	546	739	1,655
Total	$ 22,518	17,302	$ 19,690

1) *Technical and commercial management fees for FSRUs:* A subsidiary of Höegh LNG provided commercial and technical operations of the FSRUs as well as bookkeeping and administrative support for which it was paid a fixed annual fee as agreed with the charterer and other owners, respectively.
2) *Other vessel operating expenses:* A subsidiary of Höegh LNG invoices the joint ventures for the actual costs incurred for vessel operating expenses such as crewing, repairs and maintenance, insurance, stores, lube oils and communication expenses.
3) *Other fees*: Höegh LNG charges an annual fee to the joint ventures in accordance with agreements with the joint venture owners.
4) *Other administration expenses:* Höegh LNG charges certain administration expenses to the joint ventures, including manning for the services, accommodation and travel costs, for project related work.
5) *Interest expense from shareholder loans:* The Partnership and the other owners have provided subordinated financing to the joint ventures as shareholder loans.

Prepaid expenses and accrued liabilities to related parties

(in thousands of U.S. dollars)	As of December 31, Unaudited 2018	Unaudited 2017
Prepaid expenses and accrued liabilities to related parties		
Prepaid expenses and other receivable due from affiliates	$ 119	$ 656
Accrued liabilities due to affiliates	$ (355)	$ (1,152)

The balances as of December 31, 2018 and 2017, relate to or are accruals for related party services.

11. Financial Instruments

Fair value measurements

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash and cash equivalents and restricted cash – The fair value of the cash and cash equivalents and restricted cash approximates its carrying amounts reported in the combined balance sheets.

Loan due to owners – The fair values of the fixed rate subordinated shareholder loans are estimated using discounted cash flow analyses based on rates currently available for debt with similar terms and remaining maturities and the current credit worthiness of the joint ventures.

Total debt – The fair values of the variable-rate debt are estimated using discounted cash flow analyses based on rates currently available for debt with similar terms and remaining maturities and the current credit worthiness of the joint ventures.

Derivative instruments – The fair values of the interest rates swaps are estimated based on the present value of cash flows over the term of the instrument based on the relevant LIBOR interest rate curves, adjusted for the joint ventures' credit worthiness and the credit worthiness of the counterparty to the derivative, as appropriate.

The fair value estimates are categorized by a fair value hierarchy based on the inputs used to measure fair value. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value as follows:

Level 1: Observable inputs such as quoted prices in active markets;
Level 2: Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The following table includes the estimated fair value and carrying value of those assets and liabilities that are measured at fair value on a recurring and non-recurring basis, as well as the estimated fair value of the financial instruments that are not accounted for at a fair value on a recurring basis.

		As of December 31,			
		Unaudited 2018		Unaudited 2017	
(in thousands of U.S. dollars)	Level	Carrying amount Asset (Liability)	Fair value Asset (Liability)	Carrying amount Asset (Liability)	Fair value Asset (Liability)
Recurring					
Cash and cash equivalents	1	$ 7,958	7,958	8,100	$ 8,100
Restricted cash	1	39,292	39,292	33,728	33,728
Interest rate swaps	2	(61,741)	(61,741)	(78,734)	(78,734)
Other					
Loans due to owners	2	(7,071)	(7,158)	(6,526)	(7,192)
Total debt	2	$ (429,651)	(410,626)	(454,310)	$ (427,991)

12. Risk management and concentrations of risk

Derivative instruments can be used in accordance with the overall risk management policy. As of December 31, 2018 and 2017, there are no derivative instruments designated as hedges for accounting purposes.

Foreign Exchange Risk

All revenues, financing, interest expenses from financing and most expenditures for vessel improvements or modifications are denominated in U.S. dollars. Certain operating expenses can be denominated in currencies other than U.S. dollars. As of December 31, 2018 and 2017, no derivative instruments have been used to manage foreign exchange risk.

Interest Rate Risk

Interest rate swaps can be utilized to exchange a receipt of floating interest for a payment of fixed interest to reduce the exposure to interest rate variability on its outstanding floating-rate debt. As at December 31, 2018 and 2017, there were interest rate swap agreements on the floating rate debt that are not designated as hedges for accounting purposes.

As of December 31, 2018, the following interest rate swap agreements were outstanding (unaudited):

(in thousands of U.S. dollars)	Interest rate index	Unaudited Notional amount	Unaudited Fair value carrying amount liability	Term	Fixed interest rate (1)
LIBOR-based debt					
Interest rate swaps (2)	LIBOR	$ 20,864	$ 3,050	Oct 2029	5.345%
Interest rate swaps (2)	LIBOR	30,148	4,419	Oct 2029	5.353%
Interest rate swaps (2)	LIBOR	150,670	22,167	Oct 2029	5.363%
Interest rate swaps (2)	LIBOR	21,515	3,307	Apr 2030	5.385%
Interest rate swaps (2)	LIBOR	31,090	4,787	Apr 2030	5.389%
Interest rate swaps (2)	LIBOR	$ 155,377	$ 24,011	Apr 2030	5.399%

(1) Excludes the margins paid on the floating-rate loans of 0.5%
(2) All interest rate swaps are U.S. dollar denominated and principal amount reduces quarterly

The following table presents the location and fair value amounts of derivative instruments on the combined balance sheets.

(in thousands of U.S. dollars)	Current liabilities: derivative financial instruments	Long-term liabilities: derivative financial instruments
As of December 31, 2018 (Unaudited)		
Interest rate swaps	$ 10,178	$ 51,563
As of December 31, 2017 (Unaudited)		
Interest rate swaps	$ 10,649	$ 68,085

Unrealized and realized gains (losses) of the interest rate swap are recognized in earnings and reported in gain (loss) on derivative instruments in the combined statements of income.

	Years ended December 31,		
(in thousands of U.S. dollars)	Unaudited 2018	Unaudited 2017	2016
Realized gains (losses)	$ —	—	$ —
Unrealized gains (losses)	16,992	14,388	14,183
Total	$ 16,992	14,388	$ 14,183

Credit risk and concentrations of risk

Credit risk is the exposure to credit loss in the event of non-performance by the counterparties related to cash and cash equivalents, restricted cash, trade receivables and interest rate swap agreements. In order to minimize counterparty risk, bank relationships are established with counterparties with acceptable credit ratings at the time of the transactions. Periodic evaluations are performed of the relative credit standing of those financial institutions. In addition, exposure is limited by diversifying among counter parties. There is a single charterer for both vessels so there is a concentration of risk related to trade receivables. Credit risk related to trade receivables is limited by performing ongoing credit evaluations of the charterer's financial condition. In addition, time charters generally require the payment of the time charter rates on the first banking day of the month of hire which limits the risk of non-performance. Accordingly, no collateral or other security is required. No impairment losses were incurred relating to trade receivable for the years ended December 31, 2018 and 2017. While the maximum exposure to loss due to credit risk is the book value at the balance sheet date, should the time charter terminate prematurely, there could be delays in obtaining a new time charter and the rates could be lower depending upon the prevailing market conditions.

13. Commitments and contingencies

Assets Pledged

The following table summarizes the assets pledged for debt facilities as of December 31, 2018 and 2017:

	Year ended December 31,	
(in thousands of U.S. dollars)	Unaudited 2018	Unaudited 2017
Book value of vessel secured against long-term loans	$ 539,324	$ 547,993

Claims and contingencies

Under the *Neptune* and the *Cape Ann* time charters, the joint ventures undertake to ensure that the vessel meets specified performance standards at all times 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 $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. Accruals 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. As of September 30, 2017, the joint ventures determined the liability associated with the boil-off claim was probable and could be reasonably estimated resulting in a total accrual of $23.7 million which was recorded as a reduction of time charter revenues in the third quarter of 2017, 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 $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 $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-$30's. 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 accrual of $23.7 million continues to represent their best estimate of the probable liability as of December 31, 2018. Accordingly, the accrual was unchanged 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 accruals, 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. Depending on the amount and timing of the potential settlement and whether such settlement is funded by the performance guarantees by Höegh LNG and the other major owner or by the joint ventures, a settlement of the claim for boil-off with the charterer could have a material adverse effect on the joint ventures' financial condition and results of operations. As a precaution, the joint ventures have suspended payments on their shareholder loans as of September 30, 2017 pending the outcome of the boil-off claim. Refer to note 7.

14. Supplemental cash flow information

	Year ended December 31,	
(in thousands of U.S. dollars)	**Unaudited 2018**	**Unaudited 2017**
Supplemental cash flow information:	$	$
Supplemental disclosure of operating activities		
Interest paid	25,852	35,737
Supplemental disclosure of non-cash investing activities		
Non-cash expenditures for vessel and other equipment	$ (243)	$ 411

15. Subsequent events

Management evaluated subsequent events through April 10, 2019.

Exhibit 4.4

HÖEGH LNG PARTNERS LP

HÖEGH LNG PARTNERS LP
AMENDED AND RESTATED NON-EMPLOYEE DIRECTOR COMPENSATION PLAN
(Effective as of June 7, 2018)

The non-employee members of the Board of Directors (the "**Board**") of Höegh LNG Partners LP (the "**Partnership**") will be entitled to receive the following compensation:

1. Retainer Fees

- Each non-employee director will receive an annual cash retainer fee of USD 39,000 (subject to adjustment from time to time, as determined by the Board) for each year of service as a director.

- The Chairs of the Audit and Conflict Committees will each receive an annual cash retainer fee of USD 21,000 (subject to adjustment from time to time, as determined by the Board) for each year of service in such capacity.

- Other committee members will receive an annual cash retainer fee of USD 10,500 (subject to adjustment from time to time, as determined by the Board) for each year of service in such capacity.

2. Equity Awards

- Each non-employee director will receive an annual equity-based award (with award type, vesting and all other terms and conditions to be determined by the Board for any given year), valued at USD 39,000 (subject to adjustment from time to time, as determined by the Board) on the applicable date of grant, for each year of service as a director, which such award will be granted under the Höegh LNG Partners LP Long Term Incentive Plan, as amended from time to time (the "**Plan**"), or a successor plan, program or arrangement.

3. Expense Reimbursement

- Each non-employee director will be reimbursed for travel and miscellaneous expenses to attend meetings and activities of the Board or its committees and related to the director's participation in the Partnership's general education and orientation programs for directors.

Exhibit 4.5

HÖEGH LNG

Employment Contract

Between

1 Employee

Steffen Føreid **P.no:** [P.no]

and

HÖEGH LNG AS

2 Position

Chief Financial Officer

Reporting line: Chief Executive Office

Place of work: Drammensveien 134, 0212 Oslo

Travelling: You may be required from time to time to travel in Norway and abroad

3 Commence date of Employment

Employment is commencing 14th June, 2010

4 Remuneration

Annual gross salary:	**2 150 000**
Fringe benefits:	Mobile telephone Broadband Company car

Laptop and mobile telephone is provided and paid for by the Company, as a part of daily work.

Next salary evaluation: 01.07.2010

Salary payment is made 15th of every month.

Should a mistake be done in connection with monthly payment, the employer is entitled to correct such a mistake at the next payment day.

5 Working hours

Each day: **7.5 h incl. lunch**

Weekly: **37.5 h incl. lunch**

6 Holiday

Entitlement to holidays and holiday payment is according to law of April 28 1988, effective from time to time

7 Probation period and periods of notice

Probation period is: **6 months**

Period of notice during probation period is: **14 days**

After the probation period the mutual period of notice will be 3 months. The notice period becomes effective at the end of the month in which it is served.

8 Pension and insurances

You will become a member in Höegh Pensjonskasse from the date of commencement of this contract. Likewise, you are from the same time covered by the company's insurance scheme as such is effective from time to time.

9 Confidentiality obligation

The employee shall keep confidential all information and all materials he/she receives or obtains access to in connection with his/her employment. The confidentiality obligation does not apply to information which is available in the public domain, information one is obliged to disclose to the courts of law or government authorities, or information which is obviously not of a confidential nature.

The Company rules, the Conditions of Employment, Ethical rules, use of picture at Hoeghnet/Common and the Office Handbook are agreed and form an integrated part of this contract, effective from time to time.

This contract is signed by both Employer and the Employee in two identical copies. The Employer and the Employee have one copy each.

Place/date: 09.06.10
OSlo

/s/ Sveinung J. S. Støhle
(Employer)

Place/date: 09.06.10
OSlo

/s/ Steffen Føreid
(Employer)

Enclosures to follow at time of signing:
Company Rules
Conditions of Employment
Ethical Rules
Use of picture at Hoeghnet/Common

HÖEGH LNG

Steffen Føreid

Oslo, 28/11/2018

Job offer – CEO/CFO of HMLP

In reference to discussions with President & CEO of HLNG, we are pleased to formally offer you the position as mentioned on the following terms, applicable from commencement date:

- Reporting to Board of Directors and Chairman of HMLP, or as stated in the job description at any given time
- Commencement date: **15/09/2018**
- Annual gross salary: NOK **3,250,000** gross per annum
- Terms and conditions otherwise remain unchanged, or as stated in your employment contract

Further contractual details will be formulated if required for HMLP.

Yours faithfully

/s/ Sveinung J. S. Støhle

Sveinung J. S. Støhle
President & CEO
Höegh LNG

Acepted:

/s/ Steffen Føreid

Date/Sign

Höegh LNG AS
Drammensveien 134, P.O. Box 4 Skøyen, 0212 Oslo, Norway. Tel: +47 21 03 90 00 Fax: +47 21 03 90 13, Foretaksregisteret: NO 989 837 877 MVA

Exhibit 4.44

EXECUTION VERSION

UP TO USD 385,000,000

SENIOR SECURED TERM LOAN AND REVOLVING CREDIT FACILITY AGREEMENT

dated 29 January 2019

for

Höegh LNG Partners LP
as Borrower

and

the Subsidiaries of the Borrower each listed in Part I of Schedule 2 herein
as Guarantors

with

Nordea Bank Abp, filial i Norge
as Bookrunner

Nordea Bank Abp, filial i Norge
as Coordinator

arranged by

Nordea Bank Abp, filial i Norge, Swedbank AB (publ), Sumitomo Mitsui Banking Corporation, Credit Suisse AG, BNP Paribas and Commonwealth Bank of Australia
as Mandated Lead Arrangers

and

The financial institutions set out herein
as Original Lenders

with

Nordea Bank Abp, filial i Norge
acting as Agent and Security Agent

www.bahr.no

CONTENTS

THIS SENIOR SECURED TERM LOAN AND REVOLVING CREDIT FACILITY AGREEMENT (the "**Agreement**") is dated 29 January 2019 and made between:

(1) **Höegh LNG Partners LP**, a Marshall Islands limited partnership, as Borrower (the "**Borrower**");

(2) **The companies listed as Guarantors in Part I of Schedule 2 (**Guarantors and Security Providers**),** as joint and several guarantors**;**

(3) **Nordea Bank Abp, filial i Norge** of Essendrops gate 7, 0368 Oslo, Norway, organisation number 920 058 817, as bookrunner (the "**Bookrunner**");

(4) **Nordea Bank Abp, filial i Norge** of Essendrops gate 7, 0368 Oslo, Norway, organisation number 920 058 817, as coordinator (the "**Coordinator**");

(5) **Nordea Bank Abp, filial i Norge, Swedbank AB (publ), Sumitomo Mitsui Banking Corporation, Credit Suisse AG, BNP Paribas and Commonwealth Bank of Australia** as mandated lead arrangers (the "**Mandated Lead Arrangers**");

(6) **Eksportkreditt Norge** AS with registered offices at Hieronymus Heyerdahls gate 1, 0160 Oslo, Norway (or any other entity replacing this entity) ("**Eksportkreditt**"**);**

(7) **THE FINANCIAL INSTITUTIONS** listed in Schedule 1 (*Lenders and Commitments*) as original commercial lenders (the "**Original Commercial Lenders**"), together with Eksportkreditt the "**Original Lenders**";

(8) **THE FINANCIAL INSTITUTIONS** listed in Schedule 1 (*Lenders and Commitments*) as original commercial guarantors (the "**Original Commercial Guarantors**")

(9) **THE ENTITIES listed in** Schedule 1 (*Lenders and Commitments*) as hedge counterparties (the "**Hedge Counterparties**"); and

(10) **Nordea Bank Abp, filial i Norge** of Essendrops gate 7, 0368 Oslo, Norway, organisation number 920 058 817, as the "**Security Agent**" and as facility agent (in its capacity as facility agent, hereafter referred to as the "**Agent**").

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement:

"**Accession Letter**" means a document substantially in the form set out in Schedule 6 (*Form of Accession Letter*).

"**Account Bank**" means the Security Agent or, to the extent the Security Agent is not able to offer accounts in a jurisdiction, any other bank or financial institution approved by the Majority Lenders.

"**Account Charges**" means agreements for the first priority charge of any amounts credited to the Earnings Accounts, to be made between the relevant Obligor and the Security Agent (on behalf of the Finance Parties) as first priority collateral for the Obligors' obligations under the Finance Documents provided however that all amounts deposited to the Earnings Accounts shall be freely available to the respective account holder unless and until the Account Bank has received a notification that an Event of Default has occurred after which the amounts shall thereafter be blocked.

"**Accounting Principles**" means in respect of the Obligors, generally accepted accounting principles in its jurisdiction of incorporation or formation and in the United States of America, in each case including IFRS.

"**Additional Guarantor**" means each company which becomes an Additional Guarantor in accordance with Clause 29.2 (Additional Guarantors).

"**Affiliate**" means, in relation to any legal person, a Subsidiary of that legal person or a Holding Company of that legal person or any other Subsidiary of that Holding Company.

"**Approved Brokers**" means the ship broker/consultancy firms Affinity (Shipping) LLP, Braemar Seascope, Fearnleys A/S and Clarksons or such other reputable and independent consultancy or ship broker firm approved by the Agent.

"**Approved Classification Society**" means DNV GL, Lloyds, BV, ABS or another leading classification society being member of the International Association of Classification Societies (except for China Classification Society) and approved by the Agent.

"**Approved Jurisdiction of Incorporation**" means Bermuda, Cayman Islands, Cyprus, the Republic of Marshall Islands, The Netherlands, Singapore or any other jurisdiction of incorporation or formation approved by the Agent.

"**Approved Ship Registry**" means the ship registry of Norway, the Republic of Marshall Islands, Singapore, Cayman Islands, UK, Cyprus, Malta, and to the extent required for the purpose of a bareboat charter registration, Belgium, or such other ship registry as approved by the Agent.

"**Arrangers**" means the Bookrunners and Underwriters and the Mandated Lead Arrangers.

"**Assignment of Charterparties**" means an assignment agreement (whether by way of a separate agreement or an agreement containing other security) for the first priority assignment of all rights and benefits under each Charterparty with a term in excess of 12 months (including the exercise of any optional extension) and the proceeds of any Requisition Compensation (subject to execution of a Quiet Enjoyment Letter (if required by a Charterer) and in case of the existing charter relating to Höegh Grace as of the date of this Agreement, in the form and substance as set out in Schedule 13 (Quiet Enjoyment Letter), to be made between the relevant Obligor and the Security Agent (on behalf of the Finance Parties) as security for the Obligors' obligations under the Finance Documents.

"**Assignment of Earnings**" means an assignment agreement for the first priority general assignment over any Vessel Owner's or Intra-Group Charterer's Earnings, to be made between that party and the Security Agent (on behalf of the Finance Parties) as collateral for the Obligors' obligations under the Finance Documents.

"**Assignment of Hedging Agreements**" means an assignment agreement (whether by way of a separate agreement or an agreement containing other security) for the first priority assignment of the relevant Obligor's rights under the hedging arrangement to be made between that Obligor and the Security Agent (on behalf of the Finance Parties) as collateral for the Obligors' obligations under the Finance Documents.

"**Assignment of Insurances**" means an assignment agreement (whether by way of a separate agreement or an agreement containing other security) for the first priority assignment of all proceeds payable under the Insurances for each Vessel, to be made between the relevant Obligors and any other party having interests in the Insurances and the Security Agent (on behalf of the Finance Parties) as collateral for the Obligors' obligations under the Finance Documents.

"**Assignment of Intra-Group Loans**" means an assignment agreement (whether by way of a separate agreement or an agreement containing other security) for the first priority assignment of all proceeds payable to each creditor under the Intra-Group Loans or Parent Group Loans (in the case of a Parent Group Loan, where required under the terms of this Agreement), to be made between the relevant creditor and the Security Agent (on behalf of the Finance Parties) as collateral for the Obligors' obligations under the Finance Documents.

"**Authorisation**" means an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or registration.

"**Availability Period**" means:

(a) in relation to the Term Loan Facility, the period from and including the date of this Agreement to and including the date falling 30 days after the date of this Agreement; and

(b) in relation to the Revolving Facility, the period from and including the date of this Agreement to and including the date falling 30 days prior to the Maturity Date.

"**Available Commitment**" means a Lender's Commitment minus:

(a) the amount of its participation in any outstanding Loans; and

(b) in relation to any proposed Utilisation, the amount of its participation in any Loans that are due to be made on or before the proposed Utilisation Date.

"**Available Facility**" means the aggregate for the time being of each Lender's Available Commitment.

"**Break Costs**" means any of (i) Break Cost Floating Interest and/or, if relevant, (ii) Break Cost CIRR Interest.

"**Break Cost CIRR Interest**" means:

(a) The amount (if any) determined by Eksportkreditt by which:

(i) the value of the interest amount which Eksportkreditt should have received by applying the CIRR Interest Rate on the Loan or Loans under the Eksportkreditt Tranche for the period starting on the date of prepayment of the Loan or Loans under the Eksportkreditt Tranche to (and including) the Maturity Date for the Eksportkreditt Tranche. Such amount shall be calculated to take into account all of the scheduled relevant repayment dates of the Eksportkreditt Tranche and according to the agreed repayment schedule, as if the Loan or Loans under the Eksportkreditt Tranche had been paid on all of the scheduled repayment dates to and including the Maturity Date for the Eksportkreditt Tranche;

exceeds

(ii) the value of the interest amount Eksportkreditt would be able to obtain by placing an amount equal to the Loan or Loans under the Eksportkreditt Tranche at the Prepayment Swap Rate for the period starting on the date of prepayment of the Loan or Loans under the Eksportkreditt Tranche to (and including) the Maturity Date for the Eksportkreditt Tranche and following the scheduled repayment dates and agreed repayment schedule of the Eksportkreditt Tranche.

(b) For the purpose of this definition; "**Prepayment Swap Rate**" means the fixed interbank interest swap rate quoted by a reputable capital market information provider (i.e. Bloomberg, Thomson Reuters, etc.) for a period starting on the date of repayment of the Loan or Loans under the Eksportkreditt Tranche and ending on the Maturity Date for the Eksportkreditt Tranche. Such amount shall be calculated to take into account all of the scheduled repayment dates to and including the Maturity date for the Eksportkreditt Tranche.

(c) The Prepayment Swap Rate will also be used as discount factor to calculate the net present value of any positive difference between (i) and (ii) above. The calculation shall be determided by Eksportkreditt.

"**Break Costs Floating Interest**" the amount (if any) by which:

(a) the interest (but excluding the Margin) which a Lender should have received for the period from the date of receipt of all or any part of its participation in a Loan or Unpaid Sum to the last day of the current Interest Period in respect of that Loan or Unpaid Sum, had the principal amount or Unpaid Sum received been paid on the last day of that Interest Period;

exceeds:

(b) the amount which that Lender would be able to obtain by placing an amount equal to the principal amount or Unpaid Sum received by it on deposit with a leading bank in the Relevant Interbank Market for a period starting on the Business Day following receipt or recovery and ending on the last day of the current Interest Period.

"**Business Day**" means a day (other than a Saturday or Sunday) on which banks are open for general business in New York, London, Zurich, Basel, Paris and Oslo (or any other relevant place of payment under Clause 34 (Payment mechanics)).

"**Change of Control Event**" means the occurrence of any of the following events:

(a) if Leif O. Høegh, Morten W. Høegh and/or any of their direct linear descendants (the "**Individual**s") as well as any trusts of which the Individuals are the principal beneficiaries of:

(i) cease to beneficially own and control (directly or indirectly) jointly at least 20 per cent. (20%) of the issued share capital and voting rights of the Parent, other than as a result of a dilution following an issuance of new equity; or

(ii) are no longer jointly the largest shareholder of the Parent;

(b) if the Parent and/or any companies directly wholly owned and controlled by the Parent:

(i) cease to beneficially own either jointly or severally at least 25 per cent. (25%) of the Borrower; or

(ii) cease to control (directly or indirectly) the general partner of the Borrower; or

(c) if a majority of the board of directors of the Borrower ceases to consist of directors that were recommended for election by a majority of the appointed directors of the Borrower.

"Charterparty" means any contract for employment, service and/or operation of a Vessel made or to be made by any Vessel Owner or Intra-Group Charterer in favour of a Charterer.

"**Charterer**" means any third party charterer (being, for the avoidance of doubt, not a member of the Parent Group or the Group) of a Vessel under a Charterparty.

"**CIRR Interest Rate**" means 2.38 per cent. (2.38%) per annum in relation to the Term Loan for the Vessel Höegh Gallant and 2.27 per cent. (2.27%) per annum in relation to the Term Loan for the Vessel Höegh Grace.

"**Closing Date**" means the date of this Agreement, however, no later than 31 January 2019.

"**Code**" means the US Internal Revenue Code of 1986.

"**Commercial Guarantor**" means:

(a) any Original Commercial Guarantor; and

(b) any bank, financial institution, trust, fund or other entity which has become a Party as a Commercial Guarantor in accordance with Clause 28 (Changes to the lenders),

which in each case has not ceased to be a Commercial Guarantor in accordance with the terms of this Agreement.

"**Commercial Guarantee Commission**" means a guarantee premium of 1.60 per cent. (1.60%) per annum calculated on the amount of the Commercial Guarantors' liability under the Eksportkreditt Tranche.

"**Commercial Lenders**" means:

(a) any Original Commercial Lender; and

(b) any bank, financial institution, trust, fund or other entity which has become a Party as a Commercial Lender in accordance with Clause 28 (Changes to the lenders),

which in each case has not ceased to be a Commercial Lender in accordance with the terms of this Agreement.

"**Commercial Guarantee**" means the guarantee issued or to be issued by the Commercial Guarantors pursuant to the terms of this Agreement in favour of Eksportkreditt, guaranteeing the repayment of all outstanding amounts under the Eksportkreditt Tranche, substantially in the form set out in Schedule 10 (Form of Guarantee).

"**Commercial Guarantee Expiry Date**" means the last day the Commercial Guarantors are under any liability under the Commercial Guarantee, which shall be no later than the Maturity Date for the Commercial Tranche, however, so that Eksportkreditt shall have the right to present a claim under the Commercial Guarantee for a period of three (3) months thereafter.

"**Commercial Tranche**" means the Tranche made available under this Agreement as described in Clause 2.1 (The Facilities and the Loans).

"**Commercial Tranche Commitment**" means:

(d) in relation to an Original Commercial Lender, the amount in USD set opposite its name under the heading "Commitments" in Schedule 1 (Lenders and Commitments) and the amount of any other Commitment transferred to it under this Agreement; and

(e) in relation to any other Commercial Lender, the amount of any Commitment transferred to it under this Agreement,

to the extent not cancelled, reduced or transferred by it under this Agreement.

"**Commitment**" means a Commercial Tranche Commitment, an Eksportkreditt Tranche Commitment or a Revolving Facility Commitment.

"**Compliance Certificate**" means a certificate substantially in the form set out in Schedule 11 (Form of Compliance Certificate).

"**Confidential Information**" means all information relating to the Borrower, any Obligor, the Group, the Finance Documents or the Facility of which a Finance Party becomes aware in its capacity as, or for the purpose of becoming, a Finance Party or which is received by a Finance Party in relation to, or for the purpose of becoming a Finance Party under, the Finance Documents or the Facility from either:

(a) any member of the Group or any of its advisers; or

(b) another Finance Party, if the information was obtained by that Finance Party directly or indirectly from any member of the Group or any of its advisers,

in whatever form, and includes information given orally and any document, electronic file or any other way of representing or recording information which contains or is derived or copied from such information but excludes information that:

(i) is or becomes public information other than as a direct or indirect result of any breach by that Finance Party of Clause 41 (Confidential information); or

(ii) is identified in writing at the time of delivery as non-confidential by any member of the Group or any of its advisers; or

(iii) is known by that Finance Party before the date the information is disclosed to it in accordance with paragraphs (a) or (b) above or is lawfully obtained by that Finance Party after that date, from a source which is, as far as that Finance Party is aware, unconnected with the Group and which, in either case, as far as that Finance Party is aware, has not been obtained in breach of, and is not otherwise subject to, any obligation of confidentiality.

"**Confidentiality Undertaking**" means a confidentiality undertaking substantially in the recommended form of the LMA or in any other form agreed between the Borrower and the Agent.

"**CRD IV**" means Directive 2013/36/EU of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directive 2006/48/EC and 2006/49/EC.

"**CRR**" means Regulation (EU) no. 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) no. 648/2012.

"**Default**" means an Event of Default or any event or circumstance specified in Clause 27 (Events of default) which would (with the expiry of a grace period, the giving of notice, the making of any determination under the Finance Documents or any combination of any of the foregoing) be an Event of Default.

"**Defaulting Lender**" means any Lender:

(a) which has failed to make its participation in the Loan available (or has notified the Agent or the Borrower (which has notified the Agent) that it will not make its participation in the Loan available) by the Utilisation Date of the Loan in accordance with Clause 5.3 (Lenders' participation);

(b) which has otherwise rescinded or repudiated a Finance Document; or

(c) with respect to which an Insolvency Event has occurred and is continuing

unless, in the case of paragraph (a) above:

(i) its failure to pay is caused by:

(A) administrative or technical error; or

(B) a Disruption Event; and

payment is made within five (5) Business Days of its due date; or

(ii) the Lender is disputing in good faith whether it is contractually obliged to make the payment in question.

"**Delegate**" means any delegate, agent, attorney or co-trustee appointed by the Security Agent.

"**Disruption Event**" means either or both of:

(a) a material disruption to those payment or communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with the Facility (or otherwise in order for the transactions contemplated by the Finance Documents to be carried out) which disruption is not caused by, and is beyond the control of, any of the Parties; or

(b) the occurrence of any other event which results in a disruption (of a technical or systems-related nature) to the treasury or payments operations of a Party preventing that, or any other Party:

(i) from performing its payment obligations under the Finance Documents; or

(ii) from communicating with other Parties in accordance with the terms of the Finance Documents,

and which (in either such case) is not caused by, and is beyond the control of, the Party whose operations are disrupted.

"**Earnings**" means all moneys whatsoever which are now, or later become, payable (actually or contingently) to any member of the Parent Group or Group and which arise out of the use of or operation of the Vessels, including (but not limited to):

(a) all freight, hire and passage moneys payable to any member of the Parent Group or Group, including (without limitation) payments of any nature under the Charterparties, or any other charter or agreement for the employment, use, possession, or operation of the Vessels;

(b) any claim under any guarantees related to freight and hire payable to any member of the Parent Group or Group as a consequence of the operation of the Vessels;

(c) compensation payable to any member of the Parent Group or Group in the event of any requisition of the Vessels or for the use of the Vessels by any government authority or other competent authority;

(d) remuneration for salvage, towage and other services performed by the Vessels payable to any member of the Parent Group or Group;

(e) demurrage and retention money receivable by any of member of the Parent Group or Group in relation to the Vessels;

(f) all moneys which are at any time payable under the Insurances in respect of loss of earnings;

(g) if and whenever a Vessel is employed on terms whereby any moneys falling within paragraphs (a) to (f) above are pooled or shared with any other person, that proportion of the net receipts of the relevant pooling or sharing arrangement which is attributable to a Vessel; and

(h) any other money whatsoever due or to become due to any member of the Parent Group or Group from third parties in relation to the Vessels.

"**Earnings Accounts**" means the bank account(s) of each of the Vessel Owners and Intra-Group Charterers, which shall be held with the Account Bank or such other banking institution as the Majority Lenders may approve and into which the respective Earnings from time to time shall be paid during the Security Period.

"**Egyptian Guarantee**" means the Norwegian law "selvskyldnergaranti" issued by Egyptian Guarantor in favour of the Security Agent on or about the date of this Agreement pursuant to which the Egyptian Guarantor has guaranteed all the Secured Obligations.

"**Egyptian Guarantor**" means Höegh LNG Egypt LLC.

"**Eksportkreditt Account**" means 7694.05.17008 with DNB Bank ASA (DNBANOKK) IBAN: NO8776940517008 for account: Eksportkreditt Norge AS.

"**Eksportkreditt Tranche Commitment**" means USD 56,166,667.

"**Eksportkreditt Tranche**" means the Tranche made available under this Agreement as described in Clause 2.1 (The Facilities and the Loans).

"**Environmental Approval**" means any permit, licence, consent, approval and other authorisations and the filing of any notification, report or assessment required under any Environmental Law for the operation of the Vessels and for the operation of the business of any member of the Group.

"**Environmental Claim**" means any claim, proceeding or investigation by any party in respect of any Environmental Law or Environmental Approval.

"**Environmental Incident**" means, regardless of cause:

(a) any actual discharge or release of Environmentally Sensitive Material from the Vessels;

(b) any incident in which Environmentally Sensitive Material is discharged or released from a vessel (other than the Vessels) which involves collision between any of the Vessels and such other vessel or some other incident of navigation or operation, in either case, where any of the Vessels, its Managers and/or an Obligor are actually, contingently or allegedly at fault or otherwise howsoever liable (in whole or in part), or;

(c) any incident in which Environmentally Sensitive Material is discharged or released from a vessel (other than the Vessels) and where any of the Vessels is actually or potentially liable to be arrested as a result and/or where an Obligor are actually, contingently or allegedly at fault or otherwise howsoever liable.

"**Environmental Law**" means any applicable law, regulation convention or treaty which relates to:

(a) the pollution or protection of the environment;

(b) harm to or the protection of human health;

(c) the conditions of the workplace; or

(d) the generation or any emission, or the handling, storage, use, release or spillage of any substance which, alone or in combination with any other, is capable of causing harm to any living organism or the environment, without limitation, any waste.

"**Environmental Permits**" means any permit and other Authorisation and the filing of any notification, report or assessment required under any Environmental Law for the operation of the business of any member of the Group conducted on or from the properties owned or used by any member of the Group.

"**Environmentally Sensitive Material**" means oil, oil products or any other products or substance which are polluting, toxic or hazardous or any substance the release of which into the environment is regulated, prohibited or penalised by or pursuant to an Environmental Law.

"**Event of Default**" means any of the events or circumstances specified as such in Clause 27 (Events of default).

"**Existing Eksportkreditt Facility**" means the Eksportkreditt Facility (as defined in the Existing Facilities Agreement), being one of the Existing Facilities, whereof approximately USD 56,166,667 is outstanding at the date of this Agreement.

"**Existing Eksportkreditt Loans**" means the principal amount outstanding of the loan(s) provided by Eksportkreditt under the Existing Eksportkreditt Facility, the principal amount being USD 56,166,667 at the date of this Agreement.

"**Existing Facilities**" means the facilities made available under the Existing Facilities Agreement whereof approximately USD 303,242,708 is outstanding at the date of this Agreement.

"**Existing Facilities Agreement**" means the USD 412,000,000 senior secured credit facility originally dated 11 April 2014 and entered into by, inter alia, Höegh LNG FSRU III Ltd. and Höegh LNG FSRU VI Ltd. as borrowers and Nordea Bank AB (publ), filial i Norge as agent.

"**Existing Loans**" means each loan under the Existing Facilities Agreement.

"**Facility**" means the Term Loan Facility and/or the Revolving Facility, as the case may be.

"**Facility Office**" means the office or offices notified by a Lender to the Agent in writing on or before the date it becomes a Lender (or, following that date, by not less than five Business Days' written notice) as the office or offices through which it will perform its obligations under this Agreement.

"**FATCA**" means:

(a) sections 1471 to 1474 of the Code or any associated regulations;

(b) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (a) above; or

(c) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (a) or (b) above with the US Internal Revenue Service, the US government or any governmental or taxation authority in any other jurisdiction.

"**FATCA Application Date**" means:

(a) in relation to a "withholdable payment" described in section 1473(1)(A)(i) of the Code (which relates to payments of interest and certain other payments from sources within the United States of America), 1 July 2014;

(b) in relation to a "withholdable payment" described in section 1473(1)(A)(ii) of the Code (which relates to "gross proceeds" from the disposition of property of a type that can produce interest from sources within the United States of America), 1 January 2019; or

(c) in relation to a "passthru payment" described in section 1471(d)(7) of the Code not falling within paragraphs (a) or (b) above, 1 January 2019,

or, in each case, such other date from which such payment may become subject to a deduction or withholding required by FATCA as a result of any change in FATCA after the date of this Agreement.

"**FATCA Deduction**" means a deduction or withholding from a payment under a Finance Document required by FATCA.

"**FATCA Exempt Party**" means a Party that is entitled to receive payments free from any FATCA Deduction.

"**Fee Letters**" means any letter or letters dated on or about the date of this Agreement between a Finance Party and an Obligor setting out any of the fees referred to in Clause 14 (Fees).

"**Finance Document**" means this Agreement, the Transaction Security Documents, the Egyptian Guarantee, any Commercial Guarantee, any Hedging Agreements, the Utilisation Requests, any Selection Notice, any Transfer Certificate, each Compliance Certificate, any Fee Letters and any other document designated as a Finance Document by the Agent and the Obligors.

"**Finance Party**" means each of the Agent, the Security Agent, the Arrangers, the Lenders, the Commercial Guarantors and the Hedge Counterparties.

"**Financial Indebtedness**" means (without double counting) any indebtedness for or in respect of:

(a) moneys borrowed and debit balances at banks or other financial institutions;

(b) any acceptance under any acceptance credit facility or dematerialised equivalent;

(c) any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;

(d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with the Accounting Principles in force at the date of this Agreement, be treated as a finance or capital lease;

(e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);

(f) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value (or, if any actual amount is due as a result of the termination or close-out of that derivative transaction, that amount) shall be taken into account);

(g) any amount raised by the issue of shares which are redeemable (other than at the option of the issuer) at any time prior to the end of the Security Period or are otherwise classified as borrowings under the Accounting Principles);

(h) any amount of any liability under an advance or deferred purchase agreement if (i) one of the primary reasons behind entering into the agreement is to raise financing or to finance the acquisition or construction of the asset or service in question or (ii) the agreement is in respect of the supply of assets or services and payment is due more than 90 days after the date of supply;

(i) any amount raised under any other transaction (including any forward sale or purchase, sale and sale back or sale and leaseback agreement) having the commercial effect of a borrowing or otherwise classified as borrowings under the Accounting Principles;

(j) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and

(k) without double counting, the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (j) above.

"**Financial Support**" means the granting of loans, guarantees, credits, indemnities or other forms of financial support having the same effect.

"**First Utilisation Date**" means the date at which the Borrower makes the first Utilisation of the Facility.

"**Funding Rate**" means any individual rate notified by a Lender to the Agent pursuant to paragraph a)(ii) of Clause 13.4 (Cost of funds).

"**Group**" means the Borrower and its Subsidiaries from time to time.

"**Guarantees**" means the guarantee(s) and indemnity(-ies) provided by the Guarantors pursuant to Clause 20 (Guarantee and indemnity).

"**Guarantee Obligations**" means the obligations of the each of the Guarantors pursuant to Clause 20 (*Guarantee and Indemnity*).

"**Guarantor**" means the Vessel Owners, the Intra-Group Charterers and the Egyptian Guarantor listed as Guarantors in Part I of Schedule 2 (Guarantors) and any Additional Guarantor, unless it has ceased to be a Guarantor in accordance with Clause 29.3 (Resignation of a Guarantor).

"**Hedging Agreement**" means any master agreement, schedule, confirmation or other document entered into, to be entered into by any of the Obligors and a Hedge Counterparty on the form of a 2002 ISDA Master Agreement, for the purpose of hedging interest rate liabilities or other risks in relation to the Facility on a non-speculative basis and designated as a "Finance Document" by the Obligors and the relevant Hedge Counterparty.

"**Holding Company**" means, in relation to a company or corporation, any other company or corporation in respect of which it is a Subsidiary.

"**IFRS**" means international accounting standards within the meaning of IAS Regulation 1606/2002 to the extent applicable to the relevant financial statements.

"**Impaired Agent**" means the Agent at any time when:

(a) it has failed to make (or has notified a Party that it will not make) a payment required to be made by it under the Finance Documents by the due date for payment;

(b) the Agent otherwise rescinds or repudiates a Finance Document;

(c) (if the Agent is also a Lender) it is a Defaulting Lender under paragraph (a), (b) or (c) of the definition of "Defaulting Lender"; or

(d) an Insolvency Event has occurred and is continuing with respect to the Agent;

unless, in the case of paragraph (a) above:

(i) its failure to pay is caused by:

(A) administrative or technical error; or

(B) a Disruption Event; and

payment is made within five (5) Business Days of its due date; or

(ii) the Agent is disputing in good faith whether it is contractually obliged to make the payment in question.

"**Insolvency Event**" in relation to an entity means that the entity:

(a) is dissolved (other than pursuant to a consolidation, amalgamation or merger);

(b) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due;

(c) makes a general assignment, arrangement or composition with or for the benefit of its creditors;

(d) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official;

(e) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition is instituted or presented by a person or entity not described in paragraph (d) above and:

(f) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation; or

(g) is not dismissed, discharged, stayed or restrained in each case within 60 days of the institution or presentation thereof;

(h) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);

(i) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets (other than, for so long as it is required by law or regulation not to be publicly disclosed, any such appointment which is to be made, or is made, by a person or entity described in paragraph (d) above);

(j) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter;

(k) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in paragraphs (a) to (j) above; or

takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts.

"**Indemnified Person**" means each Finance Party and its respective directors, officers, employees, agents or other representatives in their capacity and role as such.

"**Insurance Report**" means an insurance report in respect of the Insurances confirming that such Insurances are placed with such insurers, insurance companies and/or clubs in such amounts, against such risks and in such form as acceptable to the Agent (acting on the instructions from the Majority Lenders) and comply with the requirements under Clause 26.3 (Insurance), such insurance report to be prepared by Marsh, or such other reputable insurance advisor approved by the Agent, for the cost of the Borrower, and addressed to, and capable of being relied upon by, the Finance Parties.

"**Insurances**" means all the insurance policies and contracts of insurance including (without limitation) those entered into in order to comply with the terms of Clause 26.3 (Insurances) which are from time to time in place or taken out or entered into by or for the benefit of the Obligors (whether in the sole name of the Obligors or in the joint names of the Obligors and any other person) in respect of the Vessels (including claims of whatsoever nature and return of premiums).

"**Intra-Group Charterer**" means a Subsidiary of the Parent and/or the Borrower which is a party to a Charterparty.

"**Intra-Group Loans**" means any intra-group loan or advances made:

(a) by any Obligor to another Obligor; or

(b) by any other member of the Group to any Obligor.

"**Interest Period**" means, in relation to a Loan, each period determined in accordance with Clause 12 (Interest Periods) and, in relation to an Unpaid Sum, each period determined in accordance with Clause 11.3 (Default interest).

"**Interpolated Screen Rate**" means, in relation to LIBOR, the rate (rounded to the same number of decimal places as the two relevant Screen Rates) which results from interpolating on a linear basis between:

(a) the applicable Screen Rate for the longest period (for which that Screen Rate is available) which is less than the Interest Period of that Loan; and

(b) the applicable Screen Rate for the shortest period (for which that Screen Rate is available) which exceeds the Interest Period of that Loan,

each as of 11.00 a.m. (Oslo time) on the Quotation Day for USD, and if any such rate is below zero, LIBOR will be deemed to be zero.

"**ISM Code**" means the International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention.

"**ISPS Code**" means the International Ship and Port Facility Security (ISPS) Code as adopted by the International Maritime Organization's (IMO) Diplomatic Conference of December 2002, as amended or supplemented from time to time.

"**ISSC**" means an International Vessel Security Certificate issued under the ISPS Code.

"**Legal Reservations**" means:

(a) the principle that equitable remedies may be granted or refused at the discretion of a court and the limitation of enforcement by laws relating to insolvency, reorganisation and other laws generally affecting the rights of creditors;

(b) the time barring of claims under the Norwegian Limitation Act of 18 May 1979;

(c) similar principles, rights and defences under the laws of any Relevant Jurisdiction; and

(d) any other matters which are set out as qualifications or reservations as to matters of law of general application in any legal opinion delivered pursuant to Clause 4 (Conditions of Utilisation).

"**Lenders**" means:

(a) any Original Lender; and

(b) any bank, financial institution, trust, fund or other entity which has become a Party in accordance with Clause 28 (Changes to the lenders),

which in each case has not ceased to be a Lender in accordance with the terms of this Agreement.

"**LIBOR**" means, in relation to any Loan in USD:

(a) the applicable Screen Rate as of 11:00 a.m. (London time) on the Quotation Day for LIBOR and for a period equal in length to the Interest Period of that Loan; or

(b) as otherwise determined pursuant to Clause 13.1 (Unavailability of Screen Rate),

and if, in either case, that rate is less than zero, LIBOR shall be deemed to be zero.

"**LMA**" means the Loan Market Association.

"**Loan**" means a Term Loan and/or a Revolving Facility Loan, as the case may be.

"**Majority Lenders**" means any Commercial Lender(s) or Commercial Guarantor(s) whose Commitments aggregate more than 66 2/3% of the Total Commitments (or, if the Total Commitments have been reduced to zero, aggregated more than 66 2/3% of the Total Commitments immediately prior to the reduction).

"**Management Agreements**" means any agreement entered into between the Managers and the Obligors with respect to the technical and commercial management of the Vessels.

"**Manager**" means any member of the Parent Group or the Group appointed as the commercial and/or technical manager or operator of a Vessel, or such other manager as consented to by the Majority Lenders in respect of technical or commercial management of the Vessels.

"**Managers' Undertakings**" means, in respect of the Vessels, undertakings (in form and substance satisfactory to all the Finance Parties) from each of the Managers in favour of the Security Agent (on behalf of the Finance Parties) pursuant to which the Managers will undertake, inter alia, to subordinate, at all times until the end of the Security Period, all rights claims or liens they may have against the Vessels or the Obligors to the rights of the Finance Parties in accordance with Clause 25.21 (No change of operations).

"**Margin**" means 2.30 per cent. (2.30%) per annum.

"**Market Value**" means the fair market value of each of the Vessels, being the average of valuations of the Vessels obtained from two (2) Approved Brokers appointed by the Borrower, without physical inspection of the Vessels, on the basis of a sale for prompt delivery for cash at arm's length on normal commercial terms as between a willing buyer and a willing seller, on an "as is, where is" basis, free of any charter and/or similar arrangement and after deduction of the estimated amount of the usual and reasonable expenses which would be incurred in connection with the sale. If the valuations obtained from two (2) of the Approved Brokers differ by a margin of more than 10%, a third valuation of the relevant Vessel(s) from an Approved Broker appointed by the Agent (acting on instructions of the Majority Lenders) shall be obtained and the Market Value shall be the average of three (3) valuations.

"**Material Adverse Effect**" means in the reasonable opinion of the Agent (acting on the instructions of the Majority Lenders), a material adverse effect on:

(a) the business, operations, property, condition (financial or otherwise) or prospects of the Group taken as a whole;

(b) the ability of an Obligor to perform its obligations under the Finance Documents;

(c) the right and remedies of the Finance Parties pursuant to the Finance Documents; or

(d) the validity or enforceability of, or the effectiveness or ranking of any Security Interest granted or purporting to be granted pursuant to any of the Finance Documents.

"**Maturing Revolving Facility Loan**" shall have the meaning ascribed to such term in Clause 8.2 (Repayment of Revolving Facility Loans)

"**Maturity Date**" means:

(a) in relation to the Commercial Tranche and the Revolving Facility, the date falling on the 7th anniversary of the Closing Date,

(b) in relation to the Eksportkreditt Tranche, 30 October 2026 and 30 March 2028 for the respective Loans thereunder.

"**Month**" means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month, except that:

(a) subject to paragraph c) below, if the numerically corresponding day is not a Business Day, that period shall end on the next Business Day in that calendar month in which that period is to end if there is one, or if there is not, on the immediately preceding Business Day;

(b) if there is no numerically corresponding day in the calendar month in which that period is to end, that period shall end on the last Business Day in that calendar month; and

(c) if an Interest Period begins on the last Business Day of a calendar month, that Interest Period shall end on the last Business Day in the calendar month in which that Interest Period is to end.

The above rules will only apply to the last Month of any period.

"**Mortgages**" means each of the first priority and cross-collateralised mortgages and (if applicable) any appurtenant deed of covenants thereto, to be executed by the respective Obligor against each of the Vessels and registered in an Approved Ship Registry in favour of the Security Agent (on behalf of the Finance Parties) as security for the Obligors' obligations under the Finance Documents.

"**New Commercial Guarantees**" means one or more unconditional and irrevocable on demand guarantee(s) issued by the Commercial Guarantors or any other bank(s) acceptable to Eksportkreditt in form an substance satisfactory to Eksportkreditt for the benefit of Eksportkreditt to secure (in whole or in part) the repayment of all outstanding amounts under the Eksportkreditt Tranche, such guarantee(s) to become effective not later than on the Commercial Guarantee Expiry Date.

"**New Lender**" has the meaning given to that term in Clause 28 (Changes to the Lenders).

"**New Revolving Facility Loan**" shall have the meaning ascribed to such term in Clause 8.2 (Repayment of Revolving Facility Loans).

"**Non-Consenting Lender**" has the meaning given to that term in Clause 40.7 (Replacement of Lender).

"**Obligors**" means the Borrower and the Guarantors, and an "**Obligor**" means any of them.

"**Original Financial Statements**" means the audited consolidated financial statements of the Group for the financial year ended 31 December 2017.

"**Parent**" means Höegh LNG Holdings Ltd.

"**Parent Group**" means the Parent and its Subsidiaries from time to time.

"**Parent Group Loan**" means any loan from a member of the Parent Group (which is not a member of the Group) to an Obligor.

"**Party**" means a party to this Agreement.

"**Permitted Encumbrances**" means;

(a) liens created pursuant to the Finance Documents;

(b) any netting or set-off arrangement entered into by any Obligor in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances, hereunder any rights of pledge and set-off in relation to a cash pool arrangement but only so long as:

    (i) such arrangement does not permit credit balances of Obligors to be netted or set off against debit balances of members of the Group which are not Obligors; and

    (ii) such arrangement does not give rise to other Security Interest over the assets of Obligors in support of liabilities of members of the Group which are not Obligors.

(c) any Security Interest arising under any retention of title, hire purchase or conditional sale arrangement or arrangements having similar effect in respect of goods supplied to an Obligor in its ordinary course of trading, on arm's length terms and pursuant to the supplier's standard and usual terms and conditions;

(d) any lien arising by operation of law and in the ordinary course of trading or operation and securing obligations not more than thirty (30) days overdue;

(e) liens for current crews' wages and salvage; and

(f) any salvage or ship repairer's or outfitter's possessory lien arising by operation of law.

"**Quarter Date**" means each 31 March, 30 June, 30 September and 31 December.

"**Quiet Enjoyment Letter**" means a letter agreement substantially in the form set out in Schedule 13 (Quiet Enjoyment Letter) entered or to be entered into between the Agent (on behalf of the Finance Parties) and the relevant Charterer, if required by the relevant Charterer pursuant to the Charterparty, regulating the enforcement of a Mortgage on terms acceptable to all Lenders (acting reasonably) and which shall include a step-in right for the Lenders.

"**Quotation Day**" means, in relation to any Interest Period, the day occurring two (2) Business Days prior to the commencement of that Interest Period, unless market practice differs in the Relevant Interbank Market for a currency, in which case the Quotation Day for that currency will be determined by the Agent in accordance with market practice in the Relevant Interbank Market (and if quotations would normally be given by leading banks in the Relevant Interbank Market on more than one day, the Quotation Day will be the last of those days).

"**Receiver**" means a receiver or receiver and manager or administrative receiver of the whole or any part of the assets subject to Transaction Security.

"**Reference Bank Quotation**" means any quotation supplied to the Agent by a Reference Bank.

"**Reference Bank Rate**" means the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Agent at its request by the Reference Banks in relation to LIBOR as either:

(a) if:

(i) the Reference Bank is a contributor to the applicable Screen Rate; and

(ii) it consists of a single figure,

the rate (applied to the relevant Reference Bank and the relevant currency and period) which contributors to the applicable Screen Rate are asked to submit to the relevant administrator; or

(b) in any other case, the rate at which the relevant Reference Bank could fund itself in the relevant currency for the relevant period with reference to the unsecured wholesale funding market; or

"**Reference Banks**" means each of the Original Lenders (except for BNP Paribas and Commonwealth Bank of Australia) or such other banks as may be appointed by the Agent in consultation with the Borrower.

"**Relevant Interbank Market**" means the London interbank market.

"**Relevant Jurisdiction**" means, in relation to an Obligor and a Security Provider:

(a) its jurisdiction of incorporation or formation;

(b) any jurisdiction where any asset subject to or intended to be subject to the Security Interest to be created by it under any Transaction Security Document is situated;

(c) any jurisdiction where it conducts its business; and

(d) the jurisdiction whose laws govern this Agreement and the perfection of any of the Security Interest granted under any Transaction Security Documents entered into by it.

"**Relevant Person**" means:

(a) Borrower/Obligors and each of its/their Subsidiaries; and

(b) each of its/their directors, officers and employees.

"**Repeating Representations**" means each of the representations set out in Clause 22 (Representations) except those set out in Clause 22.5 (Validity and admissibility in evidence), Clause 22.7 (No deduction of Tax) Clause 22.9 (No default), Clause 22.10(c) (No misleading information), Paragraph (c) of Clause 22.11 (Financial statements) Clause 22.13 (No proceedings pending or threatened) Clause 22.17 (No winding-up), Clause 22.18 (The Vessels), Clause 22.19 (ISM Code and ISPS Compliance), Clause 22.20 (Compliance with laws and Environmental Claims), and Clause 22.27 (Insurance).

"**Representative**" means any delegate, agent, manager, administrator, nominee, attorney, trustee or custodian.

"**Requisition**" means the requisition for title or other compulsory acquisition, requisition, appropriation, expropriation, deprivation, forfeiture or confiscation howsoever for any reason of a Vessel by any government entity or other competent authority whether dejure or de facto that shall exclude requisition for use or hire not involving requisition of title.

"**Requisition Compensation**" includes all compensation or other moneys payable by reason of any act or event such as is referred to in paragraph (b) of the definition of "Total Loss".

"**Resignation Letter**" means a document substantially in the form set out in Schedule 7 (Form of Resignation Letter).

"**Restricted Party**" means a person that:

(a) is listed on any Sanctions List or targeted by Sanctions (whether designated by name or by reason of being included in a class of person); or

(b) is located in or incorporated under the laws of or is organised or is resident in any country or territory that is or whose government is the target of comprehensive, country- or territory wide Sanctions (a "**Sanctioned Country**"); or

(c) is directly or indirectly owned fifty per cent. (50%) or more or controlled by, or acting on behalf, at the direction or for the benefit of, a person referred to in (a) and/or (to the extent relevant under Sanctions) (b) above;

(d) is otherwise the specific subject of any Sanctions.

"**Revolving Facility**" means the revolving credit facility made available under this Agreement as described in Clause 2.1 (The Facilities and the Loans).

"**Revolving Facility Commitment**" means:

(f) in relation to an Original Commercial Lender, the amount in USD set opposite its name under the heading "Commitments" in Schedule 1 (Lenders and Commitments) and the amount of any other Commitment transferred to it under this Agreement; and

(g) in relation to any other Commercial Lender, the amount of any Commitment transferred to it under this Agreement,

to the extent not cancelled, reduced or transferred by it under this Agreement.

"**Revolving Facility Loan**" means a loan made or to be made under the Revolving Facility in accordance with the terms of this Agreement or the principal amount outstanding for the time being of that loan.

"**Rollover Loan**" means one or more New Revolving Facility Loans:

(a) made or to be made on the same day that a Maturing Revolving Facility Loan is due to be repaid;

(b) the aggregate amount of which is equal to or less than the amount of the Maturing Revolving Facility Loan;

(c) made or to be made to the Borrower for the purpose of refinancing that Maturing Revolving Loan.

"**Sanctions**" means any applicable laws, regulation or orders concerning trade, economic or financial sanctions or restrictive measures or embargoes enacted, administered, enforced or imposed by any Sanctions Authority.

"**Sanctions Authority**" means the Norwegian State, the United Kingdom, the United Nations Security Council, the European Union, the member states of the European Union, the United States Department of the Treasury's Office of Foreign Assets Control (OFAC), the United States Department of State, the French Republic, Her Majesty's State, the Swiss Confederation, the Commonwealth of Australia and/or any other sanctions authority relevant to any Obligor and any authority acting on behalf of any of them in connection with Sanctions.

"**Sanctions List**" means:

(a) the lists of Sanctions designations and/or targets maintained by any Sanctions Authority; and/or

(b) any other Sanctions designation or target listed and/or adopted by a Sanctions Authority;

in all cases, from time to time.

"**Screen Rate**" means the London interbank offered rate administered by ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) for the relevant currency and the relevant period (before any correction, recalculation or republication by the administrator) on pages LIBOR01 or LIBOR02 of the Thomson Reuters screen (or any replacement Thomson Reuters page which displays that rate), in each case, displayed on the appropriate page of the Thomson Reuters screen (or on the appropriate page of such other information service which publishes that rate from time to time in place of Thomson Reuters). If such page or service ceases to be available, the Agent may specify another page or service displaying the relevant rate after consultation with the Borrower.

"**Secured Obligations**" means all obligations and liabilities of each Obligor under the Finance Documents, including (without limitation) the Borrower's obligation to repay the Loans together with all unpaid interest, default interest, commissions, charges, expenses and any other derived liability whatsoever of the Obligors towards the Finance Parties in connection with the Finance Documents.

"**Secured Party**" means a Finance Party, a Receiver or any Delegate.

"**Security Interest**" means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

"**Security Period**" means the period commencing on the date of this Agreement and ending on the date on which the Agent notifies the Obligors and the Finance Parties that:

(a) all amounts which have become due for payment by the Borrower or any other party under the Finance Documents have been paid;

(b) no amount is owing or has accrued (without yet having become due for payment) under any of the Finance Documents;

(c) the Borrower has no future or contingent liability under any provision of this Agreement and the other Finance Documents; and

(d) the Agent and the Majority Lenders do not consider that there is a significant risk that any payment or transaction under a Finance Document would be set aside, or would have to be reversed or adjusted, in any present or possible future proceeding relating to a Finance Document or any asset covered (or previously covered) by a Security Interest created under or pursuant to a Finance Document.

"**Security Provider**" means the members of the Group or Parent Group (other than the Obligors) listed in Part II of Schedule 2 (Guarantors and Security Providers) and any other Party which pursuant to the provisions of Clause 21 (Security) is obliged to grant any of the Transaction Security Documents.

"**Selection Notice**" means a notice substantially in the form set out in Part II of Schedule 5 (Requests) given in accordance with Clause 12 (Interest Periods) in relation to a Loan.

"**Separate Loan**" shall have the meaning ascribed to such term in Clause 8.2 (Repayment of Revolving Facility Loans).

"**Share Charge**" means each share charge agreement (whether by way of a separate agreement or an agreement containing other security) which is collateral to the Finance Documents for the first priority charge over all of the shares issued by each Guarantor as required by this Agreement between the relevant shareholder and the Security Agent (for the benefit of the Finance Parties) as security for the Obligors' obligations under the Finance Documents.

"**Social Claim**" means any claim, proceeding or investigation by any party in respect of any Social Incident or Social Law matter.

"**Social Incident**" means, in relation to any of the Vessels, any incident or related to facilities to staff or contractors and fines or sanctions from labour authorities.

"**Social Law**" means any applicable law or regulation, convention or treaty in any jurisdiction in which any Obligor or Manager conducts business and which is binding on such entity and relates to labour or human right issues.

"**Solvent**" means in relation to a corporation or limited liability company, solvent within the meaning of the applicable laws of its jurisdiction of formation and/or United States federal bankruptcy law.

"**SPEC Contract**" means the contracts in place at the date of this Agreement between Höegh LNG FSRU IV Ltd. and Höegh LNG Colombia SAS (respectively) and Sociedad Portuaria El Cayao S.A. E.S.P in respect of the lease and operation of the Vessel Höegh Grace.
"**Subordination Agreement**" means the subordination agreement (in form and substance satisfactory to all the Finance Parties) to be entered into by any creditor under any Intra Group Loan or Parent Group Loan, as the case may be, in favour of the Security Agent pursuant to which the relevant creditor will agree to, inter alia, subordinate such Intra-Group Loan or Parent Group Loan.

"**Subsidiary**" means an entity over which a person has direct or indirect control (whether through the ownership of voting capital, by contract or otherwise) or owns directly or indirectly more than 50% of the shares and for this purpose an entity shall be treated as controlled by another if that entity is able to direct its affairs and/or to control the composition of the board of directors or equivalent body.

"**Tax**" means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

"**Term Loan**" shall have the meaning given to that term in Clause 2.1 (The Facilities and the Loans).

"**Term Loan Facility**" means the term loan facility made available under this Agreement as described in Clause 2.1 (The Facilities and the Loans).

"**Term Loan Facility Commitments**" means:

(a) in relation to an Original Commercial Lender, the amount in USD set opposite its name under the heading "Commitments" in Schedule 1 (Lenders and Commitments) and the amount of any other Commitment transferred to it under this Agreement; and

(b) in relation to any other Commercial Lender, the amount of any Commitment transferred to it under this Agreement,

to the extent not cancelled, reduced or transferred by it under this Agreement.

"**Total Commitments**" means the aggregate of the Total Term Loan Facility Commitments and the Total Revolving Facility Commitments, being a maximum principal amount of up to the lower of (i) USD 385,000,000 or (ii) the aggregate of seventy five per cent. (75%) of the Market Value of Höegh Grace and sixty five per cent. (65%) of the Market Value of Höegh Gallant, which shall be tested on the First Utilisation Date.

"**Total Commercial Tranche Commitments**" means the aggregate of the Commercial Tranche Commitments, being USD 263,833,333 at the date of this Agreement.

"**Total Eksportkreditt Tranche Commitments**" means the aggregate of the Eksportkreditt Tranche Commitments, being USD USD 56,166,667 at the date of this Agreement.

"**Total Term Loan Facility Commitments**" means the aggregate of the Total Commercial Tranche Commitments and the Eksportkreditt Tranche Commitments.

"**Total Revolving Facility Commitments**" means the aggregate of the Revolving Facility Commitments, being the lower of (i) USD 65,000,000 or, (ii) the Total Commitments less the Total Commercial Tranche Commitments and the Total Eksportkreditt Tranche Commitments at the date of this Agreement.

"**Total Loss**" means, in relation to any Vessel:

(a) the actual, constructive, compromised, agreed, arranged or other total loss of that Vessel;

(b) the Requisition of that Vessel; or

(c) any hijacking, theft, arrest, expropriation, confiscation or acquisition of that Vessel (other than Requisition), whether for full consideration, a consideration less than its proper value, a nominal consideration or without any consideration, which is effected by any government or official authority or by any person or persons claiming to be or to represent a governmental or official authority (excluding requisition for hire for a period not exceeding six (6) Months without any right of extension) unless it is within one (1) Month from the Total Loss Date redelivered to the full control of the relevant Vessel Owner and/or the Borrower.

"**Total Loss Date**" means:

(a) in the case of an actual Total Loss of a Vessel, the date on which it occurred or, if that is unknown, the date when the Vessel was last heard of;

(b) in the case of a constructive, compromised, agreed or arranged Total Loss of a Vessel, the earlier of: (i) the date on which a notice of abandonment is given to the insurers (provided a claim for total loss is admitted by such insurers) or, if such insurers do not forthwith admit such a claim, at the date at which either a Total Loss is subsequently admitted by the insurers or a Total Loss is subsequently adjudged by a competent court of law or arbitration panel to have occurred or, if earlier, the date falling six (6) months after notice of abandonment of the Vessel was given to the insurers; and (ii) the date of compromise, arrangement or agreement made by or on behalf of the relevant Vessel Owner and/or the Borrower with the Vessel's insurers in which the insurers agree to treat the Vessel as a Total Loss; or

(c) in the case of any other type of Total Loss, on the date (or the most likely date) on which it appears to the Agent that the event constituting the Total Loss occurred.

"**Tranche**" shall have the meaning given to that term in Clause 2.1 (The Facilities and the Loans).

"**Tranche Repayment Date**" means each of the dates when a Loan shall be repaid, being the dates specified in Schedule 9 Repayments.

"**Tranche Repayment Instalment**" means the consecutive repayments to be made by the Borrower for the respective Tranche on each consecutive Tranche Repayment Date in such amount as set out in Schedule 9 (Repayments).

"**Transaction Security**" means the Security Interests created or expressed to be created in favour of the Security Agent (on behalf of the Finance Parties) pursuant to the Transaction Security Documents.

"**Transaction Security Documents**" means each of the security documents as may be entered into from time to time pursuant to Clause 21 (Security).

"**Transfer Certificate**" means a certificate substantially in the form set out in Schedule 8 (Form of Transfer Certificate) or any other form agreed between the Agent and the Borrower.

"**Transfer Date**" means, in relation to a transfer, the later of:

(a) the proposed Transfer Date specified in the Transfer Certificate; and

(b) the date on which the Agent executes the Transfer Certificate.

"**Unpaid Sum**" means any sum due and payable but unpaid by an Obligor under the Finance Documents.

"**USD**" means United States Dollars, being the lawful currency in the United States of America.

"**Utilisation**" means a utilisation of the Facility.

"**Utilisation Date**" means the date of a Utilisation, being the date on which the relevant Loan is to be made.

"**Utilisation Request**" means a notice substantially in the form set out in Part I or Part III (as applicable) of Schedule 5 (*Requests*).

"**VAT**" means value added tax as provided for in the Norwegian Value Added Tax Act of 2009 no. 58 and any other tax of a similar nature.

"**Vessel**" means each of the vessels set out in Schedule 3 (Vessel owners, Vessels and Tranches).

"**Vessel Owner**" means the companies listed in Schedule 3 (Vessel owners, Vessels and Tranches) and any company becoming owner of a Vessel pursuant to the terms of this Agreement.

1.2 Construction

(a) Unless a contrary indication appears, any reference in this Agreement to:

(i) words denoting the singular number shall include the plural and vice versa;

(ii) unless a contrary indication appears, a term used in any other Finance Document or in any notice given under or in connection with any Finance Document has the same meaning in that Finance Document or notice as in this Agreement.

(iii) references to a guarantee obligation being payable "on demand" shall be a references to a provision of law is a reference to that provision as it may be amended or re-enacted, and to any regulations made by the appropriate authority pursuant to such law;

(iv) a "regulation" includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or of any regulatory, self-regulatory or other authority or organisation;

(v) the "Agent", the "Arrangers", any "Finance Party", any "Lender", a "Secured Party", any "Obligor", any "Party" or any other "person" shall be construed so as to include its successors in title, permitted assignees and permitted transferees;

(vi) a "group of Lenders" includes all the Lenders;

(vii) a "Finance Document" or any other agreement or instrument is a reference to that Finance Document or other agreement or instrument as amended, novated, supplemented, extended or restated;

(viii) a "person" includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium or partnership (whether or not having separate legal personality); and

(ix) reference to persons "acting in concert" shall be interpreted pursuant to the provisions of the Norwegian Securities Trading Act of 2007 No. 75 (as from time to time amended).

(b) Clause and Schedule headings are for ease of reference only.

(c) A Default is "continuing" if it has not been remedied or waived and an Event of Default is "continuing" if it has not been remedied or waived.

2. THE FACILITIES

2.1 The Facilities and the Loans

Subject to the terms of this Agreement, the Lenders make available to the Borrower, during the Availability Period, the following credit facilities for Utilisation in the aggregate principal amount of up to the Total Commitments, each a "**Facility**", collectively the "**Facilities**":

(a) a term loan facility in an aggregate amount equal to the Total Term Loan Facility Commitments, divided into the following two (2) tranches (each a " **Tranche**" and together the "**Tranches**"):

(i) a Tranche in an aggregate amount equal to the Total Commercial Tranche Commitments granted by the Commercial Lenders (the "**Commercial Tranche**"), and;

(ii) a Tranche in an aggregate amount equal to the Total Eksportkreditt Tranche Commitments granted by Eksportkreditt and guaranteed by the Commercial Guarantors under the Commercial Guarantees (the "**Eksportkreditt Tranche**"),

each Tranche shall be divided into two (2) loans, one for each Vessel (each a "**Term Loan**", collectively the "**Term Loans**");

(b) a revolving credit facility in an aggregate amount equal to the Total Revolving Facility Commitments granted by the Commercial Lenders.

2.2 Finance Parties' rights and obligations

(a) The obligations of each Finance Party under the Finance Documents are several. Failure by a Finance Party to perform its obligations under the Finance Documents does not affect the obligations of any other Party under the Finance Documents. No Finance Party is responsible for the obligations of any other Finance Party under the Finance Documents.

(b) The rights of each Finance Party under or in connection with the Finance Documents are separate and independent rights and any debt arising under the Finance Documents to a Finance Party from an Obligor is a separate and independent debt in respect of which a Finance Party shall be entitled to enforce its rights in accordance with paragraph (c) below. The rights of each Finance Party include any debt owing to that Finance Party under the Finance Documents and, for the avoidance of doubt, any part of a Loan or any other amount owed by an Obligor which relates to a Finance Party's participation in a Facility or its role under a Finance Document (including any such amount payable to the Agent on its behalf) is a debt owing to that Finance Party by that Obligor.

(c) A Finance Party may, except as otherwise stated in the Finance Documents, separately enforce its rights under the Finance Documents.

2.3 Borrowers' Authority

(a) Each Obligor (other than the Borrower), by its execution of this Agreement, irrevocably authorises the Borrower to act on its behalf as its representative in relation to the Finance Documents and authorises:

(i) the Borrower, on its behalf, to supply all information concerning itself, its financial condition and otherwise to the Finance Parties as contemplated under this Agreement and to give all administrative notices and instructions to be provided by such Obligor under the Finance Documents, to execute, on its behalf, any Finance Document and to enter into any agreement and amendment in connection with the Finance Documents (however fundamental); and

(ii) each Finance Party to give any notice, demand or other communication to be given to or served on such Obligor pursuant to the Finance Documents to the Borrower on its behalf, and in each such case such Obligor will be bound thereby (and shall be deemed to have received notice thereof) as though such Obligor itself had been given such notice and instructions, executed such agreement or received any such notice, demand or other communication.

(b) Every act, omission, agreement, undertaking, waiver, notice or other communication given or made by the Borrower under this Agreement, or in connection with this Agreement (whether or not known to any Obligor) shall be binding for all purposes on all other Obligors as if the other Obligors had expressly made, given or concurred with the same. In the event of any conflict between any notice or other communication of the Borrower and any other Obligor, the notice or other communication of the Borrower shall prevail.

3. PURPOSE

3.1 Purpose

(a) The Borrower shall apply all amounts borrowed by it under the Commercial Tranche and the Revolving Facility towards refinancing the Existing Facilities and for general corporate purposes of the Borrower.

(b) The Borrower shall apply all amounts borrowed by it under the Eksportkreditt Tranche in continuation with the Existing Eksportkreditt Facility.

3.2 Monitoring

No Finance Party is bound to monitor or verify the application of any amount borrowed pursuant to this Agreement.

4. CONDITIONS OF UTILISATION

4.1 Initial conditions precedent

(a) The Borrower may not deliver a Utilisation Request unless the Agent has received all of the documents and other evidence listed in Part I of Schedule 4 (Conditions Precedent) in form and substance satisfactory to the Agent. The Agent shall notify the Borrower and the Lenders promptly upon being so satisfied.

(b) Other than to the extent that the Majority Lenders notify the Agent in writing to the contrary before the Agent gives the notification described in paragraph (a) above, the Lenders authorise (but do not require) the Agent to give that notification. The Agent shall not be liable for any damages, costs or losses whatsoever as a result of giving any such notification.

4.2 Conditions precedent for Utilisation

(a) The Lenders will only be obliged to comply with Clause 5.3 (Lenders' participation) in relation to a Utilisation if on or before the Utilisation Date, the Agent has received all of the documents and other evidence listed in Part II of Schedule 4 (Conditions Precedent) in form and substance satisfactory to the Agent. The Agent shall notify the Borrower and the Lenders promptly upon being so satisfied. Any document or other evidence provided to the satisfaction of the Agent in connection with the first Utilisation will not be required to be repeated in connection with any subsequent Utilisation (provided that such document or other evidence delivered will continue to satisfy the conditions precedent as set out in Part II of Schedule 4 (Conditions Precedent).

(b) Other than to the extent that the Majority Lenders notify the Agent in writing to the contrary before the Agent gives the notification described in paragraph (a) above, the Lenders authorise (but do not require) the Agent to give that notification. The Agent shall not be liable for any damages, costs or losses whatsoever as a result of giving any such notification.

4.3 Further conditions precedent

The Lenders will only be obliged to comply with Clause 5.3 (Lenders' participation) if on the date of the Utilisation Request and on the proposed Utilisation Date:

(a) in the case of a Rollover Loan, no Event of Default is continuing or would result from the proposed Utilisation, and in the case of any other Utilisation, no Default is continuing or would result from the proposed Utilisation; and

(b) the Repeating Representations to be made by each Obligor are true in all material respects.

5. UTILISATION - LOANS

5.1 Delivery of a Utilisation Request

The Borrower may utilise the Facility by delivery to the Agent of a duly completed Utilisation Request not later than 11:00 (Oslo time) two (2) Business Days prior to the proposed Utilisation Date.

5.2 Completion of a Utilisation Request

Each Utilisation Request is irrevocable and will not be regarded as having been duly completed unless:

(a) it identifies the Facility to be utilised;

(b) the proposed Utilisation Date is a Business Day within the Availability Period;

(c) the currency specified is USD and the amount of the Utilisation comply with the requirements set out in Clause 2.1 (The Facility and the Loans):

(d) the proposed Interest Period complies with Clause 12 (Interest Periods).

5.3 Lenders' participation

(a) If the conditions set out in this Agreement have been met, and subject to Clause 8.2 (Repayment of Revolving Facility Loans), each Lender shall make its participation in each Loan available by the Utilisation Date through its Facility Office.

(b) The amount of each Lender's participation in each Loan will be equal to the proportion borne by its Available Commitment to the Available Facility immediately prior to making the Loan.

(c) Upon receipt of the Utilisation Request, the Agent shall notify each Lender of the details of the requested Loan and the amount of each Lender's participation in the relevant Loan. If the conditions set out in this Agreement have been met, each Lender shall no later than 11:00 hours (Oslo time) on the relevant Utilisation Date make available to the Agent for the account of the Borrower an amount equal to its participation in the Loan to be advanced pursuant to the relevant Utilisation Request.

5.4 Availability

(a) No Utilisation Request shall be delivered for the Eksportkreditt Tranche. The Eksportkreditt Tranche will be utilised (as a continuation of the Existing Eksportkreditt Loans under the Existing Facilities Agreement) upon Utilisation of the Commercial Tranche following which the Existing Eksportkreditt Loans will constitute the Eksportkreditt Tranche and be governed solely by the terms of this Agreement.

(b) The Term Loans under the Commercial Tranche may only be utilised by a single Utilisation.

(c) The Revolving Facility Loans under the Revolving Facility may be utilised on a revolving basis, however, no more than ten (10) Revolving Facility Loans may be outstanding at any time.

5.5 Cancellation of Commitment

Any Commitment which, on the last day of the applicable Availability Period, is unutilised shall be immediately cancelled at the close of business in Oslo at the last day of the applicable Availability Period.

6. UTILISATION – COMMERCIAL GUARANTEE

6.1 Delivery of a Utilisation Request for the Commercial Guarantee

The Borrower may request the Commercial Guarantee to be issued on its behalf to Eksportkreditt by delivery to the Agent of a duly completed Utilisation Request not later than 10:00 a.m. (Oslo time), two (2) Business Days prior to the proposed Utilisation Date.

6.2 Completion of a Utilisation Request for a Commercial Guarantee

The Utilisation Request for the Commercial Guarantee is irrevocable and will not be regarded as having been duly completed unless:

(a) it specifies that it is for the Eksportkreditt Tranche;

(b) the proposed Utilisation Date is a Business Day within the relevant Availability Period;

(c) the currency is specified in USD and the amount of the proposed Commercial Guarantee does not exceed the Eksportkreditt Tranche Commitments;

(d) the form of the requested Commercial Guarantee is as set out in Schedule 10 (
Form of Guarantee);

(e) the beneficiary of the Commercial Guarantee is Eksportkreditt.

6.3 Issue of Commercial Guarantee

(a) If the conditions set out in this Agreement have been met, the Commercial Guarantor shall issue the Commercial Guarantee on the Utilisation Date at the latest.

(b) Subject to Clause 4.1 (Initial conditions precedent), the Commercial Guarantor will only be obliged to comply with paragraph (a) above, if on the date of the Utilisation Request and on the proposed Utilisation Date:

(i) no Default is continuing or would result from the proposed Utilisation; and

(ii) the Repeating Representations to be made by each Obligor are true in all material respects.

7. THE COMMERCIAL GUARANTEE

7.1 Claims under the Commercial Guarantee

(a) Each Obligor irrevocably and unconditionally authorises the Commercial Guarantors to pay any claim made or purported to be made under the Commercial Guarantee requested by Eksportkreditt and which appears on its face to be in order (for the purpose of this Clause, a "**Claim**").

(b) If the Commercial Guarantee or any amount under the Commercial Guarantee is expressed to be immediately payable as a result of an Event of Default having occurred, the Borrower shall repay or prepay that amount immediately to the Agent for the account of the Commercial Guarantors.

(c) Each Obligor acknowledges that the Commercial Guarantors:

(i) are not obliged to carry out any investigation or seek any confirmation from any other person before paying a Claim; and

(ii) deal in documents only and will not be concerned with the legality of a claim or any underlying transaction or any available set-off, counterclaim or other defence of any person.

(d) The obligations of the Obligors under this Clause 7 will not be affected by:

(i) the sufficiency, accuracy or genuineness of any Claim or any other document; or

(ii) any incapacity of, or limitation on the powers of, any person signing a claim or other documents.

(e) The obligations of any Obligor under this Clause will not be affected by any act, omission, matter or thing which, but for this Clause, would reduce, release or prejudice any of its obligations under this Clause (without limitation and whether or not known to it or any other person) including:

(i) any time, waiver or consent granted to, or composition with, any Obligor, Eksportkreditt or any other person;

(ii) the release of any other Obligor or any other person under the terms of any composition or arrangement with any creditor or any member of the Group;

(iii) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, any Obligor, Eksportkreditt or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;

(iv) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of an Obligor, Eksportkreditt or any other person;

(v) any amendment (however fundamental) or replacement of a Finance Document, any Commercial Guarantee or any other document or security;

(vi) any unenforceability, illegality or invalidity of any obligation of any person under any Finance Document, any Commercial Guarantee or any other document or security; or

(vii) any insolvency or similar proceedings.

7.2 Recourse requirements and right of subrogation

(a) The Commercial Guarantors shall be irrevocably and unconditionally authorised by the Borrower to pay any amounts demanded by the Eksportkreditt under the Commercial Guarantee forthwith, without any reference or further authorisation from the Borrower and, save for manifest error, without being under any duty or obligation to enquire into the justification or validity thereof and/or dispute whether any claims or demands under the Commercial Guarantees are properly or validly made, and notwithstanding that the Borrower may dispute the validity of any such claim or demand, the Commercial Guarantor may accept any claim or demand under the Commercial Guarantee as binding upon the Commercial Guarantors as conclusive evidence that they as Commercial Guarantors thereunder are liable to pay such amount.

(b) Each of the Commercial Guarantors will when amounts have been paid by it under the (respective) Commercial Guarantee, automatically and without any notice or formalities of any kind whatsoever, have the right of subrogation into the rights of the Eksportkreditt under the Finance Documents in such amounts as have been paid by each Commercial Guarantor under the Commercial Guarantee, and always subject to the terms of this Agreement. The Commercial Guarantors shall by such subrogation have the same rights as relevant thereunder as if the Finance Documents were executed directly in favour of the Commercial Guarantors as security of the Commercial Guarantors' rights against an Obligor, after having honoured claims under the Commercial Guarantees. Each of the Obligors waives any right to dispute or delay a subrogation of the rights under the Finance Documents to the Commercial Guarantors effectuated pursuant to the terms of this Agreement, and each of the Obligors undertakes to sign and execute any documents required by the Commercial Guarantors in connection with a subrogation as aforesaid, and enforcement of the Finance Documents.

7.3 Rights of contribution

No Obligor will be entitled to any right of contribution or indemnity from any Finance Party in respect of any payment it may make under this Clause 7.

8. REPAYMENT

8.1 Scheduled repayment of Term Loans

(a) The Borrower shall repay the Term Loans as set out in Schedule 9 (Repayments).

(b) The Borrower may not re-borrow any part of the Term Loan Facility which is repaid.

8.2 Repayment of Revolving Facility Loans

The Borrower shall repay each Revolving Facility Loan in full on the last day of its Interest Period. However if a new Revolving Facility Loan (the "**New Revolving Facility Loan**") is to be made to the Borrower on a day which a Revolving Facility Loan is to be repaid (the "**Maturing Revolving Facility Loan**") and the proportion borne by each Lender's participation in the Maturing Revolving Facility Loan is the same as the proportion borne by that Lender in the New Revolving Facility Loan, then (unless the Borrower notifies the Agent to the contrary in the relevant Utilisation Request) the New Revolving Facility Loan shall be treated as if applied in or towards repayment of the Maturing Revolving Facility Loan so that:

(a) if the amount of the Maturing Revolving Facility Loan exceeds the aggregate amount of the New Revolving Facility Loan:

(i) the Borrower will only be required to make a payment under Clause 34.1 (Payments to the Agent) in an amount equal to that excess; and

(ii) each Lender's participation in the New Revolving Facility Loan shall be treated as having been made available and applied by the Borrower in or towards repayment of that Lender's participation in the Maturing Revolving Facility Loan and that Lender will not be required to make a payment under Clause 34.1 (Payments to the Agent) in respect of its participation in the New Revolving Facility Loans; and

(b) if the amount of the Maturing Revolving Facility Loan is equal to or less than the aggregate amount of the New Revolving Facility Loans:

(i) the Borrower will not be required to make a payment under Clause 34.1 (Payments to the Agent); and

(ii) each Lender will be required to make a payment under Clause 34.1 (Payments to the Agent) in respect of its participation in the New Revolving Facility Loans only to the extent that its participation in the New Revolving Facility Loans exceeds that Lender's participation in the Maturing Revolving Facility Loan and the remainder of that Lender's participation in the New Revolving Facility Loans shall be treated as having been made available and applied by the Borrower in or towards repayment of that Lender's participation in the Maturing Revolving Facility Loan.

For the avoidance of doubt, Clause 34.7 (No set-off by Obligors) shall not restrict any set-off arrangements expressly permitted under this Clause in respect of a Rollover Loan.

(c) At any time when a Lender becomes a Defaulting Lender, the maturity date of each of the participations of that Lender in the Revolving Facility Loans then outstanding will be automatically extended to the last day of the Availability Period applicable to the Revolving Facility and will be treated as separate Revolving Facility Loans (the "**Separate Loans**").

(d) If the Borrower makes a prepayment of a Revolving Facility Loan pursuant to Clause 9.4 (Voluntary prepayment), the Borrower may prepay that Loan by giving not less than five (5) Business Days' prior notice to the Agent. The proportion borne by the amount of the prepayment of the Separate Loan to the amount of the Separate Loans shall not exceed the proportion borne by the amount of the prepayment of the Revolving Facility Loan to the Revolving Facility Loan. The Agent will forward a copy of a prepayment notice received in accordance with this paragraph (d) to the Defaulting Lender concerned as soon as practicable on receipt.

(e) Interest in respect of a Separate Loan will accrue for successive Interest Periods selected by the Borrower by the time and date specified by the Agent (acting reasonably) and will be payable by the Borrower to the Agent (for the account of that Defaulting Lender) on the last day of each Interest Period of that Loan.

(f) The terms of this Agreement relating to Revolving Facility Loans generally shall continue to apply to Separate Loans other than to the extent inconsistent with paragraphs (c) to (e) above, in which case those paragraphs shall prevail in respect of any Separate Loan.

8.3 Maturity Date

On the Maturity Date, the Borrower shall additionally pay to the Agent for the account of the Finance Parties all then outstanding Loans and all other sums then owing by it under the Finance Documents.

9. PREPAYMENT AND CANCELLATION

9.1 Illegality

If it becomes unlawful in any applicable jurisdiction for a Lender to perform any of its obligations as contemplated by this Agreement or to fund or maintain its participation in any Loan:

(a) that Lender shall promptly notify the Agent upon becoming aware of that event;

(b) upon the Agent notifying the Borrower, the Available Commitment of that Lender will be immediately cancelled; and

(c) to the extent that the Lender's participation has not been transferred pursuant to Clause 9.5 (Right of repayment and cancellation in relation to a single Lender), the Borrower shall repay that Lender's participation in the Loans made to the Borrower on the last day of the Interest Period for each Loan occurring after the Agent has notified the Borrower or, if earlier, the date specified by the Lender in the notice delivered to the Agent (being no earlier than the last day of any applicable grace period permitted by law) and that Lender's corresponding Commitment shall be cancelled in the amount of the participations repaid.

9.2 Illegality in relation to a Commercial Guarantor

If it becomes unlawful in any applicable jurisdiction for a Commercial Guarantor to issue or leave outstanding any Commercial Guarantee:

(a) that Commercial Guarantor shall promptly notify the Agent upon becoming aware of that event;

(b) upon the Agent notifying the Borrower the Commercial Guarantor shall not be obliged to issue any Commercial Guarantee; and

(c) the Borrower shall use its best endeavours to procure the release of each Commercial Guarantee issued by that Commercial Guarantor and that cash collateral for any outstanding Commercial Guarantee outstanding at such time is provided on or before the date specified by the Commercial Guarantor in the notice delivered to the Agent (being no earlier than the last day of any applicable grace period permitted by law).

9.3 Voluntary cancellation

The Borrower may, if it gives the Agent not less than three (3) Business Days' (or such shorter period as the Agent may agree) prior notice, cancel the whole or any part (being a minimum amount of USD 5,000,000 and integral multiples of USD 1,000,000 (or such lesser amount acceptable to the Agent) of an Available Facility.

9.4 Voluntary prepayment

(a) The Borrower may, if it gives the Agent not less than three (3) Business Days' prior written notice, prepay the whole or any part of any Loan, but, if in part, being a minimum amount of USD 5,000,000 and integral multiples of USD 1,000,000 (or such lesser amount as acceptable to the Agent).

(b) Any amount prepaid by the Borrower pursuant to this Clause (other than in respect of the Revolving Facility) shall be applied against scheduled repayments in inverse order of maturity (including any balloon payment under the Commercial Tranche) and pro rata against the Loans for the respective Vessels.

9.5 Right of repayment and cancellation in relation to a single Lender

(a) If:

(i) any sum payable to any Lender or Commercial Guarantor by an Obligor is required to be increased under paragraph (c) of Clause 15.2 (Taxes); or

(ii) any Lender or Commercial Guarantor claims indemnification from the Borrower under Clause 15.3 (Tax indemnity) or Clause 16 (Increased costs),

the Borrower may, whilst the circumstance giving rise to the requirement for indemnification continues, give the Agent notice of cancellation of the Commitment of that Lender or the Commercial Guarantee issued by that Commercial Guarantor and its intention to procure the repayment of that Lender's participation in the Loans, or in the case of a Commercial Guarantee the part of the Loan secured by that Commercial Guarantee.

(b) On receipt of a notice referred to in paragraph (a) above, the Commitment of that Lender shall immediately be reduced to zero, or in the case of a Commercial Guarantee the Eksportkreditt Tranche Commitment shall immediately be reduced by the amount of that Commercial Guarantee.

(c) On the last day of each Interest Period which ends after the Borrower have given notice under paragraph (a) above (or, if earlier, the date specified by the Borrower in that notice), the Borrower to which a Loan is outstanding shall repay that Lender's participation in that Loan, or in the event of a Commercial Guarantor the part of the Loan guaranteed by such Commercial Guarantee.

9.6 Right of cancellation in relation to a Defaulting Lender

(a) If any Lender becomes a Defaulting Lender, the Borrower may, at any time whilst the Lender continues to be a Defaulting Lender, give the Agent 10 Business Days' notice of cancellation of the Available Commitment of that Lender.

(b) On the notice referred to in paragraph (a) above becoming effective, the Available Commitment of the Defaulting Lender shall immediately be reduced to zero.

(c) The Agent shall as soon as practicable after receipt of a notice referred to in paragraph (a) above, notify all the Lenders.

9.7 Total Loss or sale

(a) If a Vessel:

(i) is sold or otherwise disposed of; or

(ii) suffers a Total Loss,

the Term Loan(s) in relation to the relevant Vessel shall be cancelled and/or prepaid in full (including any interest, commission and costs) and the Revolving Facility shall be cancelled and prepaid with the Disposal Reduction Amount, in each case on the Disposal Reduction Date.

(b) For the purpose of this Clause 9.7 (Total Loss or sale):

(i) **"Disposal Reduction Amount"** means, in relation to a Vessel, the then outstanding principal amounts of any Loans under the Revolving Facility multiplied with a fraction, the numerator of which is the Market Value of such Vessel immediately prior to such sale or Total Loss, and the denominator of which is the aggregate Market Value of all Vessels collateral to the Finance Documents immediately prior to such sale or Total Loss.

(ii) **"Disposal Reduction Date"** means:

(A) in the case of a sale or disposal, on the date upon which the sale or disposal of such Vessel is completed; or

(B) in the case of a Total Loss, the date which is the earlier of the date the proceeds from the Insurances are received and 180 days after the Total Loss Date.

9.8 Change of Control

(a) The Obligors shall promptly notify the Agent upon becoming aware of any Change of Control Event.

(b) Upon the occurrence of a Change of Control Event, the Agent shall, unless otherwise instructed by the Majority Lenders, by 60 days prior written notice to the Borrower:

(i) cancel the Total Commitments whereupon they shall immediately be cancelled; and

(ii) declare that all of the Loans, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents, be due and payable.

9.9 Collateral Maintenance Test

(a) Upon a non-compliance with Clause 26.1 (Minimum Market Value), the Borrower shall within the date falling 30 calendar days after request by the Agent:

(i) repay the Revolving Facility and, to the extent the Revolving Facility has been or will be reduced to zero (0), repay the Commercial Tranche and the Eksportkreditt Tranche on a pro rata basis, by an aggregate amount equal to the amount which is required for the Borrower to become compliant with Clause 26.1 (Minimum Market Value) again; or

(ii) provide cash collateral, or other collateral, in a form and substance (including with respect to the type an value of such collateral) satisfactory to the Lenders and sufficient to become compliant with Clause 26.1 (Minimum Market Value) again, provided however that cash collateral in such USD amount necessary to remedy the shortfall shall always be acceptable and valued at par. Any additional collateral provided under this Clause 9.9 (Collateral Maintenance Test) shall be documented and perfected in such terms as the Agent (on behalf of the Lenders) may approve or require.

(b) Any collateral provided under this Clause 9.9 (Collateral Maintenance Test) shall promptly upon request from the Borrower be released, discharged and re-assigned by the Agent to the relevant Obligor(s) (at the Borrower's cost and expense) if the Borrower can demonstrate (to the Agent's satisfaction) compliance with Clause 26.1 (Minimum Market Value). If the shortfall is reduced partially, any collateral provided shall promptly upon request by the Borrower be released, discharged and re-assigned (at the Borrower's cost and expense):

(i) in the case of cash collateral, on a pro-rata basis; or

(ii) in the case of other collateral, to the extent the Agent deems it practical and not detrimental to the remaining collateral.

(c) The Borrowers compliance with 26.1 (Minimum Market Value), shall be evidenced by valuations dated no earlier than 30 days prior to the date when the Borrower demonstrated compliance with Clause 26.1 (Minimum Market Value).

9.10 Rating downgrade of a Commercial Guarantor

(a) If at any time the credit rating of a Commercial Guarantor falls below Baa2 by Moody's, BBB by Standard & Poor's and/or BBB by Fitch (as applicable), Eksportkreditt is entitled to demand that the Borrower substitutes such Commercial Guarantor with a guarantor acceptable to Eksportkreditt within sixty (60) days after receipt of a written demand by Eksportkreditt.

(b) If the Borrower fails to replace such Commercial Guarantor, Eksportkreditt may cancel the Eksportkreditt Tranche Commitments secured by the respective Commercial Guarantee and declare the outstanding amounts under the Eksportkreditt Tranche secured by such Commercial Guarantee, together with all accrued outstanding indebtedness relating thereto immediately due and payable.

9.11 Cessation of a Commercial Guarantee

If, for any reason whatsoever, some or all of the Commercial Guarantees are cancelled or repudiated or ceases to be legally valid, binding or have full force and effect, Eksportkreditt may cancel or demand that the Borrower immediately prepay the Loans under the Eksportkreditt Tranche by an amount equal to the amount of the Commercial Guarantees which has ceased to be legally valid, binding and in full force and effect. If the circumstances so permit, to be decided by Eksportkreditt in its sole discretion, Eksportkreditt will endeavour to enter into a dialog with the Borrower in order to find a viable solution to the Borrower and Eksportkreditt.

9.12 Expiry of Commercial Guarantee

Unless thirty (30) Business Days prior to the Maturity Date for the Commercial Tranche either:

(a) New Commercial Guarantee(s) has been provided; or

(b) the existing Commercial Guarantee(s) has been extended,

in form an substance satisfactory to Eksportkreditt, securing outstanding amounts under the Eksportkreditt Tranche for a period ending no earlier than the Maturity Date for the Exportkreditt Tranche (with a right for Eksportkreditt to present a claim under the Commercial Guarantee for a period of three (3) months thereafter), then all outstanding amounts under the Eksportkreditt Tranche, together with accrued interest, commission and costs, shall be repaid at the Maturity Date for the Commercial Tranche.

9.13 Expiry or termination of contract

(a) If the SPEC Contract is cancelled or terminated and not replaced with a contract satisfactory to the Majority Lenders;

(i) the Revolving Facility shall be cancelled (and repaid to the extent the outstanding amount exceeds the Total Revolving Facility Commitment; and

(ii) to the extent the Revolving Facility has been or will be reduced to zero (0), repay the Commercial Tranche and the Eksportkreditt Tranche on a pro rata basis,

in an aggregate amount sufficient for the Total Commitments not to exceed 65% of the aggregate Market Value of the Vessels calculated at that time, based on valuations not more than 30 days old.

(b) If, at the fifth anniversary of the Closing Date the Vessel Höegh Gallant does not have a contract backlog for at least the 5 years following that date, at a day rate, net of operating expenses, of minimum USD 70,000 per day;

(i) the Revolving Facility shall be cancelled (and repaid to the extent the outstanding amount exceeds the Total Revolving Facility Commitment); and

(ii) to the extent the Revolving Facility has been or will be reduced to zero (0), the Commercial Tranche and the Eksportkreditt Tranche shall be repaid on a pro rata basis,

in an amount of USD 6,000,000 on each Quarter Date following the 5 year anniversary of the Closing Date (for the Commercial Tranche and the Eksportkreditt Tranche, in addition to any scheduled amortisation).

10. RESTRICTIONS AND APPLICATION OF PREPAYMENTS AND CANCELLATIONS

10.1 Notices of Cancellation or Prepayment

Any notice of cancellation or prepayment given by any Party under Clause 9 (Prepayment and cancellation) shall be irrevocable and, unless a contrary indication appears in this Agreement, shall specify the date or dates upon which the relevant cancellation or prepayment is to be made and the amount of that cancellation or prepayment.

10.2 Interest and other amounts

Any prepayment under this Agreement shall be made together with accrued interest and commission on the amount prepaid and, subject to any Break Costs, without premium or penalty.

10.3 Restrictions

(a) The Borrower shall not repay or prepay all or any part of the Loans or cancel all or any part of the Commitments except at the times and in the manner expressly provided for in this Agreement.

(b) The Borrower may not re-borrow any part of the Term Loan Facility which is cancelled and/or prepaid.

(c) Unless a contrary indication appears in this Agreement, any part of the Revolving Facility which is prepaid or repaid may be re-borrowed in accordance with the terms of this Agreement.

(d) No amount of the Total Commitments cancelled under this Agreement may be subsequently reinstated.

(e) Any reduction of the Eksportkreditt Tranche Commitment shall reduce the Commercial Guarantees proportionately.

10.4 Agent's receipt of Notices

If the Agent receives a notice under Clause 9 (Prepayment and cancellation) it shall promptly forward a copy of that notice to either the Borrower or the (affected) Lender(s), as appropriate.

10.5 Amended Repayment Schedule

Upon any prepayment or cancellation the Agent shall, if applicable, replace Schedule 9 (Repayments) with an amended and new repayment schedule, reflecting the applications in accordance with Clause 9 (Prepayment and cancellation) and provide a copy to the Borrower and the Lenders thereof.

11. INTEREST

11.1 Calculation of interest

(a) The rate of interest on each Loan under the Commercial Tranche and the Revolving Credit Facility for each Interest Period is the percentage rate per annum which is the aggregate of:

(i) the Margin; and

(ii) LIBOR

(b) The rate of interest on each Loan under the Eksportkreditt Tranche for each Interest Period is the CIRR Interest Rate.

11.2 Payment of interest

The Borrower to which a Loan has been made shall pay accrued interest on that Loan on the last day of each Interest Period (and, if the Interest Period is longer than three (3) Months, on the dates falling at three-monthly intervals after the first day of the Interest Period).

11.3 Default interest

(a) If an Obligor fails to pay any amount payable by it under a Finance Document on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate which, subject to paragraph 11.3(b) below, is 2 percentage points. per annum higher than the rate (for the avoidance of doubt, including the Commercial Guarantee Commission) which would have been payable if the overdue amount had, during the period of non-payment, constituted a Loan in the currency of the overdue amount for successive Interest Periods, each of a duration selected by the Agent (acting reasonably). Any interest accruing under this Clause 11.3 (Default interest) shall be immediately payable by the Obligor on demand by the Agent .

(b) If any overdue amount consists of all or part of a Loan which became due on a day which was not the last day of an Interest Period relating to that Loan:

(i) the first Interest Period for that overdue amount shall have a duration equal to the unexpired portion of the current Interest Period relating to that Loan; and

(ii) the rate of interest applying to the overdue amount during that first Interest Period shall be two hundred basis points higher than the rate which would have applied if the overdue amount had not become due.

(c) Default interest (if unpaid) arising on an overdue amount will be compounded with the overdue amount at the end of each Interest Period applicable to that overdue amount but will remain immediately due and payable.

(d) This Clause 11.3 (Default interest) does not apply to any amount payable under an 2002 ISDA Master Agreement (as a Hedging Agreement) in respect of any continuing "Designated Transaction" as to which section 9 (h) (Interest and Compensation) of the relevant 2002 ISDA Master Agreement shall apply.

11.4 Notification of rates of interest

The Agent shall promptly notify the Lenders and the Borrower of the determination of a rate of interest under this Agreement.

12. INTEREST PERIODS

12.1 Selection of Interest Periods

(a) The Borrower may select an Interest Period for a Loan in the Utilisation Request for that Loan or (if the Loan has already been borrowed) in a Selection Notice.

(b) Each Selection Notice for a Loan is irrevocable and must be delivered to the Agent by the Borrower to which that Loan was made not later than 11:00 (Oslo time) three (3) Business Days prior to the beginning of the relevant Interest Period.

(c) If the Borrower fails to deliver a Selection Notice to the Agent in accordance with paragraph (b) above, the relevant Interest Period will be three (3) Months.

(d) Subject to this Clause 12, the Borrower may select an Interest Period of three (3) or six (6) Months or any other period agreed between the Borrower and the Agent (acting on the instructions of all the Lenders).

(e) An Interest Period for a Loan shall not extend beyond the Maturity Date but shall be shortened so that it ends on the Maturity Date.

(f) In respect of a Tranche Repayment Instalment, an Interest Period for a part of the Loan equal to such Tranche Repayment Instalment shall end on the Tranche Repayment Date relating to it if such date is before the end of the Interest Period then current.

(g) Each Interest Period for a Loan shall start on the Utilisation Date or (if already made) on the last day of its preceding Interest Period.

(h) Following the First Utilisation Date, the Interest Period selected for Loans made on each subsequent Utilisation of the Facility shall be shortened so that they end on the last date of the Interest Periods for the previous Loans drawn under the Facility.

12.2 Non-Business Days

If an Interest Period would otherwise end on a day which is not a Business Day, that Interest Period will instead end on the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not).

13. CHANGES TO THE CALCULATION OF INTEREST

13.1 Unavailability of Screen Rate

(a) *Interpolated Screen Rate*: If no Screen Rate is available for LIBOR for the Interest Period of a Loan, LIBOR shall be the Interpolated Screen Rate for a period equal in length to the Interest Period of that Loan.

(b) *Reference Bank Rate*: If no Screen Rate is available for LIBOR for the Interest Period of a Loan and it is not possible to calculate the Interpolated Screen Rate, LIBOR shall be the Reference Bank Rate as of noon on the Quotation Day for the currency of that Loan and for a period equal in length to the Interest Period of that Loan.

(c) Cost of funds: If paragraph (b) above applies but no Reference Bank Rate is available for the relevant currency or Interest Period, there shall be no LIBOR for that Loan and Clause 13.4 (Cost of funds) shall apply to that Loan for that Interest Period.

13.2 Calculation of Reference Bank Rate

(a) Subject to paragraph (b) below, if LIBOR is to be determined on the basis of a Reference Bank Rate but a Reference Bank does not supply a quotation by noon on the Quotation Day, the Reference Bank Rate shall be calculated on the basis of the quotations of the remaining Reference Banks.

(b) If at or about noon on the Quotation Day none or only one of the Reference Banks supplies a quotation, there shall be no Reference Bank Rate for the relevant Interest Period.

13.3 Market disruption

If:

(a) LIBOR is not available; or

(b) before close of business in Oslo on the Quotation Day for the relevant Interest Period the Agent receives notifications from a Commercial Lender or Commercial Lenders (whose participations in a Loan exceed fifty per cent. (50%) of the Commercial Tranche), that the cost to it of funding its participation in that Loan from the London interbank market would be in excess of LIBOR,

then Clause 13.4 (Cost of funds) shall apply to that Loan for the relevant Interest Period.

13.4 Cost of funds

(a) If this Clause 13.4 applies, then the rate of interest on each Commercial Lender's share of that Loan for the relevant Interest Period shall be the percentage rate per annum which is the sum of:

(i) the Margin; and

(ii) the rate notified to the Agent by that Commercial Lender as soon as practicable and in any event before interest is due to be paid in respect of that Interest Period, to be that which expresses as a percentage rate per annum the cost to that Commercial Lender of funding its participation in that Loan from whatever source it may reasonably select.

(b) If this Clause 13.4 applies, the Agent shall, as soon as is practicable, notify the Borrower.

(c) If this Clause 13.4 applies and the Agent or the Borrower so requires, the Agent and the Borrower shall enter into negotiations (for a period of not more than thirty days) with a view to agreeing a substitute basis for determining the rate of interest.

(d) Any alternative basis agreed pursuant to paragraph (c) above shall, with the prior consent of all the Lenders and the Borrower, be binding on all Parties.

(e) If this Clause 13.4 applies pursuant to Clause 13.3 (Market disruption) and:

(i) a Lender's Funding Rate is less than LIBOR; or

(ii) a Lender does not supply a quotation by the time specified in paragraph (a)(ii) above,

the cost to that Lender of funding its participation in that Loan for that Interest Period shall be deemed, for the purposes of paragraph (a) above, to be the LIBOR.

13.5 Break Costs

(a) The Borrower shall, within three (3) Business Days of demand by a Finance Party, pay to that Finance Party its Break Costs attributable to all or any part of a Loan or Unpaid Sum being paid by the Borrower on a day other than the last day of an Interest Period for that Loan or Unpaid Sum.

(b) Each Lender shall, as soon as reasonably practicable after a demand by the Agent, provide a certificate confirming the amount of its Break Costs for any Interest Period in which they accrue.

13.6 Notification to Company

If Clause 13.4 (Cost of funds) applies, the Agent shall, as soon as is practicable, notify the Borrower.

14. FEES

14.1 Commitment fee

(a) The Borrower shall pay to the Agent (for the account of each Commercial Lender and Commercial Guarantor) a commitment fee in USD computed at the rate of forty per cent. (40%) of the aggregate of the Margin and the Commercial Guarantee Commission, as applicable, per annum on that Commercial Lender's Available Commitment for the period from the date of this Agreement until the expiry of the Availability Period.

(b) The accrued commitment fee is payable in arrears on each Quarter Date, on the last day of the Availability Period, and, if cancelled in full, on the cancelled amount of the relevant Lender's Commitment at the time the cancellation is effective.

(c) No commitment fee is payable to the Agent (for the account of a Lender) on any Available Commitment of that Lender for any day on which that Lender is a Defaulting Lender.

14.2 Commercial Guarantee Commission

(a) The Borrower shall pay to the Agent (for the account of the Commercial Guarantors) the Commercial Guarantee Commission for the period from the issue of the relevant Commercial Guarantee until the date falling three (3) months after the Commercial Guarantee Expiry Date.

(b) The Commercial Guarantee Commission shall be payable quarterly in arrears on the last day of each Interest Period in respect of any Loan under the Eksportkreditt Tranche or such shorter period as shall end on (i) the date falling three (3) months after the Commercial Guarantee Expiry Date, or (ii) if earlier, at the time the cancellation is effective if the Eksportkreditt Tranche Commitments is cancelled in full.

14.3 Eksportkreditt fee

The Borrower shall pay to the Agent (for the account of Eksportkreditt) a non-refundable fee in the amount and at the times agreed between the Borrower and Eksportkreditt in a separate Fee Letter.

14.4 Agency fee

The Borrower shall pay to the Agent (for its own account) an agency fee per annum in the amount and at the times agreed between the Agent and the Borrower in a separate Fee Letter.

14.5 Arrangement fee

The Borrower shall pay to the Arrangers (for its own account) an arrangement fee per annum in the amount and at the times agreed between the Arrangers and the Borrower in a separate Fee Letter.

15. TAX GROSS UP AND INDEMNITIES

15.1 Definitions

In this Agreement:

"**Protected Party**" means a Finance Party which is or will be subject to any liability or required to make any payment for or on account of Tax in relation to a sum received or receivable (or any sum deemed for the purposes of Tax to be received or receivable) under a Finance Document.

"**Tax Credit**" means a credit against, relief or remission for, or repayment of, any Tax.

"**Tax Deduction**" means a deduction or withholding for or on account of Tax from a payment under a Finance Document, other than a FATCA Deduction.

"**Tax Payment**" means either the increase in a payment made by an Obligor to a Finance Party under Clause 15.2 (Taxes) or a payment under Clause 15.3 (Tax indemnity).

15.2 Taxes

(a) All payments by an Obligor under the Finance Documents shall be made free and clear of and without any Tax Deduction, unless a Tax Deduction is required by law.

(b) Any Obligor shall promptly upon becoming aware that it must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Agent accordingly. Similarly, a Lender shall notify the Agent on becoming so aware in respect of an amount payable to that Lender. If the Agent receives such notification from a Lender it shall notify the relevant Obligor.

(c) If a Tax Deduction is required by law to be made by an Obligor:

(i) the amount of the payment due from that Obligor shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required (tax gross-up); and

(ii) the Obligor shall make that Tax Deduction within the time allowed and in the minimum amount required by law.

(d) Within 30 days of making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Obligor making the Tax Deduction shall deliver to the Agent for the Finance Party entitled to the payment evidence reasonably satisfactory to that Finance Party that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.

15.3 Tax indemnity

(a) The Borrower shall (within three (3) Business Days of demand by the Agent) pay to a Protected Party an amount equal to the loss, liability or cost which that Protected Party determines will be or has been (directly or indirectly) suffered for or on account of Tax by that Protected Party in respect of a Finance Document.

(b) Paragraph (a) above shall not apply:

(i) with respect to any Tax assessed on a Finance Party:

(A) under the law of the jurisdiction in which that Finance Party is incorporated or, if different, the jurisdiction (or jurisdictions) in which that Finance Party is treated as resident for tax purposes; or

(B) under the law of the jurisdiction in which that Finance Party's Facility Office is located in respect of amounts received or receivable in that jurisdiction,

if that Tax is imposed on or calculated by reference to the net income received or receivable (but not any sum deemed to be received or receivable) by that Finance Party; or

(ii) to the extent a loss, liability or cost is compensated for by an increased payment under Clause 15.2 (Taxes) or relates to a FATCA Deduction required to be made by a Party.

(c) A Protected Party making, or intending to make a claim under paragraph (a) above shall promptly notify the Agent of the event which will give, or has given, rise to the claim, following which the Agent shall notify the Borrower.

(d) A Protected Party shall, on receiving a payment from an Obligor under this Clause 15.3, notify the Agent.

15.4 Tax Credit

If an Obligor makes a Tax Payment and the relevant Finance Party determines that:

(a) a Tax Credit is attributable either to an increased payment of which that Tax Payment forms part or to that Tax Payment; and

(b) that Finance Party has obtained, utilised and retained that Tax Credit,

the Finance Party shall pay an amount to the Obligor which that Finance Party determines will leave it (after that payment) in the same after-Tax position as it would have been in had the Tax Payment not been required to be made by the Obligor.

15.5 Stamp taxes

The Borrower shall pay and, within three (3) Business Days of demand, indemnify each Secured Party and Arranger against any cost, loss or liability that Secured Party or Arranger incurs in relation to all stamp duty, registration and other similar Taxes payable in respect of any Finance Document.

15.6 VAT

(a) All amounts expressed to be payable under a Finance Document by any Party to a Finance Party shall be deemed to be exclusive of any VAT. If VAT is chargeable, the relevant Obligor shall pay to the Agent for the account of such Finance Party (in addition to the amount required pursuant to the Finance Documents) an amount equal to such VAT.

(b) Where a Finance Document requires any Party to reimburse or indemnify a Finance Party for any cost or expense, that Party shall reimburse or indemnify (as the case may be) such Finance Party for the full amount of such cost or expense, including such part thereof as represents VAT, save to the extent that such Finance Party reasonably determines that it is entitled to credit or repayment in respect of such VAT from the relevant tax authority.

15.7 FATCA Information

(a) Subject to paragraph (c) below, each Party shall, within ten (10) Business Days of a reasonable request by another Party:

(i) confirm to that other Party whether it is:

(A) a FATCA Exempt Party; or

(B) not a FATCA Exempt Party; and

(ii) supply to that other Party such forms, documentation and other information relating to its status under FATCA as that other Party reasonably requests for the purposes of that other Party's compliance with FATCA.

(iii) supply to that other Party such forms, documentation and other information relating to its status as that other Party reasonably requests for the purposes of that other Party's compliance with any other law, regulation, or exchange of information regime.

(b) If a Party confirms to another Party pursuant to paragraph (a)(i) above that it is a FATCA Exempt Party and it subsequently becomes aware that it is not or has ceased to be a FATCA Exempt Party, that Party shall notify that other Party reasonably promptly.

(c) Paragraph (a) above shall not oblige any Finance Party to do anything, and paragraph (a)(iii) above shall not oblige any other Party to do anything, which would or might in its reasonable opinion constitute a breach of:

(i) any law or regulation;

(ii) any fiduciary duty; or

(iii) any duty of confidentiality.

(d) If a Party fails to confirm whether or not it is a FATCA Exempt Party or to supply forms, documentation or other information requested in accordance with paragraph (a)(i) or (ii) above (including, for the avoidance of doubt, where paragraph (c) above applies), then such Party shall be treated for the purposes of the Finance Documents (and payments under them) as if it is not a FATCA Exempt Party until such time as the Party in question provides the requested confirmation, forms, documentation or other information.

15.8 FATCA Deduction

(a) Each Party may make any FATCA Deduction it is required to make by FATCA, and any payment required in connection with that FATCA Deduction, and no Party shall be required to increase any payment in respect of which it makes such a FATCA Deduction or otherwise compensate the recipient of the payment for that FATCA Deduction.

(b) Each Party shall promptly, upon becoming aware that it must make a FATCA Deduction (or that there is any change in the rate or the basis of such FATCA Deduction), notify the Party to whom it is making the payment and, in addition, shall notify the Borrower and the Agent, and the Agent shall notify the other Finance Parties.

15.9 Hedging Agreements

Clauses 15.2 (Taxes) through 15.8 (FATCA Deduction) above do not apply for sums due between an Obligor and a Hedge Counterparty under or in connection with a 2002 ISDA Master Agreement (as a Hedging Agreement) as to which sums the provisions of Section 2(d) (Deduction or Withholding for Tax) of that 2002 ISDA Master Agreement shall apply.

16. INCREASED COSTS

16.1 Increased costs

(a) Subject to Clause 16.3 (Exceptions) the Borrower shall, within three (3) Business Days of a demand by the Agent, pay for the account of a Finance Party the amount of any Increased Costs incurred by that Finance Party or any of its Affiliates as a result of:

(i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation;

(ii) compliance with any law or regulation; or

(iii) any change in (or in the interpretation, administration or application of) the implementation or application of or compliance with Basel III or any other law or regulation which implements Basel III, CRD IV and CRR,

in each case, made after the date of this Agreement.

(b) In this Agreement:

(i) "**Basel III**" means:

(A) the agreements on capital requirements, a leverage ratio and liquidity standards contained in "Basel III: A global regulatory framework for more resilient banks and banking systems", "Basel III: International framework for liquidity risk measurement, standards and monitoring" and "Guidance for national authorities operating the countercyclical capital buffer" published by the Basel Committee on Banking Supervision in December 2010, each as amended, supplemented or restated;

(B) the rules for global systemically important banks contained in "Global systemically important banks: assessment methodology and the additional loss absorbency requirement – Rules text" published by the Basel Committee on Banking Supervision in November 2011, as amended, supplemented or restated; and

(C) any further guidance or standards published by the Basel Committee on Banking Supervision relating to "Basel III".

(ii) "**Increased Costs**" means:

(A) a reduction in the rate of return from a Facility or on a Finance Party's (or its Affiliate's) overall capital;

(B) an additional or increased cost; or

(C) a reduction of any amount due and payable under any Finance Document,

which is incurred or suffered by a Finance Party or any of its Affiliates to the extent that it is attributable to that Finance Party having entered into its Commitment or funding or performing its obligations under a Finance Document.

16.2 Increased cost claims

(a) A Finance Party intending to make a claim pursuant to Clause 16.1 (Increased costs) shall notify the Agent of the event giving rise to the claim, following which the Agent shall promptly notify the Borrower.

(b) Each Finance Party shall, as soon as practicable after a demand by the Agent, provide a certificate confirming the amount of its Increased Costs.

16.3 Exceptions

(a) Clause 16.1 (Increased costs) does not apply to the extent any Increased Cost is:

(i) attributable to a Tax Deduction required by law to be made by an Obligor;

(ii) compensated for by Clause 15.3 (Tax indemnity) (or would have been compensated for under Clause 15.3 (Tax indemnity) but was not so compensated solely because any of the exclusions in paragraph (b) of Clause 15.3 (Tax indemnity) applied);

(iii) attributable to a FATCA Deduction required to be made by an Obligor or a Finance Party;

(iv) attributable to the wilful breach by the relevant Finance Party or its Affiliates of any law or regulation (including requirements imposed by any relevant central bank or monetary or fiscal authority upon the relevant Finance Party); or

(v) attributable to the implementation or application of or compliance with the "International Convergence of Capital Measurement and Capital Standards, a Revised Framework" published by the Basel Committee on Banking Supervision in June 2004 in the form existing on the date of this Agreement ("**Basel II**") or any other law or regulation which implements Basel II (whether such implementation, application or compliance is by a government, regulator, Finance Party or any of its Affiliates), but not including any future modification of Basel II.

(b) In this Clause 16.3 reference to a "Tax Deduction" has the same meaning given to the term in Clause 15.1 (Definitions).

17. OTHER INDEMNITIES

17.1 Currency indemnity

(a) If any sum due from an Obligor under the Finance Documents (a "**Sum**"), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the "**First Currency**") in which that Sum is payable into another currency (the "**Second Currency**") for the purpose of:

(i) making or filing a claim or proof against that Obligor;

(ii) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings,

that Obligor shall as an independent obligation, within three (3) Business Days of demand, indemnify each Finance Party to whom that Sum is due against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (A) the rate of exchange used to convert that Sum from the First Currency into the Second Currency and (B) the rate or rates of exchange available to that person at the time of its receipt of that Sum.

(b) Each Obligor waives any right it may have in any jurisdiction to pay any amount under the Finance Documents in a currency or currency unit other than that in which it is expressed to be payable.

(c) This Clause 17.1 (Currency indemnity) does not apply to any sum due under a Hedging Agreement.

17.2 Other indemnities

(a) The Borrower shall, within three (3) Business Days of demand, indemnify each Finance Party against any cost, loss or liability incurred by that Finance Party as a result of:

(i) the occurrence of any Event of Default;

(ii) a failure by an Obligor to pay any amount due under a Finance Document on its due date, including without limitation, any cost, loss or liability arising as a result of Clause 33 (Sharing among the Finance Parties);

(iii) funding, or making arrangements to fund, its participation in a Loan requested by the Borrower in a Utilisation Request but not made by reason of the operation of any one or more of the provisions of this Agreement (other than by reason of default or negligence by that Finance Party alone); or

(iv) a Loan (or part of a Loan) not being prepaid in accordance with a notice of prepayment given by the Borrower.

(b) The indemnities in paragraph (a) above shall furthermore cover any cost, loss or liability incurred by an Indemnified Person in any jurisdiction arising or asserted under or in connection with any law relating to safety at sea, the ISM Code or any Environmental Law.

17.3 Indemnity to the Agent and the Security Agent

(a) The Borrower shall promptly indemnify the Agent against:

(i) any cost, loss or liability incurred by the Agent (acting reasonably) as a result of:

(A) investigating any event which it reasonably believes is a Default;

(B) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised; or

(C) instructing lawyers, accountants, tax advisers, surveyors or other professional advisers or experts as permitted under this Agreement; and

(ii) any cost, loss or liability (including, without limitation, for negligence or any other category of liability whatsoever) incurred by the Agent in acting as Agent under the Finance Documents, otherwise than by reason of its gross negligence or wilful misconduct or, in the case of any cost, loss or liability pursuant to Clause 34.11 (Disruption to Payment Systems etc.) notwithstanding the Agent's negligence, gross negligence or any other category of liability whatsoever but not including any claim based on the fraud of the Agent.

(b) The Borrower shall promptly indemnify the Security Agent and every Receiver and Delegate against any cost, loss or liability incurred as a result of:

(i) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised;

(ii) the taking, holding, protection or enforcement of the Transaction Security under the Transaction Security Documents;

(iii) the exercise of any of the rights, powers, discretions, authorities and remedies vested in the Security Agent and each Receiver and Delegate by the Finance Documents or by law;

(iv) any default by any Obligor in the performance of any of the obligations expressed to be assumed by it in the Finance Documents; or

(v) acting as Security Agent, Receiver or Delegate under the Finance Documents or which otherwise relates to any of the any asset subject to or intended to be subject to a Transaction Security Document (other than, in each case, by reason of the relevant Security Agent's, Receiver's or Delegate's gross negligence or wilful misconduct).

(c) The Security Agent and every Receiver and Delegate may, in priority to any payment to the Secured Parties, indemnify itself out of the assets subject to Transaction Security in respect of, and pay and retain, all sums necessary to give effect to the indemnity in this Clause 17.3 and shall have a lien on the Transaction Security and the proceeds of the enforcement of the Transaction Security for all moneys payable to it.

18. MITIGATION BY THE LENDERS

18.1 Mitigation

(a) Each Finance Party shall, in consultation with the Borrower, take all reasonable steps to mitigate any circumstances which arise and which would result in any amount becoming payable under or pursuant to, or cancelled pursuant to, any of Clause 9.1 (Illegality), Clause 15 (Tax gross-up and indemnities) or Clause 16 (Increased costs) including (but not limited to) transferring its rights and obligations under the Finance Documents to another Affiliate or Facility Office however so that a Finance Party should be under no obligation pursuant to this Clause 18.1 (Mitigation) if such mitigation or remedy would be contrary to any Sanctions applicable to the Finance Parties or a Relevant Person.

(b) Paragraph (a) above does not in any way limit the obligations of any Obligor under the Finance Documents.

18.2 Limitation of liability

(a) The Borrower shall indemnify each Finance Party for all costs and expenses reasonably incurred by that Finance Party as a result of steps taken by it under Clause 18.1 (Mitigation).

(b) A Finance Party is not obliged to take any steps under Clause 18.1 (Mitigation) if, in the opinion of that Finance Party (acting reasonably), to do so might be prejudicial to it.

19. COSTS AND EXPENSES

19.1 Transaction expenses

The Borrower shall promptly on demand pay to the Agent and the Security Agent the amount of all documented costs and expenses (including internal and external legal costs for a joint counsel and collateral fees as well as costs relating to operating a secure website for communicating with the other Finance Parties) reasonably incurred by any of them (and, in the case of the Security Agent, by any Receiver or Delegate) in connection with the negotiation, preparation, printing, execution and perfection of:

(a) this Agreement and any other documents referred to in this Agreement and the Transaction Security; and

(b) any other Finance Documents executed after the date of this Agreement.

19.2 Amendment costs

If:

(a) an Obligor requests an amendment, waiver or consent; or

(b) an amendment or variation of any Finance Document is required or any release granted,

the Borrower shall, within three (3) Business Days of demand, reimburse each of the Agent and the Security Agent (and, in the case of the Security Agent, by any Receiver or Delegate) for the amount of all documented costs and expenses (including internal and external legal and collateral fees) reasonably incurred by each of them in responding to, evaluating, negotiating or complying with that request or requirement.

19.3 Enforcement and preservation costs

The Borrower shall, within three (3) Business Days of demand, pay to each Finance Party the amount of all costs and expenses (including legal fees) incurred by that Finance Party in connection with the enforcement of, or the preservation of any rights under, any Finance Document and the Transaction Security and any proceedings instituted by or against the Security Agent as a consequence of taking or holding the Transaction Security or enforcing these rights.

20. GUARANTEE AND INDEMNITY

20.1 Guarantee and indemnity

Each Guarantor (other than the Egyptian Guarantor providing the Egyptian Guarantee) irrevocably and unconditionally jointly and severally (as a Norwegian law "selvskyldnergaranti"):

(a) guarantees to each Finance Party the punctual performance by each Obligor of all that Obligors' obligations under the Finance Documents;

(b) undertakes with each Finance Party that whenever another Obligor does not pay any amount when due under or in connection with any Finance Document, that Guarantor shall immediately on demand pay that amount as if it was the principal obligor; and

(c) agrees with each Finance Party that if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal, it will, as an independent and primary obligation, indemnify that Finance Party immediately on demand against any cost, loss or liability it incurs as a result of an Obligor not paying any amount which would, but for such unenforceability, invalidity or illegality, have been payable by it under any Finance Document on the date when it would have been due. The amount payable by a Guarantor under this indemnity will not exceed the amount it would have had to pay under this Clause 20.1 (Guarantee and indemnity) if the amount claimed had been recoverable on the basis of a guarantee.

20.2 Continuing Guarantee

(a) The Guarantee is a continuing guarantee and will extend to the ultimate balance of sums payable by any Obligor under the Finance Documents, regardless of any intermediate payment or discharge in whole or in part.

(b) The Guarantee shall remain in full force and effect throughout the Security Period.

20.3 Maximum liability

The liability of each Guarantor hereunder shall be limited to USD 462,000,000 (principal amount plus a headroom for Hedging Agreements), in addition to any Unpaid Sum (including interest and costs).

20.4 Number of claims

There is no limit on the number of claims that may be made by the Agent (on behalf of the Finance Parties) under this Agreement.

20.5 Survival of Guarantor's liability

A Guarantor's liability to the Finance Parties under this Clause 20 (Guarantee and Indemnity) shall not be discharged, impaired or otherwise affected by reason of any of the following events or circumstances (regardless of whether any such events or circumstances occur with or without such Guarantor's knowledge or consent):

(a) any time, waiver, consent, forbearance or other indulgence given or agreed by the Finance Parties with any Obligor in respect of any of the Obligor's obligations under the Finance Documents; or

(b) any defence, legal limitation, disability or incapacity of any Obligor related to the Finance Documents; or

(c) any amendments to or variations of the Finance Documents agreed by the Finance Parties with any Obligor; or

(d) to the extent permitted by applicable laws, the liquidation, bankruptcy or dissolution (or proceedings analogous thereto) of any Obligor; or

(e) to the extent permitted by applicable laws, any other circumstance which might otherwise constitute a defence available to or discharge of, a Guarantor.

20.6 Waiver of rights

Each Guarantor specifically waives all rights under the provisions of (and/or principles derived from) the Norwegian Financial Agreements Act 1999 (as amended) not being mandatory provisions, including (but not limited to) the following provisions (the main contents of the relevant provisions being as indicated in the brackets):

(a) § 62 (1)a (each Guarantor waives the right to be notified of any contemplated security or guarantee which has not come into effect or a subsequent termination or annulment thereof);

(b) § 63 (1) – (2) (each Guarantor waives the right to be notified of any Event of Default hereunder and the right to be kept informed thereof);

(c) § 63 (3) (each Guarantor waives the right to be notified of any extension granted to a Borrower in payment of principal and/or interest);

(d) § 63 (4) (each Guarantor waives to be notified of a Borrower's bankruptcy proceedings or debt reorganisation proceedings and/or any application for the latter);

(e) § 65 (3) (each Guarantor waives that its consent shall be required for such Guarantor to be bound by amendments to the Finance Documents that may be detrimental to its interest);

(f) § 66 (1) and (2) (each Guarantor waives that its consent shall be required for the release or termination of other security which was agreed to be granted or implied to be granted as security for the Finance Documents);

(g) § 67 (2) (each Guarantor waives any reduction of the Guarantor's liabilities hereunder as long as any amount is outstanding under the Finance Documents);

(h) § 67 (4) (each Guarantor waives that its liabilities hereunder shall lapse after ten (10) years, as that Guarantor shall remain liable hereunder as long as any amount is outstanding under any of the Finance Documents);

(i) § 70 (each Guarantor waives that the Guarantors shall have any right of subrogation into the rights of the Finance Parties under the Finance Documents, as a Guarantor shall not have any such rights until and unless the Finance Parties shall have received all amounts due or to become due to them under the Finance Documents);

(j) § 71 (each Guarantor waives that the Finance Parties shall have liability first to make demand upon or seek to enforce remedies against the Borrowers or any other security provided in respect of the Borrowers' liabilities under the Finance Documents before demanding payment under or seeking to enforce the Guarantee Obligations hereunder, as the Finance Parties shall have no such liability);

(k) § 72 (each Guarantor waives that any interest and default interest due under any of the Finance Documents shall not be secured by the Guarantee Obligations);

(l) § 73 (1) – (2) (each Guarantor waives that all costs and expenses related to an Event of Default under this Agreement should not be secured by the Guarantee Obligations); and

(m) § 74 (1) – (2) (each Guarantor waives that a Guarantor can make claims against the other Obligors for payment, as a Guarantor shall not make any claim against the Borrower for payment until and unless the Finance Parties first shall have received all amounts due or to become due to them under the Finance Documents).

20.7 Deferral of Guarantor's rights

Each Guarantor undertakes to the Finance Parties that for as long as any of the Finance Documents are effective and until the expiry of the Security Period:

(a) following receipt by it of a notice from the Agent of the occurrence of any Event of Default which is continuing, none of the Guarantors will make demand for or claim payment of any moneys due to that Guarantor from any Obligor, or exercise any other right or remedy to which any of the Guarantors are entitled in respect of such moneys unless and until all moneys owing or due and payable by any Obligor to the Finance Parties under the Finance Documents have been irrevocably paid in full;

(b) if an Obligor shall become the subject of an insolvency proceeding or shall be wound up or liquidated, the Guarantors shall not (unless so instructed by the Agent and then only on condition that the Guarantor holds the benefit of any claim in such insolvency or liquidation to pay any amounts recovered thereunder to the Agent) make any claim in such insolvency, winding-up or liquidation until all moneys owing or due and payable by any Obligor to the Finance Parties under the Finance Documents have been irrevocably paid in full;

(c) if a Guarantor, in breach of paragraphs (a) and/or (b) above receives or recovers any money pursuant to any such exercise, claim or proof as therein referred to, such money shall be held by such Guarantor in custody for the Agent and immediately be paid to the Agent so as for the Agent to apply the same as if they were moneys received or recovered by the Agent under this Agreement; and

(d) the Guarantors have not taken nor will they take from any Obligor any Security Interest whatsoever for the moneys hereby guaranteed.

20.8 Enforcement

(a) No Finance Party shall be obliged before taking steps to enforce the Guarantee Obligations of any of the Guarantors under this Agreement:

(i) to obtain judgement against any Obligor or any third party in any court or other tribunal;

(ii) to make or file any claim in a bankruptcy or liquidation of any Obligor or any third party; or

(iii) to take any action whatsoever against any Obligor or any third party under the Finance Documents, except giving notice of any payment due hereunder,

and each Guarantor hereby waives all such formalities or rights to which it would otherwise be entitled or which the Finance Parties would otherwise first be required to satisfy or fulfil before proceeding or making any demand against the Guarantors hereunder, except as required hereunder or by law.

(b) Any release, discharge or settlement between a Guarantor and the Finance Parties (or any of them) in relation to any Finance Document shall be conditional upon no payment made by any Obligor to the Finance Parties hereunder or thereunder being void, set aside or ordered to be refunded pursuant to any enactment or law relating to breach of duty by any person, bankruptcy, liquidation, administration, protection from creditors generally or insolvency or for any other reason whatsoever. If any payment is void or at any time so set aside or ordered to be refunded, the Finance Parties shall be entitled subsequently to enforce the Guarantee Obligations hereunder as if such release, discharge or settlement had not occurred and any such payment had not been made.

20.9 Additional security

The Guarantee Obligations are in addition to and is not in any way prejudiced by any other guarantee or security now or subsequently held by any Finance Party.

20.10 Limitations

(a) Notwithstanding any other provision of this Clause 20 (Guarantee and Indemnity), and without limiting the generality of the foregoing, the guarantee, indemnity and other obligations of each Guarantor hereunder shall extend to all amounts that constitute part of the Guarantee Obligations and would be owed by any other Obligor to any Finance Party under or in respect of the Finance Documents but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, insolvency, reorganization or similar proceeding involving such other Obligor.

(b) Each Guarantor, and by its acceptance of this Agreement, each Finance Party, hereby confirms that it is the intention of all parties that this Agreement and the obligations of each Guarantor hereunder do not constitute a fraudulent transfer or conveyance for purposes of Insolvency Law (as hereinafter defined), any fraudulent conveyance act, fraudulent transfer act or any similar foreign law to the extent applicable to this Agreement and the obligations of the Guarantors hereunder. To effectuate the foregoing intention, the Finance Parties and each Guarantor hereby irrevocably agree that the obligations of each Guarantor under this Agreement and the other Finance Documents to which it is a party at any time shall be limited to the maximum amount as will result in the obligations of such Guarantor hereunder and thereunder not constituting a fraudulent transfer or conveyance. For the purpose hereof, "Insolvency Law" means the law described in this paragraph or any law relating to any proceeding of the type referred to in Clause 27.7 (Insolvency) and Clause 27.8 (Insolvency proceedings) of this Agreement or any similar foreign law for the relief of debtors applicable to such Obligor.

21. SECURITY

21.1 Transaction Security Documents

(a) The Secured Obligations, shall at any time from the date of this Agreement and throughout the Security Period be secured by the Guarantee Obligations provided pursuant to Clause 20 (Guarantee and Indemnity) and the Egyptian Guarantee and additionally the following Transaction Security Documents, each in form and substance satisfactory to all the Finance Parties, in respect of the Obligors and the Vessel (s):

(i) the Mortgages (including any deeds of covenants if applicable);

(ii) the Assignment of Insurances;

(iii) the Share Charges;

(iv) the Account Charges;

(v) the Assignments of Intra-Group Loan;

(vi) the Assignments of Earnings;

(vii) the Assignments of Charterparties;

(viii) the Assignments of Hedging Agreements; and

(ix) the Managers' Undertakings.

(b) Notwithstanding paragraph (a) above, the obligation of the relevant Obligor's to obtain the Assignment of Charterparties and the Assignment of Earnings shall be subject to relevant limitations in the relevant Charterparty and the Borrower shall use commercially reasonable efforts to obtain consents and/or acknowledgements from the respective Charterers under each Charterparty.

(c) The Assignment of Intra-Group Loans shall not prevent any amendments to any Intra-Group Loan provided always that the Intra-Group Loan is subordinated and unsecured in a form and substance satisfactory to the Agent.

21.2 Undertakings with regard to Transaction Security Documents

Subject to the Legal Reservations, the Obligors undertake to:

(a) ensure that the Transaction Security Documents are duly executed by the parties thereto (including by any Security Provider) in favour of the Security Agent (on behalf of the Finance Parties) on such date that each Transaction Security Document shall be effective pursuant to this Clause 21 (Security), in each case legally valid and in full force and effect and perfected on first priority, and

(b) execute or procure the execution of such further documentation as the Agent may reasonably require in order for the relevant Finance Parties to maintain the security position envisaged hereunder.

21.3 Agent's authority to effectuate and discharge Transaction Security Documents

(a) The granting, execution, registration and perfection of any Transaction Security Document and/or the Security Interest granted thereby by an Obligor to the Security Agent (on behalf of the Finance Parties) may, in the sole discretion of the Agent, be subject to such closing procedure or similar mechanism for effectuation as the Agent shall require and agree to in sole discretion on behalf of the Finance Parties.

(b) Each Finance Party hereby authorises the Agent (in its sole discretion) to agree to and effectuate the discharge and release of any Transaction Security Document as shall be required pursuant to effectuation of a transaction which is permitted pursuant to this Agreement, and such closing procedure or similar mechanism for effectuation of such release and discharge as the Agent shall in sole discretion require and agree to in connection therewith.

22. REPRESENTATIONS

Each Obligor (on behalf of itself and any Security Provider) represents and warrants to each Finance Party as follows at the date of this Agreement:

22.1 Status

(a) It is a company, duly incorporated or formed and validly existing under the law of its jurisdiction of incorporation or formation.

(b) It has the power to own its assets and carry on its business as it is being conducted.

22.2 Binding obligations

Subject to the Legal Reservations, the Finance Documents to which it is a party constitute (or will, when executed by the respective parties thereto, constitute) legal, valid, binding and enforceable obligations, subject only to any general principles of law limiting such obligations, enforceable in accordance with its terms and, save as provided for therein, no registration, filing, payment of Tax or fees or other formalities are necessary or desirable to render the Finance Documents enforceable against it and, in respect of the Vessels, for the Mortgages to constitute a valid and enforceable first priority Security Interest.

22.3 Non-conflict with other obligations

The entry into and performance by it of the transactions contemplated by the Finance Documents do not and will not conflict with:

(a) any law or regulation applicable to it to the extent a breach of such law or regulation would have a significant and adverse impact on any Obligor, Security Provider, Manager or the Group taken as a whole;

(b) its constitutional documents;

(c) any Charterparty; or

(d) any agreement or instrument binding upon it or any of its assets and which would constitute a Material Adverse Effect.

22.4 Power and authority

(a) It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, the Finance Documents to which it is or will be a party and the transactions contemplated by those Finance Documents.

(b) No limitation of its power to borrow or create security will be exceeded as a result of its entry into, performance and delivery of ,the Finance Documents to which it is or will be a party and the transactions contemplated by those Finance Documents.

22.5 Validity and admissibility in evidence

(a) All Authorisations required:

(i) to enable it lawfully to enter into, exercise its rights and comply with its obligations in the Finance Documents to which it is a party; and

(ii) to make the Finance Documents to which it is a party admissible in evidence in its Relevant Jurisdictions,

have been obtained or effected and are in full force and effect.

(b) All Authorisations necessary for the conduct of the business, trade and ordinary activities of the Obligors have been (or will prior to the First Utilisation Date be) obtained or effected in full force and effect if failure to obtain or effect those Authorisations has or is reasonably likely to have a Material Adverse Effect.

22.6 Governing law and enforcement

Subject to the Legal Reservations, the choice of governing law of each Finance Document will be recognised and enforced in its Relevant Jurisdictions and any judgment obtained in relation to a Finance Document in the jurisdiction of the governing law of that Finance Document will be recognised and enforced in its Relevant Jurisdictions.

22.7 No deduction of Tax

It is not required to make any deduction for or on account of Tax from any payment it may make under any Finance Document.

22.8 No filing or stamp taxes

Under the laws of its Relevant Jurisdiction it is not necessary that the Finance Documents be filed, recorded or enrolled with any court or other authority in that jurisdiction or that any stamp, registration, notarial or similar Taxes or fees be paid on or in relation to the Finance Documents or the transactions contemplated by the Finance Documents, except:

(a) that the Mortgages must be registered in an Approved Ship Registry (and the registration fees applicable to such Mortgages will need to be paid); and

(b) such other registration and stamp duty or similar payment requirements as noted in the Legal Reservations.

22.9 No default

(a) No Event of Default and, on the date of this Agreement and on the First Utilisation Date, no Default is continuing or is reasonably likely to result from the making of any Utilisation or the entry into and performance of any transaction contemplated by any of the Finance Documents.

(b) No other event or circumstance is outstanding which constitutes (or, with the expiry of a grace period, giving of notice or the making of any determination or the fulfilment of any other applicable conditions or any combination of the foregoing would constitute) a default or termination event (however described) under any Charterparty or any other agreement or instrument which is binding on it or to which its assets are subject which has or is reasonably likely to have a Material Adverse Effect.

22.10 No misleading information

(a) Any factual information provided in writing by any member of the Group or otherwise relevant to matters contemplated by the Finance Documents was complete, true and accurate in all material respects as at the date it was provided or as at the date (if any) at which it is stated.

(b) The financial projections contained in any information provided in writing or approved in writing by any member of the Group have been prepared on the basis of recent historical information and on the basis of reasonable assumptions.

(c) To the best of its knowledge, no event or circumstance has occurred or arisen and no information has been omitted from any information provided in writing or approved in writing by a member of the Group and no information has been given in writing or withheld that results in the information contained in such information being incomplete, untrue or misleading in any material respect.

22.11 Financial statements

(a) **Complete and correct**. The Original Financial Statements and the financial information most recently delivered to the Agent pursuant to Clause 23 (Information Undertakings) were prepared in accordance with the Accounting Principles consistently applied and the financial information most recently delivered to the Agent pursuant to Clause 23 (Information Undertakings) fairly and accurately represent the assets, liabilities and the financial condition of each relevant Obligor as at the relevant Quarter Date.

(b) **No undisclosed liabilities**. As of the date of the Original Financial Statements and the financial information most recently delivered to the Agent pursuant to Clause 23 (Information Undertakings), no relevant Obligor has had any material liabilities, direct or indirect, actual or contingent which has not been disclosed to the Agent, and there is no material, unrealised or anticipated losses from any unfavourable commitments not disclosed by or reserved against it in the Original Financial Statements, the most recent delivered financial information or in the notes thereto.

(c) **No material change**. Since the date of the financial information most recently delivered to the Agent or the Lenders pursuant to Clause 23 (Information Undertakings), there has been no material adverse change in the business, operations, assets or condition (financial or otherwise) of the Obligors which is reasonably likely to have a Material Adverse Effect.

22.12 Pari passu ranking

Its payment obligations under the Finance Documents rank at least pari passu with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

22.13 No proceedings pending or threatened

No litigation, arbitration or administrative proceedings of or before any court, arbitral body or agency which, if adversely determined, might reasonably be expected to have a Material Adverse Effect has or have (to the best of its knowledge and belief) been started or threatened against it or any of its Subsidiaries.

22.14 Good title to assets

Each of the Vessel Owners and the Intra-Group Charterers has a good, valid and marketable title to, or valid leases or licences of, and all appropriate Authorisations to use, the assets necessary to carry on its business as presently conducted.

22.15 Taxation

(a) It has complied with all taxation laws in all jurisdictions where it is subject to taxation and has paid all Taxes and other amounts due to governments and other public bodies, save to the extent that (i) payment is being contested in good faith, (ii) adequate reserves have been maintained for those Taxes and (iii) payment can be lawfully withheld.

(b) No claims are being asserted against it with respect to any Taxes or other payments due to public or governmental bodies which might be reasonably expected to have a Material Adverse Effect.

22.16 No immunity

The execution and delivery by it of each Finance Document to which it is a party constitute, and its exercise of its rights and performance of its obligations under each Finance Document will constitute, private and commercial acts performed for private and commercial purposes, and it will not (except for bankruptcy or any similar proceedings) be entitled to claim for itself or any or all of its assets immunity from suit, execution, attachment or other legal process in any proceedings taken in relation to any Finance Document.

22.17 No winding-up

It has not taken any corporate action nor have any other steps been taken or legal proceedings been started (to the best of its knowledge and belief) or threatened against it for its reorganisation, winding-up, voluntary liquidation, dissolution or administration or other similar process in any Relevant Jurisdiction or for the appointment of a receiver, business rescue practitioner, administrator, administrative receiver, liquidator, trustee or similar officer of it or any or all of its assets.

22.18 The Vessels

Each Vessel will on the respective date of Utilisation in relation to it be:

(a) in the absolute ownership of the relevant Vessel Owner, free and clear of all encumbrances (other than current crew wages and the relevant Mortgage) and, the respective Vessel Owner is and will remain the sole, legal and beneficial owner of such Vessel;

(b) registered in the name of the relevant Vessel Owner with an Approved Ship Registry; and

(c) classed with an Approved Classification Society, free of any material overdue conditions of class.

22.19 ISM Code and ISPS Compliance

All requirements of the ISM Code and the ISPS Code as they relate to the Vessel Owners, the Managers and the Vessels have been complied with in all material respects.

22.20 Compliance with laws and Environmental and Social Claims

Except as may have been disclosed by it in writing to, and acknowledged in writing by, the Agent prior to the date of this Agreement:

(a) it is, to the best of its knowledge and belief (having made due enquiry), in compliance in all respects with the provisions of all applicable laws, including without limitation all applicable Environmental Laws, Social Laws, Environmental Permits and Social Permits, in each case to the extent a breach of such law or permit would have a significant and adverse impact on any Obligor, Security Provider, Manager or the Group taken as a whole; and

(b) to the best of its knowledge and belief (having made due enquiry), no Environmental Claims or Social Claims are pending or threatened against it and no Social Incident or Environmental Incident, event or circumstance has occurred which may give rise to such Environmental Claim or Social Claim, and which is likely to have a Material Adverse Effect.

22.21 No money laundering

Each Obligor, and to the best of its knowledge and belief each of its directors or officers is acting for its own account in relation to the Facilities and in relation to the performance and the discharge of its obligations and liabilities under the Finance Documents and the transactions and other arrangements effectuated or contemplated by the Finance Documents to which it is a party, and it has not engaged in any activity or conduct which would involve or lead to contravention, in any Relevant Jurisdiction, of any law, rule, regulation, official requirement or other regulatory measure or procedure implemented to combat money laundering (as defined in Article 1 of the Directive (2001/97EC of the European Parliament and of 4 December 2001) including, but not limited to Directive 2005/60 amending Council Directive 91/308 (as amended from time to time)), and has instituted and maintained policies and procedures designed to prevent violation of such laws, rules or regulations.

22.22 No corrupt practices

Each Obligor, and to the best of its knowledge and belief each of its directors or officers:

(i) has not engaged in any activity or conduct which would violate any applicable laws, rules and regulations relating to bribery and corrupt practices in any Relevant Jurisdiction; and

(ii) has instituted and maintained policies and procedures designed to prevent violation of such laws, rules and regulations.

22.23 Use of proceeds

The proceeds of the Facilities will only be and have only been used in accordance with Clause 2.1 (The Facilities and the Loans and Clause 3.1 (Purpose))

22.24 Sanctions

No Relevant Person is:

(a) a Restricted Party;

(b) in breach of Sanctions applicable to it; or

(c) to its knowledge subject to or involved in any complaint, claim, proceeding, formal notice, investigation or other action by any regulatory or enforcement authority or third party concerning any Sanctions applicable to it.

22.25 Solvency

(a) Each Guarantor acknowledges that it will receive substantial direct and indirect benefits from the financing arrangements contemplated by the Finance Documents.

(b) Each Obligor is, and immediately upon giving effect to the transactions contemplated by the Finance Documents will be, Solvent.

22.26 No breach of laws

It has not breached any law or regulation applicable to it which has or is reasonably likely to have a Material Adverse Effect.

22.27 Insurance

It is compliant with the requirements set out in paragraph (a) of Clause 26.3 (Insurances).

22.28 Repetition

The Repeating Representations shall be deemed to be repeated by each Obligor by reference to the facts and circumstances then existing on:

(a) the date of each Utilisation Request; and

(b) the first day of each Interest Period.

23. INFORMATION UNDERTAKINGS

The undertakings set out in this Clause 23 (Information Undertakings) shall remain in force from the date of this Agreement and throughout the Security Period.

23.1 Financial statements

The Borrower and the Vessel Owners shall supply or procure the supply to the Agent in sufficient copies for all the Lenders:

(a) as soon as they are available and public, but in any event within 180 days after the end of its financial year:

(i) the audited consolidated financial statements of the Borrower for that financial year; and

(ii) the unaudited, or to the extent required by law in the jurisdiction of its incorporation, the audited unconsolidated financial statements of each Guarantor for that financial year;

(b) as soon as they are available and public, but in any event within 60 days after each Quarter Date; the unaudited consolidated financial statements of the Borrower for that financial quarter;

(c) as soon as they are available and public, but in any event within 90 days after each Quarter Date; the unaudited unconsolidated financial statements of each Vessel Owner for that financial quarter;

(d) as soon as they are available, but in any event within 90 days after the end of its financial year, the financial projections of the Group on an annual basis; and

(e) any other financial information as the Agent may reasonably require.

23.2 Provision and contents of Compliance Certificate

(i) The Borrower shall within 65 days after each Quarter Date supply a Compliance Certificate to the Agent with each set of the financial statements provided pursuant to Clause 23.1 (Financial statements) as at the date at which those financial statements were drawn up together with any relevant supporting documentation enabling the Lenders to determine and monitor the Obligors' compliance with Clause 24 (Financial Covenants), Clause 26.1 (Minimum Market Value) and Clause 26.3 (Insurances).

(b) The Compliance Certificate shall, amongst other things, set out (in reasonable detail) computations as to compliance with Clause 24 (Financial Covenants).

(c) Each Compliance Certificate shall be signed by the chief financial officer of the Borrower or Höegh LNG AS.

23.3 Requirements as to financial statements

(a) The Obligors shall procure that each set of financial statements delivered pursuant to Clause 23.1 (Financial statements) consists of balance sheets, profit and loss statements, equity statements and consolidated cash flow statements. The Financial statements shall be prepared using the Accounting Principles, accounting practices and financial reference periods consistent with those applied in the preparation of the Original Financial Statements.

(b) If, during the Security Period and in relation to any set of financial statements, there has been a change in the Accounting Principles, or as a result of the introduction or implementation of any accounting standard or any change in the same or in any applicable law the Accounting Principles will have to be changed, the Borrower shall notify the Agent in writing when becoming aware of such change.

(c) If the Agent or the Borrower believes that the financial covenants set out in Clause 24 (Financial Covenants) need to be amended as a result of any change, determination or requirement comprised by paragraph (b) above, the Borrower and the Agent (acting on the instructions of the Majority Lenders) shall negotiate in good faith to amend the existing financial covenants so as to provide the Finance Parties with substantially the same protection as follows from the financial covenants agreed in Clause 24 (Financial Covenants).

(d) If the Borrower and the Agent cannot agree such amended financial covenants within 30 days, the Borrower shall procure that the auditors of the Borrower deliver to the Agent:

(i) a description of a change necessary for those financial statements to reflect the Accounting Principles, accounting practices and reference periods upon which the Original Financial Statements were prepared; and

(ii) sufficient information, in form and substance as may be reasonably required by the Agent in relation to such financial statements, in order to enable the Lenders to determine whether Clause 24 (Financial Covenants) has been complied with and make an accurate comparison between the financial position indicated in those financial statements and the Original Financial Statements.

(e) Any reference in this Agreement to those financial statements shall be construed as a reference to those financial statements as adjusted to reflect the basis upon which the Original Financial Statements were prepared.

23.4 Market Valuation of the Vessels

(a) The Borrower shall (at its own expense) arrange for the Market Value of the Vessel to be determined, valued and reported to the Agent

(i) on a semi-annual basis upon delivery of each Compliance Certificate in respect of each second and fourth financial quarter delivered pursuant to Clause 23.2 (Provision and contents of Compliance Certificate) ; and/or

(ii) upon the Agent's request if an Event of Default has occurred and is continuing.

(b) If the Borrower fail to arrange for determination of the Market Value after the occurrence of an Event of Default which is continuing, the Agent may (at the Borrowers expense) arrange for the Market Value of each of the Vessels to be determined and valued by Approved Brokers elected by the Agent.

(c) The valuations provided pursuant to this Clause 23.4 (Market Valuation of the Vessels) shall be dated no more than thirty (30) days prior to being presented to the Agent.

23.5 Information on Sanctions

(a) Each Obligor shall promptly notify the Agent upon becoming aware that it, or any other Relevant Person:

(i) is becoming, or is reasonably likely to become, a Restricted Party;

(ii) has any direct or indirect dealings with any Restricted Party; or

(iii) is subject to, involved in or threatened with any complaint, claim, proceeding, formal notice, investigation or other action by any regulatory or enforcement authority or third party concerning any Sanctions.

(b) The Obligors shall provide the Agent with the relevant details of the circumstances listed in (i) to (iii) above, including (if relevant) any steps being taken to address such circumstances.

23.6 Information: miscellaneous

(a) Each Obligor shall supply to the Agent (in sufficient copies for all the Lenders, if the Agent so requests):

(i) at the same time as they are dispatched in writing, all documents dispatched by the relevant Obligor to its creditors generally (or any class of them);

(ii) promptly upon becoming aware of them, relevant details of any material litigation, arbitration or administrative proceedings which are current, or to its knowledge threatened or pending against any of the Obligors or its assets and which if adversely determined has or is reasonably likely to have a Material Adverse Effect; and

(iii) promptly, such further information regarding the financial condition, business and operations of any member of the Group as any Finance Party (through the Agent) may reasonably request.

(b) The Borrower shall provide the Agent with information and an updated structure chart within five (5) Business Days after any relevant change to the ownership structure as set out in Schedule 12 (Structure Chart).

23.7 Notification of Default

(a) Each Obligor shall notify the Agent of any Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence (unless that Obligor is aware that a notification has already been provided by another Obligor).

(b) Promptly upon a request by the Agent, the Borrower shall supply to the Agent a certificate signed by two of its directors or senior officers on its behalf certifying that no Default is continuing (or if a Default is continuing, specifying the Default and the steps, if any, being taken to remedy it).

23.8 Notification of Environmental Claims and Social Claims

The Obligors shall inform the Agent in writing as soon as reasonably practicable upon becoming aware of the same:

(a) if any material Environmental Claim or Social Claims has been commenced or (to the best of the Obligors' knowledge and belief) is threatened against any Obligor, Manager or Vessel; and

(b) of any incident, event, fact or circumstances which will or are reasonably likely to result in any material Environmental Claim or Social Claim being commenced or threatened against any Obligor, Manager or Vessel.

23.9 "Know your customer" checks

(a) If:

(i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation made after the date of this Agreement;

(ii) any change in the status of an Obligor or its shareholders after the date of this Agreement; or

(iii) a proposed assignment or transfer by a Lender of any of its rights and obligations under this Agreement to a party that is not a Lender prior to such assignment or transfer,

obliges the Agent or any Lender (or, in the case of paragraph (iii) above, any prospective new Lender) to comply with "know your customer" or similar identification procedures in circumstances where the necessary information is not already available to it, each Obligor shall promptly upon the request of the Agent or any Lender supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Agent (for itself or on behalf of any Lender) or any Lender (for itself or, in the case of the event described in paragraph (iii) above, on behalf of any prospective new Lender) in order for the Agent, such Lender or, in the case of the event described in paragraph (iii) above, any prospective new Lender to carry out and be satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.

(b) Each Lender shall promptly upon the request of the Agent supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Agent (for itself) in order for the Agent to carry out and be satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.

24. FINANCIAL COVENANTS

The financial covenants in this Clause 24 (Financial Covenants) shall remain in force from the date of the First Utilisation Date and throughout the Security Period.

24.1 Financial definitions

In this Agreement:

"Available Drawings" means the total amount which the Group (as applicable) is entitled to draw under any credit facility with a major international bank or financial institution for a term of more than 12 months and not subject to any conditions with which it or any other relevant party would not be able to comply at such time.

"**Cash**" means:

(a) cash in hand legally and beneficially owned by a member of the Group;

(b) Available Drawings; and

(c) cash deposits legally and beneficially owned by a member of the Group and which are deposited with (i) the Agent (ii) any other deposit taking institution having a rating of at least A from Standard & Poor's Rating Services or the equivalent with any other principal credit rating agency in the United States of America or Europe or (iii) any other bank or financial institution approved by the Agent, which in each case:

(i) is free from any Security Interest, other than pursuant to the Transaction Security Documents;

(ii) is otherwise at the free and unrestricted disposal of the relevant member of the Group by which it is owned; and

in the case of any Available Drawings, cash in hand or cash deposits held by a member of the Group other than the Obligors, is (in the opinion of the Agent, upon such documents and evidence as the Agent may require the Borrower to provide in order to form the basis of such opinion) capable or, upon the occurrence of an Event of Default under this Agreement, would become capable of being paid without restriction to an Obligor within three (3) Business Days of its request or demand therefore either by way of a dividend or by way of a granting or repayment of an intra-group loan.

"**Cash Equivalents**" means:

(a) any investments in marketable debt obligations issued or guaranteed by (i) a government or (ii) an instrumentality or agency of a government and in respect of (i) and (ii) having a short-term credit rating of either A-1 or higher by Standard & Poor's Rating Services or the equivalent with any other principal credit rating agency in the United States of America or Europe, maturing within one year after the relevant date of calculation and not convertible or exchangeable to any other security;

(b) commercial paper (debt obligations) not convertible or exchangeable to any other security;

(i) for which a recognised trading market exists;

(ii) which is issued by an issuer incorporated in the United States of America, the United Kingdom or Norway;

(iii) which matures within one year after the relevant date of calculation; and

(iv) which has a short-term credit rating of at least A-1 or higher by Standard & Poor's Rating Services or the equivalent with any other principal credit rating agency in the United States of America or Europe;

(c) any investment in money market funds which;

(i) have a short-term credit rating of either A-1 or higher by Standard & Poor's Rating Services or the equivalent with any other principal credit rating agency in the United States of America or Europe,

(ii) which invest substantially all their assets in securities of the types described in paragraphs (a) to (b) above; and

(iii) can be turned into Cash on not more than 5 Business Days' notice; or

(d) any other debt security approved by the Agent (acting on the instruction of the Majority Lenders),

in each case, to which any member of the Group is alone (or together with other members of the Group) beneficially entitled at that time and which is not issued or guaranteed by any member of the Group or subject to any Security Interest and in the case of Cash Equivalents held by a member of the Group other than the Obligors, is (in the opinion of the Agent, upon such documents and evidence as the Agent may require the Borrower to provide in order to form the basis of such opinion) capable or, upon the occurrence of an Event of Default under this Agreement, would become capable of being converted into cash and paid without restriction to an Obligor within 5 Business Days of its request or demand therefore, either by way of a dividend or by way of a granting or repayment of an intra-group loan.

"**Current Assets**" means the aggregate of current assets determined in accordance with the latest published audited consolidated balance sheet or the latest published interim consolidated balance sheet of the Borrower as delivered pursuant to Clause 23.1 (Financial statements), but excluding amounts in respect of:

(a) intercompany receivables; and

(b) marked-to-market value of any financial derivatives (including any hedging reserve as shown in the relevant consolidated equity statement).

"**Current Liabilities**" means the aggregate of all current liabilities determined in accordance with the latest published audited consolidated balance sheet or the latest published interim consolidated balance sheet of the Borrower as delivered pursuant to Clause 23.1 (Financial statements), however excluding:

(a) intercompany payables and balances (including for the avoidance of doubt any credit granted by the Parent to the Borrower);

(b) marked-to-market value of any financial derivatives; and

(c) current portion of interest bearing debt.

"**Debt Service**" means, in respect of any Relevant Period, all interest, Commercial Guarantee Commission, commitment fee and principal payments made under this Agreement.

"**Debt Service Cover Ratio**" means the ratio of EBITDA to Debt Service.

"**EBITDA**" means, in respect of any Relevant Period:

the earnings before interest, tax, depreciation, amortization and other financial items received by the Vessel Owner under any Charterparty in respect of any Vessel (including any cash flow excluded from the statements of income, such as principal payment on direct financing leases and amortisation in revenues for any relevant charter contract) (for the avoidance of doubt, any cash flow the Borrower receives from the Parent pursuant to the Borrower's option to charter Höegh Gallant back to the Parent at a ten per cent. (10%) reduction in the current charter rate through June 2025, shall be included when calculating the adjusted contracted cash flow).

"**Equity**" means, at any time, the value of the paid-in capital and reserves of the Group as shown in the latest published audited consolidated balance sheet or the latest published interim consolidated balance sheet of the Borrower as delivered pursuant to Clause 23.1 (Financial statements), but excluding any hedging reserve as shown in the relevant consolidated equity statement and the mark-to-market value of any financial derivatives.

"**Relevant Period**" means each period of the preceding twelve (12) months ending on a Quarter Date.

"**Total Assets**" means the total book value of all the assets of the Group as shown in the latest published audited consolidated balance sheet or the latest published interim consolidated balance sheet of the Borrower as delivered pursuant to Clause 23.1 (Financial statements) which would, in accordance with the Accounting Principles, be classified as assets of the Group, excluding the marked-to-market value of any derivative transactions).

"**Working Capital**" means, on any date, Current Assets less Current Liabilities.

24.2 Financial condition of the Borrower

(a) Equity

The Borrower shall procure that the Equity of the Group shall be equal to or greater than the higher of:

(i) 25% of Total Assets; or

(ii) USD 150,000,000.

(b) Working Capital

The Borrower shall procure that the consolidated Working Capital of the Group shall at all times be greater than zero.

(c) Minimum Liquidity

The Borrower shall procure that the consolidated Cash and Cash Equivalents of the Group shall at any times be greater than the higher of:

(i) USD 15,000,000; and

(ii) the product of USD 2,500,000 and the number of vessels owned or leased by the Group and the Borrower's (direct or indirect) pro-rate ownership of such vessels, subject to a cap of USD 20,000,000.

(d) Debt Service Cover Ratio

The Borrower shall procure that the Debt Service Cover Ratio of the Group shall at all times be equal to or greater than 1.15:1.

24.3 Financial testing

The financial covenants set out in Clause 24.2 (Financial condition of the Borrower) shall be calculated on a quarterly basis on the Borrower's consolidated figures and in accordance with the Accounting Principles and tested (i) by reference to each of its financial statements delivered pursuant to Clause 23.1 (Financial statements) (whether audited or un-audited) and each Compliance Certificate delivered pursuant to Clause 23.2 (Provision and contents of Compliance Certificate) and (ii) at such other times as reasonably requested by the Agent by reference to such documentation as is then available or made available in accordance with paragraph (c) of Clause 23.4 (Information: miscellaneous), and presented to the Agent in form and substance satisfactory to the Majority Lenders.

25. GENERAL UNDERTAKINGS

The undertakings in this Clause 25 shall remain in force from the date of this Agreement and throughout the Security Period.

25.1 Authorisations

Each Obligor shall and shall procure that each Security Provider promptly:

(a) obtain, comply with and do all that is necessary to maintain in full force and effect; and

(b) supply certified copies to the Agent of,

any Authorisation required under any law or regulation of a Relevant Jurisdiction to enable it to perform its obligations under the Finance Documents and to ensure the legality, validity, enforceability or admissibility in evidence of any Finance Document.

25.2 Compliance with laws

The Obligors shall, and the Borrower shall procure that the Security Providers as well as the Managers will:

(i) comply in all respects with all laws or regulations applicable to its business and the operation of the Vessels, including all Environmental Laws, Social Laws, Environmental Permits and Social Permits, in each case to the extent a breach of such law or regulation would have a significant and adverse impact on any Obligor, Security Provider or Manager;

(ii) implement procedures to monitor compliance with and to prevent liability under any Environmental Law and Social Law; and

(iii) obtain, comply with and do all that is necessary to maintain in full force and effect any Environment Approvals.

25.3 Sanctions

(a) No Obligor shall (and the Borrower shall ensure that no other Relevant Person will) take any action, make any omission or, (directly or indirectly), use any proceeds of the Loan or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or any other person, in a manner that:

(i) in respect of the use of any proceeds, to fund any activities or business of or with any person, or in any country or territory, that, at the time of such funding is a Restricted Party or Sanctioned Country;

(ii) is a breach of Sanctions applicable to it;

(iii) causes (or will cause) a breach by any Relevant Person of Sanctions applicable to it.

(b) No Obligor shall (and the Borrower shall ensure that no other Relevant Person will) become a Restricted Party or take any action or make any omission that results, or is reasonably likely to result, in it becoming a Restricted Party.

25.4 Corrupt Practices

Each Obligor shall, and shall ensure that each member of the Group, act in compliance with all applicable laws and regulations relating to bribery, anti-money laundering and corrupt practices in any Relevant Jurisdiction and shall use all reasonable endeavours to procure that any person acting on its behalf acts in such manner in the course of acting for it. Each Obligor shall maintain policies and procedures designed to promote and achieve compliance with such laws.

25.5 Taxation

Each Obligor shall duly and punctually pay and discharge all Taxes imposed upon it or its assets within the time period allowed without incurring penalties unless and only to the extent that:

(a) such payment is being contested in good faith; and

(b) adequate reserves are being maintained for those Taxes and the costs required to contest them which have been disclosed in its latest financial statements delivered to the Agent under Clause 23.1 (Financial statements).

25.6 No change of business

The Obligors will not, without the prior written consent of the Agent, engage in any business other than the business which it is engaged as of the date of this Agreement, and activities directly related thereto, and similar or related business, or change its type of organisation or jurisdiction.

25.7 Financial year

Except with the prior written consent of the Agent, the Obligors shall not alter their financial year end.

25.8 Pari passu ranking

Each Obligor shall ensure that its obligations under the Finance Documents do and will rank at least pari passu with all its other present and future unsecured and unsubordinated obligations, except for those obligations which are preferred by mandatory law applying to companies generally in the jurisdictions of their incorporation or formation or in the jurisdiction in the ports of calls.

25.9 Centre of Main Interest

None of the Obligors shall change its jurisdiction of incorporation or formation or change its centre of main interest (for the purposes of Council Regulation (EC) no. 1346/2000 on insolvency proceedings) to another jurisdiction without obtaining the prior written consent of the Majority Lenders.

25.10 Stock Exchange Listing

The Borrower shall remain a master limited partnership listed on the New York Stock Exchange or such other internationally recognized stock exchange as agreed with the Majority Lenders.

25.11 Ownership

(a) The Borrower shall remain the 100 % (direct or indirect) legal and beneficial owner of all shares and economic benefit in each of the Guarantors (other than any Intra-Group Charterer).

(b) The Borrower shall procure that any Intra-Group Charterer is a Subsidiary of the Parent or the Borrower.

(c) Each Vessel Owner will hold full legal title to and own the entire beneficial interest in its respective Vessel, and each Obligor and Security Provider will hold full legal title to and own the entire beneficial interest in the Insurances (the part of which is to the benefit of a vessel owner) and the Earnings payable to it, free of any Security Interest and other encumbrances and rights of every kind, except for the Permitted Encumbrances. All Earnings shall be payable to a Vessel Owner and/or Intra-Group Charterer (as applicable).

(d) Notwithstanding paragraph (c) above, a Vessel Owner may enter into an agreement for the voluntary sale of a Vessel at Market Value and on arm's length terms always subject to compliance with Clause 9.5 (Total Loss or sale).

(e) Notwithstanding paragraph (c) above, a Vessel Owner shall be permitted to transfer title to a Vessel to a member of the Group provided that:

(i) No Default is continuing or would result from the transfer;

(ii) the transferee is wholly owned (directly or indirectly) by the Borrower and incorporated in an Approved Jurisdiction of Incorporation;

(iii) the transferee accedes as an Additional Guarantor to this Agreement in accordance with the terms and conditions of Clause 29.2 (Additional Guarantors) and that Transaction Security (in form an substance satisfactory to the Lenders) is granted in favour of the Security Agent (on behalf of the Finance Parties) as contemplated by this Agreement, and any other documentation reasonably requested by the Agent in connection therewith, in each case prior to such transfer (subject to closing mechanics agreed with the Agent);

(iv) each Finance Party has been provided with all "know your customer" documents reasonably requested by any Finance Party;

(v) the security position of the Finance Parties will not be adversely affected by such transfer; and

(vi) such transfer is otherwise in accordance with the terms of this Agreement.

25.12 Merger and demerger

(a) Except with the prior written consent of the Majority Lenders, the Obligors will not:

(i) enter into any merger or consolidation with any other company unless with another member of the Group; and

(A) each Obligor shall survive as a separate legal entity, or in case of a merger or consolidation of two Obligors at least one Obligor will survive as a separate legal entity, in both cases the surviving Obligor remaining bound in all respects by its obligations and liabilities under the Finance Documents; and

(B) the Vessel Owners will continue to be special purpose companies, owning only their relevant Vessel; or

(ii) demerge itself into any two or more companies.

25.13 Investment Restrictions

No Vessel Owner shall charter in any vessels or make any future investments or acquisitions, except for any investments or capital expenditures related to the use, operations, trading repairs and ordinary maintenance work of the Vessels (including but not limited to project related infrastructure/mooring systems if required under a Charterparty).

25.14 Restrictions on indebtedness

(a) None of the Vessel Owners shall incur, create or permit to subsist any Financial Indebtedness.

(b) The restrictions in paragraph (a) above do not apply to:

(i) Financial Indebtedness incurred pursuant to the Finance Documents;

(ii) the Existing Loans, provided however that the relevant Existing Loan is repaid by the Borrower following the Borrower's Utilisation of the Facility and that all Existing Loans are repaid in full within the expiry of the Availability Period;

(iii) Intra-Group Loans on the conditions that:

(A) all such Intra-Group Loans are subject to an Assignment of Intra-Group Loans;

(B) all such Intra-Group Loans are subordinated and unsecured in a form and substance satisfactory to the Agent; and

(iv) Parent Group Loans on the condition that:

(A) all such Parent Group Loans are subject to an Assignment of Intra-Group Loans;

(B) all such Parent Group Loans are subordinated and unsecured in a form and substance satisfactory to the Agent;

(v) Subject always to (iii) and (iv) above, Financial Indebtedness incurred by a Vessel Owner related to normal trade debt in the ordinary course of operating and maintaining the Vessel owned by such Vessel Owner;

(vi) Other Financial Indebtedness consented to in writing by the Agent (acting upon instructions from the Majority Lenders).

(c) None of the Intra-Group Charterers shall incur, create or permit to subsist any Financial Indebtedness.

(d) The restrictions in paragraph (c) above do not apply to:

(i) Financial Indebtedness incurred pursuant to the Finance Documents;

(ii) Financial Indebtedness incurred pursuant to financing arrangements for vessels (other than the Vessels) which that Intra-Group Charterer acts as charterer, manager or similar;

(iii) Intra-Group Loans on the conditions that:

(A) all such Intra-Group Loans are subject to an Assignment of Intra-Group Loans;

(B) all such Intra-Group Loans are subordinated and unsecured in a form an substance satisfactory to the Agent;

(iv) Parent Group Loans on the conditions that:

(A) all such Parent Group Loans are subject to an Assignment of Intra-Group Loans;

(B) all such Parent Group Loans are subordinated and unsecured in a form and substance satisfactory to the Agent;

(v) Other Financial Indebtedness consented to in writing by the Agent (acting upon instructions from the Majority Lenders).

25.15 Financial Support

No Vessel Owner or Intra-Group Charterer shall provide, procure, create or permit to subsist any Financial Support or otherwise be a creditor in respect of Financial Indebtedness, other than:

(a) Financial Support created pursuant to the Finance Documents;

(b) For Intra-Group Charterers not being Vessel Owners, Financial Support incurred pursuant to financing arrangements for vessels (other than the Vessels) which that Intra-Group Charterer acts as charterer, manager or similar;

(c) normal trade credits extended to its customers on normal commercial terms and in the ordinary course of its business;

(d) Financial Support in the form of Intra-Group Loans on the condition that such Intra-Group Loans are subject to an Assignment of Intra-Group Loans, are subordinated and unsecured in a form and substance satisfactory to the Agent and no Default is outstanding at the time of such Financial Support being provided; and

(e) Financial Support consented to in writing by the Agent (acting upon instructions from the Majority Lenders).

25.16 Negative pledge

(a) No Obligor shall (and shall procure that no Security Provider will) create or permit to subsist any Security Interest over any undertakings, property, assets, rights or revenues which are subject to the Transaction Security Documents or any right or economic benefit relating thereto.

(b) No Vessel Owner or Intra-Group Charterer shall:

(i) sell, transfer or otherwise dispose of any of its assets on terms whereby they are or may be leased to or re-acquired;

(ii) sell, transfer or otherwise dispose of any of its receivables on recourse terms;

(iii) enter into any arrangement under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts; or

(iv) enter into any other preferential arrangement having a similar effect,

in circumstances where the arrangement or transaction is entered into primarily as a method of raising Financial Indebtedness or of financing the acquisition of an asset.

(c) The restrictions set out under paragraphs (a) – (b) above do not apply to:

(i) Security Interests granted pursuant to the Transaction Security Documents;

(ii) any Permitted Encumbrances;

(iii) Subject to (a) above, for Intra-Group Charterers not being Vessel Owners, Security Interest incurred pursuant to financing arrangements for vessels which that Intra-Group Charterer acts as charterer, manager or similar; or

(iv) Security Interests consented to in writing by the Agent (acting upon instructions from the Majority Lenders).

25.17 Subordination of loans to the Borrower

Any Parent Group Loan to the Borrower shall be subordinated and unsecured in a form and substance satisfactory to the Agent, and not be subject to any Transaction Security.

25.18 Dividends and service of Parent Group Loans and Intra-Group Loans

The Borrower and as applicable any other Obligor may:

(a) pay dividends (or make any other distributions to its shareholders, unitholders or preferred unitholders), or

(b) service Parent Group Loans and Intra-Group Loans; or

(c) buy-back or otherwise redeem its own common stock;

however only to the extent that:

(i) no Default is continuing or would result from the proposed transaction, and

(ii) after giving effect to such transaction, the Obligors remain in full compliance with the provisions of this Agreement (including those set out in Clause 24 (Financial Covenants).

25.19 Earnings Accounts

(a) Each Guarantor shall collect and promptly credit any and all of its Earnings to its respective Earnings Account, and open and maintain its Earnings Accounts with the Account Bank or as otherwise agreed to by the Agent.

(b) Transfers from and withdrawals of money standing to the credit on any Earnings Account shall be fully permitted until an Event of Default has occurred and is continuing.

25.20 Transactions with Affiliates

Each Obligor shall procure that all agreements and arrangements entered into with another Obligor or an Affiliate or any person which must be deemed to be acting in concert with an Affiliate are made in accordance with applicable arm's length principles.

25.21 No change of operations

(a) Subject to paragraph (b) below, each Obligor shall procure that:

(i) the Managers continue to perform the management services for the Vessels;

(ii) none of the Managers' Undertakings are materially amended, terminated, or waived, without the prior written consent of all the Lenders.

(b) Subject to the terms of the Finance Documents, the Borrower shall be permitted to agree, supplement or amend the terms and conditions of any existing or future Management Agreement without approval from the Agent, provided that:

(i) the Managers continue to perform the management services for the Vessels; and

(ii) the Managers enter into a Managers' Undertaking.

(c) Subject to the terms of the Finance Documents and compliance with Clause 26.11 (Vessel employment), the Obligors shall be permitted to enter into or amend any Charterparty.

25.22 Responsible ship recycling

(a) The Borrower shall maintain an inventory of hazardous materials on board the Vessels.

(b) The Borrower shall ensure that each Vessel which is to be scrapped or recycled shall be dismantled in a safe, sustainable, environmental and social responsible way in compliance with (i) the Hong Kong International Convention for the Safe and Environmental Recycling of Ships (2009) and (ii) the Regulation (EU) No. 1257/2013 of the European Parliament and of the Council of 20 November 2013 on ship recycling and amending Regulation (EC) No. 1013/2006 and Directive 2009/16/EC.

25.23 Assignment, novation or transfer of contracts

After the occurrence of an Event of Default which is continuing in accordance with Clause 27.17 (Acceleration), the Obligors shall upon the Agent's request however, always subject to the terms of the Quiet Enjoyment Letter, make their best endeavours, to the extent legally permissible by law, to have assigned, novated or otherwise transferred the rights and obligations under the Charterparties or any other charter contracts, to one or several parties nominated by the Agent.

25.24 Commercial Guarantee

Each Obligor shall, for as long as any amount is outstanding under the Eksportkreditt Tranche, procure that its obligations and liabilities hereunder in respect of the Eksportkreditt Tranche are secured by the Commercial Guarantee(s) satisfactory to Eksportkreditt (in its sole discretion).

25.25 Disposals

No Obligor shall sell, transfer or otherwise dispose of any asset subject to (or which is purported to be subject to) any Transaction Security Document other than (i) money standing to the credit on the Earnings Accounts provided that no Event of Default has occurred and is continuing and (ii) otherwise as permitted pursuant to the terms of this Agreement.

25.26 Hedging

The Finance Parties shall have a first right of refusal of any hedging arrangements for the Obligors on competitive terms.

26. VESSEL COVENANTS

The undertakings set out in this Clause 26 (Vessel Covenants) shall, unless otherwise specified, remain in force from the date of this Agreement and throughout the Security Period.

26.1 Minimum Market Value

(a) Following the First Utilisation Date and throughout the Security Period, the Obligors shall at any time procure that the aggregate Market Value of the Vessels is higher than one hundred and twenty-five per cent. (125%) of the Loans outstanding under the Facilities from time to time.

(b) The Market Value of the Vessels shall be tested:

(i) on the First Utilisation Date and thereafter with reference to 30 June 2019 and subsequently on a semi-annual basis;

(ii) upon the Agent's request if an Event of Default has occurred and is continuing.

26.2 Flag, name, classification and ship registry

The Obligors shall procure (and provide the Agent with evidence of such compliance upon request) that:

(a) the Vessels are registered with an Approved Ship Registry, classed by the Approved Classification Society and managed by the Managers;

(b) no change of name or flag of any of the Vessels (other than to an Approved Ship Registry) shall be made without the prior written consent of the Majority Lenders; and

(c) no parallel registration of a Vessel in any ship registry (other than in respect of any parallel registration of a Vessel in an Approved Ship Registry or as already in force at the date of this Agreement as set out in Schedule 2 (Vessel owners, Vessels and Tranches)shall be made without the prior written consent of the Majority Lenders.

26.3 Insurances

(a) Each Obligor shall during the Security Period maintain or ensure that each of the Vessels is insured against such risks in terms of scope and to the extent as is usual for prudent ship owners or companies carrying on the same or substantially similar business, including Hull and Machinery, Protection & Indemnity (including adequate cover for oil pollution liability with a minimum threshold of USD 1,000,000,000, Hull Interest and/or Freight Interest and War Risk (including blocking and trapping, confiscation, piracy, hijacking, terrorism and War Risk P&I) insurances, in such amounts and currencies, on an agreed value basis, on such terms (including the terms of the Nordic Marine Insurance Plan of 2013 (as amended)) and with such insurers or P&I associations and placed through insurance brokers as the Agent shall approve as appropriate for an internationally reputable shipping company, but so that the Protection & Indemnity cover shall be taken out with a member of the International Group of P&I Clubs. The Borrowers shall seek the approval in writing of the Agent, acting on the instruction of all the Lenders, prior to placing any of the Insurances through any captive vehicle.

(b) The value of the Hull and Machinery insurance, Hull Interest insurance and/or Freight Interests insurance on each Vessel shall at all times be at least equal to or higher than the Market Value of that Vessel and the aggregate value of the Hull and Machinery insurance, Hull Interest insurance and Freight Interest insurance of all the Vessels shall at all times be at least equal to or higher than one hundred and twenty per cent. (120%) of the outstanding Total Commitments.

(c) The value of the Hull and Machinery insurance of each Vessel shall at all times be at least eighty per cent. (80%) of the Market Value of each Vessel and the aggregate Hull and Machinery insurance of all the Vessels shall at all times be at least equal to or higher than the outstanding Total Commitments. The remaining cover required may be taken out by Hull Interest and Freight Interest Insurances.

(d) The Obligors shall procure that the Agent (on behalf of the Finance Parties) is noted as first priority mortgagee and sole loss payee in the insurance contracts, together with the confirmation from the underwriters to the Agent that the notice of assignment with regards to the Insurances and the loss payable clauses (with a threshold amount of USD 3,000,000) are noted in the insurance contracts and that standard letters of undertaking confirming this are executed by the insurers, underwriters or brokers as relevant, always provided that the evidence thereof is in form and substance satisfactory to the Agent in its discretion. The Borrower shall, if so required by the Agent, provide the Finance Parties with details of terms and conditions of the Insurances and break down of insurers.

(e) Not later than three (3) days prior to the expiry date of the relevant Insurances, the Borrower shall procure the delivery to the Agent of a certificate from the insurance broker(s) or the Insurers, confirming the Insurances referred to in sub-clause (a) above have been renewed and taken out in respect of the Vessels with insurance values as required by this Clause 26.3 (Insurances), that such Insurances are in full force and effect and that the Agent (on behalf of all the Finance Parties) has been noted as first priority mortgagee by the relevant insurers.

(f) If the Insurances have been taken out under the Nordic Marine Insurance Plan of 2013 (as amended), the Borrower shall procure that the interests of the Finance Parties are protected by way of the inclusion of chapter 8 of the Nordic Marine Insurance Plan of 2013 (as amended), in the insurances for Hull and Machinery, Hull Interest, Freight Interest and War Risk.

(g) The Agent may effect (for the cost of the Borrower) Mortgagee's Interest Insurance ("MII") and Mortgagee's Additional Perils (Pollution) Insurance ("MAPI") in respect of each Vessel in an aggregate amount of not less than one hundred and twenty per cent. (120%) of the outstanding Total Commitment under this Agreement through such insurers and on such terms as the Agent in its discretion may deem appropriate.

(h) If any of the Insurances referred to in this Clause 26.3 (Insurances) form part of a fleet cover, the Borrower shall procure that the brokers and/or insurers shall undertake to the Agent that they shall neither set-off against any claims in respect of any of the Vessels any premiums due in respect of other vessels under such fleet cover or any premiums due for other insurances, nor cancel this Insurance for reason of non-payment of premiums for other vessels under such fleet cover or of premiums for such other insurances, and shall undertake to issue a separate policy in respect of each of the Vessels if and when so requested by the Agent.

(i) The Obligors shall procure that the Vessels are always employed in conformity with the terms of the instruments of Insurances (including any warranties expressed or implied therein) and comply with such requirements as to extra premium or otherwise as the insurers may prescribe.

(j) The Obligors will not (and shall procure that no one else makes) any material change to the Insurances set out in this Clause 26.3 (Insurances) without the prior written consent of the Agent.

(k) Each of the Insurances shall be reviewed, at the cost of the Borrower, by the Lenders' insurance advisor who will issue an Insurance Report on an annual basis, and on each date on which the Insurances are due for renewal if so required by the Agent.

(l) The Obligors shall procure that all insurance premiums, calls, contributions or other sums payable in respect of the Insurances shall be paid punctually and the Agent shall be provided with all relevant receipts or other evidence of payments upon request.

26.4 Operations of the Vessels

(a) The Obligors shall ensure that the Vessels:

(i) are maintained and preserved in good working order and repair (fair wear and tear excepted) and operated in accordance with first class ownership practice and internationally recognized management standards; and

(ii) comply and shall procure that any Intra-Group Charterer or Manager and, if applicable, any replacement manager complies with the International Convention for the Safety of Life at Sea (SOLAS) 1974 as adopted, amended or replaced from time to time including, but not limited to, the STCW 95, the ISM Code (including, but not limited to, the maintenance and renewal of valid certificates pursuant thereto, including an ISSC for the Vessels), the ISPS Code, Marpol and any other international maritime safety regulations and requirements relevant to the operation and maintenance of the Vessels.

(b) The Obligors shall upon request provide copies of certificates to the Agent evidencing compliance with paragraph (a) above as soon as the same become available.

(c) The Obligors shall not:

(i) employ any of the Vessels nor allow their employment in any manner contrary to applicable law or regulation in any Relevant Jurisdiction, to the extent a breach of such law or regulation would have a significant and adverse impact on any Obligor, Security Provider, Manager or the Group taken as a whole; or

(ii) allow the employment of a Vessel, in the event of hostilities in any part of the world (whether war is declared or not), in any zone which is declared a war zone by any government or by the war risk insurers of any of the Vessels unless the Vessel Owner has (at its expense) effected any special, additional or modified insurance cover which shall be necessary or customary for good shipowners trading vessels within the territorial waters of such country at such time. The Obligors shall, upon request from the Agent, promptly provide evidence of such cover.

26.5 Classification and repairs

The Obligors shall ensure that:

(i) the Vessels maintain their respective class at the highest level with an Approved Classification Society, free of any material overdue conditions of class (subject only to paragraph (iii) below);

(ii) no change of class from that held by the respective Vessel at the date of this Agreement (other than to an Approved Classification Society) shall be undertaken for any Vessel unless with the prior consent of the Agent (acting on the instructions of the Majority Lenders);

(iii) following damage by casualty to a Vessel, carry out the appropriate repairs without undue delay; and

(iv) no modification of, or part removal in respect of a Vessel is carried out in a way that would materially diminish the value of the Vessel.

26.6 Inspections and class records

(a) The Obligors shall permit, and shall procure that any charterers and/or managers permit, one person appointed by the Agent to inspect the Vessels once each year for the account of the Borrower upon the Agent giving prior written notice, provided that such inspection shall not interfere with normal operation or trading.

(b) The Obligors shall, upon the Agent's reasonable request, obtain copies of all class records in relation to the Vessels.

26.7 Surveys

The Obligors shall submit or cause the Vessels to be submitted to such periodical or other surveys as may be required for classification purposes and to supply the Agent with copies of all survey reports or confirmation of class issued in respect thereof whenever such is required by the Agent.

26.8 Notification of certain events

The Borrower shall immediately upon becoming aware of it notify the Agent of:

(a) any accident to any of the Vessels involving repairs where the costs will or are likely to exceed USD 3,000,000 (or the equivalent amount in any other currency);

(b) any material requirement or recommendation made by any insurer or classification society or by any competent authority which is not, or cannot be, promptly complied with;

(c) any actual or threatened withdrawal, suspension, cancellation or modification of the ISSC;

(d) any exercise or purported exercise of any capture, seizure, arrest or lien on any of the assets secured by the Transaction Security Documents;

(e) the occurrence of any material Environmental Claim against any of the Obligors or any of the Vessels, or any material incident, event or circumstance which may give rise to any such material Environmental Claim; and

(f) any occurrence as a result of which any of the Vessels has become or is, by the passing of time or otherwise, likely to become a Total Loss.

26.9 Arrest

The Obligors shall promptly pay and discharge:

(a) all liabilities which give or may give rise to maritime or possessory liens on or claims enforceable against any Vessel, its Insurances or Earnings;

(b) all tolls, taxes, dues, fines, penalties and other amounts charged in respect of any Vessel, its Insurances or Earnings; and

(c) all other outgoings whatsoever in respect of any Vessel, its Insurances or Earnings,

and forthwith upon receiving a notice of arrest of any of the Vessels, or their detention in exercise or purported exercise of any lien or claim, the Obligors shall procure its release by providing bail or providing the provision of security or otherwise as the circumstances may require.

26.10 Total Loss

In the event that a Vessel shall suffer a Total Loss, the Borrowers shall, within a period of ninety (90) days after the Total Loss Date, obtain and present to the Agent a written confirmation from the relevant insurers that the claim relating to the Total Loss has been accepted in full, and the insurance proceeds shall be paid to the Agent for application in accordance with the terms of this Agreement.

26.11 Vessel employment

26.11.1 Definitions

For the purpose of this Clause 26.11:

"Approved Jurisdiction" means Australia, Germany, Thailand, Argentina, Greece, Mexico, Tunisia, India, Morocco, Turkey, Brazil, Indonesia, UAE, Chile, Ireland, Philippines, UK, China, Jamaica, Poland, Vietnam, Colombia, Egypt, Kuwait and Taiwan .

"**Compliance Risk**" means an assessment of the contract counterparty with regards to its compliance with Sanctions applicable to it and laws relating to anti-bribery, anti-corruption, money laundering and any KYC checks to be carried out in order to comply with applicable laws.

"**Country Risk**" means an assessment of the country to ensure that it is not a jurisdiction which a Lender is not permitted by law or its internal rules from doing business with.

"**Long Term FSRU Charterparty**" means any Charterparty where a Vessel is operating in FSRU mode:

(a) for a period exceeding from its effectiveness, 12 Months; or

(b) which, following exercise of an optional extension, exceeds 12 Months.

"**Long Term LNGC Charterparty**" means any Charterparty where a Vessel is operating as a LNG carrier:

(a) for a period exceeding from its effectiveness, 12 Months; or

(b) which, following exercise of an optional extension, exceeds 12 Months.

"**Short Term Charterparty**" means any Charterparty where a Vessel is operating in FSRU mode or as an LNG carrier for a period of less than 12 Months (including any optional extensions).

26.11.2 Changes to Approved Jurisdiction

The list of countries identified as Approved Jurisdictions shall be reviewed on an annual basis, first time on the anniversary of this Agreement (each such date a **"Review Date"**), where:

(a) the Borrower may propose that new countries be added as an Approved Jurisdiction subject to approval from the Lenders; and

(b) the Agent may request that one or more countries are removed from the definition of Approved Jurisdictions to the extent:

(i) any event or circumstance has arisen in respect of that jurisdiction which, in the reasonable opinion of the Majority Lenders, causes or may cause reputational risk to a Lender or result in a Lender's breach of internal policy, if a Vessel would operate in that jurisdiction; and

(ii) no:

(A) bid for a contract has been submitted and is outstanding for any Vessel to operate in such jurisdiction;

(B) binding contract exists for the operation of any Vessel in such jurisdiction; and

(C) work is being performed by any Vessel in such jurisdiction.

The request for adding or removal of jurisdiction(s) from/to the definition of Approved Jurisdiction shall be made in writing within fifteen (15) Business Days of the relevant Review Date and the amendment of the definition of Approved Jurisdiction shall become effective on the date of the request or acceptance (as the case may be) being delivered to the Borrower.

26.11.3 Vessel employment

(a) Each Vessel Owner and Intra-Group Charterer agree not to employ the Vessel owned by a Vessel Owner or permit its employment under a time or bareboat charter for any period other than as permitted below:

(i) **Intra-group chartering:** on a time or bareboat charter to an Intra-Group Charterer;

(ii) **Short term charterparties:** on a Short Term Charterparty;

(iii) **Long term LNGC charterparties:** on a Long Term LNGC Charterparty to a well-known reputable international oil and/or gas major (or a subsidiary of such oil and/or gas major), or otherwise with the consent of the Lenders (such consent not to be unreasonably withheld or delayed);

(iv) **Long term FSRU charterparties**: a Long Term FSRU Charterparty to a well-known reputable international oil and/or gas major (or a subsidiary of such oil and/or gas major) or otherwise to a Charterer approved by the Lenders (such approval not to be unreasonably withheld and the assessment shall only relate to Compliance Risk (which in the case of a refusal by the Lenders shall be accompanied by the justification by the relevant Lender(s) for such refusal)) in each case provided that the Vessel will operate in an Approved Jurisdiction or if the jurisdiction is not an Approved Jurisdiction with the consent of the Lenders (which shall not be unreasonably withheld and the assessment shall only relate to Country Risk); or

(v) **Bareboat charterparties Höegh LNG O&M:** on a bareboat charter (i) if the Charterer is a well-known reputable international oil and/or gas major (or a subsidiary of such oil and/or gas major), or (ii) with the consent of the Lenders (such approval not to be unreasonably withheld and the assessment shall only relate to Compliance Risk (which in the case of a refusal by the Lenders shall be accompanied by the justification by the relevant Lender(s) for such refusal)) and in each case provided that, if the Vessel will be based in one location for the duration of such bareboat charter, the Vessel will operate in an Approved Jurisdiction or if the jurisdiction is not an Approved Jurisdiction with the consent of the Lenders (which shall not be unreasonably withheld and the assessment shall only relate to Country Risk).

(b) Changes to any Charterparties with an initial duration in excess of twelve (12) months (including the exercise of any optional extension) or any bareboat charters approved by the Lenders pursuant to (a)(iv) and (a)(v) shall be permitted without the consent of the Lenders provided that such changes do not relate to counterparty or the country in which the Vessel will operate, in which case such amendment shall be subject to consent of the Lenders (such consent not to be unreasonably withheld or delayed and to be assessed in accordance with the principles set out in this Clause 26.11 and any refusal to be accompanied by the justification from the relevant Lender(s) for such refusal).

26.11.4 Environmental and social matters

Subject to a Long Term FSRU Charterparty (other than any Long Term FSRU Charterparty currently existing at the time of this Agreement) being in place at a given location, the Borrower shall as soon as possible and in any event no later than when such Long Term FSRU Charterparty has been entered into and has become firm and binding, provide documentation that environmental and social issues at the relevant location have been adequately addressed to the reasonable satisfaction of Eksportkreditt and in particular:

(a) provide the Agent with a list of permits and requirements applicable to the Vessel(s) if it shall operate within an existing port and harbour infrastructure;

(b) provide the Agent with an environmental and social impacts assessment (ESIA) that meets in all material respect the relevant Performance Standards of the International Finance Corporation (IFCs PS) and the relevant Environmental, Health, and Safety Guidelines of the World Bank Group (EHS Guidelines), such ESIA to include the requirement laid down with regard to the operation of the Vessel(s) at the location and be made available to the Agent; and

(c) if applicable, provide the Agent with an Environmental and Social Management Plan (ESMP) in respect of issues raised in the assessment process and incorporate actions required to comply with the applicable standards.

26.11.5 Management systems

The Borrower shall document appropriate management systems for the environment, health and safety, and labour and working conditions on board the Vessel (including ISO 14001 and ILO MLC 2006).

27. EVENTS OF DEFAULT

Each of the events or circumstances set out in this Clause 27 is an Event of Default (save for Clause 27.17 Acceleration)).

27.1 Non-payment

The Borrower does not pay on the due date any amount payable pursuant to a Finance Document at the place and in the currency in which it is expressed to be payable unless:

(a) its failure to pay is caused by a Disruption Event or administrative or technical error affecting the transfer of funds despite timely payment instructions by the Obligor; and

(b) payment is made within three (3) Business Days of its due date.

27.2 Compliance with Financial Covenants and Insurances

Any requirement in Clause 24 (Financial Covenants) and/or Clause 26.3 (Insurances) is not satisfied.

27.3 Sanctions

The Obligors do not comply with Clause 25.3 (Sanctions).

27.4 Other obligations

(a) The Obligors do not comply with any provision of the Finance Documents, other than those set out in Clause 27.1 (Non-payment), 27.2 (Compliance with Financial covenants and Insurances) and Clause 27.3 (Sanctions).

(b) No Event of Default under (a) above will occur if the failure to comply is capable of remedy and is remedied within ten (10) Business Days of the earlier of the Agent giving notice to the Borrower or the Borrower or relevant Obligor becoming aware of the failure to comply.

27.5 Misrepresentation

Any representation or statement made or deemed to be made by an Obligor in the Finance Documents or any other document delivered by or on behalf of the Obligors under or in connection with any Finance Document is or proves to have been incorrect or misleading in any material respect when made or deemed to be made.

27.6 Cross default

(a) Any Financial Indebtedness of any member of the Group is not paid when due nor within any originally applicable grace period.

(b) Any Financial Indebtedness of any member of the Group is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an declared event of default (however described).

(c) Any commitment for any Financial Indebtedness of any member of the Group is cancelled or suspended by a creditor of any member of the Group as a result of an event of default (however described).

No Event of Default will occur under this Clause 27.6 (Cross default) if the aggregate amount of Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (a) to (c) above is less than USD 10,000,000 (or its equivalent in other currencies).

27.7 Insolvency

(a) Any Obligor:

(i) is unable or admits inability to pay its debts as they fall due; or

(ii) suspends or threatens to suspend making payments on any of its debts; or

(iii) by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors (excluding any Finance Party in its capacity as such) with a view to rescheduling any of its indebtedness.

(b) The value of the assets of any Obligor is less than its liabilities (taking into account contingent and prospective liabilities).

(c) A moratorium is declared in respect of any indebtedness of any Obligor. If a moratorium occurs, the ending of the moratorium will not remedy any Event of Default caused by that moratorium.

27.8 Insolvency proceedings

Other than to the extent allowed under this Agreement, any corporate action, legal proceedings or other procedure or step is taken in relation to:

(a) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of any Obligor;

(b) a composition, compromise, assignment or arrangement with any creditor (except for any member of the Group in respect of an Intra-Group Loan) of any Obligor;

(c) the appointment of a liquidator, receiver, administrative receiver, business rescue practitioner, administrator, compulsory manager or other similar officer in respect of any Obligor or any assets of an Obligor; or

(d) enforcement of any Security Interest over any assets of an Obligor,

or any analogous procedure or step is taken in any jurisdiction unless, however, that a petition for winding-up an Obligor is frivolous or vexatious and appropriate means are taken to dismiss the relevant action within ten (10) Business Days and it is stayed or dismissed within twenty (20) Business Days thereafter.

27.9 Creditors process

Any lien (except Permitted Encumbrances), expropriation, injunction restraint, arrest attachment, sequestration, distress or execution affects any asset secured by the Transaction Security Documents or any other undertakings, property, assets, rights or revenues (not secured by the Transaction Security Documents) of the Obligors in an aggregate amount of USD 3,000,000 (or equivalent in any other currency or currencies) and is not discharged within thirty (30) calendar days unless the Finance Parties have been provided with additional security in such form and substance and for such amounts as the Finance Parties may require.

27.10 Unlawfulness and invalidity

(a) It is or becomes unlawful or impossible for an Obligor to perform any of its obligations under the Finance Documents or any Security Interest created or expressed to be created or evidenced by the Transaction Security Documents ceases to be effective.

(b) Any obligation or obligations of the Obligors under any Finance Documents are not or cease to be legal, valid, binding or enforceable (subject to the Legal Reservations) and the cessation individually or cumulatively materially and adversely affects the interests of the Lenders under the Finance Documents.

(c) Any Finance Document ceases to be in full force and effect or any Security Interest created or expressed to be created or evidenced by the Transaction Security Documents ceases to be legal, valid, binding, enforceable or effective or is alleged by a party to it (other than a Finance Party) to be ineffective.

27.11 Failure to comply with final judgment

An Obligor fails within five (5) Business Days after becoming obliged to do so to comply with or pay any sum in an amount exceeding USD 10,000,000 (or the equivalent in other currencies) due from it under any final judgement or any final order (being one against which there is no right of appeal or if a right of appeal exists the time limit for making such appeal has expired and no appeal has been made or if an appeal has been made such appeal has been dismissed) made or given by any court of competent jurisdiction, provided, however, that such event shall not be deemed to constitute an Event of Default if the Obligor is entitled to insurance cover for the whole of such sum and the relevant insurers have confirmed liability and undertaken to make payment of the whole of such sum in writing to the person(s) entitled to payment and it is likely (in the reasonable opinion of the Agent) that the insurers will be able to make such payment within thirty (30) days.

27.12 Cessation of business

(a) An Obligor suspends or ceases or threatens to suspend or cease to carry on its business.

(b) Any substantial part of an Obligor's business or assets is destroyed, abandoned, seized, appropriated or forfeited or the authority or ability of any Obligor to conduct its business is limited or wholly or substantially curtailed by any seizure, expropriation, nationalisation, intervention, restriction or other action by or on behalf of any governmental, regulatory or other authority, which in the opinion of the Agent will or could reasonably be expected to adversely affect the Obligors' ability to perform its payment obligations under the Finance Documents.

27.13 Repudiation

(a) Any document related to the Finance Documents is repudiated in any material respect which in the opinion of the Agent will or could reasonably be expected to adversely affect the Obligors' ability to perform its payment obligations under the Finance Documents.

(b) Any claim for Insurances made by an Obligor is repudiated by an insurer following a Total Loss.

27.14 Litigation

Any litigation, arbitration, administrative, governmental, regulatory or other investigations, proceedings or disputes are commenced or threatened against any Obligor or its assets which has or are reasonably likely to have a Material Adverse Effect.

27.15 Authorisations and consents

Any authorisation, licence, consent, permission or approval required in connection with the entering into, validity, enforcement, completion or performance of any of the Finance Documents or any transactions contemplated thereby is revoked, terminated or modified or otherwise ceases to be in full force and effect and which is reasonably likely to have a Material Adverse Effect.

27.16 Material adverse change

Any other event or series of events occur which has or is likely to have a Material Adverse Effect.

27.17 Acceleration

On and at any time after the occurrence of an Event of Default which is continuing, the Agent may, and shall if so directed by the Majority Lenders, by notice to the Borrower:

(a) cancel the Total Commitments whereupon they shall immediately be cancelled;

(b) declare that all or part of the Loans, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents except for the Hedging Agreements be immediately due and payable, whereupon they shall become immediately due and payable;

(c) declare that all or part of the Loans and all other amounts accrued or outstanding under the Finance Documents except for the Hedging Agreements be payable on demand, whereupon they shall immediately become payable on demand by the Agent on the instructions of the Majority Lenders;

(d) start enforcement in respect of the Transaction Security established by the Transaction Security Documents;

(e) take any other action, with or without notice to the Borrower, exercise or direct the Security Agent to exercise or pursue any of its rights, remedies, powers or discretions conferred upon the Agent, the Security Agent or the other Finance Parties by any of the Finance Documents or by any applicable law or regulation as a consequence of such Event of Default which is continuing.

28. CHANGES TO THE LENDERS

28.1 Assignments and transfers by the Commercial Lenders

(a) Subject to this Clause 28, a Commercial Lender (the "**Existing Lender**") may:

(i) assign or have assumed any of its rights; or

(ii) transfer any of its rights and obligations,

to another bank or financial institution, or to a trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets (including without limitations a member of the European System of Central Banks) (the "**New Lender**"), subject to the prior consent of the Agent (in its sole discretion).

28.2 Assignment and transfers by the Commercial Guarantors

(a) Subject to this Clause 28, a Commercial Guarantor (the "**Existing Commercial Guarantor**") may:

(i) assign or have assumed any of its rights; or

(ii) transfer any of its rights and obligations,

to another bank or financial institution, or trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets (including without limitations a member of the European System of Central Banks) (the "**New Commercial Guarantor**", subject to the prior consent of the Agent and Eksportkreditt.

(b) Unless the Agent otherwise agrees and excluding an assignment or transfer to an Affiliate of a Commercial Guarantor, the New Commercial Guarantor shall, on the date upon which an assignment or transfer takes place, pay to the Agent (on behalf of Eksportkreditt) a transfer fee of USD 3,500.

(c) Clause 28.3 (Conditions of assignment or transfer), Clause 28.5 (Limitation of responsibility of Existing Lenders) and Clause 28.6 (Procedure for transfer) shall apply *mutatis mutandis* to a transfer by a Commercial Guarantor.

(d) If the conditions and procedure for transfer are satisfied, then on the Transfer Date the Agent and the New Commercial Guarantor shall acquire the same rights and assume the same obligations between themselves as they would have acquired and assumed had the New Commercial Guarantor been an Original Commercial Guarantor with the rights and/or obligations acquired or assumed by it as a result of the transfer and to that extent the Agent and the Existing Commercial Guarantor shall each be released from further obligations to each other under this Agreement.

28.3 Conditions of assignment or transfer

(a) Any assignment or transfer of part of a Finance Party's commitment shall be in a minimum amount of USD 20,000,000.

(b) The consent of the Borrower (which consent shall not be unreasonably withheld or delayed and provided always that in any event the Borrower's liability in respect of withholding for an increased cost will not be substantially increased by any transfer) is required for any assignment or transfer by an Existing Lender, unless the assignment or transfer is:

(i) to another Commercial Lender or an Affiliate of a Commercial Lender; or

(ii) made at a time when an Event of Default is continuing;

(iii) in respect of a rating downgrade of a Commercial Guarantor in accordance with clause 9.10 (Rating downgrade of a Commercial Guarantor).

(c) An assignment will only be effective on:

(i) receipt by the Agent of written confirmation from the New Lender (in form and substance satisfactory to the Agent) that the New Lender will assume the same obligations to the other Finance Parties as it would have been under if it was an Original Lender; and

(ii) the performance by the Agent of all necessary "know your customer" or other similar checks under all applicable laws and regulations in relation to such assignment to a New Lender, the completion of which the Agent shall promptly notify to the Existing Lender and the New Lender.

(d) A transfer will only be effective if the procedure set out in Clause 28.6 (Procedure for transfer) is complied with.

(e) The Borrower will be deemed to have given its consent for a transfer ten (10) Business Days after consent has been sought unless expressly refused within that period.

(f) If:

(i) a Commercial Lender assigns or transfers any of its rights or obligations under the Finance Documents or changes its Facility Office; and

(ii) as a result of circumstances existing at the date the assignment, transfer or change occurs, the Borrower would be obliged to make a payment to the New Lender acting through its new Facility Office under Clause 16 (Increased Costs),

then the New Lender or Commercial Lender acting through its new Facility Office is only entitled to receive payment under that Clause to the same extent as the Existing Lender or Commercial Lender acting through its previous Facility Office would have been if the assignment, transfer or change had not occurred. This paragraph (d) shall not apply in respect of an assignment or transfer made in the ordinary course of the primary syndication of the Facility.

(g) Each New Lender, by executing the relevant Transfer Certificate or otherwise, confirms, for the avoidance of doubt, that the Agent has authority to execute on its behalf any amendment or waiver that has been approved by or on behalf of the requisite Commercial Lender or Commercial Lenders in accordance with this Agreement on or prior to the date on which the transfer or assignment becomes effective in accordance with this Agreement and that it is bound by that decision to the same extent as the Existing Lender would have been had it remained a Commercial Lender.

28.4 Transfer fee

The New Lender shall, on the date upon which a transfer takes effect, pay to the Agent (for its own account) a transfer fee of USD 5,000.

28.5 Limitation of responsibility of Existing Lenders

(a) Unless expressly agreed to the contrary, an Existing Lender makes no representation or warranty and assumes no responsibility to a New Lender for:

(i) the legality, validity, effectiveness, adequacy or enforceability of the Finance Documents or any other documents;

(ii) the financial condition of any Obligor;

(iii) the performance and observance by any Obligor of its obligations under the Finance Documents or any other documents; or

(iv) the accuracy of any statements (whether written or oral) made in or in connection with any Finance Document or any other document;

and any representations or warranties implied by law are excluded.

(b) Each New Lender confirms to the Existing Lender and the other Finance Parties that it:

(i) has made (and shall continue to make) its own independent investigation and assessment of the financial condition and affairs of each Obligor and their related entities in connection with its participation in this Agreement and has not relied exclusively on any information provided to it by the Existing Lender or any other Finance Party in connection with any Finance Document; and

(ii) will continue to make its own independent appraisal of the creditworthiness of the Obligors and their related entities whilst any amount is or may be outstanding under the Finance Documents or any Commitment is in force.

(c) Nothing in any Finance Document obliges an Existing Lender to:

(i) accept a re-transfer or re-assignment from a New Lender of any of the rights and obligations assigned or transferred under this Clause 28 (Changes to the Lenders); or

(ii) support any losses directly or indirectly incurred by the New Lender by reason of the non-performance by any Obligor of its obligations under the Finance Documents or otherwise.

28.6 Procedure for transfer

(a) Subject to the conditions set out in Clause 28.2 (Conditions of assignment or transfer), a transfer is effected in accordance with paragraph (c) below when the Agent executes an otherwise duly completed Transfer Certificate delivered to it by the Existing Lender and the New Lender. The Agent shall, subject to paragraph (b) below, as soon as reasonably practicable after receipt by it of a duly completed Transfer Certificate appearing on its face to comply with the terms of this Agreement and delivered in accordance with the terms of this Agreement, execute that Transfer Certificate.

(b) The Agent shall only be obliged to execute a Transfer Certificate delivered to it by the Existing Lender and the New Lender once it is satisfied that the Existing Lender and the New Lender have complied with all necessary "know your customer" or similar checks under all applicable laws and regulations in relation to the transfer to such New Lender.

(c) On the Transfer Date:

(i) to the extent that in the Transfer Certificate the Existing Lender seeks to transfer by novation its rights and obligations under the Finance Documents and in respect of the Security Interest created by the Transaction Security Documents each of the Obligors and/or the Security Providers and the Existing Lender shall be released from further obligations towards one another under the Finance Documents and in respect of the Security Interest created by the Transaction Security Documents and their respective rights against one another under the Finance Documents and in respect of the Security Interest created by the Transaction Security Documents shall be cancelled (being the "**Discharged Rights and Obligations**");

(ii) each of the Obligors and/or the Security Providers and the New Lender shall assume obligations towards one another and/or acquire rights against one another which differ from the Discharged Rights and Obligations only insofar as the Obligors and/or the Security Providers and the New Lender have assumed and/or acquired the same in place of the the Obligors and/or the Security Providers and the Existing Lender;

(iii) the Agent, the Arrangers, the New Lender and the other Commercial Lenders shall acquire the same rights and assume the same obligations between themselves and in respect of the Security Interest created by the Transaction Security Documents as they would have acquired and assumed had the New Lender been an Original Lender with the rights, and/or obligations acquired or assumed by it as a result of the transfer and to that extent the Agent, the Arranger and the Existing Lender shall each be released from further obligations to each other under the Finance Documents; and

the New Lender shall become a Party as a "**Commercial Lender**".

28.7 Copy of Transfer Certificate

The Agent shall, as soon as reasonably practicable after it has executed a Transfer Certificate, or another instrument for assignments under this Clause 28 (Changes to the Lenders), send to the Borrower a copy of that Transfer Certificate or such other instrument as applicable.

28.8 Security over Lenders' rights

(a) In addition to the other rights provided to the Lenders under this Clause 28 (Changes to the Lenders), each Lender may without consulting with or obtaining any consent from any Obligor, at any time charge, assign or otherwise create Security Interests in or over (whether by way of collateral or otherwise) all or any of its rights under any Finance Documents to secure obligations of that Lender including, without limitation:

(i) any charge, assignment or other Security Interest to secure obligations to a federal reserve or central bank;

(ii) in connection with any securitisation, covered bond program or any similar or equivalent transaction; and

(iii) in the case of any Lender which is a fund, any charge, assignment or other Security Interest granted to any holders (or trustee or representatives of holders) of obligations owed, or securities issued, by that Lender as security for those obligations or securities,

(b) No charge, assignment or Security Interest granted pursuant to paragraph (a) above shall:

(i) release a Lender from any of its obligations under the Finance Documents or substitute the beneficiary of the relevant charge, assignment or other Security Interest for the Lender as a party to any of the Finance Documents; or

(ii) require any payments to be made by the Obligors other than or in excess of, or grant to any person any more extensive rights than, those required to be made or granted to the relevant Lender under the Finance Documents.

28.9 Pro rata interest settlement

If the Agent has notified the Commercial Lenders that it is able to distribute interest payments on a "pro rata basis" to Existing Lenders and New Lenders then (in respect of any transfer pursuant to Clause 28.6 (Procedure for transfer) the Transfer Date of which, in each case, is after the date of such notification and is not on the last day of an Interest Period):

(a) any interest or fees in respect of the relevant participation which are expressed to accrue by reference to the lapse of time shall continue to accrue in favour of the Existing Lender up to but excluding the Transfer Date ("Accrued Amounts") and shall become due and payable to the Existing Lender (without further interest accruing on them) on the last day of the current Interest Period (or, if the Interest Period is longer than six (6) months, on the next of the dates which falls at six (6) monthly intervals after the first day of that Interest Period); and

(b) the rights assigned or transferred by the Existing Lender will not include the right to the Accrued Amounts so that, for the avoidance of doubt:

(i) when the Accrued Amounts become payable, those Accrued Amounts will be payable for the account of the Existing Lender; and

(ii) the amount payable to the New Lender on that date will be the amount which would, but for the application of this Clause 28.9, have been payable to it on that date, but after deduction of the Accrued Amounts.

28.10 Disclosure of information

Any Finance Party may disclose to any of its Affiliates and any other person:

(a) to (or through) whom that Finance Party assigns or transfers (or may potentially assign or transfer) all or any of its rights and obligations under this Agreement; or

(b) to whom, and to the extent that, information is required to be disclosed by any applicable law or regulation,

any information about any Obligor, the Group and the Finance Documents as that Finance Party shall consider appropriate.

29. CHANGES TO THE OBLIGORS

29.1 Assignment or transfer by Obligors

(a) No Obligor may:

(i) assign any of its rights; or

(ii) transfer any of its rights or obligations

under the Finance Documents unless with the prior written consent of all Lenders.

(b) Notwithstanding paragraph (a) above, a Hedging Agreement and/or transactions thereunder, as applicable, may nonetheless be assigned, transferred or novated without the prior written consent of the Lenders.

29.2 Additional Guarantors

(a) The Borrower may request to the Agent that any member of the Group becomes an Additional Guarantor.

(b) The Borrower shall procure that any party becoming Vessel Owner or Intra-Group Charterer shall become an Additional Guarantor no later than (i) for Intra-Group Charterers, the date of the commencement of any Charterparty to which it is a party, and (ii) for Vessel Owners, as set out in Clause 25.11(e) (Ownership).

(c) A party shall become an Additional Guarantor if the Agent has received all of the documents and other evidence listed in Part III of Schedule 4 (Conditions Precedent) in relation to that Additional Guarantor, each in form and substance satisfactory to the Agent.

(d) The Agent shall notify the Borrower and the Lenders promptly upon being satisfied that it has received (in form and substance satisfactory to it) all the documents and other evidence as listed in Part III of Schedule 4 (Conditions Precedent).

(e) Other than to the extent the Majority Lenders notify the Agent in writing to the contrary before the Agent gives the notification described in paragraph (d) above, the Lenders authorise (but do not require) the Agent to give that notification. The Agent shall not be liable for any damages, costs or losses whatsoever as a result of giving any such notification.

29.3 Resignation of a Guarantor

(a) The Borrower may request that a Guarantor ceases to be a Guarantor by delivering to the Agent a Resignation Letter if:

(i) that Guarantor is no longer a Vessel Owner or an Intra-Group Charterer and has been replaced by an Additional Guarantor being the new Vessel Owner or the new Intra-Group Charterer (if applicable) in accordance with the terms of this Agreement; and

(ii) the Agent is satisfied (acting reasonably) that no Earnings are owed under the relevant Charterparty,

(b) The Agent shall accept a Resignation Letter and notify the Borrower and the Lender of its acceptance if:

(i) the Borrower has confirmed that no Default is continuing or would result from the acceptance of the Resignation Letter; and

(ii) no payment is due from the Guarantor under Clause 20 (Guarantee and indemnity);

29.4 Resignation and release of Security Interest

(a) Subject to a closing procedure to be agreed between the Borrower and the Agent (each acting reasonably), any Transaction Security Document and any Security Interest granted thereunder by or in respect of the relevant Guarantor who is to be released, shall be released by the Agent at the cost and request of the Borrower, if:

(i) the Agent is satisfied (acting reasonably) that no Earnings are owed under the relevant Charterparty;

(ii) the new Vessel Owner or Intra-Group Charterer (if applicable) has acceded to the Agreement as an Additional Guarantor in accordance with the terms of Clause 29.2 (Additional Guarantors); and

(iii) Transaction Security has been granted over or by the Additional Guarantor replacing an existing Guarantor or Security Provider (if applicable) as contemplated by this Agreement;

(iv) no Default is continuing or would result from the release of the relevant Transaction Security Document.

(b) Each Lender and each other Finance Party authorises the Agent to release any Security Interest granted pursuant to a Transaction Security Document in accordance with the terms of this Clause 29.4.

29.5 Representations

Delivery of an Accession Letter constitutes confirmation by the relevant Additional Guarantor that each of the representations and warranties set out in Clause 22 (Representations) of this Agreement is true and correct in relation to it as at the date of delivery as if made by reference to the facts and circumstances then existing.

30. ROLE OF THE AGENT, THE SECURITY AGENT AND, THE ARRANGERS AND THE REFERENCE BANKS

In this Clause 30, "Finance Document" or "Finance Documents" shall not comprise Hedging Agreements.

30.1 Appointment of the Agent and the Security Agent

(a) Each other Finance Party appoints the Agent to act as its agent under and in connection with the Finance Documents.

(b) Each other Finance Party appoints the Security Agent to act as its security agent under and in connection with the Finance Documents, and the Parties agree that the Security Agent holds the Transaction Security as such agent and trustee for the benefit of the Finance Parties on the terms set out in this Agreement and the other Finance Documents.

(c) Each of the Finance Parties authorises the Agent and the Security Agent to perform the duties, obligations and responsibilities and to exercise the rights, powers, authorities and discretions specifically given to the Agent and the Security Agent (as applicable) under or in connection with the Finance Documents together with any other incidental rights, powers, authorities and discretions.

30.2 Enforcement through Security Agent

Unless otherwise stated to the contrary in any Finance Document, the Secured Parties shall not have any independent power to enforce, or have recourse to, any of the Transaction Security or to exercise any right, power, authority or discretion arising under the Security Documents except through the Security Agent.

30.3 Instructions

(a) The Agent shall:

(i) unless a contrary indication appears in a Finance Document, exercise or refrain from exercising any right, power, authority or discretion vested in it as Agent in accordance with any instructions given to it by:

(A) all Lenders if the relevant Finance Document stipulates the matter is an all Lender decision; and

(B) in all other cases, the Majority Lenders; and

(ii) not be liable for any act (or omission) if it acts (or refrains from acting) in accordance with paragraph (i) above.

(b) The Agent shall be entitled to request instructions, or clarification of any instruction, from the Majority Lenders (or, if the relevant Finance Document stipulates the matter is a decision for any other Lender or group of Lenders, from that Lender or group of Lenders) as to whether, and in what manner, it should exercise or refrain from exercising any right, power, authority or discretion. The Agent may refrain from acting unless and until it receives any such instructions or clarification that it has requested.

(c) Save in the case of decisions stipulated to be a matter for any other Lender or group of Lenders under the relevant Finance Document and unless a contrary indication appears in a Finance Document, any instructions given to the Agent by the Majority Lenders shall override any conflicting instructions given by any other Parties and will be binding on all Finance Parties.

(d) The Agent may refrain from acting in accordance with any instructions of any Lender or group of Lenders until it has received any indemnification and/or security that it may in its discretion require (which may be greater in extent than that contained in the Finance Documents and which may include payment in advance) for any cost, loss or liability which it may incur in complying with those instructions.

(e) In the absence of instructions, the Agent may act (or refrain from acting) as it considers to be in the best interest of (in the case of the Agent) the Finance Parties and (in the case of the Security Agent) the Secured Parties.

(f) The Agent is not authorised to act on behalf of a Finance Party (without first obtaining that Finance Party's consent) in any legal or arbitration proceedings relating to any Finance Document, provided however that this paragraph (f) shall not apply to any legal or arbitration proceeding relating to the perfection, preservation or protection of rights under the Transaction Security Documents or enforcement of the Transaction Security or Transaction Security Documents.

30.4 Duties of the Agent and the Security Agent

(a) The duties of the Agent and the Security Agent under the Finance Documents are solely mechanical and administrative in nature.

(b) Subject to paragraph (c) below, each of the Agent and the Security Agent shall promptly forward to a Party the original or a copy of any document which is delivered to the Agent or Security Agent (as applicable) for that Party by any other Party.

(c) Paragraph (b) above shall not apply to any Transfer Certificate or any Increase Confirmation.

(d) Except where a Finance Document specifically provides otherwise, neither the Agent nor the Security Agent is obliged to review or check the adequacy, accuracy or completeness of any document it forwards to another Party.

(e) If the Agent or the Security Agent receives notice from a Party referring to any Finance Document, describing a Default and stating that the circumstance described is a Default, it shall promptly notify the other Finance Parties.

(f) If the Agent is aware of the non-payment of any principal, interest, commitment fee or other fee payable to a Finance Party (other than the Agent, the Arrangers or the Security Agent) under this Agreement, it shall promptly notify the other Finance Parties.

(g) Each of the Agent and the Security Agent shall have only those duties, obligations and responsibilities expressly specified in the Finance Documents to which it is expressed to be a party (and no others shall be implied).

30.5 Particular duties of the Agent in respect of Eksportkreditt

(a) The Agent shall as Agent in respect of Eksportkreditt exercise the same care as it normally exercises in making and handling loans for its own account, and hereunder:

(i) calculate and inform the Borrower of interest and instalments, guarantee premium and all amounts and sums pursuant to 14 (Fees), receive (on behalf of Eksportkreditt) and make payments to Eksportkreditt of such amounts and sums due to Eksportkreditt on the respective due dates of each such payment provided that the Agent has received payment for such amount and sums from the Borrower in time to make the respective payment to Eksportkreditt;

(ii) supply Eksportkreditt with financial information which the Agent has received in accordance with Clause 23.1 (Financial statements), and notify Eksportkreditt of any non-compliance with Clause 23.2 (Provision and contents of Compliance Certificate);

(iii) inform Eksportkreditt of any non-compliance with paragraph (e) of Clause 26.3 (Insurances); and

(iv) upon request by Eksportkreditt; demand from the Borrower and/or the Guarantors that non-compliance with the provisions set out above be immediately remedied (if capable of remedy), subject always to the provisions of Clause 27.17 Acceleration and Clause 40 (AMENDMENTS AND WAIVERS).

(b) The Agent assumes no responsibility and neither the Agent nor any of its officers, directors, employees or agents shall be liable to Eksportkreditt for any action taken or mitted to be taken hereunder or in connection with this Agreement unless caused by negligence or wilful misconduct.

30.6 Role of the Arrangers and the Coordinator

Except as specifically provided in the Finance Documents to the contrary, neither the Arrangers nor the Coordinator have any obligations of any kind to any other Party under or in connection with any Finance Document.

30.7 No fiduciary duties

(a) Nothing in any Finance Document constitutes the Agent, the Security Agent, the Coordinator or the Arrangers as a trustee or fiduciary of any other person.

(b) None of the Agent, the Security Agent, the Coordinator or the Arrangers shall be bound to account to any other Finance Party or (in the case of the Security Agent) any Secured Party for any sum or the profit element of any sum received by it for its own account.

30.8 Business with the Group

The Agent, the Security Agent, the Coordinator and the Arrangers may accept deposits from, lend money to and generally engage in any kind of banking or other business with any member of the Group and their respective Affiliates.

30.9 Rights and discretions

(a) Each of the Agent and the Security Agent may:

(i) rely on any representation, communication, notice or document believed by it to be genuine, correct and appropriately authorised;

(ii) assume that:

(A) any instructions received by it from the Majority Lenders, any Lenders or any group of Lenders are duly given in accordance with the terms of the Finance Documents; and

(B) unless it has received notice of revocation, that those instructions have not been revoked; and

(iii) rely on a certificate from any person:

(A) as to any matter of fact or circumstance which might reasonably be expected to be within the knowledge of that person; or

(B) to the effect that such person approves of any particular dealing, transaction, step, action or thing,

as sufficient evidence that that is the case and, in the case of paragraph (A) above, may assume the truth and accuracy of that certificate.

(b) Each of the Agent and the Security Agent may assume (unless it has received notice to the contrary in its respective capacity as agents for the Lenders) that:

(i) no Default has occurred (unless it has actual knowledge of a Default arising under Clause 27.1 (Non-payment);

(ii) any right, power, authority or discretion vested in any Party or the Majority Lenders has not been exercised; and

(iii) any notice or request made by the Borrower (other than a Utilisation Request) is made on behalf of and with the consent and knowledge of all the Obligors.

(c) Each of the Agent and the Security Agent may engage and pay for the advice or services of any lawyers, accountants, tax advisers, surveyors or other professional advisers or experts.

(d) Without prejudice to the generality of paragraph (c) above or paragraph (e) below, each of the Agent and the Security Agent may at any time engage and pay for the services of any lawyers to act as independent counsel to the Agent or Security Agent (as applicable), and so separate from any lawyers instructed by the Lenders, if the Agent or Security Agent (as applicable) in its reasonable opinion deems this to be desirable.

(e) Each of the Agent and the Security Agent may rely on the advice or services of any lawyers, accountants, tax advisers, surveyors or other professional advisers or experts (whether obtained by the Agent, the Security Agent or by any other Party) and shall not be liable for any damages, costs or losses to any person, any diminution in value or any liability whatsoever arising as a result of its so relying.

(f) Each of the Agent and the Security Agent may act in relation to the Finance Documents through its officers, employees and agents and shall not:

(i) be liable for any error of judgment made by any such person; or

(ii) be bound to supervise, or be in any way responsible for, any loss incurred by reason of misconduct, omission or default on the part, of any such person,

unless such error or such loss was directly caused by the Agent's or the Security Agent's (as applicable) gross negligence or wilful misconduct.

(g) Unless a Finance Document expressly provides otherwise each of the Agent and the Security Agent may disclose to any other Party any information it reasonably believes it has received as agent or security agent respectively under the Finance Documents.

(h) Without prejudice to the generality of paragraph (g) above, the Agent:

(i) may disclose; and

(ii) on the written request of the Borrower or the Majority Lenders shall, as soon as reasonably practicable, disclose,

the identity of a Defaulting Lender to the Borrower and to the other Finance Parties.

(i) Notwithstanding any other provision of any Finance Document to the contrary, none of the Agent, the Security Agent, the Coordinator or the Arrangers is obliged to do or omit to do anything if it would, or might in its reasonable opinion, constitute a breach of any law or regulation or a breach of a fiduciary duty or duty of confidentiality.

(j) The Agent is not obliged to disclose to any Finance Party any details of the rate notified to the Agent by any Lender or the identity of any such Lender for the purpose of paragraph 13.4 (Cost of funds).

(k) Notwithstanding any provision of any Finance Document to the contrary, neither the Agent, nor the Security Agent shall be obliged to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties, obligations or responsibilities or the exercise of any right, power, authority or discretion if it has grounds for believing the repayment of such funds or adequate indemnity against, or security for, such risk or liability is not reasonably assured to it.

30.10 Responsibility for documentation

None of the Agent, the Security Agent, the Coordinator or the Arrangers is responsible or liable for:

(a) the adequacy, accuracy or completeness of any information (whether oral or written) supplied by the Agent, the Security Agent, the Coordinator or the Arrangers, an Obligor or any other person in or in connection with any Finance Document or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document;

(b) the legality, validity, effectiveness, adequacy or enforceability of any Finance Document or the Transaction Security or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document; or

(c) any determination as to whether any information provided or to be provided to any Finance Party is non-public information the use of which may be regulated or prohibited by applicable law or regulation relating to insider dealing or otherwise.

30.11 No duty to monitor

Neither the Agent nor the Security Agent shall be bound to enquire:

(a) whether or not any Default has occurred;

(b) as to the performance, default or any breach by any Party of its obligations under any Finance Document; or

(c) whether any other event specified in any Finance Document has occurred.

30.12 Exclusion of liability

(a) Without limiting paragraph (b) below (and without prejudice to any other provision of any Finance Document excluding or limiting the liability of the Agent, the Security Agent, a Receiver or Delegate), none of the Agent, the Security Agent, any Receiver, Delegate will be liable for:

(i) any damages, costs or losses to any person, any diminution in value, or any liability whatsoever arising as a result of taking or not taking any action under or in connection with any Finance Document or the Transaction Security, unless directly caused by its gross negligence or wilful misconduct;

(ii) exercising, or not exercising, any right, power, authority or discretion given to it by, or in connection with, any Finance Document, the Transaction Security or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with, any Finance Document or the Transaction Security; or

(iii) any shortfall which arises on the enforcement or realisation of the Transaction Security; or

(iv) without prejudice to the generality of paragraphs (i) and (ii) above, any damages, costs or losses to any person, any diminution in value or any liability whatsoever arising as a result of:

(A) any act, event or circumstance not reasonably within its control; or

(B) the general risks of investment in, or the holding of assets in, any jurisdiction,

including (in each case and without limitation) such damages, costs, losses, diminution in value or liability arising as a result of: nationalisation, expropriation or other governmental actions, any regulation, currency restriction, devaluation or fluctuation; market conditions affecting the execution or settlement of transactions or the value of assets (including any Disruption Event); breakdown, failure or malfunction of any third party transport, telecommunications, computer services or systems; natural disasters or acts of God; war, terrorism, insurrection or revolution; or strikes or industrial action.

(b) No Party (other than the Agent, the Security Agent, that Receiver or that Delegate, (as applicable)) may take any proceedings against any officer, employee or agent of the Agent, the Security Agent, a Receiver or a Delegate in respect of any claim it might have against the Agent, the Security Agent, a Receiver or a Delegate or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Finance Document and any officer, employee or agent of the Agent, the Security Agent, a Receiver or a Delegate may rely on this provision.

(c) Neither the Agent nor the Security Agent will be liable for any delay (or any related consequences) in crediting an account with an amount required under the Finance Documents to be paid by the Agent or the Security Agent (as applicable) if the Agent or Security Agent (as applicable) has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by the Agent or Security Agent (as applicable) for that purpose.

(d) Nothing in this Agreement shall oblige the Agent, the Security Agent, the Coordinator or the Arrangers to carry out:

(i) any “know your customer” or other checks in relation to any person; or

(ii) any check on the extent to which any transaction contemplated by this Agreement might be unlawful for any Finance Party,

on behalf of any Finance Party, and each Finance Party confirms to the Agent, the Security Agent and the Arrangers that it is solely responsible for any such checks it is required to carry out and that it may not rely on any statement in relation to such checks made by either of the Agent, the Security Agent, the Coordinator or the Arrangers.

(e) Without prejudice to any provision of any Finance Document excluding or limiting the liability of the Agent or the Security Agent, any Receiver or Delegate, any liability of the Agent or the Security Agent, any Receiver or Delegate arising under or in connection with any Finance Document or the Transaction Security shall be limited to the amount of actual loss which has been finally judicially determined to have been suffered (as determined by reference to the date of default of the Agent, Security Agent, Receiver or Delegate or, if later, the date on which the loss arises as a result of such default) but without reference to any special conditions or circumstances known to the Agent, the Security Agent, any Receiver or Delegate at any time which increase the amount of that loss. In no event shall the Agent, the Security Agent, any Receiver or Delegate be liable for any loss of profits, goodwill, reputation, business opportunity or anticipated saving, or for special, punitive, indirect or consequential damages, whether or not the Agent, the Security Agent, the Receiver or Delegate have been advised of the possibility of such loss or damages.

30.13 Finance Parties' indemnity to the Agent and the Security Agent

(a) Each Lender shall (in proportion to its share of the Total Commitments or, if the Total Commitments are then zero, to its share of the Total Commitments immediately prior to their reduction to zero) indemnify the Agent, within three (3) Business Days of demand, against any cost, loss or liability (including, without limitation, for negligence or any other category of liability whatsoever) incurred by the Agent (otherwise than by reason of the Agent's gross negligence or wilful misconduct) (or, in the case of any cost, loss or liability pursuant to Clause 34.11 (Disruption to payment systems etc.) notwithstanding the Agent's gross negligence or any other category of liability whatsoever but not including any claim based on the fraud of the Agent in acting as Agent under the Finance Documents (unless the Agent has been reimbursed by an Obligor pursuant to a Finance Document).

(b) Each other Finance Party shall (in proportion to its share of all amounts outstanding and/or available for drawing under the Finance Documents) indemnify the Security Agent and every Receiver and every Delegate, within three (3) Business Days of demand, against any cost, loss or liability incurred by the Security Agent, Receiver or Delegate as applicable (otherwise than by reason of the Security Agent's or the Receiver's or the Delegate's, as applicable, gross negligence or wilful misconduct) in acting as Security Agent, Receiver or Delegate under the Finance Documents (unless the relevant Security Agent, Receiver or Delegate has been reimbursed by an Obligor pursuant to a Finance Document).

(c) Subject to paragraph (d) below, the Borrower shall immediately on demand reimburse any Finance Party for any payment that Finance Party makes to the Agent or the Security Agent pursuant to paragraphs (a) and (b) above.

(d) Paragraph (c) above shall not apply to the extent that the indemnity payment in respect of which the Lender claims reimbursement relates to a liability of the Agent or the Security Agent to an Obligor.

30.14 Resignation of the Agent or the Security Agent

(a) Each of the Agent and the Security Agent may resign and appoint one of its Affiliates acting through an office in Norway, the United Kingdom or in a country which is a member of the European Union as successor by giving notice to the other Finance Parties and the Obligors.

(b) Alternatively the Agent or the Security Agent may resign by giving 30 days' notice to the other Finance Parties and the Borrower, in which case the Majority Lenders (after consultation with the Borrower) may appoint a successor Agent or Security Agent as applicable.

(c) If the Majority Lenders have not appointed a successor Agent or Security Agent in accordance with paragraph (b) above within 20 days after notice of resignation was given, the Agent (after consultation with the Borrower) may appoint a successor Agent or Security Agent (as applicable) acting through an office in Norway, the United Kingdom or in a country which is a member of the European Union.

(d) If the Agent wishes to resign because (acting reasonably) it has concluded that it is no longer appropriate for it to remain as agent and the Agent is entitled to appoint a successor Agent under paragraph (c) above, the Agent may (if it concludes (acting reasonably) that it is necessary to do so in order to persuade the proposed successor Agent to become a party to this Agreement) agree with the proposed successor Agent amendments to this Clause 30 and any other term of this Agreement dealing with the rights or obligations of the Agent consistent with then current market practice for the appointment and protection of corporate agents together with any reasonable amendments to the agency fees payable under this Agreement which are consistent with the successor Agent's normal fee rates and those amendments will bind the Parties.

(e) The retiring Agent or Security Agent shall make available to the successor Agent or Security Agent (as applicable) such documents and records and provide such assistance as the successor may reasonably request for the purposes of performing its functions as Agent or Security Agent under the Finance Documents.

(f) The resignation notice of the Agent or Security Agent (as applicable) shall only take effect upon:

(i) the appointment of a successor; and

(ii) in the case of the Security Agent, the transfer of the Transaction Security to that successor.

(g) Upon the appointment of a successor, the retiring Agent or Security Agent (as applicable) shall be discharged from any further obligation in respect of the Finance Documents (other than its obligations under paragraph (e) above) but shall remain entitled to the benefit of Clause 17.3 (Indemnity to the Agent and the Security Agent) and this Clause 30 (and any agency fees for the account of the retiring Agent or Security Agent shall cease to accrue from (and shall be payable on) that date). Any successor and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original Party.

(h) After consultation with the Borrower, the Majority Lenders may, by giving 30 days' notice to the Agent or the Security, require it to resign in accordance with paragraph (b) above. In this event, the Agent or the Security Agent (as applicable) shall resign in accordance with paragraph (b)above.

(i) The Agent shall resign in accordance with paragraph (b) above (and, to the extent applicable, shall use reasonable endeavours to appoint a successor Agent pursuant to paragraph (c) above) if on or after the date which is three months before the earliest FATCA Application Date relating to any payment to the Agent under the Finance Documents, either:

(i) the Agent fails to respond to a request under Clause 15.7 (FATCA Information) and the Borrower or a Lender reasonably believes that the Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date;

(ii) the information supplied by the Agent pursuant to Clause 15.7 FATCA Information indicates that the Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date; or

(iii) the Agent notifies the Borrower and the Lenders that the Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date;

and (in each case) the Borrower or a Lender reasonably believes that a Party will be required to make a FATCA Deduction that would not be required if the Agent were a FATCA Exempt Party, and the Borrower or that Lender, by notice to the Agent, requires it to resign.

30.15 Replacement of the Agent

(a) After consultation with the Borrower, the Majority Lenders may, by giving 30 days' notice to the Agent (or, at any time the Agent is an Impaired Agent, by giving any shorter notice determined by the Majority Lenders) replace the Agent by appointing a successor Agent.

(b) The retiring Agent shall (at its own cost if it is an Impaired Agent and otherwise at the expense of the Lenders) make available to the successor Agent such documents and records and provide such assistance as the successor Agent may reasonably request for the purposes of performing its functions as Agent under the Finance Documents.

(c) The appointment of the successor Agent shall take effect on the date specified in the notice from the Majority Lenders to the retiring Agent. As from this date, the retiring Agent shall be discharged from any further obligation in respect of the Finance Documents (other than its obligations under paragraph (b) above) but shall remain entitled to the benefit of Clause 17.3 (Indemnity to the Agent and the Security Agent) and this Clause 30 (and any agency fees for the account of the retiring Agent shall cease to accrue from (and shall be payable on) that date).

(d) Any successor Agent and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original Party.

30.16 Confidentiality

(a) In acting as agent or security agent for the Finance Parties, the Agent or Security Agent (as applicable) shall be regarded as acting through its agency division which shall be treated as a separate entity from any other of its divisions or departments.

(b) If information is received by another division or department of the Agent or Security Agent, it may be treated as confidential to that division or department and the Agent or Security Agent (as applicable) shall not be deemed to have notice of it.

30.17 Relationship with the Lenders

(a) The Agent may treat the person shown in its records as Lender at the opening of business (in the place of the Agent's principal office as notified to the Finance Parties from time to time) as the Lender acting through its Facility Office:

(i) entitled to or liable for any payment due under any Finance Document on that day; and

(ii) entitled to receive and act upon any notice, request, document or communication or make any decision or determination under any Finance Document made or delivered on that day,

unless it has received not less than five (5) Business Days' prior notice from that Lender to the contrary in accordance with the terms of this Agreement.

(b) Any Lender may by notice to the Agent appoint a person to receive on its behalf all notices, communications, information and documents to be made or despatched to that Lender under the Finance Documents. Such notice shall contain the address and e-mail address and/or any other information required to enable the transmission of information by that means (and, in each case, the department or officer, if any, for whose attention communication is to be made) and be treated as a notification of a substitute address, e-mail address (or such other information), department and officer by that Lender for the purposes of Clause 36.2 (Addresses) and the Agent shall be entitled to treat such person as the person entitled to receive all such notices, communications, information and documents as though that person were that Lender.

(c) Each Finance Party shall supply the Security Agent with any information that it may reasonably specify as being necessary or desirable to enable the Security Agent to perform its functions under the Finance Documents.

30.18 Credit appraisal by the Finance Parties

Without affecting the responsibility of any Obligor for information supplied by it or on its behalf in connection with any Finance Document, each Finance Party confirms to the Agent and the Arrangers, and each Secured Party confirms to the Security Agent, that it has been, and will continue to be, solely responsible for making its own independent appraisal and investigation of all risks arising under or in connection with any Finance Document including but not limited to:

(a) the financial condition, status and nature of each member of the Group;

(b) the legality, validity, effectiveness, adequacy or enforceability of any Finance Document, Transaction Security and any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document or the Transaction Security;

(c) whether that Finance Party has recourse, and the nature and extent of that recourse, against any Party or any of its respective assets under or in connection with any Finance Document, the Transaction Security, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document or the Transaction Security;

(d) the adequacy, accuracy or completeness of any information provided by the Agent, any Party or by any other person under or in connection with any Finance Document, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document; and

(e) the right or title of any person in or to, or the value or sufficiency of any part of the asset subject to Transaction Security, the priority of any of the Transaction Security or the existence of any Security Interest affecting the assets subject to or intended to be subject to the Transaction Security.

30.19 Agent's and Security Agent's management time

Any amount payable to the Agent and the Security Agent under Clause 17.3 (Indemnity to the Agent and the Security Agent), Clause 19(Costs and expenses) and Clause 30.13 (Finance Parties' indemnity to the Agent and the Security Agent) shall include the cost of utilising the management time or other resources of the Agent or Security Agent (as applicable) and will be calculated on the basis of such reasonable daily or hourly rates as the Agent or Security Agent (as applicable) may notify to the Borrower and the other Finance Parties, and is in addition to any fee paid or payable to the Agent under Clause 14(Fees).

30.20 Deduction from amounts payable by the Agent

If any Party owes an amount to the Agent under the Finance Documents the Agent may, after giving notice to that Party, deduct an amount not exceeding that amount from any payment to that Party which the Agent would otherwise be obliged to make under the Finance Documents and apply the amount deducted in or towards satisfaction of the amount owed. For the purposes of the Finance Documents that Party shall be regarded as having received any amount so deducted.

30.21 No responsibility to perfect Transaction Security

The Agent or the Security Agent shall not be liable for any failure to:

(a) require the deposit with it of any deed or document certifying, representing or constituting the title of any Obligor to any of the assets subject to or intended to be subject to the Transaction Security;

(b) obtain any licence, consent or other authority for the execution, delivery, legality, validity, enforceability or admissibility in evidence of any Finance Document or the Transaction Security;

(c) register, file or record or otherwise protect any of the Transaction Security (or the priority of any of the Transaction Security) under any law or regulation or to give notice to any person of the execution of any Finance Document or of the Transaction Security;

(d) take, or to require any Obligor to take, any step to perfect its title to any of the assets subject to or intended to be subject to the Transaction Security or to render the Transaction Security effective or to secure the creation of any ancillary Security Interest under any law or regulation; or

(e) require any further assurance in relation to any Transaction Security Document.

30.22 Delegation by the Security Agent

(a) Each of the Security Agent, any Receiver and any Delegate may, at any time, delegate or sub-delegate by power of attorney or otherwise to any person for any period, all or any right, power, authority or discretion vested in it in its capacity as such.

(b) That delegation may be made upon any terms and conditions (including the power to sub-delegate) and subject to any restrictions that the Security Agent, that Receiver or that Delegate (as the case may be) may, in its discretion, think fit in the interests of the Secured Parties.

(c) No Security Agent, Receiver or Delegate shall be bound to supervise, or be in any way responsible for any damages, costs or losses incurred by reason of any misconduct, omission or default on the part of, any such delegate or sub-delegate.

30.23 Role of Reference Banks

(a) If a Reference Bank (or, if a Reference Bank is not a Lender, the Lender of which it is an Affiliate) ceases to be a Lender, the Agent shall (in consultation with the Borrower) appoint another Lender or an Affiliate of a Lender to replace that Reference Bank.

(b) No Reference Bank is under any obligation to provide a quotation or any other information to the Agent.

(c) No Reference Bank will be liable for any action taken by it under or in connection with any Finance Document, or for any Reference Bank Quotation, unless directly caused by its gross negligence or wilful misconduct.

(d) No Party (other than the relevant Reference Bank) may take any proceedings against any officer, employee or agent of any Reference Bank in respect of any claim it might have against that Reference Bank or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Finance Document or to any Reference Bank Quotation, and any officer, employee or agent of each Reference Bank may rely on this Clause 30.23.

30.24 Third party Reference Banks

A Reference Bank which is not a Party may rely on Clause 30.23 (Role of Reference Banks), Clause 40.5 (Other Exceptions), and Clause 42 (Confidentiality of Funding Rates and Reference Bank Quotations).

30.25 Reliance and engagement letters

Each Finance Party and Secured Party confirms that each of the Arrangers and the Agent has authority to accept on its behalf (and ratifies the acceptance on its behalf of any letters or reports already accepted by the Arrangers or Agent) the terms of any reliance letter or engagement letters relating to the Reports or any reports or letters provided by accountants in connection with the Finance Documents or the transactions contemplated in the Finance Documents and to bind it in respect of those Reports, reports or letters and to sign such letters on its behalf and further confirms that it accepts the terms and qualifications set out in such letters.

30.26 Release of Transaction Security Documents

If the Security Agent, with the approval of the Agent, determines that:

(a) all of the obligations secured by the Transaction Security Documents have been fully and finally discharged; and

(b) no Finance Party is under any commitment, obligation or liability (actual or contingent) to make advances or provide other financial accommodation to any Obligor pursuant to the Finance Documents,

then:

(i) the Security Agent shall (and is hereby authorised to) release, without recourse or warranty, all of the Transaction Security and the rights of the Security Agent under each of the Transaction Security Documents; and

(ii) the Security Agent shall (and is hereby authorised to) release, without recourse or warranty, all of its rights under each Transaction Security Document.

31. APPLICATION OF PROCEEDS

31.1 Order of application

Subject to Clause 31.2 (Prospective liabilities), all amounts from time to time received or recovered by the Security Agent pursuant to the terms of any Finance Document or in connection with the realisation or enforcement of all or any part of the Transaction Security (for the purposes of this Clause 31, the "**Recoveries**") shall be applied by the Security Agent (subject to the provisions of this Clause 31), in the following order:

(a) in discharging any sums owing to the Security Agent, any Receiver or any Delegate;

(b) in payment of all costs and expenses incurred by the Agent or any Secured Party in connection with any realisation or enforcement of the Transaction Security taken in accordance with the terms of this Agreement and each Transaction Security Document; and

(c) in payment to the Agent for application in accordance with Clause 34.6(Partial payments).

31.2 Prospective liabilities

Following enforcement of any of the Transaction Security the Security Agent may, in its discretion, hold any amount of the Recoveries in an interest bearing suspense or impersonal account(s) in the name of the Security Agent with such financial institution (including itself) and for so long as the Security Agent shall think fit (the interest being credited to the relevant account) for later application under Clause 31.1 (Order of application) in respect of:

(a) any sum to the Security Agent or any delegate; and

(b) any part of the Transaction Security proceeds,

that the Security Agent reasonably considers, in each case, might become due or owing at any time in the future.

31.3 Investment of proceeds

Prior to the application of the proceeds of the Recoveries in accordance with Clause 31.1 (Order of application) the Security Agent may, in its discretion, hold all or part of those proceeds in an interest bearing suspense or impersonal account(s) in the name of the Security Agent with such financial institution (including itself) and for so long as the Security Agent shall think fit (the interest being credited to the relevant account) pending the application from time to time of those moneys in the Security Agent's discretion in accordance with the provisions of this Clause 31.3.

31.4 Currency Conversion

(a) For the purpose of, or pending the discharge of, any of the Secured Obligations, the Security Agent may convert any moneys received or recovered by the Security Agent from one currency to another, at a market rate of exchange.

(b) The obligations of any Obligor to pay in the due currency shall only be satisfied to the extent of the amount of the due currency purchased after deducting the costs of conversion.

31.5 Permitted Deductions

The Security Agent shall be entitled, in its discretion:

(a) to set aside by way of reserve amounts required to meet, and to make and pay, any deductions and withholdings (on account of taxes or otherwise) which it is or may be required by any applicable law to make from any distribution or payment made by it under this Agreement; and

(b) to pay all Taxes which may be assessed against it in respect of any of the assets subject to Transaction Security, or as a consequence of performing its duties, or by virtue of its capacity as Security Agent under any of the Finance Documents or otherwise (other than in connection with its remuneration for performing its duties under this Agreement).

31.6 Good Discharge

(a) Any payment to be made in respect of the Secured Obligations by the Security Agent may be made to the Agent on behalf of the Finance Parties and any payment made in that way shall be a good discharge, to the extent of that payment, by the Security Agent.

(b) The Security Agent is under no obligation to make the payments to the Agent under paragraph (a) above in the same currency as that in which the obligations and liabilities owing to the relevant Finance Party are denominated.

32. CONDUCT OF BUSINESS BY THE FINANCE PARTIES

No provision of this Agreement will:

(a) interfere with the right of any Finance Party to arrange its affairs (tax or otherwise) in whatever manner it thinks fit;

(b) oblige any Finance Party to investigate or claim any credit, relief, remission or repayment available to it or the extent, order and manner of any claim; or

(c) oblige any Finance Party to disclose any information relating to its affairs (tax or otherwise) or any computations in respect of Tax.

33. SHARING AMONG THE FINANCE PARTIES

33.1 Payments to Finance Parties

Subject to paragraph 33.1(b) below, if a Finance Party (a "**Recovering Finance Party**") receives or recovers any amount from an Obligor other than in accordance with Clause 34(Payment mechanics) (a "**Recovered Amount**") and applies that amount to a payment due under the Finance Documents then:

(a) the Recovering Finance Party shall, within three (3) Business Days, notify details of the receipt or recovery, to the Agent;

(b) the Agent shall determine whether the receipt or recovery is in excess of the amount the Recovering Finance Party would have been paid had the receipt or recovery been received or made by the Agent and distributed in accordance with Clause 34(Payment mechanics), without taking account of any Tax which would be imposed on the Agent in relation to the receipt, recovery or distribution; and

(c) the Recovering Finance Party shall, within three (3) Business Days of demand by the Agent, pay to the Agent an amount (the "**Sharing Payment**") equal to such receipt or recovery less any amount which the Agent determines may be retained by the Recovering Finance Party as its share of any payment to be made, in accordance with Clause 34.6(Partial payments).

33.2 Redistribution of payments

The Agent shall treat the Sharing Payment as if it had been paid by the relevant Obligor and distribute it between the Finance Parties (other than the Recovering Finance Party) (the "**Sharing Finance Parties**") in accordance with Clause 34.6(Partial payments) towards the obligations of that Obligor to the Sharing Finance Parties.

33.3 Recovering Finance Party's rights

(a) On a distribution by the Agent under Clause 33.2 (Redistribution of payments) of a payment received by a Recovering Finance Party from an Obligor, as between the relevant Obligor and the Recovering Finance Party, an amount of the Recovered Amount equal to the Sharing Payment will be treated as not having been paid by that Obligor.

(b) If and to the extent that the Recovering Finance Party is not able to rely on its rights under paragraph (a) above, the relevant Obligor shall be liable to the Recovering Finance Party for a debt equal to the Sharing Payment which is immediately due and payable.

33.4 Reversal of redistribution

If any part of the Sharing Payment received or recovered by a Recovering Finance Party becomes repayable and is repaid by that Recovering Finance Party, then:

(a) each Finance Party which has received a share of the relevant Sharing Payment pursuant to Clause 33.2 (Redistribution of payments) shall, upon request of the Agent, pay to the Agent for account of that Recovering Finance Party an amount equal to the appropriate part of its share of the Sharing Payment (together with an amount as is necessary to reimburse that Recovering Finance Party for its proportion of any interest on the Sharing Payment which that Recovering Finance Party is required to pay); and

(b) that Recovering Finance Party's rights of subrogation in respect of any reimbursement shall be cancelled and the relevant Obligor will be liable to the reimbursing Finance Party for the amount so reimbursed.

33.5 Exceptions

(a) This Clause 33 shall not apply to the extent that the Recovering Finance Party would not, after making any payment pursuant to this Clause, have a valid and enforceable claim against the relevant Obligor.

(b) A Recovering Finance Party is not obliged to share with any other Finance Party any amount which the Recovering Finance Party has received or recovered as a result of taking legal or arbitration proceedings, if:

(i) it notified that other Finance Party of the legal or arbitration proceedings; and

(ii) that other Finance Party had an opportunity to participate in those legal or arbitration proceedings but did not do so as soon as reasonably practicable having received notice and did not take separate legal or arbitration proceedings.

34. PAYMENT MECHANICS

34.1 Payments to the Agent

(a) On each date on which an Obligor or a Lender is required to make a payment under a Finance Document, that Obligor or Lender shall make the same available to the Agent (unless a contrary indication appears in a Finance Document) for value on the due date at the time and in such funds specified by the Agent as being customary at the time for settlement of transactions in the relevant currency in the place of payment.

(b) Payment shall be made to such account in the principal financial centre of the country of that currency with such bank as the Agent specifies.

(c) Without extending the obligations or liability of the Agent under this Agreement in any way, payment from any of the Obligors to Eksportkreditt shall only be deemed made to Eksportkreditt when the relevant payment has been registered into the Eksportkreditt Account.

(d) Unless an Event of Default has occurred and is continuing, this Clause 34.1 (Payments to the Agent) does not apply to payments by an Obligor under a Hedging Agreement.

34.2 Distributions by the Agent

Each payment received by the Agent under the Finance Documents for another Party shall, subject to Clause 34.3 (Distributions to an Obligor) and Clause 34.4 Clawback and pre-funding be made available by the Agent as soon as practicable after receipt to the Party entitled to receive payment in accordance with this Agreement (in the case of a Lender, for the account of its Facility Office), to such account as that Party may notify to the Agent by not less than five (5) Business Days' notice with a bank specified by that Party in the principal financial centre of the country of that currency.

34.3 Distributions to an Obligor

The Agent may (with the consent of the Obligor or in accordance with Clause 35 (Set-off)) apply any amount received by it for that Obligor in or towards payment (on the date and in the currency and funds of receipt) of any amount due from that Obligor under the Finance Documents or in or towards purchase of any amount of any currency to be so applied.

34.4 Clawback and pre-funding

(a) Where a sum is to be paid to the Agent under the Finance Documents for another Party, the Agent is not obliged to pay that sum to that other Party (or to enter into or perform any related exchange contract) until it has been able to establish to its satisfaction that it has actually received that sum.

(b) Unless paragraph (c) below applies, if the Agent pays an amount to another Party and it proves to be the case that the Agent had not actually received that amount, then the Party to whom that amount (or the proceeds of any related exchange contract) was paid by the Agent shall on demand refund the same to the Agent together with interest on that amount from the date of payment to the date of receipt by the Agent, calculated by the Agent to reflect its cost of funds.

(c) If the Agent is willing to make available amounts for the account of the Borrower before receiving funds from the Lenders then if and to the extent that the Agent does so but it proves to be the case that it does not then receive funds from a Lender in respect of a sum which it paid to the Borrower:

(i) the Agent shall notify the Borrower of that Lender's identity and the Borrower to whom that sum was made available shall on demand refund it to the Agent; and

(ii) the Lender by whom those funds should have been made available or, if that Lender fails to do so, the Borrower to whom that sum was made available, shall on demand pay to the Agent the amount (as certified by the Agent) which will indemnify the Agent against any funding cost incurred by it as a result of paying out that sum before receiving those funds from that Lender.

34.5 Impaired Agent

(a) If, at any time, the Agent becomes an Impaired Agent, an Obligor or a Lender which is required to make a payment under the Finance Documents to the Agent in accordance with Clause 34.1 (Payments to the Agent) may instead pay that amount direct to the required recipient(s) on the due date for payment under the Finance Documents.

34.6 Partial payments

(a) If the Agent receives a payment that is insufficient to discharge all the amounts then due and payable by an Obligor under the Finance Documents, the Agent shall apply that payment towards the obligations of that Obligor under the Finance Documents in the following order:

(i) first, in or towards payment pro rata of any unpaid fees, costs and expenses of the Agent, the Security Agent, any Receiver and any Delegate under the Finance Documents;

(ii) secondly, in or towards payment pro rata of any accrued interest, fees or commission due but unpaid under the Finance Documents;

(iii) thirdly, in or towards payment pro rata of any principal payments due but unpaid under the Facility;

(iv) fourthly, in or towards payment pro rata of any other sum due but unpaid under the Hedging Agreements; and

(v) fifthly, in or towards payment pro rata of any other sum due but unpaid under the Finance Documents.

(b) The Agent shall, if so directed by all the Finance Parties, vary the order set out in paragraphs (a) (ii) to (v) above.

(c) Paragraphs (a) and (b) above will override any appropriation made by an Obligor.

34.7 No set-off by Obligors

All payments to be made by an Obligor under the Finance Documents shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim. Netting of payments may nonetheless apply under a Hedging Agreement in accordance with its terms.

34.8 Business Days

(a) Any payment under the Finance Documents which is due to be made on a day that is not a Business Day shall be made on the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).

(b) During any extension of the due date for payment of any principal or Unpaid Sum under this Agreement interest is payable on the principal or Unpaid Sum at the rate payable on the original due date.

34.9 Currency of account

The Obligors shall pay:

(a) Any amount payable under or pursuant to this Agreement, except as otherwise provided for herein, in USD; and

(b) all payments of costs and Taxes in the currency in which the same were incurred.

34.10 Change of currency

(a) Unless otherwise prohibited by law, if more than one currency or currency unit are at the same time recognised by the central bank of any country as the lawful currency of that country, then:

(i) any reference in the Finance Documents to, and any obligations arising under the Finance Documents in, the currency of that country shall be translated into, or paid in, the currency or currency unit of that country designated by the Agent (after consultation with the Borrower); and

(ii) any translation from one currency or currency unit to another shall be at the official rate of exchange recognised by the central bank for the conversion of that currency or currency unit into the other, rounded up or down by the Agent (acting reasonably).

(b) If a change in any currency of a country occurs, this Agreement will, to the extent the Agent (acting reasonably and after consultation with the Borrower) specifies to be necessary, be amended to comply with any generally accepted conventions and market practice in the Relevant Interbank Market and otherwise to reflect the change in currency.

34.11 Disruption to payment systems etc.

If either the Agent determines (in its discretion) that a Disruption Event has occurred or the Agent is notified by the Borrower that a Disruption Event has occurred:

(a) the Agent may, and shall if requested to do so by the Borrower, consult with the Borrower with a view to agreeing such changes to the operation or administration of the Facility as the Agent may deem necessary in the circumstances;

(b) the Agent shall not be obliged to consult with the Borrower in relation to any changes mentioned in paragraph (a) above if, in its opinion, it is not practicable to do so in the circumstances and, in any event, shall have no obligation to agree to such changes;

(c) the Agent may consult with the Finance Parties in relation to any changes mentioned in paragraph (a) above but shall not be obliged to do so if, in its opinion, it is not practicable to do so in the circumstances;

(d) any such changes agreed upon by the Agent and the Borrower shall (whether or not it is finally determined that a Disruption Event has occurred) be binding upon the Parties as an amendment to (or, as the case may be, waiver of) the terms of the Finance Documents notwithstanding the provisions of Clause 40 (AMENDMENTS AND WAIVERS);

(e) the Agent shall not be liable for any damages, costs or losses to any person, any diminution in value or any liability whatsoever (including, without limitation for negligence, gross negligence or any other category of liability whatsoever but not including any claim based on the fraud of the Agent) arising as a result of its taking, or failing to take, any actions pursuant to or in connection with this Clause 34.11 (Disruption to payment systems etc.); and

(f) the Agent shall notify the Finance Parties of all changes agreed pursuant to paragraph (d) above.

35. SET-OFF

(a) A Finance Party may set off any matured obligation due from an Obligor under the Finance Documents (to the extent beneficially owned by that Finance Party) against any matured obligation owed by that Finance Party to that Obligor, regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Finance Party may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off.

(b) Each Obligor hereby agrees and accepts that this Clause 35 (Set-off) shall constitute a waiver of the provisions set out in § 29 of the Norwegian Financial Agreements Act 1999 (as amended) and further agrees and accepts, to the extent permitted by law, that said § 29 shall not apply to this Agreement or the other Finance Documents.

36. NOTICES

36.1 Communications in writing

Any communication to be made under or in connection with the Finance Documents shall be made in writing and, unless otherwise stated, may be made by e-mail, letter or fax (if requested).

36.2 Addresses

The addresses and e-mail address (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with the Finance Documents is:

(a) in the case of the Borrower:

Höegh LNG Partners LP
c/o Höegh LNG AS
Drammensveien 134
0277 OSLO
Att: VP Finance, Birgitte Hjertum
E-mail: birgitte.hjertum@hoeghlng.com

(b) in the case of each Lender or any other Obligor, that notified in writing to the Agent on or prior to the date on which it becomes a Party; and

(c) in the case of the Agent or the Security Agent:

Nordea Bank Abp, filial i Norge
P.O.Box 1166 Sentrum
N-0107 Oslo, Norway
Att: Global Maritime Loans
E-mail: agency.soosid@nordea.com

or any substitute address, e-mail address or department or officer as the Party may notify to the Agent (or the Agent may notify to the other Parties, if a change is made by the Agent) by not less than five (5) Business Days' notice.

36.3 Delivery

(a) Any communication or document made or delivered by one person to another under or in connection with the Finance Documents will only be effective:

(i) if by way of e-mail, when received in legible form; or

(ii) if by way of letter, when it has been left at the relevant address or five (5) Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address,

and, if a particular department or officer is specified as part of its address details provided under Clause 36.2 (Addresses), if addressed to that department or officer.

(b) Any communication or document to be made or delivered to the Agent or the Security Agent will be effective only when actually received by the Agent or the Security Agent (as applicable) and then only if it is expressly marked for the attention of the department or officer identified with the Agent's or the Security Agent's signature below (or any substitute department or officer as the Agent or the Security Agent shall specify for this purpose).

(c) All notices from or to an Obligor shall be sent through the Agent.

(d) Any communication or document made or delivered to the Borrower in accordance with this Clause will be deemed to have been made or delivered to each of the Obligors.

(e) Any communication or document which becomes effective, in accordance with paragraphs (a) to (d) above, after 5:00 p.m. in the place of receipt shall be deemed only to become effective on the following day.

36.4 Notification of address and e-mail address

Promptly upon receipt of notification of an address or e-mail address or change of address or e-mail address pursuant to Clause 36.2 (Addresses) or changing its own address or e-mail address, the Agent shall notify the other Parties.

36.5 Communication when Agent is Impaired Agent

If the Agent is an Impaired Agent the Parties may, instead of communicating with each other through the Agent, communicate with each other directly and (while the Agent is an Impaired Agent) all the provisions of the Finance Documents which require communications to be made or notices to be given to or by the Agent shall be varied so that communications may be made and notices given to or by the relevant Parties directly. This provision shall not operate after a replacement Agent has been appointed.

36.6 English language

(a) Any notice given under or in connection with any Finance Document must be in English.

(b) All other documents provided under or in connection with any Finance Document must be:

(i) in English; or

(ii) if not in English, and if so required by the Agent, accompanied by a certified English translation and, in this case, the English translation will prevail unless the document is a constitutional, statutory or other official document.

37. CALCULATIONS AND CERTIFICATES

37.1 Accounts

In any litigation or arbitration proceedings arising out of or in connection with a Finance Document, the entries made in the accounts maintained by a Finance Party are prima facie evidence of the matters to which they relate.

37.2 Certificates and determinations

Any certification or determination by a Finance Party of a rate or amount under any Finance Document is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

37.3 Day count convention

Any interest, commission or fee accruing under a Finance Document will accrue from day to day and is calculated on the basis of the actual number of days elapsed and a year of 360 days or, in any case where the practice in the London interbank market differs, in accordance with that market practice.

38. PARTIAL INVALIDITY

If, at any time, any provision of a Finance Document is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

39. REMEDIES AND WAIVERS

No failure to exercise, nor any delay in exercising, on the part of any Finance Party, any right or remedy under a Finance Document shall operate as a waiver of any such right or remedy or constitute an election to affirm any of the Finance Documents. No election to affirm any Finance Document on the part of any Finance Party shall be effective unless it is in writing. No single or partial exercise of any right or remedy shall prevent any further or other exercise, or the exercise of any other right or remedy. The rights and remedies provided in each Finance Document are cumulative and not exclusive of any rights or remedies provided by law.

40. AMENDMENTS AND WAIVERS

40.1 Required consents

(a) Subject to Clause 40.2 (All Lender matters), Clause 40.3 (Eksportkreditt matters) and Clause 40.4 (Replacement of Screen Rate), any term of the Finance Documents may be amended or waived only with the consent of the Majority Lenders and the Borrower and any such amendment or waiver will be binding on all Parties. A Hedging Agreement may nonetheless be amended without the prior written consent of the Agent or the Majority Lenders.

(b) The Agent may effect, on behalf of any Finance Party, any amendment or waiver permitted by this Clause 40.

(c) Without prejudice to the generality of paragraphs (c), (d) and (e) of Clause 30.9 (Rights and discretions), the Agent may engage, pay for and rely on the services of lawyers in determining the consent level required for and effecting any amendment, waiver or consent under this Agreement.

(d) Each Obligor agrees to any such amendment or waiver permitted by this Clause 40 which is agreed to by the Borrower. This includes any amendment or waiver which would, but for this paragraph (d), require the consent of all of the Obligors.

40.2 All Lender matters

An amendment, waiver or (in the case of a Transaction Security Document) a consent of, or in relation to, any term of any Finance Document (other than a Hedging Agreement) that has the effect of changing or which relates to:

(a) the definition of "Majority Lenders" in Clause 1.1(Definitions);

(b) a change to the Borrower or Guarantors other than in accordance with Clause 29 (Changes to the obligors);

(c) an increase or extension of any Commitment or the Total Commitments;

(d) an extension to the date of payment of any amount under the Finance Documents;

(e) a reduction in the Margin or a reduction in the amount of any payment of principal, interest, fees or commissions payable;

(f) an extension of any Availability Period;

(g) the release of any Guarantee Obligation or Transaction Security created by the Transaction Security Documents unless permitted under the Finance Documents or relating to a sale, or disposal of an asset which is the subject of Transaction Security created under the Transaction Security Documents where such sale or disposal is expressly permitted under any Finance Document or undertaken by the Agent acting on instruction of the Majority Lenders following an Event of Default which is continuing;

(h) changes to the Lenders' rights and obligations between themselves;

(i) changes to provisions relating to transfers by Lenders;

(j) a reduction in any payment or change of currency of a payment; or

(k) any provision which expressly requires the consent of all the Lenders,

shall not be made, or given, without the prior consent of all the Lenders.

40.3 Eksportkreditt matters

Any changes to the definition of "Break Cost" or Clauses 9.10 (Rating downgrade of a Commercial Guarantor), 9.11 (Cessation of a Commercial Guarantee), 9.12 (Expiry of Commercial Guarantee) and to the extent such change affects Eksportkreditt, 10.2 (Interest and other amounts), require the approval of Eksportkreditt.

40.4 Replacement of Screen Rate

Subject to Clause 40.5 (Other exceptions), if any Screen Rate is not available for a currency which can be selected for a Loan, any amendment or waiver which relates to providing for another benchmark rate to apply in relation to that currency in place of that Screen Rate (or which relates to aligning any provision of a Finance Document to the use of that other benchmark rate) may be made with the consent of the Majority Lenders.

40.5 Other exceptions

(a) An amendment or waiver which relates to the rights or obligations of the Agent, the Security Agent, the Arrangers or the Hedge Counterparty (each in their capacity as such) may not be effected without the consent of the Agent, the Security Agent, the Arrangers or, as the case may be, that Hedge Counterparty.

(b) Any amendment or waiver which:

(i) relates only to the rights or obligations applicable to a particular Utilisation, Facility or class of Lender; and

(ii) does not materially and adversely affect the rights or interests of Lenders in respect of any other Utilisation or Facility or another class of Lender,

may be made in accordance with this Clause 40 but as if references in this Clause 40 to the specified proportion of Lenders (including, for the avoidance of doubt, all the Lenders) whose consent would, but for this paragraph (b), be required for that amendment or waiver were to that proportion of the Lenders participating in that particular Utilisation or Facility or forming part of that particular class.

40.6 Excluded Commitments

If any Lender fails to respond to a request for a consent, waiver, amendment of or in relation to any term of any Finance Document or any other vote of Lenders under the terms of this Agreement within fifteen (15) Business Days of that request being made (unless, the Borrower and the Agent agree to a longer time period in relation to any request):

(a) its Commitment(s) shall not be included for the purpose of calculating the Total Commitments under the relevant Facility/ies when ascertaining whether any relevant percentage (including, for the avoidance of doubt, unanimity) of Total Commitments has been obtained to approve that request; and

(b) its status as a Lender shall be disregarded for the purpose of ascertaining whether the agreement of any specified group of Lenders has been obtained to approve that request.

40.7 Replacement of Lender

(a) If:

(i) any Lender becomes a Non-Consenting Lender (as defined in paragraph (c) below) and no Event of Default is continuing; or

(ii) an Obligor becomes obliged to repay any amount in accordance with Clause 9.1 (Illegality) or to pay additional amounts pursuant to Clause 16.1 (Increased costs), Clause 15.2 (Taxes) or Clause 15.3 (Tax indemnity) to any Lender in excess of amounts payable to the other Lenders generally,

then the Borrower may (at its own expense), on ten (10) Business Days' prior written notice to the Agent and such Lender, replace such Lender by requiring such Lender to (and, to the extent permitted by law, such Lender shall) transfer pursuant to Clause 28 (Changes to the lenders) all (and not part only) of its rights and obligations under this Agreement to a Lender or other bank, financial institution, trust, fund or other entity (a "**Replacement Lender**") selected by the Borrower, which confirms its willingness to assume and does assume all the obligations of the transferring Lender in accordance with Clause 28 (Changes to the lenders) for a purchase price in cash payable at the time of transfer in an amount equal to the outstanding principal amount of such Lender's participation in the outstanding Utilisations and all accrued interest and/or Break Costs and other amounts payable in relation thereto under the Finance Documents.

(b) The replacement of a Lender pursuant to this Clause 40.7 shall be subject to the following conditions:

(i) the Obligors shall have no right to replace the Agent;

(ii) neither the Agent nor the Lender shall have any obligation to the Obligors to find a Replacement Lender;

(iii) in the event of a replacement of a Non-Consenting Lender such replacement must take place no later than 30 days after the date on which that Lender is deemed a Non-Consenting Lender;

(iv) in no event shall the Lender replaced under this Clause 40.7 be required to pay or surrender to such Replacement Lender any of the fees received by such Lender pursuant to the Finance Documents; and

(v) the Lender shall only be obliged to transfer its rights and obligations pursuant to paragraph (a) above once it is satisfied that it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations in relation to that transfer.

(vi) A Lender shall perform the checks described in paragraph (b)(v) above as soon as reasonably practicable following delivery of a notice referred to in paragraph (a) above and shall notify the Agent and the Borrower when it is satisfied that it has complied with those checks.

(c) In the event that:

(i) the Borrower or the Agent (at the request of the Borrower) has requested the Lenders to give a consent in relation to, or to agree to a waiver or amendment of, any provisions of the Finance Documents; and

(ii) the consent, waiver or amendment in question requires the approval of all the Lenders and consent has been received from the Majority Lenders;

then any Lender who does not and continues not to consent or agree to such waiver or amendment shall be deemed a "**Non-Consenting Lender**".

40.8 Disenfranchisement of Defaulting Lenders

(a) For so long as a Defaulting Lender has any Available Commitment, in ascertaining

(i) the Majority Lenders; or

(ii) whether:

(A) any given percentage (including, for the avoidance of doubt, unanimity) of the Total Commitments under the relevant Facility/ies; or

(B) the agreement of any specified group of Lenders,

has been obtained to approve any request for a consent, waiver, amendment or other vote of Lenders under the Finance Documents,

that Defaulting Lender's Commitments under the relevant Facility/ies will be reduced by the amount of its Available Commitments under the relevant Facility/ies and, to the extent that that reduction results in that Defaulting Lender's Total Commitments being zero, that Defaulting Lender shall be deemed not to be a Lender for the purposes of paragraphs (i) and (ii) above.

(b) For the purposes of this Clause 40.8, the Agent may assume that the following Lenders are Defaulting Lenders:

(i) any Lender which has notified the Agent that it has become a Defaulting Lender;

(ii) any Lender in relation to which it is aware that any of the events or circumstances referred to in paragraphs (a), (b), (c) or (d) of the definition of "Defaulting Lender" has occurred,

unless it has received notice to the contrary from the Lender concerned (together with any supporting evidence reasonably requested by the Agent) or the Agent is otherwise aware that the Lender has ceased to be a Defaulting Lender.

40.9 Replacement of a Defaulting Lender

(a) The Borrower may (at its own cost), at any time a Lender has become and continues to be a Defaulting Lender, by giving ten (10) Business Days' prior written notice to the Agent and such Lender, replace such Lender by requiring such Lender to (and, to the extent permitted by law, such Lender shall) transfer pursuant to Clause 28 all (and not part only) of its rights and obligations under this Agreement to a Lender or other bank, financial institution, trust, fund or other entity (a "**Replacement Lender**") selected by the Borrower, which confirms its willingness to assume and does assume all the obligations, or all the relevant obligations, of the transferring Lender in accordance with Clause 28 (Changes to the Lenders) for a purchase price in cash payable at the time of transfer which is either:

(i) in an amount equal to the outstanding principal amount of such Lender's participation in the outstanding Utilisations and all accrued interest and/or Break Costs and other amounts payable in relation thereto under the Finance Documents; or

(ii) in an amount agreed between that Defaulting Lender, the Replacement Lender and the Borrower and which does not exceed the amount described in paragraph (a) above.

(b) Any transfer of rights and obligations of a Defaulting Lender pursuant to this Clause 40.9 shall be subject to the following conditions:

(i) the Obligors shall have no right to replace the Agent or the Security Agent;

(ii) neither the Agent nor the Defaulting Lender shall have any obligation to the Obligors to find a Replacement Lender;

(iii) the transfer must take place no later than 30 days after the notice referred to in paragraph (a) above;

(iv) in no event shall the Defaulting Lender be required to pay or surrender to the Replacement Lender any of the fees received by the Defaulting Lender pursuant to the Finance Documents; and

(v) the Defaulting Lender shall only be obliged to transfer its rights and obligations pursuant to paragraph (a) above once it is satisfied that it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations in relation to that transfer to the Replacement Lender.

(c) The Defaulting Lender shall perform the checks described in paragraph (b)(v) above as soon as reasonably practicable following delivery of a notice referred to in paragraph (a) above and shall notify the Agent and the Borrower when it is satisfied that it has complied with those checks.

41. CONFIDENTIAL INFORMATION

41.1 Confidentiality

Each Finance Party agrees to keep all Confidential Information confidential and not to disclose it to anyone, save to the extent permitted by Clause 41.2 (Disclosure of Confidential Information) and Clause 41.3 (Disclosure to numbering service providers), and to ensure that all Confidential Information is protected with security measures and a degree of care that would apply to its own confidential information.

41.2 Disclosure of Confidential Information

Any Finance Party may disclose:

(a) to any of its Affiliates and any of its or their officers, directors, employees, professional advisers, auditors, insurers, insurance brokers, insurance advisors, reinsurers, partners and representatives such Confidential Information as that Finance Party shall consider appropriate if any person to whom the Confidential Information is to be given pursuant to this paragraph (a) is informed in writing of its confidential nature and that some or all of such Confidential Information may be price-sensitive information except that there shall be no such requirement to so inform if the recipient is subject to professional obligations to maintain the confidentiality of the information or is otherwise bound by requirements of confidentiality in relation to the Confidential Information;

(b) to any person:

(i) to (or through) whom it assigns or transfers (or may potentially assign or transfer) all or any of its rights and/or obligations under one or more Finance Documents or which succeeds (or which may potentially succeed) it as Agent and, in each case, to any of that person's Affiliates, representatives and professional advisers;

(ii) with (or through) whom it enters into (or may potentially enter into), whether directly or indirectly, any sub-participation in relation to, or any other transaction under which payments are to be made or may be made by reference to, one or more Finance Documents and/or one or more Obligors and to any of that person's Affiliates, representatives and professional advisers;

(iii) appointed by any Finance Party or by a person to whom paragraph (b)(i) or (ii) above applies to receive communications, notices, information or documents delivered pursuant to the Finance Documents on its behalf (including, without limitation, any person appointed under paragraph (c) of Clause 30.17 (Relationship with the Lenders));

(iv) who invests in or otherwise finances (or may potentially invest in or otherwise finance), directly or indirectly, any transaction referred to in paragraph (b)(i) or (b)(ii) above;

(v) to whom information is required or requested to be disclosed by any court of competent jurisdiction or any governmental, banking, taxation or other regulatory authority or similar body, the rules of any relevant stock exchange or pursuant to any applicable law or regulation;

(vi) to whom information is required to be disclosed in connection with, and for the purposes of, any litigation, arbitration, administrative or other investigations, proceedings or disputes;

(vii) to whom or for whose benefit that Finance Party charges, assigns or otherwise creates Security Interest (or may do so) pursuant to Clause 28.8 (Security over Lenders' rights);

(viii) who is a Party; or

(ix) with the consent of the Borrower;

in each case, such Confidential Information as that Finance Party shall consider appropriate if the person to whom the Confidential Information is to be given

(A) in relation to paragraphs (b)(i), (b)(ii) and (b)(iii) above, the person to whom the Confidential Information is to be given has entered into a Confidentiality Undertaking except that there shall be no requirement for a Confidentiality Undertaking if the recipient is a professional adviser and is subject to professional obligations to maintain the confidentiality of the Confidential Information;

(B) in relation to paragraph (b)(iv) above, the person to whom the Confidential Information is to be given has entered into a Confidentiality Undertaking or is otherwise bound by requirements of confidentiality in relation to the Confidential Information they receive and is informed that some or all of such Confidential Information may be price-sensitive information;

(C) in relation to paragraphs (b)(v), (b)(vi) and (b)(vii) above, the person to whom the Confidential Information is to be given is informed of its confidential nature and that some or all of such Confidential Information may be price-sensitive information except that there shall be no requirement to so inform if, in the opinion of that Finance Party, it is not practicable so to do in the circumstances; and

(c) to any person appointed by that Finance Party or by a person to whom paragraph (b)(b)(i) or (b)(b)(ii) above applies to provide administration or settlement services in respect of one or more of the Finance Documents including without limitation, in relation to the trading of participations in respect of the Finance Documents, such Confidential Information as may be required to be disclosed to enable such service provider to provide any of the services referred to in this paragraph (c) if the service provider to whom the Confidential Information is to be given has entered into a confidentiality agreement substantially in the form of the LMA Master Confidentiality Undertaking for Use With Administration/Settlement Service Providers or such other form of confidentiality undertaking agreed between the Borrowers and the relevant Finance Party; and

(d) to any rating agency (including its professional advisers) such Confidential Information as may be required to be disclosed to enable such rating agency to carry out its normal rating activities in relation to the Finance Documents and/or the Obligors.

(e) the Parties acknowledge and agree that, notwithstanding anything in this Agreement to the contrary, this Agreement and any amendments, waivers or other modifications hereto may be filed by the Borrower with the United States Securities and Exchange Commission or any other governmental or regulatory authority in accordance with applicable law.

41.3 Disclosure to numbering service providers

(a) Any Finance Party may disclose to any national or international numbering service provider appointed by that Finance Party to provide identification numbering services in respect of this Agreement, the Facility and/or one or more Obligors the following information:

(i) names of Obligors;

(ii) country of domicile of Obligors;

(iii) place of incorporation or formation of Obligors;

(iv) date of this Agreement;

(v) Clause 44.1 (Governing law);

(vi) the names of the Agent and the Arrangers;

(vii) date of each amendment and restatement of this Agreement;

(viii) amounts of any Tranches of and the Total Commitments of the Facility;

(ix) currency of the Facility;

(x) type of Facility;

(xi) ranking of the Facility;

(xii) Termination Date;

(xiii) changes to any of the information previously supplied pursuant to paragraphs (i) to (xii) above; and

(xiv) such other information agreed between such Finance Party and the Borrower,

to enable such numbering service provider to provide its usual syndicated loan numbering identification services.

(b) The Parties acknowledge and agree that each identification number assigned to this Agreement, the Facility and/or one or more Obligors by a numbering service provider and the information associated with each such number may be disclosed to users of its services in accordance with the standard terms and conditions of that numbering service provider.

(c) Each Obligor represents that none of the information set out in paragraphs (i) to (xv) of paragraph (a) above is, nor will at any time be, unpublished price-sensitive information.

(d) The Agent shall notify the Borrower and the other Finance Parties of:

(i) the name of any numbering service provider appointed by the Agent in respect of this Agreement, the Facilities and/or one or more Obligors; and

(ii) the number or, as the case may be, numbers assigned to this Agreement, the Facilities and/or one or more Obligors by such numbering service provider.

41.4 Entire agreement

This Clause 41 (Confidential Information) constitutes the entire agreement between the Parties in relation to the obligations of the Finance Parties under the Finance Documents regarding Confidential Information and supersedes any previous agreement, whether express or implied, regarding Confidential Information.

41.5 Inside information

Each of the Finance Parties acknowledges that some or all of the Confidential Information is or may be price-sensitive information and that the use of such information may be regulated or prohibited by applicable legislation including securities law relating to insider dealing and market abuse and each of the Finance Parties undertakes not to use any Confidential Information for any unlawful purpose.

41.6 Notification of disclosure

Each of the Finance Parties agrees (to the extent permitted by law and regulation) to inform the Borrower:

(a) of the circumstances of any disclosure of Confidential Information made pursuant to paragraph (b)(v) of Clause 41.2(Disclosure of Confidential Information) except where such disclosure is made to any of the persons referred to in that paragraph during the ordinary course of its supervisory or regulatory function; and

(b) upon becoming aware that Confidential Information has been disclosed in breach of this Clause 41 (Confidential Information).

41.7 Continuing obligations

The obligations in this Clause 41 (Confidential Information) are continuing and, in particular, shall survive and remain binding on each Finance Party for a period of twelve months from the earlier of:

(a) the date on which all amounts payable by the Obligors under or in connection with the Finance Documents have been paid in full and all Commitments have been cancelled or otherwise cease to be available; and

(b) the date on which such Finance Party otherwise ceases to be a Finance Party.

42. CONFIDENTIALITY OF FUNDING RATES AND REFERENCE BANK QUOTATIONS

42.1 Confidentiality and disclosure

(a) The Agent and each Obligor agree to keep each Funding Rate (and, in the case of the Agent, each Reference Bank Quotation) confidential and not to disclose it to anyone, save to the extent permitted by paragraphs b), c) and d) below.

(b) The Agent may disclose:

(i) any Funding Rate (but not, for the avoidance of doubt, any Reference Bank Quotation) to the Borrower pursuant to Clause 11.4 (Notification of rates of interest); and

(ii) any Funding Rate or any Reference Bank Quotation to any person appointed by it to provide administration services in respect of one or more of the Finance Documents to the extent necessary to enable such service provider to provide those services if the service provider to whom that information is to be given has entered into a confidentiality agreement substantially in the form of the LMA Master Confidentiality Undertaking for Use With Administration/Settlement Service Providers or such other form of confidentiality undertaking agreed between the Agent and the relevant Lender or Reference Bank, as the case may be.

(c) The Agent may disclose any Funding Rate or any Reference Bank Quotation and each Obligor may disclose any Funding Rate, to:

(i) any of its Affiliates and any of its or their officers, directors, employees, professional advisers, auditors, partners and Representatives if any person to whom that Funding Rate or Reference Bank Quotation is to be given pursuant to this sub-paragraph (i) is informed in writing of its confidential nature and that it may be price-sensitive information except that there shall be no such requirement to so inform if the recipient is subject to professional obligations to maintain the confidentiality of that Funding Rate or Reference Bank Quotation or is otherwise bound by requirements of confidentiality in relation to it;

(ii) any person to whom information is required or requested to be disclosed by any court of competent jurisdiction or any governmental, banking, taxation or other regulatory authority or similar body, the rules of any relevant stock exchange or pursuant to any applicable law or regulation if the person to whom that Funding Rate or Reference Bank Quotation is to be given is informed in writing of its confidential nature and that it may be price-sensitive information except that there shall be no requirement to so inform if, in the opinion of the Agent or the relevant Obligor, as the case may be, it is not practicable to do so in the circumstances;

(iii) any person to whom information is required to be disclosed in connection with, and for the purposes of, any litigation, arbitration, administrative or other investigations, proceedings or disputes if the person to whom that Funding Rate or Reference Bank Quotation is to be given is informed in writing of its confidential nature and that it may be price-sensitive information except that there shall be no requirement to so inform if, in the opinion of the Agent or the relevant Obligor, as the case may be, it is not practicable to do so in the circumstances; and

(iv) any person with the consent of the relevant Lender or Reference Bank, as the case may be.

(d) The Agent's obligations in this Clause 42 relating to Reference Bank Quotations are without prejudice to its obligations to make notifications under Clause 11.4 (Notification of rates of interest) provided that (other than pursuant to paragraph (b)(i) above) the Agent shall not include the details of any individual Reference Bank Quotation as part of any such notification.

42.2 Related obligations

(a) The Agent and each Obligor acknowledge that each Funding Rate (and, in the case of the Agent, each Reference Bank Quotation) is or may be price-sensitive information and that its use may be regulated or prohibited by applicable legislation including securities law relating to insider dealing and market abuse and the Agent and each Obligor undertake not to use any Funding Rate or, in the case of the Agent, any Reference Bank Quotation for any unlawful purpose.

(b) The Agent and each Obligor agree (to the extent permitted by law and regulation) to inform the relevant Lender or Reference Bank, as the case may be:

(i) of the circumstances of any disclosure made pursuant to paragraph (c)(ii) of Clause 42.1 (Confidentiality and disclosure) except where such disclosure is made to any of the persons referred to in that paragraph during the ordinary course of its supervisory or regulatory function; and

(ii) upon becoming aware that any information has been disclosed in breach of this Clause 42.

42.3 No Event of Default

No Event of Default will occur under Clause 27.4 (Other obligations)) by reason only of an Obligor's failure to comply with this Clause 42.

43. MISCELLANEOUS

43.1 Counterparts

Each Finance Document may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of the Finance Document.

43.2 Precedence

In case of conflicting provisions between the Transaction Security Documents and this Agreement, the provisions of this Agreement shall prevail, provided however that this shall not in any way be interpreted or applied to prejudice the legality, validity or enforceability of any Transaction Security Document.

44. GOVERNING LAW AND ENFORCEMENT

44.1 Governing law

This Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by Norwegian law.

44.2 Jurisdiction

(a) The courts of Oslo, Norway, have jurisdiction to settle any dispute arising out of or in connection with this Agreement (including a dispute regarding the existence, validity or termination of this Agreement) (a "Dispute"). Each of the Obligors shall be prevented from taking proceedings relating to a Dispute in any other court than the Oslo District Court (No: Oslo tingrett).

(b) This Clause 44.2 (Jurisdiction) is for the benefit of the Finance Parties only. No Finance Party shall be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Finance Parties may take concurrent proceedings in any number of jurisdictions. Accordingly, Oslo District Court (No: Oslo tingrett) has non-exclusive jurisdiction to settle any Dispute.

44.3 Service of process

(a) Without prejudice to any other mode of service allowed under any relevant law, each Obligor (other than an Obligor incorporated in Norway (if any)):

(i) irrevocably appoints Höegh LNG AS of Drammensveien 134, 0277 Oslo, Norway (represented by the chairman of the board of directors from time to time) as its agent for service of process in relation to any proceedings before the Norwegian courts in connection with any Finance Document governed by Norwegian law; and

(ii) agrees that failure by a process agent to notify the relevant Obligor of the process will not invalidate the proceedings concerned.

(b) If any process agent appointed pursuant to this Clause 44.3 (*Service of process*) (or any successor thereto) shall cease to exist for any reason where process may be served, the Obligor will forthwith appoint another process agent with an office in Norway where process may be served and will forthwith notify the Agent thereof.

*****

SIGNATORIES:

The Original Borrower:

Höegh LNG Partners LP

By: /s/ Birgitte Hjertum
Name: Birgitte Hjertum
Title: Attorney-in-Fact

The Original Guarantor(s):

Hoegh LNG Cyprus Limited

By: /s/ Vida Beemer
Name: Vida Beemer
Title: Director

Höegh LNG FSRU IV Ltd.

By: /s/ Veronica B. Sandnes
Name: Veronica B. Sandnes
Title: Attorney-in-Fact

Höegh LNG Colombia S.A.S.

By: /s/ Eduardo Polo
Name: Eduardo Polo
Title: General Manager

Hoegh LNG Egypt LLC

By: /s/ Walid Darwish
Name: Walid Darwish
Title: General Manager

The Coordinator and Bookrunner:

Nordea Bank Abp, filial i Norge

By: /s/ Daniel Jovanovic
Name: Daniel Jovanovic
Title: Attorney-in-Fact

The Mandated Lead Arrangers:

Nordea Bank Abp, filial i Norge

By: /s/ Daniel Jovanovic
Name: Daniel Jovanovic
Title: Attorney-in-Fact

Swedbank AB (publ)

By: /s/ Daniel Jovanovic
Name: Daniel Jovanovic
Title: Attorney-in-Fact

Sumitomo Mitsui Banking Corporation

By: /s/ Daniel Jovanovic
Name: Daniel Jovanovic
Title: Attorney-in-Fact

Credit Suisse AG

By: /s/ Daniel Jovanovic
Name: Daniel Jovanovic
Title: Attorney-in-Fact

BNP Paribas

By: /s/ Vincent Pascal
Name: Vincent Pascal
Title: Head of Shipping EMEA

/s/ Jean Philippe Poirier
Jean Philippe Poirier

Commonwealth Bank of Australia

By: /s/ Philip Cheesmen
Name: Philip Cheesman
Title: Director

The Original Lenders:

Nordea Bank Abp, filial i Norge

By: /s/ Daniel Jovanovic
Name: Daniel Jovanovic
Title: Attorney-in-Fact

Swedbank AB (publ)

By: /s/ Daniel Jovanovic
Name: Daniel Jovanovic
Title: Attorney-in-Fact

Sumitomo Mitsui Banking Corporation

By: /s/ Daniel Jovanovic
Name: Daniel Jovanovic
Title: Attorney-in-Fact

Credit Suisse AG

By: /s/ Daniel Jovanovic
Name: Daniel Jovanovic
Title: Attorney-in-Fact

BNP Paribas

By: /s/ Vincent Pascal
Name: Vincent Pascal
Title: Head of Shipping EMEA

/s/ Jean Philippe Poirier
Jean Philippe Poirier

Commonwealth Bank of Australia

By: /s/ Philip Cheesmen
Name: Philip Cheesman
Title: Director

Eksportkreditt AS

By: /s/ Daniel Jovanovic
Name: Daniel Jovanovic
Title: Attorney-in-Fact

The Original Commercial Guarantors:

Nordea Bank Abp, filial i Norge

By: /s/ Daniel Jovanovic
Name: Daniel Jovanovic
Title: Attorney-in-Fact

Sumitomo Mitsui Banking Corporation

By: /s/ Daniel Jovanovic
Name: Daniel Jovanovic
Title: Attorney-in-Fact

BNP Paribas

By: /s/ Vincent Pascal
Name: Vincent Pascal
Title: Head of Shipping EMEA

/s/ Jean Philippe Poirier
Jean Philippe Poirier

Swedbank AB (publ)

By: /s/ Daniel Jovanovic
Name: Daniel Jovanovic
Title: Attorney-in-Fact

The Hedge Counterparties:

Nordea Bank Abp

By: /s/ Daniel Jovanovic
Name: Daniel Jovanovic
Title: Attorney-in-Fact

Swedbank AB (publ)

By: /s/ Daniel Jovanovic
Name: Daniel Jovanovic
Title: Attorney-in-Fact

Commonwealth Bank of Australia

By: /s/ Philip Cheesmen
Name: Philip Cheesman
Title: Director

The Agent and Security Agent:

Nordea Bank Abp, filial i Norge

By: /s/ Daniel Jovanovic
Name: Daniel Jovanovic
Title: Attorney-in-Fact

Schedule 1
LENDERS AND COMMITMENTS

Name and contact details of each Original Lender:	Revolving Facility Commitments:		Term Loan Facility Commitments:		Total Commitments:	
(A) Original Commercial Lenders						
Nordea Bank Abp, filial i Norge	USD	13,920,130	USD	37,824,675	USD	51,744,805
Credit Suisse AG	USD	13,101,299	USD	66,493,506	USD	79,594,805
BNP Paribas	USD	9,825,974	USD	41,116,883	USD	50,942,857
Commonwealth Bank of Australia	USD	9,825,974	USD	49,870,130	USD	59,696,104
Sumitomo Mitsui Banking Corporation	USD	9,825,974	USD	41,116,883	USD	50,942,857
Swedbank AB (publ)	USD	6,550,649	USD	27,411,255	USD	33,961,905
Total:	**USD**	**63,050,000**	**USD**	**263,833,333**	**USD**	**326,883,333**
(B) Eksportkreditt						
Eksportkreditt AS			USD	56,166,667	USD	56,166,667
Total:			**USD**	**56,166,667**	**USD**	**56,166,667**
(C) Original Commercial Guarantors						
Nordea Bank Abp, filial i Norge			USD	32,824,675	USD	32,824,675
Sumitomo Mitsui Banking Corporation			USD	8,753,247	USD	8,753,247
BNP Paribas			USD	8,753,247	USD	8,753,247
Swedbank AB (publ)			USD	5,835,498	USD	5,835,498
Total:			**USD**	**56,166,667**	**USD**	**56,166,667**
(D) Hedge Counterparties						
Nordea Bank Abp						
Swedbank AB (publ)						
Commonwealth Bank of Australia						
Total:						

SCHEDULE 2
GUARANTORS AND SECURITY PROVIDERS

Part I Guarantors

Name	Address	Registration number (or similar)	Role in the Facility
Hoegh LNG Cyprus Limited	Sotiri Tofini 4, 2nd Floor, 4102 Agios, Athanasios, Limassol, Cyprus	339342	Vessel Owner, Höegh Gallant
Höegh LNG FSRU IV Ltd.	Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands	272039	Vessel Owner, Höegh Grace
Höegh LNG Colombia S.A.S.	Avenida 82 No 10-62 Bogota, Colombia	NIT 900.961.648-1	Intra-Group Charterer
Hoegh LNG Egypt LLC	Second Floor, Bldg. no. 176, Second Zone, Fifth Settlement, New Cairo, Cairo, Egypt	98176	Intra-Group Charterer

Part II Security Providers

Name	Address	Registration number (or similar)	Role in the Facility
Höegh LNG Colombia Holding Ltd.	Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands	307956	Security Provider
Höegh LNG Egypt Holding I Ltd.	Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands	294365	Security Provider
Höegh LNG Egypt Holding II Ltd.	Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands	294361	Security Provider
Höegh LNG Partners Operating LLC	Wessex House, 5th Floor, 45 Reid Street, Hamilton HM12, Bermuda	962935	Security Provider
Höegh LNG Ltd.	Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda	38061	Security Provider

SCHEDULE 3

VESSEL OWNERS, VESSELS AND TRANCHES

VesseL Owner:	Vessel and Flag State:		Tranche amount (of the Term Loan Facility):
Hoegh LNG Cyprus Limited	Höegh Gallant (Norway)	USD	147,698,734
Höegh LNG FSRU IV Ltd.	Höegh Grace (Marshall Islands)	USD	172,301,266

SCHEDULE 4
CONDITIONS PRECEDENT

Part I
Initial Conditions Precedent

1. Corporate Authorisations for each Obligor and Security Provider

(a) Certificate of Incorporation (or similar);

(b) Articles of Association, Memorandum of Association and/or By-laws (to the extent applicable in the relevant jurisdiction);

(c) Updated Good Standing Certificate (or similar, to the extent applicable in the relevant jurisdiction);

(d) Resolutions passed at a board meeting of the relevant Obligor and Security Provider evidencing:

(i) the approval of the terms of, and the transactions contemplated by, the Finance Documents to which it is a party;

(ii) the authorisation of its appropriate officer or officers or other representatives to execute the Finance Documents and any other documents necessary for the transactions contemplated by the Finance Documents on its behalf; and

(iii) in respect of each company subject to a Share Charge, and to the extent applicable or desirable; approval of the transfer of shares pursuant to the Share Charge, instructions of the updating of the share register, register of member or similar;

(e) To the extent applicable or desirable in any jurisdiction, shareholders resolution from or related to Obligors and Security Providers for the purpose of approving the terms of and entering into of the Finance Documents;

(f) Power of Attorney (notarised and legalised if requested by the Agent);

(g) Certified true copies of valid proof of identity in respect of the persons signing on behalf of the relevant Obligor and Security Provider; and

(h) Director' or Secretary's Certificate for each Obligor and Security Provider evidencing the true copy of the corporate documents set out above.

2. Facility Agreement

This Agreement (in form and substance satisfactory to all Lenders) duly signed by the relevant parties thereto.

3. Transaction Security Documents, Egyptian Guarantee and Commercial Guarantees

Each of the Commercial Guarantees (to be in form and substance satisfactory to Eksportkreditt), the Egyptian Guarantee and the following Transaction Security Documents in agreed form (to be in form and substance satisfactory to all the Lenders);

(a) the Mortgages (including any deeds of covenants);

(b) the Assignments of Insurances;

(c) the Share Charges;

(d) the Account Charges;

(e) the Assignments of Intra-Group Loan;

(f) the Assignments of Earnings;

(g) the Assignments of Charterparties;

(h) the Assignments of Hedging Agreements; and

(i) the Managers' Undertakings.

4. Authorisations

Evidence that all approvals, authorisations and consents required by any government or other authorities for the Obligors, Security Providers and Managers to enter into and perform their obligations under any of the Finance Documents shall have been obtained and remain in effect, and all applicable waiting periods shall have expired without any action being taken by any competent authority which, in the opinion of the Agent, restrains, prevents or imposes materially adverse conditions upon the Obligors, Security Providers or Managers to enter into and perform their obligations under the Finance Documents.

5. Miscellaneous

(a) any documents necessary in relation to the Managers;

(b) Any Fee Letter and evidence that all fees, costs and expenses referred to in Finance Documents as payable on or prior to the date of this Agreement, have or will be paid on its due date;

(c) an arrangement fee letter;

(d) an effective interest letter;

(e) any Subordination Agreement;

(f) the Original Financial Statements;

(g) a Compliance Certificate confirming that the Borrower is in compliance with the financial covenants as set out in Clause 24 (Financial Covenants) and that no Default is continuing or will occur following the relevant Utilisation;

(h) a confirmation from the Borrower that:

(i) since 31 December 2017, nothing shall have occurred (and neither the Agent nor any of the other Finance Parties shall have become aware of any condition or circumstance not previously known to it or them) which any of the Finance Parties shall determine has had, or could reasonably be expected to have, a Material Adverse Effect;

(ii) there is currently not, and will not be, any conflict between the Finance Documents and any material agreement (including, but not limited to any Charterparty for the Vessels) of the Obligors; and

(iii) other than as disclosed to the Lenders in writing in advance, no litigation, arbitration, administrative, governmental, regulatory or other investigations, proceedings or disputes are commenced or threatened against any Obligor or its assets which has or are reasonably likely to have a Material Adverse Effect.

(i) any "know your customer" documents as reasonably required by the Lenders;

(j) any letters for appointment of process agent in any relevant jurisdiction pursuant to any Finance Document; and

(k) any other documents as reasonably requested by the Agent.

6. Legal opinions

Each of the following legal opinions in agreed form (to be in form and substance satisfactory to all the Lenders) in matters relating to:

(a) Norwegian law from Advokatfirmaet BAHR AS;

(b) Cayman Islands law from Maples and Calder;

(c) Marshall Islands law from Norton Rose Fulbright US LLP;

(d) Cyprus law from Chrysses Demetriades & Co. LLC;

(e) Colombian law from Philippi Prietocarrizosa Ferrero DU & Uria;

(f) Singaporean law from Allen & Gledhill LLP;

(g) Egyptian law from Shalakany;

(h) Bermuda law from Appleby (Bermuda) Limited; and

(i) such other favourable legal opinions as requested by the Agent.

Part II
Conditions Precedent to First Utilisation Date

1. Finance Documents

Each of the Finance Documents in respect of the Borrower and Vessel to which that Utilisation relates, duly signed by all the relevant parties thereto, together with evidence that the Security Interest created thereunder is (or will on the relevant Utilisation Date subject to closing mechanism to be agreed be) legally perfected on first priority in accordance with the terms of each of the Finance Documents and applicable laws including, but not limited to:

(a) the Commercial Guarantees, the Egyptian Guarantee and the Transaction Security Documents listed in Part I of this Schedule 4 (Conditions Precedent);

(b) any Quiet Enjoyment Letter, consents, notices of assignment and acknowledgements of those notices and any other ancillary documents as required by any of the Transaction Security Documents listed in Part I of this Schedule 4 Conditions Precedent (it being understood that the Borrower shall use commercially reasonable efforts to obtain acknowledgements in relation to a Charterparty in such form as agreed with the Agent); and

(c) any other Finance Document related to that Utilisation.

2. Authorisations

All approvals, authorisations and consents required (if any) by any government, other authorities or other third parties for the Obligors, Security Providers or Managers to enter into and perform their obligations under any of the Finance Documents.

3. The Vessels

(a) Appraisal reports on the Market Value of the Vessel not being older than 30 days before the Utilisation Date evidencing compliance with Clause 26.1 (Minimum Market Value) (Minimum Market Value);

(b) A copy of the certificate of ownership and encumbrances from the appropriate authorities showing the registered ownership of the Vessel;

(c) A copy of the updated class certificate or declaration of class related to the Vessel from the relevant classification society, confirming that the Vessel is classed with the highest class in accordance with Clause 26.5 (Classification and repairs), free of material conditions of class;

(d) Results of maritime registry searches with respect to the Vessel, which results shall be acceptable to the Agent;

(e) Documents evidencing compliance with the ISM Code and ISPS Code, including without limitation an ISSC;

(f) Copy of any Charterparty for the Vessels with a remaining tenor exceeding twelve (12) months;

(g) Contract memo prepared by Lenders' counsel describing the key provisions of the current charter arrangement for Höegh Grace;

(h) Certificates from insurance brokers evidencing that the relevant Obligor has taken out insurances in accordance with Clause 26.3 (Insurances), including standard letters of undertaking from the insurers confirming the loss payable clauses; and

(i) The Insurance Report.

4. Miscellaneous

(a) The Utilisation Request at least three (3) Business Days prior to the relevant Utilisation Date.

(b) evidence that all fees, costs and expenses referred to in Finance Documents as payable prior to the relevant Utilisation Date, have or will be paid on its due date.

(c) The prepayment notice for the relevant Existing Loan and an irrevocable payment instruction securing direct prepayment of such Existing Loan.

(d) Executed legal opinions in form and substance satisfactory to the Agent (on behalf of all the Lenders) from lawyers appointed by the Agent on matters concerning all relevant jurisdictions as the Agent may require.

(e) Any other documents as reasonably requested by the Agent.

Part III
Conditions Precedent to be delivered by an Additional Guarantor

1. An Accession Letter executed by the Additional Guarantor and the Agent.

2. In respect of an Additional Guarantor, a copy of:

   (a) its Certificate of Incorporation (or similar);

   (b) its Association, Memorandum of Association and/or By-laws (to the extent applicable in the relevant jurisdiction);

   (c) its Updated Good Standing Certificate (or similar, to the extent applicable in the relevant jurisdiction);

   (d) a resolution of its board of directors (i) approving the Finance Documents to which it is a party and resolving to execute, deliver and perform the Finance Documents to which it is a party and (ii) authorising a specified person or persons to execute the Finance Documents to which it is a party and all documents and necessary for the transactions contemplated by the Finance Documents to be signed and/or despatched by it under or in connection with the Finance Documents to which it is a party; and

   (e) if applicable, a copy of a resolution signed by all the holders of its issued shares, approving the terms of, and the transactions contemplated by, the Finance Documents to which it is a party.

3. A certificate of an authorised signatory of the Additional Guarantor and any entity required to provide any Security Interest under the terms of this Agreement certifying that each copy document relating to it specified in this Part III of Schedule 4 (Conditions Precedent) is correct, complete and in full force and effect and has not been amended or superseded as at a date no earlier than the date of the relevant Accession Letter and specimen signatures of any person signing the relevant Finance Document on behalf of the Additional Guarantor or any entity required to provide any Security Interest under the terms of this Agreement (as the case may be).

4. At least two (2) originals of each Transaction Security Document which the Agent reasonably requires to be entered into by or in respect of the Additional Guarantor or any entity required to provide any Security Interest under the terms of this Agreement, executed by the parties to that document, together with copies of all notices required to be sent under the relevant Transaction Security Documents executed by the relevant parties and all other documents and instruments to be provided under that Transaction Security Document.

5. The latest available financial statements of the Additional Guarantor.

6. Legal opinions of legal advisers to the Agent in the relevant jurisdictions.

7. Such documentation and other evidence needed for the Agent or other Finance Party to carry out and be satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations in respect of the accession of the Additional Guarantor to this Agreement.

8. Any other document or instrument reasonably required by the Agent.

SCHEDULE 5
REQUESTS

Part I
Utilisation Request (Loans)

From: Höegh LNG Partners LP

To: Nordea Bank Abp, filial i Norge

Dated:

HÖEGH LNG PARTNERS LP – UP TO USD 385,000,000 SENIOR SECURED CREDIT FACILITY AGREEMENT DATED 29 JANUARY2019 (THE "AGREEMENT")

1. We refer to the Agreement. This is a Utilisation Request. Terms defined in the Agreement have the same meaning in this Utilisation Request unless given a different meaning in this Utilisation Request.

2. We wish to borrow a Loan on the following terms:

Proposed Utilisation Date:	[•] (or, if that is not a Business Day, the next Business Day)
Amount:	[•] or, if less, the Available Facility
Interest Period:	[•]

3. We confirm that (i) each condition specified in Clause 4.2 (Conditions precedent for each Utilisation) is satisfied on the date of this Utilisation Request, (ii) each of the representations and warranties set out in Clause 22 (Representations) of the Agreement is true and correct; and (iii) no event or circumstances has occurred and is continuing which constitute or may constitute a Default or an Event of Default.

4. The proceeds of this Loan should be credited to [account].

5. This Utilisation Request is irrevocable.

Yours faithfully

By: _____
Name:
Title:
Borrower:

Part II
Selection Notice

From: Höegh LNG Partners LP

To: Nordea Bank Abp, filial i Norge

Dated:

HÖEGH LNG PARTNERS LP – UP TO USD 385,000,000 SENIOR SECURED CREDIT FACILITY AGREEMENT DATED 29 JANUARY2019 (THE "AGREEMENT")

1. We refer to the Agreement. This is a Selection Notice. Terms defined in the Agreement have the same meaning in this Selection Notice unless given a different meaning in this Selection Notice.

2. We refer to the Loan[s] with an Interest Period ending on [●].

3. We request that the next Interest Period for the above Loan[s] is [●].

4. This Selection Notice is irrevocable.

Yours faithfully

By: _____
Name:
Title:
Company: [Name of relevant Borrower]

Part III
Utilisation Request (Commercial Guarantee)

From: Höegh LNG Partners LP

To: Nordea Bank Abp, filial i Norge

Dated:

HÖEGH LNG PARTNERS LP – UP TO USD 385,000,000 SENIOR SECURED CREDIT FACILITY AGREEMENT DATED 29 JANUARY2019 (THE "AGREEMENT")

1. We refer to the Agreement. This is a Utilisation Request for a Commercial Guarantee. Terms defined in the Agreement have the same meaning in this Utilisation Request unless given a different meaning in this Utilisation Request.

2. We wish to arrange for the Commercial Guarantee to be issued on our behalf by the Commercial Guarantors on the following terms: borrow a Loan on the following terms:

   (a) Proposed Utilisation Date: [•]

   (b) Amount: [•]

   (c) Term: [•]

   (d) Beneficiary: Eksportkreditt

   (e) Delivery instuctions: [•]

3. We ask for the Commercial Guarantee to be issued in the form attached as Schedule 10 (Form of Guarantee) to the Agreement.

4. We confirm that (i) each condition specified in Clause 4.2 (Conditions precedent for each Utilisation) is satisfied on the date of this Utilisation Request, (ii) each of the representations and warranties set out in Clause 22 (Representations) of the Agreement is true and correct; and (iii) no event or circumstances has occurred and is continuing which constitute or may constitute a Default or an Event of Default.

5. This Utilisation Request is irrevocable.

Yours faithfully

By: _____
Name:
Title:
Borrower:

SCHEDULE 6
FORM OF ACCESSION LETTER

To: Nordea Bank Abp, filial i Norge as Agent

From: [Additional Guarantor] and Höegh LNG Partners LP

Dated:

HÖEGH LNG PARTNERS LP – UP TO USD 385,000,000 SENIOR SECURED CREDIT FACILITY AGREEMENT DATED 29 JANUARY2019 (THE "AGREEMENT")

1. We refer to the Agreement. This is an Accession Letter. Terms defined in the Agreement have the same meaning in this Accession Letter unless given a different meaning in this Accession Letter.

2. [Additional Guarantor] agrees to become an Additional Guarantor and to be bound by the terms of the Agreement as an Additional Guarantor pursuant to Clause 29.2 (Additional Guarantors) of the Agreement.

3. [Additional Guarantor] is a [•] duly incorporated under the laws of [name of relevant jurisdiction].

4. [Additional Guarantor] will become an Intra-Group Charterer under this Agreement.

5. [Additional Guarantor] administrative details are as follows:

   Address:

   Fax No:

   Attention:

6. [Limitation language]

7. This Accession Letter shall become effective upon the Agent having confirmed in writing to the Borrower that it has received all the documents and evidence listed in Part III of Schedule 4 (Conditions Precedent) in form and substance satisfactory to the Agent.

8. This Accession Letter is governed by Norwegian law.

***

Höegh LNG Partners LP

By: _____
Name:
Title:

[Additional Guarantor]

By: _____
Name:
Title:

We hereby consent to the above Accession Letter and confirm that we have received all documents and evidence listed in Part III of Schedule 4 (Conditions Precedent) in form and substance satisfactory to us.

Nordea Bank Abp, filial i Norge as Agent

Date: _____

By: _____
Name:
Title:

By: _____
Name:
Title:

SCHEDULE 7
FORM OF RESIGNATION LETTER

To: Nordea Bank Abp, filial i Norge as Agent

From: [resigning Guarantor] and Höegh LNG Partners LP

Dated:

Dear Sirs

HÖEGH LNG PARTNERS LP – UP TO USD 385,000,000 SENIOR SECURED CREDIT FACILITY AGREEMENT DATED 29 JANUARY2019 (THE "AGREEMENT")

1. We refer to the Agreement. This is a Resignation Letter. Terms defined in the Agreement have the same meaning in this Resignation Letter unless given a different meaning in this Resignation Letter.

2. Pursuant to Clause 29.3 (Resignation of a Guarantor) of the Agreement, we request that [resigning Guarantor] be released from its obligations as a Guarantor under the Agreement and the Finance Documents as [reason for resignation request] [and that the following Security Interest and Transaction Security Document(s) be released at the cost of the Borrower:

   (a) [●]; and

   (b) [●]].

3. We confirm that:

   (a) no Default is continuing or would result from the acceptance of this request;

   (b) no payment is due from the Guarantor under Clause 20 (Guarantee and indemnity);

   (c) there is no Earnings owed under the relevant Charterparty;

   (d) the new Intra-Group Charterer has acceded to the Agreement as an Additional Guarantor in accordance with the terms of Clause 29.2 (Additional Guarantors); and

   (e) Transaction Security has been granted over or by the new Intra-Group Charterer.

   (f) [ ]***

4. This Resignation Letter [and any non-contractual obligations arising out of or in connection with it] [is/are] governed by Norwegian law.

***

Höegh LNG Partners LP

By: _____
Name:
Title:

[resigning Guarantor]

By: _____
Name:
Title:

We hereby consent to the above Resignation Letter.

Nordea Bank Abp, filial i Norge as Agent

Date: _____

By: _____
Name:
Title:

By: _____
Name:
Title:

SCHEDULE 8
FORM OF TRANSFER CERTIFICATE

To: Nordea Bank Abp, filial i Norge as Agent

From: [The Existing Lender] (the "**Existing Lender**") and [The New Lender] (the "**New Lender**")

Dated:

HÖEGH LNG PARTNERS LP – UP TO USD 385,000,000 SENIOR SECURED CREDIT FACILITY AGREEMENT DATED 29 JANUARY2019 (THE "AGREEMENT")

1. We refer to the Agreement. This is a Transfer Certificate. Terms defined in the Agreement have the same meaning in this Transfer Certificate unless given a different meaning in this Transfer Certificate.

2. We refer to Clause 28 (Changes to the Lenders):

   (a) The Existing Lender and the New Lender agree to the Existing Lender transferring to the New Lender by novation all or part of the Existing Lender's Commitment, rights and obligations referred to in the Schedule in accordance with Clause 28 (Changes to the Lenders).

   (b) The proposed Transfer Date is [●].

   (c) The Facility Office and address, fax number and attention details for notices of the New Lender for the purposes of Clause 36.2(Addresses) are set out in the Schedule.

3. The New Lender expressly acknowledges the limitations on the Existing Lender's obligations set out in Clause 28.5 (Limitation of responsibility of Existing Lenders).

4. This Transfer Certificate may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Transfer Certificate.

5. This Transfer Certificate is governed by Norwegian law.

The Schedule

Commitments/rights and obligations to be transferred

I	Existing Lender:	[ ]
II	New Lender:	[ ]
III	Total Commitments of Existing Lender:	USD [ ]
IV	Aggregate amount transferred:	USD [ ]
V	Total Commitments of New Lender:	USD [ ]
VI	Transfer Date:	[ ]

Administrative Details / Payment Instructions of New Lender

Notices to New Lender:

[ ]

Att: [ ]

Telefax no: + [ ]

[Insert relevant office address, telefax number and attention details for notices and payments to the New Lender.]

Account details of New Lender: [Insert relevant account details of the New Lender.]

Existing Lender:	New Lender:
[•]	[•]
By: _____	By: _____
Name:	Name:
Title:	Title:

This Transfer Certificate is accepted and agreed by the Agent and the Transfer Date is confirmed as [].

Agent:

[ ]

By: _____

Name:

Title:

SCHEDULE 9
REPAYMENTS

Eksportkreditt Tranche

	Höegh Gallant		Höegh Grace		Total	
Date	**Outstanding Amount**	**Repayment Amount***	**Outstanding Amount**	**Repayment Amount***	**Outstanding Amount**	**Repayment Amount***
31.01.2019	28 416 667		27 750 000		56 166 667	
30.04.2019	27 500 000	916 667	27 000 000	750 000	54 500 000	1 666 667
30.07.2019	26 583 333	916 667	26 250 000	750 000	52 833 333	1 666 667
30.10.2019	25 666 667	916 667	25 500 000	750 000	51 166 667	1 666 667
30.01.2020	24 750 000	916 667	24 750 000	750 000	49 500 000	1 666 667
30.04.2020	23 833 333	916 667	24 000 000	750 000	47 833 333	1 666 667
30.07.2020	22 916 667	916 667	23 250 000	750 000	46 166 667	1 666 667
30.10.2020	22 000 000	916 667	22 500 000	750 000	44 500 000	1 666 667
30.01.2021	21 083 333	916 667	21 750 000	750 000	42 833 333	1 666 667
30.04.2021	20 166 667	916 667	21 000 000	750 000	41 166 667	1 666 667
30.07.2021	19 250 000	916 667	20 250 000	750 000	39 500 000	1 666 667
30.10.2021	18 333 333	916 667	19 500 000	750 000	37 833 333	1 666 667
30.01.2022	17 416 667	916 667	18 750 000	750 000	36 166 667	1 666 667
30.04.2022	16 500 000	916 667	18 000 000	750 000	34 500 000	1 666 667
30.07.2022	15 583 333	916 667	17 250 000	750 000	32 833 333	1 666 667
30.10.2022	14 666 667	916 667	16 500 000	750 000	31 166 667	1 666 667
30.01.2023	13 750 000	916 667	15 750 000	750 000	29 500 000	1 666 667
30.04.2023	12 833 333	916 667	15 000 000	750 000	27 833 333	1 666 667
30.07.2023	11 916 667	916 667	14 250 000	750 000	26 166 667	1 666 667
30.10.2023	11 000 000	916 667	13 500 000	750 000	24 500 000	1 666 667
30.01.2024	10 083 333	916 667	12 750 000	750 000	22 833 333	1 666 667
30.04.2024	9 166 667	916 667	12 000 000	750 000	21 166 667	1 666 667
30.07.2024	8 250 000	916 667	11 250 000	750 000	19 500 000	1 666 667
30.10.2024	7 333 333	916 667	10 500 000	750 000	17 833 333	1 666 667
30.01.2025	6 416 667	916 667	9 750 000	750 000	16 166 667	1 666 667
30.04.2025	5 500 000	916 667	9 000 000	750 000	14 500 000	1 666 667
30.07.2025	4 583 333	916 667	8 250 000	750 000	12 833 333	1 666 667
30.10.2025	3 666 667	916 667	7 500 000	750 000	11 166 667	1 666 667
30.01.2026	2 750 000	916 667	6 750 000	750 000	9 500 000	1 666 667
30.04.2026	1 833 333	916 667	6 000 000	750 000	7 833 333	1 666 667
30.07.2026	916 667	916 667	5 250 000	750 000	6 166 667	1 666 667
30.10.2026	0	916 667	4 500 000	750 000	4 500 000	1 666 667
30.01.2027	0	0	3 750 000	750 000	3 750 000	750 000
30.04.2027	0	0	3 000 000	750 000	3 000 000	750 000
30.07.2027	0	0	2 250 000	750 000	2 250 000	750 000
30.10.2027	0	0	1 500 000	750 000	1 500 000	750 000
30.01.2028	0	0	750 000	750 000	750 000	750 000
30.04.2028	0	0	0	750 000	0	750 000

*Assuming refinancing

Commercial Tranche

	Höegh Gallant		Höegh Grace		Total	
Date	**Outstanding Amount**	**Repayment Amount**	**Outstanding Amount**	**Repayment Amount**	**Outstanding Amount**	**Repayment Amount**
31.01.2019	119 282 067		144 551 266		263 833 333	0
30.04.2019	117 142 381	2 139 686	141 958 300	2 592 966	259 100 681	4 732 652
30.07.2019	115 002 695	2 139 686	139 365 334	2 592 966	254 368 029	4 732 652
30.10.2019	112 863 009	2 139 686	136 772 368	2 592 966	249 635 376	4 732 652
30.01.2020	110 723 322	2 139 686	134 179 402	2 592 966	244 902 724	4 732 652
30.04.2020	108 583 636	2 139 686	131 586 436	2 592 966	240 170 072	4 732 652
30.07.2020	106 443 950	2 139 686	128 993 470	2 592 966	235 437 420	4 732 652
30.10.2020	104 304 264	2 139 686	126 400 504	2 592 966	230 704 767	4 732 652
30.01.2021	102 164 577	2 139 686	123 807 538	2 592 966	225 972 115	4 732 652
30.04.2021	100 024 891	2 139 686	121 214 572	2 592 966	221 239 463	4 732 652
30.07.2021	97 885 205	2 139 686	118 621 605	2 592 966	216 506 810	4 732 652
30.10.2021	95 745 519	2 139 686	116 028 639	2 592 966	211 774 158	4 732 652
30.01.2022	93 605 832	2 139 686	113 435 673	2 592 966	207 041 506	4 732 652
30.04.2022	91 466 146	2 139 686	110 842 707	2 592 966	202 308 853	4 732 652
30.07.2022	89 326 460	2 139 686	108 249 741	2 592 966	197 576 201	4 732 652
30.10.2022	87 186 774	2 139 686	105 656 775	2 592 966	192 843 549	4 732 652
30.01.2023	85 047 088	2 139 686	103 063 809	2 592 966	188 110 897	4 732 652
30.04.2023	82 907 401	2 139 686	100 470 843	2 592 966	183 378 244	4 732 652
30.07.2023	80 767 715	2 139 686	97 877 877	2 592 966	178 645 592	4 732 652
30.10.2023	78 628 029	2 139 686	95 284 911	2 592 966	173 912 940	4 732 652
30.01.2024	76 488 343	2 139 686	92 691 945	2 592 966	169 180 287	4 732 652
30.04.2024	74 348 656	2 139 686	90 098 979	2 592 966	164 447 635	4 732 652
30.07.2024	72 208 970	2 139 686	87 506 013	2 592 966	159 714 983	4 732 652
30.10.2024	70 069 284	2 139 686	84 913 047	2 592 966	154 982 330	4 732 652
30.01.2025	67 929 598	2 139 686	82 320 080	2 592 966	150 249 678	4 732 652
30.04.2025	65 789 912	2 139 686	79 727 114	2 592 966	145 517 026	4 732 652
30.07.2025	63 650 225	2 139 686	77 134 148	2 592 966	140 784 374	4 732 652
30.10.2025	61 510 539	2 139 686	74 541 182	2 592 966	136 051 721	4 732 652
Maturity Date	0	61510 539	0	74 541 182	0	136 051 721

SCHEDULE 10
FORM OF GUARANTEE

ON DEMAND GUARANTEE (NO. PÅKRAVSGARANTI)

(hereinafter the "**Guarantee**")

Whereas EKSPORTKREDITT NORGE AS ("**EKSPORTKREDITT**") has entered into a senior secured credit facility agreement with Höegh LNG Partners LP, registration no. [●], with registered offices at [●] (the "**BORROWER**") dated [●] (as it may be amended from time to time) (the "**Facility Agreement**") in the amount of USD 385,000,000 whereof EKSPORTKREDITT is Lender, inter alia, in respect of the Eksportkreditt Tranche in the amount of USD 56,166,667 (the "**Principal Amount**").

Definitions used in the Facility Agreement shall have the same meaning when used herein.

We [●] (the "**GUARANTOR**") hereby unconditionally and irrevocably guarantee, as for our own debt, the due and punctual repayment to EKSPORTKREDITT the amount of [●] equal to [●] per cent. ([●] %) of the Principal Amount outstanding at any time, plus [●] per cent. ([●] %) of all incurred and outstanding

(a) interest,

(b) default interest, and

(c) all other amounts

payable by the BORROWER to EKSPORTKREDITT in accordance with the Facility Agreement.

[●] per cent. ([●] %) of the Principal Amount and items (a) – (c) above collectively referred to as the "Guaranteed Amounts".

This Guarantee shall be payable immediately upon written demand (No. *påkravsgaranti*).

EKSPORTKREDITT may make a written demand under this Guarantee if (i) the Borrower in the opinion of EKSPORTKREDITT does not fulfil its payment obligations and/or (ii) any event occurs which in the opinion of EKSPORTKREDITT after consultation with the GUARANTOR constitutes an Event of Default under the Facility Agreement.

Following a demand under this Guarantee for the whole or part of the Guaranteed Amount, the GUARANTOR has the option to pay its guarantee liability (i) in a lump sum, or (ii) in the amount of [●] per cent. ([●] %) of each instalment remaining outstanding under the Facility Agreement, together with any other Guaranteed Amounts payable on the ordinary due date for each instalment.

In case of payment in a lump sum, the GUARANTOR shall compensate EKSPORTKREDITT for Break Costs.

The GUARANTOR agrees that, except for a notice of demand, EKSPORTKREDITT is not obliged to give notice of any kind hereunder.

The GUARANTOR agrees that any conflict or dispute of whatsoever nature (including but not limited to) between EKSPORTKREDITT and the BORROWER, has no impact on the GUARANTOR's obligation to pay under this Guarantee.

All payments under this Guarantee shall be made in full without any deduction or withholding (whether in respect of set off, counterclaim, duties, present or future taxes, charges or otherwise whatsoever) unless such deduction or withholding is required by law, in which case the GUARANTOR shall pay such additional amount as will ensure that EKSPORTKREDITT receives the amount which it would have received but for such deduction or withholding.

This Guarantee is valid until the Guaranteed Amounts have been paid in full. Notwithstanding the foregoing any and all claims must have been made no later than three (3) months after the [Maturity Date].

This Guarantee shall be governed by and construed in accordance with Norwegian law, and the GUARANTOR submits to the jurisdiction of the Norwegian Courts, with Oslo City Court as due venue.

Place_____ Date_____

GUARANTOR

_____
(authorised signatory)

_____
(signatures in block letters)

SCHEDULE 11
FORM OF COMPLIANCE CERTIFICATE

To: Nordea Bank Abp, filial i Norge as Agent

From: Höegh LNG Partners LP

Dated:

HÖEGH LNG PARTNERS LP – UP TO USD 385,000,000 SENIOR SECURED CREDIT FACILITY AGREEMENT DATED 29 JANUARY2019 (THE "AGREEMENT")

1. We refer to the Agreement. This is a Compliance Certificate. Terms defined in the Agreement have the same meaning when used in this Compliance Certificate unless given a different meaning in this Compliance Certificate.

2. We confirm that the Borrower is in compliance with the Financial Covenants set out in Clause 24.2 (Financial condition of the Borrower) as follows:

(a) Equity

The Equity of the Group was [ ] while the requirement is that the Equity shall be equal to or greater than the higher of:

(i) 25% of Total Assets; or

(ii) USD 150,000,000.

(b) Working Capital

The consolidated Working Capital of the Group was USD [ ] and the requirement is that the consolidated Working Capital of the Group shall at all times be greater than zero.

(c) Minimum Liquidity

The Cash and Cash Equivalents of the Group was USD [ ] and the requirement is that the consolidated Cash and Cash Equivalents of the Group shall at any times be greater than the higher of:

(i) USD 15,000,000; and

(ii) The product of USD 2,500,000 and the number of vessels owned or leased by the Group and the Borrower's (direct or indirect) pro rata ownership of such vessels, subject to a cap of USD 20,000,000.

(c) Debt Service Cover Ratio

The Debt Service Cover Ratio of the Group was [ ] and the requirement is that the Debt Service Cover Ratio of the Group shall at all times be equal to or greater than 1.15:1.

3. We confirm that the Borrower is in compliance with the requirement set out in Clause 24.2 (Financial condition of the Borrower) to always maintain a Working Capital greater than zero as follows:

Name of Borrower:	**Working Capital in USD**

4. We confirm that the aggregate Market Value of the Vessels which are subject to Security Interest under the Transaction Security Documents is [ ] % and is thereby in compliance with Clause 26.1 (Minimum Market Value) which sets out that the Minimum Market Value (if applicable taken together with additional security provided pursuant to Clause 9.9 (Collateral Maintenance Test) shall not fall below 125 %.

5. We confirm that no Default is continuing.

6. Enclosed are the latest financial statements to be delivered pursuant to Clause 23.1 (Financial Statements) as well as:

   (a) Appendix 1 - relevant supporting documentation and calculations to ensure compliance with Clause 26.1 (Minimum Market Value),

   (b) Appendix 2 - relevant outline to ensure compliance with Clause 26.3 (Insurances); and

   (c) Appendix 3 - relevant supporting documentation and calculations to ensure compliance with Clause 24 (Financial Covenants).

Yours sincerely,

For and on behalf of the Obligors:

By: _____
Name:
Title: CFO
Borrower: [ ]

Appendix 1 – Market Value (all amounts in USD)

Name of Vessel:	Valuation from [Approved Broker]	Valuation from [Approved Broker]	Average Market Value:

[Relevant valuation reports to be attached]

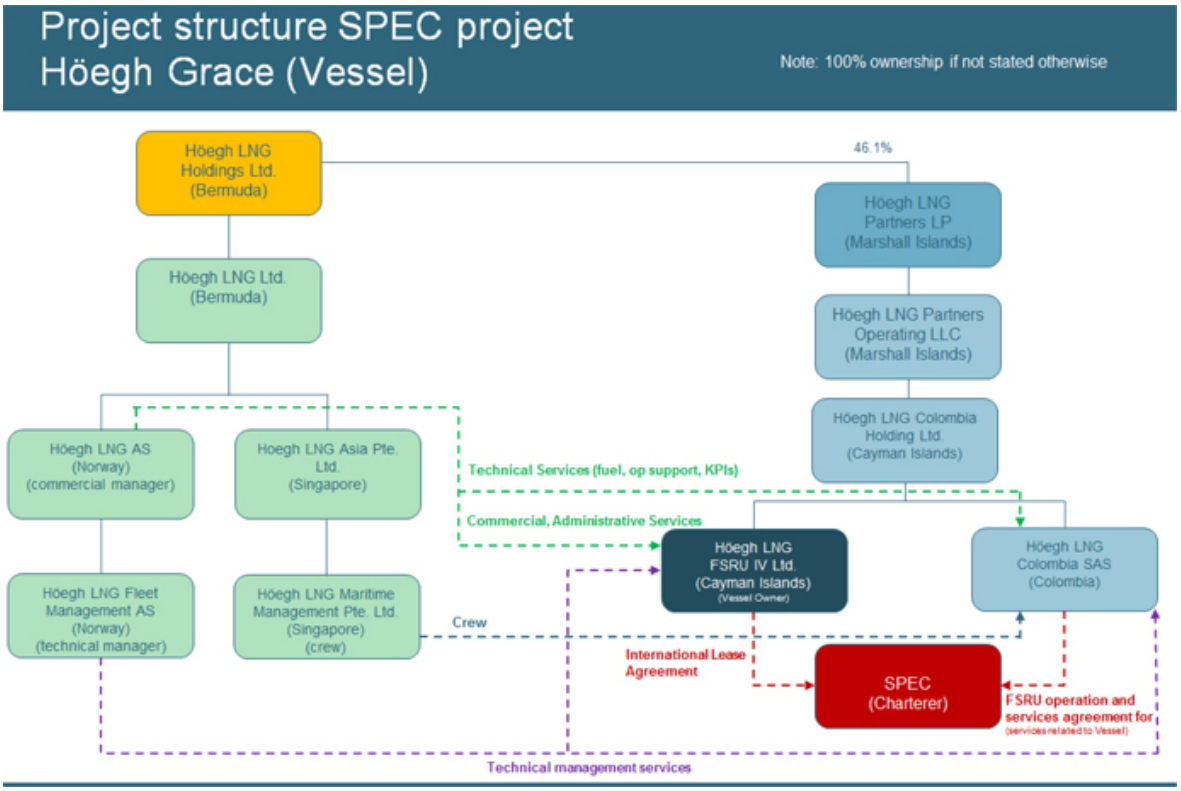
Appendix 2 – Insurances (all amounts in USD)

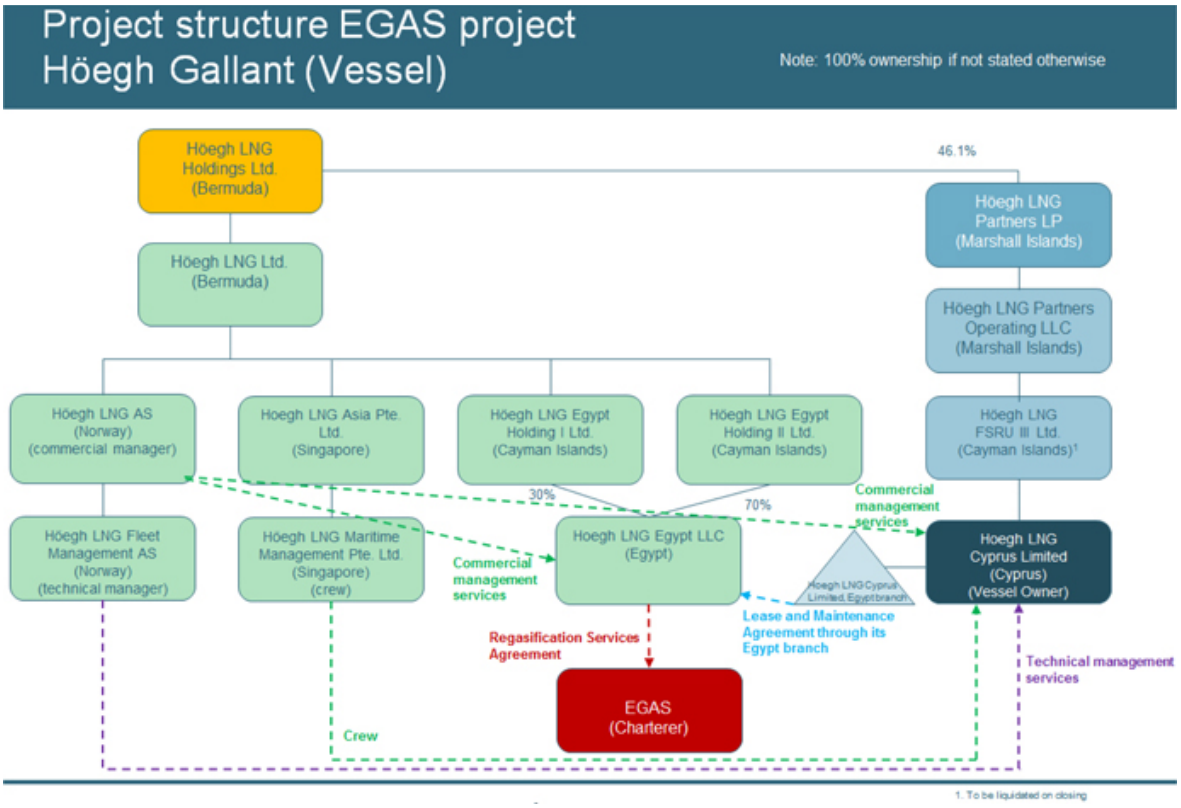
Name of Vessel:	Hull & Machinery	Freight Interest	Hull Interest	P&I	War risk	Insured Amount

Appendix 3 – Calculations for Financial Covenants

[Separate spreadsheet attached]

SCHEDULE 12
STRUCTURE CHART




Project structure EGAS project
Höegh Gallant (Vessel)
Note: 100% ownership if not stated otherwise
Höegh LNG Holdings Ltd. (Bermuda)
46.1%
Höegh LNG Partners LP (Marshall Islands)
Höegh LNG Ltd. (Bermuda)
Höegh LNG Partners Operating LLC (Marshall Islands)
Höegh LNG AS (Norway) (commercial manager)
Hoegh LNG Asia Pte. Ltd. (Singapore)
Höegh LNG Egypt Holding I Ltd. (Cayman Islands)
Höegh LNG Egypt Holding II Ltd. (Cayman Islands)
Höegh LNG FSRU III Ltd. (Cayman Islands)[1]
30%
70%
Commercial management services
Höegh LNG Fleet Management AS (Norway) (technical manager)
Höegh LNG Maritime Management Pte. Ltd. (Singapore) (crew)
Commercial management services
Hoegh LNG Egypt LLC (Egypt)
Hoegh LNG Cyprus Limited (Cyprus) (Vessel Owner)
Hoegh LNG Cyprus Limited, Egypt branch
Lease and Maintenance Agreement through its Egypt branch
Regasification Services Agreement
EGAS (Charterer)
Technical management services
Crew
1. To be liquidated on closing

SCHEDULE 13
QUIET ENJOYMENT LETTER

To: [•] ("Lessee")

Re: [LNG floating storage and regasification vessel with. (IMO No. [●]) (the "Vessel")

1. We refer to:

   (a) the international leasing agreement dated [•] between [Owner] as owner of the Vessel **("Owner")** and [Lessee] as Lessee of the Vessel **("Lessee"),** under which Owner agreed to let the Vessel to Lessee on the terms and conditions set out therein (the **"Agreement");** and

   (b) the senior secured term loan credit facility dated [•] between [Owner] as borrower and [•] as lenders (the **"Lenders"),** under which the Lenders agreed to loan certain sums to [Owner] (the **"Credit Facility").**

2.

   (a) In consideration of Lessee signing the acknowledgement to the notice of assignment given by Owner to Lessee of Owner's assignment to the Lenders by way of security of its rights under the Agreement, and subject always to Lessee complying in all respects with its commitments under the Agreement, we, as mortgagee of the Vessel and on behalf of the Lenders (the **"Mortgagee"),** hereby agree and undertake that we shall not, directly or through the actions of others, take any action which may interfere directly or indirectly with or otherwise disturb Lessee's exclusive, quiet and peaceful use, possession, employment and enjoyment of the Vessel in accordance with the terms of the Agreement and that Lessee will be allowed unfettered use of the Vessel in accordance with the terms of the Agreement.

   (b) The commitments in Paragraph 2(a) do not extend to committing the Mortgagee to preserving Lessee's quiet enjoyment of the Vessel if: (i) Lessee has breached the terms of the Agreement; and (ii) such breach entitles Owner under the terms of the Agreement to withdraw" the Vessel from service or otherwise terminate the Agreement, whether or not Owner has exercised its right to terminate the Agreement.

3. Further, the Mortgagee also hereby agrees and undertakes that if an Event of Default (as that term is defined in the Credit Facility) has occurred and is continuing, except in the circumstance described Paragraph 2(b) above, the Mortgagee will not exercise any rights it may have against the Vessel, except as provided below.

   Lessee agrees that if:

   (a) the Mortgagee notifies Lessee that an Event of Default (as that term is defined in the Credit Facility) has occurred and is continuing and that either the Mortgagee or its designee wants to assume Owner's rights, obligations and liabilities under the Agreement and be substituted for Owner under the Agreement (the **"Substitute Owner"),** which notice shall give Lessee details of the Substitute Owner, and

(b) the Substitute Owner is an entity which has the financial and technical capacity to perform Owner's obligations under the Agreement, then if (x) Lessee approves of the Substitute Owner in writing, which approval may not be unreasonably withheld, and shall be deemed given if not disapproved in writing by Lessee within 15 days after such notice, and (y) the Substitute Owner agrees that the assumption of obligations and liabilities by the Substitute Owner shall include all of the Owner's obligations and liabilities under the Agreement to the fullest extent they remained unperformed or unpaid at the time of assumption (including any obligations in respect of the Purchase Option (as such term is defined in the Agreement)), the Lessee shall enter into a novation agreement (in form and substance satisfactory to Lessee) with Owner and Substitute Owner in relation to the Agreement and, following such novation, Lessee shall continue to perform Lessee's obligations under the Agreement in favour of the Substitute Owner.

4. Nothing in this letter shall create any additional obligations or liabilities on Lessee under the Agreement and nothing in this letter shall modify or limit any of Lessee's rights or benefits under the Agreement.

5. This letter and any dispute, controversy, proceedings or claim of whatever nature arising out of or in any way relating to this letter or its formation (including any non-contractual disputes or claims) shall be governed by and construed in accordance with English law, and any dispute relating to it shall be subject to arbitration in accordance with the procedures set forth in the Agreement.

For and on behalf of
[•]
as Agent and Security Agent/Mortgagee

_____
Name:
Capacity:

In consideration for the Agreement, and for other good and valuable consideration, the receipt of which is hereby acknowledged, we hereby agree to the terms set out above and hereby consent to, and agree to be bound by, the foregoing letter.

For and on behalf of
[LESSEE]

_____

Name:
Capacity:

Exhibit 8.1

Subsidiaries of Höegh LNG Partners LP

Subsidiary	Ownership Interest	Jurisdiction of Formation
Höegh LNG Partners Operating LLC	100%	Republic of the Marshall Islands
SRV Joint Gas Ltd.	50%	Cayman Islands
SRV Joint Gas Two Ltd.	50%	Cayman Islands
Höegh LNG Lampung Pte Ltd.	100%	Singapore
Höegh LNG Services Ltd.	100%	United Kingdom
PT Hoegh LNG Lampung	49%	Indonesia
Höegh LNG FSRU III Ltd.	100%	Cayman Islands
Hoegh LNG Cyprus Limited	100%	Cyprus
Hoegh LNG Cyprus Limited Egypt Branch	100%	Egypt
Höegh LNG Colombia Holding Ltd.	100%	Cayman Islands
Höegh LNG FSRU IV Ltd.	100%	Cayman Islands
Höegh LNG Colombia S.A.S.	100%	Colombia

Exhibit 12.1

CERTIFICATION PURSUANT TO RULE 13A-14(A) OR RULE 15D-14(A)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Steffen Føreid, certify that:

1. I have reviewed this annual report on Form 20-F of Höegh LNG Partners LP (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 10, 2019

HÖEGH LNG PARTNERS LP

By: /s/ Steffen Føreid
Name: Steffen Føreid
Title: Principal Executive Officer
and Principal Financial Officer

Exhibit 13.1

CERTIFICATION PURSUANT TO
18 U.S.C. 1350

Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350), as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Höegh LNG Partners LP, a Marshall Islands limited partnership (the "***Partnership***"), certifies, to such officer's knowledge, that:

The annual report on Form 20-F for the year ended December 31, 2018 of the Partnership (the "***Report***") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Date: April 10, 2019

HÖEGH LNG PARTNERS LP

By: /s/ Steffen Føreid
Name: Steffen Føreid
Title: Principal Executive Officer
and Principal Financial Officer

Exhibit 15.1

Schedule I- Condensed Financial Information of Registrant

CONDENSED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

(in thousands of U.S. dollars)	Year ended December 31, 2018	2017	2016
Total revenue	$ —	—	$ —
EXPENSES			
Administrative expenses	(5,822)	(8,608)	(6,903)
Equity in earnings of subsidiaries	68,359	66,521	36,730
Equity in earnings (losses) of joint ventures	17,938	5,139	16,622
Interest income	93	83	—
Interest expense	(2,938)	(3,934)	(5,072)
Other items, net	(8)	(11)	—
Net income	$ 77,622	59,190	$ 41,377
Share of subsidiaries unrealized losses on cash flow hedges	(2,290)	3,335	1,883
Share of subsidiaries income tax benefit	(299)	(347)	(378)
Comprehensive income	$ 75,033	62,178	$ 42,882

See accompanying notes to condensed financial statements.

CONDENSED BALANCE SHEETS

(in thousands of U.S. dollars)	As of December 31, 2018	2017
Cash	$ 7,006	$ 6,632
Promissory note from subsidiaries	123,248	123,248
Prepaid expenses and other receivables	14	—
Total current assets	130,268	129,880
Investments in subsidiaries	433,088	418,488
Total long-term assets	433,088	418,488
Total assets	$ 563,356	$ 548,368
LIABILITIES AND PARTNER'S CAPITAL		
Trade payables	$ 56	$ 301
Amounts due to owners and affiliates	417	554
Accrued liabilities and other payables	346	276
Total current liabilities	819	1,131
Accumulated losses of joint ventures	2,808	20,746
Loans and promissory notes due to owners and affiliates	39,292	51,832
Total liabilities	42,919	73,709
Total partners' capital	520,437	474,659
Total liabilities and partners' capital	$ 563,356	$ 548,368

See accompanying notes to condensed financial statements.

Schedule I- Condensed Financial Information of Registrant

Exhibit 15.1

CONDENSED STATEMENT OF CASH FLOW

(in thousands of U.S. dollars)	Year ended December 31, 2018	2017	2016
Net cash provided by operating activities	$ 42,401	6,862	(3,608)
INVESTING ACTIVITIES			
Expenditure for purchase of *Höegh Grace* entities	—	(137,475)	—
(Increase) decrease in restricted cash designated for purchase of the Höegh Grace entities	—	91,768	(91,768)
Proceeds from investment in subsidiaries	—	12,202	26,616
Net cash provided by (used in) investing activities	—	(33,505)	(65,152)
FINANCING ACTIVITIES			
Net proceeds from issuance of Series A Preferred Units	38,659	110,924	—
Net proceeds from issuance of common units	4,563		
Proceeds from public offering, net of underwriters' discounts and expenses	—	—	111,529
Repayment of amounts due to owners and affiliates	(17,500)	(58,705)	(12,617)
Proceeds from loans and promissory notes due to owners and affiliates	5,400	25,730	8,622
Proceeds from indemnifications received from Höegh LNG	1,701	2,075	3,843
Repayment of indemnifications received from Höegh LNG	(2,353)	(1,534)	—
Cash distributions to limited partners	(72,497)	(57,037)	(43,877)
Net cash provided by (used in) financing activities	(42,027)	21,453	67,500
Increase (decrease) in cash, cash equivalents and restricted cash	374	(5,190)	(1,261)
Cash, cash equivalents and restricted cash, beginning of period	6,632	11,822	13,082
Cash, cash equivalents and restricted cash, end of period	$ 7,006	6,632	11,822

See accompanying notes to condensed financial statements.

1. Basis of presentation

Höegh LNG Partners LP – the Parent company is a Marshall Islands limited partnership formed on April 28, 2014.

In the parent-only financial statements, the investment in subsidiaries and investment in joint ventures are stated at cost plus equity in undistributed earnings of subsidiaries and accumulated losses in joint ventures since the date of acquisition and the closing of the initial public offering of Höegh LNG Partners LP (the "Partnership") on August 12, 2014. The Partnership's share of net income of its unconsolidated subsidiaries and joint ventures is included in the condensed income statement using the equity method. The Parent company's financial statements should be read in conjunction with the Partnership's consolidated financial statements contained elsewhere in the Partnership's Report on Form 20-F for the year ended December 31, 2018.

2. Dividends

A cash dividend of $51.7 million, $17.7 million and $7.9 million was paid to the Parent company from its consolidated subsidiaries for the years ended December 31, 2018, 2017 and 2016, respectively.

Exhibit 15.2

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-211840) pertaining to the Höegh LNG Partners LP Long Term Incentive Plan and Höegh LNG Holdings Ltd. Phantom Unit Awards and the Registration Statement (Form F-3 No. 333-213781) of Höegh LNG Partners LP and in the related Prospectus of our report dated April 10, 2019, with respect to the consolidated financial statements and schedule of Höegh LNG Partners LP included in this Annual Report (Form 20-F) for the year ended December 31, 2018.

/s/ Ernst & Young AS

Oslo, Norway

April 10, 2019