

Hoegh LNG Partners LP
Form 6-K
December 15, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16

UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2015

Commission File Number 001-36588

Höegh LNG Partners LP

(Translation of registrant's name into English)

Wessex House, 5th Floor

45 Reid Street

Hamilton, HM 12 Bermuda

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101 (b)(1).

Yes No

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101 (b)(7).

Yes No

HÖEGH LNG PARTNERS LP

REPORT ON FORM 6-K FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2015

Table of Contents

	Page
<u>EXPLANATORY NOTE</u>	3
<u>MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	4
<u>FORWARD LOOKING STATEMENTS</u>	27
<u>INDEX TO FINANCIAL STATEMENTS</u>	F-1
<u>Unaudited Condensed Interim Consolidated and Combined Carve-Out Statements of Income for the Three and Nine Months Ended September 30, 2015 and 2014</u>	F-2
<u>Unaudited Condensed Interim Consolidated and Combined Carve-Out Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2015 and 2014</u>	F-3
<u>Unaudited Condensed Interim Consolidated and Combined Carve-Out Balance Sheets as of September 30, 2015 and December 31, 2014</u>	F-4
<u>Unaudited Condensed Interim Consolidated and Combined Carve-Out Statements of Changes in Partners’ Capital/Owner’s Equity for the Nine Months Ended September 30, 2015 and the Year Ended December 31, 2014</u>	F-6
<u>Unaudited Condensed Interim Consolidated and Combined Carve-Out Statements of Cash Flows for the Nine Months Ended September 30, 2015 and 2014</u>	F-7
<u>Notes to Unaudited Condensed Interim Consolidated and Combined Carve-Out Financial Statements</u>	F-9
<u>SIGNATURE</u>	

EXPLANATORY NOTE

Hoegh LNG Partners LP (generally referred to herein as “we,” “our,” “us” or “the Partnership”) is filing this Report on Form 6-K for the three and nine months ended September 30, 2015 and 2014 (“this Form 6-K”) to report its results for three and nine months ended September 30, 2015. This report also contains restated unaudited condensed interim consolidated and combined carve-out financial statements for the three and nine months ended September 30, 2014.

On November 30, 2015 we filed a 2014 Annual Report on Form 20-F/A (the “Form 20-F/A”) to amend our Annual Report on Form 20-F for the year ended December 31, 2014 that was originally filed with the SEC on April 24, 2015. The Form 20-F/A restates certain financial information, including: our historical balance sheets as of December 31, 2014 and 2013; our statements of income, comprehensive income, cash flows and changes in partners’/owner’s equity for the years ended December 31, 2014 and 2013; and our selected financial data as of and for the years ended December 31, 2014 and 2013.

We also restated our unaudited condensed consolidated and combined carve-out balance sheets as of June 30, 2015 and the unaudited condensed consolidated and combined carve-out statements of income for the three months ended June 30, 2015 and 2014 in our Form 6-K furnished to the SEC on November 30, 2015. We also presented in our Form 6-K, dated November 30, 2015, the pre-restatement and as restated information for our unaudited condensed consolidated and combined carve-out statements of income and cash flows for the six months ended June 30, 2015 and 2014, as well as our unaudited condensed consolidated and combined carve-out statements of comprehensive income for the three and six months ended June 30, 2015 and 2014.

Note 2.d. of the notes to the unaudited interim consolidated and combined carve-out financial statements included in this Form 6-K reflects the changes to our unaudited condensed consolidated and combined financial statements for the three and nine months ended September 30, 2014 as a result of our restatement and provides additional information about the restatement.

We did not amend our reports on Form 6-K furnished on November 25, 2014 and May 28, 2015. As a result, you should not rely on these filings but instead should rely upon the restated consolidated and combined carve-out financial statements contained in our Form 20-F/A, in our Form 6-K dated November 30, 2015, and this Form 6-K.

In connection with the restatement, management also determined that there were control deficiencies relating to the preparation of Indonesia value added taxes (“VAT”) and withholding taxes (“WHT”) documentation and the accounting for Indonesia VAT and WHT which constituted a material weakness in our internal control over financial reporting. The material weakness, and our ongoing process for remediation thereof, are further described in Item 15. “Controls and Procedures” in our Form 20-F/A.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion of our financial condition and results of operations for the three and nine months ended September 30, 2015 and 2014. References in this report to "Hoegh LNG Partners LP," "we," "our," "us" and "the Partnership" or similar terms when used for the period until the completion of the initial public offering of Hoegh LNG Partners LP (the "IPO") on August 12, 2014 refer to the interests in SRV Joint Gas Ltd., SRV Joint Gas Two Ltd., Hoegh LNG Lampung Pte. Ltd. and PT Hoegh LNG Lampung, which were contributed by Hoegh LNG Holdings Ltd. ("Hoegh LNG") to the Partnership at the IPO. When used for periods after the completion of the IPO, those terms refer to Hoegh LNG Partners LP and its subsidiaries. Unless the context requires otherwise, references in this report to our or the "joint ventures" refer to the joint ventures that own two of the vessels (the GDF Suez Neptune and the GDF Suez Cape Ann).

You should read this section in conjunction with the unaudited condensed interim consolidated and combined carve-out financial statements as of and for the periods ended September 30, 2015 and 2014 and the related notes thereto included elsewhere in this report, as well as our historical consolidated and combined carve-out financial statements and related notes included in our report on Form 20-F/A filed with the SEC on November 30, 2015. This discussion includes forward looking statements which, although based on assumptions that we consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those currently anticipated and expressed or implied by such forward looking statements. See also the discussion in the section entitled "Forward Looking Statements" below.

Highlights

Reported total time charter revenues of \$11.5 million for the third quarter of 2015 compared to \$9.1 million of time charter revenue and \$6.3 million of construction contract revenues for the third quarter of 2014

Generated operating income of \$7.5 million and net income of \$5.2 million for the third quarter of 2015 compared to operating income of \$5.2 million and net income of \$3.3 million for the third quarter of 2014; operating income and net income were impacted by an unrealized loss on derivative instruments on the Partnership's share of equity in earnings of joint ventures in the third quarter of 2015 compared with an unrealized gain for the third quarter of 2014

On November 13, 2015 paid a \$0.3375 per unit distribution with respect to the third quarter of 2015, equivalent to \$1.35 per unit on an annual basis

Restatement of Financial Statements

Edgar Filing: Hoegh LNG Partners LP - Form 6-K

The discussion and analysis below have been adjusted to reflect the restatement of our financial results which is described in the Explanatory Note above. A reconciliation of our previously reported unaudited interim consolidated and combined carve-out financial statements to our restated unaudited interim consolidated and combined carve-out financial statements for the three and nine months ended September 30, 2014 is included in note 2.d. of the notes to our unaudited interim consolidated and combined carve-out financial statements.

Our results of operations

(in thousands of U.S. dollars, except per unit amounts)	Three months ended		Nine months ended	
	September 30, 2015	2014 (Restated)	September 30, 2015	2014 (Restated)
Statement of Income Data:				
Time charter revenues	\$ 11,462	9,087	34,039	\$9,087
Construction contract revenues	—	6,310	—	45,149
Other revenue	—	—	—	474
Total revenues	11,462	15,397	34,039	54,710
Voyage expenses	—	(798)	—	(798)
Vessel operating expenses	(1,684)	(1,894)	(5,543)	(2,653)
Construction contract expenses	—	(7,040)	—	(40,522)
Administrative expenses	(1,984)	(3,157)	(6,298)	(10,143)
Depreciation and amortization	(8)	(329)	(23)	(1,309)
Total operating expenses	(3,676)	(13,218)	(11,864)	(55,425)
Equity in earnings of joint ventures	(249)	3,058	9,111	(738)
Operating income	7,537	5,237	31,286	(1,453)
Interest income	2,423	1,542	7,275	2,443
Interest expense	(3,744)	(2,777)	(11,253)	(5,131)
Gain on derivative financial instruments	354	—	467	—
Other items, net	(1,276)	(553)	(3,310)	(1,655)
Income before tax	5,294	3,449	24,465	(5,796)
Income tax expense	(109)	(143)	(261)	(376)
Net income/(loss)	\$ 5,185	3,306	24,204	\$(6,172)
Earnings per unit:				
Common unit public (basic and diluted)	\$0.20	0.22	0.92	\$0.22
Common unit Höegh LNG (basic and diluted)	\$0.20	0.22	0.92	\$0.22
Subordinated units (basic and diluted)	\$0.20	0.22	0.92	\$0.22
Cash Flow Data:				
Net cash provided by operating activities			\$30,101	\$23,094
Net cash provided by (used in) used in investing activities			5,865	(166,579)
Net cash provided by (used in) by financing activities			(41,132)	188,713
Other Financial Data:				
Segment EBITDA(1)	\$ 16,139	10,761	46,560	\$25,163
Adjusted EBITDA(1)	\$ 16,878	11,418	48,724	\$25,820

Adjusted EBITDA and Segment EBITDA are non-GAAP financial measures. Please read “Non-GAAP Financial (1)Measures” for definitions of Adjusted EBITDA and Segment EBITDA and reconciliations of each such measure to net income, the comparable U.S. GAAP financial measure.

Nine months ended September 30, 2015 compared with the nine months ended September 30, 2014

Time Charter Revenues. The following table sets forth details of our time charter revenues for the nine months ended September 30, 2015 and 2014:

(in thousands of U.S. dollars)	Nine months ended September 30,		Positive
	2015	2014 (Restated)	(negative) variance
Time charter revenues	\$ 34,039	\$ 9,087	\$ 24,952

Time charter revenues for the nine months ended September 30, 2015 were \$34.0 million, an increase of \$24.9 million from \$9.1 million the nine months ended September 30, 2014. The time charter revenues related to the *PGN FSRU Lampung* which was on-hire for the entire nine months ended September 30, 2015. The time charter revenues did not begin until July 21, 2014 when commissioning of the *PGN FSRU Lampung* began.

Time charter revenues consist 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, vessel operating expenses and withholding tax borne by the charterer.

Construction Contract Revenues and Related Expenses. The following table sets forth details of our construction contract revenues and construction contract expenses for the nine months ended September 30, 2015 and 2014:

(in thousands of U.S. dollars)	Nine months ended September 30,		Positive
	2015	2014 (Restated)	(negative) variance
Construction contract revenues	\$ —	\$ 45,149	\$(45,149)
Construction contract expenses	\$ —	\$ (40,522)	) \$40,522
Recognized contract margin	\$ —	\$ 4,627	\$(4,627)

PT PGN LNG Indonesia (“PGN”) formally accepted the *PGN FSRU Lampung* and signed the Certificate of Acceptance on October 30, 2014 which was the condition for the final payment related to the *PGN FSRU Lampung*’s Tower Yoke Mooring System (the “Mooring”). As such the Mooring project was completed as of December 31, 2014. As a result, there were no construction contract revenues or expenses for the nine months ended September 30, 2015. 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. Construction contract revenues for the nine months ended September 30, 2014 were \$45.0 million. Construction contract expenses were \$40.5 million for the nine months ended September 30, 2014.

As of September 30, 2014 the project was estimated to be 94% complete. During the three months ended September 30, 2014, delay liquidated damages of approximately \$6.1 million were recorded as part of construction contract expenses related to claims from PGN on the project up to September 30, 2014. For additional discussion see note 14 of the unaudited condensed interim consolidated and combined carve-out financial statements. As a result of the claims, the estimate of the total estimated construction cost was also upwardly revised based upon estimated total exposure for delay liquidated damages from PGN. As the percentage of completion method relies on the substantial use of estimates, estimates may be revised throughout the life of a construction contract. Adjustments to construction cost estimates to complete on construction contracts are revised when additional information becomes available. The impact of such changes to estimates is made on a cumulative basis in the period when such information has become known. As a result of the revision to the estimated total project costs, there was a reduction margin for the nine months ended September 30, 2014 and a negative margin for the three months ended September 30, 2014 for the cumulative impact of the change in estimates. PGN formally accepted the PGN Lampung project effective October 30, 2014. No delay liquidated damages would incur past the acceptance date. The total estimated construction costs as of September 30, 2014 included contingencies for the remaining delay liquidated damages that were to be recorded in the fourth quarter of 2014. As explained in note 14, subsequent to December 31, 2014, an understanding was reached with PGN and no delay liquidated damages were paid. The impact of this understanding was reflected in the consolidated and combined carve-out financial statements for the year ended December 31, 2014.

Other Revenue. The following table sets forth details of our other revenue for the nine months ended September 30, 2015 and 2014:

(in thousands of U.S. dollars)	Nine months ended September 30,		Positive (negative) variance
	2015	2014 (Restated)	
Other revenue	\$ —	\$ 474	\$ (474)

Other revenue includes incidental revenues prior to the start of the time charter for the *PGN FSRU Lampung*.

Voyage and Vessel Operating Expenses. The following table sets forth details of our voyage and vessel operating expenses for the nine months ended September 30, 2015 and 2014:

(in thousands of U.S. dollars)	Nine months ended September 30,		Positive (negative) variance
	2015	2014 (Restated)	
Voyage expenses	\$ —	\$ (798	) \$ 798
Vessel operating expenses	\$ (5,543	) \$ (2,653	) \$ (2,890)

There were no voyage expenses for the nine months ended September 30, 2015. Voyage expenses for the nine months ended September 30, 2014 were \$0.8 million. Voyage expenses are typically paid directly by the charterer. For the nine months ended September 30, 2014 certain bunker fuel and use of LNG during the commissioning and testing of the *PGN FSRU Lampung* were borne by us. In addition, LNG quantities used in running our generators during the period where we had problems with the regasification system were for our own account in 2014. We have not incurred any voyage expenses after October 2014 when the final testing of the *PGN FSRU Lampung* was complete. However, if the FSRU is offhire, voyage expenses, principally fuel, may also be incurred and would be paid by us.

Vessel operating expenses for the nine months ended September 30, 2015 were \$5.5 million, an increase of \$2.9 million from \$2.6 million for the nine months ended September 30, 2014. This reflects that the *PGN FSRU Lampung* was in operation for the full nine months ended September 30, 2015, while the vessel was not ready for its intended use before the middle of May 2014.

Administrative Expenses. The following table sets forth details of our administrative expenses for the nine months ended September 30, 2015 and 2014:

(in thousands of U.S. dollars)	Nine months ended September 30,		Positive
	2015	2014	(negative)
		(Restated)	variance
Administrative expenses	\$ (6,298)	\$ (10,143)	\$ 3,845

Administrative expenses for the nine months ended September 30, 2015 were \$6.3 million, a decrease of \$3.8 million from \$10.1 million for the nine months ended September 30, 2014. The major reasons for the decrease were lower administrative expenses associated with the *PGN FSRU Lampung* and for corporate activities.

There were lower administrative activities associated with the *PGN FSRU Lampung* during the nine months ended September 30, 2015 than during the nine months ended September 30, 2014 when there were preparations for the start of operations of the *PGN FSRU Lampung*.

For the nine months ended September 30, 2014, administrative expenses were incurred for the IPO principally related to audit fees, legal fees and charges for hours incurred by Höegh LNG's staff working on preparation on the IPO. There were no comparable expenses for the nine months ended September 30, 2015.

Depreciation and Amortization. The following table sets forth details of our depreciation and amortization for the nine months ended September 30, 2015 and 2014:

	Nine months ended September 30,		Positive
(in thousands of U.S. dollars)	2015	2014	(negative)
			variance
Depreciation and amortization	\$ (23)	\$ (1,309 )	) \$ 1,286

Depreciation and amortization for the nine months ended September 30, 2015 related to office and IT equipment. Depreciation and amortization for the nine months ended September 30, 2014 related to the *PGN FSRU Lampung* and office and IT equipment. The *PGN FSRU Lampung* was depreciated from the time it was substantially complete in the middle of May 2014 until the start of the direct financing lease in July 2014.

Total Operating Expenses. The following table sets forth details of our total operating expenses for the nine months ended September 30, 2015 and 2014:

	Nine months ended September 30,		Positive
(in thousands of U.S. dollars)	2015	2014	(negative)
		(Restated)	variance
Total operating expenses	\$ (11,864)	\$ (55,425 )	) \$ 43,561

Total operating expenses for the nine months ended September 30, 2015 were \$11.9 million, a decrease of \$43.5 million from \$55.4 million for the nine months ended September 30, 2014. The decrease is mainly due to the decrease in construction contract expense. Excluding construction contract expense for the nine months ended September 30, 2014, total operating expenses decreased by \$3.0 million for the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014. The remaining decrease is due to a decrease in voyage expenses, administrative expenses and depreciation, all related to the start up of operations of the *PGN LNG Lampung* and the IPO. This was partially offset by an increase in vessel operation expenses due the full operations of the *PGN FSRU Lampung* for the nine months ended September 30, 2015, compared to partial operations for the nine months ended September 30, 2014.

Equity in Earnings (Losses) of Joint Ventures. The following table sets forth details of our equity in earnings of joint ventures for the nine months ended September 30, 2015 and 2014:

Positive

Edgar Filing: Hoegh LNG Partners LP - Form 6-K

(in thousands of U.S. dollars)	Nine months ended September 30, (negative)		
	2015	2014	variance
Equity in earnings (losses) of joint ventures	\$ 9,111	\$ (738	) \$ 9,849

Equity in earnings of joint ventures for the nine months ended September 30, 2015 was \$9.1 million, an increase of \$9.8 million from equity in losses of \$0.7 million for the nine months ended September 30, 2014. The main reason for the increase was an unrealized gain on derivative instruments in our joint ventures for the nine months ended September 30, 2015, compared to an unrealized loss on derivative instruments for the nine months ended September 30, 2014.

Our share of our joint ventures' operating income was \$17.4 million for the nine months ended September 30, 2015, compared with \$17.7 million for the nine months ended September 30, 2014. Our share of other financial income (expense), net, principally consisting of interest expense, was \$12.1 million for the nine months ended September 30, 2015, a decrease of \$0.8 million from \$12.9 million for the nine months ended September 30, 2014. The unrealized gain on derivative instruments was \$3.8 million for the nine months ended September 30, 2015, an increase of \$9.3 million from an unrealized loss of \$5.5 million for the nine months ended September 30, 2014.

There was no accrued income tax expense for the nine months ended September 30, 2015 and 2014. Our joint ventures did not pay any dividends for the nine months ended September 30, 2015 and 2014.

Edgar Filing: Hoegh LNG Partners LP - Form 6-K

Operating Income. The following table sets forth details of our operating income for the nine months ended September 30, 2015 and 2014:

(in thousands of U.S. dollars)	Nine months ended September 30,		Positive (negative) variance
	2015	2014 (Restated)	
Operating income (loss)	\$ 31,286	\$ (1,453	) \$ 32,739

Operating income for the nine months ended September 30, 2015 was \$31.3 million, an increase of \$32.7 million from operating loss of \$1.4 million for the nine months ended September 30, 2014. The increase is primarily as a result of the *PGN FSRU Lampung* being in operations for the full nine months ended September 30, 2015 and the unrealized gain on derivatives for the nine months ended September 30, 2015 compared with the unrealized loss on derivatives for the nine months ended September 30, 2014 impacting the equity in earnings of joint ventures.

Interest Income. The following table sets forth details of our interest income for the nine months ended September 30, 2015 and 2014:

(in thousands of U.S. dollars)	Nine months ended September 30,		Positive (negative) variance
	2015	2014	
Interest income	\$ 7,275	\$ 2,443	\$ 4,832

Interest income for the nine months ended September 30, 2015 was \$7.3 million, an increase of \$4.8 million from \$2.4 million for the nine months ended September 30, 2014. Interest income of \$6.3 million related to the demand note due from Höegh LNG and \$1.0 million related to interest accrued on the advances to our joint ventures for the nine months ended September 30, 2015. For the nine months ended September 30, 2014, the entire balance related to interest accrued on the advances to our joint ventures. The interest rate under the shareholder loans to our joint ventures is a fixed rate of 8.0% per year. We lent \$140 million to Höegh LNG from net proceeds of the IPO pursuant to a demand note. The note bears interest at a rate of 5.88% per annum. On October 1, 2015, the Partnership purchased the FSRU *Höegh Gallant* from Höegh LNG and the note was utilized as part of the purchase consideration.

Interest Expense. The following table sets forth details of our interest expense for the nine months ended September 30, 2015 and 2014:

	Nine months ended September 30,		Positive (negative) variance
	2015	2014	

Edgar Filing: Hoegh LNG Partners LP - Form 6-K

			(Restated)	
Interest expense	\$ (8,403	)	\$ (6,099	) \$ (2,304)
Commitment fees	(904	)	(1,304	) 400
Amortization of debt issuance cost	(1,946	)	(3,175	) 1,229
Capitalized interest	—		5,447	(5,447)
Total interest expense	\$ (11,253	)	\$ (5,131	) \$ (6,122)

Total interest expense for the nine months ended September 30, 2015 was \$11.2 million, an increase of \$6.1 million from \$5.1 million for the nine months ended September 30, 2014. Total interest expense consists of the interest incurred, commitment fees and amortization of debt issuance cost less the interest capitalized for the period.

The interest incurred of \$8.4 million for the nine months ended September 30, 2015, increased by \$2.3 million compared to \$6.1 million for the nine months ended September 30, 2014. The increase was due to higher outstanding loan balances.

Commitment fees were \$0.9 million and \$1.3 million for the nine months ended September 30, 2015 and 2014, respectively. The commitment fees relate to the undrawn \$85 million sponsor credit facility for the nine months ended September 30, 2015. For the nine months ended September 30, 2014, commitment fees were incurred on the Lampung facility for undrawn balances as well as the undrawn \$85 million sponsor credit facility from its inception August 12, 2014.

Amortization of debt issuance cost for the nine months ended September 30, 2015 and 2014 was \$1.9 million and 3.2 million, respectively. The higher amortization of debt issuance cost of \$1.2 million for the nine months ended September 30, 2014 related to the short amortization period for the Mooring tranche of the Lampung facility. The Mooring tranche was fully repaid on July 3, 2014.

There was no capitalized interest for the nine months ended September 30, 2015 since there was no construction in progress. The *PGN FSRU Lampung* and the Mooring were under construction for the first quarter and part of the second quarter of 2014 and most interest incurred qualified for capitalization for this period. Capitalized interest was \$5.4 million for the nine months ended September 30, 2014. Capitalization of interest ceased in the middle of May, 2014 when the *PGN FSRU Lampung* and the Mooring were substantially complete.

Gain on derivative financial instruments. The following table sets forth details of our gain on derivative financial instruments for the nine months ended September 30, 2015 and 2014:

(in thousands of U.S. dollars)	Nine months ended September 30,		Positive
	2015	2014	(negative) variance
Gain on derivative financial instruments	\$ 467	\$	—\$ 467

Gain on derivative financial instruments for the nine months ended September 30, 2015 was \$0.5 million. This amount related to the interest rate swap for the Lampung facility. The gain principally related to the amortization income on the amount excluded from hedge effectiveness, net of the amortization expense related to the interest rate swaps reclassified from accumulated other comprehensive income. The interest rate swaps are designated as cash flow hedges of the variable interest payments on the Lampung facility and the effective portion of the changes in fair value of the hedges are recorded in other comprehensive income. We did not have any gain or loss included in net income on the derivative financial instruments for the nine months ended September 30, 2014.

Other Items, Net. The following table sets forth details of our other items, net for the nine months ended September 30, 2015 and 2014:

	Nine months ended September 30,		Positive
	2015	2014	(negative) variance
		(Restated)	
Foreign exchange gain (loss)	\$ (1,315)	\$ (43)	\$ (1,272)
Bank charges and fees	(38)	(21)	(17)
Withholding tax on interest expense and other	(1,957)	(1,591)	(366)
Total other items, net	\$ (3,310)	\$ (1,655)	\$ (1,655)

Other items, net for the nine months ended September 30, 2015 was \$3.3 million, an increase of \$1.6 million from \$1.7 million for the nine months ended September 30, 2014.

Edgar Filing: Hoegh LNG Partners LP - Form 6-K

The increase was mainly due to a higher foreign exchange loss of \$1.3 million and higher withholding tax of \$0.4 million for the nine months ended September 30, 2015 compared with the nine months ended September 30, 2014. The withholding tax mainly arises from amounts due on interest expense to parties outside of Singapore and Indonesia. Pursuant to the terms of the *PGN FSRU Lampung* time charter, we will be reimbursed, as a component of time charter revenues, for the part of the withholding tax associated with the charter activities.

Income (Loss) Before Tax. The following table sets forth details of our income before tax for the nine months ended September 30, 2015 and 2014:

(in thousands of U.S. dollars)	Nine months ended September 30,		Positive
	2015	2014	(negative)
		(Restated)	variance
Income (loss) before tax	\$ 24,465	\$ (5,796	) \$ 30,261

Income before tax for the nine months ended September 30, 2015 was \$24.5 million, an increase of \$30.3 million from the loss before tax of \$5.8 million for the nine months ended September 30, 2014. The increase is primarily a result of the *PGN FSRU Lampung* being in operation for the nine months ended September 30, 2015 compared with significant start up and construction activities for the nine months ended September 30, 2014 and the unrealized gains on derivative instruments for the joint ventures and the Lampung facility for the nine months ended September 30, 2015 compared with the unrealized loss on derivative instruments for the joint ventures for the nine months ended September 30, 2014.

Income Tax Expense. The following table sets forth details of our income tax expense for the nine months ended September 30, 2015 and 2014:

(in thousands of U.S. dollars)	Nine months ended September 30,		Positive (negative) variance
	2015	2014	
Income tax expense	\$ (261)	\$ (376)	\$ 115

Income tax expense for the nine months ended September 30, 2015 was \$0.3 million, a decrease of \$0.1 million compared to \$0.4 million for the nine months ended September 30, 2014. We are not subject to Marshall Islands income taxes. However, we are subject to tax on earnings in Singapore and Indonesia. For the first nine months of 2015, the income tax expense related to Hoegh LNG Lampung Pte. Ltd. and reclassification of a deferred tax benefit from other comprehensive income for PT Hoegh LNG Lampung. PT Hoegh LNG Lampung has a tax loss carryforward from 2014 which is expected to offset any current tax expense during 2015.

Net Income. The following table sets forth details of our net income for the nine months ended September 30, 2015 and 2014:

(in thousands of U.S. dollars)	Nine months ended September 30,		Positive (negative) variance
	2015	2014	
		(Restated)	
Net income (loss)	\$ 24,204	\$ (6,172)	\$ 30,376

As a result of the foregoing, net income for the nine months ended September 30, 2015 was \$24.2 million, an increase of \$30.4 million from a net loss of \$6.2 million for the nine months ended September 30, 2014.

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). 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 that are considered to benefit the entire organization and interest income from advances to joint ventures and the demand note due from Höegh LNG are included in “Other.”

For the nine months ended September 30, 2015, Majority held FSRUs includes the direct financing lease related to the *PGN FSRU Lampung*. For the nine months ended September 30, 2014, Majority held FSRUs includes a newbuilding, the *PGN FSRU Lampung*, and construction contract revenues and expenses of the Mooring under construction. The Mooring was constructed on behalf of, and was sold to, PGN using the percentage of completion method of accounting. The Mooring project was completed as of December 31, 2014.

As of September 30, 2015 and 2014, Joint venture FSRUs include two 50% owned FSRUs, the *GDF Suez Neptune* and the *GDF Suez Cape Ann*, that operate under long term time charters with one charterer, GDF Suez Global LNG Supply SA.

The accounting policies applied to the segments are the same as those applied in the financial statements, except that Joint venture FSRUs are presented under the proportional consolidation method for the segment note and in the tables below, and under equity accounting for the consolidated and combined carve-out financial statements. 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. The following tables include the results for the segments for the nine months ended September 30, 2015 and 2014.

Majority Held FSRUs. The following table sets forth details of segment results for the Majority Held FSRUs for the nine months ended September 30, 2015 and 2014:

Majority Held FSRUs (in thousands of U.S. dollars)	Nine months ended September 30,		Positive (negative) variance
	2015	2014 (Restated)	
Time charter revenues	\$34,039	\$9,087	\$24,952
Construction contract revenues	—	45,149	(45,149)
Other revenues	—	474	(474)
Total revenues	34,039	54,710	(20,671)
Voyage & vessel operating expenses	(5,543)	(3,451)	(2,092)
Administrative expenses	(1,841)	(5,046)	3,205
Construction contract expense	—	(40,522)	40,522
Segment EBITDA	26,655	5,691	20,964
Depreciation and amortization	(23)	(1,309)	1,286
Operating income (loss)	26,632	4,382	22,250
Financial income (expense), net	(13,176)	(6,624)	(6,552)
Income (loss) before tax	13,456	(2,242)	15,698
Income tax expense	(261)	(376)	115
Net income (loss)	\$13,195	\$(2,618)	\$15,813

Time charter revenues for the nine months ended September 30, 2015 were \$34.0 million, an increase of \$24.9 million for the nine months ended September 30, 2014. Construction contract revenues for the nine months ended September 30, 2014 were \$45.2 million. As discussed in more detail above, during the nine months ended September 30, 2015, the *PGN FSRU Lampung* was operating under the time charter while the activities for the nine months ended September 30, 2014 related to the construction of the Mooring and preparations to begin operations. Other revenues for the nine months ended September 30, 2014 were \$0.5 million.

Voyage and vessel operating expenses for the nine months ended September 30, 2015 were \$5.5 million compared to \$3.5 million for the nine months ended September 30, 2014. This reflects that the *PGN FSRU Lampung* was in operation for the nine months ended September 30, 2015, while the vessel was not ready for its intended use before the middle of May 2014.

Administrative expenses for the nine months ended September 30, 2015 were \$1.8 million, a decrease of \$3.2 million from \$5.0 million for the nine months ended September 30, 2014. Higher administrative expenses in the nine months ended September 30, 2014 were due to activities associated with the Mooring and the preparation for the start of operations of the *PGN FSRU Lampung*, while the comparative period of 2015 had more routine operations.

Edgar Filing: Hoegh LNG Partners LP - Form 6-K

Construction contract expense was \$40.5 million for the nine months ended September 30, 2014 due to progress to complete the Mooring construction project and the delay liquidated damages of approximately \$6.1 million incurred during the nine months ended September 30, 2014.

Segment EBITDA for the nine months ended September 30, 2015 was \$26.7 million, an increase of \$21.0 million from \$5.7 million for the nine months ended September 30, 2014 mainly due to the full operations under the *PGN FSRU Lampung* time charter for the nine months ended September 30, 2015.

Joint Venture FSRUs. The following table sets forth details of segment results for the Joint Venture FSRUs for the nine months ended September 30, 2015 and 2014:

Joint Venture FSRUs (in thousands of U.S. dollars)	Nine months ended		Positive (negative) variance
	September 30, 2015	2014	
Time charter revenues	\$31,899	\$30,731	\$ 1,168
Vessel operating expenses	(6,848)	(5,473)	(1,374)
Administrative expenses	(689)	(689)	-
Segment EBITDA	24,362	24,569	(207)
Depreciation and amortization	(6,941)	(6,861)	(80)
Operating income	17,421	17,708	(287)
Gain (loss) on derivative instruments	3,830	(5,531)	9,361
Other income (expense), net	(12,140)	(12,915)	775
Income (loss) before tax	9,111	(738)	9,849
Income tax expense	—	—	—
Net income (loss)	\$9,111	\$(738)	\$ 9,848

The segment results for the Joint Venture FSRUs are presented using the proportional consolidation method (which differs from the equity method used in the historical unaudited interim combined carve-out financial statements).

Total time charter revenues for the nine months ended September 30, 2015 were \$31.9 million, an increase of \$1.2 million compared to \$30.7 million for the nine months ended September 30, 2014.

Vessel operating expenses were \$6.8 million for the nine months ended September 30, 2015 compared to \$5.5 million for the nine months ended September 30, 2014.

Administrative expenses were \$0.7 million for each of the nine months ended September 30, 2015 and 2014.

Segment EBITDA was \$24.4 million for the nine months ended September 30, 2015 compared with \$24.6 million for the nine months ended September 30, 2014.

Other. The following table sets forth details of other results for the nine months ended September 30, 2015 and 2014:

Edgar Filing: Hoegh LNG Partners LP - Form 6-K

Other (in thousands of U.S. dollars)	Nine months ended		Positive (negative) variance
	September 30, 2015	2014	
Administrative expenses	\$ (4,457)	\$ (5,097)	\$ 640
Segment EBITDA	(4,457)	(5,097)	640
Operating income (loss)	(4,457)	(5,097)	640
Interest income and expense, net	6,355	2,281	4,074
Income (loss) before tax	1,898	(2,816)	4,714
Income tax expense	—	—	—
Net income (loss)	\$ 1,898	\$ (2,816)	\$ 4,714

Administrative expenses and Segment EBITDA for the nine months ended September 30, 2015 were \$4.5 million, a decrease of \$0.6 million from \$5.1 million for the nine months ended September 30, 2014. For the nine months ended September 30, 2014, expenses of \$3.5 million were incurred for preparation for the IPO and approximately \$0.2 million related to fees in establishing the new legal structure in conjunction with the IPO. For the nine months ended September 30, 2015, the decrease in IPO related costs were largely offset by higher public company expenses and higher audit fees incurred associated with the restatement of the historical financial statements.

Interest income and expense, net, which is not part of the segment measure of profits, is related to the interest accrued on the advances to our joint ventures and our \$140 million demand note from Höegh LNG net of commitment fees on the undrawn \$85 million sponsor credit facility.

Three months ended September 30, 2015 compared with the three months ended September 30, 2014

Time Charter Revenues. The following table sets forth details of our time charter revenues for the three months ended September 30, 2015 and 2014:

(in thousands of U.S. dollars)	Three months ended September 30,		Positive (negative) variance
	2015	2014 (Restated)	
Time charter revenues	\$ 11,462	\$ 9,087	\$ 2,375

Time charter revenues for the three months ended September 30, 2015 were \$11.5 million, an increase of \$2.4 million from \$9.1 million for the three months ended September 30, 2014. The time charter revenues relates to the *PGN FSRU Lampung* which was on-hire for the three months ended September 30, 2015. The time charter revenues did not begin until July 21, 2014 when commissioning began.

Time charter revenues consist 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, vessel operating expenses and withholding taxes borne by the charterer.

Construction Contract Revenues and Related Expenses. The following table sets forth details of our construction contract revenues and construction contract expenses for the three months ended September 30, 2015 and 2014:

(in thousands of U.S. dollars)	Three months ended September 30,		Positive (negative) variance
	2015	2014 (Restated)	
Construction contract revenues	\$ —	\$ 6,310	\$ (6,310)
Construction contract expenses	\$ —	\$ (7,040)	) \$ 7,040
Recognized contract margin	\$ —	\$ (730)	) \$ 730

PGN formally accepted the *PGN FSRU Lampung* and signed the Certificate of Acceptance on October 30, 2014 which was the condition for the final payment related to the Mooring. As such the Mooring project was completed as of December 31, 2014. As a result, there were no construction contract revenues or expenses for the three months

ended September 30, 2015. Construction contract revenues for the three months ended September 30, 2014 were \$6.3 million. Construction contract expenses were \$7.0 million for the three months ended September 30, 2014. As of September 30, 2014 the project was estimated to be 94% complete. The major part of the construction contract expenses for the three months ended September 30, 2014 were \$6.1 million of delay liquidated damages related to claims from PGN on the project up to September 30, 2014. For additional discussion see note 14 of the unaudited condensed interim consolidated and combined carve-out financial statements. As a result of the claims, the estimate of the total estimated construction cost was also upwardly revised based upon estimated total exposure for delay liquidated damages from PGN. As the percentage of completion method relies on the substantial use of estimates, estimates may be revised throughout the life of a construction contract. Adjustments to construction cost estimates to complete on construction contracts are revised when additional information becomes available. The impact of such changes to estimates is made on a cumulative basis in the period when such information has become known. As a result of the revision to the estimated total estimated construction costs, there was a negative margin of \$0.7 million for the three months ended September 30, 2014 for the cumulative impact of the change in estimates.

Voyage and Vessel Operating Expenses. The following table sets forth details of our voyage and vessel operating expenses for the three months ended September 30, 2015 and 2014:

(in thousands of U.S. dollars)	Three months ended September 30,		Positive (negative) variance
	2015	2014 Restated)	
Voyage expenses	\$ —	\$ (798	) \$ 798
Vessel operating expenses	\$ (1,684	) \$ (1,894	) \$ 210

There were no voyage expenses for the three months ended September 30, 2015. Voyage expenses for the three months ended September 30, 2014 were \$0.8 million. Voyage expenses are typically paid directly by the charterer. For the three months ended September 30, 2014 certain bunker fuel and use of LNG during the commissioning and testing of the *PGN FSRU Lampung* were borne by us. In addition, LNG quantities used in running our generators during the period where we had problems with the regasification system were for our own account in 2014.

Vessel operating expenses for the three months ended September 30, 2015 were \$1.7 million, a decrease of \$0.2 million from the three months ended September 30, 2014. This reflects that the *PGN FSRU Lampung* was in normal operation for the three months ended September 30, 2015, while there were certain start up and crew training costs as well as the expenses from the start of the time charter hire period beginning July 21, 2014 for the three months ended September 30, 2014.

Administrative Expenses. The following table sets forth details of our administrative expenses for the three months ended September 30, 2015 and 2014:

(in thousands of U.S. dollars)	Three months ended September 30,		Positive (negative) variance
	2015	2014 (Restated)	
Administrative expenses	\$ (1,984	) \$ (3,157	) \$ 1,173

Administrative expenses for the three months ended September 30, 2015 were \$2.0 million, a decrease of \$1.2 million from \$3.2 million for the three months ended September 30, 2014. The major reason for the decrease was lower administrative expenses associated with the *PGN FSRU Lampung*.

There were lower administrative activities associated with the *PGN FSRU Lampung* during the three months ended September 30, 2015 than during the three months ended September 30, 2014 when there were preparations for the start of operations of the *PGN FSRU Lampung*.

Depreciation and Amortization. The following table sets forth details of our depreciation and amortization for the three months ended September 30, 2015 and 2014:

(in thousands of U.S. dollars)	Three months ended September 30,		Positive (negative) variance
	2015	2014	

Edgar Filing: Hoegh LNG Partners LP - Form 6-K

Depreciation and amortization \$ (8) \$ (329) \$ 321

Depreciation and amortization for the three months ended September 30, 2015 related to office and IT equipment. Depreciation and amortization for the three months ended September 30, 2014 related to the *PGN FSRU Lampung* and office and IT equipment. The *PGN FSRU Lampung* was depreciated from the time it was substantially complete in the middle of May 2014 until the start of the direct financing lease in July 2014.

Total Operating Expenses. The following table sets forth details of our total operating expenses for the three months ended September 30, 2015 and 2014:

(in thousands of U.S. dollars)	Three months ended September 30,		Positive (negative) variance
	2015	2014 (Restated)	
Total operating expenses	\$ (3,676)	\$ (13,218)	\$ 9,542

Total operating expenses for the three months ended September 30, 2015 were \$3.7 million, a decrease of \$9.5 million from \$13.2 million for the three months ended September 30, 2014. The decrease is mainly due to the decrease in construction contract expense. Excluding construction contract expense for the three months ended September 30, 2014, total operating expenses decreased by \$2.5 million for the three months ended September 30, 2015 compared to the three months ended September 30, 2014. The remaining decrease was due to lower voyage and vessel operating expenses, administrative expenses and depreciation for the three months ended September 30, 2015 compared with the three months ended September 30, 2014.

Equity in Earnings (Losses) of Joint Ventures. The following table sets forth details of our equity in earnings of joint ventures for the three months ended September 30, 2015 and 2014:

(in thousands of U.S. dollars)	Three months ended September 30,		Positive (negative) variance
	2015	2014	
Equity in earnings (losses) of joint ventures	\$ (249)	\$ 3,058	\$ (3,307)

Equity in losses of joint ventures for the three months ended September 30, 2015 was \$0.2 million, a decrease of \$3.3 million from equity in earnings of \$3.1 million for the three months ended September 30, 2014. The reason for the decrease was an unrealized loss on derivative instruments in our joint ventures for the three months ended September 30, 2015, compared to an unrealized gain on derivative instruments for the three months ended September 30, 2014.

Our share of our joint ventures' operating income was \$5.9 million for the three months ended September 30, 2015, compared with \$6.0 million for the three months ended September 30, 2014. Our share of other financial income (expense), net, principally consisting of interest expense, was \$4.0 million for the three months ended September 30, 2015, a decrease of \$0.3 million from \$4.3 million for the three months ended September 30, 2014. The unrealized loss on derivative instruments was \$2.1 million for the three months ended September 30, 2015, a decrease of \$3.5 million from an unrealized gain of \$1.4 million for the three months ended September 30, 2014.

Edgar Filing: Hoegh LNG Partners LP - Form 6-K

There was no accrued income tax expense for the three months ended September 30, 2015 and 2014. Our joint ventures did not pay any dividends for the three months ended September 30, 2015 and 2014.

Operating Income. The following table sets forth details of our operating income for the three months ended September 30, 2015 and 2014:

(in thousands of U.S. dollars)	Three months ended September 30,		Positive (negative) variance
	2015	2014 (Restated)	
Operating income (loss)	\$ 7,537	\$ 5,237	\$ 2,300

Operating income for the three months ended September 30, 2015 was \$7.5 million, an increase of \$2.3 million from operating income of \$5.2 million for the three months ended September 30, 2014. The increase is primarily as a result of the higher time charter revenue and the reduction in the total operating expenses for on-going activities.

Interest Income. The following table sets forth details of our interest income for the three months ended September 30, 2015 and 2014:

(in thousands of U.S. dollars)	Three months ended September 30,		Positive (negative) variance
	2015	2014	
Interest income	\$ 2,423	\$ 1,542	\$ 881

Interest income for the three months ended September 30, 2015 was \$2.4 million, an increase of \$0.9 million from \$1.5 million for the three months ended September 30, 2014. Interest income of \$2.1 million related to the demand note due from Höegh LNG and \$0.3 million related to interest accrued on the advances to our joint ventures for the three months ended September 30, 2015 compared to \$1.1 million and \$0.4 million, respectively, for the three months ended September 30, 2014. The interest rate under the shareholder loans to our joint ventures is a fixed rate of 8.0% per year. We lent \$140 million to Höegh LNG from net proceeds of the IPO pursuant to a demand note. The note bears interest at a rate of 5.88% per annum. On October 1, 2015, the Partnership purchased the FSRU *Höegh Gallant* from Höegh LNG and the note was utilized as part of the purchase consideration.

Interest Expense. The following table sets forth details of our interest expense for the three months ended September 30, 2015 and 2014:

	Three months ended September 30,		Positive (negative) variance
	2015	(Restated)	
Interest expense	\$ (2,789)	\$ (1,730)	\$ (1,059)
Commitment fees	(305)	(84)	(221)
Amortization of debt issuance cost	(650)	(963)	313
Total interest expense	\$ (3,744)	\$ (2,777)	\$ (967)

Total interest expense for the three months ended September 30, 2015 was \$3.7 million, an increase of \$1.0 million from \$2.7 million for the three months ended September 30, 2014. Total interest expense consists of the interest incurred, commitment fees and amortization of debt issuance cost.

The interest incurred of \$2.8 million for the three months ended September 30, 2015, increased by \$1.1 million compared to \$1.7 million for the three months ended September 30, 2014. The increase was due to higher outstanding loan balances.

Edgar Filing: Hoegh LNG Partners LP - Form 6-K

Commitment fees were \$0.3 million and \$0.1 million for the three months ended September 30, 2015 and 2014, respectively. The commitment fees relate to the undrawn \$85 million sponsor credit facility for the three months ended September 30, 2015 and 2014.

Amortization of debt issuance cost for the three months ended September 30, 2015 and 2014 was \$0.7 million and \$1.0 million, respectively. The lower amortization of debt issuance cost of \$0.3 million for the three months ended September 30, 2015 related in part to the final amortization of related to the Mooring tranche of the Lampung facility and a partial writedown of the deferred debt issuance cost at the end of 2014.

Gain on derivative financial instruments. The following table sets forth details of our gain on derivative financial instruments for the three months ended September 30, 2015 and 2014:

(in thousands of U.S. dollars)	Three months ended September 30,		Positive (negative)
	2015	2014	variance
Gain on derivative financial instruments	\$ 354	\$	—\$ 354

Gain on derivative financial instruments for the three months ended September 30, 2015 relates to the interest rate swap for the Lampung facility. The gain related to a gain on the ineffective portion of the cash flow hedge and amortization income on the amount excluded from hedge effectiveness, net of the amortization expense related to the interest rate swap reclassified from accumulated other comprehensive income. The interest rate swaps are designated as cash flow hedges of the variable interest payments on the Lampung facility and the effective portion of the changes in fair value of the hedges are recorded in other comprehensive income. We did not have any gain or loss included in net income on the derivative financial instruments for the three months ended September 30, 2014.

Other Items, Net. The following table sets forth details of our other items, net for the three months ended September 30, 2015 and 2014:

	Three months ended September 30, 2015	September 30, 2014 (Restated)	Positive (negative) variance
Foreign exchange gain (loss)	\$ (643)	\$ 20	\$ (663)
Bank charges and fees	(23)	(20)	(3)
Withholding tax on interest expense and other	(610)	(553)	(57)
Total other items, net	\$ (1,276)	\$ (553)	\$ (723)

Other items, net for the three months ended September 30, 2015 was \$1.3 million, an increase of \$0.7 million from \$0.6 million for the three months ended September 30, 2014.

The increase is due to an increase in the foreign exchange loss of \$0.7 million and an increase in withholding tax of \$0.1 million.

Income Before Tax. The following table sets forth details of our income before tax for the three months ended September 30, 2015 and 2014:

(in thousands of U.S. dollars)	Three months ended September 30, 2015	September 30, 2014 (Restated)	Positive (negative) variance
Income before tax	\$ 5,294	\$ 3,449	\$ 1,845

Income before tax for the three months ended September 30, 2015 was \$5.3 million, an increase of \$1.8 million from \$3.5 million for the three months ended September 30, 2014. The increase is primarily as a result of the higher time charter revenue and the reduction in the total operating expenses for on-going activities which was partially offset by higher total financial expense, net.

Income Tax Expense. The following table sets forth details of our income tax expense for the three months ended September 30, 2015 and 2014:

Edgar Filing: Hoegh LNG Partners LP - Form 6-K

(in thousands of U.S. dollars)	Three months ended September 30,		Positive (negative) variance
	2015	2014	
Income tax expense	\$ (109)	\$ (143)	\$ 34

Income tax expense for the three months ended September 30, 2015 was \$0.1 million compared to income tax income of \$0.1 million for the three months ended September 30, 2014. We are not subject to Marshall Islands income taxes. However, we are subject to tax on earnings in Singapore and Indonesia.

Net Income. The following table sets forth details of our net income for the three months ended September 30, 2015 and 2014:

(in thousands of U.S. dollars)	Three months ended September 30,		Positive (negative) variance
	2015	2014 (Restated)	
Net income (loss)	\$ 5,185	\$ 3,306	\$ 1,879

As a result of the foregoing, net income for the three months ended September 30, 2015 was \$5.2 million, an increase of \$1.9 million from a net income of \$3.3 million for the three months ended September 30, 2014.

Segments

Majority Held FSRUs. The following table sets forth details of segment results for the Majority Held FSRUs for the three months ended September 30, 2015 and 2014:

Majority Held FSRUs (in thousands of U.S. dollars)	Three months ended September 30,		Positive (negative) variance
	2015	2014 (Restated)	
Time charter revenues	\$ 11,462	\$ 9,087	\$ 2,375
Construction contract revenues	—	6,310	(6,310)
Total revenues	11,462	15,397	(3,935)
Voyage & vessel operating expenses	(1,684)	(2,692)	1,008
Administrative expenses	(606)	(1,774)	1,168
Construction contract expense	—	(7,040)	7,040
Segment EBITDA	9,172	3,891	5,281
Depreciation and amortization	(8)	(329)	321
Operating income (loss)	9,164	3,562	5,602
Financial income (expense), net	(4,348)	(3,168)	(1,180)
Income (loss) before tax	4,816	394	4,422
Income tax expense	(109)	(143)	34
Net income (loss)	\$ 4,707	\$ 251	\$ 4,456

Time charter revenues for the three months ended September 30, 2015 were \$11.5 million, an increase of \$2.4 million from \$9.1 million for the three months ended September 30, 2014. As discussed in more detail above, during the three months ended September 30, 2015, the *PGN FSRU Lampung* was operating under the time charter for the full three months ended September 30, 2015, while the vessel commenced operations on July 21, 2014 for the three months ended September 30, 2014. Construction contract revenues amounted to \$6.3 million for the three months ended September 30, 2014.

Voyage and vessel operating expenses for the three months ended September 30, 2015 were \$1.7 million compared to \$2.7 million for the three months ended September 30, 2014. This reflects that *PGN FSRU Lampung* was in operation for the three months ended September 30, 2015, while there were start up costs related to the vessel during the three months ended September 30, 2014.

Administrative expenses for the three months ended September 30, 2015 were \$0.6 million, a decrease of \$1.2 million from \$1.8 million for the three months ended September 30, 2014. Higher administrative expenses in the three months ended September 30, 2014 were due to activities associated with the Mooring and the preparation for the start of operations of the *PGN FSRU Lampung*, while the comparative period of 2015 had more routine operations.

Construction contract expense was \$7.0 million for the three months ended September 30, 2014 due to progress to complete the Mooring construction project and the delay liquidated damages of approximately \$6.1 million incurred during the three months ended September 30, 2014.

Segment EBITDA for the three months ended September 30, 2015 was \$9.2 million, an increase of \$5.3 million from \$3.9 million for the three months ended September 30, 2014 mainly due to the full operations under the *PGN FSRU Lampung* time charter for the three months ended September 30, 2015.

Joint Venture FSRUs. The following table sets forth details of segment results for the Joint Venture FSRUs for the three months ended September 30, 2015 and 2014:

Joint Venture FSRUs (in thousands of U.S. dollars)	Three months ended		Positive (negative) variance
	September 30, 2015	2014	
Time charter revenues	\$ 10,590	\$ 10,382	\$ 208
Vessel operating expenses	(1,995)	(1,824)	(171)
Administrative expenses	(250)	(305)	55
Segment EBITDA	8,345	8,253	92
Depreciation and amortization	(2,456)	(2,288)	(168)
Operating income	5,889	5,965	(76)
Gain (loss) on derivative instruments	(2,109)	1,378	(3,487)
Other income (expense), net	(4,029)	(4,285)	256
Income (loss) before tax	(249)	3,058	(3,307)
Income tax expense	—	—	—
Net income (loss)	\$(249)	\$ 3,058	\$ (3,307)

The segment results for the Joint Venture FSRUs are presented using the proportional consolidation method (which differs from the equity method used in the historical unaudited interim combined carve-out financial statements).

Total time charter revenues for the three months ended September 30, 2015 were \$10.6 million, an increase of \$0.2 million compared to \$10.4 million for the three months ended September 30, 2014.

Vessel operating expenses were \$2.0 million for the three months ended September 30, 2015 compared to \$1.8 million for the three months ended September 30, 2014.

Administrative expenses were \$0.3 million for each of the three months ended September 30, 2015 and 2014.

Segment EBITDA was \$8.4 million for the three months ended September 30, 2015 compared with \$8.3 million for the three months ended September 30, 2014.

Other. The following table sets forth details of other results for the three months ended September 30, 2015 and 2014:

Edgar Filing: Hoegh LNG Partners LP - Form 6-K

Other (in thousands of U.S. dollars)	Three months ended		Positive (negative) variance
	September 30, 2015	2014	
Administrative expenses	\$ (1,378)	\$ (1,383)	\$ 5
Segment EBITDA	(1,378)	(1,383)	5
Operating income (loss)	(1,378)	(1,383)	5
Interest income and expense, net	2,105	1,380	725
Income (loss) before tax	727	(3)	730
Income tax expense	—	—	—
Net income (loss)	\$ 727	\$ (3)	\$ 730

Administrative expenses and Segment EBITDA were \$1.4 million for the three months ended September 30, 2015 and 2014. For the three months ended September 30, 2014, expenses of \$0.6 million were incurred for preparation for the IPO and approximately \$0.2 million related to fees in establishing the new legal structure in conjunction with the IPO. For the three months ended September 30, 2015, the decrease in IPO related costs were offset by higher public company expenses and higher audit fees incurred associated with the restatement of the historical financial statements.

Interest income and expense, net, which is not part of the segment measure of profits, is related to the interest accrued on the advances to our joint ventures and our \$140 million demand note from Höegh LNG net of commitment fees on the undrawn \$85 million sponsor credit facility.

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 seller's credits or related party lending from Höegh LNG, 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 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 and our undrawn balance under the \$85 million sponsor credit facility. 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. Under terms of the shareholder loan agreements, the repayments shall be prioritized over any dividend payment to the owners of the joint ventures. Dividend distributions from our joint ventures a) require agreement of the other joint venture owners; b) require 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 Hoegh Lampung may only be paid out of profits under Singapore law. Dividends from PT Höegh may only be paid if the retained earnings are positive under Indonesian law and applicable requirements are fulfilled under the Lampung facility. As of September 30, 2015, PT Hoegh has negative retained earnings and therefore cannot make dividend payments under Indonesia law. However, subject to meeting a debt service ratio of 1:20:1:00, PT Hoegh 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. Our joint ventures had a commitment to fund the drydocking and the modifications of the *GDF Suez Neptune* during 2015. Under the terms of the time charter, GDF Suez funded both the drydocking and modifications.

As of September 30, 2015, we do not have material commitments for capital expenditures for the rest of our current business. Our expected expenditures for our current business include funding remaining repairs and replacement parts of approximately \$1.2 million under warranty provisions for 2015 and 2016. This expenditure is indemnified by Höegh LNG under the omnibus agreement that we entered into with Höegh LNG in connection with the closing of the IPO (the "omnibus agreement"). Therefore, the funding for this expenditure to date has been and future expenditure will be provided by Höegh LNG.

We believe our current resources, including the \$85 million sponsor credit facility, and our cash flows from operations, including distributions to us from PT Hoegh as payment of intercompany interest and/or intercompany

debt and repayment of principal from our advances to our joint ventures, will be sufficient to meet our debt amortization, unitholder distributions and working capital requirements for our current business.

The \$140 million demand note due from Höegh LNG was repayable on demand and available to be used as purchase consideration for all or a portion of Höegh LNG's interests in an FSRU. On October 1, 2015, the Partnership purchased the FSRU *Höegh Gallant* from Höegh LNG and the note was utilized as part of the purchase consideration. The remainder of the purchase consideration, excluding closing adjustments, was funded with a seller's credit of \$47 million due in 18 months to a subsidiary of Höegh LNG. The seller's credit bears interest at a rate of 8% per annum. Generally, our long-term source of funds will be cash from operations, long-term bank borrowings and other debt and equity financings. Medium-term financing may also be provided by related party loans or seller's credits. Because we will distribute all of our available cash, we expect that we will rely upon external financing sources, including bank borrowings and the issuance of debt and equity securities, for long-term funding of acquisitions and other expansion capital expenditures.

As of September 30, 2015, the Partnership had cash and cash equivalents of \$25.3 million and an undrawn sponsor credit facility of \$85 million. Current restricted cash for operating obligations of the *PGN FSRU Lampung* was \$11.5 million and long-term restricted cash required under the Lampung facility was \$14.8 million as of September 30, 2015. Refer to "Qualitative and Quantitative Disclosures About Market Risk" for additional information.

On May 15, 2015, we paid a cash distribution of \$8.9 million, or \$0.3375 per unit, to our unitholders with respect to the first quarter of 2015. On August 14, 2015, we paid a cash distribution of \$8.9 million, or \$0.3375 per unit, to our unitholders with respect to the second quarter of 2015. On November 13, 2015, we paid a cash distribution of \$8.9 million, or \$0.3375 per unit, to our unitholders with respect to the third quarter of 2015.

Cash Flows

The following table summarizes our net cash flows from operating, investing and financing activities and our cash and cash equivalents for the periods presented:

(in thousands of U.S. dollars)	Nine months ended	
	September 30,	
	2015	2014
		(Restated)
Net cash provided by operating activities	\$30,101	\$23,094
Net cash provided by (used in) investing activities	5,865	(166,579)
Net cash provided by (used in) financing activities	(41,132)	188,713
Increase (decrease) in cash and cash equivalents	(5,166)	45,228
Cash and cash equivalents, beginning of period	30,477	108
Cash and cash equivalents, end of period	\$25,311	\$45,336

Net Cash Provided by Operating Activities

Net cash provided by operating activities was \$30.1 million for the nine months ended September 30, 2015 compared with \$23.1 million for the nine months ended September 30, 2014. Cash flows from operating activities reflect that the *PGN FSRU Lampung* was operating under the time charter for the nine months ended September 30, 2015. The net cash provided by operating activities for the nine months ended September 30, 2014 was mainly due to the receipt of part of the payments for the construction contract revenues for the Mooring and the time charter for the *PGN FSRU Lampung* commenced on July 21, 2014.

Net Cash Provided by (Used in) Investing Activities

Net cash provided by investing activities was \$5.9 million and net cash used in investing activities was \$166.6 million for the nine months ended September 30, 2015 and 2014, respectively. The cash provided by investing activities for the nine months ended September 30, 2015 primarily related to receipts of cash payments for principal on advances to

joint ventures and on the principal on the direct financing lease since the *PGN FSRU Lampung* is accounted for as a direct financing lease. For the nine months ended September 30, 2014, net cash used in investing activities mainly related to expenditures for newbuildings since the final payments for the *PGN FSRU Lampung* were due to the shipyard in the second quarter of 2014 at the delivery of the *PGN FSRU Lampung*.

Net Cash Provided by (Used in) Financing Activities

Net cash used in financing activities for the nine months ended September 30, 2015 was \$41.1 million compared with net cash provided by financing activities of \$188.7 million for the nine months ended September 30, 2014.

Net cash used in financing activities for the nine months ended September 30, 2015 was mainly due to the quarterly repayment of \$14.3 million on the Lampung facility, the repayment of part of a customer loan of \$5.4 million and our payment of cash distributions to our unitholders of \$26.6 million. This was partially offset by receipt of \$5.4 million from Höegh LNG for the indemnification claim for non-budgeted expenses related to 2014 under the omnibus agreement.

Net cash provided by financing activities during the nine months ended September 30, 2014 was mainly due to the draw down on long-term financing for the *PGN FSRU Lampung*. We drew \$257.1 million on the Lampung facility that was used for payments for the contractual commitments for the *PGN FSRU Lampung* and the Mooring construction contract expenses. Part of the proceeds of the debt was used to repay \$73.9 million of amounts, loans and promissory notes from owners and affiliates. Following the first Mooring payment, the full Mooring tranche of \$32.1 million was repaid. We also received \$26.3 million for a customer loan for funding the value added liability on importing the *PGN FSRU Lampung* to Indonesia. In addition, debt issuance cost related to the Lampung facility of \$8.5 million was paid during the nine months ended September 30, 2014. The net distributions to the owner were \$11.0 million for the nine months ended September 30, 2014.

Net cash provided by financing activities during the nine months ended September 30, 2014 was also impacted by the closing of our IPO and the application of the net proceeds. We received net proceeds, after deduction for the underwriters' discounts and expenses of the offering, of \$203.5 million. We lent \$140 million to Höegh LNG pursuant to an interest bearing demand note and distributed \$43.5 million in cash from the proceeds to Höegh LNG. We retained \$20 million of the IPO proceeds for general partnership purposes. As a result of the foregoing, cash and cash equivalents decreased by \$5.2 million for the nine months ended September 30, 2015 and increased by \$45.2 million for the nine months ended September 30, 2014.

Qualitative and Quantitative Disclosures About Market Risk

We are exposed to various market risks, including foreign exchange risk, interest rate risk, credit risk and concentrations of risk.

Foreign Exchange Risk

All revenues, financing, interest expenses from financing and most expenditures for newbuildings are denominated in U.S. dollars. Certain operating expenses and taxes are denominated in currencies other than U.S. dollars. Certain restricted cash balances are also denominated in in currencies other than U.S. dollars. For the three months ended September 30, 2015 and 2014, no derivative financial 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 our outstanding floating-rate debt. As of September 30, 2015, there are interest rate swap agreements on the Lampung facility floating rate debt that are designated as cash flow hedges for accounting purposes. As of September 30, 2015, 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					
Interest rate swaps (2)	LIBOR	\$198,036	(11,645)	Sept 2026	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.

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.

Concentrations 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 is a single charterer 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. No allowance for doubtful accounts was recorded for the three and nine month periods ended September 30, 2015 and September 30, 2014 and the year ended December 31, 2014. 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 the *PGN FSRU Lampung* terminate prematurely, there could be delays in obtaining a new time charter and the rates could be lower depending upon the prevailing market conditions.

Non-GAAP Financial Measures

Segment EBITDA and Adjusted 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. 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). Adjusted EBITDA is defined as earnings before interest, depreciation and amortization, taxes, other financial items and cash collections on direct financial lease investments. Cash collections on direct finance lease investments consist of the difference between the payments under the time charter and the revenues recognized as a financial lease (representing the repayment of the principal recorded as a receivable). Segment EBITDA and Adjusted EBITDA are used as supplemental financial measures 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 and Adjusted EBITDA assist 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 and Adjusted 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. The Partnership believes Adjusted EBITDA benefits investors in comparing its results to other investment alternatives that account for time charters as operating leases rather than financial leases. Segment EBITDA and Adjusted EBITDA should not be considered alternatives to net income, operating income, cash flow from operating activities or any other measure of financial performance presented in accordance with U.S. GAAP. Segment EBITDA and Adjusted EBITDA exclude some, but not all, items that affect net income and these measures may vary among other companies. Therefore, Segment EBITDA and Adjusted EBITDA as presented below may not be comparable to similarly titled measures of other companies. The following tables reconcile Segment EBITDA and Adjusted EBITDA for each of the segments and the Partnership as a whole (consolidated and combined carve-out reporting) to net income (loss), the comparable U.S. GAAP financial measure, for the periods presented:

Edgar Filing: Hoegh LNG Partners LP - Form 6-K

(in thousands of U.S. dollars)	Nine months ended September 30, 2015				Consolidated & combined carve-out reporting
	Majority held FSRUs	Joint venture FSRUs (proportional consolidation	Other	Total Segment reporting	
Reconciliation to net income (loss)					
Net income (loss)	\$13,195	9,111	1,898	24,204	\$ 24,204
Interest income	—	—	(7,275)	(7,275)	(7,275)
Interest expense, net	10,348	12,145	905	23,398	11,253
Depreciation and amortization	23	6,941	—	6,964	23
Income tax (benefit) expense	261	—	—	261	261
Equity in earnings of JVs: Interest (income) expense, net	—	—	—	—	12,145
Equity in earnings of JVs: Depreciation and amortization	—	—	—	—	6,941
Other financial items (1)	2,828	(3,836)	15	(993)	2,843
Equity in earnings of JVs: Other financial items (1)	—	—	—	—	(3,836)
Segment EBITDA	26,655	24,362	(4,457)	46,560	46,560
Cash collection/ principal payment on direct financing lease	2,164	—	—	2,164	2,164
Adjusted EBITDA	\$28,819	24,362	(4,457)	48,724	\$ 48,724

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

(in thousands of U.S. dollars)	Nine months ended September 30, 2014				Consolidated & combined carve-out reporting (Restated)
	Majority held FSRUs (Restated)	Joint venture FSRUs (proportional consolidation	Other	Total Segment Reporting (Restated)	
Reconciliation to net income (loss)					
Net income (loss)	\$(2,618)	(738)	(2,816)	(6,172)	\$(6,172)
Interest income	—	—	(2,443)	(2,443)	(2,443)
Interest expense, net	4,969	12,897	162	18,028	5,131
Depreciation and amortization	1,309	6,861	—	8,170	1,309

Edgar Filing: Hoegh LNG Partners LP - Form 6-K

Income tax (benefit) expense	376	—	—	376	376
<i>Equity in earnings of JVs: Interest (income) expense, net</i>	—	—	—	—	12,897
<i>Equity in earnings of JVs: Depreciation and amortization</i>	—	—	—	—	6,861
Other financial items (1)	1,655	5,549	—	7,204	1,655
<i>Equity in earnings of JVs: Other financial items (1)</i>	—	—	—	—	5,549
Segment EBITDA	5,691	24,569	(5,097)	25,163	25,163
Cash collection/ principal payment on direct financing lease	657	—	—	657	657
Adjusted EBITDA	\$6,348	24,569	(5,097)	25,820	\$ 25,820

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

Edgar Filing: Hoegh LNG Partners LP - Form 6-K

(in thousands of U.S. dollars)	Three months ended September 30, 2015				Consolidated & combined carve-out reporting
	Majority (proportional held FSRUs	Joint Venture FSRUs consolidation	Other	Total Segment reporting	
Reconciliation to net income (loss)					
Net income (loss)	\$4,707	(249)	727	5,185	\$ 5,185
Interest income	—	—	(2,423)	(2,423)	(2,423)
Interest expense, net	3,439	4,029	305	7,773	3,744
Depreciation and amortization	8	2,456	—	2,464	8
Income tax (benefit) expense	109	—	—	109	109
Equity in earnings of JVs: Interest (income) expense, net	—	—	—	—	4,029
Equity in earnings of JVs: Depreciation and amortization	—	—	—	—	2,456
Other financial items (1)	909	2,109	13	3,031	922
Equity in earnings of JVs: Other financial items (1)	—	—	—	—	2,109
Segment EBITDA	9,172	8,345	(1,378)	16,139	16,139
Cash collection/ principal payment on direct financing lease	739	—	—	739	739
Adjusted EBITDA	\$9,911	8,345	(1,378)	16,878	\$ 16,878

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

(in thousands of U.S. dollars)	Three months ended September 30, 2014				Consolidated & combined carve-out reporting
	Majority (proportional held FSRUs (Restated)	Joint venture FSRUs consolidation	Other	Total Segment reporting (Restated)	
Reconciliation to net income (loss)					
Net income (loss)	\$251	3,058	(3)	3,306	\$ 3,306
Interest income	—	—	(1,542)	(1,542)	(1,542)
Interest expense, net	2,615	4,285	162	7,062	2,777
Depreciation and amortization	329	2,288	—	2,617	329
Income tax (benefit) expense	143	—	—	143	143
Equity in earnings of JVs: Interest (income) expense, net	—	—	—	—	4,285
Equity in earnings of JVs: Depreciation and amortization	—	—	—	—	2,288
Other financial items (1)	553	(1,378)	—	(825)	553
Equity in earnings of JVs: Other financial items(1)	—	—	—	—	(1,378)

Edgar Filing: Hoegh LNG Partners LP - Form 6-K

Segment EBITDA	3,891	8,253	(1,383)	10,761	10,761
Cash collection/ principal payment on direct financing lease	657	—	—	657	657
Adjusted EBITDA	\$4,548	8,253	(1,383)	11,418	\$ 11,418

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

FORWARD LOOKING STATEMENTS

This press release contains certain forward looking statements concerning future events and the Partnership's operations, performance and financial condition. Forward looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain the words "believe," "anticipate," "expect," "estimate," "project," "will be," "will continue," "will likely result," "plan," "intend" or phrases of similar meanings. These statements involve known and unknown risks and are based upon a number of assumptions and estimates that are inherently subject to significant uncertainties and contingencies, many of which are beyond the Partnership's control. Actual results may differ materially from those expressed or implied by such forward looking statements. Important factors that could cause actual results to differ materially include, but are not limited to:

- FSRU and LNG carrier market trends, including hire rates and factors affecting supply and demand;
- the Partnership's anticipated growth strategies;
- the Partnership's anticipated receipt of dividends and repayment of indebtedness from joint ventures;
- 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 the Partnership's operating expenses, including drydocking and insurance costs;
- the Partnership's ability to make cash distributions on its units and the amount of any borrowings that may be necessary to make such distributions;
- the Partnership's ability to comply with financing agreements and the expected effect of restrictions and covenants in such agreements;
- the future financial condition of the Partnership's existing or future customers;

- the Partnership's ability to 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 customers;
- the Partnership's ability to maintain long term relationships with its customers;
- the Partnership's ability to leverage Höegh LNG's relationships and reputation in the shipping industry;
- the Partnership's ability to purchase vessels from Höegh LNG in the future, including the *FSRU Independence*, the *Höegh Grace* or Höegh LNG's other FSRU newbuildings;
- the Partnership's continued ability to enter into long term, fixed rate charters;

the Partnership's ability to maximize the use of its vessels, including the redeployment or disposition of vessels no longer under long-term charters;

- expected pursuit of strategic opportunities, including the acquisition of vessels;

- the Partnership's ability to compete successfully for future chartering and newbuilding opportunities;

- timely acceptance of the Partnership's vessels by their charterers;

- termination dates and extensions of charters;

the expected cost of, and the Partnership's ability to comply with, governmental regulations and maritime self-regulatory organization standards, as well as standard regulations imposed by its charterers applicable to its business;

expected demand in the FSRU sector or the LNG shipping sector in general and the demand for the Partnership's vessels in particular;

- availability of skilled labor, vessel crews and management;

the Partnership's incremental general and administrative expenses as a publicly traded limited partnership and its fees and expenses payable under its ship management agreements, the technical information and services agreement and the administrative services agreements;

- the anticipated taxation of the Partnership and distributions to its unitholders;

- estimated future maintenance and replacement capital expenditures;

- the Partnership's ability to retain key employees;

- customers' increasing emphasis on environmental and safety concerns;

- potential liability from any pending or future litigation;

- potential disruption of shipping routes due to accidents, political events, piracy or acts by terrorists;

- future sales of the Partnership's common units in the public market;

- the Partnership's business strategy and other plans and objectives for future operations;

the Partnership's ability to successfully remediate any material weaknesses in its internal control over financial reporting and its disclosure controls and procedures; and

other factors listed from time to time in the reports and other documents that the Partnership files with the SEC, including its Form 20-F/A.

Forward looking statements in this Form 6-K 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. 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. The various disclosures included in this Report and in our other filings made with 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.

HÖEGH LNG PARTNERS LP

**INDEX TO UNAUDITED CONDENSED INTERIM CONSOLIDATED AND COMBINED CARVE-OUT
FINANCIAL STATEMENTS**

Table of Contents

	Page
<u>Unaudited Condensed Interim Consolidated and Combined Carve-Out Statements of Income for the Three and Nine Months Ended September 30, 2015 and 2014</u>	F-2
<u>Unaudited Condensed Interim Consolidated and Combined Carve-Out Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2015 and 2014</u>	F-3
<u>Unaudited Condensed Interim Consolidated and Combined Carve-Out Balance Sheets as of September 30, 2015 and December 31, 2014</u>	F-4
<u>Unaudited Condensed Interim Consolidated and Combined Carve-Out Statements of Changes in Partners' Capital/Owner's Equity for the Nine Months Ended September 30, 2015 and the Year Ended December 31, 2014</u>	F-6
<u>Unaudited Condensed Interim Consolidated and Combined Carve-Out Statements of Cash Flows for the Nine Months Ended September 30, 2015 and 2014</u>	F-7
<u>Notes to Unaudited Condensed Interim Consolidated and Combined Carve-Out Financial Statements</u>	F-9

HÖEGH LNG PARTNERS LP**UNAUDITED CONDENSED INTERIM CONSOLIDATED AND COMBINED CARVE-OUT STATEMENTS OF INCOME****(in thousands of U.S. dollars)**

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2015	2014 (Restated - Note 2.d)	2015	2014 (Restated - Note 2.d)
REVENUES					
Time charter revenues		\$ 11,462	9,087	34,039	\$ 9,087
Construction contract revenues	5	—	6,310	—	45,149
Other revenue		—	—	—	474
Total revenues	4	11,462	15,397	34,039	54,710
OPERATING EXPENSES					
Voyage expenses		—	(798)	—	(798)
Vessel operating expenses		(1,684)	(1,894)	(5,543)	(2,653)
Construction contract expenses	5	—	(7,040)	—	(40,522)
Administrative expenses		(1,984)	(3,157)	(6,298)	(10,143)
Depreciation and amortization		(8)	(329)	(23)	(1,309)
Total operating expenses		(3,676)	(13,218)	(11,864)	(55,425)
Equity in earnings (losses) of joint ventures	4,10	(249)	3,058	9,111	(738)
Operating income (loss)	4	7,537	5,237	31,286	(1,453)
FINANCIAL INCOME (EXPENSE), NET					
Interest income		2,423	1,542	7,275	2,443
Interest expense		(3,744)	(2,777)	(11,253)	(5,131)
Gain on derivative instruments		354	—	467	—
Other items, net		(1,276)	(553)	(3,310)	(1,655)
Total financial income (expense), net	6	(2,243)	(1,788)	(6,821)	(4,343)
Income (loss) before tax		5,294	3,449	24,465	(5,796)
Income tax expense	7	(109)	(143)	(261)	(376)
Net income (loss)		\$ 5,185	3,306	24,204	\$ (6,172)
Earnings per unit					
Common unit public (basic and diluted)	16	\$ 0.20	0.22	0.92	0.22
Common unit Höegh LNG (basic and diluted)	16	\$ 0.20	0.22	0.92	0.22
Subordinated unit (basic and diluted)	16	\$ 0.20	0.22	0.92	0.22

The accompanying notes are an integral part of the unaudited condensed interim consolidated and combined carve-out financial statements.

HÖEGH LNG PARTNERS LP**UNAUDITED CONDENSED INTERIM CONSOLIDATED AND COMBINED CARVE-OUT STATEMENTS OF COMPREHENSIVE INCOME****(in thousands of U.S. dollars)**

	Three months ended September 30,		Nine months ended September 30,	
Notes	2015	2014	2015	2014
		(Restated - Note 2.d)		(Restated - Note 2.d)
Net income (loss)	\$5,185	\$ 3,306	24,204	(6,172)
Unrealized losses on cash flow hedge	(3,605)	(100)	(2,891)	(7,416)
Income tax benefit (expense)	(76)	25	(279)	1,854
Other comprehensive loss	(3,681)	(75)	(3,170)	(5,562)
Comprehensive income (loss)	\$1,504	\$ 3,231	21,034	(11,734)

The accompanying notes are an integral part of the unaudited condensed interim consolidated and combined carve-out financial statements.

HÖEGH LNG PARTNERS LP**UNAUDITED CONDENSED INTERIM CONSOLIDATED AND COMBINED CARVE-OUT
BALANCE SHEETS****(in thousands of U.S. dollars)**

	Notes	As of September 30, 2015	December 31, 2014 (Restated - Note 2.d)
ASSETS			
Current assets			
Cash and cash equivalents	12	\$25,311	\$ 30,477
Restricted cash	12	11,489	21,935
Trade receivables	2.d	6,189	6,189
Demand note due from owner	11,12	142,109	143,241
Advances to joint ventures	8,12	6,725	6,665
Deferred debt issuance cost		2,462	2,574
Current portion of net investment in direct financing lease		3,122	2,894
Current deferred tax asset	7	340	343
Prepaid expenses and other receivables		307	564
Total current assets		198,054	214,882
Long-term assets			
Restricted cash	12	14,798	15,184
Other equipment		31	54
Advances to joint ventures	8,12	8,315	12,287
Deferred debt issuance cost		9,912	11,556
Net investment in direct financing lease		290,935	292,469
Long-term deferred tax asset	7	1,668	1,667
Other long-term assets		12,198	15,449
Total long-term assets		337,857	348,666
Total assets		\$535,911	\$ 563,548

The accompanying notes are an integral part of the unaudited condensed interim consolidated and combined carve-out financial statements.

HÖEGH LNG PARTNERS LP**UNAUDITED CONDENSED INTERIM CONSOLIDATED AND COMBINED CARVE-OUT
BALANCE SHEETS****(in thousands of U.S. dollars)**

	Notes	As of September 30, 2015	December 31, 2014 (Restated - Note 2.d)
LIABILITIES AND EQUITY			
Current liabilities			
Current portion of long-term debt	9,12	\$ 19,062	\$ 19,062
Trade payables		876	864
Amounts due to owners and affiliates	11,12	2,821	6,019
Loans and promissory notes due to owners and affiliates	11	304	467
Value added and withholding tax liability		5,872	3,066
Derivative financial instruments	12,13	4,215	4,676
Accrued liabilities and other payables		13,591	13,365
Total current liabilities		46,741	47,519
Long-term liabilities			
Accumulated losses of joint ventures	10	50,519	59,630
Long-term debt	9,12	178,974	193,271
Derivative financial instruments	12,13	7,430	4,544
Other long-term liabilities		15,960	22,206
Total long-term liabilities		252,883	279,651
Total liabilities		299,624	327,170
EQUITY			
Common units public		205,981	207,004
Common units Höegh LNG		5,769	5,202
Subordinated units		35,882	32,347
Total Partners' capital		247,632	244,553
Accumulated other comprehensive income (loss)		(11,345)	(8,175)
Total equity		236,287	236,378
Total liabilities and equity		\$ 535,911	\$ 563,548

The accompanying notes are an integral part of the unaudited condensed interim consolidated and combined carve-out financial statements.

HÖEGH LNG PARTNERS LP**UNAUDITED CONDENSED INTERIM CONSOLIDATED AND COMBINED CARVE-OUT****STATEMENTS OF CHANGES IN PARTNERS' CAPITAL/OWNER'S EQUITY****(in thousands of U.S. dollars)**

	Owner's Equity	Partners' Capital Common Units Public	Common Units Höegh LNG	Sub- ordinated Units	Accumulated Other Comprehensive Income	Total Equity
Combined carve-out balance as of December 31, 2013 (Restated – note 2.d)	\$ (48,096)	—	—	—	—	\$ (48,096)
Carve-out net loss (January 1- August 12, 2014)	(11,941)	—	—	—	—	(11,941)
Other comprehensive loss	—	—	—	—	(5,900)	(5,900)
Conversion of promissory note to equity	101,500	—	—	—	—	101,500
Carve-out distributions to owner, net	(11,039)	—	—	—	—	(11,039)
Combined carve-out balance as of August 12, 2014 (Restated – note 2.d)	30,424	—	—	—	(5,900)	24,524
Elimination of equity (note 2)	45,799	—	—	—	—	45,799
Allocation of partnership capital to unitholders August 12, 2014	(76,223)	—	10,561	65,662	—	—
Net proceeds from IPO net of underwriters' discounts, fees and expenses of offering (note 3)	—	203,467	—	—	—	203,467
Cash distribution of initial public offering proceeds to Höegh LNG	—	—	(6,023)	(37,444)	—	(43,467)
Post-initial public offering net income (note 3)	—	5,562	1,066	6,627	—	13,255
Cash distributions to unitholders	—	(2,025)	(388)	(2,413)	—	(4,826)
Other comprehensive loss	—	—	—	—	(2,275)	(2,275)
Distributions to owner, net	—	—	(14)	(85)	—	(99)
Consolidated balance as of December 31, 2014 (Restated – note 2.d)	—	207,004	5,202	32,347	(8,175)	236,378
Net income	—	10,155	1,946	12,103	—	24,204
Cash distributions to unitholders	—	(11,178)	(2,143)	(13,321)	—	(26,642)
Cash contribution from Höegh LNG	—	—	750	4,666	—	5,416
Other comprehensive loss	—	—	—	—	(3,170)	(3,170)
Contributions from owner	—	—	14	87	—	101
Consolidated balance as of September 30, 2015	\$ —	205,981	5,769	35,882	(11,345)	\$ 236,287

The accompanying notes are an integral part of the unaudited condensed interim consolidated and combined carve-out financial statements.

F-6

HÖEGH LNG PARTNERS LP**UNAUDITED CONDENSED INTERIM CONSOLIDATED AND COMBINED CARVE-OUT****STATEMENTS OF CASH FLOWS****(in thousands of U.S. dollars)**

	Nine months ended September 30,		
	2015	2014	
	(Restated - Note 2.d)		
OPERATING ACTIVITIES			
Net income (loss)	\$24,204	\$ (6,172))
Adjustments to reconcile net income to net cash used in operating activities:			
Depreciation and amortization	23	1,309	
Equity in losses (earnings) of joint ventures	(9,111)	738	
Changes in accrued interest income on advances to joint ventures and demand note	485	(1,975)
Amortization and write off of deferred debt issuance cost	1,946	3,175	
Changes in accrued interest expense	(154)	774	
Refundable value added tax on import	—	(26,298)
Net currency exchange losses (gains)	1,332	—	
Unrealized loss (gain) on financial instruments	(467)	—	
Other adjustments	(177)		
Changes in working capital:			
Restricted cash	9,497	(8,512)
Trade receivables	—	(13,571)
Unbilled construction contract income	—	50,920	
Bunkers	—	(2,670)
Prepaid expenses and other receivables	238	(2,106)
Trade payables	(5)	6,969	
Amounts due to owners and affiliates	(3,198)	4,940	
Value added and withholding tax liability	2,767	6,050	
Accrued liabilities and other payables	2,721	9,523	
Net cash provided by operating activities	30,101	23,094	
INVESTING ACTIVITIES			
Expenditure for newbuildings and other equipment	(858)	(169,297)
Receipts from repayment of principal on advances to joint ventures	4,559	4,753	
Receipts from repayment of principal on direct financing lease	2,164	658	
(Increase) decrease in restricted cash	—	(2,693)
Net cash provided by (used in) investing activities	\$5,865	\$ (166,579)

The accompanying notes are an integral part of the unaudited condensed interim consolidated and combined carve-out financial statements.

F-7

HÖEGH LNG PARTNERS LP**UNAUDITED CONDENSED INTERIM CONSOLIDATED AND COMBINED CARVE-OUT****STATEMENTS OF CASH FLOWS****(in thousands of U.S. dollars)**

	Nine months ended September 30,	
	2015	2014
	(Restated - Note 2.d)	
FINANCING ACTIVITIES		
Proceeds from long-term debt	\$—	\$ 257,099
Proceeds from amounts due to owners and affiliates	—	10,193
Proceeds from loans and promissory notes due to owners and affiliates	—	650
Repayment of long-term debt	(14,297)	(32,100)
Repayment of amounts due to owners and affiliates	—	(25,400)
Repayment of loans and promissory notes due to owners and affiliates	—	(48,500)
Contributions from (distributions to) owner	—	(11,016)
Repayment of customer loan for funding of value added liability on import	(5,419)	26,298
Payment of debt issuance cost	(190)	(8,511)
Proceeds from initial public offering, net of underwriters' discounts and expenses	—	203,467
Cash from proceeds of initial public offering distributed to Höegh LNG	—	(43,467)
Payment of demand note due from Höegh LNG	—	(140,000)
Cash distributions to unitholders	(26,642)	—
Proceeds from indemnifications received from Höegh LNG	5,416	—
Net cash provided by (used in) financing activities	(41,132)	188,713
Increase (decrease) in cash and cash equivalents	(5,166)	45,228
Cash and cash equivalents, beginning of period	30,477	108
Cash and cash equivalents, end of period	\$25,311	\$ 45,336

The accompanying notes are an integral part of the unaudited condensed interim consolidated and combined carve-out financial statements.

HÖEGH LNG PARTNERS LP

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED AND COMBINED CARVE-OUT

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 Höegh LNG’s interests in Hoegh LNG Lampung Pte. Ltd., PT Hoegh LNG Lampung (the owner of the *PGN FSRU Lampung* and the Tower Yoke Mooring System), SRV Joint Gas Ltd. (the owner of the *GDF Suez Neptune*), and SRV Joint Gas Two Ltd. (the owner of the *GDF Suez 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 all of its equity interests and loans and promissory notes due to it and affiliates in each of the entities owning the *GDF Suez Neptune*, the *GDF Suez 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, as further described in note 3.

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 and combined carve-out financial statements. The joint ventures and the subsidiaries are, collectively, referred to as the “Combined Entities” in the combined carve-out financial statements. The *PGN FSRU Lampung*, the *GDF Suez Neptune* and the *GDF Suez Cape Ann* are floating storage regasification units (“FSRUs”) and, collectively, referred to in these consolidated and combined carve-out 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 and the two joint ventures, SRV Joint Gas Ltd. and SRV Joint Gas Two Ltd., are collectively referred to as the “FSRU-owning entities.”

Edgar Filing: Hoegh LNG Partners LP - Form 6-K

The *GDF Suez Neptune* and the *GDF Suez 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 to extend for up to 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 and installed for the charterer and was sold to PT PGN LNG, a subsidiary of Perusahaan Gas Negara (Persero) Tbk (“PGN”).

The following table lists the entities included in these consolidated and combined carve-out financial statements and their purpose as of September 30, 2015.

Name	Jurisdiction of Incorporation	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 <i>PGN FSRU Lampung</i>
SRV Joint Gas Ltd. (50% owned) (2)	Cayman Islands	Owns <i>GDF Suez Neptune</i>
SRV Joint Gas Two Ltd. (50% owned) (2)	Cayman Islands	Owns <i>GDF Suez Cape Ann</i>

(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 and combined carve-out 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.

HÖEGH LNG PARTNERS LP

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED AND COMBINED CARVE-OUT

FINANCIAL STATEMENTS

(in thousands of U.S. dollars, unless otherwise indicated)

2. Significant accounting policies

a. Basis of presentation

The accompanying unaudited condensed interim consolidated and combined carve-out financial statements are prepared in accordance with United States generally accepted accounting principles (“US GAAP”) for interim financial information. In the opinion of Management, all adjustments considered necessary for a fair presentation, which are of a normal recurring nature, have been included. All inter-company balances and transactions are eliminated. The footnotes are condensed and do not include all of the disclosures required for a complete set of financial statements. Therefore, the unaudited condensed interim consolidated and combined carve-out financial statements should be read in conjunction with the audited combined carve-out financial statements for the year ended December 31, 2014, included in the Partnership’s Annual Report on Form 20-F/A filed with the Securities and Exchange Commission (“SEC”) on November 30, 2015 (the “Form 20-F/A”).

As of August 13, 2014, financial statements of the Partnership are consolidated since it was a separate legal entity owning the interests in the subsidiaries and joint ventures. At the closing of the IPO, the transfer of the interests was recorded at Höegh LNG’s consolidated book values. Prior to that date, the income statement, balance sheet and cash flows, as converted to US GAAP, have been carved out of the consolidated financial statements of Höegh LNG and are presented on a combined carve-out basis for the Combined Entities. The combined carve-out financial statements include the related assets, liabilities, revenues, expenses and cash flows directly attributable to Hoegh LNG Lampung Pte. Ltd. and PT Hoegh LNG Lampung. In addition, the investment in 50% of the joint ventures using the equity method of accounting, and the related advances to joint ventures and interest income on the advances, are included in the consolidated and combined carve-out financial statements. The combined carve-out financial statements prior to August 13, 2014, also include allocations of certain administrative expenses.

Included in the combined carve-out equity as of August 12, 2014, were amounts related to promissory notes and related accrued interest due to Höegh LNG. Höegh LNG’s receivables for the promissory notes and related accrued interest of the Partnership’s subsidiaries were contributed to the Partnership as part of the Formation transactions. Refer to note 3 for additional discussion of the contribution. As a result, the liabilities of the Partnership’s subsidiaries are eliminated on consolidation since they were no longer external liabilities to the Partnership. Accordingly, this is

Edgar Filing: Hoegh LNG Partners LP - Form 6-K

equivalent to not transferring the subsidiaries' liabilities to the Partnership. Therefore, the corresponding amounts have been eliminated for the Partnership's opening equity position as of August 12, 2014. Details of the liabilities eliminated are as follows:

(in thousands of U.S. dollars)	As of August 12, 2014
Accrued interest on \$48.5 million Promissory note due to Höegh LNG transferred to Partnership	\$ (1,684)
Accrued interest on \$101.5 million Promissory note due to Höegh LNG transferred to Partnership	(2,947)
\$40.0 million Promissory note and accrued interest due to Höegh LNG transferred to Partnership	(41,168)
Elimination to equity as of August 12, 2014	\$ 45,799

It has been determined that PT Hoegh LNG Lampung, 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.

HÖEGH LNG PARTNERS LP

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED AND COMBINED CARVE-OUT

FINANCIAL STATEMENTS

(in thousands of U.S. dollars, unless otherwise indicated)

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 and combined carve-out financial statements. Dividends may only be paid if the retained earnings are positive under Indonesian law and requirements are fulfilled under the Lampung facility. As of September 30, 2015, PT Hoegh LNG Lampung has negative retained earnings and therefore cannot make dividend payments under Indonesia law. Under the Lampung facility, there are limitations on cash dividends and loans that can be made to the Partnership. Refer to note 9.

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 at the time of its initial investment. 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 and combined carve-out balance sheets. For SRV Joint Gas Ltd., the Partnership had a receivable for the advances of \$7.7 million and \$9.8 million, respectively, and the Partnership's accumulated losses or its share of net liabilities were \$23.7 million and \$28.4 million, respectively, as of September 30, 2015 and December 31, 2014. The Partnership's carrying value for SRV Joint Gas Two Ltd., consists of a receivable for the advances of \$7.3 million and \$9.1 million, respectively, and the Partnership's accumulated losses or its share of net liabilities were \$26.8 million and \$31.2 million, respectively, as of September 30, 2015 and December 31, 2014. 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. 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. 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.

b. Significant accounting policies

The accounting policies used in the preparation of the unaudited condensed interim consolidated and combined carve-out financial statements are consistent with those applied in the audited consolidated and combined carve-out financial statements for the year ended December 31, 2014 included in the Partnership's Form 20-F/A.

c. Recent accounting pronouncements

There are no recent accounting pronouncements, whose adoption had a material impact on the consolidated and combined carve-out financial statements for the three months ended September 30, 2015. The following recent accounting pronouncements are effective for future periods.

In February 2015, the Financial Accounting Standards Board ("FASB") issued revised guidance for consolidation; Amendments to the Consolidation Analysis. The new guidance requires that entities re-evaluate their consolidation conclusions for their variable interests in other legal entities. The amendments are effective for annual and interim periods beginning after December 31, 2015. The Partnership is assessing what impact, if any, the adoption of this guidance will have on the consolidated and combined carve-out financial position, results of operations and cash flows.

In April 2015, the FASB issued revised guidance for the classification of debt issuance cost; Simplifying the Presentation of Debt Issuance Cost. Under the new guidance, deferred debt issuance cost will no longer be classified as assets but presented as a direct deduction from the carrying amount of the associated debt in the balance sheet. The presentation in the balance sheet will be adjusted on a retrospective basis. The amendments are effective for annual and interim periods beginning after December 31, 2015 and early adoption is permitted. Implementation of the revised guidance will result in a change in the classification of the deferred debt issuance cost on the Partnership's consolidated and combined carve-out balance sheet.

HÖEGH LNG PARTNERS LP

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED AND COMBINED CARVE-OUT

FINANCIAL STATEMENTS

(in thousands of U.S. dollars, unless otherwise indicated)

d. Restatement of previously announced results

The unaudited condensed interim consolidated and combined carve-out financial statements for the three and nine months ended September 30, 2014 have been restated for the items set forth below from the Partnership's original unaudited condensed interim consolidated and combined carve-out financial statements for the three and nine months ended September 30, 2014 that were furnished to the SEC on a Form 6-K on November 25, 2014 (the "2014 Form 6-K").

See the Form 20-F/A filed with the SEC on November 30, 2015 for further information regarding the Partnership's restated consolidated and combined carve-out financial statements for the years ended December 31, 2014 and 2013.

1. Value added taxes ("VAT"), withholding taxes ("WHT") and other

The Partnership announced in August 2015 that it was reviewing its accounting treatment for certain Indonesian value added tax ("VAT") and Indonesian withholding tax ("WHT") transactions for the years ended December 31, 2014 and 2013. All of the VAT and WHT restatement adjustments relate to the Partnership's subsidiary, PT Hoegh LNG Lampung. In completing the review and reconciliation procedures during 2015, certain VAT balances recorded to the consolidated and combined carve-out balance sheet raised concerns about the appropriateness of the accounting treatment for VAT. The review and reconciliation procedures were subsequently expanded to include WHT balances. In the course of its review, the Partnership also completed a detailed analysis to confirm that all VAT and WHT transactions had been properly reported to Indonesian tax authorities.

Errors in accounting treatment of VAT and WHT

In Indonesia, the general rule is that VAT paid on supplier invoices is creditable ("creditable VAT") against VAT received on customer invoices in determining the net amount of VAT due to the Indonesian tax authorities. The proper accounting treatment for creditable VAT paid on supplier invoices is to record it as a receivable on the balance sheet since it reduces the VAT liability due to the tax authorities on VAT received for customer invoices. However, prior to the start-up of revenue generating activities, VAT on most supplier invoices is non-creditable ("non-creditable VAT").

As a result, non-creditable VAT paid to the tax authorities on supplier invoices cannot subsequently be credited against VAT received on customer invoices. The proper accounting is to record non-creditable VAT as part of the expense of the associated supplier invoices or to capitalize it as a component of the asset to which it relates. Non-creditable VAT was incorrectly recorded as a VAT receivable in the Partnership's consolidated and combined carve-out balance sheets as of September 30, 2014 and December 31, 2014. Non-creditable VAT should have been recorded as components of vessel operating expenses, construction contract expenses, administrative expenses, newbuilding (net investment in direct financing lease) or deferred debt issuance cost in the periods incurred.

In addition, due to the understanding reached with the charterer releasing it from the obligation to pay the charter invoices for September and October 2014 (refer to note 14), a correction to expense the VAT associated with the invoices that were not payable from the charterer was required. Following PT Hoegh LNG Lampung's inquiry process with the Indonesian tax authorities on the proper basis for applying VAT to the construction contract invoices related to the Mooring, an adjustment of approximately \$6.2 million was recorded in 2014 to increase the trade receivables from the charterer and VAT liabilities due to the Indonesian tax authorities on the consolidated and combined carve-out balance sheet.

In Indonesia, WHT is due to be paid on supplier invoices from foreign vendors providing services, goods and financing depending upon applicable tax treaties. The proper accounting treatment is to record WHT as an expense of the period, as other items, net, or a component of the capitalized asset (newbuilding (net investment in direct financing lease) or deferred debt issuance cost). Certain tax amounts are also required to be withheld by the charterer on payments of the time charter /customer invoices. The Partnership's accounting policy is to record its revenues net of taxes. WHT paid on supplier invoices and withheld on time charter invoices was incorrectly recorded to a liability account in the consolidated and combined carve-out balance sheet.

HÖEGH LNG PARTNERS LP

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED AND COMBINED CARVE-OUT

FINANCIAL STATEMENTS

(in thousands of U.S. dollars, unless otherwise indicated)

PT Hoegh LNG Lampung uses an external service provider to complete filings for VAT and WHT to the Indonesian tax authorities as a basis for settlement of its VAT and WHT liabilities. The accuracy of the filings submitted to the tax authorities is dependent on PT Hoegh LNG Lampung providing the external service provider with transaction information for the VAT and WHT computation. In the course of its review, the Partnership identified certain VAT and WHT amounts that had not been previously reported. Amendments to the previous VAT and WHT filings have been made to the Indonesian tax authorities and the impact, including penalties imposed by the Indonesian tax authorities, recorded as part of the restatement adjustments for the three and nine months ended September 30, 2014.

Pursuant to the omnibus agreement with Höegh LNG, the Partnership is indemnified by Höegh LNG for non-budgeted, non-creditable Indonesian VAT and non-budgeted Indonesian WHT, and any related impact on cash flow for the periods as further described in note 11. The Partnership filed a claim for, and received payment from Höegh LNG with respect to, indemnification with respect to non-budgeted VAT and WHT related to the restatement periods up to and including December 31, 2014 of approximately \$1.2 million in the fourth quarter of 2015.

Related adjustments

As a consequence of the reimbursable nature of certain VAT and WHT under PT Hoegh LNG Lampung's time charter, related adjustments are required for revenue recognition as follows:

Related adjustments to revenues: Under terms of its time charter, PT Hoegh LNG Lampung is reimbursed by the charterer for Indonesian corporate income taxes, WHT on certain interest expenses, certain services and dividends and all Indonesian taxes, including VAT, related to the Mooring. During 2014, the charterer was invoiced for an estimate of the reimbursement of applicable taxes (the "Tax element") which is subject to a final settlement pending an audit process to compare the invoiced Tax element to actual applicable taxes incurred. The revenue on the Tax element was recognized in the consolidated and combined carve-out income statements only to the extent that applicable taxes were identified as incurred during the applicable period. The remaining invoiced Tax element was deferred pending the completion of the audit process. As of December 15, 2015, the date of furnishing these financial statements, the final settlement of the Tax element has not been completed. As a result of identifying additional VAT related to the Mooring and WHT expenses recorded as part of the restatement, previously deferred revenues for the Tax element

have been recognized as revenue in the restatement adjustments for the additional actual taxes incurred to the extent that such revenues are deemed fixed and determinable.

As discussed in note 14, the Partnership was indemnified by Höegh LNG for hire rate, taxes and VAT payments not received under PT Hoegh LNG Lampung's time charter for September and October 2014. The Partnership received indemnification payments from Höegh LNG in September and October 2014, respectively, for the September and October 2014 invoices not paid by the charterer of \$6.5 million and \$6.7 million, respectively. The Partnership originally recognized part of the payments from Höegh LNG for September and October 2014 as revenue, net of certain deferrals related to part of the tax element and VAT. As a result of identifying additional VAT and WHT expenses recorded as part of the restatement, restatement adjustments include recognition of previously deferred indemnification revenues of approximately \$4.9 million. After the restatement adjustments, all of the indemnification payments for the September and October 2014 invoices have been recognized as revenue and there is no remaining deferred indemnification on the consolidated and combined carve-out balance sheet as of December 31, 2014. For additional information on the accounting for the indemnification of the loss of hire, refer to note 2 c. significant accounting policies on insurance and other claims in the audited restated consolidated and combined carve-out financial statements for the year ended December 31, 2014 included in the Form 20-F/A.

Adjustments to revenue that were associated with Indonesian VAT and WHT related to the Mooring have been accrued and included in the construction contract revenues. All other adjustments to revenue are included in the time charter revenues or other revenues. As a result of restating the total estimated construction contract expenses and revenues, the computation of the percentage of completion method has been restated for the three and nine months ended September 30, 2014. For additional information on the percentage of completion method, refer to note 2 c. significant accounting policies on construction revenues and related expenses in the audited restated consolidated and combined carve-out financial statements for the year ended December 31, 2014 included in the Form 20-F/A.

Reclassification and tax adjustments: As the Partnership completed its review of the financial reporting for PT Hoegh LNG Lampung, it identified certain other corrections related to PT Hoegh LNG Lampung for 2014. The main correction was related to a reclassification between vessel operating expenses and administrative expenses. The correction recorded resulted in a decrease in vessel operating expenses and an offsetting increase in administrative expenses for the nine months ended September 30, 2014. In addition, when the Indonesian tax advisors completed the computation of the tax loss carryforward based upon the restated results for PT Hoegh LNG Lampung for the year ended December 31, 2014, they altered the tax treatment of a component of the losses on derivative instruments compared with the original tax computation for the year ended December 31, 2014. The tax advisors had subsequently identified a private Indonesian tax ruling indicating that all of the gains and losses on derivative instruments were not tax deductible. As a result, the Partnership re-evaluated the recognition of the deferred tax asset and associated valuation allowance recorded as a component of other comprehensive income in equity related to its derivative instruments as of December 31, 2014. As result of the change to the deferred tax asset as of December 31, 2014, the reclassification of the income tax benefit from other comprehensive income to income tax expense (benefit) in the consolidated and combined carve-out statements of income was restated for the six months ended June 30, 2015.

HÖEGH LNG PARTNERS LP

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED AND COMBINED CARVE-OUT

FINANCIAL STATEMENTS

(in thousands of U.S. dollars, unless otherwise indicated)

2. Indirect adjustments related to VAT and WHT

In addition to the related adjustments described above, the restatement adjustments related to VAT and WHT impacted the capitalized cost of PT Hoegh LNG Lampung's newbuilding (net investment in direct financing lease) and deferred debt issuance cost related to the Lampung facility and the basis for computing the revenue for the direct financing lease and amortization of debt issuance cost. The lease element of PT Hoegh LNG Lampung's time charter is accounted for as a direct financing lease. As a result of the restatement adjustments described above, the effective interest rate method was recalculated for the revenue for the direct financing lease and for the amortization of the deferred debt issuance cost. The changes in accounting for the resulting amortization of the direct financing lease and the deferred debt issuance cost do not affect or the Partnership's cash flows or liquidity.

3. Impact on earnings per unit

The earnings per unit for the period ended September 30, 2014 is based on Post-IPO net income for the period from August 12, 2014 (the date of the Partnership's IPO) to September 30, 2014. The net income attributable to the unitholders of the Partnership was originally reported as \$6,914. The restated net income attributable to the unitholders of the Partnership was \$5,770 reflecting negative net restatement adjustments of \$1,145. As a result of the net adjustments for this period of 2014, the earnings per unit changed from the as reported figure of \$0.26 to the as restated figure of \$0.22 as of September 30, 2014.

The earnings per unit of \$0.50 based on Post-IPO net income for the period from August 12, 2014 to December 31, 2014 did not change as a result of the restatement adjustments. The net income attributable to the unitholders of the Partnership was originally reported as \$13,195. The restated net income attributable to the unitholders of the Partnership was \$13,255 reflecting net restatement adjustments of \$60. As a result of the relatively small net adjustments for this period of 2014, the earnings per unit, as rounded, did not change from the as reported figure to the as restated figure as of December 31, 2014. Refer to the Form 20-F/A for additional information on the Post-IPO net income for the period from August 12, 2014 to December 31, 2014.

HÖEGH LNG PARTNERS LP**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED AND COMBINED CARVE-OUT****FINANCIAL STATEMENTS**

(in thousands of U.S. dollars, unless otherwise indicated)

The following table presents the effect of the restatement on the Partnership's consolidated and combined carve-out statement of income:

(in thousands of U.S. dollars, except per unit amounts)	Three months ended September 30, 2014			As restated
	As reported	Adjustments VAT, WHH direct and other adjustments		
REVENUES				
Time charter revenues	\$ 10,371	(1,289)	5	\$ 9,087
Construction contract revenues	6,153	157	—	6,310
Total revenues	16,524	(1,132)	5	15,397
OPERATING EXPENSES				
Voyage expenses	(798)	—	—	(798)
Vessel operating expenses	(1,901)	7	—	(1,894)
Construction contract expenses	(6,845)	(195)	—	(7,040)
Administrative expenses	(2,770)	(387)	—	(3,157)
Depreciation and amortization	(329)	—	—	(329)
Total operating expenses	(12,643)	(575)	—	(13,218)
Equity in earnings (losses) of joint ventures	3,058	—	—	3,058
Operating income (loss)	6,939	(1,707)	5	5,237
FINANCIAL INCOME (EXPENSES), NET				
Interest income	1,542	—	—	1,542
Interest expense	(2,711)	—	(66)	(2,777)
Other items, net	(429)	(124)	—	(553)
Total financial income (expense), net	(1,598)	(124)	(66)	(1,788)
Income (loss) before tax	5,341	(1,831)	(61)	3,449
Income tax expense	(143)	—	—	(143)
Net income (loss)	\$ 5,198	(1,831)	(61)	\$ 3,306
Earnings per unit				
Common unit public (basic and diluted)	\$ 0.26			\$ 0.22
Common unit Höegh LNG (basic and diluted)	\$ 0.26			\$ 0.22
Subordinated unit (basic and diluted)	\$ 0.26			\$ 0.22

HÖEGH LNG PARTNERS LP**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED AND COMBINED
CARVE-OUT****FINANCIAL STATEMENTS**

(in thousands of U.S. dollars, unless otherwise indicated)

	Nine months ended September 30, 2014			
		Adjustments		
(in thousands of U.S. dollars, except per unit amounts)	As reported	VAT, WHT and other	direct adjustments	As restated
REVENUES				
Time charter revenues	\$ 10,371	(1,289)	5	\$ 9,087
Construction contract revenues	42,765	2,384	—	45,149
Other revenue	—	474	—	474
Total revenues	53,136	1,569	5	54,710
OPERATING EXPENSES				
Voyage expenses	(798)	—	—	(798)
Vessel operating expenses	(3,046)	393	—	(2,653)
Construction contract expenses	(37,579)	(2,943)	—	(40,522)
Administrative expenses	(9,280)	(863)	—	(10,143)
Depreciation and amortization	(1,309)	—	—	(1,309)
Total operating expenses	(52,012)	(3,413)	—	(55,425)
Equity in losses of joint ventures	(738)	—	—	(738)
Operating income (loss)	386	(1,844)	5	(1,453)
FINANCIAL INCOME (EXPENSES), NET				
Interest income	2,443	—	—	2,443
Interest expense	(5,004)	—	(127)	(5,131)
Other items, net	(1,321)	(334)	—	(1,655)
Total financial income (expense), net	(3,882)	(334)	(127)	(4,343)
Income (loss) before tax	(3,496)	(2,178)	(122)	(5,796)
Income tax expense	(376)	—	—	(376)
Net income (loss)	\$(3,872)	(2,178)	(122)	\$(6,172)
Earnings per unit				
Common unit public (basic and diluted)	\$0.26			\$ 0.22
Common unit Höegh LNG (basic and diluted)	\$0.26			\$ 0.22
Subordinated unit (basic and diluted)	\$0.26			\$ 0.22

HÖEGH LNG PARTNERS LP**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED AND COMBINED
CARVE-OUT****FINANCIAL STATEMENTS**

(in thousands of U.S. dollars, unless otherwise indicated)

The following table presents the effect of the restatement on the Partnership's condensed consolidated and combined carve-out statement of comprehensive income:

(in thousands of U.S. dollars)	Three months ended September 30, 2014			
	As reported	Adjustments		As restated
		VAT, WHH	Indirect	
		and other	adjustments	
Net income	\$ 5,198	(1,831)	(61)	\$ 3,306
Unrealized losses on cash flow hedge	(100)	—	—	(100)
Income tax benefit	25	—	—	25
Other comprehensive income (loss)	(75)	—	—	(75)
Comprehensive income (loss)	\$ 5,123	(1,831)	(61)	\$ 3,231

(in thousands of U.S. dollars)	Nine months ended September 30, 2014			
	As reported	Adjustments		As restated
		VAT, WHH	Indirect	
		and other	adjustments	
Net loss	\$ (3,872)	(2,178)	(122)	\$ (6,172)
Unrealized losses on cash flow hedge	(7,416)	—	—	(7,416)
Income tax benefit	1,854	—	—	1,854
Other comprehensive income (loss)	(5,562)	—	—	(5,562)
Comprehensive income (loss)	\$ (9,434)	(2,178)	(122)	\$ (11,734)

HÖEGH LNG PARTNERS LP**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED AND COMBINED
CARVE-OUT****FINANCIAL STATEMENTS**

(in thousands of U.S. dollars, unless otherwise indicated)

The following tables show the effect of the restatement on the Partnership's condensed consolidated and combined carve-out balance sheet as of December 31, 2014 as reported in the Form 20-F/A:

(in thousands of U.S. dollars)	As of December 31, 2014			As restated
	As reported	Adjustments VAT, WHT and other	Indirect adjustments	
ASSETS				
Current assets				
Cash and cash equivalents	\$30,477	—	—	\$30,477
Restricted cash	21,935	—	—	21,935
Trade receivables	—	6,189	—	6,189
Deferred debt issuance cost	2,603	(29)	—	2,574
Current portion of net investment in direct financing lease	2,809	85	—	2,894
Current deferred tax asset	318	25	—	343
Prepaid expenses and other receivables	5,091	(4,527)	—	564
Other current assets	149,906	—	—	149,906
Total current assets	213,139	1,743	—	214,882
Long-term assets				
Restricted cash	15,184	—	—	15,184
Deferred debt issuance cost	11,974	(343)	(75)	11,556
Net investment in direct financing lease	292,379	120	(30)	292,469
Long-term deferred tax asset	1,572	95	—	1,667
Other long-term assets	21,626	(6,177)	—	15,449
Other equipment and advances to joint ventures	12,341	—	—	12,341
Total long-term assets	355,076	(6,305)	(105)	348,666
Total assets	\$568,215	(4,562)	(105)	\$563,548
LIABILITIES AND EQUITY				
Current liabilities				
Value added and withholding tax liability	835	2,231	—	3,066
Accrued liabilities and other payables	19,201	(5,836)	—	13,365
Other current liabilities	31,088	—	—	31,088
Total current liabilities	51,124	(3,605)	—	47,519

Edgar Filing: Hoegh LNG Partners LP - Form 6-K

Total long-term liabilities	279,651	—	—	279,651
Total liabilities	330,775	(3,605)	—	327,170
Total equity	237,440	(957)	(105)	236,378
Total liabilities and equity	\$568,215	(4,562)	(105)	\$563,548

F-18

HÖEGH LNG PARTNERS LP**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED AND COMBINED
CARVE-OUT****FINANCIAL STATEMENTS**

(in thousands of U.S. dollars, unless otherwise indicated)

The following tables show the effect of the restatement on the Partnership's condensed consolidated and combined carve-out statements of cash flows:

(in thousands of U.S. dollars)	Nine months ended September 30, 2014			As restated
	As reported	Adjustments VAT, Withholding and other	Direct adjustments	
OPERATING ACTIVITIES				
Net loss	\$(3,872)	(2,178)	(122)	\$(6,172)
Adjustments to reconcile net income to net cash used in operating activities:				
Depreciation and amortization	1,309	—	—	1,309
Equity in losses (earnings) of joint ventures	738	—	—	738
Changes in accrued interest income on advances to joint ventures and demand note	(1,975)	—	—	(1,975)
Amortization and write off of deferred debt issuance cost	3,048	—	127	3,175
Changes in accrued interest expense	774	—	—	774
Refundable value added tax on import	(26,298)	—	—	(26,298)
Changes in working capital:				
Restricted cash	(8,512)	—	—	(8,512)
Trade receivables	(7,383)	(6,188)	—	(13,571)
Unbilled construction contract income	50,609	311	—	50,920
Bunkers	(2,670)	—	—	(2,670)
Prepaid expenses and other receivables	(2,106)	—	—	(2,106)
Trade payables	6,969	—	—	6,969
Amounts due to owners and affiliates	4,940	—	—	4,940
Value added and withholding tax liability	(3,293)	9,343	—	6,050
Accrued liabilities and other payables	11,354	(1,831)	—	9,523
Net cash provided by (used in) operating activities	23,632	(543)	5	23,094
INVESTING ACTIVITIES				
Expenditure for newbuildings and other equipment	(169,143)	(154)	—	(169,297)
Receipts from repayment of principal on advances to joint ventures	4,753	—	—	4,753
Receipts from repayment of principal on direct financing lease	663	—	(5)	658
(Increase) decrease in restricted cash	(2,693)	—	—	(2,693)

Edgar Filing: Hoegh LNG Partners LP - Form 6-K

Net cash provided by (used in) investing activities	\$ (166,420)	(154)	(5)	\$ (166,579)
---	--------------	--------	------	---------------

F-19

HÖEGH LNG PARTNERS LP**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED AND COMBINED
CARVE-OUT****FINANCIAL STATEMENTS**

(in thousands of U.S. dollars, unless otherwise indicated)

(in thousands of U.S. dollars)	Nine months ended September 30, 2014			
	As reported	Adjustments VAT, WHT and other	Indirect adjustments	As restated
FINANCING ACTIVITIES				
Proceeds from long-term debt	\$ 257,099	—	—	\$ 257,099
Proceeds from amounts due to owners and affiliates	10,193	—	—	10,193
Proceeds from loans and promissory notes due to owners and affiliates	650	—	—	650
Repayment of long-term debt	(32,100)	—	—	(32,100)
Repayment of amounts due to owners and affiliates	(25,400)	—	—	(25,400)
Repayment of loans and promissory notes due to owners and affiliates	(48,500)	—	—	(48,500)
Contributions from (distributions to) owner	(11,016)	—	—	(11,016)
Customer loan for funding of value added liability on import	26,298	—	—	26,298
Payment of debt issuance cost	(9,208)	697	—	(8,511)
Proceeds from initial public offering, net of underwriters' discounts and expenses of offering	203,467	—	—	203,467
Cash from proceeds of initial public offering distributed to Höegh LNG	(43,467)	—	—	(43,467)
Payment of demand note due from Höegh LNG	(140,000)	—	—	(140,000)
Net cash provided by (used in) financing activities	188,016	697	—	188,713
Increase (decrease) in cash and cash equivalents	45,228	—	—	45,228
Cash and cash equivalents, beginning of period	108	—	—	108
Cash and cash equivalents, end of period	\$ 45,336	—	—	\$ 45,336

HÖEGH LNG PARTNERS LP**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED AND COMBINED
CARVE-OUT****FINANCIAL STATEMENTS**

(in thousands of U.S. dollars, unless otherwise indicated)

The following table presents the effect of the restatement on the Partnership's previously reported net income (loss) and total equity as of the date and for the periods shown:

	Net income (loss) three months ended September 30, 2014		Net income (loss) nine months ended September 30, 2014		Total equity
	August 12 to September 30	July 1 to August 12	August 12 to September 30	January 1 to August 12	As of December 31, 2014
(in thousands of U.S. dollars)	(Post-IPO)	(Pre-IPO)	(Post-IPO)	(Pre-IPO)	
As previously reported	\$ 6,914	(1,716)	6,914	(10,786 )	) \$ 237,440
Adjustments:					
VAT, WHT and other	(1,112)	(719)	(1,112)	(1,065 )	) (957)
Indirect adjustments	(32)	(29)	(32)	(90 )	) (105)
As restated	\$ 5,770	(2,464)	5,770	(11,941 )	) \$ 236,378

F-21

HÖEGH LNG PARTNERS LP

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED AND COMBINED CARVE-OUT

FINANCIAL STATEMENTS

(in thousands of U.S. dollars, unless otherwise indicated)

3. Formation transactions and Initial Public Offering

During August 2014, the following transactions in connection with the transfer of equity interests, shareholder loans and promissory notes and accrued interest to the Partnership and the IPO occurred:

Capital contribution

Höegh LNG contributed the following to the Partnership:

- (i) Its interests in Hoegh LNG Lampung Pte. Ltd., PT Hoegh LNG Lampung, SRV Joint Gas Ltd. and SRV Joint Gas Two Ltd.;
- (ii) Its shareholder loans made by Höegh LNG to each of SRV Joint Gas Ltd. and SRV Joint Gas Two Ltd., in part to finance the operations of such joint ventures;
- (iii) Its receivables for the \$40 million promissory note due to Höegh LNG as well as accrued interest on such note and two other promissory notes relating to Hoegh LNG Lampung Pte. Ltd.;

- These transactions have been accounted for as a capital contribution by Höegh LNG to the Partnership. However,
- (iv) for purposes of the combined carve-out financial statements, the (i) net assets of the entities and the (ii) shareholder loans to the joint ventures are included in the combined carve-out balance sheet as of June 30, 2014;

Recapitalization of the Partnership

- The Partnership issued to Höegh LNG 2,116,060 common units and 13,156,060 subordinated units and 100% of
- (i) incentive distribution rights (“IDRs”), which will entitle Höegh LNG to increasing percentages of the cash the Partnership distributes in excess of \$0.388125 per unit per quarter;
 - (ii) The Partnership issued to Höegh LNG GP LLC, a wholly owned subsidiary of Höegh LNG, a non-economic general partner interest in the Partnership;

Initial Public Offering

- The Partnership issued and sold through the underwriters to the public 11,040,000 common units (including 1,440,000 common units exercised pursuant to the underwriters’ option to purchase additional common units), representing approximately 42% limited partnership interest in the Partnership. The common units were sold for
- (i) \$20.00 per unit resulting in gross proceeds of \$220.8 million. The net proceeds of the offering were approximately \$203.5 million. Net proceeds is after deduction of underwriters’ discounts, structuring fees and reimbursements and the incremental direct costs attributable to the IPO that were deferred and charged against the proceeds of the offering.

- The Partnership applied the net proceeds of the offering as follows: (i) \$140 million to make a loan to Höegh LNG in exchange for a note bearing interest at a rate of 5.88% per annum, which is repayable on demand or which the
- (ii) Partnership can elect to utilize as part of the purchase consideration in the event the Partnership purchases all or a portion of Höegh LNG’s interests in the *Independence*, (ii) \$20 million for general partnership purposes and
 - (iii) the remainder of approximately \$43.5 million to make a cash distribution to Höegh LNG.

HÖEGH LNG PARTNERS LP

**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED AND COMBINED
CARVE-OUT**

FINANCIAL STATEMENTS

(in thousands of U.S. dollars, unless otherwise indicated)

Proceeds from IPO and application of funds

(in thousands of U.S. dollars)

Gross proceeds from IPO	\$220,800
Underwriters' discounts, structuring fees and incremental direct IPO expenses	(17,333)
Net proceeds from IPO	203,467
Loan of initial public offering proceeds to Höegh LNG for demand note	(140,000)
Cash distribution of initial public offering proceeds to Höegh LNG	(43,467)
Cash retained for general partnership purposes	\$20,000

At the completion of the IPO, Höegh LNG owned 2,116,060 common units and 13,156,060 subordinated units, representing an approximate 58% limited partnership interest in the Partnership.

Agreements

In connection with the IPO the Partnership entered into several agreements including:

(i) A \$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 governing, among other things:

a. To what extent the Partnership and Höegh LNG may compete with each other;

b. The Partnership's option to purchase from Höegh LNG all or a portion of its interests in an additional FSRU, the *Independence*, within 24 months after acceptance of such vessel by her charterer, subject to reaching an agreement with Höegh LNG regarding the purchase price and other terms in accordance with the provisions of the omnibus agreement and any rights AB Klaipėdos Nafta has under the related time charter, which the Partnership may

exercise at one or more times during such 24-month period;

c. The Partnership's rights of first offer on certain FSRUs and LNG carriers operating under charters of five or more years; and

d. Hoegh LNG's provision of certain indemnities to the Partnership.

(iii) An administrative services agreement with Hoegh LNG Services Ltd., UK ("Hoegh UK"), pursuant to which Hoegh UK provides certain administrative services to the Partnership; and

(iv) Hoegh (U.K.) Limited, pursuant to which Hoegh Norway and Leif Hoegh (U.K.) Limited provide Hoegh UK certain administrative services.

Existing agreements remain in place 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 Hoegh LNG Fleet Management AS ("Hoegh LNG Management") pursuant to which Hoegh LNG Management provides the joint ventures with technical and maritime management and crewing of the *GDF Suez Neptune* and the *GDF Suez Cape Ann*, and Hoegh Norway is a party to a sub-technical support agreement with Hoegh LNG Management pursuant to which Hoegh 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 Hoegh Norway, and PT Hoegh LNG Lampung is a party to a technical information and services agreement with Hoegh Norway.

HÖEGH LNG PARTNERS LP

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED AND COMBINED CARVE-OUT

FINANCIAL STATEMENTS

(in thousands of U.S. dollars, unless otherwise indicated)

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 that are considered to benefit the entire organization and interest income from advances to joint ventures and the demand note due from Höegh LNG are included in “Other.”

For the three and nine months ended September 30, 2015, Majority held FSRUs includes the direct financing lease related to the *PGN FSRU Lampung*. For the three and nine months ended September 30, 2014, Majority held FSRUs includes a newbuilding, the *PGN FSRU Lampung*, and construction contract revenues and expenses of the Mooring under construction. The Mooring was constructed on behalf of, and was sold to, PGN using the percentage of completion method of accounting. The Mooring project was completed as of December 31, 2014.

As of September 30, 2015 and 2014, Joint venture FSRUs include two 50% owned FSRUs, the *GDF Suez Neptune* and the *GDF Suez Cape Ann*, that operate under long term time charters with one charterer, GDF Suez Global LNG Supply SA.

The accounting policies applied to the segments are the same as those applied in the consolidated and combined carve-out financial statements, except that Joint venture FSRUs are presented under the proportional consolidation method for the segment note and under equity accounting for the consolidated and combined carve-out financial statements. 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.

Edgar Filing: Hoegh LNG Partners LP - Form 6-K

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 three and nine months ended September 30, 2015 and 2014.

F-24

HÖEGH LNG PARTNERS LP**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED AND COMBINED
CARVE-OUT****FINANCIAL STATEMENTS**

(in thousands of U.S. dollars, unless otherwise indicated)

(in thousands of U.S. dollars)	Three months ended September 30, 2015					Consolidated and combined carve-out reporting
	Majority held FSRUs	Joint venture FSRUs (proportional consolidation)	Other	Total Segment reporting	Elimin- ations	
Time charter revenues	\$ 11,462	10,590	—	22,052	(10,590)	\$ 11,462
Total revenues	11,462	10,590	—	22,052		11,462
Operating expenses	(2,290)	(2,245)	(1,378)	(5,913)	2,245	(3,668)
Equity in earnings of joint ventures	—	—	—	—	(249)	(249)
Segment EBITDA	9,172	8,345	(1,378)	16,139		
Depreciation and amortization	(8)	(2,456)	—	(2,464)	2,456	(8)
Operating income (loss)	9,164	5,889	(1,378)	13,675		7,537
Gain (loss) on derivative instruments	354	(2,109)	—	(1,755)	2,109	354
Other financial income (expense), net	(4,702)	(4,029)	2,105	(6,626)	4,029	(2,597)
Income (loss) before tax	4,816	(249)	727	5,294	—	5,294
Income tax expense	(109)	—	—	(109)	—	(109)
Net income (loss)	\$ 4,707	(249)	727	5,185	—	\$ 5,185

(in thousands of U.S. dollars)	Three months ended September 30, 2014					Consolidated and combined carve-out reporting (Restated)
	Majority held FSRUs (Restated)	Joint venture FSRUs (proportional consolidation)	Other	Total Segment reporting (Restated)	Elimin- ations	
Time charter revenues	\$ 9,087	10,382	—	19,469	(10,382)	\$ 9,087
Construction contract revenues	6,310	—	—	6,310	—	6,310
Total revenues	15,397	10,382	—	25,779		15,397
Operating expenses	(4,466)	(2,129)	(1,383)	(7,978)	2,129	(5,849)
Construction contract expenses	(7,040)	—	—	(7,040)	—	(7,040)
Equity in earnings of joint ventures	—	—	—	—	3,058	3,058
Segment EBITDA	3,891	8,253	(1,383)	10,761		
Depreciation and amortization	(329)	(2,288)	—	(2,617)	2,288	(329)
Operating income (loss)	3,562	5,965	(1,383)	8,144		5,237
Gain (loss) on derivative instruments	—	1,378	—	1,378	(1,378)	—
Other financial income (expense), net	(3,168)	(4,285)	1,380	(6,073)	4,285	(1,788)
Income (loss) before tax	394	3,058	(3)	3,449	—	3,449

Edgar Filing: Hoegh LNG Partners LP - Form 6-K

Income tax expense	(143)	—	—	(143)	—	(143)
Net income (loss)	\$251	3,058	(3)	3,306	—	\$ 3,306

F-25

HÖEGH LNG PARTNERS LP**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED AND COMBINED
CARVE-OUT****FINANCIAL STATEMENTS**

(in thousands of U.S. dollars, unless otherwise indicated)

(in thousands of U.S. dollars)	Nine months ended September 30, 2015					Consolidated and combined carve-out reporting
	Majority held FSRUs	Joint venture FSRUs (proportional consolidation)	Other	Total Segment reporting	Elimin- ations	
Time charter revenues	\$34,039	31,899	—	65,938	(31,899)	\$ 34,039
Total revenues	34,039	31,899	—	65,938		34,039
Operating expenses	(7,384)	(7,537)	(4,457)	(19,378)	7,537	(11,841)
Equity in earnings of joint ventures	—	—	—	—	9,111	9,111
Segment EBITDA	26,655	24,362	(4,457)	46,560		
Depreciation and amortization	(23)	(6,941)	—	(6,964)	6,941	(23)
Operating income (loss)	26,632	17,421	(4,457)	39,596		31,286
Gain (loss) on derivative instruments	467	3,830	—	4,297	(3,830)	467
Other financial income (expense), net	(13,643)	(12,140)	6,355	(19,428)	12,140	(7,288)
Income (loss) before tax	13,456	9,111	1,898	24,465	—	24,465
Income tax expense	(261)	—	—	(261)	—	(261)
Net income (loss)	\$13,195	9,111	1,898	24,204	—	\$ 24,204

(in thousands of U.S. dollars)	As of September 30, 2015					Consolidated and combined carve-out reporting
	Majority held FSRUs	Joint venture FSRUs (proportional consolidation)	Other	Total Segment reporting	Elimin- ations	
Newbuildings	\$—	—	—	—	—	\$ —
Vessels, net of accumulated depreciation	—	285,481	—	285,481	(285,481)	—
Net investment in direct financing lease	294,057	—	—	294,057	—	294,057
Advances to joint ventures	—	—	15,040	15,040	—	15,040
Total assets	363,327	306,478	172,584	842,389	(306,478)	535,911
Accumulated losses of joint ventures	—	—	50	50	(50,569)	(50,519)
Expenditures for newbuildings, vessels & equipment	858	11,084	—	11,942	(11,084)	858
Expenditures for drydocking	—	1,648	—	1,648	(1,648)	—
Principal repayment direct financing lease	\$2,164	—	—	2,164	—	\$ 2,164

HÖEGH LNG PARTNERS LP**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED AND COMBINED
CARVE-OUT****FINANCIAL STATEMENTS**

(in thousands of U.S. dollars, unless otherwise indicated)

(in thousands of U.S. dollars)	Nine months ended September 30, 2014					Consolidated and combined carve-out reporting (Restated)
	Majority held FSRUs (Restated)	Joint venture FSRUs (proportional consolidation)	Other	Total Segment reporting (Restated)	Elimin- ations	
Time charter revenues	\$9,087	30,731	—	39,818	(30,731)	\$ 9,087
Construction contract revenues	45,149	—	—	45,149	—	45,149
Other revenue	474	—	—	474	—	474
Total revenues	54,710	30,731	—	85,441		54,710
Operating expenses	(8,497)	(6,162)	(5,097)	(19,756)	6,162	(13,594)
Construction contract expenses	(40,522)	—	—	(40,522)	—	(40,522)
Equity in earnings of joint ventures	—	—	—	—	(738)	(738)
Segment EBITDA	5,691	24,569	(5,097)	25,163		
Depreciation and amortization	(1,309)	(6,861)	—	(8,170)	6,861	(1,309)
Operating income (loss)	4,382	17,708	(5,097)	16,993		(1,453)
Gain (loss) on derivative instruments	—	(5,531)	—	(5,531)	5,531	—
Other financial income (expense), net	(6,624)	(12,915)	2,281	(17,258)	12,915	(4,343)
Income (loss) before tax	(2,242)	(738)	(2,816)	(5,796)	—	(5,796)
Income tax expense	(376)	—	—	(376)	—	(376)
Net income (loss)	\$(2,618)	(738)	(2,816)	(6,172)	—	\$ (6,172)

(in thousands of U.S. dollars)	As of December 31, 2014					Consolidated and combined carve-out reporting (Restated)
	Majority held FSRUs (Restated)	Joint venture FSRUs (proportional consolidation)	Other	Total Segment reporting (Restated)	Elimin- ations	
Newbuildings	\$—	—	—	—	—	\$ —
Vessels, net of accumulated depreciation	—	279,670	—	279,670	(279,670)	—
Net investment in direct financing lease	295,363	—	—	295,363	—	295,363
Advances to joint ventures	—	—	18,952	18,952	—	18,952
Total assets	372,930	300,327	190,618	863,875	(300,327)	563,548
Accumulated losses of joint ventures	—	—	50	50	(59,680)	(59,630)

Edgar Filing: Hoegh LNG Partners LP - Form 6-K

Expenditures for newbuildings, vessels & equipment	172,324	2,358	—	174,682	(2,358)	172,324
Expenditures for drydocking	—	—	—	—	—	—
Principal repayment direct financing lease	\$1,341	—	—	1,341	—	\$ 1,341

F-27

HÖEGH LNG PARTNERS LP**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED AND COMBINED
CARVE-OUT****FINANCIAL STATEMENTS**

(in thousands of U.S. dollars, unless otherwise indicated)

5. Construction contract revenues

(in thousands of U.S. dollars)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2015	2014	2015	2014
	(Restated)		(Restated)	
Construction contract revenue	\$ —	\$ 6,310	\$ —	\$ 45,149
Construction contract expenses	—	(7,040)	—	(40,522)
Recognized contract margin (loss)	\$ —	\$ (730)	\$ —	\$ 4,627

PGN formally accepted the *PGN FSRU Lampung* and signed the Certificate of Acceptance on October 30, 2014 which was the condition for the final payment related to the Mooring. As such, the Mooring project was 100% completed as of December 31, 2014. As a result, there were no construction contract revenues or expenses for the three and nine months ended September 30, 2015.

As of September 30, 2014, the Mooring project was estimated to be 94% completed. During the third quarter of 2014, delay liquidated damages of approximately \$6.1 million were recorded as part of construction contract expenses related to claims from PGN on the project up to September 30, 2014. For additional discussion see note 14. As a result of the claims, the estimate of the total project cost was also upwardly revised based upon estimated total exposure for delay liquidated damages from PGN. As a result of the revision to the estimated total project costs, there was a negative recognized contract margin for the three months ended September 30, 2014.

6. Financial income (expense)

The components of financial income (expense) are as follows:

Edgar Filing: Hoegh LNG Partners LP - Form 6-K

(in thousands of U.S. dollars)	Three months ended		Nine months ended	
	September 30, 2015	2014 (Restated)	September 30, 2015	2014 (Restated)
Interest income	\$ 2,423	\$ 1,542	\$ 7,275	\$ 2,443
Interest expense:				
Interest expense	(2,789)	(1,918)	(8,403)	(6,099)
Commitment fees	(305)	(84)	(904)	(1,304)
Amortization of debt issuance cost	(650)	(775)	(1,946)	(3,175)
Capitalized interest	—	—	—	5,447
Total interest expense	(3,744)	(2,777)	(11,253)	(5,131)
Gain on derivative instruments	354	—	467	—
Other items, net:				
Foreign exchange gain (loss)	(643)	20	(1,315)	(43)
Bank charges and fees and other	(23)	(20)	(38)	(21)
Withholding tax on interest expense and other	(610)	(553)	(1,957)	(1,591)
Total other items, net	(1,276)	(553)	(3,310)	(1,655)
Total financial income (expense), net	\$ (2,243)	\$ (1,788)	\$ (6,821)	\$ (4,343)

F-28

HÖEGH LNG PARTNERS LP**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED AND COMBINED
CARVE-OUT****FINANCIAL STATEMENTS**

(in thousands of U.S. dollars, unless otherwise indicated)

7. Income tax

The Partnership is not subject to Marshall Islands corporate income taxes. The Partnership is subject to tax for earnings of Hoegh LNG Lampung Pte. Ltd., its subsidiary incorporated in Singapore, and PT Hoegh LNG Lampung, its FSRU-owing entity incorporated in Indonesia. The income tax expense recorded in the consolidated and combined carve-out income statements was \$109 and \$143 for the three month periods ended September 30, 2015 and 2014, respectively and \$261 and \$376 for the nine months ended September 30, 2015 and 2014, respectively. For the first nine months of 2015, the income tax expense related to Hoegh LNG Lampung Pte. Ltd. and reclassification of a deferred tax benefit from other comprehensive income for PT Hoegh LNG Lampung. PT Hoegh LNG Lampung has a tax loss carryforward from the prior year which is expected to offset any current tax expense during 2015.

8. Advances to joint ventures

	As of	
	September 30,	December 31,
(in thousands of U.S. dollars)	2015	2014
Current portion of advances to joint ventures	\$6,725	\$ 6,665
Long-term advances to joint ventures	8,315	12,287
Advances/shareholder loans to joint ventures	\$15,040	\$ 18,952

The Partnership had advances of \$7.7 million and \$9.8 million due from SRV Joint Gas Ltd. as of September 30, 2015 and December 31, 2014, respectively. The Partnership had advances of \$7.3 million and \$9.1 million due from SRV Joint Gas Two Ltd. as of September 30, 2015 and December 31, 2014, respectively.

9. Long-term debt

Edgar Filing: Hoegh LNG Partners LP - Form 6-K

(in thousands of U.S. dollars)	As of September 30, 2015	December 31, 2014
Lampung facility:		
\$ 178.6 million Export credit tranche	\$ 157,476	\$ 168,640
\$ 58.5 million FSRU tranche	40,560	43,693
Total debt	198,036	212,333
Less: Current portion of long-term debt	(19,062)	(19,062)
Long-term debt	\$ 178,974	\$ 193,271

Lampung facility

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;
- 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 September 30, 2015, the borrower and the guarantor were in compliance with the financial covenants.

HÖEGH LNG PARTNERS LP**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED AND COMBINED
CARVE-OUT****FINANCIAL STATEMENTS**

(in thousands of U.S. dollars, unless otherwise indicated)

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 limit, 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.

10. Investments in joint ventures

	As of	
	September	December 31,
(in thousands of U.S. dollars)	30,	2014
	2015	2014
Accumulated losses of joint ventures	\$50,519	\$ 59,630

The Partnership has a 50% interest in each of SRV Joint Gas Ltd. (owner of *GDF Suez Neptune*) and SRV Joint Gas Two Ltd. (owner of *GDF Suez Cape Ann*). The following tables present the summarized financial information for 100% of the combined joint ventures on an aggregated basis.

	Three months ended		Nine months ended	
	September 30,		September 30,	
(in thousands of U.S. dollars)	2015	2014	2015	2014
Time charter revenues	\$21,179	\$20,763	\$63,797	\$61,462
Total revenues	\$21,179	\$20,763	\$63,797	\$61,462
Operating expenses	(4,489)	(4,256)	(15,074)	(12,324)
Depreciation and amortization	(5,065)	(4,729)	(14,344)	(14,183)

Edgar Filing: Hoegh LNG Partners LP - Form 6-K

Operating income	11,625	11,778	34,379	34,955
Unrealized gain (loss) on derivative instruments	(4,218)	2,755	7,660	(11,063)
Other financial expense, net	(8,058)	(8,570)	(24,279)	(25,829)
Net income (loss)	\$(651)	\$5,963	\$17,760	\$(1,937)
Share of joint ventures owned	50 %	50 %	50 %	50 %
Share of joint ventures net income (loss) before eliminations	(326)	2,981	8,880	(969)
Eliminations	77	77	231	231
Equity in earnings (losses) of joint ventures	\$(249)	\$3,058	\$9,111	\$(738)

F-30

HÖEGH LNG PARTNERS LP**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED AND COMBINED
CARVE-OUT****FINANCIAL STATEMENTS**

(in thousands of U.S. dollars, unless otherwise indicated)

(in thousands of U.S. dollars)	As of September 30, 2015	December 31, 2014
Cash and cash equivalents	\$ 11,733	\$ 10,719
Other current assets	3,251	3,317
Total current assets	14,984	14,036
Restricted cash	25,104	25,104
Vessels, net of accumulated depreciation	589,056	577,897
Other long-term assets	1,905	2,174
Total long-term assets	616,065	605,175
Current portion of long-term debt	21,754	20,768
Amounts and loans due to owners and affiliates	13,535	14,516
Derivative financial instruments	22,039	23,887
Other current liabilities	23,703	8,278
Total current liabilities	81,031	67,449
Long-term debt	484,928	501,369
Loans due to owners and affiliates	16,630	24,575
Derivate financial liabilities	96,097	101,910
Other long-term liabilities	35,307	24,612
Total long-term liabilities	632,962	652,466
Net liabilities	\$(82,944)	\$ (100,704)
Share of joint ventures owned	50 %	50 %
Share of joint ventures net liabilities before eliminations	(41,472)	(50,352)
Eliminations	(9,047)	(9,278)
Accumulated losses of joint ventures	\$(50,519)	\$ (59,630)

11. Related party transactions***Income (expense) from related parties***

The Combined Entities were an integrated part of Höegh LNG until the close of the IPO on August 12, 2014. In connection with the IPO, the Partnership entered into several agreements with Höegh LNG (and certain of its subsidiaries) for the provision of services. Refer to note 3 for additional information. As such, Höegh LNG and its subsidiaries have provided general and corporate management services to the Partnership and the Combined Entities. Certain administrative expenses were included in the combined carve-out financial statements of the Combined Entities based on actual hours incurred. In addition, management allocated remaining administrative expenses and Höegh LNG management's share based payment costs based on the number of vessels, newbuildings and business development projects of Höegh LNG prior to the closing of the IPO. A subsidiary of Höegh LNG has provided the building supervision of the newbuilding and Mooring and ship management for *PGN FSRU Lampung*.

F-31

HÖEGH LNG PARTNERS LP**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED AND COMBINED CARVE-OUT****FINANCIAL STATEMENTS**

(in thousands of U.S. dollars, unless otherwise indicated)

Amounts included in the consolidated and combined carve-out statements of income for the three and nine months ended September 30, 2015, and 2014 or capitalized in the consolidated and combined carve-out balance sheets as of September 30, 2015 and December 31, 2014 are as follows:

Statement of income: (in thousands of U.S. dollars)	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Revenues				
Revenues indemnified by Höegh LNG (1)	\$ —	\$ 5,787	\$ —	\$ 5,787
Operating expenses				
Vessel operating expenses (2)	(1,213)	(1,901)	(3,697)	(3,046)
Hours and overhead (3)	(336)	(436)	(1,010)	(1,815)
Allocated administrative expenses (4)	—	(838)	—	(4,881)
Construction contract expense: supervision cost (5)	—	(167)	—	(761)
Construction contract expense: capitalized interest (6)	—	-	—	(690)
Financial (income) expense			-	
Interest income from joint ventures and demand note (7)	2,423	1,542	7,275	2,443
Interest expense and commitment fees to Höegh LNG (8)	(304)	(363)	(903)	(689)
Total	\$ 570	\$ 3,624	1,665	\$ (3,652)

Balance sheet (in thousands of U.S. dollars)	As of	
	September 30, 2015	December 31, 2014
Newbuilding		
Newbuilding supervision cost (4)	\$ —	\$ 1,228
Interest expense capitalized from Höegh LNG (5)	—	1,464
Total	\$ —	\$ 2,692

Time charter revenues indemnified by Höegh LNG: Höegh LNG has made payment of \$6.5 million to the Partnership for hire rate payments for September 2014 not received for the *PGN FSRU Lampung* pursuant to its agreement to indemnify the Partnership under the omnibus agreement. Refer to “Indemnifications” below and note 14. Such payments have been recorded as revenue, net of value added tax liabilities and certain deferrals.

2) *Vessel operating expenses:* A subsidiary of Höegh LNG provides ship management of vessels, including crews and the provision of all other services and supplies.

3) *Hours and overhead:* Subsidiaries of Höegh LNG provide management, accounting, bookkeeping and administrative support. 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. Subsequent to the closing of the IPO, this includes services under administrative service agreements.

4) *Allocated administrative expenses:* Until the closing of the IPO on August 12, 2014, administrative expenses of Höegh LNG that could not be attributed to a specific vessel or project based upon the time-write system were allocated to the consolidated and combined carve-out income statement based on the number of vessels, newbuildings and certain business development projects of Höegh LNG. For the period from January 1, 2014 to August 12, 2014, the allocated expenses also include cost incurred in preparation for the IPO.

5) *Supervision cost:* Höegh LNG Fleet Management AS managed the newbuilding process including site supervision including manning for the services and direct accommodation and travel cost. Manning costs are based upon actual hours incurred. Such costs, excluding overhead charges, were capitalized as part of the cost of the newbuilding and included in the construction contract expense for the Mooring.

HÖEGH LNG PARTNERS LP

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED AND COMBINED CARVE-OUT

FINANCIAL STATEMENTS

(in thousands of U.S. dollars, unless otherwise indicated)

Interest expense capitalized from Höegh LNG and affiliates: As described under 7) below, Höegh LNG and its 6) affiliates provided funding for the *PGN FSRU Lampung* and the Mooring (a component of the construction contract expense), which qualify under US GAAP as capitalized interest for the construction in progress.

Interest income from joint ventures and demand note: 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 7) loans to the joint ventures is recorded as interest income. In the consolidated and combined carve-out statements of cash flows, the interest paid from joint ventures is treated as a return on investment and included in net cash flows from operating activities. Interest income also includes interest on the \$140 million demand note due from Höegh LNG. Refer to "Demand note due from owner" below.

Interest expense and commitment fees to Höegh LNG and affiliates: Höegh LNG and its affiliates provided loans and promissory notes and intercompany funding for the construction of the *PGN FSRU Lampung*, and the 8) construction contract expense of the Mooring. Subsequent to the closing of the IPO, commitment fees are due on the \$85 million revolving credit facility. Refer to "Amounts, loans and promissory notes due to owners and affiliates" below. Refer to 5) above which describes the interest expense, which was capitalized.

Receivables and payables from related parties

Demand note due from owner

	As of September 30,	December 31,
(in thousands of U.S. dollars)	2015	2014
Demand note due from owner	\$ 142,109	\$ 143,241

The Partnership lent \$140 million to Höegh LNG from the net proceeds of the IPO on August 12, 2014. The note is repayable on demand or the Partnership can utilize the note as part of the purchase consideration in the event all or a portion of Höegh LNG's interests in an FSRU are purchased by the Partnership. The note bears interest at a rate of 5.88% per annum. The balances in the table above include outstanding principal and accrued interest of \$2,109 and \$3,241 as of September 30, 2015 and December 31, 2014, respectively.

Refer to note 8 for advances to joint ventures.

Amounts, loans and promissory note due to owners and affiliates

	As of	
	September	December 31,
(in thousands of U.S. dollars)	30,	2015
	2015	2015
Amounts due to owners and affiliates	\$2,821	\$ 6,019

Amounts due to owners and affiliates principally relate to short term funding and trade payables of operating activities as of September 30, 2015 and December 31, 2014, respectively.

Loans and promissory notes due to owners and affiliates consist of the following:

	As of	
	September	December 31,
(in thousands of U.S. dollars)	30,	2014
	2015	2014
Loans and promissory notes due to owners and affiliates	\$ 304	\$ 467

HÖEGH LNG PARTNERS LP

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED AND COMBINED CARVE-OUT

FINANCIAL STATEMENTS

(in thousands of U.S. dollars, unless otherwise indicated)

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 for a term of three years and is unsecured. Interest on drawn amounts is payable quarterly at LIBOR plus a margin of 4.0%. Additionally, a 1.4% quarterly commitment fee is due to Höegh LNG on undrawn available amounts. The balances as of September 30, 2015 and December 31, 2014, relate to accrued commitment fees. No amounts were drawn on the revolving credit facility as of September 30, 2015 and December 31, 2014.

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 \$500, in which case Höegh LNG is liable for claims only to the extent such aggregate amount exceeds \$500.

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 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 certain invoices not paid by PGN for the year ended December 31, 2014 (refer to note 14);

4. with respect to any obligation to pay liquidated damages to PGN 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 (refer to note 14);

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. The Partnership filed claims for indemnification of non-budgeted expenses for the three and nine months ended September 30, 2015 of \$1.2 million and \$5.4 million respectively; 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. The Partnership is indemnified for recovery of the \$6.2 million VAT liability related to a Mooring invoice. The Partnership filed a claim for indemnification with respect to non-budgeted value added tax and withholding tax related to the restatement periods up to and including December 31, 2014 of approximately \$1.2 million in the fourth quarter of 2015. The indemnification payment was received from Höegh LNG in the fourth quarter of 2015 and recorded as a contribution to equity. Refer to note 2.d. for additional information on the restatement adjustments related to value added tax and withholding tax.

HÖEGH LNG PARTNERS LP

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED AND COMBINED CARVE-OUT

FINANCIAL STATEMENTS

(in thousands of U.S. dollars, unless otherwise indicated)

12. 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 consolidated and combined carve-out balance sheets.

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.

Demand note due from owner affiliates – The fair value of the fixed rate demand note approximates the carrying amount of the receivable and accrued interest reported in the consolidated and combined carve-out balance sheets since the amount is payable on demand. Refer to note 11.

Amounts due to owners and affiliates – The fair value of the non-interest bearing payable approximates its carrying amounts reported in the consolidated and combined carve-out balance sheets since it is to be settled consistent with trade payables.

Loans and promissory notes due to owners and affiliates – The fair values of the variable-rate and the fixed rate loans and promissory notes approximates their carrying amounts of the liabilities and accrued interest reported in the

consolidated and combined carve-out balance sheets since the amounts are payable on demand. Refer to note 11.

Derivative financial 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 overnight indexed swap (“OIS”) index 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.

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.

HÖEGH LNG PARTNERS LP**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED AND COMBINED
CARVE-OUT****FINANCIAL STATEMENTS**

(in thousands of U.S. dollars, unless otherwise indicated)

	Level	As of September 30, 2015		As of December 31, 2014	
		Carrying amount Asset (Liability)	Fair value Asset (Liability)	Carrying amount Asset (Liability)	Fair value Asset (Liability)
(in thousands of U.S. dollars)					
Recurring:					
Cash and cash equivalents	1	\$25,311	25,311	30,477	\$30,477
Restricted cash	1	26,287	26,287	37,119	31,119
Derivative financial instruments	2	(11,645)	(11,645)	(9,220)	(9,220)
Other:					
Advances (shareholder loans) to joint ventures	2	15,040	(15,479)	18,952	19,629
Demand note due from owner	2	142,109	142,109	143,241	143,241
Current amounts due to owners and affiliates	2	(2,821)	(2,821)	(6,019)	(6,019)
Loans and promissory notes due to owners and affiliates	2	(304)	(304)	(467)	(467)
Lampung facility	2	\$(198,036)	(200,064)	(212,333)	\$(214,636)

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	Credit Quality	Indicator	Grade	As of	
				September 30, 2015	December 31, 2014
Receivables					
(in thousands of U.S. dollars)					
Trade receivables	Payment activity	Performing	\$6,189	\$ 6,189	
Advances/loans to joint ventures	Payment activity	Performing	15,040	18,952	
Demand note due from owner	Payment activity	Performing	\$142,109	\$ 143,241	

The shareholder loans to joint ventures are classified as advances to joint ventures in the consolidated and combined carve-out balance sheet. Refer to note 8.

13. Risk management and concentrations of risk

Derivative instruments can be used in accordance with the overall risk management policy.

Foreign exchange risk

All revenues, financing, interest expenses from financing and most expenditures for newbuildings are denominated in U.S. dollars. Certain operating expenses and taxes can be denominated in currencies other than U.S. dollars. Certain restricted cash balances are also denominated in currencies other than U.S. dollars. For the three months ended September 30, 2015, and 2014, no derivative financial instruments have been used to manage foreign exchange risk.

HÖEGH LNG PARTNERS LP**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED AND COMBINED
CARVE-OUT****FINANCIAL STATEMENTS**

(in thousands of U.S. dollars, unless otherwise indicated)

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 September 30, 2015 and December 31, 2014, there are interest rate swap agreements on the Lampung facility floating rate debt that are designated as cash flow hedges for accounting purposes. As of September 30, 2015, 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					
Interest rate swaps (2)	LIBOR	\$ 198,036	(11,645)	Sept 2026	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 following table presents the location and fair value amounts of derivative instruments, segregated by type of contract, on the consolidated and combined carve-out balance sheets.

(in thousands of U.S. dollars)	Current liabilities: derivative financial instruments	Long-term liabilities: derivative financial instruments
As of September 30, 2015		
Interest rate swaps	\$ (4,215)	\$ (7,430)

Edgar Filing: Hoegh LNG Partners LP - Form 6-K

As of December 31, 2014

Interest rate swaps \$ (4,676) \$ (4,544)

The following effects of cash flow hedges relating to interest rate swaps are included in gain on derivative financial instruments in the consolidated and combined carve-out statements of income for the three and nine months ended September 30, 2015. There were no realized or unrealized gains or losses on derivative financial instruments for the three or months or ended September 30, 2014.

(in thousands of U.S. dollars)	Three months ended September 30, 2015	
	Realized gains (losses)	Unrealized gains (losses) Total
Interest rate swaps:		
Ineffective portion of cash flow hedge	\$ — 266	\$ 266
Amortization of amount excluded from hedge effectiveness	— 302	302
Reclassification from accumulated other comprehensive income	— (214)	(214)
Gain on derivative financial instruments	\$ — 354	\$ 354

F-37

HÖEGH LNG PARTNERS LP**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED AND COMBINED
CARVE-OUT****FINANCIAL STATEMENTS**

(in thousands of U.S. dollars, unless otherwise indicated)

(in thousands of U.S. dollars)	Nine months ended September 30, 2015	
	Realized gains (losses)	Unrealized gains (losses) Total
Interest rate swaps:		
Ineffective portion of cash flow hedge	\$— (7)	\$(7)
Amortization of amount excluded from hedge effectiveness	— 1,115	1,115
Reclassification from accumulated other comprehensive income	— (641)	(641)
Gain on derivative financial instruments	\$— 467	\$467

The effect of cash flow hedges relating to interest rate swaps and the related tax effects on other comprehensive income and changes in accumulated other comprehensive income (loss) (“OCI”) in the consolidated and combined carve-out statements of changes in partners’ capital/ owner’s equity is as follows for the periods ended and as of September 30, 2015 and 2014 included in the consolidated and combined carve-out statements of other comprehensive income.

(in thousands of U.S. dollars)	Cash Flow Hedge			Accumulated OCI
	Before tax gains (losses)	Tax benefit (expense)	Net of tax	
Balance as of December 31, 2014	\$ (10,159)	1,984	(8,175)	\$ (8,175)
Effective portion of unrealized loss on cash flow hedge	(3,532)	—	(3,532)	(3,532)
Reclassification of amortization of cash flow hedge to earnings	641	(279)	362	362
Other comprehensive income for period	\$(2,891)	(279)	(3,170)	(3,170)
Balance as of September 30, 2015	(13,050)	1,705	(11,345)	\$ (11,345)

(in thousands of U.S. dollars)	Cash Flow Hedge			Accumulated OCI
	Before tax gains (losses)	Tax benefit (expense)	Net of tax	
Balance as of December 31, 2013	\$—	—	—	\$—
Effective portion of unrealized loss on cash flow hedge	(7,416)	1,854	(5,562)	(5,562)
Reclassification of amortization of cash flow hedge to earnings	—	—	—	—
Other comprehensive income for period	\$(7,416)	1,854	(5,562)	(5,562)

Edgar Filing: Hoegh LNG Partners LP - Form 6-K

Balance as of September 30, 2014	(7,416)	1,854	(5,562)	\$ (5,562)
----------------------------------	---------	-------	----------	-------------

Refer to note 7 for additional information on the tax effects reclassified from other comprehensive income.

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.

F-38

HÖEGH LNG PARTNERS LP

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED AND COMBINED CARVE-OUT

FINANCIAL STATEMENTS

(in thousands of U.S. dollars, unless otherwise indicated)

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 is a single charterer 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. No allowance for doubtful accounts was recorded for the three month periods ended September 30, 2015 and September 30, 2014 and the year ended December 31, 2014. 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 terminate prematurely, there could be delays in obtaining a new time charter and the rates could be lower depending upon the prevailing market conditions.

14. Commitments and contingencies

Contractual commitments

As of September 30, 2015, there were no material contractual purchase commitments.

Claims and Contingencies

PGN claims and indemnification

Following certain delays, the time charter hire on the *PGN FSRU Lampung* commenced July 21, 2014 for the start of commissioning. During the commissioning to test the *PGN FSRU Lampung* project (including the Mooring) and the pipeline functionality, technical problems were identified on August 29, 2014. Following the completion of the commissioning, PGN formally accepted and signed the Certificate of Acceptance dated October 30, 2014.

PT Hoegh LNG Lampung had commitments to pay a day rate for delay liquidated damages to PGN for delays in achieving the scheduled arrival date or acceptance by the scheduled delivery date. PGN had concerns about requirements under the time charter contract to pay hire rates for the periods of delay during the commissioning and issued invoices for \$7.1 million for delay liquidated damages, of which \$6.1 million was recorded in the third quarter of 2014. PGN also did not pay its time charter hire for September 2014 or October 2014.

The Partnership was indemnified under the omnibus agreement by Höegh LNG for both delay liquidated damages and 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*. The Partnership filed indemnification claims for the September and October 2014 invoices not paid by PGN of \$6.5 million and \$6.7 million, respectively, and received payments from Höegh LNG in September and October, respectively. Indemnification for hire rate payments was accounted for consistent with the accounting policies for loss of hire insurance, and was recognized when the proceeds were received. Therefore, the Partnership recognized the payments from Höegh LNG for September and October 2014 as revenue, including \$4.9 million of additional revenues recognized in 2014 due to the restatement adjustments. The Partnership recognized revenue for the indemnification payments of \$5.7 million and \$7.5 million for the three months ended September 31, 2014 and December 31, 2014, respectively.

PT Hoegh LNG Lampung and the pipeline contractor were jointly and severally liable to PGN for each other's delay liquidated damages if either party failed to perform. Further, PT Hoegh LNG Lampung and the pipeline contractor had an agreement to cover the other party's delay liquidated damages to the extent caused by the other party's scope of work. The Partnership has not received any claims from PGN or the pipeline contractor related to the contractor's delay liquidated damages. The Partnership was indemnified by Höegh LNG for any potential delay liquidated damages, net of any recoveries, arising for or from claims of the pipeline contractor.

HÖEGH LNG PARTNERS LP**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED AND COMBINED
CARVE-OUT****FINANCIAL STATEMENTS**

(in thousands of U.S. dollars, unless otherwise indicated)

During March 2015, an understanding with PGN, the pipeline contractor and PT Hoegh LNG Lampung was reached. As a result, PGN will not pay the time charter hire for September 2014 or October 2014, PT Hoegh LNG Lampung will not pay the delay liquidated damages, PT Hoegh LNG Lampung is released from joint and several liability for the pipeline contractor's delay liquidated damages, the pipeline contractor is released from joint and several liability for PT Hoegh LNG Lampung's delay liquidated damages and neither PT Hoegh LNG Lampung nor the pipeline contractor cover the other party's delay liquidated damages to the extent caused by the other party's scope of work. On June 30, 2015, the formal Settlement and Release Agreement was signed formalizing the understanding. As a result, the Partnership has no further exposure to claims from PGN or the pipeline contractor associated with the delivery commitments and it has been fully indemnified by Höegh LNG for the loss of time charter hire payments.

As of December 31, 2014, a warranty allowance of \$2.0 million was recorded to construction contract expenses related to the Mooring. The Partnership filed indemnification claims for the warranty allowance of \$2.0 million to be paid to the Partnership by Höegh LNG when costs are incurred for the warranty.

The Partnership was indemnified by Höegh LNG for non-budgeted expenses (including repair costs) incurred in connection with the *PGN FSRU Lampung* project prior to the date of acceptance. The Partnership filed claims for indemnification of non-budgeted expenses and warranty cost incurred for the three and nine months ended September 30, 2015 of \$1.2 million and \$5.4 million, respectively.

15. Supplemental cash flow information

(in thousands of U.S. dollars)	Nine months ended	
	September 30, 2015	2014
Supplemental disclosure of non-cash financing activities:		
Non-cash capital contribution from conversion of debt	\$ —	\$ 101,500
Non-cash elimination to equity August 13, 2014 (note 2)	\$ —	\$ 45,799

F-40

HÖEGH LNG PARTNERS LP**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED AND COMBINED
CARVE-OUT****FINANCIAL STATEMENTS**

(in thousands of U.S. dollars, unless otherwise indicated)

16. Earning per unit and cash distributions

The calculation of basic and diluted earnings per unit are presented below

(in thousands of U.S. dollars, except per unit numbers)	Three months ended September 30, 2015	August 12 to September 30, 2014 (Restated)	Nine months ended September 30, 2015	August 12 to September 30, 2014 (Restated)
Net income attributable to the unitholders of Höegh LNG Partners LP	\$ 5,185	5,770	24,204	\$ 5,770
Less: Dividends paid or to be paid (1)	(8,880)	(4,826)	(26,642)	(4,826)
Over (under) distributed earnings	(3,695)	944	(2,438)	944
Over (under) distributed earnings attributable to:				
Common units public	(1,550)	396	(1,023)	396
Common units Höegh LNG	(297)	76	(196)	76
Subordinated units Höegh LNG	(1,848)	472	(1,219)	472
	(3,695)	944	(2,438)	944
Basic and diluted weighted average units outstanding (in thousands)				
Common units public	11,040	11,040	11,040	11,040
Common units Höegh LNG	2,116	2,116	2,116	2,116
Subordinated units Höegh LNG	13,156	13,156	13,156	13,156
Basic and diluted earnings per unit:				
Common units public	\$ 0.20	0.22	0.92	\$ 0.22
Common units Höegh LNG	\$ 0.20	0.22	0.92	\$ 0.22
Subordinated units Höegh LNG	\$ 0.20	0.22	0.92	\$ 0.22

(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.

Earnings per unit information has not been presented for any period prior to the Partnership's IPO as the information is not comparable due to changes in the basis of preparation of the financial statements (refer to note 2) and the Partnership's structure (refer to note 3).

As of September 30, 2015, the total number of units outstanding was 26,312,120. Common units outstanding were 13,156,060 of which 11,040,000 common units were held by the public and 2,116,060 common units were held by Höegh LNG. Höegh LNG owned 13,156,060 subordinated units. The General Partner has a non-economic interest and has no units.

Earnings per unit is calculated by dividing net income by the weighted average number of 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' First 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; and iii) provide funds for distributions to the unitholders for any one or more of the next four quarters. Therefore, the earnings per unit is 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 financial instruments and unrealized gains or losses on foreign exchange transactions.

HÖEGH LNG PARTNERS LP

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED AND COMBINED CARVE-OUT

FINANCIAL STATEMENTS

(in thousands of U.S. dollars, unless otherwise indicated)

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.

The amount of minimum distributions is \$0.3375 per unit per quarter, or \$1.35 per unit on an annual basis, and is made during the subordination period in the following manner:

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:

-

Edgar Filing: Hoegh LNG Partners LP - Form 6-K

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 in the following manner:

first, 100.0% to all unitholders, pro rata, until each unitholder receives a total of \$0.388125 per unit for that quarter (the “first target distribution”);

second, 85.0% to all unitholders, pro rata, and 15.0% to the holders of the incentive distribution rights, pro rata, until each unitholder receives a total of \$0.421875 per unit for that quarter (the “second target distribution”);

third, 75.0% to all unitholders, pro rata, and 25.0% to the holders of the incentive distribution rights, pro rata, until each unitholder receives a total of \$0.50625 per unit for that quarter (the “third target distribution”); and

thereafter, 50.0% to all unitholders, pro rata, and 50.0% to the holders of the incentive distribution rights, pro rata.

HÖEGH LNG PARTNERS LP

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED AND COMBINED CARVE-OUT

FINANCIAL STATEMENTS

(in thousands of U.S. dollars, unless otherwise indicated)

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.

17. Subsequent events

On November 13, 2015, the Partnership paid a cash distribution of \$0.3375 per unit with respect to the third quarter of 2015, equivalent to \$1.35 per unit on an annualized basis. The distribution totalled \$8.9 million.

On October 1, 2015, the Partnership announced the closing of the acquisition of the entity that owns the FSRU *Höegh Gallant* for a purchase price of \$370 million (including debt) from a subsidiary of Höegh LNG, subject to certain post-closing purchase price adjustments. The existing debt related to the *Höegh Gallant* of \$183.3 million and the associated interest rate swaps will continue to be outstanding. The acquisition-date fair value of the interest rate swaps is a liability of \$3.8 million. The Partnership acquired cash of \$7.6 million as part of the acquisition. The Partnership financed the purchase price through the cancellation of a \$140 million demand note from Höegh LNG and the issuance of a seller's credit of \$47 million due in 18 months to a subsidiary of Höegh LNG. The seller's credit bears an interest rate of 8% per annum. The initial accounting for the business combination is incomplete pending finalizing the acquisition-date fair value analysis of the identifiable assets and liabilities acquired on the acquisition date of October 1, 2015. The Partnership is in the process of evaluating the fair value of the vessel acquired, intangibles associated with the charter and the related option agreement with Höegh LNG, as discussed below, and other net assets to conclude the purchase price allocation.

The *Höegh Gallant* was constructed by Hyundai Heavy Industries Co., Ltd. (“HHI”) and was delivered to Höegh LNG in November 2014. In April 2015, the *Höegh Gallant* began operating under a charter that expires in 2020 with Hoegh LNG Egypt LLC (“EgyptCo”), a subsidiary of Höegh LNG. EgyptCo has a charter with the government-owned Egyptian Natural Gas Holding Company that expires in April 2020. Additionally, 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 vessel 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.

F-43

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HÖEGH LNG PARTNERS LP

Date: December 15, 2015

By: /s/ Richard Tyrrell

Name: Richard Tyrrell

Title: Chief Executive Officer and Chief Financial Officer