**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**WASHINGTON, DC 20549**

# FORM 10-Q

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

**For the quarterly period ended September 30, 2019**

**OR**

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

**For the transition period from __________ to__________**

**Commission File Number: 001-38790**

# New Fortress Energy LLC

(Exact Name of Registrant as Specified in its Charter)

| | |
|---|---|
| **Delaware** | **81-1482060** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **111 W. 19th Street, 8th Floor**<br>**New York, NY** | **10011** |
| (Address of principal executive offices) | (Zip code) |

**Registrant's telephone number, including area code: (516) 268-7400**

**Securities registered pursuant to Section 12(b) of the Act:**

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Class A shares, representing limited liability company interests | "NFE" | NASDAQ Global Select Market |

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | |
|---|---|
| Large accelerated filer ☐ | Accelerated filer ☐ |
| Non-accelerated filer ☒ | Smaller reporting company ☐ |
| | Emerging growth company ☒ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 8, 2019, the registrant had 22,892,293 Class A shares and 145,057,375 Class B shares outstanding.

# TABLE OF CONTENTS

# GLOSSARY OF TERMS

As commonly used in the liquefied natural gas industry, to the extent applicable and as used in this Quarterly Report on Form 10-Q ("Quarterly Report"), the terms listed below have the following meanings:

| | |
|---|---|
| Btu | the amount of heat required to raise the temperature of one avoirdupois pound of pure water from 59 degrees Fahrenheit to 60 degrees Fahrenheit at an absolute pressure of 14.696 pounds per square inch gage |
| CAA | Clean Air Act |
| CERCLA | Comprehensive Environmental Response, Compensation and Liability Act |
| CWA | Clean Water Act |
| DOE | U.S. Department of Energy |
| GAAP | generally accepted accounting principles in the United States |
| GHG | greenhouse gases |
| GSA | natural gas sales agreement |
| Henry Hub | a natural gas pipeline hub located in Erath, Louisiana that serves as the official delivery location for futures contracts on the New York Mercantile Exchange |
| ISO container | International Organization of Standardization, an intermodal container |
| LNG | natural gas in its liquid state at or below its boiling point at or near atmospheric pressure |
| MMBtu | one million Btus, which corresponds to approximately 12.1 LNG gallons |
| MW | megawatt. We estimate 2,500 LNG gallons would be required to produce one megawatt |
| NGA | Natural Gas Act of 1938, as amended |
| non-FTA countries | countries without a free trade agreement with the United States providing for national treatment for trade in natural gas and with which trade is permitted |
| OPA | Oil Pollution Act |
| OUR | Office of Utilities Regulation (Jamaica) |
| PHMSA | Pipeline and Hazardous Materials Safety Administration |
| PPA | power purchase agreement |
| SSA | steam supply agreement |
| TBtu | one trillion Btus, which corresponds to approximately 12,100,000 LNG gallons |

# CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

This Quarterly Report contains forward-looking statements regarding, among other things, our plans, strategies, prospects and projections, both business and financial. All statements contained in this Quarterly Report other than historical information are forward-looking statements that involve known and unknown risks and relate to future events, our future financial performance or our projected business results. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “projects,” “targets,” “potential” or “continue” or the negative of these terms or other comparable terminology. Such forward-looking statements are necessarily estimates based upon current information and involve a number of risks and uncertainties. Actual events or results may differ materially from the results anticipated in these forward-looking statements as a result of a variety of factors. While it is impossible to identify all such factors, factors that could cause actual results to differ materially from those estimated by us include:

- our limited operating history;
- loss of one or more of our customers;
- inability to procure LNG on a fixed-price basis, or otherwise to manage LNG price risks, including hedging arrangements;
- the completion of construction on our LNG terminals, power plants or Liquefaction Facilities (as defined herein) and the terms of our construction contracts for the completion of these assets;
- cost overruns and delays in the completion of one or more of our LNG terminals, power plants or Liquefaction Facilities, as well as difficulties in obtaining sufficient financing to pay for such costs and delays;
- our ability to obtain additional financing to effect our strategy;
- failure to produce or purchase sufficient amounts of LNG or natural gas at favorable prices to meet customer demand;
- hurricanes or other natural or manmade disasters;
- failure to obtain and maintain approvals and permits from governmental and regulatory agencies;
- operational, regulatory, environmental, political, legal and economic risks pertaining to the construction and operation of our facilities;
- inability to contract with suppliers and tankers to facilitate the delivery of LNG on their chartered LNG tankers;
- cyclical or other changes in the demand for and price of LNG and natural gas;
- failure of natural gas to be a competitive source of energy in the markets in which we operate, and seek to operate;
- competition from third parties in our business;
- inability to re-finance our outstanding indebtedness or implement our financing plans;
- changes to environmental and similar laws and governmental regulations that are adverse to our operations;
- inability to enter into favorable agreements and obtain necessary regulatory approvals;
- the tax treatment of us or of an investment in our Class A shares;

- a major health and safety incident relating to our business;
- increased labor costs, and the unavailability of skilled workers or our failure to attract and retain qualified personnel; and
- risks related to the jurisdictions in which we do, or seek to do, business, including particularly the United States. and states such as Pennsylvania and Florida, as well as Puerto Rico, Mexico, Angola, Jamaica, Ireland, the Dominican Republic and other jurisdictions in the Caribbean.

All forward-looking statements speak only as of the date of this Quarterly Report. When considering forward-looking statements, you should keep in mind the risks set forth under “Item 1A. Risk Factors” and other cautionary statements included in our Annual Report on Form 10-K for the year ended December 31, 2018 (our “Annual Report”), this Quarterly Report and in our other filings with the Securities and Exchange Commission (the “SEC”). The cautionary statements referred to in this section also should be considered in connection with any subsequent written or oral forward-looking statements that may be issued by us or persons acting on our behalf. We undertake no duty to update these forward-looking statements, even though our situation may change in the future. Furthermore, we cannot guarantee future results, events, levels of activity, performance, projections or achievements.

# PART I
# FINANCIAL INFORMATION

**Item 1. Financial Statements.**

## New Fortress Energy LLC
## Condensed Consolidated Balance Sheets
## As of September 30, 2019 and December 31, 2018
## (Unaudited, in thousands of U.S. dollars, except share amounts)

| | September 30, 2019 | December 31, 2018 |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 178,187 | $ 78,301 |
| Restricted cash | 22,011 | 30 |
| Receivables, net of allowances of $0 and $257, respectively | 37,248 | 28,530 |
| Finance leases, net | 1,045 | 943 |
| Inventory | 28,625 | 15,959 |
| Prepaid expenses and other current assets | 49,712 | 30,017 |
| **Total current assets** | 316,828 | 153,780 |
| | | |
| Investment in equity securities | 1,529 | 3,656 |
| Restricted cash | 43,860 | 22,522 |
| Construction in progress | 394,516 | 254,700 |
| Property, plant and equipment, net | 193,577 | 94,040 |
| Finance leases, net | 91,447 | 92,207 |
| Deferred tax asset, net | 38 | 185 |
| Intangibles, net | 40,693 | 43,057 |
| Other non-current assets | 65,295 | 35,255 |
| **Total assets** | $ 1,147,783 | $ 699,402 |
| | | |
| **Liabilities** | | |
| **Current liabilities** | | |
| Term loan facility | $ 492,762 | $ 272,192 |
| Accounts payable | 17,106 | 43,177 |
| Accrued liabilities | 50,796 | 67,512 |
| Due to affiliates | 7,856 | 4,481 |
| Other current liabilities | 30,495 | 17,393 |
| **Total current liabilities** | 599,015 | 404,755 |
| | | |
| Long-term debt | 113,164 | — |
| Deferred tax liability, net | 171 | — |
| Other long-term liabilities | 15,035 | 12,000 |
| **Total liabilities** | 727,385 | 416,755 |
| | | |
| **Commitments and contingences (Note 17)** | | |
| | | |
| **Stockholders' equity** | | |
| Members' capital, no par value, 500,000,000 shares authorized, 67,983,095 shares issued and outstanding as of December 31, 2018 | — | 426,741 |
| Class A shares, 22,892,293 shares, issued and outstanding as of September 30, 2019; 0 shares issued and outstanding as of December 31, 2018 | 123,760 | — |
| Class B shares, 145,057,375 shares, issued and outstanding as of September 30, 2019; 0 shares issued and outstanding as of December 31, 2018 | — | — |
| Accumulated deficit | (38,480) | (158,423) |
| Accumulated other comprehensive gain (loss) | (19) | (11) |
| **Total stockholders' equity attributable to NFE** | 85,261 | 268,307 |
| Non-controlling interest | 335,137 | 14,340 |
| **Total stockholders' equity** | 420,398 | 282,647 |
| **Total liabilities and stockholders' equity** | $ 1,147,783 | $ 699,402 |

*The accompanying notes are an integral part of these condensed consolidated financial statements.*

**New Fortress Energy LLC**
**Condensed Consolidated Statements of Operations and Comprehensive Loss**
**For the three and nine months ended September 30, 2019 and 2018**
**(Unaudited, in thousands of U.S. dollars, except share and per share amounts)**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **Revenues** | | | | |
| Operating revenue | $ 35,345 | $ 24,629 | $ 93,221 | $ 69,545 |
| Other revenue | 14,311 | 3,795 | 26,152 | 11,387 |
| **Total revenues** | 49,656 | 28,424 | 119,373 | 80,932 |
| **Operating expenses** | | | | |
| Cost of sales | 45,832 | 22,094 | 123,224 | 68,625 |
| Operations and maintenance | 8,707 | 1,999 | 18,609 | 5,750 |
| Selling, general and administrative | 40,913 | 13,423 | 122,831 | 40,827 |
| Depreciation and amortization | 1,930 | 830 | 5,731 | 2,258 |
| **Total operating expenses** | 97,382 | 38,346 | 270,395 | 117,460 |
| **Operating loss** | (47,726) | (9,922) | (151,022) | (36,528) |
| Interest expense | 4,974 | 3,183 | 14,457 | 6,389 |
| Other expense, net | 1,788 | 270 | 133 | 103 |
| **Loss before taxes** | (54,488) | (13,375) | (165,612) | (43,020) |
| Tax (benefit) expense | (64) | 306 | 337 | 399 |
| Net loss | (54,424) | (13,681) | (165,949) | (43,419) |
| Net loss attributable to non-controlling interest | 47,701 | 72 | 139,483 | 72 |
| **Net loss attributable to stockholders** | $ (6,723) | $ (13,609) | $ (26,466) | $ (43,347) |
| Net loss per share – basic and diluted | $ (0.30) | | $ (1.34) | |
| Weighted average number of shares outstanding – basic and diluted | 22,692,104 | | 19,689,568 | |
| **Other comprehensive loss:** | | | | |
| Net loss | $ (54,424) | $ (13,681) | $ (165,949) | $ (43,419) |
| Unrealized loss on currency translation adjustment | 143 | — | 143 | — |
| Unrealized loss (gain) on available-for-sale investment | — | 290 | — | (443) |
| Comprehensive loss | (54,567) | (13,971) | (166,092) | (42,976) |
| Comprehensive loss attributable to non-controlling interest | 47,825 | 72 | 139,607 | 72 |
| **Comprehensive loss attributable to stockholders** | **$ (6,742)** | **$ (13,899)** | **$ (26,485)** | **$ (42,904)** |

*The accompanying notes are an integral part of these condensed consolidated financial statements.*

Table of Contents

**New Fortress Energy LLC**
**Condensed Consolidated Statements of Changes in Stockholders' Equity**
**For the three and nine months ended September 30, 2019 and 2018**
**(Unaudited, in thousands of U.S. dollars, except share amounts)**

| | Members' Capital | | Class A shares | | Class B shares | | Stock subscription receivable | Accumulated deficit | Accumulated other comprehensive (loss) income | Non-controlling Interest | Total stockholders' equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Units | Amounts | Shares | Amount | Shares | Amount | | | | | |
| **Balance as of December 31, 2018** | 67,983,095 | $ 426,741 | — | $ — | — | $ — | $ — | $ (158,423) | $ (11) | $ 14,340 | $ 282,647 |
| *Activity prior to the IPO and related organizational transactions:* | | | | | | | | | | | |
| Net loss | — | — | — | — | — | — | — | (7,923) | 11 | (91) | (8,003) |
| *Effects of the IPO and related organizational transactions:* | | | | | | | | | | | |
| Issuance of Class A shares in the IPO, net of underwriting discount and offering costs | — | — | 20,837,272 | 32,136 | — | — | — | — | — | 235,874 | 268,010 |
| Effects of the reorganization transactions | (67,983,095) | (426,741) | — | 51,092 | 147,058,824 | — | — | 146,420 | — | 229,229 | — |
| *Activity subsequent to the IPO and related organizational transactions:* | | | | | | | | | | | |
| Net loss | — | — | — | — | — | — | — | (5,645) | — | (46,644) | (52,289) |
| Share-based compensation expense | — | — | — | 19,037 | — | — | — | — | — | — | 19,037 |
| **Balance as of March 31, 2019** | — | — | 20,837,272 | 102,265 | 147,058,824 | — | — | (25,571) | — | 432,708 | 509,402 |
| Net loss | — | — | — | — | — | — | — | (6,186) | — | (45,047) | (51,233) |
| Share-based compensation expense | — | — | — | 8,971 | — | — | — | — | — | — | 8,971 |
| **Balance as of June 30, 2019** | — | — | 20,837,272 | 111,236 | 147,058,824 | — | — | (31,757) | — | 387,661 | 467,140 |
| Net loss | — | — | — | — | — | — | — | (6,723) | — | (47,701) | (54,424) |
| Other comprehensive loss | — | — | — | — | — | — | — | — | (19) | (124) | (143) |
| Share-based compensation expense | — | — | — | 7,825 | — | — | — | — | — | — | 7,825 |
| Exchange of NFI Units | — | — | 2,001,449 | 4,699 | (2,001,449) | — | — | — | — | (4,699) | — |
| Issuance of shares for vested RSUs | — | — | 53,572 | — | — | — | — | — | — | — | — |
| **Balance as of September 30, 2019** | — | $ — | 22,892,293 | $123,760 | 145,057,375 | $ — | $ — | $ (38,480) | $ (19) | $ 335,137 | $ 420,398 |
| | | | | | | | | | | | |
| **Balance as of December 31, 2017** | 65,665,037 | $ 406,591 | — | $ — | — | $ — | $ (50,000) | $ (80,347) | $ 2,666 | $ — | $ 278,910 |
| Net loss | — | — | — | — | — | — | — | (10,913) | — | — | (10,913) |
| Other comprehensive loss | — | — | — | — | — | — | — | — | 929 | — | 929 |
| Capital contributions | 665,843 | 20,150 | — | — | — | — | — | — | — | — | 20,150 |
| Stock subscription receivable | 1,652,215 | — | — | — | — | — | 50,000 | — | — | — | 50,000 |
| **Balance as of March 31, 2018** | 67,983,095 | 426,741 | — | — | — | — | — | (91,260) | 3,595 | — | 339,076 |
| Net loss | — | — | — | — | — | — | — | (18,825) | — | — | (18,825) |
| Other | — | — | — | — | — | — | — | — | (196) | — | (196) |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| comprehensive loss | | | | | | | | | | | |
| **Balance as of June 30, 2018** | 67,983,095 | 426,741 | — | — | — | — | — | (110,085) | 3,399 | — | 320,055 |
| Net loss | — | — | — | — | — | — | — | (13,609) | — | (72) | (13,681) |
| Other comprehensive loss | — | — | — | — | — | — | — | — | (290) | — | (290) |
| **Balance as of September 30, 2018** | 67,983,095 | $ 426,741 | — | $ — | — | $ — | $ — | $ (123,694) | $ 3,109 | $ (72) | $ 306,084 |

*The accompanying notes are an integral part of these condensed consolidated financial statements.*

**New Fortress Energy LLC**
**Condensed Consolidated Statements of Cash Flows**
**For the nine months ended September 30, 2019 and 2018**
**(Unaudited, in thousands of U.S. dollars)**

| | Nine Months Ended September 30, | |
|---|---|---|
| | **2019** | **2018** |
| **Cash flows from operating activities** | | |
| Net loss | $ (165,949) | $ (43,419) |
| Adjustments for: | | |
| Amortization of deferred financing costs | 4,150 | 1,469 |
| Depreciation and amortization | 6,197 | 2,776 |
| Deferred taxes | 318 | 309 |
| Change in value of Investment in equity securities | 2,127 | — |
| Share-based compensation | 35,833 | — |
| Other | (209) | 808 |
| (Increase) Decrease in receivables | (8,403) | 354 |
| (Increase) in inventories | (12,666) | (8,002) |
| (Increase) in other assets | (44,985) | (5,863) |
| Increase (Decrease) in accounts payable/accrued liabilities | 8,807 | (1,156) |
| Increase (Decrease) in amounts due to affiliates | 3,375 | (1,330) |
| Increase in other liabilities | 16,644 | 898 |
| **Net cash used in operating activities** | (154,761) | (53,156) |
| | | |
| **Cash flows from investing activities** | | |
| Capital expenditures | (295,635) | (112,861) |
| Principal payments received on finance lease, net | 600 | 726 |
| **Net cash used in investing activities** | (295,035) | (112,135) |
| | | |
| **Cash flows from financing activities** | | |
| Proceeds from borrowings of debt | 337,000 | 130,000 |
| Payment of deferred financing costs | (8,259) | (9,438) |
| Repayment of debt | (3,750) | (75,920) |
| Proceeds from IPO | 274,948 | — |
| Payment of offering costs | (6,938) | — |
| Proceeds from note due to affiliate | — | 372 |
| Capital contributed from Members | — | 20,150 |
| Collection of subscription receivable | — | 50,000 |
| **Net cash provided by financing activities** | 593,001 | 115,164 |
| | | |
| **Net increase (decrease) in cash, cash equivalents and restricted cash** | 143,205 | (50,127) |
| **Cash, cash equivalents and restricted cash – beginning of period** | 100,853 | 118,331 |
| **Cash, cash equivalents and restricted cash – end of period** | $ 244,058 | $ 68,204 |
| | | |
| **Supplemental disclosure of non-cash investing and financing activities:** | | |
| Changes in accrued construction in progress costs and property, plant and equipment | $ (51,586) | $ 30,879 |

*The accompanying notes are an integral part of these condensed consolidated financial statements.*

**1. Organization**

New Fortress Energy LLC ("NFE," together with its subsidiaries, the "Company") is a Delaware limited liability company formed by New Fortress Energy Holdings LLC ("New Fortress Energy Holdings") on August 6, 2018. The Company is engaged in providing energy and logistical services to end-users worldwide seeking to convert their operating assets from diesel or heavy fuel oil to LNG. The Company currently sources LNG from a combination of its own liquefaction facility in Miami, Florida and purchases on the open market. The Company has liquefaction and regasification operations in the United States and Jamaica.

The Company manages, analyzes and reports on its business and results of operations on the basis of one operating segment. The chief operating decision maker makes resource allocation decisions and assesses performance of the delivery of an integrated solution to our customers based on financial information presented on a consolidated basis.

**2. Significant accounting policies**

The principle accounting policies adopted are set out below.

(a) Basis of presentation and principles of consolidation

The condensed consolidated financial statements were prepared in accordance with GAAP. The accompanying unaudited interim condensed consolidated financial statements contained herein reflect all normal and recurring adjustments which are, in the opinion of management, necessary to provide a fair statement of the financial position, results of operations and cash flows of the Company for the interim periods presented. The condensed consolidated financial statements include the accounts of the Company and its wholly-owned and majority-owned consolidated subsidiaries. The ownership interest of other investors in consolidated subsidiaries is recorded as a non-controlling interest. All significant intercompany transactions and balances have been eliminated on consolidation.

On February 4, 2019, the Company completed an initial public offering ("IPO") and a series of other transactions, in which the Company issued and sold 20,000,000 Class A shares at an IPO price of $14.00 per share. The Company's Class A shares began trading on NASDAQ Global Select Market ("NASDAQ") under the symbol "NFE" on January 31, 2019. Net proceeds from the IPO were $257.0 million, after deducting underwriting discounts and commissions and transaction costs. These proceeds were contributed to New Fortress Intermediate LLC ("NFI"), an entity formed in conjunction with the IPO, in exchange for 20,000,000 limited liability company units in NFI ("NFI LLC Units"). In addition, New Fortress Energy Holdings contributed all of its interests in consolidated subsidiaries that comprised substantially all of its historical operations to NFI in exchange for NFI LLC Units. In connection with the IPO, New Fortress Energy Holdings also received 147,058,824 Class B shares of the Company, which is equal to the number of NFI LLC Units held by New Fortress Energy Holdings immediately following the IPO. Immediately following the IPO, New Fortress Energy Holdings held a significant interest in NFE through its ownership of 147,058,824 Class B shares, representing a 88.0% voting and non-economic interest. New Fortress Energy Holdings also had an 88.0% economic interest in NFI through its ownership of 147,058,824 of NFI LLC Units. New Fortress Energy Holdings has been determined to be NFE's predecessor for accounting purposes.

On March 1, 2019, the underwriters of the IPO exercised their option to purchase an additional 837,272 Class A shares at the IPO price of $14.00 per share, less underwriting discounts, which resulted in $11.0 million in additional net proceeds after deducting $0.7 million of underwriting discounts and commissions, such that there are 20,837,272 outstanding Class A shares. In connection with the exercise of the underwriters' option to purchase an additional 837,272 Class A shares, NFE contributed such additional net proceeds to NFI in exchange for 837,272 NFI LLC Units.

As of September 30, 2019, NFE has 22,892,293 Class A Shares outstanding, and New Fortress Energy Holdings has an 86.4% economic interest in NFI through ownership of 145,057,375 NFI LLC Units and New Fortress Energy Holdings holds an 86.4% voting interest in NFE.

NFE is a holding company whose sole material asset is a controlling equity interest in NFI. As the sole managing member of NFI, NFE operates and controls all of the business and affairs of NFI, and through NFI and its subsidiaries, conducts the Company's historical business. The contribution of the assets of New Fortress Energy Holdings and net proceeds from the IPO to NFI was treated as a reorganization of entities under common control. As a result, NFE presented the condensed consolidated balances sheets and statements of operations and comprehensive loss of New Fortress Energy Holdings for all periods prior to the IPO. The Company's financial statements also include a non-controlling interest related to the portion of NFI LLC Units not owned by NFE. Prior to the IPO, NFE had no operations and had no assets or liabilities.

(b) Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include relative fair value allocation between revenue and lease components of contracts with customers, total consideration and fair value of identifiable net assets related to acquisitions and fair value of equity awards granted to both employees and non-employees. Management evaluates its estimates and related assumptions regularly. Changes in facts and circumstances or additional information may result in revised estimates, and actual results may differ from these estimates.

(c) Investment in equity securities

The Company holds an investment in equity securities. The investment is carried at fair value with gains or losses recorded in earnings in Other expense, net in the condensed consolidated statements of operations and comprehensive loss. See "Note 8. Investment in equity securities" for more information.

(d) Legal and contingencies

The Company may be involved in legal actions in the ordinary course of business, including governmental and administrative investigations, inquiries and proceedings concerning employment, labor, environmental and other claims. The Company will recognize a loss contingency in the condensed consolidated financial statements when it is probable a liability has been incurred and the amount of the loss can be reasonably estimated. The Company will disclose any loss contingencies that do not meet both conditions if there is a reasonable possibility that a loss may have been incurred. Gain contingencies are not recorded until they are realized.

(e) Revenue recognition

The Company's primary revenue stream is the sale of LNG or natural gas to its customers, which is presented as Operating revenue in the condensed consolidated statements of operations and comprehensive loss. Natural gas or LNG is delivered either by pipeline into the customer's power generation facilities or in containers delivered by truck to customer sites, respectively. Revenues from sales delivered by pipeline to a power generation facility are recognized over time under the output method, as the customer takes control of the natural gas. Revenues from sales delivered by truck are recognized at the point in time at which physical possession and the risks and rewards of ownership transfer to the customer, either when the containers are shipped or delivered to the customers' storage facilities, depending on the terms of the contract. Because the nature, timing and uncertainty of revenues and cash flows are substantially the same under both modes of delivery, the Company has presented Operating revenue on an aggregated basis.

The Company has concluded that variable consideration included in these agreements meets the exception for allocating variable consideration. As such, the variable consideration for these contracts is allocated to each distinct unit of LNG or natural gas delivered and recognized when that distinct unit of LNG or natural gas is delivered to the customer.

The Company's contracts with customers to supply natural gas or LNG may contain a lease of equipment. The Company allocates consideration received from customers between lease and non-lease components based on the relative fair value of each component. The fair value of the lease component is estimated based on the market value of the same or similar equipment leased to the customer. The Company estimates the fair value of the non-lease component by forecasting volumes and pricing of gas to be delivered to the customer over the lease term.

The leases of certain facilities and equipment to customers are accounted for as direct financing or operating leases. Direct financing leases, net represents the minimum lease payments due, net of unearned revenue. The lease payments are segregated into principal and interest components similar to a loan. Unearned revenue is recognized on an effective interest method over the lease term and included in Other revenue in the condensed consolidated statements of operations and comprehensive loss. The principal components of the lease payment are reflected as a reduction to the net investment in the finance lease. For the Company's operating leases, the amount allocated to the leasing component is recognized over the lease term as Other revenue in the condensed consolidated statements of operations and comprehensive loss.

In addition to the revenue recognized from the leasing components of agreements with customers, Other revenue includes revenue recognized from the construction and installation of equipment to transform customers' facilities to operate utilizing natural gas or to allow customers to receive power or other outputs from our power generation facilities. Revenue for these construction services is recognized over time as the Company transfers control of the asset to the customer, unless the customer is not able to obtain control over the asset under construction until such services are completed, in which case, revenue is recognized when the services are completed and the customer has control of the infrastructure. Such agreements may also include a significant financing component, and the Company recognizes revenue for the interest income component over the term of the financing as Other revenue.

Shipping and handling costs are not considered to be separate performance obligations. These costs are expensed in the period in which they are incurred and presented within Cost of sales in the condensed consolidated statements of operations and comprehensive loss. All such shipping and handling activities are performed prior to the customer obtaining control of the LNG or natural gas.

The Company collects sales taxes from its customers on sales of taxable products and remits such collections to the appropriate taxing authority. The Company has elected to present sales tax collections in the condensed consolidated statements of operations and comprehensive loss on a net basis and, accordingly, such taxes are excluded from reported revenues.

The Company elected the practical expedient under which the Company does not adjust consideration for the effects of a significant financing component for those contracts where the Company expects at contract inception that the period between transferring goods to the customer and receiving payment from the customer will be one year or less.

(f) Share-based compensation

In connection with the IPO, the Company adopted the New Fortress Energy LLC 2019 Omnibus Incentive Plan (the "Incentive Plan"), effective as of February 4, 2019. Under the Incentive Plan, the Company may issue options, stock appreciation rights, restricted shares, restricted stock units ("RSUs"), share bonuses or other share-based awards to selected officers, employees, non-employee directors and select non-employees of NFE or its affiliates. The Company accounts for share-based compensation in accordance with Accounting Standards Codification ("ASC") 718, *Compensation – Stock Compensation*, and ASC 505, *Equity*, which require all share-based payments to employees and members of the board of directors to be recognized as expense in the condensed consolidated financial statements based on their fair values. The Company has elected not to estimate forfeitures of its share-based compensation awards but will recognize the reversal in compensation expense in the period in which the forfeiture occurs. Upon creation of the Incentive Plan, the Company early adopted Accounting Standards Update ("ASU") 2018-07 (as defined below). See "Note 3(b). Adoption of new and revised standards – New and amended standards adopted by the Company" for additional information related to ASU 2018-07 and "Note 19. Share-based compensation" for additional information related to share-based compensation.

(g) Income taxes

In conjunction with the closing of the Company's IPO, New Fortress Energy Holdings contributed all of its interests in consolidated subsidiaries that comprised substantially all of its historical operations to NFI in exchange for NFI LLC Units. NFE has elected to be taxed as a corporation and is subject to U.S. federal and state income taxes.

The Company accounts for income taxes in accordance with ASC 740, *"Accounting for Income Taxes"* ("ASC 740"), which requires the recognition of tax benefits or expenses on temporary differences between the financial reporting and tax bases of its assets and liabilities by applying the enacted tax rates in effect for the year in which the differences are expected to reverse. Such net tax effects on temporary differences are reflected on the Company's condensed consolidated balance sheets as deferred tax assets and liabilities. Deferred tax assets are reduced by a valuation allowance when the Company believes that it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized.

ASC 740 prescribes a two-step approach for the recognition and measurement of tax benefits associated with the positions taken or expected to be taken in a tax return that affect amounts reported in the financial statements. The Company has reviewed and will continue to review the conclusions reached regarding uncertain tax positions, which may be subject to review and adjustment at a later date based on ongoing analyses of tax laws, regulations and interpretations thereof. To the extent that the Company's assessment of the conclusions reached regarding uncertain tax positions changes as a result of the evaluation of new information, such change in estimate will be recorded in the period in which such determination is made. The Company reports income tax-related interest and penalties relating to uncertain tax positions, if applicable, as a component of income tax expense.

(h) Net loss per share

Basic EPS is computed by dividing net loss attributable to Class A shares by the weighted average number of Class A shares outstanding during the period following the reorganization. Class B shares represent non-economic interests in the Company and, as such, earnings are not allocated to Class B shares.

Diluted EPS reflects potential dilution and is computed by dividing net loss attributable to Class A shares by the weighted average number of Class A shares outstanding during the period following the reorganization increased by the number of additional Class A shares that would have been outstanding, including NFI LLC Units convertible into Class A shares and unvested RSUs. The dilutive effect of outstanding awards, if any, is reflected in diluted earnings per share by application of the treasury stock method or if-converted method, as applicable. Refer to "Note 18. Earnings per share" for additional information.

Please refer to "Note 2. Significant accounting policies," to our consolidated financial statements from our Annual Report on Form 10-K for the discussion of our significant accounting policies.

**3. Adoption of new and revised standards**

As an "emerging growth company," the Jumpstart Our Business Startups Act ("JOBS Act") allows the Company to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. The Company has elected to use this extended transition period under the JOBS Act. The adoption dates discussed below reflect this election.

(a) New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2019:

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, *Leases* ("ASU 2016-02"). ASU 2016-02 amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheet and making targeted changes to lessor accounting. In October 2019, the FASB voted to approve a proposal to defer the effective date of ASC 2016-02 for certain entities, including emerging growth companies that take advantage of the extended transition period, to fiscal years beginning after December 15, 2020. This proposal would be applicable to the Company. The Company is currently evaluating the impact of adopting this new guidance on its consolidated financial statements and timing of adoption.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Disclosure Framework – Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), which requires financial assets measured at amortized cost basis, including trade receivables, to be presented net of the amount expected to be collected. The measurement of all expected credit losses will be based on historical experience, current conditions, and reasonable and supportable forecasts. In October 2019, the FASB voted to approve a proposal to defer the effective date of ASC 2016-13 for certain entities, including emerging growth companies that take advantage of the extended transition period, to fiscal years beginning after December 15, 2022. This proposal would be applicable to the Company. The Company is currently evaluating the impact of adopting this new guidance on its consolidated financial statements and timing of adoption.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"), which provides additional guidance to improve the effectiveness of disclosure requirements on fair value measurement. The Company will adopt ASU 2018-13 for the year beginning January 1, 2020 and is currently evaluating the impact of adopting this new guidance on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*, which requires a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance in ASC 350-40 to determine which implementation costs to capitalize as assets. A customer's accounting for the costs of the hosting component of the arrangement is not affected by the new guidance. This ASU is effective for the Company on January 1, 2021, with early adoption permitted. The Company is currently evaluating the impact of adopting this new guidance on its consolidated financial statements and the timing of adoption.

(b) New and amended standards adopted by the Company:

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) ("ASC 606") which provides a single comprehensive model for recognizing revenue from contracts with customers and supersedes existing revenue recognition guidance. The new standard requires that a company recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration the company expects to receive in exchange for those goods or services. The Company adopted ASC 606 on January 1, 2019 using the modified retrospective method, which required the Company to apply the new revenue standard to (i) all new revenue contracts entered into after January 1, 2019 and (ii) all existing revenue contracts as of January 1, 2019 through a cumulative adjustment to the Company's retained earnings balance. The adoption of ASC 606 did not have any impact on the Company's historical retained earnings.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall* (Subtopic 825-10): *Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"), which makes targeted improvements to the accounting for, and presentation and disclosure of, financial instruments. ASU 2016-01 requires that most equity investments be measured at fair value, with subsequent changes in fair value recognized in net income. ASU 2016-01 does not affect the accounting for investments that would otherwise be consolidated or accounted for under the equity method. The new standard also impacts financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. The Company has adopted this guidance for the year beginning January 1, 2019 by recognizing an immaterial adjustment to beginning retained earnings for the net unrealized gains/losses on equity investments with readily determinable fair values.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows* (Topic 230): *Classification of Certain Cash Receipts and Cash Payments*, which provides guidance on eight specific cash flow issues with an intention to reduce the existing diversity in practice. The Company has adopted this guidance for the year beginning January 1, 2019, and its adoption did not have a material impact on the Company's condensed consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows* (Topic 230): *Restricted Cash*, which requires that statements of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents. This change is intended to limit the diversity in practice in the treatment of restricted cash in the statement of cash flows. The adoption of this standard resulted in the Company no longer showing the changes in restricted cash balances as a component of cash flows from investing or financing activities but instead including the balances of both current and long-term restricted cash with cash and cash equivalents in total cash, cash equivalents and restricted cash for the beginning and end of the periods presented. The Company has adopted this guidance for the year beginning January 1, 2019.

In February 2018, the FASB issued ASU 2018-02, *Income Statement: Reporting Comprehensive Income* (Topic 220) which allows a reclassification from accumulated other comprehensive income (loss) to retained earnings for tax effects resulting from the comprehensive tax legislation enacted by the U.S. government commonly referred to as the Tax Cuts and Jobs Act. The Company has adopted this guidance for the year beginning January 1, 2019. The Company had no tax impacts recorded in accumulated other comprehensive income (loss) prior to adoption of the standard, and therefore adoption of the standard had no impact on the Company's condensed consolidated financial statements.

In September 2018, the FASB issued ASU 2018-07, *Compensation - Stock Compensation Improvements to Non-employee Share-Based Payment Accounting* ("ASU 2018-07"), which simplifies the accounting for share-based payments granted to non-employees for goods and services. Under ASU 2018-07, most of the guidance on such payments to non-employees will be aligned with the requirements for share-based payments granted to employees. The Company has early adopted ASU 2018-07 upon inception of the Incentive Plan, and its adoption did not have a material impact on the Company's condensed consolidated financial statements.

**4. Revenue from contracts with customers**

Revenue recognized in the Company's condensed consolidated statements of operations and comprehensive loss for the three and nine months ended September 30, 2019 and any associated balances on the condensed consolidated balance sheet as of September 30, 2019 prepared under ASC 606 did not differ materially from what would have been presented under the previous revenue standard. As such, no comparison for the results of operations for the three and nine months ended September 30, 2019 and the financial position as of September 30, 2019 under ASC 606 and ASC 605 has been presented.

Under most customer contracts, invoicing occurs once the Company's performance obligations have been satisfied, at which point payment is unconditional. Receivables related to revenue from contracts with customers totaled $23,724 as of September 30, 2019 and were included in "Receivables, net" on the condensed consolidated balance sheets, net of the allowance for doubtful accounts. Other items included in Receivables, net not related to revenue from contracts with customers represent receivables associated with leases which are accounted for outside the scope of ASC 606.

During the nine month period ended September 30, 2019, the Company recognized a contract liability of $8,956. The contract liability balance is comprised of unconditional payments due under the contract with a customer prior to the Company's satisfaction of the related performance obligations. The performance obligations are expected to be recognized during the next 12 months, and the contract liability is classified within Other current liabilities on the condensed consolidated balance sheets. During the nine month period ended September 30, 2019, the Company recognized a contract asset of $10,107. The contract asset is comprised of the transaction price allocated to completed performance obligations that will be billed to customers in subsequent periods, and $110 is presented within Other current assets and $9,997 is presented within Other non-current assets based on the timing of the expected billing to the customer. Contract assets or liabilities have not been previously recognized, and as such, there are no other changes to contract balances within the current period.

The Company began to recognize revenue for construction services during the nine months ended September 30, 2019 within Other revenue in the condensed consolidated statements of operations and comprehensive loss. Construction revenue totaled $10,195 and $14,103 for the three and nine months ended September 30, 2019, respectively. Costs recognized within Cost of sales associated with construction services were $8,974 and $12,527 for the three and nine months ended September 30, 2019, respectively

*Transaction price allocated to remaining performance obligations*

Some of the Company's contracts are short-term in nature with a contract term of less than a year. The Company applied the optional exemption not to disclose any transaction price allocated to unfulfilled performance obligations related to these contracts.

The Company has arrangements in which LNG or natural gas is sold on a "take-or-pay" basis whereby the customer is obligated to pay for the minimum guaranteed volumes even if it does not take delivery of them. The price under these agreements is based on a market index plus a fixed margin. The fixed transaction price allocated to the remaining performance obligations under these arrangements is $3,141,216 as of September 30, 2019, representing the fixed margin multiplied by the outstanding minimum guaranteed volumes. The Company expects to recognize this revenue over the following time periods. The pattern of recognition reflects the minimum guaranteed volumes in each period:

| Period | Revenue |
|---|---|
| Remainder 2019 | $ 46,977 |
| 2020 | 178,027 |
| 2021 | 169,877 |
| 2022 | 168,366 |
| 2023 | 167,635 |
| Thereafter | 2,410,334 |
| Total | $ 3,141,216 |

For all other sales contracts that have a term exceeding one year, the Company has elected the practical expedient in ASC 606 under which the Company does not disclose the transaction price allocated to remaining performance obligations if the variable consideration is allocated entirely to a wholly unsatisfied performance obligation. For these excluded contracts, the sources of variability are (a) the fluctuating market index prices of natural gas used to price the contracts, and (b) the variation in volumes that may be delivered to the customer. Both sources of variability are expected to be resolved at or shortly before delivery of each unit of LNG or natural gas. As each unit of LNG or natural gas represents a separate performance obligation, future volumes are wholly unsatisfied.

During the nine month period ended September 30, 2019, the Company began to incur costs to fulfill a contract with a significant customer. These costs primarily consist of expenses required to enhance resources to deliver under the agreement with the customer. Such costs are capitalized as incurred within Other non-current assets on the condensed consolidated balance sheets. As of September 30, 2019, the Company has capitalized $6,991, and these costs will be recognized over the expected customer life, beginning when the Company begins to deliver under the contract.

**5. Fair value**

Fair value measurements and disclosures require the use of valuation techniques to measure fair value that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized as follows:

- Level 1 – observable inputs such as quoted prices in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities or market corroborated inputs.
- Level 3 – unobservable inputs for which there is little or no market data and which require the Company to develop its own assumptions about how market participants price the asset or liability.

The valuation techniques that may be used to measure fair value are as follows:

- Market approach – uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

- Income approach – uses valuation techniques, such as discounted cash flow technique, to convert future amounts to a single present amount based on current market expectations about those future amounts.

- Cost approach – based on the amount that currently would be required to replace the service capacity of an asset (replacement cost).

The following table presents the Company's financial assets and financial liabilities that are measured at fair value as of September 30, 2019:

| | September 30, 2019 | | | | |
|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total | Valuation technique |
| **Assets** | | | | | |
| Cash and cash equivalents | $ 178,187 | $ — | $ — | $ 178,187 | Market approach |
| Restricted cash | 65,871 | — | — | 65,871 | Market approach |
| Investment in equity securities | 1,529 | — | — | 1,529 | Market approach |
| Total | $ 245,587 | $ — | $ — | $ 245,587 | |
| **Liabilities** | | | | | |
| Derivative liability(1) | $ — | $ — | $ 9,729 | $ 9,729 | Income approach |
| Equity agreement(2) | — | — | 16,904 | 16,904 | Income approach |
| Total | $ — | $ — | $ 26,633 | $ 26,633 | |

(1) Consideration due to the sellers of Shannon LNG (as defined in "Note 11. Intangible Assets" below) once first gas is supplied from the terminal to be built.
(2) To be paid in shares at the earlier of agreed-upon date in 2020 or the commencement of significant construction activities specified in the Shannon LNG Agreement.

The following table presents the Company's financial assets and financial liabilities that are measured at fair value as of December 31, 2018:

| | December 31, 2018 | | | | |
|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total | Valuation technique |
| **Assets** | | | | | |
| Cash and cash equivalents | $ 78,301 | $ — | $ — | $ 78,301 | Market approach |
| Restricted cash | 22,552 | — | — | 22,552 | Market approach |
| Investment in equity securities | 3,656 | — | — | 3,656 | Market approach |
| Total | $ 104,509 | $ — | $ — | $ 104,509 | |
| **Liabilities** | | | | | |
| Derivative liability | $ — | $ — | $ 9,835 | $ 9,835 | Income approach |
| Equity agreement | | — | 16,924 | 16,924 | Income approach |
| Total | $ — | $ — | $ 26,759 | $ 26,759 | |

The Company estimates fair value of the derivative liability and equity agreement using a discounted cash flows method with discount rates based on the average yield curve for bonds with similar credit ratings and matching terms to the discount periods as well as a probability of the contingent event occurring. The Company recorded a total loss from fair value adjustment on the derivative liability and equity agreement of $1,144 and $988 within Other expense, net in the condensed consolidated statements of operations and comprehensive loss for the three and nine months ended September 30, 2019, respectively. During the three and nine months ended September 30, 2019, the Company had no settlements of the equity agreement or derivative liability or any transfers in or out of Level 3 in the fair value hierarchy.

The Company estimates fair value of outstanding debt using a discounted cash flow method based on current market interest rates for debt issuances with similar remaining years to maturity and adjusted for credit risk. The Company has estimated that the carrying value each of the New Term Loan Facility, Senior Secured Bonds, and Senior Unsecured Bonds (all defined below in "Note 15. Debt") approximate fair value. The fair value estimate is classified as Level 3 in the fair value hierarchy.

## 6. Restricted cash

As of September 30, 2019 and December 31, 2018, restricted cash consisted of the following:

| | September 30, 2019 | December 31, 2018 |
|---|---|---|
| Collateral for performance under customer agreements | $ 15,141 | $ 15,095 |
| Collateral for LNG purchases | 35,000 | 927 |
| Collateral for letters of credit and performance bonds | 7,140 | 6,238 |
| Debt service reserve account | 8,299 | — |
| Other restricted cash | 291 | 292 |
| Total restricted cash | $ 65,871 | $ 22,552 |
| Current restricted cash | $ 22,011 | $ 30 |
| Non-current restricted cash | 43,860 | 22,522 |

## 7. Inventory

As of September 30, 2019 and December 31, 2018, inventory consisted of the following:

| | September 30, 2019 | December 31, 2018 |
|---|---|---|
| LNG and natural gas inventory | $ 27,879 | $ 15,611 |
| Materials, supplies and other | 746 | 348 |
| Total | $ 28,625 | $ 15,959 |

Inventory is adjusted to the lower of cost or net realizable value each quarter. Changes in the value of inventory are recorded within Cost of sales in the condensed consolidated statements of operations and comprehensive loss, and the Company recorded an adjustment to the value of inventory of $251 during both the three and nine months ended September 30, 2019. No adjustments were recorded during the three and nine months ended September 30, 2018.

## 8. Investment in equity securities

The Company has invested in equity securities of an international oil and gas drilling contractor. The following tables present the number of shares, cost and fair value of the investment:

| | September 30, 2019 | | |
|---|---|---|---|
| | Number of Shares | Cost | Fair value |
| | (in thousands of U.S. dollars except shares) | | |
| Investment in equity securities(1) | 295,256 | $ 3,667 | $ 1,529 |

| | December 31, 2018 | | |
|---|---|---|---|
| | Number of Shares | Cost | Fair value |
| | (in thousands of U.S. dollars except shares) | | |
| Investment in equity securities | 1,476,280 | $ 3,667 | $ 3,656 |

(1) During the nine months ended September 30, 2019, the investee effected a 5-for-1 reverse stock split.

The movement of the equity investment during the nine months ended September 30, 2019 is summarized below:

| | September 30, 2019 |
|---|---|
| Beginning of period | $ 3,656 |
| Unrealized gain/(loss) | (2,127) |
| End of period | $ 1,529 |

The unrealized loss of $1,325 and $2,127 for the three and nine months ended September 30, 2019, respectively is included within Other expense, net in the condensed consolidated statements of operations and comprehensive loss.

**9. Construction in progress**

The Company's construction in progress activity during the nine months ended September 30, 2019 is detailed below:

| | September 30, 2019 |
|---|---|
| Balance at beginning of period | $ 254,700 |
| Additions | 241,550 |
| Transferred to property, plant and equipment, net (Note 10) | (101,734) |
| Balance at end of period | $ 394,516 |

Interest expense of $7,269 and $236 was capitalized for the three months ended September 30, 2019 and 2018, respectively, inclusive of amortized debt issuance costs disclosed in "Note 15. Debt." Interest expense of $16,380 and $236 was capitalized for the nine months ended September 30, 2019 and 2018, respectively, inclusive of amortized debt issuance costs disclosed in "Note 15. Debt."

**10. Property, plant and equipment, net**

As of September 30, 2019 and December 31, 2018 the Company's property, plant and equipment, net consisted of the following:

| | September 30, 2019 | December 31, 2018 |
|---|---|---|
| LNG liquefaction facilities | $ 67,532 | $ 65,631 |
| Gas terminals | 52,132 | — |
| Gas pipelines | 11,370 | — |
| ISO containers and other equipment | 50,532 | 15,873 |
| Land | 16,537 | 12,779 |
| Leasehold improvements | 8,054 | 7,229 |
| Vehicles | 1,329 | 1,178 |
| Computer equipment | 880 | 741 |
| Accumulated depreciation | (14,789) | (9,391) |
| Total property, plant and equipment, net | $ 193,577 | $ 94,040 |

Depreciation for the three months ended September 30, 2019 and 2018 totaled $1,837 and $1,009, respectively, of which $161 and $179 is respectively included within Cost of sales in the condensed consolidated statements of operations and comprehensive loss. Depreciation for the nine months ended September 30, 2019 and 2018 totaled $5,400 and $2,776, respectively, of which $466 and $518 is respectively included within Cost of sales in the condensed consolidated statements of operations and comprehensive loss.

**11. Intangible assets**

On November 9, 2018, the Company entered into an agreement to acquire the entire issued share capital of Shannon LNG Limited and Shannon LNG Energy Limited (together, "Shannon LNG"). Shannon LNG was previously formed to construct and operate a terminal, pipeline and related infrastructure in order to deliver natural gas to downstream customers in Ireland. In connection with the acquisition, the Company recognized intangible assets related to favorable lease agreements and permits.

The following table summarizes the composition of intangible assets as of September 30, 2019 and December 31, 2018:

| | September 30, 2019 | | | |
|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Useful Life |
| Shannon LNG leases and permits | $ 41,624 | $ 931 | $ 40,693 | 40 to 91 |
| Total intangible assets | $ 41,624 | $ 931 | $ 40,693 | |

| | December 31, 2018 | | | |
|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Useful Life |
| Shannon LNG leases and permits | $ 43,191 | $ 134 | $ 43,057 | 40 to 91 |
| Total intangible assets | $ 43,191 | $ 134 | $ 43,057 | |

As of September 30, 2019, the weighted-average remaining amortization periods for the intangible assets is 39.38 years. Amortization for the three and nine months ended September 30, 2019 totaled $254 and $797, respectively.

### 12. Finance leases, net

The Company placed its storage and regasification LNG terminal in Montego Bay, Jamaica into service on October 30, 2016, which has been accounted for as a direct finance lease. In addition, the Company has also entered into other arrangements to lease equipment to customers which are accounted for as direct finance leases. The components of the direct finance leases as of September 30, 2019 and December 31, 2018 are as follows:

| | September 30, 2019 | December 31, 2018 |
|---|---|---|
| Finance leases | $ 294,922 | $ 306,832 |
| Unearned income | (202,430) | (213,682) |
| Total finance leases, net | $ 92,492 | $ 93,150 |
| Current portion | $ 1,045 | $ 943 |
| Non-current | 91,447 | 92,207 |

Receivables related to the Company's direct finance leases are primarily with a public utility that generates consistent cash flow. Therefore, the Company does not expect a material impact to the results of operations or financial position due to nonperformance from such counterparty.

### 13. Other non-current assets

As of September 30, 2019 and December 31, 2018, other non-current assets consisted of the following:

| | September 30, 2019 | December 31, 2018 |
|---|---|---|
| Port access rights | $ 11,977 | $ 12,671 |
| Initial lease costs | 9,753 | 9,200 |
| Nonrefundable deposit | 16,445 | 10,810 |
| Upfront payments to customers | 6,267 | — |
| Contract asset (Note 4) | 9,997 | — |
| Cost to fulfill (Note 4) | 6,991 | — |
| Other | 3,865 | 2,574 |
| Total other non-current assets | $ 65,295 | $ 35,255 |

Port access rights related to the Company's port lease in Baja California Sur, Mexico, represent capitalized initial direct costs of entering the lease and are amortized straight-line over the lease term as additional rent expense. Initial lease costs represent capitalized payments made to previous lessees to secure the Company's port lease in San Juan, Puerto Rico, and are also amortized straight-line over the lease term. Nonrefundable deposits are primarily related to deposits for planned land purchases in Pennsylvania and Ireland.

Upfront payments to customers consist of amounts the Company has paid in relation to two natural gas sales contracts with customers. Under these agreements, the Company has made payments of $5,000 and is obligated to make an additional payment of $1,350 to the customers in order to construct fuel-delivery infrastructure that the customers will own.

**14. Accrued liabilities**

As of September 30, 2019 and December 31, 2018 accrued liabilities consisted of the following:

| | September 30, 2019 | December 31, 2018 |
|---|---|---|
| Accrued construction costs | $ 24,865 | $ 41,343 |
| Accrued IPO costs | — | 5,296 |
| Accrued bonuses | 9,896 | 12,582 |
| Other accrued expenses | 16,035 | 8,291 |
| Total | $ 50,796 | $ 67,512 |

**15. Debt**

As of September 30, 2019 and December 31, 2018, debt consisted of the following:

| | September 30, 2019 | December 31, 2018 |
|---|---|---|
| New Term Loan Facility, due December 2019 | $ 492,762 | $ 272,192 |
| Senior Secured Bonds, due September 2034 | 70,914 | — |
| Senior Unsecured Bonds, due September 2036 | 42,250 | — |
| Total debt | $ 605,926 | $ 272,192 |
| Current portion of debt | $ 492,762 | $ 272,192 |
| Non-current portion of debt | 113,164 | — |

*New Term Loan Facility*

On August 16, 2018, the Company entered into a Term Loan Facility (the "Term Loan Facility"). On December 31, 2018, the Company amended its previous Term Loan Facility to borrow up to an aggregate principal amount of $500,000 (the "New Term Loan Facility") from a syndicate of two lenders. The Company initially borrowed $280,000 under the New Term Loan Facility. On March 21, 2019, the Company drew an additional $220,000 under the New Term Loan Facility, bringing the Company's total outstanding borrowings to $500,000 under the New Term Loan Facility.

All borrowings under the New Term Loan Facility bear interest at a rate selected by the Company of either (i) the LIBOR divided by one minus the applicable reserve requirement plus a spread of 4.0% or (ii) subject to a floor of 1.0%, a Base Rate equal to the higher of (a) the Prime Rate, (b) the Federal Funds Rate plus 1⁄2 of 1.0% or (c) the 1-month LIBOR rate plus 1.0% plus a spread of 3.0%. The New Term Loan Facility is set to mature on December 31, 2019 and is repayable in quarterly installments of $1,250, with a balloon payment due at maturity. The Company has the option to extend the maturity date for two additional six-month periods; upon the exercise of each extension option, the spread on LIBOR and Base Rate increases by 0.5%. To exercise the extension option, the Company must pay a fee equal to 1.0% of the outstanding principal balance at the time of the exercise of the option.

The New Term Loan Facility is secured by mortgages on certain properties owned by the Company's subsidiaries, in addition to other collateral. The New Term Loan Facility was amended in the third quarter of 2019 to allow certain properties of a consolidated subsidiary to secure the South Power Senior Secured Bonds (defined below).

The Company is required to comply with certain financial covenants and other restrictive covenants customary for facilities of this type, including restrictions on indebtedness, liens, acquisitions and investments, restricted payments and dispositions. The New Term Loan Facility also provides for customary events of default, prepayment and cure provisions.

The Company paid $4,400 of additional fees in connection with the $220,000 draw on the New Term Loan Facility. These fees were capitalized as a reduction to the New Term Loan Facility on the condensed consolidated balance sheets. The total unamortized deferred financing costs as of September 30, 2019 was $3,488.

*South Power Bonds*

On September 2, 2019, NFE South Power Holdings Limited ("South Power"), a consolidated subsidiary of the Company, entered into a facility for the issuance of secured and unsecured bonds (the "Senior Secured Bonds" and "Senior Unsecured Bonds", respectively) and subsequently issued $73,317 and $43,683 in Senior Secured Bonds and Senior Unsecured Bonds, respectively. The Senior Secured Bonds are secured by the dual-fired combined heat and power facility in Clarendon, Jamaica (the "CHP Plant") that is currently under construction and related receivables and assets, and the proceeds will be used to fund the completion of the CHP Plant and to reimburse shareholder advances. Upon completion of construction of the CHP Plant, which is currently expected in the fourth quarter of 2019, and the satisfaction of certain related conditions, South Power has the ability to issue an additional $63,000 in Senior Secured Bonds.

The Senior Secured Bonds bear interest at an annual fixed rate of 8.25% and will mature 15 years from the closing date of each tranche. No principal payments will be due for the first seven years. After seven years, quarterly principal payments of approximately 1.6% of the original principal amount will be due, with a 50% balloon payment due upon maturity. Interest payments on outstanding principal balances will be due quarterly.

The Senior Unsecured Bonds will bear interest at an annual fixed rate of 11.00% and will mature 17 years from the closing date. No principal payments will be due until 2028. Beginning in 2028, principal payments will be due quarterly on an escalating schedule. Interest payments on outstanding principal balances will be due quarterly.

South Power will be required to comply with certain financial covenants as well as customary affirmative and negative covenants, including limitations on incurring additional indebtedness. The facility also provides for customary events of default, prepayment and cure provisions.

The Company paid approximately $3,859 of fees in connection with the issuance of Senior Secured Bonds and Senior Unsecured Bonds. These fees were capitalized on a pro-rata basis as a reduction of the Senior Secured Bonds and Senior Unsecured Bonds on the condensed consolidated balance sheets. The total unamortized deferred financing costs as of September 30, 2019 was $3,836.

*Interest expense*

Interest and related amortization of debt issuance costs recognized during major development and construction projects are capitalized and included in the cost of the project. Interest expense, net of amounts capitalized, recognized for the three and nine months ended September 30, 2019 and 2018 consisted of the following:

| | Three Months Ended September 30, 2019 | Three Months Ended September 30, 2018 | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 |
|---|---|---|---|---|
| Interest costs: | | | | |
| Interest per contractual rates | $ 8,731 | $ 2,315 | $ 22,094 | $ 5,181 |
| Amortization of debt issuance costs | 3,512 | 1,104 | 8,743 | 1,444 |
| Total interest costs | 12,243 | 3,419 | 30,837 | 6,625 |
| Capitalized interest | 7,269 | 236 | 16,380 | 236 |
| Total interest expense | $ 4,974 | $ 3,183 | $ 14,457 | $ 6,389 |

Under the terms of the facility, South Power is required to maintain a Debt Service Reserve Account (as defined in the facility) in the amount of $8,299. Such amount is included as a component of Restricted cash on the Company's condensed consolidated balance sheets (see Note 6).

**16. Income taxes**

In connection with the IPO, NFE contributed the net proceeds from the IPO to NFI in exchange for NFI LLC Units, and NFE became the managing member of NFI. NFI is a limited liability company that is treated as a partnership for U.S. federal income tax purposes and for most applicable state and local income tax purposes. As a partnership, NFI is not subject to U.S. federal and certain state and local income taxes. Any taxable income or loss generated by NFI is passed through to and included in the taxable income or loss of its members, including NFE, on a pro rata basis, subject to applicable tax regulations. NFE is subject to U.S. federal income taxes, in addition to state and local income taxes, with respect to its allocable share of any taxable income or loss of NFI. Additionally, NFI and its subsidiaries are subject to income taxes in the various foreign jurisdictions in which they operate.

In connection with the IPO, NFE recorded a deferred tax asset related to the differential between its outside basis in its investment in NFI and NFE's share of the basis of the assets of NFI, which was $44,473 at February 4, 2019.

The Company records a valuation allowance against its deferred tax assets to reduce the net carrying value to an amount that it believes is more likely than not to be realized. As of September 30, 2019, the Company concluded, based on the weight of all available positive and negative evidence, those deferred tax assets recorded as part of the IPO are not more likely than not to be realized and accordingly, a full valuation allowance has been recorded on this deferred tax asset as of September 30, 2019.

*Jamaica*

NFI's subsidiaries incorporated in Jamaica are subject to income tax which is computed at 25% of the relevant subsidiaries' results for the year, adjusted for tax purposes.

*Bermuda*

NFI has subsidiaries incorporated in Bermuda. Under current Bermuda law, the Company is not required to pay taxes in Bermuda on either income or capital gains. The Company has received an undertaking from the Bermuda government that, in the event of income or capital gain taxes being imposed, it will be exempted from such taxes until 2035.

*Ireland*

NFI acquired Shannon LNG on November 9, 2018. The Shannon LNG entities are incorporated in Ireland and had net operating loss carryforwards of approximately $41,416 through December 31, 2018. These losses were evaluated to determine if any would be subject to a limitation resulting from the acquisition. The Company concluded, based on the weight of all available positive and negative evidence, those deferred tax assets relating to the net operating loss carryforwards are not more likely than not to be realized and accordingly, a full valuation allowance has been recorded on these deferred tax assets as of September 30, 2019.

*Puerto Rico*

NFI has subsidiaries incorporated in Puerto Rico that are treated as controlled foreign corporations for U.S. federal income tax purposes. These entities have been in a cumulative loss position since inception, and a full valuation allowance has been recorded against the deferred tax assets related to those losses as of September 30, 2019.

*Total Operations*

The effective tax rate for the three and nine months ended September 30, 2019 was 0.12% and (0.20)% respectively, compared to (2.29)% and (0.93)% for the three and nine months ended September 30, 2018, respectively. The total tax expense/(benefit) for the three and nine months ended September 30, 2019 was $(64) and $337, compared to $306 and $399 for the three and nine months ended September 30, 2018.

The Company has not recorded a liability for uncertain tax positions as of September 30, 2019. The Company remains subject to periodic audits and reviews by the taxing authorities, and NFE's returns since its formation remain open for examination.

**17. Commitments and contingencies**

*Contingencies*

During 2017, the Company paid $1,204 of tangible personal property tax levied in the State of Florida with respect to the Company's LNG plant in Hialeah, Florida and subsequently initiated legal proceedings to challenge the tax amount for a full or partial rebate. The Company successfully challenged the tax amount and received a full rebate. The State of Florida has appealed the determination and the Company repaid the rebate amount in order to avoid penalties and charges while the appeal is under consideration. Additionally, in 2018, the Company paid $1,033 of tangible personal property taxes to the State of Florida with respect to the same LNG plant. The Company initiated legal proceedings to challenge the tax amount for a partial rebate and received a rebate of approximately $140. The State of Florida has appealed the determination, and the Company repaid the rebate amount to avoid penalties and charges while the appeal is under consideration.

As of the date at which these condensed consolidated financial statements were issued, the appeals have not been concluded. Should the State of Florida lose the appeals the Company expects a refund which will be recognized as a gain contingency in earnings when the cash is received.

**18. Earnings per share**

| | Three Months Ended September 30, 2019 | Nine Months Ended September 30, 2019 |
|---|---|---|
| Numerator: | | |
| Net loss | $ (54,424) | $ (165,949) |
| Less: net loss attributable to non-controlling interests | 47,701 | 139,483 |
| Net loss attributable to Class A shares | $ (6,723) | $ (26,466) |
| Denominator: | | |
| Weighted-average shares – basic and diluted | 22,692,104 | 19,689,568 |
| Net loss per share – basic and diluted | $ (0.30) | $ (1.34) |

In connection with the IPO, New Fortress Energy Holdings, the Company's predecessor, effected a one-for-2.16 stock split of its issued and outstanding common shares, resulting in 147,058,824 common shares. Upon the reorganization, New Fortress Energy Holdings obtained the same number of Class B shares in NFE. Class B shares do not share in the earnings or losses of the Company and are therefore not participating securities. As such, separate presentation of basic and diluted net loss per share for Class B shares under the two-class method has not been presented.

The following table presents potentially dilutive securities excluded from the computation of diluted net loss per share for the periods presented because its effects would have been anti-dilutive.

| | September 30, 2019 |
|---|---|
| Unvested RSUs(1) | 3,875,081 |
| Class B shares(2) | 145,057,375 |
| Shannon Equity Agreement shares(3) | 932,914 |
| **Total** | 149,865,370 |

(1) Represents the number of instruments outstanding at the end of the period.
(2) Class B shares at the end of the period are considered potentially dilutive Class A shares.
(3) Class A shares that would be issued in relation to the Shannon LNG Equity agreement.

**19. Share-based compensation**

During the nine months ended September 30, 2019, the Company granted RSUs to select officers, employees, non-employee members of the board of directors, and select non-employees under the Incentive Plan.

The Company estimates the fair value of RSUs on the grant date based on the closing price of the underlying shares on the grant date and other fair value adjustments to account for a post-vesting holding period. These fair value adjustments were estimated based on the Finnerty model.

The following table summarizes the RSU activity for the nine months ended September 30, 2019:

| | Restricted Stock Units | Weighted-average grant date fair value per share |
|---|---|---|
| Non-vested RSUs as of December 31, 2018 | — | $ — |
| Granted | 5,404,823 | 13.48 |
| Vested and shares issued | (1,284,383) | 13.53 |
| Forfeited | (245,359) | 13.51 |
| Non-vested RSUs as of September 30, 2019 | 3,875,081 | $ 13.46 |

During the nine months ended September 30, 2019, the Company recognized a compensation expense of $36,075 of which $35,483 and $592 are recorded in Selling, general and administrative and Operations and maintenance, respectively. During the three months ended September 30, 2019, the Company recognized a compensation expense of $8,067, of which $7,804 and $263 are recorded in Selling, general and administrative and Operations and maintenance, respectively. The Company recognizes the income tax benefits resulting from vesting of RSUs in the period they vest, to the extent the compensation expense has been recognized.

For the nine months ended September 30, 2019, cumulative compensation expense recognized for forfeited awards of $249 was reversed.

As of September 30, 2019, the Company had 3,875,081 non-vested RSUs subject to service conditions and therefore had unrecognized compensation costs of approximately $33,419. The non-vested RSUs will vest over a period from ten months to three years following the grant date. The weighted-average remaining vesting period of non-vested RSUs totaled 1.27 years as of September 30, 2019.

**20. Leases, as lessee**

During the three months ended September 30, 2019 and 2018, the Company recognized rental expense for all operating leases of $10,947 and $5,536, respectively. During the nine months ended September 30, 2019 and 2018, the Company recognized rental expense for all operating leases of $28,323 and $16,831, respectively. These operating leases were related primarily to LNG vessel time charters, office space, a land site lease and marine port berth leases as detailed in the table below.

| Lease | Term | Rent Escalation |
|---|---|---|
| Land site lease(1) | 5 year initial term; 5 year renewal option | 2.5% per annum |
| Marine port berth lease | 10 year initial term; annual renewal option for up to 10 years | 15% after year 5 |
| Marine port berth lease | 20 year initial term; no renewal option | No escalation |
| Marine port berth lease | 25 year initial term; 20 year renewal option | No escalation |
| LNG vessel time charter | 24 month initial term; 3 month renewal option | No escalation |
| LNG vessel time charter | 7 year initial term; no renewal option | 2% per annum after year 3 |
| LNG vessel time charter | 15 year initial term; non-cancellable for the first 3 years; 5 year renewal option | No escalation |
| LNG vessel time charter | 3 year initial term; no renewal option | No escalation |
| Office space lease | 7 year initial term; two 5-year renewal options | 3% per annum |
| Office space lease | 1 year renewal option | 5% per annum |

(1) Refer to “Note 21. Related party transactions” for additional detail.

**21. Related party transactions**

*Management and administrative services*

In the ordinary course of business, Fortress Investment Group LLC (“Fortress”), through affiliated entities, has historically charged the Company for administrative and general expenses incurred pursuant to its Management Services Agreement (“Management Agreement”). Upon completion of the IPO, the Management Agreement was terminated and replaced by an Administrative Services Agreement (“Administrative Agreement”) to charge the Company for similar administrative and general expenses. The charges under the Management Agreement and Administrative Agreement that are attributable to the Company totaled $1,952 and $1,004 for the three months ended September 30, 2019 and 2018, respectively and $6,472 and $2,235 for the nine months ended September 30, 2019 and 2018, respectively. Costs associated with the Management Agreement and Administrative Agreement are included within Selling, general and administrative in the condensed consolidated statements of operations and comprehensive loss.

In addition to management and administrative services, an affiliate of Fortress owns and leases an aircraft chartered by the Company for business purposes in the course of operations. The Company incurred, at aircraft operator market rates, charter costs of $1,306 and $314 for the three months ended September 30, 2019 and 2018, respectively and charter costs of $2,931 and $905 for the nine months ended September 30, 2019 and 2018, respectively.

As of September 30, 2019 and December 31, 2018, $7,045 and $3,579 were due to Fortress, respectively.

*Land and office lease*

The Company has historically leased land and office space from Florida East Coast Industries, LLC (“FECI”), an affiliate of the Company. In April 2019, FECI sold the office building to a non-affiliate, and as such, the lease of the office space is now no longer held with a related party. The expense for the land during the three months ended September 30, 2019 and 2018 totaled $76 and $71, respectively, which is included in Operations and maintenance. The expense for the period that the land and building was owned by a related party during the nine months ended September 30, 2019 and 2018 totaled $834 and $188, respectively, of which $386 and $0 was capitalized to Construction in progress, $223 and $0 related to the office lease and ancillary services is included in Selling, general and administrative, and $225 and $71 related to the land lease is included within Operations and maintenance, respectively in the condensed consolidated statements of operations and comprehensive loss. As of September 30, 2019 and December 31, 2018, $0 and $597 were due to FECI, respectively.

*DevTech Investment*

In August 2018, the Company entered into a consulting arrangement with DevTech Environment Limited (“DevTech”), to provide business development services to increase the customer base of the Company. DevTech also contributed cash consideration in exchange for a 10% interest in a consolidated subsidiary. The 10% interest is reflected as non-controlling interest in the Company’s condensed consolidated financial statements. DevTech also purchased 10% of a note payable due to an affiliate of the Company. As of September 30, 2019 and December 31, 2018, $1,073 and $755 was owed to DevTech on the note payable, respectively. The outstanding note payable due to DevTech is included in Other long-term liabilities on the condensed consolidated balance sheet as of September 30, 2019. For the three and nine months ended September 30, 2019, interest expense on the note payable due to DevTech was $25 and $71, respectively. As of September 30, 2019 and December 31, 2018, $665 and $365 was due from DevTech, respectively.

*Fortress affiliated entities*

Since 2017, the Company has provided certain administrative services to related parties including Fortress Energy Partners that is billed on a yearly basis. As of September 30, 2019 and December 31, 2018, $601 and $525 were due from affiliates, respectively. There are no costs incurred by the Company as it is fully reimbursed, and there is currently a receivable outstanding. Additionally, Fortress affiliated entities provide certain administrative services to the Company. As of September 30, 2019 and December 31, 2018, $811 and $305 were due to Fortress affiliates, respectively.

*Due to/from Affiliates*

The tables below summarizes the balances outstanding with affiliates at September 30, 2019 and December 31, 2018:

| | **September 30, 2019** | **December 31, 2018** |
|---|---|---|
| Amounts due to affiliates | $ 7,856 | $ 4,481 |
| Amounts due from affiliates | 1,266 | 890 |

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

*Certain information contained in the following discussion and analysis, including information with respect to our plans, strategy, projections and expected timeline for our business and related financing, includes forward-looking statements that involve risks and uncertainties. Forward-looking statements are estimates based upon current information and involve a number of risks and uncertainties. Actual events or results may differ materially from the results anticipated in these forward-looking statements due to a variety of factors. This discussion and analysis includes information that is intended to provide investors with an understanding of our past performance and our current financial condition and is not necessarily indicative of our future performance. Please refer to "—Factors Impacting Comparability of Our Financial Results" for further discussion. The results of operations for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for a full year.*

*You should read "Part II, Item 1A. Risk Factors" and "Cautionary Statement on Forward Looking Statements" elsewhere in this Quarterly Report on Form 10-Q ("Quarterly Report") and "Part I, Item 1A. Risk Factors" in the Annual Report on Form 10-K for the year ended December 31, 2018 (our "Annual Report") for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.*

*The following information should be read in conjunction with our unaudited condensed consolidated financial statements and accompanying notes included elsewhere in this Quarterly Report. Our financial statements have been prepared in accordance with GAAP. The unaudited condensed consolidated financial statements as of and for the three and nine months ended September 30, 2019 included herein, reflect all adjustments which, in the opinion of management, are necessary for a fair presentation of financial position, results of operations and cash flows for the interim periods on a basis consistent with the annual audited financial statements. All such adjustments are of a normal recurring nature.*

*Unless the context otherwise requires, references to "Company," "NFE," "we," "our," "us" or like terms refer to New Fortress Energy LLC and its subsidiaries. When used in a historical context that is prior to the completion of NFE's initial public offering ("IPO"), "Company," "we," "our," "us" or like terms refer to New Fortress Energy Holdings LLC, a Delaware limited liability company ("New Fortress Energy Holdings"), our predecessor for financial reporting purposes. Unless otherwise indicated, dollar amounts are presented in thousands.*

## Overview

We are engaged in providing energy and logistical services to end-users worldwide seeking to convert their operating assets from diesel or heavy fuel oil to liquefied natural gas ("LNG"). The Company currently has liquefaction and regasification operations in the United States and Jamaica. We currently source LNG from a combination of our own liquefaction facility in Miami, Florida and purchases from third party suppliers. We are developing the infrastructure necessary to supply all of our existing and future customers with LNG produced primarily at our own facilities. We expect that control of our vertical supply chain, from liquefaction to delivery of LNG, will help to reduce our exposure to future LNG price variations and enable us to supply our existing and future customers with LNG at a price that reflects production at our own facilities, reinforcing our competitive standing in the LNG market. Our strategy is simple: we seek to manufacture our own LNG at attractive prices, using fixed-price feedstock, and we seek to sell natural gas (delivered through LNG infrastructure) or gas-fired power to customers that sign long-term, take-or-pay contracts.

## Our Current Operations

Our management team has successfully employed our strategy to secure long-term, take-or-pay contracts with Jamaica Public Service Company Limited ("JPS"), the sole public utility in Jamaica, South Jamaica Power Company Limited ("JPC"), an affiliate of JPS, and Jamalco, a joint venture between General Alumina Jamaica Limited ("GAJ"), a subsidiary of Noble Group, and Clarendon Alumina Production Limited, an entity minority-owned by the Government of Jamaica, with a focus on bauxite mining and alumina production in Jamaica ("Jamalco"), each of which is described in more detail below. Certain assets built to service JPS and JPC have, and the assets built to service Jamalco will have, capacity to service other customers. We currently procure our LNG either by purchasing it under a multi-cargo contract from a supplier or by manufacturing it in our natural gas liquefaction, storage and production facility located in Miami-Dade County, Florida (the "Miami Facility"). In the future, we intend to develop the infrastructure necessary to supply our existing and future customers with LNG produced primarily at our own facilities, including our expanded delivery logistics chain in Northern Pennsylvania (the "Pennsylvania Facility" and, together with the Miami Facility, the "Liquefaction Facilities").

### *Montego Bay Terminal*

Our storage and regasification terminal in Montego Bay, Jamaica (the "Montego Bay Terminal") serves as our supply hub for the north side of Jamaica, providing gas to JPS to fuel the 145MW Bogue Power Plant in Montego Bay, Jamaica. The Montego Bay Terminal commenced commercial operations in October 2016 and can store approximately two million gallons of LNG in seven storage tanks. The Montego Bay Terminal also consists of an ISO loading facility that can transport LNG to all of our industrial and manufacturing ("small-scale") customers across the island. The small-scale business provides their users with an alternative fuel to support their business operations and limit reliance on monopolistic utilities.

### *Miami Facility*

Our Miami Facility began operations in April 2016. This facility enables us to produce LNG for our customers and reduces our dependence on other suppliers for LNG. The Miami Facility is the first plant to successfully export domestically produced LNG from the lower 48 states to a non-FTA country and it employs one of the largest ISO container fleets in the world. The Miami Facility provides LNG to small-scale customers in southern Florida including Florida East Coast Railway via our train loading facility and other customers throughout the Caribbean using ISO containers.

### *Old Harbour Terminal*

Our marine LNG storage and regasification terminal in Old Harbour, Jamaica (the "Old Harbour Terminal") commenced commercial operations during the second quarter of 2019 and is capable of processing approximately six million gallons of LNG (500,000 MMBtu) per day. The Old Harbour Terminal supplies gas to the new 190MW Old Harbour power plant (the "Old Harbour Power Plant") operated by JPC. The Old Harbour Power Plant is substantially complete and is expected to be fully operational during the fourth quarter of 2019.

## Results of Operations – Three and Nine Months Ended September 30, 2019 compared to Three and Nine Months Ended September 30, 2018

| | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | Change | 2019 | 2018 | Change |
| **Revenues** | | | | | | |
| Operating revenue | $ 35,345 | $ 24,629 | $ 10,716 | $ 93,221 | $ 69,545 | $ 23,676 |
| Other revenue | 14,311 | 3,795 | 10,516 | 26,152 | 11,387 | 14,765 |
| **Total revenues** | 49,656 | 28,424 | 21,232 | 119,373 | 80,932 | 38,441 |
| **Operating expenses** | | | | | | |
| Cost of sales | 45,832 | 22,094 | 23,738 | 123,224 | 68,625 | 54,599 |
| Operations and maintenance | 8,707 | 1,999 | 6,708 | 18,609 | 5,750 | 12,859 |
| Selling, general and administrative | 40,913 | 13,423 | 27,490 | 122,831 | 40,827 | 82,004 |
| Depreciation and amortization | 1,930 | 830 | 1,100 | 5,731 | 2,258 | 3,473 |
| **Total operating expenses** | 97,382 | 38,346 | 59,036 | 270,395 | 117,460 | 152,935 |
| **Operating loss** | (47,726) | (9,922) | (37,804) | (151,022) | (36,528) | (114,494) |
| Interest expense | 4,974 | 3,183 | 1,791 | 14,457 | 6,389 | 8,068 |
| Other expense, net | 1,788 | 270 | 1,518 | 133 | 103 | 30 |
| **Loss before taxes** | (54,488) | (13,375) | (41,113) | (165,612) | (43,020) | (122,592) |
| Tax expense (benefit) | (64) | 306 | (370) | 337 | 399 | (62) |
| **Net loss** | $ (54,424) | $ ( 13,681) | $ (40,743) | $ (165,949) | $ (43,419) | $ (122,530) |

*Revenues*

Operating revenue from LNG and natural gas sales increased by $10,716 and $23,676 for the three and nine months ended September 30, 2019, respectively. The increases in both the three and nine month periods were primarily driven by the commissioning of the Old Harbour Terminal and increases in volumes sold to small-scale customers. During the second quarter of 2019, the Old Harbour Terminal commenced commercial operations, and we began to recognize revenue from our contract with JPC, adding $11,386 and $15,440 in operating revenue for the three and nine months ended September 30, 2019, respectively.

The delivered volume at the Montego Bay Terminal for the three months ended September 30, 2019 compared to the three months ended September 30, 2018 decreased slightly due to outages at the Bogue Power Plant, that was offset by increases in sales to small scale customers.

The delivered volume at the Montego Bay Terminal increased by 10.0 million gallons (0.8 TBtu) from 71.9 million gallons (5.9 TBtu) for the nine months ended September 30, 2018 to 81.9 million gallons (6.7 TBtu) for the nine months ended September 30, 2019. The increase in volumes delivered at the Montego Bay Terminal for the nine month period was attributable to additional new small-scale customers as well as an increase in consumption at an existing customer due to the customer’s installation of a new gas turbine that consumes approximately 60,500 gallons (5,000 MMBtu) per day. Of the volumes delivered at the Montego Bay Terminal, 6.3 million gallons (529,392 MMBtu) and 2.1 million gallons (165,943 MMBtu) were delivered to small-scale networks in the nine months ended September 30, 2019 and 2018, respectively.

Other revenue increased by $10,516 and $14,765 for the three and nine months ended September 30, 2019, respectively. The increase was primarily due to the recognition of construction revenue of $10,195 and $14,103 for the three and nine months ended September 30, 2019, respectively. We did not have any such projects during the comparable periods ended September 30, 2018. The Company also leases certain facilities and equipment to its customers which are accounted for either as direct financing leases or operating leases, and the interest recognized from direct financing leases or leasing revenue from operating leases is recognized within Other revenue. The remaining increase in Other revenue for both the three and nine months ended September 30, 2019 was primarily driven by additional operating leases with small-scale customers.

*Cost of sales*

Cost of sales includes the procurement of feedgas or LNG as applicable, shipping and logistics costs to deliver LNG to our facilities and regasification to supply natural gas to our customers. Our LNG and natural gas supply are purchased from third parties or converted in our Miami Facility. Costs to convert natural gas to LNG, including labor and other direct costs to operate our Miami Facility are also included in Cost of sales.

Cost of sales increased by $23,738 and $54,599 for the three and nine months ended September 30, 2019, respectively. The increase in Cost of sales was attributable to increased costs to purchase LNG from third parties. The weighted-average cost of gas increased from $0.57 per gallon ($6.92 per MMBtu) for the three months ended September 30, 2018 to $0.66 per gallon ($8.02 per MMBtu) for the three months ended September 30, 2019, which is inclusive of boil-off gas. The weighted-average cost of LNG increased from $0.62 per gallon ($7.46 per MMBtu) for the nine months ended September 30, 2018 to $0.77 per gallon ($9.32 per MMBtu) for the nine months ended September 30, 2019, which is inclusive of boil-off gas. The weighted-average cost of our inventory balance as of September 30, 2019 was $0.65 per gallon ($7.84 per MMBtu). Additionally, the volumes delivered increased by 7% and 17% for the three and nine months ended September 30, 2019 compared to the three and nine months ended September 30, 2018, respectively.

The Company also incurred an increase in charter costs due to additional ships on charter. These additional ships on charter increased cost of sales by $5,682 and $13,912 for the three and nine months ended September 30, 2019, respectively, as compared with the same periods in the prior year. During the three and nine months ended September 30, 2019, we also recognized costs associated with construction services provided to customers of $8,974 and $12,527, respectively. We did not have any such projects for customers ongoing during the comparable periods ended September 30, 2018.

*Operations and maintenance*

Operations and maintenance relates to costs of operating our Miami Facility, Montego Bay Terminal and Old Harbour Terminal, exclusive of costs to convert that are reflected in Cost of sales. Operations and maintenance increased by $6,708 and $12,859 for the three and nine months ended September 30, 2019, respectively. The increases were primarily a result of higher costs associated with the operations of charter vessels, including a storage vessel for Puerto Rico, of $3,379 and $6,000 in the three and nine month periods ended September 30, 2019 respectively. The remaining increase is due to demurrage, as well as, increased operating costs as we continue to expand our operations.

*Selling, general and administrative*

Selling, general and administrative includes employee travel costs, insurance and costs associated with activities for projects that are in initial stages and development is not yet probable. Selling, general and administrative also includes compensation expenses for our corporate employees as well as professional fees for our advisors.

Selling, general and administrative increased by $27,490 and $82,004 for the three and nine months ended September 30, 2019, respectively. The increase in the three months ended September 30, 2019 as compared to the three months ended September 30, 2018 was primarily attributable to stock-based compensation expense of $7,804, as well as increased headcount as compared to the same period in the prior year. The increase is also due to development costs incurred at the Pennsylvania Facility as well as other development projects that currently do not qualify for capitalization. Costs incurred in future periods for such projects may be capitalizable once a final investment decision is made for these projects.

The increase of $82,004 in the nine month period ended September 30, 2019 as compared with the same period ended September 30, 2018 was driven mainly by recognition of $18,968 in the first quarter of 2019 due to vested restricted stock units (“RSUs”) issued to employees and non-employees after our IPO. We also incurred $16,515 in the second and third quarters of 2019 for continuing recognition of compensation expense related to RSUs granted in the first quarter of 2019. Additionally, there was an increase of $4,760 in transaction costs associated with financing activities. The remaining change is due to increases in professional fees and costs for development projects.

*Depreciation and amortization*

Depreciation and amortization increased by $1,100 and $3,473 for the three and nine months ended September 30, 2019, respectively. The increase is primarily a result of additional equipment purchases placed in service for small-scale customers, as well as depreciation of the Old Harbour Terminal that was placed in service in the second quarter of 2019.

*Interest expense*

Interest expense increased by $1,791 and $8,068 for the three and nine months ended September 30, 2019, respectively, primarily as a result of additional principal balance outstanding since March 2019 under the New Term Loan Facility (as defined below). We also incurred additional interest expense in September 2019 due to the issuance of the Senior Secured Bonds and the Senior Unsecured Bonds (both defined below). The increase in interest expense was offset by an increase in capitalized interest in the amount of $7,033 and $16,144 for the three and nine months ended September 30, 2019, respectively.

*Other expense, net*

Other expense, net increased by $1,518 and $30 for the three and nine months ended September 30, 2019, respectively. The increase in expense for the three months ended September 30, 2019 was driven by changes in fair value of the derivative liability and equity agreement associated with our acquisition of Shannon LNG in November 2018 and the change in value of an available-for-sale investment, which prior to the adoption of ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* was recorded in Other comprehensive income. For the nine months ended September 30, 2019, the changes in the fair value of the derivative liability, equity agreement, and available-for-sale investment were almost completely offset by interest income of $3,382.

*Tax expense (benefit)*

Tax expense decreased by $62 for the nine months ended September 30, 2019 due to lower income in Jamaican entities.

## Factors Impacting Comparability of Our Financial Results

Our historical results of operations and cash flows are not indicative of results of operations and cash flows to be expected in the future, principally for the following reasons:

- ***Our historical financial results only include our Miami Facility, our Montego Bay Terminal and certain small-scale customers***. Our historical financial statements only include our Miami Facility, our Montego Bay Terminal and certain small-scale customers and do not include the impact of projects that commenced commercial operations during 2019, such as the Old Harbour Terminal and the increase in sales to small-scale customers. None of the periods presented include future revenue that should result from long-term, take-or-pay contracts with downstream customers expected from projects under development, including the dual-fired combined heat and power facility in Clarendon, Jamaica (the "CHP Plant"), the multi-fuel handling facility located in the Port of San Juan, Puerto Rico (the "San Juan Facility"), the LNG regasification terminal in La Paz, Baja California Sur, Mexico (the "La Paz Terminal"), the LNG terminal on the Shannon Estuary near Ballylongford, Ireland (the "Ireland Terminal" and, together with the Old Harbour Terminal, the Montego Bay Terminal, the San Juan Facility and the La Paz Terminal, our "Terminals") and the Pennsylvania Facility. The Old Harbour Terminal began commercial operations during the second quarter of 2019, and we expect the Old Harbour Power Plant, a significant buyer of gas from the Old Harbour Terminal, to be fully operational during the fourth quarter of 2019.

  Our historical financial results also have not included construction revenue that the Company began to recognize during the nine months ended September 30, 2019. Services to manage the construction and installation of equipment to transform customers' facilities to operate utilizing natural gas or to allow customers to receive power or other outputs from our power generation facilities are increasingly offered to our customers, and we may recognize significant revenue for such services that was not included in the historical financial results.

  In addition, we currently purchase the majority of our supply of LNG from third parties. For the three months ended September 30, 2019 and 2018, we sourced 92% and 91%, respectively, of our LNG volumes from third parties. For the nine months ended September 30, 2019 and 2018, we sourced 93% and 90%, respectively, of our LNG volumes from third parties. We are in the process of developing in-basin liquefaction facilities that will vertically integrate our supply and substantially reduce the need to source LNG from third parties, which, when combined with lower cost production, should significantly impact our results of operations and cash flows from both contracted and expected downstream sales.

- ***Our organizational structure has changed as a result of reorganization transactions completed at the time of our IPO***. We completed our IPO on February 4, 2019, and the net proceeds from the IPO were contributed to New Fortress Intermediate LLC ("NFI"), an entity formed in conjunction with the IPO, in exchange for limited liability company units in NFI ("NFI LLC Units"). In addition, New Fortress Energy Holdings contributed all of its interests in consolidated subsidiaries that comprised substantially all of its historical operations to NFI in exchange for NFI LLC Units. NFE is a holding company whose sole material asset is a controlling equity interest in NFI. As the sole managing member of NFI, NFE operates and controls all of the business and affairs of NFI, and through NFI and its subsidiaries, conducts the Company's historical business.

  The contribution of the assets of New Fortress Energy Holdings and net proceeds from the IPO to NFI was treated as a reorganization of entities under common control. NFE has presented the condensed consolidated financial statements of New Fortress Energy Holdings for periods prior to the IPO.

  The financial statements of NFE beginning in February 2019 subsequent to our IPO allocate a significant portion of the results of operations to New Fortress Energy Holdings, through its non-controlling interest in NFI. NFE has elected to be taxed as a corporation and is subject to U.S. federal and state income taxes, and as such, may recognize a tax expense (benefit), as well as associated deferred tax accounts. As of September 30, 2019, NFE has recorded a valuation allowance on all of its deferred taxes associated with U.S. federal and state income taxes.

- ***We have incurred and will continue to incur incremental selling, general and administrative expenses related to our transition to a publicly traded company***. We completed our IPO on February 4, 2019, and we expect to incur direct, incremental general and administrative expenses as a result of being a publicly traded company, including costs associated with the employment of additional personnel, compliance under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), annual and quarterly reports to our common shareholders, registrar and transfer agent fees, national stock exchange fees, the costs associated with the initial implementation of our Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley Act") Section 404 internal controls and testing, audit fees, incremental director and officer liability insurance costs and director and officer compensation. These direct, incremental general and administrative expenses are not included in our historical results of operations for the three and nine months ended September 30, 2018.

## Liquidity and Capital Resources

We believe we will have sufficient liquidity, cash flow from operations and access to additional capital sources, to fund our capital expenditures and working capital needs for the next 12 months. We expect to fund our current operations and continued development of additional facilities through a combination of cash on hand, borrowings from the New Term Loan Facility, and proceeds from the issuance of Senior Secured Bonds and Senior Unsecured Bonds (both defined below). Our IPO was completed on February 4, 2019, and we issued and sold 20,000,000 Class A shares at an IPO price of $14.00 per share, raising net proceeds of approximately $257,000. On March 1, 2019, the underwriters exercised their option to purchase an additional 837,272 Class A shares at the IPO price of $14.00 per share, less underwriting discounts, raising additional net proceeds of $11,048. On March 21, 2019, we drew the remaining availability on our New Term Loan Facility and have $496,250 of outstanding principal as of September 30, 2019. On September 5, 2019, we issued approximately $117,000 in Senior Secured Bonds and Senior Unsecured Bonds and the full amount issued is outstanding as of September 30, 2019.

We have assumed total expenditures for all completed and existing projects to be approximately $823 million, with approximately $563 million having already been spent through September 30, 2019. This estimate represents the expenditures necessary to complete construction of the San Juan Facility, the La Paz Terminal, the CHP Plant as well as expected expenditures to serve new small-scale customers. Through September 30, 2019, we have spent approximately $161 million to develop the Pennsylvania Facility. As we have not made a final investment decision to complete the Pennsylvania Facility, $17 million of construction and development costs have been expensed. Cost for land, as well as, engineering and equipment that could be deployed to other facilities of approximately $144 million, has been capitalized. We are currently exploring opportunities to expand our business into new markets, including the Caribbean, Angola, and Mexico, and we will require significant additional capital to implement our strategy.

### *Cash Flows*

The following table summarizes the changes to our cash flows for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018:

| | Nine Months Ended September 30, | | |
|---|---|---|---|
| | 2019 | 2018 | Change |
| | | (in thousands) | |
| Cash flows from: | | | |
| Operating activities | $ (154,761) | $ (53,156) | $ (101,605) |
| Investing activities | (295,035) | (112,135) | (182,900) |
| Financing activities | 593,001 | 115,164 | 477,837 |
| Net increase (decrease) in cash, cash equivalents, and restricted cash | $ 143,205 | $ (50,127) | $ 193,332 |

*Cash (used in) operating activities*

Our cash flow used in operating activities was $154,761 for the nine months ended September 30, 2019, which increased by $101,605 from $53,156 for the nine months ended September 30, 2018. For both the nine-month periods ended September 30, 2019 and 2018, we had losses that comprised a significant portion of cash used in operating activities due to the continued expansion of our business activities. The loss in the nine months ended September 30, 2019 reflects non-cash shared-based compensation expense, which was excluded from the cash used in operating activities. Cash flows used in operating activities for the nine months ended September 30, 2019 was also significantly impacted by increases in other assets, inventories, and receivables, offset by increases in accounts payable, accrued liabilities and other liabilities.

*Cash (used in) investing activities*

Our cash flow used in investing activities was $295,035 for the nine months ended September 30, 2019, which increased by $182,900 from $112,135 for the nine months ended September 30, 2018. The increase in cash flow used in investing activities is due to the increase in capital expenditures to complete the Old Harbour Terminal as well as construction of the CHP Plant, the San Juan Facility, and the Pennsylvania Facility.

*Cash provided by financing activities*

Our cash flow provided by financing activities was $593,001 for the nine months ended September 30, 2019, which increased by $477,837 from $115,164 for the nine months ended September 30, 2018. The increase in cash flow provided by financing activities is due to the issuance of Senior Secured Bonds and Senior Unsecured Bonds of $117,000 in September 2019, additional borrowings under the New Term Loan Facility of $220,000 in March 2019 and the net proceeds received from our IPO in February 2019.

## Debt

### *New Term Loan Facility*

On August 16, 2018, the Company entered into a Term Loan Facility (the "Term Loan Facility") to borrow term loans, available in three draws, up to an aggregate principal amount of $240,000. On December 31, 2018, the Company amended its Term Loan Facility (the "New Term Loan Facility") to, among other things, (i) increase the amount available for borrowing thereunder from $240,000 to $500,000, (ii) extend the initial maturity date to December 31, 2019, (iii) modify certain provisions relating to restrictive covenants and existing financial covenants, and (iv) remove the mandatory prepayment required with the net proceeds received in connection with an initial public offering. Borrowings under the New Term Loan Facility bear interest at a rate selected by the Company of either (i) the LIBOR divided by one minus the applicable reserve requirement plus a spread of 4.0%, or (ii) subject to a floor of 1.0%, a Base Rate equal to the highest of (a) the Prime Rate, (b) the Federal Funds Rate plus 1⁄2 of 1.0% or (c) the 1-month LIBOR rate plus the difference between the applicable LIBOR margin and Base Rate margin, plus a spread of 3.0%. The Company initially borrowed $280,000 under the New Term Loan Facility. The New Term Loan Facility is set to mature on December 31, 2019 and is repayable in quarterly installments of $1,250, with a balloon payment due on the maturity date. The Company has the option to extend the maturity date for two additional six-month periods; upon the exercise of each extension option, the interest rate spread on LIBOR and Base Rate increases by 0.5%. To exercise each extension option, the Company must pay a fee equal to 1.0% of the outstanding principal balance at the time of the exercise of the option.

The New Term Loan Facility is secured by mortgages on certain properties owned by the Company's subsidiaries, in addition to other collateral. The New Term Loan Facility was amended in the third quarter of 2019 to allow certain properties of a consolidated subsidiary to secure the South Power Senior Secured Bonds.

The Company is required to comply with certain financial covenants and other restrictive covenants, including restrictions on indebtedness, liens, acquisitions and investments, restricted payments and dispositions. The New Term Loan Facility also provides for customary events of default, prepayment and cure provisions. As of September 30, 2019, the Company was in compliance with all required covenants under the New Term Loan Facility.

In March 2019, the Company drew the remaining $220,000 available capacity under the New Term Loan Facility, and as of September 30, 2019, the total principal amount outstanding under the New Term Loan Facility was $496,250. The Company plans to use the $220,000 drawn in the first quarter of 2019 to make capital expenditures to complete the CHP Plant and San Juan Facility, as well as for additional storage and regasification facilities for our small-scale customers. The Company paid $4,400 of additional fees in connection with the $220,000 draw on the New Term Loan Facility. These fees were capitalized as a reduction to the New Term Loan Facility on the condensed consolidated balance sheet. The total unamortized deferred financing costs as of September 30, 2019 was $3,488. In addition, the Company incurred $4,760 of costs for financing activities during the nine months ended September 30, 2019 that were recognized as an expense within the condensed consolidated statements of operations and comprehensive loss.

***South Power Senior Secured Bonds and Senior Unsecured Bonds***

On September 2, 2019, NFE South Power Holdings Limited ("South Power"), a consolidated subsidiary of the Company, entered into a facility for the issuance of secured and unsecured bonds (the "Senior Secured Bonds" and "Senior Unsecured Bonds", respectively) and subsequently issued $73,317 and $43,683 in Senior Secured Bonds and Senior Unsecured Bonds, respectively. The Senior Secured Bonds are secured by the CHP Plant that is currently under construction and related receivables and assets, and the proceeds will be used to fund the completion of the CHP Plant and to reimburse shareholder advances. Upon completion of construction of the CHP Plant, which is currently expected in the fourth quarter of 2019, and the satisfaction of certain related conditions, South Power has the ability to issue an additional $63,000 in Senior Secured Bonds.

The Senior Secured Bonds bear interest at an annual fixed rate of 8.25% and will mature 15 years from the closing date of each tranche. No principal payments will be due for the first seven years. After seven years, quarterly principal payments of approximately 1.6% of the original principal amount will be due, with a 50% balloon payment due upon maturity. Interest payments on outstanding principal balances will be due quarterly.

The Senior Unsecured Bonds will bear interest at an annual fixed rate of 11.00% and will mature 17 years from the closing date. No principal payments will be due until 2028. Beginning in 2028, principal payments will be due quarterly on an escalating schedule. Interest payments on outstanding principal balances will be due quarterly.

South Power will be required to comply with certain financial covenants as well as customary affirmative and negative covenants, including limitations on incurring additional indebtedness. The facility also provides for customary events of default, prepayment and cure provisions.

The Company paid approximately $3,859 of fees in connection with the issuance of Senior Secured Bonds and Senior Unsecured Bonds. These fees were capitalized on a pro-rata basis as a reduction of the Senior Secured Bonds and Senior Unsecured Bonds on the condensed consolidated balance sheets. The total unamortized deferred financing costs as of September 30, 2019 was $3,836.

***Off Balance Sheet Arrangements***

As of September 30, 2019, we had no off-balance sheet arrangements that may have a current or future material effect on our consolidated financial position or operating results.

***Contractual Obligations***

We are committed to make cash payments in the future pursuant to certain of our contracts. The following table summarizes certain contractual obligations in place as of December 31, 2018:

| (in thousands) | Total | Less than 1 year | Years 2 to 3 | Years 4 to 5 | More than 5 years |
|---|---|---|---|---|---|
| Long-term debt obligations | $ 298,187 | $ 298,187 | $ — | $ — | $ — |
| Purchase obligations | 631,599 | 175,496 | 456,103 | — | — |
| Operating Lease obligations | 60,877 | 13,361 | 14,035 | 13,001 | 20,480 |
| Total | $ 990,663 | $ 487,044 | $ 470,138 | $ 13,001 | $ 20,480 |

As of September 30, 2019, there have been no material changes to the commitments and contractual obligations table above outside the ordinary course of business, except as noted below.

*Long-Term debt obligations*

For information on our debt obligations, see "—Liquidity and Capital Resources—Debt." The amounts included in the table above are based on the total debt balance, scheduled maturities and interest rates in effect as of December 31, 2018.

In March 2019, the Company drew the remaining $220,000 available capacity on the New Term Loan Facility, and as of September 30, 2019, the total principal amount outstanding under the New Term Loan Facility was $496,250. The Company expects to pay $7,664 in interest payments during the remainder of 2019. If we exercise the option to extend the New Term Loan Facility, we will incur a fee of $4,963 in December 2019.

In September 2019, the Company issued $73,317 and $43,683 of Senior Secured Bonds and Senior Unsecured Bonds, respectively. No principal payments will be due until seven years after the closing date for the Senior Secured Bonds and nine years after the closing date for the Senior Unsecured Bonds. The Company expects to pay $2,736 in interest payments during the remainder of 2019. Upon completion of construction of the CHP Plant and the satisfaction of certain related conditions, which is currently expected in the fourth quarter of 2019, South Power has the ability under the facility to issue an additional $63,000 in Senior Secured Bonds.

*Purchase obligations*

The Company is party to contractual purchase commitments for LNG and natural gas, including additional contracts entered into subsequent to December 31, 2018. These contracts are principally take-or-pay contracts, which require the purchase of minimum quantities of LNG or natural gas, and these commitments are designed to assure sources of supply and are not expected to be in excess of normal requirements.

In March 2019, the Company entered into a contract with Peninsula Energy Services Company Inc. for the purchase of 60,500 gallons of natural gas (5,000 MMBtu) per day for a total of 152.5 million gallons of natural gas (12.6 TBtu). The deliveries are scheduled between March 2019 and November 2025.

*Operating Lease obligations*

Future minimum lease payments under non-cancellable operating leases are noted in the above table and further described below. The Company's lease obligations are primarily related to LNG vessel time charters, office space, a land site lease and marine port berth leases.

The Company entered into several lease agreements during 2018 in Mexico and Puerto Rico. Such agreements include securing certain facilities, wharf areas, office space and specified port areas for development of terminals. Terms for these leases range from 20 to 30 years, and certain of these leases contain extension terms. One-time fees paid subsequent to December 31, 2017 to secure leases were $21,871. Fixed lease payments under these leases are expected to be approximately $64 per month and $17,228 over the remaining lease terms. Some of these leases contain variable components based on LNG processed.

The Company entered into an agreement to lease a floating storage regasification unit for an initial non-cancellable term of three years. The Company may continue to lease the vessel for up to 15 years with an option to renew for an additional five years. From January to March 2019, the Company was using the vessel for floating storage for the cost of $18 per day. Acceptance procedures were completed in the second quarter of 2019, and the vessel has been leased for $50 per day. Subsequent to December 31, 2018, the Company also entered into two additional LNG vessel time charters for contract terms ranging from three to five years. One of these vessels was delivered in the third quarter of 2019, and the Company is required to pay $1,300 per month over the term of the lease.

Office space includes a newly fabricated space shared with affiliated companies in New York with a month-to-month lease, and an office space in downtown Miami, Florida, with a lease term of 84 months. The land site lease is held with an affiliate of the Company and has an initial term up to five years, and the marine port berth lease had an initial term up to 10 years. Both leases contain renewal options.

## Summary of Critical Accounting Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. Changes in facts and circumstances or additional information may result in revised estimates, and actual results may differ from these estimates. Management evaluates its estimates and related assumptions regularly, and will continue to do so as we further launch and grow our business. We believe that the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates.

*Revenue recognition*

The Company's primary revenue stream is the sale of LNG and natural gas to customers, which is presented as Operating revenue in the condensed consolidated statements of operations and comprehensive loss. LNG or natural gas is delivered either by pipeline into the customer's power generation facilities or in containers delivered by truck to customer sites, respectively. Revenues from sales delivered by pipeline to a power generation facility are recognized over time under the output method, as the customer takes control of the natural gas. Revenues from sales delivered by truck are recognized at the point in time at which physical possession and the risks and rewards of ownership transfer to the customer, either when the containers are shipped or delivered to the customers' storage facilities, depending on the terms of the contract.

The Company has concluded that variable consideration included in these agreements meets the exception for allocating variable consideration. As such, the variable consideration for these contracts is allocated to each distinct unit of LNG or natural gas delivered and recognized when that distinct unit of LNG or natural gas is delivered to the customer.

The Company's contracts with customers to supply LNG or natural gas may contain a lease of equipment. The Company allocates consideration received from customers between lease and non-lease components based on the relative fair value of each component. The fair value of the lease component is estimated based on the market value of the same or similar equipment leased to the customer. The Company estimates the fair value of the non-lease component by forecasting volumes and pricing of gas to be delivered to the customer over the lease term. The estimated fair value of the leased equipment, as a percentage of the estimated total revenue from LNG or natural gas and leased equipment at inception, will establish the allocation percentage to determine the minimum lease payments and the amount to be accounted for under the revenue recognition guidance.

The leases of certain facilities and equipment to customers are accounted for as direct financing or operating leases. Direct financing leases, net represents the minimum lease payments due, net of unearned revenue. The lease payments are segregated into principal and interest components similar to a loan. Unearned revenue is recognized on an effective interest method over the lease term and Other revenue in the condensed consolidated statements of operations and comprehensive loss is primarily comprised of such interest revenue. The principal components of the lease payment are reflected as a reduction to the net investment in the finance lease. For the Company's operating leases, the amount allocated to the leasing component is recognized over the lease term as Other revenue in the condensed consolidated statements of operations and comprehensive loss.

In addition to the revenue recognized from the leasing components of agreements with customers, Other revenue includes revenue recognized from the construction and installation of equipment to transform customers' facilities to operate utilizing natural gas or to allow customers to receive power or other outputs from our power generation facilities. Revenue for these construction services is recognized over time as the Company transfers control of the asset to the customer, unless the customer is not able to obtain control over the asset under construction until such services are completed, in which case, revenue is recognized when the services are completed and the customer has control of the infrastructure. Such agreements may also include a significant financing component, and the Company recognizes revenue for the interest income component over the term of the financing as Other revenue.

Construction services may be included in arrangements that include other distinct performance obligations, and the Company allocates the transaction price to each performance obligation based on its standalone selling price ("SSP") in relation to the aggregate value of the SSP of all performance obligations in the arrangement. Some of our performance obligations have observable inputs that are used to determine the SSP of those distinct performance obligations. Where SSP is not directly observable, we primarily determine the SSP using the cost-plus approach. In the circumstances when available information to determine SSP is highly variable or uncertain, we use the residual approach.

*Impairment*

LNG liquefaction facilities, and other long-lived assets held and used by the Company are reviewed periodically for potential impairment whenever events or changes in circumstances indicate that a particular asset's carrying value may not be recoverable. Recoverability generally is determined by comparing the carrying value for the asset to the expected undiscounted future cash flows of the asset. If the carrying value of the asset is not recoverable, the amount of impairment loss is measured as the excess, if any, of the carrying value of the asset over its estimated fair value. The estimated undiscounted future cash flows are based on projections of future operating results; these projections contain estimates of the value of future contracts that have not yet been obtained, future commodity pricing and our future cost structure, among others. Projections of future operating results and cash flows may vary significantly from actual results. Management reviews its estimates of cash flows on an ongoing basis using historical experience, business plans, overall market conditions and other factors.

*Share-based compensation*

The Company estimates the fair value of RSUs granted to employees and non-employees on the grant date based on the closing price of the underlying shares on the grant date and other fair value adjustments to account for a post-vesting holding period. These fair value adjustments were estimated based on the Finnerty model.

**JOBS Act**

In April 2012, the Jumpstart Our Business Startups Act of 2012, or the "JOBS Act", was enacted. Section 107 of the JOBS Act provides that an "emerging growth company," or EGC, can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended, or the Securities Act, for complying with new or revised accounting standards. Thus, an EGC can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have taken advantage of the exemptions discussed above. Accordingly, the information contained herein may be different than the information you receive from other public companies.

Subject to certain conditions, as an EGC, we have elected to rely on certain of these exemptions, including without limitation, (1) providing an auditor's attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act and (2) complying with any requirement that may be adopted by the Public Company Accounting Oversight Board, or PCAOB, regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements, known as the auditor discussion and analysis. We will remain an EGC until the earlier of (i) the last day of the fiscal year in which we have total annual gross revenues of $1.07 billion or more; (ii) the last day of the fiscal year following the fifth anniversary of the date of the completion of our IPO, December 31, 2024; (iii) the date on which we have issued more than $1.00 billion in nonconvertible debt during the previous three years; or (iv) the date on which we are deemed to be a large accelerated filer under the rules of the Securities and Exchange Commission or SEC.

**Recent Accounting Standards**

For descriptions of recently issued accounting standards, see "Note 3. Adoption of new and revised standards" to our notes to condensed consolidated financial statements included elsewhere in this Quarterly Report.

**Item 3. Quantitative and Qualitative Disclosures About Market Risks.**

In the normal course of business, the Company encounters several significant types of market risks including commodity and interest rate risks.

### *Commodity Price Risk*

Commodity price risk is the risk of loss arising from adverse changes in market rates and prices. We may be impacted by the fluctuations in natural gas prices, and our exposure to market risk associated with LNG price changes may adversely impact our business. However, we are generally able to limit our exposure given our pricing in contracts with customers is based on the Henry Hub index price plus a contractual spread. Also, we have a strategic sourcing and price strategy to mitigate risk from commodity price fluctuation. We will continue to evaluate the need for future price changes in light of trends, our competitive landscape and our financial results. Furthermore, we do not currently have any derivative arrangements to protect against fluctuations in commodity prices, but to mitigate the effect of fluctuations in LNG prices on our operations, we may enter into various derivative instruments.

### *Interest Rate Risk*

Debt that we incurred under the New Term Loan Facility bears interest at variable rates and exposes us to interest rate risk. Interest is calculated under the terms of the New Term Loan Facility based on our selection, from time to time, of one of the index rates available to us plus an applicable margin that varies based on certain factors. See “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Debt.” With the full $500 million principal amount drawn and outstanding, the impact on interest expense of a 1% increase or decrease in the interest rate of the New Term Loan Facility would be approximately $5 million per year. We do not currently have or intend to enter into any derivative arrangements to protect against fluctuations in interest rates applicable to our outstanding indebtedness.

### *Foreign Currency Exchange Risk*

We primarily conduct our operations in U.S. dollars, and as such, our results of operations and cash flows have not materially been impacted by fluctuations due to changes in foreign currency exchange rates. We expect our international operations to continue to grow in the near term. We do not currently have any derivative arrangements to protect against fluctuations in foreign exchange rates, but to mitigate the effect of fluctuations in exchange rates on our operations, we may enter into various derivative instruments.

**Item 4. Controls and Procedures.**

### *Evaluation of Disclosure Controls and Procedures*

In accordance with Rules 13a-15(b) of the Exchange Act, we have evaluated, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2019. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Based upon that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of September 30, 2019 at the reasonable assurance level.

### *Changes in Internal Control over Financial Reporting*

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and Rule 15d-15(f) under the Exchange Act) that occurred during the quarter ended September 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

# PART II
# OTHER INFORMATION

**Item 1. Legal Proceedings.**

We are not currently a party to any material legal proceedings. In the ordinary course of business, various legal and regulatory claims and proceedings may be pending or threatened against us. If we become a party to proceedings in the future, we may be unable to predict with certainty the ultimate outcome of such claims and proceedings.

**Item *1A.* *Risk Factors.***

*You should carefully consider the following risk factors together with all of the other information included in this Quarterly Report, including the information under "Cautionary Statement on Forward-Looking Statements." If any of the following risks were to occur, our business, financial condition and results of operations could be materially adversely affected. Additional risks not presently known to us or that we currently deem immaterial could also materially affect our business. This Quarterly Report includes forward-looking statements regarding, among other things, our plans, strategies, prospects and projections, both business and financial. As a result, you should not place undue reliance on any such statements included in this Quarterly Report.*

## Risks Related to Our Business

***We have not yet completed contracting, construction and commissioning of all of our Terminals and Liquefaction Facilities. There can be no assurance that our Terminals and Liquefaction Facilities will operate as expected, or at all.***

We have not yet entered into binding construction contracts, issued "final notice to proceed" or obtained all necessary environmental, regulatory, construction and zoning permissions for all of our Terminals and Liquefaction Facilities. There can be no assurance that we will be able to enter into the contracts required for the development of our Terminals and Liquefaction Facilities on commercially favorable terms, if at all, or that we will be able to obtain all of the environmental, regulatory, construction and zoning permissions we need. In particular, we will require agreements with ports proximate to our Liquefaction Facilities capable of handling the transload of LNG directly from our transportation assets to our occupying vessel. If we are unable to enter into favorable contracts or to obtain the necessary regulatory and land use approvals on favorable terms, we may not be able to construct and operate these assets as expected, or at all. Additionally, the construction of these kinds of facilities is inherently subject to the risks of cost overruns and delays. Additionally there can be no assurance that we will not need to make adjustments to our Terminals and Liquefaction Facilities as a result of the required testing or commissioning of each development, which could cause delays and be costly. Furthermore, if we do enter into the necessary contracts and obtain regulatory approvals for the construction and operation of the Liquefaction Facilities, there can be no assurance that such operations will allow us to successfully export LNG to our facilities, or that we will succeed in our goal of reducing the risk to our operations of future LNG price variations. If we are unable to construct, commission and operate all of our Terminals and Liquefaction Facilities as expected, or, when and if constructed, they do not accomplish the goals described in our Quarterly Reports or our Annual Report, or if we experience delays or cost overruns in construction, our business, operating results, cash flows and liquidity could be materially and adversely affected. Expenses related to our pursuit of contracts and regulatory approvals related to our Terminals and Liquefaction Facilities still under development may be significant and will be incurred by us regardless of whether these assets are ultimately constructed and operational.

***We may experience time delays, unforeseen expenses and other complications while developing our projects. These complications can delay the commencement of revenue-generating activities, reduce the amount of revenue we earn and increase our development costs.***

Development projects, including Terminals, Liquefaction Facilities, power plants, and related infrastructure are often developed in multiple stages involving commercial and governmental negotiations, site planning, due diligence, permit requests, environmental impact studies, permit applications and review, marine logistics planning and transportation and end-user delivery logistics. Projects of this type are subject to a number of risks that may lead to delay, construction changes, increased costs and potentially decreased economic attractiveness. These risks are often increased in jurisdictions outside the United States, and these foreign jurisdictions are currently a primary focus of our business activities, where legal processes, language differences, cultural expectations, currency exchange requirements, employment laws and diligence requirements can make it more difficult, time-consuming and expensive to develop a project. Moreover, we are currently developing projects in locations where we have no prior development experience, and we expect to continue expanding into new jurisdictions in the future. Our inexperience in these jurisdictions creates a meaningful risk that we may experience delays, unforeseen expenses or other obstacles that will cause the projects we are developing to take longer and be more expensive than our initial estimates. While we plan our projects carefully and attempt to complete them according to timelines and budgets that we believe are feasible, we have experienced time delays and cost overruns in some projects we have developed previously and may experience similar issues with future projects given the inherent complexity and unpredictability of developing infrastructure projects in developing parts of the world. If we experience project delays or cost overruns in the future, these events could increase our costs, decrease our revenues and earnings and negatively affect our liquidity and business prospects. Delays in the construction beyond our estimated development periods, as well as amendments or change orders under the construction contracts we have entered into or any future contract related to future developments, could increase the cost of completion beyond the amounts that we estimate, which could require us to obtain additional sources of financing to continue development on our estimated development timeline or to fund our operations during construction of such development. Any delay in completion of a facility could cause a delay in the receipt of revenues estimated therefrom or cause a loss of one or more customers in the event of significant delays. As a result, any significant construction delay, whatever the cause, could have a material adverse effect on our business, operating results, cash flows and liquidity.

***Our ability to implement our business strategy may be materially and adversely affected by many known and unknown factors.***

Our business strategy relies upon our future ability to successfully market natural gas to end-users, develop and maintain cost-effective logistics in our supply chain and construct, develop and operate energy-related infrastructure in the U.S., Jamaica, Mexico, Puerto Rico, Ireland, Angola, the Dominican Republic and other countries where we do not currently operate. Our strategy assumes that we will be able to expand our operations into other countries, including countries in the Caribbean, enter into long-term GSAs and/or PPAs with end-users, acquire and transport LNG at attractive prices, develop infrastructure, including the Pennsylvania Facility and the CHP Plant, as well as other future projects, into efficient and profitable operations in a timely and cost-effective way, obtain approvals from all relevant federal, state and local authorities, as needed, for the construction and operation of these projects and other relevant approvals and obtain long-term capital appreciation and liquidity with respect to such investments. We cannot assure you if or when we will enter into contracts for the sale of LNG and/or natural gas, the price at which we will be able to sell such LNG and/or natural gas or our costs for such LNG and/or natural gas. Thus, there can be no assurance that we will achieve our target pricing, costs or margins. Our strategy may also be affected by future governmental laws and regulations. Our strategy also assumes that we will be able to enter into strategic relationships with energy end-users, power utilities, LNG providers, shipping companies, infrastructure developers, financing counterparties and other partners. These assumptions are subject to significant economic, competitive, regulatory and operational uncertainties, contingencies and risks, many of which are beyond our control. Additionally, in furtherance of our business strategy, we may acquire operating businesses or other assets in the future. Any such acquisitions would be subject to significant risks and contingencies, including the risk of integration, and we may not be able to realize the benefits of any such acquisitions.

Additionally, our strategy may evolve over time. Our future ability to execute our business strategy is uncertain, and it can be expected that one or more of our assumptions will prove to be incorrect and that we will face unanticipated events and circumstances that may adversely affect our business. Any one or more of the following factors may have a material adverse effect on our ability to implement our strategy and achieve our targets:

- inability to achieve our target costs for the purchase, liquefaction and export of natural gas and/or LNG and our target pricing for long-term contracts;
- failure to develop cost-effective logistics solutions;

- failure to manage expanding operations in the projected time frame;
- inability to structure innovative and profitable energy-related transactions as part of our sales and trading operations and to optimally price and manage position, performance and counterparty risks;
- inability to develop infrastructure, including our Terminals and Liquefaction Facilities, as well as other future projects, in a timely and cost-effective manner;
- inability to attract and retain personnel in a timely and cost-effective manner;
- failure of investments in technology and machinery, such as liquefaction technology or LNG tank truck technology, to perform as expected;
- increases in competition which could increase our costs and undermine our profits;
- inability to source LNG and/or natural gas in sufficient quantities and/or at economically attractive prices;
- failure to anticipate and adapt to new trends in the energy sector in the U.S., Jamaica, the Caribbean, Mexico, Ireland, Angola and elsewhere;
- increases in operating costs, including the need for capital improvements, insurance premiums, general taxes, real estate taxes and utilities, affecting our profit margins;
- inability to raise significant additional debt and equity capital in the future to implement our strategy as well as to operate and expand our business;
- general economic, political and business conditions in the U.S., Jamaica, the Caribbean, Mexico, Ireland, Angola and in the other geographic areas in which we intend to operate;
- inflation, depreciation of the currencies of the countries in which we operate and fluctuations in interest rates;
- failure to obtain approvals from the Pennsylvania Department of Environmental Protection and relevant local authorities for the construction and operation of the Pennsylvania Facility and other relevant approvals;
- failure to win new bids or contracts on the terms, size and within the time frame we need to execute our business strategy;
- failure to obtain approvals from governmental regulators and relevant local authorities for the construction and operation of potential future projects and other relevant approvals;
- existing and future governmental laws and regulations; or
- inability, or failure, of any customer or contract counterparty to perform their contractual obligations to us (for further discussion of counterparty risk, see "—Our current ability to generate cash is substantially dependent upon the entry into and performance by customers under long-term contracts that we have entered into or will enter into in the near future, and we could be materially and adversely affected if any customer fails to perform its contractual obligations for any reason, including nonpayment and nonperformance, or if we fail to enter into such contracts at all.").

If we experience any of these failures, such failure may adversely affect our financial condition, results of operations and ability to execute our business strategy.

***We have a limited operating history, which may not be sufficient to evaluate our business and prospects.***

We have a limited operating history and track record. As a result, our prior operating history and historical financial statements may not be a reliable basis for evaluating our business prospects or the future value of our Class A shares. We commenced operations on February 25, 2014, and we had net losses of approximately $1.6 million in 2014, $14.2 million in 2015, $32.9 million in 2016, $31.7 million in 2017 and $78.2 million in 2018. Our strategy may not be successful, and if unsuccessful, we may be unable to modify it in a timely and successful manner. We cannot give you any assurance that we will be able to implement our strategy on a timely basis, if at all, or achieve our internal model or that our assumptions will be accurate. Our limited operating history also means that we continue to develop and implement various policies and procedures including those related to data privacy and other matters. We will need to continue to build our team to implement our strategies.

We will continue to incur significant capital and operating expenditures while we develop infrastructure for our supply chain, including for the completion of our Terminals and Liquefaction Facilities under construction, as well as other future projects. We will need to invest significant amounts of additional capital to implement our strategy. We have not yet entered into all arrangements necessary to obtain and ship LNG to the Old Harbour Terminal and Montego Bay Terminal (together, the “Jamaica Terminals”), and we have not completed constructing all of our Terminals and Liquefaction Facilities and our strategy includes the construction of additional facilities. Any delays beyond the expected development period for these assets would prolong, and could increase the level of, operating losses and negative operating cash flows. Our future liquidity may also be affected by the timing of construction financing availability in relation to the incurrence of construction costs and other outflows and by the timing of receipt of cash flows under our customer contracts in relation to the incurrence of project and operating expenses. Our ability to generate any positive operating cash flow and achieve profitability in the future is dependent on, among other things, our ability to develop an efficient supply chain and successfully and timely complete necessary infrastructure, including our Terminals and Liquefaction Facilities under construction, and fulfill our gas delivery obligations under our customer contracts.

***Our business is dependent upon obtaining substantial additional funding from various sources, which may not be available or may only be available on unfavorable terms.***

We believe we will have sufficient liquidity, cash flow from operations and access to additional capital sources to fund our capital expenditures and working capital needs for the next 12 months. In the future, we expect to incur additional indebtedness to assist us in developing our operations and we are considering alternative financing options, including in local markets, or the opportunistic sale of one of our non-core assets. See “Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report and “Part I, Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Quarterly Report for more information on our New Term Loan Facility, Senior Secured Bonds and Senior Unsecured Bonds. On September 2, 2019, we amended our New Term Loan Facility to accommodate the issuance of our Senior Secured Bonds and Senior Unsecured Bonds. If we are unable to secure additional funding, approvals or amendments to existing financing, or if additional funding is only available on terms that we determine are not acceptable to us, we may be unable to fully execute our business plan and our business, financial condition or results of operations may be materially adversely affected. Additionally, we may need to adjust the timing of our planned capital expenditures and facilities development depending on the requirements of our existing financing and availability of such additional funding. Our ability to raise additional capital will depend on financial, economic and market conditions, our progress in executing our business strategy and other factors, many of which are beyond our control. We cannot assure you that such additional funding will be available on acceptable terms, or at all. To the extent that we raise additional equity capital by issuing additional securities at any point in the future, our then-existing shareholders may experience dilution. Debt financing, if available, may subject us to restrictive covenants that could limit our flexibility in conducting future business activities and could result in us expending significant resources to service our obligations. If we are unable to comply with our existing covenants or any additional covenants and service our debt, we may lose control of our business and be forced to reduce or delay planned investments or capital expenditures, sell assets, restructure our operations or submit to foreclosure proceedings, all of which could result in a material adverse effect upon our business.

A variety of factors beyond our control could impact the availability or cost of capital, including domestic or international economic conditions, increases in key benchmark interest rates and/or credit spreads, the adoption of new or amended banking or capital market laws or regulations, the re-pricing of market risks and volatility in capital and financial markets, risks relating to the credit risk of our customers and the jurisdictions in which we operate, as well as general risks applicable to the energy sector. Our financing costs could increase or future borrowings or equity offerings maybe unavailable to us or unsuccessful, which could cause us to be unable to pay or refinance our indebtedness or to fund our other liquidity needs. We also rely on borrowings under our debt instruments to fund our capital expenditures. If any of the lenders in the syndicates backing these debt instruments were unable to perform on its commitments, we may need to seek replacement financing, which may not be available as needed, or may be available in more limited amounts or on more expensive or otherwise unfavorable terms.

***We may not be profitable for an indeterminate period of time.***

We have a limited operating history and did not commence revenue-generating activities until 2016, and therefore did not achieve profitability as of September 30, 2019. We will need to make a significant initial investment to complete construction and begin operations of each of our Terminals and Liquefaction Facilities, and we will need to make significant additional investments to develop, improve and operate them, as well as all related infrastructure. We also expect to make significant expenditures and investments in identifying, acquiring and/or developing other future projects. We also expect to incur significant expenses in connection with the launch and growth of our business, including costs for LNG purchases, rail and truck transportation, shipping and logistics and personnel. We will need to raise significant additional debt and equity capital to achieve our goals.

We may not be able to achieve profitability, and if we do, we cannot assure you that we would be able to sustain such profitability in the future. Our failure to achieve or sustain profitability would have a material adverse effect on our business and the value of our Class A shares.

***Our business is heavily dependent upon our international operations, particularly in Jamaica, and any disruption to those operations would adversely affect us.***

Our operations in Jamaica began in October 2016, when our Montego Bay Terminal commenced commercial operations, and continue to grow. Jamaica is subject to political instability, acts of terrorism, natural disasters, in particular hurricanes, extreme weather conditions, crime and similar other risks which may negatively impact our operations in the region. We may also be affected by trade restrictions, such as tariffs or other trade controls. Additionally, tourism is a significant driver of economic activity in the Caribbean. As a result, tourism directly and indirectly affects local demand for our LNG and therefore our results of operations. Trends in tourism in the Caribbean are primarily driven by the economic condition of the tourists' home country or territory, the condition of their destination, and the affordability and desirability of air travel and cruises. Additionally, unexpected factors could reduce tourism at any time, including, local or global economic recessions, terrorism, pandemics, severe weather or natural disasters. If we are unable to continue to leverage on the skills and experience of our international workforce and members of management with experience in the jurisdictions in which we operate to manage such risks, we may be unable to provide LNG at an attractive price and our business could be materially affected.

***Because we are currently dependent upon a limited number of customers, the loss of a significant customer could adversely affect our operating results.***

A limited number of customers currently represent a substantial majority of our income. Our operating results are currently contingent on our ability to maintain LNG, natural gas, steam and power sales to these customers. At least in the short term, we expect that a substantial majority of our sales will continue to arise from a concentrated number of customers, such as power utilities, railroad companies and industrial end-users. We expect the substantial majority of our revenue for the near future to be from customers in the Caribbean, and as a result, are subject to any risks specific to those customers and the jurisdictions and markets in which they operate. We may be unable to accomplish our business plan to diversify and expand our customer base by attracting a broad array of customers, which could negatively affect our business, results of operations and financial condition.

***Our current ability to generate cash is substantially dependent upon the entry into and performance by customers under long-term contracts that we have entered into or will enter into in the near future, and we could be materially and adversely affected if any customer fails to perform its contractual obligations for any reason, including nonpayment and nonperformance, or if we fail to enter into such contracts at all.***

Our current results of operations and liquidity are, and will continue to be in the near future, substantially dependent upon performance by JPS, JPC and PREPA, which have each entered into long-term GSAs and, in the case of JPS, a PPA in relation to the power produced at the CHP Plant, with us, and Jamalco, which has entered into a long-term SSA with us. While certain of our long-term contracts contain minimum volume commitments, our expected sales to customers under existing contracts is substantially in excess of such minimum volume commitments. Our near term ability to generate cash is dependent on JPS's, JPC's, PREPA's and Jamalco's continued willingness and ability to continue purchasing our products and services and to perform their obligations under their respective contracts which may include construction or maintenance of facilities necessary to enable us to deliver and sell natural gas or LNG. If any of JPS, JPC, PREPA or Jamalco fails to perform its obligations under its contract, our operating results, cash flow and liquidity could be materially and adversely affected, even if we were ultimately successful in seeking damages from JPS, JPC, PREPA or Jamalco for a breach of contract. Additionally, as many of our facilities are still in developmental stages, our entry into long-term contracts before such facilities are fully operational exposes us to extended counterparty credit risk.

Risks of nonpayment and nonperformance by customers are a consideration in our business, and our credit procedures and policies maybe inadequate to sufficiently eliminate customer credit risk. In assessing customer credit risk, we use various procedures including background checks which we perform on our potential customers before we enter into a long-term contract with them. As part of the background check, we assess a potential customer's credit profile and financial position, which can include their operating results, liquidity and outstanding debt, as well as certain macroeconomic factors regarding the region(s) in which they operate. These procedures help us to appropriately assess customer credit risk on a case-by-case basis, but these procedures may not be effective in assessing credit risk in all instances. As part of our business strategy, we intend to target customers who have not been traditional purchasers of natural gas, including customers in developing countries, and these customers may have greater credit risk than typical natural gas purchasers. Therefore, we may be exposed to greater customer credit risk than other companies in the industry. In particular, JPS and JPC, which are public utility companies in Jamaica, could be subject to austerity measures imposed on Jamaica by the International Monetary Fund (the "IMF") and other international lending organizations. Jamaica is currently subject to certain public spending limitations imposed by agreements with the IMF, and any changes under these agreements could limit JPS's and JPC's ability to make payments under their long-term GSAs and, in the case of JPS, its ability to make payments under its PPA, with us. In addition, our ability to operate the CHP Plant is dependent on our ability to enforce the related lease. GAJ, one of the lessors, is a subsidiary of Noble Group, which recently completed a financial restructuring. If GAJ is involved in a bankruptcy or similar proceeding, such proceeding could negatively impact our ability to enforce the lease. If we are unable to enforce the lease due to the bankruptcy of GAJ or for any other reason, we could be unable to operate the CHP Plant or to execute on our contracts related thereto, which could negatively affect our business, results of operations and financial condition. On March 5, 2019, after review by the Puerto Rico Energy Bureau and the Financial Oversight and Management Board for Puerto Rico, our subsidiary, NFEnergía entered into a Fuel Sale and Purchase Agreement with the Puerto Rico Electric Power Authority ("PREPA") for the supply of natural gas and conversion of Units 5 and 6 of the San Juan Combined Cycle Power Plant. PREPA is currently subject to bankruptcy proceedings pending in the U.S. District Court for the District of Puerto Rico. As a result, PREPA's ability to meet its payment obligations under its contracts will be largely dependent upon funding from the Federal Emergency Management Agency or other sources. PREPA's contracting practices in connection with restoration and repair of PREPA's electrical grid in Puerto Rico, and the terms of certain of those contracts, have been subject to comment and are the subject of review and hearings by U.S. federal and Puerto Rican governmental entities. In the event that PREPA does not have or does not obtain the funds necessary to satisfy obligations to us under our agreement with PREPA or terminates our agreement prior to the end of the agreed term, our financial condition, results of operations and cash flows could be materially and adversely affected. Additionally, we may face difficulties in enforcing our contractual rights against contractual counterparties that have not submitted to the jurisdiction of U.S. courts.

Further, adverse economic conditions in our industry increase the risk of nonpayment and nonperformance by customers, particularly customers that have sub-investment grade credit ratings.

Further, adverse economic conditions in our industry increase the risk of nonpayment and nonperformance by customers, particularly customers that have sub-investment grade credit ratings.

***Our contracts with our customers are subject to termination under certain circumstances.***

Our contracts with our customers contain various termination rights. For example, each of our long-term customer contracts, including the contracts with JPS, JPC, Jamalco and PREPA, contain various termination rights allowing our customers to terminate the contract, including, without limitation:

- upon the occurrence of certain events of force majeure;
- if we fail to make available specified scheduled cargo quantities;
- the occurrence of certain uncured payment defaults;
- the occurrence of an insolvency event;
- the occurrence of certain uncured, material breaches; and
- if we fail to commence commercial operations or achieve financial close within the agreed timeframes.

We may not be able to replace these contracts on desirable terms, or at all, if they are terminated. Contracts that we enter into in the future may contain similar provisions. If any of our current or future contracts are terminated, such termination could have a material adverse effect on our business, contracts, financial condition, operating results, cash flows, liquidity and prospects.

***Cyclical or other changes in the demand for and price of LNG and natural gas may adversely affect our business and the performance of our customers and could have a material adverse effect on our business, contracts, financial condition, operating results, cash flows, liquidity and prospects.***

Our business and the development of energy-related infrastructure and projects generally is based on assumptions about the future availability and price of natural gas and LNG and the prospects for international natural gas and LNG markets. Natural gas and LNG prices have at various times been and may become volatile due to one or more of the following factors:

- additions to competitive regasification capacity in North America, Europe, Asia and other markets, which could divert LNG or natural gas from our business;
- imposition of tariffs by China or any other jurisdiction on imports of LNG from the United States;
- insufficient or oversupply of natural gas liquefaction or export capacity worldwide;
- insufficient LNG tanker capacity;
- weather conditions and natural disasters;
- reduced demand and lower prices for natural gas;
- increased natural gas production deliverable by pipelines, which could suppress demand for LNG;
- decreased oil and natural gas exploration activities, which may decrease the production of natural gas;
- cost improvements that allow competitors to offer LNG regasification services at reduced prices;
- changes in supplies of, and prices for, alternative energy sources such as coal, oil, nuclear, hydroelectric, wind and solar energy, which may reduce the demand for natural gas;

- changes in regulatory, tax or other governmental policies regarding imported or exported LNG, natural gas or alternative energy sources, which may reduce the demand for imported or exported LNG and/or natural gas;
- political conditions in natural gas producing regions;
- adverse relative demand for LNG compared to other markets, which may decrease LNG imports into or exports from North America; and
- cyclical trends in general business and economic conditions that cause changes in the demand for natural gas.

Adverse trends or developments affecting any of these factors, including the timing of the impact of these factors in relation to our purchases and sales of natural gas and LNG – in particular prior to our Pennsylvania Facility becoming operational – could result in decreases in the prices at which we are able to sell LNG and natural gas or increases in the prices we have to pay for natural gas or LNG, which could materially and adversely affect the performance of our customers, and could have a material adverse effect on our business, contracts, financial condition, operating results, cash flows, liquidity and prospects. There can be no assurance we will achieve our target cost or pricing goals. In particular, because we have not currently procured fixed-price, long-term LNG supply (our plan being to liquefy natural gas ourselves in our Liquefaction Facilities), increases in LNG prices and/or shortages of LNG supply could be material and adverse to our business. Additionally, we intend to rely on long-term, largely fixed-price contracts for the feedgas that we need in order to manufacture and sell our LNG. Our actual costs and any profit realized on the sale of our LNG may vary from the estimated amounts on which our contracts for feedgas were originally based. There is inherent risk in the estimation process, including significant changes in the demand for and price of LNG as a result of the factors listed above, many of which are outside of our control.

***We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.***

Our ability to make scheduled payments on or to refinance our existing or future debt obligations depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to fund our day-to-day operations or to pay the principal, premium, if any, and interest on our indebtedness. As of September 30, 2018, we had $613.3 million of total indebtedness outstanding, excluding deferred financing costs. On March 21, 2019, the Company drew an additional $220 million on the New Term Loan Facility. Total principal amounts outstanding under the New Term Loan Facility after this draw are $500 million. On September 5, 2019, South Power issued approximately $73 million and approximately $44 million in Senior Secured Bonds and Senior Unsecured Bonds, respectively. Total principal amounts outstanding under the Senior Secured Bonds and Senior Unsecured Bonds as of September 30, 2019 are $73,317 and $43,683, respectively. See “Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report and “Part I, Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operation” of this Quarterly Report for more information on our New Term Loan Facility, Senior Secured Bonds and Senior Unsecured Bonds.

If our cash flows and capital resources are insufficient to fund our debt service obligations and other cash requirements, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to sell assets or operations, seek additional capital or restructure or refinance our indebtedness or operations. We may not be able to affect any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, such alternative actions may not allow us to meet our scheduled debt service obligations. The agreements that govern our indebtedness restrict our ability to dispose of assets and use the proceeds from any such dispositions and our ability to raise debt capital to be used to repay our indebtedness when it becomes due. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due.

Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our financial position and results of operations and our ability to satisfy our obligations.

If we cannot make scheduled payments on our debt, we will be in default and, as a result, lenders under any of our existing and future indebtedness could declare all outstanding principal and interest to be due and payable, the lenders under our debt instruments could terminate their commitments to loan money, our secured lenders could foreclose against the assets securing such borrowings and we could be forced into bankruptcy or liquidation.

***The agreements governing our indebtedness place restrictions on us and our subsidiaries, reducing operational and financing flexibility and creating default risks.***

The agreements governing our indebtedness, including, but not limited to, our New Term Loan Facility, entered into on December 31, 2018, contain covenants that place restrictions on us and our subsidiaries. The terms governing our New Term Loan Facility restrict among other things, our and certain of our subsidiaries' ability to:

- merge, consolidate or transfer all, or substantially all, of our assets;
- incur additional debt or issue preferred shares;
- make certain investments or acquisitions;
- create liens on our or our subsidiaries' assets;
- sell assets;
- make distributions on or repurchase our shares;
- enter into transactions with affiliates; and
- create dividend restrictions and other payment restrictions that affect our subsidiaries.

In addition, our failure to satisfy certain covenants and tests can result in an event of default. These covenants could impair our ability to grow our business, take advantage of attractive business opportunities or successfully compete. In addition, these covenants could restrict our ability to optimize our capital structure with asset-level debt or equity financings. A breach of any of these covenants could result in an event of default. Cross-default provisions in our debt agreements could cause an event of default under one debt agreement to trigger an event of default under our other debt agreements. Upon the occurrence of an event of default under any of our debt agreements, the lenders or holders thereof could elect to declare all outstanding debt under such agreements to be immediately due and payable, the lenders under our debt instruments could terminate their commitments to loan money, our secured lenders could foreclose against the assets securing such borrowings and we could be forced into bankruptcy or liquidation.

***Failure to maintain sufficient working capital could limit our growth and harm our business, financial condition and results of operations.***

We have significant working capital requirements, primarily driven by the delay between the purchase of and payment for natural gas and the extended payment terms that we offer our customers. Differences between the date when we pay our suppliers and the date when we receive payments from our customers may adversely affect our liquidity and our cash flows. We expect our working capital needs to increase as our total business increases. If we do not have sufficient working capital, we may not be able to pursue our growth strategy, respond to competitive pressures or fund key strategic initiatives, such as the development of our facilities, which may harm our business, financial condition and results of operations.

***Operation of our LNG infrastructure and other facilities that we may construct involves significant risks.***

As more fully discussed in our Annual Report and elsewhere in this Quarterly Report, our existing facilities and expected future facilities face operational risks, including, but not limited to, the following: performing below expected levels of efficiency, breakdowns or failures of equipment, operational errors by trucks, including trucking accidents while transporting natural gas, tankers or tug operators, operational errors by us or any contracted facility operator, labor disputes and weather-related or natural disaster interruptions of operations.

Any of these risks could disrupt our operations and increase our costs, which would adversely affect our business, operating results, cash flows and liquidity.

***The operation of the CHP Plant will involve particular, significant risks.***

The operation of the CHP Plant will involve particular, significant risks, including, among others: failure to maintain the required power generation license(s) or other permits required to operate the CHP Plant; pollution or environmental contamination affecting operation of the CHP Plant; the inability, or failure, of any counterparty to any plant-related agreements to perform their contractual obligations to us including, but not limited to, the lessor’s obligations to us under the CHP Plant lease; and planned and unplanned power outages due to maintenance, expansion and refurbishment. We cannot assure you that future occurrences of any of the events listed above or any other events of a similar or dissimilar nature would not significantly decrease or eliminate the revenues from, or significantly increase the costs of operating, the CHP Plant. If the CHP Plant is unable to generate or deliver power to JPS, pursuant to the PPA, or steam (or gas to power Jamalco’s boilers in lieu of steam) to Jamalco, pursuant to the SSA, JPS or Jamalco, as applicable, may not be required to make payments under their respective agreements so long as the event continues. JPS and Jamalco, as counterparties to the PPA and SSA, respectively, and the counterparties to any other key plant-related agreements may have the right to terminate those agreements for certain failures to generate or deliver power or steam, as applicable. As a consequence, there may be reduced or no revenues from the CHP Plant, which could have a material adverse effect on our business, contracts, financial condition, operating results, cash flow, liquidity and prospects. In addition, termination of the SSA may give rise to termination rights under the CHP Plant lease. If JPS terminates the PPA, Jamalco terminates the SSA, or any counterparty to any other key plant-related agreement terminates such agreement, we may not be able to enter into a replacement agreement with respect to the CHP Plant on terms as favorable as the terminated agreement.

***Global climate change may in the future increase the frequency and severity of weather events and the losses resulting therefrom, which could have a material adverse effect on the economies in the markets in which we operate or plan to operate in the future and therefore on our business.***

Over the past several years, changing weather patterns and climatic conditions, such as global warming, have added to the unpredictability and frequency of natural disasters in certain parts of the world, including the markets in which we operate and intend to operate, and have created additional uncertainty as to future trends. There is a growing consensus today that climate change increases the frequency and severity of extreme weather events and, in recent years, the frequency of major weather events appears to have increased. We cannot predict whether or to what extent damage that may be caused by natural events, such as severe tropical storms and hurricanes, will affect our operations or the economies in our current or future market areas, but the increased frequency and severity of such weather events could increase the negative impacts to economic conditions in these regions and result in a decline in the value or the destruction of our liquefiers and downstream facilities or affect our ability to transmit LNG. In particular, if one of the regions in which our Terminals are operating or under development is impacted by such a natural catastrophe in the future, it could have a material adverse effect on our business. Further, the economies of such impacted areas may require significant time to recover and there is no assurance that a full recovery will occur. Even the threat of a severe weather event could impact our business, financial condition or the price of our Class A shares.

***Hurricanes or other natural or manmade disasters could result in an interruption of our operations, a delay in the completion of our infrastructure projects, higher construction costs or the deferral of the dates on which payments are due under our customer contracts, all of which could adversely affect us.***

Storms and related storm activity and collateral effects, or other disasters such as explosions, fires, seismic events, floods or accidents, could result in damage to, or interruption of operations in our supply chain, including at our facilities or related infrastructure, as well as delays or cost increases in the construction and the development of our proposed facilities or other infrastructure. Changes in the global climate may have significant physical effects, such as increased frequency and severity of storms, floods and rising sea levels; if any such effects were to occur, they could have an adverse effect on our marine and coastal operations. Due to the concentration of our current and anticipated operations in Southern Florida and the Caribbean, we are particularly exposed to the risks posed by hurricanes, tropical storms and their collateral effects. For example, the 2017 Atlantic hurricane season caused extensive and costly damage across Florida and the Caribbean, including Puerto Rico. We are unable to predict with certainty the impact of future storms on our customers, our infrastructure or our operations.

If one or more tankers, terminals, pipelines, facilities, equipment or electronic systems that we own, lease or operate or that deliver products to us or that supply our facilities and customers' facilities are damaged by severe weather or any other disaster, accident, catastrophe, terrorist or cyber-attack or event, our operations and construction projects could be delayed and our operations could be significantly interrupted. These delays and interruptions could involve significant damage to people, property or the environment, and repairs could take a week or less for a minor incident to six months or more for a major interruption. Any event that interrupts the revenues generated by our operations or that causes us to make significant expenditures not covered by insurance could have a material adverse effect on our business, contracts, financial condition, operating results, cash flow, liquidity and prospects.

We do not, nor do we intend to, maintain insurance against all of these risks and losses. We may not be able to maintain desired or required insurance in the future at rates that we consider reasonable. The occurrence of a significant event not fully insured or indemnified against could have a material adverse effect on our business, contracts, financial condition, operating results, cash flow, liquidity and prospects.

***Information technology failures and cyberattacks could affect us significantly.***

We rely on electronic systems and networks to communicate, control and manage our operations and prepare our financial management and reporting information. If we record inaccurate data or experience infrastructure outages, our ability to communicate and control and manage our business could be adversely affected.

We face various security threats, including cybersecurity threats from third parties and unauthorized users to gain unauthorized access to sensitive information or to render data or systems unusable, threats to the security of our facilities and infrastructure or third-party facilities and infrastructure, such as processing plants and pipelines, and threats from terrorist acts. Our implementation of various procedures and controls to monitor and mitigate security threats and to increase security for our information, facilities and infrastructure may result in increased capital and operating costs. Moreover, there can be no assurance that such procedures and controls will be sufficient to prevent security breaches from occurring. If security breaches were to occur, they could lead to losses of sensitive information, critical infrastructure or capabilities essential to our operations. If we were to experience an attack and our security measures failed, the potential consequences to our business and the communities in which we operate could be significant and could harm our reputation and lead to financial losses from remedial actions, loss of business or potential liability.

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

Our current operations and future projects are subject to the inherent risks associated with LNG, natural gas and power operations, including explosions, pollution, release of toxic substances, fires, seismic events, hurricanes and other adverse weather conditions, and other hazards, each of which could result in significant delays in commencement or interruptions of operations and/or result in damage to or destruction of the our facilities and assets or damage to persons and property. In addition, such operations and the vessels of third parties on which our current operations and future projects may be dependent face possible risks associated with acts of aggression or terrorism. Some of the regions in which we operate are affected by hurricanes or tropical storms. We do not, nor do we intend to, maintain insurance against all of these risks and losses. In particular, we do not carry business interruption insurance for hurricanes and other natural disasters. Therefore, the occurrence of one or more significant events not fully insured or indemnified against could create significant liabilities and losses which could have a material adverse effect on our business, contracts, financial condition, operating results, cash flow, liquidity and prospects.

We may be unable to procure adequate insurance coverage at commercially reasonable rates in the future. For example, environmental regulations have led in the past to increased costs for, and in the future may result in the lack of availability of, insurance against risks of environmental damage or pollution. A catastrophic release of natural gas, marine disaster or natural disasters could result in losses that exceed our insurance coverage, which could harm our business, financial condition and operating results. Any uninsured or underinsured loss could harm our business and financial condition. In addition, our insurance may be voidable by the insurers as a result of certain of our actions.

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

***From time to time, we may be involved in legal proceedings and may experience unfavorable outcomes.***

In the future we may be subject to material legal proceedings in the course of our business, including, but not limited to, actions relating to contract disputes, business practices, intellectual property and other commercial and tax matters. Such legal proceedings may involve claims for substantial amounts of money or for other relief or might necessitate changes to our business or operations, and the defense of such actions may be both time consuming and expensive. Further, if any such proceedings were to result in an unfavorable outcome, it could have a material adverse effect on our business, financial position and results of operations.

***Our success depends on key members of our management, the loss of any of whom could disrupt our business operations.***

We depend to a large extent on the services of our chief executive officer, Wesley R. Edens, and some of our other executive officers. Mr. Edens does not have an employment agreement with us. The loss of the services of Mr. Edens or one or more of our other key executives could disrupt our operations and increase our exposure to the other risks described in this "Item 1A. Risk Factors." We do not maintain key man insurance on Mr. Edens or any of our employees. As a result, we are not insured against any losses resulting from the death of our key employees.

***Our construction of energy-related infrastructure is subject to operational, regulatory, environmental, political, legal and economic risks, which may result in delays, increased costs or decreased cash flows.***

The construction of energy-related infrastructure, including our Terminals and Liquefaction Facilities, as well as other future projects, involves numerous operational, regulatory, environmental, political, legal and economic risks beyond our control and may require the expenditure of significant amounts of capital during construction and thereafter. These potential risks include, among other things, the following:

- we may be unable to complete construction projects on schedule or at the budgeted cost due to the unavailability of required construction personnel or materials, accidents or weather conditions;
- we may issue change orders under existing or future engineering, procurement and construction ("EPC") contracts resulting from the occurrence of certain specified events that may give our customers the right to cause us to enter into change orders or resulting from changes with which we otherwise agree;
- we will not receive any material increase in operating cash flows until a project is completed, even though we may have expended considerable funds during the construction phase, which may be prolonged;
- we may construct facilities to capture anticipated future energy consumption growth in a region in which such growth does not materialize;
- the completion or success of our construction projects may depend on the completion of a third-party construction project (e.g., additional public utility infrastructure projects) that we do not control and that may be subject to numerous additional potential risks, delays and complexities;
- the purchase of the project company holding the rights to develop and operate the Ireland Terminal is subject to a number of contingencies, many of which are beyond our control and could cause us to not complete the acquisition of the project company or delay construction of our Ireland Terminal;
- we may not be able to obtain key permits or land use approvals including those required under environmental laws on terms that are satisfactory for our operations and on a timeline that meets our commercial obligations, and there may be delays, perhaps substantial in length, such as in the event of challenges by citizens groups or non-governmental organizations, including those opposed to fossil fuel energy sources;

- we may be (and have been in select circumstances) subject to local opposition, including the efforts by environmental groups, which may attract negative publicity or have an adverse impact on our reputation; and
- we may be unable to obtain rights-of-way to construct additional energy-related infrastructure or the cost to do so may be uneconomical.

A materialization of any of these risks could adversely affect our ability to achieve growth in the level of our cash flows or realize benefits from future projects, which could have a material adverse effect on our business, financial condition and results of operations.

***We expect to be dependent on our primary building contractor and other contractors for the successful completion of our energy-related infrastructure.***

Timely and cost-effective completion of our energy-related infrastructure, including our Terminals and Liquefaction Facilities, as well as future projects, in compliance with agreed specifications is central to our business strategy and is highly dependent on the performance of our primary building contractor and our other contractors under our agreements with them. The ability of our primary building contractor and our other contractors to perform successfully under their agreements with us is dependent on a number of factors, including their ability to:

- design and engineer each of our facilities to operate in accordance with specifications;
- engage and retain third-party subcontractors and procure equipment and supplies;
- respond to difficulties such as equipment failure, delivery delays, schedule changes and failures to perform by subcontractors, some of which are beyond their control;
- attract, develop and retain skilled personnel, including engineers;
- post required construction bonds and comply with the terms thereof;
- manage the construction process generally, including coordinating with other contractors and regulatory agencies; and
- maintain their own financial condition, including adequate working capital.

Until we have entered into an EPC contract for a particular project, in which the EPC contractor agrees to meet our planned schedule and projected total costs for a project, we are subject to potential fluctuations in construction costs and other related project costs. Although some agreements may provide for liquidated damages if the contractor fails to perform in the manner required with respect to certain of its obligations, the events that trigger a requirement to pay liquidated damages may delay or impair the operation of the applicable facility, and any liquidated damages that we receive may be delayed or insufficient to cover the damages that we suffer as a result of any such delay or impairment. The obligations of our primary building contractor and our other contractors to pay liquidated damages under their agreements with us are subject to caps on liability, as set forth therein. Furthermore, we may have disagreements with our contractors about different elements of the construction process, which could lead to the assertion of rights and remedies under their contracts and increase the cost of the applicable facility or result in a contractor’s unwillingness to perform further work. If any contractor is unable or unwilling to perform according to the negotiated terms and timetable of its respective agreement for any reason or terminates its agreement for any reason, we would be required to engage a substitute contractor, which could be particularly difficult in certain of the markets in which we plan to operate. This would likely result in significant project delays and increased costs, which could have a material adverse effect on our business, contracts, financial condition, operating results, cash flow, liquidity and prospects.

***We are relying on third-party engineers to estimate the future rated capacity and performance capabilities of our existing and future facilities, and these estimates may prove to be inaccurate.***

We are relying on third parties for the design and engineering services underlying our estimates of the future rated capacity and performance capabilities of our Terminals and Liquefaction Facilities, as well as other future projects. If any of these facilities, when actually constructed, fails to have the rated capacity and performance capabilities that we intend, our estimates may not be accurate. Failure of any of our existing or future facilities to achieve our intended future capacity and performance capabilities could prevent us from achieving the commercial start dates under our customer contracts and could have a material adverse effect on our business, contracts, financial condition, operating results, cash flow, liquidity and prospects.

***We perform construction services from time to time, which are subject to a variety of risks unique to these activities.***

From time to time, we may agree to provide construction services as part of our customer contracts and such services are subject to a variety of risks unique to these activities. If construction costs of a project exceed original estimates, such costs may have to be absorbed by us, thereby making the project less profitable than originally estimated, or possibly not profitable at all. In addition, a construction project may be delayed due to government or regulatory approvals, supply shortages, or other events and circumstances beyond our control, or the time required to complete a construction project may be greater than originally anticipated.

We rely on third-party subcontractors and equipment manufacturers to complete many of our projects. To the extent that we cannot engage subcontractors or acquire equipment or materials in the amounts and at the costs originally estimated, our ability to complete a project in a timely fashion or at a profit may be impaired. If the amount we are required to pay for these goods and services exceeds the amount we have estimated in bidding for fixed-price contracts, we could experience losses in the performance of these contracts. In addition, if a subcontractor or a manufacturer is unable to deliver its services, equipment or materials according to the negotiated terms for any reason including, but not limited to, the deterioration of its financial condition, we may be required to purchase the services, equipment or materials from another source at a higher price. This may reduce the profit we expect to realize or result in a loss on a project for which the services, equipment or materials were needed.

If any such excess costs or project delays were to be material, such events may adversely affect our cash flow and liquidity.

***We may not be able to purchase or receive physical delivery of natural gas in sufficient quantities and/or at economically attractive prices to satisfy our delivery obligations under the GSAs, PPA and SSA, which could have a material adverse effect on us.***

Under the GSAs with JPS, JPC and PREPA, we are required to deliver to JPS, JPC and PREPA specified amounts of natural gas at specified times, while under the SSA with Jamalco, we are required to deliver steam, and under the PPA with JPS, we are required to deliver power, each of which also requires us to obtain sufficient amounts of LNG. However, we may not be able to purchase or receive physical delivery of sufficient quantities of LNG to satisfy those delivery obligations, which may provide JPS or JPC or PREPA or Jamalco with the right to terminate its GSA, PPA or SSA, as applicable. In addition, price fluctuations in natural gas and LNG may make it expensive or uneconomical for us to acquire adequate supply of these items or to sell our inventory of natural gas or LNG at attractive prices.

We are dependent upon third-party LNG suppliers and shippers and other tankers and facilities to provide delivery options to and from our tankers and energy-related infrastructure. If LNG were to become unavailable for current or future volumes of natural gas due to repairs or damage to supplier facilities or tankers, lack of capacity, impediments to international shipping or any other reason, our ability to continue delivering natural gas, power or steam to end-users could be restricted, thereby reducing our revenues. Additionally, under tanker charters, we will be obligated to make payments for our chartered tankers regardless of use. We may not be able to enter into contracts with purchasers of LNG in quantities equivalent to or greater than the amount of tanker capacity we have purchased. If any third parties, such as the affiliate of Chesapeake that is party to our Chesapeake GSA, were to default on their obligations under our contracts or seek bankruptcy protection, we may not be able to purchase or receive a sufficient quantity of natural gas in order to satisfy our delivery obligations under our GSAs, PPA and SSA with LNG produced at our own Liquefaction Facilities. Any permanent interruption at any key LNG supply chains that caused a material reduction in volumes transported on or to our tankers and facilities could have a material adverse effect on our business, financial condition, operating results, cash flow, liquidity and prospects.

While we have entered into contracts with a third party to purchase a substantial portion of our expected LNG volumes for 2020, we will need to purchase significant additional LNG volumes to meet our delivery obligations to our downstream customers. Failure to secure contracts for the purchase of a sufficient amount of natural gas could materially and adversely affect our business, operating results, cash flows and liquidity.

Recently, the LNG industry has experienced increased volatility. If market disruptions and bankruptcies of third-party LNG suppliers and shippers negatively impacts our ability to purchase a sufficient amount of LNG or significantly increases our costs for purchasing LNG, our business, operating results, cash flows and liquidity could be materially and adversely affected. There can be no assurances that we will complete the Pennsylvania Facility or be able to supply our facilities with LNG produced at our own facilities. Even if we do complete the Pennsylvania Facility, there can be no assurance that it will operate as we expect or that we will succeed in our goal of reducing the risk to our operations of future LNG price variations.

***We face competition based upon the international market price for LNG or natural gas.***

Our business is subject to the risk of natural gas and LNG price competition at times when we need to replace any existing customer contract, whether due to natural expiration, default or otherwise, or enter into new customer contracts. Factors relating to competition may prevent us from entering into new or replacement customer contracts on economically comparable terms to existing customer contracts, or at all. Such an event could have a material adverse effect on our business, contracts, financial condition, operating results, cash flow, liquidity and prospects. Factors which may negatively affect potential demand for natural gas from our business are diverse and include, among others:

- increases in worldwide LNG production capacity and availability of LNG for market supply;
- increases in demand for natural gas but at levels below those required to maintain current price equilibrium with respect to supply;
- increases in the cost to supply natural gas feedstock to our liquefaction projects;
- increases in the cost to supply LNG feedstock to our facilities;
- decreases in the cost of competing sources of natural gas, LNG or alternate fuels such as coal, heavy fuel oil and diesel;
- decreases in the price of LNG; and
- displacement of LNG or fossil fuels more broadly by alternate fuels or energy sources or technologies (including but not limited to nuclear, wind, solar, biofuels and batteries) in locations where access to these energy sources is not currently available or prevalent.

In addition, we may not be able to successfully execute on our strategy to supply our existing and future customers with LNG produced primarily at our own facilities upon completion of the Pennsylvania Facility. See "—We have not yet completed contracting, construction and commissioning of all of our Terminals and Liquefaction Facilities. There can be no assurance that our Terminals and Liquefaction Facilities will operate as expected, or at all."

***Technological innovation may impair the economic attractiveness of our projects.***

The success of our current operations and future projects will depend in part on our ability to create and maintain a competitive position in the natural gas liquefaction industry. In particular, although we plan to build out our delivery logistics chain in Northern Pennsylvania using proven technologies such as those currently in operation at our Miami Facility, we do not have any exclusive rights to any of these technologies. In addition, such technologies may be rendered obsolete or uneconomical by legal or regulatory requirements, technological advances, more efficient and cost-effective processes or entirely different approaches developed by one or more of our competitors or others, which could materially and adversely affect our business, ability to realize benefits from future projects, results of operations, financial condition, liquidity and prospects.

***Changes in legislation and regulations could have a material adverse impact on our business, results of operations, financial condition, liquidity and prospects.***

Our business is subject to numerous governmental laws, rules, regulations and requires permits that impose various restrictions and obligations that may have material effects on our results of operations. In addition, each of the applicable regulatory requirements and limitations is subject to change, either through new regulations enacted on the federal, state or local level, or by new or modified regulations that may be implemented under existing law. The nature and extent of any changes in these laws, rules, regulations and permits may be unpredictable and may have material effects on our business. Future legislation and regulations or changes in existing legislation and regulations, or interpretations thereof, such as those relating to the liquefaction, storage, or regasification of LNG, or its transportation could cause additional expenditures, restrictions and delays in connection with our operations as well as other future projects, the extent of which cannot be predicted and which may require us to limit substantially, delay or cease operations in some circumstances. Revised, reinterpreted or additional laws and regulations that result in increased compliance costs or additional operating costs and restrictions could have an adverse effect on our business, the ability to expand our business, including into new markets, results of operations, financial condition, liquidity and prospects.

***Increasing trucking regulations may increase our costs and negatively impact our results of operations.***

We are developing a transportation system specifically dedicated to transporting LNG from our Liquefaction Facilities to a nearby port, from which our LNG can be transported to our operations in the Atlantic Basin and elsewhere. This transportation system may include trucks that we or our affiliates own and operate. Any such operations would be subject to various trucking safety regulations, including those which are enacted, reviewed and amended by the Federal Motor Carrier Safety Administration ("FMCSA"). These regulatory authorities exercise broad powers, governing activities such as the authorization to engage in motor carrier operations, driver licensing, insurance requirements, financial reporting and review of certain mergers, consolidations and acquisitions, and transportation of hazardous materials. To a large degree, intrastate motor carrier operations are subject to state and/or local safety regulations that mirror federal regulations but also regulate the weight and size dimensions of loads.

All federally regulated carriers' safety ratings are measured through a program implemented by the FMCSA known as the Compliance Safety Accountability ("CSA") program. The CSA program measures a carrier's safety performance based on violations observed during roadside inspections as opposed to compliance audits performed by the FMCSA. The quantity and severity of any violations are compared to a peer group of companies of comparable size and annual mileage. If a company rises above a threshold established by the FMCSA, it is subject to action from the FMCSA. There is a progressive intervention strategy that begins with a company providing the FMCSA with an acceptable plan of corrective action that the company will implement. If the issues are not corrected, the intervention escalates to on-site compliance audits and ultimately an "unsatisfactory" rating and the revocation of the company's operating authority by the FMCSA, which could result in a material adverse effect on our business and consolidated results of operations and financial position.

Any trucking operations would be subject to possible regulatory and legislative changes that may increase our costs. Some of these possible changes include changes in environmental regulations, changes in the hours of service regulations which govern the amount of time a driver may drive or work in any specific period, onboard black box recorder device requirements or limits on vehicle weight and size.

***We may not be able to renew or obtain new or favorable charters or leases, which could adversely affect our business, prospects, financial condition, results of operations and cash flows.***

We have obtained long-term leases and corresponding rights-of-way agreements with respect to the land on which the Jamaica Terminals, the pipeline connecting the Montego Bay Terminal to the Bogue Power Plant, the Miami Facility, the San Juan Facility and the CHP Plant are situated. However, we do not own the land. As a result, we are subject to the possibility of increased costs to retain necessary land use rights as well as local law. If we were to lose these rights or be required to relocate, our business could be materially and adversely affected. The Miami Facility is currently located on land we are leasing from an affiliate. Any payments under the existing lease or future modifications or extensions to the lease could involve transacting with an affiliate. We have also entered into LNG tanker charters in order to secure shipping capacity for our import of LNG to the Jamaica Terminals.

Our ability to renew existing charters or leases for our current projects or obtain new charters or leases for our future projects will depend on prevailing market conditions upon expiration of the contracts governing the leasing or charter of the applicable assets. Therefore, we may be exposed to increased volatility in terms of rates and contract provisions. Likewise, our counterparties may seek to terminate or renegotiate their charters or leases with us. If we are not able to renew or obtain new charters or leases in direct continuation, or if new charters or leases are entered into at rates substantially above the existing rates or on terms otherwise less favorable compared to existing contractual terms, our business, prospects, financial condition, results of operations and cash flows could be materially adversely affected.

***We may not be able to successfully enter into contracts or renew existing contracts to charter tankers in the future, which may result in us not being able to meet our obligations.***

We enter into time charters of ocean-going tankers for the transportation of LNG, which extend for varying lengths of time. We may not be able to successfully enter into contracts or renew existing contracts to charter tankers in the future, which may result in us not being able to meet our obligations. We are also exposed to changes in market rates and availability for tankers, which may affect our earnings. Fluctuations in rates result from changes in the supply of and demand for capacity and changes in the demand for seaborne carriage of commodities. Because the factors affecting the supply and demand are outside of our control and are unpredictable, the nature, timing, direction and degree of changes in industry conditions are also unpredictable.

We rely on the operation of tankers under our time charters and ship-to-ship kits to transfer LNG between ships. The operation of ocean-going tankers and kits carries inherent risks. These risks include the possibility of:

- natural disasters;
- mechanical failures;
- grounding, fire, explosions and collisions;
- piracy;
- human error; and
- war and terrorism.

We do not currently maintain a redundant supply of ships, ship-to-ship kits or other equipment. As a result, if our current equipment fails, is unavailable or insufficient to service our LNG purchases, production, or delivery commitments we may need to procure new equipment, which may not be available or be expensive to obtain. Any such occurrence could delay the start of operations of facilities we intend to commission, interrupt our existing operations and increase our operating costs. Any of these results could have a material adverse effect on our business, financial condition and operating results.

***The operation of LNG carriers is inherently risky, and an incident resulting in significant loss or environmental consequences involving an LNG vessel could harm our reputation and business.***

Cargoes of LNG and our chartered vessels are at risk of being damaged or lost because of events such as:

- marine disasters;
- piracy;

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

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

- death or injury to persons, loss of property or environmental damage;
- delays in the delivery of cargo;
- loss of revenues;
- termination of charter contracts;
- governmental fines, penalties or restrictions on conducting business;
- higher insurance rates; and
- damage to our reputation and customer relationships generally.

Any of these circumstances or events could increase our costs or lower our revenues.

If our chartered vessels suffer damage as a result of such an incident, they may need to be repaired. The loss of earnings while these vessels are being repaired would decrease our results of operations. If a vessel we charter were involved in an accident with the potential risk of environmental impacts or contamination, the resulting media coverage could have a material adverse effect on our reputation, our business, our results of operations and cash flows and weaken our financial condition.

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

Our chartered vessels' operations in international waters and in the territorial waters of other countries are regulated by extensive and changing international, national and local environmental protection laws, regulations, treaties and conventions in force in international waters, the jurisdictional waters of the countries in which our vessels operate, as well as the countries of our vessels' registration, including those governing oil spills, discharges to air and water and the handling and disposal of hazardous substances and wastes. The International Maritime Organization ("IMO") International Convention for the Prevention of Pollution from Ships of 1973, as amended from time to time, and generally referred to as "MARPOL," can affect operations of our chartered vessels. In addition, our chartered LNG vessels may become subject to the International Convention on Liability and Compensation for Damage in Connection with the Carriage of Hazardous and Noxious Substances by Sea (the "HNS Convention"), adopted in 1996 and subsequently amended by a Protocol to the HNS Convention in April 2010. Other regulations include, but are not limited to, the designation of Emission Control Areas under MARPOL, the IMO International Convention on Civil Liability for Oil Pollution Damage of 1969, as amended from time to time, the International Convention on Civil Liability for Bunker Oil Pollution Damage, the IMO International Convention for the Safety of Life at Sea of 1974, as amended from time to time, the International Safety Management Code for the Safe Operations of Ships and for Pollution Prevention, the IMO International Convention on Load Lines of 1966, as amended from time to time and the International Convention for the Control and Management of Ships' Ballast Water and Sediments in February 2004.

Moreover, the overall trends are towards more regulations and more stringent requirements which are likely to add to our costs of doing business. We contract with leading vessel providers in the LNG market and look for them to take the lead in maintaining compliance with all such requirements, although the terms of our charter agreements may call for us to bear some or all of the associated costs. While we believe we are similarly situated with respect to other companies that charter vessels, we cannot assure you that these requirements will not have a material effect on our business.

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

***There may be shortages of LNG tankers worldwide, which could have a material adverse effect on our business, contracts, financial condition, operating results, cash flow, liquidity and prospects.***

We rely on ocean-going LNG tankers and freight carriers (for ISO containers) for the movement of LNG. Consequently, our ability to provide services to our customers could be adversely impacted by shifts in tanker market dynamics, shortages in available cargo capacity, changes in policies and practices such as scheduling, pricing, routes of service and frequency of service, or increases in the cost of fuel, taxes and labor, and other factors not within our control. The construction and delivery of LNG tankers require significant capital and long construction lead times, and the availability of the tankers could be delayed to the detriment of our LNG business and our customers because of:

- an inadequate number of shipyards constructing LNG tankers and a backlog of orders at these shipyards;
- political or economic disturbances in the countries where the tankers are being constructed;
- changes in governmental regulations or maritime self-regulatory organizations;
- work stoppages or other labor disturbances at the shipyards;
- bankruptcy or other financial crisis of shipbuilders;
- quality or engineering problems;
- weather interference or a catastrophic event, such as a major earthquake, tsunami or fire; or
- shortages of or delays in the receipt of necessary construction materials.

Changes in ocean freight capacity, which are outside our control, could negatively impact our ability to provide natural gas if LNG shipping capacity is adversely impacted and LNG transportation costs increase because we may bear the risk of such increases and may not be able to pass these increases on to our customers. Material interruptions in service or stoppages in LNG transportation could adversely impact our business, results of operations and financial condition.

***Competition in the LNG industry is intense, and some of our competitors have greater financial, technological and other resources than we currently possess.***

We operate in the highly competitive area of LNG production and face intense competition from independent, technology-driven companies as well as from both major and other independent oil and natural gas companies and utilities, many of which have been in operation longer than us.

Many competing companies have secured access to, or are pursuing development or acquisition of, LNG facilities in North America. We may face competition from major energy companies and others in pursuing our proposed business strategy to provide liquefaction and export products and services. In addition, competitors have and are developing LNG terminals in other markets, which will compete with our LNG facilities. Some of these competitors have longer operating histories, more development experience, greater name recognition, larger staffs and substantially greater financial, technical and marketing resources than we currently possess. We also face competition for the contractors needed to build our facilities. The superior resources that some of these competitors have available for deployment could allow them to compete successfully against us, which could have a material adverse effect on our business, ability to realize benefits from future projects, results of operations, financial condition, liquidity and prospects.

***Failure of LNG to be a competitive source of energy in the markets in which we operate, and seek to operate, could adversely affect our expansion strategy.***

Our operations are, and will be, dependent upon LNG being a competitive source of energy in the markets in which we operate. In the United States, due mainly to a historic abundant supply of natural gas and discoveries of substantial quantities of unconventional, or shale, natural gas, imported LNG has not developed into a significant energy source. The success of the domestic liquefaction component of our business plan is dependent, in part, on the extent to which natural gas can, for significant periods and in significant volumes, be produced in the United States at a lower cost than the cost to produce some domestic supplies of other alternative energy sources, and that it can be transported at reasonable rates through appropriately scaled infrastructure.

Potential expansion in the Caribbean and other parts of world where we may operate is primarily dependent upon LNG being a competitive source of energy in those geographical locations. For example, in the Caribbean, due mainly to a lack of regasification infrastructure and an underdeveloped international market for natural gas, natural gas has not yet developed into a significant energy source. The success of our operations in the Caribbean is dependent, in part, on the extent to which LNG can, for significant periods and in significant volumes, be produced internationally and delivered to Caribbean customers at a lower cost than the cost to deliver other alternative energy sources.

Political instability in foreign countries that export LNG, or strained relations between such countries and countries in the Caribbean, may also impede the willingness or ability of LNG suppliers and merchants in such countries to export LNG to the Caribbean. Furthermore, some foreign suppliers of LNG may have economic or other reasons to direct their LNG to non-Caribbean markets or from or to our competitors' LNG facilities. Natural gas also competes with other sources of energy, including coal, oil, nuclear, hydroelectric, wind and solar energy, which may become available at a lower cost in certain markets.

As a result of these and other factors, natural gas may not be a competitive source of energy in the markets we intend to serve or elsewhere. The failure of natural gas to be a competitive supply alternative to oil and other alternative energy sources could adversely affect our ability to deliver LNG or natural gas to our customers in the Caribbean or other locations on a commercial basis.

***Any use of hedging arrangements may adversely affect our future operating results or liquidity.***

To reduce our exposure to fluctuations in the price, volume and timing risk associated with the purchase of natural gas, we may enter into futures, swaps and option contracts traded or cleared on the Intercontinental Exchange and the New York Mercantile Exchange or over-the-counter ("OTC") options and swaps with other natural gas merchants and financial institutions. Hedging arrangements would expose us to risk of financial loss in some circumstances, including when:

- expected supply is less than the amount hedged;
- the counterparty to the hedging contract defaults on its contractual obligations; or
- there is a change in the expected differential between the underlying price in the hedging agreement and actual prices received.

The use of derivatives also may require the posting of cash collateral with counterparties, which can impact working capital when commodity prices change. However, we do not currently have any hedging arrangements, and failure to properly hedge our positions against changes in natural gas prices could also have a material adverse effect on our business, financial condition and operating results.

***Our risk management strategies cannot eliminate all LNG price and supply risks. In addition, any non-compliance with our risk management strategies could result in significant financial losses.***

When engaged in marketing activities, it is our strategy to maintain a manageable balance between LNG purchases, on the one hand, and sales or future delivery obligations, on the other hand. Through these transactions, we seek to earn a margin for the LNG purchased by selling LNG for physical delivery to third-party users, such as public utilities, shipping/marine cargo companies, industrial users, railroads, trucking fleets and other potential end-users converting from traditional diesel or oil fuel to natural gas. These strategies cannot, however, eliminate all price risks. For example, any event that disrupts our anticipated supply chain could expose us to risk of loss resulting from price changes if we are required to obtain alternative supplies to cover these transactions. We are also exposed to basis risks when LNG is purchased against one pricing index and sold against a different index. Moreover, we are also exposed to other risks, including price risks on LNG we own, which must be maintained in order to facilitate transportation of the LNG to our customers or to our facilities. In addition, our marketing operations involve the risk of non-compliance with our risk management policies. We cannot assure you that our processes and procedures will detect and prevent all violations of our risk management strategies, particularly if deception or other intentional misconduct is involved. If we were to incur a material loss related to commodity price risks, including non-compliance with our risk management strategies, it could have a material adverse effect on our financial position, results of operations and cash flows. There can be no assurance that we will complete the Pennsylvania Facility or be able to supply our facilities and the CHP Plant with LNG produced at our own facilities. Even if we do complete the Pennsylvania Facility, there can be no assurance that it will operate as expected or that we will succeed in our goal of reducing the risk to our operations of future LNG price variations.

***We may experience increased labor costs, and the unavailability of skilled workers or our failure to attract and retain qualified personnel could adversely affect us.***

We are dependent upon the available labor pool of skilled employees, including truck drivers. We compete with other energy companies and other employers to attract and retain qualified personnel with the technical skills and experience required to construct and operate our energy-related infrastructure and to provide our customers with the highest quality service. In addition, the tightening of the transportation related labor market due to the shortage of skilled truck drivers may affect our ability to hire and retain skilled truck drivers and require us to pay increased wages. Our affiliates in the United States who hire personnel on our behalf are also subject to the Fair Labor Standards Act, which governs such matters as minimum wage, overtime and other working conditions. We are also subject to applicable labor regulations in the other jurisdictions in which we operate, including Jamaica. We may face challenges and costs in hiring, retaining and managing our Jamaican and other employee base. A shortage in the labor pool of skilled workers, particularly in Jamaica or the United States, or other general inflationary pressures or changes in applicable laws and regulations, could make it more difficult for us to attract and retain qualified personnel and could require an increase in the wage and benefits packages that we offer, thereby increasing our operating costs. Any increase in our operating costs could materially and adversely affect our business, financial condition, operating results, liquidity and prospects.

***Our current lack of asset and geographic diversification could have an adverse effect on our business, contracts, financial condition, operating results, cash flow, liquidity and prospects.***

The substantial majority of our anticipated revenue in 2019 will be dependent upon our assets and customers in Jamaica. Jamaica has historically experienced economic volatility and the general condition and performance of the Jamaican economy, over which we have no control, may affect our business, financial condition and results of operations. Due to our current lack of asset and geographic diversification, an adverse development at the Jamaica Terminals, in the energy industry or in the economic conditions in Jamaica, would have a significantly greater impact on our financial condition and operating results than if we maintained more diverse assets and operating areas.

***We may incur impairments to long-lived assets.***

We test our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Significant negative industry or economic trends, and decline of our market capitalization, reduced estimates of future cash flows for our business segments or disruptions to our business could lead to an impairment charge of our long-lived assets. Our valuation methodology for assessing impairment requires management to make judgments and assumptions based on historical experience and to rely heavily on projections of future operating performance. Projections of future operating results and cash flows may vary significantly from results. In addition, if our analysis results in an impairment to our long-lived assets, we may be required to record a charge to earnings in our consolidated financial statements during a period in which such impairment is determined to exist, which may negatively impact our operating results.

***A major health and safety incident involving LNG or the energy industry more broadly or relating to our business may lead to more stringent regulation of LNG operations or the energy business generally, could result in greater difficulties in obtaining permits, including under environmental laws, on favorable terms, and may otherwise lead to significant liabilities and reputational damage.***

Health and safety performance is critical to the success of all areas of our business. Any failure in health and safety performance from our operations may result in an event that causes personal harm or injury to our employees, other persons, and/or the environment, as well as the imposition of injunctive relief and/or penalties for non-compliance with relevant regulatory requirements or litigation. Any such failure that results in a significant health and safety incident may be costly in terms of potential liabilities, and may result in liabilities that exceed the limits of our insurance coverage. Such a failure, or a similar failure elsewhere in the energy industry (including, in particular, LNG liquefaction, storage, transportation or regasification operations), could generate public concern, which may lead to new laws and/or regulations that would impose more stringent requirements on our operations, have a corresponding impact on our ability to obtain permits and approvals, and otherwise jeopardize our reputation or the reputation of our industry as well as our relationships with relevant regulatory agencies and local communities. Individually or collectively, these developments could adversely impact our ability to expand our business, including into new markets. Similarly, such developments could have a material adverse effect on our business, contracts, financial condition, operating results, cash flow, liquidity and prospects.

***The swaps regulatory and other provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") and the rules adopted thereunder and other regulations, including European Market Infrastructure Regulation ("EMIR") and Regulation on Wholesale Energy Market Integrity and Transparency ("REMIT"), could adversely affect our ability to hedge risks associated with our business and our operating results and cash flows.***

Title VII of the Dodd-Frank Act established federal regulation of the OTC derivatives market and made other amendments to the Commodity Exchange Act that are relevant to our business. The provisions of Title VII of the Dodd-Frank Act and the rules adopted thereunder by the Commodity Futures Trading Commission ("CFTC"), the SEC and other federal regulators may adversely affect our ability to manage certain of our risks on a cost-effective basis. Such laws and regulations may also adversely affect our ability to execute our strategies with respect to hedging our exposure to variability in expected future cash flows attributable to the future sale of our LNG inventory and to price risk attributable to future purchases of natural gas to be utilized as fuel to operate our facilities, our CHP Plant and to secure natural gas feedstock for our Liquefaction Facilities.

The CFTC has proposed new rules setting limits on the positions in certain core futures contracts, economically equivalent futures contracts, options contracts and swaps for or linked to certain physical commodities, including natural gas, held by market participants, with limited exemptions for certain bona fide hedging and other types of transactions. The CFTC has also adopted final rules regarding aggregation of positions, under which a party that controls the trading of, or owns 10% or more of the equity interests in, another party will have to aggregate the positions of the controlled or owned party with its own positions for purposes of determining compliance with position limits unless an exemption applies. The CFTC's aggregation rules are now in effect, though CFTC staff have granted relief—until August 12, 2022—from various conditions and requirements in the final aggregation rules. With the implementation of the final aggregation rules and upon the adoption and effectiveness of final CFTC position limits rules, our ability to execute our hedging strategies described above could be limited. It is uncertain at this time whether, when and in what form the CFTC's proposed new position limits rules may become final and effective.

Under the Dodd-Frank Act and the rules adopted thereunder, we may be required to clear through a derivatives clearing organization any swaps into which we enter that fall within a class of swaps designated by the CFTC for mandatory clearing and we could have to execute trades in such swaps on certain trading platforms. The CFTC has designated six classes of interest rate swaps and credit default swaps for mandatory clearing, but has not yet proposed rules designating any other classes of swaps, including physical commodity swaps, for mandatory clearing. Although we expect to qualify for the end-user exception from the mandatory clearing and trade execution requirements for any swaps entered into to hedge our commercial risks, if we fail to qualify for that exception and have to clear such swaps through a derivatives clearing organization, we could be required to post margin with respect to such swaps, our cost of entering into and maintaining such swaps could increase and we would not enjoy the same flexibility with the cleared swaps that we enjoy with the uncleared OTC swaps we enter. Moreover, the application of the mandatory clearing and trade execution requirements to other market participants, such as Swap Dealers, may change the cost and availability of the swaps that we use for hedging.

As required by the Dodd-Frank Act, the CFTC and the federal banking regulators have adopted rules requiring certain market participants to collect initial and variation margin with respect to uncleared swaps from their counterparties that are financial end-users and certain registered Swap Dealers and Major Swap Participants. The requirements of those rules are subject to a phased-in compliance schedule, which commenced on September 1, 2016. Although we believe we will qualify as a non-financial end user for purposes of these rules, were we not to do so and have to post margin as to our uncleared swaps in the future, our cost of entering into and maintaining swaps would be increased. In June 2011, the Basel Committee on the Banking Supervision, an international trade body comprised of senior representatives of bank supervisory authorities and central banks from 27 countries, including the United States and the European Union, announced the final framework for a comprehensive set of capital and liquidity standards, commonly referred to as “Basel III.” Our counterparties that are subject to the Basel III capital requirements may increase the cost to us of entering into swaps with them or, although not required to collect margin from us under the margin rules, require us to post collateral with them in connection with such swaps in order to offset their increased capital costs or to reduce their capital costs to maintain those swaps on their balance sheets.

The Dodd-Frank Act also imposes regulatory requirements on swaps market participants, including Swap Dealers and other swaps entities as well as certain regulations on end-users of swaps, including regulations relating to swap documentation, reporting and recordkeeping, and certain business conduct rules applicable to Swap Dealers and other swaps entities. Together with the Basel III capital requirements on certain swaps market participants, these regulations could significantly increase the cost of derivative contracts (including through requirements to post margin or collateral), materially alter the terms of derivative contracts, reduce the availability of derivatives to protect against certain risks that we encounter, and reduce our ability to monetize or restructure our existing derivative contracts and to execute our hedging strategies. If, as a result of the swaps regulatory regime discussed above, we were to forgo or reduce our use of swaps to hedge our risks, such as commodity price risks that we encounter in our operations, our operating results and cash flows may become more volatile and could be otherwise adversely affected.

EMIR may result in increased costs for OTC derivative counterparties and also lead to an increase in the costs of, and demand for, the liquid collateral that EMIR requires central counterparties to accept. Although we expect to qualify as a non-financial counterparty under EMIR and thus not be required to post margin under EMIR, our subsidiaries and affiliates operating in the Caribbean may still be subject to increased regulatory requirements, including recordkeeping, marking to market, timely confirmations, derivatives reporting, portfolio reconciliation and dispute resolution procedures. Regulation under EMIR could significantly increase the cost of derivatives contracts, materially alter the terms of derivatives contracts and reduce the availability of derivatives to protect against risks that we encounter. The increased trading costs and collateral costs may have an adverse impact on our business, contracts, financial condition, operating results, cash flow, liquidity and prospects.

Our subsidiaries and affiliates operating in the Caribbean may be subject to REMIT as wholesale energy market participants. This classification imposes increased regulatory obligations on our subsidiaries and affiliates, including a prohibition to use or disclose insider information or to engage in market manipulation in wholesale energy markets, and an obligation to report certain data. These regulatory obligations may increase the cost of compliance for our business and if we violate these laws and regulations, we could be subject to investigation and penalties.

***Failure to obtain and maintain permits, approvals and authorizations from governmental and regulatory agencies on favorable terms with respect to the design, construction and operation of our facilities could impede operations and construction and could have a material adverse effect on us.***

The design, construction and operation of energy-related infrastructure, including our existing and proposed facilities, the important export of LNG and the transportation of natural gas, are highly regulated activities at the federal, state and local levels. Approvals of the DOE under Section 3 of the NGA, as well as several other material governmental and regulatory permits, approvals and authorizations, including under the CAA and the CWA and their state analogues, may be required in order to construct and operate an LNG facility and export LNG. Permits, approvals and authorizations obtained from the DOE and other federal and state regulatory agencies also contain ongoing conditions, and additional requirements may be imposed. Certain federal permitting processes may trigger the requirements of the National Environmental Policy Act ("NEPA"), which requires federal agencies to evaluate major agency actions that have the potential to significantly impact the environment. Compliance with NEPA may extend the time and/or increase the costs for obtaining necessary governmental approvals associated with our operations and create independent risk of legal challenges to the adequacy of the NEPA analysis, which could result in delays that may adversely affect our business, contracts, financial condition, operating results, cash flow, liquidity and profitability. We may also be subject to additional requirements in Jamaica, Mexico, Ireland, Angola or other jurisdictions, including with respect to land use approvals needed to construct and operate our facilities.

We cannot control the outcome of any review and approval process, including whether or when any such permits, approvals and authorizations will be obtained, the terms of their issuance, or possible appeals or other potential interventions by third parties that could interfere with our ability to obtain and maintain such permits, approvals and authorizations or the terms thereof. If we are unable to obtain and maintain such permits, approvals and authorizations on favorable terms, we may not be able to recover our investment in our projects. Many of these permits, approvals and authorizations require public notice and comment before they can be issued, which can lead to delays to respond to such comments, and even potentially to revise the permit application. There is no assurance that we will obtain and maintain these governmental permits, approvals and authorizations on favorable terms, or that we will be able to obtain them on a timely basis, and failure to obtain and maintain any of these permits, approvals or authorizations could have a material adverse effect on our business, financial condition, operating results, liquidity and prospects. Moreover, many of these permits, approvals and authorizations are subject to administrative and judicial challenges, which can delay and protract the process for obtaining and implementing permits and can also add significant costs and uncertainty.

***Existing and future environmental, health and safety laws and regulations could result in increased compliance costs or additional operating costs or construction costs and restrictions.***

Our business is now and will in the future be subject to extensive federal, state and local laws and regulations both in the United States and in other jurisdictions where we operate. These requirements regulate and restrict, among other things, the siting and design of our facilities, discharges to air, land and water, with particular respect to the protection of human health, the environment and natural resources from risks associated with storing, receiving and transporting LNG; the handling, storage and disposal of hazardous materials, hazardous waste and petroleum products; and remediation associated with the release of hazardous substances. For example, PHMSA has promulgated detailed regulations governing LNG facilities under its jurisdiction to address siting, design, construction, equipment, operations, maintenance, personnel qualifications and training, fire protection and security. While the Miami Facility is subject to these regulations, none of our LNG facilities currently under development are subject to PHMSA's jurisdiction, but state and local regulators can impose similar siting, design, construction and operational requirements.

Federal and state laws impose liability, without regard to fault or the lawfulness of the original conduct, for the release of certain types or quantities of hazardous substances into the environment. As the owner and operator of our facilities, we could be liable for the costs of cleaning up any such hazardous substances that may be released into the environment at or from our facilities and for any resulting damage to natural resources.

Many of these laws and regulations, such as the CAA and the CWA, and analogous state laws and regulations, restrict or prohibit the types, quantities and concentrations of substances that can be emitted into the environment in connection with the construction and operation of our facilities, and require us to obtain and maintain permits and provide governmental authorities with access to our facilities for inspection and reports related to our compliance. For example, the Pennsylvania Department of Environmental Protection laws and regulations will apply to the construction and operation of the Pennsylvania Facility. Relevant local authorities may also require us to obtain and maintain permits associated with the construction and operation of our facilities, including with respect to land use approvals. Failure to comply with these laws and regulations could lead to substantial liabilities, fines and penalties or capital expenditures related to pollution control equipment and restrictions or curtailment of our operations, which could have a material adverse effect on our business, contracts, financial condition, operating results, cash flow, liquidity and prospects.

Other future legislation and regulations could cause additional expenditures, restrictions and delays in our business and to our proposed construction, the extent of which cannot be predicted and which may require us to limit substantially, delay or cease operations in some circumstances. In October 2017, the U.S. Government Accountability Office issued a legal determination that a 2013 interagency guidance document was a “rule” subject to the Congressional Review Act (“CRA”). This legal determination could open a broader set of agency guidance documents to potential disapproval and invalidation under the CRA, potentially increasing the likelihood that laws and regulations applicable to our business will become subject to revised interpretations in the future that we cannot predict. Revised, reinterpreted or additional laws and regulations that result in increased compliance costs or additional operating or construction costs and restrictions could have a material adverse effect on our business, contracts, financial condition, operating results, cash flow, liquidity and prospects.

*Greenhouse Gases/Climate Change*. From time to time, there may be federal and state regulatory and policy initiatives to reduce GHG emissions in the United States from a variety of sources. Other federal and state initiatives are being considered or may be considered in the future to address GHG emissions through, for example, United States treaty commitments or other international agreements, direct regulation, a carbon emissions tax, or cap-and-trade programs.

Responding to scientific reports regarding threats posed by global climate change, the U.S. Congress has in the past considered legislation to reduce emissions of GHGs. In addition, some states and foreign jurisdictions have individually or in regional cooperation, imposed restrictions on GHG emissions under various policies and approaches, including establishing a cap on emissions, requiring efficiency measures, or providing incentives for pollution reduction, use of renewable energy sources, or use of replacement fuels with lower carbon content.

The adoption and implementation of any U.S. federal, state or local regulations or foreign regulations imposing obligations on, or limiting emissions of GHGs from, our equipment and operations could require us to incur significant costs to reduce emissions of GHGs associated with our operations or could adversely affect demand for natural gas and natural gas products. The potential increase in our operating costs could include new costs to operate and maintain our facilities, install new emission controls on our facilities, acquire allowances to authorize our GHG emissions, pay taxes related to our GHG emissions, and administer and manage a GHG emissions program. We may not be able to recover such increased costs through increases in customer prices or rates. In addition, changes in regulatory policies that result in a reduction in the demand for hydrocarbon products that are deemed to contribute to GHGs, or restrict their use, may reduce volumes available to us for processing, transportation, marketing and storage. These developments could have a material adverse effect on our financial position, results of operations and cash flows.

In addition, due to concerns over climate change, numerous countries around the world have adopted or are considering adopting laws or regulations to reduce GHG emissions. In December 2015, the U.S. and 195 other nations attending the United Nations Climate Change Conference adopted the Paris Agreement on global climate change, which establishes a universal framework for addressing GHG emissions based on nationally determined contributions. The Paris Agreement calls for zero net anthropogenic GHG emission to be reached during the second half of the 21st century. Each party is to prepare a plan on its contributions to reach this goal; each plan is to be filed in a publicly available registry. The Paris Agreement does not create any binding obligations for nations to limit their GHG emissions but rather includes pledges to voluntarily limit or reduce future emissions. It also creates a process for participating countries to review and increase their intended emissions reduction goals every five years. The ultimate impact of the Paris Agreement depends on its ratification and implementation by participating countries, and cannot be determined at this time. Although the United States became a party to the Paris Agreement in April 2016, the Trump administration subsequently announced in June 2017 its intention either to withdraw from the Paris Agreement or renegotiate more favorable terms. However, the Paris Agreement stipulates that participating countries must wait four years before withdrawing from the agreement. It is not possible to know how quickly renewable energy technologies may advance, but the increased use of renewable energy could ultimately reduce future demand for hydrocarbons. These developments could have a material adverse effect on our financial position, results of operations and cash flows.

*Fossil Fuels*. Our business activities depend upon a sufficient and reliable supply of natural gas feedstock, and are therefore subject to concerns in certain sectors of the public about the exploration, production and transportation of natural gas and other fossil fuels and the consumption of fossil fuels more generally. Legislative and regulatory action, and possible litigation, in response to such public concerns may also adversely affect our operations. We may be subject to future laws, regulations, or actions to address such public concern with fossil fuel generation, distribution and combustion, greenhouse gases and the effects of global climate change. Our customers may also move away from using fossil fuels such as LNG for their power generation needs for reputational or perceived risk-related reasons. These matters represent uncertainties in the operation and management of our business, and could have a material adverse effect on our financial position, results of operations and cash flows.

*Hydraulic Fracturing*. Certain of our suppliers of natural gas and LNG employ hydraulic fracturing techniques to stimulate natural gas production from unconventional geological formations (including shale formations), which currently entails the injection of pressurized fracturing fluids (consisting of water, sand and certain chemicals) into a well bore. Moreover, hydraulically fractured natural gas wells account for a significant percentage of the natural gas production in the U.S.; the U.S. Energy Information Administration reported in 2016 that hydraulically fractured wells provided two-thirds of U.S. marketed gas production in 2015. The requirements for permits or authorizations to conduct these activities vary depending on the location where such drilling and completion activities will be conducted. Several states have adopted or are considering adopting regulations to impose more stringent permitting, public disclosure or well construction requirements on hydraulic fracturing operations, or to ban hydraulic fracturing altogether. As with most permitting and authorization processes, there is a degree of uncertainty as to whether a permit will be granted, the time it will take for a permit or approval to be issued and any conditions which may be imposed in connection with the granting of the permit. Certain regulatory authorities have delayed or suspended the issuance of permits or authorizations while the potential environmental impacts associated with issuing such permits can be studied and appropriate mitigation measures evaluated. In addition to state laws, some local municipalities have adopted or are considering adopting land use restrictions, such as city ordinances, that may restrict the performance of or prohibit the well drilling in general and/or hydraulic fracturing in particular.

Hydraulic fracturing activities are typically regulated at the state level, but federal agencies have asserted regulatory authority over certain hydraulic fracturing activities and equipment used in the production, transmission and distribution of oil and natural gas, including such oil and natural gas produced via hydraulic fracturing. Federal and state legislatures and agencies may seek to further regulate or even ban such activities. For example, the Delaware River Basin Commission (“DRBC”), a regional body created via interstate compact responsible for, among other things, water quality protection, water supply allocation, regulatory review, water conservation initiatives, and watershed planning in the Delaware River Basin, has implemented a de facto ban on hydraulic fracturing activities in that basin since 2010 pending the approval of new regulations governing natural gas production activity in the basin. More recently, the DRBC has stated that it will consider new regulations that would ban natural gas production activity, including hydraulic fracturing, in the basin. If additional levels of regulation or permitting requirements were imposed on hydraulic fracturing operations, natural gas prices in North America could rise, which in turn could materially adversely affect the relative pricing advantage that has existed in recent years in favor of domestic natural gas prices (based on Henry Hub pricing). Increased regulation or difficulty in permitting of hydraulic fracturing, and any corresponding increase in domestic natural gas prices, could materially adversely affect demand for LNG and our ability to develop commercially viable LNG facilities.

***We are subject to numerous governmental export laws and trade and economic sanctions laws and regulations. Our failure to comply with such laws and regulations could subject us to liability and have a material adverse impact on our business, results of operations or financial condition.***

We conduct business throughout the world, and our business activities and services are subject to various applicable import and export control laws and regulations of the United States and other countries, particularly countries in the Caribbean, Ireland, Mexico, Angola and the countries in which we seek to do business. We must also comply with U.S. trade and economic sanctions laws, including the U.S. Commerce Department's Export Administration Regulations and economic and trade sanctions regulations maintained by the U.S. Treasury Department's Office of Foreign Assets Control. Although we take precautions to comply with all such laws and regulations, violations of governmental export control and economic sanctions laws and regulations could result in negative consequences to us, including government investigations, sanctions, criminal or civil fines or penalties, more onerous compliance requirements, loss of authorizations needed to conduct aspects of our international business, reputational harm and other adverse consequences. Moreover, it is possible that we could invest both time and capital into a project involving a counterparty who may become subject to sanctions. If that event occurred, we may face an array of issues, including, but not limited to: having to abandon the project, being unable to recuperate prior invested time and capital or being subject to law suits, investigations or regulatory proceedings that could be time-consuming and expensive to respond to and which could lead to criminal or civil fines or penalties.

We are also subject to anti-corruption laws and regulations, including the U.S. Foreign Corrupt Practices Act ("FCPA"), which generally prohibit companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or keeping business and/or other benefits. Some of the jurisdictions in which we currently, or may in the future, operate may present heightened risks for FCPA issues, such as Angola, Jamaica, Mexico and Puerto Rico. Although we have adopted policies and procedures that are designed to ensure that we, our employees and other intermediaries comply with the FCPA, it is highly challenging to adopt policies and procedures that ensure compliance in all respects with the FCPA, particularly in high-risk jurisdictions. Developing and implementing policies and procedures is a complex endeavor. There is no assurance that these policies and procedures will work effectively all of the time or protect us against liability under anti-corruption laws and regulations, including the FCPA, for actions taken by our employees and other intermediaries with respect to our business or any businesses that we may acquire.

If we are not in compliance with anti-corruption laws and regulations, including the FCPA, we may be subject to costly and intrusive criminal and civil investigations as well significant potential criminal and civil penalties and other remedial measures, including changes or enhancements to our procedures, policies and control, as well as potential personnel change and disciplinary actions. Any adverse finding against us could also negatively affect our relationship and reputation with current and potential customers. The occurrence of any of these events could have a material adverse impact on our business, results of operations, financial condition, liquidity and future business prospects.

In addition, in certain countries we serve or expect to serve our customers through third-party agents and other intermediaries, such as customs agents. Violations of applicable import, export, trade and economic sanctions laws and regulations by these third-party agents or intermediaries may also result in adverse consequences and repercussions to us. There can be no assurance that we and our agents and other intermediaries will be in compliance with export control and economic sanctions laws and regulations in the future. In such event of non-compliance, our business and results of operations could be adversely impacted.

### Risks Relating to the Jurisdictions in Which We Operate

***We are currently highly dependent upon economic, political and other conditions and developments in the Caribbean, particularly Jamaica, Puerto Rico and the other jurisdictions in which we operate.***

We currently conduct a meaningful portion of our business in Jamaica. As a result, our current business, results of operations, financial condition and prospects are materially dependent upon economic, political and other conditions and developments in Jamaica.

We currently have interests and operations in Jamaica and the United States and currently intend to expand into additional markets in the Caribbean (including Puerto Rico and the Dominican Republic), Mexico, Ireland, Angola and other geographies, and such interests are subject to governmental regulation in each market. The governments in these markets differ widely with respect to structure, constitution and stability and some countries lack mature legal and regulatory systems. To the extent that our operations depend on governmental approval and regulatory decisions, the operations may be adversely affected by changes in the political structure or government representatives in each of the markets in which we operate. Recent political, security and economic changes have resulted in political and regulatory uncertainty in certain countries in which we operate or may pursue operations. Some of these markets have experienced political, security and economic instability in the recent past and may experience instability in the future. Recently, public demonstrations in Puerto Rico led to the governor's resignation and the political change interrupted the bidding process for the privatization of PREPA's transmission and distribution systems. While our operations have not, to date, been impacted by the demonstrations or changes in Puerto Rico's administration, any cancellation related to or substantial disruption in the development of our Puerto Rico Facility or in our ability to perform our obligations under the Fuel Sale and Purchase Agreement with PREPA could have a material adverse effect on our financial condition, results of operations and cash flows. Furthermore, we cannot predict how our relationship with PREPA could change if PREPA selects a winner in its bidding process for its transmission and distribution system and the system were to become privatized. If such an event were to occur, PREPA may seek to find alternative power sources or purchase substantially less natural gas from us than what we currently expect to sell to PREPA.

Any slowdown or contraction affecting the local economy in a jurisdiction in which we operate could negatively affect the ability of our customers to purchase LNG, natural gas, steam or power from us or to fulfill their obligations under their contracts with us. If the economy in Jamaica or other jurisdictions in which we operate worsens because of, for example:

- lower economic activity;
- an increase in oil, natural gas or petrochemical prices;
- devaluation of the applicable currency;
- higher inflation; or
- an increase in domestic interest rates,

then our business, results of operations, financial condition and prospects may also be significantly affected by actions taken by the government in the jurisdictions in which we operate. Caribbean governments traditionally have played a central role in the economy and continue to exercise significant influence over many aspects of it. They may make changes in policy, or new laws or regulations may be enacted or promulgated, relating to, for example, monetary policy, taxation, exchange controls, interest rates, regulation of banking and financial services and other industries, government budgeting and public sector financing. These and other future developments in the Jamaican economy or in the governmental policies in our Caribbean markets may reduce demand for our products, adversely affect our business, financial condition, results of operations or prospects.

For example, JPS and JPC are subject to the mandate of the OUR. The OUR regulates the amount of money that power utilities in Jamaica, including JPS and JPC, can charge their customers. Though the OUR cannot impact the fixed price we charge our customers for LNG, pricing regulations by the OUR and other similar regulators could negatively impact our customers' ability to perform their obligations under our GSAs and, in the case of JPS, the PPA, which could adversely affect our business, financial condition, results of operations or prospects.

***Our financial condition and operating results may be adversely affected by foreign exchange fluctuations.***

Our condensed consolidated financial statements are presented in U.S. dollars. Therefore, fluctuations in exchange rates used to translate other currencies into U.S. dollars will impact our reported consolidated financial condition, results of operations and cash flows from period to period. These fluctuations in exchange rates will also impact the value of our investments and the return on our investments. Additionally, some of the jurisdictions in which we operate may limit our ability to exchange local currency for U.S. dollars.

A portion of our cash flows and expenses may in the future be incurred in currencies other than the U.S. dollar. Our material counterparties' cash flows and expenses may be incurred in currencies other than the U.S. dollar. There can be no assurance that non-U.S. currencies will not be subject to volatility and depreciation or that the current exchange rate policies affecting these currencies will remain the same. We may choose not to hedge, or we may not be effective in efforts to hedge, this foreign currency risk. Depreciation or volatility of the Jamaican dollar against the U.S. dollar or other currencies could cause counterparties to be unable to pay their contractual obligations under our agreements or to lose confidence in us and may cause our expenses to increase from time to time relative to our revenues as a result of fluctuations in exchange rates, which could affect the amount of net income that we report in future periods.

***We have operations in multiple jurisdictions and may expand our operations to additional jurisdictions, including jurisdictions in which the tax laws, their interpretation or their administration may change. As a result, our tax obligations and related filings are complex and subject to change, and our after-tax profitability could be lower than anticipated.***

We are subject to income, withholding and other taxes in the United States on a worldwide basis and in numerous state, local and foreign jurisdictions with respect to our income and operations related to those jurisdictions. Our after-tax profitability could be affected by numerous factors, including the availability of tax credits, exemptions and other benefits to reduce our tax liabilities, changes in the relative amount of our earnings subject to tax in the various jurisdictions in which we operate, the potential expansion of our business into or otherwise becoming subject to tax in additional jurisdictions, changes to our existing businesses and operations, the extent of our intercompany transactions and the extent to which taxing authorities in the relevant jurisdictions respect those intercompany transactions.

Our after-tax profitability may also be affected by changes in the relevant tax laws and tax rates, regulations, administrative practices and principles, judicial decisions, and interpretations, in each case, possibly with retroactive effect.

**Risks Inherent in Owning Class A shares**

***We are a "controlled company" within the meaning of NASDAQ rules and, as a result, qualify for and intend to rely on exemptions from certain corporate governance requirements.***

New Fortress Energy Holdings holds a majority of the voting power of our shares. As a result, we are a controlled company within the meaning of NASDAQ corporate governance standards. Under NASDAQ rules, a company of which more than 50% of the voting power for the election of directors is held by an individual, a group or another company is a controlled company and may elect not to comply with certain NASDAQ corporate governance requirements, including the requirements that:

- a majority of the board of directors consist of independent directors as defined under the rules of NASDAQ;
- the nominating and governance committee be composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and
- the compensation committee be composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities.

These requirements will not apply to us as long as we remain a controlled company. A controlled company does not need its board of directors to have a majority of independent directors or to form independent compensation and nominating and governance committees. We intend to utilize some or all of these exemptions. Accordingly, shareholders may not have the same protections afforded to shareholders of companies that are subject to all of the corporate governance requirements of NASDAQ.

***New Fortress Energy Holdings has the ability to direct the voting of a majority of our shares, and its interests may conflict with those of our other shareholders.***

As of November 8, 2019, New Fortress Energy Holdings owns an aggregate of approximately 145,057,375 Class B shares representing 86.4% of our voting power. In addition, Wesley R. Edens and Randal A. Nardone, who are members of New Fortress Energy Holdings, own 3,278,199 Class A shares and 3,080,000 Class A shares, respectively, representing 15.7% and 14.8% voting power of the Class A shares, respectively. New Fortress Energy Holdings' beneficial ownership of greater than 50% of our voting shares means New Fortress Energy Holdings will be able to control matters requiring shareholder approval, including the election of directors, changes to our organizational documents and significant corporate transactions. This concentration of ownership makes it unlikely that any other holder or group of holders of our Class A shares will be able to affect the way we are managed or the direction of our business. The interests of New Fortress Energy Holdings with respect to matters potentially or actually involving or affecting us, such as future acquisitions, financings and other corporate opportunities and attempts to acquire us, may conflict with the interests of our other shareholders.

Furthermore, in connection with the IPO, we entered into a shareholders' agreement (the "Shareholders' Agreement") with New Fortress Energy Holdings and its affiliates. The Shareholders' Agreement provides New Fortress Energy Holdings with the right to designate a certain number of nominees to our board of directors so long as New Fortress Energy Holdings and its affiliates collectively beneficially own at least 5% of the outstanding Class A shares and Class B shares. In addition, our operating agreement provides certain entities controlled by Wesley R. Edens and Randal A. Nardone (the "Consenting Entities") the right to approve certain material transactions so long as the Consenting Entities and their affiliates collectively, directly or indirectly, own at least 30% of the outstanding Class A shares and Class B shares. See "Part III, Item 13. Certain Relationships and Related Transactions, and Director Independence—Shareholders' Agreement" in our Annual Report.

Given this concentrated ownership, New Fortress Energy Holdings would have to approve any potential acquisition of us. The existence of a significant shareholder may have the effect of deterring hostile takeovers, delaying or preventing changes in control or changes in management, or limiting the ability of our other shareholders to approve transactions that they may deem to be in the best interests of our company. Moreover, New Fortress Energy Holdings' concentration of share ownership may adversely affect the trading price of our Class A shares to the extent investors perceive a disadvantage in owning stock of a company with a significant shareholder.

In addition, New Fortress Energy Holdings may have different tax positions from us that could influence its decisions regarding whether and when to support the disposition of assets and the incurrence or refinancing of new or existing indebtedness. In addition, the determination of future tax reporting positions, the structuring of future transactions and the handling of any challenge by any taxing authority to our tax reporting positions may take into consideration New Fortress Energy Holdings' tax or other considerations, which may differ from the considerations of NFE or our other shareholders.

***New Fortress Energy Holdings may compete with us.***

Our governing documents provide that New Fortress Energy Holdings is not prohibited from engaging in other businesses or activities, including those that might be in direct competition with us. In addition, New Fortress Energy Holdings may compete with us for investment opportunities and may own an interest in entities that compete with us. Additionally, our operating agreement provides that if New Fortress Energy Holdings or an affiliate or any of their officers, directors or employees acquire knowledge of a potential transaction that could be a corporate opportunity, they have no duty, to the fullest extent permitted by law, to offer such corporate opportunity to us, our Class A shareholders or our affiliates. This may create actual and potential conflicts of interest between us and New Fortress Energy Holdings and result in less than favorable treatment of us and our Class A shareholders.

***Our operating agreement, as well as Delaware law, contains provisions that could discourage acquisition bids or merger proposals, which may adversely affect the market price of our Class A shares and could deprive our investors of the opportunity to receive a premium for their shares.***

Our operating agreement authorizes our board of directors to issue preferred shares without shareholder approval in one or more series, designate the number of shares constituting any series, and fix the rights, preferences, privileges and restrictions thereof, including dividend rights, voting rights, rights and terms of redemption, redemption price or prices and liquidation preferences of such series. If our board of directors elects to issue preferred shares, it could be more difficult for a third party to acquire us. In addition, some provisions of our operating agreement could make it more difficult for a third party to acquire control of us, even if the change of control would be beneficial to our shareholders. These provisions include:

- dividing our board of directors into three classes of directors, with each class serving staggered three-year terms;

- providing that all vacancies, including newly created directorships, may, except as otherwise required by law, or, if applicable, the rights of holders of a series of preferred shares, only be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum;
- permitting any action by shareholders to be taken only at an annual meeting or special meeting rather than by a written consent of the shareholders, subject to the rights of any series of preferred shares with respect to such rights;
- permitting special meetings of our shareholders to be called only by our board of directors pursuant to a resolution adopted by the affirmative vote of a majority of the total number of authorized directors whether or not there exist any vacancies in previously authorized directorships;
- prohibiting cumulative voting in the election of directors;
- establishing advance notice provisions for shareholder proposals and nominations for elections to the board of directors to be acted upon at meetings of the shareholders; and
- providing that the board of directors is expressly authorized to adopt, or to alter or repeal our operating agreement.

***There are certain provisions in our operating agreement regarding exculpation and indemnification of our officers and directors that differ from the Delaware General Corporation Law ("DGCL") in a manner that may be less protective of the interests of our Class A shareholders.***

Our operating agreement provides that to the fullest extent permitted by applicable law our directors or officers will not be liable to us. By contrast, under the DGCL, a director or officer would be liable to us for (i) breach of duty of loyalty to us or our shareholders, (ii) intentional misconduct or knowing violations of the law that are not done in good faith, (iii) improper redemption of shares or declaration of dividends, or (iv) a transaction from which the director derived an improper personal benefit. In addition, our operating agreement provides that we indemnify our directors and officers for acts or omissions to the fullest extent provided by law. By contrast, under the DGCL, a corporation can only indemnify directors and officers for acts or omissions if the director or officer acted in good faith, in a manner he reasonably believed to be in the best interests of the corporation, and, in criminal action, if the officer or director had no reasonable cause to believe his conduct was unlawful. Accordingly, our operating agreement may be less protective of the interests of our Class A shareholders, when compared to the DGCL, insofar as it relates to the exculpation and indemnification of our officers and directors.

***We do not currently plan to pay cash dividends on our Class A shares. Consequently, a shareholder's only opportunity to achieve a return on its investment is if the price of our Class A shares appreciates.***

We do not currently plan to declare regular cash dividends on our Class A shares in the foreseeable future. Consequently, a shareholder's only opportunity to achieve a return on investment in us will be if the shareholder sells its Class A share at a price greater than it paid for such Class A shares. There is no guarantee that the price of our Class A shares that will prevail in the market will ever exceed the price paid to purchase such Class A shares.

***We may issue preferred shares, the terms of which could adversely affect the voting power or value of our Class A shares.***

Our operating agreement authorizes us to issue, without the approval of our shareholders, one or more classes or series of preferred shares having such designations, preferences, limitations and relative rights, including preferences over our Class A shares respecting dividends and distributions, as our board of directors may determine. The terms of one or more classes or series of preferred shares could adversely impact the voting power or value of our Class A shares. For example, we might grant holders of preferred shares the right to elect some number of our directors in all events or on the happening of specified events or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences we might assign to holders of preferred shares could affect the residual value of the Class A shares.

***The market price of our Class A shares could be adversely affected by sales of substantial amounts of our Class A shares in the public or private markets or the perception in the public markets that these sales may occur, including sales by New Fortress Energy Holdings after the exercise of the redemption right pursuant to NFI's limited liability company agreement (the "NFI LLC Agreement") or other large holders.***

As of November 8, 2019, we have 22,892,293 Class A shares and 145,057,375 Class B shares outstanding. The Class A shares sold in the IPO are freely tradable without restriction under the Securities Act except for any Class A shares that may be held or acquired by our directors, officers or affiliates, which will be restricted securities under the Securities Act. Under the NFI LLC Agreement, New Fortress Energy Holdings and any permitted transferees of New Fortress Energy Holdings' NFI LLC Units, subject to certain limitations, have the right (the "Redemption Right") to cause NFI to acquire all or a portion of their NFI LLC Units for, at NFI's election, (i) Class A shares at a redemption ratio of one Class A share for each NFI LLC Unit redeemed, subject to conversion rate adjustments for equity splits, equity dividends and reclassification and other similar transactions or (ii) an equivalent amount of cash. The NFI LLC Units held by New Fortress Energy Holdings and any Class A shares New Fortress Energy Holdings acquired through the exercise of the Redemption Right are subject to resale restrictions under a 180-day lock-up agreement with the underwriters. Each of the lock-up agreements with the underwriters may be waived in the discretion of certain of the underwriters. Sales by New Fortress Energy Holdings after the exercise of the Redemption Right or other large holders of a substantial number of our Class A shares in the public markets, or the perception that such sales might occur, could have a material adverse effect on the price of our Class A shares or could impair our ability to obtain capital through an offering of equity securities. In addition, we have agreed to provide registration rights to New Fortress Energy Holdings. Alternatively, we may be required to undertake a future public or private offering of Class A shares and use the net proceeds from such offering to purchase an equal number of NFI LLC Units from New Fortress Energy Holdings.

***An active, liquid and orderly trading market for our Class A shares may not be maintained and the price of our Class A shares may fluctuate significantly.***

Prior to January 2019, there was no public market for our Class A shares. An active, liquid and orderly trading market for our Class A shares may not be maintained. Active, liquid and orderly trading markets usually result in less price volatility and more efficiency in carrying out investors' purchase and sale orders. The market price of our Class A shares could vary significantly as a result of a number of factors, some of which are beyond our control. In the event of a drop in the market price of our Class A shares, you could lose a substantial part or all of your investment in our Class A shares.

***For as long as we are an emerging growth company, we will not be required to comply with certain reporting requirements that apply to other public companies, including those relating to auditing standards and disclosure about our executive compensation.***

The Jumpstart Our Business Startups Act, or "JOBS Act," contains provisions that, among other things, relax certain reporting requirements for "emerging growth companies," including certain requirements relating to auditing standards and compensation disclosure. We are classified as an emerging growth company. For as long as we are an emerging growth company, which may be up to five full fiscal years, unlike other public companies, we will not be required to, among other things, (i) provide an auditor's attestation report on management's assessment of the effectiveness of our system of internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act, (ii) comply with any new requirements adopted by the PCAOB requiring mandatory audit firm rotation or a supplement to the auditor's report in which the auditor would be required to provide additional information about the audit and the financial statements of the issuer, (iii) provide certain disclosures regarding executive compensation required of larger public companies, or (iv) hold nonbinding advisory votes on executive compensation. We currently intend to take advantage of the exemptions described above. We have also elected to use the extended transition period for complying with new or revised accounting standards under Section 102(b)(2) of the JOBS Act. This election allows us to delay the adoption of new or revised accounting standards that have different effective dates for public and private companies until those standards apply to private companies. As a result, our financial statements may not be comparable to companies that comply with public company effective dates, and our shareholders and potential investors may have difficulty in analyzing our operating results if comparing us to such companies. We will remain an emerging growth company for up to five years, although we will lose that status sooner if we have more than $1.07 billion of revenues in a fiscal year, have more than $700.0 million in market value of our Class A shareholders held by non-affiliates, or issue more than $1.0 billion of non-convertible debt over a three-year period.

To the extent that we rely on any of the exemptions available to emerging growth companies, you will receive less information about our executive compensation and internal control over financial reporting than issuers that are not emerging growth companies. If some investors find our Class A shares to be less attractive as a result, there may be a less active trading market for our Class A shares and our Class A share price may be more volatile.

***If we fail to develop or maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud. As a result, current and potential shareholders could lose confidence in our financial reporting, which would harm our business and the trading price of our Class A shares.***

Effective internal controls are necessary for us to provide reliable financial reports, prevent fraud and operate successfully as a publicly traded company. If we cannot provide reliable financial reports or prevent fraud, our reputation and operating results would be harmed. In connection with the preparation of our financial statements for the year ended December 31, 2018, we concluded there was a significant deficiency in our internal controls over financial reporting. While we continue to implement measures to address this deficiency, we cannot be certain that our efforts to develop and maintain our internal controls will be successful, that we will be able to maintain adequate controls over our financial processes and reporting in the future or that we will be able to comply with our obligations under Section 404 of the Sarbanes-Oxley Act. In connection with our efforts to maintain effective internal controls, we will need to hire additional accounting personnel as well as to make additional investments in software and systems. Any failure to develop or maintain effective internal controls, or difficulties encountered in implementing or improving our internal controls, could harm our operating results or cause us to fail to meet our reporting obligations. Ineffective internal controls could also cause investors to lose confidence in our reported financial information, which would likely have a negative effect on the trading price of our Class A shares.

***The requirements of being a public company, including compliance with the reporting requirements of the Exchange Act and the requirements of the Sarbanes-Oxley Act, may strain our resources, increase costs and distract management, and we may be unable to comply with these requirements in a timely or cost-effective manner.***

As a newly public company with shares listed on NASDAQ, we are and will be subject to an extensive body of regulations that did not apply to us previously, including certain provisions of the Sarbanes-Oxley Act, the Dodd-Frank’s Act, regulations of the SEC and NASDAQ requirements. Compliance with these rules and regulations will increase our legal, accounting, compliance and other expenses that we did not incur prior to the IPO and make some activities more time-consuming and costly. For example, as a result of becoming a public company, we added independent directors and created additional board committees. We entered into an administrative services agreement with FIG LLC, an affiliate of Fortress, in connection with the IPO, pursuant to which FIG LLC provides us with certain back-office services and charges us for selling, general and administrative expenses incurred to provide these services. FIG LLC will also continue to provide compliance services for the foreseeable future and any transition will take place over time. In addition, we may incur additional costs associated with our public company reporting requirements and maintaining directors’ and officers’ liability insurance. Because of the limitations in coverage for directors, it may be more difficult for us to attract and retain qualified persons to serve on our board of directors or as executive officers. It is possible that our actual incremental costs of being a publicly traded company will be higher than we currently estimate, and the incremental costs may have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

***If securities or industry analysts do not publish research or reports about our business, if they adversely change their recommendations regarding our Class A shares or if our operating results do not meet their expectations, our share price could decline.***

The trading market for our Class A shares will be influenced by the research and reports that industry or securities analysts publish about us or our business. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose viability in the financial markets, which in turn could cause our share price or trading volume to decline.

***NFE is a holding company. NFE's sole material asset is its equity interest in NFI, and accordingly, NFE is dependent upon distributions from NFI to pay taxes and cover its corporate and other overhead expenses.***

NFE is a holding company and has no material assets other than its equity interest in NFI. NFE has no independent means of generating revenue. To the extent NFI has available cash and subject to the terms of NFI's credit agreements and any other debt instruments, we will cause NFI to make (i) pro rata distributions to holders of NFI LLC Units, including NFE, in an amount sufficient to allow NFE to pay its taxes, (ii) additional pro rata distributions to all holders of NFI LLC Units in an amount generally intended to allow holders of NFI LLC Units (other than NFE) to satisfy their respective income tax liabilities with respect to their allocable share of the income of NFI (based on certain assumptions and conventions and as determined by an entity controlled by Wesley R. Edens and Randal A. Nardone ("NFI Holdings")) and (iii) non pro rata distributions to NFE in an amount at least sufficient to reimburse NFE for its corporate and other overhead expenses. To the extent that NFE needs funds and NFI or its subsidiaries are restricted from making such distributions under applicable law or regulation or under the terms of their financing arrangements or are otherwise unable to provide such funds, NFE's liquidity and financial condition could be adversely affected.

***In certain circumstances, NFI is required to make tax distributions to holders of NFI LLC Units, and such tax distributions may be substantial. To the extent NFE receives tax distributions in excess of its actual tax liabilities and retains such excess cash, the holders of NFI LLC Units would benefit from such accumulated cash balances if they exercise their Redemption Right.***

Pursuant to the NFI LLC Agreement, NFI must make generally pro rata distributions to the holders of NFI LLC Units, including NFE, in an amount sufficient to allow NFE to satisfy its actual tax liabilities. In addition, to the extent NFI has available cash, NFI is required to make additional pro rata tax distributions to all holders of NFI LLC Units in an amount generally intended to allow the holders of NFI LLC Units (other than NFE) to satisfy their assumed tax liabilities with respect to their allocable share of the income of NFI (based on certain assumptions and conventions and as determined by NFI Holdings). For this purpose, the determination of available cash takes into account, among other factors, (i) the existing indebtedness and other obligations of NFI and its subsidiaries and their anticipated borrowing needs, (ii) the ability of NFI and its subsidiaries to take on additional indebtedness on commercially reasonable terms and (iii) any necessary or appropriate reserves.

The amount of such additional tax distributions is determined based on certain assumptions, including assumed income tax rates, and is calculated after taking into account other distributions (including other tax distributions) made by NFI. Additional tax distributions may significantly exceed the actual tax liability for many of the holders of NFI LLC Units, including. If NFE retains the excess cash it receives from such distributions, the holders of NFI LLC Units would benefit from any value attributable to such accumulated cash balances as a result of their exercise of the Redemption Right. However, we intend to take steps to eliminate any material excess cash balances, which could include, but is not necessarily limited to, a distribution of the excess cash to holders of our Class A shares or the reinvestment of such cash in NFI for additional NFI LLC Units.

In addition, the tax distributions that NFI may be required to make may be substantial. In addition, the amount of any additional tax distributions NFI is required to make likely will exceed the tax liabilities that would be owed by a corporate taxpayer similarly situated to NFI. Funds used by NFI to satisfy its obligation to make tax distributions will not be available for reinvestment in our business, except to the extent NFE or certain other holders of NFI LLC Units use any excess cash received to reinvest in NFI for additional NFI LLC Units. In addition, because cash available for additional tax distributions is determined taking into account the ability of NFI and its subsidiaries to take on additional borrowing, NFI may be required to increase its indebtedness in order to fund additional tax distributions. Such additional borrowing may adversely affect our financial condition and business operations by, without limitation, limiting our ability to borrow in the future for other purposes, such as capital expenditures, and increasing our interest expense and leverage ratios.

***If NFI were to become a publicly traded partnership taxable as a corporation for U.S. federal income tax purposes, significant tax inefficiencies might result.***

We intend to operate such that NFI does not become a publicly traded partnership taxable as a corporation for U.S. federal income tax purposes. A "publicly traded partnership" is a partnership the interests of which are traded on an established securities market or are readily tradable on a secondary market or the substantial equivalent thereof. Under certain circumstances, redemptions of NFI LLC Units pursuant to the Redemption Right (or, the right of NFE (instead of NFI) upon the exercise of the Redemption Right to, for administrative convenience, acquire each tendered NFI LLC Unit directly from the redeeming unitholder for, at its election, (x) one Class A share, subject to conversion rate adjustments for equity splits, equity dividends and reclassification and other similar transactions or (y) an equivalent amount of cash (our Call Right, which the decision to exercise such right shall be made by a committee of our board of directors)) or other transfers of NFI LLC Units could cause NFI to be treated as a publicly traded partnership. Applicable U.S. Treasury regulations provide for certain safe harbors from treatment as a publicly traded partnership, and we intend to operate such that redemptions or other transfers of NFI LLC Units qualify for one or more such safe harbors. For example, we intend to limit the number of unitholders of NFI, and the NFI LLC Agreement provides for limitations on the ability of unitholders of NFI to transfer their NFI LLC Units and provides us, as managing member of NFI, with the right to impose restrictions (in addition to those already in place) on the ability of unitholders of NFI to redeem their NFI LLC Units pursuant to the Redemption Right to the extent we believe it is necessary to ensure that NFI will continue to be treated as a partnership for U.S. federal income tax purposes.

If NFI were to become a publicly traded partnership, significant tax inefficiencies might result for us and for NFI, including as a result of our inability to file a consolidated U.S. federal income tax return with NFI.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

None.

**Item 3. Defaults upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

On November 12, 2019, Michael J. Utsler, Chief Operating Officer, departed the Company.

**Item 6. Exhibits.**

| Exhibit Number | Description |
|---|---|
| 3.1 | Certificate of Formation of New Fortress Energy LLC (incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form S-1 (File No. 333-228339), filed with the SEC on November 9, 2018) |
| 3.2 | Certificate of Amendment to Certificate of Formation of New Fortress Energy LLC (incorporated by reference to Exhibit 3.2 to the Registrant's Registration Statement on Form S-1 (File No. 333-228339), filed with the SEC on November 9, 2018) |
| 3.3 | First Amended and Restated Limited Liability Company Agreement of New Fortress Energy LLC, dated February 4, 2019 (incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K (File No. 001-38790), filed with the SEC on February 5, 2019) |
| 10.1 | Third Amendment Agreement, dated as of September 2, 2019, to the Credit Agreement, dated as of August 15, 2018, as amended and restated as of December 31, 2018, and as amended as of February 11, 2019 and March 13, 2019, among New Fortress Intermediate LLC, NFE Atlantic Holdings LLC, the subsidiary guarantors from time to time party thereto, lenders parties thereto and Morgan Stanley Senior Funding, Inc., as administrative agent (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K (File No. 001-38790), filed with the SEC on September 6, 2019). |
| 31.1* | Certification by Chief Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a) of the Exchange Act Rules, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2* | Certification by Chief Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a) of the Exchange Act Rules, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |

| Exhibit Number | Description |
|---|---|
| 32.1** | Certifications by Chief Executive Officer pursuant to Title 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley Act of 2002. |
| 32.2** | Certifications by Chief Financial Officer pursuant to Title 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley Act of 2002. |
| 101.INS* | XBRL Instance Document |
| 101.SCH* | XBRL Schema Document |
| 101.CAL* | XBRL Calculation Linkbase Document |
| 101.LAB* | XBRL Label Linkbase Document |
| 101.PRE* | XBRL Presentation Linkbase Document |
| 101.DEF* | XBRL Taxonomy Extension Definition Linkbase Document |

* Filed as an exhibit to this Quarterly Report
** Furnished as an exhibit to this Quarterly Report
† Compensatory plan or arrangement

## SIGNATURES

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.

**NEW FORTRESS ENERGY LLC**

| | | |
|---|---|---|
| Date: November 12, 2019 | By: | /s/ Wesley R. Edens |
| | Name: | Wesley R. Edens |
| | Title: | Chief Executive Officer and Chairman<br>(Principal Executive Officer) |
| Date: November 12, 2019 | By: | /s/ Christopher S. Guinta |
| | Name: | Christopher S. Guinta |
| | Title: | Chief Financial Officer<br>(Principal Financial Officer) |
| Date: November 12, 2019 | By: | /s/ Yunyoung Shin |
| | Name: | Yunyoung Shin |
| | Title: | Chief Accounting Officer<br>(Principal Accounting Officer) |

**EXHIBIT 31.1**

# CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13A-14(A) AND RULE 15D-14(A) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Wesley R. Edens, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q (the “report”) of New Fortress Energy LLC (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 12, 2019

By: /s/ Wesley R. Edens
Wesley R. Edens
Chief Executive Officer
(Principal Executive Officer)

**EXHIBIT 31.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13A-14(A) AND RULE 15D-14(A)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Christopher S. Guinta, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q (the “report”) of New Fortress Energy LLC (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

| | | | |
|---|---|---|---|
| Date: | November 12, 2019 | By: | /s/ Christopher S. Guinta |
| | | | Christopher S. Guinta<br>Chief Financial Officer<br>(Principal Financial Officer) |

**EXHIBIT 32.1**

**CERTIFICATION OF
CHIEF EXECUTIVE OFFICER UNDER SECTION 906
OF THE SARBANES OXLEY ACT OF 2002, 18 U.S.C. § 1350**

In connection with the Quarterly Report on Form 10-Q of New Fortress Energy LLC (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Wesley R. Edens, Chief Executive Officer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

| | | | |
|---|---|---|---|
| Date: | November 12, 2019 | By: | /s/ Wesley R. Edens |
| | | | Wesley R. Edens<br>Chief Executive Officer<br>(Principal Executive Officer) |

**EXHIBIT 32.2**

**CERTIFICATION OF**
**CHIEF FINANCIAL OFFICER UNDER SECTION 906**
**OF THE SARBANES OXLEY ACT OF 2002, 18 U.S.C. § 1350**

In connection with Quarterly Report on Form 10-Q of New Fortress Energy LLC (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Christopher S. Guinta, Chief Financial Officer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 12, 2019

By: /s/ Christopher S. Guinta
Christopher S. Guinta
Chief Financial Officer
(Principal Financial Officer)