



HÖEGH LNG

INTERIM RESULTS FOR THE QUARTER AND HALF YEAR ENDED 30 JUNE 2020

Highlights for the quarter ended 30 June 2020

- EBITDA¹ of USD 57.7 million
- Net profit USD 2.9 million
- Stable operations despite challenging circumstances caused by Covid-19
- Cost-savings progressing in accordance with plan
- Completed the amendment, extension and USD-45-million upsizing of Independence's debt facility
- HLNG 02 bond loan repaid in June
- Cash position improved to USD 151.9 million as a result of increased cash from operating activities, the net effect of new financing and a partial reversal of cash collateral posted for certain hedging instruments in Q1

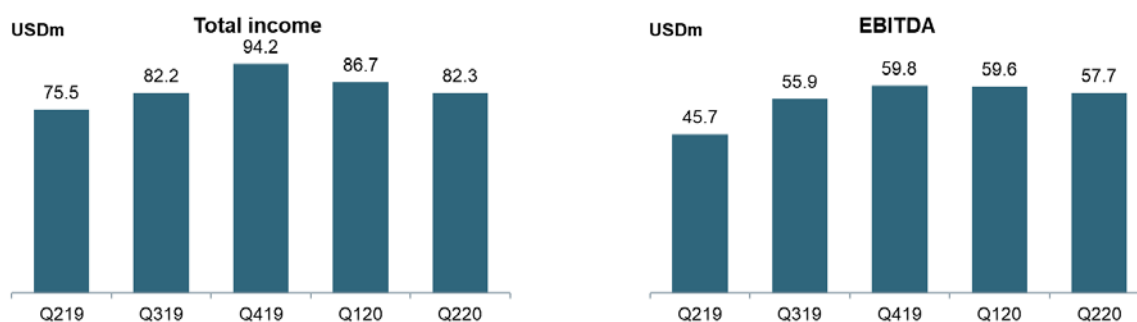
Stable operations under challenging circumstances

Stable operations and cost savings ensured Höegh LNG's EBITDA for the second quarter of 2020 was slightly lower than in the preceding quarter, nearly off-setting a decline in revenues quarter-on-quarter. Net profit showed a strong increase.

Despite the challenging circumstances created by the Covid-19 pandemic, operations have been stable in the quarter, shown by a technical availability of the fleet of close to 100% and zero LTIs. All the group's assets operated during the quarter in accordance with plans and contracts. However, some idle time was experienced for vessels operating in LNGC mode, owing to contracts ending before new assignments commenced.

Despite the general decline in overall energy demand during the quarter, LNG volumes traded were flat year-on-year, underpinning the resilience of LNG demand. As new LNG export capacity came online in the quarter, LNG prices continued to decline. This made the commodity even more competitive by comparison with oil products or coal, as spot LNG currently is priced below coal².

Reported total income and EBITDA



¹ Please see the definition in Appendix 1.

² USD/MMBtu Platts CIF ARA vs. LNG Platts NWE & LNG Platts MED

Group financial review³

Höegh LNG Holdings Ltd (Höegh LNG Holdings or the company) and its subsidiaries (together Höegh LNG or the group) reported a total income of USD 82.3 million for the second quarter of 2020, compared with USD 86.7 million in the preceding quarter. The decrease mainly reflects idle time for Höegh Gallant in June, a lower index rate achieved for Höegh Giant, a new interim LNGC charter commenced by Höegh Gannet at 31 March 2020 at a reduced time charter rate, and operation in LNGC mode by Höegh Esperanza for the full quarter. These factors were partly offset by an increase in the share of results from joint ventures and higher revenue for Höegh Galleon, which was off hire for a short period in the first quarter.

Höegh LNG reported EBITDA of USD 57.7 million for the second quarter, down from USD 59.6 million in the preceding three months. This decrease reflects reduced income because of the factors described above, partly offset by lower SG&A expenses, which declined by 38% quarter-on-quarter, or USD 3.5 million. Around two thirds of this effect are a result of the implemented cost-savings plan, also aided by lower travel expenses due to Covid-19, and favourable exchange rate developments for SG&A expenses incurred in currencies other than the USD. The remaining reduction quarter-on-quarter is driven by seasonality through the accrual over the year of holiday pay for the month of June.

Höegh LNG recorded a net profit after tax of USD 2.9 million for the second quarter of 2020, up from a loss of USD 1 million in the preceding quarter. This increase mainly reflected the partial reversal in the second quarter of an unrealised foreign exchange loss on hedging instruments incurred in the first quarter for currency contracts held to hedge the group's NOK-denominated SG&A expenses for 2020.

Operating cash flows rose in the second quarter by USD 8.6 million, to USD 59.6 million. The net increase was mainly driven by variations in working capital between the two quarters. Other sources of cash during the quarter comprised USD 45 million from upsizing the Independence debt facility and USD 60 million in new debt drawn under the revolving credit facility. Uses during the quarter mainly comprised USD 65 million in repayment of bonds at maturity and USD 35 million in debt amortisations and lease payments, dividends paid to non-controlling interests in Höegh LNG Partners (HMLP), and interest payments. Furthermore, the group had a USD 15 million reversal in cash collateral posted during the first quarter of 2020 for certain hedging instruments held under credit support agreements with its swap banks. The net increase in cash and cash equivalents during the second quarter was USD 31.8 million.

At 30 June 2020, Höegh LNG held USD 151.9 million in current unrestricted cash (USD 120.1 million). Net interest-bearing debt, including lease liabilities, decreased during the second quarter by USD 9.7 million to USD 1 560 million (USD 1 570 million). Total assets and book equity at 30 June 2020, after adjusting for the mark-to-market of interest rate swaps, were USD 2 590 million (USD 2 550 million) and USD 780 million (USD 789 million) respectively, equivalent to an adjusted book equity ratio of 30% (31%).

For the first half of 2020, Höegh LNG reported a total income of USD 169 million and EBITDA of USD 117.3 million, which compares with USD 159.8 million and USD 101.6 million respectively for the same period of 2019. The improvement in EBITDA primarily reflects the delivery of Höegh Galleon in August 2019 and lower SG&A expenses, partly offset by reduced revenues for Höegh Gannet.

Höegh LNG reported a net profit of USD 1.9 million for the first half of 2020, which compares with USD 0.9 million for the same period of last year. The increase mainly reflects the higher EBITDA, which is largely offset by higher depreciation owing to the increased fleet, higher interest expenses and the foreign exchange loss on hedging instruments incurred in the first quarter of 2020.

³ The interim consolidated financial statements for Höegh LNG include HMLP on a consolidated basis and, unless otherwise stated, figures in this section are compared with figures of first quarter of 2020.

Key financial figures

(In USD'000 unless otherwise indicated)	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Income statement					
Total income	82 255	86 737	94 189	82 166	75 491
EBITDA	57 726	59 569	59 832	55 875	45 676
Impairment	-	-	(1 551)	-	-
EBIT	29 631	31 444	30 208	29 178	19 248
Profit (loss) after tax for the period	2 945	(1 026)	3 992	3 164	(3 626)
Financial position					
Total assets	2 544 656	2 550 588	2 601 838	2 621 006	2 436 795
Total assets adjusted for hedging ¹	2 590 225	2 550 588	2 635 776	2 639 245	2 452 864
Equity adjusted for hedging reserves ¹	780 424	788 639	800 912	800 271	808 497
Adjusted equity ratio (%) ¹	30 %	31 %	30 %	30 %	33 %
Net interest-bearing debt including lease liabilities	(1 560 465)	(1 570 283)	(1 565 968)	(1 608 022)	(1 461 195)
Cash flow					
Net cash flow from operating activities	59 610	50 962	77 679	49 923	47 627
Net cash flow from investing activities	(10 799)	(2 425)	(2 580)	(170 840)	(6 304)
Net cash flow from financing activities	(16 978)	(115 451)	(58 326)	158 728	(67 325)
Net increase (decrease) in cash and cash equivalents	31 833	(66 914)	16 773	37 811	(26 002)

¹ Equity ratio adjusted for hedging transactions is calculated in Appendix 1 - alternative performance measures (APMs).

Business review

Covid-19

Höegh LNG is experiencing limited operational and no contractual impacts from Covid-19, however ensuring the health and safety of its personnel, continues to be the group's highest priority. The situation is dynamic and could change quickly – in particular with regard to maritime personnel and vessel operation logistics, including repairs and maintenance. Although Höegh LNG's operations are not directly affected at present by the virus pandemic, the group has been taking and will continue to take necessary measures to mitigate risks to employees and its operations. The group is continuously monitoring the Covid-19 situation, and undertaking scenario analysis and other evaluations to ensure that Höegh LNG is prepared in the best possible way to address any changes related to the health, safety and wellbeing of personnel, the LNG and the FSRU markets, government restrictions, and other aspects affecting operations and the business.

The main effect from the Covid-19 situation continues to be delays to scheduled crew changes, and Höegh LNG is continuously working on ensuring the welfare of its maritime personnel by making these delays as short and few as possible. While the group has been able to conduct full or partial crew changes on all vessels in the fleet, the situation remains challenging for the maritime industry due to travel restrictions and quarantine regulations. Nevertheless, all FSRUs and LNGCs are fully operational and crewed in accordance with relevant safety requirements, and all charter parties remain unchanged and in force, and revenues are being collected in accordance with contractual terms.

On the business development side, new potential FSRU projects are emerging owing to the continued declining LNG prices caused by the Covid-19 effects on the energy markets. In the established project pipeline, the group is finding that the majority of projects are keeping to their original schedules, while the minority are being negatively affected by the pandemic.

Operations

The fleet delivered a stable operating performance in the second quarter.

Höegh Gallant was redelivered from its charterer on 30 April 2020, and then performed an LNGC spot contract in May. The vessel was idle during June while being repositioned for the previously communicated interim LNGC time charter with an Asian-based trading house. This contract commenced in July and covers a period of around seven months.

Höegh Gannet performed a short interim LNGC contract starting on 31 March 2020 after redelivery from its charterer earlier the same month. Thereafter, it commenced the previously communicated interim LNGC time charter with the same customer, a European-based trading house. This contract covers a period of around 12 months from May 2020.

Höegh Esperanza operated in LNGC mode throughout the quarter. This FSRU has returned to the terminal at Tianjin, China, where it is currently operating as an FSU and is not expected to start regasification operations until the winter season.

Business development activity

Höegh LNG's primary objective is to secure long-term FSRU contracts by the end of 2021 for all the units currently trading on short-term LNGC contracts.

On 15 July 2020, First Gen Corporation in the Philippines issued a release stating that Höegh LNG is among the three preferred FSRU providers for FGEN LNG Corporation's interim offshore LNG terminal at Batangas City in the Philippines. The project has an anticipated start-up in the first quarter of 2022, and the specifications of Höegh LNG's purpose-built FSRUs make them ideally suited for the contract and the local conditions.

Australia Industrial Energy (AIE) has secured pipeline access from both APA group and Jemena to connect the Port Kembla gas terminal project in New South Wales to their pipeline grids. This will permit gas transport from the terminal to the major markets in New South Wales.

Also in Australia AGL Energy's (AGL) project at Crib Point in the state of Victoria is in the midst of the Environment Effects Statement (EES) process and this was made available for public consultation on 2 July 2020. The public has until 26 August to consider the documents and to make submissions. AGL expects to reach the final investment decision (FID), subject to and following EES approval, which now is expected by the first half of 2021. However, the revised timeline for the EES approval is not expected to significantly affect the planned start-up date for the Crib Point project.

In Cyprus, where Höegh LNG applied for a licence to install an LNG import terminal in April 2020, the group is experiencing interest in the proposal to accelerate Cyprus' access to LNG and continues to have constructive discussions with the national authorities.

Höegh LNG is shortlisted for a project in Latin America which targets to confirm the FSRU supplier and take the FID in 2020. The group is continuing to work on a second project in the region with preferred bidder status, but this project today has a lower probability of completion owing to competition from alternative import solutions. During the second quarter, Höegh LNG decided to stop further work on a third potential project in the region.

On the Indian subcontinent, Höegh LNG is currently involved in two FSRU projects where it has exclusivity in one and is in a formal tender process for the other. However, the uncertainty created by Covid-19 has led to project delays for these two projects and progress during the quarter has been slow.

In addition to those listed above, Höegh LNG has a healthy pipeline of other projects at various stages of development, including several short-term FSRU contracts which have short lead time and could contribute to increased contract coverage in 2022.

Corporate/other activities

Cost-saving plan

The cost-saving plan announced in the first quarter 2020 is on schedule. SG&A expenses for the group have been reduced in the first half of 2020 in line with the cost-saving plan.

HLNG 02 bond loan repaid

After completing a NOK 650 million unsecured bond loan and a revolving credit facility for up to USD 80 million during the first quarter, Höegh LNG repaid the remaining USD 65 million of the HLNG 02 bond in June 2020.

Distribution from Höegh LNG Partners

Höegh LNG Partners declared a quarterly distribution of USD 0.44 per unit for the second quarter on 16 July 2020, corresponding to an annualised distribution of USD 1.76 per unit. On 14 August 2020, Höegh LNG Holdings accordingly received USD 6.7 million in distributions and USD 0.4 million in IDRs for the second quarter of 2020.

Environment, social and governance (ESG)

Höegh LNG reports on sustainability in accordance with the Global Reporting Initiative (GRI) standards in its annual report and has also extended its reporting in alignment with the recommendations of the Norwegian Shipowners' Association (NSA).

Safe and reliable operation of the group's fleet is a key focus for the group, especially under the current circumstances, and the results demonstrates the continued very strong record with technical availability of 99.8% for the half-year ending 30 June 2020, while the lost-time injury frequency was zero.

Technical availability of fleet and safety performance

	2020	2019	2018	2017	2016
Technical availability	99.8%	99.5%	99.8%	99.8%	99.9%
Lost time injury frequency ¹	0.00	0.31	0.00	0.38	0.00

¹ Calculated per million exposure hours for seagoing personnel only.

Höegh LNG is already a member of the “Getting to Zero” Coalition, which has as its objective to launch its first zero-emission vessel by 2030, and in June 2020, Höegh LNG joined the NCE Maritime CleanTech organisation which uses the members combined maritime expertise as a springboard for development of non-carbon maritime solutions. The group’s aim is to use its technical and cryogenic expertise to explore and develop new business opportunities such as infrastructure for non-carbon fuels in particular hydrogen and ammonia.

Further information on ESG topics can be found in the sustainability report included in the annual report, which is available on Höegh LNG’s website at www.hoeghlng.com.

Market

Global LNG trade was flat year-on-year in the second quarter of 2020, with volumes traded reaching 86.7 million tonnes, a surprisingly strong performance given the effect of the Covid-19 pandemic energy demand. However, this is the first quarter without annual growth since the second quarter of 2015. The flat development in volumes mainly reflects the impact of the Covid-19 pandemic on energy markets. For the first half of 2020 the year-on-year growth in global LNG trade was 6.5 %.

The stable development in LNG imports during the quarter, in contrast to the reduced overall demand for energy, illustrates the resilience in demand for this commodity owing to its status as the preferred option compared with pipeline imports, domestic production and other, more polluting fuel sources, such as coal and oil products. Several Asian markets, including China, increased LNG imports year-on-year in the second quarter despite weak overall demand for energy.

LNG production capacity continued to grow in the second quarter and combined with flat demand, this led to a significant drop in utilisation of liquefaction capacity in the quarter, in particular in the USA where the utilization rate averaged 67%, compared with 100% in the first quarter. Other LNG exporters also reduced volumes sold in the second quarter.

After a year-on-year decline in LNG imports during the first quarter, China had a healthy year-on-year growth of 20% in imported LNG volumes during the second quarter. This reflected not only a rebound in Chinese GDP growth in the quarter, but also a preference for imported LNG compared with pipeline gas, which increased the share of LNG in the natural gas and energy mix.

During the second quarter, Europe continued to act as the sink for the LNG spot market. Net LNG imports increased by 7% year-on-year in the quarter to reach 24.4 million tonnes, despite the negative impact of Covid-19 on overall energy demand. As in the first quarter, all main LNG import regions in Europe increased their imported volumes during the quarter at the expense of pipeline gas from Russia, Norway and Algeria.

Global energy markets were significantly affected during the first half of 2020 by both the oil price war between Russia and Opec and the following price collapse, and the Covid-19 pandemic. Since the LNG market was already long supplies, these events have led to even lower LNG spot prices in 2020. That has further improved the competitiveness of LNG in relation to other fuels, which again underpins the demand for LNG import facilities, where FSRUs offer the quickest access to the global LNG markets at the lowest cost.

Currently, 37 FSRUs are on the water (excluding two smaller barges), an increase of two compared to last quarter. Of these, 27 are committed on FSRU contracts and 10 are available and/or trading as LNGCs. Four purpose-built and four converted FSRUs are on order, of which six have firm long-term contracts.

As in January-March, the LNG freight market experienced declining rates during the second quarter. This downturn was mainly driven by seasonal effects, but also by uncertainties around future demand and the fact that uncommitted volumes continue to be directed to Europe – which means shorter sailing distances weigh on rate sentiment. Spot and time charter rates for the year to date are lower than in the corresponding period of 2019.

Outlook

Höegh LNG's main commercial focus is to secure long-term FSRU employment for the units currently working as LNGCs. Even though Covid-19 has created uncertainty in energy markets, the LNG market is continuing to perform relatively well and impact on demand for new import facilities and FSRUs has so far been limited. It is not possible to forecast the short- and long-term impacts of Covid-19 on Höegh LNG's business accurately, other than to say that, at the date of this report, its effect on employees, operations and revenues has been limited.

Results for the third quarter will be affected by Höegh Gallant commencing the previously announced interim LNGC contract in July 2020. Since Höegh Giant is on an index-linked charter, the realised rate in the third quarter depends on spot market rates for LNGCs. Höegh Esperanza is expected to operate in LNGC (or FSU) mode in the third quarter.

INTERIM CONSOLIDATED STATEMENT OF INCOME

USD'000 (Unaudited)	Note	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019
Time charter revenues		75 622	82 597	70 679	158 219	150 183
Management and other income		1 128	1 360	807	2 488	1 918
Share of results from investments in associates and joint ventures		5 505	2 781	4 005	8 286	7 680
TOTAL INCOME		82 255	86 737	75 491	168 992	159 781
Bunker and other voyage related expenses		(1 218)	(542)	(220)	(1 760)	(36)
Operating expenses		(17 539)	(17 355)	(18 885)	(34 894)	(34 696)
Project administrative expenses		(1 753)	(3 547)	(3 942)	(5 300)	(8 619)
Group administrative expenses		(3 132)	(4 458)	(4 608)	(7 590)	(10 720)
Business development expenses		(887)	(1 267)	(2 160)	(2 154)	(4 153)
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)	4	57 726	59 569	45 676	117 294	101 558
Depreciation		(28 095)	(28 125)	(26 428)	(56 220)	(52 571)
OPERATING PROFIT		29 631	31 444	19 248	61 074	48 987
Interest income		256	604	1 098	860	2 274
Interest expenses		(25 640)	(25 979)	(21 051)	(51 620)	(44 254)
Income from other financial items		1 663	880	-	2 543	66
Expenses from other financial items		(1 777)	(6 965)	(1 738)	(8 741)	(3 300)
NET FINANCIAL ITEMS		(25 499)	(31 460)	(21 691)	(56 958)	(45 214)
ORDINARY PROFIT (LOSS) BEFORE TAX		4 132	(16)	(2 443)	4 116	3 773
Corporate income tax		(1 187)	(1 010)	(1 183)	(2 197)	(2 882)
PROFIT (LOSS) FOR THE PERIOD AFTER TAX		2 945	(1 026)	(3 626)	1 919	891
Profit (loss) for the period attributable to (from):						
Equity holders of the parent		(8 371)	(12 312)	(11 144)	(20 683)	(16 272)
Non-controlling interests		11 316	11 286	7 518	22 602	17 163
TOTAL		2 945	(1 026)	(3 626)	1 919	891
Earnings per share attributable to equity holders of the parent during the period:						
Basic and diluted earnings per share		(0.11)	(0.16)	(0.15)	(0.27)	(0.21)

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

USD'000 (Unaudited)	Note	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019
Profit (loss) for the period		2 945	(1 026)	(3 626)	1 919	891
Items that will not be reclassified to profit or (loss)						
Net gain (loss) on other capital reserves		(35)	-	-	(35)	2
Items that may be subsequently reclassified to profit or (loss)						
Net gain (loss) on hedging reserves	8	649	(64 293)	(29 379)	(63 644)	(49 479)
Share of other comprehensive Income from joint ventures	8	2 498	(17 104)	(6 660)	(14 606)	(10 507)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD NET OF TAX		3 112	(81 397)	(36 039)	(78 285)	(59 985)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		6 057	(82 423)	(39 665)	(76 366)	(59 094)
Total comprehensive income attributable to (from):						
Equity holders of the parent		(6 105)	(78 993)	(40 834)	(85 098)	(65 602)
Non-controlling interests		12 161	(3 429)	1 168	8 732	6 509
TOTAL		6 057	(82 423)	(39 665)	(76 366)	(59 094)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

USD'000	Note	Unaudited	Unaudited	Audited	Unaudited
		2020	2020	2019	2019
		30 June	31 March	31 December	30 June
ASSETS					
Non-current assets					
Deferred tax assets		555	490	458	399
Vessels and depot spares	9	2 062 094	2 081 385	2 100 781	1 878 501
Assets under construction		7 223	6 442	6 108	95 339
Right-of-use assets	9	177 699	185 552	192 641	207 547
Investments in associates and joint ventures		32 803	22 581	29 574	24 102
Other non-current financial assets	8	43 845	59 295	5 141	3 802
Other non-current assets		12 166	11 554	9 962	12 068
Shareholder loans		3 988	3 909	3 831	3 679
Non-current restricted cash		17 169	17 315	17 428	17 687
Total non-current assets		2 357 541	2 388 522	2 365 924	2 243 124
Current assets					
Bunkers and inventories		1 034	1 910	582	523
Trade and other receivables		28 036	34 145	38 352	51 035
Other current financial assets	8	87	76	1 885	1 692
Restricted cash		6 060	5 871	8 117	8 027
Cash and cash equivalents		151 897	120 064	186 978	132 394
Total current assets		187 115	162 066	235 914	193 672
TOTAL ASSETS		2 544 656	2 550 588	2 601 838	2 436 796
EQUITY AND LIABILITIES					
Equity					
Share capital		773	773	773	773
Other paid-in capital		556 556	556 244	556 044	555 783
Capital reserves		(141 312)	(143 578)	(76 897)	(74 175)
Retained earnings		(116 347)	(104 900)	(83 590)	(50 955)
Equity attributable to equity holders of the parent		299 670	308 539	396 330	431 426
Non-controlling interests		297 704	294 003	299 760	273 421
Total equity		597 372	602 540	696 088	704 847
Non-current liabilities					
Deferred tax liability		12 385	11 835	12 098	11 214
Non-current interest-bearing debt	7	1 447 513	1 292 890	1 285 454	1 121 885
Non-current lease liability	7	154 133	160 979	162 170	174 709
Investments in joint ventures		7 125	12 544	5 215	10 523
Other non-current financial liabilities	8	112 992	134 437	45 681	39 273
Deferred revenues		1 704	1 746	2 164	1 113
Total non-current liabilities		1 735 853	1 614 431	1 512 783	1 358 718
Current liabilities					
Current interest-bearing debt	7	105 168	231 213	296 213	287 201
Current lease liabilities	7	28 864	28 527	34 764	35 508
Income tax payable		3 483	4 275	3 292	2 294
Trade and other payables		16 242	17 931	21 404	15 651
Other current financial liabilities	8	37 550	34 789	17 841	14 370
Other current liabilities		20 122	16 881	19 453	18 208
Total current liabilities		211 431	333 617	392 967	373 231
TOTAL EQUITY AND LIABILITIES		2 544 656	2 550 588	2 601 838	2 436 796

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

USD'000 (Unaudited)	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019
Cash flow from operating activities					
Profit (loss) before tax for the period	4 132	(16)	(2 443)	4 116	3 773
<i>Adjustments to reconcile profit before tax to net cash flows</i>					
Depreciation	28 095	28 125	26 428	56 220	52 571
Fair value adjustments on marketable securities	(11)	34	-	23	-
Interest income	(256)	(604)	(1 098)	(860)	(2 274)
Interest expenses	25 640	25 979	21 051	51 620	44 254
Net loss (income) on interest rate hedges	270	90	492	360	1 065
Share-based payment cost and Board remuneration not paid-out	378	255	479	633	793
Share of results from investments in associates and joint ventures	(5 505)	(2 781)	(4 005)	(8 286)	(7 680)
<i>Working capital adjustments</i>					
Change in inventories, receivables and payables	8 057	470	8 403	8 527	7 843
Payment of corporate income tax	(1 190)	(591)	(1 680)	(1 781)	(2 516)
i) Net cash flow from operating activities	59 610	50 962	47 627	110 572	97 829
Cash flow from investing activities					
Investment in FSRUs, assets under construction and class renewals	(1 630)	(844)	(6 531)	(2 474)	(10 411)
Investment in intangibles, equipment and other	(1 736)	(1 927)	(433)	(3 663)	(711)
Investments in associates	(7 500)	-	-	(7 500)	-
Interest received	67	346	660	413	1 332
ii) Net cash flow from investing activities	(10 799)	(2 425)	(6 304)	(13 224)	(9 790)
Cash flow from financing activities					
Net proceeds from equity issuance (HMLP)	-	2 125	2 500	2 125	2 500
Dividend paid to non-controlling interest (HMLP)	(11 601)	(11 601)	(11 295)	(23 202)	(22 542)
Dividend paid to shareholders of the parent	-	(1 905)	(1 905)	(1 905)	(3 810)
Proceeds from borrowings	105 000	72 515	-	177 515	320 000
Payment of debt issuance costs	(3 370)	(1 728)	(910)	(5 098)	(6 706)
Buy-back of bonds (HLNG02)	(65 000)	(65 000)	-	(130 000)	-
Repayment of borrowings	(25 676)	(25 720)	(24 039)	(51 396)	(345 838)
Lease payments	(9 303)	(9 285)	(9 158)	(18 588)	(18 183)
Interest paid	(22 307)	(22 725)	(19 023)	(45 032)	(35 135)
(Increase) decrease in restricted cash and cash collateral	15 279	(52 127)	(3 495)	(36 848)	(3 885)
iii) Net cash flow from financing activities	(16 978)	(115 451)	(67 325)	(132 429)	(113 600)
Net increase/(decrease) in cash and cash equivalents (i+ii+iii)	31 833	(66 914)	(26 002)	(35 081)	(25 561)
Current cash and cash equivalents at the beginning of the period	120 064	186 978	158 396	186 978	157 954
Current cash and cash equivalents at the end of the period	151 897	120 064	132 394	151 897	132 394

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 JUNE 2020

USD'000	Attributable to equity holders of the parent									Non-controlling interests	Total equity
	Paid-in capital				Capital reserves			Total			
	Issued capital	Share premium	Treasury shares	Other paid-in capital	Hedging reserves	Other capital reserves	Retained earnings				
At 1 January 2020	773	447 656	(11)	108 399	(74 103)	(2 794)	(83 590)	396 329	299 760	696 088	
Profit (loss) for the period							(20 683)	(20 683)	22 602	1 919	
Other comprehensive income (loss)					(64 380)	(35)	(64 415)	(64 415)	(13 870)	(78 285)	
Total comprehensive income (loss)	-	-	-	-	(64 380)	(35)	(20 683)	(85 098)	8 732	(76 366)	
HMLP dividend to non-controlling interests									(23 202)	(23 202)	
Dividend to shareholders of the parent							(1 905)	(1 905)	-	(1 905)	
Net proceeds from issuance preferred units									2 125	2 125	
Shares granted to the board of HLNG		60	0					60	-	60	
Share-based payment				452				452	120	573	
Capital contribution to HMLP							(4 658)	(4 658)	4 658	-	
Transfer of assets to HMLP (Note 5)							(5 511)	(5 511)	5 511	-	
Total other transactions recognised directly in equity	-	60	0	452	-	-	(12 074)	(11 562)	(10 788)	(22 350)	
At 30 June 2020 (Unaudited)	773	447 716	(11)	108 851	(138 483)	(2 829)	(116 347)	299 668	297 704	597 372	

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 JUNE 2019

USD'000	Attributable to equity holders of the parent									Non-controlling interests	Total equity
	Paid-in capital				Capital reserves			Total			
	Issued capital	Share premium	Treasury shares	Other paid-in capital	Hedging reserves	Other capital reserves	Retained earnings				
At 1 January 2019	773	447 035	(12)	107 637	(22 050)	(2 794)	(30 258)	500 330	286 667	786 997	
Profit (loss) for the period							(16 272)	(16 272)	17 163	891	
Other comprehensive income (loss)					(49 330)		(49 330)	(49 330)	(10 654)	(59 984)	
Total comprehensive income (loss)	-	-	-	-	(49 330)	-	(16 272)	(65 602)	6 509	(59 093)	
HMLP dividend to non-controlling interests									(22 542)	(22 542)	
Net proceeds from issuance of common units				472				472	557	1 029	
Net proceeds from issuance of Series A Preferred Units									1 316	1 316	
Shares granted to the board of HLNG		90	(0)					90	-	90	
Units granted to the board of HMLP									155	155	
Dividend to shareholders of the parent							(3 809)	(3 809)	-	(3 809)	
Share-based payment settlement in shares		531	1	(532)					-	-	
Share-based payment costs				561				561	143	704	
Capital contribution from HMLP							34	34	(34)	-	
Transfer of assets to HMLP (Note 5)							(650)	(650)	650	-	
Total other transactions recognised directly in equity	-	621	1	501	-	-	(4 425)	(3 302)	(19 755)	(23 057)	
At 30 June 2019 (Unaudited)	773	447 656	(11)	108 138	(71 380)	(2 794)	(50 955)	431 426	273 421	704 847	

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The parent company, Höegh LNG Holdings Ltd (Höegh LNG Holdings or the company), is an exempted company limited by shares domiciled in and incorporated under the laws of Bermuda. The principal activities of the company and its subsidiaries (collectively Höegh LNG or the group) are described in Note 4 – segment information. The interim financial statements were approved by the board of directors of Höegh LNG Holdings on 19 August 2020.

The number of issued shares for the quarter ending 30 June 2020 was 77 260 580, of which 1 009 265 were held in treasury. The number of outstanding shares at 30 June 2020 was 76 251 315.

2. BASIS FOR PREPARATION AND ACCOUNTING POLICIES

The interim consolidated financial statements for the period ending 30 June 2020 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU. The interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the group's annual financial statements for the year ended 31 December 2019 (the 2019 annual report).

The consolidated interim financial statements are presented in USD and all values are rounded to the nearest USD 1 000 unless otherwise indicated. Because of rounding adjustments, amounts and percentages may not add up to the total.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Preparation of interim financial statements in accordance with the IFRS implies the use of estimates, based on judgements and assumptions which affect the application of accounting principles and the reported amounts of assets, liabilities, revenues and expenses. Actual amounts might differ from such estimates.

Significant accounting judgements

At 30 June 2020, the company held 45.84% of the common units issued in Höegh LNG Partners LP. HMLP is consolidated on the basis of the company's assessment that Höegh LNG Holdings has de facto control of HMLP even though it has less than 50% of the voting rights. The company's assessment is based on a combination of several factors, with the current composition of the board of directors of HMLP as an important element in the overall conclusion. See Note 20, investments in associates, joint ventures and subsidiaries, in the 2019 annual report for a more detailed description.

Significant estimates and assumptions

Benefits from uncertain tax positions are recognised when it is probable that a tax position will be sustained by an examination based on the technical merits of the position.

Contingent liabilities

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

In 2002, two UK finance lease agreements were entered into for Arctic Princess and Arctic Lady respectively between two UK lessors and the Joint Gas Ltd and Joint Gas Two Ltd joint venture companies as lessees (the Arctic Leases). The vessels were delivered in 2006 and the lease agreements are for 25 years from delivery. Her Majesty's Revenue and Customs (HMRC) has been challenging the use of similar lease structures and has been engaged in litigation in one case, which was decided in the autumn of 2015 in favour of HMRC. In the event of a formal challenge by HMRC regarding the lessors' right to claim capital allowances under the Arctic Leases, this would lead to higher rental payments to the UK vessel lessors, which would have a negative effect on the earnings of the lessee companies and consequently on Höegh LNG. Leif Höegh (U.K.) Limited, as managing owner and operator of the vessels, has been in dialogue with HMRC on this matter since 2005 and has presented the factual background to and the business rationale for entering into the lease agreements back in 2002. The latest exchange until recently was a letter to HMRC in 2017, providing factual information from Joint Gas Ltd and Joint Gas Two Ltd. In March 2020, Joint Gas Two Ltd (Arctic Lady) received a copy of a letter from HMRC sent to the lessor, with HMRC's comments on the facts provided to HMRC in 2017. In this letter, HMRC summarises the facts presented in the matter and invites the parties involved to further dialogue on the matter. The recent letter from HMRC has not materially changed Joint Gas Two Ltd.'s assessment, and no provision has been made. See Note

19, commitments and guarantees (Arctic Vessels), in the 2019 annual report for a more detailed description. A written reply was provided to HMRC's letter of March 2020 in July 2020.

4. SEGMENT INFORMATION

The group's activities are divided into the following operating segments: HMLP, operations, business development and project execution, and corporate and other. Höegh LNG's operating segments reflect how the group's chief operating decision-maker assesses the financial performance of the group's business activities and allocates resources to these. Revenues, expenses, gains and losses arising from internal sales, internal transfers of businesses, group contributions and dividends within the group are not included in the income statements for the segments. Assets and liabilities allocated to the individual segments include vessels, newbuildings and interest-bearing debt. Other assets and liabilities are followed up at a consolidated level.

Segment reporting is based on the same principles as the group's internal management reporting. Any internal revenues or expenses are presented net.

HMLP

The segment includes the activities of Höegh LNG Partners LP, which is a limited partnership listed on the New York Stock Exchange. The partnership has been formed to own, operate and acquire FSRUs, LNGCs and other LNG infrastructure assets under long-term charters, defined as five years or more. Höegh LNG Partners' fleet comprises ownership interests in five FSRUs, namely (i) a 50% interest in Neptune, (ii) a 50% interest in Cape Ann, (iii) a 100% interest in PGN FSRU Lampung, (iv) a 100% interest in Höegh Gallant and (v) a 100% interest in Höegh Grace.

Operations

The segment is responsible for the commercial and technical management of the group's operational FSRUs and LNGCs which have not been transferred to Höegh LNG Partners LP. It includes the five FSRUs, Independence, Höegh Giant, Höegh Esperanza, Höegh Gannet, Höegh Galleon, and the two LNGCs, Arctic Princess and Arctic Lady. The segment comprises revenues and expenses related to FSRUs and LNGCs in operation, and management income for commercial management services paid by joint ventures. FSRUs are included in the operations segment on delivery from the yard.

Business development and project execution

The segment comprises all activities related to business development and project execution.

Corporate and other

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

OPERATING INCOME AND OPERATING EXPENSES BY SEGMENT

USD million	HMLP		Operations		Business development and project execution		Corporate and other		Total	
	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019
Income statement										
Time charter revenues	36.3	35.7	39.3	35.0	-	-	-	-	75.6	70.7
Management and other income	(0.0)	0.0	1.1	0.8	0.0	-	(0.0)	-	1.1	0.8
Share of results from inv. in JVs and associates	4.1	3.0	1.4	1.0	-	-	-	-	5.5	4.0
TOTAL INCOME	40.4	38.7	41.8	36.8	0.0	-	(0.0)	-	82.2	75.4
Bunker and other voyage related expenses	(0.1)	(0.2)	(1.1)	-	-	-	-	-	(1.2)	(0.2)
Operating expenses	(5.7)	(8.7)	(11.8)	(9.9)	-	(0.2)	-	-	(17.5)	(18.8)
Project administrative expenses	(0.7)	(0.8)	(0.6)	(2.4)	(0.4)	(0.7)	-	-	(1.8)	(3.9)
Group administrative expenses	(1.3)	(1.4)	-	-	-	-	(1.8)	(3.2)	(3.1)	(4.6)
Business development expenses	-	-	-	-	(0.9)	(2.2)	-	-	(0.9)	(2.2)
Operating profit (loss) before depreciation and amortisation (EBITDA)	32.5	27.6	28.3	24.4	(1.3)	(3.1)	(1.8)	(3.2)	57.7	45.7

USD million	HMLP		Operations		Business development and project execution		Corporate and other		Total	
	YTD 2020	YTD 2019	YTD 2020	YTD 2019	YTD 2020	YTD 2019	YTD 2020	YTD 2019	YTD 2020	YTD 2019
Income statement										
Time charter revenues	75.0	73.7	83.2	76.5	-	-	-	-	158.2	150.2
Management and other income	(0.0)	0.1	2.5	1.8	0.0	-	(0.0)	-	2.5	1.9
Share of results from inv. in JVs	5.7	5.7	2.6	2.0	-	-	-	-	8.3	7.7
TOTAL INCOME	80.7	79.5	88.3	80.3	0.0	-	(0.0)	-	169.0	159.8
Bunker and other voyage related expenses	(0.1)	(0.2)	(1.6)	0.2	-	-	-	-	(1.7)	(0.0)
Operating expenses	(11.3)	(14.8)	(23.6)	(19.6)	-	(0.3)	-	-	(34.9)	(34.7)
Project administrative expenses	(1.3)	(1.5)	(2.9)	(5.0)	(1.0)	(2.1)	-	-	(5.3)	(8.6)
Group administrative expenses	(3.1)	(3.2)	-	-	-	-	(4.5)	(7.5)	(7.6)	(10.7)
Business development expenses	-	-	-	-	(2.2)	(4.2)	-	-	(2.2)	(4.2)
Operating profit (loss) before depreciation and amortisation (EBITDA)	64.8	59.9	60.2	55.9	(3.2)	(6.6)	(4.6)	(7.5)	117.3	101.6

ASSETS AND LIABILITIES ALLOCATED TO THE OPERATING SEGMENTS AT 30 JUNE

USD million	HMLP		Operations		Business development and project execution		Corporate and other		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Tangible assets										
Invest. in vessels, depot spares and RoU assets	766.6	791.5	1 473.2	1 294.5	-	-	-	-	2 239.8	2 086.0
Assets under construction	-	-	-	-	7.2	95.3	-	-	7.2	95.3
Liabilities										
Interest-bearing debt incl. lease liability	435.8	429.9	1 021.2	884.7	-	-	278.6	304.8	1 735.7	1 619.3

5. RELATED-PARTY TRANSACTIONS

Höegh LNG provides various management services to the group's joint venture companies and receives management income from external joint venture partners related to technical, commercial and administrative services. Total management income from related parties in Höegh LNG amounted to USD 1 million in the second quarter of 2020 (USD 0.7 million in the first quarter of 2020). For a more detailed description of recurring related-party transactions, see information disclosed in Note 31 in the 2019 annual report.

On 1 October 2015, the company sold Höegh Gallant to HMLP in a dropdown transaction. The sales contract granted HMLP an option to lease the vessel back to Höegh LNG Ltd from the date of termination or expiry of the lease and maintenance agreement (LMA) until 31 July 2025 (with no option to extend) at a rate equal to 90% of the daily LMA rate plus any incremental taxes or operating expenses as a result of such a charter. The option was declared by HMLP on 26 February 2020. At 30 June 2020, the company updated the provision made in previous periods for the net present value of the obligation (net of estimated future time charter hire) as a long-term liability in the statutory accounts of Höegh LNG Ltd. Transfer of

assets does not generally affect the allocation of profit between non-controlling interests and the equity holders of the company in the consolidated accounts.

6. CAPITAL COMMITMENTS

At 30 June 2020, Höegh LNG had a remaining outstanding investment commitment in Avenir LNG Limited (Avenir) of up to USD 10.5 million. Payment of USD 3.75 million is agreed for the second half of 2020, with the remaining amount of USD 6.75 million expected to fall due in 2021. In April 2019, the company issued a guarantee of USD 11.7 million in connection with a shipbuilding contract signed by Avenir. In addition, the main shareholders in Avenir have issued guarantees/counter-guarantees related to shipbuilding contracts signed by Avenir. These guarantees are for an original total amount of approximately USD 120 million (plus change orders and interest charges) which the company would be liable for on a joint and several basis. The three main shareholders have entered into counter-indemnity agreements for the said guarantee obligations, so that the company's net liability for a claim would be equal to its pro rata shareholding in Avenir at the time of any claim being raised. Lastly, the main shareholders of Avenir have issued non-binding letters of comfort related to the final payment instalments under shipbuilding contracts signed by Avenir.

The group had contractual purchase commitments of about USD 7 million at 30 June 2020. These commitments relate primarily to certain regasification equipment and depot spares on order and implementation of a new enterprise resource planning system.

7. INTEREST-BEARING DEBT

The group's interest-bearing debt maturity profile is shown in the table below. For a more detailed description of the group's interest-bearing debt, see information disclosed in Note 16 in the 2019 annual report.

DEBT MATURITY PROFILE INCLUDING LEASE LIABILITIES 30 JUNE 2020

USD'000	Due in year 1	Due in year 2	Due in year 3	Due in year 4	Due in year 5 and later	Total
Independence facility	15 248	15 248	15 248	15 248	136 460	197 452
PGN FSRU Lampung facility	19 062	31 434	14 886	14 886	27 222	107 491
Höegh Esperanza facility	12 500	12 500	62 500	12 500	71 875	171 875
Höegh Giant facility	12 707	139 773	-	-	-	152 480
Höegh Gannet facility	11 042	11 042	11 042	56 042	69 271	158 438
Höegh Galleon facility	9 012	9 012	9 012	9 012	137 440	173 490
USD 385 million facility	25 597	25 597	25 597	25 597	233 914	336 303
Bond debt	-	153 931	-	-	66 704	220 635
RCF USD 80 million	-	60 000	-	-	-	60 000
Interest-bearing debt outstanding	105 168	458 538	138 286	133 286	742 886	1 578 164
Debt issuance costs						(25 482)
Total interest-bearing debt	105 168	458 538	138 286	133 286	742 886	1 552 682
Lease liabilities	28 864	30 110	31 616	33 271	59 136	182 998
Total interest-bearing debt including lease liabilities	134 032	488 648	169 902	166 557	802 022	1 735 680

Financing activities in Q2 2020

In April 2020, Höegh LNG completed the amendment, extension and USD 45-million upsizing of the debt facility for FSRU Independence and made a drawdown of the additional debt amount.

During June 2020, Höegh LNG Holdings Ltd repaid the remaining outstanding USD 65 million on the HLNG 02 bond, mainly by drawing down USD 60 million from the revolving credit facility for up to USD 80 million. USD 20 million of the revolving credit facility remained undrawn at 30 June 2020.

8. INTEREST-RATE AND CURRENCY HEDGES

To manage its interest-rate and currency risks, the group has established hedging policies and entered into derivatives to reduce its exposures in accordance with these policies. For a more detailed description of the group's hedging policy and hedging instruments, see Note 13 in the 2019 annual report. The group applies hedge accounting for all hedging instruments which qualify for this, as further described in Note 2.11 in the 2019 annual report.

As commented in Note 8 in the report for the first quarter of 2020, the market value of the derivatives held by the group to hedge currency and interest-rate exposures suffered a significant negative effect from the market turmoil in that period. Some of these effects required significant cash collaterals to be posted under relevant credit support agreements with the swap banks during the first quarter of 2020. At 31 March 2020, the cash collateral posted under these agreements amounted to approximately USD 59 million. A strengthening of the NOK against USD in the second quarter meant some of this collateral was released. At 30 June 2020, the cash collateral amounted to approximately USD 43 million. Since the end of the second quarter, a continued strengthening of the NOK against the USD has had a further favourable effect on cash collateral and approximately USD 20 million of additional collateral had thereby been released at the date of this report. Moreover, the group bought some USD/NOK FX call options in July under the credit support agreements with its swap banks as a measure to protect its cash position. These are intended to provide partial protection against future cash collateral demands in the event of another dramatic weakening of the NOK against the USD. A premium totalling USD 4.3 million was paid for these options. At the date of this report, the remaining cash collateral with the swap banks mainly relates to the interest-rate swaps for the debt facility for Höegh Galleon.

Currency risk

The group had outstanding forward rate agreements (FRAs) at 30 June 2020 totalling NOK 162 million (NOK 243 million) to hedge budgeted administration expenses in NOK by buying NOK and selling USD throughout 2020. The fair value of these FRAs was a negative USD 1.2 million at 30 June 2020, up from a negative value of USD 3.7 million at 31 March 2020. From the FRAs, NOK 81 million was acquired through the sale of USD 8.9 million during second quarter, resulting in a realised exchange loss of USD 0.8 million. Since the USD/NOK rate weakened from 10.51 at 31 March 2020 to 9.75 at 30 June 2020, USD 2 million in unrealised gain from the outstanding FX hedges was recognised in the second quarter.

The total FX loss recorded to date from this scheme amounts to USD 2.5 million, with USD 1.1 million recorded as a gain in 2019 and USD 3.6 million as a loss for the year to date in 2020.

Interest-rate risk

The group's interest-bearing debt is subject to floating interest rates, but exposure to interest-rate fluctuations has been hedged by entering into fixed interest-rate swap (IRS) agreements for nearly all loan agreements – including bonds (NOK denominated bonds hedged by CCIRS), but excluding the two revolving credit facilities. At 30 June 2020, the net fair value of the interest-rate and cross-currency swaps was negative at USD 138.6 million, representing a decrease in net liabilities of USD 16.3 million during the quarter from a negative USD 154.9 million at 31 March 2020. The group's pro rata shares of the net fair value of interest swaps entered into by joint ventures amounted to a negative USD 71.2 million at 30 June 2020, compared with a negative USD 73.7 million at 31 March 2020.

Effects on other comprehensive income and hedging reserves

In the second quarter of 2020, USD 3 million relating to the interest-rate swaps were recorded as other comprehensive income (OCI), compared with a negative OCI of USD 81.4 million recorded in the previous quarter. An unrealised loss on the cross-currency swap of the bonds is recorded as a loss in the income statement and is offset by an equivalent unrealised currency gain on the outstanding bonds denominated in NOK at the end of each reporting period. Combined with the mark-to-market, the losses recorded on the cross-currency swaps and other items recorded as gains or losses recognised in the income statement, as shown in the table below, a net negative fair value of USD 183.1 million for the group's hedging instruments is recognised as hedge reserves in consolidated equity at 30 June 2020. That represents a decrease of USD 3 million from a negative effect of USD 186.1 million on equity at 31 March 2020.

MTMs of cash flow hedges in the Financial Position	30 Jun 2020	31 Mar 2020	31 Dec 2019	30 Jun 2019
Total MTMs of FRAs	(1 181)	(3 683)	1 110	-
Total MTMs of IRS presented as financial assets	-	-	1 032	2 187
Total MTMs of IRS and CCIIRS presented as financial liabilities	(138 592)	(154 855)	(52 925)	(44 475)
Total MTMs of IRS in the joint ventures	(71 210)	(73 708)	(56 604)	(59 634)
Net MTMs of cash flow hedges	(210 983)	(232 246)	(107 387)	(101 922)
Net foreign exchange losses under cross currency swaps included in MTMs on bonds HLNG03 and HLNG04	28 840	44 824	6 123	869
Accumulated break cost paid	(4 285)	(4 285)	(4 285)	(4 285)
Accumulated loss on swaps recorded as loss	2 195	1 925	1 835	1 688
FX hedges (SG&A) denominated in NOK against USD recorded as unrealized loss (gain)	1 181	3 683	(1 110)	-
Interest rate swaps recorded against equity	(183 052)	(186 099)	(104 824)	(103 650)

9. VESSELS – IMPAIRMENT ASSESSMENT

If applicable, an impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, being the higher of an asset's net selling price (if applicable) and its value-in-use. See Note 11 in the annual report for 2019 for further information.

A quarterly assessment of impairment indicators and estimated recoverable amounts has been carried out for the second quarter. The assessment was based on the following indicators:

- book equity continues to be significantly higher than market capitalisation (price/book <1).
- the market for FSRUs remains highly competitive, with no new contracts signed during the second quarter.
- rate levels for LNG carriers declining in the first quarter and remaining at the same level for new contracts entered into during the second quarter.

To assess if an impairment was applicable, the group estimated the recoverable amounts for its investment in vessels, including right-of-use assets, using the same methodology and principles as for prior periods. The model has been updated to reflect low charter hire rates for vessels currently on intermediate LNGC contracts. However, the long-term assumptions remain unchanged since improved markets for FSRUs are expected by the group in the longer term.

As further explained in the 2019 annual report, the recoverable amount for each vessel would be particularly sensitive to changes in the weighted average cost of capital (WACC), weighted average charter rates (FSRU and LNGC), and an extension of intermediate periods without FRSU contracts, particularly for vessels with the lowest headroom.

Impairment testing at 30 June 2020 did not identify any impairment requirement.

FORWARD-LOOKING STATEMENTS

This interim report contains forward-looking statements. These statements are based on various assumptions, many of which are based in turn on further assumptions, including examination of historical operating trends made by the management of Höegh LNG. Although the group believes that these assumptions were reasonable when made, Höegh LNG cannot give assurance that it will achieve or accomplish these expectations, beliefs or intentions because such assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond its control.

Among the important factors which could cause actual results to differ materially from those in the forward-looking statements are: changes in LNG transport, regasification and floating liquefaction market trends; changes in supply and demand for LNG; changes in trading patterns; changes in applicable maintenance and regulatory standards; political events affecting production and consumption of LNG as well as Höegh LNG's ability to operate and control its vessels; changes in the financial stability of clients or the group's ability to win upcoming tenders and to secure employment for the FSRUs on order; changes in Höegh LNG's ability to complete and deliver projects awarded; increases in the group's cost base; changes in the availability of vessels for purchase; failure by yards to comply with delivery schedules; changes in vessels' useful lives; changes in the ability of Höegh LNG to obtain additional financing; the success in achieving commercial agreements for the projects being developed by the group; changes in applicable regulations and laws. Unpredictable or unknown factors herein could also have material adverse effects on forward-looking statements

RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge that the condensed set of financial statements for the period 1 January to 30 June 2020 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU, and additional requirements found in the Norwegian Securities Trading Act, and give a true and fair view of the Höegh LNG Holdings Ltd.'s consolidated assets, liabilities, financial position and result for the period. We also confirm to the best of our knowledge that the financial review includes a fair review of important events which have occurred during the first six months of the financial year and their impact on the financial statements, any major related party transactions, and a description of the principal risks and uncertainties.

Hamilton, Bermuda, 19 August 2020

The board of directors of Höegh LNG Holdings Ltd



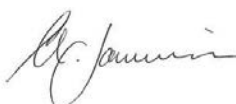
Morten W. Høegh
Chairman



Leif O. Høegh
Deputy chairman



Ditlev Wedell-Wedellsborg



Andrew Jamieson



Christopher G Finlayson



Jørgen Kildahl



Steven Rees Davies

APPENDIX 1 – ALTERNATIVE PERFORMANCE MEASURES (APMS)

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

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

Operational measures such as, but not limited to, volumes, technical availability of vessels/fleet and contract backlog are not defined as financial APMs. Financial APMs should not be considered as a substitute for measures of performance in accordance with the IFRS. The alternative performance measures presented may be determined or calculated differently by other companies.

Höegh LNG's APMs

- Earnings before interest, depreciation, amortisation and impairments (EBITDA): operating profit plus depreciation, amortisation and impairments. EBITDA is defined as the line item operating profit before depreciation and amortisation in the consolidated statement of income.
- Net interest-bearing debt: non-current and current interest-bearing debt less cash, marketable securities and restricted cash (current and non-current).
- Equity adjusted for hedging: total book equity adjusted for mark-to-market value of financial derivative swaps recorded against equity (hedging reserves). Financial derivative swaps consist of interest-rate and cross-currency interest-rate swaps. In the money mark-to-market, financial derivative swaps will increase equity, while out of the money mark-to-market they will reduce equity. The mark-to-market value of interest-rate swaps in Höegh LNG's joint ventures is recorded as part of the line item Investment in joint ventures. The computation of equity adjusted for hedging is consistent with the definitions set out in the group's covenants in loan agreements.
- Equity ratio adjusted for hedging: total book equity adjusted for hedging reserves divided by total assets adjusted for hedging-related assets. The latter represent an increase in investment in joint ventures when removing the negative impact of out of the money mark-to-market financial derivative swaps. See Note 8 for further information.
- Adjusted basic and diluted earnings per share shows the value of EPS as if an allocation of profit had been made for transfer of assets (to) from HMLP.

USD'000

NET INTEREST-BEARING DEBT	30 June 2020	31 Mar 2020	31 Dec 2019	30 Jun 2019
Interest-bearing debt, current and non-current	(1 735 679)	(1 713 609)	(1 778 601)	(1 619 303)
Restricted cash, non-current	17 169	17 315	17 428	17 687
Current cash and marketable securities	158 045	126 011	195 205	140 421
Net interest-bearing debt	(1 560 465)	(1 570 283)	(1 565 968)	(1 461 195)
EQUITY ADJUSTED FOR HEDGING TRANSACTIONS	30 June 2020	31 Mar 2020	31 Dec 2019	30 Jun 2019
Equity	597 372	602 540	696 088	704 846
Hedge reserve including non-controlling interest share	183 052	186 099	104 824	103 651
Equity adjusted for hedging transactions	780 424	788 639	800 912	808 497
EQUITY RATIO ADJUSTED FOR HEDGING TRANSACTIONS	30 June 2020	31 Mar 2020	31 Dec 2019	30 Jun 2019
Total assets	2 544 656	2 550 588	2 601 838	2 436 794
Hedge assets	45 569	-	33 938	16 069
Total assets adjusted for hedging transactions	2 590 225	2 550 588	2 635 776	2 452 863
Equity adjusted for hedging transactions	780 424	788 639	800 912	808 497
Equity ratio adjusted for hedging transactions	30%	31%	30%	33%

EPS ADJUSTED FOR CAPITAL CONTRIBUTIONS (TO) FROM HMLP

USD'000	Q2 2020	Q1 2020	Q2 2019	YTD 2020	YTD 2019
Profit (loss) for the period attributable to (from):					
Equity holders of the parent	(8 371)	(12 312)	(11 144)	(20 683)	(16 272)
Basic and diluted earnings per share	(0.11)	(0.16)	(0.15)	(0.27)	(0.21)
Transfer of assets/capital contribution (to) from HMLP					
Capital contribution (to) from HMLP	(4 658)	-	34	(4 658)	34
Transfer of assets (to) HMLP	1 582	(7 093)	(325)	(5 511)	(650)
Total contributions/transfers (to) from HMLP	(3 076)	(7 093)	(291)	(10 169)	(616)
Adjusted profit (loss) for the period attributable to (from) equity holders of the parent	(11 447)	(19 405)	(11 435)	(30 852)	(16 888)
Adjusted basic and diluted earnings per share (USD'1)	(0.15)	(0.25)	(0.15)	(0.40)	(0.22)

APPENDIX 2 – ABBREVIATIONS

Abbreviation	Definition
ATM	At-the-market
CCIRS	Cross-currency interest rate swap
DFDE	Dual fuel diesel electric propulsion
FID	Final investment decision
FSRU	Floating storage and regasification unit
FSU	Floating storage unit
Höegh LNG or the group	Höegh LNG Holdings Ltd and subsidiaries
Höegh LNG Partners, HMLP or the partnership	Höegh LNG Partners LP
IDR	Incentive distribution rights
IRS	Interest-rate swap
LNGC	LNG carrier
MLP	Master limited partnership
MTM	Mark-to-market
Höegh LNG Holdings or the company	Höegh LNG Holdings Ltd
SG&A	Selling, general and administration
VPS	Norwegian Central Securities Depository