HÖEGH LNG

INTERIM RESULTS FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2020

Highlights for the quarter ended 31 December 2020

- EBITDA[1] of USD 55.2 million
- Net profit of USD 0.8 million
- Stable operations despite continued challenges from Covid-19
- Safe and reliable operations in 2020, one LTI and technical availability of 99.7%
- Secured new long-term FSRU contract in Jaigarh, India

Subsequent events

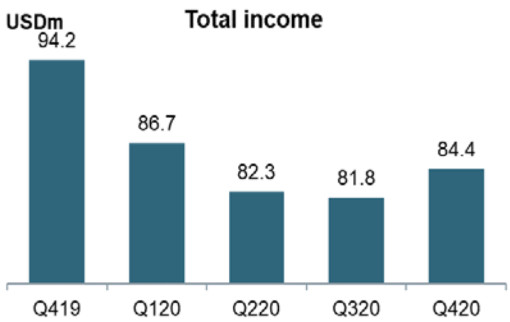
- Secured interim LNGC contracts for three FSRUs
- HMLP issued new common units and Series A preferred units in January under its ATM programme equal to USD 9.1 million in net proceeds
- Revised Vision and Mission statements – establishment of "Clean Energy" business area
- New ESG framework based on the UN Sustainable Development Goals to be implemented from 2021

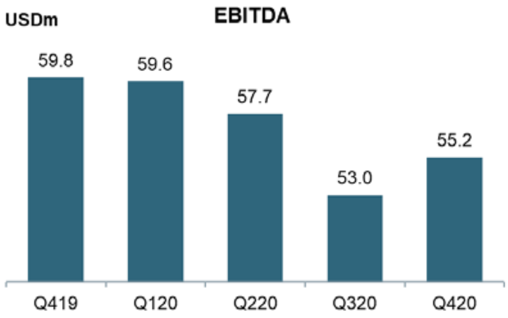
Stable operating performance and new long-term FSRU contract in India

In a period of stable operations, Höegh LNG's EBITDA for the fourth quarter of 2020 was higher than in the preceding three months. This was mainly because of higher revenues from the fleet.

During the fourth quarter, Höegh LNG secured a long-term FSRU contract with H-Energy in Jaigarh, Maharashtra state, India. Höegh Giant will serve the contract after having conducted minor modification work and pre-completion of the vessel's five-year periodic class survey. The project in India is a key example of how Höegh LNG contributes to the energy transition, where the FSRU import terminal will permit the replacement of Indian coal consumption with natural gas for electricity generation on a scale which reduces CO_2 emissions by up to about 120 million tonnes over a 10-year period.

Reported total income and EBITDA





[1] Please see the definition in Appendix 1.

Group financial review[2]

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 84.4 million for the fourth quarter of 2020, compared with USD 81.8 million in the preceding quarter. This increase mainly reflects a higher rate in the quarter for Höegh Giant under the index-linked contract, Höegh Esperanza operating for two months in FSRU mode during the quarter, and increased revenues for Höegh Gallant owing to idle time in the third quarter. These factors were partly offset by 46 days off-hire for Arctic Lady while performing its 15th anniversary class renewal.

Höegh LNG reported EBITDA of USD 55.2 million for the fourth quarter, up from USD 53 million in the preceding three months. This increase reflects increased income as described above, offset by small fluctuations in the fleet's Opex.

Höegh LNG recorded a net profit after tax of USD 0.8 million for the fourth quarter of 2020, up from a loss of USD 2.6 million in the preceding quarter. This increase mainly reflects the higher EBITDA reported for the fourth quarter and lower corporate income tax.

For the full year ended 31 December 2020, Höegh LNG reported USD 335.1 million in total revenues, compared with USD 336.1 million for the previous year. The decrease mainly reflects Höegh Gallant and Höegh Gannet being re-contracted at lower rates in 2020, Höegh Giant achieving a lower rate under the index-linked contract, and the off-hire for Arctic Lady in 2020. These factors were partly offset by Höegh Galleon contributing with a full year of earnings in 2020 and a higher share of results from joint ventures. EBITDA for the year rose from USD 217.3 million in 2019 to USD 225.4 million. The increase in EBITDA was caused by a USD 10 million reduction in SG&A expenses and a decline of USD 1.5 million in Opex, despite an increased fleet. These positive effects, driven mainly by the cost saving programme and certain one-off savings and a favourable currency effect, are partly offset by the slight decline in revenues described above. Net profit fell from USD 8 million to USD 0.1 million. This decrease mainly reflected increased depreciation owing to a rise in fleet size and increased financial expenses, partly offset by the higher EBITDA.

Operating cash flows rose in the fourth quarter by USD 3.2 million to USD 54.4 million. The net increase was driven mainly by the higher net result. Other sources of cash during the quarter comprised a USD 14 million net reversal in cash collateral and USD 34.2 million in proceeds from borrowings. Uses during the quarter mainly comprised USD 35 million in debt amortisations and lease payments, USD 31.5 million in buy-back of bonds, dividends paid to non-controlling interests in Höegh LNG Partners (HMLP), and interest payments. The net increase in cash and cash equivalents during the fourth quarter was USD 0.2 million.

At 31 December 2020, Höegh LNG held USD 142.5 million in current unrestricted cash (USD 142.3 million). Net interest-bearing debt, including lease liabilities, decreased during the fourth quarter by USD 0.7 million to USD 1 536 million (USD 1 537 million). Total assets and book equity at 31 December 2020, after adjusting for the mark-to-market of interest rate swaps, were USD 2 528 million (USD 2 544 million) and USD 757 million (USD 767 million) respectively, equivalent to an adjusted book equity ratio of 30% (30%).

[2] 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 third quarter of 2020.

Key financial figures

(In USD'000 unless otherwise indicated)	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Income statement					
Total income	84 366	81 778	82 255	86 737	94 189
EBITDA	55 164	52 977	57 726	59 569	59 832
Impairment	-	-	-	-	(1 551)
EBIT	27 090	24 898	29 631	31 444	30 208
Profit (loss) after tax for the period	782	(2 556)	2 945	(1 026)	3 992
Financial position					
Total assets	2 473 350	2 500 934	2 544 656	2 550 588	2 601 838
Total assets adjusted for hedging [1]	2 527 553	2 544 277	2 590 225	2 550 588	2 635 776
Equity adjusted for hedging reserves [1]	757 049	767 153	780 424	788 639	800 912
Adjusted equity ratio (%)[1]	30%	30%	30%	31%	30%
Net interest-bearing debt including lease liabilities	(1 536 288)	(1 536 975)	(1 560 465)	(1 570 283)	(1 565 968)
Cash flow					
Net cash flow from operating activities	54 393	51 211	59 610	50 962	77 679
Net cash flow from investing activities	(1 411)	(1 111)	(10 799)	(2 425)	(2 580)
Net cash flow from financing activities	(52 761)	(59 673)	(16 978)	(115 451)	(58 326)
Net increase (decrease) in cash and cash equivalents	221	(9 573)	31 833	(66 914)	16 773

[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 impacts from Covid-19 and no contractual effects. However, ensuring the health and safety of its personnel continues to be the group's highest priority. To support the industry-wide efforts for the seafarers, the company has signed the Neptune Declaration on Seafarer Wellbeing and Crew Change. Höegh LNG is truly grateful for the extraordinary effort displayed by its seafarers during these challenging times.

The Covid-19 situation is dynamic and could change quickly – in particular with regard to maritime personnel and vessel operational logistics, including repairs and maintenance. Although Höegh LNG's operations are not directly affected by the Covid-19 pandemic at present, 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 address any changes related to the health, safety and wellbeing of personnel, the LNG and FSRU markets, government restrictions, and other aspects potentially affecting operations and the business.

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

Secured long-term FSRU contract in Jaigarh, India

On 19 November 2020, Höegh LNG announced a binding commitment to supply H-Energy with an FSRU in Jaigarh, India, in the first quarter of 2021. All documentation was completed and signed in February 2021. Höegh Giant will serve this contract, which runs for a period of 10 years with annual termination options for the charterer after year five.

Following the completion of its LNGC charter with Naturgy in February 2021, Höegh Giant proceeded to Keppel Shipyard for minor modifications as well as pre-completion of its five-year periodic class survey, originally scheduled for 2022, since this will improve efficiency and reduce costs. The vessel is expected to be off-hire for approximately 45 days in the first quarter of 2021 before the planned start-up in India at the end of March 2021.

The H-Energy/HLNG FSRU terminal will facilitate the replacement of domestic Indian coal consumption for electricity generated with natural gas on a scale which reduces CO_2 emissions by up to about 120 million tonnes, NO_x emissions and SO_x emissions by approximately 97% and 99% respectively over the 10-year period. *(Source: GIIGNL. Assumes average annual LNG imports of three million tonnes).*

India is a high-growth LNG market where the government aims to raise the share of gas in the primary energy mix from the current level 6% to 15% by 2030 through policy and regulatory reforms. The company therefore sees a clear potential for Höegh LNG to provide additional FSRUs and clean energy solutions to this market over the coming years.

Executed interim LNGC charters for 2021 and 2022

Subsequent to the quarter end, the group has reached an agreement with Trafigura on an extension of the existing interim LNGC time charter for Höegh Gannet by 12 months and has entered into a new interim LNGC time charter for Höegh Gallant of 12 months from the redelivery by its current charter at end March 2021.

Furthermore, an agreement has been reached with Cheniere to extend the existing interim LNGC time charter for Höegh Galleon by 12 months.

Rates for the above-mentioned time charters are consistent with the term market rates for TFDE LNGCs and modestly above those achieved for Höegh Gallant and Höegh Gannet in 2020. The three time-charters include extension options for the charterers which could result in back-to-back employment with potential new FSRU awards.

These charters secure full contract coverage for the group's fleet in 2021, with the exception of Höegh Esperanza where Höegh LNG is in discussions with the existing charterer on an extension following the expiry of the existing contract in June 2021. The group aims to secure an extension which potentially covers the period until planned employment for Höegh Esperanza on a long-term FSRU contract. Höegh Esperanza has been selected for AGL's Crib Point FSRU project in Australia, conditional on a final investment decision being made.

Operations

The fleet delivered a stable operating performance in the fourth quarter. As communicated in the interim report for the third quarter of 2020, Arctic Lady was off hire for approximately 1.5 months in the fourth quarter owing to the drydocking for its 15th anniversary class renewal. The cost of this drydocking is on pass-through to the charterer, but the vessel had no revenues while off-hire.

In Tianjin, China, Höegh Esperanza operated in FSRU mode for two months during the fourth quarter.

Business development activity

Höegh LNG's primary objective is to conclude firm long-term FSRU contracts by the end of 2021 for all the units currently trading on short-term LNGC contracts, and the first of these has been secured with the employment of Höegh Giant by H-Energy in India.

Elsewhere, FGEN LNG announced in December 2020 that Höegh LNG is one of three preferred tenderers which will continue to the next stage of its tender process for an FSRU at the LNG import terminal in Batangas City, the Philippines. Construction work on modifying the jetty is expected to start in March 2021.

In Australia, Australian Industrial Energy (AIE) announced on 27 November 2020 that it has signed a Memorandum of Understanding to connect the Port Kembla gas terminal with the Eastern Gas Pipeline, part of the major gas transmission system in the state of New South Wales. Squadron Energy, the sole owner of AIE, is also accelerating the associated development of an 800MW dual-fuel LNG-hydrogen power station in Port Kembla which will be fuelled by gas from the Port Kembla gas terminal. As previously communicated, Höegh LNG has exclusivity for supplying the FSRU for AIE's Port Kembla gas terminal project.

Also, in Australia, the AGL Energy (AGL) project at Crib Point in the state of Victoria has completed the hearing stage of the environment effects statement (EES) process. In February 2021, the Inquiry and Advisory Committee (IAC) is expected to submit its report to the Victorian Minister for Planning. While the final outcome the EES process is still uncertain, the Minister is expected to make the decision regarding the EES by the end of March 2021.

Höegh LNG is shortlisted for a project in Latin America which aims to confirm the FSRU supplier and agree detailed terms in the near future. This project is making good progress and expected to reach FID in the first half of 2021.

On the Indian subcontinent, Höegh LNG is still involved as previously reported in two FSRU projects. These are both delayed according to their original development plan owing to Covid-19 and are now expected to reach FID in the second half of 2021.

In addition to the projects listed above, Höegh LNG has a healthy pipeline of additional projects at various stages of development. Since the previous quarterly report, one bilateral project in the Atlantic basin has been removed, while two new formal tender processes have been added to the pipeline. One is a tender process for a long-term FSRU contract on the African continent, and the second is for a medium term FSRU contract in Brazil with a short lead time which could contribute to increased contract coverage in 2022.

Environment, social and governance (ESG)

Revised sustainability framework

Höegh LNG is increasing its sustainability awareness and efforts and will change its sustainability reporting framework to the UN Sustainable Development Goals (SDG) with effect from 2021. It has chosen six SDGs relevant to its business context where it can make a real impact. The six SDGs selected by Höegh LNG are: Climate Action, Life Below Water, Affordable and Clean Energy, Decent Work and Economic Growth, Reduced Inequalities, and Peace, Justice and Strong Institutions. The group is developing an ambitious sustainability roadmap linked to the SDG commitments, which sets long-term goals backed by interim milestones. Included among the long-term goals are:

1. The objective to have the first net zero carbon FSRU in operation by 2030.
2. The objective to fully support IMO's targeted CO_2 emission reductions for LNG carriers by 2030.
3. The objective to have GHG- and ecosystem-neutral operations by 2050.

More detailed milestones and targets will be shared in the 2020 annual report, and the group will continuously share and report progress towards these objectives as part of its sustainability reporting.

The year 2020 will be the last year where Höegh LNG reports on sustainability in accordance with the Global Reporting Initiative (GRI) standards in its annual report.

Technical availability and LTI statistics

Safe and reliable operation of its fleet is a key focus for the group, especially in the current circumstances, and the results demonstrate a strong record of performance. Technical availability was 99.7% for the year, while the LTI frequency was 0.29.

Technical availability of fleet and safety performance

	2020	2019	2018	2017	2016
Technical availability	99.7%	99.5%	99.8%	99.8%	99.9%
Lost-time injury frequency [1]	0. 29	0.31	0.00	0.38	0.00

Corporate/other activities

Revised vision and mission statements

Höegh LNG's Vision and Mission statements have been revised to match its strategy to actively contribute in the transition to the carbon-free energy future, while embracing the role of LNG in this ongoing energy transition process, and these now are as follows:

Vision	Enabling the transition to clean energy
Mission	We supply innovative and reliable floating infrastructure solutions We create value for customers, shareholders, employees and the local communities in which we operate We reduce the impact on the environment from our own business and that of our partners and clients

Establishment of Clean Energy business area

To reflect the group's strategic objective to include the development of non-carbon energy solutions, Höegh LNG created a new business area called Clean Energy in the first quarter of 2021. The company sees a lot of similar characteristics between its LNG business and non-carbon energy solutions, and will therefore leverage its existing industrial platform and expertise and focus its non-carbon activities on two main areas: a) the development of infrastructure solutions for storage, transport and distribution of green hydrogen/ammonia using existing assets, and b) the development of floating Carbon Capture and Storage (CCS) solutions.

Cost-saving plan update

The cost-saving plan for 2020 was successfully executed during the year, and together with certain one-off savings and a favorable exchange rate development it resulted in USD 10 million lower SG&A in 2020 compared with 2019. Opex also declined by USD 1.5 million from 2019 despite the increased fleet with Höegh Galleon added to the fleet from August 2019. In addition, around USD 3 million in dry-docking off-hire was postponed from 2020 to the second quarter of 2021, and Höegh LNG Holding Ltd's quarterly dividend was suspended.

Entering 2021, the group will continue to focus on cost efficiency and is targeting additional cost savings on SG&A and Opex through various measures and efficiency gains. The objective of the cost reductions in 2021 is to reduce SG&A expenses by around 10% compared with 2020, with the majority of the targeted savings expected to take effect from 2022. Some of the SG&A reductions have already been concluded, including downsizing the top management group from nine members, including the separate position of CEO/CFO of Höegh LNG Partners, to six.

Tap issue in HLNG 04 bond and buy-back of HLNG 03 bond

As disclosed in the report for the third quarter of 2020, the company completed a NOK 320 million tap issue under the existing senior unsecured bonds with a maturity date of 30 January 2025 (HLNG 04) in October 2020. The tap issue was priced at 93.61% of the par value and the total outstanding amount after the tap issue is NOK 970 million. In conjunction with the tap issue, the company has bought back NOK 295 million of the senior unsecured bonds with maturity date 1 February 2022 (HLNG03) at a price of 100% of par value.

Distribution from Höegh LNG Partners

Höegh LNG Partners declared a quarterly distribution of USD 0.44 per unit for the fourth quarter on 14 January 2021, corresponding to an annualised distribution of USD 1.76 per unit. On 15 February 2021, Höegh LNG Holdings accordingly received USD 6.7 million in distributions and USD 0.4 million in IDRs for the fourth quarter of 2020.

HMLP ATM Programme

During the quarter, HMLP issued Series A preferred units equal to USD 0.8 million in net proceeds. In January 2021 HMLP issued new common units and Series A preferred units in January under its ATM programme equal to USD 9.1 million in net proceeds, of which USD 0.8 million came from the issuance of new common units and the remaining USD 8.3 million from the issuance of Series A preferred units.

Avenir LNG update

In January 2021, Avenir LNG announced the launch of two vessels, Avenir Aspiration and Avenir Allegiance. The former, scheduled for delivery in mid-2021, is Avenir's third 7,500 cbm vessel, while the latter is Avenir's first 20,000 cbm vessel, and the world's largest dual-purpose LNG supply and bunkering vessel. Avenir Allegiance is scheduled for delivery in Q3 2021.

Market

During the first half of 2020, the global LNG market was negatively affected by two major shocks – first the collapse in oil prices, and then the reduced demand for LNG owing to decreased economic activity because of protective measures to contain the Covid-19 pandemic.

Despite this, annual global LNG trade rose by 5.5 million tonnes in 2020, equivalent to a growth rate of 1.5%, and volumes traded reached 365.5 million tonnes. This clearly shows the resilience in global LNG demand, and underpins the role of LNG in the energy transition by replacing more polluting fuels such as coal and oil products.

In the second quarter of 2020, the spot LNG prices were at historic lows, for the reasons mentioned above. However, they recovered strongly towards the end of 2020 and into 2021, and reached highs not seen since 2014. This rapid increase mainly reflected a cold winter in parts of Asia, low availability of LNG carriers and a strong demand generally from all major Asian markets.

Asian LNG imports increased by 11% year on year in the fourth quarter of 2020, and China saw a record monthly import volume of 8.2 million tonnes in December 2020. The Asian upturn followed a period of weaker demand earlier in the year and was driven by economic recovery as Covid-19 restrictions were eased, as well as by a cold winter.

As in the third quarter, European LNG imports fell during the fourth quarter, mainly owing to LNG cargoes being sent to Asia because of increased demand in that region.

Currently, 39 FSRUs are on the water (excluding four smaller barges). Of these, 29 are committed on FSRU contracts and 10 are available and/or trading as LNGCs. Three purpose-built and four converted FSRUs are on order, all committed to specific contracts, except two of the purpose-built FSRUs.

On average, LNGC spot charter rates were lower in 2020 than the year before owing to solid fleet growth and lower than expected demand for LNG because of the Covid-19 effect on demand. While cross-basin trade was low during northern-hemisphere summer, spot charter rates climbed steeply as Asian demand recovered in the fourth quarter. Owing to the large volumes exported from the USA, the waiting time at the Panama Canal provided further support and led to an extremely tight market with very low vessel availability from November 2020 through January 2021. Since spring is approaching and the fleet growth continues, the market is expected to balance with softer rates through the first half of 2021.

Outlook

Höegh LNG’s main commercial focus is to conclude firm 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 well and business development activity was high in the fourth quarter. 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 first quarter of 2021 will be positively affected by Höegh Esperanza operating in FSRU mode for the full quarter. However, Höegh Giant is expected to be off-hire for approximately 45 days in the quarter owing to repositioning as well as class renewal and modification work prior to the planned start-up of the FSRU contract with H-Energy in India. Some of the costs related to the maintenance and class renewal work for Höegh Giant are expected to be expensed as part of Opex in the first quarter. In addition, Höegh Galleon’s extended interim LNGC charter which commences in the first quarter of 2021 has a lower daily charter rate than the existing charter. This will have a negative effect on the first quarter results.

INTERIM CONSOLIDATED STATEMENT OF INCOME

USD'000	Note	Unaudited Q4 2020	Unaudited Q3 2020	Unaudited Q4 2019	Unaudited 2020	Audited 2019
Time charter revenues		78 708	76 431	87 740	313 358	314 902
Management and other income		1 501	701	2 880	4 690	6 162
Share of results from investments in associates and joint ventures		4 157	4 645	3 570	17 088	15 074
TOTAL INCOME		**84 366**	**81 778**	**94 189**	**335 136**	**336 137**
Bunker and other voyage related expenses		(380)	(629)	(12)	(2 769)	(348)
Operating expenses		(18 364)	(17 586)	(21 191)	(70 844)	(72 309)
Project administrative expenses		(2 893)	(2 929)	(5 511)	(11 123)	(17 989)
Group administrative expenses		(5 782)	(6 365)	(5 644)	(19 738)	(20 466)
Business development expenses		(1 782)	(1 291)	(1 999)	(5 227)	(7 759)
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)	4	**55 164**	**52 977**	**59 833**	**225 435**	**217 266**
Depreciation		(28 074)	(28 079)	(28 073)	(112 374)	(107 341)
Impairment		-	-	(1 551)	-	(1 551)
OPERATING PROFIT		**27 090**	**24 897**	**30 209**	**113 061**	**108 374**
Interest income		124	147	946	1 132	4 071
Interest expenses		(23 927)	(24 254)	(26 051)	(99 800)	(93 739)
Income from other financial items		1 070	741	880	4 354	1 262
Expenses from other financial items		(2 888)	(2 337)	(893)	(13 967)	(5 667)
NET FINANCIAL ITEMS		**(25 620)**	**(25 703)**	**(25 118)**	**(108 281)**	**(94 074)**
ORDINARY PROFIT (LOSS) BEFORE TAX		**1 469**	**(806)**	**5 090**	**4 780**	**14 300**
Corporate income tax		(687)	(1 750)	(1 098)	(4 634)	(6 253)
PROFIT (LOSS) FOR THE PERIOD AFTER TAX		**782**	**(2 556)**	**3 992**	**146**	**8 047**
Profit (loss) for the period attributable to (from):						
Equity holders of the parent		(10 422)	(13 608)	(5 974)	(44 713)	(29 652)
Non-controlling interests		11 205	11 052	9 966	44 859	37 699
TOTAL		**782**	**(2 556)**	**3 992**	**146**	**8 047**
Earnings per share attributable to equity holders of the parent during the period:						
Basic and diluted earnings per share		(0.14)	(0.18)	(0.08)	(0.59)	(0.39)

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

USD'000	Note	Unaudited Q4 2020	Unaudited Q3 2020	Unaudited Q4 2019	Unaudited 2020	Audited 2019
Profit (loss) for the period		**782**	**(2 556)**	**3 992**	**146**	**8 047**
Items that will not be reclassified to profit or (loss)						
Net gain (loss) on other capital reserves		307	431	30	703	32
Items that may be subsequently reclassified to profit or (loss)						
Net gain (loss) on hedging reserves	8	8 503	8 218	9 243	(46 923)	(53 807)
Share of other comprehensive Income from joint ventures	8	2 903	3 457	6 179	(8 246)	(7 496)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD NET OF TAX		**11 713**	**12 106**	**15 452**	**(54 465)**	**(61 271)**
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		**12 495**	**9 551**	**19 444**	**(54 319)**	**(53 224)**
Total comprehensive income attributable to (from):						
Equity holders of the parent		(685)	(3 769)	5 264	(89 552)	(81 704)
Non-controlling interests		13 181	13 320	14 180	35 233	28 480
TOTAL		**12 495**	**9 551**	**19 444**	**(54 319)**	**(53 224)**

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

USD'000	Note	Unaudited **2020** 31 Dec	Unaudited **2020** 30 Sep	Audited **2019** 31 Dec
ASSETS				
Non-current assets				
Deferred tax assets		1 166	644	458
Vessels and spareparts	9	2 032 460	2 049 805	2 106 889
Right-of-use assets	9	160 573	169 789	192 641
Investments in associates and joint ventures		45 390	38 537	29 574
Other non-current financial assets	8	17 471	27 132	5 141
Other non-current assets		18 316	9 938	9 962
Shareholder loans		869	4 069	3 831
Non-current restricted cash		16 895	17 010	17 428
Total non-current assets		**2 293 139**	**2 316 924**	**2 365 924**
Current assets				
Bunkers and inventories		129	115	582
Shareholder loans		3 284	-	-
Trade and other receivables		26 755	27 831	38 352
Other current financial assets	8	273	83	1 885
Restricted cash		7 225	13 656	8 117
Cash and cash equivalents		142 545	142 324	186 978
Total current assets		**180 211**	**184 010**	**235 914**
TOTAL ASSETS		**2 473 350**	**2 500 934**	**2 601 838**
EQUITY AND LIABILITIES				
Equity				
Share capital		773	773	773
Other paid-in capital		556 344	556 688	556 044
Capital reserves		(121 823)	(131 473)	(76 897)
Retained earnings		(139 538)	(131 701)	(83 590)
Equity attributable to equity holders of the parent		**295 756**	**294 287**	**396 330**
Non-controlling interests		301 396	301 519	299 760
Total equity		**597 151**	**595 804**	**696 088**
Non-current liabilities				
Deferred tax liability		13 180	13 128	12 098
Non-current interest-bearing debt	7	1 351 051	1 428 940	1 285 454
Non-current lease liability	7	138 265	146 837	162 170
Investments in joint ventures		1 921	4 325	5 215
Other non-current financial liabilities	8	67 470	98 215	45 681
Deferred revenues		13 889	1 581	2 164
Total non-current liabilities		**1 585 777**	**1 693 026**	**1 512 783**
Current liabilities				
Current interest-bearing debt	7	184 066	105 168	296 213
Current lease liabilities	7	29 673	29 103	34 764
Income tax payable		3 602	3 937	3 292
Trade and other payables		19 205	13 709	21 404
Other current financial liabilities	8	34 077	36 996	17 841
Other current liabilities		19 799	23 190	19 453
Total current liabilities		**290 422**	**212 104**	**392 967**
TOTAL EQUITY AND LIABILITIES		**2 473 350**	**2 500 934**	**2 601 838**

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

USD'000	Unaudited Q4 2020	Unaudited Q3 2020	Unaudited Q4 2019	Unaudited 2020	Audited 2019
Cash flow from operating activities					
Profit (loss) before tax for the period	1 469	(805)	5 090	4 780	14 300
Adjustments to reconcile profit before tax to net cash flows					
Depreciation	28 074	28 079	28 073	112 374	107 341
Impairment	-	-	1 551	-	1 551
Fair value adjustments on marketable securities	(19)	4	(15)	8	(10)
Interest income	(124)	(147)	(946)	(1 132)	(4 071)
Interest expenses	23 927	24 254	26 051	99 800	93 739
Net loss (income) on interest rate hedges and other derivatives	3 649	1 519	(129)	5 528	1 267
Share-based payment and Board remuneration	(158)	212	(256)	687	910
Share of results from investments in associates and joint ventures	(4 157)	(4 645)	(3 570)	(17 088)	(15 074)
Working capital adjustments					
Change in inventories, receivables and payables	2 083	3 030	21 068	13 640	27 971
Payment of corporate income tax	(351)	(289)	762	(2 421)	(2 339)
i) Net cash flow from operating activities	**54 393**	**51 211**	**77 679**	**216 176**	**225 585**
Cash flow from investing activities					
Investments in marketable securities	-	-	-	-	(100)
Investment in FSRUs, assets under construction and class renewals	(1 171)	(471)	(2 051)	(4 116)	(183 168)
Investment in intangibles, equipment and other	1 627	(649)	(679)	(2 685)	(1 878)
Investments in associates	(1 875)	-	(375)	(9 375)	(375)
Interest received	8	9	525	430	2 311
ii) Net cash flow from investing activities	**(1 411)**	**(1 111)**	**(2 580)**	**(15 746)**	**(183 210)**
Cash flow from financing activities					
Net proceeds from equity issuance (HMLP)	781	268	10 343	3 174	14 092
Dividend paid to non-controlling interest (HMLP)	(11 632)	(11 601)	(11 507)	(46 435)	(45 354)
Dividend paid to shareholders of the parent	-	-	(1 905)	(1 905)	(7 620)
Proceeds from borrowings gross	34 170	-	-	211 685	548 549
Payment of debt issuance costs and bond discount	(2 615)	(84)	(716)	(7 797)	(9 242)
Repayment and buy-back of bonds	(31 500)	-	-	(161 500)	-
Repayment of borrowings	(25 570)	(25 623)	(25 752)	(102 589)	(395 131)
Lease payments	(9 371)	(9 419)	(9 274)	(37 378)	(36 714)
Interest paid	(21 056)	(20 941)	(21 655)	(87 029)	(76 499)
(Increase) decrease in restricted cash and cash collateral	14 032	7 728	2 140	(15 088)	(5 432)
iii) Net cash flow from financing activities	**(52 761)**	**(59 673)**	**(58 326)**	**(244 863)**	**(13 351)**
Net increase/(decrease) in cash and cash equivalents (i+ii+iii)	**221**	**(9 573)**	**16 773**	**(44 433)**	**29 024**
Current cash and cash equivalents at the beginning of the period	142 324	151 897	170 205	186 978	157 954
Current cash and cash equivalents at the end of the period	**142 545**	**142 324**	**186 978**	**142 545**	**186 978**

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Attributable to equity holders of the parent									
			Paid-in capital		Capital reserves					
USD'000	Issued capital	Share premium	Treasury shares	Other paid-in capital	Hedging reserves	Other capital reserves	Retained earnings	**Total**	Non-controlling interests	**Total equity**
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							(44 713)	(44 713)	44 859	146
Other comprehensive income (loss)					(45 543)	703	-	(44 839)	(9 626)	(54 465)
Total comprehensive income (loss)	**-**	**-**	**-**	**-**	**(45 543)**	**703**	**(44 713)**	**(89 552)**	**35 233**	**(54 319)**
HMLP dividend to non-controlling interests								-	(46 435)	(46 435)
Dividend to shareholders of the parent							(1 905)	(1 905)	-	(1 905)
Net proceeds from issuance preferred units								-	3 174	3 174
Shares granted to the board of HLNG		60	0					60	-	60
Units granted to the board of HMLP								-	260	260
Share-based payment				240				240	75	315
Capital contribution to HMLP							(6 419)	(6 419)	6 419	-
Transfer of assets to HMLP (Note 5)							(2 911)	(2 911)	2 911	-
Other changes in equity						(86)		(86)	-	(86)
Total other transactions recognised directly in equity	**-**	**60**	**0**	**240**	**-**	**(86)**	**(11 236)**	**(11 022)**	**(33 596)**	**(44 618)**
At 31 December 2020 (Unaudited)	**773**	**447 716**	**(11)**	**108 639**	**(119 646)**	**(2 177)**	**(139 538)**	**295 755**	**301 396**	**597 151**

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to equity holders of the parent									
			Paid-in capital		Capital reserves					
USD'000	Issued capital	Share premium	Treasury shares	Other paid-in capital	Hedging reserves	Other capital reserves	Retained earnings	**Total**	Non-controlling interests	**Total equity**
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 year							(29 651)	(29 651)	37 699	8 047
Other comprehensive income/(loss)					(52 053)			(52 053)	(9 218)	(61 271)
Total comperehensive income	**-**	**-**	**-**	**-**	**(52 053)**	**-**	**(29 651)**	**(81 704)**	**28 480**	**(53 224)**
HMLP dividend to non-controlling interests								-	(45 354)	(45 354)
Dividend to shareholders of the parent							(7 620)	(7 620)	-	(7 620)
Net proceeds from issuance of common units				472				472	557	1 029
Net proceeds from issuance preferred units								-	13 065	13 065
Shares granted to the board of HLNG		90	-					90	-	90
Units granted to the board of HMLP								-	195	195
Share-based payment	-	531	1	291	-	-	-	823	88	911
Capital contribution from HMLP							34	34	(34)	-
Transfer of assets to HMLP (Note 5)							(16 096)	(16 096)	16 096	-
Total other transactions recognised directly in equity	**-**	**621**	**1**	**763**	**-**	**-**	**(23 681)**	**(22 297)**	**(15 388)**	**(37 685)**
At 31 December 2019 (Audited)	**773**	**447 656**	**(11)**	**108 400**	**(74 103)**	**(2 794)**	**(83 590)**	**396 329**	**299 759**	**696 088**

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 24 February 2021.

The number of issued shares for the quarter ending 31 December 2020 was 77 260 580, of which 1 009 265 were held in treasury. The number of outstanding shares at 31 December 2020 was 76 251 315.

2. BASIS FOR PREPARATION AND ACCOUNTING POLICIES

The interim consolidated financial statements for the period ending 31 December 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 31 December 2020, the company held 45.81% 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

Uncertain tax positions

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.

Impairment of vessels, newbuildings and equipment

The carrying amounts of vessels, newbuildings and equipment are tested for impairment whenever there are indications that the value may be impaired. Such impairment assessment calculations demand a high degree of estimation, where management must make complex assessments of expected future cash flows and of which discount rates to use. Reference is made to Note 9.

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. In July 2020, a written reply was made to HMRC's letter of March 2020. At the date of this report, no response has been received from HMRC.

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 and, 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	
Income statement	**Q4 2020**	**Q4 2019**	**Q4 2020**	**Q4 2019**	**Q4 2020**	**Q4 2019**	**Q4 2020**	**Q4 2019**	**Q4 2020**	**Q4 2019**
Time charter revenues	37.4	40.4	41.3	47.4	-	-	-	-	78.7	87.7
Management and other income	0.5	0.2	1.0	2.4	0.0	0.2	-	-	1.5	2.9
Share of results from inv. in JVs and associates	2.9	2.4	1.2	1.1	-	-	-	-	4.2	3.6
TOTAL INCOME	**40.8**	**43.0**	**43.5**	**50.9**	**0.0**	**0.2**	**-**	**-**	**84.3**	**94.2**
Bunker and other voyage related expenses	(0.0)	-	(0.4)	-	-	-	-	-	(0.4)	-
Operating expenses	(6.8)	(9.7)	(11.6)	(11.4)	-	-	-	-	(18.4)	(21.2)
Project administrative expenses	(0.8)	(0.8)	(1.5)	(3.7)	(0.6)	(1.0)	-	-	(2.9)	(5.5)
Group administrative expenses	(1.7)	(1.8)	-	-	-	-	(4.1)	(3.9)	(5.8)	(5.7)
Business development expenses	-	-	-	-	(1.8)	(2.0)	-	-	(1.8)	(2.0)
Operating profit (loss) before depreciation and amortisation (EBITDA)	**31.5**	**30.7**	**30.1**	**35.7**	**(2.4)**	**(2.8)**	**(4.1)**	**(3.9)**	**55.1**	**59.8**

USD million	HMLP		Operations		Business development and project execution		Corporate and other		Total	
Income statement	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Time charter revenues	150.0	153.1	163.3	161.9	-	-	-	-	313.4	315.0
Management and other income	0.6	0.2	4.2	5.4	(0.1)	0.4	(0.0)	0.0	4.6	6.1
Share of results from inv. in JVs	12.1	10.8	5.0	4.1	-	-	-	-	17.1	15.0
TOTAL INCOME	**162.7**	**164.1**	**172.5**	**171.4**	**(0.1)**	**0.4**	**(0.0)**	**0.0**	**335.1**	**336.1**
Bunker and other voyage related expenses	(0.1)	(0.2)	(2.7)	(0.1)	-	-	-	-	(2.8)	(0.3)
Operating expenses	(24.3)	(30.7)	(46.5)	(40.8)	(0.0)	(0.6)	-	-	(70.8)	(72.3)
Project administrative expenses	(2.9)	(3.0)	(5.9)	(10.9)	(2.3)	(4.0)	-	-	(11.1)	(17.9)
Group administrative expenses	(6.3)	(6.6)	-	-	-	-	(13.5)	(13.9)	(19.7)	(20.5)
Business development expenses	-	-	-	-	(5.2)	(7.8)	-	-	(5.2)	(7.8)
Operating profit (loss) before depreciation and amortisation (EBITDA)	**129.1**	**123.5**	**117.4**	**119.6**	**(7.7)**	**(12.0)**	**(13.5)**	**(13.9)**	**225.4**	**217.3**

ASSETS AND LIABILITIES ALLOCATED TO THE OPERATING SEGMENTS AT 31 DECEMBER

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, spare parts and RoU assets	753.6	779.6	1 430.2	1 513.9	9.2	6.1	-	-	2 193.0	2 299.5
Liabilities										
Interest-bearing debt incl. lease liability	414.6	457.1	977.6	1 021.5	-	-	310.8	300.0	1 703.1	1 778.6

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 0.9 million in the fourth quarter of 2020 (USD 0.4 million in the third 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. A wholly owned subsidiary of the company has made a provision for the present value of the estimated net obligation to HMLP (net of estimated future time charter revenue). At 31 December 2020, the provision amounted to USD 68.7 million. Since the group consolidates HMLP and all intercompany transactions (including assets/liabilities) are eliminated, the provision and any changes to it will not impact profit and loss, nor the liabilities in the consolidated financial statements. However, as HMLP is only partly owned by the group, the provision has an effect on the portion of the group's equity being attributed to the non-controlling interests (NCI) in HMLP.

At 31 December 2020, an aggregate amount of USD 37.2 million has been reflected as equity attributable to the NCI in relation to the provision, based on the NCI owning approximately 54% of HMLP's common units.

6. CAPITAL COMMITMENTS

At 31 December 2020, Höegh LNG had a remaining outstanding investment commitment in Avenir LNG Limited (Avenir) of up to USD 8.6 million. USD 6.3 million was paid in January 2021 and the remaining amount of USD 2.3 million expected to fall due later in 2021. In April 2019, the group 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 102 million (plus change orders and interest charges) which the group 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 group'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 of instalments under shipbuilding contracts signed by Avenir.

The group had contractual purchase commitments of about USD 3 million at 31 December 2020. These commitments relate primarily to implementation of the new enterprise resource planning system and certain equipment on order related to the planned modification work for Höegh Giant.

7. INTEREST-BEARING DEBT

The maturity profile for the group's interest-bearing debt 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.

In October 2020, the company completed a NOK 320 million tap issue under the existing senior unsecured bonds with a maturity date of 30 January 2025 (HLNG 04). The tap issue was priced at 93.61% of par value and the total outstanding amount after the tap issue is NOK 970 million. In conjunction with the tap issue, the company bought back NOK 295 million of the senior unsecured bonds with a maturity date of 1 February 2022 (HLNG03), at a price of 100% of par value.

The group has commenced the process to refinance the PNG FSRU Lampung debt facility. The commercial tranche which amounted to USD 19 million at 31 December 2020 matures in the fourth quarter of 2021. The export credit tranche which amounted to USD 79 million at 31 December 2020 matures in 2026 but is contingent upon a refinancing of the commercial tranche in 2021. Both the commercial tranche and the export credit tranche are presented as current interest-bearing debt at 31 December 2020.

DEBT MATURITY PROFILE INCLUDING LEASE LIABILITIES AT 31 DECEMBER 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	60 248	83 836	189 828
PGN FSRU Lampung facility	97 959	-	-	-	-	97 959
Höegh Esperanza facility	12 500	12 500	62 500	12 500	65 625	165 625
Höegh Giant facility	12 707	133 420	-	-	-	146 127
Höegh Gannet facility	11 042	11 042	56 042	11 042	63 750	152 917
Höegh Galleon facility	9 012	9 012	9 012	9 012	132 934	168 984
USD 385M facility (Höegh Gallant and Höegh Grace)	25 597	25 597	25 597	25 597	221 116	323 505
Bond issues	-	141 223	-	-	113 682	254 905
RCF USD 80 million	-	60 000	-	-	-	60 000
Interest-bearing debt outstanding	**184 066**	**408 043**	**168 399**	**118 399**	**680 942**	**1 559 849**
Debt issuance costs						(22 643)
Bonds issue discount						(2 090)
Total interest-bearing debt	**184 066**	**408 043**	**168 399**	**118 399**	**680 942**	**1 535 117**
Lease liabilities	29 673	30 642	31 759	33 691	42 174	167 939
Total interest-bearing debt including lease liabilities	**213 739**	**438 684**	**200 158**	**152 090**	**723 117**	**1 703 056**

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, and rising interest rates throughout the year meant that most of this collateral has been released. At 31 December 2020, the cash collateral amounted to approximately USD 16 million. The remaining cash collateral with the swap banks relates mainly to the interest-rate swaps hedging the interest- rate risk of the debt facility for Höegh Galleon.

Moreover, the group bought some USD/NOK FX call options in July 2020 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 potential cash collateral demands in the event of another dramatic weakening of the NOK against the USD. A premium totalling USD 4.4 million was paid for these options, and their fair value at 31 December 2020 amounted to USD 0.9 million. The change in fair value is recorded as a financial expense in the income statement.

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 31 December 2020, the net fair value of the interest-rate and cross-currency swaps was negative at USD 90.8 million, representing a decrease in net liabilities of USD 33.5 million during the quarter from a negative USD 124.4 million at 30 September 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 64.9 million at 31 December 2020, compared with a negative USD 67.8 million at 30 September 2020.

Effects on other comprehensive income and hedging reserves

In the fourth quarter of 2020, USD 11.4 million relating to the interest-rate swaps was recorded as other comprehensive income (OCI) and the total amount of interest rate swaps recognised in equity is negative by USD 159.9 million at 31 December 2020.

MTMs of cash flow hedges in the Financial Position	**31 Dec 2020**	**30 Sep 2020**	**30 Jun 2020**	**31 Mar 2020**	**31 Dec 2019**
Net fair value of FRAs		(367)	(1 181)	(3 683)	1 110
Total MTMs of IRS presented as financial assets	134	-	-	-	1 032
Total MTMs of IRS and CCIRS presented as financial liabilities	(90 846)	(124 352)	(138 592)	(154 855)	(52 925)
Total MTMs of IRS in the joint ventures	(64 850)	(67 753)	(71 210)	(73 708)	(56 604)
Net MTMs of cash flow hedges	**(155 562)**	**(192 472)**	**(210 983)**	**(232 246)**	**(107 387)**
Net foreign exchange losses under cross currency swaps included in MTMs on bonds HLNG03 and HLNG04	(5 834)	22 715	28 840	44 824	6 123
Accumulated break cost paid	(4 285)	(4 285)	(4 285)	(4 285)	(4 285)
Accumulated loss on swaps recorded as loss	5 783	2 326	2 195	1 925	1 835
Total MTMs of FRAs	-	367	1 181	3 683	(1 110)
Interest rate swaps recorded against equity	**(159 898)**	**(171 349)**	**(183 052)**	**(186 099)**	**(104 824)**

9. VESSELS – IMPAIRMENT ASSESSMENT

To assess if an impairment is applicable, the group estimates the recoverable amounts for its investment in all vessels, including right-of-use assets. A quarterly assessment of impairment indicators and estimated recoverable amounts has been carried out for the fourth quarter.

The assessment was based on the following indicators:

- Book equity continues to be higher than market capitalisation (price/book <1).

- The market for FSRUs remains highly competitive. Although Höegh LNG secured a long-term FSRU contract with H-Energy in the fourth quarter of 2020, four FSRUs still remain on interim LNGC contracts at the date of this report, pending long-term FSRU contracts being secured.
- Rate levels obtainable for FSRUs trading on interim LNGC term charters remained low following the decline experienced in the first half of 2020, although with an uptick towards the end of 2020 and into 2021. Further, Covid-19 has created higher uncertainty related to the short-term market impact, which can impact the estimation of recoverable amounts.

The fourth quarter assessment included a review of all key assumptions and methodology and principles applied for the assessment. The assessment model has been updated to reflect continued low charter hire rates for vessels currently on intermediate LNGC contracts and applies probability-weighted scenarios for assumed new FSRU contracts. As further explained in note 11 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.

The impairment testing at 31 December 2020 did not identify any impairment requirement.

10. EVENTS OCCURRING AFTER THE REPORTING PERIOD

- Secured interim LNGC contracts for three FSRUs
- HMLP issued new common units and Series A preferred units in January under its ATM programme equal to USD 9.1 million in net proceeds
- Revised Vision and Mission statements – establishment of “Clean Energy” business area
- New ESG framework based on the UN Sustainable Development Goals to be implemented from 2021

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.

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	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
Interest-bearing debt, current and non-current	(1 703 055)	(1 710 049)	(1 735 679)	(1 713 609)	(1 778 601)
Restricted cash, non-current	16 895	17 010	17 169	17 315	17 428
Current cash and marketable securities	149 873	156 063	158 045	126 011	195 205
Net interest-bearing debt	**(1 536 287)**	**(1 536 976)**	**(1 560 465)**	**(1 570 283)**	**(1 565 968)**

EQUITY ADJUSTED FOR HEDGING TRANSACTIONS	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
Equity	597 151	595 804	597 372	602 540	696 088
Hedge reserve including non-controlling interest share	159 898	171 349	183 052	186 099	104 824
Equity adjusted for hedging transactions	**757 049**	**767 153**	**780 424**	**788 639**	**800 912**

EQUITY RATIO ADJUSTED FOR HEDGING TRANSACTIONS	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
Total assets	2 473 350	2 500 934	2 544 656	2 550 588	2 601 838
Hedge assets	54 203	43 343	45 569	-	33 938
Total assets adjusted for hedging transactions	**2 527 553**	**2 544 277**	**2 590 225**	**2 550 588**	**2 635 776**
Equity adjusted for hedging transactions	**757 049**	**767 153**	**780 424**	**788 639**	**800 912**
Equity ratio adjusted for hedging transactions	**30%**	**30%**	**30%**	**31%**	**30%**

EPS ADJUSTED FOR CAPITAL CONTRIBUTIONS (TO) FROM HMLP

USD'000	Q4 2020	Q3 2020	Q4 2019	2020	2019
Profit (loss) for the period attributable to (from):					
Equity holders of the parent	(10 422)	(13 608)	(5 974)	(44 713)	(29 652)
Basic and diluted earnings per share	(0.14)	(0.18)	(0.08)	(0.59)	(0.39)
Transfer of assets/capital contribution (to) from HMLP					
Capital contribution (to) from HMLP	(1 761)	-	-	(6 419)	34
Transfer of assets (to) HMLP	4 347	(1 747)	(642)	(2 911)	(16 096)
Total contributions/transfers (to) from HMLP	2 586	(1 747)	(642)	(9 330)	(16 062)
Adjusted profit (loss) for the period attributable to (from) equity holders of the parent	(7 836)	(15 355)	(6 616)	(54 043)	(45 714)
Adjusted basic and diluted earnings per share (USD'1)	**(0.10)**	**(0.20)**	**(0.09)**	**(0.71)**	**(0.60)**

APPENDIX 2 – ABBREVIATIONS

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