



HÖEGH LNG

INTERIM RESULTS FOR THE QUARTER ENDED 31 MARCH 2022

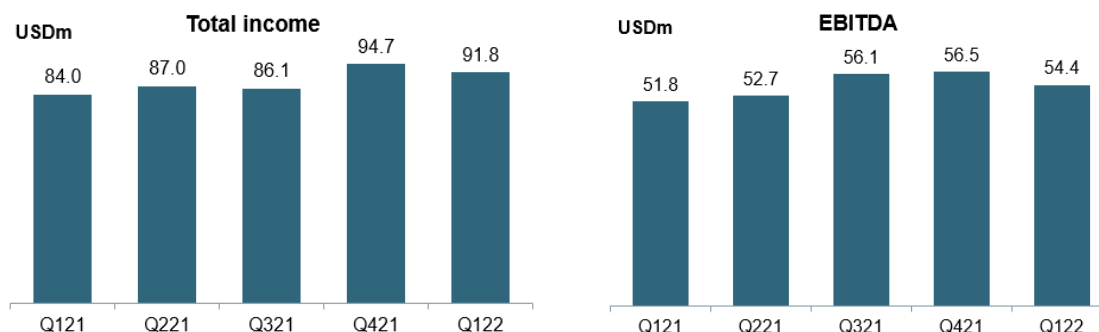
Highlights for the quarter ended 31 March 2022

- EBITDA¹ of USD 54.4 million
- Net profit after taxes of USD 2.0 million

Subsequent events

- Höegh LNG Holdings Ltd. announced that it has signed binding implementation agreements to charter out two FSRUs from its fleet for operations in Germany for 10 years
- Höegh LNG Holdings Ltd. announces agreement to acquire publicly held common units of Höegh LNG Partners LP
- Höegh Giant's FSRU contract in India has been terminated
- Mr. Erik Nyheim appointed as new President & CEO effective from mid-August this year
- Höegh LNG Holdings Ltd. raised USD 19.8 million in new equity from its shareholder

Reported total income and EBITDA



Group financial review²

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 91.8 million and an EBITDA of USD 54.4 million for the first quarter of 2022, compared to USD 94.7 million and USD 56.5 million for the preceding quarter. Decrease in EBITDA mainly reflects lower share of results from associates and joint ventures and higher administrative expenses, offset by higher revenues and lower operating expenses for Höegh Gallant compared to the previous quarter when this vessel was idle for a period while being modified for FSRU operations in Jamaica.

The group recorded a net profit after tax of USD 2.0 million for the first quarter of 2022, down from a net profit of USD 3.6 million in the preceding quarter. This decrease is mainly related to reduction in EBITDA and

¹ Please see the definition in Appendix 1.

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 fourth quarter of 2021.

higher provision for taxes in the first quarter, offset by certain one-off financial gains compared to fourth quarter.

Operating cash flows decreased in the first quarter by USD 38.2 million to USD 22.6 million. The net decrease was driven mainly by changes in working capital, predominantly caused by temporary timing effects, including a reversing effect from the previous quarter. Cash flow from financing activities during the quarter mainly comprised of USD 41.8 million in repayment of borrowings and lease payments, dividends paid to non-controlling interests in Höegh LNG Partners (HMLP) and interest payments. The net decrease in cash and cash equivalents during the first quarter was USD 37.5 million.

On 31 March 2022, Höegh LNG held USD 96.8 million in current unrestricted cash (USD 134 million). Net interest-bearing debt, including lease liabilities, increased during the first quarter by USD 8 million to USD 1 448 million (USD 1 440 million). Total assets and book equity on 31 March 2022, after adjusting for the mark-to-market of interest rate swaps, were USD 2 424 million (USD 2 473 million) and USD 741 million (USD 744 million) respectively, equivalent to an adjusted book equity ratio of 31% (30%).

Key financial figures

(In USD'000 unless otherwise indicated)	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Income statement					
Total income	91 778	94 663	86 151	87 042	83 977
EBITDA	54 435	56 516	56 091	52 737	51 849
EBIT	26 498	28 663	27 771	24 495	22 859
Profit (loss) after tax for the period	2 017	3 575	(3 141)	(19 351)	(2 368)
Financial position					
Total assets	2 407 742	2 429 209	2 418 662	2 445 881	2 462 647
Total assets adjusted for hedging ¹	2 424 177	2 473 104	2 465 538	2 494 536	2 515 224
Equity adjusted for hedging reserves ¹	741 003	743 505	714 105	721 515	751 853
Adjusted equity ratio (%) ¹	31%	30%	29%	29%	30%
Net interest-bearing debt including lease liabilities	(1 448 043)	(1 440 524)	(1 502 347)	(1 524 399)	(1 530 250)
Cash flows					
Net cash flows from operating activities	22 616	60 840	47 027	55 043	33 602
Net cash flows from investing activities	(2 297)	(6 162)	(655)	(10 454)	(9 254)
Net cash flows from financing activities	(57 520)	(30 642)	(58 525)	(49 944)	(39 379)
Net increase (decrease) in cash and cash equivalents	(37 201)	24 036	(12 153)	(5 355)	(15 032)

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

Business review

Business development

The recent tragic events in Ukraine have led to a surge in interest for LNG import terminals in Europe, where countries are looking to secure import capacity for LNG to reduce dependency on pipeline gas from Russia. As a consequence, demand for FSRUs has increased significantly. Höegh LNG has engaged in business development activities with a range of interested parties, and on 5 May 2022 Höegh LNG Holdings Ltd. announced that it had signed implementation agreements with the German Federal Ministry for Economic Affairs and Climate Action to charter out two FSRUs from its fleet for operations in Germany for 10 years. The detailed FSRU contracts are scheduled to be completed and become fully binding by September/October, and FSRU operations are expected to commence by the end this year. The vessels allocated to these contracts will be announced at a later point in time.

After the quarter end, Höegh LNG terminated Höegh Giant's FSRU contract in India following the charterer's default of the contractual terms. The charterer is disputing Höegh LNG's entitlement to terminate but it accepts that the FSRU contract is at an end. Höegh LNG is confident of its contractual right to terminate and it has commenced arbitration proceedings against the charterer to confirm the legitimacy of its actions and seek damages.

Operations

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

Russia's invasion of Ukraine

The recent developments in Ukraine may continue to impact the market for LNG as well as for LNG carriers and FSRUs, in particular since Russia is a major global exporter of crude oil and natural gas. While near-terms business opportunities have materialised for the company in Europe, the potential effects on the group's business and operations of the conflict in Ukraine are complex to project and therefore highly uncertain. For example, the situation may lead to further regional and international conflicts or armed action. It is possible that such conflict could disrupt supply chains and cause instability in the global economy. Additionally, the ongoing conflict could result in the imposition of further economic sanctions by the United States, the European Union and other countries against Russia. While much uncertainty remains regarding the global impact of the invasion, it is possible that such tensions could adversely affect our business, financial condition, results of operation and cash flows. Furthermore, it is possible that third parties with whom we have charter contracts may be impacted by events in Russia and Ukraine, which could adversely affect our operations.

Covid-19

Höegh LNG is experiencing limited operational impacts from Covid-19. Ensuring the health and safety of its personnel continues to be the group's highest priority. The board of directors recognises the challenges for all employees and in particular for the seafarers during these challenging times and is grateful for the extraordinary efforts.

The Covid-19 situation is dynamic and could change quickly – in particular with regards 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.

Delays to scheduled crew changes continue to be the main effect of the Covid-19 situation, 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.

Environment, social and governance (ESG)

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 close to 100% by the end of the first quarter, and there was only one LTI recorded during the annualised period up to 31 March 2022.

Technical availability of fleet and safety performance

	Q1 2022	2021	2020	2019	2018	2017
Technical availability	100%	99.6%	99.7%	99.5%	99.8%	99.8%
Lost-time injury frequency (annualised)	0.61	0.63	0.29	0.31	0.00	0.38

Corporate/other activities

New equity

In April 2022, Höegh LNG Holdings Ltd. raised USD 19.8 million in new equity from its shareholder. The capital increase was settled in cash and will be presented as Contributed Surplus in equity for second quarter 2022.

Höegh LNG Holdings Ltd. announces agreement to acquire publicly held common units of Höegh LNG Partners LP

On 25 May 2022, Höegh LNG Holdings Ltd. ("Höegh LNG") announced that it has entered into an agreement and plan of merger (the "Merger Agreement") with Höegh LNG Partners LP (the "Partnership"). Pursuant to the Merger Agreement and consistent with Höegh LNG's desire to retain its ownership interests in the Partnership and its general partner, Höegh LNG will acquire by merger (the "Merger") all of the outstanding common units representing limited partner interests of the Partnership not already owned by Höegh LNG in

exchange for USD 9.25 in cash per common unit. Pursuant to the terms of the Merger Agreement, the Partnership's outstanding preferred units will be unchanged and remain outstanding by virtue of the Merger.

The Merger is expected to close in the second half of 2022 and is subject to approval of the Merger Agreement and the transactions contemplated thereby by a majority of the outstanding common units of the Partnership and certain regulatory filings and customary closing conditions. Upon the closing of the Merger, the common units will cease to be publicly traded.

Pending arbitration with the charterer of PGN FSRU Lampung

The charterer under the lease and maintenance agreement for the PGN FSRU Lampung ("LOM") served a notice of arbitration ("NOA") on 2 August 2021 to declare the LOM null and void, and/or to terminate the LOM, and/or seek damages. PT Höegh LNG Lampung ("PT HLNG") has served a reply refuting the claims as baseless and without legal merit and has also served a counterclaim against the charterer for multiple breaches of the LOM and a claim against the parent company of the charterer for the fulfilment of the charterer's obligations under the LOM as stated in a guarantee provided by the parent company, with a claim for damages. PT HLNG will take all necessary steps and will vigorously defend against the charterer's claims in the legal process. Notwithstanding the NOA, both parties have continued to perform their respective obligations under the LOM. No assurance can be given at this time as to the outcome of the dispute with the charterer of PGN FSRU Lampung. In the event the outcome of the dispute is unfavourable to the PT HLNG, it could have a material adverse impact on HMLP's business, financial condition, results of operations and ability to make distributions to unitholders.

Pending Class Action Lawsuit relating to Höegh LNG Partners LP

On 27 October 2021 and 3 November 2021, two purported unit holders filed a class action securities fraud lawsuit in the United States District Court for the District of New Jersey against Höegh LNG Partners LP and certain of its current and former officers, alleging violations of the Securities Exchange Act of 1934. On 16 May 2022, the court-appointed lead plaintiffs filed a notice of voluntary dismissal, and the Court ordered the dismissal on 17 May 2022. Höegh LNG Partners LP believes the allegations in this suit were without merit.

Market

Global LNG for the first quarter of 2022 was 106 million tonnes, which represents an 8% growth compared to the first quarter of 2021.

LNG carrier spot rates were at record high levels by the end of 2021. During first quarter the spot rates have come down significantly and seem to follow the usual seasonal pattern as the high winter market comes to an end and was also impacted by stocks in Asia adequate to cover the winter period and shorter shipping distances to Europe. The newbuilding market was very active during the quarter and newbuilding prices have continued to increase.

In the first quarter, the FSRU market gained significant momentum from European countries looking to ensure security of energy supply with import of LNG to substitute pipeline gas from Russia.

Currently, 44 FSRUs are on the water (excluding three specialised vessels with significantly lower send-out and three small-scale barges). There are no FSRU newbuildings on order. Up until recently, 8 of these FSRUs have been uncommitted and available for FSRU contracts. However, following the recent surge in demand for FSRUs, most of them are now believed to be committed or in the process of being committed to FSRU contracts in Europe.

Outlook

Höegh LNG's main commercial focus is to deliver the FSRU projects that are being prepared or have been secured and continue to optimise the utilisation and deployment of its fleet. In connection with this, the company will also start considering potential growth opportunities including expansions of its FSRU fleet with newbuilds or conversion of LNG carriers to FSRUs, maintaining its position as the leading FSRU provider.

HMLP's main focus is the dispute with the charterer of PGN FSRU Lampung. No assurance can be given at this time as to the outcome of the dispute.

INTERIM CONSOLIDATED STATEMENT OF INCOME

USD'000	Note	Unaudited Q1 2022	Unaudited Q4 2021	Unaudited Q1 2021
Time charter revenues		84 105	85 227	78 273
Management and other income		3 404	3 844	559
Share of results from investments in associates and joint ventures		4 269	5 592	5 145
TOTAL INCOME		91 778	94 663	83 977
Bunker and other voyage related expenses		(178)	(669)	(349)
Operating expenses		(22 903)	(25 858)	(19 933)
Project administrative expenses		(3 919)	(4 088)	(3 978)
Group administrative expenses		(7 475)	(4 400)	(6 202)
Business development expenses		(2 868)	(3 132)	(1 666)
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION (EBITDA)	4	54 435	56 516	51 849
Depreciation		(27 937)	(27 853)	(28 991)
OPERATING PROFIT		26 498	28 663	22 858
Interest income		252	192	251
Interest expenses		(23 068)	(23 276)	(22 923)
Income from other financial items		1 411	118	278
Expenses from other financial items		(586)	(1 550)	(1 215)
NET FINANCIAL ITEMS		(21 991)	(24 516)	(23 609)
ORDINARY PROFIT (LOSS) BEFORE TAX		4 507	4 148	(751)
Corporate income tax		(2 490)	(572)	(1 618)
PROFIT (LOSS) FOR THE PERIOD AFTER TAX		2 017	3 575	(2 369)

Profit (loss) for the period attributable to (from):

Equity holders of the parent		(8 541)	(5 895)	(13 058)
Non-controlling interests		10 558	9 470	10 689
PROFIT (LOSS) FOR THE PERIOD AFTER TAX		2 017	3 575	(2 369)

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

USD'000	Note	Unaudited Q1 2022	Unaudited Q4 2021	Unaudited Q1 2021
Profit (loss) for the period		2 017	3 575	(2 369)
Items that will not be reclassified to loss				
Net loss on other capital reserves		(461)	(65)	(167)
Items that may be subsequently reclassified to profit				
Net gain on hedging reserves	7	50 684	15 345	26 465
Share of other comprehensive income from Joint ventures	7	12 578	4 575	11 125
OTHER COMPREHENSIVE INCOME FOR THE PERIOD NET OF TAX		62 801	19 855	37 423
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		64 818	23 430	35 054
Total comprehensive income attributable to:				
Equity holders of the parent		44 114	9 766	16 707
Non-controlling interests		20 703	13 663	18 347
TOTAL		64 818	23 429	35 054

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

USD'000	Note	Unaudited	Audited	Unaudited
		2022 31 Mar	2021 31 Dec	2021 31 Mar
Deferred tax assets		1 613	1 274	1 240
Vessels and depot spares	8	1 945 196	1 963 980	2 019 337
Right-of-use assets	8	122 180	129 916	153 236
Investments in associates and joint ventures		107 607	91 198	65 822
Other non-current financial assets	7	19 593	11 654	10 666
Other non-current assets		19 268	21 146	17 223
Shareholder loans		8 836	7 511	886
Non-current restricted cash		30 659	30 662	16 793
Total non-current assets		2 254 953	2 257 343	2 285 204
Bunkers and inventories		600	76	416
Shareholder loans		1 816	1 777	3 350
Trade and other receivables		46 738	27 442	38 641
Other current financial assets		1 192	111	373
Restricted cash		5 603	8 419	7 150
Cash and cash equivalents		96 841	134 041	127 513
Total current assets		152 789	171 866	177 444
TOTAL ASSETS		2 407 742	2 429 209	2 462 647
EQUITY AND LIABILITIES				
Equity				
Share capital		12	12	773
Other paid-in capital		802 865	750 176	464 414
Retained earnings		(429 348)	(422 833)	(152 970)
Equity attributable to equity holders of the parent		373 529	327 355	312 217
Non-controlling interests		338 296	323 676	317 411
Total equity		711 825	651 031	629 628
Deferred tax liabilities		17 004	16 134	13 584
Non-current interest-bearing debt	6	1 338 459	1 101 756	1 129 941
Non-current lease liabilities	6	100 035	107 790	131 180
Other non-current financial liabilities	7	8 081	34 097	35 517
Deferred revenues		12 510	14 989	13 964
Total non-current liabilities		1 476 088	1 274 766	1 324 187
Current interest-bearing debt	6	111 633	373 385	390 650
Current lease liabilities	6	31 144	30 814	30 041
Income tax payable		11 999	11 141	3 971
Trade and other payables		26 056	19 329	18 522
Other current financial liabilities	7	16 511	34 598	40 162
Other current liabilities		22 485	34 146	25 487
Total current liabilities		219 829	503 412	508 833
TOTAL EQUITY AND LIABILITIES		2 407 742	2 429 209	2 462 647

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

USD'000	Unaudited Q1 2022	Unaudited Q4 2021	Unaudited Q1 2021
Cash flows from operating activities			
Profit (loss) before tax for the period	4 507	4 148	(751)
<i>Adjustments to reconcile profit before tax to net cash flows</i>			
Depreciation and amortisation	27 937	27 853	28 991
Fair value adjustments on marketable securities	(28)	(4)	(4)
Interest income	(252)	(192)	(251)
Interest expenses	23 068	23 276	22 923
Net loss (gain) on interest rate hedges and other derivatives	(298)	725	535
Share-based payment and Board remuneration	-	-	204
Share of results from investments in associates and joint ventures	(4 269)	(5 592)	(5 145)
<i>Working capital adjustments</i>			
Change in inventories, receivables and payables	(27 546)	10 908	(9 236)
Payment of corporate income tax	(503)	(281)	(3 665)
I) NET CASH FLOWS FROM OPERATING ACTIVITIES	22 616	60 840	33 601
Cash flows from investing activities			
Investments in shares/marketable securities	-	-	(588)
Investment in FSRUs, long lead items and class renew als	(1 168)	(1 329)	(1 781)
Investment in intangibles, equipment and other	-	(103)	(644)
Loans granted to joint ventures and associates	(1 161)	(4 733)	
Investments in associates	-	-	(6 250)
Interest received	32	3	9
II) NET CASH FLOWS FROM INVESTING ACTIVITIES	(2 297)	(6 162)	(9 254)
Cash flows from financing activities			
Net proceeds from equity issuance (HMLP)	-	-	9 136
Capital contribution from owner	-	30 000	-
Dividend paid to non-controlling interest (HMLP)	(4 058)	(4 058)	(11 843)
Proceeds from borrowings gross	-	-	10 000
Payment of debt issuance cost and bond discount	-	(480)	(30)
Repayment of borrowings	(32 724)	(26 463)	(24 774)
Interest paid on mortgage debt and bonds	(19 829)	(19 096)	(20 862)
Lease payments	(9 071)	(9 401)	(9 214)
(Increase) decrease in restricted cash and cash collateral	8 162	(1 144)	8 208
III) NET CASH FLOWS FROM FINANCING ACTIVITIES	(57 520)	(30 642)	(39 379)
Net increase/(decrease) in cash and cash equivalents (i+ii+iii)	(37 201)	24 036	(15 032)
Current cash and cash equivalents at the beginning of the period	134 041	110 005	142 545
Current cash and cash equivalents at the end of the period	96 841	134 041	127 513

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2022**

USD'000	Attributable to equity holders of Höegh LNG Holdings Ltd.								Non-controlling interests	TOTAL EQUITY
	Share capital	Share premium	Contributed Surplus	Other paid-in capital	Hedging reserves	Other capital reserves	Retained earnings	TOTAL		
As at 1 January 2022	12	556 262	154 753	109 446	(67 622)	(2 663)	(422 833)	327 356	323 677	651 033
Profit (loss) for the period	-	-	-	-	-	-	(8 541)	(8 541)	10 558	2 017
Other comprehensive income (loss)	-	-	-	-	53 117	(461)	-	52 656	10 145	62 801
Total comprehensive income (loss)	-	-	-	-	53 117	(461)	(8 541)	44 114	20 703	64 818
HMLP dividend to non-controlling interests	-	-	-	-	-	-	-	-	(4 058)	(4 058)
Transfer of assets from HMLP (Note 5)	-	-	-	-	-	-	2 026	2 026	(2 026)	-
Other changes in equity	-	-	-	33	-	-	-	33	-	33
Total other transactions recognised directly in equity	-	-	-	33	-	-	2 026	2 059	(6 084)	(4 026)
At 31 March 2022 (unaudited)	12	556 262	154 753	109 479	(14 505)	(3 124)	(429 348)	373 529	338 296	711 825

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2021**

USD'000	Attributable to equity holders of Höegh LNG Holdings Ltd.								Non-controlling interests	TOTAL EQUITY
	Share capital	Share premium	Treasury shares	Other paid-in capital	Hedging reserves	Other capital reserves	Retained earnings	TOTAL		
At 1 January 2021	773	447 716	(11)	108 639	(119 646)	(2 177)	(139 539)	295 756	301 396	597 151
Profit (loss) for the period	-	-	-	-	-	-	(13 058)	(13 058)	10 689	(2 369)
Other comprehensive income (loss)	-	-	-	-	29 932	(167)	-	29 765	7 658	37 423
Total comprehensive income (loss)	-	-	-	-	29 932	(167)	(13 058)	16 707	18 347	35 054
HMLP dividend to non-controlling interests	-	-	-	-	-	-	-	-	(11 843)	(11 843)
Net proceeds from issuance of preferred units	-	-	-	-	-	-	-	-	8 318	8 318
Net proceeds from issuance of common units	-	-	-	-	-	-	-	-	818	818
Share-based payment cost	-	-	-	128	-	-	-	128	1	129
Capital contribution to HMLP	-	-	-	-	-	-	(171)	(171)	171	-
Transfer of assets to HMLP (Note 5)	-	-	-	-	-	-	(202)	(202)	202	-
Total other transactions recognised directly in equity	-	-	-	128	-	-	(373)	(245)	(2 332)	(2 578)
At 31 March 2021 (unaudited)	773	447 716	(11)	108 767	(89 714)	(2 344)	(152 970)	312 217	317 411	629 627

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 25 May 2022.

The number of issued and outstanding shares for the quarter ending 31 March 2022 was 1 200 000.

2. BASIS FOR PREPARATION AND ACCOUNTING POLICIES

The interim consolidated financial statements for the period ending 31 March 2022 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 2021 (the 2021 annual report).

The interim consolidated financial statements for the period ending 31 March 2022 have been prepared under the going concern assumption.

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

Consolidation of Höegh LNG Partners LP

On 31 March 2022, the company held 45.7% 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 2021 annual report for a more detailed description.

Significant estimates and assumptions

Uncertain tax positions

Liabilities related to uncertain tax positions are recognised when it is determined "more likely than not" that the group will be required to settle a tax obligation in the future. 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.

In late June 2021, the tax audit for the group's Indonesian subsidiary's 2019 tax return was completed. The main finding was that an internal promissory note was reclassified from debt to equity such that 100% of the accrued interest was disallowed as a tax deduction. The group and its Indonesian subsidiary disagree with the conclusion of the tax audit and have filed an Objection Request with the Central Jakarta Regional Tax Office. Nevertheless, the Indonesian subsidiary may not be successful in its appeal and has expensed the additional tax for 2019. The subsidiary has as of 31 March 2022 a tax provision of USD 9.5 million for the potential future tax obligation related to the open years that remain subject to a potential tax audit in Indonesia.

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 8.

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 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% economic 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	
	Q1 2022	Q4 2021	Q1 2022	Q4 2021	Q1 2022	Q4 2021	Q1 2022	Q4 2021	Q1 2022	Q4 2021
Time charter revenues	37.3	38.1	46.8	47.2	-	-	-	-	84.1	85.3
Management and other income	-	-	3.4	0.9	(0.0)	-	-	2.9	3.4	3.8
Share of results from inv. in JVs and associates	3.4	2.3	0.9	3.3	-	-	-	-	4.3	5.6
TOTAL INCOME	40.7	40.4	51.1	51.4	(0.0)	-	-	2.9	91.8	94.7
Bunker and other voyage related expenses	-	-	(0.2)	(0.7)	-	-	-	-	(0.2)	(0.7)
Operating expenses	(6.3)	(10.7)	(16.6)	(15.1)	-	-	-	-	(22.9)	(25.8)
Project administrative expenses	(0.6)	(2.2)	(3.4)	(1.9)	0.1	-	-	-	(3.9)	(4.1)
Group administrative expenses	(3.5)	(1.1)	-	-	-	-	(4.0)	(3.3)	(7.5)	(4.4)
Business development expenses	-	-	-	-	(2.9)	(3.1)	-	-	(2.9)	(3.1)
Operating profit (loss) before depreciation and amortisation (EBITDA)	30.3	26.4	30.9	33.7	(2.8)	(3.1)	(4.0)	(0.4)	54.4	56.6

ASSETS AND LIABILITIES ALLOCATED TO THE OPERATING SEGMENTS

USD million	HMLP		Operations		Business development & Project execution		Corporate and other		Total	
	31.03.2022	31.12.2021	31.03.2022	31.12.2021	31.03.2022	31.12.2021	31.03.2022	31.12.2021	31.03.2022	31.12.2021
Tangible Assets										
Invest. in vessels, spare parts and RoU assets	724.8	731.2	1 332.3	1 353.4	10.3	9.3	-	-	2 067.4	2 093.9
Liabilities										
Interest-bearing debt incl. lease liability	372.3	386.0	895.5	917.3	-	-	313.4	310.4	1 581.3	1 613.7

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 0.7 million in the first quarter of 2022 (USD 0.7 million in the fourth quarter of 2021). For a more detailed description of recurring related-party transactions, see information disclosed in Note 30 in the 2021 annual report.

The company's subsidiary Höegh LNG Ltd has made a provision for an onerous contract with HMLP related to the lease back of the vessel HOn 31 March 2022, the provision amounted to USD 57 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. On 31 March 2022, an aggregate amount of USD 31 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. 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 2021 annual report.

DEBT MATURITY PROFILE INCLUDING LEASE LIABILITIES AS AT 31 MARCH 2022

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	121 293	15 248	3 731	170 768
PGN FSRU Lampung facility	18 150	18 150	18 150	16 617	173	71 240
Höegh Esperanza facility	12 500	62 500	12 500	12 500	50 000	150 000
Höegh Giant facility	12 750	12 750	12 750	12 750	107 625	158 625
Höegh Gannet facility	11 042	53 542	11 042	11 042	52 448	139 115
Höegh Galleon facility	9 012	9 012	9 012	9 012	121 668	157 718
USD 385 million facility	25 597	25 597	25 597	219 966	9 500	306 258
Bond debt	-	126 193	148 597	-	-	274 790
Corporate bank facility	7 333	29 333	7 333	-	-	44 000
Interest-bearing debt outstanding	111 633	352 326	366 275	297 136	345 145	1 472 514
Lease liabilities	31 144	32 675	34 084	31 952	1 324	131 179
Total interest-bearing debt including lease liabilities	142 777	385 001	400 359	329 088	346 469	1 603 693
Debt issuance costs	-	-	-	-	-	(20 652)
Bonds issue discount	-	-	-	-	-	(1 770)
Current and total interest-bearing debt including lease liabilities	142 777	385 001	400 359	329 088	346 469	1 581 271

Maturity date of bond loans

On 24 March 2022, the Company fulfilled the credit event related to its two bond loans (HLNG03 and HLNG04), by creating a first ranking pledge over its ownership of 15.3 million common units of Höegh LNG Partners LP in favour of the Bond Trustee (on behalf of the bond holders). As a consequence, total bond debt, net of unamortised debt issuance cost and bond issue discount, was reclassified from current to non-current debt by 31 March 2022, reflecting the maturity date of the bond loans.

7. 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 2021 annual report. The group applies hedge accounting for all hedging instruments which qualify for this, as further described in Note 2.10 in the 2021 annual report.

Interest-rate risk and currency risk inherent in NOK-denominated bond loans

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. The group's two bond loans are denominated in NOK and have been hedged both for interest rate risk and currency risk with CCIRS. On 31 March 2022, the net fair value of interest-rate and cross-currency swaps was positive of USD 3.3 million, representing a decrease in net liabilities of USD 58.0 million during the quarter from a negative USD 54.8 million on 31 December 2021. The group's pro rata shares of the net fair value of interest swaps entered into by joint ventures amounted to a negative USD 33.6 million on 31 March 2022 (negative USD 46.7 million).

Effects on other comprehensive income and hedging reserves

In the first quarter of 2022, other comprehensive income (OCI) derived from the interest-rate swaps amounted to USD 62.8 million compared with USD 19.9 million in fourth quarter 2021. The total amount of interest rate swaps recognised in equity was negative by USD 29.2 million on 31 March 2022 (negative USD 92.5 million).

MTMs of cash flow hedges in the Financial Position	31 Mar 2022	31 Dec 2021	30 Sep 2021	30 Jun 2021	31 Mar 2021
Total MTMs of IRS presented as financial assets	17 147	2 780	3 351	5 044	1 149
Total MTMs of IRS and CCIRS presented as financial liabilities	(13 862)	(57 588)	(71 433)	(73 774)	(65 308)
Total MTMs of IRS in the joint ventures	(33 582)	(46 675)	(50 227)	(53 699)	(53 725)
Net MTMs of cash flow hedges	(30 298)	(101 483)	(118 309)	(122 429)	(117 884)
Net foreign exchange losses (gains) under cross currency swaps included in MTMs on bonds HLNG03 and HLNG04	1 729	5 225	3 809	(3 879)	(6 095)
Ineffectiveness and settlements	(609)	3 783	2 146	1 918	1 754
Interest rate swaps recorded against equity	(29 178)	(92 474)	(112 353)	(124 390)	(122 225)

8. VESSELS – IMPAIRMENT ASSESSMENT

An assessment of impairment indicators and estimated recoverable amounts has been carried out for the first quarter.

The assessment was based on the following indicators:

- The market value of Höegh LNG Partners LP's common units on 31 March 2022 valued the common units at price/book < 1.
- Some of the FSRUs in the fleet are operating on interim LNGC term charters pending the commencement of long-term FSRU contracts with forward start or pending long-term FSRU contracts being concluded. Rate levels obtainable for LNGC term charters remain volatile and subject to seasonality as well as changes to the overall supply/demand balance for LNG transport. Also, Covid-19 and the Russian invasion of Ukraine continues to create an elevated uncertainty related to the short-term market impact, which can impact the estimation of recoverable amounts. On the positive side, the FSRU market has strengthened towards the end of the first quarter and continues to remain strong after quarter end.

The first quarter assessment included a review of all key assumptions and methodology and principles applied for the assessment. The assessment model has been updated and for FSRUs currently without long-term contracts, it continues to apply a combination of intermediate LNGC contracts followed by probability-weighted scenarios for assumed new FSRU contracts. As further explained in note 11 in the 2021 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 FSRU contracts, particularly for vessels with the lowest headroom.

The impairment testing as of 31 March 2022 did not identify any impairment requirement.

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.

Potential tax liability for UK finance leases

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. See Note 19, commitments and guarantees (Arctic Vessels), in the 2021 annual report for a more detailed description.

Leif Höegh (U.K) Limited, as managing owner and operator of the vessels, has been in dialogue with HMRC 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 of letter with HMRC in September 2021 has not materially changed Joint Gas Two Ltd.'s assessment and no provision has been made.

Colombian Municipal Industry and Commerce Tax

On 8 April 2022, the group's Colombian subsidiary received a notification from the Tax Administration of Cartagena assessing a penalty of approximately USD 1.8 million for failure to file the 2016 to 2018 municipal Industry and Commerce Tax ("ICT") returns. ICT is imposed on gross receipts on customer invoices and is similar to a sales tax. The municipal tax authorities have alleged that the subsidiary's customer invoices are for industrial activities performed within the municipal jurisdiction. However, all of the subsidiary's activities take place offshore which is outside of the municipality's borders. According to Colombian law, municipalities do not have jurisdiction over maritime waters or low-tide areas. Management intends to deny the allegations and file an appeal to vigorously defend the Colombian subsidiary's position. Accruals for loss contingencies are recorded when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. Management, with advice of its outside legal advisors, has assessed the status of this matter and has concluded that an adverse judgment after concluding an appeals process is not probable. As a result, no provision has been made in the consolidated financial statements. In the unlikely event that the company becomes liable for a penalty, management estimates the range of possible loss, including accrued interest, to be approximately USD 1.3 million to USD 2.9 million as of 31 March 2022, plus additional accrued interest thereon until final disposition of the ICT allegation.

Pending arbitration with the charterer of PGN FSRU Lampung

The charterer under the lease and maintenance agreement for the PGN FSRU Lampung ("LOM") served a notice of arbitration ("NOA") on 2 August 2021 to declare the LOM null and void, and/or to terminate the LOM, and/or seek damages. PT Höegh LNG Lampung ("PT HLNG") has served a reply refuting the claims as baseless and without legal merit and has also served a counterclaim against the charterer for multiple breaches of the LOM and a claim against the parent company of the charterer for the fulfilment of the charterer's obligations under the LOM as stated in a guarantee provided by the parent company, with a claim for damages. PT HLNG will take all necessary steps and will vigorously defend against the charterer's claims in the legal process. Notwithstanding the NOA, both parties have continued to perform their respective obligations under the LOM. No assurance can be given at this time as to the outcome of the dispute with the charterer of PGN FSRU Lampung. In the event the outcome of the dispute is unfavourable to the PT HLNG, it could have a material adverse impact on HMLP's business, financial condition, results of operations and ability to make distributions to unitholders.

Pending Class Action Lawsuit relating to Höegh LNG Partners LP

On 27 October 2021 and 3 November 2021, two purported unit holders filed a class action securities fraud lawsuit in the United States District Court for the District of New Jersey against Höegh LNG Partners LP and certain of its current and former officers, alleging violations of the Securities Exchange Act of 1934. On 16 May 2022, the court-appointed lead plaintiffs filed a notice of voluntary dismissal, and the Court ordered the dismissal on 17 May 2022. Höegh LNG Partners LP believes the allegations in this suit were without merit.

10. EVENTS OCCURRING AFTER THE REPORTING PERIOD

- On 8 April 2022, the group's Colombian subsidiary received a notification from the Tax Administration of Cartagena, assessing a penalty of approximately USD 1.8 million for failure to file the 2016 to 2018 ICT returns. Refer to note 9 above under "Contingent liabilities" and "Colombian Municipal Industry and Commerce Tax" for details and management's assessment.
- On 21 April 2022, Höegh LNG Holdings Ltd. raised USD 19.8 million in new equity from its shareholder.
- In April 2022, Höegh Giant's FSRU contract in India was terminated
- Höegh LNG Holdings Ltd. announced 5 May 2022 that it has signed binding implementation agreements to charter out two FSRUs from its fleet for operations in Germany for 10 years
- Höegh LNG Holdings Ltd. announced on 25 May 2022 an agreement to acquire publicly held common units of Höegh LNG Partners LP

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.

Important factors which could cause actual results to differ materially from those in the forward-looking statements inter alia include (but are not limited to): 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 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.

NET INTEREST-BEARING DEBT	31 Mar 2022	31 Dec 2021	30 Sep 2021	30 Jun 2021	31 Mar 2021
Interest-bearing debt, current and non-current	(1 581 271)	(1 613 745)	(1 647 642)	(1 671 001)	(1 681 812)
Non-current restricted cash	30 659	30 662	28 962	15 520	16 793
Cash and cash equivalents	102 569	142 559	116 333	131 082	134 769
Net interest-bearing debt	(1 448 043)	(1 440 524)	(1 502 347)	(1 524 399)	(1 530 250)

EQUITY ADJUSTED FOR HEDGING TRANSACTIONS	31 Mar 2022	31 Dec 2021	30 Sep 2021	30 Jun 2021	31 Mar 2021
Total equity	711 825	651 031	601 751	597 125	629 628
Hedge reserve including non-controlling interest share	29 178	92 474	112 354	124 390	122 225
Equity adjusted for hedging transactions	741 003	743 505	714 105	721 515	751 853

EQUITY RATIO ADJUSTED FOR HEDGING TRANSACTIONS	31 Mar 2022	31 Dec 2021	30.09.2021	30 Jun 2021	31/03/2021
Total assets	2 407 742	2 429 209	2 418 662	2 445 881	2 462 647
Hedge assets	16 436	43 895	46 876	48 655	52 576
Total assets adjusted for hedging transactions	2 424 177	2 473 104	2 465 538	2 494 536	2 515 224
Equity adjusted for hedging transactions	741 003	743 505	714 105	721 515	751 853
Equity ratio adjusted for hedging transactions	31%	30%	29%	29%	30%

APPENDIX 2 – ABBREVIATIONS

Abbreviation

CCIRS

DFDE/TFDE

FID

FSRU

Höegh LNG or the group

Höegh LNG Partners, HMLP or the partnership

Höegh LNG Holdings or the company

IRS

LNGC

LTI

MLP

SG&A

Definition

Cross-currency interest rate swap

Dual/Tri fuel diesel electric propulsion

Final investment decision

Floating storage and regasification unit

Höegh LNG Holdings Ltd and subsidiaries

Höegh LNG Partners LP

Höegh LNG Holdings Ltd.

Interest-rate swap

LNG carrier

Lost-time injury

Master limited partnership

Selling, general and administration