HÖEGH LNG

ANNUAL REPORT 2019

THE FSRU PROVIDER

Annual Report 2019

About Höegh LNG

Höegh LNG operates world-wide with a leading position as owner and operator of floating LNG import terminals; floating storage and regasification units (FSRUs), and is one of the most experienced operators of LNG Carriers (LNGCs). Höegh LNG's vision is to be the industry leader of floating LNG solutions. Its strategy is to develop the business through an extended service offering, with large-scale FSRUs as the main product, and focus on establishing long-term contracts with attractive risk-adjusted returns involving credible counterparts. The company is publicly listed on the Oslo stock exchange under the ticker HLNG, and owns approximately 46% of Höegh LNG Partners LP (NYSE:HMLP). Höegh LNG is a Bermuda based company with established presence in Norway, the Philippines, Singapore, the UK, USA, China, Indonesia, Lithuania, Egypt, and Colombia. The group employs approximately 175 office staff and 600 seafarers.

KEY FINANCIAL FIGURES

(in USD'000 unless otherwise indicated)	**2019**	**2018**
INCOME STATEMENT		
Total income	336 137	352 662
Operating profit before depreciation and amortization (EBITDA)	217 266	207 666
Operating profit	108 374	143 202
Profit for the year after tax	8 047	72 008
PER SHARE DATA		
Earnings per share (in USD)	(0.39)	0.43
Dividend per share (in USD)	0.10	0.10
BALANCE SHEET [1]		
Equity adjusted for hedging transactions	800 912	829 705
Adjusted equity ratio (%)	30	36
Net interest-bearing debt	1 565 969	1 250 786
CASH FLOW		
Net cash flow from operating activities	225 585	170 177
Net cash flow from investing activities	(183 210)	(369 794)
Net cash flow from financing activities	(13 351)	204 630

OPERATIONAL KPIs

	2019	**2018**
Technical availability (%)	99.5	99.8
Lost time injury frequency (per million work hours)	0.31	0.00

FLEET LIST

	Type	**Economic interest (%)**	**Built**	**Flag**	**Storage capacity (m^3)**	**Regas capacity (MMscf/d)**
Arctic Princess	LNGC	34	2006	NIS	147 208	
Arctic Lady	LNGC	50	2006	NIS	147 208	
Neptune [2]	FSRU	50	2009	NIS	145 130	750
Cape Ann [2]	FSRU	50	2010	NIS	145 130	750
Independence	FSRU	100	2014	SGP	170 132	384
PGN FSRU Lampung [2]	FSRU	100	2014	IDN	170 132	360
Höegh Gallant [2]	FSRU	100	2014	NIS	170 000	500
Höegh Grace [2]	FSRU	100	2016	MHL	170 000	500
Höegh Giant	FSRU	100	2017	MHL	170 032	750
Höegh Esperanza	FSRU	100	2018	NIS	170 032	750
Höegh Gannet	FSRU	100	2018	SGP	170 000	1000
Höegh Galleon	FSRU	100	2019	MHL	170 000	750

[1] At year-end.
[2] Owned by Höegh LNG Partners LP.

Front page photo:
Höegh Esperanza

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Sustainable and reliable leader of FSRUs in challenging times

ANNUAL REPORT HÖEGH LNG 2019

Sustainable and reliable leader of FSRUs in challenging times

We continue to operate our assets in the most sustainable and reliable manner by providing our customers with operational excellence and high-quality services. Possession of the largest fleet of floating regasification terminals puts us in a good position to benefit from the increased need for additional LNG import capacity. This is underpinned by the growth in the global LNG trade and the transition towards a carbon-neutral future. However, the uncertainty and volatility in energy and financial markets are with the current Covid-19 virus outbreak higher than it has been for years, making predictions difficult for all parts of the LNG value chain.

Another year of operational excellence has been achieved in 2019, with a technical availability of 99.5% and a lost-time injury frequency of only 0.3 per million work hours providing evidence of the quality and safety of our services. This strong operational performance is a result of the attention we devote to the health and safety of our employees and of our experience and expertise in operating FSRUs. Despite making good progress with several new projects, however we unfortunately did not meet our main commercial objective of signing new firm long-term FSRU contracts during the year. On the financial side, we continue to benefit from our long track record and leading market position. That was proven by our execution of a sale and leaseback agreement with China Construction Bank Financial Leasing (CCBL), marking the start of a long-term relationship with the world's second largest bank. This attractive newbuild financing increases our presence in China and provides further diversification of our financing sources.

Sustainability has always been at the core of our operations. Our fleet is mainly operated by using LNG for propulsion and power generation. Since LNG has virtually no SOx emissions when consumed, the fleet was compliant with the new IMO 2020 emission regulations before these were implemented. We are continuously working to improve our energy efficiency through energy-saving initiatives, including design developments for newbuildings and modifications to our existing fleet. In 2019, we joined the Getting to Zero Coalition, an alliance of more than 100 companies and organisations in the maritime, energy, infrastructure and finance sectors which is supported by key governments and intergovernmental organisations (IGOs). This coalition is committed to developing commercially viable deep-sea vessels running on zero-emission fuels by 2030.

The global LNG trade continued its rapid growth in 2019, with LNG demand increasing by 12% from 2018. This rise is driven by the desire to reduce greenhouse gas emissions and to improve local air quality by switching from coal and oil to cleaner natural gas as well as by using natural gas to ensure resilience for intermittent renewable energy sources. During the year we observed the highest sanctioned addition of new liquefaction capacity ever seen. This production capacity will secure continued growth in LNG volumes coming to market at a competitive price from 2024-25, which is positive for our customers as buyers of LNG. Low LNG prices in 2019 boosted demand in Europe, leading to a 67% increase in LNG imports. Increased future trade with LNG will require increased import capacity, where FSRUs represent the quickest and most cost-efficient solution. The recent events with the Covid-19 virus outbreak has however led to higher uncertainty in general, and at the approval date of this annual report it is difficult to predict both short-term and longer-term effects on both demand and supply sides in the LNG market and the markets for FSRUs and LNGCs.

Our main focus for HLNG in 2020 will be on securing new long-term employment for the FSRUs which we currently have working on interim LNGC contracts. We are the global FSRU leader, with the largest, newest and most technically advanced fleet available. Combined with our technical and commercial expertise, long track record and operational history across all continents, we are well positioned to compete for the most attractive regasification contracts in the market.

Sveinung J.S. Støhle
President and CEO

Höegh Galleon

Independence and Arctic Princess

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Directors' report

Directors' report for 2019

Höegh LNG completed its newbuilding programme in 2019 with the delivery of Höegh Galleon. As the leading FSRU provider with the largest and most technically advanced fleet, combined with a solid operational track record, the group is well positioned in the fast growing LNG market.

Strategic direction

Höegh LNG Holdings Ltd ("Höegh LNG Holdings" or "the company") and its subsidiaries and joint ventures (together "Höegh LNG" or "the group") operate worldwide and hold the leading position in the market for floating storage and regasification units (FSRUs).

Höegh LNG's vision is to be the market leader for floating LNG solutions. Its mission is to develop, manage and operate the group's assets to the highest technical, ethical and commercial standards, thereby providing value to customers and maximising benefits for shareholders and other stakeholders.

Höegh LNG's strategy is to develop the business through an extended service offering, with large-scale FSRUs as the main product complemented by bespoke regasification solutions, additional services and associated infrastructure. The group focuses on long-term contracts with attractive risk-adjusted returns involving counterparties with solid fundamentals. In order to remain at the forefront of commercial and technical development, it seeks to drive innovation. Its financial strategy is intended to provide maximum financial flexibility through a diversified funding base for both debt and equity, with equity being in place before making new investments and with Höegh LNG Partners L.P. ("Höegh LNG Partners" or "the partnership") as an integral part of the financial platform.

Höegh LNG paid a dividend of USD 0.10 per share during 2019. The board resolved in 2018 to reduce the dividend to USD 0.10 per share per annum, and stated that it should re-evaluate the dividend amount when more clarity had been achieved on the group's revenue backlog. In April 2020, the board decided that in light of the ongoing Covid-19 virus crisis, the dividend should be suspended in full until further notice as a precautionary measure to preserve liquidity in light of the highly uncertain business environment.

The company's registered office is located in Hamilton, Bermuda, and the group operates worldwide and with an office presence in Oslo (Norway), Manila (the Philippines), London (UK), Singapore, Miami (USA), Jakarta (Indonesia), Klaipeda (Lithuania), Cairo (Egypt), Cartagena (Colombia) and Shanghai (China).

The company is listed on Oslo Børs (the Oslo stock exchange) in Norway and has established Höegh LNG Partners as a master limited partnership (MLP) listed on the New York Stock Exchange. HMLP has been formed to own, operate and acquire LNG assets which are in operation and employed under long-term contracts, and has both common and preferred equity instruments listed on the New York Stock Exchange.

Review of 2019

Operational performance

All units performed in accordance with their contracts. During 2019, technical availability of the entire fleet was 99.5%, with some off-hire incurred in connection with the dry-docking of Höegh Gallant for its first class renewal. The lost-time injury frequency (LTIF) was 0.31 in 2019, with one lost-time injury recorded across the fleet. This was an increase from zero in 2018, but still a very good result.

Fleet development

Höegh Galleon was delivered from Samsung Heavy Industries on 27 August 2019. Following its delivery, the unit started an 18-month LNGC contract with Cheniere Marketing International LLP (Cheniere) on 10 September 2019.

The delivery of Höegh Galleon marked the completion of Höegh LNG's current newbuilding programme.

By 31 December 2019, Höegh LNG had a fleet of 10 FSRUs as well as two LNG carriers (LNGCs). The average age of the assets in operation is 6.1 years, while the average revenue-weighted remaining length of the commercial contracts is 12.2 years, adding up to a revenue backlog of USD 2.8 billion.

Since the group has several units employed on short-term LNGC contracts further growth will depend on securing additional long-term FSRU contracts.

Corporate activities

On 17 October 2019 Höegh LNG officially opened a representative office in Shanghai to pursue additional FSRU projects in the Chinese energy market. Höegh Esperanza operates as the only FSRU in China and the opening of the representative office means the group has strengthened its footprint in this country further.

On 18 October 2019, Höegh LNG Partners filed a prospectus supplement with the Securities and Exchange Commission (SEC) in which it announced that it had started an ATM equity raising programme. Under the programme, Höegh LNG Partners may, from time to time, issue new common units or 8.75% series A cumulative redeemable preferred units up to a limit of USD 120 million. Proceeds from the programme may be used for general partnership purposes, including repayment of debt, additional investments or similar. Höegh LNG Partners had raised USD 14.1 million in net proceeds under this programme during 2019.

Höegh LNG closed two debt financing transactions in 2019, financing the newbuilt Höegh Galleon through a sale and leaseback financing and refinancing the debt for two existing FSRUs (Höegh Grace and Höegh Gallant) with a single debt facility which also included a new revolving credit line.

In February 2020, Höegh LNG and Total reached a commercial agreement to settle the boil-off dispute regarding Neptune and Cape Ann. The settlement amount, which will be paid by the two joint venture companies owning the vessels, is in line with the provision made in 2017. Höegh LNG Holdings Ltd. will indemnify Höegh LNG Partners for its 50% share of the settlement amount.

Commercial development

On 10 September 2019, Höegh Galleon started a time charter with Cheniere under which it earns a fixed daily charter rate. This contract has an initial term of 18 months, and the term of the time charter ensures the Höegh Galleon's availability to serve the Australia Industrial Energy (AIE) project in Port Kembla, Australia, where Höegh LNG has exclusivity in providing the FSRU.

Höegh LNG signed a conditional 10-year FSRU charter party in December 2018 with AGL Energy (AGL) for its LNG import facility at Crib Point in the state of Victoria, Australia. The Environment Effects Statement (EES) process being undertaken by the Victorian government is ongoing. Subject to and following the EES approval, AGL expects to reach a final investment decision (FID). If this is achieved, the first gas is expected in the first half of 2022. Höegh Esperanza has been allocated to this project.

The FSRU charter party with AIE for its Port Kembla Gas Terminal in New South Wales is close to completion, and the project reports good progress with respect to the other contracts it needs to complete before taking the FID. The application to increase the terminal's import volumes is a signal of the strong level of demand from its clients. Höegh LNG secured exclusivity to supply the FSRU to the Port Kembla Gas Terminal in 2018 and, once the FID is achieved, the first gas is expected soon thereafter. Höegh Galleon is allocated to this project, and the FSRU charter party is conditional on AIE taking the FID.

Additionally, Höegh LNG has exclusivity on an FSRU project in the Indian subcontinent and is in a formal tender process for another FSRU project in the same region. Both projects are making progress with permits and on securing gas sales agreements. They both identify high levels of demand which Höegh Gannet, with its one billion cubic feet per day (bcfd) of send-out capacity, is uniquely qualified to service.

Höegh LNG is also involved in a formal tender process in Latin America. Like the tender process in the Indian subcontinent, this is expected to short-list FSRU suppliers in the near future with a view to finalising contracts and reaching an FID during 2020.

LNG and FSRU market outlook

Global LNG trade reached 361 million tonnes in 2019, up by 12% from 2018. Europe and China were the main demand drivers behind the volume growth, with a combined increase in imported LNG volumes which surpassed the total volume growth in the market. European LNG imports set fresh volume records for every month in 2019, bringing total imports of LNG to 89.2 million tonnes for the year. That equals a 2019 growth rate of 67%. The rise in Chinese LNG imports slowed during the second half of 2019 compared with the first six months but was still a healthy 14% for 2019 as a whole.

As much as 38.8 million tonnes in annual capacity of liquefaction capacity reached its commercial start in 2019, the highest figure ever. Most of the new capacity coming on stream was in the USA, but Russia and Australia also added export capacity. In addition to the 28.6 million tonnes of annual liquefaction capacity expected to start up in 2020 these volumes will ensure increased availability of LNG at competitive prices and thereby enable further demand growth across the market for the next four-five years.

Annual liquefaction capacity of 70.4 million tonnes received an FID in 2019, including Russia's Arctic LNG-2 project with a capacity of 19.8 million tonnes per annum. Venture Global LNG sanctioned its Calcasieu Pass LNG project which, together with Qatar Petroleum and ExxonMobil's Golden Pass LNG project on the US Gulf coast and train number six being sanctioned for the Sabine Pass project, ensured that sanctioned capacity in the USA to surpassed 30 million tonnes. In addition, the sanctioning of the Mozambique LNG Area 1 project and the expansion of the Nigeria LNG project will add 12.9 million tonnes and 4.5 million tonnes respectively in liquefaction capacity when completed. The FIDs in 2019 will secure continued growth in the LNG volumes coming to market from 2024-25 onwards.

The Covid-19 outbreak has created an uncertain market situation in the LNG market, with already low LNG prices declining further. If the situation prevails, this might lead LNG suppliers to hold back production which will reduce LNG supplies to the market. If this happens, this may in turn affect LNG prices. Longer-term effects of the Covid-19 outbreak may be delays of FIDs for new LNG export projects. The uncertainty in both the financial markets and the LNG markets may affect the ability for new projects to raise necessary financing as well as to sign new LNG sales agreements with customers.

The number of LNG importers continues to increase. 44 countries imported LNG in 2019, and this number is expected to rise to 46 by 2020 and 62 by 2025, according to research by IHS Markit. The key enabler for such growth is the increasing supply of competitively priced LNG, while demand drivers include a widespread and environmentally motivated switch from coal and oil to cleaner natural gas, making renewable energy supply resilient, diversification efforts, seasonality in power demand as well as new gas-fired power generation.

IMO2020, the International Maritime Organisation's global 0.5% cap on the sulphur contents in marine fuels, comes into effect in 2020, and represents another driver for LNG demand. With virtually no sulphur content, LNG is an attractive low-cost alternative to fuel oil, and a growing number of merchant vessels are likely to run on it in the future. That will require the development of additional LNG bunkering infrastructure.

In addition to the drop in LNG demand in China in the beginning of 2020, the Covid-19 virus crisis might impact the demand side of the LNG market going forward. As of March 2020, the forecasts for global macroeconomic growth have been significantly reduced, and the uncertainty has increased for the coming years. As economic activity is reduced due to the Covid-19 virus spread, demand for energy and natural gas is likely to be reduced which may impact the demand for LNG negatively. Also in the industry sector demand for natural gas has decreased due to reduced demand for heating, steam production and feedstock. However, residential demand might increase as an increased part of the population stays more in their homes due to quarantine rules. The overall effect on the LNG markets at this point is very difficult to predict, but it seems clear that the Covid-19 crisis will lead to reduced demand for energy due to lower economic activity across the world as the pandemic spreads, and that will likely also reduce the demand for LNG.

The FSRU market continues to grow. With Gibraltar, Russia and Jamaica all deploying FSRUs during the year, the number of importing markets using FSRUs increased from 17 to 20 in 2019. According to research by IHS Markit, several new countries are expected to add FSRUs in the near future. Senegal, Croatia, El Salvador and Hong Kong all are likely to join the global LNG market in 2020-21 with the aid of FSRUs. Looking ahead to 2023, Australia, the Bahamas, Cyprus, Côte d'Ivoire, Germany, Lebanon, Mozambique and Sri Lanka are expected to follow suit.

Five LNG import projects announced in 2019 that they would employ FSRUs, and three awarded firm FSRU contracts. A significant number of FSRU projects are still in the process of making a selection or reaching a FID. These projects add to employment opportunities for FSRUs.

The global FSRU fleet consisted of 35 units at 31 December 2019, excluding barges. Seven FSRUs, including one LNGC-to-FSRU conversion, were under construction. No new orders were placed for either FSRU newbuildings or LNGC-to-FSRU conversions during the year. Three of the FSRU newbuildings under construction appear to be uncommitted.

At the time of the approval of this report, Höegh LNG has not observed any direct effect in the FSRU market due to the Covid-19 virus. However, as the virus situation has a negative effect on LNG demand and the uncertainty has increased both in financial and commodity markets, there is a possibility for delays or cancellations of potential FSRU projects due to the potential slow-down in economic activity.

Benchmark spot rates for tri-fuel diesel-electric (TFDE) LNG carriers fell by about 18% to an average of USD 68 100 per day in 2019. The underlying volume growth in the LNG market was 12% as global trade reached 361 million tonnes. At the same time, 40 new conventional-size LNG carriers were delivered from yards and low LNG spot price differentials were largely unsupportive of cross-basin trade. A substantially lower share of US exports was shipped to Asian markets compared with 2018, mainly due to the trade dispute between the USA and China.

Financial results

Group figures

The financial statements of Höegh LNG consolidate HMLP and include joint venture companies in accordance with the equity method. Unless otherwise stated, figures for 2019 are compared with those for 2018.

Income statement

Total income was USD 336.1 million in 2019 (2018: USD 352.7 million), while operating profit before depreciation and amortization (EBITDA) was USD 217.3 million (USD 207.7 million). The decrease in total income was mainly attributable to the USD 40.2 million one-off revenue recognition of remaining contractual commitments from Egas under the amended contract structure implemented in fourth quarter of 2018, which was partly offset by higher revenues from operating a larger fleet in 2019 than in 2018. In addition to the above-mentioned effects on revenues, the increase in EBITDA can be explained to a large extent by the change in accounting principles from implementing IFRS 16 in 2019. This has led to certain charter hire expenses previously incorporated in EBITDA being included in depreciations and interest expenses. That was partly offset by higher Opex from a bigger fleet.

Operating profit was USD 108.4 million in 2019 (USD 143.2 million). Depreciation increased by USD 51.9 million in 2019 following the above-mentioned implementation of IFRS 16 and the delivery of Höegh Galleon in August 2019. Höegh LNG recognised an impairment of USD 1.6 million in the fourth quarter of 2019 related to regasification equipment in stock. An impairment assessment has also been carried out for the group's vessels including right-of-use assets. The assessment did not identify any required impairment for this group of assets.

Net financial expenses amounted to USD 94.1 million in 2019 (USD 62.8 million). The increase in net financial expenses mainly reflected the implementation of IFRS 16 and a rise in interest costs following the increase in debt related to Höegh Galleon, partly offset by higher interest income.

Profit after tax was USD 8 million (USD 72 million).

Business segments

The group's activities are focused on four operating segments, namely HMLP, operations, business development and project execution. Activities not part of operations are included in corporate and other. The segment structure is in line with the way the group's operations are managed and monitored internally.

The HMLP segment, which includes activities related to Höegh LNG Partners, recorded a total income of USD 164 million (USD 163 million) in 2019 and EBITDA of USD 124 million (USD 129 million).

The operations 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. It recorded a total income of USD 171 million (USD 190 million) in 2019 and EBITDA of USD 119 million (USD 107 million).

The business development and project execution segment, comprises all activities related to business development and project execution, including non-capital expenditure costs related to newbuildings. It recorded a total income of USD 0.4 million (USD 0) in 2019 and negative EBITDA of USD 12 million (USD 14 million).

The corporate and other segment, which comprises the group's management, finance, legal and other corporate services, reported no income in either 2019 or 2018 and negative EBITDA of USD 14 million (USD 15 million), reflecting group administrative expenses.

Financial position

At 31 December 2019, equity and liabilities totalled USD 2 602 million (USD 2 305 million). The increase from 31 December 2018 mainly reflects the debt related to Höegh Galleon and the implementation of IFRS 16, which led to future lease liabilities being classified as debt.

The carrying amount of equity at 31 December 2019 was USD 696 million (USD 787 million). Net of mark-to-market of hedging reserves, the equity adjusted for hedging transactions was USD 801 million (USD 830 million), bringing the adjusted equity ratio to 30% (36%). The capital structure of Höegh LNG is considered to be adequate given the risk facing the group. However as commented in the prospects section, the potential effects on the company from the Covid-19 virus outbreak are currently not possible to accurately forecast and assess. The capital structure will in the future likely be subject to the issuance of further debt relating to scheduled refinancing and new debt, net profits and dividend payments, potential new equity capital being issued and other factors.

Capital commitment

At 31 December 2019, Höegh LNG had no remaining off-balance-sheet capital commitments relating to the FSRU newbuilding programme.

Höegh LNG has made an investment commitment to Avenir LNG for up to USD 45.5 million. Following the private placement conducted by Avenir in November 2018, this amount has been reduced to USD 42.75 million, of which USD 18 million is outstanding and expected to fall due in 2020. In April 2019, the company issued a guarantee of USD 11.7 million in connection with a shipbuilding contract signed by Avenir. In addition, the main shareholders of Avenir have issued guarantees/counter-guarantees related to shipbuilding contracts signed by Avenir. These guarantees are for an original total amount of approximately USD 120 million (plus change orders and interests), for which the company would be liable on a joint and several basis. The three main shareholders have entered into counter-indemnity agreements for the said guarantee obligations, so that the company's net liability for a claim would be equal to its pro rata shareholding in Avenir at the time of any claim being raised. Lastly, the main shareholders of Avenir have issued non-binding letters of comfort related to the final payment instalments under shipbuilding contracts signed by Avenir.

The group had contractual purchase commitments in the range of USD 10 to 12 million at 31 December 2019. These commitments relate primarily to certain regasification equipment and depot spares on order, installation of an emissions control system (SCR) on Höegh Galleon and implementation of a new enterprise resource planning system.

Financing

At 31 December 2019, Höegh LNG's interest-bearing debt was USD 1 779 million (USD 1 433 million), an increase explained by the issuance of debt related to Höegh Galleon and the implementation of IFRS 16 which led to future lease liabilities being classified as debt, offset by ordinary debt repayments made in 2019.

During January 2020, Höegh LNG raised NOK 650 million, equal to approximately USD 72 million, in a new unsecured bond loan with a five-year tenor. In connection with this transaction the company redeemed and cancelled USD 65 million of the in total USD 130 million bond loan HLNG02 which matures in June 2020.

In addition, Höegh LNG Holdings Ltd. received commitments for an up to USD 80 million revolving credit facility ("RCF") in January 2020. This RCF was signed and executed in March 2020. USD 65 million of the facility amount is earmarked for repaying the company's HLNG02 (of which USD 65 million was outstanding as per end of March 2020). The remaining part of the facility is for general corporate purposes. The facility is secured with a pledge of all of the company's common units and its shares in the general partner of Höegh LNG Partners LP.

Further, in March 2020 Höegh LNG received a commitment letter from five of the company's relationship banks for an amendment and extension and USD 45 million upsizing of the debt facility for the FSRU Independence. The amendment and extension covers the Independence debt facility's commercial tranche of USD 61 million maturing in May 2020. In the amendment and extension facility, the commercial tranche will be upsized by USD 45 million to USD 106 million with maturity in December 2024. The Independence debt facility also consists two tranches guaranteed by export credit agencies which remain unchanged, save for a reduction of their respective funding margins. Consequently, the blended amortization profile is stretched out and the funding cost has been significantly reduced, to an estimated blended average interest rate of about

4.0% for the full facility. The additional USD 45 million will be available for general corporate use. The commitment is subject to final documentation, which is expected to be completed during second quarter of 2020.

Cash flow and liquidity

Cash flow from operating activities was USD 225.6 million in 2019 (USD 170.2 million), up from 2018 owing to the earnings contribution from Höegh Galleon and lease payments being reclassified as financial costs after the implementation of IFRS 16.

Net cash flow used in investing activities amounted to USD 183.2 million (USD 369.8 million), down from the year before because the company only took delivery of one FSRU in 2019, compared with two FSRUs the year before, made lower investments in associates and received lower proceeds from the sale of marketable securities.

Cash flow from financing activities was negative at USD 13.4 million (positive at USD 204.6 million), driven by debt repayment, dividends paid, lease payments being reclassified as finance cost after the implementation of IFRS 16, and interest expenses, offset by proceeds from borrowings and from the at-the-market equity raising programme in HMLP.

Total cash flow in 2019 was positive at USD 29 million (USD 5 million).

At 31 December 2019, unrestricted and restricted current cash and cash equivalents amounted to USD 195.1 million (USD 164.5 million). In addition, Höegh LNG had non current restricted cash of USD 17.4 million (USD 17.9 million), and Höegh LNG Partners had USD 15 million in undrawn credit on its USD 63 million revolving credit facility.

At 31 December 2019, the group's current interest-bearing debt was USD 331 million (USD 373.7 million), including current lease liabilities. The debt service and refinancing are planned to be funded through the above-mentioned refinancing activities for 2020, available cash and cash flows from operation.

Going concern

The annual financial statements have been prepared under the going concern assumption, and the board of directors confirms that this assumption is fulfilled. This assumption rests on financial forecasts and plans for the coming year on the basis of several assumptions made about future events and planned transactions. As further commented in the prospects section, the potential effects on the company from the Covid-19 virus outbreak are currently not possible to accurately forecast and assess at the time of the approval of this report, but are continuously monitored.

Parent company financials

Total comprehensive income for the company on a stand-alone basis in 2019 was USD 10.4 million (USD 29.1 million). The decrease from 2018 related mainly to USD 19.5 million net loss on cash flow hedges.

At 31 December 2019, total assets were USD 1 106 million (USD 1 084 million), while the equity ratio was 70% (71%). Cash flow in 2019 was negative USD 8.9 million (positive USD 52.1 million). Net proceeds from dividends received from HMLP were used mainly for cash dividend payments and cash collateral. At 31 December 2019, the company held USD 74.7 million in cash and cash equivalents (USD 83.6 million).

Risk and risk management

Risk management

Höegh LNG uses risk management tools based on ISO 31000 in relation to both new and existing business. The following certificates are held for management of quality, the environment, safety and occupational health:

- International Safety Management
- ISO 9001 Quality Management System
- ISO 14001 Environmental Management System

Compliance with increasingly complex health, safety and environmental (HSE) legislation and statutory regulations could result in increased compliance costs or additional operating expenses. Höegh LNG is and will be subject to regulations which affect, among other things, emissions to the air, discharges to land and water, and health and safety standards. Violation of these laws and regulations could have adverse financial consequences.

Market risk

Höegh LNG has 10 FSRUs in operation, of which five are on long-term contracts with expiration dates between 2024 and 2036. Höegh LNG is working to establish long-term employment for five FSRUs. The group is in several advanced tendering processes which could lead to additional long-term FSRU contracts. However, no certainty can be expressed about the outcome of these processes until they are completed, and Höegh LNG will consequently remain exposed to variations in market rates for FSRUs and LNG carriers for units currently employed on interim trading contracts.

The two LNGCs in the fleet are on long-term contracts with creditworthy counterparties and not exposed to short-term variations in the demand for LNG transport.

Operational risk

Höegh LNG assumes operational risks associated with loading, transporting, offloading, storing and regasifying LNG cargoes, which can cause delays to operations. In addition, difficulties presented by port constraints, weather conditions, and vessel compatibility, technical availability and performance can affect the results of operations and expose Höegh LNG to adverse financial consequences.

Financial risk

Höegh LNG is exposed in the ordinary course of its business to different types of financial risk, including market (interest and foreign exchange rates), credit and liquidity risk. Risk management routines are in place to mitigate such risks. Once such risks are identified, appropriate mitigating actions are taken. Höegh LNG's primary strategy in mitigating financial market risks is to apply derivatives, where appropriate, in hedging its various net financial market risk positions. When the use of derivatives is deemed appropriate, only well-understood, conventional instruments issued by highly rated financial institutions are used.

All interest-bearing debt in Höegh LNG is subject to floating interest rates, but the group has entered into fixed interest-rate swaps for most debt facilities and is therefore not exposed in any material way to fluctuations in interest-rate levels on existing debt facilities.

Foreign exchange risks arise from business transactions, capitalised assets and liabilities denominated in currencies other than the reporting currency of Höegh LNG. The majority of Höegh LNG's business transactions, capitalised assets and liabilities are denominated in USD. The majority of its foreign exchange exposure relates to administrative expenses denominated in NOK, totalling around NOK 300 million in 2019. In addition, Höegh LNG has certain revenues in euros and Egyptian pounds intended to cover local expenses and taxes. Höegh LNG's NOK denominated bond loans have been swapped to USD for the principal amount and the coupons.

Liquidity risk is the risk that Höegh LNG will be unable to fulfil its financial obligations when they fall due. Outstanding interest-bearing debt carried on the balance sheet totalling USD 1 779 million, net of debt issuance costs, will be repaid through the cash flow generated from new and existing assets in Höegh LNG or through refinancing. At 31 December 2019, Höegh LNG had around USD 30 million in remaining off-balance-sheet capital commitments. This compares with USD 202 million in total available liquidity including USD 15 million under the USD 63 million revolving credit facility in Höegh LNG Partners. In addition, if conditions relating to long-term employment of Höegh Giant, Höegh Esperanza and Höegh Galleon have been met within a specified time, the available amount under the respective financing facilities may be increased by up to USD 30 million, USD 30 million and USD 25.7 million respectively, which will enhance total available liquidity.

Höegh LNG is also exposed to liquidity risk related to derivatives entered into to hedge interest rate and currency risks, as some of these derivatives are subject to margin calls for negative value exceeding a certain threshold, and the difference will require deposit of cash collateral.

Further Höegh LNG is exposed to liquidity risk related to the available credit amount on a new up to USD 80 million credit facility entered into in the first quarter of 2020. The facility is secured with a pledge of all of the company's common units and its shares in the general partner of Höegh LNG Partners LP. As customary for these types of facilities, the available amount of the facility is linked to the value of the pledged units.

Customer credit risk is the risk that a counterparty does not meet its obligations under a customer contract, leading to a financial loss. Existing FSRUs/LNGCs are chartered to creditworthy counterparties and/or projects with a strong strategic rationale for the country they operate in. Cash funds are only deposited with internationally recognised financial institutions which have a high credit rating, or invested in marketable securities issued by companies holding a high credit rating.

Sustainability and impact on the external environment

The group is committed to ensuring safe and sustainable management of environmental and other effects which its operations may have. Höegh LNG seeks actively to integrate sustainability concerns in all its business operations and to find a sound balance between stakeholder interests, operational efficiency and shareholder value.

The CO_2 emissions from the group's fleet depend on the type of operations (FSRU mode versus LNGC mode) and the energy needed to operate in these modes at any given time. The group is working continuously to improve its energy efficiency through energy-saving initiatives in order to reduce fuel consumptions and thereby also cut its CO_2 emissions. These initiatives may include design developments for newbuilds as well as modifications to existing vessels.

The group joined the Getting to Zero Coalition in 2019. This is an alliance of more than 100 companies in the maritime, energy, infrastructure and finance sectors supported by key governments and IGOs. The coalition is committed to developing commercially viable deep-sea vessels running on zero-emission fuels by 2030.

Höegh LNG has robust management systems certified in accordance with the International Safety Management Code, ISO 9001 and ISO 14001. Operating in a high-risk environment requires a strong focus on safety, and Höegh LNG devotes continuous attention to developing and improving procedures and routines.

Höegh LNG has zero tolerance for corruption. Potential business partners will be subject to rigorous due diligence and must comply with the same standards as the group. Höegh LNG has mandatory training in its compliance procedures.

Further information about Höegh LNG's environmental and social impact and performance is provided in the sustainability report. Since 2014, Höegh LNG has reported its corporate sustainability performance in accordance with the sustainability reporting framework (section 4) of the Global Reporting Initiative (GRI).

Personnel

Höegh LNG had 175 permanent office employees and 584 maritime personnel at 31 December 2019. The 24-month cumulative retention rate at 31 December 2019 was close to 100% for maritime personnel. Average sickness absence among office employees in Oslo was 2.4% in 2019 (2%). One lost-time injury was reported in 2019 on Höegh LNG vessels, resulting in an LTIF of 0.31. This good performance is a result of the group's continuous implementation of safety-related initiatives and the attention paid to building a safety culture.

Diversity
Höegh LNG has a policy of equal opportunities for men and women. Discrimination based on race, gender or similar grounds is not accepted. However, male and female representation in the maritime industry's recruitment base is unequal and this is reflected in Höegh LNG's demographics, with only five women among the maritime personnel. Women accounted for 41% (41%) of Höegh LNG's office employees at 31 December 2019. All the directors on the company's board are male, while the group executive team has one female member out of eight in total.

Shareholder information

At 31 December 2019, the company's share capital was USD 772 605.80, comprising 77 260 580 issued and fully paid-in common shares with a par value of USD 0.01. Net of 1 056 553 treasury shares, the number of outstanding shares was 76 204 027. Leif Höegh & Co Ltd was the largest shareholder, holding 37 765 654 shares. During the year, the company delivered 24 042 common shares held in treasury to directors as partial remuneration for their service on the board.

Furthermore, in 2019 the company delivered 131 143 common shares held in treasury as settlement of options exercised on 31 December 2018. At 31 December 2019, the number of stock options outstanding totalled 1 947 777.

In the event that dividends or other distributions in cash or kind are paid to the shareholders of the company, the strike price for the options will be reduced by an amount equal to the amount in NOK distributed per share.

Corporate governance

The board's statement of policy on corporate governance is set out in the corporate governance report included as a separate chapter in this annual report. Höegh LNG has adopted and implemented a corporate governance system which, other than as stated in the said report, complies with the Norwegian code of practice for corporate governance and section 7 of the Oslo Børs continuing obligations.

Prospects

The LNG market continues to grow, with new volumes coming on stream and a record level of liquefaction FIDs to support further growth in the years to come. The number of countries importing LNG increased to 44 in 2019 and is expected to reach 65 by 2025. This represents a diverse set of opportunities across all regional markets for Höegh LNG. The increased demand is driven by the competitive LNG price and the desire to reduce greenhouse gas emissions by switching from coal and oil to cleaner natural gas, thereby ensuring resilience for renewable energy supplies. Activity in the FSRU tendering market slowed somewhat in 2019 with the award of three FSRU contracts, down from six in 2018.

Grant date	Total number of options granted (including additional grants)	Vesting dates for options granted	No of options remaining outstanding at 31 Dec 2019	Strike price at 31 Dec 2019 (adjusted with dividends paid since grant date)	Latest expiry date
29 Jan 2016 ("Round 3")	844 600	1/3rd on 31 December 2017, 2018 and 2019 respectively	669 324	NOK 79.3	31 Dec 2020
22 Mar 2018 and 21 Mar 2019 ("Round 4")	1 522 540	1/3rd on 31 December 2019, 2020 and 2021 respectively	1 278 453	NOK 44.29	31 Dec 2022
TOTAL			**1 947 777**		

Several FSRU projects were at advanced stages of development at 31 December 2019. With Höegh LNG's solid operational platform, institutionalised experience and wide geographical presence the group has the capabilities required to secure new long-term FSRU contracts for its FSRUs currently on short-term employment, despite the competitive market.

Small-scale LNG is considered an attractive investment opportunity in itself, as well as a tool to increase demand for and the competitiveness of Höegh LNG's core product – the full-scale FSRUs. With its investment in Avenir LNG to pursue opportunities in the small-scale LNG market already in place, Höegh LNG remains committed to continuing to support growth in this high-potential market.

The company's main focus in 2020 is securing long-term FSRU contracts. This will increase the revenue backlog and eventually establish the foundation for further profitable growth.

Subsequent to the release of Höegh LNG's quarterly report for fourth quarter of 2019, the Covid-19 virus outbreak has had a further negative effect around the world. Moreover, the recent development in OPEC+ has caused a sharp decline in the oil price. These two combined effects have caused a significant negative trend in the commodity and financial markets, which has led to weakening of currencies, share prices, bond prices, commodity prices, freight rates, interest rate levels and more, putting a significant pressure on the world's financial systems. These circumstances have had a negative effect on the market value of the group's derivatives held to hedge currency and interest rate exposures. Some of these derivatives have required significant cash collateral to be posted up until the approval date of this report under relevant credit support agreements with the swap banks.

Höegh LNG is at the time of the approval of this report experiencing limited operational impact from Covid-19, but the situation is dynamic and could change quickly, in particular with regard to maritime personnel and logistical challenges. Although Höegh LNG's operations are not directly impacted by the virus yet, the company is taking measures to mitigate the risks to employees and operations. Currently, the company is continuously monitoring the Covid-19 situation, undertaking scenario analysis and other evaluations to ensure Höegh LNG is prepared in the best way possible to address any changes with regards to personnel, the LNG and the FSRU markets, governmental restrictions and other areas affecting operations.

The current pandemic could significantly and adversely impact the company's maritime operations, onshore support, corporate activities, customers, vendors and the countries in which Höegh LNG operates. Further, the pandemic could impact the demand for natural gas and therefore reduce the business opportunities for the company. This could have a significant adverse impact on Höegh LNG's financial position, results of operations and cash flows.

The Covid-19 virus outbreak has furthermore had a severe impact on the global energy and commodity markets and appears to have temporarily reduced volumes of LNG imported to China. Coupled with higher winter temperatures in Asia, and low LNG prices closing the inter-basin arbitrage, this has put downward pressure on the LNG carrier market rates. This will likely impact the revenues from Höegh Giant's index-linked charter. The adverse market sentiment could also affect revenues for Höegh Gannet and Höegh Gallant depending on rate levels achieved for their new interim LNGC charters.

It is not possible to accurately forecast the short-term impact of the Covid-19 virus on Höegh LNG's business as of the approval date of this report, except that as of end of March there has been limited effect on its employees, operations or revenues.

Hamilton, Bermuda, 6 April 2020

The board of directors and the President & CEO of Höegh LNG Holdings Ltd.

Morten W. Høegh
Chairman

Leif O. Høegh
Deputy Chairman

Ditlev Wedell-Wedellsborg
Director

Andrew Jamieson
Director

Christopher G. Finlayson
Director

Jørgen Kildahl
Director

Steven Rees Davies
Director

Sveinung J.S. Støhle
President & CEO

Höegh Funnel

Sustainability report

Sustainability report

This sustainability report covers Höegh LNG's environmental, social and governance (ESG) performance in 2019. We strongly believe that responsible business practices are important in order to be a market leader, and that managing ESG issues is key to sustainability. We conduct our business with zero tolerance for corruption, strive for the best achievable safety record, environmental performance and respect for human rights.

In 2019, we continued to operate with an exceptionally high level of safety performance and zero spills. We had a lost-time injury frequency (LTIF) of 0.31 and a total recordable case frequency (TRCF) of 1.24. This performance was achieved while delivering operational performance meeting the expectations of our customers.

This year, we also conducted a materiality assessment to identify issues of importance to our external and internal stakeholders. This dialogue has highlighted our approach to transparency and initiated us to revise our target areas in accordance with our stakeholders' preferences.

We report quarterly to the board on key performance indicators (KPIs). Annually, we continue to report in accordance with the core level of the Global Reporting Initiative (GRI) standards as we have done since 2014. On page 144 you cazn find the GRI Index, and on page 153 you can find the indicators recommended by the Norwegian Shipowners' Association (NSA).

Our sustainability governance

Our vision is to be the market leader for floating LNG solutions, and our mission is to develop, manage and operate our assets to the highest technical, ethical and commercial standards, thereby providing value to customers and maximising benefits for shareholders and other stakeholders.

Our core values are innovative, competent, committed and reliable. Innovative and competent to find new business and technical solutions, committed to develop them, and reliable and trustworthy in the delivery of services. In addition, vessels operating under our in-house technical management have the following tailormade values for safe operation: committed, competent, cooperative, honest and straightforward.

Our code of conduct

Our governing documents facilitate compliance with applicable laws, regulations and standards. These documents are entrenched in our code of conduct, which was updated in 2018 and approved by the board.

For consistent management of issues related to sustainability in our operations, we have established a set of policies and management systems (see the figure on the next page).

The standards and requirements set out in our policies cover all actions performed by employees on behalf of Höegh LNG. We require all suppliers and business partners to operate in accordance with the same environmental, social and ethical standards as our employees. That includes the shipyards we use for the construction of our FSRUs and for recycling our vessels. We apply safety records as criteria for shipyard selection, and our shipbuilding contracts require the shipyard to be certified in accordance with international standards.

The sustainability policy outlines our commitment to acting as a responsible group by integrating social and environmental considerations in our core business operations. The policy provides a framework for setting clear goals and objectives which enable accountability, monitoring and evaluation.

stakeholders to express their opinions about which sustainability issues they identified as the most critical for us. We had one-to-one interviews with five investors, three financial institutions, three customers and two industry organisations. Additionally, all

	Sustainability issue	Corporate governing document
E	Climate change and environmental impacts	• Environmental policy • Green recycling policy • HSE policy • Sustainability policy
S	Health, safety and security	• HSE policy • Supplier code of conduct • Green recycling policy • Sustainability policy
G	Business ethics and anti-corruption	• Code of conduct • Supplier code of conduct • Anti-corruption compliance procedure • Insider trading compliance policy • Dividend policy • Competition compliance • Sustainability policy

Figure 1 – Our governing documents on sustainability.

Stakeholder engagement

We maintain an open dialogue on business ethics and sustainability with our stakeholders. Where necessary, we address issues and concerns in a fair and transparent manner in order to minimise any potential negative impacts which our operations might have on our stakeholders and on the environment in which we operate. We conduct social and environmental impact assessments when entering new locations. Moreover, we consult regularly with investors, banks/financial institutions and employees to understand their perspectives and priorities.

In 2019, we conducted a materiality assessment to obtain further understanding of our sustainability impacts. We invited external and internal employees and vessel masters were invited to participate in an internal survey. The results were aligned with the strategic considerations of the company.

A key feedback from our stakeholders was a desire to become more transparent on sustainability issues. Consequently, we have expanded our reporting based on the GRI and started reporting in accordance with the recommendations of the NSA from 2019.

Materiality matrix

The tool we have used is a materiality matrix, which highlights the focus areas given a high rating by external and internal stakeholders. Our attention will be concentrated on issues rated high/high in the matrix on the next page.

IMPORTANCE - EXTERNAL STAKEHOLDERS	LOW	MEDIUM	HIGH
HIGH		Supply chain: social practices Tax transparency Supply chain: environmental management Transparency and stakeholder dialogue Human rights	Emergency preparedness Corporate governance Emissions - CO_2 Bribery and anti-corruption Security practices
MEDIUM			
LOW			
	IMPORTANCE - INTERNAL		

Ambitions, performance and 2020 targets

Actions completed in 2019

TOPIC	AMBITION	2019 TARGETS	2019 PERFORMANCE	STATUS
Environmental Protection	Reduce effluents generated on vessels.	Sign technical solutions and set plan for upgrading of vessels in 2019.	New simplified design approved by Class for implementation.	Effect of action to be verified
Emissions to air	Reduce generation of Boil Off Gas (BOG) caused by operations.	3% reduction in BOG on FSRU in LNGC mode operations.	Design implemented. Effect not verified in 2019.	Effect of action to be verified
Onshore employees	Improve gender balance.	Focus on career opportunities, communication, leadership and team development, and working towards a better gender balance.	A new engagement survey was conducted and are followed up. Gender balance actions identified and included.	Effect of action to be verified
Security, health & safety	Improve efficiency of job risk management.	Systematic training of key seafaring personnel to make Risk Assessments effective and to reinforce the Tool Box. Talk as a key safety barrier.	Systematic training of key seafaring personnel to make Risk Assessments effective and to reinforce the Tool Box Talk as a key safety barrier.	Effect of action to be verified

Actions for 2020

TOPIC	AMBITION	2019 TARGETS	2019 PERFORMANCE	2020 TARGETS
Emissions to air	Reduce GHG emissions related to air travel by HLNG employees by engaging with the travel agent and raising awareness in the organization.	New	New	10% reduction
Efficient use of resources	Reduce food waste generation in the fleet.	New	New	5% reduction of generated food waste per seafarer.
Maritime employees	Develop career growth and leadership skills for senior officers in the Höegh LNG fleet.	Develop a new Career Plan for junior officers within the Höegh LNG fleet.	New plan developed, and partially implemented.	All applicable jr. officers to be on the new plan for jr. officers.
Supply chain management	Devote attention to compliance, environmental issues and working conditions in the selection, control and follow-up of suppliers.	Enable a systematic sustainability approach towards suppliers. Document that > 90% of major sourcing projects include sustainability as an evaluation criterion. Conduct Supplier Audits in accordance with approved 2019 Audit Programme, in total 9 supplier audits.	100% 100% - of major sourcing projects have included sustainability as an evaluation criterion. 78 %. We have conducted 7 out of 9 supplier audits + Incentra audits.	Include sustainability evaluations in more than 95% of all major sourcing projects. Conduct audits at a total of nine key suppliers.
Compliance and anti-corruption	A more robust framework which addresses compliance and corruption risks in a holistic, consistent and proportionate manner.	Finalize an annual business integrity and compliance plan, which includes anti-corruption campaigns, training, workshops, risk assessments and audits.	Partially achieved. The 2019 annual business integrity and compliance plan was finalized and approved in 2019 and planned activities were for the most part completed. Some planned training and anti-corruption campaigns were postponed to 2020.	Implement the 2020 annual business integrity and compliance plan, which includes trainings, workshops, anti-corruption campaigns, risk assessments and audits.

Environment

Curbing CO_2 emissions will be one of our main priorities in the years to come, and we have decided to join the Getting to Zero Coalition in its mission to develop zero-emission vessels by 2030.

We are compliant with the new EU MRV regulations, which require vessel owners and operators to monitor, report and verify CO_2 emissions annually for vessels larger than 5 000 gross tons calling at any EU and Efta port. All our vessels meet the new IMO regulations on compliant fuels which enter into force in 2020.

All our vessels are certified in accordance with ISO 14001 to ensure compliance with relevant regulations and consistent management of environmental improvements. Furthermore, all our FSRUs built after 2012 carry the clean notation, which is a voluntary environmental class notation for ships designed, built and operated to give additional protection to the environment. In addition, they carry the recycling class notation. The fleet's dual-fuel diesel-electric engines are certified as being within applicable NO_x limits as defined by NO_x Technical Code 2008 (EIAPP certificates).

Climate change risk

We assess risk for our assets related to negative changes in physical climate as manageable.

Climate change risk and its potential impact on our future business will be formally assessed in 2020 and reported in accordance with the recommendations from the Task Force on Climate-related Financial Disclosures.

Emissions and energy management

Reducing emissions to the air represents an opportunity to cut costs and drive business development.

Vessel operation causes greenhouse gas (GHG) and other emissions, most notably carbon dioxide (CO_2) sulphur oxides (SO_x) and nitrogen oxides (NO_x).

Fuel quality and enhanced efficiency through improved vessel design, technological innovation and more seamless operational processes have proven to reduce these emissions. We have extensive know-how and technical expertise in designing, building and operating vessels in an environmentally- and energy-efficient way. We anticipate stricter environmental regulation of the maritime industry in coming years. In preparation for this, we have developed a digital platform to harvest Big Data from the fleet to track and improve performance.

We apply state-of-the-art technology to optimise energy consumption and cost. Since our fleet is mainly powered by electricity generated from natural gas, our vessels emit significantly less CO_2 than those powered by heavy fuel oil or other fossil fuels. Furthermore, natural gas combustion produces negligible emissions of SO_x and NO_x compared with vessels running on refined oil products.

Fuel efficiency is important for reducing emissions. The fuel consumed by each of our vessels is influenced by charterers' requirements concerning the use of installed regasification capacity on each FSRU, and to a lesser extent by sailing speed and routes. We have adopted ship energy-efficiency management plans (SEEMPs) for all our vessels in order to monitor fuel consumption and share these data with charterers, and to offer guidance on optimising energy consumption. We also seek to utilise all boil-off gas from LNG cargo tanks, and constantly pursues new energy-saving solutions.

Our total energy consumption was 5 094 GWh, compared with 4 695 GWh in 2018. Total CO_2 emissions by our fleet were 1 030 348 tonnes in 2019, compared with 896 897 tonnes the year before. This 14 percent rise reflects the expansion of our fleet with two new FSRUs and increased demand for natural gas from our clients.

Fuel type	Consumption (metric tonnes)	Consumption %	SO_x emission (tonnes)	CO_2 emission (tonnes)
Natural gas	346 917	93.48%	Trace (negligible)	954 021
Intermediate fuel oil	12 998	3.50%	683	40 474
Marine diesel oil /marine gas oil	11 183	3.01%	14	35 853
Total 2019	371 097	100%	697	1 030 348

Source: CO_2 conversion factors from the third IMO Greenhouse Gas Study in 2014.

Environmental protection

We are determined to limit any negative impact which our operations might have on marine ecosystems and biodiversity. In these efforts, our attention is concentrated on minimising the risk of spills and discharges of excess biocides and cooling water.

Environmental and social impact assessments (ESIAs) are conducted for all new FSRU import terminals by the customer and/or us at the pre-operational stage in accordance with local regulatory requirements. These assessments typically involve local government bodies and experts as well as local communities which could be affected. In 2019, we complied with all relevant environmental requirements specified in these processes.

To ensure that discharge from our vessels do not harm the environment, we seek to stay ahead of anticipated regulations and client specifications. Since 2011, all new FSRUs with trading capability are equipped with ballast-water treatment and anti-fouling systems which comply with the IMO's Ballast Water Management Convention and Anti-Fouling Systems Convention respectively. We also meet local requirements on the release of excess biocides as well as IFC World Bank Group guidelines on the release of colder seawater from the LNG regasification process.

Efficient waste, bilge and sludge handling is included in the design of our vessels. Potential improvements aimed at optimal FSRU operations are developed on the basis of operational experience. All our vessels have waste management systems in accordance with MARPOL and local regulations. We had no accidental spills or breaches of environmental permits in 2019.

Ship recycling

Ship recycling is of concern to us even if we have a fleet with an average age of 6.1 years. While waiting for an IMO convention on ship recycling to enter into force, we have implemented a green recycling policy and procedure to ensure that our vessels are recycled responsibly and sustainably.

None of our vessels was recycled in 2019 and given the low age of our units no recycling is expected for several years.

Social

Our standard for social engagement is embedded in our code of conduct. In 2019, we have collaborated with key external stakeholders to improve our engagement on social issues such as human rights, forced labour and social conditions in our wider supply chain.

Occupational health and safety at sea

No fatalities were recorded in 2019. One lost-time incident (LTI) resulted in an LTIF of 0.31 compared with zero in 2018. This is significantly better than the industry average.

The occupational health and safety management system for the fleet covers all activities and operations on board our vessels and is applicable to all employees, visitors, clients and external service personnel. All vessel operations are managed in accordance with OHSAS 18001 and certified to the IMO ISM Code.

All standards are based on risk management principles and focus on identifying hazards through a combination of experience, industry guidelines and requirements, as well as a structured hazard identification process. All marine officers are trained in risk assessment methodology.

The company has a formal management of change process for implementing changes, which includes verification of the effectiveness of the change. More comprehensive changes are organised as projects which include specialists and the involvement of all stakeholders.

All terminals have safety and operational requirements, and we undertake compatibility studies to ensure that all safety requirements are addressed and implemented.

Incident reporting and investigations
We encourage an open culture where reporting is perceived as a strength and a vital element for improvement. Nobody is blamed for any failures unless they result from sabotage or wilful acts. Employees have protected rights through a defined complaints procedure, and everyone can report anonymously and outside their line management.

Near-misses and incidents are investigated on board or by an independent investigator if they involve a high level of risk. Corrective and preventive actions are recommended, and tasks are assigned to process owners. Analyses of near misses and incidents are used to identify trends and similarities in order to implement new or additional safety controls.

HSE training
We have a defined competence and training matrix for all ranks and positions in our group. Our seafarers are involved in improving HSE performance and working conditions on board through participation in monthly safety meetings, safety campaigns and conferences. Seafarers are briefed on HSE policies before signing on to vessels.

We have a systematic process for verifying competence on board, as well as seafarer evaluation where training needs are identified.

Medical services
Ensuring the well-being of our seafarers and that they are fit and healthy is important. Annual medical checks at certified clinics are mandatory for all seafarers. Approved medical competence and equipment are available on board, and telemedicine services can be accessed around the clock.

All vessels are equipped with a gymnasium open to everyone and have a deck area which can be used for sport and leisure activities. All vessels have a welfare budget for sports equipment and other types of welfare items. Seafarers are encouraged to participate in excursions and sports activities provided by the company while in port.

Occupational health and safety onshore

The occupational health and safety management system covering our office employees in Norway has been developed in line with the Norwegian Working Environment Act.

In Norway, a working environment committee (AMU) tracks employee welfare issues. It comprises a balanced number of members from management and safety representatives elected by the employees. The committee meets quarterly, and meeting reports are made available to all employees. Employees are encouraged to report issues to the committee.

Our employees based in Manila are covered by the Manila office handbook and a separate handbook aligned with Filipino regulations. A dedicated employee tracks and checks compliance with these regulations.

In offices outside Norway and the Philippines, occupational health and safety is managed by the local office handbook in accordance with local HSE regulations. Our operation in Colombia is also certified in accordance with OHSAS 18001.

Employee engagement surveys are conducted every 18 months, and the 2019 poll shows a high level of engagement across the company. This survey is followed up in each division and office, and improvement efforts are put in place to ensure a continued high level of engagement. The survey shows that successful leadership programs make a substantial contribution to employee well-being and effective working conditions.

Health and safety for shipyard workers

Shipyard workers are exposed to risks relating to unsafe working conditions and violations of labour rights. We were involved in improving health, safety and labour conditions for all shipyard workers in 2019, with specific attention devoted to forced labour among migrant workers and sub-contractors owing to growing concerns within the industry.

We use safety performance records as a criterion for shipyard selection, and provisions in our shipbuilding contracts require the shipyard to be certified in accordance with ISO 14001, OHSAS 18001 and ISO 9001.

In addition, we participate in efforts by the Norwegian Export Credit Guarantee Agency (Giek) to monitor working conditions and forced labour risks at the shipyards. These include surveys, audits and escalation to executive management if identified concerns are not addressed in a satisfactory manner.

We are pleased to confirm that no serious LTIs were reported for shipyard workers involved in the construction of our vessels at Samsung Heavy Industries and Hyundai Heavy Industries in 2019. As of February 2020, we have no vessels under construction.

Emergency preparedness and security practices

There were no reported security incidents in 2019.

We have a central security and emergency response function which monitors and manages security risks across our activities. Security risk analysis and measures are regularly updated for operational sites and when entering new markets. An emergency response system is in place, which maintains our interests and obligations in all circumstances where the safety of personnel, the environment, assets and reputation are threatened, where customer interests may be affected, or where third-party liability could arise.

We have a policy of not using armed guards on our vessels, and the crew and ship security officers are trained in security incident management. Our crews are also trained in handling refugees in accordance with SOLAS and relevant rescue coordination centre (RCC) guidelines. Security services at the terminals are provided directly by the terminal operator or port authorities, not by us. To ensure adequate and responsible security practices, any third-party provider of security services must confirm their adherence to the Voluntary Principles on Security and Human Rights. Audits, security surveys and emergency response exercises are performed to verify the effectiveness of the security and emergency response system.

Our people

We had 759 employees at 31 December 2019.

Maritime employees

We seek to recruit and retain competent and qualified personnel and have high retention rates, achieved through years of strategic employee development.

We have 584 specialised maritime personnel, who are employed by our subsidiaries. They are organised in pools to ensure access to qualified personnel, high retention rates and job security. Maritime personnel, including temporary employees, had a 24-month retention rate of close to 100%. All maritime employees receive a written performance review at the end of each service period, including recommendations for further training and/or promotion. We invest considerable resources in recruiting, training and developing our officers, and in providing them with permanent contracts. In addition, we invest in maritime education and training in countries where maritime personnel are recruited, including specific programmes for cadets.

Onshore employees

We have 175 onshore employees in Norway, Singapore, the UK, Indonesia, Lithuania, Egypt, the USA, South Korea, Colombia, China and the Philippines. Annual performance reviews are conducted for every onshore employee using a digital appraisal system.

In 2019, we executed our third internal leadership development programme. The engagement survey results verify the effect of the programme, and we will continue to devote attention to leadership development.

Employee turnover for onshore personnel was 11.5% in 2019. This is higher than in previous years, and can be ascribed to changing structures and roles in the organisation together with a positive labour market with many opportunities for competent and talented people. Average sickness absence among employees was 2.4% in 2019, compared with 2% the year before.

Talent management

We fully recognise that our employees, both at sea and on land, are the most critical component for a successful future. Furthermore, with a rapidly changing market and a volatile world, we know that continuous learning is imperative. We have therefore increased our investment in employee development in general, and specifically in equipping our leadership talents with the tools and attitudes required to lead the company through the changing requirements presented to us by our clients and markets.

All our employees are given the opportunity to develop their professional skills and knowledge in order to be effective at delivering on their responsibilities. Efforts have been devoted to strengthening leadership skills at middle management levels, and to continuing the development of the organisation's competence in sales and communication. As a group, we must always prepare our future leadership for expanded responsibility in order to ensure successful management transitions. We are therefore conducting specially designed development journeys for key individuals to prepare them for bigger roles and responsibilities. This work is well entrenched with our group executive team and the board of directors.

Diversity

We oppose any form of discrimination and strive to promote equality in all employment practices.

Our recruitment base, particularly for maritime personnel, is predominantly male and this is reflected in our demographics. In 2019, women accounted for five of 584 maritime personnel and 69 of the 175 onshore employees. Although gender diversity is lower than we would wish, other demographic variables are more diverse – we are a truly international group with an age, nationality and ethnicity diversity which strengthens our culture. The group executive team has one female and seven male members. The board comprises seven male directors.

Governance

Compliance

With operations worldwide, we face a variety of local regulations and practices. That requires great attention to be paid to ethical behaviour, compliance and risk mitigation.

Corporate culture

A strong corporate culture is a prerequisite for an effective compliance system. We operate with a clear communication of values from board to management, and from management to the rest of the organisation. These values are expressed and implemented through written guidance on compliance and ethics training, business-partner risk management efforts and an effective reporting system. An anonymous compliance survey was conducted in 2019 for onshore employees. The group's incentive systems for employees also feature a compliance component to be assessed on an annual basis.

To further strengthen the continuous attention devoted by the leadership to anti-corruption and compliance, the chief legal and compliance officer was included in the corporate executive team from 2018. A compliance manager with a background in accounting and internal audit was appointed in 2019 to strengthen our compliance function.

Implementation of the 2019 annual business integrity and compliance plan included the roll-out of an online gifts and entertainment register, consolidated reporting and monitoring of onboard transactions, and sanctions screening as part of the risk assessment of new and existing business partners.

Anti-corruption

Höegh LNG anti-corruption governance programme

We have zero tolerance of bribery and corruption. Every employee is responsible for acting in accordance with our code of conduct and for complying with the laws and regulations of the countries where we operate. Our chief legal and compliance officer is responsible for ensuring compliance with the code of conduct and related governing documents.

The board's governance, compliance and compensation committee support the directors in fulfilling their responsibilities for ethics and anti-corruption. The board approves the code of conduct and other relevant policies. All governing documents are subject to review on an annual basis.

The chief legal and compliance officer reports to the president and CEO, the board and the executive team on an ongoing basis.

Anti-corruption policies and procedures have been communicated to all our directors, and all members have conducted anti-corruption training by external legal counsel, which will be refreshed in 2020. In 2019, all board members completed a code of conduct e-learning course.

All employees are required to complete mandatory training on anti-corruption. This includes face-to face training sessions and e-learning courses. All employees are required to sign the code of conduct and other relevant compliance policies upon commencement.

We encourage an open and transparent culture, where all employees can report suspected or actual breaches company policies through designated reporting and whistleblowing channels outlined in the code of conduct. In 2018, the group established an external whistle-blower channel where employees can report incidents anonymously and in their own language, without retaliation. All reported incidents are registered with the chief legal and compliance officer.

Risk-based anti-corruption approach

We are exposed to a variety of corruption and bribery risks both in obtaining new business and in its ongoing operations. Typical risks include unclear local operating requirements and enforcement, extortion schemes and facilitation payments. Corruption risks related to business partners (including suppliers, agents, customers, consultants and intermediaries) are monitored very closely, as Höegh LNG could be held accountable or suffer great consequences from corrupt behaviour by its business partners. Therefore, we place great importance on only engaging in business with parties having comparable anti-corruption and ethical standards as outlined in our anti-corruption policy and suppliers code of conduct.

The group has in place an enterprise risk management process in addition to a risk based internal control over financial reporting system, which both address anti-corruption risks. Moreover, all countries where Höegh LNG has operations are subject to a quarterly high-level corruption risk assessment.

We perform risk assessments of all new business opportunities, including new business partners. Based on such risk assessment, business partners may be subject to further due diligence. New customers, joint-venture partners and certain other business partners acting on behalf of Höegh LNG are subject to due diligence processes and board approval prior to any firm commitments. All business partners are required to sign the company's supplier code of conduct (SCoC).

Audit of anti-corruption compliance is included in the internal audit program. In 2019, seven offices in the group were audited, and seven suppliers in six locations.

Maritime anti-corruption network

Beyond our own internal measures, Höegh LNG believes in collective action to achieve our ethical and compliance goals. We are therefore a member of the Maritime Anti-Corruption Network (MACN), which provides valuable insights into specific anti-corruption challenges in the maritime industry. As a member, Höegh LNG is committed to implementing the MACN anti-corruption principles.

Supply chain management

The ethical standards outlined in our code of conduct extends to our business partners and suppliers through the supplier code of conduct. We require all suppliers and business partners, including shipyards, to operate in accordance with our environmental, social and ethical standards. These are outlined in our supplier code of conduct, which covers areas such as human rights, labour standards, workplace conditions, HSE, anti-corruption and conflicts of interest.

Generally, all business partners, including suppliers, agents and intermediaries, are required to sign and comply with this code. Deviations are only permitted in very restricted circumstances and where compelling reasons exist.

In 2019, seven high-risk suppliers were identified and audited. Monitoring of health, safety and environmental performance at shipyards is described in more detail on page 33.

We are a member of the Incentra purchasing organisation owned by shipowners and managers. This prequalifies suppliers on the basis of standards consistent with our supplier code of conduct.

Our global procurement project was completed in 2019, and we have started to reap the benefits. This project has aimed to professionalise, standardise and centralise procurement in order to achieve cost-efficiency as well as improving controls, compliance and the attention paid to sustainability.

Tax

We have systems in place to ensure full compliance with relevant tax legislation in all the jurisdictions where we operate. Our taxes are reported in accordance with the International Financial Reporting Standards (IFRS). Consolidated reporting for Höegh LNG Partners LP is based on US generally accepted accounting principles.

We have implemented a tax policy which provides a framework for managing our applicable taxes. This covers legal and regulatory requirements and further defines roles and responsibilities and describes implementation requirements and compliance procedures.

A tax risk management system facilitates the identification, mitigation, testing and reporting of tax risks.


HÖEGH

Independece and Neptune

Corporate governance report


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Corporate Governance Report

Corporate governance enhances business performance by reducing risk and improving accountability and is essential for maintaining the trust of Höegh LNG's stakeholders and the company's strong standing in the financial market.

Höegh LNG Holdings Ltd. is an exempted company limited by shares, domiciled and incorporated under the laws of Bermuda and is stock listed on Oslo Børs (the Oslo stock exchange). The company is subject to Bermudian law regarding corporate governance. As a listed company on Oslo Børs, the company is required to provide a report on the company's corporate governance as further set out in section 7 of Oslo Børs' continuing obligations of stock exchange listed companies (the "continuing obligations").

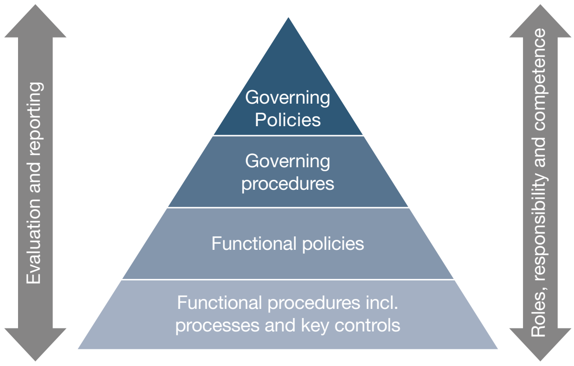
Höegh LNG (the company and its subsidiaries) has adopted and implemented a corporate governance system which, other than as stated in sections 2, 3, 5, 7, 11, 12, and 14 below, complies with the Norwegian code of practice for corporate governance (the "Norwegian corporate governance code") referred to in section 7 of the continuing obligations. The deviations are mainly due to the fact that the company is a Bermudian entity.

The Norwegian corporate governance code is published at www.nues.no and the continuing obligations are published on the Oslo Børs web site at www.oslobors.no.

1. Implementation and reporting on corporate governance

The foundation of corporate governance in Höegh LNG is set out in the company's byelaws, in addition to a governing principles policy and Höegh LNG's code of conduct.

The governing principles policy is based on the Norwegian corporate governance code and is approved by the board. The policy identifies the key



governing bodies in Höegh LNG, describes the roles and responsibilities of the governing bodies and functions of the group and specifies requirements for the business with regard to important governing processes, documents and systems. The board has also adopted governing procedures to implement the principles set out in the governing principles policy. These procedures include separate charters for the board of directors, the audit committee, the governance, compliance and compensation committee and the nomination committee (the latter also approved by the general meeting), as well as instructions for both the President & CEO and the group's chief compliance officer.

Höegh LNG employees are required to adhere to and comply with Höegh LNG's standards for ethics, health, safety, the environment and quality as further set out in Höegh LNG's code of conduct, the insider trading policy and the procedure for governmental investigation as adopted by the board. In addition, the board has adopted a supplier code of conduct, which all suppliers are required to adhere to.

Through compliance with the above, the board and management contributes to achieving the following objectives:

Trust: Good corporate governance shall establish a basis for trust in the board and the management by the shareholders and other stakeholders.

Transparency: Communication with the company's shareholders shall be based on transparency concerning both Höegh LNG's business that are of importance for assessing the company's development and its financial position.

Independence: The relation between the board, the management and the shareholders shall be on an independent basis to ensure that decisions are made on qualified and neutral basis.

Equality: Höegh LNG aims to give all its shareholders equal treatment and rights.

Control and management: Good control and governance mechanisms shall contribute to predictability and reduction of risk.

Deviations from the code: None.

2. Business

In accordance with the vision of being the market leader for floating LNG solutions, the board has adopted a strategy where ambitions and priorities are founded on the company's mission to develop, manage and operate the group's assets to the highest technical, ethical and commercial standards, thereby providing value for customers and maximising benefits for shareholders and other stakeholders. The board has further adopted a set of core values which support the vision, mission and decision-making process within the organisation: Höegh LNG is **innovative** and **competent** in finding new business and technical solutions and Höegh LNG is **committed** in developing them. Höegh LNG is also **reliable** and trustworthy in the delivery of its services, which are of high quality.

The company's principle strategy is to continue developing and growing its FSRU business through an enhanced and extended service offering and to secure long-term contracts at attractive risk-adjusted returns with counterparties with solid fundamentals and to drive and embrace technological and commercial innovation. The financial strategy is focused on obtaining financing through diversified sources of debt and equity, with equity being in place before making investments and with Höegh LNG Partners LP as an integral part of the financial platform.

The board evaluates the objectives, strategies and risk profiles continuously and at least yearly.

The company has guidelines for how it integrates considerations related to its stakeholders into its value creation. Since 2014, Höegh LNG has issued a separate sustainability report in accordance with Oslo Børs' Guidance on the Reporting of Corporate Responsibility and the "core" level of the Global Reporting Initiative (GRI) standard. In 2019, Höegh LNG conducted a new stakeholder consultation process to compare and align the company's priorities with stakeholder perspectives.

The Memorandum of Association and the company's bye-laws are available on the company's website (www.hoeghlng.com / corporate governance – governance documents – other governance documents).

Deviations from the code:
As is common practice for Bermudian-registered companies, the company's objectives and powers as set out in its Memorandum of Association are broad and therefore wider and more extensive than recommended in the Norwegian corporate governance code.

3. Equity and dividends

Capital structure

The issued share capital in the company at 31 December 2019 was USD 772 605.80, consisting of 77 260 580 fully paid common shares, each with a nominal value of USD 0.01. Excluding the 1 056 553 shares held by the company as treasury shares, the number of outstanding shares was 76 204 027.

A total of 1 947 777 options granted to management and key employees were outstanding at 31 December 2019.

The total book equity at 31 December 2019 was USD 696 million. Net of mark-to-market of hedging reserves, the adjusted book equity at 31 December 2019 was USD 801 million.

The board regards the current level of equity and financing as adequate in view of Höegh LNG's objectives, strategy and risk profile. However, as commented in the prospects section of the directors' report, the potential effects on the company from the Covid-19 virus outbreak are currently not possible to accurately forecast and assess. The capital structure will in the future likely be subject to the issuance of further debt relating to scheduled refinancing and new debt, net profits and dividend payments, potential new equity capital being issued and other factors.

Dividend policy

The company has paid a regular dividend to support its goal of providing attractive total returns to shareholders. The timing and amount of any dividend payments will depend on market prospects, investment opportunities, current earnings, financial conditions, cash requirements and availability, restrictions in Höegh LNG's debt agreements, the provisions of Bermudian law and other factors.

The company has paid quarterly dividends since March 2015. The board of directors resolved in February 2018 to reduce the quarterly dividend from USD 0.125 per share per quarter to USD 0.025 per share per quarter in response to delays and cancellations of projects under development experienced during 2017. In April 2020, the board decided that in light of the ongoing Covid-19 virus situation, the dividend should be suspended in full until further notice as a precautionary measure to preserve liquidity in light of the highly uncertain business environment.

Once greater clarity has been achieved regarding the company's contracted revenue backlog, the board will reconsider the level of quarterly dividend distribution.

Deviations from the code:
Pursuant to Bermudian law and common practice for Bermudian-registered companies, it is not necessary to obtain the general meeting's approval for payment of dividends (bye-laws 37).

Equity issue

The authorised share capital of the company is 150 million shares, as approved by the general meeting in 2012.

Deviations from the code:
Pursuant to Bermudian law and common practice for Bermudian-registered companies:

– The board has wide powers to issue any authorised but unissued shares in the company on such terms and conditions as it may decide, and may, subject to any resolution of the shareholders in a general meeting and to the rights of any issued shares, attach such rights and restrictions as the board may determine.

– The board may, without approval from the shareholders in a general meeting, acquire the company's own shares to be cancelled or held as treasury shares. These bye-law provisions (bye-laws 3.3, 3.4 and 5) are neither limited to specific purposes nor to a specified period as recommended in the Norwegian corporate governance code.

4. Equal treatment of shareholders and transactions with close associates

Equal treatment of all shareholders is a core governance principle in Höegh LNG.

The company has only one class of shares and each share confers one vote at the general meeting.

The repurchase of own shares for use in the stock option programme for employees (or, if applicable, for subsequent cancellation) is carried out through Oslo Børs.

In the event of any material transaction between Höegh LNG and a major shareholder (defined as a person/company holding more than five per cent of Höegh LNG's voting rights), any such shareholder's parent company, directors and executive personnel, or close associates of any such parties, the board should arrange for a valuation to be obtained from an independent third party. This will not apply if the transaction requires the approval of the annual general meeting pursuant to applicable law or regulations. Independent valuations should also be arranged in respect of transactions between companies in the same group where any of the companies involved have minority shareholders.

Deviations from the code: None.

5. Shares and negotiability

The common shares of the company are freely transferable, and the company's constitutional documents impose no transfer restrictions on the company's common shares save as set out below.

There have been no incidents were the board has refused the registration of any share transfer.

Deviations from the code:

– Where a transfer of a share in the company would result in 50% or more of the shares or votes being held, controlled or owned directly or indirectly by individuals or legal persons resident for tax purposes in Norway or, alternatively, such shares or votes being effectively connected to a Norwegian business activity, bye-laws 14.3 includes a right for the board to decline to register said transfer, or if required, refuse to direct any registrar appointed by the company to transfer any interest in said share. The purpose of this provision is to avoid the company being deemed a controlled foreign company pursuant to Norwegian tax rules.

– Bye-laws 52 and 53 include a right for the company to request a holder of nominee shares to disclose the actual shareholder. The board may decline to register any transfer where a holder of nominee shares does not comply with its obligations to disclose the actual shareholder as further set out in the bye-laws, where the default shares represent at least 0.25% (in nominal value) of the issued shares in their class.

6. General meetings

Being a Bermudian entity, the general meeting of the company is held annually in Bermuda.

The board seeks to ensure that the company's shareholders can participate in the general meeting, either in person or by proxy. In addition, the board ensures that:

- The notice and agenda for the general meetings are distributed 18 clear days / 21 running days, whichever is the earliest, to the shareholders either electronically or on paper. In addition, the documentation is made available on the company's web page and on newsweb.no.
- The resolutions and supporting information distributed are sufficiently detailed, comprehensive and specific to allow shareholders to form a view on all matters to be considered at the meeting.
- Any deadline for shareholders to give notice of their intention to attend the meeting in person is set as close to the date of the meeting as possible.
- The members of the board and a member of the nomination committee are present at the general meeting.
- Shareholders are able to vote, either in person or by proxy, on each individual matter, including on each individual candidate nominated for election.

The company's VPS registrar is responsible for the electronic distribution of the general meeting documentation and the administration of attendance slips and proxies.

The shareholders of the company are responsible for making certain key decisions concerning the company's business. These include at the annual general meeting, the appointment of the auditor, the election of the board of directors and the nomination committee and the determination of the remuneration of directors and members of the nomination committee. Alternate directors are appointed by the board and are not elected by the general meeting. At the annual general meeting, the financial statements are laid before the meeting for information, but under Bermudian law, the shareholders' approval of same are not required.

Bye-laws 19 to 24 set out extensive rules regarding the conduct of general meetings, including in relation to the notice of general meetings, general meetings to be held in more than one place, proceedings, voting, proxies and corporate representatives.

Deviations from the code:

– The chairman of the board is also a member of the nomination committee and usually represents the nomination committee at the general meeting in lieu of the chairman of the nomination committee.

– Pursuant to bye-law 22.8, the board may select one of its members to chair a general meeting.

7. Nomination committee

The bye-laws provide that the company shall have a nomination committee consisting of three members. A majority of the members shall be independent of the executive personnel of Höegh LNG. Up to two members of the nomination committee may be directors. Neither the President & CEO nor any other executive personnel may serve on the nomination committee.

The roles and responsibilities of the nomination committee are set out in the charter for the nomination committee, as approved by the general meeting. The nomination committee provides a written report setting out its work and recommendations, and this report is appended to the notice and agenda for the relevant general meeting.

The company has made provisions for any shareholder to submit proposals to the nomination committee via the company's website and e-mail nominationcommittee@hoeghlng.com. No deadline for proposing candidates have been set.

The members of the nomination committee are elected by the general meeting for one year, and Stephen Knudtzon (chairman) and Morten W. Høegh (member) were re-elected in 2019 and Martin Thorsen (member) was elected in 2019. Knudtzon and Thorsen are independent of the board and the executive personnel of the company. Thorsen represents Centra Invest AS, one of the previous larger institutional investors in the company. Morten W. Høegh is independent of the executive personnel of Höegh LNG and represents the largest shareholder of the company, Leif Höegh & Co Ltd. Please see a presentation of the nomination committee on the company's web site.

Deviations from the code:

– Pursuant to bye-law 19.3, up to two members of the nomination committee may be directors. This is a deviation from the code, which recommends that the majority of the committee should be independent of the board. Currently, only one director is a member of the committee.

– Morten W. Høegh, chairman of the board and member of the nomination committee, has been re-elected to the board and the nomination committee since 2013.

8. Board of directors: Composition and independence

The board and the chairman of the board are elected by the general meeting for a term of two years[1]. The bye-laws provide for the board to consist of not less than two and not more than 12 directors.

The board has established two committees: An audit committee and a governance, compliance and compensation committee.

Currently, the board consist of the following seven directors:

– Morten W. Høegh (born 1973) has served as chairman of Höegh LNG since 2006 and is a member of the company's governance, compliance and compensation committee. Morten W. Høegh is also a director of Höegh Autoliners Holdings AS and Höegh Eiendom Holdings AS. He serves as the Chairman of Gard P&I (Bermuda) Ltd. and Chairman of its Risk and Election and Governance Committees and a director and Chairman of certain of its

[1] The company does not have a corporate assembly.

subsidiaries. He also serves as the Chairman of the Western Europe committee of DNV GL. From 1998 to 2000, he worked as an investment banker with Morgan Stanley in London. Morten W. Høegh holds an MBA with High Distinction (Baker Scholar) from Harvard Business School and a Bachelor of Science in Ocean Engineering and Master of Science in Ocean Systems Management from the Massachusetts Institute of Technology. He is a Norwegian citizen and resides in the United Kingdom.

- Leif O. Høegh (born 1963) has served as deputy chairman of Höegh LNG since 2006 and is a member of the company's audit committee. Leif O. Høegh is also the chairman of Höegh Autoliners Holdings AS and Höegh Eiendom Holdings AS. Leif O. Høegh worked for McKinsey & Company and the Royal Bank of Canada Group. He holds an MA in Economics from the University of Cambridge and an MBA from Harvard Business School. Leif O. Høegh is a Norwegian citizen and resides in Norway.
- Andrew Jamieson (born 1947) has served as a director of Höegh LNG since 2009 and is the chairman of the company's audit committee. He has vast experience from the energy industry in general and LNG in particular, having been in charge of both the North West shelf project in Australia and Nigeria LNG for a number of years. Andrew Jamieson retired from the Royal Dutch Shell group in 2009 where he had served as Executive Vice President Gas & Projects and Member of the Gas & Power Executive Committee since 2005. From 1999 to 2004 he was Managing Director in Nigeria LNG Ltd and Vice President in Bonny Gas Transport Ltd. Andrew Jamieson has been with Royal Dutch Shell group since 1974 with positions in The Netherlands, Denmark, Australia and Nigeria, and he has been a director on the boards of several Shell companies. Andrew Jamieson serves on the boards of GTT (Gaztransport & Technigaz), Chrysaor Holdings Ltd and Kerogen Capital Hong Kong. Previously, he also served on the boards of Woodside Petroleum Ltd., Seven Energy Limited and Velocys PLC. Andrew Jamieson holds a Ph.D. degree from Glasgow University and is a Fellow of the Institute of Chemical Engineers and also of the Royal Academy of Engineering. Andrew Jamieson is a citizen of the United Kingdom and resides in the United Kingdom.
- Ditlev Wedell-Wedellsborg (born 1961) has served as a director of Höegh LNG since 2006 and is the chairman of the company's governance, compliance and compensation committee. He is the owner and chairman of Niki Invest ApS and chairman of its subsidiary Weco Invest A/S, an investment company working out of Copenhagen. Ditlev Wedell-Wedellsborg is currently serving on the board of directors of Höegh Autoliners Holdings AS, Vind AS, Donau Agro ApS and chairman of Wessel & Vett Foundation. He is also serving on an advisory committee to Aequitas Holding ARL. Previously he was a partner in the corporate finance boutique Capitellum and prior to this he held various management positions in the Danish shipping company Dannebrog Rederi A/S. He has also been a consultant with McKinsey & Co. Ditlev Wedell-Wedellsborg holds an MBA from INSEAD, France and a BA in economics from Stanford University. Ditlev Wedell-Wedellsborg is a Danish citizen and resides in Denmark.
- Christopher G. Finlayson (born 1956) has served as a director of Höegh LNG since 2015 and is a member of the company's governance, compliance and compensation committee. He is non-executive chairman of the board of Siccar Point Energy, a non-executive director of Swire Pacific Offshore, a non-executive director of TGSNOPEX Geophysical Company ASA and a director of the board of Lloyds Register Group, chairing Lloyds' remuneration committee. Christopher G. Finlayson joined BG Group in 2010. He led BG Group's operations in Europe and Central Asia until 2011 when he became

Managing Director of BG Advance and was appointed to the BG Group Board of Directors. He was CEO from 2012 until he left the BG Group in April 2014. Before joining BG, he worked in Royal Dutch Shell for 33 years, including operational management experience from Nigeria, Russia, Brunei, Turkey and the North Sea. Christopher G. Finlayson received a BSc Physics and Geology with First Class Honours from the University of Manchester in 1977. He is a Fellow of the Energy Institute. He is a British citizen and resides in the United Kingdom.

- Jørgen Kildahl (born 1963) has served as a director of Höegh LNG since 2016 and is a member of the company's audit committee. Jørgen Kildahl is currently serving on the board of directors of Telenor ASA, Ørsted AS and Alpiq AG, and is a senior advisor in Credit Suisse Energy Infrastructure Partners. Jørgen Kildahl has previously served as a member of the board of management in E.ON SE, and as an Executive Vice President in Statkraft. He has also been a partner in the PR consulting group Geelmuyden Kiese. Jørgen Kildahl holds a M.Sc. degree from the Norwegian School of Economics and Business Administration (NHH) in Bergen, is a Chartered Financial Analyst, holds an MBA from NHH and has further concluded the Advanced Management Program (AMP176) at Harvard Business School. He is a Norwegian citizen and resides in Switzerland.
- Steven Rees Davies (born 1974) has served as a director of Höegh LNG since May 2017 and later other subsidiaries of Höegh LNG, and is a member of the company's governance, compliance and compensation committee. Steven Rees Davies is a partner within the Corporate department of Appleby (Bermuda) Limited, Höegh LNG's Bermudian counsel, where he practices in the areas of corporate finance, capital markets, regulation, corporate governance and intellectual property. He also advises on cross jurisdictional corporate transactions and restructurings as well as private and public offerings, placements and introductions to the Bermuda, London and New York stock exchanges, in addition to multinational joint ventures and private equity projects. Steven Rees Davies graduated from Oxford Brookes University with a Bachelor of Laws and from the College of Law, England, with a Postgraduate Diploma in Legal Practice. Steven Rees Davies qualified as an attorney and member of the bar of New York (US Southern District) in 2002 and as a solicitor in England & Wales in 2003 (non-practicing). He was called to the Bermuda Bar in 2008. Steven Rees Davies is a British citizen and resides in Bermuda.

The board does not include executive personnel and all directors are independent of Höegh LNG's executive personnel and material business connections. Save for Morten W. Høegh and Leif O. Høegh, all directors are deemed to be independent of the company's main shareholder.

The company's main shareholder, Leif Höegh & Co. Ltd., is represented on the board by Morten W. Høegh and Leif O. Høegh. Leif Höegh & Co. Ltd. is indirectly controlled by Leif O. Høegh and family trusts under which Morten W. Høegh and his immediate family are the primary beneficiaries.

Ditlev Wedell-Wedellsborg is a director of Höegh Autoliners Holdings Ltd., which is a joint venture between Leif Höegh & Co. Holdings AS (61.25%) and A.P. Moeller-Maersk A/S (38.75%) and serves on an advisory committee to Aequitas Holding ARL. Leif Höegh & Co. Holdings A/S and Aequitas Holding ARL are indirectly controlled by Leif O. Høegh and by family trusts under which Morten W. Høegh and his immediate family are the primary beneficiaries.

The board held four regular meetings in 2019, with all directors present. The board also held ten interim meetings, with the Bermuda-resident director and/or alternate(s) present.

Bye-law 25 regulates the appointment and removal of directors.

As recommended by the code, all directors (save for Steven Rees Davies) hold shares in the company as set out on the next page:

Name	Title	Shareholding in the company per 31 December 2019	Holding in Höegh LNG Partners LP per 31 December 2019
Morten W. Høegh	Chairman	See Note [1]	See Note [1]
Leif O. Høegh	Deputy chairman	See Note [1]	See Note [1]
Andrew Jamieson	Director	13 740	8 537
Christopher Finlayson	Director	9 384	-
Ditlev Wedell-Wedellsborg [2]	Director	13 740	-
Jørgen Kildahl	Director	8 931	-

Notes:

[1] Leif Höegh & Co. Ltd., which is indirectly controlled by Leif O. Høegh and family trusts under which Morten W. Høegh and his immediate family are the primary beneficiaries, held a total of 37 765 654 shares, representing 48.88% of the shares in the company and 441 037 common units in Höegh LNG Partners LP as per 31 December 2019. In addition, Brompton Cross IX Limited, which is a co-investment vehicle for the management of Höegh Capital Partners Limited, indirectly controlled by Leif O. Høegh and by family trusts under which Morten W. Høegh and his immediate family are primary beneficiaries, holds 28 500 shares in the company, representing 0.04% of the shares in issue.

[2] In addition, Ditlev Wedell-Wedellsborg owns 15 242 shares in the company through Niki Invest Aps. and 16 210 common units in Höegh LNG Partners LP through DWW Landbrug Aps.

Deviations from the code: None.

9. The work of the board of directors

The board is responsible for overseeing the management of Höegh LNG, safeguarding the business and implementing sound corporate governance for the group to follow.

The board has authorised Höegh LNG AS to carry out the day-to-day management of Höegh LNG's assets under a management agreement comprising administrative, commercial and technical activities. The board has established and defined the authorities through a delegation authority matrix.

The main responsibilities of the board as well as the framework for proceedings of the board's work are set out in a charter for the board of directors. In general, the board shall approve the strategy, business plans, financial statements, investment decisions, debt financings and budgets for Höegh LNG.

The board has adopted procedures and standards that cover and impose an obligation on individuals that are members of the group executive team and other group roles to secure sound governance and control. The board will also ensure that Höegh LNG protects its reputation in relation to owners, employees, customers and the public.

The work of the board is scheduled in an annual plan with fixed information and decision points. If required, interim board meetings are arranged in accordance with the charter for the board of directors.

It is the responsibility of each director to continuously assess whether there exists or there is potential for the creation of a conflict with the interests of the company and the director in question. Existence of a conflict extends to, but is not limited to, matters put before a director involving a personal interest, direct or indirect, financial or otherwise, in the matter.

Circumstances referred to above shall be discussed without undue delay with the chairman of the board. Where a director's employment relationship, or other duties, regularly cause a conflict of interest to occur, and in other special circumstances, there shall be prepared specific guidelines for review by the board that, as far as possible, prevent such conflict of interests from arising.

The board conducts a self-evaluation of its own performance and expertise on an annual basis, which includes an evaluation of the composition of the board and the manner in which its members function, both individually and as a group, in relation to the objectives set out for the board's work. This report is made available to the nomination committee.

The work of the board committees
The tasks of the audit committee and the governance, compliance and compensation committee are defined in committee charters, which are reviewed annually. See also item 10 below.

The work of the committees is preparatory in nature to increase the efficiency of the board and does not imply any delegation of the board's legal responsibilities. The committees report to the board.

Deviations from the code: None.

10. Risk management and internal control

The board is responsible for overseeing that the company has sound internal control and systems for risk management, which are appropriate in relation to the extent and nature of the group's activities.

Risk management
Höegh LNG uses risk management tools based on ISO 31000 Risk Management in relation to both existing and new business.

The board is responsible for overseeing that the accumulated risks that could influence the achievement of HLNG's strategic and key operational objectives are being consistently and effectively identified and managed. In addition, the audit committee is responsible for assessing and monitoring business, financial and IT security risks and overseeing the implemented risk mitigating actions.

The President & CEO assumes the overall responsibility for enterprise risk management and reports the enterprise risk status to the board of directors on a regular basis. The group has a risk monitoring committee comprising of the group executive team and the VP QA & Risk, which has the objective to support business decisions by monitoring the accumulated strategic risk for HLNG, assess risk mitigation measures and the effect of changes and new commitments.

Höegh LNG has a QA and risk management function, which assists the company in achieving its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of enterprise risk and security management, control and governance processes. The function meets regularly with the audit committee and once a year with the full board.

The group has implemented an integrated governing management system ("GMS") to govern its processes for planning, operating and controlling the services rendered. Health (including occupational health), safety and environmental management, and project and security risk management are all included in the GMS. The GMS is certified to ISO 9001:2015 Quality Management Systems and ISO 14001:2015 Environmental Management Systems by an accredited certification body. The GMS is complying with the requirements OHSAS 18001:2008 Occupational Health and Safety Management Systems as well as meeting the International Safety Management (ISM) standard. In addition, the group's integrated fleet management company has a separate HSEQ function.

See also the "Risk and risk management" section in the directors' report included in this annual report and Note 14 "Financial risk management objectives and policies" for further information.

Internal control
The group has in place policies and procedures and an effective system for internal controls over financial

reporting, which is based on COSO 2013 (Committee of Sponsoring Organisations of the Treadway Commission) and for Höegh LNG Partners satisfies the requirements of the US Sarbanes-Oxley Act 404. The process for internal control is supervised by the chief of staff and the chief financial officer and comprises an annual process that includes risk assessment, evaluation of whether existing controls are designed and operating as intended, review and testing of the controls' implementation and operational effectiveness, reporting and continuous performance monitoring.

The audit committee provides direction, advice and recommendations to the board on financial reporting, internal controls and audit matters. The committee is the formal reporting body for internal controls with regard to financial reporting and reviews the year-end testing report.

Höegh LNG is also subject to extensive external control by its auditors, external partners in joint ventures and charterers.

The group has in place ethical hotlines that allows employees, as well as external parties in the case of HMLP, to report any non-compliance issues (anonymously if desired). These reports are received by Höegh LNG's chief legal and compliance officer in case of the company, and by the chairman of HMLP's audit committee in case of the HMLP.

Deviations from the code: None.

11. Remuneration of the board of directors

Remuneration to the directors of the board totalled USD 325 000 for 2019, which included granting of shares in the company as further set out below.

Each of Morten W. Høegh, Leif O. Høegh, Andrew Jamieson, Ditlev Wedell-Wedellsborg, Christopher G. Finlayson and Jørgen Kildahl were granted 4,007 shares (worth USD 15 000) and USD 35 000 in cash. The chairman receives the same remuneration as the other directors.

The chairman of the audit committee and the chairman of the governance, compliance and compensation committee each received USD 10 000 as payment for services rendered by them as chairmen of the respective committees.

Appleby Global Services (Bermuda) Ltd. is remunerated on the basis of invoices for its services, including the provision of Steven Rees Davies as a director and the services of alternate directors to the company.

In addition, Morten W. Høegh received USD 5 000 as a member of the company's nomination committee.

The company has no pension or retirement benefits for directors.

Deviations from the code: Morten W. Høegh receives an annual salary of GBP 36 000 from Leif Höegh (U.K.) Limited (a subsidiary of the company) for his part-time employment with said company.

12. Remuneration of executive personnel

The board approves the remuneration package to the President & CEO.

In addition, it approves the main terms of the remuneration package offered to employees in Höegh LNG, including the parameters for any annual salary adjustments, pension schemes, short and long term incentives schemes. The compensation and benefits package is determined based on an evaluation of the qualifications and competencies of the individual employee and is designed to be competitive with comparable positions in the market and the achievement of Höegh LNG's corporate goals and operating performance and sustainability targets.

For members of management and key personnel, the company has in place two long-term incentive schemes where awards are currently being made biennially; (i) a stock option scheme for shares in the company and (ii) a phantom unit scheme for units in Höegh LNG Partners (see Note 23 to the 2019 annual financial statements). The terms and the awardees of the schemes are approved by the board. There are no restrictions on the ownership of the awarded shares/units.

Further details on remuneration of the President & CEO, the CFO and the executive personnel for the current financial year are provided in Note 31 to the 2019 annual financial statements.

The President & CEO and the executive personnel are encouraged to hold shares in the company. The holding per 31 December 2019 is set out below:

exchange releases and on the company's website. Important events are also reported through press and/or stock exchange releases. In connection with the release of quarterly reports, the President & CEO and the CFO hold open webcasts that are accessible from the company's website.

The charter for the board of directors includes guidelines to secure disclosure in accordance with the financial calendar adopted by the board.

Contact with the shareholders is handled by the President & CEO, the CFO and the VP investors

Name	Title	Shareholding in the company per 31 December 2019	Holding in Höegh LNG Partners LP per 31 December 2019
Sveinung J. S. Støhle [1]	President & CEO	199 392	15 915
Håvard Furu [1]	Chief Financial Officer	-	-
Steffen Føreid [1]	CEO/CFO of Höegh LNG Partners LP	30 189	15 022
Richard Tyrrell [1]	Chief Development Officer	21 715	-
Vegard Hellekleiv [1]	Chief Operations Officer	35 582	-
Øivin Iversen [1]	Chief Technical Officer	6 464	-
Tom Solberg [1]	Chief of Staff	-	-
Camilla Nyhus-Møller [1]	Chief Legal & Compliance Officer	3 665	-
Ragnar Wisløff [1, 2]	Head of Change & Transformation	See Note [2]	See Note [2]

Notes:

[1] The group executive team have also been granted share options in the company and phantom units in HMLP as further set out in Note 23 to the 2019 annual financial statements.

[2] Ragnar Wisløff owns 23 934 shares in Höegh LNG through his wholly owned company Fri Agenda AS.

Deviations from the code: The board does not produce a separate statement on the executive personnel's remuneration, and consequently, nor is such a statement submitted to the annual general meeting for consideration as the company is a Bermudian company and the Norwegian Public Company Act section 6-16a and the Norwegian Accounting Act section 7-31b do not apply to the company.

13. Information and communications

Höegh LNG has a policy of openness regarding reporting information to stakeholders. Periodical reports include quarterly reports and the annual report. All reports are published through stock

relations and strategy. The aim is to maintain an active dialogue with the investor market and other relevant interested parties.

The company complies with the Oslo Børs code of practice for IR, with the following comments:

- The company discloses information in the English language only.
- Höegh LNG publishes half-yearly and interim reports and aims to publish the reports no later than on the 25th day of the second month after the end of the quarter.
- Höegh LNG informs about prospects on a project basis within the various business segments. The following key performance indicators (KPIs)

are communicated: Expected EBITDA per year. Höegh LNG does not provide any guidance on expected revenue, net profit or any accounting related information or figures.

- As the proportion of shares registered through nominee accounts is limited compared to the company's total issued shares, the company does not publish a list of beneficial owners.
- Information about financial strategy and external debt are included in the notes to the annual financial statements.
- For overview of notifiable primary insider trades and disclosure of large shareholdings, please be referred to stock exchange notices published through Newsweb.

Deviations from the code: None.

14. Takeovers

The company endorses the principles concerning equal treatment of all shareholders. It is obliged to act professionally and in accordance with the applicable principles for good corporate governance set out in the Norwegian corporate governance code in the event of a takeover bid, including:

- The board will not seek to hinder or obstruct any public bid for the company's activities or shares unless there are particular reasons for doing so.
- In the event of a takeover bid for the company's shares, the board will not exercise mandates or pass any resolutions with the intention of obstructing the takeover bid, unless this is approved by the company's general meeting following the announcement of such a bid.
- The board acknowledges that it has a particular responsibility to ensure that the company's shareholders are given sufficient information and time to form a view of any public offer for the company's shares.
- If an offer is made for a significant and controlling stake of the shares, the board will issue a statement evaluating the offer and will make a recommendation as to whether or not shareholders should accept it.

Deviations from the code: The board has not established explicit guiding principles for dealing with takeover bids.

15. Auditor

The auditor is appointed by the general meeting and has the duty to audit the company's financial reporting. The company's auditor has been Ernst & Young since 2006. Lead partners have been changed in accordance with rotation requirements for publicly listed entities.

In order to safeguard the board's access to and control of the auditor's work, the auditor meets with the audit committee and, once a year, with the full board. The auditor is also given access to the agenda of, documentation for and minutes from audit committee and board meetings.

Deviations from the code: None.

Höegh Galleon

Directors' responsibility statement

Today, the board and the President & CEO reviewed and approved the board of directors' report, the corporate social responsibility report, the corporate governance report and the consolidated and separate annual financial statements for Höegh LNG Holdings Ltd., for the year ending 31 December 2019 (Annual Report 2019).

Höegh LNG's parent company and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS") and additional disclosure requirements set out in the Norwegian Securities Trading Act.

To the best of our knowledge:

- The consolidated and separate annual financial statements for 2019 have been prepared in accordance with IFRS;
- The consolidated and separate annual financial statements give a true and fair view of the assets, liabilities, financial position and profit (or loss) as a whole as of 31 December 2019 for the group and the parent company; and
- The board of directors' report for the group and the parent company includes a true and fair review of
  - The development and performance of the business and the position of the group and the parent company; and
  - The principal risks and uncertainties the group and the parent company face.

Hamilton, Bermuda, 6 April 2020

The board of directors and the President & CEO of Höegh LNG Holdings Ltd.

Morten W. Høegh
Chairman

Leif O. Høegh
Deputy Chairman

Ditlev Wedell-Wedellsborg
Director

Andrew Jamieson
Director

Christopher G. Finlayson
Director

Jørgen Kildahl
Director

Steven Rees Davies
Director

Sveinung J.S. Støhle
President & CEO

Höegh Gannet

Consolidated financial statements
Höegh LNG Group
For the year ended 31 December 2019

CONSOLIDATED STATEMENT OF INCOME 1 JANUARY – 31 DECEMBER

USD'000	Note	2019	2018
Time charter revenues	4,15	314 902	332 214
Management and other income	5	6 162	6 482
Share of results from investments in associates and joint ventures	20	15 074	13 966
TOTAL INCOME		**336 137**	**352 662**
Charter hire expenses		(0)	(35 332)
Bunker and other voyage related expenses		(348)	(3 638)
Operating expenses	6	(72 309)	(59 282)
Project administrative expenses	7,8	(17 989)	(18 388)
Group administrative expenses	7,10	(20 466)	(20 827)
Business development expenses	7,9	(7 759)	(7 529)
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)		**217 266**	**207 666**
Depreciation	11,15,29	(107 341)	(55 458)
Impairment	12	(1 551)	(9 006)
OPERATING PROFIT		**108 374**	**143 202**
Interest income		4 071	2 780
Interest expenses	15,17	(93 739)	(61 376)
Income from other financial items	18	1 262	1 301
Expenses from other financial items	18	(5 667)	(5 503)
NET FINANCIAL ITEMS		**(94 074)**	**(62 798)**
ORDINARY PROFIT BEFORE TAX		**14 300**	**80 404**
Income taxes	24	(6 253)	(8 396)
PROFIT FOR THE YEAR AFTER TAX		**8 047**	**72 008**
Profit (loss) for the year attributable to (from):			
Equity holders of the parent		(29 651)	32 364
Non-controlling interests		37 699	39 644
TOTAL		**8 047**	**72 008**
Earnings per share attributable to equity holders of the parent during the year:			
Basic and diluted earnings per share (loss)	22	(0.39)	0.43

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 1 JANUARY – 31 DECEMBER

USD'000	Note	2019	2018
Profit for the year		8 047	72 008
Items that will not be reclassified to profit or (loss)			
Net gain (loss) on other capital reserves		32	437
Items that may be subsequently reclassified to profit or (loss)			
Net gain (loss) on hedging reserves	13	(53 807)	3 298
Share of other comprehensive income from joint ventures	13, 20	(7 496)	12 849
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR NET OF TAX		**(61 271)**	**16 584**
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**(53 224)**	**88 592**
Total comprehensive income attributable to (from):			
Equity holders of the parent		(81 704)	42 562
Non-controlling interests	20	28 480	46 030
TOTAL		**(53 224)**	**88 592**

The notes on page 61 to 123 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
USD'000	Note	2019	2018
ASSETS			
Non-current assets			
Deferred tax assets	24	458	369
Vessels and depot spares	11	2 100 781	1 907 560
Assets under construction	12	6 108	88 761
Right-of-use assets	15	192 641	-
Investments in associates and joint ventures	20	29 574	25 486
Other non-current financial assets	30	5 141	19 656
Other non-current assets	29	9 962	11 840
Shareholder loans	31	3 831	3 536
Non-current restricted cash	14	17 428	17 925
Total non-current assets		**2 365 925**	**2 075 133**
Current assets			
Bunkers and inventories		582	2 726
Trade and other receivables	25	38 352	54 670
Other current financial assets	13	1 775	7 771
Investment in marketable securities	13	110	-
Current restricted cash	14	8 117	6 523
Cash and cash equivalents	14	186 978	157 954
Total current assets		**235 913**	**229 644**
TOTAL ASSETS		**2 601 838**	**2 304 777**
EQUITY AND LIABILITES			
Equity			
Share capital	21	773	773
Other paid-in capital		556 044	554 660
Capital reserves		(76 897)	(24 844)
Retained earnings		(83 590)	(30 258)
Equity attributable to equity holders of the parent		**396 330**	**500 330**
Non-controlling interests	20	299 760	286 667
Total equity		**696 088**	**786 999**
Non-current liabilities			
Deferred tax liability	24	12 098	10 030
Non-current interest-bearing debt	16	1 285 454	1 059 506
Non-current lease liability	15,16	162 170	-
Investment in joint ventures	20	5 215	9 080
Other non-current financial liabilities	13,30	45 681	10 108
Deferred revenue		2 164	2 033
Total non-current liabilities		**1 512 783**	**1 090 756**
Current liabilities			
Current interest-bearing debt	16	296 213	373 682
Current lease liabilities	15,16	34 764	-
Income tax payable	24	3 292	3 611
Trade and other payables	26	21 404	18 358
Other current financial liabilities	13,28	17 841	9 521
Other current liabilities	27	19 453	21 849
Total current liabilities		**392 967**	**427 022**
TOTAL EQUITY AND LIABILITIES		**2 601 838**	**2 304 777**

The notes on page 61 to 123 are an integral part of these consolidated financial statements.

Hamilton, Bermuda, 6 April 2020

The board of directors and the President & CEO of Höegh LNG Holdings Ltd.

Morten W. Høegh
Chairman

Leif O. Høegh
Deputy Chairman

Ditlev Wedell-Wedellsborg
Director

Andrew Jamieson
Director

Christopher G. Finlayson
Director

Jørgen Kildahl
Director

Steven Rees Davies
Director

Sveinung J.S. Støhle
President & CEO

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

			Attributable to equity holders of Höegh LNG Holdings Ltd.								
USD'000	Note	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)
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
Dividend to sharehold-ers of the parent								(7 620)	(7 620)	-	(7 620)
Share-based payment		-	531	1	290	-	-	-	822	88	910
Capital contribution to/ from HMLP								34	34	(34)	-
Transfer of assets to HMLP	20							(16 096)	(16 096)	16 096	-
Total other transactions recognised directly in equity		**-**	**621**	**1**	**762**	**-**	**-**	**(23 681)**	**(22 297)**	**(15 388)**	**(37 685)**
At 31 December 2019		**773**	**447 656**	**(11)**	**108 399**	**(74 103)**	**(2 794)**	**(83 590)**	**396 329**	**299 760**	**696 088**
At 1 Januar 2018		**772**	**446 945**	**(12)**	**105 400**	**(32 345)**	**(2 794)**	**(38 486)**	**479 480**	**225 758**	**705 238**
Profit (loss) for the year								32 363	32 363	39 644	72 008
Other comprehensive income/(loss)						10 198			10 198	6 385	16 584
Total comperehensive income		**-**	**-**	**-**	**-**	**10 198**	**-**	**32 363**	**42 562**	**46 030**	**88 592**
Capital contribution to/ from HMLP								352	352	(352)	-
HMLP dividend to non-controlling interests									-	(44 318)	(44 318)
Net proceeds from issuance of common units					876	90			966	3 597	4 563
Net proceeds from issuance preferred units										38 659	38 659
Shares granted to the board of HLNG		1	90						90	-	90
Units granted to the board of HMLP					34	6			40	160	200
Dividend to shareholders of the parent								(7 604)	(7 604)	-	(7 604)
Share-based payment					1 327				1 327	250	1 577
Transfer of assets to HMLP								(18 213)	(18 213)	18 213	-
Other changes in equity								1 330	1 330	(1 330)	-
Total other transactions recognised directly in equity		**1**	**90**	**-**	**2 237**	**96**	**-**	**(24 135)**	**(21 712)**	**14 879**	**(6 833)**
At 31 December 2018		**773**	**447 035**	**(12)**	**107 637**	**(22 051)**	**(2 794)**	**(30 258)**	**500 330**	**286 667**	**786 997**

The notes on page 61 to 123 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS 1 JANUARY - 31 DECEMBER

USD'000	Note	2019	2018
Cash flow from operating activities:			
Profit of the year before tax		14 300	80 404
Adjustments to reconcile profit before tax to net cash flows			
Depreciation	11,15,29	107 341	55 458
Impairment	12	1 551	9 006
Fair value adjustments on marketable securities		(10)	(752)
Interest income		(4 071)	(2 780)
Interest expenses	17	93 739	61 376
Net loss (income) on interest rate hedges	13,18	1 267	(549)
Share-based payment cost and Board remuneration not paid-out		1 483	1 867
Share-based payment settled in cash		(573)	-
Share of results from investments in associates and joint ventures	20	(15 074)	(13 966)
Working capital adjustments			
Change in inventories, receivables and payables		27 971	(16 302)
Payment of corporate income tax		(2 339)	(3 585)
I) NET CASH FLOW FROM OPERATING ACTIVITIES		**225 586**	**170 177**
Cash flow from investing activites:			
Proceeds from sale of (Investments in) marketable securities		(100)	74 774
Investment in FSRUs, assets under construction and class renewals		(183 168)	(419 542)
Investment in intangibles, equipment and other		(1 878)	(2 116)
Investments in associates	20	(375)	(24 750)
Interest received		2 311	1 911
Repayment of shareholder loans		-	(71)
II) NET CASH FLOW FROM INVESTING ACTIVITIES		**(183 210)**	**(369 794)**
Cash flow from financing activites:			
Net proceeds from equity issuance (HMLP)		14 092	43 223
Dividend paid to non-controlling interest (HMLP)	20	(45 354)	(44 318)
Dividend paid to shareholders of the parent		(7 620)	(7 597)
Proceeds from borrowings		548 549	375 000
Payment of debt issuance costs		(9 242)	(7 556)
Repayment of borrowings		(395 131)	(82 788)
Lease payments	15	(36 714)	-
Interest paid		(76 499)	(67 500)
(Increase) decrease in restricted cash and cash collateral		(5 432)	(3 833)
III) NET CASH FLOW FROM FINANCING ACTIVITIES		**(13 351)**	**204 630**
NET INCREASE IN CASH AND CASH EQUIVALENTS (I+II+III)		**29 025**	**5 013**
Current cash and cash equivalents at 1 January		157 954	152 940
CURRENT CASH AND CASH EQUIVALENTS AT 31 DECEMBER	14	**186 978**	**157 954**
Guarantees (Interest rate swaps Arctic leases)		50 217	45 175
Undrawn facilities	13	14 700	178 000
The group's share of aggregated cashflows in the group's associates and joint ventures		10 085	22 536

The notes on page 61 to 123 are an integral part of these consolidated financial statements.

Note 1: Corporate information

Höegh LNG Holdings Ltd. (the "company") is an exempted company limited by shares and incorporated under the laws of Bermuda. The company's registered office is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The consolidated financial statements for the fiscal year of 2019 comprise the company, its subsidiaries, joint venture and associate companies (collectively "Höegh LNG" or the "group"). The company is listed on Oslo Børs (the Oslo Stock Exchange) under the ticker "HLNG".

Höegh LNG Partners LP is a limited partnership formed by the company in 2014 and listed on the New York Stock Exchange ("NYSE") under the ticker "HMLP". HMLP and its subsidiaries are collectively referred to as "HMLP" or the "MLP". In accordance with IFRS 10, the company is deemed to have control over HMLP and its subsidiaries. Based on this assessment HMLP and its subsidiaries are consolidated in the consolidated financial statements of the group.

Information on the group's structure is provided in Note 20. Information on other related party transactions of Höegh LNG are provided in Note 31.

As of 31 December 2019, Höegh LNG operated a fleet of two LNG transportation vessels (LNGCs) and ten floating storage and regasification units (FSRUs). The annual accounts for the company and the group for the year ended 31 December 2019 were approved by the Board of Directors on 6 April 2020.

Note 2: Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of Höegh LNG and the financials for the company have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the EU. The accounting principles for Höegh LNG also apply to the company. Certain notes to the consolidated financial statements will in some cases relate only to the parent company.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and debt that have been measured at fair value. The carrying values of recognised assets and liabilities which are designated as hedged items in fair value hedges that otherwise would be carried at amortised cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

The consolidated financial statements are presented in USD and all values are rounded to the nearest thousand (USD'000) unless otherwise indicated. As a result of rounding differences amounts and percentages may not add up to the total.

The cash flow statement is presented using the indirect method. The income statement is presented by showing expenses by their function. The annual financial statements have been prepared under a going concern assumption. This assumption rests on financial forecasts and plans for the coming year on the basis of several assumptions made about future events and planned transactions. As further commented in the prospects section in the Directors' report, the potential effects on the company from the Covid-19 virus outbreak are currently not possible to accurately forecast and assess at the time of approval of this report, but are continuously monitored.

2.2 New or revised Standards or Interpretations

New standards adopted as at 1 January 2019

It is the group's intention to adopt relevant new and amended standards and interpretations when they become effective, subject to EU approval before the consolidated financial statements are issued.

IFRS 16

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a

Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the group is the lessor.

The group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The group elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 January 2019. Instead, the group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The effect of adoption of IFRS 16 as at 1 January 2019 (increase/(decrease)) was, as follows:

USD '000	
Assets	
Right-of-use assets	223 085
TOTAL ASSETS	**223 085**
Liabilities	
Current and non-current lease liabilities	223 085
Deferred tax liabilities	-
TOTAL LIABILITIES	**223 085**
Total adjustment on equity	-
RETAINED EARNINGS	**-**

The group has lease contracts for various items of vessels, office buildings, vehicles and other equipment. Before the adoption of IFRS 16, the group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to Note 2.13 Leases for the accounting policy prior to 1 January 2019.

Upon adoption of IFRS 16, the group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2.13 Leases for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the group.

Leases previously accounted for as operating leases
The group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The group also applied the available practical expedients wherein it:

- Relied on its assessment of whether leases are onerous immediately before the date of initial application.
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application.
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

USD '000	
Operating lease commitments as at 31 December 2018	263 903
Weighted average incremental borrowing rate as at 1 January 2019	5.0%
DISCOUNTED OPERATING LEASE COMMITMENTS AS AT 1 JANUARY 2019	**223 085**
Less:	
Commitments related to short-term leases	-
Commitments related to leases of low-value assets	-
Add:	
Commitments related to leases previously classified as finance leases	-
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	-
LEASE LIABILITIES AS AT 1 JANUARY 2019	**223 085**

Other changes in accounting principles and disclosures include:

- IFRIC 23 Uncertainty over Income Tax Treatments.
- Amendments to IFRS 9: Prepayment Features with Negative Compensation.
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement.
- Amendments to IAS 28: Long-term interests in associates and joint ventures.
- Annual improvements to IFRS 2015-2017 cycle.

These amendments were interpreted not to have a significant impact on the consolidated financial statements of the group.

Standards, amendments and interpretations to existing Standards that are yet not effective and have not been adopted early by the group.

These include:

- IFRS 17 Insurance Contracts.
- Definition of a Business (Amendments to IFRS 3).
- Definition of Material (Amendments to IAS 1 and IAS 8).
- Conceptual Framework for Financial Reporting.

These amendments are not expected to have a significant impact on the financial statements in the period of initial application.

2.3 Foreign currencies

Höegh LNG presents its financial statements in USD. This is also the functional currency for all the material companies in the group.

Transactions in other currencies than USD are recognised in USD at the rate of exchange at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to USD using the exchange rate at the reporting date. Non-monetary items measured in terms of historical cost in foreign currency are translated using the exchange rate at the date of the initial transaction.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries as at 31 December 2019.

(a) Subsidiaries

Subsidiaries are all entities in which Höegh has a controlling interest. Control is achieved when Höegh LNG is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When Höegh LNG has less than a majority of the voting or similar rights of an investee, all relevant facts and circumstances are considered in assessing whether Höegh LNG has de facto power over an investee. Höegh LNG re-assesses whether it controls an investee if facts and circumstances change.

Subsidiaries are fully consolidated from the date on which control is transferred to Höegh LNG and de-consolidated from the date on which control ceases to exist. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full. Höegh LNG recognises any non-controlling interest in the acquirer on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquirer's identifiable net assets at the time of the transaction. Any change in ownership interests without change of control is accounted for as equity transactions towards non-controlling interest.

(b) Investment in associates and joint ventures
An associate is an entity over which the group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Höegh LNG applies IFRS 11 to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations. Höegh LNG has assessed the nature of four of its joint agreements to be joint ventures and one to be an associate. Investments in both joint ventures and associates are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost and adjusted thereafter to recognise the post-acquisition profits or losses, movements in other comprehensive income or dividends received.

Unrealised gains and losses resulting from transactions between companies in the group and joint ventures are eliminated to the extent of the interest in the associate or joint venture. The financial statements of the associate or joint venture are prepared for the same reporting period as the group.

When necessary, adjustments are made to bring the accounting policies in line with those of Höegh LNG.

2.5 Segment reporting

The activities in the group are divided into four operating segments: HMLP, Operations, Business development and project execution and Corporate and other. The operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources, making strategic decisions and assessing performance, has been identified as the board of the company.

2.6 Revenue recognition

Revenue are derived from long-term time charter contracts for the provision of LNGCs or FSRUs, including the management and operation of FSRUs at the direction of the charterer. The group determined that its time charter contracts contain a lease and a performance obligation for the provision of time charter services.

The lease of the vessel, representing the use of the vessel without any associated performance obligations or warranties, is accounted for in accordance with IFRS 16 "Leases".

The provision of time charter services, including guarantees for the level of performance provided by the time charter contracts, is considered a distinct service and is accounted for in accordance with IFRS 15. The group determined that the nature of the time charter services promised, represents a single performance obligation, to stand ready over a 24-hour interval to accept LNG cargos, to regasify the LNG and discharge the resulting gas into a pipeline in accordance with the charterer's instructions and requirements. If the performance standards are not met, off-hire, reduced hire, liquidated damages or other performance payments may result.

The transaction price is estimated as the standalone selling price for the lease and the time charter services components of the fixed day rate element. Variable consideration per day for operating expense and tax reimbursements is estimated at the most likely amount to which the group is expected to be entitled.

Lease revenue recognition:
Leases are classified based upon defined criteria either as direct financing leases or operating leases. A lease that transfers substantially all of the benefits and risks of the LNGC or the FSRU to the charterer is accounted for as a financing lease by the lessor. All other leases that do not meet the criteria are classified as operating leases. The lease component of time charters that are accounted for as direct financing leases is recognized over the lease term using the effective interest rate method and is included in time charter revenues.

Time charter services revenue recognition:
Variable consideration for the time charter services performance obligation, including amounts allocated to time charter services, estimated reimbursements for vessel operating expenses and estimated reimbursements of certain types of costs and taxes, are recognized as revenues as the performance obligation for the 24-hour interval is fulfilled, subject to adjustment for off-hire and performance warranties. Constrained variable consideration is recognized as revenue on a cumulative catch-up basis when the significant uncertainty related to that amount of variable consideration to be received is resolved. Estimates for variable consideration, including constrained variable consideration, are reassessed at the end of each period. Payments made by the charterer directly to the tax authorities on behalf of the subsidiaries for advance collection of income taxes directly related to the provision of the time charter services are recorded as a component of time charter service revenues.

Management and other income recognition
Höegh LNG receives management income from technical, commercial and administrative services delivered to joint ventures and external parties. This income is recognised in the period in which the service is provided.

Contract assets:
Revenue recognized in excess of the monthly invoiced amounts, or accrued revenue, is recorded as contract assets on the consolidated balance sheet. Short term contract assets are reported as a component of Trade and other receivables whereas long term contract assets are reported are components of Other non-current financial assets.

Contract liabilities:
Advance payments in excess of revenue recognized, or prepayments, and deferred revenue are recorded as contract liabilities on the consolidated balance sheet. Contract liabilities are classified as current or non-current based on the expected timing of recognition of the revenue. Current and non-current contract liabilities are reported as components of Other current liabilities and Deferred revenue, respectively.

Refund liabilities:
Amounts invoiced or paid by the customer that are expected to be refunded to the customer are recorded as refund liabilities on the consolidated balance sheet. Refund liabilities may include invoiced amounts for estimated reimbursable operating expenses or other costs and taxes that exceeded the actual costs incurred, or off-hire, reduced hire, liquidated damages, or other payments for performance warranties. Refund liabilities are reported in the consolidated balance sheet as components of Other current liabilities.

2.7 Operating expenses

FSRU and LNGC operating expenses include crew personnel expenses, repairs and maintenance, insurance, stores, lube oils, communication expenses and management fees.

For some contracts, most of the vessel operating expenses are reimbursed from the charterer. In such circumstances, the operating expenses are recognised as incurred and the revenue is recognised accordingly.

2.8 Current versus non-current classification

Höegh LNG presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is (i) expected to be realised or intended to be sold or consumed in the normal operating cycle, (ii) held primarily for trading, (iii) expected to be realised within twelve months after the reporting period or (iv) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when (i) it is expected to be settled in the normal operating cycle, (ii) it is held primarily for trading, (iii) it is due to be settled within twelve months after the reporting period or (iv) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. The group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.9 Cash and cash equivalents

Cash and cash equivalents include cash at hand, bank deposits and short-term deposits with maturity of three months or less.

Cash not available for general use by Höegh LNG due to loan restrictions or currency restrictions are classified as restricted cash.

2.10 Fair value measurement

Financial instruments, such as derivatives, are measured at fair value. The fair value of financial instruments traded in active markets is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs. The fair value of financial instruments not traded in active markets is determined using appropriate valuation techniques.

A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Höegh LNG uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole, and can be described as follows:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarised in the following notes:

- Financial risk management objectives and policies, Note 13.

2.11 Financial instruments

Recognition and derecognition

Financial assets and liabilities are recognised when the group becomes a party to the contractual provisions of the financial instrument. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets.
Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified in the following categories: at amortised cost (including transaction cost), at fair value through profit or loss (FVPL) and fair value through other comprehensive income (FVOCI).

Subsequent measurement of financial assets
The subsequent measurement of financial assets depends on their classification. The measurement principles for the relevant categories for the group are described below:

(a) Financial assets at amortised cost
Financial assets are measured at amortised cost if they are held to collect contractual cash flows which are solely payment of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The group's cash and cash equivalents, trade and most other receivables fall into this category.

(b) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value in the income statement.

The group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate.

(c) Financial assets at fair value through other comprehensive income
The group uses derivative financial instruments such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks related to borrowings. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value.

Trade and other receivables
Trade and other receivables are recognised at fair value and subsequently measured at amortised cost. The interest element is disregarded if it is insignificant, which is normally the situation for the group. If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Classification and measurement of financial liabilities
As the accounting for financial liabilities remains largely the same under IFRS compared to IAS, the group's financial liabilities were not impacted by the adoption of IFRS. The group's financial liabilities include borrowings, trade and other payables and derivative financial instruments. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the group designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL which are

carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

Debt issuance cost, including arrangement fees and legal expenses are deferred and netted against the financial liability in the balance sheet and amortised on an effective interest rate method. Interestbearing debt is derecognised when its contractual obligations are discharged or cancelled or expire.

Derecognition is also made when terms are modified, and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount and the consideration paid is recognised in profit and loss.

Derivative financial instruments and hedge accounting

The group applies the hedge accounting requirements in IFRS prospectively. Derivative financial instruments are accounted for at fair value through profit and loss (FVPL) except for derivatives designated as hedging instruments in cash flow hedge relationships, which require a specific accounting treatment.

To qualify for hedge accounting, the hedging relationship must meet all of the following requirements: there is an economic relationship between the hedged item and the hedging instrument, the effect of credit risk does not dominate the value changes that result from that economic relationship, and the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

For the reporting periods under review, the group uses derivative financial instruments such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks related to borrowings. All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the statement of financial position. To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss. At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. If a forecast transaction is no longer expected to occur, any related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued, and the related gain or loss is held in the equity reserve until the forecast transaction occurs.

2.12 Tangible assets

Non-current assets such as FSRUs, LNGCs, investments in construction of newbuildings and equipment are carried at cost less accumulated depreciation and impairment charges. The cost comprises directly attributable borrowing cost incurred during the construction period.

a) Depreciation of FSRUs and LNGCs

Depreciation is calculated on a straight-line basis over the estimated useful life of a vessel taking its residual value into consideration. Estimated useful life for FSRUs and LNGCs is 35 years. Certain capitalised elements, like costs related to major classification/dry-docking have a shorter estimated useful life and are depreciated over the period to the next planned dry docking, typically over a period of five to seven years. When second-hand vessels are purchased and newbuildings are delivered, a portion of the purchase price is classified as dry-docking costs. Costs of day-to-day servicing, maintenance and repairs are expensed as incurred.

The useful life and residual values are reviewed at each financial year-end and adjusted prospectively when appropriate.

b) Newbuildings
FSRUs and LNGCs under construction are classified as non-current assets and recognised at the costs incurred till date. Yard instalments are recognised when due. Newbuildings are not depreciated prior to delivery from the yard as an FSRU or an LNGC. Borrowing costs directly attributable to the construction of FSRUs are added to the cost of the vessels, until the vessels are ready for their intended use.

c) Equipment
Investments in office equipment and IT are depreciated over a period of three to five years on a straight-line basis.

Equipment used for FSRU operations, such as jetty topsides and other infrastructure where the FSRU is located, are depreciated either over the contract period or the estimated useful life.

2.13 Leased assets

As described in note 2.2, the group has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means that comparative information is still reported under IAS 17 and IFRIC 4.

Accounting policy applicable from 1 January 2019. Operating leases.

The group as a lessee:
For any new contracts entered into on or after 1 January 2019, the group considers whether a contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period in exchange for consideration’. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the group.
- the group has the right to obtain substantially all the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- the group has the right to direct the use of the identified asset throughout the period of use.

At lease commencement date, the group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). The group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The group also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the group’s incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

The group as a lessor:
The group's accounting policy under IFRS 16 has not changed from the comparative period.

As a lessor the group classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not.

Under IFRS 16, the determining factor when accounting for a sale and lease back transaction, is whether the transfer of assets qualifies as a sale in accordance with IFRS 15 – Revenue Recognition. If the buyer/lessor has obtained control of the underlying asset and the transfer is classified as a sale in accordance with IFRS 15, the seller/lessee measures a right-of-use asset arising from the leaseback as the proportion of the previous carrying amount of the asset which relates to the right-of-use asset retained. The gain or loss which the seller/lessee recognises is limited to the proportion of the total gain or loss which relates to the rights transferred to the buyer/lessor. If the transfer is not a sale (that is, the buyer/lessor does not obtain control of the asset in accordance with IFRS 15), the seller/lessee does not derecognise the transferred asset and accounts for the cash received as a financial liability, net of debt issuance cost, applying IFRS 9.

Accounting policy applicable before 1 January 2019. Financial leases.

The group as a lessee:
For finance leases, management applies judgment in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the group obtains ownership of the asset at the end of the lease term.

All other leases are treated as operating leases. Where the group is a lessee, payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

The group as a lessor:
The group earns rental income from long-term charter contracts for the provision of LNGCs or FRSU's, see note 2.6 *Lease revenue recognition:* for a description of accounting policy.

2.14 Provisions
Provisions are recognised when Höegh LNG has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow or resources representing economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented net of any reimbursement.

2.15 Equity
(a) Preferred units
Preferred units in subsidiaries are presented as share-holders equity. For the group, this is presented

as non-controlling interests' and the result, equivalent to the preference dividend is presented as the non-controlling interests share of result regardless of whether dividends have been paid or accumulated.

(b) Own equity instruments
Own equity instruments, which are reacquired (treasury shares), are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of Höegh LNG's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised as a share premium. Transaction costs related to an equity transaction are recognised directly in equity, net of tax.

2.16 Income tax

The companies in Höegh LNG are subject to income tax in certain countries in which they operate. Income tax expense in these entities represents the current income tax and changes in any deferred tax assets and liabilities.

(a) Current income tax
Current income tax assets and liabilities for the current period are measured at the amount recovered from or expected to be paid to the tax authorities. Tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where Höegh LNG operates and generate taxable income.

(b) Deferred tax
Deferred tax is calculated using the method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.17 Impairment of assets

(a) Financial assets
Höegh LNG assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. For financial assets carried at amortised cost, the group assesses whether objective evidence of impairment exists. If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

(b) Vessels, newbuildings and equipment
The carrying amounts of FSRUs, LNGCs, newbuildings and equipment are tested for impairment whenever there are indications that the value may be impaired. When such indicators exist, Höegh LNG estimates the asset's recoverable amount. The recoverable amount is the lowest of the fair market value of the asset, less cost to sell, and the net present value of future estimated cash flows from the employment of the asset ("value in use"). To calculate the net present value, an asset specific interest rate is applied based on Höegh LNG's long-term borrowing rate and a risk-free interest rate plus a risk premium for the equity. If the recoverable amount is lower than the carrying value, the asset is impaired to the recoverable amount.

All vessels are considered separate cash generating units and assessed independently. Future cash flows are based on expected charter earnings, estimated operating expenses, expected capital expenditures and dry-docking expenses over the remaining useful life of the vessel.

2.18 Share-based payments

Members of the management team and key employees of Höegh LNG partially receive part of remuneration in the form of share-based payments, whereby management render services as consideration for equity instruments (equity-settled transactions). The cost of equity-settled transactions is recognised, together with a corresponding increase in other capital reserves, as equity over the period in which the performance and/or service conditions are fulfilled. The cumulative expenses recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and Höegh LNG's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised as employee benefits expense. No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional, upon a market or non-vesting condition. When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

2.19 Indemnification payments and other transfer of assets to HMLP

Indemnification payment and other transfers of assets, generally, do not impact the allocation of profit between non-controlling interests and the equity holders of the company. The non-controlling interests share of indemnification payments are reflected separately in the consolidated statement of changes in equity.

2.20 Events after balance sheet date

New information becoming available after the balance sheet date with impact on Höegh LNG's financial position at the balance sheet date is taken into account in the annual financial statements and disclosed if significant.

2.21 Significant accounting judgements estimates and assumptions

The preparation of financial statements requires management to make estimates, assumptions and judgements that affect the application of the accounting principles and the reported amounts of assets and liabilities, revenues and expenses. Uncertainty about these judgments, assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Significant accounting judgements

Management has applied significant judgments in applying Höegh LNG's accounting policies mainly relating to the following:

- Consolidation of entities in which Höegh LNG holds less than 50% of the voting rights.
- Presentation of preferred unit program in HMLP
- Revenue recognition

Höegh LNG Partners LP ("HMLP")

The company held 45.8% of the units in HMLP at 31 December 2019. For the 2014 financial statements, Management concluded that Höegh LNG had de facto control of HMLP even though it has less than 50% of the voting rights. See Note 20 for additional information. An evaluation of de facto control involves assessing all the facts and circumstances, including the current composition of the board of directors of HMLP, the rights of unitholders and other arrangements and relationships between the parties. Management's assessment was based on a combination of factors where the current composition of the board of directors of HMLP was an important element in the overall conclusion.

Management has updated the assessment for the year ended 31 December 2019 and there are no material changes in facts and circumstances impacting the conclusion.

PT Hoegh LNG Lampung

HMLP indirectly owns 49.0% of the shares in PT Hoegh LNG Lampung, a company owning and operating PGN FSRU Lampung. HMLP has the power to make the most significant key operating decisions and receives all the expected benefits or expected losses. Therefore, 100% of the assets, liabilities, revenues and expenses are consolidated in

Höegh LNG's accounts. Management has updated the assessment for the year ended 31 December 2019 and there are no material changes in facts and circumstances impacting the conclusion.

Presentation of preferred unit program
HMLP has issued preferred units with a preferential distribution right. The preferred units represent perpetual equity interests in HMLP and, unlike HMLP's debt, does not give rise to a claim for payment of a principal amount at a particular date. The Series A preferred units rank senior to HMLP's common units and subordinated units as to the payment of distributions and amounts payable upon liquidation, dissolution or winding up are junior to all of HMLP's debt and other liabilities. Management has assessed the presentation of the preferred unit program for the year ended 31 December 2019. Management concluded that the preferred units are to be classified within equity.

Revenue recognition
The group does not provide stand-alone bareboat leases or time charter services for FSRUs. As a result, observable stand-alone transaction prices for the performance obligations are not available. The estimation of the transaction price for the lease and the time charter service performance obligation is complex, subject to several input factors, such as market conditions when the contract is entered into, internal return objectives and pricing policies, and requires substantial judgment. Significant changes in the transaction price between the lease and the service performance obligation could impact conclusions on the accounting for leases as financing or operating leases. The time charter contracts include provisions for performance guarantees that can result in off-hire, reduced hire, liquidated damages or other payments for performance warranties. Measurement of some of the performance warranties can be complex and require properly calibrated equipment on the vessel, complex conversions and computations based on substantial judgment in the interpretation of the contractual provisions. Conclusions on compliance with performance warranties impacts the amount of variable consideration recognized for time charter services. For contracts that contain a lease component and one or more additional lease or non-lease components, the group as a lessor shall allocate the consideration in the contract to each performance obligation (or distinct good or service), applying paragraphs 73–90 of IFRS 15.

Significant estimates and assumptions
Management has applied significant estimates and assumptions mainly relating to the following:

- Uncertain tax positions
- Excess boil-off claim under the Neptune and Cape Ann time charter.
- Impairment evaluation of Vessels, newbuildings and equipment
- Fair value measurement of financial instruments
- Leases – estimation of incremental borrowing rate and lease terms

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

Excess boil-off claims under the Neptune and Cape Ann time charter
Provisions are recorded for loss contingencies or claims when it is probable that a liability will be incurred, and the amount of loss can be reasonably estimated. See Note 32 Other contingent liabilities for a detailed description of the excess boil-off claims.

Fair value measurement of financial instruments
When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured

using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 13 for further disclosures.

Impairment evaluation of vessels, newbuildings and equipment

As outlined in note 2.17 b), the carrying amounts of these assets 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 assessment of expected future cash flows and for which discount rates to use. Changes to these estimates could have a significant impact on the impairments recognised. Each vessel is regarded as a cash generating unit for the impairment testing. The recoverable amount of each vessel is based on a value-in-use calculation, covering the remaining firm contract, and an extrapolation of expected cash flow over the estimated useful life for each vessel and residual value. Uncontracted cash flows have been estimated based on experience, expectations on future market conditions and return on invested capital. The assumptions made are built into different scenarios, including extension of period as intermediate LNGC with different cash flows for each unit. Each of the scenarios are weighted to provide for a recoverable amount for each unit that is a weighted average of all scenarios. In 2019, the group recognized an impairment loss on equipment under construction, see note 12.

Leases – estimation of incremental borrowing rate and lease terms

Incremental borrowing rate

The group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The group estimates the IBR using observable inputs (such as market interest rates) when available.

Lease terms

The group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The group has two contracts with extension options of 5+5 years with the respective Charterers. The group is not reasonably certain that the options will be exercised. Therefore, options' years are not added in lease terms for calculating lease liabilities. Lease liabilities are calculated based on firm contracts and fixed lease terms, without including extension or termination options in existing contracts (See Note 15).

Arctic Lady

Note 3: Operating segments

The business activities in Höegh LNG are divided into the following operating segments: HMLP, Operations, Business development and project execution and Corporate and other. Höegh LNG's operating segments reflects how the group's chief operating decision maker is assessing the financial performance of the group's business activities and allocates resources to these. Höegh LNG's chief operating decision maker is the group's board of directors. Revenues, expenses, gains and losses arising from internal sales, internal transfer 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 FSRUs, newbuildings and interest-bearing debt. Other assets and liabilities are monitored on a consolidated basis for the group.

HMLP

HMLP segment includes the activities managed by Höegh LNG Partners LP, which was established to own, operate and acquire FSRUs, LNGCs and other LNG infrastructure assets under long-term charters, defined as five years or more. HMLP fleet comprises as at 31 December 2019 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 Operations segment is responsible for the commercial and technical management of the group's FSRUs and LNGCs which have not been transferred to Höegh LNG Partners LP. The segment includes the five FSRUs Independence, Höegh Giant, Höegh Esperanza, Höegh Gannet, Höegh Galleon (delivered 27 August 2019) and the 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. The FSRUs are included in the Operations segment on delivery from the yard.

BUSINESS DEVELOPMENT AND PROJECT EXECUTION

The Business development and project execution segment comprises all activities related to business development and project execution, including non-capital expenditure costs related to newbuildings. Expenses relating to new FSRU and LNGC contracts are included until delivery of the vessel and completion of the pre-commencement phase of the commercial contracts. Capitalised costs in the segment relate to the FSRU newbuilding programme.

CORPORATE AND OTHER

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

SEGMENT INFORMATION

	HMLP		Operations		Business development and project execution		Corporate and other		Total	
Income statement USD million	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Time charter revenues	153,0	152,3	161,9	179,9	-	-	-	-	314,9	332,2
Management and other income	0,3	1,8	5,4	4,7	0,4	0,0	(0,0)	0,0	6,1	6,5
Share of results from inv. in JVs	10,9	9,0	3,9	5,0	-	-	-	-	15,0	14,0
TOTAL INCOME	**164,2**	**163,1**	**171,0**	**189,6**	**0,4**	**0,0**	**(0,0)**	**0,0**	**336,1**	**352,7**
Charterhire expenses	-	-	-	(35.3)	-	-	-	-	-	(35.3)
Bunker and other voyage related expenses	(0.2)	0.0	(0.2)	(3.7)	-	-	-	-	(0.3)	(3.6)
Operating expenses	(30.8)	(25.0)	(40.8)	(32.3)	(0.7)	(1.8)	-	-	(72.3)	(59.3)
Project administrative expenses	(3.0)	(2.9)	(10.9)	(11.1)	(4.0)	(4.3)	-	-	(17.9)	(18.4)
Group administrative expenses	(6.4)	(5.7)	-	-	-	-	(14.1)	(15.1)	(20.5)	(20.8)
Business development expenses	-	-	-	-	(7.8)	(7.5)	-	-	(7.8)	(7.5)
OPERATING PROFIT (LOSS) BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)	**123.8**	**129.5**	**119.1**	**107.2**	**(12.0)**	**(13.6)**	**(14.1)**	**(15.1)**	**217.3**	**207.7**
Assets and liabilities allocated to operating segments as at 31 December										
Tangible assets										
Vessels, depot spares and RoU assets	**779.6**	**801.4**	**1 513.9**	**1 106.2**			**-**	**-**	**2 293.4**	**1 907.6**
Assets under construction					**6.1**	**88.8**	**-**	**-**	**6.1**	**88.8**
Liabilities										
Interest-bearing debt including lease liabilities	**457.1**	**433.4**	**1 021.5**	**698.9**	**-**	**-**	**300.0**	**300.9**	**1 778.6**	**1 433.2**

Note 4: Time charter revenues and related contract balances

The group generates revenue primarily from time charter of FSRUs and LNGCs to its customers. Revenue is measured based on the consideration specified in a contract with customers and recognized when control over goods and services is transferred to the customers. Höegh LNG, including its joint ventures, operates ten FSRUs and two LNGCs. Revenue from Neptune and Cape Ann is recorded through Höegh LNG's share of results in joint ventures. Arctic Lady and Arctic Princess are owned together with joint venture partners but subleased to the wholly owned subsidiary Leif Höegh (U.K.) Limited, which recognises the time charter party hire as time charter revenues. Revenue is presented by segment, disaggregated by revenue recognised in accordance with accounting standards for leasing and in revenue from contracts with customers for time charter services.

TIME CHARTER CONTRACTS AS AT 31 DECEMBER 2019

Vessel	Current contract	Charterer	Country	TCP	Expiry	Option
Arctic Princess	LNGC	Equinor ASA	Norway	20 years	Jan.2026	5 + 5 years
Arctic Lady	LNGC	Total E&P Norge AS	Norway	20 years	Apr.2026	5 + 5 years
Independence	FSRU	AB Klaipedos Nafta	Lithuania	10 years	Dec.2024	-
PGN FSRU Lampung	FSRU	PT PGN LNG Indonesia	Indonesia	20 years	Jul.2034	5 + 5 years
Höegh Gallant	LNGC	Clearlake Shipping Pte. Ltd	Singapore	20 months	Apr.2020	60 days
Höegh Giant	LNGC	Naturgy Aprovisionamientos S.A	Singapore	3 years	Feb. 2021	1 year
Höegh Grace	FSRU	Sociedad Portuaria El Cayao S.A.	Colombia	20 years	Dec. 2036	-
Höegh Esperanza	FSRU/LNGC	CNOOC Gas & Power Trading & Marketing Ltd	Hong Kong	3 years	Jun. 2021	1 year
Höegh Gannet	LNGC	Naturgy Aprovisionamientos S.A	Singapore	15 months	Mar.2020	-
Höegh Galleon	LNGC	Cheniere Marketing International LLP	United Kingdom	18 months	Mar.2021	-
Accounted for as investments in joint ventures[1]						
Neptune	FSRU	Total Gas & Power Ltd	France	20 years	Nov.2029	5 + 5 years
Cape Ann	FSRU	Total Gas & Power Ltd	France	20 years	Jun.2030	5 + 5 years

[1] The initial term of the lease is 20 years. The charterer has an unconditional option to cancel the lease after 10 and 15 years. The non-cancellable lease period is thus 10 years.

The table on below specifies the expected time charter revenues to be received from 1 January 2020 to the end of the firm charter parties for Höegh LNG's vessels, except for revenue from Neptune and Cape Ann, which is presented through share of results from investments in joint ventures. Expected future time charter revenue includes Arctic Princess, Arctic Lady, Independence, PGN FSRU Lampung, Höegh Gallant, Höegh Giant, Höegh Grace, Höegh Esperanza, Höegh Gannet and Höegh Galleon. It does not include hire for contracts not commenced as of 31 December 2019. Further, Höegh Grace is included with the minimum lease term of 10 years.

Expected future time charter revenue from firm contracts from 1 January 2020 (undiscounted) is USD 2.3 billion (USD 2.5 billion) with maturity as follows:

EXPECTED FUTURE TIME CHARTER REVENUES – UNDISCOUNTED

2019

USD'000	< 1 year	1 to 5 years	> 5 years	Total
TOTAL	**293 723**	**860 922**	**1 190 898**	**2 345 543**

EXPECTED FUTURE TIME CHARTER REVENUES – UNDISCOUNTED

2018

USD'000	< 1 year	1 to 5 years	> 5 years	Total
TOTAL	**296 897**	**895 190**	**1 339 133**	**2 531 220**

Largest customers

In 2019, Höegh LNG had three customers (four in 2018), which individually accounted for 10% or more of total revenues. Time charter revenue from largest customers totalled USD 162 million (USD 247.6 million in 2018). The single largest customer in Höegh LNG represented 18% of total time charter revenues (25% in 2018). The three customers in 2019 individually contributing 10% or more of total time charter revenues were:

- AB Klaipédos Nafta
- PT PGN LNG Indonesia
- Sociedad Portuaria El Cayao S.A.

DISAGGREGATION BY NATURE OF TIME CHARTER REVENUES BY SEGMENT

2019

USD'000	Note	HMLP	Operations	Total
Lease revenues	15	77 495	128 797	206 292
Service component of time charter revenues, excluding amortization		75 494	31 016	106 510
Amortization of deferred revenue		47	2 054	2 101
TOTAL TIME CHARTER REVENUES		**153 035**	**161 867**	**314 902**

2018

USD'000	HMLP	Operations	Total
Lease revenues	77 466	111 330	188 796
Service component of time charter revenues, excluding amortization	74 761	66 817	141 578
Amortization of deferred revenue	47	1 794	1 841
TOTAL TIME CHARTER REVENUES	**152 274**	**179 940**	**332 214**

DISAGGREGATION OF TIME CHARTER REVENUE BY GEOGRAPHICAL AREA

The group's FSRUs and LNGCs operate on long-term contracts, where the charterer controls the choice of locations or routes to be served by the FSRUs/LNGCs, and the economic factors of a geographical region where the vessels are located would not impact revenues due under time charter contracts. Disaggregation of revenues by geographical region is therefore not meaningful. The group's risk and exposure related to uncertainty of revenues or cash flows related to its long-term time charter contracts relate primarily to the credit risk associated with the individual charterers. Payments are due under time charter contracts regardless of the demand for the charterers' gas output or utilisation of the vessel.

RECEIVABLES, CONTRACT ASSETS AND CONTRACT LIABILITIES

USD'000	31 Dec 2019	1 Jan 2019
Trade receivables for lease, included in Trade and other receivables	4 089	4 089
Trade receivables for time charter services, included in Trade and other receivables	12 413	11 854
Contract assets, included in Trade and other receivables	2 314	27 013
Contract assets, included in Other non-current financial assets	-	8 293
Contract liabilities, included in Other current liabilities	492	1 881
Contract liabilities, included in Deferred revenue	1 522	688

The consolidated trade receivables and contract balances included in the table, exclude the balances recorded in the group's the joint ventures, which are accounted for based on the equity method.

Contract assets included in Trade and other receivables are mainly related to the short-term portion of the revenue earned but not invoiced on the EGAS contract. The long-term portion is included in Other non-current financial assets.

Contract liabilities included in Other current liabilities are related to invoiced revenue to be refunded to charterers for estimated reimbursable costs or performance related payments.

There were no impairment losses for lease or service receivables or contract assets for the 12 months ended 31 December 2019.

Note 5: Management fees and other income

Höegh LNG's commercial fees and technical management fees are mainly related to the LNGCs and the FSRUs owned by the group's joint ventures.

MANAGEMENT FEE AND OTHER INCOME

USD'000	2019	2018
Commercial and technical management fees	4 046	4 449
Other income [1]	2 116	2 033
TOTAL	**6 162**	**6 482**

[1] Other income includes primarily reimbursements of operating expenses.

Note 6: Operating expenses

USD'000	2019	2018
Crew salaries	25 985	25 947
Employer's contribution	4 364	4 446
Crew agency fee	942	829
Other social costs	218	199
TOTAL CREW COST	**31 510**	**31 421**
Services	4 740	4 902
Withholding tax	1 517	624
Spare parts and consumables	10 509	8 393
Insurance	4 813	3 870
Dry-docking & new installation	6 246	1 987
Property- and environmental taxes[1]	3 436	158
Ship management and other expenses	9 538	7 927
TOTAL	**72 309**	**59 282**

[1] In the third quarter of 2019, the Indonesian subsidiary in HMLP was notified of an examination for property taxes by the Indonesian tax authorities for the period 2015 - 2019, and during fourth quarter 2019 received a tax claim of USD 3.0 million related to this tax for the said period. At 31 December 2019 a provision has been made in full for the claimed tax amount.

Note 7: Salaries and personnel expenses

USD'000	Note	2019	2018
Salaries		17 501	16 835
Benefits employees		778	585
Bonus		2 481	3 177
Pension cost		1 164	977
Share based payment expenses	23	1 583	1 629
Other social costs		2 877	3 035
TOTAL SALARIES AND PERSONNEL EXPENSES		**26 383**	**26 239**
Allocated to Group administrative expenses	10	10 795	11 087
Allocated to Business development expenses	9	3 873	3 215
Allocated to Project administrative expenses	8	11 715	11 936
NUMBER OF OFFICE EMPLOYEES		**165**	**152**

Norwegian employers are obliged to have an occupational pension scheme for their employees under the Norwegian Act on Mandatory Occupational Pension Schemes. The pension plans for the group's Norwegian employees comply with the requirements of this Act. The contributions made to the defined contribution pension plan for full-time employees equal 5-8% of the employee's salary. Höegh LNG has no legal or constructive obligations to pay further contributions. Höegh LNG also operates a defined contribution pension scheme involving the employees in Leif Höegh (U.K.) Limited. Höegh LNG has no outstanding or prepaid contributions in Leif Höegh (U.K.) Limited. For other offices, Höegh LNG pays membership fees to defined contribution plans according to local statutory requirements. The group's legal or constructive obligations for these plans are limited to the contributions. Refer to Note 31 for remuneration to key management.

Note 8: Project administrative expenses

Project administrative expenses comprise the management of the FSRU newbuilding program, the execution of projects and the administration of commercial contracts including the costs of operating local offices in Egypt, Indonesia, Lithuania, Singapore, Philippines, Colombia and the UK.

USD'000	Note	2019	2018
Total salaries and personnel costs	7	11 715	11 936
Audit fees		315	241
External services		6 581	6 907
Remuneration board members in subsidiaries		52	55
Office cost		1 156	676
Travel related cost		1 249	1 208
Other		369	353
Overhead distribution	9	4 829	4 779
Reclassified to operating expenses		(7 505)	(6 149)
Directly attributable cost capitalized as investments in intangbles /assets under construction		(773)	(1 620)
TOTAL		**17 989**	**18 388**

Höegh LNG's costs related to technical services are reclassified from project administrative expenses to operating expenses.

Note 9: Business development expenses

Business development expenses are related to the development of new projects.

USD'000	Note	2019	2018
Total salaries and personnel costs	7	3 873	3 215
Audit fees		17	13
External services		1 409	1 798
Office cost		283	412
Travel related cost		815	1 042
Other		510	208
Overhead distribution	10	851	840
TOTAL		**7 759**	**7 529**

Note 10: Group administrative expenses

Group administrative expenses are expenses associated with management-, administrative-, and general functions of Höegh LNG. The expenses of general functions, such as IT and HR, is distributed to Project administrative expenses and Business development expenses based on headcount.

USD'000	Note	2019	2018
Total salaries and personnel costs	7	10 795	11 087
Audit fees		1 674	1 605
External services		9 750	8 656
Remuneration board members		826	883
Office cost		1 810	2 862
Travel related cost		689	600
Other		603	753
Overhead distribution	8, 9	(5 681)	(5 619)
TOTAL		**20 466**	**20 827**

TOTAL AUDIT FEES AS PRESENTED IN NOTES 8, 9 AND 10 ARE FURTHER SET OUT BELOW:

USD'000	2019	2018
Statutory audits	1 696	1 429
Other services	310	430
TOTAL	**2 006**	**1 859**

Note 11: Vessels and depot spares

VESSELS, DRY-DOCKING AND DEPOT SPARES, ACQUISITION COST AND ACCUMULATED DEPRECIATION

USD'000	2019	2018
Cost at 1 January	2 074 586	1 499 332
Acquisitions of vessels and capitalization of class renewals (dry-docking and afloat renewals)	267 193	575 254
COST AT 31 DECEMBER	**2 341 779**	**2 074 586**
Accumulated depreciation and impairment 1 January	(167 026)	(113 200)
Depreciation charge FSRUs and depot spares	(73 972)	(53 826)
ACCUMULATED DEPRECIATION AND IMPAIRMENT 31 DECEMBER	**(240 998)**	**(167 026)**
NET CARRYING AMOUNT AT 31 DECEMBER	**2 100 781**	**1 907 560**

VESSELS, DRY-DOCKING AND DEPOT SPARES, NET CARRYING AMOUNT PER ASSET CLASS

USD'000	31 Dec 2019	31 Dec 2018
FSRUs	2 081 696	1 893 464
Dry-docking and afloat class renewals	17 974	12 800
Depot spares	1 111	1 296
TOTAL	**2 100 781**	**1 907 560**

DEPRECIATION CHARGES PER ASSET CLASS

USD'000	Note	2019	2018
Vessels		68 913	49 959
Dry-docking		5 059	3 867
Equipment	29	2 179	1 632
Right-of-use assets	15	31 191	-
TOTAL		**107 341**	**55 458**

Depreciation methods and estimated useful lives for the asset classes are described in Note 2.

PER 31 DECEMBER 2019, THE FOLLOWING VESSELS WERE OWNED DIRECTLY BY THE GROUP OR THROUGH JOINT VENTURES:

Vessel	Built	Current contract	TCP	Expiry	Option
Independence	2014	FSRU	10 years	Dec.2024	-
PGN FSRU Lampung	2014	FSRU	20 years	Jul.2034	5 + 5 years
Höegh Gallant	2014	LNGC	20 months	Apr.2020	60 days
Höegh Giant	2017	LNGC	3 years	Feb. 2021	1 year
Höegh Grace	2016	FSRU	20 years	Dec. 2036	-
Höegh Esperanza	2018	FSRU/LNGC	3 years	Jun. 2021	1 year
Höegh Gannet	2018	LNGC	15 months	Mar.2020	-
Höegh Galleon	2019	LNGC	18 months	Mar.2021	-
Accounted for as investments in joint ventures[1]					
Neptune	2009	FSRU	20 years	November 2029	5 + 5 years
Cape Ann	2010	FSRU	20 years	June 2030	5 + 5 years

[1] The initial term of the lease is 20 years. The charterer has an unconditional option to cancel the lease after 10 and 15 years. The non-cancellable lease period is thus 10 years.

In addition, the two LNGCs Arctic Princess and Arctic Lady are recorded as right-of-use assets, see Note 15. As shown in the table, all vessels are on contract with charterer per 31 December 2019. However, Höegh Gannet ended the existing contract in March 2020, Höegh Gallant will go off contract in April 2020 and contracts for Höegh Giant, Höegh Galleon and Höegh Esperanza will expire in February 2021, March 2021 and June 2021, respectively. All five vessels are assumed to be employed on short-term intermediate LNGC contracts until long-term contracts as FSRUs have been secured.

Impairment assessment

When there are indicators that carrying amounts may not be recoverable, investments in long-lived assets need to be reviewed for impairment. Based on such indicators as the reduction of the share price compared to the group's equity (price/book <1) and that the group has not entered into any new firm FSRU contracts during 2019 or up to the approval date of this report, the group has tested its investments in vessels, including right-of-use assets, for impairment. An impairment loss is recognized for the amount that the asset's carrying amount exceeds its recoverable amount, being the higher of an asset's net selling price (if applicable) and its value-in-use. Value-in-use is defined as the present value of future cash flows expected to be derived from each cash-generating unit.

Each vessel is regarded as a separate cash generating unit (CGU) for impairment testing. The recoverable amount is based on a value-in-use calculation for each of the vessels. To estimate the recoverable amount, the group must make assumptions on contracted (intermediate period as LNGC and firm contract as FSRU) cash flows, as well as uncontracted (post firm contract period as FRSU) cash flows over the useful life of each vessel. Contracted cash flows are based on latest available information from ongoing contract negotiations or from current market rates for vessels that are already on contract. Uncontracted cash flows have been estimated based on experience, expectations on future market conditions and return on invested capital. Based on status on ongoing projects, it is assumed that all five vessels currently without long-term employment as FSRUs will come on long-term contracts during the time period from second half of 2021 to first half of 2023.

Sensitivities based on scenarios with weighted charter rates (FSRU and LNGC), higher WACC and extension of intermediate periods without FSRU contracts has been conducted, particularly related to the vessels with the lowest headroom. These scenarios also take into consideration the current uncertain sentiment in global LNG carrier markets. Whilst competitive LNG prices have increased demand for LNG in general, making LNG a very attractive fuel switch from coal and oil, the recent Covid-19 virus outbreak has already reduced demand for LNG to China. At least in the short-term, the LNG carrier market is under pressure, which could result in significantly reduced charter rates compared to existing contracts. One of the scenarios assume that both Höegh Gallant and Höegh Gannet will go on short-term intermediate contracts during 2020 and 2021 at reduced rates, and that these rates will stay low for the next two to three years.

The group expects however, an improved market for FSRUs in the longer term, as demand growth for LNG supports the demand for additional import facilities, where FSRUs are the quickest and lowest cost solution.

Cash flows were discounted using a Weighted Average Cost of Capital (WACC) in the range between 6.1% and 7.2% on a pre-tax basis. The following assumptions have been made for the WACC:

- The equity risk premium is based on data extracted from Bloomberg
- For the risk-free rate, the group is using the US 10-year treasury yields as the basis for calculations
- The debt margin used is based on an assessment of the cost of providing long-term funding given the current market outlook and current company risk profile and contract structure
- For estimating beta, the group have used an adjusted Oslo Stock Exchange Benchmark Index (OSEBX) based on monthly data retrieved from 30 September 2011 and onwards

The recoverable amount for each vessel would be particularly sensitive to changes in WACC, assumptions used for cash flows and weight given to each of the scenarios. The recoverable amount for each vessel would be sensitive to changes for any of the above-mentioned assumptions.

- An increase of the WACC by 2% would not require an impairment
- The group make assumptions on redeployment of vessels as FSRUs after contemplated end of intermediate contract period. An additional seven-year as LNGC before redeployment of vessels in the weighted scenarios would not lead to impairment
- Similarly, a further rate reduction of 10% from the weighted scenario on the same vessels would not require an impairment

The impairment testing did not identify any required impairment.

Note 12: Investments in assets under construction

Höegh Galleon was delivered from the yard on 27 August 2019. At year-end 2019 the carrying amount of investments under construction of USD 6.1 million relates to regasification equipment after recording an impairment charge of USD 1.6 million.

NEWBUILDINGS UNDER CONSTRUCTION – NET CARRYING AMOUNT

USD'000	2019	2018
Cost 1 January	88 760	232 998
Borrowing costs	4 239	13 312
Yard instalments and other capitalized costs	173 421	416 655
Impairment of regas equipment	(1 551)	-
Newbuildings delivered during the year	(258 761)	(574 205)
CARRYING AMOUNT AT 31 DECEMBER	**6 108**	**88 760**

Management has reviewed the capitalized costs to date and remaining contractual commitments for certain regas equipment on order/under construction intended to be used for future projects and has concluded that certain parts of the capitalized amount to date will likely not have a value for the group. Consequently, an impairment charge of USD 1.6 million has been recognized in the fourth quarter of 2019.

Further information on capital commitments is provided in Note 19.

Note 13: Financial risk management objectives and policies

Capital Management

The objective of Höegh LNG's capital management is to ensure that the group is sufficiently capitalised and to maximise shareholders' return. Balancing the benefits of a strong balance sheet with the advantage of financial leverage, Höegh LNG is seeking to maintain strong access to capital markets and minimise the cost of capital. Höegh LNG is listed on the Oslo Stock Exchange and has a Master Limited Partnership listed on the New York Stock Exchange, providing direct access to the U.S. equity capital market.

Höegh LNG monitors its capital structure considering future cash flow projections, including any off-balance sheet capital commitments and available funding. The financial position of Höegh LNG is reported to the top management, the audit committee and the board of directors on a regular basis. Höegh LNG's capital structure might be adjusted over time to reflect the commercial risks associated with the underlying assets, its funding situation and the status of the financial markets. In order to maintain or adjust the capital structure, Höegh LNG may refinance its debt, buy or issue new shares or debt instruments, sell assets, pay dividends or return capital to the shareholders.

Höegh LNG's capital structure includes the debt listed in Note 16, series A preferred units in HMLP (see Note 20), paid in equity and all other equity reserves attributable to the equity holders of the parent and the non-controlling interest holders in HMLP.

The shares of and the bonds issued by the company are listed on the Oslo Stock Exchange. As of 31 December 2019, total equity was USD 696 million (USD 787 million). Net of mark-to-market of hedging reserves the adjusted book equity was USD 801 million (USD 830 million), bringing the adjusted equity ratio to 30% (36%). The capital structure is deemed appropriate given the nature of Höegh LNG's business and its existing commitments, however the recent Covid-19 virus outbreak has significantly changed the risk picture. See Note 33 for further information. Höegh LNG is measuring the consolidated leverage net of hedging instruments, as this reflects the solidity of the group.

ADJUSTED EQUITY RATIO

USD'000	31 Dec 2019	31 Dec 2018
Equity adjusted for hedging transactions	800 912	829 705
Total assets adjusted for hedging transactions	2 635 776	2 304 778
EQUITY RATIO ADJUSTED FOR HEDGING	**30%**	**36%**

Financial Risk

The group is in the ordinary course of its business activities exposed to different types of financial risks, including market risk (interest- and currency risk), credit risk and liquidity risk. Appropriate procedures and policies for determining, mitigating and monitoring these risk exposures have been established. To mitigate financial market risks, the group primarily applies hedging instruments, which are well-understood, conventional instruments issued by financial institutions with solid credit rating.

Currency risk

Currency risks arise from business transactions, capitalised assets and liabilities denominated in currencies other than the reporting currency. Most the group's business transactions, capitalised assets and liabilities are denominated in USD. Bond loans denominated in Norwegian Kroner (NOK) have been swapped to USD. The major part of the group's revenues is in USD. However, the group also has revenues in other currencies, including Euro (EUR), Egyptian Pounds (EGP) and Indonesian Rupees (IDR). The group incurs operating, administrative and tax expenses in various currencies including EUR, GBP, EGP, IDR, Singapore dollar (SGP), Colombian Pesos (COP), Philippine pesos (PHP) and NOK, of which NOK represents the largest exposure. The group has per 31 December 2019 outstanding forward rate agreements (FRA's) totalling NOK 330 million (USD 36 million), to hedge budgeted administration expenses in NOK by buying NOK and selling USD. Fair value of FRA's total USD 1.1 million per 31 December 2019.

As of 31 December 2019, Höegh LNG held 90% of total current cash in USD, 7% in NOK and the remaining mainly in EUR, GBP, COP and SGD.

Interest rate risk

The group's interest-bearing debt is subject to floating interest rates. In line with the group's policy, the exposure to interest rate fluctuations has been mitigated by entering into fixed interest-rate swap agreements for all loan agreements, including bond loans, but excluding a revolving credit facility entered into by HMLP. Interest rates have been swapped for the length of the debt facility, except for 3 vessels' financings that have been swapped for the length of the charter contract for the relevant vessel. As of 31 December 2019, the net mark-to-market valuation of the interest rate and currency swaps was negative net USD 50.8 million (net positive USD 5.9 million in 2018). The group's share of net mark-to-market valuation of interest rate swaps entered into by joint ventures was negative net USD 56.7 million (negative net USD 49.2 million in 2018).

The group has elected to adopt the hedge accounting requirements of IFRS 9 Financial Instruments for its hedging of interest rate risk. The group enters into hedge relationships where the critical terms of the hedging instrument and the hedged item match, therefore, for the prospective assessment of effectiveness a qualitative assessment is performed. Hedge effectiveness is determined at the origination of the hedging relationship.

Quantitative effectiveness tests are performed at each period end to determine the continuing effectiveness of the relationship. In instances where changes occur to the hedged item which result in the critical terms no longer matching, the hypothetical derivative method is used to assess effectiveness. The effective part of changes in the fair values of interest rate swaps and the interest element of cross currency interest rate swaps are recognised in Other comprehensive income. Changes in the value related to the ineffective portion of these swaps are recorded over the income statement. An increase in the floating interest rate of 20 basis points (0.2%) would impact Other comprehensive income positively by approximately USD 12 million through the market-to-market valuation of interest rate swaps and the cross-currency interest rate swaps entered into, including Höegh LNG's shares of interest rate swaps in joint venture companies.

MARK TO MARKET VALUATIONS OF HEDGES IN PARENT AND SUBSIDIARIES:

USD'000	**Note**	**31 Dec 2019**	**31 Dec 2018**
Non-current financial assets - carrying amounts		367	10 677
Current financial assets - carrying amounts		665	7 771
FRAs designated to hedge operating expenses denominated in NOK against USD		1 110	-
TOTAL FINANCIAL ASSETS - CARRYING AMOUNTS		**2 142**	**18 448**
Non-current financial liabilities - carrying amounts	30	(44 740)	(9 202)
Current financial liabilities - carrying amounts	28	(8 186)	(3 305)
TOTAL FINANCIAL LIABILITIES - CARRYING AMOUNTS		**(52 925)**	**(12 506)**
NET (FINANCIAL LIABILITIES) ASSETS	**See APM**	**(50 783)**	**5 942**
Changes in fair value of designated instruments (see below table reconciling changes in fair value)		(56 725)	(7 345)
Changes in fair value designated hedged item		56 725	7 345
NOTIONAL AMOUNTS INTEREST - BEARING DEBT		**1 605 950**	**1 455 375**
Maturity dates		Multiple	Multiple
Hedge ratio		1:1	1:1

USD'000	**2019**	**2018**
OCI to changes in fair value of deisgnated instruments in subsidiaries	(53 807)	3 298
Separate equity component (currency portion of CCIRS) recorded to profit (loss)	(1 805)	(10 173)
Ineffectiveness of IRS hegdes recorded to profit (loss)	(1 267)	549
Unrealized foreign exchange gain on FRAs recorded to profit	1 110	-
Settlement of prior year's market- to market of swaps (re. extinguishment of debt)	(1 199)	-
Other movements in market-to market valuations related to taxes	243	(1 019)
CHANGES IN FAIR VALUE OF DESIGNATED INSTRUMENTS	**(56 725)**	**(7 345)**

MARK-TO MARKET VALUATIONS OF HEDGES IN JOINT VENTURES AND ASSOCIATES:

USD'000	Note	31 Dec 2019	31 Dec 2018
Non-current financial liabilities - carrying amounts		(47 766)	(42 242)
Current financial liabilities - carrying amounts		(8 977)	(7 005)
TOTAL FINANCIAL LIABILITIES - CARRYING AMOUNTS	**See APM**	**(56 743)**	**(49 247)**
Changes in fair value of designated instruments	20	(7 496)	12 849
Changes in fair value designated hedged item		7 496	(12 849)
NOTIONAL AMOUNTS INTEREST - BEARING DEBT		**404 169**	**445 759**
Maturity dates		Multiple	Multiple
Hedge ratio		1:1	1:1

USD'000	2019	2018
OCI to changes in fair value of designated instruments in joint ventures and associates	(7 496)	12 849

Liquidity risk

Liquidity risk is the risk that Höegh LNG will be unable to fulfil its financial obligations when they fall due.

USD'000	HLNG	HMLP	Total
Cash and cash equivalents	147 769	39 209	186 978
Revolving credit facility	8 792	(8 792)	-
Total liquidity 31 December 2019	156 561	30 417	186 978
Potential increase in leverage for Höegh Giant, Höegh Esperanza and Höegh Galleon	85 700		85 700
Revolving credit facility - available amount	-	14 700	14 700
TARGETED AVAILABLE LIQUIDITY	**242 261**	**45 117**	**287 378**
Capital commitments (regasification equipment and investment in ERP)	12 000	-	12 000
Capital commitment Avenir LNG Limited	18 000	-	18 000
TOTAL OUTSTANDING CAPITAL COMMITMENT, PAYABLE < 1 YEAR	**30 000**	**-**	**30 000**

Total targeted available liquidity at 31 December 2019 was USD 287 million, which includes USD 187 million in current cash and cash equivalents and USD 14.7 million available under the USD 63 million revolving facility in HMLP.

If and when certain conditions relating to long-term employment of Höegh Giant, Höegh Esperanza and Höegh Galleon are met, the available amount under the respective financing facilities may be increased by up to USD 30 million, USD 30 million and USD 25.7 million, respectively.

As subsequent events to refinance the USD 130 million bond maturing in June 2020, Höegh LNG Holdings Ltd. issued a new NOK 650 million bond, HLNG04, in January 2020. The new bond has five years tenor and has been swapped from NOK to USD and from a floating NIBOR rate to a fixed LIBOR rate, resulting in a notional amount of USD 72 million and a fixed rate of 7.9%. In addition, Höegh LNG Holdings Ltd. received commitments for an up to USD 80 million revolving credit facility ("RCF") in January 2020. This RCF was signed and executed in March 2020. USD 65 million of the facility amount is earmarked for repaying the company's HLNG02 (of which USD 65 million is outstanding as per end of March 2020). The remaining part of the facility is for general corporate purposes. The facility is secured with a pledge of all the company's common units and its shares in the general partner of Höegh LNG Partners LP. As customary for these types of facilities, the available amount of the facility is linked to the value of the pledged units. Due to the nature of this facility, no interest rate swaps have been entered and based on floating LIBOR at that time the all-in rate is approximately 5.2%.

In addition, in March 2020 Höegh LNG received a commitment letter from five of the company's relationship banks for an amendment and extension and USD 45 million upsizing of the debt facility for the FSRU Independence. The amendment and extension cover the Independence debt facility's commercial tranche of USD 61 million maturing in May 2020. In the amendment and extension facility, the commercial tranche will be upsized by USD 45 million to USD 106 million with maturity in December 2024. The Independence debt facility also consists two tranches guaranteed by export credit agencies which remain unchanged, save for a reduction of their respective funding margins. Consequently, the blended amortization profile is stretched out and the funding cost has been significantly reduced, to an estimated blended average interest rate of about 4.0% for the full facility. The additional USD 45 million will be available for general corporate use. The commitment is subject to final documentation, which is expected to be completed during second quarter of 2020.

In connection with the group's unsecured swaps; interest rate swaps for Höegh Galleon and cross currency swaps for HLNG03 (and HLNG04 issued in 2020), credit support agreements (CSAs) have been entered into with the swap banks. The group is therefore exposed to liquidity risk if the negative market value of the swap is higher than a pre-defined threshold, as the group will be required to post cash collateral for the difference. The market value is negatively affected by a reduction of interest rates and/ or a weakening of NOK against USD. As a subsequent event the Corona outbreak has, among other factors, had a significant effect on interest rates and currency exchange rates, which up until the approval date of this report has caused a requirement for significant cash collateral for swaps entered into with CSAs.

The table below reflects the maturity profile of Höegh LNG's interest-bearing debt and the timing and size of the estimated interest payments.

MATURITY PROFILE ON INTEREST-BEARING DEBT AT 31 DECEMBER 2019 AND ESTIMATED INTEREST EXPENSE

USD'000	< 1 year	1-5 years	> 5 years	Total
Instalments and balloons on mortage debt and unsecured bonds	296 213	695 457	614 280	1 605 950
Estimated interest on mortgage debt and unsecured bond[1]	77 835	182 373	49 684	309 892
Lease liabilities including interest	34 764	93 348	68 822	196 934
TOTAL	**408 812**	**971 178**	**732 786**	**2 112 776**

[1] The amounts do not include estimated interest on the issued redeemable preferred units, as the preferred units are classified as equity in the consolidated statement of financial position.

The carrying amounts of instalments on mortgage debt and unsecured bonds and lease liabilities totalling USD 1 803 million will be repaid through the cash flow generated from existing assets within Höegh LNG and refinancing.

Financial obligations are subject to re-financing. The USD 130 million bond has maturity in 2020 and the NOK 1 500 million bond in 2022.

The mortgaged financing has the following maturities:

- The financing for Neptune matures in 2021
- The financing for Cape Ann and Höegh Giant matures in 2022
- The commercial and the ECA tranche on the financing for Independence matures in 2020 and 2026, respectively
- The commercial and the ECA tranche on the financing for PGN FSRU Lampung matures in 2021 and 2026, respectively
- The commercial and the ECA tranche on the financing for Höegh Esperanza matures in 2023 and 2030, respectively
- The commercial and the ECA tranche on the financing for Höegh Gannet matures in 2023 and 2030, respectively
- Both the commercial and the ECA tranche on the financing for Höegh Gallant matures in 2026
- The commercial and the ECA tranche on the financing for Höegh Grace matures in 2026 and 2028, respectively
- The sale and leaseback debt facility for Höegh Galleon matures in 2031

If no refinancing of the commercial tranches takes place, lenders under the ECA tranche may require early repayment. Financial lease obligations relating to Arctic Princess and Arctic Lady are not subject to any refinancing and will be fully amortised during the length of the underlying lease agreements. For the two JV companies owning Arctic Princess and Arctic Lady, the financing arrangement matures in 2031. However, these financings are subject to a credit review upon the expiry of the firm period of the time charters with Total and Equinor in 2026, which could require an adjustment to the outstanding loan amount or additional security granted, depending on the outcome of the credit review process.

Interest on Höegh LNG's debt, based on the swapped fixed interest rates and maturity profile of interest rate swaps in subsidiaries and joint ventures, is presented below:

MATURITY PROFILE ON FINANCIAL DERIVATIVES AT 31 DECEMBER 2019

USD'000	< 1 year	1-4 years	> 5 years	Total
Interest rate swaps designated as effective hedging instruments in subsidiaries	(8 631)	(33 598)	(10 774)	(53 003)
FRAs designated to hedge operating expenses in NOK against USD	1 110	-	-	1 110
NET FINANCIAL LIABILITY GROUP	**(7 521)**	**(33 598)**	**(10 774)**	**(51 893)**
Interest rate swaps designated as effective hedging instruments in the group's joint ventures (100%)	(18 643)	(63 651)	(40 081)	(122 376)
TOTAL	**(26 164)**	**(97 249)**	**(50 855)**	**(174 269)**

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial agreement or charter contract, leading to a financial loss. Risk management procedures are in place to minimise this risk. The FSRUs and LNGCs are chartered out to creditworthy counterparties or to projects of high strategic importance to the country in which they operate, and charter hires are normally payable monthly.

Cash funds are deposited with internationally recognised financial institutions with a high credit rating. Höegh LNG has not provided any guarantees for third parties' liabilities (reference is made to Note 19), and the maximum exposure to credit risk is thus represented by the carrying amount of each financial asset in the balance sheet, including financial derivatives, totalling USD 235 million.

Fair values

Set out below is a comparison by class of the carrying amounts and fair values of Höegh LNG's financial instruments included in the financial statements for years ended at 31 December 2019 and 2018:

FINANCIAL ASSETS

	Carrying amount		Fair value	
USD'000	**2019**	**2018**	**2019**	**2018**
Financial instruments at fair value through profit and loss				
Cash flow hedges related to FRAs	1 110	-	1 110	-
Total	**1 110**	**-**	**1 110**	**-**
Financial instruments at fair value through other comprehensive income				
Derivatives in effective cash flow hedges	1 032	18 448	1 032	18 448
Total	**1 032**	**18 448**	**1 032**	**18 448**
Loans and receivables at amortised cost				
Trade and other receivables	38 352	54 670	38 352	54 670
Shareholder loans	3 831	3 536	3 831	3 536
Other non-current receivables	4 774	8 979	4 774	8 979
Total	**46 957**	**67 185**	**46 957**	**67 185**
Non-current restricted cash	17 428	17 925	17 428	17 925
Marketable securities	110	-	110	-
Cash and cash equivalents (including short term restricted cash)	195 095	164 477	195 095	164 477
Total	**212 633**	**182 402**	**212 633**	**182 402**
TOTAL SHARE	**261 732**	**268 035**	**261 732**	**268 035**
TOTAL NON-CURRENT SHARE	**26 400**	**41 118**	**26 400**	**41 118**
TOTAL CURRENT SHARE	**235 332**	**226 918**	**235 332**	**226 918**

FINANCIAL LIABILITIES

	Carrying amount		Fair value	
USD'000	**2019**	**2018**	**2019**	**2018**
Financial liabilities at fair value through profit and loss				
Ineffective portion of cash flow hedges	1 835	709	1 835	709
Total	**1 835**	**709**	**1 835**	**709**
Financial liabilities at fair value through other comprehensive income				
Derivatives in effective cash flow hedges	51 091	11 798	51 091	11 798
Total	**51 091**	**11 798**	**51 091**	**11 798**
Other financial liabilities at amortised cost				
Trade and other payables	21 404	18 358	21 404	18 358
Other financial liabilities	9 655	29	9 655	29
Interest-bearing loans and borrowings	1 605 950	1 455 375	1 487 794	1 444 596
Lease liabilities	196 934	-	196 934	-
Total	**1 833 944**	**1 473 762**	**1 715 787**	**1 462 983**
TOTAL SHARE	**1 886 869**	**1 486 269**	**1 768 712**	**1 475 490**
TOTAL NON-CURRENT SHARE	**1 526 302**	**1 090 923**	**1 408 145**	**1 080 145**
TOTAL CURRENT SHARE	**360 567**	**395 346**	**360 567**	**395 346**

The fair value of the financial assets and liabilities is the value at which they could be exchanged in a transaction between willing parties other than in a forced or liquidation transaction. The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

- Cash and restricted cash, trade receivables, trade payables and other current liabilities are recognized at their carrying amounts, largely due to the short-term maturities of these instruments.
- Fair value of loans from banks and other financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- The bonds issued by the company are listed on the Oslo Stock Exchange, and the fair values of these are disclosed based on traded information.
- Höegh LNG enters into derivative financial instruments, such as interest rate swaps and foreign exchange forward contracts with various financial institutions, where the fair value of such instruments is based on valuation techniques including market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models using net present value calculations. The models used incorporate various inputs, including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The valuation is performed by banks or external valuation providers.

Fair value hierarchy
Höegh LNG uses a hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques. The table on the next page presents fair value measurements of Höegh LNG's assets and liabilities at 31 December 2019 and 2018, respectively.

ASSETS AT 31 DECEMBER 2019

USD'000	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Marketable securities	-	1 220	-	1 220
Financial assets at fair value through other comprehensive income				
Derivatives used for hedging	-	1 032	-	1 032
TOTAL ASSETS	**-**	**2 252**	**-**	**2 252**

LIABILITIES AT 31 DECEMBER 2019

USD'000	Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value, but for which fair value is disclosed				
Bonds	302 677	-	-	302 677
Mortgage debt	-	1 185 116	-	1 185 116
Lease liabilities	-	-	196 934	196 934
Derivatives used for hedging				
Derivatives in effective cash flow hedges	-	51 091	-	51 091
TOTAL LIABILITIES	**302 677**	**1 236 207**	**196 934**	**1 735 818**

ASSETS AT 31 DECEMBER 2018

USD'000	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income				
Derivatives used for hedging		10 677		10 677
TOTAL ASSETS	**-**	**10 677**	**-**	**10 677**

LIABILITIES AT 31 DECEMBER 2018

USD'000	Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value, but for which fair value is disclosed				
Bond	299 853			299 853
Mortgage debt		1 144 743		1 144 743
Derivatives used for hedging				
Derivatives in effective cash flow hedges		12 507		12 507
TOTAL LIABILITIES	**299 853**	**1 157 251**	**-**	**1 457 104**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date and included in level 1. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data when it is available and rely as little as possible on entity specific estimates. If all significant input required in calculating the fair value of an instrument is based on observable market data, the instrument is included in level 2. This includes the group's portfolio of marketable securities, as part of the portfolio's instruments is not directly observable. If one or more significant input is not based on observable market data, the instrument is included in level 3. During the reporting periods of 2019 and 2018, there were no transfers between any of the levels.

Note 14: Unrestricted and restricted cash

CURRENT CASH AND CASH EQUIVALENTS PER CURRENCY

Currency	Note		Exchange rate	2019	Exchange rate	2018
US Dollar (USD)		USD	1.0000	168 346	1.00	143 077
Norwegian Kroner (NOK)		USD/NOK	8.7803	13 821	8.69	11 076
Pound Sterling (GBP)		GPB/USD	0.7600	667	0.78	631
Euro (EUR)		EUR/USD	0.8900	1 083	0.87	708
Egyptian Pounds (EGP)		USD/EGP	16.1100	1 290	17.97	1 137
Singapore Dollar (SGD)		SGD/USD	1.3500	890	1.36	861
Colombian Pesos (COP)		COP/USD	3 277.14	423	3 249.75	161
Other				457		304
TOTAL	**16**			**186 978**		**157 954**

CURRENT RESTRICTED CASH

USD'000	Note	31 Dec 2019	31 Dec 2018
Colombia, payroll related		12	12
Bermuda, escrow account		9	521
Egypt, escrow account		109	-
Indonesia, debt service account		7 988	5 991
TOTAL	**16**	**8 117**	**6 523**

As at 31 December 2019, USD 8.1 million is classified as short-term restricted cash related to a financing agreement, where cash is required to be held for specifically designated uses, including payment of working capital, operations and maintenance related expenses. Distributions from the cash accounts are subject to "waterfall" provisions that allocate revenues to specific priorities of use in a defined order before equity distributions can be made at certain dates and subject to Höegh LNG following other debt service requirements.

NON-CURRENT RESTRICTED CASH

USD'000	Note	31 Dec 2019	31 Dec 2018
PT Hoegh LNG Lampung, debt service		12 627	13 125
Hoegh LNG Gannet Pte. Ltd., debt service		4 800	4 800
Höegh LNG Ltd - EGP restricted cash		1	1
TOTAL	**16**	**17 428**	**17 925**

Non-current restricted cash of USD 12.6 million relates to the project financing of PGN FSRU Lampung whereof Höegh LNG is required to hold amounts equal to six months' debt service deposited in an escrow account. USD 4.8 million in restricted cash equals three months' debt service required to be held in escrow under the Höegh Gannet facility.

Note 15: Leases

The group as a lessee

The group has lease contracts for vessels, office premises, company cars, house leases etc. The group has elected not to recognize a lease liability for short-term leases (leases with an expected term of 12 months or less) or for leases of low-value assets. The group does not have contracts with variable lease payments. Payments made under such leases are expensed in operating expenses.

Depreciation of right of use assets is calculated based on the straight-line method for the remaining term. Right-of-use vessels have terms between 25-30 years, but depreciation is calculated based on remaining term of 7-10 years for the vessels. Office premises have average remaining term of 5 years and company cars and house leases have an average term of 2-4 years.

Carrying amounts of right-of-use assets recognised and the movements during the year:

RIGHT-OF-USE ASSETS:

USD'000	Note	Vessels	Premises	Other	Total
Right-of-use assets as at 1 January 2019		213 956	8 889	239	223 085
Additions during the year		-	594	155	747
Depreciation	11	(29 687)	(1 393)	(112)	(31 191)
RIGHT-OF-USE ASSETS AS AT 31 DECEMBER 2019		**184 269**	**8 090**	**282**	**192 641**

Vessels are Arctic Lady and Arctic Princess, two LNG carriers that are bareboat chartered by Leif Höegh (U.K.) Limited, a wholly owned subsidiary of Höegh LNG Ltd from the joint venture companies Joint Gas Ltd. and Joint Gas Two Ltd, in which Höegh LNG Ltd has a 33,98% and 50,00% ownership respectively. Arctic Princess and Arctic Lady are chartered on operating lease by Leif Höegh (U.K.) Limited to Equinor and Total respectively.

The group assesses at lease commencement, whether it is reasonably certain to exercise the extension and termination options related to lease contracts and reflects these options in the lease term.

Charterers for Arctic Princess and Arctic Lady have options to extend the lease term, but the group is not certain that the options will be exercised. The group has concluded that it is not reasonably certain to exercise the extension and termination options in any existing contract. Lease liabilities are calculated based on fixed lease terms and finalised contracts.

The carrying amounts of lease liabilities and the movements during 2019 were as follows:

LEASE LIABILITIES

USD'000	Note	2019
As at 1 January		223 085
Additions during the year		380
Interest expenses	17	10 183
Payments		(36 714)
TOTAL LEASE LIABILITIES AS AT 31 DECEMBER		**196 934**
Non-current lease liabilities	16	162 170
Current lease liabilities	16	34 764
TOTAL LEASE LIABILITIES AS AT 31 DECEMBER		**196 934**

THE FOLLOWING ARE THE AMOUNTS RECOGNISED IN PROFIT OR LOSS:

USD'000	Note	2019
Depreciation - right-of-use assets	11	(31 191)
Interest expenses, lease liabilities	17	(10 183)
Expenses related to short-term leases and low-value leases (included in administrative expenses)	9	(810)
TOTAL AMOUNT RECOGNISED IN PROFIT AND LOSS		**(42 183)**

The group as a lessor

The group has entered into operating leases on its vessels. These leases have terms of between 5 and 20 years, reference made to disaggregation of time charter revenues disclosed in Note 4. Lease revenues recognized by the group during 2019 was USD 206 million (USD 189 million in 2018). Future minimum payment receivables under non-cancellable operating leases as at 31 December 2019 were as follows:

EXPECTED FUTURE LEASE REVENUES (UNDISCOUNTED)

2019

USD'000	< 1 year	1 to 5 years	> 5 years	Total
TOTAL	**188 872**	**556 850**	**693 103**	**1 438 825**

Note 16: Interest-bearing debt

The tables below present Höegh LNG's carrying amount of interest-bearing debt by non-current and current portions, and the maturity schedule for the total interest-bearing debt.

INTEREST-BEARING DEBT AT 31 DECEMBER 2019

USD'000	Note	Non-current	Current	Total
Independence facility		83 783	76 293	160 077
PGN FSRU Lampung facility		97 960	19 062	117 022
Höegh Esperenza facility		165 625	12 500	178 125
Höegh Giant facility		146 127	12 707	158 833
Höegh Gannet facility		152 917	11 042	163 958
Bond debt		170 837	130 000	300 837
USD 385 million facility[1]		323 505	25 597	349 102
Höegh Galleon facility		168 984	9 012	177 996
Debt issuance cost		(24 283)	-	(24 283)
TOTAL INTEREST BEARING DEBT EXCLUDING LEASE LIABILITIES		**1 285 454**	**296 213**	**1 581 667**
Lease Liabilities	15	162 169	34 764	196 933
TOTAL INTEREST BEARING DEBT INCLUDING LEASE LIABILITIES		**1 447 623**	**330 977**	**1 778 600**

[1] The refinancing of the USD 412 million facility was completed 31 January 2019 and total interest-bearing debt for Höegh Gallant and Höegh Grace is therefore presented as current liability per 31 December 2018. Refer to Note 19 disclosing more information on the refinancing.

In January 2019 Höegh LNG Partners drew USD 320 million under the USD 385 million debt facility to refinance Höegh Gallant and Höegh Grace. The outstanding amount of USD 303.4 million under the previous USD 412 million facility was fully repaid with proceeds from the new financing. The USD 385 million facility also includes a revolving credit facility ("RCF") of up to USD 63 million, which may be drawn from time to time at the partnership's discretion. As of 31 December 2019, USD 48 million of this RCF was drawn.

In August 2019, Höegh LNG drew USD 180 million under the sale and leaseback financing for Höegh Galleon upon delivery of the FSRU from the yard.

INTEREST-BEARING DEBT AT 31 DECEMBER 2018

USD'000	Non-current	Current	Total
Independence facility	160 077	15 248	175 325
PGN FSRU Lampung facility	117 022	19 062	136 084
Höegh Esperenza facility	178 125	12 500	190 625
Höegh Giant facility	158 833	12 707	171 540
Höegh Gannet facility	163 958	11 042	175 000
Bond debt	302 642	-	302 642
Höegh Gallant facility	-	140 597	140 597
Höegh Grace facility	-	163 563	163 563
Debt issuance cost	(21 151)	(1 036)	(22 187)
TOTAL INTEREST BEARING DEBT EXCLUDING LEASE LIABILITIES	**1 059 506**	**373 682**	**1 433 188**

MATURITY SCHEDULE, INTEREST-BEARING DEBT AT 31 DECEMBER 2019

USD'000	Currency	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	USD	76 293	15 248	15 248	15 248	38 039	160 077
PGN FSRU Lampung facility	USD	19 062	33 522	14 886	14 886	34 665	117 022
Höegh Esperanza facility	USD	12 500	12 500	12 500	62 500	78 125	178 125
Höegh Giant facility	USD	12 707	12 707	133 420	-	-	158 833
Höegh Gannet facility	USD	11 042	11 042	11 042	56 042	74 792	163 958
Bond debt	USD	130 000	-	170 837	-	-	300 837
USD 385 million facility	USD	25 597	25 597	25 597	25 597	246 713	349 102
Höegh Galleon facility	USD	9 012	9 012	9 012	9 012	141 946	177 996
INTEREST-BEARING DEBT OUTSTANDING		**296 213**	**119 628**	**392 543**	**183 286**	**614 280**	**1 605 950**
Debt issuance cost							(24 283)
TOTAL INTEREST-BEARING DEBT EXCLUDING LEASE LIABILITIES		**296 213**	**119 628**	**392 543**	**183 286**	**614 280**	**1 581 668**
Lease liabilities		34 764	32 695	31 072	29 581	68 822	196 933
TOTAL INTEREST-BEARING DEBT INCLUDING LEASE LIABILITIES		**330 977**	**152 323**	**423 614**	**212 866**	**683 102**	**1 778 600**

NET INTEREST-BEARING DEBT AT 31 DECEMBER 2019

USD'000	Note	31 Dec 2019	31 Dec 2018
Interest-bearing debt including lease liabilities, current and non-current		(1 778 600)	(1 433 188)
Restricted cash, non-current	14	17 428	17 925
Cash and cash equivalents including restricted current cash and marketable securities	14	195 205	164 477
NET INTEREST-BEARING DEBT		**(1 565 967)**	**(1 250 786)**

INTEREST- BEARING DEBT IN THE CONSOLIDATED ENTITIES AT 31 DECEMBER 2019

USD'000	**Independence**	**PGN FSRU Lampung**	**Höegh Gallant/ Höegh Grace**	**Höegh Giant**	**Höegh Esperanza**	**Höegh Gannet**	**Höegh Galleon**
Drawdown date	08.05.2014	17.04.2014	31.01.2019	26.04.2017	05.04.2018	06.12.2018	27.08.2019
Original amount drawn under the facility	242 000	225 000	383 000	190 600	200 000	175 000	180 250
Type of Financing	ECA/ commercial banks	ECA/ commercial banks	ECA/ commercial banks	Commercial Banks	ECA/ commercial banks	ECA/ commercial banks	SLB
Blended Tenor on the debt (years)	10	11	7	5	10	10	12
Blended profile on the debt (years)	16	12	15	15	16	16	20
Blended fixed all-in-rate	5.20 %	5.90 %	4.80 %	3.70 %	4.00 %	5.00 %	5.70 %

INTEREST-BEARING DEBT IN JOINT VENTURE COMPANIES AT 31 DECEMBER 2019

USD'000	**Arctic Lady**	**Arctic Princess**	**Neptune**	**Cape Ann**
Drawdown date	12.04.2006	13.01.2006	30.11.2009	01.06.2010
Original amount drawn under the facility	195 508	196 361	297 000	300 000
Type of Financing	SLB	SLB	Commercial Banks	Commercial Banks
Blended Tenor on the debt (years)	25	25	12	12
Blended profile on the debt (years)	25	25	20	20
Blended fixed all-in-rate	5.11%	5.39%	5.90%	5.90%

Debt and lease restrictions

Existing credit facilities impose restrictions, which may limit or prohibit Höegh LNG's ability to incur indebtedness, create liens, sell shares in subsidiaries, pay dividends, engage in mergers and acquisitions, or purchase and sell vessels without the consent of the lenders. In addition, lenders may accelerate the maturity of the indebtedness under financing agreements and foreclose upon the collateral securing the indebtedness upon the occurrence of certain events of default, including a failure to comply with any of the covenants contained in the financing agreements. Financial covenants requires that Höegh LNG maintain a minimum equity (adjusted for mark-to-market of hedging reserves) of USD 200 million, a minimum equity ratio (adjusted for mark-to-market of hedging reserves) of 25%, which is increased to 27.5% when dividend is paid, and a minimum free cash position being the higher of USD 35 million and 5% of funded indebtedness. HMLP must maintain a minimum equity (adjusted for mark-to-market of hedging reserves) of USD 150 million, a minimum equity ratio (adjusted for mark-to-market of hedging reserves) of 25% and a minimum free cash position being the higher of USD 15 million or USD 2.5 million per vessel, subject to a cap of USD 20 million. Most credit facilities include project covenants which require positive working capital and minimum debt service coverage ratios. Furthermore, certain debt agreements contain a change of control provision being triggered should the Höegh family cease to own (directly or indirectly) at least 20% of the shares, and/or cease to be the largest shareholder, in Höegh LNG Holdings Ltd.

Höegh LNG was in compliance with all its covenants for the year ended 31 December 2019. See Note 13 disclosing the refinancing subsequent to year ended 31 December 2019.

Note 17: Interest expenses

USD'000	Note	2019	2018
Interest expenses (mortgage debt)		63 948	51 044
Interest expenses (bonds)		19 595	10 325
Interest expenses (leases)	15	10 183	-
Other interest expenses		13	7
TOTAL		**93 739**	**61 376**

Interest costs on bonds of USD 4.2 million was in 2019 capitalised as part of the construction of FSRU#10/ Höegh Galleon (USD 13.3 million was capitalized in 2018).

Note 18: Expenses from other financial items

USD'000	Note	2019	2018
Income from other financial items			
Currency gain		1 247	-
Ineffectiveness hedges	13	-	549
Gain on marketable securities		15	752
INCOME FROM OTHER FINANCIAL ELEMENTS - GROSS		**1 262**	**1 301**
Expenses from other financial items			
Currency loss		(1 002)	(1 286)
Withholding taxes		(3 027)	(2 673)
Ineffectiveness interest rate hedges	13	(1 267)	-
Guarantee- and other fees		(371)	(1 544)
EXPENSES FROM OTHER FINANCIAL ELEMENTS - GROSS		**(5 667)**	**(5 503)**
INCOME (EXPENSES) FROM OTHER FINANCIAL ELEMENTS - NET		**(4 405)**	**(4 202)**

Note 19: Commitments and guarantees

The group has provided a customary security package (ship mortgage, account pledge, assignment of agreement etc.) under each credit facility, which are also in place for the SRV facility agreements. The company has also guaranteed all existing swap agreements except the interest rate swaps related to the PGN FSRU Lampung financing.

Höegh Galleon

An up to USD 206 million sale and leaseback debt facility for the financing of Höegh Galleon was entered into on 6 June 2019, under which USD 180 million was drawn when the vessel was delivered from yard in 27 August 2019. The company has provided a corporate guarantee for the credit facility.

Höegh Gannet

An USD 200 million senior secured credit facility agreement for the financing of Höegh Gannet was entered into on 14 October 2018, under which USD 175 million drawn at delivery of the vessel from yard in December 2018. The company has provided a corporate guarantee for the credit facility.

Höegh Esperanza

A USD 230 million senior secured credit facility agreement for the financing of Höegh Esperanza was entered into on 13 November 2017, under which USD 200 million was drawn when the vessel was delivered from yard in April 2018. The company has provided a corporate guarantee for the credit facility.

Höegh Giant

An USD 223 million senior secured credit facility for the financing of Höegh Giant was entered into on 21 March 2016, under which USD 190.6 million was drawn when the vessel was delivered in April 2017. The company has provided a corporate guarantee for the credit facility.

Independence

In November 2012, Höegh LNG Ltd. (as borrower) entered into a USD 250 million facility agreement fully guaranteed by the company under which USD 242 million was drawn when the vessel was delivered in May 2014. Höegh LNG Ltd. has guaranteed the obligations of Höegh LNG Klaipeda UAB under the charter with the customer, Klaipedos Nafta.

Höegh Grace and Höegh Gallant (owned by HMLP)

HMLP refinanced the debt on Höegh Grace and Höegh Gallant on 31 January 2019 under a USD 385 million senior secured credit facility. HMLP made an initial draw-down of USD 320 million and in August 2019, made a drawdown of USD 48 million under the USD 63 million revolving credit facility tranche available under the facility. HMLP has provided a corporate guarantee for the credit facility and further guaranteed the obligations of its subsidiaries under the agreements entered into with the charterer, Sociedad Portuaria El Cayao S.A.

Höegh LNG Ltd. has guaranteed the payment of hire by Höegh LNG Egypt LLC to HMLP, to the extent Höegh LNG Egypt LLC is unable to draw under the established bank guarantee and for certain limited force majeure events. As a subsequent event, HMLP on 26 February 2020, declared its option to lease the vessel back to Höegh LNG Ltd. for five years at a rate equal to 90% of the rate payable pursuant to the current charter rate, plus any incremental taxes or operating expenses as a result of such charter.

PGN FSRU Lampung (owned by HMLP)

The company has subsequent to the sale of the PGN project to HMLP in August 2014, continued to be responsible for certain guarantees in relation to the USD 299 million facility agreement for the financing of PGN

FSRU Lampung with Hoegh LNG Lampung Pte. Ltd. including: (i) the balloon repayment instalment plus any accrued interest thereon; and (ii) the required credit balance on the debt service reserve account. Further, the company is obligated to issue a guarantee in respect of outstanding debt (less insurance proceeds for vessel force majeure if relevant) if the lease, operation and maintenance agreement is terminated due to an event of vessel force majeure and in addition an agreement with the charterer for the acquisition of 50% of the FSRU has not been reached within a certain period. The company has guaranteed the obligations of PT Hoegh LNG Lampung under the lease, operation and maintenance agreement with the customer, PT PGN LNG Indonesia.

Neptune FSRUs (owned by HMLP)

SRV Joint Gas Ltd. and SRV Joint Gas Two Ltd. (together the “SRV JG companies”) are accounted for according to the equity method, see Note 20. Under the loan agreements for the financing of Neptune and Cape Ann, the company remains the guarantor for 50% for any dry-docking costs and remarketing efforts in case of an early termination of each of the TCPs for the two FSRUs entered into by the respective SRV JG companies.

Höegh LNG Ltd. also continues as guarantor under a performance and payment guarantee for the SRV JG companies’ obligations under the respective TCPs, pro-rata for each shareholder (i.e. 50%).

Arctic Princess and Arctic Lady

The two LNGCs, Arctic Princess and Arctic Lady, are leased to the joint venture companies Joint Gas Ltd. and Joint Gas Two Ltd. (collectively referred to as ”JVs”) in which Höegh LNG has a 33.98% and 50.00% ownership, respectively (see Note 20). The LNGCs are further bareboat chartered to Leif Höegh (U.K.) Limited, a wholly owned subsidiary of Höegh LNG Ltd..The Arctic Lady lessor completed its contractual right to perform a credit/security review as per 12 April 2016 (10 years after delivery) and required additional security in the form of a USD 20 million letter of credit (100% basis). The letter of credit was initially issued in April 2017 and will be renewed on a yearly basis until 12 April 2026.

Pursuant to the lease agreements, the JVs, as lessees, bear the normal risks in relation to the leasing structure itself, including the lessors’ claims for capital allowances, changes in the applicable capital allowance rate and the corporate tax rate in the UK.

Höegh LNG Ltd. has guaranteed pro-rata according to its shareholding severally with the JV partners for payment obligations under the lease agreements entered into by the JVs, respectively (lease agreements, time charter agreements and interest rate swap agreements). The said guarantees are counter-guaranteed by the company. In addition, the shares in the JVs have been pledged in favour of the lessors and all rights to the derivative assets in the JVs have been assigned by the joint venture partners to the lessor. Höegh LNG Ltd. has also granted a performance undertaking in favour of the lessor for the performance of Leif Höegh (U.K.) Limited under the leases and a pro-rata Quiet Enjoyment Guarantee in favour of the time charterer for the JVs performance under a Quiet Enjoyment Letter entered into with the lessor and the time charterer.

Höegh LNG Partners LP – indemnifications

In connection with the sale of assets to HMLP, the company has agreed to indemnify HMLP against certain losses for the periods prior to the closing date related to the title of the transferred assets, the commercial and financial agreements and vessel operation, the latter being i.e. against certain environmental and toxic tort liabilities (claims must be submitted within five years following the closing date and for HMLP IPO fleet it is an aggregate cap of USD 5 million). In addition, the company has agreed to indemnify HMLP against all federal, state, foreign and local income tax liabilities attributable to the operation of the contributed assets prior to the respective closing date. The company has agreed to indemnify HMLP against specific losses related to the

PGN Project also after the closing date, as the project was transferred to HMLP before commencing operation under its commercial agreement (charter). Lastly, in relation to the boil-off claim regarding Neptune and Cape Ann, the company has agreed to indemnify HMLP against for its share of the cash impact of the settlement, the arbitration costs and any legal expenses, any necessary technical modifications of the vessels and any prospective boil-off claims or other direct impacts of the settlement agreements. See also above regarding Höegh Grace, Höegh Gallant and PGN FSRU Lampung.

Avenir LNG Limited
Höegh LNG has made an investment commitment to Avenir LNG for up to USD 45.5 million. Following the private placement conducted by Avenir in November 2018, this amount has been reduced to USD 42.75 million, of which USD 18 million is outstanding and expected to fall due in 2020. In April 2019, the company issued a guarantee of USD 11.7 million in connection with a shipbuilding contract signed by Avenir. In addition, the main shareholders of Avenir have issued guarantees/counter-guarantees related to shipbuilding contracts signed by Avenir. These guarantees are for an original total amount of approximately USD 120 million (plus change orders and interests), for which the company would be liable on a joint and several basis. The three main shareholders have entered into counter-indemnity agreements for the said guarantee obligations, so that the company's net liability for a claim would be equal to its pro rata shareholding in Avenir at the time of any claim being raised. Lastly, the main shareholders of Avenir have issued non-binding letters of comfort related to the final payment instalments under shipbuilding contracts signed by Avenir.

Office lease
Höegh LNG Ltd. has guaranteed payment of up to six months' office lease for the premises in Drammensveien 134, 0277 Oslo, Norway.

Currency swaps
To hedge its near-term exposure to NOK, the company has bought NOK and sold USD forward on a monthly basis during 2020 at an amount equal to the budgeted NOK denominated administration expenses.

Note 20: Investments in joint ventures, associates and subsidiaries

Höegh LNG had ownership in four joint ventures and one associate at year-end 2019, all accounted for according to the equity method. The associate and joint ventures have share capital consisting solely of ordinary shares.

JOINT VENTURES AND ASSOCIATES IN HÖEGH LNG

Company	Registered office	Country	Principal activity	Ownership in % 31 Dec 2019	31 Dec 2018
Joint Gas Ltd.	Georgetown	Cayman Islands	Shipowning	33.98	33.98
Joint Gas Two Ltd.	Georgetown	Cayman Islands	Shipowning	50.00	50.00
SRV Joint Gas Ltd.	Georgetown	Cayman Islands	Shipowning	50.00	50.00
SRV Joint Gas Two Ltd.	Georgetown	Cayman Islands	Shipowning	50.00	50.00
Avenir LNG Limited	Hamilton	Bermuda	Shipowning	22.80	22.50

Joint Gas Ltd. is leasing Arctic Princess under a 25 years financial lease agreement. Joint Gas Two Ltd. is leasing Arctic Lady under a 25 years financial lease agreement. Reference is made to Note 19 for further information. SRV Joint Gas Ltd. and SRV Joint Gas Two Ltd. own and operate the FSRUs Neptune and Cape Ann, both leased to Total Gas & Power Ltd.

The associate, Avenir LNG Limited, has four small-scale LNG carriers currently under construction at Keppel Sing marine in Nantong, China, and the LNG terminal and distribution facility under development in the Italian port of Oristano, Sardinia. Avenir LNG Limited plans to source and ship LNG to the terminal using small LNG carriers, and distribute the LNG in trucks and through regasification into the local gas grid.

CHANGE IN CARRYING VALUE OF JOINT VENTURES AND ASSOCIATES DURING THE YEAR

USD'000	2019	2018
At 1 January	16 406	(35 159)
Share of profit	15 074	13 966
Other comprehensive income	(7 496)	12 849
Investment in Avenir LNG Limited	375	24 750
AT 31 DECEMBER	**24 359**	**16 406**
Included in non-current assets	29 574	25 486
Included in non-current liabilities	(5 215)	(9 080)

The negative balances to the investments in two of the group's joint ventures are mainly due to the negative mark-to-market valuations of interest rate derivatives in these entities. The joint venture companies, except for Avenir LNG Limited, are privately owned and there are no quoted market prices available for the shares.

CONDENSED STATEMENT OF COMPREHENSEIVE INCOME FOR THE GROUP'S JOINT VENTURES AND ASSOCIATES

	Joint Gas Ltd.		Joint Gas Two Ltd.		SRV Joint Gas Ltd.		SRV Joint Gas Two Ltd.		Avenir LNG Limited	
USD'000	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Time charter revenues	17 810	17 812	17 510	17 520	43 548	44 516	41 318	41 829	-	-
Operating expenses	(107)	(81)	(105)	(77)	(9 798)	(9 533)	(8 440)	(12 331)	(7 953)	(894)
EBITDA	**17 703**	**17 730**	**17 405**	**17 443**	**33 749**	**34 983**	**32 878**	**29 499**	**(7 953)**	**(894)**
Depreciation	(6 085)	(6 085)	(6 058)	(6 058)	(12 639)	(13 201)	(12 091)	(11 123)	-	-
Interest income	248	(0)	248	(5)	427	286	406	262	-	(0)
Interest expenses	(5 413)	(6 686)	(5 700)	(6 164)	(12 309)	(13 186)	(12 632)	(13 456)	-	-
PROFIT FOR THE YEAR	**6 452**	**4 960**	**5 894**	**5 215**	**9 229**	**8 881**	**8 560**	**5 181**	**(7 953)**	**(894)**
Other comprehensive income	(2 329)	5 314	(2 713)	5 093	(4 895)	8 325	(5 523)	8 667	(414)	-
TOTAL COMPRE-HENSIVE INCOME	**4 124**	**10 274**	**3 180**	**10 309**	**4 334**	**17 207**	**3 037**	**13 849**	**(8 368)**	**(894)**

The information above reflects the amounts presented in the financial statements of the joint ventures and not Höegh LNG's share of those amounts.

CONDENSED STATEMENT OF FINANCIAL POSITION AT YEAR-END FOR THE GROUP'S JOINT VENTURES AND ASSOCIATES

	Joint Gas Ltd.		Joint Gas Two Ltd.		SRV Joint Gas Ltd.		SRV Joint Gas Two Ltd.		Avenir LNG Limited	
USD'000	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Assets										
Cash and cash equivalents	18 319	17 128	22 329	17 998	16 369	10 543	1 529	2 405	21 237	73 570
Other current assets	4	3	91	57	4 840	4 506	4 692	6 242	5 228	5 021
TOTAL CURRENT ASSETS	**18 323**	**17 131**	**22 420**	**18 055**	**21 208**	**15 049**	**6 220**	**8 647**	**26 465**	**78 591**
Vessel/Right-of-use assets	111 157	117 242	112 229	118 287	254 347	265 158	248 507	260 164	-	-
Other non-current assets	-	-	-	-	12 642	12 456	22 008	13 185	83 462	31 381
TOTAL NON-CURRENT ASSETS	**111 157**	**117 242**	**112 229**	**118 287**	**266 988**	**277 614**	**270 515**	**273 350**	**83 462**	**31 381**
TOTAL ASSETS	**129 480**	**134 373**	**134 648**	**136 342**	**288 197**	**292 663**	**276 735**	**281 997**	**109 927**	**109 972**
Liabilities										
TOTAL CURRENT LIABILITIES	**11 571**	**11 524**	**11 442**	**10 722**	**44 377**	**40 999**	**33 994**	**31 987**	**8 454**	**1 760**
Non-current interest-bearing debt	111 874	122 782	115 249	123 132	190 122	203 733	193 413	207 208	735	-
Other non-current liabilities	25 593	23 749	19 070	16 781	51 462	50 030	48 531	45 042	-	-
TOTAL NON-CURRENT LIABILITIES	**137 467**	**146 531**	**134 319**	**139 913**	**241 585**	**253 763**	**241 944**	**252 250**	**735**	**-**
TOTAL LIABILITIES	**149 038**	**158 055**	**145 762**	**150 636**	**285 962**	**294 761**	**275 938**	**284 237**	**9 189**	**1 760**
Net assets	**(19 558)**	**(23 682)**	**(11 113)**	**(14 294)**	**2 235**	**(2 098)**	**797**	**(2 240)**	**100 738**	**108 212**

CONDENSED STATEMENT OF FINANCIAL POSITION AT YEAR-END FOR THE GROUP'S JOINT VENTURES AND ASSOCIATES

	Joint Gas Ltd.		Joint Gas Two Ltd.		SRV Joint Gas Ltd.		SRV Joint Gas Two Ltd.		Avenir LNG Limited	
USD'000	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
NET ASSET AT 1 JANUARY	**(23 682)**	**(33 956)**	**(14 294)**	**(24 603)**	**(2 098)**	**(19 305)**	**(2 239)**	**(16 088)**	**(894)**	**-**
Profit (loss) for the period	6 452	4 960	5 894	5 215	9 229	8 881	8 560	5 181	(7 953)	(894)
Other comprehensive income	(2 329)	5 314	(2 713)	5 093	(4 895)	8 325	(5 523)	8 667	(414)	-
NET ASSET AT 31 DECEMBER	**(19 558)**	**(23 682)**	**(11 114)**	**(14 294)**	**2 235**	**(2 098)**	**798**	**(2 239)**	**(9 262)**	**(894)**
Interest in joint venture	33.98 %	33.98 %	50%	50%	50%	50%	50%	50%	22.8%	22.8%
Group adjustment vessel values	2 849	2 493	4 144	3 627	2 962	1 934	2 109	1 172	-	-
CARRYING VALUE	**(3 797)**	**(5 554)**	**(1 413)**	**(3 520)**	**4 079**	**885**	**2 508**	**53**	**(2 112)**	**(204)**

The negative fair values of the cash flow hedges in Höegh LNG's joint ventures are all recorded as part of the investments in the joint ventures, which results in two of the investments being net liabilities.

SUBSIDIARIES AT 31 DECEMBER 2019

Company	Country	Principal activity	Proportion of ordinary shares held by parent	Proportion of ordinary shares held by the group	Proportion of ordinary shares held by the NCI
Höegh LNG Ltd.	Bermuda	Holding	100		
Höegh LNG AS	Norway	Management		100	
- Höegh LNG AS: Shanghai Representative Office					
Höegh LNG Fleet Management AS	Norway	Ship management		100	
- Höegh LNG Fleet Management AS: UK branch					
Höegh LNG Services AS	Norway	Management		100	
- Höegh LNG Services AS: Höegh LNG Sevices ROHQ Regional office in Manila					
Leif Höegh (U.K.) Limited	England	Ship management		100	
Hoegh LNG Asia Pte. Ltd.	Singapore	Business development		100	
Hoegh LNG Shipping Services Pte. Ltd.	Singapore	Ship management		100	
Hoegh LNG Maritime Management Pte. Ltd.	Singapore	Ship management		100	
Port Dolphin Energy LLC	USA	Dormant		100	
Port Dolphin Holding Company, LLC	USA	Dormant		100	
Höegh FLNG Ltd.	Bermuda	Dormant	100		
Hoegh LNG Giant Ltd.	Cayman Islands	Shipowning		100	
Hoegh LNG Klaipeda Pte. Ltd.	Singapore	Shipowning		100	
Hoegh LNG Gannet Pte. Ltd.	Singapore	Shipowning		100	
Hoegh LNG Galleon Ltd.	Bermuda	Shipowning		100	
Hoegh LNG Klaipeda, UAB	Lithuania	Ship operation		100	
Höegh LNG Egypt LCC	Egypt	Ship operation		100	
Höegh LNG Egypt Holding I Ltd.	Cayman Islands	Holding		100	
Höegh LNG Egypt Holding II Ltd.	Cayman Islands	Holding		100	
Höegh LNG GP LLC	Marshall Islands	General partner	100		
Höegh LNG Chile Holding Ltd.	Cayman Islands	Holding		100	
Höegh LNG FSRU VI Ltd.	Cayman Islands	Shipowning		100	
Hoegh LNG Klaipeda LLC	Marshall Islands	Dormant		100	
Hoegh LNG Pakistan Holding Pte. Ltd.	Singapore	Dormant		100	
Hoegh LNG Pakistan Terminal Pte. Ltd.	Singapore	Dormant		100	
Höegh LNG Partners LP [1]	Marshall Islands	Holding	45.84 %		54.16%

[1] HMLP is a partnership incorporated in the Marshall Islands and listed at the New York Stock Exchange in the US. The partnership agreement limits the voting power of an individual common unit holder to a maximum of 4.9% for election to the Board. Subordinated unit holders have no right to appoint or elect Board members. Common unit holders have the right to elect four members of the Board while the General Partner, an entity controlled by the company, has the right to appoint the remaining three members of the Board.

COMPANIES IN HMLP AS AT 31 DECEMBER 2019

Company	Country	Principal activity	Proportion of ordinary shares held by parent
Höegh LNG Partners LP	Marshall Islands	Parent company/holding	
Subsidiaries			
Höegh LNG Partners Operating LLC	Marshall Islands	Holding	100
Höegh LNG Services Ltd.	England	Dormant	100
Hoegh LNG Lampung Pte. Ltd.	Singapore	Holding	100
PT Hoegh LNG Lampung [2]	Indonesia	Shipowning	49
Hoegh LNG Cyprus Limited	Cyprus	Shipowning	100
Hoegh LNG Cyprus Limited - Egypt branch		Shipowning	100
Höegh LNG Colombia Holding Ltd.	Cayman Islands	Holding	100
Höegh LNG Colombia S.A.S.	Colombia	Ship Operation	100
Höegh LNG FSRU IV Ltd.	Cayman Islands	Shipowning	100
Joint ventures			
SRV Joint Gas Ltd.	Cayman Islands	Shipowning	50
SRV Joint Gas Two Ltd.	Cayman Islands	Shipowning	50

[2] Höegh LNG consolidates PT Hoegh LNG Lampung as it controls all the economic interest in the company.

All subsidiary undertakings are included in the consolidated financial statements. Other than the subsidiaries described above, the proportion of the voting rights in subsidiary undertakings held directly by Höegh LNG do not differ from the proportion of ordinary shares held.

Summarised financial information on subsidiaries with material non-controlling interests
On 12 August 2014, HMLP closed its initial public offering (IPO) and sold 11 040 000 common units representing limited partner interests in the partnership, which were listed on the New York Stock Exchange. The net proceeds from the IPO were USD 203.5 million. Following the IPO, Höegh LNG's ownership in the partnership was reduced from 100% to 58.04%.

In December 2016 HMLP issued 6 588 389 new common units. The company did not participate in the equity offering and its ownership share in HMLP was consequently reduced from 58.04% to 46.39%.

On 5 October 2017 HMLP issued 4 600 000 preferred units, including exercise of underwriters' option of 600 000 units in a public offering. The preferred units represent a perpetual interest in the partnership and ranks before both common and subordinated units. From February through November 2018, HMLP has issued 1 529 070 preferred units as dividend under the ATM program, bringing the total to 6 129 070 preferred units per 31 December 2018. From March through December 2019, HMLP has issued 496 520 preferred units, bringing the total to 6 625 590 units per 31 December 2019. Net proceeds from the issuance of preferred units amounted to USD 13.1 million in 2019 (USD 38.7 million in 2018) and increased the equity for the group (non-controlling interests).

The distribution of the preferred units is fixed at 8.75% per annum based on a cost of USD 25 per unit, payable on a quarterly basis (15 February, 15 May, 15 August and 15 November). The preferred units represent an equity instrument. The fundamental characteristics of the preferred units are not considered to be a financial liability. The preferred units do not provide for a redemption on a specific date and the preferred units do not satisfy the definition of a financial liability. The substance of the contractual arrangements for the preferred units is in substance an equity instrument. The preferred units do not have any voting rights but have been granted a right to appoint one of the general partners appointed members of the Board of Directors in the event dividend is in arrears by an amount equal to six quarterly payments. The rights are protective in nature and is contingent on HMLP failing to pay distributions to the preferred unit holders, payments that takes priority to all other distributions. As such we do not consider those rights as being substantive as of now. Consequently, no change in the control assessment with regards to consolidation of the HMLP into the group accounts of Höegh LNG Holdings Ltd.

The preferred units are entitled to a share of the HMLP's result, capped at 8.75% of the cost of a unit, USD 25, per year. The cumulative preferred units shall be allocated their share of profit before further allocations are made, equal to the dividend and irrespective of HMLP's profit.

According to IFRS 10, the assessment of control must be performed on a continuous basis. For the year ended 31 December 2014, following the election of four members of the Board, Management made an assessment over the control of the partnership. The assessment evaluated all facts and circumstances, including the composition of the board of HMLP, the rights of unitholders and other arrangements and relationships between the parties. Based on an overall assessment of all facts and circumstances, Management concluded that the company had de facto control of HMLP even though it did not have a majority of the voting rights. Management's assessment was based on the combination of factors where the current composition of the Board of Directors of HMLP was an important element in the overall conclusion. Management have reassessed the conclusion in 2019. The issuance of the preferred units has been deemed not to have any impact on the conclusion. It has been concluded that Höegh LNG has de-facto control over HMLP also after the issuance of preferred units.

The summarised financial statements of HMLP prepared in accordance with IFRS are presented below. The tables include transactions and balances towards other companies within Höegh LNG. The figures are not directly comparable with the consolidated financial statements for HMLP sub-group, as these are based on US GAAP and for certain assets and liabilities have deviating acquisition dates.

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) and 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 because of such charter. The option was declared by HMLP 26 February 2020, and the goup has made a provision for the net present value of the obligation (net of estimated future TC hire) as a long-term liability in the statutory accounts of Höegh LNG Ltd. Transfer of assets, generally, do not, impact the allocation of profit between non-controlling interest and the equity holders of the company in the consolidated accounts. The non-controlling interests share of the obligation, totalling USD 34.3 million per 31 December 2019, have been reflected separately in the consolidated statement of changes in equity.

HÖEGH LNG PARTNERS' CONSOLIDATED, CONDENSED STATEMENT OF INCOME

USD'000	2019	2018
Time charter revenues	105 293	103 750
Profit for the year	59 636	64 442
Other comprehensive income	(17 078)	11 856
Total comprehensive income	**42 558**	**76 298**
Attributable to NCI	28 480	46 030
Dividends paid to NCI	45 354	44 318

HÖEGH LNG PARTNERS' CONSOLIDATED, CONDENSED STATEMENT OF FINANCIAL POSITION

USD'000	31 Dec 2019	31 Dec 2018
ASSETS		
Cash and cash equivalents	39 209	26 360
Restricted cash	8 066	6 003
Other current assets	8 110	11 609
Total current assets	**55 384**	**43 972**
FSRUs	779 560	801 350
Investments in joint ventures	6 587	937
Other non-current assets	20 802	21 523
Total non-current assets	**806 950**	**823 810**
TOTAL ASSETS	**862 334**	**867 782**
LIABILITIES		
Total current liabilities	**65 450**	**336 640**
Long term interest-bearing debt	412 315	111 224
Investments in joint ventures	-	-
Other non-current liabilites	33 553	52 348
Total non-current liabilities	**445 868**	**163 572**
TOTAL LIABILITIES	**511 318**	**500 212**
NET ASSETS	**351 016**	**367 570**
Attributable to non-controlling interest	**299 760**	**286 667**

Note 21: Shares and share capital

NUMBER OF SHARES

	Par value (USD)	31 Dec 2019	31 Dec 2018
Ordinary shares authorized	0.01	150 000 000	150 000 000
TOTAL NUMBER OF SHARES ISSUED AND FULLY PAID	**0.01**	**77 260 580**	**77 260 580**

SHARE CAPITAL

	Number of shares	Par value (USD)	Total (USD '000)
Shares and share capital at 1 January 2019	77 260 580	0.01	773
SHARES AND SHARE CAPITAL AT 31 DECEMBER 2019	**77 260 580**	**0.01**	**773**

TREASURY SHARES

	Number of shares	Par value (USD)	Total (USD '000)
Höegh LNG Holdings Ltd ownership	1 056 553	0.01	11
TREASURY SHARES AND SHARE CAPITAL AT 31 DECEMBER 2019	**1 056 553**		**11**

20 LARGEST SHAREHOLDERS AS AT 31 DECEMBER 2019

	Note	Ownership Number of shares	Ownership In %
Leif Höegh & co Ltd.	31	37 765 654	48.88 %
Citibank Europe plc		4 810 677	6.23 %
VERDIPAPIRFONDET DNB NORGE		3 163 667	4.09 %
Citibank Europe plc		3 160 470	4.09 %
HSBC TRINKAUS & BURKHARDT AG		2 814 720	3.64 %
BNP Paribas Securities Services		2 260 115	2.93 %
Brown Brothers Harriman (Lux.) SCA		2 140 863	2.77 %
HÖEGH LNG HOLDINGS Ltd.		1 056 553	1.37 %
UBS AG		984 430	1.27 %
Pictet & Cie (Europe) S.A.		799 055	1.03 %
BNP Paribas Securities Services		694 387	0.90 %
JPMorgan Chase Bank, N.A., London		623 579	0.81 %
State Street Bank and Trust Comp		586 290	0.76 %
State Street Bank and Trust Comp		525 749	0.68 %
SKATTUM INVEST AS		452 500	0.59 %
Skandinaviska Enskilda Banken AB		407 763	0.53 %
Citibank Europe plc		315 491	0.41 %
Citibank, N.A.		294 761	0.38 %
FRATERNITAS A/S		277 000	0.36 %
Goldman Sachs International		271 307	0.35 %
Other		13 855 549	17.93 %
TOTAL		**77 260 580**	**100.00 %**

Note 22: Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the profit for the year attributable to the ordinary equity holders of the company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. In the event of a loss, no dilution effect is calculated.

The company held 1 056 533 treasury shares as at 31 December in 2019 (1 211 738 shares in 2018). The following reflects the income and share data used in the computations of basic and diluted earnings per share:

	2019	2018
Net profit (loss) attributable to equity holders of the parent company	(29 651)	32 364
Number of outstanding shares 1 January	76 048 842	76 033 008
Number of outstanding shares 31 December	76 204 027	76 048 842
Average share options outstanding (if profit)	-	1 956 938
Weighted average number of outstanding shares	76 183 081	76 106 497
Earnings per share		
Basic, profit (loss) for the year attributable to ordinary equity holders of the parent (USD'1)	(0.39)	0.43
Diluted, profit for the year attributable to ordinary equity holders of the parent (USD'1)	(0.39)	0.41

Note 23: Share based payment

Stock options in Höegh LNG Holdings Ltd.

In 2012, the company introduced a share option programme, where share options of the company are granted to members of the group management and key employees of Höegh LNG. The share options vest in three equal portions over a three-year period from the initial date of granting. The share options can be exercised up to one year after the end of the total vesting period. Options outstanding at 31 December 2019 expire on 31 December 2022 at the latest.

OUTSTANDING STOCK OPTIONS

	Average exercise price	2019	2018
Outstanding at 1 January		2 008 749	1 905 126
Granted during the year		50 940	1 471 600
Exercised during the year		-	(1 165 002)
Forfeited during the year		(111 912)	(169 975)
Expired during the year		-	(33 000)
OUTSTANDING AT 31 DECEMBER	**NOK 59.67**	**1 947 777**	**2 008 749**
Exercisable at 31 December		1 095 432	252 808

For 2019, the expense recognised for employee services received during the year charged to the income statement is USD 1.6 million (USD 1.6 million in 2018) See Note 7. This includes the phantom units as described below.

The fair value of the share options is estimated at the grant date using a Black & Scholes simulation pricing model, considering the terms and conditions upon which the share options were granted. The parameters presented below were used as input to the shares granted in 2019.

THE FOLLOWING TABLE LIST THE INPUTS TO THE MODELS USED FOR THE PLAN FOR THE YEARS ENDED 31 DECEMBER:

	2019
Dividend yield (%):	0.00
Expected volatility (%) :	33.93
Risk–free interest rate (%) :	1.27
Expected life of share options (years):	3.12
Weighted average share price:	45.99

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period like the life of the options is indicative of future trends, which may not necessarily be the actual outcome. The options can be settled either in cash or shares based on the company's sole discretion.

Phantom unit award to management of Höegh LNG

To align the interest of the management of Höegh LNG and HMLP, the Board of Directors of the company has decided to award a right to receive common units in HMLP (phantom units) to members of management and key employees who are directly involved in providing services to HMLP. A phantom unit is a notional unit that, upon vesting, entitles the participant to receive, at the time of settlement, a common unit in HMLP or an amount of cash equal to the fair market value of a common unit, as determined by the board in its sole discretion.

The grant has been accounted for as equity settled based on a fair value equal to the value of a unit at the time of grant.

OUTSTANDING PHANTOM UNITS IN HLNG

	2019	2018
Outstanding at 1 January	79 564	53 568
Granted during the year	3 954	43 852
Exercised during the year	(60 369)	(17 856)
Forfeited during the year	(2 250)	-
Adjustment due to transfer of emloyee from HMLP	15 761	-
OUTSTANDING NUMBER OF PHANTOM UNITS AT 31 DECEMBER	**36 660**	**79 564**
Fair value at 31 December (in USD'000)	5 773	1 221

Phantom unit award to the CEO & CFO of HMLP

The Board of Directors of HMLP has awarded the former CEO & CFO of HMLP a total of 10 917 phantom units in 2019. Vesting and other conditions are like the phantom units granted by the company.

OUTSTANDING PHANTOM UNITS IN HMLP

	2019	2018
Outstanding at 1 January	28 917	21 500
Granted during the year	10 917	14 584
Exercised during the year	(12 112)	(7 167)
Adjustment due to transfer of emloyee to HLNG	(15 761)	-
OUTSTANDING NUMBER OF PHANTOM UNITS AT 31 DECEMBER	**11 961**	**28 917**

Social security contributions on share options

The provision for social security contributions on share options is calculated based on the number of outstanding options at the reporting date that are expected to be exercised. The provision is based on market price of the shares at the reporting date, which is the best estimate of the market price at the date of exercise. It is expected that costs will be incurred during the exercise period of 1 January 2020 to 31 December 2022.

Note 24: Corporate income tax expenses and deferred taxes

Income tax expense for the year comprise corporate income tax and changes in deferred taxes. The group is subject to tax for earnings in its subsidiaries incorporated in Norway, Lithuania, Egypt, Singapore, Indonesia, Cyprus, and the UK and for certain Colombian source income. Tax expenses for 2019 and 2018 primarily incurred in the group's subsidiaries in Indonesia, Singapore and Colombia. The Singapore subsidiary's taxable income mainly arises from internal interest income. The charterer in Colombia pays certain taxes directly to the Colombian tax authorities on behalf of the group's subsidiaries that own and operate the Höegh Grace. The tax payments are a mechanism for advance collection of part of the income taxes for the Colombian subsidiary and a final income tax on Colombian source income for the non-Colombian subsidiary. Tax expensed in Indonesia related to prior years resulted in reduction of historical tax loss carry forward, mainly due to disallowed interest expenses on intercompany loans. Corporate income tax related to this uncertainty amounted to USD 0.6 million (USD 1.8 million). The group does not consider it likely to utilize loss carried forward and did not record any deferred tax assets in either 2018 or 2019.

Benefits of uncertain tax positions are recognized when it is more-likely-than-not that a tax position taken in a tax return will be sustained upon examination based on the technical merits of the position.

TAX EXPENSE FOR THE YEAR

USD'000	2019	2018
Current income tax charge	(4 749)	(5 644)
Changes in deferred taxes	(1 630)	(2 763)
Adjustments in respect of current income tax of previous year	126	12
INCOME TAX EXPENSE REPORTED IN THE INCOME STATEMENT	**(6 253)**	**(8 396)**
Effective tax rate		
PROFIT (LOSS) BEFORE INCOME TAX	**14 300**	**80 404**
At Bermuda's statutory income tax rate of 0%	-	-
Income tax expense reported outside Bermuda	(6 253)	(8 396)
INCOME TAX EXPENSE REPORTED IN THE INCOME STATEMENT	**(6 253)**	**(8 396)**
EFFECTIVE TAX RATE	**43.7%**	**10.4%**

USD'000	2019	2018
TAX PAYABLE AS AT 31 DECEMBER	**3 292**	**3 611**

CHANGES IN DEFERRED TAXES

USD'000	31 Dec 2019	31 Dec 2018
Deferred tax assets		
Pension liabilities	176	173
Other tangible assets	282	196
TOTAL DEFERRED TAX ASSETS GROSS	**458**	**369**
Deferred tax liabilities		
Vessels	(10 460)	(8 615)
Other tangible assets	(1 638)	(1 415)
TOTAL DEFERRED TAX LIABILITIES GROSS	**(12 098)**	**(10 030)**
TOTAL DEFERRED TAX ASSETS (LIABILITIES) NET	**(11 640)**	**(9 661)**

Deferred tax assets and liabilities are offset when it is a legally enforceable right to offset current tax assets against liabilities and when deferred revenues become taxable.The changes in deferred tax assets and liabilities are expected to be settled after more than 12 months. The group also has tax loss carried forward in Egypt amounting to USD 0.7 million as of 31 December 2019 (NIL at 31 December 2018). The group has not recognized a deferred tax asset for these losses as it is not possible to predict with reasonable certainty whether adequate taxable profit will be generated in the future to utilize the losses.

Note 25: Trade and other receivables

USD'000	31 Dec 2019	31 Dec 2018
Trade receivables	16 503	15 943
VAT receivables	737	731
Receivables towards Joint Ventures	1 250	992
Prepayments and other[1]	19 862	37 004
TOTAL	**38 352**	**54 669**

[1] Includes accrued revenues of about USD 9 million (27 million) related to the suspension and settlement agreement with EGAS falling due in 2020 (USD 27 million due in 2019).

Historically, the group has not had any credit losses. An assessment made at year end 2019 did not identify any need for accrual for any expected credit losses in accordance with IFRS 9. The group manages to collect receivables timely.

Note 26: Trade and other payables

USD'000	31 Dec 2019	31 Dec 2018
Trade payables	10 806	9 354
Public duties	5 841	5 130
Accrued vacation and leave pay	4 757	3 873
TOTAL	**21 404**	**18 358**

Outstanding trade payables as at 31 December 2019 fall due between 30 and 180 days.

Note 27: Provisions and accruals

USD'000	31 Dec 2019	31 Dec 2018
Contract Liability (prepaid charter revenues)	3 515	1 794
Refund liabilitties to customers (audit matters, tax element)	1 104	2 084
MGO fuel	-	2 598
Bonus provisions	2 731	5 434
Property tax (Indonesia)	3 033	-
Witholding tax provisions	1 476	947
Crew related liabilities	421	154
Other	7 174	8 839
TOTAL	**19 453**	**21 850**

Note 28: Other current financial liabilities

USD'000	Note	31 Dec 2019	31 Dec 2018
Interest rate swaps designated as effective hedging instruments[1]	13	8 186	3 305
Accrued interest on mortgage debt		6 600	3 150
Accrued interest on bond		3 056	3 067
TOTAL		**17 841**	**9 521**

[1] The interest rate swap agreements are designated as effective hedging instruments. The current portion of the liabilities related to the interest rate swap agreements' mark-to-market as at 31 December is presented above. For further information on interest rate swaps, reference is made to Note 13.

Note 29: Other non-current assets

Pre-contract costs are incremental costs recorded in the period from when Höegh LNG is selected as the preferred bidder of an FSRU until a firm charter party agreement is signed. These costs are amortised linearly over the charter party period. Upon drawing on the project financing loans, the remaining debt issuance costs will be reclassified and netted against mortgage debt and amortised.

USD'000	31 Dec 2019	31 Dec 2018
Pre contract costs	3 542	3 890
IT and equipment	5 003	4 177
Loading arms related to FSRU operations	1 416	2 426
Other	2	1 346
TOTAL	**9 962**	**11 840**

CARRYING VALUE OF IT, EQUIPMENT AND LOADING ARMS ARE SPECIFIED AS FOLLOWS:

USD'000	Note	2019	2018
Cost 1 January		11 365	16 559
Reclassified from non-depreciable assets		-	2 227
Items scrapped or sold[1]		-	(11 957)
Additons		1 458	4 536
COST AT 31 DECEMBER		**12 823**	**11 365**
Accumulated deprecation at 1 January		(4 762)	(6 166)
Items scrapped or sold		-	3 037
Depreciation charge		(1 642)	(1 633)
ACCUMULATED DEPRECIATION	**11**	**(6 404)**	**(4 762)**
NET CARRYING AMOUNT AT 31 DECEMBER		**6 419**	**6 603**

[1] The impairment recorded in 2018 of USD 9.0 million relates to jetty equipment previously installed in Ain Sokhna, Egypt, which was part of the Höegh Gallant time charter with EGAS.

Note 30: Non-current financial assets and liabilities

Interest rate swap agreements are entered into by Höegh LNG in addition to a cross currency interest rate swap agreement (see Note 13). The interest rate and currency swap agreements are designated as effective hedging instruments. The non-current portion of the mark-to-market valuation of these agreements and the related cash collateral requested by swap banks as at year ended 31 December 2019 and 2018 is presented below. For further information on the interest rate swaps and the current portion of the mark-to-market valuations, see Note 13.

NON-CURRENT FINANCIAL ASSETS

USD'000	31 Dec 2019	31 Dec 2018
Interest rate swaps - designated as hedges	367	10 677
Cash collateral	4 194	-
Long term recivables charterers	580	8 873
Other	-	107
TOTAL	**5 141**	**19 657**

NON-CURRENT FINANCIAL LIABILITIES

USD'000	Note	31 Dec 2019	31 Dec 2018
Interest rate swaps designated as hedges	13	44 740	9 202
VAT liability		18	28
Pension liabilities		924	878
TOTAL		**45 681**	**10 108**

Note 31: Transactions with related parties

TRANSACTIONS WITH JOINT VENTURES AND ASSOCIATES

Total bareboat hire paid by Leif Hoegh UK Limited to the group's joint ventures chartering out the two LNGs Arctic Princess and Arctic Lady amounted to USD 35.3 million in 2019 (USD 35.3 million in 2018).

Höegh LNG provides various management services to its joint ventures. The below table provides the total amounts of the management services that have been rendered by Höegh LNG AS, Höegh LNG Fleet Management AS to the joint ventures for 2019 and 2018. For recognition of management revenues, see Note 4.

Management income from joint ventures and associates

USD'000	2019	2018
Joint Gas Ltd.	72	70
Joint Gas Two Ltd.	72	70
SRV Joint Gas Ltd.	1 763	1 164
SRV Joint Gas Two Ltd.	2 137	3 143
TOTAL	**4 044**	**4 448**

Shareholder loans with joint ventures

USD'000	31 Dec 2019	31 Dec 2018
SRV Joint Gas Ltd.	3 030	2 796
SRV Joint Gas Two Ltd	801	740
TOTAL	**3 831**	**3 536**

Shareholder loans are all presented as non-current.

Guarantee fee income from associates

In April 2019, Höegh LNG issued a parent guarantee for the building of S1050 at Nantong Yard towards Avenir LNG Limited for a 1.0 % fee. USD 0.4 million has been recorded as financial income in 2019.

TRANSACTIONS WITH OTHER RELATED PARTIES

Höegh Autoliners and Höegh Capital Partners

Höegh LNG considers Höegh Autoliners Holdings AS and Höegh Capital Partners Ltd ("HCP") to be related parties, as both Morten W. Høegh (Chairman of the Board) and Leif O. Høegh (Deputy Chairman) indirectly have a significant beneficial interest in the two companies. Höegh LNG has entered into agreements with Höegh Autoliners Management AS (a wholly owned subsidiary of Höegh Autoliners Holdings AS) relating to Höegh LNG's purchase of marine insurance services, and Höegh LNG pays an annual fee to HCP for advisory services.

Administrative services from other related parties:

USD'000	2019	2018
Höegh Autoliners Management AS	121	227
Hoegh Autoliners Regional Operating Headquarter	68	242
Höegh Capital Partners Ltd	100	100
TOTAL	**289**	**569**

Leif Höegh & Co Ltd. (Cyprus)

Höegh LNG has entered into a licence agreement with Leif Höegh & Co Ltd. pursuant to which Leif Höegh & Co Ltd. grants to the company a royalty free licence for the use of the name and trademark "Höegh LNG" and the Höegh funnel mark (the Höegh flag). The licence agreement is effective for as long as Leif Höegh & Co Ltd. (or any other entity beneficially owned/controlled by the Høegh family) remains a shareholder in the company holding one third (33.33%) or more of the issued shares in the company. In the event such shareholding falls below one third, Leif Höegh & Co Ltd. may require that the group ceases to use the name and trademark "Höegh LNG" and the Höegh funnel mark.

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at estimated fair value.

Group management and board of directors' remuneration

The remuneration to group management, consisting of nine executives (2018: seven) including the CEO/CFO of HMLP and the board of directors is presented below:

USD'000	2019	2018
Salaries	2 708	2 153
Pension compensation (cash allowance)	276	277
Share-based payment expense	986	1 052
Other taxable benefits	713	801
Pensions (Defined contribution scheme)	68	60
Bonus	1 703	651
Board of Directors' remuneration	878	938
TOTAL REMUNERATION	**7 333**	**5 932**

The remuneration paid-out to the CEO and the President and the CFO both years 2019 and 2018 is presented below:

2019

USD'000	Base Salary	Bonus	Pension benefits	Shares/ Phantom units	Other benefits	Total
President & CEO Sveinung J.S. Støhle	622	487	76	256	192	1 632
CFO Håvard Furu	196	-	7	23	19	244
TOTAL REMUNERATION	**818**	**487**	**83**	**279**	**210**	**1 877**

Remuneration for Håvard Furu is for the period 1 March through 31 December 2019.

2018

USD'000	Base Salary	Bonus	Pension benefits	Shares/ Phantom units	Other benefits	Total
President & CEO Sveinung J.S. Støhle	658	201	80	144	289	1 371
CFO Steffen Føreid	343	169	65	63	175	814
TOTAL REMUNERATION	**1 001**	**370**	**145**	**207**	**463**	**2 185**

Management and general bonus scheme

The management bonus scheme is subject to individual performance and the achievement of Höegh LNG's corporate goals and operating performance targets. The bonus potential will vary from two to twelve months' salary for the individual members of the scheme. Höegh LNG has a general bonus scheme incorporates all Höegh LNG's permanent and qualifying employees, except for the participants in the Management bonus scheme. Full bonus potential of the general bonus scheme is 1.5 times monthly salary, and the achievement is based on individual performance, corporate goals and operating performance.

Note 32: Other 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.

Joint ventures: claims and provisions

Under the Neptune and the Cape Ann time charters, the joint ventures undertake to ensure that the vessels always meet specified performance standards during the term of the time charters. The performance standards include the vessels not exceeding a maximum average daily boil-off of LNG, subject to certain contractual exclusions, as specified in the time charter. Pursuant to the charters, the hire rate is subject to deduction by the charterer of, among other things, sums due in respect of the joint ventures' failure to satisfy the specified performance standards during the period. The charters for the Neptune and Cape Ann commenced in 2009 and 2010 respectively. Höegh LNG and the other major owner guarantee the performance and payment obligations of the joint ventures under the time charters. The guarantees are joint and several for the performance obligations and several for the payment obligations.

On 8 September 2017, the charterer notified the joint ventures that it was formally making a claim for compensation in accordance with the provisions of the charters for a stated quantity of LNG exceeding the maximum average daily boil-off since the commencement of the charters. The initial claim asserted a gross amount of compensation of USD 58 million for the excess boil-off volume, which was reduced to USD 52 million when the charterer submitted its arbitration request. The charterer reserved its right to make a further claim with respect to subsequent performance periods. Depending on interpretations of the contractual provisions, including exclusions to the performance standards, and based on available information, it was estimated that Höegh LNG's 50% share of the excess boil-off claim could range from zero or negligible amounts to approximately USD 29 million based on the gross claim of USD 58 million. At 30 September 2017, the joint ventures determined that the liability associated with the boil-off claim was probable and could be reasonably estimated, resulting in a total provision of USD 23.7 million. Höegh LNG's 50% share of the accrual was approximately USD 11.9 million.

In February 2020, a commercial agreement was reached between the parties, addressing all past and future claims related to boil-off with respect to the Neptune and the Cape Ann, in the context of Total's efforts to deploy these vessels as FSRUs in projects under development. The settlement amount is in line with the provision made by the joint ventures in 2017. Accordingly, the accrual was unchanged as of 31 December 2019. The parties executed final binding agreements on 1 April 2020. Among other things, the settlement provides that:

- The boil-off claim, up to the signature date of the settlement agreements, will be settled for an aggregate amount of USD 23.7 million, paid in instalments during 2020,
- The costs of arbitration tribunal will be equally split between the parties; each party will settle its legal and other costs,
- The joint ventures have or will implement technical upgrades on the vessels at their own cost to minimize boil-off, and
- relevant provisions of the time charters will be amended regarding the computation and settlement of future boil-off claims.

Höegh LNG Holdings will indemnify Höegh LNG Partners for its share of the cash impact of the settlement, the arbitration costs and any legal expenses, any necessary technical modifications of the vessels and any prospective boil-off claims or other direct impacts of the settlement agreements.

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 in the UK (HMRC) has been challenging the use of similar lease structures and has been engaged in litigation in one previous 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 Hoegh (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 up until recently has been 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 summarizes the facts presented in the matter, and invites the involved parties 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.

Note 33: Subsequent events

- Dividend of USD 0.025 per share declared for the first quarter of 2020.

- In January 2020, Höegh LNG secured commitments for a revolving credit facility of up to USD 80 million and issued a new bond loan of NOK 650 million to refinance the HLNG 02 bond maturing in June 2020 and for general corporate purposes. Please refer to Note 13 for further information.

- In February 2020, Höegh LNG and Total reached a commercial agreement to settle the boil-off dispute regarding Neptune and Cape Ann. The settlement amount, which will be paid by the two joint venture companies owning the vessels, is in line with the provision made in 2017 and final binding agreements between the parties were executed on 1 April 2020. Höegh LNG Holdings will indemnify Höegh LNG Partners for its 50% share of the settlement amount. Please refer to Note 32 for further information.

- In January and February 2020, Höegh LNG Partners issued an aggregate of 82,409 Series A preferred units under its existing ATM program at an average gross sales price of USD 26.25 per unit and received net proceeds after fees and sales commissions of USD 2.1 million.

- On 26 February 2020, HMLP declared the option to lease back Höegh Gallant to Höegh LNG Holdings for about five years, effective from expiry of Höegh Gallant's existing LNGC contract in April 2020.

- In March 2020, Höegh LNG secured commitments for an amendment and extension and USD 45 million upsizing of the debt facility for the FSRU Independence. Please refer to Note 13 for further information.

- In March 2020, Höegh LNG received a letter from HMRC to the lessor of Arctic Lady related to the taxation of the lessor in UK. Please refer to Note 32 for further information.

- Subsequent to the release of Höegh LNG's quarterly report for fourth quarter 2019, the Covid-19 virus outbreak has had a further negative effect around the world. Moreover, the recent development in OPEC has caused a sharp decline in the oil price. These two combined effects have caused a significant negative trend in the commodity and financial markets, which has led to weakening of currencies, share prices, bonds prices, commodity prices, freight rates, interest rate levels and more, putting a significant pressure on the world's financial systems. These circumstances have had a negative effect on the market value of the group's derivatives held to hedge currency and interest rate exposures. Some of these derivatives have required significant cash collateral to be posted up until the approval date of this report under relevant credit support agreements with the swap banks.

  Höegh LNG is at the time of approval of this report experiencing limited operational impact from Covid-19, but the situation is dynamic and could change quickly, in particular with regards to maritime personnel and logistical challenges. Although Höegh LNG's operations are not directly impacted by the virus yet, the company take measures to mitigate the risks to employees and operations. Currently, the company is continuously monitoring the Covid-19 situation, undertaking scenario analysis and other evaluations to make sure Höegh LNG is prepared in the best way possible to address any changes with regards to personnel, the LNG and the FSRU markets, governmental restrictions and other areas affecting operations.

The current pandemic could significantly and adversely impact the company's maritime operations, onshore support, corporate activities, customers, vendors and the countries in which Höegh LNG operates. Further, the pandemic could impact the demand for natural gas and therefore reduce the business opportunities for the company. This could have a significant adverse impact on Höegh LNG's financial position, results of operations and cash flows.

The Covid-19 virus outbreak has furthermore had a severe impact on the global energy and commodity markets and appears to have temporarily reduced volumes of LNG imported to China. Coupled with higher winter temperatures in Asia, and low LNG prices closing the inter-basin arbitrage, this has put downward pressure on the LNG carrier market rates. This will likely impact the revenues from Höegh Giant's index-linked charter. The adverse market sentiment could also affect revenues for Höegh Gannet and Höegh Gallant depending on rate levels achieved for their new interim LNGC charters. It is not possible to accurately forecast the short-term impact of the Covid-19 virus on Höegh LNG's business as of the approval date of this report, except that as of end of March there has been limited effect on its employees, operations or revenues.

- On 6 April 2020 the board of directors of Höegh LNG Holdings Ltd decided to take precautionary measures to address the Covid-19 situation and preserve liquidity and reduce costs due to the highly uncertain business environment. The board therefore decided to:
  - Suspend all future dividends of Höegh LNG Holdings Ltd until further notice.
  - Bonus scheme for executive management and onshore personnel is suspended for 2020.
  - Implement a cost saving plan with special focus on overhead and vessel operating costs, targeting USD 9 to 11 million in savings for 2020, compared with the company's original plans and budgets for 2020. The estimated effect includes the elimination of bonus as other costs, as well as deferring costs, scheduled maintenance and projects to subsequent periods. Approximately one third of the estimated effect relates to costs being postponed to 2021.

In addition, chairman of the board Morten W. Høegh and director Leif O. Høegh have waived their board remuneration for 2019, payable in 2020, including in the case of Morten W. Høegh, also the board remuneration payable by Höegh LNG Partners LP.

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 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): EBITDA is defined as the line item Operating profit before depreciation and impairment in the consolidated statement of income.
- Net interest-bearing debt: Non-current and current interest-bearing debt deducted 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 financial derivative swaps will reduce equity. Mark-to-market value of interest-rate swaps in Höegh LNG's joint ventures are recorded as part of 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 adjusted for hedging: Total book equity adjusted for hedging reserves divided by total assets adjusted for hedging related assets. Hedging related assets 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 20 for further information.
- Adjusted basic and diluted earnings per share shows the value of EPS if an allocation of profit had been made for transfer of assets (to) from HMLP.

ALTERNATIVE PERFORMANCE MEASURES, SUMMARY

USD'000	31 Dec 2019	31 Dec 2018
Net interest-bearing debt 31 December	**(1 565 969)**	**(1 250 786)**
Equity adjusted for hedging 31 December	**800 912**	**829 705**
EQUITY RATIO ADJUSTED FOR HEDGING 31 DECEMBER	**31 %**	**36 %**

NET INTEREST-BEARING DEBT

USD'000	31 Dec 2019	31 Dec 2018
Interest-bearing debt, current and non-current (incl. lease liabilities 31 December 2019)	(1 778 601)	(1 433 188)
Restricted cash, non-current	17 428	17 925
Cash and marketable securities	195 205	164 477
NET INTEREST-BEARING DEBT	**(1 565 969)**	**(1 250 786)**

HEDGE RESERVES

USD'000	Note	31 Dec 2019	31 Dec 2018
Net MTMs of financial liabilities in parent and subsidiaries	13	(50 783)	5 942
Net MTMs of financial liabilities in joint ventures and associates	13	(56 743)	(49 247)
Changes in MTMs not recorded as OCI		2 702	600
HEDGE RESERVES INCLUDING NON-CONTROLLING INTEREST SHARE		**(104 824)**	**42 706**

EQUITY ADJUSTED FOR HEDGING TRANSACTIONS

USD'000	31 Dec 2019	31 Dec 2018
Equity	696 088	786 999
Hedge reserve, including non-controlling interest share	104 824	42 706
EQUITY ADJUSTED FOR HEDGING TRANSACTIONS	**800 912**	**829 705**

EQUITY RATIO ADJUSTED FOR HEDGING TRANSACTIONS

USD'000	31 Dec 2019	31 Dec 2018
Total assets	2 601 838	2 304 777
Hedge assets	33 938	12 422
TOTAL ASSETS ADJUSTED FOR HEDGING TRANSACTIONS	**2 635 776**	**2 317 199**
EQUITY ADJUSTED FOR HEDGING TRANSACTIONS	**800 912**	**829 705**
EQUITY RATIO ADJUSTED FOR HEDGING TRANSACTIONS	**30 %**	**36 %**

EPS ADJUSTED FOR CAPITAL CONTRIBUTIONS (TO) FROM HMLP

USD'000	31 Dec 2019	31 Dec 2018
Profit (loss) for the period attributable to (from):		
Equity holders of the parent	(29 651)	32 363
Basic and diluted earnings per share	(0,39)	0,43
Transfer of assets/capital contribution (to) from HMLP:		
Capital contribution (to) from HMLP	34	352
Transfer of assets (to) HMLP	(16 096)	(18 213)
Total contributions/transfers (to) from HMLP	(16 062)	(17 861)
Adjusted profit (loss) for the period attributable to (from) equity holders of the parent	(45 713)	14 502
ADJUSTED DILUTED EARNINGS PER SHARE (USD'1)	**(0.60)**	**0.18**

Arctic Princess

06

Financial statements
Höegh LNG Holdings Ltd.
For the year ended 31 December 2019

STATEMENT OF INCOME 1 JANUARY – 31 DECEMBER

USD'000	Note	2019	2018
Administrative expenses	9	(3 734)	(4 340)
OPERATING RESULT		**(3 734)**	**(4 340)**
Interest income	6	27 927	28 815
Dividend received	16	28 449	28 179
Interest expenses	7	(23 834)	(23 373)
Net gain (loss) on other financial items	17	1 185	225
PROFIT FOR THE YEAR BEFORE TAX		**29 993**	**29 506**
Tax		-	-
PROFIT FOR THE YEAR AFTER TAX		**29 993**	**29 506**

STATEMENT OF COMPREHENSIVE INCOME 1 JANUARY – 31 DECEMBER

USD'000	Note	2019	2018
PROFIT (LOSS) FOR THE YEAR AFTER TAX		**29 993**	**29 506**
Items that may be subsequently reclassified to pofit or (loss)			
Net gain (loss) on cash flow hedges	8	(19 549)	(275)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**(19 549)**	**(275)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**10 444**	**29 230**

STATEMENT OF FINANCIAL POSITION

USD'000	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Non-current assets			
Investments in subsidiaries	3	518 172	397 415
Loans to subsidiaries	5, 15	472 577	536 010
Investment in associates	4	25 125	24 750
Other receivables		477	470
Cash collateral	13	4 088	-
Other non-current financial assets	8	-	573
Total non-current assets		**1 020 440**	**959 217**
Current assets			
Trade receivables		556	124
Loans to subsidiaries	5, 15	8 792	39 292
Other current financial asset	8	1 192	2 063
Cash and cash equivalents	10	74 678	83 557
Total current assets		**85 218**	**125 036**
TOTAL ASSETS		**1 105 658**	**1 084 253**
EQUITY AND LIABILITIES			
Equity			
Share capital	11	773	773
Share premium reserve		447 656	447 034
Hedging reserves	8	(18 888)	661
Other paid-in equity		(307)	(588)
Treasury shares		(11)	(12)
Retained earnings		347 578	325 205
Total equity		**776 800**	**773 071**
Non-current liabilities			
Other non-current financial liabilities	8	22 097	3 651
Bonds	12	170 045	300 935
Total non-current liabilities		**192 142**	**304 586**
Current liabilities			
Bonds	12	130 000	-
Accrued interest bonds	12	3 056	3 053
Trade and other payables		406	421
Provisions and accruals		196	481
Other current financial liabilities	8	3 058	2 642
Total current liabilities		**136 716**	**6 596**
TOTAL EQUITY AND LIABILITIES		**1 105 658**	**1 084 253**

Hamilton, Bermuda, 6 April 2020
The board of directors and the President & CEO of Höegh LNG Holdings Ltd.

Morten W. Høegh
Chairman

Leif O. Høegh
Deputy Chairman

Ditlev Wedell-Wedellsborg
Director

Andrew Jamieson
Director

Christopher G. Finlayson
Director

Jørgen Kildahl
Director

Steven Rees Davies
Director

Sveinung J.S. Støhle
President & CEO

STATEMENT OF CHANGES IN EQUITY

USD'000	Note	Share capital	Share premium reserve	Treasury shares	Other paid-in equity	Hedging reserve	Retained earnings	Total equity
AT 31 DECEMBER 2017		**772**	**446 944**	**(12)**	**(1 637)**	**936**	**303 303**	**750 307**
Issue of share capital		0	90					90
Share-based payment costs					1 048			1 048
Dividend to shareholders	16						(7 604)	(7 604)
Total comprehensive income 2018						(275)	29 506	29 230
AT 31 DECEMBER 2018		**773**	**447 034**	**(12)**	**(588)**	**661**	**325 205**	**773 071**
Shares granted to BoD	11		90					90
Issue of share capital	11		532	1	(533)	-		-
Share-based payment costs					814			814
Dividend to shareholders	16						(7 620)	(7 620)
Total comprehensive income						(19 549)	29 993	10 444
AT 31 DECEMBER 2019		**773**	**447 656**	**(11)**	**(307)**	**(18 888)**	**347 578**	**776 800**

STATEMENT OF CASH FLOWS 1 JANUARY – 31 DECEMBER

USD'000	Note	2019	2018
Cash flow from operating activities:			
Profit (loss) before tax for the year		29 993	29 506
Non-cash adjustment to reconcile profit before tax to net operational cash flow			
Fair value adjustments on marketable securities		-	(752)
BoD remuneration paid out in shares		90	90
Interest income		(27 927)	(28 815)
Interest expenses		23 834	23 373
Net loss on interest hedges	8	63	-
Dividends received from Höegh LNG Partners LP	16	(28 449)	(28 179)
Working capital adjustments			
Changes in accounts receivable and payable		(1 349)	550
I) NET CASH FLOW FROM OPERATING ACTIVITIES		**(3 745)**	**(4 228)**
Cash flow from investing activites:			
Capital contributions paid from (to) Höegh LNG Partners LP		64	652
Dividends received from Höegh LNG Partners LP	16	28 449	28 179
Proceeds from sale of marketable securities		-	74 774
Interest received		3 348	4 500
Investments in associates	4	(375)	(24 750)
II) NET CASH FLOW FROM INVESTING ACTIVITIES		**31 485**	**83 355**
Cash flow from financing activites:			
Dividend paid	16	(7 619)	(7 604)
Interest paid		(23 411)	(22 619)
Cash collateral	13	(4 088)	-
Net receipts (grants) of borrowings to subsidiaries		(1 500)	3 189
III) NET CASH FLOW FROM FINANCING ACTIVITIES		**(36 620)**	**(27 034)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III)		**(8 880)**	**52 093**
Cash and cash equivalents at 1 January		83 557	31 464
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	10	**74 678**	**83 557**

Note 1: Corporate information

Höegh LNG Holdings Ltd. (the “company”) is an exempted company limited by shares and incorporated under the laws of Bermuda. The company’s registered office is at Canon’s Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The company is listed on Oslo Børs (the Oslo Stock Exchange) under the ticker “HLNG”. The financial statements and note disclosures are presented in USD and all values are rounded to the nearest thousand (USD’000) unless otherwise indicated. As a result of rounding differences amounts and percentages may not add up to the total. The annual accounts for the company for the year ended 31 December 2019 were approved by the Board of Directors on 6 April 2020.

Note 2: Summary of significant accounting policies

The financial statements of Höegh LNG Holdings Ltd. (“the company”) are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the EU. Summary of significant accounting policies in note 2 to the consolidated financial statements generally apply to the company, but the following accounting principles are considered the most important for assessment of the company’s financial statements:

2.1 Shares in subsidiaries and associates

Shares and units in subsidiaries and shares in associated companies are recorded at historical cost. These investments are reviewed for impairment when there are indications that carrying amount may not be recoverable. Dividend or other distributions from subsidiaries or associated companies are recognised as revenue when the company’s right to receive payments is established.

2.2 Financial assets

The company’s financial assets are derivatives, trade – and intercompany receivables and cash and cash equivalents.

The company classifies its financial assets in two categories:

- Financial assets at amortized cost, which includes cash and cash equivalents and trade- and intercompany receivables. Assets are subsequently measured using the effective interest method and are subject to impairment.
- Financial assets at fair value through other comprehensive income (FVOCI), which includes the positive balance of interest rate and currency swaps where the hedge is considered effective.

Financial assets are subject to impairment testing at the end of each reporting period, if there are indications that the asset may be impaired. For intercompany receivables, the company consider its historical credit loss experience, and any changes in the underlying credit risk based on financial performance and position of the lender. The company recognises a loss allowance if it is unlikely that the outstanding contractual amount is fully recoverable. Financial assets are written off when there is no reasonable expectation of recovering the contractual cash flows.

2.3 Financial liabilities

The company classifies its financial liabilities in two categories:

- Financial liabilities at amortized cost, which includes bonds and trade and other payables. Liabilities are subsequently measured using the effective interest method.
- Financial liabilities through other comprehensive income (FVOCI), which includes the negative balance of interest rate and currency swaps where the hedge is considered effective.

Financial liabilities are derecogznised when its contractual obligations are discharged or cancelled or expire. Derecognition is also made when terms are modified, and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount and the consideration paid is recognised in profit and loss.

Note 3: Investments in subsidiaries

USD'000	2019	2018
Carrying value at 1 January	397 415	397 019
Investment (repayment) in Höegh LNG Partners LP	(63)	(652)
Conversion of intragroup loan to paid-in equity in Höegh LNG Ltd.	120 000	-
Share based payments costs	820	1 048
CARRYING VALUE AT 31 DECEMBER	**518 172**	**397 415**

Refer to Note 23 in the consolidated financial statements disclosing information of the company's share-based payment program.

CARRYING AMOUNT PER COMPANY

USD'000	2019	2018
Höegh LNG Partners LP	272 240	272 393
Höegh LNG Ltd.	245 932	125 022
CARRYING VALUE AT 31 DECEMBER	**518 172**	**397 415**

Companies	Registered office	Ownership share	Carrying amount 31 Dec 2019	Book equity (100%) 31 Dec 2019	Book equity (100%) 31 Dec 2018
Höegh LNG Ltd.	Bermuda	100.00%	245 932	12 147	(24 802)
Höegh LNG Partners LP	Marshall Islands	45.84%	272 240	370 683	410 393
Höegh FLNG Ltd	Bermuda	100.00%	-	14 207	14 207
Höegh LNG GP LLC	Marshall Islands	100.00%	-	39	39
TOTAL			**518 172**	**397 075**	**399 837**

At the year ended 31 December 2019, the market value of HMLP's common units was USD 15.63, giving a fair value of the company's investment in HMLP of about USD 238 million as the company's ownership in HMLP was 15 257 498 units.

Impairment assessment

Impairment assessment for the group, see Note 11, generally applies to investments in subsidiaries. An impairment loss is recognized for the amount that the investment in subsidiaries' carrying value exceeds its recoverable amount, being the higher of shares in subsidiaries' net selling price (if applicable) and its share of fair value adjusted equity in each subsidiary. The value-in-use calculation (defined as the present value of future cash flows expected to be derived) per vessel in the group, have been used to calculate the fair value adjusted equity for the company's investment in each of the subsidiaries Höegh LNG Ltd. and Höegh LNG Partners LP. When comparing the carrying amount for each of the investments in subsidiaries with the adjusted equity shares, there is a positive headroom for both investments. Thus, the assessment did not identify any required impairment.

Note 4: Investments in associate

USD'000	2019	2018
Carrying amount at 1 January	**24 750**	**-**
Purchase of shares in Avenir LNG Limited	375	24 750
AT 31 DECEMBER	**25 125**	**24 750**

Höegh LNG made an investment in Avenir LNG Ltd (Avenir LNG) in 2018, initially a joint venture with Golar LNG Ltd. (Golar LNG) and Stolt-Nielsen Ltd. (Stolt-Nielsen) to pursue opportunities in the small-scale LNG market. The current combined equity commitment is USD 182 million, which will fund six small-scale LNG carriers and a small-scale LNG terminal under construction in Sardinia. The combined initial equity contribution of USD 99 million by the three partners was supplemented with USD 11 million raised in a private placement on 13 November 2018. The shares in Avenir LNG were subsequently registered on the Norwegian OTC market under the ticker AVENIR. Höegh LNG and Golar LNG each hold 22.5% of the shares, while Stolt-Nielsen holds 45%.

In 2019, the company purchased additional 320 000 shares increasing its holding to 22.8%.

The investment in Avenir LNG Limited has at 31 December 2019 a book value of USD 25.1 million and the company has remaining capital commitments of USD 18 million.

Note 5: Loans to subsidiaries

USD'000	Note	2019	2018
Non-current receivables Höegh LNG Ltd.	15	472 577	536 010
Current receivables Höegh LNG Partners LP.	15	8 792	39 292
AT 31 DECEMBER		**481 369**	**575 302**

The company has entered a loan facility with Höegh LNG Ltd. in the amount of USD 600 million. The interest rate of the facility is 3 months LIBOR plus a margin of 2.5%. Repayment of this facility shall be done in one or several amounts, as agreed between the parties.

On 12 August 2014, the company issued a revolving credit facility (RCF) in an aggregate amount of USD 85 million to the borrower Höegh LNG Partners LP. The drawn amount at 31 December 2019 amounted to USD 8.8 million (USD 39.3 million at 31 December 2018). The RCF has a floating interest rate equal to 3 months LIBOR plus a margin of 4%.

See Note 6 for recognition of interest income and Note 15 for transactions with related parties.

Note 6: Interest income

USD'000	Note	2019	2018
Interest income loan to Höegh LNG Ltd.	15	24 567	24 742
Interest income RCF with Höegh LNG Partners LP	15	1 883	2 938
Interest income from other receivables		12	15
Interest income from bank deposits		1 465	1 121
TOTAL		**27 927**	**28 815**

For outstanding interest-bearing receivables see Note 5. Reference is made to Note 15 for transactions with related parties.

Note 7: Interest expenses

USD'000	2019	2018
Interest expense bond issue 2015 ("HLNG02")	9 348	9 189
Interest expense bond issue 2017 ("HLNG03")	14 188	14 185
Interest expenses IRS Höegh LNG Galleon	299	-
TOTAL	**23 834**	**23 373**

Note 8: Financial derivatives

The company has entered a cross currency interest rate swap relating to the NOK bond and an interest rate swap on the USD bond. As at 31 December 2019, the mark-to-market valuation of the interest rate swaps was recognised in the financial position with a net liability of USD 24.0 million (net liabilities 31 December 2018 USD 3.7 million). At 31 December 2019, interest rate swaps recorded against equity was negative by USD 18.9 million (positive USD 0.7 million).

MTMS OF CASH FLOW HEDGES IN THE FINANCIAL POSITION

USD'000	2019	2018
MtMs presented as financial assets non-current portion	-	573
MtMs presented as financial assets current portion	1 192	2 063
Total MtMs presented as financial liabilities non-current portion	(22 097)	(3 651)
Total MtMs presented as financial liabilities current portion	(3 058)	(2 642)
NET MTMS OF CASH FLOW HEDGES AS AT 31 DECEMBER	**(23 964)**	**(3 657)**
Accumulated exchange losses under CCIRS included in MTM	6 123	4 318
Ineffectiveness on IRS recorded to loss	63	-
Gain on FX hedges	(1 110)	-
INTEREST RATE SWAPS RECORDED AGAINST EQUITY AS AT 31 DECEMBER	**(18 888)**	**661**

USD 19.5 million relating to the swaps was recorded as loss in other comprehensive income (OCI) in 2019 compared with a loss of USD 0.3 million recorded in 2018.

CHANGES IN MTMS OF HEDGES FROM PREVIOUS YEAR		**(20 307)**	**(10 449)**
USD'000	Note	2019	2018
Changes recorded to OCI		(19 549)	(275)
Separate component of equity (currency portion of CCIRS) recorded to loss		(1 805)	(10 173)
Ineffectiveness on IRS hedges recorded to loss	17	(63)	-
Gain on FX hedges	17	1 110	-
TOTAL		**(20 307)**	**(10 449)**

Note 9: Administrative expenses

USD'000	Note	2019	2018
Remuneration to board members		330	383
Audit fees		205	307
External services		780	1 022
Management fee to/from companies within the group	15	2 303	2 481
Other		116	147
TOTAL		**3 734**	**4 340**

Note 10: Cash and cash equivalents

Currency	Exchange rate	2019	Exchange rate	2018
				USD'000
US Dollars (USD)	1	67 081	1	80 615
Norwegian Kroner (NOK)	8.7803	7 597	8.689	2 942
TOTAL		**74 678**		**83 557**

All bank deposits are held with Norwegian banks.

Note 11: Share capital

NUMBER OF SHARES

	Par value	2019	2018
Total number of share authorized	USD 0.01	150 000 000	150 000 000
TOTAL NUMBER OF SHARES ISSUED AND FULLY PAID	**USD 0.01**	**77 260 580**	**77 260 580**

SHARE CAPITAL

	Number of shares	Par value USD	USD' 1 000
Opening balance 1 January 2019	77 260 580	0.01	773
SHARES AND SHARE CAPITAL AT 31 DECEMBER 2019	**77 260 580**	**0.01**	**773**

In January 2019, the company delivered 133 143 of its treasury shares as settlement to key management from their exercise of 1 165 002 stock options whereof USD 532 thousand was transferred from other paid in equity to share premium. In June 2019, the company delivered 24 042 of its shares held in treasury to six Directors of the Board as remuneration totalling USD 90 thousand. The company has one class of shares and as of 31 December 2019 the company held 1 056 553 treasury shares.

Note 12: Bonds

NON-CURRENT LIABILITIES

USD'000	2019	2018
Bond issue 2015 ("HLNG02")	-	130 000
Bond issue 2017 ("HLNG03")	170 837	172 642
Debt issuance cost bond issues	(792)	(1 707)
AT 31 DECEMBER	**170 045**	**300 935**

CURRENT LIABILITIES

USD'000	2019	2018
Bond issue 2015 ("HLNG02")	130 000	-
AT 31 DECEMBER	**130 000**	**-**

Refer to Note 14 describing the subsequent refinancing in January 2020 as to Bond issue (HLNG02) matures in June 2020. The terms and conditions for the bond loans are described in Note 16 in the consolidated financial statements. Interest on the bond has been expensed in the amount of USD 23.5 million during 2019 (2018: USD 23.4 million). At 31 December 2019, accrued interest was USD 3.1 million (2018: USD 3.1 million).

Note 13: Cash collateral

In connection with the company's unsecured interest rate swaps for Höegh Galleon and cross currency swaps for HLNG03 (and HLNG04 issued in 2020), credit support agreements (CSAs) have been requested by swap banks lenders, Höegh LNG Holdings Ltd. is therefore exposed to liquidity risk if the negative market value of the swap is higher than a pre-defined threshold, as the group will be required to post cash collateral for the difference.

The total amount that has been paid in cash collateral related to the IRS of Höegh Galleon (FSRU#10) as at 31 December 2019 is USD 4.1 million and is presented as other non-current assets.

FINANCIAL ASSETS

USD'000	2019	2018
Carrying amount at 1 January	**-**	**-**
Cash Collateral to IRS for FSRU#10	4 088	-
CARRYING AMOUNT AT 31 DECEMBER	**4 088**	**-**

The market value is negatively affected by a reduction of interest rates and/ or a weakening of NOK against USD. As a subsequent event the Corona outbreak has, among other factors, had a significant effect on interest rates and currency exchange rates, which has caused a requirement for significant cash collateral for swaps entered into with CSAs. Reference is made to Note 13 of the consolidated financial statements.

Note 14: Financial risk management objectives and policies

The groups objectives and policies related to capital management and financial risks are described in Note 13 in the consolidated financial statements.

FINANCIAL ASSETS AT 31 DECEMBER

	Carrying amount		Fair value	
USD'000	2019	2018	2019	2018
Financial instruments at fair value through profit or loss				
Derivatives in cash flow hedges	1 192	2 636	1 192	2 636
Loans and receivables				
Interest bearing receivables	481 369	575 302	481 369	575 302
Trade receivables and other	1 033	593	1 033	593
Cash and cash equivalents	74 678	83 557	74 678	83 557
TOTAL	**558 273**	**662 089**	**558 273**	**662 089**
TOTAL NON-CURRENT SHARE	**442 554**	**537 052**	**442 554**	**537 052**
TOTAL CURRENT SHARE	**115 718**	**125 036**	**115 718**	**125 036**

The fair value of the financial assets and liabilities are included in the amount at which the instruments could be exchanged in a current transaction between willing parties other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

– Cash and cash equivalents, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

– Long-term fixed rate and variable-rate receivables are evaluated by the company based on interest rates. The fair value approximates reported carrying amounts since they are payable on demand by the lender. The fair value of financial instruments within the marketable securities is calculated by using valuation techniques with market observable inputs, including forward pricing and swap models, using present calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

– Both the bonds issued by the company (HLNG02 issued on 5 June 2015 and HLNG03 issued on 19 January 2017) are listed on Oslo Stock Exchange, and the fair values of these are disclosed based on traded information. As at 31 December 2019, the fair values were 100.89 % and 100.40 % for HLNG02 and HLNG03, respectively (99.9% and 98.46% in 2018).

FINANCIAL LIABILITIES AT 31 DECEMBER

	Carrying amount		Fair value	
USD'000	**2019**	**2018**	**2019**	**2018**
Financial instruments at fair value through profit or loss				
Derivatives in effective cash flow hedges	25 156	6 293	25 156	6 293
Loans and payables				
Trade and other payables	3 461	3 473	3 461	3 473
Bond	300 045	300 935	302 677	299 853
TOTAL	**328 662**	**310 701**	**331 294**	**309 619**
TOTAL NON-CURRENT SHARE	**192 142**	**304 586**	**193 617**	**303 504**
TOTAL CURRENT SHARE	**136 520**	**6 115**	**137 677**	**6 115**

As subsequent events to refinance the USD 130 million bond maturing in June 2020, Höegh LNG Holdings Ltd. issued a new NOK 650 million bond, HLNG04, in January 2020. The new bond has been swapped from NOK to USD and from a floating NIBOR rate to a fixed LIBOR rate, resulting in a notional amount of USD 72 million and a fixed rate of 7.9%. In addition, Höegh LNG Holdings Ltd. received commitments for an up to USD 80 million revolving credit facility ("RCF") in January 2020. This RCF was signed and executed in March 2020. USD 65 million of the facility amount is earmarked for repaying the company's HLNG02 (of which USD 65 million is outstanding as per end of March 2020). The remaining part of the facility is for general corporate purposes. The facility is secured with a pledge of all of the company's common units and its shares in the general partner of Höegh LNG Partners LP. As customary for these types of facilities, the available amount of the facility is linked to the value of the pledged units. Due to the nature of this facility, no interest rate swaps have been entered and based on floating LIBOR at that time the all-in rate is approximately 5.2%.

In addition, in March 2020 Höegh LNG received a commitment letter from five of the company's relationship banks for an amendment and extension and USD 45 million upsizing of the debt facility for the FSRU Independence. The amendment and extension cover the Independence debt facility's commercial tranche of

USD 61 million maturing in May 2020. In the amendment and extension facility, the commercial tranche will be upsized by USD 45 million to USD 106 million with maturity in December 2024. The Independence debt facility also consists two tranches guaranteed by export credit agencies which remain unchanged, save for a reduction of their respective funding margins. Consequently, the blended amortization profile is stretched out and the funding cost has been significantly reduced, to an estimated blended average interest rate of about 4.0% for the full facility. The additional USD 45 million will be available for general corporate use. The commitment is subject to final documentation, which is expected to be completed during second quarter of 2020.

Refer to Note 13 in the consolidated financial statements for fair value hierarchy and for further outline of financial risk management objectives and policies.

Note 15: Related party transactions

RECEIVABLES AGAINST RELATED PARTIES

USD'000	Note	31 Dec 2019	31 Dec 2018
Subsidiary			
Höegh LNG Ltd.	5	472 577	536 010
Höegh LNG Partners LP	5	8 792	39 292
TOTAL		**481 369**	**575 302**

INTEREST INCOME FROM RELATED PARTIES

USD'000		2019	2018
Subsidiary			
Höegh LNG Ltd.	6	24 567	24 742
Höegh LNG Partners LP	6	1 883	2 938
Associate			
Avenir LNG Limited	17	441	-
TOTAL		**26 891**	**27 680**

ADMINISTRATIVE SERVICE EXPENSES PAID TO RELATED PARTIES

USD'000		2019	2018
Subsidiary			
Höegh LNG AS	9	2 303	2 481
TOTAL		**2 303**	**2 481**

Other related parties

For transactions with other related parties, reference is made to Note 31 of the consolidated financial statements.

Note 16: Dividends

The company has during 2019 received quarterly dividends from Höegh LNG Partners LP, totalling USD 28.4 million (2018: USD 28.2 million). During 2019, the company has paid out USD 7.6 million in dividends to its shareholders (2018: USD 7.6 million).

Note 17: Net gain (loss) on other financial items

USD'000	Note	2019	2018
Loss (gain) on exchange[1]		807	(527)
Ineffectiveness of cash flow hedges	8	(63)	-
Guarantee fee accrued	15	441	-
Other financial income		(0)	752
TOTAL		**1 185**	**225**

[1] Of the USD 0.8 million in gain on exchange recorded in 2019, USD 1.1 million is unrealised gain from the outstanding FX hedges of acquiring MNOK 330 against purchase of USD 36.4 million falling due during 2020.

Note 18: Commitments and guarantees

The three main shareholders of Avenir have issued guarantees/counter-guarantees related to shipbuilding contracts signed by Avenir. These guarantees are for an original total amount of approximately USD 120 million (plus change orders and interests), for which the company would be liable on a joint and several basis. The three main shareholders have entered into counter-indemnity agreements for the said guarantee obligations, so that the company's net liability for a claim would be equal to its pro rata shareholding in Avenir at the time of any claim being raised. Lastly, the main shareholders of Avenir have issued non-binding letters of comfort related to the final payment instalments under shipbuilding contracts signed by Avenir.

Reference is made to Note 19 in the consolidated financial statements disclosing guarantees provided by the company as well as the group.

Note 19: Subsequent events

Refer to Note 33 in the consolidated financial statements for events after the balance sheet date.

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Höegh LNG Holdings Ltd.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Höegh LNG Holdings Ltd., which comprise the financial statements for the parent company and the Group. The financial statements for the parent company and the Group comprise the statements of financial position as at 31 December 2019, the statements of income, the statements of comprehensive income, the statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2019 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Contingent liabilities and provisions for claim from charterer

The charterer of Neptune and Gdf Suez Cape Ann made in 2017 a formal claim for compensation related to the vessels' performance compared to the specified performance requirements in the time charter contracts. The Group records provisions for uncertain liabilities when it is more likely than not that a liability will be incurred, and the amount can be reasonable estimated. Subsequent to 31 December 2019, settlement and release agreements (RSAs) have been signed and agreed with the charterer covering all past and future claims. The total settlement amount is in line with the provision which was recorded by the Group in 2017. As of 31 December 2019, a total provision of USD 11.9 million is included in the

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consolidated financial statements based on the 50% investments in both Neptune and Gdf Suez Cape Ann. Due to the fact that the matter has required significant auditor attention and the material effect the case had on the Group's financial position, results of its operations and its cash flows this was deemed a key audit matter.

We have read the RSAs and evaluated management's accounting assessment. We discussed the settlement with corporate legal, the Board of Directors, the Audit Committee and key personnel in commercial and operations. We have also taken into account the confirmation received from the Company's external lawyers that the RSAs have been executed and the dispute now resolved.

Refer to note 32 in the consolidated financial statement for further description of the Group's assessment.

Impairment evaluation of vessels

The market conditions have continued to be challenging in 2019. Due to the existence of impairment indicators, Management has performed impairment assessments of i) vessels at Group level and ii) investments in subsidiaries for the parent company. The impairment evaluations are dependent on a range of assumptions such as future day rates, deployment, utilization, operating expenses and weighted average cost of capital, all impacted by future market developments and economic conditions. Certain vessels are currently on interim employment in the LNGC market, whilst a significant portion of the carrying value of these vessels is expected to be recovered through redeployment or employment of the vessels as FSRUs. The estimation of future uncontracted cash flows requires significant judgment related to if or when a new contract will be signed, at what charter rates and the associated operating expenses. The value in use calculation for the vessels is similarly a key input in the impairment evaluation of shares in subsidiaries. We consider the impairment evaluation a key audit matter due to the uncertainty of estimates and judgments involved in establishing the assumptions.

The book value of the vessels as of 31 December 2019 was USD 2 100.8 million and represented 80.7 % of the Group's total assets. For the parent company, the book value of investments in subsidiaries was USD 518.2 million and represented 46.9 % of total assets as of 31 December 2019.

Our audit procedures included evaluating management's assessment of impairment indicators for vessels and the assumptions used in the value in use calculations for vessels used in the impairment evaluation of vessels and shares in subsidiaries. We assessed the accuracy of prior years' forecasts, compared expected revenue and operating expenditures to approved budgets, current contracts, historical data and to the long-term market expectations. We also considered the likelihood and timing of employment and redeployment of vessels as FSRUs. Furthermore, we compared the risk premiums in the weighted average cost of capital with market data and considered management's adjustments for company specific factors. We assessed the Company's sensitivity analyses where considered necessary and tested the mathematical accuracy of the valuation model.

Refer to note 11 in the consolidated financial statements for the disclosures regarding the assumptions applied, valuation model, sensitivity to key assumptions and description of the impairment tests of the vessels and note 3 in the parent company financial statements.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and President and CEO (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Oslo, 6 April 2020
ERNST & YOUNG AS

The auditor's report is signed electronically

Finn Ole Edstrøm
State Authorised Public Accountant (Norway)

Global Reporting Initiative (GRI) Content Index

INDICATOR	DESCRIPTION	PAGE NUMBER OR LINK
Organisational profile		
102-1	Name of the organisation.	Front cover
102-2	Activities, brands, products, and services.	Pages 12-14 and web: https://www.hoeghlng.com/our-business/default.aspx
102-3	Location of headquarters.	Page 12
102-4	Location of operations.	Page 12
102-5	Ownership and legal form.	Page 12
102-6	Markets served.	Pages 12-14
102-7	Scale of organisation.	Pages 12-14
102-8	Information on employees and other workers.	Of the permanent employees, all work full-time. The company does not engage supervised or casual workers. There are no significant variations in employment numbers over the year. Employment data has been broken down by onshore and maritime categories instead of region due to the nature of the operations. 175 (69 females) of the office personnel have permanent contracts. One female has a temporary contract. 262 (0 females) of the maritime personnel have permanent contracts. 322 (5 females) have temporary contracts.
102-9	Supply chain.	Page 26-27
102-10	Significant changes to the organisation and its supply chain.	None
102-11	Precautionary principle or approach.	Page 18-19
102-12	External initiatives.	HLNG is a member of the Maritime Anti-corruption Network (MACN) and joined the Zero Coalition 2030 initiative in 2019.
102-13	Membership of associations.	HLNG is a member of the Norwegian Shipowners' Association, the International Group of Liquefied Natural Gas Importers (GIIGNL) and The Society of International Gas Tanker and Terminal Operators (SIGTTO).
Strategy		
102-14	Statement from senior decision maker.	Pages 8-9
Ethics and Integrity		
102-16	Values, standards, principles and norms.	Pages 12, 26
Governance		
102-18	Governance structure.	Page 40-48 and web page: https://www.hoeghlng.com/corporate-governance/default.aspx
Stakeholder Engagement		
102-40	List of stakeholder groups.	Page 26-27
102-41	Collective bargaining agreements.	All maritime personnel are covered by collective bargaining agreements. No office employees are covered by collective bargaining agreements.

INDICATOR	DESCRIPTION	PAGE NUMBER OR LINK
Stakeholder Engagement		
102-42	Identifying and selecting stakeholders.	Page 27
102-43	Approach to stakeholder engagement.	Page 27
102-44	Key topics and concerns raised.	Page 28
Reporting Practice		
102-45	Entities included in the consolidated financial statements.	Page 61
102-46	Defining report content and topic boundaries.	Page 26
102-47	List of material topics.	Page 27-28
102-48	Restatements of information.	None
102-49	Changes in reporting.	The 2019 sustainability report is based on a new materiality analysis and an updated set of disclosures corresponding to the new material topics.
102-50	Reporting period.	2019
102-51	Date of previous report.	April 2018
102-52	Reporting cycle.	Annual
102-53	Contact point.	Knut Johan Arnholdt Vice President Investor Relations & Strategy knut.johan.arnholdt@hoeghlng.com Mobile: +47 92 25 91 31
102-54	Claims of reporting in accordance with the GRI Standards.	This report has been prepared in accordance with the GRI Standards: Core option
102-55	GRI content index.	Pages 144-152
102-56	External assurance.	The GRI content of this report has not been externally assured.

Specific Standard Disclosures

DMA AND INDICATORS	DESCRIPTION	PAGE NUMBER OR LINK	IDENTIFIED OMISSION(S)
Anti-corruption			
103-1	Explanation of the material topic and its boundary.	Pages 26-27	
103-2	The management approach and its components.	Pages 26-27	
103-3	Evaluation of the management approach.	Pages 27-28	
205-1	Operations assessed for risks related to corruption.	Page 35-36 100%	
205-2	Communication and training about anti-corruption policies and procedures.	Page 35 Anti-corruption policies and procedures have been communicated to all board members. HLNG requires all employees to electronically confirm that they have read and understood the firm's Code of Conduct and other compliance policies. 99% of permanent employees confirmed in 2019. All of HLNG's business partners that are required to sign the Supplier Code of Conduct (SCoC) have done so. Exceptions have only been granted by the Compliance officer to 5% of business partners, due to minor revisions in some of HLNG's SCoC provisions or business partners' preference to use their own SCoC. All governance body members and employees have received training on anti-corruption.	
205-3	Confirmed incidents of corruption and actions taken.	None	
Anti-competitive behaviour			
103-1	Explanation of the material topic and its boundary.	Pages 26-27	
103-2	The management approach and its components.	Pages 26-27	
103-3	Evaluation of the management approach.	Pages 26-27	
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices.	None	
Tax			
207-1	Approach to tax	Pages 36	
207-2	Tax governance, control, and risk management	Pages 36	
207-3	Stakeholder engagement and management of concerns related to tax	Pages 28, 36	
207-4	Country-by-country reporting	Not able to provide 2019 figures. Ambition to include figures in the near future.	

DMA AND INDICATORS	DESCRIPTION	PAGE NUMBER OR LINK	IDENTIFIED OMISSION(S)
Energy			
103-1	Explanation of the material topic and its boundary.	Pages 30-31	
103-2	The management approach and its components.	Pages 30-31	
103-3	Evaluation of the management approach.	Pages 30-31	
302-1	Energy consumption within the organization.	Pages 30-31 The electricity consumption of Höegh LNG's office spaces in Oslo amounted to 850 000 kWh.	
Biodiversity			
103-1	Explanation of the material topic and its boundary.	Pages 31	
103-2	The management approach and its components.	Pages 31	
103-3	Evaluation of the management approach.	Pages 31	
304-2	Significant impacts of activities, products, and services on biodiversity.	Pages 31 HLNG potentially impact biodiversity in three areas: 1) Introduction of invasive species, pests, and pathogens by ballast water used in LNG carrier operations. This is prevented by compliant Ballast Water Management systems. 2) Construction of infrastructure in relation to new operations: No such works has been carried out by HLNG in 2019. 3) Change of water temperature close to FSRU operations. FSRU impact on local biodiversity is closely monitored and no significant effect has been identified in 2019.	
Emissions			
103-1	Explanation of the material topic and its boundary.	Pages 30-31	
103-2	The management approach and its components.	Pages 30-31	
103-3	Evaluation of the management approach.	Pages 30-31	
305-1	Direct (Scope 1) GHG emissions.	Pages 31 CO_2 emissions are calculated based on the method, assumptions and emission factor described in the Third IMO GHG study 2014.	Data includes reporting for all vessels.
305-2	Energy indirect (Scope 2) GHG emissions.	340 metric tonnes of CO_2 in 2019. Emission factors from the Norwegian Water Resources and Energy Directorate (NVE) and Hafslund.	Data includes Oslo office.

DMA AND INDICATORS	DESCRIPTION	PAGE NUMBER OR LINK	IDENTIFIED OMISSION(S)
Emissions			
305-7	Nitrogen oxides (NO_x), sulfur oxides (SO_x), and other significant air emissions.	Page 30-31 697 metric tonnes. SO_x emissions are calculated based on the method, assumptions and emission factor described in the Third IMO GHG study 2014.	NO_x emissions are not reported for 2018.
Effluents and waste			
103-1	Explanation of the material topic and its boundary.	Pages 31	
103-2	The management approach and its components.	Pages 31	
103-3	Evaluation of the management approach.	Pages 31	
306-3	Significant spills.	None	
Environmental compliance			
103-1	Explanation of the material topic and its boundary.	Pages 30-31	
103-2	The management approach and its components.	Pages 30-31	
103-3	Evaluation of the management approach.	Pages 30-31	
307-1	Non-compliance with environmental laws and regulations.	None	
Supplier environmental assessment			
103-1	Explanation of the material topic and its boundary.	Pages 36	
103-2	The management approach and its components.	Pages 36	
103-3	Evaluation of the management approach.	Pages 36	
308-1	New suppliers that were screened using environmental criteria.	70% of new and renewed suppliers are screened using environmental criteria.	
Employment			
103-1	Explanation of the material topic and its boundary.	Page 31-34	
103-2	The management approach and its components.	Page 31-34	
103-3	Evaluation of the management ap-proach.	Page 31-34	
401-1	New employee hires and employee turnover.	In 2019, Höegh LNG hired 77 new employees, 45 office personnel and 32 maritime personnel.	Turnover: No reporting on age or gender for privacy reasons.

DMA AND INDICATORS	DESCRIPTION	PAGE NUMBER OR LINK	IDENTIFIED OMISSION(S)
Employment			
401-1 cont.	New employee hires and employee turnover.	cont. Out of the 45 new office personnel, 13 were below the age of 30, 32 were between the age of 30 and 50 and 2 were above the age of 50. 20 of the new office personnel were female and 25 were male. Turnover for office personnel in 2019 was 11,49 percent. 19 office employees left the company during 2019. Out of the 32 new maritime personnel, 1 were female. 30 of these were below the age of 30, 2 were in between the age of 30-50 and zero were above the age of 50. For maritime personnel, retention rates are calculated as per common industry practice. Q4/2019 retention rate Officers 99.7% Q4/2019 retention rate ratings 100%	Turnover: No reporting on age or gender for privacy reasons.
Occupational Health and Safety			
403-1	Occupational health and safety management system.	Pages 31-33	
403-2	Hazard identification, risk assessment, and incident investigation.	Pages 31-33	
403-3	Occupational health services.	Pages 31-33	
403-4	Worker participation, consultation, and communication on occupational health and safety.	Pages 31-33	
403-5	Worker training on occupational health and safety.	Pages 31-33	
403-6	Promotion of worker health.	Pages 31-33	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships.	Pages 31-33	

DMA AND INDICATORS	DESCRIPTION	PAGE NUMBER OR LINK	IDENTIFIED OMISSION(S)
Occupational Health and Safety			
403-9	Work-related injuries.	Total fatalities resulting from work-related injuries: 0 **Office:** High-consequence work-related injuries: 0 Number and rate of recordable work-related injuries (TRCF): 0 Main types of work-related injury: N/A Number of hours worked: 3314712 No injury reports received on consultant injuries. High risk areas for occupational injury and illness are fall to same level, stress, ergonomics and travel related risks. Rates have been calculated based on 1,000,000 hours worked. All office employees are included in this disclosure **Maritime:** High-consequence work-related injuries: 0 Lost time Incident Frequency (LTIF): 0,31 Number and rate of recordable work-related injuries (TRCF): 1,24 Main types of work-related injury: (1) Hand/finger injury, (2) Object in eye and (3) Back pain. Number of hours worked: 3214920 Numbers for workers who are not employees but whose work and/or workplace is controlled by the organization: N/A Fires or explosion from hot work, falls from above during working aloft, lethal atmosphere in enclosed spaces (spaces without ventilation and atmospheric control) and high voltage work poses risks of high-consequence injury. For information on how these hazards are determined, see 403-2. Risk assessments are required for all routine and non-routine jobs. Work permits are required for identified high risk jobs (e.g. hot work and working aloft). Work permit for elevator maintenance was implemented in 2019. Rates have been calculated based on 1,000,000 exposure hours. All crew onboard; officers, ratings and cadets are included in the injury statistics and exposure hours.	
Training and education			
103-1	Explanation of the material topic and its boundary.	Pages 34	
103-2	The management approach and its components.	Pages 34	
103-3	Evaluation of the management approach.	Pages 34	
404-3	Percentage of employees receiving regular performance and career development reviews.	Office personnel: 100% All maritime employees receive a written performance review at the end of each service period, including recommendations for further training and/or promotion.	

DMA AND INDICATORS	DESCRIPTION	PAGE NUMBER OR LINK	IDENTIFIED OMISSION(S)
Diversity and equal opportunity			
103-1	Explanation of the material topic and its boundary.	Pages 34	
103-2	The management approach and its components.	Pages 34	
103-3	Evaluation of the management approach.	Pages 34	
405-1	Diversity of governance bodies and employees.	**BOARD:** 7 men, 2 between 30-50, 5 over 50. **MANAGEMENT:** 1 woman, 7 men. 4 between 30 and 50, 4 over 50. **Office employees:** Total: 175 (69 women) **Under 30: 30** 30-50: 117 50+: 28 **Maritime employees:** Total: 584 (5 women) Under 30: 179 30-50: 296 50+:71	
Non-discrimination			
103-1	Explanation of the material topic and its boundary.	Pages 34	
103-2	The management approach and its components.	Pages 34	
103-3	Evaluation of the management approach.	Pages 34	
406-1	Incidents of discrimination and corrective actions taken.	None	
Supplier social assessment			
103-1	Explanation of the material topic and its boundary.	Pages 36	
103-2	The management approach and its components.	Pages 36	
103-3	Evaluation of the management approach.	Pages 36	
414-1	New suppliers that were screened using social criteria.	All new suppliers are screened using social criteria.	
Socioeconomic compliance			
103-1	Explanation of the material topic and its boundary.	Pages 31, 34-36	
103-2	The management approach and its components.	Pages 31, 34-36	
103-3	Evaluation of the management approach.	Pages 31, 34-36	
419-1	Non-compliance with laws and regulations in the social and economic area.	None.	

DMA AND INDICATORS	DESCRIPTION	PAGE NUMBER OR LINK	IDENTIFIED OMISSION(S)
Security practices			
103-1	Explanation of the material topic and its boundary.	Pages 33	
103-2	The management approach and its components.	Pages 33	
103-3	Evaluation of the management approach.	Pages 33	
410-1	Incidents of discrimination and corrective actions taken.	100% of HLNG personnel performing security duties have been trained. No instances of third-party organizations providing security personnel in 2019.	
Emergency preparedness			
Custom indicator	Number of drills and incidents on vessels/onshore.	A total of 1238 emergency drills were carried out in the fleet. Some of the drills are tabletop drills.	

Norwegian Shipowners' Association (NSA) sustainability disclosures

Disclosures in line with the recommendations from by The Norwegian Shipowners' Association (NSA). For thorough description of disclosures, see the full report on: www.rederi.no/aktuelt/2020/rapportering-barekraft/

Environment

TOPIC	ACCOUNTING METRIC	UNIT	DATA	CODE
Climate risk and climate footprint	Gross global Scope 1 GHG emissions	Metric tonnes CO_2-eq.	1 030 348	SASB TR-MT-110a.1 GRI 305-1 Poseidon Principles SDG 13 CDP C6-C8 IMO initial strategy on reduction of GHG emissions from ships, MEPC.304(72)
	Scope 2 GHG emissions	Metric tonnes CO_2-eq. (location based and market based approach)	340 (market based) and 13.54 (location based)	GRI 305-2 SDG 13 CDP C6-C8
	GHG emission intensity GHG emissions (Scope 1 and if possible, Scope 2) divided by transport work (tonne x nautical miles), or other relevant proxies for value creation. EEOI, AER or similar efficiency indicators can also be reported.	Ratio e.g. g CO_2 / t·nm	KPI for efficiency indicators to be developed in 2020	GRI 305-4 SDG 13
	GHG emission management	See pages 30-31		SASB TR-MT-110a.2 GRI-DMA 305-1 GRI 305-5 SDG 13
	Climate risk reporting	See page 30		TCFD GRI 201-2 SDG 13 CDP C1-C4
	Energy mix	Gigajoules, Percentage (%)	Total: 16 545 710 Gigajoules No renewables or heavy fuel oils consumed.	SASB TR-MT-110a.3 GRI 302-1 SDG 13 CDP C8

Environment

TOPIC	ACCOUNTING METRIC	UNIT	DATA	CODE
Climate risk and climate footprint	Sulphur emissions Policy for compliance with sulphur regulations including global sulphur limits and relevant Emission control area (ECA) limits. Report a) the percentage of the fleet that has scrubbers installed and b) target percentage of the fleet that will have scrubbers installed	Not reported	N/A	MARPOL Annex VI Reg. 14 (IMO Global Sulphur Cap 2020)
Air pollution	Other air emissions	Metric tonnes (t)	SO_x: 697 metric tonnes	SASB TR-MT-120a.1 GRI 305-7 SDG 3 MARPOL Annex VI Reg. 13 MARPOL Annex VI Reg. 14
Ship recycling	Responsible ship recycling		No activity 2019	Hong Kong Convention EU Ship Recycling Regulation EU 1257/2013) Norwegian «Forskrift om gjenvinning av skip og flyttbare innretninger» FOR-2018-12-06-1813 SDG 8, 12, 14
Ecological Impacts	Shipping duration in marine protected areas and areas of protected conservation status	Number of travel days	N/A	SASB TR-MT-160a.1 SDG 14 GRI 304-2 UNEP World Conservation Monitoring Centre (UNEP WCMC)
	Number and aggregate volume of spills and releases to the environment	Number, Cubic meters (m^3) or Metric tonnes	No Spills	SASB TR-MT-160a.3 SDG 14 GRI 306-3

Social

TOPIC	ACCOUNTING METRIC	UNIT	DATA	CODE
Accidents, Safety and Labour Rights	Lost Time Incident Frequency (LTIF)	Rate	Maritime: One lost time incident (LTI) resulting in an LTI frequency (LTIF) of 0,31 Onshore: 0	SASB TR-MT-320a.1 GRI 403-9 IMO ISM Code SDG 8
	Diversity	Percentage (%)	See GRI Index, disclosure 405-1	GRI 405-1 SDG 5, 10
	Labour rights Description of policies regarding the freedom of organisation and collective bargaining agreements.		Code of Conduct para 5.1.1.	GRI 102-41 SDG 8
	Port state control Number of (1) deficiencies and (2) detentions received from regional port state control (PSC) organizations.	Number	Average deficiencies per Port state inspection: 0,5 No detentions	SASB TR-MT-540a.3 SDG 8, 14
	Marine casualties Number of marine casualties, percentage classified as very serious, as defined the Norwegian Maritime Directorate.	Number	No occurrences in 2019	SASB TR-MT-540a.1 SDG 8

Governance

TOPIC	ACCOUNTING METRIC	UNIT	DATA	CODE
Business Ethics	Corruption risk Number of calls at ports or net revenue in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index	Number or value (reporting currency)	0	SASB TR-MT-510a.1 SDG 16
	Facilitation payments Number of incidents where bribes have been requested.	Number reported	1	SDG 16
	Fines Total monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and/or regulations.	Figure Reporting currency	0	GRI 419-1 SASB TR-MT-510a.2 SDG 16
ESG governance	**Policies and targets** Description of main policies and targets.	See page 20	Introduction	GRI Disclosure of Management Approach

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