HÖEGH LNG

ANNUAL REPORT 2020

THE FSRU PROVIDER

Annual Report 2020

Cover photo
Captain Jørgen Grindevoll
Höegh LNG

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 enabling the transition to clean energy. Its strategy is to drive and embrace technological and commercial innovation. In addition to traditional FSRU time charters, the group will develop the business through origination of own projects and extending its presence in the value chain. 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 190 office staff and 669 seafarers.

KEY FINANCIAL FIGURES

(in USD'000 unless otherwise indicated)	2020	2019
INCOME STATEMENT		
Total income	335 136	336 137
Operating profit before depreciation and amortisation (EBITDA)	225 435	217 266
Operating profit	113 061	108 374
Profit for the year after tax	146	8 047
PER SHARE DATA [1]		
Earnings per share (loss) (in USD)	(0.59)	(0.39)
Dividend per share (in USD)	0.025	0.10
BALANCE SHEET [2]		
Equity adjusted for hedging transactions	757 049	800 912
Adjusted equity ratio (%)	30	30
Net interest-bearing debt	1 536 288	1 565 969
CASH FLOWS		
Net cash flows from operating activities	216 176	225 585
Net cash flows from investing activities	(15 746)	(183 210)
Net cash flows from financing activities	(244 863)	(13 351)

[1] Earnings per share (loss) is calculated by dividing the profit for the year attributable to ordinary equity holders of the company (excluding non-controlling interests) by the weighted average number of ordinary shares outstanding during the year. Dividend was in 2020 only distributed for first quarter.
[2] At year-end.

OPERATIONAL KPIs

	2020	2019
Technical availability (%)	99.65	99.54
Lost time injury frequency (per million work hours)	0.29	0.31

FLEET LIST

	Type	Economic interest (%)	Built	Flag	Storage capacity (m^3)	Regas capacity (MMscf/d)
Arctic Princess	LNGC	34	2006	NIS	147 208	N/A
Arctic Lady	LNGC	50	2006	NIS	147 208	N/A
Neptune [3)]	FSRU	50	2009	NIS	145 130	750
Cape Ann [3)]	FSRU	50	2010	NIS	145 130	750
Independence	FSRU	100	2014	SGP	170 132	384
PGN FSRU Lampung [3)]	FSRU	100	2014	IDN	170 132	360
Höegh Gallant [3)]	FSRU	100	2014	NIS	170 000	500
Höegh Grace [3)]	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

[3] Owned by Höegh LNG Partners LP.

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Enabling the transition to clean energy

Höegh Esperanza

Enabling the transition to clean energy

The Covid-19 pandemic made 2020 a challenging year. All our employees, both onshore and offshore, were put under great stress as they were forced to adapt to a new working environment. Particularly our seafarers experienced uncertain times owing to the challenges around crew changes. The efforts and dedication of everyone are highly appreciated. In these unprecedented times, we are proud to report that another year of operational excellence was achieved in 2020, with a technical availability of 99.7% and a lost-time injury frequency of only 0.3 per million work hours. These are true marks 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.

Our focus on sustainability and the energy transition gained momentum during 2020, leading to the development of our new sustainability framework and a changed corporate Vision statement. In our business, we will continue to contribute actively to the transition to a carbon-free energy future, while embracing the role of LNG in this ongoing process. Our assets will continue to be operated in the most sustainable and reliable manner and our customers will be provided with operational excellence and high-quality services. We have the largest, newest and most technically advanced fleet of FSRUs, which puts us in a good position to benefit from the increased need for additional LNG import capacity, underpinned by the growing global trade in LNG and the transition towards a carbon-neutral future.

Sustainability has always been at the core of our operations, and we will be increasing our sustainability awareness and efforts. With effect from 2021, we will change our sustainability reporting framework to the UN Sustainable Development Goals (SDGs), and have chosen six of these as relevant to our business context and ones where we can make a real impact. The six SDGs we have selected are: Climate Action, Affordable and Clean Energy, Life Below Water, Decent Work and Economic Growth, Reduced Inequalities, and Peace, Justice and Strong Institutions. We have also developed an ambitious sustainability roadmap linked to the SDG commitments, which sets long-term goals backed by interim milestones. Among the long-term goals are:

1. Reduce the total CO_2 emissions with around 30% by end of 2024 for the existing fleet of 12 vessels compared with the total CO_2 emissions from this fleet[1] in 2020 by:
   - Commence FSRU operations for four vessels trading as LNC carriers
   - Improve excess boil-off gas management in FSRU operations
   - Improve overall energy efficiency management for the fleet including compliance with IMO targets for reduced emissions from LNG carriers

[1] Subject to changes in the fleet size until 2024, Höegh LNG's total emissions from the total fleet may develop differently. The target will be subject to revision if any of the existing vessels in 2020 exit the fleet or additional vessels enter the fleet before end of 2024.

2. Develop technology and infrastructure solutions to facilitate that our customers can deliver green ammonia/hydrogen services from our FSRUs by 2024, and our ambition is that this value-added service deployed for several of our FSRUs by 2030
3. Develop and have the first net zero-carbon FSRU in operation in 2030
4. Have CO_2- and ecosystem-neutral operations by 2050

Our vision statement has been unchanged in recent years and focused on our core business and operations – “To be the market leader for floating LNG solutions”. We are now taking a much more ambitious approach to sustainability, which has led us to revise our corporate vision statement to read: “Enabling the transition to clean energy”. With this new vision in place, we have set the course for our ambitions on sustainability in a strategic way. The new vision defines where we are and where we will be moving. This is towards finding new business opportunities in the non-carbon energy space – particularly business related to our core competence of building floating energy infrastructure – while at the same time significantly reducing emissions from our existing operations.

In 2020, we secured a new 10-year FSRU contract with H-Energy in Jaigarh, India, which will be served by Höegh Giant. This project is a key example of how we contribute to the energy transition. The FSRU import terminal will facilitate the replacement of Indian coal consumption with natural gas for electricity generation on a scale which reduces CO_2 emissions by up to about 120 million tonnes over a 10-year period.

On the financial side, we continue to benefit from our long track record and leading market position. That was proven by our execution of several important financing activities during the year, such as the refinancing of our HLNG 02 bond that matured in June and the amendment, extension and USD-45-million upsizing of Independence’s debt facility.

Global LNG trade grew in 2020, despite being negatively affected by two major shocks in the first half of the year – first the collapse in oil prices, and then the reduced demand for LNG owing to decreased economic activity as a result of measures to contain the Covid-19 pandemic. This clearly shows the resilience in global LNG demand, and underpins the role of LNG in the energy transition by replacing more polluting fuels such as coal and oil products.

The outlook for 2021 is positive and our main focus will be on securing new long-term employment for the FSRUs which are currently working on interim LNGC contracts. Our position as the global FSRU leader, with the most sophisticated fleet available, combined with our operational excellence, means we are well positioned to compete for new regasification contracts.

On 8 March 2021, the company announced a recommended offer by Leif Höegh & Co. Ltd. (LHC) and Funds managed by Morgan Stanley Infrastructure Partners, through a 50/50 joint venture, to acquire the remaining issued and outstanding shares of the company not currently owned by LHC or its affiliates, by way of amalgamation.
The contemplated transaction was unanimously recommended by the board of directors and on 30 March 2021 it was approved by a special general meeting. If all other closing conditions are satisfied, the transaction will close and the company’s shares will be delisted from the Oslo stock exchange. This will mark the beginning of a new chapter in our company’s history, and provide a new source of capital for the company to grow and strengthen its balance sheet and capital structure.

S. Støhle

Sveinung J.S. Støhle
President and CEO

Directors' report

Directors' report for 2020

Höegh LNG secured a new long-term FSRU contract in India in 2020, thereby taking an important step towards its ambition of securing firm long-term employment for all the group's assets before the end of 2021.

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 occupy the leading position in the market for floating storage and regasification units (FSRUs).

Despite the ongoing Covid-19 pandemic, all units performed in accordance with their contracts, and the technical availability of the entire fleet was 99.7%, which is a very good result and a very strong performance, given that all our employees, both onshore and offshore, were put under great stress as they were forced to adapt to a new working environment caused by the pandemic. Particularly our seafarers experienced uncertain times owing to the challenges around crew changes. The efforts and dedication of all employees throughout these difficult times are highly appreciated by the board of directors. To improve the situation for all seafarers, Höegh LNG encourages national governments, industry organisations and other international stakeholders to keep their commitments to support the seafarers and do what they can to facilitate crew changes and international travel allowing crew repatriation.

Höegh LNG's Vision and Mission statements have been revised to match its strategy of contributing actively to the transition to a carbon-free energy future, while embracing the role of LNG in this ongoing energy transition process.

Höegh LNG's new vision is "Enabling the transition to clean energy". Its mission is to supply innovative and reliable floating infrastructure solutions, thereby creating value for customers, shareholders, employees and the local communities in which it operates, and to reduce the impact on the environment from the group's own business and that of the its clients.

The group's strategy is to drive and embrace technological and commercial innovation. In addition to traditional FSRU time charters, it will develop its business by originating its own FSRU projects and extending its presence along the value chain. The group focuses on developing pricing models which secure attractive risk-adjusted returns. Höegh LNG always seeks excellence in its operations in order to maximise value for the group and its clients, while at the same time ensuring the welfare of its employees and minimising its impact on the environment.

Höegh LNG is increasing its sustainability awareness and efforts, and will change its sustainability reporting framework to the UN Sustainable Development Goals (SDGs) with effect from 2021. It has chosen six SDGs which are relevant to its business context and where it can make a real impact. The group has developed an ambitious sustainability roadmap linked to the SDG commitments, which sets long-term goals backed by interim milestones for 2021-2050.

To reflect the group's strategic objective to include the development of non-carbon energy solutions, Höegh LNG created a new business area called Clean Energy in the first quarter of 2021.

The company 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.

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

Höegh LNG paid a dividend of USD 0.025 per share in the first quarter of 2020. The board decided in April 2020 that, in light of the Covid-19 virus pandemic, the dividend should be suspended in full until further notice. This is a precautionary measure to preserve liquidity given the highly uncertain business environment.

Sustainability and impact on the external environment

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More detailed milestones and targets can be found in the sustainability report. The group will continuously share and report progress towards these objectives as part of its sustainability reporting.

The group is committed to ensuring the safe and sustainable management of environmental and other effects which might be caused by its operations. Höegh LNG seeks actively to integrate sustainability measures in all its business operations and to strike a sound balance between stakeholder interests, operational efficiency and shareholder value.

CO_2 emissions from the group's fleet depend on the type of operation (FSRU versus LNGC modes) 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 consumption and thereby also cut its CO_2 emissions. These initiatives include operational improvements for its vessels, modifications to existing vessels, and design developments for newbuilds.

[1] Subject to changes in the fleet size until 2024, Höegh LNG's total emissions from the total fleet may develop differently. The target will be subject to revision if any of the existing vessels in 2020 exit the fleet or additional vessels enter the fleet before end of 2024.

In 2020 the group joined NCE Maritime CleanTech, a cluster organisation using Norwegian maritime expertise, as a springboard for developing new energy-efficient and environmental friendly technologies. The group sees many similarities between its LNG business and non-carbon energy solutions. It will therefore leverage its existing industrial platform and expertise, and focus its non-carbon activities on developments in two main areas: a) the development of infrastructure solutions for storage, transport and distribution of green hydrogen/ammonia using existing assets, and b) floating Carbon Capture and Storage (CCS) solutions.

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.

The group has zero tolerance of 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). From 2021, the group will change its sustainability framework and reporting to the UN SDGs.

Personnel

Höegh LNG had 190 permanent office employees and 669 maritime personnel at 31 December 2020. The 24-month cumulative retention rate at 31 December 2020 was 96% for maritime personnel. Average sickness absence among office employees in Oslo was 1% in 2020 (2.4%). One lost-time injury (LTI) was reported in 2020 on Höegh LNG vessels, resulting in an LTI frequency (LTIF) of 0.29. This exceptional 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 43% (41%) of Höegh LNG's office employees at 31 December 2020. All the directors on the company's board are male, while the group executive team has one female member out of six.

Review of 2020

Operational performance

Höegh LNG is experiencing limited operational impacts from Covid-19 and no contractual effects. However, ensuring the health and safety of its personnel continues to be the group's highest priority. To support the industry-wide efforts being made for seafarers, the group has signed the Neptune Declaration on Seafarer Wellbeing and Crew Change.

The Covid-19 situation is dynamic and could change quickly – in particular with regard to maritime personnel and vessel operational logistics, including repairs and maintenance. Although Höegh LNG's operations have not been directly affected by the Covid-19 pandemic so far, the group has been taking and will continue to take necessary measures to mitigate risks to employees and its operations. The group is continuously monitoring the Covid-19 situation, and undertaking scenario analyses and other evaluations to address any changes related to the health, safety and wellbeing of personnel, the LNG and FSRU markets, government restrictions, and other aspects potentially affecting operations and the business.

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

Fleet development
No changes occurred in the group's fleet during 2020.

By 31 December 2020, Höegh LNG had a fleet of 10 FSRUs and two LNG carriers (LNGCs). The average age of the assets in operation is 7.1 years, while the average remaining length of the commercial contracts is 6.4 years, adding up to a revenue backlog of USD 2.8 billion including joint ventures.

Since the group has several units employed on short-term LNGC contracts, further growth will depend on securing additional long-term FSRU contracts. The first of these has been secured with the employment of Höegh Giant by H-Energy in India from 2021.

Commercial development
On 19 November 2020, Höegh LNG announced a binding commitment to supply H-Energy with an FSRU for its LNG import facility in Jaigarh, India, in the first quarter of 2021. All documentation was completed and signed in February 2021. Höegh Giant will serve this agreement, which runs for a period of 10 years with annual termination options for the charterer after year five. The vessel is scheduled to arrive Jaigarh in the beginning of April 2021.

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

In April 2020, Australia Industrial Energy (AIE) received approval for its application to modify the existing development consent for the Port Kembla Gas Terminal in New South Wales, Australia. The modification will allow increased volumes of gas to flow through the terminal, satisfying the market need for more gas during winter months. Squadron Energy became the sole owner of AIE during 2020. Following that, both a lease for up to 25 years with NSW Ports for the Port Kembla gas terminal and a Memorandum of Understanding to connect the Port Kembla gas terminal with the Eastern Gas Pipeline, part of the major gas transmission system in the state of New South Wales, have been signed. Höegh LNG has exclusivity in providing the FSRU for AIE's Port Kembla gas terminal project, and Höegh Galleon has been selected to serve the project.

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 is in its final stage. On 30 March 2021, AGL announced The Victorian Planning Minister's recommendation in relation to AGL's proposed LNG import project at Crib Point. The Minister has determined, having regard to the Inquiry and Advisory Committee's report and the Environment Effects Statement documentation, that the project will have unacceptable environmental effects. AGL is reviewing and considering its position in relation to the Minister's recommendation and will provide an update in relation to the impact on the project once this assessment is complete. Höegh LNG will provide input where requested.

Höegh LNG is involved in several formal tender processes and bi-lateral negotiations at different locations across the globe, such as Latin America, the Indian subcontinent, Africa and elsewhere, and has a healthy pipeline of projects at various stages of development.

After 31 December 2020, the group has reached an agreement with Trafigura on an extension of the existing interim LNGC time charter for Höegh Gannet by 12 months, and has entered into a new interim LNGC time charter for Höegh Gallant of 12 months from the redelivery by its current charter at end March 2021. Furthermore, agreement has been reached with Cheniere on extending the existing interim LNGC time charter for Höegh Galleon by 12 months.

The above-mentioned time charters include extension options for the charterers which could result in back-to-back employment with potential new FSRU awards. These charters secure full contract coverage for the group's fleet in 2021, with the exception of Höegh Esperanza where Höegh LNG is in discussions with the existing charterer on an extension following the expiry of the existing contract in June 2021.

Corporate activities

Höegh LNG implemented a cost-saving plan in 2020 which, together with certain one-off savings and a favourable exchange rate development, resulted in a reduction of USD 10 million in SG&A for 2020 compared with the year before. Opex also declined by USD 1.5 million from 2019, despite the increase in the fleet following the addition of Höegh Galleon from August 2019. In addition, around USD 3 million in dry-docking off-hire was postponed from 2020 to the second quarter of 2021. Entering 2021, the group will continue to focus on cost efficiency and is targeting additional savings on SG&A and Opex through various measures and efficiency gains. The objective of the cost reductions in 2021 is to cut SG&A expenses by around 10% from 2020, with the majority of the targeted savings expected to take effect in and beyond 2022. Some of the SG&A reductions have already been secured. One move in this context has been downsizing the top management group from nine members to six, including the separate position of CEO/CFO of Höegh LNG Partners.

In October 2020, Avenir LNG (Avenir) announced the delivery of Avenir Advantage, its first dual-purpose LNG bunkering and supply vessel (LBV). This vessel is employed on a three-year time charter with Petronas, and has successfully completed several bunker and recharge operations. This contributes to establishing proof of concept for Avenir's dual-purpose LBVs. In March 2021 Avenir announced the delivery of its second vessel, Avenir Accolade, which on delivery entered a three-year bareboat charter to LNG Power Limited, a subsidiary of Hygo Energy Transition Ltd. Avenir has an additional four vessels under construction, all scheduled for delivery in 2021. The Higas LNG import terminal in Sardinia is under construction and slated for start-up in the second quarter of 2021.

LNG and FSRU market outlook

During the first half of 2020, the global LNG market was negatively affected by two major shocks – the reduced demand for LNG owing to the decrease in economic activity as a result of protective measures to contain the Covid-19 pandemic, and then the collapse in oil prices. Despite this, annual global LNG trade rose by 5.5 million tonnes in 2020, equivalent to a growth rate of 1.5%, and volumes traded reached 365.5 million tonnes. This clearly shows the resilience of global LNG demand, and underpins the role of LNG in the energy transition by replacing more polluting fuels such as coal and oil products.

Asia was the continent to show noteworthy growth in LNG imports in 2020, with China accounting for around two-thirds of the aggregate increase in Asian imports despite a negative year-on-year development in the first quarter. The significant rise in European LNG imports witnessed in 2019 continued into the first half of 2020. However, this growth was more than offset by a year-on-year decline in the second half of the year owing to such factors as increased demand in other markets, reduced gas demand and limited additional storage capacity. European imports therefore ended up down slightly from the year before.

After the record year in 2019, when 70.4 million tonnes of annual liquefaction capacity received FIDs, the only FID in 2020 was Energia Costa Azul LNG in Mexico with three million tonnes of annual liquefaction capacity. After 31 December 2020, Qatar Petroleum announced an FID for the North Field East project, with an annual liquefaction capacity of 33 million tonnes and expected gas production from the fourth quarter in 2025.

The Covid-19 pandemic hit an already oversupplied LNG market, leading to historically low LNG prices in the summer of 2020 since demand was unable to keep up with supply growth. That led in turn to significant reductions in liquefaction utilisation, particularly in the USA and Egypt. US liquefaction utilisation reach record lows of less than 40% of nameplate capacity in July-August, compared with normal levels of at least 100%.

With the first LNG import terminal in Myanmar starting operations in 2020, the number of LNG importers rose from 44 countries to 45 during the year. At the time of writing the number has reached 46 because Croatia's FSRU import terminal commenced commercial operations in January 2021. The number of countries importing LNG is expected to rise to 51 by 31 December 2021, 56 in 2022 and 64 by 2025, according to research by IHS Markit. However some projects face possible delays. The key enabler for such growth is the increasing supply of LNG, while demand drivers include a widespread and environmentally motivated switch from coal and oil to cleaner natural gas. Others are making renewable energy supply resilient, diversification efforts, seasonality in power demand and new gas-fired power generation capacity.

IMO2020, the International Maritime Organisation's global 0.5% cap on sulphur content in marine fuels, came 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. A growing number of merchant vessels are already running on LNG, and the order book for LNG-ready vessels is steadily increasing. This will require the continuous development of additional LNG bunkering infrastructure around the world, including the construction of a large number of LNG bunkering vessels.

The FSRU market continues to grow, with a new FSRU terminal in Brazil commencing operations in 2020 and the above-mentioned FSRU terminal in Croatia coming on stream in January 2021. The number of importing markets using FSRUs had reached 20 by 31 December 2020 and, according to research by IHS Markit, Ghana, Nicaragua and Senegal are also expected to begin LNG imports via FSRUs in 2021. Looking further ahead, FSRU projects currently under construction are set to come on stream in Cyprus, El Salvador, Hong Kong and Mozambique.

Several LNG import projects announced in 2020 that they might employ FSRUs as part of their infrastructure, and three awarded firm FSRU contracts. These included the one awarded by H-Energy to Höegh LNG in India. 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.

At 31 December 2020, the global FSRU fleet consisted of 39 FSRUs on the water (excluding four smaller barges) since four units were delivered during the year. Of these, 29 are committed on FSRU contracts and 10 are available and/or trading as LNGCs. Four orders for converted FSRUs were added to the order book, all designated for specific projects. The order book furthermore contains three

FSRU newbuildings, one of which is committed to a specific contract.

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

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 2020 are compared with those for 2019.

Income statement

Total income was USD 335.1 million in 2020 (2019: USD 336.1 million), while operating profit before depreciation and amortisation (EBITDA) was USD 225.4 million (USD 217.3 million). The decrease in total income mainly reflects the re-contracting of Höegh Gallant and Höegh Gannet at lower rates in 2020, a lower rate achieved for Höegh Giant under the index-linked contract, and the off-hire for Arctic Lady in 2020. These factors were partly offset by a full year of earnings from Höegh Galleon in 2020 and a higher share of results from joint ventures. The increase in EBITDA reflected a USD 10 million reduction in SG&A expenses and a decline of USD 1.5 million in Opex despite an increased fleet. These positive effects, driven mainly by the cost-saving programme and certain one-off savings as well as a favourable currency effect, were partly offset by the slight decline in revenues described above.

Operating profit was USD 113.1 million in 2020 (USD 108.4 million). Depreciation increased by USD 5 million in 2020 since Höegh Galleon was part of the fleet for the full year. An impairment assessment has also been carried out for the group's vessels, which did not identify any impairment requirement.

Net financial expenses amounted to USD 108.3 million in 2020 (USD 94.1 million). The increase in net financial expenses mainly reflected a rise in interest costs because Höegh Galleon was part of the fleet for the full year, increased interest costs on unsecured debt following the issuance of the HLNG 04 bond, and both realised and unrealised foreign exchange losses on currency instruments.

Profit after tax was USD 0.1 million (USD 8 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 163 million (USD 164 million) in 2020 and EBITDA of USD 129 million (USD 124 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 173 million (USD 171 million) in 2020 and EBITDA of USD 117 million (USD 120 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 negative USD 0.1 million (positive USD 0.4) in 2020 and negative EBITDA of USD 8 million (negative USD 12 million).

The corporate and other segment, which comprises the group's management, finance, legal and other corporate services, reported no income in either 2020 or 2019 and negative EBITDA of USD 14 million (negative USD 14 million), reflecting group administrative expenses.

Financial position

At 31 December 2020, the consolidated book value of assets totalled USD 2 473 million (USD 2 602 million). The decrease from 31 December 2019 mainly reflects the depreciation of the fleet and the reduced book value of right-of-use assets, as well as a reduction in cash and cash equivalents.

The carrying amount of equity at 31 December 2020 was USD 597 million (USD 696 million). Net of mark-to-market of hedging reserves, the equity adjusted for hedging transactions was USD 757 million (USD 801 million), bringing the adjusted equity ratio to 30% (30%). The capital structure of Höegh LNG is considered to be adequate given the risk facing the group. The capital structure will probably be subject in the future to the issuance of further debt relating to scheduled refinancing and new debt, net results and dividend payments, potential new equity capital being issued and other factors.

Capital commitments

At 31 December 2020, Höegh LNG had no remaining off-balance-sheet capital commitments relating to FSRUs on order or under construction.

Höegh LNG has made an investment commitment to Avenir LNG Limited (Avenir) for up to USD 45.5 million. At 31 December 2020, Höegh LNG had a remaining outstanding investment commitment in Avenir of up to USD 8.6 million. USD 6.3 million was paid in January 2021 and the remaining amount of USD 2.3 million is expected to fall due later in 2021. In April 2019, the company issued a guarantee of USD 11.7 million in connection with a shipbuilding contract signed by Avenir. In addition, the main shareholders 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 102 million (plus change orders and interest charges), for which the group 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 of about USD 3 million at 31 December 2020. These commitments related primarily to implementation of the new enterprise resource planning system and certain equipment on order related to planned modification work for Höegh Giant.

Financing

During January 2020, Höegh LNG raised NOK 650 million in a new unsecured bond loan (HLNG 04) with a five-year tenor and a margin of 600 basis points. The new bond loan was listed on the Oslo stock exchange on 7 May 2020. In connection with the issuance of the new bond loan, USD 65 million of the HLNG 02 bond was bought back during the first quarter, while the remaining USD 65 million was repaid at maturity in June 2020.

In April 2020, the company concluded a revolving credit facility for up to USD 80 million, secured by the company's common units and its shares in the general partner of Höegh LNG Partners. USD 65 million of the facility was earmarked for repaying the HLNG 02 bond loan.

Höegh LNG also executed an amendment, an extension and a USD 45 million upsizing of the debt facility for FSRU Independence in April.

In October 2020, the company completed a NOK

320 million tap issue under the HLNG 04 bond loan agreement. The tap issue was priced at 93.61% of the par value, and the total outstanding amount following the tap issue is NOK 970 million. In conjunction with the tap issue, the company bought back NOK 295 million of the senior unsecured bonds with a maturity date of 1 February 2022 (HLNG03) at a price of 100% of par value.

During 2020, Höegh LNG Partners raised USD 2.7 million in net proceeds from issuing new preferred units under its ATM equity raising programme.

At 31 December 2020, Höegh LNG's interest-bearing debt was USD 1 703 million (USD 1 779 million), a decrease explained by ordinary debt repayments made in 2020 and a decrease in bond debt, partly offset by the increased debt on FSRU Independence and the revolving credit facility executed in April 2020.

Cash flows and liquidity

Cash flows from operating activities in 2020 were USD 216.2 million (USD 225.6 million), down from 2019 owing mainly to variations in working capital between the two years.

Net cash flows used in investing activities amounted to USD 15.7 million (USD 183.2 million), down from the year before because the company did not take delivery of any FSRUs in 2020, compared with one FSRU the year before. This was slightly offset by USD 9 million in higher investments in associates.

Cash flows from financing activities were negative at USD 244.9 million (negative at USD 13.4 million), driven by debt repayment, interest expenses, dividends paid and lease payments, and offset by proceeds from borrowings.

Total cash flows in 2020 were negative at USD 44.4 million (positive at USD 29 million).

At 31 December 2020, unrestricted cash and cash equivalents amounted to USD 142.5 million (USD 187 million). In addition, Höegh LNG Holdings has USD 20 million in undrawn credit on its USD 80 million revolving credit facility and Höegh LNG Partners had USD 14.7 million in undrawn credit on its USD 63 million revolving credit facility.

At 31 December 2020, the group's current interest-bearing debt was USD 213.7 million (USD 331 million), including current lease liabilities. Plans call for debt service and refinancing to be funded through the available cash and cash flows from operation, as well as refinancing debt on or before its maturity date.

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, it is not possible to forecast and assess the potential effects of the Covid-19 pandemic on the company accurately at the time this report is released, but these are being continuously monitored.

Parent company financials

The total comprehensive loss for the company on a stand-alone basis in 2020 was USD 479.2 million (income of USD 10.4 million). The decrease from 2019 related mainly to impairment of investment in subsidiaries and loans to subsidiaries.

At 31 December 2020, total assets were USD 620 million (USD 1 106 million), while the equity ratio was 48% (70%). Cash flows in 2020 were negative at USD 51 million (USD 8.9 million). At 31 December 2020, the company held USD 23.7 million in cash and cash equivalents (USD 74.7 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 higher 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 six are on long-term contracts with expiration dates between 2024 and 2036, including the FSRU due to start up in India during 2021. The group is working to establish long-term employment for four FSRUs. It 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, reloading and regasifying LNG cargoes, which can cause delays to operations. In addition, difficulties presented by port constraints, weather conditions, vessel compatibility, technical availability and performance may 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, these are evaluated and if deemed 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.

Currency 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 2020. In addition, Höegh LNG has certain revenues in euros. 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. At 31 December 2020, the group had around USD 12 million in remaining off-balance-sheet capital commitments. Outstanding interest-bearing debt carried on the balance sheet totalling USD 1 703 million, net of debt issuance costs, will be repaid through the cash flows generated from existing assets in Höegh LNG and through refinancing when the debt matures. The group has several FSRUs currently trading on interim LNGC contracts, which generate charter income below the required cash-break-even for these FSRUs. Moreover, the group has significant debt maturities in aggregate for 2021 and the first half of 2022, including one unsecured bond loan, which will require refinancing. Consequently, Höegh LNG is exposed to the risk of insufficient cash flows generated to service its debt, and the risk of refinancing amounts falling short of the amount of debt maturing.

One consequence of the turmoil in financial markets caused by the Covid-19 pandemic has been a general reduction in the availability of debt financing and increase in its expense, and refinancing processes are taking longer than before. This might have implications for the group's refinancing and liquidity risk in the future.

At 31 December 2020, the group had USD 177 million in total available liquidity, including USD 20 million under the USD 80 million revolving credit facility in Höegh LNG Holdings and USD 14.7 million under the USD 63 million revolving credit facility in Höegh LNG Partners.

Höegh LNG is also exposed to liquidity risk related to derivatives entered into to hedge interest rate and currency risks, since some of these derivatives are subject to margin calls if negative value exceeds a certain threshold, and the difference will require the deposit of cash collateral. At 31 December 2020, the cash collateral amounted to approximately USD 16 million and related mainly to interest-rate swaps hedging the interest-rate risk of the debt facility for Höegh Galleon. The turmoil in the financial markets caused by the Covid-19 pandemic led to a significant liquidity outflow in March to May 2020 related to this particular liquidity risk, since interest-rate levels dropped to very low levels and the Norwegian krone weakened significantly against the USD. This partly reversed in the second half of 2020, and a large portion of the cash collateral deposited earlier in the year was returned to the group.

Furthermore, Höegh LNG is exposed to liquidity risk related to the amount of credit available under its credit facility of up to USD 80 million. 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 is customary for these types of facilities, the available amount of the facility is linked to the value of the pledged units. The turmoil in the financial markets caused by the Covid-19 pandemic led to a temporary reduction in the availability of the credit facility for a short time during 2020, since the value of the pledged units was below the required minimum level to support the full amount of the facility. As the market price of the pledged units rebounded, the full amount became available again.

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.

Höegh LNG has not provided any guarantees for liabilities outside the group (including the joint ventures and investment in associates), 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, which total USD 180 million.

Shareholder information

At 31 December 2020, 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 1 009 265 treasury shares, the number of outstanding shares was 76 251 315. Leif Höegh & Co Ltd was the largest shareholder, holding 37 765 654 shares. During the year, the company delivered 47 288 common shares held in treasury to directors as partial remuneration for their service on the board.

At 31 December 2020, the number of stock options outstanding totalled 2 449 092.

Grant date	Total number of options granted (including additional grants)	Vesting dates for options granted	No of options remaining outstanding at 31 Dec 2020	Strike price at 31 Dec 2020 (adjusted with dividends paid since grant date)	Latest expiry date
22 Mar 2018 and 21 March 2019 (Round 4)	1 522 540	1/3rd on 31 Dec 2019, 2020 and 2021 respectively	1 179 403	NOK 44.03	31 Dec 2022
27 Jan 2020 (Round 5)	1 301 563	1/3rd on 31 Dec 2021, 2022 and 2023 respectively	1 269 689	NOK 30.16	31 Dec 2024
TOTAL			**2 449 092**		

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 in 2019 plus the FID by Qatar Petroleum will support further expansion in the years to come. The number of countries importing LNG rose to 45 in 2020 and is expected to reach 64 by 2025. This represents a diverse set of opportunities across all regional markets for Höegh LNG. Rising demand is driven by competitive LNG prices 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 was stable in 2020 compared with 2019, despite the turmoil in the energy markets caused by Covid-19, and three FSRU contracts were awarded.

Several FSRU projects were at advanced stages of development at 31 December 2020. 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 supporting growth in this high-potential market.

Höegh LNG's main focus in 2021 is to secure firm long-term FSRU contracts for the four FSRUs currently being employed on short-term contracts. This will increase the revenue backlog and eventually establish the foundation for further profitable growth.

The LNG market has stabilised after a period of high volatility in the early phase of the Covid-19 pandemic created by uncertainty over the possible effects both the pandemic and the efforts to contain it. The projected growth in demand has held up, but starting from a lower base point since demand in 2020 ended up below the initial projections because of Covid-19. However, these growth estimates may change owing to uncertainty over how long and to what extent infection control measures will remain in place. The ongoing Covid-19 pandemic may affect future demand for natural gas and therefore reduce business opportunities for the company. This could have a significant adverse impact on Höegh LNG's financial position, operational results and cash flows.

Financial markets have also recovered after the significantly negative initial reaction to the Covid-19 outbreak. A more negative course for the Covid-19 pandemic than has currently been priced in may adversely affect the different financial markets, which in turn might reduce Höegh LNG's ability to refinance current debt facilities and to raise new debt or equity. Changing circumstances may also have a negative effect on the market value of derivatives held to hedge currency and interest-rate exposures, and require cash collateral to be posted under relevant credit support agreements with the swap banks.

On 8 March 2021, the company announced a recommended offer by Leif Höegh & Co. Ltd. (LHC) and Funds managed by Morgan Stanley Infrastructure Partners through a 50/50 joint venture, Larus Holding Limited to acquire the remaining issued and outstanding shares of the company not currently owned by LHC or its affiliates, representing approximately 50.4% of the shares outstanding, by way of amalgamation between Larus Limited, a subsidiary of Larus Holding Limited and the company.

The Board of Höegh LNG Holdings Ltd., based on a recommendation from a Special Board Committee, consisting of the non-executive, independent directors, after consultation with its independent legal and financial advisors, unanimously approved the amalgamation agreement and recommended the unaffiliated shareholders of the company to vote in favour of the transaction. The special general meeting held on 30 March 2021 approved the transaction. If all other closing conditions are satisfied, the transaction will close and the company's shares will be delisted from the Oslo stock exchange. This transaction will, if successfully completed, represent a new chapter for the company, and in the board of directors' view facilitate an improved access to capital for growth as well as for strengthening the group's balance sheet and capital structure.

Höegh LNG has so far experienced a 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. The current pandemic could significantly and adversely impact the group's maritime operations, onshore support, corporate activities, customers, vendors and the countries in which it operates. As a result it is not possible to give an accurate forecast of the effect of Covid-19 on Höegh LNG's business at the date of this report. What can be said is that at 12 April 2021, effects on its employees, operations or revenues have been limited.

Hamilton, Bermuda, 12 April 2021

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

Morten Høgh

Morten W. Høegh
Chairman

Leif Høegh

Leif O. Høegh
Deputy Chairman

D. Wedell-Wedell

Ditlev Wedell-Wedellsborg
Director

Andrew Jamieson
Director

Christopher G. Finlayson
Director

Jørgen Kildahl

Jørgen Kildahl
Director

Steven Rees Davies
Director

S. Støhle

Sveinung J.S. Støhle
President & CEO

Sustainability report


42 PERSONS
HÖEGH

Sustainability report

We believe responsible business practice is fundamental to becoming a sustainable business. As the market leader, we strive for the best achievable safety record, operating to the highest environmental standards, with good governance and respecting human rights. We conduct our business with zero tolerance for unethical business practices.

In 2020 we embarked on the development of a revised corporate Vision and Mission statement, putting sustainability at the core of our business. The revised Vision is:

“ Enabling the transition to clean energy ”

Delivering on our sustainability goals in 2020 was challenging. The onset of the global coronavirus pandemic in March presented numerous challenges, requiring prompt, significant and coordinated responses to keep our personnel safe and maintain business continuity. Despite the challenges presented, our people were able to respond quickly and effectively, adapting to the new operating environment created by Covid-19. Our focus on sustainability remained a core priority throughout 2020, and the results achieved are presented in this report.

Delivering sustainable performance

In 2020, we maintained our high level of safety performance and zero spills. We had no serious incidents, our lost-time injury frequency (LTIF) was 0.29 (2019: 0.31) and the total recordable case frequency (TRCF) was 2.00 (2019: 1.24).

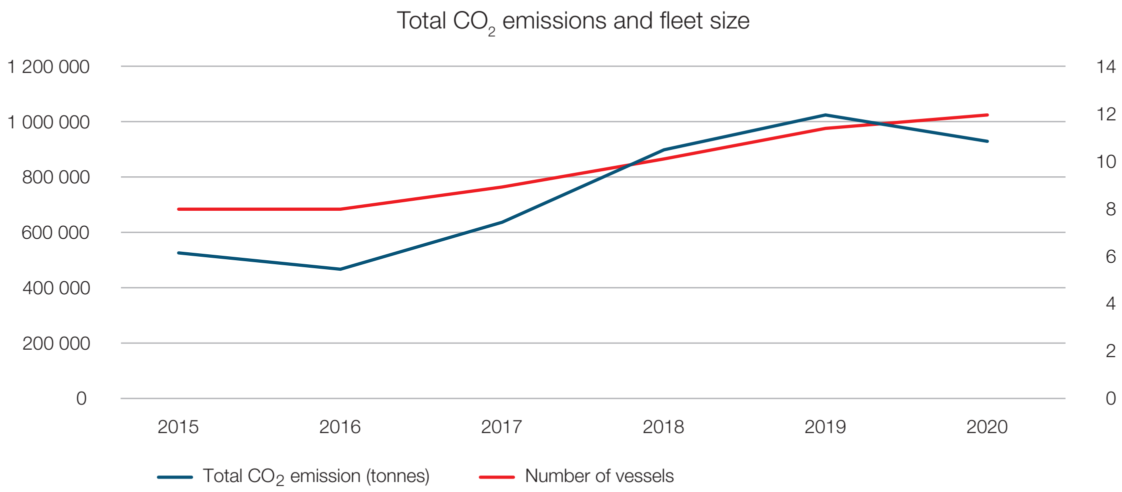
We had no reported Covid-19 cases in the fleet or in our offices, having undertaken proactive and comprehensive measures to avoid infections among employees and guests.

Wellbeing, the working environment and productivity were measured in three employee surveys during 2020. More than 80% of employees reported a good working environment and positive cooperation, despite working from home for most of the year.

KPI	2020	2019	2018	2017	2016
LTIF Fleet	0.29	0.31	0	0.4	0
TRCF Fleet	2.0	1.24	-	-	-
LTI Shore	0	0	0	0	0
Oil Spills	0	0	0	0	0
Security incidents	0	0	0	0	0

About this report

This report discloses Höegh LNG’s environmental, social and governance (ESG) performance for the 2020 calendar year. It has been prepared in accordance with the GRI standards (Core option) and meets the recommended reporting requirements of the Norwegian Shipowners’ Association (NSA).



Revised sustainability framework

We developed a new vision and mission strategy in 2020 to bring sustainability and the transition to a carbon-free energy future into the core of our business strategy. We decided to increase our sustainability awareness and efforts by changing the basis for our sustainability framework and reporting to the UN Sustainable Development Goals (SDGs) with effect from 2021.

This means that 2020 will be the final year when we report on our sustainability performance in accordance with the Global Reporting Initiative (GRI) standards in our annual report.

Material topics

We have defined our material topics for reporting in alignment with the GRI's materiality principle. Subjects which have a significant environmental, social, or economic impact or which are important to our stakeholders are considered to be material.

Stakeholder engagement and materiality

Our stakeholders include staff, investors, customers, suppliers, unions, regulators, financial institutions and NGOs. In 2019, we engaged an independent ESG consultant to carry out a materiality assessment, including interviews with stakeholders. We maintained active dialogue with our stakeholders in 2020 and reviewed our material topics. Except for the addition of issues related to Covid-19, these subjects remain unchanged from 2019.

Our material topics

The following topics have been determined to be material for inclusion in our 2020 sustainability report:

- Health and safety
- Climate risk and CO_2 emissions
- Ethical business practice
- Employment practices
- Environmental management
- Sustainable supply chain
- Covid-19

A new vision

We are the market leader for floating LNG import infrastructure. Our strong emphasis on safety, technological development and operational excellence dates back more than 45 years. Our vision, which was recently updated, is “enabling the transition to clean energy”, and our mission is to:

- Supply innovative and reliable floating infrastructure solutions
- Create value for customers, shareholders, employees, and the local communities in which we operate

- Reduce the impact on the environment from our own business and from our partners and clients

The updated vision highlights our group's ambition to be active in developing non-carbon energy solutions as well as the role of LNG in the ongoing energy transition. Alongside the updated vision, we are increasing our sustainability awareness and efforts, and will change the basis for our sustainability framework and reporting from 2021 to be based on the UN SDGs. We have chosen six SDGs relevant to our business context and material topics, and where we can make a real impact. These are: Climate Action, Affordable and Clean Energy, Life Below Water, Decent Work and Economic Growth, Reduced Inequalities, and Peace, Justice and Strong Institutions.

Sustainability roadmap

Höegh LNG has developed an ambitious sustainability roadmap linked to the SDG commitments, which sets long-term goals backed by interim milestones. Among the long-term goals are:

1. Reduce the total CO_2 emissions with around 30% by end of 2024 for the existing fleet of 12 vessels compared with the total CO_2 emissions from this fleet[1] in 2020 by:
   - Commence FSRU operations for four vessels trading as LNC carriers
   - Improve excess boil-off gas management in FSRU operations
   - Improve overall energy efficiency management for the fleet including compliance with IMO targets for reduced emissions from LNG carriers
2. Develop technology and infrastructure solutions to facilitate that our customers can deliver green ammonia/hydrogen services from our FSRUs by 2024, and our ambition is that this value-added service deployed for several of our FSRUs by 2030
3. Develop and have the first net zero-carbon FSRU in operation in 2030
4. Have CO_2- and ecosystem-neutral operations by 2050

[1] Subject to changes in the fleet size until 2024, Höegh LNG's total emissions from the total fleet may develop differently. The target will be subject to revision if any of the existing vessels in 2020 exit the fleet or additional vessels enter the fleet before end of 2024.

SELECTED SDGs	OUR ACTIONS	OUR LONG-TERM AMBITIONS
Affordable and Clean Energy	Develop technical and commercial solutions for the use/distribution of non-carbon energy bearers such as hydrogen and ammonia	Leading provider of clean energy infrastructure
Climate Action	Reduction programme for fleet CO_2 emissions	CO_2 emissions neutral operations by 2050
Life Below Water	Responsible recycling of ships and waste Local FSRU ecological footprint programmes	Ecosystem-neutral operations by 2050
Decent work and Economic Growth	Annual Health and Safety campaign Sustainable supply-chain initiatives	Safe and healthy working conditions for employees
Reduced Inequalities	Goals and programmes to increase diversity	Inclusive working conditions for employees
Peace, justice and strong institutions	Annual business integrity and compliance plan	Excellent governance performance

Our response to Covid-19

The global Covid-19 pandemic has had a significant impact on vessel operations, supply chain and office operations, affecting travel, logistics, offices and human interactions. We manage Covid-19 risks through a company taskforce which monitors and recommends measures to protect employees, the business and operations. A critical step has been establishing and implementing IT systems to enable effective remote-working arrangements connecting vessel teams and employees around the world.

Avoiding on board Covid-19 transmission while during port calls and arranging timely crew changes on vessels continues to pose a significant risk. As a result of devoting significant attention, resources and efforts to controlling Covid-19 risks no employees have become infected at work and we have met compliance requirements, safety, environmental and operational KPIs while continuing to develop the business.

ESG performance and targets

STATUS FOR 2020 TARGETS

TOPIC	2020 TARGET	RESULT
GHG emissions	10% reduction from employee travel	Completed > 10%
Efficient use of resources	5% reduction in food waste in fleet	Completed > 5%
Maritime career planning	Develop new career plan for junior officers	Deferred owing to Covid-19
Supply chain	Sustainability evaluation of 95% of major sourcing projects	Completed >95%
Compliance and anti-corruption	Implement an annual business integrity and compliance plan	Completed

Targets for 2021

We have set a CO_2 emission target in line with the Paris Agreement, which aims to limit global warming to less than 2°C. Our emission reductions will be targeted at the operation of our assets (Scope 1 emissions) and where FSRUs enable LNG imports to replace other carbon energy sources with higher CO_2 emissions (Avoided Emissions).

Transition to clean energy

As part of the transition to clean, non-carbon energy sources, hydrogen and ammonia are potential energy carriers. Carbon Capture and Storage (CCS) is another potential opportunity in the transition to clean energy. We are actively leveraging our existing competence to actively develop new markets and technical solutions for hydrogen and ammonia transport and import, as well as for CCS. Our initial focus will be on solutions which are based on existing assets but we will potentially also make investments in new assets going forward. For example, we are developing solutions which enable FSRUs to deliver regasified LNG (Natural Gas) combined with hydrogen into the gas export line (from green hydrogen and/or ammonia), which will reduce onshore CO_2 emissions.

SDG TARGETS

SDG	OUR 2021 TARGETS	OUR 2021 ACTIONS	KPI
7 Affordable and Clean Energy	Develop a technical solution related to the injection of H_2 in the output from FSRUs and undertake a feasibility study of the full value chain infrastructure for CCS.	Map the possibilities for a technical solution on H_2 injection in FSRU operations and a feasibility study of the full value chain infrastructure for CCS in cooperation with partners.	1 Recommendation.

SDG	OUR 2021 TARGETS	OUR 2021 ACTIONS	KPI
13 Climate Action	Operation of assets: Scope 1 reduction of 30 000 tonnes of carbon dioxide equivalents (t CO_2e) and Avoided Emissions reduction of eight million tonnes CO_2e, compared with 2020 levels. Procurement: 10% reduction of CO_2 emissions from transport of goods procured by including the reduction of CO_2 emissions from transport of goods in the purchase and transport process.	Successful start-up of the Jaigarh project in India to enable the targeted emission reductions from operation of the assets. Reduce CO_2 emissions from the transport of goods procured by optimising purchase and logistics on CO_2 emissions.	Total annual emission of tonnes of CO_2e Scope 1 and Avoided Emissions. Goods t CO_2e / tonnes/km.
	Engage all HLNG employees in SDG actions.	SDG awareness and engagement campaign for our employees.	% of employees.
14 Life Below Water	Reduce permitted discharge of waste to the sea and consumption of resources in the fleet. Reduce the need for consumption of consumables on board in order toto cut waste generation and cost.	Reduce food waste by 10% in the fleet (legal to discharge to the sea). Reduce Volume of plastic waste by 10%. Engage teams onboard together with Technical, IT and Procurement departments to establish baseline and execute improvements.	Cubic metres food waste reported in the fleet. Cubic metres reported for segregated plastic waste in the fleet. Spend on printer toner US$/vessel/ year.
8 Decent work and economic growth	Confirm, follow up and enforce existing anti -forced labour and child labour requirements included in supplier and contractor agreements.	Develop a programme for verifying sustainability in the supply chain.	1 Sustainability Verification/audit plan.
	Confirm, follow up and enforce existing migrant workers protection requirements in supplier and contractor agreements. Prevent longer term negative HSE effects of Covid-19 and reduce minor accidents. Ensure HSE suitability of home working.	Develop a programme for verifying sustainability in the supply chain. Fleet campaign on occupational health and safety first. Ergonomic self-assessment of the workplace at home.	See above 1 Fleet Safety Campaign. % of employees.

SDG	OUR 2021 TARGETS	OUR 2021 ACTIONS	KPI
10 Reduced inequalities	Affect the supply chain through requirements for inclusion and human rights in governing policies and practices at suppliers and contractors. Contribute to promoting minorities in the labour market.	Develop a programme for verifying sustainability in the supply chain. Participation in Catalysts mentor programme for minority youth.	See above 1 Mentor programme completed.
	Support women's opportunities across the group. Gender-neutral recruitment and selection of candidates to eliminate gender bias in the recruitment process.	Launch mentoring programme for young females (<35). Develop suitable recruitment tools supporting gender-neutral processing of candidates.	1 Mentor programme. 1 Recommen-dation.
16 Peace justice and strong institutions	Active in Maritime Anti-Corruption Network (MACN) and participate in collective actions.	Identify and sign up for a relevant MACN Collective action programme.	>1 participation.

Environment

Reducing CO_2 emissions is one of our main priorities. The goal is to position our group as a market leader in the transition to a low-carbon economy.

We have established a new business unit called "Clean Energy", which is responsible for driving our activities in developing non-carbon energy solutions. We are also actively engaging with maritime organisations developing technology and driving change towards a low-carbon future. We are a member of the Getting to Zero Coalition[2], which is collaborating with the maritime industry, the energy sector and financial sectors, governments, and international governmental organisations to find solutions for a climate-neutral fleet by 2050. This coalition is a partnership between the Global Maritime Forum, the Friends of Ocean Action and the World Economic Forum. As technology develops and the energy transition continues, we will consider how the power needed to operate existing and potential future assets might be modified or transformed to full non-carbon or a hybrid in order to reduce overall CO_2 emissions. This could include using renewable power from shore for the FSRUs, exploiting residual heat released from onshore industrial facilities instead of seawater in regasification operations, and using green or blue ammonia or hydrogen in fuel cells instead of conventional combustion engines running on natural gas. We will devote time, resources and competence into exploring these alternatives.

We are compliant with IMO and EU MRV regulations

We are compliant with the new IMO DCS and EU MRV regulations, which require vessel owners and operators to monitor, report and verify greenhouse gas (GHG) emissions (annually) for vessels larger than 5 000 gross tonnes calling at any EU or Efta ports. All our vessels meet the new IMO regulations, including the low-sulphur fuel requirements which came into force in 2020.

Environmentally certified vessels

All our vessels are certified in accordance with SO 14001, the internationally recognised standard for environmental management systems. Our

[2] www.globalmaritimeforum.org/getting-to-zero-coalition

environmental management system ensures compliance with relevant environmental regulations and is focused on achieving continual environmental improvements. All our FSRUs built after 2012 have the Clean notation, a voluntary environmental class notation for ships designed, built and operated to high environmental standards. They also carry the Recyclable class notation, identifying and demonstrating the presence of hazardous materials on board. The fleet's dual-fuel diesel-electric engines are certified as being within the applicable NOX limits as defined by the NO_x Technical Code 2008 (EIAPP certificates).

Climate risk

Our business is based on services provided by floating assets with a minimum of shore installations. The FSRU concept represent a flexible and resilient business model for meeting climate-driven extreme weather conditions.

Short- and medium-term climate change risk are integrated into our risk management processes at the strategic and operational levels. Risks related to the direct and indirect impact of climate changes on operations are acceptable under current contracts.

Long-term climate-change risks and potential impacts on our future business have been included in the development of our business strategy. Risks will be formally assessed in 2021 and reported in accordance with the recommendations from the Task Force on Climate-related Financial Disclosures.

EU Taxonomy

We are closely monitoring the EU's work on Sustainable Finance and the EU Taxonomy regulation. The new legislative and non-legislative actions introduced by the European Green Deal and the EU Sustainable Finance Action plan will require financial market participants and companies to consider and disclose how they are working with sustainability in a new and standardised manner.

The EU Taxonomy, a cornerstone in this work, establishes a classification system with criteria for which economic activities can be considered environmentally sustainable. Large companies will be required to disclose how far their turnover, investments and operational costs align with the EU Taxonomy criteria.

We plan to analyse and disclose how our operations align with these criteria. We will also assess how the framework can be used for internal risk management, financial planning and strategy processes.

Emissions and energy management

Reducing emissions to the air represents an opportunity to improve environmental performance, cut costs, and drive business development. Vessel operations emit CO_2 and other substances, most notably sulphur oxides (SO_x) and nitrogen oxides (NO_x).

Total energy use and emissions have decreased

Our total energy consumption in 2020 was 4 588 GWh, compared with 5 094 GWh the year before. CO_2 emissions from our fleet totalled 930 505 tonnes in 2020, down from 1 030 348 tonnes in 2019, despite an increase in the fleet during 2019 with the delivery of one new FSRU in August 2019.

Fuel type	Consumption (tonnes)	Consumption %	SO_x emission (tonnes)	CO_2e emission (tonnes)	CO_2e emission factor (-)
Natural gas	314 427	93.78%	Trace (negligible)	864 674	2.750
Intermediate fuel oil	11 167	3.33%	95	34 773	3.114
Marine diesel oil /marine gas oil	9 687	2.89%	20	31 058	3.206
Total 2020	335 281	100%	115	930 505	

Source: CO_2e conversion factors from the fourth IMO Greenhouse Gas Study 2020.

Modern fleet with efficient CO_2 emission levels per vessel

Our fleet of FSRUs is the most modern in the market and has the most efficient power production currently available for FSRU operations. All the vessels are powered by engines running on natural gas, which gives the lowest CO_2 emissions of all commercially available marine fuels. The two LNG carriers in the fleet also have engines running on natural gas. When natural gas[3] is burnt in the engines, about 25% less CO_2 is emitted than with fuel oil. Fuel consumption (and thereby CO_2 emissions) depend largely on the mode of operation and the level of utilisation of our assets at any given time.

We have significantly reduced CO_2 and other emissions per vessel by applying energy-efficient solutions and through growing the fleet by 10 modern FSRUs delivered since 2009. We are continuing to develop and implement technological innovations in our vessels to reduce emissions. A key part of our approach has been the development of a digital platform to harvest Big Data from the fleet to track and improve performance.

Ship energy-efficiency management plans on all vessels

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 speeds and routes. We have adopted ship energy-efficiency management plans for all our vessels to monitor fuel consumption and share data with charterers. We offer guidance to charterers on optimising energy consumption, and seek to reduce the boil-off gas from LNG cargo tanks through technical modifications and optimised operations. New energy-saving solutions are constantly being pursued.

Environmental protection

Our goal is to limit any negative impact which our operations might have on marine ecosystems and biodiversity. Our attention is focused on minimising the risk of spills and the discharge of excess biocides and cooling water.

Environmental and social impact assessments

In accordance with local regulatory requirements, environmental and social impact assessments (ESIAs) are conducted for all new FSRU import terminals by the customer and/or by us at the pre-operational stage. These assessments typically involve local government bodies and experts as well as local communities which could be affected. In 2020, we complied with all relevant environmental requirements specified in these processes.

Meeting all environmental regulation

We ensure that discharges from our vessels are minimised in order to stay ahead of anticipated environmental 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 conventions on ballast water management and anti-fouling systems. We meet all 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.

No accidental spills or environmental-permit breaches

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 which accord with MARPOL and local regulations. We had no accidental spills or breaches of environmental permits in 2020.

[3] All engines are also designed to also run on alternative marine fuels, but this option is rarely used since natural gas accounts for around 94% of the total fuel consumption.

Environmentally sound ship recycling policy

We treat ship recycling as a critical issue, even with a relatively low average fleet age of 6.7 years. While waiting for an IMO convention on ship recycling to enter into force, we have implemented an environmentally sound ship recycling policy in line with the Hong Kong Convention. The policy contains procedures which ensure that our vessels are recycled responsibly. None of our vessels were recycled in 2020 and given the low age of our vessels, no recycling requirement is expected for many years to come.

Social

Our standards for social responsibility are embedded in our code of conduct. We worked in 2020 with key external stakeholders to improve our engagement on social issues such as human rights, forced labour and the social conditions in our wider supply chain.

Our people

We had 859 employees at 31 December 2020.

Impact of Covid-19

Devoting significant attention, resources and efforts to controlling Covid-19 risks have resulted in no employees have become infected at work.

The fleet has been under lock-down in long periods during 2020. Crew changes were effectively stopped for 4 months until travel - and strict crew change protocols came in place during the summer. Strict protocols for interaction with shore representatives during port operations and dry dock stay were carried out with excellence.

Shore employees have been under a work from home protocol since lock down in March 2020. Travel is reduced to absolute minimum and all meetings are carried out online.

Onshore employees

We have 190 onshore employees in Norway, Singapore, the UK, Indonesia, Lithuania, Egypt, the USA, Colombia, China and the Philippines. Annual performance reviews are conducted for every onshore employee using a digital appraisal system. In 2020, we completed our third internal leadership development programme. Results of the engagement survey verify the effect of this programme, and we will continue to devote attention to leadership development.

Employee turnover for onshore personnel was 10.8% in 2020 down from 11.5% in 2019. This level can be ascribed to a maturing organisation with changing structures and roles together with a labour market offering many opportunities for competent and talented people. Average sickness absence among employees was 1.04% in 2020, compared with 2.4% the year before. Parts of the reduction is thought to be related to employees working from home and their flexibility to work whenever suitable.

Maritime employees

We seek to recruit and retain competent and qualified personnel and have high retention rates, achieved through years of strategic employee development. Our maritime personnel include LNG specialists employed by our subsidiaries. Maritime personnel, including temporary employees, had a 24-month retention rate of 96%. 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. In addition, we invest in maritime education and training in countries where maritime personnel are recruited, including a specific programme for cadets.

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 increased our investment in employee development in general, and specifically in equipping our leadership talents with the tools and attitudes required to lead our 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 always aim to prepare our future leadership for expanded responsibility to ensure successful management transitions. We are 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 our board.

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 2020, women accounted for five of 669 maritime personnel and 79 of the 190 onshore employees. Although gender diversity is lower than we would wish, other demographic variables are more diverse – we have a truly varied group of employees in terms of age, nationality and ethnicity, which strengthens our culture.

Our group executive team has one female and five male members. The board comprises seven male directors.

Occupational health and safety at sea

No fatalities were recorded in 2020. Our lost-time incident frequency (LTIF) was 0.29 compared with 0.31 in 2019. The TRCF was 2.0 in 2020, compared with 1.24 in 2019. This maintains a solid performance for occupational health and safety, despite the challenges of Covid-19.

All vessel operations in compliance with OHSAS 18001

The occupational health and safety management system for our 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. The health and safety standards we follow 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.

We have a formal management of change process for implementing health and safety system 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. We undertake compatibility studies to ensure that all safety requirements are addressed and implemented.

Incident reporting encouraged

We encourage an open communication culture where reporting is perceived as a strength and a vital element for improvement. We do not seek to assign blame for any failures unless they result from sabotage or deliberate acts. Employees have protected rights through a defined complaints procedure, where everyone can report anonymously and outside their line management.
Incidents and non-conformities are analysed and investigated on board or by an independent investigator if they involve a high level of risk. Corrective actions are identified and implemented. Analyses of incidents are used to identify trends and similarities in order to implement new or additional safety controls.

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

Occupational health and safety onshore

Working environment committee and welfare for onshore employees
In Norway, a working environment committee (AMU) oversees employee occupational health, safety, and 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 any issues or concerns to the committee. The occupational health and safety management system covering our office employees in Norway has been developed in line with the Norwegian Working Environment Act.

The welfare and working environment of our employees based in the Philippines are covered by the Manila office handbook and a separate handbook aligned with local HSE regulations in the Philippines. Compliance with these regulations is monitored and verified on annual basis.

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 survey
Employee engagement surveys are conducted every 18 months. Owing to the exceptional Covid-19 circumstances, we conducted three employee surveys in 2020 with attention focused on well-being and work arrangements. The response showed a shift in employee focus. While the first survey showed concerns over the infection risk, later ones revealed a shift towards social isolation issues. More than 80% of the employees taking the survey experienced good work cooperation during the pandemic in 2020. Survey results were used to improve the working environment for employees by adapting measures and resources where needed.

Health and safety for shipyard workers

We apply safety performance records as criteria in shipyard selection, and our shipbuilding contracts require the shipyard to be certified in accordance with relevant international standards. We are involved in improving health, safety and labour conditions for shipyard workers engaged in our projects, with specific attention devoted to forced labour among migrant workers and sub-contractors owing to growing concerns within the industry.

We participate in efforts by the Norwegian Export Credit Guarantee Agency (GIEK) to monitor working conditions and forced labour risks in shipyards. These include surveys, audits and escalation to executive management if identified concerns are not addressed in a satisfactory manner. We had no vessels under construction in 2020.

Emergency preparedness and security practices

There were no reported security incidents in 2020.

Security and emergency response

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 and locations.

An emergency response system is in place to maintain our interests and obligations. That includes where safety of personnel, the environment or assets and reputation are threatened; or where customer interests may be affected, or where third-party liability could arise.

An emergency response organisation has been established with three levels: strategic, tactical, and operational. Training and exercises involving all levels are carried out on an annual basis, with a full-scale exercise to verify coordination and control.

Security incident management

Crew and ship security officers are trained in security incident management. Our crews are also trained to handle 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 authority. To ensure adequate and responsible security practices, any third-party provider of security services must comply with the Voluntary Principles on Security and Human Rights. Audits, security surveys and emergency response exercises are conducted on an annual basis to verify the effectiveness of the security and emergency response system.

Governance

Our vision is *enabling the transition to clean energy* and our mission is *to supply innovative and reliable floating infrastructure solutions*. We create value for customers, shareholders, employees and the local communities in which we operate We reduce the impact on the environment from our own business and that of our partners and clients.

We are guided by our core values

Our core values are innovative, competent, committed, and reliable. Innovative and competent in finding new business and technical solutions, committed to developing them, and reliable and trustworthy in delivering of services. Vessels operating under our in-house technical management have additional values for their safe operation: committed, competent, cooperative, honest, and straightforward.

Sustainability policy

The sustainability policy is set by the Board and 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.

Our governance system

Our governing codes, policies and procedures document how we comply with applicable laws, regulations and standards. An overview of ESG topics covered by our governance system is presented below. The standards and requirements set out in our governing documents 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, including the shipyards we use for construction of our FSRUs and for recycling our vessels.

	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

Compliance

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

Strong 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 full organisation. These values are expressed and implemented through written guidance on compliance, ethics training, business-partner risk management efforts and an effective reporting system. Our incentive systems for employees also feature a compliance component assessed on an annual basis.

Collective action to achieve ethical and compliance goals

Beyond our own internal measures, we believe in collective action to achieve our ethical and compliance goals. We are an active member of the Maritime Anti-Corruption Network (MACN), which provides valuable information on and influence for overcoming anti-corruption challenges in the maritime industry. Incident reports and newsletters from the MACN are published and shared internally.

Business integrity and compliance plan implemented

Implementation of the 2020 annual business integrity and compliance plan included awareness campaigns, and introduced an anti-corruption office risk assessment tool and vessel incident reporting template (both developed by the MACN). Reporting and monitoring of compliance-related transactions were consolidated and all new and existing business partners were enrolled with a third-party sanctions screening tool, which we subscribe to for continuous business integrity monitoring.

Anti-corruption

We have zero tolerance for 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.

A variety of corruption and bribery risks

We are exposed to a variety of corruption and bribery risks, both in obtaining new business and in our 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, since we could be held accountable for or suffer significant consequences from corrupt behaviour by our business partners. We place great emphasis on only engaging in business with parties which have anti-corruption and ethical standards comparable with our own, as outlined in our own anti-corruption policy and suppliers' code of conduct.

Audit of anti-corruption compliance is included in the internal audit program. Due to Covid-19 there were limitations in conducting external audits in 2020. Nevertheless, five offices in the group were audited and some key suppliers were audited by INCENTRA, a procurement organization owned by Norwegian ship owners and ship managers.

Board responsibility for ethics and anti-corruption

The board approves the code of conduct and other relevant compliance policies. Its governance, compliance and compensation committee supports the directors in fulfilling their responsibilities for ethics and anti-corruption. All governing documents are subject to review on an annual basis. Anti-corruption policies and procedures have been communicated to all our directors.

Group compliance framework

Our Chief Legal and Compliance Officer (CLCO) is responsible for our compliance framework. The CLCO reports to the President and CEO, is a member of the group executive team and reports regularly to the Board and the Board Committees. All employees are required to complete mandatory training on anti-corruption. This includes both face-to-face training sessions and e-learning courses. All employees are required to sign the code of conduct and other relevant compliance policies on commencing their employment. A survey of new employees to verify their level of knowledge of the code of conduct and other compliance policies was conducted after their induction. This confirmed that compliance awareness is high amongst the employees.

An open and transparent culture for incident reporting

We encourage an open and transparent culture, where all employees can report suspected or actual breaches of company policies through designated reporting and whistleblowing channels outlined in the code of conduct. Employees can report incidents anonymously, without fear of retaliation and in their own language via the independent external whistle-blower channel. All reported incidents are submitted to the CLCO.

Corruption incident reporting on port operations

The group introduced a new corruption incident reporting tool to enable seafarers to submit reports related to port operations. Aligned with the MACN's incident reporting initiative, this tool aims to monitor and prevent corruption-related incidents during port calls or visits by port authorities, terminal representatives and other third parties. Any incidents reported will also be relayed to the MACN through its reporting portal.

All offices assessed for corruption risk

The group has an enterprise risk management process and a risk-based internal financial control system, which both address anti-corruption risks. All countries where we have operations are subject to a quarterly high-level corruption risk assessment. In 2020, the compliance team launched an anti-corruption risk assessment tool developed by the MACN and conducted assessments of nine offices where we operate. This assessment identified the local office residual risk based on each country's inherent risk, and their compliance assessment scores for each of the offices. Based on these results, action plans were established by the compliance team to address further improvements in training, communication, monitoring and internal controls.

Risk assessments for all new business opportunities

We perform risk assessments of all new business opportunities and business partners. Sanctions screening by the compliance manager was implemented as a part of such risk assessments in 2020. On the basis of these assessments, business partners may be subject to further due diligence. New customers, joint-venture partners and certain other business partners acting on our behalf are subject to due diligence processes and board approval before any firm commitments are made. All business partners are required to sign our supplier code of conduct.

Supply chain management

We require all agents, suppliers and business partners, including shipyards, to sign and comply in accordance with our environmental, social and ethical standards. These are outlined in our supplier code of conduct, which covers such areas as human rights, labour standards, workplace conditions, HSE, anticorruption and conflicts of interest. We apply safety performance records as criteria for shipyard selection, and our shipbuilding contracts require the shipyard to be certified in accordance with relevant international standards.

Incentra purchasing organisation

We are a member of the Incentra purchasing organisation owned by shipowners and managers. Incentra qualifies and audits suppliers on behalf of members in accordance with standards which are consistent with our Supplier Code of Conduct and quality requirements. Eleven of our suppliers were identified and audited by Incentra in 2020, with no sustainability nonconformities found.

Supply chain initiatives

In 2020 we established sustainability criteria and processes for selecting and monitoring of our suppliers. A GHG emissions reduction programme was initiated with our logistics supplier.

Tax compliance

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 (GAAP).

Tax policy and risk management system

We have implemented a tax policy which provides a framework for managing our applicable taxes. This covers legal and regulatory requirements, defines roles and responsibilities, and describes implementation requirements and compliance procedures. Our risk management system facilitates the identification, mitigation, testing and reporting of tax risks.

04

Corporate governance report

Höegh Gallant

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 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 4.5 of the Oslo Børs rulebook II – issuer rules (the "issuer rules").

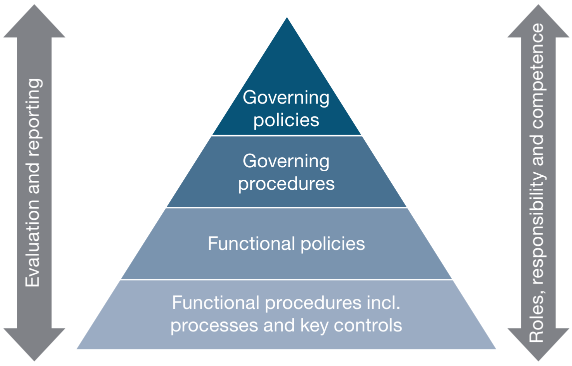
Höegh LNG (the company and its subsidiaries) has adopted and implemented a corporate governance system which, other than as stated in sections 2, 3, 5, 7, 11, 12 and 14 below, complies with the Norwegian code of practice for corporate governance (the "Norwegian corporate governance code") referred to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

The Norwegian corporate governance code is published at www.nues.no and the issuer rules are published on the Oslo Børs website at www.euronext.com.

Implementation and reporting on corporate governance

The foundation of corporate governance in Höegh LNG is set out in the company's bye-laws, 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. It 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 last of these is also approved by the general meeting), as well as instructions for both the President and 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 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 will establish a basis for trust in the board and the management by the shareholders and other stakeholders.

Transparency: Communication with the company's shareholders will be based on transparency concerning both Höegh LNG's business, which is important for assessing the company's development, and its financial position.

Independence: The relationship between the board, the management and the shareholders will be on an independent basis to ensure that decisions are made on a 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 will contribute to predictability and risk reduction.

Deviations from the code: None.

Business

In January 2021, the company's vision and mission statements were revised to match its strategy of contributing actively to the transition to a carbon-free energy future, while embracing the role of LNG in this ongoing energy transition process. In accordance with the new vision of enabling the transition to clean energy, the board has adopted a strategy where ambitions and priorities are founded on the company's mission to (i) supply innovative and reliable floating infrastructure solutions, (ii) create value for customers, shareholders, employees and the local communities in which it operates, (iii) reduce the impact on the environment from its own business and that of its partners and clients. 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, sustainable and commercially viable business and technical solutions and Höegh LNG is **reliable** with and **committed** to the delivery of high-quality services in a responsible manner.

The company's principle strategy is to (i) drive and embrace technological and commercial innovation, (ii) originate its own projects for extending its presence in the value chain, (iii) develop pricing models which secure attractive risk-adjusted returns and (iv) ensure excellence in operations at all times.

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

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. Höegh LNG is increasing its sustainability awareness and efforts, and will change its sustainability reporting framework to the UN Sustainable Development Goals (SDGs) with effect from 2021. Reference is made to the sustainability report for further details.

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:
In line with 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.

Equity and dividends

Capital structure

The issued share capital in the company at 31 December 2020 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 1 009 265 shares held by the company as treasury shares, the number of outstanding shares was 76 251 315.

A total of 2 449 092 options granted to management and key employees were outstanding at 31 December 2020.

Book equity at 31 December 2020 totalled USD 597 million. Net of mark-to-market of hedging reserves, the adjusted book equity at 31 December 2020 was USD 757 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 noted in the prospects section of the directors' report, it is not currently possible to forecast and assess the potential effects of the Covid-19 virus outbreak on the company accurately. The capital structure will probably be subject in the future to the issuance of further debt relating to scheduled refinancing and new debt, net profits and dividend payments, potential issuance of new equity capital 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.

Dividends have been paid quarterly since March 2015 by the company. 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 the delays to and cancellations of projects under development which were experienced during 2017. In April 2020, the board decided that, given the ongoing Covid-19 pandemic, 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 on the company's contracted revenue backlog, the board will reconsider the level of quarterly dividend.

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-law 37).

Equity issuance

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

Deviations from the code:
The following applies 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.

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.

Repurchases of own shares for use in the stock option programme for employees (or, if applicable, for subsequent cancellation) are 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 AGM 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.

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 where 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.

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 the following.

- The notice and agenda for the general meetings are distributed 18 clear days / 21 running days in advance, whichever is the earliest, to the shareholders either electronically or on paper. In addition, the documentation is made available on the company's website and on newsweb.no.

- The resolutions and the 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 as possible to the date of the meeting.

- The directors 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. At the annual general meeting (AGM), these include 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. The financial statements are presented to the AGM for information, but under Bermudian law, the shareholders' approval of these is 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.

Nomination committee

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

The roles and responsibilities of the nomination committee are set out in its charter, 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.

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

The members of the nomination committee are elected by the general meeting for one year, and Stephen Knudtzon (chairman), Morten W. Høegh (member) and Martin Thorsen (member) were all re-elected in 2020. Knudtzon and Thorsen are independent of the board and the executive personnel of the company. Thorsen represents Centra Invest AS, previously one of the 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. See the 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.

Board of directors: composition and independence

The board and its chairman 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 has served as a director of Höegh LNG Partners LP since 2014. He also serves as chairman of Leif Höegh (U.K.) Limited. Since 2003 he has been a director of Höegh Autoliners Holdings AS (and its predecessors Leif Höegh & Co. ASA, Leif Höegh & Co. Ltd. and Höegh Autoliners Ltd.). Morten W. Høegh is a director of Höegh Eiendom Holdings AS. He is a director and 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 subsidiaries. He also serves as the Chairman of the western Europe committee of DNV GL. From 1998 to 2000, Morten W. Høegh worked as an investment banker with Morgan Stanley. He holds an MBA from Harvard Business School with High Distinction(Baker Scholar) and an MSc in Ocean Systems Management and a BSc in Ocean Engineering from the Massachusetts Institute of Technology. He is a Norwegian citizen and resides in the UK.

- 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. He 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 served as a director of Höegh LNG Partners LP since April 2014 and was appointed chairman of the board of directors in September 2020. He has extensive experience from the energy industry in general and LNG in particular. From 1974 to 2009, Andrew Jamieson held various positions with Royal Dutch Shell plc in the UK, the Netherlands, Denmark, Australia and Nigeria. Specifically, from 2005 to 2009, he served as Executive Vice President Gas and Projects and Member of the Gas and Power Executive Committee. From 1999 to 2004, he was Managing Director of Nigeria LNG Limited and Vice President of Bonny Gas Transport Limited. While at Royal Dutch Shell plc, Andrew Jamieson was also in charge of the North West Shelf Project in Australia and served as a director of various Royal Dutch Shell plc companies. In 2006, he was made an Officer of the Order of the British Empire (OBE) for

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

"services to British business and sustainable development in Nigeria". 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 PhD from Glasgow University and is the Past President of the Institute of Chemical Engineers and a Fellow of the Royal Academy of Engineering. Andrew Jamieson is a citizen of the UK and resides in the UK.

- 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 is chairman of Wessel & Vett Foundation and director and head of the audit committee of Cadeler AS.He is also serves on an advisory committee for 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 AS. 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 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. 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 Switzerland.

- 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 currently serves on the board of directors of Telenor ASA, Ørsted AS and Alpiq AG, and is a senior advisor in Credit Suisse Energy Infrastructure Partners. He has previously served as a member of the board of management in E.ON SE, and as an Executive Vice President of Statkraft. He has also been a partner in the PR consulting group Geelmuyden Kiese. Jørgen Kildahl holds an MSc from the Norwegian School of Economics and Business Administration (NHH) in Bergen, is a Chartered Financial Analyst, holds an MBA from the NHH and has further also concluded the Advanced Management Programme (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 is a member of the company's governance, compliance and compensation committee. He has served as a director of Höegh LNG

Partners LP since June 2019 and is also a director of Höegh LNG Partners Operating LLC, Höegh LNG GP LLC and Höegh LNG Galleon Ltd. Steven Rees Davies is a partner in 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 as a Bachelor of Law and from the College of Law, England, with a Postgraduate Diploma in Legal Practice. He qualified as an attorney and member of the bar of New York (US Southern District) in 2002 and as a solicitor in England and Wales in 2003 (non-practising). 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. Apart from 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 for 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. With reference to section "Takeovers" below, Ditlev Wedell-Wedellsborg recused himself for assessing the offer made by the consortium.

Owing to the Covid-19 restrictions, the board held no physical board meetings in 2020. However it had one physical meeting with the manager, Höegh LNG AS, in 2020 with all directors present, as well as several briefing calls. The board held 18 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 in the table on the next page:

Name	Title	Shareholding in the company at 31 December 2020	Holding in Höegh LNG Partners LP at 31 December 2020
Morten W. Høegh	Chairman	See Note [1]	See Note [1]
Leif O. Høegh	Deputy chairman	See Note [1]	See Note [1]
Andrew Jamieson	Director	25 562	12 419
Christopher Finlayson	Director	21 206	-
Ditlev Wedell-Wedellsborg [2]	Director	25 562	-
Jørgen Kildahl	Director	20 753	-

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 at 31 December 2020. 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.

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 authorities through a delegation authority matrix.

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

The board has adopted procedures and standards which cover and impose an obligation on individuals who are members of the group executive team and hold 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 board charter.

Each director is responsible for continuously assessing whether a conflict exists or could potentially arise between the interests of the company and the interests of 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 concerned.

Circumstances referred to above will be discussed without undue delay with the chairman of the board. Where a director's employment relationship or other duties regularly give rise to a conflict of interest to occur, and in other special circumstances, specific guidelines will be prepared for review by the board which prevent, as far as possible, 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.

The work of these committees is preparatory in nature and intended 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.

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 new and existing business.

The board is responsible for overseeing that the accumulated risks which 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 for overseeing the risk mitigating actions which have been implemented.

The President and CEO assumes the overall responsibility for enterprise risk management and reports the enterprise risk status to the board on a regular basis. The group has a risk monitoring committee comprising the group executive team and the VP QA and Risk. Its objectives are to support business decisions by monitoring the accumulated strategic risk for HLNG, and to 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 taking 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, as well as project and security risk management are all included in the GMS. The latter is certified to ISO 9001:2015 Quality Management Systems and ISO 14001:2015 Environmental Management Systems by an accredited certification body. The GMS complies with the requirements of 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 13 “Financial risk management objectives and policies” for further information.

Internal control

The group has policies and procedures in place and an effective system for internal controls on financial reporting, which is based on COSO 2013 (Committee of Sponsoring Organisations of the Treadway Commission) and satisfies, where Höegh LNG Partners is concerned, the requirements of the US Sarbanes-Oxley Act 404. The internal control process is supervised by the chief of staff and the chief financial officer, and comprises an annual process which includes risk assessment, evaluating whether existing controls are designed and operating as intended, reviewing and testing implementation and operational effectiveness of the controls, reporting and continuous performance monitoring.

The audit committee provides direction, advice and recommendations to the board on financial reporting, internal controls and audit matters. It 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 ethical hotlines in place which 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 the case of the company, and by the chairman of HMLP’s audit committee in case of the HMLP.

Deviations from the code: None.

Remuneration of the board of directors

Remuneration of the directors of the board totalled USD 233 000 for 2020, which included granting of shares in the company as further set out below.

Each of Andrew Jamieson, Ditlev Wedell-Wedellsborg, Christopher G. Finlayson and Jørgen Kildahl were each granted 11 822 shares (worth USD 15 000) and USD 35 000 in cash. Neither Morten W. Høegh nor Leif O. Høegh received directors’ remuneration in 2020 and Morten W. Høegh did not receive remuneration for his service as a member of the company’s nomination committee.

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.

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 that company.

Remuneration of executive personnel

The board approves the remuneration package for the President and CEO.

In addition, it approves the main terms of the remuneration package offered to employees in Höegh LNG, including the parameters of any annual salary adjustments, pension schemes, and short- and long-term incentives schemes. The compensation and benefits package is determined on the basis of 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, operating performance and sustainability targets.

For members of management and key personnel, the company has two long-term incentive schemes in place 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 2020 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 and CEO, the CFO and the executive personnel for the current financial year are provided in Note 31 to the 2020 annual financial statements.

The President and CEO and the executive personnel are encouraged to hold shares in the company. Their holdings at 31 December 2020 are set out below.

Name	Title	Shareholding in the company at 31 December 2020	Holding in Höegh LNG Partners LP at 31 December 2020
Sveinung J. S. Støhle [1]	President and CEO	209 392	15 915
Håvard Furu [1]	Chief Financial Officer	-	-
Richard Tyrrell [1]	Chief Development Officer	21 715	-
Vegard Hellekleiv [1]	Chief Operations Officer	35 582	-
Tom Solberg [1]	Chief of Staff	-	-
Camilla Nyhus-Møller [1]	Chief Legal and Compliance Officer	3 665	-

Notes:

[1] The group executive team has also been granted share options in the company and phantom units in HMLP as further specified in Note 23 to the 2020 annual financial statements.

Deviations from the code:

The board does not produce a separate statement on the remuneration of executive personnel, and consequently no such statement is submitted to the AGM for consideration, since the company is a Bermudian company and the section 6-16a of the Norwegian Public Company Act and section 7-31b of the Norwegian Accounting Act do not apply to the company.

Information and communications

Höegh LNG has a policy of openness on reporting information to stakeholders. Periodical reports include quarterly interim reports and the annual report. All reports are published through stock 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 interim reports, the President and CEO and the CFO hold open webcasts which are accessible from the company's website.

The board's charter includes guidelines to ensure disclosure in accordance with the financial calendar adopted by the board.

Contact with the shareholders is handled by the President and CEO, the CFO and the VP Investors 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 investor relations of 1 March 2021, 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 provides information about prospects on a project basis within the various business segments. The following key performance indicator (KPI) is communicated: Expected EBITDA per year. Höegh LNG does not provide any guidance on expected revenue, net profit or any accounting-related information or figures.
- Since the proportion of shares registered through nominee accounts is limited compared with the company's total issued shares, the company does not publish a list of beneficial owners.
- Information about financial strategy and external debt is included in the notes to the annual financial statements.
- For an overview of notifiable primary insider trades and disclosure of large shareholdings, see stock exchange notices published through Newsweb.

Deviations from the code: None.

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 number of shares, the board will issue a statement evaluating the offer and will make a recommendation as to whether shareholders should accept it

As a subsequent event, the company announced 8 March 2021 that it had received an offer by Leif Höegh & Co. Ltd. ("LHC') and Funds managed by Morgan Stanley Infrastructure Partners, through a 50/50 joint venture, to acquire the remaining issued and outstanding shares of the company not currently owned by LHC or its affiliates, representing approximately 50.4% of the shares outstanding, by way of amalgamation between Larus Limited and the company (Amalgamation).

For the assessment of the offer, the board established a special board committee (SBC) comprising the independent directors Jørgen Kildahl (lead independent director), Andrew Jamieson (member), Chris Finlayson (members) and Steven Rees Davies (member).

In evaluating the proposed Amalgamation from inter alia commercial, financial and legal perspectives, the SBC consulted with its appointed external legal and financial advisors, as well as with the management of the company. The decision that the transaction was advisable and in the best interest of the company and its shareholders was reached by a broad evaluation of all factors the SBC and the board considered relevant, following comprehensive negotiations by the SBC of the terms of the Amalgamation. As part of this, the SBC also requested and received a fairness opinion from its financial advisor Fearnley Securities AS. The fairness opinion concluded that the offer price constituted a fair value, from a financial point of view, for each share payable to the holders of the company's shares.

The Board of Höegh LNG Holdings Ltd., based on the recommendation from the SBC, unanimously approved the amalgamation agreement and recommended the unaffiliated shareholders of the company to vote in favour of the transaction.

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

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 Grace and British Innovator

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 2020 (Annual Report 2020).

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 2020 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 2020 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, 12 April 2021

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 financial statements Höegh LNG Group For the year ended 31 December 2020

PNG FSRU Lampung

CONSOLIDATED STATEMENT OF INCOME 1 JANUARY – 31 DECEMBER

USD'000	Note	2020	2019
Time charter revenues	4,15	313 358	314 902
Management and other income	5	4 690	6 162
Share of results from investments in associates and joint ventures	20	17 088	15 074
TOTAL INCOME		**335 136**	**336 137**
Bunker and other voyage related expenses		(2 769)	(348)
Operating expenses	6	(70 844)	(72 309)
Project administrative expenses	7,8	(11 123)	(17 989)
Group administrative expenses	7,10	(19 738)	(20 466)
Business development expenses	7,9	(5 227)	(7 759)
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION (EBITDA)		**225 435**	**217 266**
Depreciation	11,15,29	(112 374)	(107 341)
Impairment	11	-	(1 551)
OPERATING PROFIT		**113 062**	**108 374**
Interest income		1 132	4 071
Interest expenses	15,17	(99 801)	(93 739)
Income from other financial items	18	4 354	1 262
Expenses from other financial items	18	(13 967)	(5 667)
NET FINANCIAL ITEMS		**(108 282)**	**(94 074)**
ORDINARY PROFIT BEFORE TAX		**4 780**	**14 300**
Income taxes	24	(4 634)	(6 253)
PROFIT FOR THE YEAR AFTER TAX		**146**	**8 047**
Profit (loss) for the year attributable to (from):			
Equity holders of the parent		(44 713)	(29 651)
Non-controlling interests		44 859	37 699
TOTAL		**146**	**8 047**
Earnings per share attributable to equity holders of the parent during the year:			
Basic and diluted earnings per share (loss)	22	(0.59)	(0.39)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 1 JANUARY – 31 DECEMBER

USD'000	Note	2020	2019
Profit for the year		**146**	**8 047**
Items that will not be reclassified to profit or (loss)			
Net gain (loss) on other capital reserves		703	32
Items that may be subsequently reclassified to profit or (loss)			
Net gain (loss) on hedging reserves	13	(46 923)	(53 807)
Share of other comprehensive Income from joint ventures	13, 20	(8 246)	(7 496)
OTHER COMPREHENSIVE INCOME FOR THE YEAR NET OF TAX		**(54 466)**	**(61 271)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(54 320)**	**(53 224)**
Total comprehensive income attributable to (from):			
Equity holders of the parent		(89 552)	(81 704)
Non-controlling interests	20	35 233	28 480
TOTAL		**(54 320)**	**(53 224)**

The notes on page 69 to 135 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

USD'000	Note	As at 31 December 2020	2019
ASSETS			
Non-current assets			
Deferred tax assets	24	1 166	458
Vessels and spareparts	11	2 032 460	2 106 889
Right-of-use assets	15	160 573	192 641
Investments in associates and joint ventures	20	45 390	29 574
Other non-current financial assets	30	17 471	5 141
Other non-current assets	29	18 316	9 962
Shareholder loans	31	869	3 831
Non-current restricted cash	14	16 895	17 428
Total non-current assets		**2 293 139**	**2 365 924**
Current assets			
Bunkers and inventories		129	582
Shareholder loans	31	3 284	-
Trade and other receivables	25	26 755	38 352
Other current financial assets	13	170	1 775
Investment in marketable securities	13	102	110
Current restricted cash	14	7 225	8 117
Cash and cash equivalents	14	142 545	186 978
Total current assets		**180 211**	**235 914**
TOTAL ASSETS		**2 473 350**	**2 601 838**
EQUITY AND LIABILITES			
Equity			
Share capital	21	773	773
Share premium and other paid-in capital		556 344	556 044
Hedging and other capital reserves		(121 823)	(76 897)
Retained earnings		(139 539)	(83 590)
Equity attributable to equity holders of the parent		**295 755**	**396 330**
Non-controlling interests	20	301 396	299 760
Total equity		**597 151**	**696 088**
Non-current liabilities			
Deferred tax liabilities	24	13 180	12 098
Non-current interest-bearing debt	16	1 351 051	1 285 454
Non-current lease liabilities	15,16	138 265	162 170
Investment in joint ventures	20	1 921	5 215
Other non-current financial liabilities	13,30	67 470	45 681
Deferred revenues	12	13 889	2 164
Total non-current liabilities		**1 585 777**	**1 512 783**
Current liabilities			
Current interest-bearing debt	16	184 066	296 213
Current lease liabilities	15,16	29 673	34 764
Income tax payable	24	3 602	3 292
Trade and other payables	26	19 205	21 404
Other current financial liabilities	13,28	34 077	17 841
Other current liabilities	27	19 799	19 453
Total current liabilities		**290 422**	**392 967**
TOTAL EQUITY AND LIABILITIES		**2 473 350**	**2 601 838**

The notes on page 69 to 135 are an integral part of these consolidated financial statements.

Hamilton, Bermuda, 12 April 2021

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	Share capital	Share premium	Treasury shares	Other paid-in capital	Hedging reserves	Other capital reserves	Retained earnings	TOTAL	Non-controlling interests	TOTAL EQUITY
At 1 January 2020		**773**	**447 656**	**(11)**	**108 399**	**(74 103)**	**(2 794)**	**(83 590)**	**396 329**	**299 760**	**696 088**
Profit (loss) for the year								(44 713)	(44 713)	44 859	146
Other comprehensive income (loss)						(45 543)	703		(44 839)	(9 626)	(54 465)
Total comperehensive income (loss)		**-**	**-**	**-**	**-**	**(45 543)**	**703**	**(44 713)**	**(89 552)**	**35 233**	**(54 319)**
HMLP dividend to non-controlling interests									-	(46 435)	(46 435)
Dividends to shareholders of the parent								(1 905)	(1 905)	-	(1 905)
Net proceeds from issuance of preferred units									-	3 174	3 174
Shares granted to the board of HLNG			60	-					60	-	60
Units granted to the board of HMLP									-	260	260
Share-based payment					240				240	75	315
Capital contribution to/ from HMLP								(6 419)	(6 419)	6 419	-
Transfer of assets to HMLP	20							(2 911)	(2 911)	2 911	-
Other changes in equity							(86)		(86)	-	(86)
Total other transactions recognised directly in equity		**-**	**60**	**-**	**240**	**-**	**(86)**	**(11 236)**	**(11 021)**	**(33 596)**	**(44 617)**
At 31 December 2020		**773**	**447 716**	**(11)**	**108 639**	**(119 646)**	**(2 177)**	**(139 539)**	**295 756**	**301 396**	**597 151**
At 1 January 2019		**773**	**447 035**	**(12)**	**107 636**	**(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 (loss)		**-**	**-**	**-**	**-**	**(52 053)**	**-**	**(29 651)**	**(81 704)**	**28 480**	**(53 224)**
HMLP dividends to non-controlling interests										(45 354)	(45 354)
Dividends to shareholders of the parent								(7 620)	(7 620)	-	(7 620)
Net proceeds from issuance of common units					472				472	557	1 029
Net proceeds from issuance of preferred units									-	13 065	13 065
Shares granted to the board of HLNG			90	-					90	-	90
Units granted to the board of HMLP									-	195	195
Share-based payment			531	1	291	-	-	-	823	88	911
Capital contribution from HMLP								34	34	(34)	-
Transfer of assets to HMLP	20							(16 096)	(16 096)	16 096	-
Total other transactions recognised directly in equity		**-**	**621**	**1**	**763**	**-**	**-**	**(23 681)**	**(22 297)**	**(15 387)**	**(37 684)**
At 31 December 2019		**773**	**447 656**	**(11)**	**108 399**	**(74 103)**	**(2 794)**	**(83 590)**	**396 329**	**299 760**	**696 088**

The notes on page 69 to 135 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS 1 JANUARY - 31 DECEMBER

USD'000	Note	2020	2019
Cash flows from operating activities:			
Profit of the year before tax		4 780	14 300
Adjustments to reconcile profit before tax to net cash flows			
Depreciation	11,15,29	112 374	107 341
Impairment	11	-	1 551
Fair value adjustments on marketable securities		8	(10)
Interest income		(1 132)	(4 071)
Interest expenses	17	99 801	93 739
Net loss on interest rate hedges	13	5 528	1 267
Share-based payment cost and Board remuneration		687	910
Share of results from investments in associates and joint ventures	20	(17 088)	(15 074)
Working capital adjustments			
Change in inventories, receivables and payables		13 640	27 971
Payment of corporate income tax		(2 421)	(2 339)
I) NET CASH FLOWS FROM OPERATING ACTIVITIES		**216 177**	**225 585**
Cash flows from investing activites:			
Investments in marketable securities		-	(100)
Investment in FSRUs, assets under construction and class renewals		(4 116)	(183 168)
Investment in intangibles, equipment and other		(2 685)	(1 878)
Investments in associates	20	(9 375)	(375)
Interest received		430	2 311
II) NET CASH FLOWS FROM INVESTING ACTIVITIES		**(15 746)**	**(183 210)**
Cash flows from financing activites:			
Net proceeds from equity issuance (HMLP)		3 174	14 092
Dividend paid to non-controlling interests (HMLP)	20	(46 435)	(45 354)
Dividend paid to shareholders of the parent		(1 905)	(7 620)
Proceeds from borrowings	16	211 685	548 549
Payment of debt issuance costs		(7 797)	(9 242)
Repayment and buy-back of bonds	16	(161 500)	-
Repayment of borrowings	16	(102 589)	(395 131)
Interest paid on mortgage debt and bonds		(87 029)	(76 499)
Repayment of leases	15,16	(28 533)	(26 531)
Interest paid on leases	15,17	(8 845)	(10 183)
Increase in restricted cash and cash collateral		(15 088)	(5 432)
III) NET CASH FLOWS FROM FINANCING ACTIVITIES		**(244 863)**	**(13 351)**
NET INCREASE IN CASH AND CASH EQUIVALENTS (I+II+III)		**(44 432)**	**29 024**
Current cash and cash equivalents at 1 January		186 978	157 954
CURRENT CASH AND CASH EQUIVALENTS AT 31 DECEMBER	14	**142 546**	**186 979**
Guarantees (Interest rate swaps Arctic leases)		55 308	50 217
Undrawn amounts under revolving credit faclities	13	34 700	14 700
The group's share of aggregated cash flows in the group's associates and joint ventures		(7 187)	10 085

The notes on page 69 to 135 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 2020 comprise the company, its subsidiaries, joint ventures 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 2020, 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 2020 were approved by the board of directors on 12 April 2021.

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 evolving nature of the Covid-19 pandemic means that uncertainties will remain, and the company may not be able to reasonably estimate the future impact at the time of the release of this report.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries as at 31 December 2020.

(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 its four joint arrangements to be joint ventures.

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 and associates 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.

2.3 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 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.

2.5 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 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 financing leases is recognised 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 recognised 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 recognised 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 recognised 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 as components of Other non-current financial assets.

Contract liabilities:
Advance payments in excess of revenue recognised, 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.

2.6 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.

2.7 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 all classified as non-current assets and liabilities.

2.8 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.

2.9 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 note:

- Financial risk management objectives and policies, Note 13.

2.10 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 its contractual obligations are extinguished that is, when the obligation specified in the contract is 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 (FVTPL) and fair value through other comprehensive income (FVTOCI) including transaction cost.

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. Trade and other receivables are measured and recognised based on expected losses computed on a probability-weighted basis where impairment represents the value between the asset's gross carrying amount and the present value of estimated future cash flows.

Classification and measurement of financial liabilities
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 using an effective interest rate method except for debt issuance cost associated with the revolving credit facility. Such cost is recorded as an asset and amortised on a straight-line basis to reflect the service provided by the lender.

Interest-bearing debt is derecognised when its contractual obligations are extinguished that is, when the obligation specified in the contract is discharged, cancelled or expires. 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 group actually hedges and the quantity of the hedging instrument that the group 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.

2.11 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 cost-plus 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.

2.12 Leases
The group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
The group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

a) Right-of-use assets
The group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Vessels 6 years
- Office premises 3 to 5 years
- Motor vehicles and office equipment 2 to 4 years

If ownership of the leased asset transfers to the group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

b) Lease liabilities
At the commencement date of the lease, the group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the group and payments of penalties for terminating the lease, if the lease term reflects the group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The group's lease liabilities are included in Interest-bearing loans and borrowing, see Note 16.

c) Short-term leases and leases of low-value assets
The group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor
Leases in which the group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Lease income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

Sale and leaseback
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. If the buyer/lessor has obtained control of the underlying asset and the transfer is classified as a sale, 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), 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.

2.13 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 of 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.

2.14 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.

2.15 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 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.

2.16 Impairment of assets

(a) Financial assets
Höegh LNG assesses, at each reporting date, whether a financial asset or a group of financial assets is impaired. For financial assets carried at amortised cost, the group assesses expected credit losses. The amount of the loss is measured as the difference between the asset's gross 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"). In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects Höegh LNG's long-term borrowing rate, a risk-free interest rate plus a risk premium for the equity, see note 11. 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.

2.17 Share-based payments

Members of the management team and key employees of Höegh LNG receive part of remuneration in the form of share-based payments, whereby management render services as consideration for equity instruments (equity-settled transactions). Key employees rendering services to the subsidiary Höegh LNG Partners LP ("HMLP") are granted phantom units, which are settled in both equity and in cash (cash-settled transactions).

(a) Equity-settled transactions
Fair value is measured initially at grant date and recorded as equity in other capital reserves. The cost is recognised 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.

(b) Cash-settled transactions
The fair value is measured initially as a liability and at each reporting date up to and including the settlement date, changes in fair value are recognised

in employee benefits expense (see Note 23). The fair value is determined using Black-Scholes valuation, which for phantom units yields a fair value equal to the share price at reporting date.

The approach used to account for vesting conditions when measuring equity-settled transactions also applies to cash-settled transactions.

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

2.18 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.

2.19 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.

2.20 Significant accounting judgements estimates and assumptions

The preparation of the group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these 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

In the process of applying the group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

- Consolidation of entities in which Höegh LNG holds less than 50% of the voting rights
- Presentation of preferred unit program in HMLP
- Revenue recognition
- Vessel lease classification – Group as lessor

Höegh LNG Partners LP ("HMLP")

The company held 45.8% of the units in HMLP at 31 December 2020. Historically, Management has concluded that Höegh LNG has had de facto control since the formation of the HMLP in 2014 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 2020 and there are no material changes in facts and circumstances impacting the conclusion.

PT Höegh LNG Lampung

HMLP indirectly owns 49.0% of the shares in PT Höegh 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 2020 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 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 2020. 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, pricing policies, nature of services i.e. LNG or FSRU services and requires substantial judgment. The group has used an adjusted market assessment approach for short-term contracts where the group evaluates the market and estimates the price that a customer in that market would be willing to pay. This approach often treats prices charged by competitors as a significant input . The group prefers to use expected costs plus margin approach for long-term contracts. 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 recognised 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.

Vessel lease classification – Group as lessor
The group has entered into commercial vessel leases for its portfolio of FSRU vessels. The group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the vessels and the present value of the minimum lease payments not amounting to substantially all of the fair value of the vessels, that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

Significant estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due

to market changes or circumstances arising that are beyond the control of the group. Such changes are reflected in the assumptions when they occur. Management has applied significant estimates and assumptions mainly relating to the following:

- Uncertain tax positions
- Impairment testing of vessels, newbuildings and equipment
- Fair value measurement of financial instruments

Accounting of uncertain tax positions
The group conducts much of its operations in emerging market which have historically less developed and less stable tax regimes than the OECD.

The group is subject to tax regulations in those countries with respect to withholding taxes, value added taxes, payroll taxes, property taxes, taxes on certain financial transactions, permanent establishments, and corporate income taxes. Tax regulations, guidance and interpretation in these countries may not always be clear and may not contemplate floating infrastructure activities, such as FSRUs. In addition, such regulations may be subject to alternative interpretations or changes in interpretations over time, including as a result of audits by the local tax authorities.

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

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

Impairment evaluation of vessels, newbuildings and equipment
As outlined in note 2.16 (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. 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 probability-weighted to provide for a recoverable amount for each unit that is a weighted average of all scenarios. Changes to these estimates could have a significant impact on the impairments recognised.

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.

2.21 New and amended standards and interpretations

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.

Such standards and interpretations include:

- Definition of a business - amendments to IFRS 3
- Interest Benchmark Reform - amendments to IFRS7, IFRS9 and IAS 39

- Definition of Material - amendments to IAS 1 and IAS 8
- Conceptual Framework for Financial Reporting issued 29 March 2018
- Covid-19 Related Rent Concessions - amendments to IFRS 16

These new and amended standards and interpretations were interpreted not to have a significant impact on the consolidated financial statements of the group.

2.22 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the group's financial statements are disclosed below.

Such standards and interpretations include:

- IFRS 17 Insurance Contracts
- Classification of Liabilities as Current or Non-current - amendments to IAS 1
- Reference to the Conceptual Framework – amendments to IFRS 3
- Property, Plant and Equipment. Proceeds before Intended Use – amendments to IAS 16
- Onerous Contracts – Costs of fulfilling a Contract – amendments to IAS 37
- IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities

The amendments are not expected to have a material impact on the consolidated financial statements of the group.

Independence

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 2020 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 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 once delivered 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

Income statement USD million	HMLP 2020	HMLP 2019	Operations 2020	Operations 2019	Business development and project execution 2020	Business development and project execution 2019	Corporate and other 2020	Corporate and other 2019	Total 2020	Total 2019
Time charter revenues	150.0	153.1	163.3	161.9	-	-	-	-	313.4	315.0
Management and other income	0.6	0.2	4.2	5.4	(0.1)	0.4	(0.0)	0.0	4.6	6.1
Share of results from investments in associates and joint ventures	12.1	10.8	5.0	4.1	-	-	-	-	17.1	15.1
TOTAL INCOME	**162.7**	**164.1**	**172.5**	**171.4**	**(0.1)**	**0.4**	**(0.0)**	**0.0**	**335.1**	**336.1**
Bunker and other voyage related expenses	(0.1)	(0.2)	(2.7)	(0.1)	-	-	-	-	(2.8)	(0.3)
Operating expenses	(24.3)	(30.8)	(46.5)	(40.8)	(0.0)	(0.7)	-	-	(70.8)	(72.3)
Project administrative expenses	(2.9)	(3.0)	(5.9)	(10.9)	(2.3)	(4.0)	-	-	(11.1)	(17.9)
Group administrative expenses	(6.3)	(6.6)	-	-	-	-	(13.5)	(13.9)	(19.7)	(20.5)
Business development expenses	-	-	-	-	(5.2)	(7.8)	-	-	(5.2)	(7.8)
EBITDA	**129.1**	**123.5**	**117.4**	**119.6**	**(7.7)**	**(12.1)**	**(13.5)**	**(13.9)**	**225.4**	**217.3**
Assets and liabilities allocated to operating segments as at 31 December										
Tangible assets										
Invest. in vessels, spare parts and RoU assets	**753.6**	**779.6**	**1 430.2**	**1 513.9**	**9.2**	**6.1**	**-**	**-**	**2 193.0**	**2 299.5**
Liabilities										
Interest-bearing debt including lease liabilities	**414.6**	**457.1**	**977.6**	**1 021.5**	**-**	**-**	**310.8**	**300.0**	**1 703.1**	**1 778.6**

For condensed statement of cash flows for HMLP, see Note 20.

Note 4: Time charter revenues and related contract balances

The group generates revenue primarily from time charter of FSRUs and LNGCs to its 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.

TIME CHARTER CONTRACTS AS AT 31 DECEMBER 2020

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	Mitsui & Co., Ltd.	Japan	210 days	Mar.2021	-
Höegh Giant	LNGC	Naturgy Aprovisionamientos S.A	Spain	3 years	Feb. 2021	-
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	Trafigura Maritime Logistics Pte. Ltd.	Singapore	1 year	May.2021	+/- 30 days
Höegh Galleon	LNGC	Cheniere Marketing International LLP	United Kingdom	18 months	Mar.2021	-
Accounted for as investments in joint ventures						
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

The initial term of the Colombian charter for Höegh Grace is 20 years. However, each party has an unconditional option to cancel the charter after 10 and 15 years without penalty. However, if SPEC waives its right to terminate in year 10 within a certain deadline, Höegh LNG Partners LP will not be able to exercise its right to terminate in year 10.

The table below specifies the expected time charter revenues to be received from 1 January 2021 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. Contracted expected future time charter revenue from firm contracts from 1 January 2021 (undiscounted) is USD 1.7 billon (USD 1.8 billion) with maturity as follows:

CONTRACTED EXPECTED FUTURE TIME CHARTER REVENUES - UNDISCOUNTED

2020

USD'000	Year 1	Year 2	Year 3	Year 4	Year 5	> 5 years	Total
TOTAL	**295 124**	**253 749**	**241 815**	**237 145**	**184 981**	**657 491**	**1 870 305**

2019

USD'000	Year 1	Year 2	Year 3	Year 4	Year 5	> 5 years	Total
TOTAL	**300 933**	**243 848**	**211 269**	**262 651**	**155 672**	**654 143**	**1 828 517**

Subsequent to year ended 31 December 2020, the group has extended Höegh Gannet's existing interim LNGC time charter with 12 months and concluded a new interim LNGC time charter for Höegh Gallant of 12 months from the redelivery by its current charter at end March 2021. Furthermore, the existing interim LNGC time charter for Höegh Galleon has been extended by 12 months. These three time-charters include extension options for the charterers which could result in back-to-back employment with potential new FSRU awards.

In February 2021, Höegh LNG signed an agreement with a subsidiary of H-Energy to supply an FSRU to Jaigarh, India. Höegh Giant will serve this contract, which runs for a period of 10 years with annual termination options for the charterer after year five.

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

Largest customers

In 2020, Höegh LNG had three customers, which individually accounted for 10% or more of the consolidated total revenues. Time charter revenue from largest customers totalled USD 162 million (USD 162 million in 2019). The single largest customer in Höegh LNG represented 18% of total time charter revenues (18% in 2019). The three customers in 2020 individually contributing 10% or more of total time charter revenues were:

- AB Klaipėdos Nafta (Operations segment)
- PT PGN LNG Indonesia (HMLP segment)
- Sociedad Portuaria El Cayao S.A (HMLP segment)

DISAGGREGATION BY NATURE OF TIME CHARTER REVENUES BY SEGMENT

2020

USD'000	Note	HMLP	Operations	Total
Lease revenues	15	61 870	141 480	203 350
Service component of time charter revenues, excluding amortisation		88 098	19 960	108 058
Amortisation of deferred revenue		47	1 984	2 031
TOTAL TIME CHARTER REVENUES		**150 015**	**163 424**	**313 439**

2019

USD'000	Note	HMLP	Operations	Total
Lease revenues	15	61 671	144 621	206 292
Service component of time charter revenues, excluding amortisation		91 318	15 192	106 510
Amortisation of deferred revenue		47	2 054	2 101
TOTAL TIME CHARTER REVENUES		**153 035**	**161 867**	**314 902**

DISAGGREGATION OF TIME CHARTER REVENUES 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	Note	31 Dec 2020	31 Dec 2019
Trade receivables for time charter revenues, included in trade and other receivables	25	5 156	16 503
Total contract assets, included in trade and other receivables		5 716	1
Refund liabilities to customers, included in provisions and accruals	27	(1 439)	(2 005)
Contract liabilities, included in provisions and accruals	27	(5 340)	(3 515)
Contract liabilities, included in deferred revenues	12	(13 889)	(2 164)
Total contract liabilities		(20 668)	(7 684)

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. There were no impairment losses for lease or service receivables or contract assets for the years ended 31 December 2020 and 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 FEES AND OTHER INCOME

USD'000	2020	2019
Commercial and technical management fees	2 987	4 046
Other income [1]	1 703	2 116
TOTAL	**4 690**	**6 162**

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

Note 6: Operating expenses

USD'000	2020	2019
Crew salaries	28 156	25 985
Employer's contribution	4 061	4 364
Crew agency fee	1 050	942
Other social costs	125	218
TOTAL CREW COST	**33 392**	**31 510**
Services	5 265	4 740
Withholding tax	284	1 517
Spare parts and consumables	13 528	10 509
Insurance	4 772	4 813
Dry-docking & new installation	1 830	6 246
Property- and environmental taxes	1 195	3 436
Ship management and other expenses	10 578	9 538
TOTAL	**70 844**	**72 309**

HMLP's Indonesian subsidiary was assessed for Land and Building tax ("property tax") and penalties of USD 3.0 million by the Indonesian authorities for the period from 2015 through 2019. The assessment was due to the issuance of the Indonesian Minister of Finance which defines FSRUs as a "Building" subject to the tax. HMLP's Indonesian subsidiary has appealed the assessment. Depending on the level of appeal pursued, the appeal process could take a number of years to conclude. There can be no assurance of the result of the appeal or whether the Indonesian subsidiary will prevail. As a result, the property tax and penalties were expensed as a component of vessel operating expenses for the year ended 31 December 2019. Until the appeal is concluded, the Indonesian subsidiary will be required to pay an annual property tax of approximately USD 0.5 million.

Note 7: Salaries and personnel expenses

USD'000	Note	2020	2019
Salaries		18 082	17 501
Benefits employees		747	778
Bonus		(325)	2 481
Pension cost		1 179	1 164
Share-based payment cost	23	929	1 583
Other social costs		2 460	2 877
TOTAL SALARIES AND PERSONNEL EXPENSES		**23 073**	**26 383**
Allocated to Group administrative expenses	10	10 340	10 795
Allocated to Business development expenses	9	2 974	3 873
Allocated to Project administrative expenses	8	9 759	11 715
NUMBER OF OFFICE EMPLOYEES		**185**	**165**

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 administration of commercial operations including the costs of operating local offices in Egypt, Indonesia, Lithuania, Singapore, Philippines, Colombia and the UK.

USD'000	Note	2020	2019
Total salaries and personnel costs	7	9 759	11 715
External services (excluding audit)		4 892	6 581
Remuneration board members in subsidiaries		53	52
Office cost		724	1 156
Travel related cost		172	1 249
Audit fees		240	315
Other		167	369
Overhead distribution	9	3 389	4 829
Reclassified to operating expenses		(8 271)	(7 505)
Directly attributable cost capitalised as investments in intangbles /assets under construction		-	(773)
TOTAL		**11 123**	**17 989**

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 tendering activities and development of new projects.

USD'000	Note	2020	2019
Total salaries and personnel costs	7	2 974	3 873
External services (excluding audit)		979	1 409
Office cost		210	283
Travel related cost		135	815
Audit fees		17	17
Other		166	510
Overhead distribution	10	746	851
TOTAL		**5 227**	**7 759**

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 are based on headcount.

USD'000	Note	2020	2019
Total salaries and personnel costs	7	10 340	10 795
External services (excluding audit)		7 253	9 750
Remuneration board members		804	826
Office cost		3 956	1 810
Travel related cost		122	689
Audit fees		1 357	1 674
Other		39	603
Overhead distribution	8,9	(4 135)	(5 681)
TOTAL		**19 738**	**20 466**

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

USD'000	2020	2019
Statutory audits	1 425	1 696
Other services	189	310
TOTAL	**1 614**	**2 006**

Note 11: Vessels and depot spares

USD'000	2020	2019
Cost at 1 January	2 349 438	2 081 766
Delivery of FSRU	-	258 763
Capitalization of class renewals and spareparts	4 431	8 909
COST AT 31 DECEMBER	**2 353 869**	**2 349 438**
Accumulated depreciation and impairment 1 January	(242 549)	(167 026)
Depreciation charge FSRUs and depot spares	(78 859)	(73 972)
Impairment of spareparts (regasification equipment)	-	(1 551)
ACCUMULATED DEPRECIATION AND IMPAIRMENT 31 DECEMBER	**(321 408)**	**(242 549)**
NET CARRYING AMOUNT AT 31 DECEMBER	**2 032 461**	**2 106 889**

USD'000	31 Dec 2020	31 Dec 2019
FSRUs	2 009 602	2 081 696
Dry-docking and afloat class renewals	12 699	17 974
Spareparts	927	1 111
Long-lead items, regasification equipment	9 233	6 108
TOTAL	**2 032 460**	**2 106 889**

In addition, the two LNGCs Arctic Princess and Arctic Lady are recorded as right of use assets, see Note 15.

The capitalised costs for certain regas equipment intended to be used for future projects has been reviewed for potential impairment by year-end. No need for any impairment was identified for the equipment (a charge of USD 1.6 million was recognised in 2019).

DEPRECIATION CHARGES PER ASSET CLASS

USD'000	Note	2020	2019
Vessels		73 598	68 913
Dry-docking		5 261	5 059
Equipment	29	2 152	2 179
Right-of-use assets	15	31 362	31 191
TOTAL		**112 373**	**107 341**

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

All vessels were on contract with charterer per 31 December 2020. Reference is made to Note 4 disclosing the vessels owned directly by the group or through joint ventures and the time charter contracts entered into at 31 December 2020.

Impairment assessment

As at 31 December 2020, the market capitalisation of the group was below the book value of its equity, indicating a potential impairment. In addition, the market for FSRUs remains highly competitive. Although Höegh LNG secured and signed a long-term FSRU contract with H-Energy in February 2021, four FSRUs still remain on interim LNGC contracts at the date of this report, pending long-term FSRU contracts being secured. Rate levels obtainable for FSRUs trading on interim LNGC term charters remained low following the decline experienced in the first half of 2020, although with an uptick towards the end of 2020 and into 2021. Further, Covid-19 has created higher uncertainty related to the short-term market impact, which can impact the estimation of recoverable amounts.

Based on these indications, an impairment test was performed. As the estimated value-in-use was higher than the net book value for each of the vessels in the fleet, the impairment testing did not identify any required impairment.

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 contracts as LNGC and firm contract as FSRUs) cash flows, as well as uncontracted (first firm contract as FSRUs and subsequent contracts as FRSUs) cash flows over the estimated useful life of 35 years for each vessel. Contracted cash flows are based on contract terms for vessels on interim LNGC contracts and contract terms for vessels operating as FSRUs. Uncontracted cash flows have been estimated based on experience and expectations related to future market conditions. For vessels already employed on long-term contracts, these contracts are assumed to be honored and kept in place until expiry. For vessels currently employed on shorter-term interim contracts pending long-term FSRU employment being concluded, the group has a pipeline of relevant FSRU employment contracts under negotiation or completed contracts where final subjects are not yet lifted. The projects with the highest probability of success are assigned to the vessels with best fit to the project and modelled with probability-weighted assumptions for market charter rates and other contract terms for alternative employment.

It is assumed that after the first FSRU contracts have ended, the contracts are replaced with subsequent FSRU contracts with a tenor of 10 years, save for the last period leading up to the maximum of 35 years useful life. Future cash flows are modelled based on probability weighted long-term market charter rates for each vessel, taking age of the vessel and vessel technology and equipment into consideration. While the group has knowledge of the current market rates for FSRUs, it is more challenging to predict what future rates may be in 5-25 years from now.

The market for FSRUs at the time of concluding subsequent contracts will eventually decide the rates achieved.

Due to the current depressed charter rates, the five vessels on interim LNGC contracts as of 31 December 2020 are the vessels with the lowest headroom between the book value and the estimated value-in-use. These five vessels have a combined value-in-use of USD 1.439 million (USD 1.700 million) and a combined net book value of USD 1.295 million (USD 1.337 million), the aggregate headroom for the five vessels is USD 144 million per 31 December 2020 (USD 363 million). Sensitivities based on scenarios with weighted charter rates (FSRU and LNGC), higher WACC and extension of intermediate periods without FSRU contracts have been conducted particularly related to these five vessels. The scenarios take into consideration the current uncertain sentiment in global LNG carrier markets. Although the group considers that the LNGC and FSRU markets are currently in the low end of a business cycle, the long-term demand for LNG is solid. This is based on the assumptions that new liquefaction capacity will be coming online in coming quarters and years and that LNG prices are expected to stay low for the foreseeable future. This is expected to increase demand for FSRUs over time. LNG continues to be a preferred option for providing back-up resilience for renewable energy sources of power production.

When estimating the value-in-use, the assumed cash flows have been discounted using a Weighted Average Cost of Capital (WACC) of 7.0% percent (2019: a range between 6.1% and 7.2%) on a pre-tax basis. The following assumptions have been made for the WACC:

- Cost of equity is obtained from Bloomberg and reflects a long term expected market return, based on average market return of Oslo Stock Exchange Benchmark Index (OSEBX) since 2011 when HLNG became listed on the OSE. The HLNG share's beta is based upon daily observations from 05/07/2011 against OSEBX. Based on this input, the cost of equity is estimated to 11.6% per 31 December 2020.
- The equity ratio of 30 percent is based on long-term assumptions on the Group's financial strategy and capital structure.
- The risk-free rate shall have a time horizon reflecting the timing of the cash flows. The estimated cash flows in the group's value-in-use model have a horizon of up to 35 years, and 10-year rates are thus considered to be the best available approximation for the risk-free rate.
- The assumed cost of debt is based on an assessment of the average interest rate achieved for long-term asset-backed debt funding to the group. The interest rate will over time move up and down as new financing is arranged and as the overall portfolio of secured financing evolves.

The recoverable amount for each vessel would be particularly sensitive to changes in WACC, assumptions used for cash flows such as market rates and timing of new FSRU contracts 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.

For the five vessels with the lowest headroom the sensitivity for each key variable (other variables are held constant) shows that:

- An increase of the WACC by 1 percent point would result in an impairment for three of these vessels, equal to an amount of USD 16 million in aggregate for all three vessels.
- The group make assumptions on redeployment of vessels as FSRUs after the end of a certain period of intermediate LNGC contracts. An additional two years of LNGC interim contracts before redeployment of

vessels as FSRUs would result in an impairment on one of these vessels, equal to an amount of USD 1 million.
- A reduction in the probability weighted charter rates for subsequent FSRU contracts of 15 percent would result in an impairment for two of these vessels, equal to an amount of USD 1 million in aggregate for both vessels.

Note 12: Non-current deferred revenues

Deferred revenues primarily relate to cost reimbursements from charterer as defined in some of the group's time charter contracts. The increase in 2020 from 2019 arises from the dry docking of Arctic Lady when conducting her 15-year class renewal in 2020 and prepayments from the charter of the upcoming class renewal for Arctic Princess scheduled to take place in 2021. The charterers for these two LNGCs refund all or a part of the drydocking costs and will be recorded as revenues base on a straight-line method until next class renewal.

USD'000	Note	2020	2019
Non-current deferred revenues at 1 January		2 164	2 033
Amortisation of charter hire (revenue recognition) Arctic Lady and Arctic Princess		(193)	(1 344)
Amortisation of charter hire (revenue recognition) PGN FSRU Lampung		(46)	(46)
Amortisation of charter hire (revenue recognition) Independence		(445)	(112)
Prepayments of hire related class renewals of Arctic Princess and Arctic Lady		12 625	-
Prepayments of hire related to class renewal of Independence		-	1 633
Netting of contract assets and liabilities PGN FSRU Lampung (IFRS15)		(216)	-
CARRYING AMOUNT AT 31 DECEMBER	4	**13 889**	**2 164**

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 to support its underlying business risk and financial risk profile. Balancing the benefits of a strong balance sheet with the advantage of financial leverage, Höegh LNG is seeking to maintain adequate access to diverse capital markets and optimise 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. Furthermore, Höegh LNG has issued bond loans which also are listed on the Oslo Stock Exchange.

Höegh LNG monitors its capital structure considering future cash flow projections, including expected operating cash flows, debt service and debt maturities as well as any off-balance sheet capital commitments and its available funding. The financial position and forecasts 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 issued 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.

At 31 December 2020, the total consolidated book value of the equity was USD 597 million (USD 696 million). Net of mark-to-market of hedging reserves the consolidated adjusted book value equity was USD 757 million (USD 801 million), bringing the adjusted book equity ratio to 30% (30%). The group's overall capital structure is deemed appropriate given the nature of Höegh LNG's business and its existing commitments. See Note 33 for further information on subsequent events related to the capital structure of the group.

Höegh LNG is measuring the book equity ratio net of hedging instruments, as an indicator of the solidity of the group, and targets to maintain a ratio of 27.5% or more.

ADJUSTED EQUITY RATIO

USD'000	31 Dec 2020	31 Dec 2019
Equity adjusted for hedging transactions	757 048	800 912
Total assets adjusted for hedging transactions	2 527 552	2 635 776
EQUITY RATIO ADJUSTED FOR HEDGING	**30%**	**30%**

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 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 2020. In addition, Höegh LNG has certain revenues in euros. Höegh LNG's NOK denominated bond loans have been swapped to USD for the principal amount and the coupons using cross currency interest rate swaps (CCIRS). In terms of sensitivity for exchange rate fluctuations, the administrative expenses in NOK in 2020 when reported in USD would have been USD 4 million higher if the USDNOK exchange rate had been 10% stronger than it was in 2020, and around USD 3 million lower if the USDNOK exchange rate had been 10% weaker than it was in 2020.

In December 2019, the company entered into foreign exchange rate agreements (FRAs) to hedge budgeted administration expenses and certain investments accruing in NOK during January through December 2020 by agreeing to buy NOK 330 million and sell USD 36.8 million. The accounting effect of these FRAs was a loss on exchange of USD 2.4 million in 2020 whilst USD 1.1 million was recorded as an unrealized gain in 2019.

In July 2020, the company acquired certain USDNOK foreign exchange call options as a countermeasure related to potential cash collateral calls for the bond loan cross-currency hedges. These call options were traded under the credit support agreements with its swap banks as a measure to protect its cash position against potential cash collateral calls in case of a sharp weakening of the NOK against the USD. The call options are for an amount of USD 200 million with a strike price equivalent to an exchange rate USDNOK 11.50 and will expire with 1/3-rd in each of November 2021, February 2022 and May 2022.

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 the revolving credit facilities entered into by HMLP and HLNG respectively. 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 2020, the net mark-to-market valuation of the interest rate and currency swaps was negative net USD 90.7 million (negative net USD 51.9 million in 2019). The group's share of net mark-to-market valuation of interest rate swaps entered into by joint ventures was negative net USD 64.9 million (negative net USD 56.6 million in 2019). The group has elected to apply hedge accounting which is governed under the accounting standard 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.

MARK TO MARKET VALUATIONS OF HEDGES IN PARENT AND SUBSIDIARIES:

USD'000	Note	31 Dec 2020	31 Dec 2019
Non-current financial assets - carrying amounts		135	367
Current financial assets - carrying amounts		-	665
TOTAL FINANCIAL ASSETS - CARRYING AMOUNTS		**135**	**1 032**
Non-current financial liabilities - carrying amounts	30	(66 348)	(44 740)
Current financial liabilities - carrying amounts	28	(24 498)	(8 186)
TOTAL FINANCIAL LIABILITIES - CARRYING AMOUNTS		**(90 846)**	**(52 925)**
NET FINANCIAL LIABILITIES	**See APM**	**(90 711)**	**(51 893)**
Changes in fair value of designated instruments (see below table reconciling changes in fair value)		(38 817)	(57 835)
Changes in fair value designated hedged item		38 817	57 835
NOTIONAL AMOUNTS		**1 374 586**	**1 605 950**
Maturity dates		Multiple	Multiple
Hedge ratio		1:1	1:1

RECONCILIATION OF THE CHANGES IN FAIR VALUE OF DESIGNATED INSTRUMENTS

USD'000	Note	2020	2019
OCI to changes in fair value of designated instruments in subsidiaries		(46 923)	(53 807)
Separate equity component (currency portion of CCIRS) recorded to profit (loss)		11 957	(1 805)
Ineffectiveness of IRS hedges recorded to loss	18	(649)	(1 267)
Unrealized loss CCIRS		(3 302)	-
Settlement of prior year's mark-to-market of swaps (re. extinguishment of debt)		-	(1 199)
Other movements in mark-to-market valuations		100	243
CHANGE IN FAIR VALUE OF DESIGNATED INSTRUMENTS		**(38 817)**	**(57 835)**

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

USD'000	Note	31 Dec 2020	31 Dec 2019
Non-current financial liabilities - carrying amounts		(54 754)	(47 766)
Current financial liabilities - carrying amounts		(10 096)	(8 838)
TOTAL FINANCIAL LIABILITIES - CARRYING AMOUNTS	**See APM**	**(64 850)**	**(56 604)**
Changes in fair value of designated instruments	20	(8 246)	(7 496)
Changes in fair value designated hedged item		8 246	7 496
NOTIONAL AMOUNTS		**274 866**	**293 857**
Maturity dates		Multiple	Multiple
Hedge ratio		1:1	1:1

USD'000		2020	2019
OCI to changes in fair value of designated instruments in joint ventures and associates	13, 20	(8 246)	(7 496)

Liquidity risk

Liquidity risk is the risk that Höegh LNG will be unable to fulfil its financial obligations when they fall due. At 31 December 2020, Höegh LNG had around USD 12 million in remaining off-balance-sheet capital commitments. Outstanding interest-bearing debt carried on the balance sheet totalling USD 1 703 million, net of debt issuance costs, will be repaid through the cash flow generated from the existing assets in Höegh LNG and through refinancing when the debt matures. The group has several FSRUs currently trading on interim LNGC contracts, which generate charter income below the required cash-break-even (after debt service) for these FSRUs. Moreover, the group has significant debt maturities in aggregate for 2021 and the first half of 2022, including one unsecured bond loan, which will require refinancing. Consequently, Höegh LNG is exposed to the risk of insufficient cash flows generated to service its debt, and the risk of refinancing amounts falling short of the amount of debt maturing.

The turmoil in the financial markets caused by the Covid-19 pandemic has amongst other things led to debt financing becoming less available and more expensive in general, and refinancing processes taking longer than previously. This might have an implication on the refinancing risk and liquidity risk of the group in the future.

At 31 December 2020, the group had USD 177 million in total available liquidity including USD 20 million under the up to USD 80 million revolving credit facility in Höegh LNG Holdings and USD 14.7 million under the USD 63 million revolving credit facility in Höegh LNG Partners.

LIQUIDITY RISK

USD'000	HLNG	HMLP	Total
Cash and cash equivalents	110 707	31 838	142 545
Revolving credit facility	18 465	(18 465)	-
Total liquidity 31 December 2020	129 172	13 373	142 545
Revolving credit facility - available amount	20 000	-	20 000
Revolving credit facility - available amount	-	14 700	14 700
TARGETED AVAILABLE LIQUIDITY	**149 172**	**28 073**	**177 245**
Capital commitments	3 000	-	3 000
Capital commitment Avenir LNG Limited	8 625	-	8 625
TOTAL OUTSTANDING CAPITAL COMMITMENT, PAYABLE < 1 YEAR	**11 625**	**-**	**11 625**

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. At 31 December 2020, the cash collateral amounted to approximately USD 16 million, and was mainly related to the interest-rate swaps hedging the interest- rate risk of the debt facility for Höegh Galleon. The turmoil in the financial markets caused by the Covid-19 pandemic caused significant liquidity outflow in March through May 2020 related to this particular liquidity risk, as interest rate levels dropped to very low levels, and the Norwegian krone weakened significantly against the USD. In the second half of 2020, this partly reversed, and a large portion of the cash collateral deposited earlier in the year was returned to the group.

Further Höegh LNG is exposed to liquidity risk related to the available credit amount on its up to USD 80 million credit facility. 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, and the availability of the facility amount is linked to the value of the pledged units. The turmoil in the financial markets caused by the Covid-19 pandemic caused a temporary reduced availability of the credit facility in a short period during 2020, as the value of the pledged units were below the required minimum level for to support the full amount of the facility. As the market price of the pledged units rebounded, the full amount became available again.

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 2020 AND ESTIMATED INTEREST EXPENSE

USD'000	< 1 year	1-5 years	> 5 years	Total
Instalments and balloons on mortage debt and unsecured bonds	184 066	692 341	683 442	1 559 849
Estimated interest on mortgage debt and unsecured bond[1]	75 359	228 385	70 637	374 381
Lease liabilities including interest	29 673	96 091	42 174	167 938
TOTAL	**289 098**	**1 016 818**	**796 253**	**2 102 169**

[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.

Financial obligations are subject to re-financing and the group's liabilities at year-end 2020 has the following maturity (reference is made to Note 16 for outstanding amounts at 31 December 2020):

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

- The USD 80 million RCF matures in Q1 2022, of which USD 60 million was drawn and outstanding at 31 December 2020.

- The outstanding NOK 1205 million of the bonds issued for HLNG03 matures in Q1 2022.

- The debt financing for Höegh Giant matures in Q2 2022.

- The commercial and the ECA tranche[1] on the financing for Höegh Esperanza matures in Q3 2023 and Q2 2030, respectively.

- The commercial and the ECA tranche[1] on the financing for Höegh Gannet matures in Q4 2023 and Q4 2030, respectively.

- The commercial and the ECA tranche[1] on the financing for Independence matures in Q4 2024 and Q2 2026, respectively.

- The outstanding NOK 970 million of bonds issued for HLNG04 matures in Q1 2025.

- Both the commercial and the ECA tranche on the financing for Höegh Gallant matures in Q1 2026.

- The commercial and the ECA tranche1 on the financing for Höegh Grace matures in Q1 2026 and Q2 2028, respectively.

- The sale and leaseback debt facility for Höegh Galleon matures in Q3 2031.

[1] For all debt facilities with ECA tranches: If no refinancing of the commercial tranches takes place, the ECA tranche will fall due. As such, the group plans to refinance either the commercial tranche, or the full size of the debt facility including the ECA tranche ahead of the scheduled maturity of the commercial tranche.

The financial lease obligations relating to Arctic Princess and Arctic Lady (reference to Note 15) are not subject to any refinancing and will be fully amortised during the length of the underlying lease agreements.

Non-consolidated debt in joint ventures

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.

For the two JV companies owning Neptune and Cape Ann, the financing arrangement matures in the fourth quarter of 2021 and in the second quarter of 2022, respectively.

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 2020

USD'000	< 1 year	1-5 years	> 5 years	Total
Interest rate swaps designated as effective hedging instruments in subsidiaries	(24 498)	(57 143)	(9 070)	(90 711)
NET FINANCIAL LIABILITY GROUP	**(24 498)**	**(57 143)**	**(9 070)**	**(90 711)**
Interest rate swaps designated as effective hedging instruments in the group's joint ventures (100%)	(21 343)	(78 502)	(39 767)	(139 613)
TOTAL	**(45 841)**	**(135 646)**	**(48 837)**	**(230 324)**

Credit risk

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.

Höegh LNG has not provided any guarantees for liabilities outside the group (including the joint ventures and investment in associates, see Note 20), 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 180 million. For further information about guarantees and commitments, reference is made to Note 19.

Fair values

Set out on the next page 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 2020 and 2019:

FINANCIAL ASSETS

	Carrying amount		Fair value	
USD'000	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Financial instruments at fair value through profit and loss				
Cash flow hedges related to FRAs	-	1 110	-	1 110
Total financial assets at FVTPL	**-**	**1 110**	**-**	**1 110**
Financial instruments at fair value through other comprehensive income				
Derivatives in effective cash flow hedges	135	1 032	135	1 032
Total financial assets at FVTOCI	**135**	**1 032**	**135**	**1 032**
Financial assets at amortised cost				
Non-current restricted cash	16 895	17 428	16 895	17 428
Trade and other receivables	26 755	38 352	26 755	38 352
Shareholder loans	4 153	3 831	4 153	3 831
Other non-current receivables	17 506	4 774	17 506	4 774
Marketable securities	102	110	102	110
Cash and cash equivalents (including short term restricted cash)	149 770	195 095	149 770	195 095
Total financial assets at amortised cost	**215 181**	**259 590**	**215 181**	**259 590**
TOTAL	**215 316**	**261 732**	**215 316**	**261 732**
TOTAL NON-CURRENT	**35 404**	**26 400**	**35 404**	**26 400**
TOTAL CURRENT	**179 911**	**235 332**	**179 911**	**235 332**

FINANCIAL LIABILITIES

	Carrying amount		Fair value	
USD'000	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Financial liabilities at fair value through profit and loss				
Ineffective portion of cash flow hedges	5 783	1 835	5 783	1 835
Total financial liabilities at FVTPL	**5 783**	**1 835**	**5 783**	**1 835**
Financial liabilities at fair value through other comprehensive income				
Derivatives in effective cash flow hedges	85 063	51 091	85 063	51 091
Total financial liabilities at FVTOCI	**85 063**	**51 091**	**85 063**	**51 091**
Other financial liabilities at amortised cost				
Trade and other payables	19 205	21 404	19 205	21 404
Other financial liabilities	9 580	9 655	9 580	9 655
Interest-bearing loans and borrowings	1 559 849	1 605 950	1 520 762	1 487 794
Lease liabilities	167 938	196 934	167 938	196 934
Total financial liabilities at amortised cost	**1 756 572**	**1 833 944**	**1 717 485**	**1 715 787**
TOTAL SHARE	**1 847 417**	**1 886 870**	**1 808 330**	**1 768 713**
TOTAL NON-CURRENT	**1 589 976**	**1 526 302**	**1 550 889**	**1 408 145**
TOTAL CURRENT	**257 441**	**360 567**	**257 441**	**360 567**

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 recognised 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.
- Fair value of revolving credit facility is estimated by discounting future cash flows from using rates currently available for debt on similar terms, credit risk and remaining maturities.
- 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 below presents fair value measurements of Höegh LNG's assets and liabilities at 31 December 2020 and 2019, respectively.

ASSETS AT 31 DECEMBER 2020

USD'000	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Marketable securities	-	102	-	102
FX options	-	860	-	860
Financial assets at FVTOCI				
Derivatives used for hedging	-	135	-	135
TOTAL ASSETS	**-**	**1 097**	**-**	**1 097**

LIABILITIES AT 31 DECEMBER 2020

USD'000	Level 1	Level 2	Level 3	Total
Derivatives used for hedging				
Derivatives in effective cash flow hedges	-	90 846	-	90 846
Financial liabilities not measured at fair value, but for which fair values are disclosed				
Bonds	228 576	-	-	228 576
Mortgage debt	-	1 231 843	-	1 231 843
Revolving credit facility		60 343	-	60 343
Lease liabilities	-	-	167 938	167 938
TOTAL LIABILITIES	**228 576**	**1 383 032**	**167 938**	**1 779 546**

ASSETS AT 31 DECEMBER 2019

USD'000	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Marketable securities and FRAs	-	110	-	110
Financial assets at FVTOCI				
Derivatives used for hedging	-	2 142	-	2 142
TOTAL ASSETS	**-**	**2 252**	**-**	**2 252**

LIABILITIES AT 31 DECEMBER 2019

USD'000	Level 1	Level 2	Level 3	Total
Derivatives used for hedging				
Derivatives in effective cash flow hedges	-	52 925	-	52 925
Financial liabilities not measured at fair values, but for which fair values are disclosed				
Bond	302 677	-	-	302 677
Mortgage debt	-	1 185 116	-	1 185 116
Lease liabilities	-	-	196 934	196 934
TOTAL LIABILITIES	**302 677**	**1 238 041**	**196 934**	**1 737 652**

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. See Note 15: Leases, for reconciliation from the opening balances to the closing balances disclosing separately changes during the period. During the reporting periods of 2020 and 2019, 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	2020	Exchange rate	2019
US Dollar (USD)		USD	1.00	116 551	1.00	168 346
Norwegian Kroner (NOK)		USD/NOK	8.53	19 485	8.78	13 821
Pound Sterling (GBP)		GPB/USD	0.73	909	0.76	667
Euro (EUR)		EUR/USD	0.81	2 262	0.89	1 083
Singapore Dollar (SGD)		SGD/USD	1.32	920	1.35	890
Colombian Pesos (COP)		COP/USD	2 752.98	177	3277.14	423
Other				2 241		1 747
TOTAL	**16**			**142 545**		**186 978**

CURRENT RESTRICTED CASH

USD'000	Note	31 Dec 2020	31 Dec 2019
Indonesia, debt service account		7 198	7 988
Colombia, payroll related		-	12
Bermuda, escrow account		9	9
Egypt, escrow account		18	109
TOTAL	**16**	**7 225**	**8 117**

As at 31 December 2020, USD 7.2 million was 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 2020	31 Dec 2019
PT Höegh LNG Lampung, debt service		12 095	12 627
Höegh LNG Gannet Pte. Ltd., debt service		4 800	4 800
Höegh LNG Ltd - EGP restricted cash		-	1
TOTAL	**16**	**16 895**	**17 428**

Non-current restricted cash of USD 12.1 million at year-end 2020 (USD 12.6 million year-end 2019) 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. The USD 4.8 million in restricted cash year-end both years, 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 recognise 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 since implementation of IFRS 16 at 1 January 2019 . Right-of-use vessels have terms between 25-30 years, but depreciation is calculated based on remaining term of 6 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 are disclosed in the table on the next page:

RIGHT-OF-USE ASSETS:

USD'000	Note	Vessels	Premises	Other	Total
Right-of-use assets as at 1 January 2020		184 269	8 090	282	192 641
Increase (decrease) during the year due to lease modifications		655	(1 862)	(16)	(1 223)
Decrease from accumulated depreciation due to termination of office leases			518		518
Depreciation expense	11	(29 793)	(1 456)	(113)	(31 361)
RIGHT-OF-USE ASSETS AS AT 31 DECEMBER 2020		**155 131**	**5 289**	**152**	**160 574**

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

The carrying amounts of lease liabilities and the movements during 2020 were as follows:

LEASE LIABILITIES

USD'000	Note	2020	2019
As at 1 January		196 934	223 085
Increase (decrease) during the year due to lease modifications		(462)	380
Interest expenses	17	8 845	10 183
Payments		(37 378)	(36 714)
TOTAL LEASE LIABILITIES AS AT 31 DECEMBER		**167 938**	**196 934**
Non-current lease liabilities	16	138 265	162 170
Current lease liabilities	16	29 673	34 764
TOTAL LEASE LIABILITIES AS AT 31 DECEMBER		**167 938**	**196 934**

The maturity analysis of lease liabilities is disclosed in Note 13.

THE FOLLOWING ARE THE AMOUNTS RECOGNISED IN PROFIT OR LOSS:

USD'000	Note	2020	2019
Depreciation of right-of-use assets	11	(31 362)	(31 191)
Interest expenses, lease liabilities	17	(8 845)	(10 183)
Expenses related to short-term leases and low-value leases (included in administrative expenses)	9	(368)	(810)
TOTAL AMOUNT RECOGNISED IN PROFIT AND LOSS		**(40 574)**	**(42 183)**

The group as a lessor

The group has entered into operating leases on its vessels. These leases have terms of between 1 and 20 years, reference made to disaggregation of time charter revenues disclosed in Note 4. Lease revenues recognised by the group during 2020 was USD 203 million (USD 206 million in 2019). Future minimum payment receivables under non-cancellable operating leases at 31 December 2020 were as follows:

EXPECTED FUTURE LEASE REVENUES (UNDISCOUNTED) FROM 1 JAN 2021:

USD'000	Year 1	Year 2	Year 3	Year 4	Year 5	> 5 years	Total
TOTAL	**226 470**	**196 878**	**188 524**	**184 421**	**139 292**	**498 755**	**1 434 341**

Note 16: Interest-bearing debt

Financing activities in 2020

In January 2020, Höegh LNG raised NOK 650 million in a new unsecured bond loan (HLNG 04) with a five-year tenor and a margin of 600 basis points. The new bond loan was listed on the Oslo Stock Exchange on 7 May 2020. In connection with the issuance of the new bond loan, USD 65 million of the HLNG 02 bond was bought back during the first quarter, while the remaining USD 65 million was repaid at maturity in June 2020.

In April 2020, the company concluded a revolving credit facility for up to USD 80 million, secured by the company's common units and its shares in the general partner of Höegh LNG Partners, USD 65 million of the facility was earmarked for repaying the HLNG 02 bond loan.

Also, in April 2020, Höegh LNG executed an amendment, extension and a USD 45 million upsizing of the debt facility for FSRU Independence.

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

Overview of debt facilities

The tables on the next page 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 2020

USD'000	Note	Non-current	Current	Total
Independence facility		174 580	15 248	189 828
PGN FSRU Lampung facility		-	97 959	97 959
Höegh Esperenza facility		153 125	12 500	165 625
Höegh Giant facility		133 420	12 707	146 127
Höegh Gannet facility		141 875	11 042	152 917
Höegh Galleon facility		159 971	9 012	168 984
USD 385 million facility		297 907	25 597	323 505
Bond debt		254 905	-	254 905
RCF USD 80 million		60 000		60 000
Debt issuance cost and bond issue discount		(24 732)	-	(24 732)
TOTAL INTEREST BEARING DEBT EXCLUDING LEASE LIABILITIES		**1 351 051**	**184 066**	**1 535 117**
Lease liabilities	15	138 265	29 673	167 938
TOTAL INTEREST BEARING DEBT INCLUDING LEASE LIABILITIES		**1 489 316**	**213 739**	**1 703 055**

INTEREST-BEARING DEBT AT 31 DECEMBER 2019

USD'000		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
Höegh Galleon facility		168 984	9 012	177 996
USD 385 million facility		323 505	25 597	349 102
Bond debt		170 837	130 000	300 837
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	162 170	34 764	196 934
TOTAL INTEREST BEARING DEBT INCLUDING LEASE LIABILITIES		**1 447 624**	**330 977**	**1 778 601**

MATURITY SCHEDULE, INTEREST-BEARING DEBT AT 31 DECEMBER 2020

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	15 248	15 248	15 248	60 248	83 836	189 828
PGN FSRU Lampung facility	USD	97 959	-	-	-	-	97 959
Höegh Esperanza facility	USD	12 500	12 500	62 500	12 500	65 625	165 625
Höegh Giant facility	USD	12 707	133 420	-	-	-	146 127
Höegh Gannet facility	USD	11 042	11 042	53 542	11 042	66 250	152 917
Höegh Galleon facility	USD	9 012	9 012	9 012	9 012	132 934	168 984
USD 385 million facility	USD	25 597	25 597	25 597	25 597	221 116	323 505
Bond debt	USD	-	141 223	-	-	113 682	254 905
RCF USD 80 million	USD	-	60 000	-	-	-	60 000
INTEREST-BEARING DEBT OUTSTANDING		**184 066**	**408 043**	**165 899**	**118 399**	**683 442**	**1 559 849**
Debt issuance cost							(22 643)
Bonds issue discount							(2 090)
TOTAL INTEREST-BEARING DEBT EXCLUDING LEASE LIABILITIES		**184 066**	**408 043**	**165 899**	**118 399**	**683 442**	**1 535 117**
Lease liabilities		29 673	30 642	31 759	33 691	42 174	167 938
TOTAL INTEREST-BEARING DEBT INCLUDING LEASE LIABILITIES		**213 739**	**438 684**	**197 658**	**152 090**	**725 616**	**1 703 055**

NET INTEREST-BEARING DEBT AT 31 DECEMBER 2020

USD'000	Note	31 Dec 2020	31 Dec 2019
Interest-bearing debt including lease liabilities, current and non-current		(1 703 055)	(1 778 600)
Restricted cash, non-current	14	16 895	17 428
Cash and cash equivalents including restricted current cash and marketable securities	14	149 873	195 205
NET INTEREST-BEARING DEBT		**(1 536 288)**	**(1 565 967)**

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

USD'000	1 Jan 2020	Cash flows repayment and buy-back of bonds	Cash flows new interest bearing debt	Lease modifications	Foreign exchange movement	Other	31 Dec 2020
Current interest bearing loans and borrowings (excluding lease liabilities and bond issues)	166 213	-	-	-	-	17 852	184 066
Current bond issue	130 000	(130 000)			-		-
Current lease liabilities	34 764	(4 628)	-	(463)	-	-	29 673
Non-current interest bearing loans and borrowings (excluding lease liabilities and bond issues)	1 114 617	(102 589)	105 000	-	-	(20 881)	1 096 147
Non-current lease liabilities	162 170	(23 905)	-	-		-	138 265
Non-current bond issues	170 837	(31 500)	106 685		8 883		254 905
TOTAL LIABILITIES FROM FINANCING ACTIVITIES	**1 778 601**	**(292 622)**	**211 685**	**(463)**	**8 883**	**(3 029)**	**1 703 055**

The movement in the "other" column comprises reclassification of interest-bearing debt between non-current and current related to the PGN FSRU Lampung and Independence facility, respectively, along with recognition of debt issuance cost partly offset by its amortisation.

INTEREST- BEARING DEBT IN THE CONSOLIDATED ENTITIES AT 31 DECEMBER 2020

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
Second drawdown date	28.04.2020						
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)	6	11	7	5	10	10	12
Blended profile on the debt (years)	16	12	15	15	16	16	20
Blended fixed all-in-rate	4.10%	6.40%	4.90%	3.70%	4.00%	5.00%	5.71%

INTEREST-BEARING DEBT IN JOINT VENTURE COMPANIES AT 31 DECEMBER 2020

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	Finance lease	Finance lease	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 %

Financial covenants and restrictions related to interest-bearing debt and lease liabilities

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 2020. See Note 13 and Note 33 disclosing the refinancing subsequent to year ended 31 December 2020.

Note 17: Interest expenses

USD'000	Note	2020	2019
Interest expense on mortgage debt and revolving credit facilities		67 625	63 948
Interest expenses on bonds		23 316	19 595
Interest expenses on leases	15	8 845	10 183
Other interest expenses		15	13
TOTAL		**99 801**	**93 739**

Interest costs on bonds of USD 4.2 million was in 2019 capitalised as part of the construction of FSRU#10/ Höegh Galleon, no capitalization of bond interest was recorded in 2020.

Note 18: Expenses from other financial items

USD'000	Note	2020	2019
Income from other financial items			
Currency gain		3 568	1 247
Guarantee from investment in associate		784	-
Other		2	15
INCOME FROM OTHER FINANCIAL ELEMENTS - GROSS		**4 354**	**1 262**
Expenses from other financial items			
Currency loss		(5 960)	(1 002)
Withholding taxes		(2 567)	(3 027)
Ineffectiveness interest rate hedges	13	(649)	(1 267)
Loss in fair value (FV) of FX options		(3 492)	-
Guarantee- and other fees		(1 299)	(371)
EXPENSES FROM OTHER FINANCIAL ELEMENTS - GROSS		**(13 967)**	**(5 667)**
INCOME (EXPENSES) FROM OTHER FINANCIAL ELEMENTS - NET		**(9 613)**	**(4 405)**

Note 19: Security granted, guarantees and commitments

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, and the USD 385 million facility in HMLP respectively.

USD 80 million revolving credit facility (RCF)

A USD 80 million revolving credit facility agreement was entered into 27 March 2020 by the company as borrower and on 29 May 2020 the company made a drawdown of USD 60 million. The facility was secured by a pledge of all the company's common units in Höegh LNG Partners LP, the shares in the general partner of Höegh LNG Partners LP and certain bank accounts. As a subsequent event, the Company made an additional draw down of USD 10 million on 29 January 2021. The facility amount will be reduced to USD 70 million in March 2021, and the facility matures in January 2022.

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

A 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

A 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.

As a subsequent event, on 1 February 2021 Höegh LNG Giant entered into a bareboat charter agreement with Western Concession Private Limited as charterer in respect of Höegh Giant. Operation and maintenance services will be provided by Höegh LNG India Private Limited under an FSRU operation and services agreement dated 1 February 2021. The company has guaranteed the obligations of Höegh LNG Giant Ltd. under the charter agreement for a maximum amount of USD 16 million and the obligations of Höegh LNG India Private Limited under the FSRU operations and maintenance agreement for a maximum amount of USD 2 million. Höegh LNG Giant Ltd. will further provide for a standby letter of credit of USD 2 million in favour of the charterer under the charter agreement.

Independence

In November 2012, Höegh LNG Ltd. (as borrower) entered into a USD 250 million facility agreement fully guaranteed by the company. The facility agreement was amended pursuant to an amendment agreement in April 2020 whereby the maturity date was extended and under which and additional USD 45 million was drawn, bringing the new outstanding amount up to USD 197.5 million.

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, and subsequently 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.

On 26 February 2020 HMLP declared its option to lease the Höegh Gallant back to Höegh LNG Ltd. Consequently, on 30 April 2020 Höegh LNG Chartering LLC, a subsidiary of Höegh LNG Ltd. entered into a lease and maintenance agreement chartering Höegh Gallant. Höegh LNG Ltd. has guaranteed the performance of its subsidiary under the lease and maintenance agreement.

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 Höegh 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 Höegh LNG Lampung under the lease, operation and maintenance agreement with the customer, PT PGN LNG.

Neptune and Cape Ann 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. The group is also guaranteeing its pro-rata share of the interest rate swaps for these two entities.

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 indemnified HMLP against for its share of the cash impact of the settlement, the arbitration costs and any legal expenses, and has agreed to indemnify HMLP for 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 PGN FSRU Lampung.

Avenir LNG Limited

At 31 December 2020, Höegh LNG had a remaining outstanding investment commitment in Avenir LNG Limited (Avenir) of up to USD 8.6 million. USD 6.3 million was paid in January 2021 and the remaining amount of USD 2.3 million expected to fall due later in 2021. In April 2019, the 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 102 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.

Note 20: Investments in joint ventures, associates and subsidiaries

Höegh LNG had ownership in four joint ventures and one associate at year-end 2020, 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 2020	31 Dec 2019
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	23.35	22.80

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, took delivery of its first vessel in October 2020, has five remaining four small-scale LNG carriers currently under construction at Keppel Sing marine in Nantong, China, and the LNG storage terminal and distribution terminal facility under development in the Italian port of Oristano, Sardinia. Avenir LNG Limited plans to source and ship LNG to the terminal using its own vessel small LNG carriers, and supply distribute the LNG in the growing market in Sardinia trucks and through regasification into the local gas grid.

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

USD'000	2020	2019
At 1 January	24 359	16 406
Share of profit	17 088	15 074
Other comprehensive income	(7 353)	(7 496)
Investment in Avenir LNG Limited	9 375	375
AT 31 DECEMBER	**43 469**	**24 359**
Included in non-current assets	45 390	29 574
Included in non-current liabilities	(1 921)	(5 215)

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 COMPREHENSIVE 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	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Time charter revenues	17 916	17 810	17 623	17 510	42 127	42 248	45 017	42 618	-	-
Operating expenses	(125)	(107)	(152)	(105)	(7 312)	(9 798)	(11 594)	(8 440)	(5 968)	(7 953)
EBITDA	**17 792**	**17 703**	**17 471**	**17 405**	**34 815**	**32 449**	**33 423**	**34 178**	**(5 968)**	**(7 953)**
Depreciation	(6 085)	(6 085)	(6 058)	(6 058)	(12 810)	(12 639)	(12 298)	(12 091)	-	-
Interest income	79	248	79	248	58	427	63	406	(-)	-
Interest expenses	(4 985)	(5 413)	(5 038)	(5 700)	(11 582)	(12 309)	(11 537)	(12 632)	-	-
PROFIT FOR THE YEAR	**6 801**	**6 452**	**6 454**	**5 894**	**10 482**	**7 929**	**9 650**	**9 860**	**(5 968)**	**(7 953)**
Other comprehensive income	(2 328)	(2 329)	(2 764)	(2 713)	(5 751)	(4 895)	(6 394)	(5 523)	3 418	(414)
TOTAL COMPRE-HENSIVE INCOME	**4 473**	**4 124**	**3 690**	**3 180**	**4 730**	**3 034**	**3 256**	**4 337**	**(2 550)**	**(8 368)**

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	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
ASSETS										
Cash and cash equivalents	16 853	18 319	19 908	22 329	5 852	16 369	7 903	1 529	8 025	21 237
Other current assets	3	4	80	91	4 304	4 840	4 375	4 692	10 250	5 228
TOTAL CURRENT ASSETS	**16 856**	**18 323**	**19 988**	**22 420**	**10 156**	**21 208**	**12 279**	**6 220**	**18 275**	**26 465**
Vessels/Right-of-use assets	105 072	111 157	106 170	112 229	240 493	254 347	236 057	248 507	-	-
Other non-current assets	6 998	-	6 998	-	12 662	12 642	14 351	22 008	163 107	83 462
TOTAL NON-CURRENT ASSETS	**112 070**	**111 157**	**113 168**	**112 229**	**253 155**	**266 988**	**250 407**	**270 515**	**163 107**	**83 462**
TOTAL ASSETS	**128 926**	**129 480**	**133 156**	**134 648**	**263 311**	**288 197**	**262 686**	**276 735**	**181 382**	**109 927**
LIABILITIES										
TOTAL CURRENT LIABILITIES	**13 858**	**11 571**	**12 316**	**11 442**	**203 945**	**45 677**	**26 796**	**32 694**	**45 229**	**8 454**
Non-current interest-bearing debt	102 810	111 874	106 954	115 249	-	190 122	178 580	193 413	465	735
Other non-current liabilities	27 343	25 593	21 308	19 070	53 701	51 462	51 956	48 531	-	-
TOTAL NON-CURRENT LIABILITIES	**130 153**	**137 467**	**128 263**	**134 319**	**53 701**	**241 585**	**230 537**	**241 944**	**465**	**735**
TOTAL LIABILITIES	**144 011**	**149 038**	**140 579**	**145 762**	**257 646**	**287 262**	**257 333**	**274 638**	**45 694**	**9 189**
Net assets	**(15 085)**	**(19 558)**	**(7 423)**	**(11 113)**	**5 666**	**935**	**5 353**	**2 097**	**135 688**	**100 738**

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	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
NET ASSET AT 1 JANUARY	**(19 558)**	**(23 682)**	**(11 114)**	**(14 294)**	**936**	**(2 098)**	**2 098**	**(2 239)**	**89 254**	**97 622**
Profit (loss) for the period	6 801	6 452	6 454	5 894	10 482	7 929	9 650	9 860	(5 968)	(7 953)
Other comprehensive income	(2 328)	(2 329)	(2 764)	(2 713)	(5 751)	(4 895)	(6 394)	(5 523)	3 418	(414)
NET ASSET AT 31 DECEMBER	**(15 085)**	**(19 558)**	**(7 423)**	**(11 114)**	**5 666**	**936**	**5 354**	**2 098**	**86 704**	**89 254**
Interest in joint venture	33.98%	33.98%	50%	50%	50%	50%	50%	50%	23.4%	22.8%
Investment	-	-	-	-	-	-	-	-	9 375	376
Consolidation adjustments	3 205	2 849	4 661	4 144	3 998	2 962	3 065	2 109	2 513	2 513
CARRYING VALUE INVESTMENT	**(1 921)**	**(3 797)**	**950**	**(1 413)**	**6 831**	**3 430**	**5 742**	**3 158**	**31 872**	**22 987**

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 the investment in Joint Gas Ltd being a net liability at year-end 2020.

SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES AT 31 DECEMBER 2020

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 Hoegh (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	Winded up in Q1 2021	100		
Höegh LNG Giant Ltd.	Cayman Islands	Shipowning		100	
Hoegh LNG Klaipeda Pte. Ltd.	Singapore	Shipowning		100	
Hoegh LNG Gannet Pte. Ltd.	Singapore	Shipowning		100	
Höegh 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	Ship operation		100	
Höegh LNG Chartering LLC	Marshall Islands	Shipowning		100	
Hoegh LNG Pakistan Holding Pte. Ltd.	Singapore	Dormant		100	
Höegh LNG Partners LP [1]	Marshall Islands	Holding	45.81		54.19
Joint ventures and associates					
Joint Gas Ltd.	Cayman Islands	Shipowning	33.98		
Joint Gas Two Ltd.	Cayman Islands	Shipowning	50		
Avenir LNG Limited	Bermuda	Shipowning	23.35		

[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 2020

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	Liquidation in progress	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 (liquidation in progress)		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 Höegh 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

The distribution of dividend to the preferred unit holders in HMLP 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 2020. 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 issuances 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) until 31 July 2025 (with no option to extend) at a rate equal to 90% of the daily LMA rate plus any incremental taxes or operating expenses as a result of such a charter. The option was declared by HMLP on 26 February 2020. A wholly owned subsidiary of the company has made a provision for the present value of the estimated net obligation to HMLP (net of estimated future time charter revenue). At 31 December 2020, the provision amounted to USD 68.7 million. Since the group consolidates HMLP and all intercompany transactions (including assets/liabilities) are eliminated, the provision and any changes to it will not impact profit and loss, nor the liabilities in the consolidated financial statements. However, as HMLP is only partly owned by the group, the provision has an effect on the portion of the group's equity being attributed to the non-controlling interests (NCI) in HMLP. At 31 December 2020, an aggregate amount of USD 37.2 million has been reflected as equity attributable to the NCI in relation to the provision, based on the NCI owning approximately 54% of HMLP's common units.

HÖEGH LNG PARTNERS' CONSOLIDATED, CONDENSED STATEMENT OF INCOME

USD'000	2020	2019
Time charter revenues	150 015	153 035
Management and other income	731	247
Share of results from investments in associates and joint ventures	12 058	10 859
TOTAL INCOME	**162 804**	**164 142**
Bunker and other voyage related expenses	(95)	(183)
Operating expenses	(24 256)	(30 043)
Administrative expenses	(9 644)	(9 800)
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION (EBITDA)	**128 809**	**124 116**
Depreciation	(26 110)	(26 468)
OPERATING PROFIT	**102 699**	**97 648**
NET FINANCIAL ITEMS	**(26 202)**	**(32 127)**
ORDINARY PROFIT BEFORE TAX	**76 496**	**65 520**
Income taxes	(4 527)	(5 884)
PROFIT FOR THE YEAR AFTER TAX	**71 969**	**59 636**
Other comprehensive income	(17 758)	(17 078)
TOTAL COMPREHENSIVE INCOME	**54 210**	**42 558**
Attributable to non-controlling interests	35 233	28 480
Dividends paid to non-controlling interests	46 435	45 354

HÖEGH LNG PARTNERS' CONSOLIDATED, CONDENSED STATEMENT OF FINANCIAL POSITION

USD'000	31 Dec 2020	31 Dec 2019
ASSETS		
FSRUs	753 625	779 560
Investments in joint ventures	12 573	6 587
Other non-current assets	19 967	20 802
Total non-current assets	**786 165**	**806 950**
Cash and cash equivalents	31 838	39 209
Restricted cash	7 198	8 066
Other current assets	7 076	8 110
Total current assets	**46 113**	**55 384**
TOTAL ASSETS	**832 278**	**862 334**
LIABILITIES		
Non-current interest-bearing debt	291 053	412 315
Deferred tax liabilities	13 046	12 021
Other non-current liabilites	38 479	21 531
Total non-current liabilities	**342 578**	**445 868**
Current interest-bearing debt	123 596	44 744
Other non-current liabilites	20 434	20 705
Current liabilities	**144 030**	**65 449**
TOTAL LIABILITIES	**486 608**	**511 317**
NET ASSETS	**345 670**	**351 017**
Attributable to non-controlling interests	**301 396**	**299 760**

HÖEGH LNG PARTNERS' CONSOLIDATED, CONDENSED STATEMENT OF CASH FLOWS

USD'000	2020	2019
I) Net cash flows from operating activities	108 737	108 064
II) Net cash flows from investing activities	(183)	(1 099)
III) Net cash flows from financing activities	(115 925)	(94 116)
Net increase in cash and cash equivalents (I+II+III)	**(7 371)**	**12 849**
Current cash and cash equivalents at 1 January	39 209	26 360
CURRENT CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**31 838**	**39 209**

Note 21: Shares and share capital

NUMBER OF SHARES

	Par value (USD)	31 Dec 2020	31 Dec 2019
Ordinary shares authorised	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 2020	77 260 580	0.01	773
SHARES AND SHARE CAPITAL AT 31 DECEMBER 2020	**77 260 580**	**0.01**	**773**

TREASURY SHARES

	Number of shares	Par value (USD)	Total (USD '000)
Höegh LNG Holdings Ltd ownership	1 009 265	0.01	10
TREASURY SHARES AND SHARE CAPITAL AT 31 DECEMBER 2020	**1 009 265**		**10**

Dividend paid out in the first quarter of 2020 (USD 0.025 per share) amounted to USD 1.9 million (USD 7.6 million).

20 LARGEST SHAREHOLDERS AS AT 31 DECEMBER 2020

	Note	Ownership Number of shares	Ownership In %
Leif Höegh & Co Ltd.	31	37 765 654	48.88%
Citibank Europe plc		5 180 238	6.70%
Citibank Europe plc		3 739 849	4.84%
BNP Paribas Securities Services		2 260 115	2.93%
Brown Brothers Harriman (Lux.) SCA		2 140 863	2.77%
Morgan Stanley & Co. Int. Plc.		1 033 553	1.34%
HÖEGH LNG HOLDINGS Ltd.		1 009 265	1.31%
RAIFFEISEN BANK INTERNATIONAL AG		1 000 000	1.29%
BNP Paribas Securities Services		930 125	1.20%
SEABROKER AS		702 680	0.91%
Pictet & Cie (Europe) S.A.		638 772	0.83%
CACEIS Bank Spain SA		602 048	0.78%
SKATTUM INVEST AS		595 000	0.77%
Citibank Europe plc		506 410	0.66%
Goldman Sachs International		428 200	0.55%
CLEARSTREAM BANKING S.A.		426 220	0.55%
Citibank Europe plc		424 848	0.55%
IB HOLDING AS		381 825	0.49%
Interactive Brokers LLC		343 434	0.44%
Nordnet Bank AB		323 797	0.42%
Other		16 827 684	21.78%
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 for the outstanding stock options, see note 23. In the event of a loss for the year, no dilution effect is calculated for the outstanding stock options.

The company held 1 009 265 shares in treasury at 31 December in 2020 (1 056 533 shares in 2019). The following reflects the income and share data used in the computations of basic and diluted earnings per share:

	2020	2019
Net loss attributable to equity holders of the parent company	(44 713)	(29 651)
Number of outstanding shares 1 January	76 204 027	76 048 842
Number of outstanding shares 31 December	76 251 315	76 204 027
Average share options outstanding (if profit)	-	-
Weighted average number of outstanding shares	76 189 977	76 183 081
Earnings per share		
Basic, profit (loss) for the year attributable to ordinary equity holders of the parent (USD'1)	(0.59)	(0.39)
Diluted, profit for the year attributable to ordinary equity holders of the parent (USD'1)	(0.59)	(0.39)

Note 23: Share-based payments

Share 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 2020 expire on 31 December 2023 at the latest.

OUTSTANDING SHARE OPTIONS

	Average exercise price	2020	2019
Outstanding at 1 January		1 947 777	2 008 749
Granted during the year		1 301 564	50 940
Exercised during the year		-	-
Forfeited during the year		(180 125)	(111 912)
Expired during the year		(620 124)	-
OUTSTANDING AT 31 DECEMBER	**NOK 47.78**	**2 449 092**	**1 947 777**
Exercisable at 31 December		786 268	1 095 432

For 2020, the expenses recognised for employee services received during the year charged to the income statement is USD 0.9 million (USD 1.6 million in 2019) See Note 7. This includes the phantom units 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 2020 and 2019.

	2020	2019
Dividend yield (%):	0.00	0.00
Expected volatility (%) :	33.99	33.93
Risk–free interest rate (%) :	1.25	1.27
Expected life of share options (years):	4.26	3.12
Weighted average share price in NOK:	30.16	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 fair value is determined using Black-Scholes valuation, which for phantom units yields a fair value equal to the share price at reporting date.

OUTSTANDING PHANTOM UNITS IN HLNG

	2020	2019
Outstanding at 1 January	36 660	79 564
Granted during the year	37 379	3 954
Exercised during the year	(18 332)	(60 369)
Forfeited during the year	-	(2 250)
Adjustment due to transfer of emloyee from HMLP	-	15 761
OUTSTANDING NUMBER OF PHANTOM UNITS AT 31 DECEMBER	**55 707**	**36 660**
Fair value at 31 December (in USD'000)	797	5 773

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 8 100 phantom units in 2020. Vesting and other conditions are like the phantom units granted by the company.

OUTSTANDING PHANTOM UNITS IN HMLP

	2020	2019
Outstanding at 1 January	11 961	28 917
Granted during the year	8 100	10 917
Forfeited during the year	(20 061)	(12 112)
Adjustment due to transfer of emloyee to HLNG	-	(15 761)
OUTSTANDING NUMBER OF PHANTOM UNITS AT 31 DECEMBER	**-**	**11 961**

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 2021 to 31 December 2023.

Note 24: Corporate income tax expenses and deferred taxes

The group conducts much of its operations in emerging market which have historically less developed and less stable tax regimes than the OECD.

The group is subject to tax regulations in those countries with respect to withholding taxes, value added taxes, payroll taxes, property taxes, taxes on certain financial transactions, permanent establishments, and corporate income taxes. Tax regulations, guidance and interpretation in these countries may not always be clear and may not contemplate floating infrastructure activities, such as FSRUs. In addition, such regulations may be subject to alternative interpretations or changes in interpretations over time, including as a result of audits by the local tax authorities. In this regard, the group's Indonesian subsidiary is subject to examination by the Indonesian tax authorities for up to five years following the completion of a fiscal year, and subsidiaries jurisdictions are subject to examination by tax authorities accordingly; Singapore - four years, Lithuania - three years, Egypt -five years, Norway - five years, UK - one year, Cyprus - six years and Colombia - three years, following the completion of a fiscal year or from the date of the tax return.

The group's LNG carrier activities may be subject freight taxes and permanent establishment exposure in port jurisdictions. Under the charter agreements the charterer is responsible for the tax cost and the group monitors closely the port activity mitigating the potential exposure and ensuring compliance. The group has legal entities subject to recent economic substance requirements in Cayman Islands and Bermuda. The group monitors the guidance being developed by these jurisdictions and proceeds accordingly to ensure compliance.

Income tax expense for the year comprise corporate income tax and changes in deferred taxes and tax expenses for 2020 and 2019 primarily incurred in the group's subsidiaries in Indonesia, Singapore and Colombia partly offset by tax income recorded in UK derived from a tax loss that incurred in 2020. Tax expenses in Indonesia related to prior years has resulted in a reduction of historical tax loss carry forward, mainly due to disallowing interest expenses on intercompany loans partly offset by reduced tax rate from 25% to 22%. The taxable income in the Singaporean subsidiary owning the Indonesian subsidiary, 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 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 EXPENSE FOR THE YEAR

USD'000	2020	2019
Current income tax charge	(3 735)	(4 749)
Changes in deferred taxes	(945)	(1 630)
Adjustments in respect of current income tax of previous year	46	126
INCOME TAX EXPENSE REPORTED IN THE INCOME STATEMENT	**(4 634)**	**(6 253)**
Effective tax rate		
PROFIT BEFORE INCOME TAX	**4 780**	**14 300**
At Bermuda's statutory income tax rate of 0%	-	-
Income tax expense reported outside Bermuda	(4 634)	(6 253)
INCOME TAX EXPENSE REPORTED IN THE INCOME STATEMENT	**(4 634)**	**(6 253)**
EFFECTIVE TAX RATE	**96.9%**	**43.7%**

CHANGES IN DEFERRED TAXES

USD'000	31 Dec 2020	31 Dec 2019
Deferred tax assets		
Pension liabilities	233	176
Tax loss carried forward	844	-
Other tangible assets	89	282
TOTAL DEFERRED TAX ASSETS GROSS	**1 166**	**458**
Deferred tax liabilities		
Vessels	(10 828)	(10 460)
Other tangible assets	(2 352)	(1 638)
TOTAL DEFERRED TAX LIABILITIES GROSS	**(13 180)**	**(12 098)**
TOTAL DEFERRED TAX ASSETS (LIABILITIES) NET	**(12 014)**	**(11 640)**

DEFERRED TAX ASSETS (LIABILITIES)

USD'000	31 Dec 2020	31 Dec 2019
Deferred tax assets	1 166	458
Deferred tax liabilities	(13 180)	(12 098)
DEFERRED TAX LIABILITIES - NET	**(12 014)**	**(11 640)**

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 1.1 million as of 31 December 2020 (USD 0.7 million year-end 2019). The group has not recognised 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. The tax loss that incurred in the group's subsidiary in the UK, derived from Arctic Lady's off-hire during dry dock in the fourth quarter of 2020. This loss is expected to be fully utilized during the remaining terms of the charter contracts resulting in the recognition of a tax income and an equivalent increase in deferred tax assets of USD 0.8 million in 2020.

Uncertain tax positions in Indonesia

For the year ended 31 December 2017, income tax benefits were recorded of USD 1.5 million and USD 2.2 million for the reinstatement of the tax loss carry forward and the reversal of an uncertain tax position, respectively, due to the amendment of the 2016 tax return of the Indonesian subsidiary. The amendment was a result of a re-evaluation of the application of the infrastructure industry exemption to regulations introduced in 2016 placing limitations on interest expense deductions. The infrastructure exemption was also applied by the Indonesian subsidiary for the reported income tax expense for the years ended December 31, 2020, 2019 and 2018. In December of 2018, the Indonesian tax authorities concluded an audit of corporate income tax filings for the Indonesian subsidiary for the years ended December 31, 2013 and 2014. The outcome of the audit reduced the historical tax loss carry forward, mainly due to disallowed expenses, resulting in a settlement of USD 0.9 million with respect to the unrecognised tax benefits originating in 2013. For the year ended 31 December 2018, tax benefits of USD 0.4 million were recorded reflecting a reduction to the uncertain tax position originating in 2013 based on the audit's conclusion. In addition, there was an increase to the uncertain tax position of USD 0.4 million for a tax position taken in the 2018 tax return which was not more-likely-than-not to be sustained. For the years ended 31 December 2020 and 2019, there was an increase to the uncertain tax position of USD 0.4 million and USD 0.6 million, respectively, for a tax position to be taken in the 2020 and 2019 tax return which is not more-likely-than-not to be sustained. At December 31, 2020 and 2019, the unrecognised tax benefits were USD 2.7 million and USD 2.3 million, respectively. Benefits of uncertain tax positions are recognised 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.

CHANGES IN THE UNRECOGNISED TAX BENEFITS IS SUMMARIZED BELOW:

USD'000	2020	2019
Unrecognised tax benefits at 1 January	(2 283)	(1 725)
Increase related to current year tax positions	(385)	(558)
UNRECOGNISED TAX BENEFITS AT 31 DECEMBER	**(2 668)**	**(2 283)**

Note 25: Trade and other receivables

USD'000	Note	31 Dec 2020	31 Dec 2019
Trade receivables	4	5 156	16 503
Receivables towards joint ventures and associates		2 993	3 992
Accrued hire		3 096	9 069
Prepaid insurance		3 741	3 213
Prepaid administrative and operating expenses including drydocking		5 776	1 275
Unbilled drydocking expenses		2 746	-
VAT receivables		655	737
Other receivables and prepayments		2 592	3 563
TOTAL		**26 755**	**38 352**

Historically, the group has not had any credit losses. An assessment made at year end 2020 did not identify any need for accrual for any expected credit losses in accordance with IFRS 9. The group manages to collect receivables timely. At year-end 2019, receivables included accrued revenues of about USD 9 million related to the suspension and settlement agreement with EGAS.

Note 26: Trade and other payables

USD'000	31 Dec 2020	31 Dec 2019
Trade payables	8 263	10 806
Public duties	4 997	5 841
Accrued holiday- and leave pay	5 944	4 757
TOTAL	**19 205**	**21 404**

Outstanding trade payables as at 31 December 2020 fall due between 30 and 180 days.

Note 27: Other current liabilities

USD'000	Note	31 Dec 2020	31 Dec 2019
Contract liabilities (prepaid charter revenues)	4	5 340	3 515
Refund liabilitties to customers (audit matters, tax element)	4	1 439	2 005
Bonus provisions		-	2 731
Property tax (Indonesia)		-	3 033
Accrued operational and drydocking expenses		5 878	1 452
Accrued costs for acquisiton of long lead regasification items		1 098	-
Crew related liabilities		702	421
Other provisions and accruals		5 342	6 296
TOTAL		**19 799**	**19 453**

Note 28: Other current financial liabilities

USD'000	Note	31 Dec 2020	31 Dec 2019
Interest rate swaps designated as effective hedging instruments[1]	13	24 498	8 186
Accrued interest on mortgage debt		6 065	6 600
Accrued interest on bonds and USD 80 million revolver credit facility		3 515	3 056
TOTAL		**34 077**	**17 841**

[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.

USD'000	31 Dec 2020	31 Dec 2019
Pre-contract costs	3 193	3 542
Investment in IT (hardware and software) and office equipment	5 712	5 003
Loading arms related to FSRU operations	599	1 416
Arctic Lady's 15-year class renewal cost	8 284	
Arrangement fees on revolving credit facility	526	-
Other	2	2
TOTAL	**18 316**	**9 962**

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

USD'000	Note	2020	2019
Cost 1 January		12 823	11 365
Additons		1 508	1 458
COST AT 31 DECEMBER		**14 331**	**12 823**
Accumulated deprecation at 1 January		(6 404)	(4 762)
Depreciation charge		(1 616)	(1 642)
ACCUMULATED DEPRECIATION	11	**(8 020)**	**(6 404)**
NET CARRYING AMOUNT AT 31 DECEMBER		**6 311**	**6 419**

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 2020 and 2019 is presented on the next page. 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 2020	31 Dec 2019
Cash collateral	16 067	4 194
Interest rate swaps - designated as hedges	135	367
Long term receivables charterers	580	580
Fair value of FX options	690	-
TOTAL	**17 471**	**5 141**

NON-CURRENT FINANCIAL LIABILITIES

USD'000	Note	31 Dec 2020	31 Dec 2019
Interest rate swaps designated as hedges	13	66 348	44 740
Pension liabilities (defined benefit)		1 104	924
Other		18	18
TOTAL		**67 470**	**45 681**

The pension liabilites of USD 1.1 million at year-end 2020 relate to five key members of Management employed in Oslo (six at year-end in 2019) who will receive a fixed amount if still employed by Höegh LNG when retiring at the age of 67.

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 35.4 million in 2020 (USD 35.3 million in 2019).

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 2020 and 2019. For recognition of management revenues, see Note 4.

Management income from joint ventures

USD'000	2020	2019
Joint Gas Ltd.	74	72
Joint Gas Two Ltd.	74	72
SRV Joint Gas Ltd.	1 256	1 763
SRV Joint Gas Two Ltd.	1 760	2 137
TOTAL	**3 164**	**4 044**

Shareholder loans with joint ventures

USD'000	31 Dec 2020	31 Dec 2019
Non-current		
SRV Joint Gas Ltd.	-	3 030
SRV Joint Gas Two Ltd	869	801
Total non-current	**869**	**3 831**
Current		
SRV Joint Gas Ltd.	3 284	-
SRV Joint Gas Two Ltd	-	-
Total current	**3 284**	**-**
TOTAL	**4 153**	**3 831**

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 0.5 million has been recorded as financial income in 2020 (USD 0.4 million in 2019).

TRANSACTIONS WITH OTHER RELATED PARTIES

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 the rental of office premises in Oslo, and Höegh LNG pays an annual fee to HCP for advisory services.

Administrative services from other related parties:

USD'000	2020	2019
Höegh Autoliners Managment AS and Höegh Autoliners Inc.	396	581
Höegh Autoliners Regional Operating Headquarter	200	151
Höegh Capital Partners Ltd	103	193
TOTAL	699	925

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 purchases from and sales to related parties are entered into based on arms' length principles.

Group management and board of directors' remuneration:

The remuneration to group management, consisting of nine executives (2019: nine) including the CEO/CFO of HMLP and the board of directors is presented below:

USD'000	2020	2019
Salaries	2 977	2 708
Pension compensation (cash allowance)	245	276
Share-based payment cost	289	986
Other taxable benefits	311	713
Pensions (Defined contribution scheme)	70	68
Bonus	471	1 703
Board of directors' fees	857	878
TOTAL	5 221	7 332

The remuneration paid-out to the CEO and the President and the CFO both years 2020 and 2019 is presented below:

2020

USD'000	Salaries	Pension benefits	Share-based payment	Other taxable benefits	Bonus	Total
President and CEO Sveinung J.S. Støhle	653	73	88	121	54	989
CFO Håvard Furu	268	8	20	20	45	361
TOTAL	**921**	**81**	**108**	**141**	**99**	**1 350**

2019

USD'000	Salaries	Pension benefits	Share-based payment	Other taxable benefits	Bonus	Total
President and CEO Sveinung J.S. Støhle	622	76	256	192	487	1 633
CFO Håvard Furu	196	7	23	19	-	245
TOTAL	**818**	**83**	**279**	**210**	**487**	**1 877**

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

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. No bonus for onshore personnel has been accrued at year-end 2020.

Note 32: 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

In 2002, two UK finance lease agreements were entered into for Arctic Princess and Arctic Lady respectively between two UK lessors and the Joint Gas Ltd and Joint Gas Two Ltd joint venture companies as lessees (the Arctic Leases). The vessels were delivered in 2006 and the lease agreements are for 25 years from delivery. Her Majesty's Revenue and Customs (HMRC) has been challenging the use of similar lease structures and has been engaged in litigation in one case, which was decided in the autumn of 2015 in favour of HMRC. In the event of a negative final conclusion 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 until recently was a letter to HMRC in 2017, providing factual information from Joint Gas Ltd and Joint Gas Two Ltd. In March 2020, Joint Gas Two Ltd (Arctic Lady) received a copy of a letter from HMRC sent to the lessor, with HMRC's comments on the facts provided to HMRC in 2017. In this letter, HMRC summarises the facts presented in the matter and invites the parties involved to further dialogue on the matter. The recent letter from HMRC has not materially changed Joint Gas Two Ltd.'s assessment, and no provision has been made. In July 2020, a written reply was made to HMRC's letter of March 2020. At the date of this report, no response has been received from HMRC.

In April 2020, a commercial agreement was reached with Total for settling the boil-off claim that has been a provision in two of the group's joint ventures since year-end 2017. The accrued amount of USD 23.9 million (100%) was paid in full to Total during 2020 and the pro-rata shares of group's ownership equating to USD 11.8 million (50% in each joint venture) was indemnified by the company to HMLP.

Note 33: Subsequent events

- Höegh LNG has secured interim LNGC contracts for three FSRUs subsequent to year-end 31 December 2020.

- During January 2021, HMLP issued new common units and Series A preferred units under its ATM program equal to USD 9.1 million in net proceeds.

- On 8 March 2021 the company announced a recommended offer by Leif Höegh & Co. Ltd. (LHC) and Funds managed by Morgan Stanley Infrastructure Partners (MSIP) through a 50/50 joint venture, Larus Holding Limited (JVCo), to acquire the remaining issued and outstanding shares of the company not currently owned by LHC or its affiliates, representing approximately 50.4% of the shares outstanding, by way of amalgamation between Larus Limited, a subsidiary of JVCo (BidCo), and the company. All of the company's shares (other than those owned by LHC and its affiliates) will be cancelled for a consideration in cash of NOK 23.50 per share pursuant to an amalgamation agreement entered into between the company and BidCo. Immediately following the completion of the transaction, the amalgamated company would be wholly owned by JVCo, and the common shares of Höegh LNG Holdings Ltd. will be delisted from the Oslo Stock Exchange.

  The Board of Höegh LNG Holdings Ltd., based on a recommendation from a Special Board Committee, consisting of the non-executive, independent directors, after consultation with its independent legal and financial advisors, unanimously approved the amalgamation agreement and recommended the unaffiliated shareholders of the company to vote in favour of the transaction. As part of this recommendation, the Special Board Committee has requested and received a fairness opinion from its financial advisor Fearnley Securities AS. The fairness opinion concluded that the offer price constituted a fair value, from a financial point of view, for each share payable to the holders of the company's shares.

The special general meeting held on 30 March 2021 approved the transaction.

Furthermore, the transaction is subject to waivers of specific change of control and / or delisting provisions in relation to the company's outstanding bonds and certain credit agreements, as well as the satisfaction of other customary closing conditions, including that neither any material adverse change nor any material breach of the agreement between the company and BidCo has occurred. A bond holder meeting held on 22 March 2021 approved the necessary consents from this group of lenders.

As of the date of this report, there are still outstanding subjects for closing the transaction. The company and BidCo have agreed that, if the transaction has not been completed by 9 August 2021 or such later date as the company and BidCo may agree, then the transaction will not proceed.

- Höegh LNG Partners LP is at an advanced stage of the process to refinance the Lampung debt facility. A group of lending banks have provided a credit approved term sheet for the refinancing. The refinancing is subject to completion of the loan documentation and satisfaction of customary closing conditions before drawdown. The refinancing is expected to be completed before the due date of the commercial tranche in October 2021.

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 ratio adjusted for hedging: Total book equity adjusted for hedging reserves divided by total assets adjusted for hedging related assets. Hedging related assets represents an increase in investment in joint ventures when removing the negative impact of out of the money mark-to-market financial derivative swaps.

- 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 2020	31 Dec 2019
Net interest-bearing debt	**1 536 288**	**1 565 968**
Equity adjusted for hedging	**757 048**	**800 912**
EQUITY RATIO ADJUSTED FOR HEDGING	**30%**	**30%**

NET INTEREST-BEARING DEBT

USD'000	Note	31 Dec 2020	31 Dec 2019
Interest-bearing debt including lease liabilities, current and non-current		(1 703 055)	(1 778 601)
Restricted cash, non-current	14	16 895	17 428
Cash and cash equivalents including restricted current cash and marketable securities	14	149 873	195 205
NET INTEREST-BEARING DEBT		**(1 536 288)**	**(1 565 968)**

HEDGE RESERVES

USD'000	Note	31 Dec 2020	31 Dec 2019
Net MTMs of financial liabilities in parent and subsidiaries	13	(90 711)	(51 893)
Net MTMs of financial liabilities in joint ventures and associates	13	(64 850)	(56 604)
Changes in MTMs not recorded as OCI:			
Net foreign exchange (gain) losses under cross currency swaps included in MtM		(5 834)	6 123
Accumulated break cost paid		(4 285)	(4 285)
Accumulated loss on swap in profit or loss		5 783	1 835
HEDGE RESERVES INCLUDING NON-CONTROLLING INTEREST SHARE		**(159 898)**	**(104 824)**

EQUITY ADJUSTED FOR HEDGING TRANSACTIONS

USD'000	31 Dec 2020	31 Dec 2019
Equity	597 151	696 088
Hedge reserves including non-controlling interests share	159 898	104 824
EQUITY ADJUSTED FOR HEDGING TRANSACTIONS	**757 048**	**800 912**

EQUITY RATIO ADJUSTED FOR HEDGING TRANSACTIONS

USD'000	31 Dec 2020	31 Dec 2019
Total assets	2 473 350	2 601 838
Hedge assets	54 202	33 938
TOTAL ASSETS ADJUSTED FOR HEDGING TRANSACTIONS	**2 527 552**	**2 635 776**
EQUITY ADJUSTED FOR HEDGING TRANSACTIONS	**757 048**	**800 912**
EQUITY RATIO ADJUSTED FOR HEDGING TRANSACTIONS	**30%**	**30%**

EPS ADJUSTED FOR CAPITAL CONTRIBUTIONS (TO) FROM HMLP

USD'000	31 Dec 2020	31 Dec 2019
Profit (loss) for the period attributable to (from):		
Equity holders of the parent	(44 713)	(29 651)
Basic and diluted earnings per share (loss)	(0.59)	(0.39)
Transfer of assets/capital contribution (to) from HMLP:		
Capital contribution (to) from HMLP	(6 419)	34
Transfer of assets (to) HMLP	(2 911)	(16 096)
Total contributions/transfers (to) from HMLP	(9 330)	(16 062)
Adjusted profit (loss) for the period attributable to (from) equity holders of the parent	(54 043)	(45 713)
ADJUSTED DILUTED EARNINGS PER SHARE (LOSS) (USD'1)	**(0.71)**	**(0.60)**

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Financial statements Höegh LNG Holdings Ltd. For the year ended 31 December 2020

Höegh Galleon – Photo: Captain Jørgen Grindevoll, Höegh LNG

STATEMENT OF INCOME 1 JANUARY – 31 DECEMBER

USD'000	Note	2020	2019
Administrative expenses	9	(15 330)	(3 734)
OPERATING RESULT		**(15 330)**	**(3 734)**
Interest income	6	14 285	27 927
Dividends received	16	28 451	28 449
Impairment of investments in subsidiaries	3	(400 591)	-
Impairment of loans to subsidiaries	5	(82 061)	-
Interest expenses	7	(25 359)	(23 834)
Income from other financial items	17	6 058	1 944
Expenses from other financial items	17	(12 010)	(758)
PROFIT (LOSS) FOR THE YEAR AFTER TAX		**(486 556)**	**29 993**

STATEMENT OF COMPREHENSIVE INCOME 1 JANUARY – 31 DECEMBER

USD'000	Note	2020	2019
PROFIT (LOSS) FOR THE YEAR AFTER TAX		**(486 556)**	**29 993**
Items that may be subsequently reclassified to profit or (loss)			
Net gain (loss) on cash flow hedges	8	6 755	(19 549)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**6 755**	**(19 549)**
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**(479 802)**	**10 444**

STATEMENT OF FINANCIAL POSITION

USD'000	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Investments in subsidiaries	3	218 183	518 172
Loans to subsidiaries	5	340 425	472 577
Investment in associates	4	34 500	25 125
Other receivables		505	477
Cash collateral	13	-	4 088
Other non-current financial assets	8	1 350	-
Total non-current assets		**594 964**	**1 020 440**
Current assets			
Trade receivables		1 510	556
Loans to subsidiaries	5	-	8 792
Other current financial assets	8	170	1 192
Cash and cash equivalents	10	23 682	74 678
Total current assets		**25 362**	**85 218**
TOTAL ASSETS		**620 327**	**1 105 658**
EQUITY AND LIABILITIES			
Equity			
Share capital	11	773	773
Share premium reserve		447 715	447 656
Hedging reserves	8	(12 133)	(18 888)
Other paid-in equity		295	(307)
Treasury shares		(10)	(11)
Retained earnings		(140 883)	347 578
Total equity		**295 756**	**776 800**
Non-current liabilities			
Other non-current financial liabilities	8	5 943	22 097
Revolving credit facility	14	60 000	-
Bonds	12	250 807	170 045
Total non-current liabilities		**316 750**	**192 142**
Current liabilities			
Bonds	12	-	130 000
Accrued interest bonds	12	3 515	3 056
Trade and other payables		271	406
Provisions and accruals		241	196
Other current financial liabilities	8	3 794	3 058
Total current liabilities		**7 821**	**136 716**
TOTAL EQUITY AND LIABILITIES		**620 327**	**1 105 658**

Hamilton, Bermuda, 12 April 2021
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 reserves	Retained earnings	Total equity
AT 1 JANUARY 2019		**773**	**447 034**	**(12)**	**(588)**	**661**	**325 205**	**773 071**
Shares granted to board of directors	11	-	90	-	-	-	-	90
Share-based payment cost	11	-	532	1	281	-	-	814
Dividends to shareholders	16	-	-	-	-	-	(7 620)	(7 620)
Total comprehensive income	8	-	-	-	-	(19 549)	29 993	10 444
AT 31 DECEMBER 2019		**773**	**447 656**	**(11)**	**(307)**	**(18 888)**	**347 578**	**776 800**
Shares granted to board of directors	11	-	60	0	-	-	-	60
Share-based payment cost	11	-	-	-	602	-	-	602
Dividend to shareholders	16	-	-	-	-	-	(1 905)	(1 905)
Total comprehensive loss	8	-	-	-	-	6 755	(486 556)	(479 802)
AT 31 DECEMBER 2020		**773**	**447 715**	**(10)**	**295**	**(12 133)**	**(140 883)**	**295 756**

STATEMENT OF CASH FLOWS 1 JANUARY – 31 DECEMBER

USD'000	Note	2020	2019
Cash flows from operating activities:			
Profit (loss) before tax for the year		(486 556)	29 993
Adjustments to reconcile profit before tax to net operational cash flows			
Board of directors remuneration paid out in shares	11	60	90
Impairment of investments in subsidiaries	3	400 591	-
Impairment of loans to subsidiaries	5	82 061	-
Interest income	6	(14 285)	(27 927)
Interest expenses	7	25 359	23 834
Net loss on derivatives and other financial instruments	17	5 256	63
Dividends received from Höegh LNG Partners LP	16	(28 451)	(28 449)
Working capital adjustments (changes in receivables and payables)		10 622	(1 349)
I) NET CASH FLOWS FROM OPERATING ACTIVITIES		**(5 343)**	**(3 745)**
Cash flows from investing activites:			
Capital contributions paid from Höegh LNG Partners LP		-	64
Dividends received from Höegh LNG Partners LP	16	28 451	28 449
Grants lending to subsidiaries		(69 247)	(35 500)
Repayments lending to subsidiaries		30 000	34 000
Interest received		553	3 348
Investments in associates	4	(9 375)	(375)
II) NET CASH FLOWS FROM INVESTING ACTIVITIES		**(19 618)**	**29 985**
Cash flows from financing activites:			
Dividend paid	16	(1 905)	(7 619)
Interest paid		(23 960)	(23 411)
Payment of debt issuance costs, bond discount and financial fees		(5 091)	-
Repayment and buy-back of bonds		(161 500)	-
Proceeds from borrowings gross		166 685	-
Acquired foreign exchange options under the credit support agreements	8	(4 352)	-
Decrease (Increase) in restricted cash and cash collateral	13	4 088	(4 088)
III) NET CASH FLOWS FROM FINANCING ACTIVITIES		**(26 035)**	**(35 120)**
NET DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)		**(50 996)**	**(8 880)**
Cash and cash equivalents at 1 January		74 678	83 557
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	10	**23 682**	**74 678**

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 2020 were approved by the board of directors on 12 April 2021.

Note 2: Summary of significant accounting policies

The financial statements of 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. Dividends or other distributions from subsidiaries or associated companies are recognised as revenue when the company's right to receive payment is established.

2.2 Financial assets

The company's financial assets are trade and other receivables, cash and cash equivalents, intercompany loans and derivatives.

The company classifies its financial assets in three categories:

- Financial assets at amortised cost, which includes cash and cash equivalents, intercompany loans and trade and other receivables. Assets are subsequently measured using the effective interest method and are subject to impairment.

- Financial assets at fair value through other comprehensive income (FVTOCI), which includes the positive balance of interest rate and foreign currency swaps where the hedge is considered effective.

- Financial assets at fair value through profit or loss (FVTPL), which includes derivatives such as foreign exchange options and foreign exchange cash flow hedges.

Financial assets at amortised cost are subject to impairment testing based on expected credit losses. The company consider its historical credit loss experience, and any changes in the underlying credit risk based on financial performance and position of the counterparty to determine probability of default. For assets not having exhibited a significant increase in credit risk, the company will make provisions for expected losses from default which may arise for the asset 12 months from balance sheet date. For other assets, the company will make provisions for expected losses over the asset's expected remaining lifetime. In order to calculate expected credit losses, the company assesses the level of loss given default based on expected shortfall of contractual cash flows. The company recognises an impairment if present value of estimated future cash flows is not equal to or higher than the asset's gross carrying amount. Financial assets are derecognised when the company's rights to receive cash flows from the asset cease.

2.3 Financial liabilities

The company classifies its financial liabilities in two categories:

- Financial liabilities at amortised cost, which includes trade and other payables, bonds and revolving credit facility. Liabilities are subsequently measured using the effective interest method.

- Financial liabilities through other comprehensive income (FVTOCI), which includes the negative balance of interest rate and foreign currency swaps where the hedge is considered effective.

Financial liabilities are derecognised when its contractual obligations are discharged, cancelled or expired. 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 the statement of profit or loss.

2.4 Income tax

The company is not subject to income tax as it operates in a jurisdiction not imposing such tax.

Note 3: Investments in subsidiaries

USD'000	2020	2019
Carrying value at 1 January	518 172	397 415
Repayment in Höegh LNG Partners LP	-	(63)
Impairment of investment in Höegh LNG Partners LP	(54 186)	-
Impairment of investment in Höegh LNG Ltd.	(346 404)	-
Conversion of intra-group loan to paid-in equity in Höegh LNG Ltd.	100 000	120 000
Share-based payment cost	602	820
CARRYING VALUE AT 31 DECEMBER	**218 183**	**518 172**

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

CARRYING VALUE PER COMPANY

USD'000	2020	2019
Höegh LNG Ltd.	-	245 802
Höegh LNG Partners LP	218 182	272 368
Höegh LNG General Partner LLC	1	1
CARRYING VALUE AT 31 DECEMBER	**218 183**	**518 172**

Companies	Registered office	Ownership share	Carrying value 31 Dec 2020
Höegh LNG Ltd.	Bermuda	100.00%	-
Höegh LNG Partners LP	Marshall Islands	45.81%	218 182
Höegh LNG General Partner LLC	Marshall Islands	100.00%	1
TOTAL			**218 183**

Impairment assessment

The company considered the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 31 December 2020, the market capitalisation of the company was below the book value of its equity, indicating a potential impairment.

Impairment assessment of investment in Höegh LNG Ltd. resulted in an impairment of USD 346 million. The basis for the impairment was aligning the company's book value to book value of the equity of the majority holders of the group.

For the impairment assessment of investment in Höegh LNG Partners LP the company assessed an impairment of USD 54 million to be recognised. The basis for the impairment was reduction of the book value of the company's investment to reflect the market value of its common shares in Höegh LNG Partners LP.

The carrying amount of investments in subsidiaries after impairment was recognised amounted to USD 218.2 million as of 31 December 2020.

Note 4: Investments in associates

USD'000	2020	2019
Carrying value at 1 January	25 125	24 750
Purchase of shares in Avenir LNG Limited	9 375	375
CARRYING VALUE AT 31 DECEMBER	**34 500**	**25 125**

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 initial combined equity commitment was USD 182 million, which planned to 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 at year-end 2018 each held 22.5% of the shares, while Stolt-Nielsen held 45%. In 2020, the company purchased additional 9 375 000 shares increasing its holding to 23.4% as at 31 December 2020 (year-end 2019: 22.8%). The company has remaining capital commitments of USD 8.6 million. The associate took delivery of its first vessel in October 2020, has five small-scale LNG carriers currently under construction in China, and the LNG storage and distribution terminal under development in the Italian port of Oristano, Sardinia. Avenir LNG Limited plans to source and ship LNG to the terminal using its own vessel, and supply LNG in the growing market.

Reference is made to Note 20 in the consolidated financials disclosing 100% of condensed numbers in the associate's statement of comprehensive income for 2020 and 2019 and statement of financial position at 31 December 2020 and 2019, respectively.

Note 5: Loans to subsidiaries

USD'000	2020	2019
Non-current receivables Höegh LNG Ltd. prior to impairment	404 020	472 577
Non-current receivables Höegh LNG Partners LP prior to impairment	18 465	8 792
GROSS CARRYING VALUE AT 31 DECEMBER PRIOR TO IMPAIRMENT	**422 486**	**481 369**

USD'000	2020	2019
Impairment non-current receivables Höegh LNG Ltd.	82 061	-
Impairment non-current receivables Höegh LNG Partners LP	-	-
IMPAIRMENT AT 31 DECEMBER	**82 061**	**-**

USD'000	Note	2020	2019
Non-current receivables Höegh LNG Ltd. net of impairment	15	321 959	472 577
Non-current receivables Höegh LNG Partners LP net of impairment	15	18 465	8 792
CARRYING VALUE AT 31 DECEMBER NET OF IMPAIRMENT		**340 425**	**481 369**

On 22 May 2013, the company entered a loan facility with Höegh LNG Ltd. of up to 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. Repayments and draws on the loan facility have occurred during the year.

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 2020 amounted to USD 18.5 million (USD 8.8 million at 31 December 2019). The RCF has a floating interest rate equal to 3 months LIBOR plus a margin. The margin was 3.0% at year-end 2020 increasing from 1.4% on 28 May 2019 and is set at 4.0% for 2021 and onwards. The revolving credit facility matures 1 January 2023.

During the year 2020 an impairment of USD 82.1 million on the receivables towards Höegh LNG Ltd. was recognised as the company expected that the intercompany loan is not fully recoverable.

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

Note 6: Interest income

USD'000	Note	2020	2019
Interest income from loan to Höegh LNG Ltd.	15	13 946	24 567
Interest income from revolving credit facility with Höegh LNG Partners LP	15	64	1 883
Interest income from other receivables		12	12
Interest income from bank deposits		262	1 465
TOTAL INTEREST INCOME		**14 285**	**27 927**

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	2020	2019
Interest expenses from bond issue 2015 (HLNG02)	3 208	9 348
Interest expenses from bond issue 2017 (HLNG03)	13 530	14 188
Interest expenses from bond issue 2020 (HLNG04)	6 580	-
Interest expenses from revolving credit facility issue 2020 (RCF)	2 341	-
Interest expenses from novated interest rate swap agreement	(299)	299
TOTAL INTEREST EXPENSES	**25 359**	**23 834**

Note 8: Financial derivatives

INTEREST RATE SWAPS IN THE FINANCIAL POSITION

Mark-to-market (MTM) of interest rate swaps in the financial position

USD'000	2020	2019
MTMs presented as financial assets non-current portion	135	-
MTMs presented as financial assets current portion	-	82
MTMs presented as financial liabilities non-current portion	(5 943)	(22 097)
MTMs presented as financial liabilities current portion	(3 794)	(3 058)
Net MTMs of interest rate swaps as at 31 December	**(9 602)**	**(25 074)**
Accumulated exchange losses (gains) under CCIRS included in MTM	(2 531)	6 123
Ineffectiveness on IRS recorded to loss	-	63
INTEREST RATE SWAPS RECORDED AGAINST EQUITY AS AT 31 DECEMBER	**(12 133)**	**(18 888)**

Changes in MTMs of interest rate swaps from previous year	**15 472**	**(21 417)**

USD'000	2020	2019
Changes recorded to other comprehensive income	6 755	(19 549)
Separate component of equity (currency portion of CCIRS) recorded to loss	8 717	(1 805)
Ineffectiveness on IRS hedges recorded to loss	-	(63)
TOTAL CHANGES IN MTMS OF INTEREST RATE SWAPS FROM PREVIOUS YEAR	**15 472**	**(21 417)**

Notional amount of hedge instruments	**283 644**	**306 960**
Maturity dates	Multiple	Multiple
Hedge ratio	1:1	1:1

The notional amount of hedge instruments as of 31 December 2020 comprises forward cross currency interest rate swaps of USD 34.2 million (CCIRS) which commences in 2022 when HLNG03 matures.

The company had entered cross currency interest rate swaps relating to NOK bonds HLNG03 and HLNG04 and interest rate swaps (IRS) related to the USD bond HLNG02 that was settled in 2020. In addition, as at 31 December 2019 the company had interest rate swaps related to Höegh Galleon (FSRU#10) that was novated to another group company in 2020. As at 31 December 2020, the mark-to-market valuation of the interest rate swaps was recognised in the financial position with a net liability of USD 9.6 million (net liabilities 31 December 2019 USD 25.1 million). At 31 December 2020, interest rate swaps recorded against equity was negative by USD 12.1 million (negative of USD 18.9 million at year-end 2019).

OTHER DERIVATIVES IN THE FINANCIAL POSITION

USD'000	2020	2019
Foreign exchange options presented as financial assets non-current portion	690	-
Foreign exchange options presented as financial assets current portion	170	-
Foreign exchange cash flow hedges presented as financial assets current portion	-	1 110
TOTAL OTHER DERIVATIVES RECORDED IN THE FINANCIAL POSITION AT 31 DECEMBER	**860**	**1 110**

Changes in fair value other derivatives from previous year	**(250)**	**1 110**

USD'000	2020	2019
Acquired foreign exchange options (cost)	4 353	-
Fair value adjustment foreign exchange options	(3 493)	-
Gain on foreign exchange cash flow hedges	-	1 110
Settled foreign exchange cash flow hedges	(1 110)	-
TOTAL CHANGES IN FAIR VALUE OTHER DERIVATIVES FROM PREVIOUS YEAR	**(250)**	**1 110**

The company entered into foreign exchange cash flow agreements (FRAs) in December 2019 to hedge budgeted administration expenses during January to December 2020 NOK by buying NOK 330 million and selling USD 36.8 million. The effect of these FRAs was a loss on exchange of USD 2.4 million in 2020 whilst USD 1.1 million was recorded as an unrealized gain in 2019. In July 2020, the company acquired USD/NOK foreign exchange call options under the credit support agreements with its swap banks as a measure to protect its cash position against cash collateral calls. As at 31 December 2020, the fair value of the foreign exchange options was USD 0.9 million (31 December 2019 USD 0.0 million). The fair value changes of both the FRAs and foreign exchange call options were recorded in the statement of profit or loss. The foreign exchange call options were entered with four banks including USD/NOK call options to buy a total of USD 200 million with strike price equivalent to currency rate NOK/USD 11.50. Expiration of the options are equally portioned at three dates with a call USD 67 million each, whereas expiration dates are 2 November 2021, 1 February 2022 and 2 May 2022.

Note 9: Administrative expenses

USD'000	Note	2020	2019
Remuneration to board members		233	330
Audit fees		208	205
External services		1 068	780
Indemnification of boil-off claim		11 850	-
Management fee from companies within the group	15	1 882	2 303
Other		89	116
TOTAL ADMINISTRATIVE EXPENSES		**15 330**	**3 734**

Under the Neptune and the Cape Ann time charters, the companies 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 charterer notified the companies 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. 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. During 2020, the company reached an agreement with Höegh LNG Partners to indemnify them 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.

Note 10: Cash and cash equivalents

Currency	Exchange rate 31 Dec 2020	2020 USD'000	Exchange rate 31 Dec 2019	2019 USD'000
US Dollars (USD)	1	16 634	1	67 081
Norwegian Kroner (NOK)	8.5326	7 047	8.7803	7 597
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**23 682**		**74 678**

All bank deposits are held with Norwegian banks.

Note 11: Share capital

NUMBER OF SHARES

	31 Des 2020	31 Des 2019
Total number of shares authorised	150 000 000	150 000 000
TOTAL NUMBER OF SHARES ISSUED AND FULLY PAID	**77 260 580**	**77 260 580**

SHARE CAPITAL

	Number of shares	Par value USD	Share capital USD'000
Shares and share capital at 1 January 2020	77 260 580	0.01	773
SHARES AND SHARE CAPITAL AT 31 DECEMBER 2020	**77 260 580**	**0.01**	**773**

In June 2020, the company delivered 47 288 of its shares held in treasury to 4 directors of the board as remuneration totalling USD 60 thousand, while the company delivered 24 042 treasury shares to 6 Directors as board remuneration in 2019 totalling USD 90 thousand. 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. The company has one class of shares and as of 31 December 2020 the company held 1 009 265 treasury shares (as at 31 December 2019: 1 056 553).

Note 12: Bonds

NON-CURRENT LIABILITIES

USD'000	2020	2019
Bond issue 2017 (HLNG03)	141 223	170 837
Bond issue 2020 (HLNG04)	113 682	-
Amortisation of bond issue discount (HLNG04)	(2 090)	-
Debt issuance cost bond issue (HLNG03)	(331)	(792)
Debt issuance cost bond issue (HLNG04)	(1 677)	-
CARRYING VALUE AT 31 DECEMBER	**250 807**	**170 045**

CURRENT LIABILITIES

USD'000	2020	2019
Bond issue 2015 (HLNG02)	-	130 000
CARRYING VALUE AT 31 DECEMBER	**-**	**130 000**

The company repaid the full outstanding amount of the HLNG02 bond during the first half of 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 October 2020, the company completed a NOK 320 million tap issue under the existing senior unsecured bonds with a maturity date of 30 January 2025 (HLNG04). The tap issue was priced at 93.61% of par value and the total outstanding amount after the tap issue is NOK 970 million. In conjunction with the tap issue, the company has bought back NOK 295 million of the senior unsecured bonds with a maturity date of 1 February 2022 (HLNG03), at a price of 100% of par value. The terms and conditions for the financial instruments are described in Note 16 in the consolidated financial statements. Interest expenses on the bonds was totalling USD 23.3 million during 2020 (2019: USD 23.5 million). At 31 December 2020, accrued interest was USD 3.3 million (at 31 December 2019: USD 3.5 million).

Note 13: Cash collateral

In connection with the company's cross currency interest rate swaps for HLNG03 and HLNG04, credit support agreements (CSAs) have been requested by swap bank 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 company will be required to post cash collateral for the difference.

As at 31 December 2020, the company has not posted any cash collateral. The total amount paid in cash collateral year-end 2019 related to the now novated interest rate swaps of Höegh Galleon (FSRU#10) and amounted to USD 4.1 million.

USD'000	2019	2018
Carrying amount at 1 January	4 088	-
Change in cash collateral for interest rate swaps (novated in 2020) and cross currency interest rate swaps	(4 088)	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. The company bought some USD/NOK foreign exchange call options in July 2020 under the credit support agreements with its swap banks as a measure to protect its cash position. These are intended to provide partial protection against future cash collateral demands in the event of another dramatic weakening of the NOK against the USD as seen during first half of 2020. A premium totalling USD 4.4 million was paid for these options, and their fair value at 31 December 2020 amounted to USD 0.9 million. That represented a decline of USD 3.5 million recorded as a financial expense in 2020.

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

	Carrying amount		Fair value	
USD'000	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Financial assets at fair value through other comprehensive income (FVTOCI)				
Mark-to-market of interest rate swaps	135	82	135	82
Total financial assets at FVTOCI	**135**	**82**	**135**	**82**
Financial assets at fair value through profit or loss (FVTPL)				
Derivatives	860	1 110	860	1 110
Total financial assets at FVTPL	**860**	**1 110**	**860**	**1 110**
Financial assets at amortised cost				
Interest-bearing receivables	340 425	481 369	340 425	481 369
Trade receivables and other receivables	2 015	1 033	2 015	1 033
Other financial assets	526	-	526	-
Cash and cash equivalents	23 682	74 678	23 682	74 678
Total financial assets at amortised cost	**366 648**	**557 081**	**366 648**	**557 081**
TOTAL FINANCIAL ASSETS	**367 642**	**558 273**	**367 642**	**558 273**
TOTAL NON-CURRENT FINANCIAL ASSETS	**342 280**	**473 054**	**342 280**	**473 054**
TOTAL CURRENT FINANCIAL ASSETS	**25 362**	**85 218**	**25 362**	**85 218**

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, other receivables and trade and other payables 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 and expected recovery of future contractual cash flows. The discounted estimates of cash flows approximate the carrying amount. 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. Fair value of revolving credit facility is estimated by discounting future cash flows from using rates currently available for debt on similar terms, credit risk and remaining maturities.

- The bonds issued by the company (HLNG03 issued January 2017 and HLNG04 issued January 2020) are listed on Oslo Stock Exchange, and the fair values of these are disclosed based on traded information. As at 31 December 2020, the fair values were 91.95% (100.40% at 31 December 2019) and 86.84% for HLNG03 and HLNG04, respectively.

FINANCIAL LIABILITIES

	Carrying amount		Fair value	
USD'000	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Financial liabilities at fair value through other comprehensive income (FVTOCI)				
Mark-to-market of interest rate swaps	9 737	25 156	9 737	25 156
Total financial liabilities at FVTOCI	**9 737**	**25 156**	**9 737**	**25 156**
Financial liabilities at amortised cost				
Trade and other payables	3 786	3 461	3 786	3 461
Revolving credit facility	60 000	-	60 343	-
Bonds	250 807	300 045	226 761	302 677
Total financial liabilities at amortised cost	**314 593**	**303 506**	**290 890**	**306 138**
TOTAL FINANCIAL LIABILITIES	**324 329**	**328 662**	**300 627**	**331 294**
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**316 750**	**192 142**	**293 047**	**193 617**
TOTAL CURRENT FINANCIAL LIABILITIES	**7 581**	**136 520**	**7 581**	**137 677**

In addition, Höegh LNG Holdings Ltd. signed and executed a revolving credit facility for an amount up to USD 80 million in March 2020, of which USD 60 million is outstanding as per year-end 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. The available amount is per end of December 2020 equal to the facility's maximum available amount. 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%.

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

USD'000	1 Jan 2020	Cash flows repayment and buy-back of bonds	Cash flows new interest bearing debt	Foreign exchange movement	Other	31 Dec 2020
Current bond issue	130 000	(130 000)	-	-	-	-
Non-current revolving credit facility	-	-	60 000	-	-	60 000
Non-current bond issues	170 837	(31 500)	106 685	8 883	(4 097)	250 807
TOTAL LIABILITIES FROM FINANCING ACTIVITIES	**300 837**	**(161 500)**	**166 685**	**8 883**	**(4 097)**	**310 807**

The movement in "other" column comprises payments and amortisation of debt issuance cost and bond issue discount.

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

LOANS TO RELATED PARTIES

USD'000	Note	31 Dec 2020	31 Dec 2019
Subsidiary			
Höegh LNG Ltd.	5	321 959	472 577
Höegh LNG Partners LP	5	18 465	8 792
TOTAL RECEIVABLES AGAINST RELATED PARTIES		**340 425**	**481 369**

INTEREST INCOME AND FEES FROM RELATED PARTIES

USD'000	Note	2020	2019
Subsidiary			
Höegh LNG Ltd.	6	13 946	24 567
Höegh LNG Partners LP	6	64	1 883
Associate			
Avenir LNG Limited	17	516	441
TOTAL INTEREST INCOME AND FEES FROM RELATED PARTIES		**14 526**	**26 891**

ADMINISTRATIVE EXPENSES TO RELATED PARTIES

USD'000	Note	2020	2019
Subsidiary			
Höegh LNG AS	9	1 882	2 303
Höegh LNG Partners LP	9	11 850	-
TOTAL ADMINISTRATIVE EXPENSES TO RELATED PARTIES		**13 732**	**2 303**

Note 16: Dividends

The company has during 2020 received quarterly dividends from Höegh LNG Partners LP, totalling USD 28.5 million (2019: USD 28.4 million). During 2020, the company has paid out USD 1.9 million in dividends to its shareholders (2019: USD 7.6 million).

Note 17: Net income (expenses) from other financial items

USD'000	Note	2020	2019
Income from other financial items			
Gain on foreign exchange[1]		5 542	1 503
Guarantee fees accrued	15	516	441
INCOME FROM OTHER FINANCIAL ITEMS - GROSS		**6 058**	**1 944**
Expenses from other financial items			
Loss on foreign exchange[1]		(7 884)	(696)
Fair value adjustment USD/NOK FX call options	13	(3 430)	-
Credit support agreement amendment expenses		(696)	-
Ineffectiveness of cash flow hedges	8	-	(63)
EXPENSES FROM OTHER FINANCIAL ITEMS - GROSS		**(12 010)**	**(758)**
INCOME (EXPENSES) FROM OTHER FINANCIAL ITEMS - NET		**(5 952)**	**1 185**

[1] Of the USD 2.3 million loss on foreign exchange recorded in 2020, USD 2.4 million related to foreign exchange hedges of acquiring NOK 330 million against purchase of USD 36.4 million that fell due during 2020. In 2019, the company recorded a gain on foreign exchange of USD 1.1 million on these financial instruments.

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 102 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.

Höegh Galleon

Building a better working world

Statsautoriserte revisorer
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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 2020, 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 2020 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 2020. 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.

Impairment evaluation of vessels

The FSRU market conditions have continued to be challenging in 2020. Due to the existence of impairment indicators, management has performed impairment assessments for the vessels in the Group. 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. 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 2020 was USD 2 023.2 million and represented 81.8 % of the Group's total assets.

Our audit procedures included evaluating management's assessment of impairment indicators for vessels and the assumptions used in the value in use calculations applied in the impairment evaluation of vessels. 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 Group'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 test of the vessels.

Uncertain tax positions in Höegh LNG Partners

As of 31 December 2020, the Group has recognised uncertain tax positions including associated interest and penalties, which is related to vessels on long term FSRU contracts chartered out by the subgroup Höegh LNG Partners (the "Partnership"). The Partnership's tax positions are subject to audit by local taxing authorities across multiple global subsidiaries and the resolution of such audits may span multiple years. Tax law is complex and often subject to various interpretations, accordingly, the ultimate outcome with respect to taxes the Partnership may owe may differ from the amounts recognised.

We identified the evaluation of uncertain tax positions as a key audit matter because a higher degree of auditor judgment was required in evaluating the Partnership's interpretation of, and compliance with tax law globally across its multiple subsidiaries. In addition, a higher degree of auditor judgment was required in evaluating the Partnership's estimate of the ultimate resolution of its tax positions.

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Partnership's identification, recognition and measurement of uncertain tax positions. For example, we tested controls over management's identification of uncertain tax positions and its application of the recognition and measurement principles, including management's review of the inputs and calculations for uncertain tax positions.

We involved tax professionals with specialized skills to assist in obtaining an understanding of and assessing the technical merits and the amount of the benefit recognized related to the Partnership's tax positions. Our procedures included, among others, evaluating the Partnership's interpretation of tax law by developing an independent assessment based on our understanding of tax laws. We also inspected correspondence and assessments with the relevant tax authorities. In addition, we evaluated third-party advice obtained by the Partnership in relation to specific income tax law. We also tested the completeness and accuracy of the underlying data used by the Partnership to calculate its uncertain tax positions.

We refer to note 24 in the consolidated 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 & 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.

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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.

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 the 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, 13 April 2021
ERNST & YOUNG AS

The auditor's report is signed electronically

Magnus H. Birkeland
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 13
102-4	Location of operations.	Page 13
102-5	Ownership and legal form.	Page 13
102-6	Markets served.	Page 12
102-7	Scale of organisation.	Pages 14-18
102-8	Information on employees and other workers.	Of the permanent employees, all but one 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. **Office:** 190 (79 females) of the office personnel have permanent contracts. Six females have temporary contracts. **Maritime:** 18 (0 females) of the maritime personnel have permanent contracts. 651 (5 females) have temporary contracts. Of the maritime personnel, only Norwegian seafarers have permanent contracts, all others have temporary contracts as described in the relevant CBA (Collective Bargaining Agreement agreed by the shipowners association and the seafarers unions).
102-9	Supply chain.	Page 43
102-10	Significant changes to the organisation and its supply chain.	None
102-11	Precautionary principle or approach.	Pages 20-22
102-12	External initiatives.	Maritime Anti-corruption Network (MACN) Getting to Zero Coalition.
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 28-29

INDICATOR	DESCRIPTION	PAGE NUMBER OR LINK
Governance		
102-18	Governance structure.	Pages 46-55 and web page: https://www.hoeghlng.com/corporate-governance/default.aspx
Stakeholder Engagement		
102-40	List of stakeholder groups.	Page 29
102-41	Collective bargaining agreements.	All maritime personnel are covered by collective bargaining agreements. No office employees are covered by collective bargaining agreements.
102-42	Identifying and selecting stakeholders.	Page 29
102-43	Approach to stakeholder engagement.	Page 29
102-44	Key topics and concerns raised.	Page 29
Reporting Practice		
102-45	Entities included in the consolidated financial statements.	Page 69
102-46	Defining report content and topic boundaries.	Page 28
102-47	List of material topics.	Page 29
102-48	Restatements of information.	There were minor calculation error in the 2019 report related to energy consumption in the organization and injury statistics (office – hours worked) Correct numbers are included in this report. The 2019 report used different sources for calculating location-based and marked-based emissions. For the 2020 report, both calculations are based on emission factors from AIB. District heating is calculated by The Governance Group using methodology issued by Norsk Fjernvarme.
102-49	Changes in reporting.	None
102-50	Reporting period.	2020
102-51	Date of previous report.	April 2019
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 160-167
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: 1-3	Disclosure on management approach.	Pages 28-30	
205-1	Operations assessed for risks related to corruption.	Pages 40-43 100%	
205-2	Communication and training about anti-corruption policies and procedures.	Page 41 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. 98% of permanent employees confirmed in 2020. All new hires in 2020 have received compliance induction session. 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: 1-3	Disclosure on management approach.	Pages 40-44	
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices.	None	
Tax			
207-1	Approach to tax	Page 43	
207-2	Tax governance, control, and risk management	Page 43	
207-3	Stakeholder engagement and management of concerns related to tax	Page 43	
207-4	Country-by-country reporting	Not able to provide 2020 figures. Ambition to include figures in the near future.	
Energy			
130: 1-3	Disclosure on management approach.	Page 35	
302-1	Energy consumption within the organization.	Page 35 The electricity consumption of Höegh LNG's office spaces in Oslo amounted to 737 549 kWh in 2020, compared to 855 015 in 2019.	

DMA AND INDICATORS	DESCRIPTION	PAGE NUMBER OR LINK	IDENTIFIED OMISSION(S)
Biodiversity			
103: 1-3	Disclosure on management approach.	Pages 36-37	
304-2	Significant impacts of activities, products, and services on biodiversity.	Pages 36-37 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 2020. 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 2020.	
Emissions			
103: 1-3	Disclosure on management approach.	Pages 35-36	
305-1	Direct (Scope 1) GHG emissions.	Page 35	Data includes reporting for all vessels.
305-2	Energy indirect (Scope 2) GHG emissions.	230.5 metric tonnes of CO_2 in 2020. Location-based and marked-based emissions are based on emission factors from AIB. District heating is calculated by The Governance Group using methodology issued by Norsk Fjernvarme.	Data includes Oslo office.
305-7	Nitrogen oxides (NO_x), sulfur oxides (SO_x), and other significant air emissions.	Page 35	NO_x emissions are not reported for 2020.
Effluents and waste			
103: 1-3	Disclosure on management approach.	Page 36	
306-3	Significant spills.	None	
Environmental compliance			
103: 1-3	Disclosure on management approach.	Pages 34-35	
307-1	Non-compliance with environmental laws and regulations.	None	
Supplier environmental assessment			
103: 1-3	Disclosure on management approach.	Page 43	
308-1	New suppliers that were screened using environmental criteria.	73% of new and renewed suppliers are screened using environmental criteria.	

<table>
<tr><th>DMA AND INDICATORS</th><th>DESCRIPTION</th><th>PAGE NUMBER OR LINK</th><th>IDENTIFIED OMISSION(S)</th></tr>
<tr><td colspan="4">Employment</td></tr>
<tr><td>103: 1-3</td><td>Disclosure on management approach.</td><td>Pages 37-39</td><td></td></tr>
<tr><td>401-1</td><td>New employee hires and employee turnover.</td><td>In 2020, Höegh LNG hired 114 new employees.

Office personnel: 39 new hires (20 women). Age distribution:

<table>
<tr><td>Below 30</td><td>30-50</td><td>Above 50</td></tr>
<tr><td>14</td><td>23</td><td>2</td></tr>
</table>

Turnover for office personnel in 2020 was 10,8 percent. 20 office employees left the company during 2020.

Maritime personnel: 75 new hires (1 woman). Age distribution:
<table>
<tr><td>Below 30</td><td>30-50</td><td>Above 50</td></tr>
<tr><td>49</td><td>24</td><td>2</td></tr>
</table>

For maritime personnel, retention rates are calculated as per common industry practice.

Q4/2020 retention rate Officers: 100%.

Q4/2020 retention rate ratings: 100%.</td><td>Turnover: No reporting on age or gender for privacy reasons.</td></tr>
</table>

DMA AND INDICATORS	DESCRIPTION	PAGE NUMBER OR LINK	IDENTIFIED OMISSION(S)
Occupational Health and Safety			
403: 1-7	Disclosure on management approach.	Pages 38-40	
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: 360 106 (avg. employees * man years). 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): 0.29 Number and rate of recordable work-related injuries (TRCF): 2.0 Main types of work-related injury: (1) Knee, (2) Hand/finger injury and (3) Back pain. Number of hours worked: 3 451 440 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 the chapter covering health & safety. 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). 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.	

<table>
<tr><th>DMA AND INDICATORS</th><th>DESCRIPTION</th><th>PAGE NUMBER OR LINK</th><th>IDENTIFIED OMISSION(S)</th></tr>
<tr><td colspan="4">Training and education</td></tr>
<tr><td>103: 1-3</td><td>Disclosure on management approach.</td><td>Pages 37-38</td><td></td></tr>
<tr><td>404-3</td><td>Percentage of employees receiving regular performance and career development reviews.</td><td>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. Top management onboard are evaluated once a year.</td><td></td></tr>
<tr><td colspan="4">Diversity and equal opportunity</td></tr>
<tr><td>103: 1-3</td><td>Disclosure on management approach.</td><td>Page 38</td><td></td></tr>
<tr><td>405-1</td><td>Diversity of governance bodies and employees.</td><td>Total numbers and age distributions:
Board: 7 (7 men)
<table><tr><td>Below 30</td><td>30-50</td><td>Above 50</td></tr><tr><td>-</td><td>2</td><td>5</td></tr></table>
Management: 6 (5 men)
<table><tr><td>Below 30</td><td>30-50</td><td>Above 50</td></tr><tr><td>-</td><td>3</td><td>3</td></tr></table>
Office employees: 190 (79 women)
<table><tr><td>Below 30</td><td>30-50</td><td>Above 50</td></tr><tr><td>33</td><td>118</td><td>39</td></tr></table>
Maritime employees: 669 (5 women)
<table><tr><td>Below 30</td><td>30-50</td><td>Above 50</td></tr><tr><td>208</td><td>364</td><td>97</td></tr></table>
</td><td></td></tr>
<tr><td colspan="4">Non-discrimination</td></tr>
<tr><td>103: 1-3</td><td>Disclosure on management approach.</td><td>Page 38</td><td></td></tr>
<tr><td>406-1</td><td>Incidents of discrimination and corrective actions taken.</td><td>None</td><td></td></tr>
<tr><td colspan="4">Security practices</td></tr>
<tr><td>103: 1-3</td><td>Disclosure on management approach.</td><td>Page 40</td><td></td></tr>
<tr><td>410-1</td><td>Incidents of discrimination and corrective actions taken.</td><td>100% of HLNG personnel performing security duties have been trained.

No instances of third-party organizations providing security personnel in 2020.</td><td></td></tr>
<tr><td colspan="4">Supplier social assessment</td></tr>
<tr><td>103: 1-3</td><td>Disclosure on management approach.</td><td>Page 43</td><td></td></tr>
<tr><td>414-1</td><td>New suppliers that were screened using social criteria.</td><td>All new suppliers are screened using social criteria.</td><td></td></tr>
</table>

DMA AND INDICATORS	DESCRIPTION	PAGE NUMBER OR LINK	IDENTIFIED OMISSION(S)
Socioeconomic compliance			
103: 1-3	Disclosure on management approach.	Pages 37, 40-43	
419-1	Non-compliance with laws and regulations in the social and economic area.	None	
Emergency preparedness			
103: 1-3	Disclosure on management approach.	Page 40	
Custom indicator	Number of drills and incidents on vessels/onshore.	A total of 1340 emergency drills were carried out in the fleet. 2 Drills included mobilisation of full ERO.	
Custom indicator	Number of security incidents.	There were no reported security incidents in 2020.	

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.	930 505	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)	230.5 (market based) and 8.2 (location based)	GRI 305-2 SDG 13 CDP C6-C8
	GHG emission intensity	g CO_2/dwt x n.mile	AER 10,209 Not verified by 3. party	GRI 305-4 SDG 13
	GHG emission management		See pages 35-36	SASB TR-MT-110a.2 GRI-DMA 305-1 GRI 305-5 SDG 13
	Climate risk reporting		See page 35	TCFD GRI 201-2 SDG 13 CDP C1-C4
	Energy mix	Gigajoules, Percentage (%)	Total: 16 515 898 Gigajoules No renewables or heavy fuel oils consumed	SASB TR-MT-110a.3 GRI 302-1 SDG 13 CDP C8
Climate risk and climate footprint	Sulphur emissions		N/A. We use low sulphur fuel/LNG	MARPOL Annex VI Reg. 14 (IMO Global Sulphur Cap 2020)
Air pollution	Other air emissions	Metric tonnes (t)	See pages 35-36	SASB TR-MT-120a.1 GRI 305-7 SDG 3 MARPOL Annex VI Reg. 13 MARPOL Annex VI Reg. 14

Environment

TOPIC	ACCOUNTING METRIC	UNIT	DATA	CODE
Ship recycling	Responsible ship recycling		No activity 2020	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	Data not recorded and not possible to reconstruct	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 0.29 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		Code of Conduct para 5.1.1.	GRI 102-41 SDG 8
	Port state control	Number	Average deficiencies per Port state inspection: 0.5 No detentions	SASB TR-MT-540a.3 SDG 8, 14
	Marine casualties	Number	No occurrences in 2020	SASB TR-MT-540a.1 SDG 8

Governance

TOPIC	ACCOUNTING METRIC	UNIT	DATA	CODE
Business Ethics	Corruption risk	Number or value (reporting currency)	No calls at ports or revenue in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index	SASB TR-MT-510a.1 SDG 16
	Facilitation payments	Number reported	0	SDG 16
	Fines	Figure Reporting currency	0	GRI 419-1 SASB TR-MT-510a.2 SDG 16
ESG governance	Policies and targets		See pages 28-30	GRI Disclosure of Management Approach

NOTES

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