ANNUAL REPORT 2021

THE FSRU PROVIDER

Annual Report 2021

Cover photo
Höegh Galleon

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". The company is owned by Larus Holding Limited, a 50/50 joint venture between Leif Höegh & Co. Ltd. and Funds managed by Morgan Stanley Infrastructure Partners, and owns approximately 46% of Höegh LNG Partners LP (NYSE:"HMLP"). Höegh LNG is a Bermuda based company with established presence in Norway, Singapore, the United Kingdom, USA, China, Indonesia, Lithuania, Egypt, Colombia and the Philippines. The group employs approximately 180 office staff and 680 seafarers.

Please see: www.hoeghlng.com

KEY FINANCIAL FIGURES

(in USD'000 unless otherwise indicated)	2021	2020
INCOME STATEMENT		
Total income	351 834	335 136
Operating profit before depreciation and amortisation (EBITDA)	217 194	225 435
Operating profit	103 788	113 061
Profit (loss) for the year	(21 284)	146
BALANCE SHEET [1]		
Equity adjusted for hedging transactions	743 505	757 049
Adjusted equity ratio (%)	30	30
Net interest-bearing debt	1 440 524	1 536 288
CASH FLOWS		
Net cash flows from operating activities	196 513	216 176
Net cash flows from investing activities	(26 527)	(15 746)
Net cash flows from financing activities	(178 490)	(244 863)
Net decrease in cash and cash equivalents	(8 504)	(44 433)

[1] At year end.

OPERATIONAL KPIs

	2021	2020
Technical availability (%)	99.6	99.7
Lost time injury frequency (per million work hours)	0.63	0.29

FLEET LIST

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

[2] Owned by Höegh LNG Partners LP.

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A changing world

Höegh Galleon

A Changing World

At the time of releasing this annual report, the energy markets look significantly different from a year ago. During 2021 a strong demand growth for LNG outpaced the supply which led to a tight market with record high LNG prices. The global LNG trade grew with 5%, reaching 380 million tonnes. With the recent tragic events in Ukraine, energy markets, including the market for LNG, have tightened further and are currently mainly driven by concerns over security of energy supply in Europe. This has implication for energy prices worldwide. It has also spurred the interest for FSRUs for increased LNG import capacity in Europe in order to reduce the dependence of pipeline gas from Russia. While near-term business opportunities may arise for the company in Europe, the general level of uncertainty is high, and the future is unpredictable.

The Covid-19 pandemic continued to plague the world in 2021. Thankfully, with the exception of a delay in crew changes on our vessels, Höegh LNG has experienced limited operational impacts and no contractual effects from Covid-19. However, the situation is fluid and can change quickly, in particular with regard to maritime personnel and logistical challenges. The company will continue to take necessary measures to ensure the health and safety of our personnel and to mitigate risks to our operations. We are proud to have achieved another year of operational excellence. The technical availability was 99.6% and the lost-time injury frequency (LTIF) only 0.6 (per million work hours). These are true marks of the quality and safety of our services. The efforts and dedication of all our employees onshore and onboard our vessels are highly appreciated.

Our focus on sustainability and the energy transition gained momentum during 2021. We developed our new sustainability framework, focusing on a selection of UN's sustainability development goals relevant for our business, and we established Clean Energy as a new business area. As part of the energy sector, we have contributed to reduce carbon dioxide emissions. We actively engage with other stakeholders in developing technology to drive change towards a low-carbon future. We remain committed to reduce the absolute carbon

Photo: Bård Gudim

emissions from our assets by taking active measures to operate the vessels as energy efficient as possible. For the first time, we will also publish a separate sustainability report, outlining our ESG goals and report progress made to achieve the targets we have set for our operations.

Over the last year, we have continued to develop our business, securing additional long-term contracts for the FSRUs. Moreover, the company's shares were delisted from the Oslo Stock Exchange in May 2021, following a take-private transaction by Leif Höegh & Co and funds managed by Morgan Stanley Infrastructure Partners.

We have strong backing from our new ownership structure. We are a global FSRU leader with the most modern and sophisticated fleet. We continue with an impeccable track record for operational excellence. Höegh LNG is well positioned to compete for new regasification projects world-wide as well for any fast-track projects for securing energy supply, including in Europe.

Thor Jørgen Guttormsen
President and CEO

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Directors' report

Höegh Galleon

DIRECTORS' REPORT FOR 2021

During 2021 the LNG demand saw a strong growth, which led to a tight market with record high LNG prices. The LNG carrier market also witnessed record high rate levels during the peak winter season, driven by high LNG demand and more ton miles. Global LNG trade grew by 5% in 2021, reaching 380 million tonnes. In this busy market, Höegh LNG had a successful year on the business development side, securing two new long-term FSRU contracts, thereby taking important steps towards its ambition of securing firm long-term employment for all the group's assets. At the time of releasing this report, the tragic events in Ukraine have a significant impact on the energy prices worldwide. The market for LNG has tightened further and is currently driven by concerns over security of energy supply in Europe. The situation has spurred the interest for FSRUs for increased LNG import capacity in Europe in order to reduce the dependence of pipeline gas from Russia. While near-term business opportunities may arise for the company in Europe,, the general level of uncertainty is high, and the impact on the group's business and operations is unpredictable.

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 has a leading position in the market for floating storage and regasification units (FSRUs). Following a take-private transaction and de-listing of the company's shares from Oslo Børs in 2021, the company is privately owned.

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).

The group's fleet had a technical availability of 99.6% in 2021, which was a very strong performance. Höegh LNG is, with the exception of a delay in crew changes, experiencing limited operational impacts from Covid-19 and no contractual effects. Ensuring the health and safety of its personnel continues to be the group's highest priority. The board of directors recognises the challenges for all employees and in particular for the seafarers during these challenging times. 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.

Strategic direction

Höegh LNG's 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 its clients.

The group's strategy is to drive and embrace technological and commercial innovation, contributing actively to the transition to a low-carbon energy future, while embracing the role of LNG in this ongoing energy transition process. To reflect the group's strategic objective to include the development of non-carbon energy solutions, Höegh LNG established Clean Energy as a new business area in 2021. 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.

The company owns approximately 46% of the common units of Höegh LNG Partners LP ("HMLP"), a master limited partnership listed on the New York Stock Exchange. HMLP was established in 2014 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.

In December 2021, Höegh LNG Holdings submitted a non-binding proposal to the board of directors of HMLP pursuant to which Höegh LNG Holdings would acquire through a wholly owned subsidiary all publicly held common units of HMLP in exchange for USD 4.25 in cash per common unit. If approved, the transaction would be effected through a merger of the Partnership with a wholly owned subsidiary of Höegh LNG. The proposed transaction is subject to the negotiation and approval of mutually satisfactory definitive documentation by the parties thereto. If a definitive agreement is reached, the transaction will also require approval by a majority of the holders of outstanding common units in the Partnership. The transaction would be subject to customary closing conditions. There can be no assurance that definitive documentation will be executed or that any transaction will materialise.

Sustainability and impact on the external environment

With effect from the beginning of 2021, Höegh LNG increased its ESG efforts, and decided to focus on certain of UN's Sustainability Development Goals (SDGs) relevant for its business. Consequently, the group also made changes to its ESG reporting, and for the first time publishes a separate sustainability report for 2021, where it discloses its ESG goals and reports progress made to achieve its targets based on the SDGs and the ESG indicators recommended by The Norwegian Shipowners Association. Maintaining safe operations and minimising health, safety and environmental risk has the highest priority for Höegh LNG. The group works actively with the goal that all incidents can and should be prevented. Höegh LNG encourages an open communication culture where reporting is perceived as a strength and a vital element for improvement.

Höegh LNG operates with a clear communication of its corporate values from board to management, and from management to the rest of the organisation. These values are expressed and implemented through written guidance on compliance and ethics training, business-partner risk management assessments - and an effective governing management system.

As part of the energy sector, the group focuses on contributing to reducing carbon dioxide emissions as much as possible. Reducing CO_2 emissions is therefore one of Höegh LNG main priorities and the group is actively engaging with maritime organisations for developing technology and driving change towards a low-carbon future. Höegh LNG is committed to reducing absolute carbon emissions from its assets (Scope 1) by 30 percent by 2025, using 2020 as a baseline. Höegh LNG is taking active measures to operate the vessels as energy efficient as possible. In addition, the group will continue to engage with suppliers, and logistics and freight providers during 2022 with an ambition of reducing their CO_2 emissions (Scope 3) when providing their services to the group.

The group`s ambition is also to limit any negative impact our operations might have on marine ecosystems and biodiversity, with attention to minimising the risk of spills and the discharge of excess biocides and cooling water. To further reduce the environmental footprint, Höegh LNG is also focusing on reducing waste of food and plastic onboard the vessels.

During 2021, Höegh LNG has increased safety and security awareness by introducing Duty of Care and Duty of Loyalty principles with the aim of clarifying company risk management responsibilities.

Beyond the group's own internal measures, Höegh LNG believes in collective action to achieve our ethical and compliance goals. Höegh LNG is an active member of the Maritime Anti-Corruption Network (MACN), which provides valuable insights into specific anti-corruption challenges in the maritime industry.

Höegh LNG is actively seeking areas where the company can contribute to the transition to a low carbon world while growing its business in a commercially sustainable manner. Building on the experience and knowledge from establishing floating infrastructure for delivery of natural gas through LNG, the group believes there are several areas where maritime concepts can be applicable and where Höegh LNG can provide innovative solutions. These are being developed within our Clean Energy business area, which was established in 2021. More detailed information is available in the company's sustainability report for 2021 on hoeghlng.com

Personnel

Höegh LNG had 180 permanent office employees and 680 maritime personnel on 31 December 2021. The 24-month cumulative retention rate on 31 December 2021 was 96% for maritime personnel. Average sickness absence among office employees in Oslo was 2.4% in 2021 (1.0%). One lost-time injury (LTI) was reported in 2021 on Höegh LNG vessels, resulting in an LTI frequency (LTIF) of 0.63. 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% (43%) of Höegh LNG's office employees on 31 December 2021. Two out of the seven directors on the company's board are female, while the group executive team has one female member out of six.

Review of 2021

Commercial development

Höegh LNG had a successful year on the business development side in 2021 by:

- Executing the FSRU contract with H-Energy in India that was concluded towards the end of 2020,
- Securing two new firm 10-year FSRU contracts with subsidiaries of New Fortress Energy for the Höegh Gallant and with a subsidiary of Compass Gãs & Energia, Brazil's largest gas distributor, for the Höegh Gannet, and
- Signing a conditional 15-year FSRU contract with AIE in Australia for the Höegh Galleon.

Höegh LNG has thereby taken important steps towards its ambition of securing firm long-term employment for all the group's assets. Höegh LNG continues to develop its pipeline of FSRU projects, to ensure that Höegh Esperanza, as the remaining FSRU in the fleet, will also be assigned to a long-term FSRU charter.

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. Per 4 February 2022, close to 93% of maritime personnel have received their second dose of vaccine and some have also received a booster dose. 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.

Fleet development

No changes occurred in the group's fleet during 2021.

On 31 December 2021, Höegh LNG had a fleet of 10 FSRUs and two LNG carriers (LNGCs). The average age of the assets in operation is 8.1 years, while the average remaining length of the commercial contracts is close to 6 years, including joint ventures.

For 2022, the fleet has a high contract coverage. However, three FSRUs currently trading in LNG carrier mode will potentially roll off existing charters in the second quarter of 2022. For two of them, the existing charterers have an option to extend the charters.

Corporate activities

Take-private transaction – Höegh LNG Holdings Ltd.
On 8 March 2021 the company announced a recommended offer by Leif Höegh & Co (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 Höegh LNG Holdings Ltd not 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, and Höegh LNG Holdings Ltd.

On 30 March 2021 the amalgamation was approved at a special general meeting. The amalgamation was completed on 4 May 2021, after which the company became wholly owned by LHC and MSIP through their 50/50 joint venture, Larus Holding Limited, and the company's shares were delisted from the Oslo Stock Exchange on 27 May 2021.

Equity and dividends - Höegh LNG Holdings Ltd.
Following the take-private transaction completed in May 2021, the company has raised a total of USD 48 million in new equity from its shareholder. The company did not pay any dividend to its shareholders in 2021.

Buyout offer launched for Höegh LNG Partners LP's common units
On 6 December 2021, Höegh LNG launched a non-binding buyout offer for Höegh LNG Partners LP's common units, pursuant to which Höegh LNG would acquire through a wholly owned subsidiary all publicly held common units of the Partnership in exchange for USD 4.25 in cash per common unit. If approved, the transaction would be effected through a merger of the Partnership with a wholly owned subsidiary of Höegh LNG.

The proposed transaction is subject to the negotiation and approval of mutually satisfactory definitive documentation by the parties thereto. If a definitive agreement is reached, the transaction will also require approval by a majority of the holders of outstanding common units in the Partnership. The transaction would be subject to customary closing conditions. There can be no assurance that definitive documentation will be executed or that any transaction will materialise.

Resignation of and appointment of interim President and CEO
On 1 November 2021, Mr. Sveinung J. S. Støhle resigned from his position as President and CEO of the Höegh LNG group after 16 years of service in order to pursue a new career opportunity based outside of Norway. The board is in process of identifying a permanent successor for the President and CEO position and appointed Mr. Thor Jørgen Guttormsen to serve as interim President and CEO while the board conducts its search. The board regrets Sveinung's decision, and would like to thank him for his hard work and leadership in building Höegh LNG into the premier FSRU provider in the LNG industry.

Contingencies

Pending arbitration with the charterer of PGN FSRU Lampung
The charterer under the lease and maintenance agreement for the PGN FSRU Lampung ("LOM") served a notice of arbitration ("NOA") on 2 August 2021 to declare the LOM null and void, and/or to terminate the LOM, and/or seek damages. PT Höegh LNG Lampung ("PT HLNG") has served a reply refuting the claims as baseless and without legal merit and has also served a counterclaim against the charterer for multiple breaches of the LOM. PT HLNG will take all necessary steps and will vigorously defend against the charterer's claims in the legal process. Notwithstanding the NOA, both parties are continuing to perform their respective obligations under the LOM. No assurance can be given at this time as to the outcome of the dispute with the charterer of PGN FSRU Lampung.

Pending Class Action Lawsuit relating to Höegh LNG Partners LP
On 27 October 2021 and 3 November 2021, two purported unit holders filed a class action securities fraud lawsuit in the United States District Court for the District of New Jersey against Höegh LNG Partners LP and certain of its current and former officers, alleging violations of the Securities Exchange Act of 1934. Höegh LNG Partners LP believes the allegations are without merit and intends to vigorously defend against them.

LNG and FSRU market in 2021

The LNG market has seen significant movements over the past two years, with an oversupplied market when demand contracted in the beginning of the Covid-19 pandemic, which turned around and became a market short of supply during 2021 leading to a record high LNG spot prices in the second half of 2021.

During 2021, the annual global LNG trade reached 380 million tonnes, an increase of 19 million tonnes from 2020, equivalent of a growth rate of 5%. China continues to be the largest growth market for LNG demand and imported 81 million of tonnes of LNG in 2021, up 17% from 69 million tonnes of LNG imported in 2020.

The FSRU market continues to grow as demonstrated by Höegh LNG's successful business development activities in 2021. On 31 December 2021, the global FSRU fleet consisted of 40 FSRUs on the water (excluding two KARMOL vessels with significantly lower send-out capacity and small-scale barges). Of these, 32 are committed on FSRU contracts and 8 are available and/or trading as LNGCs. The order book contains one FSRU newbuilding.

LNG carrier spot charter rates declined in the beginning of the year on the back of a usual seasonal pattern following strong rate levels in the northern hemisphere's winter season, but turned around during the second quarter of the year and thereafter climbed steeply, buoyed by strong Asian demand and high LNG prices. 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 during the last three months of the year. In the beginning of 2022, LNG carrier spot charter rates have again seen a seasonal decline.

Newbuilding prices have increased during the year for LNG carriers as well as for other shipping segments.

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 2021 are compared with those for 2020.

Income statement

Total income was USD 351.8 million in 2021 (2020: USD 335.1 million), while operating profit before depreciation and amortisation (EBITDA) was USD 217.2 million (USD 225.4 million). Although revenues increased, the group also incurred higher expenses in 2021, with increased opex primarily related to maintenance conducted to prepare two vessels for operations in FSRU mode, class renewals and increased SG&A.

Operating profit was USD 103.8 million in 2021 (USD 113.1 million). An impairment assessment has been carried out for the group's vessels, which did not identify any impairment requirement.

Net financial expenses amounted to USD 109.2 million in 2021 (USD 108.3 million).

Loss after tax was USD – 21.3 million (profit of USD 0.1 million). The decrease is, in addition to decrease in EBITDA and higher net financial expenses, mainly due to a tax provision recorded for uncertain tax position following a tax audit in Indonesia in 2021.

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 160 million in 2021 (USD 162 million) and EBITDA of USD 121 million (USD 129 million).

The operations segment is responsible for the commercial and technical management of the group's operational FSRUs and LNGCs which have not been transferred to Höegh LNG Partners. It recorded a total income of USD 187 million in 2021 (USD 173 million) and EBITDA of USD 116 million (USD 117 million).

The business development and project execution segment comprises all activities related to business development and project execution, including non-capital expenditure costs related to newbuildings. It recorded a total income of USD 2 million (no income for 2020) and a a negative EBITDA of USD 7 million (negative USD 8 million).

The corporate and other segment, which comprises the group's management, finance, legal and other corporate services, recorded a total income of USD 3 million in 2021 (no income in 2020) and negative EBITDA of USD 12 million (negative USD 13 million), reflecting group administrative expenses.

Financial position

On 31 December 2021, the consolidated book value of assets totalled USD 2 429 million (USD 2 473 million). The decrease from 31 December 2020 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, offset by an increase in investments in associates and joint ventures.

The carrying amount of equity on 31 December 2021 was USD 651 million (USD 597 million). Net of mark-to-market of hedging reserves, the equity adjusted for hedging transactions was USD 744 million (USD 757 million), bringing the adjusted equity ratio to 30% (30%). The capital structure of Höegh LNG is considered to be adequate given the risks 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 potential new equity capital being issued and other factors.

Financing

The group is financing its assets and business activities through a combination of equity and interest-bearing debt. The interest-bearing debt consist of asset-backed bank financing as well as unsecured loans and bond loans. On 31 December 2021, outstanding interest-bearing debt carried on the balance sheet totalled USD 1 614 million, net of debt issuance costs, compared to a total of USD 1 703 million as of 31 December 2020. The decrease is mainly explained by ordinary debt and lease repayments and the changes in debt facilities listed below.

The group has limited debt maturities in 2022, save for addressing a credit-event related to its two bond loans (HLNG03 and HLNG04), which was fulfilled by the company in March 2022. If not fulfilled, it would have given the bond loan investors a put option to sell their bonds back to the company in April 2022.

During 2021, the group raised additional equity as follows:

- Following the amalgamation, Höegh LNG Holdings Ltd. has raised USD 48 million in new equity from its shareholder in the second quarter and the fourth quarter of 2021, of which USD 47.2 million was settled in cash. The capital increase is categorised as Contributed Surplus in the consolidated statement of changes in equity. A part of the amount has been used to settle costs incurred by the amalgamation.
- Höegh LNG Partners raised USD 9.1 million in net proceeds from issuing new preferred units and common units under its ATM equity raising programme.

During 2021, the group concluded refinancing of some of its debt as well as amendments to certain debt facilities. The main activities were as follows:

- In connection with the take-private and amalgamation transaction referred to above, certain amendments to the bond terms were agreed with the company's bond holders, including but not limited to an extension of the HLNG03 bond loan maturity date by 18 months from 1 February 2022 to 1 August 2023.
- Höegh LNG Holdings Ltd. completed a NOK 330 million bond loan tap issuance in June in the HLNG04 bond loan, paired with a buy-back of NOK 101 million in the HLNG03 bond loan. The tap issue was priced at 97% of par value.
- Höegh LNG Holdings Ltd. repaid and cancelled the up to USD 80 million credit facility in July 2021 with proceeds from the NOK 330 million tap issue in the HLNG04 bond loan in June 2021 and by drawing USD 44 million on a new bank facility in July 2021.
- The group completed the refinancing of the Höegh Giant debt facility with a new USD 165 million 5-year facility in August 2021.
- During the fourth quarter, Höegh LNG Partners completed the refinancing of the PGN FSRU Lampung debt facility's commercial tranche of USD 15.5 million and the Neptune USD 154 million debt facility. It also signed the loan agreement for a refinancing of the Cape Ann debt facility, which is planned to be completed in the second quarter of 2022.

Cash flows and liquidity

Cash flows from operating activities in 2021 was USD 196.5 million, down from USD 216.2 million in 2020, owing mainly to variations in working capital.

Net cash flows used in investing activities amounted to USD 26.5 million (USD 15.7 million). The increase is mainly related to vessels being subject to modification and class renewal, investment in associates and loans granted to joint ventures and associates.

Cash flows from financing activities was negative at USD 178.5 million (negative at USD 244.9 million), driven by debt and lease repayments, interest expenses and dividends paid, and offset by proceeds from borrowings and new equity received from the owner.

Total cash flows in 2021 was negative at USD 8.5 million (negative at USD 44.4 million). On 31 December 2021, unrestricted cash and cash equivalents amounted to USD 134.0 million (USD 142.5 million).

On 31 December 2021, the group's current interest-bearing debt was USD 404.2 million (USD 213.7 million), including current lease liabilities. Bond debt was classified as current interest-bearing debt since the bond holders have a right to require that the company purchases all or some of the bonds held by a bond holder if a credit event has not occurred by 1 April 2022. On 24 March 2022, the Company fulfilled the credit event by creating a first ranking pledge over its ownership of 15.26 million common units of Höegh LNG Partners LP in favour of the Bond Trustee (on behalf of the bond holders). As a result, USD 266.4 million will be reclassified from current to non-current debt in the first quarter 2022. 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. On 31 December 2021, outstanding interest-bearing debt carried on the balance sheet totalling USD 1 614 million, net of debt issuance costs, is expected to be repaid through the cash flow generated from existing assets in Höegh LNG and through refinancing when the debt matures. The group has two 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 2022 and 2023 which will or may require refinancing or extension of maturity dates. 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.

As further commented in the prospects section, it is not possible to forecast and assess the potential effects of the Covid-19 pandemic and the recent events in Ukraine 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 2021 was USD 7.3 million (loss of USD 479.8 million). The improvement from 2020 is mainly related to that there was no impairment of investment in subsidiaries and loans to subsidiaries in 2021. On 31 December 2021, total assets were USD 651 million (USD 620 million), while the equity ratio was 49% (48%). Cash flows in 2021 was positive at USD 2 million (negative USD 51 million). On 31 December 2021, the company held USD 26.1 million in cash and cash equivalents (USD 23.7 million).

Risk and risk management

Risk management

Höegh LNG manage strategic and operational risk in line with ISO 31000 in relation to both new and existing business. The following certifications 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.

Operating in a high-risk environment requires a strong focus on health, safety, quality and environment. Höegh LNG devotes continuous attention to developing and improving procedures and routines.

Risk management processes are integrated in governance, management and operations on all levels of organisation. Enterprise Risk is assessed on monthly basis by the management and reported to the board on quarterly intervals.

Market risk

Höegh LNG has 10 FSRUs in operation, of which eight are either operating under or committed on firm long-term contracts with expiration dates between 2024 and 2036, including Höegh Gannet due to start up in Brazil late 2022 or early 2023. Further, one FSRU (Höegh Galleon), is committed to a conditional long-term FSRU contract. Höegh LNG continues to develop its pipeline of FSRU projects, to ensure that the remaining FSRU in the fleet (Höegh Esperanza) will also be assigned to a long-term FSRU contract. Some of the FSRUs are employed on interim LNG carrier contracts pending long-term FSRU contracts commencing or being concluded. 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. When 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 335 million in 2021. In addition, Höegh LNG has certain revenues in EUR. Höegh LNG's NOK-denominated bond loans have been swapped to USD for the principal amount and the coupons.

On 31 December 2021, the group had USD 134 million in total available liquidity. Liquidity risk is the risk that Höegh LNG will be unable to fulfil its financial obligations when they fall due, including servicing its interest-bearing debt and refinancing debt at maturity.

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. On 31 December 2021, the corresponding cash collateral amounted to approximately USD 6.5 million and was mainly related to interest-rate swaps hedging the interest-rate risk of the debt facility for Höegh Galleon.

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.

The maximum exposure to credit risk amounts to USD 229 million represented by the carrying amount of each financial asset in the balance sheet, including financial derivatives plus guarantees provided to the associated company Avenir.

Shareholder information

On 31 December 2021, the company's share capital was USD 12 000, consisting of 1 200 000 fully paid common shares, each with a par value of USD 0.01. All the shares in the company are owned by Larus Holding Limited, a 50/50 joint venture between Leif Höegh & Co Ltd. and Funds managed by Morgan Stanley Infrastructure Partners.

The company's stock option program was terminated without any settlement paid to the holders of the options, when the company's shares were delisted from the Oslo Stock Exchange on 27 May 2021.

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 complies with section 6.3.6 of the Oslo Børs rulebook II – issuer rules and, other than as stated in the said report, with the Norwegian code of practice for corporate governance .

Prospects

Höegh LNG's main commercial focus is to deliver the FSRU projects that have been secured, ensure the contract with AIE becomes a firm contract, and conclude long-term FSRU employment for Höegh Esperanza, which currently is the remaining FSRU in the fleet which is not assigned to a specific project. The business development activity was high in 2021 and this is expected to continue into 2022.

The energy markets, including the LNG market, have recovered after a period of steep decline and high volatility in the early phase of the Covid-19 pandemic. Even if the projected growth in demand for natural gas and LNG has held up, the ongoing Covid-19 pandemic may affect future demand for natural gas and LNG 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.

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 as of the date of this report, effects on its employees, operations or revenues have been limited.

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

Hamilton, Bermuda, 26 April 2022
The Board of Directors and the President and CEO of Höegh LNG Holdings Ltd.

Morten W. Høegh
Chairman

Johan Pfeiffer
Deputy Chairman

Leif O. Høegh
Director

Martine Vice Holter
Director

Alberto Donzelli
Director

John Kwaak
Director

Tonesan Amissah
Director

Thor Jørgen Guttormsen
President and CEO

PGN FSRU Lampung

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Corporate governance report

Höegh Galleon

CORPORATE GOVERNANCE REPORT

Höegh LNG Holdings Ltd. ("Höegh LNG Holdings" or "company") is an exempted company limited by shares, domiciled and incorporated under the laws of Bermuda.

On 8 March 2021, the company announced a recommended offer by Leif Höegh & Co (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 Höegh LNG Holdings not 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, and Höegh LNG Holdings. The amalgamation was completed on 4 May 2021, after which the company became wholly owned by LHC and MSIP through their 50/50 joint venture, Larus Holding Limited, and the company's shares were delisted from Oslo Børs on 27 May 2021.

The company is subject to Bermudian law regarding corporate governance. As the company has issued two bonds which are listed on Oslo Børs (tickers: HLNG03 and HLNG04), the company is required to provide a report on its corporate governance as further set out in section 6.3.6 of the Oslo Børs rulebook II – issuer rules (the "issuer rules").

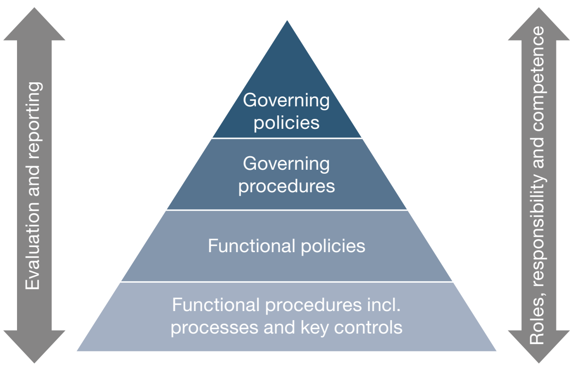
When it was a listed company, Höegh LNG (the company and its subsidiaries) adopted and implemented a corporate governance system which mainly complied with the Norwegian code of practice for corporate governance (the "Norwegian corporate governance code"). As good corporate governance enhances business 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, the company retained its corporate governance system following the de-listing. The board has chosen to continue issuing a corporate governance report based on the Norwegian corporate governance code. The deviations from the Norwegian corporate governance code are predominantly attributable to the fact that the company is a privately held company and incorporated in Bermuda and the deviations are further described in this report.

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 coordination committee and the capital structure committee, as well as instructions for both the President and CEO and the group's chief compliance officer.

Höegh LNG and the group's employees are required to adhere to and comply with laws and regulations, including on international trade and economic sanctions, and 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 establishes a basis for trust in the board and the management by the shareholders and other stakeholders.

Transparency: Communication with the company's stakeholders 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. 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 its clients.

The group's strategy is to drive and embrace technological and commercial innovation, contributing actively to the transition to a carbon-free energy future, while embracing the role of LNG in this ongoing energy transition process. To reflect the group's strategic objective to include the development of non-carbon energy solutions, Höegh LNG established Clean Energy as a new business area in 2021. 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.

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 changed 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 on 31 December 2021 was USD 12 000 consisting of 1 200 000 fully paid common shares, each with a par value of USD 0.01.

Book equity on 31 December 2021 totalled USD 651 million. Net of mark-to-market of hedging reserves, the adjusted book equity on 31 December 2021 was USD 744 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 is under restrictions of its loan agreements, which currently does not allow the company to pay dividends. The dividend policy will be decided by the board of directors when these restrictions are relaxed or cease to be in force.

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 15).

Equity issuance

The authorised share capital of the company is USD 12 000.

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-law 3) are neither limited to specific purposes nor to a specified period as recommended in the Norwegian corporate governance code.

Equal treatment of shareholders

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

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

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.

Deviations from the code: None

General meetings

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

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 determination of the remuneration of directors. Alternate directors are appointed by the individual directors 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 35 set out extensive rules regarding the conduct of general meetings, including in relation to the notice of general meetings, proceedings, voting, proxies and corporate representatives.

Deviations from the code:

- The general meeting procedures are aligned to the fact that the company is privately held with one shareholder.
- Pursuant to bye-law 27, the chairman or the President and CEO shall act as chairman of a general meeting. In their absence, a chairman shall be appointed or elected by those present at the meeting and entitled to vote.

Nomination committee

As a private company, the company does not have a nomination committee.

Deviations from the code: As a private company, the company does not have a nomination committee.

Board of directors: composition and independence

The board and its chairman are elected or appointed in the first place at the statutory meeting of the company and thereafter, except in the case of a casual vacancy, at the annual general meeting or at any special general meeting called for that purpose.[1] The bye-laws provide for the board to consist of not less than one director.

The composition of the board of directors represent diversity in background, expertise and gender (29% female directors).

The board has established two committees: A coordination committee and a capital structure 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 coordination committee. 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

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

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.

- Johan Pfeiffer has served as deputy chairman of Höegh LNG since May 2021 and is a member of the company's coordination committee. Johan Pfeiffer is a Managing Director and Operating Partner with Morgan Stanley Infrastructure Partners (MSIP). He serves on the board of several companies in the MSIP portfolio. Prior to Morgan Stanley, Johan Pfeiffer was the President for Europe, Latin America and Africa for Johnson Controls and previously Tyco. Prior to Johnson Controls, Johan Pfeiffer was a Vice President for FMC Technologies in Houston and General Manager and Managing Director in Kongsberg, Norway. Johan Pfeiffer was previously the Vice Chairman of the US Petroleum Equipment and Services Association. He holds an MBA from the Wharton School, an MA in International Studies from the University of Pennsylvania, and an MSC in Material Sciences Engineering from the Swiss Federal Institute of Technologies (EPFL).

- Leif O. Høegh (born 1963) has served as director of Höegh LNG since 2006. 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.

- Alberto Donzelli has served as a director of Höegh LNG since May 2021 and is a member of the company's capital structure committee. Alberto Donzelli is a Managing Director and co-head of Europe for Morgan Stanley Infrastructure Partners (MSIP). Alberto Donzelli worked in the investment banking businesses of UBS and Credit Suisse, where he was part of the European Utilities Group advising on numerous M&A transactions in Europe. Alberto Donzelli holds a degree in Business Administration from Bocconi University.

- Martine Vice Holter has served as a director of Höegh LNG since May 2021 and is a member of the company's capital structure committee. Martine Vice Holter has been the Chief Executive Officer of Hoegh Capital Partners (HCP) for over a decade. HCP is a family investment office co-located in London and Oslo which manages all of the investment interests of the Høegh family. Martine Vice Holter oversees a multi-asset class investment portfolio which includes direct investments (both private and public) and financial assets (managed through in-house portfolio managers as well as allocations to third party fund managers). The group embraces an active ownership approach; she is shareholder representative and/or non-executive director on several direct investment boards in the portfolio. Sector focus includes: shipping and transportation, real estate, East Africa agriculture, and media. Corporate actions include: IPOs, M&A, fund-raisings, refinancings and restructurings. Born in Canada, Martine Vice Holter has lived and worked in the US, Asia and Europe and has experience working in Africa. Prior to HCP, she was Chief Operating Officer of Arts Alliance Advisors, a venture capital fund focused on early stage media and technology investments (from 2000- 2005). Previously, she worked as a management consultant at McKinsey & Company based in London where she focused on strategy, finance and organisation-building. She began her career in investment banking (corporate finance and M&A) with Goldman Sachs in New York followed by Hong Kong. Martine received her

MBA from INSEAD (1994) and graduated with a Bachelor of Arts (Honours) joint in Economics and Political Science from Queen's University, Canada.

- John Kwaak has served as a director of Höegh LNG since May 2021 and is a member of the company's coordination committee. John Kwaak served as Executive Director of Morgan Stanley Infrastructure Partners (MSIP) covering the energy and transportation sectors from late 2017 to February 2022. Before joining MSIP, he was a Senior Vice President at Fortress Investment Group in their private equity division. Prior to that, he was an investment banker at Evercore. He also served as First Lieutenant in the Republic of Korea Air Force. John Kwaak holds an MBA from the Wharton School of the University of Pennsylvania and an AB in Government from Harvard College.
- Tonesan Amissah has served as our director since June 2021. Tonesan Amissah is the Managing Director of Appleby Global Services Bermuda ("AGS"), where she oversees all aspects of client service and is a former partner of Appleby (Bermuda) Limited ("Appleby"), where she practiced within the corporate department as a member of the corporate finance and funds & investment services teams, having joined Appleby in 1989. She also serves as a director of Höegh LNG Partners LP and a number of other companies, the majority of which are clients of AGS. Tonesan Amissah holds a law degree from the London School of Economics and Political Science and qualified as a Barrister at Holborn Law Tutors in 1988. She is a member of the Bermuda Bar Association, the Institute of Directors and has been an accredited speaker for the Regulatory and Compliance Association since 2015.

The board does not include executive personnel and all directors are independent of Höegh LNG's executive personnel and material business connections. Only M. Tonesan Amissah is deemed to be independent of the company's main shareholders.

The company has one shareholder, Larus Holding Limited, which is a 50-50 joint venture between Leif Höegh & Co. Ltd. and Floating Infrastructure LP.

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. As of 31 December 2021, Leif Höegh & Co. Ltd. held a total of 600 000 shares, representing 50% of the shares in the company and 441 037 common units in Höegh LNG Partners LP. Leif Höegh & Co. Ltd. is represented on the board by Morten W. Høegh, Leif O. Høegh and Martine Vice Holter.

Floating Infrastructure LP is owned by funds which is managed by Morgan Stanley Infrastructure Holdings Inc. and as of 31 December 2021, held a total of 600 000 shares, representing 50% of the shares, in the company. Floating Infrastructure LP is represented on the board by Johan Pfeiffer, Alberto Donzelli and John Kwaak.

Owing to the Covid-19 restrictions, the board held one physical board meeting in 2021 and in addition one physical meeting with the manager, Höegh LNG AS, in 2021 with all directors present, as well as several briefing calls. The board held 24 interim meetings, with the Bermuda-resident director and/or alternate(s) present.

Bye-laws 36 and 40 regulates the appointment and removal of directors, respectively.

Deviations from the code:
- As a private company, only one director is independent of the company's main shareholders.
- The chairman of the board of directors is elected by the board of directors.
- As a private company, the members of the board of directors are not elected for a specific time period.
- As a private company, the members of the board of directors are not encouraged to own shares in the company.

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.

The work of the board committees

Following the privatisation of the company, the board has decided that the entire board of directors shall act as the company's audit committee.

As all the directors are independent of the executive personnel, the company does not have a remuneration committee.

The tasks of the coordination committee and the capital structure 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:

- As a private company, the full board act as the company's audit committee.
- As all of the directors of the board are independent of the executive personnel, the company does not have a remuneration committee.

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.

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 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.

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 HMLP.

Deviations from the code: None.

Remuneration of the board of directors

The directors who resigned upon the effectiveness of the amalgamation in May 2021 received a total remuneration of USD 320 000 for 2021.

Save as set out in below paragraph, the current board of directors does not receive any remuneration.

Appleby Global Services (Bermuda) Ltd. is remunerated on the basis of invoices for its services, including the provision of M. Tonesan Amissah 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: None

Remuneration of executive personnel

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

In addition, the board 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.

Further details on remuneration of the President and CEO, the CFO and the executive personnel for the current financial year are provided in Note 30 to the 2021 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.

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

Contact with the external stakeholders is handled by the President and CEO and the CFO.

Deviations from the code: None.

Takeovers

As a private company ultimately owned by two shareholders, the board has not established explicit guiding principles for dealing with takeover bids.

Deviation from the code: As a private company, 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 full board when quarterly and annual reports are reviewed. The auditor is also given access to the agenda of, documentation for and minutes from board meetings.

Deviations from the code: None.

Arctic Lady

04

Directors’ responsibility statement

Höegh Grace

Directors' responsibility statement

Today, the board and the President and CEO reviewed and approved the board of directors' report, the corporate governance report, and the consolidated and separate annual financial statements for Höegh LNG Holdings Ltd., for the year ending 31 December 2021 (Annual Report 2021).

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 2021 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 2021 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 view 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, 26 April 2022
The Board of Directors and the President and CEO of Höegh LNG Holdings Ltd.

Morten W. Høegh
Chairman

Johan Pfeiffer
Deputy Chairman

Leif O. Høegh
Director

Martine Vice Holter
Director

Alberto Donzelli
Director

John Kwaak
Director

Tonesan Amissah
Director

Thor Jørgen Guttormsen
President and CEO


Höegh Grace

05

Consolidated financial statements Höegh LNG Group For the year ended 31 December 2021


HÖEGH GALLEON

CONSOLIDATED STATEMENT OF INCOME 1 JANUARY – 31 DECEMBER

USD'000	Note	2021	2020
Time charter revenues	4,15	322 224	313 358
Management and other income	5	10 114	4 690
Share of results from investments in associates and joint ventures	20	19 496	17 088
TOTAL INCOME		**351 834**	**335 136**
Bunker and other voyage related expenses		(2 189)	(2 769)
Operating expenses	6	(85 907)	(70 844)
Project administrative expenses	7,8	(16 546)	(11 123)
Group administrative expenses	7,10	(21 721)	(19 738)
Business development expenses	7,9	(8 277)	(5 227)
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION (EBITDA)		**217 194**	**225 435**
Depreciation	11,15,28	(113 406)	(112 374)
OPERATING PROFIT		**103 788**	**113 061**
Interest income		733	1 133
Interest expenses	15,17	(103 207)	(99 801)
Income from other financial items	18	722	4 354
Expenses from other financial items	18	(7 431)	(13 967)
NET FINANCIAL ITEMS		**(109 183)**	**(108 281)**
ORDINARY PROFIT (LOSS) BEFORE TAX		**(5 395)**	**4 780**
Income taxes	23	(15 889)	(4 634)
PROFIT (LOSS) FOR THE YEAR AFTER TAX		**(21 284)**	**146**
Profit (loss) for the year attributable to (from):			
Equity holders of the parent		(54 479)	(44 713)
Non-controlling interests	20	33 195	44 859
TOTAL		**(21 284)**	**146**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 1 JANUARY – 31 DECEMBER

USD'000	Note	2021	2020
Profit (loss) for the year		**(21 284)**	**146**
Items that will not be reclassified to profit or (loss)			
Net gain (loss) on other capital reserves		(488)	703
Items that may be subsequently reclassified to profit or (loss)			
Net gain (loss) on hedging reserves	13	47 058	(46 923)
Share of other comprehensive income from joint ventures	13,20	20 245	(8 246)
OTHER COMPREHENSIVE INCOME FOR THE YEAR NET OF TAX		**66 815**	**(54 466)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**45 531**	**(54 320)**
Total comprehensive income attributable to (from):			
Equity holders of the parent		(2 942)	(89 553)
Non-controlling interests	20	48 473	35 233
TOTAL		**45 531**	**(54 320)**

The notes on page 47 to 107 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

USD'000	Note	31 Dec 2021	31 Dec 2020
ASSETS			
Non-current assets			
Deferred tax assets	23	1 274	1 166
Vessels and spareparts	11	1 963 980	2 032 460
Right-of-use assets	15	129 916	160 573
Investments in associates and joint ventures	20	91 198	45 390
Other non-current financial assets	29	11 654	17 471
Other non-current assets	28	21 146	18 316
Shareholder loans	30	7 511	869
Non-current restricted cash	14	30 662	16 895
Total non-current assets		**2 257 341**	**2 293 140**
Current assets			
Bunkers and inventories		76	129
Shareholder loans	30	1 777	3 284
Trade and other receivables	24	27 444	26 755
Other current financial assets	13	13	170
Investment in marketable securities	13	98	102
Current restricted cash	14	8 419	7 225
Cash and cash equivalents	14	134 041	142 545
Total current assets		**171 868**	**180 210**
TOTAL ASSETS		**2 429 209**	**2 473 350**
EQUITY AND LIABILITES			
Equity			
Share capital	21	12	773
Share premium, contributed surplus and other paid in capital		820 462	556 344
Hedging and other capital reserves		(70 286)	(121 823)
Retained earnings		(422 833)	(139 539)
Equity attributable to equity holders of the parent		**327 355**	**295 755**
Non-controlling interests	20	323 676	301 396
Total equity		**651 031**	**597 151**
Non-current liabilities			
Deferred tax liabilities	23	16 134	13 180
Non-current interest-bearing debt	16	1 101 756	1 351 051
Non-current lease liabilities	15,16	107 790	138 265
Investments in joint ventures	20	-	1 921
Other non-current financial liabilities	13,30	34 097	67 471
Deferred revenues	12	14 989	13 889
Total non-current liabilities		**1 274 766**	**1 585 777**
Current liabilities			
Current interest-bearing debt	16	373 385	184 066
Current lease liabilities	15,16	30 814	29 673
Income tax payable	23	11 141	3 602
Trade and other payables	25	19 328	19 205
Other current financial liabilities	13,27	34 598	34 077
Other current liabilities	26	34 146	19 799
Total current liabilities		**503 412**	**290 422**
TOTAL EQUITY AND LIABILITIES		**2 429 209**	**2 473 350**

The notes on page 47 to 107 are an integral part of these consolidated financial statements.

Hamilton, Bermuda, 26 April 2022
The Board of Directors and the President and CEO of Höegh LNG Holdings Ltd.

Morten W. Høegh
Chairman

Johan Pfeiffer
Deputy Chairman

Leif O. Høegh
Director

Martine Vice Holter
Director

Alberto Donzelli
Director

John Kwaak
Director

Tonesan Amissah
Director

Thor Jørgen Guttormsen
President and CEO

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to equity holders of Höegh LNG Holdings Ltd.									
USD'000	Share capital	Share premium	Treasury shares	Contributed Surplus	Other paid-in capital	Hedging reserves	Other capital reserves	Retained earnings	TOTAL	Non-controlling interests	TOTAL EQUITY
At 1 January 2021	**773**	**447 716**	**(11)**	**-**	**108 639**	**(119 646)**	**(2 177)**	**(139 538)**	**295 755**	**301 396**	**597 151**
Profit (loss) for the year								(54 479)	(54 479)	33 195	(21 284)
Other comprehensive income (loss) for the year	-	-	-	-	-	52 024	(486)		51 538	15 278	66 815
Total comprehensive income (loss) for the year		**-**	**-**	**-**	**-**	**52 024**	**(486)**	**(54 479)**	**(2 941)**	**48 473**	**45 531**
Amalgamation effects (Note 2.1)	(761)	108 546	11	106 687	-	-	-	(232 548)	(18 065)	-	(18 065)
Shareholder contribution (Note 2.1)	-	-	-	48 066	-	-	-	-	48 066	-	48 066
HMLP dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(31 801)	(31 801)
Units granted to the board of HMLP	-	-	-	-	-	-	-	-	-	211	211
Net proceeds from issuance of preferred units	-	-	-	-	-	-	-	-	-	8 318	8 318
Net proceeds from issuance of common units	-	-	-	-	-	-	-	-	-	818	818
Share-based payment cost	-	-	-	-	807	-	-	-	807	1	808
Capital contribution to HMLP	-	-	-	-	-	-	-	(388)	(388)	388	-
Transfer of assets from HMLP (Note 5)	-	-	-	-	-	-	-	4 128	4 128	(4 128)	-
Other changes in equity	-	-	-	-	-	-	-	(7)	(7)	-	(7)
Total other transactions recognised directly in equity	**(761)**	**108 546**	**11**	**154 753**	**807**	**-**	**-**	**(228 815)**	**34 541**	**(26 193)**	**8 348**
At 31 December 2021	**12**	**556 262**	**-**	**154 753**	**109 446**	**(67 622)**	**(2 663)**	**(422 833)**	**327 355**	**323 676**	**651 031**
At 1 January 2020	**773**	**447 656**	**(12)**	**-**	**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 comprehensive income (loss) for the year	**-**	**-**	**-**		**-**	**(45 543)**	**703**	**(44 713)**	**(89 552)**	**35 233**	**(54 319)**
HMLP dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(46 435)	(46 435)
Dividend to shareholders of the parent	-	-	-	-	-	-	-	(1 905)	(1 905)	-	(1 905)
Net proceeds from issuance preferred units	-	-	-	-	-	-	-	-	-	3 174	3 174
Shares granted to the board of HLNG	-	60	0	-	-	-	-	-	60	-	60
Units granted to the board of HMLP	-	-	-	-	-	-	-	-	-	260	260
Share-based payment	-	-	-	-	240	-	-	-	240	75	315
Capital contribution to HMLP	-	-	-	-	-	-	-	(6 419)	(6 419)	6 419	-
Transfer of assets to HMLP (Note 5)	-	-	-	-	-	-	-	(2 911)	(2 911)	2 911	-
Other changes in equity	-	-	-	-	-	-	(86)	-	(86)	-	(86)
Total other transactions recognised directly in equity	**-**	**60**	**0**	**-**	**240**	**-**	**(86)**	**(11 235)**	**(11 021)**	**(33 596)**	**(44 617)**
At 31 December 2020	**773**	**447 716**	**(11)**	**-**	**108 639**	**(119 646)**	**(2 177)**	**(139 538)**	**295 755**	**301 396**	**597 151**

The notes on page 47 to 107 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS 1 JANUARY - 31 DECEMBER

USD'000	Note	2021	2020
Cash flows from operating activities:			
Profit (loss) of the year before tax		(5 395)	4 780
Adjustments to reconcile profit before tax to net cash flows			
Depreciation	11,15,28	113 405	112 374
Fair value adjustments on marketable securities		4	8
Interest income		(733)	(1 132)
Interest expenses	17	103 207	99 801
Net loss on interest hedges	13	2 503	5 528
Share-based payment cost and board remuneration		845	687
Share of results from investments in associates and joint ventures	20	(19 496)	(17 088)
Working capital adjustments			
Change in inventories, receivables and payables		7 372	13 640
Payment of corporate income tax		(5 199)	(2 422)
I) NET CASH FLOWS FROM OPERATING ACTIVITIES		**196 513**	**216 176**
Cash flows from investing activites:			
Investments in marketable securities		(588)	-
Investment in FSRUs, assets under construction and class renewals		(11 277)	(4 116)
Investment in intangibles, equipment and other		(1 325)	(2 685)
Loans granted to joint ventures and associates		(4 733)	-
Investments in associates	20	(8 625)	(9 375)
Interest received		21	430
II) NET CASH FLOWS FROM INVESTING ACTIVITIES		**(26 527)**	**(15 746)**
Cash flows from financing activites:			
Net proceeds from equity issuance (HMLP)		9 136	3 174
Capital contribution from owners		47 213	-
Dividend paid to non-controlling interest (HMLP)	20	(31 802)	(46 435)
Dividend paid to shareholders of the parent		-	(1 905)
Proceeds from borrowings gross		273 342	211 685
Payment of refinancing- and amalgamation fees, debt issuance cost and bond discount		(30 029)	(7 797)
Repayment and buy-back of bonds including termination of swaps		(12 453)	(161 500)
Repayment of borrowings		(311 935)	(102 589)
Interest paid on mortgage debt and bonds		(79 427)	(87 029)
Repayment of leases	15	(29 885)	(28 533)
Interest paid on leases	15,17	(7 422)	(8 845)
Increase in restricted cash and cash collateral		(5 228)	(15 089)
III) NET CASH FLOWS FROM FINANCING ACTIVITIES		**(178 490)**	**(244 863)**
NET DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)		**(8 504)**	**(44 433)**
Current cash and cash equivalents at 1 January		142 545	186 978
CURRENT CASH AND CASH EQUIVALENTS AT 31 DECEMBER	14	**134 041**	**142 545**
Undrawn amounts under revolving credit faclities	13	-	34 700
The group's share of aggregated cash flows in the group's associates and joint ventures		11 392	(7 187)

The notes on page 47 to 107 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 2021 comprise the company, its subsidiaries, joint ventures and associate company (collectively "Höegh LNG" or the "group").

On 8 March 2021 the company announced a recommended offer by Leif Höegh & Co (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 Höegh LNG Holdings Ltd. not 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, and Höegh LNG Holdings Ltd. On 30 March 2021 the amalgamation was approved at a special general meeting. The amalgamation was completed on 4 May 2021, after which the company became wholly owned by LHC and MSIP through their 50/50 joint venture, Larus Holding Limited, and the company's shares were delisted from the Oslo Stock Exchange on 27 May 2021.

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 is provided in Note 30.

As of 31 December 2021, 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 2021 were approved by the board of directors on 26 April 2022.

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.

Before the amalgamation described under note 1 was effectuated, LHC controlled about 49% of the shares of Höegh LNG Holdings Ltd. and considered Höegh LNG Holdings Ltd to be a subsidiary of LHC for accounting purposes.

The basis for the amalgamation was that LHC contributed both its shares Höegh LNG Holdings Ltd. and cash upon formation of JVCo. MSIP contributed cash in exchange for its shares in JVCo, thereby creating a 50/50 joint venture where the two owners are deemed to have joint control of JVCo. JVCo is therefore considered by management to be a joint venture under IFRS 11. The contributed shares in HLNG and the contributed cash were thereafter transferred by JVCo to its subsidiary Larus Limited, in exchange for shares in Larus Limited, and used to acquire the remaining issued and outstanding shares of Höegh LNG Holdings Ltd owned by the public shareholders up until the time of the amalgamation becoming effective.

The amalgamation does not fall within the definition of a business combination under the accounting standard IFRS 3 Business combinations, since neither JVCo, as a newly formed company, nor Höegh LNG Holdings Ltd. (in a reverse acquisition) can be identified as an acquirer. The amalgamation is therefore not regulated by IFRS 3, nor any other accounting standard in IFRS. As required by IAS 8, management has considered how transactions of the same nature typically have been accounted for and concluded that this transaction has many similarities with a business combination under joint control, where the pooling of interests method is commonly applied to account for the transaction. As HLNG was a subsidiary of LHC before the amalgamation, and that JVCo is considered a joint venture under joint control, management has elected to account for the amalgamation using the pooling of interests method. As a result, the consolidated financial statements are prepared on the basis of a continuation of Höegh LNG's consolidated financial statements at the time of completion of the amalgamation, net of costs related to the amalgamation process.

As presented in the consolidated statement of change in equity, the amalgamation was executed under Bermudan Companies Law by cancelling and extinguishing the outstanding shares and treasury shares in Höegh LNG Holdings Ltd. and replacing them with the new share capital in the amalgamated company issued to the owner Larus Holding Limited. Classification of share premium, contributed surplus and other paid-in capital pre-amalgamation, was continued in the amalgamated company, net of costs related to the amalgamation process.

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. At the date of this report, management is not aware of any significant impacts from Covid-19 or the recent invasion in Ukraine. However, as further commented in the prospects' section of the Directors' report, the evolving nature of the Covid-19 pandemic means that uncertainties will remain, and it is not possible to give an accurate forecast of the future effect of Covid-19 on Höegh LNG's business. Further, the situation in Ukraine may continue to impact the market for LNG as well as for LNG carriers and FSRUs, in particular because Russia is a major global exporter of crude oil and natural gas, but also generally. While near-term business opportunities may arise for the company in Europe, the potential effects of the ongoing conflict in Ukraine are complex to project and therefore highly uncertain, including any potential effects on the group's business and operations.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries as of 31 December 2021.

(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 interests proportionate share of the recognised amounts of the acquirer's identifiable net assets at the time of the transaction. Any change in ownership interests without change of control is accounted for as equity transactions towards non-controlling interest.

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

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

Höegh LNG applies IFRS 11 to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations. Höegh LNG has assessed the nature of four of its joint agreements to be joint ventures.

Investments in both joint ventures and associates are accounted for using the equity method.
Under the equity method, the investment in an associate or a joint venture is initially recognised at cost and adjusted thereafter to recognise the post-acquisition profits or losses, movements in other comprehensive income or dividends received. Unrealised gains and losses resulting from transactions between companies in the group and joint ventures are eliminated to the extent of the interest in the associate or joint venture. The financial statements of the associate or joint venture are prepared for the same reporting period as the group. When necessary, adjustments are made to bring the accounting policies in line with those of Höegh LNG.

2.3 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 is 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 FVTPL 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 FVTPL 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 or resources representing economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the

obligation. The expense relating to any provision is presented net of any reimbursement.

2.14 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. Impact of climate related matters is also included in assessing value-in-use calculations.

2.17 Share-based payments

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 22). 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.

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.

Höegh LNG Partners LP ("HMLP")

The company held 45.72% of the units in HMLP on 31 December 2021. 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 2021 and there are no material changes in facts and circumstances impacting the conclusion.

PT Hoegh LNG Lampung
HMLP indirectly owns 49.0% of the shares in PT Hoegh LNG Lampung, a company owning and operating PGN FSRU Lampung. HMLP has the power to make the most significant key operating decisions and receives all the expected benefits or expected losses. Therefore, 100% of the assets, liabilities, revenues and expenses are consolidated in Höegh LNG's accounts. Management has updated the assessment for the year ended 31 December 2021 and there are no material changes in facts and circumstances impacting the conclusion.

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

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.

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:

- Interest Benchmark Reform – Phase 2 amendments to IFRS9, IAS 39, IFRS7, IFRS 4 and IFRS 16
- Covid-19 Related Rent Concessions beyond 30 June 2021 - 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
- Definition of Accounting Estimates - amendments to IAS 8
- Disclosure of Accounting Policies - amendments to IAS 1 and IFRS Practice Statement 2

The amendments are not expected to have a material impact on the group.

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 of 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

	HMLP		Operations		Business development and Project execution		Corporate and other		Total	
USD million	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Time charter revenues	148.9	150.0	173.3	163.4	-	-	-	-	322.2	313.4
Management and other income	0.0	0.0	5.2	4.8	2.0	(0.2)	2.9	-	10.1	4.6
Share of results from investments in associates and joint ventures	11.4	12.1	8.1	5.0	-	-	-	-	19.5	17.1
TOTAL INCOME	**160.3**	**162.1**	**186.6**	**173.1**	**2.0**	**(0.2)**	**2.9**	**-**	**351.8**	**335.1**
Bunker and other voyage related expenses	-	(0.1)	(2.2)	(2.7)	-	-	-	-	(2.2)	(2.8)
Operating expenses	(29.1)	(24.3)	(56.8)	(46.5)	-	(0.0)	-	-	(85.9)	(70.8)
Project administrative expenses	(4.1)	(2.3)	(11.5)	(6.6)	(0.9)	(2.2)	-	-	(16.5)	(11.1)
Group administrative expenses	(6.4)	(6.3)	-	-	-	-	(15.3)	(13.4)	(21.7)	(19.7)
Business development expenses	-	-	-	-	(8.3)	(5.2)	-	-	(8.3)	(5.2)
EBITDA	**120.7**	**129.1**	**116.1**	**117.3**	**(7.2)**	**(7.7)**	**(12.4)**	**(13.4)**	**217.2**	**225.4**

ASSETS AND LIABILITIES ALLOCATED TO OPERATING SEGMENTS AS AT 31 DECEMBER.

	HMLP		Operations		Business development and Project execution		Corporate and other		Total	
USD million	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Tangible assets										
Investment in vessels, spare parts and Right-of-use assets	**731.2**	**753.6**	**1 353.4**	**1 430.2**	**9.3**	**9.2**	**-**	**-**	**2 093.9**	**2 193.0**
Liabilities										
Interest-bearing debt including lease liabilities	**386.0**	**414.6**	**917.3**	**977.6**	**-**	**-**	**310.4**	**310.8**	**1 613.7**	**1 703.1**

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. Revenues 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 2021

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	FSRU	New Fortress Energy International Shipping LLC	USA	10 years	Nov 2031	1 year
Höegh Giant	FSRU	Western Concessions Private Limited	India	10 years[1]	Mar 2026	-
Höegh Grace	FSRU	Sociedad Portuaria El Cayao S.A.	Colombia	20 years[2]	Dec 2036	-
Höegh Esperanza	LNGC	Undisclosed	-	1 year	Jun 2022	1 year
Höegh Gannet	LNGC	Undisclosed	-	1 year	May 2022	-
Höegh Galleon	LNGC	Undisclosed	-	18 months	Mar 2022	-
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

Option means a right for the charterer to extend the contract for a pre-agreed period.

[1)] The initial term of the Indian charter for Höegh Giant is 10 years. However, there is an annual break option for the charterer from end of year 5 to year 10.
[2)] 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 2022 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 2022 (undiscounted) is USD 1.9 billon (USD 1.9 billion) with maturity as follows:

Contracted expected future time charter revenues - undiscounted

2021

USD'000	Year 1	Year 2	Year 3	Year 4	Year 5	> 5 years	Total
TOTAL	280 759	271 353	266 808	221 505	158 135	650 899	1 849 458

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

Largest customers

In 2021, 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 163 million (USD 162 million in 2020). The single largest customer in Höegh LNG represented 18% of total time charter revenues (18% in 2020). The three customers in 2021 individually contributing 10% or more of total time charter revenues were:

- AB Klaipédos 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

2021

USD'000	Note	HMLP	Operations	Total
Lease revenues	15	61 731	147 650	209 381
Service component of time charter revenues, excluding amortisation		87 144	21 580	108 724
Amortisation of deferred revenue		47	4 072	4 118
TOTAL TIME CHARTER REVENUES		**148 922**	**173 301**	**322 224**

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	1 903	1 950
TOTAL TIME CHARTER REVENUES		**150 015**	**163 343**	**313 358**

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 2021	31 Dec 2020
Trade receivables for time charter revenues, included in trade and other receivables	**24**	**6 299**	**5 156**
Total contract assets, included in trade and other receivables		**553**	**5 716**
Refund liabilities to customers, included in provisions and accruals	26	(5 536)	(1 439)
Contract liabilities, included in provisions and accruals	26	(10 857)	(5 340)
Contract liabilities, included in deferred revenues	12	(14 989)	(13 889)
Total contract liabilities		**(31 381)**	**(20 668)**

The consolidated trade receivables and contract balances included in the table, exclude the balances recorded in the group's 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 2021 and 2020.

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	2021	2020
Commercial and technical management fee	2 548	2 987
Environmental taxes reimbursed by charterer	2 251	628
Other income	5 315	1 075
TOTAL	**10 114**	**4 690**

Note 6: Operating expenses

USD'000	2021	2020
Crew salaries	23 822	28 156
Employer's contribution	4 233	4 061
Crew agency fee	1 740	1 050
Other social costs	83	125
TOTAL CREW COST	**29 878**	**33 392**
Services	8 953	5 265
Withholding tax	287	284
Spare parts and consumables	18 999	13 528
Insurance	5 346	4 772
Class renewals (dry-docking, afloat) and modification work	8 450	1 830
Property- and environmental taxes	2 731	1 195
Ship management and other expenses	11 263	10 578
TOTAL	**85 907**	**70 844**

Note 7: Salaries and personnel expenses

USD'000	Note	2021	2020
Salaries		20 063	18 082
Benefits employees		657	747
Bonus		3 597	(325)
Pension cost		1 262	1 179
Share-based payment cost	22	622	929
Other social costs		2 528	2 460
TOTAL SALARIES AND PERSONNEL EXPENSES		**28 729**	**23 073**
Allocated to Group administrative expenses	10	12 340	10 340
Allocated to Business development expenses	9	4 745	2 974
Allocated to Project administrative expenses	8	11 644	9 759

NUMBER OF OFFICE EMPLOYEES		**180**	**190**

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 30 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	2021	2020
Total salaries and personnel costs	7	11 644	9 759
Audit fees		333	240
External services		7 250	4 892
Remuneration board members in subsidiaries		56	53
Office cost		862	724
Travel related cost		127	172
Other		193	167
Overhead distribution	9	5 081	3 389
Reclassified to operating expenses		(8 999)	(8 271)
TOTAL		**16 546**	**11 123**

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	2021	2020
Total salaries and personnel costs	7	4 745	2 974
Audit fees		18	17
External services		2 272	979
Office cost		194	210
Travel related cost		75	135
Other		132	166
Overhead distribution	10	841	746
TOTAL		**8 277**	**5 227**

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, are distributed to Project administrative expenses and Business development expenses based on headcount.

USD'000	Note	2021	2020
Total salaries and personnel costs	7	12 340	10 340
Audit fees		1 474	1 357
External services		8 010	7 253
Remuneration board members in subsidiaries		892	804
Office cost		3 138	3 956
Travel related cost		95	122
Other		2 244	39
Overhead distribution	8, 9	(5 922)	(4 135)
Directly attributable cost capitalised as investments in intangibles		(551)	-
TOTAL		**21 721**	**19 738**

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

USD'000	2021	2020
Statutory audits and other audit services	1 824	1 614

The amount of about USD 1.8 million (2020: USD 1.6 million) is based on actual billing made during 2021 and include services related to Public Company Accounting Oversight Board (PCAOB) audit and PCAOB quarterly interim reviews. The charges are accordingly not directly traceable against fees for the 2021-audit.

Note 11: Vessels and spare parts

USD'000	2021	2020
Cost at 1 January	2 353 869	2 349 438
Capitalisation of class renewals and spareparts	11 117	4 431
COST AT 31 DECEMBER	**2 364 986**	**2 353 869**
Accumulated depreciation and impairment at 1 January	(321 408)	(242 549)
Depreciation charge FSRUs and depot spares	(79 598)	(78 859)
ACCUMULATED DEPRECIATION AND IMPAIRMENT AT 31 DECEMBER	**(401 006)**	**(321 408)**
NET CARRYING AMOUNT AT 31 DECEMBER	**1 963 980**	**2 032 461**

USD'000	31 Dec 2021	31 Dec 2020
FSRUs	1 940 145	2 009 602
Dry-docking and afloat class renewals	13 779	12 699
Spareparts	742	927
Long-lead items, regasification equipment	9 314	9 233
TOTAL	**1 963 980**	**2 032 460**

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

DEPRECIATION CHARGES PER ASSET CLASS

USD'000	Note	31 Dec 2021	31 Dec 2020
Vessels		73 906	73 598
Dry-docking		5 692	5 261
Equipment	28	2 474	2 152
Right-of-use assets	15	31 333	31 362
TOTAL		**113 405**	**112 373**

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

All vessels were on contract with charterer on 31 December 2021. 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 on 31 December 2021.

Impairment assessment

On 31 December 2021, the market value of Höegh LNG Partners LP's common units valued the common units at price/book < 1, indicating a potential impairment. In addition, the markets for FSRUs remains highly competitive causing rate levels for new FSRU contracts to trend down over the recent years. Although Höegh LNG has secured three long-term FSRU contracts during the last five quarters, two FSRUs in the fleet lack firm, long-term FSRU contracts. One is assigned to the conditional contract in Australia with AIE, and the other is being marketed in ongoing tender processes. Rate levels obtainable for LNGC term charters remain volatile and subject to seasonality as well as changes to the overall supply/demand balance for LNG transport. Also, Covid-19 continues to create an elevated uncertainty related to the short-term market impact, which can impact the estimation of recoverable amounts.

In determining fair value measurement, the impact of potential climate-related matters, including emission-reduction legislation, which may affect the fair value measurement of assets and liabilities in the financial statements, has been considered. These climate-related risks are included as key assumptions if they materially impact the measure of recoverable amount. At present, the impact of climate-related matters is not considered material to the Group's financial statements since all our vessels meet the new IMO regulations and LNG plays an important role in the world's energy supply and the transition towards a low carbon economy. However, development of regulatory frameworks to reduce greenhouse gas emissions which could include, among others, adoption of cap and trade regimes, carbon taxes, increased efficiency standards and incentives or mandates for renewable energy, may impact the valuation of some of the vessels in the future and is therefore closely monitored.

Based on these indicators, 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, management has concluded that 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, one of the vessels on interim LNGC contracts as of 31 December 2021 is the vessel together with the two LNG carriers, with the lowest headroom between the book value and the estimated value-in-use. These three vessels have a combined value-in-use of USD 517 million (USD 563 million) and a combined net book value of USD 494 million (USD 515 million), the aggregate headroom for the three vessels is USD 23 million per 31 December 2021 (USD 21 million). Sensitivities based on scenarios with weighted charter rates (FSRU and LNGC), higher WACC and for the FSRU vessel on interim LNGC, extension of intermediate periods without FSRU contract, have been conducted particularly related to these three vessels. The scenarios take into consideration the current uncertain sentiment in global LNG carrier markets. The group considers that the LNGC market for time charter contracts are currently at a typical mid-cycle level and believes that 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 return to competitive levels. 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 7.2% percent (2020: 7.0%) on a pre-tax basis. The following assumptions have been made for the WACC:

- Cost of equity reflects a long-term expected market return and has been estimated to 11.9% per 31 December 2021
- The equity ratio of 30 percent is based on long-term assumptions on the Group's financial strategy and capital structure and deemed reasonable for use on each of the CGUs
- 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 and LNGC 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 three 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 all three of these vessels, equal to an amount of USD 11 million in aggregate for all three vessels
- The group makes 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 for the vessel still on LNGC contract, before redeployment as FSRUs would not result in need for impairment
- A reduction in the probability weighted charter rates for subsequent FSRU and LNGC contracts of 15 percent result in an impairment for two of these vessels, equal to an amount of USD 10 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 prepayments arise from the drydocking of Arctic Lady and Arctic Princess when conducting their 15-year class renewals. 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	2021	2020
Non-current deferred revenues at 1 January		13 889	2 164
Amortisation of charter hire (revenue recognition) Arctic Lady and Arctic Princess		(3 630)	(193)
Prepayments of hire related class renewals of Arctic Princess and Arctic Lady		4 017	12 625
Other		713	(707)
CARRYING AMOUNT AT 31 DECEMBER	**4**	**14 989**	**13 889**

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 has a Master Limited Partnership listed on the New York Stock Exchange. 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 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. To maintain or adjust the capital structure, Höegh LNG may refinance its debt, 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.

On 31 December 2021, the total consolidated book value of the equity was USD 651 million (USD 597 million). Net of mark-to-market of hedging reserves the consolidated adjusted book value equity was USD 744 million (USD 757 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.

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 2021	31 Dec 2020
Equity adjusted for hedging transactions	743 505	757 048
Total assets adjusted for hedging transactions	2 473 104	2 527 552
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 335 million in 2021. In addition, Höegh LNG has certain revenues in EUR. 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 2021 when reported in USD would have been USD 4 million higher if the USDNOK exchange rate had been 10% stronger than it was in 2021, and around USD 4 million lower if the USDNOK exchange rate had been 10% weaker than it was in 2021.

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 nearly all loan agreements, including bond loans, but excluding the corporate credit facilities entered into by HMLP and HLNG respectively. As of 31 December 2021, the net mark-to-market valuation of the interest rate and currency swaps was negative net USD 54.8 million (negative net USD 90.7 million in 2020). The group's share of net mark-to-market valuation of interest rate swaps entered into by joint ventures was negative net USD 46.7 million (negative net USD 64.9 million in 2020). 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 2021	31 Dec 2020
Non-current financial assets - carrying amounts		2 780	135
Total Financial assets - carrying amounts		**2 780**	**135**
Non-current financial liabilities - carrying amounts	29	(33 678)	(66 348)
Current financial liabilities - carrying amounts	27	(23 910)	(24 498)
Total Financial liabilities - carrying amounts		**(57 588)**	**(90 846)**
NET FINANCIAL LIABILITIES	**See APM**	**(54 808)**	**(90 711)**
Changes in fair value of designated instruments (see below table reconciling changes in fair value)		35 903	(38 817)
Changes in fair value designated hedged item		(35 903)	38 817
NOTIONAL AMOUNTS		**1 302 791**	**1 374 586**
Maturity dates		Multiple	Multiple
Hedge ratio		1:1	1:1

RECONCILIATION OF THE CHANGES IN FAIR VALUE OF DESIGNATED INSTRUMENTS IN PARENT AND SUBSIDIARIES

USD'000	Note	2021	2020
OCI to changes in fair value of deisgnated instruments in subsidiaries		47 058	(46 923)
Separate equity component (currency portion of CCIRS) recorded to profit (loss)		(11 059)	11 957
Ineffectiveness of IRS hedges recorded to loss	18	(1 529)	(649)
Unrealised loss CCIRS		-	(3 302)
Termination of interest rate swaps		1 267	-
Other movements in mark-to-market valuations		166	100
CHANGE IN FAIR VALUE OF DESIGNATED INSTRUMENTS		**35 903**	**(38 817)**

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

USD'000	Note	31 Dec 2021	31 Dec 2020
Non-current financial assets - carrying amounts		727	-
Total financial assets - carrying amounts		**727**	**-**
Non-current financial liabilities - carrying amounts		(40 948)	(54 754)
Current financial liabilities - carrying amounts		(6 453)	(10 096)
Total financial liabilities - carrying amounts		**(47 400)**	**(64 850)**
NET FINANCIAL LIABILITIES	**See APM**	**(46 673)**	**(64 850)**
Changes in fair value of designated instruments	20	18 177	(8 246)
Changes in fair value designated hedged item		(18 177)	8 246
NOTIONAL AMOUNTS		**250 191**	**274 866**
Maturity dates		Multiple	Multiple
Hedge ratio		1:1	1:1

RECONCILIATION OF THE CHANGES IN FAIR VALUE OF DESIGNATED INSTRUMENTS IN JOINT VENTURES

USD'000	Note	2021	2020
OCI to changes in fair value of designated instruments in joint ventures and associates	13,20	20 245	(8 246)
Ineffectiveness of IRS hegdes recorded to loss		(2 025)	-
Settlement of swaps		(43)	-
CHANGE IN FAIR VALUE OF DESIGNATED INSTRUMENTS		**18 177**	**(8 246)**

Liquidity risk

Liquidity risk is the risk that Höegh LNG will be unable to fulfil its financial obligations when they fall due. On 31 December 2021, outstanding interest-bearing debt carried on the balance sheet totalling USD 1 614 million, net of debt issuance costs, is expected to be repaid through the cash flow generated from the existing assets in Höegh LNG and through refinancing when the debt matures. The group has two 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 2022 and 2023 which will or may require refinancing or extension of maturity dates. 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.

On 31 December 2021, the group had USD 134 million in total available liquidity.

Höegh LNG is also exposed to liquidity risk related to derivatives entered into to hedge interest rate and currency risks, as some of these derivatives are subject to margin calls for negative value exceeding a certain threshold, and the difference will require deposit of cash collateral. On 31 December 2021, the cash collateral amounted to approximately USD 6.5 million and was mainly related to the interest-rate swaps hedging the interest- rate risk of the debt facility for Höegh Galleon.

The table below/on next page 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 ON 31 DECEMBER 2021 AND ESTIMATED INTEREST EXPENSES

USD'000	< 1 year	1-5 years	> 5 years	Total
Instalments and balloons on mortage debt and unsecured bonds	379 577	673 338	446 872	1 499 786
Estimated interest on mortgage debt and unsecured bond[1]	74 810	162 109	53 943	290 861
Lease liabilities including interest	30 814	107 790	-	138 604
TOTAL	**485 201**	**943 236**	**500 815**	**1 929 252**

[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 2021 has the following maturity (reference is made to Note 16 for outstanding amounts on 31 December 2021:

- The commercial and the ECA tranche[1] on the financing for Höegh Esperanza matures in Q2 2023 and Q1 2030, respectively
- The outstanding amount on the HLNG03 bond matures in Q3 2023[2]
- The commercial and the ECA tranche[1] on the financing for Höegh Gannet matures in Q4 2023 and Q4 2030, respectively
- The corporate bank facility of Höegh LNG Holdings Ltd. matures in Q2 2024
- The commercial and the ECA tranche[1] on the financing for Independence matures in Q4 2024 and Q2 2026, respectively
- The outstanding amount of the HLNG04 bond matures in Q1 2025[2]
- The commercial and the ECA tranche[1] of PNG FSRU Lampung matures in Q2 2026.
- The debt financing for Höegh Giant matures in Q2 2026
- The commercial and the ECA tranche[1] on the financing for both Höegh Gallant and Höegh Grace matures in Q4 2026 and Q1 2033, respectively
- The sale and leaseback debt facility for Höegh Galleon matures in Q2 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.

[2] The HLNG03 and HLNG04 bond loans have maturity date in Q3 2023 and Q1 2025 respectively. However, both loans have been classified as current interest-bearing debt on 31 December 2021 because the bondholders of each of the bond loans have a right to require that the company purchases all or some of the bonds held by a bondholder at a price equal to 102% of par if a Credit Event has not occurred by[1] April 2022. A Credit Event means that either:

i. An amount of at least USD 100 000 000 has been contributed to the company as new equity or other fully subordinated and non-cash interest/non-amortising capital subsequent to 4 May 2021: or

ii. first ranking security is created over the company's ownership of common units of Höegh LNG Partners LP.

As of 31 December 2021, the company has raised USD 47.2 million in new equity after 4 May 2021 and will need to raise an additional USD 52.8 million before 1 April 2022 to comply with item i) above, or alternatively fulfil item ii). On 24 March 2022, the company fulfilled item ii) by creating a first ranking pledge over its ownership of 15.2 million common units of Höegh LNG Partners LP in favour of the Bond Trustee (on behalf of the bondholders). As a result, USD 266.4 million will be reclassified from current to non-current debt in first quarter 2022.

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 joint ventures companies owning Neptune and Cape Ann, the financing arrangement matures in the fourth quarter of 2029 and in the second quarter of 2022, respectively. For Cape Ann, a refinancing of the debt facility has been arranged, with the new loan agreement signed in December 2021. Subject to customary closing conditions the closing and the drawdown under the new facility is expected to occur on or about the maturity date of the existing facility.

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 2021

USD'000	< 1 year	1-5 years	> 5 years	Total
Interest rate swaps designated as effective hedging instruments in subsidiaries	(23 910)	(26 266)	(4 632)	(54 808)
NET FINANCIAL LIABILITIES GROUP	**(23 910)**	**(26 266)**	**(4 632)**	**(54 808)**
Interest rate swaps designated as effective hedging instruments in the group's joint ventures (100%)	(21 575)	(52 071)	(22 201)	(95 847)
TOTAL	**(45 484)**	**(78 337)**	**(26 833)**	**(150 655)**

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

The maximum exposure to credit risk amounts to USD 229 million and is represented by the carrying amount of each financial asset in the balance sheet, including financial derivatives plus the guarantees provided to the associated company Avenir.

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 on 31 December 2021 and 2020:

FINANCIAL ASSETS

	Carrying amount		Fair value	
USD'000	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Financial instruments at fair value through profit and loss				
Cash flow hedges related to FX options	13	860	13	860
Total financial assets at FVTPL	**13**	**860**	**13**	**860**
Financial assets at fair value through other comprehensive income				
Derivatives in effective cash flow hedges	2 780	135	2 780	135
Total financial assets at FVTOCI	**2 780**	**135**	**2 780**	**135**
Financial assets at amortised cost				
Non-current restricted cash	30 662	16 895	30 662	16 895
Trade and other receivables	27 442	26 755	27 442	26 755
Shareholder loans	9 288	4 153	9 288	4 153
Other non-current receivables	8 874	17 506	8 874	17 506
Marketable securities	98	102	98	102
Cash and cash equivalents (including short term restricted cash)	142 461	149 770	142 461	149 770
Total financial assets at amortised cost	**218 826**	**215 181**	**218 826**	**215 181**
TOTAL	**221 619**	**216 176**	**221 619**	**216 176**
TOTAL NON-CURRENT	**49 828**	**36 094**	**49 828**	**36 094**
TOTAL CURRENT	**171 791**	**180 082**	**171 791**	**180 082**

FINANCIAL LIABILITIES

	Carrying amount		Fair value	
USD'000	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Financial liabilities at fair value through profit and loss				
Ineffective portion of cash flow hedges	6 044	5 783	6 044	5 783
Total financial liabilities at FVTPL	**6 044**	**5 783**	**6 044**	**5 783**
Financial liabilities at fair value through other comprehensive income				
Derivatives in effective cash flow hedges	51 544	85 063	51 544	85 063
Total financial liabilities at FVTOCI	**51 544**	**85 063**	**51 544**	**85 063**
Other financial liabilities at amortised cost				
Trade and other payables	19 329	19 205	19 329	19 205
Other financial liabilities	10 688	9 580	10 688	9 580
Interest-bearing loans and borrowings	1 499 786	1 559 849	1 419 356	1 520 762
Lease liabilities	138 604	167 938	138 604	167 938
Total financial liabilities at amortised cost	**1 668 407**	**1 756 572**	**1 587 978**	**1 717 485**
TOTAL	**1 725 995**	**1 847 418**	**1 645 566**	**1 808 331**
TOTAL NON-CURRENT	**1 261 678**	**1 589 976**	**1 181 248**	**1 550 889**
TOTAL CURRENT	**464 318**	**257 441**	**464 318**	**257 442**

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 on 31 December 2021 and 2020, respectively.

ASSETS AT 31 DECEMBER 2021

USD'000	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Marketable securities	-	98	-	98
FX options	-	13	-	13
Financial assets at FVTOCI				
Derivatives used for hedging	-	2 780	-	2 780
TOTAL ASSETS	**-**	**2 891**	**-**	**2 891**

LIABILITIES AT 31 DECEMBER 2021

USD'000	Level 1	Level 2	Level 3	Total
Derivatives used for hedging				
Derivatives in effective cash flow hedges	-	57 588	-	57 588
Financial liabilities not measured at fair value, but for which fair values are disclosed				
Bonds	254 033	-	-	254 033
Mortgage debt	-	1 121 323	-	1 121 323
Revolving credit facility		44 000	-	44 000
Lease liabilities	-	-	138 604	138 604
TOTAL LIABILITIES	**254 033**	**1 222 911**	**138 604**	**1 615 549**

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**

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 2021 and 2020, 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	2021	Exchange rate	2020
US Dollar (USD)		USD	1.00	126 090	1.00	116 551
Norwegian Kroner (NOK)		USD/NOK	8.82	3 013	8.53	19 485
Pound Sterling (GBP)		GBP/USD	0.74	585	0.73	909
Euro (EUR)		EUR/USD	0.88	984	0.81	2 262
Singapore Dollar (SGD)		SGD/USD	1.35	1 045	1.32	920
Other				2 324		2 418
TOTAL	**16**			**134 041**		**142 545**

CURRENT RESTRICTED CASH

USD'000	Note	31 Dec 2021	31 Dec 2020
Indonesia, debt service account		8 410	7 198
Bermuda, escrow account		9	9
Egypt, escrow account		0	18
TOTAL	**16**	**8 419**	**7 225**

As of 31 December 2021, USD 8.4 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.

NON-CURRENT RESTRICTED CASH

USD'000	Note	31 Dec 2021	31 Dec 2020
Höegh LNG Gannet Pte. Ltd., debt service		4 799	4 800
Höegh LNG Giant Ltd.		2 000	-
Höegh LNG Galleon Ltd.		12 872	-
PT Hoegh LNG Lampung, debt service		10 991	12 095
TOTAL	**16**	**30 662**	**16 895**

Non-current restricted cash of USD 11.0 million at year-end 2021 (USD 12.1 million year-end 2020) 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 at year-end both years, equals three months' debt service required to be held in escrow under the Höegh Gannet facility. Höegh LNG Galleon Ltd. has USD 12.9 million, equating to 5% of purchase price, held in an escrow account. Höegh LNG Giant Ltd., USD 2.0 million, has issued a letter of credit in April 2021 with expiry on 15 April 2023.

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 on 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 below:

Right-of-use assets:

USD'000	Note	Vessels	Premises	Other	Total
Right-of-use assets as at 1 January 2021		155 131	5 289	152	160 572
Increase during the year due to lease modifications		504	109	64	676
Depreciation	11	(29 891)	(1 394)	(48)	(31 333)
RIGHT-OF-USE ASSETS AS OF 31 DECEMBER 2021		**125 744**	**4 004**	**167**	**129 915**

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 2021 were as follows:

LEASE LIABILITIES

USD'000	Note	2021	2020
As of 1 January		167 938	196 934
Increase (decrease) during the year due to lease modifications		551	(462)
Interest expenses	17	7 422	8 845
Payments		(37 307)	(37 378)
TOTAL LEASE LIABILITIES AS OF 31 DECEMBER		**138 604**	**167 938**
Non-current lease liabilities	16	107 790	138 265
Current lease liabilities	16	30 814	29 673
TOTAL LEASE LIABILITIES AS OF 31 DECEMBER		**138 604**	**167 938**

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

The following are the amounts recognised in profit or loss:

USD'000	Note	2021	2020
Depreciation of Right-of-use assets	11	(31 333)	(31 362)
Interest expenses, lease liabilities	17	(7 422)	(8 845)
Expenses related to short-term leases and low-value leases (included in administrative expenses)		(384)	(368)
TOTAL AMOUNT RECOGNISED IN PROFIT AND LOSS		**(39 139)**	**(40 574)**

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 2021 was USD 209 million (USD 203 million in 2020). Future minimum payment receivables under non-cancellable operating leases on 31 December 2021 were as follows:

Expected future lease revenues (undiscounted) from 1 Jan 2022:

USD'000	Year 1	Year 2	Year 3	Year 4	Year 5	> 5 years	Total
TOTAL	**215 177**	**207 157**	**203 560**	**167 696**	**213 113**	**375 248**	**1 381 950**

Note 16: Interest-bearing debt

Financing activities in 2021

In connection with the amalgamation referred to in note 21 certain amendments to the bond terms were agreed with bond holders, including but not limited to an extension of the HLNG03 bond loan maturity date by 18 months from 1 February 2022 to 1 August 2023.

Höegh LNG Holdings Ltd. completed a NOK 330 million bond loan tap issuance in June in the HLNG04 bond loan, paired with a buy-back of NOK 101 million in the HLNG03 bond loan. The tap issue was priced at 97% of par value.

Höegh LNG Holdings Ltd. repaid and cancelled the up to USD 80 million credit facility in July 2021 with proceeds from the NOK 330 million tap issue in the HLNG04 bond loan in June 2021 and by drawing USD 44 million on a new bank facility in July 2021.

The group completed the refinancing of the Höegh Giant debt facility with a new USD 165 million 5-year facility in August 2021.

During the fourth quarter 2021, Höegh LNG Partners completed the refinancing of the PGN FSRU Lampung debt facility's commercial tranche of USD 15.5 million. The commercial tranche was refinanced with an equal amount and will amortise with equal quarterly instalments to zero by 2026. The export credit tranche of the debt facility remains unchanged. Across both tranches, the debt facility is subject to certain restrictions on the use of cash generated by PGN FSRU Lampung as well as a cash sweep mechanism. Until the pending arbitration with the charterer of PGN FSRU Lampung has been terminated, cancelled or favourably resolved, no shareholder loans may be serviced, and no dividends may be paid to the Partnership by the subsidiary borrowing under the Lampung Facility, PT Hoegh LNG Lampung. Furthermore, each quarter, 50% of the PGN FSRU Lampung's generated cash flow after debt service must be applied to pre-pay outstanding loan amounts under the refinanced Lampung Facility, applied pro rata across the commercial and export credit tranches. The remaining 50% will be retained by PT Hoegh LNG Lampung and pledged in favour of the lenders until the pending arbitration with the charterer of PGN FSRU Lampung has been terminated, cancelled or favourably resolved. As a consequence, no cash flow from the PGN FSRU Lampung will be available for the Partnership until the pending arbitration has been terminated, cancelled or favourably resolved. This limitation does not prohibit the Partnership from paying distributions to preferred and common unitholders.

The new Neptune facility, which closed in November 2021, has an initial loan amount of USD 154 million, which is scheduled to be fully amortised with quarterly debt service over a period of 8 years based on an annuity repayment profile. The new facility was used to repay the existing balloon amount of USD 169 million, with the difference being mainly financed by cash held by the vessel owning entity and subordinated loans from the shareholders (of which USD 3 million from HMLP). The interest rate swaps entered into under the previous debt facility have a remaining tenor of 8 years and have been novated from the previous group of swap providers to the new lenders and restructured to match the new facility's loan amount and amortisation plan.

The existing Cape Ann debt facility matures on 1 June 2022, and the documentation for the refinancing is ongoing. In December 2021, the new loan agreement was signed and subject to customary closing conditions, the closing and drawdown under the new facility is expected to occur on or about the maturity of the existing facility in the second quarter of 2022. The term and conditions for the new Cape Ann facility are largely identical to the new Neptune facility.

Overview of debt facilities

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

INTEREST-BEARING DEBT AT 31 DECEMBER 2021

USD'000	Note	Non-current	Current	Total
Independence facility		159 332	15 248	174 580
PGN FSRU Lampung facility		58 337	20 788	79 125
Höegh Esperanza facility		140 625	12 500	153 125
Höegh Giant facility		149 063	12 750	161 813
Höegh Gannet facility		130 833	11 042	141 875
Höegh Galleon facility		150 959	9 012	159 971
USD 385 million facility		287 060	25 597	312 657
Bond debt		-	272 640	272 640
Corporate Bank facility		44 000	-	44 000
Debt issuance cost and bond issue discount		(18 453)	(6 192)	(24 645)
TOTAL INTEREST-BEARING DEBT EXCLUDING LEASE LIABILITIES		**1 101 756**	**373 385**	**1 475 141**
Lease liabilities	15	107 790	30 814	138 604
TOTAL INTEREST-BEARING DEBT INCLUDING LEASE LIABILITIES		**1 209 546**	**404 199**	**1 613 745**

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 Esperanza 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**

MATURITY SCHEDULE, INTEREST-BEARING DEBT AT 31 DECEMBER 2021

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	121 293	15 248	7 543	174 580
PGN FSRU Lampung facility	USD	20 788	18 150	18 150	18 150	3 887	79 125
Höegh Esperanza facility	USD	12 500	62 500	12 500	12 500	53 125	153 125
Höegh Giant facility	USD	12 750	12 750	12 750	12 750	110 813	161 813
Höegh Gannet facility	USD	11 042	53 542	11 042	11 042	55 208	141 875
Höegh Galleon facility	USD	9 012	9 012	9 012	9 012	123 921	159 971
USD 385 million facility	USD	25 597	25 597	25 597	25 597	210 268	312 657
Bond debt	USD	272 640	-	-	-	-	272 640
Corporate bank facility	USD	-	29 333	14 667	-	-	44 000
INTEREST-BEARING DEBT OUTSTANDING		**379 577**	**226 133**	**225 012**	**104 300**	**564 766**	**1 499 786**
Lease liabilities		**30 814**	**32 225**	**33 787**	**35 276**	**6 502**	**138 604**
TOTAL INTEREST-BEARING DEBT INCLUDING LEASE LIABILITIES		**410 391**	**258 358**	**258 799**	**139 576**	**571 268**	**1 638 390**
Debt issuance cost		(4 286)	-	-	-	-	(22 740)
Bonds issue discount		(1 906)	-	-	-	-	(1 906)
CURRENT AND TOTAL INTEREST-BEARING DEBT INCLUDING LEASE LIABILITIES		**404 199**					**1 613 745**

For more detailed descriptions about maturity, see the liquidity section in Note 13.

NET INTEREST-BEARING DEBT AT 31 DECEMBER 2021

USD'000	Note	31 Dec 2021	31 Dec 2020
Interest-bearing debt including lease liabilities, current and non-current		(1 613 745)	(1 703 055)
Restricted cash, non-current	14	30 662	16 895
Cash and cash equivalents including restricted current cash and marketable securities	14	142 559	149 873
NET INTEREST-BEARING DEBT		**(1 440 524)**	**(1 536 288)**

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

USD'000	1 Jan 2021	Cash flows repayment and buy-back of bonds	Cash flows new interest bearing debt	Lease modifications	Foreign exchange movement	Other	31 Dec 2021
Current interest bearing loans and borrowings (excluding lease liabilities and bond issues)	184 066	(18 834)	-	-	-	(58 294)	106 937
Current lease liabilities	29 673	1 141	-	-	-	-	30 814
Current bond issues	-	-	-	-	-	266 447	266 447
Non-current interest bearing loans and borrowings (excluding lease liabilities and bond issues)	1 100 244	(293 101)	233 750	-	-	60 862	1 101 756
Non-current lease liabilities	138 265	(31 026)	-	551		-	107 790
Non-current bond issues	250 807	(12 118)	39 592	-	(9 740)	(268 541)	-
TOTAL LIABILITIES FROM FINANCING ACTIVITIES	**1 703 055**	**(353 938)**	**273 342**	**551**	**(9 740)**	**474**	**1 613 744**

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

INTEREST- BEARING DEBT IN THE CONSOLIDATED ENTITIES AT 31 DECEMBER 2021

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	09.08.2021	05.04.2018	06.12.2018	27.08.2019
Original amount drawn under the facility	242 000	225 000	383 000	165 000	200 000	175 000	180 250
Type of Financing	ECA/ commercial banks	ECA/ commercial banks	ECA/ commercial banks	Commercial Banks	ECA/ commercial banks	ECA/ commercial banks	SLB
Blended Tenor on the debt (years)	10	11	7	5	10	10	12
Blended profile on the debt (years)	16	12	15	13	16	16	20
Blended fixed all-in-rate	4.10%	5.37%	4.90%	3.94%	4.00%	5.00%	5.71%

INTEREST-BEARING DEBT IN JOINT VENTURE COMPANIES AT 31 DECEMBER 2021

USD'000	**Arctic Lady**	**Arctic Princess**	**Neptune**	**Cape Ann**
Drawdown date	12.04.2006	13.01.2006	29.11.2021	01.06.2010
Original amount drawn under the facility	195 508	196 361	154 000	300 000
Type of Financing	SLB	SLB	Commercial banks	Commercial banks
Blended Tenor on the debt (years)	25	25	8	12
Blended profile on the debt (years)	25	25	8	20
Blended fixed all-in-rate	5.11%	5.39%	7.43%	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 200 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. Höegh LNG was in compliance with all its covenants for the year ended 31 December 2021. See Note 13 and Note 33 disclosing the refinancing subsequent to year ended 31 December 2021.

Note 17: Interest expenses

USD'000	Note	2021	2020
Interest expense on mortgage debt and revolving credit facilities		72 257	67 625
Interest expenses on bonds		23 501	23 316
Interest expenses on leases	15	7 422	8 845
Other interest expenses		27	15
TOTAL		**103 207**	**99 801**

Note 18: Expenses from other financial items

USD'000	Note	2021	2020
Income from other financial items			
Currency gain		111	3 568
Guarantee fees from from investment in associates		610	784
Other		1	2
INCOME FROM OTHER FINANCIAL ELEMENTS - GROSS		**722**	**4 354**
Expenses from other financial items			
Currency loss		(1 206)	(5 960)
Withholding tax		(2 607)	(2 567)
Ineffectiveness on interest rate hedges	13	(1 529)	(649)
Loss from terminating CCIRS on HLNG03		(127)	-
Loss on FX options		(846)	(3 492)
Guarantee- and other fees		(1 117)	(1 299)
EXPENSES FROM OTHER FINANCIAL ELEMENTS - GROSS		**(7 431)**	**(13 967)**
INCOME (EXPENSES) FROM OTHER FINANCIAL ELEMENTS - NET		**(6 709)**	**(9 613)**

Note 19: Security granted, guarantees and commitments

In relation to charter contracts with its customers, the group has in some instances provided parent company performance guarantees in favour of the charterers as listed below.

Overview of charter contract performance guarantees granted and outstanding on 31 December 2021

Vessel	Performance guarantee issued in favor of charterer	Guarantor
Höegh Galleon	Not applicable under the current charter. It has agreed for Höegh LNG Holdings Ltd. to guarantee of the obligations of the subsidiary's future charter with the customer subject to a maximum cap of USD 55.5 million, but the execution of the guarantee is pending commencement of the contract	Not applicable
Höegh Gannet	Not applicable under the current charter. It has been agreed for Höegh LNG Holdings Ltd. to guarantee of the obligations of the subsidiary's future charter with the customer subject to a maximum cap of USD 50 million, but the execution of the guarantee is pending commencement of the contract	Not applicable
Höegh Esperanza	Not applicable under the current charter	Not applicable
Höegh Giant	Guarantee of the obligations of the subsidiary's charter with the customer subject to a maximum cap of USD 18 million	Höegh LNG Holdings Ltd.
Independence	Guarantee of the obligations of the subsidiary's charter with the customer	Höegh LNG Ltd. is the guarantor and is counter-guaranteed by Höegh LNG Holdings Ltd.
Arctic Princess	Guarantee of the obligations of the subsidiary's charter with the customer	Höegh LNG Ltd. is the guarantor and is counter-guaranteed by Höegh LNG Holdings Ltd.
Arctic Lady	Guarantee of the obligations of the subsidiary's charter with the customer	Höegh LNG Ltd.
Neptune	Guarantee of the obligations of the JV's charter with the customer equal to the pro rata (50%) ownership share	Höegh LNG Ltd.
Cape Ann	Guarantee of the obligations of the JV's charter with the customer equal to the pro rata (50%) ownership share	Höegh LNG Ltd.
PGN FSRU Lampung	Guarantee of the obligations of the subsidiary's charter with the customer	Höegh LNG Holdings Ltd.
Höegh Grace	Guarantee of the obligations of the subsidiary's charter with the customer	Höegh LNG Partners LP
Höegh Gallant	It has been agreed to guarantee of the obligations of the subsidiary's charter with the customer, but the execution of the guarantee is pending	Höegh LNG Partners LP

In relation to its vessel financing, the group has provided a customary security package (ship mortgage, account pledge, assignment of agreement, earnings, insurances etc.) under each credit facility, and certain guarantees as listed on the next page.

Overview of securities and guarantees granted and outstanding on 31 December 2021 for the Group's debt facilities

Debt facility (see note 15)	Pledges	Guarantee	Guarantor
Höegh Galleon	Not applicable – finance lease under a sale-leaseback transaction	Parent company guarantee for the obligations related to the sale-leaseback and the interest rate swaps	Höegh LNG Holdings Ltd.
Höegh Gannet	Customary pledge of vessel, certain bank accounts and shares in the vessel-owning entity	Parent company guarantee for the obligations related to the debt facility and interest rate swaps	Höegh LNG Holdings Ltd.
Höegh Esperanza	Customary pledge of vessel, certain bank accounts and shares in the vessel-owning entity	Parent company guarantee for the obligations related to the debt facility and interest rate swaps	Höegh LNG Holdings Ltd.
Höegh Giant	Customary pledge of vessel, certain bank accounts and shares in the vessel-owning entity	Parent company guarantee for the obligations related to the debt facility and interest rate swaps	Höegh LNG Holdings Ltd.
Independence	Customary pledge of vessel, certain bank accounts and shares in the vessel-owning entity	Parent company guarantee for the obligations related to the debt facility and interest rate swaps	Höegh LNG Holdings Ltd.
Arctic Princess	Not applicable for the vessel since this is a finance lease. Customary pledge of certain bank accounts and shares in the vessel-owning entity	Sponsor's guarantee pro-rata according to its shareholding for payment obligations under the lease agreements and interest rate swaps entered into by the JV	Höegh LNG Ltd and Höegh LNG Holdings Ltd.
Arctic Lady	Not applicable for the vessel since this is a finance lease. Customary pledge of certain bank accounts and shares in the vessel-owning entity	Sponsor's guarantee pro-rata according to its shareholding for payment obligations under the lease agreements and interest rate swaps entered into by the JV	Höegh LNG Ltd and Höegh LNG Holdings Ltd.
Neptune	Customary pledge of vessel, certain bank accounts and shares in the vessel-owning entity	Sponsor guarantee for the obligations related to the debt facility and interest rate swaps, limited to maximum USD 7.5 million	Höegh LNG Partners LP
Cape Ann	Customary pledge of vessel, certain bank accounts and shares in the vessel-owning entity	Sponsor guarantee for the obligations related to the debt facility and interest rate swaps, limited to maximum USD 7.5 million	Höegh LNG Partners LP
PGN FSRU Lampung	Customary pledge of vessel, certain bank accounts and shares in the vessel-owning entity	Parent company guarantee for the obligations related to the debt facility and interest rate swaps	Höegh LNG Partners LP
Höegh Grace/Höegh Gallant	Customary pledge of vessel, certain bank accounts and shares in the vessel-owning entity	Not applicable, Höegh LNG Partners LP is the borrower under the facility	Not applicable

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.

Avenir LNG Limited (see Note 20)

On 31 December 2021, Höegh LNG had no remaining outstanding investment commitment in Avenir LNG Limited.

By the end of 2021, Avenir had completed the construction of four of its six newbuilds. In connection with the debt financing of one of the completed vessels, Höegh LNG Holdings Ltd. has provided a sponsor's guarantee with a maximum liability amount of USD 6.9 million plus interests and costs.

On 31 December 2021, Avenir had two vessels under construction, where the three main shareholders have provided certain guarantees to the shipyards in connection with the shipbuilding contracts signed by Avenir. These two vessels are scheduled for completion in 2022. The guarantees issued for the two vessels under construction cover a total amount of USD 22.9 million (plus change orders and interests). The three main shareholders have entered into counter-indemnity agreements for the guaranteed 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. Also, the three 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 2021, 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 2021	31 Dec 2020
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	23.67	23.35

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

The associate, Avenir LNG Limited, has taken delivery of four of the 6 vessels ordered by the end of 2021, whereof one of them was sold to a third party in 2021. The two remaining four small-scale LNG carriers currently under construction at Keppel Sing marine in Nantong, China are scheduled to be completed in 2022. The LNG storage terminal and distribution terminal facility in the Italian port of Oristano, Sardinia was completed in 2021. Avenir LNG Limited intends to source and ship LNG to the terminal using its own vessel small LNG carriers and distribute the LNG in the growing market in Sardinia by trucks and through regasification into the local gas grid.

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

USD'000	2021	2020
At 1 January	43 469	24 359
Share of profit	19 496	17 088
Other comprehensive income	19 609	(7 353)
Investment in Avenir LNG Limited	8 625	9 375
AT 31 DECEMBER	**91 198**	**43 469**
Included in non-current assets	91 198	45 390
Included in non-current liabilities	-	(1 921)

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	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Time charter revenues	17 941	17 916	17 612	17 623	42 216	42 127	42 845	45 017	19 175	-
Operating expenses	(105)	(125)	(122)	(152)	(7 987)	(7 312)	(8 440)	(11 594)	(15 479)	(5 968)
EBITDA	**17 836**	**17 792**	**17 490**	**17 471**	**34 228**	**34 816**	**34 405**	**33 423**	**3 696**	**-**
Depreciation	(6 095)	(6 085)	(6 067)	(6 058)	(12 800)	(12 810)	(12 303)	(12 298)	(4 660)	-
Interest income	6	79	6	78	18	58	18	63	-	-
Interest expenses	(5 274)	(4 985)	(4 887)	(5 038)	(13 399)	(11 582)	(11 554)	(11 538)	(2 952)	-
Other items	-	-	-	-	-	-	-	-	11 423	-
PROFIT (LOSS) FOR THE YEAR	**6 473**	**6 801**	**6 541**	**6 453**	**8 048**	**10 482**	**10 566**	**9 650**	**7 507**	**(5 968)**
Other comprehensive income	7 480	(2 328)	6 894	(2 764)	13 697	(5 751)	14 811	(6 394)	(2 678)	3 418
TOTAL COMPRE-HENSIVE INCOME	**13 954**	**4 473**	**13 435**	**3 689**	**21 744**	**4 731**	**25 378**	**3 256**	**4 829**	**(2 550)**

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	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
ASSETS										
Cash and cash equivalents	18 226	16 853	22 147	19 908	3 138	5 852	11 876	7 903	46 813	8 025
Other current assets	-	3	40	80	2 159	4 304	19 463	4 375	10 140	9 327
TOTAL CURRENT ASSETS	**18 226**	**16 856**	**22 187**	**19 988**	**5 296**	**10 156**	**31 339**	**12 278**	**56 953**	**17 352**
Vessels/Right-of-use assets	98 977	105 072	100 103	106 170	227 693	240 493	223 832	236 057	202 153	151 299
Other non-current assets	9 100	6 998	9 000	6 998	14 564	12 662	2 149	14 351	2 330	1 819
TOTAL NON-CURRENT ASSETS	**108 077**	**112 070**	**109 103**	**113 168**	**242 257**	**253 155**	**225 981**	**250 408**	**204 483**	**153 118**
TOTAL ASSETS	**126 303**	**128 926**	**131 290**	**133 156**	**247 554**	**263 311**	**257 320**	**262 686**	**261 436**	**170 470**
LIABILITIES										
TOTAL CURRENT LIABILITIES	**14 018**	**13 858**	**12 143**	**12 316**	**28 786**	**203 945**	**187 862**	**26 796**	**33 247**	**9 701**
Non-current interest-bearing debt	93 257	102 810	98 369	106 954	137 151	-	-	178 580	64 199	36 565
Other non-current liabilities	20 160	27 343	14 766	21 308	54 208	53 701	38 727	51 956	-	-
TOTAL NON-CURRENT LIABILITIES	**113 416**	**130 153**	**113 135**	**128 263**	**191 358**	**53 701**	**38 727**	**230 536**	**64 199**	**36 565**
TOTAL LIABILITIES	**127 435**	**144 011**	**125 278**	**140 579**	**220 144**	**257 646**	**226 589**	**257 332**	**97 446**	**46 266**
Net assets	**(1 132)**	**(15 085)**	**6 012**	**(7 423)**	**27 409**	**5 665**	**30 731**	**5 353**	**163 990**	**124 204**

CONDENSED STATEMENT OF FINANCIAL POSITION 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	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
NET ASSETS AT 1 JANUARY	**(15 085)**	**(19 558)**	**(7 425)**	**(11 114)**	**5 667**	**936**	**5 354**	**2 098**	**124 204**	**89 254**
Profit (loss) for the year	6 473	6 801	6 541	6 453	8 048	10 482	10 566	9 650	7 508	(5 968)
Other comprehensive income	7 480	(2 328)	6 894	(2 764)	13 697	(5 751)	14 811	(6 394)	(2 678)	3 418
Issuance of shares	-	-	-	-	-	-	-	-	34 500	37 500
NET ASSETS AT 31 DECEMBER	**(1 131)**	**(15 085)**	**6 010**	**(7 425)**	**27 412**	**5 667**	**30 732**	**5 354**	**163 533**	**124 204**
Interest in joint venture	33.98%	33.98%	50.00%	50.00%	50.00%	50.00%	50.00 %	50.00%	23.67%	23.35%
Investment	-	-	-	-	-	-	-	-	8 625	9 375
Aggregate consolidation adjustments	3 562	3 205	5 176	4 661	5 071	3 998	4 060	3 065	2 513	2 513
CARRYING VALUE INVESTMENT AT 31 DECEMBER	**3 178**	**(1 921)**	**8 181**	**948**	**18 776**	**6 832**	**19 426**	**5 742**	**41 639**	**31 872**

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.

Höegh Gallant

SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES AT 31 DECEMBER 2021

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 LNG Giant Ltd.	Cayman Islands	Shipowning		100	
Hoegh LNG India Private Ltd.	India	Ship operating		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	Business development		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 in the HMLP	100		
Höegh LNG Chile Holding Ltd.	Cayman Islands	Holding		100	
Höegh LNG FSRU VI Ltd.	Cayman Islands	Shipowning		100	
Hoegh LNG Chartering LLC	Marshall Islands	Ship operation		100	
Höegh LNG Partners LP [1]	Marshall Islands	Holding	45.72	100	54.28
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	23.67		

[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 2021

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)			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
Höegh LNG Jamaica Limited	Jamaica	Ship operating (from 2022)	100
Höegh LNG Gallant Limited	Cayman Islands	Dormant	100
Joint ventures			
SRV Joint Gas Ltd.	Cayman Islands	Shipowning	50
SRV Joint Gas Two Ltd.	Cayman Islands	Shipowning	50

[2] Höegh LNG consolidates PT Hoegh LNG Lampung as it controls 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 2021. 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 and on the next page. 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). On 31 December 2021, the provision amounted to USD 61.1 million. Since the group consolidates HMLP and all intercompany transactions (including assets/liabilities) are eliminated, the provision and any changes to it will not impact profit and loss, nor the liabilities in the consolidated financial statements. However, as HMLP is only partly owned by the group, the provision has an effect on the portion of the group's equity being attributed to the non-controlling interests (NCI) in HMLP. On 31 December 2021, an aggregate amount of USD 33.2 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	2021	2020
Time charter revenues	148 922	150 015
Management and other income	-	731
Share of results from investments in associates and joint ventures	11 373	12 058
TOTAL INCOME	**160 295**	**162 804**
Bunker and other voyage related expenses	-	(95)
Operating expenses	(29 132)	(24 256)
Project administrative expenses	(3 563)	-
Group administrative expenses	(8 671)	(9 644)
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION (EBITDA)	**118 929**	**128 809**
Depreciation	(25 584)	(26 110)
OPERATING PROFIT	**93 344**	**102 699**
NET FINANCIAL ITEMS	**(29 466)**	**(26 202)**
ORDINARY PROFIT BEFORE TAX	**63 879**	**76 496**
Income taxes	(14 983)	(4 527)
PROFIT FOR THE YEAR AFTER TAX	**48 895**	**71 969**
Other comprehensive income	28 150	(17 758)
TOTAL COMPREHENSIVE INCOME	**77 045**	**54 210**
Attributable to non-controlling interests	48 473	35 233
Dividends paid to non-controlling interests	31 801	46 435

HÖEGH LNG PARTNERS CONSOLIDATED , CONDENSED STATEMENT OF FINANCIAL POSITION

USD'000	31 Dec 2021	31 Dec 2020
ASSETS		
FSRUs	731 134	753 625
Investments in joint ventures	38 201	12 573
Other non-current assets	22 031	19 967
Total non-current assets	**791 367**	**786 165**
Cash and cash equivalents	42 516	31 838
Restricted cash	8 410	7 198
Other current assets	11 358	7 076
Total current assets	**62 284**	**46 112**
TOTAL ASSETS	**853 651**	**832 278**
LIABILITIES		
Non-current interest-bearing debt	339 541	291 053
Deferred tax liabilities	16 001	13 046
Other non-current liabilites	33 072	38 479
Total non-current liabilities	**388 614**	**342 578**
Current interest-bearing debt	46 385	123 596
Other current liabilites	32 588	20 434
Current liabilities	**78 973**	**144 030**
TOTAL LIABILITIES	**467 587**	**486 608**
NET ASSETS	**386 065**	**345 670**
Attributable to non-controlling interests	**323 676**	**301 396**

HÖEGH LNG PARTNERS CONSOLIDATED, CONDENSED STATEMENT OF CASH FLOWS

USD'000	2021	2020
I) Net cash flows from operating activities	102 052	108 737
II) Net cash flows from investing activities	(5 942)	(183)
III) Net cash flows from financing activities	(85 432)	(115 925)
Net increase in cash and cash equivalents (I+II+III)	**10 678**	**(7 371)**
Current cash and cash equivalents at 1 January	31 838	39 209
CURRENT CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**42 516**	**31 838**

Note 21: Shares and share capital

The share capital of the company of USD 773 thousand pre-amalgamation in May 2021 was cancelled and extinguished as part of the amalgamation. Post-amalgamation, the company retained the share capital of Larus Limited of USD 12 000.

On 31 December 2021, the company's share capital was therefore USD 12 000, consisting of 1 200 000 fully paid common shares, each with a par value of USD 0.01. All the shares in the company are owned by Larus Holding Limited, a 50/50 joint venture between Leif Höegh & Co Ltd. and Funds managed by Morgan Stanley Infrastructure Partners.

Note 22: Share based payment

Share options in Höegh LNG Holdings Ltd.

In 2012, the company introduced a share option programme, where share options of the company were granted to members of the group management and key employees of Höegh LNG. The share options were vested in three equal portions over a three-year period from the initial date of granting. The share options could be exercised up to one year after the end of the total vesting period. The share option programme ended with the amalgamation and de-listing of Höegh LNG Holdings Ltd.'s shares from Oslo Stock Exchange. There are no options outstanding on 31 December 2021. The ending of the share option programme had no material impact on the financial statements.

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

	2021	2020
Outstanding on 1 January	55 707	36 660
Granted during the year	-	37 379
Exercised during the year	(22 148)	(18 332)
Forfeited during the year	(14 827)	-
Adjustment due to transfer of emloyee from HMLP	-	-
OUTSTANDING NUMBER OF PHANTOM UNITS ON 31 DECEMBER	**18 732**	**55 707**
Fair value on 31 December (in USD'000)	81	797

Phantom unit award to the CEO & CFO of HMLP

No phantom units were awarded to CEO and CFO in 2021.

Social security contributions on phantom units

The provision for social security contributions on phantom units 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 2022 to 31 December 2023.

Note 23: 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 2021 and 2020 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 2021.

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% from 2020. 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	2021	2020
Current income tax charge	(10 202)	(3 735)
Changes in deferred taxes	(2 737)	(945)
Adjustments in respect of current income tax of previous year	(2 950)	46
INCOME TAX EXPENSE REPORTED IN THE INCOME STATEMENT	**(15 889)**	**(4 634)**
EFFECTIVE TAX RATE		
PROFIT (LOSS) BEFORE INCOME TAX	**(5 395)**	**4 780**
At Bermuda's statutory income tax rate of 0%	-	-
Income tax expense reported outside Bermuda	(15 889)	(4 634)
INCOME TAX EXPENSE REPORTED IN THE INCOME STATEMENT	**(15 889)**	**(4 634)**
EFFECTIVE TAX RATE	**n/a**	**97.0%**

CHANGES IN DEFERRED TAXES

USD'000	31 Dec 2021	31 Dec 2020
Deferred tax assets		
Pension liabilities	88	233
Tax loss carried forward	744	844
Other tangible assets	442	89
TOTAL DEFERRED TAX ASSETS GROSS	**1 274**	**1 166**
Deferred tax liabilities		
Vessels	(12 465)	(10 828)
Other tangible assets	(3 669)	(2 352)
TOTAL DEFERRED TAX LIABILITIES GROSS	**(16 134)**	**(13 180)**
TOTAL DEFERRED TAX ASSETS (LIABILITIES) NET	**(14 859)**	**(12 014)**

DEFERRED TAX ASSETS (LIABILITIES)

USD'000	31 Dec 2021	31 Dec 2020
Deferred tax assets	1 274	1 166
Deferred tax liabilities	(16 134)	(13 180)
DEFERRED TAX LIABILITIES - NET	**(14 859)**	**(12 014)**

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 2.3 million as of 31 December 2021 (USD 1.1 million year-end 2020). 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 utilise the losses.

The tax losses in 2021 of USD 2.1 million that incurred in the group's subsidiary in the UK, derived from Arctic Princess' off hire during dry dock. This loss together with the tax losses of USD 1.5 million from when Arctic Lady was off-hire while undergoing her 15-year class renewal in 2020 is expected to be fully utilised during the remaining terms of the charterers. Deferred tax assets of USD 0.7 million is recognised at year ended 31 December 2021 (USD 0.3 million at year end 2020), and tax income recorded of USD 0.3 million in 2021 (USD 0.8 million in 2020). In addition, the group has USD 0.4 million recorded as a receivable against HMRC on 31 December 2021 related to tax losses carried back to 2017, which is expected to be settled in 2022.

Uncertain tax positions in Indonesia

In late June 2021, the tax audit for the group's Indonesian subsidiary's 2019 tax return was completed. The main finding was that an internal promissory note was reclassified from debt to equity such that 100% of the accrued interest was disallowed as a tax deduction. The group and its Indonesian subsidiary disagree with the conclusion of the tax audit and have filed an Objection Request with the Central Jakarta Regional Tax Office. Nevertheless, the Indonesian subsidiary may not be successful in its appeal and has expensed the additional tax of USD 2.7 million including penalties for 2019. During 2021, the Indonesian subsidiary recorded a decrease in the tax provision of USD 3.2 million for the expiration of the statute of limitations for 2016. The subsidiary had as of 31 December 2021, and 2020 a tax provision of USD 9 million and USD 2.7 million respectively, an increase year-on-year of USD 6.3 million, for the potential future tax obligation related to the open years that remain subject to a potential tax audit in Indonesia.

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.

Note 24: Trade and other receivables

USD'000	Note	31 Dec 2021	31 Dec 2020
Trade receivables	4	6 299	5 156
Receivables towards related parties (joint ventures, associates and owner)	30	5 502	2 993
Accrued hire		4 983	3 096
Prepaid insurance		2 162	3 741
Prepaid administrative and operating expenses including drydocking		4 772	5 776
Unbilled drydocking expenses		553	2 746
VAT receivables		804	655
Other receivables and prepayments		2 366	2 592
TOTAL		**27 442**	**26 755**

Historically, the group has not had any credit losses. An assessment made at year end 2021 did not identify any need for accrual for any expected credit losses in accordance with IFRS 9. The group manages to collect receivables timely.

Note 25: Trade and other payables

USD'000	31 Dec 2021	31 Dec 2020
Trade payables	9 714	8 263
Public duties	4 411	4 997
Accrued holiday- and leave pay	5 204	5 944
TOTAL	**19 329**	**19 205**

Outstanding trade payables as of 31 December 2021 fall due between 30 and 180 days.

Note 26: Other current liabilities

USD'000	Note	31 Dec 2021	31 Dec 2020
Contract liabilities (prepaid charter revenues)	4	10 857	5 340
Refund liabilitties to customers (audit matters, tax element)	4	5 536	1 439
Bonus provisions including social security taxes		4 421	-
Accrued operational and drydocking expenses		4 706	5 878
Accrued costs for acquisiton of long lead regasification items		-	1 098
Crew related liabilities		168	702
Other provisions and accruals		8 458	5 342
TOTAL		**34 146**	**19 799**

Note 27: Other current financial liabilities

USD'000	Note	31 Dec 2021	31 Dec 2020
Interest rate swaps designated as effective hedging instruments[1]	13	23 910	24 498
Accrued interest on mortgage debt		6 257	6 065
Accrued interest on bonds and corporate facilties		4 431	3 515
TOTAL		**34 598**	**34 077**

[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 of 31 December is presented above. For further information on interest rate swaps, reference is made to Note 13.

Note 28: 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 2021	31 Dec 2020
Pre-contract costs	5 165	3 193
Investment in IT (hardware and software) and office equipment	3 206	5 712
Loading arms related to FSRU operations	-	599
Arctic vessels' 15-year class renewal cost	12 775	8 284
Arrangement fees on revolving credit facility	-	526
Other	-	2
TOTAL	**21 145**	**18 316**

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

USD'000	Note	2021	2020
Cost at 1 January		12 091	10 583
Additions		550	1 508
Net disposals		(1 182)	-
COST AT 31 DECEMBER		**11 459**	**12 091**
Accumulated deprecation at 1 January		(5 780)	(3 627)
Depreciation charge	11	(2 474)	(2 153)
ACCUMULATED DEPRECIATION AT 31 DECEMBER		**(8 253)**	**(5 780)**
NET CARRYING AMOUNT AT 31 DECEMBER		**3 206**	**6 311**

Note 29: 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 2021 and 2020 is presented below.
For further information on the interest rate swaps and the current portion of the mark-to-market valuations, see Note 13.

NON-CURRENT FINANCIAL ASSETS

USD'000	Note	31 Dec 2021	31 Dec 2020
Cash collateral		8 286	16 067
Interest rate swaps - designated as hedges	13	2 780	135
Long term receivables charterers		588	580
Fair value of FX options		-	690
TOTAL		**11 654**	**17 471**

NON-CURRENT FINANCIAL LIABILITIES

USD'000	Note	31 Dec 2021	31 Dec 2020
Interest rate swaps designated as hedges	13	33 678	66 348
Pension liabilities (defined benefit)		401	1 104
Other		18	18
TOTAL		**34 097**	**67 470**

The pension liabilities of USD 0.4 million at year-end 2021 relate to three key members of Management employed in Oslo (five at year-end in 2020) who will receive a fixed amount if still employed by Höegh LNG when retiring at the age of 67.

Note 30: 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 about USD 35 million in 2021 (USD 35 million in 2020).

Höegh LNG provides various management services to its joint ventures as well its associate Avenir LNG Limited and the owner Larus Holding Limited. The below tables provide the total amounts of the management services that have been rendered by Höegh LNG AS, Höegh LNG Fleet Management AS for 2021 and 2020 and outstanding receivables at year end. For recognition of management revenues, see Note 4.

Management income from related parties

USD'000	2021	2020
Joint Gas Ltd.	75	74
Joint Gas Two Ltd.	75	74
SRV Joint Gas Ltd.	1 092	1 256
SRV Joint Gas Two Ltd.	1 198	1 760
Larus Holding Limited	102	-
Avenir LNG Limited	58	-
TOTAL	**2 599**	**3 164**

Shareholder loans with joint ventures and associates

USD'000	31 Dec 2021	31 Dec 2020
Non-current		
SRV Joint Gas Ltd.	6 570	-
SRV Joint Gas Two Ltd	941	869
Total non-current	**7 511**	**869**
Current		
SRV Joint Gas Ltd.	-	3 284
Avenir LNG Limited	1 777	-
Total current	**1 777**	**3 284**
TOTAL	**9 288**	**4 153**

Receivables against related parties

USD'000	Note	31 Dec 2021	31 Dec 2020
SRV Joint Gas Ltd. and SRV Joint Gas Two Ltd.		1 126	2 993
Avenir LNG Limited		4 324	-
Larus Holding Limited		51	-
TOTAL	**24**	**5 501**	**2 993**

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 2021 (USD 0.5 million in 2020).

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 pays an annual fee to HCP for advisory services.

Administrative services from other related parties

USD'000	2021	2020
Höegh Capital Partners - advisory	40	46
Höegh Capital Partners Ltd	11	57
Höegh Autoliners Management AS	95	70
Höegh Autoliners Inc	312	326
Höegh Autoliners (India) Pvt Ltd.	73	-
Höegh Autoliners Regional Operation	-	200
TOTAL	**531**	**700**

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 six (2020: nine) and the board of directors is presented below:

USD'000	2021	2020
Salaries	2 423	2 977
Pension compensation (cash allowance)	136	245
Share-based payment	141	289
Other taxable benefits	751	311
Bonus	-	471
Board of directors' fee	948	857
TOTAL	**4 399**	**5 150**

The remuneration paid out to the President and CEO and the CFO for both years 2021 and 2020 is presented below:

2021

USD'000	Salaries	Pension benefits	Share-based payment	Other taxable benefits	Bonus	Total
President and CEO Sveinung J.S. Støhle	752	71	-	568	-	1 391
President and CEO Thor Jørgen Guttormsen	141	-	-	-	-	141
CFO Håvard Furu	371	-	21	22	-	414
TOTAL	**1 265**	**71**	**21**	**590**	**-**	**1 947**

Remuneration for Thor Jørgen Guttormsen is for the period 1 November to 31 December 2021

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**

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 which 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. A provision of USD 4.4 million in bonus for onshore and offshore personnel including social security taxes has been recorded at year end 31 December 2021 (Nil in 2020). See Note 26.

Note 31: Contingent liabilities

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

Potential tax liability for UK finance leases

In 2002, two UK finance lease agreements were entered into for Arctic Princess and Arctic Lady respectively between two UK lessors and the Joint Gas Ltd and Joint Gas Two Ltd joint venture companies as lessees (the Arctic Leases). The vessels were delivered in 2006 and the lease agreements are for 25 years from delivery. Her Majesty's Revenue and Customs (HMRC) has been challenging the use of similar lease structures and has been engaged in litigation in one case, which was decided in the autumn of 2015 in favour of HMRC. In the event of a formal challenge by HMRC regarding the lessors' right to claim capital allowances under the Arctic Leases, this would lead to higher rental payments to the UK vessel lessors, which would have a negative effect on the earnings of the lessee companies and consequently on Höegh LNG.

Leif Höegh (U.K) Limited, as managing owner and operator of the vessels, has been in dialogue with HMRC since 2005 and has presented the factual background to and the business rationale for entering into the lease agreements back in 2002. The latest exchange of letter with HMRC in September 2021 has not materially changed Joint Gas Two Ltd.'s assessment and no provision has been made.

Colombian Municipal Industry and Commerce Tax

On 8 April 2022, the group's Colombian subsidiary received a notification from the Tax Administration of Cartagena assessing a penalty of approximately USD 1.8 million for failure to file the 2016 to 2018 Municipal Industry and Commerce Tax ("ICT") returns. ICT is imposed on gross receipts on customer invoices and is similar to a sales tax. The municipal tax authorities have alleged that the subsidiary's customer invoices are for industrial activities performed within the municipal jurisdiction. However, all of the subsidiary's activities take place offshore which is outside of the municipality's borders. According to Colombian law, municipalities do not have jurisdiction over maritime waters or low-tide areas. Management intends to deny the allegations and file an appeal to vigorously defend the Colombian subsidiary's position. Accruals for loss contingencies are recorded when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. Management, with advice of its outside legal advisors, has assessed the status of this matter and has concluded that an adverse judgment after concluding an appeals process is not probable. As a result, no provision has been made in the consolidated financial statements. Management estimates the range of possible loss for 2016-2021, including accrued interest, to be approximately USD 1.3 million to USD 2.9 million as of 31 December 2021, plus additional accrued interest thereon until final disposition of the ICT allegation.

Pending arbitration with the charterer of PGN FSRU Lampung

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

Pending Class Action Lawsuit relating to Höegh LNG Partners LP
On 27 October 2021 and 3 November 2021, two purported unit holders filed a class action securities fraud lawsuit in the United States District Court for the District of New Jersey against Höegh LNG Partners LP and certain of its current and former officers, alleging violations of the Securities Exchange Act of 1934. Höegh LNG Partners LP believes the allegations are without merit and intends to vigorously defend against them.

Note 32: Subsequent events

Klaipédos Nafta, the charterer of Independence, has publicly announced that it intends to exercise its purchase option to acquire Independence at the end of the existing charter, which runs until the fourth quarter of 2024

On 24 March 2022, the Company announced that it had created a first ranking pledge over its ownership of 15.26 million common units of Höegh LNG Partners LP, in favour of the Bond Trustee (on behalf of the bond holders), to secure all present and future obligations and liabilities of Höegh LNG under the bond issues HLNG03 and HLNG04.

On 8 April 2022, the group's Colombian subsidiary received a notification from the Tax Administration of Cartagena, assessing a penalty of approximately USD 1.8 million for failure to file the 2016 to 2018 ICT returns. Refer to note 31 under "Contingent liabilities" and "Colombian Municipal Industry and Commerce Tax" for details and management's assessment.

On 21 April 2022, Höegh LNG Holdings Ltd. raised USD 19.8 million in new equity from its shareholder.

The recent tragic events in Ukraine may continue to impact the market for LNG as well as for LNG carriers and FSRUs, in particular because Russia is a major global exporter of crude oil and natural gas, but also generally. While near-term business opportunities may arise for the company in Europe, the potential effects of the ongoing conflict in Ukraine are complex to project and therefore highly uncertain, including any potential effects on the group's business and operations.

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 2021	31 Dec 2020
Net interest-bearing debt	**1 440 524**	**1 536 287**
Equity adjusted for hedging	**743 505**	**757 048**
EQUITY RATIO ADJUSTED FOR HEDGING	**30%**	**30%**

NET INTEREST-BEARING DEBT

USD'000	Note	31 Dec 2021	31 Dec 2020
Interest-bearing debt including lease liabilities, current and non-current		(1 613 745)	(1 703 055)
Restricted cash, non-current	14	30 662	16 895
Cash and cash equivelents including restricted cash and marketable securities	14	142 558	149 873
NET INTEREST-BEARING DEBT		**(1 440 524)**	**(1 536 287)**

HEDGE RESERVES

USD'000	Note	31 Dec 2021	31 Dec 2020
Net MTMs of financial liabilities in parent and subsidiaries	13	(54 808)	(90 712)
Net MTMs of financial liabilities in joint ventures and associates	13	(46 675)	(64 850)
Changes in MTMs not recorded as OCI:			
Net foreign exchange (gain) losses under cross currency swaps included in MtM		5 225	(5 834)
Accumulated break cost paid		(4 285)	(4 285)
Accumulated loss on swap in profit or loss		8 068	5 783
HEDGE RESERVES INCLUDING NON-CONTROLLING INTEREST SHARE		**(92 474)**	**(159 897)**

EQUITY ADJUSTED FOR HEDGING TRANSACTIONS

USD'000	31 Dec 2021	31 Dec 2020
Equity	651 031	597 151
Hedge reserve, including non-controlling interest share	92 474	159 897
EQUITY ADJUSTED FOR HEDGING TRANSACTIONS	**743 505**	**757 048**

EQUITY RATIO ADJUSTED FOR HEDGING TRANSACTIONS

USD'000	31 Dec 2021	31 Dec 2020
Total assets	2 429 209	2 473 350
Hedge reserves in JVs for investments presented as assets	46 675	54 203
Hedges recorded as assets	(2 780)	(134)
TOTAL ASSETS ADJUSTED FOR HEDGING TRANSACTIONS	**2 473 104**	**2 527 418**
EQUITY ADJUSTED FOR HEDGING TRANSACTIONS	**743 505**	**757 048**
EQUITY RATIO ADJUSTED FOR HEDGING TRANSACTIONS	**30%**	**30%**

06

Financial statements Höegh LNG Holdings Ltd. For the year ended 31 December 2021

Höegh Giant

STATEMENT OF INCOME 1 JANUARY – 31 DECEMBER

USD'000	Note	2021	2020
Administrative expenses	9	(5 320)	(15 330)
OPERATING RESULT		**(5 320)**	**(15 330)**
Interest income	6	12 352	14 285
Dividends received	16	14 532	28 451
Impairment of investments in subsidiaries	3	-	(400 591)
Impairment of loans to subsidiaries	5	-	(82 061)
Interest expenses	7	(32 327)	(25 359)
Income from other financial items	17	403	6 058
Expenses from other financial items	17	(2 546)	(12 010)
LOSS FOR THE YEAR AFTER TAX		**(12 906)**	**(486 556)**

STATEMENT OF COMPREHENSIVE INCOME 1 JANUARY – 31 DECEMBER

USD'000	Note	2021	2020
LOSS FOR THE YEAR AFTER TAX		**(12 906)**	**(486 556)**
Items that may be subsequently reclassified to profit			
Net gain on cash flow hedges	8	5 572	6 755
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**5 572**	**6 755**
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(7 334)**	**(479 802)**

STATEMENT OF FINANCIAL POSITION

USD'000	Note	31 Dec 2021	31 Dec 2020
ASSETS			
Non-current assets			
Investments in subsidiaries	3	218 183	218 183
Loans to subsidiaries	5	358 608	340 425
Investment in associates	4	43 125	34 500
Other receivables		-	505
Cash collateral	13	20	-
Other non-current financial assets	8	2 072	1 350
Total non-current assets		**622 008**	**594 964**
Current assets			
Loans to associates	5	1 777	-
Trade receivables		1 482	1 510
Other current financial assets	8	13	170
Cash and cash equivalents	10	26 146	23 682
Total current assets		**29 418**	**25 362**
TOTAL ASSETS		**651 426**	**620 327**
EQUITY AND LIABILITIES			
Equity			
Share capital	11	12	773
Share premium reserve		556 260	447 715
Treasury shares		-	(11)
Contributed surplus		154 753	-
Other paid-in equity		295	295
Hedging reserves	8	(6 561)	(12 133)
Retained earnings		(386 336)	(140 882)
Total equity		**318 424**	**295 756**
Non-current liabilities			
Other non-current financial liabilities	8	9 315	5 943
Other mortgage debt	14	-	60 000
Other debt	14	44 000	-
Bonds	12	**-**	250 807
Total non-current liabilities		**53 315**	**316 750**
Current liabilities			
Bonds	12	266 447	-
Accrued interest	14	4 431	3 515
Trade and other payables		952	271
Provisions and accruals		12	241
Other current financial liabilities	8	7 846	3 794
Total current liabilities		**279 688**	**7 821**
TOTAL EQUITY AND LIABILITIES		**651 426**	**620 327**

Hamilton, Bermuda, 26 April 2022

The Board of Directors and the President and CEO of Höegh LNG Holdings Ltd.

Morten W. Høegh
Chairman

Johan Pfeiffer
Deputy Chairman

Leif O. Høegh
Director

Martine Vice Holter
Director

Alberto Donzelli
Director

John Kwaak
Director

Tonesan Amissah
Director

Thor Jørgen Guttormsen
President and CEO

STATEMENT OF CHANGES IN EQUITY

USD'000	Note	Share capital	Share premium reserve	Treasury shares	Con-tributed surplus	Other paid-in equity	Hedging reserves	Retained earnings	Total equity
At 1 January 2020		**773**	**447 656**	**(11)**	-	**(307)**	**(18 888)**	**347 578**	**776 800**
Shares granted to board of directors		-	60	0	-	-	-	-	60
Share-based payment cost		-	-	-	-	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**	**(11)**	**-**	**295**	**(12 133)**	**(140 882)**	**295 756**
Total comprehensive loss	8	-	-	-	-	-	5 572	(12 906)	(7 334)
Shareholder contribution	2	-	-	-	48 066	-	-	-	48 066
Amalgamation effects	2	(761)	108 546	11	106 687	-	-	(232 548)	(18 065)
At 31 December 2021		**12**	**556 260**	**-**	**154 753**	**295**	**(6 561)**	**(386 336)**	**318 424**

Of the Shareholder contribution of USD 48.1 million, USD 47.2 was settled in cash.

STATEMENT OF CASH FLOWS 1 JANUARY – 31 DECEMBER

USD'000	Note	2021	2020
Cash flows from operating activities:			
Loss before tax for the year		(12 906)	(486 556)
Adjustments to reconcile loss before tax to net operational cash flow			
Board of directors remuneration paid out in shares		-	60
Impairment of investments in subsidiaries	3	-	400 591
Impairment of loans to subsidiaries	5	-	82 061
Interest income	6	(12 352)	(14 285)
Interest expenses	7	32 327	25 359
Net loss on derivatives and other financial instruments		1 992	5 256
Dividends received from Höegh LNG Partners LP	16	(14 532)	(28 451)
Working capital adjustments (changes in receivables and payables)		1 590	10 622
I) NET CASH FLOWS FROM OPERATING ACTIVITIES		**(3 881)**	**(5 343)**
Cash flows from investing activites:			
Dividends received from Höegh LNG Partners LP	16	14 532	28 451
Grants lending to subsidiaries		(32 822)	(69 247)
Grants lending to associates		(1 750)	-
Repayments lending to subsidiaries		26 000	30 000
Interest received		-	553
Investments in associates	4	(8 625)	(9 375)
II) NET CASH FLOWS FROM INVESTING ACTIVITIES		**(2 664)**	**(19 618)**
Cash flows from financing activites:			
Dividend paid	16	-	(1 905)
Interest paid		(25 309)	(23 960)
Payment of debt issuance cost, bond discount, amalgamation fees and financial fees		(24 013)	(5 091)
Repayment and buy-back of bonds (incl. paid accrued interest, swap settlement and premium)	14	(12 453)	(161 500)
Repayment of RCF	14	(70 000)	-
Shareholder contribution		47 213	-
Proceeds from borrowings gross	14	93 592	166 685
Acquired foreign exchange options under the credit support agreements		-	(4 352)
Decrease (Increase) in restricted cash and cash collateral	13	(20)	4 088
III) NET CASH FLOWS FROM FINANCING ACTIVITIES		**9 009**	**(26 035)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III)		**2 464**	**(50 996)**
Cash and cash equivalents at 1 January		23 682	74 678
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	10	**26 146**	**23 682**

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.

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 Höegh LNG Holdings Ltd not 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, and Höegh LNG Holdings Ltd. On 30 March 2021 the amalgamation was approved at a special general meeting. The amalgamation was completed on 4 May 2021, after which the company became wholly owned by LHC and MSIP through their 50/50 joint venture, Larus Holding Limited, and the company's shares were delisted from the Oslo Stock Exchange on 27 May 2021.

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 2021 were approved by the board of directors on 26 April 2022.

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.

Before the amalgamation described under note 1 was effectuated, LHC controlled about 49% of the shares of Höegh LNG Holdings Ltd. and considered Höegh LNG Holdings Ltd. to be a subsidiary of LHC for accounting purposes. The basis for the amalgamation was that LHC contributed both shares in its subsidiary Höegh LNG Holdings Ltd. and cash upon formation of JVCo. MSIP contributed cash in exchange for its shares in JVCo, thereby creating a 50/50 joint venture where the two owners are deemed to have joint control of the company. JVCo is therefore considered by management to be a joint venture under IFRS 11. The contributed shares in Höegh LNG Holdings Ltd. and the contributed cash were thereafter transferred by JVCo to its subsidiary Larus Limited, in exchange for shares in Larus Limited, and used to acquire the remaining issued and outstanding shares of Höegh LNG Holdings Ltd. owned by the public shareholders up until the time of the amalgamation becoming effective.

The amalgamation does not fall within the definition of a business combination under the accounting standard IFRS 3 Business combinations, since neither JVCo, as a newly formed company, nor Höegh LNG Holdings Ltd. (in a reverse acquisition) can be identified as an acquirer. The amalgamation is therefore not regulated by IFRS 3, nor any other accounting standard in IFRS.

As required by IAS 8, management has considered how transactions of the same nature typically have been accounted for and concluded that this transaction has many similarities with a business combination under joint control, where pooling of interests method is commonly applied to account for the transaction. As Höegh LNG Holdings Ltd. was a subsidiary of LHC before the amalgamation, and that JVCo is considered a joint venture under joint control, management has elected to account for the amalgamation using the pooling of interests method. As a result, the financial statements are prepared on the basis of a continuation of the company's financial statements at the time of completion of the amalgamation.

As presented in the statement of change in equity, the amalgamation was executed under Bermudan Companies Law by cancelling and extinguishing the outstanding shares and treasury shares in Höegh LNG Holdings Ltd. and replacing them with the new share capital in the amalgamated company issued to the owner Larus Holding Limited. Classification of share premium, contributed surplus and other paid-in capital pre-amalgamation, was continued in the amalgamated company, net of costs related to the amalgamation process.

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 value 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 receivables, cash collateral, other receivables, cash and cash equivalents, cash collateral, intercompany loans and derivatives.

The company classifies its financial assets in three categories:

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

- 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.

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 assets 12 months from the 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 loss given default level based on expected shortfall of contractual cash flows. The company recognises an impairment if present value of estimated future cash flows is lower than the asset's gross carrying value. 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 other debt. 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 value 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	2021	2020
Carrying value at 1 January	218 183	518 172
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
Share-based payment	-	602
CARRYING VALUE AT 31 DECEMBER	**218 183**	**218 183**

Refer to Note 22 in the consolidated financial statements disclosing information of the company's share-based payment program.

COUNTRY OF INCORPORATION

USD'000	2021	2020
Höegh LNG Ltd.	-	-
Höegh LNG Partners LP	218 182	218 182
Höegh LNG General Partner LLC	1	1
CARRYING VALUE AT 31 DECEMBER	**218 183**	**218 183**

Companies	Registered office	Ownership share	Carrying value 31 Dec 2021
Höegh LNG Ltd.	Bermuda	100.00%	-
Höegh LNG Partners LP	Bermuda	45.72%	218 182
Höegh LNG General Partner LLC	Marshall Islands	100.00%	1
TOTAL			**218 183**

Impairment assessment
Following a significant drop in the price per common unit during 2021, the market value of the Company's share of common units in Höegh LNG Partners LP ("HMLP") was considerably lower than the carrying value of the investment per 31 December 2021. Management concluded that this was an impairment indicator which would trigger an impairment test to be performed. The recoverable amount for investments carried at cost is the higher of fair value (market value) of the company's share of common units in the subsidiary and value-in-use for the majority owned net assets of the subsidiary. Value-in-use for the majority owned net assets of the subsidiary is calculated applying the same methodology and assumptions for discounted cash flows as used for the group impairment test for vessels (see Note 11 to the consolidated financial statements), with certain appropriate adjustments to reflect net assets. The recoverable amount based on value-in-use for the majority owned net assets of the subsidiary was at the same level as the carrying amount of the investment in Höegh LNG Partners LP. Hence no impairment was required for 2021.

Note 4: Investments in associates

USD'000	**2021**	**2020**
Carrying value at 1 January	34 500	25 125
Purchase of shares in Avenir LNG Limited	8 625	9 375
CARRYING VALUE AT 31 DECEMBER	**43 125**	**34 500**

The company made an investment in Avenir LNG Limited (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. In 2021, the company subscribed for additional 8 625 000 shares increasing its holding to 23.66% on 31 December 2021 (year-end 2020: 23.4%). The company has no remaining capital commitments as of 31 December 2021.

Avenir took delivery of two 7 500cbm LNG newbuildings, Avenir Accolade and Avenir Aspiration in March 2021 and October 2021, respectively. Avenir Accolade, on delivery, entered into a 3-year charter with LNG Power Limited, a subsidiary of New Fortress Energy. Avenir Aspiration on the other hand will be positioned in the Mediterranean to service Avenir's newly constructed LNG storage and distribution terminal in the Italian port of Oristano, Sardinia which commenced operations in August 2021. Avenir LNG plans to source and ship LNG to the terminal using its own vessel, and supply LNG in the Sardinian market. In December 2021, Avenir sold its first 20 000cbm newbuilding, Avenir Allegiance, to Shanghai SIPG Energy Service Co., Ltd ("SSES") a Chinese joint venture between Shanghai International Port Group ("SIPG") and Shenergy Group ("Shenergy"), and entered into a joint collaboration agreement where Avenir will provide operational, technical and marketing services to support SSES. As of 31 December 2021, Avenir has three 7,500cbm dual-purpose small-scale LNG vessels in operation. Avenir has two remaining newbuildings under construction expected to be delivered in 2022.

Reference is made to Note 20 in the consolidated financials disclosing 100% of condensed numbers in the associate's statement of comprehensive income for 2021 and 2020 and statement of financial position on 31 December 2021 and 2020, respectively.

Note 5: Loans to subsidiaries and associates

LOANS TO SUBSIDIARIES

USD'000	2021	2020
Non-current receivables Höegh LNG Ltd. at face value	416 124	404 020
Non-current receivables Höegh LNG Partners LP at face value	24 545	18 465
GROSS CARRYING VALUE AT 31 DECEMBER AT FACE VALUE	**440 669**	**422 486**

USD'000	2021	2020
Impairment non-current receivables Höegh LNG Ltd.	82 061	82 061
Impairment non-current receivables Höegh LNG Partners LP	-	-
IMPAIRMENT AT 31 DECEMBER	**82 061**	**82 061**

USD'000	Note	2021	2020
Non-current receivables Höegh LNG Ltd. net of impairment	15	334 063	321 959
Non-current receivables Höegh LNG Partners LP net of impairment	15	24 545	18 465
CARRYING VALUE AT 31 DECEMBER NET OF IMPAIRMENT		**358 608**	**340 425**

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 on 31 December 2021 amounted to USD 24.5 million (USD 18.5 million on 31 December 2020). 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. A draw of USD 6 million on the loan was made during the year.

No impairments or reversals of previous impairments were made during 2021 related to the loans to subsidiaries. During 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 was not fully recoverable.

LOANS TO ASSOCIATES

USD'000	2021	2020
Current receivables Avenir LNG at face value	1 777	-
GROSS CARRYING VALUE AT 31 DECEMBER AT FACE VALUE	**1 777**	**-**

USD'000	2021	2020
Impairment current receivables Avenir LNG	-	-
IMPAIRMENT AT 31 DECEMBER	**-**	**-**

USD'000	Note	2021	2020
Current receivables Avenir LNG net of impairment	15	1 777	-
CARRYING VALUE AT 31 DECEMBER NET OF IMPAIRMENT		**1 777**	**-**

On 23 November 2021, the company entered into a revolving loan agreement with Avenir LNG of up to USD 5.25 million of which USD 1.75 million has been drawn as of 31 December 2021. The interest rate of the facility is 5% per annum. The borrower pays a commitment fee of 40% of the interest rate on the undrawn amount. The revolving credit matures 23 November 2022 (with borrower's optionality of voluntary prepayment prior to this date).

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

Note 6: Interest income

USD'000	Note	2021	2020
Interest income from loan to Höegh LNG Ltd.	15	11 282	13 946
Interest income from revolving credit facility with Höegh LNG Partners LP	15	945	64
Interest income from revolving loan to Avenir LNG	15	27	-
Other interest income		97	274
TOTAL INTEREST INCOME		**12 352**	**14 285**

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

Note 7: Interest expenses

USD'000	2021	2020
Interest expenses from bond issue 2015 (HLNG02)	-	3 208
Interest expenses from bond issue 2017 (HLNG03)	11 828	13 530
Interest expenses from bond issue 2020 (HLNG04)	11 673	6 580
Interest expenses from corporate facility	6 853	-
Interest expenses from revolving credit facility issue 2020 (RCF)	1 970	2 341
Reimbursement of swap interest expenses	-	(299)
Other interest expenses	3	-
TOTAL INTEREST EXPENSES	**32 327**	**25 359**

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	2021	2020
MTMs presented as financial assets non-current portion	2 072	135
MTMs presented as financial liabilities non-current portion	(9 315)	(5 943)
MTMs presented as financial liabilities current portion	(7 846)	(3 794)
Net MTMs of interest rate swaps on 31 December	**(15 089)**	**(9 602)**
Accumulated exchange losses (gains) under CCIRS included in MTM	8 528	(2 531)
INTEREST RATE SWAPS RECORDED AGAINST EQUITY ON 31 DECEMBER	**(6 561)**	**(12 133)**

Changes in MTMs of interest rate swaps from previous year	**(5 487)**	**15 472**

USD'000	2021	2020
Changes recorded to other comprehensive income	5 572	6 755
Separate component of equity (currency portion of CCIRS) recorded to profit (loss)	(11 059)	8 717
TOTAL CHANGES IN MTMs OF INTEREST RATE SWAPS FROM PREVIOUS YEAR	**(5 487)**	**15 472**

Notional amount of hedge instruments	**311 322**	**283 644**
Maturity dates	Multiple	Multiple
Hedge ratio	1:1	1:1

The company had entered cross currency interest rate swaps relating to NOK bonds HLNG03 and HLNG04. On 31 December 2021, the mark-to-market valuation of the interest rate swaps was recognised in the financial position with a net liability of USD 15.1 million (net liabilities 31 December 2020 USD 9.6 million).
On 31 December 2021, interest rate swaps recorded against equity was negative by USD 6.6 million (negative of USD 12.1 million at year-end 2020).

The notional amount of hedge instruments as of 31 December 2021 includes certain forward starting cross currency interest rate swaps of USD 34.2 million (CCIRS) which commences in 2022 certain of the original CCIRS which are hedging the HLNG03 bond loan matures.

Note 9: Administrative expenses

USD'000		2021	2020
Remuneration to board members		146	233
Audit fees		308	208
External services		1 109	1 068
Indemnification of boil-off claim	15	713	11 850
Management fee from companies within the group	15	2 480	1 882
Other		565	89
TOTAL ADMINISTRATIVE EXPENSES		**5 320**	**15 330**

Note 10: Cash and cash equivalents

Currency	Exchange rate 31 Dec 2021	2021 USD'000	Exchange rate 31 Dec 2020	2020 USD'000
US Dollars (USD)	1	26 140	1	16 634
Norwegian Kroner (NOK)	8.8175	6	8.5326	7 047
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**26 146**		**23 682**

Note 11: Share capital

The share capital of the company of USD 773 thousand pre-amalgamation in May 2021 was cancelled and extinguished as part of the amalgamation. Post-amalgamation, the company retained the share capital of Larus Limited of USD 12 000.

On 31 December 2021, the company's share capital was therefore USD 12 000, consisting of 1 200 000 fully paid common shares, each with a par value of USD 0.01. All the shares in the company are owned by Larus Holding Limited, a 50/50 joint venture between Leif Höegh & Co Ltd. and Funds managed by Morgan Stanley Infrastructure Partners.

Note 12: Bonds

NON-CURRENT LIABILITIES

USD'000	2021	2020
Bond issue 2017 (HLNG03)	-	141 223
Bond issue 2020 (HLNG04)	-	113 682
Amortisation of bond issue discount (HLNG04)	-	(2 090)
Debt issuance cost bond issue (HLNG03)	-	(331)
Debt issuance cost bond issue (HLNG04)	-	(1 677)
CARRYING VALUE AT 31 DECEMBER	**-**	**250 807**

CURRENT LIABILITIES

USD'000	2021	2020
Bond issue 2017 (HLNG03)	125 205	-
Bond issue 2020 (HLNG04)	147 434	-
Amortisation of bond issue discount (HLNG04)	(1 906)	-
Debt issuance cost bond issue (HLNG03)	(1 221)	-
Debt issuance cost bond issue (HLNG04)	(3 065)	-
CARRYING VALUE AT 31 DECEMBER	**266 447**	**-**

The HLNG03 and HLNG04 bond loans have maturity dates in August 2023 and January 2025 respectively. However, both loans have been classified as current interest-bearing debt on 31 December 2021 because the bondholders of each of the bond loans have a right to require that the company purchases all or some of the bonds held by a bondholder at a price equal to 102% of par if a Credit Event has not occurred by 1 April 2022. A Credit Event means that either:

i. An amount of at least USD 100 000 000 has been contributed to the company as new equity or other fully subordinated and non-cash interest/non-amortising capital subsequent to 4 May 2021; or

ii. first ranking security is created over the company's ownership of common units of Höegh LNG Partners LP.

As of 31 December 2021, the company has raised USD 47.2 million in new equity after 4 May 2021 and will need to raise an additional USD 52.8 million before 1 April 2022 to comply with item i) above, or alternatively fulfil item ii). On 24 March 2022, the company fulfilled item ii) by creating a first ranking pledge over its ownership of 15.2 million common units of Höegh LNG Partners LP in favour of the Bond Trustee (on behalf of the bondholders). As a result, USD 266.4 million will be reclassified from current to non-current debt in first quarter 2022.

The company completed a NOK 330 million bond loan tap issuance in June 2021 in the HLNG04 bond loan, paired with a buy-back of NOK 101 million in the HLNG03 bond loan. The tap issue was priced at 97% of par value and the total outstanding amount after the tap issue was NOK 1 300 million as of 31 December 2021. Total outstanding amount on HLNG03 as of 31 December 2021 was NOK 1 104 million. 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 23.5 million during 2021 (2020: USD 23.3 million).

Note 13: Cash collateral

USD'000	2021	2020
Carrying value on 1 January	-	4 088
Change in cash collateral	20	(4 088)
CARRYING VALUE ON 31 DECEMBER	**20**	**-**

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.

On 31 December 2021, the company has posted USD 20 thousand in cash collateral.

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 value		Fair value	
USD'000	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Financial assets at fair value through other comprehensive income (FVTOCI)				
Mark-to-market of interest rate swaps	2 072	135	2 072	135
Total financial assets at FVTOCI	**2 072**	**135**	**2 072**	**135**
Financial assets at fair value through profit or loss (FVTPL)				
Derivatives	13	860	13	860
Total financial assets at FVTPL	**13**	**860**	**13**	**860**
Financial assets at amortised cost				
Interest-bearing receivables	360 385	340 425	360 385	340 425
Trade receivables and other receivables	1 482	2 015	1 482	2 015
Other financial assets	-	526	-	526
Cash collateral	20	-	20	-
Cash and cash equivalents	26 146	23 682	26 146	23 682
Total financial assets at amortised cost	**388 032**	**366 648**	**388 032**	**366 648**
TOTAL FINANCIAL ASSETS	**390 118**	**367 642**	**390 118**	**367 642**
TOTAL NON-CURRENT FINANCIAL ASSETS	**360 700**	**342 280**	**360 700**	**342 280**
TOTAL CURRENT FINANCIAL ASSETS	**29 418**	**25 362**	**29 418**	**25 362**

FINANCIAL LIABILITIES

	Carrying value		Fair value	
USD'000	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Financial liabilities at fair value through other comprehensive income (FVTOCI)				
Mark-to-market of interest rate swaps	17 161	9 737	17 161	9 737
Total financial liabilities at FVTOCI	**17 161**	**9 737**	**17 161**	**9 737**
Financial liabilities at amortised cost				
Trade and other payables and accrued interest	5 383	3 786	5 383	3 786
Revolving credit facility	-	60 000	-	60 343
Other debt	44 000	-	44 000	-
Bonds	266 447	250 807	254 033	228 576
Total financial liabilities at amortised cost	**315 830**	**314 593**	**303 416**	**292 705**
TOTAL FINANCIAL LIABILITIES	**332 991**	**324 329**	**320 577**	**302 442**
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**53 315**	**316 750**	**53 315**	**294 861**
TOTAL CURRENT FINANCIAL LIABILITIES	**279 676**	**7 581**	**267 262**	**7 581**

On 31 December 2021, accrued interest was USD 4.4 million comprising USD 3.8 and 0.7 million related to bonds and other debt, respectively.

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 and other receivables, loans to associates, cash collateral, and trade and other payables approximate their carrying values 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 value.

The fair value of financial instruments measured at fair value (interest rate swaps and derivatives) 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 other debt and 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.
On 31 December 2021, the fair values were 94.96% (91.95% on 31 December 2020) and 91.66% (86.84% on 31 December 2020) for HLNG03 and HLNG04, respectively.

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

USD'000	**1 Jan 2021**	**Cash flows repayment and buy-back of bonds**	**Cash flows new interest bearing debt**	**Foreign exchange movement**	**Other**	**31 Dec 2021**
Current bond issue	-	-	-	-	266 447	266 447
Non-current other debt	-	-	44 000	-	-	44 000
Non-current revolving credit facility	60 000	(70 000)	10 000	-	-	-
Non-current bond issues	250 807	(12 118)	39 592	(9 740)	(268 542)	-
TOTAL LIABILITIES FROM FINANCING ACTIVITIES	**310 807**	**(82 118)**	**93 592**	**(9 740)**	**(2 095)**	**310 447**

During the year, the company repaid and cancelled the up to USD 80 million revolving credit facility, while drawing USD 44 million on a new bank facility ("Other debt"). Due to the nature of the USD 44 million facility, no interest rate swaps have been entered. The loan has a floating interest rate equal to 3 months LIBOR plus a margin. The loan matures 3 May 2024 and repayments will incur on a quarterly basis with equal instalments each quarter starting 27 January 2023.

The net movement in “other” column comprises payments and amortisation of debt issuance cost and bond issue discount. The USD 266 million movement in “other” column relates to reclassification from non-current to current. Reference is made to Note 12 for information on the reclassification.

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 2021	31 Dec 2020
Subsidiary			
Höegh LNG Ltd.	5	334 063	321 959
Höegh LNG Partners LP	5	24 545	18 465
Associate			
Avenir LNG Limited	5	1 777	-
TOTAL RECEIVABLES AGAINST RELATED PARTIES		**360 385**	**340 424**

INTEREST INCOME AND FEES FROM RELATED PARTIES

USD’000	Note	2021	2020
Subsidiary			
Höegh LNG Ltd.	6	11 282	13 946
Höegh LNG Partners LP	6	945	64
Associate			
Avenir LNG Limited	6, 17	397	516
TOTAL INTEREST INCOME AND FEES FROM RELATED PARTIES		**12 625**	**14 526**

ADMINISTRATIVE EXPENSES TO RELATED PARTIES

USD’000	Note	2021	2020
Subsidiary			
Höegh LNG AS	9	2 480	1 882
Höegh LNG Partners LP	9	713	11 850
TOTAL ADMINISTRATIVE EXPENSES TO RELATED PARTIES		**3 192**	**13 732**

For Höegh LNG Partners LP, the amounts include settlement of indemnities for certain excess boil-off in 2020 and 2021.

Note 16: Dividends

The company has during 2021 received quarterly dividends from Höegh LNG Partners LP, totalling USD 14.5 million (2020: USD 28.5 million). During 2021, the company has not paid out any dividends to its shareholders (2020: USD 1.9 million).

Note 17: Expenses and income from other financial items

USD'000	Note	2021	2020
Income from other financial items			
Gain on foreign exchange[1]		33	5 542
Guarantee fees accrued	15	370	516
INCOME FROM OTHER FINANCIAL ITEMS - GROSS		**403**	**6 058**
Expenses from other financial items			
Loss on foreign exchange[1]		(1 420)	(7 884)
Fair value adjustment USD/NOK FX call options	8	(847)	(3 493)
Expensed settlement on extinguished NOK 101 million swap related to buy-back of bonds		(127)	-
Other financial expenses		(151)	63
Credit support agreement amendment expenses		-	(696)
EXPENSES FROM OTHER FINANCIAL ITEMS - GROSS		**(2 546)**	**(12 010)**
EXPENSES FROM OTHER FINANCIAL ITEMS - NET		**(2 143)**	**(5 952)**

[1] Of the USD 2.3 million net 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. The fair value changes of the foreign exchange hedges were recorded in the statement of profit or loss.

Note 18: Commitments and guarantees

On 31 December 2021, Höegh LNG had no remaining outstanding investment commitment in Avenir LNG Limited (Avenir).

By the end of 2021, Avenir had completed the construction of four of its six newbuildings. In connection with the debt financing of one of the completed vessels, Höegh LNG Holdings Ltd. has provided a sponsor's guarantee with a maximum liability amount of USD 6.9 million plus interests and costs.

On 31 December 2021, Avenir had two vessels under construction, where the three main shareholders have provided certain guarantees to the shipyards in connection with the shipbuilding contracts signed by Avenir. These two vessels are scheduled for completion in 2022. The guarantees issued for the two vessels under construction cover a total amount of USD 22.9 million (plus change orders and interests). The three main shareholders have entered into counter-indemnity agreements for the guaranteed 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. Also, the three 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 32 in the consolidated financial statements for events after the balance sheet date.

Höegh Galleon

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Höegh LNG Holdings Ltd

Opinion

We have audited the financial statements of Höegh LNG Holdings Ltd (the Company and the Group), which comprise the statement of financial position as at 31 December 2021, the statement of income, statement of comprehensive income, statement of cash flows and statement of 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 comply with applicable legal requirements and give a true and fair view of the financial position of the Company and the Group as at 31 December 2021 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the board of directors.

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 requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities 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.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 16 years from the incorporation and election by the general meeting of shareholders in 2006 for the accounting year 2006.

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 2021. 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.

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Impairment evaluation of vessels

Basis for the key audit matter
The book value of vessels as of 31 December 2021 was USD 1 954.6 million and represented 80.5 % of the Group's total assets. Due to continued challenging market conditions in 2021, management identified impairment indicators and tested recoverable amounts of each vessel, by comparing each vessel's carrying amount to value in use. The value in use impairment testing is dependent on a several assumptions such as future charter rates, deployment, operating expenses and discount rates (weighted average cost of capital), all impacted by future market developments and economic conditions. The estimation of future uncontracted cash flows requires significant judgment related to if or when a new FSRU 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.

Our audit response
Our audit procedures included evaluating management's assessment of impairment indicators for vessels and the assumptions applied in the value in use calculations. 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. We involved an internal valuation specialist in the assessment of the impairment model and discount rates applied. Furthermore, we tested the mathematical accuracy of the value in use calculations and assessed management's sensitivity analyses.

Refer to note 11 of the consolidated financial statements.

Provisions for Uncertain Tax Positions in Indonesia

Basis for the key audit matter
As of 31 December 2021, the Group has recognised a provision of USD 9.0 million for uncertain tax positions including associated interest and penalties in Indonesia. The Group's tax positions in Indonesia are subject to audit by local taxing authorities and the resolution of such audits may take several years. Indonesian 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 recognized.

We identified the provisions for uncertain tax positions in Indonesia as a key audit matter because auditing the identification, recognition and measurement of the provision includes a higher degree of judgment. The judgment was due to the Group's interpretation of, and compliance with, numerous and complex tax laws. In addition, a higher degree of auditor judgment was required in evaluating the Group's estimate of the ultimate resolution of its tax positions in Indonesia.

Our audit response
Our audit procedures included, among others, evaluating management's interpretation of Indonesian tax law by developing an independent assessment. For example, we involved local tax professionals with specialized skills to assist us in obtaining an understanding of and assessing the technical merits and the amount of the provision recognized related to the Group's tax positions. We inspected the Group's correspondence and assessments with the relevant Indonesian tax authorities. We evaluated third-party advice obtained by management in relation to specific Indonesian income tax law. We tested the completeness and accuracy of the underlying data used by management to calculate its uncertain tax positions in Indonesia. We assessed the adequacy of the Group's disclosures around uncertain tax positions.

Refer to note 23 of the consolidated financial statements.

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Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and the president and CEO) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information or that the information required by applicable legal requirements is not included, 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 and the Group'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 the Group, or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group'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 and the Group's ability to

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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 and the Group 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 the board of directors 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 the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 the board of directors, 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.

Report on other legal and regulatory requirement

Report on compliance with regulation on European Single Electronic Format (ESEF)

Opinion

As part of our audit of the financial statements of Höegh LNG Holdings Ltd we have performed an assurance engagement to obtain reasonable assurance whether the financial statements included in the annual report, with the file name hoeghlngholdingsltd-2021-12-31-en, has been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation given with legal basis in Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements included in the annual report have been prepared, in all material respects, in compliance with the ESEF Regulation.

Management's responsibilities

Management is responsible for the preparation of an annual report and iXBRL tagging of the consolidated financial statements that complies with the ESEF Regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary to enable the preparation of an annual report and iXBRL tagging of the consolidated financial statements that is compliant with the ESEF Regulation.

Auditor’s responsibilities

Our responsibility is to express an opinion on whether, in all material respects, the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation based on the evidence we have obtained. We conducted our engagement in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – “Assurance engagements other than audits or reviews of historical financial information”. The standard requires us to plan and perform procedures to obtain reasonable assurance that the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation.

As part of our work, we performed procedures to obtain an understanding of the company’s processes for preparing its annual report in XHTML format. We evaluated the completeness and accuracy of the iXBRL tagging and assessed management’s use of judgement. Our work comprised reconciliation of the iXBRL tagged data with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Oslo, 26 April 2022
ERNST & YOUNG AS

The auditor's report is signed electronically

Magnus Hegertun Birkeland
State Authorised Public Accountant (Norway)

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