HÖEGH LNG

ANNUAL REPORT / 2023

Annual Report 2023

Cover photo
Neptune

About Höegh LNG

Höegh LNG is a pioneer within maritime energy infrastructure, providing fast-track floating LNG terminals to facilitate for national and regional energy security around the world. The flexibility provided by floating terminal solutions also supports the transition to clean, carbon-free energy.

We are a leading innovator, owner and operator of Floating Storage and Regasification Units (FSRUs) and LNG carriers (LNGCs). Both are critical to energy security, and a foundation for future technologies and infrastructure for decarbonisation of global energy systems.

For over 50 years, we have connected energy producers and end-users via safe and reliable access to critical and cost competitive LNG infrastructure. FSRUs are strategic assets that provide countries and energy companies with rapid, flexible and cost-efficient access to the global LNG market. Today, half of our capacity is deployed in Europe.

Technical and commercial innovation in addition to operational excellence and a competent and purpose-built organisation have made us a leader within the expanding LNG import terminal market. These factors will remain the foundation for long-term value creation and future growth. Moreover, we are at the forefront of developing clean energy terminal infrastructure, pioneering advancements in ammonia, hydrogen (H2), and carbon capture and storage (CCS). By championing these sustainable solutions, we ensure our relevance and resilience across diverse energy transition scenarios.

Höegh LNG is a Bermudian entity with approximately 900 employees at sea and onshore, with presence in Norway, Singapore, Germany, Lithuania, United Kingdom, USA, Indonesia, Egypt, Colombia, Brazil, France and the Philippines.

Höegh LNG Holdings Ltd. is owned by Larus Holding Ltd., a 50-50 joint venture between Leif Höegh & Co. Ltd. and Floating Infrastructure LP. Leif Höegh & Co. Ltd. is indirectly controlled by the third generation of the Høegh family, while Floating Infrastructure LP is owned by funds managed by Morgan Stanley Infrastructure Partners.

Please see: **www.hoeghlng.com**

KEY FINANCIAL FIGURES

(in USD'000 unless otherwise indicated)	2023	2022
INCOME STATEMENT		
Total income	520 872	380 788
Operating profit before depreciation and impairment (EBITDA)	338 187	153 231
Operating profit after depreciation and impairment	220 408	37 955
Profit (loss) for the year	96 955	(55 409)
BALANCE SHEET AS OF 31 DECEMBER		
Equity adjusted for hedging transactions	780 609	699 216
Adjusted equity ratio (%)	30	29
Net interest-bearing debt	1 380 186	1 336 667
CASH FLOWS		
Net cash flows from operating activities	307 322	163 040
Net cash flows from investing activities	(206 305)	(180 938)
Net cash flows from financing activities	(29 280)	30 608
Net increase in cash and cash equivalents	71 737	12 710

OPERATIONAL KPIs

	2023	2022
Technical availability (%)	99.8	99.7
Lost time injury frequency (per million work hours)	0.3	0.0

FLEET LIST

Vessel	Type	Ownership (%)	Built	Flag	Storage capacity (m^3)	Regas capacity (MMscf/d)
Arctic Princess	LNGC	34	2006	NIS	147 980	
Arctic Lady	LNGC	50	2006	NIS	147 797	
Hoegh Gandria	LNGC	100	2013	MHL	160 000	
Neptune	FSRU	50	2009	NIS	145 037	750
Cape Ann	FSRU	50	2010	FRA	145 145	750
Independence	FSRU	100	2014	SGP	170 132	750
PGN FSRU Lampung[1]	FSRU	49	2014	IDN	170 011	375
Höegh Gallant	FSRU	100	2014	NIS	170 051	500
Höegh Grace	FSRU	100	2016	MHL	170 313	532
Hoegh Giant	FSRU	100	2017	SGP	170 032	750
Höegh Esperanza	FSRU	100	2018	NIS	170 116	750
Hoegh Gannet	FSRU	100	2018	SGP	170 070	1 000
Hoegh Galleon	FSRU	100	2019	SGP	170 348	750

[1] Consolidated with 100%

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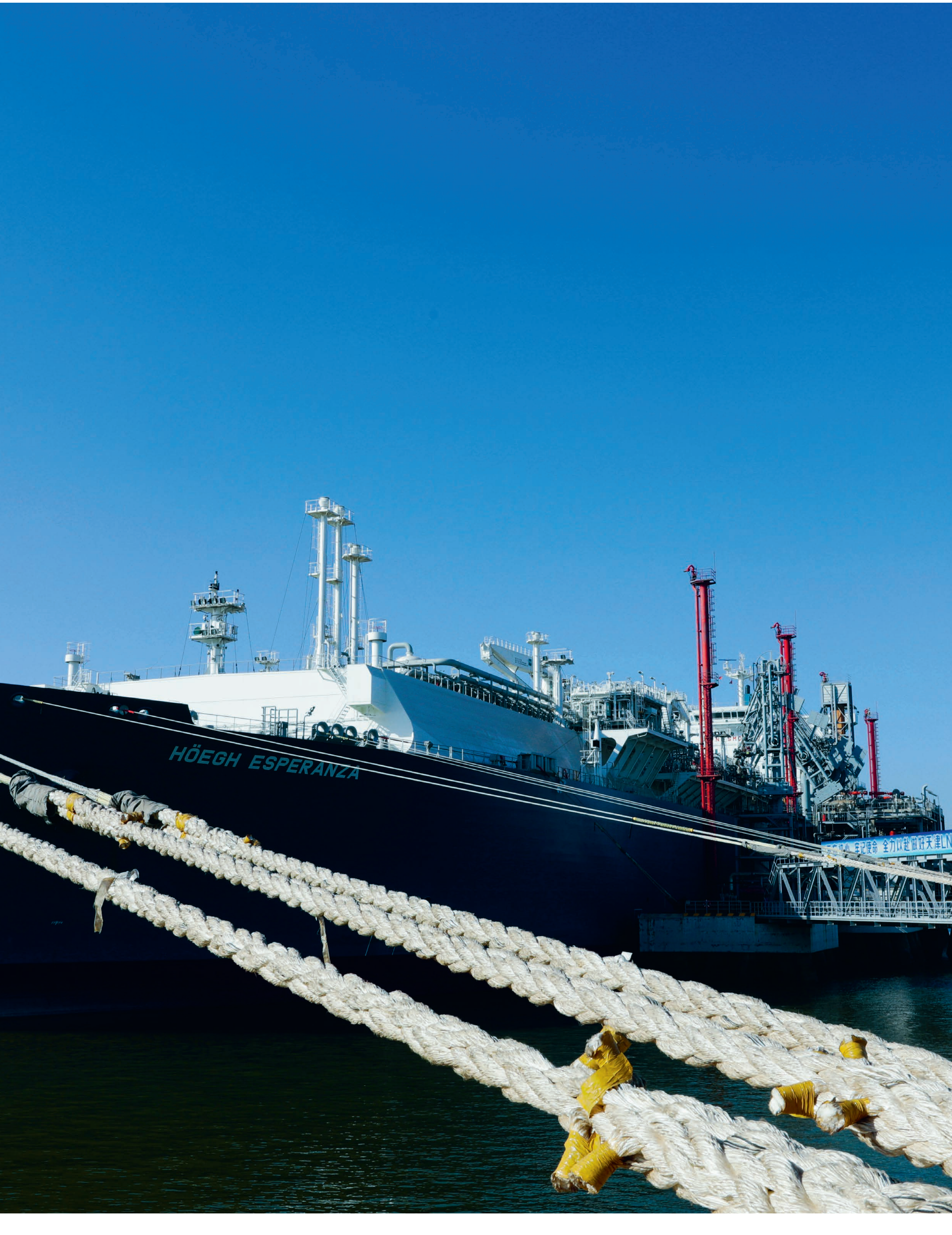
Delivering energy security and transition


HÖEGH ESPERANZA

Delivering energy security and transition

2023 was an extraordinary year for Höegh LNG, with record profitability, delivery of critical LNG infrastructure in Europe, and launching of new innovative clean energy concepts.

Global LNG demand reached in 2023 a new high at 406 million tonnes. Rapid deployment of regasification infrastructure, especially in Europe, was crucial in mitigating supply disruptions and stabilising the market after unprecedented turbulence since late 2021. Simultaneously, the expanding LNG carrier fleet led to lower freight rates.

In this market, Höegh LNG successfully commissioned three new terminals in Europe. These achievements were no small feat - they placed tremendous demands on our entire organization. My sincere gratitude goes out to our people and our customers and partners who together have delivered fast-track LNG terminal solutions securing gas supply to Germany and France.

The year also saw the energy transition gaining momentum, creating significant opportunities for sustainable growth. At Höegh LNG, we are firmly committed to drive the energy transition responsibly, serving as both a trusted LNG infrastructure provider and a leading pioneer of clean energy solutions.

Sustainability and clean energy strategy
Our focus on ESG, sustainability and energy transition gained significant traction in 2023. Our overall climate ambition is to reduce carbon emissions by 50% and operate our first net zero-carbon FSRU by 2030, and we remain resolute on our commitment to achieve this goal.

Our commitment to safety stands as our highest priority and in 2023, we proudly initiated a "Safer Together" program, fostering a safety culture throughout the group. Our goal is clear: zero harm to people and the environment.

Second year running, Höegh LNG achieved a 5-star rating and this year with an outstanding score of 100 out of 100 in the GRESB infrastructure assets benchmark report, reflecting our dedication to sustainability and operational excellence.

In 2023, we started delivering on our clean energy strategy, putting our plan into action with groundbreaking concepts.

The ammonia-to-hydrogen cracker project was progressed together with partners Wärtsila, BASF, Sustainable Energy and Norwegian research institutes, with support of the Norwegian government. FID was taken to build a pilot plant during 2024 and we expect to have a large-scale technology ready by 2028 for floating solutions.

A new hybrid FSRU concept was launched to the market. This groundbreaking innovation will allow our existing FSRUs to serve as dual-purpose import terminals in the future. By installing the large-scale ammonia cracker onboard, the FSRUs will be able to distribute both natural gas and hydrogen to the grid.

Höegh LNG and Aker BP entered into a partnership to deliver complete CCS solutions

\ The rapid need for energy transition creates significant opportunities for sustained growth.

to European industrial emitters. The joint efforts involve CO2 transportation and storage solutions, including innovative Floating CO2 Storage Units (FCSO). By 2028-2029, the aim is to offer market-leading decarbonization solutions, contributing significantly to Europe's energy transition.

Record high results – prospects for growth
In 2023, we delivered the highest net result in the company's history – driven by all the new contracts for our fleet of FSRUs. Höegh LNG also achieved a significant milestone by refinancing and securing new loan and corporate debt facilities of more than USD 1 billion, reducing our cost of debt and providing funds for further growth.

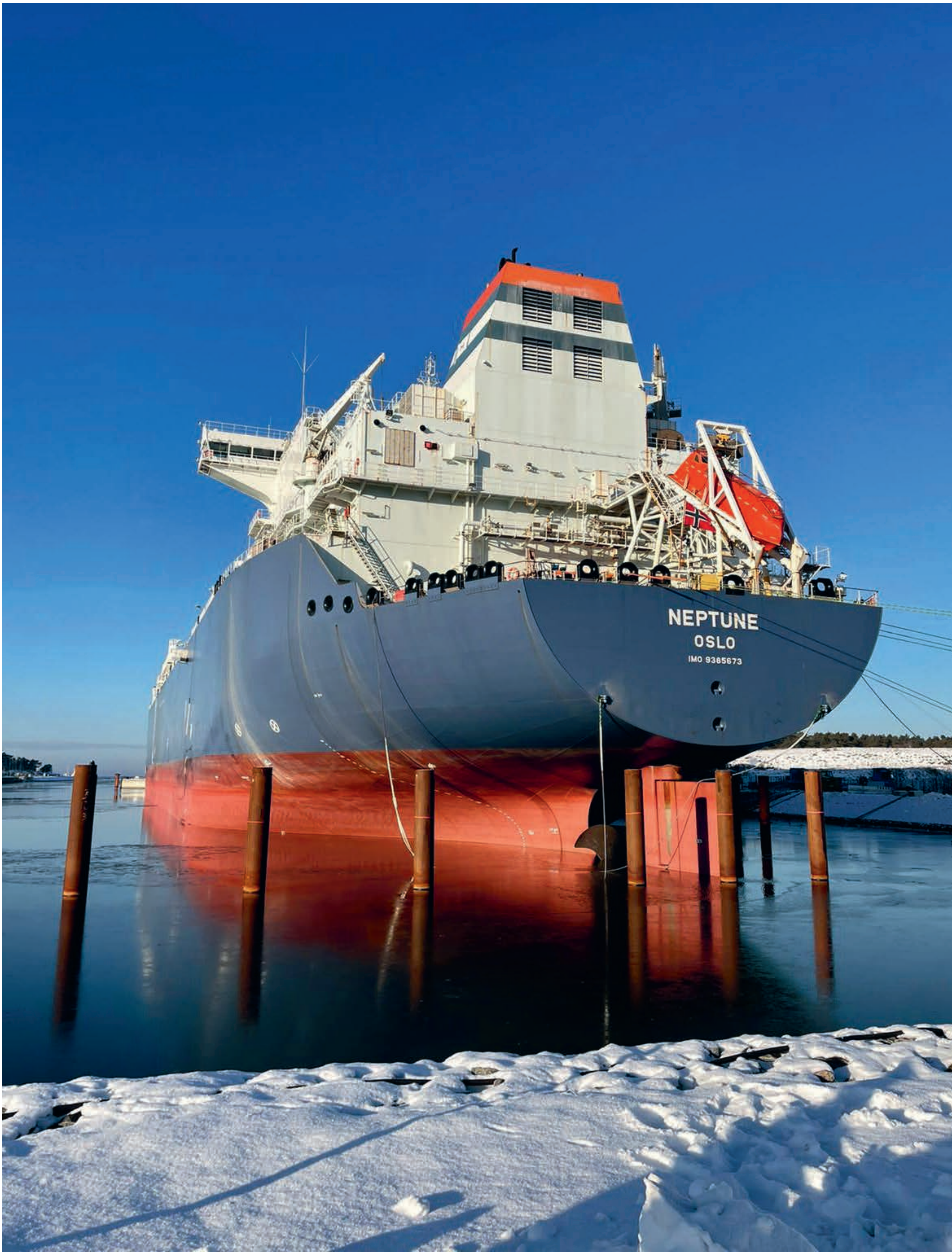
As part of our growth strategy, we completed the acquisition of the LNG carrier Golar Seal (later renamed Hoegh Gandria) in March 2023, securing a valuable asset with potential for conversion into a FSRU. In December 2023, Höegh LNG also joined forces with VTTI B.V. to create the Zeeland Energy Terminal in or near the port of Vlissingen in the Netherlands. This marks our first origination endeavor in years, underscoring our commitment to delivering energy security and transition in Europe.

The FSRU market is poised for growth, driven by the build-out of more liquefaction capacity, particularly in the US and Quatar, and increased LNG carrier capacity. We see market opportunities across Asia and South America in addition to opportunities for further expansion in Europe. Höegh LNG, with its modern and sophisticated fleet and robust operational track record, remain well positioned to succeed in the market.

The rapid need for energy transition creates significant opportunities for sustained growth. With our clean energy strategy, we expect to play a pivotal role, leveraging our expertise in floating terminals, liquid gas handling and marine gas transportation.

I am enthusiastic about navigating Höegh LNG, alongside our team, customers, partners, and shareholders, towards our purpose of accelerating countries to energy security and transition.

Erik Nyheim
President and CEO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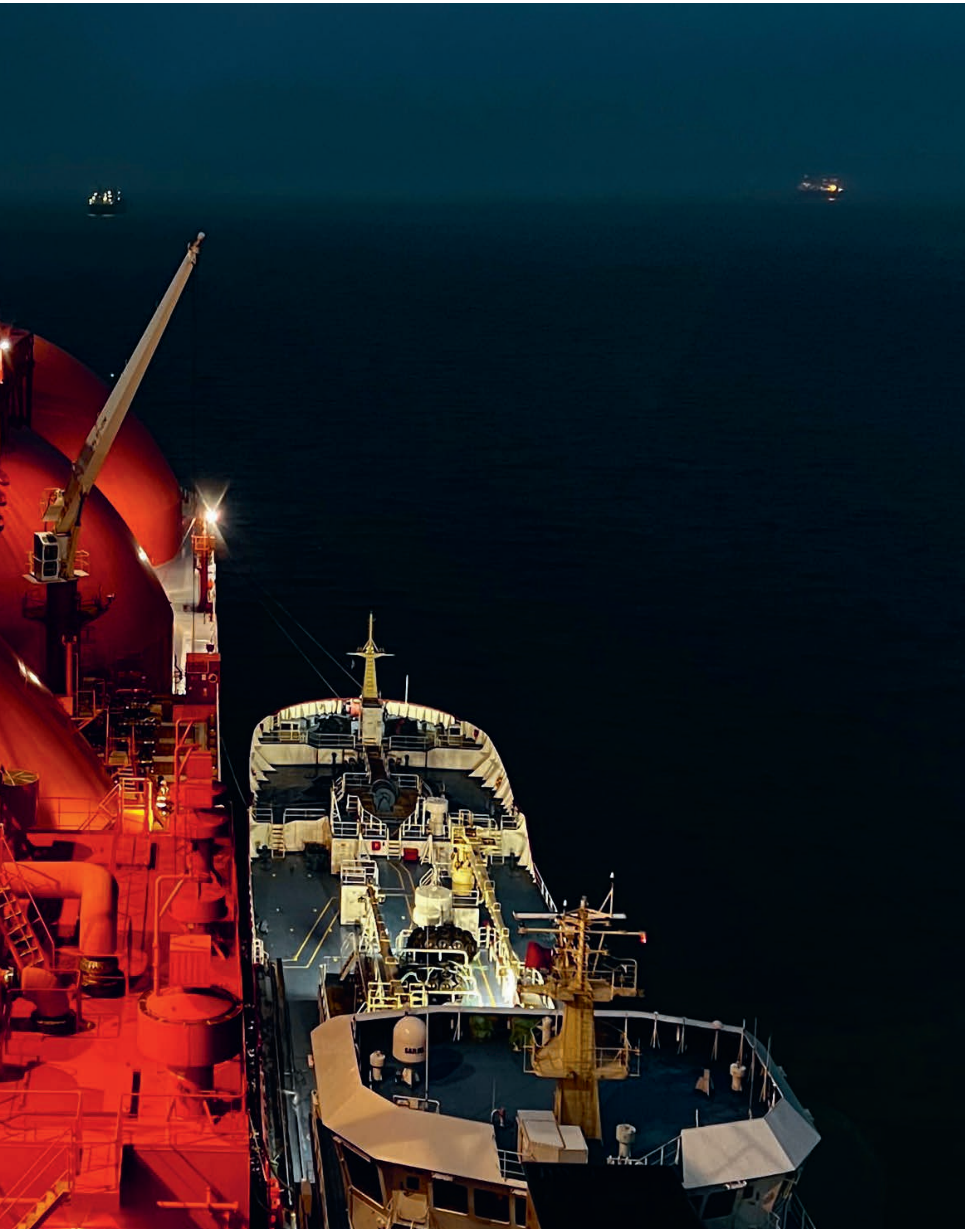

Directors' report for 2023

In 2023, global demand for LNG grew steadily to a record high of 406 million tonnes. The expansion of the global LNG carrier fleet played a key role in reducing freight rates from their previous peak levels which stabilised the market. The upward trajectory of the LNG market is expected to continue, fuelled by robust growth in liquefaction capacity. Amid this bustling market, Höegh LNG successfully commissioned three new LNG import terminals in Europe and are actively exploring further opportunities in the floating import terminal market. While last year emphasized energy security globally, the current narrative has pivoted towards the need for energy transition. In response, Höegh LNG are strategically positioned through introducing the Hybrid FSRU concept, whereby our existing FSRUs can be upgraded to distribute both hydrogen and natural gas. Additionally, our ammonia floating terminal concept further aligns with sustainable energy goals and our partnership agreement with Aker BP on CCS aims to drive industry decarbonization in Europe.

Höegh LNG Holdings Ltd. ("Höegh LNG Holdings" or the "company") and its subsidiaries and joint ventures (together "Höegh LNG" or "the group") is a privately owned group which operate worldwide and is the global market leader for floating storage and regasification units (FSRUs).

With the company's registered office located in Hamilton, Bermuda, the group operates worldwide and are present in Oslo (Norway), Manila (Philippines), Singapore, London (UK), Miami (USA), Jakarta (Indonesia), Klaipeda (Lithuania), Cairo (Egypt), Cartagena (Colombia), Hamburg (Germany), Le Havre (France) and Santos (Brazil).

Strategic direction

Höegh LNG provides cost competitive and flexible LNG infrastructure that forms the basis for energy security and independence, enabling the transition to a low carbon future.

Our critical LNG infrastructure allows all countries with a coastline to access global LNG markets. LNG can be sourced globally and shipped through specialised LNG carriers, providing natural gas consumers with an abundant sourcing flexibility compared to gas transported in fixed pipelines.

We drive technological and commercial innovation in our markets and continuously seek excellence in our operations to maximise value for our stakeholders while ensuring safety and well-being of our employees and minimising the impact on the environment.

We create growth and value by offering a solution addressing three megatrends affecting global energy systems:

- Energy security is a top geopolitical priority, where all nations require a robust plan for capacity of supply to meet current and future energy demand and redundancy

- Cost of energy, including universal access to affordable and abundant energy
- Energy transition and changes to the energy mix to decarbonise energy systems and minimise potential environmental and climate change impacts

Our strategic beliefs, direction and ambitions consider the impact of these megatrends on Höegh LNG as a company and our industry. They guide how we develop to reach our full potential and generate long-term value. We plan to grow our LNG infrastructure business and innovate clean energy terminal solutions for emerging markets such as carbon capture and storage (CCS), ammonia, hydrogen and other segments – all supported by our world-class operations.

Sustainability

Höegh LNG is deeply committed to guiding the energy transition responsibly, serving as both a trusted LNG provider and a leading advocate for clean energy solutions. The commitment extends beyond rhetoric to concrete action, prioritizing sustainability issues crucial to operations and stakeholders.

Last year, Höegh LNG achieved an impressive score of 97 out of a possible 100 in the GRESB assessment. Building upon this success, this year, thanks to the company's targeted efforts in addressing identified gaps and implementing improvements, Höegh LNG achieved an impressive score of a perfect 100! Focus areas include environmental impact, workforce health and safety, and climate resilience complemented by internal emphasis on diversity, inclusion, and fostering a positive corporate culture. Stakeholder dialogues and surveys validate the significance of these areas, underpinning the commitment to robust sustainability practices.

Impact on the external environment
In 2023, Höegh LNG observed a rise in scope 1 emissions compared to 2022, in particularly as last year four of our vessels underwent technical preparation in dock for operation, aligning this year emissions more closely with standard operational levels. Nevertheless, Höegh LNG remains steadfast in its pledge to slash carbon emissions (scope 1) by 50 percent and introduce its maiden net zero-carbon FSRU by 2030, with 2020 as the baseline.

To realise these ambitions, Höegh LNG is actively exploring power and shore-based water heating solutions for its FSRUs. In 2023, a significant step was taken with a pioneering initiative in Germany where hot water from nearby industries now supplies the onboard regas process plant, cutting emissions from potential regas boilers and showcasing fleet efficiency. This milestone underscores Höegh LNG's commitment to sustainable operations.

Concurrently, Höegh LNG has made significant strides in waste management, including grey water volume reduction systems, LED lighting, and a pilot study on food digestion to reduce waste. Efforts to limit plastic bottle usage have also been successful, with vessels now equipped with reusable bottles and dispensers.

Looking to 2024, Höegh LNG aims to expand food digestion systems, implement microplastic filters, and reduce plastic waste, demonstrating its commitment to responsible waste management and environmental stewardship.

Driving Clean Energy Solutions in 2023
In 2023, Höegh LNG demonstrated its commitment to advancing the global energy transition while ensuring commercial sustainability. The focus centered on pioneering clean energy solutions, such as floating ammonia terminals, ammonia to hydrogen conversion, blue hydrogen production, and carbon capture & storage (CCS) initiatives.

The introduction of hybrid FSRUs marked a significant milestone in energy infrastructure development. These vessels offer the dual capability of delivering both LNG and clean energy, providing a cost-effective solution for importing clean energy while ensuring energy security and transitioning away from fossil fuels. Advantages include utilising existing infrastructure, cost-effectiveness, flexibility, and readiness by 2028.

Additionally, Höegh LNG actively engaged in developing floating ammonia terminals to import, store, and distribute liquid ammonia to shore. Collaborations with partners like Wartsila, BASF, and Norwegian research institutes aim to implement an industrial-scale ammonia cracker on a floating terminal by 2028, facilitating hydrogen supply to end-consumers.

In partnership with Aker BP, Höegh LNG is committed to providing CCS services to combat climate change. Achieving a significant milestone in 2023 with Aker BP's receipt of a CO2 storage license, the collaboration aims by 2028-2029 to establish a robust CCS value chain on the Norwegian Continental Shelf, covering CO2 gathering, transportation, and secure injection for permanent storage in subsea reservoirs.

The dedication to driving positive change in the energy sector underscores Höegh LNG's commitment to sustainability and environmental stewardship. Through innovative solutions and strategic partnerships, Höegh LNG remains at the forefront of accelerating the energy transition towards a cleaner future.

More detailed information is available in the company's sustainability report for 2023 on: www.hoeghlng.com

Personnel
Höegh LNG had 202 permanent onshore employees and 693 maritime personnel as of 31 December 2023. The retention rate for 2023 was 97 percent for maritime personnel and 91 percent for onshore personnel. Average sickness absence among office employees in Oslo was stable around 2.0 percent.

Höegh LNG prioritizes employee development, aligning corporate goals with individual aspirations through our performance process. As we navigate industry challenges, we remain dedicated to empowering our team, driving excellence, and embracing diversity for continued success.

Diversity
In 2023, Höegh LNG made significant strides in empowering its workforce and fostering diversity and gender equality. Signing the WISTA "40 by 30" pledge underscored our commitment to achieving a 40 percent female leadership ratio by 2030 up from 23 percent at the end of 2023.

We are committed to fostering diverse and multinational crews onboard our fleet, ensuring respect for all, irrespective of gender, nationality, religion, or culture. Our ambition is to increase female representation from 2.7 percent in 2023 to 10 percent by 2030.

Safety
At Höegh LNG, safety stands as the highest priority. The company's HSEQ data reflects an unwavering dedication to safeguarding lives and the environment. Despite experiencing a slight uptick in incidents, our Lost Time Incident Frequency (LTIF) remained well below target, affirming our commitment to zero harm. Open communication channels encourage reporting and facilitate continuous improvement initiatives.

Comprehensive training programs empower our crew to uphold the highest safety standards, both at sea and onshore. Rigorous safety protocols ensure employee welfare onshore, while our proactive approach to security and emergency preparedness, including cyber threats, ensures readiness across all fronts.

Höegh LNG remains resolute in its commitment to safety, guided by data-driven insights and propelled by a pursuit of excellence.

Responsible supply chain

In 2023, Höegh LNG intensified its commitment to sustainability by enhancing the supplier evaluation process. Through a thorough tender process, a digital tool was selected to align with standards, particularly focusing on Environmental, Social, and Governance (ESG) factors and human rights within the supply chain.

This initiative reflects the company's dedication to systematically prioritise, enhance, and monitor suppliers. The aim is to strengthen the tools to identify potential risks early and enact appropriate action plans, fostering continuous improvement and collaboration throughout the supply chain.

Cyber security

In 2023, Höegh LNG made substantial progress in elevating its cyber security maturity level. After conducting an in-depth cyber risk assessment, Höegh LNG significantly strengthened its cybersecurity measures group-wide. This was achieved through the initiation of IT systems upgrades onboard vessels, migration and enhancement of IT technical infrastructure, and the implementation of comprehensive employee training programs. These measures collectively reinforce our resilience against potential cyber threats. Integration of the NIST cyber security framework and partner audits ensures transparency and alignment with industry standards. Höegh LNG remains committed to sustaining and enhancing strong cyber security measures.

CSRD - Upcoming reporting requirements

In 2023, Höegh LNG began laying the groundwork for compliance with the Corporate Sustainability Reporting Directive (CSRD), undertaking materiality assessments and incorporating climate-related risks into its analyses. As we have progressed into 2024, Höegh LNG is actively engaged in conducting gap analyses and implementing robust governance structures for sustainable CSRD practices. We are preparing to be ready for implementation of CSRD for the annual report for 2024 which will further enhance our sustainability reporting.

Review of 2023

Business development

Höegh LNG had a successful year on the business development front in 2023.

The acquisition of the LNG carrier Hoegh Gandria was completed in mid-March 2023. The vessel was subsequently at a yard in April for its 10th anniversary class renewal, and from late April it commenced employment on a one-year time charter contract.

Hoegh Giant finalised its interim LNG carrier time charter party by the end of the first quarter and commenced its long-term FSRU contract with TSRP/Compass in Brazil from beginning of the third quarter.

In September 2023, Höegh LNG and Aker BP entered into a strategic partnership to develop a fully comprehensive carbon transport and storage offering for industrial CO2 emitters in Northern Europe.

Hoegh Galleon ended its short-term time charter contract in the LNG carrier market at the end of September. From the beginning of the fourth quarter, the vessel commenced its long-term contract with AIE.

In December 2023, the charterer of Höegh Grace waived its charter termination option in 2026, which means that Höegh Grace will continue its employment in Colombia at least until 2031.

Höegh LNG entered in December 2023 into a joint development agreement with VTTI B.V. to develop the new Zeeland energy terminal in or near the port of Vlissingen in the Netherlands. The terminal will be based on a FSRU, which in time, plans to transition from import of LNG to hydrogen. The facility will be connected to one of the largest industrial clusters in the Netherlands and to the Dutch and European gas pipeline network and, sequentially, the hydrogen backbone. It is expected to be in operation in the second half of 2027.

Overall, the business development activity remains high, with ongoing dialogues for FSRU projects worldwide.

Operational performance
Throughout 2023, our fleet maintained stable operations with close to 100 percent technical availability.

The operational focus has been on preparing four vessels for FSRU operations in Europe and Brazil.

Neptune, under a long-term charter with TotalEnergies, commenced commercial regas operations for Deutsche ReGas in Lubmin, Germany, during January/February 2023.

Hoegh Gannet arrived in Brunsbüttel, Germany, in January 2023, earning regular charter hire during commissioning. Commissioning was successfully completed in November, initiating commercial regas operations.

Cape Ann, also under a long-term charter with TotalEnergies, was relocated to Le Havre, France, in September. By the end of October, Cape Ann completed commissioning and began delivering natural gas to the grid as France's inaugural FSRU.

Hoegh Giant, while idle for most of the second quarter of 2023, was repositioned to commence operations under its long-term contract in Brazil during the third quarter.

The board of directors acknowledges that 2023 posed significant challenges for the organization both onshore and at sea. We extend our heartfelt appreciation to all employees, both onshore and onboard the vessels, for their unwavering dedication and hard work.

Fleet development
On 31 December 2023, Höegh LNG had a fleet of 10 FSRUs and three LNG carriers (LNGCs), following the acquisition of Hoegh Gandria in March 2023. The average age of the assets in operation was 10.2 years, while the average remaining contract length per vessel was 7.8 years at the end of 2023.

For 2024, the fleet has close to 100 per cent contract coverage, with the exception of Hoegh Gandria, which is employed until end of August 2024.

Corporate activities
Refinancing
Throughout 2023 and into 2024, the group successfully refinanced and raised new loan and corporate debt facilities for the amount of USD 1.075 billion. Of this amount, $940 million has already been drawn, while the remaining amount is available credit lines. Of the USD 940 million drawn, USD 785 million was deployed to repay existing debt, including the HLNG03 bond loan. This significant milestone underscores Höegh LNG's financial prowess and operational

excellence, positioning it for sustained growth. This accomplishment has reinforced the confidence of existing relationship banks, but it has also attracted support from new lenders, further solidifying the company's reputation in the financial markets. For a comprehensive overview of the debt facilities, please refer to Note 6.3 in the consolidated financial statements.

Arbitration with charterer of PGN FSRU Lampung settled
With reference to the previously disclosed disputes and pending arbitrations with the charterer of PGN FSRU Lampung, the company reached in February 2024 an amicable settlement with the charterer. Both parties have agreed to settle all disputes, claims, and counterclaims that were subject to the arbitration proceedings. The arbitrations have been terminated with immediate effect, finally and irrevocably. The charter contract for PGN FSRU Lampung remains in full force and effect and each party will cover its own costs in relation to the terminated arbitrations.

LNG and FSRU market development

Coming from unprecedented turbulent and tight conditions in 2022, global LNG and gas markets gradually stabilised in 2023, with prices and price volatility moderating through the year, although events in the Middle East added some volatility and price pressure to expected seasonal effects in the fourth quarter. Global gas prices were nonetheless at elevated levels as compared to historical averages.

Global demand for LNG rose by 2.4 percent from 396 million tonnes in 2022 to a record high 406 million tonnes in 2023. Europe and Asia combined drove 93 percent of demand, with Asian imports picking up significantly in the fourth quarter. European imports were flat as compared to the year before and hence still more than 60 percent higher than in 2021.

In 2023, LNG carrier rates softened compared to the record highs of 2022. While spot rates surged towards the end of the third quarter, they retreated by year-end. Improved European import infrastructure, bolstered by new FSRU-based terminals since 2022, reduced bottlenecks and enhanced fleet capacity utilization. Major charterers, anticipating market conditions, secured sufficient tonnage, supporting a steep growth in the global carrier fleet. Term rates decreased throughout the year, reflecting both calmer gas markets and rapid fleet expansion. Despite an LNGC orderbook of over 300 units by year-end, newbuilding prices remained at record highs with extended lead times.

While global LNG supply growth is limited in the short-term, medium and long-term market growth is supported by advancing upstream liquefaction projects, not least in the US and Qatar. Only counting projects that are operational or have taken FID, global liquefaction capacity is expected to grow by more than 40 percent from 488 million tonnes per annum in 2023, to 689 million tonnes per annum in 2028.

The FSRU market remains active, with numerous projects in progress globally. In Europe, five FSRUs became operational in 2023, with four more expected by 2024. Additionally, two units are set for commissioning elsewhere by 2024. As of December 31, 2023, there were 47 FSRUs globally, excluding four barges with limited capacity. Almost all FSRUs are either in long-term contracts or committed to near-term contracts, leaving only one available for prompt delivery. Another FSRU newbuild is expected for delivery in 2026.

Financial results

Group figures
The financial statements of Höegh LNG consolidate its subsidiaries and include joint venture and associated companies in accordance with the equity method. Unless otherwise stated, figures for 2023 are compared with those of 2022.

Income statement
Höegh LNG demonstrated significant growth compared to the prior year and reported a total income of USD 520.9 million, up from USD 380.8 million in 2022. Similarly, operating profit before depreciation and amortisation (EBITDA) reached USD 338.2 million, marking a substantial increase from USD 153.2 million in the preceding year. The improved revenues and EBITDA are mainly explained by the new contracts for the fleet which commenced in late 2022 and in 2023, the addition of Hoegh Gandria to the fleet in 2023, and reduced administrative expenses compared to the previous year. Operating profit was USD 220.4 million in 2023 (USD 38.0 million). Net financial expenses amounted to USD 111.7 million in 2023 (USD 90.8 million).

The group reported a net profit of USD 97.0 million for 2023, a substantial improvement compared to the loss of USD 55.4 million reported in 2022. This increase in profitability was primarily driven by the higher EBITDA, although it was partly offset by increased depreciation and interest costs largely caused by the addition of the new vessel to the fleet.

Financial position
On 31 December 2023, the consolidated book value of assets totalled USD 2 610 million (USD 2 431 million). The change during 2023 mainly reflects the increase in current assets, including cash and cash equivalents and increase in vessels and spare parts following the acquisition of the LNG carrier Hoegh Gandria in March 2023 offset by depreciation of assets and amortisation of right-of-use assets.

The carrying amount of equity on 31 December 2023 was USD 780 million (USD 726 million). Net of mark-to-market of hedging reserves, the equity adjusted for hedging transactions was USD 781 million (USD 699 million), bringing the adjusted equity ratio to 30 percent (29 percent). The capital structure of Höegh LNG is considered to be adequate given the risks facing the group.

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 credit facilities and a bond loan. As of 31 December 2023, outstanding interest-bearing debt carried on the balance sheet totalled USD 1 656 million, net of debt issuance costs, compared to a total of USD 1 515 million as of 31 December 2022. The increase is mainly explained by new debt related to the acquisition of Hoegh Gandria of USD 111 million, as well as drawing down the USD 685 million debt facility to refinance Höegh Esperanza and Hoegh Gannet, which was also used to repay the outstanding debt for the HLNG03 bond and a corporate credit facility.

Cash flows and liquidity
Cash flows from operating activities in 2023 was USD 307.3 million, up from USD 163.0 million in 2022, owing mainly to increased EBITDA and variations in working capital.

Net cash flows used in investing activities amounted to USD 206.3 million (USD 180.9 million). The investments in 2023 are mainly related to the acquisition of Hoegh Gandria, while the investments in 2022 were mainly related to the acquisition of the public common units in Höegh LNG Partners LP.

Cash flows from financing activities were negative at USD 29.3 million (positive at USD 30.6 million), driven primarily by repayment of outstanding debt related to HLNG03 bond and build-up of restricted cash and cash collateral.

Total cash flows in 2023 was USD 71.7 million (USD 12.7 million). On 31 December 2023, unrestricted cash and cash equivalents amounted to USD 218.5 million (USD 146.8 million).

On 31 December 2023, the group's current interest-bearing debt was USD 426.5 million (USD 369.8 million), including debt related to Independence and Höegh Galleon. These repayments will be covered by cash flows generated from operations and other available liquidity, the refinancing of the Hoegh Galleon facility which was completed and upsized in January 2024 and the consideration which will be received from the sale of Independence in December 2024 (the charterer of Independence has declared its purchase option).

Going concern

The annual financial statements have been prepared under a going concern assumption, and the board of directors confirms that this assumption is fulfilled.

Parent company financials

The total comprehensive loss for the parent company on a stand-alone basis in 2023 was USD 4.9 million (income of USD 24.1 million). The decrease from 2022 is mainly related to impairment on shares in associate and losses on cash flow hedges.

On 31 December 2023, total assets were USD 704 million (USD 947 million), while the equity ratio was 76 percent (57 percent). Cash flows in 2023 was negative at USD 5.4 million (negative at USD 3.6 million). On 31 December 2023, the company held USD 17.2 million in cash and cash equivalents (USD 22.6 million).

Risk and risk management

Risk management

Höegh LNG manages 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.

The company also complies with the requirements of ISO 45001:2018 Occupational Health and Safety Management Systems as well as meeting the International Safety Management (ISM) standard.

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 the organisation. Enterprise risk is assessed on a regular basis by the management and reported to the board on quarterly intervals.

Market risk

The group's fleet comprises ten modern FSRUs and three LNG carriers. The entire fleet is either operating under or committed to long-term contracts with strong counterparties, except the LNG carrier Hoegh Gandria which is currently employed on a one-year LNGC contract ending in March 2024. A new LNGC contract has recently been concluded for another five months. The average remaining contract length per vessel was 7.8 years at the end of December 2023.

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 risk (interest and foreign exchange rates impacted by rising inflation), 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.

Interest rate risk

Höegh LNG is exposed to increase in interest rates on its interest-bearing debt as all interest-bearing debt in Höegh LNG is subject to floating interest rates. However, the group has entered into fixed interest-rate swaps for close to 90 percent of the debt facilities until end of their maturity and is therefore not exposed in any material way to fluctuations in interest-rate levels on existing debt facilities. Generally, for new debt facilities to be drawn in the future, including refinancing of balloon amounts at maturity of existing debt, the group is exposed to interest rate risk, and has not entered into any derivatives to hedge such risk.

Currency risk

Höegh LNG's business transactions, capitalised assets and liabilities are mainly denominated in USD which is the reporting currency. The majority of its foreign exchange exposure relates to administrative expenses denominated in NOK, totalling around NOK 373 million in 2023. The group has per 31 December 2023 outstanding forward rate agreements (FRA's) totalling NOK 350 million (USD 33 million), to hedge budgeted administration expenses in NOK by buying NOK and selling USD. In addition, Höegh LNG has certain revenues in euros. Höegh LNG's NOK-denominated bond loan HLNG04 has been swapped to USD for the principal amount and the coupons using cross currency interest rate swaps (CCIRS).

Inflation risk

Höegh LNG is exposed to inflation risk on its vessel operating expenses and its administrative costs. However, for most of Höegh LNG's contracts, the inflation related to vessel operating expenses are recoverable from the customers through inflation adjustment mechanisms agreed in the contracts for the portion of contracted revenues earmarked for covering daily operating costs. Changes in inflation have the potential to significantly influence both current and projected interest rate levels, thereby directly affecting the valuation of financial derivatives like interest rate swaps.

Liquidity risk

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. As of December 31, 2023, the group had $318 million in total available liquidity, including undrawn corporate revolving credit facilities. Outstanding interest-bearing debt on the balance sheet amounts to $1.656 million. The debt will be repaid using cash flows from existing assets and through refinancing upon maturity. Despite substantial debt maturities in 2024 and 2025, Höegh LNG's solid contract backlog enhances its liquidity position, providing the group with a strong position to meet obligations and refinance debt ahead of maturity if necessary.

Credit risk
Customer credit risk is the risk that a counterparty does not meet its obligations to the group under a 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 382 million represented by the carrying amount of all financial asset in the balance sheet.

Tax risk
Operating in developing markets with complex tax environments poses challenges, including navigating tax regulations and continuously monitoring for compliance and risk mitigation. In some charter contracts, direct and indirect taxes such as withholding, payroll, and income tax based on the vessel's operating jurisdiction are effectively passed through to the charterer.

Shareholder information

As of 31 December 2023, 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.

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

The demand for FSRUs is expected to remain strong. While Höegh LNG has secured long-term contracts for its entire fleet of FSRUs, our business development team is in active dialogue with several potential new projects looking for FSRU capacity. The acquisition of Hoegh Gandria provides flexibility to pursue FSRU conversion opportunities.

Hamilton, Bermuda, 18 April 2024

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

Morten W. Høegh
Chairman

Johan Pfeiffer
Deputy Chairman

Carlo Ravizza
Director

Eric den Besten
Director

Alberto Donzelli
Director

John Kwaak
Director

Tammy L. Richardson-Augustus
Director

Erik Nyheim
President and CEO


HÖEGH
HÖEGH

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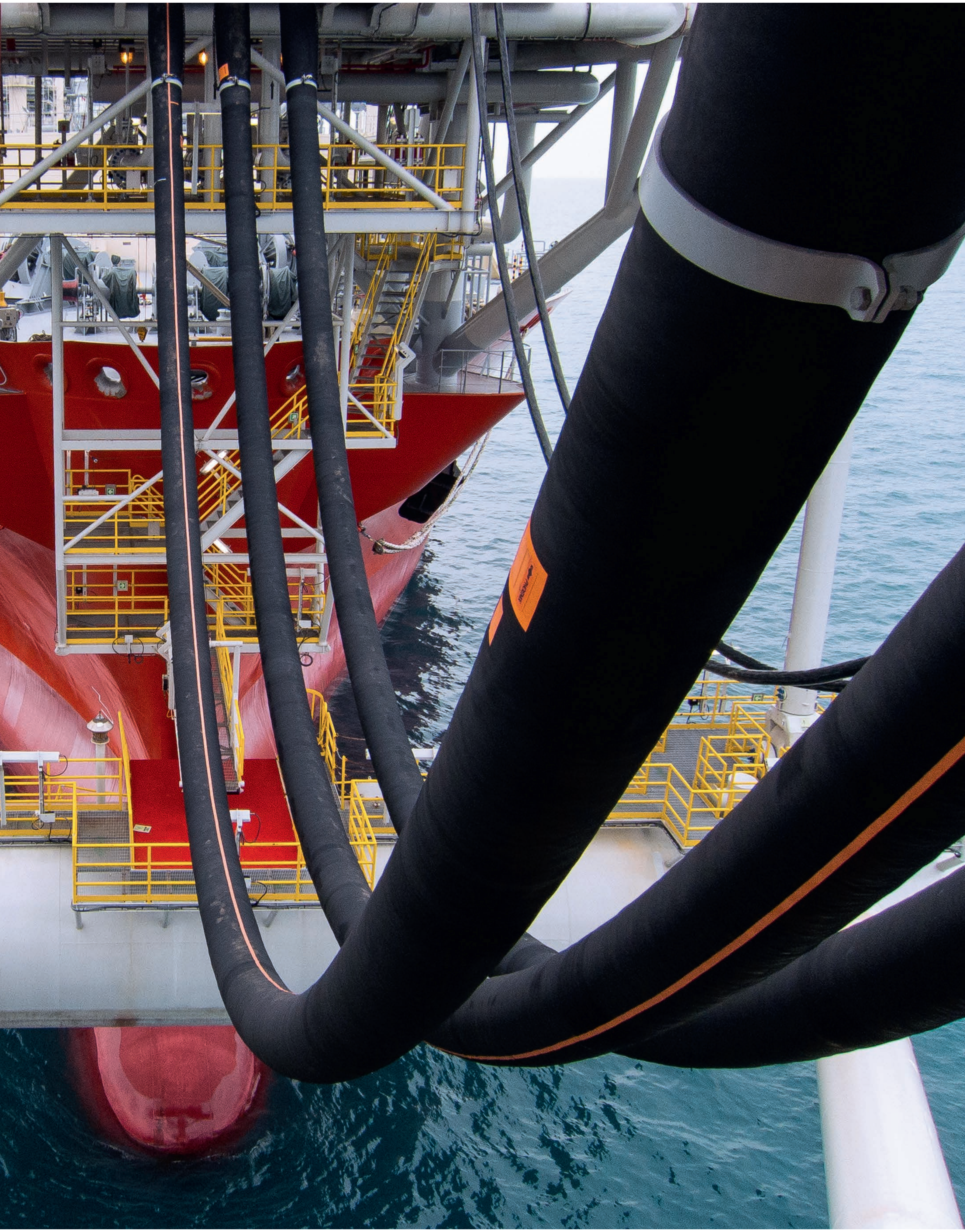

Corporate governance report

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

Höegh LNG Holdings Ltd. is a private company owned by Larus Holding Ltd., 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. Floating Infrastructure LP is owned by funds managed by Morgan Stanley Infrastructure Partners.

The company is subject to Bermudian law regarding corporate governance. As the company has one bond issued and listed on Oslo Børs (ticker: 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").

The company and its subsidiaries have adopted and implemented a corporate governance system which mainly complies with the Norwegian code of practice for corporate governance (the "Norwegian corporate governance code"). This system is designed to enhance business performance by mitigating risk and enhancing accountability, thereby maintaining stakeholder trust and the company's strong reputation in the financial market. The deviations from the Norwegian corporate governance code are primarily due to the company's status as a privately held entity incorporated in Bermuda. These deviations are further detailed 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

The company's purpose is accelerating countries to energy security and transition by providing innovative and flexible marine energy infrastructure. Höegh LNG's values are: (i) we innovate with customers and partners, (ii) we deliver excellence as one team, and (iii) we care for people and the planet.

Höegh LNG provides cost competitive and flexible LNG infrastructure that form the basis for energy security and independence, also enabling the transition to a low-carbon future. Our critical LNG infrastructure allows all countries with a coastline to access global LNG markets. As LNG can be sourced globally and is shipped onboard specialised LNG carriers, Höegh LNG's marine energy infrastructure provide consumers of natural gas an abundant sourcing flexibility compared to gas transported in fixed pipelines. In addition, we will pioneer Clean Energy solutions for ammonia, H2 and CCS enabling growth and providing robustness and relevancy in several energy transition scenarios.

We drive technological and commercial innovation in our markets and continuously seek excellence in our operations to maximise value for our stakeholders while ensuring the welfare of our employees and minimising the impact on the environment.

We create growth and value by offering solutions that address three megatrends affecting global energy systems;

- **Energy security** is a top geopolitical priority, where all nations require a robust plan for capacity of supply to meet current and future energy demand and redundancy
- **Cost of energy,** including universal access to affordable and abundant energy
- **Energy transition** and changes to the energy mix to decarbonise energy systems and minimise potential environmental and climate change impacts

Our strategic beliefs, direction and ambitions consider the impact of these megatrends on Höegh LNG as a company and our industry. They guide how we develop to reach our full potential and generate long-term value. We plan to grow our LNG infrastructure business and innovate clean energy terminal solutions for emerging markets such as carbon capture and storage (CCS), ammonia, hydrogen and other segments – all supported by our world-class operations.

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 and from 2021, the UN Sustainable Development Goals (SDGs). 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 as of 31 December 2023 was USD 12 000, consisting of 1 200 000 fully paid common shares, each with a par value of USD 0.01.

Book equity as of 31 December 2023 totalled USD 780 million. Net of mark-to-market of hedging reserves, the adjusted book equity on 31 December 2023 was USD 781 million.

The board regards the current level of equity and financing as adequate in view of Höegh LNG's objectives, strategy and risk profile. 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
As a private company, the board of directors has not established a dividend policy. Subject to certain restrictions putting a cap on dividend distributions, the board of directors will from time to time decide any dividends payable to the company's shareholder.

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 are 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.
- The company does not have a nomination committee.
- 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 (one female of seven directors).

There are no sub committees of the board. The full board act as audit committee.

Currently, the board consist of the following seven directors:

- Morten W. Høegh has served as chairman of Höegh LNG since 2006. Since 2003 he has been a director of Höegh Autoliners ASA (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 Partner of Höegh Capital Partners. Morten W. Høegh serves as a director and Chairman of Gard P&I (Bermuda) Ltd. and as chairman of its risk and election and governance committees as well as chairman of certain of its subsidiaries. He also serves as the Chairman of the West Europe committee of DNV. 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. 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).

- Carlo Ravizza has served as a director of Höegh LNG since June 2023 and board observer since 2011. He is an Investment Director at HCP and Board Member on various HCP's portfolio companies with over 15 years' experience in the principal investments and real assets space. Prior to HCP, Carlo Ravizza advised large corporates on strategy, corporate finance, M&A and restructuring projects while at McKinsey, Bain, JPMorgan, AlixPartners and Alvarez & Marsal. He holds a summa cum laude degree in finance and accounting from University of Torino and an MBA from London Business School.

- Alberto Donzelli has served as a director of Höegh LNG since May 2021. 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.

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

- Eric den Besten has served as a director of Höegh LNG since June 2023. Eric den Besten is the CEO of Hoegh Capital Partners ("HCP"). He was previously Chief Investment Officer of SHL Capital, a single-family office with controlling interests in Aston Martin Lagonda and the Aston Martin F1 team. Prior to SHL, Eric den Besten was a Managing Director of Cambridge Associates and an Associate Portfolio Manager at Merrill Lynch Investment Managers. Eric den Besten has a BA from Yale University and an MBA from Dartmouth College (Tuck).

- John Kwaak has served as a director of Höegh LNG since May 2021. John Kwaak is the Managing Partner of Zero Infinity Partners (ZIP), a firm he founded. ZIP is a New York investment firm focused on early and growth stage infrastructure and infra-tech opportunities. Previously, John Kwaak served as Executive Director & Head of Americas Transportation Sector of Morgan Stanley Infrastructure Partners (MSIP). Before joining MSIP, he was a Senior Vice President at Fortress Investment Group in their private equity division with focus on natural gas and LNG. 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.

- Tammy Richardson-Augustus has served as a director of Höegh LNG since November 2023. Tammy Richardson-Augustus is a partner of Appleby (Bermuda) Limited in the Corporate department. She maintains a diversified business transactions practice, with emphasis on M&A, joint ventures, capital markets and securities, lending transactions and general corporate governance matters. She has extensive experience working with clients in a wide range of industries, including in energy, oil and gas exploration, and maritime shipping. Tammy Richardson-Augustus is a founding member of WISTA Bermuda, serves on the board of several Bermuda companies (including statutory bodies). She is a member of the Bermuda Bar Association and is a justice of the peace.

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. Leif Höegh & Co. Ltd. is represented on the board by Morten W. Høegh, Carlo Ravizza and Eric den Besten. Leif O. Høegh is an alternate director.

Floating Infrastructure LP is owned by funds which is managed by Morgan Stanley Infrastructure Partners. Floating Infrastructure LP is represented on the board by Johan Pfeiffer, Alberto Donzelli and John Kwaak.

The board held three physical board meetings in 2023 in addition to one physical meeting with the manager, Höegh LNG AS, with all directors present, as well as several briefing calls.
The board held 14 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.
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 has an enterprise risk management system based on ISO 31000 Risk Management.

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 senior management 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 ISO45001:2018 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 3.2 "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 over financial reporting (ICFR), which is based on the internationally recognised COSO 2013 framework (Committee of Sponsoring Organisations of the Treadway Commission). The internal control process is supervised by the Chief Legal & Compliance Officer and the Chief Financial Officer, and comprises an annual process which includes risk assessment and scoping, 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 external auditor, external partners in joint ventures and charterers.

The group has an ethical hotline in place which allows employees, as well as external parties, to report any non-compliance issues (anonymously if desired). These reports are received by the Chief Legal and Compliance Officer.

Deviations from the code: None.

Remuneration of the board of directors

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

John Kwaak receives a remuneration of USD 6 000 per month effective from 1 July 2023 until 2024 AGM.

Appleby Global Services (Bermuda) Ltd. is remunerated on the basis of invoices for its services, including the provision of Tammy Richardson-Augustus 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 are 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 executive personnel for the current financial year are provided in Note 5.3 to the 2023 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, the CFO and Head of External Communications and Marketing.

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.

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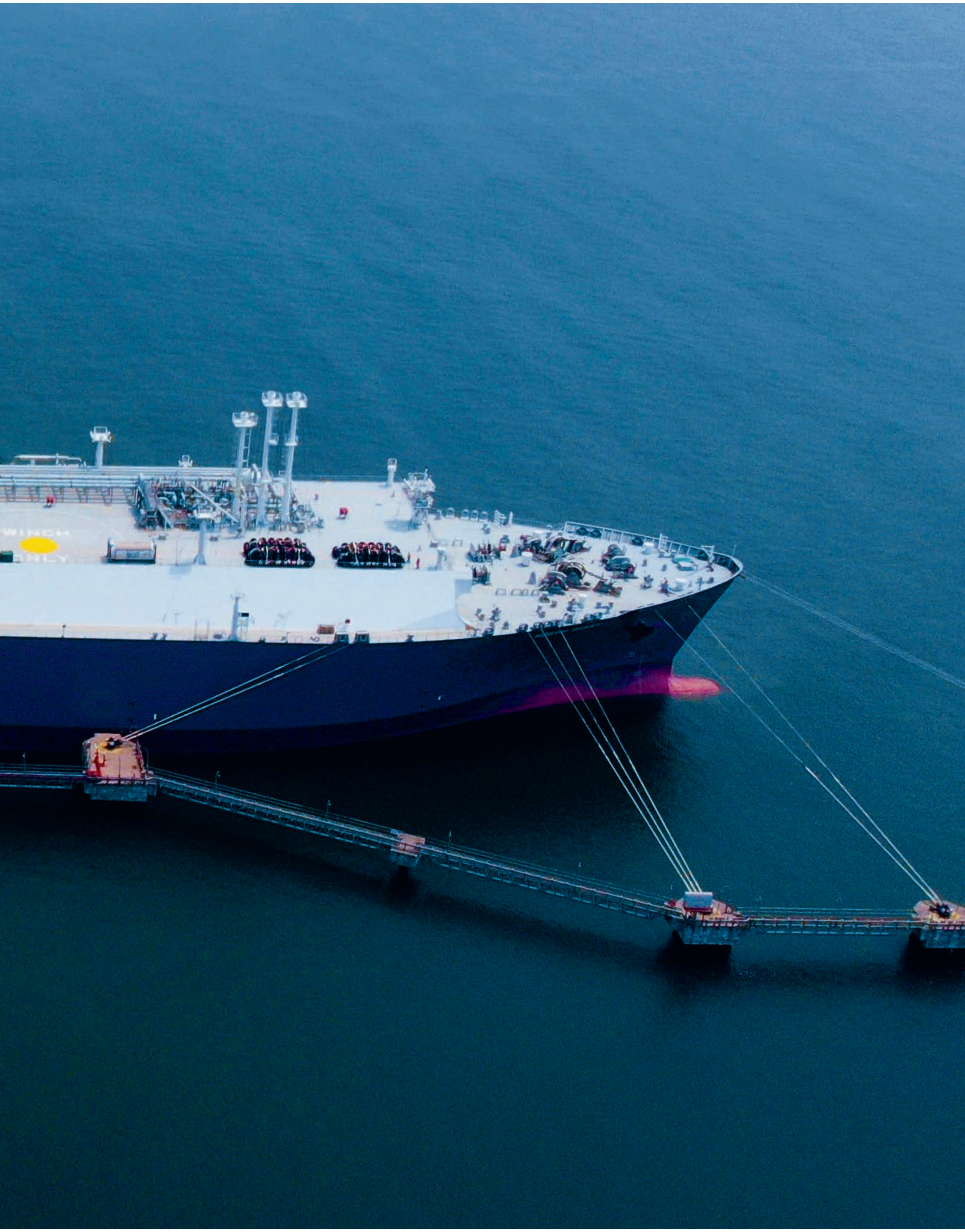
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Consolidated financial statements Höegh LNG Group

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CONSOLIDATED STATEMENT OF INCOME 1 JANUARY – 31 DECEMBER

USD'000	Note	2023	2022
Time charter revenues	3.1	485 636	361 181
Management and other income	5.1	25 911	22 755
Share of results from investments in associates and joint ventures	3.6	9 326	(3 149)
TOTAL INCOME		**520 872**	**380 788**
Vessel operating expenses	5.2	(131 897)	(113 168)
Administrative expenses	5.3	(50 788)	(114 389)
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION (EBITDA)		**338 187**	**153 231**
Depreciation	6.1	(117 779)	(115 276)
OPERATING PROFIT		**220 408**	**37 955**
Interest income		10 015	2 746
Interest expenses	5.4	(114 839)	(96 821)
Income from other financial items	5.5	5 370	12 269
Expenses from other financial items	5.5	(12 227)	(9 053)
NET FINANCIAL ITEMS		**(111 680)**	**(90 859)**
ORDINARY PROFIT (LOSS) BEFORE TAX		**108 728**	**(52 904)**
Income taxes	6.11	(11 773)	(2 505)
ORDINARY PROFIT (LOSS) FOR THE YEAR AFTER TAX		**96 955**	**(55 409)**
Profit (loss) for the year attributable to (from):			
Equity holders of the parent		81 447	(89 303)
Non-controlling interests		15 508	33 894
TOTAL		**96 955**	**(55 409)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 1 JANUARY – 31 DECEMBER

USD'000	Note	2023	2022
Profit (loss) for the year		**96 955**	**(55 409)**
Items that will not be reclassified to loss			
Net gain (loss) on other capital reserves		109	(799)
Items that may be subsequently reclassified to profit			
Net gain (loss) on hedging reserves	3.2	(27 431)	91 018
Share of other comprehensive income from joint ventures and associates	3.2	84	28 285
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR NET OF TAX		**(27 238)**	**118 504**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR NET OF TAX		**69 717**	**63 095**
Total comprehensive income (loss) attributable to (from):			
Equity holders of the parent		54 209	7 877
Non-controlling interests		15 508	55 217
TOTAL		**69 717**	**63 095**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

USD'000	Note	31 Dec 2023	31 Dec 2022
ASSETS			
Non-current assets			
Deferred tax assets	6.11	509	1 156
Vessels and spare parts	6.1	2 022 165	1 895 614
Right-of-use assets	6.2	69 183	99 245
Investments in associates and joint ventures	3.6	124 589	114 997
Other non-current financial assets	6.3	15 887	23 334
Other non-current assets	6.6	11 102	15 018
Shareholder loans	4.1	16 137	13 800
Non-current restricted cash	6.5	33 432	15 790
Total non-current assets		**2 293 004**	**2 178 954**
Current assets			
Bunker fuel and inventories		725	859
Trade and other receivables	6.4	53 590	65 623
Other current financial assets	6.3	21 176	23 774
Current restricted cash	6.5	23 255	15 264
Cash and cash equivalents	6.5	218 489	146 751
Total current assets		**317 234**	**252 271**
TOTAL ASSETS		**2 610 238**	**2 431 225**
EQUITY AND LIABILITES			
Equity			
Share capital	6.7	12	12
Other paid-in capital		907 083	907 083
Hedge and other capital reserves		(3 743)	23 501
Retained earnings		(299 068)	(380 515)
Equity attributable to equity holders of the parent		**604 284**	**550 081**
Non-controlling interests		176 078	176 078
Total equity		**780 362**	**726 159**
Non-current liabilities			
Deferred tax liabilities	6.11	24 319	18 713
Non-current interest-bearing debt	6.3	1 186 996	1 069 323
Non-current lease liabilities	6.2	42 096	75 492
Other non-current financial liabilities	6.3	43 434	32 072
Deferred revenues	6.10	3 669	8 540
Total non-current liabilities		**1 300 513**	**1 204 140**
Current liabilities			
Current interest-bearing debt	6.3	392 497	337 611
Current lease liabilities	6.2	33 991	32 201
Income tax payable		6 641	7 500
Trade and other payables	6.8	25 205	22 975
Other current financial liabilities	6.3	9 845	28 420
Other current liabilities	6.9	61 185	72 218
Total current liabilities		**529 364**	**500 926**
TOTAL EQUITY AND LIABILITIES		**2 610 238**	**2 431 225**

Hamilton, Bermuda, 18 April 2024
The Board of Directors and the President and CEO of Höegh LNG Holdings Ltd.

Morten W. Høegh
Chairman

Johan Pfeiffer
Deputy Chairman

Carlo Ravizza
Director

Eric den Besten
Director

Alberto Donzelli
Director

John Kwaak
Director

Tammy L. Richardson-Augustus
Director

Erik Nyheim
President and CEO

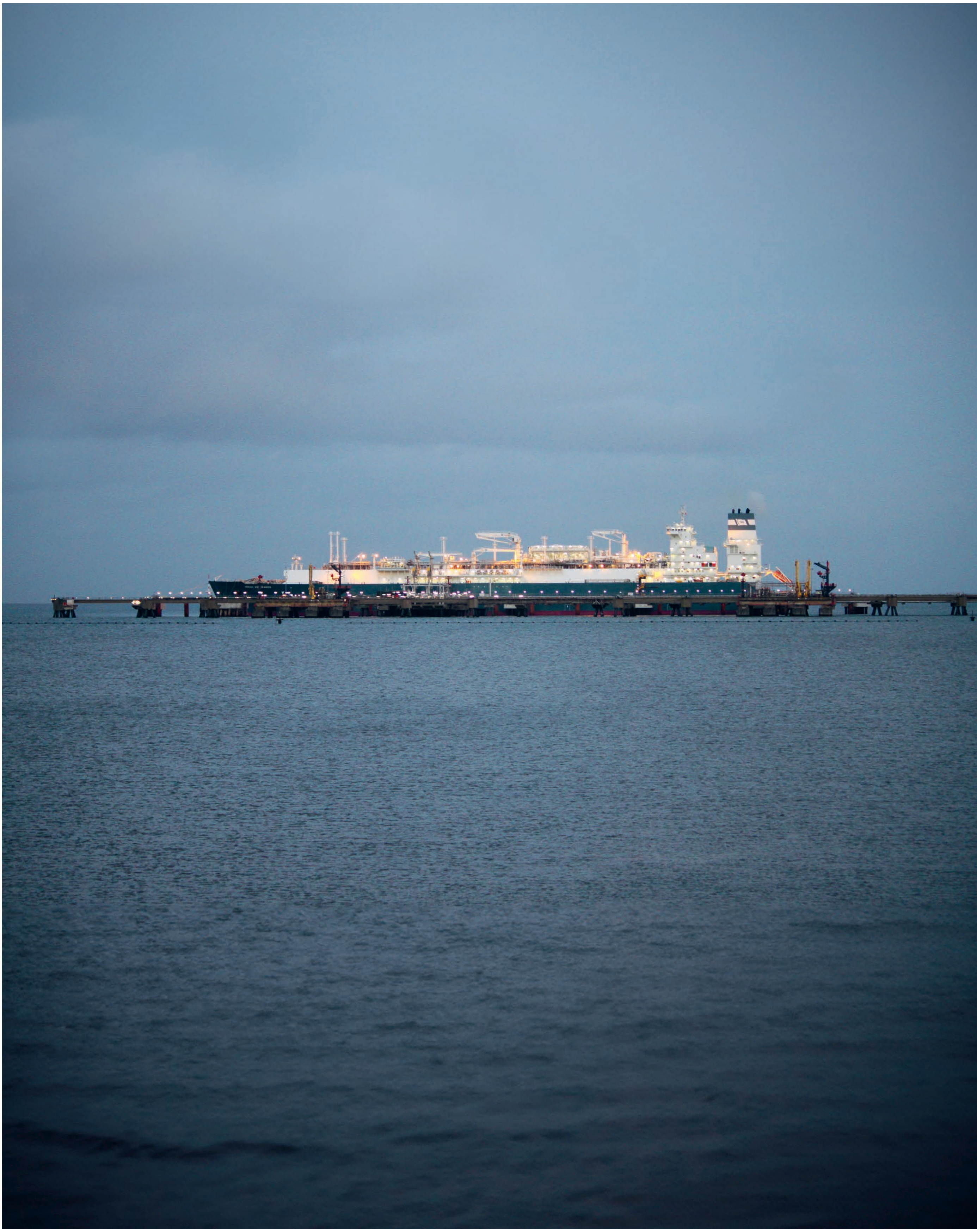
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of Höegh LNG Holdings Ltd.									
USD'000	Share capital	Share premium	Contributed surplus	Other paid-in capital	Hedging reserves	Other capital reserves	Retained earnings	TOTAL	Non-controlling interests	TOTAL EQUITY
As of 1 January 2023	**12**	**556 262**	**350 821**	**(0)**	**26 917**	**(3 416)**	**(380 515)**	**550 081**	**176 078**	**726 159**
Profit for the year	-	-	-	-	-	-	81 447	81 447	15 508	96 955
Other comprehensive income (loss) for the year	-		-	-	(27 347)	109	-	(27 238)	-	(27 238)
Total comprehensive income (loss) for the year	**-**		**-**	**-**	**(27 347)**	**109**	**81 447**	**54 209**	**15 508**	**69 717**
HMLP dividend to non-controlling interests	-		-	-	-	-	-	-	(15 508)	(15 508)
Other changes in equity	-	-	-	-	-	(7)	-	(7)	-	(7)
Total other transactions recognised directly in equity	**-**	**-**	**-**	**-**	**-**	**(7)**	**-**	**(7)**	**(15 508)**	**(15 515)**
As of 31 December 2023	**12**	**556 262**	**350 821**	**(0)**	**(431)**	**(3 313)**	**(299 068)**	**604 284**	**176 078**	**780 362**

	Attributable to equity holders of Höegh LNG Holdings Ltd.									
USD'000	Share capital	Share premium	Contributed surplus	Other paid-in capital	Hedging reserves	Other capital reserves	Retained earnings	TOTAL	Non-controlling interests	TOTAL EQUITY
As of 1 January 2022	**12**	**556 262**	**154 753**	**109 446**	**(67 622)**	**(2 663)**	**(422 833)**	**327 355**	**323 676**	**651 031**
Profit (loss) for the year	-	-	-	-	-	-	(89 303)	(89 303)	33 894	(55 409)
Other comprehensive income (loss) for the year	-		-	-	97 979	(799)	-	97 180	21 323	118 504
Total comprehensive income (loss) for the year			**-**	**-**	**97 979**	**(799)**	**(89 303)**	**7 877**	**55 217**	**63 095**
Shareholder contribution	-	-	207 368	-	-	-	-	207 368	-	207 368
Acquisition of public common units in HMLP including internal capital changes		-	-	(109 446)	(3 440)	462	131 621	19 197	(186 765)	(167 568)
Transaction cost	-	-	(11 300)	-	-	-	-	(11 300)	-	(11 300)
HMLP dividend to non-controlling interests			-	-	-	-	-	-	(16 051)	(16 051)
Other changes in equity	-	-	-	-	-	(416)	-	(416)	-	(416)
Total other transactions recognised directly in equity	**-**	**-**	**196 068**	**(109 446)**	**(3 440)**	**46**	**131 621**	**214 849**	**(202 816)**	**12 033**
As of 31 December 2022	**12**	**556 262**	**350 821**	**(0)**	**26 917**	**(3 416)**	**(380 515)**	**550 081**	**176 078**	**726 159**

CONSOLIDATED STATEMENT OF CASH FLOWS 1 JANUARY - 31 DECEMBER

USD'000	Note	2023	2022
Cash flows from operating activities:			
Profit (loss) for the year before tax		108 728	(52 904)
Adjustments to reconcile profit (loss) before tax to net operational cash flows			
Depreciation	6.1	117 779	115 276
Interest income		(10 015)	(2 746)
Interest expenses	5.4	114 839	96 821
Net gain on interest rate hedges and other derivatives		(1 206)	(5 926)
Gain on exchange and other non-cash adjustments		(303)	(124)
Share of results from investments in associates and joint ventures	3.6	(9 326)	3 149
Working capital adjustments			
Change in inventories, receivables and payables		(8 520)	10 489
Payment of corporate income tax		(4 653)	(995)
I) NET CASH FLOWS FROM OPERATING ACTIVITIES		**307 322**	**163 040**
Cash flows from investing activites:			
Acquisition of public common units in Höegh LNG Partners LP		-	(163 489)
Investment in vessels, assets under construction and class renewals		(212 449)	(14 272)
Investment in intangibles, equipment and other		(854)	(162)
Grants to joint ventures and assoicates		(1 199)	(3 586)
Interest received		8 197	571
II) NET CASH FLOWS FROM INVESTING ACTIVITIES		**(206 305)**	**(180 938)**
Cash flows from financing activites:			
Capital contribution from owners		-	203 289
Dividend paid to non-controlling interests (HMLP)		(15 508)	(16 051)
Transaction cost paid		(8 593)	-
Proceeds from borrowings gross	6.3	884 808	22 500
Payment of financing and refinancing fees and debt issuance cost		(14 161)	(1 278)
Proceeds from sale of own bonds	6.3	-	40 555
Repayment of borrowings	6.3	(718 126)	(115 508)
Settlement of interest rate swaps		11 862	-
Interest paid on mortgage debt and bonds		(101 946)	(80 256)
Lease payments	6.2	(36 667)	(36 694)
(Increase) decrease in restricted cash and cash collateral		(30 949)	14 051
III) NET CASH FLOWS FROM FINANCING ACTIVITIES		**(29 280)**	**30 608**
NET INCREASE IN CASH AND CASH EQUIVALENTS (I+II+III)		**71 737**	**12 710**
Current cash and cash equivalents as of 1 January		146 751	134 041
CURRENT CASH AND CASH EQUIVALENTS AS OF 31 DECEMBER	6.5	**218 489**	**146 751**
The group's share of aggregated cash flows in its associates and joint ventures		3 407	(8 113)




PGN FSRU LAMPUNG

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NOTE 1: CORPORATE AND GROUP INFORMATION

Note 1.1 Corporate information

The consolidated financial statements of Höegh LNG Holdings Ltd. and its subsidiaries (collectively, the Höegh LNG or the group) for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the directors on 18 April 2024.

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 group is principally engaged in maritime energy infrastructure. For over 50 years, the group has connected energy producers and end-users via safe and reliable access to LNG infrastructure. In 2023 the group chartered out and operated a fleet of ten Floating Storage and Regasification Units (FSRUs) and three LNG transportation vessels (LNGCs), see Note 3.1 for overview of time-charter revenues. For information on the group's structure, see Note 1.2. Information on other related party relationships of the group is provided in Note 4.1.

Note 1.2 Group information

Subsidiaries

The consolidated financial statements of the group include:

Subsidiaries	Country	Principal activity
Höegh LNG Ltd.	Bermuda	Holding
Höegh LNG AS	Norway	Management
Höegh LNG Fleet Management AS	Norway	Management
Höegh LNG Services AS	Norway	Management
Leif Hoegh (U.K.) Limited	England	Disponent vessel owner
Hoegh LNG Asia Pte. Ltd.	Singapore	Business development
Hoegh LNG Shipping Services Pte. Ltd.	Singapore	Management
Hoegh LNG Maritime Management Pte. Ltd.	Singapore	Management
Port Dolphin Energy LLC	USA	Dormant
Port Dolphin Holding Company, LLC	USA	Dormant
Hoegh LNG Giant Pte. Ltd.	Singapore	Vessel owning
Hoegh LNG India Private Ltd.	India	Dormant
Hoegh LNG Klaipeda Pte. Ltd.	Singapore	Vessel owning
Hoegh LNG Gannet Pte. Ltd.	Singapore	Vessel owning
Höegh LNG Galleon Ltd.	Bermuda	Dormant
Hoegh LNG Klaipeda, UAB	Lithuania	Disponent vessel owner
Höegh LNG Egypt LCC	Egypt	Business development
Höegh LNG Egypt Holding I Ltd.	Cayman Islands	Holding
Höegh LNG Egypt Holding II Ltd.	Cayman Islands	Holding
Hoegh LNG Galleon Pte. Ltd.	Singapore	Vessel owning
Höegh LNG Brazil Holding Ltd.	Cayman Islands	Holding
Hoegh LNG Brasil Ltda.	Brazil	Vessel operating
Höegh LNG Wilhelmshaven GmbH	Germany	Vessel operating
Höegh LNG Brunsbüttel GmbH	Germany	Vessel operating
Hoegh LNG Gandria Pte. Ltd.	Singapore	Vessel owning
Höegh LNG Germany GmbH	Germany	Management
Höegh LNG GP LLC	Marshall Islands	General partner in the HMLP
Höegh LNG FSRU VI Ltd.	Cayman Islands	Vessel owning
Hoegh LNG Chartering LLC	Marshall Islands	Management
Höegh LNG Partners LP	Marshall Islands	Holding
Höegh LNG Partners Operating LLC	Marshall Islands	Holding
Hoegh LNG Lampung Pte. Ltd.	Singapore	Holding
PT Hoegh LNG Lampung [1]	Indonesia	Vessel owning
Hoegh LNG Cyprus Limited	Cyprus	Vessel owning
Höegh LNG Colombia Holding Ltd.	Cayman Islands	Holding
Höegh LNG Colombia S.A.S.	Colombia	Vessel operating
Höegh LNG FSRU IV Ltd.	Cayman Islands	Vessel owning
Hoegh LNG Jamaica Limited	Jamaica	Vessel operating

Branches	Country	Principal activity
Höegh LNG AS - Representative office in Shanghai	China	Liquidation in progress
Hoegh LNG Cyprus Limited - Branch	Egypt	Liquidation in progress
Höegh LNG Services AS - Regional office HQ in Manila	Philippines	Managment
Höegh LNG Fleet Management AS - Permanent establishment	England	Management
Höegh LNG Fleet Management AS - Permanent establishment	Lithuania	Management

[1] The group indirectly owns 49% of the shares in PT Hoegh LNG Lampung, a company that owns and operates PGN FSRU Lampung. The group is considered to have 100% economic interest of the company and the power to make the most significant key operating decisions and is entitled to receive all expected benefits or bear expected losses. Therefore, 100% of the assets, liabilities, revenues, and expenses are consolidated in Höegh LNG's accounts.

Associate and joint arrangements in which the group is a joint venture partner

The group had ownership in four joint ventures and one associate as of year-end 2023. For more details, reference is made to Note 3.6.

The holding company

The immediate and ultimate holding company of HLNG is Larus Holding Ltd., a 50-50 joint venture between Leif Höegh & Co. Ltd. and Floating Infrastructure LP. Leif Höegh & Co. Ltd. is controlled indirectly by the third generation of the Høegh family, while Floating Infrastructure LP is owned by funds managed by Morgan Stanley Infrastructure Partners.

NOTE 2: BASIS OF PREPARATION AND OTHER ACCOUNTING POLICIES

Note 2.1 Basis of preparation

The consolidated financial statements of Höegh LNG and the financial statements for the company have been prepared in accordance with IFRS Accounting Standards® as adopted by the EU. The accounting principles for Höegh LNG also apply to the company.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments 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 provide comparative information in respect of the previous period and are presented in USD. 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 income statement is presented by showing expenses by their nature. The statement of cash flows is presented using the indirect method.

The annual financial statements have been prepared under a going concern assumption.

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.

In the process of applying the group's accounting policies, management has made various judgements. Those which management has assessed to have the most significant effect on the amounts recognised in the consolidated financial statements have been discussed in the individual notes of the related financial statement line items.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described in the individual notes of the related financial statement line items below.

- Note 2.5 and 6.1: depreciation: useful life and residual value
- Note 6.1: impairment test of vessels and spare parts: key assumption underlying recoverable amounts
- Note 6.11 uncertain tax treatments

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.

Note 2.2 Summary of other significant accounting policies

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

Note 2.3 Changes in accounting policies and disclosures

The group applied certain standards and amendments which are effective for annual periods beginning on or after 1 January 2023:

- IFRS 17 Insurance contracts
- Definition of Accounting Estimates – Amendments to IAS 8
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
- International tax reform – Pillar two model rules – Amendments to IAS 12

The new standard IFRS 17 Insurance contracts and the amendments had no impact on the group's consolidated financial statements, except Disclosure of Accounting policies – Amendments to IAS 1 and IFRS Practice Statement 2. These amendments have had an impact on the group's disclosure of accounting policies, but not on the measurement, recognition or presentation of any items in the group's financial statements.

Note 2.4 Fair value measurements

Certain financial instruments, such as derivatives, are measured at fair value. 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.

Set out below is a comparison by class of the carrying values and fair values of Höegh LNG's financial instruments included in the financial statements for years ended 2023 and 2022.

Financial assets

	Carrying value		Fair value	
USD'000	**31 Dec 2023**	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**
Financial instruments at fair value through profit and loss				
Currency forward contracts	1 615	-	1 615	-
Marketable securities	219	155	219	155
Ineffective portion of cash flow hedges	1 101	-	1 101	-
Total financial assets at FVTPL	**2 935**	**155**	**2 935**	**155**
Financial instruments at fair value through other comprehensive income				
Derivatives in effective cash flow hedges	26 270	44 249	26 270	44 249
Total financial assets at FVTOCI	**26 270**	**44 249**	**26 270**	**44 249**
Financial assets at amortised cost				
Non-current restricted cash	33 432	15 790	33 432	15 790
Trade and other receivables	53 590	65 623	53 590	65 623
Shareholder loans	16 137	13 800	16 137	13 800
Other non-current financial assets	7 858	2 704	7 858	2 704
Cash and cash equivalents (incl. current restricted cash)	241 743	162 016	241 743	162 016
Total financial assets at amortised cost	**352 760**	**259 932**	**352 760**	**259 932**
TOTAL	**381 965**	**304 335**	**381 965**	**304 335**
TOTAL NON-CURRENT	**65 455**	**52 923**	**65 455**	**52 923**
TOTAL CURRENT	**316 510**	**251 412**	**316 510**	**251 412**

Financial liabilities

	Carrying value		Fair value	
USD'000	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Financial instruments at fair value through other profit and loss				
Ineffective portion of cash flow hedges	-	105	-	105
Total financial liabilities at FVTPL	**-**	**105**	**-**	**105**
Financial instruments at fair value through other comprehensive income				
Derivatives in effective cash flow hedges	34 145	23 855	34 145	23 855
Total financial liabilities at FVTOCI	**34 145**	**23 855**	**34 145**	**23 855**
Other financial liabilities at amortised cost				
Trade and other payables	25 205	22 975	25 205	22 975
Other financial liabilities	19 134	36 532	19 134	36 532
Interest-bearing loans and borrowings	1 599 720	1 423 983	1 603 887	1 429 186
Lease liabilities	76 087	107 693	76 087	107 693
Total financial liabilities at amortised cost	**1 720 146**	**1 591 183**	**1 724 313**	**1 596 387**
TOTAL	**1 754 291**	**1 615 143**	**1 758 457**	**1 620 347**
TOTAL NON-CURRENT	**1 289 756**	**1 193 936**	**1 293 922**	**1 199 139**
TOTAL CURRENT	**464 535**	**421 208**	**464 535**	**421 208**

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 values, largely due to the short-term maturities of these instruments.
- Fair value of loans from banks, shareholder loans, revolving credit facility and other financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- The bonds issued by the company are listed on the Oslo Stock Exchange, and the fair values of these are disclosed based on traded information.
- Höegh LNG enters into derivative financial instruments, such as interest rate swaps and foreign exchange forward contracts with various financial institutions. 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

The table below presents measurements of Höegh LNG's assets and liabilities within the fair value hierarchy as of 31 December 2023 and 2022, respectively.

Assets as of 31 december 2023

USD'000	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Marketable securities	-	219	-	219
Currency forward contracts	-	1 615	-	1 615
Financial assets at FVTOCI				
Derivatives used for hedging	-	26 270	-	26 270
TOTAL ASSETS	**-**	**28 103**	**-**	**28 103**

Liabilities as of 31 december 2023

USD'000	Level 1	Level 2	Level 3	Total
Derivatives used for hedging				
Derivatives in effective cash flow hedges	-	34 145	-	34 145
Financial liabilities not measured at fair value, but for which fair values are disclosed				
Bonds	-	130 808	-	130 808
Mortgage debt	-	1 473 079	-	1 473 079
Lease liabilities	-	-	76 087	76 087
TOTAL LIABILITIES	**-**	**1 638 032**	**76 087**	**1 714 119**

Assets as of 31 december 2022

USD'000	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Marketable securities	-	155	-	155
Financial assets at FVTOCI				
Derivatives used for hedging	-	44 249	-	44 249
TOTAL ASSETS	**-**	**44 404**	**-**	**44 404**

Liabilities as of 31 december 2022

USD'000	Level 1	Level 2	Level 3	Total
Derivatives used for hedging				
Derivatives in effective cash flow hedges	-	23 855	-	23 855
Financial liabilities not measured at fair value, but for which fair values are disclosed				
Bonds	-	291 746	-	291 746
Mortgage debt	-	1 093 440	-	1 093 440
Corporate Bank facility	-	44 000	-	44 000
Lease liabilities	-	-	107 695	107 695
TOTAL LIABILITIES	**-**	**1 453 041**	**107 695**	**1 560 736**

During the reporting periods of 2023 and 2022, there were no transfers between any of the levels.

Note 2.5 Climate-related matters

The group considers climate-related matters in estimates and assumptions, where appropriate. This assessment includes a wide range of possible impacts on the group due to both physical and translation risk. Even though the group believes that its business model and products will still be viable after the transition to a low-carbon economy, climate-related matters increase the uncertainty in estimates and assumptions underpinning several items in the financial statements. Although climate-related risks might not currently have a significant impact on measurements, the group is closely monitoring relevant changes and developments, such as new climate-related legislation. The items and considerations that are most directly impacted by climate-related matters are (see Note 6.1 for further information):

- Stranded assets. Should the demand for LNG decline significantly over the long-term, some of the vessels in the fleet may become unprofitable or obsolete.

- Useful life of vessels. When reviewing the residual values and expected useful life of vessels, the group considers climate-related matters, such as climate-related legislation and regulations that may restrict the use of assets or require significant capital expenditures.

Note 2.6 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 which are expected to have an impact on the group's financial statements, are disclosed below:

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments mainly clarify:
- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent upon compliance with future covenants within twelve months

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

NOTE 3: GROUP BUSINESS, OPERATIONS AND MANAGEMENT

Note 3.1 Revenue from contract with customers

Revenue is derived from long-term and short-term time charter contracts for the provision of FSRUs and LNGCs, including the management and operation of FSRUs at the direction of the charterer. Time charter contracts for FSRU's and LNGCs on long-term charter normally include day rates or hire rates and warranty provisions with the following components:

- fixed element which is a fixed per day fee intended to cover remuneration for use of the vessel and the provision of time charter services

- operating expense reimbursement element which is a rate per day intended to cover the operating cost of the vessel which may be based on actual cost incurred, or fees subject to indexing or other adjustments after a defined period

- tax reimbursement element which covers taxes as defined by the provisions of the individual time charter contract (do not apply to LNGCs)

- performance warranties element which includes defined operational capacity and standards that can result in the vessel being off-hire or require compensation to the charterer through provision of reduced hire, liquidated damages or performance payments

The group determined that its time charter contracts contain a lease, representing the use of the vessel, and a performance obligation for the provision of time charter services.

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.

Variable consideration is allocated entirely to time charter services when the variable day rate relates specifically to the efforts to satisfy a single performance obligation. The default method of the relative standalone selling price method was used to allocate the transaction price related to the fixed element, between the lease and the time charter services. The total estimated transaction price for time charter services is considered variable consideration because it may be reduced by performance warranties.

Lease revenue recognition

Leases are classified as either financing leases or operating leases. A lease that transfers substantially all benefits and risks of the FSRU or LNGC to the charterer is accounted for as a financing lease by the lessor. The lease component of time charters in this case is recognised using the effective interest method throughout the lease term.

All other leases that do not meet the criteria for a financing lease are classified as operating leases. Within the group, all leases are considered operating leases. The lease components of time charters, recognised as time charter revenue, are accounted for on a straight-line basis over the charter period.

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. The payment is generally due within 7-30 days from issuance of the invoices as per contract. 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.

Time charter contracts as of 31 December 2023

Vessel	Current contract	Charterer	Country of domiciliation	TCP	Expiry	Option
Arctic Princess	LNGC	Equinor ASA	Norway	20 years	Jan 2026	-
Arctic Lady	LNGC	Total E&P Norge AS	Norway	20 years	Apr 2026	5 + 5 years
Independence	FSRU	AB Klaipédos Nafta	Lithuania	10 years	Dec 2024	-
PGN FSRU Lampung	FSRU	PT PGN LNG Indonesia	Indonesia	20 years	Oct 2034	5 + 5 years
Höegh Gallant	FSRU	New Fortress Energy International Shipping LLC	USA	10 years	Nov 2031	1 year
Hoegh Giant	FSRU	TRSP – Terminal de Regaseificacäo de gnl de Säo Paulo S.A.	Brazil	10 years	Jul 2033	5 + 5 years
Höegh Grace	FSRU	Sociedad Portuaria El Cayao S.A.	Colombia	20 years [1]	Dec 2036	-
Höegh Esperanza	FSRU	The Federal Republic of Germany	Germany	10 years [2]	Dec 2032	-
Hoegh Gannet	FSRU	The Federal Republic of Germany	Germany	10 years [2]	Nov 2033	-
Hoegh Galleon	LNGC/FSRU	Australian Industrial Energy	Australia	15 years [3]	Nov 2038	5 + 5 years
Hoegh Gandria	LNGC	Mitsui O.S.K. Lines Ltd.		1 year	Mar 2024	-
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 Colombian charter for Höegh Grace is 20 years. However, each party has an unconditional option to cancel the charter after 15 years without any termination fee.
[2] The initial term of the charter is 10 years. Charterer has the right to terminate after year 5.75 by paying a termination fee.
[3] The initial term of the charter is 15 years from late 2023. Charterer has the right to terminate after year 5 and year 10 by paying a termination fee.

Largest customers

In 2023, Höegh LNG had three customers which individually accounted for 10% or more of the total revenues. Time charter revenues from largest customers totalled USD 177 million (USD 164 million in 2022). The single largest customer in Höegh LNG represented 13% of total time charter revenues (16% in 2022). The three customers in 2023 individually contributing 10% or more of total time charter revenues were:

- AB Klaipédos Nafta
- Sociedad Portuaria El Cayao S.A.
- The Federal Republic of Germany

Disaggregation by nature of time charter revenues

USD'000	2023	2022
Lease revenues	349 851	239 286
Service component of time charter revenues, excluding amortisation	130 743	116 778
Amortisation of deferred revenues	5 042	5 117
TOTAL TIME CHARTER REVENUES	**485 636**	**361 181**

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, 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 considered 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.

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 in the consolidated balance sheet. Refund liabilities may include invoiced amounts for estimated reimbursable operating expenses or other costs and taxes that exceeded the actual cost 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.

Receivables, contract assets and contract liabilities

USD'000	Note	31 Dec 2023	31 Dec 2022
Trade receivables for time charter revenues, included in Trade and other receivables	**6.4**	**22 658**	**22 693**
Total contract assets, included in Trade and other receivables		**296**	**425**
Refund liabilities to customers, included in Other current liabilities	6.9	(4 395)	(2 765)
Contract liabilities, included in Other current liabilities	6.9	(8 107)	(12 882)
Contract liabilities, included in Deferred revenues	6.10	(3 669)	(8 540)
Contract assets, included in Other non-current financial assets		554	554
Total contract liabilities		**(15 617)**	**(23 634)**

The table below specifies the expected time charter revenues to be received from 1 January 2024 to the end of the firm charter parties for Höegh LNG's vessels, except for revenues from Neptune and Cape Ann, which is presented through share of results from investments in joint ventures. Expected future time charter revenues includes Arctic Princess, Arctic Lady, Independence, PGN FSRU Lampung, Hoegh Gallant, Hoegh Giant, Höegh Grace, Höegh Esperanza, Hoegh Gannet, Hoegh Galleon and Hoegh Gandria. Contracted expected future time charter revenues from firm contracts from 1 January 2024 (undiscounted) are USD 3.5 billion (USD 3.2 billion) with maturity as follows:

Contracted expected future time charter revenues (undiscounted) from 1 Jan 2024

USDm	Year 1	Year 2	Year 3	Year 4	Year 5	> 5 years	Total
TOTAL	**429**	**359**	**317**	**308**	**310**	**1 738**	**3 460**

Note 3.2 Financial instruments management objectives and policies

The group's principal financial liabilities, other than derivatives, comprise Interest-bearing debt, Lease liabilities, Other financial liabilities and Trade and other payables. The main purpose of these financial liabilities is to finance the group's operations. The group's principal financial assets, other than derivatives, comprise Restricted cash, Trade and other receivables, Shareholder loans, Other non-current receivables and Cash and cash equivalents. The group is in the ordinary course of its business activities exposed to different types of financial risk related to its financial instruments, including market risk, credit risk and liquidity risk. Appropriate procedures and policies for determining, mitigating and monitoring these risk exposures have been established. To manage financial market risk, the group primarily utilises hedging instruments, which are conventional instruments issued by reputable financial institutions with strong credit ratings. These instruments are well-understood and play a crucial role in safeguarding the group against adverse market movements.

Market risk

Market risk refers to the potential for fluctuations in the fair value or future cash flows of a financial instrument due to changes in market prices. This risk encompasses several components, including interest rate risk, currency risk, and inflation risk.

(a) Interest rate risk

Interest rate risk encompasses the possibility of financial losses resulting from fluctuations in interest rate levels. Within the group, this risk predominantly affects interest-bearing debt due to its exposure to floating interest rates. In adherence to the group's policy, proactive measures have been taken to mitigate this risk by securing fixed interest-rate swap agreements for close to 90% of the loan agreements until their respective maturities. Generally, for new debt facilities to be drawn in the future, including refinancing of balloon amounts at maturity of existing debt, the group is exposed to interest rate risk since it has not entered into any derivatives to hedge such risk.

As of 31 December 2023, the net mark-to-market valuation of the interest rate and currency swaps was negative USD 6.8 million (USD 20.3 million at year-end 2022). The group's share of net mark-to-market valuation of interest rate swaps entered into by joint ventures was negative net USD 14.9 million (negative net USD 17.2 million at year-end 2022). 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.

Derivative financial instruments and hedge accounting

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

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

The group applies the hedge accounting requirements in IFRS prospectively. 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.

For the reporting periods under review, the group uses derivative financial instruments such as forward currency contracts, interest rate swaps and swaptions, to hedge its foreign currency and interest rate risk 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.

Market-to-market valuations of hedges

USD'000	Note	31 Dec 2023	31 Dec 2022
Non-current financial assets	6.3	8 028	20 629
Current financial assets	6.3	19 342	23 619
Total financial assets		**27 371**	**44 249**
Non-current financial liabilities	6.3	(34 145)	(8 058)
Current financial liabilities	6.3	-	(15 902)
Total financial liabilities		**(34 145)**	**(23 960)**
NET FINANCIAL ASSETS (LIABILITIES)		**(6 774)**	**20 289**
Changes in fair value of designated instruments (see below table reconciling changes in FV)		(27 063)	75 097
Changes in fair value designated hedged item		27 063	(75 097)
NOTIONAL AMOUNTS		**1 434 555**	**1 918 429**
Maturity dates		Multiple	Multiple
Hedge ratio		1:1	1:1

Reconciliation of the changes in fair value of designated instruments

USD'000	Note	2023	2022
Net gain (loss) on hedging reserves		(27 431)	91 018
Separate component of equity (currency portion of CCIRS) recorded to profit or (loss)		10 867	(25 276)
Ineffectiveness of IRS hegdes recorded to gain	5.5	1 206	5 938
Settlement of interest rate swaps		(11 863)	3 302
Other movements in mark-to-market valuations		158	115
Change in fair value of designated instruments		**(27 063)**	**75 097**

Market-to-market valuations of hedges in joint ventures and associates

USD'000	31 Dec 2023	31 Dec 2022
Non-current financial assets	3 981	6 370
Current financial assets	3 445	3 719
Total Financial assets	**7 426**	**10 089**
Non-current financial liabilities	(17 916)	(22 312)
Current financial liabilities	(4 388)	(4 944)
Total Financial liabilities	**(22 304)**	**(27 257)**
NET FINANCIAL LIABILITIES	**(14 878)**	**(17 168)**
Changes in fair value of designated instruments (see below table reconciling changes in FV)	2 290	29 506
Changes in fair value designated hedged item	(2 290)	(29 506)
NOTIONAL AMOUNTS	**201 939**	**236 280**
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	2023	2022
Share of other comprehensive income from joint ventures and associates	84	28 285
Ineffectiveness of IRS hedges recorded to loss	(2 512)	(3 010)
Settlement of swaps	4 718	4 231
Change in fair value of designated instruments	**2 290**	**29 506**

b) Currency risk

This is a risk that arise from business transactions, capitalised assets and liabilities denominated in currencies other than in the reporting currency USD. 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 373 million in 2023. As of 31 December 2023, the group had outstanding forward rate agreements (FRA's) totalling NOK 350 million (USD 33 million), to hedge budgeted administration expenses in NOK by buying NOK and selling USD.

Höegh LNG's NOK denominated bond loan HLNG04 has been swapped to USD for the principal amount and the coupons using cross currency interest rate swaps (CCIRS).

c) Inflation risk

Inflation risk refers to a risk that rising prices in the economy erode the value of money over time. Höegh LNG is exposed to inflation risk on its vessel operation and administrative expenses. However, for most of Höegh LNG's contracts, the inflation related to vessel operating expenses are recoverable from the customers through inflation adjustment mechanisms agreed in the contracts for the portion of the contracted revenue earmarked for covering daily operating cost. Changes in inflation have the potential to significantly influence both current and projected interest rate levels, thereby directly affecting the valuation of financial derivatives like interest rate swaps.

Liquidity risk

Liquidity risk is the risk that Höegh LNG will be unable to fulfil its financial obligations when they fall due. As of 31 December 2023, the group had USD 318 million in total available liquidity including undrawn corporate revolving credit facilities. As of 31 December 2023, outstanding interest-bearing debt carried on the balance sheet amounted to USD 1 656 million, net of debt issuance cost.

Net interest-bearing debt

USD'000	Note	31 Dec 2023	31 Dec 2022
Interest-bearing debt including lease liabilities, current and non-current		(1 655 580)	(1 514 628)
Restricted cash, non-current	6.5	33 432	15 790
Cash and cash equivalents including restricted current cash and marketable securities		241 962	162 170
NET INTEREST-BEARING DEBT		**(1 380 186)**	**(1 336 668)**

The outstanding interest-bearing debt is expected to be repaid through the cash flows generated from the existing assets in Höegh LNG and through refinancing when the debt matures. The group faces substantial debt maturities in aggregate for 2024 and 2025, which will necessitate refinancing or extending maturity dates. As a result, Höegh LNG is exposed to the risk of inadequate cash flows to service its debt and the possibility that refinancing amounts may fall short of the maturing debt. However, the debt refinancing for the Hoegh Galleon facility in January 2024, as outlined in Note 4.2, enhances the group's liquidity. Together with a solid contract backlog, this gives the group a strong position for meeting its obligations and refinancing its debt ahead of maturity if necessary.

Maturity schedule, interest-bearing debt as of 31 December 2023

USD'000	Due in year 1	Due in year 2	Due in year 3	Due in year 4	Due in year 5 and later	Total
Independence facility	144 084	-	-	-	-	144 084
PGN FSRU Lampung facility	18 150	9 800	-	-	-	27 950
Höegh Esperanza facility	24 618	25 806	27 052	28 357	225 682	331 515
Hoegh Giant facility	12 750	12 750	110 813	-	-	136 313
Hoegh Gannet facility	22 322	23 399	24 528	25 712	223 268	319 228
Hoegh Galleon facility	141 946	-	-	-	-	141 946
USD 385 million facility	25 597	25 597	210 268	-	-	261 463
Hoegh Gandria facility	6 026	12 052	92 502	-	-	110 580
Bond debt	-	126 641	-	-	-	126 641
INTEREST-BEARING DEBT OUTSTANDING	**395 494**	**236 046**	**465 162**	**54 069**	**448 950**	**1 599 720**
Lease liabilities	33 991	35 436	6 620	28	12	76 087
TOTAL INTEREST-BEARING DEBT INCLUDING LEASE LIABILITIES	**429 485**	**271 482**	**471 782**	**54 097**	**448 962**	**1 675 807**
Debt issuance cost						(20 228)
TOTAL	**429 485**	**271 482**	**471 782**	**54 097**	**448 962**	**1 655 580**

Maturity profile on interest-bearing debt as of 31 December 2023 and estimated interest expenses

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

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.

USD'000	< 1 year	1-5 years	> 5 years	Total
Instalments on mortage debt, unsecured bonds and coporate facilities	395 494	811 955	392 272	1 599 720
Estimated interest on mortgage debt, unsecured bonds and corporate facilities	106 992	199 654	84 765	391 411
Estimated interest on interest rate swaps and cross-currency interest rate swaps	(29 540)	(53 976)	(20 457)	(103 974)
Lease liabilities including interest	33 991	42 096	-	76 087
TOTAL	**506 937**	**999 728**	**456 579**	**1 963 244**

Financial obligations are subject to refinancing and the group's liabilities at year-end 2023 has the following maturity:

- The debt financing for Höegh Esperanza matures in Q4 2032
- The debt financing for Hoegh Gannet matures in Q2 2033
- The commercial and the ECA tranche[1)] on the financing for Independence matures in Q4 2024
- The outstanding amount of the HLNG04 bond matures in Q1 2025
- The commercial and the ECA tranche [1)] of PGN FSRU Lampung matures in Q2 2026
- The debt financing for Hoegh Giant matures in Q3 2026
- The commercial tranche on the financing for both Höegh Gallant and Höegh Grace matures in Q1 2026, while ECA tranche[1)] matures in Q4 2026 for Höegh Gallant and in Q1 2028 for Höegh Grace

- The sale and leaseback debt facility for Hoegh Galleon matures in Q3 2031 (see Note 4.2 related to refinancing)
- The debt financing for Hoegh Gandria matures in Q2 2026

[1] For all debt facilities with ECA tranches: If no refinancing of the commercial tranches takes place, the ECA tranche will fall due. As such, the group plans to refinance either the commercial tranche, or the full size of the debt facility including the ECA tranche ahead of the scheduled maturity of the commercial tranche. The financial lease obligations relating to Arctic Princess and Arctic Lady (reference to Note 6.2) 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 joint ventures 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 venture companies owning Neptune and Cape Ann, the financing arrangement matures in the fourth quarter of 2029 and in the second quarter of 2030, respectively.

Maturity profile on financial derivatives as of 31 December 2023

USD'000	< 1 year	1-5 years	> 5 years	Total
Interest rate swaps designated as effective hedging instruments in parent and subsidiaries	19 342	(23 824)	(2 292)	(6 774)
Interest rate swaps designated as effective hedging instruments in the group's joint ventures (100%)	(2 057)	(23 091)	(8 029)	(33 176)
TOTAL	**17 285**	**(46 914)**	**(10 321)**	**(39 950)**

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 382 million and is represented by the carrying value of all financial asset in the balance sheet. Reference is made to Note 6.4 related to credit risk on Trade and other receivables.

Tax risk

In some of the group's charter contracts, eligible revenues may include direct and indirect tax elements. These encompass withholding taxes, payroll taxes, other local taxes and current income tax expense for the jurisdiction in which the vessel operates as defined by the provisions of the individual time charter contract. Operating in developing markets with unstable tax regimes poses challenges for the group, including navigating various tax regulations encompassing withholding taxes, VAT, payroll taxes, property taxes, taxes on financial transactions, permanent establishments, and corporate income taxes. Ambiguities in these regulations, lead to uncertainty in tax liabilities. Tax laws related to FSRU operations are subject to interpretation changes driven by audits, requiring ongoing monitoring and adaptation to ensure compliance and effectively mitigate risks.

For further information about guarantees and commitments, reference is made to Note 7.

Note 3.3 Capital management

The objective of Höegh LNG's capital management is to ensure that the group is sufficiently capitalised to support its strategy, 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 currently one issued bond loan which is 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 Senior 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 6.3, series A Preferred Units issued by HMLP, paid in equity and all other equity reserves attributable to the equity holders of the parent.

As of 31 December 2023, the total consolidated book value of the equity was USD 780 million (USD 726 million). Net of mark-to-market of hedging reserves the consolidated adjusted book value equity was USD 781 million (USD 699 million), bringing the adjusted book equity ratio to 30% (29%). 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 2023	31 Dec 2022
Equity adjusted for hedging transactions	780 609	699 216
Total assets adjusted for hedging transactions	2 597 746	2 404 144
EQUITY RATIO ADJUSTED FOR HEDGING	**30%**	**29%**

See Alternative performance measures.

Note 3.4 Segment reporting

The board of the company serves as the primary decision-making authority. Strategic decisions, resource allocation, and performance assessment are conducted both at the group level and on an individual basis for each vessel in the fleet. With no distinct management reporting for subsidiaries within the group, the company functions as a unified operating entity, representing a single reportable segment.

Note 3.5 Investment in subsidiaries

The consolidated financial statements comprise the financial statements of the company and its subsidiaries as of 31 December 2023. 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. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the group's accounting policies. Management has made significant accounting judgement related to consolidation of entities in which Höegh LNG holds less than 50% of the voting rights (de facto control).

Management has updated the assessment for the year ended 31 December 2023 and there are no material changes in facts and circumstances impacting the conclusion.

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

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 HMLP 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. 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.

Note 3.6 Investment in joint ventures and associates

Höegh LNG holds interests in four joint ventures and one associated company that have share capital consisting solely of ordinary shares. An associate is an entity over which the group has significant influence. 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. The financial statements of these companies are prepared for the same reporting period as the group and the accounting policies are aligned with those of the group. Therefore, no adjustments are made when measuring and recognising the group's share of profit or loss of the investees after the date of acquisition. The group's investment in its associate and joint venture are accounted for using the equity method. The aggregate of the group's share of profit or loss of an associate or a joint venture is shown on the face of the statement of profit or loss inside operating profit and represents profit or loss after tax. At each reporting date, the group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint ventures and their carrying values, and then recognises the loss which will be captured within 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Joint ventures and associates in Höegh LNG

			Ownership in %	
Joint ventures and associates	**Country**	**Principal activity**	**31 Dec 2023**	**31 Dec 2022**
Joint Gas Ltd.	Cayman Islands	Vessel owning	33.98	33.98
Joint Gas Two Ltd.	Cayman Islands	Vessel owning	50.00	50.00
SRV Joint Gas Ltd.	Cayman Islands	Vessel owning	50.00	50.00
SRV Joint Gas Two Pte. Ltd.[1]	Singapore	Vessel owning	50.00	50.00
Avenir LNG Limited	Bermuda	Vessel owning	23.67	23.67

[1] Owning 100% of the shares issued in Hoegh LNG Le Havre (in France)

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 4.1 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.

Avenir LNG Limited owns five small-scale LNG carriers and an LNG import terminal in Sardinia, Italy.

Reconciliation of change in carrying values of joint ventures and associates

USD'000	**2023**	**2022**
As of 1 January	114 997	91 198
Share of result	9 326	(3 149)
Other comprehensive income	266	26 947
As of 31 DECEMBER	**124 589**	**114 997**
Included in non-current assets	124 589	114 997

The joint venture companies are privately owned and there are no quoted market prices available for the shares. Avenir LNG Limited is registered on Euronext NOTC, which is a marketplace for unlisted shares, where the last trade in the share was made in September 2023.

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 Pte. Ltd.[1]		Avenir LNG Limited	
USD'000	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Charter revenues	18 003	17 913	17 759	17 667	51 136	43 095	50 866	44 067	72 785	63 874
Operating expenses	(119)	(99)	(144)	(112)	(14 116)	(14 042)	(14 822)	(9 858)	(66 718)	(57 840)
EBITDA	**17 884**	**17 814**	**17 616**	**17 555**	**37 020**	**29 053**	**36 044**	**34 209**	**6 068**	**6 034**
Depreciation	(13 171)	(6 098)	(13 006)	(6 070)	(14 879)	(13 263)	(14 721)	(12 304)	(12 621)	(10 834)
Impairment	-	(11 268)	-	(9 678)	-	-	-	-	-	(3 000)
Interest income	1 315	351	1 316	355	1 018	487	1 086	455	-	-
Interest expenses	(5 241)	(5 357)	(6 300)	(5 773)	(9 527)	(10 250)	(9 367)	(11 812)	(11 676)	(7 899)
Other financial items and income taxes	-	-	-	-	-	-	-	-	(2 096)	(1 466)
PROFIT (LOSS) FOR THE YEAR	**787**	**(4 558)**	**(374)**	**(3 611)**	**13 631**	**6 029**	**13 043**	**10 548**	**(20 326)**	**(17 165)**
Other comprehensive income (loss)	808	11 976	207	11 368	(435)	16 459	(154)	20 604	806	(3 708)
TOTAL COMPREHENSIVE INCOME (LOSS)	**1 595**	**7 418**	**(167)**	**7 756**	**13 196**	**22 488**	**12 889**	**31 152**	**(19 519)**	**(20 874)**

[1] Including consolidation of Hoegh LNG Le Havre

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 Pte. Ltd.[1]		Avenir LNG Limited	
USD'000	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
ASSETS										
Cash and cash equivalents	19 633	19 095	26 060	24 060	5 834	1 728	8 742	6 968	17 127	20 587
Other current assets	8	-	620	197	6 218	6 444	8 237	3 220	8 267	13 592
TOTAL CURRENT ASSETS	**19 640**	**19 095**	**26 680**	**24 257**	**12 051**	**8 172**	**16 979**	**10 188**	**25 393**	**34 180**
Vessels/Right-of-use assets	68 440	81 611	71 348	84 354	212 290	226 656	208 907	211 528	262 945	267 845
Other non-current assets	13 300	10 528	13 000	11 000	19 943	22 285	16 111	17 125	1 180	2 215
TOTAL NON-CURRENT ASSETS	**81 740**	**92 139**	**84 348**	**95 354**	**232 233**	**248 940**	**225 017**	**228 653**	**264 125**	**270 060**
TOTAL ASSETS	**101 380**	**111 234**	**111 027**	**119 611**	**244 285**	**257 112**	**241 997**	**238 841**	**289 519**	**304 240**
LIABILITIES										
TOTAL CURRENT LIABILITIES	**11 630**	**11 559**	**10 146**	**9 723**	**24 706**	**29 546**	**27 195**	**19 252**	**39 665**	**89 854**
Non-current interest-bearing debt	71 724	82 575	80 935	89 855	105 045	121 762	113 418	129 411	128 194	73 673
Other non-current liabilities	10 145	10 815	6 345	6 265	51 441	55 907	26 612	28 295	-	-
TOTAL NON-CURRENT LIABILITIES	**81 869**	**93 389**	**87 280**	**96 119**	**156 485**	**177 668**	**140 030**	**157 706**	**128 194**	**73 673**
TOTAL LIABILITIES	**93 499**	**104 948**	**97 426**	**105 842**	**181 191**	**207 214**	**167 225**	**176 958**	**167 859**	**163 526**
NET ASSETS	**7 881**	**6 286**	**13 602**	**13 768**	**63 094**	**49 898**	**74 772**	**61 883**	**121 660**	**140 714**

[1] Including consolidation of Hoegh LNG Le Havre

Reconciliation of group's share of investments in joint ventures and associates as of 31 december

	Joint Gas Ltd.		Joint Gas Two Ltd.		SRV Joint Gas Ltd.		SRV Joint Gas Two Pte. Ltd.[1]		Avenir LNG Limited	
USD'000	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
NET ASSETS AS OF 1 JANUARY	**6 287**	**(1 131)**	**13 766**	**6 010**	**49 900**	**27 412**	**61 884**	**30 732**	**140 714**	**163 533**
Profit (loss) for the year	787	(4 558)	(374)	(3 611)	13 631	6 029	13 043	10 548	(20 326)	(17 165)
Other comprehensive income (loss)	808	11 976	207	11 368	(435)	16 459	(154)	20 604	806	(3 708)
Other changes in equity	-	-	-	-	-	-	-	-	(37)	(1 945)
Issuance of shares	-	-	-	-	-	-	-	-	-	-
NET ASSETS AS OF 31 DECEMBER	**7 882**	**6 287**	**13 599**	**13 766**	**63 096**	**49 900**	**74 773**	**61 884**	**121 158**	**140 714**
Interest in joint venture	33.98%	33.98%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	23.67%	23.67%
Investment in capital	-	-	-	-	-	-	-	-	-	-
Aggregate consolidation adjustments	517	978	840	1 650	7 235	6 153	6 075	5 068	2 837	2 937
CARRYING VALUES AS OF 31 DECEMBER	**3 195**	**3 114**	**7 640**	**8 533**	**38 783**	**31 103**	**43 462**	**36 010**	**31 509**	**36 238**

[1] Including consolidation of Hoegh LNG Le Havre

NOTE 4: SIGNIFICANT TRANSACTIONS AND EVENTS

Note 4.1 Transactions with related parties

Transactions with joint ventures and associates

Total bareboat hire paid by Leif Hoegh (U.K.) Limited to the group's joint ventures chartering out the two LNGs Arctic Princess and Arctic Lady amounted to about USD 35 million in 2023 (USD 35 million in 2022). 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 2023 and 2022 and outstanding receivables at year-end.

Management income from related parties

USD'000	2023	2022
Joint Gas Ltd.	82	77
Joint Gas Two Ltd.	82	77
SRV Joint Gas Ltd.	1 422	1 007
SRV Joint Gas Two Pte. Ltd.	1 559	1 417
Larus Holding Limited	102	102
Avenir LNG Limited	474	594
TOTAL	**3 721**	**3 275**

Shareholder loans with joint ventures and associates

USD'000	31 Dec 2023	31 Dec 2022
Non-current		
SRV Joint Gas Ltd.	10 429	9 624
SRV Joint Gas Two Pte. Ltd.	-	2 256
Avenir LNG Limited	5 708	1 920
TOTAL	**16 137**	**13 800**

Receivables against related parties

USD'000	Note	31 Dec 2023	31 Dec 2022
SRV Joint Gas Ltd. and SRV Joint Gas Two Ltd.[1]		967	1 021
Joint Gas Ltd. and Joint Gas Two Ltd.		(128)	76
Avenir LNG Limited		1 489	5 812
Larus Holding Limited		17	8
TOTAL	**6.4**	**2 345**	**6 918**

[1] Including consolidation of Hoegh LNG Le Havre

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 0.2 million has been recorded as financial income in 2023 (USD 0.5 million in 2022).

Transactions with other related parties

Höegh LNG considers Höegh Autoliners ASA and Höegh Capital Partners Ltd ("HCP") and their subsidiaries 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. The agreement with HCP for provision of advisory services was terminated in 2022.

Administrative services from other related parties

USD'000	2023	2022
Höegh Capital Partners Advisors Ltd.	-	17
Höegh Capital Partners Ltd.	89	594
Höegh Autoliners Management AS	49	47
Höegh Autoliners Inc	330	397
Hoegh Autoliners (India) Pvt Ltd.	-	-
Other	34	18
TOTAL	**502**	**1 072**

Terms and conditions of transactions with related parties

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

Note 4.2 Subsequent events

- In January 2024, the group completed the refinancing of Hoegh Galleon's debt facility which was previously financed under a sale-leaseback structure. The loan facility, totalling USD 190 million, consists of a USD 150 million loan tranche and a USD 40 million revolving credit facility, whereof USD 155 million was drawn to repay the previous loan facility

- Also in January, the group extended its USD 100 million corporate credit facility with one year. The facility is currently undrawn

- On 5 February 2024, a settlement agreement was signed with the charterer of PGN FSRU Lampung, resulting in a withdrawal of the pending arbitration proceedings with immediate effect.

The charter contract for PGN FSRU Lampung remains in full force and effect and each party will cover its own costs in relation to the terminated arbitrations

- On 3 April 2024, the group repaid all of its existing external debt related to PGN FSRU Lampung and terminated the loan and swap agreements

NOTE 5: DETAILED INFORMATION ON STATEMENT OF PROFIT OR LOSS AND OCI ITEMS

Note 5.1 Management and other income

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

USD'000	2023	2022
Commercial and technical management fees	3 722	3 275
Environmental taxes reimbursed by charterer	6 941	3 736
Reimbursement of project cost	9 263	14 469
Other income	5 985	1 275
TOTAL	**25 911**	**22 755**

Note 5.2 Vessel operating expenses

Vessel operating expenses mainly include salaries and personnel expenses offshore, repairs and maintenance, insurance, stores, bunkers cost, lube oil, 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.

USD'000	2023	2022
Salaries and personnel expenses offshore	45 833	35 459
Bunker and other voyage related expenses	2 264	6 097
Services	10 488	10 325
Spare parts and modification work	43 640	40 746
Insurance and taxes	13 986	10 172
Ship management and other expenses	15 686	10 369
TOTAL	**131 897**	**113 168**

USD'000	2023	2022
Salaries offshore personnel	32 833	26 705
Bonus	2 167	2 500
Employer's contribution	10 144	5 069
Crew agency fee	478	986
Other social cost	211	200
TOTAL SALARIES AND PERSONNEL EXPENSES OFFSHORE	**45 833**	**35 459**

Average number of offshore personnel for 2023 was 693 (680 for 2022).

Bonus scheme for offshore personnel

Höegh LNG has a bonus scheme for its offshore personnel which is based on similar performance measures as for the onshore personnel's bonus scheme, see Note 5.3 Administrative expenses. A provision of USD 2.2 million in bonus for offshore personnel has been recorded at year-end 31 December 2023.

Note 5.3 Administrative expenses

USD'000	2023	2022
Salaries and personnel expenses onshore	25 892	27 541
External services	25 944	81 410
Remuneration to board members	403	756
Office cost	3 565	3 369
Travel cost	2 302	1 812
Other	1 592	6 745
Reclassified to operating expenses	(8 909)	(7 244)
TOTAL	**50 788**	**114 389**

USD'000	2023	2022
Salaries onshore personnel and other	16 877	17 541
Bonus, share based payment expenses and other benefits employees	4 843	5 617
Pension cost	1 402	1 586
Employer's contribution	2 769	2 796
TOTAL SALARIES AND PERSONNEL EXPENSES	**25 892**	**27 541**

Average number of onshore personnel for 2023 was 202 (180 for 2022).

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. In addition, two key members of management employed in Oslo (two at year-end in 2022) will receive a fixed amount if still employed by Höegh LNG when retiring at the age of 67. Höegh LNG also operates a defined contribution pension scheme involving the employees in Leif Hoegh (U.K.) Limited. Höegh LNG has no outstanding or prepaid contributions in Leif Hoegh (U.K.) Limited.

Remuneration to the Senior Management and Board of Directors

USD'000	2023	2022
Salaries	2 001	2 418
Pension compensation (cash allowance)	94	99
Share-based payment	-	150
Other taxable benefits	235	393
Bonus	1 128	2 302
Board of Directors' Fee	403	756
TOTAL	**3 861**	**6 117**

Senior Management Team comprises President and CEO, Chief Financial Officer, Chief Commercial Officer, Chief Operating Officer, Chief Legal & Compliance Officer and EVP, Clean Energy. The EVP, Clean Energy was appointed 1 April 2023.

Bonus scheme for onshore personnel

Höegh LNG has a bonus scheme for its onshore personnel including the management team. The bonus scheme is subject to individual performance and the achievement of Höegh LNG's corporate goals and operating performance targets. The bonus potential for each individual is subject to a cap, which varies between 1.5 to 10 months' salary depending on each individual's position. A provision of USD 4.9 million in bonus for onshore personnel including social security taxes has been recorded at year-end 31 December 2023. See Note 6.9 Other current liabilities.

Note 5.4 Interest expenses

USD'000	Note	2023	2022
Interest expenses on mortgage debt and corporate facilities		88 361	64 809
Interest expenses on bonds		21 991	26 015
Interest expenses on leases	6.2	4 417	5 940
Other interest expenses		70	57
TOTAL		**114 839**	**96 821**

Note 5.5 Income and expenses from other financial items

USD'000	Note	2023	2022
Income from other financial items			
Currency gain		2 294	5 795
Ineffectiveness on interest rate hedges	3.2	2 973	6 102
Other		103	372
INCOME FROM OTHER FINANCIAL ELEMENTS - GROSS		**5 370**	**12 269**
Expenses from other financial items			
Currency loss		(250)	(5 574)
Withholding tax		(4 115)	(2 720)
Ineffectiveness on interest rate hedges	3.2	(1 767)	(163)
Break-cost related to refinancing		(4 200)	-
Guarantee fees and other		(1 896)	(596)
EXPENSES FROM OTHER FINANCIAL ELEMENTS - GROSS		**(12 227)**	**(9 053)**
INCOME (EXPENSES) FROM OTHER FINANCIAL ELEMENTS - NET		**(6 857)**	**3 216**

NOTE 6: DETAILED INFORMATION ON STATEMENT OF FINANCIAL POSITION ITEMS

Note 6.1 Vessels and spare parts

Non-current assets such as FSRUs, LNGCs, investments in construction of newbuildings, spare parts and equipment are carried at cost less accumulated depreciation and impairment charges. The cost comprises directly attributable cost and 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 cost related to class renewals have a shorter estimated useful life and are depreciated over the period to the next planned class renewal, 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 class renewal cost. Cost of day-to-day servicing, maintenance and repairs are expensed as incurred. The useful life and residual values are reviewed annually and adjusted prospectively when appropriate.

b) Newbuildings

FSRUs and LNGCs under construction are classified as non-current assets and recognised at the cost 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 cost 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) Spare parts

Investment in spare parts for the FSRUs which have a long lead production cycle are, from time of delivery, depreciated over a period of 5 to 15 years on a straight-line basis.

Impairment assessment

The carrying values of FSRUs, LNGCs, spare parts and Right-of-use assets (see Note 6.2) 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 higher 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. 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 hire earnings, estimated operating expenses, expected capital expenditures and class renewal cost over the remaining useful life of the vessel. Impact of climate related matters is also included in assessing value-in-use calculations.

Carrying amounts of vessels and spare parts 31 December

USD'000	2023	2022
Cost as of 1 January	2 379 753	2 364 986
Acquistion of vessels	184 300	-
Capitalisation of class renewals and modification cost	4 182	14 767
Investment in equipment	23 841	-
COST AS OF 31 DECEMBER	**2 592 076**	**2 379 753**
Accumulated depreciation and impairment 1 January	(484 139)	(401 006)
Depreciation charge vessels and depot spares	(85 772)	(83 133)
ACCUMULATED DEPRECIATION AND IMPAIRMENT 31 DECEMBER	**(569 911)**	**(484 139)**
NET CARRYING AMOUNT AS OF 31 DECEMBER	**2 022 165**	**1 895 614**

USD'000	31 Dec 2023	31 Dec 2022
Vessels	1 975 823	1 870 170
Class renewals	14 396	16 326
Spare parts and long-lead items	31 946	9 118
TOTAL	**2 022 165**	**1 895 614**

The table includes the carrying amount of the FSRU Independence of USD 171 million. The charterer, AB Klaipédos Nafta notified Höegh LNG in October 2022 that they would exercise their option to acquire the vessel in December 2024 at an exercise price which is equal to the estimated book value. Until then, the existing FSRU contract between a subsidiary of Höegh LNG and KN continues unchanged.

In addition, the two LNGCs Arctic Princess and Arctic Lady are recognised as Right-of-use assets, see Note 6.2.

Depreciation charges per asset class

USD’000	Note	31 Dec 2023	31 Dec 2022
Vessels and spare parts		80 328	77 331
Class renewals		5 444	5 801
Equipment	6.6	955	1 180
Right-of-use assets	6.2	31 067	30 963
Other		(16)	-
TOTAL		**117 779**	**115 276**

All vessels were on contract with charterer as of 31 December 2023. Reference is made to Note 3.1 disclosing the vessels owned directly by the group or through joint ventures and the time charter contracts entered into as of 31 December 2023.

The group has performed an impairment indicator analysis for the fleet of FSRUs per 31 December 2023 and concluded that there are no indicators of impairment. The conclusion is based on the current contract situation for each vessel, where all vessels are now either operating under or committed to long-term FSRU-contracts with strong counterparties, see overview of time charter contracts as of 31 December 2023 in Note 3.1.

Management has further made an assessment as to whether the group has assets that are exposed to significant environmental risk or climate risk ("stranded assets") and concluded that with basis in current contracts there are no stranded assets as of 31 December 2023.

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, have been considered. At present, the impact is not considered material to the group's financial statements since all our vessels meet the IMO regulations and LNG plays an important role in securing 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 schemes, 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. For a comprehensive discussion of the group's assessment of climate-related risk, we refer to our Sustainability report for 2023.

Note 6.2 Right-of-use assets and Lease liabilities

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 in exchange for consideration.

Accounting 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 has lease contracts for vessels, company cars, office premises and office equipment. The group recognises Right-of-use assets at the commencement date of the lease. 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 cost 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:

- 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 2 to 5 years
- Motor vehicles and office equipment 2 to 4 years

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 and variable lease payments that depend on an index or a rate less any lease incentives received.

In calculating the present value of lease payments, the group uses its incremental borrowing rate at the lease commencement date. 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 value of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments. The group's lease liabilities are included in Interest-bearing loans and borrowing, see Note 3.2.

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). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense when incurred.

Accounting 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.

THE GROUP AS A LESSEE
Carrying values of right-of-use assets recognised and the movements during 2023 and 2022 were as follows:

Right-of-use assets

USD'000	Note	Vessels	Premises	Other	Total
Right-of-use assets as of 1 January 2023		95 874	3 285	85	99 245
Increase during the year due to lease modifications		205	670	132	1 007
Decrease from accumulated depreciation due to termination of leases		-	-	(2)	(2)
Depreciation	6.1	(29 959)	(1 069)	(39)	(31 067)
RIGHT-OF-USE ASSETS AS OF 31 DECEMBER 2023		**66 120**	**2 887**	**176**	**69 183**

USD'000	Note	Vessels	Premises	Other	Total
Right-of-use assets as of 1 January 2022		125 744	4 004	167	129 916
Increase during the year due to lease modifications		26	293	2	322
Decrease from accumulated depreciation due to termination of leases		-	(1)	(29)	(30)
Depreciation	6.1	(29 896)	(1 011)	(56)	(30 963)
RIGHT-OF-USE ASSETS AS OF 31 DECEMBER 2022		**95 875**	**3 285**	**84**	**99 245**

Vessels are Arctic Lady and Arctic Princess, two LNG carriers that are bareboat chartered by Leif Hoegh (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 Hoegh (U.K.) Limited to Equinor and Total, respectively. The group assess at lease commencement, whether it is reasonably certain to exercise the extension and termination options related to lease contracts and reflect 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 values of lease liabilities and the movements during 2023 and 2022 were as follows:

Lease liabilities

USD'000	Note	2023	2022
As of 1 January		107 693	138 604
Increase during the year due to lease modifications		1 000	289
Forex revaluation of lease liabilities		(356)	(446)
Interest expenses	5.4	4 417	5 940
Payments		(36 667)	(36 694)
TOTAL LEASE LIABILITIES AS OF 31 DECEMBER		**76 087**	**107 693**
Non-current lease liabilities	3.2	42 096	75 492
Current lease liabilities	3.2	33 991	32 201
TOTAL LEASE LIABILITIES AS OF 31 DECEMBER		**76 087**	**107 693**

The maturity analysis of lease liabilities is disclosed in Note 3.2.

The following are the amounts recognised in consolidated statement of income

USD'000	Note	2023	2022
Depreciation of Right-of-use assets	6.1	(31 067)	(30 963)
Interest expenses, lease liabilities	5.4	(4 417)	(5 940)
Expenses related to short-term land low-value leases (included in administrative expenses)		(391)	(460)
TOTAL		**(35 875)**	**(37 363)**

THE GROUP AS A LESSOR

The group has entered into operating leases on its vessels. These leases have terms between 1 and 20 years, reference made to disaggregation of time charter revenues disclosed in Note 3.1. Lease revenues recognised by the group during 2023 was USD 350 million (USD 239 million in 2022). Future minimum payment receivables under non-cancellable operating leases as of 31 December 2023 were USD 2.7 billion (USD 2.4 billion) with following maturity profile:

Expected future lease revenues (undiscounted) from 1 Jan 2024:

USDm	Year 1	Year 2	Year 3	Year 4	Year 5	> 5 years	Total
TOTAL	317	270	238	231	232	1 309	2 597

Note 6.3 Financial assets and financial liabilities

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 risk and reward 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. Interest-bearing debt is also derecognised 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.

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 cost (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 interest rate swaps and cross currency interest rate swaps, to hedge its foreign currency risk and interest rate risk 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. Reference is made to section Derivative financial instruments and hedge accounting in Note 3.2.

Classification and initial measurement of financial liabilities
Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction cost unless the group designated a financial liability at fair value through profit or loss.

Financial liabilities, other than those designated and effective as hedging instruments as described in Note 3.2, are classified in the following categories: at amortised cost and at fair value through profit or loss.

Subsequent measurement of financial liabilities
The group's financial liabilities include interest-bearing loans and borrowings, trade and other payables, other financial liabilities, lease liabilities and derivative financial instruments. Subsequently, financial liabilities are measured at either amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL or held for trading 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). Financial liabilities at amortised cost are the category most relevant to the group. The only financial liabilities that don't fall in this category are forward rate agreements (FRA's) and cross currency interest rate swaps and interest rate swaps as described in Note 2.4 and Note 3.2, respectively.

Debt issuance cost for drawn debt, 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 and presented in the statement of profit or loss as Interest expenses. Debt issuance cost associated with undrawn debt is recorded as an asset and amortised on a straight-line basis to reflect the service provided by the lender.

Debt financing activities in 2023 and in 2024
In February 2023, the group signed a new 10-year tenor loan facility agreement with a group of banks to refinance Höegh Esperanza and Hoegh Gannet, both employed on long-term contracts in Germany. The refinancing of Höegh Esperanza was completed in February 2023 and the loan of USD 355 million was drawn on 21 February 2023. The refinancing of Hoegh Gannet was completed in November 2023 and the loan of USD 319 million was drawn on 16 November 2023 after its successful commissioning for regas operations in Germany. The facility is split in four tranches, two per vessel.

The loans significantly reduced the group's cost of debt, and the amounts were applied to repay the existing loan facilities for the two vessels and general corporate use. The loan facility for Höegh Esperanza and Hoegh Gannet is fully hedged into fixed interest rates using interest rate swaps as hedging instruments.

In June 2023, the group completed a new three-year term loan facility of USD 111 million financing a portion of the investment in the newly acquired vessel Hoegh Gandria. Interest rate swaps have been entered to hedge 78% of the loan facility related to Hoegh Gandria.

Also in June 2023, the company completed a new revolving credit facility ("RCF") of USD 100 million, primarily serving as a bridge until the group completed the pending refinancing of Hoegh Gannet. On 27 June 2023, USD 100 million was drawn in full, whereof USD 37 million of the proceeds were applied to repay and cancel the remaining loan related to the corporate debt facility. After the successful refinancing of Hoegh Gannet, the RCF was fully repaid on 29 November 2023. The RCF is split into two tranches, each amounting to USD 50 million. These tranches are accessible up to and including the date falling one month before maturity. On January 2, 2024, both tranches within the RCF were extended to have a new maturity date of January 2, 2025. Additionally, the company retains the option to cancel the USD 100 million RCF at any time. Notably, no interest rate swap agreements were entered into concerning the USD 100 million RCF facility.

In January 2024, the group finalised the refinancing of Hoegh Galleon, which was previously financed under a sale-leaseback structure with the charterer. The loan facility, totalling USD 190 million, consists of a USD 150 million loan tranche and a USD 40 million revolving credit facility, whereof USD 155 million was drawn to repay the previous loan facility. The loan tranche has been fully hedged into fixed interest rates using interest rate swaps as hedging instruments.

Overview of debt facilities

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

Interest-bearing debt as of 31 December 2023

USD'000	Note	Non-current	Current	Total
Independence facility		-	144 084	144 084
PGN FSRU Lampung facility		9 800	18 150	27 950
Höegh Esperanza facility		306 897	24 618	331 515
Hoegh Giant facility		123 563	12 750	136 313
Hoegh Gannet facility		296 906	22 322	319 228
Hoegh Galleon facility		-	141 946	141 946
USD 385 million facility		235 866	25 597	261 463
Hoegh Gandria facility		104 554	6 026	110 580
Bond debt		126 641	-	126 641
Debt issuance cost		(17 231)	(2 997)	(20 228)
TOTAL INTEREST-BEARING DEBT EXCLUDING LEASE LIABILITIES		**1 186 996**	**392 497**	**1 579 493**
Lease liabilities	6.2	42 096	33 991	76 087
TOTAL INTEREST-BEARING DEBT INCLUDING LEASE LIABILITIES		**1 229 092**	**426 488**	**1 655 580**

Interest-bearing debt as of 31 December 2022

USD'000	Note	Non-current	Current	Total
Independence facility		144 084	15 248	159 332
PGN FSRU Lampung facility		34 919	18 150	53 069
Höegh Esperanza facility		78 125	62 500	140 625
Hoegh Giant facility		136 313	12 750	149 063
Hoegh Gannet facility		142 292	11 042	153 333
Hoegh Galleon facility		141 946	9 012	150 959
USD 385 million facility		261 463	25 597	287 060
Bond debt		129 582	153 978	283 560
Corporate Bank facility		14 667	29 333	44 000
Debt issuance cost and bond issue discount		(14 067)	-	(14 067)
TOTAL INTEREST-BEARING DEBT EXCLUDING LEASE LIABILITIES		**1 069 323**	**337 611**	**1 406 935**
Lease liabilities	6.2	75 492	32 201	107 693
TOTAL INTEREST-BEARING DEBT INCLUDING LEASE LIABILITIES		**1 144 815**	**369 812**	**1 514 628**

Changes in liabilities arising from financing activities

USD'000	1 Jan 2023	Cash flows repayment	Cash flows new interest-bearing debt	Lease modifi-cations	Foreign exchange movement	Other	31 Dec 2023
Current interest-bearing loans and borrowings (excluding lease liabilities and bond issues)	183 633	(29 333)	6 026	-	-	232 172	392 497
Current lease liabilities	32 201	2 147	-	-	(356)	-	33 991
Current bond issues	153 978	(168 956)		-	15 458	(480)	-
Non-current interest-bearing loans and borrowings (excluding lease liabilities and bond issues)	939 741	(519 836)	878 782	-	-	(236 496)	1 062 190
Non-current lease liabilities	75 492	(34 396)	-	1 000	-	-	42 096
Non-current bond issues	129 582	-	-	-	(6 396)	1 619	124 806
TOTAL LIABILITIES FROM FINANCING ACTIVITIES	**1 514 627**	**(750 375)**	**884 808**	**1 000**	**8 706**	**(3 185)**	**1 655 580**

The activity recorded in the "other" column pertains to shifts in current and non-current interest-bearing loans resulting from refinancing events in 2023 occurring prior to maturity, which lead to variances in the current portions of the new loans compared to the corresponding balances of current loan portions at the close of 2022. Additionally, this category encompasses alterations in the current portion year-over-year due to annuity loans and the reclassification of specific loans as current as of the end of the year. Furthermore, expenses related to the amortisation of debt issuance costs and cash flows associated with financing fees and debt issuance costs are accounted for within the "other" column.

USD'000	1 Jan 2022	Cash flows repayment	Cash flows new interest-bearing debt and sale of own bonds	Lease modifi-cations	Foreign exchange movement	Other	31 Dec 2022
Current interest-bearing loans and borrowings (excluding lease liabilities and bond issues)	106 937	-	-	-	-	76 695	183 633
Current lease liabilities	30 814	1 833	-	-	(446)	-	32 201
Current bond issues	266 447	-	40 555	-	(12 120)	(140 904)	153 978
Non-current interest-bearing loans and borrowings (excluding lease liabilities and bond issues)	1 101 756	(115 508)	22 500	-	-	(69 007)	939 741
Non-current lease liabilities	107 790	(32 587)	-	289	-	-	75 492
Non-current bond issues	-	-	-	-	(14 397)	143 979	129 582
TOTAL LIABILITIES FROM FINANCING ACTIVITIES	**1 613 744**	**(146 262)**	**63 055**	**289**	**(26 962)**	**10 763**	**1 514 627**

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 Hoegh Giant facilities, respectively, along with recognition of debt issuance cost partly offset by its amortisation.

Interest-bearing debt in the consolidated entities as of 31 December 2023

USD'000	Independence	PGN FSRU Lampung	Höegh Gallant/ Höegh Grace	Hoegh Giant	Höegh Esperanza	Hoegh Gannet	Hoegh Galleon	Hoegh Gandria
Drawdown date	08.05.2014	17.04.2014	31.01.2019	09.08.2021	17.02.2023	16.11.2023	27.08.2019	30.06.2023
Original amount drawn	242 000	225 000	383 000	165 000	355 000	319 228	180 250	110 580
Refinancing/top-up amount	45 000	-	-	-	-	-	-	-
Refinancing/top-up date	28.04.2020	24.12.2021	-	-	-	-	-	-

Type of financing	ECA/ commercial banks	ECA/ commercial banks	ECA/ commercial banks	Commercial banks	ECA/ commercial banks	ECA/ commercial banks	SLB	Commercial banks
Blended tenor on the debt (years)	10	11	7	5	10	10	12	3
Blended profile on the debt (years)	16	12	15	13	12	12	20	NA
Blended fixed all-in-rate	4.10%	5.37%	4.90%	3.94%	5.60%	5.73%	5.71%	7.02%

Interest-bearing debt in joint ventures as of 31 December 2023

USD'000	Arctic Lady	Arctic Princess	Neptune	Cape Ann
Drawdown date	12.04.2006	13.01.2006	29.11.2021	01.06.2022
Original amount drawn under the facility	195 508	196 361	154 000	154 000

Type of financing	SLB	SLB	Commercial banks	Commercial banks
Blended tenor on the debt (years)	25	25	8	8
Blended profile on the debt (years)	25	25	8	8
Blended fixed all-in-rate	5.11%	5.39%	7.43%	7.42%

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. The group complied with all its covenants for the year ended 31 December 2023.

The debt facility of the PGN FSRU Lampung is subject to certain restrictions on the use of cash generated as well as a cash sweep mechanism. Until the loan documentation has been updated to reflect that the 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 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. Consequently, no cash flows from the PGN FSRU Lampung have been available for the Partnership until the arbitration was settled and withdrawn in February 2024.

Non-current financial assets

USD'000	Note	31 Dec 2023	31 Dec 2022
Interest rate swaps designated as hedges	3.2	8 028	20 629
Cash collateral related to interest rate swaps		5 851	2 116
Other		2 007	588
TOTAL		**15 887**	**23 334**

Non-current financial liabilities

USD'000	Note	31 Dec 2023	31 Dec 2022
Interest rate swaps designated as hedges	3.2	34 145	8 058
Pension liabilities (defined benefit)		521	246
Other		8 768	23 768
TOTAL		**43 434**	**32 072**

Other current financial assets

USD'000	Note	31 Dec 2023	31 Dec 2022
Interest rate swaps designated as effective hedging instruments	3.2	19 342	23 619
Currency forward contracts		1 615	-
Investment in marketable securities		219	155
TOTAL		**21 176**	**23 774**

Other current financial liabilities

USD'000	Note	31 Dec 2023	31 Dec 2022
Interest rate swaps designated as effective hedging instruments	3.2	-	15 902
Accrued interest on mortgage debt		7 912	6 845
Accrued interest on bonds and corporate facilties		1 933	5 673
TOTAL		**9 845**	**28 420**

Note 6.4 Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost. Any insignificant interest element is disregarded, which is typically the case for the group. Measurement and recognition of trade and other receivables incorporate expected losses calculated on a probability-weighted basis, representing the difference between the asset's gross carrying value and the present value of estimated future cash flows. Historically, the group has not experienced any credit losses. An assessment conducted at the end of 2023 found no need to recognise impairment for expected credit losses in accordance with IFRS 9.

USD'000	Note	31 Dec 2023	31 Dec 2022
Trade receivables	3.1	22 658	22 693
Accrued and unbilled charter hire and cost pass-through		10 257	11 067
Unbilled class renewal and modification cost		296	10 349
Receivables towards related parties (joint ventures, associates and owner)	4.1	2 345	6 917
Prepaid administrative, operating and class renewal cost		11 432	9 363
VAT receivables		1 470	825
Other receivables and prepayments		5 132	4 410
TOTAL		**53 590**	**65 623**

Note 6.5 Restricted and unrestricted cash

Cash and cash equivalents include cash at hand and bank deposits. Cash that is not available for general use due to loan restrictions are classified as restricted cash.

Non-current restricted cash as of 31 December

USD'000	Note	31 Dec 2023	31 Dec 2022
Hoegh LNG Gannet Pte. Ltd., debt service		-	4 799
Höegh LNG Ltd., project financing		10 010	-
Höegh LNG FSRU VI Ltd, debt service		12 430	-
PT Hoegh LNG Lampung, debt service		10 991	10 991
TOTAL	**3.2**	**33 432**	**15 790**

As of 31 December 2023, the company held USD 33.4 million in non-current restricted cash (USD 15.8 million at year-end 2022). This cash is specifically earmarked for project financing and debt service requirements related to two loan facilities. These facilities mandate that the companies maintain deposited amounts in an escrow account.

Current restricted cash

USD'000	31 Dec 2023	31 Dec 2022
PT Hoegh LNG Lampung	23 255	15 264
TOTAL	**23 255**	**15 264**

Out of the USD 23.3 million in short-term restricted cash held on 31 December 2023, USD 14.9 million was allocated in accordance with a financing agreement, specifying that the cash must be reserved for designated purposes such as covering working capital, operational, and maintenance expenses.

Unrestricted current cash and cash equivalents as of 31 December 2023

Total unrestricted cash and cash equivalents amounts to USD 218.5 million of which 93.5 percent is held in USD.

Note 6.6 Other non-current assets

Investments in office equipment and IT are depreciated over a period of 3 to 5 years on a straight-line basis. Pre-contract cost is incremental cost 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. This cost is amortised linearly over the charter party period.

USD'000	31 Dec 2023	31 Dec 2022
Pre-contract cost	3 720	4 261
Investment in IT (hardware and software) and office equipment	1 520	2 275
Arctic vessels' class renewal cost	3 513	8 145
Fees on undrawn facilities	2 349	337
TOTAL	**11 102**	**15 018**

Carrying value of investment of IT (hardware and software) and office equipment are specified as follows:

USD'000	Note	2023	2022
Cost as of 1 January		11 707	11 459
Additons		201	245
Net disposals		-	3
COST AS OF 31 DECEMBER		**11 909**	**11 707**
Accumulated deprecation as of 1 January		(9 433)	(8 253)
Depreciation charge	6.1	(955)	(1 180)
ACCUMULATED DEPRECIATION AS OF 31 DECEMBER		**(10 389)**	**(9 433)**
CARRYING VALUE AS OF 31 DECEMBER		**1 520**	**2 275**

Note 6.7 Issued capital

As of 31 December 2023, 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.

Preferred units

Preferred units issued in Höegh LNG Partners LP are classified as non-controlling interests in statement of equity. Dividend allocated preferred unit holders reduces the non-controlling interests' share of equity in the group.

Note 6.8 Trade and other payables

USD'000	31 Dec 2023	31 Dec 2022
Trade payables	11 279	12 364
Public duties	9 696	6 543
Accrued holiday and leave pay	4 231	4 069
TOTAL	**25 205**	**22 975**

Note 6.9 Other current liabilities

USD'000	Note	31 Dec 2023	31 Dec 2022
Contract liabilities (prepaid charter revenues)	3.1	8 107	12 882
Refund liabilities to customers (audit matters, tax element)	3.1	4 395	2 765
Bonus provisions		7 102	5 719
Accrued operational and class renewal cost		4 711	6 083
Other provisions and accruals		36 870	44 768
TOTAL		**61 185**	**72 218**

Note 6.10 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 dry-docking of Arctic Lady and Arctic Princess when conducting their 15-year class renewals in 2021 and 2022. The charterers for these two LNGCs refund all or a part of the dry-docking cost and will be recorded as revenues based on a straight-line method until next class renewal.

USD'000	Note	2023	2022
Non-current deferred revenues as of 1 January		8 540	14 989
Amortisation of charter hire (revenue recognition) Arctic Lady and Arctic Princess		(4 630)	(4 630)
Other		(241)	(1 819)
CARRYING VALUE AS OF 31 DECEMBER	**3.1**	**3 669**	**8 540**

Note 6.11 Corporate income tax expenses and deferred taxes

Höegh LNG Holdings Ltd. is exempt from corporate income taxes in its home jurisdiction but subject to income tax in certain countries in which the group operates. Income tax expense in these entities represents the current income tax and changes in any deferred tax assets and liabilities. Höegh LNG has vessels in the Singapore tonnage tax regime exempting qualifying income from tax.

Accounting for uncertain tax positions

Liabilities related to uncertain tax positions are recognised when it is determined "more likely than not" that the group will be required to settle a tax obligation in the future. Benefits from uncertain tax positions are recognised when it is virtually certain that a tax position will be sustained upon examination based on technical merits of the position.

Recognition of corporate income taxes

Reported taxes for year ended 2023 and 2022 are mainly derived from Höegh LNG's presence in Indonesia, Singapore, Cyprus, Colombia, Jamaica, Lithuania, UK, Germany, Norway and the Philippines.

(a) Current Income Tax

Current income tax assets and liabilities for the current period are assessed based on the anticipated amounts recoverable from or payable to tax authorities. The calculation incorporates prevailing tax rates and laws in effect at the reporting date within the countries where Höegh LNG operates and generates taxable income.

(b) Deferred Taxes

Deferred tax assets and liabilities are determined by assessing temporary differences at the reporting date between the tax bases of assets and liabilities and their corresponding values for financial reporting purposes.

Tax expenses for the year

USD'000	2023	2022
Current income tax charge incl. adjustments of previous years	(5 520)	(58)
Changes in deferred taxes	(6 253)	(2 447)
INCOME TAX EXPENSES REPORTED IN THE INCOME STATEMENT	**(11 773)**	**(2 505)**
EFFECTIVE TAX RATE		
PROFIT (LOSS) BEFORE INCOME TAX	**108 728**	**(52 904)**
At Bermuda's statutory income tax rate of 0%	-	-
Income tax expense reported outside Bermuda	(11 773)	(2 505)
INCOME TAX EXPENSES REPORTED IN THE INCOME STATEMENT	**(11 773)**	**(2 505)**
EFFECTIVE TAX RATE	**11%**	**n/a**

Changes in deferred taxes

USD'000	31 Dec 2023	31 Dec 2022
Deferred tax assets		
Tax loss carried forward	92	738
Other tangible assets	417	418
TOTAL DEFERRED TAX ASSETS GROSS	**509**	**1 156**
Deferred tax liabilities		
Vessels	(19 057)	(14 093)
Accrued interest income net of tax credits carried forward	(5 197)	(4 620)
Other	(65)	-
TOTAL DEFERRED TAX LIABILITIES GROSS	**(24 319)**	**(18 713)**
TOTAL DEFERRED TAX LIABILITIES NET	**(23 810)**	**(17 557)**

In 2023 income tax expenses totalled USD 11.8 million, a significant increase from the previous year's USD 2.5 million. The main reason for higher income taxes year-on-year, was mainly due to reversing uncertain tax provisions in 2022 (USD 3 million) recorded in prior years due to a favourable decision made by Indonesian tax authorities in 2022 and higher taxable profits in 2023 from having vessels operating in Germany.

The primary factor behind the increase in deferred tax liabilities stems from capital allowances resulting from the acquisition of Hoegh Gandria.

Colombian source income
The charterer in Colombia pays certain taxes directly to the Colombian tax authorities on behalf of Höegh LNG's subsidiaries that own and operate the Höegh Grace. The tax payments are a mechanism for advance collection of part of the income taxes for the Colombian subsidiary and a final income tax on Colombian source income for the non-Colombian subsidiary. Höegh LNG concluded these third-party payments to the tax authorities represent income taxes that must be accounted for under the guidance for income taxes. The amount of non-cash income tax expense was USD 0.8 million and USD 0.9 million for the year ended 31 December 2023 and 2022, respectively.

In 2022, Höegh LNG'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 2021 Municipal Industry and Commerce Tax ("ICT") returns. While Höegh LNG disagrees that this tax is applicable, the claimed tax amount of approximately USD 0.4 million was paid and the charterer reimbursed the amount in May 2023 and have continued to pay the ICT on regular basis for the years ended 2022 and 2023 of which in return have been reimbursed by charterer.

NOTE 7: COMMITMENTS AND CONTINGENCIES

Note 7.1 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 as of 31 December 2023

Vessel	Performance guarantee issued in favour of charterer	Guarantor
Hoegh Galleon	Guarantee of the obligations of the subsidiary's charter with the customer subject to a maximum cap of USD 55.5 million	Höegh LNG Holdings Ltd.
Hoegh Gannet	Guarantee of the obligations of the subsidiary's charter with the customer	Höegh LNG Holdings Ltd.
Höegh Esperanza	Guarantee of the obligations of the subsidiary's charter with the customer	Höegh LNG Holdings Ltd.
Hoegh Giant	Guarantee of the obligations of the subsidiary's charter with the customer	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 joint venture's 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 joint venture'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	Guarantee of the obligations of the subsidiary's charter with the customer	Höegh LNG Partners LP

In relation to its vessel financing, the group has provided a customary security package (vessel 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 as of 31 December 2023 for the group's debt facilities

Debt facility	Pledges	Guarantee	Guarantor
Corporate debt facility	Customary pledge of shares in guarantor	Höegh LNG Ltd. has guaranteed Höegh LNG Holdings Ltd.'s obligations related to the debt facility	Höegh LNG Ltd.
Hoegh Galleon	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.
Hoegh 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.
Hoegh 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.
Hoegh Gandria	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

Avenir LNG Limited (see Note 3.6)

In connection with the debt financing of one of Avenir's vessels, Höegh LNG Holdings Ltd. has provided a sponsor's guarantee with a maximum liability amount of USD 6.9 million plus interests and cost. As of 31 December 2023, Höegh LNG had no remaining outstanding investment commitment in Avenir LNG Limited.

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 7.2 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 of operation.

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. His 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 Hoegh (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 December 2023 has not materially changed the companies' assessment and no provision has been made.

Pending arbitration with the charterer of PGN FSRU Lampung

With reference to the previously disclosed disputes and pending arbitrations with the charterer of PGN FSRU Lampung, Höegh LNG announced on 6 February 2024 that the parties have entered into an amicable settlement by which the parties have agreed to settle all of the disputes, claims and counterclaims between the parties that gave rise to the said arbitration proceedings and agreed to terminate the arbitrations with immediate effect finally and irrevocably. The charter contract for PGN FSRU Lampung remains in full force and effect and each party will cover its own costs in relation to the terminated arbitrations.


PGN FSRU LAMPUNG

4.2

Financial statements Höegh LNG Holdings Ltd.

For the year ended 31 December 2023

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STATEMENT OF INCOME 1 JANUARY – 31 DECEMBER

USD'000	Note	2023	2022
Administrative expenses	9	(2 610)	(57 051)
OPERATING RESULT		**(2 610)**	**(57 051)**
Interest income	6	20 338	13 376
Dividend received	16	20 000	458
Impairment reversal of loan to subsidiaries	5	-	82 061
Impairment of investment in associates	5	(12 000)	-
Interest expenses	7	(29 821)	(32 115)
Income from other financial items	17	5 451	4 693
Expenses from other financial items	17	(1 598)	(3 676)
PROFIT (LOSS) FOR THE YEAR AFTER TAX		**(241)**	**7 746**

STATEMENT OF COMPREHENSIVE INCOME 1 JANUARY – 31 DECEMBER

USD'000	Note	2023	2022
PROFIT (LOSS) FOR THE YEAR AFTER TAX		**(241)**	**7 746**
Items that may be subsequently reclassified to loss (profit)			
Net gain (loss) on cash flow hedges	8	(4 629)	16 376
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR NET OF TAX		**(4 629)**	**16 376**
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR NET OF TAX		**(4 870)**	**24 122**

STATEMENT OF FINANCIAL POSITION

USD'000	Note	31 Dec 2023	31 Dec 2022
ASSETS			
Non-current assets			
Investment in subsidiaries	3	597 566	596 382
Loan to subsidiaries	5	40 770	277 082
Investment in associates	4	31 125	43 125
Loan to associates	5	5 708	1 920
Cash collateral	13	5 808	490
Other non-current financial assets		-	137
Total non-current assets		**680 978**	**919 136**
Current assets			
Trade receivables		1 854	1 663
Other current financial assets	8, 14	3 536	3 135
Cash and cash equivalents	10	17 196	22 595
Total current assets		**22 586**	**27 394**
TOTAL ASSETS		**703 563**	**946 529**
EQUITY AND LIABILITIES			
Equity			
Share capital	11	12	12
Share premium reserves		556 260	556 260
Contributed surplus		350 821	350 821
Other paid-in equity		295	295
Hedging reserves	8	5 186	9 815
Retained earnings		(378 831)	(378 590)
Total equity		**533 743**	**538 613**
Non-current liabilities			
Other non-current financial liabilities	8	25 132	31 808
Other debt	14	-	14 667
Bonds	12	124 806	129 582
Total non-current liabilities		**149 937**	**176 057**
Current liabilities			
Other debt	14	-	29 333
Bonds	12	-	153 978
Accrued interest	12	1 933	5 673
Trade and other payables		498	308
Provisions and accruals		17 452	26 664
Other current financial liabilities	8	-	15 902
Total current liabilities		**19 883**	**231 859**
TOTAL EQUITY AND LIABILITIES		**703 563**	**946 529**

Hamilton, Bermuda, 18 April 2024
The Board of Directors and the President and CEO of Höegh LNG Holdings Ltd.

Morten W. Høegh
Chairman

Johan Pfeiffer
Deputy Chairman

Carlo Ravizza
Director

Eric den Besten
Director

Alberto Donzelli
Director

John Kwaak
Director

Tammy L. Richardson-Augustus
Director

Erik Nyheim
President and CEO

STATEMENT OF CHANGES IN EQUITY

USD'000	Note	Share capital	Share premium reserves	Contribut-ed surplus	Other paid-in equity	Hedging reserves	Retained earnings	Total equity
1 January 2022		**12**	**556 260**	**154 753**	**295**	**(6 561)**	**(386 336)**	**318 424**
Total comprehensive income	8	-	-	-	-	16 376	7 746	24 122
Shareholder contribution		-	-	207 368	-	-	-	207 368
Transaction cost		-	-	(11 300)	-	-	-	(11 300)
31 December 2022		**12**	**556 260**	**350 821**	**295**	**9 815**	**(378 590)**	**538 613**
Total comprehensive loss	8	-	-	-	-	(4 629)	(241)	(4 870)
31 December 2023		**12**	**556 260**	**350 821**	**295**	**5 186**	**(378 831)**	**533 743**

STATEMENT OF CASH FLOWS 1 JANUARY – 31 DECEMBER

USD'000	Note	2023	2022
Cash flows from operating activities:			
Profit (loss) for the year before tax		(241)	7 746
Adjustments to reconcile profit or loss before tax to net operational cash flows			
Interest income	6	(20 338)	(13 376)
Interest expenses	7	29 821	32 115
Impairment reversal of loan to subsidiaries	5	-	(82 061)
Impairment of investment in associates	5	12 000	-
Net gain on derivatives and other financial instruments		(3 497)	(1 080)
Dividend received from Höegh LNG Partners LP	16	(20 000)	(458)
Working capital adjustments (changes in receivables and payables)		(15 532)	38 208
I) NET CASH FLOWS FROM OPERATING ACTIVITIES		**(17 787)**	**(18 906)**
Cash flows from investing activites:			
Dividend received from Höegh LNG Partners LP	16	20 000	458
Grants lending to subsidiaries	5	(10 000)	(49 500)
Grants lending to associates	5	(3 500)	-
Repayments lending to subsidiaries	5	264 700	16 272
Interest received		1 661	1 776
Investment in subsidiaries	3	(1 184)	(166 119)
II) NET CASH FLOWS FROM INVESTING ACTIVITIES		**(271 677)**	**(197 113)**
Cash flows from financing activites:			
Interest paid		(30 111)	(27 605)
Payment of financing and refinancing fees and debt issuance cost	14	(2 311)	-
Repayment of borrowings	14	(312 956)	(3 301)
Proceeds from borrowings	14	100 000	40 555
Transaction cost paid		(8 593)	-
Shareholder contribution		-	203 289
Increase in restricted cash and cash collateral	13	(5 318)	(470)
III) NET CASH FLOWS FROM FINANCING ACTIVITIES		**(259 289)**	**212 468**
NET DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)		**(5 399)**	**(3 551)**
Cash and cash equivalents 1 January		22 595	26 146
CASH AND CASH EQUIVALENTS 31 DECEMBER	10	**17 196**	**22 595**

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 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 2023 were approved by the Board of Directors 18 April 2024.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the company are prepared in accordance with IFRS Accounting Standards® as adopted by the EU.

The accounting policies as described in the consolidated financial statements generally apply to the company unless otherwise stated within the relevant note disclosures of the financial statements for Höegh LNG Holdings Ltd.

2.1 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

Investment in subsidiaries is recorded at historical cost. Such investments are reviewed for impairment when there are indications that carrying value may not be recoverable.

USD'000	2023	2022
Carrying value as of 1 January	596 382	218 183
Investment in HMLP	1 184	178 198
Conversion of intra-group loan to paid-in equity in Höegh LNG Ltd.	-	200 000
CARRYING VALUE AS OF 31 DECEMBER	**597 566**	**596 382**

The investment in Höegh LNG Partners LP ("HMLP") during 2023 related to indemnification of agreed cost sharing for certain project cost. The indemnified project cost was paid to HMLP.

USD'000	2023	2022
Höegh LNG Ltd.	200 000	200 000
Höegh LNG Partners LP	397 564	396 380
Höegh LNG General Partner LLC	1	1
CARRYING VALUE AS OF 31 DECEMBER	**597 566**	**596 382**

Country of incorporation

Companies	Country of incorporation	Ownership share
Höegh LNG Ltd.	Bermuda	100%
Höegh LNG Partners LP	Marshall Islands	100%
Höegh LNG General Partner LLC	Marshall Islands	100%

Impairment assessment

There were no impairment indicators related to investment in subsidiaries as of 31 December 2023 and as such no impairments were recognised. No impairments were recognised in 2022.

NOTE 4: INVESTMENTS IN ASSOCIATES

Investment in associated companies is recorded at historical cost. Such investments are reviewed for impairment when there are indications that carrying value may not be recoverable.

USD'000	2023	2022
Carrying value as of 1 January	43 125	43 125
Impairment of investment in associates	(12 000)	-
CARRYING VALUE AS OF 31 DECEMBER	**31 125**	**43 125**

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 shares in Avenir LNG were subsequently registered on the Norwegian OTC market under the ticker AVENIR. Höegh LNG Holdings Ltd. held 23.67% of the shares in Avenir LNG as of 31 December 2023 (year-end 2022: 23.67%). The company had no remaining capital commitments as of 31 December 2023.

The company considered the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As of 31 December 2023, the market capitalisation of the company was below the book value of its equity, indicating a potential impairment. Impairment assessment of investment in Avenir LNG Limited resulted in an impairment of USD 12 million.

The basis for the impairment was aligning the company's book value to book value of the group's investment in Avenir LNG Limited.

Reference is made to Note 3.6 in the consolidated financials disclosing 100% of condensed numbers in the associate's statement of comprehensive income for 2023 and 2022 and statement of financial position as of 31 December 2023 and 2022, respectively.

NOTE 5: LOANS TO SUBSIDIARIES AND ASSOCIATES

Loan to subsidiaries

USD'000	Note	2023	2022
Carrying value as of 1 January		277 082	358 608
Grants lending to subsidiaries		10 000	49 500
Repayments/indemnifications lending to subsidiaries		(264 700)	(24 545)
Conversion of intra-group loan to paid-in equity in Höegh LNG Ltd.		-	(200 000)
Reversal of impairment on loans to subsidiaries		-	82 061
Accrued interest during the year added to loan balance		18 388	11 458
CARRYING VALUE AS OF 31 DECEMBER	**15**	**40 770**	**277 082**

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 Term SOFR plus a margin of 2.5%. Repayment of the facility shall be done in one or several amounts, as agreed between the parties.

Based on an impairment assessment by 31 December 2022, a reversal of previous impairments of USD 82.1 million related to the loan to Höegh LNG Ltd was made. No impairments or reversals of previous impairments were made during 2023 related to the Höegh LNG Ltd. loan from the company.

On 12 August 2014, the company issued a revolving credit facility to the borrower Höegh LNG Partners LP. The revolving credit facility was fully repaid during 2022 and ceased to exist 1 January 2023.

Loan to associates

USD'000	Note	2023	2022
Carrying value as of 1 January		1 920	1 777
Grants lending to associates		3 500	-
Accrued interest during the year added to loan balance		289	142
CARRYING VALUE AS OF 31 DECEMBER	**15**	**5 708**	**1 920**

On 23 November 2021, the company entered into a revolving loan agreement with Avenir LNG. The loan initially matured 23 November 2022 but was extended by an amendment agreement signed 13 October 2022 to 13 October 2025. Another amendment was signed April 2023 increasing the interest rate from 5% to 7% per annum, whilst the commitment fee of 40% of the interest rate on the undrawn amount was reinstated and the loan facility was increased from USD 2.65 million to USD 5.25 million. As of 31 December 2023, the loan facility was fully drawn. No impairment has historically been recognised on the loan to Avenir LNG.

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

NOTE 6: INTEREST INCOME

USD'000	Note	2023	2022
Interest income from loan to Höegh LNG Ltd.	15	18 388	11 458
Interest income from revolving credit facility with Höegh LNG Partners LP	15	-	1 384
Interest income from revolving loan to Avenir LNG	15	289	142
Interest income from cash and cash equivalents and cash collaterals		1 661	392
TOTAL		**20 338**	**13 376**

See Note 5 for outstanding interest-bearing loan receivables.

NOTE 7: INTEREST EXPENSES

USD'000	2023	2022
Interest expenses from bond HLNG03	9 005	12 937
Interest expenses from bond HLNG04	12 985	13 078
Interest expenses from Other debt	3 146	6 054
Interest expenses from revolving credit facility	4 685	-
Other interest expenses	-	46
TOTAL	**29 821**	**32 115**

NOTE 8: FINANCIAL DERIVATIVES

Interest rate swaps and swaptions in the financial position

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

USD'000	2023	2022
MTMs presented as financial assets non-current portion	-	137
MTMs presented as financial assets current portion	1 932	3 135
MTMs presented as financial liabilities non-current portion	(16 382)	(8 058)
MTMs presented as financial liabilities current portion	-	(15 902)
Net MTMs of interest rate swaps as of 31 December	**(14 449)**	**(20 688)**
Accumulated exchange losses under CCIRS' included in MTM	19 635	30 503
INTEREST RATE SWAPS RECORDED AGAINST EQUITY AS OF 31 DECEMBER	**5 186**	**9 815**

Changes in MTMs of interest rate swaps and swaptions from previous year	**6 239**	**(5 599)**

USD'000	2023	2022
Changes recorded to other comprehensive income (loss)	(4 629)	16 376
Separate component of equity (currency portion of CCIRS) recorded to profit or (loss)	10 867	(21 975)
TOTAL CHANGES IN MTMS OF INTEREST RATE SWAPS FROM PREVIOUS YEAR	**6 239**	**(5 599)**

Notional amounts of hedge instruments as of 31 December[1]	**146 277**	**961 519**
Hedge ratio	1:1	1:1

The company has entered cross currency interest rate swaps relating to HLNG04 and had similar financial instruments related to HLNG03 which was settled on maturity date 1 August 2023. On 31 December 2023, the mark-to-market valuation of the interest rate swaps and swaptions were recognised in the financial position with a net liability of USD 14.4 million (net liabilities 31 December 2022 USD 20.7 million). On 31 December 2023, interest rate swaps and swaptions recorded against equity was USD 5.2 million (USD 9.8 million at year-end 2022).

In 2022, the company entered cash flow hedge swaptions to mitigate floating interest rate risk for the new loan facility for USD 685 million to refinance the existing debt for the Höegh Esperanza and the Hoegh Gannet. A swaption is a single zero-cost derivative instrument, comprising a combination of a written option and a purchased option with the same notional amounts, that form an interest rate collar locking future fixed interest rates within a range. After the successful refinancing, the swaptions were restructured into interest rate swaps that were novated to the vessel-owning entities of Höegh Esperanza and Hoegh Gannet. On 31 December 2022, swaptions recorded against equity was USD 2.1 million.

[1] As of 31 December 2022, the outstanding notional amount included the notional of swaptions related to future debt. The swaptions were restructured and novated during 2023 due to successful refinancing of the Höegh Esperanza and the Hoegh Gannet.

NOTE 9: ADMINISTRATIVE EXPENSES

USD'000	Note	2023	2022
Remuneration to board members		58	32
Audit fees		162	389
External services		(9)	54 072
Indemnification of boil-off claim	15	-	272
Management fee from companies within the group	15	2 340	2 236
Other		60	51
TOTAL		**2 610**	**57 051**

NOTE 10: CASH AND CASH EQUIVALENTS

Currency	Exchange rate 31 Dec 2023	USD'000 31 Dec 2023	Exchange rate 31 Dec 2022	USD'000 31 Dec 2022
US Dollars (USD)	1	16 840	1	22 126
Norwegian Kroner (NOK)	10.2652	356	9.7717	469
CASH AND CASH EQUIVALENTS		**17 196**		**22 595**

NOTE 11: SHARE CAPITAL

As of 31 December 2023, 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.

NOTE 12: BONDS

Non-current liabilities

USD'000	2023	2022
HLNG04	126 641	133 037
Unamortised debt issuance cost and unamortised bond discount HLNG04	(1 836)	(3 455)
CARRYING VALUE AS OF 31 DECEMBER	**124 806**	**129 582**

Current liabilities

USD'000	2023	2022
HLNG03	-	153 505
Unamortised debt issuance cost HLNG03	-	474
CARRYING VALUE AS OF 31 DECEMBER	**-**	**153 978**

The HLNG04 bond loan matures in January 2025, while the HLNG03 bond loan was fully repaid on maturity date 1 August 2023. The repayment of the HLNG03 was NOK 1 500 million. Interest expenses on the bonds was USD 22.0 million for 2023 (2022: USD 26.0 million). Accrued interest as of 31 December 2023 related to HLNG04 was USD 1.9 million.

NOTE 13: CASH COLLATERAL

USD'000	2023	2022
Carrying value as of 1 January	490	20
Change in cash collateral	5 318	470
CARRYING VALUE AS OF 31 DECEMBER	**5 808**	**490**

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 swaps is higher than a pre-defined threshold, as the company will be required to post cash collateral for the difference.

As of 31 December 2023, the company had posted USD 5.8 million in cash collateral (USD 0.5 million as of 31 December 2022).

NOTE 14: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The groups objectives and policies related to capital management and financial risks are described in Notes 3.2 and 3.3 in the consolidated financial statements.

Financial assets

	Carrying value		Fair value	
USD'000	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Financial assets at fair value through other comprehensive income (FVTOCI)				
Mark-to-market of interest rate swaps	1 932	3 272	1 932	3 272
Total	**1 932**	**3 272**	**1 932**	**3 272**
Financial assets at fair value through profit or loss (FVTPL)				
Derivatives	1 604	-	1 604	-
Total	**1 604**	**-**	**1 604**	**-**
Financial assets at amortised cost				
Interest-bearing receivables	46 478	279 002	46 478	279 002
Trade receivables	1 854	1 663	1 854	1 663
Cash collateral	5 808	490	5 808	490
Cash and cash equivalents	17 196	22 595	17 196	22 595
Total	**71 336**	**303 750**	**71 336**	**303 750**
TOTAL FINANCIAL ASSETS	**74 873**	**307 023**	**74 873**	**307 023**
TOTAL NON-CURRENT FINANCIAL ASSETS	**52 286**	**279 629**	**52 286**	**279 629**
TOTAL CURRENT FINANCIAL ASSETS	**22 586**	**27 394**	**22 586**	**27 394**

Financial liabilities

	Carrying value		Fair value	
USD'000	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Financial liabilities at fair value through other comprehensive income (FVTOCI)				
Mark-to-market of interest rate swaps	16 382	23 960	16 382	23 960
Total	**16 382**	**23 960**	**16 382**	**23 960**
Financial liabilities at amortised cost				
Trade and other payables and accrued interest	28 633	56 395	28 633	56 395
Other debt	-	44 000	-	44 000
Bonds excl. debt issuance cost and bond discount	126 641	286 542	130 808	291 746
Total	**155 274**	**386 937**	**159 441**	**392 141**
TOTAL FINANCIAL LIABILITIES	**171 656**	**410 897**	**175 882**	**416 101**
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**151 773**	**176 057**	**155 940**	**182 505**
TOTAL CURRENT FINANCIAL LIABILITIES	**19 883**	**231 859**	**19 883**	**233 595**

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:

The fair values of cash and cash equivalents and trade receivables approximate their carrying values largely due to the short-term maturities of these instruments.

Trade and other payables and accrued interest consist of both current and non-current liabilities. The fair values of the current portion approximate their carrying values largely due to the short-term maturities on these financial instruments. The fair values of the non-current portion are considered to materially approximate their carrying values.

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.

The fair value of other debt was determined by using the DCF method using discount rate that reflected the issuer's borrowing rate as of the end of the reporting period. The own non-performance risk as of 31 December 2023 and 2022 was assessed to be insignificant.

The bond issued by the company (HLNG04 issued January 2020) is listed on Oslo Stock Exchange, and its fair value is disclosed based on traded information. As of 31 December 2023, the fair value was 103.29% (102.25% as of 31 December 2022). Bond HLNG03, which was issued in 2017 and repaid on maturity in 2023, had a fair value as of 31 December 2022 of 101.44%.

Changes in liabilities arising from financing activities

USD'000	1 Jan 2023	Cash flows repayment bond, other debt and RCF	Cash flows draw RCF	Cash flows of financing fees and debt issuance cost	Foreign exchange movement	Other movements	31 Dec 2023
Current bonds	153 978	(168 956)	-	(1 468)	15 458	988	-
Non-current bonds	129 582	-	-	-	(6 396)	1 619	124 806
Non-current other debt	14 667	(14 667)	-	-	-	-	-
Current other debt	29 333	(29 333)	-	-	-	-	-
RCF	-	(100 000)	100 000	(843)	-	843	-
TOTAL	**327 560**	**(312 956)**	**100 000**	**(2 311)**	**9 062**	**3 451**	**124 806**

1 August 2023, the company fully repaid the HLNG03 bond loan on maturity date. In June 2023, the company completed a new revolving credit facility ("RCF") of USD 100 million, primarily serving as a bridge until the group completed the pending refinancing of Hoegh Gannet. On 27 June 2023, USD 100 million was drawn in full, whereof USD 37 million of the proceeds were applied to repay and cancel the remaining loan related to the Other debt loan facility. After the successful refinancing of Hoegh Gannet, the RCF was fully repaid on 29 November 2023. The RCF is split into two tranches, each amounting to USD 50 million. These tranches are accessible up to and including the date falling one month before maturity. On January 2, 2024, both tranches within the RCF were extended to have a new maturity date of January 2, 2025. Additionally, the company retains the option to cancel the USD 100 million RCF at any time. Notably, no interest rate swap agreements were entered into concerning the USD 100 million RCF facility. Other movements in the table comprise amortisation of debt issuance cost and bond issue discount.

USD'000	1 Jan 2022	Cash flows new interest-bearing debt	Foreign exchange movements	Other movements	31 Dec 2022
Current bonds	266 447	40 555	(12 120)	(140 904)	153 978
Non-current bonds	-	-	(14 397)	143 979	129 582
Non-current other debt	44 000	-	-	(29 333)	14 667
Current other debt	-	-	-	29 333	29 333
TOTAL	**310 447**	**40 555**	**(26 516)**	**3 075**	**327 560**

Refer to Note 2.4 in the consolidated financial statements for fair value hierarchy and Note 3.3 for further outline of financial risk management objectives and policies.

NOTE 15: RELATED PARTY TRANSACTIONS

Loans to related parties

USD'000	Note	31 Dec 2023	31 Dec 2022
Subsidiaries:			
Höegh LNG Ltd.	5	40 770	277 082
Associates:			
Avenir LNG Limited	5	5 708	1 920
TOTAL		**46 478**	**279 002**

Interest income and fees from related parties

USD'000	Note	2023	2022
Subsidiaries:			
Höegh LNG Ltd.	6	18 448	11 458
Höegh LNG Partners LP	6	-	1 384
Associates:			
Avenir LNG Limited	6,17	349	243
Joint Gas Two Ltd.		120	-
TOTAL		**18 917**	**13 085**

Administrative expenses to related parties

USD'000	Note	2023	2022
Subsidiaries:			
Höegh LNG AS	9	2 340	2 236
Höegh LNG Partners LP	9	-	272
TOTAL		**2 340**	**2 508**

As for the company's investment in Höegh LNG Partners LP, reference is made to Note 3.

NOTE 16: DIVIDENDS

During 2023, the company received dividends from Höegh LNG Partners LP, totalling USD 20 million (2022: USD 0.5 million). The company did not pay out any dividends to its shareholders in 2023 or 2022.

NOTE 17: INCOME AND EXPENSES FROM OTHER FINANCIAL ITEM

USD'000	Note	2023	2022
Income from other financial items			
Gain on foreign exchange		5 210	4 591
Guarantee fees accrued	15	240	101
Income from other financial items - gross		**5 451**	**4 693**
Expenses from other financial items			
Loss on foreign exchange		(21)	(3 600)
Fair value adjustment USD/NOK FX call options		-	(13)
Other financial expenses		(1 577)	(63)
Expenses from other financial items - gross		**(1 598)**	**(3 676)**
EXPENSES FROM OTHER FINANCIAL ITEMS - NET		**3 853**	**1 016**

NOTE 18: COMMITMENTS AND GUARANTEES

As of 31 December 2023, Höegh LNG had no remaining outstanding investment commitment in Avenir LNG Limited. By the end of 2022, Avenir had completed the construction of all 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. Reference is made to Note 7 in the consolidated financial statements disclosing guarantees provided by the company as well as the group.

NOTE 19: SUBSEQUENT EVENTS

Refer to Note 4.2 in the consolidated financial statements for events after the balance sheet date.

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Directors' responsibility statement

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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 2023 (Annual Report 2023).

To the best of our knowledge:

- The consolidated and separate annual financial statements for 2023 have been prepared in accordance with IFRS Accounting Standards® as adopted by the EU and additional disclosure requirements set out in the Norwegian Securities Trading Act.
- The consolidated and separate annual financial statements give a true and fair view of the assets, liabilities, financial position and result for the period for the group and the parent company; and
- The board of directors' report for the group and the parent company includes a true and fair review of:
  - The development and performance of the business and the position of the group and the parent company; and
  - The principal risks and uncertainties the group and the parent company face.

Hamilton, Bermuda, 18 April 2024
The Board of Directors and the President and CEO of Höegh LNG Holdings Ltd.

Morten W. Høegh
Chairman

Johan Pfeiffer
Deputy Chairman

Carlo Ravizza
Director

Eric den Besten
Director

Alberto Donzelli
Director

John Kwaak
Director

Tammy L. Richardson-Augustus
Director

Erik Nyheim
President and CEO


HÖEGH

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Independent auditor’s report

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Statsautoriserte revisorer
Ernst & Young AS

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Medlemmer av Den norske Revisorforening

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 2023, 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 2023 and their financial performance and cash flows for the year then ended in accordance with IFRS Accounting 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 18 years from the incorporation and election by the general meeting of shareholders in 2006 for the accounting year 2006 with a renewed election on the 27 August 2022.

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 2023. 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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Revenue recognition – new time charter contracts

Basis for the key audit matter
Time charter revenues is the single largest account in the consolidated statement of income. The Group recognises revenue in accordance with IFRS 15, Revenue from Contracts with Customers and IFRS 16, Leases. Several of the Group's vessels have during 2023 commenced new long-term time charter contracts.

Assessment of revenue recognition requires managements judgement. Determining revenue to be recognized is complex due to the significant consideration and assessment in understanding the contractual terms. The contractual terms for each long-term time charter contract are independent and the assessment of the terms can significantly impact the timing of revenue recognition.

Revenue recognition on new time charter contracts is a key audit matter because of the significant consideration and judgement involved in understanding the contractual terms.

Our audit response
Our audit procedures include obtaining, inspecting, and evaluating the new time charter contracts. We obtained management accounting memos and evaluated management's accounting assessment for the new time charter contracts.

We further performed detailed analysis of expected time charter revenue recognition based on our contract review. We tested and confirmed outgoing invoices to ingoing payments and evaluated any adjustments in recognized revenue. Lastly, we assessed the adequacy of the note disclosures for revenue recognition from new time charter contracts.

We refer to note 3 in the consolidated financial statements.

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 IFRS Accounting 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.

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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 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.

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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-2023-12-31-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 pursuant to 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 the annual report in compliance with the ESEF Regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

Auditor's responsibilities

Our responsibility, based on audit evidence obtained, 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. We conduct our work 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 about whether the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation.

As part of our work, we perform procedures to obtain an understanding of the company's processes for preparing the financial statements in accordance with the ESEF Regulation. We test whether the financial statements are presented in XHTML-format. We evaluate the completeness and accuracy of the iXBRL tagging of the consolidated financial statements and assess management's use of judgement. Our procedures include 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, 18 April 2024
ERNST & YOUNG AS

The auditor's report is signed electronically

Jon-Michael Grefsrød
State Authorised Public Accountant (Norway)


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Alternative performance measures (APMs)

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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. The below overview shows the group's APMs:

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

Alternative performance measures, summary

USD'000	31 Dec 2023	31 Dec 2022
Net interest-bearing debt	**1 380 186**	**1 336 667**
Equity adjusted for hedging	**780 609**	**699 216**
EQUITY RATIO ADJUSTED FOR HEDGING	**30%**	**29%**

Net interest-bearing debt

USD'000	31 Dec 2023	31 Dec 2022
Interest-bearing debt, current and non-current	(1 655 579)	(1 514 628)
Restricted cash, non-current	33 432	15 790
Cash and cash equivelents including restricted cash and marketable securities	241 962	162 170
NET INTEREST-BEARING DEBT	**(1 380 186)**	**(1 336 667)**

Hedge reserves

USD'000	Note	31 Dec 2023	31 Dec 2022
Net MTMs of financial liabilities in parent and subsidiaries	3.2	(6 774)	20 289
Net MTMs of financial liabilities in joint ventures and associates	3.2	(14 878)	(17 168)
Changes in MTMs not recorded as OCI:			
Net foreign exchange (gain) losses under cross currency swaps included in MtM		19 635	30 502
Accumulated settlements of swaps received (paid)		4 277	(7 586)
Accumulated loss (gain) on swap in profit or loss		(2 506)	906
HEDGE RESERVES INCLUDING NON-CONTROLLING INTEREST SHARE		**(247)**	**26 942**

Equity adjusted for hedging transactions

USD'000	31 Dec 2023	31 Dec 2022
Equity	780 362	726 159
Hedge reserve, including non-controlling interest share	247	(26 942)
EQUITY ADJUSTED FOR HEDGING TRANSACTIONS	**780 609**	**699 216**

Equity ratio adjusted for hedging transactions

USD'000	31 Dec 2023	31 Dec 2022
Total assets	2 610 238	2 431 225
Hedge reserves in JVs for investments presented as assets	14 878	17 168
Hedges recorded as assets	(27 371)	(44 249)
TOTAL ASSETS ADJUSTED FOR HEDGING TRANSACTIONS	**2 597 746**	**2 404 145**
EQUITY ADJUSTED FOR HEDGING TRANSACTIONS	**780 609**	**699 216**
EQUITY RATIO ADJUSTED FOR HEDGING TRANSACTIONS	**30%**	**29%**

HÖEGH LNG

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