HÖEGH LNG

ANNUAL REPORT 2022

Delivering energy independence

Annual Report 2022

Cover photo
Höegh Esperanza

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, also within clean energy infrastructure solutions.

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

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

KEY FINANCIAL FIGURES

(in USD'000 unless otherwise indicated)	2022	2021
INCOME STATEMENT		
Total income	380 787	351 834
Operating profit before depreciation and impairment (EBITDA)	153 231	217 194
Operating profit after depreciation and impairment	37 955	103 788
Loss for the year	(55 409)	(21 284)
BALANCE SHEET AS OF 31 DECEMBER		
Equity adjusted for hedging transactions	699 216	743 505
Adjusted equity ratio (%)	29	30
Net interest-bearing debt	1 336 667	1 440 524
CASH FLOWS		
Net cash flows from operating activities	163 040	196 513
Net cash flows from investing activities	(180 938)	(26 527)
Net cash flows from financing activities	30 608	(178 490)
Net increase (decrease) in cash and cash equivalents	12 710	(8 504)

OPERATIONAL KPIs

	2022	2021
Technical availability (%)	99.7	99.6
Lost time injury frequency (per million work hours)	0.0	0.63

FLEET LIST

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

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Accelerating countries to energy security and transition

Accelerating countries to energy security and transition

2022 was a turbulent year for the energy markets and demonstrated both the fragility and the resilience of the global energy systems. In a market mainly driven by concerns over security of energy supply in Europe, LNG prices were record high and the global LNG trade grew with 5%, reaching 400 million tonnes.

In this market, Höegh LNG successfully concluded two firm 10-year FSRU contracts with the Federal Government of Germany. Höegh Esperanza and Hoegh Gannet are allocated to these two contracts and are already in place in Germany, located in Wilhelmshaven and Brunsbüttel. Furthermore, Neptune, which is under long-term charter with TotalEnergies, has commenced regas operations for Deutsche ReGas in Lubmin, Germany. These three vessels have a combined annual regas capacity close to a third of the natural gas that was previously imported by Germany from Russia. The speed at which the gas import terminals were established demonstrates the versatility and flexibility that our FSRUs provide and their critical role enabling access to global gas markets. This being my first letter as President and CEO, I am very proud of the performance and projects delivered by our people at Höegh LNG. My sincere thanks goes out to our team and our customers and partners whom together have delivered highly innovative infrastructure solutions securing gas supply to Germany.

In total, Höegh LNG secured four new long-term contracts in 2022 and the entire fleet is now either operating under or committed to long-term contracts with strong counterparties. It is our ambition to grow our business and in March 2023 we completed the acquisition of the LNG carrier Golar Seal. The vessel, renamed Hoegh Gandria, is an excellent addition to our fleet and may potentially become a candidate for conversion to FSRU.

Our fleet had stable operations throughout the year, with technical availability close to 100%. We had zero lost-time injury (LTI) reported in 2022 on Höegh LNG's vessels, 99.1% retention rate for maritime personnel and an average sickness absence among office employees in Oslo of 1.6 %. These are stellar results.

Our focus on sustainability and the energy transition gained momentum during 2022. Höegh LNG's overall climate ambition is to reduce total CO_2 emissions by 50% and have the first net zero-carbon FSRU in operation in 2030. Energy management, monitoring and optimisation of our operations are one of the main drivers to reduce emissions in our existing fleet.

Höegh LNG was awarded a maximum 5-star rating in GRESB infrastructure assets benchmark report. This placed us as first among participating energy resource processing companies. This is a significant result considering that we are achieving it, on our first attempt. We are very proud of this recognition, and it further confirms our commitment to the sustainability agenda and that transparency is key to our ESG program.

At Höegh LNG, we have defined our purpose as "Accelerating Countries to Energy Security and Transition". We plan to leverage the extensive experience from floating terminals, liquid gas handling and marine gas transportation to expand our services. Together with customers and partners, we have initiated several projects to develop solutions for carbon capture and storage (CCS), ammonia and hydrogen.

Over the year we continued to develop other areas of our business. In September we completed the acquisition of the publicly held common units in Höegh LNG Partners LP, becoming sole owner, and delisted the common units from New York stock exchange.

We are a global FSRU leader with the most modern and sophisticated fleet with an impeccable track record for operational excellence.

In December, the partnership applied for a voluntary delisting and withdrawal of registration with SEC for its 8.75% Series A cumulative redeemable preferred units and the delisting was effective in January 2023. In January 2023, Höegh LNG signed a new loan facility agreement to refinance Höegh Esperanza and Hoegh Gannet, both employed on long-term contracts in Germany. The new loan facility is for a total of of USD 685 million, has a tenor of 10 years and will reduce Höegh LNG's average cost of debt. The funds will be applied to repay the existing loan facilities for the two vessels and make us well positioned for future growth.

We are a global FSRU leader with the most modern and sophisticated fleet with an impeccable track record for operational excellence. Höegh LNG is well positioned to compete for new regasification projects world-wide including any new fast-track projects for securing energy supply into Europe.

Erik Nyheim
President and CEO

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Directors' report


HÖEGH LNG

Directors' report for 2022

During 2022 LNG demand saw a robust growth, contributing to a buoyant market with record high LNG prices. The LNG carrier market also experienced record high sales levels ahead of the winter season, driven by high LNG demand and bottlenecks at European discharge ports. Global LNG trade grew by 5% in 2022, reaching 400 million tonnes. Amidst this bustling market, Höegh LNG had a successful year in business development, securing four new long-term FSRU contracts. The entire fleet is now either operating under or committed to long-term contracts with strong counterparties. At the time of writing, the market for gas and LNG remains tight and is still driven by concerns over security of energy supply in Europe. As a result, future market developments are unusually unpredictable and will depend both on the availability of commodity, and on gas customers' technical and economic capacity to secure supplies. Höegh LNG has ambition to grow within LNG and completed in March 2023 the acquisition of the LNG carrier Golar Seal. The vessel, renamed Hoegh Gandria, will be an excellent addition to our fleet and provide flexibility to pursue FSRU conversion opportunities.

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), London (UK), Singapore, Miami (USA), Jakarta (Indonesia), Klaipeda (Lithuania), Cairo (Egypt), Cartagena (Colombia), Hamburg (Germany) 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.

New President and CEO

Mr Erik Nyheim joined Höegh LNG as the new President and CEO from mid-August 2022. He brings important and relevant experience which will complement the management team and contribute to a successful realisation of the company's strategy. The board would like to thank Mr Thor Jørgen Guttormsen for his dedication and leadership as interim President and CEO from November 2021 through July 2022.

Sustainability

2022 was an eventful year for Höegh LNG in terms on delivering on our Sustainability agenda. Due to our high focus in this area, Höegh LNG was awarded 5 stars, with a 97/100 score, in GRESB infrastructure assets benchmark report. This placed Höegh LNG first among participating energy resource processing companies.

A significant contributor to this stellar performance is Höegh LNGs transparent culture and structured approach to ESG.

Maintaining safe operations and minimising risk is the number one priority and Höegh LNG aspires to achieve zero harm to people and the environment and believe all incidents can be prevented. The group encourages an open communication culture, in which reporting is perceived as a strength and a vital element for safety and improvement.

As an organisation with global operations, Höegh LNG navigates a variety of local regulations and practices. This requires great attention to ethical behaviour, compliance, and risk mitigation. Along with sustainability, ethics and compliance are among the top priorities and strategic enablers of the group. Business integrity is a fundamental part of how Höegh LNG operates and how the company treats its business partners and employees. Beyond the group's own internal measures, Höegh LNG believes in collective action to achieve our ethical and compliance goals. Höegh LNG is an active member of the Maritime Anti-Corruption Network (MACN), which provides valuable insights into specific anti-corruption challenges in the maritime industry. In 2022, Höegh LNG launched the MACN Anti-Corruption e-learning course to all seafarers with a completion rate of 84%.

Impact on the external environment

The group`s goal is always to limit any negative impact the operations might have on the environment and biodiversity. Höegh LNG has specific focus on marine ecosystems and works continuously to minimise the risk of spills while reducing discharge of excess biocides and cooling water. Despite performing four dry dockings during 2022, Höegh LNG managed to reduce plastic waste by 11%.

A part of the energy sector, the group is focused on contributing as much as possible to the reduction of carbon dioxide emissions. This is one of the main sustainability priorities and Höegh LNG is actively engaging with operators, customers and maritime organisations to develop technology and drive change towards a low-carbon future.

Höegh LNG has significantly reduced CO_2 and other emissions per vessel by applying energy efficient solutions and by adding 10 modern FSRUs to its fleet since 2009. A key part of Höegh LNG's approach has been to develop a digital platform to harvest big data from the fleet to track and improve operational performance.

Höegh LNG is committed to reducing carbon emissions (scope 1) by 50% and provide its first zero-carbon FSRU by 2030, using 2020 as a baseline. Some of the most important areas of focus in relation to achieving zero-carbon FSRU is to assess potential solutions for providing green power and heating water from shore.

In 2022, four of the vessels were docked in preparation for upcoming FSRU operations. During 2023, nine of Höegh LNG's ten FSRUs will be in stationary FSRU operation. The group will continue to optimise the balance between local and global suppliers in each location to ensure the best supply chain structure for each vessel, with less transportation and emissions.

Clean energy
Höegh LNG is actively seeking areas where the company can contribute to the transition to a low-carbon world while growing its business in a commercially sustainable manner. There are many similarities between the core business of Höegh LNG and non-carbon energy solutions. Höegh LNG plans to leverage the extensive experience from floating terminals, liquid gas handling and marine gas transportation to expand our services into energy transition markets. Together with customers and partners, we plan to develop floating terminal solutions for carbon capture and storage (CCS), ammonia, hydrogen and other segments. The solutions will aim to help our customers reduce their carbon footprint whilst continuing to provide reliable energy solutions. We look forward to working with our customers to provide them and countries with sustainable and cost-efficient energy solutions.

More detailed information is available in the company's sustainability report for 2022 on: www.hoeghlng.com

Personnel
Höegh LNG had 192 permanent office employees and 680 maritime personnel on 31 December 2022. The 24-month cumulative retention rate on 31 December 2022 was 99.1% for maritime personnel. Average sickness absence among office employees in Oslo was 1.6% in 2022 which is a decrease of 1% from previous year. There were zero lost-time injuries (LTI) reported in 2022 onboard Höegh LNG vessels. This outstanding performance is due to that maintaining safe operations and minimising risk is the number one priority for Höegh LNG. The occupational health, safety and working environment (OHS) policy reflect our group Code of Conduct and includes the principle that Höegh LNG strive to ensure zero harm to our colleagues and an injury-free working environment.

Considering the importance of HLNG's assets as critical infrastructure, the group have strengthened the cyber and physical security, by conducting continuous cyber awareness and other security campaigns for all employees, both onshore and on board our vessels.

Diversity
Höegh LNG has a no-tolerance policy regarding discrimination based on gender, age or ethnicity. By 2025 Höegh LNG aims to have a gender balance in the senior leadership team and other leadership areas in the organisation.

To progress towards this goal, Höegh LNG has reviewed its recruitment processes, focusing i.a. on advertisements to attract female and multinational applicants and making sure that recruitment decisions are age and gender balanced.

There is still a gap to traverse in order to meet the goal, however in 2022 there was an increase in the number of female seafarers. Positions held by women include range from cadets up to Chief Officer as the highest rank. Women accounted for 37% of Höegh LNG's office employees on 31 December 2022. One of seven directors on the company's board are female, while the Senior Management Team has one female member out of six.

Review of 2022

Business development

The tragic outbreak of war in Ukraine in February 2022 led to a surge in interest for LNG import terminals in Europe, where countries were looking to secure import capacity for LNG to reduce dependency on pipeline gas from Russia. As a consequence, demand for FSRUs increased significantly.

Höegh LNG had a successful year on the business development front in 2022. In June, Australian Industrial Energy (AIE) lifted its final subjects for the FSRU contract signed by both parties in 2021. The FSRU contract has a term of 15 years with early termination options for AIE after year 5 and 10. AIE is entitled to time the start-up of the contract between 2023 and 2025, depending on AIE's requirements. Following repositioning from India during third quarter, Höegh Giant is now operating in the LNG carrier market on an interim charter before it is scheduled to go to Brazil in the second quarter of 2023 and commence FSRU operations under the 10-year time charter contract with TSRP/Compass. The group secured two new firm 10-year FSRU contracts with the Federal Government of Germany. Höegh Esperanza and Hoegh Gannet are allocated to these two contracts and are already in operations in Germany, located in Wilhelmshaven and Brunsbüttel.

The business development team is in active dialogue with several potential new projects looking for FSRU capacity which could provide growth opportunities for the group in the future. The recently completed acquisition of the LNG carrier Golar Seal (renamed Hoegh Gandria) provides flexibility to pursue FSRU conversion opportunities.

Operational performance

The fleet delivered stable operations throughout the year with technical availability close to 100% and there were no LTI's recorded in 2022.

At the start of the year, delays to scheduled crew changes continued to be the main effect of the Covid-19 pandemic. Nevertheless, all FSRUs and LNGCs have been fully operational during the year and crewed in accordance with relevant safety and regulatory requirements.

From second quarter onwards, operations have been focused on preparing the vessels for FSRU operations in Europe and Brazil. Höegh Giant was idle from April through September following the termination of its FRSU contract in India. Höegh Esperanza, Hoegh Gannet and Höegh Giant were all idle for a period in second half of the year while repositioning to yard and finalising class renewals and modifications of the vessels. Höegh Esperanza successfully commenced regas operations in Wilhelmshaven in late December 2022 and is on hire under its new contract. Hoegh Gannet arrived in Brunsbüttel in January 2023 when hire started to accrue under the new contract. The FSRU is expected to complete its commissioning and commence regas operations in March/April 2023. Höegh Giant is expected to commence FSRU operation in Brazil in second quarter 2023. Furthermore, Neptune, which is under long-term charter with TotalEnergies and was out of service in third quarter for regular class renewal and maintenance, successfully commenced regas operations for Deutsche ReGas in Lubmin, Germany during January/February 2023. The board of directors recognise that 2022 has been a very demanding year for the organisation. The efforts and dedication of all employees onshore and onboard the vessels are highly appreciated.

Fleet development

On 31 December 2022, Höegh LNG had a fleet of 10 FSRUs and two LNG carriers (LNGCs), which was unchanged from the year before. The average age of the assets in operation is 9.1 years, while the average remaining contract length per vessel was 9.3 years at the end of 2022.

For 2023, the fleet has close to 100 per cent contract coverage, with the exception of some expected idle time between contracts for Höegh Giant and Höegh Galleon.

In addition to its own fleet, Höegh LNG provides technical management services to Avenir LNG and its subsidiaries ("Avenir") for three of Avenir's small-scale LNG vessels.

Corporate activities

Höegh LNG Holdings Ltd. completed the acquisition of publicly held common units of all Höegh LNG Partners LP.

With new equity received from its owner, Höegh LNG Holdings Ltd. completed in September 2023 the acquisition of publicly held common units of Höegh LNG Partners LP, becoming the sole owner of its common units. As a result, the common units were delisted from New York Stock Exchange 26 September 2023. On 5 December 2022, Höegh LNG Partners LP announced a voluntary delisting of the partnership's 8.75% Series A cumulative redeemable preferred units and of its plans to delist and withdraw the registration of its preferred units with SEC. The delisting was effective 2 January 2023.

Acquisition of LNG carrier

On 20 February 2023, Höegh LNG announced an agreement to acquire the 2013-built LNG carrier Golar Seal with 160.000 cbm cargo capacity. Höegh LNG completed the acquisition 22 March 2023 and renamed the vessel to Hoegh Gandria and plans to employ the vessel in the carrier market on a term time charter. The transaction underpins our growth ambitions. The vessel will be an excellent addition to our fleet and provides flexibility to pursue FSRU conversion opportunities.

Refinancing

In February 2023, Höegh LNG signed a new loan facility agreement with a group of banks to refinance Höegh Esperanza and Hoegh Gannet, both employed on long-term contracts in Germany. The new loan facility agreement is for a total amount of USD 685 million and has a tenor of 10 years. The loan amount will be applied to repay the existing loan facilities for the two vessels and general corporate use and will reduce Höegh LNG's average cost of debt. The facility is split in two tranches per vessel. The refinancing of Höegh Esperanza has been completed and the loan tranche was drawn on 21 February 2023. The refinancing of Hoegh Gannet is expected to be completed in April 2023, subject to having successfully completed its commissioning for regas operations in Germany and customary closing conditions.

LNG and FSRU market in 2022

Global LNG and gas markets were turbulent and tight in 2022, in large part driven by the vastly reduced exports of Russian pipeline gas to Europe. The extreme price fluctuations culminated in the third quarter as Europe raced to fill storages ahead of the heating season, before receding towards the end of the year as winter brought unseasonably mild temperatures – especially in Europe both also across the northern hemisphere gas markets. Gas and LNG prices nonetheless remained at elevated levels in a historical perspective.

During 2022, the annual global LNG trade grew by 5 percent, up 20 million tonnes as compared to 2021, reaching 400 million tonnes. The high commodity prices combined with continued lockdowns led China to reduce its spot LNG imports, paving the way for Japan to re-take the position as the world's largest importer of LNG. Europe's combined imports grew by 61 percent, reaching a record-high of 129 million tonnes.

LNG carrier spot charter rates were also volatile through 2022, and spiked to record-high levels in the second half of the year due to the disruptive effects of the tight European gas market. Tonne-mile demand trended downwards as Europe attracted virtually all available Atlantic LNG volumes. Tonne-time nonetheless increased due to bottlenecks in European discharge ports, leading to widespread floating storage and a corresponding lack of available tonnage. In the beginning of 2023, LNG carrier spot charter rates have again receded, while term rates remain firm as charterers are preparing for next winter. Newbuilding prices for LNG carriers increased during the year.

The FSRU market continues to grow as demonstrated by Höegh LNG's successful business development activities in 2022. On 31 December 2022, there were 45 FSRUs on the water globally (excluding four barges with limited storage and/or send out capacity). There is one open FSRU newbuild on order with expected delivery in 2026 and 2-3 ongoing conversions contracted to specific FSRU projects. Two older conversions with relatively limited storage capacity are in layup. Following the recent surge in demand for FSRUs, most of the world's fleet of FSRUs is now either employed on existing long-term contracts or committed to FSRU contracts with near-term commencement.

Financial results

Group figures
The financial statements of Höegh LNG consolidate its subsidiaries and include joint venture companies in accordance with the equity method. Unless otherwise stated, figures for 2022 are compared with those for 2021.

Income statement
Total income was USD 380.7 million in 2022 (2021: USD 351.8 million), while operating profit before depreciation and amortisation (EBITDA) was USD 153.2 million (USD 217.2 million). Although revenues increased, the group also incurred higher expenses in 2022, through increased vessel operating expense primarily related to repositioning of three vessels to make them ready for FSRU operations and increased administrative expenses including a settlement agreement reached with the previous charterer of Höegh Giant.

Operating profit was USD 38.0 million in 2021 (USD 103.8 million). An impairment assessment has been carried out for the group's vessels, which did not identify any impairment requirement. However, the group has recognised an impairment of USD 16 million through its share of result from investments in associates and joint ventures related to the two vessels Arctic Lady and Arctic Princess.

Net financial expenses amounted to USD 90.9 million in 2022 (USD 109.2 million).

Höegh LNG reported a net loss of USD 55.4 million for 2022, which compares with a net loss of USD 21.3 million for 2021. The decrease is primarily due to the decrease in EBITDA, partly offset by reversing parts of a tax provision recorded for uncertain tax position in Indonesia in 2021.

Financial position

On 31 December 2022, the consolidated book value of assets totalled USD 2 431 million (USD 2 429 million). The change during 2002 mainly reflects the increase in current assets, including cash and cash equivalents and investments in associates and joint ventures, offset by depreciation of vessels and the amortisation of right-of-use assets.

The carrying amount of equity on 31 December 2022 was USD 726 million (USD 651 million). Net of mark-to-market of hedging reserves, the equity adjusted for hedging transactions was USD 699 million (USD 744 million), bringing the adjusted equity ratio to 29% (30%). The capital structure of Höegh LNG is considered to be adequate given the risks facing the group. The capital structure will probably be subject in the future to the issuance of further debt relating to scheduled refinancing and new debt, net results and potential new equity capital being issued, dividend distribution and other factors.

Financing

The group is financing its assets and business activities through a combination of equity and interest-bearing debt. The interest-bearing debt consist of asset-backed bank financing as well as unsecured loans and bond loans. On 31 December 2022, outstanding interest-bearing debt carried on the balance sheet totalling USD 1 515 million, net of debt issuance costs, compared to a total of USD 1 614 million as of 31 December 2021. The decrease is mainly explained by ordinary debt and lease repayments partially offset by top-up of the commercial tranche for the Hoegh Gannet facility by USD 23 million and sale in aggregate of NOK 396 million of HLNG03 bonds previously held in treasury.

Cash flows and liquidity

Cash flows from operating activities in 2022 was USD 163.0 million, down from USD 196.5 million in 2021, owing mainly to reduced EBITDA and variations in working capital.

Net cash flows used in investing activities amounted to USD 180.9 million (USD 26.5 million). The increase is mainly related to acquisition of public common units in Höegh LNG Partners LP in 2022.

Cash flows from financing activities was positive at USD 30.6 million (negative at USD 178.5 million), driven by new equity injected by the owner to amongst other finance the acquisition of the public common units in Höegh LNG Partners LP, lower dividends paid to common unit holders in Höegh LNG Partners LP and release of restricted cash and cash collateral.

Total cash flows in 2022 was positive at USD 12.7 million (negative at USD 8.5million).
On 31 December 2022, unrestricted cash and cash equivalents amounted to USD 146.8 million (USD 134.0 million).

On 31 December 2022, the group's current interest-bearing debt was USD 369.8 million (USD 404.2 million), including bonds (HLNG03) of USD 154 million and a corporate bank facility of USD 29 million. These repayments will be covered by cash flows generated from operations and drawing on   new debt facilities. The purchase of Golar Seal will initially be funded with liquidity from new debt facilities in the group, but the company plans to arrange a new loan facility for this vessel.

Going concern

The annual financial statements have been

Operating in a high-risk environment requires a strong focus on health, safety, quality and environment.

prepared under the going concern assumption, and the board of directors confirms that this assumption is fulfilled. This assumption rests on financial forecasts and plans for the coming year on the basis of several assumptions made about future events and planned transactions. On 31 December 2022, outstanding interest-bearing debt carried on the balance sheet totalling USD 1 514 million is expected to be repaid through the cash flow generated from existing assets in Höegh LNG and through refinancing when the debt matures. In addition to the purchase price to be paid for the acquisition of the vessel Golar Seal (renamed Hoegh Gandria), the group has significant debt maturities in aggregate for 2023 and 2024 which will or may require refinancing or extension of maturity dates. Consequently, Höegh LNG is exposed to the risk of insufficient cash flows generated to service its debt, and the risk of refinancing amounts falling short of the amount of debt maturing. However, the new USD 685 million debt facility for the refinancing of Höegh Esperanza and Hoegh Gannet significantly improves 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.

As further commented in the prospects section, it is not possible to accurately forecast and assess the potential effects on the company of the ongoing war in Ukraine at the time this report is released, but these are being continuously monitored.

Parent company financials

The total comprehensive income for the company on a stand-alone basis in 2022 was USD 24.1 million (loss of USD 7.3 million). The improvement from 2021 is mainly related to reversal of impairment on loans to subsidiaries, offset by increased administrative expenses including a settlement agreement reached with the previous charterer of Höegh Giant.

On 31 December 2022, total assets were USD 947 million (USD 651 million), while the equity ratio was 57% (49%). Cash flows in 2022 was negative at USD 3.6 million (positive at USD 2.5 million). On 31 December 2022, the company held USD 22.6 million in cash and cash equivalents (USD 26.1 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.

Operating in a high-risk environment requires a strong focus on health, safety, quality and environment. Höegh LNG devotes continuous attention to developing and improving procedures and routines. Risk management processes are integrated in governance, management and operations on all levels of organisation. Enterprise risk is assessed on monthly basis by the management and reported to the board on quarterly intervals.

Market risk
Höegh LNG has 10 FSRUs in operation, which are either operating under or committed on firm long-term contracts with strong counterparties. The average remaining contract length per vessel was 9.3 years at the end of 2022. Höegh Giant and Höegh Galleon are employed on interim LNG carrier contracts pending start-up of long-term FSRU contracts. Höegh LNG will consequently remain somewhat exposed to variations in market rates for LNG carriers for units currently employed on interim trading contracts.

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

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

Cyber risk
Cyber risk is generally on the rise due to ever increasing digitalization and integration of information technology and operation technology, but also increasing due to Höegh LNGs role in securing energy supply in Europe. Höegh LNG has worked extensively during 2022 to develop a comprehensive overview of potential cyber-attack surfaces and to strengthen both physical and cyber security related to our offices and vessel installations. The aim is to strengthen cyber security even further in 2023.

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 most 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 377 million in 2022. The group has per 31 December 2022 outstanding forward rate agreements (FRA's) totalling NOK 334 million (USD 34 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 loans have been swapped to USD for the principal amount and the coupons, save for approximately 27% of HLNG03 bond which is unhedged for both currency and interest rate risk.

Inflation risk
Höegh LNG is exposed to inflation risk on its vessel operating expenses and its administrative costs. However, for most if its 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.

Liquidity risk
On 31 December 2022, the group had USD 147 million in total available liquidity. Liquidity risk is the risk that Höegh LNG will be unable to fulfil its financial obligations when they fall due, including servicing its interest-bearing debt and refinancing debt at maturity. The new USD 685 million debt facility for the refinancing of Höegh Esperanza and Hoegh Gannet significantly improves the group's liquidity. Together with a solid contract backlog, this give the group a strong position for meeting its obligations and refinancing its 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 311 million represented by the carrying amount of each financial asset in the balance sheet.

Shareholder information

As of 31 December 2022, 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

Höegh LNG's near-term focus is to ensure our new FSRU projects commence operations as planned by our customers in Germany and

Brazil over the coming months. Furthermore, we are planning for commencement of the contract with AIE in Australia with expected start towards the end of 2023.

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 the LNG carrier Golar Seal provides flexibility to pursue FSRU conversion opportunities.

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

Hamilton, Bermuda, 3 April 2023
The Board of Directors and the President and CEO of Höegh LNG Holdings Ltd.

Morten W. Høegh
Chairman

Johan Pfeiffer
Deputy Chairman

Leif O. Høegh
Director

Martine Vice Holter
Director

Alberto Donzelli
Director

John Kwaak
Director

Timothy Faries
Director

Erik Nyheim
President and CEO

03

Corporate governance report


HOEGH

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.

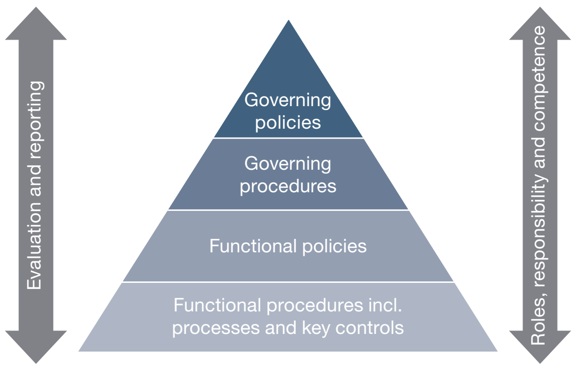
Höegh LNG Holdings Ltd. is a private company owned by Larus Holding Ltd., which is a 50-50 joint venture between Leif Höegh & Co. Ltd. and Floating Infrastructure LP. Leif Höegh & Co. Ltd. is indirectly controlled by Leif O. Høegh and family trusts under which Morten W. Høegh and his immediate family are the primary beneficiaries. Floating Infrastructure LP is owned by funds which is managed by Morgan Stanley Infrastructure Holdings Inc.

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

Höegh LNG (the company and its subsidiaries) has 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 aims to enhance business performance by mitigating risk and enhancing accountability, which is crucial for maintaining the trust of stakeholders and the company's strong reputation in the financial market. The deviations from the Norwegian corporate governance code are predominantly attributable to the fact that the company is a privately held company and incorporated in Bermuda and the deviations are further described in this report. The Norwegian corporate governance code is published at www.nues.no and the issuer rules are published on the Oslo Børs website at www.euronext.com.

Implementation and reporting on corporate governance

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



The governing principles policy is based on the Norwegian corporate governance code and is approved by the board. It identifies the key governing bodies in Höegh LNG, describes the roles and responsibilities of the governing bodies and functions of the group, and specifies requirements for the business with regard to important governing processes, documents and systems. The board has also adopted governing procedures to implement the principles set out in the governing principles policy. These procedures include separate charters for the board of directors, the coordination committee and the capital structure committee, as well as instructions for both the President and CEO and the group's chief compliance officer.

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

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

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

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

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

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

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

Deviations from the code: None.

Business

In November 2022, the board approved new purpose and mission statements and a new strategy and values. 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 delivery 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 and enables 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, which provide consumers of natural gas 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 the welfare 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.

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

The company has guidelines for how it integrates considerations related to its stakeholders into its value creation. Since 2014, Höegh LNG has issued a separate sustainability report in accordance with Oslo Børs' Guidance on the Reporting of Corporate Responsibility and the "core" level of the Global Reporting Initiative (GRI) standard. Höegh LNG is increasing its sustainability awareness and efforts and changed its sustainability reporting framework to the UN Sustainable Development Goals (SDGs) with effect from 2021. Reference is made to the sustainability report for further details.

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

Deviations from the code:

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

Equity and dividends

Capital structure

The issued share capital in the company as of 31 December 2022 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 2022 totalled USD 726 million. Net of mark-to-market of hedging reserves, the adjusted book equity as of 31 December 2022 was USD 699 million.

The board regards the current level of equity and financing as adequate in view of Höegh LNG's objectives, strategy and risk profile. However, as noted in the prospects section of the directors' report, the ongoing war in Ukraine may continue to impact the market for LNG as well as for LNG carriers and FSRUs, in particular because Russia is a global exporter of crude oil and natural gas, but also generally. The potential effects are complex and therefore highly uncertain, including any potential effects on the group's business and operations. 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 (born 1973) 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 director and Chairman of Gard P&I (Bermuda) Ltd. and chairman of its risk and election and governance committees and a director and chairman of certain of its subsidiaries. He also serves as the Chairman of the Western Europe committee of DNV. 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) an MSc in Ocean Systems Management and a BSc in Ocean Engineering from the Massachusetts Institute of Technology.

- Johan Pfeiffer (born 1965) 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).

- Leif O. Høegh (born 1963) has served as a director of Höegh LNG since 2006. He is also the chairman of Höegh Autoliners Autoliners ASA, Höegh Capital Partners and Höegh Eiendom AS. Leif O. Høegh previously worked for McKinsey & Company and the Royal Bank of Canada Group. He holds an MA in Economics from the University of Cambridge and an MBA from Harvard Business School.

- Alberto Donzelli (born 1975) has served as a director of Höegh LNG since May 2021.

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

He is a Managing Director and co-head of Europe for Morgan Stanley Infrastructure Partners (MSIP). Alberto Donzelli worked in the investment banking businesses of UBS and Credit Suisse, where he was part of the European Utilities Group advising on numerous M&A transactions in Europe. Alberto Donzelli holds a degree in Business Administration from Bocconi University.

- Martine Vice Holter (born 1967) has served as a director of Höegh LNG since May 2021. Martine Vice Holter has been the Chief Executive Officer of Hoegh Capital Partners (HCP) for over fifteen years. HCP is a family investment office co-located in London, Oslo and Guernsey which manages all of the investment interests of the Høegh family. HCP embraces an active ownership approach; Martine Vice Holter is shareholder representative and/or non-executive director on several direct investment boards in the HCP portfolio. Prior to HCP, Martine Vice Holter was Chief Operating Officer of Arts Alliance Advisors, a venture capital fund focused on early-stage media and technology investments (from 2000- 2005). Previously, she worked as a management consultant at McKinsey & Company based in London where she focused on strategy, finance and organisation-building. She began her career in investment banking (corporate finance and M&A) with Goldman Sachs in New York followed by Hong Kong. Vice Holter received her MBA from INSEAD (1994) and graduated with a Bachelor of Arts (Honours) in Economics and Political Science from Queen's University, Canada.

- John Kwaak (born 1982) 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.

- Timothy Faries (born 1966) has served as a director of Höegh LNG since June 2022. Timothy Faries is a partner of Appleby (Bermuda) Limited in the Corporate department and a member of the Insurance team. Mr. Faries was Bermuda Office Managing Partner from 2015-2021. Timothy Faries is also Chief Executive Officer of Appleby Global Services. He has extensive experience of public and private insurance company capital raising and M&A activity, public listings on US, UK and European securities exchanges, the establishment and licensing of alternative risk financing vehicles such as cat bonds, ILWs and other insurance-linked securities and captive insurance companies in established and emerging markets.

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, Leif O. Høegh and Martine Vice Holter.

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

The board held three physical board meetings in 2022 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 15 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 OHSAS 18001:2008 Occupational Health and Safety Management Systems as well as meeting the International Safety Management (ISM) standard. In addition, the group's integrated fleet management company has a separate HSEQ function.

See also the "Risk and risk management" section in the directors' report included in this annual report and Note 13 "Financial risk management objectives and policies" for further information.

Internal control
The group has policies and procedures in place and an effective system for internal controls on financial reporting, which is based on COSO 2013 (Committee of Sponsoring Organisations of the Treadway Commission). 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, evaluating whether existing controls are designed and operating as intended, reviewing and testing implementation and operational effectiveness of the controls, reporting and continuous performance monitoring.

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

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

Deviations from the code: None.

Remuneration of the board of directors

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

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

The company has no pension or retirement benefits for directors.

Deviations from the code: None.

Remuneration of executive personnel

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

In addition, the board approves the main terms of the remuneration package offered to employees in Höegh LNG, including the parameters of any annual salary adjustments, pension schemes, and short- and long-term incentives schemes. The compensation and benefits package is determined on the basis of an evaluation of the qualifications and competencies of the individual employee and is designed to be competitive with comparable positions in the market and the achievement of Höegh LNG's corporate goals, operating performance and sustainability targets. Further details on remuneration of the executive personnel for the current financial year are provided in Note 6 to the 2022 annual financial statements.

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

Information and communications

Höegh LNG has a policy of openness on reporting information to stakeholders. Periodical reports include quarterly interim reports and the annual report. All reports are published through stock exchange releases and on the company's website. Important events are also reported through press and/or stock exchange releases.

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

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

Deviations from the code: None.

Takeovers

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

Deviation from the code: As a private company, the board has not established explicit guiding principles for dealing with takeover bids.

Auditor

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

In order to safeguard the board's access to and control of the auditor's work, the auditor meets with the full board when quarterly and annual reports are reviewed. The auditor is also given access to the agenda of, documentation for and minutes from board meetings.

Deviations from the code: None.

04

Financial statements

4.1

Consolidated financial statements Höegh LNG Group

For the year ended 31 December 2022

CONSOLIDATED STATEMENT OF INCOME 1 JANUARY – 31 DECEMBER

USD'000	Note	2022	2021
Time charter revenues	3	361 181	322 224
Management and other income	4	22 755	10 114
Share of results from investments in associates and joint ventures	9	(3 149)	19 496
TOTAL INCOME		**380 787**	**351 834**
Vessel operating expenses	5	(113 168)	(88 096)
Administrative expenses	6	(114 388)	(46 544)
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION (EBITDA)		**153 231**	**217 194**
Depreciation	7	(115 276)	(113 406)
OPERATING PROFIT		**37 955**	**103 788**
Interest income		2 746	733
Interest expenses	11	(96 821)	(103 207)
Income from other financial items	12	12 269	722
Expenses from other financial items	12	(9 053)	(7 431)
NET FINANCIAL ITEMS		**(90 859)**	**(109 183)**
ORDINARY LOSS BEFORE TAX		**(52 904)**	**(5 395)**
Income taxes	23	(2 505)	(15 889)
ORDINARY LOSS FOR THE YEAR AFTER TAX		**(55 409)**	**(21 284)**
Profit (loss) for the year attributable to (from):			
Equity holders of the parent		(89 303)	(54 479)
Non-controlling interests		33 894	33 195
TOTAL		**(55 409)**	**(21 284)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 1 JANUARY – 31 DECEMBER

USD'000	Note	2022	2021
Loss for the year		**(55 409)**	**(21 284)**
Items that will not be reclassified to loss			
Net loss on other capital reserves		(799)	(488)
Items that may be subsequently reclassified to profit			
Net gain on hedging reserves	13	91 018	47 058
Share of other comprehensive income from joint ventures and associates	13, 9	28 285	20 245
OTHER COMPREHENSIVE INCOME FOR THE YEAR NET OF TAX		**118 504**	**66 815**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**63 095**	**45 531**
Total comprehensive income (loss) attributable to (from):			
Equity holders of the parent		7 877	(2 942)
Non-controlling interests	9	55 217	48 473
TOTAL		**63 095**	**45 531**

The notes on page 47 to 95 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

USD'000	Note	31 Dec 2022	31 Dec 2021
ASSETS			
Non-current assets			
Deferred tax assets	23	1 156	1 274
Vessels and spare parts	7	1 895 614	1 963 980
Right-of-use assets	8	99 245	129 916
Investments in associates and joint ventures	9	114 997	91 198
Other non-current financial assets	15	23 334	11 654
Other non-current assets	10	15 018	21 146
Shareholder loans	24	13 800	7 511
Non-current restricted cash	17	15 790	30 662
Total non-current assets		**2 178 954**	**2 257 341**
Current assets			
Bunkers and inventories		859	76
Shareholder loans	24	-	1 777
Trade and other receivables	18	65 623	27 444
Other current financial assets	16	23 619	13
Investment in marketable securities	13	155	98
Current restricted cash	17	15 264	8 419
Cash and cash equivalents	17	146 751	134 041
Total current assets		**252 271**	**171 868**
TOTAL ASSETS		**2 431 225**	**2 429 209**
EQUITY AND LIABILITES			
Equity			
Share capital	22	12	12
Other paid-in capital		907 083	820 461
Hedge and other capital reserves		23 501	(70 285)
Retained earnings		(380 515)	(422 833)
Equity attributable to equity holders of the parent		**550 081**	**327 355**
Non-controlling interests		176 078	323 676
Total equity		**726 159**	**651 031**
Non-current liabilities			
Deferred tax liabilities	23	18 713	16 134
Non-current interest-bearing debt	14	1 069 323	1 101 756
Non-current lease liabilities	8,14	75 492	107 790
Other non-current financial liabilities	15	32 072	34 097
Deferred revenues	21	8 540	14 989
Total non-current liabilities		**1 204 140**	**1 274 766**
Current liabilities			
Current interest-bearing debt	14	337 611	373 385
Current lease liabilities	8,14	32 201	30 814
Income tax payable	23	7 500	11 141
Trade and other payables	19	22 975	19 328
Other current financial liabilities	16	28 420	34 598
Other current liabilities	20	72 219	34 146
Total current liabilities		**500 926**	**503 412**
TOTAL EQUITY AND LIABILITIES		**2 431 225**	**2 429 209**

The notes on page 47 to 95 are an integral part of these consolidated financial statements.

Hamilton, Bermuda, 3 April 2023
The Board of Directors and the President and CEO of Höegh LNG Holdings Ltd.

Morten W. Høegh
Chairman

Johan Pfeiffer
Deputy Chairman

Leif O. Høegh
Director

Martine Vice Holter
Director

Alberto Donzelli
Director

John Kwaak
Director

Timothy Faries
Director

Erik Nyheim
President and CEO

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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
	Attributable to equity holders of Höegh LNG Holdings Ltd.									
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	118 503
Total comprehensive income (loss) for the year	**-**	**-**	**-**	**-**	**97 979**	**(799)**	**(89 303)**	**7 877**	**55 217**	**63 094**
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**

On 23 September 2022, pursuant to a merger agreement, Höegh LNG completed the acquisition of the public common units of Höegh LNG Partners LP. As a result of the partnership being a de-facto-controlled subsidiary, the merger has been accounted for as an acquisition of minority interests with a corresponding transfer from non-controlling interests to controlling interests.

USD'000	Share capital	Share premium	Treasury shares	Contributed surplus	Other paid-in capital	Hedging reserves	Other capital reserves	Retained earnings	TOTAL	Non-controlling interests	TOTAL EQUITY
			Attributable to equity holders of Höegh LNG Holdings Ltd.								
As of 1 January 2021	**773**	**447 716**	**(11)**	**-**	**108 639**	**(119 646)**	**(2 177)**	**(139 538)**	**295 755**	**301 396**	**597 151**
Profit (loss) for the year	-	-	-	-	-	-	-	(54 479)	(54 479)	33 195	(21 284)
Other comprehensive income (loss) for the year	-	-	-	-	-	52 024	(486)	-	51 538	15 278	66 815
Total comprehensive income (loss) for the year		**-**	**-**	**-**	**-**	**52 024**	**(486)**	**(54 479)**	**(2 941)**	**48 473**	**45 531**
Amalgamation effects	(761)	108 546	11	106 687	-	-	-	(232 548)	(18 065)	-	(18 065)
Shareholder contribution [1]	-	-	-	48 066	-	-	-	-	48 066	-	48 066
HMLP dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(31 801)	(31 801)
Units granted to the board of HMLP	-	-	-	-	-	-	-	-	-	211	211
Net proceeds from issuance of preferred units	-	-	-	-	-	-	-	-	-	8 318	8 318
Net proceeds from issuance of common units	-	-	-	-	-	-	-	-	-	818	818
Share-based payment cost	-	-	-	-	807	-	-	-	807	1	808
Capital contribution to HMLP	-	-	-	-	-	-	-	(388)	(388)	388	-
Transfer of assets from HMLP	-	-	-	-	-	-	-	4 128	4 128	(4 128)	-
Other changes in equity	-	-	-	-	-	-	-	(7)	(7)	-	(7)
Total other transactions recognised directly in equity	**(761)**	**108 546**	**11**	**154 753**	**807**	**-**	**-**	**(228 815)**	**34 541**	**(26 193)**	**8 348**
As of 31 December 2021	**12**	**556 262**	**-**	**154 753**	**109 446**	**(67 622)**	**(2 663)**	**(422 833)**	**327 355**	**323 676**	**651 031**

[1] The contributed surplus was mainly settled in cash.

The notes on page 47 to 95 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS 1 JANUARY - 31 DECEMBER

USD'000	Note	2022	2021
Cash flows from operating activities:			
Loss of the year before tax		(52 904)	(5 395)
Adjustments to reconcile loss before tax to net operational cash flows			
Depreciation	7	115 276	113 405
Interest income		(2 746)	(733)
Interest expenses	11	96 821	103 207
Net loss (gain) on interest rate hedges and other derivatives		(5 926)	2 503
Loss (gain) on exchange and other non-cash adjustments		(124)	849
Share of results from investments in associates and joint ventures	9	3 149	(19 496)
Working capital adjustments			
Change in inventories, receivables and payables		10 489	7 372
Payment of corporate income tax		(995)	(5 199)
I) NET CASH FLOWS FROM OPERATING ACTIVITIES		**163 040**	**196 513**
Cash flows from investing activites:			
Acquisition of public common units in Höegh LNG Partners LP		(163 489)	-
Investments in marketable securities		-	(588)
Investment in FSRUs, assets under construction and class renewals		(14 272)	(11 277)
Investment in intangibles, equipment and other		(162)	(1 325)
Loans granted to joint ventures and associates		(3 586)	(4 733)
Investments in associates	9	-	(8 625)
Interest received		571	21
II) NET CASH FLOWS FROM INVESTING ACTIVITIES		**(180 938)**	**(26 527)**
Cash flows from financing activites:			
Net proceeds from equity issuance (HMLP)		-	9 136
Capital contribution from owners		203 289	47 213
Dividend paid to non-controlling interests (HMLP)		(16 051)	(31 802)
Proceeds from borrowings gross	14	22 500	273 342
Payment of refinancing and amalgamation fees and bond discount		(1 278)	(30 029)
Proceeds from sale of own bonds	14	40 555	-
Repayment and buy-back of bonds	14	-	(12 453)
Repayment of borrowings	14	(115 508)	(311 935)
Interest paid on mortgage debt and bonds		(80 256)	(79 427)
Repayment of leases	8	(30 754)	(29 885)
Interest paid on leases	8,11	(5 940)	(7 422)
Decrease (increase) in restricted cash and cash collateral		14 051	(5 228)
III) NET CASH FLOWS FROM FINANCING ACTIVITIES		**30 608**	**(178 490)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III)		**12 710**	**(8 504)**
Current cash and cash equivalents as of 1 January		134 041	142 545
CURRENT CASH AND CASH EQUIVALENTS AS OF 31 DECEMBER	17	**146 751**	**134 041**
The group's share of aggregated cash flows in its associates and joint ventures		(8 113)	11 392

The notes on page 47 to 95 are an integral part of these consolidated financial statements.

Note 1: Corporate information

Höegh LNG Holdings Ltd. (the "company") is an exempted company limited by shares and incorporated under the laws of Bermuda. The company's registered office is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The consolidated financial statements for the fiscal year of 2022 comprise the company, its subsidiaries, joint ventures and associated company (collectively "Höegh LNG" or the "group").

Höegh LNG Partners LP is a limited partnership formed by the company in 2014, which thereafter listed the common units of the partnership on the New York Stock Exchange ("NYSE") under the ticker "HMLP". In September 2022, pursuant to a merger agreement, the company completed the acquisition of the publicly held common units in HMLP and thereafter delisted the common units from NYSE. HMLP announced in December 2022 a voluntary delisting of the partnership's 8.75% Series A Cumulative Redeemable Preferred Units and of its plans to delist and withdraw the registration of its preferred units with SEC. The delisting and deregistration were effective 2 January 2023. HMLP and its subsidiaries are collectively referred to as "HMLP" or the "MLP".

Information on the group's structure is provided in Note 9. Information on other related party transactions of Höegh LNG is provided in Note 24.

As of 31 December 2022, Höegh LNG operated a fleet of two LNG transportation vessels (LNGCs) and ten floating storage and regasification units (FSRUs). The annual accounts for the company and the group for the year ended 31 December 2022 were approved by the Board of Directors on 3 April 2023.

Note 2: Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of Höegh LNG and the financials for the company have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the EU.

The accounting principles for Höegh LNG also apply to the company.

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 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 statement of cash flows is presented using the indirect method. The income statement is presented by showing expenses by their nature.

The annual financial statements have been prepared under a going concern assumption. This assumption rests on financial forecasts and plans for the coming year on the basis of several assumptions made about future events and planned transactions. At the date of this report, management is not aware of any significant future impacts on the company from the ongoing war in Ukraine. However, the situation in Ukraine may continue to impact the market for LNG as well as for LNG carriers and FSRUs, in particular because Russia is a major global exporter of crude oil and natural gas, but also generally. The potential effects are complex to project and therefore highly uncertain, including any potential effects on the group's business and operations.

2.2 Basis of consolidation

(a) Subsidiaries
Subsidiaries are all entities in which Höegh has a controlling interest. Control is achieved when Höegh LNG is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When Höegh LNG has less than a majority of the voting or similar rights of an investee, all relevant facts and circumstances are considered in assessing whether Höegh LNG has de facto power over an investee. Höegh LNG re-assesses whether it controls an investee if facts and circumstances change. Subsidiaries are fully consolidated from the date on which control is transferred to Höegh LNG and de-consolidated from the date on which control ceases to exist. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full. Höegh LNG recognises any non-controlling interest in the acquirer on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquirer's identifiable net assets at the time of the transaction. Any change in ownership interests without change of control is accounted for as equity transactions towards non-controlling interest.

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

Investments in both joint ventures and associates are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost and adjusted thereafter to recognise the post-acquisition profits or losses, movements in other comprehensive income or dividends received. 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. The financial statements of the associate or joint venture are prepared for the same reporting period as the group. When necessary, adjustments are made to bring the accounting policies in line with those of Höegh LNG.

2.3 Foreign currencies

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

2.4 Segment reporting

The chief operating decision maker, who is responsible for allocating resources, making strategic decisions and assessing performance, has been identified as the board of the company.

When HMLP became a wholly owned subsidiary of the company in September 2022, it was concluded that it was no longer required for HMLP to be reported as a separate segment in accordance with IFRS 8. Strategic decisions, allocation of resources and assessment of performance are made for the group as a whole and individually for each vessel in the fleet. There is no separate management reporting for any subsidiaries in the group.

2.5 Revenue recognition

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

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

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

The transaction price is estimated as the standalone selling price for the lease and the time charter services components of the fixed day rate element.

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

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

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

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

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

Refund liabilities:
Amounts invoiced or paid by the customer that are expected to be refunded to the customer are recorded as refund in liabilities on the consolidated balance sheet. Refund liabilities may include invoiced amounts for estimated reimbursable operating expenses or other costs and taxes that exceeded the actual 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.

2.6 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.

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

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

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

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

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

2.9 Fair value measurement
Financial instruments, such as derivatives,

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

A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Höegh LNG uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole, and can be described as follows:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarised in Note 13.

2.10 Financial instruments

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when its contractual obligations are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires.

Classification and initial measurement of financial assets
Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction 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 forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks related to borrowings. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value.

Trade and other receivables

Trade and other receivables are recognised at fair value and subsequently measured at amortised cost. The interest element is disregarded if it is insignificant, which is normally the situation for the group. Trade and other receivables are measured and recognised based on expected losses computed on a probability-weighted basis where impairment represents the value between the asset's gross carrying value and the present value of estimated future cash flows.

Classification and measurement of financial liabilities

The group's financial liabilities include borrowings, trade and other payables and derivative financial instruments. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction cost unless the group designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

Debt issuance cost, including arrangement fees and legal expenses are deferred and netted against the financial liability in the balance sheet and amortised using an effective interest rate method except for debt issuance cost associated with undrawn debt. Such cost is recorded as an asset and amortised on a straight-line basis to reflect the service provided by the lender.

Interest-bearing debt is derecognised when its contractual obligations are extinguished that is, when the obligation specified in the contract is discharged, cancelled or expires. Derecognition is also made when terms are modified, and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying value and the consideration paid is recognised in profit or loss.

Derivative financial instruments and hedge accounting

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

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

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

2.11 Tangible assets

Non-current assets such as FSRUs, LNGCs, investments in construction of newbuildings, 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 at year-end 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.

d) Equipment
Investments in office equipment and IT are depreciated over a period of 3 to 5 years on a straight-line basis.

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

2.12 Leases

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

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

a) Right-of-use assets
The group recognises Right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of Right-of-use assets includes the amount of lease liabilities recognised, initial direct 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:

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

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

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

In calculating the present value of lease payments, the group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying value of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The group's lease liabilities are included in Interest-bearing loans and borrowing, see Note 14.

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

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

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

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

2.14 Equity
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.

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

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

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

2.16 Impairment of assets

(a) Financial assets
Höegh LNG assesses at each reporting date, whether a financial asset or a group of financial assets is impaired. For financial assets carried at amortised cost, the group assesses expected credit losses. The amount of the loss is measured as the difference between the asset's gross carrying value and the present value of estimated future cash flows.

(b) Vessels and spare parts and Right-of-use assets
The carrying values of FSRUs, LNGCs, spare parts and Right-of-use assets 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.

2.17 Significant accounting judgements, estimates and assumptions

The preparation of the group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, 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 value of assets or liabilities affected in future periods.

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

- Consolidation of entities in which Höegh LNG holds less than 50% of the voting rights (de facto control)

PT Hoegh LNG Lampung
HMLP indirectly owns 49% of the shares in PT Hoegh LNG Lampung, a company owning and operating PGN FSRU Lampung. HMLP has the power to make the most significant key operating decisions and receives all the expected benefits or expected losses. Therefore, 100% of the assets, liabilities, revenues and expenses are consolidated in Höegh LNG's accounts. Management has updated the assessment for the year ended 31 December 2022 and there are no material changes in facts and circumstances impacting the conclusion.

Significant estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant

risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year, are described below. The group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the group. Such changes are reflected in the assumptions when they occur. Management has applied significant estimates and assumptions mainly relating to the following:

- Uncertain tax positions
- Impairment assessment of vessels in joint ventures

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

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

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

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

Impairment assessment of vessels in joint ventures
Two joint ventures have recorded impairment provision for 2022 related to its vessel. See note 9.

Such impairment assessment calculations demand a high degree of estimation, where management must make complex assessment of expected future cash flows from charter contracts and potential sale of vessel and for which discount rates to use. Changes to these estimates could have a significant impact on the impairments recognised in the joint ventures.

2.18 Standards issued but not yet effective

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

Such standards and interpretations include:

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8

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

Note 3: Time charter revenues and related contract balances

The group generates revenue primarily from time charter of FSRUs and LNGCs to its customers. Höegh LNG, including its joint ventures, operates ten FSRUs and two LNGCs. Revenues from Neptune and Cape Ann is recorded through Höegh LNG's share of results in joint ventures. Arctic Lady and Arctic Princess are owned together with joint venture partners but subleased to the wholly owned subsidiary Leif Hoegh (U.K.) Limited, which recognises the time charter party hire as time charter revenues.

TIME CHARTER CONTRACTS AS AT 31 DECEMBER 2022

Vessel	Current contract	Charterer	Country	TCP	Expiry	Option
Arctic Princess	LNGC	Equinor ASA	Norway	20 years	Jan 2026	5 + 5 years
Arctic Lady	LNGC	Total E&P Norge AS	Norway	20 years	Apr 2026	5 + 5 years
Independence	FSRU	AB Klaipédos Nafta	Lithuania	10 years	Dec 2024	-
PGN FSRU Lampung	FSRU	PT PGN LNG Indonesia	Indonesia	20 years	Jul 2034	5 + 5 years
Höegh Gallant	FSRU	New Fortress Energy International Shipping LLC	USA	10 years	Nov 2031	1 year
Höegh Giant	LNGC/FSRU	LNGC trading: undisclosed / FSRU from mid-2023: TRSP – Terminal de Regaseifi-cacão de gnl de São Paulo S.A.	Brazil	10 years	Oct 2032	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]	Jan 2033	-
Höegh Galleon	LNGC/FSRU	LNGC trading: undisclosed / FSRU from end 2023: Australian Industrial Energy	Australia	15 years[3]	Nov 2038	-
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 10 and 15 years without penalty. However, if SPEC waives its right to terminate in year 10 within a certain deadline, Höegh LNG Partners LP will not be able to exercise its right to terminate in year 10.
[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 2022, Höegh LNG had three customers which individually accounted for 10% or more of the consolidated total revenues. Time charter revenue from largest customers totalled USD 164 million (USD 163 million in 2021). The single largest customer in Höegh LNG represented 16% of total time charter revenues (18% in 2021). The three customers in 2022 individually contributing 10% or more of total time charter revenues were:

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

DISAGGREGATION BY NATURE OF TIME CHARTER REVENUES

USD'000	2022	2021
Lease revenues	239 286	209 381
Service component of time charter revenues, excluding amortisation	116 778	108 724
Amortisation of deferred revenue	5 117	4 118
TOTAL TIME CHARTER REVENUES	**361 181**	**322 224**

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.

RECEIVABLES, CONTRACT ASSETS AND CONTRACT LIABILITIES

USD'000	Note	31 Dec 2022	31 Dec 2021
Trade receivables for time charter revenues, included in Trade and other receivables	**18**	**22 693**	**6 299**
Total contract assets, included in Trade and other receivables		**425**	**553**
Refund liabilities to customers, included in Other current liabilities	20	(2 765)	(5 536)
Contract liabilities, included in Other current liabilities	20	(12 882)	(10 857)
Contract liabilities, included in Deferred revenues	21	(8 540)	(14 989)
TOTAL CONTRACT LIABILITIES		**(24 188)**	**(31 381)**

There were no impairment losses for lease or service receivables or contract assets for the years ended 31 December 2022 and 2021.

The table below specifies the expected time charter revenues to be received from 1 January 2023 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 revenue includes Arctic Princess, Arctic Lady, Independence, PGN FSRU Lampung, Höegh Gallant, Höegh Giant, Höegh Grace, Höegh Esperanza, Hoegh Gannet and Höegh Galleon. Contracted expected future time charter revenue from firm contracts from 1 January 2023 (undiscounted) is USD 3.2 billion (USD 1.8 billion) with maturity as follows:

CONTRACTED EXPECTED FUTURE TIME CHARTER REVENUES (UNDISCOUNTED) FROM 1 JAN 2023

USD'000	Year 1	Year 2	Year 3	Year 4	Year 5	> 5 years	Total
TOTAL	399 262	382 580	337 277	297 310	248 914	1 487 780	3 153 124

Note 4: Management and other income

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

USD'000	2022	2021
Commercial and technical management fee	3 275	2 548
Environmental taxes reimbursed by charterer	3 736	2 251
Reimbursement of project cost	14 469	2 000
Other income	1 275	3 315
TOTAL	**22 755**	**10 114**

Note 5: Vessel operating expenses

USD'000	2022	2021
Salaries and personnel expenses offshore	30 151	29 878
Bunker and other voyage related expenses	6 097	2 189
Services	10 325	8 953
Spare parts and modification work	46 054	27 450
Insurance and taxes	10 172	8 363
Ship management and other expenses	10 369	11 263
TOTAL	**113 168**	**88 096**

USD'000	2022	2021
Salaries offshore personnel	21 396	22 822
Bonus	2 500	1 000
Employer's contribution	5 069	4 233
Crew agency fee	986	1 740
Other social cost	200	83
TOTAL SALARIES AND PERSONNEL EXPENSES OFFSHORE	**30 151**	**29 878**

Average number of offshore personnel for 2022 was 680 (675 for 2021).

Note 6: Administrative expenses

USD'000	2022	2021
Salaries and personnel expenses onshore	27 541	28 729
External services	81 410	19 356
Remuneration to board members	756	948
Office cost	3 369	4 167
Travel cost	1 812	297
Other	6 745	1 307
Reclassified to operating expenses	(7 244)	(8 260)
TOTAL	**114 389**	**46 545**

USD'000	2022	2021
Salaries onshore personnel	16 820	19 847
Bonus, share based payment expenses and other benefits employees	5 617	4 876
Pension cost	1 586	1 262
Other personnel cost	721	(190)
Employer's contribution	2 796	2 934
TOTAL SALARIES AND PERSONNEL EXPENSES	**27 541**	**28 729**

Average number of onshore personnel for 2022 was 180 (185 for 2021).

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 (three at year-end in 2021) 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 KEY MANAGEMENT AND BOARD OF DIRECTORS:

The remuneration to Senior Management team and the Board of Directors is presented below:

USD'000	2022	2021
Salaries	2 418	2 423
Pension compensation (cash allowance)	99	136
Share-based payment	150	141
Other taxable benefits	393	751
Bonus	2 302	-
Board of Directors' Fee	756	948
TOTAL	**6 117**	**4 399**

Senior Management Team comprises President and CEO, Chief Financial Officer, Chief Commercial Officer, Chief Operating Officer, Chief Legal & Compliance Officer, Chief of Projects and Chief of Staff.

MANAGEMENT AND GENERAL BONUS SCHEME

The management bonus scheme is subject to individual performance and the achievement of Höegh LNG's corporate goals and operating performance targets. The bonus potential will vary from two to twelve months' salary for the individual members of the scheme. Höegh LNG has a general bonus scheme which incorporates all Höegh LNG's permanent and qualifying employees, except for the participants in the Management bonus scheme. Full bonus potential of the general bonus scheme is 1.5 times monthly salary, and the achievement is based on individual performance, corporate goals and operating performance. A provision of USD 5.7 million in bonus for onshore and offshore personnel including social security taxes has been recorded at year end 31 December 2022 (USD 4.4 million in 2021). See Note 20.

AUDIT FEES (INCLUDED IN EXTERNAL SERVICES)

USD'000	2022	2021
Stautory audits and other audit services	2 028	1 824
Total	**2 028**	**1 824**

The amount of USD 2.0 million (2021: USD 1.8 million) is based on actual billing made during 2022 and include services related to Public Company Accounting Oversight Board (PCAOB) audit and PCAOB quarterly interim reviews for HMLP and its subsidiaries.

Note 7: Vessels and spare parts

USD'000	2022	2021
Cost as of 1 January	2 364 986	2 353 869
Capitalisation of class renewals and spare parts	14 767	11 117
COST AS OF 31 DECEMBER	**2 379 753**	**2 364 986**
Accumulated depreciation and impairment 1 January	(401 006)	(321 408)
Depreciation charge FSRUs and depot spares	(83 133)	(79 598)
ACCUMULATED DEPRECIATION AND IMPAIRMENT 31 DECEMBER	**(484 139)**	**(401 006)**
NET CARRYING AMOUNT AS OF 31 DECEMBER	**1 895 614**	**1 963 980**

USD'000	31 Dec 2022	31 Dec 2021
FSRUs	1 870 170	1 940 145
Class renewals	16 326	13 779
Spare parts and long-lead items	9 118	10 056
TOTAL	**1 895 614**	**1 963 980**

In addition, the two LNGCs Arctic Princess and Arctic Lady are recorded as Right-of-use assets, see Note 8.

DEPRECIATION CHARGES PER ASSET CLASS

USD'000	Note	31 Dec 2022	31 Dec 2021
Vessels and spare parts		77 331	73 906
Class renewals		5 801	5 692
Equipment	10	1 180	2 474
Right-of-use assets	8	30 963	31 333
TOTAL		**115 276**	**113 406**

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

All vessels were on contract with charterer as of 31 December 2022. Reference is made to Note 3 disclosing the vessels owned directly by the group or through joint ventures and the time charter contracts entered into as of 31 December 2022.

Impairment assessment

The group has performed an impairment indicator analysis for the fleet of FSRUs per 31 December 2022 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 2022 in Note 3. 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 2022.

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 2022.

An impairment has been made in the joint ventures related to the Arctic vessels, see further comments under Note 9.

Note 8: Leases

THE GROUP AS A LESSEE

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

Right-of-use vessels have terms between 25-30 years, but depreciation is calculated based on remaining term of 6 years for the vessels. Office premises have an average remaining term of 4 years.

Carrying values of right-of-use assets recognised and the movements during 2022 and 2021 were as follows:

RIGHT-OF-USE ASSETS

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	7	(29 896)	(1 011)	(56)	(30 963)
RIGHT-OF-USE ASSETS AS OF 31 DECEMBER 2022		**95 874**	**3 285**	**84**	**99 245**

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

Vessels are Arctic Lady and Arctic Princess, two LNG carriers that are bareboat chartered by Leif 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 assesses 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 2022 were as follows on the next page:

LEASE LIABILITIES

USD'000	Note	2022	2021
As of 1 January		138 604	167 938
Increase during the year due to lease modifications		289	551
Forex revaluation of lease liabilities		(446)	-
Interest expenses	11	5 940	7 422
Payments		(36 694)	(37 307)
TOTAL LEASE LIABILITIES AS OF 31 DECEMBER		**107 693**	**138 604**
Non-current lease liabilities	14	75 492	107 790
Current lease liabilities	14	32 201	30 814
TOTAL LEASE LIABILITIES AS OF 31 DECEMBER		**107 693**	**138 604**

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

The following are the amounts recognised in consolidated statement of income

USD'000	Note	2022	2021
Depreciation of Right-of-use assets	7	(30 963)	(31 333)
Interest expenses, lease liabilities	11	(5 940)	(7 422)
Expenses related to short-term land low-value leases (included in administrative expenses)		(460)	(384)
TOTAL		**(37 363)**	**(39 139)**

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. Lease revenues recognised by the group during 2022 was USD 239 million (USD 209 million in 2021). Future minimum payment receivables under non-cancellable operating leases as of 31 December 2022 were USD 2.4 billion (USD 1.4 billion) with following maturity profile:

Expected future lease revenues (undiscounted) from 1 Jan 2023:

USD'000	Year 1	Year 2	Year 3	Year 4	Year 5	> 5 years	Total
TOTAL	**311 744**	**288 183**	**252 320**	**221 403**	**184 572**	**1 091 906**	**2 350 127**

Note 9: Investments in subsidiaries, joint ventures and associates

LIST OF SUBSIDIARIES AS OF 31 DECEMBER 2022

Subsidiaries	Country	Principal activity
Höegh LNG Ltd.	Bermuda	Holding
Höegh LNG AS	Norway	Management
Höegh LNG Fleet Management AS	Norway	Ship management
Höegh LNG Services AS	Norway	Management
Leif Hoegh (U.K.) Limited	England	Ship management
Hoegh LNG Asia Pte. Ltd.	Singapore	Business development
Hoegh LNG Shipping Services Pte. Ltd.	Singapore	Ship management
Hoegh LNG Maritime Management Pte. Ltd.	Singapore	Ship management
Port Dolphin Energy LLC	USA	Dormant
Port Dolphin Holding Company LLC	USA	Dormant
Hoegh LNG Giant Pte. Ltd.	Singapore	Shipowning
Hoegh LNG India Private Ltd.	India	Liquidation in progress
Hoegh LNG Klaipeda Pte. Ltd.	Singapore	Shipowning
Hoegh LNG Gannet Pte. Ltd.	Singapore	Shipowning
Höegh LNG Galleon Ltd.	Bermuda	Dormant
Hoegh LNG Klaipeda, UAB	Lithuania	Ship operation
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	Shipowning
Höegh LNG Brazil Holding Ltd.	Cayman Islands	Holding
Höegh LNG Brasil Ltda.	Brazil	Ship operation
Höegh LNG Wilhelmshaven GmbH	Germany	Ship operation
Höegh LNG Brunsbüttel GmbH	Germany	Ship operation
Höegh LNG GP LLC	Marshall Islands	General partner in the HMLP
Höegh LNG FSRU VI Ltd.	Cayman Islands	Shipowning
Hoegh LNG Chartering LLC	Marshall Islands	Ship operation
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	Shipowning
Hoegh LNG Cyprus Limited	Cyprus	Shipowning
Höegh LNG Colombia Holding Ltd.	Cayman Islands	Holding
Höegh LNG Colombia S.A.S.	Colombia	Ship operation
Höegh LNG FSRU IV Ltd.	Cayman Islands	Shipowning
Hoegh LNG Jamaica Limited	Jamaica	Ship operation
Höegh LNG Gallant Limited	Cayman Islands	Dormant

[1] Höegh LNG owns 49% of the shares in PT Hoegh LNG Lampung but consolidates the company as it controls the economic interest in the company. Shares and common units in other subsidiaries are owned 100% by Höegh LNG.

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.

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 - ROHQ Regional office in Manila	Philippines	Managment
Höegh LNG Fleet Management AS - Permanent establishment	England	Ship management
Höegh LNG Fleet Management AS - Permanent establishment	Lithuania	Ship management

Summarised financial information on subsidiaries with material non-controlling interests

The distribution of dividend to the preferred unit holders in HMLP is fixed at 8.75% per annum based on a cost of USD 25 per unit, payable on a quarterly basis (15 February, 15 May, 15 August and 15 November). The preferred units represent an equity instrument. The fundamental characteristics of the preferred units are not considered to be a financial liability. The preferred units do not provide for a redemption on a specific date and the preferred units do not satisfy the definition of a financial liability. The substance of the contractual arrangements for the preferred units is in substance an equity instrument. The preferred units do not have any voting rights but have been granted a right to appoint one of the general partners appointed members of the Board of Directors in 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.

Höegh LNG had ownership in four joint ventures and one associate at year-end 2022, all accounted for according to the equity method. The associate and joint ventures have share capital consisting solely of ordinary shares.

JOINT VENTURES AND ASSOCIATES IN HÖEGH LNG

			Ownership in %	
Joint ventures and associates	Country	Principal activity	31 Dec 2022	31 Dec 2021
Joint Gas Ltd.	Cayman Islands	Shipowning	33.98	33.98
Joint Gas Two Ltd.	Cayman Islands	Shipowning	50.00	50.00
SRV Joint Gas Ltd.	Cayman Islands	Shipowning	50.00	50.00
SRV Joint Gas Two Ltd.	Cayman Islands	Shipowning	50.00	50.00
Avenir LNG Limited	Bermuda	Shipowning	23.67	23.67

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 25 for further information. SRV Joint Gas Ltd. and SRV Joint Gas Two Ltd. own and operate the FSRUs Neptune and Cape Ann, both leased to Total Gas & Power Ltd.

The associate, Avenir LNG Limited, has taken delivery of all 6 vessels ordered by the end of 2022, whereof one of them was sold to a third party in 2021. The LNG storage terminal and distribution terminal facility in the Italian port of Oristano, Sardinia was completed in 2021. As of 31 December 2022, all assets were in operation.

Avenir LNG Limited sources and ships LNG to the terminal in Sardinia using its own small-scale LNG carriers and distributes the LNG through regasification and by trucks into the local gas grid.

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

USD'000	2022	2021
As of 1 January	91 198	43 469
Share of result	(3 149)	19 496
Other comprehensive income	26 947	19 609
Investment in Avenir LNG Limited	-	8 625
As of 31 DECEMBER	**114 997**	**91 198**
Included in non-current assets	114 997	91 198

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 July 2021.

Share of result from joint ventures declined year-on-year primarily due to impairment provisions of USD 16 million made for the two Arctic vessels.

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

	Joint Gas Ltd.		Joint Gas Two Ltd.		SRV Joint Gas Ltd.		SRV Joint Gas Two Ltd.		Avenir LNG Limited	
USD'000	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Time charter revenues	17 913	17 941	17 667	17 612	43 095	42 216	44 067	42 845	63 874	19 175
Operating expenses	(99)	(105)	(112)	(122)	(14 042)	(7 987)	(9 858)	(8 440)	(57 840)	(15 479)
EBITDA	**17 814**	**17 836**	**17 555**	**17 490**	**29 053**	**34 228**	**34 209**	**34 405**	**6 034**	**3 696**
Depreciation	(6 098)	(6 095)	(6 070)	(6 067)	(13 263)	(12 800)	(12 304)	(12 303)	(10 834)	(4 660)
Impairment	(11 268)	-	(9 678)	-	-	-	-	-	(3 000)	-
Interest income	351	6	355	6	487	18	455	18	-	-
Interest expenses	(5 357)	(5 274)	(5 773)	(4 887)	(10 250)	(13 399)	(11 812)	(11 554)	(7 899)	(2 952)
Other items	-	-	-	-	-	-	-	-	(1 466)	11 423
PROFIT (LOSS) FOR THE YEAR	**(4 558)**	**6 473**	**(3 611)**	**6 541**	**6 029**	**8 048**	**10 548**	**10 566**	**(17 165)**	**7 507**
Other comprehensive income (loss)	11 976	7 480	11 368	6 894	16 459	13 697	20 604	14 811	(3 708)	(2 678)
TOTAL COMPREHENSIVE INCOME (LOSS)	**7 418**	**13 954**	**7 756**	**13 435**	**22 488**	**21 744**	**31 152**	**25 378**	**(20 874)**	**4 829**

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

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

	Joint Gas Ltd.		Joint Gas Two Ltd.		SRV Joint Gas Ltd.		SRV Joint Gas Two Ltd.		Avenir LNG Limited	
USD'000	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
ASSETS										
Cash and cash equivalents	19 095	18 226	24 060	22 147	1 728	3 138	6 968	11 876	20 587	46 813
Other current assets	-	-	197	40	6 444	2 159	3 220	19 463	13 592	10 140
TOTAL CURRENT ASSETS	**19 095**	**18 226**	**24 257**	**22 187**	**8 172**	**5 296**	**10 188**	**31 339**	**34 180**	**56 953**
Vessels/Right-of-use assets	81 611	98 977	84 354	100 103	226 656	227 693	211 528	223 832	267 845	202 153
Other non-current assets	10 528	9 100	11 000	9 000	22 285	14 564	17 125	2 149	2 764	2 330
TOTAL NON-CURRENT ASSETS	**92 139**	**108 077**	**95 354**	**109 103**	**248 940**	**242 257**	**228 653**	**225 981**	**270 609**	**204 483**
TOTAL ASSETS	**111 234**	**126 303**	**119 611**	**131 290**	**257 112**	**247 554**	**238 841**	**257 320**	**304 789**	**261 436**
LIABILITIES										
TOTAL CURRENT LIABILITIES	**11 559**	**14 018**	**9 723**	**12 143**	**29 546**	**28 786**	**19 252**	**187 862**	**89 854**	**33 247**
Non-current interest-bearing debt	82 575	93 257	89 855	98 369	121 762	137 151	129 411	-	73 673	64 199
Other non-current liabilities	10 815	20 160	6 265	14 766	55 907	54 208	28 295	38 727	-	-
TOTAL NON-CURRENT LIABILITIES	**93 389**	**113 416**	**96 119**	**113 135**	**177 668**	**191 358**	**157 706**	**38 727**	**73 673**	**64 199**
TOTAL LIABILITIES	**104 948**	**127 435**	**105 842**	**125 278**	**207 214**	**220 144**	**176 958**	**226 589**	**163 526**	**97 446**
NET ASSETS	**6 286**	**(1 132)**	**13 768**	**6 012**	**49 898**	**27 409**	**61 883**	**30 731**	**141 263**	**163 990**

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 Ltd.		Avenir LNG Limited	
USD'000	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
NET ASSETS AS OF 1 JANUARY	**(1 131)**	**(15 085)**	**6 010**	**(7 425)**	**27 412**	**5 667**	**30 732**	**5 354**	**163 533**	**124 204**
Profit (loss) for the year	(4 558)	6 473	(3 611)	6 541	6 029	8 048	10 548	10 566	(17 165)	7 508
Other comprehensive income (loss)	11 976	7 480	11 368	6 894	16 459	13 697	20 604	14 811	(3 708)	(2 678)
Other changes in equity	-	-	-	-	-	-	-	-	(1 945)	-
Issuance of shares	-	-	-	-	-	-	-	-	-	34 500
NET ASSETS AS OF 31 DECEMBER	**6 287**	**(1 131)**	**13 766**	**6 010**	**49 900**	**27 412**	**61 884**	**30 732**	**140 714**	**163 533**
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	-	-	-	-	-	-	-	-	-	8 625
Aggregate consolidation adjustments	978	3 562	1 650	5 176	6 153	5 071	5 068	4 060	2 513	2 513
CARRYING VALUES AS OF 31 DECEMBER	**3 115**	**3 178**	**8 533**	**8 181**	**31 103**	**18 776**	**36 010**	**19 426**	**36 238**	**41 639**

Note 10: Other non-current assets

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 2022	31 Dec 2021
Pre-contract cost	4 261	5 165
Investment in IT (hardware and software) and office equipment	2 275	3 206
Arctic vessels' class renewal cost	8 145	12 775
Fees on undrawn facilities	337	-
TOTAL	**15 018**	**21 146**

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

USD'000	Note	2022	2021
Cost as of 1 January		11 459	12 091
Additons		245	550
Net disposals		3	(1 182)
COST AS OF 31 DECEMBER		**11 707**	**11 459**
Accumulated deprecation as of 1 January		(8 253)	(5 780)
Depreciation charge	7	(1 180)	(2 474)
ACCUMULATED DEPRECIATION AS OF 31 DECEMBER		**(9 433)**	**(8 253)**
CARRYING VALUE AS OF 31 DECEMBER		**2 275**	**3 206**

Note 11: Interest expenses

USD'000	Note	2022	2021
Interest expenses on mortgage debt and corporate facilities		64 809	72 257
Interest expenses on bonds		26 015	23 501
Interest expenses on leases	8	5 940	7 422
Other interest expenses		57	27
TOTAL		**96 821**	**103 207**

Note 12: Income and expenses from other financial items

USD'000	Note	2022	2021
Income from other financial items			
Currency gain		5 795	111
Guarantee fees from investment in associates		344	610
Ineffectiveness on interest rate hedges	13	6 102	-
Other		28	1
INCOME FROM OTHER FINANCIAL ELEMENTS - GROSS		**12 269**	**722**
Expenses from other financial items			
Currency loss		(5 574)	(1 206)
Withholding tax		(2 720)	(2 607)
Ineffectiveness on interest rate hedges	13	(163)	(1 529)
Loss from terminating CCIRS on HLNG03		-	(127)
Loss on FX options		(13)	(846)
Guarantees and other fees		(583)	(1 117)
EXPENSES FROM OTHER FINANCIAL ELEMENTS - GROSS		**(9 053)**	**(7 431)**
INCOME (EXPENSES) FROM OTHER FINANCIAL ELEMENTS - NET		**3 216**	**(6 709)**

Note 13: Financial risk management objectives and policies

Capital management

The objective of Höegh LNG's capital management is to ensure that the group is sufficiently capitalised to support its 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 issued bond loans which also are listed on the Oslo Stock Exchange.

Höegh LNG monitors its capital structure considering future cash flow projections, including expected operating cash flows, debt service and debt maturities as well as any off-balance sheet capital commitments and its available funding. The financial position and forecasts of Höegh LNG is reported to the 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 14, Series A Preferred Units issued by HMLP, paid in equity and all other equity reserves attributable to the equity holders of the parent and the non-controlling interest holders in HMLP.

As of 31 December 2022, the total consolidated book value of the equity was USD 726 million (USD 651 million). Net of mark-to-market of hedging reserves the consolidated adjusted book value equity was USD 699 million (USD 744 million), bringing the adjusted book equity ratio to 29% (30%). The group's overall capital structure is deemed appropriate given the nature of Höegh LNG's business and its existing commitments.

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

ADJUSTED EQUITY RATIO

USD'000	**31 Dec 2022**	**31 Dec 2021**
Equity adjusted for hedging transactions	699 216	743 505
Total assets adjusted for hedging transactions	2 404 144	2 473 104
EQUITY RATIO ADJUSTED FOR HEDGING	**29%**	**30%**

See APM.

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

Currency risk
Currency risks arise from business transactions, capitalised assets and liabilities denominated in currencies other than the reporting currency of Höegh LNG. The majority of Höegh LNG's business transactions, capitalised assets and liabilities are denominated in USD. The majority of its foreign exchange exposure relates to administrative expenses denominated in NOK, totalling around NOK 377 million in 2022. In terms of sensitivity for exchange rate fluctuations, the administrative expenses in NOK in 2022 when reported in USD would have been USD 4 million higher if the USD/NOK exchange rate had been 10% stronger than it was in 2022, and around USD 4 million lower if the USD/NOK exchange rate had been 10% weaker than it was in 2022. As of 31 December 2022, the group had outstanding forward rate agreements (FRA's) totalling NOK 334 million (USD 34 million), to hedge budgeted administration expenses in NOK by buying NOK and selling USD.

Höegh LNG's NOK denominated bond loans have been swapped to USD for the principal amount and the coupons using cross currency interest rate swaps (CCIRS) (save for approximately 26% of HLNG03 bond).

Inflation risk
Höegh LNG is exposed to inflation risk on its vessel operating and its 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.

Interest rate risk
The group's interest-bearing debt is subject to interest rate risk as all interest-bearing debt is subject to floating interest rates. In line with the group's policy, the exposure to interest rate fluctuations has been mitigated by entering into fixed interest-rate swap agreements for nearly all loan agreements until end of their maturity (approximately 26% of HLNG03 bond is unhedged) but excluding the corporate credit facility entered into by HLNG. 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. However, the future 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, as discussed in Note 14, is hedged by entering swaptions. A swaption is a single zero-cost derivative instrument, consisting of 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. When the debt is drawn and the swaption is terminated, the settlement of the swaption becomes a component of the new interest rate swaps assuring the fixed rate of those swaps are within the range of the original swaption. For the future Höegh Esperanza debt, the swaption locks the range of fixed interest rates to be between 3.05% to 3.93% on a notional amount of USD 355 million. For the future Hoegh Gannet debt, the swaption locks the range of fixed interest rates to be between 3.00% to 3.83% on a notional amount of USD 330 million.

As of 31 December 2022, the net mark-to-market valuation of the interest rate and currency swaps was net USD 20.3 million (negative net USD 54.8 million at year-end 2021). The group's share of net mark-to-market valuation of interest rate swaps entered into by joint ventures was negative net USD 17.2 million (negative net USD 46.7 million in 2021). The group has elected to apply hedge accounting which is governed under the accounting standard IFRS 9 - Financial Instruments, for its hedging of interest rate risk. The group enters into hedge relationships where the critical terms of the hedging instrument and the hedged item match, therefore, for the prospective assessment of effectiveness a qualitative assessment is performed. Hedge effectiveness is determined at the origination of the hedging relationship. Quantitative effectiveness tests are performed at each period end to determine the continuing effectiveness of the relationship. In instances where changes occur to the hedged item which result in the critical terms no longer matching, the hypothetical derivative method is used to assess effectiveness. The effective part of changes in the fair values of interest rate swaps, swaptions and the interest element of cross currency interest rate swaps are recognised in Other comprehensive income. Changes in the value related to the ineffective portion of these swaps and swaptions are recorded over the income statement.

MARKET-TO-MARKET VALUATIONS OF HEDGES IN PARENT AND SUBSIDIARIES:

USD'000	Note	31 Dec 2022	31 Dec 2021
Non-current financial assets	15	20 629	2 780
Current financial assets	16	23 619	-
Total Financial assets		**44 249**	**2 780**
Non-current financial liabilities	15	(8 058)	(33 678)
Current financial liabilities	16	(15 902)	(23 910)
Total Financial liabilities		**(23 960)**	**(57 588)**
NET FINANCIAL ASSETS (LIABILITIES)		**20 289**	**(54 808)**
Changes in fair value of designated instruments (see below table reconciling changes in fair value)		75 097	35 903
Changes in fair value designated hedged item		(75 097)	(35 903)
NOTIONAL AMOUNTS [1]		**1 918 429**	**1 302 791**
Maturity dates		Multiple	Multiple
Hedge ratio		1:1	1:1

[1] Includes the notional of swaptions related to future debt.

Reconciliation of the changes in fair value of designated instruments in parent and subsidiaries

USD'000	Note	2022	2021
Net gain on hedging reserves		91 018	47 058
Separate component of equity (currency portion of CCIRS) recorded to loss		(25 276)	(11 059)
Ineffectiveness of IRS hegdes recorded to gain (loss)	12	5 938	(1 529)
Settlement in 2022 of unrealised loss CCIRS from 2020		3 302	-
Termination of interest rate swaps		-	1 267
Other movements in mark-to-market valuations		115	166
Change in fair value of designated instruments		**75 097**	**35 903**

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

USD'000	31 Dec 2022	31 Dec 2021
Non-current financial assets	6 370	727
Current financial assets	3 719	-
Total Financial assets	**10 089**	**727**
Non-current financial liabilities	(22 312)	(40 948)
Current financial liabilities	(4 944)	(6 453)
Total Financial liabilities	**(27 257)**	**(47 401)**
NET FINANCIAL LIABILITIES	**(17 168)**	**(46 674)**
Changes in fair value of designated instruments (see below table reconciling changes in fair value)	29 506	18 177
Changes in fair value designated hedged item	(29 506)	(18 177)
NOTIONAL AMOUNTS	**236 280**	**250 191**
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	2022	2021
Share of other comprehensive income from joint ventures and associates	28 285	20 245
Ineffectiveness of IRS hedges recorded to loss	(3 010)	(2 025)
Settlement of swaps	4 231	(43)
Change in fair value of designated instruments	**29 506**	**18 177**

Liquidity risk

As of 31 December 2022, the group had USD 147 million in total available liquidity.

Liquidity risk is the risk that Höegh LNG will be unable to fulfil its financial obligations when they fall due. As of 31 December 2022, outstanding interest-bearing debt carried on the balance sheet totalling USD 1 515 million, net of debt issuance cost, is expected to be repaid through the cash flows generated from the existing assets in Höegh LNG and through refinancing when the debt matures. In addition to the purchase price to be paid for the acquisition of the vessel Golar Seal, the group has significant debt maturities in aggregate for 2023 and 2024 which will or may require refinancing or extension of maturity dates. Consequently, Höegh LNG is exposed to the risk of insufficient cash flows generated to service its debt, and the risk of refinancing amounts falling short of the amount of debt maturing. However, the new USD 685 million debt facility for the refinancing of Höegh Esperanza and Hoegh Gannet significantly improves 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.

It is not possible to accurately forecast and assess the potential effects on the company of the ongoing war in Ukraine at the time this report is released, but these are being continuously monitored.

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

MATURITY PROFILE ON INTEREST-BEARING DEBT AS OF 31 DECEMBER 2022 AND ESTIMATED INTEREST EXPENSES

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	334 156	919 699	167 146	1 421 001
Estimated interest on mortgage debt, unsecured bonds and corporate facilities	65 752	114 391	21 400	201 543
Lease liabilities including interest	32 201	75 492	-	107 693
TOTAL	**432 108**	**1 109 582**	**188 546**	**1 730 237**

Financial obligations are subject to refinancing and the group's liabilities at year-end 2022 has the following maturity (reference is made to Note 14 for outstanding amounts as of 31 December 2022):

- The commercial and the ECA tranche[1)] on the financing for Höegh Esperanza matures in Q2 2023 and Q2 2030, respectively (See Note 27 related to refinancing)
- The outstanding amount on the HLNG03 bond matures in Q3 2023
- The commercial and the ECA tranche[1)] on the financing for Hoegh Gannet matures in Q2 2027 and Q4 2030, respectively (See Note 27 related to refinancing)
- The corporate bank facility of Höegh LNG Holdings Ltd. matures in Q2 2024
- The commercial and the ECA tranche[1)] on the financing for Independence matures in Q4 2024
- 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 Höegh 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 respectively
- The sale and leaseback debt facility for Höegh Galleon matures in Q3 2031

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

The financial lease obligations relating to Arctic Princess and Arctic Lady (reference to Note 9) are not subject to any refinancing and will be fully amortised during the length of the underlying lease agreements.

Non-consolidated debt in joint ventures:
For the two JV companies owning Arctic Princess and Arctic Lady, the financing arrangement matures in 2031. However, these financings are subject to a credit review upon the expiry of the firm period of the time charters with Total and Equinor in 2026, which could require an adjustment to the outstanding loan amount or additional security granted, depending on the outcome of the credit review process.

For the two joint 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.

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

MATURITY PROFILE ON FINANCIAL DERIVATIVES AS OF 31 DECEMBER 2022

USD'000	< 1 year	1-5 years	> 5 years	Total
Interest rate swaps designated as effective hedging instruments in parent and subsidiaries	6 066	12 962	1 262	20 289
Interest rate swaps designated as effective hedging instruments in the group's joint ventures (100%)	(2 664)	(21 479)	(13 872)	(38 015)
TOTAL	**3 402**	**(8 517)**	**(12 610)**	**(17 726)**

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 312 million and is represented by the carrying value of each financial asset in the balance sheet plus a sponsors' guarantee provided to the associated company Avenir.

For further information about guarantees and commitments, reference is made to Note 25.

Fair values

Set out on the next page 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 as of 31 December 2022 and 2021.

FINANCIAL ASSETS

	Carrying value		Fair value	
USD'000	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Financial instruments at fair value through profit and loss				
Cash flow hedges related to FRAs	-	13	-	13
Marketable securities	155	98	155	98
Total financial assets at FVTPL	**155**	**111**	**155**	**111**
Financial instruments at fair value through other comprehensive income				
Derivatives in effective cash flow hedges	44 249	2 780	44 249	2 780
Total financial assets at FVTOCI	**44 249**	**2 780**	**44 249**	**2 780**
Financial assets at amortised cost				
Non-current restricted cash	15 790	30 662	15 790	30 662
Trade and other receivables	65 623	27 443	65 623	27 443
Shareholder loans	13 800	9 288	13 800	9 288
Other non-current receivables	2 704	8 874	2 704	8 874
Cash and cash equivalents (including current restricted cash)	162 016	142 461	162 016	142 461
Total financial assets at amortised cost	**259 932**	**218 729**	**259 932**	**218 729**
TOTAL	304 335	221 620	304 335	221 620
TOTAL NON-CURRENT	52 923	49 828	52 923	49 828
TOTAL CURRENT	251 412	171 792	251 412	171 792

FINANCIAL LIABILITIES

	Carrying value		Fair value	
USD'000	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Financial instruments at fair value through other profit and loss				
Ineffective portion of cash flow hedges	105	6 044	105	6 044
Total financial liabilities at FVTPL	**105**	**6 044**	**105**	**6 044**
Financial instruments at fair value through other comprehensive income				
Derivatives in effective cash flow hedges	23 855	51 544	23 855	51 544
Total financial liabilities at FVTOCI	**23 855**	**51 544**	**23 855**	**51 544**
Other financial liabilities at amortised cost				
Trade and other payables	22 975	19 329	22 975	19 329
Other financial liabilities	36 532	11 107	36 532	11 107
Interest-bearing loans and borrowings	1 423 983	1 499 786	1 429 186	1 481 180
Lease liabilities	107 693	138 604	107 693	138 604
Total financial liabilities at amortised cost	**1 591 183**	**1 668 827**	**1 596 387**	**1 650 220**
TOTAL	1 615 143	1 726 415	1 620 347	1 707 808
TOTAL NON-CURRENT	1 193 936	1 261 678	1 199 139	1 261 678
TOTAL CURRENT	421 208	464 737	421 208	446 130

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

Fair value hierarchy
Höegh LNG uses a hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques.

The table below presents fair value measurements of Höegh LNG's assets and liabilities as of 31 December 2022 and 2021, respectively.

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	**-**	**44 403**	**-**	**44 403**

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	-	1 093 441	-	1 093 441
Corporate Bank facility	-	44 000	-	44 000
Lease liabilities	-	-	107 695	107 695
TOTAL LIABILITIES	**291 746**	**1 161 295**	**107 695**	**1 560 736**

ASSETS AS OF 31 DECEMBER 2021

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

LIABILITIES AS OF 31 DECEMBER 2021

USD'000	Level 1	Level 2	Level 3	Total
Derivatives used for hedging				
Derivatives in effective cash flow hedges	-	57 588	-	57 588
Financial liabilities not measured at fair value, but for which fair values are disclosed				
Bonds	254 033	-	-	254 033
Mortgage debt	-	1 183 147	-	1 183 147
Corporate Bank facility	-	44 000	-	44 000
Lease liabilities	-	-	138 604	138 604
TOTAL LIABILITIES	**254 033**	**1 284 735**	**138 604**	**1 677 372**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date and included in level 1. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data when it is available and rely as little as possible on entity specific estimates. If all significant input required in calculating the fair value of an instrument is based on observable market data, the instrument is included in level 2. This includes the group's portfolio of marketable securities, as part of the portfolio's instruments is not directly observable. If one or more significant input is not based on observable market data, the instrument is included in level 3. See Note 8: Leases, for reconciliation from the opening balances to the closing balances disclosing separately changes during the period. During the reporting periods of 2022 and 2021, there were no transfers between any of the levels.

Note 14: Interest-bearing debt

Debt financing activities in 2022

In June 2022, Höegh LNG Holdings Ltd. completed the refinancing of the commercial tranche of the Hoegh Gannet debt facility, resulting in a top-up of the tranche of USD 22.5 million (to USD 65 million) and an extension of the existing maturity until June 2027.

Also in June, Höegh LNG Partners completed the refinancing of the Cape Ann debt facility with an initial amount of USD 154.1 million, which is scheduled to be fully amortised with quarterly debt service over a period of 8 years based on an annuity repayment profile. The new facility was used to repay the existing balloon amount of USD 169 million, with the difference being mainly financed by cash held by the vessel owning entity and subordinated loans from the shareholders (of which USD 1.2 million from HMLP). The interest rate swaps entered under the previous debt facility have a remaining tenor of 8 years and have been novated from the previous group of swap providers to the new lenders and restructured to match the new facility's loan amount and amortisation plan.

During the third quarter of 2022, Höegh LNG Holdings Ltd. sold an aggregate of NOK 396 million of HLNG03 bonds held in treasury at an average price of 99.85% of par value, net of broker commission.

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 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
Höegh Giant facility		136 313	12 750	149 063
Hoegh Gannet facility		142 292	11 042	153 333
Höegh 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	8	75 492	32 201	107 693
TOTAL INTEREST-BEARING DEBT INCLUDING LEASE LIABILITIES		**1 144 815**	**369 812**	**1 514 628**

In February 2023, Höegh LNG signed a new loan facility agreement with a group of banks to refinance Höegh Esperanza and Hoegh Gannet, both employed on long-term contracts in Germany. The new loan facility agreement is for a total amount of USD 685 million and has a tenor of 10 years. The loan amount will be applied to repay the existing loan facilities for the two vessels and general corporate use. The facility is split in two tranches per vessel. The refinancing of Höegh Esperanza has been completed and the loan tranche was drawn on 21 February 2023. The refinancing of Hoegh

Gannet is expected to be completed in April 2023, subject to having successfully completed its commissioning for regas operations in Germany and customary closing conditions.

INTEREST-BEARING DEBT AS OF 31 DECEMBER 2021

USD'000	Note	Non-current	Current	Total
Independence facility		159 332	15 248	174 580
PGN FSRU Lampung facility		58 337	20 788	79 125
Höegh Esperanza facility		140 625	12 500	153 125
Höegh Giant facility		149 063	12 750	161 813
Hoegh Gannet facility		130 833	11 042	141 875
Höegh Galleon facility		150 959	9 012	159 971
USD 385 million facility		287 060	25 597	312 657
Bond debt		-	272 640	272 640
Corporate Bank facility		44 000	-	44 000
Debt issuance cost and bond issue discount		(18 453)	(6 192)	(24 645)
TOTAL INTEREST-BEARING DEBT EXCLUDING LEASE LIABILITIES		**1 101 756**	**373 385**	**1 475 141**
Lease liabilities	8	107 790	30 814	138 604
TOTAL INTEREST-BEARING DEBT INCLUDING LEASE LIABILITIES		**1 209 546**	**404 199**	**1 613 745**

MATURITY SCHEDULE, INTEREST-BEARING DEBT AS OF 31 DECEMBER 2022

USD'000	Currency	Due in year 1	Due in year 2	Due in year 3	Due in year 4	Due in year 5 and later	Total
Independence facility	USD	15 248	144 084	-	-	-	159 332
PGN FSRU Lampung facility	USD	18 150	18 150	16 630	138	-	53 069
Höegh Esperanza facility	USD	62 500	12 500	12 500	12 500	40 625	140 625
Höegh Giant facility	USD	12 750	12 750	12 750	110 813	-	149 063
Hoegh Gannet facility	USD	11 042	11 042	11 042	11 042	109 167	153 333
Höegh Galleon facility	USD	9 012	9 012	9 012	9 012	114 909	150 959
USD 385 million facility	USD	25 597	25 597	25 597	210 268	-	287 060
Bond debt	USD	150 523	-	133 037	-	-	283 560
Corporate bank facility	USD	29 333	14 667	-	-	-	44 000
INTEREST-BEARING DEBT OUTSTANDING		**334 156**	**247 803**	**220 569**	**353 773**	**264 701**	**1 421 001**
Lease liabilities		32 201	33 758	35 249	6 473	11	107 693
TOTAL INTEREST-BEARING DEBT INCLUDING LEASE LIABILITIES		**366 357**	**281 561**	**255 818**	**360 246**	**264 712**	**1 528 694**
Debt issuance cost							(14 067)
CURRENT AND TOTAL INTEREST -BEARING DEBT INCLUDING LEASE LIABILITIES		**366 357**	**281 561**	**255 818**	**360 246**	**264 712**	**1 514 628**

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

NET INTEREST-BEARING DEBT

USD'000	Note	31 Dec 2022	31 Dec 2021
Interest-bearing debt including lease liabilities, current and non-current		(1 514 628)	(1 613 745)
Restricted cash, non-current	17	15 790	30 662
Cash and cash equivalents including restricted current cash and marketable securities		162 170	142 559
NET INTEREST-BEARING DEBT		**(1 336 668)**	**(1 440 524)**

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

USD'000	1 Jan 2022	Cash flows repayment	Cash flows new interest-bearing debt and sale of own bonds	Lease modi-fications	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**

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

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

INTEREST- BEARING DEBT IN THE CONSOLIDATED ENTITIES AS OF 31 DECEMBER 2022

USD'000	**Independence**	**PGN FSRU Lampung**	**Höegh Gallant/ Höegh Grace**	**Höegh Giant**	**Höegh Esperanza**	**Hoegh Gannet**	**Höegh Galleon**
Drawdown date	08.05.2014	17.04.2014	31.01.2019	09.08.2021	05.04.2018	06.12.2018	27.08.2019
Original amount drawn under the facility	242 000	225 000	383 000	165 000	200 000	175 000	180 250
Refinancing/ top-up amount	45 000	-	-	-	-	22 500	-
Refinancing/ top-up date	28.04.2020	24.12.2021	-	-	-	23.06.2022	-

Type of financing	ECA/ commercial banks	ECA/ commercial banks	ECA/ commercial banks	Commercial banks	ECA/ commercial banks	ECA/ commercial banks	SLB
Blended tenor on the debt (years)	10	11	7	5	10	10	12
Blended profile on the debt (years)	16	12	15	13	16	16	20
Blended fixed all-in-rate	4.10%	5.37%	4.90%	3.94%	4.00%	4.70%	5.71%

INTEREST-BEARING DEBT IN JOINT VENTURE COMPANIES AS OF 31 DECEMBER 2022

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. Höegh LNG was in compliance with all its covenants for the year ended 31 December 2022. See Note 13 and Note 27 disclosing the refinancing subsequent to year ended 31 December 2022.

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 pending arbitration with the charterer of PGN FSRU Lampung has been terminated, cancelled or favourably resolved, no shareholder loans may be serviced, and no dividends may be paid to the Partnership by the subsidiary borrowing under the Lampung Facility, PT Hoegh LNG Lampung. Furthermore, each quarter, 50% of the PGN FSRU Lampung's generated cash flow after debt service must be applied to pre-pay outstanding loan amounts under the Lampung Facility, applied pro rata across the commercial and export credit tranches. The remaining 50% will be retained by PT Hoegh LNG Lampung and pledged in favour of the lenders until the pending arbitration with the charterer of PGN FSRU Lampung has been terminated, cancelled or favourably resolved. As a consequence, no cash flow from the PGN FSRU Lampung will be available for the Partnership until the pending arbitration has been terminated, cancelled or favourably resolved. This limitation does not prohibit the Partnership from paying distributions.

Note 15: Non-current financial assets and liabilities

Interest rate swap agreements are entered into by Höegh LNG in addition to a cross currency interest rate swap agreement (see Note 13). The interest rate and currency swap agreements are designated as effective hedging instruments. The non-current portion of the mark-to-market valuation of these agreements and the related cash collateral requested by swap banks as of 31 December 2022 and 2021 is presented below. For further information on the interest rate swaps and the current portion of the mark-to-market valuations, see Note 13.

NON-CURRENT FINANCIAL ASSETS

USD'000	Note	31 Dec 2022	31 Dec 2021
Cash collateral		2 116	8 286
Interest rate swaps designated as hedges	13	20 629	2 780
Long-term receivables charterers		588	588
TOTAL		**23 334**	**11 654**

NON-CURRENT FINANCIAL LIABILITIES

USD'000	Note	31 Dec 2022	31 Dec 2021
Interest rate swaps designated as hedges	13	8 058	33 678
Pension liabilities (defined benefit)		246	401
Other		23 768	18
TOTAL		**32 072**	**34 097**

Note 16: Other current financial assets and liabilities

OTHER CURRENT FINANCIAL ASSETS

USD'000	Note	31 Dec 2022	31 Dec 2021
Investment in marketable securities	13	155	98
Interest rate swaps designated as effective hedging instruments[1]	13	23 619	13
TOTAL		**23 774**	**111**

OTHER CURRENT FINANCIAL LIABILITIES

USD'000	Note	31 Dec 2022	31 Dec 2021
Interest rate swaps designated as effective hedging instruments[1]	13	15 902	23 910
Accrued interest on mortgage debt		6 845	6 257
Accrued interest on bonds and corporate facilties		5 673	4 431
TOTAL		**28 420**	**34 598**

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

Note 17: Unrestricted and restricted cash

CURRENT CASH AND CASH EQUIVALENTS PER CURRENCY AS OF 31 DECEMBER

Currency		Exchange rate	2022	Exchange rate	2021
US Dollar (USD)	USD	1.00	137 713	1.00	126 090
Norwegian Kroner (NOK)	USD/NOK	9.77	3 980	8.82	3 013
Pound Sterling (GBP)	USD/GBP	0.83	746	0.74	585
Euro (EUR)	USD/EUR	0.93	813	0.88	984
Singapore Dollar (SGD)	USD/SGD	1.34	1 042	1.35	1 045
Other			2 457		2 324
TOTAL			**146 751**		**134 041**

CURRENT RESTRICTED CASH

USD'000	31 Dec 2022	31 Dec 2021
PT Hoegh LNG Lampung	15 264	8 410
Other	-	9
TOTAL	**15 264**	**8 419**

As of 31 December 2022, USD 7.9 million was classified as short-term restricted cash related to a financing agreement, where cash is required to be held for specifically designated uses, including payment of working capital, operations, and maintenance related expenses.

NON-CURRENT RESTRICTED CASH

USD'000	Note	31 Dec 2022	31 Dec 2021
Höegh LNG Gannet Pte. Ltd., debt service		4 799	4 799
Höegh LNG Giant Ltd.		-	2 000
Höegh LNG Galleon Ltd.		-	12 872
PT Hoegh LNG Lampung, debt service		10 991	10 991
TOTAL	**14**	**15 790**	**30 662**

Non-current restricted cash of USD 11.0 million at year-end 2022 (USD 11.0 million year-end 2021) relates to the project financing of PGN FSRU Lampung whereof Höegh LNG is required to hold amounts equal to six months' debt service deposited in an escrow account.

Note 18: Trade and other receivables

USD'000	Note	31 Dec 2022	31 Dec 2021
Trade receivables	3	22 693	6 299
Accrued hire		11 067	4 983
Unbilled class renewal and modification cost		10 349	553
Receivables towards related parties (joint ventures, associates and owner)	24	6 917	5 502
Prepaid insurance		601	2 162
Prepaid administrative, operating and class renewal cost		8 762	4 772
VAT receivables		825	804
Other receivables and prepayments		4 410	2 366
TOTAL		**65 623**	**27 444**

Historically, the group has not had any credit losses. An assessment made at year-end 2022 did not identify any need for recognising impairment for any expected credit losses in accordance with IFRS 9. The group manages to collect receivables timely.

Note 19: Trade and other payables

USD'000	31 Dec 2022	31 Dec 2021
Trade payables	12 364	9 714
Public duties	6 543	4 411
Accrued holiday and leave pay	4 069	5 204
TOTAL	**22 975**	**19 328**

Note 20: Other current liabilities

USD'000	Note	31 Dec 2022	31 Dec 2021
Contract liabilities (prepaid charter revenues)	3	12 882	10 857
Refund liabilities to customers (audit matters, tax element)	3	2 765	5 536
Bonus provisions		5 719	4 421
Accrued operational and class renewal cost		6 083	4 706
Other provisions and accruals		44 768	8 626
TOTAL		**72 218**	**34 146**

Note 21: 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. 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	2022	2021
Non-current deferred revenues as of 1 January		14 989	13 889
Amortisation of charter hire (revenue recognition) Arctic Lady and Arctic Princess		(4 630)	(3 630)
Prepayments of hire related class renewals of Arctic Lady and Arctic Princess		-	4 017
Other		(1 819)	713
CARRYING AMOUNT AS OF 31 DECEMBER	**3**	**8 540**	**14 989**

Note 22: Shares and share capital

As of 31 December 2022, 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 23: Corporate income tax expenses and deferred taxes

Höegh LNG is not subject corporate income taxes in Bermuda but subject to tax for earnings of its subsidiaries incorporated in Indonesia, Singapore, Cyprus, Jamaica, Lithuania, UK, Norway, India, the Philippines and for certain Colombian source income.

TAX EXPENSE FOR THE YEAR

USD'000	2022	2021
Current income tax charge	(2 190)	(10 202)
Changes in deferred taxes	(2 447)	(2 737)
Adjustments in respect of current income tax of previous year	2 132	(2 950)
INCOME TAX EXPENSE REPORTED IN THE INCOME STATEMENT	**(2 505)**	**(15 889)**
EFFECTIVE TAX RATE		
LOSS BEFORE INCOME TAX	**(52 904)**	**(5 395)**
At Bermuda's statutory income tax rate of 0%	-	-
Income tax expense reported outside Bermuda	(2 505)	(15 889)
INCOME TAX EXPENSE REPORTED IN THE INCOME STATEMENT	**(2 505)**	**(15 889)**
EFFECTIVE TAX RATE	**n/a**	**n/a**

CHANGES IN DEFERRED TAXES

USD'000	31 Dec 2022	31 Dec 2021
Deferred tax assets		
Pension liabilities	49	88
Tax loss carried forward	738	744
Other tangible assets	369	442
TOTAL DEFERRED TAX ASSETS GROSS	**1 156**	**1 274**
Deferred tax liabilities		
Vessels	(14 093)	(12 465)
Other tangible assets	(4 620)	(3 668)
TOTAL DEFERRED TAX LIABILITIES GROSS	**(18 713)**	**(16 133)**
ASSETS CAN BE REMOVED SINCE LIABILITIES BOTH YEARS	**(17 557)**	**(14 859)**

Income tax expenses for 2022 was USD 2.5 million compared with USD 15.9 million expensed in 2021. The main reason for the decrease of USD 13.4 million was reversing a substantial part of provision made in 2021 in Indonesia. See comment below regarding uncertain tax positions.

Deferred tax assets and liabilities are offset when it is a legally enforceable right to offset current tax assets against liabilities and when deferred revenues become taxable. The changes in deferred tax assets and liabilities are expected to be settled after more than 12 months. Deferred tax assets as of year-ended 31 December 2022 are for main part derived from tax loss carried forward at year-ended 2022 in the group's subsidiary in the UK. The group also has tax loss carried forward in Egypt amounting to USD 3.3 million as of 31 December 2022 (USD 2.3 million year-end 2021). The group has however not recognised deferred tax assets for these losses as it is not possible to predict with reasonable certainty whether adequate taxable profit will be generated in the future to utilise the losses.

Uncertain tax positions in Indonesia

In late June 2021, the tax audit for the Indonesian subsidiary's 2019 tax return was completed. The main finding was that an internal promissory note for tax purposes was characterized as equity instead of debt such that 100% of the accrued interest was disallowed for tax deduction. Höegh LNG and its Indonesian subsidiary disagreed with the conclusion of the tax audit and the Indonesian subsidiary filed an Objection Request with the Central Jakarta Regional Tax Office on 24 September 2021. The audit findings resulted in an increase in the 2021 current tax expense for an additional amount due for 2019 and an increase in the uncertain tax position for the open years that remained subject to a potential tax audit in Indonesia. The as-filed tax position for the open tax years was to take a tax deduction for the interest expense on the promissory note. In the third quarter of 2022 Höegh LNG and its Indonesian subsidiary ware partly granted acceptance on the appeal, resulting in a partial reduction of the tax provision for the disallowed interest on the promissory note. In addition, the total provision for the tax year 2017 was reversed at year-end 2022 for the expiration of the statute of limitations for 2017.Benefits of uncertain tax positions are recognized when it is more-likely-than-not that a tax position taken in a tax return will be sustained upon examination based on the technical merits of the position. As of 31 December 2022, and 31 December 2021, the unrecognized tax benefits were USD 5.2 million and USD 9.0 million, respectively.

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 0.9 million for the year ended December 31, 2022, and 2021, respectively.

On 1 April 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 2018 ICT return. On 28 February 2023, the group's Colombian subsidiary paid the ICT to the Tax Administration of Cartagena but continues to challenge the interest and penalties. The ICT paid is expected to be refunded by the charterer in 2023.

Note 24: 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 2022 (USD 35 million in 2021).

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 2022 and 2021 and outstanding receivables at year-end. For recognition of management revenues, see Note 4.

MANAGEMENT INCOME FROM RELATED PARTIES

USD'000	2022	2021
Joint Gas Ltd.	77	75
Joint Gas Two Ltd.	77	75
SRV Joint Gas Ltd.	1 007	1 092
SRV Joint Gas Two Ltd.	1 417	1 198
Larus Holding Limited	102	102
Avenir LNG Limited	594	58
TOTAL	**3 275**	**2 599**

SHAREHOLDER LOANS WITH JOINT VENTURES AND ASSOCIATES

USD'000	31 Dec 2022	31 Dec 2021
Non-current		
SRV Joint Gas Ltd.	9 624	6 570
SRV Joint Gas Two Ltd.	2 256	941
Avenir LNG Limited	1 920	-
Total non-current	**13 800**	**7 511**
Current		
Avenir LNG Limited	-	1 777
Total current	**-**	**1 777**
TOTAL	**13 800**	**9 288**

RECEIVABLES AGAINST RELATED PARTIES

USD'000	Note	31 Dec 2022	31 Dec 2021
SRV Joint Gas Ltd. and SRV Joint Gas Two Ltd.		1 021	1 126
Joint Gas Ltd. and Joint Gas Two Ltd.		76	-
Avenir LNG Limited		5 812	4 324
Larus Holding Limited		8	51
TOTAL	**18**	**6 917**	**5 502**

Guarantee fee income from associates

In April 2019, Höegh LNG issued a parent guarantee for the building of S1050 at Nantong Yard towards Avenir LNG Limited for a 1.0% fee. USD 0.5 million has been recorded as financial income in 2022 (USD 0.5 million in 2021).

TRANSACTIONS WITH OTHER RELATED PARTIES

Höegh LNG considers Höegh Autoliners ASA and Hoegh 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	2022	2021
Hoegh Capital Partners Advisors	17	40
Hoegh Capital Partners Ltd	594	11
Hoegh Autoliners Management AS	47	95
Hoegh Autoliners Inc	397	312
Hoegh Autoliners (India) Pvt Ltd.	-	73
Other	18	-
TOTAL	**1 072**	**531**

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 25: 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 2022

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

Overview of securities and guarantees granted and outstanding as of 31 December 2022 for the Group's debt facilities

Debt facility (see note 14)	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.
Höegh Galleon	Not applicable – finance lease under a sale-leaseback transaction	Parent company guarantee for the obligations related to the sale-leaseback and the interest rate swaps	Höegh LNG Holdings Ltd.
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.
Höegh Giant	Customary pledge of vessel, certain bank accounts and shares in the vessel-owning entity	Parent company guarantee for the obligations related to the debt facility and interest rate swaps	Höegh LNG Holdings Ltd.
Independence	Customary pledge of vessel, certain bank accounts and shares in the vessel-owning entity	Parent company guarantee for the obligations related to the debt facility and interest rate swaps	Höegh LNG Holdings Ltd.
Arctic Princess	Not applicable for the vessel since this is a finance lease. Customary pledge of certain bank accounts and shares in the vessel-owning entity	Sponsor's guarantee pro-rata according to its shareholding for payment obligations under the lease agreements and interest rate swaps entered into by the JV	Höegh LNG Ltd. and Höegh LNG Holdings Ltd.
Arctic Lady	Not applicable for the vessel since this is a finance lease. Customary pledge of certain bank accounts and shares in the vessel-owning entity	Sponsor's guarantee pro-rata according to its shareholding for payment obligations under the lease agreements and interest rate swaps entered into by the JV	Höegh LNG Ltd. and Höegh LNG Holdings Ltd.
Neptune	Customary pledge of vessel, certain bank accounts and shares in the vessel-owning entity	Sponsor guarantee for the obligations related to the debt facility and interest rate swaps, limited to maximum USD 7.5 million	Höegh LNG Partners LP
Cape Ann	Customary pledge of vessel, certain bank accounts and shares in the vessel-owning entity	Sponsor guarantee for the obligations related to the debt facility and interest rate swaps, limited to maximum USD 7.5 million	Höegh LNG Partners LP
PGN FSRU Lampung	Customary pledge of vessel, certain bank accounts and shares in the vessel-owning entity	Parent company guarantee for the obligations related to the debt facility and interest rate swaps	Höegh LNG Partners LP

Avenir LNG Limited (see Note 9)
By the end of 2022, Avenir had completed the construction of all 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 cost. As of 31 December 2022, 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 26: 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 September 2021 has not materially changed Joint Gas Two Ltd.'s assessment and no provision has been made.

Pending arbitration with the charterer of PGN FSRU Lampung
The charterer under the lease and maintenance agreement for the PGN FSRU Lampung ("LOM") served a notice of arbitration ("NOA") on 2 August 2021 to declare the LOM null and void, and/or to terminate the LOM, and/or seek damages. On 13 June 2022, the charterer filed a statement of claim with a request for a primary relief and three alternative reliefs. The charterer's claim of restitution if the LOM is declared null and void is USD 416 million, increasing to USD 472 million by June 2023 plus interest and cost. PT Hoegh LNG Lampung has previously served a reply refuting

the claims as baseless and without legal merit and has also served a counterclaim against the charterer for multiple breaches of the LOM and a claim against the parent company of the charterer for the fulfilment of the charterer's obligations under the LOM as stated in a guarantee provided by the parent company, with a claim for damages. On 13 June 2022, PT Hoegh LNG Lampung filed its statement of claim, and a statement of defence was filed in September. PT Hoegh LNG Lampung will take all necessary steps and will vigorously contest the charterer's claims in the legal process. No assurance can be given at this time as to the outcome of the dispute with the charterer of the PGN FSRU Lampung. Notwithstanding the arbitration process, both parties have continued to perform their respective obligations under the LOM. In the event the outcome of the dispute is unfavourable to PT Hoegh LNG Lampung, it could have a material adverse impact on the group's business, financial condition and results of operations.

Note 27: Subsequent events

- In January 2023, HMLP voluntarily delisted and deregistered its 8.75% Series A Cumulative Redeemable Preferred Units from New York Stock Exchange

- Höegh LNG signed in January 2023 the second binding 10-year contract with the Federal Government of Germany for Hoegh Gannet. The vessel will be located at the Elbehafen LNG project in Brunsbüttel operated by Deutsche Energy Terminal GmbH

- In February 2023, Höegh LNG signed a new loan facility agreement with a group of banks to refinance Höegh Esperanza and Hoegh Gannet, both employed on long-term contracts in Germany. The new loan facility agreement is for a total amount of USD 685 million and has a tenor of 10 years The loan amount will be applied to repay the existing loan facilities and general corporate use and will decrease average cost of debt. The facility is split in two tranches per vessel. The refinancing of Höegh Esperanza has been completed and the loan tranche was drawn on 21 February 2023. The refinancing of Hoegh Gannet is expected to be completed in April 2023, subject to having successfully completed its commissioning for regas operations in Germany and customary closing conditions

- Höegh LNG announced 20 February 2023 that it had entered into an agreement to acquire the 2013-built LNG carrier Golar Seal from Cool Co Ltd. for a purchase price in line with current market level for similar vessels. The acquisition was completed 22 March 2023 and the vessel has been renamed Hoegh Gandria.

4.2

Financial statements Höegh LNG Holdings Ltd.

For the year ended 31 December 2022


INDEPENDENCE

STATEMENT OF INCOME 1 JANUARY – 31 DECEMBER

USD'000	Note	2022	2021
Administrative expenses	9	(57 051)	(5 320)
OPERATING RESULT		**(57 051)**	**(5 320)**
Interest income	6	13 376	12 352
Dividends received	16	458	14 532
Reversal of impairment on loans to subsidiaries	5	82 061	-
Interest expenses	7	(32 115)	(32 327)
Income from other financial items	17	4 693	403
Expenses from other financial items	17	(3 676)	(2 546)
PROFIT (LOSS) FOR THE YEAR AFTER TAX		**7 746**	**(12 906)**

STATEMENT OF COMPREHENSIVE INCOME 1 JANUARY – 31 DECEMBER

USD'000	Note	2022	2021
PROFIT (LOSS) FOR THE YEAR AFTER TAX		**7 746**	**(12 906)**
Items that may be subsequently reclassified to profit			
Net gain on cash flow hedges	8	16 376	5 572
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**16 376**	**5 572**
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**24 122**	**(7 334)**

STATEMENT OF FINANCIAL POSITION

USD'000	Note	31 Dec 2022	31 Dec 2021
ASSETS			
Non-current assets			
Investments in subsidiaries	3	596 382	218 183
Loans to subsidiaries	5	277 082	358 608
Investments in associates	4	43 125	43 125
Loan to associate	5	1 920	-
Cash collateral	13	490	20
Other non-current financial assets	8	137	2 072
Total non-current assets		**919 136**	**622 008**
Current assets			
Loan to associate	5	-	1 777
Trade receivables		1 663	1 482
Other current financial asset	8	3 135	13
Cash and cash equivalents	10	22 595	26 146
Total current assets		**27 394**	**29 418**
TOTAL ASSETS		**946 529**	**651 426**
EQUITY AND LIABILITIES			
Equity			
Share capital	11	12	12
Share premium reserve		556 260	556 260
Contributed surplus		350 821	154 753
Other paid-in equity		295	295
Hedging reserves	8	9 815	(6 561)
Retained earnings		(378 590)	(386 336)
Total equity		**538 613**	**318 424**
Non-current liabilities			
Other non-current financial liabilities	8	31 808	9 315
Other debt	14	14 667	44 000
Bonds	12	**129 582**	-
Total non-current liabilities		**176 057**	**53 315**
Current liabilities			
Other debt	14	29 333	-
Bonds	12	153 978	266 447
Accrued interest	14	5 673	4 431
Trade and other payables		308	952
Provisions and accruals		26 664	12
Other current financial liabilities	8	15 902	7 846
Total current liabilities		**231 859**	**279 688**
TOTAL EQUITY AND LIABILITIES		**946 529**	**651 426**

Hamilton, Bermuda, 3 April 2023
The Board of Directors and the President and CEO of Höegh LNG Holdings Ltd.

Morten W. Høegh
Chairman

Johan Pfeiffer
Deputy Chairman

Leif O. Høegh
Director

Martine Vice Holter
Director

Alberto Donzelli
Director

John Kwaak
Director

Timothy Faries
Director

Erik Nyheim
President and CEO

STATEMENT OF CHANGES IN EQUITY

USD'000	Note	Share capital	Share premium reserve	Treasury shares	Con-tributed surplus	Other paid-in equity	Hedging reserves	Retained earnings	Total equity
1 January 2021		**773**	**447 715**	**(11)**	**-**	**295**	**(12 133)**	**(140 882)**	**295 756**
Total comprehensive loss	8	-	-	-	-	-	5 572	(12 906)	(7 334)
Shareholder contribution		-	-	-	48 066	-	-	-	48 066
Amalgamation effects		(761)	108 545	11	106 687	-	-	(232 548)	(18 066)
31 December 2021		**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**

Of the contributed surplus of USD 207.4 million in 2022, USD 203.3 was settled in cash and USD 4.1 million in common units in Höegh LNG Partners LP previously owned by the shareholder. Of the contributed surplus of USD 48.1 million in 2021, USD 47.2 million was settled in cash.

STATEMENT OF CASH FLOWS 1 JANUARY – 31 DECEMBER

USD'000	Note	2022	2021
Cash flows from operating activities:			
Profit (loss) for the year before tax		7 746	(12 906)
Adjustments to reconcile profit or loss before tax to net operational cash flows			
Interest income	6	(13 376)	(12 352)
Interest expenses	7	32 115	32 327
Reversal of impairment on loans to subsidiaries	5	(82 061)	-
Net loss (gain) on derivatives and other financial instruments		(1 080)	1 992
Dividends received from Höegh LNG Partners LP	16	(458)	(14 532)
Working capital adjustments (changes in receivables and payables)		38 208	1 590
I) NET CASH FLOWS FROM OPERATING ACTIVITIES		**(18 906)**	**(3 881)**
Cash flows from investing activites:			
Dividends received from Höegh LNG Partners LP	16	458	14 532
Grants lending to subsidiaries		(49 500)	(32 822)
Grants lending to associates		-	(1 750)
Repayments lending to subsidiaries		16 272	26 000
Interest received		1 776	-
Investments in subsidiaries	3	(166 119)	-
Investments in associates	4	-	(8 625)
II) NET CASH FLOWS FROM INVESTING ACTIVITIES		**(197 113)**	**(2 664)**
Cash flows from financing activites:			
Interest paid		(27 605)	(25 309)
Payment of debt issuance cost, bond discount, amalgamation fees and financial fees		-	(24 013)
Repayment of borrowings		(3 301)	-
Repayment and buy-back of bonds		-	(12 453)
Repayment of revolving credit facility		-	(70 000)
Shareholder contribution		203 289	47 213
Proceeds from borrowings gross	12,14	40 555	93 592
Increase in restricted cash and cash collateral	13	(470)	(20)
III) NET CASH FLOWS FROM FINANCING ACTIVITIES		**212 468**	**9 009**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III)		**(3 551)**	**2 464**
Cash and cash equivalents as of 1 January		26 146	23 682
CASH AND CASH EQUIVALENTS AS OF 31 DECEMBER		**22 595**	**26 146**

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 2022 were approved by the Board of Directors 3 April 2023.

Note 2: Summary of significant accounting policies

The financial statements of the company are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the EU.

Summary of significant accounting policies in Note 2 to the consolidated financial statements generally apply to the company, but the following accounting principles are considered the most important for assessment of the company's financial statements:

2.1 Shares in subsidiaries and associates

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

2.2 Financial assets

The company classifies its financial assets in two categories:

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

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

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

2.3 Financial liabilities

The company classifies its financial liabilities in two categories:

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

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

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

2.4 Income tax

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

Note 3: Investments in subsidiaries

USD'000	2022	2021
Carrying value as of 1 January	218 183	218 183
Investment in HMLP	178 198	-
Conversion of intra-group loan to paid-in equity in Höegh LNG Ltd.	200 000	-
CARRYING VALUE AS OF 31 DECEMBER	**596 382**	**218 183**

On 23 September 2022, pursuant to a merger agreement, Höegh LNG completed the acquisition of the public common units of Höegh LNG Partners LP and thereafter delisted the common units from New York Stock Exchange. The transaction was funded with new equity from its shareholder, of which USD 163.5 million was contributed in cash and USD 4.1 million was contributed as common units in Höegh LNG Partners LP. The residual investment in Höegh LNG Partners LP during the year related to indemnification of USD 8 million in transaction cost for acquisition of the common units and USD 2.6 million in other indemnification cost related to agreed cost sharing for certain project cost. The indemnified project cost was paid to HMLP, while the indemnified transaction cost was offset against the then existing revolving credit facility between the two parties.

COUNTRY OF INCORPORATION

USD'000	2022	2021
Höegh LNG Ltd.	200 000	-
Höegh LNG Partners LP	396 380	218 182
Höegh LNG General Partner LLC	1	1
CARRYING VALUE AS OF 31 DECEMBER	**596 382**	**218 183**

Companies	Country of incorporation	Ownership share	Carrying value 31 Dec 2022
Höegh LNG Ltd.	Bermuda	100%	200 000
Höegh LNG Partners LP	Marshall Islands	100%	396 380
Höegh LNG General Partner LLC	Marshall Islands	100%	1
TOTAL			**596 382**

Impairment assessment

There were no impairment indicators related to investments in subsidiaries as of 31 December 2022 and as such no impairments were recognised. No impairments were recognised in 2021.

Note 4: Investments in associates

USD'000	2022	2021
Carrying value as of 1 January	43 125	34 500
Purchase of shares in Avenir LNG Limited	-	8 625
CARRYING VALUE AS OF 31 DECEMBER	**43 125**	**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 2022 (year-end 2021: 23.67%). The company had no remaining capital commitments as of 31 December 2022.

Avenir LNG Limited has taken delivery of all 6 vessels ordered by the end of 2022, whereof one of them was sold to a third party in 2021. The LNG storage terminal and distribution terminal facility in the Italian port of Oristano, Sardinia was completed in 2021. As of 31 December 2022, all assets were in operation.

Avenir LNG Limited sources and ships LNG to the terminal in Sardinia using its own vessel small LNG carriers and distributes the LNG through regasification and by trucks into the local gas grid.

Reference is made to Note 9 in the consolidated financials disclosing 100% of condensed numbers in the associate's statement of comprehensive income for 2022 and 2021 and statement of financial position as of 31 December 2022 and 2021, respectively.

Note 5: Loans to subsidiaries and associates

LOANS TO SUBSIDIARIES

USD'000	2022	2021
Non-current receivables Höegh LNG Ltd. at face value	277 082	416 124
Non-current receivables Höegh LNG Partners LP at face value	-	24 545
GROSS CARRYING VALUE AS OF 31 DECEMBER	**277 082**	**440 669**

USD'000	2022	2021
Impairment non-current receivables Höegh LNG Ltd.	-	82 061
Impairment non-current receivables Höegh LNG Partners LP	-	-
IMPAIRMENT AS OF 31 DECEMBER	**-**	**82 061**

USD'000	Note	2022	2021
Non-current receivables Höegh LNG Ltd. net of impairment	15	277 082	334 063
Non-current receivables Höegh LNG Partners LP net of impairment	15	-	24 545
CARRYING VALUE AS OF 31 DECEMBER NET OF IMPAIRMENT		**277 082**	**358 608**

LOANS TO ASSOCIATES

USD'000	2022	2021
Non-current receivables Avenir LNG at face value	1 920	-
Current receivables Avenir LNG at face value	-	1 777
CARRYING VALUE AS OF 31 DECEMBER	**1 920**	**1 777**

On 22 May 2013, the company entered a loan facility with Höegh LNG Ltd. of up to USD 600 million. The interest rate of the facility is 3 months LIBOR plus a margin of 2.5%. Repayment of the facility shall be done in one or several amounts, as agreed between the parties. During the year, drawings on the loan facility occurred while no repayment event took place.

On 12 August 2014, the company issued a revolving credit facility (RCF) in an aggregate amount of USD 85 million to the borrower Höegh LNG Partners LP. The RCF was fully repaid during 2022 and ceased to exist 1 January 2023. The RCF had a floating interest rate equal to 3 months LIBOR plus a margin of 4.0%.

Based on an impairment assessment by 31 December 2022, it was concluded to reverse the previous impairment of USD 82.1 million related to the loan to Höegh LNG Ltd. No impairments or reversals of previous impairments were made during 2021 related to loans to subsidiaries.

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. The interest rate remains unchanged at 5% per annum in the amendment agreement, whilst the commitment fee of 40% of the interest rate on the undrawn amount was removed and the loan facility was reduced from USD 5.25 million to USD 2.65 million. 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	2022	2021
Interest income from loan to Höegh LNG Ltd.	15	11 458	11 282
Interest income from revolving credit facility with Höegh LNG Partners LP	15	1 384	945
Interest income from revolving loan to Avenir LNG	15	142	27
Other interest income		392	97
TOTAL		**13 376**	**12 352**

See Note 5 for outstanding interest-bearing loan receivables.

Note 7: Interest expenses

USD'000	2022	2021
Interest expenses from bond HLNG03	12 937	11 828
Interest expenses from bond HLNG04	13 078	11 673
Interest expenses from corporate facility	6 054	6 853
Interest expenses from revolving credit facility issue 2020 (RCF)	-	1 970
Other interest expenses	46	3
TOTAL	**32 115**	**32 327**

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	2022	2021
MTMs presented as financial assets non-current portion	137	2 072
MTMs presented as financial assets current portion	3 135	-
MTMs presented as financial liabilities non-current portion	(8 058)	(9 315)
MTMs presented as financial liabilities current portion	(15 902)	(7 846)
Net MTMs of interest rate swaps as of 31 December	**(20 688)**	**(15 089)**
Accumulated exchange losses (gains) under CCIRS' included in MTM	30 503	8 528
INTEREST RATE SWAPS RECORDED AGAINST EQUITY AS OF 31 DECEMBER	**9 815**	**(6 561)**

Changes in MTMs of interest rate swaps and swaptions from previous year	**(5 599)**	**(5 487)**

USD'000	2022	2021
Changes recorded to other comprehensive income	16 376	5 572
Separate component of equity (currency portion of CCIRS) recorded to profit or (loss)	(21 975)	(11 059)
TOTAL CHANGES IN MTMS OF INTEREST RATE SWAPS FROM PREVIOUS YEAR	**(5 599)**	**(5 487)**

Notional amounts of hedge instruments[1]	**961 519**	**311 322**
Maturity dates	Multiple	Multiple
Hedge ratio	1:1	1:1

[1] Includes the notional of swaptions related to future debt.

The company has entered cross currency interest rate swaps relating to NOK bonds HLNG03 and HLNG04. On 31 December 2022, the mark-to-market valuation of the interest rate swaps was recognised in the financial position with a net liability of USD 20.7 million (net liabilities 31 December 2021 USD 15.1 million). On 31 December 2022, interest rate swaps recorded against equity was USD 9.8 million (negative of USD 6.6 million at year-end 2021).

In 2022, the company entered cash flow hedges 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, consisting of 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. On 31 December 2022, swaptions recorded against equity was USD 2.1 million.

Note 9: Administrative expenses

USD'000	Note	2022	2021
Remuneration to board members		32	146
Audit fees		389	308
External services		54 072	1 109
Indemnification of boil-off claim	15	272	713
Management fee from companies within the group	15	2 236	2 480
Other		51	565
TOTAL		**57 051**	**5 320**

Note 10: Cash and cash equivalents

Currency	Exchange rate 31 Dec 2022	2022 USD'000	Exchange rate 31 Dec 2021	2021 USD'000
US Dollars (USD)	1	22 126	1	26 140
Norwegian Kroner (NOK)	9.7717	469	8.8175	6
CASH AND CASH EQUIVALENTS AS OF 31 DECEMBER		**22 595**		**26 146**

Note 11: Share capital

As of 31 December 2022, 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	2022	2021
Bond HLNG04	133 037	-
Amortisation of bond HLNG04 discount	(1 338)	-
Debt issuance cost bond HLNG04	(2 117)	-
CARRYING VALUE AS OF 31 DECEMBER	**129 582**	**-**

CURRENT LIABILITIES

USD'000	2022	2021
Bond HLNG03	153 505	125 205
Bond HLNG04	-	147 434
Amortisation of bond HLNG04 discount	-	(1 906)
Debt issuance cost bond HLNG03	474	(1 221)
Debt issuance cost bond HLNG04	-	(3 065)
CARRYING VALUE AS OF 31 DECEMBER	**153 978**	**266 447**

The HLNG03 and HLNG04 bond loans have maturity dates in August 2023 and January 2025 respectively. However, both loans were classified as current interest-bearing debt as of 31 December 2021 due to the bondholders of each of the bond loans had the right to require the company to purchase all or some of the bonds held by a bondholder if certain conditions were not met. The company fulfilled the conditions during 2022 and as such these bondholder rights will not come into effect and HLNG04 was classified as non-current as of 31 December 2022.

During the year, Höegh LNG Holdings Ltd. sold an aggregate of NOK 396 million of HLNG03 bonds held in treasury at an average price of 99.85% of par value, net of broker commission. Total outstanding amount on HLNG03 as of 31 December 2022 was NOK 1 500 million. Interest expenses on the bonds was USD 26.0 million for 2022 (2021: USD 23.5 million).

Note 13: Cash collateral

USD'000	2022	2021
Carrying value as of 1 January	20	-
Change in cash collateral	470	20
CARRYING VALUE AS OF 31 DECEMBER	**490**	**20**

In connection with the company's cross currency interest rate swaps for HLNG03 and HLNG04, credit support agreements (CSAs) have been requested by swap bank lenders. Höegh LNG Holdings Ltd. is therefore exposed to liquidity risk if the negative market value of the 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 2022, the company had posted USD 490 thousand in cash collateral.

Note 14: Financial risk management objectives and policies

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

FINANCIAL ASSETS

	Carrying value		Fair value	
USD'000	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Financial assets at fair value through other comprehensive income (FVTOCI)				
Mark-to-market of interest rate swaps	3 272	2 072	3 272	2 072
Total	**3 272**	**2 072**	**3 272**	**2 072**
Financial assets at fair value through profit or loss (FVTPL)				
Derivatives	-	13	-	13
Total	**-**	**13**	**-**	**13**
Financial assets at amortised cost				
Interest-bearing receivables	279 002	360 385	279 002	360 385
Trade receivables and other receivables	1 663	1 482	1 663	1 482
Cash collateral	490	20	490	20
Cash and cash equivalents	22 595	26 146	22 595	26 146
Total	**303 750**	**388 032**	**303 750**	**388 032**
TOTAL FINANCIAL ASSETS	**307 023**	**390 118**	**307 023**	**390 118**
TOTAL NON-CURRENT FINANCIAL ASSETS	**279 629**	**360 700**	**279 629**	**360 700**
TOTAL CURRENT FINANCIAL ASSETS	**27 394**	**29 418**	**27 394**	**29 418**

FINANCIAL LIABILITIES

	Carrying value		Fair value	
USD'000	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Financial liabilities at fair value through other comprehensive income (FVTOCI)				
Mark-to-market of interest rate swaps	23 960	17 161	23 960	17 161
Total	**23 960**	**17 161**	**23 960**	**17 161**
Financial liabilities at amortised cost				
Trade and other payables and accrued interest	56 395	5 383	56 395	5 383
Other debt	44 000	44 000	44 000	44 000
Bonds excl. debt issuance cost and bond discount	286 542	272 639	291 746	254 033
Total	**386 937**	**322 022**	**392 141**	**303 416**
TOTAL FINANCIAL LIABILITIES	**410 897**	**339 183**	**416 101**	**320 577**
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**176 057**	**53 315**	**182 505**	**53 315**
TOTAL CURRENT FINANCIAL LIABILITIES	**231 859**	**279 676**	**233 595**	**267 262**

On 31 December 2022, accrued interest was USD 5.7 million (4.4 million as of 31 December 2021) comprising USD 4.2 million and 1.5 million related to bonds and other debt, respectively (USD 3.8 million and 0.7 million as of 31 December 2021).

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 and other 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 2022 and 2021 was assessed to be insignificant.

The bonds issued by the company (HLNG03 issued January 2017 and HLNG04 issued January 2020) are listed on Oslo Stock Exchange, and the fair values of these are disclosed based on traded information. As of 31 December 2022, the fair values were 101.44% (94.96% as of 31 December 2021) and 102.25% (91.66% as of 31 December 2021) for HLNG03 and HLNG04, respectively.

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

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 LIABILITIES FROM FINANCING ACTIVITIES	**310 447**	**40 555**	**(26 516)**	**3 075**	**327 560**

Due to the nature of the USD 44 million facility, no interest rate swap agreements were entered. The loan has a floating interest rate equal to 3 months LIBOR plus a margin. The loan matures 3 May 2024 and repayments will incur on a quarterly basis with equal instalments each quarter starting 27 January 2023 and as such a portion was reclassified to current as of 31 December 2022. Other movements also comprise reclassification of bond loan HLNG04 from current to non-current (see Note 12) and amortisation of debt issuance cost and bond issue discount.

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

Refer to Note 13 in the consolidated financial statements for fair value hierarchy and for further outline of financial risk management objectives and policies.

Note 15: Related party transactions

LOANS TO RELATED PARTIES

USD'000	Note	31 Dec 2022	31 Dec 2021
Subsidiaries:			
Höegh LNG Ltd.	5	277 082	334 063
Höegh LNG Partners LP	5	-	24 545
Associates:			
Avenir LNG Limited	5	1 920	1 777
TOTAL		**279 002**	**360 385**

INTEREST INCOME AND FEES FROM RELATED PARTIES

USD'000	Note	2022	2021
Subsidiaries:			
Höegh LNG Ltd.	6	11 458	11 282
Höegh LNG Partners LP	6	1 384	945
Associates:			
Avenir LNG Limited	6,17	243	397
TOTAL		**13 085**	**12 625**

ADMINISTRATIVE EXPENSES TO RELATED PARTIES

USD'000	Note	2022	2021
Subsidiaries:			
Höegh LNG AS	9	2 236	2 480
Höegh LNG Partners LP	9	272	713
TOTAL		**2 508**	**3 192**

The amounts to Höegh LNG Partners LP, include settlement of indemnities for certain excess boil-off in 2022 and 2021.

Note 16: Dividends

During 2022, the company received dividends from Höegh LNG Partners LP, totalling USD 0.5 million (2021: USD 14.5 million). The company did not pay out any dividends to its shareholders in 2022 or 2021.

Note 17: Expenses and income from other financial items

USD'000	Note	2022	2021
Income from other financial items			
Gain on foreign exchange		4 591	33
Guarantee fees accrued	15	101	370
INCOME FROM OTHER FINANCIAL ITEMS - GROSS		**4 693**	**403**
Expenses from other financial items			
Loss on foreign exchange		(3 600)	(1 420)
Fair value adjustment USD/NOK FX call options		(13)	(847)
Expensed settlement on extinguished NOK 101 million swap related to buy-back of bonds		-	(127)
Other financial expenses		(63)	(151)
EXPENSES FROM OTHER FINANCIAL ITEMS - GROSS		**(3 676)**	**(2 546)**
EXPENSES FROM OTHER FINANCIAL ITEMS - NET		**1 016**	**(2 143)**

Note 18: Commitments and guarantees

As of 31 December 2022, 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 25 in the consolidated financial statements disclosing guarantees provided by the company as well as the group.

Note 19: Subsequent events

Refer to Note 27 in the consolidated financial statements for events after the balance sheet date.

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4.3

Directors' responsibility statement

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 2022 (Annual Report 2022).

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

To the best of our knowledge:

- The consolidated and separate annual financial statements for 2022 have been prepared in accordance with IFRS;
- The consolidated and separate annual financial statements give a true and fair view of the assets, liabilities, financial position and 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, 3 April 2023
The Board of Directors and the President and CEO of Höegh LNG Holdings Ltd.

Morten W. Høegh
Chairman

Johan Pfeiffer
Deputy Chairman

Leif O. Høegh
Director

Martine Vice Holter
Director

Alberto Donzelli
Director

John Kwaak
Director

Timothy Faries
Director

Erik Nyheim
President and CEO

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Independent auditor's report

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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 2022, 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 2022 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

We have been the auditor of the Company for 17 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 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

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Impairment evaluation of vessels

Basis for the key audit matter
The book value of vessels (FSRUs) as of 31 December 2022 was USD 1 886.5 million and represented 77.6 % of the Group's total assets, in addition the Group through joint ventures have ownership in two LNGC vessels. Management did not identify indicators of impairment for the FSRUs, therefore no impairment testing was performed. The assessment included an evaluation of current charter contracts as well as changes in technological, economic and legal environment. For the two LNGC vessels owned through joint ventures, impairment indicators were identified related to market conditions after expiry of the current contracts. In the joint ventures the recoverable amounts of each LNGC vessel were tested, by comparing each vessel's carrying amount to value in use. The value in use impairment testing consisted of discounted cash flows for the remaining period of the charter and the expected future market value/broker value after expiry of the contracts. During 2022, an impairment charge of USD 16 million was included in the share of results from investment in associates and joint ventures.

The estimation of recoverable amount requires significant judgment especially related to expected future market value assessment after expiry of current contracts. We consider the impairment evaluation a key audit matter due to the uncertainty of estimates and judgments involved in establishing the assumptions.

Our audit response
For the FSRUs we reviewed the potential indicators of impairment that would require impairment testing and evaluated management's assessment of indicators. For the LNGC vessels we assessed the expected revenue and operating expenditures up to expiry of the charter as well as the estimated future market value after expiry of the contract. We assessed the competence and objectivity of the broker, and we also checked that the brokers were provided with the appropriate input to perform an estimate of fair value, such as build date, yard and key metrics of the vessels.

Our audit procedures included evaluating management's assessment of impairment indicators for vessels and the assumptions applied in the value in use calculations. We also considered assessed the accuracy of prior years' forecasts, compared expected revenue and operating expenditures to approved budgets. Furthermore, we tested the mathematical accuracy of the value in use calculations.

Refer to note 7 and 9 in the consolidated financial statements.

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Provisions for Uncertain Tax Positions in Indonesia

Basis for the key audit matter
As of 31 December 2022, the Group has recognised a provision of USD 5.2 million (9.0 million) for uncertain tax positions including associated interest and penalties in Indonesia. The Group's tax positions in Indonesia are subject to audit by local taxing authorities and the resolution of such audits may take several years. Indonesian tax law is complex and often subject to various interpretations, accordingly, the ultimate outcome with respect to taxes the Group may owe may differ from the amounts recognized.

We identified the provisions for uncertain tax positions in Indonesia as a key audit matter

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

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

completeness and accuracy of the underlying data used by management to calculate its uncertain tax positions in Indonesia. We assessed the adequacy of the Group's disclosures around uncertain tax positions.

Refer to note 23 of the consolidated financial statements.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information or that the information required by applicable legal requirements is not included, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or the Group, or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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- 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.

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-2022-12-31-en, has been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation given with legal basis in Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements.

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

Management's responsibilities

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

Auditor's responsibilities

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

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

Oslo, 13 April 2023
ERNST & YOUNG AS

The auditor's report is signed electronically

Jon-Michael Grefsrød
State Authorised Public Accountant (Norway)

4.5
Alternative performance measures (APMs)

130 | Alternative performance measures

Alternative performance measures (APMs)

Höegh LNG's financial information is prepared in accordance with the International Financial Reporting Standards (IFRS). In addition, it is management's intent to provide additional performance measures when this is deemed relevant for the understanding of Höegh LNG's financial performance.

Alternative performance measures are used by Höegh LNG to provide supplemental information to the different users of its external financial reporting. Financial APMs are intended to enhance comparability of the results and to give supplemental information related to measures not within the applicable financial reporting framework, and it is Höegh LNG's experience that these measures are frequently used by equity and debt investors, analysts and other stakeholders. Management uses these measures internally to drive performance in terms of target setting and as basis for measuring actual financial performance. These measures are adjusted IFRS measures defined, calculated and used in a consistent and transparent manner over the years and across the group.

Operational measures such as, but not limited to, volumes, technical availability of vessels/fleet and contract backlog are not defined as financial APMs.

Financial APMs should not be considered as a substitute for measures of performance in accordance with the IFRS. The alternative performance measures presented may be determined or calculated differently by other companies.

Höegh LNG's APMs

- Earnings before interest, depreciation, amortisation and impairments (EBITDA): EBITDA is defined as the line-item Operating profit before depreciation and impairment in the consolidated statement of income

- Net interest-bearing debt: non-current and current interest-bearing debt deducted cash, marketable securities and restricted cash (current and non-current)

- Equity adjusted for hedging: Total book equity adjusted for mark-to-market value of financial derivative swaps recorded against equity (hedging reserves). Financial derivative swaps consist of interest-rate and cross-currency interest-rate swaps. In the money mark-to-market, financial derivative swaps will increase equity, while out of the money mark-to-market financial derivative swaps will reduce equity. Mark-to-market value of interest-rate swaps in Höegh LNG's joint ventures are recorded as part of line-item Investment in joint ventures. The computation of equity adjusted for hedging is consistent with the definitions set out in the group's covenants in loan agreements

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

ALTERNATIVE PERFORMANCE MEASURES, SUMMARY

USD'000	31 Dec 2022	31 Dec 2021
Net interest-bearing debt	**1 336 667**	**1 440 524**
Equity adjusted for hedging	**699 216**	**743 505**
EQUITY RATIO ADJUSTED FOR HEDGING	**29%**	**30%**

NET INTEREST-BEARING DEBT

USD'000	31 Dec 2022	31 Dec 2021
Interest-bearing debt, current and non-current	(1 514 628)	(1 613 745)
Restricted cash, non-current	15 790	30 662
Cash and cash equivelents including restricted cash and marketable securities	162 171	142 558
NET INTEREST-BEARING DEBT	**(1 336 667)**	**(1 440 524)**

HEDGE RESERVES

USD'000	Note	31 Dec 2022	31 Dec 2021
Net MTMs of financial liabilities in parent and subsidiaries	13	20 289	(54 808)
Net MTMs of financial liabilities in joint ventures and associates	13	(17 168)	(46 675)
Changes in MTMs not recorded as OCI:			
Net foreign exchange (gain) losses under cross currency swaps included in MtM		30 502	5 225
Accumulated break cost paid		(7 586)	(4 285)
Accumulated loss on swap in profit or loss		906	8 068
HEDGE RESERVES INCLUDING NON-CONTROLLING INTEREST SHARE		**26 942**	**(92 474)**

EQUITY ADJUSTED FOR HEDGING TRANSACTIONS

USD'000	31 Dec 2022	31 Dec 2021
Equity	726 159	651 031
Hedge reserve, including non-controlling interest share	(26 942)	92 474
EQUITY ADJUSTED FOR HEDGING TRANSACTIONS	**699 216**	**743 505**

EQUITY RATIO ADJUSTED FOR HEDGING TRANSACTIONS

USD'000	31 Dec 2022	31 Dec 2021
Total assets	2 431 225	2 429 209
Hedge reserves in JVs for investments presented as assets	17 168	46 675
Hedges recorded as assets	(44 249)	(2 780)
TOTAL ASSETS ADJUSTED FOR HEDGING TRANSACTIONS	**2 404 144**	**2 473 104**
EQUITY ADJUSTED FOR HEDGING TRANSACTIONS	**699 216**	**743 505**
EQUITY RATIO ADJUSTED FOR HEDGING TRANSACTIONS	**29%**	**30%**

HÖEGH LNG

www.hoeghlng.com