

GOLAR LNG PARTNERS LP

Financial statements as of and for the three months period ended March 31, 2022

Golar LNG Partners LP
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended March 31,	
	Successor	Predecessor
<i>(in thousands of \$)</i>	2022	2021
Operating revenues		
Time charter revenues	73,010	66,529
Total operating revenues	73,010	66,529
Operating expenses		
Vessel operating expenses	(16,557)	(15,461)
Voyage and commission expenses	(892)	(1,719)
Administrative expenses	(1,135)	(6,246)
Depreciation and amortization	(18,583)	(19,413)
Total operating expenses	(37,167)	(42,839)
Operating income	35,843	23,690
Interest income	3	3,977
Interest expense	(4,001)	(15,743)
Gain on derivative instruments, net	13,481	9,984
Other income	1,455	99
Income before tax, income from equity method investments and non-controlling interests	46,781	22,007
Income taxes	(4,279)	(2,946)
Income from equity method investments	13,555	4,766
Net income	56,057	23,827
Net income/(loss) attributable to:		
Golar LNG Partners LP Owners	56,302	23,724
Non-controlling interests	(245)	103

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Golar LNG Partners LP
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	Successor	Successor
	March 31,	December 31,
<i>(in thousands of \$)</i>	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	68,492	85,098
Restricted cash and short-term deposits	16,531	16,531
Current portion of investment in leased vessel, net	—	37,128
Inventories	2,556	2,613
Other current assets	8,696	7,515
Total current assets	96,275	148,885
Non-current assets		
Restricted cash	7,879	7,879
Equity method investment	372,450	366,504
Vessels and equipment, net	1,021,108	994,805
Intangible assets, net	69,869	79,425
Goodwill	15,938	15,938
Other non-current assets	4,231	4,308
Total assets	1,587,750	1,617,744
LIABILITIES AND EQUITY		
Current liabilities		
Current portion of long-term debt	61,430	61,430
Amounts due to related parties	182,945	181,599
Other current liabilities	64,036	86,842
Total current liabilities	308,411	329,871
Non-current liabilities		
Long-term debt	332,809	347,561
Other non-current liabilities	15,910	17,764
Total liabilities	657,130	695,196
Equity		
Partners' capital:		
Common unitholders:	772,816	764,499
Preferred unitholders:	140,259	140,259
Total partners' capital before non-controlling interests	913,075	904,758
Non-controlling interests	17,545	17,790
Total equity	930,620	922,548
Total liabilities and equity	1,587,750	1,617,744

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Golar LNG Partners LP
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Three Months Ended March
31,

Successor	Predecessor
2022	2021

(in thousands of \$)

OPERATING ACTIVITIES		
Net income	56,057	23,827
Adjustments for:		
Depreciation and amortization	18,583	19,413
Earnings of equity method investees	(13,555)	(4,766)
Deferred tax provision	113	539
Amortization of deferred charges and debt guarantees, net	(1,129)	915
Drydocking expenditure	—	(949)
Foreign exchange (gain)/losses	—	164
Share options expense	—	16
Dividends received from equity method investees	7,609	4,766
Interest element included in obligations under finance leases	—	(5)
Sales-type lease payments received in excess of interest income	3,877	554
Movement in credit allowance on financial assets	—	172
Change in market value of derivatives	(15,833)	(16,430)
Change in assets and liabilities:		
Trade accounts receivable	(61)	3,850
Inventories	57	(26)
Prepaid expenses, accrued income and other assets	(1,043)	(5,118)
Amount due to/from related companies	1,345	237
Trade accounts payable	(816)	1,937
Accrued expenses and deferred income	4,256	(1,147)
Other current liabilities	(9,964)	4,336
Net cash provided by operating activities	49,496	32,285
INVESTING ACTIVITIES		
Additions to vessels and equipment	(2,760)	(210)
Dividends received from equity method investees	—	2,463
Net cash (used in)/provided by investing activities	(2,760)	2,253
FINANCING ACTIVITIES		
Repayment of debt (including related parties)	(15,357)	(30,634)
Repayments of obligation under finance lease	—	(600)
Advances from related party for Methane Princess lease security deposit	—	217
Cash distributions paid	(47,985)	(4,448)
Net cash used in financing activities	(63,342)	(35,465)
Effect of exchange rate changes on cash	—	975
Net (decrease)/increase in cash, cash equivalents and restricted cash	(16,606)	48
Cash, cash equivalents and restricted cash at beginning of period ⁽¹⁾	109,508	234,168
Cash, cash equivalents and restricted cash at end of period ⁽¹⁾	92,902	234,216

(1) The following table identifies the balance sheet line-items included in 'cash, cash equivalents and restricted cash' presented in the unaudited condensed consolidated statements of cash flows:

(in thousands of \$)	Successor		Predecessor	
	March 31,	December 31,	March 31,	December 31,
	2022	2021	2021	2020
Cash and cash equivalents	68,492	85,098	53,539	48,783
Restricted cash and short-term deposits	16,531	16,531	50,545	55,547
Restricted cash - non-current	7,879	7,879	130,132	129,838
	92,902	109,508	234,216	234,168

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Golar LNG Partners LP
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERS' CAPITAL
Three Months Ended March 31, 2021

<i>(in thousands of \$)</i>	Partners' capital			Total Before Non- Controlling Interest	Non- Controlling Interest	Total Equity
	Preferred units ⁽¹⁾	Common Units ⁽¹⁾	General Partner Units and IDRs ⁽¹⁾			
Consolidated balance at December 31, 2020, Predecessor Company	132,991	361,912	48,306	543,209	82,112	625,321
Net income	3,019	20,291	414	23,724	103	23,827
Cash distributions	(3,019)	(1,400)	(29)	(4,448)	—	(4,448)
Unit options expense	—	16	—	16	—	16
Consolidated balance at March 31, 2021, Predecessor Company	132,991	380,819	48,691	562,501	82,215	644,716

⁽¹⁾ As of March 31, 2021 and December 31, 2020 there were 5,520,000 preferred units, 69,301,636 common units and 1,436,391 general partner units outstanding. The carrying value of the equity attributable to the incentive distribution rights holders ("IDRs") was \$32.5 million.

Three Months Ended March 31, 2022

<i>(in thousands of \$)</i>	Partners' capital			Total Before Non- Controlling Interest	Non- Controlling Interest	Total Equity
	Preferred units ⁽¹⁾	Common Units ⁽¹⁾	General Partner Units and IDRs ⁽¹⁾			
Consolidated balance at December 31, 2021, Successor Company	140,259	764,499	—	904,758	17,790	922,548
Net income	2,985	53,317	—	56,302	(245)	56,057
Cash distributions	(2,985)	(45,000)	—	(47,985)	—	(47,985)
Consolidated balance at March 31, 2022, Successor Company	140,259	772,816	—	913,075	17,545	930,620

⁽¹⁾ As of March 31, 2022 and December 31, 2021 there were 5,520,000 preferred units, 69,301,636 common units and 1,436,391 general partner units outstanding.

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Golar LNG Partners LP
Notes to Unaudited Condensed Consolidated Financial Statements

1. GENERAL

Golar LNG Partners LP (the “Partnership,” “we,” “our,” or “us”) was a publicly traded Marshall Islands limited partnership initially formed as a subsidiary of Golar LNG Limited (“Golar”) in September 2007, to own and operate LNG carriers and FSRUs under long-term charters. On July 12, 2018, we acquired an interest in the *Hilli Episeyo* (the “*Hilli*”), a floating liquefied natural gas (“FLNG”) vessel through the acquisition of 50% of the common units (the “Hilli Common Units”) in Golar Hilli LLC (“Hilli LLC”) (the “Hilli Acquisition”). As of March 31, 2022, we have a fleet of six FSRUs, four LNG carriers, and an interest in the *Hilli*.

On January 13, 2021, we entered into an agreement and plan of merger (the “Merger Agreement”) with New Fortress Energy Inc. (“NFE”) and the other parties thereto. Under the Merger Agreement, NFE agreed to acquire all of the outstanding common units of the Partnership for \$3.55 per unit in cash, with the Partnership surviving the merger as a wholly-owned subsidiary of NFE (the “Merger”). On April 15, 2021, the Partnership completed the Merger with NFE. In conjunction with the closing of the Merger, NFE repaid certain outstanding debt facilities of GMLP.

At the merger date, the Partnership terminated all offerings of common units with the Securities and Exchange Commission (“SEC”) and delisted all common units from the Nasdaq Stock Market.

On April 23, 2021, the GMLP board of directors approved delisting the Partnership’s 8.75% Series A Cumulative Redeemable Preferred Units (the “Preferred Units”). NASDAQ has informed the Partnership that the Preferred Units no longer meet the listing requirements of NASDAQ. Subsequently, on May 12, 2021, the Partnership voluntarily delisted the Preferred Units and withdrew the registration of our Preferred Units with the SEC.

Distributions on the Preferred Units are payable out of amounts legally available therefor at a rate equal to 8.75% per annum of the stated liquidation preference.

References to Golar in these consolidated financial statements refer, depending on the context, to Golar LNG Limited and to one or any more of its direct or indirect subsidiaries and references to NFE in these consolidated financial statements refer, depending on the context, to New Fortress Energy Inc. and to one or any more of its direct or indirect subsidiaries.

Merger and presentation of financial statements

The Partnership completed the Merger with NFE on April 15, 2021 (the “Merger Date”). The accompanying Condensed Consolidated Financial Statements are presented for two periods: predecessor and successor, which relate to the periods preceding and succeeding the Merger, respectively. The Merger results in a new basis of accounting beginning on April 15, 2021 and the financial reporting periods are presented as follows:

- The successor period of the Partnership, reflecting the Merger, as of and for the period from January 1, 2022 to March 31, 2022 (the “Successor Period”).
- The predecessor period of the Partnership for the period to April 14, 2021 (the “Predecessor Period”).

See Note 2, Accounting Policies, for a description of pushdown accounting applied as a result of the Merger. Certain Predecessor Period balances have been reclassified to conform with current year presentation.

NFE, the Partnership’s parent company, and Golar Management Limited (“Golar Management”) entered into transition service agreements whereby Golar Management provides certain administrative and consulting services to facilitate the integration of GMLP after the Merger (the “Transition Services Agreement”). The Transition Services Agreement commenced on April 15, 2021, and will terminate on April 30, 2023 unless terminated earlier by either party. NFE pays Golar Management an aggregate annual fee of \$3.0 million and will reimburse Golar Management for all reasonable and documented out-of-pocket expenses or remittances of funds paid to a third party in connection with the provision of the Transition Services. These costs have not been reflected in the accompanying consolidated financial statements.

2. ACCOUNTING POLICIES

Basis of presentation

The accompanying financial statements present the consolidated financial position, results of operations, and cash flows of the Partnership and its subsidiaries, including less-than-wholly-owned subsidiaries in which the Partnership has a controlling financial interest. All significant intercompany accounts and transactions have been eliminated in consolidation.

The accompanying unaudited condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”). In the opinion of management, all adjustments considered necessary to present fairly the financial position as of March 31, 2022 and the results of operations and cash flows for the interim periods ended March 31, 2022 and 2021 have been included. Certain information and footnote disclosures normally included in financial statements presented in accordance with U.S. GAAP, but which are not required for interim reporting purposes, have been omitted. These unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2021.

Pushdown accounting

NFE applied the acquisition method of accounting with respect to the assets and liabilities of the Partnership. The acquisition method of accounting requires, among other things, that identifiable assets acquired and liabilities assumed be recognized on the balance sheet at the fair values as of the acquisition date. In connection with the Merger, the Partnership elected to apply pushdown accounting and reflect the fair value of the assets acquired and liabilities assumed in the Successor Consolidated Financial Statements.

The total fair value of consideration transferred for the Merger was \$1,147 million, which has been recognized as a capital contribution in the Successor Consolidated Statement of Changes in Partners’ Capital. Total consideration was comprised of the acquisition of all of the outstanding common units, representing all voting interests, of the Partnership in exchange for \$3.55 in cash per common unit and for each of the outstanding membership interest of the Partnership’s general partner. In conjunction with the closing of the Merger, NFE simultaneously extinguished a portion of the Partnership’s debt.

The table below presents the preliminary estimated fair values that were allocated to the Partnership’s assets and liabilities based upon fair values as determined by NFE. As of March 31, 2022, the valuation process to determine fair values is not yet complete due to the finalization of the evaluation of tax related matters. The purchase price allocation will be finalized once such matters have been resolved. The process of estimating the fair values of certain tangible assets, identifiable intangible assets and assumed liabilities requires the use of judgment, including determining the appropriate assumptions and estimates. Accordingly, the fair value estimates presented below relating to this item are subject to change within the measurement period not to exceed one year from the date of acquisition.

(in thousands of \$)	As of April 15, 2021
Assets Acquired	
Cash and cash equivalents	\$ 41,461
Restricted cash	24,816
Accounts receivable	3,195
Inventory	2,151
Other current assets	2,789
Equity method investment	355,500
Property, plant and equipment, net	1,015,215
Investment in finance lease, net	48,000
Intangible assets, net	106,500
Deferred tax assets, net	963
Other non-current assets	4,400
Total assets acquired:	\$ 1,604,990
Liabilities Assumed	
Current portion of long-term debt	\$ 158,073
Accounts payable	3,019
Accrued liabilities	17,226
Other current liabilities	73,774
Deferred tax liabilities, net	14,907
Other non-current liabilities	10,630
Total liabilities assumed:	277,629
Non-controlling interest	196,156
Net assets to be acquired:	1,131,205
Goodwill	\$ 15,938

Use of estimates

The preparation of financial statements in accordance with U.S. GAAP requires that management make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosure of material contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates, include our estimate of total consideration and fair value of identifiable net assets to apply pushdown accounting.

Intangible assets

The value of favorable vessel charter contracts held by the Partnership are recognized as intangible assets as of the date of the Merger. These intangible assets are amortized over the estimated useful life of the asset under the straight-line method and the amortization expense is included in the statement of operations in the depreciation and amortization line item. Impairment testing is performed when events or changes in circumstances indicate that the carrying amount of the intangible asset may not be recoverable.

Goodwill

We use estimates, assumptions and judgments when assessing the recoverability of goodwill. We test for impairment on an annual basis, or more frequently if a significant event of circumstance indicates the carrying amount may not be recoverable. The assessment of goodwill for impairment may initially be performed based on qualitative factors to determine if it is more likely than not that the fair value of the reporting unit to which the goodwill is assigned is less than the carrying value. If so, a quantitative assessment is performed to determine if an impairment has occurred and to measure the impairment charge.

3. RECENTLY ISSUED ACCOUNTING STANDARDS

Adoption of new accounting standards

The following table provides a brief description of other recent accounting standards that were adopted from January 1, 2022:

Standard	Description	Date of Adoption	Effect on our Consolidated Financial Statements or Other Significant Matters
ASU 2020-04 <i>Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting</i> and ASU 2021-01 <i>Reference Rate Reform (Topic 848)</i> .	The amendments provide temporary optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The applicable expedients for us are in relation to modifications of contracts within the scope of Topics 310, Receivables, 470, Debt, and 842, Leases. This optional guidance may be applied prospectively from any date beginning March 12, 2020 and cannot be applied to modifications that occur after December 31, 2021.	January 1, 2022	No material impact on the condensed consolidated financial statements as a result of the adoption of this ASU.
ASU 2020-06 <i>Debt – Debt with Conversion and Other Options (Topic 470) and Derivatives and Hedging – Contracts in Entity’s Own Equity (Topic 815)</i> .	The amendments simplify the issuer’s accounting for convertible instruments and its application of the equity classification guidance. The new guidance eliminates some of the existing models for assessing convertible instruments, which results in more instruments being recognized as a single unit of account on the balance sheet and expands disclosure requirements. The new guidance simplifies the assessment of contracts in an entity’s own equity and existing EPS guidance in ASC 260.	January 1, 2022	Not applicable
ASU 2021-04 <i>Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging –Contracts in Entity’s Own Equity (Subtopic 815-40)</i> .	The amendments clarify issuer’s recognition and measurement considerations resulting from exchanges or modifications of freestanding instruments (written call options) classified in equity. Such exchanges or modifications are treated as adjustments to the cost to raise debt, to the cost to raise equity or as share-based payments (ASC 718) when issued to compensate for goods or services. If not treated as costs of debt funding, equity funding or share-based payment, it results in an adjustment to EPS/net income/(loss). Holder's accounting is not affected by these amendments.	January 1, 2022	Not applicable

4. VARIABLE INTEREST ENTITIES (“VIEs”)

Eskimo SPV

In November 2015, we sold the *Golar Eskimo* to Sea 23 Leasing Co. Limited (“Eskimo SPV”) of China Merchants Bank Leasing (“CMBL”) and subsequently leased back the vessel under a bareboat charter for a term of 10 years. From the third-year anniversary of the commencement of the bareboat charter, we have an annual option to repurchase the vessel at fixed pre-determined amounts.

In November 2021, the Partnership exercised its option to repurchase the *Golar Eskimo* for a total payment of \$190.5 million. After exercising the repurchase option, the Partnership no longer has a controlling financial interest in the Eskimo SPV, and therefore, upon closing of the repurchase option, the Partnership's deconsolidated the Eskimo SPV from its financial results. Consequently, this resulted in the deconsolidation of the lessor VIE reflected against non-controlling interest on our consolidated balance sheet. As of March 31, 2022, the *Golar Eskimo* is reported under “Vessels and equipment, net” in our unaudited condensed consolidated balance sheet.

The most significant impact of consolidation of Eskimo SPV’s operations on our condensed consolidated statement of operations is interest expense of nil and \$1.2 million for the three months ended March 31, 2022 and 2021, respectively. The most significant impact of consolidation of Eskimo SPV’s cash flows on our unaudited condensed consolidated statement of cash flows is net cash of nil and \$5.1 million used in financing activities for the three months ended March 31, 2022 and 2021, respectively.

Hilli LLC

On July 12, 2018, we acquired an interest in the *Hilli* through the acquisition of 50% of the Hilli Common Units. Concurrently with the closing of the Hilli Acquisition, we have determined that (i) Hilli LLC is a VIE, (ii) Golar is the primary beneficiary and retains sole control over the most significant activities and the greatest exposure to variability in residual returns and expected losses from the *Hilli* and (iii) we are not the primary beneficiary. Thus, Hilli LLC was not consolidated into our financial statements and has been accounted for as an equity method investment.

As of March 31, 2022, our maximum exposure as a result of our ownership in the Hilli LLC is the carrying value of our equity method investment of \$372.5 million and 50% of the outstanding portion of the Hilli facility which have been guaranteed by the Partnership (see note 13).

PT Golar Indonesia

We consolidated PT Golar Indonesia (“PTGI”), which owns the *NR Satu*, in our consolidated financial statements effective September 28, 2011. PTGI became a VIE and we became its primary beneficiary upon our agreement to acquire all of Golar’s interests in certain subsidiaries that own and operate the *NR Satu* on July 19, 2012. We consolidate PTGI as we hold all of the voting stock and control all of the economic interests in PTGI.

5. GAINS ON DERIVATIVE INSTRUMENTS, NET

	Three Months Ended March 31,	
	Successor	Predecessor
(in thousands of \$)	2022	2021
Mark-to-market gains for interest rate swaps	15,833	16,430
Net interest expense on interest rate swaps	(2,352)	(6,446)
Gains on derivative instruments, net	13,481	9,984

6. INCOME TAXES

As of March 31, 2022, we recognized a net deferred tax liability of \$14.6 million (December 31, 2021: \$14.1 million) predominantly resulting from the excess of the carrying value of the *Golar Eskimo*, operated under time charter in the Hashemite Kingdom of Jordan (“Jordan”), exceeding the tax basis, arising from excess of tax depreciation over accounting depreciation.

Provision for income taxes

Income tax expense for the three months ended March 31, 2022 and 2021 included current tax expense in respect of our operations in the United Kingdom, Brazil, Indonesia and Jordan.

Uncertain tax positions

As of March 31, 2022, we recognized a provision of \$12.4 million (December 31, 2021: \$12.5 million) for certain tax risks in various jurisdictions. In addition to the liabilities for unrecognized income tax benefits assumed in the Merger, the Partnership has liabilities related to potential employment tax obligations that are accounted for under ASC 450.

7. OPERATING LEASES

Operating lease income for the three months ended March 31, 2022 amounted to \$70.3 million (March 31, 2021: \$64.5 million).

Variable lease income is excluded from lease payments that comprise the minimum contractual future revenues from non-cancellable leases. There was \$nil variable lease income for both of the three months ended March 31, 2022 and 2021.

8. EQUITY METHOD INVESTMENT

The components of our equity method investment in Hilli LLC are as follows:

	Successor	Predecessor
<i>(in thousands of \$)</i>	2022	2021
Equity method investment at January 1,	366,504	185,562
Dividends	(7,609)	(7,229)
Earnings from equity method investment	13,555	4,766
Consolidated balance at March 31,	372,450	183,099

As of March 31, 2022, the carrying value of our equity method investment was less than its proportionate share of the underlying net assets of the investee by \$41.3 million. The difference as of the date of the Merger was allocated to tangible assets, identifiable intangible assets, liabilities and goodwill, and the basis difference attributable to amortizable net assets is amortized to Income from equity method investment over the remaining estimated useful lives of the underlying assets.

9. OTHER CURRENT ASSETS

The components of other current assets are as follows:

<i>(in thousands of \$)</i>	March 31, 2022	December 31, 2021
Trade receivables	3,189	3,128
Other receivables	3,609	3,325
Prepaid expenses	1,898	1,062
	8,696	7,515

As of March 31, 2022 and December 31, 2021, there was no allowance for doubtful accounts against trade receivables.

10. DEBT

As of March 31, 2022, and December 31, 2021, we had total debt outstanding of \$394.2 million and \$408.9 million, respectively, net of deferred debt financing costs of \$5.0 million and \$5.7 million, respectively. As of March 31, 2022, we were in compliance with all covenants under our existing debt and lease agreements.

Term Loan Facility

On September 20, 2021, Golar Partners Operating LLC (the “Borrower”), a consolidated subsidiary of the Partnership, entered into a senior secured amortizing term loan facility with a syndicate of three lenders (“Term Loan Facility Agreement”). The Term Loan Facility Agreement provides for an amortizing term loan drawn up to an initial amount of \$430.0 million and may be increased to an aggregate principal amount of up to \$725.0 million. All borrowings under the Term Loan Facility Agreement bear interest at an annual rate of LIBOR plus a margin of 3.0%, subject to a LIBOR floor of 0%. The Term Loan Facility Agreement is repayable in quarterly installments of \$15.4 million, with a balloon payment due at maturity. The Term Loan Facility Agreement matures on September 20, 2024.

Obligations under the Term Loan Facility Agreement are guaranteed by the Partnership and certain of our subsidiaries. Lenders have been granted a security interest covering three floating storage and regasification vessels and four liquified natural gas carriers, and the issued and outstanding shares of capital stock of certain subsidiaries have been pledged as security. As of March 31, 2022, the aggregate net book value of the three floating storage and regasification vessels and four liquified natural gas carriers pledged as security was approximately \$656.4 million.

The Partnership may prepay outstanding indebtedness without penalty, and certain events, such as (i) total loss; (ii) minimum security value; (iii) the sale or transfer of certain vessels; or (iv) the termination of the charter over the Hilli, will require a mandatory prepayment. The Term Loan Facility Agreement contains customary representations and warranties and customary affirmative and negative covenants, including financial covenants, chartering restrictions, restrictions on indebtedness, liens, investments, mergers, dispositions, prepayment of other indebtedness and dividends and other distributions.

Financial covenants include requirements that Partnership and the Borrower maintain a certain amount of Free Liquid Assets, that the EBITDA to Consolidated Debt Service and the Net Debt to EBITDA ratios are no less than 1.15:1 and no greater than 6.50:1, respectively, and that Consolidated Net Worth is greater than \$250 million, each as defined in the Term Loan Facility Agreement. The Partnership was in compliance with these covenants as of March 31, 2022.

In connection with the closing the Term Loan Facility, the Partnership incurred \$6.3 million in origination, structuring and other fees, which was deferred as a reduction of the principal balance of the Term Loan Facility on the consolidated balance sheets. As of March 31, 2022, total remaining unamortized deferred financing costs for the Term Loan Facility was \$5.0 million.

11. INVESTMENT IN LEASED VESSEL, NET

On May 15, 2019, we executed a modification to the Golar Freeze Charter with NFE which triggered a change in the lease classification to a sales-type lease. This classification change resulted in the de-recognition of the vessel asset carrying value, the recognition of net investment in leased vessel (consisting of present value of the future lease receivables and unguaranteed residual value), and a gain on disposal. Post modification to sales-type lease, all charter hire revenue from the Golar Freeze sales-type lease has been recognized as interest income. We recognized \$4.0 million as interest income gross of expected credit loss allowance for the predecessor period from January 1, 2021 to March 31, 2021. Interest income of \$2.1 million has been recognized in the successor period and has been presented in time charter revenues to align with NFE’s accounting policies.

As a result of applying pushdown accounting, we recognized the fair value of the net investment in the leased vessel of \$48 million on the acquisition date. The residual value at the end of the lease term in March 2022 was estimated to be \$33.3 million and was subsequently reclassified to vessel and equipment as at March 31, 2022. As NFE is the lessee of the Freeze, revenue and receivables related to the Freeze are related party transactions (note 13).

12. FINANCIAL INSTRUMENTS

Interest rate risk management

In certain situations, we may enter into financial instruments to reduce the risk associated with fluctuations in interest rates. We have entered into swaps that convert floating rate interest obligations to fixed rates, which, from an economic perspective, hedge our interest rate exposure. We do not hold or issue instruments for speculative or trading purposes. The counterparties to such contracts are major banking and financial institutions. Credit risk exists to the extent that the counterparties are unable to perform under the contracts; however, we do not anticipate non-performance by any of our counterparties.

We manage our debt and lease portfolio with interest rate swap agreements in U.S. dollars to achieve an overall desired position of fixed and floating interest rates.

Fair values

We recognize our fair value estimates using a fair value hierarchy based on the inputs used to measure fair value. The fair value hierarchy has three levels based on reliability of inputs used to determine fair value as follows:

Level 1: Quoted market prices in active markets for identical assets and liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The carrying value and estimated fair value of our financial instruments as of March 31, 2022 and December 31, 2021 are as follows:

(in thousands of \$)	Fair value Hierarchy	March 31, 2022		December 31, 2021	
		Carrying Value	Fair Value	Carrying Value	Fair Value
Non-Derivatives:					
Cash and cash equivalents	Level 1	68,492	68,492	85,098	85,098
Restricted cash and short-term deposits	Level 1	24,410	24,410	24,410	24,410
Long-term debt — floating ⁽¹⁾	Level 2	399,286	399,286	414,643	414,643
Derivatives:					
Interest rate swaps liability ⁽²⁾⁽³⁾	Level 2	3,929	3,929	19,762	19,762

(1) Our short-term and long-term debt are recorded at amortized cost in our condensed consolidated balance sheet. The long-term debt, in the table above, is presented gross of deferred financing cost of \$5.0 million as of March 31, 2022 (December 31, 2021: \$5.7 million).

(2) Derivative liabilities are presented within other current liabilities on the condensed consolidated balance sheets.

(3) The fair value of certain derivative instruments is the estimated amount that we would receive or pay to terminate the agreements at the reporting date, taking into account current interest rates, foreign exchange rates, closing quoted market prices and our creditworthiness and that of our counterparties.

Interest Rate Swaps

The following table summarizes the terms of interest rate swap as of March 31, 2022:

Instrument (in thousands of \$)	Notional amount	Maturity Dates	Fixed Interest Rates
Interest rate swap:			
Receiving floating, pay fixed	348,000	2026	2.86%

Under one of our interest rate swap we have a credit arrangement that requires us to provide cash collateral when the market value of the instrument falls below a specified threshold. As at March 31, 2022, cash collateral amounting to \$12.5 million (December 31, 2021: \$12.5 million) has been provided.

13. RELATED PARTY TRANSACTIONS

Transactions with related parties:

(in thousands of \$)	Three Months Ended March 31,	
	Successor	Predecessor
	2022	2021
Transactions with Golar and affiliates:		
Management and administrative services fees (a)	—	(1,384)
Ship management fees (b)	—	(1,930)
Interest expense on short-term loans (c)	—	(18)
Distributions with Golar, net (d) (including Hilli)	7,609	6,769
Transactions with NFE and affiliates:		
Distributions to NFE (e)	45,000	—
Time and voyage charter revenue (f)	4,588	—
Payments under investment in leased vessel	3,877	—

Receivables/(payables) with related parties:

As of March 31, 2022 and December 31, 2021, balances with related parties consisted of the following:

(in thousands of \$)	March 31, 2022	December 31, 2021
Balance due to NFE and affiliates (f)	182,945	181,599

Following the completion of the Merger on April 15, 2021, Golar ceased to be a related party and subsequent transactions with Golar and its subsidiaries were treated as a third party and settled under normal payment terms. Furthermore, the management and administrative services agreement and ship management fee agreement was terminated and replaced with the Transition Services Agreement, Bermuda Services Agreement and Ship Management Agreements. Transactions with Golar and affiliates prior to completion of the Merger included the following:

(a) *Management and administrative services fees* - We were party to a management and administrative services agreement with Golar Management, a wholly-owned subsidiary of Golar, pursuant to which Golar Management provides to us certain management and administrative services. The services provided by Golar Management were charged at cost plus a management fee equal to 5% of Golar Management's costs and expenses incurred in connection with providing these services. Where external service provider costs were incurred by Golar Management on our behalf, these expenses were recharged to us at cost.

(b) *Ship management fees* - Golar and certain of its subsidiaries charged ship management fees to us for the provision of technical and commercial management of the vessels. Each of our vessels was subject to management agreements pursuant to which certain commercial and technical management services were provided by certain subsidiaries of Golar, including Golar Management.

(c) *Interest expense on short-term loan, balances due (to)/from Golar and its affiliates* - In February 2020, we borrowed \$25.0 million with interest at a rate of LIBOR plus a margin of 5.0% from Golar, which was subsequently repaid in full, including interest. For the predecessor period, from January 1, 2021 to March 31, 2021 we paid \$18 thousand of interest, and we paid nil for the three month ended March 31, 2022.

(d) *Distributions with Golar, net (including Hilli)* - During the predecessor period from January 1, 2021 to March 31, 2021 we paid total distributions to Golar of \$0.5 million, in respect of the Common Units and General Partner units owned by it.

During the predecessor period from January 1, 2021 to March 31, 2021, Hilli LLC declared and paid quarterly distributions totaling \$7.2 million, in respect of the Hilli Common Units owned by us.

During the successor period ended March 31, 2022, Hilli LLC declared and paid distributions to us totaling \$7.6 million.

(e) *Distributions to NFE* - During successor period ended March 31, 2022, we paid total distributions to NFE of \$45.0 million in respect of the common units owed by it.

(f) *Balance due from NFE and affiliates* – Time and voyage charter revenue includes interest income earned by *Golar Freeze* (Note 11) and charter hire for *Golar Grand* which was utilized by NFE within its terminal and logistics operations since September 2021. Balance due to NFE is payable on demand and primarily consists of amounts received from NFE to exercise option to repurchase *Golar Eskimo* from *Eskimo SPV* for a total payment of \$190.5 million. This was partially offset by amounts due under charter and operating service agreements between the Partnership and NFE in the ordinary course of business.

Other transactions

Agency agreement with PT Pesona Sentra Utama (or PT Pesona) - PT Pesona, an Indonesian company, owns 51% of the issued share capital in our subsidiary, PTGI, the owner and operator of *NR Satu*, and provides agency and local representation services for us with respect to *NR Satu*. During both of the three months ended March 31, 2022 and 2021, PT Pesona received an agency fee of \$0.1 million and \$0.1 million, respectively.

Hilli guarantees (in connection with the Hilli Acquisition)

(i) Debt

Hilli Corporation ("Hilli Corp"), the disponent owner of the *Hilli* and a wholly owned subsidiary of Hilli LLC, is a party to a Memorandum of Agreement, dated September 9, 2015, with Fortune Lianjiang Shipping S.A., a subsidiary of China State Shipbuilding Corporation ("Fortune"), pursuant to which Hilli Corp has sold to and leased back from Fortune the *Hilli* under a 10-year bareboat charter agreement (the "Hilli Facility"). The Hilli Facility provided for post-construction financing for the *Hilli* in the amount of \$960 million. Under the Hilli Facility, Hilli Corp will pay to Fortune forty consecutive equal quarterly repayments of 1.375% of the construction cost, plus interest based on LIBOR plus a margin of 3.95%. In connection with the closing of the Hilli Acquisition, we agreed to provide a several guarantee (the "Partnership Guarantee") of 50% of the outstanding principal, interest, expenses and other amounts payable by Hilli Corp under the Hilli Facility pursuant to a Deed of Amendment, Restatement and Accession relating to a guarantee between Golar, Fortune and us dated July 12, 2018. We entered into a \$480.0 million interest rate swap in relation to our proportionate share of the obligation under the Hilli Facility.

(ii) Letter of credit

On November 28, 2018, we entered into an agreement to guarantee (the "LOC Guarantee") the letter of credit issued by a financial institution in the event of Hilli Corp's underperformance or non-performance under the liquefaction tolling agreement for the *Hilli*. Under the LOC Guarantee, we are severally liable for any outstanding amounts that are payable, based on the percentage ownership that Golar holds in us, multiplied by our percentage ownership in Hilli Common Units.

Pursuant to the Partnership Guarantee and the LOC Guarantee, we are required to comply with the following covenants:

- free liquid assets of at least \$30 million throughout the term of the Hilli Facility;
- maximum net debt to EBITDA ratio for the previous 12 months of 6.5:1; and
- consolidated tangible net worth of \$123.95 million.

As of March 31, 2022, the amount we have guaranteed under the Partnership Guarantee and the LOC Guarantee is \$348.0 million, and the fair value of debt guarantee, presented under "Other current liabilities" and "Other non-current liabilities" of our condensed consolidated balance sheet, amounting to \$4.9 million and \$1.1 million, respectively. As of March 31, 2022, we are in compliance with the covenants for both Hilli guarantees.

14. OTHER COMMITMENTS AND CONTINGENCIES

Insurance

We insure the legal liability risks for our shipping activities with Gard and Skuld, which are mutual protection and indemnity associations. As a member of a mutual association, we are subject to a call for additional premiums based on the clubs' claims record, in addition to the claims records of all other members of the association. A contingent liability exists to the extent that the claims records of the members of the association in the aggregate show significant deterioration, which results in additional premiums on the members.

Legal proceedings and claims

We may, from time to time, be involved in legal proceedings and claims that arise in the ordinary course of business. A loss will be recognized in the financial statements only where we believe that a liability will be probable and for which the amounts are reasonably estimable, based upon the facts known prior to the issuance of the financial statements.

In November and December 2015, the Indonesian tax authorities issued letters to our subsidiary, PTGI, to, among other things, revoke a previously granted VAT importation waiver in the approximate amount of \$24.0 million for the *NR Satu*. In April 2016, PTGI initiated an action in the Indonesian tax court to dispute the waiver cancellation. The final hearing took place in June 2016 and we received the verdict of the Tax Court in November 2017, which rejected PTGI's claim. In February 2018, PTGI filed a Judicial Review with the Supreme Court of Indonesia, but in December 2018, the Supreme Court of Indonesia ruled against PTGI with regards the validity of waiver cancellation. However, we do not believe it probable that a liability exists as a result of this ruling, as no Tax Underpayment Assessment Notice has been received within the statute of limitations period. Should we receive such notice from the tax authorities, we intend to challenge the legality of the assessment. In any event, we believe PTGI will be indemnified by PTNR for any VAT liability as well as related interest and penalties under our time charter party agreement entered into with them.

In December 2019, the Indonesian tax authorities issued tax assessments for land and buildings tax to our subsidiary, PTGI for the years 2015 to 2019 inclusive in relation to the *NR Satu*, for the amount of \$3.4 million (IDR48,378.3 million). We paid the assessed tax in January 2020 to avoid further penalties. This is presented in "Other non-current assets" of our consolidated balance sheets. We intend to appeal against the assessments for the land and buildings tax as the tax authorities have not accepted our initial objection letter. We believe we have reasonable grounds for success on the basis of no precedent set from past case law and the new legislation effective prospectively from January 1, 2020, that now specifically lists FSRUs as being an object liable to land and buildings tax, when it previously did not.

In February 2021, we received a tax notice from the Jordan tax authorities following the conclusion of their tax audit into our Jordan branch for the years 2015 through 2017 assessing our Jordan branch for additional tax of \$6.9 million (JOD 4.9 million). We have submitted an appeal to the tax notice. A loss has not been recognized for this as we do not believe that the tax inspector has followed the correct tax audit process and the claim by the tax authorities to not allow tax depreciation is contrary to Jordan's tax legislation.

15. SUBSEQUENT EVENTS

Cash Distributions

On May 16, 2022, we paid a cash distribution of \$0.546875 per Series A Preferred Unit in respect of the period from February 15, 2022 through May 15, 2022 to unitholders of record as of May 9, 2022, amounting to \$3.0 million.