GOLAR LNG PARTNERS LP

Consolidated financial statements as of and for the year ended December 31, 2022, Successor period from April 15, 2021 to December 31, 2021 and Predecessor period from January 1, 2021 to April 14, 2021

INDEX TO FINANCIAL STATEMENTS

GOLAR LNG PARTNERS LP

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

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Report of Independent Auditors

To the Partner of Golar LNG Partners LP

Opinion

We have audited the consolidated financial statements of Golar LNG Partners LP (the Partnership), which comprises the consolidated balance sheets as of December 31, 2022 and 2021 (Successor), and the related consolidated statements of operations, changes in partners' capital and cash flows for the year ended December 31, 2022, and for the period from January 1, 2021 to April 14, 2021 (Predecessor) and the period from April 15, 2021 to December 31, 2021 (Successor), and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Partnership at December 31, 2022 and 2021 (Successor), and the results of its operations and its cash flows for the year ended December 31, 2022, and for the period from January 1, 2021 to April 14, 2021 (Predecessor) and the period from April 15, 2021 to December 31, 2021 (Successor) in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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 of 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 absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Ernst + Young LLP

April 28, 2023

GOLAR LNG PARTNERS LP

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2022 AND THE PERIODS FROM JANUARY 1 TO APRIL 14, 2021 AND APRIL 15 TO DECEMBER 31, 2021

(in thousands of $)

	Successor	Successor	Predecessor
	2022	April 15, 2021 to December 31, 2021	Jan 1, 2021 to April 14, 2021
Operating revenues			
Time charter revenues	172,341	201,841	78,389
Total operating revenues	**172,341**	**201,841**	**78,389**
Vessel operating expenses	(28,679)	(40,790)	(17,910)
Voyage and commission expenses	(3,138)	(5,461)	(2,035)
Administrative expenses	(7,764)	(2,705)	(12,910)
Depreciation and amortization	(50,479)	(45,157)	(22,627)
Total operating expenses	**(90,060)**	**(94,113)**	**(55,482)**
Operating income	**82,281**	**107,728**	**22,907**
Interest expense	(11,747)	(9,632)	(19,085)
Gain on derivative instruments, net	26,896	3,925	6,675
Loss on extinguishment of debt	(5,311)	(10,975)	—
Other income	5,895	2,487	16,839
Goodwill impairment expense	(15,938)	—	—
Gain on disposal	242,189	—	—
Income before tax, income from equity method investments and non-controlling interests	**324,265**	**93,533**	**27,336**
Income taxes	(10,752)	(12,093)	(3,535)
(Loss) income from equity method investments	(74,343)	32,368	5,377
Net income	**239,170**	**113,808**	**29,178**
Net comprehensive income	**239,170**	**113,808**	**29,178**
Net income (loss) attributable to:			
Non-controlling interests	(692)	(10,059)	226
Golar LNG Partners LP Owners	239,862	123,867	28,952

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

GOLAR LNG PARTNERS LP

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2022 AND 2021

(in thousands of $)

	December 31, 2022	December 31, 2021
ASSETS		
Current Assets		
Cash and cash equivalents	38,468	85,098
Restricted cash	5,408	16,531
Current portion of investment in leased vessel, net	—	37,128
Inventories	1,262	2,613
Other current assets	10,005	7,515
Total Current Assets	**55,143**	**148,885**
Non-current Assets		
Restricted cash	2,500	7,879
Equity method investments	392,306	366,504
Vessels and equipment, net	40,951	994,805
Intangible assets, net	—	79,425
Goodwill	—	15,938
Other non-current assets	11,650	4,308
Total Assets	**502,550**	**1,617,744**
LIABILITIES AND EQUITY		
Current Liabilities		
Current portion of long-term debt	—	61,430
Amounts due to related parties	3,591	181,599
Other current liabilities	5,357	86,842
Total Current Liabilities	**8,948**	**329,871**
Non-current Liabilities		
Long-term debt	—	347,561
Other non-current liabilities	—	17,764
Total Liabilities	**8,948**	**695,196**
Commitments and contingencies (Note 18)		
Equity		
Partners' capital:		
Common unitholders	336,245	764,499
Preferred unitholders	140,259	140,259
Total Partners' Capital Before Non-Controlling Interests	**476,504**	**904,758**
Non-controlling interests	17,098	17,790
Total Equity	**493,602**	**922,548**
Total Liabilities and Equity	**502,550**	**1,617,744**

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

GOLAR LNG PARTNERS LP
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022 AND THE PERIODS FROM JANUARY 1 TO APRIL 14, 2021 AND APRIL 15 TO DECEMBER 31, 2021

(in thousands of $)	Successor	Successor	Predecessor
	2022	April 15, 2021 to December 31, 2021	January 1, 2021 to April 14, 2021
Net income	239,170	113,808	29,178
Adjustments for:			
Depreciation and amortization	50,479	45,157	22,628
Earnings of equity method investees	74,343	(32,368)	(5,377)
Deferred tax provision	—	836	539
Amortization of deferred charges and debt guarantees, net	(3,767)	2,762	915
Drydocking expenditure	(15,181)	—	(1,153)
Foreign exchange losses	—	—	163
Share options expense	—	—	16
Dividends received from equity method investees	29,372	21,364	4,766
Interest element included in obligations under finance leases	—	—	(46)
Loss on extinguishment of debt	5,311	10,975	—
Gain on settlement of obligation under finance lease	—	—	(12,099)
Sales-type lease payments received in excess of interest income	3,877	3,910	649
Provision for bad debts	—	—	172
Goodwill impairment expense	15,938	—	—
Gain on disposal	(242,189)	—	—
Change in market value of derivatives	(31,412)	(11,200)	(39,226)
Change in assets and liabilities:			
Trade accounts receivable	—	3,056	10,283
Inventories	(1,569)	(463)	(432)
Prepaid expenses, accrued income and other assets	(3,620)	(483)	(3,403)
Amount due to/from related companies	(145,498)	173,870	4,381
Trade accounts payable	—	1,675	1,250
Accrued expenses and deferred income	—	(2,493)	(4,022)
Other current and non-current liabilities	4,228	7,079	6,844
Net cash (used in)/provided by operating activities	**(20,518)**	**337,485**	**16,026**
INVESTING ACTIVITIES			
Net proceeds from Energos Formation Transaction	1,074,936	—	—
Additions to vessels and equipment	(1,129)	(7,159)	(210)
Dividends received from equity method investees	—	—	2,463
Net cash provided by/(used in) investing activities	**1,073,807**	**(7,159)**	**2,253**
FINANCING ACTIVITIES			
Repayment of debt (including related parties)	(529,644)	(581,877)	(587,943)
Proceeds from debt	115,000	430,000	—
Contribution from NFE in conjunction with the Merger	—	377,451	525,004
Repayments of obligation under finance lease	—	—	(119,474)

Advances from related party for Methane Princess lease security deposit		—	217
Cash distributions paid	(700,626)	(506,508)	(4,951)
Financing costs paid	(1,150)	(6,159)	—
Net cash used in financing activities	**(1,116,420)**	**(287,093)**	**(187,147)**
Effect of exchange rate changes on cash	—	—	975
Net (decrease)/increase in cash, cash equivalents and restricted cash	**(63,131)**	**43,233**	**(167,893)**
Cash, cash equivalents and restricted cash at beginning of period (1)	**109,508**	**66,275**	**234,168**
Cash, cash equivalents and restricted cash at end of period (1)	**46,377**	**109,508**	**66,275**
Supplemental disclosure of non-cash investing activities:			
Fair value of investment in Energos	**129,517**	—	—
Capital contributed by Parent	**32,510**	—	—

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

	Successor	**Successor**	**Predecessor**
(in thousands of $)	**2022**	**April 15, 2021 to December 31, 2021**	**January 1, 2021 to April 14, 2021**
Cash and cash equivalents	38,468	85,098	41,459
Restricted cash and short-term deposits	5,408	16,531	10,000
Restricted cash - non-current	2,500	7,879	14,816
	46,376	**109,508**	**66,275**

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

GOLAR LNG PARTNERS LP

CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERS' CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022 AND THE PERIODS FROM JANUARY 1 TO APRIL 14, 2021 AND APRIL 15 TO DECEMBER 31, 2021

	Partners' capital					
(in thousands of $)	Preferred Units	Common Units [1]	General Partner Units and IDRs [1]	Total Before Non-Controlling Interest	Non-Controlling Interest	Total Equity
Balance at January 1, 2021	**132,991**	**361,912**	**48,306**	**543,209**	**82,112**	**625,321**
Net income	3,522	24,922	508	28,952	226	29,178
Cash distributions	(3,522)	(1,400)	(29)	(4,951)	—	(4,951)
Units options expense	—	16	—	16	—	16
General Partner capital contribution	—	—	8,570	8,570	—	8,570
Balance at April 14, 2021 Predecessor Company	**132,991**	**385,450**	**57,355**	**575,796**	**82,338**	**658,134**
Cancellation of Common Units, General Partner Interest and IDR's in Predecessor Company	—	(385,450)	(57,355)	(442,805)	—	(442,805)
Capital contributed by Parent	—	1,147,140	—	1,147,140	—	1,147,140
Fair value adjustment of Preferred units[2]	7,268	—	—	7,268	—	7,268
Fair value adjustment for Non-controlling interest[2]	—	—	—	—	(26,440)	(26,440)
Net income for the period	8,554	115,313	—	123,867	(10,059)	113,808
Deconsolidation of Eskimo SPV	—	—	—	—	(28,049)	(28,049)
Cash distributions	(8,554)	(497,954)	—	(506,508)	—	(506,508)
Consolidated balance at December 31, 2021, Successor Company	**140,259**	**764,499**	**—**	**904,758**	**17,790**	**922,548**

(1) As of December 31, 2021 and 2020 there were 5,520,000 preferred units, 69,301,636 common units and 1,436,391 general partner units outstanding.

(2) Under the acquisition method of accounting in accordance with Accounting Standards Codification ("ASC") 805, Business Combinations, fair value adjustments related to the Merger are reflected in the books of the Partnership, resulting in preferred units and non-controlling interest being recorded at fair value at April 15, 2021. See Note 2.

(in thousands of $)	Partners' capital Preferred Units	 Common Units (1)	 General Partner Units and IDRs (1)	Total Before Non-Controlling Interest	Non-Controlling Interest	Total Equity
Consolidated balance at December 31, 2021, Successor Company	**140,259**	**764,499**	**—**	**904,758**	**17,790**	**922,548**
Net income/(loss)	12,042	227,820	—	239,862	(692)	239,170
Dividends	(12,042)	(688,584)	—	(700,626)	—	(700,626)
Capital contributed by Parent	—	32,510	—	32,510	—	32,510
Consolidated balance at December 31, 2022, Successor Company	**140,259**	**336,245**	**—**	**476,504**	**17,098**	**493,602**

(1) As of December 31, 2022 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 consolidated financial statements.

GOLAR LNG PARTNERS LP

NOTES TO THE 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 December 31, 2022, as a result of the Energos Formation Transaction (defined below), we have a fleet of one FSRU, one LNG carrier, and an interest in the Hilli and Energos.

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 "Merger Date"), 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.

On August 15, 2022, the Partnership and an affiliate of certain funds or investment vehicles managed by affiliates of Apollo Global Management, Inc., AP Neptune Holdings Ltd. ("Purchaser"), completed a sales transaction resulting in cash proceeds of approximately $1.09 billion. This transaction comprised (1) the formation of a limited liability company doing business as Energos Infrastructure ("Energos"), (2) the sale for cash of five vessels, along with these vessels' owning and operating entities to the Purchaser, (3) the contribution of acquired vessel owning entities by the Purchaser to Energos in exchange for equity in Energos, and (4) the Partnership's contribution of three vessels, along with each vessels' owning and operating entities, to Energos in exchange for equity in Energos (the "Energos Formation Transaction"). As a result of the Energos Formation Transaction, the Partnership owns approximately a 20% equity interest in Energos, with the remaining interest owned by the Purchaser, the Partnership is no longer the owner of eight vessels, and these vessels have been de-recognized from the financial statements. The Partnership has accounted for the investment in Energos as an equity method investment; see Note 8 for further discussion of this investment.

A portion of cash proceeds were used to terminate the Term Loan Facility (see Note 10); remaining proceeds were distributed to NFE as a dividend. The Partnership has recognized a gain on disposal, see Note 7 for further details.

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 NFE 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 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, for all periods presented subsequent to April 15, 2021 (the "Successor Period").

- The predecessor period of the Partnership for all periods presented prior 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.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and principles of consolidation

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.

A variable interest entity ("VIE") is an entity that by design meets any of the following characteristics: (1) lacks sufficient equity to allow the entity to finance its activities without additional subordinated financial support; (2) as a group, equity investors do not have the ability to make significant decisions relating to the entity's operations through voting rights, do not have the obligation to absorb the expected losses or do not have the right to receive residual returns of the entity; or (3) the voting rights of some investors are not proportional to their obligations to absorb the expected losses of the entity, their rights to receive the expected residual returns of the entity, or both, and substantially all of the entity's activities either involve or are conducted on behalf of an investor that has disproportionately few voting rights. The primary beneficiary of a VIE is required to consolidate the assets and liabilities of the VIE. The primary beneficiary is the party that has both (1) the power to direct the economic activities of the VIE that most significantly impact the VIE's economic performance; and (2) through its interest in the VIE, the obligation to absorb the losses or the right to receive the benefits from the VIE that could potentially be significant to the VIE.

The sale and leaseback financings of one vessel acquired in the Mergers was consummated with a VIE. As part of this financing, the asset was sold to a single asset entity of the lending bank and then leased back. While the Partnership did not hold an equity investment in this lending entity, this entity was a VIE, and the Partnership had a variable interest in this lending entity due to the guarantees and fixed price repurchase options that absorb the losses of the VIE that could potentially be significant to the entity. The Partnership concluded that it had the power to direct the economic activities that most impact the economic performance as it controlled the significant decisions relating to the asset and it had the obligation to absorb losses or the right to receive the residual returns from the leased asset. Therefore, the Partnership consolidated this lending entity; as NFE has no equity interest in this VIE, all equity attributable to this VIEs was included in non-controlling interest in the consolidated financial statements. Transactions between our wholly-owned subsidiaries and this VIE are eliminated in consolidation, including sale leaseback transactions.

Non-controlling interests are classified as a separate component of equity on the consolidated balance sheets and consolidated statement of changes in partners' capital. Additionally, net income / (loss) attributable to non-controlling interests are reflected separately from consolidated net income / (loss) in the consolidated statements of operations and consolidated statement of changes in partners' capital. Any change in ownership of a subsidiary while the controlling financial interest is retained is accounted for as an equity transaction between the controlling and non-controlling interests. Losses continue to be attributed to the non-controlling interests, even when the non-controlling interests' basis has been reduced to zero.

The accompanying audited consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

Going concern

In accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 205-40, Going Concern, the Company has evaluated whether there are conditions and events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the Consolidated Financial Statements are issued.

Subsequent to the date of the Energos Transaction, the Company has funded its operations entirely with proceeds from the Parent, and the Company expects the Parent to continue to fund its cash needs until such a time its vessels generate cash flows and support its own operations. As of April 28, 2023, the issuance date of these consolidated financial statements, the Company concluded that it is probable that its continued funding from the Parent will be sufficient to fund dividends on the preferred stock, operating expenses, financial commitments, and other cash requirements for at least one year after the issuance date of these financial statements.

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 fair values that were allocated to the Partnership's assets and liabilities based upon fair values as determined by NFE.

(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 were amortized over the estimated useful life of the asset under the straight-line method, and the amortization expense was included in the statements 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. All intangible assets were recorded in entities sold or contributed to Energos as part of the Energos Formation Transaction, and the Partnership has no intangible assets as of December 31, 2022.

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. The Partnership identified indicators of impairment of Goodwill and recorded an impairment during the year ended December 31, 2022. The Partnership did not record an impairment during the year ended December 31, 2021.

Foreign currencies

We and our subsidiaries' functional currency is the U.S. dollar as the majority of the revenues are received in U.S. dollars and a majority of our expenditures are incurred in U.S. dollars. Our reporting currency is U.S. dollars.

Transactions in foreign currencies are translated into U.S. dollars at the rates of exchange in effect at the date of the transaction. Foreign currency monetary assets and liabilities are translated using rates of exchange at the balance sheet date. Foreign currency non-monetary assets and liabilities are translated using historical rates of exchange. Foreign currency transaction gains or losses are included in the statements of operations.

Revenue recognition

Contracts relating to our LNG carriers and FSRUs can take the form of operating leases, sales-type leases, direct financing leases and operating and services agreements. Although the substance of these contracts are similar, the accounting treatment varies. We outline our policies for determining the appropriate U.S. GAAP treatment below.

To determine whether a contract conveys a lease agreement for a period of time in accordance with ASC 842, *Leases*, we assess whether, throughout the period of use, the customer has both of the following:

- the right to obtain substantially all of the economic benefits from the use of the identified asset; and
- the right to direct the use of that identified asset.

If a contract relating to an asset fails to give the customer both of the above rights, we account for the agreement under the revenue recognition guidance in ASC 606, *Revenue from contracts with customers*. A contract relating to an asset will generally be accounted for as a revenue contract if the customer does not contract for substantially all of the capacity of the asset (i.e., another third party could contract for a meaningful amount of the asset capacity).

Where we provide services unrelated to a specified asset, we account for the services as a revenue contract.

Lease accounting

When a contract is designated as a lease, we make an assessment on whether the contract is an operating lease, sales-type lease, or direct financing lease. An agreement will be a sales-type lease if any of the following conditions are met:

- ownership of the asset is transferred at the end of the lease term;
- the contract contains an option to purchase the asset which is reasonably certain to be exercised;
- the lease term is for a major part of the remaining useful life of the contract, although contracts entered into the last 25% of the asset's useful life are not subject to this criterion;
- the discounted value of the fixed payments under the lease represents substantially all of the fair value of the asset; or
- the asset is heavily customized such that it could not be used for another charter at the end of the term.

Lessor accounting

In making the classification assessment, we estimate the residual value of the underlying asset at the end of the lease term with reference to broker valuations. None of our lease contracts contain residual value guarantees. Agreements with renewal and termination options in the control of the lessee are included together with the non-cancellable contract period in the lease term when "reasonably certain" to be exercised. The determination of reasonably certain depends on whether the lessee has an economic incentive to exercise the option. Generally, lease accounting commences when the asset is made available to the customer, however, where the contract contains specific customer acceptance testing conditions, lease accounting will not commence until the asset has successfully passed the acceptance test. We assess a lease under the modification guidance when there is change to the terms and conditions of the contract that results in a change in the scope or the consideration of the lease.

Costs directly associated with the execution of the lease or costs incurred after lease inception or the execution of the contract but prior to the commencement of the lease that directly relate to preparing the asset for the lease (e.g. bunker costs), are capitalized and amortized to the consolidated statements of operations over the lease term. We also defer upfront revenue payments (e.g. repositioning fees) to the consolidated balance sheets and amortize to the consolidated statements of operations over the lease term.

Time charter operating leases

Revenues include fixed minimum lease payments under time charters and fees for repositioning vessels. Revenues generated from time charters, which we classify as operating leases, are recorded over the term of the charter on a straight-line basis as service is provided. Fixed revenue includes fixed payments (including in-substance fixed payments that are unavoidable) and variable payments based on a rate or index. Variable revenue is recognized in the period incurred. For our operating leases, we have elected the practical expedient to combine our service revenue and operating lease income as the timing and pattern of transfer of the components are the same.

Repositioning fees received in respect of time charters are recognized at the end of the charter when the fee becomes fixed and determinable. However, where there is a fixed amount specified in the charter, which is not dependent upon redelivery location, the fee will be recognized evenly over the term of the charter.

Time charter sales-type leases

On inception of a sales-type lease for which we are lessor, we de-recognize the related asset and record "Investment in leased vessel" on our consolidated balance sheets. The net investment in leased vessel represents the fixed payments due from the lessee, discounted at the rate implicit in the lease. We allocated sales-type lease income in "Other income (expense)" line item in the consolidated statements of operations of the predecessor period using a constant periodic rate of return on our sales-type lease investment. Interest income during the successor period has been presented in time charter revenues to align with NFE's accounting policies.

For sales-type leases, non-lease revenue and operating and service agreements in connection with the time charters are recorded over the term of the charter as the service is provided. The transaction price is based on the standalone selling price for the service.

Amounts are presented net of allowances for credit losses, which are assessed at the individual lease level, reflecting the risk profile unique to each project. The allowance is calculated by multiplying the balance exposed upon default by the probability of default and loss given default over the term of the lease. The exposure at default is calculated net of the vessel collateral that is returned on default. There are no sales-type lease transactions in the successor period.

Lessor expense recognition

Costs directly associated with the execution of the lease or costs incurred after lease inception or the execution of the contract but prior to the commencement of the lease that directly relate to preparing the asset for the lease (e.g. bunker costs), are capitalized and amortized to the consolidated statements of operations over the lease term.

Under our time charters, most voyage expenses are paid by our customers. Voyage related expenses, principally fuel, may also be incurred when positioning or repositioning the vessel before or after the period of the time charter and during periods when the vessel is not under charter or is off hire, for example when the vessel is undergoing repairs. These expenses are recognized as incurred.

Vessel operating expenses, which are recognized when incurred, include crewing, repairs and maintenance, insurance, stores, lube oils, communication expenses and third-party management fees.

Equity method investments

Investments in entities over which we have significant influence, but over which we do not exercise control or have the power to control the financial and operational policies are accounted for under the equity method of accounting. Under the equity method of accounting, we record our investment at cost, or upon the Merger and the Energos Formation Transaction, at fair value. The carrying amount is adjusted for our share of the earnings or losses, and dividends received from the investee reduce the carrying amount of the investment. The excess, if any, of the purchase price over book value, or subsequent to the Merger, fair value, of our investments in equity method investments, or basis difference, is included in the consolidated balance sheets as "Equity method investments." We allocate the basis difference across the assets and liabilities of the entity, with the residual assigned to goodwill. The basis difference will then be amortized through "(Loss) income from equity method investments" in the consolidated statements of operations as part of the equity method of accounting. When our share of losses in an investment equal or exceeds the value of our interest, we do not recognize further losses, unless we have incurred obligations or made payments on behalf of the investee.

The Partnership periodically assesses if impairment indicators exist at our equity method investments. When an impairment is observed, any excess of the carrying amount over its estimated fair value is recognized as impairment expense when the loss in value is deemed other-than-temporary and included in "(Loss) income from equity method investments" in our consolidated statements of operations.

In relation to the Company's 20% equity interest in Energos, the Partnership elected to recognize its proportional share of the income or loss from the equity method investment on a financial reporting lag of one fiscal quarter. The Partnership has not elected to recognize the results of other equity method investments on a financial reporting lag.

Guarantees

Guarantees issued by us, excluding those that are guaranteeing our own performance, are recognized at fair value at the time that the guarantees are issued, and reported in “Other current liabilities” and "Other non-current liabilities." If it becomes probable that we will have to perform under a guarantee, we will recognize an additional liability if (and when) the amount of the loss can be reasonably estimated. Financial guarantees are assessed for credit losses, and the allowance is assessed at the individual guarantee level, calculated by multiplying the balance exposed upon default by the probability of default and loss given default over the term of the guarantee.

Business combinations

When assets acquired and liabilities assumed constitute a business, then the acquisition is a business combination. If substantially all of the fair value of the gross asset acquired is concentrated in a single identifiable asset or group of similar identifiable assets, the asset is not considered a business. Business combinations are accounted for under the acquisition method, and the identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. In instances where the cost of acquisition is lower than the fair values of the identifiable net assets acquired (i.e. bargain purchase), the difference is credited to the statements of operations in the period of acquisition. The consideration transferred for an acquisition is measured at fair value. Acquisition related costs are expensed as incurred. The results of operations of acquired businesses are included in the consolidated financial statements from the date of acquisition.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, we will recognize a measurement-period adjustment during the period in which we determine the amount of the adjustment, including the effect on earnings of any amounts we would have recorded in previous periods if the accounting had been completed at the acquisition date.

Income taxes

The Partnership accounts for income taxes in accordance with ASC 740, *Accounting for Income Taxes* ("ASC 740"), under which deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts and the tax bases of assets and liabilities by applying the enacted tax rates in effect for the year in which the differences are expected to reverse. Such net tax effects on temporary differences are reflected on the Partnership's consolidated balance sheets as deferred tax assets and liabilities. Deferred tax assets are reduced by a valuation allowance when the Partnership believes that it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized.

The Partnership recognizes the effect of tax positions only if those positions are more likely than not of being sustained. Recognized tax positions are measured at the largest amount that is greater than 50 percent likely of being realized upon ultimate settlement with the relevant tax authority. To the extent that our assessment of the conclusions reached regarding tax positions changes as a result of the evaluation of new information, such change in estimate will be recorded in the period in which such determination is made. Interest and penalties relating to an underpayment of income taxes, if applicable, are reported as a component of income tax expense.

The Partnership may sell the stock of subsidiaries, in transactions in which the buyer acquires the historical tax bases of the assets and liabilities of such subsidiary, and such tax bases do not affect the Partnership's tax consequences of such sale. When calculating the gain or loss on sale of assets, the Partnership includes the deferred tax assets, deferred tax liabilities and other tax related amounts of entities sold within the calculation of gain or loss recognized upon sale of such assets.

Cash and cash equivalents

We consider all demand and time deposits and highly liquid investments with original maturities of three months or less to be equivalent to cash.

Restricted cash

Restricted cash consist of bank deposits, which may only be used to settle certain loan or lease obligations, other claims which requires us to restrict cash, performance bonds related to charters and cash collateral required for certain swaps.

Trade accounts receivable

Trade receivables are presented at amortized cost and are presented net of allowances for expected credit losses. At each balance sheet date, all potentially uncollectible accounts are assessed individually for the purposes of determining the appropriate allowance for expected credit loss. The Company estimates expected credit losses based on relevant information about the current credit quality of customers, past events, including historical experience, and reasonable and supportable forecasts that affect the collectability of the reported amount.

Our trade receivables have short maturities so we have considered that forecasted changes to economic conditions will have an insignificant effect on the estimate of the allowance, except in extraordinary circumstances.

Allowance for credit losses

Financial assets recorded at amortized cost reflect an allowance for current expected credit losses over the lifetime of the instrument. The allowance for credit losses reflects a deduction to the net amount expected to be collected on the financial asset. Amounts are written off against the allowance when management believes the uncollectability of a balance is confirmed or certain. We estimate expected credit losses based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. We have elected to calculate expected credit losses on the combined balance of both the amortized cost and accrued interest from the unpaid principal balance.

Inventories

Inventories, which are comprised principally of fuel, lubricating oils and vessel spares, are stated at the lower of cost or net realizable value. Cost is determined on a first-in, first-out basis.

Vessels and equipment

Vessels are stated at cost less accumulated depreciation. Upon recognition of pushdown accounting in the Merger, we have recognized the fair value of vessels as of the date of the Merger. The carrying value of vessels less the estimated residual value is depreciated on a straight-line basis over the assets' remaining useful economic lives. Management estimates the residual values of our vessels based on a scrap value cost of steel and aluminum times the weight of the vessel noted in lightweight tons. Residual values are periodically reviewed and revised to recognize changes in conditions, new regulations or other reasons.

The cost of building mooring equipment is capitalized and depreciated over the initial lease term of the related charter.

Refurbishment costs incurred during the period are capitalized as part of vessels and depreciated over the vessels' remaining useful economic lives. Refurbishment costs are costs that appreciably increase the capacity, or improve the efficiency or safety of vessels and equipment.

Drydocking expenditures are capitalized when incurred and amortized over the period until the next anticipated drydocking, which is generally every five years. The Partnership utilizes the "built-in overhaul" method of accounting, which is based on the segregation of vessel costs into those that should be depreciated over the useful life of the vessel and those that require drydocking at periodic intervals to reflect the different useful lives of the components of the assets. The estimated cost of the drydocking component is depreciated until the date of the first drydocking following acquisition of the vessel, upon which the cost is capitalized and the process is repeated. If drydocking occurs prior to the expected timing, a cumulative adjustment to recognize the change in expected timing of drydocking is recognized within depreciation and amortization in the consolidated statements of operations.

Useful lives applied in depreciation are as follows:

Vessels	5-30 years
Mooring equipment	11 years

The Partnership reviews the remaining useful life of its assets on a regular basis to determine whether changes have taken place that would suggest that a change to depreciation policies is warranted. When a vessel is disposed, any unamortized drydocking expenditure is recognized as part of the gain or loss on disposal in the period of disposal.

Vessel under finance lease

Prior to the Merger, we leased one vessel under an agreement that was accounted for as a finance lease. Obligation under finance lease was carried at the present value of future minimum lease payments, and the asset balance was amortized on a straight-line basis over the remaining economic useful life of the vessel. Interest expense was calculated at a constant rate over the term of the lease.

Depreciation of the vessel under finance lease was included within depreciation and amortization expense in the consolidated statements of operations.

During the predecessor period ended April 14, 2021, we voluntarily terminated the leasing arrangement initially entered into with a financial institution in the United Kingdom in August 2003 in relation to the Methane Princess. Upon termination of the leasing arrangement, the Partnership recognized the net amount of settlement of lease obligation within "Other (expense)/ income" for the predecessor period in our consolidated statements of operations.

Impairment of long-lived assets

The Partnership performs a recoverability assessment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Indicators may include, but are not limited to, adverse changes in the regulatory environment in a jurisdiction where the Partnership operates, unfavorable events impacting the supply chain for LNG to the Partnership's operations, a decision to discontinue the development of a long-lived asset, early termination of a significant customer contract or the introduction of newer technology.

When performing a recoverability assessment, the Partnership measures whether the estimated future undiscounted net cash flows expected to be generated by the asset exceeds its carrying value. In the event that an asset does not meet the recoverability test, the carrying value of the asset will be adjusted to fair value resulting in an impairment charge.

Management develops the assumptions used in the recoverability assessment based on active contracts, current and future expectations of the global demand for LNG and natural gas, as well as information received from third party industry sources.

Long-term debt and debt issuance costs

Costs associated with long-term financing, including debt arrangement fees, are deferred and amortized over the term of the relevant loan under the effective interest method. Amortization of debt issuance cost is included in "Interest expense." These costs are presented as a deduction from the corresponding liability, consistent with debt discounts.

Contingent liabilities

In the ordinary course of business, we are subject to various claims, suits and complaints. Management, in consultation with internal and external advisers, will provide for a contingent loss in the financial statements if the contingency was present at the date of the financial statements and the likelihood of loss was probable and the amount can be reasonably estimated. If we have determined that the reasonable estimate of the loss is a range and there is no best estimate within the range, we will provide the lower amount within the range.

Derivatives

We use derivatives to reduce market risks associated with our operations. We use interest rate swaps for the management of interest risk exposure. The interest rate swaps effectively convert a portion of our debt from a floating to a fixed rate over the life of the transactions without an exchange of underlying principal. All derivative instruments are initially recorded at fair value as either assets or liabilities on the consolidated balance sheets and subsequently remeasured to fair value, regardless of the purpose or intent for holding the derivative.

Where the fair value of a derivative instrument is a net liability, the derivative instrument is classified in “Other current liabilities” on the consolidated balance sheets. Where the fair value of a derivative instrument is a net asset, the derivative instrument is classified in “Other current assets” or “Other non-current assets” on the consolidated balance sheets depending on its maturity. For derivative instruments that are not designated as a hedge for accounting purposes, the changes in fair value of the derivative instruments are recognized in earnings and recorded each period in current earnings in “Gain on derivative instruments.”

Fair value measurements

We account for fair value measurements in accordance with ASC 820, *Fair Value Measurements*, using fair value to measure assets and liabilities. The guidance provides a single definition of fair value, together with a framework for measuring it, and requires additional disclosure about the use of fair value to measure assets and liabilities.

Related parties

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also related if they are under common control with, or subject to significant influence by, another party. Amounts owed from or to related parties are presented net of allowances for credit losses.

3. 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 had 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 (the "Repurchase Option"). After exercising the Repurchase Option, the Partnership no longer had a controlling financial interest in the Eskimo SPV, and therefore, upon closing of the Repurchase Option, the Partnerships deconsolidated the Eskimo

SPV from its financial results. Consequently, the deconsolidation of the lessor VIE was reflected against non-controlling interest on our consolidated balance sheet. As of December 31, 2021, the *Golar Eskimo* was reported under "Vessels and equipment, net" in our consolidated balance sheet. On August 15, 2022, the *Golar Eskimo* was sold as part of the Energos Formation Transaction as explained in Note 1.

The most significant impact of consolidation of Eskimo SPV's on our operations and cash flows is as follows:

	Successor	Successor	Predecessor
(in thousands of $)	2022	April 15, 2021 to December 31, 2021	Jan 1, 2021 to April 14, 2021
Condensed statement of operations:			
Interest expense[1]	—	(5,100)	(1,400)
Condensed statement of cash flows:			
Net cash used in financing activities	—	201,200	6,300

(1) During the Successor Period, from April 15, 2021 to December 31, 2021, the interest expense includes interest on contractual rates for the twelve months ended December 31, 2021 amounting to $2.7 million and amortization of fair value adjustments to assumed debt obligations upon acquisition for the twelve months ended December 31, 2021 amounting to $2.4 million, respectively.

Hilli LLC

On July 12, 2018, we acquired an interest in the *Hilli* through the acquisition of 50% of the Hilli Common Units. Concurrent 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 December 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 $260.0 million and 50% of the outstanding portion of the Hilli facility which have been guaranteed by the Partnership (see Note 18). During the first quarter of 2023, the Partnership sold its interest in Hilli and as a result, recognized an other-than-temporary impairment as of December 31, 2022 (see Note 8).

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. On August 15, 2022, PTGI was sold as part of the Energos Formation Transaction as explained in Note 1.

4. REVENUE RECOGNITION

Revenue from external customers

During 2022, our FSRUs and LNG carriers operated under medium to long-term time charters with ten charterers, including, among others, Petrobras, PT Nusantara Regas ("PTNR"), the Hashemite Kingdom of Jordan ("Jordan"), Kuwait National Petroleum Company ("KNPC") and Royal Dutch Shell ("Shell").

For the years ended December 31, 2022 and 2021, revenues from each of the following customers accounted for over 10% of our total consolidated operating revenues:

		Successor		Successor		Predecessor	
(in thousands of $)	Jurisdiction	2022		April 15 to December 31, 2021		Jan 1 to April 14, 2021	
PTNR	Indonesia	41,715	24 %	47,389	23 %	19,713	25 %
Petrobras	Brazil	41,707	24 %	48,878	24 %	18,597	24 %
Jordan	Jordan	33,454	19 %	38,220	19 %	15,413	20 %
KNPC	Kuwait	14,204	8 %	21,103	10 %	5,896	8 %
Shell	Various	16,875	10 %	19,202	10 %	7,758	10 %

Geographical data

The following geographical data presents our consolidated fixed assets with respect only to our FSRUs, while operating under long-term charters, at specific locations. LNG carriers operate on a worldwide basis and are not restricted to specific locations. Accordingly, it is not possible to allocate the assets of these operations to specific countries. As part of the Energos Formation Transaction the FSRUs are no longer held by the Partnership.

Fixed assets ***(in thousands of $)***	2022	2021
Jordan	—	231,759
Kuwait	—	241,525
Brazil	—	137,783
Indonesia	—	113,862

5. INCOME TAXES

Provision for income taxes

Income tax expense for the periods ended December 31, 2022, December 31, 2021 and April 14, 2021 included current tax expense in respect of our operations in the United Kingdom, Brazil, Indonesia and Jordan.

Income tax expense is comprised of the following for the periods ended December 31, 2022, December 31, 2021 and April 14, 2021:

	Successor	Successor	Predecessor
(in thousands of $)	2022	April 15 to December 31, 2021	Jan 1 to April 14, 2021
Current tax expense	12,780	11,257	2,996
Deferred tax expense	(2,028)	836	539
Total income tax expense	10,752	12,093	3,535

The income taxes for the periods ended December 31, 2022, December 31, 2021 and April 14, 2021 differed from the amounts computed by applying the Marshall Islands statutory income tax rate of 0% for all years as follows:

	Successor	Successor	Predecessor
(in thousands of $)	2022	April 15 to December 31, 2021	Jan 1 to April 14, 2021
Income tax at the statutory rate	— %	— %	— %
Foreign rate differential	2.4	4.6	10.6
Withholding taxes	1.5	4.9	0.2
Other	0.4	(0.1)	—
Effective Tax Rate	4.3	9.4	10.8

The Partnership has certain operations in jurisdictions that are not subject to income taxes. The effect of these earnings taxed at zero percent, as well as the impact of preferential tax rates are included in the foreign rate differential.

Deferred taxes

The tax effect of each type of temporary difference and carryforward that give rise to a significant deferred tax asset or liability as of December 31, 2022 and December 31, 2021 are as follows:

	Successor	Successor
(in thousands of $)	**2022**	**2021**
Property and equipment	—	(10,801)
Withholding taxes	—	(2,385)
Intangible assets	—	(2,258)
Total Deferred Tax Liabilities	**—**	**(15,444)**

Uncertain Taxes

The Partnership recognized certain uncertain taxes as a result of the Merger, and the following table summarizes the changes in the Partnership's unrecognized tax benefits in the Successor Period.

	Successor	Successor
(in thousands of $)	**2022**	**2021**
Balance at the beginning of the period	12,474	—
Assumed in the Merger	—	12,705
Recognized in the income tax provision	285	(231)
Decrease related to Energos Formation Transaction	(12,759)	—
Balance at the end of the period	—	12,474

The liability for unrecognized tax benefits is included in Other non-current liabilities on the consolidated balance sheets. The Partnership accrued $1,387 of interest expense during the Successor Period ended December 31, 2021 and had total interest accrued of $3,667 as of December 31, 2021. In addition to the liabilities for unrecognized income tax benefits assumed in the Mergers, the Partnership assumed liabilities related to potential employment tax obligations that were accounted for under ASC 450 of $6,309 as of December 31, 2021. This liability was also included in Other non-current liabilities on the consolidated balance sheets as of December 31, 2021 and was derecognized in conjunction with the Energos Formation Transaction.

The Partnership withholding tax obligations as liabilities subject to ASC 450 during the Predecessor Period, and the liability was previously recorded in Other current liabilities on the consolidated balance sheet. Withholding tax obligations accounted for under ASC 450 were $0 and $6,309 as of December 31, 2022 and December 31, 2021, respectively.

Income Tax Examinations

The Partnership and its subsidiaries file income tax returns in various foreign jurisdictions. As of December 31, 2022 the primary jurisdiction in which the Partnership operates, the Marshall Islands, does not assess an income tax.

Undistributed Earnings

The Partnership has not recorded a deferred tax liability for undistributed earnings as of December 31, 2022. The Partnership has unremitted earnings in certain jurisdictions where distributions can be made at no net tax cost. From time to time, the Partnership may remit these earnings. The Partnership has the ability and intent to indefinitely reinvest any earnings that cannot be remitted at no net tax cost. It is not practicable to estimate the amount of any additional taxes which may be payable on these undistributed earnings.

6. OPERATING LEASES

The components of operating lease income were as follows:

	Successor	Successor	Predecessor
(in millions of $)	2022	April 15, 2021 to December 31, 2021	January 1, 2021 to April 14, 2021
Operating lease income	171.7	193.7	76.1

There was $0 of variable lease income for the years ended December 31, 2022 and 2021. Subsequent to the Energos Formation Transaction, the Partnership is no longer party to any operating leases, and as such, there are no future cash receipts from operating leases.

7. GAIN ON DISPOSAL

On August 15, 2022, the Partnership completed the Energos Formation Transaction as explained in Note 1.

The gain on disposal comprised of (a) proceeds received of $1.09 billion of which $502.3 million was used to terminate the Term Loan Facility; (b) fair value of the investment in Energos of $129.5 million, (c) partially offset by the carrying values of the assets and liabilities disposed of $978.3 million.

(in thousands of $)	As of August 15, 2021
Total proceeds (a)	1,090,960
Fair value of investment in Energos (b)	129,517
Carrying value of assets and liabilities disposed (c)	(978,288)
Gain on disposal	242,189

The eight vessels sold or contributed to Energos comprised the FSRUs: *Winter, Freeze, NR Satu, Eskimo* and *Igloo*, and LNG carriers: *Grand, Maria* and *Methane Princess*.

8. EQUITY METHOD INVESTMENTS

The Partnership has a 50% ownership interest in the Hilli recognized as an equity method investment. As part of the Energos Formation Transaction, the Partnership contributed certain vessels to Energos in exchange for an equity interest accounted for under the equity method. The Partnership has a 20% ownership interest in Energos.

The components of our equity method investment are as follows:

	Successor	Successor	Predecessor
(in thousands of $)	2022	2021	2021
Equity method investment at January 1, 2022, April 15, 2021 and January 1, 2021	366,504	183,710	185,562
Fair value adjustment upon acquisition (Note 2)	—	171,790	—
Dividends	(29,372)	(21,364)	(7,229)
Earnings from equity method investment	44,214	32,368	5,377
Other-than-temporary impairment	(118,557)	—	—
Acquisition of equity interest in Energos	129,517	—	—
Consolidated balance at December 31, 2022, December 31, 2021 and April 14, 2021	392,306	366,504	183,710

The carrying amount of equity method investments as of December 31, 2022 is as follows:

(in thousands of $)	December 31,
Hilli LLC	260,000
Energos	132,306
Total	392,306

As of December 31, 2022, the carrying value of our equity method investment in Hilli LLC and Energos exceeded its proportionate share of the underlying net assets of the investees by $17.5 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 "(Loss) income from equity method investments" over the remaining estimated useful lives of the underlying assets.

Hilli

On February 6, 2023, the Partnership announced an agreement with GLNG for the sale of the Partnership's Hilli Common Units in exchange for approximately 4.1 million NFE shares and $100 million in cash (the "Hilli Exchange"), and after the transaction, we will no longer have any ownership interest in the *Hilli*. The Hilli Exchange closed in the first quarter of 2023.

Market prices of NFE shares and the terms of the Hilli Exchange implied that the fair value of the investment may be lower than the carrying value as of December 31, 2022, which triggered an assessment of the recoverability of the carrying amount of this investment. The Partnership estimated the fair value of the investment as of December 31, 2022 based on discounted cash flows using an income approach reflecting certain Level 3 inputs, reflecting a range of discount rates between 11.5% and 13.5%. The fair value of $260.0 million was corroborated utilizing the terms of the Hilli Exchange linked to estimated market prices of NFE shares. The decreased fair value was primarily the result of increases in risk-free rates. We concluded that the estimated fair value was below the carrying value and that this decline was other than temporary. As a result of this recoverability assessment, we recognized an OTTI of the investment in Hilli of $118.6 million for the year ended December 31, 2022; this loss was recognized in "(Loss) income from equity method investments" in the consolidated statements of operations.

Energos

The Partnership acquired a 20% equity interest in Energos as part of the Energos Formation Transaction in the third quarter of 2022. The Partnership's equity investment provides certain rights, including two board seats, that give the Partnership significant influence over the operations of Energos, and as such, the investment has been accounted for under the equity method. Energos is also an affiliate, and all transactions with Energos are transactions with an affiliate. Due to the timing and availability of financial information of Energos, the Partnership recognizes its proportional share of the income or loss from the equity method investment on a financial reporting lag of one fiscal quarter. For the year ended December 31, 2022, the Partnership recognized earnings from Energos of $2.8 million.

9. OTHER CURRENT ASSETS

The components of other current assets are as follows:

	Successor	Successor
(in thousands of $)	2022	2021
Prepaid expenses	1,465	1,062
Other receivables	8,540	3,325
Trade receivables	—	3,128
	10,005	7,515

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

10. DEBT

(in thousands of $)	Successor 2022	Successor 2021
Total debt, net of deferred finance charges	—	408,991
Less: Current portion of long-term debt, net of deferred finance charges	—	(61,430)
Long-term debt, net of deferred finance charges	—	347,561

There was no outstanding debt payable as of December 31, 2022. As of December 31, 2021, total debt was comprised entirely of the Term Loan Facility.

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 provided for an amortizing term loan drawn up to an initial amount of $430.0 million and could have been increased to an aggregate principal amount of up to $725.0 million. All borrowings under the Term Loan Facility Agreement bore 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 was repayable in quarterly installments of $15.4 million, with a balloon payment due at maturity. The Term Loan Facility Agreement matured on September 20, 2024.

Obligations under the Term Loan Facility Agreement were guaranteed by the Partnership and certain of our subsidiaries. Lenders were 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 were pledged as security.

Financial covenants included 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 was not 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.

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.

On August 3, 2022, the Partnership exercised the accordion feature under the Term Loan Facility, drawing $115 million, increasing the total principal outstanding to $498.9 million. Net proceeds of $113.9 million were received, and origination and other fees of $1.2 million were deferred as a reduction to the balance of the Term Loan Facility. As part of the Energos Formation Transaction, all amounts outstanding under the Term Loan Facility, including this additional principal draw, were repaid and the Partnership recognized a loss on extinguishment of debt of $5.3 million, which included the write-off of all unamortized deferred financing costs.

11. VESSELS AND EQUIPMENT, NET

As of December 31, 2022 and 2021, the Partnership's vessels and equipment, net consisted of the following:

(in thousands of $)	Successor 2022	Successor 2021
Vessels[(1)]	47,000	1,017,114
Mooring equipment[(1)]	—	6,166
Less: Accumulated depreciation[(2)]	(6,049)	(28,475)
Total Vessel and equipment, net	40,951	994,805

(1) Vessels includes the cost of dry-docking expenditure. Vessels and mooring equipment which have been recognized at fair-value at the time of the Merger and includes the impact of push-down accounting.

(2) Includes the impact of pushdown accounting resulting in accumulated depreciation recognized prior to the successor period to be written off and only includes depreciation charged during the successor period.

Depreciation expense during the predecessor period from January 1, 2021 to April 14, 2021 amounted to $20.1 million. Depreciation during the successor period ended December 31, 2022 and successor period from April 15, 2021 to December 31, 2021 amounted to $29.0 million and $28.5 million, respectively.

Capitalized drydocking costs of $5.9 million are included in the vessel cost for December 31, 2021. During the year ended December 31, 2022, substantially all capitalized drydocking costs were transferred to Energos as part of the Energos Formation Transaction.

12. GOODWILL AND INTANGIBLE ASSETS

Goodwill

The following table summarizes the changes in the carrying amount of goodwill as of December 31, 2022 and 2021:

	Successor	Successor
(in thousands of $)	**2022**	**2021**
Balance at beginning of period	15,938	—
Acquired in the Merger	—	15,938
Goodwill impairment expense	(15,938)	—
Balance at end of period	—	15,938

The Company conducted its annual goodwill impairment test and determined that goodwill was fully impaired.

Intangible assets

The following tables summarize the composition of intangible assets as of December 31, 2022 and 2021:

	Successor	Successor
(in thousands of $)	**2022**	**2021**
Favorable vessel charter contracts:		
Cost	—	106,500
Less: Accumulated amortization[1]	—	(27,075)
Net book value as of December 31,	—	79,425

(1) Accumulated amortization recognized during the successor period includes the impact of pushdown accounting.

As part of the Merger, the Partnership recognized the fair value of the favorable and unfavorable contracts on the *Eskimo*, *Winter*, *Methane Princess* and *NR Satu,* resulting in a fair value of the favorable contracts of $106.5 million. The fair value of the unfavorable contracts of $13.4 million was included within "other current liabilities." The total weighted average amortization period was approximately three years; the favorable contract asset had a weighted average amortization period of approximately three years and the unfavorable contract liability had a weighted average amortization period of approximately one year. All intangible assets were assigned a zero residual value. As of December 31, 2021, there were no impairment of intangible assets.

During the years ended December 31, 2022 and 2021, amortization expense was $21.5 million and $16.7 million, respectively.

As part of the Energos Formation Transaction these contracts are no longer held by the Partnership, and these intangible assets were derecognized.

13. OTHER CURRENT LIABILITIES

(in thousands of $)	Successor 2022	Successor 2021
Mark-to-market interest rate swaps valuation	—	19,762
Deferred revenue	—	16,805
Other creditors	5,357	50,275
	5,357	86,842

Other creditors as of December 31, 2021 includes $14.5 million of withholding and payroll taxes and $13.1 million of current taxes payable; see discussion in Note 5.

14. INVESTMENT IN LEASED VESSEL, NET

On May 15, 2019, we executed a modification to the charter agreement for the *Freeze* 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 sales-type lease of the *Freeze* has been recognized as interest income. We recognized $4.6 million as interest income gross of expected credit loss allowance for the predecessor period from January 1, 2021 to April 15, 2021. Interest income of $0.6 million and $2.1 million was recognized in the successor periods from January 1, 2022 to December 31, 2022 and April 15, 2021 to December 31, 2021, respectively and has been presented in "Time charter revenues" to align with NFE's accounting policies. As NFE is the lessee of the *Freeze*, revenue and receivables related to the *Freeze* are related party transactions (Note 17).

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 lease term for the finance lease of the *Freeze* ended in March 2022, and upon conclusion of the lease term, the vessel was reclassified from "Investment in leased vessel, net" to "Vessels and equipment, net." The *Freeze* was included in the Energos Formation Transaction and was de-recognized at August 15, 2022.

15. 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 December 31, 2022 and December 31, 2021 are as follows:

		Successor		Successor	
		2022		2021	
(in thousands of $)	Fair value Hierarchy	Carrying Value	Fair Value	Carrying Value	Fair Value
Non-Derivatives:					
Cash and cash equivalents	Level 1	38,468	38,468	85,098	85,098
Restricted cash	Level 1	7,908	7,908	24,410	24,410
Long-term debt — floating (1)	Level 2	—	—	414,643	414,643
Derivatives:					
Interest rate swaps asset (2) (3)	Level 2	11,650	11,650	—	—
Interest rate swaps liability (2) (3)	Level 2	—	—	19,762	19,762

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

(2) Derivative liabilities are presented within Other current liabilities on our consolidated balance sheets. Derivative assets are presented within Other non-current assets on the consolidated balance sheet.

(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, 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 December 31, 2022:

Instrument (in thousands of $)	Notional amount	Maturity Dates	Fixed Interest Rates
Interest rate swap:			
Receiving floating, pay fixed	323,250	2026	2.86%

The following table shows gain on derivative instruments for the periods ended December 31, 2022, December 31, 2021 and April 14, 2021.

	Successor	Successor	Predecessor
(in thousands of $)	2022	April 15, 2021 to December 31, 2021	Jan 1, 2021 to April 14, 2021
Mark-to-market gains for interest rate swaps	31,412	11,200	11,972
Net interest expense on interest rate swaps	(4,516)	(7,275)	(5,297)
Gain on derivative instruments, net	**26,896**	**3,925**	**6,675**

During the first quarter of 2023, the Partnership terminated the interest rate swap in connection with the Hilli Exchange and received $12.3 million in proceeds.

Under our interest rate swap we had a credit arrangement that required us to provide cash collateral up to $12.5 million when the market value of the instrument falls below a specified threshold. As of December 31, 2022 and 2021, cash collateral amounting to $2.5 million and $12.5 million, respectively, had been provided and is included in Restricted cash on the balance sheet.

Concentrations of credit risk

The maximum exposure to credit risk is the carrying value of cash and cash equivalents, restricted cash and short-term deposits, trade accounts receivable, investment in leased vessel, net, other receivables and amounts due from related parties. In respect of cash and cash equivalents, restricted cash and short-term deposits, credit risk lies with Nordea bank ABP and Citibank. However, we believe this risk is remote, as they are established and reputable establishments with no prior history of default.

In relation to our investment in leased vessel - net, the concentration risk relates to one counterparty, which is also a related party. We hold certain guarantees as security, which reduces our credit exposure. We consider the credit risk of our counterparties to these financial assets to be low. As of December 31, 2022, the Partnership did not have trade receivables outstanding.

16. RESTRICTED CASH AND SHORT-TERM DEPOSITS

Our restricted cash balances are as follows:

	Successor	Successor
(in thousands of $)	2022	2021
Restricted cash relating to our interest rate swaps	2,500	12,500
Restricted cash relating to security deposits	5,408	11,910
Total restricted cash	7,908	24,410
Less: current portion of restricted cash	(5,408)	(16,531)
Non-current restricted cash	2,500	7,879

17. RELATED PARTY TRANSACTIONS

Transactions with related parties:

	Successor	Successor	Predecessor
(in thousands of $)	**2022**	**2021**	**2021**
Transactions with Golar and affiliates:			
Management and administrative services fees (a)	—	—	(2,760)
Ship management fees (b)	—	—	(2,252)
Interest expense on short-term loans (c)	—	—	(18)
Distributions with Golar, net (d) (including Hilli)	29,372	21,365	6,769
Transactions with NFE and affiliates:			
Distributions to NFE (e)	688,584	497,954	—
Time and voyage charter revenue (f)	14,921	10,672	—
Payments under investment in leased vessel	3,877	10,872	—

Payables with related parties:

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

	Successor	Successor
(in thousands of $)	**2022**	**2021**
Balance due to NFE and affiliates (g)	3,591	181,599
	3,591	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. 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 provided to us with 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, including Golar Management, charged ship management fees to us for the provision of technical and commercial management of each of the vessels.

(c) *Interest expense on short-term loan* - In February 2020, we borrowed $45 million with interest at a rate of LIBOR plus a margin of 5.0% from Golar, which was was subsequently repaid in full prior to the Merger, including interest.

(d) *Distributions with Golar, net (including Hilli)* - During the predecessor period from January 1, 2021 to April 14, 2021 we paid total distributions to Golar of $0.5 million, in respect of the Common Units and General Partner units owned.

During the predecessor period from January 1, 2021 to April 14, 2021, the successor period ended December 31, 2021 and the year ended December 31, 2022, Hilli LLC declared and paid quarterly distributions totaling $7.3 million, $21.4 million and $29.4 million, respectively.

(e) *Distributions to NFE* - During the year ended December 31, 2022, we declared a distribution to NFE of $583.6 million and paid $583.6 million as part of the Energos Formation Transaction. We also declared and paid total distributions on common units to NFE of $105.0 million. During the successor period from April 15, 2021 to December 31, 2021 we paid total distributions on common units to NFE of $498.0 million for the year ended December 2021.

(f) *Time and voyage charter revenue* **–** Time and voyage charter revenue includes interest income earned by *Golar Freeze* (Note 14) 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.

(g) *Balance due to NFE and affiliates* **–** The balance as of December 31, 2022 primarily consists of amounts due under charter and operating service agreements between the Partnership and NFE in the ordinary course of business. The balance as of December 31, 2021 primarily consisted of amounts received from NFE to exercise the option to repurchase Golar Eskimo from Eskimo SPV for a total payment of $190.5 million. This was partially repaid in the third quarter of 2022 prior to the completion of the Energos Formation Transaction. 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 each of the years ended December 31, 2022 and 2021, PT Pesona received an agency fee of $0.2 million. Following the completion of the Energos Formation Transaction, PT Pesona is no longer a related party.

Hilli guarantees

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 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%. 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.

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. Under the LOC Guarantee, we were severally liable for any outstanding amounts that are payable multiplied by our percentage ownership in Hilli Common Units.

Pursuant to the Partnership Guarantee and the LOC Guarantee, we were 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 December 31, 2022, the amount we have guaranteed under the Partnership Guarantee and the LOC Guarantee is $323.25 million, and the fair value of debt guarantee after amortization of $2.3 million is presented under Other current liabilities. As of December 31, 2021, the fair value of debt guarantee after amortization, presented within Other current liabilities and Other non-current liabilities amounted to $4.9 million and $2.3 million, respectively. As of December 31, 2022, we were in compliance with the covenants for both Hilli guarantees.

Subsequent to December 31, 2022, both the Partnership Guarantee and the LOC Guarantee were released pursuant to the Hilli Exchange.

18. OTHER COMMITMENTS AND CONTINGENCIES

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.

19. EQUITY

Preferred Units

On October 31, 2017 we sold in a registered public offering 5,520,000 of our Preferred Units, liquidation preference $25.00 per unit. We raised proceeds, net of the underwriters discounts and offering fees, of $133.0 million.

The Preferred Units rank:

- senior to our common units and to each other class or series of limited partner interests or other equity securities established after the original issue date of the Preferred Units that is not expressly made senior to or on parity with the Preferred Units as to the payment of distributions and amounts payable upon liquidation, dissolution or winding up, whether voluntary or involuntary;

- pari passu with any class or series of limited partner interests or other equity securities established after the original issue date of the Preferred Units with terms expressly providing that such class or series ranks on a parity with the Preferred Units as to the payment of distributions and amounts payable upon liquidation, dissolution or winding up, whether voluntary or involuntary (“Parity Securities”);

- junior to all of our indebtedness and other liabilities with respect to assets available to satisfy claims against us; and

- junior to each other class or series of limited partner interests or other equity securities expressly made senior to the Preferred Units as to the payment of distributions and amounts payable upon liquidation, dissolution or winding up, whether voluntary or involuntary (“Senior Securities”). The Preferred Units have no conversion or exchange rights and are not subject to any pre-emptive rights.

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. Distributions are payable quarterly in arrears on the 15th day of February, May, August and November of each year, when, as and if declared by our Board.

The Preferred Units generally have no voting rights. However, if and whenever distributions payable on the Preferred Units are in arrears for six or more quarterly periods, whether or not consecutive, holders of Preferred Units, voting as a class together with the holders of any Parity Securities upon which like voting rights have been conferred and are exercisable, will have the right to replace one of the members of our Board appointed by our General Partner with a person nominated by such holders The right of such holders of Preferred Units to elect a member of our Board will continue until such time as all accumulated and unpaid distributions on the Preferred Units have been paid in full. In addition, unless we have received the affirmative vote or consent of the holders of at least two-thirds of the outstanding Preferred Units, voting as a single class, our Board may not adopt any amendment to our partnership agreement that would have a material adverse effect on the existing terms of the Preferred Units. In addition, unless we have received the affirmative vote or consent of the holders of at least two-thirds of the outstanding Preferred Units, voting as a class together with holders of any other Parity Securities upon which like voting rights have been conferred and are exercisable, we may not (i) issue any Parity Securities if the cumulative distributions on Preferred Units are in arrears or (ii) create or issue any Senior Securities.

In the event of a liquidation, dissolution or winding up of our affairs, whether voluntary or involuntary, holders of Preferred Units will have the right to receive a liquidation preference of $25.00 per unit plus an amount equal to all accumulated and unpaid distributions thereon to the date of payment, whether declared or not. These payments will be paid before any payments are paid to our common unitholders.

At any time on or after October 31, 2022, we may redeem, in whole or in part, the Preferred Units at a redemption price of $25.00 per unit plus an amount equal to all accumulated and unpaid distributions thereon on the date of redemption, whether declared or not.

20. SUBSEQUENT EVENTS

The Partnership has evaluated subsequent events through the date of issuance of these financial statements, April 28, 2023.

Cash Distributions

On February 15, 2023, we paid a cash distribution of $0.546875 per Series A Preferred Unit in respect of the period from November 15, 2022 through February 14, 2023 to unitholders of record as of February 7, 2023, amounting to $3.0 million.

Hilli Loss on Disposal

During the first quarter of 2023, upon closing the Hilli Exchange, the Partnership recognized a loss on disposal of $37,420.