COOL COMPANY LTD.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2022 AND COMBINED CARVE-OUT FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2021

COOL COMPANY LTD.
INDEX TO UNAUDITED CONDENSED CONSOLIDATED AND COMBINED CARVE-OUT FINANCIAL STATEMENTS

COOL COMPANY LTD.

UNAUDITED CONDENSED STATEMENTS OF OPERATIONS FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2022 AND 2021

		Six Months Ended June 30,		
		Successor (Consolidated)	Predecessor (Combined Carve-out)	Predecessor (Combined Carve-out)
(in thousands of $, except per share amounts)	Notes	Phased period from January 27, 2022 to June 30, 2022[1]	Phased period from January 1, 2022 to June 30, 2022[1]	2021
Time and voyage charter revenues	10	49,822	37,289	83,274
Vessel and other management fee revenues	17	—	6,167	4,204
Amortization of intangible assets and liabilities arising from charter agreements, net	9	7,070	—	—
Total operating revenues		**56,892**	**43,456**	**87,478**
Vessel operating expenses	17	(13,302)	(7,706)	(22,891)
Voyage, charter hire and commission expenses, net		(357)	(1,229)	(3,215)
Administrative expenses		(2,636)	(5,422)	(8,328)
Depreciation and amortization	12	(14,966)	(5,745)	(21,703)
Total operating expenses		**(31,261)**	**(20,102)**	**(56,137)**
Other operating income	6	—	4,374	2,770
Operating income		**25,631**	**27,728**	**34,111**
Financial income/(expense)				
Interest income		59	4	4
Interest expense		(6,672)	(4,725)	(11,204)
Other financial items, net	7	(1,359)	622	(203)
Net financial expenses		**(7,972)**	**(4,099)**	**(11,403)**
Income before income taxes and non-controlling interests		**17,659**	**23,629**	**22,708**
Income taxes	8	—	(385)	(139)
Net income		**17,659**	**23,244**	**22,569**
Net income attributable to non-controlling interests		(811)	(8,206)	(17,497)
Net income attributable to the Owners of Cool Company Ltd.		**16,848**	**15,038**	**5,072**
Basic and diluted earnings per share	19	$0.42	$14.89	$5.02

(1) Refer Note 2.a for the basis of preparation of the Successor and Predecessor periods.

The accompanying notes are an integral part of these unaudited condensed consolidated and combined carve-out financial statements.

COOL COMPANY LTD.

UNAUDITED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2022 AND 2021

	Six Months Ended June 30,		
	Successor (Consolidated)	Predecessor (Combined Carve-out)	Predecessor (Combined Carve-out)
	Phased period from January 27, 2022 to June 30, 2022[1]	Phased period from January 1, 2022 to June 30, 2022[1]	2021
(in thousands of $)			
Comprehensive income			
Net income	17,659	23,244	22,569
Total comprehensive income	**17,659**	**23,244**	**22,569**
Comprehensive income attributable to:			
Owners of Cool Company Ltd.	16,848	15,038	5,072
Non-controlling interests	811	8,206	17,497
Total comprehensive income	**17,659**	**23,244**	**22,569**

(1) Refer Note 2.a for the basis of preparation of the Successor and Predecessor periods.

The accompanying notes are an integral part of these unaudited condensed consolidated and combined carve-out financial statements.

COOL COMPANY LTD.

UNAUDITED CONDENSED BALANCE SHEETS AS OF JUNE 30, 2022 AND DECEMBER 31, 2021

(in thousands of $)	Notes	Successor (Consolidated) June 30, 2022	Predecessor (Combined Carve-out) December 31, 2021
ASSETS			
Current assets			
Cash and cash equivalents		77,272	33,811
Restricted cash and short-term deposits	5	14,630	43,311
Trade accounts receivable		3,169	767
Intangible assets, net	9	8,253	—
Inventories		1,298	—
Other current assets	11	3,207	1,404
Total current assets		**107,829**	**79,293**
Non-current assets			
Restricted cash	5	—	780
Vessels and equipment, net	12	1,177,492	1,383,677
Intangible assets, net	9	8,200	—
Other non-current assets		1,578	2,758
Total assets		**1,295,099**	**1,466,508**
LIABILITIES AND EQUITY			
Current liabilities			
Current portion of long-term debt and short-term debt	13	173,148	338,501
Trade accounts payable		3,032	2,441
Accrued expenses		39,832	59,094
Other current liabilities	14	47,160	16,396
Amounts due to related parties	17	6,080	1,021
Total current liabilities		**269,252**	**417,453**
Non-current liabilities			
Long-term debt	13	515,729	292,322
Other non-current liabilities	15	31,156	13,678
Total liabilities		**816,137**	**723,453**
Commitments and contingencies	18		
Equity			
Owners' equity includes 40,010,000 (2021:1,010,000) common shares of $1.00 each issued and outstanding		410,954	568,557
Non-controlling interests	5	68,008	174,498
Total equity		**478,962**	**743,055**
Total liabilities and equity		**1,295,099**	**1,466,508**

The accompanying notes are an integral part of these unaudited condensed consolidated and combined carve-out financial statements.

COOL COMPANY LTD.

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2022 AND 2021

		Six Months Ended June 30,		
		Successor (Consolidated)	**Predecessor (Combined Carve-out)**	**Predecessor (Combined Carve-out)**
(in thousands of $)	**Notes**	**Phased period from January 27, 2022 to June 30, 2022[(1)]**	**Phased period from January 1, 2022 to June 30, 2022[(1)]**	**2021**
Operating activities				
Net income		17,659	23,244	22,569
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization expenses		14,966	5,745	21,703
Amortization of intangible assets and liabilities arising from charter agreements, net		(7,070)	—	—
Amortization of deferred charges		441	1,588	599
Compensation cost related to share-based payment		—	238	374
Changes in assets and liabilities:				
Trade accounts receivable		(2,285)	(117)	2,853
Inventories		(1,298)	—	317
Other current and other non-current assets		5,158	(7,226)	1,519
Amounts due to/(from) related parties		3,067	1,252	(6,087)
Trade accounts payable		991	(400)	742
Accrued expenses		3,261	(180)	6,570
Other current and non-current liabilities		(598)	2,957	5,590
Net cash provided by operating activities		**34,292**	**27,101**	**56,749**
Investing activities				
Additions to vessels and equipment		—	—	(10)
Consideration for acquisition of vessels and management entities		(218,276)	—	—
Net cash used in investing activities		**(218,276)**	**—**	**(10)**
Financing activities				
Proceeds from short-term and long-term debt		570,000	—	9,850
Repayments of short-term and long-term debt		(24,862)	(498,832)	(42,120)
Contributions from/(repayments of) owner's funding		—	(136,351)	(17,747)
Financing arrangement fees and other costs		(6,128)	—	(475)
(Repayments to) / contributions from CoolCo in connection with acquisition, net of equity proceeds		(581,072)	581,072	—
Net proceeds from equity raise		267,056	—	—
Net cash used in financing activities		**224,994**	**(54,111)**	**(50,492)**
Net increase (decrease) in cash, cash equivalents and restricted cash		41,010	(27,010)	6,247
Cash, cash equivalents and restricted cash at beginning of period		50,892	77,902	57,945
Cash, cash equivalents and restricted cash at end of period		**91,902**	**50,892**	**64,192**

(1) Refer Note 2.a for the basis of preparation of the Successor and Predecessor periods.

Supplemental note to the unaudited condensed statements of cash flows

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

		Successor (Consolidated)	Predecessor (Combined Carve-out)	Predecessor (Combined Carve-out)	Predecessor (Combined Carve-out)
(in thousands of $)	**Notes**	Phased period from January 27, 2022 to June 30, 2022[1]	Phased period from January 1, 2022 to June 30, 2022[1]	December 31, 2021	June 30, 2021
Cash and cash equivalents		77,272	28,919	33,811	26,119
Restricted cash and short-term deposits (current portion)		14,630	21,973	43,311	37,275
Restricted cash (non-current portion)		—	—	780	798
		91,902	**50,892**	**77,902**	**64,192**

(1) Refer Note 2.a for the basis of preparation of the Successor and Predecessor periods.

The accompanying notes are an integral part of these unaudited condensed consolidated and combined carve-out financial statements.

COOL COMPANY LTD.

UNAUDITED CONDENSED STATEMENTS OF CHANGES IN OWNERS' EQUITY FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2022 AND 2021

(in thousands of $)

	Six Months Period Ended June 30, 2021				
	Contributed Owners' Equity	Retained deficit	Total Owners' Equity	Non-controlling Interest	Total Equity
Combined carve-out predecessor(1) balance at December 31, 2020 *(Unaudited)*	**857,766**	**(361,982)**	**495,784**	**145,996**	**641,780**
Net income for the period	—	5,072	**5,072**	17,497	**22,569**
Cash distributions	—	—	**—**	(4,000)	**(4,000)**
Share based payments contribution	374	—	**374**	—	**374**
Repayments of owner's funding	(17,747)	—	**(17,747)**	—	**(17,747)**
Combined carve-out predecessor(1) balance at June 30, 2021	**840,393**	**(356,910)**	**483,483**	**159,493**	**642,976**

	Six Months Period Ended June 30, 2022				
	Contributed Owners' Equity	Accumulated Retained (Losses)/Earnings	Total Owners' Equity	Non-controlling Interest	Total Equity
Combined carve-out predecessor(1) balance at December 31, 2021	**780,862**	**(212,305)**	**568,557**	**174,498**	**743,055**
Net income for the period	—	15,038	**15,038**	8,206	**23,244**
Fair value adjustment in relation to Vessel SPA(2)	(227,289)	—	**(227,289)**	—	**(227,289)**
Share based payments contribution	238	—	**238**	—	**238**
Deconsolidation of lessor VIEs(3)	—	—	**—**	(115,412)	**(115,412)**
Combined carve-out predecessor(1) balance upon acquisition	**553,811**	**(197,267)**	**356,544**	**67,292**	**423,836**
Adjustment to total equity upon consolidation(4)	(553,811)	197,267	**(356,544)**	(95)	**(356,639)**
Net income for the period	—	16,848	**16,848**	811	**17,659**
Issuance of shares to Owners	394,106	—	**394,106**	—	**394,106**
Consolidated successor(1) balance at June 30, 2022	**394,106**	**16,848**	**410,954**	**68,008**	**478,962**

(1) Refer Note 2.a for the basis of preparation of the Successor and Predecessor periods

(2) As part of disposal of the eight LNGCs pursuant to the Vessel SPA, the Predecessor revalued the vessels to fair value as of the respective disposal dates.

(3) Following completion of the acquisition of all of the vessels under the Vessel SPA in April 2022, only two of existing seven sale and leaseback arrangements were assumed by us. The equity attributable to the two Lessor SPVs is included in non-controlling interests in our consolidated successor balance as of June 30, 2022. See note 5

(4) Adjustment to total equity upon consolidation during the Successor period, previously presented on a combined carve-out basis during the Predecessor period.

The accompanying notes are an integral part of these unaudited condensed consolidated and combined carve-out financial statements.

COOL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED AND COMBINED CARVE-OUT FINANCIAL STATEMENTS

1. GENERAL

Cool Company Ltd. ("CoolCo") is a private limited liability company incorporated in 2018 under the laws of Bermuda. Commencing in 2022, CoolCo is engaged in the acquisition, ownership, operation and chartering of liquefied natural gas ("LNG") carriers ("LNGCs"), and the operation of third party fleets under management agreements. As of September 30, 2022 CoolCo's owned fleet comprised eight LNGCs and CoolCo managed twenty-one vessels (including both LNGCs and Floating Storage and Regasification Units ("FSRUs")) for third parties.

On January 26, 2022, CoolCo entered into various agreements (the "Vessel SPA") with Golar, as amended on February 25, 2022, pursuant to which CoolCo acquired all of the outstanding shares of nine of Golar's wholly-owned subsidiaries on various dates in March and April 2022. Eight of these entities are each the registered or disponent owner or lessee of the following modern LNG carriers: *Golar Seal, Golar Crystal, Golar Ice, Golar Bear, Golar Frost, Golar Glacier, Golar Snow* and *Golar Kelvin (*the *"*Vessels*")*. The ninth subsidiary, The Cool Pool Limited, is the entity responsible for the commercial marketing of these LNG carriers.

On January 26, 2022, CoolCo authorized the issuance of 398,990,000 additional common shares at $1 par value, increasing the total number of authorized common shares to 400,000,000. These new common shares have the same rights as the common shares in issue prior to such date.

In February 2022, CoolCo sold 27.5 million common shares at a price of $10.00 per share raising gross proceeds of $275 million in a private placement (the "Private Placement"). The proceeds were also used to finance the acquisition of the Vessels. As a result of the Private Placement and post-acquisitions from Golar, EPS Ventures Ltd. ("EPS"), a wholly-owned subsidiary of Quantum Pacific Shipping Ltd. ("QPSL"), became the largest shareholder with 37.5% of CoolCo's common shares. Golar held 31.3% of the common shares and public shareholders held the remaining common shares. The common shares were listed on the N-OTC immediately following completion of the Private Placement. On February 22, 2022, CoolCo completed its listing of common shares on the Euronext Growth Oslo with the ticker "COOL".

On June 30, 2022, CoolCo entered into various agreements (the "ManCo SPA") with Golar to purchase Golar's LNG carrier and FSRU management organization, pursuant to which CoolCo acquired four of Golar's wholly-owned subsidiaries: Cool Company Management Ltd., Cool Company Management Malaysia Sdn Bhd ("Cool Malaysia"), Cool Company Management d.o.o. ("Cool Croatia") and Cool Company Management AS ("Cool Norway"), including employees of these entities and agreements to manage third parties' fleets of LNG carriers and FSRUs.

As of June 30, 2022, EPS, Golar and the public owns 40.0%, 31.3% and 28.7% of the outstanding shares in CoolCo, respectively.

As used herein and unless otherwise required by the context, the terms "CoolCo", the "Company", "we", "our", "us" and words of similar import refer to CoolCo or any one or more of its consolidated subsidiaries, or to all such entities. References to Golar LNG Limited ("Golar") are to CoolCo's former parent company.

References to "QPSL" refer to Quantum Pacific Shipping Ltd. and to any one or more of its subsidiaries. References to "EPS" refer to EPS Ventures Ltd., a wholly-owned subsidiary of QPSL and the largest shareholder with 40.0% of CoolCo's common shares.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) BASIS OF PREPARATION

The formation and funding of CoolCo and its acquisition of the eight TFDE LNG carriers, The Cool Pool Limited and the shipping and FSRU management organization from Golar (as described in Note 1) were completed in a series of phased acquisitions. CoolCo commenced meaningful operations from January 27, 2022, the date of the Private Placement from which point it had the means to finance the acquisitions pursuant to the Vessel SPA and ManCo SPA. CoolCo acquired each of the thirteen legal entities from Golar on multiple acquisition dates during the period from March 3, 2022 to June 30, 2022. As a result, these financial statements are presented as follows:

a. The successor period of CoolCo, commencing on January 27, 2022, reflects the funds raised from the Private Placement and the phased acquisition of the legal entities acquired from Golar on the respective acquisition dates until June 30, 2022 (the "Successor Period").
b. The predecessor period of CoolCo reflects the operations and results of each of the legal entities CoolCo acquired from Golar until the day prior to the respective acquisition date (the "Predecessor Period").

The financial statements for the Successor Period are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") (see note 2.c) and on a going concern basis.

The Predecessor Period is presented on a combined carve-out basis as further described in note 2.b and in accordance with the accounting policies described in note 2.d.

b) BASIS OF PREPARATION – PREDECESSOR PERIOD

The combined carve-out financial statements for the Predecessor Period are presented as carve-out financial statements and reflect the combined historical results of operations, comprehensive income, financial position and cash flows of the entities listed in note 4, the entities acquired pursuant to the Vessel SPA and the ManCo SPA, collectively referred to herein as the ''Acquirees'' and the lessor VIEs that previously leased vessels under the finance lease arrangements described in note 5.

The lessor VIEs discussed further in note 5 are wholly-owned, special purpose vehicles (''SPVs'') of financial institutions. While we do not hold any equity investments in these SPVs, we have concluded that we are the primary beneficiary of these lessor VIEs and accordingly have included these entities in our combined carve-out financial results. The equity attributable to the respective lessor VIEs is presented as non-controlling interests in these combined carve-out financial statements. The Acquirees, the VIEs and the Cool Company Ltd. entity are collectively referred to herein as the ''Carve-out Entity''.

These combined carve-out financial statements are prepared using consistent accounting policies that were applied in Golar's historical consolidated financial statements for the respective periods, and have been prepared in accordance with accounting principles generally accepted in the United States of America (''U.S. GAAP'') (see note 2.d) and are prepared on a going concern basis.

The combined carve-out financial statements are not intended to be a complete presentation and are not necessarily indicative of the financial position or results of operations that would have been achieved if the Carve-out Entity had operated on a stand-alone basis as of or during any of the periods presented, nor are they indicative of the financial condition or results going forward due to changes in the Carve-out Entity following closing of the Vessel SPA and the ManCo SPA and the omission of certain operating expenses and balances, as described below.

All intercompany balances and transactions within the Carve-out Entity have been eliminated. All intercompany balances and transactions between the Carve-out Entity and Golar which are not trading in nature were converted to equity as funding from owners. As described in note 17, certain related party transactions between the Carve-out Entity and Golar are included in these combined carve-out financial statements.

The combined carve-out balance sheet reflect the assets and liabilities that are specifically identifiable and directly attributable to the Carve-out Entity. Golar has historically operated a centralized treasury function, therefore Golar cash pooling arrangements, working capital and corporate derivatives have been excluded from the combined carve-out balance sheet.

The combined carve-out statements of operations include the revenues and expenses directly attributable to the generation of revenues by the Carve-out Entity (including all of the revenues and expenses of the Acquirees). Golar and its affiliates have historically provided a variety of management and corporate overhead services to the Carve-out Entity. The combined carve-out statements of operations include expense allocations for i) corporate overhead functions such as legal, accounting, treasury and regulatory compliance, included in 'Administrative expenses', which are allocated to us by Golar using a weighted vessel count of Golar's historical fleet, ii) vessel operating functions such as technical and commercial vessel management, included in 'Vessel operating expenses', which are allocated based on arms-length intercompany invoicing, and iii) income taxes, included in Income taxes, which are allocated on a separate returns basis. Revenues and expenses of Cool Norway are included in the combined carve-out statements of operations based on either specific identification or an allocation using a reasonable approach based on the nature of the item, i.e. relative employee headcount and number of vessels in the fleet.

Where allocations of amounts were necessary, the Carve-out Entity believes the allocations of these amounts were determined on a reasonable basis, reflecting all of the costs of the Carve-out Entity and consistently applied in the periods presented.

c) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - SUCCESSOR PERIOD:

Below is a summary of the significant accounting policies applied in the preparation of the unaudited condensed consolidated financial statements for the Successor Period.

Principles of consolidation

A VIE is defined by the accounting standard as a legal entity where either (a) equity interest holders, as a group, lack the characteristics of a controlling financial interest, including decision making ability and an interest in the entity's residual risks and rewards, or (b) the equity holders have not provided sufficient equity investment to permit the entity to finance its activities without additional subordinated financial support, or (c) 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. A party that is a variable interest holder is required to consolidate a VIE if the holder has both (a) the power to direct the activities that most significantly impact the entity's economic performance, and (b) the obligation to absorb losses that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

The consolidated financial statements include the financial information of the entities listed in notes 4 and 5. Certain VIEs in which we are deemed to be subject to a majority of the risk of loss from the VIE's activities or entitled to receive a majority of the entity's residual returns are consolidated. All inter-company balances and transactions are eliminated. The non-controlling interests of the above-mentioned VIEs are included in the consolidated balance sheets and statements of operations as "Non-controlling interests". Changes in our ownership interest while we retain a controlling financial interest in a subsidiary are accounted for as equity transactions. The carrying amount of the non-controlling interest is adjusted to reflect our changed ownership interest, with any difference between the fair value of consideration and the amount of the adjusted non-controlling interest being recognized in equity.

Foreign currencies

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

Transactions in foreign currencies during the year 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 dates. Foreign currency non-monetary assets and liabilities are translated using historical rates of exchange. Foreign currency transaction and translation gains or losses are included in the unaudited condensed statements of operations.

Lease accounting versus revenue accounting

Contracts relating to our LNG carriers can take the form of operating leases, sales-type leases, direct financing leases and operating and services agreements. Although the substance of these contracts is 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, 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 counterparties both of the above rights, we account for the agreement as a revenue contract. Where we provide services unrelated to an asset contract, we account for the services as a revenue contract.

Lease accounting

When a contract is designated as a lease, we assess 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 asset, 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 represent 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, and any purchase options are disclosed in note 5. Agreements with renewal and termination options under the control of the lessee are included together with the non-cancellable contract period in the lease term when "reasonably certain" to be exercised or if controlled by the lessor. The determination of reasonably certain depends on whether the lessee has an economic incentive to exercise the option. 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 vessel for the lease (i.e. bunker costs), are capitalized and amortized to the unaudited condensed statements of operations over the lease term. We also defer upfront payments (i.e. repositioning fees) on the unaudited condensed balance sheets and amortize to the unaudited condensed statements of operations evenly over the lease term.

Time charter operating leases

"Time and voyage charter revenues" includes fixed minimum lease payments under time charter agreements and vessel repositioning fees. Amounts generated from time charter agreements, which we classify as operating leases, are recognized over the term of the agreement on a straight-line basis as services are provided. Variable lease payments are recognized as incurred. Lease payments include fixed payments (including unavoidable in-substance payments) and variable lease payments that are based on a rate or index. We do not recognize any amounts if we have not entered into a time charter agreement with a charterer, even if the vessel has discharged its cargo and is sailing to the anticipated load port on its next voyage. For our operating leases, we have elected the practical expedient to combine service revenue and operating lease income given the timing and pattern of transfer of the components are the same. Initial direct costs considered directly related to the negotiation and consummation of the time charter agreement are deferred and recognized over the lease term as services are provided.

Repositioning fees (included in "Time and voyage charter revenues") received in respect of time charter agreements are recognized at the end of the agreement when the fee becomes fixed and determinable. However, where there is a fixed amount specified in the agreement which is not dependent upon the vessel redelivery location, the fee will be recognized evenly over the term of the charter.

Under time charter agreements, voyage expenses are generally paid by our charterers. Voyage-related expenses, principally fuel, may also be incurred when positioning or repositioning a vessel before or after the period of the time charter agreement and during periods when the vessel is not employed or is off-hire (for example, while undergoing repairs) are recognized as incurred.

Vessel operating expenses are recognized as incurred, including drydocking, crewing, repairs and maintenance, insurance, stores, lubricant oils, consumables, logistics costs and communication expenses as well as the associated managerial cost of providing these items and services. Bunker consumption primarily represents fuel consumed during unemployment and while our vessels are off-hire.

Cool Pool

We present our gross share of income earned and costs incurred under the Cool Pool on the face of the unaudited condensed statements of operations in the line items “Time and voyage charter revenues” and “Voyage, charter hire and commission expenses, net” respectively. For Cool Pool net revenues and/or expenses generated by the other participants in the pooling arrangement, we analogize these to be either the cost of obtaining a contract or the benefit of operating within the Cool Pool, and present them within the line item “Voyage, charter hire and commission expenses, net.”

Management fee revenues

Management fees are generated from vessel management which includes commercial and technical vessel-related services and administrative services. The management services we provide are considered a single performance obligation recognized evenly over time as our services are rendered. We consider our services as a series of distinct services that are substantially the same and have the same pattern of transfer to the customer. We recognize revenue when obligations under the terms of our contracts with our customers are satisfied. We have applied the practical expedient to recognize management fee revenue in proportion to the amount that we have the right to invoice. Our contracts generally have an initial term of one year or less, with a short notice period ranging from 30 to 120 days, to end the contract. Contract assets arise when we render management services in advance of entitlement to payment from our customers.

Use of estimates

The preparation of unaudited condensed financial statements requires CoolCo to make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited condensed financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In assessing the recoverability of our vessels’ carrying amounts, we make assumptions regarding estimated future cash flows, estimates in respect of residual or scrap value, charter rates, ship operating expenses, and drydocking requirements. Significant estimates include our estimate of fair value of identifiable net assets at acquisition date. Using different assumptions could result in a material change in the fair value of these items, which could have a material impact on the Company's financial position and the results of operations.

Insurance claims

We have two main types of insurance policies, ‘loss of hire’ (“LOH”) and ‘hull and machinery’ (“H&M”). LOH indemnifications protects us from loss of hire generated by our insured vessels, as a result of H&M claims, and related claims are considered gain contingencies, which are recognized when the proceeds from our insurance syndication are realized or deemed realizable, net of any deductions where applicable. LOH is recognized in “Other operating income”. Our H&M policies protect us from damage that may be incurred in relation to our vessels and on-board equipment. Our insurance policies are considered loss recoveries, meaning that the timing of recognition of a claim for an insured damage occurs at the time such loss impacts the unaudited condensed statement of operations, when deemed probable of being recovered from the counterparty and for an amount net of any deductions that may apply. H&M premiums and related claims recoveries are recognized in “Vessel operating expenses”.

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. Amounts are presented net of allowances for credit losses, which are assessed based on consideration of whether the balances have short-term maturities and whether the counterparty has an investment grade credit rating, limiting any credit exposure.

Restricted cash and short-term deposits

Restricted cash and short-term deposits consist of bank deposits, which may only be used to settle certain pre-arranged loan or lease payments, other claims which requires us to restrict cash, and cash held by the VIEs. We place our short-term deposits primarily in fixed term deposits with high credit quality financial institutions. Amounts are presented net of allowances for credit losses, which are assessed based on consideration of whether the balances have short-term maturities and whether the counterparty has an investment grade credit rating, reducing any credit exposure.

Trade accounts receivable

Trade receivables 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 expected credit loss allowance is calculated using a loss rate applied against an aging matrix, with assets pooled based on the vessel type that generated the underlying revenue, which reflects similar credit risk characteristics.

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 and off-balance sheet credit exposures not accounted for as insurance (including financial guarantees) reflect an allowance for current expected credit losses ("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 un-collectability of a balance is confirmed or certain. Expected recoveries will not exceed the amounts previously written-off or current credit loss allowance by financial asset category. 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, are stated at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

Vessels and equipment

Vessels and equipment are stated at cost less accumulated depreciation. The cost of vessels and equipment 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.

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. Following acquisition of the vessels, the estimated cost of the drydocking component is amortized until the date of the first drydocking, upon which the then incurred drydocking cost is capitalized and the process is repeated. When a vessel is disposed, any unamortized drydocking expenditure is charged against income in the period of disposal.

Useful lives applied are as follows:

Vessels	30 years
Drydocking expenditure	5 years
Office equipment and fittings	3 years

Intangible assets

Our intangible assets are carried at cost and amortized on a straight-line basis over their estimated useful lives (see note 8). We review our intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with our accounting policy for impairment of long-lived assets.

Intangible assets or liabilities associated with the acquisition of a vessel are identified and recorded at fair value. Fair value is determined by reference to market data and the discounted amount of expected future cash flows. Where acquired charter rates are higher than market charter rates, an asset is recorded, being the difference between the acquired charter rate and the market charter rate for an equivalent vessel. Where acquired charter rates are less than market charter rates, a liability is recorded, being the difference between the market charter rate and the acquired charter rate for an equivalent vessel. Determining the fair value of acquired assets and assumed liabilities requires the Company to make significant assumptions and estimates of many variables, including market charter rates, expected future charter rates, the level of utilization of its vessels, and its weighted average cost of capital. The amortization of contract intangible assets and liabilities follows the remaining term of underlying contracts of the vessels acquired.

Impairment of long-lived assets

We continually monitor events and changes in circumstances that could indicate carrying amounts of long-lived assets may not be recoverable. In assessing the recoverability of our vessels' carrying amounts, we make assumptions regarding estimated future cash flows and estimates in respect of residual scrap value. Management performs an annual impairment assessment and when such events or changes in circumstances are present, we assess the recoverability of long-term assets by determining whether the carrying value of such assets will be recovered through undiscounted expected future cash flows. If the total of the future cash flows is less than the carrying amount of those assets, an impairment loss shall be measured as the amount by which the carrying amount of a long-lived asset (asset group) exceeds its fair value.

Debt

Our debt consists of credit facilities, including sale and leaseback arrangements, with banks and other lenders. Debt issuances are placed directly by us or through securities dealers or underwriters and are held by financial institutions. Debt is recorded in our unaudited condensed balance sheets at par value adjusted for unamortized discount or premium and net of unamortized debt issuance costs.

Deferred charges

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.

Contingencies

In the ordinary course of business, we are subject to various claims, lawsuits and complaints. A contingent loss is recognized in the unaudited condensed financial statements if the contingency was present at the date of the unaudited condensed financial statements, the likelihood of loss is considered probable and the amount can be reasonably estimated. If we determine that a reasonable estimate of the loss is a range and there is no best estimate within the range, a contingent loss is recognized for the lower amount within the range.

Acquisitions

Acquisitions that meet the definition of a business under ASC 805 '*Business combinations*' are accounted for using the acquisition method, whereby all of the assets acquired, liabilities assumed, contractual contingencies, and contingent consideration, when applicable, are recorded at fair value at the acquisition date. Any excess of the purchase price over the fair value of the net assets acquired is recorded as goodwill. For acquisitions that do not meet the definition of a business under ASC 805, we account for the transaction as an asset acquisition whereby the cost of the acquisition is allocated to the assets acquired and liabilities assumed and no goodwill is recognized.

Fair value measurements

We account for fair value measurements in accordance with the accounting standards guidance 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, which are calculated using a loss rate applied against an aging matrix.

Income taxes

Income taxes are based on a separate return basis. The guidance on "Income Taxes" prescribes a recognition threshold and measurement attributes for the recognition and measurement of a tax position taken or expected to be taken in a tax return. Penalties and interest, where applicable, related to uncertain tax positions are recognized in "Income taxes" in the unaudited condensed statements of operations.

Segment reporting

We conduct our operations through a single operating and reportable segment, the LNG carrier market. A segment is a distinguishable component of our operations that is engaged in business activities from which we earn revenues and incur expenses whose operating results are regularly reviewed by management.

Earnings per share

Basic earnings per share is computed based on the income available to common shareholders and the owner's weighted average number of shares outstanding. As of June 30, 2022, the basic and diluted EPS is determined as follows: Net income attributable to the owner of Cool Company Ltd. divided by the owners' outstanding common shares of 40,010,000.

d) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – PREDECESSOR PERIOD

The accounting policies applied for the Successor Period are consistent with those applied in the Predecessor Period with the exception of the following:

Vessels and equipment

The useful life applied for vessels in the Successor Period was revised to 30 years, based on management's current best estimates, as compared to 40 years for the Predecessor Period . The built-in overhaul method of accounting applies for the vessels that are newly built or acquired in the Predecessor Period whereas not applicable in the Successor Period.

The built-in overhaul method 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.

Earnings per share

Basic and diluted earnings per share for the Predecessor Period is determined as follows: Net income attributable to the owner of Cool Company Ltd. divided by the owner's outstanding common shares of 1,010,000.

3. RECENTLY ISSUED ACCOUNTING STANDARDS

Adoption of new accounting standards

In March 2020, the FASB issued ASU 2020-04 *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* and in January 2021 the FASB issued ASU 2021-01 *Reference Rate Reform (Topic 848): Scope*. These amendments provide temporary optional expedients and exception for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. We currently do not believe the use of optional expedients in ASU 2020-04 and ASU 2021-01 will have a significant impact on our unaudited condensed financial statements for the Successor Period, however we will continue to evaluate this until December 31, 2022.

In August 2020, the FASB issued ASU 2020-06 *Debt – Debt with Conversion and Other Options (Topic 470) and Derivatives and Hedging - Contracts in Entity's Own Equity (Topic 815)*. The amendments simplify the issuer's accounting for convertible instruments and its application of the equity classification guidance. The new guidance eliminates some of the existing models for assessing convertible instruments, which results in more instruments being recognized as a single unit of account on the balance sheet and expands disclosure requirements. The new guidance simplifies the assessment of contracts in an entity's own equity and existing EPS guidance in ASC 260. The adoption of ASU 2020-06 had no impact on our unaudited condensed financial statements for the Successor Period.

In May 2021, the FASB issued ASU 2021-04 *Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging —Contracts in Entity's Own Equity (Subtopic 815-40)*. We adopted this with effect from January 1, 2022. The adoption of ASU 2021-04 had no impact on our unaudited condensed financial statements for the Successor Period.

In July 2021, the FASB issued ASU 2021-05 *Leases (Topic 842) – Lessors – Certain Leases with Variable Lease Payments*. We adopted this with effect from January 1, 2022. We do not expect the adoption of ASU 2021-05 to have material impact on our unaudited condensed financial statements for the Successor Period.

Accounting pronouncements that have been issued but not yet adopted

The following table provides a brief description of other recent accounting standards that have been issued but not yet adopted:

Standard	Description	Date of Adoption	Effect on our unaudited condensed consolidated Financial Statements or Other Significant Matters for the Successor Period
ASU 2021-08 *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*	Requires contract assets and contract liabilities (i.e., deferred revenue) acquired in a business combination to be recognized and measured by the acquirer on the acquisition date in accordance with ASC 606. Generally, this new guidance will result in the acquirer recognizing contract assets and contract liabilities at the same amounts recorded by the acquiree (rather than having such amounts recognized by the acquirer at fair value in acquisition accounting, as has been historical practice).	January 1, 2023	No material impacts are currently expected as a result of the adoption of this ASU.
ASU 2022-03 *Fair Value Measurement (Topic 820) - Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*	This amendment is intended to reduce diversity in practice in the measurement of the fair value of equity securities subject to contractual sale restrictions. For entities that have investments in equity securities that are subject to contractual sale restrictions, the contractual restriction on the sale is not considered part of the unit of account of the equity security, is not considered when measuring fair value and additional disclosures are required. This amendment is required to be applied prospectively from date of adoption; early adoption is permitted.	January 1, 2024	No impact currently expected as a result of the adoption of this ASU.

4. STRUCTURE

Listed below are the significant entities included in the Successor and Predecessor period:

Name	Jurisdiction of Incorporation	Purpose	
		Successor	**Predecessor**
Golar Hull M2022 Corporation	Marshall Islands	Owns and operates *Golar Crystal*	Leases *Golar Crystal**
Golar LNG NB10 Corporation	Marshall Islands	Owns and operates *Golar Glacier*	Leases *Golar Glacier**
Golar Hull M2048 Corporation	Marshall Islands	Leases *Golar Ice**	Leases *Golar Ice**
Golar LNG NB11 Corporation	Marshall Islands	Leases *Golar Kelvin**	Leases *Golar Kelvin**
Golar Hull M2021 Corporation	Marshall Islands	Owns and operates *Golar Seal*	Leases *Golar Seal**
Golar Hull M2047 Corporation	Marshall Islands	Owns and operates *Golar Snow*	Leases *Golar Snow**
Golar Hull M2027 Corporation	Marshall Islands	Owns and operates *Golar Bear*	Leases *Golar Bear**
Golar LNG NB12 Corporation	Marshall Islands	Owns and operates *Golar Frost*	Owns and operates *Golar Frost*
The Cool Pool Limited	Marshall Islands	Commercial management company	Commercial management company
Cool Company Ltd.	Bermuda	Holding company	Holding company
Cool Company Management d.o.o. (formerly Golar Management d.o.o.)	Croatia	Vessel management company	Vessel management company
Cool Company Management AS (formerly Golar Management Norway AS)	Norway	Vessel management company	Vessel management company

* The above table excludes the lessor VIEs that we have leased vessels from under finance leases. The lessor VIEs are wholly-owned, special purpose vehicles ("SPVs") of financial institutions. While we do not hold any equity investments in these SPVs, we have concluded that we are the primary beneficiary of these lessor VIEs and accordingly have included these entities in our unaudited condensed financial statements. See note 5 for further details.

5. VARIABLE INTEREST ENTITIES ("VIEs")

Lessor VIEs

Following completion of the acquisition of all of the vessels under the Vessel SPA in April 2022, only the existing sale and leaseback arrangements secured by the *Golar Ice* and *Golar Kelvin* were assumed by us. As of June 30, 2022, we leased two vessels from lessor VIEs as part of sale and leaseback agreements with ICBC Finance Leasing Co. Ltd. ("ICBCL") entities. Each of the ICBCL entities are wholly-owned, special purpose vehicles ("Lessor SPVs").

As part of the original transactions that were entered into by Golar, the vessels were sold and then subsequently leased back on a bareboat charter for a term of seven to ten years. We have options to repurchase each vessel at fixed predetermined amounts during their respective charter periods and an obligation to repurchase each vessel at the end of each vessel's respective lease period.

The equity attributable to ICBCL in Lessor SPVs is included in non-controlling interests in our consolidated results. As of June 30, 2022, the *Golar Ice* and *Golar Kelvin* are reported under "Vessels and equipment, net" in our unaudited condensed consolidated balance sheet.

The following table gives a summary of the sale and leaseback arrangements, including repurchase options and obligations.

Vessel	Effective from	Lessor	Sales value (in $ millions)	Lease duration	First repurchase option (in $ millions)	Date of first repurchase option[(2)]	Net repurchase obligation at end of lease term (in $ millions)	End of lease term
Successor and Predecessor Period								
Golar Kelvin	January 2015	ICBCL	204.0	10 years	173.8	January 2020	71.0	January 2025
Golar Ice	February 2015	ICBCL	204.0	10 years	173.8	February 2020	71.0	January 2025
Predecessor Period								
Golar Snow [(1)]	January 2015	ICBCL	204.0	10 years	173.8	January 2020	116.2	April 2023
Golar Glacier [(1)]	October 2014	ICBCL	204.0	10 years	173.8	October 2019	113.4	April 2023
Golar Seal	March 2016	CCBFL	203.0	10 years	132.8	March 2018	63.4	March 2026
Golar Crystal	March 2017	COSCO	187.0	10 years	97.3	March 2020	50.0	March 2027
Golar Bear	June 2020	AVIC	160.0	7 years	100.7	June 2021	45.0	June 2027

(1) In June 2021, we entered into certain amendments to our ICBCL sale and leaseback facilities which includes (i) prepayment of $15.0 million for each sale and leaseback facility in July 2021; and (ii) brought forward our obligation to repurchase the *Golar Glacier* and *Golar Snow* to April 2023 from October 2024 and January 2025, respectively.

(2) For each of the sale and leaseback arrangements, we did not exercise the first repurchase options.

The assets and liabilities of the lessor VIEs that most significantly impact our unaudited condensed balance sheets as of June 30, 2022 and December 31, 2021, are shown below:

	Successor	Predecessor
(in thousands of $)	**June 30, 2022**	**December 31, 2021**
Assets:		
Restricted cash and short term deposits	14,630	42,706
Liabilities:		
Current portion of long term debt and short term debt (note 12)[(1)]	(135,000)	(327,683)
Long term interest bearing debt non current portion[(1)]	—	(248,693)
Other non current liabilities[(2)]	—	(11,500)
Total vessels and equipment, net	**(120,370)**	**(545,170)**

(1) Where applicable, these balances are net of deferred finance charges (note 16).

(2) Other non-current liabilities relates to dividend payable for lessor VIE of $11.5 million as of December 31, 2021. The sale and leaseback arrangements related to those lessor VIEs that were terminated as part of the Vessel SPA acquisition.

6. OTHER OPERATING INCOME

During the Predecessor Period for the six month periods ended June 30, 2022 and 2021, we received loss of hire insurance proceeds for the *Golar Ice* of $4.4 million and $2.8 million, respectively.

7. OTHER FINANCIAL ITEMS, NET

The following table sets forth other financial items for the six month periods ended June 30, 2022 and 2021:

	Successor (Consolidated)	**Predecessor (Combined Carve-out)**	**Predecessor (Combined Carve-out)**
	Phased period from January 27, 2022 to June 30, 2022	**Phased period from January 1, 2022 to June 30, 2022**	**2021**
(in thousands of $)			
Foreign exchange gain / (loss) on operations	105	(464)	(106)
Financing arrangement fees and other costs, net	(1,393)	1,102	(30)
Other	(71)	(16)	(67)
Other financial items, net	(1,359)	622	(203)

8. INCOME TAXES

Tax charge

The components of income tax expense for the six month periods ended June 30, 2022 and 2021 were as follows:

	Successor (Consolidated)	Predecessor (Combined Carve-out)	Predecessor (Combined Carve-out)
	Phased period from January 27, 2022 to June 30, 2022	Phased period from January 1, 2022 to June 30, 2022	2021
(in thousands of $)			
Current tax expense	—	366	139
Deferred tax expense	—	19	—
Total income tax expense	—	385	139

Jurisdictions open to examination

The earliest tax year that remains subject to examination by the major taxable jurisdictions in which we operate is 2017 (Norway).

9. INTANGIBLE ASSETS, NET

Intangible assets included in current assets relate to intangible assets arising from favorable time charter agreements following the completion of the Vessel SPA during 2022, and are as follows:

	Successor
(in thousands of $)	June 30, 2022
Cost	13,483
Less: Accumulated amortization	(5,230)
Net book value	8,253

As part of the acquisition of the eight LNG carriers pursuant to the Vessel SPA which was accounted for as an asset acquisition, we remeasured the below/above market fair value of the existing underlying time charter party (TCP) contracts that we acquired across the fleet that were included in the pooling arrangement at the respective acquisition dates. The favorable TCP contracts are included under intangible assets and unfavorable TCP contracts are included as liabilities. The net book value of favorable contract intangible assets, net of $8.3 million is included within "current assets". The fair value of the unfavorable contracts intangible liabilities of $27.6 million and $29.8 million are included within “other current liabilities” and "other non-current liabilities", respectively.

The favorable contract intangible assets have a remaining amortization period of approximately one year and the unfavorable contract liabilities have a remaining amortization period of approximately five years. All intangible assets and liabilities have been assigned a zero residual value. The amortization income for the six month period ended June 30, 2022 amounted to $7.1 million ($12.3 million amortization income of contract liabilities net of $5.2 million amortization expense of contract intangible assets). The net amortization income or expense is included in “Amortization of intangible assets and liabilities arising from charter agreements, net” in the condensed consolidated statements of operations. As of June 30, 2022, there was no impairment of intangible assets.

Intangible assets included under non-current assets as of June 30, 2022 are as follows:

	Successor
(in thousands of $)	**June 30, 2022**
Customer relationships	3,600
Assembled workforce	4,600
Intangible assets, net	**8,200**

As part of completion of the ManCo SPA, CoolCo entered into various agreements with Golar to purchase Golar's LNGC and FSRU management organization, pursuant to which CoolCo acquired four of Golar's wholly-owned subsidiaries: Cool Company Management Ltd., Cool Malaysia, Cool Croatia and Cool Norway, including employees of these entities and agreements to manage third parties' fleets of LNGCs and FSRUs. Upon acquisition on June 30, 2022, we identified "Assembled workforce" as one of the assets acquired in the asset acquisition and recognized it at fair value on the acquisition date. We also identified "Customer relationships" as one of the assets acquired in the asset acquisition and recognized it at fair value on the acquisition date, which is comprised of the management agreements that we acquired to provide commercial and technical vessel management for third party fleets of LNGCs and FSRUs.

10. OPERATING LEASES

Rental income

The components of operating lease income for the six months period ended June 30, 2022 and 2021 were as follows:

	Successor (Consolidated)	Predecessor (Combined Carve-out)	Predecessor (Combined Carve-out)
	Phased period from January 27, 2022 to June 30, 2022	**Phased period from January 1, 2022 to June 30, 2022**	**2021**
(in thousands of $)			
Operating lease income [1]	49,564	37,506	71,702
Variable lease income / (expense) [1] [2]	258	(217)	11,572
Total operating lease income	49,822	37,289	83,274

[1] "Total operating lease income" is included within "Time and voyage charter revenues". During the six months period ended June 30, 2021, we chartered in an external vessel and recognized operating lease income of $0.9 million and $2.6 million of variable lease income. No similar external vessel was chartered for the six months period ended June 30, 2022.

[2] "Variable lease income" is excluded from lease payments that comprise the minimum contractual future revenues from non-cancellable operating leases.

11. OTHER CURRENT ASSETS

(in thousands of $)	Successor June 30, 2022	Predecessor December 31, 2021
Prepaid expenses	1,630	715
Other receivables	1,577	689
Other current assets	**3,207**	**1,404**

12. VESSELS AND EQUIPMENT, NET

As of June 30, 2022 and December 31, 2021, our vessels and equipment, net consisted of the following:

(in thousands of $)	Successor June 30, 2022	Predecessor December 31, 2021
Vessels[1]	1,192,373	1,683,596
Office equipment and fittings	416	383
Less: Accumulated depreciation and amortization[2]	(15,297)	(300,302)
Total vessels and equipment, net	**1,177,492**	**1,383,677**

(1) Vessels includes the cost of dry-docking expenditure. As part of the asset acquisition of the eight LNGCs pursuant to the Vessel SPA, we revalued the vessels to fair value as of the respective acquisition dates. Fair value was determined in accordance with ASC 820, using a market approach, considering third party vessel valuations and comparable acquisition transactions.

(2) Depreciation and amortization charges during the Successor Period includes the impact of remeasurement to fair value of the LNGCs acquired pursuant to the Vessel SPA.

Depreciation and amortization expense during the Predecessor Period for the six month periods ended June 30, 2022 and 2021 amounted to $5.7 million and $21.7 million, respectively. Depreciation during the Successor Period for the six month period ended June 30, 2022 amounted to $15.0 million.

Capitalized drydocking costs of $13.0 million are included within vessel cost as of June 30, 2022 which will be depreciated until the next expected drydocking for each respective vessel.

13. DEBT

As of June 30, 2022 and December 31, 2021, our long-term and short-term debt were as follows:

	Successor	Predecessor
(in thousands of $)	June 30, 2022	December 31, 2021
Total long-term and short-term debt [(1)]	688,877	630,823
Less: current portion of long-term debt and short-term debt[(1)]	(173,148)	(338,501)
Long-term debt[(1)]	515,729	292,322

At June 30, 2022, our debt is broken down further as follows:

	Successor		
(in thousands of $)	CoolCo debt	VIE Debt[(2)]	Total
Current portion of long-term debt and short-term debt [(1)]	38,148	135,000	173,148
Long-term debt [(1)]	515,729	—	515,729
Total[(1)]	553,877	135,000	688,877

[(1)] The amounts presented in the table above, are net of the deferred charges amounting to $6.3 million and $1.6 million as of June 30, 2022 and December 31, 2021, respectively.

[(2)] This amount relates to the lessor VIEs (for which legal ownership resides with a financial institution) that we are required to consolidate under U.S. GAAP (see note 5).

Senior sustainability term loan facility

On February 17, 2022, we entered into a senior sustainability term loan facility of up to $570.0 million (the "$570 million bank facility") with a maturity date of March 2027 and an initial interest rate of the Secured Overnight Financing Rate plus 275 basis points with a syndicate of banks, which CoolCo drew-down contemporaneously with the acquisition of the Golar subsidiaries owning the vessels. From January 1, 2023, the margin will decrease to 270 basis points if specified sustainability performance targets with respect to vessel efficiency ratios are met, or increase to 280 basis points if such targets are not met. Such targets reduce each year from 2022 to 2026. As of June 30, 2022, the balance outstanding under the $570 million bank facility amounted to $560.1 million.

As of June 30, 2022, we were in compliance with all covenants under our existing debt and lease agreements.

14. OTHER CURRENT LIABILITIES

Other current liabilities as of June 30, 2022 and December 31, 2021 are as follows:

	Successor	Predecessor
(in thousands of $)	June 30, 2022	December 31, 2021
Deferred operating lease and charter hire revenue	12,628	10,691
Unfavorable contract intangibles (note 9)	27,590	—
Current portion of operating lease liability	515	762
Debt guarantee liability (note 16)	1,043	—
Other payables [(1)]	5,384	4,943
Other current liabilities	**47,160**	**16,396**

(1) Included in “Other Payables” is an amount payable to Hygo Energy Transition Ltd. (“Hygo”) as a result of the participation of its vessels in the Cool Pool of $4.2 million as of June 30, 2022 (December 31, 2021: $4.8 million). Following Golar's sale of Hygo in April 2021, Hygo and its affiliates ceased to be related parties.

15. OTHER NON-CURRENT LIABILITIES

As of June 30, 2022 and December 31, 2021, our other non-current liabilities were as follows:

	Successor	Predecessor
(in thousands of $)	June 30, 2022	December 31, 2021
Unfavorable contract intangibles (note 9)	29,794	—
Non-current portion of operating lease liability	148	2,178
Lessor VIE dividend payable	—	11,500
Others	1,214	—
Other non-current liabilities	**31,156**	**13,678**

16. 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 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 counterparties.

Foreign currency risk

The majority of our vessels' gross earnings are receivable in U.S. dollars. The majority of our transactions, assets and liabilities are denominated in U.S. dollars, our functional currency. However, we incur certain expenditure in other currencies, primarily Norwegian Kroner and the Croatian Kuna. There is a risk that currency fluctuations will have a negative effect on the value of our cash flows.

Fair values of financial instruments

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.

There have been no transfers between different levels in the fair value hierarchy during the six months period ended June 30, 2022 .

The carrying value and estimated fair value of our financial instruments as of June 30, 2022 and December 31, 2021 are as follows:

		Successor		Predecessor	
		June 30, 2022		December 31, 2021	
(in thousands of $)	Fair value hierarchy	Carrying value	Fair value	Carrying value	Fair value
Non-derivatives:					
Cash and cash equivalents(1)	Level 1	77,272	77,272	33,811	33,811
Restricted cash and short-term deposits	Level 1	14,630	14,630	44,091	44,091
Trade accounts receivable(2)	Level 1	3,169	3,169	767	767
Trade accounts payable(2)	Level 1	(3,032)	(3,032)	(2,441)	(2,441)
Current portion of long-term debt and short-term debt (3) (4)	Level 2	(174,484)	(174,484)	(338,988)	(338,988)
Long-term debt (4)	Level 2	(520,645)	(520,645)	(293,430)	(293,430)

(1) The carrying value of cash and cash equivalents, which are highly liquid, is a reasonable estimate of fair value.

(2) The carrying values of trade accounts receivable and trade accounts payable approximate fair values because of the near term maturity of these instruments

(3) The carrying amounts of our short-term debt approximate their fair values because of the near term maturity of these instruments.

(4) Our debt obligations are recorded at amortized cost in the unaudited condensed consolidated and combined carve-out balance sheets, respectively. The amounts presented in the table above, are gross of the deferred charges amounting to $6.3 million and $1.6 million as of June 30, 2022 and December 31, 2021, respectively.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

- The carrying value of restricted cash and short-term deposits is considered to be equal to the estimated fair value because of their near term maturity and
- The estimated fair value for floating long-term debt is considered to be equal to the carrying value since they bear variable interest rates, which are adjusted on a quarterly basis. The fair value measurement of a liability must reflect the non-performance of the entity.

There is a concentration of credit risk with respect to cash and cash equivalents and restricted cash to the extent that substantially all of the amounts are deposited with Nordea Bank of Finland PLC and Citibank. However, we believe this risk is remote, as they are established and reputable establishments with no prior history of default.

17. RELATED PARTY TRANSACTIONS

Transactions with related parties:

The following table sets forth transactions with related parties for the six month periods ended June 30, 2022 and 2021:

	Successor (Consolidated)	Predecessor (Combined Carve-out)	Predecessor (Combined Carve-out)
	Phased period from January 27, 2022 to June 30, 2022	Phased period from January 1, 2022 to June 30, 2022	2021
(in thousands of $)			
Ship management fee revenue (a)	—	1,342	2,740
Ship management and administrative services expense (a)	(1,367)	(730)	(2,591)
Egyptian Company for Gas Services (“ECGS”) (b)	—	—	1,482
Debt guarantee compensation (c)	(279)	—	—
Total	**(1,646)**	**612**	**1,631**

Amounts due to related parties:

As of June 30, 2022 and December 31, 2021, balances with related parties consisted of the following:

	Successor	Predecessor
(in thousands of $)	June 30, 2022	December 31, 2021
Balances due to Golar and its subsidiaries (d)	3,192	1,021
Balances due to QPSL and its affiliates (e)	2,888	—
	6,080	**1,021**

(a) *Ship management fees revenue and administrative services expense* - Golar through its subsidiary, Golar Management Ltd. ("Golar Management"), charged ship management fees for the provision of technical and commercial management of the vessels. Each of our vessels is subject to management agreements pursuant to which certain commercial and technical management services were provided by Golar. This provision of technical and commercial management services includes management of four vessels currently owned by QPSL. On June 30, 2022, upon completion of the ManCo SPA, the ship management agreements were acquired by the Company.

In addition, Golar Management and Golar Management (Bermuda) Ltd., entered into the CoolCo Transition Services Agreement ("TSA") pursuant to which Golar provided corporate administrative services to CoolCo. On June 30, 2022, upon completion of the CoolCo Disposal, the CoolCo TSA was replaced by the CoolCo Administrative Services Agreement ("ASA"), for the provision of IT, accounting, treasury, finance operations and other corporate overhead functions.

(b) *ECGS* - We chartered *Golar Ice* to ECGS, an affiliate of Golar's during the six months period ended June 30, 2021.

(c) *Debt guarantee compensation* – Golar agreed to remain as the guarantor of the payment obligations of two of the acquired subsidiaries' debt relating to two LNG carriers, *Golar Ice and Golar Kelvin*, in exchange for a guarantee fee of 0.5% on the outstanding principal balances, which as of June 30, 2022 was $226.9 million. The compensation amounted to $0.3 million for the six months pended June 30, 2022.

(d) *Balances due to Golar and its subsidiaries* - Receivables and payables with Golar and its subsidiaries are comprised primarily of unpaid management fees, advisory and administrative services. In addition, certain receivables and payables arise when Golar pays an invoice on our behalf. Receivables and payables are generally settled quarterly in arrears. Balances owing from Golar and its subsidiaries are unsecured, interest-free and intended to be settled in the ordinary course of business.

(e) *Balances due to QPSL and its subsidiaries* - Receivables and payables with QPSL and its subsidiaries are comprised primarily of management fees advances received for managing their vessels. We assumed these balances upon conclusion of the acquisition of the LNG carrier and FSRU management organization on June 30, 2022.

18. OTHER COMMITMENTS AND CONTINGENCIES

Security interest

With effect from April 15, 2021, a financial institution held a second priority security interest on the *Golar Frost*. This security interest was released in March 2022, which was related to a legacy Golar claim that was subsequently settled by Golar during April 2022.

19. BASIC AND DILUTED EARNINGS PER SHARE

The following table shows the Company's earnings per share on the number of shares issued and outstanding as of June 30, 2022 and December 31, 2021:

	Successor (Consolidated)	Predecessor (Combined Carve-out)	Predecessor (Combined Carve-out)
	Phased period from January 27, 2022 to June 30, 2022	Phased period from January 1, 2022 to June 30, 2022	2021
(in thousands of $, except number of shares and per share data)			
Net income attributable to Owners of Cool Company Ltd.	16,848	15,038	5,072
Number of shares outstanding	40,010,000	1,010,000	1,010,000
Basic and diluted earnings per share	$ 0.42	$ 14.89	$ 5.02

20. SUBSEQUENT EVENTS

Organizational changes

On July 1, 2022, Mr. Richard Tyrell assumed position as Chief Executive Officer (CEO), replacing interim CEO Mr. Karl Fredrik Staubo.

Operational Updates

In August 2022, one of our vessels entered the spot market and secured a twelve-month charter rate at around $140,000 per day commencing early September 2022.

Interest Rate Swaps

During July and September 2022, CoolCo entered into a number of interest rate swap agreements with various financial institutions that converts floating rate interest obligations under the $570 million bank facility to fixed rates. Currently, a nominal amount of $383.1 million of the interest exposure for the $570 million bank facility has been hedged at an average fixed rate of 3.13%. The swap agreements have a forward start date in October 2022, maturing in February 2027, and follow the amortization profile of the $570 million bank facility.