



Interim Results For The Six Months Period Ended June 30, 2022

Cool Company Ltd. ("CoolCo" or "the Company") interim results for the first half of 2022 ("1H 2022") include consolidated successor period and combined predecessor period results which on an aggregate basis represent the first half results, and should not be interpreted as individual quarterly results.

Highlights and subsequent events

- CoolCo generated aggregate operating income of \$53.4 million and net income of \$40.9 million for 1H, of which \$27.7 million and \$23.2 million respectively relates to predecessor period operations.
- Achieved average Daily Time Charter Equivalent Earnings ("TCE")¹ of \$59,100 per day during 1H, comfortably exceeding the all-in cash breakeven for the fleet of around \$50,000 per day.
- Cash and cash equivalents of \$77.3 million and Contractual Debt¹ of \$787.0 million as of June 30, 2022.
- Generated Adjusted EBITDA¹ of \$67.0 million for 1H.
- Raised \$275 million in an upsized private placement on January 27, 2022 and listed on the Euronext Growth Oslo market on February 22, 2022.
- Appointed dedicated management team in March 2022.
- Acquisition of all eight Tri-Fuel Diesel Electric ("TFDE") vessels together with The Cool Pool Limited completed by early April 2022.
- Fixed a LNG carrier on a 12-month charter at \$120k per day commencing April 2022.
- Acquired management organization responsible for the technical and commercial management of LNG carriers and the provision of such services to third parties on June 30, 2022, concluding the formation of CoolCo.
- During August 2022, we fixed another 12-month charter agreement at around \$140,000 per day commencing early September 2022.

Financial Results Overview

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 LNG Limited ("Golar") was completed in a phased process. It commenced with the funding of CoolCo on January 27, 2022 and concluded with the acquisition of the LNG carrier and FSRU management organization on June 30, 2022. Results for the six months commencing January 1, 2022 and ending June 30, 2022 have therefore been split between the period prior to the funding of CoolCo and various staggered acquisitions (the "Predecessor" period) and subsequent to the various staggered acquisitions of such vessels and management entities (together the "Successor" period).

The commentary below is based on financial information for the aggregate of the Predecessor and Successor reporting periods, otherwise reflected as 1H 2022. CoolCo reports operating income of \$53.4 million, net income of \$40.9 million and Adjusted EBITDA¹ of \$67.0 million for 1H 2022.

Financial Summary

The table below sets forth certain key financial information for 1H 2022, split between Successor and Predecessor periods.

<i>(in thousands of \$, except TCE)</i>	Successor	Predecessor	1H 2022
Total operating revenues	56,892	43,851	100,743
Operating income	25,631	27,728	53,359
Net income	17,659	23,244	40,903
Adjusted EBITDA ¹	33,527	33,473	67,000
Average daily TCE ¹ (to the closest \$100)	60,500	57,100	59,100

1H 2022 Time and voyage charter revenues net of Voyage, charter hire and commission expenses amounted to \$85.5 million, of which \$49.5 million and \$36.1 million related to Successor and Predecessor period operations, respectively, resulting in a 1H 2022 average daily TCE¹ of \$59,100 per day with utilization for the period at 98%.

CoolCo recognized vessel and other management fee revenue of \$6.6 million for the Predecessor period in respect of management services provided to 21 third-party owned LNG Carriers and FSRUs .

1H 2022 vessel operating expenses were \$21.4 million, of which Predecessor period operations incurred \$8.1 million net of \$2.3 million insurance claim proceeds specific to a Hull and Machinery claim related to *Ice*, resulting in lower than average daily operating cost for our TFDE vessels of approximately \$15,000 per day.

Administrative expenses for 1H 2022 totaled \$8.1 million consisting of a combination of third-party vessel management expenses and corporate overheads.

CoolCo's depreciation policy for the eight TFDE vessels, based on management's current best estimates, is to adopt a useful life expectancy of 30 years which is lower than that adopted during the Predecessor period and by most publicly listed industry peers. As a result, depreciation amounts in Successor and Predecessor periods are not comparable.

Interest expense of \$11.4 million includes \$6.7m for the Successor period related to interest on the sustainable-linked six-vessel \$570 million bank financing facility and variable interest entities ("VIEs") debt from the sale and leaseback facilities, together with amortization of debt related transactions costs and guarantee fees.

Other financial items of \$0.7 million for 1H 2022 includes commitment fees and other financial charges.

Net income attributable to non-controlling interests of \$0.8 million during the successor period relates to our two consolidated lessor VIEs entities (*Ice* and *Kelvin*).

Our cash and cash equivalents balances were \$77.3 million as of June 30, 2022, excluding restricted cash for VIEs related to sale and leaseback facilities in respect of *Ice* and *Kelvin*.

Operational Review

CoolCo's fleet of eight TFDE vessels have performed well with no technical off-hire recorded. 1H 2022 fleet utilization was 98%.

In February 2022, *Frost* commenced her previously announced 5-year charter. In April 2022, a 12-month charter commenced at a rate of around \$120k per day, 20% higher than the prior charter agreed within the last 12 months for our fleet (in October 2021) and twice the rate the vessel earned on its prior 12-month charter. In June 2022, one of our vessels entered the spot market where she continued to trade over the summer months. The vessel subsequently secured a highly attractive 12-month charter rate at around \$140,000 per day commencing early September 2022. Another vessel will conclude her 12-month charter in October 2022, positioning her well to secure attractive new business ahead of the winter months. No dry docks are scheduled for 2022 with the next vessel (*Seal*) is scheduled to dock no later than September 2023.

Financing and Liquidity

As of June 30, 2022, CoolCo had cash and cash equivalents of \$77.3 million and total short and long-term debt of \$688.9 million. The outstanding Contractual Debt¹ in respect of the six vessel bank financing facility (the "\$570 million bank facility"), maturing in March 2027, amounted to \$560.1 million and in respect of the two sale and leaseback facilities (*Ice* and *Kelvin*), maturing in January 2025, amounted to \$226.9 million. Total CoolCo Contractual Debt¹ stood at \$787.0 million.

Revenue backlog¹ from shipping fixtures to date amounts to \$351 million as at June 30, 2022 with around 86% based on fixed and floating rate charters and 14% in optional backlog.

Corporate and Other Matters

As at June 30, 2022, CoolCo had 40,010,000 shares issued and outstanding. Of these, 16,000,817 were owned by EPS Ventures Ltd., 12,510,000 were owned by Golar LNG Limited and 11,499,183 were publicly owned.

LNG Market Review

The year commenced with the Japan/Korea Marker gas price ("JKM") at \$30.50/MMBtu, the Dutch Title Transfer Facility gas price ("TTF") at \$23.47/MMBtu and quoted TFDE headline spot rates of \$91,000 per day. By mid-January TTF exceeded JKM with the TTF premium to JKM attributable to Russian restrictions on spot purchased gas flows to Europe. Ships lifting destination flexible US and African cargoes originally bound for Asia were re-routed to Europe in response, reducing journey times for those cargoes by around two thirds, freeing up vessels and putting downward pressure on spot shipping rates. By mid-February the market had softened to the point that some sub-lessors were electing to keep their vessels open rather than charter them out with negative round-trip economics.

The outbreak of war on February 24, 2022 further worsened LNG price differentials with TTF briefly exceeding \$70/MMBtu whilst JKM traded at around \$50/MMBtu, pulling more vessels into Europe and adding further downward pressure to ton miles. Securing LNG, regasification capacity, and vessels to deliver that LNG quickly became the priority of European end users under pressure to reduce their dependence on Russian piped gas. Prompt and time charter vessel availability began to diminish and rates improved as a bullish sentiment returned to the market. CoolCo took this opportunity to fix *Seal* on a 12-month charter at \$120,000 per day, up from quoted rates in the sub-\$80k per day region for similar business a few weeks earlier. In addition to

charterers no longer willing to risk security of supply, two other factors emerged in support of improved shipping rates. As more US cargoes headed for Europe, congestion at the fully utilized European receiving terminals began to increase. Although ton miles had fallen, ton-time was increasing. Secondly, higher gas prices further bifurcated the market between newer more efficient vessels and older less efficient steam vessels that use/lose more LNG. The hire rate differential attributable to these efficiencies nearly doubled, benefiting TFDE vessels which were amongst the more efficient vessels available at the time.

Over subsequent months, declining vessel availability continued to push rates higher in a counter-seasonal rally with TFDE spot rates reaching \$100k per day in early June, whilst 12-month rates held steady at around \$120k per day. An explosion at Freeport LNG in the US on June 8, 2022 and the consequent temporary loss of 15 million tons of LNG capacity released the vessels serving this facility into the short-term market. TFDE spot rates dropped by close to 30% the following week. Incremental volumes from the start up and ramp up of operations at Calcasieu Pass and Coral FLNG in Mozambique will not come close to replacing the volumes lost from Freeport. Spot rates continued to fall as a result, with TFDE rates dropping to \$50k per day by June 30. The fall in 12-month rates was more muted and rates remained well above \$100k per day, indicating unchanged market expectations of tight shipping supply over the winter when Freeport is expected to begin ramping up again.

Outlook

With very little tonnage on offer by independent owners, no uncommitted vessels scheduled for delivery for the rest of the year and charterers prioritizing shipping coverage, we expect that the market will quickly tighten when Freeport returns to service and relets are pulled back ahead of winter. We are seeing early signs of this today with TFDE spot rates recovering to around \$70k per day and 12-month TFDE rates approaching twice the spot rate. Into 2023, around 38 vessels are scheduled to deliver, only three of which are uncommitted. A new environmental regulatory regime which will impede the operations of older, less efficient steam vessels that collectively make up over 30% of the global LNG fleet will also come into force. This will most likely cut the speed of these steam ships, especially in periods of high demand such as winters, effectively adding ton miles.

At almost 40% of the on the water fleet, the order book looks sizeable however it remains insufficient to replace aging steam vessels and ship the next wave of volumes scheduled to start delivery in late 2024. Newbuild prices are now reaching \$250 million and it is increasingly difficult to secure a 2026 delivery slot. Cost uncertainties mean that shipyards are reluctant to take orders for vessels that would deliver after 2026. Meanwhile, record high LNG prices set the scene for the most bullish environment for new LNG projects in a decade. Europe's urgent need to pivot away from unreliable Russian piped gas and its decision to include gas in the EU Taxonomy of green fuels is giving energy companies and utilities the confidence to enter into long term offtake agreements that will underpin these projects. These projects will generate a steady stream of new LNG volumes to be shipped over the decades ahead and CoolCo expects its vessels to be well positioned to connect this cleaner, more secure energy with demand.

¹ Refer to 'Appendix A' - Non-GAAP financial measures and definitions'.

FORWARD LOOKING STATEMENTS

This press release contains forward-looking statements which reflect management's current expectations, estimates and projections about its operations. All statements, other than statements of historical facts, that address activities and events that will, should, could or may occur in the future are forward-looking statements. Words such as "believe," "anticipate," "intend," "estimate," "forecast," "project," "plan," "potential," "will," "may," "should," "expect," "could," "would," "predict," "propose," "continue," or the negative of these terms and similar expressions are intended to identify such forward-looking statements. These statements include statements relating to outlook, expected results and performance, expected industry and business trends including expected trends in LNG demand, LNG vessel supply and demand, backlog, charter and spot rates, contracting, utilization, LNG vessel newbuild order-book, regulation other non-historical matters. The preliminary nature of our condensed interim consolidated financial statements subjects them to independent review which may impact the condensed interim consolidated financial statements included in this release. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, some of which are beyond our control and are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. You should not place undue reliance on these forward-looking statements, which speak only as of the date of this press release. Unless legally required, Cool Company Ltd. undertakes no obligation to update publicly any forward-looking statements whether as a result of new information, future events or otherwise. Among the important factors that could cause actual results to differ materially from those in the forward-looking statements are:

- general economic, political and business conditions including sanctions and other measures;
- general LNG market conditions, including fluctuations in charter hire rates and vessel values;
- changes in demand in the LNG shipping industry, including the market for our vessels;
- changes in the supply of LNG vessels;
- our ability to successfully employ our vessels;
- changes in our operating expenses and volatility of supply and maintenance costs, including fuel or cooling down prices and lay-up costs when vessels are not on charter, drydocking and insurance costs;
- any potential risk in connection with the independent review of our condensed interim consolidated financial statements;
- compliance with, our liabilities under, and changes in governmental, tax environmental and safety laws and regulations;
- potential disruption of shipping routes and demand due to accidents, piracy or political events;
- vessel breakdowns and instances of loss of hire;
- vessel underperformance and related warranty claims;

- our ability to procure or have access to financing and refinancing;
- our continued borrowing availability under our credit facilities and compliance with the financial covenants therein;
- fluctuations in foreign currency exchange and interest rates;
- the continuing impact of the COVID-19 pandemic;
- our limited operating history under the CoolCo name; and
- other factors that may affect our financial condition, liquidity and results of operations.

Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this press release. The results, events and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

As a result, you are cautioned not to rely on any forward-looking statements. Actual results may differ materially from those expressed or implied by such forward-looking statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise unless required by law.

Responsibility Statement

We confirm that, to the best of our knowledge, the interim condensed consolidated financial statements for the first half year of 2022, which have been prepared in accordance with accounting principles generally accepted in the United States (US GAAP) give a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations. To the best of our knowledge, the interim report for the first half year of 2022 includes a fair review of important events that have occurred during the period and their impact on the interim condensed consolidated financial statements, the principal risks and uncertainties for the remaining half of 2022, and major related party transactions.

September 1, 2022

Cool Company Ltd.

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This information is subject to the disclosure requirements pursuant to Section 5-12 the Norwegian Securities Trading Act

Attachment

- [Cool Company 1H 2022 \(Press Release\) FINAL](#)



Source: Cool Company Ltd.