



## Avance Gas Holding Ltd Reports Unaudited Results for the Third Quarter of 2019

BERMUDA, 26 November 2019 – Avance Gas Holding Ltd (OSE: AVANCE) today reported unaudited results for the third quarter 2019.

### HIGHLIGHTS

- The average time charter equivalent (TCE) rate calculated on a discharge-to-discharge basis was \$44,295/day, up from \$34,520/day in Q2 2019
- On the basis of IFRS 15 accounting standard the TCE was \$42,700/day, up from \$32,275/day in Q2 2019.
- TCE on a discharge to discharge basis adjusted for waiting days was \$45,902/day
- Daily operating expenses (OPEX) were \$8,089/day, compared to \$8,214/day in Q2 2019
- A&G expenses were \$1,003/day, down from \$1,220/day in Q2 2019
- Avance Gas has in November repaid the \$35 million top up tranche, removing the related restricting covenants. At the date of this report, the company held \$65 million in cash.
- Agreed to acquire one additional exhaust gas cleaning system. The total number on order is six scrubbers and installment will be completed in Q1 2020.
- Extension of the time charter contract for Mistral until December 2021, at a TCE rate of \$1.2 million per month
- Approx. 88% of Q4 ship days have been fixed at an average rate exceeding \$50,000/day.

In US\$ thousands (unless stated otherwise)	Three months ended	Three months ended
	30 September 2019	30 June 2019
<b>Income statement:</b>		
TCE earnings	54,272	40,440
TCE per day (\$)	42,700	32,275
Operating profit before depreciation expense	42,561	28,422
Net profit	24,685	9,835
Net profit per share (diluted) (\$)	0.39	0.15
<b>Balance sheet:</b>		
	30 September 2019	30 June 2019
Total assets	893,496	877,860
Total liabilities	521,973	528,758
Cash and cash equivalents	83,625	66,962
Total shareholders' equity	371,523	349,102
<b>Cash flows:</b>		
	30 September 2019	30 June 2019
Net cash from operating activities	32,225	460
Net cash used in investing activities	(4,397)	5
Net cash (used in) provided by financing activities	(11,000)	1,235
Net increase in cash and cash equivalents	16,663	1,799

The freight markets remained firm in Q3 as the US LPG exports continued to grow, while the fleet growth continued at modest levels.

US Gulf and USEC VLGC exports were 8.5 million tons in Q3 2019, up from 8.3 million tons in Q2 2019 and 7.0 million in Q3 2018. Supported by strong production and record high inventory levels, the healthy US LPG export continued throughout the quarter. The Mariner East II pipeline to Markus Hook has added significant volumes, with exports averaging 10 cargoes per month since March 2019. US Gulf and USEC VLGC monthly exports totaled an average of 59 cargoes in Q3, compared to 62 and 51 monthly cargoes in Q2 and Q1 2019, respectively.

Middle East LPG exports in Q3 2019 were 8.2 million tons, up from 7.9 million tons in Q2 2019 and 7.8 million in Q1 2019. We have seen temporary disruptions related to oil tanker and refinery attacks in the area and we have seen lower Iranian export volumes compared to last quarter. Average monthly cargoes exported in Q3 was 62, up from 61 in Q2 but down from the average of 64 cargoes per month in 2018.

Per October, the global fleet totaled approx. 280 ships, with an orderbook totaling 37 ships (13.2%), of which three ships are due for delivery in Q4 2019 and 21 ships are due for delivery in 2020. As expected we have seen efficiency disruptions relating to scrubber retrofits as well as fuel tank preparations ahead of the IMO 2020 emission rules in taking effect in January 2020.

### Freight Rates 2018-2019 US\$ pr. ton



(Source: Clarksons, Poten, Fearnleys)

## FINANCIAL AND OPERATIONAL REVIEW

Avance Gas reported TCE earnings of \$54.3 million, up from \$40.4 million in Q2, reflecting the significantly improved freight market.

Operating expenses were \$10.4 million, down 0.1 million from Q2. This represents an average of \$8,090/day and \$8,214/day, respectively.

Administrative and general expenses for the quarter were \$1.3 million, down by 0.3 million from Q2, representing an average per ship of \$1,003/day for Q3 and \$1,220/day in Q2.

Non-operating expenses, consisting mainly of financial expenses, were \$7.2 million, compared with \$8.4 million in Q2, largely reflecting expensed debt issuance cost related to previous outstanding debt in Q2.

Avance Gas reported a net profit of \$24.7 million in Q3, or \$0.39 per share, compared with a net profit of \$9.8 million, or \$0.15 per share, in Q2.

Avance Gas' total assets amounted to \$893.5 million at 30 September 2019, compared with \$877.9 million at 30 June 2019. Total shareholders' equity was \$371.5 million at quarter-end, corresponding to an equity ratio of 41.6%. This compared with total shareholders' equity of \$349.1 million and an equity ratio of 39.8% at the end of Q2.

Cash and cash equivalents were \$83.7 million at 30 September 2019. The increase from \$67.0 million at 30 June 2019 reflected higher freight rates and timing of freight payments. Total interest-bearing debt was \$504.0 million, compared with \$515 million at 30 June 2019.

Cash flow from operating activities was positive \$32.2 million, compared with \$0.5 million in Q2 2019, reflecting higher freight rates and timing of freight payment. Net cash flow used in investing activities was \$4.4 million compared with \$5 thousand in Q2 2019. Net cash flow used in financing activities was \$11 million representing scheduled debt repayments. Following a repayment of the \$35 million top up tranche in November, the available liquidity at the date of this report was \$65 million.

## FLEET AND EMPLOYMENT OVERVIEW

The majority of the Avance Gas fleet is trading in the spot market. In line with the activity levels, the majority of our spot market exposure is in the US freight market. Following the extension in November, *Mistral* is trading on a time charter contract expiring in December 2021, at \$1,200,000 per calendar month.

Avance Gas recorded 1,271 operating days in Q3 2019, compared to 1,253 operating days in Q2 2019. The fleet recorded 17 offhire days, relating to minor repairs to the fleet.

Waiting days which are included in operating days, totaled 45 for the fleet in Q3, or 1.0 waiting day per month per ship, giving Avance Gas a fleet utilization during the quarter of 96.5%, compared to 97.9% in Q2.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

In the face of growing concern for climate change and the rollout of new regulations related to Environmental, Social and Governance (ESG) issues, the shipping industry is experiencing increased demand for information on companies' ESG profile.

Avance Gas has completed a comprehensive analysis and established reporting standards and policies based on the principles set out in the *Poseidon Principles*, *Sustainability Accounting Standards Board (SASB)*, *Greenhouse Gas Protocol*, and *UN Global Compact*. The report, which comprises of the relevant ESG reporting elements for 2018, is published on our website and updated regularly.

### IMO 2020

The company has agreed with Feen Marine Systems Inc (FMSI) to purchase one additional exhaust cleaning system (scrubber), bringing the total to six units. The project cost will be in line with the other scrubbers previously ordered and is expected to be completed in Q1 2020, in conjunction with completion of special survey for the ships.

### OUTLOOK

On the back of continued strong US LPG exports and fleet efficiency disruptions, we have seen the strong freight market continue into the fourth quarter. Although we enter into the seasonally weaker period during Q4/Q1, we see a maintained strong momentum.

Preliminary export numbers for October show a reduction in Middle East volumes, predominantly from Qatar, Kuwait and Iran. We expect seasonally lower Middle Eastern volumes going into winter, with refinery maintenance and higher domestic consumption in the region. This may be further impacted by the ongoing tension in the region. As Asian demand continues to grow these additional tons are expected to be sourced from the US, as well as Canada, West Africa and Australia.

US LPG production has continued to grow significantly, and as domestic demand has remained flat, both inventories and exports have grown. The latest EIA production forecasts show a continued strong LPG production and with marginal domestic demand growth, the LPG available for exports is increasing rapidly. High inventory levels indicates that we may see lower impact from seasonal factors in Q1 2020 than normal.

The continued expansion in US terminal capacity and onshore infrastructure will support growth in export volumes. Enterprise Product Partners will during the next 12 months on aggregate expand its terminal capacity in Houston by estimated 23 cargoes per month, near doubling their existing capacity. Terminal expansions from Targa, Energy Transfer Partners and Phillips 66 are also on the way, further boosting export potential. LPG exports as a share of production is approaching 50%, which is expected to put pressure on domestic US LPG prices, enabling further export.

Following the repayment of the \$35 million top up tranche under our credit facilities in November, we have reduced our debt level by 7%, thereby improved our cash break even rate and removed the limitations on dividends and investments. With the significant cash flow generation expected, we are free to balance the allocation of free cash flow between dividends, new investments and further strengthening of our balance sheet.

## PRESENTATION AND WEBCAST

Avance Gas will host an audio webcast and conference call to discuss the company's results for the period ended 30 September 2019 on Tuesday, 26 November 2019, at 15:00 CET. There will be a Q&A session following the presentation.

The presentation and webcast will be hosted by:

- Mr. Ulrik Andersen - CEO
- Mr. Peder C. G. Simonsen – CFO

The presentation will also be available via audio webcast, which can be accessed at Avance Gas' website [www.avancegas.com](http://www.avancegas.com). Dial in details are +44 (0)2071 928 000 (UK and International), +1 631-510-7495 (US) or +47 23 96 02 64 (Norway). Please quote the passcode: 8359635. Phone lines will open 10 minutes before the conference call.

For further queries, please contact:

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## FORWARD-LOOKING STATEMENTS

Matters discussed in this announcement may constitute forward-looking statements. Forward-looking statements are statements that are not historical facts and may be identified by words such as “anticipate”, “believe”, “continue”, “estimate”, “expect”, “intends”, “may”, “should”, “will” and similar expressions. The forward-looking statements in this release are based upon various assumptions, many of which are based, in turn, upon further assumptions. Although Avance Gas believes that these assumptions were reasonable when made, these assumptions are inherently subject to significant known and unknown risks, uncertainties, contingencies and other important factors which are difficult or impossible to predict and are beyond its control. Such risks, uncertainties, contingencies and other important factors could cause actual events to differ materially from the expectations expressed or implied in this release by such forward-looking statements.

The information, opinions and forward-looking statements contained in this announcement speak only as at its date and are subject to change without notice. This information is subject to disclosure requirements pursuant to Section 5-12 of the Norwegian Securities Trading Act.

AVANCE GAS HOLDING LTD  
CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT  
(UNAUDITED)

	For the three months ended		For the nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	(in thousands except earnings per share)			
<b>Operating revenue</b>	\$ 70,890	\$ 36,000	\$ 160,098	\$ 87,654
Voyage expenses	(16,618)	(16,934)	(51,568)	(44,858)
Operating expenses	(10,419)	(9,604)	(30,903)	(29,088)
Administrative and general expenses	<u>(1,292)</u>	<u>(1,276)</u>	<u>(3,989)</u>	<u>(3,694)</u>
<b>Operating profit before depreciation expense</b>	42,561	8,186	73,638	10,014
Depreciation and amortization expenses	<u>(10,636)</u>	<u>(10,021)</u>	<u>(31,492)</u>	<u>(30,069)</u>
<b>Operating profit (loss)</b>	31,925	(1,835)	42,146	(20,055)
<b>Non-operating (expenses) income:</b>				
Finance expense	(7,251)	(7,048)	(23,104)	(20,628)
Finance income	11	4	95	234
Foreign currency exchange gain (loss)	<u>-</u>	<u>7</u>	<u>(1)</u>	<u>1</u>
<b>Net profit (loss)</b>	\$ <u>24,685</u>	\$ <u>(8,872)</u>	\$ <u>19,136</u>	\$ <u>(40,448)</u>
<b>Profit (loss) per share:</b>				
Basic	\$ <u>0.39</u>	\$ <u>(0.14)</u>	\$ <u>0.30</u>	\$ <u>(0.63)</u>
Diluted	\$ <u>0.39</u>	\$ <u>(0.14)</u>	\$ <u>0.30</u>	\$ <u>(0.63)</u>

See accompanying notes that are an integral part of these condensed consolidated interim financial statements.

AVANCE GAS HOLDING LTD  
CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT  
(UNAUDITED)

	<u>For the three months ended</u>		<u>For the nine months ended</u>	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	(in thousands)			
Net profit (loss)	\$ 24,685	\$ (8,872)	\$ 19,136	\$ (40,448)
Other comprehensive (loss) income:				
<i>Items that may be reclassified subsequently to profit and loss:</i>				
Fair value adjustment of interest rate swaps	(2,326)	2,212	(12,320)	10,926
Exchange differences arising on translation of foreign operations	<u>(7)</u>	<u>(2)</u>	<u>(5)</u>	<u>(2)</u>
Other comprehensive (loss) income	<u>(2,333)</u>	<u>2,210</u>	<u>(12,325)</u>	<u>10,924</u>
Total comprehensive income (loss)	<u>\$ 22,352</u>	<u>\$ (6,662)</u>	<u>\$ 6,811</u>	<u>\$ (29,524)</u>

See accompanying notes that are an integral part of these condensed consolidated interim financial statements.

AVANCE GAS HOLDING LTD  
CONDENSED CONSOLIDATED INTERIM BALANCE SHEET  
(UNAUDITED)

	As of	
	September 30, 2019	December 31, 2018
(in thousands)		
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 83,625	\$ 47,289
Receivables	27,970	14,047
Inventory	5,237	5,752
Mobilization cost	3,013	1,791
Prepaid expenses	1,605	3,991
Other current assets	3,785	2,584
<b>Total current assets</b>	<u>125,235</u>	<u>75,454</u>
Property, plant and equipment (note 5)	768,261	795,304
Intangible assets	-	37
<b>Total non-current assets</b>	<u>768,261</u>	<u>795,341</u>
<b>Total assets</b>	<u>\$ 893,496</u>	<u>\$ 870,795</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Current portion of long-term debt (note 6)	\$ 42,907	\$ 31,636
Accounts payable	3,268	7,207
Related party payable balances	239	-
Accrued voyage expenses	5,241	2,975
Accrued expenses	593	773
Current portion of derivative financial instruments (note 7)	2,221	50
Other current liabilities	3	1,426
<b>Total current liabilities</b>	<u>54,472</u>	<u>44,067</u>
Long-term debt (note 6)	355,714	335,522
Long-term revolving credit facilities (note 6)	100,000	125,000
Long-term derivative financial instruments (note 7)	11,787	1,638
<b>Total non-current liabilities</b>	<u>467,501</u>	<u>462,160</u>
<b>Shareholders' equity</b>		
Share capital (note 4)	64,528	64,528
Paid-in capital (note 4)	379,851	379,851
Contributed capital (note 4)	95,435	95,291
Retained loss	(142,469)	(161,605)
Treasury shares (note 4)	(11,867)	(11,867)
Accumulated other comprehensive loss (note 9)	(13,955)	(1,630)
<b>Total shareholders' equity</b>	<u>371,523</u>	<u>364,568</u>
<b>Total liabilities and shareholders' equity</b>	<u>\$ 893,496</u>	<u>\$ 870,795</u>

See accompanying notes that are an integral part of these condensed consolidated interim financial statements.



AVANCE GAS HOLDING LTD  
CONDENSED CONSOLIDATED INTERIM STATEMENT OF SHAREHOLDERS' EQUITY  
(UNAUDITED)

	<u>Share capital</u>	<u>Paid-in capital</u>	<u>Contributed capital</u>	<u>Retained loss</u>	<u>Accumulated other comprehensive loss</u>	<u>Treasury shares</u>	<u>Total</u>
	(in thousands)						
Balance December 31, 2017	\$ 64,528	\$ 379,851	\$ 95,185	\$ (118,733)	\$ (7,449)	\$ (11,867)	\$ 401,515
Comprehensive income (loss):							
Net loss	—	—	—	(40,448)	—	—	(40,448)
<i>Other comprehensive (loss) income:</i>							
Fair value adjustment of interest rate swaps	—	—	—	—	10,926	—	10,926
Translation adjustments, net	—	—	—	—	(2)	—	(2)
Total other comprehensive loss	—	—	—	—	10,924	—	10,924
Total comprehensive loss	—	—	—	(40,448)	10,924	—	(29,524)
Transactions with shareholders:							
Compensation expense for share options	—	—	162	—	—	—	162
Total transactions with shareholders	—	—	162	—	—	—	162
Balance, September 30, 2018	<u>\$ 64,528</u>	<u>\$ 379,851</u>	<u>\$ 95,347</u>	<u>\$ (159,181)</u>	<u>\$ 3,475</u>	<u>\$ (11,867)</u>	<u>\$ 372,153</u>
Balance December 31, 2018	\$ 64,528	\$ 379,851	\$ 95,291	\$ (161,605)	\$ (1,630)	\$ (11,867)	\$ 364,568
Comprehensive loss:							
Net profit	—	—	—	19,136	—	—	19,136
<i>Other comprehensive (loss) income:</i>							
Fair value adjustment of interest rate swaps	—	—	—	—	(12,320)	—	(12,320)
Translation adjustments, net	—	—	—	—	(5)	—	(5)
Total other comprehensive loss	—	—	—	—	(12,325)	—	(12,325)
Total comprehensive loss	—	—	—	19,136	(12,325)	—	6,811
Transactions with shareholders:							
Compensation expense for share options	—	—	144	—	—	—	144
Total transactions with shareholders	—	—	144	—	—	—	144
Balance, September 30, 2019	<u>\$ 64,528</u>	<u>\$ 379,851</u>	<u>\$ 95,435</u>	<u>\$ (142,469)</u>	<u>\$ (13,955)</u>	<u>\$ (11,867)</u>	<u>\$ 371,523</u>

See accompanying notes that are an integral part of these condensed consolidated interim financial statements.

AVANCE GAS HOLDING LTD  
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW (UNAUDITED)

	For the nine months ended	
	September 30, 2019	September 30, 2018
	(in thousands)	
Cash flows from operating activities (note 3)	\$ 58,369	\$ 317
Arrangement fee refinancing	(5,444)	-
Interest paid	(21,687)	(19,098)
<b>Net cash flows from (used in) operating activities</b>	<b>31,238</b>	<b>(18,781)</b>
<b>Cash flows used in investing activities:</b>		
Capital expenditures (note 5)	(4,445)	(9,613)
<b>Net cash flows used in investing activities</b>	<b>(4,445)</b>	<b>(9,613)</b>
<b>Cash flows used in financing activities:</b>		
Repayment of long-term debt (note 6)	(530,271)	(16,518)
Drawdown of long-term debt (note 6)	515,000	
Drawdown of revolving credit facility	25,000	25,000
<b>Net cash flows from financing activities</b>	<b>9,729</b>	<b>8,482</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>36,521</b>	<b>(20,062)</b>
Cash and cash equivalents at beginning of period	47,289	62,316
Effect of exchange rate changes on cash	(185)	(150)
<b>Cash and cash equivalents at end of period</b>	<b>\$ 83,625</b>	<b>\$ 42,255</b>

See accompanying notes that are an integral part of these condensed consolidated interim financial statements

AVANCE GAS HOLDING LTD  
NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS  
(UNAUDITED)

**1. Basis of preparation**

The condensed consolidated interim financial statements of Avance Gas Holding Ltd (the “Company” or “Avance Gas”), a Bermuda-registered company and its subsidiaries (collectively, the “Group”), have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as adopted by the European Union and in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting. The condensed consolidated interim financial statements should be reviewed in conjunction with the consolidated financial statements for the year ended December 31, 2018, to fully understand the current financial position of the Group.

**2. Significant accounting policies**

The accounting policies applied are consistent with those described in note 2 of the annual consolidated financial statements for the year ended December 31, 2018, with the exception of the new leasing standard IFRS 16 effective January 1, 2019 described below, and the exception of income taxes, which, for the purpose of interim financial statements, are calculated based on the expected effective tax rate for the full year.

*Operating revenue*

Revenue is recognized on a load-to-discharge basis, with cost related to fulfil the contract incurred prior to loading capitalized as mobilization costs and amortized over the associated period for which revenue is recognized, whilst voyage expenses incurred as repositioning for non-committed freight contracts are expensed as incurred. Other revenue from services, such as demurrage, is recognised when earned and is included in freight revenue.

Time charter revenue is accounted as an operating lease under IFRS 16 and is recognised on a straight-lined basis over the term of the time charter arrangement.

*Financial instruments*

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 Financial Instruments from January 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in IFRS 9 comparative figures have not been restated.

The hedge relationships that were previously established under IAS 39 designated the full fair value change of the interest rate swaps as hedging instrument and we will continue to apply the same treatment under IFRS 9.

The Group adopted the simplified expected credit loss model for its trade receivables with only minor effects. No assets held by the Group were subject to reclassifications in IFRS 9.

Except for timing differences related to the period of which the revenue is recognized, the above pronouncements are not expected to have a material impact on the financial statements of the Group, beyond disclosures.

AVANCE GAS HOLDING LTD  
NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS  
(UNAUDITED)

*Leases*

IFRS 16 replaces the lease standard IAS 17 that relate to recognition, measurement, presentation and disclosure of leases. The adoption of IFRS 16 Leases is effective from periods beginning on or after January 1, 2019. Management has assessed an insignificant impact on the financial statements as a result of the adoption of the new standard, hence, no lease liability and right of use asset is recognised as of September 30, 2019.

**3. Reconciliation of net profit to cash generated from operations**

	For the nine months ended	
	September 30, 2019	September 30, 2018
	(in thousands)	
<b>Net profit</b>	\$ 19,136	(40,448)
Adjustments to reconcile net profit to net cash from operating activities:		
Depreciation and amortization of property, plant and equipment and intangibles	31,492	30,069
Net finance expense	23,009	20,393
Compensation expense	144	162
<b>Changes in assets and liabilities:</b>		
(Increase) Decrease in receivables	(13,923)	(3,431)
Decrease (Increase) in prepaid expenses, inventory, related party receivables, mobilization cost and other current assets	478	(1,540)
(Decrease) increase in accounts payable	(3,938)	(3,037)
Decrease (increase) in accrued voyage expenses, other current liabilities and related party balances	1,970	(1,851)
<b>Cash flows from operating activities</b>	<b>\$ 58,369</b>	<b>\$ 317</b>

**4. Shareholder's equity**

The Company's authorised share capital consists of 200.0 million common shares at par value of \$1 per share as of September 30, 2019 and December 31, 2018. Of the authorized share capital, 64.5 million shares were issued and outstanding as of September 30, 2019 and December 31, 2018, including 0.9 million treasury shares. All shares are fully paid.

Paid in capital consists of paid in capital exceeding par value of the shares. Contributed capital consist mainly of conversion of shareholders' loans in 2013.

In 2013 the Company set up a share option plan covering 1.0 million shares. Employees were granted 175,000 share options in 2013, 118,200 share options in 2015 and 486,000 share options in 2016 and 207,000 share options in 2017 with a vesting period of four years.

In January 2018, the Board of the Company approved a new share option plan (the "2018 Option Scheme") in order to encourage the Company's directors, officers and other employees to hold shares in the Company. In the first quarter 2018, 180,000 share options were granted under the 2018 Option Scheme.

During Q3 2018, 176,000 options were cancelled and 413,000 share options were awarded under the 2018 Share Option Scheme.

AVANCE GAS HOLDING LTD  
NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS  
(UNAUDITED)

During Q2 2019, 521,000 share options were deleted. Following the cancellation and award of the share options, a total of 676,000 share options remain outstanding under the Company's share option schemes as of June 30, 2019.

During Q3 2019, 750,000 share options have been issued to Mr Ulrik Andersen in connection with his appointment as Chief Executive Officer and 300,000 share options have been granted to Mr Peder Simonsen, Chief Financial Officer. Additional 21,500 options were cancelled. Following the award and cancellation of share options, a total of 1,704,500 share options remain outstanding under the Company's share option scheme as of September 30, 2019.

#### 5. Property, plant and equipment

During the nine months ended September 30, 2019 and September 30, 2018, the Group invested \$4.4 and \$9.6 million, respectively, on property, plant and equipment.

As of September 30, 2019, indicators of impairment and reversal of previous recognized impairment were assessed. Based on this assessment it was concluded that no significant changes in indicators for the nine-month period ended September 30, 2019 were present.

#### 6. Long-term debt

Long-term debt consisted of debt collateralised by the Group's 14 VLGCs as of September 30, 2019 and December 31, 2018.

In June 2019, Avance Gas signed and closed a new \$515 million credit facility, thereby fully refinancing all outstanding debt. The facility consist of three tranches, \$380 million term loan tranche, a \$100 million revolving tranche and a \$35 million top up tranche (the "Top-Up Tranche"). The term loan tranche and revolving tranche mature June 25, 2024 and the Top-Up Tranche matures June 25, 2021. The \$380 million term loan tranche has consecutive quarterly instalments of \$11 million commencing Q3 2019 and an interest rate of LIBOR plus a weighted average fixed margin of approx. 2.75%.

The credit facility contains certain covenants of which key covenants are minimum value to outstanding loan of 135%, minimum free liquidity of the higher of (i) \$35 million and (ii) 5% of the consolidated gross interest bearing debt of the Group, positive working capital at all times, the book equity shall at all times be equal or higher than \$250 million and a book equity ratio of 30%. The Top-Up Tranche contains restrictions on dividend and debt until fully repaid.

Long term debt payment was \$11.0 million in Q3 2019.

	As of September 30, 2019	As of December 31, 2018
Long-term debt	\$ 360,000	\$ 336,236
Long-term revolving credit facilities	100,000	125,000
Long-term debt issuance cost	(4,286)	(714)
<b>Long-term debt</b>	<b>455,714</b>	<b>460,522</b>
Current portion of long-term debt	44,000	33,035
Current portion of debt issuance cost	(1,093)	(1,399)
<b>Current portion of long-term debt</b>	<b>42,907</b>	<b>31,637</b>
<b>Total net debt</b>	<b>\$ 498,621</b>	<b>\$ 492,158</b>

AVANCE GAS HOLDING LTD  
NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS  
(UNAUDITED)

7. Fair value disclosures

*Fair value of financial instruments*

The following estimated fair value amounts of financial instruments have been determined by the Group, using appropriate market information and valuation method. Considerable judgement is required to develop these estimates of fair value, thus the estimates provided herein are not necessarily indicative of the amounts that could be realised in a current market exchange.

	As of September 30, 2019		As of December 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
(in thousands)				
<b>Financial assets:</b>				
Cash and cash equivalents	\$ 83,625	\$ 83,625	\$ 47,289	\$ 47,289
Receivables	27,970	27,970	14,047	14,047
<b>Financial liabilities:</b>				
Accounts payable	\$ 3,268	\$ 3,268	\$ 7,207	\$ 7,207
Related party payable balances	239	239	-	-
Accrued expenses and accrued voyage expenses	5,834	5,834	3,748	3,748
Revolving credit facilities	100,000	100,000	125,000	125,000
Long-term debt incl. current maturities	404,000	404,000	369,272	369,272
<b>Derivative financial instruments:</b>				
Interest rate swap assets (liabilities) including current maturities	\$ (14,008)	\$ (14,008)	\$ (1,688)	\$ (1,688)

The carrying amount of cash and cash equivalents, receivables, accounts payable and accrued expenses is a reasonable estimate of their fair value, due to the short maturity thereof. The estimated value of the Group's revolving credit facilities and long-term debt equals its carrying value as of September 30, 2019 and December 31, 2018 as it is floating rate debt and the credit margin represents current market rates.

Long-term debt in the table above excludes debt issuance costs of \$5.4 million and \$2.1 million as of September 30, 2019 and December 31, 2018, respectively.

Fair value of interest rate swaps is based on market value of the interest rate swaps. The market value is based on market-to-market reports as of period-end from the financial institutions issuing the swaps, based on the amount that the Group would receive or pay to terminate the contracts. Fair value adjustment of the interest rate swaps as of September 30, 2019 was recognized in the consolidated interim statement of comprehensive loss.

The Group has no financial assets that would otherwise have been past due or impaired and renegotiated.

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*Fair value estimation*

The financial instruments analyses are carried at fair value. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Fair value equals carrying value for cash and cash equivalents (Level 1) and fair value of interest swaps is according to market-to-market reports from the financial institutions issuing the swaps (Level 2). There have not been any changes in valuation techniques for the period.

**8. Related party transactions**

The Group entered into a corporate secretarial services agreement with Frontline Management (Bermuda) Ltd in July 2018. Additionally, during Q2 2019 the Group entered into a technical supervision agreement with Frontline Management (Bermuda) Ltd and an office lease agreement with Seatankers Management Norway AS. The fee for corporate secretarial services was \$110 thousand, fee for technical supervision was \$143 thousand and fee for office lease was \$172 thousand for the nine months ended September 30, 2019.

**9. Accumulated other comprehensive loss**

Accumulated other comprehensive income represents the gain or loss arising from the change in fair value of interest rate swaps and translation adjustments. Accumulated other comprehensive income is broken down between the two categories as follows:

	Foreign currency reserve	Fair value reserve	Accumulated other comprehensive loss
Balance January 1, 2018	\$ 58	\$ (7,507)	\$ (7,449)
Fair value adjustment of interest rate swaps	—	10,926	10,926
Translation adjustments, net	(2)	—	(2)
Balance September 30, 2018	<u>\$ 56</u>	<u>\$ 3,419</u>	<u>\$ 3,475</u>
Balance January 1, 2019	\$ 58	\$ (1,688)	\$ (1,630)
Fair value adjustment of interest rate swaps	—	(12,320)	(12,320)
Translation adjustments, net	(5)	—	(5)
Balance September 30, 2019	<u>\$ 53</u>	<u>\$ (14,008)</u>	<u>\$ (13,955)</u>

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### 10. Alternative performance measures

The Company uses time charter equivalent (TCE) as an alternative performance measure. TCE is operating revenue less voyage cost per operating day. Operating days are calendar days, less technical off-hire.

	<u>For the three months ended</u>		<u>For the nine months ended</u>	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	(in thousands)			
Operating revenue	\$ 70,890	\$ 36,000	\$ 160,098	\$ 87,654
Voyage expenses	<u>(16,618)</u>	<u>(16,934)</u>	<u>(51,568)</u>	<u>(44,858)</u>
<b>Voyage result</b>	<u>54,272</u>	<u>19,066</u>	<u>108,530</u>	<u>42,796</u>
Calendar days	1,288	1,288	3,822	3,822
Technical off-hire days	<u>(17)</u>	<u>(41)</u>	<u>(37)</u>	<u>(229)</u>
<b>Operating days</b>	<u>1,271</u>	<u>1,247</u>	<u>3,785</u>	<u>3,593</u>
TCE per day (\$)	42,700	15,289	28,674	11,910

### 11. Forward-Looking Statements

The Interim Financial Statements contain “forward-looking statements” based on information available to Avance Gas on the date hereof, and Avance Gas assumes no obligation to update any such forward-looking statement. These statements may be identified by the use of words like “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “project,” “will,” “should,” “seek,” and similar expressions. The forward-looking statements reflect Avance Gas’ current views and assumptions and are subject to risks and uncertainties. Avance Gas does not represent or warrant that actual future results, performance or achievements will be as discussed in those statements, and assumes no obligation to, and does not intend to, update any of those forward-looking statements other than as may be required by applicable law.

### 12. Seasonality

The export volumes coming out of the Middle East, which has historically been the primary region for seaborne exports, have traditionally been lower during the fourth and the first quarters than during the second and third quarter. This has mainly been a result of lower trading activity in combination with somewhat higher local demand. Due to US Gulf and US East Coast increasing its share in global exports, the historical seasonal patterns have become less clear.

### 13. Subsequent Events

In November, the company prepaid the \$35 million Top-Up Tranche in full, thereby removing the restrictive covenants related to the tranche.