AVANCE GAS HOLDING LTD

Interim Financial Information

For the three and twelve months ended 31 December 2022

BERMUDA, February 28, 2023 – Avance Gas Holding Ltd (OSE: AGAS) ("Avance Gas" or the "Company") today reports unaudited results for the fourth quarter and full year 2022.

HIGHLIGHTS

- The average time charter equivalent (TCE) rate was $46,478/day, in line with guidance of $45,000-50,000/day. The fourth quarter results have a significant load-to-discharge adjustment of negative $10.8 million or reduction of $9,300 in TCE/day. The TCE basis discharge-to-discharge was therefore at $55,813 slightly higher than the guided level of $50-55,000/day. TCE for the full year 2022, was $38,236/day compared to $31,302/day in 2021. The TCE on discharge-to-discharge basis was $40,000/day for 2022 for comparison.
- Daily operating expenses (OPEX) were $8,738 during the fourth quarter and $8,403 for the full year.
- Net profit of $34.7 million compared to $11.6 million for the third quarter 2022, or earnings per share of 45 cents compared to 15 cents for the third quarter. Net profit year to date is $89.0 million and is the best results Avance Gas has delivered in seven years since 2015.
- The Company benefited from the interest rate hedges with gains of $26.5 million for the full year 2022 recognized through Other Comprehensive Income (OCI).
- During the fourth quarter, the Company sold the 2009-built VLGC Promise with a Time-Charter (TC) attached resulting in a gain on sale of vessels of $7.9 million. Promise is the third older vessel sold during the year bringing the total gains on sale of $18.7 million for these three ships during 2022.
- For the first quarter of 2023, we estimate a TCE rate for the quarter to be approximately $58,000/day on a load-to-discharge basis and $55,000/day on a discharge-to-discharge basis.
- The Company declared a dividend of $0.50 cent per share for the fourth quarter, for fiscal year 2022 total declared dividend is $1.10 per share.

Øystein M. Kalleklev, Executive Chairman, commented:
"Fourth quarter 2022 was the best spot freight market for VLGCs since 2015. We are pleased that Avance Gas also benefitted from firmer markets with average Time Charter Equivalent (TCE) earnings increasing from $33,000/day in third quarter to $46,500/day in fourth quarter on a load-to-discharge basis. This was in line with previous guidance of $45,000 to $50,000/day. As the market strengthen sharply during the fourth quarter, our full roundtrip numbers measuring TCE from discharge to discharge was substantially higher at $55,800/day which was slightly higher than our guidance of $50,000 to $55,000/day.

After a short-lived slump in freight rates at the start of the year, the freight market has rebounded sharply lately. This has enabled us to replicate the strong earnings from fourth quarter also in the first quarter. We are now 98% booked and expect TCE in the first quarter to be approximately $55,000/day on discharge-to-discharge basis and slightly higher at about $58,000/day on load-to-discharge basis.

Higher earnings and the successful sale of the VLGC Promise at a book gain of $7.9 million in the fourth quarter resulted in a net profit for the quarter increasing to $34.7 million or $0.45 per share. The combination of solid earnings and a very robust balance sheet with no unfunded capex and $224 million of free cash puts Avance Gas in a very good financial position. The Board has therefore decided to increase our quarterly dividend per share from $0.20 the previous three quarters to $0.50 for the fourth quarter. This means that we will pay out a dividend of $1.10 in total for the fiscal year of 2022 in line with earnings per share of $1.16. This should provide our investors with an attractive dividend yield of about 16 per cent which we do hope make Avance Gas a compelling investment alternative."

In US$ thousands (unless stated otherwise)	Three months ended	Three months ended
Income statement:	**December 31, 2022**	**September 30, 2022**
TCE per day ($)	46,478	32,954
TCE earnings	53,496	39,116
Gross operating profit	41,503	27,734
Net profit	34,711	11,604
Earnings per share (diluted) ($)	0.45	0.15
Balance sheet:	**December 31, 2022**	**September 30, 2022**
Total assets	1,067,870	1,082,900
Total liabilities	463,945	499,833
Cash and cash equivalents	224,243	188,222
Total shareholders' equity	603,925	583,067
Cash flows:	**December 31, 2022**	**September 30, 2022**
Net cash from operating activities	35,879	25,926
Net cash from (used in) from investing activities	48,747	(9,073)
Net cash (used) in financing activities	(48,877)	(26,938)
Net increase in cash and cash equivalents	35,749	(10,085)

MARKET UPDATE

The VLGC market rounded off 2022 on a high note with spot earnings in the six digits, a good way to mark the strongest year since 2015. While seasonal effects put downward pressure on freight rates at the start of 2023, the spot market witnessed a remarkable turnaround at the end of January. 2023 holds a significant amount of newbuilding VLGCs to be delivered, but we remain cautiously optimistic on the freight outlook, as we believe possible oversupply of vessels will only be temporary amidst the strong demand outlook.

During the fourth quarter, the VLGC freight market built on the positive momentum from September. Spot earnings entered the fourth quarter at rates near $60,000/day, to peak at $130,000/day in early December, before falling back below $100,000/day by the end of the year. The scrubber premium was prevalent during quarter, with a premium of around nearly $10,000/day for vessels sailing on high-sulphur fuel oil compared to vessels sailing on low-sulphur fuel oil.

The positive market development during the fourth quarter was driven in part by a solid inventory level in the US, contributing to a sustained high propane arbitrage between the US and Asia. According to EIA, US LPG production was up 5% year on year in the fourth quarter of 2022 while domestic US demand was down by 7%. Despite an increase in exports, inventories were 18% higher than at the end of 2021, contributing to keeping US propane prices low and thus arbitrage to international markets at a high level which is supportive of freight economics. The US Mont Belvieu propane price was down 26% compared to the third quarter of 2022.

Despite Covid-related lockdowns in 2022, China LPG demand increased by a considerable 11% YOY in the fourth quarter, or 1.9 million tonnes, according to industry consultant Energy Aspects. This was just partially met by increased domestic production of 0.6 million tonnes. Strong Chinese import demand thus kept the Asian LPG prices elevated. Prices were down compared to the third quarter, but much less than the US prices, thus ensuring an increased price differential. The arbitrage was approx. $150/ton at the start of the fourth quarter, reaching above $200/ton during November and December. VLGC owners were generally able to capture a large part of the arbitrage, as evidenced by the improving freight rates.

Panama Canal congestion contributed a significant amount to the market strength in the fourth quarter of 2022. According to statistics from Kpler, the number of vessels waiting more than three days in the Panama

Canal averaged 26 VLGCs in the fourth quarter, up 20% on the fourth quarter of 2021 and up 34% on the third quarter of 2022. More important, the waiting time at the neo–Panamax Locks averaged more than 20 days for both the northbound and southbound transits in November 2022. This has incentivised owners to sail the long way around the Cape of Good Hope or through the Suez Canal. According to Kpler, the average sailing distance was 1.8% higher on the quarter, while 1.7% higher on the fourth quarter of 2021. Coupled with average sailing speed falling 4% in 2022 compared to 2021, Kpler estimate ton-days being 3.5% up compared to the third quarter of 2022 and 10.4% up on the fourth quarter of 2021.

VLGC trade continued to grow at a robust pace during the fourth quarter, with a year-on-year improvement of 10%, in line with volume growth rates for the rest of 2022. US exports grew by 0.3 million tonnes (3%), United Arab Emirates exports grew by 0.7 million tonnes (32%) and Iran exports grew by 0.5 million (35%) as compared to the fourth quarter of 2021. Total export growth for 2022 ended at 8.2 million tonnes, or 10%. Growth was driven by increased volumes from the Middle East, with United Arab Emirates adding 2.3 million tonnes (29%), Iran adding 2.1 million tonnes (38%) and Saudi Arabia adding 2.0 million tonnes (46%). LPG exports on VLGCs from the US grew by 1.5 million tonnes (4%) in 2022.

On the import side, China was the main growth engine in the final quarter of 2022, following the strong demand increase which was only partially met by domestic supply. China ramped up imports by 0.9m tonnes to 6.4 million tonnes (up 17% year-on-year). Import to Europe was up 0.5 million tonnes to 2.3 million tonnes (27%). For the full year 2022, import growth was primarily driven by Asia with 4.6 million additional imports (7% up on 2021) while Europe increased imports by 3.0 million tonnes (54% up on 2021), thus increasing its overall market share.

FINANCIAL AND OPERATIONAL REVIEW

Avance Gas reported Time Charter Equivalent (TCE) earnings of $53.5 million, compared to $39.1 million for the third quarter. Adjustment related to the IFRS 15 accounting standard resulted in a decrease in TCE earnings of $10.8 million for the fourth quarter 2022 compared to an increase of $18 thousand for the third quarter 2022. We therefore expect a positive IFRS 15 adjustment to our first quarter 2023. TCE earnings for the full year 2022 were $183.0 million, compared to $143.0 million in 2021.

Operating expenses (OPEX) were $10.2 million, equaling a daily average of $8,738/day. This compares to $8,200/day for the third quarter. Higher airfares are making crew changes more expensive and thus, having a negative impact on operating expenses. Full year average OPEX per ship was $8,403/day compared to $8,871 /day in 2021.

Administrative and general (A&G) expenses for the quarter were $1.8 million, compared to $1.5 million for the third quarter, representing an average per ship of $1,574/day and $1,286/day respectively. A&G expenses for the full year 2022 were $6.7 million, compared to $6.5 million in 2021.

The Company sold the three VLGCs Thetis Glory (2008), Providence (2008) and Promise (2009) with a Time-Charter (TC) attached resulting in a total gain on sale of vessels of $18.7 million for the year 2022.

Non-operating expenses, consisting mainly of financial expenses, were $3.9 million, compared to $5.0 million for the third quarter. The main reasons for the decrease are interest income earned in Q4 on the substantial cash balance as well as movement in exchange rates resulting in an FX gain in the fourth quarter compared to a loss in the third quarter. Full year non-operating expenses were $20.0 million in 2022 and $14.6 million in 2021 mainly due to higher interest rate level.

Avance Gas reported a net profit of $34.7 million for the fourth quarter 2022, or $0.45 per share, compared with a net profit of $11.6 million, or $0.15 per share for the third quarter 2022. Net profit for the full year 2022 was $89.0 million, an increase from $32.1 million in 2021.

Avance Gas' total assets amounted to $1,067.9 million on 31 December 2022, compared with $1,082.9 million on 30 September 2022. The decrease in assets is mainly driven by a sale of *VLGC Promise*. Total shareholders' equity was $603.9 million at quarter-end, corresponding to an equity ratio of 56.6%. Shareholder Equity increased by $20.9 million during the quarter mainly due to net profit of $34.7 million, increase in other comprehensive income of $1.6 million, mainly related to interest hedging instrument gain, partially offset by payment of dividends of $15.3 million.

Cash and cash equivalents were $224.2 million on 31 December 2022, compared to $188.2 million on 30 September 2022. Cash flow from operating activities was positive $35.9 million, compared with positive $25.9 million for the third quarter 2022. Net cash flow from investing activities was $48.7 million compared with net cash flow used in investing activities of $9.0 million for the third quarter 2022. Cash flow from investing activities for the quarter includes proceeds from sale of Promise and costs paid related to the newbuilding program. Net cash flow used in financing activities was $48.9 million, including repayments of debt of $39.1 million and payment of dividend of $15.3 million for the third quarter, partly offset by cash from settlement of derivatives of $6.1 million. The remaining amount is made up of debt issuance costs paid and settlement of share options.

FLEET AND EMPLOYMENT OVERVIEW

We had a TC coverage of ~49% in the fourth quarter 2022 at an average TCE rate of $41,000/day and spot voyages of 51% earning ~$51,000/day on load-to-discharge basis. For the full year 2022 we had a time charter coverage of 47% earning ~$35,000 per day and spot voyages 53% earning ~$41,000 on load-to-discharge basis. For the first quarter of 2023, we expect TC coverage to be approximately 47% consisting of three vessels on fixed rate TC contracts and three vessels with floating hire TCs.

Avance Gas recorded 1,151 operating days for the fourth quarter 2022, compared to 1,187 operating days for the third quarter 2022. Operating days is lower during the fourth quarter mainly due to the sale VLGC Promise. Operating days is calendar days less off-hire days. The company recorded 29 waiting days for the fleet in the fourth quarter, giving Avance Gas a fleet utilization during the quarter of 97.5%, compared to 99.2% in the third quarter.

OUTLOOK

While the orderbook for delivery 2023 still poses a risk to utilisation and rates in the near-term, demand has surprised on the upside. The orderbook counts at 46 VLGCs for delivery for the full year of 2023, representing 14% of the fleet on water. This compares to trade growth estimates of 3.6% (Clarkson Research seaborne volumes as of February 2023) and 2.7% (Energy Aspects total LPG demand growth as of January 2023). The US Energy Information Administration (EIA, February 2023 Short Term Energy Outlook) remains positive on US exports for 2023, estimating a 16% export growth, enabled by 4% production growth and a 4% decline in domestic demand.

The pent-up demand for scrapping in the VLGC space continues to be a key factor to watch, with 15% of the fleet being older than 20 years. However, the overhang of older ship is likely to remain in service until either the market fundamentals deteriorate, or the sanctions related to Iranian exports are lifted. New environmental regulations will affect vessel availability, with the CII and EEXI being implemented at the start of 2023. Uncertainty persists, but industry sources suggest available VLGC supply could fall by 1.5% to 2.0% due to slower speeds and increased retrofit time.

Panama Canal congestion has been on a downward trend since November 2022. Kpler counts 59 VLGCs having waited in the canal during January, down from 90 in both October and November. Panama Canal delays were an important driver for increased freight rates towards the end of 2022. Waiting time for northbound transits has averaged six days over the last week, compared to five days for the southbound transits, which is down from an average of nearly 20 days in November, more than ten days in December and just more than five days in January. However, waiting time at Panama Canal is becoming increasingly volatile making it difficult to schedule the ships for voyages which together with higher canal fees are incentivizing routing ships through Cape of Good Hope and/or Suez Canal to make sure the ships are meeting their laycans.

Propane forward prices indicate a wide-open arbitrage between US and Asia. Assuming shipowners are able to recoup the full arbitrage, theoretical TCE corresponds to nearly $70,000/day for 2023 and nearly $60,000/day for 2024, based on an arbitrage of $160/ton for 2023, falling to $140/ton for 2024. The one-year time-charter is also standing at nearly $40,000/day, thus trading in the same range as the Baltic FFA.

Beyond 2023, the supply demand balance starts to look increasingly favourable. There are 12 VLGCs for delivery in 2024 and 14 scheduled for 2025. These 26 would represent 7% of the fleet (assuming no scrapping). We expect limited room to add more orders for 2024, while higher newbuilding prices are likely to put a cap on newbuild orders also for 2025 deliveries. The US is becoming more important as the key exporter to meet Chinese petrochemical demand growth, particularly additions of new PDH plants. Adding to LPG spiking to natural gas streams and residential demand in the Far East, India, and Southeast Asia, we argue there is good support for the demand side towards 2025, save for any significant recessionary pullbacks.

PRESENTATION AND WEBCAST

Avance Gas will host an audio webcast and conference call to discuss the company's results for the period ended 31 December 2022 on Tuesday, 28 February 2023, at 14:00 CET. There will be a Q&A session following the presentation. The presentation and webcast will be hosted by:

- Mr. Øystein Kalleklev - Executive Chairman
- Mrs. Randi Navdal Bekkelund - CFO

The presentation will also be available via audio webcast, which can be accessed at Avance Gas' website www.avancegas.com or using the link: https://edge.media-server.com/mmc/p/tkk46ek8

Guests can log into the conference call using the following link
https://register.vevent.com/register/BI1d1c1010c0934e878cd8ddfe28cef347

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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 twelve months ended	
		December 31, 2022	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
	Note	*(in USD thousands)*		*(in USD thousands)*	
Operating revenue	10	**67,410**	52,135	**254,540**	210,677
Voyage expenses	10	**(13,914)**	(19,227)	**(71,504)**	(67,689)
Operating expenses		**(10,162)**	(9,734)	**(40,748)**	(42,093)
Administrative and general expenses		**(1,831)**	(1,615)	**(6,667)**	(6,466)
Operating profit before depreciation expense		**41,503**	21,559	**135,621**	94,429
Depreciation and amortisation expense		**(10,633)**	(11,382)	**(45,020)**	(47,209)
Gain on disposal of asset	5	**7,877**	-	**18,648**	-
Operating profit		**38,747**	10,177	**109,249**	47,220
Non-operating (expenses) income:					
Finance expense		**(5,401)**	(4,014)	**(21,362)**	(16,608)
Finance income		**1,056**	1,859	**1,692**	1,859
Foreign currency exchange gains (losses)		**460**	(32)	**(302)**	136
Income before tax		**34,862**	7,990	**89,277**	32,607
Income tax expense		**(151)**	(498)	**(285)**	(498)
Net profit		**34,711**	7,492	**88,992**	32,109
Earnings per share					
Basic		**0.45**	0.10	**1.16**	0.44
Diluted		**0.45**	0.10	**1.16**	0.44

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

AVANCE GAS HOLDING LTD

CONDENSED CONSOLIDATED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME

(UNAUDITED)

		For the three months ended		For the twelve months ended	
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	Note	*(in USD thousands)*		*(in USD thousands)*	
Net profit		**34,711**	7,492	**88,992**	32,109
Other comprehensive income:	9				
Items that may be reclassified subsequently to profit and loss:					
Fair value adjustment of derivative financial instruments designated for hedge accounting		**1,908**	3,868	**26,497**	12,875
Amortization of gain on discontinued hedges		**(365)**	-	**(647)**	-
Exchange differences arising on translation of foreign operations		**13**	(1)	**-**	(12)
Other comprehensive income		**1,556**	3,867	**25,850**	12,863
Total comprehensive income		**36,267**	11,359	**114,842**	44,972

See accompanying note that are an integral part of these condensed consolidated interim financial statement

AVANCE GAS HOLDING LTD

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

(UNAUDITED)

	Note	As of December 31, 2022	As of December 31, 2021
		(in USD thousands)	
ASSETS			
Cash and cash equivalents		**224,243**	101,910
Trade and other receivables		**12,229**	21,232
Inventory		**4,975**	7,933
Prepaid expenses and other current assets		**15,101**	12,882
Derivative financial instruments	7	**5,988**	-
Total current assets		**262,536**	143,957
Property, plant and equipment	5	**715,866**	716,577
Newbuildings	5	**83,597**	92,609
Derivative financial instruments	7	**5,871**	2,240
Total non-current assets		**805,334**	811,426
Total assets		**1,067,870**	955,383
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current portion of interest-bearing debt	6	**37,278**	44,574
Trade and other payables		**4,556**	8,009
Derivative financial instruments	7	**-**	5,691
Accrued voyage expenses and other current liabilities		**7,866**	7,413
Total current liabilities		**49,700**	65,687
Long-term debt	6	**414,245**	345,407
Derivative financial instruments	7	**-**	5,121
Total non-current liabilities		**414,245**	350,528
Shareholders' equity			
Share capital		**77,427**	77,427
Paid-in capital		**431,366**	431,366
Contributed capital		**94,772**	95,070
Retained loss		**(5,620)**	(44,825)
Treasury shares		**(11,351)**	(11,351)
Accumulated other comprehensive income/(loss)		**17,331**	(8,519)
Total shareholders' equity		**603,925**	539,168
Total liabilities and shareholders' equity		**1,067,870**	955,383

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)

(in USD thousands)	**Share capital**	**Paid-in capital**	**Contributed capital**	**Retained (loss) income**	**Accumulated other comprehensive (loss) income**	**Treasury shares**	**Total**
As of December 31, 2020	64,528	379,851	94,780	(53,856)	(21,382)	(11,351)	452,570
Comprehensive loss:							
Net profit	-	-	-	32,109	-	-	32,109
Other comprehensive (loss) income:							
Fair value adjustment of interest rate swaps	-	-	-	-	12,875	-	12,875
Translation adjustments, net	-	-	-	-	(12)	-	(12)
Total other comprehensive income	-	-	-	-	12,863	-	12,863
Total comprehensive loss	-	-	-	32,109	12,863	-	44,972
Transactions with shareholders:							
Share Capital Increase	12,899	51,515	-	-	-	-	64,414
Dividend	-	-	-	(23,078)	-	-	(23,078)
Compensation expense for share options	-	-	290	-	-	-	290
Total transactions with shareholders	12,899	51,515	290	(23,078)	-	-	41,626
As of December 31, 2021	77,427	431,366	95,070	(48,485)	(8,519)	(11,351)	539,168
As of December 31, 2021	**77,427**	**431,366**	**95,070**	**(44,825)**	**(8,519)**	**(11,351)**	**539,168**
Comprehensive loss:							
Net profit	**-**	**-**	**-**	**88,992**	**-**	**-**	**88,992**
Other comprehensive (loss) income:							
Fair value adjustment of derivative financial instruments	**-**	**-**	**-**	**-**	**26,497**	**-**	**26,497**
Amortization of gain on discontinued hedges	**-**	**-**	**-**	**-**	**(647)**	**-**	**(647)**
Translation adjustments, net	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total other comprehensive loss	**-**	**-**	**-**	**-**	**25,850**	**-**	**25,850**
Total comprehensive loss	**-**	**-**	**-**	**88,992**	**25,850**	**-**	**114,842**
Transactions with shareholders:							
Dividend	**-**	**-**	**-**	**(49,787)**	**-**	**-**	**(49,787)**
Compensation expense for share options	**-**	**-**	**(298)**	**-**	**-**	**-**	**(298)**
Total transactions with shareholders	**-**		**(298)**	**(49,787)**	**-**	**-**	**(50,085)**
As of December 31, 2022	**77,427**	**431,366**	**94,772**	**(5,620)**	**17,331**	**(11,351)**	**603,925**

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

AVANCE GAS HOLDING LTD

CONSOLIDATED INTERIM STATEMENT OF CASH FLOW

(UNAUDITED)

	Note	For the twelve months ended December 31, 2022	December 31, 2021
		(in USD thousands)	
Cash flows from operating activities			
Cash generated from operations	3	**142,180**	91,158
Net Interest paid		**(19,057)**	(17,603)
Net cash flows from operating activities		**123,123**	73,555
Cash flows used in investing activities:			
Net proceeds from sale of assets	5	**141,525**	-
Capital expenditures	5	**(155,101)**	(60,179)
Net cash flows used in investing activities		**(13,576)**	(60,179)
Cash flows (used in) from financing activities:			
Dividends Paid	4	**(49,787)**	(23,078)
Proceeds from issue of share capital		**-**	64,414
Repayment of long-term debt	6	**(364,840)**	(67,778)
Proceeds from loans and borrowings, net of transaction costs	6	**422,788**	39,943
Settlement share options		**(933)**	(959)
Cash settlement on derivatives		**6,067**	-
Net cash flows from (used in) in financing activities		**13,295**	12,542
Net increase in cash and cash equivalents		**122,842**	25,918
Cash and cash equivalents at beginning of period		**101,910**	75,882
Effect of exchange rate changes on cash		**(509)**	110
Cash and cash equivalents at end of period		**224,243**	101,910

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

1. General Information

Corporate information

Avance Gas Holding Ltd (the "Company" or "Avance Gas") is an exempted company limited by shares incorporated under the laws of Bermuda on January 20, 2010. The Company and its subsidiaries (collectively "The Group") are engaged in the transportation of Liquefied Petroleum Gas ("LPG"). As at 31 December 2022, the Company owned and operated a fleet of twelve modern ships and four Dual Fuel newbuildings due for delivery in 2023 and 2024.

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 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, 2021, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, 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, 2021, with 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

Avance has categorised its revenue streams in the two following categories:

Freight revenue
The Group recognises revenues as it satisfises its performance obligation to deliver freight services to the customer. Revenue is recognised on a load-to-discharge basis in accordance with IFRS 15, with cost related to fulfil the contract incurred prior to loading capitalised as mobilisation costs and amortised over the related period for which revenue is recognised. 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
Time charter revenue is accounted for as an operating lease under IFRS 16 and is recognised on a straight-line basis over the term of the time charter arrangement.

New or amendments to standards

The following new or amendments to standards and interpretations have been issued and become effective in years beginning on or after January 1, 2022:

- Provisions, contingent liabilities and contingent assets; cost of fulfilling a contract (Amendments to IAS 37)
- Property, plant and equipment: Proceeds before Intended Use (Amendments to IAS 16).

The adoption of the amendments did not result in a material impact on the financial statement of the Group.

3. Reconciliation of net profit to cash generated from operations

	For the twelve months ended	
	December 31, 2022	**December 31, 2021**
	(in USD thousands)	
Net profit	**88,992**	32,109
Adjustments to reconcile net profit to net cash from operating activities:		
Depreciation and amortisation of property, plant and equipment	**45,020**	47,209
Net finance expense	**21,664**	16,472
Compensation expense	**636**	290
Gain on sale of assets (note 5)	**(18,648)**	-
Changes in assets and liabilities:		
Decrease (increase) in trade and other receivables	**9,004**	(4,805)
Decrease (increase) in inventory and prepaid expenses and other current assets	**738**	(8,869)
Increase (decrease) in trade and other payables	**(3,930)**	5,030
Increase (decrease) in accrued voyage expenses and other current liabilities	**(1,802)**	3,716
Other	**506**	6
Cash flows from operating activities	**142,180**	91,158

4. Capital and reserves

Shareholder's equity

The Company's authorised share capital consists of 200.0 million common shares at par value of $1.0 per share as of December 31, 2022 and December 31, 2021. Of the authorised share capital, 77.4 million shares were issued and outstanding as of December 31, 2022 and December 31, 2021, including 0.8 million treasury shares. All shares are fully paid.

Paid-in capital consists of paid in capital exceeding par value of the shares. Contributed capital consists mainly of paid-in surplus related to the current capital increase and conversion of shareholders' loans in 2013.

Share-based payments

Since 2013, the Company set up a share option plan in order to encourage the Company's officers and other employees to hold shares in the Company. Following the award, declared, forfeited and cancelation of shares since 2013, a total of 988,833 share options remained outstanding under the Company's share option scheme as of December 31, 2022. The average strike price of the share options as at 31 December 2022 was 50 NOK, resulting in a dilutive effect of $0.00 per share for the three and twelve months ended December 31, 2022.

Cash dividends paid to the equity holders of the parent

	As of	
	December 31, 2022	**December 31, 2021**
	(in USD thousands)	
Dividends on ordinary shares declared and paid:		
Final dividend for 2021: $0.05/share (2021: $0.11/share)	**3,829**	6,994
First dividend for 2022: $0.20/share (2021: $0.14/share)	**15,319**	10,723
Second dividend for 2022: $0.20/share (2021: $0.02/share)	**15,319**	1,532
Third dividend for 2022: $0.20/share (2021: $0.05/share)	**15,319**	3,829

5. Property, plant and equipment

During the twelve months ended December 31, 2022 and December 31, 2021, the Group capitalised $157.3 million and $63.4 million, respectively, in newbuildings. For the twelve months ended December 31, 2022 the amount capitalised consists of instalments and other costs related to the newbuilding program, including borrowing costs of $2.6 million. The Company took delivery of VLGC *Avance Polaris* and VLGC *Avance Capella* during the first quarter of 2022, resulting in reclassification of $166.3 million from newbuildings to property, plant and equipment.

During the first half of 2022, the Company sold the 2008 built VLGC's *Thetis Glory* and *Providence* resulting in the Company recognizing a gain on sale of vessels of $10.8 million. During the fourth quarter of 2022, the Company sold the 2009-built VLGC *Promise* with a Time-Charter (TC) attached resulting in the Company recognizing a gain on sale of vessels of $7.9 million bringing total gain on sale for the year of $18.7 million.

6. Long-term debt

Long-term debt consisted of debt collateralised by the Group's 12 VLGCs as of December 31, 2022. The long-term debt consisted of debt collateralised by the Group's 13 VLGCs as of December 31, 2021.

Long-term debt repayments were $364.8 million for the twelve months ended December 31, 2022. Of the $364.8 million, $33.7 million is scheduled repayment of debt. The remaining debt repayment of $331.1 million is $237.5million repayment on refinancing of the existing $515 million facility, $23.2 million repaid on sale of VLGC *Thetis Glory,* $20.9 million repaid on the sale of VLGC *Providence*, $20 million repaid on the $515 million revolving credit facility and $29.5 million repaid on the sale of VLGC *Promise*.

During the first quarter of 2022, the company drew $104.0 million on the sustainability linked financing entered into in July 2021 in connection with the delivery of Avance Polaris in January 2022 and the delivery of Avance Capella in February 2022. During the second quarter of 2022, the Company drew $325.0 million on a $555 million sustainability linked financing facility entered into in May 2022, fully refinancing the existing $515 million facility.

In August, 2022, the Company signed a $135 million sale and leaseback agreement with Bocomm Leasing for the final two dual fuel newbuilding vessels due to be delivered in the fourth quarter of 2023 and first quarter of 2024. The lease has a post-delivery tenor of 10 years. In connection with the deliveries, we will release $39 million in cash as we are paying the pre-delivery instalments from our cash holdings.

	As of	
	December 31, 2022	**December 31, 2021**
	(in USD thousands)	
Non-current		
Secured bank loans	**231,968**	187,763
Revolving credit facilities	**113,387**	81,984
Lease financing agreement	**68,890**	75,660
	414,245	345,407
Current		
Current portion of secured bank loans	**30,522**	37,818
Current portion of lease financing agreement	**6,756**	6,756
	37,278	44,574
Total interest-bearing debt	**451,523**	389,981

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 December 31, 2022		**As of December 31, 2021**	
			(in USD thousands)		
	Note	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial liabilities					
Secured bank loans	6	**262,490**	**262,490**	225,581	225,581
Revolving credit facilities	6	**113,387**	**113,387**	81,984	81,984
Lease financing agreement	6	**75,646**	**75,646**	82,416	82,416
Derivative financial instruments					
Net interest rate swap assets		**10,880**	**10,880**	2,240	2,240
Net interest rate swap liabilities		**-**	**-**	10,812	10,812
Forward Freight Agreements and Bunker Hedges		**979**	**979**	-	-

The carrying amount of cash and cash equivalents, trade and other receivables, and trade and other payables are a reasonable estimate of their fair value, due to their short maturity. The estimated value of the Company's long-term interest-bearing debt equals its carrying value as of December 31, 2022 and December 31, 2021 as it is variable-rated.

The fair value (level 2) of the Company's rate swap agreements is the estimated amount that the Company would receive or pay to terminate the agreements at the reporting date, considering, as applicable, fixed interest rate curves and the current credit worthiness of both the Company and the derivative counterparty. The estimated amount is the present value of future cash flows. The fair value (level 2) of the Company's Forward Freight Agreements and Bunker hedges are determined using forward commodity prices at the balance sheet date.

Fair value adjustment of interest rate swaps, forward freight agreements and bunker hedges as of December 31, 2022 and December 31, 2021 is recognized in the statement of other comprehensive income / loss, refer to note 9.

During the fourth quarter, the Company terminated interest rate swaps for cash proceeds of $6.1 million. The gains on termination of the interest rate swaps are being reclassified from other comprehensive income to the income statement in line with the future cashflows of the original hedged item.

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

Fair value estimation

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)

8. Related party transactions

The Group entered into a corporate secretarial services agreement in July 2018 and a technical supervision agreement in Q2 2019 with Frontline Management (Bermuda). Additionally, in Q2 2019 the Group entered into an office lease and shared service agreement with Seatankers Management Norway AS. In Q1 2021, the Group entered into a separate technical supervision agreement for the Group's newbuilding program with Frontline Management (Bermuda). Additionally, the group entered a shared services agreement with Front Ocean Management AS (Norway) in Q4 2021.

For the twelve months ended December 31, 2022, the fee for corporate secretarial services was $248.4 thousand, the fee for technical supervision for current fleet and newbuildings was $2,246.1 thousand and fee for office lease and shared services was $979.9 thousand. In addition, Avance Gas received recharge of operational credits of $1,028.8 thousand. For the twelve months ended December 31, 2021, the fee for corporate secretarial services was $117.2 thousand, fee for technical supervision for current fleet and newbuildings was $2,014.2 thousand and fee for office lease and shared services was $331.7 thousand. A summary of balances due to related parties on December 31, 2022, and December 31, 2021, as follows.

	As of	
	December 31, 2022	**December 31, 2021**
	(in USD thousands)	
Frontline Ltd.	**-**	(130)
Frontline Management (Bermuda) Ltd.	**245**	556
Frontline Management AS	**-**	24
Front Ocean Management AS	**-**	11
Seatankers Management AS	**-**	5
Flex LNG	**3**	-
Net (receivable) payable to related parties	**248**	465

9. Accumulated other comprehensive income / 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 / loss is broken down between the two categories as follows:

(in USD thousands)	**Foreign Currency reserve**	**Fair value reserve**	**Accumulated other comprehensive income/ (loss)**
Balance January 1, 2021	65	(21,447)	(21,382)
Effective portion of changes in fair value of interest rate swaps	-	6,608	6,608
Reclassified to profit or loss	-	6,267	6,267
Translation adjustment, net	(12)	-	(12)
Balance December 31, 2021	53	(8,572)	(8,519)
Effective portion of changes in fair value of interest rate swaps	-	24,155	24,155
Reclassified to profit or loss	-	1,695	1,695
Translation adjustment, net	-	-	-
Balance December 31, 2022	53	17,278	17,331

10. Alternative performance measures

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

	For the three months ended		**For the twelve months ended**	
	December 31, 2022	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
	(in USD thousands)		*(in USD thousands)*	
Operating revenue	**67,410**	52,135	**254,540**	210,677
Voyage expenses	**(13,914)**	(19,227)	**(71,504)**	(67,689)
Voyage result	**53,496**	32,908	**183,036**	142,988
Calendar days	**1,163**	1,196	**4,849**	4,745
Technical off-hire days	**(12)**	(5)	**(62)**	(177)
Operating days	**1,151**	1,191	**4,787**	4,568
TCE per day ($)	**46,478**	27,631	**38,236**	31,302

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 February 2023, the Company took delivery of VLGC *Avance Rigel*, the third of its six 91,000 cbm VLGC newbuildings from Deawoo Shipyard in South Korea.