

Avance Gas Holding Ltd Reports Unaudited Results for the Fourth Quarter of 2021

BERMUDA, 22 February 2022 – Avance Gas Holding Ltd (OSE: AGAS or the “Company”) today reported unaudited results for the fourth quarter 2021.

HIGHLIGHTS

- The average time charter equivalent (TCE) rate was \$27,631/day compared to \$27,548/day in Q3 2021. The full year 2021 TCE rate was \$31,302/day compared to \$32,418/day in 2020.
- Daily operating expenses (OPEX) were \$8,139/day, down from \$8,610/day in Q3 2021. Full year 2021 OPEX was \$8,871/day, down from \$8,968/day in 2020.
- A&G expenses were \$1,351/day, down from \$1,549/day in Q3 2021. Full year 2021 A&G expenses were \$1,363/day, up from \$771/day in 2020.
- In December 2021, the Company successfully executed a sale leaseback transaction of the VLGC Iris Glory generating approximately \$16.6 million in net cash proceeds.
- In January 2022, the Company took delivery of Avance Polaris, the first of its six 91,000 cbm VLGC newbuildings from Deawoo Shipyard in South Korea. The vessel was shortly thereafter delivered to TotalEnergies on a Time Charter Agreement for 2 years.
- In January 2022, the Company entered a contract to sell the 2008-built VLGC Thetis Glory with delivery in February after her current voyage. Following debt repayment, the sale will generate approximately \$22.5 million in net cash proceeds and a book profit of approximately \$6.0 million.
- In January 2022, the Company entered into a Time Charter Agreement for a period of 2 years for the second dual fuel VLGC, Avance Capella.
- The board declared a dividend of \$0.05 per share for Q4 2021 corresponding to \$3.8 million.
- For the first quarter of 2022, we estimate TCE rate of approximately \$40,000/day contracted for 80% of vessel days.

In US\$ thousands (unless stated otherwise)	Three months ended	Three months ended
Income statement:	December 31, 2021	September 30, 2021
TCE per day (\$)	27,631	27,548
TCE earnings	32,908	31,597
Gross operating profit	21,559	19,446
Net profit	7,492	4,221
Earnings per share (diluted) (\$)	0.10	0.06
Balance sheet:	December 31, 2021	September 30, 2021
Total assets	955,383	936,773
Total liabilities	416,215	405,161
Cash and cash equivalents	101,910	102,293
Total shareholders' equity	539,168	531,612
Cash flows:	December 31, 2021	September 30, 2021
Net cash from operating activities	15,258	16,315
Net cash used in (from) investing activities	(18,051)	(8,137)
Net cash from (used in) financing activities	2,328	(13,838)
Net increase in cash and cash equivalents	(465)	(5,660)

As we anticipated in our Q3 outlook, the last quarter of 2021 was characterized by a firming winter market where spot rates went from USD 30,000 pd in October to USD high 50,000s pd in December on scrubber fitted modern tonnage. The relatively mild winter temperatures in the US allowed for price competitive US gas to fill requirements in both Asian and European markets with demand being spiked due to political unrest on the Russia / Ukraine border, seasonal cold weather as well as the ongoing energy crunch in Europe.

In the US, exports reached an average of 82 VLGC loadings/month for Q4 which was up 2 from 80 loadings/month in Q3. On an annual basis, the US VLGC loadings averaged 78 loadings per month for 2021, up 8 from 70 loadings/month in 2020.

Middle East exports averaged 50 VLGCs/month for Q4 which is in line with the previous quarter as well as the average for the year which in turn was slightly lower than the 2020 average of 53 cargoes per month. The Opec+ agreed crude oil production cuts continue to impact LPG exports from the region, especially from Saudi Arabia. However, with production cuts being slowly reversed, LPG exports increased throughout the second half of last year.

In addition to global higher export volumes in Q4, Panama Canal waiting time absorbed capacity from the VLGC fleet where it peaked in November as the average waiting time was around 12 days both northbound (for Owner's account) and southbound (for Charterer's account) transits. The waiting time for VLGCs throughout the quarter varied from 3 to 20 days depending on arrival date and we expect uncertainty to prevail also in 2022 when pre-booked slots for VLGCs are no longer available.



Administrative and general (A&G) expenses for the quarter were \$1.6 million, compared to 1.9 million in Q3, representing an average per ship of \$1,351/day in Q4 and \$1,549/day in Q3. A&G expenses for full year 2021 were \$6.5 million compared to \$3.9 million in 2020. Increase is mainly due to increase in number of headcounts combined with non-recurring personnel expenses.

Non-operating expenses for the quarter, consisting mainly of financial expenses, were \$2.2 million, compared to \$3.9 million in Q3. Full year non-operating expenses were \$14.6 million in 2021 and \$22.1 million in 2020.

Avance Gas reported a net profit of \$7.5 million in Q4 2021, or \$0.10 per share, compared with a net profit of \$4.2 million, or \$0.06 per share, in Q3 2021. Full year 2021 net profit was \$32.1 million, adjusted for impairment reversal the full year profit was compared to a full year net profit of \$70.9 million in 2020. EPS calculated for the full year is based on the weighted average of shares for the quarter, considering the share capital increase of 12,899,000 shares in April 2021.

Avance Gas' total assets amounted to \$955.4 million at 31 December 2021, compared with \$936.8 million at 30 September 2021. Total shareholders' equity was \$539.2 million at quarter-end, corresponding to an equity ratio of 56.4%. This compares with total shareholders' equity of \$531.6 million and an equity ratio of 56.7% at the end of Q3 2021.

Cash and cash equivalents were \$101.9 million at 31 December 2021, compared to \$102.3 million at 30 September 2021. Cash flow from operating activities for the quarter was positive \$15.3 million, compared with positive \$16.3 million in Q3 2021. Net cash flow used in investing activities for the quarter was \$18.1 million compared with net cash flow used in investing activities of \$8.1 million in Q3 2021. Investing activities for the quarter includes installments and related costs paid in the newbuilding program. Net cash flow used in financing activities was \$2.3 million, including scheduled repayments of debt of \$34.6 million, sale leaseback financing of \$41.6 million, and payment of dividend for the third quarter of \$3.8 million.

FLEET AND EMPLOYMENT OVERVIEW

Avance Gas fleet has a balance portfolio trading in the spot market and with Time charter contracts. We had a TC coverage of ~40% in the fourth quarter 2021 at an average TCE rate of \$31,000/day. For the year 2022, current TC coverage will be at 38% consisting of three vessels at an average rate of \$30,000/day and three vessels with floating hire. Our spot market exposure is following the LPG trading activity, primarily in the US Gulf/USEC and partly the Middle East.

Avance Gas recorded 1,191 operating days in Q4 2021, compared to 1,147 operating days in Q3 2021. Operating days is calendar days less offhire days. The fleet recorded 5 offhire days in Q4 2021.

The company recorded 39 waiting days for the fleet in Q4 2021, giving Avance Gas a fleet utilisation during the quarter of 96.7%, compared to 97.4% in Q3 2021.

OUTLOOK

2022 started where 2021 ended as the battle for US hydrocarbons continued between Europe and Asia. The uncertainty around the Panama Canal led to more vessels sailing via Cape of Good Hope and the Suez Canal and rates for January and February loading have kept steady at around USD 50-55,000 pd in both the East and West markets for modern scrubber fitted VLGCs. For March loadings, the market has softened as expected with seasonal weakening of the rates and while we remain optimistic for Q2-3, the approaching summer market is causing a repricing of cargoes and shipping with current spot rates appearing to have bottomed out in the USD 25-30,000 pd range on a scrubber fitted vessel depending on the load area.

Our 2022 market view remains unchanged as we continue to see US LPG production looking strong backed by high energy prices creating the demand pull required to keep cargoes moving. We also see a gradual increase in exports from the Middle East which should underpin the same sentiment East of Suez. While we expect higher exports from the Middle East, these are likely to remain in close regional demand centers like India where they fulfil residential

cooking and heating requirements. The growing demand from new PDH plants in China should mean US volumes continue to flow and remain a primary supply source for that demand centre.

We have not seen a significant growth in the newbuilding book in Q4 with only 3 orders confirmed for 2024 delivery. The total VLGC orderbook stood at 71 newbuildings at the start of this year (including 2 VLGCs that were delivered in the first half of January 2022), equivalent to 22% of the existing fleet, while 21 deliveries are scheduled for 2022.

With the expected increase in seaborne LPG trade, we anticipate the orderbook for 2022 will be comfortably accommodated. For 2023, we believe another layer of fleet inefficiency will be added when the new EEXI and CII emission regulations are introduced. The orderbook for 2023 of 40 vessels is significant however when we consider enforced slow steaming due to environmental requirements, continued uncertainty and delays in Panama Canal as well as the usual inefficiencies in discharge ports in both India and China, these additional units can foreseeably be absorbed into the market.

Avance Gas recently concluded two 24-month time charterers for our first two dual fuel new building which retain a market pricing exposure, reflecting our optimism for the coming years.

As part of our strategy to renew the fleet and reduce our emissions across the company, we are working on divesting our older vessels which currently benefit from firm asset prices. As reported in January 2022, we will deliver the Thetis Glory to her new Owners in Asia and are we also considering various purchase interests for the Providence.

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 2021 on Tuesday, 22 February 2022, at 14:00 CET. There will be a Q&A session following the presentation.

The presentation and webcast will be hosted by:

- Mr. Kristian Sørensen - CEO
- 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 follow the link <https://edge.media-server.com/mmc/p/8ftxfsh>. Dial in details is +44 20 7192 8338 (UK and International), +1 646 741 3167 (US) or +47 21 56 30 15 (Norway). Please quote the passcode: 3461298. 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)

	Note	For the three months ended		For the twelve months ended	
		December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
		<i>(in USD thousands)</i>		<i>(in USD thousands)</i>	
Operating revenue	10	52,135	51,030	210,677	205,716
Voyage expenses	10	(19,227)	(9,770)	(67,689)	(61,618)
Operating expenses		(9,734)	(11,265)	(42,093)	(45,040)
Administrative and general expenses		(1,615)	(839)	(6,467)	(3,870)
Operating profit before depreciation expense		21,559	29,156	94,429	95,188
Depreciation expense		(11,382)	(10,877)	(47,209)	(41,705)
Reversal of impairment losses	5	-	33,733	-	33,733
Gain on disposal of asset		-	-	-	5,829
Operating profit		10,177	52,012	47,220	93,045
Non-operating (expenses) income:					
Finance expense		(4,014)	(5,178)	(16,608)	(22,303)
Finance income		1,859	1	1,859	26
Foreign currency exchange gains		(32)	89	136	223
Income before tax		7,990	46,924	32,607	70,991
Income tax expense		(498)	(85)	(498)	(85)
Net profit		7,492	46,839	32,109	70,906
Earnings per share					
Basic		0.10	0.74	0.44	1.11
Diluted		0.10	0.73	0.44	1.11

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, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Note	<i>(in USD thousands)</i>		<i>(in USD thousands)</i>	
Net profit	7,492	46,839	32,109	70,906
Other comprehensive income:				
<i>Items that may be reclassified subsequently to profit and loss:</i>				
Fair value adjustment of interest rate swaps designated for hedge accounting	3,868	2,762	12,875	(10,181)
Exchange differences arising on translation of foreign operations	(1)	8	(12)	7
Other comprehensive income (loss)	3,867	2,770	12,863	(10,174)
Total comprehensive income	11,359	49,609	44,972	60,732

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	
	Note	December 31, 2021	December 31, 2020
		<i>(in USD thousands)</i>	
ASSETS			
Cash and cash equivalents		101,910	75,882
Trade and other receivables		21,232	16,456
Inventory		7,933	4,358
Prepaid expenses and other current assets		12,882	7,558
Total current assets		143,957	104,254
Property, plant and equipment	5	716,577	761,159
Newbuildings	5	92,609	31,825
Derivative financial instruments	7	2,240	-
Total non-current assets		811,426	792,984
Total assets		955,383	897,238
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current portion of interest-bearing loans and borrowings	6	44,574	43,001
Trade and other payables		8,009	2,977
Derivative financial instruments	7	5,691	6,223
Accrued voyage expenses and other current liabilities		7,413	3,699
Total current liabilities		65,687	55,900
Interest-bearing loans and borrowings	6	345,407	373,544
Derivative financial instruments	7	5,121	15,224
Total non-current liabilities		350,528	388,768
Shareholders' equity			
Share capital		77,427	64,528
Paid-in capital		431,366	379,851
Contributed capital		95,070	94,780
Retained loss		(44,825)	(53,856)
Treasury shares		(11,351)	(11,351)
Accumulated other comprehensive loss		(8,519)	(21,382)
Total shareholders' equity		539,168	452,570
Total liabilities and shareholders' equity		955,383	897,238

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)

<i>(in USD thousands)</i>	<u>Share capital</u>	<u>Paid-in capital</u>	<u>Contributed capital</u>	<u>Retained (loss) income</u>	<u>Accumulated other comprehensive (loss) income</u>	<u>Treasury shares</u>	<u>Total</u>
As of December 31, 2019	64,528	379,851	94,945	(105,654)	(11,208)	(11,351)	411,111
Comprehensive loss:							
Net profit	-	-	-	70,906	-	-	70,906
<i>Other comprehensive (loss) income:</i>							
Fair value adjustment of interest rate swaps	-	-	-	-	(10,181)	-	(10,181)
Translation adjustments, net	-	-	-	-	7	-	7
Total other comprehensive loss	-	-	-	-	(10,714)	-	(10,174)
Total comprehensive loss	-	-	-	70,906	(10,174)	-	60,732
Transactions with shareholders:							
Dividend	-	-	-	(19,108)	-	-	(19,108)
Compensation expense for share options	-	-	(165)	-	-	-	(165)
Total transactions with shareholders	-	-	(165)	(19,108)	-	-	(19,273)
As of December 31, 2020	<u>64,528</u>	<u>379,851</u>	<u>94,780</u>	<u>(53,856)</u>	<u>(21,382)</u>	<u>(11,351)</u>	<u>452,570</u>
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
<i>Other comprehensive (loss) income:</i>							
Fair value adjustment of interest rate swaps	-	-	-	-	12,875	-	12,875
Translation adjustments, net	-	-	-	-	(12)	-	(12)
Total other comprehensive loss	-	-	-	-	12,863	-	12,863
Total comprehensive loss	-	-	-	32,109	12,863	-	44,972
Transactions with shareholders:							
Share capital increase (Note 4)	12,899	51,515	-	-	-	-	64,414
Dividend (Note 4)	-	-	-	(23,078)	-	-	(23,078)
Compensation expense for share options	-	-	289	-	-	-	289
Total transactions with shareholders	<u>12,899</u>	<u>51,515</u>	<u>289</u>	<u>(23,078)</u>	<u>-</u>	<u>-</u>	<u>41,625</u>
As of December 31, 2021	<u>77,427</u>	<u>431,366</u>	<u>95,070</u>	<u>(44,825)</u>	<u>(8,519)</u>	<u>(11,351)</u>	<u>539,168</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 CASH FLOW
(UNAUDITED)

	Note	For the twelve months ended	
		December 31, 2021	December 31, 2020
		<i>(in USD thousands)</i>	
Cash flows from operating activities			
Cash generated from operations	3	91,158,	99,880
Interest paid		(17,603)	(20,926)
Net cash flows from operating activities		73,555	78,954
Cash flows used in investing activities:			
Net proceeds from sale of asset		-	34,257
Capital expenditures	5	(60,179)	(66,222)
Net cash flows used in investing activities		(60,179)	(31,965)
Cash flows (used in) from financing activities:			
Dividend	4	(23,078)	(19,108)
Proceeds from issue of share capital	4	64,414	-
Repayment of long-term debt	6	(67,778)	(85,451)
Proceeds from borrowings	6	41,650	59,473
Repayment of revolving credit facility		-	(11,890)
Transaction cost related to loans and borrowings		(1,707)	-
Settlement of share options		(959)	-
Net cash flows from in financing activities		12,542	(56,976)
Net increase in cash and cash equivalents		25,918	(9,987)
Cash and cash equivalents at beginning of period		75,882	85,909
Effect of exchange rate changes on cash		110	(40)
Cash and cash equivalents at end of period		101,910	75,882

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. 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”). The Company owns and operates a fleet of thirteen modern ships and five Dual Fuel LPG newbuildings due for delivery in Q1 2022, Q4 2022 and Q1 2023.

Basis for preparation

These unaudited condensed consolidated interim financial statements 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, 2020, 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.

The functional currency of the Group is US dollars. The condensed consolidated financial statements are presented in US dollars, and all amounts have been rounded to the nearest thousand, unless otherwise indicated.

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, 2020, except for 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 satisfies 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, 2021:

- Classification of liabilities as Current or Non-current (Amendments to IAS 1).
- COVID-19-related Rent Concessions (Amendments to IFRS 16).
- 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.

AVANCE GAS HOLDING LTD
NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS

3. Reconciliation of net profit to cash generated from operations

	For the twelve months ended	
	December 31, 2021	December 31, 2020
	<i>(in USD thousands)</i>	
Net profit	32,109	70,906
Adjustments to reconcile net profit to net cash from operating activities:		
Depreciation and amortisation of property, plant and equipment	47,209	41,705
(Reversal of) impairment losses and non-current assets		(33,733)
Net finance expense	16,472	22,054
Compensation expense	1,245	(165)
Gain on disposal of asset	-	(5,829)
Changes in assets and liabilities:		
(Increase) decrease in trade and other receivables	(4,776)	9,775
(Increase) decrease in inventory and prepaid expenses and other current assets	(8,897)	12,097
Increase (decrease) in trade and other payables	4,781	(11,382)
(Ddecrease) in accrued voyage expenses and other current liabilities	3,140	(5,571)
Other	(126)	23
Cash flows from operating activities	91,158	99,880

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, 2021, and December 31, 2020. In April 2021, the Company issued 12.9 million shares at a price of \$5.1 (NOK 43) per share. All ordinary shares were issued with a par value of \$1.0. Accordingly, of the authorised share capital, 77.4 million and 64.5 million shares were issued and outstanding as of December 31, 2021, and December 31, 2020, respectively, 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 consist mainly of paid-in surplus related to the current capital increase and conversion of shareholders' loans in 2013.

On August 20, 2021, the majority shareholder of Avance Gas Holding Ltd., Hemen Holding Limited ("Hemen") acquired additionally 127,207 shares in the Company. Following the acquisition, Hemen, combined with its holdings through its ownership in Frontline Ltd., held a total of 33.35% of the shares in the Company. Pursuant to section 6-1 of the Norwegian Securities Trading Act the transaction triggered an obligation for Hemen to make a mandatory offer to acquire all shares in the Company at a price of NOK 43 per share. Upon expiration of the offer on October 12, 2021, Hemen had received valid acceptances for in total 26,051,095 shares, corresponding to approximately 33.65% of the registered share capital and voting rights in the Company. Thus, following completion of the Mandatory Offer Hemen, combined with its holdings through its ownership in Frontline Ltd, holds 58,352,953 shares in the company, corresponding to 75.37%.

AVANCE GAS HOLDING LTD
NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS

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. In April and May 2021, a total of additional 1,549,999 options were granted to senior management and employees under the option plan. Following the award, declared, forfeited and cancellation of share options since 2013, a total of 1,655,666 share options remained outstanding under the Company's share option scheme as of December 31, 2021.

Cash dividends to the equity holders of the parent

	December 31, 2021	As of December 31, 2020
	<i>(in USD thousands)</i>	
Dividends on ordinary shares declared and paid:		
Final dividend for 2020: \$0.11/share (2020: \$0.3/share)	6,994	19,108
First dividend for 2021: \$0.14/share (2020: nil)	10,723	-
Second dividend for 2021: \$0.02/share (2020: nil)	1,532	-
Third dividend for 2021: \$0.05/share (2020: nil)	3,829	-

5. Property, plant and equipment

Acquisitions

During the twelve months ended December 31, 2021, and December 31, 2020, the Group capitalised \$63.4 million and \$66.4 million, respectively, in property, plant and equipment. For the twelve months ended December 31, 2021, the capitalised expense consists of \$58.1 million in instalments and other costs related to the newbuilding program, including capitalised borrowing cost of \$2.7 million, and drydock and scrubber installation of \$2.6 million.

Impairment tests performed in 2020

As of December 31, 2020, indicators of reversal of previous recognised impairment were assessed. Based on this assessment previously recognised impairment losses on the VLGC fleet were assessed for reversal mainly due to recovered freight rates and appraisals obtained from external brokers. As a result of the impairment reversal test, management recognised a reversal of impairment of \$33.7 million.

AVANCE GAS HOLDING LTD
NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS

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.

	Note	As of December 31, 2021		As of December 31, 2020	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
<i>(in USD thousands)</i>					
Financial liabilities					
Secured bank loans	6	225 581	225 581	284,069	284,069
Revolving credit facilities	6	81 984	81 984	88,110	88,110
Lease financing agreement	6	82 416	82 416	44,366	44,366
Derivative financial instruments					
Net interest rate swap liabilities		8 572	8 572	21,447	21,447

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, 2021 and December 31, 2020 as it is variable-rated.

The fair value (level 2) of the Company's interest 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. Fair value adjustment of the interest swaps as of December 31, 2021, and December 31, 2020, is recognised in the statement of other comprehensive loss, refer to note 9.

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

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).

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).

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

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was \$331.7 thousand. In addition, Avance Gas received recharge of operational expenses and credits of net credit of \$115.9 thousand. For the twelve months ended December 31, 2020, the fee for corporate secretarial services was \$121.0 thousand, fee for technical supervision was \$735.0 thousand and fee for office lease and shared services was \$373.0 thousand. A summary of balances due to related parties on December 31, 2021, and December 31, 2020, is as follows:

	As of	
	December 31, 2021	December 31, 2020
	<i>(in USD thousands)</i>	
	<u> </u>	<u> </u>
Frontline Ltd.	(130)	(149)
Frontline Management (Bermuda) Ltd.	556	427
Frontline Management AS	24	8
Front Ocean Management AS	11	-
Seatankers Management AS	5	-
Seatankers Management Co. Ltd.	-	36
Net (receivable) payable to related parties	<u>465</u>	<u>322</u>

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 loss is broken down between the two categories as follows:

<i>(in USD thousands)</i>	Foreign Currency reserve	Fair value reserve	Accumulated other comprehensive loss
	<u> </u>	<u> </u>	<u> </u>
Balance January 1, 2020	58	(11,266)	(11,208)
Effective portion of changes in fair value of interest rate swaps	-	(14,821)	(14,821)
Reclassified to profit or loss	-	4,640	4,640
Translation adjustment, net	7	-	7
Balance December 31, 2020	<u>65</u>	<u>(21,447)</u>	<u>(21,382)</u>
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	<u>53</u>	<u>(8,572)</u>	<u>(8,519)</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 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, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	<i>(in USD thousands)</i>		<i>(in USD thousands)</i>	
Operating revenue	52,135	51,030	210,677	205,716
Voyage expenses	(19,227)	(9,770)	(67,689)	(61,618)
Voyage result	32,908	41,260	142,988	144,098
Calendar days	1,196	1,196	4,745	5,022
Technical off-hire days	(5)	(54)	(177)	(577)
Operating days	1,191	1,142	4,568	4,445
TCE per day (\$)	27,631	36,130	31,302	32,418

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 January 2022, the Company took delivery of *Avance Polaris*, the first of its six 91,000 cbm VLGC newbuildings from Deawoo Shipyard in South Korea. The vessel was shortly thereafter delivered to TotalEnergies on a Time Charter Agreement for 2 years.

In January 2022, the Company entered a contract to sell the 2008-built VLGC *Thetis Glory* with delivery in February after her current voyage. Following debt repayment, the sale will generate approximately \$22.5 million in net cash proceeds and a book profit of approximately \$6.0 million.

In January 2022, the Company entered into a Time Charter Agreement for a period of 2 years for the second dual fuel VLGC, *Avance Capella*.