Avance Gas Holding Ltd Reports Unaudited Results for the Second Quarter and First Half of 2019

BERMUDA, 22 August 2019 – Avance Gas Holding Ltd (OSE: AVANCE) today reported unaudited results for the second quarter and first half of 2019.

HIGHLIGHTS

- The average time charter equivalent (TCE) rate for the fleet was $32,275/day, up from $11,133/day in Q1 2019
- Daily operating expenses (OPEX) were $8,214/day, compared to $7,952/day in Q1 2019
- A&G expenses were $1,220/day, up from $907/day in Q1 2019, impacted by one-off costs
- In process of ordering three additional exhaust gas cleaning systems, with delivery in primo Q1 2020
- At the date of this report, the company held $91 million in cash
- Approx. 80% of Q3 ship days have been fixed at a TCE rate of approx. $45,000/day. $45,000/day represents approx. $29 million per quarter in free cash flow

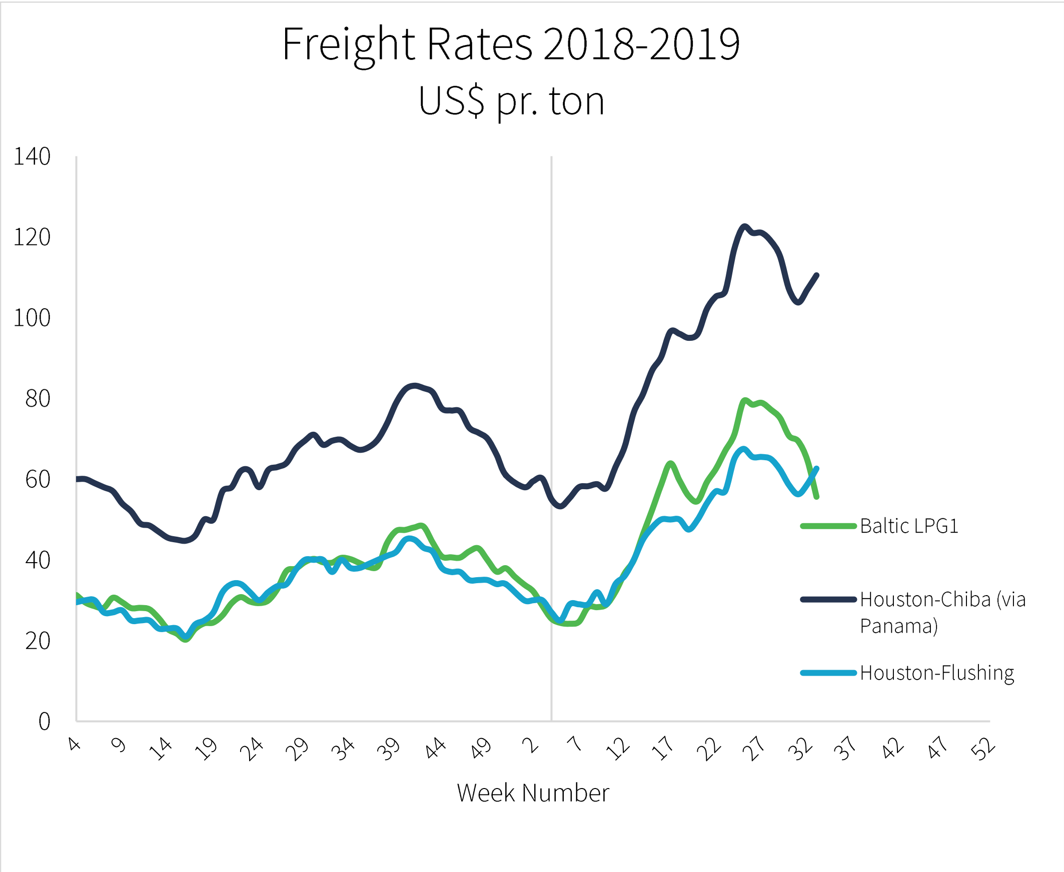
In US$ thousands (unless stated otherwise)	Three months ended	Three months ended
Income statement:	30 June 2019	31 March 2019
TCE earnings	40,440	14,017
TCE per day ($)	32,275	11,133
Operating profit before depreciation expense	28,422	2,855
Net profit (loss)	9,835	(15,184)
Net profit (loss) per share (diluted) ($)	0.15	(0.24)
Balance sheet:	30 June 2019	31 March 2019
Total assets	877,860	870,534
Total liabilities	528,758	525,147
Cash and cash equivalents	66,962	65,163
Total shareholders' equity	349,102	345,387
Cash flows:	30 June 2019	31 March 2019
Net cash from (used in) operating activities	460	(1,448)
Net cash from (used in) investing activities	5	(53)
Net cash from financing activities	1,235	19,494
Net increase in cash and cash equivalents	1,799	17,874

Following a weak first quarter the freight markets improved significantly from March, driven by improvements in terminal capacity and infrastructure in the US Gulf and East Coast.

Middle East LPG exports in Q2 2019 were 8.0 million tons, up by 0.2 million tons compared to Q1 2019. The average quarterly exports in 2018 was 9.6m tons. Comparing year to date 2019 to 2018, the main reduction has come from Saudi Arabian and United Arab Emirates, largely relating to OPEC production cuts. Iran have maintained higher export levels on a relative basis. Average monthly cargoes exported in Q2 was 61, up from 59 in Q4 2018 and an average of 64 cargoes per month in 2018.

US Gulf and USEC VLGC exports were 8.5 million tons in Q2 2019, up from 7.0 million tons in Q1 2019 and 6.4 million in Q2 2018. In Q1, US exports were impacted by a period of cold temperatures in February, resulting in higher domestic consumption and increasing LPG prices. In March, the Mariner East II pipeline to Markus Hook commenced operations, which together with further infrastructure improvements and favorable trading economics increased export activity in the US. US Gulf and USEC monthly VLGC exports totaled average 62 cargoes in Q2, of which average 9 cargoes from Marcus Hook. This compares to 51 monthly cargoes in Q1 2019 and 48 cargoes in Q2 2018.

Per year end July 2019 the global fleet totaled approx. 276 ships with an orderbook totaling 36 ships (13%). Eleven ships have been delivered, leaving seven ships due for delivery in the balance of the year. Seven new orders have been placed and no recycling activity has been reported. Although depending on the strength of the freight market, we continue to expect efficiency disruptions and removal of older ships from active trade in connection with the implementation of the IMO 2020 emission rules in January 2020.



(Source: Clarkson, Poten & Partners, Fearnleys)

FINANCIAL AND OPERATIONAL REVIEW

Avance Gas reported TCE earnings of $40.4 million, up from $14.0 million in Q1, reflecting the significantly improved freight market.

Operating expenses in Q2 2019 were $10.5 million, up from $10.0 million Q1, representing an average $8,214/day and $7,952/day respectively. The increase is in line with normal variations during the year.

Administrative and general expenses for the quarter were $1.6 million, slightly higher than previous quarter due to one-off personnel and office expenses with an average per ship of $1,220/day for Q2 compared with $907/day in Q1.

Non-operating expenses, consisting mainly of financial expenses, were $8.4 million, compared with $7.4 million in Q1 2019, an increase reflecting expensed debt issuance cost related to previous outstanding debt offset by lower LIBOR rates.

Avance Gas reported a net profit of $9.8 million in Q2 2019, or $0.15 per share, compared with a net loss of $15.2 million, or $0.24 per share, in Q1 2019.

Avance Gas' total assets amounted to $877.9 million at 30 June 2019, compared with $870.5 million at 31 March 2019. Total shareholders' equity was $349.1 million at quarter-end, corresponding to an equity ratio of 39.8%. This compared with total shareholders' equity of $345.4 million and an equity ratio of 39.7% at the end of Q1 2019.

Cash and cash equivalents were $67.0 million at 30 June 2019. The increase from $65.2 million at 31 March 2019, reflected higher freight rates and timing of freight payments, refinancing and down payment of debt. Following the completion of the refinancing in June, the net total interest-bearing debt was $509.4 million, compared with $511.9 million at 31 March 2019.

Cash flow from operating activities was positive $0.5 million, compared with negative $1.5 million in Q1 2019, mainly reflecting higher freight rates. Net cash flow used in investing activities was materially unchanged from Q1 2019. Net cash flow from financing activities was positive $1.2 million due to the refinancing. The available liquidity at the date of this report was $91.1 million.

FLEET AND EMPLOYMENT OVERVIEW

In line with the changes in spot market activity we have increased our spot market exposure in the US freight market.

Avance Gas recorded 1,253 operating days in Q2 2019, compared to 1,259 operating days in Q1 2019. The fleet recorded 21 offhire days, relating to minor repairs to the fleet.

Waiting days which are included in operating days, totaled 21 for the fleet in Q2 2019, or 0.50 waiting days per month per ship, giving Avance Gas a fleet utilization during the quarter of 97.9%, compared to 96.9% in Q1 2019.

IMO 2020

The company is in the process of ordering three exhaust cleaning systems (scrubbers) for VLGCs *Mistral, Monsoon* and *Sirocco*. The two scrubber acquisitions previously announced are expected to be transferred to VLGCs *Breeze* and *Passat*. All scrubber installments are expected to be completed in primo Q1 2020, in connection with scheduled dry-docking.

OUTLOOK

The seasonal upswing in trading activity, together with increased export capacity in the US, led to a steady strengthening during second quarter. Although still at very healthy levels, the freight market has softened somewhat into Q3, as the ten ships delivered the first half of the year are being absorbed, combined with slightly more challenging trading environment.

As a result of strong growth in US LPG production and steady domestic demand, the LPG available for exports as a share of production has grown from 25% to 40% from 2013 to 2018. The latest projections published by EIA show a continued strong growth in US LPG production the coming years, averaging 5% p.a. With limited growth in domestic consumption and expected inventories, EIA estimates that US LPG available for export will grow by average 15% p.a. in 2019-2020.

As the OPEC crude oil production cuts continue, we do not expect Middle East volumes to grow. Further, limitations on Iranian exports are expected to reduce Iranian export volumes going forward. The tension in the Middle East could generally lead to reduced volumes in the area, in which case volumes are expected to be replaced from the US. Outside US and Middle East, exports from the Canada, Australia and West Africa have increased steadily, with China accounting for much of the demand.

Following the awaited increase in export volumes from Marcus Hook on the US East Coast, the ramp up of the Enterprise LPG export terminal is expected during late Q3 2019. In July, Enterprise announced further investments in terminal capacity expansion for completion by Q3 2020. Investments increased LPG production, improved infrastructure and increased terminal capacity in the US is expected to lead to higher export volumes. The VLGC market is not affected by the Chinese trade war, as no US LPG currently is being imported into China.

With debt refinancing finalized, maintaining our attractive cash break even rates, we are generating substantial free cash flow in the current freight market, which we expect to continue.

PRESENTATION AND WEBCAST

Avance Gas will host an audio webcast and conference call to discuss the company's results for the period ended 30 June 2019 on Thursday, 22 August 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. 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: 3835678. Phone lines will open 10 minutes before the conference call.

For further queries, please contact:

Peder C. G. Simonsen, CFO
Tel: +47 22 00 48 15
Email: p.simonsen@avancegas.com

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 six months ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	(in thousands except earnings per share)			
Operating revenue	$ 61,663	$ 22,648	$ 89,208	$ 51,654
Voyage expenses	(21,223)	(13,379)	(34,951)	(27,924)
Operating expenses	(10,464)	(10,150)	(20,483)	(19,484)
Administrative and general expenses	(1,554)	(1,263)	(2,697)	(2,418)
Operating profit (loss) before depreciation expense	28,422	(2,144)	31,077	1,828
Depreciation and amortization expenses	(10,242)	(10,272)	(20,856)	(20,048)
Operating profit (loss)	18,180	(12,416)	10,221	(18,220)
Non-operating (expenses) income:				
Finance expense	(8,430)	(7,003)	(15,854)	(13,580)
Finance income	80	145	84	230
Foreign currency exchange gain (loss)	5	11	0	(6)
Net profit (loss)	$ 9,835	$ (19,263)	$ (5,549)	$ (31,576)
Loss per share:				
Basic	$ 0.15	$ (0.30)	$ (0.09)	$ (0.50)
Diluted	$ 0.15	$ (0.30)	$ (0.09)	$ (0.50)

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)

	For the three months ended		For the six months ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	(in thousands)			
Net profit (loss)	$ 9,835	$ (19,263)	$ (5,549)	$ (31,576)
Other comprehensive (loss) income:				
Items that may be reclassified subsequently to profit and loss:				
Fair value adjustment of interest rate swaps	(5,914)	2,218	(9,994)	8,714
Exchange differences arising on translation of foreign operations	0	(2)	2	(2)
Other comprehensive (loss) income	(5,914)	2,216	(9,992)	8,712
Total comprehensive income (loss)	$ 3,921	$ (17,047)	$ (15,541)	$ (22,864)

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	
	June 30, 2019	December 31, 2018
	(in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 66,962	$ 47,289
Receivables	27,690	14,047
Inventory	4,125	5,752
Mobilization cost	901	1,791
Prepaid expenses	1,079	3,991
Other current assets	2,794	2,584
Total current assets	103,551	75,454
Property, plant and equipment (note 5)	774,309	795,304
Intangible assets	0	37
Total non-current assets	774,309	795,341
Total assets	$ 877,860	$ 870,795
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt (note 6)	$ 42,907	$ 31,636
Accounts payable	2,960	7,207
Related party payable balances	116	-
Accrued voyage expenses	3,520	2,975
Accrued expenses	750	773
Current portion of derivative financial instruments (note 7)	2,015	50
Other current liabilities	303	1,426
Total current liabilities	52,571	44,067
Long-term debt (note 6)	366,521	335,522
Long-term revolving credit facilities (note 6)	100,000	125,000
Long-term derivative financial instruments (note 7)	9,666	1,638
Total non-current liabilities	476,187	462,160
Shareholders' equity		
Share capital (note 4)	64,528	64,528
Paid-in capital (note 4)	379,851	379,851
Contributed capital (note 4)	95,366	95,291
Retained loss	(167,154)	(161,605)
Treasury shares (note 4)	(11,867)	(11,867)
Accumulated other comprehensive loss (note 9)	(11,622)	(1,630)
Total shareholders' equity	349,102	364,568
Total liabilities and shareholders' equity	$ 877,860	$ 870,795

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)

	Share capital	Paid-in capital	Contributed capital	Retained loss	Accumulated other comprehensive loss	Treasury shares	Total
			(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 (restated*)	—	—	—	(31,576)	—	—	(31,576)
Other comprehensive (loss) income:							
Fair value adjustment of interest rate swaps	—	—	—	—	8,714	—	8,714
Translation adjustments, net	—	—	—	—	(2)	—	(2)
Total other comprehensive loss	—	—	—	—	8,712	—	8,712
Total comprehensive loss	—	—	—	(31,576)	8,712	—	(22,864)
Transactions with shareholders:							
Compensation expense for share options	—	—	108	—	—	—	108
Total transactions with shareholders	—	—	108	—	—	—	108
Balance, June 30, 2018	$ 64,528	$ 379,851	$ 95,293	$ (150,309)	$ 1,263	$ (11,867)	$ 378,759
Balance December 31, 2018	$ 64,528	$ 379,851	$ 95,291	$ (161,605)	$ (1,630)	$ (11,867)	$ 364,568
Comprehensive loss:							
Net loss	—	—	—	(5,549)	—	—	(5,549)
Other comprehensive (loss) income:							
Fair value adjustment of interest rate swaps	—	—	—	—	(9,994)	—	(9,994)
Translation adjustments, net	—	—	—	—	2	—	2
Total other comprehensive loss	—	—	—	—	(9,992)	—	(9,992)
Total comprehensive loss	—	—	—	(5,549)	(9,992)	—	(15,541)
Transactions with shareholders:							
Compensation expense for share options	—	—	75	—	—	—	75
Total transactions with shareholders	—	—	75	—	—	—	75
Balance, June 30, 2019	$ 64,528	$ 379,851	$ 95,366	$ (167,154)	$ (11,622)	$ (11,867)	$ 349,102

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW (UNAUDITED)

	For the six months ended	
	June 30, 2019	June 30, 2018
	(in thousands)	
Cash flows from operating activities (note 3)	$ 19,263	$ 811
Interest paid	(20,251)	(12,359)
Net cash flows used in operating activities	(988)	(11,548)
Cash flows used in investing activities:		
Capital expenditures (note 5)	(48)	(8,456)
Net cash flows used in investing activities	(48)	(8,456)
Cash flows used in financing activities:		
Repayment of long-term debt (note 6)	(519,271)	(11,012)
Drawdown of long-term debt (note 6)	515,000	
Drawdown of revolving credit facility	25,000	25,000
Repayment of revolving credit facility (note 6)	—	—
Net cash flows from financing activities	20,729	13,988
Net decrease in cash and cash equivalents	19,693	(6,016)
Cash and cash equivalents at beginning of period	47,289	62,316
Effect of exchange rate changes on cash	(20)	(89)
Cash and cash equivalents at end of period	$ 66,962	$ 56,211

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

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.

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 June 30, 2019.

3. Reconciliation of net profit to cash generated from operations

	For the six months ended			
		June 30, 2019		June 30, 2018
	(in thousands)			
Net loss	$	(5,549)	$	(31,576)
Adjustments to reconcile net profit to net cash from operating activities:				
Depreciation and amortization of property, plant and equipment and intangibles		20,856		20,048
Net finance expense		15,748		13,580
Compensation expense		75		108
Changes in assets and liabilities:				
(Increase) Decrease in receivables		(13,642)		3,790
Decrease (Increase) in prepaid expenses, inventory, related party receivables, mobilization cost and other current assets		5,218		(3,362)
(Decrease) increase in accounts payable		(4,248)		(1,612)
Decrease (increase) in accrued voyage expenses, other current liabilities and related party balances		805		(165)
Cash flows from operating activities	$	19,263	$	811

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 June 30, 2019 and December 31, 2018. Of the authorized share capital, 64.5 million shares were issued and outstanding as of June 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.

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.

August 12, 2019, 725,000 share options have been issued to Mr Ulrik Andersen in connection with his appointment as Chief Executive Officer of Avance Gas AS.

5. Property, plant and equipment

During the six months ended June 30, 2019 and June 30, 2018, the Group invested $0.1 million and $8.5 million, respectively, on property, plant and equipment.

As of June 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 six-month period ended June 30, 2019 were present.

6. Long-term debt

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

In June 2019, Avance Gas fully refinanced its outstanding debt. Outstanding debt was repaid and the company entered into a new loan credit facility of $515 million consisting of a three tranches, a $380 million term loan tranche, a $100 million revolving tranche and a $35 million top up tranche. The term loan tranche and revolving tranche has maturity date June 25, 2024 and the top up tranche has maturity date June 25, 2021. Repayment of the term loan has consecutive quarterly instalments of $11 million commencing Q3 2019 and an average 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.

	As of June 30, 2019	As of December 31, 2018
Long-term debt	$ 371,000	$ 336,236
Long-term revolving credit facilities	100,000	125,000
Long-term debt issuance cost	(4,479)	(714)
Long-term debt	466,521	460,522
Current portion of long-term debt	44,000	33,035
Current portion of debt issuance cost	(1,093)	(1,399)
Current portion of long-term debt	42,907	31,636
Total net debt	$ 509,428	$ 492,158

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 June 30, 2019		As of December 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	(in thousands)			
Financial assets:				
Cash and cash equivalents	$ 66,962	$ 66,962	$ 47,289	$ 47,289
Receivables	27,690	27,690	14,047	14,047
Financial liabilities:				
Accounts payable	$ 2,960	$ 2,960	$ 7,207	$ 7,207
Related party payable balances	116	116	-	-
Accrued expenses and accrued voyage expenses	4,270	4,270	3,748	3,748
Revolving credit facilities	100,000	100,000	125,000	125,000
Long-term debt including current maturities	415,000	415,000	369,272	369,272
Derivative financial instruments:				
Interest rate swap assets (liabilities) including current maturities	$ (11,682)	$ (11,682)	$ (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 June 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 $5.6 million and $2.1 million as of June 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 mark-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 June 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.

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 mark-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

During the fourth quarter 2018, Frontline Ltd were defined as a related party with the Group due to change in aggregate holdings of the share. As the aggregate holdings of Hemen and Frontline Ltd are above 20% they are considered to have significant influence over the Group, and are therefore related parties. 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 $51 thousand, fee for technical supervision was $36 thousand and fee for office lease was $81 thousand for the six months ended June 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	—	8,714	8,714
Translation adjustments, net	(2)	—	(2)
Balance June 30, 2018	$ 56	$ 1,207	$ 1,263
Balance January 1, 2019	$ 58	$ (1,688)	$ (1,630)
Fair value adjustment of interest rate swaps	—	(9,994)	(9,994)
Translation adjustments, net	2	—	2
Balance June 30, 2019	$ 60	$ (11,682)	$ (11,622)

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.

	For the three months ended		For the six months ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	(in thousands)			
Operating revenue	$ 61,663	$ 22,648	$ 89,208	$ 51,654
Voyage expenses	(21,223)	(13,379)	(34,951)	(27,924)
Voyage result	40,440	9,269	54,257	23,730
Calendar days	1,274	1,274	2,534	2,534
Technical off-hire	(21)	(72)	(22)	(188)
Operating days	1,253	1,202	2,512	2,346
TCE per day ($)	32,275	7,711	21,599	10,115

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

There were no significant subsequent events after June 30, 2019.

AVANCE GAS HOLDING LTD

RESPONSIBILITY STATEMENT

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period January 1 to June 30, 2019 has been prepared in accordance with IAS 34 – Interim Financial Reporting, and gives a true and fair view of the assets, liabilities, financial position and profit or loss for the Group as a whole.

We also confirm, to the best of our knowledge, that the condensed interim financial statements and the earnings release include a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related party transactions.

August 22, 2019

Marius Hermansen
Chairman and Director

Ulrik Andersen
CEO