



## Avance Gas Holding Ltd Reports Unaudited Results for the Second Quarter of 2020

BERMUDA, 26 August 2020 – Avance Gas Holding Ltd (OSE: AVANCE) today reported unaudited results for the second quarter 2020.

### HIGHLIGHTS

- The average time charter equivalent (TCE) rate was \$28,932/day on the basis of IFRS 15 accounting standard, compared to \$44,990/day in Q1 2020.
- Daily operating expenses (OPEX) were \$8,576/day, compared to \$8,650/day in Q1 2020.
- A&G expenses were \$608/day, down from \$1,042/day in Q1.
- In August, the Company agreed to sell its oldest ship, *Avance (2003)*, for a net price of \$35 million. Closing is expected in early September. The sale will generate a book profit of approx. \$6 million in Q3 and net cash proceeds of approx. \$17 million, and further reduce scheduled drydock capex due in 2020 by \$2 million.
- In August, the company received credit approval for the refinancing of VLGC *Pampero (2015)* in a \$45 million sale leaseback transaction with a Chinese leasing house, subject to normal documentation and closing procedures. The financing bears an implied 24 year age adjusted repayment profile and a credit margin of 3.10%. The transaction will generate net cash proceeds of approx. \$10 million and a cash break-even of approx. \$19,500/day and is expected to close in Q4.
- By Q3, seven ships will have completed special survey and five scrubbers have been installed.

In US\$ thousands (unless stated otherwise)	Three months ended	Three months ended
<b>Income statement:</b>	<b>30 June 2020</b>	<b>31 March 2020</b>
TCE earnings	34,285	44,059
TCE per day (\$)	28,932	44,990
Operating profit before depreciation expense	22,585	31,712
Net profit	6,711	15,097
Earnings per share (diluted) (\$)	0.11	0.24
<b>Balance sheet:</b>	<b>30 June 2020</b>	<b>31 March 2020</b>
Total assets	885,329	892,689
Total liabilities	486,503	499,070
Cash and cash equivalents	84,546	85,867
Total shareholders' equity	398,826	393,619
<b>Cash flows:</b>	<b>30 June 2020</b>	<b>31 March 2020</b>
Net cash from operating activities	21,521	36,255
Net cash used in investing activities	(11,025)	(21,121)
Net cash used in financing activities	(11,882)	(15,108)
Net decrease in cash and cash equivalents	(1,321)	(42)

After a seasonally strong Q1, freight markets weakened in Q2 due to COVID 19 related reduced demand and unfavorable LPG trading environment. With a closed LPG price arbitrage and reduced Asian demand, freight rates started to drop in May/June. During July/August, the demand has started to return to normal trajectories, and the LPG price differential has developed positively. Combined with lower fleet capacity, due to drydocking and slowsteaming of the fleet, this has led to a rebound in freight markets Q3 to date.

The fall in oil prices has increased the volatility in the US export volumes, mainly due to unfavorable US/Asia price differential. US Gulf and USEC VLGC exports were 9.0 million tons in Q2 2020, up from 8.9 million tons in Q1 2020 and 8.5 million in Q2 2019. US Gulf and USEC recorded 65 monthly VLGC cargoes in Q2 2020, unchanged from Q1 2020 and compared to 63 cargoes in Q2 2019. Preliminary numbers suggest another month up to 70 cargoes in July, illustrating this volatility.

Middle East export activity has followed OPEC+ production increases and cuts and has been volatile during first half 2020. Middle East VLGC exports totaled 7.8 million tons in Q2 2020, compared to 7.6 million tons in Q1 2020 and 7.9 million in Q2 2019. Middle East exported on average 59 cargoes per month in Q2, up from 57 cargoes in Q1, while preliminary data for July shows 55 cargoes.

The global fleet totaled 299 ships by end July 2020, with an orderbook of 33 ships (11%). Three new ships have been confirmed ordered, for delivery in 2022. Five ships are due for delivery for the remainder of 2020, 20 ships are due for delivery in 2021 and eight ships due for delivery in 2022. It is expected that the effect of fleet growth will be partly mitigated by large number of special surveys due 2020-2022.



(Source: Clarksons, Poten, Fearnleys)

## FINANCIAL AND OPERATIONAL REVIEW

Avance Gas reported TCE earnings of \$34.3 million, down from \$44.1 million in Q1. TCE revenue was partly impacted by the accounting effect of repositioning voyages, which will have a similar positive effect in the following quarter.

Operating expenses were \$10.9 million, equaling a daily average of \$8,576/day. This compares to \$8,650/day in Q1. OPEX was impacted by Covid-19 related increase in storing and crew costs. We expect operating expenses to come down during the course of the year.

Administrative and general (A&G) expenses for the quarter were \$0.8 million, down by 0.5 million from Q1, representing an average per ship of \$608/day for Q2 and \$1,042/day in Q1.

Non-operating expenses, consisting mainly of financial expenses, were \$5.5 million, compared with \$6.3 million in Q1, reflecting lower LIBOR rate and lower average debt.

Avance Gas reported a net profit of \$6.7 million in Q2 2020, or \$0.11 per share, compared with a net profit of \$15.1 million, or \$0.24 per share, in Q1 2020.

Avance Gas' total assets amounted to \$885.3 million at 30 June 2020, compared with \$892.7 million at 31 March 2020. Total shareholders' equity was \$398.8 million at quarter-end, corresponding to an equity ratio of 45.0%. This compared with total shareholders' equity of \$393.6 million and an equity ratio of 44.1% at the end of Q1 2020.

Cash and cash equivalents were \$84.5 million at 30 June 2020, materially unchanged compared with 31 March 2020.

Cash flow from operating activities was positive \$21.5 million, compared with \$36.3 million in Q1 2020, the decrease reflects off hire days due to scheduled drydock, scrubber installation and lower freight rates. Net cash flow used in investing activities, primarily related to drydock and scrubber installation totaling \$11.0 million compared with \$21.1 million in Q1 2020. Net cash flow used in financing activities was \$11.9 million related to scheduled repayments. The available liquidity at the date of this report was approx. \$78.0 million.

## FLEET AND EMPLOYMENT OVERVIEW

The majority of the Avance Gas fleet is trading in the spot market or short term contracts. In total we have TC coverage at an average 21% in second half 2020 and 14% in 2021, at an average TCE rate of ~\$33,500/day and \$32,500/day respectively. Our spot market exposure is following the LPG trading activity, mainly in the US Gulf/USEC and the Middle East.

Avance Gas recorded 1,185 operating days in Q2 2020, compared to 979 operating days in Q1 2020. Operating days is calendar days less offhire days. The fleet recorded 89 offhire days, most of which related to the drydocking of the fleet and impacted by Covid-19.

The company recorded 74 waiting days for the fleet in Q2 2020, giving Avance Gas a fleet utilization during the quarter of 94%, compared to 97% in Q1 2020.



## DRYDOCKING UPDATE

As stated in our Q1 report, Covid 19 impacted our drydocking and scrubber retrofit program also in Q2, with continued shipyard delays, travel bans and quarantines. In Q2 we recorded 89 offhire days, the majority of which can be directly related to Covid-19.

End Q2 we have completed special survey for five ships and installed scrubbers on four ships. Two ships are currently at the shipyard, and expect to commence operation in August/September. We expect to have completed all eight scheduled drydockings and six scrubber installations by October/November 2020. Following the sale of *Avance*, we have reduced the capex due in 2020 with an estimated \$2 million.

## FINANCING

In August, credit approval was received for the refinancing of the VLGC *Pampero* in a \$45 million sale leaseback transaction with a Chinese leasing house. The financing includes an implicit 24 year age adjusted repayment profile, an all in interest rate below 3.4%. The financing has a 10 year tenor, with a termination option for the leasing house at year 5, and repurchase options in favor of *Avance* from year 2. The transaction will generate a net cash contribution of approx. \$10 million and yields a cash break even rate of approx. \$19,500/day. The transaction is expected to close in Q4.

## OUTLOOK

Since March 2020, we have seen oil prices rebound and stabilize around \$45/bbl, as global oil demand is recovering and OPEC+ production volumes have been reduced. The Asian LPG demand has also started to normalize, which together with strong US LPG inventories and lower US LPG prices, has led improvement in the US-Asia price arbitrage. Combined with lower available fleet capacity, this has resulted in strong freight markets during Q3. We do however expect the volatility in product prices and freight rates to continue.

Although oil prices and US rig counts have fallen, the US LPG production has remained healthy throughout the period, which mirrors the development seen in the significant fall in last oil price in 2015/2016. Although oil production has fallen, an estimated 35-50% of US LPG comes from gas plant production and refinery runs, which are less affected by volatile oil prices. Although LPG export levels are forecasted by EIA to fall in 2021, we expect positive revisions of these forecasts going forward.

Supported by infrastructure investments onshore US, LPG exports capacity is expected to increase in the US. During 2020 we have seen the share of US cargoes exported to Asia increase to 67%, compared to 63% and 61% in 2019 and 2018, respectively.

Close to 80% of global VLGC demand is in Asia, of which approx 60% is residential, inelastic demand and 40% is industrial. The domestic demand has remained steady throughout the COVID-19 pandemic while petrochemical demand has started to normalise after the shutdowns. Chinese PDH plants are increasing their activities and significant increases in new PDH plants are expected to come on stream in 2021-2022, adding significant demand for LPG.

Availability of both debt and equity financing for new VLGC projects remain scarce and this is likely to continue along with uncertainty and volatility in the freight markets. The orderbook per end July stands at 33 ships (11%), with expected slippage for the near term deliveries due to Covid-19. The global fleet has 27 ships (9%) older than 25 years, showing the potential for ship recycling.

The sale of *Avance* and refinancing of *Pampero* will significantly strengthen our 2020 cash position by approx. \$30 million and reduce our cash break even rate, while also reducing our average fleet age and improving fuel efficiency. While the long term fundamentals remain strong we continue to follow the developments in the COVID 19 pandemic and its impact on the market drivers.



## 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 2020 on Wednesday, 26 August 2020, at 15:00 CET. There will be a Q&A session following the presentation.

The presentation and webcast will be hosted by:

- Mr. Peder C. G. Simonsen – Interim CEO and CFO

The presentation will also be available via audio webcast, which can be accessed at Avance Gas' website [www.avancegas.com](http://www.avancegas.com). Dial in details are +44 (0)2071 928 000 (UK and International), +1 631-510-7495 (US) or +47 23 96 02 64 (Norway). Please quote the passcode: 6348139. Phone lines will open 10 minutes before the conference call.

For further queries, please contact:

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## FORWARD-LOOKING STATEMENTS

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

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



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

	For the three months ended		For the six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	(in thousands except earnings per share)			
Operating revenue	\$ 50,228	\$ 61,663	\$ 118,363	\$ 89,208
Voyage expenses	(15,943)	(21,223)	(40,019)	(34,951)
Operating expenses	(10,925)	(10,464)	(21,945)	(20,483)
Administrative and general expenses	<u>(775)</u>	<u>(1,554)</u>	<u>(2,102)</u>	<u>(2,697)</u>
Operating profit before depreciation expense	22,585	28,422	54,297	31,077
Depreciation and amortization expenses	<u>(10,354)</u>	<u>(10,242)</u>	<u>(20,707)</u>	<u>(20,856)</u>
Operating profit	12,231	18,180	33,590	10,221
<b>Non-operating (expenses) income:</b>				
Finance expense	(5,697)	(8,430)	(11,854)	(15,854)
Finance income	23	80	25	84
Foreign currency exchange gain	<u>154</u>	<u>5</u>	<u>47</u>	<u>-</u>
<b>Net profit (loss)</b>	<u>\$ 6,711</u>	<u>\$ 9,835</u>	<u>\$ 21,808</u>	<u>\$ (5,549)</u>
<b>Loss per share:</b>				
Basic	<u>\$ 0.11</u>	<u>\$ 0.15</u>	<u>\$ 0.34</u>	<u>\$ (0.09)</u>
Diluted	<u>\$ 0.11</u>	<u>\$ 0.15</u>	<u>\$ 0.34</u>	<u>\$ (0.09)</u>

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

AVANCE GAS HOLDING LTD  
CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (LOSS)  
(UNAUDITED)

	For the three months ended		For the six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	(in thousands)			
<b>Net profit (loss)</b>	\$ 6,711	\$ 9,835	\$ 21,808	\$ (5,549)
<b>Other comprehensive income (loss):</b>				
<i>Items that may be reclassified subsequently to profit and loss:</i>				
Fair value adjustment of interest rate swaps	(1,417)	(5,914)	(14,988)	(9,994)
Exchange differences arising on translation of foreign operations	<u>4</u>	<u>-</u>	<u>-</u>	<u>2</u>
Other comprehensive (loss)	<u>(1,413)</u>	<u>(5,914)</u>	<u>(14,988)</u>	<u>(9,992)</u>
<b>Total comprehensive income (loss)</b>	<u>\$ 5,298</u>	<u>\$ 3,921</u>	<u>\$ 6,820</u>	<u>\$ (15,541)</u>

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

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

	As of	
	June 30, 2020	December 31, 2019
(in thousands)		
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 84,546	\$ 85,909
Receivables	15,409	26,068
Related parties	-	29
Inventory	4,303	9,284
Mobilization cost	1,078	4,030
Prepaid expenses	2,115	4,422
Other current assets	3,715	6,410
<b>Total current assets</b>	<b>111,166</b>	<b>136,152</b>
Property, plant and equipment (note 5)	766,395	762,896
Newbuildings (note 5)	7,768	-
<b>Total non-current assets</b>	<b>774,163</b>	<b>762,896</b>
<b>Total assets</b>	<b>\$ 885,329</b>	<b>\$ 899,048</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Current portion of long-term debt (note 6)	\$ 46,295	\$ 42,895
Accounts payable	11,075	14,235
Related party payable balances	277	168
Accrued voyage expenses	2,806	8,076
Accrued expenses	548	945
Derivative financial instruments (note 7)	6,001	620
Other current liabilities	30	204
<b>Total current liabilities</b>	<b>67,032</b>	<b>67,143</b>
Long-term debt (note 6)	299,218	310,148
Long-term revolving credit facilities (note 6)	100,000	100,000
Derivative financial instruments (note 7)	20,253	10,646
<b>Total non-current liabilities</b>	<b>419,471</b>	<b>420,794</b>
<b>Shareholders' equity</b>		
Share capital (note 4)	64,528	64,528
Paid-in capital (note 4)	379,851	379,851
Contributed capital (note 4)	94,948	94,945
Retained loss	(102,954)	(105,654)
Treasury shares (note 4)	(11,351)	(11,351)
Accumulated other comprehensive loss (note 9)	(26,196)	(11,208)
<b>Total shareholders' equity</b>	<b>398,826</b>	<b>411,111</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 885,329</b>	<b>\$ 899,048</b>

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) income	Accumulated other comprehensive (loss) income	Treasury shares	Total
	(in thousands)						
Balance December 31, 2018	\$ 64,528	\$ 379,851	\$ 95,291	\$ (161,605)	\$ (1,630)	\$ (11,867)	\$ 364,568
<b>Comprehensive loss:</b>							
Net loss	—	—	—	(5,549)	—	—	(5,549)
<i>Other comprehensive (loss) income:</i>							
Fair value adjustment of interest rate swaps	—	—	—	—	(9,994)	—	(9,994)
Translation adjustments, net	—	—	—	—	2	—	2
Total other comprehensive loss	—	—	—	—	(9,992)	—	(9,992)
<b>Total comprehensive loss</b>	—	—	—	(5,549)	(9,992)	—	(15,541)
<b>Transactions with shareholders:</b>							
Compensation expense for share options	—	—	75	—	—	—	75
<b>Total transactions with shareholders</b>	—	—	75	—	—	—	75
<b>Balance, June 30, 2019</b>	<u>\$ 64,528</u>	<u>\$ 379,851</u>	<u>\$ 95,366</u>	<u>\$ (167,154)</u>	<u>\$ (11,622)</u>	<u>\$ (11,867)</u>	<u>\$ 349,102</u>
Balance December 31, 2019	\$ 64,528	\$ 379,851	\$ 94,945	\$ (105,654)	\$ (11,208)	\$ (11,351)	\$ 411,111
<b>Comprehensive income (loss):</b>							
Net profit	—	—	—	21,808	—	—	21,808
<i>Other comprehensive loss:</i>							
Fair value adjustment of interest rate swaps	—	—	—	—	(14,988)	—	(14,988)
Translation adjustments, net	—	—	—	—	—	—	—
Total other comprehensive loss	—	—	—	—	(14,988)	—	(14,988)
<b>Total comprehensive income (loss)</b>	—	—	—	21,808	(14,988)	—	6,820
<b>Transactions with shareholders:</b>							
Dividend	—	—	—	(19,108)	—	—	(19,108)
Compensation expense for share options	—	—	3	—	—	—	3
Exercise of share options	—	—	—	—	—	—	—
<b>Total transactions with shareholders</b>	—	—	3	(19,108)	—	—	(19,105)
<b>Balance, June 30, 2020</b>	<u>\$ 64,528</u>	<u>\$ 379,851</u>	<u>\$ 94,948</u>	<u>\$ (102,954)</u>	<u>\$ (26,196)</u>	<u>\$ (11,351)</u>	<u>\$ 398,826</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)

	For the six months ended	
	June 30, 2020	June 30, 2019
	(in thousands)	
Cash flows from operating activities (note 3)	\$ 69,177	\$ 19,263
Net interest paid	<u>(11,401)</u>	<u>(20,251)</u>
<b>Net cash flows from (used in) operating activities</b>	<u><b>57,776</b></u>	<u><b>(988)</b></u>
Cash flows used in investing activities:		
Capital expenditures (note 5)	<u>(32,146)</u>	<u>(48)</u>
<b>Net cash flows used in investing activities</b>	<u><b>(32,146)</b></u>	<u><b>(48)</b></u>
Cash flows (used in) from financing activities:		
Dividend (note 4)	(19,108)	
Repayment of long-term debt (note 6)	(22,882)	(519,271)
Drawdown of long-term debt (note 6)	15,000	515,000
Drawdown of revolving credit facility	<u>—</u>	<u>25,000</u>
<b>Net cash flows (used in) from financing activities</b>	<u><b>(26,990)</b></u>	<u><b>20,729</b></u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,360)</b>	<b>19,693</b>
Cash and cash equivalents at beginning of period	85,909	47,289
Effect of exchange rate changes on cash	<u>(3)</u>	<u>(20)</u>
<b>Cash and cash equivalents at end of period</b>	<u><b>\$ 84,546</b></u>	<u><b>\$ 66,962</b></u>

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

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

**1. Basis of preparation**

The condensed consolidated interim financial statements of Avance Gas Holding Ltd (the “Company” or “Avance Gas”), a Bermuda-registered company and its subsidiaries (collectively, the “Group”), have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as adopted by the European Union and in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting. The condensed consolidated interim financial statements should be reviewed in conjunction with the consolidated financial statements for the year ended December 31, 2019, 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, 2019, 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*

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.

**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, 2020:

- Amendments to IAS 1 and IAS 8 - on the definition of material. These amendments to IAS 1, ‘Presentation of financial statements’, and IAS 8, ‘Accounting policies, changes in accounting estimates and errors’, and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information. 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  
(UNAUDITED)

3. Reconciliation of net profit to cash generated from operations

	For the six months ended	
	June 30, 2020	June 30, 2019
	(in thousands)	
<b>Net profit (loss)</b>	\$ 21,808	(5,549)
Adjustments to reconcile net profit to net cash from operating activities:		
Depreciation and amortization of property, plant and equipment and intangibles	20,707	20,856
Net finance expense	11,854	15,748
Other finance income (expense)	72	-
Compensation expense	4	75
Other		-
<b>Changes in assets and liabilities:</b>		
Decrease (increase) in receivables	10,659	(13,642)
Decrease in prepaid expenses, inventory, related party receivables, mobilization cost and other current assets	12,965	5,218
Decrease in accounts payable	(3,160)	(4,248)
Decrease in accrued voyage expenses, other current liabilities and related party balances	(5,732)	805
Other	-	-
<b>Cash flows from operating activities</b>	<b>\$ 69,177</b>	<b>\$ 19,263</b>

4. Shareholder's equity

The Company's authorised share capital consists of 200.0 million common shares at par value of \$1 per share as of June 30, 2020 and December 31, 2019. Of the authorized share capital, 64.5 million shares were issued and outstanding as of June 30, 2020 and December 31, 2019, including 0.8 million and 0.9 million treasury shares respectively. 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.

Since 2013, the Company set up a share option plan in order to encourage the Company's directors, officers and other employees to hold shares in the Company. Following the award, declared and cancellation of share options since 2013, a total of 751,750 share options remained outstanding under the Company's share option scheme as of June 30, 2020.

The Board of Avance Gas declared a quarterly dividend of \$0.30 per share on February 27, 2020, equalling \$19.1 million. The dividend was paid March 26, 2020.

5. Property, plant and equipment

During the six months ended June 30, 2020 and June 30, 2019, the Group invested \$32.1 and \$0.1 million, respectively, on property, plant and equipment. The investment primarily relates to 1<sup>st</sup> instalment of the two LPG dual fuel new buildings with DSME of \$7.8 million and scheduled drydock and scrubber installation of \$24.3 million for the six months ended June 30, 2020.

As of June 30, 2020, 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

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

six-month period ended June 30, 2020 were present and no reversal of impairment or impairment were recognised.

### 6. Long-term debt

Long-term debt consisted of debt collateralised by the Group's 14 VLGCs as of June 30, 2020 and December 31, 2019.

In February, 2020 the Company signed an agreement for a \$15 million scrubber financing tranche with the same terms and maturity as the \$515 million credit facility. The tranche was drawn in March 2020.

Long-term debt repayments were \$22.9 million for the six months ended June 30, 2020.

	As of June 30, 2020	As of December 31, 2019
Long-term debt	\$ 302,588	\$ 314,000
Long-term revolving credit facilities	100,000	100,000
Long-term debt issuance cost	(3,370)	(3,852)
<b>Long-term debt</b>	<b>399,218</b>	<b>410,148</b>
Current portion of long-term debt	47,529	44,000
Current portion of debt issuance cost	(1,234)	(1,105)
<b>Current portion of long-term debt</b>	<b>46,295</b>	<b>42,895</b>
<b>Total net debt</b>	<b>\$ 445,513</b>	<b>\$ 453,043</b>

### 7. Fair value disclosures

#### *Fair value of financial instruments*

The following estimated fairvalue 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, 2020		As of December 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	(in thousands)			
<b>Financial assets:</b>				
Cash and cash equivalents	\$ 84,546	\$ 84,546	\$ 85,909	\$ 85,909
Receivables	15,409	15,409	26,068	26,068
Related party receivables	-	-	29	29
<b>Financial liabilities:</b>				
Accounts payable	\$ 11,075	\$ 11,075	\$ 14,235	\$ 14,235
Related party payable balances	277	277	168	168
Accrued expenses and accrued voyage expenses	3,354	3,354	9,021	9,021

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS

	(UNAUDITED)			
Revolving credit facilities	100,000	100,000	100,000	100,000
Long-term debt incl. current maturities	350,117	350,117	358,000	358,000

**Derivative financial instruments:**

Interest rate swap assets (liabilities) including current maturities	\$ (26,254)	\$ (26,254)	\$ (11,266)	\$ (11,266)
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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, 2020 and December 31, 2019 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 \$4.5 million and \$5.0 million as of June 30, 2020 and December 31, 2019, respectively.

Fair value of interest rate swaps is based on market value of the interest rate swaps. The market value is based on market-to-market reports as of period-end from the financial institutions issuing the swaps, based on the amount that the Group would receive or pay to terminate the contracts. Fair value adjustment of the interest rate swaps as of June 30, 2020 was recognized in the consolidated interim statement of comprehensive loss.

In March, 2020 the Company entered into a \$50 million interest rate swap at a fixed rate of 0.98%. The swap has a ten-year tenor commencing in March, 2020 and is designated for hedge accounting.

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 market-to-market reports from the financial institutions issuing the swaps (Level 2). There have not been any changes in valuation techniques for the period.

**8. Related party transactions**

The Group entered into a corporate secretarial services agreement 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.

The fee for corporate secretarial services was \$43 thousand, fee for technical supervision was \$207 thousand, fee for office lease and shared services was \$140 thousand, for the six months ended June 30, 2020. For the six months ended June 30, 2019, the fee for corporate secretarial services was \$51

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thousand, fee for technical supervision was \$36 thousand and fee for office lease and shared services was \$81 thousand.

### 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, 2019	\$ 58	\$ (1,688)	\$ (1,630)
Fair value adjustment of interest rate swaps	—	(9,578)	(9,578)
Translation adjustments, net	—	—	—
Balance December 31, 2019	<u>\$ 58</u>	<u>\$ (11,266)</u>	<u>\$ (11,208)</u>
Balance January 1, 2020	\$ 58	\$ (11,266)	\$ (11,208)
Fair value adjustment of interest rate swaps	—	(14,988)	(14,988)
Translation adjustments, net	—	—	—
Balance June 30, 2020	<u>\$ 58</u>	<u>\$ (26,254)</u>	<u>\$ (26,196)</u>

### 10. Alternative performance measures

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

	<u>For the three months ended</u>		<u>For the six months ended</u>	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	(in thousands)			
Operating revenue	\$ 50,228	\$ 61,663	\$ 118,363	\$ 89,208
Voyage expenses	<u>(15,943)</u>	<u>(21,223)</u>	<u>(40,019)</u>	<u>(34,951)</u>
<b>Voyage result</b>	<u>34,285</u>	<u>40,440</u>	<u>78,344</u>	<u>54,257</u>
Calendar days	1,274	1,274	2,548	2,534
Technical off-hire	<u>(89)</u>	<u>(21)</u>	<u>(383)</u>	<u>(22)</u>
<b>Operating days</b>	<u>1,185</u>	<u>1,253</u>	<u>2,165</u>	<u>2,512</u>
TCE per day (\$)	28,932	32,275	36,193	21,599

Time charter revenue is included in operating revenue along with freight revenue. Time charter revenue for contracts exceeding 6 months amounted to \$5.9 million during the six months ended June 30, 2020.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS  
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**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 August, 2020 the Company reached an agreement of sale of the 2003-built VLGC Avance, to an unrelated third party for a price of \$35 million. A 10% deposit payment has been received, while delivery and balance payment is expected in primo September 2020.




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, 2020 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 26, 2020



Marius Hermansen  
Chairman of the board



Francois Sunier  
Director



Jan Kastrup-Nilsen  
Director



Christian Fallesen  
Director