Avance Gas

AVANCE GAS HOLDING LTD

UNAUDITED CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS

For the three and nine months ended 30 September 2023

BERMUDA, November 28, 2023 – Avance Gas Holding Ltd (OSE: AGAS) ("Avance Gas" or the "Company") today reports unaudited results for the third quarter 2023.

HIGHLIGHTS

- The average time charter equivalent (TCE) rate basis discharge-to-discharge was $55,300/day versus guidance in the high $50s and compares to $50,800/day for the second quarter. The TCE rate was impacted by FFA losses of $10.6 million or $8,300/day for the fleet in the third quarter.
- TCE/day on load to discharge basis was $46,700/day compared to $52,000/day for the second quarter 2023. Adjustment related to load to discharge was negative $10.9 million for the third quarter as the spot market reached elevated levels by the end of the quarter resulting in a decrease of $8,600/day in TCE/day for the fleet on a load to discharge basis.
- For the third quarter, we had a TC coverage of 36% at an average TCE rate of $41,700/day and spot voyages of 64% at $75,700/day excluding FFA impact and load to discharge adjustment.
- Daily operating expenses (OPEX) were $8,070/day, compared to $8,000/day for the second quarter of 2023.
- Net profit of $30.1 million compared to $35.7 million for the second quarter 2023, or earnings per share of 39 cents compared to 47 cents for the second quarter.
- During the quarter, the Company paid $0.50 per share in dividend, or $38.3 million, for the second quarter 2023.
- In July 2023, the Company entered into an agreement to sell VLGC Iris Glory (2008) for a cash consideration of $60 million. The delivery to the new owners is expected to take place within January 2024.
- In August 2023, the Company declared options to acquire two dual fuel mid-sized LPG/ammonia carriers at a contract price of $61.5 million per vessel with delivery in the second and fourth quarter 2026.
- In October 2023, the Company obtained credit approval for the refinancing of VLGC Pampero (2015) in a $43.0 million bank facility at attractive financing terms.
- For the fourth quarter of 2023, we estimate a TCE rate for the quarter to be ~ $70-75,000/day on a discharge-to-discharge basis.
- The board declared a dividend of $0.50 per share or $38.3 million for the third quarter 2023.

Øystein Kalleklev, CEO of Avance Gas, commented:

"The LPG freight market continues to rip with the best market conditions since 2015. Consequently, we are also delivering our strongest Year-to-Date numbers since 2015 with Net Profit of $102 million, and the best is yet to come as we do expect that Q4 will be by far our best quarter this year. From September onwards the freight market has been exceptionally strong fueled by Panama congestion, strong US export growth and a very high arbitrage between LPG prices in US compared to Far East supporting freight levels.

For the third quarter we sailed-in average Time Charter Equivalent Earnings of $55,300/day on discharge-to-discharge basis when taking into account hedging losses of $8,280/day related to our Freight Forward Agreements (FFA). The FFAs are utilized to hedge part of our spot exposure as an alternative to TC coverage, and we have hedged two of our spot ships at an average of approx. $50,000/day and $55,000/day for Q3 and Q4 respectively.

With the market rallying from September, we expect average spot TCE in Q4 to be about $90-100,000/day while our TC ships are expected to generate an average TC rate of around $50,000. We therefore estimate to generate substantially higher TCE in Q4 with fleet average of around $70,000 to $75,000 on a discharge-to-discharge basis after deducting our FFA hedges. With the freight market rallying, TCE on a load-to-discharge basis is lower, but this timing effect will be reversed over time. Given the extended ballast legs from Asia to US Gulf Coast via Suez, we are now booking voyages with loading end of the year and are therefore also securing healthy earnings well into first quarter of next year.

Given our strong financial position, healthy booking levels and general favorable outlook for LPG shipping, the Board has therefore decided to declare a quarterly dividend of $0.50 per share once again bringing the dividend per share for the last twelve months to $2.00 per share."

In US$ thousands (unless stated otherwise)	Three months ended	Three months ended
Income statement:	**September 30, 2023**	**June 30, 2023**
TCE per day ($) discharge-to-discharge	55,262	50,826
TCE per day ($) load-to-discharge	46,696	52,015
TCE earnings	59,239	62,569
Gross operating profit	46,055	51,549
Net profit	30,077	35,707
Earnings per share (diluted) ($)	0.39	0.47
Balance sheet:	**September 30, 2023**	**June 30, 2023**
Total assets	1,152,456	1,166,186
Total liabilities	571,420	575,774
Cash and cash equivalents	146,078	191,619
Total shareholders' equity	581,036	590,412
Cash flows:	**September 30, 2023**	**June 30, 2023**
Net cash from operating activities	27,088	30,718
Net cash from (used in) from investing activities	(21,353)	(67,785)
Net cash from (used) in financing activities	(51,185)	9,241
Net (decrease) increase in cash and cash equivalents	(45,450)	(27,827)

MARKET UPDATE

The historically weaker third quarter has been anything but this year as we saw the Baltic index for all three LPG trade routes reaching all-time high in the last days of the quarter. Freight rates firmed up significantly at the end of the second quarter and remained relatively stable through the first two months of the third quarter. A prolonged period of supporting LPG price arbitrage, inefficiencies relating to delays in loading in US Gulf (USG), Panama Canal delays and a sustained period of forward fixing made September a month for the record books. Several trading days saw all time high prints on the Baltic index with an average TCE for September at $145,000/day (average for US and Arabian Gulf trade route).

The inefficiencies in the Panama Canal continues to be a significant contributor to the strong freight market and the drought the country is experiencing this year led to Canal Authorities taking measures to preserve fresh water in the canal by reducing the number of daily transits. Increased delays are stretching the fleet out through waiting time in Panama but also through vessels opting to ballast via Suez Canal or Cape of Good Hope. 61% of all US exports on VLGCs headed East during the third quarter last year which has increased to 72% this year (Fearnleys), resulting in greater ton-miles and thus a stretched fleet contributing to tighter vessel availability for longer times.

US exports continue to grow and reported average liftings of 89 VLGCs per month in the third quarter, a slight increase from the second quarter (87 per month) but more noteworthy 12 VLGCs per month more than third quarter last year representing an increase of 16% in US export compared to third quarter last year (EA Gibson). On the demand side, Chinese petrochemical industry is the major driver which has increased 32% year-on-year (Jan-Oct) and this combined with ample US domestic inventories kept the LPG price arbitrage wide open through the quarter allowing for strong exports. Further, extreme heat in Texas and surrounding areas during the summer hampered vessel loadings as export facilities struggled with refrigeration of product, leading to delays in vessel loadings and in many cases also short loading of ships at various terminals along the US Gulf Coast. While US production continues to outpace domestic consumption and export capacity, domestic LPG inventory currently sits at historically high levels as the market moves into drawing season in fourth quarter.

Terminal maintenance is normally a reoccurring event in the US during this time of the year and September was no exemption. Increasing inflexibility from US terminals due to cooling capacity issues stemming from the extreme heat, scheduled terminal maintenance and Panama reducing transit capacity gradually during the third quarter meant several charterers were in a hurry to get their ships through Panama to load in time. Facing the risk of missing their slots at load port and having to wait the ship for several weeks saw auction fees in Panama reaching ~$1.9 million for northbound passage in addition to ordinary transit fee.

Arabian Gulf (AG) market showed a slight reduction in the number of VLGC exports for the third quarter compared to the second quarter, mainly attributed to OPEC voluntary cuts, and increased domestic demand. AG lifted 57.5 VLGCs on average per month in third quarter, down ~3 cargoes from the second quarter.

FINANCIAL AND OPERATIONAL REVIEW

Avance Gas reported Time Charter Equivalent (TCE) earnings of $59.2 million, compared to $62.6 million for the second quarter. The TCE is reduced by $10.6 million in Forward freight Agreements (FFA) and bunker hedges losses during the quarter compared to a negative effect of $3.0 million for the second quarter which translates to a negative effect for the whole fleet of $8,300/day and $2,500/day respectively. Adjustment related to the IFRS 15 accounting standard resulted in a decrease in TCE earnings of $10.9 million or $8,600/day compared to an increase in TCE earnings of $1.4 million or $1,200/day for the second quarter 2023.

Operating expenses (OPEX) were $10.4 million, equaling a daily average of $8,071/day. This compares to $9.7 million or $8,003/day for the second quarter. Operating expenses are at the same level as the previous quarter as there were no major changes in the fleet during the quarter.

Administrative and general (A&G) expenses for the quarter were $2.8 million, compared to $1.3 million in the second quarter, representing an average per ship of $2,165/day and $1,067/day respectively. The increase in A&G relates to settlement of employee share options during the third quarter.

Non-operating expenses, consisting of finance expenses, finance income and foreign exchange loss, were $5.1 million, compared to $4.3 million in the second quarter. Finance expenses increased by $0.6 million from the second quarter primarily due to rising interest rates which was offset by interest rate hedges. Finance income decreased $0.5 million related to interest earned on cash deposits.

Avance Gas reported a net profit of $30.1 million for the third quarter 2023, or $0.39 per share, compared with a net profit of $35.7 million, or $0.47 per share for the second quarter 2023.

Avance Gas' total assets amounted to $1,152.5 million on 30 September 2023, compared with $1,166.2 million on 30 June 2023. Total shareholders' equity was $581.0 million at quarter-end, corresponding to an equity ratio of 50.4%. Shareholder equity decreased by $9.4 million during the quarter mainly due to net profit of $30.1 million being offset by paid dividend of $38.3 million for the second quarter 2023 and decrease from other comprehensive income of $0.9 million.

Cash and cash equivalents were $146.1 million on 30 September 2023, compared to $191.6 million on 30 June 2023. Cash flow from operating activities was $27.1 million, compared with $30.7 million for the second quarter of 2023. Net cash flow used in investing activities was $21.4 million and mainly relates to pre-delivery instalments for the first two MGC newbuildings and drydocking expenses of Venus Glory. This compares with a net cash flow used in investing activities of $67.8 million for the second quarter 2023 which relates to delivery of Avance Avior, pre-delivery instalment of remaining newbuildings and drydocking expenses of Iris Glory. Net cash flow used in financing activities was $51.2 million, including repayments of debt of $11.0 million, cash proceeds from settlement of share options of $1.8 million and payment of dividend of $38.3 million for the second quarter.

FINANCING

In October, the Company received credit approval for the refinancing of VLGC Pampero (2015) in a $43.0 million bank Facility. The transaction will generate net cash proceeds of $5.0 million at drawdown scheduled in March 2024. The financing will significantly improve the current financing of the vessel and bears a margin of 1.90%, age adjusted profile of 20 years and matures in January 2028. Documentation and closing procedures are scheduled within January 2024.

FLEET AND EMPLOYMENT OVERVIEW

We had a TC coverage of ~36% at an average TCE rate of $41,700/day and spot voyages of 64% of vessel days at an average rate of $75,700/day on a discharge-to-discharge basis excluding FFA impact. Our results were negatively impacted by FFA and bunker hedging of $10.6 million or $8,300/day of total fleet operating days. Furthermore, adjustment related to the IFRS 15 accounting standard resulted in a decrease in TCE earnings of $10.9 million or $8,600/day of total fleet operating days. Thereby, the Company reported a TCE/day of $46,700 load to discharge.

Avance Gas recorded 1,269 operating days for the third quarter 2023, compared to 1,203 operating days for the second quarter 2023. The number of operating days is higher than in the previous quarter primarily due to more vessel days during the third quarter as we took delivery of the fourth VLGC newbuilding in May 2023. Operating days are calendar days less off-hire days. The company recorded 14 waiting days for the fleet in the third quarter, giving Avance Gas a fleet commercial utilization during the quarter of 99%, compared to 98% in the second quarter.

OUTLOOK

The buzzword in LPG shipping for 2023, Panama Canal, continues to be a significant contributor to the strong spot freight market. In the end of October, the Canal Authorities (ACP) threw another spanner in the works by announcing a plan that would effectively see daily Neo-Panamax transits halved over the course of 3 months. In a bid to tackle the aftermath of the drought that has led to inland water levels being near historically lows, ACP have decided to severely limit the number of daily transits representing a cut of ~50% for Neo-Panamax compared to October 2022. The number of daily transits at the new locks (Neo-Panamax) will be gradually reduced to 5 by January 2024 and the restrictions are unlikely to be eased before the summer next year. This has led to surging auction costs up to $4.0 million reported in November in addition to regular transit fee of $0.4 million.

The effect on the LPG market was instant where the LPG price arbitrage widened by ~$50 per metric ton (pmt) immediately after restrictions in daily transit was introduced. Initial expectations are for a bigger portion of the US exported cargoes to head East via Suez or Cape of Good Hope which would boost VLGC ton-miles significantly when bearing in mind that more than 70% of all US exports currently are heading East. The backwardated curve of the product market means arbitrage economics will be eaten up by ships not managing to deliver in time coupled with the significant increase in freight as several ships would need to go the longer route in laden condition, which up to recently had only been applicable for vessels heading to India-Indonesia.

US production continues to increase with domestic demand and export capacity unable to keep up the pace for the foreseeable future as most market analysts expect US LPG prices to remain under pressure. Middle Eastern production is expected to be subdued in the near term from OPEC cuts. Saudi Arabia, as several others, are struggling with weak petrochemical margins which in turn have increased their export of LPG. These extra tons have had a clear impact on the market as spot volumes increase in turn absorbing shipping capacity.

Chinese PDH utilization rates have been declining through the third quarter amid weakening downstream demand for propylene stemming from a weak petrochemical complex. 7 more plants are expected online prior year-end with 5 additional expected for 2024. Being the key driver for demand of propane in the Far East the uncertainty of the fundamentals related to PDH operations troubles industry forecasters. However, in the near-term Chinese demand is expected to remain resilient despite the weak margins as refiners are forced to run their PDH plants to generate cashflow for handling debt.

European demand for LPG remains bleak as macroeconomic unrest is hampering the petrochemical complex also in the West. Any near-term increase in demand would be from spiking natural gas which will be subject to price movements as the Northern hemisphere heads into winter.

Indian demand has been solid in September and October ahead of the Diwali celebrations in November. EA Gibson data shows that 60% of all VLGC liftings from Arabian Gulf (AG) in October discharged in India. In relation to the general elections in India coming up in March 2024, the Indian government recently announced that subsidies for LPG cylinders will be continued. With AG volumes being limited in the short term from OPEC cuts, we could see more product from the US market ending up in India than what has been the case before, further supporting VLGC ton-mile growth from the US as these cargoes would head East via Suez or Cape of Good Hope.

Looking at the orderbook, 9 VLGCs were delivered during the third quarter 2023 versus scheduled deliveries of 13 VLGCs, corresponding to a slippage of 30%. An additional 13 VLGCs are scheduled for delivery for the fourth quarter, however we expect significant slippage pushing several of these units in to 2024. The global VLGC fleet currently stands at 373 vessels whereas the orderbook is 69 vessels or 18% of existing fleet with 6/20/13/18/12 vessels scheduled for delivery in 2023/2024/2025/2026/2027, respectively. The continued solid VLGC trade growing at a robust pace, delayed deliveries and the inefficiencies in the Panama Canal will likely absorb the fleet expansion the coming year which is also reflected in the forward contract currently trading in the low $95 pmt for BLPG1 which in combination with latest quotes for forward bunker swaps implies a TCE rate of around $77,000/day for the calendar year 2024.

PRESENTATION AND WEBCAST

Avance Gas will host an audio webcast and conference call to discuss the company's results for the period ended 30 September 2023 on Tuesday, 28 November 2023, at 14:00 CET. There will be a Q&A session following the presentation.

The presentation and webcast will be hosted by:

- Mr. Øystein Kalleklev - 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 using the link: https://edge.media-server.com/mmc/p/9o2zpamx

Guests can log into the conference call using the following link
https://register.vevent.com/register/BI88bdc5e2ea204870817e5ad1048857dd

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FORWARD-LOOKING STATEMENTS

Matters discussed in this announcement may constitute forward-looking statements. All statements other than statements of historical facts included in this announcement, including those regarding Avance Gas' plans, strategies, business prospects, changes and trends in its business and the markets which it operates are forward-looking statements. These forward-looking statements may, but not necessarily, be identified by words such as "anticipate", "believe", "continue", "estimate", "expect", "intends", "may", "should", "will", "would", "can", "could" or, in each case, their negative, or other variations or comparable terminology and similar expressions. The forward-looking statements in this release are based upon various assumptions and may not be guaranteed, 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. Avance Gas undertakes no obligation to update any forward-looking statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for Avance Gas to predict all of these factors. Further, Avance Gas cannot assess the impact of each such factors on its business or the extent to which any factor, or combination of factors, may cause actual results to be materially different from those contained in any forward-looking statements.

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 nine months ended	
		September 30, 2023	**September 30, 2022**	**September 30, 2023**	**September 30, 2022**
		(in USD thousands)		*(in USD thousands)*	
Operating revenue	10	**79,475**	55,418	**241,091**	187,129
Voyage expenses	10	**(20,236)**	(16,302)	**(56,935)**	(57,590)
Operating expenses		**(10,396)**	(9,844)	**(29,875)**	(30,586)
Administrative and general expenses		**(2,788)**	(1,538)	**(5,409)**	(4,836)
Operating profit before depreciation expense		**46,055**	27,734	**148,872**	94,117
Depreciation and amortisation expense		**(10,807)**	(11,140)	**(32,879)**	(34,387)
Gain on disposal of asset		**-**	-	**-**	10,771
Operating profit		**35,248**	16,594	**115,993**	70,501
Non-operating (expenses) income:					
Finance expense		**(6,423)**	(4,962)	**(17,624)**	(15,961)
Finance income		**1,234**	443	**4,150**	636
Foreign currency exchange gain (loss)		**55**	(429)	**(277)**	(762)
Income before tax		**30,114**	11,646	**102,242**	54,414
Income tax expense		**(37)**	(42)	**(138)**	(134)
Net profit		**30,077**	11,604	**102,104**	54,280
Earnings per share					
Basic		**0.39**	0.15	**1.33**	0.71
Diluted		**0.39**	0.15	**1.33**	0.71

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 nine months ended	
		September 30, 2023	**September 30, 2022**	**September 30, 2023**	**September 30, 2022**
	Note	*(in USD thousands)*		*(in USD thousands)*	
Net profit		**30,077**	11,604	**102,104**	54,280
Other comprehensive income:	9				
Items that may be reclassified subsequently to profit and loss:					
Fair value adjustment of derivative financial instruments designated for hedge accounting		**(463)**	7,780	**(8,989)**	24,590
Amortisation of gain on discontinued hedges		**(434)**	(282)	**(1,216)**	(282)
Exchange differences arising on translation of foreign operations		**(1)**	(5)	**1**	(13)
Other comprehensive income		**(898)**	7,493	**(10,204)**	24,294
Total comprehensive income		**29,179**	19,097	**91,900**	78,574

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

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

	Note	As of September 30, 2023	As of December 31, 2022
		(in USD thousands)	
ASSETS			
Cash and cash equivalents		**146,078**	224,243
Trade and other receivables		**24,931**	12,229
Inventory		**8,947**	4,976
Prepaid expenses and other current assets		**40,253**	15,100
Derivative financial instruments	7	**9,845**	5,988
Assets held for sale	5	**37,980**	-
Total current assets		**268,034**	262,536
Property, plant and equipment	5	**819,155**	715,866
Newbuildings	5	**60,370**	83,597
Derivative financial instruments	7	**4,896**	5,871
Total non-current assets		**884,422**	805,334
Total assets		**1,152,456**	1,067,870
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current portion of interest-bearing debt	6	**42,875**	37,278
Trade and other payables		**7,169**	4,556
Accrued voyage expenses and other current liabilities		**16,612**	7,866
Derivative financial instruments	7	**12,798**	-
Total current liabilities		**79,454**	49,700
Long-term debt	6	**491,967**	414,245
Total non-current liabilities		**491,967**	414,245
Shareholders' equity			
Share capital		**77,427**	77,427
Paid-in capital		**431,366**	431,366
Contributed capital		**94,872**	94,772
Retained loss		**(18,405)**	(5,620)
Treasury shares		**(11,351)**	(11,351)
Accumulated other comprehensive income/(loss)		**7,127**	17,331
Total shareholders' equity		**581,036**	603,925
Total liabilities and shareholders' equity		**1,152,456**	1,067,870

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

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

(in USD thousands)	**Share capital**	**Paid-in capital**	**Contributed capital**	**Retained (loss) income**	**Accumulated other comprehensive (loss) income**	**Treasury shares**	**Total**
As of December 31, 2021	77,427	431,366	95,070	(44,825)	(8,519)	(11,351)	539,168
Comprehensive loss:							
Net profit	-	-	-	54,280	-	-	54,280
Other comprehensive (loss) income:							
Fair value adjustment of derivative financial instruments	-	-	-	-	24,590	-	24,590
Amortisation of gain on discontinued hedges	-	-	-	-	(282)	-	(282)
Translation adjustments, net	-	-	-	-	(13)	-	(13)
Total other comprehensive income	-	-	-	-	24,294	-	24,294
Total comprehensive loss	-	-	-	54,280	24,294	-	78,574
Transactions with shareholders:							
Dividend	-	-	-	(34,467)	-	-	(34,467)
Compensation expense for share options	-	-	(207)	-	-	-	(207)
Total transactions with shareholders	-	-	(207)	(34,467)	-	-	(34,674)
As of September 30, 2022	77,427	431,366	94,863	(25,013)	15,775	(11,351)	583,067
As of December 31, 2022	**77,427**	**431,366**	**94,772**	**(5,620)**	**17,331**	**(11,351)**	**603,925**
Comprehensive loss:							
Net profit	-	-	-	**102,104**	-	-	**102,104**
Other comprehensive (loss) income:							
Fair value adjustment of derivative financial instruments	-	-	-	-	**(8,989)**	-	**(8,989)**
Amortisation of gain on discontinued hedges	-	-	-	-	**(1,216)**	-	**(1,216)**
Translation adjustments, net	-	-	-	-	**1**	-	**1**
Total other comprehensive loss	-	-	-	-	**(10,204)**	-	**(10,204)**
Total comprehensive loss	-	-	-	**102,104**	**(10,204)**	-	**91,900**
Transactions with shareholders:							
Dividend	-	-	-	**(114,890)**	-	-	**(114,890)**
Compensation expense for share options	-	-	**100**	-	-	-	**100**
Total transactions with shareholders	-	-	**100**	**(114,890)**	-	-	**(114,790)**
As of September 30, 2023	**77,427**	**431,366**	**94,872**	**(18,405)**	**7,127**	**(11,351)**	**581,036**

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

		For the nine months ended	
		September 30, 2023	**September 30, 2022**
	Note	*(in USD thousands)*	
Cash flows from operating activities			
Cash generated from operations	3	**122,657**	100,621
Interest paid		**(17,241)**	(13,377)
Net cash flows from operating activities		**105,416**	87,244
Cash flows from (used in) investing activities:			
Net proceeds from sale of assets		**-**	92,127
Capital expenditures	5	**(150,057)**	(154,452)
Net cash flows used in investing activities		**(150,057)**	(62,325)
Cash flows from (used in) financing activities:			
Dividends Paid	4	**(114,890)**	(34,467)
Repayment of long-term debt	6	**(32,329)**	(325,710)
Proceeds from loans and borrowings, net of transaction costs	6	**114,859**	422,766
Cash settlement on derivatives		**1,073**	-
Settlement share options		**(1,815)**	(417)
Net cash flows from in financing activities		**(33,101)**	62,172
Net increase (decrease) in cash and cash equivalents		**(77,742)**	87,091
Cash and cash equivalents at beginning of period		**224,243**	101,910
Effect of exchange rate changes on cash		**(423)**	(779)
Cash and cash equivalents at end of period		**146,078**	188,222

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

1. General Information

Corporate information

Avance Gas Holding Ltd (the "Company" or "Avance Gas") is an exempted company limited by shares incorporated under the laws of Bermuda on January 20, 2010. The Company and its subsidiaries (collectively "The Group") are engaged in the transportation of Liquefied Petroleum Gas ("LPG"). As of 30 September 2023, the Company owned and operated a fleet of fourteen modern ships and two Dual Fuel VLGCs (Very Large Gas Carriers) newbuildings due for delivery in 2024, and four dual fuel MGCs (Medium-Sized Gas Carriers) due for delivery in 2025 and 2026.

Basis of Preparation

The condensed consolidated interim financial statements of Avance Gas Holding Ltd (the "Company" or "Avance Gas"), a Bermuda registered company and its subsidiaries (collectively, the "Group"), have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The condensed consolidated interim financial statements should be reviewed in conjunction with the consolidated financial statements for the year ended December 31, 2022, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, to fully understand the current financial position of the Group.

2. Significant accounting policies

The accounting policies applied are consistent with those described in note 2 of the annual consolidated financial statements for the year ended December 31, 2022, with the exception of income taxes, which, for the purpose of interim financial statements, are calculated based on the expected effective tax rate for the full year.

Operating revenue

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

Freight revenue

The Group recognises revenues as it 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, 2023:

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

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

3. Reconciliation of net profit to cash generated from operations

	For the nine months ended	
	September 30, 2023	**September 30, 2022**
	(in USD thousands)	
Net profit	**102,104**	54,280
Adjustments to reconcile net profit to net cash from operating activities:		
Depreciation and amortisation of property, plant and equipment	**32,879**	34,387
Net finance expense	**17,901**	16,723
Compensation expense	**1,915**	283
Gain on sale of assets	**-**	(10,771)
Changes in assets and liabilities:		
(Increase) Decrease in trade and other receivables	**(12,703)**	8,621
(Increase) Decrease in inventory and prepaid expenses and other current assets	**(29,123)**	5,692
Increase (Decrease) in trade and other payables	**2,612**	(4,030)
Increase (Decrease) in accrued voyage expenses and other current liabilities	**6,648**	(5,330)
Other	**424**	766
Cash flows from operating activities	**122,657**	100,621

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 September 30, 2023 and December 31, 2022. Of the authorised share capital, 77.4 million shares were issued and outstanding as of September 30, 2023 and December 31, 2022, including 0.8 million treasury shares. All shares are fully paid.

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

Share-based payments

In 2013, the Company set up a share option plan in order to encourage the Company's officers and other employees to hold shares in the Company. Following the award, declared, forfeited and cancellation of shares since 2013, a total of 719,750 share options remained outstanding under the Company's share option scheme as of September 30, 2023. The average strike price of the share options as at 30 September 2023 was 38 NOK, resulting in a dilutive effect of $0.00 per share for the three and nine months ended September 30, 2023.

Cash dividends paid to the equity holders of the parent

	As of	
	September 30, 2023	**September 30, 2022**
	(in USD thousands)	
Dividends on ordinary shares declared and paid:		
Final dividend for 2022: $0.50/share (2021: $0.05/share)	**38,297**	3,830
First dividend for 2023: $0.50/share (2022: $0.20/share)	**38,297**	15,319
Second dividend for 2023: $0.50/share (2022: $0.20/share)	**38,297**	15,319

5. Property, plant and equipment

During the nine months ended September 30, 2023 and September 30, 2022, the Group capitalised $143.2 million and $155.9 million, respectively, in newbuildings. For the nine months ended September 30, 2023, the amount capitalised consists of instalments prior to delivery of newbuildings and other costs related to the newbuilding program, including borrowing costs of $0.9 million. During the first half of 2023, the Company took delivery of the VLGC Avance Rigel and the VLGC Avance Avior, resulting in reclassification of $166.4 million from newbuildings to property, plant and equipment.

In June 2023, the Company entered a newbuilding contract with CIMC (Nantong CIMC Sinopacific Offshire & Engineering Co., Ltd) for the construction of two mid-sized LPG/ammonia gas carriers with dual fuel engines. During the nine months ended September 30, 2023, the group capitalised $18.4 million in relation to these two newbuildings.

In August 2023, the Company declared the option to contract two additional mid-sized LPG/ammonia gas carriers with dual fuel engines from CIMC. During the nine months ended September 30, 2023, the group did not capitalise any costs in relation to these two newbuildings.

In July 2023, the Company announced the sale of 2008 built VLGC Iris Glory. The delivery to the new owners is expected to take place within January 2024. The vessel is recognised as held for sale at September 30 2023 as all the conditions under IFRS 5 for classification as held for sale have been met. Consequently, the vessel is not depreciated while holding the classification as held for sale.

During the third quarter 2023, the Company reached an agreement with Hanwha Ocean to ensure sufficient performance of the shaft generators by replacing necessary components with new design to the shaft generators for our six VLGCs delivered in 2022, 2023 and scheduled 2024 deliveries. The replacements are scheduled to be installed during the first drydocking for the 2022 and 2023 deliveries and shall be in place for the scheduled 2024 deliveries.

6. Long-term debt

Long-term debt consisted of debt collateralised by the Group's 14 VLGCs as of September 30, 2023.

Long-term debt repayments were $32.3 million for the nine months ended September 30, 2023, whereas all is scheduled repayment of debt. The company drew $115.0 million on a $555 million sustainability linked financing facility in connection with delivery of the VLGC Avance Rigel and the VLGC Avance Avior during the first half of 2023.

Non-current and current debt in the table below includes debt issuance cost of respectively $5.3 million and $1.2 million as of September 30, 2023. As of December 31, 2022, non-current and current debt includes debt issuance cost of respectively $6.1 million and $1.0 million.

	As of	
	September 30, 2023	**December 31, 2022**
	(in USD thousands)	
Non-current		
Secured bank loans	**314,753**	231,968
Revolving credit facilities	**113,387**	113,387
Lease financing agreement	**63,827**	68,890
	491,967	414,245
Current		
Current portion of secured bank loans	**36,119**	30,522
Current portion of lease financing agreement	**6,756**	6,756
	42,875	37,278
Total interest-bearing debt	**534,841**	451,523

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 methods. 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 September 30, 2023**		**As of December 31, 2022**	
		(in USD thousands)			
		Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial liabilities					
Secured bank loans	6	**350,872**	**350,872**	262,490	262,490
Revolving credit facilities	6	**113,387**	**113,387**	113,387	113,387
Lease financing agreement	6	**70,583**	**70,583**	75,646	75,646
Derivative financial instruments					
Net interest rate swap assets		**14,741**	**14,741**	10,880	10,880
Net interest rate swap liabilities		**-**	**-**	-	-
Forward Freight Agreements and Bunker Hedges assets		**-**	**-**	979	979
Forward Freight Agreements and Bunker Hedges liabilities		**12,798**	**12,798**	-	-

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 September 30, 2023 and December 31, 2022 as it is variable-rated.

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

Fair value adjustment of interest rate swaps, forward freight agreements and bunker hedges as of September 30, 2023, and December 31, 2022, is recognised in the statement of other comprehensive income / loss, refer to note 9.

The forward freight agreements and bunker hedges of $12.8 million as of September 30, 2023, consist of 64,000 tons/month of LPG freight and 2,060 tons/month of bunkers hedged for the fourth quarter 2023, corresponding to approximately two vessels activity, 42,000 tons/month of LPG freight and 1,100 tons/month of bunkers hedged for the first quarter 2024 corresponding to approximately one vessel activity, and 10,000 tons/month of LPG freight for the full calendar year 2024, corresponding to approximately one third of a vessels activity. Subsequently, the Company increased its LPG freight to 17,000 tons/month and 600 tons/month of bunkers hedged for the full calendar year 2024, corresponding to one half of a vessel's activity.

In May 2023, the Group terminated a notional amount of $125 million in interest rate swaps and thus recognised swap gain and cash proceeds of $1.0 million. The gains on termination of the interest rate swaps are being reclassified from other comprehensive income to the income statement and amortised on a straight-line basis until maturity of the underlying debt.

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

Fair value estimation

The different levels have been defined as follows:

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

8. Related party transactions

The Group entered into a corporate secretarial services agreement in July 2018 and a technical supervision agreement in Q2 2019 with Frontline Management (Bermuda) Ltd. 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) Ltd. Additionally, the group entered a shared services agreement with Front Ocean Management AS (Norway) in Q4 2021.

For the nine months ended September 30, 2023, the fee for corporate secretarial services was $218.7 thousand, the fee for technical supervision for current fleet and newbuildings was $1,047.3 thousand and fee for office lease and shared services was $358.7 thousand. In addition, Avance Gas received a recharge of operational credits of $443.8 thousand.

For the nine months ended September 30, 2022, the fee for corporate secretarial services was $179.6 thousand, fee for technical supervision for current fleet and newbuildings was $1,637.3 thousand and fee for office lease and shared services was $648.2 thousand. In addition, Avance Gas received a recharge of operational credits of $629.2 thousand. A summary of balances due to related parties on September 30, 2023, and December 31, 2022, as follows:

	As of	
	September 30, 2023	**December 31, 2022**
	(in USD thousands)	
Frontline Management (Bermuda) Ltd.	**228**	245
Seatankers Management Co. Ltd.	**26**	-
Flex LNG Ltd.	**-**	3
SFL Management AS	**7**	-
Net payable to related parties	**260**	248

9. Accumulated other comprehensive income / loss

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

(in USD thousands)	**Foreign Currency reserve**	**Fair value reserve**	**Accumulated other comprehensive income/ (loss)**
Balance January 1, 2022	53	(8,572)	(8,519)
Effective portion of changes in fair value of interest rate swaps	-	24,155	24,155
Reclassified to profit or loss	-	1,695	1,695
Balance December 31, 2022	53	17,278	17,331
Effective portion of changes in fair value of interest rate swaps	**-**	**(4,271)**	**(4,271)**
Reclassified to profit or loss	**-**	**(5,934)**	**(5,934)**
Translation adjustment, net	**1**	**-**	**1**
Balance September 30, 2023	**54**	**7,073**	**7,127**

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 nine months ended**	
	September 30, 2023	**September 30, 2022**	**September 30, 2023**	**September 30, 2022**
	(in USD thousands)		*(in USD thousands)*	
Operating revenue	**79,475**	55,418	**241,091**	187,129
Voyage expenses	**(20,236)**	(16,302)	**(56,935)**	(57,590)
Voyage result	**59,239**	39,116	**184,156**	129,539
Calendar days	**1,288**	1,196	**3,634**	3,686
Technical off-hire days	**(19)**	(9)	**(94)**	(50)
Operating days	**1,269**	1,187	**3,540**	3,636
TCE per day ($)	**46,696**	32,954	**52,021**	35,627

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

12. Seasonality

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

13. Subsequent Events

In November 2023, the Company obtained credit approval for the refinancing of the VLGC Pampero (2015) amounting to $43 million in a bank facility agreement. The transaction is subject to normal documentation and closing procedures which is expected within January 2024 followed by drawdown in March 2024. As such, the current sale leaseback agreement has been terminated.