AVANCE GAS HOLDING LTD

UNAUDITED CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS

For the three and six months ended 30 June 2023

BERMUDA, August 30, 2023 – Avance Gas Holding Ltd (OSE: AGAS) ("Avance Gas" or the "Company") today reports unaudited results for the second quarter 2023.

HIGHLIGHTS

- The average time charter equivalent (TCE) rate on load to discharge basis was $52,000/day compared to $58,400/day for the first quarter 2023, ahead of guidance of ~$50,000/day. The TCE basis discharge-to-discharge was $50,800/day also slightly ahead of guidance of ~$50,000/day.
- For the second quarter, we had a TC coverage of 41% at an average TCE rate of $40,000/day and spot voyages of 59% at $64,500/day. Freight hedging by use of FFA resulted in a loss of $2,500/day for the fleet.
- Daily operating expenses (OPEX) were $8,000/day, compared to $8,600/day for the first quarter of 2023.
- Net profit of $35.7 million compared to $36.3 million for the first quarter 2023, or earnings per share (basic) of 47 cents for both the first and second quarter.
- During the quarter, the Company paid $0.50 per share in quarterly dividend, or $38.3 million, for the first quarter 2023.
- In May 2023, the Company took delivery of the VLGC Avance Avior, the fourth of its six 91,000 cbm VLGC newbuildings from Hanwha Ocean (previously named Daewoo Shipyard) in South Korea.
- In June 2023, the Company agreed a newbuilding contract with Nantong CIMC Sinopacific Offshore & Engineering ("CIMC") for the construction of two dual fuel mid-sized LPG/ammonia carriers (MGCs) at a contract price of $61.5 million per vessel with delivery in the fourth quarter of 2025 and the first quarter of 2026. In August 2023, the Company declared its option to acquire two additional sister ships at the same attractive contract price of $61.5 million. These ships are scheduled for delivery in the second and fourth quarter of 2026.
- In July 2023, the Company entered into an agreement to sell the VLGC Iris Glory (built 2008) for a cash consideration of $60 million. The delivery to the new owners is expected to take place between September 2023 and January 2024.
- For the third quarter of 2023, we estimate a TCE/day for the quarter to be in the high $50's per day on a discharge-to-discharge basis when deducting FFA hedging loss.
- The Board has declared a dividend of $0.50 per share or $38.3 million for the second quarter 2023.

Øystein Kalleklev, CEO of Avance Gas, commented:
"In the second quarter, Avance Gas replicated the solid numbers from the first quarter with quarterly net profits of $36 million. With $72 million in profits for the first half of the year, Avance Gas thereby delivered its highest ever profits for the first half of the year. With a tight shipping market and high product arbitrage between US and Asia supporting strong freight levels, we anticipate doing even better in the second half of the year with expected TCE/day in the third quarter in the high $50s compared to an average of mid $50's in the first half of the year. With two new large dual fuel VLGCs delivered during the first half of the year, we also have more vessel days available in the second half of the year compared to the first half which increase our earnings capacity.

We have also during the last three months invested close to $250 million by contracting four medium sized dual fuel combination carriers for LPG and ammonia (MGC). The MGCs are scheduled for delivery at end of 2025 into 2026, and the ships have been contracted at a very favourable price point. We are financing the expansion into a new attractive sub segment by way of divesting our older 2008/2009 vintage VLGCs. Last year we sold three VLGCs of this vintage and we recently announced the sale of the 2008 built VLGC, Iris Glory, at $60.0 million which will generate a book gain of approximately $22.0 million once the ship is delivered to new owners.

With these four ship divestures, we only have one remaining 2008 vintage VLGC left in the fleet, Venus Glory which is on Time Charter until end of 2023. Hence, we are continuously renewing the fleet by selling older ships while at the same time taking delivery of new dual fuel VLGCs and contracting the new dual fuel MGCs which can carry ammonia as well as LPG. This enables us to further improve our carbon footprint while at the same time diversifying the cargo types which our ships can transport. This means we are well positioned to comply with the stricter decarbonization rules the industry is now facing.

Given the strong earnings, the constructive outlook for the VLGC market and our healthy financial position, we are therefore pleased to declare a quarterly dividend per share per share of $0.50, bringing the dividend paid-out during the last twelve months to $1.70 per share. This provides Avance Gas shareholders with an attractive running yield of about 17 per cent."

In US$ thousands (unless stated otherwise)	Three months ended	Three months ended
Income statement:	**June 30, 2023**	**March 31, 2023**
TCE per day ($)	52,015	58,379
TCE earnings	62,569	62,349
Gross operating profit	51,549	51,268
Net profit	35,707	36,321
Earnings per share (basic) ($)	0.47	0.47
Balance sheet:	**June 30, 2023**	**March 31, 2023**
Total assets	1,166,186	1,112,016
Total liabilities	575,774	511,375
Cash and cash equivalents	191,619	219,469
Total shareholders' equity	590,412	600,641
Cash flows:	**June 30, 2023**	**March 31, 2023**
Net cash from operating activities	30,718	47,610
Net cash from (used in) from investing activities	(67,785)	(60,919)
Net cash from (used) in financing activities	9,241	8,843
Net (decrease) increase in cash and cash equivalents	(27,827)	(4,465)

MARKET UPDATE

Increased demand from new PDH in China and flexi-crackers opting for propane as feedstock rather than naphtha have spurred demand for LPG in the Far East in 2023 – in turn offsetting the seasonal variation in demand that historically have led to weaker Q2 and Q3 freight markets and surprised most market participants to the upside with healthy LPG West/East price arbitrages allowing for strong freight levels to persist for longer times.

Following the flash crash that saw freight rates in the US dip into the mid-$30,000s per day at the very end of Q1, fixing activity gained traction and freight rates soared back to the mid-high $50,000s per day by mid-April – and have not looked back since. Freight markets have been volatile through Q2, but the underlying trend have showed freight steadily improving through the period with average earnings in Q2 at $77,200 per day (US Guld/Arabian Gulf average). As with most other shipping segments, LPG shipping is sensitive to macroeconomic unrest and throughout the quarter we have seen periods of muted activity as trading margins have proved marginal at best, sometimes even yielding negative netbacks for LPG cargo owners on paper, but the underlying will to secure tons, especially in China have kept LPG exports high also through Q2.

The US Gulf and East Coast loaded on average 87 VLGCs per month in Q2 according to data from EA Gibson, down from the high numbers seen in Q1 which was inflated due to unusual high export in March. Still, the daily numbers are the highest seen since Q2 2022. Weakening petchem margins in Europe have seen a bigger portion of US exports go East over the past 6 months than normal and have in turn helped in keeping tonnage from accumulating as these ships have been able to look at both AG and US employment.

The Arabian Gulf (AG) market loaded on average 60.5 VLGCs per month in Q2 boosted by May which loaded a record high 67 VLGCs over the month. Exports have since then dropped down below 60 per month following the OPEC cut with Saudi cutting its VLGC exports. Although Saudi is not the biggest exporter in AG, their trading arm, Aramco Trading Company (ATC), have been a major contributing factor to the sustained high freight rates in the VLGC market so far in 2023. Having shifted away from offering their cargoes on a Free on Board (FOB) basis in AG, their focus has shifted to delivering Cost and Freight (CFR) in the East thereby doing the shipping themselves. This charterer has typically worked a shorter fixing window than what is normal in the region and have tended to swoop up any potential tonnage overhang, keeping tonnage lists both in the East and in the West tight.

Strong US oil & gas production and reduced domestic demand means US inventories are expected to be near record high moving into draw season in Q4. Propane prices in turn have tumbled, supporting the US/East propane price arbitrage.

Panama Canal delays through Q2 averaged 6.5 days northbound and 5.25 days southbound. After averaging 10.5 days northbound and 8 days southbound through April, delays were muted in May, averaging 2.5 days northbound and 2.1 days southbound. Panama have been hampered by a long period of drought from May which have severely affected water levels in Gatun Lake, the pool of which fresh water is released to the canal and through the locks, forcing the canal authorities to impose both draft restrictions and reduced number of daily transits. Although the draft restrictions imposed have not had a direct effect on VLGCs, the measures have created a lot of disturbances in the booking system and subsequently delays for both northbound and southbound passages in both the Neo-Panamax and the old Panamax locks started to increase in June, averaging at 6 days northbound and 5.5 days southbound.

FINANCIAL AND OPERATIONAL REVIEW

Avance Gas reported Time Charter Equivalent (TCE) earnings of $62.6 million, compared to $62.3 million for the first quarter. The TCE is reduced by $3.0 million in Forward freight Agreements (FFA) and bunker hedges losses during the quarter compared to a negative effect of $4.0 million for the first quarter which translates to a negative effect for the whole fleet of $2,500/day and $3,700/day respectively. Adjustment related to the IFRS 15 accounting standard resulted in an increase in TCE earnings of $1.4 million compared to an increase in TCE earnings of $3.1 million for the first quarter 2023.

Operating expenses (OPEX) were $9.7 million, equaling a daily average of $8,003/day. This compares to $9.8 million or $8,626/day for the first quarter. Operating expenses are down as we have taken delivery of two newbuildings year to date 2023 requiring less maintenance and repair.

Administrative and general (A&G) expenses for the quarter were $1.3 million, in line with the first quarter, representing an industry low average per ship of $1,067/day and $1,171/day respectively. The decrease in A&G over the quarter relates to more vessel days as we have taken delivery of the fourth newbuilding, Avance Avior, during the second quarter 2023.

Non-operating expenses, consisting of finance expenses, finance income and foreign exchange loss, were $4.3 million, in line with the first quarter. Finance expenses increased by $0.5 million from the first quarter primarily due to higher net average debt and rising interest rates which was offset by interest rate hedges. Finance income increased $0.5 million related to interest earned on cash deposits.

Avance Gas reported a net profit of $35.7 million for the second quarter 2023, or $0.47 per share, compared with a net profit of $36.3 million, or $0.47 per share for the first quarter 2023.

Avance Gas' total assets amounted to $1,166.2 million on 30 June 2023, compared with $1,112.0 million on 31 March 2023. Total shareholders' equity was $590.4 million at quarter-end, corresponding to an equity ratio of 50.6%. Shareholder Equity decreased by $10.2 million during the quarter mainly due to net profit of $35.7 million being offset by paid dividend of $38.3 million for the first quarter 2023 and decrease in other comprehensive income of $7.8 million.

Cash and cash equivalents were $191.6 million on 30 June 2023, compared to $219.5 million on 31 March 2023. Cash flow from operating activities was $30.7 million, compared with $47.6 million for the first quarter of 2023. Net cash flow used in investing activities was $67.8 million and mainly relates to delivery of Avance Avior, the fourth of six dual fuel newbuildings, pre-delivery instalment of remaining newbuildings and drydocking expenses of Iris Glory. This compares with a net cash flow used in investing activities of $60.9 million for the first quarter 2023 which relates to delivery of Avance Rigel, the third of six dual fuel newbuildings. Net cash flow from financing activities was $9.3 million, including repayments of debt of $11.7 million, proceeds from loans and borrowings of $58.0 million, cash proceeds from settlement of derivatives of $1.1 million and payment of dividend of $38.3 million for the first quarter.

FLEET AND EMPLOYMENT OVERVIEW

We had a TC coverage of ~41% at an average TCE rate of $40,000/day and spot voyages of 59% of vessel days at an average rate of $64,500/day. Our results were negatively impacted by FFA and bunker hedging of $2,500/day. Our spot market exposure is following the LPG trading activity, primarily in the US Gulf/USEC and partly the Middle East.

Avance Gas recorded 1,203 operating days for the second quarter 2023, compared to 1,069 operating days for the first quarter 2023. Operating days is higher than previous quarter due more vessel's day during the second quarter as we took delivery of the fourth VLGC newbuilding in May 2023 combined with less off-hire as we carried out drydocking of the VLGC Iris Glory (built 2008) during the first quarter 2023. Operating days is calendar days less off-hire days. The company recorded 23 waiting days for the fleet in the second quarter, giving Avance Gas a fleet commercial utilization during the quarter of 98%, compared to 100% in the fourth quarter.

OUTLOOK

Seven VLGCs was delivered during Q2 out of 12 units expected according to Fearnleys. The current orderbook as of mid-August stands at 67 ships, 19% of the fleet totalling 363 ships. 10 ships were ordered during the quarter, five of which were Panamax design.

Increasing US production and muted domestic demand, expected to thread sideways over the coming year will keep exports high in the foreseeable future. Inventories are expected to reach record highs surpassing the 100million bbls mark by end of Q3 / early Q4 (Energy Aspects) before crop drying and seasonal heating demand picks up again. US LPG production is expected to increase 4% from 2023 to 2024, however tons available for export are expected to increase 7% over the same period (Argus), attributable to increased fractionation and terminal capacity – illustrated by Enterprise Products announcement earlier this summer that their increased export capacity will allow them to load a VLGC in less than 24 hours.

Following the drought in Panama, the latest measures from Panama Canal Authorities (ACP) to preserve water is to limit the number of daily transits through the old Panamax locks by as much as 10 transits per day. From end-July, the 1-2 daily slots through the Neo-Panamax locks reserved for unbooked vessels have been auctioned out to the highest bidder, making scheduling a VLGC through Panama with insufficient customer ranking (i.e., top 15) a very costly exercise. Delays as such have increased significantly so far through August, not only for Neo-Panamaxes but also for those of the old Panamax locks, often even surpassing those of the neo-locks which is highly unusual.

The OPEC production cut, and furthermore Saudi Arabia's voluntarily production cut equates to 2-3 VLGCs per month, but as the UAE and Qatar source their LPG from natural gas, their LPG production is not affected and to the contrary, in line with their increased natural gas production have ramped up exports netting out the shortfall of Saudi volumes. AG volumes are expected to remain stable at around 4 million tonnes per month for the remainder of the year (Energy Aspects).

For the demand side, the last eight months have underpinned China's position as the dominant source of demand growth. 2023 so far have seen an equal amount of new PDH capacity added as 2022 with y-o-y growth expected to be around 75% (EA Gibson). Run rate for PDH plants are expected to reach 86% in Q4 this year, up from 76% in June further expected to boost China's appetite for propane.

Japanese and South Korean demand is expected to keep stable, with the latter currently posting inventories above the 5-year average following reduced run-rates on their integrated crackers as olefin (downstream) margins have deteriorated following the mentioned growth in Chinese PDH capacity with China flooding the market to increase their market share.

European demand will depend on natural gas prices moving into the winter to determine its need for either spiking natural gas streams or use LPG as refinery fuel. Secondly, as a substantial portion of European supply stems from its own refineries the mismatch in crude slate offered versus what is required by the refiners have led to reduced run rates, reducing the regions own supply. As explained previously, the trend from Q2 has been reduced shipments to Europe, underlining the regions reduced demand for LPG.
For 2024, the arbitrage between Mont Belviue and Fast East Index (FEI) is currently about $190pmt which should support attractive freight level if it materialises.

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 2023 on Wednesday, 30 August 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/g4xwbf33

Guests can log into the conference call using the following link
https://register.vevent.com/register/BI6fd67101710a4a2a8df9b23faef20825

For further queries, please contact:

Øystein Kalleklev, CEO
Tel: +47 23 11 40 00

Randi Navdal Bekkelund, CFO
Tel: +47 23 11 40 00

FORWARD-LOOKING STATEMENTS

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

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

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

	Note	For the three months ended		For the six months ended	
		June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
		(in USD thousands)		*(in USD thousands)*	
Operating revenue	10	**84,575**	65,186	**161,618**	131,712
Voyage expenses	10	**(22,006)**	(21,623)	**(36,699)**	(41,288)
Operating expenses		**(9,724)**	(10,076)	**(19,480)**	(20,742)
Administrative and general expenses		**(1,296)**	(1,878)	**(2,621)**	(3,298)
Operating profit before depreciation expense		**51,549**	31,609	**102,818**	66,384
Depreciation and amortisation expense		**(11,525)**	(11,143)	**(22,073)**	(23,247)
Gain on disposal of asset	5	**-**	4,522	**-**	10,771
Operating profit		**40,024**	24,988	**80,745**	53,908
Non-operating (expenses) income:					
Finance expense		**(5,864)**	(6,377)	**(11,201)**	(10,999)
Finance income		**1,692**	193	**2,916**	193
Foreign currency exchange loss		**(95)**	(343)	**(332)**	(333)
Income before tax		**35,757**	18,461	**72,128**	42,769
Income tax expense		**(50)**	(92)	**(100)**	(92)
Net profit		**35,707**	18,369	**72,028**	42,677
Earnings per share					
Basic		**0.47**	0.24	**0.94**	0.56
Diluted		**0.46**	0.24	**0.93**	0.56

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)

	Note	For the three months ended		For the six months ended	
		June 30, 2023	**June 30, 2022**	**June 30, 2023**	**June 30, 2022**
		(in USD thousands)		*(in USD thousands)*	
Net profit		**35,707**	18,369	**72,028**	42,677
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		**(7,419)**	5,121	**(8,526)**	16,810
Amortisation of gain on discontinued hedges		**(400)**	-	**(782)**	-
Exchange differences arising on translation of foreign operations		**(1)**	(15)	**2**	(8)
Other comprehensive income		**(7,820)**	5,106	**(9,306)**	16,802
Total comprehensive income		**27,887**	23,475	**62,722**	59,479

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 June 30, 2023	As of December 31, 2022
		(in USD thousands)	
ASSETS			
Cash and cash equivalents		**191,619**	224,243
Trade and other receivables		**27,660**	12,229
Inventory		**7,626**	4,975
Prepaid expenses and other current assets		**19,333**	15,101
Derivative financial instruments	7	**9,797**	5,988
Total current assets		**256,035**	262,536
Property, plant and equipment	5	**865,681**	715,866
Newbuildings	5	**41,108**	83,597
Derivative financial instruments	7	**3,362**	5,871
Total non-current assets		**910,151**	805,334
Total assets		**1,166,186**	1,067,870
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current portion of interest-bearing debt	6	**42,941**	37,278
Trade and other payables		**6,621**	4,556
Accrued voyage expenses and other current liabilities		**12,748**	7,866
Derivative financial instruments	7	**10,753**	-
Total current liabilities		**73,063**	49,700
Long-term debt	6	**502,711**	414,245
Total non-current liabilities		**502,711**	414,245
Shareholders' equity			
Share capital		**77,427**	77,427
Paid-in capital		**431,366**	431,366
Contributed capital		**95,130**	94,772
Retained loss		**(10,186)**	(5,620)
Treasury shares		**(11,351)**	(11,351)
Accumulated other comprehensive income/(loss)		**8,025**	17,331
Total shareholders' equity		**590,412**	603,925
Total liabilities and shareholders' equity		**1,166,186**	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	-	-	-	42,677	-	-	42,677
Other comprehensive (loss) income:							
Fair value adjustment of derivative financial instruments	-	-	-	-	16,810	-	16,810
Translation adjustments, net	-	-	-	-	(8)	-	(8)
Total other comprehensive income	-	-	-	-	16,802	-	16,802
Total comprehensive loss	-	-	-	42,677	16,802	-	59,479
Transactions with shareholders:							
Dividend	-	-	-	(19,150)	-	-	(19,150)
Compensation expense for share options	-	-	(40)	-	-	-	(40)
Total transactions with shareholders	-	-	(40)	(19,150)	-	-	(19,190)
As of June 30, 2022	77,427	431,366	95,030	(21,298)	8,283	(11,351)	579,457
As of December 31, 2022	**77,427**	**431,366**	**94,772**	**(5,620)**	**17,331**	**(11,351)**	**603,925**
Comprehensive loss:							
Net profit	**-**	**-**	-	**72,028**	**-**	**-**	**72,028**
Other comprehensive (loss) income:							
Fair value adjustment of derivative financial instruments	**-**	**-**	-	**-**	**(8,526)**	**-**	**(8,526)**
Amortisation of gain on discontinued hedges	**-**	**-**	-	**-**	**(782)**	**-**	**(782)**
Translation adjustments, net	**-**	**-**	-	**-**	**2**	**-**	**2**
Total other comprehensive loss	**-**	**-**	-	**-**	**(9,306)**	**-**	**(9,306)**
Total comprehensive loss	**-**	**-**	-	**72,028**	**(9,306)**	**-**	**62,722**
Transactions with shareholders:							
Dividend	**-**	**-**	-	**(76,593)**	**-**	**-**	**(76,593)**
Compensation expense for share options	**-**	**-**	**358**	**-**	**-**	**-**	**358**
Total transactions with shareholders	**-**		**358**	**(76,593)**	**-**	**-**	**(76,234)**
As of June 30, 2023	**77,427**	**431,366**	**95,130**	**(10,186)**	**8,025**	**(11,351)**	**590,412**

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

		For the six months ended	
		June 30, 2023	**June 30, 2022**
	Note	*(in USD thousands)*	
Cash flows from operating activities			
Cash generated from operations	3	**88,937**	69,622
Interest paid		**(10,609)**	(8,304)
Net cash flows from operating activities		**78,328**	61,318
Cash flows from (used in) investing activities:			
Net proceeds from sale of assets	5	**-**	92,127
Capital expenditures	5	**(128,704)**	(145,379)
Net cash flows used in investing activities		**(128,704)**	(53,252)
Cash flows from (used in) financing activities:			
Dividends Paid	4	**(76,593)**	(19,150)
Repayment of long-term debt	6	**(21,300)**	(315,463)
Proceeds from loans and borrowings, net of transaction costs	6	**114,905**	423,977
Cash settlement on derivatives		**1,073**	-
Settlement share options		**-**	(254)
Net cash flows from in financing activities		**18,084**	89,110
Net increase (decrease) in cash and cash equivalents		**(32,292)**	97,176
Cash and cash equivalents at beginning of period		**224,243**	101,910
Effect of exchange rate changes on cash		**(332)**	(477)
Cash and cash equivalents at end of period		**191,619**	198,609

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 June 30, 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 two dual fuel MGCs (Medium-Sized Gas Carriers) due to delivery in 2025 and 2026 with two MGC options exercised subsequent to quarter-end.

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 statement of the Group.

3. Reconciliation of net profit to cash generated from operations

	For the six months ended	
	June 30, 2023	**June 30, 2022**
	(in USD thousands)	
Net profit	**72,028**	42,677
Adjustments to reconcile net profit to net cash from operating activities:		
Depreciation and amortisation of property, plant and equipment	**22,073**	23,247
Net finance expense	**11,533**	11,332
Compensation expense	**358**	214
Gain on sale of assets (note 5)	**-**	(10,771)
Changes in assets and liabilities:		
(Increase) Decrease in trade and other receivables	**(15,431)**	6,149
(Increase) Decrease in inventory and prepaid expenses and other current assets	**(6,883)**	3,682
Increase (Decrease) in trade and other payables	**2,064**	(4,216)
Increase (Decrease) in accrued voyage expenses and other current liabilities	**2,862**	(3,161)
Other	**334**	469
Cash flows from operating activities	**88,937**	69,622

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 June 30, 2023 and December 31, 2022. Of the authorised share capital, 77.4 million shares were issued and outstanding as of June 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 988,833 share options remained outstanding under the Company's share option scheme as of June 30, 2023. The average strike price of the share options as of 30 June 2023 was 39 NOK, resulting in a dilutive effect of $0.01 per share for the three and six months ended June 30, 2023.

Cash dividends paid to the equity holders of the parent

	As of	
	June 30, 2023	**June 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

5. Property, plant and equipment

During the six months ended June 30, 2023 and June 30, 2022, the Group capitalised $124.2 million and $147.2 million, respectively, in newbuildings. For the six months ended June 30, 2023 the amount capitalised consists of instalments prior and at delivery of two vessels and other costs related to the newbuilding program, including borrowing costs of $0.7 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 $165.9 million from newbuildings to property, plant and equipment.

In June 2023, the Company entered a newbuilding contract with CIMC (Nantong CIMC Sinopacific Offshore & Engineering Co., Ltd) for the construction of two mid-sized LPG/ammonia gas carriers with dual fuel engines. During the six months ended June 30, 2023, the Group did not capitalise any costs in relations to these newbuildings.

6. Long-term debt

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

Long-term debt repayments were $21.3 million for the six months ended June 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 six months ended June 30, 2023.

	As of	
	June 30, 2023	**December 31, 2022**
	(in USD thousands)	
Non-current		
Secured bank loans	**323,794**	231,968
Revolving credit facilities	**113,387**	113,387
Lease financing agreement	**65,531**	68,890
	502,711	414,245
Current		
Current portion of secured bank loans	**36,185**	30,522
Current portion of lease financing agreement	**6,756**	6,756
	42,941	37,278
Total interest-bearing debt	**545,652**	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.

		As of June 30, 2023		As of December 31, 2022	
		(in USD thousands)			
	Note	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities					
Secured bank loans	6	**359,979**	**359,979**	262,490	262,490
Revolving credit facilities	6	**113,387**	**113,387**	113,387	113,387
Lease financing agreement	6	**72,287**	**72,287**	75,646	75,646
Derivative financial instruments					
Net interest rate swap assets		**13,159**	**13,159**	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		**10,753**	**10,753**	-	-

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 it's carrying value as of June 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 June 30, 2023 and December 31, 2022 is recognised in the statement of other comprehensive income / loss, refer to note 9.

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 six months ended June 30, 2023, the fee for corporate secretarial services was $149.5 thousand, the fee for technical supervision for current fleet and newbuildings was $539.1 thousand and fee for office lease and shared services was $250.1 thousand. In addition, Avance Gas received a recharge of operational credits of $348.3 thousand.

For the six months ended June 30, 2022, the fee for corporate secretarial services was $110 thousand, fee for technical supervision for current fleet and newbuildings was $1,084.6 thousand and fee for office lease and shared services was $478.3 thousand. In addition, Avance Gas received a recharge of operational credits of $646.5 thousand. A summary of balances due to related parties on June 30, 2023, and December 31, 2022, as follows:

	As of	
	June 30, 2023	**December 31, 2022**
	(in USD thousands)	
Frontline Management (Bermuda) Ltd.	**122**	245
Front Ocean Management Ltd	**70**	-
Front Ocean Management AS	**9**	-
Flex LNG Ltd.	**-**	3
Net payable to related parties	**201**	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	**-**	**(5,907)**	**(5,907)**
Reclassified to profit or loss	**-**	**(3,400)**	**(3,400)**
Translation adjustment, net	**2**	**-**	**2**
Balance June 30, 2023	**55**	**7,970**	**8,025**

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 six months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	(in USD thousands)		*(in USD thousands)*	
Operating revenue	**84,575**	65,186	**161,618**	131,712
Voyage expenses	**(22,006)**	(21,623)	**(36,699)**	(41,288)
Voyage result	**62,569**	43,563	**124,919**	90,424
Calendar days	**1,215**	1,229	**2,346**	2,490
Technical off-hire days	**(12)**	(26)	**(75)**	(41)
Operating days	**1,203**	1,203	**2,271**	2,449
TCE per day ($)	**52,015**	36,212	**55,006**	36,923

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 July 2023, the Company entered into an agreement to sell the VLGC Iris Glory (built 2008) to an unrelated third party for a cash consideration of $60 million. The delivery to the new owners is expected to take place between September 2023 and January 2024.

In August 2023, the Company exercised an option for the construction of two dual fuel mid-sized LPG/ammonia carriers at contract price of $61.5 million per vessel with Nantong CIMC Sinopacific Offshire & Engineering Co., Ltd with delivery in the second quarter and fourth quarter 2026.

AVANCE GAS HOLDING LTD
RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge, that the condensed interim financial statements for the period 1 January 2023 to June 30, 2023, has been prepared in accordance with IAS 34 *Interim Financial Reporting, gives* a true and fair view of the assets, liabilities, financial position and profit or loss for Avance Gas Holding Ltd and its subsidiaries (the “Group”) as a whole.

We also confirm that the Board of Director’s Report includes a true and fair review of the development and performance of the business and the position of the Group, together with a description of the financial risks and uncertainties facing the Group.

30 August 2023

Øystein Kalleklev
Director & CEO

Francois Sunier
Director

Kathrine Fredriksen
Director

James O'Shaughnessy
Director