AVANCE GAS HOLDING LTD

Interim Financial Information

For the three and nine months ended 30 September 2022

BERMUDA, November 24 2022 – Avance Gas Holding Ltd (OSE: AGAS) ("Avance Gas" or the "Company") today reports unaudited results for the third quarter 2022.

HIGHLIGHTS

- The average time charter equivalent (TCE) rate on load to discharge basis was $32,954/day compared to $36,212/day for the second quarter 2022. This was ahead of guidance of around $32,000/day.
- Daily operating expenses (OPEX) were $8,200/day, in line with the second quarter of 2022.
- Net profit of $11.6 million compared to $18.4 million for the second quarter 2022, or earnings per share of 15 cents compared to 24 cents for the second quarter. Net profit in the second quarter excluding gain on sale was $13.9 million.
- The Company continues to benefit from the interest rate hedges that it has in place with gains of $7.8 million in the third quarter bringing the total gains this year to $24.6 million.
- In August 2022, the Company signed an aggregate $135 million sale leaseback agreement for the financing of newbuildings five and six, Avance Castor and Avance Pollux scheduled for delivery in fourth quarter of 2023 and the first quarter of 2024. The transaction completes the financing of the newbuilding program with no unfunded capex remaining and is expected to release approximately $39.4 million in net cash at delivery.
- In November 2022, the company entered into an agreement to sell the VLGC Promise generating a profit of approximately $7.5 million and cash proceeds of approximately $20 million.
- For the fourth quarter of 2022, we are 93% booked and we estimate a TCE rate for the quarter between $45,000 and $50,000 per day on a load to discharge basis and between $50,000 and $55,000 per day on a discharge-to-discharge basis.

Øystein M. Kalleklev, Executive Chairman, commented:
"We today are announcing third quarter numbers for Avance Gas with average Time Charter Equivalent (TCE) earnings of $33,000 per day, in line with our guided numbers of around $32,000 per day. Although this was admittedly a bit on the soft side compared to the first and second quarter, we are however very well positioned for fourth quarter with 93 per cent of the quarter covered and we are expecting TCE earnings to move upwards in the region of $50,000 per day. With strong volume growth and increased ton time, we today see the strongest LPG freight market since 2015. Given our positive outlook, strong balance sheet with plenty of cash and no unfunded capex we are therefore once happy again to declare a dividend of $0.20 per share for our shareholders."

In US$ thousands (unless stated otherwise)	Three months ended	Three months ended
Income statement:	**September 30, 2022**	**June 30, 2022**
TCE per day ($)	32,954	36,212
TCE earnings	39,116	43,563
Gross operating profit	27,734	31,609
Net profit	11,604	18,369
Earnings per share (diluted) ($)	0.15	0.24
Balance sheet:	**September 30, 2022**	**June 30, 2022**
Total assets	1,082,900	1,091,317
Total liabilities	499,833	511,860
Cash and cash equivalents	188,222	198,609
Total shareholders' equity	583,067	579,457
Cash flows:	**September 30, 2022**	**June 30, 2022**
Net cash from operating activities	25,926	22,459
Net cash used in (from) investing activities	(9,073)	22,460
Net cash from financing activities	(26,938)	43,493
Net increase in cash and cash equivalents	(10,085)	88,412

MARKET UPDATE

The third quarter started off on a challenging note, with AG trading at a premium to the US. Shipping activity in the US slowed during the summer which in turn overpopulated the AG with tonnage. The market suffered from challenging arbitrage economics, driven by low product demand, particularly in China where run-rates for Propane Dehydrogenation (PDH) plants fell and PDH inventory levels built due to the effects from the zero-Covid policy. At several points during August the market observed PDH operators re-selling propane cargoes in the market underlining the weak product market and successively the challenging shipping market seen through the third quarter. Non-scrubber freight rates in the Middle East averaged $32,600/day in July and August, compared to $31,000/day for VLGCs trading out of the US.

Freight rates however bottomed out during mid-August as the forward product curve started to form a contango structure strong enough for shipping activity to pick up again. US production increased 6% year on year, allowing inventories to build from 9.2mbbls below the 5-year average in July to above average in October, while at the same time sending US prices down. Activity improved with firming demand in export regions and coupled with sliding bunker prices, earnings increased through September and into October. In September, US freight rates outperformed the AG rates for the first time in the third quarter. VLGC rates increased to $80,000/day by the end of October, and have continued their upward trajectory to near all-time high levels by mid-November. The FFA curve for 2023 translates to non-scrubber VLGC earnings around $40,000/day.

The sound freight market fundamentals are being supported by a firm US-Asia propane arbitrage. The price arbitrage is currently trading above $200/ton, up from $130/ton in July and August and $140/ton in September. At $200/ton, willingness to pay for freight should be minimum triple-digit freight rates. However, current trading dynamics seems to allow shipowner to capture 70-80% of the arbitrage, which has been the case for most of 2022. During Q3, cargoes were being sold at significant discounts to printed arbitrage values, on several instances as low as $15/ton below the reported arbitrage.

VLGC trade continues to grow at a robust pace. Total volume exported on VLGCs in the third quarter was 8% higher than in the third quarter of 2021. Total export for the period from January through September stands at 66.7m tons, which is up 10% on the same period of 2021. Growth from the US stands at 4%, or 1.1m tons, while the Middle East region is up 18% year-on-year, or 4.3m tons, driven in large part by resuming oil output and related production of Natural Gas Liquids. On the import side, growth is more evenly spread out. Import growth for the first nine months of 2022 to Eastern Asia is 1.8m tons, up 6% on Jan-Sep 2021, while Southeast Asia is up 1.0m tons and Western Europe is up 1.3m tons.

FINANCIAL AND OPERATIONAL REVIEW

Avance Gas reported Time Charter Equivalent (TCE) earnings of $39.1 million, compared to $43.6 million for the second quarter. Adjustment related to the IFRS 15 accounting standard resulted in an increase in TCE earnings of $18 thousand for the third quarter 2022 compared to a decrease of $0.9 million for the second quarter 2022.

Operating expenses (OPEX) were $9.8 million, equaling a daily average of $8,230/day. This compares to $8,198/day for the second quarter. Higher airfares are making crew changes more expensive and thus, having a negative impact on operating expenses.

Administrative and general (A&G) expenses for the quarter were $1.5 million, compared to $1.9 million for the second quarter, representing an average per ship of $1,286/day and $1,528/day respectively.

Non-operating expenses, consisting mainly of financial expenses, were $5.0 million, compared to $6.5 million for the second quarter. The main reason for the decrease is debt issuance costs of $1.6 million related to legacy debt financing which were expensed during the second quarter in accordance with the accounting standard, as the facility was refinanced with the new $555m facility.

Avance Gas reported a net profit of $11.6 million for the third quarter 2022, or $0.15 per share, compared with a net profit of $18.4 million, or $0.24 per share for the second quarter 2022.

Avance Gas' total assets amounted to $1,082.9 million on 30 September 2022, compared with $1,091.3 million on 30 June 2022. The decrease in assets is mainly driven by a decrease in the company's cash balance due to repayment of debt and dividend payment offset by cash from operations during the quarter. Total shareholders' equity was $583.1 million at quarter-end, corresponding to an equity ratio of 53.8%. Shareholder Equity increased by $3.6 million during the quarter mainly due to net profit of $11.6 million, increase in other comprehensive income of $7.5 million, mainly related to interest hedging instrument gain, partially offset by payment of dividends of $15.3 million.

Cash and cash equivalents were $188.2 million on 30 September 2022, compared to $198.6 million on 30 June 2022. Cash flow from operating activities was positive $25.9 million, compared with positive $22.5 million for the second quarter 2022. Net cash flow used in investing activities was $9.1 million compared with net cash flow from investing activities of $22.5 million for the second quarter 2022. Investing activities for the quarter includes installments and related costs paid in the newbuilding program. Net cash flow used in financing activities was $26.9 million, including repayments of debt of $10.3 million and payment of dividend of $15.3 million for the second quarter.

FINANCING

In August 2022, Avance Gas also signed a sale leaseback agreement for newbuildings five and six, Avance Castor and Avance Pollux due for delivery in the fourth quarter of 2023 and the first quarter of 2024, respectively. The transaction provides financing of total $135 million or $67.5 million per vessel reflecting a cash release of approximately $19.7 million per vessel at delivery and has a tenor of 10 years from delivery of the ships. The Company has options to repurchase the vessels after 2.5 year from delivery. The term of the lease bears a repayment profile of approximately 22 years and an interest rate of SOFR plus an applicable margin.

The above financing means that our newbuilding program is fully secured, with no unfunded capital expenditure remaining and no debt maturity before February 2027, except of a $45 million sale leaseback agreement that bears a put option from 2025 in favor of the leasing house.

FLEET AND EMPLOYMENT OVERVIEW

We had a TC coverage of ~52% in the third quarter 2022 at an average TCE rate of $33,200/day. For the fourth quarter of 2022, we expect TC coverage to be approximately 50% consisting of four vessels at an average rate of $31,000/day on long term TC contracts and three vessels with floating hire. Our spot market exposure is following the LPG trading activity, primarily in the US Gulf/USEC and partly the Middle East.

Avance Gas recorded 1,187 operating days for the third quarter 2022, compared to 1,203 operating days for the second quarter 2022. Operating days is lower during the third quarter due to the sale VLGC Providence during the second quarter 2022, partially offset by a decrease in off-hire days from 26 in the second quarter to 9 in the third quarter. Operating days is calendar days less off-hire days.

The company recorded 10 waiting days for the fleet in the third quarter 2022, giving Avance Gas a fleet utilization during the quarter of 99.2%, unchanged from the second quarter, 2022.

OUTLOOK

With strong freight markets leaving freight rates trading above $100,000/day and the arbitrage developing favourably last few months, risk looks skewed to the downside entering 2023. Orderbook for 2023 stands at 47 VLGCs (13% of fleet), compared to industry sources' demand growth estimate of 2.5% to 3.0%. The US Energy Information Administration remains positive on US exports for 2023, estimating a 10% export growth despite only 3% production growth. On our estimates, this should be able to consume about 12-15 VLGCs, or up to one-third of the orderbook for 2023. The 2mbpd OPEC+ crude oil output cut is likely to reverse some of the LPG growth seen so far in 2023, leaving us cautious on our view on Middle East export growth in 2023.

As we see it, two scenarios would need to play out for the market balance to remain unchanged year-on-year into 2023; 1) significant improvement in tonne-miles and 2) supply side disruptions due to IMO environmental regulations or as a result of removed sanctions from illicit Iranian trade.

Tonne-mile in VLGC trade has room to improve. We calculate average sailing distance for US LPG exports on VLGCs to be down 5% year-on-year so far in 2022. Europe has imported nearly 20% of US LPG exports in the first nine months of 2022, up from 10% in the same period last year. If this was to reverse, that more US LPG was to be sold to Asia, it would have a positive effect on sailing distance, and thus tonne-mile demand.

As for impacts from stricter environmental regulations, it should support the market in 2023. Already now, industry sources indicate ton-days to be trending higher due to fleet inefficiencies and lower sailing speeds. Fleet availability is likely to decline further as older vessels will face speed limitations to reduce the emissions per unit transported. Eventually, demolition is set to pick up pace as well. There has been no scrapping in the VLGC space since 2018, leaving 56 VLGCs older than 20 years. Of these, 50% has been involved in trade with Iran, as estimated by Kpler. It remains hard to predict when and if the US and Iran will reach an agreement on Iran's nuclear program, and developments recently indicating stalling discussions. However, a potential agreement will have large ramifications for availability of modern VLGCs, as Iran would start requiring more efficient vessels to ship their exports.

The wide price arbitrage between US and Asian propane would certainly support the market if it was to sustain. The Mont Belvieu propane prices have trended down for most of 2022 on production hikes and inventory builds, leaving an improved arbitrage despite relatively saturated product market in Asia.

Looking beyond 2023, the supply demand balance starts to look increasingly favourable. There are 12 VLGCs for delivery in 2024 and 3 scheduled for 2025. These 15 would represent 4% of the fleet (assuming no scrapping). We expect limited room to add more orders for 2024, while inflated newbuild values are likely to put a cap on newbuild orders also for 2025. The US is becoming more important as the key exporter to meet Chinese petrochemical demand growth, particularly additions of new PDH plants. Adding to LPG spiking to natural gas streams and residential demand in the Far East, India, and Southeast Asia, we argue there is good support for the demand side towards 2025, save for any significant recessionary pullbacks.

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 2022 on Thursday, 24 November 2022, 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 - Executive Chairman
- 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/w4ecxxkj

Guests can log into the conference call using the following link:
https://register.vevent.com/register/BI0dad1ff95dd44297bb9e33f0bd8a0a4a

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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 Ac

AVANCE GAS HOLDING LTD

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

(UNAUDITED)

	Note	For the three months ended		For the nine months ended	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
		(in USD thousands)		*(in USD thousands)*	
Operating revenue	10	**55,418**	47,381	**187,129**	158,542
Voyage expenses	10	**(16,302)**	(15,784)	**(57,590)**	(48,462)
Operating expenses		**(9,844)**	(10,298)	**(30,586)**	(32,359)
Administrative and general expenses		**(1,538)**	(1,853)	**(4,836)**	(4,851)
Operating profit before depreciation expense		**27,734**	19,446	**94,117**	72,870
Depreciation and amortisation expense		**(11,140)**	(11,369)	**(34,387)**	(35,826)
Gain on disposal of asset (note 5)		**-**	-	**10,771**	-
Operating profit		**16,594**	8,077	**70,501**	37,044
Non-operating (expenses) income:					
Finance expense		**(4,962)**	(3,888)	**(15,961)**	(12,594)
Finance income		**443**	-	**636**	-
Foreign currency exchange losses		**(429)**	32	**(762)**	167
Income before tax		**11,646**	4,221	**54,414**	24,617
Income tax expense		**(42)**	-	**(134)**	-
Net profit		**11,604**	4,221	**54,280**	24,617
Earnings per share					
Basic		**0.15**	0.06	**0.71**	0.34
Diluted		**0.15**	0.06	**0.71**	0.34

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, 2022	**September 30, 2021**	**September 30, 2022**	**September 30, 2021**
	Note	*(in USD thousands)*		*(in USD thousands)*	
Net profit		**11,604**	4,221	**54,280**	24,617
Other comprehensive income: *Items that may be reclassified subsequently to profit and loss:*	9				
Fair value adjustment of derivative financial instruments designated for hedge accounting		**7,780**	2,075	**24,590**	9,008
Amortization of gain on discontinued hedges		**(282)**	-	**(282)**	-
Exchange differences arising on translation of foreign operations		**(5)**	(4)	**(13)**	(11)
Other comprehensive income (loss)		**7,493**	2,071	**24,294**	8,997
Total comprehensive income		**19,097**	6,292	**78,574**	33,614

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, 2022	As of December 31, 2021
		(in USD thousands)	
ASSETS			
Cash and cash equivalents		**188,222**	101,910
Trade and other receivables		**12,610**	21,232
Inventory		**6,403**	7,933
Prepaid expenses and other current assets		**8,719**	12,882
Derivative financial instruments	7	**3,031**	-
Total current assets		**218,985**	143,957
Property, plant and equipment	5	**768,190**	716,577
Newbuildings	5	**82,174**	92,609
Derivative financial instruments	7	**13,551**	2,240
Total non-current assets		**863,915**	811,426
Total assets		**1,082,900**	955,383
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current portion of interest-bearing debt	6	**39,666**	44,574
Trade and other payables		**4,474**	8,009
Derivative financial instruments	7	**565**	5,691
Accrued voyage expenses and other current liabilities		**4,833**	7,413
Total current liabilities		**49,538**	65,687
Long-term debt	6	**450,295**	345,407
Derivative financial instruments	7	**-**	5,121
Total non-current liabilities		**450,295**	350,528
Shareholders' equity			
Share capital		**77,427**	77,427
Paid-in capital		**431,366**	431,366
Contributed capital		**94,863**	95,070
Retained loss		**(25,013)**	(44,825)
Treasury shares		**(11,351)**	(11,351)
Accumulated other comprehensive income/(loss)		**15,775**	(8,519)
Total shareholders' equity		**583,067**	539,168
Total liabilities and shareholders' equity		**1,082,900**	955,383

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, 2020	64,528	379,851	94,780	(53,856)	(21,382)	(11,351)	452,570
Comprehensive loss:							
Net profit	-	-	-	24,617	-	-	24,617
Other comprehensive (loss) income:							
Fair value adjustment of interest rate swaps	-	-	-	-	9,008	-	9,008
Translation adjustments, net	-	-	-	-	(11)	-	(11)
Total other comprehensive income	-	-	-	-	8,997	-	8,997
Total comprehensive loss	-	-	-	24,617	8,997	-	33,614
Transactions with shareholders:							
Share Capital Increase	12,899	51,515	-	-	-	-	64,414
Dividend	-	-	-	(19,249)	-	-	(19,250)
Compensation expense for share options	-	-	263	-	-	-	263
Total transactions with shareholders	12,899	51,515	263	(19,249)	-	-	45,427
As of September 30, 2021	77,427	431,366	95,043	(48,488)	(12,385)	(11,351)	531,612
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**
Amortization of gain on discontinued hedges	-	-	**-**	-	**(282)**	**-**	**(282)**
Translation adjustments, net	**-**	**-**	**-**	**-**	**(13)**	**-**	**(13)**
Total other comprehensive loss	**-**	**-**	**-**	**-**	**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**

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

AVANCE GAS HOLDING LTD

CONSOLIDATED INTERIM STATEMENT OF CASH FLOW

(UNAUDITED)

	Note	For the nine months ended September 30, 2022	September 30, 2021
		(in USD thousands)	
Cash flows from operating activities			
Cash generated from operations	3	**100,621**	71,486
Interest paid		**(13,377)**	(13,336)
Net cash flows from operating activities		**87,244**	58,150
Cash flows used in investing activities:			
Net proceeds from sale of assets	5	**92,127**	-
Capital expenditures	5	**(154,452)**	(42,128)
Net cash flows used in investing activities		**(62,325)**	(42,128)
Cash flows (used in) from financing activities:			
Dividends Paid	4	**(34,467)**	(19,249)
Proceeds from issue of share capital		**-**	64,414
Repayment of long-term debt	6	**(325,710)**	(33,135)
Proceeds from loans and borrowings, net of transaction costs	6	**422,766**	(891)
Settlement share options		**(417)**	(781)
Net cash flows from (used in) in financing activities		**62,172**	10,358
Net increase in cash and cash equivalents		**87,091**	26,380
Cash and cash equivalents at beginning of period		**101,910**	75,882
Effect of exchange rate changes on cash		**(779)**	31
Cash and cash equivalents at end of period		**188,222**	102,293

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 2022, the Company owned and operated a fleet of thirteen modern ships and an additional four Dual Fuel newbuildings due for delivery in 2023 and Q1 2024.

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, 2021, 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, 2021, 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 satisfises 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, 2022:

- 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 nine months ended	
	September 30, 2022	**September 30, 2021**
	(in USD thousands)	
Net profit	**54,280**	24,617
Adjustments to reconcile net profit to net cash from operating activities:		
Depreciation and amortisation of property, plant and equipment	**34,387**	35,826
Net finance expense	**16,723**	12,427
Compensation expense	**283**	1,243
Gain on sale of assets (note 5)	**(10,771)**	-
Changes in assets and liabilities:		
(Increase) decrease in trade and other receivables	**8,621**	969
(Increase) decrease in inventory and prepaid expenses and other current assets	**5,692**	(2,352)
Decrease in trade and other payables	**(4,030)**	(2,416)
Increase (decrease) in accrued voyage expenses and other current liabilities	**(5,330)**	1,215
Other	**766**	(43)
Cash flows from operating activities	**100,621**	71,486

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, 2022 and December 31, 2021. Of the authorised share capital, 77.4 million shares were issued and outstanding as of September 30, 2022 and December 31, 2021, 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.

Since 2013, the Company set up a share option plan in order to encourage the Company's officers and other employees to hold shares in the Company. Following the award, declared, forfeited and cancelation of shares since 2013, a total of 1,285,083 share options remained outstanding under the Company's share option scheme as of September 30, 2022. The average strike price of the share options as at 30 September 2022 was 50 NOK, resulting in a dilutive effect of $0.00 per share for the three and nine months ended September 30, 2022.

On August 30, 2022, the Board of Avance Gas granted Mr. Kalleklev and Mr. Foss 375,000 and 250,000 stock options in Avance Gas. The share options will have a five-year term from August 30, 2022, with a three-year vesting period, whereby 25% will vest after one year, 35% will vest after two years, and 40% will vest after three years. The options have an exercise price of NOK 52.50 and the exercise price will be adjusted for any distribution of dividends made before the relevant options expire.

The board of Avance Gas declared a dividend of $0.20 per share on August 31, 2022, equalling $15.3 million. The dividend was paid on September 15, 2022.

5. Property, plant and equipment

During the nine months ended September 30, 2022 and September 30, 2021, the Group capitalised $155.9 million and $44.4 million, respectively, in newbuildings. For the nine months ended September 30, 2022 the amount capitalised consists of instalments and other costs related to the newbuilding program, including borrowing costs of $2.0 million. The Company took delivery of VLGC *Avance Polaris* and VLGC *Avance Capella* during the first quarter of 2022, resulting in reclassification of $166.3 from newbuildings to property, plant and equipment.

During the first half of 2022, the Company sold the 2008 built VLGC's *Thetis Glory* and *Providence* resulting in the Company recognizing a gain on sale of vessels of $10.8 million.

6. Long-term debt

Long-term debt consisted of debt collateralised by the Group's 13 VLGCs as of September 30, 2022 and December 31, 2021. Long-term debt repayments were $325.7 million for the nine months ended September 30, 2022. Of the $325.7 million, $24.2 million is scheduled repayment of debt. The remaining debt repayment of $301.6 million is $237.5 million repayment on refinancing of the existing $515 million facility, $23.2 million repaid on sale of VLGC *Thetis Glory,* $20.9 million repaid on the sale of VLGC *Providence* and $20 million repaid on the revolving credit facility during the first quarter.

During the first quarter of 2022, the company drew $104 million on the sustainability linked financing entered into in July 2021 in connection with the delivery of Avance Polaris in January 2022 and Avance Capella in February 2022. During the second quarter of 2022, the Company drew $325 million on a $555 million sustainability linked financing facility entered into in May 2022, fully refinancing the existing $515 million facility.

In August, 2022, the Company signed a sale and leaseback agreement for the final two dual fuel newbuilding vessels due to be delivered in the fourth quarter of 2023 and first quarter of 2024.

	As of	
	September 30, 2022	**December 31, 2021**
	(in USD thousands)	
Non-current		
Secured bank loans	**254,646**	187,763
Revolving credit facilities	**125,000**	81,984
Lease financing agreement	**70,649**	75,660
	450,295	345,407
Current		
Current portion of secured bank loans	**32,974**	37,818
Current portion of lease financing agreement	**6,692**	6,756
	39,666	44,574
Total interest-bearing debt	**489,961**	389,981

7. Fair value disclosures

Fair value of financial instruments

The following estimated fair value amounts of financial instruments have been determined by the Group, using appropriate market information and valuation method. Considerable judgement is required to develop these estimates of fair value, thus the estimates provided herein are not necessarily indicative of the amounts that could be realised in a current market exchange.

		As of September 30, 2022		As of December 31, 2021	
		(in USD thousands)			
	Note	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities					
Secured bank loans	6	**287,620**	**287,620**	225,581	225,581
Revolving credit facilities	6	**125,000**	**125,000**	81,984	81,984
Lease financing agreement	6	**77,341**	**77,341**	82,416	82,416
Derivative financial instruments					
Net interest rate swap assets		**16,582**	**16,582**	2,240	2,240
Net interest rate swap liabilities		**-**	**-**	10,812	10,812
Net FFA Bunker Hedge Liabilities		**565**	**565**	-	-

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, 2022 and December 31, 2021 as it is variable-rated.

The fair value (level 2) of the Company's interest rate swap agreements is the estimated amount that the Company would receive or pay to terminate the agreements at the reporting date, considering, as applicable, fixed interest rate curves and the current credit worthiness of both the Company and the derivative counterparty. The estimated amount is the present value of future cash flows. Fair value adjustment of the interest swaps as of September 30, 2022 and December 31, 2021 is recognized in the statement of other comprehensive income / loss, refer to note 9.

During the third quarter, the Company terminated one interest rate swap and entered into two new interest rate swaps which increases our hedging portfolio by $100m notional. The gain of $6.2m on termination of the interest rate swap is being reclassified from other comprehensive income to the income statement in line with the future cashflows of the original hedged item. The new interest rate swaps are forward starting in August 2024 and August 2025, respectively, with a tenor of six years from start date.

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). 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). Additionally, the group entered a shared services agreement with Front Ocean Management AS (Norway) in Q4 2021.

For the nine months ended September 30, 2022, the fee for corporate secretarial services was $179.6 thousand, the 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 recharge of operational credits of $629.2 thousand. For the nine months ended September 30, 2021, the fee for corporate secretarial services was $72.1 thousand, fee for technical supervision for current fleet and newbuildings was $1,536.2 thousand and fee for office lease and shared services was $423.5 thousand. A summary of balances due to related parties on September 30, 2022, and December 31, 2021, as follows.

	As of	
	September 30, 2022	**December 31, 2021**
	(in USD thousands)	
Frontline Ltd.	**-**	(130)
Frontline Management (Bermuda) Ltd.	**520**	556
Frontline Management AS	**(19)**	24
Front Ocean Management AS	**-**	11
Front Ocean Management Ltd	**-**	-
Seatankers Management AS	**-**	5
Net (receivable) payable to related parties	**501**	465

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 loss**
Balance January 1, 2021	65	(21,447)	(21,382)
Effective portion of changes in fair value of derivative financial instruments	-	6,608	6,608
Reclassified to profit or loss	-	6,267	6,267
Translation adjustment, net	(12)	-	(12)
Balance December 31, 2021	53	(8,572)	(8,519)
Effective portion of changes in fair value of derivative financial instruments	-	21,836	21,836
Reclassified to profit or loss	-	2,471	2,471
Translation adjustment, net	(13)	-	(13)
Balance September 30, 2022	40	15,735	15,775

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, 2022	**September 30, 2021**	**September 30, 2022**	**September 30, 2021**
	(in USD thousands)		*(in USD thousands)*	
Operating revenue	**55,418**	47,381	**187,129**	158,542
Voyage expenses	**(16,302)**	(15,784)	**(57,590)**	(48,462)
Voyage result	**39,116**	31,597	**129,539**	110,080
Calendar days	**1,196**	1,196	**3,686**	3,549
Technical off-hire days	**(9)**	(49)	**(50)**	(172)
Operating days	**1,187**	1,147	**3,636**	3,377
TCE per day ($)	**32,954**	27,548	**35,627**	32,597

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

0n November 10, 2022, Avance Gas announced that it had agreed to sell the 2009-built VLGC Promise with a Time-Charter (TC) attached. The sale is expected to be completed during the fourth quarter, generating a profit of approximately $7.5 million.