



# Avance Gas

**AVANCE GAS HOLDING LTD**

UNAUDITED CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS

For the three months ended 31 March 2023

**BERMUDA, May 30, 2023** – Avance Gas Holding Ltd (OSE: AGAS) (“Avance Gas” or the “Company”) today reports unaudited results for the first quarter 2023.

#### HIGHLIGHTS

- The average time charter equivalent (TCE) rate on load to discharge basis was \$58,379/day compared to \$46,478/day for the fourth quarter 2022, slightly ahead of guidance of \$58,000/day. The TCE basis discharge-to-discharge was \$55,479/day. The TCE rate of \$58,379 includes FFA and bunker hedges representing a negative tce of \$3,700/day.
- For the first quarter, we had a TC coverage of 41% at an average TCE rate of \$40,000/day and spot voyages of 59% at \$71,000/day.
- Daily operating expenses (OPEX) were \$8,626/day, compared to \$8,738/day in the fourth quarter of 2022.
- Net profit of \$36.3 million compared to \$34.7 million for the fourth quarter 2022, or earnings per share of 47 cents compared to 45 cents for the fourth quarter.
- During the quarter, the Company paid \$0.50 in dividend, or \$38.3 million, for the fourth quarter 2022.
- During the first quarter of 2023, the Company took delivery of VLGC Avance Rigel, the third of its six 91,000 cbm VLGC newbuildings from Deawoo Shipyard in South Korea. Subsequently in May, the Company took delivery of VLGC Avance Avior, the fourth of its six 91,000 cbm from Hanwha Ocean Shipyard (previously named Deawoo) in South Korea.
- In April 2023, the Board appointed Executive Chairman Øystein Kalleklev as CEO of Avance Gas. As a result, Mr. Kalleklev stepped down as Executive Chairman of the Company and act as a regular Board member as well as CEO.
- For the second quarter of 2023, we estimate a TCE rate for the quarter to be approximately \$50,000/day on a discharge-to-discharge and load to discharge basis.
- The board declared a dividend of \$0.50 per share or \$38.3 million for the first quarter 2023.

Øystein M. Kalleklev, Chief Executive Officer, commented:

“We are today pleased to present the best first quarter results for Avance Gas ever with Net Income of \$36.3 million for the quarter translating into earnings per share of \$0.47. In relation to average TCE per ship, we have only delivered better first quarter TCE numbers once before and that was back in first quarter of 2015 when we delivered TCE of \$65,000/day vs \$58,000/day in the first quarter this year. Just like in 2015, the spot market for freight have been very strong this year and much firmer than most industry experts expected as there were concerns about the numerous VLGC scheduled for delivery this year.

We have however seen significant slippage of newbuilds, a large portion of the VLGCs carrying out special survey this year and this coupled with elevated arbitrage in the price of LPG from US to Far East has resulted in high willingness to pay for freight which we have been able to capitalize on as evident from our results.

Hence, we are not only delivering strong first quarter results, but we are also guiding very firm levels for the second quarter where we are now basically fully booked with expected Time Charter Equivalent Earnings of around \$50,000 per day which is well ahead of our cash break-even in the low 20’s. We are now booking ships for voyages in the third quarter and with current spot rates at around \$80-90,000 per day we remain upbeat about the prospects for also delivering healthy earnings in the second half of 2023. As we have taken delivery of Avance Avior today and we took delivery of her sister vessel Avance Rigel in February, we also have a higher earnings capacity with more ships on the water in the second half of the year.

Given the strong financial results, the constructive outlook for the second half of the year and our very sound financial positions with \$220m of cash at hand at end of first quarter and full financing in place for the remaining two newbuilds, the Board is therefore declaring another quarterly dividend of \$0.50 per share as we did in the fourth quarter last year. This should hopefully provide our investors an attractive annualized dividend yield of 26% based on our current quarterly dividend or 18% if we calculate basis our \$1.40 dividend per share the last four quarters.”

In US\$ thousands (unless stated otherwise)	Three months ended	Three months ended
<b>Income statement:</b>	<b>March 31, 2023</b>	<b>December 31, 2022</b>
TCE per day (\$)	58,379	46,478
TCE earnings	62,349	53,496
Gross operating profit	51,268	41,503
Net profit	36,321	34,711
Earnings per share (diluted) (\$)	0.47	0.45
<b>Balance sheet:</b>	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Total assets	1,112,016	1,067,870
Total liabilities	511,375	463,945
Cash and cash equivalents	219,469	224,243
Total shareholders' equity	600,641	603,925
<b>Cash flows:</b>	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Net cash from operating activities	47,610	35,879
Net cash from (used in) from investing activities	(60,919)	48,747
Net cash from (used) in financing activities	8,843	(48,877)
Net (decrease) increase in cash and cash equivalents	(4,465)	35,749

## MARKET UPDATE

Given the substantial number of newbuildings scheduled for delivery this year, 2023 have been remarkable so far with freight rates outpacing most expectations. 16 VLGCs were scheduled for delivery during the first quarter and 12 VLGCs were actual delivered which implies a slippage of 25%. Slippage coupled with strong export growth, supporting LPG price arbitrage due to low gas prices in US and resilient demand from Asia have kept the freight market at strong levels.

While seasonal effect put downward pressure on freight rates at the start of 2023 with spot earnings at mid \$30,000/day in January, the spot market witnessed a sharp turnaround at the end of January, gaining \$30 per ton for the Houston-Chiba route just in one week reaching spot earnings in high \$60,000/day. Activity level in the VLGC market stayed high in all of February, with the monthly average Baltic rates of low/mid \$70,000/day for both Houston-Chiba (US) and Ras Tanura-Chiba (AG), recording the 3rd strongest month in two years, only beaten by November and December in 2022. March continued to see strong freight rates in both regions but traded downwards at the end of the month due to slower activity yet averaged out at approximately \$70,000/day in line with February.

VLGC trade continued where 2022 left, with further growth and an improvement of 2.5 million tonnes or 12% in the first quarter 2023 compared to the first quarter 2022. US exports grew by 2.0 million tonnes (19%), Middle East exports grew by 0.8 million tonnes (9%) while other regions had a decline of 0.3 million tonnes (15%) during the first quarter compared to same period last year. VLGCs continue to transport a significantly share of the total seaborne LPG trade with 70% of all LPG trade was carried by VLGCs in the first quarter compared to 65% in the first quarter 2022.

More than half of US exports are sent to Asia where the demand has proven to be resilient to the impact of the Covid-19 pandemic, driven by Indian residential demand and Chinese petchem demand. Following the re-opening of the Chinese economy and improving petchem margins, Chinese demand is reaching record high levels as new crackers and PDH units commissioned the past two year which required more import volumes. China LPG demand increased by considerable 9% year on year in 2022. For the first quarter 2023, China imports are up 2% from the first quarter 2022 and is expected to grow considerably as more PDH units are being built. India is becoming a major driver of the global LPG demand which is supported by government policies and subsidies to use LPG as an energy source for heating and cooking in residential

households. For the first quarter 2023, Indian demand is up 13% compared to the first quarter 2022 basis volumes imported and transported by VLGCs.

Panama Canal delays decreased significantly from the fourth quarter 2022 levels peaking at more than 20 days, average waiting time northbound was 7 days during the quarter. Despite this, January saw a high of 35% of the US ballasters coming via Suez or Cape of Good Hope (COGH), higher than the peak during the fourth quarter of 30%. The amount has since come off, ending the quarter at 11%. This is clearly a result of owners deciding to sail long way around the Cape of Good Hope or through the Suez Canal to secure laycan for cargoes in the US Gulf.

## FINANCIAL AND OPERATIONAL REVIEW

Avance Gas reported Time Charter Equivalent (TCE) earnings of \$62.3 million, compared to \$53.5 million for the fourth quarter. Adjustment related to the IFRS 15 accounting standard resulted in an increase in TCE earnings of \$3.1 compared to a decrease in TCE earnings of \$10.8 million for the fourth quarter 2022. The TCE is reduced by \$4.0 million in Forward Freight Agreements (FFA) and bunker hedges losses which translates to a negative effect of \$3,700/day.

Operating expenses (OPEX) were \$9.7 million, equaling a daily average of \$8,626/day. This compares to \$10.2 million or \$8,738/day for the fourth quarter. Operating expenses were down due to less ship/calendar days as we sold Promise in November combined with improved crew change costs.

Administrative and general (A&G) expenses for the quarter were \$1.3 million, compared to \$1.8 million for the fourth quarter, representing an average per ship day of \$1,171 and \$1,574 respectively. The decrease in A&G expenses is due to settlement of share options recognized in the fourth quarter which is non-recurring.

Non-operating expenses, consisting mainly of financial expenses, were \$4.3 million, compared to \$3.9 million for the fourth quarter. The increase in net financial expense is primarily explained by higher interest expense due to rising interest rates offset by recognized effectiveness of interest rate swap gain during the period and interest income on cash deposits.

Avance Gas reported a net profit of \$36.3 million for the first quarter 2023, or \$0.47 per share, compared with a net profit of \$34.7 million, or \$0.45 per share for the fourth quarter 2022.

Avance Gas' total assets amounted to \$1,112.0 million on 31 March 2023, compared with \$1,067.9 million on 31 December 2022. Total shareholders' equity was \$600.6 million at quarter-end, corresponding to an equity ratio of 54%. Shareholder Equity decreased by \$3.6 million during the quarter mainly due to net profit of \$36.3 million being offset by dividend paid of \$38.3 million for the fourth quarter 2022.

Cash and cash equivalents were \$219.5 million on 31 March 2023, compared to \$224.2 million on 31 December 2022. Cash flow from operating activities was \$47.6 million, compared with \$35.9 million for the fourth quarter of 2022. Net cash flow used in investing activities was \$60.9 million and relates to delivery of Avance Rigel, the third of six dual fuel newbuildings. This compares with a net cash flow from investing activities of \$48.7 million for the fourth quarter 2022 which relates to proceeds from sale of Promise offset by capital newbuilding expenses. Net cash flow from financing activities was \$8.8 million, including repayments of debt of \$9.6 million, proceeds from loans and borrowings of \$56.8 million in relation to delivery of Avance Rigel and payment of dividend of \$38.3 million for the fourth 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 \$71,000/day. Our spot market exposure is following the LPG trading activity, primarily in the US Gulf/US East Coast and the Middle East.

Avance Gas recorded 1,069 operating days for the first quarter 2023, compared to 1,151 operating days for the fourth quarter 2022. Operating days are lower than previous quarter primarily due to scheduled dry docking of Iris Glory (2008) and less ship days as we sold the 2008-built VLGC, Promise, which was handed over to the new owner in November 2022. Operating days is calendar days less off-hire days. The company recorded no waiting days for the fleet in the first quarter, giving Avance Gas a fleet utilization during the quarter of 100%, compared to 97.5% in the fourth quarter.

## OUTLOOK

LPG fundamentals to look out for is rising Asian demand and positive economic outlook which will be one of the key drivers of US LPG production growth in 2023 and 2024. According to EIA US production is set to grow at 5% year on year in 2023 and by additional 4% in 2024. The steady US domestic LPG demand will contribute significantly to the export availability as the US LPG production growth is somewhat limited the next two years.

Looking at the supply side, with new NGL fractionation capacity in US coming online during 2023, Energy Aspects (EA) expects propane and butane production to increase by 5% this year, furthermore with export capacity expected to grow 10%. US LPG inventories are also near historic highs with latest amounting to approximately 58.9mmbbls which, combined with little growth in US domestic demand, is expected to secure ample product availability for exports. The EIA forecasts US LPG exports for 2023 to increase by 14% y-o-y.

On the demand side, the major contributor is expected to come from China with 6.6mt of new PDH capacity estimated to be added in 2023, up 44% year-on-year. PDH run rates are also increasing after having undergone maintenance at the start of this year, expected to reach 70% utilization by June (Energy Aspects).

Panama Canal delays are likely to be a considerable source of inefficiency for the foreseeable future, albeit with a seasonal variance. Already so far in the second quarter, the monthly average of northbound delays sits at 12 days, up from 7 days on average for the first quarter. Whilst trying to forecast delays, waiting time at Panama Canal is becoming increasingly volatile making it difficult to schedule the ships for voyages which together with higher canal fees are incentivizing routing ships through Cape of Good Hope and/or Suez Canal.

The orderbook currently consists of 73 units, equating to an orderbook to fleet ratio of 20% and is starting to materialise were 12 VLGCs are delivered during the first quarter 2023. This compares to scheduled delivery of 16 VLGCs which implies a slippage of 25% in 2023. Slippage is also expected to push some of the scheduled 2023 deliveries into 2024. During the first quarter, 17 VLGCs were ordered, half of which being 88,000 cbm Panamax design to fit the old blocks while transiting the Panama Canal.

## PRESENTATION AND WEBCAST

Avance Gas will host an audio webcast and conference call to discuss the company's results for the period ended 31 March 2023 on Tuesday, 30 May 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](http://www.avancegas.com) or using the link: <https://edge.media-server.com/mmc/p/5gymffyx>

Guests can log into the conference call using the following link  
<https://register.vevent.com/register/B1fd3f30408ab14f1aa607131bf5ff300b>

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## FORWARD-LOOKING STATEMENTS

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

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

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

For the three months ended			
	Note	March 31, 2023	March 31, 2022
		<i>(in USD thousands)</i>	
<b>Operating revenue</b>	10	<b>77,042</b>	66,525
Voyage expenses	10	<b>(14,693)</b>	(19,665)
Operating expenses		<b>(9,756)</b>	(10,667)
Administrative and general expenses		<b>(1,325)</b>	(1,420)
<b>Operating profit before depreciation expense</b>		<b>51,268</b>	34,773
Depreciation and amortisation expense		<b>(10,547)</b>	(12,105)
Gain on disposal of asset	5	-	6,250
<b>Operating profit</b>		<b>40,721</b>	28,918
<b>Non-operating (expenses) income:</b>			
Finance expense		<b>(5,337)</b>	(4,622)
Finance income		<b>1,225</b>	-
Foreign currency exchange gain (loss)		<b>(237)</b>	10
<b>Income before tax</b>		<b>36,372</b>	24,306
Income tax expense		<b>(51)</b>	-
<b>Net profit</b>		<b>36,321</b>	24,306
<b>Earnings per share</b>			
Basic		<b>0.47</b>	0.32
Diluted		<b>0.47</b>	0.32

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	
		March 31, 2023	March 31, 2022
Note		<i>(in USD thousands)</i>	
	<b>Net profit</b>	<b>36,321</b>	24,306
	<b>Other comprehensive income:</b>		
	<i>Items that may be reclassified subsequently to profit and loss:</i>		
	Fair value adjustment of derivative financial instruments designated for hedge accounting	<b>(1,107)</b>	11,689
	Amortization of gain on discontinued hedges	<b>(382)</b>	-
	Exchange differences arising on translation of foreign operations	<b>3</b>	8
	Other comprehensive income	<b>(1,486)</b>	11,697
	<b>Total comprehensive income</b>	<b>34,835</b>	36,003

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	
		March 31, 2023	December 31, 2022
		<i>(in USD thousands)</i>	
<b>ASSETS</b>			
Cash and cash equivalents		219,469	224,243
Trade and other receivables		13,883	12,229
Inventory		5,073	4,975
Prepaid expenses and other current assets		12,487	15,101
Derivative financial instruments	7	7,273	5,988
<b>Total current assets</b>		<b>258,185</b>	<b>262,536</b>
Property, plant and equipment	5	791,801	715,866
Newbuildings	5	58,550	83,597
Derivative financial instruments	7	3,480	5,871
<b>Total non-current assets</b>		<b>853,831</b>	<b>805,334</b>
<b>Total assets</b>		<b>1,112,016</b>	<b>1,067,870</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current portion of interest-bearing debt	6	40,110	37,278
Trade and other payables		2,194	4,556
Accrued voyage expenses and other current liabilities		10,259	7,866
<b>Total current liabilities</b>		<b>52,563</b>	<b>49,700</b>
Long-term debt	6	458,812	414,245
<b>Total non-current liabilities</b>		<b>458,812</b>	<b>414,245</b>
<b>Shareholders' equity</b>			
Share capital		77,427	77,427
Paid-in capital		431,366	431,366
Contributed capital		94,951	94,772
Retained loss		(7,597)	(5,620)
Treasury shares		(11,351)	(11,351)
Accumulated other comprehensive income/(loss)		15,845	17,331
<b>Total shareholders' equity</b>		<b>600,641</b>	<b>603,925</b>
<b>Total liabilities and shareholders' equity</b>		<b>1,112,016</b>	<b>1,067,870</b>

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

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

<i>(in USD thousands)</i>	<u>Share capital</u>	<u>Paid-in capital</u>	<u>Contributed capital</u>	<u>Retained (loss) income</u>	<u>Accumulated other comprehensive (loss) income</u>	<u>Treasury shares</u>	<u>Total</u>
<b>As of December 31, 2021</b>	77,427	431,366	95,070	(44,825)	(8,519)	(11,351)	539,168
<b>Comprehensive loss:</b>							
Net profit	-	-	-	24,306	-	-	24,306
<i>Other comprehensive (loss) income:</i>							
Fair value adjustment of interest rate swaps	-	-	-	-	11,689	-	11,689
Translation adjustments, net	-	-	-	-	8	-	8
Total other comprehensive income	-	-	-	-	11,697	-	11,697
<b>Total comprehensive loss</b>	-	-	-	24,306	11,697	-	36,003
<b>Transactions with shareholders:</b>							
Share Capital Increase	-	-	-	-	-	-	-
Dividend	-	-	-	(3,830)	-	-	(3,830)
Compensation expense for share options	-	-	(101)	-	-	-	(101)
<b>Total transactions with shareholders</b>	-	-	(101)	(3,830)	-	-	(3,931)
<b>As of March 31, 2022</b>	<u>77,427</u>	<u>431,366</u>	<u>94,969</u>	<u>(24,349)</u>	<u>3,178</u>	<u>(11,351)</u>	<u>571,240</u>
<b>As of December 31, 2022</b>	<b>77,427</b>	<b>431,366</b>	<b>94,772</b>	<b>(5,620)</b>	<b>17,331</b>	<b>(11,351)</b>	<b>603,925</b>
<b>Comprehensive loss:</b>							
Net profit	-	-	-	36,321	-	-	36,321
<i>Other comprehensive (loss) income:</i>							
Fair value adjustment of derivative financial instruments	-	-	-	-	(1,107)	-	(1,107)
Amortization of gain on discontinued hedges	-	-	-	-	(382)	-	(382)
Translation adjustments, net	-	-	-	-	3	-	3
Total other comprehensive loss	-	-	-	-	(1,486)	-	(1,486)
<b>Total comprehensive loss</b>	-	-	-	36,321	(1,486)	-	34,835
<b>Transactions with shareholders:</b>							
Dividend	-	-	-	(38,298)	-	-	(38,298)
Compensation expense for share options	-	-	179	-	-	-	179
<b>Total transactions with shareholders</b>	-	-	179	(38,298)	-	-	(38,119)
<b>As of March 31, 2023</b>	<u>77,427</u>	<u>431,366</u>	<u>94,951</u>	<u>(7,597)</u>	<u>15,845</u>	<u>(11,351)</u>	<u>600,641</u>

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 three months ended	
		March 31, 2023	March 31, 2022
<i>(in USD thousands)</i>			
<b>Cash flows from operating activities</b>			
Cash generated from operations	3	53,455	43,096
Interest paid		(5,845)	(4,237)
<b>Net cash flows from operating activities</b>		<b>47,610</b>	<b>38,859</b>
<b>Cash flows used in investing activities:</b>			
Net proceeds from sale of assets	5	-	45,386
Capital expenditures	5	(60,919)	(121,098)
<b>Net cash flows used in investing activities</b>		<b>(60,919)</b>	<b>(75,712)</b>
<b>Cash flows (used in) from financing activities:</b>			
Dividends Paid	4	(38,297)	(3,830)
Proceeds from issue of share capital		-	-
Repayment of long-term debt	6	(9,566)	(27,810)
Proceeds from loans and borrowings, net of transaction costs	6	56,705	103,383
Repayment of revolving credit facility		-	(26,126)
<b>Net cash flows from (used in) in financing activities</b>		<b>8,843</b>	<b>45,617</b>
<b>Net increase in cash and cash equivalents</b>		<b>(4,465)</b>	<b>8,764</b>
Cash and cash equivalents at beginning of period		224,243	101,910
Effect of exchange rate changes on cash		(308)	(33)
<b>Cash and cash equivalents at end of period</b>		<b>219,469</b>	<b>110,641</b>

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

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

## 1. 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 at 31 March 2023, the Company owned and operated a fleet of thirteen modern ships and three Dual Fuel newbuildings due for delivery in 2023 and 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, 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.

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

**3. Reconciliation of net profit to cash generated from operations**

	For the three months ended	
	March 31, 2023	March 31, 2022
	<i>(in USD thousands)</i>	
	<u>                    </u>	<u>                    </u>
<b>Net profit</b>	<b>36,321</b>	24,306
<b>Adjustments to reconcile net profit to net cash from operating activities:</b>		
Depreciation and amortisation of property, plant and equipment	<b>10,547</b>	12,105
Net finance expense	<b>5,574</b>	4,612
Compensation expense	<b>179</b>	(101)
Gain on sale of assets (note 5)		(6,250)
<b>Changes in assets and liabilities:</b>		
(Increase) Decrease in trade and other receivables	<b>(1,655)</b>	15,287
Decrease in inventory and prepaid expenses and other current assets	<b>2,393</b>	1,215
Decrease in trade and other payables	<b>(2,362)</b>	(4,550)
Increase (decrease) in accrued voyage expenses and other current liabilities	<b>2,147</b>	(3,571)
Other	<b>311</b>	43
	<u>                    </u>	<u>                    </u>
<b>Cash flows from operating activities</b>	<b><u>53,455</u></b>	<b><u>43,096</u></b>

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**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 March 31, 2023 and December 31, 2022. Of the authorised share capital, 77.4 million shares were issued and outstanding as of March 31, 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**

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 cancellation of shares since 2013, a total of 988,833 share options remained outstanding under the Company's share option scheme as of March 31, 2023. The average strike price of the share options as at 31 March 2023 was 50 NOK, resulting in a dilutive effect of \$0.00 per share for the three ended March 31, 2023.

**Cash dividends paid to the equity holders of the parent**

	<b>March 31, 2023</b>	<b>As of</b>	<b>March 31, 2022</b>
	<i>(in USD thousands)</i>		
<b>Dividends on ordinary shares declared and paid:</b>			
Last dividend for 2022: \$0.50/share (2021: \$0.05/share)	<b>38,297</b>		3,830

**5. Property, plant and equipment**

During the three months ended March 31, 2023 and March 31, 2022, the Group capitalised \$61.1 million and \$122.4 million, respectively, in newbuildings. For the three months ended March 31, 2023 the amount capitalised consists of instalments and other costs related to the newbuilding program, including borrowing costs of \$0.4 million. In February 2023, the Company took delivery of the VLGC Avance Rigel, the third of its six 91,000 cbm VLGC newbuildings from Deawoo Shipyard in South Korea, resulting in reclassification of \$82.7 million from newbuildings to property, plant and equipment.

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**6. Long-term debt**

Long-term debt consisted of debt collateralised by the Group's 13 VLGCs as of March 31, 2023.

Long-term debt repayments were \$9.6 million for the three months ended March 31, 2023, whereof all is scheduled repayment of debt. During the first quarter of 2023, the company drew \$57.5 million on a \$555 million sustainability linked financing facility entered into in February 2023.

	As of	
	March 31, 2023	December 31 2022
	<i>(in USD thousands)</i>	
<b>Non-current</b>		
Secured bank loans	279,285	231,968
Revolving credit facilities	113,387	113,387
Lease financing agreement	66,140	68,890
	458,812	414,245
<b>Current</b>		
Current portion of secured bank loans	33,381	30,522
Current portion of lease financing agreement	6,729	6,756
	40,110	37,278
<b>Total interest-bearing debt</b>	498,922	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 method. Considerable judgement is required to develop these estimates of fair value, thus the estimates provided here in are not necessarily indicative of the amounts that could be realised in a current market exchange.



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	Note	As of March 31, 2023		As of December 31, 2022	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
<i>(in USD thousands)</i>					
<b>Financial liabilities</b>					
Secured bank loans	6	312,666	312,666	262,490	262,490
Revolving credit facilities	6	113,387	113,387	113,387	113,387
Lease financing agreement	6	72,868	72,868	75,646	75,646
<b>Derivative financial instruments</b>					
Net interest rate swap assets		8,996	8,996	10,880	10,880
Net interest rate swap liabilities		-	-	-	-
Forward Freight Agreements and Bunker Hedges		1,757	1,757	979	979

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 March 31, 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 March 31, 2023 and December 31, 2022 is recognized in the statement of other comprehensive income / loss, refer to note 9.

In 2022, the Group terminated number of swaps for cash proceeds and to enter into new swaps. The gains on termination of the interest rate swaps are being reclassified from other comprehensive income to the income statement in line with the future cashflows of the original hedged item.

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).

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**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 three months ended March 31, 2023, the fee for corporate secretarial services was \$74.7 thousand, the fee for technical supervision for current fleet and newbuildings was \$407 thousand and fee for office lease and shared services was \$120 thousand. In addition, Avance Gas received recharge of operational credits of \$76 thousand.

For the three months ended March 31, 2022, the fee for corporate secretarial services was \$29 thousand, fee for technical supervision for current fleet and newbuildings was \$531.7 thousand and fee for office lease and shared services was \$228.7 thousand. A summary of balances due to related parties on March 31, 2023, and December 31, 2022, as follows.

	<b>As of</b>	
	<b>March 31, 2023</b>	<b>December 31, 2022</b>
	<i>(in USD thousands)</i>	
	<u>                    </u>	<u>                    </u>
Frontline Management (Bermuda) Ltd.	<b>44</b>	245
Seatankers Management Co. Ltd.	<b>23</b>	-
Flex LNG	<b>223</b>	3
<b>Net payable to related parties</b>	<b><u>290</u></b>	<b><u>248</u></b>

**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:

<i>(in USD thousands)</i>	<b>Foreign Currency reserve</b>	<b>Fair value reserve</b>	<b>Accumulated other comprehensive income/ (loss)</b>
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
<b>Balance December 31, 2022</b>	<b><u>53</u></b>	<b><u>17,278</u></b>	<b><u>17,331</u></b>
Effective portion of changes in fair value of interest rate swaps	-	<b>94</b>	<b>94</b>
Reclassified to profit or loss	-	<b>(1,583)</b>	<b>(1,583)</b>
Translation adjustment, net	<b>3</b>	-	<b>3</b>
<b>Balance March 31, 2023</b>	<b><u>56</u></b>	<b><u>15,789</u></b>	<b><u>15,845</u></b>

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**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.

	<b>For the three months ended</b>	
	<b>March 31, 2023</b>	<b>March 31, 2022</b>
	<i>(in USD thousands)</i>	
	<hr/>	<hr/>
Operating revenue	<b>77,042</b>	66,525
Voyage expenses	<b>(14,693)</b>	(19,665)
<b>Voyage result</b>	<b>62,349</b>	46,860
	<hr/>	<hr/>
<b>Calendar days</b>	<b>1,131</b>	1,261
Technical off-hire days	<b>(63)</b>	(15)
Operating days	<b>1,068</b>	1,246
	<hr/>	<hr/>
<b>TCE per day (\$)</b>	<b>58,379</b>	37,608
	<hr/> <hr/>	<hr/> <hr/>

**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 April 2023, the Board appointed Executive Chairman Øystein Kalleklev as CEO of Avance Gas. As a result, Mr. Kalleklev stepped down as Executive Chairman of the Company and act as a regular Board member as well as CEO.

In May 2023, the Company took delivery of Avance Avior, the fourth of six dual fuel newbuilding.