

# Avance Gas Holding Ltd Reports Unaudited Results

## for the Third Quarter of 2021

BERMUDA, 25 November 2021 – Avance Gas Holding Ltd (OSE: AGAS or the “Company”) today reported unaudited results for the third quarter 2021.

### HIGHLIGHTS

- The average time charter equivalent (TCE) rate was \$27,548/day compared to \$27,730/day in Q2 2021. TCE includes a ballast cost of \$689/day for three TC contracts entered in Q3.
- Daily operating expenses (OPEX) were \$8,610/day, down from \$9,311/day in Q2 2021. OPEX was impacted by Covid-19 crew and freight cost of \$650/day. A&G expenses were \$1,549/day, compared to \$1,357/day in Q2 2021.
- In September 2021, the Company entered into three Time Charter Agreements for a period of 2 years at an average hire level of approximately \$30,000/day net to Owners.
- In October 2021, the Company signed a term sheet for the refinancing of the VLGC Iris Glory (2008) by way of a sale leaseback transaction. The loan amount is \$41.65 million and bears an implied 22-year age adjusted profile and a tenor of 9 years and will generate net cash proceeds of approximately \$16.6 million subject to credit approval, normal documentation and closing procedures.
- In October 2021, the final results of the mandatory offer were announced and following the settlement, Hemen Holding Limited owns 59,382,696 shares in Avance Gas representing approximately 76.70% of the registered share capital and voting rights in the Company.
- The board declared a dividend of \$0.05 per share for Q3 2021 corresponding to \$3.8 million.
- For the fourth quarter of 2021, we estimate TCE rate of approximately \$28,000/day contracted for 94% of vessel days including approximately 50 waiting days (Northbound) in the Panama Canal.

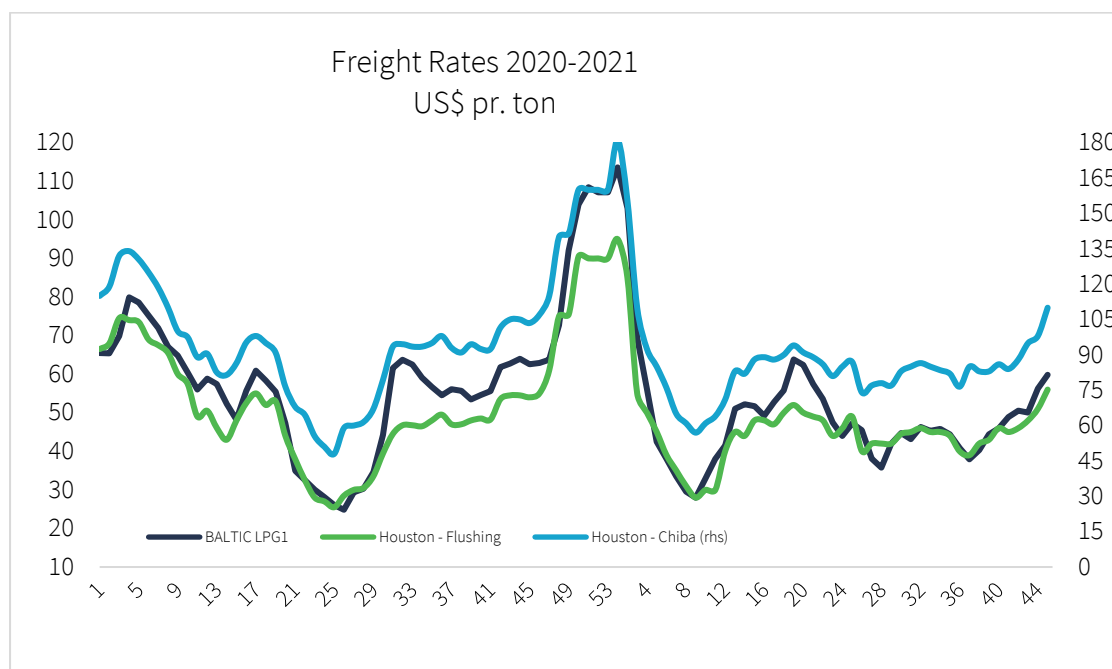
In US\$ thousands (unless stated otherwise)	Three months ended	Three months ended
	September 30, 2021	30 June 2021
<b>Income statement:</b>	<b>September 30, 2021</b>	<b>30 June 2021</b>
TCE per day (\$)	27,548	27,730
TCE earnings	31,597	30,697
Operating profit before depreciation expense	19,446	18,077
Net profit	4,221	1,473
Earnings per share (diluted) (\$)*)	0.06	0.02
<b>Balance sheet:</b>	<b>September 30, 2021</b>	<b>30 June 2021</b>
Total assets	936,773	948,024
Total liabilities	405,161	421,302
Cash and cash equivalents	102,293	107,928
Total shareholders' equity	531,612	526,722
<b>Cash flows:</b>	<b>September 30, 2021</b>	<b>30 June 2021</b>
Net cash from operating activities	16,315	3,460
Net cash used in investing activities	(8,137)	(33,631)
Net cash (used in) from financing activities	(13,838)	42,381
Net (decrease) increase in cash and cash equivalents	(5,660)	12,210

\*) EPS for Q2 is calculated based on the weighted average of shares for the quarter, considering the share capital increase of 12,899,00 shares in April 2021.

The VLGC freight market was impacted by low US inventory levels, high US LPG prices and thereby a narrowed US-Asia arbitrage. Despite the unfavorable LPG price differential, Asian demand and US export volumes stayed firm.

US Gulf and USEC VLGC exports increased to 80 cargoes on a monthly average for Q3, slightly up from 78 cargoes in Q2 and up 20% from Q3 last year (68 cargoes/month). The increase reflects higher volumes primarily from the

terminals Enterprise and Markus Hook. In Q3, Middle East VLGC exports were slightly up recording 50 cargoes (excluding Iran) on a monthly average, compared to 48 cargoes per month in Q2 2021.



(Source: Clarksons, Poten, Fearnleys)

## FINANCIAL AND OPERATIONAL REVIEW

Avance Gas reported TCE earnings of \$31.6 million, compared to \$30.7 million in Q2. Adjustment related to the IFRS 15 accounting standard resulted in an increase in TCE earnings of \$0.4 million for Q3 2021 compared to a decrease of \$1.2 million in Q2 2021. TCE earnings include ballast cost to delivery port of \$689 thousand in Q3 for the three time charter agreements for Iris Glory (2008), Venus Glory (2008) and Promise (2009) which are expensed as incurred in accordance with accounting principles for TC contracts.

Operating expenses were \$10.3 million, equaling a daily average of \$8,610/day. This compares to \$9,311/day in Q2. OPEX was impacted by Covid-19 crew change expenses and increased freight cost of approximately \$650/day in total.

Administrative and general (A&G) expenses for the quarter were \$1.9 million, compared to 1.6 million in Q2, representing an average per ship of \$1,549/day in Q3 and \$1,357/day in Q2.

Non-operating expenses, consisting mainly of financial expenses, were \$3.9 million, compared to \$4.3 million in Q2.

Avance Gas reported a net profit of \$4.2 million in Q3 2021, or \$0.06 per share, compared with a net profit of \$1.5 million, or \$0.02 per share, in Q2 2021. EPS for Q2 calculated based on the weighted average of shares for the quarter, considering the share capital increase of 12,899,00 shares in April 2021.

Avance Gas' total assets amounted to \$936.8 million at 30 September 2021, compared with \$948.0 million at 30 June 2021. Total shareholders' equity was \$531.6 million at quarter-end, corresponding to an equity ratio of 56.7%. This compares with total shareholders' equity of \$526.7 million and an equity ratio of 55.6% at the end of Q2 2021.

Cash and cash equivalents were \$102.3 million at 30 September 2021, compared to \$107.9 million at 30 June 2021. Cash flow from operating activities was positive \$16.3 million, compared with positive \$3.2 million in Q2 2021. Net cash flow used in investing activities was \$8.1 million compared with net cash flow used in investing activities of \$33.6 million in Q2 2021. Investing activities for the quarter includes installments paid in the newbuilding program of \$7.9 million. Net cash flow used in financing activities was \$13.8 million, including scheduled repayments of debt

of \$11.0 million, and payment of dividend for the second quarter of \$1.5 million. The available liquidity at the date of this report is approximately \$105.0 million.

## FLEET AND EMPLOYMENT OVERVIEW

Avance Gas fleet has a balanced portfolio trading in the spot market and with Time charter contracts. We had a TC coverage of ~34% in the third quarter 2021 at an average TCE rate of \$29,500/day. For the year 2022, current TC coverage is 23% at an average rate of approximately \$30,000/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 1,147 operating days in Q3 2021, compared to 1,107 operating days in Q2 2021. Operating days is calendar days less offhire days. The fleet recorded 49 offhire days.

The company recorded 9 waiting days for the fleet in Q3 2021, giving Avance Gas a fleet utilisation during the quarter of 99.2%, compared to 96.5% in Q2 2021.

## OUTLOOK

The VLGC freight market is improving into the winter months with current earnings above \$40,000/day. The market is driven by delays in the Panama Canal and discharge ports in China and India combined with widening LPG price arbitrage between US and Asia. We saw a similar situation last year with strong freight rates due to high level of inefficiencies though the LPG price differential levels have been lower in 2021. Uncertainty related to substantial waiting time around the Panama Canal may impact Owners' earnings in the short picture and even more mid-term as pre-booking of transit slots are no longer available for VLGCs from January 2022.

Looking into 2022, we maintain our expectation of a continued growth of US volumes and increased OPEC+ output. Chinese petrochemical plants (PDH) feedstock demand is set to grow significantly with several new PDH plants expected to come online in 2022 which will be largely depended on seaborne volumes and have a potential incremental demand growth of 9% y-o-y. The Panama Canal transit congestion may force re-routing via Cape of Good Hope/Suez Canal and stretch the VLGC supply implying positive movements in the freight rates.

From 2022, the orderbook currently stands at 21.7% or 70 ships of a global VLGC fleet of 322 ships including 20 ships being floating storage. 20 vessels are expected to be delivered in 2022, thus same delivery levels as the previous two years, while 46 vessels are scheduled for delivery in 2023 and 4 in 2024. Fleet inefficiencies, EEXI and other regulations combined with strong US volumes and Asian demand may accommodate the orderbook in 2023. However, the Company is taking a balanced approach commercially and financially by entering long term Time Charter contracts and exploring attractive financing by utilizing the high asset values. Furthermore, we are focusing on returning value back to shareholders by distributing dividends.

In January and February 2022, we will take delivery of our two first dual fuel newbuildings, Avance Polaris and Avance Capella. The vessels can burn LPG and will have a lower consumption, larger cargo intake, reduced bunkering time and lower our average carbon footprint for the fleet. The vessels will be compliant with the EEXI and CII regulations coming into force 1<sup>st</sup> of January 2023. The financing of the two first dual fuel newbuildings are secured by a Sustainability-Linked facility further demonstrating our ambition to reduce CO2 emission for the fleet.

## 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 2021 on Thursday, 25 November 2021, at 14:00 CET. There will be a Q&A session following the presentation.

The presentation and webcast will be hosted by:

- Mr. Kristian Sørensen - CEO
- Mrs. Randi Navdal Bekkelund - CFO
- Mr. Ben Martin - CCO

The presentation will also be available via audio webcast, which can be accessed at Avance Gas' website [www.avancegas.com](http://www.avancegas.com). Dial in details is +44 20 7192 8338 (UK and International), +1 646 741 3167 (US) or +47 21 56 30 15 (Norway). Please quote the passcode: 2757655. Phone lines will open 10 minutes before the conference call.

For further queries, please contact:

Kristian Sørensen, CEO

Tel: +47 22 00 48 10

Email: [kristian.sorensen@avancegas.com](mailto:kristian.sorensen@avancegas.com)

Randi Navdal Bekkelund, CFO

Tel: +47 22 00 48 29

Email: [randi.navdal@avancegas.com](mailto:randi.navdal@avancegas.com)

## 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 nine months ended	
		September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
		<i>(in USD thousands)</i>		<i>(in USD thousands)</i>	
<b>Operating revenue</b>	10	<b>47,381</b>	36,323	<b>158,542</b>	154,686
Voyage expenses	10	(15,784)	(11,829)	(48,462)	(51,848)
Operating expenses		(10,298)	(11,830)	(32,359)	(33,775)
Administrative and general expenses		(1,853)	(930)	(4,851)	(3,032)
<b>Operating profit before depreciation expense</b>		<b>19,446</b>	11,734	<b>72,870</b>	66,031
Depreciation and amortisation expense		(11,369)	(10,120)	(35,826)	(30,827)
Gain on disposal of asset		-	5,829	-	5,829
<b>Operating profit</b>		<b>8,077</b>	7,443	<b>37,044</b>	41,033
<b>Non-operating (expenses) income:</b>					
Finance expense		(3,888)	(5,258)	(12,594)	(17,112)
Finance income		-	-	-	25
Foreign currency exchange gains		32	75	167	122
<b>Net profit</b>		<b>4,221</b>	2,260	<b>24,617</b>	24,068
<b>Earnings per share</b>					
Basic		<b>0.06</b>	0.04	<b>0.34</b>	0.37
Diluted		<b>0.06</b>	0.04	<b>0.34</b>	0.37

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, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Note	<i>(in USD thousands)</i>		<i>(in USD thousands)</i>	
<b>Net profit</b>	<b>4,221</b>	2,260	<b>24,617</b>	24,068
<b>Other comprehensive income:</b>				
<i>Items that may be reclassified subsequently to profit and loss:</i>				
Fair value adjustment of interest rate swaps designated for hedge accounting	2,075	2,045	9,008	(12,943)
Exchange differences arising on translation of foreign operations	(4)	(1)	(11)	(1)
Other comprehensive income (loss)	2,071	2,044	8,997	(12,944)
<b>Total comprehensive income</b>	<b>6,292</b>	4,304	<b>33,614</b>	11,124

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

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

		As of	
	Note	September 30, 2021	December 31, 2020
		<i>(in USD thousands)</i>	
<b>ASSETS</b>			
Cash and cash equivalents		102,293	75,882
Trade and other receivables		15,488	16,456
Inventory		5,264	4,358
Prepaid expenses and other current assets		9,912	7,558
<b>Total current assets</b>		<b>132,957</b>	<b>104,254</b>
Property, plant and equipment	5	727,981	761,159
Newbuildings	5	73,582	31,825
Derivative financial instruments	7	2,253	-
<b>Total non-current assets</b>		<b>803,816</b>	<b>792,984</b>
<b>Total assets</b>		<b>936,773</b>	<b>897,238</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current portion of interest-bearing loans and borrowings	6	42,993	43,001
Trade and other payables		2,133	2,977
Derivative financial instruments	7	6,136	6,223
Accrued voyage expenses and other current liabilities		5,100	3,699
<b>Total current liabilities</b>		<b>56,362</b>	<b>55,900</b>
Interest-bearing loans and borrowings	6	340,243	373,544
Derivative financial instruments	7	8,556	15,224
<b>Total non-current liabilities</b>		<b>348,799</b>	<b>388,768</b>
<b>Shareholders' equity</b>			
Share capital		77,427	64,528
Paid-in capital		431,366	379,851
Contributed capital		95,043	94,780
Retained loss		(48,488)	(53,856)
Treasury shares		(11,351)	(11,351)
Accumulated other comprehensive loss		(12,385)	(21,382)
<b>Total shareholders' equity</b>		<b>531,612</b>	<b>452,570</b>
<b>Total liabilities and shareholders' equity</b>		<b>936,773</b>	<b>897,238</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, 2019</b>	64,528	379,851	94,945	(105,654)	(11,208)	(11,351)	411,111
<b>Comprehensive loss:</b>							
Net profit	-	-	-	24,068	-	-	24,068
<i>Other comprehensive (loss) income:</i>							
Fair value adjustment of interest rate swaps	-	-	-	-	(12,942)	-	(12,942)
Translation adjustments, net	-	-	-	-	(1)	-	(1.00)
Total other comprehensive loss	-	-	-	-	(12,943)	-	(12,943)
<b>Total comprehensive loss</b>	-	-	-	24,068	(12,943)	-	11,125
<b>Transactions with shareholders:</b>							
Dividend	-	-	-	(19,108)	-	-	(19,108)
Compensation expense for share options	-	-	(158)	-	-	-	(158)
<b>Total transactions with shareholders</b>	-	-	(158)	(19,108)	-	-	(19,266)
<b>As of September 30, 2020</b>	<u>64,528</u>	<u>379,851</u>	<u>94,787</u>	<u>(100,694)</u>	<u>(24,151)</u>	<u>(11,351)</u>	<u>402,970</u>
<b>As of December 31, 2020</b>	64,528	379,851	94,780	(53,856)	(21,382)	(11,351)	452,570
<b>Comprehensive loss:</b>							
Net profit	-	-	-	24,617	-	-	24,617
<i>Other comprehensive (loss) income:</i>							
Fair value adjustment of interest rate swaps	-	-	-	-	9,008	-	9,008
Translation adjustments, net	-	-	-	-	(11)	-	(11)
Total other comprehensive loss	-	-	-	-	8,997	-	8,997
<b>Total comprehensive loss</b>	-	-	-	24,617	8,997	-	33,614
<b>Transactions with shareholders:</b>							
Share capital increase (Note 4)	12,899	51,515	-	-	-	-	64,414
Dividend (Note 4)	-	-	-	(19,249)	-	-	(19,250)
Compensation expense for share options (Note 11)	-	-	263	-	-	-	263
<b>Total transactions with shareholders</b>	12,899	51,515	263	(19,249)	-	-	45,427
<b>As of September 30, 2021</b>	<u>77,427</u>	<u>431,366</u>	<u>95,043</u>	<u>(48,488)</u>	<u>(12,385)</u>	<u>(11,351)</u>	<u>531,612</u>

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



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

	Note	For the nine months ended	
		September 30, 2021	September 30, 2020
		<i>(in USD thousands)</i>	
<b>Cash flows from operating activities</b>			
Cash generated from operations	3	71,486	78,034
Interest paid		(13,336)	(16,450)
<b>Net cash flows from operating activities</b>		<b>58,150</b>	<b>61,584</b>
<b>Cash flows used in investing activities:</b>			
Net proceeds from sale of asset		-	34,257
Capital expenditures	5	(42,128)	(47,701)
<b>Net cash flows used in investing activities</b>		<b>(42,128)</b>	<b>(13,444)</b>
<b>Cash flows (used in) from financing activities:</b>			
Dividend	4	(19,249)	(19,108)
Proceeds from issue of share capital	4	64,414	-
Repayment of long-term debt	6	(33,135)	(52,180)
Proceeds from borrowings		-	15,000
Transaction cost related to loans and borrowings		(891)	-
Payment of cash settled share options		(781)	-
<b>Net cash flows from in financing activities</b>		<b>10,358</b>	<b>(56,288)</b>
<b>Net increase in cash and cash equivalents</b>		<b>26,380</b>	<b>(8,148)</b>
Cash and cash equivalents at beginning of period		75,882	85,909
Effect of exchange rate changes on cash		31	(128)
<b>Cash and cash equivalents at end of period</b>		<b>102,293</b>	<b>77,633</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”). The Company operates a fleet of thirteen modern ships and six Dual Fuel LPG newbuildings due for delivery in Q1 2022, Q4 2022 and Q1-Q4 2023.

**Basis for preparation**

These unaudited condensed consolidated interim financial statements 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, 2020, 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.

The functional currency of the Group is US dollars. The condensed consolidated financial statements are presented in US dollars, and all amounts have been rounded to the nearest thousand, unless otherwise indicated.

**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, 2020, 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, 2021:

- Classification of liabilities as Current or Non-current (Amendments to IAS 1).
- COVID-19-related Rent Concessions (Amendments to IFRS 16).
- 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

3. Reconciliation of net profit to cash generated from operations

	For the nine months ended	
	September 30, 2021	September 30, 2020
	<i>(in USD thousands)</i>	
<b>Net profit</b>	<b>24,617</b>	24,068
<b>Adjustments to reconcile net profit to net cash from operating activities:</b>		
Depreciation and amortisation of property, plant and equipment	35,826	30,827
Net finance expense	12,427	16,965
Other finance income	-	-
Compensation expense	1,243	158
Gain on disposal of asset	-	(5,829)
<b>Changes in assets and liabilities:</b>		
Decrease in trade and other receivables	969	14,581
(Increase) decrease in inventory and prepaid expenses and other current assets	(2,352)	10,950
Decrease in trade and other payables	(2,416)	(7,997)
Increase (decrease) in accrued voyage expenses and other current liabilities	1,215	(5,689)
Other	(43)	-
<b>Cash flows from operating activities</b>	<b>71,486</b>	78,034

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, 2021, and December 31, 2020. In April 2021, the Company issued 12.9 million shares at a price of \$ 5.1 (NOK 43) per share. All ordinary shares were issued with a par value of \$1.0. Accordingly, of the authorised share capital, 77.4 million and 64.5 million shares were issued and outstanding as of September 30, 2021 and December 31, 2020, respectively, 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.

**Shared-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. In April and May 2021, a total of additional 1,549,999 options were granted to senior management and employees under the option plan. Following the award, declared, forfeited and cancellation of share options since 2013, a total of 1,760,999 share options remained outstanding under the Company's share option scheme as of September 30, 2021.

AVANCE GAS HOLDING LTD  
NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS

Cash dividends to the equity holders of the parent

	September 30, 2021	As of September 30, 2020
	<i>(in USD thousands)</i>	
<b>Dividends on ordinary shares declared and paid:</b>		
Final dividend for 2020: \$0.11/share (2020: \$0.30/share)	6,994	19,108
First dividend for 2021: \$0.14/share (2020: nil)	10,723	-
Second dividend for 2021: \$0.02/share (2020: nil)	1,532	-

5. Property, plant and equipment

Acquisitions

During the nine months ended September 30, 2021 and September 30, 2020, the Group capitalised \$44.4 million and \$47.7 million, respectively, in property, plant and equipment. For the nine months ended September 30, 2021, the capitalised expense consists of \$40.0 million in instalments and other costs related to the newbuilding program, including capitalised borrowing cost of \$1.8 million, and scheduled drydock and scrubber installation of \$2.6 million.

6. Interest-bearing loans and borrowings

Long-term debt consisted of debt collateralised by the Group's 13 VLGCs as of September 30, 2021 and December 31, 2020. Long-term debt repayments were \$33.1 million for the nine months ended September 30, 2021.

	September 30, 2021	As of December 31, 2020
	<i>(in USD thousands)</i>	
<b>Non-current</b>		
Secured bank loans	211,775	243,318
Revolving credit facilities	88,110	88,110
Lease financing agreement	40,358	42,116
	<b>340,243</b>	<b>373,544</b>
<b>Current</b>		
Current portion of secured bank loans	40,751	40,751
Current portion of lease financing agreement	2,242	2,250
	<b>42,993</b>	<b>43,001</b>
<b>Total interest-bearing debt</b>	<b>383,236</b>	<b>416,545</b>

Face value of total outstanding interest-bearing debt is \$387.5 million as of September 30, 2021 and \$420.7 million as of December 31, 2020.

AVANCE GAS HOLDING LTD  
NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS

## 7. Fair value disclosures

### Fair value of financial instruments

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

	Note	As of September 30, 2021		As of December 31, 2020	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
<i>(in USD thousands)</i>					
<b>Financial liabilities</b>					
Secured bank loans	6	252,526	252,526	284,069	284,069
Revolving credit facilities	6	88,110	88,110	88,110	88,110
Lease financing agreement	6	42,600	42,600	44,366	44,366
<b>Derivative financial instruments</b>					
Net interest rate swap liabilities		12,439	12,439	21,447	21,447

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, 2021 and December 31, 2020 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, 2021 and December 31, 2020 is recognised in the statement of other comprehensive loss, refer to note 9.

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

### Fair value estimation

The financial instruments analyses are carried at fair value. The different levels have been defined as follows:

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

## 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).

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

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was \$423.5 thousand. In addition, Avance Gas received recharge of operational expenses and credits of net \$846.0 thousand in favour of Avance Gas. For the nine months ended September 30, 2020, the fee for corporate secretarial services was \$43.0 thousand, fee for technical supervision was \$207.0 thousand and fee for office lease and shared services was \$140.0 thousand. A summary of balances due to related parties at September 30, 2021 and December 31, 2020 is as follows:

	As of	
	September 30, 2021	December 31, 2020
	<i>(in USD thousands)</i>	
	<u>                    </u>	<u>                    </u>
Frontline Ltd.	(256)	(149)
Frontline Management (Bermuda) Ltd.	58	427
Frontline Management AS	97	8
Seatankers Management AS	13	0
Seatankers Management Co. Ltd.	0	36
<b>Net (receivable) payable to related parties</b>	<b><u>(88)</u></b>	<b><u>322</u></b>

#### 9. Accumulated other comprehensive loss

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

	Foreign Currency reserve	Fair value reserve	Accumulated other comprehensive loss
<i>(in USD thousands)</i>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Balance January 1, 2020	58	(11,266)	(11,208)
Effective portion of changes in fair value of interest rate swaps	-	(14,821)	(14,821)
Reclassified to profit or loss	-	4,640	4,640
Translation adjustment, net	7	-	7
<b>Balance December 31, 2020</b>	<b><u>65</u></b>	<b><u>(21,447)</u></b>	<b><u>(21,382)</u></b>
Effective portion of changes in fair value of interest rate swaps	-	4,244	4,244
Reclassified to profit or loss	-	4,764	4,764
Translation adjustment, net	(11)	-	(11)
<b>Balance September 30, 2021</b>	<b><u>54</u></b>	<b><u>(12,439)</u></b>	<b><u>(12,385)</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.

	For the three months ended		For the nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	<i>(in USD thousands)</i>		<i>(in USD thousands)</i>	
Operating revenue	47,381	36,323	158,542	154,686
Voyage expenses	(15,784)	(11,829)	(48,462)	(51,848)
<b>Voyage result</b>	<b>31,597</b>	<b>24,494</b>	<b>110,080</b>	<b>102,838</b>
Calendar days	1,196	1,278	3,549	3,826
Technical off-hire days	(49)	(140)	(172)	(523)
<b>Operating days</b>	<b>1,147</b>	<b>1,138</b>	<b>3,377</b>	<b>3,303</b>
<b>TCE per day (\$)</b>	<b>27,548</b>	<b>21,524</b>	<b>32,597</b>	<b>31,141</b>

### 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

On August 20, 2021, the majority shareholder of Avance Gas Holding Ltd., Hemen Holding Limited (“Hemen”) acquired additionally 127,207 shares in the Company. Following the acquisition, Hemen, combined with its holdings through its ownership in Frontline Ltd., held a total of 33.35% of the shares in the Company. Pursuant to section 6-1 of the Norwegian Securities Trading Act the transaction triggered an obligation for Hemen to make a mandatory offer to acquire all shares in the Company which was offered at a price of NOK 43 per share. Upon expiration of the offer on October 12, 2021, Hemen had received valid acceptances for in total 26,051,095 shares, corresponding to approximately 33.65% of the registered share capital and voting rights in the Company. Thus, following completion of the Mandatory Offer Hemen, combined with its holdings through its ownership in Frontline Ltd, holds 58,352,953 shares in the company, corresponding to 75.37%.

In October 2021, the Company signed a term sheet for the refinancing of the VLGC Iris Glory (2008) for a loan amount of \$41.65 million and bears an implied 22-year age adjusted repayment profile with a tenor of 9 years.

On November 25, 2021, the Board approved to pay a dividend of \$0.05 per share for the third quarter, corresponding to \$3.8 million.