



Avance Gas Holding Ltd Reports Unaudited Results for the Fourth Quarter and Full Year of 2019

BERMUDA, 27 February 2020 – Avance Gas Holding Ltd (OSE: AVANCE) today reported unaudited results for the fourth quarter and full year of 2019.

HIGHLIGHTS

- The average time charter equivalent (TCE) rate was \$51,358/day on discharge to discharge basis and \$51,047/day on the basis of IFRS 15 accounting standard, compared to \$44,295/day and \$42,700/day respectively, in Q3 2019.
- The full year 2019 TCE rate on the basis of IFRS 15 accounting standard was \$34,309/day, compared to \$14,345/day in 2018. On a discharge to discharge basis, the rates was \$35,220/day and \$14,250/day, respectively.
- Daily operating expenses (OPEX) were \$7,681/day, down from \$8,089/day in Q3 2019. Full year 2019 OPEX was \$7,983/day, up from \$7,755/day in 2018.
- A&G expenses were \$1,200/day in Q4, up from \$1,003/day in Q3 2019 due to non-recurring items. Full year 2019 A&G expenses were \$1,083 and \$974/day for full year 2018.
- In December, Avance signed agreements to acquire two dual 91,000 CBM dual fuel VLGCs with DSME, for delivery Q4 2021 and Q1 2022.
- In February the company entered into agreement with its bank group for a \$15 million tranche under the \$515 million credit facility to part finance the scrubber installments for our fleet.
- The board has appointed Mr. Christian Fallesen as a director to fill a vacancy. Mr. Fallesen has extensive experience from the LPG industry and was until recently head of LPG for Petredec.
- The board declared a dividend of \$0.30 per share for Q4 2019.

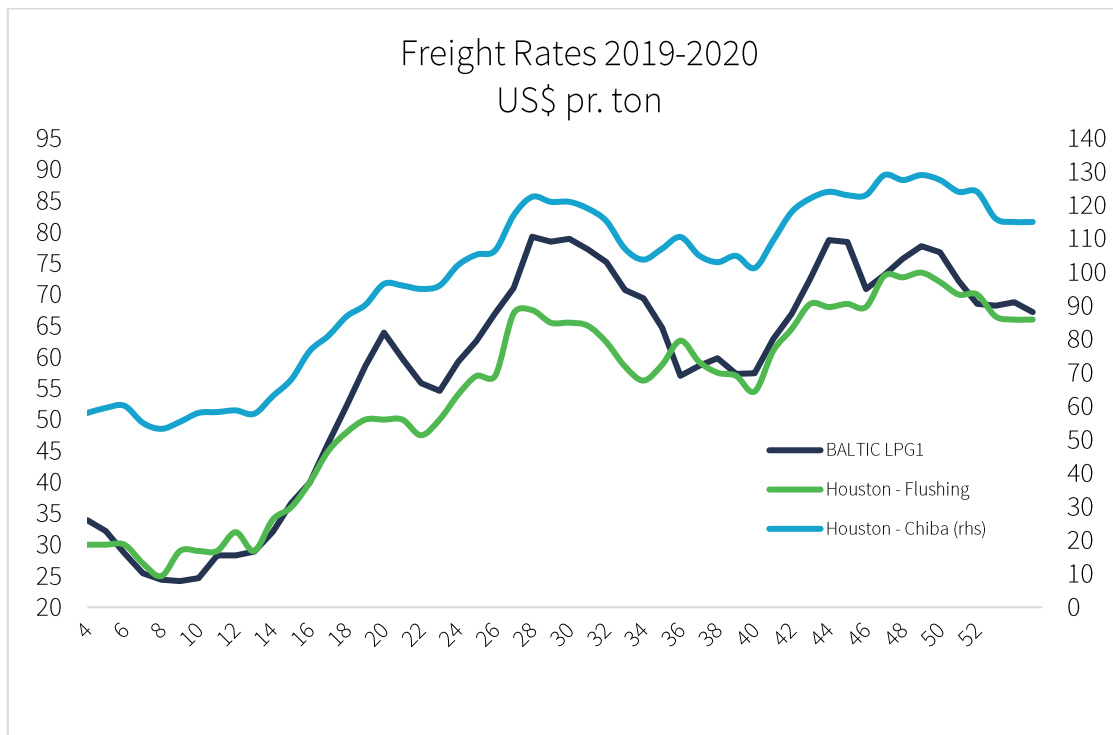
In US\$ thousands (unless stated otherwise)	Three months ended	Three months ended
Income statement:	31 December 2019	30 September 2019
TCE earnings	65,024	54,272
TCE per day (\$)	51,047	42,700
Operating profit before depreciation expense	53,586	42,561
Net profit	36,814	24,685
Net profit per share (diluted) (\$)	0.58	0.39
Balance sheet:	31 December 2019	30 September 2019
Total assets	899,048	893,496
Total liabilities	487,937	521,973
Cash and cash equivalents	85,909	83,625
Total shareholders' equity	411,111	371,523
Cash flows:	31 December 2019	30 September 2019
Net cash from operating activities	52,226	32,225
Net cash used in investing activities	(4,371)	(4,397)
Net cash used in provided by financing activities	(45,919)	(11,000)
Net increase in cash and cash equivalents	2,284	16,663

The strong freight markets continued in Q4, driven by strong US export volumes, low fleet growth and fleet efficiency disruption relating to IMO 2020. US has surpassed Middle East as the largest exporting region, both in Q4 and for full year 2019.

US Gulf and USEC VLGC exports were 8.6 million tons in Q4 2019, up from 8.1 million tons in Q3 2019 and 7.1 million in Q4 2018. Although entering into a seasonally slower period, the strong LPG production was sufficient to build record inventories and maintain continued strong export volumes. The previously announced Enterprise terminal expansion is expected to reach fully operation in Q1 2020. Much of the seasonal upswing in domestic demand has been supplied from volumes otherwise exported through the Marcus Hook LPG terminal. With the expected seasonal reduction in domestic demand, normally from March, we expect exports from the Marcus Hook terminal to rebound. US Gulf and USEC VLGC monthly exports totaled an average of 62 cargoes in Q4, compared to 59 monthly cargoes in both Q3 and full year 2019.

Middle East VLGC exports were 7.7 million tons in Q4 2019 with, down by 0.5 million tons from Q3 2019 and 0.2 million from Q2 2019. The OPEC production cuts combined with remaining instability in the region continue to impact export volumes. Average monthly cargoes exported was 59 in Q4, down from 62 in Q3 and 60 cargoes per month in 2019.

The global fleet totaled 288 ships by end January 2020. The orderbook consisted of 37 ships, equaling 13%, of which 16 ships are due for delivery during the remainder of 2020. Delays due to disruptions in the bunker markets and drydocking of ships has reduced fleet efficiency in Q4 and we expect this to continue.



(Source: Clarksons, Poten, Fearnleys)



FINANCIAL AND OPERATIONAL REVIEW

Avance Gas reported TCE earnings of \$65.0 million, up from \$54.3 million in Q3, reflecting a stronger market. TCE earnings for full year 2019 were \$173.6 million compared with \$69.6 million in 2018.

Operating expenses were \$9.9 million, down 0.5 million from Q3. This represents an average of \$7,681/day and \$8,090/day, respectively. Operating expenses for full year 2019 were \$40.8 million in 2019 compared to \$39.6 million in 2018. Full year average OPEX per ship was \$7,983/day compared to \$7,755/day in 2018, reflecting maintenance and minor repairs to the fleet in 2019.

Administrative and general (A&G) expenses for the quarter were \$1.5 million, up by 0.3 million from Q3, representing an average per ship of \$1,200/day for Q4 and \$1,003/day in Q3. A&G expenses for full year 2019 were \$5.5 million compared to \$5.0 million in 2018, an increase largely due to non-recurring costs related to employees and change of offices.

Non-operating expenses, consisting mainly of financial expenses, were \$6.4 million, compared with \$7.2 million in Q3 2019, reflecting lower LIBOR rate and lower average debt. Full year non-operating expenses were \$29.4 million in 2019 and \$27.5 million in 2018

Avance Gas reported a net profit of \$36.8 million in Q4 2019, or \$0.58 per share, compared with a net profit of \$24.7 million, or \$0.39 per share, in Q3 2019. Full year 2019 net profit was \$56.0 million compared to a full year net loss of \$43.2 million in 2018.

Avance Gas' total assets amounted to \$899.0 million at 31 December 2019, compared with \$893.5 million at 30 September 2019. Total shareholders' equity was \$411.1 million at quarter-end, corresponding to an equity ratio of 45.7%. This compared with total shareholders' equity of \$371.5 million and an equity ratio of 41.6% at the end of Q3 2019.

Cash and cash equivalents were \$85.9 million at 31 December 2019. The increase from \$83.6 million at 30 September 2019 reflected higher freight rates, timing of freight payments offset by down payment of interest bearing debt. Total interest-bearing debt was \$458.0 million, compared with \$504.0 million at 30 September 2019.

Cash flow from operating activities was positive \$52.2 million, compared with \$32.2 million in Q3 2019, reflecting higher freight rates and timing of freight payment. Net cash flow used in investing activities was \$4.4 million compared with \$4.4 million in Q3 2019. Net cash flow used in financing activities was \$46.0 million due to the prepayment of the top up tranche of \$35.0 million and \$11.0 million in scheduled repayments. The available liquidity at the date of this report was \$96.0 million.

FLEET AND EMPLOYMENT OVERVIEW

The Avance Gas fleet is trading in the spot market, save for *Mistral* which is trading on a time charter contract expiring in December 2021, at \$1.2 million per calendar month. In line with the trading activity, the majority of our spot market exposure is in the US Gulf and USEC.

Avance Gas recorded 1,274 operating days in Q4 2019, compared to 1,271 operating days in Q3 2019. The fleet recorded 14 offhire days, mainly relating to minor repairs to the fleet.



There were no waiting days for the fleet in Q4 2019, giving Avance Gas a fleet utilization during the quarter of 100.0%, compared to 96.5% in Q3 2019.

IMO 2020 AND DRYDOCKING

The drydocking and scrubber installation project has been progressing since late December, and by end February two of six ships will have returned to service, benefiting from the fuel price spreads between VLSFO and heavy fuel oil. We are continuously optimizing the trading of the fleet to match the drydock schedule, and currently expect the four remaining ships to return to service between March and May, respectively. We are assessing the alternatives for the last two ships due for special survey in 2020.

SCRUBBER FINANCING

The company has signed an agreement with its bank group for a new \$15 million tranche to part finance the scrubber installations. The tranche will have the same credit margin and covenants as otherwise set out in the facility and will be repaid over its remaining tenor.

OUTLOOK

Partly due to disruptions resulting from the IMO 2020 fuel regulations implementation, we have seen the strong freight market continue into what normally is a seasonally weaker period during Q4/Q1. However, the disruptions also lead to lower efficiency for the fleet which combined with higher fuel costs gives a lower result for each voyage.

The Middle Eastern average monthly export volumes have come slightly down in Q4, predominantly from reductions in Qatar and Iran, however in line with 2019 monthly averages. We see that these volumes are replaced by increased exports from the US, Australia and other areas. Due to seasonal reduction on activity and ongoing political instability in the region we do not expect a rebound in the Middle Eastern LPG exports in the near term.

With inventories at record levels and strong US production, the robust export growth is set to continue. According to forecasts from EIA, US LPG production will grow significantly in 2020, and maintain a steady level in 2021. Domestic demand is forecasted to fall over the two year period, which will facilitate further growth in exports.

For full year 2019, 63% of all US volumes were exported to Asia, compared to 61% in 2018. As the incremental growth in demand is expected to come from Asia, we expect this share to increase further.

The announced expansion in the Enterprise Product Partners terminal in US Gulf, is expected to reach full capacity in Q1 2020 with further expansions commencing 2021. Other expansions in the US Gulf and USEC are commissioned for 2020-2022, adding to growth in potential export. According to the latest EIA forecasts, LPG exports as a share of production will exceed 50%, which is expected to put pressure on domestic US LPG prices.

We continue to monitor the developments in the orderbook, and expect further orders to be added on the back of the strong freight market. However, capital for new projects remains scarce, which together with uncertainty regarding choice of propulsion systems for new ships may limit new orderings somewhat.



PRESENTATION AND WEBCAST

Avance Gas will host an audio webcast and conference call to discuss the company's results for the period ended 31 December 2019 on Thursday, 27 February 2020, at 14:00 CET. There will be a Q&A session following the presentation.

The presentation and webcast will be hosted by:

- Mr. Ulrik Andersen - CEO
- Mr. Peder C. G. Simonsen – CFO

The presentation will also be available via audio webcast, which can be accessed at Avance Gas' website www.avancegas.com. Dial in details are +44 (0)2071 928 000 (UK and International), +1 631-510-7495 (US) or +47 23 96 02 64 (Norway). Please quote the passcode: 1579384. Phone lines will open 10 minutes before the conference call.

For further queries, please contact:

Peder C. G. Simonsen, CFO

Tel: +47 22 00 48 15

Email: p.simonsen@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)

	For the three months ended		For the twelve months ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	(in thousands except earnings per share)			
Operating revenue	\$ 90,324	\$ 42,288	\$ 250,421	\$ 129,941
Voyage expenses	(25,300)	(15,523)	(76,868)	(60,381)
Operating expenses	(9,893)	(10,540)	(40,795)	(39,627)
Administrative and general expenses	(1,545)	(1,282)	(5,534)	(4,976)
Operating profit before depreciation expense	53,586	14,943	127,224	24,957
Depreciation and amortization expenses	(10,354)	(10,593)	(41,846)	(40,662)
Operating profit (loss)	43,232	4 350	85,378	(15,705)
Non-operating (expenses) income:				
Finance expense	(6,757)	(7,077)	(29,860)	(27,705)
Finance income	281	13	376	247
Foreign currency exchange gain	103	1	102	2
Profit (loss) before income tax expense	36,859	(2,713)	55,996	(43,161)
Income tax expense	(45)	(54)	(45)	(54)
Net profit (loss)	\$ 36,814	\$ (2,767)	\$ 55,951	\$ (43,215)
Profit (loss) per share:				
Basic	\$ 0.58	\$ (0.04)	\$ 0.88	\$ (0.68)
Diluted	\$ 0.58	\$ (0.04)	\$ 0.88	\$ (0.68)

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

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

	For the three months ended		For the twelve months ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	(in thousands)			
Net profit (loss)	\$ 36,814	\$ (2,767)	\$ 55,951	\$ (43,215)
Other comprehensive income (loss):				
<i>Items that may be reclassified subsequently to profit and loss:</i>				
Fair value adjustment of interest rate swaps	2,742	(5,107)	(9,578)	5,819
Exchange differences arising on translation of foreign operations	-	-	-	-
Other comprehensive (loss) income	<u>2,742</u>	<u>(5,107)</u>	<u>(9,578)</u>	<u>5,819</u>
Total comprehensive income (loss)	<u>\$ 39,556</u>	<u>\$ (7,874)</u>	<u>\$ 46,373</u>	<u>\$ (37,396)</u>

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	
	December 31, 2019	December 31, 2018
(in thousands)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 85,909	\$ 47,289
Receivables	26,068	14,047
Related parties	29	-
Inventory	9,284	5,752
Mobilization cost	4,030	1,791
Prepaid expenses	4,422	3,991
Other current assets	6,410	2,584
Total current assets	<u>136,152</u>	<u>75,454</u>
Property, plant and equipment (note 5)	762,896	795,304
Intangible assets	-	37
Total non-current assets	<u>762,896</u>	<u>795,341</u>
Total assets	<u>\$ 899,048</u>	<u>\$ 870,795</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt (note 6)	\$ 42,895	\$ 31,636
Accounts payable	14,235	7,207
Related party payable balances	168	-
Accrued voyage expenses	8,076	2,975
Accrued expenses	945	773
Current portion of derivative financial instruments (note 7)	620	50
Other current liabilities	204	1,426
Total current liabilities	<u>67,143</u>	<u>44,067</u>
Long-term debt (note 6)	310,148	335,522
Long-term revolving credit facilities (note 6)	100,000	125,000
Long-term derivative financial instruments (note 7)	10,646	1,638
Total non-current liabilities	<u>420,794</u>	<u>462,160</u>
Shareholders' equity		
Share capital (note 4)	64,528	64,528
Paid-in capital (note 4)	379,851	379,851
Contributed capital (note 4)	94,945	95,291
Retained loss	(105,654)	(161,605)
Treasury shares (note 4)	(11,351)	(11,867)
Accumulated other comprehensive loss (note 9)	(11,208)	(1,630)
Total shareholders' equity	<u>411,111</u>	<u>364,568</u>
Total liabilities and shareholders' equity	<u>\$ 899,048</u>	<u>\$ 870,795</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 SHAREHOLDERS' EQUITY
(UNAUDITED)

	Share capital	Paid-in capital	Contributed capital	Retained (loss) income	Accumulated other comprehensive (loss) income	Treasury shares	Total
	(in thousands)						
Balance December 31, 2017	\$ 64,528	\$ 379,851	\$ 95,185	\$ (118,733)	\$ (7,449)	\$ (11,867)	\$ 401,515
Comprehensive income (loss):							
Net loss	—	—	—	(43,215)	—	—	(43,215)
Adjustment previous year				343			343
<i>Other comprehensive (loss) income:</i>							
Fair value adjustment of interest rate swaps	—	—	—	—	5,819	—	5,819
Translation adjustments, net	—	—	—	—	—	—	—
Total other comprehensive loss	—	—	—	—	5,819	—	5,819
Total comprehensive loss	—	—	—	(42,872)	5,819	—	(37,053)
Transactions with shareholders:							
Compensation expense for share options	—	—	106	—	—	—	106
Total transactions with shareholders	—	—	106	—	—	—	106
Balance, December 31, 2018	<u>\$ 64,528</u>	<u>\$ 379,851</u>	<u>\$ 95,291</u>	<u>\$ (161,605)</u>	<u>\$ (1,630)</u>	<u>\$ (11,867)</u>	<u>\$ 364,568</u>
Balance December 31, 2018	\$ 64,528	\$ 379,851	\$ 95,291	\$ (161,605)	\$ (1,630)	\$ (11,867)	\$ 364,568
Comprehensive loss:							
Net profit	—	—	—	55,951	—	—	55,951
<i>Other comprehensive (loss) income:</i>							
Fair value adjustment of interest rate swaps	—	—	—	—	(9,578)	—	(9,578)
Translation adjustments, net	—	—	—	—	—	—	—
Total other comprehensive loss	—	—	—	—	(9,578)	—	(9,578)
Total comprehensive income (loss)	—	—	—	55,951	(9,578)	—	46,373
Transactions with shareholders:							
Compensation expense for share options	—	—	89	—	—	—	89
Exercise of share options			(435)			516	81
Total transactions with shareholders	—	—	(346)	—	—	516	170
Balance, December 31, 2019	<u>\$ 64,528</u>	<u>\$ 379,851</u>	<u>\$ 94,945</u>	<u>\$ (105,654)</u>	<u>\$ (11,208)</u>	<u>\$ (11,351)</u>	<u>\$ 411,111</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)

	For the twelve months ended	
	December 31, 2019	December 31, 2018
	(in thousands)	
Cash flows from operating activities (note 3)	\$ 117,214	\$ 20,088
Financing fee	(5,622)	—
Net interest paid	(28,129)	(25,856)
Net cash flows from (used in) operating activities	83,463	(5,768)
Cash flows used in investing activities:		
Capital expenditures (note 5)	(8,816)	(12,237)
Net cash flows used in investing activities	(8,816)	(12,237)
Cash flows used in financing activities:		
Repayment of long-term debt (note 6)	(576,271)	(22,024)
Drawdown of long-term debt (note 6)	515,000	—
Drawdown of revolving credit facility	25,000	25,000
Exercise of share options	81	—
Net cash flows (used in) from financing activities	(36,190)	2,976
Net increase (decrease) in cash and cash equivalents	38,457	(15,027)
Cash and cash equivalents at beginning of period	47,289	62,316
Effect of exchange rate changes on cash	163	2
Cash and cash equivalents at end of period	\$ 85,909	\$ 47,289

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. 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 using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as adopted by the European Union and 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, 2018, 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, 2018, with the exception of the new leasing standard IFRS 16 effective January 1, 2019 described below, and 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, and with respect the early adoption of updates to IFRS 9, IAS 39 and IFRS 7 as described in new or amendments to standards below.

Operating revenue

Revenue is recognized on a load-to-discharge basis, with cost related to fulfil the contract incurred prior to loading capitalized as mobilization costs and amortized over the associated period for which revenue is recognized, whilst 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 is accounted as an operating lease under IFRS 16 and is recognised on a straight-lined basis over the term of the time charter arrangement.

Financial instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 Financial Instruments from January 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in IFRS 9 comparative figures have not been restated.

The hedge relationships that were previously established under IAS 39 designated the full fair value change of the interest rate swaps as hedging instrument and we will continue to apply the same treatment under IFRS 9.

The Group adopted the simplified expected credit loss model for its trade receivables with only minor effects. No assets held by the Group were subject to reclassifications in IFRS 9.

Except for timing differences related to the period of which the revenue is recognized, the above pronouncements are not expected to have a material impact on the financial statements of the Group, beyond disclosures.

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

Leases

IFRS 16 replaces the lease standard IAS 17 that relate to recognition, measurement, presentation and disclosure of leases. The adoption of IFRS 16 Leases is effective from periods beginning on or after January 1, 2019. Management has assessed an insignificant impact on the financial statements as a result of the adoption of the new standard, hence, no lease liability and right of use asset is recognised as of December 31, 2019.

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, 2020:

- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform, for periods beginning on or after January 1, 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. The Company holds interest rate swaps designated for hedge accounting with a notional amount of \$253.1 million as of December 31, 2019. The Company has chosen to early adopt these updates in order to take advantage of the reliefs available for hedge arrangements as it pertains to LIBOR clauses.

3. Reconciliation of net profit to cash generated from operations

	<u>For the twelve months ended</u>	
	<u>December 31,</u>	<u>December 31,</u>
	<u>2019</u>	<u>2018</u>
	(in thousands)	
Net profit	\$ 55,951	(43,215)
Adjustments to reconcile net profit to net cash from operating activities:		
Depreciation and amortization of property, plant and equipment and intangibles	41,846	40,662
Net finance expense	29,861	27,458
Compensation expense	89	106
Changes in assets and liabilities:		
(Increase) decrease in receivables	(12,021)	(2,212)
Decrease (increase) in prepaid expenses, inventory, related party receivables, mobilization cost and other current assets	(10,058)	(3,892)
(Decrease) increase in accounts payable	7,028	1,340
(Decrease) increase in accrued voyage expenses, other current liabilities and related party balances	4,219	(161)
Other	299	—
Cash flows from operating activities	<u>\$ 117,214</u>	<u>\$ 20,088</u>

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

4. Shareholder's equity

The Company's authorised share capital consists of 200.0 million common shares at par value of \$1 per share as of December 31, 2019 and December 31, 2018. Of the authorized share capital, 64.5 million shares were issued and outstanding as of December 31, 2019 and December 31, 2018, including 0.8 million and 0.9 million treasury shares respectively. All shares are fully paid.

Paid in capital consists of paid in capital exceeding par value of the shares. Contributed capital consist mainly of conversion of shareholders' loans in 2013.

Since 2013, the Company set up a share option plan in order to encourage the Company's directors, officers and other employees to hold shares in the Company. Following the award, declared and cancellation of share options since 2013, a total of 1,197,000 share options remained outstanding under the Company's share option scheme as of December 31, 2018.

During Q2 2019, 521,000 share options were deleted. Following the cancellation and award of the share options, a total of 676,000 share options remain outstanding under the Company's share option schemes as of June 30, 2019.

During Q3 2019, 750,000 share options have been issued to Mr. Ulrik Andersen in connection with his appointment as Chief Executive Officer and 300,000 share options have been granted to Mr. Peder Simonsen, Chief Financial Officer. An additional 21,500 options were cancelled.

During Q4 2019, 37,750 share options were declared and 165,000 options were cancelled. Following the award and cancellation of share options, a total of 1,501,750 share options remain outstanding under the Company's share option scheme as of December 31, 2019.

5. Property, plant and equipment

During the twelve months ended December 31, 2019 and December 31, 2018, the Group invested \$8.8 and \$12.2 million, respectively, on property, plant and equipment.

As of December 31, 2019, indicators of impairment and reversal of previous recognized impairment were assessed. Based on this assessment it was concluded that no significant changes in indicators for the twelve-month period ended December 31, 2019 were present.

6. Long-term debt

Long-term debt consisted of debt collateralised by the Group's 14 VLGCs as of December 31, 2019 and December 31, 2018.

In June 2019, Avance Gas signed and closed a new \$515 million credit facility, thereby fully refinancing all outstanding debt. The facility consist of three tranches, \$380 million term loan tranche, a \$100 million revolving tranche and a \$35 million top up tranche (the "Top-Up" Tranche). The term loan tranche and revolving tranche mature June 25, 2024 and the Top-Up Tranche were fully repaid in November 2019 ahead of its maturity date June 25, 2021. The \$380 million term loan tranche has consecutive quarterly instalments of \$11 million commencing Q3 2019 and an interest rate of LIBOR plus a weighted average fixed margin of approx. 2.75%.

The credit facility contains certain covenants of which key covenants are minimum value to outstanding loan of 130%, minimum free liquidity of the higher of (i) \$35 million and (ii) 5% of the consolidated gross interest bearing debt of the Group, positive working capital at all times, the book equity shall at all times be equal or higher than \$250 million and a book equity ratio of 30%. The Top-Up Tranche contained certain additional restrictions prior to its repayment in November 2019.

In addition to the repayment of the Top-Up Tranche of \$35 million, the Company made scheduled debt repayment was \$11.0 million in Q4 2019.

AVANCE GAS HOLDING LTD
NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS

(UNAUDITED)

	As of December 31, 2019	As of December 31, 2018
Long-term debt	\$ 314,000	\$ 336,236
Long-term revolving credit facilities	100,000	125,000
Long-term debt issuance cost	<u>(3,851)</u>	<u>(714)</u>
Long-term debt	<u>410,148</u>	<u>460,522</u>
Current portion of long-term debt	44,000	33,035
Current portion of debt issuance cost	<u>(1,105)</u>	<u>(1,399)</u>
Current portion of long-term debt	<u>42,895</u>	<u>31,637</u>
Total net debt	<u>\$ 453,044</u>	<u>\$ 492,158</u>

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 December 31, 2019		As of December 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	(in thousands)			
Financial assets:				
Cash and cash equivalents	\$ 85,909	\$ 85,909	\$ 47,289	\$ 47,289
Receivables	26,068	26,068	14,047	14,047
Financial liabilities:				
Accounts payable	\$ 14,235	\$ 14,235	\$ 7,207	\$ 7,207
Related party payable balances	168	168	-	-
Accrued expenses and accrued voyage expenses	9,021	9,021	3,748	3,748
Revolving credit facilities	100,000	100,000	125,000	125,000
Long-term debt incl. current maturities	358,000	358,000	369,272	369,272
Derivative financial instruments:				
Interest rate swap assets (liabilities) including current maturities	\$ (11,266)	\$ (11,266)	\$ (1,688)	\$ (1,688)

The carrying amount of cash and cash equivalents, receivables, accounts payable and accrued expenses is a reasonable estimate of their fair value, due to the short maturity thereof. The estimated value of the Group's revolving credit facilities and long-term debt equals its carrying value as of December 31, 2019 and December 31, 2018 as it is floating rate debt and the credit margin represents current market rates.

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

Long-term debt in the table above excludes debt issuance costs of \$5.0 million and \$2.1 million as of December 31, 2019 and December 31, 2018, respectively.

Fair value of interest rate swaps is based on market value of the interest rate swaps. The market value is based on market-to-market reports as of period-end from the financial institutions issuing the swaps, based on the amount that the Group would receive or pay to terminate the contracts. Fair value adjustment of the interest rate swaps as of December 31, 2019 was recognized in the consolidated interim statement of comprehensive loss.

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).

Fair value equals carrying value for cash and cash equivalents (Level 1) and fair value of interest swaps is according to market-to-market reports from the financial institutions issuing the swaps (Level 2). There have not been any changes in valuation techniques for the period.

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.

The fee for corporate secretarial services was \$121 thousand, fee for technical supervision was \$197 thousand, fee for office lease and shared services was \$286 thousand, additionally the Group transacted with Golden Ocean Management AS of \$17 thousand related to bunker procurement system for the twelve months ended December 31, 2019.

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

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 income is broken down between the two categories as follows:

	Foreign currency reserve	Fair value reserve	Accumulated other comprehensive loss
Balance January 1, 2018	\$ 58	\$ (7,507)	\$ (7,449)
Fair value adjustment of interest rate swaps	—	5,819	5,819
Translation adjustments, net	—	—	—
Balance December 31, 2018	<u>\$ 58</u>	<u>\$ (1,688)</u>	<u>\$ (1,630)</u>
Balance January 1, 2019	\$ 58	\$ (1,688)	\$ (1,630)
Fair value adjustment of interest rate swaps	—	(9,578)	(9,578)
Translation adjustments, net	—	—	—
Balance December 31, 2019	<u>\$ 58</u>	<u>\$ (11,266)</u>	<u>\$ (11,208)</u>

10. Alternative performance measures

The Company uses time charter equivalent (TCE) as an alternative performance measure. TCE is operating revenue less voyage cost per operating day. Operating days are calendar days, less technical off-hire.

	<u>For the three months ended</u>		<u>For the twelve months ended</u>	
	December 31, 2019	December 31, 2018	December 31, 2019	December 30, 2018
	(in thousands)			
Operating revenue	\$ 90,324	\$ 42,288	\$ 250,421	\$ 129,941
Voyage expenses	<u>(25,300)</u>	<u>(15,523)</u>	<u>(76,868)</u>	<u>(60,381)</u>
Voyage result	<u>65,024</u>	<u>26,765</u>	<u>173,553</u>	<u>69,560</u>
Calendar days	1,288	1,288.0	5,110.0	5,110.0
Technical off-hire days	<u>(14.2)</u>	<u>(32.3)</u>	<u>(51.5)</u>	<u>(260.8)</u>
Operating days	<u>1,273.8</u>	<u>1,255.7</u>	<u>5,058.5</u>	<u>4,849.2</u>
TCE per day (\$)	51,047	21,314	34,309	14,345

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

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 February, the Company signed an agreement for a \$15 million scrubber financing tranche under the \$515 million credit facility.

In February, 2020 the Board of Directors elected Mr Christian Fallesen as a Director of the Company.