Avance Gas Holding Ltd Reports Unaudited Results for the Third Quarter of 2020

BERMUDA, 25 November 2020 – Avance Gas Holding Ltd (OSE: AVANCE) today reported unaudited results for the third quarter 2020.

HIGHLIGHTS

- An achieved time charter equivalent (TCE) rate of $23,283 on a discharge to discharge basis and $21,524/day on the basis of IFRS 15 accounting standard, compared to $28,453/day and $28,932/day in Q2 2020 respectively.
- The TCE rates in Q3 reflects ballast cost of approx. $4,000/day, corresponding to an adjusted TCE rate of $27,283 in Q3. The ballast cost will recover into the following quarter.
- Daily operating expenses (OPEX) were $9,256/day, compared to $8,576/day in Q2 2020. OPEX was impacted by change of technical manager and Covid-19 related crew change expense representing approx. $900/day in Q3.
- A&G expenses were $727/day, up from $608/day in Q2.
- Secured funding for predelivery CAPEX of newbuilding program through two transactions
  - In September, the sale of the 2003-built VLGC Avance was successfully completed. Following repayment of debt, the transaction generated approx. $17 million in net cash proceeds and a book profit of approx. $6 million recorded in Q3.
  - In November, the Company signed a $45 million sale leaseback transaction with a Chinese leasing house for the VLGC *Pampero* previously announced in August. Expected closing early December.
- Successfully completed the change of technical manager for six ships by end October. The investment in change of technical manager is expected to reduce operating expense and improve the technical efficiency of our fleet.
- By Q4, the eighth and final ship will have completed the scheduled special survey and five scrubbers will have been installed.
- For the fourth quarter of 2020, we estimate TCE rate on a discharge-to discharge basis of approx. $40,000/day contracted for 90% of vessel days.

In US$ thousands (unless stated otherwise)	Three months ended	Three months ended
Income statement:	30 September 2020	30 June 2020
TCE earnings	24,494	34,285
TCE per day ($)	21,524	28,932
Operating profit before depreciation expense	11,734	22,585
Net profit	2,260	6,711
Earnings per share (diluted) ($)	0.04	0.11
Balance sheet:	30 September 2020	30 June 2020
Total assets	853,553	885,329
Total liabilities	450,583	486,503
Cash and cash equivalents	77,633	84,546
Total shareholders' equity	402,970	398,826
Cash flows:	30 September 2020	30 June 2020
Net cash from operating activities	3,808	21,521
Net cash from (used in) investing activities	18,702	(11,025)
Net cash used in financing activities	(29,298)	(11,882)
Net decrease in cash and cash equivalents	(6,914)	(1,321)

Avance Gas

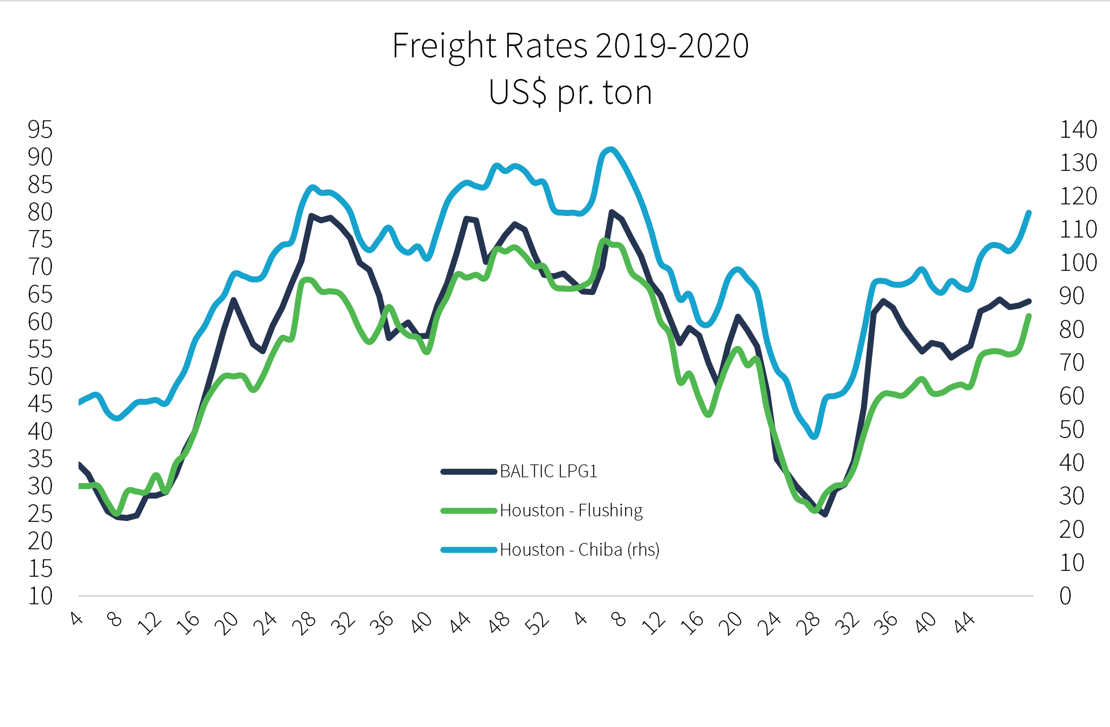
Q3 has been a strong period for LPG freight despite fluctuations in export volumes from US basins. US Gulf and USEC VLGC exports were 8.6 million tons, compared to 9.0 million tons in Q2 2020, 68 cargoes in July, 65 cargoes in August and 58 cargoes in September, illustrating this volatility. Preliminary numbers show a high activity into Q4, recording 76 cargoes in October, with continued high activity levels in November.

Middle East export activity has followed changes on OPEX+ production during 2020 adding significant volatility to the freight market. In Q3, Middle East VLGC exports totaled 7.5 million tons equaling a monthly average of 56 cargoes, compared to 7.8 million tons or 59 cargoes per month in Q2 2020.

Covid-19 and oil price volatility has disrupted LPG trade through temporary lower demand from the petrochemical industry and challenging US- Asia price differential. With a continued strong Asian retail demand and improving oil prices, the VLGC market has rebounded more quickly than expected and remained strong throughout the fall.

We continue to see inefficiencies driving the freight market with turn-time in China, slow discharge in India coupled with delays in Panama creating a lasting positive sentiment leading in to Q4.

The global fleet was 304 ships at end Q3 with approx. 18 of those operating as storage vessels. The order book is 12.5%, of which one ship expected for delivery in Q4. The effect of the order book will be partly mitigated by ~20-25% of the fleet due for special surveys 2020-2022 suggesting a positive outlook for the next few years.



(Source: Clarksons, Poten, Fearnleys)

FINANCIAL AND OPERATIONAL REVIEW

Avance Gas reported TCE earnings of $24.5 million, down from $34.3 million in Q2. TCE revenue was impacted by ballast days at the end of the third quarter equaling an estimated cost of approx. $4,000/day, which will have a similar positive effect in Q4. Adjustment related to the IFRS 15 accounting standard resulted in a decrease in TCE earnings of $2 million for Q3 2020 compared with an increase of $570 thousand in Q2.

Operating expenses were $11.8 million, equaling a daily average of $9,256/day. This compares to $8,576/day in Q2. OPEX was impacted by one-offs reflecting takeover cost, termination fee and Covid-19 related crew cost totaling approx. $900/day. The investment in change of technical manager will reduce operating expense and improve technical efficiency over time.

Administrative and general (A&G) expenses for the quarter were $0.9 million, up by 0.1 million from Q2, representing an average per ship of $727/day for Q3 and $608/day in Q2.

Non-operating expenses, consisting mainly of financial expenses, were $5.2 million, compared with $5.5 million in Q2, reflecting lower LIBOR rate and lower average debt.

Avance Gas reported a net profit of $2.3 million in Q3 2020, or $0.04 per share, compared with a net profit of $6.7 million, or $0.11 per share, in Q2 2020.

Avance Gas' total assets amounted to $853.6 million at 30 September 2020, compared with $885.3 million at 30 June 2020. Total shareholders' equity was $403.0 million at quarter-end, corresponding to an equity ratio of 47.0%. This compared with total shareholders' equity of $398.8 million and an equity ratio of 45.0% at the end of Q2 2020.

Cash and cash equivalents were $77.6 million at 30 September 2020, compared to $84.5 million at 30 June 2020. Cash flow from operating activities was positive $3.8 million, compared with $21.5 million in Q2 2020, the decrease reflects partly off hire days due to scheduled drydock, scrubber installation and change of technical manager combined with lower freight rates. Net cash flow from investing activities, primarily related to net proceed of sale of the 2003-built VLGC Avance of $34.2 million offset by 2nd installment of the two LPG fuel new buildings of $7.8 million, drydock and scrubber installation of $7.7 million totaling $18.7 million compared with net cash flow used in investing activities of $11.0 million in Q2 2020. Net cash flow used in financing activities was $29.3 million related to repayment of debt of the VLGC Avance sold and scheduled repayments of debt. The available liquidity at the date of this report is approx. $86.0 million.

FLEET AND EMPLOYMENT OVERVIEW

The majority of the Avance Gas fleet continues to be trading in the spot market or short term contracts. In total we have TC coverage at an average ~35% in fourth quarter 2020 and 27% in 2021, at an average TCE rate of $31,000/day and $30,000/day respectively. Our spot market exposure is following the LPG trading activity, mainly in the US Gulf/USEC and the Middle East.

Avance Gas recorded 1,138 operating days in Q3 2020, compared to 1,185 operating days in Q2 2020. Operating days is calendar days less offhire days. The fleet recorded 140 offhire days, most of which related to the drydocking, scrubber installation and change of technical manager.

The company recorded 24 waiting days for the fleet in Q3 2020, giving Avance Gas a fleet utilization during the quarter of 98%, compared to 94% in Q2 2020.

DRYDOCKING UPDATE

End Q3 we have completed special survey for seven ships and installed scrubbers on five ships. We expect to have completed all eight scheduled drydockings by December 2020 and scrubber installation in Q1 2021.

OUTLOOK

With the US being the main swing supplier of LPG and the driver for freight rates, all eyes are on the oil price to see how this affects the production of LPG. A positive movement will not only increase drilling activity but also put LPG in the driving seat as the preferred feedstock for cracking, outcompeting naphta and other alternatives. While Covid-19 has had a dampening effect on demand, we remain positive that LPG will continue to flow and the market will stay positive in Q4 2020 and into 2021, driven by Chinese PDH and Asian retail demand growth, where India is a significant contributor. Supported by a stable oil market and strong Asian demand, the US-Asia price arbitrage is expected to remain open for the balance of the year and with this we expect production in both US and MEG to remain stable.

Looking further into 2021, we expect US LPG production to fall slightly but to a less extent compared to EIA forecast the first half of 2020 and more volumes being exported from ME driven by expectation of OPEC production recovery. Infrastructure improvements in the US will further enhance profitable VLGC export activity from the US serving continued strong Asian LPG demand. The current fleet is 304 vessels and 12.5% order book will be offset by a continuing large dry-docking schedule for the VLGC fleet.

The sale of *Avance* and refinancing of *Pampero* has strengthen our cash position and securing predelivery CAPEX of the new VLGC newbuilding's scheduled for delivery in Q4 2021 and Q1 2022. The long term fundamentals remain strong and by Q4 we expect to have completed the dry docking program and technical manager change, which will increase operating days and thereby cash flow potential of the company. The capital allocation between growth and fleet renewal, dividends and further balance sheet strengthening will be carefully considered by the Board in order to maximize shareholder value.

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 2020 on Wednesday, 25 November 2020, at 14:00 CET. There will be a Q&A session following the presentation.

The presentation and webcast will be hosted by:

- Mr. Ben Martin – CCO
- 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. 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: 6259105. Phone lines will open 10 minutes before the conference call.

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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.

AVANCE GAS HOLDING LTD

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

(UNAUDITED)

	For the three months ended		For the nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	(in thousands except earnings per share)			
Operating revenue	$ 36,323	$ 70,890	$ 154,686	$ 160,098
Voyage expenses	(11,829)	(16,618)	(51,848)	(51,568)
Operating expenses	(11,830)	(10,419)	(33,775)	(30,903)
Administrative and general expenses	(930)	(1,292)	(3,032)	(3,989)
Operating profit before depreciation expense	11,734	42,561	66,031	73,638
Depreciation and amortization expenses	(10,120)	(10,636)	(30,827)	(31,492)
Gain on disposal of asset sale (note 5)	5,829	-	5,829	-
Operating profit	7,443	31,925	41,033	42,146
Non-operating (expenses) income:				
Finance expense	(5,258)	(7,251)	(17,112)	(23,104)
Finance income	-	11	25	95
Foreign currency exchange gain	75	-	122	(1)
Net profit	$ 2,260	$ 24,685	$ 24,068	$ 19,136
Earnings per share:				
Basic	$ 0.04	$ 0.39	$ 0.37	$ 0.30
Diluted	$ 0.04	$ 0.39	$ 0.37	$ 0.30

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

AVANCE GAS HOLDING LTD

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (LOSS)

(UNAUDITED)

	For the three months ended		For the nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	(in thousands)			
Net profit	$ 2,260	$ 24,685	$ 24,068	$ 19,136
Other comprehensive income (loss):				
Items that may be reclassified subsequently to profit and loss:				
Fair value adjustment of interest rate swaps	2,045	(2,326)	(12,943)	(12,320)
Exchange differences arising on translation of foreign operations	(1)	(7)	(1)	(5)
Other comprehensive income (loss)	2,044	(2,333)	(12,944)	(12,325)
Total comprehensive income	$ 4,304	$ 22,352	$ 11,124	$ 6,811

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	
	September 30, 2020	December 31, 2019
	(in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 77,633	$ 85,909
Receivables	11,516	26,068
Related parties	-	29
Inventory	4,839	9,284
Mobilization cost	1,392	4,030
Prepaid expenses	2,548	4,422
Other current assets	4,417	6,410
Total current assets	102,345	136,152
Property, plant and equipment (note 5)	735,672	762,896
Newbuildings (note 5)	15,536	-
Total non-current assets	751,208	762,896
Total assets	$ 853,553	$ 899,048
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt (note 6)	$ 45,823	$ 42,895
Accounts payable	6,258	14,235
Related party payable balances	148	168
Accrued voyage expenses	2,991	8,076
Accrued expenses	502	945
Derivative financial instruments (note 7)	6,985	620
Other current liabilities	43	204
Total current liabilities	62,750	67,143
Long-term debt (note 6)	274,584	310,148
Long-term revolving credit facilities (note 6)	96,026	100,000
Derivative financial instruments (note 7)	17,223	10,646
Total non-current liabilities	387,833	420,794
Shareholders' equity		
Share capital (note 4)	64,528	64,528
Paid-in capital (note 4)	379,851	379,851
Contributed capital (note 4)	94,787	94,945
Retained loss	(100,694)	(105,654)
Treasury shares (note 4)	(11,351)	(11,351)
Accumulated other comprehensive loss (note 9)	(24,151)	(11,208)
Total shareholders' equity	402,970	411,111
Total liabilities and shareholders' equity	$ 853,553	$ 899,048

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, 2018	$ 64,528	$ 379,851	$ 95,291	$ (161,605)	$ (1,630)	$ (11,867)	$ 364,568
Comprehensive loss:							
Net profit	—	—	—	19,136	—	—	19,136
Other comprehensive (loss) income:							
Fair value adjustment of interest rate swaps	—	—	—	—	(12,320)	—	(12,320)
Translation adjustments, net	—	—	—	—	(5)	—	(5)
Total other comprehensive loss	—	—	—	—	(12,325)	—	(12,325)
Total comprehensive loss	—	—	—	19,136	(12,325)	—	6,811
Transactions with shareholders:							
Compensation expense for share options	—	—	144	—	—	—	144
Total transactions with shareholders	—	—	144	—	—	—	144
Balance, September 30, 2019	$ 64,528	$ 379,851	$ 95,435	$ (142,469)	$ (13,955)	$ (11,867)	$ 371,523
Balance December 31, 2019	$ 64,528	$ 379,851	$ 94,945	$ (105,654)	$ (11,208)	$ (11,351)	$ 411,111
Comprehensive income (loss):							
Net profit	—	—	—	24,068	—	—	24,068
Other comprehensive loss:							
Fair value adjustment of interest rate swaps	—	—	—	—	(12,942)	—	(12,942)
Translation adjustments, net	—	—	—	—	(1)	—	(1)
Total other comprehensive loss	—	—	—	—	(12,943)	—	(12,943)
Total comprehensive income (loss)	—	—	—	24,068	(12,943)	—	11,125
Transactions with shareholders:							
Dividend				(19,108)			(19,108)
Compensation expense for share options	—	—	(158)	—	—	—	(158)
Exercise of share options							
Total transactions with shareholders	—	—	(158)	(19,108)	—		(19,266)
Balance, September 30, 2020	$ 64,528	$ 379,851	$ 94,787	$ (100,694)	$ (24,151)	$ (11,351)	$ 402,970

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 nine months ended	
	September 30, 2020	September 30, 2019
	(in thousands)	
Cash flows from operating activities (note 3)	$ 78,034	$ 58,369
Arrangement fee refinancing	—	(5,444)
Net interest paid	(16,450)	(21,687)
Net cash flows from operating activities	61,584	31,238
Cash flows used in investing activities:		
Net proceeds of sale asset (note 5)	34,257	—
Capital expenditures (note 5)	(47,701)	(4,445)
Net cash flows used in investing activities	(13,444)	(4,445)
Cash flows (used in) from financing activities:		
Dividend (note 4)	(19,108)	—
Repayment of long-term debt (note 6)	(52,180)	(530,271)
Drawdown of long-term debt (note 6)	15,000	515,000
Drawdown of revolving credit facility	—	25,000
Net cash flows (used in) from financing activities	(56,288)	9,729
Net increase (decrease) in cash and cash equivalents	(8,148)	36,521
Cash and cash equivalents at beginning of period	85,909	47,289
Effect of exchange rate changes on cash	(128)	(185)
Cash and cash equivalents at end of period	$ 77,633	$ 83,625

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

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 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, 2019, 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, 2019, 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

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.

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 IAS 1 and IAS 8 - on the definition of material. These amendments to IAS 1, ‘Presentation of financial statements’, and IAS 8, ‘Accounting policies, changes in accounting estimates and errors’, and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information. The adoption of the amendments did not result in a material impact on the financial statement of the Group.

3. Reconciliation of net profit to cash generated from operations

	For the nine months ended September 30, 2020	September 30, 2019
	(in thousands)	
Net profit	$ 24,068	19,136
Adjustments to reconcile net profit to net cash from operating activities:		
Depreciation and amortization of property, plant and equipment and intangibles	30,827	31,492
Net finance expense	16,965	23,009
Compensation expense	158	144
Gain on sale asset (note 5)	(5,829)	-
Changes in assets and liabilities:		
Decrease (increase) in receivables	14,552	(13,923)
Decrease in prepaid expenses, inventory, related party receivables, mobilization cost and other current assets	10,979	478
Decrease in accounts payable	(7,977)	(3,938)
(Decrease) increase in accrued voyage expenses, other current liabilities and related party balances	(5,709)	1,970
Cash flows from operating activities	$ 78,034	$ 58,369

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 September 30, 2020 and December 31, 2019. Of the authorized share capital, 64.5 million shares were issued and outstanding as of September 30, 2020 and December 31, 2019, 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 officers and other employees to hold shares in the Company. Following the award, declared, forfeited and cancellation of share options since 2013, a total of 546,250 share options remained outstanding under the Company's share option scheme as of September 30, 2020.

The Board of Avance Gas declared a quarterly dividend of $0.30 per share on February 27, 2020, equalling $19.1 million. The dividend was paid March 26, 2020.

5. Property, plant and equipment

During the nine months ended September 30, 2020 and September 30, 2019, the Group invested $47.7 and $4.4 million, respectively, on property, plant and equipment. The investment primarily relates to 1st and 2nd instalment of the two LPG dual fuel new buildings with DSME of $15.5 million and scheduled drydock and scrubber installation of $32.2 million for the nine months ended September 30, 2020. In relation with the sale of the 2003-built VLGC *Avance* the Company recognising a disposal of $28.4 million in book value and net proceeds of $34.3 million in September 2020.

As of September 30, 2020, 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 nine-month period ended September 30, 2020 were present and no reversal of impairment or impairment were recognised.

6. Long-term debt

Long-term debt consisted of debt collateralised by the Group's 13 VLGCs as of September 30, 2020 and the Group's 14 VLGCs as of December 31, 2019.

In February, 2020 the Company signed an agreement for a $15 million scrubber financing tranche with the same terms and maturity as the $515 million credit facility. The tranche was drawn in March 2020.

Long-term debt repayments were $52.2 million for the nine months ended September 30, 2020, including prepayment of $17.4 million of debt *Avance*.

		As of September 30, 2020		As of December 31, 2019
Long-term debt	$	277,842	$	314,000
Long-term revolving credit facilities		96,026		100,000
Long-term debt issuance cost		(3,258)		(3,852)
Long-term debt		370,610		410,148
Current portion of long-term debt		46,952		44,000
Current portion of debt issuance cost		(1,129)		(1,105)
Current portion of long-term debt		45,823		42,895
Total net debt	$	416,433	$	453,043

7. Fair value disclosures

Fair value of financial instruments

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

	As of September 30, 2020				As of December 31, 2019			
		Carrying amount		Fair value		Carrying amount		Fair value
	(in thousands)							
Financial assets:								
Cash and cash equivalents	$	77,633	$	77,633	$	85,909	$	85,909
Receivables		11,516		11,516		26,068		26,068
Related party receivables		-		-		29		29
Financial liabilities:								
Accounts payable	$	6,258	$	6,258	$	14,235	$	14,235
Related party payable balances		148		148		168		168

Accrued expenses and accrued voyage expenses	3,493	3,493	9,021	9,021
Revolving credit facilities	96,026	96,026	100,000	100,000
Long-term debt incl. current maturities	324,794	324,794	358,000	358,000
Derivative financial instruments:				
Interest rate swap assets (liabilities) including current maturities	$ (24,208)	$ (24,208)	$ (11,266)	$ (11,266)

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 September 30, 2020 and December 31, 2019 as it is floating rate debt and the credit margin represents current market rates.

Long-term debt in the table above excludes debt issuance costs of $4.4 million and $5.0 million as of September 30, 2020 and December 31, 2019, 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 September 30, 2020 was recognized in the consolidated interim statement of comprehensive loss.

In March, 2020 the Company entered into a $50 million interest rate swap at a fixed rate of 0.98%. The swap has a ten-year tenor commenced in March, 2020 and is designated for hedge accounting.

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 $66 thousand, fee for technical supervision was $307 thousand and fee for office lease and shared services was $265 thousand, for the nine months ended

September 30, 2020. For the nine months ended September 30, 2019, the fee for corporate secretarial services was $110 thousand, fee for technical supervision was $143 thousand and fee for office lease and shared services was $172 thousand.

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, 2019	$ 58	$ (1,688)	$ (1,630)
Fair value adjustment of interest rate swaps	—	(9,578)	(9,578)
Translation adjustments, net	—	—	—
Balance December 31, 2019	$ 58	$ (11,266)	$ (11,208)
Balance January 1, 2020	$ 58	$ (11,266)	$ (11,208)
Fair value adjustment of interest rate swaps		(12,942)	(12,942)
Translation adjustments, net	(1)	—	(1)
Balance September 30, 2020	$ 57	$ (24,208)	$ (24,151)

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, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	(in thousands)			
Operating revenue	$ 36,323	$ 70,890	$ 154,686	$ 160,098
Voyage expenses	(11,829)	(16,618)	(51,848)	(51,568)
Voyage result	24,494	54,272	102,838	108,530
Calendar days	1,278	1,288	3,826	3,822
Technical off-hire	(140)	(17)	(523)	(37)
Operating days	1,138	1,271	3,303	3,785
TCE per day ($)	21,524	42,700	31,134	28,674

Time charter revenue is included in operating revenue along with freight revenue. Time charter revenue for contracts exceeding 9 months amounted to $13.8 million during the nine months ended September 30, 2020.

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 November, the Company signed a $45 million sale leaseback transaction with a Chinese leasing house for the VLGC Pampero previously announced in August. Expected closing early December.