AVANCE GAS HOLDING LTD

Interim Financial information

For the three and six months ended 30 June 2022

August 31, 2022

BERMUDA, August 31 2022 – Avance Gas Holding Ltd (OSE: AGAS) ("Avance Gas" or the "Company") today reports unaudited results for the second quarter 2022.

HIGHLIGHTS

- The average time charter equivalent (TCE) rate on load to discharge basis was $36,212/day compared to $37,608/day for the first quarter 2022. This was ahead of guidance of between $32,000/day to $33,000/day.
- Daily operating expenses (OPEX) were $8,200/day, down from $8,500/day for the first quarter.
- Net profit of $18.4 million compared to $24.3 million for the first quarter 2022, or earnings per share of 24 cents compared to 32 cents for the first quarter.
- During the second quarter 2022, the Company completed the sale of the 2008-built VLGC Providence with the vessel being delivered to the new owners in May. The sale generated a gain on sale of $4.5 million and a cash release of $25.8 million.
- In May 2022, the Company signed a $555 million sustainability-linked term facility with a bank syndicate. The facility is a refinancing of the previous bank facility financing the nine VLGCs including a financing of the newbuildings three and four, Avance Rigel and Avance Avior, for delivery in the first quarter of 2023, and an accordion option to finance the final two newbuildings for delivery in the fourth quarter of 2023 and first quarter of 2024.
- In August 2022, the Company signed an aggregate $135 million sale leaseback agreement with BoComm Leasing for the financing of newbuildings five and six, Avance Castor and Avance Pollux, scheduled for delivery in the fourth quarter of 2023 and the first quarter of 2024. The transaction completes the financing of the newbuilding program with no unfunded capex remaining and is expected to release approximately $39 million in net cash at delivery.
- The Company has been ahead of the curve hedging its interest rate exposure at attractive levels resulting in gains of $5.1 million for the second quarter bringing the total gains for the first half of the year to $16.8 million under other comprehensive income.
- The Board declared a dividend for the second quarter 2022 of $0.20 per share.
- For the third quarter of 2022, we estimate a TCE rate of approximately $32,000/day on a load to discharge basis.

Øystein M. Kalleklev, Executive Chairman, commented:
"We are pleased to deliver strong numbers for the second quarter. Time Charter equivalent (TCE) earnings came in at $36,200 per day, well ahead of guidance of $32-33,000 per day despite a very volatile freight market. We have also been able to raise very attractive long-term financing for the two last remaining dual fuel VLGC newbuildings which brings our unfunded remaining capex to below zero. With the worldwide energy crisis, we think the clean properties of LPG should be compelling especially when coupled with its affordable price compared to other fuels. Hence, we remain upbeat about the long-term prospects for LPG freight despite a rather large orderbook for next year. With a strong cash balance of close to $200 million, fully financed fleet and healthy earnings of 24 cents per share we are therefore again declaring a dividend of $20 cents per share which should provide our shareholders with a very attractive yield of around 16%."

In US$ thousands (unless stated otherwise)	Three months ended	Three months ended
Income statement:	June 30, 2022	March 31, 2022
TCE per day ($)	36,212	37,608
TCE earnings	43,563	46,860
Gross operating profit	31,609	34,773
Net profit	18,369	24,306
Earnings per share (diluted) ($)	0.24	0.32
Balance sheet:	June 30, 2022	March 31, 2022
Total assets	1,091,317	1,023,892
Total liabilities	511,860	452,652
Cash and cash equivalents	198,609	110,641
Total shareholders' equity	579,457	571,240
Cash flows:	June 30, 2022	March 31, 2022
Net cash from operating activities	22,459	38,859
Net cash used in (from) investing activities	22,460	(75,712)
Net cash from financing activities	43,493	45,617
Net increase in cash and cash equivalents	88,412	8,764

The market started off on a positive note going into the second quarter, rising from Time Charter Equivalent levels near $40,000/day at the start of April, pushing to $70,000/day at the end of May, then falling back to just above $30,000/day at the end of June. Vessels fixing out of the US gulf fetched a premium in the first half of the quarter, but this changed in favor of the Arabian Gulf by late May with the premium lasting through the month of July.

One of the key drivers in the LPG freight market, the LPG price arbitrage between Far East Asia and the US gulf, averaged $150/ton for the quarter. It was just above $100/ton at the start of April, reaching an average of $170/ton for May, before falling back to $140/ton on average for June. Average spot rates for Houston-Japan were $120/ton, $130/ton and $120/ton for April, May and June respectively. The forward curves indicate the arbitrage to trade between $120/ton and $140/ton for 2023-26.

The US exported 14.1 million tons of LPG in the second quarter of 2022, according to Kepler data. VLGCs accounted for 82%, or 11.6 million tons. This corresponds to a monthly average of around 80 cargoes. Total volumes of LPG shipped was 6% above the second quarter of 2021, and 15% above the first quarter of 2022. 58% of volumes sailed to the Asian market, down from 67% in Q2-21 and from 63% in Q1-22. Europe imported 20% of the US LPG exports, up from 13% in the previous four quarters, driven in part by the ongoing energy crisis.

Export from the Middle East Gulf was 10.6 million tons in the second quarter. 9.2 million tons of this were lifted on VLGCs, equivalent to a monthly average of just above 60 liftings. Total volumes were up 18% compared to the second quarter of 2021, while up 7% on the first quarter of 2022. Rebound of Iranian volumes is partly driving the increase. We continue to believe that an agreement with the US on Iran's nuclear program would entail a stronger shipping market. Firstly, Iran would likely add more export volumes if sanctions were lifted. Secondly, the fleet currently serving Iranian exports would be outcompeted by more modern tonnage, a likely trigger for increased scrapping.

FINANCIAL AND OPERATIONAL REVIEW

Avance Gas reported Time Charter Equivalent (TCE) earnings of $43.6 million, compared to $46.9 million for the first quarter. Adjustment related to the IFRS 15 accounting standard resulted in a decrease in TCE earnings of $0.9 million for the second quarter 2022 compared to an increase of $3.1 million for the first quarter 2022.

Operating expenses (OPEX) were $10.1 million, equaling a daily average of $8,198/day. This compares to $8,459/day for the first quarter. OPEX was negatively impacted by Covid-19 crew change expenses and higher airfares of approximately $350/day.

Administrative and general (A&G) expenses for the quarter were $1.9 million, compared to 1.4 million for the first quarter, representing an average per ship of $1,528/day and $1,126/day respectively.

The Company recognized $4.5 million in gain on disposal of the 2008-built VLGC Providence delivered to the new owner in May 2022.

Non-operating expenses, consisting mainly of financial expenses, were $6.5 million, compared to $4.6 million for the first quarter. The main reason for the increase is debt issuance costs of $1.6 million related to legacy debt financing which were expensed during the quarter in accordance with the accounting standard, as the facility was refinanced with the new $555m facility.

Avance Gas reported a net profit of $18.4 million for the second quarter 2022, or $0.24 per share, compared with a net profit of $24.3 million, or $0.32 per share for the first quarter 2022.

Avance Gas' total assets amounted to $1,091.3 million on 30 June 2022, compared with $1,023.9 million on 31 March 2022. The increase in assets is mainly driven by an increase in the company's cash balance due to refinancing and cash from operations, and an increase in non-current assets as a result of newbuilding instalments during the quarter. Total shareholders' equity was $579.5 million at quarter-end, corresponding to an equity ratio of 53.1%. Shareholder Equity increased by $8.3 million during the quarter due to net profit of $18.4 million, increase in other comprehensive income of $5.1million related to interest hedging instrument gain offset by payment of dividends of $15.3 million.

Cash and cash equivalents were $198.6 million on 30 June 2022, compared to $110.6 million on 31 March 2022. Cash flow from operating activities was positive $22.5 million, compared with positive $38.9 million for the first quarter 2022. Net cash flow from investing activities was $22.5 million compared with net cash flow used in investing activities of $75.7 million for the first quarter 2022. Investing activities for the quarter includes installments and related costs paid in the newbuilding program as well as cash received on sale of vessels. Net cash flow from financing activities was $43.5 million, including repayments of debt of $261.5 million, net proceeds from borrowings of $320.5 million, and payment of dividend of $15.3 million for the first quarter.

FINANCING

In May 2022, Avance Gas successfully signed a $555 million Sustainability Linked Facility with a bank syndicate consisting of seven banks to refinance nine VLGCs in the fleet and to finance newbuildings three and four, Avance Rigel and Avance Avior, scheduled for delivery in the first quarter 2023. The $555 million facility extended the repayment profile and decreased the interest rate margin thus, lowering the cash break even for the fleet while at the same time extended our bank debt maturity from 2024 to 2028 for the nine VLGCs. Additionally, it also significantly boosted our available liquidity by releasing $83.2 million to the Company. The debt facility includes an annual sustainability margin adjustment mechanism linked to the Company's ambition to reduce the carbon intensity of the fleet which is a high priority for the Company.

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

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

FLEET AND EMPLOYMENT OVERVIEW

We had a TC coverage of ~51% in the second quarter 2022 at an average TCE rate of $33,400/day. For the second half of 2022, TC coverage will be at 49% consisting of three vessels at an average rate of $30,000/day on long term TC contracts and three vessels with floating hire and one vessel on a short-term fixed TC contract due for redelivery during Q3. Our spot market exposure is following the LPG trading activity, primarily in the US Gulf/USEC and partly the Middle East.

Avance Gas recorded 1,203 operating days for the second quarter 2022, compared to 1,246 operating days for the first quarter 2022. Operating days is lower during the second quarter due to the sale of VLGC Providence in May 2022 and an increase in off-hire days from 15 in the first quarter to 26 in the second quarter. Operating days is calendar days less off-hire days.

The company recorded 10 waiting days for the fleet in the second quarter, giving Avance Gas a fleet utilization during the quarter of 99.2%, compared to 97.4% for the first quarter.

OUTLOOK

Trade in seaborne LPG volumes continue to develop favorably. US export volumes were up 5% year on year for the first half of 2022 and EIA forecasts net export volumes to reach 1.8 million barrels per day for the second half of 2022, a 17% increase on the second half of 2021, and 1.9 million barrels per day for 2023, a 9% increase year on year. Similarly, exports from the Middle East improved 15% year on year in the first half of 2022. Despite this, VLGC spot rates continues to fluctuate with the US-Asia propane arbitrage, exacerbated by increased ton-time when congestion is high in the Panama Canal.

Short and medium-term, the ample supply from both the US and the Middle East is likely to leave the product market saturated. Combined with still muted petrochemical margins in Asian steam crackers, Asian propane prices are expected to remain muted for the coming few months. However, current forward prices for propane in the US and in Far East Asia indicate an arbitrage of ~ $150/mt for the remainder of the year, a level where it is likely to support the VLGC freight rates. Increasing US exports, propane heating demand and potentially improved petrochemical margins should be supportive of a strengthening VLGC market.

Waiting time outside the Panama Canal continues to affect short term vessel supply, but the magnitude of vessels waiting naturally slows with less US volumes sailing to Asia. Asia accounted for nearly 60% of US exports during the first half of 2022, down from ~70% in the first half of 2021, with Europe importing more. Also, for the LNG trade, more of the US volumes have sailed to Europe. According to data from Kepler, VLGCs waiting for five or more days to transit outside the Panama Canal were 32 in the second quarter, down from 48 in the first quarter of 2022. Supportive demand fundamentals and improved US exports will likely result in Panama Canal waiting time pick up again. The sharp increase in announced Panama Canal transit fees is also going to incentivize ships to go longer routes through Cape of Good Hope and/or the Suez Canal thus increasing sailing distances.

In the long term, US is becoming even more important as the key exporter to meet the strong Chinese petrochemical demand, as well as residential demand in the Far East, India, and Southeast Asia. US export growth for 2023 have the capacity to absorb a significant amount of VLGCs, adding to the effect from increased Middle East exports combined with a potential effect of longer sailing distance and increasing supply disruptions.

In light of improving demand fundamentals, we would not be surprised to see the 2023 orderbook being absorbed by increased demand. 46 VLGCs are scheduled for delivery in 2023, amounting to ~14% of the fleet. At the same time, an ageing fleet is likely to trigger increased scrapping next year. The number of VLGCs over 20 years have reached 47, while 30 vessels are older than 25 years of age. In any market, this should provide significant support by removing supply when freight rates decline. Adding to this, new IMO regulations entering into force should prompt increased scrapping even if market fundamentals remain stable or improve. We do not expect significant growth of the orderbook this year as steel prices remain elevated as well as unavailable yard slots due to container and LNG orders.

PRESENTATION AND WEBCAST

Avance Gas will host an audio webcast and conference call to discuss the company's results for the period ended 30 June 2022 on Wednesday, 31 August 2022, at 14:00 CET. There will be a Q&A session following the presentation.

The presentation and webcast will be hosted by:

- Mr. Øystein Kalleklev - Executive Chairman
- Mrs. Randi Navdal Bekkelund - CFO

The presentation will also be available via audio webcast, which can be accessed at Avance Gas' website www.avancegas.com or using the link: https://edge.media-server.com/mmc/p/2qv66omm

Guests can log into the conference call using the following link
https://register.vevent.com/register/BI996eb7bbc6b243e69202c5bec83562ad

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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)

	Note	For the three months ended		For the six months ended	
		June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
		(in USD thousands)		*(in USD thousands)*	
Operating revenue	10	65,186	48,650	131,712	111,161
Voyage expenses	10	(21,623)	(17,953)	(41,288)	(32,678)
Operating expenses		(10,076)	(11,015)	(20,742)	(22,061)
Administrative and general expenses		(1,878)	(1,605)	(3,298)	(2,998)
Operating profit before depreciation expense		31,609	18,077	66,384	53,424
Depreciation and amortisation expense		(11,143)	(12,325)	(23,247)	(24,457)
Gain on disposal of asset (note 5)		4,522	-	10,771	-
Operating profit		24,988	5,752	53,908	28,967
Non-operating (expenses) income:					
Finance expense		(6,377)	(4,436)	(10,999)	(8,706)
Finance income		193	-	193	-
Foreign currency exchange losses		(343)	157	(333)	135
Income before tax		18,461	1,473	42,769	20,396
Income tax expense		(92)	-	(92)	-
Net profit		18,369	1,473	42,677	20,396
Earnings per share					
Basic		0.24	0.02	0.56	0.29
Diluted		0.24	0.02	0.56	0.29

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)

	Note	For the three months ended June 30, 2022	For the three months ended June 30, 2021	For the six months ended June 30, 2022	For the six months ended June 30, 2021
		(in USD thousands)		(in USD thousands)	
Net profit		18,369	1,473	42,677	20,396
Other comprehensive income:	9				
Items that may be reclassified subsequently to profit and loss:					
Fair value adjustment of derivative financial instruments designated for hedge accounting		5,121	(1,019)	16,810	6,931
Exchange differences arising on translation of foreign operations		(15)	(1)	(8)	(7)
Other comprehensive income (loss)		5,106	(1,020)	16,802	6,924
Total comprehensive income		23,475	453	59,479	27,320

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

AVANCE GAS HOLDING LTD

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

(UNAUDITED)

	Note	As of June 30, 2022	As of December 31, 2021
		(in USD thousands)	
ASSETS			
Cash and cash equivalents		198,609	101,910
Trade and other receivables		15,083	21,232
Inventory		6,833	7,933
Prepaid expenses and other current assets		10,298	12,882
Derivative financial instruments	7	1,713	-
Total current assets		232,536	143,957
Property, plant and equipment	5	778,787	716,577
Newbuildings	5	73,074	92,609
Derivative financial instruments	7	6,920	2,240
Total non-current assets		858,781	811,426
Total assets		1,091,317	955,383
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current portion of interest-bearing debt	6	39,697	44,574
Trade and other payables		4,242	8,009
Derivative financial instruments	7	395	5,691
Accrued voyage expenses and other current liabilities		6,217	7,413
Total current liabilities		50,551	65,687
Long-term debt	6	461,309	345,407
Derivative financial instruments	7	-	5,121
Total non-current liabilities		461,309	350,528
Shareholders' equity			
Share capital		77,427	77,427
Paid-in capital		431,366	431,366
Contributed capital		95,030	95,070
Retained loss		(21,298)	(44,825)
Treasury shares		(11,351)	(11,351)
Accumulated other comprehensive income/(loss)		8,283	(8,519)
Total shareholders' equity		579,457	539,168
Total liabilities and shareholders' equity		1,091,317	955,383

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

AVANCE GAS HOLDING LTD

CONDENSED CONSOLIDATED INTERIM STATEMENT OF SHAREHOLDERS' EQUITY

(UNAUDITED)

(in USD thousands)	Share capital	Paid-in capital	Contributed capital	Retained (loss) income	Accumulated other comprehensive (loss) income	Treasury shares	Total
As of December 31, 2020	64,528	379,851	94,780	(53,856)	(21,382)	(11,351)	452,570
Comprehensive loss:							
Net profit	-	-	-	20,396	-	-	20,396
Other comprehensive (loss) income:							
Fair value adjustment of interest rate swaps	-	-	-	-	6,931	-	6,931
Translation adjustments, net	-	-	-	-	(7)	-	(7)
Total other comprehensive income	-	-	-	-	6,924	-	6,924
Total comprehensive loss	-	-	-	20,396	6,924	(11,351)	27,320
Transactions with shareholders:							
Share Capital Increase	12,899	51,515	-	-	-	-	64,414
Dividend	-	-	-	(17,717)	-	-	(17,717)
Compensation expense for share options	-	-	135	-	-	-	135
Total transactions with shareholders	12,899	51,515	135	(17,717)	-	-	46,832
As of June 30, 2021	77,427	431,366	94,915	(51,177)	(14,458)	(11,351)	526,722
As of December 31, 2021	77,427	431,366	95,070	(44,825)	(8,519)	(11,351)	539,168
Comprehensive loss:							
Net profit	-	-	-	42,677	-	-	42,677
Other comprehensive (loss) income:							
Fair value adjustment of derivative financial instruments	-	-	-	-	16,810	-	16,810
Translation adjustments, net	-	-	-	-	(8)	-	(8)
Total other comprehensive loss	-	-	-	-	16,802	-	16,802
Total comprehensive loss	-	-	-	42,677	16,802	-	59,479
Transactions with shareholders:							
Dividend	-	-	-	(19,150)	-	-	(19,150)
Compensation expense for share options	-	-	(40)	-	-	-	(40)
Total transactions with shareholders	-		(40)	(19,150)	-	-	(19,190)
As of June 30, 2022	77,427	431,366	95,030	(21,298)	8,283	(11,351)	579,457

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

AVANCE GAS HOLDING LTD

CONSOLIDATED INTERIM STATEMENT OF CASH FLOW

(UNAUDITED)

	Note	For the six months ended June 30, 2022	June 30, 2021
		(in USD thousands)	
Cash flows from operating activities			
Cash generated from operations	3	69,622	50,646
Interest paid		(8,304)	(8,957)
Net cash flows from operating activities		61,318	41,689
Cash flows used in investing activities:			
Net proceeds from sale of assets	5	92,127	-
Capital expenditures	5	(145,379)	(33,991)
Net cash flows used in investing activities		(53,252)	(33,991)
Cash flows (used in) from financing activities:			
Dividends Paid	4	(19,150)	(17,717)
Proceeds from issue of share capital		-	64,414
Repayment of long-term debt	6	(315,463)	(22,090)
Proceeds from loans and borrowings, net of transaction costs	6	423,977	-
Settlement share options		(254)	(265)
Net cash flows from financing activities		89,110	24,342
Net increase in cash and cash equivalents		97,176	32,040
Cash and cash equivalents at beginning of period		101,910	75,882
Effect of exchange rate changes on cash		(477)	6
Cash and cash equivalents at end of period		198,609	107,928

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

1. General Information

Corporate information

Avance Gas Holding Ltd (the "Company" or "Avance Gas") is an exempted company limited by shares incorporated under the laws of Bermuda on January 20, 2010. The Company and its subsidiaries (collectively "The Group") are engaged in the transportation of Liquefied Petroleum Gas ("LPG"). As of 30 June 2022, the Company owned and operated a fleet of thirteen modern ships and four Dual Fuel newbuildings due for delivery in Q1 2023, Q4 2023 and Q1 2024.

Basis of Preparation

The condensed consolidated interim financial statements of Avance Gas Holding Ltd (the "Company" or "Avance Gas"), a Bermuda registered company and its subsidiaries (collectively, the "Group"), have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The condensed consolidated interim financial statements should be reviewed in conjunction with the consolidated financial statements for the year ended December 31, 2021, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, to fully understand the current financial position of the Group.

2. Significant accounting policies

The accounting policies applied are consistent with those described in note 2 of the annual consolidated financial statements for the year ended December 31, 2021, with the exception of income taxes, which, for the purpose of interim financial statements, are calculated based on the expected effective tax rate for the full year.

Operating revenue

Avance has categorised its revenue streams in the two following categories:

Freight revenue
The Group recognises revenues as it satisfises its performance obligation to deliver freight services to the customer. Revenue is recognised on a load-to-discharge basis in accordance with IFRS 15, with cost related to fulfil the contract incurred prior to loading capitalised as mobilisation costs and amortised over the related period for which revenue is recognised. Voyage expenses incurred as repositioning for non-committed freight contracts are expensed as incurred. Other revenue from services, such as demurrage, is recognised when earned and is included in freight revenue.

Time charter revenue
Time charter revenue is accounted for as an operating lease under IFRS 16 and is recognised on a straight-line basis over the term of the time charter arrangement.

New or amendments to standards

The following new or amendments to standards and interpretations have been issued and become effective in years beginning on or after January 1, 2022:

- Provisions, contingent liabilities and contingent assets; cost of fulfilling a contract (Amendments to IAS 37)
- Property, plant and equipment: Proceeds before Intended Use (Amendments to IAS 16).

The adoption of the amendments did not result in a material impact on the financial statement of the Group.

3. Reconciliation of net profit to cash generated from operations

	For the six months ended	
	June 30, 2022	June 30, 2021
	(in USD thousands)	
Net profit	42,677	20,396
Adjustments to reconcile net profit to net cash from operating activities:		
Depreciation and amortisation of property, plant and equipment	23,247	24,457
Net finance expense	11,332	8,571
Compensation expense	214	400
Gain on sale of assets (note 5)	(10,771)	-
Changes in assets and liabilities:		
(Increase) decrease in trade and other receivables	6,149	(4,152)
(Increase) decrease in inventory and prepaid expenses and other current assets	3,682	(1,716)
Decrease in trade and other payables	(4,216)	246
Increase (decrease) in accrued voyage expenses and other current liabilities	(3,161)	2,459
Other	469	(15)
Cash flows from operating activities	69,622	50,646

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 June 30, 2022, and December 31, 2021. Of the authorised share capital, 77.4 million shares were issued and outstanding as of June 30, 2022, and December 31, 2021, including 0.8 million treasury shares. All shares are fully paid.

Paid-in capital consists of paid in capital exceeding par value of the shares. Contributed capital consist mainly of paid-in surplus related to the current capital increase and conversion of shareholders' loans in 2013.

Since 2013, the Company set up a share option plan in order to encourage the Company's officers and other employees to hold shares in the Company. Following the award, declared, forfeited and cancelation of shares since 2013, a total of 850,666 share options remained outstanding under the Company's share option scheme as of June 30, 2022. The average strike price of the share options as of 30 June 2022 was 49 NOK, resulting in a dilutive effect of $0.00 per share for the three and six months ended June 30, 2022.

The board of Avance Gas declared a dividend of $0.20 per share on May 25, 2022, equalling $15.3 million. The dividend was paid on June 23, 2022.

5. Property, plant and equipment

During the six months ended June 30, 2022, and June 30, 2021, the Group capitalised $147.2 million and $35.5 million, respectively, in newbuildings. For the six months ended June 30, 2022, the amount capitalised consists of instalments and other costs related to the newbuilding program, including borrowing costs of $1.5 million. The Company took delivery of VLGC *Avance Polaris* and VLGC *Avance Capella* during the first quarter of 2022, resulting in reclassification of $166.3 from newbuildings to property, plant and equipment.

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

6. Long-term debt

Long-term debt consisted of debt collateralised by the Group's 13 VLGCs as of June 30, 2022, and December 31, 2021. Long-term debt repayments were $315.5 million for the six months ended June 30, 2022. Of the $315.5 million, $13.9 million is scheduled repayment of debt. The remaining debt repayment of $301.6 million is $237.5 million repayment on refinancing of the existing $515 million facility, $23.2 million repaid on sale of VLGC *Thetis Glory,* $20.9 million repaid on the sale of VLGC *Providence* and $20 million repaid on the revolving credit facility during the first quarter.

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

	As of	
	June 30, 2022	December 31, 2021
	(in USD thousands)	
Non-current		
Secured bank loans	264,023	187,763
Revolving credit facilities	125,000	81,984
Lease financing agreement	72,286	75,660
	461,309	345,407
Current		
Current portion of secured bank loans	32,944	37,818
Current portion of lease financing agreement	6,753	6,756
	39,697	44,574
Total interest-bearing debt	501,006	389,981

7. Fair value disclosures

Fair value of financial instruments

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

		As of June 30, 2022		As of December 31, 2021	
		(in USD thousands)			
	Note	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities					
Secured bank loans	6	296,970	296,970	225,581	225,581
Revolving credit facilities	6	125,000	125,000	81,984	81,984
Lease financing agreement	6	79,040	79,040	82,416	82,416
Derivative financial instruments					
Net interest rate swap assets		8,632	8,632	2,240	2,240
Net interest rate swap liabilities		-	-	10,812	10,812
Net FFA Bunker Hedge Liabilities		395	395	-	-

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 June 30, 2022 and December 31, 2021 as it is variable-rated.

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

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

8. Related party transactions

The Group entered into a corporate secretarial services agreement in July 2018 and a technical supervision agreement in Q2 2019 with Frontline Management (Bermuda). Additionally, in Q2 2019 the Group entered into an office lease and shared service agreement with Seatankers Management Norway AS. In Q1 2021, the Group entered into a separate technical supervision agreement for the Group's newbuilding program with Frontline Management (Bermuda). Additionally, the group entered a shared services agreement with Front Ocean Management AS (Norway) and a corporate secretarial services agreement with Front Ocean Management Ltd (Bermuda) in Q4 2021.

For the six months ended June 30, 2022, the fee for corporate secretarial services was $110 thousand, the fee for technical supervision for current fleet and newbuildings was $1,084.6 thousand and fee for office lease and shared services was $478.3 thousand. In addition, Avance Gas received recharge of operational credits of $646.5 thousand. For the six months ended June 30, 2021, the fee for corporate secretarial services was $59.3 thousand, fee for technical supervision was $1,013.7 thousand and fee for office lease and shared services was $182.70 thousand. A summary of balances due to related parties on June 30, 2022, and December 31, 2021, as follows.

	As of	
	June 30, 2022	December 31, 2021
	(in USD thousands)	
Frontline Ltd.	-	(130)
Frontline Management (Bermuda) Ltd.	(187)	556
Frontline Management AS	24	24
Front Ocean Management AS	-	11
Front Ocean Management Ltd	(69)	-
Seatankers Management AS	-	5
Net (receivable) payable to related parties	(232)	465

9. Accumulated other comprehensive income / loss

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

(in USD thousands)	Foreign Currency reserve	Fair value reserve	Accumulated other comprehensive loss
Balance January 1, 2021	65	(21,447)	(21,382)
Effective portion of changes in fair value of interest rate swaps	-	6,608	6,608
Reclassified to profit or loss	-	6,267	6,267
Translation adjustment, net	(12)	-	(12)
Balance December 31, 2021	53	(8,572)	(8,519)
Effective portion of changes in fair value of interest rate swaps	-	14,296	14,296
Reclassified to profit or loss	-	2,514	2,514
Translation adjustment, net	(8)	-	(8)
Balance June 30, 2022	45	8,238	8,283

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 six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	(in USD thousands)		*(in USD thousands)*	
Operating revenue	65,186	48,650	131,712	111,161
Voyage expenses	(21,623)	(17,953)	(41,288)	(32,678)
Voyage result	43,563	30,697	90,424	78,483
Calendar days	1,229	1,183	2,490	2,353
Technical off-hire days	(26)	(76)	(41)	(123)
Operating days	1,203	1,107	2,449	2,230
TCE per day ($)	36,212	27,730	36,923	35,195

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 29, 2022, the Company signed a sale and leaseback agreement for the final two dual fuel newbuilding vessels due to be delivered in the fourth quarter of 2023 and first quarter of 2024.

On August 30, 2022, the Company appointed Halfdan Marius Foss as Chief Commercial Officer of Avance Gas AS. Mr. Foss is currently the Chief Commercial Officer of Flex LNG where he’s been since August 2018. Mr. Foss will continue his role in Flex LNG in parallel with his engagement with Avance Gas. His previous experience includes Senior Vice President Head of Shipping at Golar LNG and Cool Pool Ltd, Chartering Manager of Frontline Management AS and LPG/petchem broker at Inge Stensland AS for approximately 11 years. Mr. Foss brings about 30 years of shipping experience to Avance GAS, having acted for both brokers and owners in the oil and gas business. Mr. Foss holds a diploma in Shipping from London School of Foreign Trade as well as a Degree in Merchant navy deck officer from Stord/Haugesund University College.

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

We confirm that, to the best of our knowledge that the condensed interim financial statements for the period 1 January 2022 to June 30, 2022, has been prepared in accordance with IAS 34 *Interim Financial Reporting*, and gives a true and fair view of the assets, liabilities, financial position and profit or loss for Avance Gas Holding Ltd and its subsidiaries (the "Group") as a whole.
We also confirm that the Board of Director's Report includes a true and fair review of the development and performance of the business and the position of the Group, together with a description of the financial risks and uncertainties facing the Group.

31 August 2022

Øystein Kalleklev
Executive Chairman

Francois Sunier
Director

Kathrine Fredriksen
Director

James O'Shaughnessy
Director

Jens Martin Jensen
Director