AVANCE GAS HOLDING LTD

UNAUDITED CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS

For the three and twelve months ended 31 December 2023

BERMUDA, February 14, 2024 – Avance Gas Holding Ltd (OSE: AGAS) ("Avance Gas" or the "Company") today reports unaudited results for the fourth quarter 2023.

HIGHLIGHTS

- The average time charter equivalent (TCE) rate basis discharge-to-discharge was $76,200/day, ahead of guidance of $70-75,000/day and compares to $55,300/day for the third quarter.
- TCE/day on load-to-discharge basis was $71,900/day compared to $46,700/day for the third quarter 2023. Adjustment related to load-to-discharge was negative $5.4 million or $4,300/day in TCE/day for the fourth quarter compared to negative $10.9 million or $8,600/day for the third quarter.
- For the fourth quarter, we had a TC coverage of 29% at an average TCE rate of $48,900/day and spot voyages of 71% at $101,000/day corresponding to an average fleet TCE of $85,900/day excluding FFA loss of $9,700/day and negative load-to-discharge adjustment of $4,300/day.
- For the full year 2023, TCE/day came in at $57,200/day compared to $38,200/day in 2022 load-to-discharge.
- Daily operating expenses (OPEX) were $8,090/day, compared to $8,070/day for the third quarter of 2023.
- Net profit of $61.5 million compared to $30.1 million for the third quarter 2023, or earnings per share (EPS) of 80 cents compared to 39 cents for the third quarter.
- Net profit of $163.6 million and EPS of $2.14 for the full year 2023 compared to $89.0 million and EPS of $1.16 for the full year 2022.
- During the fourth quarter, the Company paid $0.50 per share in dividend, or $38.3 million, for the third quarter 2023. During the year 2023, total cash dividend paid was $153.2 million or $2.0 per share.
- In December 2023, the Company announced the sale of the two remaining VLGC newbuildings scheduled for delivery in March and May 2024 at a total cash consideration of $240 million en bloc or $120 million per vessel less broker commission. The Company expect to book a gain on sale of $72 million from the sales and a cash release of $120 million.
- In January 2024, the Company completed the sale of VLGC Iris Glory (2008) for a cash consideration of $60 million less broker commission. The Company will record a book gain on sale of $21 million and net cash proceeds of $25 million for the first quarter 2024.
- In January 2024, the Company announced the sale of Venus Glory (2008) for a cash consideration of $66 million less broker commission. The Company expect to record a book gain on sale of $27 million and a net cash release of approximately $40 million for the first quarter 2024.
- In January 2024, the Company signed the $43 million bank facility previously announced for the refinancing of VLGC Pampero (2015) at attractive financing terms. The facility will be drawn in March 2024 which will result in a cash release of approximately $5 million.
- In February 2024, the Company signed and drew on the $135 million sale lease agreement (SLB). As previously announced, the SLB was intended for the two remaining VLGC newbuildings (2024) which was sold thereby the financing was swapped to Avance Polaris (2022) and Avance Capella (2022). The transaction resulted in net cash proceeds of $40 million which will be recorded in the first quarter 2024.
- For the first quarter of 2024, we have booked ~70% at an average TCE/day of ~$70,000 on a discharge-to-discharge basis. Load-to-discharge adjustment is expected to be substantial positive as the freight market had a significant downturn in the first quarter. As such, we expect to reverse most of the $16.3 million negative load-to-discharge adjustment recorded in the third and fourth quarter when the freight market elevated.
- The board declared a dividend of $0.65 per share or $49.8 million for the fourth quarter 2023. Hence, total dividend declared to the year 2023 amounts to $164.7 million or $2.15 per share (101% of net profit).

Øystein Kalleklev, CEO of Avance Gas, commented:

"Fourth quarter was a blockbusting quarter for Avance Gas with quarterly net profit of $61.5 million as we delivered Time Charter Equivalent (TCE) earnings on a discharge-to-discharge basis of $76,200/day slightly ahead of guidance of $70-75,000/day. This quarterly net profit was the second highest in the Company's history and increased the net profit for the year to $163.6 million or $2.14 per share, also the second highest full year results ever for Avance Gas.

In 2023, the freight market was fuelled by 13% US export growth, very favourable product price arbitrage between US Gulf Coast and Far East Asia which averaged $257 per metric ton and congestion issues in Panama driving up sailing distances. While the spot freight market slumped at the beginning of 2024 due to a severe cold snap in the US which significantly reducing the price arbitrage, we have also been able to book the first quarter at a very healthy level. As of today, we are currently ~70% booked for the first quarter with an average TCE of approximately ~$70,000/day on a discharge-to-discharge basis. While the freight market has rebounded from the lows, we expect the remaining days to be booked well below the current bookings. However regardless of this, the first quarter numbers are expected to be very solid. As our third quarter results were impacted by timing effects related to IFRS 15, we expect most of this effect to be reversed in the first quarter with load-to-discharge numbers expected to come in $10-20,000/day higher than the discharge-to-discharge numbers calculating roundtrip economics and utilized for guidance.

In the second half of 2023 we also agreed to sell four ships. Two ships were older 2008 vintage ships and thus part of our communicated fleet renewal process. The sale of the remaining two VLGC were more opportunistically in nature where we could secure a very attractive sales price and take some money of the table in a buoyant market. Aggregated profit from the vessel sales is expected to be approximately $120 million. One of these ships, Iris Glory, has already been delivered to new owners. In the first quarter we plan to deliver Venus Glory and the first VLGC newbuilding to new owners while the last remaining VLGC newbuilding is scheduled for delivery to new owners in the second quarter. Consequently, we expect to book about $84 million of profits from vessel sales in the first quarter and another $36 million in the second quarter. These sales will also significantly increase our cash balance from an already healthy level of $132 million at year-end. In the first quarter we expect to release about $125 million in cash from vessel sales with another $60 million in the second quarter. On top of this, we expect to release $45 million in cash from refinancings in the first quarter were $40 million is already released through the swap of the sale-and-leaseback financing for the two VLGC newbuilds sold to replace the bank financing for Avance Polaris and Avance Capella.

Taking into account the cash release from asset sales and refinancing, our pro-forma cash balance is about $362 million or close to 40% of the Company's Market Capitalization. Hence, as previously communicated, the Company plan to seek Annual General Meeting authorization to reduce paid-in capital in relation to sale of dual fuel VLGC newbuildings to return part of this cash position to our shareholders in a tax efficient manner. Until this have been completed, the Board has decided to declare a quarterly dividend per share of $0.65 bringing the dividend per share for the full year to $2.15 of approximately 101% of earnings per share. This translate into a current dividend yield of about 18% which we think should make it attractive being invested in Avance Gas."

In US$ thousands (unless stated otherwise)	Three months ended	Three months ended
Income statement:	**December 31, 2023**	**September 30, 2023**
TCE per day ($) discharge-to-discharge	76,244	55,252
TCE per day ($) load-to-discharge	71,904	46,696
TCE earnings	89,593	59,239
Gross operating profit	77,679	46,055
Net profit	61,474	30,077
Earnings per share (basic) ($)	0.80	0.39
Balance sheet:	**December 31, 2023**	**September 30, 2023**
Total assets	1,153,585	1,152,456
Total liabilities	549,791	571,420
Cash and cash equivalents	131,515	146,078
Total shareholders' equity	603,794	581,036
Cash flows:	**December 31, 2023**	**September 30, 2023**
Net cash from operating activities	61,734	27,088
Net cash from (used in) from investing activities	(27,389)	(21,353)
Net cash from (used) in financing activities	(49,126)	(51,185)
Net (decrease) increase in cash and cash equivalents	(14,782)	(45,450)

MARKET UPDATE

Following a record-breaking end to Q3-23 with freight indices posting all-time highs for several trading days, Q4 turned out to be yet another strong quarter driven by (i) continued strong export from the US, reduced exports out the Arabian Gulf (AG), (ii) continued efficiency issues in Panama, (iii) increased tension and security issues in the Red Sea and (iv) very favourable product price arbitrage between US Gulf Coast and Far East Asia.

Freight rates started to taper off in early October before recovering towards the end of the month. This positive momentum continued into November on the back of Panama Canal authorities announcing a reduction in number of transit and BLPG3 – Houston-Chiba/Panama averaged at almost $237 per metric ton with a corresponding TCE of $146,000/day which is one of the highest average TCE/day recorded. However, as December saw US/East Propane price arbitrage ('arb') started to narrow on the back of weak macro-economic sentiment in Asia and rising gas prices in USA, freight rates started to slide. A small pre-Christmas rush managed to retake most ground lost through the month and for the average of BLPG 1 and BLPG 3 came in at $125,000/day over the quarter.

US Export continued to be strong in Q4-23 and EA Gibson data shows that ~96.5 VLGCs were loaded per month on average in Q4-23, approximately 7.5 VLGCs more than was seen per month on average in Q3-23, and a ~17% increase compared to Q4 22 with 82.5 loading. This increased export has primarily been heading East, with China being the end destination for almost a quarter of all VLGCs heading out of the US in 2023. US seaborne LPG export growth was 13% year-on-year with China being the key import nation recording an import growth of 22% year-on-year.

Middle Eastern exports (excluding Iran) fell from 57.5 VLGCs on average per month in Q3 to 53 VLGCs per month in Q4 due to OPEC production cuts in the second half of 2023. December AG cargo liftings were only 47 VLGC loadings being the lowest since July 2021. Iranian exports on the other hand recorded a strong increase in 2023 as exports increased by 23% y-o-y.

The ongoing situation in the Red Sea / Gulf of Aden and particularly around the Bab el-Mandeb strait have effectively closed the Red Sea for VLGCs either in transit to load cargoes out of Yanbu or to sail through in laden or ballast passage. Although the time impact of increased sailing distances by going via Cape of Good Hope rather than Suez is approximately 3.5 days (ballast), the real impact on VLGC is coming from the disappearance of Yanbu cargos which, combined with the OPEC production cuts, are further reducing cargo availability in AG.

The narrative of Panama Canal as the "go-to" short-cut for VLGCs heading to North-East Asia have and are still challenged by (i) the changes to the booking system and (ii) the drought that Panama have experienced, severely limiting the number of transits and as a result Q4 23 saw auction fees skyrocketing, peaking at near to $4 million on top of ordinary canal fees of $0.4 million.

FINANCIAL AND OPERATIONAL REVIEW

Avance Gas reported Time Charter Equivalent (TCE) earnings of $89.6 million, compared to $59.2 million for the third quarter. The TCE is reduced by $12.1 million in Forward freight Agreements (FFA) and bunker hedges losses during the quarter compared to a negative effect of $10.6 million for the third quarter which translates to a negative effect for the whole fleet of $9,700/day and $8,300/day respectively. Adjustment related to the IFRS 15 accounting standard resulted in a decrease in TCE earnings of $5.4 million or $4,300/day compared to a decrease in TCE earnings of $10.9 million or $8,600/day for the third quarter 2023. TCE earnings for the full year 2023 were $273.7 million, compared to $183.0 million in 2022.

Operating expenses (OPEX) were $10.4 million, equaling a daily average of $8,092/day. This compares to $10.4 million or $8,071/day for the third quarter. Operating expenses are at the same level as the previous quarter as there were no major changes in the fleet during the quarter. Full year average OPEX per ship was $8,187/day compared to $8,403/day in 2022.

Administrative and general (A&G) expenses for the quarter were $1.5 million, compared to $2.8 million in the third quarter, representing an average per ship of $1,158/day and $2,165/day respectively. The decrease in A&G relates to settlement of employee share options during the third quarter. A&G expenses for the full year 2023 were $6.9 million, compared to $6.7 million in 2022.

Non-operating expenses, consisting of finance expenses, finance income and foreign exchange gain, were $5.0 million, compared to $5.1 million in the third quarter. Finance expenses were at the same level as for the third quarter due to rising interest rates which was offset by interest rate hedges. Finance income decreased by $0.2 million related to interest earned on cash deposits. Foreign exchange gains increased by $0.3 million compared to the third quarter. Full year non-operating expenses were $18.8 million in 2023 and $20.0 million in 2022.

Avance Gas reported a net profit of $61.5 million for the fourth quarter 2023, or $0.80 per share, compared with a net profit of $30.1 million, or $0.39 per share for the third quarter 2023. Net profit for the full year 2023 was $163.6 million, an increase from $89.0 million in 2022.

Avance Gas' total assets amounted to $1,153.6 million on 31 December 2023, compared with $1,152.5 million on 30 September 2023. Total shareholders' equity was $603.8 million at quarter-end, corresponding to an equity ratio of 52.3%. Shareholder equity increased by $22.8 million during the quarter mainly due to net profit of $61.5 million being offset by paid dividend of $38.3 million for the third quarter 2023 and decrease from other comprehensive income of $0.5 million.

Cash and cash equivalents were $131.5 million on 31 December 2023, compared to $146.1 million on 30 September 2023. Cash flow from operating activities was $61.7 million, compared with $27.1 million for the third quarter of 2023. Net cash flow used in investing activities was $27.4 million and mainly relates to pre-delivery instalments for VLGC Avance Pollux, MGC newbuildings 3 & 4 and drydocking expenses of Venus Glory. This compares with a net cash flow used in investing activities of $21.4 million for the third quarter 2023 which mainly relates to pre-delivery instalments for the MGC newbuildings 1 & 2 and drydocking expenses of Venus Glory. Net cash flow used in financing activities was $49.1 million, including repayments of debt of $10.8 million and payment of dividend of $38.3 million for the third quarter.

SALE OF VESSELS

In December 2023, the Company announced the agreement to sell its two remaining 91,000 cbm dual fuel newbuildings scheduled for delivery in 2024. The buyer has agreed to pay $240 million en bloc for the two newbuildings ex-yard delivery. The newbuildings, with the intended names Avance Castor and Avance Pollux, were originally scheduled for delivery in the third and fourth quarter of 2023 but have been delayed with expected delivery now scheduled for March and May 2024, respectively. The newbuildings were contracted in April 2021 at a price of approximately $78 million each. They have since been upgraded with capex of about $3 million each for the ships to be able to load ammonia cargoes as well as being ready to run on ammonia as fuel when this feature becomes commercially available. Hence, Avance Gas expect to book a profit of approximately $72 million from the sale of which $36 million will be booked in the first quarter and $36 million in the second quarter. The cash release from the sale is expected to be $120 million/$60 million per vessel as we have already paid about $47 million in milestone payments to the yard in accordance with the Ship Building Contract.

In January 2024, the Company completed the sale of Very Large Gas Carrier (VLGC) Iris Glory, built 2008, for a gross cash consideration of $60 million. The vessel completed her two-year Time Charter with IOC at end of November 2023. After completion of the Time Charter, Iris Glory also carried out a single spot voyage at a net Time Charter Equivalent (TCE) result of $3.1 million prior to delivery of the vessel to the new owners. The Company will record a book gain on sale of approximately $21 million and net cash proceeds following repayment of the lease financing of approximately $25 million for the first quarter 2024.

In January 2024, the Company announced that it had entered into an agreement to sell the VLGC Venus Glory, built 2008, for a gross cash consideration of $66 million. The vessel is currently trading spot at a net TCE result of $5.4 million after completing her two-year Time Charter Party (TCP) with IOC at the end of fourth quarter 2023.

Delivery of the ship to the new owner, a National Oil Company, is expected to take place end of February 2024. The $66 million sale price is less broker commission. Hence, the Company expect to record a book gain of $27 million and net cash proceed of $40 million after repayment of debt.

FINANCING

In January 2024, the Company signed a $43.0 million bank Facility for the refinancing of VLGC Pampero (2015). The financing will significantly improve the current financing of the vessel, bears a margin of 1.90%, age adjusted profile of 20 years with maturity in 2028. Drawdown of the Facility is scheduled to be in March 2024 which will result in net cash proceeds of approximately $5 million after repayment of existing debt.

In February 2024, the Company signed and drew on the amended $135 million sale leaseback arrangement. As previously announced, the Company agreed with the financier to swap the intended lease from the two VLGC newbuildings for delivery in March and May 2024, Avance Castor and Avance Pollux, to the sister ships Avance Polaris and Avance Capella (both 2022). The refinancing will extend maturity from 2027 to 2034 and resulted in a net cash release of $40 million in the first quarter 2024.

FLEET AND EMPLOYMENT OVERVIEW

For the fourth quarter, we had a TC coverage of ~29% at an average TCE rate of $48,900/day and spot voyages of 71% at an average rate of $100,900/day equalling an average fleet TCE rate of $85,900/day on a discharge-to-discharge basis excluding FFA losses. FFA and bunker hedge losses amounted to $12.1 million or $9,700/day of total fleet operating days. Furthermore, adjustment related to the IFRS 15 accounting standard resulted in a decrease in TCE earnings of $5.4 million or $4,300/day of total fleet operating days. Thereby, the Company reported a TCE/day of $71,900 load-to-discharge.

For the full year 2023, we had a TC coverage of 29% at an average TCE rate of $38,500/day and spot voyages of 71% at an average rate of $77,000/day equalling an average fleet TCE rate of $65,800/day on a discharge-to-discharge basis excluding FFA losses. FFA and bunker hedge losses amount to $29.7 million reducing the average fleet TCE rate by $6,200/day. Adjustment related to the IFRS 15 accounting standard resulted in a decrease in TCE earnings of $11.8 million or $2,500/day of total fleet operating days. Thereby, the Company reported a TCE/day of $57,200 load-to-discharge.

Avance Gas recorded 1,246 operating days for the fourth quarter 2023, compared to 1,269 operating days for the third quarter 2023. The number of operating days is lower than in the previous quarter primarily due to drydocking of Venus Glory resulting in 43 days of off hire during the fourth quarter. Operating days are calendar days less off-hire days. The company recorded 10 waiting days for the fleet in the fourth quarter, giving Avance Gas a fleet commercial utilization during the quarter of 99.2%, compared to 98.9% in the third quarter.

OUTLOOK

Freight markets have had a difficult start to the new year, whereby muted cargo availability and fixing activity in AG have led to a growing number of ships in the US in search of employment. In addition, low demand from East coupled with rising domestic US gas consumption due to cold weather have narrowed the US/East product arb ('arb') and thereby reduced most charterers appetite for engaging in the spot market. Few available spot cargoes have also meant that terminals managed to capture a bigger part of the arb as they have increased prices of their cargoes (Terminaling fees).

Rates have thus subsequently declined rapidly from low $130,000/day at the start of the year to high $10,000/low $20,000 per day. Although US LPG production is expected to grow in the coming year, exports growth may be limited by US exporter terminal capacity whereby there are no significant capacity increases scheduled before medio 2025 (theoretical max export capacity of 1.9million bbls per day). This together with expectation of continued flat development of US domestic consumption is expected to keep US gas prices subdued in the foreseeable future. Any increase in US exports, prior to summer of 2025, will thus have to stem from the export terminal's ability to maintain a high utilization rate over time. US terminals exported on average 80 VLGCs per month in 2022 and 90 overall in 2023 with certain months managing as many as 100 VLGCs – implying there should be some upside remaining however this will be subject to Houston Ship Channel operations as well as market environment.

For the AG, OPEC production cuts are keeping a lid on any supply side growth while the situation in the Red Sea with the Houthi rebels attacking merchant shipping in the area are hampering exports out Yanbu that is difficult to diverge to the Gulf coast of Saudi Arabia effectively pulling further tons away from the export market.

Chinese PDH capacity stood at close to 18 million tonnes per year at the end of 2023 and capacity for 2024 is expected to increase by 20% y-o-y. However, as run rates have been declining since Q3 the utilization rates moving into 2024 will be key for any real demand growth in China for 2024.

The orderbook currently stand at 80 VLGCs or ~20% of 384 VLGCs on water. 65% of the orderbook is being delivered in 2026 and beyond. The orderbook continue to grow as owners have recently been contracting VLACs – Very Large Ammonia Carriers which is 40% of the orderbook, a new derivative of the traditional VLGC design but with added steel works to allow the ships to carry ammonia at 98% filling capacity due to the higher specific gravity of ammonia compared to propane and butane.

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 2023 on Wednesday, 14 February 2024, at 14:00 CET. There will be a Q&A session following the presentation.

The presentation and webcast will be hosted by:

- Mr. Øystein Kalleklev - CEO
- Mrs. Randi Navdal Bekkelund - CFO

The presentation will also be available via audio webcast, which can be accessed at Avance Gas' website www.avancegas.com or using the link: https://edge.media-server.com/mmc/p/qn6w57nr

Guests can log into the conference call using the following link
https://register.vevent.com/register/BIe8c6eceb67ed456c9c903090331769f5

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FORWARD-LOOKING STATEMENTS

Matters discussed in this announcement may constitute forward-looking statements. All statements other than statements of historical facts included in this announcement, including those regarding Avance Gas' plans, strategies, business prospects, changes and trends in its business and the markets which it operates are forward-looking statements. These forward-looking statements may, but not necessarily, be identified by words such as "anticipate", "believe", "continue", "estimate", "expect", "intends", "may", "should", "will", "would", "can", "could" or, in each case, their negative, or other variations or comparable terminology and similar expressions. The forward-looking statements in this release are based upon various assumptions and may not be guaranteed, 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. Avance Gas undertakes no obligation to update any forward-looking statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for Avance Gas to predict all of these factors. Further, Avance Gas cannot assess the impact of each such factors on its business or the extent to which any factor, or combination of factors, may cause actual results to be materially different from those contained in any forward-looking statements.

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 twelve months ended	
		December 31, 2023	**December 31, 2022**	**December 31, 2023**	**December 31, 2022**
		(in USD thousands)		*(in USD thousands)*	
Operating revenue	10	**111,219**	67,410	**352,310**	254,540
Voyage expenses	10	**(21,626)**	(13,914)	**(78,561)**	(71,504)
Operating expenses		**(10,423)**	(10,162)	**(40,298)**	(40,748)
Administrative and general expenses		**(1,491)**	(1,831)	**(6,900)**	(6,667)
Operating profit before depreciation expense		**77,679**	41,503	**226,551**	135,621
Depreciation and amortisation expense		**(11,055)**	(10,633)	**(43,934)**	(45,020)
Gain on disposal of asset		-	7,877	**-**	18,648
Operating profit		**66,624**	38,747	**182,617**	109,249
Non-operating (expenses) income:					
Finance expense		**(6,393)**	(5,401)	**(24,017)**	(21,362)
Finance income		**1,026**	1,056	**5,175**	1,692
Foreign currency exchange gain (loss)		**337**	460	**60**	(302)
Income before tax		**61,594**	34,862	**163,835**	89,277
Income tax expense		**(120)**	(151)	**(258)**	(285)
Net profit		**61,474**	34,711	**163,577**	88,992
Earnings per share					
Basic		**0.80**	0.45	**2.14**	1.16
Diluted		**0.80**	0.45	**2.12**	1.16

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		For the twelve months ended	
		December 31, 2023	**December 31, 2022**	**December 31, 2023**	**December 31, 2022**
		(in USD thousands)		*(in USD thousands)*	
Net profit		**61,474**	34,711	**163,577**	88,992
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		**(103)**	1,908	**(9,092)**	26,497
Amortisation of gain on discontinued hedges		**(434)**	(365)	**(1,650)**	(647)
Exchange differences arising on translation of foreign operations		**9**	13	**10**	-
Other comprehensive income		**(529)**	1,556	**(10,733)**	25,850
Total comprehensive income		**60,945**	36,267	**152,844**	114,842

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

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

	Note	As of December 31, 2023	As of December 31, 2022
		(in USD thousands)	
ASSETS			
Cash and cash equivalents		**131,515**	224,243
Trade and other receivables		**42,962**	12,229
Inventory		**9,776**	4,976
Prepaid expenses and other current assets		**26,519**	15,100
Derivative financial instruments	7	**4,953**	5,988
Asset held for sale	5	**38,047**	-
Total current assets		**253,772**	262,536
Property, plant and equipment	5	**808,818**	715,866
Newbuildings	5	**87,346**	83,597
Derivative financial instruments	7	**3,649**	5,871
Total non-current assets		**899,813**	805,334
Total assets		**1,153,585**	1,067,870
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current portion of interest-bearing debt	6	**38,380**	37,278
Debt for asset held for sale	5, 6	**31,476**	-
Trade and other payables		**5,513**	4,556
Accrued voyage expenses and other current liabilities		**13,226**	7,866
Derivative financial instruments	7	**6,762**	-
Total current liabilities		**95,357**	49,700
Long-term debt	6	**454,434**	414,245
Total non-current liabilities		**454,434**	414,245
Shareholders' equity			
Share capital		**77,427**	77,427
Paid-in capital		**431,366**	431,366
Contributed capital		**94,983**	94,772
Retained income (loss)		**4,771**	(5,620)
Treasury shares		**(11,351)**	(11,351)
Accumulated other comprehensive income/(loss)		**6,598**	17,331
Total shareholders' equity		**603,794**	603,925
Total liabilities and shareholders' equity		**1,153,585**	1,067,870

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, 2021	77,427	431,366	95,070	(44,825)	(8,519)	(11,351)	539,168
Comprehensive loss:							
Net profit	-	-	-	88,992	-	-	88,992
Other comprehensive (loss) income:							
Fair value adjustment of derivative financial instruments	-	-	-	-	26,497	-	26,497
Amortisation of gain on discontinued hedges	-	-	-	-	(647)	-	(647)
Total other comprehensive income	-	-	-	-	25,850	-	25,850
Total comprehensive loss	-	-	-	88,992	25,850	-	114,842
Transactions with shareholders:							
Dividends	-	-	-	(49,787)	-	-	(49,787)
Compensation expense for share options	-	-	(298)	-	-	-	(298)
Total transactions with shareholders	-	-	(298)	(49,787)	-	-	(50,085)
As of December 31, 2022	77,427	431,366	94,772	(5,620)	17,331	(11,351)	603,925
As of December 31, 2022	**77,427**	**431,366**	**94,772**	**(5,620)**	**17,331**	**(11,351)**	**603,925**
Comprehensive loss:							
Net profit	-	-	-	**163,577**	-	-	**163,577**
Other comprehensive (loss) income:							
Fair value adjustment of derivative financial instruments	-	-	-	-	**(9,092)**	-	**(9,092)**
Amortisation of gain on discontinued hedges	-	-	-	-	**(1,650)**	-	**(1,650)**
Translation adjustments, net	-	-	-	-	**10**	-	**10**
Total other comprehensive loss	-	-	-	-	**(10,733)**	-	**(10,733)**
Total comprehensive loss	-	-	-	**163,577**	**(10,733)**	-	**152,844**
Transactions with shareholders:							
Dividends	-	-	-	**(153,186)**	-	-	**(153,186)**
Compensation expense for share options	-	-	**211**	-	-	-	**211**
Total transactions with shareholders	-	-	**211**	**(153,186)**	-	-	**(152,976)**
As of December 31, 2023	**77,427**	**431,366**	**94,983**	**4,771**	**6,598**	**(11,351)**	**603,794**

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

	Note	For the twelve months ended December 31, 2023	December 31, 2022
		(in USD thousands)	
Cash flows from operating activities			
Cash generated from operations	3	**191,154**	142,180
Interest paid		**(24,005)**	(19,057)
Net cash flows from operating activities		**167,149**	123,123
Cash flows from (used in) investing activities:			
Net proceeds from sale of assets		**-**	141,525
Capital expenditures	5	**(177,446)**	(155,101)
Net cash flows used in investing activities		**(177,446)**	(13,576)
Cash flows from (used in) financing activities:			
Dividends Paid	4	**(153,186)**	(49,787)
Repayment of long-term debt	6	**(43,154)**	(364,840)
Proceeds from loans and borrowings, net of transaction costs	6	**114,855**	422,788
Cash settlement on derivatives		**1,073**	6,067
Settlement share options		**(1,815)**	(933)
Net cash flows from (used in) financing activities		**(82,227)**	13,295
Net increase (decrease) in cash and cash equivalents		**(92,524)**	122,842
Cash and cash equivalents at beginning of period		**224,243**	101,910
Effect of exchange rate changes on cash		**(204)**	(509)
Cash and cash equivalents at end of period		**131,515**	224,243

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 31 December 2023, the Company owned and operated a fleet of fourteen modern ships and two Dual Fuel VLGCs (Very Large Gas Carriers) newbuildings due for delivery in 2024, and four dual fuel MGCs (Medium-Sized Gas Carriers) due for delivery in 2025 and 2026.

Basis of Preparation

The condensed consolidated interim financial statements of Avance Gas Holding Ltd and its subsidiaries, have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The condensed consolidated interim financial statements should be reviewed in conjunction with the consolidated financial statements for the year ended December 31, 2022, which were prepared in accordance with IFRS® Accounting Standards as adopted by the European Union ("IFRS"), to fully understand the current financial position of the Group.

2. Significant accounting policies

The accounting policies applied are consistent with those described in note 2 of the annual consolidated financial statements for the year ended December 31, 2022, with the exception of income taxes, which, for the purpose of interim financial statements, are calculated based on the expected effective tax rate for the full year.

Operating revenue

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

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

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

New or amendments to standards adopted by the Group

A number of amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

3. Reconciliation of net profit to cash generated from operations

	For the twelve months ended	
	December 31, 2023	**December 31, 2022**
	(in USD thousands)	
Net profit	**163,577**	88,992
Adjustments to reconcile net profit to net cash from operating activities:		
Depreciation and amortisation of property, plant and equipment	**43,934**	45,020
Net finance expense	**23,957**	21,664
Compensation expense	**2,026**	636
Gain on sale of assets	**-**	(18,648)
Changes in assets and liabilities:		
(Increase) Decrease in trade and other receivables	**(30,734)**	9,004
(Increase) Decrease in inventory and prepaid expenses and other current assets	**(16,219)**	738
Increase (Decrease) in trade and other payables	**956**	(3,930)
Increase (Decrease) in accrued voyage expenses and other current liabilities	**3,445**	(1,802)
Other	**212**	506
Cash flows from operating activities	**191,154**	142,180

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 December 31, 2023 and December 31, 2022. Of the authorised share capital, 77.4 million shares were issued and outstanding as of December 31, 2023 and December 31, 2022, including 0.8 million treasury shares. All shares are fully paid.

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

Share-based payments

In 2013, the Company set up a share option plan in order to encourage the Company's officers and other employees to hold shares in the Company. Following the award, declared, forfeited and cancellation of shares since 2013, a total of 719,750 share options remained outstanding under the Company's share option scheme as of December 31, 2023. The average strike price of the share options as at 31 December 2023 was 36 NOK, resulting in a dilutive effect of respectively $0.00 and $0.02 per share for the three and twelve months ended December 31, 2023.

Cash dividends paid to the equity holders of the parent

	As of	
	December 31, 2023	**December 31, 2022**
	(in USD thousands)	
Dividends on ordinary shares declared and paid:		
Final dividend for 2022: $0.50/share (2021: $0.05/share)	**38,296**	3,830
First dividend for 2023: $0.50/share (2022: $0.20/share)	**38,296**	15,319
Second dividend for 2023: $0.50/share (2022: $0.20/share)	**38,297**	15,319
Third dividend for 2023: $0.50/share (2022: $0.20/share)	**38,297**	15,319
Total dividends on ordinary shares	**153,186**	49,787

5. Property, plant and equipment

During the twelve months ended December 31, 2023 and December 31, 2022, the Group capitalised $170.1 million and $157.3 million, respectively, in newbuildings. For the twelve months ended December 31, 2023, the amount capitalised consists of instalments prior to delivery of newbuildings and other costs related to the newbuilding program, including borrowing costs of $1.2 million. During the first half of 2023, the Company took delivery of the VLGC Avance Rigel and the VLGC Avance Avior, resulting in reclassification of $166.4 million from newbuildings to property, plant and equipment.

During the twelve months ended December 31, 2023, the Group capitalised $8.6 million in property, plant and equipment. The amount capitalised consists of drydocking expenses for VLGC Iris Glory and VLGC Venus Glory and other upgrading expenses.

In June and August 2023, the Company entered newbuilding contracts with CIMC (Nantong CIMC Sinopacific Offshore & Engineering Co., Ltd) for the construction of four mid-sized LPG/ammonia gas carriers with dual fuel engines. During the twelve months ended December 31, 2023, the group capitalised in total $37.1 million in relation to these newbuildings.

In July 2023, the Company announced the sale of the 2008 built VLGC Iris Glory. The vessel is recognised as held for sale at December 31 2023 at a carrying amount of $38.0 million as all the conditions under IFRS 5 for classification as held for sale have been met. The vessel is not depreciated while holding the classification and due to repayment upon completion of the sale, the outstanding debt is classified as current in the balance sheet at December 31 2023.

In December 2023, the Company announced the sale of the two remaining dual-fuel VLGC newbuildings scheduled for delivery from the yard in March and May 2024. Delivery to the new owners will be ex-yard delivery. For these two newbuildings, the Company has capitalised $49.9 million which is included in Newbuildings at December 31, 2023.

6. Long-term debt

Long-term debt consisted of debt collateralised by the Group's 14 VLGCs as of December 31, 2023.

Long-term debt repayments were $43.2 million for the twelve months ended December 31, 2023, where all was scheduled repayment of debt. The company drew $115.0 million on a $555 million sustainability linked financing facility in connection with delivery of the VLGC Avance Rigel and the VLGC Avance Avior during the first half of 2023.

Non-current and current debt in the table below includes debt issuance costs of respectively $4.5 million and $1.8 million as of December 31, 2023. As of December 31, 2022, non-current and current debt includes debt issuance cost of respectively $6.1 million and $1.0 million.

	As of	
	December 31, 2023	**December 31, 2022**
	(in USD thousands)	
Non-current		
Secured bank loans	**306,651**	231,968
Revolving credit facilities	**113,387**	113,387
Lease financing agreement	**34,396**	68,890
	454,434	414,245
Current		
Current portion of secured bank loans	**36,233**	30,522
Current portion of lease financing agreement	**2,147**	6,756
Current portion of lease financing – asset held for sale	**31,476**	-
	69,856	37,278
Total interest-bearing debt	**524,290**	451,523

7. Fair value disclosures

Fair value of financial instruments

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

		As of December 31, 2023		As of December 31, 2022	
		(in USD thousands)			
	Note	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial liabilities					
Secured bank loans	6	**342,885**	**342,885**	262,490	262,490
Revolving credit facilities	6	**113,387**	**113,387**	113,387	113,387
Lease financing agreement	6	**68,019**	**68,019**	75,646	75,646
Derivative financial instruments					
Net interest rate swap assets		**8,602**	**8,602**	10,880	10,880
Net interest rate swap liabilities		**-**	**-**	-	-
Forward Freight Agreements and Bunker Hedges assets		**-**	**-**	979	979
Forward Freight Agreements and Bunker Hedges liabilities		**6,762**	**6,762**	-	-

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 December 31, 2023 and December 31, 2022 as it is variable-rated.

The fair value (level 2) of the Company's rate swap agreements is the estimated amount that the Company would receive or pay to terminate the agreements at the reporting date, considering, as applicable, fixed interest rate curves and the current credit worthiness of both the Company and the derivative counterparty. The estimated amount is the present value of future cash flows. The fair value (level 2) of the Company's Forward Freight Agreements and Bunker hedges are determined using forward commodity prices at the balance sheet date.

Fair value adjustment of interest rate swaps, forward freight agreements and bunker hedges as of December 31, 2023, and December 31, 2022, is recognised in the statement of other comprehensive income / loss, refer to note 9.

The forward freight agreements and bunker hedges of $6.8 million as of December 31, 2023, consist of 50,000 tons/month of LPG freight and 1,700 tons/month of bunkers hedged for the first quarter 2024 corresponding to approximately one and a half vessel activity, 1,150 tons/month of bunkers hedged for the second quarter 2024 and 17,000 tons/month of LPG freight and 600 tons/month of bunkers hedged for the full calendar year 2024 corresponding to one half of a vessel activity.

In May 2023, the Group terminated a notional amount of $125 million in interest rate swaps and thus recognised swap gain and cash proceeds of $1.0 million. The gains on termination of the interest rate swaps are being reclassified from other comprehensive income to the income statement and amortised on a straight-line basis until maturity of the underlying debt.

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) Ltd. 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) Ltd. Additionally, the group entered a shared services agreement with Front Ocean Management AS (Norway) in Q4 2021.

For the twelve months ended December 31, 2023, the fee for corporate secretarial services was $287.3 thousand, the fee for technical supervision for current fleet and newbuildings was $1,162.4 thousand and fee for office lease and shared services was $686.9 thousand. In addition, Avance Gas received a recharge of operational credits of $661.0 thousand.

For the twelve months ended December 31, 2022, the fee for corporate secretarial services was $248.4 thousand, fee for technical supervision for current fleet and newbuildings was $2,246.1 thousand and fee for office lease and shared services was $979.9 thousand. In addition, Avance Gas received a recharge of operational credits of $1,028.8 thousand. A summary of balances due to related parties on December 31, 2023, and December 31, 2022, as follows:

	As of	
	December 31, 2023	**December 31, 2022**
	(in USD thousands)	
Frontline Management (Bermuda) Ltd.	**1,080**	245
Flex LNG Ltd.	**-**	3
Flex LNG Management AS	**178**	-
Net payable to related parties	**1,258**	248

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 income/ (loss)**
Balance January 1, 2022	53	(8,572)	(8,519)
Effective portion of changes in fair value of interest rate swaps	-	24,155	24,155
Reclassified to profit or loss	-	1,695	1,695
Balance December 31, 2022	53	17,278	17,331
Effective portion of changes in fair value of interest rate swaps	-	(2,165)	(2,165)
Reclassified to profit or loss	-	(8,577)	(8,577)
Translation adjustment, net	10	-	10
Balance December 31, 2023	63	6,536	6,598

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 twelve months ended**	
	December 31, 2023	**December 31, 2022**	**December 31, 2023**	**December 31, 2022**
	(in USD thousands)		*(in USD thousands)*	
Operating revenue	**111,219**	67,410	**352,310**	254,540
Voyage expenses	**(21,626)**	(13,914)	**(78,561)**	(71,504)
Voyage result	**89,593**	53,496	**273,749**	183,036
Calendar days	**1,288**	1,163	**4,922**	4,849
Technical off-hire days	**(42)**	(12)	**(135)**	(62)
Operating days	**1,246**	1,151	**4,787**	4,787
TCE per day ($)	**71,904**	46,478	**57,186**	38,236

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 undertakes 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 January 2024, the Company announced the sale of the 2008-built VLGC Venus Glory to an unrelated third party for a gross cash consideration of $66 million. Delivery to the new owners is expected to take place within March 2024.

In January 2024, the Company successfully completed the sale of the 2008-built VLGC Iris Glory by delivering the vessel to the new owners.

In January 2024, the Company signed a $43 million bank facility agreement to refinance the VLGC Pampero (2015-built). Drawdown of the bank facility is scheduled in March 2024.

In January 2024, the Company signed a $135 million sale and leaseback arrangement to refinance the VLGC Avance Polaris and Avance Capella (2022-built). The sale leaseback arrangement was originally signed in August 2022 and intended to finance the two VLGC newbuildings for delivery in 2024, Avance Castor and Avance Pollux, which were subsequently sold with scheduled delivery ex-yard in March and May 2024. Thereby, the sale leaseback arrangement was transferred to Avance Polaris and Avance Capella in January 2024.