



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

BERMUDA, 28 May 2020 – Avance Gas Holding Ltd (OSE: AVANCE) today reported unaudited results for the first quarter 2020.

HIGHLIGHTS

- The average time charter equivalent (TCE) rate was \$44,990/day on the basis of IFRS 15 accounting standard and \$40,143/day on discharge to discharge basis, compared to \$51,047/day and \$51,358/day, respectively, in Q4 2019.
- Daily operating expenses (OPEX) were \$8,650/day, compared to \$7,983/day in 2019.
- A&G expenses were \$1,042/day, down from \$1,082/day in 2019.
- In February the company entered into a \$15 million credit facility to part finance the scrubber installments for our fleet.
- In March, the company made a dividend payment of \$0.3/share or \$19.1 million to the shareholders.
- At the time of this report, five ships have completed special survey and four scrubbers have been installed. Further four ships are due for drydock during the remainder of 2020.

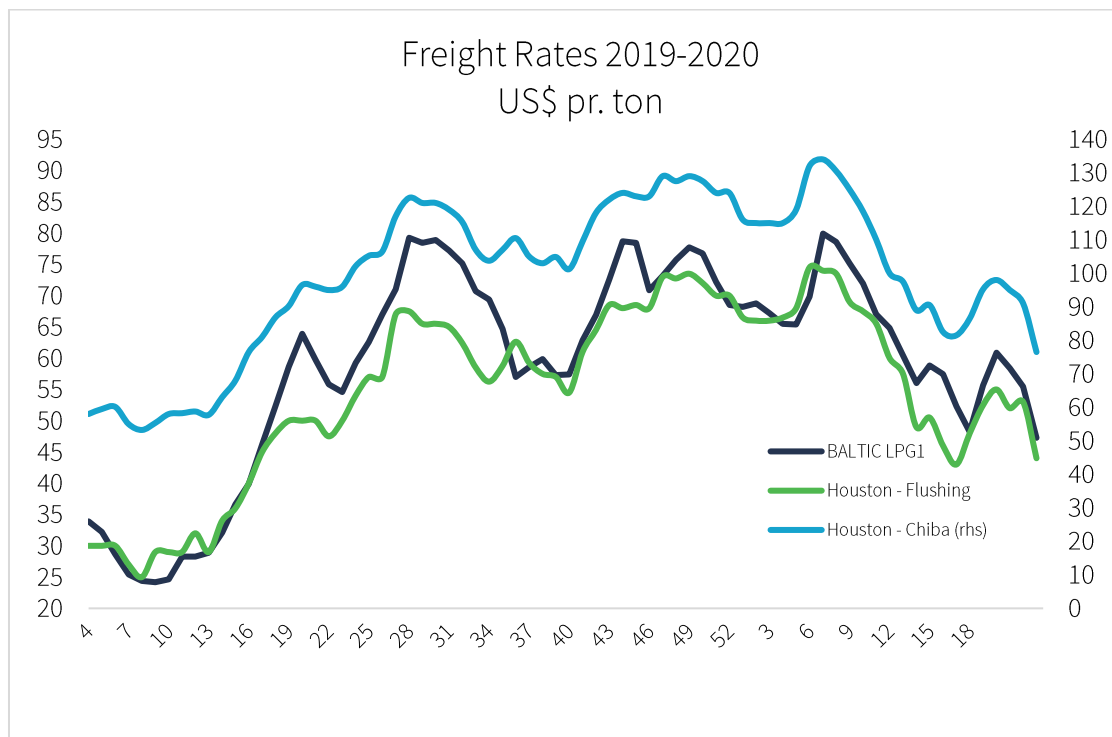
In US\$ thousands (unless stated otherwise)	Three months ended	Three months ended
Income statement:	31 March 2020	31 December 2019
TCE earnings	44,059	65,024
TCE per day (\$)	44,990	51,047
Operating profit before depreciation expense	31,712	53,586
Net profit	15,097	36,814
Earnings per share (diluted) (\$)	0.24	0.58
Balance sheet:	31 March 2020	31 December 2019
Total assets	892,689	899,048
Total liabilities	499,070	487,937
Cash and cash equivalents	85,867	85,909
Total shareholders' equity	393,619	411,111
Cash flows:	31 March 2020	31 December 2019
Net cash from operating activities	36,255	52,226
Net cash used in investing activities	(21,121)	(4,371)
Net cash used in financing activities	(15,108)	(45,919)
Net increase in cash and cash equivalents	(42)	2,284

The Covid-19 virus outbreak has had significant impact on global trade and in the capital markets. For the VLGC market, we have in Q1 seen temporary reductions in LPG demand in Asia and Europe, while travel bans, quarantines and lock downs has led to delays at shipyards and lower global fleet efficiency. While the latter has led to lower fleet capacity in support of the freight market, it has led to lower returns for those impacted by the delays.

The freight market has remained at firm levels in Q1, with disruptions from IMO 2020 implementation and US exports being the key contributors. However, the freight market volatility has returned as LPG trading fundamentals have become less attractive. US Gulf and USEC VLGC exports were 8.9 million tons in Q1 2020, up from 8.6 million tons in Q4 2019 and 7.0 million in Q1 2019. US Gulf and USEC recorded 67 monthly VLGC cargoes in Q1 2020, compared to 62 cargoes in Q4 2019 and 52 cargoes in Q1 2019.

Middle East VLGC exports totaled 7.6 million tons in Q1 2020, down from 7.7 million tons in Q4 2019 and 7.8 million in Q1 2019. The increase in oil production impacted the spot market activity in the Middle East in March/April but has since then fallen back due to production cuts. Middle East exported on average 57 cargoes per month in Q1, down from 59 in both Q4 2019 and Q1 2019.

The global fleet totaled 294 ships by end April 2020, with an orderbook of 33 ships (11%). Ten ships are due for delivery for the remainder of 2020, 19 ships are due for delivery in 2021 and 4 ships due for delivery in 2022. Shipbrokers are expecting slippage in the orderbook due to delays in delivery of key ship components to shipyards following the Covid-19 outbreak.



(Source: Clarksons, Poten, Fearnleys)



FINANCIAL AND OPERATIONAL REVIEW

Avance Gas reported TCE earnings of \$44.1 million, down from \$65.0 million in Q4, due to slightly lower rates and fewer operating days.

Operating expenses were \$11 million, equaling a daily average of \$8,650/day. This compares to \$7,983/day for full year 2019. We saw higher storing and crew costs than normal due to Covid-19. We expect operating expenses to come down during the course of the year.

Administrative and general (A&G) expenses for the quarter were \$1.3 million, down by 0.2 million from Q4, representing an average per ship of \$1,042/day for Q1 and \$1,200/day in Q4.

Non-operating expenses, consisting mainly of financial expenses, were \$6.3 million, compared with \$6.4 million in Q4, reflecting lower LIBOR rate and lower average debt.

Avance Gas reported a net profit of \$15.1 million in Q1 2020, or \$0.24 per share, compared with a net profit of \$36.8 million, or \$0.58 per share, in Q4 2019.

Avance Gas' total assets amounted to \$892.7 million at 31 March 2020, compared with \$899.1 million at 31 December 2019. Total shareholders' equity was \$393.6 million at quarter-end, corresponding to an equity ratio of 44.1%. This compared with total shareholders' equity of \$411.1 million and an equity ratio of 45.7% at the end of Q4 2019.

Cash and cash equivalents were \$85.9 million at 31 March 2020, materially unchanged compared with 31 December 2019.

Cash flow from operating activities was positive \$36.3 million, compared with \$52.2 million in Q4 2019, the decrease reflects off hire days due to scheduled drydock, scrubber installation and timing of freight payment. Net cash flow used in investing activities, primarily related to drydock, scrubber installation and 1st installment of the DF VLGC newbuildings totaling \$21.1 million compared with \$4.4 million in Q4 2019. Net cash flow used in financing activities was \$15.1 million due to dividend payment of \$19.1 million, drawdown of the \$15 million scrubber financing tranche and \$11.0 million in scheduled repayments. The available liquidity at the date of this report was approx. \$92.0 million.

FLEET AND EMPLOYMENT OVERVIEW

The majority of the Avance Gas fleet is trading in the spot market or short term contracts. *Mistral* is trading on a time charter contract expiring in December 2021, and we have increased our TC coverage for second half 2020, which now averages ~15% of the available days. Our spot market exposure is following the LPG trading activity, mainly in the US Gulf and USEC and the Middle East.

Avance Gas recorded 979 operating days in Q1 2020, compared to 1,274 operating days in Q4 2019. Operating days is calendar days less offhire days. The fleet recorded 295 offhire days, most of which related to the drydocking of the fleet and impacted by Covid-19. (Please see IMO 2020 AND DRYDOCKING below)

The company recorded 37 waiting days for the fleet in Q1 2020, giving Avance Gas a fleet utilization during the quarter of 97%, compared to 100% in Q4 2019.



IMO 2020 AND DRYDOCKING

The outbreak of the Covid-19 virus has impacted the Company's drydock program, as travel bans and quarantines has delayed delivery of key equipment and personnel for the installation of scrubbers and drydocking. In addition, the shipyard was fully shut down approx. six weeks. Out of the 295 offhire days in Q1, we estimate approx. 100 days as a result of Covid-19.

At the date of this report we have completed special survey for five ships and installed scrubbers on four ships. We currently expect to complete the scrubber installations as previously announced but continuously evaluate all options with regards timing as well as alternatives for the remaining ships due for special survey in 2020.

OUTLOOK

Subsequent to quarter end the market has weakened due to Covid-19 related reduction in trading activity, challenging LPG product pricing and production cuts in the Middle East. We expect the volatility in freight rates to continue.

With the backdrop of Covid-19 virus outbreak and disruptions in the oil market, both capital markets and the global economy have seen increased uncertainty. Oil market analysts are increasingly expecting that global oil demand will return, which together with oil production cuts announced in April/May, will support a rebound in the crude oil price, however with uncertainty of when this will occur.

The most recent LPG production forecast from EIA suggest falling LPG production from late 2020 and in 2021. Exports are also expected to come down however to a lesser degree due to lower expectations for domestic consumption. It is expected that a higher oil price will have a positive effect on production and export estimates going forward.

Close to 80% of global VLGC demand is in Asia. We expect continued underlying growth in residential demand where India is a significant driver. Existing Chinese PDH plants are reported to start returning to normal operations while new PDH plants are expected to experience some delays due to Covid-19, but come on stream in 2021-2022.

Year to date 2020, 64% of all US volumes were exported to Asia, compared to 63% and 61% in 2019 and 2018, respectively. As the incremental growth in demand comes from Asia, we expect this share to increase further.

With lack of available funding for new projects and more volatility in the VLGC market, we do not expect a significant number of additions to the orderbook, which represents 33 ships (11%) per end April. Market analysts also indicate delays in the delivery of the orderbook for second half 2020 due to Covid-19. Further, the global fleet has 27 ships (9%) older than 25 years, highlighting the potential for ship recycling.

We continue to monitor the developments in US LPG production, LPG demand and the orderbook, while continuing to focus on cost efficiency, maintaining our strong balance sheet and liquidity position.



PRESENTATION AND WEBCAST

Avance Gas will host an audio webcast and conference call to discuss the company's results for the period ended 31 March 2020 on Thursday, 28 May 2020, at 14:00 CET. There will be a Q&A session following the presentation.

The presentation and webcast will be hosted by:

- Mr. Peder C. G. Simonsen – Interim CEO and CFO

The presentation will also be available via audio webcast, which can be accessed at Avance Gas' website www.avancegas.com. Dial in details are +44 (0)2071 928 000 (UK and International), +1 631-510-7495 (US) or +47 23 96 02 64 (Norway). Please quote the passcode: 9088721. Phone lines will open 10 minutes before the conference call.

For further queries, please contact:

Peder C. G. Simonsen, Interim CEO and CFO

Tel: +47 22 00 48 15

Email: p.simonsen@avancegas.com

FORWARD-LOOKING STATEMENTS

Matters discussed in this announcement may constitute forward-looking statements. Forward-looking statements are statements that are not historical facts and may be identified by words such as “anticipate”, “believe”, “continue”, “estimate”, “expect”, “intends”, “may”, “should”, “will” and similar expressions. The forward-looking statements in this release are based upon various assumptions, many of which are based, in turn, upon further assumptions. Although Avance Gas believes that these assumptions were reasonable when made, these assumptions are inherently subject to significant known and unknown risks, uncertainties, contingencies and other important factors which are difficult or impossible to predict and are beyond its control. Such risks, uncertainties, contingencies and other important factors could cause actual events to differ materially from the expectations expressed or implied in this release by such forward-looking statements.

The information, opinions and forward-looking statements contained in this announcement speak only as at its date and are subject to change without notice. This information is subject to disclosure requirements pursuant to Section 5-12 of the Norwegian Securities Trading Act.



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

	For the three months ended	
	March 31, 2020	March 31, 2019
Operating revenue	\$ 68,135	\$ 27,745
Voyage expenses	(24,076)	(13,728)
Operating expenses	(11,020)	(10,019)
Administrative and general expenses	(1,327)	(1,143)
Operating profit before depreciation expense	31,712	2,855
Depreciation and amortization expenses	(10,353)	(10,614)
Operating profit (loss)	21,359	(7,759)
Non-operating (expenses) income:		
Finance expense	(6,157)	(7,423)
Finance income	2	4
Foreign currency exchange gain	(107)	(6)
Net profit (loss)	\$ 15,097	\$ (15,184)
Earnings (loss) per share:		
Basic	\$ 0.24	\$ (0.24)
Diluted	\$ 0.24	\$ (0.24)

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

AVANCE GAS HOLDING LTD
CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)

	For the three months ended	
	March 31, 2020	March 31, 2019
	(in thousands)	
Net profit (loss)	\$ 15,097	\$ (15,184)
Other comprehensive income (loss):		
<i>Items that may be reclassified subsequently to profit and loss:</i>		
Fair value adjustment of interest rate swaps	(13,571)	(4,080)
Exchange differences arising on translation of foreign operations	(4)	-
Other comprehensive loss	(13,575)	(4,080)
Total comprehensive income (loss)	\$ 1,522	\$ (19,264)

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

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

	As of	
	March 31, 2020	December 31, 2019
	(in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 85,867	\$ 85,909
Receivables	17,008	26,068
Related parties	-	29
Inventory	8,081	9,284
Mobilization cost	2,278	4,030
Prepaid expenses	666	4,422
Other current assets	5,290	6,410
Total current assets	119,190	136,152
Property, plant and equipment (note 5)	765,731	762,896
Newbuildings (note 5)	7,768	-
Total non-current assets	773,499	762,896
Total assets	\$ 892,689	\$ 899,048
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt (note 6)	\$ 42,876	\$ 42,895
Accounts payable	9,233	14,235
Related party payable balances	179	168
Accrued voyage expenses	5,848	8,076
Accrued expenses	363	945
Derivative financial instruments (note 7)	5,956	620
Other current liabilities	1,369	204
Total current liabilities	65,824	67,143
Long-term debt (note 6)	314,365	310,148
Long-term revolving credit facilities (note 6)	100,000	100,000
Derivative financial instruments (note 7)	18,881	10,646
Total non-current liabilities	433,246	420,794
Shareholders' equity		
Share capital (note 4)	64,528	64,528
Paid-in capital (note 4)	379,851	379,851
Contributed capital (note 4)	95,039	94,945
Retained loss	(109,665)	(105,654)
Treasury shares (note 4)	(11,351)	(11,351)
Accumulated other comprehensive loss (note 9)	(24,783)	(11,208)
Total shareholders' equity	393,619	411,111
Total liabilities and shareholders' equity	\$ 892,689	\$ 899,048

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

AVANCE GAS HOLDING LTD
CONDENSED CONSOLIDATED INTERIM STATEMENT OF SHAREHOLDERS' EQUITY
(UNAUDITED)

	<u>Share capital</u>	<u>Paid-in capital</u>	<u>Contributed capital</u>	<u>Retained (loss) income</u>	<u>Accumulated other comprehensive (loss) income</u>	<u>Treasury shares</u>	<u>Total</u>
	(in thousands)						
Balance December 31, 2018	\$ 64,528	\$ 379,851	\$ 95,291	\$ (161,605)	\$ (1,630)	\$ (11,867)	\$ 364,568
Comprehensive loss:							
Net loss	—	—	—	(15,184)	—	—	(15,184)
<i>Other comprehensive loss:</i>							
Fair value adjustment of interest rate swaps	—	—	—	—	(4,080)	—	(4,080)
Translation adjustments, net	—	—	—	—	—	—	—
Total other comprehensive loss	—	—	—	—	(4,080)	—	(4,080)
Total comprehensive loss	—	—	—	(15,184)	(4,080)	—	(19,264)
Transactions with shareholders:							
Compensation expense for share options	—	—	83	—	—	—	83
Total transactions with shareholders	—	—	83	—	—	—	83
Balance, March 31, 2019	<u>\$ 64,528</u>	<u>\$ 379,851</u>	<u>\$ 95,374</u>	<u>\$ (176,789)</u>	<u>\$ (5,710)</u>	<u>\$ (11,867)</u>	<u>\$ 345,387</u>
Balance December 31, 2019	\$ 64,528	\$ 379,851	\$ 94,945	\$ (105,654)	\$ (11,208)	\$ (11,351)	\$ 411,111
Comprehensive income (loss):							
Net profit	—	—	—	15,097	—	—	15,097
<i>Other comprehensive loss:</i>							
Fair value adjustment of interest rate swaps	—	—	—	—	(13,571)	—	(13,571)
Translation adjustments, net	—	—	—	—	(4)	—	(4)
Total other comprehensive loss	—	—	—	—	(13,575)	—	(13,575)
Total comprehensive income (loss)	—	—	—	15,097	(13,575)	—	1,522
Transactions with shareholders:							
Dividend				(19,108)			(19,108)
Compensation expense for share options	—	—	94	—	—	—	94
Exercise of share options							
Total transactions with shareholders	—	—	94	(19,108)	—	—	(19,014)
Balance, March 31, 2020	<u>\$ 64,528</u>	<u>\$ 379,851</u>	<u>\$ 95,039</u>	<u>\$ (109,665)</u>	<u>\$ (24,783)</u>	<u>\$ (11,351)</u>	<u>\$ 393,619</u>

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

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

	For the three months ended	
	March 31, 2020	March 31, 2019
	(in thousands)	
Cash flows from operating activities (note 3)	\$ 42,092	\$ 4,974
Net interest paid	<u>(5,837)</u>	<u>(6,422)</u>
Net cash flows from (used in) operating activities	<u>36,255</u>	<u>(1,448)</u>
Cash flows used in investing activities:		
Capital expenditures (note 5)	<u>(21,121)</u>	<u>(53)</u>
Net cash flows used in investing activities	<u>(21,121)</u>	<u>(53)</u>
Cash flows used in financing activities:		
Dividend (note 4)	(19,108)	—
Repayment of long-term debt (note 6)	(11,000)	(5,506)
Drawdown of long-term debt (note 6)	15,000	—
Drawdown of revolving credit facility	<u>—</u>	<u>25,000</u>
Net cash flows (used in) from financing activities	<u>(15,108)</u>	<u>19,494</u>
Net increase in cash and cash equivalents	26	17,993
Cash and cash equivalents at beginning of period	85,909	47,289
Effect of exchange rate changes on cash	<u>(68)</u>	<u>(119)</u>
Cash and cash equivalents at end of period	<u>\$ 85,867</u>	<u>\$ 65,163</u>

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

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

1. Basis of preparation

The condensed consolidated interim financial statements of Avance Gas Holding Ltd (the “Company” or “Avance Gas”), a Bermuda-registered company and its subsidiaries (collectively, the “Group”), have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as adopted by the European Union and in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting. The condensed consolidated interim financial statements should be reviewed in conjunction with the consolidated financial statements for the year ended December 31, 2019, to fully understand the current financial position of the Group.

2. Significant accounting policies

The accounting policies applied are consistent with those described in note 2 of the annual consolidated financial statements for the year ended December 31, 2019, with the exception of income taxes, which, for the purpose of interim financial statements, are calculated based on the expected effective tax rate for the full year.

Operating revenue

Revenue is recognized on a load-to-discharge basis, with cost related to fulfil the contract incurred prior to loading capitalized as mobilization costs and amortized over the associated period for which revenue is recognized, whilst voyage expenses incurred as repositioning for non-committed freight contracts are expensed as incurred. Other revenue from services, such as demurrage, is recognised when earned and is included in freight revenue.

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

New or amendments to standards

The following new or amendments to standards and interpretations have been issued and become effective in years beginning on or after January 1, 2020:

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

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

3. Reconciliation of net profit to cash generated from operations

	For the three months ended	
	March 31, 2020	March 31, 2019
	(in thousands)	
Net profit	\$ 15,097	(15,184)
Adjustments to reconcile net profit to net cash from operating activities:		
Depreciation and amortization of property, plant and equipment and intangibles	10,353	10,614
Net finance expense	6,157	7,423
Other finance income (expense)	107	(31)
Compensation expense	94	83
Other		(379)
Changes in assets and liabilities:		
Decrease in receivables	9,060	3,250
Decrease in prepaid expenses, inventory, related party receivables, mobilization cost and other current assets	7,860	4,138
Decrease in accounts payable	(5,002)	(4,806)
Decrease in accrued voyage expenses, other current liabilities and related party balances	(1,634)	(107)
Other	-	(27)
Cash flows from operating activities	\$ 42,092	\$ 4,974

4. Shareholder's equity

The Company's authorised share capital consists of 200.0 million common shares at par value of \$1 per share as of March 31, 2020 and December 31, 2019. Of the authorized share capital, 64.5 million shares were issued and outstanding as of March 31, 2020 and December 31, 2019, including 0.8 million and 0.9 million treasury shares respectively. All shares are fully paid.

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

Since 2013, the Company set up a share option plan in order to encourage the Company's directors, officers and other employees to hold shares in the Company. Following the award, declared and cancellation of share options since 2013, a total of 1,501,750 share options remained outstanding under the Company's share option scheme as of March 31, 2020.

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

5. Property, plant and equipment

During the three months ended March 31, 2020 and March 31, 2019, the Group invested \$21.0 and \$0.1 million, respectively, on property, plant and equipment. The investment primarily relates to 1st instalment of the two LPG dual fuel new buildings with DSME of \$7.8 million and scheduled drydock and scrubber installation of \$13.2 million for the three months ended March 31, 2020.

As of March 31, 2020, indicators of impairment and reversal of previous recognized impairment were assessed. Based on this assessment it was concluded that no significant changes in indicators for the

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

three-month period ended March 31, 2020 were present and no reversal of impairment or impairment charge were recognised.

6. Long-term debt

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

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

Long-term debt repayments were \$11.0 million for three months ended March 31, 2020 and December 31, 2019.

	As of March 31, 2020	As of December 31, 2019
Long-term debt	\$ 318,000	\$ 314,000
Long-term revolving credit facilities	100,000	100,000
Long-term debt issuance cost	(3,635)	(3,852)
Long-term debt	414,365	410,148
Current portion of long-term debt	44,000	44,000
Current portion of debt issuance cost	(1,124)	(1,105)
Current portion of long-term debt	42,876	42,895
Total net debt	\$ 457,241	\$ 453,043

7. Fair value disclosures

Fair value of financial instruments

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

	As of March 31, 2020		As of December 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	(in thousands)			
Financial assets:				
Cash and cash equivalents	\$ 85,867	\$ 85,867	\$ 85,909	\$ 85,909
Receivables	17,008	17,008	26,068	26,068
Related party receivables	-	-	29	29
Financial liabilities:				
Accounts payable	\$ 9,233	\$ 9,233	\$ 14,235	\$ 14,235
Related party payable balances	179	179	168	168

AVANCE GAS HOLDING LTD
NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS

(UNAUDITED)

Accrued expenses and accrued voyage expenses	6,211	6,211	9,021	9,021
Revolving credit facilities	100,000	100,000	100,000	100,000
Long-term debt incl. current maturities	362,000	362,000	358,000	358,000

Derivative financial instruments:

Interest rate swap assets (liabilities) including current maturities	\$ (24,837)	\$ (24,837)	\$ (11,266)	\$ (11,266)
--	-------------	-------------	-------------	-------------

The carrying amount of cash and cash equivalents, receivables, accounts payable and accrued expenses is a reasonable estimate of their fair value, due to the short maturity thereof. The estimated value of the Group's revolving credit facilities and long-term debt equals its carrying value as of March 31, 2020 and December 31, 2019 as it is floating rate debt and the credit margin represents current market rates.

Long-term debt in the table above excludes debt issuance costs of \$4.8 million and \$5.0 million as of March 31, 2020 and December 31, 2019, respectively.

Fair value of interest rate swaps is based on market value of the interest rate swaps. The market value is based on mark-to-market reports as of period-end from the financial institutions issuing the swaps, based on the amount that the Group would receive or pay to terminate the contracts. Fair value adjustment of the interest rate swaps as of March 31, 2020 was recognized in the consolidated interim statement of comprehensive loss.

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

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

Fair value estimation

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

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

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

8. Related party transactions

The Group entered into a corporate secretarial services agreement in July 2018 and a technical supervision agreement in Q2 2019 with Frontline Management (Bermuda). Additionally, in Q2 2019 the Group entered into an office lease and shared service agreement with Seatankers Management Norway AS.

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

The fee for corporate secretarial services was \$25 thousand, fee for technical supervision was \$112 thousand, fee for office lease and shared services was \$67 thousand, for the three months ended March 31, 2020.

9. Accumulated other comprehensive loss

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

	Foreign currency reserve	Fair value reserve	Accumulated other comprehensive loss
Balance January 1, 2019	\$ 58	\$ (1,688)	\$ (1,630)
Fair value adjustment of interest rate swaps	—	(9,578)	(9,578)
Translation adjustments, net	—	—	—
Balance December 31, 2019	<u>\$ 58</u>	<u>\$ (11,266)</u>	<u>\$ (11,208)</u>
Balance January 1, 2020	\$ 58	\$ (11,266)	\$ (11,208)
Fair value adjustment of interest rate swaps	(4)	(13,571)	(13,575)
Translation adjustments, net	—	—	—
Balance March 31, 2020	<u>\$ 54</u>	<u>\$ (24,837)</u>	<u>\$ (24,783)</u>

10. Alternative performance measures

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

	<u>For the three months ended</u>	
	March 31, 2020	March 31, 2019
	(in thousands)	
Operating revenue	\$ 68,135	\$ 27,745
Voyage expenses	<u>(24,076)</u>	<u>(13,728)</u>
Voyage result	<u>44,059</u>	<u>14,017</u>
Calendar days	1,274.0	1,260.0
Technical off-hire days	<u>(294.7)</u>	<u>(1.0)</u>
Operating days	<u>979.3</u>	<u>1,259.0</u>
TCE per day (\$)	44,990	11,133

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

11. Forward-Looking Statements

The Interim Financial Statements contain “forward-looking statements” based on information available to Avance Gas on the date hereof, and Avance Gas assumes no obligation to update any such forward-looking statement. These statements may be identified by the use of words like “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “project,” “will,” “should,” “seek,” and similar expressions. The forward-looking statements reflect Avance Gas’ current views and assumptions and are subject to risks and uncertainties. Avance Gas does not represent or warrant that actual future results, performance or achievements will be as discussed in those statements, and assumes no obligation to, and does not intend to, update any of those forward-looking statements other than as may be required by applicable law.

12. Seasonality

The export volumes coming out of the Middle East, which has historically been the primary region for seaborne exports, have traditionally been lower during the fourth and the first quarters than during the second and third quarter. This has mainly been a result of lower trading activity in combination with somewhat higher local demand. Due to US Gulf and US East Coast increasing its share in global exports, the historical seasonal patterns have become less clear.

13. Subsequent Events

In April 2020, Ulrik Uhrenfeldt Andersen stepped down as CEO of the Company, with effect from April 14th 2020. Peder C. G. Simonsen, CFO will serve as interim CEO until a permanent successor is appointed.