



Avance Gas

Third Quarter Results 2022

November 24, 2022

FORWARD LOOKING STATEMENTS



This presentation contains 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 presentation 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 presentation by such forward-looking statements.

The information, opinions and forward-looking statements contained in this presentation speak only as at its date and are subject to change without notice.

Q3-22 HIGHLIGHTS



RESULTS

TCE Revenues of \$39.1 million compared to \$44 million in Q2 reflecting somewhat weaker spot market
TCE rate of ~\$33k/day in line with guidance ~\$32k/day
Net profit of \$11.6 million equal to Earnings Per Share (EPS) of \$0.15

RECENT EVENTS

Freight market has turned from soft in Q3 to currently the strongest spot market since 2015
Sold the 2009-built Promise with book profit of ~\$7.5 million and cash proceeds of ~\$20 million
Entered into a 12 month Time Charter for the 2015-built VLGC Pampero, a non-scrubber VLGC

GUIDANCE

We are now 93% booked for Q4 with a TCE of ~\$50,000 per day on a discharge to discharge basis
TCE expectation for Q4 of ~\$45-50,000 per day on load to discharge basis
TCE expectation for Q4 on discharge/discharge basis is \$50-55,000 per day as rates have moved quickly up

DIVIDEND

Declaring a dividend of \$0.20 per share, in line with Q1 and Q2 giving a pay out ratio YTD of ~85%
Annualizing dividend payments in first nine months of 2022 provides a yield of ~11%⁽¹⁾

(1) Annualized yield given share price of NOK 70

FLEET RENEWAL: GOOD FOR THE ENVIRONMENT AND OUR P&L



Reduction in emissions compared to Korean 2010-built VLGC:

- ✓ SOx 96%
- ✓ PMx: 90%
- ✓ CO2: 40%

Delivery of Avance Polaris

Delivery of Avance Capella

Sale of Thetis Glory

Sale of Providence

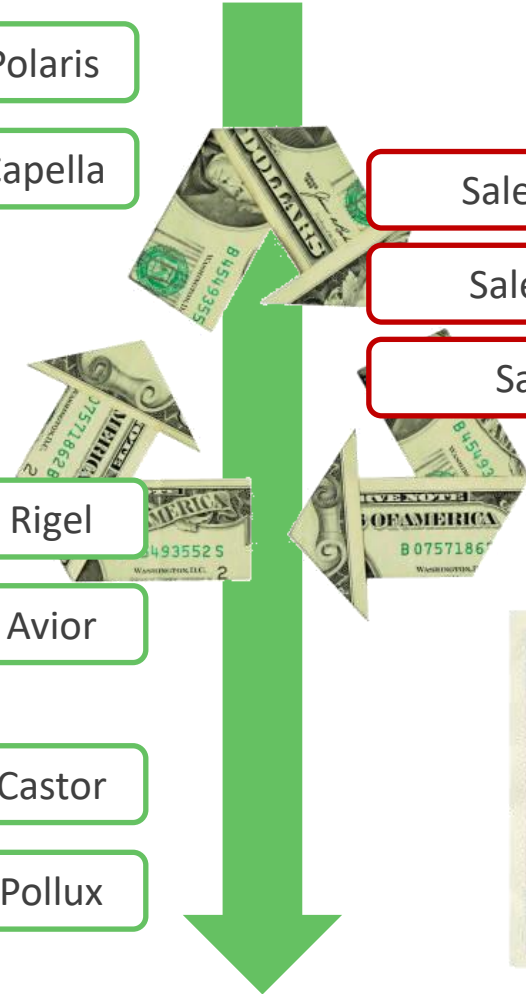
Sale of Promise

Delivery of Avance Rigel

Delivery of Avance Avior

Delivery of Avance Castor

Delivery of Avance Pollux



Book profit from sales: \$18m
Cash release from sales: \$67m

CURRENT FLEET STRUCTURE



Vessel	Built	EGCS	LPG	NH3	2022				2023				2024			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Iris Glory	2008				Fixed TC				Spot/open				Spot/open			
Venus Glory	2008				Fixed TC				Spot/open				Spot/open			
Promise	2009				Fixed TC			Sold	Spot/open				Spot/open			
Breeze	2015	v			Spot/open				Spot/open				Spot/open			
Chinook	2015				Variable TC		Spot/open		Variable TC		Spot/open		Spot/open			
Levant	2015	v			Spot/open				Spot/open				Spot/open			
Mistral	2015	v			Spot/open				Spot/open				Spot/open			
Monsoon	2015	v			Spot/open				Spot/open				Spot/open			
Pampero	2015				Spot/open				Fixed TC				Spot/open			
Passat	2015	v			Spot/open				Spot/open				Spot/open			
Sirocco	2015	v			Spot/open				Spot/open				Spot/open			
Polaris	2022		v		Variable TC				Variable TC				Spot/open			
Capella	2022		v		Variable TC				Variable TC				Spot/open			
Rigel	2023		v	v*	Yard				Spot/open				Spot/open			
Avior	2023		v	v*	Yard				Spot/open				Spot/open			
Castor	2023		v	v	Yard				Yard				Slip?			
Pollux	2024		v	v	Yard				Yard				Yard			

FFA coverage		96 %	63 %	63 %	63 %
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Type of employment

- Fixed TC
- Variable TC
- Spot/open
- Yard

17 Very Large Gas Carriers (VLGCs) including four dual fuel VLGCs on order. Newbuilding number 3 and 4 are ammonia ready for fuel* while newbuilding 5 and 6 are also upgraded to ammonia carriers

Promise will become the third oldest vessel to be divested during 2022, expected delivery end of November, further reducing the average age of our fleet

The six Dual-Fuel VLGCs have strong earnings potential, in addition to reducing our carbon footprint

Scrubbers have been fitted on six of our eight 2015 built vessels, reducing the risk of significant high bunker prices caused by the energy crisis

Balanced chartering portfolio with time charter contracts at fixed and variable rate structures while maintaining high market exposure

BUILDING DIVIDEND TRACK-RECORD



INTRODUCING DECISION MATRIX FOR DIVIDENDS

	Q4-21	Q1-22	Q2-22	Q3-22	LTM
Earnings per share	\$0.10	\$0.32	\$0.24	\$0.15	\$0.81
Dividends per share	\$0.05	\$0.20	\$0.20	\$0.20	\$0.65

Decision Factors

Earnings and cash flow	✓	✓	✓	✓
Market outlook	✓	✓	✓	✓
Backlog and visibility	✓	✓	✓	✓
Liquidity position	✓	✓	✓	✓
Covenant compliance	✓	✓	✓	✓
Debt maturities	✓	✓	✓	✓
Capex liabilities	✓	✓	✓	✓
Other considerations	✓	✓	✓	✓

COMMENTS

- Earnings and cash flow assigned yellow due to challenging positions in the third quarter negatively affecting earnings
- Market outlook significantly improved over the last two months
- Backlog and visibility improved by recent time charter agreements and FFA hedge
- Comfortable positions on all other decision factors

KEY FINANCIAL HIGHLIGHTS



KEY FINANCIAL HIGHLIGHTS				
Income Statement (in million \$)	Q3 2022	Q2 2022	YTD 2022	YTD 2021
TCE earnings	39	44	130	110
Operating Profit before depreciation	28	32	94	73
Net profit	12	18	54	25
Earnings per share (diluted) (\$)	0.15	0.24	0.71	0.34
Gain on interest hedges recognized in other comprehensive income ("OCI")	8	5	25	9
Per day figures (in \$)	Q3 2022	Q2 2022	YTD 2022	YTD 2021
TCE (Discharge to discharge)	32,939	36,930	34,994	30,904
TCE (Load to discharge)	32,954	36,212	35,627	32,597
Operating expense ('OPEX')	8,230	8,198	8,298	9,118
Administrative and general expenses	1,286	1,528	1,312	1,367

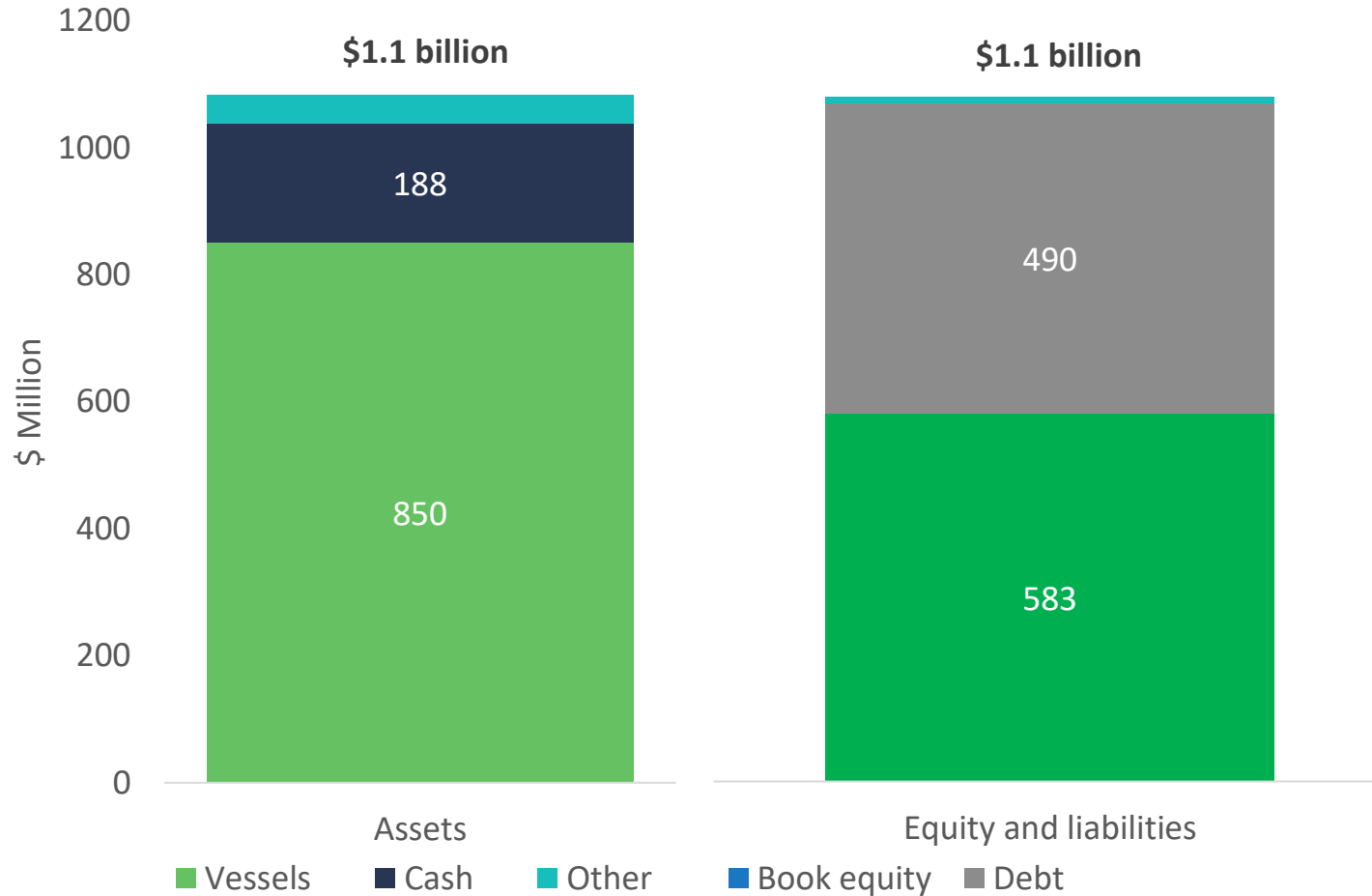
COMMENTS

- TCE of \$33,000/day for Q3 - in line with guidance of approx. \$32,000/day
- Net profit of \$11.6 million and \$54.3 million for the three and nine months – strongest YTD results since 2015
- Continue to benefit on our interest rate hedges - \$24.6 million in gain year to date 2022
- Dividend distribution of \$0.20 per share for the third quarter

STRONG BALANCE SHEET



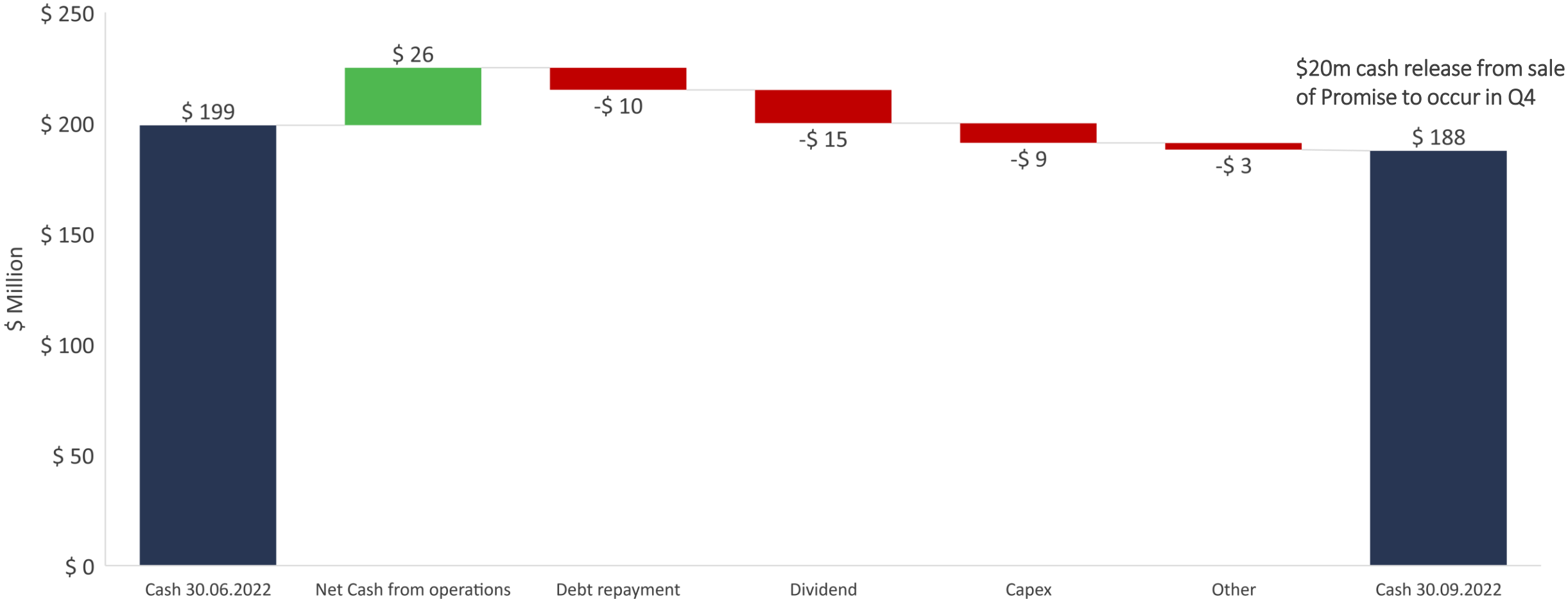
BALANCE SHEET END SEPT-2022 (IN MILLION \$)



COMMENTS

- Our assets consist of:
 - 13 existing VLGCs on the water (one to be sold during Q4)
 - pre-delivery newbuilding capital expenditures for four dual fuel VLGCs
 - plus a healthy cash balance of \$188m
- Solid equity ratio of 54%
- Price/book ratio ~0.9x despite three recent sales at well above book values

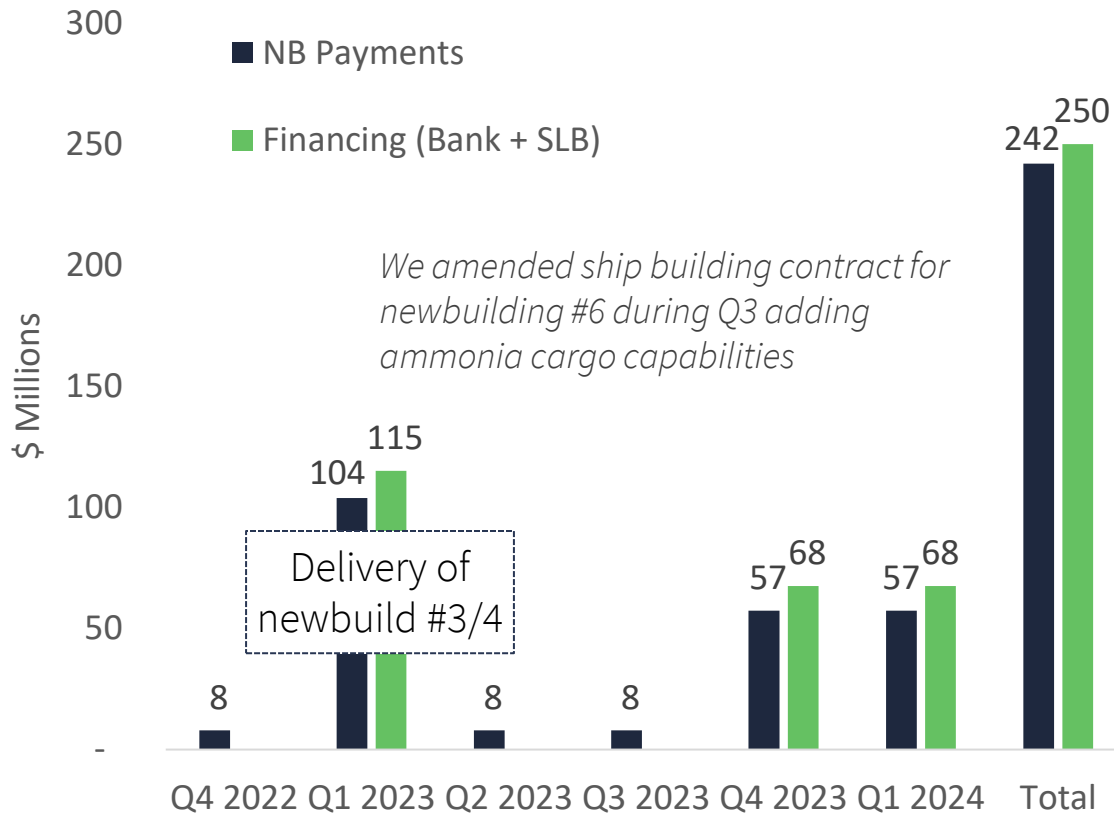
QUARTERLY CASH MOVEMENTS



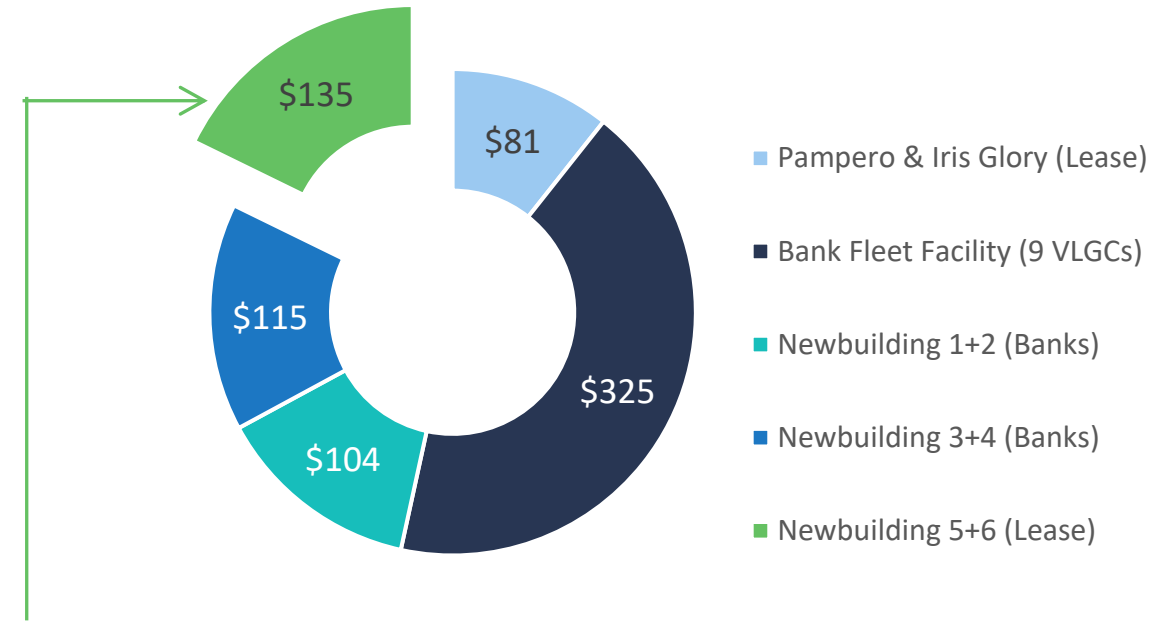
NEWBUILDING FINANCING COMPLETED



FULLY FUNDED CAPITAL EXPENDITURE



FINANCING PORTFOLIO (IN \$ MILLIONS)



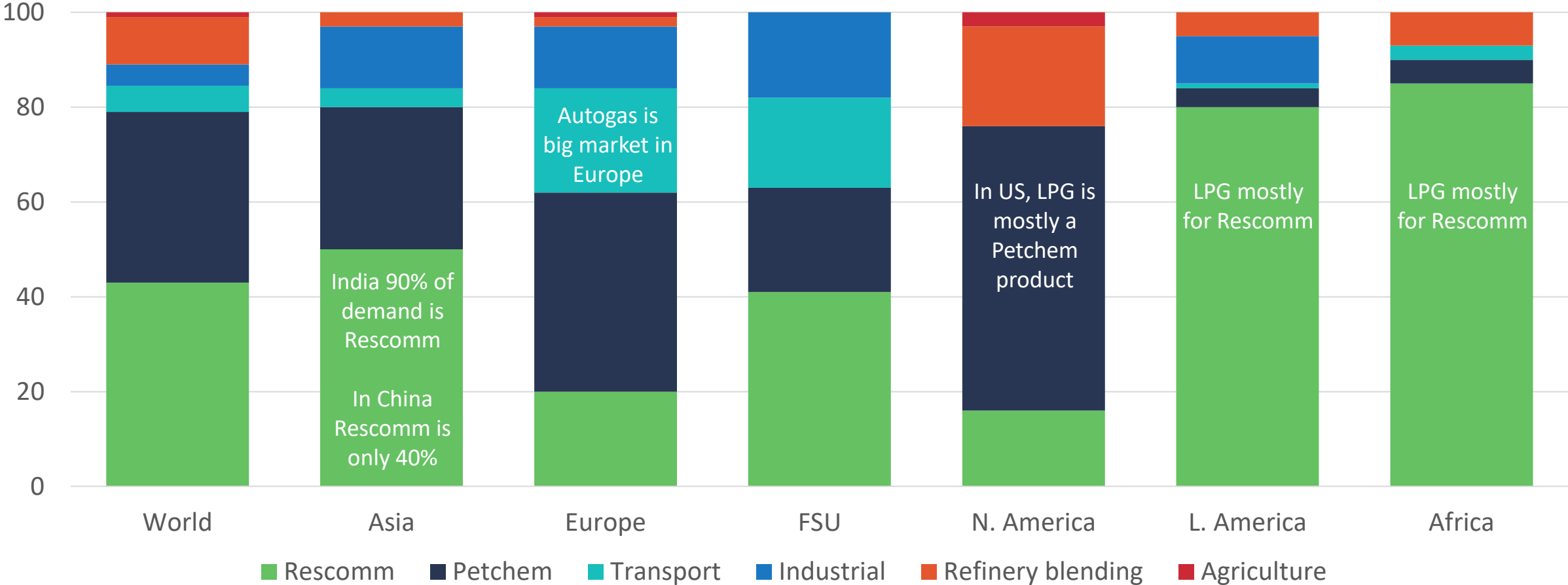
Signed in August 2022 – Sale Leaseback with Bocomm Leasing

- Lease Term: 10 Years from date of delivery
- Repayment Profile: ~22 years
- Total cash release of \$39 million or \$19.7 million per vessel at delivery

LPG: A VERSATILE AND AFFORDABLE FUEL



Global LPG demand by Sector %



India 90% of demand is Rescomm
In China Rescomm is only 40%

Autogas is big market in Europe

In US, LPG is mostly a Petchem product

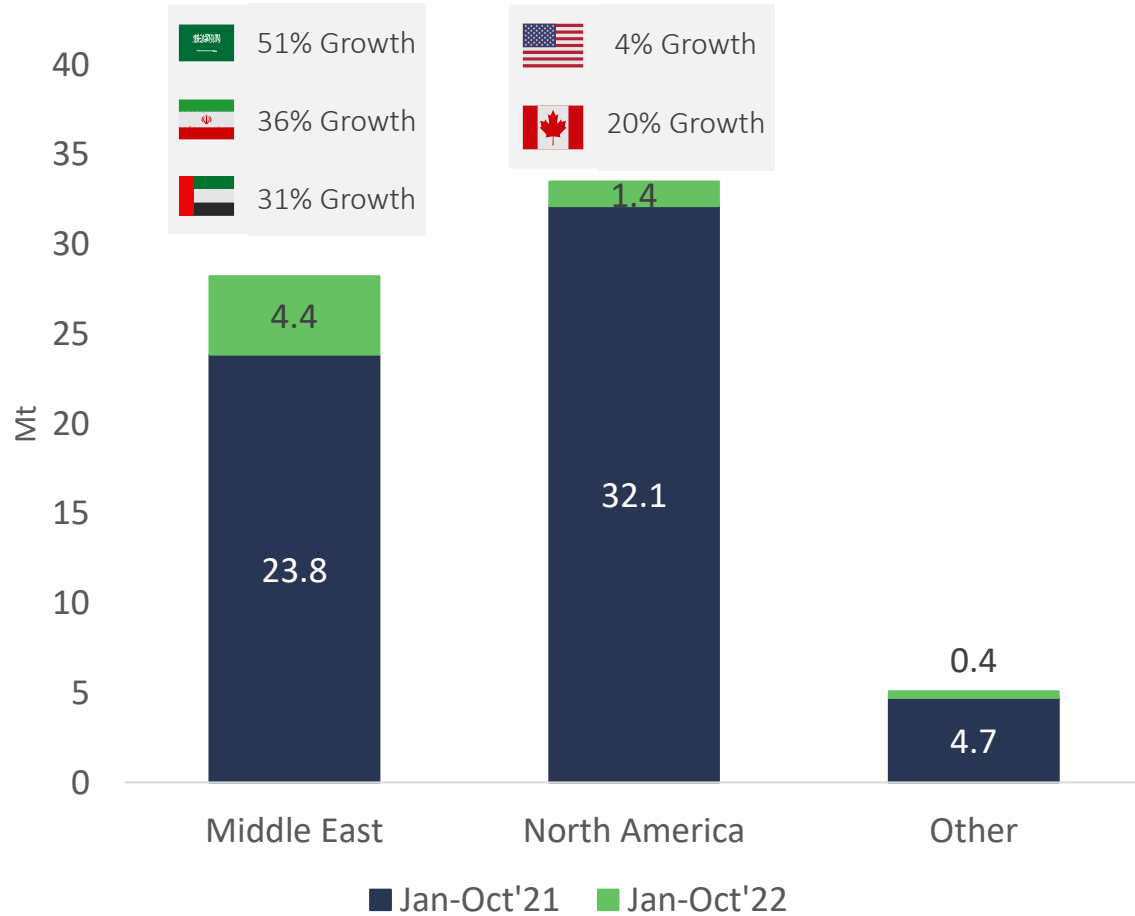
LPG mostly for Rescomm

LPG mostly for Rescomm

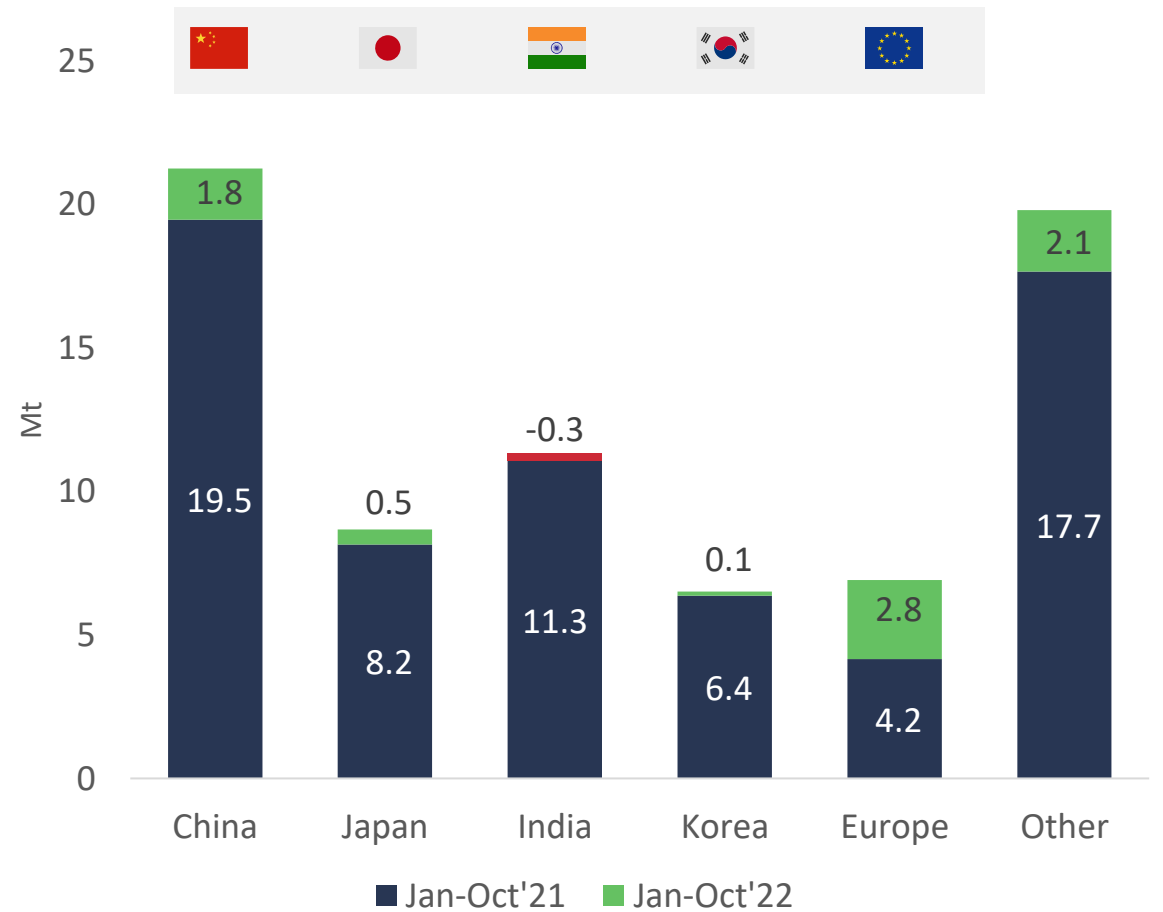
VLGC TRADE GREW 11% FIRST TEN MONTHS OF 2022



LPG EXPORTED ON VLGCs, JAN-OCT 2022 VS JAN-OCT 2021



LPG IMPORTED FROM VLGCs, JAN-OCT 2022 VS JAN-OCT 2021

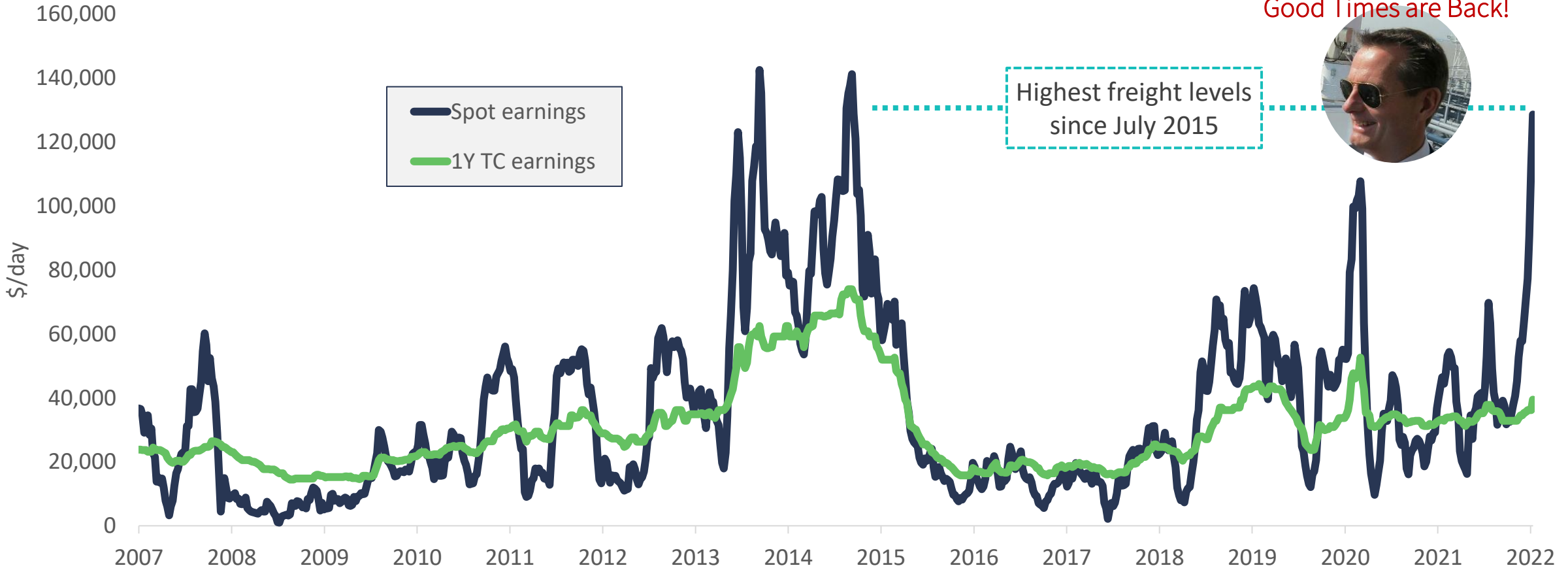


Source: Kpler

SPOT EARNINGS APPROACHING ALL TIME HIGH LEVELS



AVERAGE VLGC SPOT AND 1Y TC EARNINGS (\$/DAY)

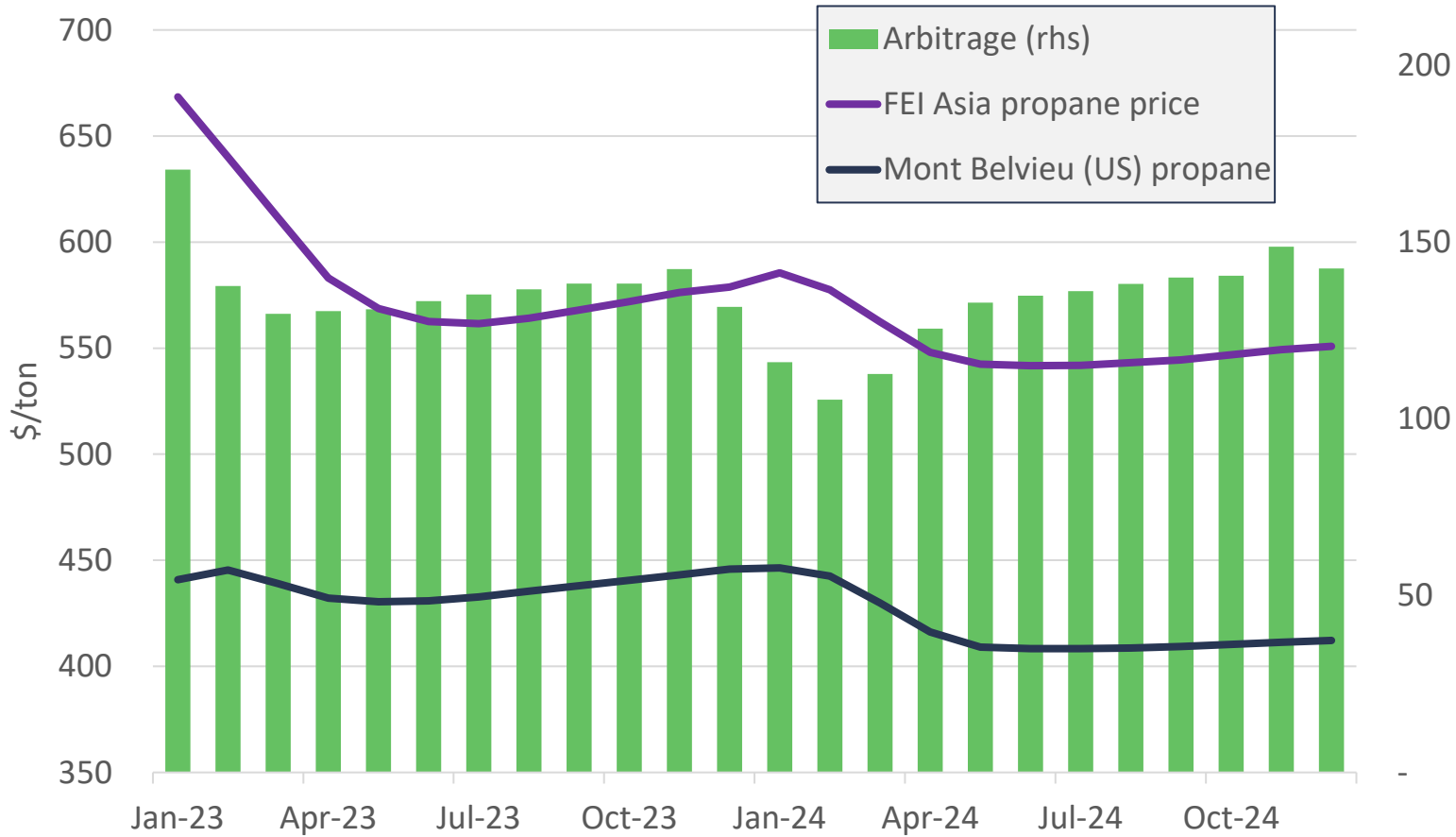


Source: Clarksons SIN

STRONG ARBITRAGE SUPPORTING FREIGHT MARKET



PROPANE FORWARD PRICES IN ASIA AND THE US AND CORRESPONDING ARBITRAGE



Source: CME (Asian price assumed 2 months forward)
 VLSFO at \$530/ton for 2023 and \$500/ton for 2024 and HSFO at \$380/ton for 2023/24

TCE POTENTIAL

Scrubber-vessels:

2023: ~\$60,000/day
 2024: ~\$56,000/day

Non-scrubber:

2023: ~\$53,000/day
 2024: ~\$50,000/day

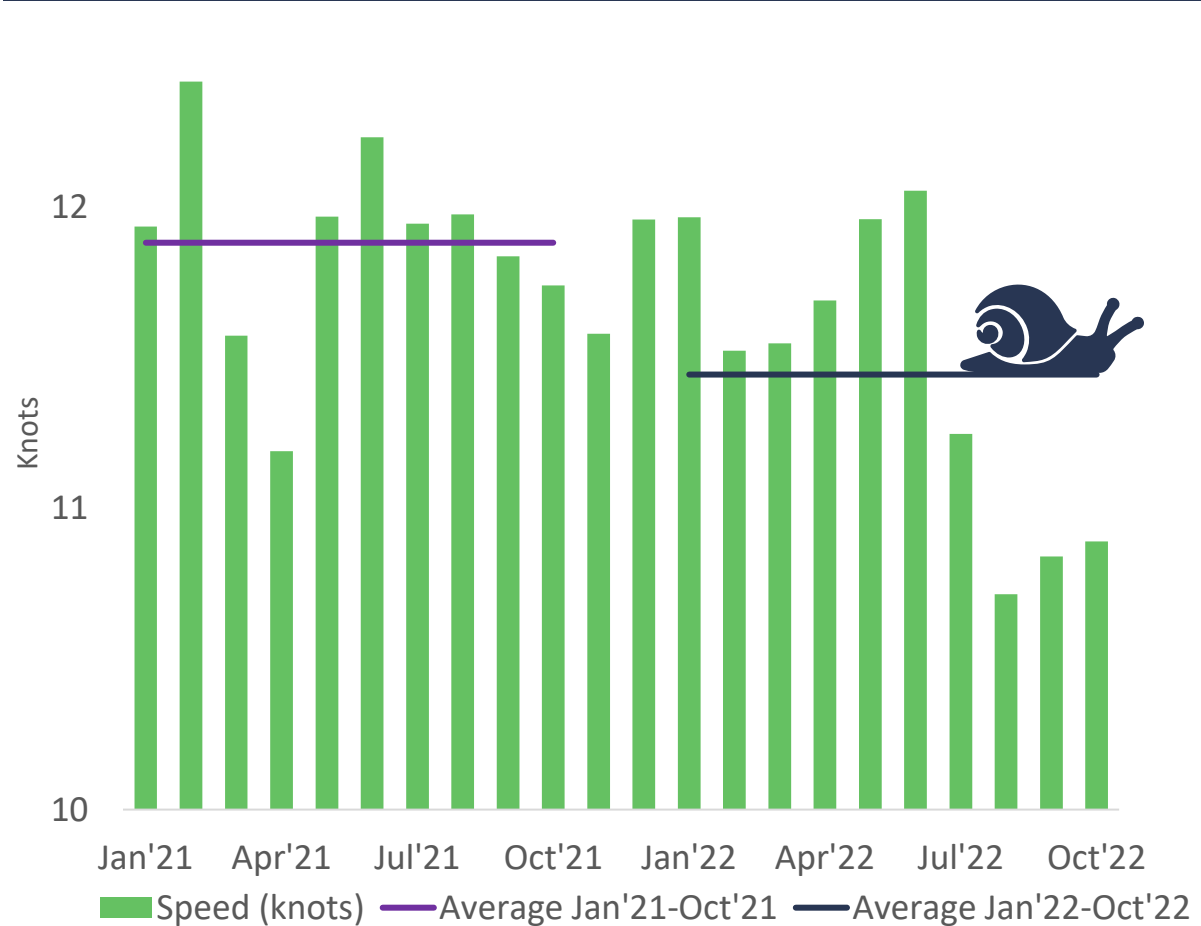
Assuming full arbitrage is captured by the shipowner.

Avance has recently secured ~63% of a scrubber fitted ship at ~\$47,000/day for 2023 basis BLPG1 i.e. AG to Japan route

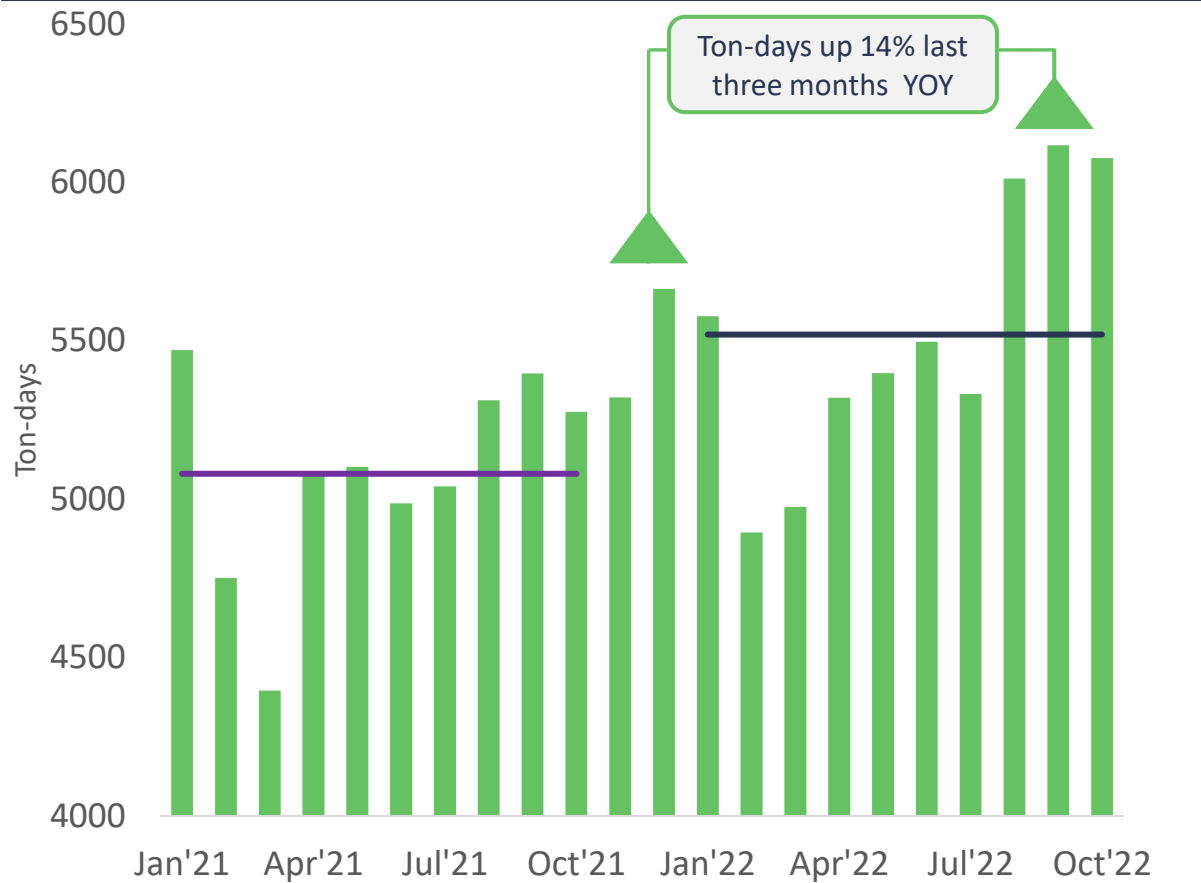
SLOW STEAM DESPITE RECORD EARNINGS, MORE TO COME...



AVERAGE SPEED OF THE FLEET IS DOWN 4% YOY...



...WHICH HAS LED TO A BIG INCREASE IN TON-DAYS

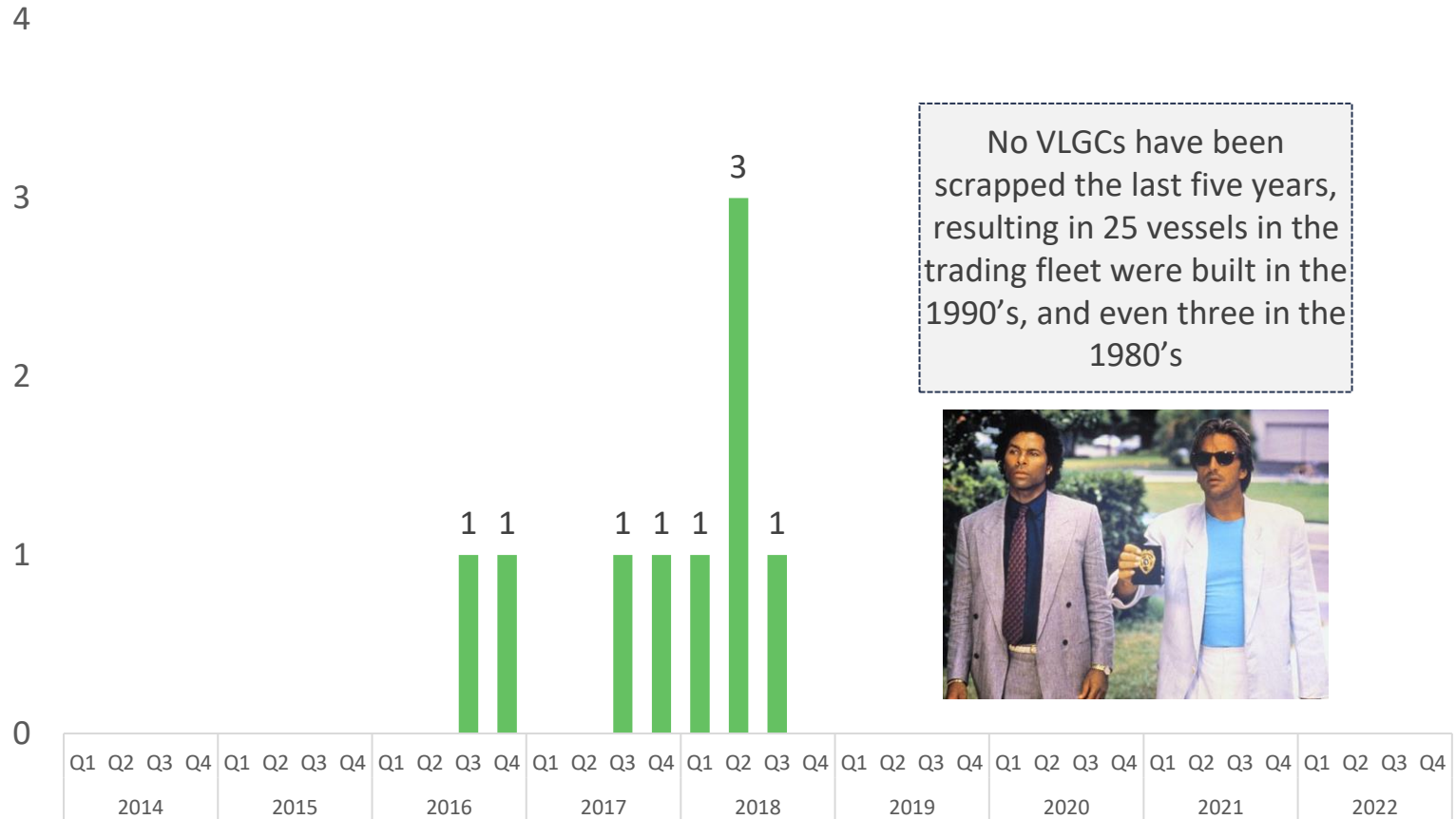


Source: Kpler

IMO2023 WILL INCREASE THE SLOW ATTRITION RATE



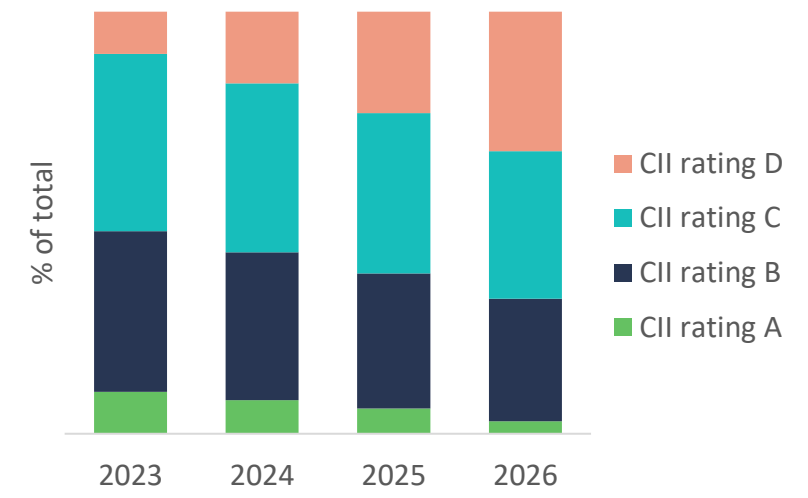
VLGC DEMOLITION



No VLGCs have been scrapped the last five years, resulting in 25 vessels in the trading fleet were built in the 1990's, and even three in the 1980's



CII RATING OF VLGC FLEET 2023-26



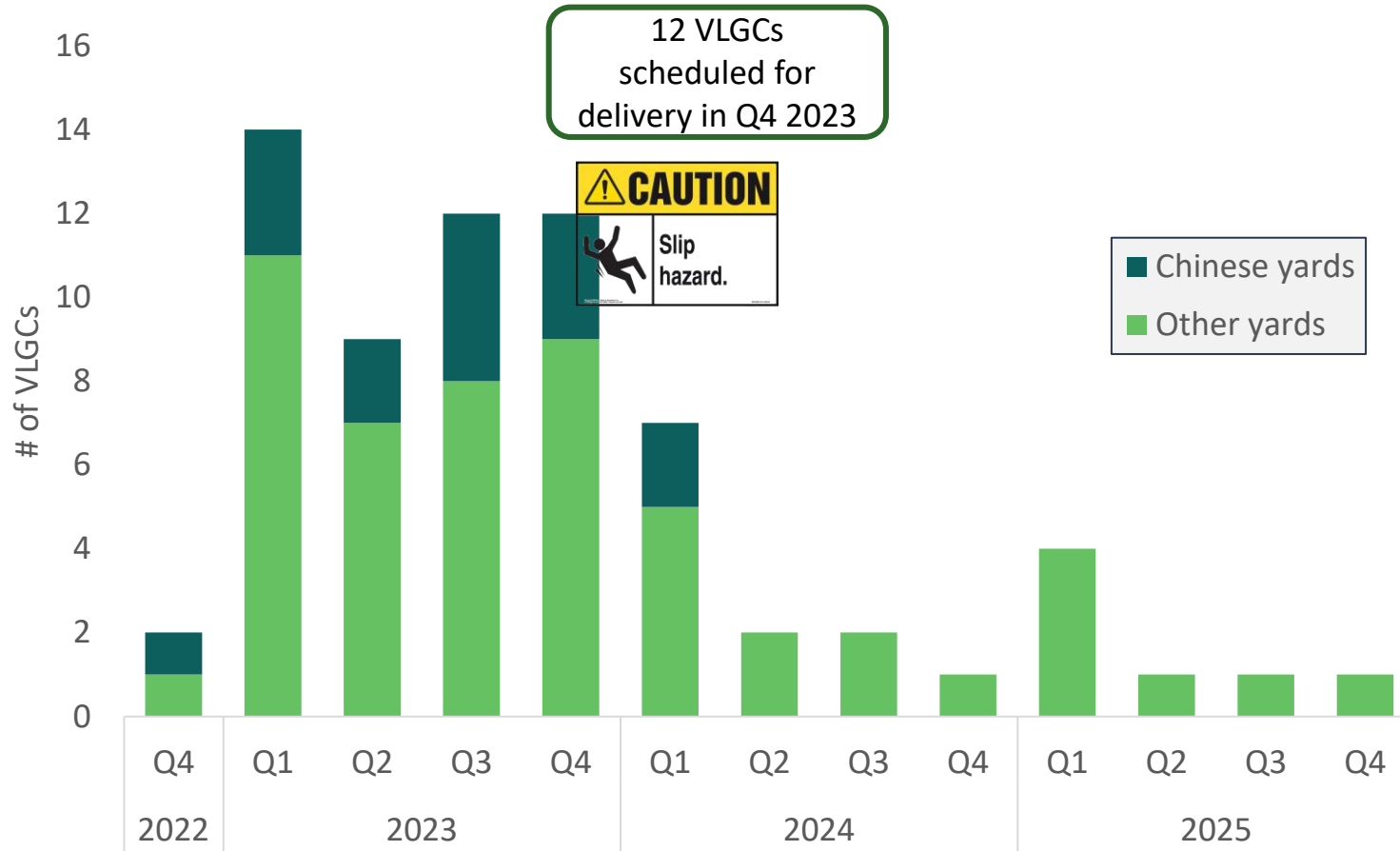
Over half the VLGC fleet to be rated C or D in 2023. The threshold requirements are more challenging to meet for every year, thus the share of the fleet with a D-rating is expected to increase to 33% by 2026.

Source: Clarkson SIN
Photo credits: Sony Pictures Home Entertainment (right); Warner Home Video (center-left)

BEWARE SLIPPAGE

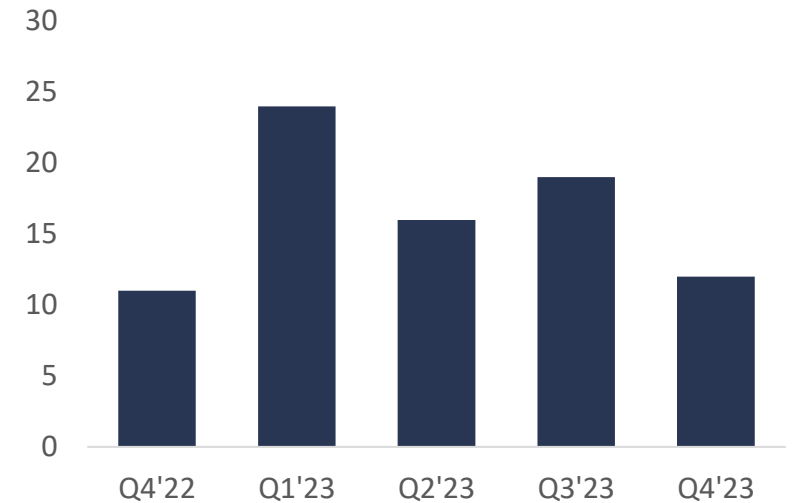


SCHEDULED DELIVERIES PER QUARTER



SCHEDULED VLGC MAINTENANCE

Around 70 VLGCs have scheduled maintenance for 2023, which will reduce available vessel capacity.

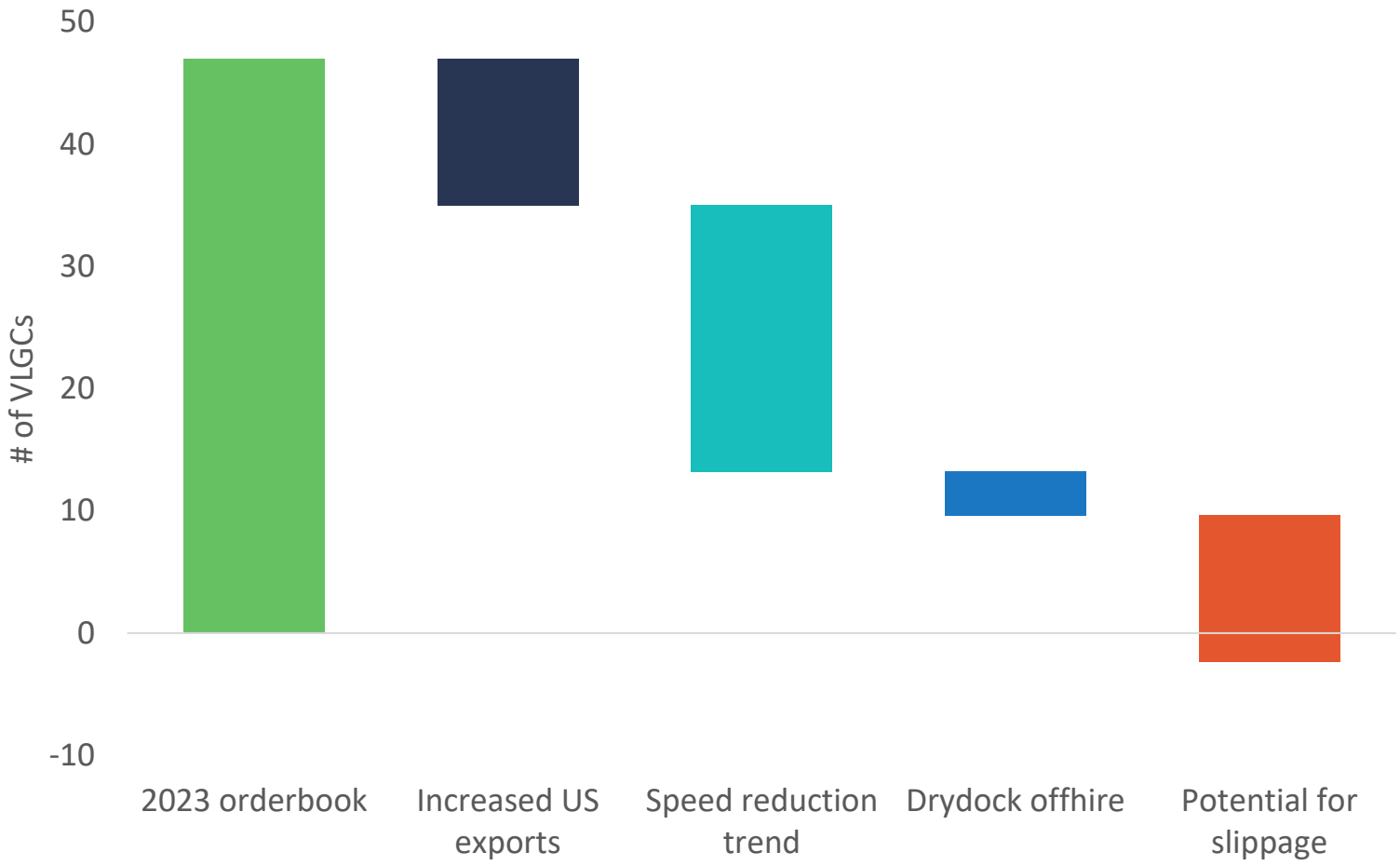


Source: Clarkson SIN

MANAGEABLE 2023 DELIVERIES GIVEN SUPPLY ADJUSTMENTS



2023 ORDERBOOK VERSUS DEMAND EFFECT (US EXPORT GROWTH) AND SUPPLY ADJUSTMENTS

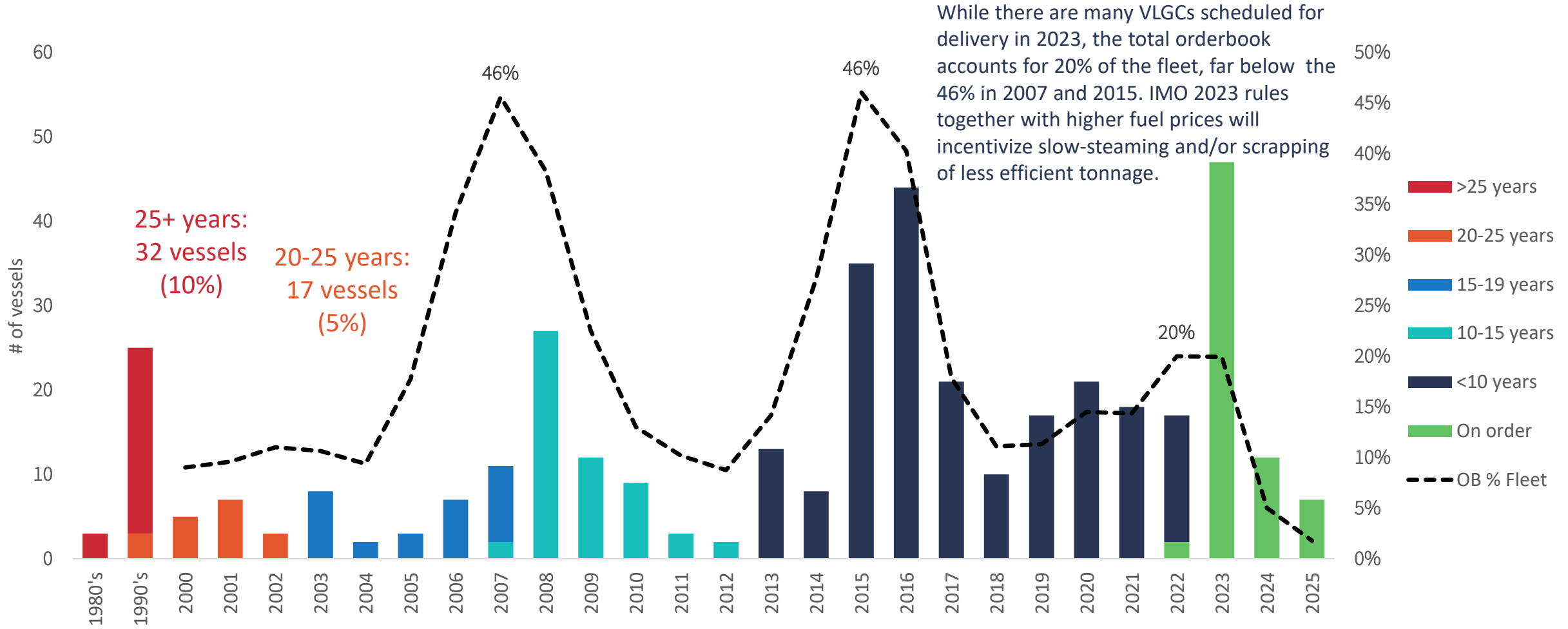


Source: Company calculations

COMMENTS

- Increased US exports**
 EIA estimates US export growth of 10%, which translate in demand for 12-15 VLGCs.
- Speed reduction trend**
 Recent data indicates VLGC speed down 9% over the last three months – a trend that is likely to continue into 2023 when the CII regulations enter into force. Additionally Panama Canal congestion and higher tolls will incentivize longer routes.
- Drydock off-hire**
 60-70 VLGCs has scheduled maintenance in 2023, which could reduce fleet capacity by nearly 1%, or the equivalent of 4 VLGCs.
- Potential for slippage**
 Given 12 VLGCs scheduled for delivery in Q4, we deem it likely that some of these will be delayed, especially if market is weaker than current projections.

NEW DUAL FUEL SHIPS SET TO REPLACE OLDER SHIPS

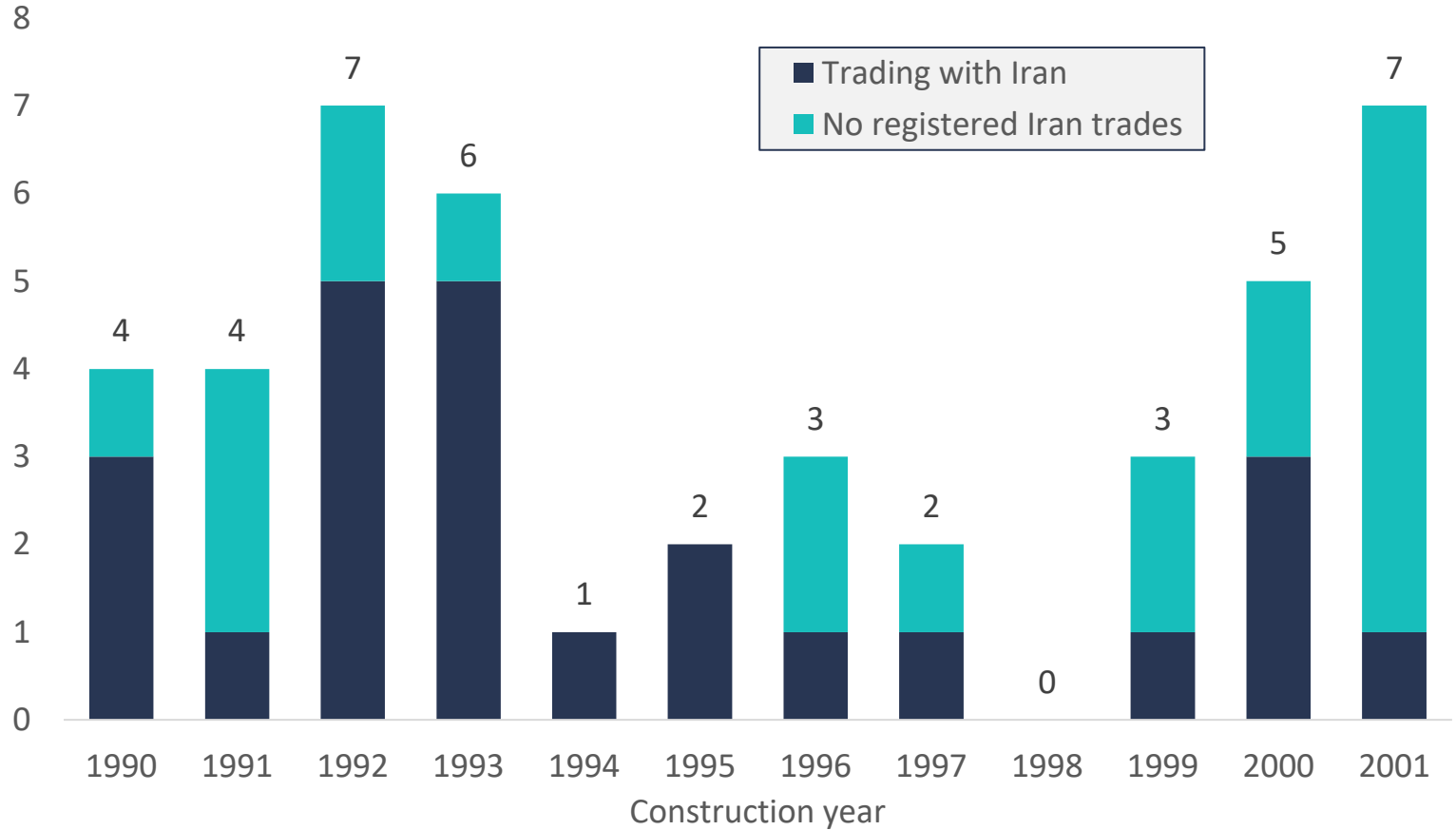


Source: Clarkson SIN

MOST OF IRANIAN EMPLOYED VLGCS REMEMBER FRANCE '98



50% OF VLGCS 20 YEARS OR OLDER HAVE ASSUMED TRADES WITH IRAN IN 2022



IRAN AND THE US IN THE FIFA WORLD CUP



Most of the VLGCS currently employed fully or partially lifting Iranian volumes are old enough to remember last time the US and Iran played against each other in a FIFA World Cup Match (France 1998)

Source: Kpler (as "assumed" lifting Iranian LPG exports)
Photo credits: FIFA

Q3-22 HIGHLIGHTS



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Declaring a dividend of \$0.20 per share, in line with Q1 and Q2 giving a pay out ratio YTD of ~85%
Annualizing dividend payments in first nine months of 2022 provides a yield of ~11% ⁽¹⁾

(1) Annualized yield given share price of NOK 70



Avance Gas

Thank you!

Q&A and
Appendix



APPENDIX – FINANCIALS Q3 2022



In \$ thousands (unless stated otherwise)	3m ended Q3-2022	3m ended Q2-2022	9m ended Q3-2022	9m ended Q3-2021
Income Statement				
Operating revenue	55 418	65 186	187 129	158 542
Voyage expenses	(16 302)	(21 623)	(57 590)	(48 462)
Operating expenses	(9 844)	(10 076)	(30 586)	(32 359)
Administrative and general expenses	(1 538)	(1 878)	(4 836)	(4 851)
Gross operating profit	27 734	31 609	94 117	72 870
Depreciation and amortisation	(11 140)	(11 143)	(34 387)	(35 826)
Gain on disposal of asset	-	4 522	10 771	-
Operating profit	16 594	24 988	70 501	37 044
Non-operating (expenses) income:				
Net finance expense	(4 948)	(6 527)	(16 087)	(12 427)
Profit before income tax expense	11 646	18 461	54 414	24 617
Income tax expense	(42)	(92)	(134)	
Net profit	11 604	18 369	54 280	24 617
Earnings per share:				
Basic	0.15	0.24	0.71	0.34
Diluted	0.15	0.24	0.71	0.34

COMMENTS

- TCE earnings of \$39.1 million, compared to 43.6 million in the second quarter
- Operating expenses of \$9.8 million, down from \$10.1 million in previous quarter
- Administrative and general expenses of \$1.5 million, down from \$1.9 million in the previous quarter
- Depreciation of \$11.1 million, in line with \$11.1 million in the previous quarter
- Non-operating expenses of \$5.0 million, down from \$6.5 million in Q2, reflecting a one off acceleration of \$1.6 million in debt issuance costs on refinancing in the previous quarter
- A reported net profit of \$11.6 million compared to a net profit of \$18.4 million in Q2 2022

APPENDIX – FINANCIALS Q3 2022



In \$ thousands (unless stated otherwise)	September 30, 2022	June 30, 2022
Balance sheet		
Cash and cash equivalents	188 222	198 609
Trade and other receivables	12 610	15 083
Inventory	6 403	6 833
Prepaid expenses and other current assets	8 719	10 298
Derivative financial instruments (current asset)	3 031	1 713
Total current assets	218 985	232 536
Property, plant and equipment	768 190	778 787
Newbuildings	82 174	73 074
Long-term derivative financial instruments	13 551	6 920
Total non-current assets	863 915	858 781
Total assets	1 082 900	1 091 317
Current portion of interest-bearing debt	39 666	39 697
Trade and other payables	4 474	4 242
Derivative financial instruments	565	395
Accrued voyage expenses and other current liabilities	4 833	6 217
Total current liabilities	49 538	50 551
Long-term debt	450 295	461 309
Total non-current liabilities	450 295	461 309
Share capital	77 427	77 427
Paid-in capital	431 366	431 366
Contributed capital	94 863	95 030
Retained loss	(25 013)	(21 298)
Treasury shares	(11 351)	(11 351)
Accumulated other comprehensive loss	15 775	8 283
Total shareholders' equity	583 067	579 457
Total liabilities and shareholders' equity	1 082 900	1 091 317

COMMENTS

- Total current assets of \$219.0 million, down from \$ 232.5 million in Q2. The decrease is due to repayment of long-term debt and dividend payment, offset by cash from operations during the quarter
- Total non-current assets of \$863.9 million, up from \$ 858.8 million in Q2 mainly due to capitalized instalments, borrowing costs and other related expenses in the newbuilding program
- Outstanding interest-bearing debt of \$497.8 million, down from \$ 508.1 million in Q2 due to scheduled debt repayments
- Shareholders' equity was \$583.1 million, corresponding to an equity ratio of 53.8%, up from 53.1% in Q2

APPENDIX – FINANCIALS Q3 2022



In \$ thousands (unless stated otherwise)	3m ended Q3-2022	3m ended Q2-2022	9m ended Q3-2022	9m ended Q3-2021
Cash flow statement				
Cash flows from operating activities:				
Cash flow from operations	30,999	26 526	100 621	71 486
Net Interest paid	(5 073)	(4 067)	(13 377)	(13 366)
Net cash flows from operating activities	25,926	22 459	87 244	58 150
Cash flows used in investing activities:				
Net cash proceeds from sale of asset	-	46 741	92 127	-
Capital expenditures	(9 073)	(24 281)	(154 452)	(42 128)
Net cash flows used in investing activities	(9 073)	22 460	(62 325)	(42 128)
Cash flows used in financing activities:				
Payment of dividend	(15 317)	(15 320)	(34 467)	(19 249)
Proceeds from issue of share capital	-	-	-	64 414
Repayment of long-term debt	(10 247)	(261 527)	(325 710)	(33 135)
Proceeds from loans and borrowings, net of transaction costs	(1 210)	320 594	422 767	(891)
Settlement of share options	(163)	(254)	(417)	(781)
Net cash flows used in financing activities	26 938	43 493	62 172	10 358
Net increase (decrease) in cash and cash equivalents	(10 085)	88 412	87 091	26 380
Effect of exchange rate changes on cash	(302)	(444)	(779)	31
Cash and cash equivalents at beginning of period	198 609	110 641	101 910	75 882
Cash and cash equivalents at end of period	188 222	198 609	188 222	102 293

COMMENTS

- Cash flow from operating activities was \$25.9 million for the third quarter, compared to \$22.5 million in Q2
- Investing activities for the quarter includes instalments and related costs paid in the newbuilding program
- Cash dividend payment of \$15.3 million in September 2022
- Cash flows used in financing activities were \$26.9 million for the third quarter, reflecting scheduled debt payments and payment of dividend
- Cash position at quarter end was \$188.2 million

GLOSSARY



A&G = Administrative and general

CBE = Cash break even

CAPEX = Capital expenditure

EEXI = Energy Efficiency Existing Ship Index

FY = Fiscal year

IFRS = International Financial Reporting Standards

IMO = International Maritime Organisation

LPG = Liquefied petroleum gas

OPEX = Operating expenses

PDH = Propane Dehydrogenation

TC = Time charter

TCE = Time charter equivalent

VLGCs = Very large gas carrier



Avance Gas



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<https://www.avancegas.com/Investor-Relations>

Stock Exchange



ticker: AGAS