# AVANCE GAS HOLDING LTD

UNAUDITED CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS

For the three months ended 31 March 2024

**BERMUDA, May 15, 2024** – Avance Gas Holding Ltd (OSE: AGAS) ("Avance Gas" or the "Company") today reports unaudited results for the first quarter 2024.

## HIGHLIGHTS

- The average time charter equivalent (TCE) rate basis discharge-to-discharge was $60,900/day, compared to $76,200/day for the fourth quarter 2023.
- TCE/day on load-to-discharge basis was $78,800/day compared to $71,900/day for the fourth quarter 2023. Adjustment related to load-to-discharge was positive $21 million or $17,900/day in TCE/day for the first quarter compared to negative $5.4 million or $4,300/day for the fourth quarter.
- For the first quarter, we had a Time Charter (TC) coverage of 26% at an average TCE rate of $47,000/day and spot voyages of 74% at $64,300/day corresponding to an average fleet TCE of $59,900/day excluding FFA gain of $1,000/day and positive load-to-discharge adjustment of $17,900/day.
- Daily operating expenses (OPEX) were $8,200/day, compared to $8,100/day for the fourth quarter of 2023.
- Net profit of $146.5 million for the first quarter of which $84.9 million relates to gain on vessel sales and earnings per share of $1.91.
- Net profit excluding gain on sale of $61.6 million compared to $61.5 million for the fourth quarter 2023, or earnings per share (EPS) of 80 cents for the first quarter 2024 and fourth quarter 2023.
- During the first quarter, the Company paid $0.65 per share in dividend, or $49.8 million, for the fourth quarter 2023.
- During the first quarter, the Company successfully completed three vessel sales resulting in a total gain on sale of $84.9 million and net cash proceeds of $127 million after repayment of debt and transaction cost:
  - In January 2024, the Company completed the sale of Iris Glory (2008) for a cash consideration of $60 million less broker commission. The Company recorded a gain on sale of $21.3 million and net cash proceeds of $25 million in the first quarter 2024.
  - In March 2024, the Company completed the sale of Venus Glory (2008) for a cash consideration of $66 million less broker commission. The Company recorded a gain on sale of $27.4 million and a net cash release of $40 million in the first quarter 2024.
  - In March 2024, the Company completed the sale of Avance Castor (2024) for a cash consideration of $120 million less broker commission. The Company recorded a gain on sale of $36.2 million and a net cash release of $62 million in the first quarter 2024.
- During the first quarter 2024, the Company completed refinancing of three vessels resulting in a total net cash release of $45 million:
  - In February, the Company 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 recorded in the first quarter 2024.
  - In March 2024, the Company drew on the $43 million Facility in relation to refinancing of Pampero (2015) resulting in net cash proceeds of $5 million recorded in the first quarter 2024.
- The board declared a combined return of capital and dividend of $2.15 per share or $165 million for the first quarter 2024, corresponding to 112% of net profit. Total distribution of $2.15 per share consist of $0.99 per share in return of capital and $1.16 per share in dividend.
- In May 2024, the Company completed the sale of Avance Pollux (2024) for a cash consideration of $120 million less broker commission, and the Company expect to book a gain on sale of $36 million and net cash proceeds of $62 million for the second quarter.
- For the second quarter of 2024, we have booked 83% at an average TCE/day of ~$48,000 on a discharge-to-discharge basis. Load-to-discharge adjustment expected to be negative $3-5,000/day as the freight market improved from the end of the first quarter.

Øystein Kalleklev, Chief Executive Officer of Avance Gas Holding Ltd., commented:

“First quarter was yet another blockbusting quarter for Avance Gas with a quarterly net profit of $146 million which is by far the highest quarterly result we have ever delivered. The record-breaking earnings were driven by successful completion of the sale of three ships during the quarter which added in total $85 million of profits, but also very strong freight income adding $62 million to the bottom line.

Despite the sharp slump in rates at the beginning of the year due to the cold snap in the US affecting the arbitrage levels, we benefited from having booked long voyages, primarily from US to the Far East, which limited our market exposure during this shakeout period.  We thus delivered average Time Charter equivalent earnings or TCE of $60,900 on a discharge-to-discharge basis. Given the market correction from the very elevated freight levels in the fourth quarter, our load-to-discharge TCE numbers which is the basis for the IFRS accounts, came in even higher at $78,800/day which is the highest achieved number since third quarter of 2015.

Hence, given the healthy earnings, the substantial cash release of $189 million from sale of four ships this year of which one subsequent to quarter-end, and finally our strong cash position of $360 million at quarter-end, we are pleased to announce a quarterly dividend of $2.15 per share. The quarterly dividend represents a payout of $165 million or about 13 per cent of our Market Capitalization. The quarterly dividend for the first quarter of 2024 is thus the same as we paid out for the full year of 2023. As agreed by the Annual General Meeting (AGM), the company will reduce its paid in capital. Hence, $0.99 of the dividend per share is structured as reduction in par value of the share, while the remaining $1.16 is structured as ordinary dividend and this might have favourable tax treatment for some investors depending on tax jurisdiction.

Looking forward we have now completed our fleet renewal program with the sale of all our five 2008/09 built Very Large Gas Carriers (VLGCs). Our fleet today has an average age of less than five years and consist of eight 2015 eco VLGCs, four large dual fuel VLGCs built 2022/23 as well as four dual fuel Medium Sized Gas Carriers (MGCs) under construction which is equipped to carry full cargoes of both LPG and ammonia and these ships are set for delivery in 2025/26.

Avance Gas is therefore well positioned to continue delivering strong results in an attractive shipping segment while at the same time reducing our emissions well ahead of the IMO targets. For the second quarter, we are currently 83 per cent booked at an average TCE rate of $48,000 on a discharge-to-discharge basis which is well ahead of our cash break-even levels in the low $20’s. With forward freight rates for the second half of the year at even higher levels we expect to continue to deliver attractive shareholder returns.”

| In US$ thousands (unless stated otherwise) | Three months ended | Three months ended |
|---|---|---|
| **Income statement:** | **March 31, 2024** | **December 31, 2023** |
| TCE per day ($) discharge-to-discharge | 60,862 | 76,244 |
| TCE per day ($) load-to-discharge | 78,811 | 71,904 |
| TCE earnings | 91,972 | 89,593 |
| Gross operating profit | 80,761 | 77,679 |
| Gain on sale | 84,929 | - |
| Net profit | 146,489 | 61,474 |
| Net profit excluding gain on sale | 61,560 | - |
| Earnings per share (basic) ($) | 1.91 | 0.80 |
| Earnings per share (basic) ($) excluding gain on sale | 0.80 | 0.80 |
| **Balance sheet:** | **March 31, 2024** | **December 31, 2023** |
| Total assets | 1,227,317 | 1,153,585 |
| Total liabilities | 515,824 | 549,791 |
| Cash and cash equivalents | 360,245 | 131,515 |
| Total shareholders' equity | 711,493 | 603,794 |
| **Cash flows:** | **March 31, 2024** | **December 31, 2023** |
| Net cash from operating activities | 116,450 | 61,734 |
| Net cash from (used in) from investing activities | 186,583 | (27,389) |
| Net cash (used in) financing activities | (73,979) | (49,126) |
| Net increase (decrease) in cash and cash equivalents | 229,054 | (14,782) |

## MARKET UPDATE

Fixing activity, along with US/East LPG price arbitrage ('arb') decreased in tandem from January and through February as TCEs fell by approximately 90% over the same period. The Baltic index for Ras Tanura-Chiba dropped from $136pmt at the beginning of January to $31pmt at the start of February. Similar to February 2021, though not as severe, a cold snap in the US disrupted gas production and increased domestic consumption, leading to a significant rise in US gas prices. This weather event also resulted in several weeks of large withdrawals from US propane inventories, reducing levels to the mid-range of the five-year average.

Demand in the East also declined as Chinese PDH plants faced challenges in increasing their run rates at the beginning of the year, with margins falling to their lowest levels since January 2023.

Despite the predicting reduced daily transits through the Panama Canal in January, scheduling turned out to be easier than anticipated. Consequently, Q1 exceeded expectations, with many Far East positions returning to the US more quickly than expected. Data indicates a significant increase in the use of the Panama Canal during Q1, especially on the laden leg, mitigating the anticipated rise in ton-miles.

Lengthy tonnage lists and a soft product market drove owners to focus on short hauls out of the AG, avoiding longer US/East voyages that barely covered operating costs. This led to a steep decline, with the Baltic index for Ras Tanura-Chiba falling from $136 per metric ton to $31.5 per metric ton in just four weeks, resulting in a TCE of about $6,500 per day. Fortunately, fixing activity increased in February as owners attempted to recover from the previous month's downturn. Freight rates in the AG jumped by 150% over three weeks before dropping again, illustrating a highly volatile month.

The average Time Charter Equivalent (TCE) for the quarter, considering the US/AG average, stood at $47,700 per day. However, this figure does not account for the fact that several ships ballasted to the US via the Cape of Good Hope (CoGH), resulting in a 25% lower TCE on pure round-trip economics due to the extended ballast leg and the laden voyage proceeding East via the Panama Canal. Additionally, it does not include the expenses associated with scheduling a ship through the Panama Canal, with most Very Large Gas Carrier (VLGC) owners resorting to auctions for this purpose. On average, the US exported 96 VLGCs per month in Q1, reflecting an increase of 7.5 VLGCs compared to Q1 2023, although this figure remained stable from Q4 2023.

## FINANCIAL AND OPERATIONAL REVIEW

Avance Gas reported Time Charter Equivalent (TCE) earnings of $92.0 million, compared to $89.6 million for the fourth quarter. Adjustment related to the IFRS 15 accounting standard resulted in an increase in TCE earnings of $20.9 million or $17,900/day compared to a decrease in TCE earnings of $5.4 million or $4,300/day for the fourth quarter 2023. The positive IFRS 15 adjustment in the first quarter 2024 relates to IFRS 15 reversals from the previous quarter being larger than the IFRS 15 adjustment for the first quarter. Spot voyages over the fourth quarter were mainly US voyages with longer sailing distances fixed at elevated freight levels, while spot voyages over the first quarter were primarily AG voyages with shorter sailing distances at lower freight levels compared to the previous quarter. Thus, the IFRS 15 reversal from the fourth quarter 2023 significantly exceeded the first quarter 2024 adjustment resulting in a net positive IFRS 15 adjustment of $20.9 million. The TCE increased by $1.1 million in Forward freight Agreements (FFA) and bunker hedges gains during the quarter compared to a loss of $12.1 million for the fourth quarter which translates to an effect for the whole fleet of positive $970/day and negative $9,700/day respectively.

Operating expenses (OPEX) were $9.6 million, equalling a daily average of $8,229/day. This compares to $10.4 million or $8,092/day for the fourth quarter. Operating expenses per day increased due to timing effects from planned maintenance and storing up during the first quarter.

Administrative and general (A&G) expenses for the quarter were $1.6 million, compared to $1.5 million in the fourth quarter, representing an average per ship of $1,353/day and $1,158/day respectively. The increase in A&G per day is explained by less calendar days due to vessel sales.

Gain on disposal of assets was $84.9 million in the first quarter 2024 following the sale of the VLGCs Iris Glory (2008), Venus Glory (2008) and Avance Castor (2024), in which $21.3 million, $27.4 million, and $36.2 million was recorded as gain on sale, respectively. Please see separate section below in relation to vessel sales.

Non-operating expenses, consisting of finance expenses, finance income and foreign exchange gain, were $9.1 million, compared to $5.0 million in the fourth quarter. Finance expenses increased mainly due to non-recurring items (expensed debt issuance cost and termination fee) of $4.6 million related to repayment of loan following the sale of Iris Glory and Venus Glory and refinancing of three vessels. Finance income increased by $1.0 million compared to the fourth quarter due to an increase in cash deposits. Foreign currency exchange loss increased by $0.7 million compared to the fourth quarter as the USD strengthened.

Avance Gas reported a net profit of $146.5 million for the first quarter 2024, or $1.91 per share, compared with a net profit of $61.5 million, or $0.80 per share for the fourth quarter 2023. The net profit excluding gain on vessel sales was $61.6 million, or $0.80 per share for the first quarter 2024.

Avance Gas' total assets amounted to $1,227.3 million on 31 March 2024, compared with $1,153.6 million on 31 December 2023. Total shareholders' equity was $711.5 million at quarter-end, corresponding to an equity ratio of 58.0%. Shareholder equity increased by $107.7 million during the quarter mainly due to net profit of $146.5 million and other comprehensive income of $10.9 million, being offset by paid dividend of $49.8 million for the fourth quarter 2023.

Cash and cash equivalents were $360.2 million on 31 March 2024, compared to $131.5 million on 31 December 2023. Cash flow from operating activities was $116.4 million, compared with $61.7 million for the fourth quarter of 2023. Net cash flow from investing activities was $186.6 million and consist of net cash proceeds from sale of assets of $243.6 million and capital expenditures of $57.0 million, in which the $57.0 million mainly relates to final pre-delivery instalments for VLGC Avance Castor. This compared with a net cash flow used in investing activities of $27.4 million for the fourth quarter 2023 which mainly relates to pre-delivery instalments for VLGC Avance Pollux, MGC newbuildings 3 & 4 and drydocking expenses of Venus Glory. Net cash flow used in financing activities was $74.0 million, consisting of repayments of debt of $200.7 million and payment of dividend of $49.8

million for the fourth quarter, offset by $176.5 million in proceeds from loans and borrowings net of transaction costs.

## SALE OF VESSELS

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 Party (TCP) 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 recorded a book gain on sale of $21.3 million and net cash proceeds following repayment of the lease financing of $25.3 million for the first quarter 2024.

In March 2024, the Company completed the sale of the VLGC Venus Glory, built 2008, for a gross cash consideration of $66 million. The vessel completed her two-year TCP with IOC at the end of the fourth quarter 2023, and subsequently carried out a single spot voyage at a net TCE result of $5.4 million. The Company recorded a book gain on sale of $27.4 million and net cash proceeds following repayment of $39.6 million after repayment of debt for the first quarter 2024.

In March 2024, the Company completed the sale of the VLGC with intended name Avance Castor, for a gross cash consideration of $120 million. The vessel is the fifth of the 91,000 cbm dual fuel newbuildings from Hanwha Ocean (formerly known as Daewoo Shipbuilding & Marine Engineering) in South Korea, and the sale was completed directly after delivery from the yard. The Company recorded a book gain on sale of $36.2 million and net cash proceeds after capital expenditures of $61.7 million for the first quarter 2024. The sale of the sixth of the 91,000 cbm dual fuel newbuildings, with intended name Avance Pollux, was completed in May 2024. The vessel was sold for a gross cash consideration of $120 million, and the Company expect to record a book gain on sale of approximately $36 million and net cash proceeds of approximately $62 million in the second quarter.

## REFINANCING

In February 2024, the Company drew on the $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 extended maturity from 2027 to 2034 with repurchase options after 32.5 years and resulted in a net cash release of $40 million in the first quarter 2024.

In March 2024, the Company drew on the $43.0 million bank Facility for the refinancing of VLGC Pampero (2015). The financing significantly improved 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 occurred in March 2024 and resulted in net cash proceeds of $5 million after repayment of existing debt.

## FLEET AND EMPLOYMENT OVERVIEW

For the first quarter, we had a TC coverage of ~26% at an average TCE rate of $47,000/day and spot voyages of 74% at an average rate of $64,300/day equalling an average fleet TCE rate of $59,900/day on a discharge-to-discharge basis excluding FFA gains. FFA and bunker hedge gains amounted to $1.1 million or $970/day of total fleet operating days. Furthermore, adjustment related to the IFRS 15 accounting standard resulted in an increase in TCE earnings of $20.9 million or $17,900/day of total fleet operating days. Thereby, the Company reported a TCE/day of $78,800 load-to-discharge.

Avance Gas recorded 1,167 operating days for the first quarter 2024, compared to 1,246 operating days for the fourth quarter 2023. The number of operating days is lower than in the previous quarter primarily due to the sale of Iris Glory and Venus Glory. The Company recorded three off hire days in the first quarter compared to 42 off hire days related to drydock of Venus Glory in the fourth quarter. Operating days are calendar days less off-hire days. The company recorded seven waiting days (for loading) for the fleet in the first quarter, giving Avance Gas a fleet commercial utilization during the quarter of 99.4%, compared to 99.2% in the fourth quarter.

## OUTLOOK

The reduction in maximum draft limits through the Panama Canal has diminished demand from container vessels, prompting them to seek alternative routes and rail services through Panama. Consequently, Neo-Panamax Very Large Gas Carriers (VLGCs) found it easier than expected to schedule ships through the canal, contributing to the negative trend in the freight market during the first half of the first quarter.

As anticipated, the situation in Panama has improved, with canal authorities announcing on April 15th that they will increase the number of daily slots offered and raise the maximum allowed draft from June 15th onward. In response, liner operator Maersk has announced the resumption of several sailing routes through Panama, intensifying competition for securing slots. The higher cost of scheduling ships through the canal is expected to translate into a higher delivered Cost of Freight (CFR) price in the East, which should support the US/East LPG price arbitrage. Additionally, a significant portion of Neo-Panama container vessels on order is scheduled for delivery this year, coinciding with an increase in their use of the Panama Canal.

Year-over-year production growth in the US is forecasted to be subdued in 2024 with a slight increase. Consequently, gas prices are expected to remain under pressure through the summer, supported by stock building that will sustain high levels of exports from US terminals. However, US export capacity is not expected to materially increase before Q3 2025, as several terminals are undergoing expansion projects that will take time to complete.

On the import side, Chinese Propane Dehydrogenation (PDH) plants are emerging from maintenance season, with recent run rates below 49%, although they have managed to recover to the mid-high 50s %. Poor margins, insufficient reaction to the reduction in propylene supply (a PDH plant byproduct), technical issues at some plants, and ongoing maintenance are constraining activity and limiting Chinese imports in the short term. Nevertheless, the sector is expanding, with additional capacity expected to come online this year. The LPG market will remain sensitive to the run rates of Chinese PDH plants.

Rising oil prices will be pivotal for additional export growth in the Middle East, as the market assesses whether and when OPEC will pivot and reverse the current production cuts.

The current orderbook comprises 90 vessels (23%) of the 389 VLGCs in operation. 11 VLGCs were delivered in Q1, with an additional 14 vessels expected to be delivered during 2024, before accounting for any slippage (an expected delay of 3-4 ships). VLGCs with a 98% filling grade for ammonia, known as VLACs, constitute approximately 40% of the orderbook, while Panamax size vessels account for 60%. The orderbook appears relatively subdued in 2024 and 2025, with 74% of deliveries scheduled for 2026 and beyond. Combined with robust fundamentals and persistent inefficiencies, this suggests a healthy spot freight market for the next two years. The LPG Forward Freight Agreement (FFA) market currently quotes $66,000 per day for the second half of 2024 and $53,000 per day for the calendar year 2025.

## 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 2024 on Wednesday, 15 May 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/qwb4tssb

Guests can log into the conference call using the following link:
https://register.vevent.com/register/BI12e2e54dc1ed4c3caea0e446cbd38c35

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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 March 31, 2024 | March 31, 2023 |
|---|---|---|---|
| | | (in USD thousands) | |
| **Operating revenue** | 10 | **116,127** | 77,042 |
| Voyage expenses | 10 | **(24,155)** | (14,693) |
| Operating expenses | | **(9,628)** | (9,756) |
| Administrative and general expenses | | **(1,583)** | (1,325) |
| **Operating profit before depreciation expense** | | **80,761** | 51,268 |
| Depreciation and amortisation expense | 5 | **(10,061)** | (10,547) |
| Gain on disposal of assets | 5 | **84,929** | - |
| **Operating profit** | | **155,629** | 40,721 |
| **Non-operating (expenses) income:** | | | |
| Finance expense | | **(10,764)** | (5,337) |
| Finance income | | **2,017** | 1,225 |
| Foreign currency exchange loss | | **(330)** | (237) |
| **Income before tax** | | **146,552** | 36,372 |
| Income tax expense | | **(63)** | (51) |
| **Net profit** | | **146,489** | 36,321 |
| **Earnings per share** | | | |
| Basic | | **1.91** | 0.47 |
| Diluted | | **1.90** | 0.47 |

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 | |
|---|---|---|---|
| | | **March 31, 2024** | **March 31, 2023** |
| | | *(in USD thousands)* | |
| **Net profit** | | **146,489** | 36,321 |
| **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 | | **11,359** | (1,107) |
| Amortisation of gain on discontinued hedges | | **(433)** | (382) |
| Exchange differences arising on translation of foreign operations | | **(7)** | 3 |
| Other comprehensive income | | **10,919** | (1,486) |
| **Total comprehensive income** | | **157,408** | 34,835 |

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

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

| | Note | As of March 31, 2024 | As of December 31, 2023 |
|---|---|---|---|
| | | *(in USD thousands)* | |
| **ASSETS** | | | |
| Cash and cash equivalents | | **360,245** | 131,515 |
| Trade and other receivables | | **13,013** | 42,962 |
| Inventory | | **7,016** | 9,776 |
| Prepaid expenses and other current assets | | **11,163** | 26,519 |
| Derivative financial instruments | 7 | **10,453** | 4,953 |
| Asset held for sale | 5 | **-** | 38,047 |
| **Total current assets** | | **401,890** | 253,772 |
| Property, plant and equipment | 5 | **760,277** | 808,818 |
| Newbuildings | 5 | **62,404** | 87,346 |
| Derivative financial instruments | 7 | **2,746** | 3,649 |
| **Total non-current assets** | | **825,427** | 899,813 |
| **Total assets** | | **1,227,317** | 1,153,585 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| Current portion of interest-bearing debt | 6 | **37,879** | 38,380 |
| Debt for asset held for sale | 6 | **-** | 31,476 |
| Trade and other payables | | **4,913** | 5,513 |
| Accrued voyage expenses and other current liabilities | | **6,367** | 13,226 |
| Derivative financial instruments | 7 | **-** | 6,762 |
| **Total current liabilities** | | **49,159** | 95,357 |
| Long-term debt | 6 | **466,665** | 454,434 |
| **Total non-current liabilities** | | **466,665** | 454,434 |
| **Shareholders' equity** | | | |
| Share capital | | **77,427** | 77,427 |
| Paid-in capital | | **431,366** | 431,366 |
| Contributed capital | | **95,060** | 94,983 |
| Retained income | | **101,474** | 4,771 |
| Treasury shares | | **(11,351)** | (11,351) |
| Accumulated other comprehensive income | | **17,517** | 6,598 |
| **Total shareholders' equity** | | **711,493** | 603,794 |
| **Total liabilities and shareholders' equity** | | **1,227,317** | 1,153,585 |

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, 2022** | **77,427** | **431,366** | **94,772** | **(5,620)** | **17,331** | **(11,351)** | **603,925** |
| **Comprehensive income:** | | | | | | | |
| Net profit | - | - | - | 36,321 | - | - | 36,321 |
| *Other comprehensive (loss) income:* | | | | | | | |
| Fair value adjustment of derivative financial instruments | - | - | - | - | (1,107) | - | (1,107) |
| Amortisation of gain on discontinued hedges | - | - | - | - | (382) | - | (382) |
| Translation adjustments, net | - | - | - | - | 3 | - | 3 |
| Total other comprehensive income | - | - | - | - | (1,486) | - | (1,486) |
| **Total comprehensive income** | - | - | - | 36,321 | (1,486) | - | 34,835 |
| **Transactions with shareholders:** | | | | | | | |
| Dividends | - | - | - | (38,298) | - | - | (38,298) |
| Compensation expense for share options | - | - | 179 | - | - | - | 179 |
| **Total transactions with shareholders** | - | - | 179 | (38,298) | - | - | (38,119) |
| **As of March 31, 2023** | 77,427 | 431,366 | 94,951 | (7,597) | 15,845 | (11,351) | 600,641 |
| **As of December 31, 2023** | **77,427** | **431,366** | **94,983** | **4,771** | **6,598** | **(11,351)** | **603,794** |
| **Comprehensive income:** | | | | | | | |
| Net profit | **-** | **-** | **-** | **146,489** | **-** | **-** | **146,489** |
| *Other comprehensive (loss) income:* | | | | | | | |
| Fair value adjustment of derivative financial instruments | **-** | **-** | - | **-** | **11,359** | **-** | **11,359** |
| Amortisation of gain on discontinued hedges | **-** | | - | **-** | **(433)** | **-** | **(433)** |
| Translation adjustments, net | **-** | **-** | - | **-** | **(7)** | **-** | **(7)** |
| Total other comprehensive income | **-** | **-** | - | **-** | **10,919** | **-** | **10,919** |
| **Total comprehensive income** | **-** | **-** | - | **146,489** | **10,919** | **-** | **10,919** |
| **Transactions with shareholders:** | | | | | | | |
| Dividends | **-** | **-** | - | **(49,786)** | **-** | **-** | **(49,786)** |
| Compensation expense for share options | **-** | **-** | **78** | **-** | **-** | **-** | **78** |
| **Total transactions with shareholders** | **-** | **-** | **78** | **(49,786)** | **-** | **-** | **(49,708)** |
| **As of March 31, 2024** | **77,427** | **431,366** | **95,060** | **101,474** | **17,517** | **(11,351)** | **711,493** |

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

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

| | Note | For the three months ended | |
|---|---|---|---|
| | | March 31, 2024 | March 31, 2023 |
| | | *(in USD thousands)* | |
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 3 | **123,530** | 53,455 |
| Interest paid | | **(7,081)** | (5,845) |
| **Net cash flows from operating activities** | | **116,449** | 47,610 |
| **Cash flows from (used in) investing activities:** | | | |
| Net proceeds from sale of assets | 5 | **243,610** | - |
| Capital expenditures | 5 | **(57,027)** | (60,919) |
| **Net cash flows from (used in) investing activities** | | **186,583** | (60,919) |
| **Cash flows from (used in) financing activities:** | | | |
| Dividends Paid | 4 | **(49,786)** | (38,297) |
| Repayment of long-term debt | 6 | **(200,674)** | (9,566) |
| Proceeds from loans and borrowings, net of transaction costs | 6 | **176,481** | 56,705 |
| **Net cash flows from (used in) financing activities** | | **(73,979)** | 8,843 |
| **Net increase (decrease) in cash and cash equivalents** | | **229,053** | (4,465) |
| Cash and cash equivalents at beginning of period | | **131,515** | 224,243 |
| Effect of exchange rate changes on cash | | **(323)** | (308) |
| **Cash and cash equivalents at end of period** | | **360,245** | 219,469 |

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 March 2024, the Company owned and operated a fleet of twelve modern ships and one Dual Fuel VLGC (Very Large Gas Carrier) newbuilding due for delivery and subsequently sale in the second quarter 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, 2023, 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, 2023, 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 Gas 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 three months ended | |
|---|---|---|
| | **March 31, 2024** | **March 31, 2023** |
| | *(in USD thousands)* | |
| **Net profit** | **146,489** | 36,321 |
| **Adjustments to reconcile net profit to net cash from operating activities:** | | |
| Depreciation and amortisation of property, plant and equipment | **10,061** | 10,547 |
| Net finance expense | **11,094** | 5,574 |
| Compensation expense | **78** | 179 |
| Gain on sale of assets (note 5) | **(84,929)** | - |
| **Changes in assets and liabilities:** | | |
| Decrease (Increase) in trade and other receivables | **29,949** | (1,655) |
| Decrease in inventory and prepaid expenses and other current assets | **18,116** | 2,393 |
| (Decrease) in trade and other payables | **(243)** | (2,362) |
| (Decrease) Increase in accrued voyage expenses and other current liabilities | **(7,399)** | 2,147 |
| Other | **314** | 311 |
| **Cash flows from operating activities** | **123,530** | 53,455 |

## 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 March 31, 2024 and December 31, 2023. Of the authorised share capital, 77.4 million shares were issued and outstanding as of March 31, 2024 and December 31, 2023, 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 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 March 31, 2024. The average strike price of the share options as at 31 March 2024 was 23 NOK, resulting in a dilutive effect of $0.01 per share for the three months ended March 31, 2024.

**Cash dividends paid to the equity holders of the parent**

| | As of March 31, 2024 | As of March 31, 2023 |
|---|---|---|
| | *(in USD thousands)* | |
| **Dividends on ordinary shares declared and paid:** | | |
| Final dividend for 2023: $0.65/share (2022: $0.50/share) | **49,786** | 38,297 |

## 5. Property, plant and equipment

During the three months ended March 31, 2024 and March 31, 2023, the Group capitalised $58.2 million and $61.1 million, respectively, in newbuildings. For the three months ended March 31, 2024, the amount capitalised consists of instalments prior to delivery of newbuildings and other costs related to the newbuilding program, including borrowing costs of $0.5 million. Of the $58.2 million capitalised, $57.5 million relates to the fifth of the 91,000 cbm VLGC newbuildings from Hanwha Ocean with intended name Avance Castor, which was sold after delivery from the yard.

During the first quarter of 2024, the Company completed the sale of three vessels: VLGC Iris Glory (2008), VLGC Venus Glory (2008) and VLGC Avance Castor (2024), resulting in a gain on sale of respectively $21.3 million, $27.4 million and $36.2 million, bringing the total gain on sale to $84.9 million.

**6. Long-term debt**

Long-term debt consisted of debt collateralised by the Group's 12 VLGCs as of March 31, 2024.

Long-term debt repayments were $200.7 million for the three months ended March 31, 2024, where $9.7 million is scheduled repayment of debt. The remaining $191.0 million is repayment of debt in relation to the sale of the VLGCs Iris Glory and Venus Glory of $34.1 million and $25.7 million, respectively, and refinancings of the VLGCs Avance Polaris, Avance Capella and Avance Pampero of $46.2 million, $46.9 million and $38.1 million, respectively.

Non-current and current debt in the table below includes debt issuance costs of respectively $3.9 million and $1.3 million as of March 31, 2024, and respectively $4.5 million and $1.8 million as of December 31, 2023.

| | As of | |
|---|---|---|
| | **March 31, 2024** | **December 31, 2023** |
| | *(in USD thousands)* | |
| **Non-current** | | |
| Secured bank loans | **239,078** | 306,651 |
| Revolving credit facilities | **102,028** | 113,387 |
| Lease financing agreement | **125,559** | 34,396 |
| | **466,665** | 454,434 |
| **Current** | | |
| Current portion of secured bank loans | **32,196** | 36,233 |
| Current portion of lease financing agreement | **5,683** | 2,147 |
| Current portion of lease financing – asset held for sale | **-** | 31,476 |
| | **37,879** | 69,856 |
| **Total interest-bearing debt** | **504,544** | 524,290 |

**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 March 31, 2024 | | As of December 31, 2023 | |
|---|---|---|---|---|---|
| | | (in USD thousands) | | | |
| | Note | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| **Financial liabilities** | | | | | |
| Secured bank loans | 6 | **271,274** | **271,274** | 342,884 | 342,884 |
| Revolving credit facilities | 6 | **102,028** | **102,028** | 113,387 | 113,387 |
| Lease financing agreement | 6 | **131,242** | **131,242** | 68,019 | 68,019 |
| **Total financial liabilities** | | **504,544** | **504,544** | 524,290 | 524,290 |
| **Derivative financial instruments** | | | | | |
| Net interest rate swap assets | | **10,168** | **10,168** | 8,602 | 8,602 |
| Net interest rate swap liabilities | | **-** | **-** | - | - |
| Forward Freight Agreements and Bunker Hedges assets | | **3,030** | **3,030** | - | - |
| Forward Freight Agreements and Bunker Hedges liabilities | | **-** | **-** | 6,762 | 6,762 |
| **Total financial instrument assets** | | **13,198** | **13,198** | 8,602 | 8,602 |
| **Total financial instrument 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 March 31, 2024 and December 31, 2023 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 March 31, 2024, and December 31, 2023, is recognised in the statement of other comprehensive income / loss, refer to note 9.

The forward freight agreements and bunker hedges of $3.0 million as of March 31, 2024, consist of 1,150 tons/month of bunkers hedged for the second quarter 2024, 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 2022 and 2023, the Group terminated a number of swaps for cash proceeds and to enter into new swaps. The gains on termination of the interest rate swaps are being reclassified from other comprehensive income to the income statement in line with the future cash flows of the original hedged item.

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 three months ended March 31, 2024, the fee for corporate secretarial services was $78 thousand, the fee for technical supervision for current fleet and newbuildings was $391 thousand and fee for office lease and shared services was $257 thousand. In addition, Avance Gas received a recharge of operational credits of $202 thousand.

For the three months ended March 31, 2023, the fee for corporate secretarial services was $75 thousand, the fee for technical supervision for current fleet and newbuildings was $407 thousand and fee for office lease and shared services was $120 thousand. In addition, Avance Gas received a recharge of operational credits of $76 thousand.

A summary of balances due to (from) related parties on March 31, 2024, and December 31, 2023, as follows:

| | As of | |
|---|---|---|
| | **March 31, 2024** | **December 31, 2023** |
| | *(in USD thousands)* | |
| Frontline Management (Bermuda) Ltd. | **(70)** | 1,080 |
| Seatankers Management Co. Ltd. | **30** | - |
| Flex LNG Management AS | **81** | 178 |
| Front Ocean Management AS | **8** | - |
| **Net payable to related parties** | **49** | 1,258 |

**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, 2023 | 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 |
| Effective portion of changes in fair value of interest rate swaps | - | 13,408 | 13,408 |
| Reclassified to profit or loss | - | (2,482) | (2,482) |
| Translation adjustment, net | (7) | - | (7) |
| **Balance March 31, 2024** | (7) | 17,462 | 17,517 |

**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** | |
|---|---|---|
| | **March 31, 2024** | **March 31, 2023** |
| | *(in USD thousands)* | |
| Operating revenue | **116,127** | 77,042 |
| Voyage expenses | **(24,155)** | (14,693) |
| **Voyage result** | **91,972** | 62,349 |
| **Calendar days** | **1,170** | 1,131 |
| Technical off-hire days | **(3)** | (63) |
| Operating days | **1,167** | 1,068 |
| **TCE per day ($)** | **78,811** | 58,379 |

**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 May 2024, the Company took delivery of the 91,000 cbm dual fuel newbuilding with intended name Avance Pollux from the yard, and the vessel was subsequently delivered to the new owners for a gross cash consideration of $120 million.