



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

BERMUDA, 19 February 2021 – Avance Gas Holding Ltd (ticker: AGAS) today reported unaudited results for the Fourth quarter 2020.

HIGHLIGHTS

- The average time charter equivalent (TCE) rate was \$40,759 on a discharge to discharge basis and \$36,130/day on the basis of IFRS 15 accounting standard, compared to \$23,283 and \$21,524/day in Q3 2020 respectively.
- The full year 2020 TCE rate on the basis of IFRS 15 accounting standard was \$32,418/day compared to \$34,309/day in 2019. On a discharge to discharge basis, the rates were \$32,862/day and \$35,220/day respectively.
- Daily operating expenses (OPEX) were \$9,419/day, compared to \$9,256/day in Q3 2020. OPEX was impacted by change of technical manager and Covid-19 related crew change expense representing approx. \$900/day in both Q4 and Q3. Full year 2020 OPEX was \$8,968/day, up from \$7,983/day in 2019. The operating expense is expected to normalise and recover from 2021.
- A&G expenses were \$701/day, down from \$727/day in Q3. Full year 2020 A&G expenses were \$771 and \$1,083 /day for full year 2019.
- In January the Company entered into shipbuilding contracts for two 91,000 CBM, LPG Dual-Fuel VLGCs with Daewoo Shipbuilding and Marine Engineering (DSME) in South Korea, for delivery Q4 2022 and Q1 2023.
- In January, the Company announced the appointment of Kristian Sørensen as the new Chief Executive Officer of Avance Gas AS. Sørensen currently holds the position as CEO of the Oslo based shipbroker Fearnleys and will be joining the Company in April 2021.
- The board declared a dividend of \$0.11 per share for Q4 2020.
- For the first quarter of 2021, 70% of vessel days is contracted for approximately \$48,000/day on a discharge-to discharge basis.

In US\$ thousands (unless stated otherwise)	Three months ended	Three months ended
	31 December 2020	30 September 2020
Income statement:	31 December 2020	30 September 2020
TCE earnings	41,260	24,494
TCE per day (\$)	36,130	21,524
Gross operating profit	29,156	11,734
Net profit	46,839	2,260
Net profit adjusted for impairment reversal	13,106	-
Earnings per share (diluted) (\$)	0.73	0.04
Earnings per share adjusted for impairment reversal (diluted) (\$)	0.21	-
Balance sheet:	31 December 2020	30 September 2020
Total assets	897,238	853,553
Total liabilities	444,666	450,583
Cash and cash equivalents	75,882	77,633
Total shareholders' equity	452,571	402,970
Cash flows:	31 December 2020	30 September 2020
Net cash from operating activities	17,370	3,808
Net cash (used in) from investing activities	(18,521)	18,702
Net cash used in financing activities	(688)	(29,298)
Net decrease in cash and cash equivalents	(1,839)	(6,914)

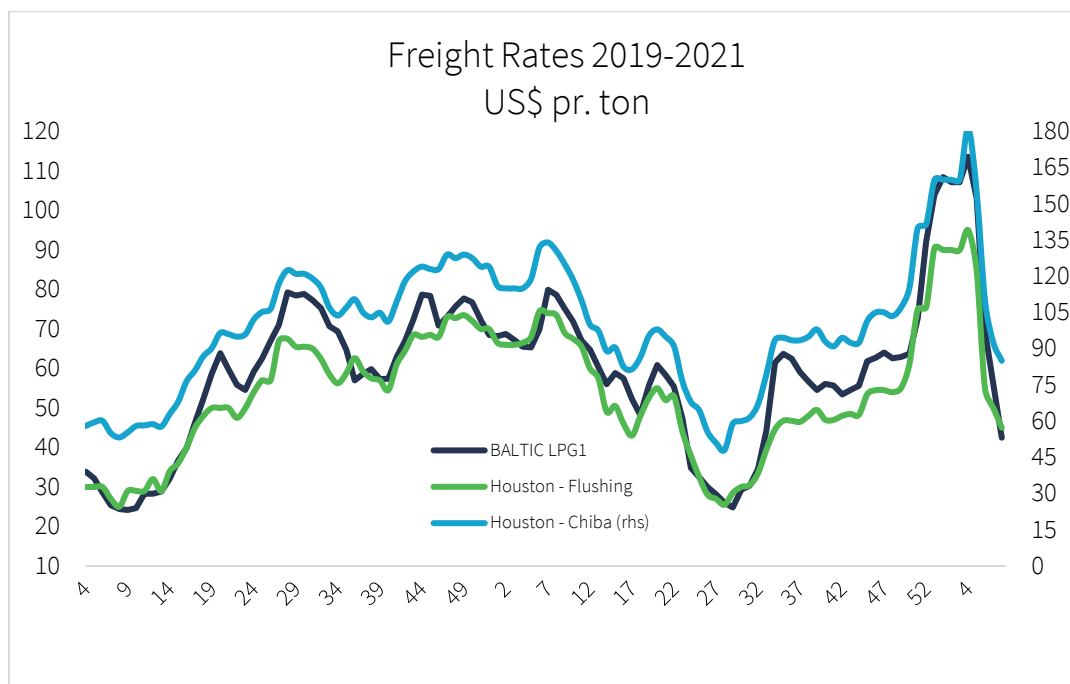
Q4 was a strong quarter for LPG as we predicted back in our Q3 reporting. We saw strong US exports coupled with good buying from Far Eastern buyers, representing 80% of the LPG demand.

US exports averaged 77 cargoes per month, up from 68 per month in Q3. Year on year, there were 837 VLGC cargoes exported in 2020 versus 744 in 2019. The AG loaded an average of 53 VLGCs per month in Q4, slightly down from Q3 which was principally due to OPEC cuts due to oil pricing.

The main drivers for the strong freight market, together with a compliant commodity price, have been the continued market inefficiencies in particular the slower than usual discharge in India and China and the massive delays in transiting Panama Canal. These all add to a stretched fleet and increased utilisation profile and therefore a higher freight market.

The Panama Canal has had a particularly noticeable impact with delays ranging from 5-10 days and dependent of the subsequent strength of the freight market, adding between 15-25 USD to the delivered price of LPG in the East. This ultimately was one of the main factors that culminated in the market correcting itself so violently in January of this year where rates moved from \$115,000/ day in Time Charter Equivalent on a Ras Tanura basis down to \$35,000/day in the space of 3 weeks.

Q1 started off strongly but a US Gulf FOB price increase, due to colder than anticipated weather coupled with panama delays and a lack of buying activity in the East have resulted in a closed arb and a correction in commodity and freight prices.



(Source: Clarksons, Poten, Fearnleys)

FINANCIAL AND OPERATIONAL REVIEW

Avance Gas reported TCE earnings of \$41.3 million, up from \$24.5 million in Q3. Effect of IFRS 15 adjustment on TCE earnings was negative \$5.3 million for Q4 compared with a negative effect of \$2.0 million in Q3. TCE earnings for full year 2020 were \$144.1 million compared to \$173.6 million in 2019.

Operating expenses were \$11.3 million, equaling a daily average of \$9,419/day. This compares to \$9,256/day in Q3. OPEX was impacted by one-offs reflecting takeover cost, termination fee and Covid-19 related crew cost in both quarters, totaling to approx. \$900/day in Q4 and Q3. The change of technical manager is an investment



expected to reduce operating expense and improve technical efficiency over time. Full year average OPEX per ship was \$8,968/day compared to \$7,983/day in 2019.

Administrative and general (A&G) expenses for the quarter were \$0.8 million, down by 0.1 million from Q3, representing an average per ship of \$701/day for Q4 and \$727/day in Q3. A&G expenses for full year 2020 were \$3.9 million compared to \$5.5 million in 2019. Reduction is mainly due to changes in number of FTEs, which is expected to partly recover in 2021.

Non-operating expenses, consisting mainly of financial expenses, were \$5.1 million, compared with \$5.2 million in Q3, reflecting lower LIBOR rate and lower average debt. Full year non-operating expenses were \$22.1 million in 2020 and \$29.4 million in 2019.

Avance Gas reported a net profit of \$46.8 million in Q4, or \$0.73 per diluted share. Net profit for the quarter is impacted by a reversal of previous recognised impairment on the VLGC fleet of \$33.7 million. Adjusted for this effect, net profit was \$13.1 million, compared with a net profit of \$2.3 million in Q3, or \$0.21 and \$0.04 per share respectively. Full year 2020 net profit was 70.9 million, adjusted for impairment reversal the full year profit was compared to a full year net profit of \$56.0 million in 2019.

Avance Gas' total assets amounted to \$897.2 million at 31 December 2020, compared with \$853.6 million at 30 September 2020. Total shareholders' equity was \$452.6 million at quarter-end, corresponding to an equity ratio of 50.4%. This compared with total shareholders' equity of \$403.0 million and an equity ratio of 47.0% at the end of Q3 2020.

Cash and cash equivalents were \$75.9 million at 31 December 2020, compared to \$77.6 million at 30 September 2020.

Cash flow from operating activities was positive \$17.4 million, compared with \$3.8 million in Q3, the increase mainly reflects higher freight rates compared to the previous quarter. Net cash flow from investing activities, consists of primarily 3rd installment of the two LPG fuel new buildings of \$15.5 million, drydock and scrubber installation of \$3.0 million totaling \$18.5 million compared with net cash flow from investing activities of \$18.7 million in Q3. Net cash flow used in financing activities related to scheduled repayments of debt offset by the refinancing of the VLGC *Pampera*, amounting to a net \$0.7 million cash outflow in Q4. The available liquidity at the date of this report is approx. \$93.0 million.

FLEET AND EMPLOYMENT OVERVIEW

The majority of the Avance Gas fleet is trading in the spot market or short term contracts. In total we have TC coverage at an average ~35% in Q4 2020 and 27% in 2021, at an average TCE rate of \$31,000/day and \$30,000/day respectively. Our spot market exposure is following the LPG trading activity, mainly in the US Gulf/USEC and the Middle East.

Avance Gas recorded 1,142 operating days in Q4 2020, compared to 1,138 operating days in Q3 2020. Operating days is calendar days less offhire days. The fleet recorded 54 offhire days, which mainly related to drydocking and completion of change of technical manager.

The company recorded 15 waiting days for the fleet in Q4 2020, giving Avance Gas a fleet utilisation during the quarter of 99%, compared to 98% in Q3 2020.

OUTLOOK

The outlook for 2021 remains positive but subject to constant change with the volatile freight markets.

Fundamentally it remains a positive outlook with US exports expected to grow year on year and demand in the Far East to increase with China being the main driver specifically with the new PDH plants amounting to a



2 million metric tons additional volume. Through a more robust oil price, it is expected LPG will remain the preferred petrochemical feedstock, offsetting the possibility of demand decline due to naphtha switching.

Looking further into 2021, there have been uncertainties created through the drilling moratorium imposed by the Biden administration however the actual impact of this remains relatively unknown given the possible offset by permits that were issued under the Trump administration that have yet to be utilized. The inefficiencies in Panama will likely remain for some time and the subsect uncertainty in transiting will likely mean more secure routings via Cape of Good Hope which is positive for VLGC ship owners. The order book is currently 37 ships with 21 being delivered in 2021 which will likely offset the 70 ships scheduled for dry-dockings this year. We expect some price arbitrage volatility but we remain positive for the coming year.

With strong long term fundamentals and a fully utilized fleet we can continue to focus on further balance sheet strengthening and shareholder value. We will take delivery of four dual fuel new buildings in the coming years, an investment enhancing the green profile of Avance Gas fleet and taking another important step towards decarbonisation and the targeted 40% reduction in emissions by 2030. The new vessels are capable of burning LPG, have larger intake and lower consumption, fitted with shaft generator and are ammonia conversion ready. The investment shows Avance Gas' commitment to building a stronger and sustainable future.

PRESENTATION AND WEBCAST

Avance Gas will host an audio webcast and conference call to discuss the company's results for the period ended 31 December 2021 on Friday, 19 February 2021, at 14:00 CET. There will be a Q&A session following the presentation.

The presentation and webcast will be hosted by:

- Mr. Ben Martin – CCO
- 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. Dial in details are +44 (0) 2071 928 338 (UK and International), +1 646-741-3167 (US) or +47 21 56 30 15 (Norway). Please quote the passcode: 8189126. Phone lines will open 10 minutes before the conference call.

For further queries, please contact:

Ben Martin, CCO
Tel: +41 77 526 47 28
Email: ben.martin@avancegas.com

Randi Navdal Bekkelund, CFO
Tel: +47 22 00 48 29
Email: randi.navdal@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		For the twelve months ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	(in thousands except earnings per share)			
Operating revenue	\$ 51,030	\$ 90,324	\$ 205,716	\$ 250,421
Voyage expenses	(9,770)	(25,300)	(61,618)	(76,868)
Operating expenses	(11,265)	(9,893)	(45,040)	(40,795)
Administrative and general expenses	<u>(839)</u>	<u>(1,545)</u>	<u>(3,870)</u>	<u>(5,534)</u>
Gross operating profit	29,156	53,586	95,188	127,224
Depreciation and amortisation expenses	(10,877)	(10,354)	(41,705)	(41,846)
Reversal of impairment losses (note 5)	33,733	-	33,733	-
Gain on disposal of asset sale (note 5)	<u>-</u>	<u>-</u>	<u>5,829</u>	<u>-</u>
Operating profit	52,012	43,232	93,045	85,378
Non-operating (expenses) income:				
Finance expense	(5,178)	(6,757)	(22,303)	(29,860)
Finance income	1	281	26	376
Foreign currency exchange gain	<u>89</u>	<u>103</u>	<u>223</u>	<u>102</u>
Profit before income tax expense	46,924	36,859	70,991	55,996
Income tax expense	<u>(85)</u>	<u>(45)</u>	<u>(85)</u>	<u>(45)</u>
Net profit	\$ <u>46,839</u>	\$ <u>36,814</u>	\$ <u>70,906</u>	\$ <u>55,951</u>
Earnings per share:				
Basic	\$ <u>0.74</u>	\$ <u>0.58</u>	\$ <u>1.11</u>	\$ <u>0.88</u>
Diluted	<u>\$ 0.73</u>	<u>\$ 0.58</u>	<u>\$ 1.11</u>	<u>\$ 0.88</u>

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		For the twelve months ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	(in thousands)			
Net profit	\$ 46,839	\$ 36,814	\$ 70,906	\$ 55,951
Other comprehensive income (loss):				
<i>Items that may be reclassified subsequently to profit and loss:</i>				
Fair value adjustment of interest rate swaps	2,762	2,742	(10,181)	(9,578)
Exchange differences arising on translation of foreign operations	8	-	7	-
Other comprehensive (loss)	<u>2,770</u>	<u>2,742</u>	<u>(10,174)</u>	<u>(9,578)</u>
Total comprehensive income	<u>\$ 49,609</u>	<u>\$ 39,556</u>	<u>\$ 60,732</u>	<u>\$ 46,373</u>

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	
	December 31, 2020	December 31, 2019
(in thousands)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 75,882	\$ 85,909
Receivables	16,293	26,068
Related parties	163	29
Inventory	4,358	9,284
Mobilisation cost	2,794	4,030
Prepaid expenses	45	4,422
Other current assets	4,720	6,410
Total current assets	104,254	136,152
Property, plant and equipment (note 5)	761,159	762,896
Newbuildings (note 5)	31,825	-
Total non-current assets	792,984	762,896
Total assets	\$ 897,238	\$ 899,048
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt (note 6)	\$ 43,001	\$ 42,895
Accounts payable	2,853	14,235
Related party payable balances	124	168
Accrued voyage expenses	3,150	8,076
Accrued expenses	493	945
Derivative financial instruments (note 7)	6,223	620
Other current liabilities	55	204
Total current liabilities	55,900	67,143
Long-term debt (note 6)	285,434	310,148
Long-term revolving credit facilities (note 6)	88,110	100,000
Derivative financial instruments (note 7)	15,224	10,646
Total non-current liabilities	388,768	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)	94,780	94,945
Retained loss	(53,856)	(105,654)
Treasury shares (note 4)	(11,351)	(11,351)
Accumulated other comprehensive loss (note 9)	(21,382)	(11,208)
Total shareholders' equity	452,570	411,111
Total liabilities and shareholders' equity	\$ 897,238	\$ 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)

	Share capital	Paid-in capital	Contributed capital	Retained (loss) income	Accumulated other comprehensive (loss) income	Treasury shares	Total
	(in thousands)						
Balance December 31, 2018	\$ 64,528	\$ 379,851	\$ 95,291	\$ (161,605)	\$ (1,630)	\$ (11,867)	\$ 364,568
Comprehensive loss:							
Net profit	—	—	—	55,951	—	—	55,951
<i>Other comprehensive (loss) income:</i>							
Fair value adjustment of interest rate swaps	—	—	—	—	(9,578)	—	(9,578)
Translation adjustments, net	—	—	—	—	—	—	—
Total other comprehensive loss	—	—	—	—	(9,578)	—	(9,578)
Total comprehensive loss	—	—	—	55,951	(9,578)	—	46,373
Transactions with shareholders:							
Compensation expense for share options	—	—	89	—	—	—	89
Exercise of share options	—	—	(435)	—	—	516	81
Total transactions with shareholders	—	—	(346)	—	—	516	170
Balance, December 31, 2019	<u>\$ 64,528</u>	<u>\$ 379,851</u>	<u>\$ 94,945</u>	<u>\$ (105,654)</u>	<u>\$ (11,208)</u>	<u>\$ (11,351)</u>	<u>\$ 411,111</u>
Balance December 31, 2019	\$ 64,528	\$ 379,851	\$ 94,945	\$ (105,654)	\$ (11,208)	\$ (11,351)	\$ 411,111
Comprehensive income (loss):							
Net profit	—	—	—	70,906	—	—	70,906
<i>Other comprehensive loss:</i>							
Fair value adjustment of interest rate swaps	—	—	—	—	(10,181)	—	(10,181)
Translation adjustments, net	—	—	—	—	7	—	7
Total other comprehensive loss	—	—	—	—	(10,174)	—	(10,174)
Total comprehensive income (loss)	—	—	—	70,906	(10,174)	—	60,732
Transactions with shareholders:							
Dividend	—	—	—	(19,108)	—	—	(19,108)
Compensation expense for share options	—	—	(165)	—	—	—	(165)
Exercise of share options	—	—	—	—	—	—	—
Total transactions with shareholders	—	—	(165)	(19,108)	—	—	(19,273)
Balance, December 31, 2020	<u>\$ 64,528</u>	<u>\$ 379,851</u>	<u>\$ 94,780</u>	<u>\$ (53,856)</u>	<u>\$ (21,382)</u>	<u>\$ (11,351)</u>	<u>\$ 452,570</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 twelve months ended	
	December 31, 2020	December 31, 2019
	(in thousands)	
Cash flows from operating activities (note 3)	\$ 99,880	\$ 117,214
Arrangement fee refinancing	—	(5,622)
Net interest paid	(20,926)	(28,129)
Net cash flows from operating activities	78,954	83,463
Cash flows used in investing activities:		
Net proceeds of sale asset (note 5)	34,257	—
Capital expenditures (note 5)	(66,222)	(8,816)
Net cash flows used in investing activities	(31,965)	(8,816)
Cash flows (used in) from financing activities:		
Dividend (note 4)	(19,108)	—
Repayment of long-term debt (note 6)	(85,451)	(576,271)
Drawdown of long-term debt (note 6)	59,473	515,000
(Repayment) drawdown of revolving credit facility	(11,890)	25,000
Exercise of share options	—	81
Net cash flows (used in) financing activities	(56,976)	(36,190)
Net increase (decrease) in cash and cash equivalents	(9,987)	38,457
Cash and cash equivalents at beginning of period	85,909	47,289
Effect of exchange rate changes on cash	(40)	163
	75,882	85,909
Cash and cash equivalents at end of period	\$ <u>75,882</u>	\$ <u>85,909</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 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, which were prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union to fully understand the current financial position of the Group. Due to rounding, subtotals and totals may not equal the sum of the amounts shown in tables.

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 twelve months ended	
	December 31, 2020	December 31, 2019
	(in thousands)	
Net profit	\$ 70,906	55,951
Adjustments to reconcile net profit to net cash from operating activities:		
Depreciation and amortisation of property, plant and equipment and intangibles	41,705	41,846
(Reversal of) impairment losses on non-current assets	(33,733)	
Net finance expense	22,054	29,861
Compensation expense	(165)	89
Gain on sale asset (note 5)	(5,829)	-
Changes in assets and liabilities:		
Decrease (increase) in receivables	9,775	(12,021)
Decrease (increase) in prepaid expenses, inventory, related party receivables, mobilization cost and other current assets	12,097	(10,058)
(Decrease) increase in accounts payable	(11,382)	7,028
(Decrease) increase in accrued voyage expenses, other current liabilities and related party balances	(5,571)	4,219
Other	23	299
Cash flows from operating activities	\$ 99,880	\$ 117,214

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 December 31, 2020 and December 31, 2019. Of the authorized share capital, 64.5 million shares were issued and outstanding as of December 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 officers and other employees to hold shares in the Company. Following the award, declared, forfeited and cancellation of share options since 2013, a total of 471,250 share options remained outstanding under the Company's share option scheme as of December 31, 2020.

The Board of Avance Gas declared a 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 twelve months ended December 31, 2020 and December 31, 2019, the Group invested \$66.4 million and \$8.8 million, respectively, in property, plant and equipment. The investment primarily relates to first three instalments of the two LPG dual fuel new buildings with DSME of \$31.4 million, capitalised borrowing cost of \$0.4 million, and scheduled drydock and scrubber installation of \$34.6 million for the twelve months ended December 31, 2020. In relation with the sale of the 2003-built VLGC *Avance* the Company recognising a disposal of \$28.4 million in book value and net proceeds of \$34.3 million in September 2020.

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

Reversal of impairment

As of December 31, 2020, indicators of impairment and reversal of previous recognised impairment were assessed and indicated a reversal of previous impairment should be tested for. The test for reversal of impairment requires the assessment of the recoverable amounts, which are the higher of fair value less cost of disposal (FVLCD) and value-in-use calculation (VIU). Management assess each vessel to be a separate CGU, and the impairment reversal test was conducted by comparing the CGUs' carrying amount to their recoverable amount. The recoverable amount for each CGU was based on its VIU. As a result of the impairment reversal test, management recognised a reversal of impairment of \$33.7 million.

6. Long-term debt

Long-term debt consisted of debt collateralised by the Group's 13 VLGCs as of December 31, 2020 and the Group's 14 VLGCs as of 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. The tranche was drawn in March 2020.

Long-term debt repayments were \$97.3 million for the twelve months ended December 31, 2020, including prepayment of \$17.4 million of debt for *Avance* and \$34.7 million of debt for *Pampero*.

In November 2020 the Company entered into a sale and leaseback transaction with a Chinese leasing house for the vessel *Pampero*. The financing has a 10 year tenor, with a termination option for the leasing house at year 5, and repurchase options in favour of the Company from year 2. A financial liability of \$45 million is recognised equal to the consideration received. The Company continues to recognise the vessel as property, plant and equipment at carrying value, and no gain/loss is recognised as a result of the transaction.

	As of December 31, 2020	As of December 31, 2019
Long-term debt	\$ 288,407	\$ 314,000
Long-term revolving credit facilities	88,110	100,000
Long-term debt issuance cost	(2,973)	(3,851)
Long-term debt	373,544	410,148
Current portion of long-term debt	44,180	44,000
Current portion of debt issuance cost	(1,179)	(1,105)
Current portion of long-term debt	43,001	42,895
Total net debt	\$ 416,545	\$ 453,044

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.

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

	As of December 31, 2020		As of December 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
(in thousands)				
Financial assets:				
Cash and cash equivalents	\$ 75,882	\$ 75,882	\$ 85,909	\$ 85,909
Receivables	16,293	16,293	26,068	26,068
Related party receivables	163	163	29	29
Financial liabilities:				
Accounts payable	\$ 2,853	\$ 2,853	\$ 14,235	\$ 14,235
Related party payable balances	124	124	168	168
Accrued expenses and accrued voyage expenses	3,643	3,643	9,021	9,021
Revolving credit facilities	88,110	88,110	100,000	100,000
Long-term debt incl. current maturities	332,587	332,587	358,000	358,000
Derivative financial instruments:				
Interest rate swap liabilities including current maturities	\$ 21,447	\$ 21,447	\$ 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 December 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 \$4.2 million and \$5.0 million as of December 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 market-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 December 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 commenced 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 market-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.

For the twelve months ended December 31, 2020, the fee for corporate secretarial services was \$121 thousand, fee for technical supervision was \$735 thousand and fee for office lease and shared services was \$373 thousand. In addition, Avance Gas received recharge of operational credits of \$299 thousand. For the twelve months ended December 31, 2019, the fee for corporate secretarial services was \$121 thousand, fee for technical supervision was \$197 thousand and fee for office lease and shared services was \$286 thousand. Additionally, the Group transacted with Golden Ocean Management AS of \$17 thousand related to bunker procurement system for the twelve months ended December 31, 2019.

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	—	(10,181)	(10,181)
Translation adjustments, net	7	—	7
Balance December 31, 2020	<u>\$ 65</u>	<u>\$ (21,447)</u>	<u>\$ (21,382)</u>

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.

	<u>For the three months ended</u>		<u>For the twelve months ended</u>	
	<u>December</u>	<u>December</u>	<u>December</u>	<u>December</u>
	<u>31, 2020</u>	<u>31, 2019</u>	<u>31, 2020</u>	<u>31, 2019</u>
	(in thousands)			
Operating revenue	\$ 51,030	\$ 90,324	\$ 205,716	\$ 250,421
Voyage expenses	<u>(9,770)</u>	<u>(25,300)</u>	<u>(61,618)</u>	<u>(76,868)</u>
Voyage result	<u>41,260</u>	<u>65,024</u>	<u>144,098</u>	<u>173,553</u>
Calendar days	1,196	1,288	5,022	5,110
Technical off-hire	<u>(54)</u>	<u>(14)</u>	<u>(577)</u>	<u>(52)</u>
Operating days	<u>1,142</u>	<u>1,274</u>	<u>4,445</u>	<u>5,059</u>
TCE per day (\$)	36,130	51,047	32,418	34,309

Time charter revenue is included in operating revenue along with freight revenue. Time charter revenue for contracts exceeding 6 months amounted to \$25.4 million during the twelve months ended December 31, 2020.

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 January 2021 Avance Gas entered into shipbuilding contracts for two 91,000 CBM, LPG Dual-Fuel VLGCs with Daewoo Shipbuilding and Marine Engineering (DSME) in South Korea, for delivery Q4 2022 and Q1 2023.