



Avance Gas

AVANCE GAS HOLDING LTD

Interim Financial Information

For the three months ended 31 March 2022

May 25, 2022

BERMUDA, 25 May 2022 – Avance Gas Holding Ltd (OSE: AGAS or the “Company”) today reported unaudited results for the first quarter 2022.

HIGHLIGHTS

- The average time charter equivalent (TCE) rate was \$37,608/day compared to \$27,631/day for the fourth quarter 2021.
- Daily operating expenses (OPEX) were \$8,459/day, up from \$8,139/day for the fourth quarter.
- A&G expenses were \$1,126/day, down from \$1,351/day for the fourth quarter.
- Net profit of \$24.3 million compared to \$7.5 million for the fourth quarter 2021, or earnings per share of 32 cent compared to 10 cents for the fourth quarter.
- During the first quarter 2022, the CEO and the Chairman elected to step-down. The Board resolved to appoint Øystein Kalleklev as Executive Chairman and Jens Martin Jensen as a Director of the Company.
- During the first quarter 2022, the Company took delivery of Avance Polaris and Avance Capella, the first two of its six dual fuel 91,000 cbm VLGC newbuildings from Daewoo Shipyard in South Korea. The vessels were shortly thereafter delivered on Time Charter Agreements for 2 years.
- During the first quarter 2022, the Company entered two contracts to sell the 2008-built VLGCs Thetis Glory and Providence. These vessels were subsequently delivered to the new owners in March and May, respectively. The transactions generated in total \$48.3 million in net cash proceeds at delivery.
- In May 2022, the Company signed a \$555 million sustainability-linked term facility with a bank syndicate. The facility is a refinancing of the previous bank facility financing the nine VLGCs including a financing of the newbuildings three and four, Avance Rigel and Avance Avior, for delivery in the fourth quarter 2022 and the first quarter 2023.
- The board declared a dividend of \$0.20 per share for Q1 2022 corresponding to \$15.3 million.
- For the second quarter of 2022, we estimate a TCE rate between approximately \$35,000/day and \$36,000/day on a discharge-to-discharge basis and between \$32,000/day and \$33,000/day on a load to discharge basis.

In US\$ thousands (unless stated otherwise)	Three months ended	Three months ended
	March 31, 2022	December 31, 2021
Income statement:	March 31, 2022	December 31, 2021
TCE per day (\$)	37,608	27,631
TCE earnings	46,860	32,908
Gross operating profit	34,773	21,559
Net profit	24,306	7,492
Earnings per share (diluted) (\$)	0.32	0.10
Balance sheet:	March 31, 2022	December 31, 2021
Total assets	1,023,892	955,383
Total liabilities	452,652	416,215
Cash and cash equivalents	110,641	101,910
Total shareholders' equity	571,240	539,168
Cash flows:	March 31, 2022	December 31, 2021
Net cash from operating activities	38,859	15,258
Net cash used in (from) investing activities	(75,712)	(18,051)
Net cash from (used in) financing activities	45,617	2,328
Net increase in cash and cash equivalents	8,764	(465)

The first quarter started with a strong LPG price differential between US and Asia lifting the freight rate levels to \$50,000/day in January and fell to \$25,000/day in February/March due to low US inventory levels, high energy prices narrowing the LPG price arbitrage and high bunker prices eating into the earnings.

The US VLGC exports averaged 80 cargoes per month for the first quarter with March reaching the all-time high record with 90 cargoes which is ~15% above the monthly average for 2021 of 78 cargoes. The growth in the US export capacity states higher terminal utilization in Marcus Hook, Nederland, and Enterprise. The strong US volumes continues into the second quarter with 89 cargoes reported in April.

The Middle East VLGC exports (excluding Iran) averaged 50 per month for the first quarter in line with the average monthly volumes for 2021. The region (excluding Iran) has reported an increase of ~14% in export volumes or 57 cargoes in April. The strength of exports comes mainly from Saudi Arabia and the majority of volumes are transported to India and China indicating that the demand remains strong despite the lockdowns.

Combined with strong US export volumes and a strengthening LPG price arbitrage in April, we continue to see the usual inefficiencies in the LPG market in particular delays in China due to covid closures and Panama Canal due to the removal of the pre-booking system for neo-Panama vessels which has created both uncertainty and delays in transiting.

The geopolitical tensions and energy levels have and still are impacting bunker prices and earnings while the trade pattern remains unchanged as 80% of the demand is East of Suez. Short-term the VLGC segment has not been directly impacted by the geopolitical situation in Ukraine but there has been a rapid growth in US activity which may result on more US volumes destined for Europe.

FINANCIAL AND OPERATIONAL REVIEW

Avance Gas reported TCE earnings of \$46.9 million, compared to \$32.9 million in Q4. Adjustment related to the IFRS 15 accounting standard resulted in an increase in TCE earnings of \$3.1 million for Q1 2022 compared to a decrease of \$2.9 million in Q4 2021.

Operating expenses were \$10.7 million, equaling a daily average of \$8,459/day. This compares to \$8,139/day in Q4. OPEX was impacted by Covid-19 crew change expenses of approximately \$304/day in total.

Administrative and general (A&G) expenses for the quarter were \$1.4 million, compared to 1.6 million in Q4, representing an average per ship of \$1,126/day in Q1 and \$1,351/day in Q4.

The Company recognized \$6.3 million in gain on disposal of the 2008-built VLGC Thetis Glory delivered to the new owner in March 2022.

Non-operating expenses, consisting mainly of financial expenses, were \$4.6 million, compared to \$2.2 million in Q4.

Avance Gas reported a net profit of \$24.3 million in Q1 2022, or \$0.32 per share, compared with a net profit of \$7.5 million, or \$0.10 per share, in Q4 2021.

Avance Gas' total assets amounted to \$1,023.9 million at 31 March 2022, compared with \$955.4 million at 31 December 2021. Total shareholders' equity was \$571.2 million at quarter-end, corresponding to an equity ratio of 55.8%. This compares with total shareholders' equity of \$539.2 million and an equity ratio of 56.4% at the end of Q4 2021.

Cash and cash equivalents were \$110.6 million at 31 March 2022, compared to \$101.9 million at 31 December 2021. Cash flow from operating activities was positive \$38.9 million, compared with positive \$15.3 million in Q4 2021. Net cash flow used in investing activities was \$75.7 million compared with net cash flow used in investing activities of \$18.1 million in Q4 2021. Investing activities for the quarter includes installments and

related costs paid in the newbuilding program. Net cash flow from financing activities was \$45.6 million, including repayments of debt of \$53.9 million, proceeds from borrowings of \$104 million, and payment of dividend for the third quarter of \$3.8 million.

FINANCING

Avance Gas has successfully signed a \$555 million Sustainability Linked Facility with a bank syndicate consisting of 7 banks to refinance all its outstanding debt and to finance the two next newbuildings for delivery in Q4 2022 and Q1 2023. Additionally, the facility has an accordion option attached to finance the last two newbuildings for delivery in second half 2023. The new facility consists of a \$200 million term loan tranche, a \$125 million revolving tranche, a newbuilding tranche of \$115 million to finance the newbuildings three and four, and an accordion option of \$115 million to finance the newbuildings five and six.

FLEET AND EMPLOYMENT OVERVIEW

We had a TC coverage of ~37% in the first quarter 2022 at an average TCE rate of \$34,000/day. For the year 2022, current TC coverage will be at 47% consisting of three vessels at an average rate of \$30,000/day and three vessels with floating hire. Our spot market exposure is following the LPG trading activity, primarily in the US Gulf/USEC and partly the Middle East.

Avance Gas recorded 1,246 operating days for the first quarter 2022, compared to 1,191 operating days for the fourth quarter 2021. Operating days is calendar days less offhire days. The fleet recorded 15 offhire days.

The company recorded 33 waiting days for the fleet in Q1 2022, giving Avance Gas a fleet utilisation during the quarter of 97.4%, compared to 96.7% in Q4 2021.

OUTLOOK

While the freight spot market had a slight seasonal adjustment at the end of the first quarter, growth in US and Middle East export volumes combined with widening LPG price arbitrage and delays in the Panama Canal improved the freight rates into the second quarter. The freight market quotes a premium in the US Gulf via Panama at \$136/ton corresponding to a Time Charter Equivalent Rate (TCE) of \$52 per day (including 6 days waiting in Panama) at the date of this report being the highest since January 2021 and approximately 55% above the 15-year average TCE rate in the VLGC freight market.

Short and medium-term, we expect the positive market environment to continue being driven by US production and inventory built supporting growth in US waterborne LPG export, which is expected to rise by approximately 10% in 2022 from 2021, along with solid demand for residential and petchem sectors in Asia. Furthermore, the VLGC supply is being affected by delays at the Panama Canal, where waiting time at the Neopanamax locks currently varies between 6-17 days for northbound (ballast leg) and 7 days southbound (laden leg) transit. As anticipated in our Q4 outlook, the number of VLGCs waiting days to transit has been growing significantly in 2022 with an increase of approximately 30% year to date 2022 compared to the 5-year average waiting time.

Long term, US is becoming more important as the key exporter to meet the strong Chinese petchem demand and residential demand in the Far East, India, and Southeast Asia. Inefficiency variables such as Panama waiting, and port congestion are fueling the sailing distance and tightening the VLGC availability pushing the freight rates upwards. These strong market fundamentals will likely absorb the 2023 orderbook of 47 ships representing 13.7% of the total orderbook currently standing at 70 ships or 21.3% of the global VLGC fleet at 329 (20 storage vessels). We do not expect the orderbook to grow this year as steel prices have surged as well as unavailable yard slots due to container and LNG orders.

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 2022 on Wednesday, 25 May 2022, 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 - Executive Chairman
- 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 is +44 20 7192 8338 (UK and International), +1 646 741 3167 (US) or +47 21 56 30 15 (Norway). Please quote the passcode: 1689957. Phone lines will open 10 minutes before the conference call.

For further queries, please contact:

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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 STATEMENT OF OTHER COMPREHENSIVE INCOME
(UNAUDITED)

		For the three months ended	
		March 31, 2022	March 31, 2021
		<i>(in USD thousands)</i>	
	Note	_____	_____
Operating revenue	10	66,525	62,511
Voyage expenses	10	(19,665)	(14,725)
Operating expenses		(10,667)	(11,045)
Administrative and general expenses		(1,420)	(1,393)
Operating profit before depreciation expense		34,773	35,348
Depreciation and amortisation expense		(12,105)	(12,132)
Gain on Disposal of asset (note 5)		6,250	-
Operating profit		28,918	23,216
Non-operating (expenses) income:			
Finance expense		(4,622)	(4,270)
Foreign currency exchange losses		10	(22)
Net profit		24,306	18,924
Earnings per share			
Basic		0.32	0.30
Diluted		0.32	0.30

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)

		For the three months ended	
		March 31, 2022	March 31, 2021
		<i>(in USD thousands)</i>	
	Note		
Net profit		24,306	18,924
Other comprehensive income:	9		
<i>Items that may be reclassified subsequently to profit and loss:</i>			
Fair value adjustment of derivative financial instruments designated for hedge accounting		11,689	7,950
Exchange differences arising on translation of foreign operations		8	(6)
Other comprehensive income		11,697	7,944
Total comprehensive income		36,003	26,868

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

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

		As of	
		March 31, 2022	December 31, 2021
		<i>(in USD thousands)</i>	
	Note	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents		110,641	101,910
Trade and other receivables		5,944	21,232
Inventory		9,987	7,933
Prepaid expenses and other current assets		11,666	12,882
Derivative financial instruments		348	-
Assets Held for Sale	5	42,191	-
Total current assets		<u>180,777</u>	<u>143,957</u>
Property, plant and equipment	5	789,484	716,577
Newbuildings	5	48,584	92,609
Derivative financial instruments	7	5,047	2,240
Total non-current assets		<u>843,114</u>	<u>811,426</u>
Total assets		<u>1,023,892</u>	<u>955,383</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current portion of interest-bearing debt	6	47,275	44,574
Trade and other payables		5,949	8,009
Derivative financial instruments	7	2,225	5,691
Accrued voyage expenses and other current liabilities		4,531	7,413
Total current liabilities		<u>59,980</u>	<u>65,687</u>
Long-term debt	6	392,619	345,407
Derivative financial instruments	7	53	5,121
Total non-current liabilities		<u>392,672</u>	<u>350,528</u>
Shareholders' equity			
Share capital		77,427	77,427
Paid-in capital		431,366	431,366
Contributed capital		94,969	95,070
Retained income (loss)		(24,349)	(44,825)
Treasury shares		(11,351)	(11,351)
Accumulated other comprehensive loss		3,178	(8,519)
Total shareholders' equity		<u>571,240</u>	<u>539,168</u>
Total liabilities and shareholders' equity		<u>1,023,892</u>	<u>955,282</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 SHAREHOLDERS' EQUITY
(UNAUDITED)

<i>(in USD thousands)</i>	Share capital	Paid-in capital	Contributed capital	Retained (loss) income	Accumulated other comprehensive (loss) income	Treasury shares	Total
As of December 31, 2020	64,528	379,851	94,780	(53,856)	(21,382)	(11,351)	452,570
Comprehensive loss:							
Net profit	-	-	-	18,924	-	-	18,924
<i>Other comprehensive (loss) income:</i>							
Fair value adjustment of derivative financial instruments	-	-	-	-	7,950	-	7,950
Translation adjustments, net	-	-	-	-	(6)	-	(6)
Total other comprehensive income	-	-	-	-	7,944	-	7,944
Total comprehensive income	-	-	-	18,924	7,944	-	26,868
Transactions with shareholders:							
Dividend	-	-	-	(6,994)	-	-	(6,994)
Compensation expense for share options	-	-	11	-	-	-	11
Total transactions with shareholders	-	-	11	(6,994)	-	-	(6,983)
As of March 31, 2021	<u>64,528</u>	<u>379,851</u>	<u>94,791</u>	<u>(41,926)</u>	<u>(13,438)</u>	<u>(11,351)</u>	<u>472,455</u>
As of December 31, 2021	77,427	431,366	95,070	(44,825)	(8,519)	(11,351)	539,168
Comprehensive income:							
Net profit	-	-	-	24,306	-	-	24,306
<i>Other comprehensive (loss) income:</i>							
Fair value adjustment of derivative financial instruments	-	-	-	-	11,689	-	11,689
Translation adjustments, net	-	-	-	-	8	-	8
Total other comprehensive income	-	-	-	-	11,697	-	11,697
Total comprehensive income	-	-	-	24,306	11,697	-	36,003
Transactions with shareholders:							
Dividend	-	-	-	(3,830)	-	-	(3,830)
Compensation expense for share options	-	-	(101)	-	-	-	(101)
Total transactions with shareholders	-	-	(101)	(3,830)	-	-	(3,931)
As of March 31, 2022	<u>77,427</u>	<u>431,366</u>	<u>94,969</u>	<u>(24,349)</u>	<u>3,178</u>	<u>(11,351)</u>	<u>571,240</u>

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

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

For the three months ended

		March 31, 2022	March 31, 2021
<i>(in USD thousands)</i>			
Note	_____	_____	_____
Cash flows from operating activities			
Cash generated from operations	3	43,096	42,714
Net interest paid		(4,237)	(4,485)
Net cash flows from operating activities		38,859	38,229
Cash flows used in investing activities:			
Net Proceeds from sale of asset		45,386	-
Capital expenditures	5	(121,098)	(360)
Net cash flows used in investing activities		(75,712)	(360)
Cash flows from / (used in) from financing activities:			
Dividend	4	(3,830)	(6,994)
Repayment of long-term debt	6	(27,810)	(11,045)
Proceeds from Borrowings		104,000	-
Repayment of revolving credit facility		(26,126)	-
Transaction costs related to loans and borrowings		(617)	-
Net cash flows from / (used) in financing activities		45,617	(18,039)
Net increase in cash and cash equivalents		8,764	19,830
Cash and cash equivalents at beginning of period		101,910	75,882
Effect of exchange rate changes on cash		(33)	(1)
Cash and cash equivalents at end of period		110,641	95,711

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. 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 at 31 March 2022, the Company owned and operated a fleet of fourteen modern ships and four Dual Fuel LPG newbuildings due for delivery in Q4 2022, Q1 2023 and Q3 2023.

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, 2021, 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.

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, 2021, with the exception of income taxes, which, for the purpose of interim financial statements, are calculated based on the expected effective tax rate for the full year.

Operating revenue

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

Freight revenue

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

Time charter revenue

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

New or amendments to standards

The following new or amendments to standards and interpretations have been issued and become effective in years beginning on or after January 1, 2022:

- Provisions, contingent liabilities and contingent assets; costs of fulfilling a contract (Amendments to IAS 37)
- Property, plant and equipment: Proceeds before intended Use (Amendments to IAS 16).

The adoption of the amendments did not result in a material impact on the financial statement of the Group.

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

3. Reconciliation of net profit to cash generated from operations

	For the three months ended	
	March 31, 2022	March 31, 2021
	<i>(in USD thousands)</i>	
Note		
Net profit	24,306	18,924
Adjustments to reconcile net profit to net cash from operating activities:		
Depreciation and amortisation of property, plant and equipment	12,105	12,132
Net finance expense	4,612	4,292
Compensation expense	(101)	11
Gain on Disposal of asset (note 5)	(6,250)	-
Changes in working capital:		
Decrease in trade and other receivables	15,287	9,012
(Increase) decrease in inventory and prepaid expenses and other current assets	1,215	(1,438)
(Decrease) in trade and other payables	(4,550)	(2,152)
Increase (decrease) in accrued voyage expenses and other current liabilities	(3,571)	2,336
Other	43	(403)
Cash flows from operating activities	43,096	42,714

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 per share as of March 31, 2022 and December 31, 2021. Of the authorised share capital, 77.4 million shares were issued and outstanding as of March 31, 2022 and December 31, 2021, 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 consist mainly of paid-in surplus in relation to the capital increase in 2021 and 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 905,667 share options remained outstanding under the Company's share option scheme as of March 31, 2022. The average strike price of the share options at 31 March 2022 was 49 NOK, resulting in a dilutive effect of \$0.00 per share for Q1 2022. During the first quarter, Kristian Sorensen resigned as CEO of the company resulting in his options being cancelled.

The Board of Avance Gas declared a dividend of \$0.05 per share on February 22, 2022, equalling \$3.8 million. The dividend was paid on March 22, 2022.

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

5. Property, plant and equipment

During the three months ended March 31, 2022 and March 31, 2021, the Group capitalised \$122.4 million and \$1.2 million, respectively, in newbuildings. For the three months ended March 31, 2022 the amount capitalised consists of instalments and other costs related to the newbuilding program, including capitalized borrowing costs of \$0.8 million. The Company took delivery of VLGC *Avance Polaris* and VLGC *Avance Capella* during the first quarter of 2022, resulting in a reclassification of \$166.3 million from newbuilding's to property, plant and equipment.

During the first quarter of 2022, the Group sold the 2008 built VLGC *Thetis Glory* resulting in the Company recognizing a gain on sale of \$6.3 million.

In March 2022, the Group announced the sale of VLGC *Providence* with expected completion in May. The vessel is recognised as held for sale at 31 March 2022 as all the conditions under IFRS 5 are for classification as held for sale have been met.

6. Long-term debt

Long-term debt consisted of debt collateralised by the Group's 14 VLGCs as of March 31, 2022 and the Group's 13 VLGCs as of December 31, 2021. Long-term debt repayments were \$53.9 million for the three months ended March 31, 2022. Of the \$53.9 million, \$10.7 million is scheduled repayment of debt. The remaining debt repayment of \$43.2 million is \$23.2 million repayment of debt in relation to the sale of VLGC *Thetis Glory* as specified below and a \$20.0 million repayment of the revolving credit facility.

During the first quarter, the company drew \$104 million in relation on the sustainability linked financing agreement entered into in July 2021 in connection with the delivery of *Avance Polaris* in January 2022 and *Avance Capella* in February 2022. Face value of total outstanding interest-bearing debt is \$444.6 million as of March 31, 2022 and \$394.5 million as of December 31, 2021.

	As of	
	March 31, 2022	December 31, 2021
	<i>(in USD thousands)</i>	
Non-current		
Secured bank loans	262,790	187,763
Revolving credit facilities	55,859	81,984
Lease financing agreement	73,969	75,660
	392,619	345,407
Current		
Current portion of secured bank loans	40,519	37,818
Current portion of lease financing agreement	6,756	6,756
	47,275	44,574
Total interest-bearing debt	439,894	389,981

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

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.

	Note	As of March 31, 2022		As of December 31, 2021	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
<i>(in USD thousands)</i>					
Financial liabilities					
Secured bank loans	6	303,310	303,310	225,581	225,581
Revolving credit facilities	6	55,859	55,859	81,984	81,984
Lease financing agreement	6	80,725	80,725	82,416	82,416
Derivative financial instruments					
Interest rate swap assets		5,395	5,395	2,240	2,240
Interest rate swap liabilities		2,060	2,060	10,812	10,812
FFA Bunker Hedge Liabilities		217	217	-	-

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, 2022 and December 31, 2021 as it is variable-rated.

The fair value (level 2) of the Company's interest 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. Fair value adjustment of the interest swaps as of March 31, 2022 and December 31, 2021 is recognized in the statement of other comprehensive loss, refer to note 9.

During the first quarter of 2022, the Company entered into forward freight and forward bunker agreements to manage market risk in relation to freight rates and bunkers for one vessel. The fair value (level 2) of the Company's forward freight and forward bunker agreements is the estimated amount that the Company would receive or pay to terminate the agreements at the reporting date, considering, as applicable, current forward rates for freight and bunkers and the current credit worthiness of both the Company and the derivative counterparty.

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

AVANCE GAS HOLDING LTD
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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).

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. In Q1 2021, the Group entered into a separate technical supervision agreement for the Group's newbuilding program with Frontline Management (Bermuda). Additionally, the group entered a shared services agreement with Front Ocean Management AS (Norway) in Q4 2021.

For the three months ended March 31, 2022, the fee for corporate secretarial services was \$29.0 thousand, fee for technical supervision was \$531.7 thousand and fee for office lease and shared services was \$228.7 thousand. In addition, Avance Gas received recharge of operational credits of \$428.3 thousand. For the three months ended March 31, 2021, the fee for corporate secretarial services was \$29.0 thousand, fee for technical supervision was \$482.8 thousand and fee for office lease and shared services was \$106.7 thousand. A summary of balances due to related parties on March 31, 2022 and December 31, 2021, is as follows.

	As of	
	March 31, 2022	December 31, 2021
	<i>(in USD thousands)</i>	
Frontline Ltd.	134	(130)
Frontline Management (Bermuda) Ltd.	(9)	556
Frontline Management AS	24	24
Front Ocean Management AS	-	11
Seatankers Management AS	-	5
Net (receivable) payable to related parties	149	465



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9. Accumulated other comprehensive income

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

<i>(in USD thousands)</i>	Foreign Currency reserve	Fair value reserve	Accumulated other comprehensive income / (loss)
Balance January 1, 2021	65	(21,447)	(21,382)
Effective portion of changes in fair value of derivative financial instruments	-	6,608	6,608
Reclassified to profit or loss	-	6,267	6,267
Translation adjustment, net	(12)	-	(12)
Balance December 31, 2021	53	(8,572)	(8,519)
Effective portion of changes in fair value of derivative financial instruments	-	10,138	10,138
Reclassified to profit or loss	-	1,551	1,551
Translation adjustment, net	8	-	8
Balance March 31, 2022	61	3,117	3,178

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, 2022	March 31, 2021
	<i>(in USD thousands)</i>	
Operating revenue	66,525	62,511
Voyage expenses	(19,665)	(14,725)
Voyage result	46,860	47,786
Calendar days	1,261	1,170
Technical off-hire days	(15)	(47)
Operating days	1,246	1,123
TCE per day (\$)	37,608	42,552



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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

On May 16, 2022 the Company completed the sale of the 2008 built VLGC Providence and delivered the vessel to its new owner generating a gain on sale of approximately \$4.5 million.

On May 20, 2022 the Company signed and closed a new \$555 million sustainability linked financing facility with a bank syndicate. The new facility fully refinances the existing \$515 million facility, provides financing for two of the Company’s newbuilding vessels and also has an accordion option for financing of the last two newbuilding vessels. The facility date has a maturity date of January 2028.