Avance Gas Holding Ltd Reports Unaudited Results for the Fourth Quarter and Twelve Months of 2018

BERMUDA, 7 February 2018 – Avance Gas Holding Ltd (OSE: AVANCE) today reported unaudited results for the fourth quarter and full-year 2018.

HIGHLIGHTS

Lower trading activity due to volatile oil prices offsets positive fundamentals

- The average time charter equivalent (TCE) rate for the fleet was $21,314/day, up from $15,289/day in Q3 2018. The achieved TCE for full year 2018 was $14,345/day, up from $10,684/day in 2017.
- Daily operating expenses (OPEX) were $8,183/day, up from $7,457/day in Q3 2018, an increase mainly due to non-recurring items. Full year 2018 OPEX was $7,755/day, marginally up from $7,621/day in 2017.
- A&G expenses were $1.3 million or $995/day in Q4 2018, materially unchanged from Q3 2018. Full year 2018 A&G expenses were $974/day, down from $1,084/day in 2017.
- Based on calendar days, EBITDA was $11,602/day compared to $6,356/day in Q3. Full year 2018 EBITDA was $4,884/day, up from $1,856/day in 2017.
- A net loss of $2.8 million in Q4 2018, compared with a net loss of $8.9 million in Q3 2018. Full year net loss 2018 was $43.2 million down from $54.6 million in 2017.
- Avance Gas' available liquidity at quarter end was $72.3 million, including available undrawn revolving credit facilities of $25 million, compared to $67.3 million per Q3 2018.
- Following a $25 million drawdown under the revolving credit facility, the cash position at the date of this release is approx. $80 million.
- *Mistral* and *Monsoon* are likely to install scrubbers in connection with their scheduled drydocking in Q4 2019.

Middle East LPG exports in Q4 2018 were down 1.0m tons (9.7%) compared to Q3 2018. Compared to Q4 2017, the exports are up 900 000 tons (10.5%). The Middle East LPG exports Q4 2018 have been higher than expected. As usual, the export variation between countries vary, with Iran – as expected – down 700 000 tons (65%) from Q3 to Q4 2018, with a marginal increase from Qatar and UAE.

The Middle East LPG export reached 38.7m tons in 2018 on 766 VLGC liftings, an average of 64 cargoes per month. The export in 2017 was 36.4m tons on 726 VLGC liftings. In 2016 Middle East exported same amount of LPG as in 2018, however, number of liftings amounted to 801.

US Gulf and USEC VLGC export was flat compared to Q3 2018, recording 7.1m tons and 154 cargoes in Q4 2018, compared to 7.0m tons and 159 liftings in the previous quarter. Comparing Q4 2018 to Q4 2017, the increase was 700 000 tons (10%) and 9 liftings (6%).

2018 was another year with record high VLGC export from US Gulf and USEC, totaling 26.7m tons and 594 liftings, compared to 24.0m tons and 535 liftings in 2017. Enterprise is the largest export terminal, representing 11.7 million tons and 256 liftings in 2018.

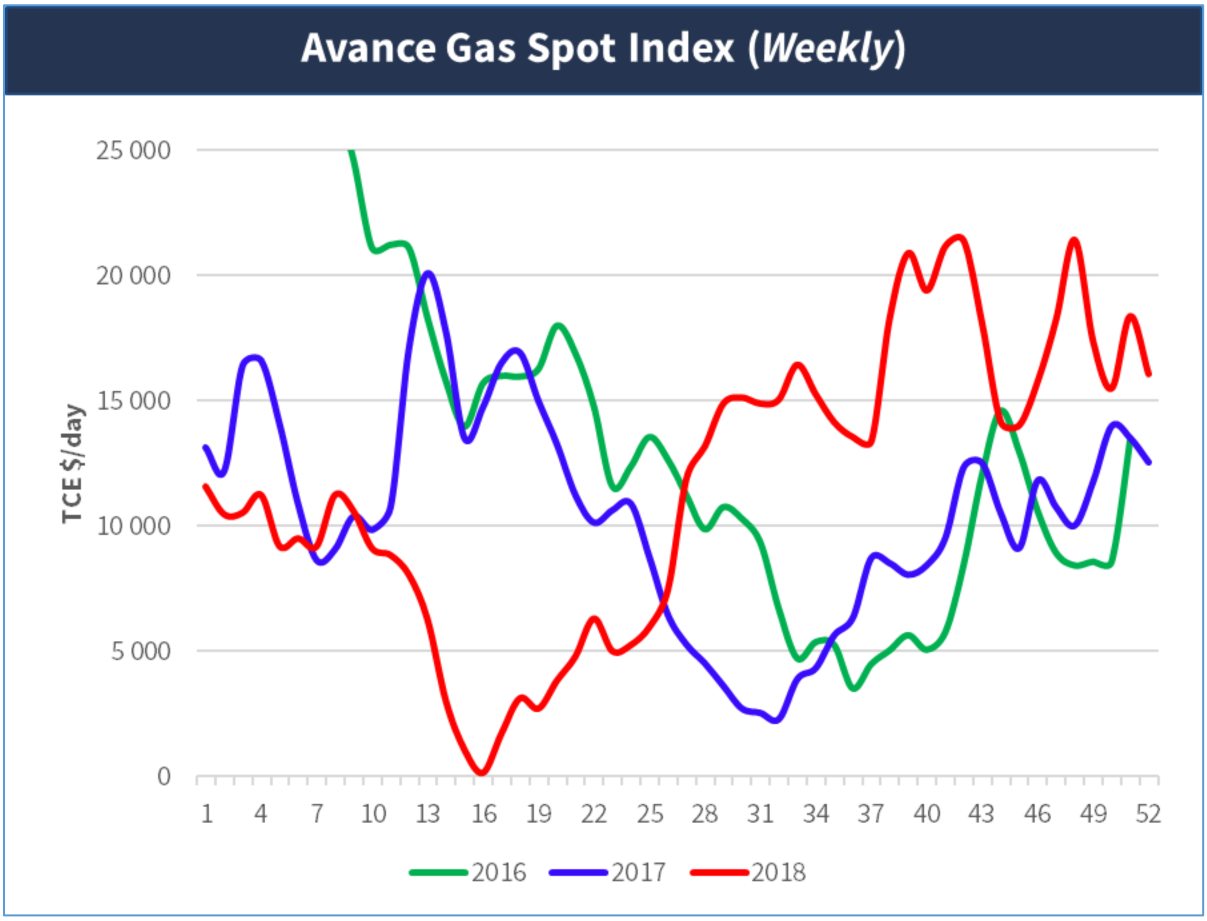
US Gulf had an average of 48 cargoes per month and USEC averaged two cargoes per month, leading to an average of 50 cargoes per month in 2018, up from 45 cargoes in 2017 and 36 cargoes in 2016. Although US has become an important area for the freight markets, the only official, independent freight index quoted daily for VLGCs is the Baltic LPG1 route from Middle East to Japan. Some shipbrokers quote the freight market from US to Asia and Europe on a weekly basis, suggesting that most of the time US freight offers a premium to Middle East freight.

Baltic LPG1 was quoted at $47/ton as we entered Q4 2018. The market softened during the quarter and by year-end Baltic LPG1 was at $35.8/ton. The 2018 average was $34.5/ton compared to $27.6/ton in 2017 and $29.7/ton in 2016.

Avance Gas Spot VLGC Index – which is calculated using Baltic LPG1 – started the quarter at $19,394/day and ended at $16,053/day. The average, adjusted 30 days prior to the calendar quarter, was $17,666/day for Q4 and full year 2018 was $11,600/day.

The soft freight markets have kept the newbuilding activity at modest levels. After record-high deliveries in 2015 (36 ships) and 2016 (43 ships), 11 ships were delivered during 2018. There are 38 ships under construction, representing 14.2% of existing fleet, of which 18 ships are scheduled for delivery in 2019 and 19 ships in 2020.

The weak freight markets have motivated for higher re-cycling activity and five ships sold for re-cycling in 2018. One more ship was sold for re-cycling but reappeared in the fleet towards year-end. By end 2018, the fleet consists of 268 ships.



(Source: Avance Gas)

KEY FINANCIALS HIGHLIGHTS

In US$ thousands (unless stated otherwise)	Three months ended	Three months ended
Income statement:	31 December 2018	30 September 2018
TCE earnings	26,765	19,066
TCE per day ($)	21,314	15,289
Operating profit (loss) before depreciation expense	14,943	8,186
Net loss	(2,767)	(8,872)
Net loss per share (diluted) ($)	(0.04)	(0.14)
Balance sheet:	31 December 2018	30 September 2018
Total assets	870,795	875,983
Total liabilities	506,227	503,830
Cash and cash equivalents	47,289	42,255
Undrawn available credit lines	25,000	25,000
Total shareholders' equity	364,568	372,173
Cash flows:	31 December 2018	30 September 2018
Net cash used in operating activities	13,164	(7,233)
Net cash used in investing activities	(2,624)	(1,157)
Net cash provided by (used in) financing activities	(5,506)	(5,506)
Net increase (decrease) in cash and cash equivalents	5,034	(13,896)

FINANCIAL AND OPERATIONAL REVIEW

Avance Gas reported TCE earnings of $26.8 million in Q4 2018, up from $19.1 million in the previous quarter, reflecting an improved freight market and lower bunker prices.

Operating expenses in Q4 2018 was $10.5 million, up from $9.6 million Q3 2018, representing an average $8,183/day and $7,457/day respectively. Operating expenses for full-year 2018 were $39.6 million compared to $38.9 million in 2017. Full-year 2018 average OPEX per ship was $7,755/day compared to $7,621/day in 2017. OPEX was impacted by non-recurring items largely relating to Passat's minor collision in January 2018, representing $604/day in Q4 and $151/day in full year 2018.

Administrative and general expenses for the quarter were $1.3 million, materially unchanged from the two previous quarters, representing an average per ship of $995/day for Q4 and a 2018 average of $974/day.

Non-operating expenses, consisting mainly of financial expenses, were $7.1 million, compared with $7.0 million in Q3 2018, mainly reflecting higher average LIBOR rates.

Avance Gas reported a net loss of $2.8 million in Q4 2018, or $0.04 per share, compared with a net loss of $8.9 million, or $0.14 per share, in Q3 2018. The net loss for 2018 was $0.68 per share compared to $0.86 per share in 2017.

Avance Gas' total assets amounted to $870.8 million at 31 December 2018, compared with $876.0 million at 30 September 2018. Total shareholders' equity was $364.6 million at quarter-end, corresponding to an equity ratio of 41.9%. This compared with total shareholders' equity of $372.2 million and an equity ratio of 42.5% at the end of Q3 2018.

Cash and cash equivalents were $47.3 million at 31 December 2018, and including undrawn credit lines, total available liquidity was $72.3 million. The increase from $67.3 million at 31 December 2018, reflected higher freight rates and timing of freight payments. Total interest-bearing debt net of issuance cost $492.2 million, compared with $497.3 million at 30 September 2018, reduced with scheduled repayments. At quarter end, the company had $25.0 million in available undrawn credit lines.

Cash flow from operating activities was positive $13.0 million, compared with negative $7.2 million in Q3 2018, mainly reflecting higher freight rates. Net cash flow used in investing activities was $2.6 million, up from $1.2 million in Q3 2018, most of which related to scheduled dry-docking. Net cash flow from financing activities was negative $5.5 million unchanged from Q3 2018, in line with scheduled repayments. The available liquidity at the end of Q4 2018 was $72.2 million.

FLEET AND EMPLOYMENT OVERVIEW

Avance Gas continues to employ the fleet in a combination of spot market and market priced contract of affreightments (CoA). We are increasing our spot market exposure in the US freight market.

Avance Gas recorded 1,256 operating days in Q4 2018, up from 1,247 operating days in Q2 2018. Promise was dry-docked during the quarter as the sixth and last ship scheduled for drydocking for 2017 and 2018. A total of 32 off-hire days was recorded, of which 28 days related to Promise.

Waiting days which are included in operating days, totaled 14.4 for the fleet in Q4 2018, or 0.34 waiting days per month per ship, giving Avance Gas a fleet utilization during the quarter of 99%, unchanged from Q3 2018. The fleet utilization for full year 2018 was 96%.

FINANCING

The company is in discussions for the refinancing of its outstanding debt, including previously deferred debt. We expect to have agreement in place for the refinancing finalized during Q2 2019.

IMO 2020

By 1 January 2020, the new International Maritime Organization (IMO) regulations are coming into force with a global sulphur limit of 0.50% m/m (mass/mass). Under the new global limit, ships will have to use fuel oil on board with a sulphur content reduced from the current limit of 3.50% m/m. "Fuel oil used on board" includes use in main and auxiliary engines, and boilers.

Ships can meet the requirement by using low-sulphur compliant fuel oil. An increasing number of ships are evaluating natural gas as a fuel as when ignited it leads to negligible sulphur oxide emissions. Another alternative fuel is methanol which is being used on some short sea services.

Ships may also meet the SOx emission requirements by using approved equivalent methods, such as exhaust gas cleaning systems or "scrubbers", which "clean" the emissions before they are released into the atmosphere.

The new global limit will not change the limits in SOx Emission Control Areas (ECAS) established by IMO, which since 1 January 2015 has been in place with a limit 0.10% m/m.

Avance Gas are evaluating how to meet the regulations; either by changing to compliant low sulphur fuel oil, retrofit some ships for dual fuel LPG or install scrubber.

The five Korean built ships and the Japanese built ship will change to using compliant low sulphur fuel oil.

The two January 2015-built *Mistral* and *Monsoon* are likely to install scrubber. Avance Gas is in advanced negotiations with scrubber vendors and a decision will be made shortly. The April 2015 built *Breeze* is also candidate for scrubber installment. The possible scrubber installment will be done during scheduled dry-docking expected completed during Q4 2019 for *Mistral and Monsoon* and early Q1 2020 for *Breeze*. For the remaining ships due for drydock in 2020, we are evaluating all options.

OUTLOOK

The freight market surprised most participants by coming off from early December and continued to weaken throughout January.

Middle East exported 66 VLGC cargoes in September. The activity fell somewhat to 61, 60 and 64 cargoes in October-December 2018, respectively. Preliminary figures for January suggest 59 VLGCs loaded in Middle East.

The US Gulf / USEC activity strengthened during Q4 with 50, 53 and 51 cargoes in October-December compared to 51 in September. Nominations for January are close to 60 cargoes, although we expect actual liftings a bit lower.

In September 19 VLGCs cargoes were loaded outside US and Middle East. In October, this was down to 12 cargoes followed by 15 and 19 in November and December. Preliminary figures for January indicate 23 cargoes.

This is showing positive employment trend for the global VLGC fleet. Although October was down to 123 cargoes from 136 in September, November and December recorded 127 and 134 cargoes respectively. Expectations for January are about 140 cargoes.

Middle East volumes are expected to remain at lower levels during 2019 compared to last year following disruption in Iranian export combined with somewhat lower activity ex Saudi Arabia. UAE volumes are normally also down during first quarter.

US continues to be the driver for VLGC freight. January nominations suggest new all-time high export. Energy Transport announced 29 December 2018 that its Mariner East 2 (ME 2) natural gas liquids (NGLs) pipeline is in service. The pipeline transports domestically produced ethane, propane and butane from processing plants in Ohio to Marcus Hook, where the NGLs are stored for distribution and export.

The ME 2 pipeline is expected to add six to eight cargoes to the current Marcus Hook export of about three cargoes per month. The record-high US January export does not include any increase in Marcus Hook volumes.

We furthermore expect Enterprise to increase its export capacity by mid-2019, although there is ample terminal capacity available today to increase US VLGC export further.

The majority of US export continues to be shipped to destinations in Asia. In 2018, 61% (16.2 m tons) of US Gulf and US East Coast export went to Asia. Although the percentage is down from 2017 (66%), actual tons were unchanged (2017: 16.1m tons). China stopped importing US LPG from mid-2018.

This has had limited impact on fleet utilization as the LPG has found alternative destinations in South East Asia. We expect that the US – Asia LPG trade will continue to increase shipping demand.

Outside the main export hubs, we have seen growth in LNG supported LPG export from Australia, which commenced end-2018, adding an expected average of four extra cargoes per month.

Implementation of IMO 2020 emission regulations will likely support continued re-cycling of older ships combined with older tonnage disappearing from competitive freight markets into captive trade or long-term storage projects.

Based on the above we expect the freight market to develop positively, while continuing to carefully manage costs and preserving our liquidity position.

PRESENTATION AND WEBCAST

Avance Gas will hold a presentation to discuss the company's results for the period ended 31 December 2018 on Thursday, 7 February 2019, at 15:00 CET in the offices of Swedbank, Filipstad Brygge 1, Oslo. There will be a Q&A session following the presentation.

The presentation and webcast will be hosted by:

- Mr. Christian Andersen – President
- Mr. Peder C. G. Simonsen – Chief Financial Officer

The presentation will also be available via audio webcast, which can be accessed at Avance Gas' website www.avancegas.com. Dial in details are +44 (0)2071 928 000 (UK and International), +1 631-510-7495 (US) or +47 23 96 02 64 (Norway). Please quote the passcode: 1375783. 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.

AVANCE GAS HOLDING LTD

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENTS

(UNAUDITED)

	For the three months ended		For the year ended	
		*Restated**		*Restated**
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	(in thousands except earnings per share)			
Operating revenue	$ 42,288	$ 25,232	$ 129,941	$ 112,994
Voyage expenses	(15,523)	(11,232)	(60,381)	(59,028)
Operating expenses	(10,540)	(9,836)	(39,627)	(38,944)
Administrative and general expenses	(1,282)	(1,303)	(4,976)	(5,539)
Operating profit before depreciation expense	14,943	2,861	24,957	9,483
Depreciation and amortization expenses	(10,593)	(9,917)	(40,662)	(40,025)
Operating profit (loss)	4 350	(7,056)	(15,705)	(30,542)
Non-operating income (expense):				
Finance expense	(7,077)	(6,521)	(27,705)	(24,209)
Finance income	13	5	247	215
Foreign currency exchange gain (loss)	1	5	2	31
Loss before income tax expense	(2,713)	(13,567)	(43,161)	(54,505)
Income tax expense	(54)	(55)	(54)	(55)
Net loss	$ (2,767)	$ (13,623)	$ (43,215)	$ (54,560)
Loss per share:				
Basic	$ (0.04)	$ (0.21)	$ (0.68)	$ (0.86)
Diluted	$ (0.04)	$ (0.21)	$ (0.68)	$ (0.86)

AVANCE GAS HOLDING LTD

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENTS

(UNAUDITED)

	For the three months ended		For the year ended	
		*Restated**		*Restated**
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	(in thousands)			
Net loss	$ (2,767)	$ (13,623)	$ (43,215)	$ (54,560)
Other comprehensive (loss) income:				
Items that may be reclassified subsequently to profit and loss:				
Fair value adjustment of interest rate swaps (loss)/gain	(5,107)	3,507	5,819	1,424
Exchange differences arising on translation of foreign operations	-	(2)	-	-
Other comprehensive (loss) income	(5,107)	3,505	5,819	1,424
Total comprehensive loss	$ (7,874)	$ (10,118)	$ (37,396)	$ (53,136)

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

*See note 11 for details regarding the restatement as a result of a change in accounting policy

AVANCE GAS HOLDING LTD

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

(UNAUDITED)

	As of	
	December 31, 2018	*Restated** December 31, 2017
	(in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 47,289	$ 62,316
Receivables	14,047	11,836
Related party receivables	-	132
Inventory	5,752	3,993
Mobilization cost (note 11)	1,791	2,667
Prepaid expenses	3,991	523
Other current assets	2,584	523
Total current assets	75,454	84,378
Property, plant and equipment (note 5)	795,304	823,495
Intangible assets	37	150
Total non-current assets	795,341	823,645
Total assets	$ 870,795	$ 908,023
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt (note 6)	$ 31,636	$ 20,598
Accounts payable	7,207	5,867
Related party payable balances	-	4
Accrued voyage expenses	2,975	3,761
Accrued expenses	773	458
Current portion of derivative financial instruments (note 7)	50	2,538
Other current liabilities	1,426	1,313
Total current liabilities	44,067	34,539
Long-term debt (note 6)	335,522	367,000
Long-term revolving credit facilities (note 6)	125,000	100,000
Long-term derivative financial instruments (note 7)	1,638	4,969
Total non-current liabilities	462,160	471,969
Shareholders' equity		
Share capital (note 4)	64,528	64,528
Paid-in capital (note 4)	379,851	379,851
Contributed capital (note 4)	95,291	95,185
Retained loss	(161,605)	(118,733)
Treasury shares (note 4)	(11,867)	(11,867)
Accumulated other comprehensive loss (note 9)	(1,630)	(7,449)
Total shareholders' equity	364,568	401,515
Total liabilities and shareholders' equity	$ 870,795	$ 908,023

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

*See note 11 for details regarding the restatement as a result of a change in accounting policy

AVANCE GAS HOLDING LTD

CONDENSED CONSOLIDATED INTERIM STATEMENT OF SHAREHOLDERS' EQUITY

(UNAUDITED)

	Share capital	Paid-in capital	Contributed capital	Retained loss	Accumulated other comprehensive loss	Treasury shares	Total
			(in thousands)				
Balance December 31, 2016, as originally presented	$ 64,528	$ 379,851	$ 94,886	$ (61,566)	$ (8,873)	$ (11,867)	$ 456,959
Changes in accounting policies	—	—	—	(2,607)	—	—	(2,607)
Restated balance December 31, 2016	64,528	379,851	94,886	(64,173)	(8,873)	(11,867)	454,352
Comprehensive income (loss):							
Net loss (restated*)	—	—	—	(54,560)	—	—	(54,560)
Other comprehensive (loss) income:							
Fair value adjustment of interest rate swaps	—	—	—	—	1,424	—	1,424
Translation adjustments, net	—	—	—	—	—	—	—
Total other comprehensive loss	—	—	—	—	1,424	—	1,424
Total comprehensive loss	—	—	—	(54,560)	1,424	—	(53,136)
Transactions with shareholders:							
Compensation expense for share options	—	—	299	—	—	—	299
Total transactions with shareholders	—	—	299	—	—	—	299
Balance, December 31, 2017	$ 64,528	$ 379,851	$ 95,185	$ (118,733)	$ (7,449)	$ (11,867)	$ 401,515
Balance December 31, 2017, as originally presented	$ 64,528	$ 379,851	$ 95,185	$ (116,316)	$ (7,449)	$ (11,867)	$ 403,932
Changes in accounting policies	—	—	—	(2,417)	—	—	(2,417)
Restated balance December 31, 2017	**$ 64,528**	**$ 379,851**	**$ 95,185**	**$ (118,733)**	**$ (7,449)**	**$ (11,867)**	**$ 401,515**
Comprehensive loss:							
Net loss	—	—	—	(43,215)	—	—	**(43,215)**
Adjustment previous year				343			**343**
Other comprehensive (loss) income:							
Fair value adjustment of interest rate swaps	—	—	—	—	5,819	—	**5,819**
Translation adjustments, net	—	—	—	—	—	—	—
Total other comprehensive gain	—	—	—	—	5,819	—	**5,819**
Total comprehensive loss	—	—	—	(42,872)	5,819	—	**(37,053)**
Transactions with shareholders:							
Compensation expense for share options	—	—	106	—	—	—	**106**
Total transactions with shareholders	—	—	106	—	—	—	**106**
Balance, December 31, 2018	**$ 64,528**	**$ 379,851**	**$ 95,291**	**$ (161,605)**	**$ (1,630)**	**$ (11,867)**	**$ 364,568**

AVANCE GAS HOLDING LTD

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW (UNAUDITED)

	For the year ended	
	December 31, 2018	December, 31 2017
	(in thousands)	
Cash flows from operating activities (note 3)	$ 20,088	$ 10,071
Interest paid	(25,856)	(21,859)
Net cash flows (used in) from operating activities	(5,768)	(11,788)
Cash flows used in investing activities:		
Capital expenditures (note 5)	(12,237)	(3,101)
Net cash flows used in investing activities	(12,237)	(3,101)
Cash flows used in financing activities:		
Repayment of long-term debt (note 6)	(22,024)	(22,024)
Drawdown of revolving credit facility	25,000	25,000
Repayment of revolving credit facility (note 6)	–	(75,000)
Net cash flows used in financing activities	2,976	(72,024)
Net decrease in cash and cash equivalents	(15,027)	(86,746)
Cash and cash equivalents at beginning of period	62,316	149,062
Effect of exchange rate changes on cash	2	167
Cash and cash equivalents at end of period	$ 47,289	$ 62,316

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

1. Basis of preparation

The condensed consolidated interim financial statements of Avance Gas Holding Ltd (the "Company" or "Avance Gas"), a Bermuda-registered company and its subsidiaries (collectively, the "Group"), have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as adopted by the European Union and in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The condensed consolidated interim financial statements should be reviewed in conjunction with the consolidated financial statements for the year ended December 31, 2017, 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, 2017, 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, revenue recognition due to implementation of IFRS 15 and IFRS 9 from January 1, 2018.

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 IAS 17 and is recognised on a straight-lined basis over the term of the time charter arrangement.

Financial instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 Financial Instruments from January 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in IFRS 9 comparative figures have not been restated.

The hedge relationships that were previously established under IAS 39 designated the full fair value change of the interest rate swaps as hedging instrument and we will continue to apply the same treatment under IFRS 9.

The Group adopted the simplified expected credit loss model for its trade receivables with only minor effects. No assets held by the Group were subject to reclassifications in IFRS 9.

Except for timing differences related to the period of which the revenue is recognized, the above pronouncements are not expected to have a material impact on the financial statements of the Group, beyond disclosures.

New or amendments to standards

The following amendments, in addition to the above new accounting policies, to standards and interpretations have been issued and become effective during the current period. These include:

- Amendments to IFRS 2 – Share based payments for periods beginning on or after January 1, 2018.

The following new or amendments to standards and interpretations have been issued and become effective in years beginning on or after January 1, 2019, assuming European Union adoption. The Company is evaluating the impact of these changes on the financial statements of the Group:

- IFRS 16 – Leases, for periods beginning on or after January 1, 2019. Management anticipate only insignificant impact on the financial statements as a result of the adoption of the new standard, with an immaterial lease liability and right of use asset to be recognized related to office lease.

3. Reconciliation of net loss to cash generated from operations

	For the year ended	
	December 31, 2018	*Restated** December 31, 2017
	(in thousands)	
Net loss	$ (43,215)	$ (54,560)
Adjustments to reconcile net profit to net cash from operating activities:		
Depreciation and amortization of property, plant and equipment and intangibles	40,662	40,025
Net finance expense	27,458	23,994
Compensation expense	106	299
Changes in assets and liabilities:		
(Increase) decrease in receivables	(2,212)	(5,300)
(Increase) in prepaid expenses, inventory, related party receivables, mobilization cost and other current assets	(3,892)	3,229
(Decrease) increase in accounts payable	1,340	3,191
Decrease in accrued voyage expenses, other current liabilities and related party balances	(161)	(807)
Cash flows from operating activities	$ 20,088	$ 10,071

*See note 11 for details regarding the restatement as a result of a change in accounting policy

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, 2018 and December 31, 2017. Of the authorized share capital, 64.5 million shares were issued and outstanding as of December 31, 2018 and December 31, 2017, including 0.9 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 conversion of shareholders' loans in 2013.

In 2013 the Company set up a share option plan covering 1.0 million shares. Employees were granted 175,000 share options in 2013, 118,200 share options in 2015 and 486,000 share options in 2016 and 207,000 share options in 2017 with a vesting period of four years.

In January 2018, the Board of the Company approved a new share option plan (the "2018 Option Scheme") in order to encourage the Company's directors, officers and other employees to hold shares in the Company. The 2018 Option Scheme will expire in January 2028. The 2018 Option Scheme permits the Board, at its discretion, to grant options to acquire shares in the Company to employees and directors of the Company or its subsidiaries. The options are not transferable. The subscription price is at the discretion of the Board, provided the subscription price is never reduced below the par value of the share. The subscription price for certain options granted under the 2018 Option Scheme will be reduced by the amount of all dividends declared by the Company in the period from the date of grant until the date the option is exercised. Options granted under the 2018 Option Scheme will vest at a date determined by the Board at the date of the grant. There is no maximum number of shares authorized for awards of equity share options under the 2018 Option Scheme and authorized, unissued or treasury shares of the Company may be used to satisfy exercised options. In the first quarter 2018, 180,000 share options were granted under the 2018 Option Scheme.

During Q3 2018, 176,000 options were cancelled and 413,000 share options were awarded under the 2018 Share Option Scheme. Following the cancellation and award of the share options, a total of 1,197,000 share options remain outstanding under the Company's share option schemes as of December 31, 2018.

5. Property, plant and equipment

During the twelve months ended December 31, 2018 and December 31, 2017, the Group invested $12.2 million and $3.1 million, respectively, on property, plant and equipment. Cash payments were mainly made on dry-dock and ship improvements.

As of December 31, 2018, indicators of impairment and indicators of reversal of previous recognized impairment were assessed. Based on this assessment it was concluded that no significant changes in indicators for the twelve-month period ended December 31, 2018 were present.

6. Long-term debt and revolving credit facility

Long-term debt consisted of debt collateralised by the Group's 14 VLGCs as of December 31, 2018 and December 31, 2017.

Long-term debt repayments were $5.5 million for the three months ended December 31, 2018 and 2017.

Long-term debt repayments were $22.0 million for the twelve months ended December 31, 2018 and 2017.

Undrawn available credit lines per December 31, 2018 were $25.0 million.

	As of December 31, 2018	As of December 31, 2017
Long-term debt	$ 336,236	$ 369,214
Long-term revolving credit facilities	125,000	100,000
Long-term debt issuance cost	(714)	(2,214)
Long-term debt	460,522	467,000
Current portion of long-term debt	33,035	22,024
Current portion of debt issuance cost	(1,399)	(1,426)
Current portion of long-term debt	31,637	20,598
Total net debt	$ 492,158	$ 487,598

7. Fair value disclosures

Fair value of financial instruments

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

	As of December 31, 2018		*Restated** As of December 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
	(in thousands)			
Financial assets:				
Cash and cash equivalents	$ 47,289	$ 47,289	$ 62,316	$ 62,316
Receivables	14,047	14,047	11,836	11,836
Related party receivable balances	-	-	132	132
Financial liabilities:				
Accounts payable	$ 7,207	$ 7,207	$ 5,867	$ 5,867
Related party payable balances	-	-	4	4
Accrued expenses and accrued voyage expenses	3,748	3,748	4,219	4,219
Revolving credit facilities	125,000	125,000	100,000	100,000
Long-term debt including current maturities	369,272	369,272	391,238	391,238
Derivative financial instruments:				
Interest rate swap assets (liabilities) including current maturities	$ (1,688)	$ (1,688)	$ (7,507)	$ (7,507)

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, 2018 and December 31, 2017 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 $2.1 million and $3.6 million as of December 31, 2018 and December 31, 2017, respectively.

Fair value of interest rate swaps is based on market value of the interest rate swaps. The market value is based on mark-to-market reports as of period-end from the financial institutions issuing the swaps, based on the amount that the Group would receive or pay to terminate the contracts. Fair value adjustment of the interest rate swaps as of December 31, 2018 was recognized in the consolidated interim statement of comprehensive loss.

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

Fair value estimation

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

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

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

8. Related party transactions

The Group has transacted with Stolt-Nielsen regarding procurement for the President in previous quarters. Due to changes made in the board of directors on July 13, 2018, Stolt-Nielsen is no longer a related party. The Group terminated the service agreement for procurement for the President with effect November 30, 2018, hence, the President is employed directly in Avance Gas as of December 31, 2018.

During the fourth quarter, Frontline Ltd is defined as a related party with the Group due to change in aggregate holdings of the share. As the aggregate holdings of Hemen and Frontline Ltd are above 20% are considered to have significant influence over the Group, thus related parties. The Group entered into a corporate secretarial services agreement with Frontline Management (Bermuda) Ltd in July 2018. The fee for corporate secretarial services was $16 thousand for the year ended December 31, 2018.

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 is broken down between the two categories as follows:

	Foreign currency reserve	Fair value reserve	Accumulated other comprehensive (loss) income
Balance January 1, 2017	$ 58	$ (8,931)	$ (8,873)
Fair value adjustment of interest rate swaps	—	1,424	1,424
Translation adjustments, net	—	—	—
Balance December 31, 2017	$ 58	$ (7,507)	$ (7,449)
Balance January 1, 2018	**$ 58**	**$ (7,507)**	**$ (7,449)**
Fair value adjustment of interest rate swaps	—	5,819	5,819
Translation adjustments, net	—	—	—
Balance December 31, 2018	**$ 58**	**$ (1,688)**	**$ (1,630)**

10. Alternative performance measures

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

	For the three months ended		For the twelve months ended	
	December 31, 2018	*Restated** December 31, 2017	December 31, 2018	*Restated** December 31, 2017
	(in thousands)			
Operating revenue	$ 42,288	$ 25,232	$ 129,941	$ 112,994
Voyage expenses	(15,523)	(11,232)	(60,381)	(59,028)
Voyage result	26,765	14,000	69,560	53,966
Calendar days	1,288.0	1,288.0	5,110.0	5,110.0
Technical off-hire	(32.3)	(33.6)	(260.8)	(58.9)
Operating days	1,255.7	1,254.4	4,849.2	5,051.1
TCE per day ($)	21,314	11,161	14,345	10,684

*See note 11 for details regarding the restatement as a result of a change in accounting policy

11. Changes in accounting policies

This note explains the impact of the adoption of IFRS 15 *(Revenue from Contracts with Customers*) on the Group's financial statements, and also discloses the new accounting policies that have been applied from January 1, 2018 where they are different to those applied in prior periods.

For the three months ended December 31, 2017

	As originally presented December 31, 2017	Changes related to implementation of IFRS 15 (in thousands)	*Restated* December 31, 2017
Operating revenue	$ 27,369	$ (2,138)	$ 25,232
Voyage expenses	(12,113)	880	(11,232)
Operating expenses	(9,836)		(9,836)
Administrative and general expenses	(1,303)		(1,303)
Operating loss before depreciation expense	4,117	(1,258)	2,861
Depreciation and amortization expense	(9,917)		(9,917)
Operating loss	(5,800)	(1,258)	(7,056)
Non-operating (expenses) income:			
Finance expense	(6,521)		(6,521)
Finance income	5		5
Foreign currency exchange gain (loss)	5		5
Loss before income tax expense	(12,311)	(1,258)	(13,567)
Income tax expense	(55)		(55)
Net loss	$ (12,366)	$ (1,258)	$ (13,623)
Loss per share:			
Basic	$ (0.19)	$ (0.02)	$ (0.21)
Diluted	$ (0.19)	$ (0.02)	$ (0.21)
Other comprehensive income (loss)			
Fair value adjustment of interest rate swaps designated for hedge accounting	3,507		3,507
Exchange differences	(2)		(2)
Total comprehensive loss	$ (8,861)	$ (1,258)	$ (10,118)

For the twelve months ended December 31, 2017

	As originally presented December 31, 2017	Changes related to implementation of IFRS 15	*Restated* December 31, 2017
		(in thousands)	
Operating revenue	$ 110,910	$ 2,085	$ 112,994
Voyage expenses	(57,134)	(1,895)	(59,029)
Operating expenses	(38,944)		(38,944)
Administrative and general expenses	(5,539)		(5,539)
Operating profit before depreciation expense	9,293	190	9,483
Depreciation and amortization expense	(40,025)		(40,025)
Operating loss	(30,732)	190	(30,542)
Non-operating (expenses) income:			
Finance expense	(24,209)		(24,209)
Finance income	215		215
Foreign currency exchange gain (loss)	31		31
Loss before income tax expense	(54,695)	190	(54,505)
Income tax expense	(55)		(55)
Net loss	$ (54,750)	$ 190	$ (54,560)
Loss per share:			
Basic	$ (0.86)	$ 0.00	$ (0.86)
Diluted	$ (0.86)	$ 0.00	$ (0.86)
Other comprehensive income (loss)			
Fair value adjustment of interest rate swaps designated for hedge accounting	1,424		1,424
Exchange differences	–		–
Total comprehensive (loss)/income	$ (53,326)	$ 190	$ (53,136)

	Originally presented December 31, 2017	Changes related to implementation of IFRS 15	*Restated* December 31, 2017
		(in thousands)	
ASSETS			
Current assets:			
Cash and cash equivalents	$ 62,316	$	$ 62,316
Receivables	16,920	(5,084)	11,836
Related party receivables	132		132
Inventory	3,993		3,993
Mobilization costs	—	2,667	2,667
Prepaid expenses	523		523
Other current assets	2,911		2,911
Total current assets	86,795	(2,417)	84,378
Total non-current assets	823,645		823,645
Total assets	$ 910,440	$ (2,417)	$ 908,023
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term debt (note 6)	$ 20,598	$	$ 20,598
Accounts payable	5,867		5,867
Related party payable balances	4		4
Accrued voyage expenses	3,761		3,761
Accrued expenses	458		458
Current portion of derivative financial instruments	2,538		2,538
Other current liabilities	1,313		1,313
Total current liabilities	34,539		34,539
Total non-current liabilities	471,969		471,969
Shareholders' equity			
Share capital	64,528		64,528
Paid-in capital	379,851		379,851
Contributed capital	95,185		95,185
Retained loss	(116,316)	(2,417)	(118,733)
Treasury shares	(11,867)		(11,867)
Accumulated other comprehensive loss	(7,449)		(7,449)
Total shareholders' equity	403,932	(2,417)	401,515
Total liabilities and shareholders' equity	$ 910,440	$ (2,417)	$ 908,023

12. 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.

13. 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.

14. Subsequent Events

There were no significant subsequent events after December 31, 2018.

AVANCE GAS HOLDING LTD

RESPONSIBILITY STATEMENT

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period January 1 to December 31, 2018 has been prepared in accordance with IAS 34 – Interim Financial Reporting, and gives a true and fair view of the assets, liabilities, financial position and profit or loss for the Group as a whole.

We also confirm, to the best of our knowledge, that the condensed interim financial statements and the earnings release include a fair review of important events that have occurred during the first twelve months of the financial year and their impact on the condensed set of financial statements.

February 7, 2019

Marius Hermansen
Chairman and Director

Christian Andersen
President