AVANCE GAS
ANNUAL REPORT
2020

Roman Smirnovs, Breeze

CONTENTS

Letter from the CEO

2020 turned out as a year of great contrasts. On one side the overshadowing COVID-19 pandemic which changed our lives profoundly, on the other side a steep upswing in the financial and shipping markets creating opportunities for a company like Avance Gas.

Under the prevailing circumstances, I would like to start with emphasising that our employees' health and safety is our highest priority, whether you work onshore or offshore. In challenging and uncertain times like this, I would therefore thank all our onshore and offshore employees and crew for your perseverance, patience as well your adaptability. It has not been easy but there is finally light at the end of the tunnel with the vaccines being rolled out. Let us hope the pandemic is for the history books when my next CEO letter is being written.

Amid the rough seas in the first half of the year the VLGC market showed its potential when the market tightened up considerably in the 3rd and 4th quarter. Inefficiencies in the fleet, resilient US LPG exports and strong demand in Asia led to some of the highest spot rates obtained historically. With most of our dry-docking and scrubber fitting finished by 3rd quarter, Avance Gas was placed well to participate in the upturn which led to another healthy year for the company. For 2020 Avance Gas delivered a net profit of $70.9 million.

As the year progressed, the LPG dual fuel engine was cemented as the next generation of VLGC propulsion technology. We are very excited about this since it enables the VLGC fleet to reduce the carbon and environmental footprint considerably. For Avance Gas, it was a clear sign to follow up on the two dual fuel 91,000 cbm contracted in 2019. Towards the end of the year, discussions with DSME for another two dual fuel 91,000 cbm VLGCs firmed up and were confirmed in January 2021.

Classification societies, commercial and technical market participants are also on the path towards introducing ammonia as a marine fuel which is especially compelling for VLGCs because liquid ammonia is a well-known niche for the fully refrigerated LPG carriers. Depending on the way it is produced, ammonia can constitute a huge leap towards zero-emission shipping and Avance Gas will be part of the shift as soon as it is technically and commercially viable.

Since I am at the very beginning of my tenure as CEO of Avance Gas, I would like to draw a picture of a shipping company which is well positioned for the new era of shipping, with new and stricter requirements on trading, emissions and financial solidity. The underlying demand for the commodity is growing and thanks to its versatile nature, LPG is continuously penetrating new markets. Avance Gas is consequently in the compelling position where we can match a growing LPG market with new and environmentally friendly technology to create a shipping company for the future.

Finally, I would like to thank our investors, banks, clients and all our other stakeholders for the support during the turbulent year we have been through and we look forward to 2021 as a year of new progress.

Yours truly,

Kristian Sørensen
Chief Executive Officer
Avance Gas

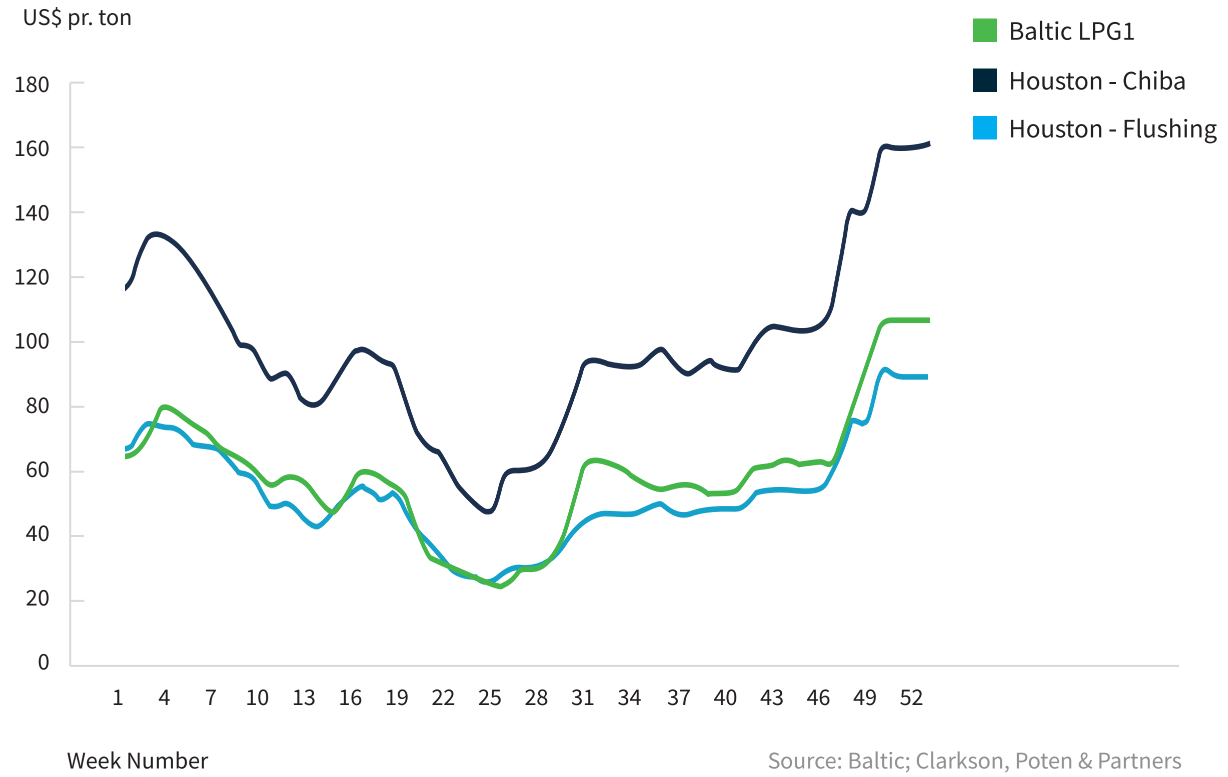
KEY OPERATIONAL AND FINANCIAL

Highlights

Avance Gas, Breeze, Houston

Freight Rates 2020

$ pr. ton



Source: Baltic; Clarkson, Poten & Partners

Avance Gas' results for 2020 reflected the freight market development, which was impacted by the volatility in freight prices caused by the pandemic outbreak, especially impacting the second and third quarter of the year. The Company's average time charter equivalent (TCE)[1] rates followed the market trend, with a full-year average rate for the fleet of $ 32,418/day, down from $34,309/day in 2019. The year started high, with TCE rates for the first quarter of $44,990/day, however, following disruptions in the oil market caused by lower global demand, and production cuts and following reduction in global exports levels, TCE rates fell to $28,932/day in the second quarter, and $21,524/day in the third quarter. However, during the third quarter, maket started to recover as demand picked up again, and freight markets continued to improve due to market inefficiencies and increased utilization profile, reporting TCE rates of $36,130/day in the fourth quarter.

1) Refer to Note 10 of the Financial statements for definitions and reconciliation of Alternative Performance Measures (APMs)

KEY FINANCIAL HIGHLIGHTS

TCE/day[1)]
$32,418

Available liquidity (in millions)
$75.9

Ships **13**
NB Dual-fuel **4**

Calendar days **5,022**
Operating days **4,445**

OPEX/day
$8,968

A&G/day
$771

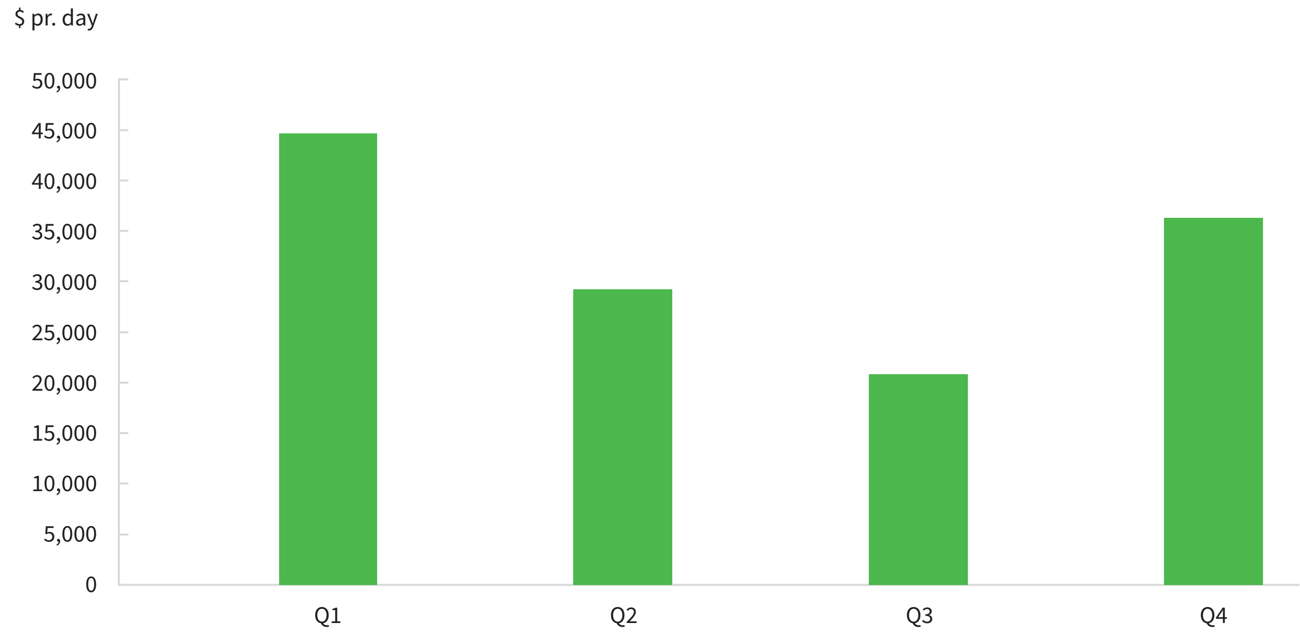
In 2020, Avance Gas (the "Company") reported a net profit of $70.9 million compared to a net profit of $56.0 million in 2019. Net profit was impacted by a reversal of impairment charge of $33.7 million. Adjusted for reversal of previous recognised impairment, the net profit of 2020 was $37.2 million. The Company managed to navigate through the pandemic safely recognising positive profits throughout the year.

Operating expenses in 2020 were $45.0 million up from $40.8 million in 2019 equalling an average daily operating expense of $8,968 for 2020, compared to $7,983 in 2019. The increase in OPEX was mainly related to Covid-19 related expenses and change of technical manager. The investment in technical manager is expected to improve the technical efficiency and operating expense over time.

Administrative and general expenses, totalled $3.9 million in 2020, compared with $5.5 million in 2019. The decrease was largely related to a reduction in number of FTEs from 2019 to 2020, as well as non-recurring costs related to personnel and office expense impacting the 2019 expenses. Net non-operating expenses, consisting mainly of financial expenses, were $22.1 million, down from $29.4 million in 2019. The decrease is mainly attributable to lower LIBOR rate for the year, and reduced average debt following scheduled instalments and additional repayment of debt due to the sale of the 2003-built *VLGC Avance*.

Avance Gas' total assets amounted to $897.2 million at 31 December 2020, down from $899.0 million at 31 December 2019. The VLGC *Avance* was sold in September for a net cash consideration of $34.3 million. The derecognition of the vessel was offset by capitalised expenses from the year's drydocking schedule and scrubber installation program of $34.7 million. Building of the previously announced Dual-fuel vessels commenced in 2020 at the shipyard Daewoo, in South-Korea, whereby $31.8 million of the cost has been capitalised throughout the year.

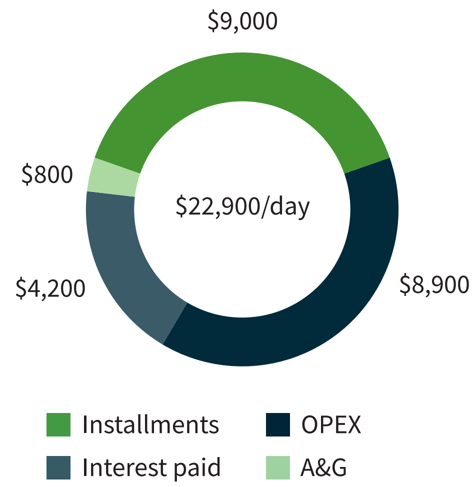
Avance Gas TCE



Total net interest bearing debt was $416.5 million at year-end 2020, compared to $453.0 as of year-end 2019. In November 2020 Avance Gas entered into a sale-leaseback transaction for the VLGC *Pampero*, whereby the Company recognised a financial liability of $45.0 million. Following the sale of VLGC *Avance* and the sale-leaseback transaction for *Pampero*, the Company repaid a total of $52.1 million of debt, in addition to scheduled instalments of $33.4 million. Total shareholders' equity amounted to $452.6 million, corresponding to an equity ratio of 50.4%, compared to $411.1 million and 45.7% as of December 31, 2019.

Cash and cash equivalents were $75.9 million at 31 December 2020, compared with $85.9 million at 31 December 2019, reflecting capital expenditures and repayment of debt, offset by cash flows from operations, and net cash inflow from the sale-leaseback transaction and sale of the VLGC *Avance*.

Cash-break even 2020



1) Refer to Note 10 of the Financial statements for definitions and reconciliation of Alternative Performance Measures (APMs)

KEY OPERATIONAL HIGHLIGHTS

Avance Gas fleet utilisation
96.6%

Crew members
273*

*Number of employees on board ships at any time are recorded, this does not reflect the aggregate number of shipboard employees during the year

On shore employees
6

Insurance claims
0

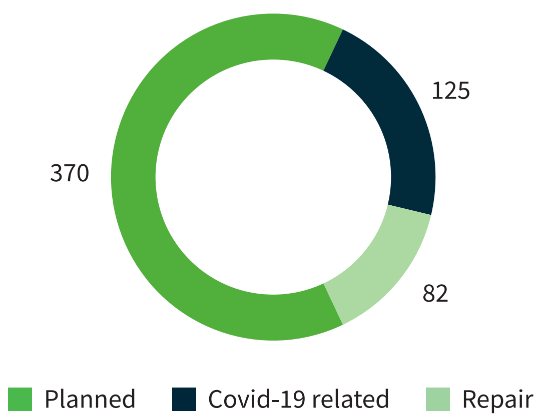
Waiting days per ship per month
0.91

Number of countries
33

Utilization rates remained high throughout the year recording a fleet utilization of 96.6% for full year. Waiting days in 2020 for the Avance Gas fleet totalled 164.7 days compared to 109.5 days in 2019, representing an average of 0.91 days per ship/month. This compares with average 0.65 day per ship/month and a fleet utilization of 97.9% in 2019.

The Company recorded 4,445 operating days in 2020 (calendar days less offhire days), down from 5,059 operating days in 2019, mainly due to scheduled drydocking program for eight vessels, and scrubber installation for five vessels completed in 2020. The Company entered into scrubber installation contracts in 2019 to fulfil the new IMO 2020 regulations, which came into effect 1 January 2020. The scrubber installation is performed during scheduled drydock, and Avance has completed the installation of five out of six scrubbers by December 2020. The final scrubber installation will be finalised during April 2021. Completion of the drydock program has been challenging due to the Covid-19 outbreak, as delivery of key equipment and personnel has been delayed and shutdown at the yard, which added estimated 125 offhire days in relation to the drydock program.

Offhire by category (days)



The Covid-19 outbreak has challenged aspects of our operational business. For Avance Gas, putting in place measures to ensure the safety and well-being of our employees and crew have been our highest priority. Avance Gas had no reported incidents of Covid-19 onboard its ships in 2020. However, varied infection control regulations and procedures between jurisdiction have made crew changes difficult for the entire sector, making rotation of crew members on our vessels challenging, and consequently, impacting the wellbeing of our seafarers. In 2021, Avance Gas became a signatory of the Neptune Declaration on Seafarer Wellbeing and Crew Change, recognising our shared responsibility to improve the situation for our crew and to ensure that we build a more resilient maritime supply chain going forward.

Avance Gas is committed to ensuring the health and safety for our people, keeping the oceans clean and reducing emissions. There is an increasing focus on CO_2 emissions and its related effects on climate change. The International Marine Organization (IMO) has set out a 2030 strategy in line with the Paris Agreement, outlining CO_2-emission reductions per transport work by at least 40 percent by 2030 and 70 percent by 2050, compared to 2008 levels.

In 2020, Avance Gas took part in a decarbonization project initiated by the Seatankers Group which sets a roadmap for meeting the IMO 2030 target. To further support the IMO 2030 strategy, Avance Gas is exploring investments into alternative technologies and fuels. The building of two dual-fuel VLGCs commenced in 2020, with expected delivery end of 2021 and beginning of 2022. In addition, the Company announced in January 2021 that it has committed to extend the fleet with additional two dual-fuel VLGCs, with delivery end of 2022 and beginning of 2023.

Avance Gas' policy on environmental protection defines our commitment to environmental due diligence, and how spills and operational emissions of sulphur oxides (SOx), nitrogen oxides (NOx), waste and other discharges are to be managed. In January 2020, the IMO sulphur emission cap regulation came into effect. In preparation for the new regulation, we started running our vessels partly on Very Low Sulphur Fuel Oil (VLSFO) already in 2019. Combined with scrubber installation on five of our vessels, total SOx emissions were significantly reduced from 8,385 metric tonnes in the previous year to 1,380 metric tonnes in 2020.

All Company employees, shore based and seafarers, are required to comply with the applicable standards and with the ship's occupational health and safety policy and program. All onboard personnel are appropriately trained, and a formal onboard training program includes both computer-based training and periodic scheduled and unscheduled drills. Marine transportation carries environmental risks through discharges and potential spills. Avance Gas' efforts and ability to manage such risks are critical for protecting the environment, the sector, our customers, and our own business. We have monitoring and management tools in place to minimise the environmental impact of Avance Gas' activities. Avance Gas is pleased that zero spills or release to the environment in 2020 and will continue this focus in 2021.

For more information about GHG emissions and ESG, please find our separate ESG report published on our website www.avancegas.com

Roman Smirnovs, Breeze

History & Fleet

Avance Gas owns and operates a modern fleet of thirteen VLGCs and four dual fuel newbuilding

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The Fleet

VESSEL	SIZE CBM	YARD	BUILT	OWNERSHIP
Iris Glory	83,700	Daewoo, South Korea	2008	100%
Thetis Glory	83,700	Daewoo, South Korea	2008	100%
Venus Glory	83,700	Daewoo, South Korea	2008	100%
Providence	83,800	Daewoo, South Korea	2008	100%
Promise	83,800	Daewoo, South Korea	2009	100%
Mistral	83,000	Jiangnan, China	2015	100%
Monsoon	83,000	Jiangnan, China	2015	100%
Breeze	83,000	Jiangnan, China	2015	100%
Passat	83,000	Jiangnan, China	2015	100%
Sirocco	83,000	Jiangnan, China	2015	100%
Levant	83,000	Jiangnan, China	2015	100%
Chinook	83,000	Jiangnan, China	2015	100%
Pampero	83,000	Jiangnan, China	2015	100%
NB DUAL-FUEL TBN	91,000	DAEWOO, SOUTH KOREA	2021	100%
NB DUAL-FUEL TBN	91,000	DAEWOO, SOUTH KOREA	2022	100%
NB DUAL-FUEL TBN	91,000	DAEWOO, SOUTH KOREA	2022	100%
NB DUAL-FUEL TBN	91,000	DAEWOO, SOUTH KOREA	2023	100%

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History

2007-2009

Avance Gas traces it's roots to 2007 and was established with the goal "to pursue growth opportunities in the expanding market for the transportation of liquefied petroleum gas (LPG)". The company entered the market in 2009 with a three-year timecharter of the VLGC Yuhsho, followed by the acquisition of the 2003-built VLGC *Althea Gas*, later renamed *Avance*. Avance Gas Holding Ltd was established.

2010-2012

In exchange for 50% ownership in the Company, Sungas Holding Ltd sold three 2008 built VLGCs to the Avance Gas fleet: *Iris Glory*, *Thetis Glory* and *Venus Glory*. Navigator Taurus, a medium sized gas carrier, was also taken on timecharter in 2010, bringing the fleet up to a total of six ships.

In 2012 Avance Gas acquired Maran Gas Knossos and Maran Gas Vergina from Maran Gas Maritime, Inc. in a cash transaction, now named *Promise* and *Providence*. Expiry of the Yuhsho and Navigator Taurus timecharters.

2013-2014

Frontline 2012 Ltd entered as a new shareholder of Avance Gas through a cash investment. In addition, Avance Gas agreed to purchase eight VLGC newbuildings—previously ordered by Frontline 2012 Ltd from Jiangnan Shipyard in China. The acquisition was in part financed by a $100 million private equity placement, through which Avance Gas was listed on the Norwegian Over-the-Counter ("N-OTC").

On April 9, 2014, an initial public offering of Avance Gas shares was completed, raising $100 million from the issuance of new shares. Avance Gas' three largest shareholders—Stolt-Nielsen Gas Ltd, Sungas Holdings Ltd and Frontline 2012 Ltd—simultaneously sold shares with a total aggregate value of $175 million, including over-allotment options. Trading of Avance Gas shares commenced on the Oslo Stock Exchange on April 15, 2014. During 2014, Avance Gas also completed the financing of its newbuilding program by raising a total of $650 million from a consortium of eight large shipping banks, underscoring the market's confidence in the Company's business strategy.

2015-2017

In 2015, Avance Gas took delivery of *Mistral*, *Monsoon*, *Breeze*, *Passat*, *Sirocco*, *Levant*, *Chinook* and *Pampero*, all 83,000 cbm VLGC newbuildings from Jiangnan Shipyard in China. The Avance Gas fleet now consists of 14 modern VLGCs, with a total capacity of 1.17 million cbm.

In 2016, Avance Gas prepares for a weaker market by entering into an amendment agreement with its banking group to defer part if its principal payments. Simultaneously, the Company raised $58.7 million in a private placement and subsequent offering, issuing 29.5 million new shares.

2018-2019

During 2018, Hemen Holding Limited increased its holdings and became the largest shareholder in Avance Gas. Avance Gas is integrating closer to the Seatankers group of companies, benefitting from economy of scale and the group's extensive commercial and technical experience. After a weak freight market since 2016, the VLGC market began to strenghten end 2018. In 2019 Avance Gas refinanced all outstanding debt and closed a new $515 million credit facility. End 2019, Avance Gas entered into two Dual-Fuel 91,000 cbm VLGCs at Korean shipbuilder DSME for delivery in 2021 and 2022, and scrubber installation contracts were signed for six of our vessels.

2020

Avance Gas managed to navigate through the Covid-19 operational challenges and completed the schedueld drydocking programme for all 8 vessels, scrubber installation on 5 vessels and technical manager change for 6 vessels. Avance Gas sold the 2003-built VLGC *Avance* and succesfully completed a $45 million sale and leaseback transaction for the VLGC *Pampero*. By January 2021, Avance Gas has invested in four dual fuel newbuildings for delivery in 2021-2023.

Roman Smirnovs, Breeze

PRESENTATION OF THE

Board of Directors

Leontii Tereshchenko, Breeze

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MARIUS HERMANSEN

Chairman

Marius Hermansen served as a Director of the Company since July 2017 and in July 2018 he was appointed as the Chairman of the Company. Until March 2021, Marius Hermansen worked for the Seatankers group, heading Sale and Purchase/Newbuildings for the group companies. Previously he worked for over 10 years at Fearnleys Shipbrokers and prior to this as a trainee with AP Moller-Maersk. Marius currently serves as a director of the board of Flex LNG Ltd. Mr Hermansen was educated at the Norwegian School of Economics (NHH) in Bergen, Norway. Marius Hermansen was appointed Director on AGM in July 2017. Mr Hermansen is a Norwegian citizen and resides in Norway. Mr Hermansen attended four out of four Board meetings in 2020.

FRANÇOIS SUNIER

Director

François Sunier has served as a Director of Avance Gas since 1 December 2010. He has been the CEO and Managing Directors of Suntrust Investment Co. S.A. since January 2002. Prior to Suntrust Investment Co. S.A., Mr Sunier worked as an Executive Director at Goldman Sachs, London and at UBS Philips & Drew, London. François Sunier serves at the board of Mirabaud SCA and Groupe Minoteries (listed on the Swiss Stock Exchange Market). François Sunier graduated from the University of Geneva, with a bachelor in political sciences. Mr Sunier is a Swiss citizen, and resides in Switzerland. Mr Sunier has attended four out of four Board meetings in 2020.

JAN KASTRUP-NIELSEN

Director

Jan Kastrup-Nielsen has served as a Director of the Company since April 2014. He has worked for J. Lauritzen from 2000 to 2016 latest as CEO from 2013 to 2016. Prior to being CEO he held the position as COO and headed Lauritzen Kosan and Lauritzen Tankers. From 1993 to 2000 Mr Kastrup-Nielsen worked for Trammogas in various positions, including head of chartering and operation from 1993, general manager from 1995 and managing director from 1998 with responsibilities for the total activities including the global trading. As from 1998, he also served on the board of directors of Transammonia Inc. Mr Kastrup-Nielsen started his shipping career with A.P. Moller working there from 1978 to 1986. He served on the board of directors of the Danish Shipowners Association from 2013 to 2016 and chaired the Business and Trade Committee from 2006 to 2011. Jan Kastrup-Nielsen has through the years attended a number of programmes at Insead, IMD and IESE. Mr Kastrup-Nielsen is a Danish citizen and resides in Denmark. Mr Kastrup-Nielsen has attended four out of four Board meetings in 2020.

JAMES O'SHAUGHNESSY

Director

James O'Shaughnessy has served as a Director of the Company since January 2021. Mr. O'Shaughnessy has been an Executive Vice President, Chief Accounting Officer and Corporate Controller of Axis Capital Holdings Limited since March 26, 2012. Prior to that Mr. O'Shaughnessy has amongst other served as Chief Financial Officer in the Bermuda operations of Flagstone Reinsurance Holdings SA and as Chief Accounting Officer and Senior Vice President of Scottish Re Group Ltd., and Chief Financial Officer of XL Re Ltd. at XL Group plc. Mr. O'Shaughnessy received a Bachelor of Commerce degree from University College, Cork, Ireland in the year 1981 to 1985 and is both a Fellow of the Institute of Chartered Accountants of Ireland and an Associate Member of the Chartered Insurance Institute of the UK. Mr. O'Shaughnessy earned a Master's Degree in Accounting from University College Dublin in the year 1985 to 1986.

Board of Directors' Report

Ranvijay Singh, Thetis Glory

2020 was dominated by the pandemic outbreak (Covid-19) which had a significant impact on global trade and as well as in the capital markets. The year started with a seasonally strong LPG freight market while Covid-19 then had a significant damping effect on demand from March until the summer. LPG demand started to return quickly, and we were in an upward trajectory by July/August with positive cargo differentials and market inefficiencies allowing freight to skyrocket to over $100'000 per day on a TCE basis.

The Company managed to manoeuvre through the pandemic outbreak safely and recorded a TCE earnings averaged at $32,418 per day for full year 2020, compared to $34,309 per day in 2019, calculated based on the IFRS 15 accounting standard. Avance Gas reported a net profit of $70.9 million in 2020, up from a net profit of $56.0 million in 2019. Adjusted for reversal of previous recognised impairment, the net profit for 2020 was $37.2 million.

Out of total 5,022 calendar days, Avance Gas fleet had 577 offhire days (11%) in 2020. The majority of offhire days relates to scheduled drydock and scrubber installation which was partly impacted by delays at the yard due to the outbreak. This compared to 5,110 calendar days, and 52 in drydock and offhire (1%) in 2019. Of total operating days, the fleet had a commercial utilisation rate of 97%, from 98% in 2019.

COMPANY AND BUSINESS

Avance Gas Holding Ltd. ("Avance Gas" or the "Company") is a Bermuda registered company. Avance Gas is a leading operator of modern VLGCs and provides LPG transportation services to destinations in Europe, South America, India and Asia, mainly loading the Middle East Gulf and the US Gulf/US East Coast.

Avance Gas's fleet consists of thirteen owned VLGCs and four LPG dual-fuel newbuildings to be constructed at Daewoo Shipbuilding and Marine Engineering (DSME) in South Korea for delivery in 2021, 2022 and 2023.

The Company has outsourced technical management of the fleet with Bernhard Schulte Shipmanagement (UK) Ltd. (Newcastle) and Northern Marine Management Ltd (Glasgow) whose responsibilities include employment of onboard personnel, in close collaboration with the Company's technical supervisors, Frontline Management Ltd.

At the beginning of 2020, Avance Gas had already initiated its drydocking and scrubber installation program, with 8 ships scheduled for drydock throughout the year. Travel bans and quarantines due to the Covid-19 virus outbreak created logistical challenges and we have experienced delays related to drydocking. In addition, one of the shipyards was fully shut down for a period of time creating further delays and cost overruns. Despite these challenges, by the end of 2020, the Company had completed 8 out of 8 drydocks and 5 out of 6 scrubber installations.

The Company continues to focus on enhancing the green profile of the fleet, by reducing average age and improving the overall fuel efficiency. The newbuildings will have 91,000 cbm capacity with state-of-the-art technical specification, resulting in significant improvements in fuel consumption, lower emissions and improved competitiveness. On the back of this strategy, the Company also completed the sale of the 2003-built vessel *Avance* in September 2020.

MARKET DEVELOPMENT

The year started off strong, with US exports being the key driver. However, as we progressed into the first half of 2020, freight market volatility returned as LPG trading fundamentals changed. With a closed LPG price arbitrage, lack of buying interest due to the pandemic which resulted in reduced Asian demand, freight rates dropped to their lowest levels for the year by the end of the second quarter.

Moving into the second half of the year, the LPG market showed great resilience with the US again proving its importance as the main supplier. Market inefficiencies tightened tonnage supply and therefore increased utilisation pushing rates upwards as we saw long delays in transiting Panama, increased turn-time in Indian and Chinese terminals and the dry-docking schedule all having a significant impact.

US Gulf and USEC VLGC exports were up 15% totalling 37 million tons, compared to 32.2 million tons in 2019 and 26.7 million tons in 2018. The growth in US exports volumes is a result of increased US oil and gas production, and thereby increased US LPG production. Combined with flat domestic consumption and improvements in onshore infrastructure, the US exports outpaced Middle East as the single largest exporting region. Monthly cargoes exported from US Gulf/East Coast averaged 68 in 2020, compared to 60 and 50 cargoes in 2019 and 2018, respectively.

Middle East volumes fell back 7% in 2020, due to OPEC production cuts. Middle East VLGC exports were 29.4 million tons in 2020 down from 31.6 million tons in 2019. Due to the US/China trade war, nearly all Chinese LPG imports were sourced from the Middle East, West Africa, Canada and Australia. This led to other Asian importers, such as Japan, Korea and India buying a larger share of their imports from the US. Average monthly cargoes exported was 55 in 2020, down from 60 cargoes in 2019 and 64 cargoes in 2018.

FINANCIAL RESULTS

Consolidated results

Following the volatility in the market and higher than usual offhire days due to the Company's drydocking schedule, the TCE[1)] earnings for 2020 was $144.1 million, down from $173.6 million in 2019. Operating expenses increased to $45.0 million in 2020 from $40.8 in 2019. Higher operating expenses was mainly due to Covid-19 related expenses and change of technical manager on 6 vessels. Administrative and general (A&G) expenses were $3.9 million in 2020, down from $5.5 million in 2019. A&G expenses in 2019 was largely impacted by non-recurring personnel cost and change of office location, while a reduction in number of FTEs from prior year had a positive effect on the A&G expenses in 2020. Non-operating expenses, consisting mainly of financial expenses, were $22.1 million, compared with $29.4 million in 2019, reflecting a lower LIBOR rate and reduced average debt following scheduled instalments and additional repayment of debt due to the sale of Avance. Avance Gas reported a net profit of $70.9 million in 2020, compared with a net profit of $56.0 million in 2019. Adjusted for the effect of impairment reversal, net profit for 2020 was $37.2 million.

Financial position and cash flow

As of December 31, 2020, the carrying amount of Avance Gas' assets was $897.2 million compared to $899.0 million as of 31 December, 2019. Drydocking and scrubber installations amounted to $34.7 million of additions in Property, plant and equipment, in addition, the Group recognised a reversal of previous recognised impairment related to the VLGCs of $33.7 million. The additions were offset by the sale of the VLGC *Avance* and yearly depreciations of $41.7 million. In addition, the Group capitalised $31.8 million during 2020 related to Newbuildings. Receivables and other current assets reduced from 36.9 million at the end of 2019 to $21.2 million in 2020, mainly due to reduced freight rates and reduction in prepaid expenses.

The Group holds derivative financial instruments for hedge accounting. The net change in fair value of the derivative financial instruments were negative $10.2 million.

Total shareholders' equity as of December 31, 2020 was $452.6 million, corresponding to an equity ratio of 50.4%, compared to $411.1 million and 45.7% as of December 31, 2019.

Total free cash and cash equivalents in 2020 amounted to $75.9 million compared with $85.9 million in 2019. Net cash flows from operating activities were $79.0 million. Net cash flows used in investing activities were $32.0 million, which included cash outflows related to drydocking and scrubber installations, offset by net cash proceeds from the sale of VLGC *Avance*.

In 2019, Avance Gas signed and closed a new $515 million credit facility, fully refinancing all outstanding debt. During the year of 2020, the Group repaid $97.3 million, including $17.4 million following the sale of VLGC *Avance* and $34.7 million following a new sale-leaseback agreement for the VLGC *Pampero*. The Group recognised a financial liability of $45.0 million related to the sale-leaseback arrangement. Net cash flows used in financing activities were $57.0 million, including payment of dividend of $19.1 million.

ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG) REPORT

A part of Avance Gas' strategy is to enhance the green profile of the fleet to contribute to a more sustainable shipping industry. The Company is committed to a de-carbonisation program to achieve the targeted emission reductions set by IMO 2030 and 2050. In order to provide transparency to our stakeholders, the Company has increased its focus on Environmental, Social and Governance (ESG) reporting. Avance Gas has published an ESG report to provide investors, banks and other stakeholders with easy access to extra-financial information. The report has been prepared in accordance with the Marine Transportation framework established by the Sustainability Accounting Standards Board (SASB) and the Poseidon Principles. This allows us to identify, manage and report on material ESG factors specific to our industry. Additionally, we have incorporated the principles of the UN Global Compact. We are convinced that improving energy efficiency and reducing consumption will provide Avance Gas with both environmental and economic advantages, and thus reducing associated greenhouse gas emissions.

1) Refer to Note 10 of the Financial statements for definitions and reconciliation of Alternative Performance Measures (APMs)

The ESG report is published alongside with this annual report, and previously issued reports are available on the Company's website. A summary of the conclusions set out in the ESG report are discussed in the relevant paragraphs below.

HUMAN RESOURCES AND DIVERSITY

All seagoing crew are under employment contracts with our technical managers, and are hired in close collaboration with the Avance Gas' technical supervisors, Frontline Management Ltd.

Avance Gas' technical managers have in place cadet programs to ensure a healthy growth in the next generations of qualified seafarers.

Avance Gas is proud to be an equal opportunity employer. All qualified applicants and employees are treated without regard to gender, nationality, disability, religion, race or colour. The professional development and personal growth of the employees is vital to the success of Avance Gas. Our technical managers take pride in the low turnover and high retention of Avance Gas' sea staff, who recognise that the Company is a safe, reliable and high-quality industrial shipper dedicated to safely and reliably meeting the needs of its customers worldwide.

Avance Gas had 6 onshore employees by year-end 2020. It is the ambition to create a good working environment, offering challenging and motivating work tasks and equal development opportunities to all employees. Women constituted 50% of the onshore workforce. The absence due to sickness for onshore employees was 0% in 2020.

HEALTH, SAFETY AND ENVIRONMENT

Avance Gas is committed to ensuring the health and safety of our people, keeping the oceans clean and reducing emissions.

Ensuring safe working conditions is always Avance Gas primary focus, and the health and safety of our personnel are prioritised in every aspect of our operations. Avance Gas believes that a strong health and safety focus, both onshore and offshore, is key to the long-term performance of our company. All Company employees, shore based and seafarers are required to comply with the applicable standards and with the ship's occupational health and safety policy and program.

We have a zero-accident ambition, and we operate by the principle that no serious injury or environmental incident is acceptable. All onboard personnel are appropriately trained, and a formal onboard training program includes both computer-based training and periodic scheduled and unscheduled drills. All officers and crew members are required to report near misses and incidents. The data from these reports are tracked, tabulated and used to drive continuous improvement in Avance Gas' safety culture.

Avance Gas' technical managers utilise structured safety campaigns to enhance safety performance and awareness. Our main HSEQ objectives are inter alia to grow the culture of on-board awareness on environmental compliance, to improve the on-board safety culture and to have increased focus on our safety campaign on learning from industry incidents relating to launch and recovery failure of life/rescue boats. As part of these efforts, we hold annual officer conferences where we highlight specific topics and hold drills and training sessions with the technical managers.

Avance Gas' dedication to safe ships, clean seas and commercial reliability reflects our unwavering commitment to operating in a manner that is safe for people and minimises our impact on the environment. Our experienced and highly trained officers and crew members operate in strict compliance with local, national, global and industry requirements, regulations and certifications. All ships in the Avance Gas fleet operate in accordance with the ISO 14001 standard for Environmental Management.

Avance Gas' policy on Environmental Protection defines our commitment to environmental due diligence and how spills and operational emissions of sulphur oxides (SOx), nitrogen oxides (NOx), waste and other discharges are to be managed.

To meet the IMO 2020 requirements Avance Gas invested in 6 scrubbers to decrease SOx and NOx emissions to levels within the limits set by the IMO. In addition, we started running our vessels partly on Very Low Sulphur Fuel Oil (VLSFO) during Q4 2019. The Company has entered into shipbuilding contracts for a total of four LPG Dual-Fuel VLGCs. These vessels will, based on estimates, emit 97-100% less SOx, have 90% less particulate pollution and a significant lower CO2 emission compared to a 2008 built VLGC. Avance Gas is continuously looking into alternative investments to further enhance our ships' energy efficiency and to further reduce emissions.

CORPORATE SOCIAL RESPONSIBILITY

Avance Gas' dedication to "safe ships, clean seas and commercial reliability" reflects our unwavering commitment to operating in a manner that is safe for people and minimizes our impact on the environment and complying with all applicable international and local laws and regulations. We have established a set of policies and control processes to safeguard these policies.

The Board ensures that we have sound internal control and risks management systems in place, which encompass our corporate values and ethical guidelines, including the guidelines for corporate social responsibility.

In accordance with the Oslo Stock Exchange corporate governance code, an Audit Committee is appointed by the Board and tasked with monitoring and following up reports and complaints received by the Company relating to internal controls and compliance. Furthermore, the Audit Committee ensures that policies with respect to ethics, risk assessments and risk management are adequate at all times.

Avance Gas has a zero-tolerance policy towards bribery as stated in our Code of Conduct, which applies to all entities controlled by our company and officers, directors, employees as well as workers and third-party consultants acting on behalf of the company, wherever they are located. Assessing and monitoring business processes, training and controls are fundamental tools in implementing our anti-corruption policy.

GOING CONCERN

The consolidated financial statements of the Company have been prepared on a going-concern basis and in accordance with International Financial Reporting Standards (IFRS). Based on the Company's cash position, no material unfunded capital expenditure commitments and the strength of the Company's balance sheet at year-end, the Board of Directors confirms the assumption of going concern.

PRINCIPAL RISKS

As a global owner and operator of VLGCs, Avance Gas is exposed to a variety of risks, including market, operational and financial risks. The Company maintains an ongoing assessment process, which is designed to identify, analyse and minimise risk exposures. The unpredictability of LPG shipping and financial markets are key factors that this process considers.

Avance Gas has also reviewed and updated financial crime policy to bring awareness around bribery, corruption, anti-money laundering, sanctions and export control.

The cyclical characteristics of the LPG shipping segment is the most significant risks to the Company in terms of impact on the Company's financial results. A reduction in export volumes combined with increased supply of new tonnage normally impacts LPG freight rates and asset values negatively. Similarly, reduced demand for LPG would reduce export volumes and, consequently, impact demand for LPG shipping. Further, changing economic, political, and governmental conditions in the countries and regions where the Company's ships are employed and key terminals are located, could adversely impact the drivers of the VLGC freight market. Although, the impact has been limited, the import tariffs imposed by China on US LPG, and the sanctions imposed on Iran by the US are examples of this.

We have seen recent volatility in the crude oil prices resulting from the announced production decreases within the OPEC+ countries. If maintained over a long period, this may impact US oil and gas production and US LPG exports. Although this will lead to increased LPG exports in the Middle East, as exports from Middle East represent shorter sailing distances to Asia than exports from the US, it may negatively impact the supply and demand balance in the VLGC freight market.

Avance Gas is exposed to changes in financial markets, including credit and interest rate and capital markets, which may affect the Company's financial performance. The availability of financing alternatives for future investment opportunities may be unavailable at sufficiently attractive terms. The Company is also exposed to general movements on the Oslo Stock Exchange, which may limit the possibility of raising new equity at attractive prices. The Company is exposed to fluctuations in LIBOR through its credit facilities. To partly mitigate this the Company has hedged half of its current exposure through interest rate swaps of which the majority expire in 2025.

The COVID-19 outbreak dominated the macro-economic conditions in 2020 and has had a direct impact on demand

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for transportation of LPG and the efficiency in the operation of the global fleet. There are still uncertainties about the implications for the coming year, largely dependent on the efficiency of the global vaccine programme and the pandemic remains a risk for the Company in 2021.

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 of particular note specifically with the new PDH plants amounting to around 2 million metric tons additional demand.

Through a more robust oil price, it is expected LPG will remain the preferred petchem feedstock, offering a potential demand growth point for the coming year.

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 utilised. These permits, if actioned and wells are drilled, should have a short to medium term buffer effect that protects production decline.

The inefficiencies in Panama will likely remain for the foreseeable future, albeit with expected seasonal variations in waiting times. As the LNG market continues to grow, we expect more of these US volumes to take transit slots away from the LPG segment. The subsequent uncertainty in transiting will likely mean more secure routings via Cape of Good Hope are utilized which could stretch the fleet.

The global fleet totalled 305 ships by end March 2021. The orderbook consisted of 51 ships, equalling 17% of the global fleet, of which 18 ships are due for delivery during the remainder of 2021. Deliveries for 2022 and 2023 total 13 and 20 ships, respectively.

With strong long-term fundamentals and a fully utilised fleet, the Board will continue to focus on further balance sheet strengthening and shareholder value. The most recent dual fuel VLGC newbuilding investments will further enhance the green profile of the Avance Gas fleet taking an important step towards de-carbonisation and the targeted 40% reduction in emissions by 2030. This investment shows Avance Gas' commitment to building a stronger and sustainable future and highlights our commitment to being at the forefront of decarbonising the LPG freight industry.

SUBSEQUENT EVENTS

In January 2021, the Company announced that it had entered into shipbuilding contracts for two 91,000 CBM, LPG Dual-Fuel VLGCs with DSME in South Korea, for delivery in 2022 and 2023.

In January 2021, the Company announced the appointment of Kristian Sørensen as the new Chief Executive Officer of Avance Gas AS.

In February 2021, the board declared a dividend of $0.11 per share for Q4 2020.

On April 8, 2021 the Company completed a private placement raising gross proceeds of $64.6 million (approx. NOK 550 million) through the allocation of 12,899,000 shares in the Company at a price of $5 (NOK 43) per share. The net proceeds from the private placement will be used for general corporate purposes, which includes partly financing of the Company's newbuilding program.

The Board of Directors of Avance Gas Holding Ltd
Oslo, April 15, 2021

Marius Hermansen	Francois Sunier	Jan Kastrup-Nielsen	James O'Shaughnessy
Chairman	*Director*	*Director*	*Director*

Responsibility Statement

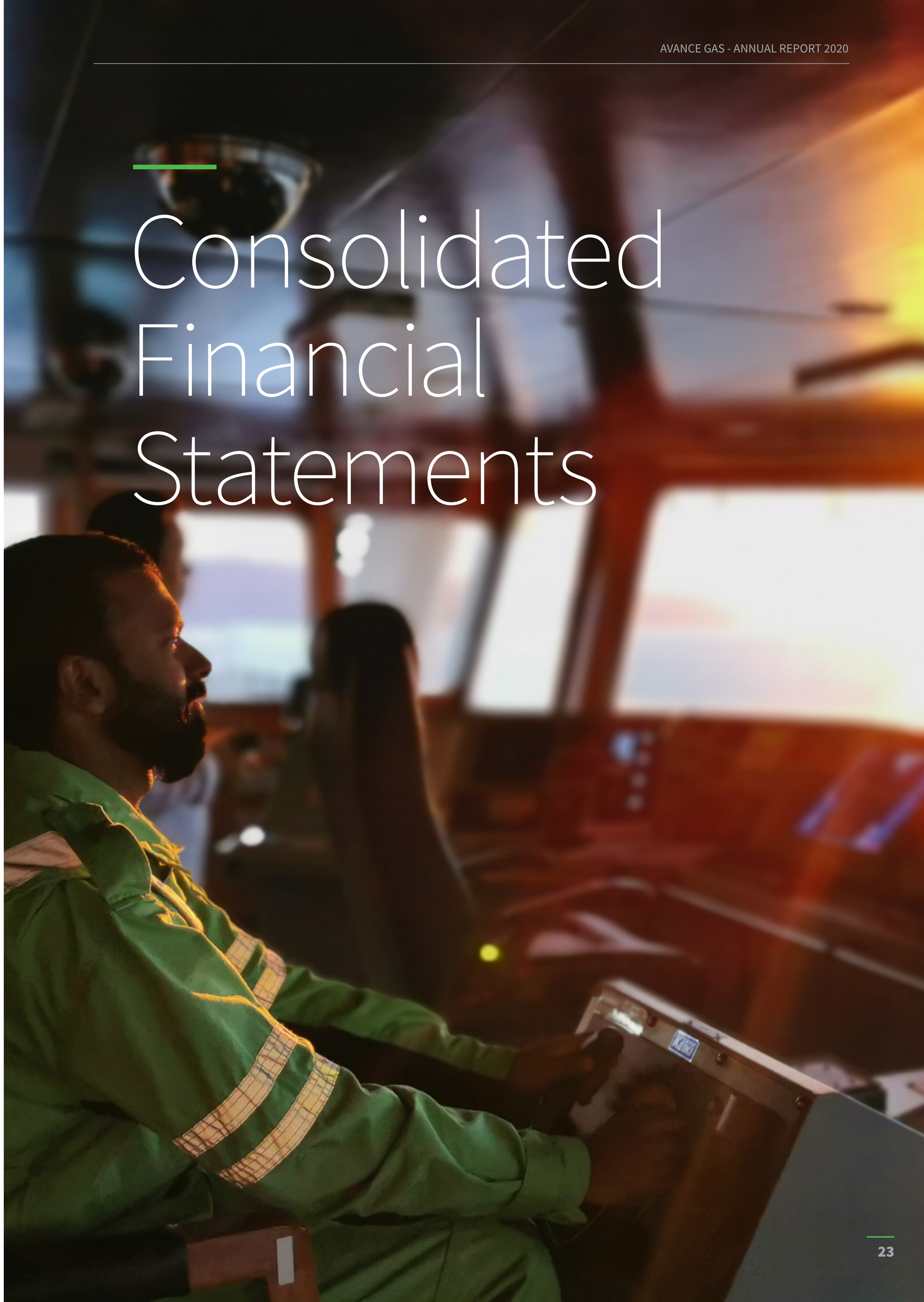
On behalf of the Board of Directors and Management, we confirm that, to the best of our knowledge, the financial statements for 2020 have been prepared in accordance with the current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss for Avance Gas Holding Ltd and its subsidiaries (the "Group") as a whole.

We also confirm that the Board of Director's Report includes a true and fair review of the development and performance of the business and the position of the Group, together with a description of the financial risks and uncertainties facing the Group.

The Board of Directors of Avance Gas Holding Ltd
Oslo, April 15, 2021

Marius Hermansen	Francois Sunier	Jan Kastrup-Nielsen	James O'Shaughnessy
Chairman	*Director*	*Director*	*Director*

Kristian Sørensen
Chief executive officer



Yaroslav Akulov, Chinook

Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT

	Note	FOR THE YEAR ENDED DECEMBER 31, 2020 (in USD thousands)	DECEMBER 31, 2019
Operating revenue	10	**205,716**	250,421
Voyage expenses	11	**(61,618)**	(76,868)
Operating expenses	12	**(45,040)**	(40,795)
Administrative and general expenses	13	**(3,870)**	(5,534)
Gross operating profit		**95,188**	127,224
Depreciation and amortisation expense	5	**(41,705)**	(41,846)
Reversal of impairment losses	5	**33,733**	-
Gain on disposal of asset sale	5	**5,829**	-
Operating profit		**93,045**	85,378
Non-operating income (expenses)			
Finance expense	14	**(22,303)**	(29,860)
Finance income		**26**	376
Foreign currency exchange gains		**223**	102
Income before tax		**70,991**	55,996
Income tax expense	15	**(85)**	(45)
Net profit		**70,906**	55,951
Earnings per share	9		
Basic		**1.11**	0.88
Diluted		**1.11**	0.88

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

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	FOR THE YEAR ENDED DECEMBER 31, 2020 (in USD thousands)	DECEMBER 31, 2019
Net profit		**70,906**	55,951
Other comprehensive (loss) income:			
Items that may be reclassified subsequently to profit and loss:			
Net fair value adjustment of interest rate swaps designated for hedge accounting	7, 20	**(10,181)**	(9,578)
Exchange differences arising on translation of foreign operations		**7**	
Other comprehensive (loss) income		**(10,174)**	(9,578)
Total comprehensive income		**60,732**	46,373

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

CONSOLIDATED BALANCE SHEET

		AS OF	
		DECEMBER 31, 2020	**DECEMBER 31, 2019**
		(in USD thousands)	
ASSETS	Note		
Cash and cash equivalents	3	**75,882**	85,909
Receivables	4	**16,293**	26,068
Related party receivable balances	16	**163**	29
Inventories		**4,358**	9,284
Mobilisation cost		**2,793**	4,030
Prepaid expenses		**45**	4,422
Other current assets	4	**4,720**	6,410
Total current assets		**104,254**	136,152
Property, plant and equipment	5	**761,159**	762,896
Newbuildings	5	**31,825**	-
Total non-current assets		**792,984**	762,896
Total assets		**897,238**	899,048

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

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CONSOLIDATED BALANCE SHEET

		AS OF	
		DECEMBER 31, 2020	**DECEMBER 31, 2019**
		(in USD thousands)	
LIABILITIES AND SHAREHOLDERS' EQUITY	Note		
Current portion of long-term debt	6, 7	**43,001**	42,895
Accounts payable		**2,853**	14,235
Related party payable balances	16	**124**	168
Accrued voyage expenses		**3,150**	8,076
Accrued expenses		**493**	945
Derivative financial instruments	7	**6,223**	620
Other current liabilities		**56**	204
Total current liabilities		**55,900**	67,143
Long-term debt	6, 7	**285,434**	310,148
Long-term revolving credit facilities	6, 7	**88,110**	100,000
Derivative financial instruments	7	**15,224**	10,646
Total non-current liabilities		**388,768**	420,794
Shareholders' equity			
Share capital	8	**64,528**	64,528
Paid-in capital		**379,851**	379,851
Contributed capital		**94,780**	94,945
Retained loss		**(53,856)**	(105,654)
Treasury shares		**(11,351)**	(11,351)
Accumulated other comprehensive loss	20	**(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 consolidated financial statements.

The Board of Directors of Avance Gas Holding Ltd
Oslo, April 15, 2021

Marius Hermansen	Francois Sunier	Jan Kastrup-Nielsen	James O'Shaughnessy
Chairman	*Director*	*Director*	*Director*

Kristian Sørensen
Chief executive officer

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(in USD thousands)	SHARE CAPITAL	PAID-IN CAPITAL	CONTRIB-UTED CAPITAL	RETAINED (LOSS) INCOME	ACCUMULATED OTHER COMPREHENSIVE LOSS	TREASURY SHARES	TOTAL
Balance December 31, 2018	64,528	379,851	95,291	(161,605)	(1,630)	(11,867)	364,568
Comprehensive income (loss):							
Net profit	-	-	-	55,951	-	-	55,951
Other comprehensive income (loss):							
Fair value adjustment of interest rate swaps (note 7)	-	-	-	-	(9,578)	-	(9,578)
Translation adjustments, net	-	-	-	-	-	-	-
Total other comprehensive income (loss)	-	-	-	-	(9,578)	-	(9,578)
Total comprehensive income (loss)	-	-	-	55,951	(9,578)	-	46,373
Transactions with shareholders:							
Compensation expense for share options (note 18)	-	-	89	-	-	-	89
Exercise of share options (note 18)	-	-	(435)	-	-	516	81
Total transactions with shareholders	-	-	(346)	-	-	516	170
Balance, December 31, 2019	**64,528**	**379,851**	**94,945**	**(105,654)**	**(11,208)**	**(11,351)**	**411,111**

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

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(in USD thousands)	SHARE CAPITAL	PAID-IN CAPITAL	CONTRIB-UTED CAPITAL	RETAINED (LOSS) INCOME	ACCUMULATED OTHER COMPREHENSIVE LOSS	TREASURY SHARES	TOTAL
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
Other comprehensive income (loss):							
Fair value adjustment of interest rate swaps (note 7)	-	-	-	-	(10,181)	-	(10,181)
Translation adjustments, net	-	-	-	-	7	-	7
Total other comprehensive income (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 (note 18)	-	-	(165)	-	-	-	(165)
Total transactions with shareholders	**-**	**-**	**(165)**	**(19,108)**	**-**	**-**	**(19,273)**
Balance, December 31, 2020	**64,528**	**379,851**	**94,780**	**(53,856)**	**(21,382)**	**(11,351)**	**452,570**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	FOR THE YEAR ENDED DECEMBER 31, 2020	DECEMBER 31, 2019
		(in USD thousands)	
Cash flows from operating activities			
Cash generated from operations	21	**99,880**	117,214
Financing fee		**-**	(5,622)
Interest paid		**(20,926)**	(28,129)
Net cash flows from operating activities		**78,954**	83,463
Cash flows used in investing activities:			
Net cash proceeds from sale of asset	5	**34,257**	-
Capital expenditures	5	**(66,222)**	(8,816)
Net cash used in investing activities		**(31,965)**	(8,816)
Cash flows from financing activities:			
Dividend		**(19,108)**	-
Repayment of long-term debt	6	**(85,451)**	(576,271)
Drawdown of long-term debt	6	**59,473**	515,000
(Repayment) drawdown of revolving credit facility	6	**(11,890)**	25,000
Exercise of share options		**-**	81
Net cash flows used in financing activities		**(56,976)**	(36,190)
Net (decrease) increase 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
Cash and cash equivalents at end of period		**75,882**	85,909

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Corporate information

Avance Gas Holding Ltd (the "Company" or "Avance Gas") is an exempted company limited by shares incorporated under the laws of Bermuda on January 20, 2010. The Company and its subsidiaries (collectively "the Group") are engaged in the transportation of Liquefied Petroleum Gas ("LPG"). The Company owns and operates a fleet of thirteen modern ships and four Dual Fuel LPG newbuildings due for delivery in Q4 2021, Q1 2022, Q4 2022 and Q1 2023.

Basis for preparation

These consolidated financial statements comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in shareholders' equity, consolidated statement of cash flow, and the basis of preparation, accounting policies and related notes of the Company, and its subsidiaries. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), as adopted by the European Union. Details of the Group's accounting policies, including changes thereto, are outlined in Note 2 *Significant Accounting policies*.

The consolidated financial statements are prepared on the historical cost basis except for certain assets, liabilities, and financial instruments, including derivatives, which are measured at fair value.

The functional currency of the Group is US dollars. The consolidated financial statements are presented in US dollars, and all amounts have been rounded to the nearest thousand, unless otherwise indicated.

2. SIGNIFICANT ACCOUNTING POLICIES

ESTIMATION UNCERTAINTY, JUDGEMENTS, AND ASSUMPTIONS

Key accounting estimates and judgements

In connection with the preparation of the consolidated financial statements, management has made assumptions and estimates about future events, and applied judgements that affect the reported amounts of assets, liabilities, revenue, expenses, and the related disclosures. The assumptions, estimates and judgements are based on historical experience, current trends, and other factors that management believes to be relevant at the time the consolidated financial statements are prepared. Actual results may differ from these estimates. Critical accounting estimates and judgements are those that have a significant risk of causing material adjustment in the next year's reporting period.

Management believes the following area involves significant judgements and estimates in the preparation of the consolidated financial statements:

IMPAIRMENT AND REVERSAL OF IMPAIRMENT OF NON-CURRENT ASSETS

The Group has significant carrying amounts related to ships. For the purposes of preparing the Group's financial statements, management is required to assess the ships for indicators of impairment or reversal of previous recognised impairment, whenever events or changes in circumstances indicate the carrying amount of the ships may not be recoverable, or that assumptions for previous recognised impairment are no longer present. The Group tests its fleet of ships for impairment and reversal of impairment on a vessel-by-vessel basis as that is the lowest level in which the cash flows are independent of other cash-generating units ("CGUs").

As at the balance sheet date, December 31, 2020, management assessed the carrying value of its fleet for reversal of previous recognised impairment. This assessment requires a high degree of judgement and depends on management's assessment of key assumptions about the future. Management measures the recoverability of an asset by comparing its carrying amount to its 'recoverable value', being the higher of its fair value less costs of disposal or value in use based upon future discounted cash flows that the asset is expected to generate over its remaining useful life. When the recoverable amount is based on expected future cash flows, there is a high degree of uncertainty related to the predictability about the future. In preparing the assessment, estimates and assumptions regarding expected cash flows are made which require considerable judgement and are based upon existing contracts, fleet management decisions, historical experience, discount rates, financial forecasts and industry trends and conditions.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The Group holds financial derivative instruments for hedging purposes, which are measured at fair value. When measuring fair value, the Group uses observable market data to the extent possible. Where there is no active market, fair value is determined using valuation techniques which includes discounted cash flows method based on forward curves after the balance sheet date.

ACCOUNTING POLICIES

Basis of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date of no control.

All intra group transactions and balances between group companies are eliminated upon consolidation, including any gains and losses on transactions. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Foreign currency

The functional currency of Avance Gas and the majority of its subsidiaries is U.S. dollars.
Transactions in foreign currencies are translated at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate prevailing at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not translated while non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates prevailing at the dates the fair value was determined.

Operating segments

The Group operates thirteen VLGCs in the LPG segment on a worldwide basis and are not restricted to specific locations. Accordingly, it is not considered to be meaningful to allocate the assets of these operations to specific countries as non-current assets by country are not reportable for the Group. The Group's freight revenue based on the region in which the cargo is loaded is disclosed in Note 10 Operating Revenue.

Financial assets

ACCOUNTS RECEIVABLE

Accounts receivable are initially recognised at the transaction price in the contract with the customer and are subsequently measured at amortised cost. Accounts receivable are assessed for impairment on an ongoing basis using the expected credit loss method and presented net of expected losses if expected losses are not insignificant. Individual receivables are credit impaired and subsequently written off if enforcement activities indicate that a full recovery is not possible.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include current bank deposits and monetary items with a maturity of three months or less.

Inventory

Inventories are valued at the lower of cost and net realisable value. Inventories, being predominantly bunkers and lube oils, are accounted for based on first-in, first-out principle.

Property, plant and equipment

Items of property, plant and equipment mainly consist of the Group's ships, in addition to furniture and fixtures, which are measured at cost, less accumulated depreciation and any recognised impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset, with addition of directly attributable borrowing costs for assets that take a substantial period of time to get ready for their intended use.

Subsequent expenditures are only capitalised if it is probable that the future economic benefits associated with the item will flow to the Group. Such expenditures include major refits and cost of replacement assets. Subsequent expenditures are included in the carrying amount of the asset or recognised as a separate asset as appropriate. Repairs and maintenance which are considered as a regular part of the daily operation of the ships are charged to the income statement as they occur and are included in Other operating expenses.

Generally, ships drydock every five years. After a ship is fifteen years old, an intermediate survey is performed by a shipping classification society between the second and third year of the five-year drydocking period. The Group capitalises a substantial portion of the costs incurred during drydocking, including the survey costs and depreciates those costs on a straight-line basis from the time of completion of a drydocking or intermediate survey based upon the estimated life of each component of the drydocking. Costs related to routine repairs and maintenance incurred during drydocking that do not improve or extend the useful lives of the ships are expensed.

Estimated useful life is 25 years for each VLGC and from 3 to 5 years for drydock assets and furniture and fixtures. Residual value for the ships is based on steel price times lightweight tonnage and is reassessed annually. If the drydock results in an extension of the useful life of a ship, then the estimated useful life of the ship is changed accordingly.

Depreciation is recognised on a straight-line basis over the remaining useful life of the asset. Depreciation commences when the asset is available for use, being in the location and condition necessary to operate as intended by management.

An asset is derecognised upon disposal or when the asset is no longer expected to generate any future benefits to the Group. Gain or loss due to disposal of the asset is calculated as the difference between the net proceeds from the disposal and the carrying value of the asset and is recognised in the income statement.

IMPAIRMENT AND REVERSAL OF IMPAIRMENT

Property, plant and equipment is reviewed for impairment whenever events or significant changes in circumstances indicate that the carrying amount might not be recoverable. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of any impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

An impairment loss is assessed for reversal if there is an indication of a subsequent increase of the recoverable amount. If such indications exist, a previously recognised impairment is reversed partially or in full if there has been a change in the estimates used to determine the asset's recoverable amount.

Financial liabilities

INTEREST-BEARING DEBT

The Group currently holds bank loans and a lease financing agreement which are initially recognised at fair value less directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest rate method. The portion of bank loans which is due within 12 months after the balance sheet date is presented as current.

OTHER FINANCIAL LIABILITIES

Financial liabilities as accounts payable and other current liabilities are presented as current if the liability is due within 12 months after the balance sheet date. If the contractual obligations related to any financial liabilities expire, the liability is derecognised.

Derivative financial instruments

INTEREST RATE SWAPS

The Group holds interest rate swaps for the purpose of hedging its exposure to fluctuations in the market interest rates. All the interest rate swaps are designated for hedge accounting. These derivative financial instruments are initially recognised at fair value on the date the derivative contract was entered into and are subsequently remeasured at fair value, with the effective portion of the hedge recognised through other comprehensive income at the end of each reporting period.

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been, and will continue to be, highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of the derivative financial instruments used for hedging purposes are disclosed in Note 7. Movements in the fair value of hedging derivatives in shareholders' equity are shown in Note 20. The derivative financial instruments are presented gross in the consolidated balance sheet unless contract terms include the option to settle the instruments on a net basis and the Group has the intention and ability to do so. Derivative financial instruments with maturity equal to or less than 12 months after the balance sheet date are classified as a current asset or liability, and as non-current asset or liability if the maturity exceeds 12 months.

Operating revenue

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

FREIGHT REVENUE

The Group recognises revenues as it satisfises 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.

Expenses

VOYAGE EXPENSES AND OPERATING EXPENSES

Voyage expenses include all expenses that are incurred as a direct and incremental consequence of a particular voyage, such as bunker fuel expenses, port fees, cargo loading and unloading expenses, time charter expenses, canal tolls and agency fees. Ship operating expenses include crew costs, repairs and maintenance, insurance, lube oils and communication expenses. Voyage expenses are recognised pro-rata over the duration of the voyage, while ship operating expenses are recognised when incurred.

Share-based compensation

The fair value at the grant date of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the vesting period. The fair value of the options is measured using the Black-Scholes option valuation model, taking into account the terms and conditions upon which the options were granted. The total amount to be expensed is determined by reference to the fair value of the options granted, including any market performance conditions (e.g. the entity's share price), excluding the impact of any service and non-market performance vesting conditions and including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specific period of time).

Income taxes

Under current Bermuda law, the Company is not required to pay taxes in Bermuda on either income or capital gains. Some subsidiaries in foreign jurisdictions pay local income taxes, which are included in the income statement as Income tax expense.

Leases

IFRS 16 was effective from periods beginning on or after January 1, 2019. At implementation, management has assessed an insignificant impact on the financial statements as a result of the adoption of the new standard, hence, no lease liability and right of use asset were recognised as of the reporting date. This mainly applies to short-term leases of office equipment and low value leases of office premises, which are charged to the income statement as incurred and included in Administrative and general expenses. Avance assesses at contract inception whether a contract is, or contains, a lease.

NEW OR AMENDMENTS TO STANDARDS

The following new or amendments to standards and interpretations have been issued and become effective for annual reporting periods beginning on or after January 1, 2021, and earlier adoption is permitted. The Group has not early adopted the new or amended standards in preparing these accounts, and they are not expected to have a significant impact on the Group's consolidated financial statements:

- Classification of liabilities as Current or Non-current (Amendments to IAS 1).
- COVID-19-related Rent Concessions (Amendments to IFRS 16).
- Property, plant and equipment: Proceeds before intended Use (Amendments to IAS 16).

The company has adopted all other new standards and amendments that are applicable as of January 1, 2020, which had no material impact on the Group's consolidated financial statements. These include Definition of a Business (Amendments to IFRS 3), Definition of Material (Amendments to IAS 1 and IAS 8) and Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).

3. CASH AND CASH EQUIVALENTS

	AS OF DECEMBER 31, 2020	DECEMBER 31, 2019
	(in USD thousands)	
Cash at bank	**75,882**	85,909
Cash and cash equivalents	**75,882**	85,909

Cash and cash equivalents comprise of cash and short-term time deposits held by the Group, which are subject to an insignificant risk of changes in value. The Group has no restricted cash.

4. RECEIVABLES AND OTHER CURRENT ASSETS

	AS OF DECEMBER 31, 2020	DECEMBER 31, 2019
	(in USD thousands)	
Receivables		
Customer trade receivables	**12,499**	21,356
Demurrage	**3,924**	4,665
Other	**1**	302
TOTAL	**16,425**	**26,323**
Allowance for credit losses	(131)	(255)
Receivables	**16,293**	**26,068**

Refer to note 7 for an analysis of credit risk of receivables.

	AS OF DECEMBER 31, 2020	DECEMBER 31, 2019
	(in USD thousands)	
Other current assets		
Advance canal toll and port disbursement	**3,036**	6,030
Other assets	**1,684**	380
Other current assets	**4,720**	**6,410**

5. PROPERTY, PLANT AND EQUIPMENT & NEWBUILDINGS

	SHIPS	FURNITURE AND FIXTURES	DRYDOCKING	TOTAL PROPERTY, PLANT AND EQUIPMENT
		(in USD thousands)		
Cost:				
December 31, 2018	1,043,769	669	20,677	**1,065,115**
Additions	7,193	-	2,435	**9,628**
Disposals	-	(189)	-	**(189)**
December 31, 2019	1,050,962	480	23,112	**1,074,554**
Additions	15,685	6	18,973	**34,664**
Disposals	(46,903)	-	(3,372)	**(50,274)**
December 31, 2020	1,019,744	486	38,713	**1,058,944**
Accumulated depreciation, amortisation, impairment and reversals:				
December 31, 2018	261,199	213	8,399	**269,811**
Depreciation expense for the year	38,267	65	3,514	**41,846**
Disposals	-	-	-	**-**
December 31, 2019	299,467	278	11,913	**311,658**
Depreciation expense for the year	37,757	17	3,930	**41,705**
Disposals	(18,714)	-	(3,133)	**(21,847)**
Reversal of impairment	(33,733)	-	-	**(33,733)**
Foreign currency translation effect	-	2	-	**2**
December 31, 2020	284,777	297	12,710	**297,784**
Carrying value:				
December 31, 2019	**751,495**	**202**	**11,199**	**762,896**
December 31, 2020	**734,968**	**189**	**26,003**	**761,159**

Newbuildings

On December 16, 2019 the Company entered into shipbuilding contracts for two LPG Dual-Fuel VLGCs with Daewoo Shipbuilding and Marine Engineering (DSME) in South Korea, for delivery Q4 2021 and Q1 2022.

	NEWBUILDINGS
Cost:	
Instalments paid during the year	31,432
Capitalised borrowing cost	393
December 31, 2020	**31,825**

BORROWING COST

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Company's general borrowing during the year. The average interest rate for the borrowing cost in 2020 was 2.9%.

Contractual obligations

Refer to note 7 for information on contractual obligations related to LPG Dual-Fuel VLGCs shipbuilding contracts.

Sale of vessel

Disposals relate to sale of the 2003-built VLGC Avance on September 21, 2020 for a consideration of $35 million.

Assets pledged as security

The carrying amount of each vessel is pledged for a relative portion of the Group's bank loans. Refer to note 6 for details on the Group's financial covenants.

Impairment and reversal of impairment

Tangible assets with a defined economic life are tested for impairment if indicators are identified that would suggest that the carrying amount of the assets exceed the recoverable amount. The Company performs a quarterly assessment to determine any indicators of impairment or reversal of previous recognised impairment for its vessels. An impairment loss is recognised if the carrying amount exceeds recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal (FVLCOD) and value in use (VIU), and each ship is considered a separate cash generating unit (CGU) for the purpose of impairment testing.

VALUE IN USE

VIU is based on the present value of discounted cash flows for each separate CGU for its remaining life. Management considers the current competitive situation, developments in market rates, and macroeconomic trends when estimating the future cash flows.

FAIR VALUE LESS COST OF DISPOSAL

FVLCOD (level 3) (see note 7) is determined as the amount that would be obtained from sale of the asset in a regular market, less cost of sales, based on an average of third-party valuation reports from two independent ship brokers. The Company understands that shipbrokers apply newbuilding price parity as part of their basis for their appraisals. Newbuilding prices are adjusted for building supervision costs and other additional costs, which results in an estimated delivered cost of a newbuilding with prompt delivery adjusted for age of each vessel.

IMPAIRMENT TESTS PERFORMED IN 2019

As of December 31, 2019, indicators of impairment and reversal of previous recognised impairment were assessed. The assessment was performed on a quarterly basis. Based on this assessment it was concluded that no significant indicators of impairment or reversal of impairment were present for the period ended December 31, 2019.

IMPAIRMENT TESTS PERFORMED IN 2020

As of December 31, 2020, indicators of reversal of previous recognised impairment were assessed. Based on this assessment previously recognised impairment losses on the VLGC fleet were assessed for reversal mainly due to recovered freight rates and appraisals obtained from external brokers. As a result of the impairment reversal test, management recognised a reversal of impairment of $33.7 million.

The table shows the valuation method used, the impairment amount reversed, and the carrying amount after reversal, per vessel:

Vessel	Valuation method	Impairment reversal amount	Carrying value after reversal
Iris Glory	VIU	689	42,728
Thetis Glory	VIU	676	43,064
Venus Glory	VIU	732	43,432
Providence	VIU	4,123	46,533
Promise	VIU	3,286	48,262
Mistral	VIU	2,238	66,950
Monsoon	VIU	2,530	66,925
Breeze	VIU	2,559	66,039
Passat	VIU	2,043	67,772
Sirocco	VIU	2,694	68,472
Levant	VIU	3,898	69,701
Chinook	VIU	4,227	66,096
Pampero	VIU	4,036	65,064
Total		**33,733**	**761,039**

Management's assumptions

FUTURE EXPECTED CASH FLOWS

Management applies the expected cash flow approach based on a weighted average of three different freight rate scenarios given the current market views for the future periods.

Operational expenses that are directly attributable to the CGU are based on budgets and forecasts. Drydocking costs are included as scheduled.

DISCOUNT RATE

The estimate of VIU was determined using a discount rate of 7.3 %, which is derived from the weighted average cost of capital (WACC) for the Company. The cost of equity is derived from the 20-year treasury yield rate, the Group's market risk premium and the Group's beta. The debt element of the WACC is based on 20-year three-month forward LIBOR curve plus the Group's average margin for secured debt.

Sensitivities

The VIU calculation is mainly affected and sensitive to changes in WACC and freight rate assumptions. Management has tested the VIU calculation to changes in key assumptions, no reasonable possible change in key assumptions would significantly alter the outcome of the impairment reversal test.

6. LONG-TERM DEBT

(in USD thousands)	AS OF DECEMBER 31, 2020	DECEMBER 31, 2019
Non-current liabilities:		
Long-term debt	**243,318**	310,148
Revolving credit facilities	**88,110**	100,000
Lease financing agreement	**42,116**	-
	373,544	410,148
Current liabilities:	**40,751**	42,895
Current portion of long-term debt	**2,250**	-
Current portion of lease financing agreement	**43,001**	42,895
TOTAL NET DEBT	**416,545**	453,043

In June 2019, Avance Gas signed and closed a new $515 million credit facility, fully refinancing all outstanding debt at the time. The facility consists of three tranches, $380 million term loan tranche, a $100 million revolving tranche, and a $35 million top-up tranche. The top-up tranche was fully repaid in November 2019 ahead of its maturity date June 25, 2021. Long-term debt repayments were $66.5 million of which $35 million were fully repaid ahead of maturity for the year ended December 31, 2019.

Following the sale of the vessel *Avance* in September 2020 (refer to note 5), the Company repaid debt of $17.4 million.

In November 2020, the Company entered into a sale-leaseback agreement 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, a repurchase options in favour of the Company from year 2, and a repurchase obligation at completion of the 10 year tenor. The Company recognised a financial liability of $45 million related to the lease financing agreement equal to the consideration received. Following the transaction debt of $34.7 million on the original facility was repaid. Management determined that the transaction did not qualify as a sale of the asset under IFRS 15 and continue to recognise the vessel.

For the year ended December 31, 2020 long-term debt repayments were $85.5 million, and repayments of credit facilities were $11.9 million. Of total repayments $52.1 million were fully repaid ahead of maturity.

Terms and repayment
(in USD thousands)

	Currency	Nominal interest rate	Year of maturity	AS OF DECEMBER 31, 2020 Face value	DECEMBER 31, 2020 Carrying amount	DECEMBER 31, 2020 Face value	DECEMBER 31, 2020 Carrying amount
Long-term debt	USD	LIBOR + 2.7%*)	2024	**287,549**	**284,068**	358,000	353,043
Revolving credit facility	USD	LIBOR + 2.7%*)	2024	**88,110**	**88,110**	100,000	100,000
Lease financing agreement	USD	LIBOR + 3.1%	2030	**45,000**	**44,366**	-	-
TOTAL INTEREST-BEARING LIABILITIES				**420,659**	**416,545**	458,000	453,043

**) As of January 1, 2021, the applicable margin is reduced to 2,45%*

Loan covenants

The Group's secured bank loan and lease financing agreement contain loan covenants, which under the terms of the agreements, the Group must comply with the following covenants at all times:

Financial covenants

- Total equity > $250 million
- Equity ratio > 30%
- Working capital > 0
- Minimum free liquidity: Cash and cash equivalents shall be at least the higher of (i) $35 million and (ii) 5% of the consolidated gross interest-bearing debt of the Group.

Other covenants

- A change of control provision which will be triggered if a person or company other than Hemen Holding Ltd, Frontline Ltd. or Sungas Holdings Ltd gains control, directly or indirectly, of one-third or more of the voting and/or shares of Avance Gas.
- Fair market value of VLGCs shall be minimum 130% of the aggregate of total loans outstanding. For the lease financing agreement, the fair market value of the VLGC shall be minimum 115% of the principal outstanding.

The Group has complied with the covenants of its borrowing facilities during and as at December 31, 2020 and 2019.

7. FINANCIAL RISK MANAGEMENT & FINANCIAL

Financial risks

The Group's activities create exposure to a variety of financial risks: credit risk, liquidity risk, market risk (including interest rate risk, currency risk and price risk). The board of directors has the overall responsibility for the establishment and oversight of the Group's risk management policies, which focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Company continuously monitors financial risk and implements financial risk policies for foreign exchange risk, interest rate risk, credit risk, and investment of excess liquidity, as applicable.

CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The exposure is limited to the carrying amount of the Group's receivables from customers and its cash and cash equivalents.

Cash and cash equivalents
The Group held cash and cash equivalents of $75.9 million at December 31, 2020 and $85.9 million at December 31, 2019. The cash and cash equivalents are held with reputable banks, and the Group considers the credit risk to be remote.

Trade receivables
The Group performs credit checks upon entering into an initial sales contract with a customer and regularly reviews the days past due accounts. The company assesses the credit quality of its counterparties as good since customers are on the whole large well known energy firms. The majority of trade receivables are in U.S. dollars.

For the year ended December 31, 2020, the Group had two customers who each generated revenue greater than 10% of total revenue. The amounts were $36.0 million and $21.6 million. For the year ended December 31, 2019, the Group had two customers who each generated revenue greater than 10% of total revenue. The amounts were $32.1 million and $29.9 million.

The following table provides information about the exposure to credit risk and ECLs for overdue trade receivables from individual customers:

	GROSS AMOUNT	ALLOWANCE FOR DOUBTFUL ACCOUNTS
	(in USD thousands)	
AS OF DECEMBER 31, 2020		
Up to 30 days past due	**1,059**	131
31 to 60 days past due	**474**	-
61 to 90 days past due	**813**	-
More than 91 days past due	**606**	-
	2,952	**131**

	GROSS AMOUNT	ALLOWANCE FOR DOUBTFUL ACCOUNTS
	(in USD thousands)	
AS OF DECEMBER 31, 2019		
Up to 30 days past due	4,711	255
31 to 60 days past due	203	-
61 to 90 days past due	156	-
More than 91 days past due	56	-
	5,126	**255**

Movements in the allowance for impairment in respect of trade receivables
The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	DECEMBER 31, 2020	DECEMBER 31, 2019
	(in USD thousands)	
Beginning of the period	**255**	85
Net remeasurement of loss allowance	**(124)**	170
End of period	**131**	255

LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities when they become due. The Group's objective when managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group.

Maturity of financial liabilities and contractual obligations
The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments:

As of December 31, 2020 *(in USD thousands)*			Contractual cash flows			
	Carrying Amount	Total contractual cash flow	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years
Trade and other payables	6,620	6,620	6,620	-	-	-
Long-term debt	284,069	309,205	49,144	48,118	211,763	-
Revolving credit facilities	88,110	96,832	2,354	2,393	92,085	-
Lease financing agreement	44,366	58,994	3,770	3,712	11,261	40,252
Total non-derivative financial liabilities	**423,165**	**471,472**	**61,888**	**54,223**	**315,109**	**40,252**
Interest rate swaps used for hedging	21,447	21,411	6,172	5,576	10,493	(800)
Total financial liabilities	**444,612**	**492,912**	**68,060**	**59,799**	**325,602**	**39,452**

As of December 31, 2019 *(in USD thousands)*			Contractual cash flows			
	Carrying Amount	Total contractual cash flow	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years
Trade and other payables	23,424	23,424	23,424	-	-	-
Long-term debt	353,053	417,342	59,736	57,928	299,678	-
Revolving credit facilities	100,000	113,413	4,145	3,302	105,966	-
Total non-derivative financial liabilities	**476,477**	**554,179**	**87,305**	**61,230**	**405,644**	**-**
Interest rate swaps used for hedging	11,266	26,863	5,509	5,435	12,312	3,606
Total financial liabilities	**487,743**	**581,042**	**92,814**	**66,665**	**417,956**	**3,606**

Interest expense on outstanding debt is based on 3 months LIBOR forward curve at period end December 31, 2020 and 2019 plus applicable margin.

Contractual obligations related to LPG Dual-Fuel VLGCs shipbuilding contracts

As at December 31, 2020 the Company has entered into shipbuilding contracts for two new vessels, providing future payments of:

	2021	2022	TOTAL
(in USD thousands) **As of December 31, 2020**	70,614	54,922	125,536

	2020	2021	2022	TOTAL
(in USD thousands) **As of December 31, 2019**	31,070	77,675	46,605	155,351

INTEREST RATE RISK

The Group has floating interest on its interest-bearing loans and is exposed to changes in the interest market. Based on its outstanding loan portfolio as of December 31, 2020, a 1 % change in the LIBOR rate would increase/decrease the Group's interest expense by $4.2 million. To mitigate this interest rate exposure, the Group holds interest rate swaps for risk management purposes which are designated in cash flow hedging relationships. Refer to *Hedge Accounting section* below.

Financial instruments and fair value

The following table shows the carrying amounts and fair values of financial assets and financial liabilities which have been determined by the Group, using appropriate market information and valuation methodologies. 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, 2020		DECEMBER 31, 2019	
(in USD thousands)	Note	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities					
Long-term debt	6	**284,068**	**284,068**	353,043	353,043
Revolving credit facilities	6	**88,110**	**88,110**	100,000	100,000
Lease financing agreement	6	**44,366**	**44,366**	-	-
Derivative financial instruments					
Interest rate swap liabilities		**21,447**	**21,447**	11,266	11,266

The carrying amount of cash and cash equivalents, receivables, and accounts payable are a reasonable estimate of their fair value, due to their short maturity. The estimated value of the Group's long-term debt equals its carrying value as of December 31, 2020 and December 31, 2019 as it is variable-rated. Derivative financial instruments are interest rate swaps designated in hedge relationships and are measured at Fair Value through OCI. The Company values the interest rate swaps according to level 2 in the fair value hierarchy, based on discounted future cash flows.

FAIR VALUE HIERARCHY

The below analyses financial instruments carried at fair value, by valuation method. 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 (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

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 December 31, 2020 and December 31, 2019 was recognised in the statement of other comprehensive income, refer to note 20 Accumulated Other Comprehensive Income.

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Hedge accounting

FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses financial instruments to hedge its interest rate exposure. The Company has designated a hedge relationship between the interest on its long-term debt and interest rate swaps, where the changes in the fair value of the hedging instrument is offset partly or in full by changes in cash flows of the underlying hedging object. The cashflows on these instruments will vary depending on LIBOR during the relevant period. The fair value of the interest rate swaps will depend on expectations of future interest rates, the forward yield curve.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts. The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

The interest rate swaps have a maturity in 2025 and 2030 and are amortising in line with the underlying debt, whereby the portion of the interest rate swaps with maturity less than 12 months are classified as current. The designated hedge accounting relationship with the underlying loans assumes refinancing of outstanding loans at maturity of each loan agreement at substantially the same terms. The effective rate from the Group's hedging relationships were 2.5% for the year ended December 31, 2020 and 2.7% for the year ended December 31, 2019.

8. SHARE CAPITAL, PAID IN SURPLUS AND CONTRIBUTED CAPITAL

Shares outstanding	ORDINARY SHARES OUTSTANDING	TREASURY SHARES	NUMBER OF SHARES OUT-STANDING
December 31, 2018	64,527,972	(871,639)	63,656,333
Treasury shares issued to employees	-	37,750	37,750
December 31, 2019	**64,527,972**	**(833,889)**	**63,694,083**
December 31, 2020	**64,527,972**	**(833,889)**	**63,694,083**

SHARE CAPITAL

The share capital of Avance Gas Holding Ltd. as of December 31, 2020 and December 31, 2019 was $64.5 million, consisting of 64.527,972 shares at par value of $1 per share. All shares are fully paid. All shares have equal voting rights and the rights to receive dividend. The Company's authorised share capital consists of 200,000,000 common shares at par value of $1 per share as of December 31, 2020 and December 31, 2019.

TREASURY SHARES

Repurchased shares are classified as treasury shares and presented as a deduction from total equity. The treasury shares are available for use in connection with settlement in share based incentive schemes. In 2019, 37,750 treasury shares were allocated to employees as part of the Company's share-based option program. For more information, see note 18.

List of largest shareholders as of December 31, 2020

Shareholders holding 1 % or more:

NAME	NUMBER OF SHARES	HOLDING %
Hemen Holding Limited	15,730,568	24.4%
BW LPG Holding Ltd.	5,900,000	9.1%
Nordnet Bank AB	2,534,474	3.9%
Morgan Stanley & Co. Int. Plc.	1,320,163	2.0%
Danske Bank A/S	1,239,416	1.9%
Brown Brothers Harriman & Co.	1,101,659	1.7%
UBS Switzerland AG	1,082,240	1.7%
Stavern Helse og Forvaltning AS	1,000,000	1.5%
CACEIS Bank Spain SA	947,208	1.5%
Nordea Bank Abp	946,994	1.5%
Citibank, N.A.	934,557	1.4%
Nordnet Livsforsirking AS	810,973	1.3%
State Street Bank and Trust Comp	807,133	1.3%
Interactive Brokers LLC	686,123	1.1%
Total shareholders holding 1 % or more	35,041,508	54.3%
Other shareholders	29,486,464	45.7%
TOTAL SHAREHOLDERS	64,527,972	100.0%

Avance Gas Holding Ltd holds 833,889 treasury shares representing 1.29% of total issued shares as of December 31, 2020.

Restriction on payment of dividend

Under the Bermuda Companies Act, dividends cannot be paid if there are reasonable grounds for believing that (a) The company is, or would after the payment be, unable to pay its liabilities as they become due; or (b) The realizable value of the company's assets would thereby be less its liabilities.

The Company has acted within the rules in the Bermuda Companies Act when declaring dividends.

9. EARNINGS PER SHARE

	FOR THE YEAR ENDED DECEMBER 31, 2020	DECEMBER 31, 2019
(in USD thousands)		
Net profit attributable to common shareholders	**70,906**	55,951
Basic weighted average shares outstanding	**63,694**	63,694
Dilutive effect of share options	**135**	205
Diluted weighted average shares outstanding	**63,829**	63,899
Basic earnings per share	**1.11**	**0.88**
Diluted earnings per share	**1.11**	**0.88**

10. OPERATING REVENUE AND TIME CHARTER EQUIVALENT (TCE RATE)

	FOR THE YEAR ENDED DECEMBER 31, 2020	DECEMBER 31, 2019
(in USD thousands)		
External revenue disaggregated by nature:		
Freight revenue	**148,980**	196,985
Time charter revenue	**56,736**	53,436
Operating revenue	**205,716**	250,421
Timing of revenue recognition:		
Products and services transferred at a point in time	**2,390**	1,279
Products and services transferred over time	**146,590**	195,706
Revenue from contracts with customers	**148,980**	196,985
Time charter revenue	**56,736**	53,436
Operating revenue	**205,716**	250,421

The Group's freight revenue was mainly generated in the Middle East and US Gulf for the years ended December 31, 2020 and 2019, when based on the region in which the cargo is loaded. During 2020 the number of cargos loaded in the US Gulf and USEC has decreased from 47% in 2019 to 43% in 2020 of the Group's total number of voyages. For time charter revenue, the Group is aware that the chartered ships have operated in geographic regions other than the Middle East and the US Gulf.

Maturity of time charter contracts
Time charter contracts are entered into on long-term (defined as more than 6 months) and short-term (less than 6 months) basis. As at December 31, 2020 undiscounted payments receivable under long-term time charter contracts due within 12 months amount to $35.9 million. As at December 31, 2019 undiscounted payments receivable under long-term time charter contracts due within 12 months amounted to $14.4 million, and $28.9 due within 24 months. The Group has not entered into time charter contracts with a maturity of 12 months or longer from the reporting date.

ALTERNATIVE PERFORMANCE MEASURES ('APM') – TIME CHARTER EQUIVALENT (TCE RATE)

The Company uses time charter equivalent (TCE rate) as an alternative performance measure (APM) in communications with shareholders. TCE rate is operating revenue less voyage cost per operating day. Operating days are calendar days, less technical off-hire. Off-hire days in 2020 are impacted by dry docking schedule for a significant portion of the fleet.

	FOR THE YEAR ENDED	
(in USD thousands)	**DECEMBER 31, 2020**	**DECEMBER 31, 2019**
Operating revenue	**205,716**	250,421
Voyage expenses	**(61,618)**	(76,868)
Voyage result	**144,098**	173,553
Calendar days	**5,022**	5,110
Technical off-hire days	**577**	52
Operating days	**4,445**	5,059
TCE per day ($)	**32,418**	34,309

11. VOYAGE EXPENSES

	FOR THE YEAR ENDED	
(in USD thousands)	**DECEMBER 31, 2020**	**DECEMBER 31, 2019**
Bunkers	**39,467**	50,429
Port and canal charges	**18,097**	21,001
Commissions	**2,537**	3,126
Other	**1,517**	2,312
TOTAL VOYAGE EXPENSES	**61,618**	76,868

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12. OPERATING EXPENSES

	FOR THE YEAR ENDED	
(in USD thousands)	**DECEMBER 31, 2020**	**DECEMBER 31, 2019**
Crewing costs	**23,731**	22,941
Maintenance and repairs	**3,831**	4,432
Insurance	**1,914**	1,197
Ship supplies and provisions	**11,185**	7,864
Ship management fee	**3,224**	2,970
Other	**1,155**	1,391
TOTAL OPERATING EXPENSES	**45,040**	40,795

13. ADMINISTRATIVE AND GENERAL EXPENSES

	FOR THE YEAR ENDED	
(in USD thousands)	**DECEMBER 31, 2020**	**DECEMBER 31, 2019**
Employee benefit and secondment expenses	**1,481**	2,825
Information systems	**893**	720
Legal fees	**230**	157
Professional fees	**1,025**	947
Office fees	**217**	426
Travel and entertainment expenses	**30**	105
Share option compensation expense	**(165)**	89
Other	**159**	265
TOTAL ADMINISTRATIVE AND GENERAL EXPENSES	**3,870**	5,534
Average number of full-time employees	**7**	8

14. FINANCE EXPENSES

	FOR THE YEAR ENDED	
(in USD thousands)	**DECEMBER 31, 2020**	**DECEMBER 31, 2019**
Interest on long-term debt	**20,996**	26,996
Amortisation of debt issuance cost	**1,609**	2,681
Commitment fee	**-**	38
Other finance costs	**91**	145
Capitalised borrowing cost	**(393)**	-
FINANCE COST EXPENSED	**22,303**	29,860

15. INCOME TAX EXPENSE

At the date of this report there is no Bermuda income, corporation, or profits tax nor is there any withholding tax, capital tax, capital transfer tax, estate duty or inheritance tax payable by the Company. The Company has obtained from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966, an assurance that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income, or computed on any capital assets, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not, until March 31, 2035 be applicable to the Company or to any of its operations, or to the Company's shares, debentures or other obligations, except in so far as such tax applies to persons ordinarily resident in Bermuda and holding the Company's shares, debentures, or other obligations, or any property in Bermuda leased or let to the Company.

Tax expense recognised in the consolidated income statement relates to income taxes in foreign jurisdictions, with $85 thousand and $45 thousand in 2020 and 2019, respectively. The Group has no deferred taxes. The effective tax rate for the Group was 0.12% for the year ended December 31, 2020, and 0.08% for the year ended December 31, 2019.

16. RELATED PARTY TRANSACTIONS

Shareholders Hemen Holding Limited ('Hemen') and Frontline Ltd. ('Frontline') combined hold 25% of the shares in Avance Gas Holding Ltd. as of December 31, 2020, and 24% holding as of December 31, 2019, and have significant influence of the Group. Hemen and companies associated with Hemen are considered related parties of the Group.

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.

Fees paid to related parties	FOR THE YEAR ENDED DECEMBER 31, 2020 *(in USD thousands)*	DECEMBER 31, 2019
Corporate secretarial services	121	121
Technical supervision	735	197
Office lease and shared services	373	286

Additionally, the Group transacted with Golden Ocean Management AS for $17 thousand related to bunkers procurement system for the year ended December 31, 2019.

Related party receivables were $163 thousand per December 31, 2020, and $29 thousand per December 31, 2019. Payables to related parties were $124 thousand and $168 thousand per December 31, 2020 and 2019, respectively.

17. MANAGEMENT REMUNERATION

Remuneration to management:
Key management consists of the Chief Executive Officer and Chief Financial Officer of Avance Gas AS. The compensation to key management is paid in NOK and the USD figure is not fully comparable year on year. The Company discloses remuneration to management on aggregated levels. Total compensation and benefits of the key management were as follows:

	FOR THE YEAR ENDED DECEMBER 31, 2020 *(in USD thousands)*	DECEMBER 31, 2019
Salary	**325**	745
Bonus	**229**	0
Other remuneration	**13**	38
Pension contribution	**27**	72
	594	855

Management has received share options as part of the Company's remuneration program for its employees. Information about share-based payments is disclosed in note 18.

Remuneration to the Board of Directors:
The Directors of the Board received a yearly remuneration of $40.0 thousand for the years ended December 31, 2020 and December 31, 2019 respectively, paid proportionally for the time served on the Board. The Chairman of the Board received $100.0 thousand for the year ended December 31, 2020 and $84.3 thousand for the year ended December 31, 2019. Total Board fees for the year ended December 31, 2020 were $200.7 thousand and $164.3 thousand for the year ended December 31, 2019.

The table below shows the total number of shares owned directly or indirectly by Directors and key management as of December 31, 2020. Key management of Avance Gas and remaining Directors do not, directly or indirectly, own shares in Avance Gas as of December 31, 2020.

NAME	NUMBER OF SHARES	% NUMBER OF SHARES
Jan Kastrup-Nielsen 1)	4,300	< 0.1%

1) *Jan Kastrup-Nielsen also serves as the chairman of the Audit Committee.*

18. SHARE-BASED PAYMENTS

The Company has set up a share option plan in order to encourage the Company's directors, officers and other employees to hold shares in the Company. Following the award, declared and cancellation of share options since 2015, a total of 471,250 share options remained outstanding under the Company's share option scheme as of December 31, 2020.

Options granted under the 2015-2018 Plan vest 25% each anniversary of continuing employment after grant. 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 options granted 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 may be exercisable when they are vested, and within five years from the date of grant. Options are forfeited by employees upon termination of employment in most circumstances. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

In August 2019, 750,000 share options were issued to Mr. Ulrik Andersen in connection with his appointment as Chief Executive Officer of Avance Gas AS. The options have a 5 year term and become exercisable as follows; 200,000 options vest after 12 months at a subscription price of NOK 21.50 per share, 200,000 options vest after 24 months at a subscription price of NOK 32.25 per share, and 350,000 options vest after 36 months at a subscription price of NOK 43.00 per share. The subscription price will be adjusted for any distribution of dividends, equity issues and capital adjustments. Mr. Ulrik Andersen held the position as Chief Executive Officer until April 2020. The options were not exercisable prior to April 2020 and were subsequently forfeited.

In September 2019, 300,000 share options were granted to Mr. Peder Simonsen, Chief Financial Officer. The options have a 5 year term and become exercisable as follows; 80,000 options vest after 12 months at a subscription price of NOK 35.95 per share, 80,000 options vest after 24 months at a subscription price of NOK 50.00 per share, and 140,000 options vest after 36 months at a subscription price of NOK 60.00 per share. The subscription price will be adjusted for any distribution of dividends, equity issues and capital adjustments. Mr. Peder Simonsen held the position as Chief Financial Officer until September 2020. No share options were exercised prior to September, and subsequently 172,500 options were forfeited.

	2015 SHARE OPTION	2016 SHARE OPTION	2017 SHARE OPTION	2018 SHARE OPTION	2019 SHARE OPTION	TOTAL SHARE OPTIONS
Average exercise price ($)	8.39	1.69	1.75	1.71	4.27	
Outstanding January 1, 2020	33,000	133,750	55,000	230,000	1,050,000	1,501,750
Changes during the year:						
Granted	-	-	-	-	-	-
Exercised	-	(75,000)	-	-	-	(75,000)
Expired	(33,000)	-	-	-	-	(33,000)
Forfeited	-	-	-	(32,500)	(890,000)	(922,500)
Outstanding December 31, 2020	**-**	**58,750**	**55,000**	**197,500**	**160,000**	**471,250**
Exercisable December 31, 2020	-	58,750	37,000	110,000	80,000	285,750
Remaining average contractual life	-	0.8	1.0	2.8	3.7	

	2015 SHARE OPTION	2016 SHARE OPTION	2017 SHARE OPTION	2018 SHARE OPTION	2019 SHARE OPTION	TOTAL SHARE OPTIONS
Average exercise price ($)	9.98	2.19	2.34	2.31	4.42	
Outstanding January 1, 2019	77,000	388,000	139,000	593,000	-	1,197,000
Changes during the year:						
Granted	-	-	-	-	1,050,000	1,050,000
Exercised	-	(32,250)	(17,000)	(10,000)	-	(59,250)
Forfeited	(44,000)	(222,000)	(67,000)	(353,000)	-	(686,000)
Outstanding December 31, 2019	**33,000**	**133,750**	**55,000**	**230,000**	**1,050,000**	**1,501,750**
Exercisable December 31, 2019	33,000	92,250	19,000	50,000	-	194,250
Remaining average contractual life	0.6	1.8	2.0	3.8	4.7	

The original exercise price, prior to adjustments for dividends were $15.24 (options granted in 2015). There were no dividend payments in 2016, 2017, 2018 or 2019, hence, no adjustment in exercise price. Following dividend payment in 2020, the original exercise price for options issued were adjusted for dividend of Norwegian kroner of 2.47/share, equal to US dollars 0.30/share. Options granted in 2013 expired in 2019, options granted in 2015 expired in 2020.

Share based expense for the years ended December 31, 2020 was negative $164.8 thousand as a result of derecognition of forfeited share options and $88.6 thousand for the year ended December 31, 2019.

The weighted average fair value of options determined using the Black-Scholes valuation model was $3.80, $0.72, $0.82, $0.79 and $0.66 per option for options granted in 2015, 2016, 2017, 2018 and 2019 respectively. The significant inputs into the model were weighted average share price of $15.24, $2.19, $2.34, $2.16 and $3.05 per share for options granted in 2015, 2016, 2017, 2018 and 2019 respectively, an expected option life of five years, and an annual risk-free rate of 1.48%, 1.24%, 1.84%, 2.83% and 1.46% for options granted in 2015, 2016, 2017, 2018 and 2019 respectively. The volatility was measured based on the share price development for the period since the IPO.

19. AUDITOR'S REMUNERATION

PricewaterhouseCoopers AS is the auditor of the Company. The following table shows the annual fees for the appointed auditor:

(in USD thousands)	FOR THE YEAR ENDED DECEMBER 31, 2020	DECEMBER 31, 2019
Audit	**91**	77
Other assurance services	**17**	28
TOTAL AUDIT FEES	**108**	105

Audit fees are agreed and billed in NOK.

20. ACCUMULATED OTHER COMPREHENSIVE INCOME

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 loss is broken down between the two categories as follows:

(in USD thousands)	FOREIGN CURRENCY RESERVE	FAIR VALUE RESERVE	ACCUMULATED OTHER COMPREHENSIVE INCOME
Balance January 1, 2019	58	(1,688)	(1,630)
Effective portion of changes in fair value of interest rate swaps	-	(10,294)	(10,294)
Reclassified to profit or loss	-	716	716
Translation adjustment, net	-	-	-
Balance December 31, 2019	58	(11,266)	(11,208)
Effective portion of changes in fair value of interest rate swaps	-	(14,821)	(14,821)
Reclassified to profit or loss	-	4,640	4,640
Translation adjustment, net	7	-	7
Balance December 31, 2020	**65**	**(21,447)**	**(21,382)**

21. SUPPLEMENTAL INFORMATION TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of net profit to cash generated from operations:

(in USD thousands)	Note	FOR THE YEAR ENDED DECEMBER 31, 2020	DECEMBER 31, 2019
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	5	**(33,733)**	-
Net finance expense	14	**22,054**	29,860
Compensation expense	18	**(165)**	89
Gain on sale asset	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, mobilisation 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**	300
Cash flows from operating activities		**99,880**	117,214

Changes in liabilities arising from financing activities:

	DECEMBER 31, 2019	CASH FLOWS	NON-CASH CHANGES		DECEMBER 31, 2020
			AMORTI-SATION	OTHER	
Long-term debt	353,043	(25,978)	1,609	(240)	**328,435**
Long-term revolving credit facility	100,000	(11,890)	-	-	**88,110**
Total liabilities from financing activities	**453,043**	**(37,868)**	**1,609**	(240)	**416,545**

	DECEMBER 31, 2018	CASH FLOWS	NON-CASH CHANGES		DECEMBER 31, 2019
			AMORTI-SATION	OTHER	
Long-term debt	367,158	(11,271)	2,681	(5,526)	**353,043**
Long-term revolving credit facility	125,000	(25,000)	-	-	**100,000**
Total liabilities from financing activities	**492,158**	**(36,271)**	**2,681**	(5,526)	**453,043**

22. 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.

In February, 2021 the Board of Directors declared dividend of $0.11 per share for the fourth quarter 2020.

On April 8, 2021 the Company completed a private placement raising gross proceeds of $64.6 million (approx. NOK 550 million) through the allocation of 12,899,000 shares in the Company at a price of $5 (NOK 43) per share. The net proceeds from the private placement will be used for general corporate purposes, which includes partly financing of the Company's newbuilding program.

STATEMENT OF

Corporate Governance

Roman Smirnovs, Breeze

1 INTRODUCTION

This section of the annual report provides an overview on how Avance Gas follows the Norwegian Code of Practice for Corporate Governance as of 17 October 2018 (the "Code"). Avance Gas is an exempted company limited by shares incorporated in Bermuda and is subject to Bermuda law, and is listed on the Oslo Stock Exchange.

Avance Gas is primarily governed by the Bermuda Companies Act, its memorandum of association and its bye-laws. Further, Avance Gas is subject to certain aspects of the Norwegian Securities Trading Act, the Norwegian Accounting Act and the continuing obligations for companies listed on the Oslo Stock Exchange.

Avance Gas continuously strives to protect and enhance shareholder equity through transparency, integrity and equitable treatment of all shareholders. Sound corporate governance is key to achieving these goals. The corporate governance principles adopted by the Board of Avance Gas are based on the the Code. The Code is available at www.nues.no. Other than the deviations listed and explained in Section 1.1 below, Avance Gas is in compliance with the Code.

1.1 DEVIATIONS FROM THE CODE

The Board has identified the following deviations from the Code:

Deviation from section 2 "Business":

In accordance with common practice for Bermuda incorporated companies, Avance Gas' objectives as set out in the memorandum of association are wider and more extensive than recommended in the Code. The Board of Directors has not adopted specific guidelines for how it integrates considerations related to its shareholders into its value creation, but such considerations form an integrated part of the Company's decision making processes.

Deviation from section 3 "Equity and dividends":

Pursuant to Bermuda law and common practice for Bermuda incorporated companies, the Board has wide powers to issue any authorised but unissued shares on such terms and conditions as it may decide, subject to any resolution of Avance Gas' shareholders to the contrary, and to declare dividends to be paid to the shareholders and repurchase shares in Avance Gas. The powers of the Board to issue and purchase shares are neither limited to specific purposes nor to a specified period, and the Board can declare dividends to shareholders without the prior authorisation or approval by the general meeting as recommended by the Code.

Deviation from section 5 "Freely negotiable shares":

The shares in Avance Gas are freely negotiable and Avance Gas' constitutional documents do not impose any transfer restrictions on the shares other than as set out below. The bye-laws include a right for the Board to decline to register the transfer of any share in the register of members, or instruct any registrar appointed by Avance Gas to decline, to register the transfer of any interest in a share held through the VPS where such transfer, in the opinion of the Board, is likely to result in 50% or more of the shares or votes being held or owned directly or indirectly by individuals or legal persons resident for tax purposes in Norway or being effectively connected to a Norwegian business activity or Avance Gas otherwise being deemed a "Controlled Foreign Company" as defined pursuant to Norwegian tax legislation. The purpose of this provision is to avoid the company being deemed a "Controlled Foreign Company" in Norway.

Deviation from section 6 "General meetings":

As is common for companies incorporated under the laws of Bermuda, the bye-laws of Avance Gas set forth that, unless otherwise is agreed by a majority of those attending and entitled to vote at a general meeting, the Chairman of the board shall act as chairman of the meeting if he is present. If the Chairman of the Board is absent, a chairman of the meeting shall be appointed or elected by those present at the meeting and entitled to vote.

Deviation from section 7 "Nomination committee":

The bye-laws provide that Avance Gas may have a nomination committee, but the shareholders have resolved to not establish a nomination committee.

2 MAIN OBJECTIVES FOR CORPORATE GOVERNANCE IN AVANCE GAS

The way that Avance Gas is managed is vital to the development of Avance Gas' value over time. Avance Gas' corporate governance policy is based on the Code, and Avance Gas aims to have good control and governance procedures to ensure equal treatment of all shareholders, thereby providing a foundation for trust and positive development of shareholder values. The Board monitors the governance of Avance Gas and develops and improves the corporate governance policy as required.

3 CORPORATE GOVERNANCE REPORT

3.1 IMPLEMENTATION AND REPORTING

The Board has adopted a corporate governance policy which is based on the Code. The Board further ensures that Avance Gas at all times has sound corporate governance.

This corporate governance report is included in Avance Gas' annual report to the shareholders, and is made available on Avance Gas' website in the annual report. Any deviations from the Code are described and explained under Section 1.1 above.

The Board has defined Avance Gas' value base and formulated ethical guidelines and guidelines for corporate social responsibility in accordance with these values.

3.2 BUSINESS

Avance Gas and its subsidiaries' is a leading player in the VLGC (very large gas carrier) market, operating a fleet of modern vessels providing customers with global transportation services via a combination of contract of affreightments, spot market voyages and time charter. Avance Gas' objectives as set out in its memorandum of association are wider and more extensive than recommended by the Code.

The Board is responsible for the Company's strategic planning, and defines clear objectives, strategies and risk profile for the business that form the basis for Avance Gas' creation of value for the shareholders. The Board evaluates Avance Gas' objectives, strategies and risk profile at least once per year.

Further, long-term sustainability and profitability forms an integral part of Avance Gas' strategies, plans and everyday work to create value for its shareholders, while also considering the interests of the other stakeholders of the company (employees, suppliers, customers, etc.).

Deviation from the Code: See Section 1.1 above.

3.3 EQUITY AND DIVIDENDS

The Board and the management of Avance Gas aim at all times to keep Avance Gas' capital structure at a level that is suitable in light of Avance Gas' objectives, strategy and risk profile.

Avance Gas' objective is to generate competitive returns to its shareholders. The company's dividend policy is balanced between growth opportunities for Avance Gas and cash returns for the shareholders. Whilst it is the intention to pay regular dividends, the level of any dividend will be guided by current earnings, market prospects, current and future capital expenditure commitments and investments opportunities.

Pursuant to bye-law 2, the Board has wide powers to issue any authorised but unissued shares on such terms and conditions as it may decide, subject to any resolution of the shareholders to the contrary, and to declare dividends to be paid to the shareholders without the prior authorisation or approval by the general meeting. Further, pursuant to bye-law 3, the Board may exercise the power of Avance Gas to purchase its own shares for cancellation or acquire them as treasury shares in accordance with Bermuda law on such terms as the Board thinks fit. The powers of the Board to issue and purchase shares are neither limited to specific purposes nor to a specified period as recommended by the Code.

Deviation from the Code: See Section 1.1 above.

3.4 EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

3.4.1 General information

Avance Gas has only one class of shares. Each share in Avance Gas carries one vote, and all shares carry equal rights, including the right to participate in general meetings. All shareholders are treated on an equal basis, unless there is just cause for treating them differently.

3.4.2 Share issues without pre-emption rights for existing shareholders

Pursuant to Bermuda law and common practice for Bermuda incorporated companies, the shareholders of Avance Gas do not have pre-emption rights in share issues unless specifically resolved by the Board or the shareholders of Avance Gas. Any decision to issue shares without pre-emption rights for existing shareholders will be justified and publicly disclosed in a stock exchange announcement in connection with the increase in share capital.

3.4.3 Transactions in own shares

Any transactions Avance Gas carries out in its own shares are carried out either through the Oslo Stock Exchange or with reference to prevailing stock exchange prices if carried out in another way. If there is limited liquidity in Avance Gas' shares, Avance Gas will consider other ways to ensure equal treatment of shareholders.

3.4.4 Approval of agreements with shareholders and other closely-related parties

The Board will arrange for a valuation to be obtained from an independent third party in the event of a not immaterial transaction between Avance Gas and its shareholders, a shareholder's parent company, members of the Board, executive personnel or closely-related parties of any such parties.

3.5 SHARES AND NEGOTIABILITY

Avance Gas' constituting documents do not impose any transfer restrictions on Avance Gas' common shares, other than as described in Section 1.1 above, and Avance Gas' common shares are freely transferable, provided that the beneficial interests in the common shares are registered in the VPS.

Deviation from the Code: See Section 1.1 above.

3.6 GENERAL MEETINGS

3.6.1 Exercising rights

The Board seeks to ensure that the greatest possible number of shareholders can exercise their voting rights in Avance Gas' general meetings and that the general meetings are an effective forum for the views of shareholders and the Board.

Among other things, the Board ensures that:

- the notice and the supporting documents and information on the resolutions to be considered at the general meeting are available on Avance Gas' website no later than 21 days prior to the date of the general meeting;
- the resolutions and supporting documentation, if any, are detailed, comprehensive and specific enough to allow shareholders to understand and form a view on matters that are to be considered at the general meeting;
- the deadline, if any, for shareholders to give notice of their intention to attend the general meeting is set as closely as practically possible to the date of the general meeting;
- the shareholders have the opportunity to vote separately on each individual matter, including on each candidate nominated for election to Avance Gas' Board and committees, if applicable; and
- the members of the Board are present at the General Meeting.

3.6.2 Participation without being present

Shareholders who cannot be present at the general meeting have the opportunity to vote using proxies. Avance Gas:

- provides information about the procedure for attending via proxy;
- nominates a person who will vote on behalf of a shareholder as their proxy; and
- prepares a proxy form such that the shareholder can vote on each item to be addressed and vote for each of the candidates that are nominated for election.

3.6.3 Summary of provisions in the bye-laws that deviate from the provisions in Chapter 5 of the Norwegian Public Limited Companies Act

Below is a summary of the provisions in Avance Gas' bye-laws that deviate from the provisions of Chapter 5 of the Norwegian Public Limited Companies Act:

- The annual general meeting shall be held each year at such time and place as the Chairman of the Board shall appoint.

- The Chairman of the Board may convene a special general meeting whenever in his judgment such a meeting is necessary.
- The Board shall, on the requisition of shareholders holding not less than one-tenth of the paid-up share capital that carries the right to vote at general meetings, convene a special general meeting.
- At any general meeting two or more persons present in person or by proxy shall form a quorum.
- Subject to the Bermuda Companies Act and the bye-laws, any question proposed for the consideration of the shareholders at a general meeting shall be decided by the affirmative votes of a majority of the votes cast.
- At the annual general meeting, the financial statements and accounts are laid before the meeting for information, but under Bermuda law, no approval of the shareholders is required.
- The Board may, subject to the Bermuda Companies Act and the bye-laws declare dividends and other distributions (in cash or in specie) to its shareholders.
- Subject to the bye-laws, anything that may be done by resolution of the general meeting may be done without a meeting by written resolution in accordance with the bye-laws.

Deviation from the Code: See Section 1.1 above.

3.7 NOMINATION COMMITTEE

Bermuda law do not require that a nomination committee is established, but Avance Gas' bye-laws provide that Avance Gas may have a nomination committee, comprising such number of persons as the shareholders in a general meeting may determine from time to time, and members of the nomination committee are appointed by resolutions of the shareholders. The shareholders have not resolved to establish a nomination committee.

The functions and duties of the nomination committee are therefore performed by the Board members, including to (i) identify and evaluate proposed candidates for nomanation to the Board, (ii) recommend remuneration of the Board members, and (iii) regularly assess its own work in this regard.

Shareholders may still propose changes to the composition of the Board and the remuneration payable to the Board members. The Board members are elected by the shareholders at the annual general meeting or any special general meeting called for that purpose, unless there is a casual vacancy, and the shareholders of Avance Gas may authorise the Board to fill any vacancy in their number left unfilled at a general meeting of the shareholders. If there is a vacancy of the Board occurring as a result of death, disability, disqualification or resignation of any Board member or as a result of increase in the size of the Board, the shareholders of Avance Gas or the Board has the power to appoint a member to fill the vacancy.

The term of office of the current Board members expires at the next Annual General Meeting.

Deviation from the Code: See Section 1.1 above.

3.8 BOARD; COMPOSITION AND INDEPENDENCE

The composition of the Board ensures that the Board can attend to the common interests of all shareholders of Avance Gas and meets the company's need for expertise, capacity and diversity and ensures that it can function effectively as a collegiate body.

A majority of the shareholder-elected members of the Board is independent of Avance Gas' executive personnel, material business connections and major shareholders (i.e. holders of more than 10% of the shares). The Board does not include any executive personnel. The members of the Board, including the Chairman, have been elected by the general meeting and their current term of office expires at the next annual general meeting. For an overview of the composition of the Board and the expertise and independence of such Board members, as well as records of their attendance at the Bord meetings, please see page 15.

The members of the Board are encouraged to hold shares in Avance Gas.

3.9 THE WORK OF THE BOARD

3.9.1 General

The Board has prepared guidelines for its own work, as well as for the executive personnel, with particular emphasis on clear internal allocation of responsibilities and duties. The Board is responsible for the overall management of Avance Gas and may exercise all of the powers of Avance Gas not reserved to Avance Gas' shareholders by the bye-laws or Bermuda law.

The Board ensures that members of the Board and executive personnel make the company aware of any material interests that they may have in items to be considered by the Board. Matters of a material character in which the chairman of the Board is, or has been, personally involved, will be chaired by some other member of the board.

3.9.2 Audit committee

The Board has established an audit committee as a preparatory and advisory committee. The current member of the committee is Mr Jan Kastrup-Nielsen (chair and sole member), who is among the independent members of the Board. Based on Mr Jan Katrup-Nielsen's former experience as a part of top management, CEO and extensive service as board member, he is deemed to have sufficient competence and expertise. The members of the audit committee serve for as long as they remain members of the Board, or until the Board decides otherwise or they wish to retire.

The duties and composition of the audit committee is regulated in the charter for the audit committee adopted by the Board. The audit committee reports and makes recommendations to the Board, but the Board retains responsibility for implementing such recommendations.

3.9.3 Remuneration committee

Since all the members of the Board are independent of Avance Gas' executive personnel, and Avange Gas' executive management team only consist of two members, the Board has concluded that the best way to ensure a thorough and independent preparation of matters relating to compensation of the executive personnel is to involve all the members of the Board in the preparation of such matters. The establishment of a separate remuneration committee has thus been considered, but not deemed necessary.

3.9.4 Remuneration committee

The Board evaluates its performance and expertise on an annual basis.

3.10 RISK MANAGEMENT AND INTERNAL CONTROL

The Board ensures that Avance Gas has sound internal controls in place and systems for risk management. Internal controls and the systems for risk management encompass Avance Gas' considerations for how it integrates considerations related to stakeholders into its creation of value.

The Board conducts annual reviews of Avance Gas' most important areas of exposure to risk and its internal control arrangements.

3.11 REMUNERATION OF THE BOARD

The remuneration of the Board is decided by the shareholders at the annual general meeting of Avance Gas. The level of compensation to the members of the Board reflects the responsibility of the Board, its expertise and the level of activity in both the Board and any Board committees. The remuneration is not linked to Avance Gas' performance. None of the Board members hold any share options in Avance Gas.

Any assignments taken on by Board members and/or companies with which they are associated in addition to their appointment as Board members shall be disclosed to the Board and the remuneration for such additional duties shall be approved by the Board.

No remuneration has been paid to the Board members in addition to normal board and committee fees for the financial year 2020. Please see note 7 of the consolidated financial statements for an overview of remuneration paid to the members of the Board for the financial year 2020.

3.12 REMUNERATION OF EXECUTIVE PERSONNEL

The Board has established guidelines for remuneration of the executive personnel of Avance Gas. These guidelines are communicated to the annual general meeting. Performance-related remuneration of the executive personnel in the form of share options, bonus programmes or the like are linked to value creation for the shareholders or Avance Gas' earnings performance over time. Performance-related remuneration is subject to an absolute limit.

3.13 INFORMATION AND COMMUNICATIONS

3.13.1 General information

Avance Gas provides timely and precise information to its shareholders and the financial markets in general (through the Oslo Stock Exchange information system). Such information is given in the form of annual reports, quarterly reports, press releases, notices to the stock exchange and investor presentations.
Avance Gas publishes an annual, electronic financial calendar with an overview of the dates of important events,

such as the annual general meeting, publishing of interim reports and open presentations, if applicable.

3.13.2 Information to shareholders

Avance Gas has procedures for communication with shareholders other than through general meetings to enable the Board to develop a balanced understanding of the circumstances and focus of the shareholders. Such communication is undertaken in compliance with the provisions of applicable laws and regulations.

Information to Avance Gas' shareholders is posted on Avance Gas' website at the same time that it is distributed to the shareholders.

3.14 TAKE-OVERS

3.14.1 General

In the event Avance Gas becomes the subject of a take-over, the Board will ensure that Avance Gas' shareholders are treated equally, that Avance Gas' activities are not unnecessarily interrupted, and that the shareholders have sufficient information and time to assess the offer.

3.14.2 Main principles for action in the event of a take-over bid

In the event of a take-over situation, the Board will abide by the principles of the Code, and ensure that the following takes place:

- the Board will ensure that the offer is made to all shareholders, and on the same terms;
- the Board will not undertake any actions intended to give shareholders or others an unreasonable advantage at the expense of other shareholders or Avance Gas;
- the Board will strive to be completely open about the take-over situation;
- the Board will not institute measures that have the intention of protecting the personal interests of its members at the expense of the interests of the shareholders; and
- the Board must be aware of the particular duty the Board carries for ensuring that the values and interests of the shareholders are safeguarded.

The Board will not attempt to prevent or impede the take-over offer unless this has been decided by the general meeting in accordance with applicable laws.

If an offer is made for Avance Gas' common shares, the Board will issue a statement evaluating the offer and making a recommendation as to whether or not the shareholders should accept the offer. If the Board finds itself unable to give a recommendation to the shareholders on whether or not to accept the offer, it will explain the reasons for this. The Board's statement on a bid will make it clear whether the views expressed are unanimous, and if this is not the case, it will explain the reasons why specific members of the Board have excluded themselves from the statement.

The Board will consider whether to arrange a valuation from an independent expert. Any such valuation will be made public no later than at the time of the public disclosure of the Board's statement.

3.15 AUDITOR

Avance Gas' auditor is appointed by the shareholders at the general meeting, and the shareholders authorise the Board or the audit committee to fix the auditor's remuneration.

The auditor participates in the audit committee's review and discussion of the annual accounts and quarterly interim accounts, and will annually submit the main features of the plan for the audit of the company to the Board or the Audit Committee.

The auditor normally participates in meetings with the Audit Committee that deal with the annual accounts, accounting principles, assess any important accounting estimates and matters of importance on which there has been disagreement between the auditor and the executive management of the company. The auditor shall at least once a year present to the Board or the Audit Committee a review of the Company's internal control procedures, including identified weaknesses identified by the auditor and proposals for improvement.

The Audit Committee has established routines for the use of the auditor by the executive personnel for services other than audit.

* * *

Auditor's Report

Yatharth Shanker, Chinook

pwc

To the shareholders and Board of Directors of Avance Gas Holding Ltd

Independent Auditor's Report

Opinion

We have audited the consolidated financial statements of Avance Gas Holding Ltd and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at December 31, 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. This is the matter we addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

The Groups business activities are largely unchanged compared to last year. As described below, vessel valuations remain the key audit matter where the audit team have focused their attention.

Key Audit Matter	How our audit addressed the Key Audit Matter
Reversal of previously recognised impairment on vessels Refer to note 2 (Significant accounting policies) and note 5 (Property, plant and equipment) where management explains how they assess the value of the vessels.	We evaluated and challenged management's reversal of impairment assessment and the process by which this was performed. We assessed management's accounting policy against IFRSs and obtained explanations from management as to how the specific requirements of the

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The Group owns 13 VLGCs, which transport LPG globally. The vessels have a combined carrying amount of USD 761 million, which represents the significant component of total assets. The Group has recognised a reversal of previous impairment on the VLGCs in 2020.

Indicators for reversal of previously recognised impairment were assessed and considered present during 2020. As explained in the notes, management considered the time charter equivalent day rates in LPG freight market at 31.12.2020 and increased estimated fair value less cost of sale of the vessels, to give indication of reversal of previously recognised impairment. As a result of the above factors, management performed a reversal of impairment test.

We focused on this area due to the significant carrying value of the vessels and the judgement inherent in the impairment review. Management made judgements on the discounted future cash flow forecasts in the value in use model and certain key inputs including, discount rate, future freight rates and scrap value of the vessel at the end of its useful economic life. The estimates relate both to the value of the cash flow and the timing of the cash flow.

The fair value less costs of disposal is estimated by management based on external broker valuations. We concentrated some of our audit effort on understanding how the brokers arrived at the estimate for the fair value and the judgement management made regarding the costs to sell.

We note that management explains sensitives in note 5 and that changes in any of the assumptions in the value in use model could have a direct impact on the assessment of the reversal of previously recognised impairment.

standards, in particular IAS 36 – Impairment of assets, were met. We also assessed the consistency year on year of the application of the accounting policy.

In order to assess each of the assumptions in the impairment indicator assessment, we interviewed management and challenged their assessment. For certain assumptions we specifically used:

- our internal valuation specialists and external market data to assess the assumptions used to build the discount rate. We considered that the discount rate assessed was within an appropriate range. We checked the consistency of the use of the discount rate against all vessels and ensured the mathematical accuracy of its application in the value in use calculations.

- Current and historical external market data to corroborate the freight rates used by management. We challenged management on their assessment of current market activity and their weighted probability expectation of different outcomes and for market rates, taking into consideration that the VLGC market on some occasions, over short periods of time, can fluctuate significantly. Further we tested the freight rates used by management for reasonableness by comparing these rates with an implied required rate. The implied rate was calculated by estimating cash flows on a hypothetical newbuilding and extrapolating the implied day rate required for a rational market participant to recover the cost of an investment in a newbuilding at prices prevailing at December 31, 2020 with a reasonable rate of return. We also corroborated managements' assessment with external market reports where possible. We considered that freight rates used by management were within an appropriate range.

- External market data regarding several major recycling and scrapping locations to validate the input and to satisfy ourselves about the reasonableness of the residual value of the vessels based on scrap steel prices used by management.

In order to assess the estimates for fair value less costs of disposal as an indicator of reversal of impairment,

Independent Auditor's Report - Avance Gas Holding Ltd

management compiled broker valuation certificates for the vessels. We satisfied ourselves that the external brokers had both the objectivity and the competence to provide the estimate. In order to assess this, we corroborated that under the terms of the bank lending facilities, specific brokers are identified as being approved for use, for purposes of minimum value clause covenant reporting. Management used brokers from this approved list. We interviewed selected brokers to understand how the estimates for fair value were compiled. We also satisfied ourselves that the brokers were provided with relevant facts in order to determine such an estimate, by testing key inputs such as build date, build location and certain key specifications back to the ships register. We concluded that management sufficiently understood the valuations from third party brokers, including having obtained an understanding of the methodology used in arriving at the valuations and performing sensitivity analysis and performing comparisons to other available market data where possible.

We have read note 5 – Property, plant and equipment and assessed this as appropriate.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Oslo, 15 April 2021

PricewaterhouseCoopers AS

Peter Wallace

State Authorised Public Accountant

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