Avance Gas

Annual report **2023**

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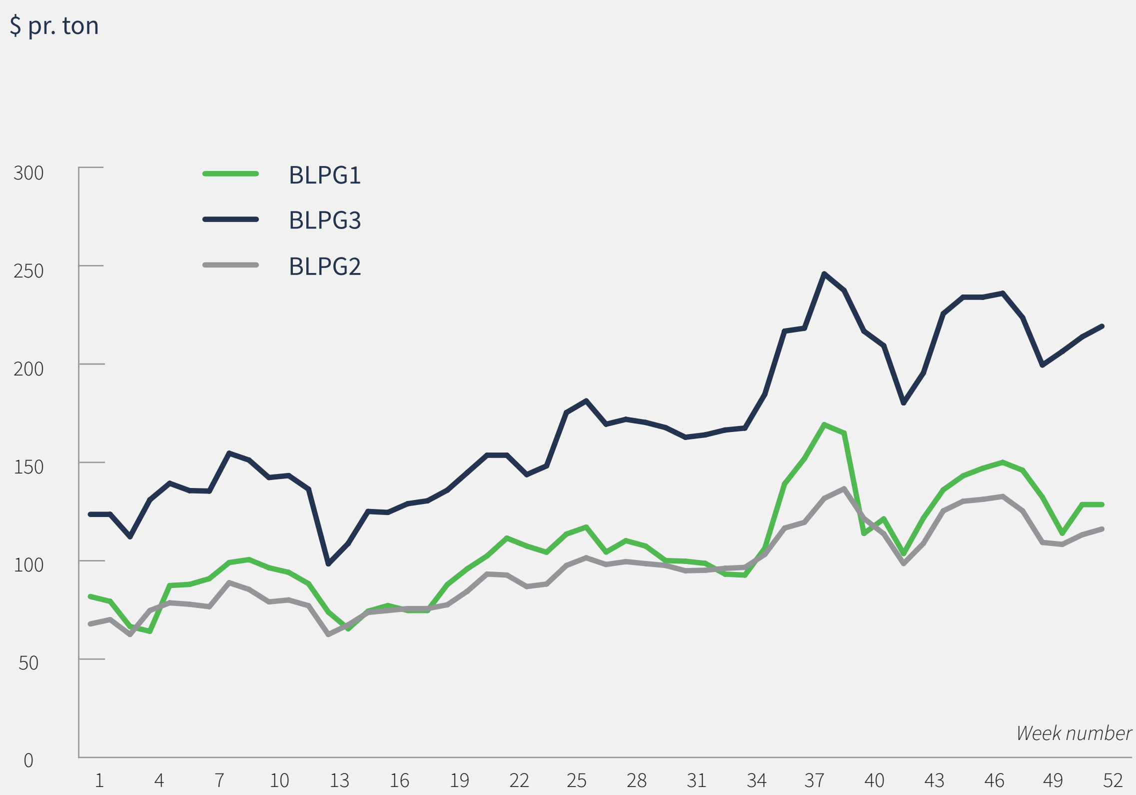
KEY OPERATIONAL AND FINANCIAL

Highlights

Freight Rates 2023



The freight rates in the graph above is displayed in US $ per metric tons basis weekly market Baltic Index (BLPG) quotes for the three trade routes from Ras Tanura in Arbian Gulf to Chiba in Japan (BLPG1), Houston in US Gulf to Chiba in Japan via Panama (BLPG3) and Houston to Flushing in Europe (BLPG2).

KEY FINANCIAL HIGHLIGHTS

TCE/day[1)] (in millions)
$57,186

Available liquidity (in millions)
$131.5

Ships
14

NB Dual-fuel
6

Calendar days
4,922

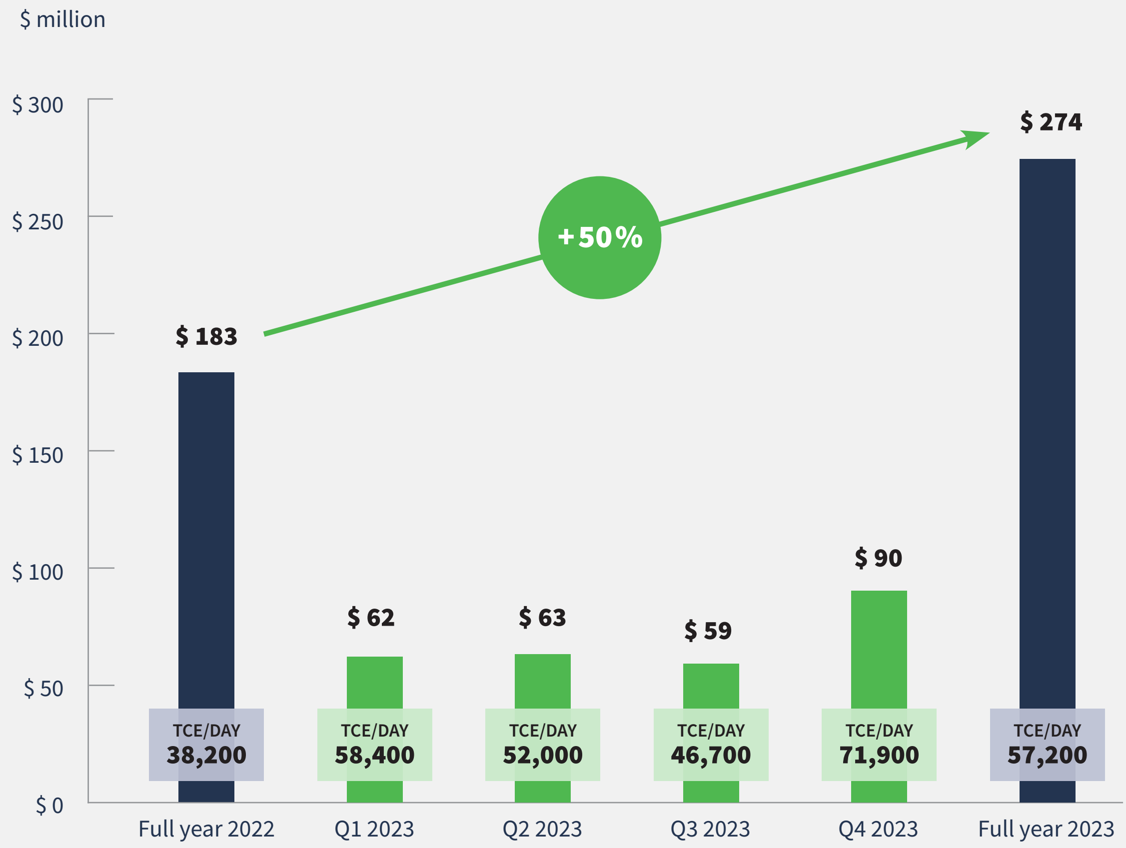
Operating days
4,787

OPEX/day
$8,187

A&G/day
$1,402

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

TCE Earnings



The year 2023 was the second-highest full year results in the history for Avance Gas recording a net profit of $164 million or $2.14 in earnings per share. A strong freight market was the main driver for our results where we achieved an average Time Charter Equivalent (TCE) rate per day of $57,186 for the full year. The Return on Equity was thus 27% measured against average book equity. The strong balance sheet and healthy cash position combined with a strong commercial market, allowed us to return value back to our shareholders where we distributed $2.15 per share or $164.7 million in total dividend for the full year 2023 (101% of net profit). The following sections below are describing further details.

In 2023, Avance Gas (the “Company”) reported a net profit of $163.6 million compared to a net profit of $89.0 million in 2022. Basic and diluted earnings per share was $2.14 and $2.12 in 2023, a significant increase compared to $1.16 in 2022.

Operating expenses in 2023 were $40.3 million down from $40.7 million in 2022 equalling an average daily operating expense of $8,187 for 2023, compared to $8,403 in 2022. The decrease is explained by delivery of newbuildings requiring less maintenance partly replacing the three 2008-9 vessels sold in 2022.

Administrative and general expenses, totalled $6.9 million in 2023, broadly in line with $6.7 million in 2022.

Net non-operating expenses, consisting mainly of finance expense and finance income, were $18.8 million, down from $20.0 million in 2022. Both finance expense and finance income increased due to higher interest rate levels, however, increase in finance expense was offset by interest rate hedges, resulting in a decrease in net non-operating expenses.

Avance Gas' total assets amounted to $1,153.6 million at 31 December 2023, up from $1,067.9 million at 31 December 2022. The Company took delivery of Avance Rigel and Avance Avior, the third and fourth of six 91,000 cbm VLGC newbuildings from Hanwha Ocean (formerly known as Daewoo Shipbuilding & Marine Engineering) in South Korea, resulting in reclassification of $166.4 million from newbuildings to property, plant and equipment (PP&E). The Company also entered newbuilding contracts with CIMC (Nantong CIMC Sinopacific Offshore & Engineering Co., Ltd) for the construction of four mid-sized LPG/ammonia gas carriers with dual fuel engines (MGCs). For the twelve months ended December 31, 2023, the total capitalised expenses were $178.7 million, of which $131.8 million related to pre-delivery milestone payments to the yard and other newbuilding costs for VLGCs, $37.1 million related to pre-delivery milestone payments for MGCs, $7.0 million in drydocking expenses, $1.6 million in other upgrades for PP&E and $1.2 million in capitalised borrowing costs.

Total net interest bearing debt was $524.3 million at year-end 2023, compared to $451.5 million as of year-end 2022. The company drew $115.0 million on a $555 million sustainability linked financing facility signed in May 2022 in connection with delivery of the VLGC Avance Rigel and the VLGC Avance Avior during the first half of 2023. The $555 million facility agreement includes an annual sustainability margin adjustment mechanism linked to the Company's ambition to reduce the carbon intensity of the fleet which is a high priority for the Company.

Total shareholders' equity amounted to $603.8 million, corresponding to an equity ratio of 52.3%, compared to $603.9 million and 56.6% as of December 31, 2022. The equity ratio decreased from year end 2022 due to increase in total assets, while total equity remained at the same level due to increase from net profit of $163.6 million and compensation expense for share options of $0.2 million offset by dividend payment of $153.2 million and other comprehensive loss of $10.7 million mainly from fair value loss of derivatives.

Cash and cash equivalents were $131.5 million on 31 December 2023, compared with $224.2 million at 31 December 2022, reflecting capital expenditures, repayment of long-term debt and dividend payments, offset by positive cash flows from operations and proceeds from borrowings.

On the financing side, the Company received credit approval in second half of 2023 to refinance Avance Pampero (2015) in a $43 million bank Facility. The refinancing was completed in March 2024 resulting in a net cash release of $5 million. The margin was significantly improved from 3.26% to 1.90%, has an age adjusted profile of 20 years and matures in 2028. Further, the Company reached an agreement with BoComm to swap the intended lease from the two VLGC newbuildings for delivery in March and May 2024, Avance Castor and Avance Pollux, to the sister ships Avance Polaris and Avance Capella (both 2022). The refinancing extended maturity from 2027 to 2034 and resulted in a net cash release of $40 million in February 2024. Following the transactions, the Company released $45 million in cash during the first quarter 2024, secured no debt maturity prior 2028 while maintaining an industry low cash break-even of $22,500 per day.

Further, the Company announced the sale of three vessels in 2023, Iris Glory (2008) and the two-remaining dual fuel VLGC newbuildings, Avance Castor (2024) and Avance Pollux (2024), in addition the Company announced the sale of Venus Glory (2008) in early January 2024 at attractive asset sale prices. Thereby, the Company expect to record in total $120 million in gain on sale for vessels and $188 million in net cash proceeds from the four vessel sales for the first half of 2024.

KEY OPERATIONAL HIGHLIGHTS

Avance Gas fleet utilisation:
99.0%

Crew members:
294*

*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:
9

Marine casualties:
0

Waiting days per ship per month:
0.29

Number of countries:
29

Deadweight tonnage:
771,656

Total distance travel by vessel:
1,278,676

Total calendar days for the fleet was 4,922 up from 4,849 last year which is explained by delivery of the third and fourth dual fuel newbuildings, VLGCs Avance Rigel and Avance Avior in February and May 2023 offset by less calendar days for the three vessels sold in 2022, Thetis Glory (2008-built), Providence (2008-built) and Promise (2009-built). Further, the Company recorded 135 off hire days for the year 2023, of which 84 off hire days relates to scheduled drydocking including Ballast Water Treatment System (BWTS) upgrade of Iris Glory (2008) and Venus Glory (2008), remaining off hire days relates to maintenance and repair and compares to 62 off hire days in 2022. Thus, the Company recorded 4,787 operating days (calendar days less off hire days) in 2023, which was the same as the number of operating days in 2022.

Avance Gas vessels mainly operate in the Middle East Gulf and US Gulf/US East Coast for loading with transport of the cargo to Asia primarily via Panama being the shortest route to Asia depending on end destination. During 2023, waiting time in the Panama canal increased significantly caused by a draught on top of VLGCs being downprioritised due to new transit booking rules introduced in 2020. Therefore, Avance routed the majority of the fleet via Suez for US cargoes up until the Houthi militia's attacked merchant shipping around the Bab el-Mandeb strait at the end of the year. Thereafter, Avance routed vessels loading in US via the Cape of Good Hope. Consequently, sailing distance for the fleet increased by 11%, up from 1,150,819 nautical miles in 2022, to 1,278,676 nautical miles in 2023.

The commercial utilisation remained high throughout the year as a resulting of the re-routing of the vessels as described above. For the fleet we recorded a utilization of 99.0% for the full year compared to 98.3% in 2022. Waiting days in 2023 for the Avance Gas fleet totalled 47 days compared to 83 days in 2022, representing an average of 0.29 days per ship/month compared with average 0.57 days per ship/month in 2022.

The Company had a decrease in energy use and CO2 emission of 7% measured in AER (Annual Efficiency Rate). The main driver behind the reduction is execution of our renewal strategy where we sold three older vessels in 2022 while taking delivery of four dual fuel newbuildings in 2022 and 2023. The final two 2008-built vessels in the fleet were subsequently sold in 2024, which will decrease the average age of the fleet and have a positive impact on energy use and CO2 emissions going forward. For the year 2023, we obtained an AER of 6.64 compared to 7.11 in 2022 and 7.46 in 2021.

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

History and fleet

The fleet

VESSEL	SIZE CBM	YARD	BUILT	OWNERSHIP
Iris Glory*	83,700	Hanwha, South Korea	2008	Sale leaseback
Venus Glory*	83,700	Hanwha, South Korea	2008	100%
Mistral (scrubber)	83,000	Jiangnan, China	2015	100%
Monsoon (scrubber)	83,000	Jiangnan, China	2015	100%
Breeze (scrubber)	83,000	Jiangnan, China	2015	100%
Passat (scrubber)	83,000	Jiangnan, China	2015	100%
Sirocco (scrubber)	83,000	Jiangnan, China	2015	100%
Levant (scrubber)	83,000	Jiangnan, China	2015	100%
Chinook	83,000	Jiangnan, China	2015	100%
Pampero**	83,000	Jiangnan, China	2015	Sale leaseback
Avance Polaris (LPG dual fuel)**	91,000	Hanwha, South Korea	2022	100%
Avance Capella (LPG dual fuel)**	91,000	Hanwha, South Korea	2022	100%
Avance Rigel (LPG dual fuel, NH3 fuel ready)	91,000	Hanwha, South Korea	2023	100%
Avance Avior (LPG dual fuel, NH3 fuel ready)	91,000	Hanwha, South Korea	2023	100%
Avance Castor (LPG dual fuel, NH3 fuel ready, NH3 as cargo)*	91,000	Hanwha, South Korea	2024	Sale leaseback
Avance Pollux (LPG dual fuel, NH3 fuel ready, NH3 as cargo)*	91,000	Hanwha, South Korea	2024	Sale leaseback

** Subsequently sold:*
- *Iris Glory (2008): sale completed in January 2024*
- *Venus Glory (2008): sale completed in March 2024*

***Subsequently financed:*
- *Pampero (2015): completed refinancing from sale leaseback to bank financing in March 2024*
- *Avance Polaris and Avance Capella (2022): completed refinancing from bank financing to sale leaseback in February 2024*

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, under-scoring 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.

2018-2020

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 economies of scale and the group's extensive commercial and technical experience. After a weak freight market since 2016, the VLGC market began to strengthen at the end of 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.

The global pandemic outbreak (Covid-19) has significant impact on the global market and economy in 2020, with reduced demand for LPG and lower fleet efficiency impacting the VLGC market. Avance Gas manages through a challenging year, and completes the scheduled drydocking programme for 8 vessels, in addition to scrubber installations on 5 vessels. Avance Gas completes the sale of its oldest vessel Avance, and proceeds with the construction of two LPG dual-fuel newbuildings at Daewoo Shipbuilding and Marine Engineering (DSME) in South Korea.

2023

The year 2023 ended with the second-best annual results in the Company's history with a net profit of $164 million. A strong freight market throughout the year was the main driver.

In February and May, the Company took delivery of *Avance Rigel* and *Avance Avior*, the third and fourth of its six dual fuel 91,000 cbm VLGC newbuildings from Daewoo Shipyard in South Korea.

During the second quarter, the Company also entered into newbuilding contracts with CIMC (Nantong CIMC Sinopacific Offshore & Engineering Co., Ltd) for the construction of four mid-sized LPG/ammonia gas carriers with dual fuel engines scheduled for delivery in 2025 and 2026.

In July, the Company announced the sale of the 2008-built VLGC Iris Glory. In December, the Company announced the sale of the two remaining VLGC newbuildings for a gross cash consideration of $240 million with ex-yard delivery to the new owners in 2024.

The strong commercial market combined with a strong balance sheet and healthy cash position of the Company, allowed Avance Gas to return value back to the shareholders by distributing $2.15 per share or $165 million in total dividend for the full year 2023.

2021-2022

In 2021, Avance Gas entered shipbuilding contracts for in total six 91,000 cbm, LPG Dual-Fuel VLGCs with Daewoo Shipbuilding and Marine Engineering (DSME) in South Korea. Avance Gas successfully completed a private placement raising $65 million in new equity to finance the newbuilding program, and also signed a $104 million sustainability-linked term facility with a bank syndicate to finance its first two dual-fuel newbuildings.

In August 2021, the majority shareholder of Avance Gas Holding Ltd., Hemen Holding Limited ("Hemen") acquired additionally 127,207 shares in the Company. The transaction triggered an obligation for Hemen to make a mandatory offer to acquire all shares in the Company at a price of NOK 43 per share. Following settlement of the mandatory offering in October 2021, Hemen owned 59,382,696 shares, equating to approximately 76.7% of the Company.

In 2022, Avance Gas continued the fleet renewal program by selling the three VLGCs *Thetis Glory* (2008), *Providence* (2008) and *Promise* (2009). In January and February, the Company took delivery of *Avance Polaris* and *Avance Capella*, the first two of its six dual fuel 91,000 cbm VLGC newbuildings from Daewoo Shipyard in South Korea.

In May 2022, Avance Gas signed a $555 million sustainability-linked term facility with a bank syndicate to re-finance the previous bank facility financing including financing of newbuildings three and four, *Avance Rigel* and *Avance Avior*. The Company concluded the financing for the whole newbuilding program by entering into a sale leaseback arrangement for the final two newbuldings, *Avance Castor* and *Avance Pollux*.

PRESENTATION OF THE

Board of Directors

Øystein Kalleklev

CEO and Director

Øystein served as Director of Avance Gas since 26 May 2021 and was elected as Chairman of the Board in March 2022 until he stepped down to Director as he was appointed as CEO in April 2023. Mr. Kalleklev has been the CEO in FLEX LNG Management since August 2018, after serving as CFO of Knutsen NYK Offshore Tankers since 2013 and Chairman of the General Partner of the MLP KNOT Offshore Partners from 2015-2017. Previous roles include CFO of industrial investment company Umoe Group, Managing Director of Umoe Invest, Partner of investment bank Clarksons Platou and Business Consultant at Accenture. Mr. Kalleklev holds a MSC in Business and Administration from Norwegian School of Economics and a Bachelor in Business and Finance from Heriot-Watt University.

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.

Kathrine Fredriksen

Director

Kathrine Fredriksen served as Director of Avance Gas since 26 May 2021. Ms. Fredriksen serves as President of Seatankers UK, board member of Norwegian Property since 2016 and as a board member in Ship Finance since February 2020. She has previously been on the boards of Seadrill, Golar LNG, Frontline and Deep Sea Supply. Through her role as President of Seatankers UK, she provides advice on all group investments and is intrinsically involved in the administration of the organization. Kathrine is educated at European Business School in London. She is a passionate collector of modern and contemporary art.

James O'Shaughnessy

Director

James O'Shaughnessy has served as a Director of the Company since January 2021. James 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 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.

Will Homan-Russell

Director

Will Homan-Russell has been a Director of Avance Gas since December 2023. Mr. Homan-Russell is an experienced professional investor in the maritime sector, currently serving as Chief Investment Officer of UK based WMC Capital Ltd., where he cofounded Albemarle Shipping Fund. From 2003 to 2018 he worked for Tufton Oceanic Limited, a fund management company specializing on investments in the maritime and energy sectors. Mr. Homan-Russell holds an MA in Mathematics from Oxford University and an MSc. in Finance from London Business School.

Board of Directors' Report

Executive summary

The year 2023 was the second-highest full year results in the history for Avance Gas recording a net profit of $164 million or $2.14 in earnings per share. The solid results were driven by strong export growth from the US, very favourable product price arbitrage between US Gulf Coast and Far East Asia coupled with slippage of the orderbook and congestion in the Panama Canal.

2023 has also been an active asset transaction year for the Company where we continued to execute on the fleet renewal. In the second half of 2023, we agreed to sell the two last vintage 2008-built vessels, Iris Glory, and Venus Glory, at attractive sale prices with delivery in early 2024 thereby a total gain on sale of $48 million and cash release of $66 million is expected to be recorded in relation to these sales for the first quarter 2024. While at the same time, we placed newbuilding orders for four mid-sized LPG/ammonia carriers (MGCs) equipped with dual fuel engines capable of running on both LPG as well as compliant fuel oil at contract price of $61.5 million per vessel with delivery in 2025 and 2026.

Further, we agreed to sell two dual fuel VLGC newbuildings for $240 million at an estimated gain on sale of $72 million. The two newbuildings were contracted in April 2021 at approximately $78 million per vessel and were subsequently modified to load ammonia as cargo and prepared to run on ammonia as fuel for approximately $3 million bringing the total contract price to $81 million each and sold for $120 million per vessel. Thereby the Company expects to record a gain on sale of $72 million and a cash release of $122 million in the first half of 2024. This brings total gain on sales for the four vessel sales to $120 million and net cash proceeds of $188 million after repayment of debt and delivery instalment to be recorded during the first half of 2024.

On the financing side, in 2023 the Company agreed to refinance three vessels to improve terms resulting in a net cash release of approximately $45 million at drawdown during the first quarter 2024 while securing no debt maturity prior to 2028.

Given the strong results during the year and a solid balance sheet, the Company has returned value back to shareholders by paying $165 million or $2.15 in dividend for the full year 2023 which corresponds to 101% of net profit. This translated into an annualised dividend yield of 17% based on a share price of NOK 130 and foreign exchange rate for USD/NOK of 10.5.

COMPANY AND BUSINESS

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

As of December 31, 2023, Avance Gas's fleet consists of fourteen VLGCs on water including the two 2008- built vessels which were subsequently sold, and in addition two LPG dual-fuel newbuildings for delivery in 2024, sold ex-yard in March and May 2024 respectively, and four mid-sized LPG/ammonia gas carriers with dual-fuel engines with delivery in 2025 and 2026.

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

FREIGHT MARKET IN 2023

Despite the substantial number of newbuildings scheduled for delivery in 2023, the VLGC spot freight market was the best year seen in eight years. The underlying fundamentals kept the freight market at strong levels with US seaborne LPG export growth of 13% year-on-year and China being the key import nation recording an import growth of 22% year-on-year. US export growth was supported by 10% production growth year-on-year resulting in high inventories thereby lowering the US Mont Belvieu LPG prices allowing a widening US/Far East average LPG price arbitrage of $257 per metric ton representing an increase of 60% year-on-year. Middle East export was impacted by continued OPEC production cuts and shipowners' reluctance for loading cargoes out of Yanbu due to the tense situation in the Red Sea resulting in a modest export growth of 3% year-on-year. Further, 47 VLGCs were scheduled for delivery in 2023 whereas 40 VLGCs were delivered implying a slippage of 15%. Panama Canal congestion also contributed to market strength caused by a drought due to the weather phenomenon El Nino. This resulted in severely limiting the number of transits, increased waiting time and as a result auction fees skyrocketed, peaking at near to $4 million during the fourth quarter on top of ordinary canal fees of $0.4 million. Consequently, owners decided to reroute their vessels via Cape of Good Hope (CGH) or through the Suez Canal which later in the year effectively closed due to the Houthi militia's attacks on merchant shipping around the Bab el-Mandeb strait.

Looking at the market quarter by quarter, first quarter of the year got off to a shaky start as charterers and ship owners battled for the upper hand. Aided by low US gas prices as US domestic inventories at multi-year highs, strong demand from especially China in the East to feed its increasing number of PDH plants saw freight rates improve through the first quarter, averaging $67,400 per day (average US Gulf/Arabian Gulf). Mild weather in the US allowed for steady production while the absence of the normal seasonal fog in US Gulf allowed for export terminals in the Houston area to increase their utilization rates with especially March being a strong month that saw more than 100 VLGCs being loaded out of US terminals.

VLGC shipping rates are highly sensitive to the US/East LPG price arbitrage. Broader macroeconomic uncertainty with softening oil prices as a backdrop saw freight rates soften at the start of second quarter with traders unwilling to engage in the spot market. However, the market made a strong recovery through the quarter as China's seemingly insatiable appetite for LPG following increasing utilization rates amongst its PDH plants supporting ever widening price arbitrages and thus VLGC freight rates. Freight rates averaged $77,800 per day (average US Gulf/Arabian Gulf) through second quarter.

The historically weaker third quarter were anything but this year as the Baltic index for all three LPG trade routes reached all-time high in the last days of the quarter. OPEC, and Saudi Arabia in particular, announced further production cuts during the summer in a bid to tackle supressed oil prices subsequently leading to reduced tons for export as Saudi Arabia's LPG production is more interlinked with oil production than some of their more gassier neighbouring countries. Despite this, freight rates firmed up significantly at the end of the second quarter and remained relatively stable through the first two months of the third quarter. A prolonged period of supporting LPG price arbitrage, inefficiencies relating to delays in loading in US Gulf, Panama Canal delays and a sustained period of forward fixing made September a month for the record books. Several trading days printed all time high on the Baltic index with an average TCE for September at $145,000/day (average for US/Arabian Gulf).

Freight rates started to taper off in early October before recovering towards the end of the month. This positive momentum continued into November on the back of Panama Canal authorities announcing a reduction in number of transits and BLPG3 – Houston-Chiba/Panama averaged at almost $237 per metric ton with a corresponding TCE of $146,000/day which is one of the highest average TCE/day recorded. However, US/East LPG price arbitrage started to narrow on the back of weak macro-economic sentiment in Asia, rising US gas prices in December and freight rates started to slide. A small pre-Christmas rush managed to retake most ground lost through the month and for the average of BLPG 1 and BLPG 3 came in at $125,000/day over the quarter. US Export continued to be strong through the quarter with China being the end destination for almost a quarter of all VLGCs heading out of the US in 2023.

Middle East export (excluding Iran) growth continued where 2022 left off in the first half of 2023 until OPEC production cuts were announced in the second half of 2023 combined with security issues in the Red Sea at the end of the year. December AG cargo liftings were only 47 VLGC loadings being the lowest since July 2021. Iranian exports on the other hand recorded a strong increase in 2023 as exports increased by 23% y-o-y. The ongoing situation in the Red Sea / Gulf of Aden and particularly around the Bab el-Mandeb strait have effectively closed the Red Sea for VLGCs either in transit to load cargoes out of Yanbu or to sail through in laden or ballast passage. Although the time impact of increased sailing distances by going via Cape of Good Hope rather than Suez is approximately 3.5 days (ballast), the real impact on VLGC is coming from the disappearance of Yanbu cargos which, combined with the OPEC production cuts, are further reducing cargo availability in AG.

SALE OF VESSELS

In December 2023, the Company announced the agreement to sell its two remaining 91,000 cbm dual fuel newbuildings scheduled for delivery in 2024. The buyer agreed to pay $240 million en bloc for the two newbuildings ex-yard delivery. The newbuildings, with the intended names Avance Castor and Avance Pollux, were originally scheduled for delivery in the third and fourth quarter of 2023 but have been delayed with expected delivery now scheduled for March and May 2024, respectively. The newbuildings were contracted in April 2021 at a price of approximately $78 million each. They have since been upgraded with capex of about $3 million each for the ships to be able to load ammonia cargoes as well as being ready to run on ammonia as fuel when this feature becomes commercially available. Hence, Avance Gas expects to book a profit of approximately $72 million from the sale of which $36 million will be booked in the first quarter and $36 million in the second quarter. The cash release from the sale is expected to be $122 million/$61 million per vessel as we have already paid about $47 million in milestone payments to the yard in accordance with the Ship Building Contract.

In January 2024, the Company completed the sale of Very Large Gas Carrier (VLGC) Iris Glory, built 2008, for a gross cash consideration of $60 million. The vessel completed her two-year Time Charter with IOC at the end of November 2023. After completion of the Time Charter, Iris Glory also carried out a single spot voyage at a net Time Charter Equivalent (TCE) result of $3.1 million prior to delivery of the vessel to the new owners. The Company will record a book gain on sale of approximately $21 million and net cash proceeds following repayment of the lease financing of approximately $26 million for the first quarter 2024.

In January 2024, the Company announced that it had entered into an agreement to sell the VLGC Venus Glory, built 2008, for a gross cash consideration of $66 million. The vessel completed her two-year Time Charter Party (TCP) with IOC at the end of December 2023. After completion of this Time Charter, Venus Glory also carried out a single spot voyage at a net Time Charter Equivalent (TCE) result of $5.5 million. Delivery of the ship to the new owner, a National Oil Company, was successfully completed in March 2024. The Company will record a book gain on sale and a cash release following repayment of bank financing of $27 million and $40 million respectively.

FINANCING

In 2023, the Company received credit approval to refinance Avance Pampero (2015) in a $43 million bank Facility. The refinancing significantly improved the margin from 3.26% to 1.90%, bears an age adjusted profile of 20 years and matures in 2028. Drawdown of the Facility occurred in March 2024 resulting in net cash proceeds of approximately $5 million after repayment of previous debt.

Further, in 2023, the Company agreed with the financier to swap the intended lease from the two VLGC newbuildings for delivery in March and May 2024, Avance Castor and Avance Pollux, to the sister ships Avance Polaris and Avance Capella (both 2022). The refinancing extended maturity from 2027 to 2034 and resulted in a net cash release of $40 million in February 2024. Following the transaction, the Company has no debt maturity prior to 2028 while maintaining an industry low cash break-even of $22,500 per day.

FINANCIAL RESULTS

Looking at our commercial results, the Company recorded TCE earnings of $57,186 per day for full year 2023, compared to $38,236 per day in 2022. Avance Gas reported a net profit of $163.6 million in 2023, compared to a net profit of $89.0 million in 2022.

Out of a total 4,922 calendar days, Avance Gas fleet had 135 offhire days (2.74%) in 2023. This compared to 4,849 calendar days, and 62 offhire days (1.28%) in 2022. The increase in offhire days is mainly related to drydocking of the VLGCs Iris Glory and Venus Glory in 2023. Of total operating days, the fleet had a commercial utilisation rate of 99%, up from 98% in 2022.

Consolidated results

The TCE[1)] earnings for 2023 were $273.7 million, compared to $183.0 million in 2022. Operating expenses decreased to $40.3 million in 2023 from $40.7 million in 2022. The decrease is largely related to changes in the fleet, with newer ships requiring less maintenance replacing older ships. Administrative and general (A&G) expenses were $6.9 million in 2023, an increase from $6.7 million in 2022. The increase in A&G expenses in 2023 was largely related to settlement of employee share options during the third quarter. Non-operating expenses, consisting mainly of financial expenses, were $18.8 million in 2023, compared with $20.0 million in 2022, reflecting mainly a higher interest rate level in the market, which was offset by interest rate hedges, combined with interests earned on cash deposits.

Financial position and cash flow

As of December 31, 2023, the carrying amount of Avance Gas' assets was $1,153.6 million compared to $1,067.9 million as of 31 December 2022. The Company took delivery of two vessels (VLGC Avance Rigel and VLGC Avance Avior) during the first half of 2023, resulting in reclassification of $166.4 from newbuildings to property, plant and equipment. The Company also entered into newbuilding contracts with CIMC (Nantong CIMC Sinopacific Offshore & Engineering Co., Ltd) for the construction of four mid-sized LPG/ammonia gas carriers with dual fuel engines. During 2023, the Company capitalised in total $170.1 million related to Newbuildings. For the twelve months ended December 31, 2023 the amount capitalised consists of instalments and other costs related to the newbuilding program, including borrowing costs of $1.2 million.

The Company holds derivative financial instruments for hedge accounting, both interest rate swaps and forward freight and bunker hedge agreements. The net change in fair value of the derivative financial instruments was negative $9.1 million as the freight market reached elevated levels by the end of the year combined with interest rate swaps becoming effective.

Total shareholders' equity as of December 31, 2023 was $603.8 million, corresponding to an equity ratio of 52.3%, compared to $603.9 million and 56.6% as of December 31, 2022.

Total free cash and cash equivalents in 2023 amounted to $131.5 million compared with $224.2 million in 2022. Net cash flows from operating activities were $165.3 million. Net cash flows used in investing activities were $177.4 million, consisting of instalments and other costs paid on the Company's dual fuel newbuildings and drydocking expenses. Net cash flows used in financing activities were $80.4 million, consisting of drawdown of debt of $115.0 million and cash

1) Refer to Note 10 of the Financial Statements for definition and reconciliation of Alternative Performance Measures (APMs).

settlement on derivatives of $1.1 million. This was offset by repayment of debt of $43.2 million and lastly the Company paid dividends of $153.2 million during the year 2023.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

Avance Gas publishes a separate ESG report annually to provide external stakeholders easy access to how we manage and report material Environmental, Social and Governance factors. The report is prepared in accordance with the Marine Transportation framework established by the Sustainability Accounting Standards Board (SASB) and the principles of the UN Global Compact are incorporated. Our ESG framework reflects the incorporation of the UN Global Compact principles in our operations in general, and our enhanced ESG management system in the form of a digital platform.

For the full year 2023, we have reduced our emissions by 7% measured in AER (Annual Efficiency Rate). The main driver behind the reduction is divestment of older vessels, three 2008/9-built vessels were sold in 2022, while taking delivery of four dual fuel newbuildings capable of running on LPG as fuel in 2022 and 2023.

For more information about our approach to ESG, how we manage climate risk, social and governance matters, please read sections below and our separate ESG report and GRI Index report for 2023 which is published alongside with the annual report.

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's ambition is to ensure a safe and diverse place to work, that human rights are respected, that all workers have decent working conditions, and to improve the well-being of all our employees. Our actions are guided by industry and international standards, in line with what is expected by our key stakeholders.

Avance Gas prohibits discrimination against any employee, or any other person based on sex, race, colour, age, religion, sexual orientation, marital status, national origin, disability, ancestry, political opinion or any other basis. The Company prohibits unlawful harassment, and employees are expected to treat one another with respect. We also expect our contractors, suppliers and other business partners to aspire to similar standards of fair treatment and equal opportunities for their employees.

To enhance awareness on this topic as well as to prevent and mitigate any form of discrimination and harassment, Avance Gas has included discrimination and harassment as a topic in its compliance training that is mandatory for all employees and management.

Avance Gas is an international company that values diversity and cultural differences. Our offshore employees come from across the world, with the main nationalities being Indian and Filipino. Historically, our industry has been male dominated, a trend mirrored in the Company's offshore workforce composition. Our materiality assessment and the following review identified gender diversity as a material topic. While the majority of our employees working at sea are men, we actively promote the inclusion of female seafarers and have welcomed female cadets onboard our vessel. Onshore, Avance Gas is actively working to address gender imbalances by taking a conscious approach toward this topic during the recruitment process. Presently, women constitute 33.3% of Avance Gas' onshore workforce, which is above the broader representation of women working onshore in the maritime industry.

Avance Gas had 9 onshore employees by year-end 2023. It is the ambition to create a good working environment, offering challenging and motivating work tasks and equal development opportunities to all employees. The absence due to sickness for onshore employees was 0% in 2023.

HEALTH AND SAFETY

At Avance Gas, our number one priority is the health, safety, and well-being of our people, both at sea and onshore. The health, safety and general welfare of the crew is a top priority, and we have implemented several measures in this regard, not only towards requirements to ship managers, but also when it comes to crew training and the facilities onboard our vessels.

Through our involvement with the Neptune Declaration, we have supported our ship managers with the implementation of well-being initiatives and have ensured that all seafarers have access to mental health support. For instance, our maritime personnel have access to a well-being app, facilitating a private connection to a psychologist through their personal devices. The app leverages artificial intelligence, games and nudge techniques to gauge a person's mood and to improve their mental health. The platform allows us to monitor weak signals and act proactively to support our crew.

Through Avance Gas's health insurance, a well-being app is also made available to our onshore employees. The app "Overvinne" is developed by psychologists for our employees to get help when and where they want – arranged on their own terms. The app contains a digital self-help programme consisting of short videos, audio files, mood reports and articles.

The safety and security risks connected to operations at sea must always be managed carefully to safeguard crew, vessels, cargo and the environment. Avance Gas has a zero-accident ambition and operates according to the principle that no serious injury or environmental incident is acceptable. In 2023, our LTIR (Lost Time Injury Rate) increased to 0.74 from 0.39 in 2022. The LTIR reported during the year relates two finger injuries onboard. The injured shipboard employees received immediate medical assistance onboard, but it was later decided to sign them off for better follow-up and proper treatment onshore. Avance Gas has also performed preventative measures to prevent recurrence.

Avance Gas ensures that key systems, such as the safety management system, are audited at a minimum on an annual basis by independent auditors. In addition, individual vessels are inspected at regular intervals by Port State Control (PSC) inspectors and by our customers. A Ship Inspection Report Programme (SIRE inspection) is conducted when dealing with LPG vessels. Our Technical department, through the HSEQ function, also performs audits on an annual basis.

Crew and onshore employees can report a range of work-related hazards or hazardous situations through our near miss reporting and unsafe acts reporting systems. We recognise that fear of reprisals may hinder some people from raising concerns, and therefore we have a Stop Work Policy where it is made clear that any person may stop work if they deem the work unsafe. In addition, we promote a culture of "learner mindsets" where mistakes are seen as opportunities to learn and develop. Our crew has a direct reporting line to the Designated Person Ashore (DPA), and an anonymous whistleblowing hotline, that allows them to report on any circumstances that give rise to concern.

Work-related incidents are investigated using robust accident investigation techniques and include methods appropriate to the incident, such as technical examinations and interviews of staff along with recreating the accident trajectory. Reporting follows DNV's Marine Systematic Cause Analysis Technique and data is captured in an incident reporting system which allows for analysis of the root causes of the incident. Corrective actions are identified and tracked until implemented. The incident reporting system allows analysis of incident trends and aims to strengthen barriers to avoid similar incidents from taking place in the future.

CORPORATE SOCIAL RESPONSIBILITY

The Board oversees the Company's strategy including corporate social responsibility, ensures that appropriate and effective risk management and internal control systems are in place, and annually reviews our corporate governance framework. The BoD's Audit Committee monitors reports and complaints received by the company relating to internal controls and compliance.

The Board ensures that we have sound internal control and risk management systems in place, which encompass our corporate values and ethical guidelines, including the guidelines for corporate social responsibility. We have established a set of policies and control processes to safeguard these guidelines and policies. The set of policies includes Corporate Code of Business Ethics and Conduct, Financial Crime Policy, Sanction Policy, Ship Recycling Policy, Environmental Policy, Complaints Procedure, Privacy Policy, Know Your Business Partner Policy and Insider Trading Manual.

Avance Gas has a comprehensive Compliance Program ensuring that we conduct our business in an honest and ethical manner. To enhance our communication in respect of the compliance risks we are facing, Avance Gas provides training to all employees and management through in-person training sessions and an e-learning platform. This training is also made available as an option for the Board.

In 2023, Avance Gas contracted Agenda Risk to conduct a risk assessment and gap analysis of the Company's current compliance programme to identify and mitigate risks Avance Gas is exposed to. The assessment resulted in a risk map covering all identified risks, and a gap analysis highlighted certain areas that would benefit from further attention. Some risk mitigating actions have already been implemented in 2023, and in 2024, Avance Gas has established a further training target as a means of risk mitigation in areas such as sanctions, and bribery. The Company will ensure that key staff at yards in connection to newbuildings and dry-docking receive necessary training in anti-corruption and Avance Gas's Code of Business Ethics and Conduct.

Over the past few years, the primary risk for individuals or entities operating in the maritime industry or energy sector has been the potential violation of sanctions, either directly or indirectly through third parties. Following Russia's invasion of Ukraine, the UK, EU and US have imposed extensive sanctions against Russian interests targeting, inter alia, entities, individuals, oil and oil products. Avance Gas has implemented a Sanctions policy and Know Your Business Partner policy. We also monitor our fleet on an ongoing basis and receive and follow-up on alerts if any of our vessels are in proximity to sanctioned areas or there is a gap in their AIS signals. In addition, third-party testing, strict due diligence requirements, monitoring of business partners and contractual risk mitigation are all measures that can also significantly reduce the risk of any sanction violation.

DIRECTORS AND OFFICERS LIABILITY INSURANCE

Avance Gas Holding Ltd has liability insurance coverage for its Directors and Officers (D&O). The 2023 D&O policy was placed with Aviva Insurance Ireland DAC, Lloyds AFB 2623/623 Beazley and International General Insurance Company UK Ltd. The insurance covers all loss from any claim or securities claim against an insured person and all legal representation expenses in respect of an investigation made during the policy period. The insurance does not cover losses where the Company has indemnified such loss.

GOING CONCERN

The consolidated financial statements of the Company have been prepared on a going-concern basis and in accordance with IFRS Accounting Standards. 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, financial and geopolitical risks. The Company maintains an ongoing assessment process, which is designed to identify, analyse and minimize risk exposures.

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. To partly mitigate the cyclical VLGC freight market, the Company enters Time Charter contracts to secure employment during periods associated with higher risk to the spot market. The Company also enters forward freight agreements and bunker hedges to reduce some of its exposure to fluctuations in the 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. Avance Gas holds external bank financing and is thus exposed to fluctuations in interest rates through its credit facilities. To mitigate the risk of rising interest rates the Company has fully hedged its current debt exposure in 2024 and half of its exposure in 2025 though interest rate swaps. The majority of interest rate swaps expire in 2025 when the interest rates are expected to trend downwards.

Operating internationally, Avance Gas is exposed to geopolitical risks. Freight markets were impacted by the ongoing situation in the Red Sea, with increased tension and security issues effectively closing the Red Sea for VLGCs either in transit to load cargoes out of Yanbu or to sail through in laden or ballast passage. The situation has resulted in re-routing of vessels via Cape of Good Hope and reduced cargo capacity.

MARKET OUTLOOK

Spot freight market came off its peak at $130,000/day at the beginning of 2024 due to the severe cold snap in the US resulting in inventory draw coming from domestic demand and consequently narrowed the LPG price arbitrage between US and Far East. This combined with few cargoes in the Arabian Gulf and low demand from the East had an immediate hit to the spot freight market which bottomed at $6,000/day in early February. The market rebounded quickly from the lows in February and BLPG3 currently quotes $138 per metric tons or TCE of $62,000/day for US cargo (Houston – Chiba via Panama roundtrip) and BLPG1 quotes $79 per metric tons or $58,000/day for AG cargo (Ras Tanura – Chiba roundtrip).

Looking at the fundamentals in the coming years, EIA forecast that US LPG production is expected to grow by 2% in 2024 followed by 4% growth in 2025. However, while production is growing, terminal capacity for exports will not grow materially before next round of expansions, expected to be completed in Q3 2025. This together with expectation of continued flat development of US domestic consumption is expected to keep US gas prices subdued in the foreseeable future. Any increase in US exports, prior to summer of 2025, will thus have to stem from the export terminal's ability to maintain a high utilization rate over time. US terminals exported on average 80 VLGCs per month in 2022 and 90 overall in 2023 with certain months managing as many as 100 VLGCs – implying there should be some upside remaining however this will be subject to Houston Ship Channel operations as well as market environment.

The Panama Canal for VLGCs heading from and to North-East Asia continues to be challenged by the changes to the booking system and the drought that Panama has experienced. The limited number of transits announced by the authorities in second half 2023 have to some extent been eased into 2024 however auction costs being the new proxy for congestion have been close to $1 million in February for both northbound and southbound reflecting the presences of congestion which is expected to continue closer to the summer season.

For the Middle East export, OPEC production cuts are keeping a lid on any supply side growth while the situation in the Red Sea with the Houthi rebels attacking merchant shipping in the area are hampering exports out of Yanbu that is difficult to divert to the Gulf coast of Saudi Arabia effectively pulling further tons away from the export market.

Chinese PDH capacity stood at close to 18 million tonnes per year at the end of 2023 and capacity for 2024 is expected to increase by 20% year-on-year. However, utilization rates will be key for any real demand growth in China for 2024.

The orderbook continues to grow and currently stands at 86 VLGCs or ~22% of 384 VLGCs on water. Owners have recently been contracting VLACs – Very Large Ammonia Carriers which currently stands for 44% of the orderbook, a new derivative of the traditional VLGC design but with added steel works to allow the ships to carry ammonia at 98% filling capacity due to the higher specific gravity of ammonia compared to propane and butane. The scheduled newbuilding deliveries for 2024 and 2025 is relatively muted as 65% of the orderbook is being delivered in 2026 and beyond. This combined with solid fundamentals and continued inefficiencies are suggesting a healthy spot freight market for the next two years which is also reflected in the current LPG FFA market at $45,000/day for calendar year 2024 and $48,000/day for calendar year 2025.

SUBSEQUENT EVENTS

In January 2024, the Company announced the sale of the 2008-built VLGC Venus Glory to an unrelated third party for a gross cash consideration of $66 million. Delivery to the new owners was completed in March 2024.

In January 2024, the Company successfully completed the sale of the 2008-built VLGC Iris Glory by delivering the vessel to the new owners.

In January 2024, the Company signed a $43 million bank facility agreement to refinance the VLGC Pampero (2015-built) followed by drawdown in March 2024.

In January 2024, the Company signed a $135 million sale and leaseback arrangement to refinance the VLGC Avance Polaris and Avance Capella (2022-built). The sale leaseback arrangement was originally signed in August 2022 and intended to finance the two VLGC newbuildings for delivery in 2024, Avance Castor and Avance Pollux, which were subsequently sold with scheduled delivery ex-yard in March and May 2024. Thereby, the sale leaseback arrangement was transferred to Avance Polaris and Avance Capella in January 2024.

In February 2024, the Company entered a one-year variable time-charter for the dual fuel VLGC Avance Polaris (2022-built).

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

The Board of Directors of Avance Gas Holding Ltd

5 April 2024

Øystein Kalleklev
CEO and Director

François Sunier
Director

Kathrine Fredriksen
Director

James O'Shaughnessy
Director

Will Homan-Russell
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 2023 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

5 April 2024

Øystein Kalleklev
CEO and Director

Francois Sunier
Director

Kathrine Fredriksen
Director

James O'Shaughnessy
Director

Will Homan-Russell
Director

Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT

		FOR THE YEAR ENDED	
		DECEMBER 31, 2023	**DECEMBER 31, 2022**
	Note	*(in USD thousands)*	
Operating revenue	10	**352,310**	254,540
Voyage expenses	11	**(78,561)**	(71,504)
Operating expenses	12	**(40,298)**	(40,748)
Administrative and general expenses	13	**(6,900)**	(6,667)
Gross operating profit		**226,551**	135,621
Depreciation and amortisation expense	5	**(43,934)**	(45,020)
Gain on disposal of asset		**-**	18,648
Operating profit		**182,617**	109,249
Finance expense	14	**(24,017)**	(21,362)
Finance income	14	**5,175**	1,692
Foreign currency exchange gains (losses)		**60**	(302)
Income before tax		**163,835**	89,277
Income tax expense	15	**(258)**	(285)
Net profit		**163,577**	88,992
Earnings per share	9		
Basic		**2.14**	1.16
Diluted		**2.12**	1.16

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	FOR THE YEAR ENDED DECEMBER 31, 2023	DECEMBER 31, 2022
		(in USD thousands)	
Net profit		**163,577**	88,992
Other comprehensive (loss) income:			
Items that may be reclassified subsequently to profit and loss:			
Fair value adjustment of derivative financial instruments designated for hedge accounting	7, 20	**(9,092)**	26,497
Amortisation of gain on discontinued hedges	7, 20	**(1,650)**	(647)
Exchange differences arising on translation of foreign operations		**10**	-
Other comprehensive (loss) income		**(10,733)**	25,850
Total comprehensive income		**152,844**	114,842

CONSOLIDATED BALANCE SHEET

	Note	DECEMBER 31, 2023	DECEMBER 31, 2022
		FOR THE YEAR ENDED (in USD thousands)	
ASSETS			
Cash and cash equivalents	3	**131,515**	224,243
Receivables	4	**42,403**	12,229
Related party receivable balances	16	**559**	-
Inventories		**9,776**	4,976
Mobilisation cost		**7,126**	4,186
Prepaid expenses	4	**14,212**	7,461
Other current assets	4	**5,181**	3,453
Derivative financial instruments	7	**4,953**	5,988
Asset held for sale	5	**38,047**	-
Total current assets		**253,772**	262,536
Property, plant and equipment	5	**808,818**	715,866
Newbuildings	5	**87,346**	83,597
Derivative financial instruments	7	**3,649**	5,871
Total non-current assets		**899,813**	805,334
Total assets		**1,153,585**	1,067,870
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current portion of long-term debt	6, 7	**38,380**	37,278
Debt for asset held for sale	5, 6	**31,476**	-
Accounts payable		**4,433**	4,308
Related party payable balances	16	**1,258**	248
Accrued voyage expenses		**8,470**	4,294
Accrued expenses		**1,259**	1,200
Derivative financial instruments	7	**6,762**	-
Other current liabilities		**3,319**	2,372
Total current liabilities		**95,357**	49,700
Long-term debt	6, 7	**341,047**	300,858
Long-term revolving credit facilities	6, 7	**113,387**	113,387
Total non-current liabilities		**454,434**	414,245
Shareholders' equity			
Share capital	8	**77,427**	77,427
Paid-in capital		**431,366**	431,366
Contributed capital		**94,983**	94,772
Retained income (loss)		**4,771**	(5,620)
Treasury shares		**(11,351)**	(11,351)
Accumulated other comprehensive income	20	**6,598**	17,331
Total shareholders' equity		**603,794**	603,925
Total liabilities and shareholders' equity		**1,153,585**	1,067,870

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

Avance Gas

The Board of Directors of Avance Gas Holding Ltd

5 April 2024

Øystein Kalleklev
CEO and Director

François Sunier
Director

Kathrine Fredriksen
Director

James O'Shaughnessy
Director

Will Homan-Russell
Director

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(in USD thousands)		SHARE CAPITAL	PAID-IN CAPITAL	CONTRIBUTED CAPITAL	RETAINED (LOSS) INCOME	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TREASURY SHARES	TOTAL
Balance, December 31, 2021		77,427	431,366	95,070	(44,825)	(8,519)	(11,351)	539,168
Comprehensive income (loss):								
Net profit		-	-	-	88,992	-	-	88,992
Other comprehensive income (loss):								
Fair value adjustment of derivative financial instruments	7,20	-	-	-	-	26,497	-	26,497
Amortisation of gain on discontinued hedges	7,20	-	-	-	-	(647)	-	(647)
Exchange differences arising on translation of foreign operations		-	-	-	-	-	-	-
Total other comprehensive income		-	-	-	-	25,850	-	25,850
Total comprehensive income		**-**	**-**	**-**	**88,992**	**25,850**	**-**	**114,842**
Transactions with shareholders:								
Dividend	8	-	-	-	(49,786)	-	-	(49,786)
Compensation expense for share options	18	-	-	(298)	-	-	-	(298)
Total transactions with shareholders				(298)	(49,786)	-	-	(50,084)
Balance, December 31, 2022		**77,427**	**431,366**	**94,772**	**(5,620)**	**17,331**	**(11,351)**	**603,925**

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	CON-TRIBUTED CAPITAL	RETAINED (LOSS) INCOME	ACCUMULATED OTHER COM-PREHENSIVE INCOME (LOSS)	TREASURY SHARES	TOTAL
Balance, December 31, 2022		**77,427**	**431,366**	**94,772**	**(5,620)**	**17,331**	**(11,351)**	**603,925**
Comprehensive income (loss):								
Net profit		-	-	-	163,577	-	-	163,577
Other comprehensive income (loss):								
Fair value adjustment of derivative financial instruments	7,20	-	-	-	-	(9,092)	-	(9,092)
Amortisation of gain on discontinued hedges		-	-	-	-	(1,650)	-	(1,650)
Exchange differences arising on translation of foreign operations		-	-	-	-	10	-	10
Total other comprehensive income		-	-	-	-	(10,733)	-	(10,733)
Total comprehensive income		**-**	**-**	**-**	**163,577**	**(10,733)**	**-**	**152,844**
Transactions with shareholders:								
Dividend	8	-	-	-	(153,186)	-	-	(153,186)
Compensation expense for share options	18	-	-	211	-	-	-	211
Total transactions with shareholders		-	-	211	(153,186)	-	-	(152,976)
Balance, December 31, 2023		**77,427**	**431,366**	**94,983**	**4,771**	**6,598**	**(11,351)**	**603,794**

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, 2023	DECEMBER 31, 2022
		(in USD thousands)	
Cash flows from operating activities			
Cash generated from operations	21	**191,155**	142,180
Interest paid		**(24,005)**	(19,057)
Settlement of share options		**(1,815)**	(933)
Net cash flows from operating activities		**165,335**	122,190
Cash flows from investing activities:			
Net cash proceeds of sale assets		**-**	141,525
Capital expenditures	5	**(177,446)**	(155,102)
Net cash flows used in investing activities		**(177,446)**	(13,577)
Cash flows from financing activities:			
Dividend	8	**(153,186)**	(49,786)
Repayment of long-term debt	6	**(43,154)**	(271,242)
Drawdown of long-term debt	6	**115,000**	429,000
Repayment of revolving credit facility	6	**-**	(93,598)
Transaction cost related to loans and borrowings		**(145)**	(6,212)
Cash settlement of derivatives		**1,073**	6,067
Net cash flows from (used) in financing activities		**(80,412)**	14,229
Net increase (decrease) in cash and cash equivalents		**(92,523)**	122,842
Cash and cash equivalents at beginning of period		**224,243**	101,910
Effect of exchange rate changes on cash		**(205)**	(509)
Cash and cash equivalents at end of period		**131,515**	224,243

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”). As of December 31, 2023, the Company owns and operates a fleet of fourteen ships and two Dual Fuel VLGCs (Very Large Gas Carriers) newbuildings due for delivery in 2024, and four dual fuel MGCs (Medium-Sized Gas Carriers) due for delivery in 2025 and 2026.

Basis for preparation

These consolidated financial statements comprise of 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 (collectively, the “Group”). The consolidated financial statements have been prepared in accordance with IFRS® Accounting Standards as adopted by the European Union (“IFRS”). Details of the Group’s accounting policies, including changes thereto, are outlined in Note 2 *Significant Accounting policies*.

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.

The Group has considered the potential impact of climate-related matters related to GHG emissions and more stringent regulations and standards for the industry in preparing the consolidated financial statements of the Company. The Group focuses on its vessel’s GHG emission profiles of the vessels when considering the fleet’s useful economic life, residual values and impairment. The Group’s fleet has an average age of less than 5 years old including the newbuilding program and excluding vessels held for sale.

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 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 previously recognised impairment, whenever events or changes in circumstances indicate the carrying amount of the ships may not be recoverable, or that assumptions for previously 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.

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.

Revenue recognition

Voyage revenues from spot voyages are recognised as the Company satisfies its performance obligations in accordance with IFRS 15. The performance obligation is satisfied over time from the point of loading to the point of discharge. Management uses judgement to estimate the total duration of each voyage at year end and allocates revenue to the voyage based on the percentage of completion. In estimating the total duration of the voyage, management considers historical trends, the operating capacity of each vessel and the distance of the planned route.

Accounting Policies

Foreign currency

The functional currency of Avance Gas and the majority of its subsidiaries is U.S. dollars.

Operating segments

As of December 31, 2023, the Group operates fourteen VLGCs and six Newbuildings under construction in the LPG segment. These vessels are operating worldwide and thereby it is considered that allocating the assets to specific locations is not suitable. During the year 2023, the Group mainly loaded the cargo in the Middle East and US Gulf and discharged in Asia and Europe. The performance of the vessels is reviewed regularly by the chief operating decision maker, which is the Group's management, and thereby constitutes the Group's only reportable segment.

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 and newbuildings

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.

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.

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.

Estimated useful life is 25 years for each VLGC and from 2.5 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.

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.

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.

Newbuildings

Newbuildings consist of ships under yard construction. Costs incurred to acquire or construct a ship, including directly attributable costs, are capitalised in accordance with IAS 16. These costs include yard instalments net of commission, supervision costs, pre-delivery costs and borrowing costs.

Newbuildings are reclassified to Property, plant and equipment upon delivery from the yard.

Asset held for sale

An asset is classified as held for sale in accordance with IFRS 5 if it's carrying amount will be recovered principally through a sale transaction rather than through continuing use. The asset is classified as held for sale if the asset is available for sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probably. Assets held for sale are presented as current and not depreciated while holding the classification.

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 largely 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

The Group holds interest rate swaps for the purpose of hedging its exposure to fluctuations in the market interest rates. The Group also holds forward freight and bunker hedge agreements for the purpose of hedging some of its exposure to fluctuations in the freight market.

All derivative financial instruments are designated for hedge accounting. The 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

The Group renders transportation services of LPG by sea and has categorised its revenue streams the two following categories:

Freight revenue

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

Time Charter revenue

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

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. Through the Group's shipping activities, some subsidiaries operate in foreign jurisdictions and are subject to local tax schemes, including the local tax system in Norway and in the United Kingdom. Income tax expense includes the current tax payable based on taxable profit for the year, adjusted for tax adjustments from previous periods, and any changes in deferred taxes.

Leases

The Group applies an accounting policy choice that short-term leases (being 12 months or less) and leases of low value will be expensed as incurred, following the exemption in IFRS 16. 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. The Group assesses at contract inception whether a contract is, or contains, a lease. As of the reporting date the Group has not entered into any lease contracts that are not meeting the short-term or low value exemptions in the standard.

New or amendments to standards

A number of amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

3. Cash and cash equivalents

	AS OF DECEMBER 31, 2023	DECEMBER 31, 2022
	(in USD thousands)	
Cash at bank	**131,448**	223,988
Restricted cash	**67**	255
Cash and cash equivalents	**131,515**	224,243

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.

4. Receivables, prepaid expenses and other current assets

Receivables	AS OF DECEMBER 31, 2023 (in USD thousands)	DECEMBER 31, 2022
Customer trade receivables	**38,702**	9,780
Demurrage	**3,954**	2,951
Other	**4**	2
Total	**42,660**	12,733
Allowance for credit losses	**(257)**	(504)
Receivables	**42,403**	12,229

Contract assets from accrued revenue of $35.9 million (2022: $7.4 million) is included within "Customer trade receivables".

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

Prepaid expenses	AS OF DECEMBER 31, 2023 (in USD thousands)	DECEMBER 31, 2022
Deposit forward freight & bunker hedge agreements	**10,660**	2,520
Prepaid expenses to ship managers	**3,357**	4,440
Other prepaid expenses	**195**	501
Prepaid expenses	**14,212**	7,461

Other current assets	AS OF DECEMBER 31, 2023 (in USD thousands)	DECEMBER 31, 2022
Advance canal toll and port disbursement	**4,627**	3,034
Other assets	**554**	419
Other current assets	**5,181**	3,453

5. Property, plant and equipment, assets held for sale and newbuildings

	SHIPS	FURNITURE AND FIXTURES	DRYDOCKING	TOTAL PROPERTY, PLANT AND EQUIPMENT
			(in USD thousands)	
Cost:				
December 31, 2021	1,019,746	625	41,198	**1,061,570**
Additions	166,808	-	467	**167,275**
Disposals	(204,548)	(63)	(9,901)	**(214,512)**
December 31, 2022	982,007	562	31,764	**1,014,333**
Additions	167,927	-	7,000	**174,927**
Asset held for sale	(65,587)	-	(3,314)	**(68,901)**
December 31, 2023	1,084,346	562	35,450	**1,120,359**
Accumulated depreciation, amortisation, impairment and reversals:				
December 31, 2021	323,066	316	21,611	**344,994**
Depreciation expense for the year	38,321	17	6,682	**45,020**
Disposals	(83,306)	(40)	(8,201)	**(91,547)**
December 31, 2022	278,081	294	20,092	**298,466**
Depreciation expense for the year	37,918	16	6,001	**43,934**
Foreign currency translation effect	-	(6)	-	**(6)**
Asset held for sale	(27,209)	-	(3,645)	**(30,854)**
December 31, 2023	288,790	303	22,448	**311,541**
Carrying value:				
December 31, 2022	**703,926**	**269**	**11,672**	**715,866**
December 31, 2023	**795,557**	**259**	**13,003**	**808,818**

Sale of vessels

In July 2023, the Company announced the sale of the 2008 built VLGC Iris Glory. The vessel is recognised as held for sale at December 31 2023 at a carrying amount of $38.0 million as all the conditions under IFRS 5 for classification as held for sale have been met. The vessel is not depreciated while holding the classification and due to repayment upon completion of the sale, the outstanding debt is classified as current in the balance sheet at December 31, 2023.

In December 2023, the Company announced the sale of the two remaining dual-fuel VLGC newbuildings scheduled for delivery from the yard in March and May 2024. The buyer will pay $240 million en bloc for the two newbuildings when they are delivered from the yard (ex-yard delivery). For these two newbuildings, the Company has capitalised $50.3 million which is included in Newbuildings at December 31, 2023. Refer to note 7 for contractual obligations related to VLGC shipbuilding contracts.

Newbuildings

In June and August 2023, the Company entered newbuilding contracts with CIMC (Nantong CIMC Sinopacific Offshore & Engineering Co., Ltd) for the construction of four mid-sized LPG/ammonia gas carriers with dual fuel engines. During the twelve months ended December 31, 2023, the group capitalised in total $37.1 million in relation to these newbuildings.

As of December 31, 2023, The Company has two Dual Fuel LPG newbuildings due for delivery from the yard in 2024 (and subsequently delivery to new owners as the vessels were sold), and four MGC newbuildings due for delivery in 2025 and 2026.

Cost:	**NEWBUILDINGS** *(in USD thousands)*
Newbuildings as at December 31, 2021	92,609
Instalments & other costs paid during 2022	154,629
Vessels delivered during 2022	(166,235)
Capitalised borrowing costs during 2022	2,594
December 31, 2022	**83,597**
Instalments & other costs paid during 2023	168,895
Vessels delivered during 2023	(166,381)
Capitalised borrowing cost during 2023	1,235
December 31, 2023	**87,346**

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 2023 was 1.9%.

Contractual obligations

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

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 Financial liabilities.

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 2023

As of December 31, 2023, indicators of 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 year ended December 31, 2023.

Impairment tests performed in 2022

As of December 31, 2022, indicators of 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 year ended December 31, 2022.

6. Financial liabilities

	AS OF DECEMBER 31, 2023	DECEMBER 31, 2022
	(in USD thousands)	
Non-current liabilities:		
Long-term debt	**306,651**	231,968
Revolving credit facilities	**113,387**	113,387
Lease financing agreement	**34,396**	68,890
	454,434	414,245
Current liabilities:		
Current portion of Long-term debt	**36,233**	30,522
Current portion of lease financing agreement	**2,147**	6,756
Current portion of lease financing agreement – asset held for sale	**31,476**	-
	69,856	37,278
Total interest-bearing liabilities	**524,290**	451,523

Long-term debt consisted of debt collateralised by the Group's 14 VLGCs as of December 31, 2023. The long-term debt consisted of debt collateralised by the Group's 12 VLGCs as of December 31, 2022.

During the first half of 2023, the Company drew $115 million on a sustainability linked financing in connection with the delivery of the VLGC Avance Rigel in February 2023 and the VLGC Avance Avior in May 2023.

In 2023 the long-term debt repayments were $43.2 million, where all was scheduled repayment of debt.

Terms and repayment schedule			AS OF DECEMBER 31, 2023 (in USD thousands)		DECEMBER 31, 2022	
	CURRENCY	YEAR OF MATURITY	FACE VALUE	CARRYING AMOUNT	FACE VALUE	CARRYING AMOUNT
Long-term debt	USD	2027-2028	**346,846**	**342,885**	268,275	262,490
Revolving credit facility	USD	2028	**113,387**	**113,387**	113,387	113,387
Lease financing agreement	USD	2030	**70,304**	**68,019**	77,029	75,646
Total interest-bearing liabilities			**530,537**	**524,290**	458,691	451,522

The carrying amount of total interest-bearing liabilities is the face value of the liability, less directly attributable transaction costs.

Loan covenants

The Group's secured bank loan contains a loan covenant, which under the terms of the loan agreement, 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 $104.0 million facility. Fair market value of VLGCs shall be minimum 125% of the aggregate of total loans outstanding for the first two years, then subsequently increase to 130% for the $555 million facility.

The Group has complied with the covenants of its borrowing facilities during the period covered by these financial statements and as of December 31, 2023 and 2022.

7. Financial risk management and financial instruments

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 fails to meet its contractual obligations, and the exposure is limited to the carrying amount of the Group's receivables from customers.

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, 2023, the Group had two external customers who each generated revenue greater than 10% of total revenue. The amounts were $66.6 million and $43.4 million. For the year ended December 31, 2022, the Group had one external customer who generated revenue greater than 10% of total revenue. The amount was $42.4 million.

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

	GROSS AMOUNT	IMPAIRMENT OF TRADE RECEIVABLES
	(in USD thousands)	
AS OF DECEMBER 31, 2023		
Up to 30 days past due	302	-
31 to 60 days past due	1,250	-
61 to 90 days past due	963	-
More than 91 days past due	315	257
	2,829	257

	GROSS AMOUNT	IMPAIRMENT OF TRADE RECEIVABLES
	(in USD thousands)	
AS OF DECEMBER 31, 2022		
Up to 30 days past due	24	-
31 to 60 days past due	7	-
61 to 90 days past due	2	-
More than 91 days past due	918	504
	951	504

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, 2023	DECEMBER 31, 2022
	(in USD thousands)	
Beginning of period	**504**	353
Net remeasurement of loss allowance	**(247)**	151
End of period	**257**	504

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, 2023		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	18,739	18,739	18,739	-	-	-
Long-term debt	342,885	413,644	60,879	53,792	298,972	-
Revolving credit facilities	113,387	120,499	2,173	1,668	116,658	-
Lease financing arrangement	68,019	87,202	39,977	4,605	12,765	29,856
Total non-derivative financial liabilities	**543,029**	**640,084**	**121,768**	**60,065**	**428,395**	**29,856**
Forward freight and bunker hedge liabilities	6,762	6,762	6,762	-	-	-
Interest rate swaps used for hedging (assets)	(8,602)	(8,602)	(4,953)	(2,608)	(808)	(232)
Total financial liabilities	**541,189**	**638,243**	**123,576**	**57,456**	**427,587**	**29,623**

AS OF DECEMBER 31, 2022			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	10,051	10,051	10,051	-	-	-
Long-term debt	262,490	321,757	46,239	44,436	189,992	41,090
Revolving credit facilities	113,387	146,239	6,461	6,461	19,382	113,935
Lease financing agreement	75,646	102,869	11,367	11,577	31,198	48,727
Total non-derivative financial liabilities	**461,573**	**580,916**	**74,118**	**62,475**	**240,572**	**203,752**
Forward freight and bunker hedge liabilities (assets)	(979)	(979)	(979)	-	-	-
Interest rate swaps used for hedging (assets)	(10,880)	(10,880)	(5,008)	(3,321)	(1,891)	(661)
Total financial liabilities	**449,714**	**569,057**	**68,131**	**59,154**	**238,682**	**203,092**

The contractual interest payments on outstanding debt as of December 31, 2023 are based on 3 months SOFR (Secured Overnight Financing Rate) forward curve plus an applicable margin.

Contractual obligations related to LPG Dual-Fuel VLGC and MGC shipbuilding contracts

As at December 31, 2023, the Company has entered into shipbuilding contracts for six new vessels (including vessels sold with ex-yard delivery), providing future payments of:

(in USD thousands)	2024	2025	2026	TOTAL AMOUNT
LPG Dual-Fuel VLGCs	116,238	-	-	116,238
LPG Dual-Fuel MGCs	18,617	83,778	108,600	210,995
As of December 31, 2023	**134,855**	**83,778**	**108,600**	**327,233**

(in USD thousands)	2023	2024	TOTAL AMOUNT
LPG Dual-Fuel VLGCs	187,038	57,638	244,675
As of December 31, 2022	**187,038**	**57,638**	**244,675**

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, 2023, a 100 basis points change in the SOFR rate would increase/decrease the Group's interest expense by $5.2 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 the 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, 2023		**DECEMBER 31, 2022**	
(in USD thousands)	NOTE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Financial liabilities					
Long-term debt	6	**342,885**	**342,885**	262,490	262,490
Revolving credit facilities	6	**113,387**	**113,387**	113,387	113,387
Lease financing agreement	6	**68,019**	**68,019**	75,646	75,646
Derivative financial instruments					
Interest rate swap assets		**8,602**	**8,602**	10,880	10,880
Interest rate swap liabilities		**-**	**-**	-	-
Forward Freight Agreements and Bunker Hedges assets		**-**	**-**	979	979
Forward Freight Agreements and Bunker Hedges liabilities		**6,762**	**6,762**	-	-

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, 2023 and December 31, 2022 as it is variable-rated. Derivative financial instruments are interest rate swaps, forward freight agreements and bunker hedges 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. The fair value (level 2) of the Company's Forward Freight Agreements and Bunker hedges are determined using forward commodity prices at the balance sheet date. Fair value adjustment of interest rate swaps, forward freight agreements and bunker hedges as of December 31, 2023 and December 31, 2022 is recognised in the statement of other comprehensive income / loss, refer to note 20.

The forward freight agreements and bunker hedges of $6.8 million as of December 31, 2023, consist of 50,000 tons/month of LPG freight and 1,700 tons/month of bunkers hedged for the first quarter 2024 corresponding to approximately one and a half vessel activity, 1,150 tons/month of bunkers hedged for the second quarter 2024 and 17,000 tons/month of LPG freight and 600 tons/month of bunkers hedged for the full calendar year 2024 corresponding to one half of a vessel activity.

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 cash flows on these instruments will vary depending on SOFR 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. Swaps with a notional amount of $178.1 million per 31 December 2023 are amortising until maturity of the swap, while swaps with a notional amount of $252.3 million have a fixed notional amount through to maturity. 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.

In March 2023, the Group entered interest rate swap agreements for a notional amount of $300 million. In May 2023, the Group terminated a notional amount of $125 million in interest rate swaps and thus recognised swap gain and cash proceeds of $1.0 million. The gains on termination of the interest rate swaps are being reclassified from other comprehensive income to the income statement and amortised on a straight-line basis until maturity of the underlying debt.

8. Share capital, paid in surplus and contributed capital

	ORDINARY SHARES	TREASURY SHARES	NUMBER OF SHARES OUTSTANDING
December 31, 2021	77,426,972	(833,889)	76,593,083
December 31, 2022	**77,426,972**	**(833,889)**	**76,593,083**
December 31, 2023	**77,426,972**	**(833,889)**	**76,593,083**

Share capital

The share capital of Avance Gas Holding Ltd. was $77.4 million, consisting of 77,426,972 shares at par value of $1 per share as of December 31, 2023 and as of December 31, 2022. All shares have equal voting rights and the rights to receive dividends. The Company's authorised share capital consists of 200,000,000 common shares at par value of $1 per share as of December 31, 2023 and December 31, 2022.

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.

List of largest shareholders as of December 31, 2023

Top 20 Shareholders:

NAME	NUMBER OF SHARES	HOLDING %
Hemen Holding Limited	59,382,696	76.7%
Citibank	1,473,573	1.9%
Nordnet Bank AB	1,243,293	1.6%
Avance Gas Holding Ltd	833,889	1.1%
Danske Bank A/S	646,436	0.8%
Clearstream Banking S.A.	580,001	0.7%
UBS Switzerland AG	552,939	0.7%
Interactive Brokers LLC	442,846	0.6%
Frontline PLC	442,384	0.6%
Stavern Helse og Forvaltning AS	440,000	0.6%
Saxo Bank A/S	381,282	0.5%
Avanza Bank AB	359,762	0.5%
Nordnet Livsforsikring AS	321,087	0.4%
J.P. Morgan Securities PLC	314,126	0.4%
The Bank of New York Mellon SA/NV (shareholder A)	307,651	0.4%
Heggelund, Jan	261,000	0.3%
Nordea Bank Abp	245,797	0.3%
Morgan Stanley & Co. Int. Plc	238,430	0.3%
The Bank of New York Mellon SA/NV (shareholder B)	224,892	0.3%
Swedbank AB	203,365	0.3%
Total top 20 shareholders	68,895,449	89.0%
Other shareholders	8,531,523	11.0%
Total shareholders	77,426,972	100.0%

Avance Gas Holding Ltd holds 833,889 treasury shares representing 1.08% of total issued shares as of December 31, 2023.

Cash dividends paid to the equity holders of the parent

	AS OF	
	DECEMBER 31, 2023	**DECEMBER 31, 2022**
	(in USD thousands)	
Dividends on ordinary shares declared and paid:		
Final dividend for 2022: $0.50/share (2021: $0.05/share)	**38,296**	3,830
First dividend for 2023: $0.50/share (2022: $0.20/share)	**38,296**	15,319
Second dividend for 2023: $0.50/share (2022: $0.20/share)	**38,297**	15,319
Third dividend for 2023: $0.50/share (2022: $0.20/share)	**38,297**	15,319
Total dividends on ordinary shares	**153,186**	49,787

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 realisable value of the company's assets would thereby be less than 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, 2023	**DECEMBER 31, 2022**
	(in thousands, except per share data)	
Net profit attributable to common shareholders	**163,577**	88,992
Basic weighted average shares outstanding	**76,593**	76,593
Dilutive effect of share options	**450**	311
Diluted weighted average shares outstanding	**77,043**	76,904
Basic earnings per share	**2.14**	1.16
Diluted earnings per share	**2.12**	1.16

10. Operating revenue and time charter equivalent (TCE rate)

	FOR THE YEAR ENDED	
	DECEMBER 31, 2023	**DECEMBER 31, 2022**
	(in USD thousands)	
External revenue disaggregated by nature:		
Freight revenue	**274,180**	173,013
Time charter revenue	**78,130**	81,527
Operating revenue	**352,310**	254,540
Timing of revenue recognition:		
Products and services transferred at a point in time	**10,562**	7,421
Products and services transferred over time	**263,619**	165,592
Revenue from contracts with customers	**274,180**	173,013
Time charter revenue	**78,130**	81,527
Operating revenue	**352,310**	254,540

The Group's freight revenue was mainly generated in the Middle East and US Gulf for the years ended December 31, 2023 and 2022, when based on the region in which the cargo is loaded. 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, 2023 undiscounted payments receivable under long-term time charter contracts with fixed rates due within 12 months amount to $2.9 million. In addition to this, as of December 31, 2023, the Company has two contracts with variable rates. As at December 31, 2022 undiscounted payments receivable under long-term time charter contracts with fixed rates due within 12 months amount to $29.8 million. In addition to this, as of December 31, 2022 the Company has three contracts with variable rates.

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.

	FOR THE YEAR ENDED	
	DECEMBER 31, 2023	DECEMBER 31, 2022
	(in USD thousands)	
Operating revenue	**352,310**	254,540
Voyage expenses	**(78,561)**	(71,504)
Voyage result	**273,749**	183,036
Calendar days	**4,922**	4,849
Technical off-hire days	**(135)**	(62)
Operating days	**4,787**	4,787
TCE per day ($)	**57,186**	38,236

11. Voyage expenses

	FOR THE YEAR ENDED	
	DECEMBER 31, 2023	DECEMBER 31, 2022
Voyage expenses:	*(in USD thousands)*	
Bunkers	**50,772**	48,091
Port and canal charges	**20,431**	18,266
Commissions	**6,378**	4,225
Other	**980**	922
Total voyage expenses	**78,561**	71,504

12. Operating expenses

	FOR THE YEAR ENDED	
	DECEMBER 31, 2023	DECEMBER 31, 2022
Operating expenses:	*(in USD thousands)*	
Crewing costs	**22,968**	23,078
Maintenance and repairs	**1,566**	1,267
Insurance	**1,490**	1,945
Ship supplies and provisions	**11,345**	11,434
Ship management fee	**2,443**	2,640
Other	**486**	384
Total operating expenses	**40,298**	40,748

13. Administrative and general expenses

	FOR THE YEAR ENDED	
	DECEMBER 31, 2023	DECEMBER 31, 2022
Administrative and general expenses:		
Employee benefit expenses	**3,458**	3,707
Information systems	**554**	735
Legal fees	**190**	312
Professional fees	**1,946**	1,737
Office fees	**207**	205
Travel and entertainment expenses	**56**	39
Share option compensation expense	**211**	(298)
Other	**278**	230
Total administrative and general expenses	**6,900**	6,667

Total administrative and general expenses include fees paid to related parties of $2,137, refer to note 16.

14. Finance expenses and finance income

	FOR THE YEAR ENDED	
	DECEMBER 31, 2023	**DECEMBER 31, 2022**
Finance expenses	*(in USD thousands)*	
Interest on long-term debt	**24,764**	19,579
Amortisation of debt issuance cost	**1,067**	3,640
Commitment fee	**1,071**	1,384
Amortisation of gain on discontinued hedges	**(1,650)**	(647)
Other finance cost	**-**	1
Capitalised borrowing cost	**(1,235)**	(2,594)
Finance cost expensed	**24,017**	21,362

Capitalised borrowing costs are added to the cost of PP&E that take a substantial period of time to complete.

Finance income of $5.2 million recognised in the income statement for 2023 ($1.7 million in 2022) relates to interest earned on cash deposits.

15. Income tax expense

At the date of this report there is no Bermuda income, corporation, or profits tax nor is there any, 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, as amended (the "Tax Protection Act"), 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. We could be subject to taxes in Bermuda after that date.

In December 2023, Bermuda passed into law the Corporate Income Tax 2023 (the "Corporate Income Tax Act") in response to the OECD's Pillar 2 global minimum tax initiative to impose a 15% corporate income tax that will be effective for fiscal years beginning on or after January 1, 2025. The assurance granted by the Minister of Finance pursuant to the Tax Protection Act has been made subject to the application of any taxes payable pursuant to the Corporate Income Tax Act. Subject to certain exceptions, Bermuda entities that are part of a multinational group will be in scope of the provisions of the Corporate Income Tax Act if, with respect to a fiscal year, such group has annual revenue of €750 million or more in the consolidated financial statements for at least two of the four fiscal years immediately prior to such fiscal year ("Bermuda Constituent Entity Group"). Further, Bermuda Constituent Entity's international shipping income and qualified ancillary international shipping income may be excluded from the computation of its taxable income or loss.

The Company does not have annual revenue above €750 million in the consolidated financial statements and is therefore currently not in scope for the provisions of the Corporate Income Tax Act.

Tax expense of $258 thousand recognised in the consolidated income statement in 2023 relates to income taxes in foreign jurisdictions. Tax expense recognised in the consolidated income statement in 2022 of $285 thousand relates to income taxes in foreign jurisdictions. The Group has no deferred taxes. The effective tax rate for the Group was 0.2% for the year ended December 31, 2023, and 0.3% for the year ended December 31, 2022.

16. Related party transactions

The Group entered into a corporate secretarial services agreement in July 2018, a technical supervision agreement in Q2 2019 with Frontline Management (Bermuda) and an office lease and shared service agreement with Seatankers Management Norway AS in Q2 2019. Additionally, the Group entered into a separate technical supervision agreement for the Group's newbuilding program with Frontline Management (Bermuda) in Q1 2021 and a shared services agreement with Front Ocean Management AS (Norway) in Q4 2021. Further, during 2022 the Group entered into an accounting and administrative service agreement with Flex LNG Management Ltd.

	FOR THE YEAR ENDED	
	DECEMBER 31, 2023	**DECEMBER 31, 2022**
Fees paid to related parties	*(in USD thousands)*	
Corporate secretarial services	**287**	248
Technical supervision	**1,162**	2,246
Office lease and shared services	**687**	980
Total fees to related parties	**2,137**	3,474

In addition, the Group received recharges of operational credits of $661.0 thousand and $1,028.8 thousand in 2023 and in 2022, respectively.

The Group had receivables against related parties per December 31,2023 of $559 thousand. The Group had no receivables against related parties per December 31, 2022. Payables to related parties were $1,258 thousand and $248 thousand per December 31, 2023 and 2022, 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 (in USD thousands)			
	DECEMBER 31, 2023		DECEMBER 31, 2022	
	CEO	CFO	CEO	CFO
Salary	**101**	**205**	310	217
Bonus	**-**	**95**	112	65
Other remuneration	**-**	**3**	2	3
Pension contribution	**15**	**19**	11	20
	116	**322**	435	305

In addition to the table above, the Company was recharged for CEO services of $118 thousand from a related party in 2023.

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 ($45.0 thousand for the member of the Audit Committee) for the years ended December 31, 2023 and December 31, 2022, paid proportionally for the time served on the Board. The former Chairman of the Board received $58.7 thousand for the year ended December 31, 2023 and $100 thousand for the year ended December 31, 2022. In April 2023, the Company announced the appointment of Chairman of the Board Mr. Kalleklev as Chief Executive Officer of Avance Gas. As a result, Mr. Kalleklev stepped down as Chairman of the Board to participate as a regular Board member. Total Board fees for the year ended December 31, 2023 were $189.3 thousand and $247.2 thousand for the year ended December 31, 2022.

The table below shows the total number of shares owned directly or indirectly by Directors and key management as of December 31, 2023. Remaining Directors and key management do not, directly or indirectly, own shares in Avance Gas as of December 31, 2023.

NAME	NUMBER OF SHARES	HOLDING %
Øystein Kalleklev	50,000	< 0.1%

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 2021, a total of 719,750 share options remained outstanding under the Company's share option scheme as of December 31, 2023.

Options granted under the 2021 and 2022 plans have a five-year term with a three-year vesting period. 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.

	2021 SHARE OPTION	2022 SHARE OPTION	TOTAL SHARE OPTIONS
Average exercise price ($)	3.26	3.54	
Outstanding January 1, 2023	363,833	625,000	988,833
Changes during the year:			
Granted	-	-	-
Exercised	(112,833)	(156,250)	(269,083)
Expired	-	-	-
Forfeited	-	-	-
Outstanding December 31, 2023	**251,000**	**468,750**	**719,750**
Exercisable December 31, 2023	12,667	-	12,667
Remaining average contractual life	0.4	3,7	

	2017 SHARE OPTION	2018 SHARE OPTION	2021 SHARE OPTION	2022 SHARE OPTION	TOTAL SHARE OPTIONS
Average exercise price ($)	1.24	0.86	5.64	4.75	
Outstanding January 1, 2022	41,500	89,500	1,524,666	-	1,655,666
Changes during the year:					
Granted	-	-	-	625,000	625,000
Exercised	(41,500)	(83,500)	(166,083)		(291,083)
Expired	-	-	-	-	-
Forfeited	-	(6,000)	(994,750)	-	(1,000,750)
Outstanding December 31, 2022	**-**	**-**	**363,833**	**625,000**	**988,833**
Exercisable December 31, 2022	-	-	6,333	-	6,333
Remaining average contractual life	-	-	2.6	4.7	

Share based expense for the year ended December 31, 2023 was $211 thousand. Share based expense for the year ended December 31, 2022 was negative $298 thousand as result of the derecognition of forfeited options.

19. Auditor's remuneration

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

	FOR THE YEAR ENDED	
	DECEMBER 31, 2023	DECEMBER 31, 2022
	(in USD thousands)	
Audit	**75**	107
Other assurance services	**15**	8
Total audit fees	**90**	114

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 income is broken down between the two categories as follows:

(in USD thousands)	FOREIGN CURRENCY RESERVE	CASH FLOW HEDGE RESERVE	ACCUMULATED OTHER COMPREHENSIVE INCOME
As of January 1, 2022	53	(8,572)	(8,519)
Effective portion of changes in fair value of interest rate swaps	-	24,155	24,155
Reclassified to income statement	-	1,695	1,695
Translation adjustment, net	-	-	-
As of December 31, 2022	**53**	**17,278**	**17,331**
Effective portion of changes in fair value of interest rate swaps	-	(2,165)	(2,165)
Reclassified to income statement	-	(8,577)	(8,577)
Translation adjustment, net	10	-	10
As of December 31, 2023	**63**	**6,536**	**6,598**

21. Supplemental information to the consolidated statement of cash flows

Reconciliation of net profit to cash generated from operations:

	Note	FOR THE YEAR ENDED DECEMBER 31, 2023	DECEMBER 31, 2022
		(in USD thousands)	
Net profit		**163,577**	88,992
Adjustments to reconcile net profit to net cash from operating activities:			
Depreciation and amortisation of property, plant and equipment and intangibles		**43,934**	45,020
Finance expense and foreign currency exchange	14	**23,957**	21,664
Share Option Compensation expense	18	**211**	(298)
Gain on sale asset		**-**	(18,648)
Changes in assets and liabilities:			
Decrease (increase) in receivables		**(30,733)**	9,004
Decrease (increase) in prepaid expenses, inventory, related party receivables, mobilisation cost and other current assets		**(16,219)**	738
(Decrease) increase in accounts payable		**125**	(3,167)
(Decrease) increase in accrued voyage expenses, other current liabilities, and related party balances		**6,192**	168
Other		**111**	(1,295)
Cash flows from operating activities		**191,155**	**142,180**

Reconciliation of net profit to cash generated from operations:

	DECEMBER 31, 2022	Cash flows	Non-cash changes: Amortisation	Non-cash changes: Other changes	DECEMBER 31, 2023
Long-term debt	262,490	78,571	895	928	**342,885**
Long-term revolving credit facility	113,386	-	-	-	**113,386**
Lease financing arrangements	75,646	(6,725)	172	(1,074)	**68,019**
Total liabilities from financing activities	**451,522**	**71,846**	**1,067**	**(145)**	**524,290**

	DECEMBER 31, 2021	Cash flows	Non-cash changes Amortisation	Other changes	DECEMBER 31, 2022
Long-term debt	225,581	33,473	3,428	8	**262,490**
Long-term revolving credit facility	81,984	31,402	-	-	**113,386**
Lease financing arrangements	82,416	(6,928)	212	(54)	**75,646**
Total liabilities from financing activities	**389,981**	**57,948**	**3,640**	**(46)**	**451,522**

Other changes include transaction costs related to loans and borrowings.

22. Subsequent events

In January 2024, the Company announced the sale of the 2008-built VLGC Venus Glory to an unrelated third party for a gross cash consideration of $66 million. Delivery to the new owners took place in March 2024.

In January 2024, the Company successfully completed the sale of the 2008-built VLGC Iris Glory by delivering the vessel to the new owners.

In January 2024, the Company signed a $43 million bank facility agreement to refinance the VLGC Pampero (2015-built). Drawdown of the bank facility occurred in March 2024.

In January 2024, the Company signed a $135 million sale and leaseback arrangement to refinance the VLGC Avance Polaris and Avance Capella (2022-built). The sale leaseback arrangement was originally signed in August 2022 and intended to finance the two VLGC newbuildings for delivery in 2024, Avance Castor and Avance Pollux, which were subsequently sold with scheduled delivery ex-yard in March and May 2024. Thereby, the sale leaseback arrangement was transferred to Avance Polaris and Avance Capella in January 2024.

In February 2024, the Company entered a one-year variable time-charter for the dual fuel VLGC Avance Polaris (2022-built).

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

STATEMENT OF

Corporate Governance

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 14 October 2021 (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 directors of Avance Gas (the "Board") are based on 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 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.

Deviation from section 8 "Remuneration for the Board": The Company has issued share options to a member of the Board.

Deviation from section 8 "Board; composition and independence": The Company's Chief Executive Officer (CEO) is also a board member of the Company.

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 time charter contracts and spot market voyages. 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 in a sustainable way. The Board is in this respect taking inter alia economic, social and environmental conditions into account. 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

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.

3.5 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 will have the opportunity to participate 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 does 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 nomination 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 are independent of Avance Gas' executive personnel, material business connections and major shareholders (i.e. holders of more than 10% of the shares). The members of the Board, including the Chairman, are elected by the general meeting on an annual basis and their current term of office expires at the next annual general meeting.

In March 2022, the Company announced resignation of CEO and changes to the Board composition. The CEO resigned and the Chairman of the Board elected to step-down. To fill the vacancy and in the best interest of the shareholders, the Board resolved to appoint an Executive Chairman of the Board as well as a new Director with immediate effect. On 24 April 2023 the Executive Chairman was appointed CEO, and as a result stepped down as Executive Chairman and continued to participate as a regular board member, this is a deviation from the Code. See Section 1.1. above.

Except for as stated above, the Board maintain their independence of the Company's executive personnel, material business connections and at least two board members are independent of the major shareholder as set out in the guidelines. For an overview of the composition of the Board and the expertise and independence of such Board members, please see page [15].

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

Attendance by the directors at meetings during 2023 is reflected in the table below:

Board member	Board meetings
Øystein Kalleklev	4/4
François Sunier	4/4
James O'Shaughnessy	4/4
Kathrine Fredriksen	4/4
Will Homan-Russell[1]	0/4

1) Mr. Homan-Russell was elected in December 2023, and the Company's last board meeting of 2023 was held in November, prior to the election of Mr. Homan-Russell.

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 Company has put in place guidelines on the handling of agreements with related parties. 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. In cases of transactions between the Company and a shareholder, a shareholder's parent company, Director, Officer or Executive Personnel of the Company or persons closely related to any such parties, or with another company in the same group, which are not immaterial for either the Company or the close associate involved the Board will obtain a valuation from an independent third party. Agreements with related parties are given account for in the Annual Report.

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 James O'Shaughnessy (chair and sole member), who is among the independent members of the Board. Based on Mr James O'Shaughnessy's former experience as a part of top management, CFO 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

Except for Øystein Kalleklev, all the members of the Board are independent of Avance Gas' executive personnel, the Board has therefore 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, except Øystein Kalleklev, in the preparation of such matters. The establishment of a separate remuneration committee has thus been considered, but not deemed necessary.

3.9.4 Annual evaluation

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. Except for 375,000 options granted to Øystein Kalleklev, none of the Board members hold any share options in Avance Gas. The share options have a five-year term from August 30, 2022, with a three-year vesting period, whereby 25% will vest after one year, 35% will vest after two years, and 40% will vest after three years. The options have an exercise price of NOK 52.50. This is a devition from the code, see Section 1.1.

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 2023. Please see note 17 of the consolidated financial statements for an overview of remuneration paid to the members of the Board for the financial year 2023.

3.12 Remuneration of executive personnel

The Board has established guidelines for remuneration of the executive personnel of Avance Gas. These guidelines are clear and understandable, and contribute to the Company's business strategy, long term interests and financial sustainability. They are communicated to the annual general meeting and are also made available on the Company's website. 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 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

To the General Meeting of Avance Gas Holding Ltd

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Avance Gas Holding Ltd (the Group), which comprise the balance sheet as at 31 December 2023, the income statement, statement of comprehensive income, statement of shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion

- the financial statements comply with applicable statutory requirements, and
- the financial statements give a true and fair view of the financial position of the Group as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the Audit Committee.

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 as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), 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.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Group for 10 years from the election by the general meeting of the shareholders for the accounting year 2014.

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 matter was 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 Group's business activities are largely unchanged compared to last year. We have not identified regulatory changes, transactions or other events that qualified as new key audit matters. *Impairment assessment for vessels and newbuildings* has the same characteristics and risks this year as the previous year and consequently has been an area of focus also for the 2023 audit.

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Key Audit Matters	How our audit addressed the Key Audit Matter
Impairment assessment for vessels and newbuildings	
As at 31 December 2023, the Group owns 14 VLGC vessels and 6 newbuildings. The vessels have a combined carrying amount of USD 808,818. The newbuildings have a combined carrying amount of USD 87,346. As management has not identified indicators of impairment, a corresponding impairment tests has not been performed. Consequently, no impairment has been recognised on the VLGCs or newbuildings in 2023. Management assessed whether indicators for impairment for the VLGCs and newbuildings were present at the balance sheet date. Management considered, among others, the conditions in LPG freight market, estimated fair value less cost of sale of the vessels and newbuildings, discount rate, and the market capitalisation versus net book value of the Group. In management's assessment of impairment indicators, each vessel and newbuilding was considered to be a cash generating unit ("CGU", "vessel" or "newbuilding"). We focused on this area due to the significant carrying values of the vessels and newbuildings and the judgment inherent in the assessment of indicators of impairment. Refer to notes 2 and 5 where management explains how they assessed the value of the vessels and newbuildings.	We evaluated and challenged management's assessment of indicators of impairment and the process by which this was performed. We assessed management's accounting policy against requirements in the IFRS Accounting Standards and obtained explanations from management as to how the specific requirements of the standards, in particular IAS 36, were met. We also assessed the consistency year-on-year of the application of the accounting policy. To assess each of the assumptions in the impairment indicator assessment, we interviewed management and challenged their assumptions. For certain key assumptions we used 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 and that changes did not lead to any indication of impairment. We utilised current and historical external market data to corroborate the freight rates assessed by management. We challenged management on their assessment of current market rates. We also corroborated management's assessment with external market reports where possible. We considered that freight rates used by management were within an appropriate range and that changes did not lead to any indication of impairment. In addition, we noted that current freight rates are broadly in line with those utilised by management in the last performance of full impairment for this period. To assess the estimates for fair value less costs of disposal as an indicator of impairment, management compiled broker valuation certificates for the vessels and newbuildings. We satisfied ourselves that the external brokers had both the objectivity and the competence to provide the estimate. To assess this, we corroborated if, under the terms of the bank lending facilities, specific brokers were 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 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 also considered and found that management sufficiently understood the valuations from third party brokers, and that they had obtained an understanding of the methodology used in arriving at the valuations. Additionally, we performed sensitivity analyses and comparisons of key assumptions to other available market data where possible. No matters of consequence arose from our procedures. Finally, we read the relevant notes and found them to be sufficient and appropriate.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appear to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting 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.

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 a true and fair view.

- 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.

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 Audit Committee 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, actions taken to eliminate threats or safeguards applied.

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 pwc

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.

Report on Other Legal and Regulatory Requirements

Report on Compliance with Requirement on European Single Electronic Format (ESEF)

Opinion

As part of the audit of the financial statements of Avance Gas Holding Ltd, we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name Avance Gas Holding Limited-2023-12-31-en.zip, have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format, and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF regulation.

Management's Responsibilities

Management is responsible for the preparation of the annual report in compliance with the ESEF regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

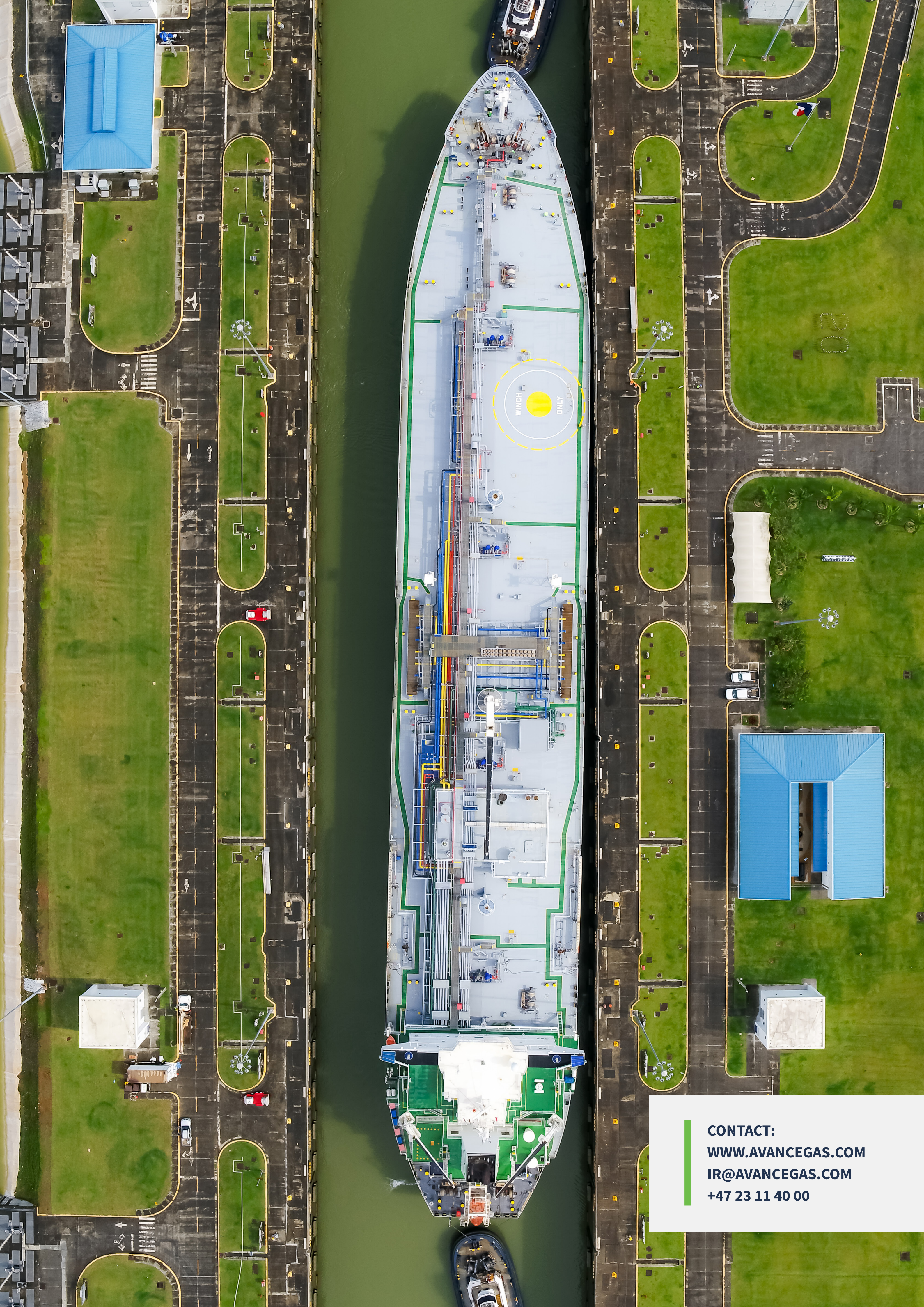
Auditor's Responsibilities

For a description of the auditor's responsibilities when performing an assurance engagement of the ESEF reporting, see: https://revisorforeningen.no/revisjonsberetninger

Oslo, 5 April 2024
PricewaterhouseCoopers AS

P.Wallace

Peter Wallace
State Authorised Public Accountant



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