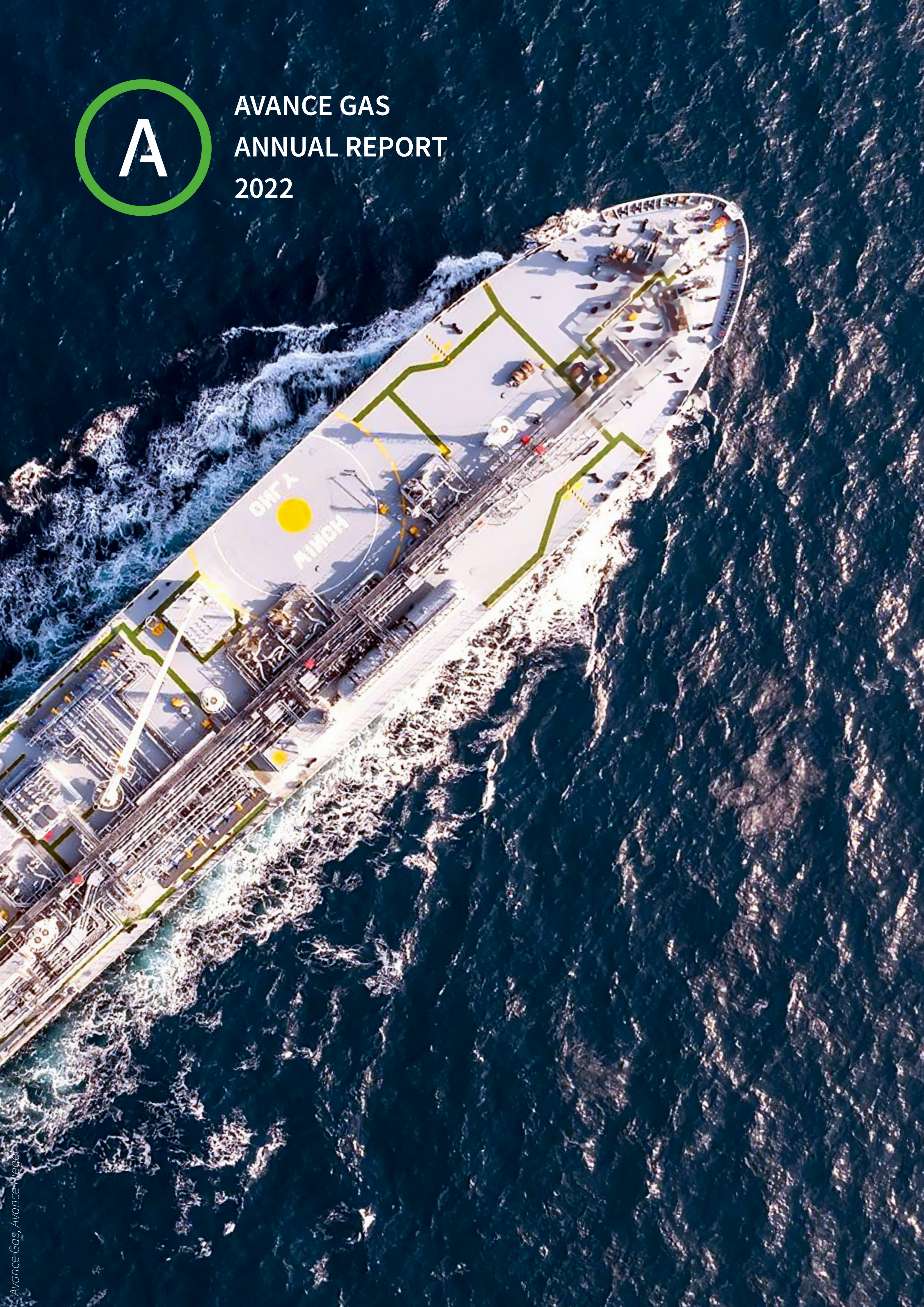
AVANCE GAS ANNUAL REPORT 2022



Avance Gas, Avance Pioneer

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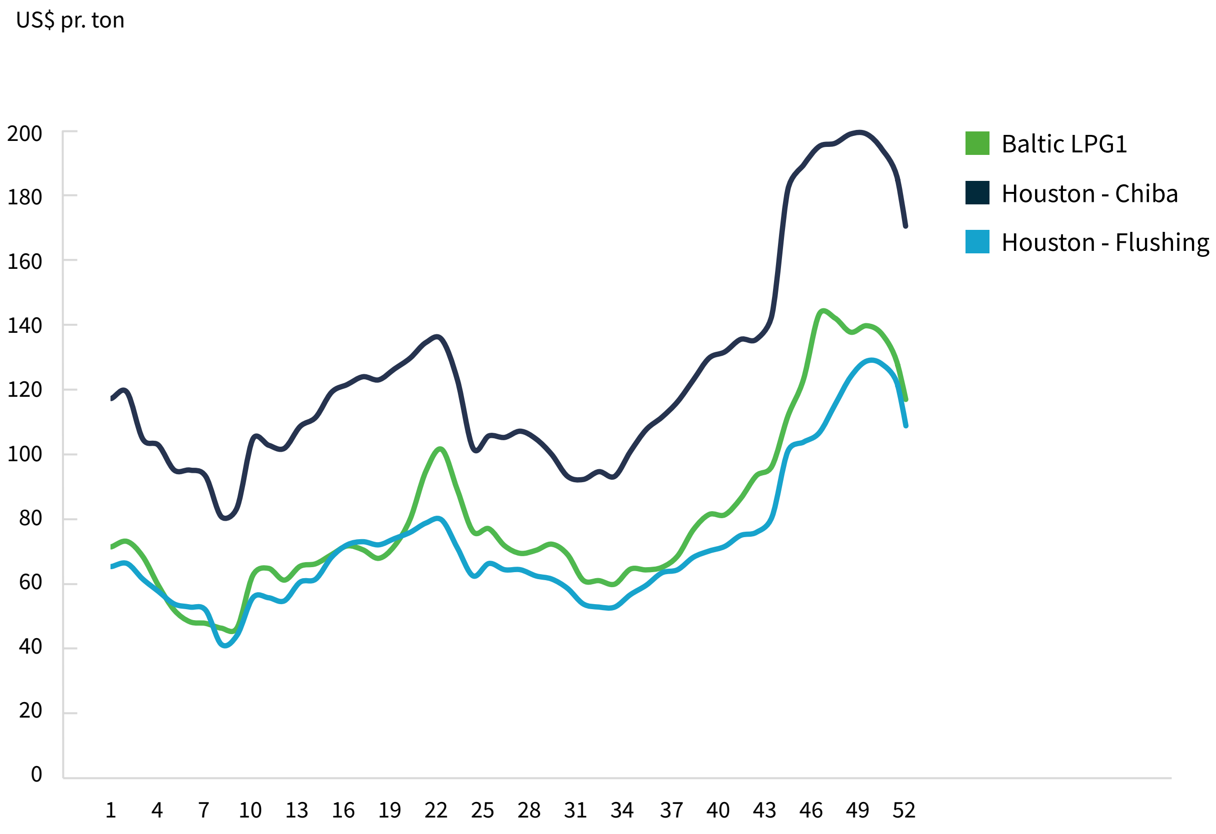
KEY OPERATIONAL AND FINANCIAL

Highlights

Avance Gas, Avance Polaris

Freight Rates 2022

$ pr. ton



Week Number

Source: Baltic; Clarkson, Poten & Partners

Avance Gas' average time charter equivalent (TCE) rate for the fleet was $38,200/day, up from $31,300/day in 2021. The year started strong with a TCE/day of $37,600 for the first quarter, $36,200 for the second quarter, $33,000 for the third quarter and rounded off the year on a high note where the Avance Gas fleet achieved an average TCE of $46,500/day for the fourth quarter.

KEY FINANCIAL HIGHLIGHTS

TCE/day[1)] (in millions)
$38,236

Available liquidity (in millions)
$224.2

Ships
12

NB Dual-fuel
4

Calendar days
4,849

Operating days
4,787

OPEX/day
$8,403

A&G/day
$1,375

The year 2022 was the best annual results in seven years where we recorded a net profit of $89.0 million and an all-time high cash position of $224.2 million. A strong freight market was the main driver for our results where we achieved an average Time Charter Equivalent (TCE) rate per day of $38,200 for the full year. Furthermore, we sold three older vessels adding $18.7 million in gain on sale recognised in our P&L. The Return on Equity was thus 16% measured against average book equity. On the financing side, we refinanced our $515 million fleet bank facility by entering a $555 million Sustainability Linked Facility for eleven VLGCs releasing $83.2 million in net cash proceeds. We also concluded the financing for our newbuilding program at attractive terms leaving us with no unfunded newbuilding capital expenditure at year end 2022. 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 $1.10 per share or $84.3 million in total dividend for the full year 2022. The following sections below are describing further details.

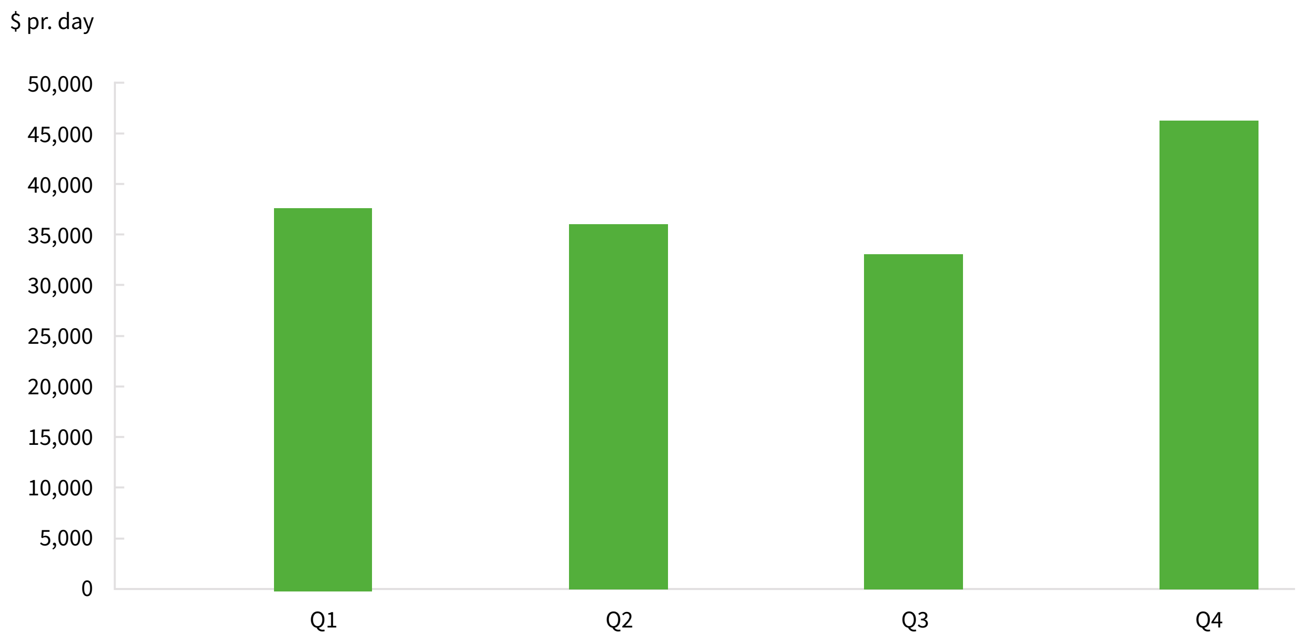
In 2022, Avance Gas (the "Company") reported a net profit of $89.0 million compared to a net profit of $32.1 million in 2021. Basic and diluted earnings per share was $1.16 in 2022, a significant increase compared to $0.44 in 2021.

Operating expenses in 2022 were $40.7 million down from $42.1 million in 2021 equalling an average daily operating expense of $8,403 for 2022, compared to $8,871 in 2021. The decrease is largely related to vaccine rollout and Covid-restrictions being lifted.

Administrative and general expenses, totalled $6.7 million in 2022, slightly above $6.5 million in 2021.

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

Avance Gas TCE



The Company sold the three VLGCs Thetis Glory (2008), Providence (2008) and Promise (2009) with a Time Charter (TC) attached resulting in a total gain on sale of vessels of $18.7 million for the year 2022.

Net non-operating expenses, consisting mainly of financial expenses, were $20.0 million, up from $14.6 million in 2021, an increase mainly due to higher interest rate levels, write off debt issuance costs in relation to the refinancing of the $515 million facility.

The Company has benefited from the interest rate hedging placed and reported a total gain of $26.5 million for the full year 2022, recognised through other comprehensive income.

Avance Gas' total assets amounted to $1,067.9 million at 31 December 2022, up from $955.4 million at 31 December 2021. While selling the 2008-9-built vessels, the company also took delivery of Avance Polaris and Avance Capella, the first of six 91,000 cbm (cubic meters) VLGC newbuildings from Daewoo Shipyard in South Korea, resulting in reclassification of $166.3 million from newbuildings to property, plant and equipment. Throughout the year, the Company capitalised $157.3 million in relation to newbuildings. For the twelve months ended December 31, 2022 the amount capitalised consists of instalments and other costs related to the newbuilding program, including borrowing costs of $2.6 million.

Total net interest bearing debt was $451.5 million at year-end 2022, compared to $389.9 million as of year-end 2021. In the first quarter of 2022, the company drew $104.0 million on the sustainability linked financing entered into in July 2021 in connection with the delivery of Avance Polaris in January 2022 and the delivery of Avance Capella in February 2022. In May 2022, Avance Gas successfully signed a $555 million Sustainability Linked Facility with a bank syndicate consisting of seven banks to refinance nine VLGCs in the fleet and to finance newbuildings three and four, Avance Rigel and Avance Avior, scheduled for delivery in the first quarter 2023. The $555 million facility extended the repayment profile and decreased the interest rate margin thus, lowering the cash break even for the fleet while at the same time extended our bank debt maturity from 2024 to 2028 for the nine VLGCs. The debt facility 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. During the second quarter of 2022, Avance Gas drew $325.0 million on the $555 million sustainability liked facility releasing $83.2 million.

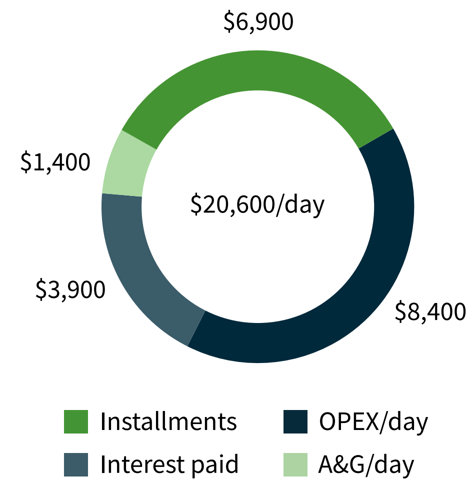
Total shareholders' equity amounted to $603.9 million, corresponding to an equity ratio of 56.6%, compared to $539.2 million and 56.4% as of December 31, 2021. The increase in equity reflects a net profit of $89.0 million, fair value gain on derivatives of $25.8 million, offset by dividend payment of $49.8 million and compensation expense for share options of $0.3 million.

Cash and cash equivalents were $224.2 million at 31 December 2022, compared with $101.9 million at 31 December 2021, reflecting capital expenditures and repayment of long-term debt, offset by positive cash flows from operations, cash proceeds from sale of three vessels and positive cash flows from financing activities.

In August 2022, the Company successfully signed a sale leaseback agreement for newbuildings five and six, Avance Castor and Avance Pollux due for delivery in the fourth quarter of 2023 and the first quarter of 2024, respectively. The transaction provides financing of total $135 million of $67.5 million per vessel reflecting a cash release of approximately $19.7 million per vessel at delivery and a tenor of 10 year for delivery of the ships. The company has an option to repurchase the vessels after 2.5 years from delivery. The term of the lease bears a repayment profile of approximately 22 years and an interest rate of SOFR plus an applicable margin.

The above financing means that our newbuilding program is fully secured, with no unfunded newbuilding capital expenditure remaining and no debt maturity before February 2027, except for a $45 million sale leaseback agreement that bears a put option from 2025 in favor of the lessor providing one years' notice.

Cash-break even 2022



KEY OPERATIONAL HIGHLIGHTS

Avance Gas fleet utilisation
98.3%

Crew members
252*

*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
8

Marine Casualties
0

Waiting days per ship per month
0.57

Number of countries visited
30

Deadweight Tonnes
819,326

Total Distance Traveled By Vessels (Nautical Miles)
1,150,819

The Company recorded 4,787 operating days (calendar days less off-hire days) in 2022 up from 4,568 operating days in 2021. In January and February 2022 Avance Gas took delivery of the VLGCs Avance Polaris and Avance Capella, the two first of six dual fuel newbuildings. In March, May and November 2022, we sold the 2008-built VLGCs Thetis Glory and Providence and the 2009-built Promise, respectively. This explains the increase in operating days combined with less off-hire as we completed the scrubber installation program in 2021.

The commercial utilisation remained high throughout the year despite increasing waiting time in the Panama Canal. For the fleet we recorded a utilization of 98.3% for full year compared to 97.3% in 2021. Waiting days in 2022 for the Avance Gas fleet totalled 83 days compared to 131 days in 2021, representing an average of 0.57 days per ship/month compared with average 0.84 day per ship/month in 2021. The improvement in utilisation is driven by more re-routing via the Suez Canal to secure laycans in the US Gulf due to increasing Panama Canal congestion.

During 2022, we could finally put the Covid-19 pandemic and the related challenges behind us as local restrictions were lifted, and the vaccine rollout program was completed at the start of the year. However, the outbreak of the war between Russia and Ukraine has caused disruption to supply chains and instability globally. For Avance Gas, the situation has not directly impacted either the Company's contracts or operations. Avance Gas vessels have been operating mainly in the Middle East Gulf and US Gulf/US East Coast for loading and transported the cargo to Asia and thereby the exposure to Russian and Ukraine territory has been very limited. Though, sanctions have been dominating our risk map during the year and we will continue having sanctions as one of our key focus areas into next year.

The Company had a decrease in energy use and CO2 emission of 5% as we took delivery of the two dual fuel vessels making a significant contribution while selling the three older vessels. For the year 2022 we obtained an AER (Annual Efficiency Rate) of 7.09 compared to 7.46 in 2021 and we are now 10% ahead of IMO and Poseidon trajectories.

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

History & Fleet

At the date of this report, Avance Gas owns and operates a modern fleet of thirteen VLGCs and three dual fuel newbuildings for delivery in 2023 and 2024.

Avance Gas, Avance Polaris

The Fleet

VESSEL	SIZE CBM	YARD	BUILT	OWNERSHIP
Iris Glory	83,700	Daewoo, South Korea	2008	Sale leaseback
Venus Glory	83,700	Daewoo, 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	Daewoo, South Korea	2022	100%
Avance Capella (LPG dual fuel)	91,000	Daewoo, South Korea	2022	100%
Avance Rigel (LPG dual fuel, NH3 fuel ready)	91,000	Daewoo, South Korea	2023	100%
Avance Avior (LPG dual fuel, NH3 fuel ready)	91,000	Daewoo, South Korea	2023	100%
Avance Castor (LPG dual fuel, NH3 fuel ready, NH3 as cargo)	91,000	Daewoo, South Korea	2023	Sale leaseback
Avance Pollux (LPG dual fuel, NH3 fuel ready, NH3 as cargo)	91,000	Daewoo, South Korea	2024	Sale leaseback

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History

2007-2009

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

2010-2012

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

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

2013-2014

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

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

2015-2017

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

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

2018-2020

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.

2021

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

In April, Avance Gas successfully completed a private placement raising $65 million in new equity. The net proceeds are being used for general purposes, which includes partly financing of the Company's newbuilding program. Following the equity raise, Avance Gas increased its dual fuel VLGC newbuilding program from four to six vessel, with estimated delivery of the final two vessels for the second half of 2023. In July the Company further signed a $104 million sustainability-linked term facility with a bank syndicate to finance its first two dual-fuel newbuildings, *Avance Polaris* and *Avance Capella*.

In August 2021, the majority shareholder of Avance Gas Holding Ltd., Hemen Holding Limited ("Hemen") acquired additionally 127,207 shares in the Company. Following the acquisition, Hemen, combined with its holdings through its ownership of Frontline Ltd., held a total of 33.35% of the shares in the Company. Pursuant to section 6-1 of the Norwegian Securities Trading Act 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.

2022

During 2022, Avance Gas reports the strongest results since 2015. The main driver is a solid freight market combined with sale of the three VLGCs *Thetis Glory* (2008), *Providence* (2008) and *Promise* (2009) with a TC attached, adding $18.7 million in gains on sale to our P&L and generate $68 million in net cash receipts.

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. The vessels were shortly thereafter delivered on Time Charter Agreements for 2 years.

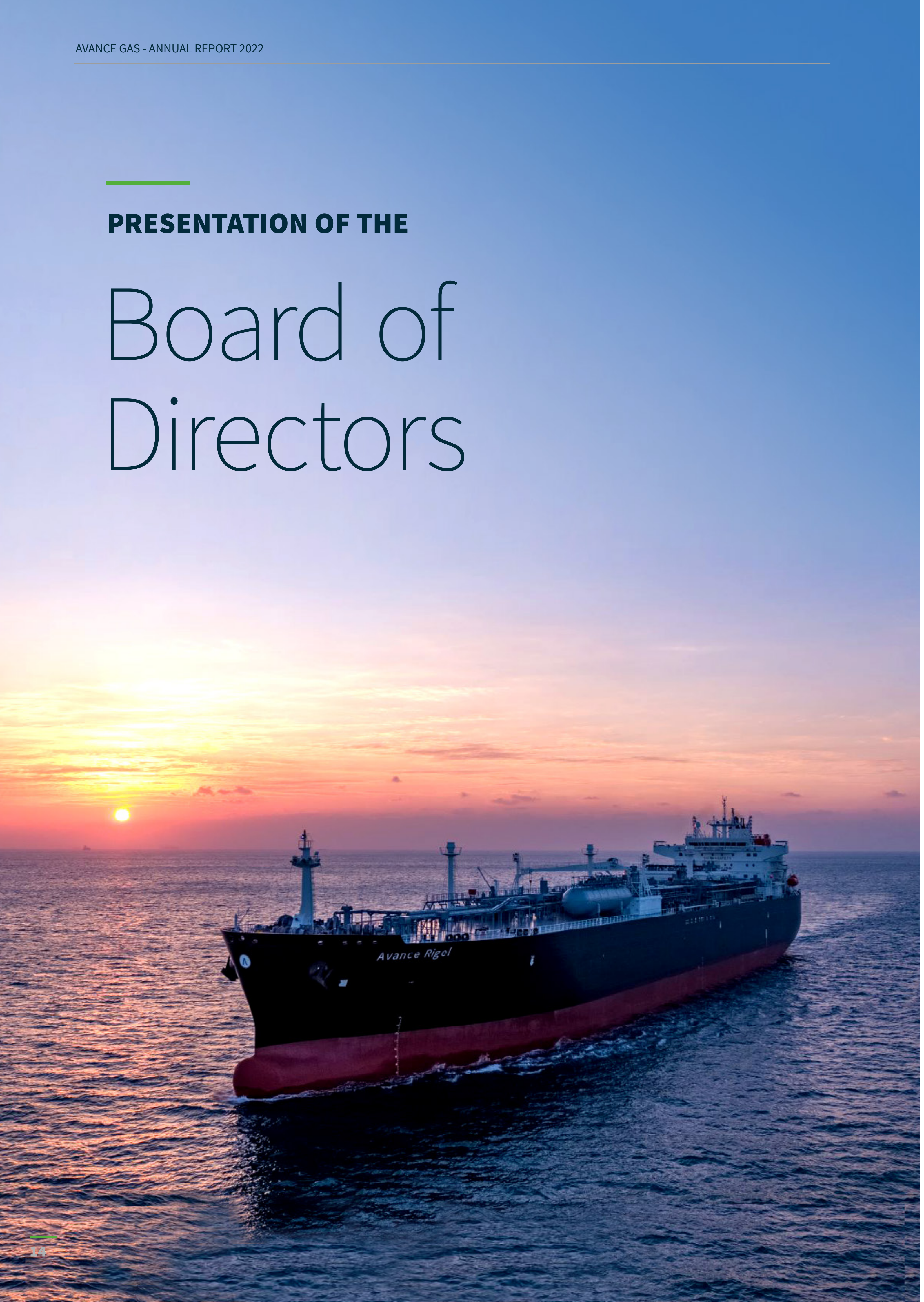
In May, Avance Gas signed a $555 million sustainability-linked term facility with a bank syndicate. The facility is a refinancing of the previous bank facility financing the nince VLGCs including a financing of the newbuildings three and four, *Avance Rigel* and *Avance Avior*, with delivery in first half 2023. The refinancing results in a net cash proceeds of $83.0 million. Further, the Company concluded the financing for the whole newbuilding program by entering into a sale leaseback arrangement for the final two newbuildings, *Avance Castor* and *Avance Pollux*, schedueld for delivery in the fourth quarter 2023 and the first quarter 2024.

With the strong freight market, refinancing and sale of older vessels, the Company reported a record high cash position of $224.2 million at 31 December 2022. Thereby, the company was in a position to declare dividend of $1.10 per share equalling ~16% in dividend yield basis shareholderholders book equity for the fiscal year 2022.

Avance Gas., Avance Riegel

PRESENTATION OF THE

Board of Directors



Avance Gas, Avance Riegel

ØYSTEIN KALLEKLEV

Executive Chairman

Øystein served as Director of Avance Gas since 26 May 2021 and was elected as Executive Chairman of the Board in March 2022. 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.

JAMES O'SHAUGHNESSY

Director

James O'Shaughnessy has been a Director of the Company since January 2021. Mr. O'Shaughnessy served as 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 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 and is both a Fellow of the Institute of Chartered Accountants of Ireland, an Associate Member of the Chartered Insurance Institute of the UK and a Chartered Director. Mr. O'Shaughnessy also serves as a director of Frontline, Golden Ocean, Archer Limited, ST Energy Transition I Ltd., CG Insurance Group and Catalina General.

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.

Board of Directors' Report

The year 2022 was a good year for Avance Gas. We reported an average Time Charter Equivalent (TCE) rate of approximately $38,200/day and a net profit of $89.0 million for the full year 2022. The freight market was supported by solid inventory levels in the US, contributing to a sustained high propane price arbitrage between the US and Asia. This combined with a strong Asian demand and a continued Panama Canal congestion absorbing capacity to the global VLGC fleet, resulted in a profitable freight rate environment throughout the year.

During the year, the Company has executed on its fleet renewal strategy by selling older tonnage while taking delivery of new dual fuel vessels capable of running on LPG as fuel. The Company sold three 2008-9 built vessels in an active asset market at attractive terms thereby resulting in a total gain of $18.7 million recognised in 2022.

Further, we have strengthened our balance sheet by securing financing for the newbuilding program in August resulting in no unfunded remaining capital expenditure. We refinanced the previous bank facility in May releasing a net cash proceeds of $83 million, we generated $68 million in net cash from the sales of the three older vessels and a strong freight market contributed with positive cash flows, resulting in an all-time high cash position of $224.2 million at 31st of December 2022, while returning value back to our shareholders by paying $84.3 million in dividend for the fiscal year 2022 corresponding to an earnings yield of approximately 16%.

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 at December 31, 2022, Avance Gas's fleet consists of twelve owned VLGCs and four LPG dual-fuel newbuildings to be constructed at Daewoo Shipbuilding and Marine Engineering (DSME) in South Korea for delivery in 2023 and 2024.

The Company has outsourced technical management of the fleet with 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.

MARKET DEVELOPMENT

The fundamentals in the VLGC segment have all contributed with lifting the freight rates back to levels seen in 2015. The VLGC trade grew by 10% supported by firm Asian and European demand due to the energy crisis. The Panama Canal congestion has also been stretching the VLGC fleet capacity as it has for the past two years.

The robust VLGC export growth of 10% corresponded to an increase of 8.2 million tonnes compared to 2021. Growth was driven by increased volumes from the Middle East, with United Arab Emirates adding 2.3 million tonnes (29%), Iran adding 2.1 million tonnes (38%) and Saudi Arabia adding 2.0 million tonnes (46%). LPG exports on VLGCs from the US grew by 1.5 million tonnes (4%) in 2022.

On the import side, Asia and Europe was the main growth engine in 2022 versus 2021. Despite Covid-related lockdowns, China LPG demand drove the Asian growth and increased 10% versus 2021, or 2.2 million tonnes while Europe increased imports by 3.0 million tonnes (54% up on 2021), thus increasing its overall market share.

Panama Canal congestion also contributed to market strength especially in the fourth quarter of 2022. The waiting time at the neo–Panamax Locks peaked in November with an average of more than 20 days for both the northbound and southbound transits. This incentivised owners to sail the long way around the Cape of Good Hope or through the Suez Canal. According to Kpler, the average sailing distance was ~2% higher compared to 2021. Additionally, average sailing speed had fallen ~4% in 2022 compared to 2021.

Looking at the freight level quarter by quarter, the year started with a strong US-Asia price differential lifting the freight rate levels to $50,000/day in January and fell to $25,000/day in February/March due to low US inventory levels narrowing the arbitrage to $100/ton compared to an average $150/ton for the quarter. The geopolitical tension and energy crisis resulted in higher energy prices thereby higher fuel costs impacting our earnings while the trade pattern remained relatively unchanged as 80% of the demand was East of Suez. Achieved TCE/day for the first quarter was $37,600.

A widening LPG price arbitrage into the second quarter contributed with more US export volumes, recording 15% above the first quarter. Freight rates reached near $40,000/day at the start of April, pushing to $70,000/day at the end of May, then falling back to $30,000/day at the end June. 58% of volumes sailed to the Asian market, was down from 63% in the first quarter while Europe imported 20% of the US LPG exports, up from 13% in the previous four quarters, driven in part by the ongoing energy crisis. This is the first quarter we were seeing a noticeable volume increase going into Europe. Partly reversal of OPEC cuts contributes with higher export volumes from the Middle East Gulf and was up 7% from the first quarter. Achieved TCE/day for the second quarter was $36,000.

Into the third quarter, the market suffered from challenging arbitrage economics, driven by low product demand, particularly in China where run-rates for Propane Dehydrogenation (PDH) plants fell and PDH inventory levels built due to the effects from the zero Covid policy. At several points during August the market observed PDH operators re-selling propane cargoes in the market underlining the weak product market and successively the challenging shipping market seen through the third quarter. Activity improved with firming demand in export regions and coupled with sliding bunker prices, earnings increased through September and into October. VLGC rates increased to $80,000/day by the end of October and continued their upward trajectory to near all-time high levels by mid-November. The freight market was again supported by a firm US-Asia propane arbitrage traded at above $200/ton during the quarter. Achieved TCE/day for the third quarter was $33,000.

During the fourth quarter, the VLGC market rounded off 2022 on a high note with spot earnings in the six digits, a good way to mark the strongest year since 2015. Spot earnings entered the fourth quarter at rates near $60,000/day, to peak at $130,000/day in early December, before falling back below $100,000/day by the end of the year. The scrubber premium was prevalent during the quarter, with a premium of approximately $10,000/day for vessels sailing on high-sulphur fuel oil compared to vessels sailing on low-sulphur fuel oil.

The positive market development during the fourth quarter was driven in part by a solid inventory level in the US. US LPG production was up 5% year on year in the fourth quarter of 2022 while domestic US demand was down by 7%. Despite an increase in exports, inventories were 18% higher than at the end of 2021, contributing to keeping US propane prices low. The US Mont Belvieu propane price was down 26% compared to the third quarter of 2022 which was supportive to freight economics. Achieved TCE/day for the fourth quarter was $46,500.

FINANCIAL RESULTS

Looking at our commercial results, the Company recorded a TCE earnings of $38,236 per day for full year 2022, compared to $31,302 per day in 2021. Avance Gas reported a net profit of $89.0 million in 2022, compared to a net profit of $32.1 million in 2021.

Out of a total 4,849 calendar days, Avance Gas fleet had 62 offhire days (1.28%) in 2022. This compared to 4,745 calendar days, and 177 offhire days (3.7%) in 2021 mainly related to drydocking and scrubber installation. Of total operating days, the fleet had a commercial utilisation rate of 98%, up from 97% in 2021.

Consolidated results

The TCE earnings for 2022 was $183.0 million, compared to $143.0 million in 2021. Operating expenses decreased to $40.7 million in 2022 from $42.1 million in 2021. The decrease is largely related to lower crewing costs and decrease in maintenance and repairs costs. Administrative and general (A&G) expenses were $6.7 million in 2022, an increase from $6.5 million in 2021. The increase in A&G expenses in 2022 was largely related to an increase in employee benefit as well as in non-recurring professional fees. Non-operating expenses, consisting mainly of financial expenses, were $20.0 million in 2022, compared with $14.6 million in 2021, reflecting mainly a higher interest rate level in the market, write off of debt issuance cost on refinancing of $515 million facility and on repayment of debt on sale of vessels. Avance Gas reported a net profit of $89.0 million in 2022, compared with $32.1 million in 2021.

Financial position and cash flow

As of December 31, 2022, the carrying amount of Avance Gas' assets was $1,067.9 million compared to $955.4 million as of 31 December 2021. The Company took delivery of two vessels (VLGC Avance Polaris and VLGC Avance Capella) during the first quarter of 2022, resulting in reclassification of $166.3 from newbuildings to property, plant and equipment. During 2022, the Company capitalised $157.2 million related to Newbuildings. For the twelve months ended December 31, 2022 the amount capitalised consists of instalments and other costs related to the newbuilding program, including borrowing costs of $2.6 million. Receivables and other current assets decreased from $31.8 million at the end of 2021 to $23.1 million at the end of 2022, mainly due to decrease in customer trade receivables.

The Company holds derivative financial instruments for hedge accounting. The net change in fair value of the derivative financial instruments was positive $26.5 million as the LIBOR forward rates have been moving upwards from unusual low levels in 2020.

Total shareholders' equity as of December 31, 2022 was $603.9 million, corresponding to an equity ratio of 56.6%, compared to $539.2 million and 56.4% as of December 31, 2021.

Total free cash and cash equivalents in 2022 amounted to $224.2 million compared with $101.9 million in 2021. Net cash flows from operating activities were $122.1 million. Net cash flows used in investing activities were $13.6 million, consisting of instalments paid on the Company's duel fuel newbuildings. This was partially offset by proceeds from sale of three vessels. Net cash flows from financing activities were $14.2 million, consisting of drawdown of debt of $429.0 million and cash settlement on derivatives of $6.0 million. This was partially offset by repayment of debt of $364.8 million and lastly the Company processed dividend payments of $49.8 million during the year 2022.

FINANCING

In May 2022, Avance Gas successfully signed a $555 million Sustainability Linked Facility with a bank syndicate consisting of seven banks to refinance nine VLGCs in the fleet and to finance newbuildings three and four, Avance Rigel and Avance Avior, scheduled for delivery in the first half of 2023. The $555 million facility extended the repayment profile and decreased the interest rate margin thus, lowering the cash break even for the fleet while at the same time extended our bank debt maturity from 2024 to 2028 for the nine VLGCs. Additionally, it also significantly boosted our available liquidity by releasing $83 million to the Company. The debt facility 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.

In August 2022, Avance Gas also signed a sale leaseback agreement for newbuildings five and six, Avance Castor and Avance Pollux due for delivery in the fourth quarter of 2023 and first quarter of 2024, respectively. The transaction provides financing of total $135 million or $67.5 million per vessel reflecting a cash release of approximately $19.7 million per vessel at delivery and has a tenor of 10 years from delivery of the ships. The Company has options to repurchase the vessels after 2.5 years from delivery. The term of the lease bears a repayment profile of approximately 22 years and an interest rate of SOFR plus an attractive applicable margin. The above financing means that our newbuilding program is fully secured, no unfunded remaining newbuilding capital expenditure and no debt maturity before February 2027, except a $45 million sale leaseback agreement that bears a put option from 2025 in favour of the leasing house.

ENVIRONMENT, 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.

During 2022, we set a target of reducing emissions equalling outperformance of the Poseidon Principles trajectory (at least 2% annually). For the full year 2022, we have outperformed the target and recorded a 5% reduction in emission from 2021. The main driver behind the reduction is execution of our renewal strategy where we sold three older vessels while taking delivery of our two first dual fuel newbuildings.

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 2022 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.

Avance Gas is a company that values diversity and cultural differences. We aim to have an inclusive workplace that provides equal opportunities for all employees regardless of sex, religion, skin colour, sexual orientation, or disability. Our offshore employees come from across the world, with the main nationalities being Indian and Filipino. While our offshore employees are predominantly male, 28% of our onshore employees are female as of December 31, 2022.

Our materiality assessment and the following review identified diversity as a material topic. One of our targets to address this topic is to achieve zero gender pay gap per position. By focusing on closing the gender pay gap, we ensure that women are paid the same as men for doing the same amount of work, and that there is no discrimination based on gender. It also helps to create a level playing field for women in our workforce, and it can encourage more women to enter and remain in a traditionally male-dominated industry such as shipping.

Avance Gas had 8 onshore employees by year-end 2022. 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 4% in 2022.

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, during the pandemic, we rolled out a wellbeing app that provides our seafarers with a private connection to a psychologist through their own personal devices. In addition, the app uses AI, games and nudge techniques to gauge a person's mood and improve their mental health. The platform allows us to monitor weak signals and act proactively to support crew and strengthen safety. In 2022, new content was introduced – and officers onboard our ships have received a session run by a psychologist on mental health awareness.

Given the safety and security risks connected to operations at sea, these must always be managed carefully to safeguard crew, vessels, cargo and the environment. Our company has a zero-accident ambition and operates according to the principle that no serious injury or environmental incident is acceptable. All work tasks at Avance Gas are evaluated in terms of the hazards inherent to the job, prior to the work itself being undertaken. Work is planned on a monthly, weekly and daily basis with an evaluation of the relevant hazards, indicating where risk assessments should be developed to fully explore the risks and apply the hierarchy of controls to eliminate hazards and reduce risks. For work considered particularly hazardous, such as enclosed entry or work from heights, a "permit to work" system ensures that the work planned, and the risk assessment developed is reviewed by relevant personnel from the HSEQ and the Technical department onshore. Together the safety management system and predictive maintenance system ensure that routine work is planned in advance to allow due attention to the hazards and risks inherent in the work offshore. In 2022, our LTIR (Lost Time Injury Rate) increased to 0.39 from zero in 2021. The LTIR reported during the year relates one finger injury while assisting on shifting the cargo reducers from storage position. The shipboard employee received appropriate medical assistance and a formal investigation to identify the root cause was carried out. Avance Gas has also performed preventive measures that can be employed 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.

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

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. Our document control system ensures that lessons learned whether from an incident or best practice observed in handling routine or non-routine work, are shared across the fleet. We are ambitious in developing core data analytics capabilities where having a solid data foundation is key. Our reporting systems form part of this foundation and are intended to be built with artificial intelligence capabilities in due course.

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

CORPORATE SOCIAL RESPONSIBILITY

The BoD 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 2022, we conducted a full Compliance Risk Assessment to identify and mitigate the compliance risks Avance Gas is exposed to. The Compliance Risk Assessment resulted in a risk map covering all identified risks, with sanctions and cybercrime dominating the risk map.

Since the start of 2022 and 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 monitors its fleet on an ongoing basis and receive alerts if any vessel is in proximity to a sanctioned area. We also include sanction clauses in all contracts where relevant, such as charterparties. In addition, third-party testing, strict due diligence requirements and monitoring of business partners are all measures that can also significantly reduce the risk of any sanction violation.

Maritime cyber risk may result in shipping-related operational, safety, or security failures due to information or systems being corrupted, lost or compromised. The highest level of cyber risks for Avance Gas includes being targeted for ransomware attacks with extortion or email phishing. As a result of this, in 2022, we conducted cyber training and phishing tests. The awareness training for employees and key third parties such as our ship managers is considered a key risk-mitigating action in this regard.

Owing to the various compliance systems, training and controls implemented, Avance Gas had no breach of sanctions or any cyber security incidents during the year 2022.

DIRECTORS AND OFFICERS LIABILITY INSURANCE

Avance Gas Holding Ltd has liability insurance coverage for its Directors and Officers (D&O). The 2022 D&O policy was placed with Aviva Insurance and 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 International Financial Reporting Standards (IFRS). Based on the Company's cash position, no material unfunded capital expenditure commitments and the strength of the Company's balance sheet at year-end, the Board of Directors confirms the assumption of going concern.

PRINCIPAL RISKS

As a global owner and operator of VLGCs, Avance Gas is exposed to a variety of risks, including market, operational, 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 into Time Charter contracts to secure employment during periods associated with higher risk to the spot 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. During the year 2022, the Company has secured financing for its newbuilding program and refinanced the fleet bank facility consisting of 9 VLGCs in a favourable financing market environment. Avance Gas is thus exposed to fluctuations in interest rates through its credit facilities. To mitigate the risk of rising interest rates the Company has hedged half of its current exposure until the majority of its debt matures in 2028 through interest rate swaps of which the majority expire in 2025 when the interest rates are expected to trend downwards.

Following the above, the global economy has been impacted by the war between Russia and the Ukraine, causing disruption to supply chains and energy supply. The Company has limited exposure to these regions and currently thus the situation has not impacted the Company's contracts or operations directly. Though, we have seen a tendency of energy securing in Europe during the year resulting in an increase of 3 million tons or 55% in total US export volumes being transported to Europe compared to 2021.

OUTLOOK

While the orderbook for delivery 2023 still pose a downside risk to utilisation and rates in the near-term, demand has surprised on the upside, leaving us less concerned. The orderbook currently stands at 30 VLGCs for delivery for the full year of 2023, representing 9% of the fleet on water. This compares to the US Energy Information Administration (EIA) estimated export growth of 15% on US exports for 2023, enabled by 5.3% production growth and flat domestic demand. On our estimates, this should be able to consume about 20 VLGCs, close to 50% of the orderbook for 2023.

The pent-up demand for scrapping in the VLGC space continues to be a key factor to watch, with 15% of the fleet being older than 20 years. However, the overhang of older ship is likely to remain in service until either the market fundamentals deteriorate, or the sanctions related to Iranian exports are lifted. New environmental regulations will affect vessel availability, with the CII and EEXI being implemented at the start of 2023. Uncertainty persists, but industry sources suggest available VLGC supply could fall by 1.5% to 2.0% due to slower speeds and increased retrofit time.

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Congestion in Panama Canal continue to have an influx on the freight market in 2023. Average waiting time during the first quarter 2023 stood at approximately 7 days. Waiting time at Panama Canal is becoming increasingly volatile making it difficult to schedule the ships for voyages which together with higher canal fees are incentivizing routing ships through Cape of Good Hope and/or Suez Canal to make sure the ships are meeting their laycans.

Propane forward prices indicate an open arbitrage between US and Asia. Assuming shipowners are able to recoup the full arbitrage, theoretical TCE corresponds to nearly $46,000/day for 2023 and $37,500/day for 2024 based on $111/ton for 2023 and $97/ton for 2024. The one-year time-charter is also standing at mid $30,000/day.

Beyond 2023, the supply demand balance starts to look increasingly favorable. There are 16 VLGCs for delivery in 2024, 16 scheduled for 2025 and 8 scheduled for 2026. These 40 would represent 11% of the fleet (assuming no scrapping). We expect limited room to add more orders for 2024, while inflated newbuild prices are likely to put a cap on newbuild orders also for 2025. US is becoming more important as the key exporter to meet Chinese petrochemical demand growth, particularly additions of new PDH plants. Adding to LPG spiking to natural gas streams and residential demand in the Far East, India, and Southeast Asia, we argue there is good support for the demand side towards 2025, save for any significant recessionary pullbacks.

SUBSEQUENT EVENTS

In February 2023, the Company took delivery of Avance Rigel, the third of its six 91,000 cbm VLGC newbuildings from Daewoo Shipyard in South Korea.

The Board of Directors of Avance Gas Holding Ltd
April 14, 2023

Øystein Kalleklev
Executive Chairman

Francois Sunier
Director

Kathrine Fredriksen
Director

James O'Shaughnessy
Director

Responsibility Statement

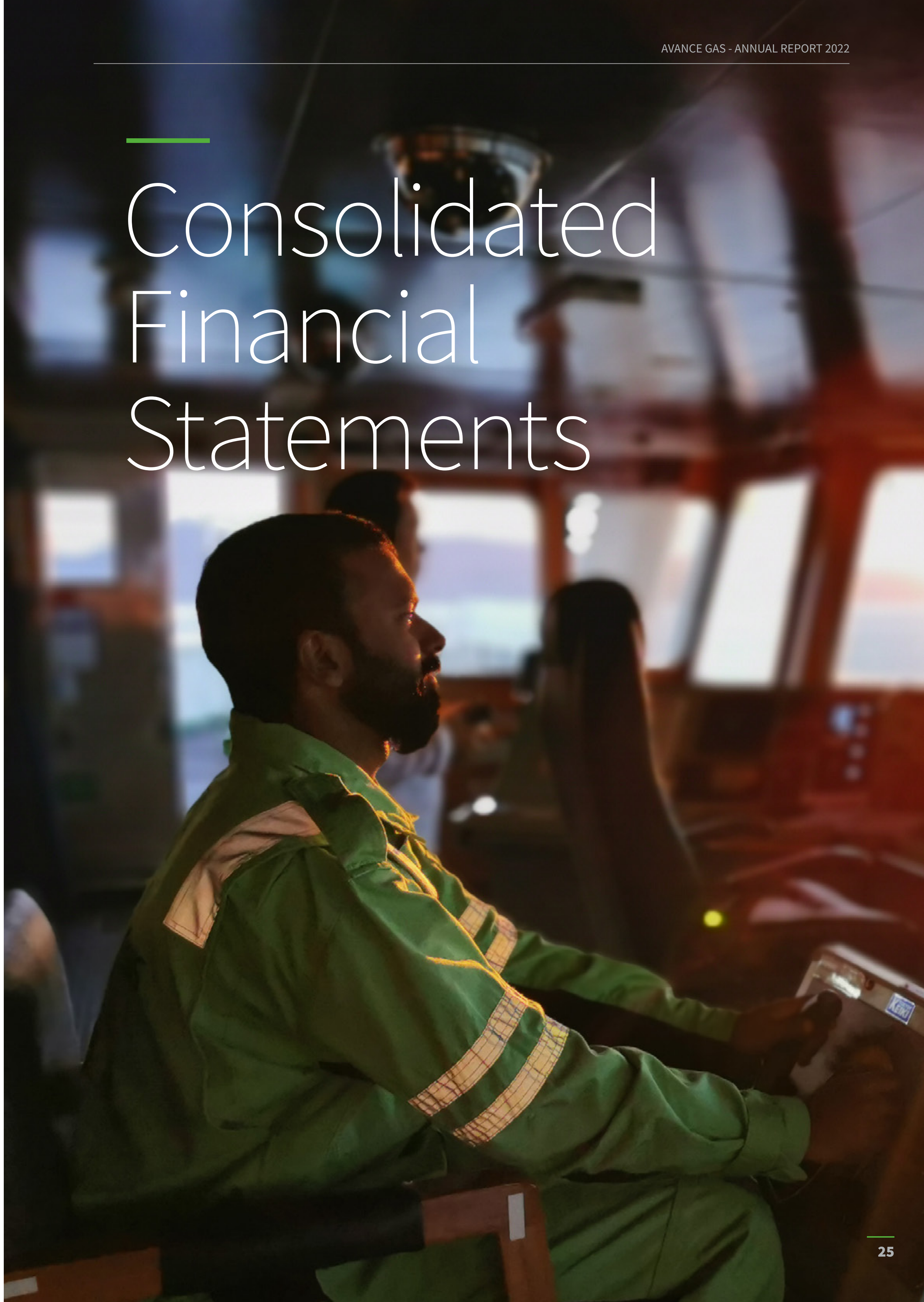
On behalf of the Board of Directors and Management, we confirm that, to the best of our knowledge, the financial statements for 2022 have been prepared in accordance with the current applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit 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
April 14, 2023

Øystein Kalleklev *Executive Chairman*	Francois Sunier *Director*
Kathrine Fredriksen *Director*	James O'Shaughnessy *Director*

Consolidated Financial Statements



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CONSOLIDATED INCOME STATEMENT

	Note	FOR THE YEAR ENDED DECEMBER 31, 2022 (in USD thousands)	DECEMBER 31, 2021
Operating revenue	10	**254,540**	210,677
Voyage expenses	11	**(71,504)**	(67,689)
Operating expenses	12	**(40,748)**	(42,093)
Administrative and general expenses	13	**(6,667)**	(6,466)
Gross operating profit		**135,621**	94,429
Depreciation and amortisation expense	5	**(45,020)**	(47,209)
Gain on disposal of asset	5	**18,648**	-
Operating profit		**109,249**	47,220
Finance expense	14	**(21,362)**	(16,608)
Finance income		**1,692**	1,859
Foreign currency exchange gains		**(302)**	136
Income before tax		**89,277**	32,607
Income tax expense	15	**(285)**	(498)
Net profit		**88,992**	32,109
Earnings per share	9		
Basic		**1.16**	0.44
Diluted		**1.16**	0.44

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

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	FOR THE YEAR ENDED DECEMBER 31, 2022 (in USD thousands)	DECEMBER 31, 2021
Net profit		**88,992**	32,109
Other comprehensive (loss) income:			
Items that may be reclassified subsequently to profit and loss:			
Net fair value adjustment of interest rate swaps designated for hedge accounting	7, 20	**26,497**	12,875
Amortisation of gain on discontinued hedges	7, 20	**(647)**	-
Exchange differences arising on translation of foreign operations			(12)
Other comprehensive (loss) income		**25,850**	12,863
Total comprehensive income		**114,842**	44,972

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

CONSOLIDATED BALANCE SHEET

		AS OF	
		DECEMBER 31, 2022	**DECEMBER 31, 2021**
		(in USD thousands)	
ASSETS	Note		
Cash and cash equivalents	3	**224,243**	101,910
Receivables	4	**12,229**	21,098
Related party receivable balances	16	**-**	134
Inventories		**4,976**	7,933
Mobilisation cost		**4,186**	2,322
Prepaid expenses		**7,461**	6,940
Other current assets	4	**3,453**	3,620
Derivative financial instruments	7	**5,988**	-
Total current assets		**262,536**	143,957
Property, plant and equipment	5	**715,866**	716,577
Newbuildings	5	**83,597**	92,609
Derivative financial instruments	7	**5,871**	2,240
Total non-current assets		**805,334**	811,426
Total assets		**1,067,870**	955,383

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

CONSOLIDATED BALANCE SHEET

		AS OF	
		DECEMBER 31, 2022	**DECEMBER 31, 2021**
		(in USD thousands)	
LIABILITIES AND SHAREHOLDERS' EQUITY	Note		
Current portion of long-term debt	6, 7	**37,278**	44,574
Accounts payable		**4,308**	7,477
Related party payable balances	16	**248**	532
Accrued voyage expenses		**4,294**	4,161
Accrued expenses		**1,200**	2,795
Derivative financial instruments	7	**-**	5,691
Other current liabilities		**2,372**	457
Total current liabilities		**49,700**	65,687
Long-term debt	6, 7	**300,858**	263,423
Long-term revolving credit facilities	6, 7	**113,387**	81,984
Derivative financial instruments	7	**-**	5,121
Total non-current liabilities		**414,245**	350,528
Shareholders' equity			
Share capital	8	**77,427**	77,427
Paid-in capital		**431,366**	431,366
Contributed capital		**94,772**	95,070
Accumulated deficit		**(5,620)**	(44,825)
Treasury shares		**(11,351)**	(11,351)
Accumulated other comprehensive loss	20	**17,331**	(8,519)
Total shareholders' equity		**603,925**	539,168
Total liabilities and shareholders' equity		**1,067,870**	955,383

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

The Board of Directors of Avance Gas Holding Ltd
April 14, 2023

Øystein Kalleklev
Executive Chairman

James O'Shaughnessy
Director

Francois Sunier
Director

Kathrine Fredriksen
Director

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(in USD thousands)	SHARE CAPITAL	PAID-IN CAPITAL	CONTRIB-UTED CAPITAL	RETAINED (LOSS) INCOME	ACCUMULATED OTHER COMPREHENSIVE LOSS	TREASURY SHARES	TOTAL
Balance December 31, 2020	64,528	379,851	94,780	(53,856)	(21,382)	(11,351)	452,570
Comprehensive income (loss):							
Net profit	-	-	-	32,109	-	-	32,109
Other comprehensive income (loss):							
Net fair value adjustment of interest rate swaps designated for hedge accounting less portion reclassified to income statement (note 7, 20)	-	-	-	-	12,875	-	12,875
Exchange differences arising on translation of foreign operations	-	-	-	-	(12)	-	(12)
Total other comprehensive income	-	-	-	-	12,863	-	12,863
Total comprehensive income	-	-	-	32,109	12,863	-	44,972
Transactions with shareholders:							
Share Capital In-crease (note 8)	12,899	51,515	-	-	-	-	64,414
Dividend	-	-	-	(23,078)	-	-	(23,078)
Compensation expense for share options (note 18)	-	-	290	-	-	-	290
Total transactions with shareholders	12,899	51,515	290	(23,078)	-	-	41,626
Balance, December 31, 2021	**77,427**	**431,366**	**95,070**	**(44,825)**	**(8,519)**	**(11,351)**	**539,168**

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

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(in USD thousands)	SHARE CAPITAL	PAID-IN CAPITAL	CONTRIB-UTED CAPITAL	RETAINED (LOSS) INCOME	ACCUMULATED OTHER COMPREHENSIVE LOSS	TREASURY SHARES	TOTAL
Balance, December 31, 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):							
Net fair value adjustment of interest rate swaps designated for hedge accounting less portion reclassified to income statement (note 7, 20)	-	-	-	-	26,497	-	26,497
Amortisation of gain on discontinued hedges	-	-	-	-	(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	-	-	-	(49,786)	-	-	(49,786)
Compensation expense for share options (note 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 CASH FLOWS

	Note	FOR THE YEAR ENDED DECEMBER 31, 2022	DECEMBER 31, 2021
		(in USD thousands)	
Cash flows from operating activities			
Cash generated from operations	21	**142,180**	91,158
Interest paid		**(19,057)**	(17,603)
Settlement of share options		**(933)**	(959)
Net cash flows from operating activities		**122,190**	72,596
Cash flows used in investing activities:			
Net cash proceeds from sale of assets	5	**141,525**	-
Capital expenditures	5	**(155,102)**	(60,179)
Net cash flows used in investing activities		**(13,577)**	(60,179)
Cash flows from financing activities:			
Dividend		**(49,786)**	(23,078)
Proceeds from issue of share capital		**-**	64,414
Repayment of long-term debt	6	**(271,242)**	(61,652)
Drawdown of long-term debt	6	**429,000**	41,650
Repayment of revolving credit facility	6	**(93,598)**	(6,126)
Transaction cost related to loans and borrowings		**(6,212)**	(1,707)
Cash settlement of derivatives		**6,067**	-
Net cash flows from (used in) financing activities		**14,229**	13,501
Net increase (decrease) in cash and cash equivalents		**122,842**	25,918
Cash and cash equivalents at beginning of period		**101,910**	75,882
Effect of exchange rate changes on cash		**(509)**	110
Cash and cash equivalents at end of period		**224,243**	101,910

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, 2022, the Company owns and operates a fleet of twelve ships and four Dual Fuel LPG newbuildings due for delivery in 2023 and 2024.

Basis for preparation

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

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

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's Environmental Policy outlines how to reduce GHG emissions through optimal operation of vessels and machinery, implementing new technologies, and diligent work with Ship Energy Efficiency Management Plan (SEEMP). The Group focuses on its vessel's GHG emission profiles of the vessels when considering fleet's useful economic life, residual values and impairment. The Group's fleet has an average age of less than 6 years old including the newbuilding program.

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

Basis of consolidation

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

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

Foreign currency

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

Transactions in foreign currencies are translated at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate prevailing at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not translated while non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates prevailing at the dates the fair value was determined.

Operating segments

As of December 31, 2022, the Group operates twelve VLGCs and four Newbulidings under construction in the LPG segment. These vessels are operating worldwide and thereby it is considered that allocating the assets to specific locations are not suitable. However, during the year 2022, 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.

Financial assets

ACCOUNTS RECEIVABLE

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

CASH AND CASH EQUIVALENTS

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

Inventory

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

Property, plant and equipment

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

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

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

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

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

IMPAIRMENT AND REVERSAL OF IMPAIRMENT

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

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

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

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

Borrowing cost

Borrowing costs that are directly attributable to the acquisition, construction or production of assets that take a substantial period of time to get ready for their intended use or sale ('qualifying asset') are added to the cost of such assets. Borrowing costs added to the carrying amount of Property, plant and equipment are depreciated over the useful life of the respective asset.

Financial liabilities

INTEREST-BEARING DEBT

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

OTHER FINANCIAL LIABILITIES

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

Derivative financial instruments

INTEREST RATE SWAPS

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

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

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

Operating revenue

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

The following new or amendments to standards and interpretations have been issued and become effective for annual reporting periods beginning on or after January 1, 2023, and earlier adoption is permitted. The Group has not early adopted the new or amended standards in preparing these accounts, and they are not expected to have a significant impact on the Group's consolidated financial statements:

- Insurance Contracts (IFRS 17) and Insurance Contracts (Amendment to IFRS 17)
- Presentation of Financial Statements (Classification of Liabilities as Current or Non-current (Amendment to IAS 1)
- Presentation of Financial Statements and Practice Statement 2 (Disclosure of Accounting Policies) (Amendment to IAS 1)
- Accounting policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates) (Amendment to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a Singe Transaction (Amendment to IAS 12)

The company has adopted all other new standards and amendments that are applicable as of January 1, 2022, which had no material impact on the Group's consolidated financial statements. These include Classification of liabilities as Current or Non-current (Amendments to IAS 1), Covid 19-related Rent concessions (Amendments to IFRS 16) and Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).

3. CASH AND CASH EQUIVALENTS

	AS OF DECEMBER 31, 2022 (in USD thousands)	AS OF DECEMBER 31, 2021
Cash at bank	**224,243**	101,910
Cash and cash equivalents	**224,243**	101.910

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

4. RECEIVABLES AND OTHER CURRENT ASSETS

	AS OF DECEMBER 31, 2022 (in USD thousands)	AS OF DECEMBER 31, 2021
Receivables		
Customer trade receivables	**9,780**	18,984
Demurrage	**2,951**	2,466
Other	**2**	1
Total	**12,733**	21,451
Allowance for credit losses	**(504)**	(353)
Receivables	**12,229**	21,098

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

	AS OF DECEMBER 31, 2022 (in USD thousands)	AS OF DECEMBER 31, 2021
Other current assets		
Advance canal toll and port disbursement	**3,034**	3,138
Other assets	**419**	481
Other current assets	**3,453**	3,620

5. PROPERTY, PLANT AND EQUIPMENT & NEWBUILDINGS

(in USD thousands)	SHIPS	FURNITURE AND FIXTURES	DRYDOCKING	TOTAL PROPERTY, PLANT AND EQUIPMENT
Cost:				
December 31, 2020	1,019,744	486	38,713	**1,058,943**
Additions	2	139	2,485	**2,627**
Disposals	-	-	-	**-**
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**
Accumulated depreciation, amortisation, impairment and reversals:				
December 31, 2020	284,777	297	12,710	**297,784**
Depreciation expense for the year	38,289	19	8,901	**47,209**
Disposals	-	-	-	**-**
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**
Carrying value:				
December 31, 2021	**696,680**	**309**	**19,588**	**716,577**
December 31, 2022	**703,926**	**269**	**11,672**	**715,866**

Sales of Vessels

During the first half of 2022, the Company sold the 2008 built VLGC's Thetis Glory and Providence resulting in the Company recognising a gain on sale of vessels of $10.8 million. During the fourth quarter of 2022, the Company sold the 2009-built VLGC Promise with a Time-Charter (TC) attached resulting in the Company recognising a gain on sale of vessels of $7.9 million resulting in a total gain on sale for the year of $18.7 million.

Newbuildings

On December 16, 2019 the Company entered into shipbuilding contracts for two LPG Dual-Fuel VLGCs with Daewoo Shipbuilding and Marine Engineering (DSME) in South Korea, for delivery in Q1 2022. The Company took delivery of these vessels (VLGC Avance Polaris and VLGC Avance Capella) during the first quarter of 2022, resulting in reclassification of $166.3 from newbuildings to property, plant and equipment.

On January 18, 2021 the Company entered into shipbuilding contracts for a further two LPG Dual-Fuel VLGCs with DSME in South Korea (Avance Rigel and Avance Avior). Avance Rigel was subsequently delivered in February 2023 and Avance Avior is scheduled for delivery during the second quarter 2023.

On April 21, 2021 the Company further increased its Duel-Fuel VLGC newbuilding program with DSME in South Korea with an additional two vessels scheduled for delivery in the second half of 2023 and 2024.

As of December 31, 2022, The Company has four Dual Fuel LPG newbuildings due for delivery in 2023 and 2024.

	NEW-BUILDINGS
Cost:	*(in USD thousands)*
Newbuildings as at December 31, 2020	31,825
Instalments paid during 2021	58,068
Capitalised borrowing costs during 2021	2,716
Newbuildings balance at December 31, 2021	**92,609**
Instalments paid during 2022	154,629
Vessels delivered during 2022	(166,235)
Capitalised borrowing cost during 2022	2,594
December 31, 2022	**83,597**

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 2022 was 3.8%.

Contractual obligations

Refer to note 7 for information on contractual obligations related to LPG Dual-Fuel VLGCs 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 *Interest-bearing 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.

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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.

IMPAIRMENT TESTS PERFORMED IN 2021

As of December 31, 2021, 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, 2021.

6. FINANCIAL LIABILITIES

	AS OF	
	DECEMBER 31, 2022	DECEMBER 31, 2021
	(in USD thousands)	
Non-current liabilities:		
Long-term debt	**231,968**	187,763
Revolving credit facilities	**113,387**	81,984
Lease financing agreement	**68,890**	75,660
	414,245	345,407
Current liabilities:		
Current portion of long-term debt	**30,522**	37,818
Current portion of lease financing agreement	**6,756**	6,756
	37,278	44,574
Total net debt	**451,523**	389,981

Long-term debt consisted of debt collateralised by the Group's 12 VLGCs as of December 31, 2022. The long-term debt consisted of debt collateralised by the Group's 13 VLGCs as of December 31, 2021.

During the first quarter of 2022, the company drew $104.0 million on the sustainability linked financing entered into in July 2021 in connection with the delivery of Avance Polaris in January 2022 and Avance Capella in February 2022. During the second quarter of 2022, the Company drew $325.0 million on a $555 million sustainability linked financing facility entered into in May 2022, fully refinancing the existing $515 million facility.

In August, 2022, the Company signed a $135 million sale and leaseback agreement with Bocomm Leasing for the final two dual fuel newbuilding vessels due to be delivered in the fourth quarter of 2023 and first quarter of 2024. The lease has a post-delivery tenor of 10 years.

In 2022 the long-term debt repayments were $364.8 million. Of the $364.8 million, $33.7 million is scheduled repayment of debt, $237.5 million is repayment on refinancing of the existing $515 million facility, $23.2 million were repaid on sale of VLGC Thetis Glory, $20.9 million were repaid on the sale of VLGC Providence, $20 million were repaid on the $515 million revolving credit facility and $29.5 million were repaid on the $555 million facility during the fourth quarter in relation to the sale of VLGC Promise.

Terms and repayment schedule *(in USD thousands)*			**AS OF DECEMBER 31, 2022**		**DECEMBER 31, 2021**	
	Currency	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Long-term debt	USD	2027-2028	**268,275**	**262,490**	228,590	225,581
Revolving credit facility	USD	2028	**113,387**	**113,387**	81,984	81,984
Lease financing agreement	USD	2030	**77,029**	**75,646**	83,957	82,416
Total interest-bearing liabilities			**458,691**	**451,522**	394,531	389,981

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, 2022 and 2021.

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7. FINANCIAL RISK MANAGEMENT & 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, 2022, the Group had one external customer who generated revenue greater than 10% of total revenue. The amount was $42.4 million. For the year ended December 31, 2021, the Group had three customers who each generated revenue greater than 10% of total revenue. The amounts were $28.2 million, $23.8 million, and $21.2 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 (in USD thousands)	IMPAIRMENT OF TRADE RECEIVABLES
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**

	GROSS AMOUNT (in USD thousands)	IMPAIRMENT OF TRADE RECEIVABLES
AS OF DECEMBER 31, 2021		
Up to 30 days past due	7,004	-
31 to 60 days past due	337	-
61 to 90 days past due	-	-
More than 91 days past due	396	353
	7, 737	**353**

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, 2022 (in USD thousands)	DECEMBER 31, 2021
Beginning of the period	**353**	131
Net remeasurement of loss allowance	**151**	222
End of period	**504**	353

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, 2022 *(in USD thousands)*			Contractual cash flows			
	Carrying Amount	Total contractual cash flow	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years
Trade and other payables	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**
Interest rate swaps used for hedging (net)	(10,880)	(10,880)	(5,008)	(3,321)	(1,891)	(661)
Total financial liabilities	**450,693**	**570,036**	**69,110**	**59,154**	**238,682**	**203,092**

As of December 31, 2021 *(in USD thousands)*			Contractual cash flows			
	Carrying Amount	Total contractual cash flow	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years
Trade and other payables	14,965	14,965	14,965	-	-	-
Long-term debt	225,581	246,037	45,881	49,283	150,873	-
Revolving credit facilities	81,984	89,952	2,666	3,500	83,786	-
Lease financing arrangement	82,416	108,719	10,428	10,740	30,320	57,231
Total non-derivative financial liabilities	**404,946**	**459,673**	**73,940**	**63,523**	**264,979**	**57,231**
Interest rate swaps used for hedging (net)	8,580	8,580	4,891	2,543	1,963	(817)
Total financial liabilities	**413,526**	**468,253**	**78,831**	**66,066**	**266,942**	**56,414**

The contractual interest payments on outstanding debt as of December 31, 2022 are based on 3 months SOFR forward curve plus an applicable margin.

Additionally, the Group's contractual cash flows will include drawdown of $115 million at delivery of Avance Rigel and Avance Avior which is scheduled during 2023. The $115 million is a facility B in the $555 million facility which was refinanced in May 2022, as stated in note 7. Further, the cash flows will include the $135 million sale leaseback agreement signed in August 2022 which concluded the financing of the two last dual fuel newbuildings due for delivery second half 2023 and 2024.

Contractual obligations related to LPG Dual-Fuel VLGCs shipbuilding contracts

As at December 31, 2022, the Company has entered into shipbuilding contracts for four new vessels, providing future payments of:

(in USD thousands)	**2023**	**2024**	**Total amount**
As of December 31, 2022	187,038	57,638	244,675

(in USD thousands)	**2022**	**2023**	**Total amount**
As of December 31, 2021	204,273	181,135	385,408

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 and swap agreements as of December 31, 2022, a 1 % change in the LIBOR rate would increase/decrease the Group's interest expense by $4.5 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, 2022		DECEMBER 31, 2021	
(in USD thousands)	Note	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities					
Long-term debt	6	**262,490**	**262,490**	225,581	225,581
Revolving credit facilities	6	**113,387**	**113,387**	81,984	81,984
Lease financing agreement	6	**75,646**	**75,646**	82,416	82,416
Derivative financial instruments					
Interest rate swap assets		**10,880**	**10,880**	2,240	2,240
Interest rate swap liabilities		**-**	**-**	10,812	10,812
Forward Freight Agreements and Bunker Hedges		**979**	**979**	-	-

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, 2022 and December 31, 2021 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).

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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, 2022 and December 31, 2021 is recognised in the statement of other comprehensive income / loss, refer to note 9.

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 LIBOR during the relevant period. The fair value of the interest rate swaps will depend on expectations of future interest rates, the forward yield curve.

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

The interest rate swaps have a maturity in 2025 and 2030. The swaps due in 2025 are amortising in line with the underlying debt, while the swaps maturing in 2030 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 2022, the Group terminated number of swaps for cash proceeds and entered into new swaps. In Q3 2022, the Company terminated one interest rate swap with gain of $6.2m and entered into two new interest rate swaps which increased the Group's hedging portfolio by $100m notional. The new interest rate swaps are forward starting in August 2024 and August 2025, respectively, with a tenor of six years from start date. In Q4 2022, the Group terminated interest rate swaps for cash proceeds of $6.1m. The gains on termination of the interest rate swaps are being reclassified from other comprehensive income to the income statement in line with the future cash flows of the original hedged item.

8. SHARE CAPITAL, PAID IN SURPLUS AND CONTRIBUTED CAPITAL

Shares outstanding	ORDINARY SHARES	TREASURY SHARES	NUMBER OF SHARES OUTSTANDING
December 31, 2020	64,527,972	(833,889)	63,694,083
Share Capital Increase	**12,899,000**	**-**	**12,899,000**
December 31, 2021	**77,426,972**	**(833,889)**	**76,593,083**
December 31, 2022	**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 per value of $1 per share as of December 31, 2022 and as of December 31, 2021. In April 2021, the company issued 12.9 million shares at a price of $5.1 (NOK 43) per share. All ordinary shares were issued at par value of $1.0. All shares are fully paid. 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, 2022 and December 31, 2021.

In August 2021, the majority shareholder of Avance Gas Holding Ltd., Hemen Holding Limited ("Hemen") acquired additionally 127,207 shares in the Company. Following the acquisition, Hemen, combined with its holdings through its ownership of Frontline Ltd., held a total of 33.35% of the shares in the Company. Pursuant to section 6-1 of the Norwegian Securities Trading Act 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.

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, 2022

Top 20 Shareholders:

NAME	NUMBER OF SHARES	HOLDING %
Hemen Holding Limited	59,382,696	76.7%
Nordnet Bank AB	1,344,022	1.7%
UBS Switzerland AG	832,597	1.1%
Danske Bank A/S	693,060	0.9%
The Bank of New York Mellon SA/NV	529,626	0.7%
Stavern Helse og Forvaltning AS	500,000	0.6%
Skandinaviska Enskilda Banken AB	454,448	0.6%
Saxo Bank A/S	451,185	0.6%
Frontline LTD	442,384	0.6%
Nordea Bank Abp	440,258	0.6%
Dorian LPG. Ltd.	429,304	0.6%
State Street Bank and Trust Comp	331,747	0.4%
Nordnet Livsforsikring AS	330,083	0.4%
Avanza Bank AB	305,619	0.4%
Heggelund, Jan	276,500	0.4%
The Bank of New York Mellon SA/NV	212,109	0.3%
BNP Paribas Arbitrage SNC	209,676	0.3%
Citibank, N.A.	186,561	0.2%
Swedbank AB	186 443	0.2%
Skandinaviska Enskilda Banken AB	185 120	0.2%
Total top 20 shareholders	67 723 438	87.5%
Other shareholders	9 703 534	12.5%
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, 2022.

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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, 2022	DECEMBER 31, 2021
	(in thousands, except per share data)	
Net profit attributable to common shareholders	**88,992**	32,109
Basic weighted average shares outstanding	**76,593**	73,130
Dilutive effect of share options	**311**	88
Diluted weighted average shares outstanding	**76,904**	73,218
Basic earnings per share	**1.16**	**0.44**
Diluted earnings per share	**1.16**	**0.44**

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

	FOR THE YEAR ENDED DECEMBER 31, 2022	DECEMBER 31, 2021
	(in USD thousands)	
External revenue disaggregated by nature:		
Freight revenue	**173,013**	159,711
Time charter revenue	**81,527**	50,966
Operating revenue	**254,540**	210,677
Timing of revenue recognition:		
Products and services transferred at a point in time	**7,421**	7,267
Products and services transferred over time	**165,592**	152,444
Revenue from contracts with customers	**173,013**	159,771
Time charter revenue	**81,527**	50,966
Operating revenue	**254,540**	210,677

The Group's freight revenue was mainly generated in the Middle East and US Gulf for the years ended December 31, 2022 and 2021, 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, 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. As at December 31, 2021 undiscounted payments receivable under long-term time charter contracts due within 12 months amount to $47.0 million, and $64.4 million within 24 months.

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	
(in USD thousands)	**DECEMBER 31, 2022**	**DECEMBER 31, 2021**
Operating revenue	**254,540**	210,677
Voyage expenses	**(71,504)**	(67,689)
Voyage result	**183,036**	142,988
Calendar days	**4,849**	4,745
Technical off-hire days	**(62)**	(177)
Operating days	**4,787**	4,568
TCE per day ($)		
	38,236	31,302

11. VOYAGE EXPENSES

	FOR THE YEAR ENDED	
(in USD thousands)	**DECEMBER 31, 2022**	**DECEMBER 31, 2021**
Bunkers	**48,091**	43,117
Port and canal charges	**18,266**	20,869
Commissions	**4,225**	3,060
Other	**922**	643
TOTAL VOYAGE EXPENSES	**71,504**	67,689

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12. OPERATING EXPENSES

	FOR THE YEAR ENDED	
(in USD thousands)	**DECEMBER 31, 2022**	**DECEMBER 31, 2021**
Crewing costs	**23,078**	23,690
Maintenance and repairs	**1,267**	2,210
Insurance	**1,945**	1,445
Ship supplies and provisions	**11,434**	11,843
Ship management fee	**2,640**	2,470
Other	**384**	435
TOTAL OPERATING EXPENSES	**40,748**	42,093

13. ADMINISTRATIVE AND GENERAL EXPENSES

	FOR THE YEAR ENDED	
(in USD thousands)	**DECEMBER 31, 2022**	**DECEMBER 31, 2021**
Employee benefit and secondment expenses	**3,707**	3,347
Information systems	**735**	1,142
Legal fees	**312**	230
Professional fees	**1,737**	985
Office fees	**205**	254
Travel and entertainment expenses	**39**	31
Share option compensation expense	**(298)**	290
Other	**230**	186
TOTAL ADMINISTRATIVE AND GENERAL EXPENSES	**6,667**	6,466

14. FINANCE EXPENSES

	FOR THE YEAR ENDED	
(in USD thousands)	**DECEMBER 31, 2022**	**DECEMBER 31, 2021**
Interest on long-term debt	**19,579**	17,686
Amortisation of debt issuance cost	**3,640**	1,237
Commitment fee	**1,384**	383
Amortisation of gain on discontinued hedges	**(647)**	0
Other finance costs	**1**	18
Capitalised borrowing cost	**(2,594)**	(2,716)
FINANCE COST EXPENSED	**21,362**	16,608

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

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, an assurance that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income, or computed on any capital assets, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not, until March 31, 2035 be applicable to the Company or to any of its operations, or to the Company's shares, debentures or other obligations, except in so far as such tax applies to persons ordinarily resident in Bermuda and holding the Company's shares, debentures, or other obligations, or any property in Bermuda leased or let to the Company.

Tax expense of $285 thousand recognised in the consolidated income statement in 2022 relates to income taxes in foreign jurisdictions. Tax expense recognised in the consolidated income statement in 2021 relates to income and withholding taxes in foreign jurisdictions, with $498 thousand in 2021 consisting of income taxes of $33 thousand and withholding taxes of $465 thousand. Withholding taxes related to an Equity distribution form Den Norske Krigsforsikring for Skib, or DNK, the Norwegian Shipowners Mutual War Risk Insurance Association. The Group has no deferred taxes. The effective tax rate for the Group was 0.3% for the year ended December 31, 2022, and 1.5% for the year ended December 31, 2021.

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	
Fees paid to related parties	**DECEMBER 31, 2022** *(in USD thousands)*	**DECEMBER 31, 2021**
Corporate secretarial services	**248**	117
Technical supervision	**2,246**	2,014
Office lease and shared services	**980**	331

In addition, the Group received a recharge of operational credits of 1,028.8 thousand and $115.9 thousand in 2022 and in 2021, respectively.

The Group had no receivables against related parties per December 31, 2022. Related party receivables were $134 thousand per December 31, 2021. Payables to related parties were $248 thousand and $532 thousand per December 31, 2022 and 2021, respectively.

17. MANAGEMENT REMUNERATION

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

	FOR THE YEAR ENDED	
	DECEMBER 31, 2022 *(in USD thousands)*	**DECEMBER 31, 2021**
Salary	**526**	497
Bonus	**177**	81
Other remuneration	**5**	6
Pension contribution	**31**	37
	739	621

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

Remuneration to the Board of Directors:
The Directors of the Board received a yearly remuneration of $40.0 thousand for the years ended December 31, 2022 and December 31, 2021 respectively, paid proportionally for the time served on the Board. The Chairman of the Board received $100.0 thousand for the year ended December 31, 2022 and $100 thousand for the year ended December 31, 2021. Total Board fees for the year ended December 31, 2022 were $247.2 thousand and $247.2 thousand for the year ended December 31, 2021.

The table below shows the total number of shares owned directly or indirectly by Directors and key management as of December 31, 2022. Key management of Avance Gas and remaining Directors do not, directly or indirectly, own shares in Avance Gas as of December 31, 2022.

NAME	NUMBER OF SHARES	% NUMBER OF SHARES
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 2016, a total of 988,833 share options remained outstanding under the Company's share option scheme as of December 31, 2022.

Options granted under the 2015-2018 Plan vest 25% each anniversary of continuing employment after grant. The options are not transferable. The subscription price is at the discretion of the Board, provided the subscription price is never reduced below the par value of the share. The subscription price for options granted will be reduced by the amount of all dividends declared by the Company in the period from the date of grant until the date the option is exercised. Options may be exercisable when they are vested, and within five years from the date of grant. Options are forfeited by employees upon termination of employment in most circumstances. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

During the first quarter in 2022, Kristian Sorensen resigned as CEO of the company resulting in his options being cancelled. On August 30, 2022, the Board of Avance Gas granted Mr. Kalleklev and Mr. Foss 375,000 and 250,000 stock options in Avance Gas. The share options will 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 and the exercise price will be adjusted for any distribution of dividends made before the relevant options expire.

	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	-	-
Remaining average contractual life	-	-	2.6	4.7	

	2016 SHARE OPTION	2017 SHARE OPTION	2018 SHARE OPTION	2019 SHARE OPTION	2021 SHARE OPTION	TOTAL SHARE OPTIONS
Average exercise price ($)	1.64	1.59	1.45	4.38	6.23	
Outstanding January 1, 2021	58 750	55 000	197 500	160 000	-	471 250
Changes during the year:						
Granted	-	-	-	-	1 549 999	1 549 999
Exercised	(58 750)	(13 500)	(108 000)	(80 000)	-	(260 250)
Expired	-	-	-	(80 000)	-	(80 000)
Forfeited	-	-	-	-	(25 333)	(25 333)
Outstanding December 31,	**-**	**41 500**	**89 500**	**-**	**1 524 666**	**1 655 666**
Exercisable December 31, 2021	-	41 500	62 000	-	-	103 500
Remaining average contractual life	-	0.9	1.8	-	3.6	

Share based expense for the year ended December 31, 2022 was negative $298 thousand as result of the derecognition of forfeited options. Share based expense for the year ended December 31, 2021 was $290 thousand.

The weighted average fair value of options determined using the Black-Scholes valuation model was $0.72, $0.82, $0.79, $0.66, $1.47 and $1.73 per option for options granted in 2016, 2017, 2018, 2019, 2021 and 2022 respectively. The significant inputs into the model were weighted average share price of $2.19, $2.34, $2.16, $3.05, $5.43 and $4.92 per share for options granted in 2016, 2017, 2018, 2019, 2021 and 2022 respectively, an expected option life of five years, and an annual risk-free rate of 1.24%, 1.84%, 2.83%, 1.46%, 0.87% and 2.81% for options granted in 2016, 2017, 2018, 2019, 2021 and 2022 respectively. The volatility was measured based on the share price development for the period since the IPO.

19. AUDITOR'S REMUNERATION

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

(in USD thousands)	FOR THE YEAR ENDED DECEMBER 31, 2022	DECEMBER 31, 2021
Audit	**124**	120
Other assurance services	**22**	15
TOTAL AUDIT FEES	**146**	135

Audit fees are agreed and billed in NOK.

20. ACCUMULATED OTHER COMPREHENSIVE INCOME

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

(in USD thousands)	FOREIGN CURRENCY RESERVE	CASH FLOW HEDGE RESERVE	ACCUMULATED OTHER COMPREHENSIVE INCOME
As of January 1, 2021	65	(21,447)	(21,382)
Effective portion of changes in fair value of interest rate swaps	-	6,608	6,608
Reclassified to income statement	-	6,267	6,267
Translation adjustment, net	(12)	-	(12)
As of December 31, 2021	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**

21. SUPPLEMENTAL INFORMATION TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of net profit to cash generated from operations:

(in USD thousands)	Note	FOR THE YEAR ENDED DECEMBER 31, 2022	DECEMBER 31, 2021
Net profit		**88,992**	32,109
Adjustments to reconcile net profit to net cash from operating activities:			
Depreciation and amortisation of property, plant and equipment and intangibles		**45,020**	47,209
Net finance expense	14	**21,664**	16,472
Share Option Compensation expense	18	**(298)**	290
Gain on sale asset	5	**(18,648)**	-
Changes in assets and liabilities:			
Decrease (increase) in receivables		**9,004**	(4,805)
Decrease (increase) in prepaid expenses, inventory, related party receivables, mobilisation cost and other current assets		**738**	(8,869)
(Decrease) increase in accounts payable		**(3,167)**	5,030
(Decrease) increase in accrued voyage expenses, other current liabilities, and related party balances		**168**	3,716
Other		**(1,295)**	6
Cash flows from operating activities		**142,180**	91,158

Changes in liabilities arising from financing activities:

			NON-CASH CHANGES		
	DECEMBER 31, 2021	**CASH FLOWS**	AMORTI-SATION	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**

			NON-CASH CHANGES		
	DECEMBER 31, 2020	**CASH FLOWS**	AMORTI-SATION	OTHER CHANGES	**DECEMBER 31, 2021**
Long-term debt	284,069	(58,959)	1,164	(693)	**225,581**
Long-term revolving credit facility	88,110	(6,126)	-	-	**81,984**
Lease financing arrangements	44,366	38,957	73	(980)	**82,416**
Total liabilities from financing activities	**416,545**	**(26,128)**	**1,237**	(1,673)	**389,981**

Cash flows include transaction costs related to loans and borrowings.

22. SUBSEQUENT EVENTS

In February 2023, the Company took delivery of Avance Rigel, the third of its six 91,000 cbm VLGC newbuildings from Deawoo Shipyard in South Korea.

STATEMENT OF

Corporate Governance

Avance Gas, Avance Capella

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 Avance Gas 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 the Executive Chairman.

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.

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

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

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

Deviation from the Code: See Section 1.1 above.

3.7 NOMINATION COMMITTEE

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

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

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

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

Deviation from the Code: See Section 1.1 above.

3.8 BOARD; COMPOSITION AND INDEPENDENCE

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

A majority of the shareholder-elected members of the Board 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. The Executive Chairman functions both as the chairman of the Board and as the Company's highest ranking executive employee, this is a deviation from the Code. See Section 1.1. above.

The Board maintain their independency 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, as well as records of their attendance at the Bord meetings, please see page [15].

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

3.9 THE WORK OF THE BOARD

3.9.1 General

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

The 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

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

3.9.4 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 the Executive Chairman, 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 2022. 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 2022.

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.

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

Avance Gas, Breeze

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 2022, 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 a summary of significant accounting policies.

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 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by 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 9 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*

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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 2022 audit.

Key Audit Matters	How our audit addressed the Key Audit Matter
Impairment assessment for vessels and newbuildings	
Refer to note 2 (Significant accounting policies) and note 5 (Property, plant and equipment) where management explains how they assess the value of the vessels and newbuildings. As at 31 December 2022, the Group owns 12 VLGC vessels and 4 newbuildings. The vessels have a combined carrying amount of USD 715,866. The newbuildings have a combined carrying amount of USD 83,597. The Group has not recognised an impairment on the VLGCs or newbuildings in 2022. Indicators for impairment for the VLGCs and newbuildings were assessed by management and not considered present during 2022. As explained in the notes, 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 market capitalisation versus net book value of the Group, which gave no indication of impairment. As a result of the above factors, management have not performed an impairment test. Management considers each vessel and newbuilding to be a cash generating unit ("CGU", "vessel" or "newbuilding") in their assessment of impairment indicators. We focused on this area due to the significant carrying value of the vessels and newbuildings and the judgement inherent in the assessment of indicators of impairment.	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 IFRSs and obtained explanations from management as to how the specific requirements of the standards, in particular IAS 36 – Impairment of assets, were met. We also assessed the consistency year on year of the application of the accounting policy. In order to assess each of the assumptions in the impairment indicator assessment, we interviewed management and challenged their assumptions. For certain key assumptions we specifically 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 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 changes did not lead to any indication of impairment. In addition, we noted current freight rates are broadly in line with those utilised by management in the last performance of full impairment for this period. In order 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. In order to assess this, we corroborated if under the terms of the bank lending facilities, specific brokers are identified as being approved for use, for purposes of minimum value clause covenant reporting. Management used brokers from this approved list. We interviewed selected brokers to understand how the estimates for

fair value were compiled. We also satisfied ourselves that the brokers were provided with relevant facts in order to determine such an estimate, by testing key inputs such as build date, build location and certain key specifications back to the ships register. We 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 and performed sensitivity analyses and comparisons to other available market data where possible.

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

No matters of consequence arose from our procedures.

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 International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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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.

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

We also provide the 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, related safeguards.

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

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-2022-12-31-en, 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, 14 April 2023
PricewaterhouseCoopers AS

Peter Wallace
State Authorised Public Accountant

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