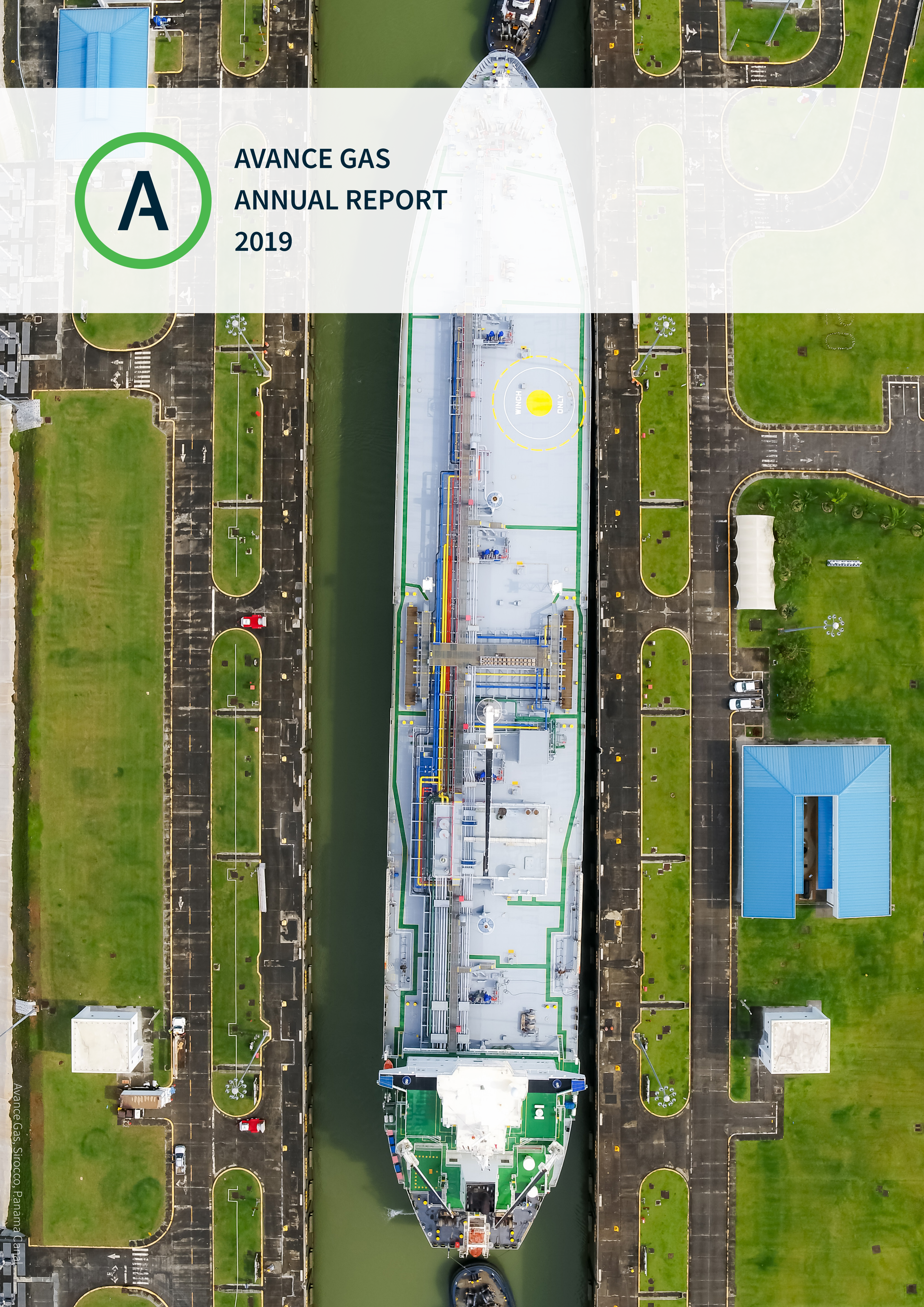
AVANCE GAS
ANNUAL REPORT
2019



Avance Gas Sirocco, Panama Canal

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Letter from the CEO

2019 was a successful year for Avance Gas with not only a return to profitability but also a series of milestones reached. A success attributable to the dedicated and hard-working employees of the Company.

Avance Gas delivered a net profit of $56.0 million, compared with a net loss of $43.2 million in 2018. The achieved average TCE rate was $34,309 per day for full-year 2019, compared to the TCE rate of $14,345 per day in 2018. Avance Gas' average fleet utilization in 2019 was 97.9%, compared with 96.3% in 2018. We are proud and satisfied with the financial results, but they were not the only highlights of 2019.

At the end of the year, Avance Gas placed an order for two Dual-Fuel 91,000 cbm VLGCs at Korean shipbuilder DSME. The orders are statements-of-intent and underscore our belief in the long-term fundamentals of the industry and our ambition to lead the way towards a low-carbon future.

The vessels will be constructed with the latest cutting-edge innovations and have a larger intake, lower daily consumption and, naturally, the possibility of burning LPG as compliant fuel, which is much cheaper and cleaner than VLSFO. Together, these features translate into unrivalled levels of operational efficiency while lowering emissions and we look forward to taking delivery of the vessels at the end of 2021.

2019 was also the year we completed the integration of Avance Gas into the Seatankers group of companies and thus continued our long tradition of pursuing low-cost leadership. By sharing technical management and bunker procurement with heavyweight companies as Frontline and Golden Ocean we are able to drive down our cost base without compromising on our flexible and responsive approach to the market.

During last year, I took over as CEO and with the change of leadership followed a series of changes, one of them being Avance Gas' chartering strategy. Thus, we have refrained from extending our CoAs and instead focused on spot and TC deals. We have lowered waiting time and launched other initiatives which combined have improved the spot chartering performance to bring us on par or above our competition.

Finally, 2019 marked the year where we started putting ESG at the heart of our operation. We published our first ESG report to provide investors, banks and other stakeholders with easy access to this very important non-financial information. We believe that sustainability will be one of the main drivers of returns in the years to come and are convinced that improving energy efficiency and reducing emissions will provide us with both environmental and economic and competitive advantages

Looking forward, we are confident about the mid- and long-term prospects of the market. LPG is, and will remain, a valuable part of the low carbon energy mix, and we expect increasing and sustainable growth in the years to come.

On behalf of Avance Gas, I would like to thank customers, banks, brokers and all other business partners for the trust and support they have showed us in 2019.

Yours truly,

Ulrik Uhrenfeldt Andersen
Chief Executive Officer
Avance Gas
2 April, 2020

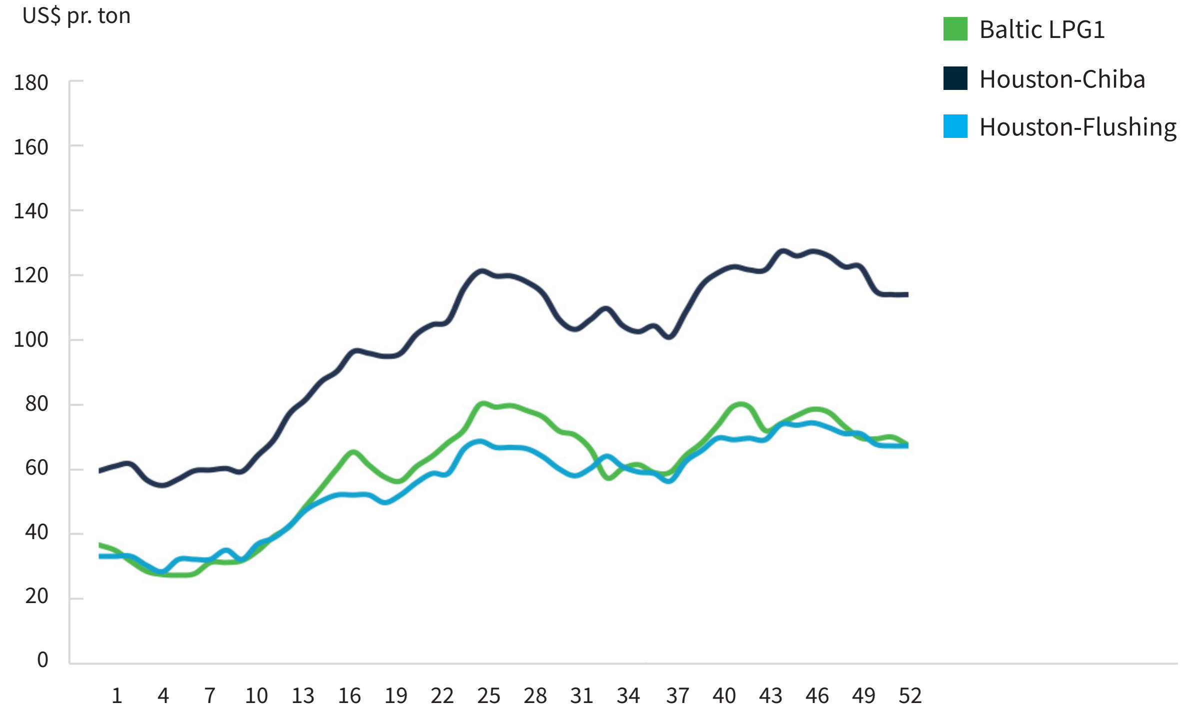
KEY OPERATIONAL AND FINANCIAL

Highlights

Leontii Tereshchenko, Breeze

Freight Rates 2019

$ pr. ton



Week Number

Source: Baltic; Clarkson, Poten & Partners

Avance Gas' results for 2019 reflected the freight market development, driven by strong US export volumes, low fleet growth and fleet efficiency disruption relating to IMO 2020. The Company's average time charter equivalent (TCE) rates followed the market trend during the year, with a full-year average rate for the fleet increased to $34,309/day, compared with $14,345/day in 2018. TCE rates for the first quarter were $11,637/day and significantly improved from March to record $32,275/day in the second quarter. Freight markets continued to improve in the second half, reporting TCE rates of $42,700/day in the third quarter and $51,047/day in the fourth quarter.

KEY FINANCIAL HIGHLIGHTS

TCE/day (in millions)
$34,309

Available liquidity (in millions)
$85.9

Ships	NB Dual-Fuel
14	**2**

Calendar days	Operating days
5,110	**5,059**

OPEX/day
$7,983

A&G/day
$1,083

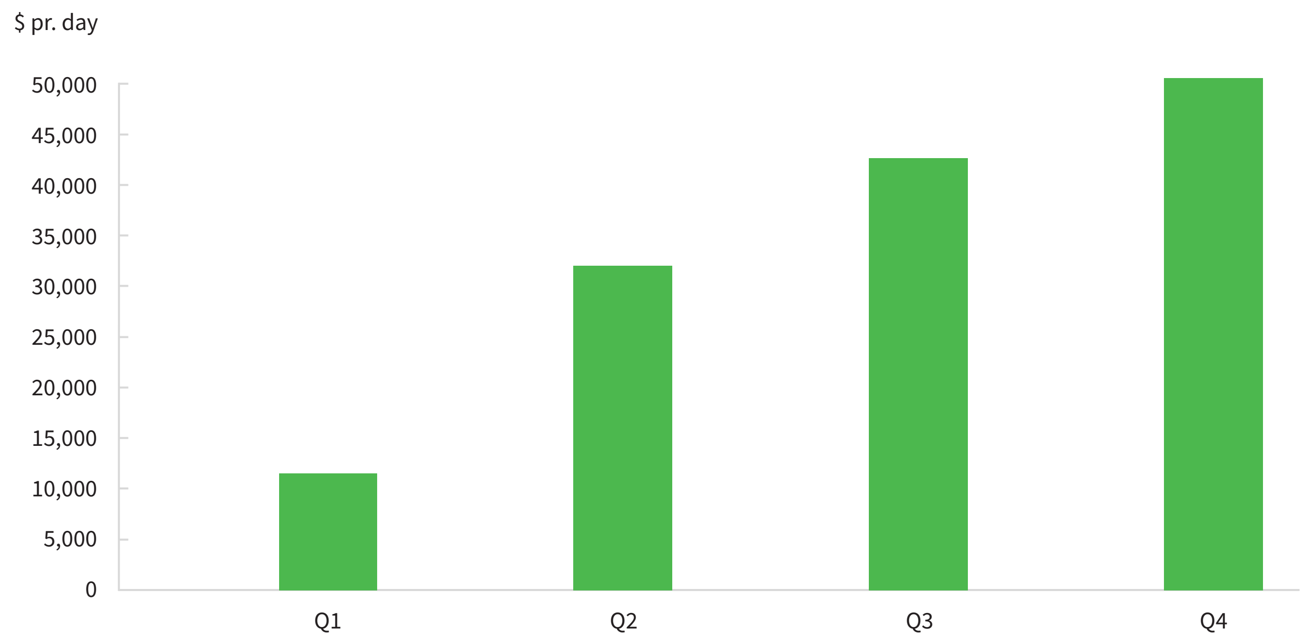
In 2019, Avance Gas (the "Company") reported a net profit of $56.0 million compared to a net loss of $43.2 million in 2018. The Company's results followed the freight market development during the year reflecting positive fundamentals.

Operating expenses in 2019 were $40.8 up from $39.6 million in 2018 giving an average daily operating expense of $7,983 for 2019, compared to $7,755 in 2018. The increase in OPEX was largely related to minor repairs of the fleet in 2019, representing an increase of $228/day for the full year.

Administrative and general expenses, totaled $5.5 million in 2019, compared with $5.0 million in 2018. The increase largely related to non-recurring employee and office expense. Net non-operating expenses, consisting mainly of financial expenses, were $29.4 million, up from $27.5 million in 2018, an increase mainly attributable to expensed issuance cost relating to credit facilities refinanced in 2019.

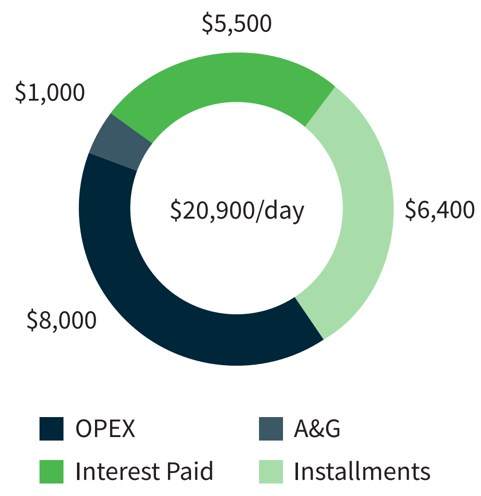
Avance Gas' total assets amounted to $899.0 million at 31 December 2019, up from $870.8 million at 31 December 2018. The increase in total assets are due to increase in receivables due to improved freight rates, capitalization of dry-docking and scrubber investments offset by normal depreciation of the fleet. Net total interest bearing debt was $453.0 million at year-end 2019, compared to $492.2 as of year-end 2018. Total shareholders' equity amounted to $411.1 million, corresponding to an equity ratio of 45.7%.

Avance Gas TCE



Cash and cash equivalents were $85.9 million at 31 December 2019, compared with $47.3 million at 31 December 2018, reflecting improved freight rates, refinancing, debt repayments and capital expenditures.

Cash-break even 2019



KEY OPERATIONAL HIGHLIGHTS

Avance Gas fleet utilisation
97.9%

Crew members
240*

*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

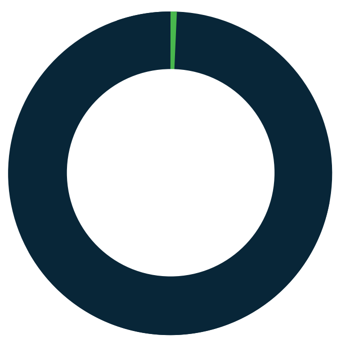
Insurance claims
2

Waiting days per ship per month
0.65

Number of countries
25

Utilization rates remained high throughout the year recording a fleet utilization of 97.9% for full year. Waiting days in 2019 for the Avance Gas fleet totaled 109.5 days compared to 190.6 days in 2018, representing an average of 0.65 days per ship/month. This compares with average 1.1 day per ship/month and a fleet utilization of 96.3% in 2018.

Offhire by category (days)



AVANCE GAS - ANNUAL REPORT 2019

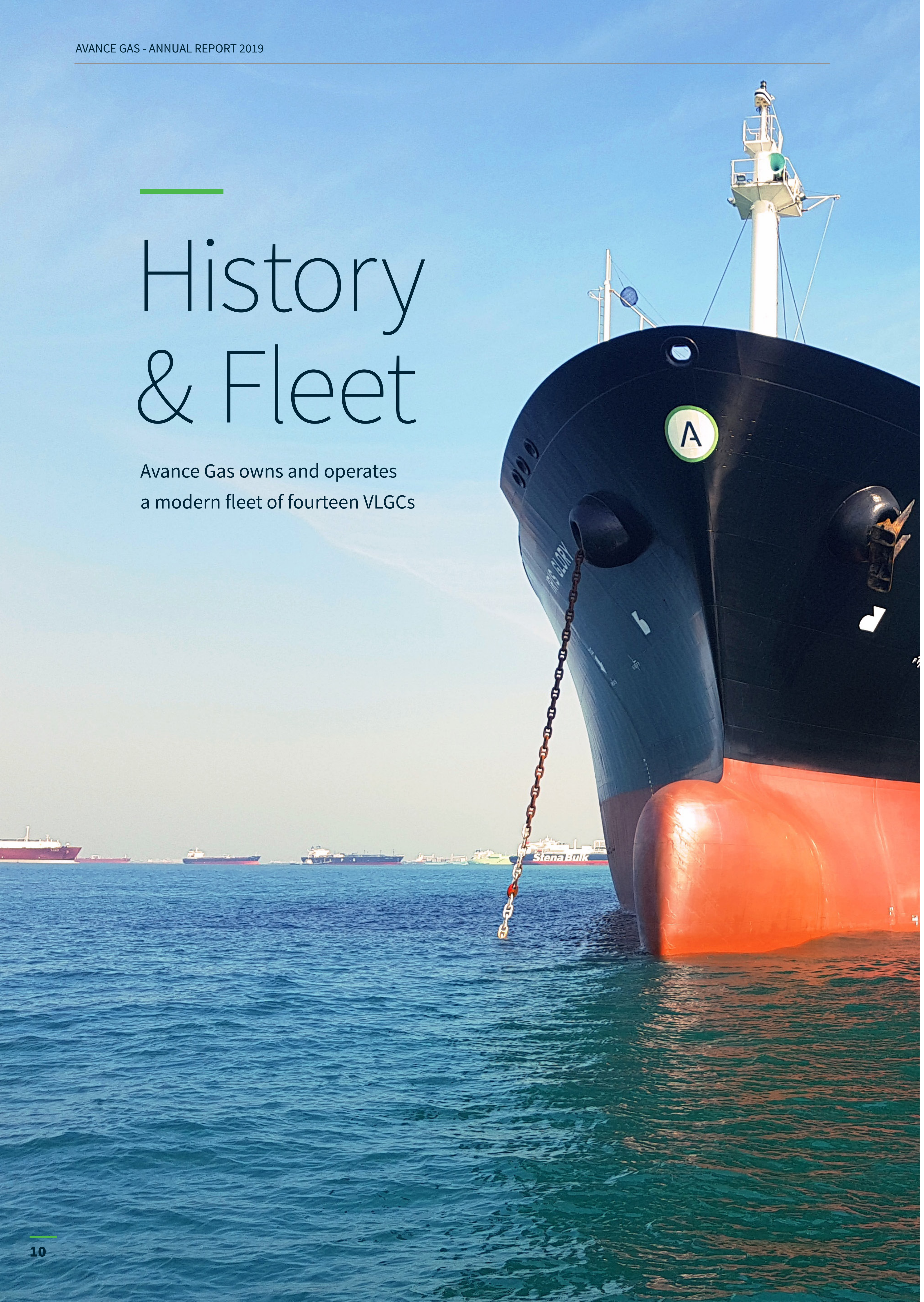
The Company recorded 5,059 operating days in 2019 (calendar days less offhire days), down from 4,849 operating days in 2018 due to scheduled drydock last year.

The Company entered into scrubber installation contracts in 2019 to fulfill the new IMO 2020 regulations, which came into effect 1 January 2020. The scrubber installation is performed during scheduled drydock commencing end December 2019. By end February 2020 two of six ships will have returned to service and expect the four remaining ships to return to service in the second quarter 2020. Our remaining ships will carry compliant fuel. However, we are assessing the alternatives for the last two ships due for drydocking in 2020. The Covid-19 outbreak has increased the complexity in planning the drydock program for the remaining scheduled ships.

We started running our vessels partly on Very Low Sulphur Fuel Oil (VLSFO) in 2019. As a result, while consuming 15 per cent more energy in 2020 compared to 2019, our total SOx emissions were marginally lower due to the use of VLSFO.

Avance Gas is committed to ensuring the health and safety for our people, keeping the oceans clean and reducing emissions. All Company employees, shore based and seafarers are required to comply with the applicable standards and with the ship's occupational health and safety policy and program. All onboard personnel are appropriately trained, and a formal onboard training program includes both computer-based training and periodic scheduled and unscheduled drills.

Marine transportation carries environmental risks through discharges and potential spills. Avance Gas' efforts and ability to manage such risks are critical for protecting the environment, the sector, our customers and our own business. We have monitoring and management tools in place to minimise the environmental impact of Avance Gas' activities. Avance Gas is pleased that zero spills or release to the environment in 2019 and will continue this focus in 2020.



History & Fleet

Avance Gas owns and operates a modern fleet of fourteen VLGCs

Avance Gas, Iris Glory

The Fleet

VESSEL	SIZE CBM	YARD	BUILT	OWNERSHIP
AVANCE	82,500	KAWASAKI, JAPAN	2003	100 %
IRIS GLORY	83,700	DAEWOO, SOUTH KOREA	2008	100 %
THETIS GLORY	83,700	DAEWOO, SOUTH KOREA	2008	100 %
VENUS GLORY	83,700	DAEWOO, SOUTH KOREA	2008	100 %
PROVIDENCE	83,800	DAEWOO, SOUTH KOREA	2008	100 %
PROMISE	83,800	DAEWOO, SOUTH KOREA	2009	100 %
MISTRAL	83,000	JIANGNAN, CHINA	2015	100%
MONSOON	83,000	JIANGNAN, CHINA	2015	100%
BREEZE	83,000	JIANGNAN, CHINA	2015	100%
PASSAT	83,000	JIANGNAN, CHINA	2015	100%
SIROCCO	83,000	JIANGNAN, CHINA	2015	100%
LEVANT	83,000	JIANGNAN, CHINA	2015	100%
CHINOOK	83,000	JIANGNAN, CHINA	2015	100%
PAMPERO	83,000	JIANGNAN, CHINA	2015	100%
NB DUAL-FUEL TBN	91,000	DAEWOO, SOUTH KOREA	2021	100%
NB DUAL-FUEL TBN	91,000	DAEWOO, SOUTH KOREA	2022	100%

History

2007

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)."

2009

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, today named *Avance*. Avance Gas Holding Ltd was established.

2010

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.

2011 - 2012

In 2011, the VLGC market began to strengthen. That momentum carried into 2012, when 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

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—for $75 million per ship. 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").

2014

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 an 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

In January 2015, Avance Gas took delivery of *Mistral* and *Monsoon*, the first two of its eight 83,000 cbm VLGC newbuildings from Jiangnan Shipyard in China. *Breeze* was delivered in April, followed by *Passat, Sirocco, Levant, Chinook* and *Pampero*, one each month between June and October.

The Avance Gas fleet now consists of 14 modern VLGCs, with a total capacity of 1.17 million cbm.

2016 -2017

2016 marked the first full year of operations for all 14 of the VLGCs in the Avance Gas fleet.

Due to the weak market outlook, in October, the Company entered 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

During 2018, Hemen Holding Limited increased its holdings and became the largest shareholder in Avance Gas. Avance Gas is integrating closer to the Seatankers group of companies, benefitting from economy of scale and the group's extensive commercial and technical experience.

After a weak freight market since 2016, the VLGC market began to strenghten end 2018.

2019

The freight market improved significantly during the year returning profitability to Avance Gas. During 2019, the Company signed and closed a new $515 million credit facility, thereby fully refinancing all outstanding debt. End 2019, Avance Gas entered into two Dual-Fuel 91,000 cbm VLGCs at Korean shipbuilder DSME for delivery in Q4 2021 and Q1 2022 and scrubber installtion contracts were signed for six of our vessels.

PRESENTATION OF THE

Board of Directors

Leontii Tereshchenko, Levant

MARIUS HERMANSEN

Chairman

Marius Hermansen served as a Director of the Company since July 2017 and in July 2018 he was appointed as the Chairman of the Company. Marius Hermansen works for the Seatankers group, heading Sale and Purchase/ Newbuildings for the group companies. Previously he worked for over 10 years at Fearnleys Shipbrokers and prior to this as a trainee with AP Moller-Maersk. Marius currently serves as a director of the board of Flex LNG Ltd. Mr Hermansen was educated at the Norwegian School of Economics (NHH) in Bergen, Norway. Marius Hermansen was appointed Director on AGM in July 2017. Mr Hermansen is a Norwegian citizen and resides in Norway. Mr Hermansen has attended six of six Board Meetings since he was appointed in 2019.

FRANÇOIS SUNIER

Director

François Sunier has served as a Director of Avance Gas since 1 December 2010. He has been the CEO and Managing Directors of Suntrust Investment Co. S.A. since January 2002. Prior to Suntrust Investment Co. S.A., Mr Sunier worked as an Executive Director at Goldman Sachs, London and at UBS Philips & Drew, London. François Sunier serves at the board of Mirabaud SCA and Groupe Minoteries (listed on the Swiss Stock Exchange Market). François Sunier graduated from the University of Geneva, with a bachelor in political sciences. Mr Sunier is a Swiss citizen, and resides in Switzerland. Mr Sunier has attended six of six Board meetings in 2019.

JAN KASTRUP-NIELSEN

Director

Jan Kastrup-Nielsen has served as a Director of the Company since April 2014. He has worked for J. Lauritzen from 2000 to 2016 latest as CEO from 2013 to 2016. Prior to being CEO he held the position as COO and headed Lauritzen Kosan and Lauritzen Tankers. From 1993 to 2000 Mr Kastrup-Nielsen worked for Trammogas in various positions, including head of chartering and operation from 1993, general manager from 1995 and managing director from 1998 with responsibilities for the total activities including the global trading. As from 1998, he also served on the board of directors of Transammonia Inc. Mr Kastrup-Nielsen started his shipping career with A.P. Moller working there from 1978 to 1986. He served on the board of directors of the Danish Shipowners Association from 2013 to 2016 and chaired the Business and Trade Committee from 2006 to 2011. Jan Kastrup-Nielsen has through the years attended a number of programmes at Insead, IMD and IESE. Mr Kastrup-Nielsen is a Danish Citizen and resides in Denmark. Mr Kastrup-Nielsen has attended six of six Board meetings in 2019.

CHRISTIAN FALLESEN

Director

Mr Christian Fallesen has served as a Director of the Company since February 2020. He has been a General Partner in New Model Venture Capital, a London based Investment fund, since 2018. Prior to this role Mr Fallesen spent 10 years at Petredec Limited, a leading global LPG Trading and Shipping Company, latest as Head of LPG. Previous experience includes Regional Manager Middle East for Eitzen Gas from 2006 to 2009 and A.P. Moller – Maersk Group from 2001 to 2006. Mr Fallesen holds an executive MBA with distinction from London Business School. Mr Fallesen is a Danish citizen and resides in London, United Kingdom.

Board of Directors' Report

Francis A. Magistrado, Thethis Glory

The strengthening of freight market in 2019 was driven by strong US export volumes, low fleet growth and fleet efficiency disruption relating to IMO 2020.

Avance Gas' TCE earnings averaged $34,309 per day for full-year 2019, compared to $14,135 per day in 2018, calculated on the basis of the IFRS 15 accounting standard. Avance Gas reported a net profit of $56.0 million in 2019, up from a net loss of $43.2 million in 2018.

Of a total of 5,110 calendar days, Avance Gas fleet had 52 days (1%) in drydock and offhire in 2019, compared to 260 (5%) in 2018. Of total operating days, the fleet had a commercial utilisation rate of 97.9%, up from 96.1% in 2018.

COMPANY AND BUSINESS

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

Avance Gas's fleet consists of 14 owned VLGCs and two LPG dual-fuel newbuildings to be constructed at DSME for delivery in 2021 and 2022. The newbuildings will have 91,000 cbm capacity with state of the art technical specification, resulting in significant improvements in fuel consumption, lower emissions and improved competitiveness. The Company will have nine ships in drydock during 2020, of which six ships will have installed exhaust cleaning systems "Scrubbers".

Avance Gas is a Bermuda registered company and maintains a management agreement with Avance Gas AS in Oslo. The Company has outsourced technical management of the fleet with Exmar Ship Management NV (Antwerp) and Northern Marine Management Ltd (Glasgow) whose responsibilities include employment of onboard personnel, in close collaboration with the Company's technical supervisors, Frontline Management Ltd. The Avance Gas fleet is managed in equal shares by the two technical managers.

MARKET DEVELOPMENT

During 2019, the freight markets rebounded from a long weak period, largely driven by strong US export volumes, low fleet growth and fleet efficiency disruption relating to IMO 2020.

US Gulf and USEC VLGC exports totaled 32.2 million tons in 2019, compared to 26.7 million tons in 2018 and 22.9 million tons in 2017. The growth in US exports volumes is a result of increased US oil and gas production, and thereby increased US LPG production. Combined with flat domestic consumption and improvements in onshore infrastructure, the US exports outpaced Middle East as the single largest exporting region in 2019.

The year started with weak export volumes and continued overcapacity of ships. As export volumes seasonally started to pick up in March, the expansion of the LPG terminal at Marcus Hook came into service. Together with congestions in the Houston ship channel, the tonnage overcapacity was absorbed, leading to rapid strengthening of freight markets. The strong market sentiment continued in Q2 and Q3, which also reflected the initial effect of IMO 2020 disruptions. The effects of IMO 2020 disruptions increased in Q4 leading to a stronger freight market than normal for the season. Average monthly cargoes exported from US Gulf/East Coast averaged 60 in 2019, compared to 50 and 45 cargoes in 2017 and 2018, respectively. The share of US cargoes being imported in to Asia in 2019 was 63%, compared to 61% in 2018.

Middle East volumes fell back significantly in 2019, due to OPEC production cuts and Iran sanctions. Middle East VLGC exports were 31.6 million tons in 2019 with, down by 18% from 38.7 million tons in 2018. Due to the US/China trade war, nearly all Chinese LPG imports were sourced from the Middle East, West Africa, Canada and Australia. This led to other Asian importers, such as Japan, Korean and India diverting a larger share of their imports to the US. Average monthly cargoes exported was 60 in 2019, down from 64 cargoes in 2018 and 61 cargoes in 2017.

The global fleet totaled 291 ships by end February 2020. The orderbook consisted of 36 ships, equaling 12% of the global fleet, of which 13 ships are due for delivery during the remainder of 2020. Deliveries for 2021 and 2022 total 19 and 4 ships, respectively.

FINANCIAL RESULTS

The time charter equivalent (TCE) earnings for 2019 was $173.6 million, up from $69.6 million in 2018. Operating expenses of $40.8 million in 2019 slightly higher compared with 2018, which recorded $39.6 million. Administrative and general expenses were $5.5 million, up from $5.0 million in 2018, largely due to non-recurring personnel cost and change of office location. Non-operating expenses, consisting mainly of financial expenses, were $29.4 million, compared with $27.5 million in 2018, which mainly reflected expensed debt issuance cost of previous outstanding debt. Avance Gas reported a net profit of $56.0 million in 2019, compared with a net loss of $43.2 million in 2018.

Avance Gas' total assets were $899.0 million at 31 December 2019, compared with $870.8 million at 31 December 2018, mainly reflecting increase in receivables due to improved freight rates, dry-dock and scrubber installations offset by normal depreciation. Total shareholders' equity was $411.1 million, corresponding to an equity ratio of 45.7%. Total free cash and cash equivalents in 2019 amounted to $85.9 million compared with $47.3 million in 2018. Total interest-bearing debt net of debt issuance cost was $453.0 million, with $100.0 million drawn under the revolving credit facilities. In June 2019, Avance Gas signed and closed a new $515 million credit facility, thereby fully refinancing all outstanding debt.

For full year 2019, cash flow used in operating activities, which includes interest expenses, was positive $83.5 million. Cash used in investing activities was $8.8 million, mainly reflecting the scheduled dry-docking and scrubber installation payments. Net cash from financing activities was $36.2 million, as a result of the refinancing, repayment of the $35 million Top Up Tranche.

ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG) REPORT

The Company has increased its focus on Environmental, Social and Governance (ESG) reporting. Avance Gas has published an ESG report to provide investors, banks and other stakeholders with easy access to extra-financial information. The report has been prepared in accordance with the Marine Transportation framework established by the Sustainability Accounting Standards Board (SASB) and the Poseidon Principles. This allows us to identify, manage and report on material ESG factors specific to our industry. Additionally, we have incorporated the principles of the UN Global Compact. We are convinced that improving energy efficiency and reducing consumption will provide Avance Gas with both environmental and economic advantages, and thus reducing associated greenhouse gas emissions.

Avance Gas published its ESG report for 2018 in November 2019 and will publish its 2019 report together with this annual report. A summary of the conclusions set out ESG report for are discussed in the relevant paragraphs below.

HUMAN RESOURCES AND DIVERSITY

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

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

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

Avance Gas AS, acting under a management agreement with the Company, had 8 full-time employees by year-end 2019. It is the ambition to create a good working environment, offering challenging and motivating work tasks and equal development opportunities to all employees. Women constituted 37.5% of the onshore workforce. The absence due to sickness for onshore employees was 0% in 2019.

HEALTH, SAFETY AND ENVIRONMENT

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

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

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

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

Avance Gas' dedication to safe ships, clean seas and commercial reliability reflects our unwavering commitment to operating in a manner that is safe for people and 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.

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

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

CORPORATE SOCIAL RESPONSIBILITY

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

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

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

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

GOING CONCERN

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

PRINCIPAL RISKS

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

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

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

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

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

The COVID-19 outbreak may have a direct impact on demand for transportation of LPG and the efficiency in the operation of the global fleet, as well as the global economy. The Company cannot quantify the magnitude and duration of such impact as of the date of this report.

OUTLOOK

The freight market has remained resilient since year-end, during what normally is a seasonally weaker period. Solid US LPG production and high inventories has contributed to steady export. Together with disruptions resulting from the IMO 2020 fuel regulations, the strong freight market has continued.

Since year-end we have seen the global outbreak of the COVID-19 virus. It is too early to say how this will impact the LPG trading and VLGC demand in the long term. However, it is expected that the reduced demand from Chinas PDH plants will be restored, supported by a reduction of US tariffs on Chinese LPG importers. Travel restrictions and quarantine has increased the complexity in planning for drydocking and exhaust cleaning system retrofit program.

The fall in the oil price is a result of expected increased production in the OPEC countries, predominantly in the Middle East. This is expected to lead to increased LPG production and exports from this region. However, lower oil prices may also lead to reduced oil and gas production in the US, which in turn should lead to lower LPG production and exports. The combination of the above effects is dependent on the resilience of US oil and gas production and for which duration we will see these oil price levels.

Middle Eastern export volumes have remained flat in 2020 to date however we expect exports to increase with oil production. We expect the Iran volumes to remain low due to the ongoing sanctions. Exports from Australia, West Africa, Canada and other areas are expected to remain steady.

US LPG inventories are still at record levels and the latest forecast from EIA suggest a continued robust production and export activity in the US. The incremental growth in demand is expected to continue to come from Asia and that the share of US exports to Asia will remain high.

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We have seen limited new ordering activity in 2020, with an orderbook by end February of 2020 of approx. 12%. The uncertainty regarding choice of propulsion systems for new ships as well as lack capital for new projects is expected to reduce the appetite for new ordering going forward. Newbuilding ordering will also be influenced by shipyard activity in other shipping segments, which in turn will impact newbuilding prices.

The Board will continue to closely monitor the developments in the drivers of the VLGC market, including developments in LPG export activity and changes to the global fleet, while maintaining our key focus cost efficiency and on preserving our liquidity position and balance sheet.

SUBSEQUENT EVENTS

In Q1 2020, the outbreak of the COVID-19 virus was declared a global pandemic by the WHO. The outbreak has temporarily disrupted global trade and caused uncertainty for the outlook of the global economy. The long term impact on the global economy and the transportation of LPG is uncertain at the date of this report.

Board of Directors of Avance Gas Holding Ltd

02 April 2020

Marius Hermansen
Chairman

Francois Sunier
Director

Jan Kastrup-Nielsen
Director

Christian Fallesen
Director

Responsibility Statement

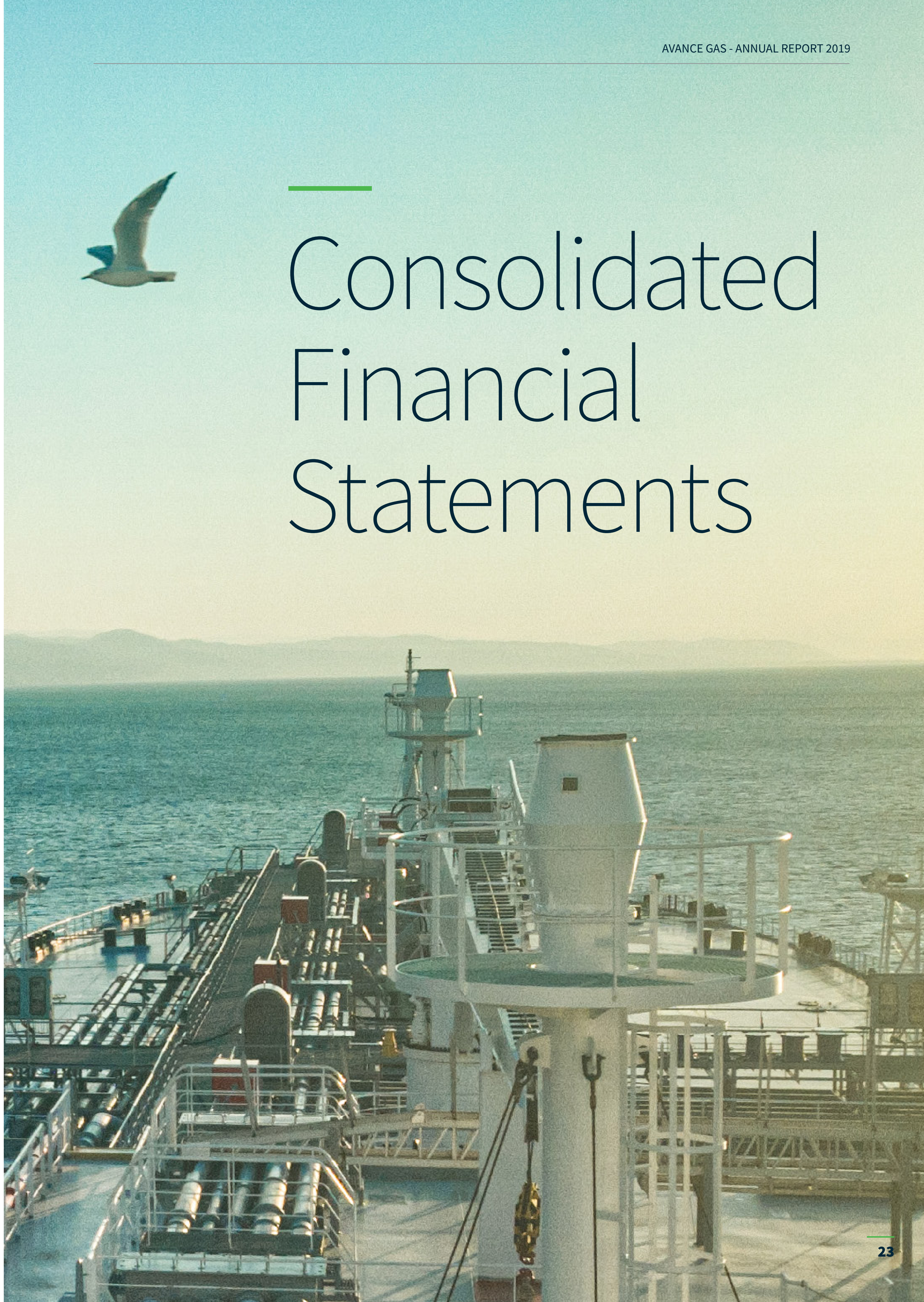
On behalf of the Board of Directors and Management, we confirm that, to the best of our knowledge, the financial statements for 2019 have been prepared in accordance with the current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit 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.

02 April 2020

Marius Hermansen *Chairman of the board*	Francois Sunier *Director*	
Jan Kastrup-Nielsen *Director*	Ulrik Uhrenfeldt Andersen *Chief Executive Officer*	Christian Fallesen *Director*

Consolidated Financial Statements



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CONSOLIDATED INCOME STATEMENT

		FOR THE YEAR ENDED DECEMBER 31, 2019		FOR THE YEAR ENDED DECEMBER 31, 2018
		(in thousands)		
Operating revenue (note 13)	**$**	**250,421**	$	129,941
Voyage expenses (note 14)		**(76,868)**		(60,381)
Operating expenses (note 14)		**(40,795)**		(39,627)
Administrative and general expenses (note 15)		**(5,534)**		(4,976)
Operating profit before depreciation expense		**127,224**		24,957
Depreciation and amortization expense (note 5)		**(41,846)**		(40,662)
Operating profit (loss)		**85,378**		(15,705)
Non-operating income (expenses):				
Finance expense (note 16)		**(29,860)**		(27,705)
Finance income		**376**		247
Foreign currency exchange gains		**102**		2
Income (loss) before tax		**55,996**		(43,161)
Income tax expense (note 17)		**(45)**		(54)
Net profit (loss)	**$**	**55,951**	$	(43,215)
Earnings (loss) per share (note 12):				
Basic	**$**	**0.88**	$	(0.68)
Diluted	**$**	**0.88**	$	(0.68)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		FOR THE YEAR ENDED DECEMBER 31, 2019		FOR THE YEAR ENDED DECEMBER 31, 2018
		(in thousands)		
Net profit (loss)	**$**	**55,951**	$	(43,215)
Other comprehensive (loss) income:				
Items that may be reclassified subsequently to profit and loss:				
Fair value adjustment of interest rate swaps designated for hedge accounting (note 8)		**(9,578)**		5,819
Other comprehensive (loss) income		**(9,578)**		5,819
TOTAL COMPREHENSIVE INCOME (LOSS)	**$**	**46,373**	$	(37,396)

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

CONSOLIDATED BALANCE SHEET

	AS OF	
	DECEMBER 31, 2019	DECEMBER 31, 2018
	(in thousands)	
ASSETS		
Cash and cash equivalents (note 3)	$ **85,909**	$ 47,289
Receivables (note 4)	**26,068**	14,047
Related party receivable balances (note 7)	**29**	-
Inventory	**9,284**	5,752
Mobilization cost	**4,030**	1,791
Prepaid expenses	**4,422**	3,991
Other current assets (note 4)	**6,410**	2,584
Total current assets	**136,152**	75,454
Property, plant and equipment (note 5)	**762,896**	795,304
Intangible assets	**-**	37
Total non-current assets	**762,896**	795,341
TOTAL ASSETS	$ **899,048**	$ 870,795

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

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CONSOLIDATED BALANCE SHEET

	AS OF	
	DECEMBER 31, 2019	DECEMBER 31, 2018
	(in thousands)	
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current portion of long-term debt (note 6, 20)	$ **42,895**	$ 31,636
Accounts payable	**14,235**	7,207
Related party payable balances (note 7)	**168**	-
Accrued voyage expenses	**8,076**	2,975
Accrued expenses	**945**	773
Derivative financial instruments (note 8)	**620**	50
Other current liabilities	**204**	1,426
Total current liabilities	**67,143**	44,067
Long-term debt (note 6, 20)	**310,148**	335,522
Long-term revolving credit facilities (note 6, 20)	**100,000**	125,000
Derivative financial instruments (note 8)	**10,646**	1,638
Total non-current liabilities	**420,794**	462,160
Shareholders' equity		
Share capital (note 9)	**64,528**	64,528
Paid-in capital	**379,851**	379,851
Contributed capital	**94,945**	95,291
Retained loss	**(105,654)**	(161,605)
Treasury shares	**(11,351)**	(11,867)
Accumulated other comprehensive loss (note 19)	**(11,208)**	(1,630)
Total shareholders' equity	**411,111**	364,568
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ **899,048**	$ 870,795

Marius Hermansen
Chairman

Francois Sunier
Director

Jan Kastrup-Nielsen
Director

Christian Fallesen
Director

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

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(in thousands)	SHARE CAPITAL		PAID-IN CAPITAL		CONTRI-BUTED CAPITAL		RETAINED LOSS		ACCUMULATED OTHER COM-PREHENSIVE LOSS		TREASURY SHARES		TOTAL
Balance, December 31, 2017	64,528	$	379,851	$	95,185	$	(118,733)	$	(7,449)	$	(11,867)	$	401,515
Comprehensive loss:													
Net loss	-		-		-		(43,215)		-		-		(43,215)
Adjustment previous year							343						343
Fair value adjustment of interest rate swaps	-		-		-		-		5,819		-		5,819
Total comprehensive (loss) income	-		-		-		(42,872)		5,819		-		(37,053)
Transactions with shareholders:													
Compensation expense for share options	-		-		106		-		-		-		106
Total transactions with shareholders	-		-		106		-		-		-		106
Balance, December 31, 2018	**64,528**	**$**	**379,851**	**$**	**95,291**	**$**	**(161,605)**	**$**	**(1,630)**	**$**	**(11,867)**	**$**	**364,568**

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(in thousands)		SHARE CAPITAL		PAID-IN CAPITAL		CONTRI-BUTED CAPITAL		RETAINED LOSS		ACCUMULATED OTHER COM-PREHENSIVE LOSS		TREASURY SHARES		TOTAL
Comprehensive income (loss):														
Net profit		-		-		-		55,951		-		-		**55,951**
Fair value adjustment of interest rate swaps		-		-		-		-		(9,578)		-		**(9,578)**
Total comprehensive income (loss)		**-**		**-**		**-**		**55,951**		**(9,578)**		**-**		**46,373**
Transactions with shareholders:														
Compensation expense for share options		-		-		89		-		-		-		**89**
Exercise of share options						(435)						516		
Total transactions with shareholders		**-**		**-**		**(346)**		**-**		**-**		**516**		**170**
Balance, December 31, 2019	**$**	**64,528**	**$**	**379,851**	**$**	**94,945**	**$**	**(105,654)**	**$**	**(11,208)**	**$**	**(11,351)**	**$**	**411,111**

CONSOLIDATED STATEMENT OF CASH FLOWS

		FOR THE YEAR ENDED DECEMBER 31, 2019		FOR THE YEAR ENDED DECEMBER 31, 2018
		(in thousands)		
Cash flows from (used in) operating activities (note 18)	$	**117,214**	$	20,088
Financing fee		**(5,622)**		—
Interest paid		**(28,129)**		(25,856)
Net cash flow from (used in) operating activities		**83,463**		(5,768)
Cash flows used in investing activities:				
Capital expenditures (note 5)		**(8,816)**		(12,237)
Net cash used in investing activities		**(8,816)**		(12,237)
Cash flows (used in) from financing activities:				
Repayment of long-term debt (note 6)		**(576,271)**		(22,024)
Drawdown of long-term debt (note 6)		**515,000**		—
Drawdown of revolving credit facility (note 6)		**25,000**		25,000
Exercise of share options		**81**		—
Net cash flow (used in) from financing activities		**(36,190)**		2,976
Net increase (decrease) in cash and cash equivalents		**38,457**		(15,029)
Cash and cash equivalents at beginning of period		**47,289**		62,316
Effect of exchange rate changes on cash		**163**		2
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$	**85,909**	$	47,289

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

History and background

Avance Gas Holding Ltd (the “Company” or “Avance Gas”) is an exempted company limited by shares incorporated under the laws of Bermuda on January 20, 2010. The Company and its subsidiaries (collectively “the Group”) are engaged in the transportation of Liquefied Petroleum Gas (“LPG”). The company owns and operates 14 VLGCs as of December 31, 2019.

In December 2019, the Company entered into shipbuilding contracts for two LPG Dual-Fuel VLGCs for delivery Q4 2021 and Q1 2022.

Avance Gas is listed on the Oslo Stock Exchange with the ticker “AVANCE”.

Basis of 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”).

These financial statements have been prepared in accordance with the accounting policies outlined in Note 2. These accounting policies are in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union.

Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except for measurement of interest rate swaps. The accounting policy for interest rate swaps is described in note 2 below.
Management believes that the Group’s cash flow from operations, credit facilities and the Group’s cash position will continue to provide the cash necessary to fulfil the Group’s capital requirements, as well as to make all scheduled long-term debt payments and satisfy the Group’s other financial commitments. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING ESTIMATES

Critical 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.

Carrying value of ships

The Group records the value of the ships at cost less accumulated depreciation and any impairment charges. The Group owned 14 ships as at December 31, 2019.

For the purposes of preparing the Group's financial statements, management is required to assess the ships for impairment whenever events or changes in circumstances indicate the carrying amount of the ships may not be recoverable. Management measures the recoverability of an asset by comparing its carrying amount to its 'recoverable value', being the higher of its fair value less costs of disposal or value in use based upon future discounted cash flows that the asset is expected to generate over its remaining useful life. If an asset is considered to be impaired, impairment is recognised in an amount equal to the excess of the carrying value of the asset over its recoverable value.

The Group tests its fleet of ships for 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.

Judgement or uncertainty

In order to assess impairment, estimates and assumptions regarding expected cash flows are made which require considerable judgement and are based upon existing contracts, fleet management decisions, historical experience, discount rates, financial forecasts and industry trends and conditions. See note 5.

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.

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

Operating segments

The Group only operates in the LPG segment as described in Note 1. The Group's freight revenue was mainly generated in the Middle East and US Gulf for the years ended December 31, 2019 and 2018, when based on the region in which the cargo is loaded. During 2019 the number of cargos loaded in the US Gulf and USEC has increased from 45% in 2018 to 47% in 2019 of the Group's total number of voyages. For time charter revenue, the Group is aware that the chartered ships have operated in geographic regions other than the Middle East and the US Gulf.

The VLGCs operate on a worldwide basis and are not restricted to specific locations. Accordingly, it is not considered to be meaningful to allocate the assets of these operations to specific countries as non-current assets by country are not reportable for the Group.

The Group has no material revenues or non-current assets in Bermuda, its country of domicile.

Accounts receivable and accounts payable

Accounts receivable and accounts payable are initially valued at their fair value. Accounts receivable are subject to value adjustments where their recovery is considered as uncertain. These value adjustments are recognized based on expected lifetime losses from initial recognition of the receivables.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Estimated useful life is 25 years for each VLGC and from three to five years for furniture and fixtures.

Residual value for the ships is based on steel price times lightweight tonnage and is reassessed annually.
Cost includes expenditures that are directly attributable to the acquisition of the asset. Borrowing costs directly attributable to the construction of significant assets are added to the cost of such assets until they are ready for their intended use.

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

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.

Inventory

Inventories are valued at the lower of cost and net realisable value. Inventory, being predominantly bunkers and lube oils, is accounted for on a first in, first out basis.

Impairment of fixed assets

The carrying amounts of the Group's fixed assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. 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 other than for goodwill, is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

Interest-bearing debt

Interest-bearing debt is recognised initially at fair value less directly attributable transaction costs. Subsequent to initial recognition, interest-bearing debt is stated at amortised cost. Transaction costs are amortized over the tenor of the loans.

Foreign currency

The functional currency of Avance Gas and the majority of its subsidiaries is U.S. dollars as the majority of revenues and expenditures are denominated in this currency.

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 retranslated 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 retranslated 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.

Financial instruments

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

The Group adopted the simplified expected credit loss model for its trade receivables with only minor
effects. No assets held by the Group were subject to reclassifications in IFRS 9. Except for timing differences related to the period of which the revenue is recognized, the above pronouncements are not expected to have a material impact on the financial statements of the Group, beyond disclosures.

Interest rate swaps

The Group holds interest rate swaps, which were initially recognised at fair value on the date the derivative contract was entered into and are subsequently revalued to their fair value at the end of each reporting period. All the interest rate swaps are designated for hedge accounting. The accounting for subsequent changes in fair value of the cash flow hedging instruments are therefore taken to other comprehensive income.

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 8. Movements in the fair value of hedging derivatives in shareholders' equity are shown in note 19. Fair value of the hedging derivatives is classified as a current asset or liability for maturity equal to or less than 12 months and a non-current asset or liability for maturity exceeding 12 months.

CASH FLOW HEDGE
The changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated other comprehensive income in equity.

Operating revenue

Revenue is recognized on a load-to-discharge basis in accordance with IFRS 15, with cost related to fulfil the contract incurred prior to loading capitalized as mobilization costs and amortized over the associated period for which revenue is recognized, whilst voyage expenses incurred as repositioning for non-committed freight contracts expensed as incurred. Other revenue from services, such as demurrage, is recognised when earned and is included in freight revenue.

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

Expenses

(I) 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.

(II) LEASES
Payments made under leases are recognised in the income statement on a straight-line basis over the term of the lease.

(III) FINANCE EXPENSES
Finance expenses are recognised in the income statement as they accrue, using the effective interest method.

(IV) 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).

Tax

Under current Bermuda law, the Company is not required to pay taxes in Bermuda on either income or capital gains.

Alternative performance measures

The Group uses time charter equivalent (TCE) as an alternative performance measure in communications with shareholders and have reconciled TCE to revenue in note 13.

Leases

IFRS 16 replaces the lease standard IAS 17 that relate to recognition, measurement, presentation and disclosure of leases. The adoption of IFRS 16 Leases is effective from periods beginning on or after January 1, 2019. Management has assessed an insignificant impact on the financial statements as a result of the adoption of the new standard, hence, no lease liability and right of use asset is recognised as of December 31, 2019.

NEW OR AMENDMENTS TO STANDARDS
The following new or amendments to standards and interpretations have been issued and become effective in years beginning on or after January 1, 2020:

- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform, for periods beginning on or after January 1, 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. The Company holds interest rate swaps designated for hedge accounting with a notional amount of $253.1 million as of December 31, 2019. The Company has chosen to early adopt these updates in order to take advantage of the reliefs available for hedge arrangements as it pertains to LIBOR clauses.

- The company has adopted all other new standards and amendments that are applicable as of January 1, 2019, including annual improvements to IFRS standards 2015-2017 cycle which includes an improvement to IAS 23 Borrowing costs. The amendment to IAS 23 clarified that, if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

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3. CASH AND CASH EQUIVALENTS

	AS OF DECEMBER 31, 2019	AS OF DECEMBER 31, 2018
	(in thousands)	
Cash and cash equivalents	**$ 85,909**	$ 47,289

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, 2019	AS OF DECEMBER 31, 2018
	(in thousands)	
Customer trade receivables	**$ 21,356**	$ 12,131
Demurrage receivable	**4,665**	1,696
Other	**302**	305
TOTAL	**26,323**	14,132
Allowance for doubtful accounts	**(255)**	(85)
Receivables	**$ 26,068**	$ 14,047

See Note 8 for an analysis of the credit risk of receivables.

Other current assets are advance payments primarily related to canal toll and other port disbursement. Other current assets were $6.4 million and $2.6 million as of December 31, 2019 and 2018 respectively.

5. PROPERTY, PLANT AND EQUIPMENT

	SHIPS	FURNITURE AND FIXTURES	DRYDOCKING	TOTAL
		(in thousands)		
Cost:				
Balance at December 31, 2017	**$ 1,043,299**	**$ 481**	**$ 9,098**	**$ 1,052,878**
Additions	470	188	11,579	12,237
Balance at December 31, 2018	**$ 1,043,769**	**$ 669**	**$ 20,677**	**$ 1,065,115**
Additions (disposal)	7,193	(189)	2,435	9,439
Balance at December 31, 2019	**$ 1,050,962**	**$ 480**	**$ 23,112**	**$ 1,074,554**
Accumulated Depreciation:				
Balance at December 31, 2017	**$ 222,948**	**$ 168**	**$ 6,267**	**$ 229,383**
Depreciation expense	38,251	45	2,132	40,428
Balance at December 31, 2018	**$ 261,199**	**$ 213**	**$ 8,399**	**$ 269,811**
Depreciation expense	38,267	65	3,514	41,846
Balance at December 31, 2019	**$ 299,467**	**$ 278**	**$ 11,913**	**$ 311,658**
Net Book Value:				
December 31, 2018	**$ 782,570**	**$ 456**	**$ 12,278**	**$ 795,304**
December 31, 2019	**$ 751,495**	**$ 202**	**$ 11,199**	**$ 762,896**

December 16, 2019 the Company entered into shipbuilding contracts for two LPG Dual-Fuel VLGCs with Daewoo Shipbuilding and Marine Engineering (DSME) in South Korea, for delivery Q4 2021 and Q1 2022. There were no additions related to the newbuildings as of December 31, 2019.

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 Group performs a quarterly assessment to determine any indicators of impairment or reversal of previous recognized impairment for its ships. An impairment loss is recognized 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).

Value in use

VIU is based on the present value of discounted cash flows for each separate CGU for its remaining life and is based on weighted average of different revenue scenarios for the remaining life period.

FREIGHT RATE SCENARIOS

VIU is based on a weighted average of three different freight rate scenarios based on different market views for the future periods.

DISCOUNT RATE

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

OPERATING EXPENSES

Operational expenses that are directly attributable to the CGU are based on budget with an annual escalation. Dry-docking costs are included as scheduled.

Fair value less cost of disposal

FVLCOD (level 3) (see note 8) is determined as the amount that would be obtained from sale of the asset in a regular market, less cost of sales, based on an average of third party valuation reports from two independent ship brokers. The Company understands that shipbrokers apply newbuilding price parity as part of their basis for their appraisals. Newbuilding prices are adjusted for building supervision costs and other additional costs, which results in an estimated delivered cost of a newbuilding with prompt delivery adjusted for age of each vessel.

Impairment testing 2019

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

Impairment testing 2018

As of December 31, 2018, indicators of impairment and indicators of reversal of previous recognized impairment were assessed. The assessment is performed on a quarterly basis. Based on this assessment it was concluded that no significant indicators for the period ended December 31, 2018 were present.

Sensitivities

The VIU calculation is mainly affected and sensitive to changes in WACC and freight rate assumptions. A change in freight rates of $1,000/day for remaining life for each ship would imply a change in aggregate impairment or reversal of impairment of approximately $46.0 million. A change in the WACC of 0.5% would imply a change in aggregate impairment or reversal of impairment of approximately $30.0 million. As of December 31, 2016, an impairment charge of $45.3 million was recognized which represented a write down of VLGC vessels to their recoverable amount.

6. LONG-TERM DEBT

		AS OF DECEMBER 31, 2019		AS OF DECEMBER 31, 2018
		(in thousands)		
Long-term debt	**$**	**314,000**	$	336,236
Long-term revolving credit facility		**100,000**		125,000
Long-term debt issuance cost		**(3,852)**		(714)
Long-term debt	**$**	**410,148**	$	460,522
Current portion of long-term debt		**44,000**		33,035
Current portion of debt issuance cost		**(1,105)**		(1,399)
Current portion of long-term debt		**42,895**		31,636
TOTAL NET DEBT	**$**	**453,043**	$	492,158

All debt outstanding at December 31, 2019 is in US dollars with an average interest rate of LIBOR plus a weighted average credit margin of approx. 2.70%. The interest normally resets on three months' intervals. Long-term debt consisted of debt collateralised by the Group's fourteen VLGCs as of December 31, 2019 and 2018.

In October 2016, Avance Gas reached an agreement with its banking group to amend the terms of its credit facilities. As part of the Company's efforts to preserve its liquidity position in challenging market conditions, the scheduled loan repayment is reduced by 50% from and including the first quarter of 2017 until the end of the second quarter of 2019, resulting in $55.0 million in deferred loan repayments for the period. For the same period, the book equity covenant was adjusted from a minimum $250 million to $200 million and the equity ratio covenant from 30% to 25%. The minimum value to loan covenant was reduced from 130% to 110% from the quarter ending December 31, 2016 until, but not including, the quarter ending June 30, 2019. The lenders were compensated by an increased credit margin of 25 basis points for the amendment period.

In June 2019, Avance Gas signed and closed a new $515 million credit facility, thereby fully refinancing all outstanding debt. The facility consists of three tranches, $380 million term loan tranche, a $100 million revolving tranche and a $35 million top up tranche (the "Top-Up" Tranche). The term loan tranche and revolving tranche mature June 25, 2024 and the Top-Up Tranche were fully repaid in November 2019 ahead of its maturity date June 25, 2021. The $380 million term loan tranche has consecutive quarterly instalments of $11 million which commenced Q3 2019. The $380 million term loan tranche and the $100 million revolving tranche have an interest rate of LIBOR plus a fixed margin of 2.70% for the year ended December 31, 2019. As part of the refinancing and resulting extinguishment of the prior credit facility, deferred issuance fees of $1.2 million were charged to finance expense. Arrangement fees of $5.4 million are offset against the debt facility and will be amortised over the remaining life of the debt.

Long-term debt repayments were $66.5 million of which $35 million were fully repaid ahead of maturity for the year ended December 31, 2019. Long-term debt repayments were $22.0 million for the year ended December 31, 2018.

The $515 million credit facility contain certain key covenants which are set out below:

Financial covenants

- Book equity (at all times) to be equal or higher than $250 million
- Equity ratio (at all times) to be minimum 30%
- Minimum free liquidity: Cash and cash equivalents shall at all times be at least the higher of (i) $35 million and (ii) 5% of the consolidated gross interest-bearing debt of the Group
- Working capital: Working capital shall at all times be positive

Other covenants

- A change of control provision which will be triggered if a person or company other than Hemen Holding Ltd, Frontline or Sungas gains control, directly or indirectly, of one-third or more of the voting and/or shares of Avance Gas
- Minimum value to outstanding loan 130%

The Group has complied with the financial covenants of its borrowing facilities during and as at December 31, 2019 and 2018. In first half of 2015 the Company entered into interest rate swaps to fix the interest rate for approximately half of the long-term debt, at an average fixed rate of 2.74%. The swaps have eight-year tenors and two-year forward start and commenced in the second quarter of 2017 with first cash flow effect from third quarter 2017. The swaps are designated for hedge accounting.

7. RELATED PARTY TRANSACTIONS

Frontline Ltd is defined as a related party with the Group due to change in holding of the share. As aggregate holdings of Hemen and Frontline Ltd are above 20% they are considered to have significant influence over the Group, thus a related party. Hemen and companies associated with Hemen are defined as related parties.

The Group entered into a corporate secretarial services agreement in July 2018 and a technical supervision agreement in Q2 2019 with Frontline Management (Bermuda). Additionally, in Q2 2019 the Group entered into an office lease and shared service agreement with Seatankers Management Norway AS.

The fee for corporate secretarial services was $121 thousand for the year ended December 31, 2019 and $16 thousand for the year ended December 31, 2018, fee for technical supervision was $197 thousand, fee for office lease and shared services was $286 thousand, additionally the Group transacted with Golden Ocean Management AS of $17 thousand related to bunker procurement system for the twelve months ended December 31, 2019.

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The Group had $29 thousand accounts receivables and $168 thousand accounts payables towards related party as of December 31, 2019. As of December 31, 2018 the Group had no accounts receivables or payables towards related party.

Board of directors and key management compensation

For the calendar year 2019 each Director received $40,000. The Chairman of the Board received $84,309. Total Board fees for 2019 were $164,309 and $280,000 in 2018.

Key management consists of the former President, 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 totally comparable year on year. Total compensation and benefits of the key management were as follows.

	FOR THE YEAR ENDED DECEMBER 31, 2019	FOR THE YEAR ENDED DECEMBER 31, 2018
	(in thousands)	
Salary	**$ 745**	$ 625
Bonus	**-**	-
Other remuneration	**38**	137
Pension cost	**72**	84
TOTAL COMPENSATION AND BENEFITS	**$ 855**	$ 846

The table below shows the total number of shares owned directly or indirectly by Directors and key management as of December 31, 2019. The Chief Executive Officer of Avance Gas and remaining Directors do not, directly or indirectly, own shares in Avance Gas as of December 31, 2019.

NAME	NUMBER OF SHARES	% NUMBER OF SHARES
Jan Kastrup-Nielsen	2,800	<0.2 %
Peder C. G. Simonsen, CFO	10,000	<0,2%

In March 2019, the CFO, acquired 7,700 shares in Avance Gas at an average price of NOK 13.92 per share. After this transaction, the CFO owned 10,000 shares. In March 2020, Mr. Christian Fallesen, Director, acquired 13,870 and 25,790 shares in Avance Gas at a price of NOK 33.50 and NOK 18.99 respectively. Following the transactions Mr. Fallesen holds 39,660 shares in Avance Gas.

8. FINANCIAL RISK FACTORS

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's activities create exposure to a variety of financial risks such as market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Concentration of credit risk

Trade receivables are from customers of the Group's business. The Group extends credit to its customers in the normal course of business. The maximum exposure to credit risk is the receivables balance of $26.3 million and $14.1 million as of December 31, 2019 and 2018, respectively. 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, 2019, the Group had two customers who each generated revenue greater than 10% of total revenue. The amounts were $32.1 million and $29.9 million. For the year ended December 31, 2018, the Group had two customers who each generated revenue greater than 10% of total revenue. The amounts were $27.5 million and $22.1 million.

An analysis of the age of receivables that are past due is as follows:

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

AS OF DECEMBER 31, 2018	GROSS AMOUNT (in thousands)	ALLOWANCE FOR DOUBTFUL ACCOUNTS (in thousands)
Up to 30 days past due	$ 1,552	$ —
31 to 60 days past due	—	—
61 to 90 days past due	29	17
Greater than 91 days past due	125	68
	$ 1,706	$ 85

Allowance for doubtful accounts is mainly related to demurrage.

Receivables that were not past due as of December 31, 2019 and 2018 respectively, were not included in the table above.

The allowance for doubtful accounts (reversed reserves) changed as follows:

	AS OF DECEMBER 31, 2019 (in thousands)	AS OF DECEMBER 31, 2018 (in thousands)
Beginning of the period	**$ 85**	$ 49
Charged (reversal) against revenue	**170**	36
	$ 255	$ 85

Financial risk factors

Risk management is carried out by management under policies approved by the Board of Directors. 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.

Fair value of financial instruments

The following estimated fair value amounts of financial instruments have been determined by the Group, using appropriate market information and valuation 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, 2019		AS OF DECEMBER 31, 2018	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
	(in thousands)			
Financial assets:				
Cash and cash equivalents	**$ 85,909**	**$ 85,909**	$ 47,289	$ 47,289
Receivables	**26,068**	**26,068**	14,047	14,047
Related party receivable balances	**29**	**29**	—	—
Financial liabilities:				
Accounts payables	**14,235**	**14,235**	7,207	7,207
Related party payable balances	**168**	**168**	—	—
Accrued expenses and accrued voyage expenses	**9,021**	**9,021**	3,748	3,748
Revolving credit facilities	**100,000**	**100,000**	125,000	125,000
Long-term debt including current maturities	**358,000**	**358,000**	369,271	369,271
Derivative financial instruments (fair value):				
Interest rate swap liabilities including current maturities	**$ 11,266**	**$ 11,266**	$ 1,688	$ 1,688

The carrying amount of cash and cash equivalents, receivables, accounts payable and accrued expenses 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, 2019 and 2018 as it is variable-rated

Long-term debt in the table above excludes debt issuance costs of $5.0 million and $2.1 million as of December 31, 2019 and December 31, 2018, respectively.

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

Maturity of financial assets

All financial assets mature within one year.

Maturity of financial liabilities and contractual obligations

	AS OF DECEMBER 31, 2019				
	LESS THAN 1 YR	1-2 YRS	2-5 YRS	5-10 YRS	TOTAL
	(in thousands)				
Financial liabilities and contractual obligations:					
Accounts payable	$ 14,235	$ —	$ —	$ —	$ 14,235
Related party payable balances	168	—	—	—	168
Accrued expenses and accrued voyage expenses	9,021	—	—	—	9,021
Long-term debt	44,000	44,000	270,000	—	358,000
Revolving credit facility	—	—	100,000	—	100,000
Interest expense on outstanding debt	19,881	17,230	35,644	—	72,755
Total financial liabilities and contractual obligations	**$ 87,305**	**$ 61,230**	**$ 405,644**	**$ —**	**$ 554,179**

	AS OF DECEMBER 31, 2018				
	LESS THAN 1 YR	1-2 YRS	2-5 YRS	5-10 YRS	TOTAL
	(in thousands)				
Financial liabilities and contractual obligations:					
Accounts payable	$ 7,207	$ —	$ —	$ —	$ 7,207
Related party payable balances	—	—	—	—	—
Accrued expenses and accrued voyage expenses	3,748	—	—	—	3,748
Long-term debt	33,035	143,266	192,912	—	369,213
Revolving credit facility	—	50,000	75,000	—	125,000
Interest expense on outstanding debt	28,129	24,894	14,438	—	67,461
Total financial liabilities and contractual obligations	**$ 72,119**	**$ 218,160**	**$ 282,350**	**$ —**	**$ 572,629**

Interest expense on outstanding debt is based on 3 months LIBOR forward curve at period end December 31, 2019 and 2018.

Fair value estimation

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).

Fair value equals carrying value for cash and cash equivalents (level 1) and fair value equals carrying value of mortgage and floating interest (level 2).

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, taking into account, 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. A change by 1% in LIBOR will have an effect of approximately $4.6 million in higher or lower interest expense.

Derivative financial instruments and hedging

The Company uses financial instruments to hedge against interest rate risk. The Company has designated a hedge relationship between the interest on its long-term debt and interest rate swaps. The cashflows on the interest rate swaps began in the third quarter 2017 and will continue until second quarter 2025. The cashflows on these instruments will vary depending on LIBOR during the relevant period. The value of the interest rate swaps will depend on expectations of future interest rates, the forward yield curve.

Fair value of interest rate swaps is based on market value of the interest rate swaps. The market value is based on mark-to-market reports as of period-end from the financial institutions issuing the swaps, based on the amount that the Group would receive or pay to terminate the contracts. Fair value adjustment of the interest swaps as of December 31, 2019 and December 31, 2018 was recognized in the statement of other comprehensive income.

Derivative financial instruments (interest rate swap liabilities) have a maturity in 2025. 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.

Commitments related to the two LPG Dual-Fuel VLGCs shipbuilding contracts

	LESS THAN 1 YR	1-2 YRS	2-5 YRS	TOTAL
	(in thousands)			
December 31, 2019	**$ 31,070**	**$ 77,675**	**$ 46,605**	**$ 155,351**

9. SHARE CAPITAL, PAID IN SURPLUS AND CONTRIBUTED CAPITAL

The Company's authorised share capital consists of 200.0 million common shares at par value of $1 per share as of December 31, 2019 and December 31, 2018. Of the authorized share capital, 64.5 million shares were issued and outstanding as of December 31, 2019 and December 31, 2018, including 0.8 million and 0.9 million treasury shares respectively. All shares are fully paid.

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List of largest shareholders as of December 31, 2019

NAME	HOLDING OF SHARES	IN %
HEMEN HOLDING LIMITED	12,580,568	19,50%
SUNGAS HOLDING LTD	5,478,799	8.49%
JP MORGAN SECURITIED PLC	2,603,622	4.03%
J.P. Morgan Bank Luxembourg S.A	1,699,370	2.63%
JPMORGAN FUNS ICVC B/O 97019	1,541,272	2.39%
Nordnet Bank AB	1,532,836	2.38%
Citibank, N.A	1,415,204	2.19%
PIONEER MULTI-ASSET INCOME FND	1,019,565	1,58%
NORDNET LIVSFORSIKRING AS	937,531	1.45%
UBS Switzerland AG	858,705	1.33%
State Street Bank and Trust Comp	854,573	1.32%
Santander Securities Services, S.A.	715,000	1.11%
Danske Bank A/S	648,598	1.01%
Morgan Stanley & Co. International	616,440	0.96%
The Bank of New York Mellon SA/NV	576,093	0.89%
TOTAL	**33,078,176**	**51.26%**
Other shareholders	31,449,796	48.74%
TOTAL	**64,527,972**	**100.00%**

Avance Gas Holding Ltd holds 833,889 treasury shares representing 1.29% of total issued shares as of December 31, 2019.

Contributed capital consist mainly of conversion of shareholders' loans from 2013 prior to the Company's initial public offering at the Oslo Stock Exchange. No dividend has been paid in 2019 or 2018.

10. RESTRICTIONS ON PAYMENT OF DIVIDENDS

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

The credit facilities require the Company to retain a liquidity position exceeding 7.5% of the outstanding debt following any dividend payment.

11. SHARE-BASED COMPENSATION

The Company has set up a share option plan in order to encourage the Company's directors, officers and other employees to hold shares in the Company. Following the award, declared and cancellation of share options since 2015, a total of 1,501,750 share options remained outstanding under the Company's share option scheme as of December 31, 2019.

In August 2019, 750,000 share options have been issued to Mr. Ulrik Andersen in connection with his appointment as Chief Executive Officer of Avance Gas AS. The options will have a 5 year term and become exercisable as follows; 200,000 options vest after 12 months at a subscription price of NOK 21.50 per share, 200,000 options vest after 24 months at a subscription price of NOK 32.25 per share, and 350,000 options vest after 36 months at a subscription price of NOK 43.00 per share. The subscription price will be adjusted for any distribution of dividends, equity issues and capital adjustments before the relevant options are exercised.

In September 2019, 300,000 share options have been granted to Mr. Peder Simonsen, Chief Financial Officer. The options have a 5 year term and become exercisable as follows; 80,000 options vest after 12 months at a subscription price of NOK 35.95 per share, 80,000 options vest after 24 months at a subscription price of NOK 50.00 per share, and 140,000 options vest after 36 months at a subscription price of NOK 60.00 per share. The subscription price will be adjusted for any distribution of dividends, equity issues and capital adjustments

Options granted were set at the market rate on the day of the issue. Options granted under the 2015-2018 Plan vest 25% each anniversary of continuing employment after grant. Options granted in 2019 vest as disclosed above. 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.

	2015 SHARE OPTIONS	AVERAGE EXERCISE PRICE ($)	2016 SHARE OPTIONS	AVERAGE EXERCISE PRICE ($)	2017 SHARE OPTIONS	AVERAGE EXERCISE PRICE ($)	2018 SHARE OPTIONS	AVERAGE EXERCISE PRICE ($)	2019 SHARE OPTIONS	AVERAGE EXERCISE PRICE ($)
Outstanding January 1, 2019	**77,000**	**$9.98**	**388,000**	**$2.19**	**139,000**	**$ 2.34**	**593,000**	**$2.31**	**-**	**-**
Granted during the year	-	-	-	-	-	-	-	-	1,050,000	$4.42
Exercised during the year	-	-	32,250	-	17,000	-	10,000	-	-	-
Expired/cancelled during the year	44,000	-	222,000	-	67,000	-	353,000	-	-	-
Outstanding December 31, 2019	33,000	$ 9.98	**133,750**	**$2.19**	**55,000**	**$ 2.34**	**230,000**	**$2.31**	**1,050,000**	**$4.42**
Exercisable December 31, 2019	33,000		92,250		19,000		50,000			
Remaining average contractual life (years)	0.6		1.8		2.0		3.8		4,7	

	2013 SHARE OPTIONS	AVERAGE EXERCISE PRICE ($)	2015 SHARE OPTIONS	AVERAGE EXERCISE PRICE ($)	2016 SHARE OPTIONS	AVERAGE EXERCISE PRICE ($)	2017 SHARE OPTIONS	AVERAGE EXERCISE PRICE ($)	2018 SHARE OPTIONS	AVERAGE EXERCISE PRICE ($)
Outstanding January 1, 2018	102,600	$4.34	98,200	$9.98	471,000	$2.19	207,000	$2.34	-	-
Granted during the year	-	-	-	-	-	-	-	-	593,000	$2.31
Exercised during the year	-	-	-	-	-	-	-	-	-	-
Expired during the year	102,600	-	21,200	-	83,000	-	68,000	-	-	-
Outstanding December 31, 2018	-	-	77,000	$ 9.98	388,000	$2.19	139,000	$2.34	593,000	$2.31
Exercisable December 31, 2018	-		57,750		194,000		34,750			
Remaining average contractual life (years)	-		1.6		2.8		3.0		4.8	

There were 1,501,750 options outstanding at December 31, 2019. The original exercise price, prior to adjustments for dividends were $15.24 (options granted in 2015). There were no dividend payments in 2016, 2017, 2018 or 2019, hence, no adjustment in exercise price. Options granted in 2013 expired in 2019.

Share based expense for the years ended December 31, 2019 and 2018 was $88,637 and $106,000, respectively.

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

12. EARNINGS (LOSS) PER SHARE

The following is a reconciliation of the numerator and denominator of the basic and diluted loss per share computations:

		FOR THE YEAR ENDED DECEMBER 31, 2019		FOR THE YEAR ENDED DECEMBER 31, 2018
		(in thousands, except per share data)		
Net profit (loss) attributable to common shareholders	$	**55,951**	$	(43,215)
Basic weighted average shares outstanding net of treasury shares		**63,694**		63,656
Dilutive effect of share options		**205**		94
Diluted weighted average shares outstanding		**63,899**		63,750
Basic earnings (loss) per share	$	**0.88**	$	(0.68)
Diluted earnings (loss) per share	$	**0.88**	$	(0.68)

13. OPERATING REVENUE AND TIME CHARTER EQUIVALENT

Operating revenue		FOR THE YEAR ENDED DECEMBER 31, 2019		FOR THE YEAR ENDED DECEMBER 31, 2018
		(in thousands)		
Freight revenue	$	**196,985**	$	102,244
Time charter revenue		**53,436**		27,697
	$	**250,421**	$	129,941

Under time charters, vessels are chartered to customers for fixed periods of time (which can range from days to the life span of the ship). Rates are generally fixed with operating expense escalation clauses for long-term charters. The charterer pays all voyage costs. The owner of the vessel receives monthly charter payments in advance on a per day or per month basis and is responsible for the payment of all operating expenses (including manning, maintenance, repair and docking) and capital costs of the vessel.

The Company uses time charter equivalent (TCE rate) as an alternative performance measure. TCE rate is operating revenue less voyage cost per operating day. Operating days are calendar days, less technical off-hire. Operating days were 5,058.5 days in 2019 and 4,849.2 days in 2018.

TIME CHARTER EQUIVALENT (TCE RATE)		FOR THE YEAR ENDED DECEMBER 31, 2019		FOR THE YEAR ENDED DECEMBER 31, 2018
		(in thousands)		
Operating revenue	$	**250,421**	$	129,941
Voyage expenses		**(76,868)**		(60,381)
Voyage result		**173,553**		69,560
Calendar days		**5,110.0**		5,110.0
Technical off-hire days		**(51.5)**		(260.8)
Operating days		**5,058.5**		4,849.2
TCE per day ($)	$	**34,309**	$	14,345

14. VOYAGE AND OPERATING EXPENSES

	FOR THE YEAR ENDED DECEMBER 31, 2019	FOR THE YEAR ENDED DECEMBER 31, 2018
	(in thousands)	
Voyage expenses:		
Bunkers	**$ 50,429**	$ 41,897
Port and canal charges	**21,001**	15,348
Commissions	**3,126**	1,722
Other	**2,312**	1,414
TOTAL	**$ 76,868**	$ 60,381

	FOR THE YEAR ENDED DECEMBER 31, 2019	FOR THE YEAR ENDED DECEMBER 31, 2018
	(in thousands)	
Operating expenses:		
Crewing costs	**$ 25,404**	$ 25,562
Maintenance and repairs	**4,729**	4,432
Insurance	**1,197**	1,513
Ship supplies and provisions	**5,104**	4,681
Ship management fee	**2,970**	2,243
Other	**1,391**	1,196
TOTAL	**$ 40,795**	$ 39,627

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15. ADMINISTRATIVE AND GENERAL EXPENSES

	FOR THE YEAR ENDED DECEMBER 31, 2019	FOR THE YEAR ENDED DECEMBER 31, 2018
	(in thousands)	
Employee benefit and secondment expenses	**$ 2,825**	$ 2,994
Information systems	**720**	367
Legal fees	**157**	-18
Professional fees	**947**	955
Office fees	**426**	285
Travel and entertainment expenses	**105**	163
Share option compensation expense	**89**	106
Other	**265**	124
TOTAL	**$ 5,534**	$ 4,976

Auditors' remuneration to PricewaterhouseCoopers AS was an audit fee of $100,274 for the year ended December 31, 2019 and $136,616 for the year ended December 31, 2018. The audit fees are included in professional fees in the table above. The compensation to the auditor is paid in NOK and the USD figure is not totally comparable year on year.

The average number of full time employees was 8 for the year ended December 31, 2019 and 11 for December 31, 2018.

16. FINANCE EXPENSES

		FOR THE YEAR ENDED DECEMBER 31, 2019		FOR THE YEAR ENDED DECEMBER 31, 2018
		(in thousands)		
Interest on long-term debt	**$**	**26,996**	$	25,619
Amortization of debt issuance cost		**2,681**		1,582
Commitment fee		**38**		381
Other financial cost		**145**		123
TOTAL	**$**	**29,860**	$	27,705

17. INCOME TAX EXPENSE

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

In 2019 and 2018, the Company's subsidiary Avance Gas AS was subject to taxation in Norway. The tax charge for 2019 was $45,025 and $53,755 for 2018.

18. RECONCILIATION OF NET LOSS TO CASH GENERATED FROM OPERATIONS

		FOR THE YEAR ENDED DECEMBER 31, 2019		FOR THE YEAR ENDED DECEMBER 31, 2018
		(in thousands)		
Net profit (loss)	**$**	**55,951**	$	(43,215)
Adjustments to reconcile net profit (loss) to net cash from operating activities:				
Depreciation and amortization of property, plant and equipment and intangibles		**41,846**		40,662
Net finance expense		**29,860**		27,458
Share option compensation expense		**89**		106
Changes in assets and liabilities:				
Increase in receivables		**(12,021)**		(2,212)
Increase in prepaid expenses, inventory, related party receivable balances and other current assets		**(10,058)**		(3,892)
Increase in accounts payable		**7,028**		1,340
Increase (decrease) in accrued expenses, related party payable balances, accrued voyage expenses and other current liabilities		**4,219**		(161)
Other		**300**		—
Cash flows from operations	**$**	**117,214**	$	20,088

19. ACCUMULATED OTHER COMPREHENSIVE LOSS

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

		FOREIGN CURRENCY RESERVE		FAIR VALUE RESERVE		ACCUMULATED OTHER COMPREHENSIVE INCOME
				(in thousands)		
Balance January 1, 2018	$	58	$	(7,507)	$	(7,449)
Fair value adjustment of interest rate swaps		—		5,819		5,819
Translation adjustments, net		—		—		—
Balance December 31, 2018	$	58	$	(1,688)	$	(1,630)
Fair value adjustment of interest rate swaps designated for hedge accounting		—		(9,578)		(9,578)
Translation adjustments, net		—		—		—
Balance December 31, 2019	**$**	**58**	**$**	**(11,266)**	**$**	**(11,208)**

20. NET DEBT ISSUANCE RECONCILIATION

		FOR THE YEAR ENDED DECEMBER 31, 2019		FOR THE YEAR ENDED DECEMBER 31, 2018
		(in thousands)		
Cash and cash equivalents	$	**85,909**	$	47,289
Long term debt repayable after one year		**(314,000)**		(336,179)
Long term debt repayable within one year		**(44,000)**		(33,035)
Revolving credit facilities		**(100,000)**		(125,000)
Net debt	$	**(372,091)**	$	(446,925)

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		CASH AND CASH EQUIVALENTS	LONG-TERM DEBT	REVOLVING CREDIT FACILITIES	TOTAL
			(in thousands)		
Net debt January 1, 2019	$	47,289	(369,213)	(125,000)	(446,924)
Cash flows		38,457	11,213	25,000	74,670
Foreign exchange adjustments		163	—	—	163
Net debt December 31, 2019	**$**	**85,909**	**(358,000)**	**(100,000)**	**(372,091)**

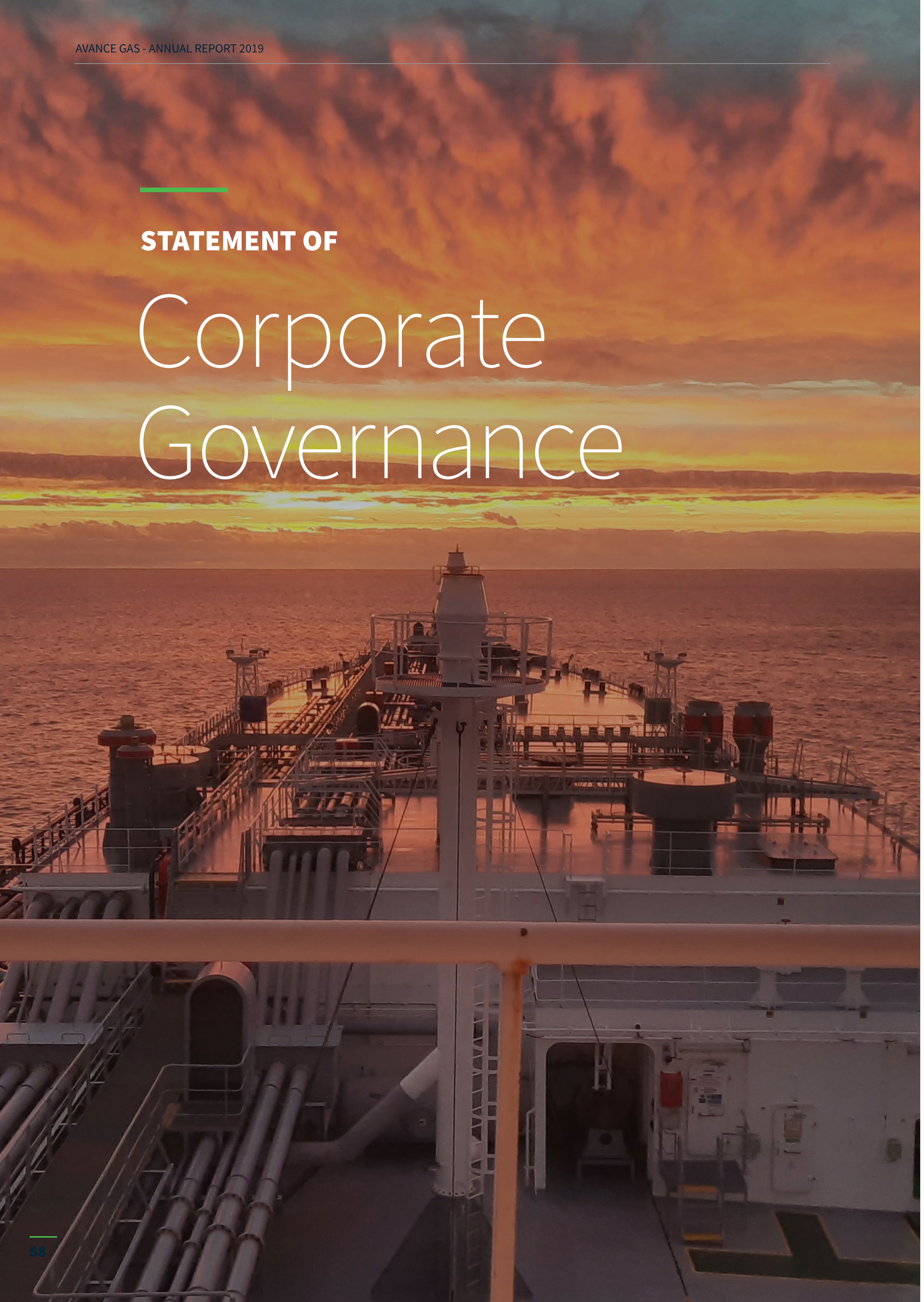
Long-term debt in the tables above excludes debt issuance costs of $5.0 million in 2019 and $2.1 million in 2018 (note 6).

21. SUBSEQUENT EVENTS

In February, the Company signed an agreement for a $15 million scrubber financing tranche under the $515 million credit facility.

In February, 2020 the Board of Directors elected Mr. Christian Fallesen as a Director of the Company.

In February, 2020 the Board of Directors declared dividend of $0.3 per share for the fourth quarter 2019.



Pirhan F. Umrigar, Sirocco

STATEMENT OF

Corporate Governance

1 INTRODUCTION

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

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

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

1.1 DEVIATIONS FROM THE CODE

The Board has identified the following deviations from the Code:

Deviation from section 2 "Business":

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

Deviation from section 3 "Equity and dividends":

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

Deviation from section 5 "Freely negotiable shares":

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

Deviation from section 6 "General meetings":

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

Deviation from section 7 "Nomination committee":

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

2 2 MAIN OBJECTIVES FOR CORPORATE GOVERNANCE IN AVANCE GAS

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

3 CORPORATE GOVERNANCE REPORT

3.1 IMPLEMENTATION AND REPORTING

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

This corporate governance report is included in Avance Gas' annual report to the shareholders, and is made available on Avance Gas' website in the annual report. Any deviations from the Code are described and explained under Section 1.1 above.
The Board has defined Avance Gas' value base and formulated ethical guidelines and guidelines for corporate social responsibility in accordance with these values.

3.2 BUSINESS

Avance Gas and its subsidiaries' is a leading player in the VLGC (very large gas carrier) market, operating a fleet of modern vessels providing customers with global transportation services via a combination of contract of affreightments 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. The Board evaluates Avance Gas' objectives, strategies and risk profile at least once per year.
Further, long-term sustainability and profitability forms an integral part of Avance Gas' strategies, plans and everyday work to create value for its shareholders, while also considering the interests of the other stakeholders of the company (employees, suppliers, customers, etc.).
Deviation from the Code: See Section 1.1 above.

3.3 EQUITY AND DIVIDENDS

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

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

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

Deviation from the Code: See Section 1.1 above.

3.4 EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

3.4.1 General information

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

3.4.2 Share issues without pre-emption rights for existing shareholders

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

3.4.3 Transactions in own shares

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

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

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

3.5 SHARES AND NEGOTIABILITY

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

Deviation from the Code: See Section 1.1 above.

3.6 GENERAL MEETINGS

3.6.1 Exercising rights

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

Among other things, the Board ensures that:

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

3.6.2 Participation without being present

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

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

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

- Below is a summary of the provisions in Avance Gas' bye-laws that deviate from the provisions of Chapter

5 of the Norwegian Public Limited Companies Act:

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

Deviation from the Code: See Section 1.1 above.

3.7 NOMINATION COMMITTEE

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

The functions and duties of the nomination committee are therefore performed by the Board members, including to (i) identify and evaluate proposed candidates for nomanation to the Board, (ii) recommend remuneration of the Board members, and (iii) regularly assess its own work in this regard.
Shareholders may still propose changes to the composition of the Board and the remuneration payable to the Board members. The Board members are elected by the shareholders at the annual general meeting or any special general meeting called for that purpose, unless there is a casual vacancy, and the shareholders of Avance Gas may authorise the Board to fill any vacancy in their number left unfilled at a general meeting of the shareholders. If there is a vacancy of the Board occurring as a result of death, disability, disqualification or resignation of any Board member or as a result of increase in the size of the Board, the shareholders of Avance Gas or the Board has the power to appoint a member to fill the vacancy.

The term of office of the current Board members expires at the next Annual General Meeting.
Deviation from the Code: See Section 1.1 above.

3.8 BOARD; COMPOSITION AND INDEPENDENCE

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

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

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

3.9 THE WORK OF THE BOARD

3.9.1 General

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

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

3.9.2 Audit committee

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

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

3.9.3 Remuneration committee

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

3.9.4 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. None of the Board members hold any share options in Avance Gas.
Any assignments taken on by Board members and/or companies with which they are associated in addition to their appointment as Board members shall be disclosed to the Board and the remuneration for such additional duties shall be approved by the Board.
No remuneration has been paid to the Board members in addition to normal board and committee fees for the financial year 2019. Please see note 7 of the consolidated financial statements for an overview of remuneration paid to the members of the Board for the financial year 2019.

3.12 REMUNERATION OF EXECUTIVE PERSONNEL

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

3.13 INFORMATION AND COMMUNICATIONS

3.13.1 General information

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

Avance Gas publishes an annual, electronic financial calendar with an overview of the dates of important events, such as the annual general meeting, publishing of interim reports and open presentations, if applicable.

3.13.2 Information to shareholders

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

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

3.14 TAKE-OVERS

3.14.1 General

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

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

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

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

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

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

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

3.15 AUDITOR

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

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

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

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

* * *

Auditor's Report

Vishal Paliwal, Levant

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

Independent Auditor's Report

Opinion

We have audited the consolidated financial statements of Avance Gas Holding Ltd and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at December 31, 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

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

Key Audit Matters

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment Assessment for vessels Refer to note 2 (Significant accounting policies) and note 5 (Property, plant and equipment) where management explains how they assess the value of the vessels. The Group owns 14 VLGCs, which transport LPG globally. The vessels have a combined carrying amount of USD 763 million. The Group has not recognized an impairment on the VLGCs in 2019. Indicators for impairment and reversal of previously recognized impairment were assessed and not considered present during 2019. As explained in the notes, management considered the conditions in LPG freight market, estimated fair value less cost of sale of the vessels, discount rate and market capitalization versus net book value of the Group, which gave no indication of impairment or reversal of previously recognized impairment. As a result of the above factors, management have not performed an impairment test. Management considers each vessel to be a cash generating unit ("CGU" or "vessel") in their assessment of impairment indicators, consequently we assessed for impairment indicators on the same basis. We focused on this area due to the significant carrying value of the vessels and the judgement inherent in the assessment of indicators of impairment or reversal of previously recognized impairment. We note that management explains sensitives in note 5 and that changes in any of the assumptions above would have a direct impact on the assessment of indicators of impairment or reversal of previously recognized impairment.	We evaluated and challenged management's assessment of indicators of impairment or reversal of previously recognized 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 our internal valuation specialists and external market data to assess the assumptions used to build the discount rate. We considered that the discount rate assessed was within an appropriate range and changes did not lead to any indication of impairment. We utilized 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 utilized 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. We satisfied ourselves that the external brokers had both the objectivity and the competence to provide the estimate. In order to assess this, we corroborated that under the terms of the bank lending facilities, specific brokers are identified as being approved for use, for purposes of minimum value clause covenant reporting. Management used brokers from this approved list. We interviewed selected brokers to understand how the estimates for fair value were compiled. We also satisfied ourselves that the brokers were provided with relevant facts in order to determine such an estimate, by testing key inputs such as build date, build location and certain key specifications back to the ships register. We concluded that management sufficiently understood the valuations from third party brokers, including having obtained an understanding of the methodology used in arriving at the valuations and performing sensitivity analysis and performing comparisons to other available market data where possible. We have read note 5 – Property, plant and equipment) and assessed this as appropriate. No matters of consequence arose from our procedures.

PricewaterhouseCoopers AS, Postboks 748 Sentrum, NO-0106 Oslo
T: 02316, org. no.: 987 009 713 VAT, www.pwc.no
State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

Independent Auditor's Report - Avance Gas Holding Ltd

Other information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Oslo, 2 April 2020

PricewaterhouseCoopers AS

Rita Granlund

State Authorised Public Accountant

CONTACT:

WWW.AVANCEGAS.COM
IR@AVANCEGAS.COM
+47 22 00 48 00

Leontii Tereshchenko, Breeze