Christiania Shipping

ANNUAL REPORT 2019

Christiania Shipping A/S

Amerika Plads 38

2100 København Ø

Registration no. 40 53 35 16

The Annual General Meeting adopted the Annual Report on 10 August 2020

Chairman of the General Meeting

Name: Jens V. Mathiasen

Contents

Key figures

USD '000	2019	2018	2017	2016	2015
INCOME STATEMENT					
Revenue	88.496	90.590	92.715	101.044	117.188
Time charter equivalent earnings	54.216	55.768	63.552	74.168	80.358
Operating profit bef. depreciations etc. (EBITDA)	4.634	3.153	-3.770	1.345	7.868
Depreciations, write-downs and gains/losses	-4.513	-2.915	-63.467	-72.263	-17.299
Operating profit (EBIT)	135	-1.439	-67.237	-70.918	-9.564
Net financials	-2.417	144.752	-6.675	-6.463	-5.220
Result for the year	-2.500	143.097	-74.006	-77.402	-14.421
Total comprehensive	-2.500	143.097	-73.973	-14.259	20.828
BALANCE SHEET					
Non-current assets	58.620	39.054	39.500	106.825	185.729
Total Assets	71.464	52.515	64.488	134.323	210.490
Equity	3.114	5.614	-144.982	-71.009	6.406
Invested capital	61.927	35.990	36.120	102.815	185.583
Net working capital	3.308	-3.064	-3.346	-3.800	-146
Net investments in tangible assets	-10.226	3.158	9.849	-4.736	2.888
Net interest-bearing debt	1.200	819	186.469	185.169	192.928
Cash and securities	3.315	5.016	8.054	7.904	13.085
CASH FLOW					
Cash flow from operating activities	8.195	-3.170	-6.109	520	1.059
Cash flow from investing activities	-10.226	3.158	9.848	-4.736	717
Cash flow from financing activites	341	-2.548	-3.879	-818	9.023
Cash flow of the year	3.315	5.016	-140	-5.034	10.799
EMPLOYEES					
Seafarers	208	305	255	289	284
Land based employees	19	19	9	10	19
FINANCIAL AND ACCOUNTING RATIOS					
TCE-margin (%)	61,3%	61,6%	68,5%	73,4%	68,6%
EBITDA-margin (%)	5,2%	3,5%	-4,1%	1,3%	6,7%
EBIT-margin (%)	0,2%	-1,6%	-72,5%	-70,2%	-8,2%
Return on Invested Capital (%)	15,0%	17,5%	85,9%	51,0%	13,1%
Return on Equity (%)	N/A	N/A	68,5%	239,6%	2764,8%
Equity ratio	0,39	0,15	-1,3	-2,6	30,1
OTHER					
Total number of vessel days	6.909	7.327	7.639	9.074	9.956
USD/EUR rate at year-end	0,89	0,87	0,83	0,95	0,92
Average USD/EUR rate	0,89	0,85	0,89	0,90	0,90
USD/DKK rate at year-end	6,67	6,52	6,21	7,05	6,83
Average USD/DKK rate	6,67	6,32	6,60	6,73	6,73

Key figures presented in the table above for the years 2015, 2016 and 2017 is based on consolidated figures for Christiania Shipping A/S.

Management review

Business review

Christiania Shipping A/S (previously Herning Shipping A/S) is a specialised chemical vessel-owning and chartering company established in 1972.

Herning Shipping A/S was acquired by ANE Shipping AS, a Norwegian partnership between Camillo Eitzen & Co, Castel AS, and Seahorse Invest AS. Following the acquisition the Company was renamed to Christiania Shipping A/S. The headquarter is located in Copenhagen, Denmark.

The core competence of Christiania Shipping is to own and charter sophisticated chemical tankers between 1,500-12,600 dwt. with highest focus on safety and quality.

Christiania Shipping has a leading position in trade niches, and the vessels are trading in the Atlantic Ocean, Europe, West Africa, and the Mediterranean.

On 31 December 2019, The Company owned 12 vessels and chartered in 7 vessels.

Strategic focus

Safety is Christiania Shipping's first and foremost priority and it is an integral part of Christiania Shipping's vision, mission, strategy and values. The Company's overall strategic focus is three-fold:

- Develop a safety culture with a target of zero accidents
- Optimise and develop the existing business platform
- Expand and renew the fleet
- Continue the consolidation within the chemical tanker segment and generate profitable growth

Management

Board of Directors

The Board of Directors of Christiania Shipping A/S consists of three members with solid Management experience. The Board has a reasonable size, composition, diversity plus the competences necessary to ensure that they at any given time are qualified to attend to the managerial tasks as the upper Management body of the Company.

The Board of Directors consists of:

- Erik Bartnes, Chairman
- Erik Nicolai Heidenreich
- Axel Camillo Eitzen

The Executive Management consists of Axel C. Eitzen.

Key developments in 2019

The Company have continued the efforts to re-establish Christiania Shipping as an efficient and streamlined shipowner, charterer and operator, including the focus on efficient operations. The Company have initiated the process of changing external Technical Manger and have successfully completed Change of Management on approx. 50 percent of the owned fleet to new Technical Mangers during 2019. The Change of Management will be completed during 2020.

The Company have successfully completed the significant investment program related to planned dockings and upgrades of Operating equipment onboard the vessels during 2019.

Subsequent events

The Company Shareholders decided to strengthen the Company liquidity and have made a shareholder loan of USD 2.5 million during January 2020.

The Company's outlook for the future will be affected by the COVID-19 outbreak and the measures taken by governments in most of the world to mitigate the impacts of the outbreak, see also subsequent events disclosures in note 28.

Financial highlights of the Company in 2019

The Company realised earnings before interest, taxes and depreciations (EBITDA) of USD 4.6 million (USD 3.2 million). The positive development compared to previous years is primarily a result of reduced administrative costs and efficient operations.

The Company reported a negative net result of USD 2.5 million (positive net result of USD 143.1 million) and a negative result before tax of USD 2.3 million (positive result before tax of USD 143.3 million).

The net result in 2018 was significantly affected by a gain related to the write-down of debt of USD 144.9 million in connection with the refinancing and re-establishment of the share capital.

Voyage contribution (TCE)

Voyage contribution amounted to USD 54.2 million (USD 55.8 million). TCE rates was roughly on the same level compared to 2018, but the number of vessel days was reduced by approx. 6% due to off-hire days during planned dry-dockings and redelivery of vessels.

Operating expenses and charter hire

Total operating expenses amounted to USD 32.1 million (USD 34.5 million). Hereof, seafarer related expenses amounted to USD 16.2 million (USD 18.3 million) while the remaining part related to maintenance and other operating expenses incurred in the operation of the owned fleet (including vessels chartered on bareboat agreements). Charter hire expenses amounted to USD 13.1 million (USD 13.4 million).

Depreciation and write-downs

Depreciation on the Company's owned vessels amounted to USD 3.9 million (USD 2.9 million). No adjustments of write-downs of vessels have been recognised in 2019 (USD 0 million).

Financial income and expenses

Net financial expenses amounted to USD 2.4 million (net financial income of USD 144.8 million). Financial income in 2018 was significantly affected by a gain related to the write-down of debt of USD 144.9 million in connection with the refinancing and re-establishment of the share capital.

Interest expenses amounted to USD 1.7 million (USD 1.4 million).

Tax

The Company's tax expense for 2019 amounted to USD 0.2 million (USD 0.2 million). Christiania Shipping is subject to the rules and regulations of the Danish Tonnage Tax Act. For further information refer to note 10 in the financial statements.

Assets, equity and liabilities

On 31 December 2019, the Company's total assets amounted to USD 71.5 million (USD 52.5 million). Non-current assets (predominantly vessels and dockings) was USD 45.1 million (USD 38.8 million), while cash amounted to USD 3.3 million (USD 5.0 million). As of 31 December 2019, the Company has capitalized long-term lease assets (right-of-use assets) of USD 13.3 million and corresponding lease liability of USD 13.9 million. The external broker values of the fleet is estimated to be in the level of USD 80 million.

The Company's equity amounted to USD 3.1 million (USD 5.6 million).

Total liabilities amounted to USD 68.4 million (USD 46.9 million). Hereof was debt USD 38.7 million (USD 39.5 million).

Cash flow

Cash flow for the year was USD -1.1 million (USD -2.6 million), resulting in a cash balance at year-end at USD 3.3 million (USD 5.0 million).

Cash flow from operating activities was USD 8.9 million (USD -3.2 million).

Cash flow from investing activities amounted to USD -10.2 million (USD 3.2 million). Mainly related to dockings of vessels during the year.

Cash flow from financing activities amounted to USD -2.2 million (USD -2.5 million).

Outlook for 2020

Before COVID-19, the Company expect market conditions on same level as 2019 given the macro-economic climate in Western Europe.

Management is monitoring the developments closely. It is, however, too early yet to give an opinion as to whether and, if so, to what extend COVID-19 will impact revenue and earnings in 2020.

Risk Management

Being an international player in the chemical tankers segment, Christiania Shipping is exposed to a variety of risks.

The Company pursues a finance policy that operates with a low risk profile, ensuring the foreign exchange, interest and credit risks arise only on the basis of commercial factors.

The Executive Management continuously monitors the potential risks considered to have the most significant effect on the Company's financial position and business performance. Measures deemed relevant to limit the Company's sensitivity to such risks are evaluated on an on-going basis. Risks and measures are reviewed at least annually with the Board of Directors.

Financial risks

Financing and Liquidity

Access to liquidity is an important factor in the execution of the strategy of the Company. Cash flow developments are monitored closely, including monthly updates and 12 months rolling forecasts to the Executive Management. Furthermore, the Company aims at having sufficient cash reserves in order to overcome a prolonged adverse market situation. In connection with the refinancing of the debt early 2019, Christiania Shipping obtained a USD 0.5 million credit facility from its main Bank.

Current loan agreements includes customary financial covenants, which have been met in 2019.

In 2020, Christiania Shipping expects to have sufficient liquidity for meeting its payment obligations for conducting the normal course of its operations without needing the support from its shareholder.

The Company's facilities agreement with Handelsbanken AB is expiring end January 2021. The carrying amount of the loan to Handelsbanken is USD 38.7 million as at 31 December 2019. The Company is negotiating new loan agreement with counterparts and expects to enter a new facilities agreement on the same level during second half of 2020.

Interest rates

Christiania Shipping's gross interest bearing debt amounts to USD 39.5 million (USD 195.0 million) after the refinancing in January 2019. This debt is denominated in USD and carries floating interest rate.

Foreign exchange risks

Most of the revenues earned by Christiania Shipping are in the reporting currency USD as well as EUR, whilst a significant portion of the operating expenses as well as administrative expenses are incurred in primarily EUR and DKK.

In order to reduce foreign currency exchange risk on EUR, Christiania Shipping strives to match cash inflows and cash outflows as much as possible.

Credit risk

It is Company policy only to grant credit to oil majors and other first class customers in order to minimize credit risks. As such, the Company's credit risk relates to receivables from these first class customers and oil majors in the chemical tanker segment. The credit risk is deemed to be minimal and consequently receivables are not hedged. The Company's maximum credit risk associated with receivables corresponds to their carrying amounts.

For smaller customers and newer customers, it is Company policy to perform a credit assessment based on credit reports retrieved out of the database of one of the world's largest vendors. In most cases, such credit reports include a credit rating and information on potential payment delinquency. Furthermore, it is custom to require freight to be paid before cargo release. For customers with whom Christiania Shipping has a long lasting relationship, freight is typically paid after cargo release.

In 2019, Christiania Shipping did not suffer any significant losses from defaulting customers.

Price risks

Freight rates

Christiania Shipping's revenues are exclusively generated from activities in the oil and chemical tankers industry. The oil and chemical tanker industry is cyclical and volatile, which can lead to reductions in freight rates, volumes and ship values.

Fluctuations in freight rates result from changes in the supply and demand for vessel capacity and changes in the supply and demand for the large variety of products that we carry.

Christiania Shipping mitigates the risk of fluctuation in freight rates by managing the mix between Contracts of Affreightment and spot market business. Contracts tend to reduce volatility in freight rates. Spot market business, on the other hand, provide flexibility but exacerbate the impact of a downturn in the market.

Bunkers

Bunker fuel constitutes the major cost component affecting time charter equivalent (TCE) earnings, and increasing prices can have a material impact on Christiania Shipping's results.

The Company is striving to reduce the impact of bunker price fluctuations by passing bunker fuel costs on to customers. Hence, in 2019 approximately 40% of freight earnings were derived from Contracts of Affreightment, the large majority of which include a bunker price clause that indexes freight rates with bunker prices.

Other risks

The Company aims at minimizing its exposure to accidents on the vessels, pollution, damages to hull and machinery etc. by investing in modern vessels, managing the maintenance of the vessels as well as continuing education in its staff.

Furthermore, risks in connection with the operation of the vessels, transport of cargo, personal injuries, environmental damages and war are being covered by insurances in internationally recognised insurance companies. The Company aims at minimizing its exposure by using multiple insurance companies.

The Company has established duplication of business critical IT systems and contingency plans in case of break-downs. Back-up of data is made in an external IT environment outside the Company's offices.

Corporate Social Responsibility

For a short description of our business model, please see page 4 under the section Business review.

Christiania Shipping will actively initiate and participate in activities related to CSR and will incorporate CSR initiatives in its strategy at any given time. The key focus points of Christiania Shipping are areas related to health & safety, environment & climate and general welfare and training. Christiania Shipping will strive to continuously improve itself in these fields and communicate transparently with stakeholders about results and initiatives.

All of Christiania Shipping's CSR activities emerge from the Company's core business and strategy. The Company is committed to progress in business-driven CSR initiatives in order to deliver high quality and 'best in class' services while meeting own and customers' expectations in respect of responsible business practice. Management sees the business-driven approach as the only way forward when building a long-term sustainable business, where both the Company and society benefit.

Christiania Shipping's CSR policy is based on the ten guiding principles of the United Nations Global Compact (UNGC) that cover the areas of human & labor rights, environment & climate and anti-corruption as well as the principle of continuous improvement.

Safety Culture

Safety is Christiania Shipping's license to operate and embedded in the Company's DNA. All employees regardless of title and work responsibilities must at all times comply with Christiania Shipping's safety policy and regulations. A key focus area during 2019 was the continuation of the Safety Culture drive. The ambition of this initiative is to prevent all accidents, injuries and occupational illnesses through the active participation of each employee. Therefore, Christiania Shipping's safety initiatives are embedded, carried out and measured within the various business area. Results of the Safety Culture drive include increased knowledge sharing and fewer incidents. The Company continues to invest resources in this area to reach the goal of zero incidents.

Introduction of the safety culture program has had the positive result of decreasing the number of accidents on board on the Company's vessels. 2 lost time incidents (LTIs) happened on the Company's vessels in 2019 versus a target of 0. None of the incidents involved serious injuries. The goal for 2019 is to reach 0 LTIs on vessels and in offices owned by Christiania Shipping.

Environment and Climate

Responsibility at sea

Christiania Shipping has formulated a Health, Safety and Environment (HSE) policy, which includes working towards a *"zero oil spill to sea"* by coordination of efforts of those ashore and on board vessels plus working towards a long-term goal of *"zero accidents and incidents"* by using KPIs to monitor performance. Generally, Christiania Shipping will comply with industry legislation that refers to health, safety and environment protection while focusing on global activities and ensuring continual environmental improvements through open dialogue with clients/customers. Their feedback will be used to revise existing procedures related to health, safety and environment issues.

The Company together with its technical manager, Dania Ship Management, actively collaborate with the Danish Ministry for Energy, Utilities and the Climate plus the Danish Technological Institute to develop a method for remote determination of Sulphur content in fuel oil on board ships. The project is named "Remote sensing of Sulphur and particle emission from ships" and was commenced in 2016.

A permanent sniffer has been installed on the Great Belt Bridge, which will be able to check the sulphur content in the exhaust gas emissions from the ships passing underneath and thereby, monitor the sulphur content in the fuel oil used onboard. The requirement for sulphur content in board fuel oil in the North Sea, Baltic Sea and US territory is a maximum 0.1%.

On an annual basis, the Company reports its fuel oil consumption on vessels to Danish Shipping. The fuel oil consumption can easily be converted to actual CO2 emissions, which, together with information about cargo intake and sailing distance, can be converted to CO2 emissions per transport work. From January 1 2019, the new EU legislation, Monitoring, Reporting and Verification (MRV), regarding CO2 emissions from ships has entered into force and replace the reporting to Danish Shipping. In 2017, Christiania Shipping has implemented systems to ensure reporting is done in full compliance with the new legislation.

For 2019, it was the target to have 0 groundings and 0 oil spills, both of which targets were achieved.

General purchasing terms and conditions

In addition to the HSE policy, the General Purchasing Terms and Conditions of Christiania Shipping specify that all suppliers and subsuppliers are required to live up to the rules and regulations applicable for Christiania Shipping.

Responsible tank cleaning

Christiania Shipping has initiated a new tank cleaning method, by using spectrometers. Applying spectro-meters, the Company openly shares particulate contents of tank washing analysis with customers, surveyors and terminals. The new system ensures:

- A decrease of the number of man entries in tanks for wall wash, inspections etc., and the occurrence of solvent handling used for wall wash medium and the number of third party, surveyor personnel, required to be on board the vessel.
- A reduction of the amount of excessive cleaning chemicals need and the disposal hereof and the cleaning time and unnecessary ship Co2 emissions.
- A goal for 2019 is to keep developing on tank cleaning safety and optimization.

Recycling

Christiania Shipping operates a modern fleet, which means that the Company does not have a need to recycle ships in the near future. However, in 2017, the Company introduced a policy for recycling of vessels in case of relevant in the long term. Should recycling of a vessel be considered, Christiania Shipping will through a comprehensive investigation and screening process ensure that any recycling is completed in full compliance with the Hong Kong convention. Christiania Shipping will ensure that before any agreement on recycling a vessel, the nominated yard must at minimum meet following requirements:

- Comply with the Hong Kong convention
- Produce an Inventory Hasardous Material certificate issued by Class (IACS)
- Issue a Ship Recycling Plan
- Issue a Green Recycling certificate

Social responsibilities and employee conditions

Operating in an international and cost-competitive environment, ensuring acceptable working conditions is an important goal for Christiania Shipping. The Company's HSE policy ensures that all employees work in a safe work environment both on the vessels and in the offices. It is the Company's ambition to operate in accordance with all applicable laws and regulations and to treat its employees with dignity and respect. The Company expects its suppliers to operate their businesses in the same way, and in order to ensure to this, it is explicitly stated in the Company's general purchasing terms and conditions that suppliers may not in any way be involved in or related to any form of slavery or forced labor, human trafficking or similar actively. Furthermore, suppliers shall treat all personnel with dignity and respect and shall not tolerate mental or physical abuse or coercion of employees. Nor may suppliers be engaged in or benefit from child labor. The Management finds that the requirements are contributing positively to the employee conditions in the suppliers' companies.

It is not the goal to draw up a policy on human rights in 2019, as the Company believes the General Purchasing Terms and Conditions combined with their Code of Conduct to be adequate.

Anti-corruption

As a global Company in the maritime industry, Christiania Shipping is firmly committed to adherence to high ethical standards in addition to applicable laws hereunder anti-corruption. Christiania Shipping has an anti-corruption policy, which states that no employee of Christiania Shipping may be involved in corruption.

Christiania Shipping applies international rules and standards regarding facilitation payments. The Company wants to avoid making facilitation payments, and procedures are in place to resist paying in such.

Anti-money laundry

Christiania Shipping has implemented an Anti-Money Laundering (AML) Policy and Guidelines that further elaborated on the policy statement set out in the Company's CoC. This states that Christiania Shipping will not participate in any form of money laundering, and no member of Management or any employee may facilitate, support, directly or indirectly, any payment or transfer of money, which is likely to constitute money laundering.

The responsibility to avoid Christiania Shipping getting involved in any money laundering or dubious transaction applies to all employees and involves all departments and throughout the entire activity chain from the choice of customer or business partner all the way to the execution of payments.

The policy and guidelines include a financial background check of customers/vendors plus a sanctions background check. All employees have received a copy of the policy in 2019 plus the training necessary to identify the warning signs of money laundering and financial crime have been completed in the financial year. No issues have been identified.

Gender representation

Currently, the Board of Directors is made up by men. Based on the industry in which the Company acts and the way the Board of Directors is elected, it is the Company's goal to have one woman on the board by 2025. It is, however, the Company's policy at all times to select the candidate with the strongest qualifications no matter their gender, nationality, religion and political conviction.

The gender composition is unchanged compared to last year.

The Executive Management of Christiania Shipping consists of one male. There has not been set up a policy regarding the gender composition of the Executive Management.

Financial statements

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Income statement

1 January - 31 December

USD '000	Note	2019	2018
Revenue	3	88.496	90.590
Voyage related expenses		-34.280	-34.822
Time charter equivalent earnings		**54.216**	**55.768**
Charter hire		-13.112	-13.355
Operating expenses	4	-32.127	-34.540
Administrative expenses	4, 5	-4.342	-4.720
Operating profit before depreciation etc. (EBITDA)		**4.634**	**3.153**
Depreciation	6	-4.513	-2.901
Gains/losses from sale of fixed assets	6	-	-14
Share of results of subsidiary companies	7	14	-1.677
Operating profit (EBIT)		**135**	**-1.439**
Financial income*	8	144	146.725
Financial expenses	9	-2.561	-1.973
Result before tax		**-2.282**	**143.313**
Tax	10	-218	-216
Net result		**-2.500**	**143.097**
OTHER COMPREHENSIVE INCOME			
Items which will be reclassified to the income statement:			
Fair value adjustment of financial instruments		-	-
Other comprehensive income		-	-
Total comprehensive income		**-2.500**	**143.097**
Attributable to:			
Shareholders of Christiania Shipping A/S		-2.500	143.097
		-2.500	**143.097**

*Including gain related to write-down of debt with USD 146.7 million in 2018

Balance sheet

at 31 December

USD '000	Note	2019	2018
ASSETS			
Vessels and dockings	11	45.082	36.594
Prepayments on vessels and dockings under construction	11	44	2.242
Property, plant and equipment		**45.126**	**38.836**
Right-of-use assets	12	**13.262**	-
Investments in subsidiaries	13	231	218
Financial non-current assets		**231**	**218**
Non-current assets		**58.620**	**39.054**
Inventories		1.917	1.394
Trade receivables	14	4.499	4.344
Other receivables	15	1.217	1.820
Prepayments	16	1.897	888
Cash and cash equivalents	17	3.315	5.016
Current assets		**12.844**	**13.461**
Assets		**71.464**	**52.515**

Balance sheet

at 31 December

USD '000	Note	2019	2018
EQUITY AND LIABILITIES			
Share capital	18	250	250
Retained earnings		2.864	5.364
Equity		**3.114**	**5.614**
Lease liability	12	13.001	-
Provisions	19	-	19
Loans	20	37.500	38.700
Loans to shareholders		1.000	-
Other non-current liabilities		60	-
Non-current liabilities		**51.561**	**38.719**
Lease liability	12	913	-
Loans	20	1.200	800
Trade payables	21	11.145	2.754
Current tax liabilities		381	157
Other payables	22	1.311	2.471
Deferred income		1.839	2.001
Current liabilities		**16.789**	**8.182**
Liabilities		**68.350**	**46.901**
Equity and liabilities		**71.464**	**52.515**

Statement of changes in equity

1 January - 31 December 2019

USD '000	Share capital	Retained earnings	Total
Equity at 1 January 2019	**250**	**5.364**	**5.614**
Comprehensive income for the year			
Profit for the year	-	-2.500	-2.500
Changes in equity	-	**-2.500**	**-2.500**
Equity at 31 December 2019	**250**	**2.864**	**3.114**

1 January - 31 December 2018

USD '000	Share capital	Retained earnings	Total
Equity at 1 January 2018	**250**	**-145.232**	**-144.982**
Comprehensive income for the year			
Profit for the year	-	143.097	143.097
Total comprehensive income for the year	-	**143.097**	**143.097**
Adjustment on initial application of IFRS 15, net of tax	-	34	34
Capital increase	-	7.465	7.465
	-	**7.499**	**7.499**
Changes in equity	-	**150.596**	**150.596**
Equity at 31 December 2018	**250**	**5.364**	**5.614**

Statement of cash flow

1 January - 31 December

USD '000	Note	2019	2018
Operating profit (EBIT)		135	-1.439
Adjustment for provisions		-19	-15
Adjustment for depreciation		4.513	2.901
Adjustment for gains/losses from sale of fixed assets		-	14
Adjustment for share of results of subsidiaries		-14	1.677
Adjustment for other non-cash items		-748	1.685
Change in working capital excl. Accrued interest and tax liabilities	23	6.147	-6.520
Interest etc. received		55	66
Interest etc. paid		-1.657	-1.323
Tax paid		-218	-217
Cash flow from operating activities		**8.195**	**-3.170**
Additions in prepayments on vessels, dockings etc.		-10.226	-2.242
Proceeds from the sale of tangible assets		-	5.400
Cash flow from investing activities		**-10.226**	**3.158**
Increase of share capital		-	1
Capital contribution		-	7.500
Loan raised		1.000	44.900
Repayment of lease liability		-1.485	-
Interest expense related to lease liability	12	874	-
Deposit related to lease liability received		752	-
Repayment of loans		-800	-54.949
Cash flow from financing activities		**341**	**-2.548**
Net cash flow		**-1.690**	**-2.560**
Cash and cash equivalents at beginning of the year		5.016	5.840
Exchange rate adjustments		-11	1.736
Net cash flow		-1.690	-2.560
Cash and cash equivalents at end of the year		**3.315**	**5.016**

Notes to the financial statements

Note 1. Changes to accounting policies and significant accounting policies

The annual report for the period 1 January – 31 December 2019 with comparative figures comprises the financial statements of Christiania Shipping A/S ('the Company').

The financial statements of Christiania Shipping A/S for 2019 has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and additional requirements from the Danish Financial Statements Act. Christiania Shipping A/S is a Limited Liability Company with its registered office in Denmark.

The financial statements are presented in United States Dollars (USD). The financial statements are presented on the basis of historical cost prices.

The most important elements of accounting policies and changes are compared to last year as a result of new and amended standards which are described below. Applied accounting policies are also included in note 29.

The implementation of new or amended IFRS standards

IFRS 16, leasing

The Company has adopted IFRS 16, which is mandatory for accounting periods beginning 1 January 2019 or later. Comparative figures for the 2018 reporting period have not been restated, as permitted under the specific transition provisions in the standard.

The transition to IFRS 16 did not have any impact on the opening balance of the financial statements as all operating lease agreements entered into by the Company expired prior to the date of adoption. Consequently, the Company did not have any recognise leasing liabilities or right-of-use assets on 1 January 2019.

The new accounting policies are disclosed in note 29.

The Company also applied the following amendments for the first time for its reporting period commencing 1 January 2019:

- Prepayment Features with Negative Compensation – Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments

These amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Note 2. Significant accounting estimates, assumptions and uncertainties

In applying the Company's accounting policies described in Note 1 and Note 29, Management is required to make estimates, as well as assumptions for the carrying amount of assets and liabilities that cannot be directly derived from other sources. These estimates and assumptions are based on historical experience and other relevant factors. The actual outcome may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognised in the accounting period in which the change takes place and in future accounting periods if the change affects both the period during which the change takes place and subsequent accounting periods.

Significant accounting estimates associated with accounting policies

In connection with the application of the accounting policies described in note 29, Management has made the following accounting estimates, with a significant effect on the amounts recognised:

- Voyage revenues and costs
- Impairment of tangible assets

Voyage revenues and costs

Voyage revenues and costs are recognised in accordance with the percentage of completion method with operating revenues and expenses recognised for each voyage. The percentage of completion is estimated by management based on the load date, duration of voyages etc. Applied estimates are reviewed and updated at the end of each accounting period.

Impairment of tangible assets

The Company evaluates the carrying amount of vessels and other net assets to determine whether events have occurred that would require an adjustment to the recognised value of the net assets. The impairment tests are based on discounted future cash flow models, which are compared to the carrying amount of the assets within the cash generating units. The impairment tests are prepared based on assumptions including future freight rates, earnings from vessels and Management activities as well as discount rates. All of these factors have been historically volatile.

Note 3. Revenue

USD '000	2019	2018
North West Europe, Mediterranean and others		
Freight revenue	53.203	53.249
Time charter revenue	5.717	6.502
Demurrage	5.997	6.403
Other voyage related revenue	1.456	1.789
Revenue	**66.372**	**67.943**
West Africa		
Freight revenue	17.734	17.750
Time charter revenue	1.906	2.167
Demurrage	1.999	2.134
Other voyage related revenue	485	596
Revenue	**22.124**	**22.647**

Accrued income included in trade receivables in the balance sheet constitutes contract assets comprising unbilled amounts to customers representing the company's right to consideration for the services transferred to date. Any amount previously recognised as accrued income is reclassified to trade receivables at the time it is invoiced to the customer.

Part of the deferred income presented in the balance sheet constitutes contract liabilities which represent advance payments and billings in excess of revenue recognised.

There were no significant changes in accrued income and deferred income during the reporting period.

Note 4. Staff costs

USD '000	2019	2018
Land based employees (included in administrative expenses)		
Wages and salaries	1.721	1.270
Pensions	192	149
Bonus	-	150
Other social security expenses	15	16
Other staff expenses	32	1
	1.960	**1.586**
Seafarers (included in operating expenses)		
Wages and salaries	15.799	16.975
Pensions	397	404
	16.196	**17.379**
Total staff costs	**18.157**	**18.965**

Average employees	2019	2018
Land based employees	19	19
Seafarers	208	305
	227	**324**

Persons in the Board of Directors and key management, average	2019	2018
Board of Directors	3	3
CEO and key management personnel	3	3
	6	**6**

USD '000	2019	2018
Remuneration to key management personnel		
Salaries, bonus ect.	384	547
Contribution based pension	26	36
Other employee benefits	23	29
	433	**612**

Note 5. Fees to the auditor appointed at the general meeting

USD '000	2019	2018
Audit	52	60
Tax consultancy	10	13
Other servicess	30	-
Total	**92**	**73**

Note 6. Depreciations, impairments and gains/losses

USD '000	2019	2018
Depreciation of property, plant and equipment	3.936	2.901
Depreciation of right-of-use assets	577	-
Depreciations	**4.513**	**2.901**
Gains/losses from sale of fixed assets	-	14
Gains/losses	**-**	**14**

Note 7. Share of results in subsidiaries

USD '000	2019	2018
Share of result in subsidiary companies	14	-1.677
Total	**14**	**-1.677**

Note 8. Financial income

USD '000	2019	2018
Interest income	55	66
Exchange rate gain	89	-
Debt forgiveness	-	146.659
Financial income	**144**	**146.725**

Note 9. Financial expenses

USD '000	2019	2018
Interest expenses on mortgage debt	1.657	1.143
Interest expenses related to leases	874	-
Other interest expenses	1	289
Exchange rate losses	-	495
Other financial expenses	29	46
Financial expenses	**2.561**	**1.973**

Note 10. Tax

USD '000	2019	2018
Tax on the results for the year	218	216
Adjustments of tax regarding previous years	-	-
Tax for the year recognized in the income statement	**218**	**216**

The majority of the Company's income tax base is located in Denmark, and therefore subject to the Danish tonnage tax scheme. The Company's has entered the tonnage tax scheme the 1 January 2011, with a binding period of 10 years, and it's the Company's expectation to continue to participate in the tonnage tax scheme after the binding period expires, with an equivalent or higher activity level as at the time where the Company entered the tonnage tax scheme.

The Company did not own any vessels upon entering the tonnage tax scheme; consequently, the Company has no deferred, or contingent, taxes from the transitional period.

Under the tonnage tax scheme, income and expenses from shipping activities are not subject to direct taxation and accordingly an effective rate reconciliation has not been provided as it would not provide any meaningful information. Instead, the taxable income is calculated from:

- The net tonnage of the vessels used to generate the income from shipping activities
- A rate applicable to the specific net tonnage of the vessel based on a sliding scale

No tax assets or liabilities are recognised 31 December 2019. The tax asset of non-recognised tax losses and tax credits carried forward, with certain limitations in subsidiaries and time, amounts to USD 0 (2018: USD 0) for the Company, There are no unrecognised tax liabilities associated with investments in foreign subsidiaries and jointly controlled companies.

Note 11. Property, plant and equipment

USD '000	Vessels and dockings	Prepayments on vessels and dockings under construction	Total
Cost at 1 January 2018	253.196	-	253.196
Additions during the year	-	2.242	2.242
Cost at 31 December 2018	**253.196**	**2.242**	**255.438**
Accumulated depreciations at 1 January 2018	-106.907	-	-106.907
Depreciations for the year	-2.901	-	-2.901
Depreciations at 31 December 2018	**-109.808**	-	**-109.808**
Write - downs at 1 January 2018	-106.794	-	-106.794
Write - downs for the year	-	-	-
Write - downs at 31 December 2018	**-106.794**	-	**-106.794**
Carrying amount at 31 December 2018	**36.594**	**2.242**	**38.836**

USD '000	Vessels and dockings	Prepayments on vessels and dockings under construction	Total
Cost at 1 January 2019	253.196	2.242	255.438
Additions during the year	-	10.226	10.226
Transfer to/from other items	12.424	-12.424	-
Cost at 31 December 2019	**265.620**	**44**	**265.664**
Accumulated depreciations at 1 January 2019	-109.808	-	-109.808
Depreciations for the year	-3.936	-	-3.936
Depreciations at 31 December 2019	**-113.744**	-	**-113.744**
Write - downs at 1 January 2019	-106.794	-	-106.794
Write - downs for the year	-	-	-
Write - downs at 31 December 2019	**-106.794**	-	**-106.794**
Carrying amount at 31 December 2019	**45.082**	**44**	**45.127**

According to the Company's accounting policy, a write-down is made to the higher of the sales price (less costs to sell) and the value in use if there is an impairment indication.

As of 31 December 2019, Management assessed if any impairment indication exists for the Company's fleet. The fleet, including vessels chartered on time charter and bareboat charter agreements, is seen as one cash-generating unit (CGU). Following the assessment, Management has assessed that there is no impairment indication. Further, the impairment assessment prepared does not show any reversal of previous impairments.

Please refer to note 29 for further information.

Note 12. Leases

USD '000	2019	2018
Right-of-use assets		
Cost at 1 January	-	-
Additions during the year	13.839	-
Cost at 31 December	**13.839**	-
Depreciation at 1 January	-	-
Depreciation during the year	-577	-
Depreciation at 31 December	**-577**	-
Carrying amount at 31 December	**13.262**	-

Lease liabilities

USD '000	2019	2018
Lease liabilities		
Within 1 year	838	-
Between 1 and 3 years	1.871	-
Over 3 yars	10.519	-
Total non-discounted lease liability at 31 December	686	-
Lease liability recognised		
Current	913	-
Non-current	13.001	-
Lease liability at 31 December	**13.914**	-

Amounts recognised in the income statement

USD '000	2019	2018
Depreciations charges of right-of-use assets	577	-
Interest expenses (included in financial expenses)	874	-
Expenses relating to short-term leases	157	-
Expenses relating to variable lease payments not included in lease liabilities	-	-
Expenses related to leases of low-values assets not included in short-term leases	-	-

The total cash outflow for leases in 2019 was USD 1.5 million.

The Company's leasing activities solely consists of leases on bareboat charters which have a duration of up to ten years. Leasing arrangements are accounted for as described in note 29.

Note 13. Investments in subsidiaries

Company	Nature of investment	2019		2018	
		Net profit USD '000	Equity USD '000	Net profit USD '000	Equity USD '000
Christiania Shipping Asia Pte. Ltd.	Liquidated	N/A	N/A	-1.685	35
Christiania Shipping France SARL	100% owned	14	231	8	182

Note 14. Trade receivables

USD '000	2019	2018
Receivables from freight	4.599	4.174
Accrued income	-	170
Provisions for bad debt	-100	-
Trade receivables	**4.499**	**4.344**
Hereof:		
Not due	1.093	3.363
Overdue 1-90 days	3.234	526
Overdue more than 90 days	172	455
	4.499	**4.344**

The fair value of trade receivables approximates the carrying amount.

A provisioning account is used to reduce the carrying amount of receivables from sales and services whose value is impaired due to loss risk.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

Note 15. Other receivables

USD '000	2019	2018
Deposits	588	696
Insurance claims and other claims	422	770
Miscellaneous receivables	206	354
Other receivables	**1.217**	**1.820**

Note 16. Prepayments

USD '000	2019	2018
Prepayments regarding time charter and bareboat charter agreements	764	552
Insurance prepayments	157	96
Other prepayments to suppliers etc.	976	240
Prepayments	**1.897**	**888**

Note 17. Cash and cash equivalents

USD '000	2019	2018
USD	2.364	3.902
EUR	868	996
DKK	26	118
Other currencies	57	-
Cash and cash equivalents	**3.315**	**5.016**
Hereof:		
Unrestricted	3.315	5.016
Restricted	-	-
	3.315	**5.016**

Note 18. Share capital

	2019			2018		
	Number of shares	Nominal value USD	Share capital USD	Number of shares	Nominal value USD	Share capital USD
Shares	1.701	146,78	249.673	1.701	146,78	249.673
Share capital 31 December	**1.701**	**146,78**	**249.673**	**1.701**	**146,78**	**249.673**

The Company's share capital was increased in 2018 with USD 0.2 thousands.

Note 19. Provisions

USD '000	2019	2018
Provison for loss-making time-charter contracts	-	19
Provisions	**-**	**19**

Note 20. Loans

USD '000	2019	2018
Current portion of non-current debt with maturities within 1 year	1.200	800
Non-current debt with maturities between 1 and 5 years	37.500	38.700
Non-current debt with maturities over 5 years	-	-
Total	**38.700**	**39.500**
Hereof:		
Loans denominated in USD with floating interest rate	38.700	39.500
Total	**38.700**	**39.500**

On 29 January 2021, the final installment of USD 37.5 million on the Company's facility agreement is due to Handelsbanken.

The fair value of the loans approximates the carrying amount. The loan agreement includes minimum requirements (financial covenants) for liquidity. The requirements were met throughout 2019 and 2018.

USD '000	31 December 2019	Loan additions	Loan repayments	31 December 2018
Bank loans	38.700	-	-800	39.500
Loans from related parties	1.000	1.000	-	-
Total	39.700	1.000	-800	39.500

Note 21. Trade payables

USD '000	2019	2018
Payables for good and services	10.647	2.646
Accrued costs	499	108
Trade payables	**11.145**	**2.754**

Note 22. Other payables

USD '000	2019	2018
Employees' withheld income taxes, pensions, social contributions etc.	1.128	1.668
Miscellaneous payables	182	804
Other payables	**1.311**	**2.471**

Note 23. Changes in working capital

USD '000	2019	2018
Change in inventories	523	-371
Change in trade receivables	155	-1.525
Change in other receivables	-603	73
Change in prepayments	1.009	-1.020
Change in trade payables	-8.392	4.223
Change in other payables excl. accrued interest and tax liabilities	1.160	5.140
Change in working capital excl. accrued interest and tax liabilities	**-6.147**	**6.520**

Note 24. Unrecognised contingent assets and liabilities

The Company is not involved in any lawsuits involving claims against the Company. However, claims have been made against the Company regarding demurrage etc. It is Management's opinion that the outcome of these disputes will not have any material impact on the Company's financial position, result or cash flow.

The Company is not involved in any lawsuits, disputes etc. involving claims from the Company against third parties.

The Company has not issued any guarantees.

Note 25. Mortgages and security

USD '000	2019	2018
Loans secured by mortgages in vessels	38.700	39.500
Carrying amount of vessels being mortgaged	45.126	38.836
Value of mortgages	38.700	39.500

The assets mortgaged as security relates to a loan facility of USD 39.5 million, which include a bridge loan facility of USD 5.4 million. Both loan facilities expires 29 January 2021, or when the vessels being mortgaged are disposed of, if earlier.

Note 26. Related party disclosures and transactions with related parties

Related parties with controlling influence

Related parties with controlling influence consist of the boards in ANE Shipping A/S, based in Oslo, Norway that ultimately controls the Company with 100% ownership.

Transactions with related parties

The related parties comprise the Executive Board, members of the Board of Directors, as well as their close relatives. Related parties also include companies in which the above-mentioned persons have significant interests as well as companies and foundations, which have direct or indirect considerable influence through shareholding. Remuneration to key management personnel are disclosed in note 4.

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

USD '000	2019
Fee to Eitzen Rederi AS	180

USD '000	2019
Loan from Eitzen Rederi AS	
1 January 2019	-
Loans advanced	1.000
Loan repayments made	-
Interest charges	-
Interest paid	-
31 December 2019	**1.000**

The loan from Eitzen Redieri AS was established end December 2019 and have been agreed on market terms.

Note 27. Financial risks

Due to the nature of Christiania Shipping's operations, the Company is mainly exposed to risks relating to fluctuations in freight rates and bunker prices.

Maturities of financial liabilities

The table below analyses the Company's financial liabilities into relevant maturity groupings:

31 December 2019 USD '000	Under 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Trade payables	11.145	-	-	-	11.145	**11.145**
Bank loans	1.200	37.500	-	-	38.700	**38.700**
Lease liability	913	975	3.385	8.642	13.914	**13.914**
Loans from related parties	-	1.000	-	-	1.000	**1.000**
Total	**13.258**	**39.475**	**3.385**	**8.642**	**64.759**	**64.759**

31 December 2018 USD '000	Under 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Trade payables	2.754	-	-	-	2.754	**2.754**
Bank loans	800	1.200	37.500	-	39.500	**39.500**
Total	**3.554**	**1.200**	**37.500**	-	**42.254**	**42.254**

Freight rates

USD '000	2019	2018
Sensitivity re. freight rates: Effect of 1% increase in freight rates (spot)		
Change in profit before tax	895	900
Change in equity	895	900

The Company's income is principally generated from voyages carried out by its fleet of vessels. As such the Company is exposed to volatility in the freight rates.

It is the Company's strategy to minimize its' to this risk by entering physical contacts with different duration, such as cargo contracts and time charters.

All things being equal and the extent the Company's vessels have not already been chartered out at fixed rates, a freight rate change of 1% would lead to the changes in profit and loss as shown above.

There have been no changes in the methods applied from previous periods.

Bunker prices

USD '000	2019	2018
Sensitivity re. bunker prices: Effect of 1% increase in bunker price		
Change in profit before tax	185	200
Change in equity	185	200

The Company's largest variable cost is fuel in the form of bunkers, and the total cost will therefore depend on the market price of bunkers. To reduce this risk the Company generally entering physical delivery contracts which make it possible to levy any changes in the bunker prices on the customer.

All things being equal, a price increase of 1% per ton of bunker oil (without subsequent changes in freight rates) would lead to the changes in profit and loss as shown above.

There have been no changes in the methods applied from previous periods

Categories of financial instruments

The carrying amounts for the Company's financial instruments are shown below:

USD '000	2019	2018
Cash and cash equivalents	3.315	5.016
Trade receivables	4.499	4.344
Financial assets measured at amortised cost	**7.814**	**9.360**
Lease liabilities	13.914	-
Loans	38.700	39.500
Trade payables	11.145	2.754
Debt to related parties	1.000	-
Financial liabilities measured at amortised cost	**64.759**	**42.254**

Note 28. Subsequent events

The implications of COVID-19 with many governments across the world deciding to "close down their countries" will have great impact on the global economy. Management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the Company.

Management is monitoring developments closely. It is, however, too early yet to give an opinion as to whether and, if so, to what extent COVID-19 will impact revenue and earnings in 2020.

Note 29. Accounting policies

Accounting policies in addition to those described in note 2, is as described below.

The exemption from preparing consolidated financial statements has been used, and the financial statements presented are separate financial statements.

The parent company, ANE Shipping AS, Oslo, has prepared consolidated financial statements that comply with International Financial Reporting Standards.

Foreign currency translation

The functional currency and presentation currency of the Company is USD. On initial recognition, transactions in currencies other than the functional currency of the Company are translated using the exchange rate at the date of the transaction. Receivables, payables and other monetary items in foreign currencies, which have not been settled at the balance sheet date, are translated using the rate of exchange at the balance sheet date. Any exchange differences arising between the rate of exchange at the date of the transaction and the rate of exchange at the date of payment and the balance sheet date, respectively, are recognised in the income statement as financial income and expenses. Property, plant and equipment, intangibles, inventories and other non-monetary assets purchased in foreign currencies and measured using historical costs are translated using the rate of exchange at the date of the transaction.

Income statement

Revenue

Revenue comprises freight, demurrage and time charter. Revenue is recognised when or as performance obligations are satisfied by transferring the promised goods or services to the customer, i.e. at a point in time or over time provided that the stage of completion can be measured reliably. Revenue is measured at the consideration the Company expects to be entitled to.

The completion is determined using the load-to-discharge method based on the percentage of the estimated duration of the voyage completed at the reporting date. Freight revenue and related voyage and operating costs are recognized in the income statement according to the entered charter parties from the date of load to the date of delivery of the cargo (discharge).

Accordingly, freight, charter hire and demurrage revenue are recognised at selling price upon delivery of the service as specified in the agreement with the charter parties.

Voyage related expenses

These are expenses related to voyages performed by the Companys vessels. Voyage related expenses consist mainly of bunkers, port expenses and commissions. Voyage related expenses are recognised as incurred.

Operating expenses

Operating expenses include costs relating to the operation and maintenance of vessels, including costs relating to crew. Operating expenses are recognised as incurred.

Administrative expenses

Administrative expenses include the cost of offices, personnel costs and administrative costs. Staff costs comprise wages and salaries, social security and pension costs, etc. and are recognised as incurred.

Depreciation and impairment losses

Depreciation and impairment losses comprise depreciation of tangible fixed assets for the period as well as the impairment of the value of assets by the amount by which the carrying amount of the asset exceeds its recoverable amount. In the event of indications of impairment, the carrying amount is assessed, and the value of the asset is impaired to its recoverable amount equal to the higher of value in use based on net present value of future earnings from the assets and its net selling price.

Financial items

Financial items comprise interest income and expenses, realised and unrealised gains and losses on securities, liabilities and foreign currency transactions, dividends, estimated interest expenses relating to amortization allowances or deductions relating to mortgage debt etc. as well as surcharges and allowances under the Danish Corporate Tax Scheme.

Interest income and expenses are accrued on the basis of the principal and the effective interest rate. The effective interest rate is the discount rate that will be used to discount the expected future payments that are linked to the financial asset or financial liability so that their present value corresponds to the carrying amount of the asset and liability.

Tax

The Companys current tax of the year consist of estimated tax according to the Danish Tonnage Tax Act for all shipping activities, and according to general tax regulations for net financial income and other activities. Other activities consist of the Companys Management fee income. Shipping activities are taxed based on the net tonnage (vessels) which the Company has at its disposal.

Based on the Company's planned use of vessels and recovery of reversed depreciation, the tonnage tax regime does not result in a deferred tax liability, but is merely incorporated as a contingent liability. Other activities of the Company are not subject to deferred tax either.

Balance sheet

Property, plant and equipment, vessels and dry-docking

Property, plant and equipment, vessels, upgrade costs, dockings and office and IT equipment, and are measured at cost less accumulated depreciation and impairment losses. The cost comprises the cost of acquisition and any expenses directly related to the acquisition until the time when the asset is ready for use, including interest expenses incurred during the period of construction. Other borrowing costs are taken to the income statement. Depreciation is charged over the expected economic lives of the assets, and the depreciation methods, expected lives and residual values are reassessed individually for the assets at the end of each financial year.

Vessels

Vessels are measured at cost less accumulated depreciation and write-downs. All major components of vessels except for dry-docking assets are depreciated on a straight-line basis to the estimated residual value over their estimated useful lives, which the Company estimates to be 25 years. Depreciation is based on cost less the estimated residual value. Residual value is estimated as the light weight tonnage of each vessel multiplied by scrap value per ton. The useful life and residual value of the vessels are reviewed at least at each financial year-end based on market conditions, regulatory requirements and the Company's business plans. Moreover, the Company evaluates the carrying amount of the vessels to determine whether events have occurred that indicate impairment and would require an adjustment of the carrying amounts. Prepayments on vessels under construction are recognised as instalments paid.

Dry-dockings

The fleet of own vessels is required to undergo planned dry dockings for major repairs and maintenance, which cannot be carried out while the vessels are operating. Dry-dockings are generally required every 30-60 months depending on the nature of the work, and the age of the vessel. Costs relating to dry-dockings are capitalised and depreciated on a straight-line basis over a period of 60 months or to the next dock if within 30 months. The residual value is estimated at zero. A portion of the cost of acquiring a new vessel is allocated to the components which are expected to be replaced or refurbished at the next dry-docking. A portion of the acquisition price for a new vessel is allocated to a dry-docking asset. The dry-docking asset is estimated on the basis of the expected costs related to the first-coming docking, which is based on experience with similar vessels. At subsequent measurement dry-dockings, the asset comprises the actual docking costs incurred.

Office and IT equipment

Office and IT equipment is depreciated on a straight-line basis over the estimated useful lives, which does not exceed 5 years.

Leases

The Company leases vessels through bareboat and time charter arrangements. Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Lease liabilities

Lease liabilities are initially measured on a present value basis and include the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts to be expected to be payable by the Company under residual value guarantees
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option
- payments to be made under reasonably certain extension options

The lease payments are discounted using the implicit rate in the lease. If that rate cannot be readily determined, the Company will apply its incremental borrowing rate. This is the rate the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance expenses. The finance expenses is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs
- restoration costs

Right-of-use assets are depreciated over the lease term on a straight-line basis.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise rent of the company head quarter and office equipment etc.

Investment in subsidiaries

Investments in subsidiaries are recognised and measured according to the equity method.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Company's share of the post-acquisition profits or losses of the investee in profit or loss, and the Company's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Impairment tests

The carrying amounts of property, plant and equipment with finite useful lives are evaluated at the balance sheet date to determine whether there are indications of impairment. If an indication of impairment is identified, the recoverable amount of the asset is estimated in order to determine the need for recognising an impairment loss and the extent hereof. If an asset does not generate cash flows that are independent from other assets, the recoverable amount is determined for the smallest cash-generating unit to which the asset belongs. The Company is considered as one cash generating unit. The recoverable amount is defined as the higher of the fair value of the asset or the cash generating unit less costs to sell and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money, the risks specific to the asset or the cash-generating unit for which the estimates of future cash flows have not been adjusted. For vessels, the fair value is usually determined based on the estimated selling price less costs to sell. If the recoverable amount of the asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount.

An impairment loss for cash-generating units is allocated to the assets of the unit, but no asset will be reduced to a lower value than its fair value deducted expected costs to sell. Impairment losses are recognised in the statement of comprehensive income. If an impairment loss subsequently is reversed as a result of changes in the assumptions used to determine the recoverable amount, the carrying amount of the asset or cash-generating unit is increased to the revised recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit.

Assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Inventories

Inventories are measured at cost according to the FIFO method, or net realizable value if lower. Inventories consist of bunkers and lubricants etc. The cost of bunkers and lubricants includes the purchase price and delivery costs.

Receivables

Receivables comprise trade receivables (including accrued income) and other receivables. Receivables are classified as receivables that are financial assets, with fixed or determinable payments, which are not quoted in an active market and which are not derivative financial instruments. Receivables are initially measured at fair value and subsequently at amortized cost, which usually equals the nominal value less provisions for bad debts.

In measuring the expected credit losses on trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Dividends

Dividend are recognised as a liability at the time of approval by the General Meeting. Dividends proposed by Management in respect of the year are stated under equity.

Provisions

Provisions are recognised when the Company has a legal or constructive obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured as the best estimate of the expenditure required to settle the obligation at the balance sheet date. Provisions with an expected maturity of more than one year from the balance sheet date are measured at present value.

Non-current and current financial liabilities (interest bearing debt)

Finance loans are initially measured at fair value less any transaction costs. Finance loans are subsequently measured at amortized cost. This means that the difference between the amount on initial recognition and the redemption value is recognised in the income statement as a financial expense over the term of the loan using the effective interest method.

Trade payables and other liabilities

Trade payables and other liabilities are initially measured at fair value less any transaction costs. Liabilities are subsequently measured at amortized cost using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognised in the in-come statement as a financial expense over the term of the liability.

Cash flow statement

The cash flow statements are presented using the indirect method and show cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities are stated as the operating profit or loss, adjusted for non-cash operating items and changes in working capital, less corporation tax paid attributable to operating activities.

Cash flows from investing activities include payments in connection with the acquisition and divestment of enterprises and financial assets and the acquisition, development, improvement and sale, etc. of intangibles and property, plant and equipment.

Cash flows from acquisition and divestment of enterprises are shown separately under cash flows from investing activities. Cash flows from acquired enterprises are recognised in the cash flow statement from the time of their acquisition, and cash flows from divested enterprises are recognised up to the time of sale. Cash flows from financing activities comprise changes in the parent company's share capital and related costs as well as raising and repayment of loans, instalments on interest bearing debt, acquisition of treasury shares and payment of dividend. Cash flows in other currencies than the functional currency are recognised in the cash flow statement using average exchange rates for the respective months, unless these deviate materially from the actual exchange rates ruling at the dates of the transactions. If so, the actual exchange rates are used.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Statement by the Board of Directors and Executive Management

The Board of Directors and the Executive Management have today considered and approved the financial statement of Christiania Shipping A/S for the financial year 1 January to 31 December 2019.

The financial statement is prepared in accordance with International Financial Reporting Standards as approved by the EU and additional requirements stated in the Danish Financial Statements Act. The financial statements of the company is prepared in accordance with International Financial Reporting Standards as approved by the EU and additional requirements stated in the Danish Financial Statements Act.

In our opinion, the financial statements and the financial give a true and fair view of the financial position at the 31 December 2019 as well as the Company's operations and cash flow for the financial year 2019.

In our opinion the Managements commentary provides a fair review of the development in the operations and financial circumstances of the Company, of the results for the year and of the financial position of the Company as well as a description of the most significant risks and elements of uncertainty which the Company facing.

We recommend that the annual report be adopted at the annual general meeting.

Copenhagen, 28 May 2020

Executive Management

Axel Camillo Eitzen
Chief Executive Officer

Board of Directors

Erik Bartnes	Erik Nicolai Heidenreich	Axel Camillo Eitzen
Chairman	*Board member*	*Board member*

Independent Auditor's Report

To the Shareholder of Christiania Shipping A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2019, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the Financial Statements of Christiania Shipping A/S for the financial year 1 January - 31 December 2019, which comprise income statement and statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, 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.

Statement on the Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, 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 Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company 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 and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the 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 conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance 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.

Copenhagen, 28 May 2020
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Søren Ørjan Jensen
State Authorised Public Accountant
mne33226

Definitions and glossary

Definitions and Glossary

Key figures and key ratios are defined and calculated in accordance with the Danish Association of Financial Analyst's "Recommendations and Financial Ratios".

Key ratios	Calculation formula	Comments
TCE-margin (%)	TCE earnings / Revenue	The key figure reflects the percentage of revenue, minus voyage related costs that cover capacity costs, net financing costs, taxes and profit.
EBITDA-margin (%)	EBITDA / Revenue	The key figure reflects the entity's operational profitability.
EBIT-margin (%)	EBIT / Revenue	The key figure reflects the entity's true business costs.
Return on Invested Capital (%)	EBITA / Avg. invested capital	The key figure reflects the entity's ability to generate return on invested capital through operations.
Return on Equity (%)	Result of the year / Avg. equity	The key figure reflects an entity's ability to generate returns to shareholder when taking into account the entity's capital base.
Equity ratio	Net interest-bearing debt / Equity	The key figure reflects the financial gearing of the entity, expressed as the sensitivity to fluctuations in interest rates, etc. A high financial gearing translates into a high financial risk.

Company information

Christiania Shipping A/S
Amerika Plads 38
2100 København Ø
Registration no. 40 53 35 16
www.christiania-shipping.com

Board of Directors and Management

BOARD OF DIRECTORS – Christiania Shipping A/S

- Erik Bartnes
  Board member since January 2018, Chairman since January 2018
- Erik Nicolai Heidenreich
  Board member since January 2018
- Axel Camillo Eitzen
  Board member since January 2018

KEY MANAGEMENT PERSONNEL

- Axel Camillo Eitzen – Chief Executive Officer
  Employed January 2018
- Lasse Carøe Henningsen – Chief Financial Officer
  Employed April 2018
- Torben Larsen – Chief Operational Officer
  Employed January 2018