TORM

ANNUAL REPORT 2013

CONTENTS

INTRODUCTION

125 YEARS OF SHIPPING WITH PRIDE

TORM's first vessel was ordered in 1889, and on 14 January 2014 TORM celebrated its 125th anniversary. Since the start, TORM has been shipping with pride throughout changing times and the inherent cyclical nature of the industry. TORM has achieved remarkable results which have made the Company what it is today – one of the world's leading product tanker companies with a strong operational platform.

2013 PERFORMANCE

In 2013, TORM realized a positive operational result (EBITDA) of USD 96m, which is an improvement of USD 291m compared to 2012. The unsatisfactory loss before tax of USD 166m was in line with the revised forecast of 29 November 2013 and an improvement of USD 413m compared to 2012. The result before tax includes impairment charges of USD 60m related to vessel sales.

The product tanker freight rates strengthened across all segments compared to 2012. The main drivers were stronger global economic growth and longer transport distances as a result of changing trade patterns for refined oil products. In addition, the global net product tanker fleet grew by approximately 2%, which is significantly below the 10-year historical average. During 2013, TORM focused on strengthening the fully integrated operational platform to ensure flexible commercial trading and subsequent higher contribution margin. TORM was well-positioned to take advantage of the more robust market and leveraged the Company's strong operational platform to outperform the commercial benchmarks. The positive effects from TORM's operational platform were also reflected in the 2013 customer satisfaction survey, which showed a high overall satisfaction score – well above pre-financial crisis levels.

The dry bulk market continued to operate with historically low freight rates in the first half of 2013. However, in the second half of 2013, the main bulk segments improved mainly driven by increasing Chinese steel production and restocking of iron ore inventories as well as grain exports from the US Gulf and the Black Sea. TORM wants to focus all available resources on its scale and operational platform in the product tanker segment. Consequently, TORM decided during 2013 to limit its bulk activities to operating the existing core fleet of approximately ten vessels. Going forward, TORM will seek to employ its core fleet on time charter contracts.

During 2013, TORM entered into agreements to sell a total of nine MR product tankers to entities controlled by Oaktree Capital Management (Oaktree) as a result of specific option rights granted in connection with the Restructuring Agreement from 2012. According to the sale agreements, Oaktree will place the vessels under TORM's commercial management in a revenue sharing scheme and utilize TORM's integrated operating platform for technical management of the vessels. TORM will retain an upside potential through a profit split mechanism if Oaktree generates a return above a specified threshold. Oaktree has since then placed an additional three product tankers under TORM's commercial management.

Since the beginning of 2013, the Company has pursued a strategic framework named One TORM, which sets the direction for TORM as a leading global spot-orientated player in the product tanker segment. TORM has launched a number of measures to support the strong integrated commercial and technical platform. The aim is to deliver the highest contribution margin (i.e. time charter equivalent) by balancing earnings, costs and quality, thereby ensuring optimal value creation for all stakeholders.

With One TORM in place, TORM's organization has continued to drive performance improvements, i.e. forging closer customer relations, reaping continuous quality improvements, maintaining the highest safety, environment and CSR standards, while delivering cost-efficient operations. In 2013, TORM's cost program has delivered savings of USD 35m mainly related to fuel, administration and CAPEX, whilst the most recent benchmarking results published in 2013 showed that OPEX/day was below peer average.

2014 GOING FORWARD

With the Restructuring Agreement in 2012, TORM created financial stability and gained time to await improved market conditions and freight rates. It has given the organization the ability to focus 100% on operations and the collaboration with customers and other important stakeholders, which has resulted in improved operational results in 2013. This performance level bodes well for the future of the 125-year-old Company.

TORM's CEO, Jacob Meldgaard (to the left) and Chairman, Flemming Ipsen (to the right).

As a result of the market improvements and TORM's strong operational results, the Board of Directors has initiated a process addressing the Company's long-term capital structure. In this connection, TORM has engaged a financial advisor to assist the Company. This work is at a stage where TORM is carrying out a structured process involving a number of external stakeholders to further explore the possibilities for a strategic transaction during 2014.

In 2014, TORM will continue to focus on delivering on the One TORM strategic direction, which combined with a new capital structure will serve as the long-term foundation for TORM.

TORM would like to thank all stakeholders for their continued support.

Jacob Meldgaard, CEO

Flemming Ipsen, Chairman of the Board

FIVE-YEAR KEY FIGURES

	2013	2012	2011	2010	2009
INCOME STATEMENT (USDm)					
Revenue	992	1,121	1,305	856	862
Time charter equivalent earnings (TCE)	443	466	644	561	633
Gross profit	150	-93	81	180	243
EBITDA	96	-195	-44	97	203
Operating profit/(loss) (EBIT)	-91	-449	-389	-80	50
Financial items	-76	-131	-63	-57	-69
Profit/(loss) before tax	-166	-579	-451	-136	-19
Net profit/(loss) for the year	-162	-581	-453	-135	-17
Net profit/(loss) for the year excl. impairment charges and restructuring costs	-102	-255	-253	-100	3
BALANCE SHEET (USDm)					
Non-current assets	1,712	1,971	2,410	2,984	2,944
Total assets	2,008	2,355	2,779	3,286	3,227
Equity	118	267	644	1,115	1,247
Total liabilities	1,890	2,088	2,135	2,171	1,981
Invested capital	1,823	2,128	2,425	2,987	2,926
Net interest bearing debt	1,718	1,868	1,787	1,875	1,683
Cash and cash equivalents	29	28	86	120	122
CASH FLOW (USDm)					
From operating activities	68	-100	-75	-1	116
From investing activities,	93	0	168	-187	-199
thereof investment in tangible fixed assets	-41	-59	-118	-254	-289
From financing activities	-161	42	-128	186	37
Total net cash flow	1	-57	-34	-2	-46
KEY FINANCIAL FIGURES*)					
Gross margins:					
TCE	44.7%	41.5%	49.4%	65.5%	73.4%
Gross profit	15.2%	-8.3%	6.2%	21.0%	28.2%
EBITDA	9.7%	-17.3%	-3.4%	11.3%	23.5%
Operating profit	-9.1%	-40.0%	-29.8%	-9.3%	5.8%
Return on Equity (RoE)	-84.3%	-127.4%	-51.5%	-11.4%	-1.3%
Return on Invested Capital (RoIC) **)	-4.6%	-19.7%	-14.4%	-2.7%	1.7%
Equity ratio	5.9%	11.4%	23.2%	33.9%	38.6%
Exchange rate DKK/USD, end of period	5.41	5.66	5.75	5.61	5.19
Exchange rate DKK/USD, average	5.62	5.79	5.36	5.62	5.36
SHARE-RELATED KEY FIGURES*)					
Earnings/(loss) per share, EPS (USD)	-0.2	-3.3	-6.5	-2.0	-0.3
Diluted earnings/(loss) per share, EPS (USD)	-0.2	-3.3	-6.5	-2.0	-0.3
Cash flow per share, CFPS (USD)	0.1	-0.6	-1.1	0.0	1.7
Share price in DKK, end of period (per share of DKK 0.01 each) ***)	1.4	1.7	3.7	39.7	50.7
Number of shares, end of period (million)	728.0	728.0	72.8	72.8	72.8
Number of shares (excl. treasury shares), average (million)	721.3	178.2	69.5	69.3	69.2

*) Key figures are calculated in accordance with recommendations from the Danish Society of Financial Analysts.

**) Return on Invested Capital is defined as: Operating profit divided by average Invested capital, defined as average of beginning and ending balances of (equity plus Net interest bearing debt less Non-operating assets).

***) 2009-2011: DKK 5.00 each.

2013 HIGHLIGHTS

In 2013, TORM reached a positive EBITDA of USD 96 million, which was an improvement of USD 291 million compared to 2012. This was a result of stronger market fundamentals in the product tanker segment combined with TORM's enhanced operational platform and customer relations,

says CEO Jacob Meldgaard

- In 2013, the Company realized a positive EBITDA of USD 96m (2012: USD -195m) and a loss before tax of USD 166m (USD -579m). The performance is in line with the revised forecasts of 29 November 2013. The result before tax was negatively affected by special items of USD 60m (USD -326m).

- In 2013, the product tanker freight rates strengthened across all segments compared to 2012. The main drivers were stronger global economic growth and a higher ton-mile effect as a result of changing trade patterns for refined oil products. The net growth of the global product tanker fleet was below the levels seen in recent years. In 2013, TORM's largest segment, MRs, achieved spot rates of USD/day 15,914 (USD/day 12,178) or up by 31% year-on-year. The EBITDA for the Tanker Division was USD 126m (USD -20m excl. restructuring effects), which was an improvement of USD 146m year-on-year.

- In the first part of 2013, the dry bulk freight rates continued at historically low levels. However, during fall, the Capesize market improved significantly mainly driven by increasing Chinese steel production and restocking of iron ore inventories. The Panamax market followed suit driven by an export hike from the US Gulf and the Black Sea. TORM's largest segment, Panamax, achieved TCE earnings of USD/day 8,019 (USD/day 10,248) or down by 22% year-on-year. The EBITDA for the Bulk Division was USD -30m (USD -25m excl. restructuring effects). During 2013, TORM has limited its bulk activities to operating the existing core fleet of approximately ten vessels. Going forward, TORM will seek to employ its core fleet on time charter contracts.

- During 2013, TORM entered into agreements to sell a total of nine MR product tankers as a result of specific option rights granted in connection with the Restructuring Agreement (cf. announcement no. 31 dated 2 October 2012). According to the sale agreements, the acquiring entities controlled by Oaktree Capital Management (Oaktree) will place the vessels under TORM's commercial management in a revenue sharing scheme and utilize TORM's integrated operating platform for technical management of the vessels. TORM will retain an upside potential through a profit split mechanism if Oaktree generates a return above a specified threshold. Oaktree has since then placed an additional three vessels under TORM's commercial management. The results for 2013 were negatively impacted by USD 60m from impairments related to the sale agreements.

- As of 31 December 2013, TORM's available liquidity was USD 107m consisting of USD 29m in cash and USD 78m in undrawn credit facilities. There are no newbuildings on order or CAPEX commitments related hereto.

- As of 31 December 2013, the book value of the fleet was USD 1,693m. Based on broker valuations, TORM's fleet had a market value of USD 1,137m as of 31 December 2013 (excluding four product tankers held-for-sale). In accordance with IFRS, TORM estimates the product tanker fleet's total long-term earning potential each quarter based on discounted future cash flow. The estimated value of the fleet as of 31 December 2013 supports the carrying amount.

- As of 31 December 2013, net interest-bearing debt amounted to USD 1,718m.

- As of 31 December 2013, equity amounted to USD 118m or DKK 637m, corresponding to USD 0.16 per share (DKK 0.87) excluding treasury shares, resulting in an equity ratio of 6%.

- As of 31 December 2013, 8% of the total earning days in the Tanker Division for 2014 were covered at a rate of USD/day 14,908 and 56% of the total earning days in the Bulk Division at USD/day 11,350.

- For the full year 2014, TORM forecasts a positive EBITDA of USD 90-130m and a loss before tax of USD 70-110m. The forecasts are based on the current capital structure and are before any potential further vessel sales or impairment charges. TORM expects to remain in compliance with the financial covenants for 2014. In addition, TORM expects to be operational cash flow positive after all interest payments. As 21,238 earning days are uncovered at year-end 2013, a change in freight rates of USD/day 1,000 would impact the financial forecasts by USD 21m.

- The Board of Directors proposes that no dividend be distributed for 2013.

OUTLOOK 2014

- For 2014, TORM forecasts a positive EBITDA of USD 90-130m and a loss before tax of USD 70-110m before potential vessel sales and impairment charges
- Given the number of open earning days, the forecasts will be impacted by USD 21m in case of a freight rate change of USD/day 1,000

EARNINGS AND COVERAGE FOR 2014

For the full year 2014, TORM forecasts a positive EBITDA of USD 90-130m and a loss before tax of USD 70-110m. The forecasts are based on the current capital structure and are before potential vessel sales and impairment charges. TORM expects to remain in compliance with the financial covenants for 2014. In addition, TORM expects to be operational cash flow positive after all interest payments. The uncertainties and sensitivities about freight rates and asset prices may have an effect on the Company's compliance with the financial covenants. As 21,238 earning days are uncovered at year-end 2013, a change in freight rates of USD/day 1,000 would impact the financial forecasts by USD 21m.

As of 31 December 2013, the Tanker Division had covered 8% of the total earning days in 2014 at an average rate of USD/day 14,908 against 8% at an average rate of USD/day 15,126 at the same time in 2012.

As of 31 December 2013, the Bulk Division had covered 56% of the total earning days in 2014 at an average rate of USD/day 11,350 against 66% at an average rate of USD/day 13,155 at the same time in 2012.

The table on this page shows the effect of variations in the expected freight rates for product tankers and bulk carriers on the EBITDA result and the result before tax for 2014.

As of 31 December 2013, the interest-bearing bank debt totaled USD 1,750m. 99% of the interest is fixed for three months and 1% for one month. This corresponds to 25% of TORM's 2014 interest expenses being fixed at an average fixed interest rate of 2.66% including the margin. A change in interest rates of 25 basis points would impact the result before tax by USD 3.1m.

The most important factors affecting TORM's earnings in 2014 are:

- Global economic growth
- Consumption of refined oil products
- Oil trading activity and developments in ton-miles
- Commodities transport, in particular iron ore and coal
- Fleet growth from addition of vessels, scrapping of vessels and delays to deliveries from the order book
- One-off market shaping events such as strikes, embargoes, political instability, weather conditions, etc.
- Potential difficulties of major business partners
- TORM's profile as a counterpart

OUTLOOK FOR THE TANKER SEGMENT

The product tanker market is expected to see a gradually improving supply and demand balance. Going forward, TORM expects increasing oil consumption and increased ton-miles effects from relocation of refinery capacity to increase demand. The supply side is still affected by the tonnage influx in 2008-2012, whereas 2013 had a more modest net fleet growth. The current order book for product tankers remains manageable despite the recent ordering surge, as scrapping of existing tonnage and possible postponement of newbuildings will reduce net supply growth. Going forward, the freight rates are expected to be gradually improving although volatility is still anticipated.

TORM does not publish its freight rate forecast, but instead provides market expectations as of 24 February 2014 on page 10.

OUTLOOK FOR THE BULK SEGMENT

TORM maintains a cautious view on the dry bulk markets for the coming period. Consequently, the Company has minimized market risk by maintaining a relatively high coverage of 56% for 2014 primarily from existing cargo contracts and period activity.

2014 PROFIT SENSITIVITY TO CHANGES IN FREIGHT RATES

	Change in freight rates (USD/day)			
USDm	-2,000	-1,000	1,000	2,000
LR2	-6	-3	3	6
LR1	-4	-2	2	4
MR	-22	-11	11	22
Handysize	-8	-4	4	5
Tanker Division	**-40**	**-20**	**20**	**40**
Panamax	-2	-1	1	2
Handymax	-1	-0	0	1
Bulk Division	**-3**	**-1**	**1**	**3**
Total	**-42**	**-21**	**21**	**42**

COVERED AND CHARTERED-IN DAYS IN TORM – DATA AS OF 31 DECEMBER 2013

	2014	2015	2016	2014	2015	2016
	Owned days					
LR2	2,895	2,880	2,902			
LR1	2,470	2,495	2,546			
MR	10,872	10,765	10,790			
Handysize	3,904	3,883	3,960			
Tanker Division	20,141	20,022	20,198			
Panamax	697	726	728			
Handymax	-	-	-			
Bulk Division	697	726	728			
Total	**20,838**	**20,748**	**20,926**			
	T/C-in days at fixed rate			T/C-in costs, USD/day		
LR2	-	-	-	-	-	-
LR1	-	-	-	-	-	-
MR	713	726	104	15,129	15,895	16,000
Handysize	-	-	-	-	-	-
Tanker Division	713	726	104	15,129	15,895	16,000
Panamax	1,836	1,676	760	12,432	12,225	11,000
Handymax	91	-	-	11,127	-	-
Bulk Division	1,927	1,676	760	12,371	12,225	11,000
Total	**2,640**	**2,402**	**864**	**13,116**	**13,335**	**11,600**
	T/C-in days at floating rate					
LR2	726	726	684			
LR1	-	-	-			
MR	-	-	-			
Handysize	-	-	-			
Tanker Division	726	726	684			
Panamax	-	-	-			
Handymax	363	363	13			
Bulk Division	363	363	13			
Total	**1,089**	**1,089**	**697**			
	Total physical days			Total covered days		
LR2	3,621	3,606	3,586	481	6	-
LR1	2,470	2,495	2,546	224	-	-
MR	11,585	11,491	10,894	832	-	-
Handysize	3,904	3,883	3,960	130	-	-
Tanker Division	21,580	21,474	20,985	1,666	6	-
Panamax	2,533	2,402	1,488	1,574	23	-
Handymax	454	363	13	89	-	-
Bulk Division	2,987	2,765	1,501	1,663	23	-
Total	**24,567**	**24,239**	**22,486**	**3,329**	**29**	**-**
	Covered, %			Coverage rates, USD/day		
LR2	13%	0%	0%	13,719	14,549	-
LR1	9%	0%	0%	15,438	-	-
MR	7%	0%	0%	14,942	-	-
Handysize	3%	0%	0%	18,185	-	-
Tanker Division	8%	0%	0%	14,908	14,549	-
Panamax	62%	1%	0%	11,051	12,350	-
Handymax	20%	0%	0%	16,637	-	-
Bulk Division	56%	1%	0%	11,350	12,350	-
Total	**14%**	**0%**	**0%**	**13,131**	**12,785**	**-**

Fair value of freight rate contracts that are mark-to-market in the income statement (USD m): Contracts not included above 0.0, Contracts included above 1.3.

Notes: Actual no. of days can vary from projected no. of days primarily due to vessel sales and delays of vessel deliveries. T/C-in days at fixed rate do not include effects from profit split arrangements. T/C-in days at floating rate determine rates at the entry of each quarter, and then TORM will recieve approx. 10% profit/loss compared to this rate.

TCE RATES IN THE FORWARD CONTRACT MARKET FOR THE PRODUCT TANKER AND THE BULK SEGMENTS AS OF 24 FEBRUARY 2014

	2013	2014		
USD/day	realized	Q2	Q3	Q4
Product tankers				
LR2	13,350	-	-	-
LR1	14,958	10,400	12,000	12,400
MR	15,682	16,700	14,700	18,800
Handysize	12,773	-	-	-
Dry bulk vessels				
Panamax	8,019	13,500	12,850	14,800
Handymax	9,880	13,200	13,200	14,500

There is no active forward derivatives market for LR2 and Handysize vessels. Source: GFI, SSY Closing Report.

Earnings represent a roundtrip voyage, i.e. including a ballast back to the load port. Actual income will increase significantly when optimizing trading of vessels. Typically TORM has outperformed the forward contract market for product tankers.

SAFE HARBOR STATEMENT

Matters discussed in this release may constitute forward-looking statements. Forward-looking statements reflect our current views with respect to future events and financial performance and may include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and statements other than statements of historical facts.

The forward-looking statements in this release are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in our records and other data available from third parties.

Although TORM believes that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control, TORM cannot guarantee that it will achieve or accomplish these expectations, beliefs or projections.

Important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the conclusion of definitive waiver documents with our lenders, the strength of the world economy and currencies, changes in charter hire rates and vessel values, changes in demand for "ton-miles" of oil carried by oil tankers, the effect of changes in OPEC's petroleum production levels and worldwide oil consumption and storage, changes in demand that may affect attitudes of time charterers to scheduled and unscheduled dry-docking, changes in TORM's operating expenses, including bunker prices, dry-docking and insurance costs, changes in the regulation of shipping operations, including requirements for double hull tankers or actions taken by regulatory authorities, potential liability from pending or future litigation, domestic and international political conditions, potential disruption of shipping routes due to accidents and political events or acts by terrorists.

Forward-looking statements are based on management's current evaluation, and TORM is only under an obligation to update and change the listed expectations to the extent required by law.

STRATEGIC DIRECTION: ONE TORM

- Spot-oriented product tanker fleet
- World-class operational platform with integrated commercial and technical management
- Bulk activities reduced to core fleet of approximately ten vessels
- Long-term capital structure being addressed

CAPITAL STRUCTURE

The Company will in the short to medium term operate under constraints which are a consequence of the current capital structure. TORM has initiated a process to address the Company's long-term capital structure and engaged a financial advisor to assist. This work is at a stage where TORM is carrying out a structured process involving a number of external stakeholders to further explore the possibilities for a strategic transaction during 2014. As per the time of publication of the annual report, this process was progressing according to plan.

ONE TORM

Since the beginning of 2013, TORM has pursued a strategic framework focusing on four common goals named One TORM:

- *Putting customers first:* For example achieving full customer reach and flexibility in order to outperform available earnings benchmarks
- *Ensuring quality in everything:* For example improving technical and commercial tradability and delivering optimized processes across the entire value chain
- *Acting responsibly:* For example maintaining the highest safety, environment and CSR standards
- *Operating in a cost-efficient manner:* For example delivering on TORM's cost program with USD 100m in accumulated savings between 2012 and 2014

The overall objective is to operationally position TORM as an industry-leading Company, and the framework serves as a scoreboard to measure progress on a number of key performance indicators (KPIs).

These KPIs are cascaded in the organization and have enabled the employees to deliver noticeable improvements on for instance:

- Product tanker spot rates significantly above available benchmarks
- Record-high oil major approval rate (also called tradability) with OPEX/day below peer average
- Unprecedented high customer satisfaction
- Highest safety standards, for example no work-related incidents among TORM employees in this millennium
- Savings from cost program of USD 37m in 2013 including fuel savings initiatives delivering USD 19m corresponding to a 5% reduction compared to 2012.
- Lowest administrative expenses since 2006

PRODUCT TANKER SEGMENT

TORM's business model in this segment centers on its continued presence in the spot market. This will allow the Company to take advantage of the anticipated volatility and the stronger market fundamentals observed in 2013. In the short term, TORM will not seek to increase the current cover level, as the Company is of the opinion that there is an upside potential in the market. However, TORM will seek to take coverage if market conditions provide sufficiently attractive rate levels.

As of 31 December 2013, TORM owned 60 product tankers of which four are classified as assets held-for-sale. In addition, TORM had chartered-in 14 vessels and 26 product tankers were either in pool or under commercial management with TORM.

BULK SEGMENT

During summer 2013, TORM decided to scale down the Company's bulk activities. TORM wants to focus all available resources on its scale and operational platform in the product tanker segment. Consequently, TORM has limited its bulk activities to operating the existing core fleet of approximately ten vessels. Going forward, TORM will seek to employ its core fleet on time charter contracts while naturally honoring the existing customer commitments.

As a consequence, TORM has redelivered approximately 25 vessels on short-term charter contracts during the second half of 2013. As of 31 December 2013, TORM's active bulk fleet consisted of two owned vessels and nine long-term time charter vessels.

TORM maintains a cautious view on the dry bulk markets for the coming period. Therefore, the Company will minimize market risk by maintaining a high coverage for 2014, primarily from period activity.

TANKER SEGMENT

- Commercial benchmarks outperformed again due to the One TORM platform
- 2013 EBITDA improved by USD 146m year-on-year
- Customer satisfaction survey showed high overall satisfaction

2013 showed a gradual improvement in the product tanker freight rates compared to last year. Traditional backhaul routes in the West turned out to be the strongest and tonnage supply increased. An estimated 30 LR2s (or 13% of the total global fleet) and 10 LR1s cleaned up from dirty trades and swapped back to the clean product market having a negative impact on the LR freight rates. Asset prices for product tankers increased during 2013.

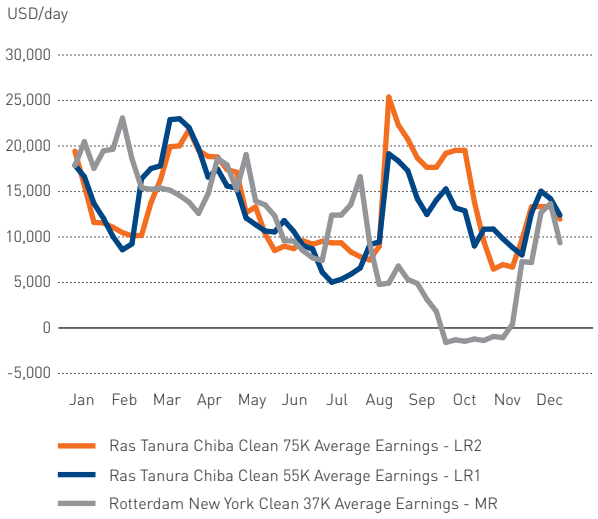
The first quarter of 2013 started on a positive note for the MR vessels in the West with the highest freight rates in four years. This was mainly due to an open gasoline arbitrage from Europe to the USA and a tight tonnage supply. In the East, the MR freight rates were also at high levels mainly due to the unusually cold weather in North Asia and increased Australian import demand. The high freight rates for the larger segments (LRs) were mainly due to the open naphtha arbitrage from Europe to the Far East.

In the beginning of the second quarter of 2013, freight rates continued on a positive note in the West. The MRs benefitted from a higher ton-mile effect as a result of increasing US exports to South America and West Africa. In the East, the MRs were supported by intra-Asia flows as well as Saudi Arabian imports. The positive LR activity slowed down during the second quarter mainly due to vessels continuing to swap back into the clean product market from crude trades.

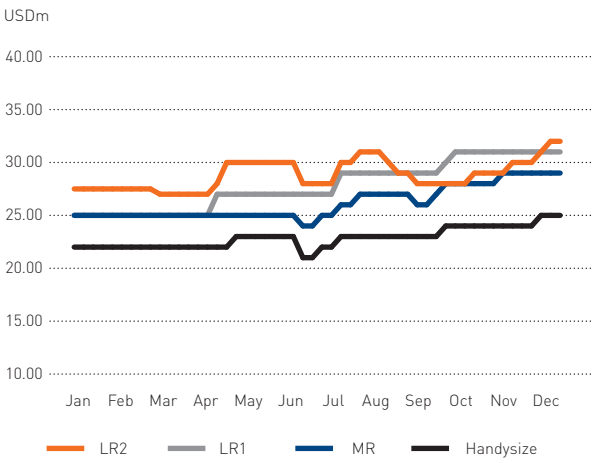
In the third quarter of 2013, the product tanker freight rates were at seasonally low levels. In the West, the MR activity was stronger than expected, mainly due to increased gasoline exports from the USA to West Africa increasing the ton-mile compared to the traditional import trade from Europe. The Handysize vessels trading in Europe were adversely affected by the low European demand and refinery throughput. In the East, the LR2 market continued to be negatively impacted by the clean-up of vessels, but experienced an improvement in freight rates due to increased activity in the Middle East and North Asia as well as arbitrage opportunities to Europe.

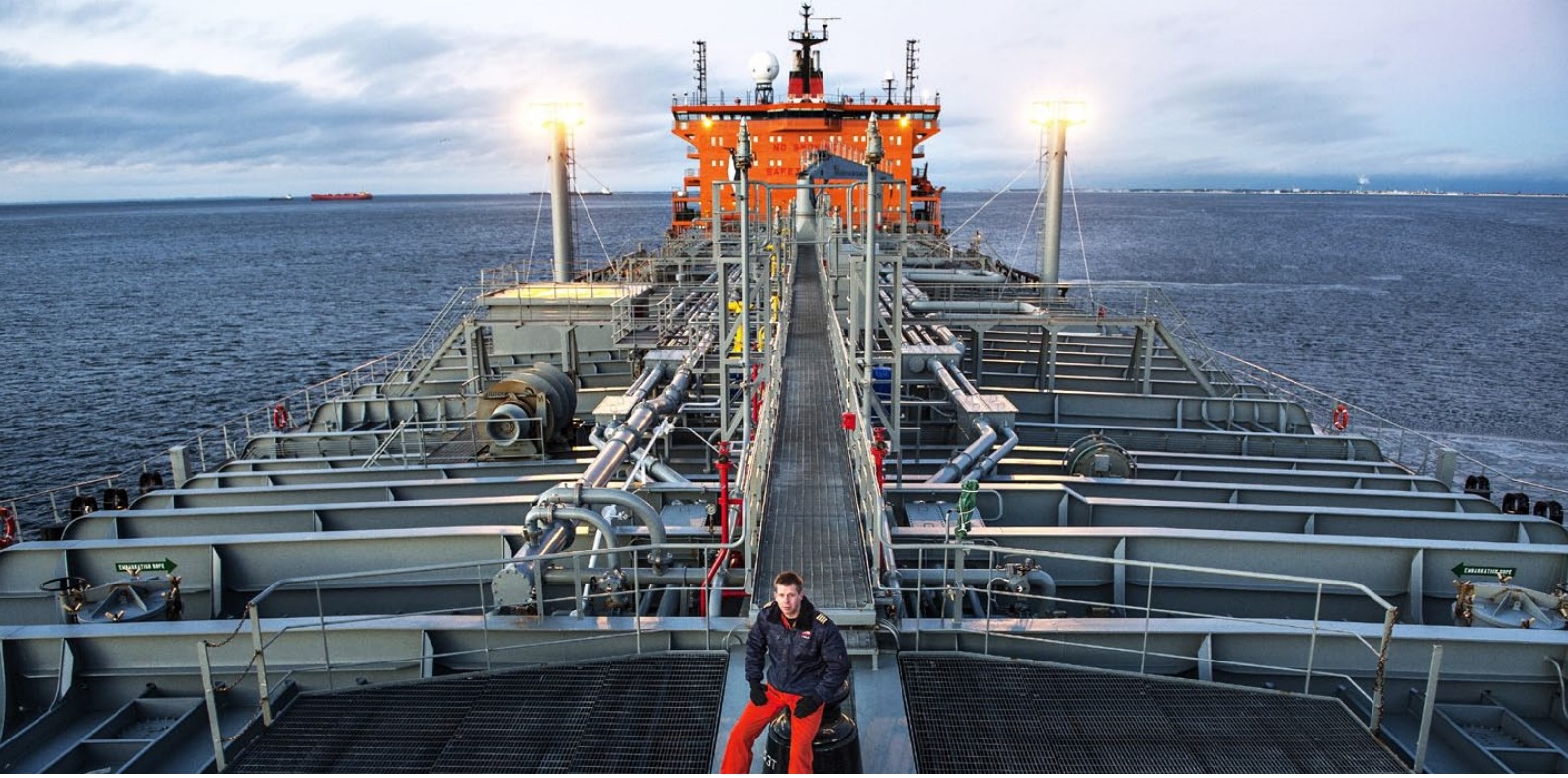
In the fourth quarter of 2013, refinery maintenance and low throughput in Europe and refinery maintenance in the USA initially sustained the low levels of freight rates from the third quarter. Later, freight rates for all segments improved due to refinery maintenance ending, gasoline arbitrages between Europe and the USA, arbitrage trades of naphtha between Europe and the Far East and middle distillates from the Middle East to Europe. Handysize vessels trading dirty in the Far East were supported by increasing fuel demand. For the first time, the freight rates on trades from the US Gulf to Europe were higher than the rates on trades from Europe to the USA. Following the Qingdao pipeline explosion in China in November 2013, China reduced export licenses and the freight rates decreased.

TANKER FREIGHT RATES 2013
Source: Clarksons



ASSET PRICES ON FIVE-YEAR-OLD SECOND-HAND PRODUCT TANKERS IN 2013
Source: Clarksons





Rasmus J. Skaun Hoffmann, Chief Engineer, on board TORM Lotte at Skagens Rev. On average, an MR tanker crosses the Atlantic Ocean 26 times during a year – corresponding to four times around the world.

The Tanker Division was well-positioned to take advantage of the positive market sentiments during the year, and TORM once again outperformed the commercial spot benchmarks by 52% for MR and 10% for LR1, whereas TORM's LR2 spot rates were 4% below spot benchmarks (source: Clarksons benchmarks on TC1, TC2, TC5). This is due to TORM's strong customer relations and scale. The Tanker Division's 2013 EBITDA was USD 126m (2012: USD -20m).

During 2013, TORM focused on strengthening the operational platform, One TORM, ensuring improved commercial trading. The improvements arose from sophistication of operational processes, improved commercial flexibility, tradability and officer matrix compliance, and improved customer service in the Tanker Division.

During 2013, TORM has seen positive effects from last year's reorganization of the Tanker Division to focus on the geographical location of the customers and covering all vessel segments. In the third quarter of 2013, TORM performed a customer satisfaction survey that showed an increase of 6% points and an overall high customer satisfaction.

During 2013, TORM entered into agreements to sell a total of nine MR product tankers to entities owned by Oaktree. According to the agreement, four of the vessels will be delivered to Oaktree in 2014. In total, Oaktree will place 12 vessels in TORM's revenue sharing scheme.

At year-end 2013, TORM owned 60 product tankers (incl. four vessels held-for-sale) and had chartered-in 14 vessels. Furthermore, TORM had 26 vessels under commercial management. There were no newbuildings on order.

TANKER DIVISION

	2012*)	2013				2013
USDm	Total	Q1	Q2	Q3	Q4	Total
INCOME STATEMENT						
Revenue	917.1	218.8	201.4	180.6	174.0	774.8
Port expenses, bunkers and commissions	-538.1	-110.5	-107.7	-100.0	-92.6	-410.8
Freight and bunker derivatives	-0.6	0.1	-0.1	0.1	0.0	0.1
Time charter equivalent earnings	**378.4**	**108.4**	**93.6**	**80.7**	**81.4**	**364.1**
Charter hire	-153.8	-8.1	-4.7	-4.4	-4.9	-22.1
Operating expenses	-165.5	-42.3	-43.4	-42.8	-41.4	-169.9
Gross profit/(loss) (Net earnings from shipping activities)	**59.1**	**58.0**	**45.5**	**33.5**	**35.1**	**172.1**
Net profit from sale of vessels	-16.0	-	-	-	-	-
Administrative expenses	-58.9	-12.1	-12.0	-12.0	-12.1	-48.2
Other operating income	0.6	0.3	-	0.5	0.6	1.4
Share of results of jointly controlled entities	-5.0	0.2	0.2	-	0.1	0.5
EBITDA	**-20.2**	**46.4**	**33.7**	**22.0**	**23.6**	**125.8**
Depreciation incl. impairment losses	-209.6	-31.1	-35.8	-31.2	-85.5	-183.6
Operating profit/(loss) (EBIT)	**-229.8**	**15.3**	**-2.1**	**-9.2**	**-61.9**	**-57.9**

*) Excl. restructuring effects. Please refer to "Financial Review" on page 42 for further details on restructuring effects in 2012.

TANKER SEGMENT – SUPPLY AND DEMAND

- Steady improvement in the supply and demand balance
- Current order book for product tankers remains manageable despite recent ordering surge
- Higher ton-mile demand driven by increased oil consumption and relocation of refineries

SUPPLY

At the end of 2013, the global product tanker fleet totaled 2,552 vessels, including 251 LR2 vessels, 324 LR1 vessels, 1,321 MR vessels and 656 Handysize vessels. Compared to 2012, the total product tanker fleet has grown by 59 vessels, corresponding to a net growth rate of 2.4% (2.8% in terms of capacity). The growth is ranging from -1.6% for Handysize vessels to 4.6% for MR vessels.

Future vessel supply will be a function of i) the existing product tanker order book ii) order cancellations and postponement of deliveries (slippage) iii) scrapping of older product tankers as well as iv) new contracting.

CURRENT NEWBUILDING ORDER BOOK

At the end of 2013, the existing order book of product tankers for delivery in 2014-2016 totaled 449 vessels, including 74 LR2 vessels, 7 LR1 vessels, 287 MR vessels and 81 Handysize vessels. This corresponds to a gross increase in the period of between 2% and 30%, with LR1 posting the lowest order book fleet ratio and the LR2 the highest ratio.

New contracting in 2013 gained momentum and increased in terms of dwt by 290% year-on-year. This has been driven by newbuilding prices being at a 10-year low and the generally positive expectations for the freight market for the coming years. During 2013, almost 53% of the orders placed were in the MR segment (2012: 71%). The LR2 vessels gained focus accounting for more than 35% of the orders in 2013 (15%).

CANCELLATIONS AND POSTPONEMENTS

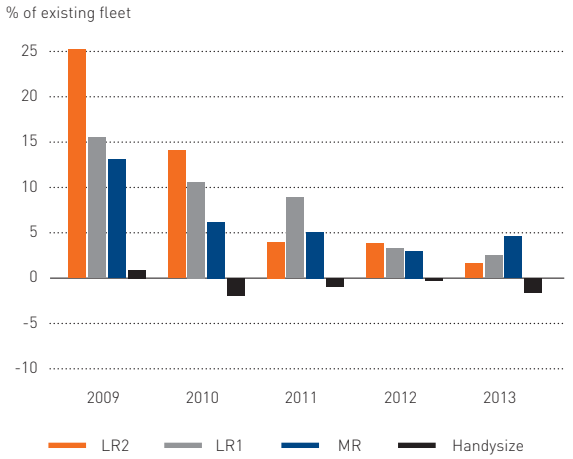
Since the global financial downturn began in 2008, shipyards and shipping companies have regularly cancelled newbuilding orders and generally renegotiated newbuilding contracts. Although there have been fewer order cancellations compared to earlier years, it has reduced the product tanker order book for 2014-2016 by approximately 4%.

In both 2011 and 2012, approximately 30% of the scheduled deliveries did not materialize due to cancellations and delivery slippage. In 2013, approximately 11% of scheduled deliveries were postponed or cancelled. The slippage in 2014 is not likely to reach the same level as in 2011-2012.

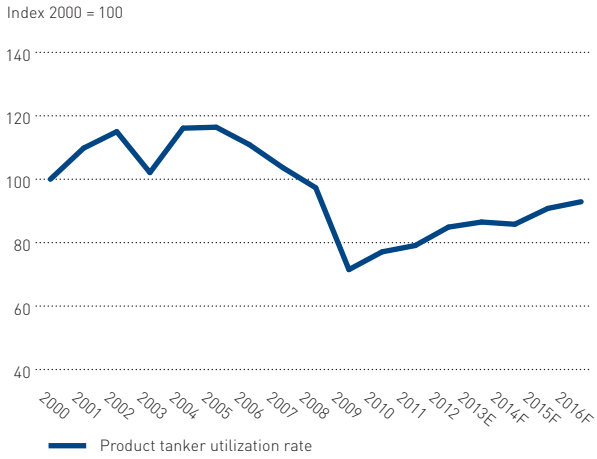
SCRAPPING

In 2013, scrapping activity slowed down by 13% year-on-year, but stayed above the average scrapping level seen during 2000-2012. It is expected that approximately 4% of the existing capacity in the global fleet will be phased out or scrapped in the period from 2014-2016. In the Handysize segment, roughly 8% of the existing capacity is estimated to leave the fleet during 2014-2016.

YEARLY NET FLEET GROWTH (BASED ON NO. OF VESSELS)
Source: TORM



PRODUCT TANKER UTILIZATION RATE
Source: TORM



NEW CONTRACTING OF NEWBUILDINGS
TORM anticipates that there will be limited ordering of new product tankers which can be delivered before the end of 2015. The Company expects that the new ordering activity for 2014 and 2015 will – in capacity terms – be at around the 2000-2012 average level, which is considerably lower than what was seen in 2013 and reflects higher newbuilding prices.

As of year-end 2013, the product tanker fleet capacity is estimated to grow by a compound annual rate of approximately 5% during 2014-2016. Taking expected vessel migration between dirty and clean segments into account, the total product tanker supply available for transportation of clean products is estimated to increase by an annual rate of approximately 6-7% during the same period.

DEMAND

There is a correlation between product tanker freight rates and fleet utilization. TORM's forecasted fleet utilization is a function of tonnage supply and demand for transportation of refined oil products, which itself is based on various factors such as i) global oil demand and ii) an expansion of the refinery capacity dislocated from the consumption areas and subsequent changes to transport patterns.

INCREASE IN GLOBAL OIL DEMAND
After a stronger than expected 1.2m barrels/day growth in 2013, global demand for oil products is expected to gain 1.3m barrels/day (1.4%) in 2014, driven by stronger macro economic momentum (source: IEA January 2014). In the following years, 2015 to 2016, growth in oil demand is expected to remain at a similar pace. The non-OECD areas, especially China and the Middle East, followed by Africa and Latin America, are expected to drive growth in global oil demand, whereas demand in the OECD economies as a group will continue to slide despite stronger than expected demand from the US in 2013.

REFINERY CAPACITY AND TRANSPORTATION
According to TORM estimates, the net global refinery capacity is expected to grow by approximately 4.0m barrels/day during 2014-2016. The majority of the refinery additions are in China and in the Middle East. In the latter region, refinery capacity additions are expected to outpace growth in local demand, and a significant part of this is likely to be transported longhaul by product tankers to regions where demand outpaces local refinery capacity or refineries are being closed. Refiners in the US are anticipated to continue to possess a feedstock cost advantage, which will likely lead to increased export capacity. At the same time, the US' traditional role as an importer of Europe's excess gasoline will decline, due to declining US gasoline demand. In addition to increased exports from the US Gulf, European refiners face increasing competition from new refining capacity on their traditional export markets in Africa and the rest of the Americas. TORM expects this to lead to further cuts in refinery runs in Europe, if not refinery shutdowns. Additional refinery closures are also expected in Japan and Australia. In Russia, planned export tax changes are expected to incentivize refinery upgrading and export of cleaner fuels.

TORM anticipates the following major changes to refined oil product transportation patterns:

- A decline in European gasoline exports to the US East Coast as a result of weaker demand for gasoline in the US
- An increase in imports of middle distillates to Europe, foremost from Russia and the US Gulf, but also from the Middle East and India. This is underpinned by increasing European middle distillate deficit from refinery closures and a one-off increase for ultra-low sulphur diesel in 2015 due to stricter bunker fuel rules in the North Sea Emission Control Area
- An increase in imports of all refined oil products to South America from all continents
- An increase in trade to West Africa from the US Gulf and Europe and to East Africa from the Arabian Gulf and Asia
- An increase in imports to Australia, mainly met by South East Asia and the North Pacific
- Sustained demand for naphtha imports in the North Pacific will increasingly be met by supplies from Europe and the USA, the latter potentially supported by the expansion of the Panama Canal

Consequently, the product tanker ton-mile demand including vegetable oil trade is estimated to grow by a compound annual rate of approximately 7-8% during 2014-2016, exceeding growth in tonnage supply and subsequently contributing to a positive development in the product tanker fleet utilization during that period.

SWING FACTORS

The main swing factors, that can change this outlook in either negative or positive direction, include faster than anticipated refinery capacity additions in Latin America, lacking or slower refining industry rationalization in Europe, increasing pipeline capacity from the US Gulf to the US East Coast, slower than forecast shift in Russia's refining sector's exports between fuel oil and cleaner products, a total or partial relaxation of the US crude export ban, uncertainty around China's new refinery projects and higher than expected newbuilding contracting activity.

Other swing factors affecting the supply of vessels available for transport of clean products are substitution of tonnage between crude and product transport and the use of vessels for floating storage purposes as seen in 2009 and 2010. TORM does not anticipate any significant product storage on tankers during 2014-2016. However, with a possible dirty market recovery, a larger number of product tankers will switch to the dirty segment. Furthermore, slow-steaming is a factor even though its effect is likely to be less pronounced the smaller the vessels.

Further swing factors, that are unpredictable and can create sudden spikes in the product tanker market, are typically major events such as hurricanes, embargoes, wars, political interventions, strikes, blockage of waterways and ports, temporary geographical product shortages and unforeseen disruptions to the refinery production.

BULK SEGMENT

- Average freight rates continued at historically low levels despite rally towards the end of 2013
- TORM bulk activities scaled down during 2013
- Core fleet employed on time charter contracts

The dry bulk market continued at historically low freight rates in the first half of 2013. The freight rates improved towards the end of the year, mainly driven by increasing Chinese steel production, restocking of iron ore inventories and grain activity.

The global bulk fleet grew in dwt terms by approximately 5.7% in 2013 after scrapping. However, slow-steaming and port congestion curbed the effects from the supply growth. Trade volumes grew by approximately 5% with Chinese demand for iron ore as the primary driver. The price level for bulk tonnage grew for the first time since 2010, with a positive impact across all dry bulk segments. The price for a five-year-old second-hand Panamax vessel increased by about 40% during the year (source: Clarksons).

During 2013, the freight rates in the Panamax segment moved between USD/day 5,000 and 17,000 with an average market level of USD/day 9,472, or approximately 23% above 2012 levels (source: Baltic Exchange). The one-year time charter rate for Panamax averaged about USD/day 10,000, which was 4% above the 2012 level.

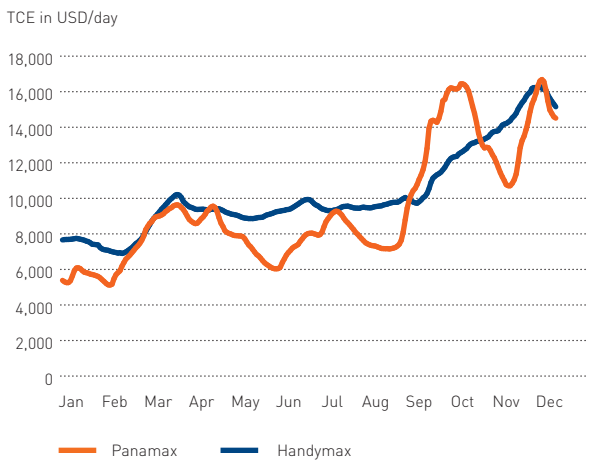
For the first part of 2013, the spot market continued at the historically low levels from 2012. There was a positive momentum in April and late June from the South American grain season and port congestions, but generally the market remained oversupplied and with low period activity.

In the second part of 2013, the freight rates for the relevant bulk segments stayed at depressed levels until the seasonal restocking of especially iron ore in China commenced in September. As a consequence, the Capesize freight rates rallied and the Panamax market followed suit as it also benefitted from increasing grain exports from the US Gulf and the Black Sea.

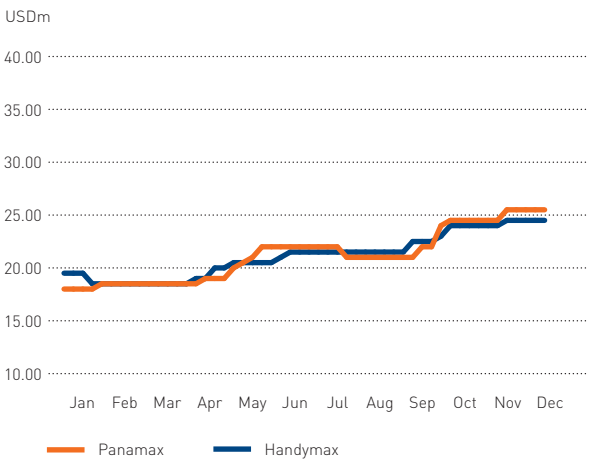
During summer 2013, TORM decided to scale down the Company's bulk activities. While TORM is one of the world's largest players in the product tanker segment, the Company does not have the sufficient scale and financial resources to obtain a similar attractive position in the bulk segment. The scale-down of bulk activities was completed during the fourth quarter of 2013. The remaining core fleet will be operated on long-term time charter contracts.

The EBITDA result for the Bulk Division was USD -30m (USD -25m excl. restructuring effects). Overall, the average freight rates for 2013 remained cyclically low despite the improving freight levels towards the end of 2013. TORM achieved average earnings of USD/day 8,019

BULK FREIGHT RATES 2013
Source: Clarksons



ASSET PRICES ON FIVE-YEAR-OLD SECOND-HAND DRY BULK CARRIERS IN 2013
Source: Clarksons



TORM owns two bulk carriers: TORM Anholt and TORM Bornholm.

in the Panamax segment, which was 22% lower than in the same period last year.

As of 31 December 2013, TORM's active bulk fleet consisted of two owned vessels and nine long-term time charter vessels compared to a total of 30 vessels at the same time last year. There are no bulk vessels in the Company's order book.

TORM expects the dry bulk fleet to grow by an average of 5-6% per year during 2014-2016, while the demand is expected to grow by an average of 6-7% per year during the same period.

BULK DIVISION

	2012*)	2013				2013
USDm	Total	Q1	Q2	Q3	Q4	Total
INCOME STATEMENT						
Revenue	204.1	59.4	88.0	51.1	19.0	217.5
Port expenses, bunkers and commissions	-127.3	-41.4	-58.7	-35.4	-4.2	-139.7
Freight and bunker derivatives	10.5	0.9	-0.8	0.5	0.7	1.3
Time charter equivalent earnings	**87.3**	**18.9**	**28.5**	**16.2**	**15.5**	**79.1**
Charter hire	-100.5	-26.6	-34.1	-24.2	-12.2	-97.1
Operating expenses	-3.4	-0.8	-1.0	-0.9	-1.0	-3.7
Gross profit/(loss) (Net earnings from shipping activities)	**-16.6**	**-8.5**	**-6.6**	**-8.9**	**2.3**	**-21.7**
Net profit from sale of vessels	-	-	-	-	-	-
Administrative expenses	-8.3	-2.1	-2.4	-2.3	-1.5	-8.3
Other operating income	0.3	-	0.1	-	0.1	0.2
Share of results of jointly controlled entities	-	-		-	-	-
EBITDA	**-24.6**	**-10.6**	**-8.9**	**-11.2**	**0.9**	**-29.8**
Depreciation incl. impairment losses	-2.8	-0.7	-0.8	-0.7	-0.7	-2.9
Operating profit/(loss) (EBIT)	**-27.4**	**-11.3**	**-9.7**	**-11.9**	**0.2**	**-32.7**

*) Excl. restructuring effects. Please refer to "Financial Review" on page 42 for further details on restructuring effects in 2012.

PEOPLE

- Employees are fully engaged with One TORM and TORM Leadership Philosophy
- Increased focus on empowerment of seafarers on board TORM's vessels

TORM LEADERSHIP PHILOSOPHY

In 2013, TORM continued its focus on integrating the TORM Leadership Philosophy (TLP), which serves as a guideline for the way to conduct business in TORM both as a team as well as individually. The process of unfolding the TLP has included a number of activities with the purpose of making sure that all employees can relate to the TLP in their daily work. This included structured performance goal setting for each employee aligned with the One TORM strategic direction.

A core element in the work to embed the TLP has been to support and inspire to empowerment and engagement as part of TORM's performance driven culture. Through learning initiatives such as feedback, engagement surveys, newsletters and quarterly meetings held by the Senior Management, employees at sea and ashore have achieved a high understanding of the One TORM strategic direction and the values on which it is built. The TLP and One TORM were also topics on the six seafarer seminars which were held in Denmark, Croatia, India and the Philippines in 2013.

SEAFARERS

The positive commitment and engagement for seafarers has continued during 2013 with a strong retention level of 97% for Senior Officers and 100% compliance with customer requirements throughout 2013 (the so-called matrix compliance).

Audits from customers and classification societies during 2013 highlighted that TORM is Best in Industry. This is exemplified by TORM's Induction Program including the "TORM Buddy Initiative", which facilitates the strong performance of the Company's seafarers.

In 2013, TORM launched its new Business Principles at sea. The five principles demonstrate the value of the TLP, principles and policies in everyday decision making and behavior which must be followed to ensure good behavior, trust and transparency when conducting business. The principles apply to all employees worldwide. Seafarers have welcomed the introduction of a clear set of Business Principles supporting the TLP and the Quality Management System.

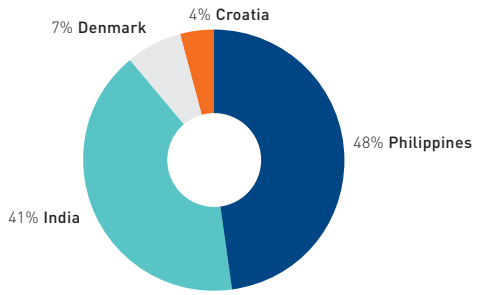
The vessel manning strategy is designed to deliver high competences and the right attitude on board TORM's vessels. A cornerstone of this strategy is blending different nationalities on board each vessel. In 2013, TORM had 25 vessels operating with a minimum of three different nationalities on board. This allows TORM to achieve the advantage of being a global player in the shipping market, driving vessel performance and retention of Senior Officers.

SHORE ORGANIZATION

Ashore, TORM's focus on improving deliveries to customers and further optimizing the service has led to increased internal motivation and pride. The effect was clearly demonstrated in the annual employee satisfaction survey.

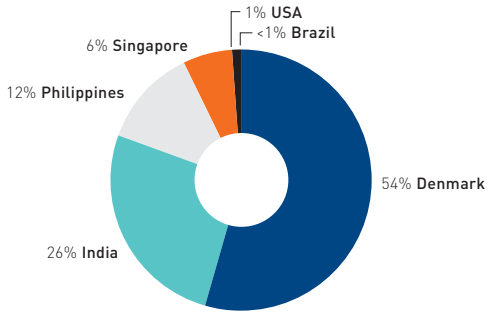
GEOGRAPHICAL DISTRIBUTION OF SEAFARES IN %

100% = 2,678 seafarers ultimo 2013 incl. contracted crew



GEOGRAPHICAL DISTRIBUTION OF LAND-BASED EMPLOYEES IN %

100% = 276 employees ultimo 2013

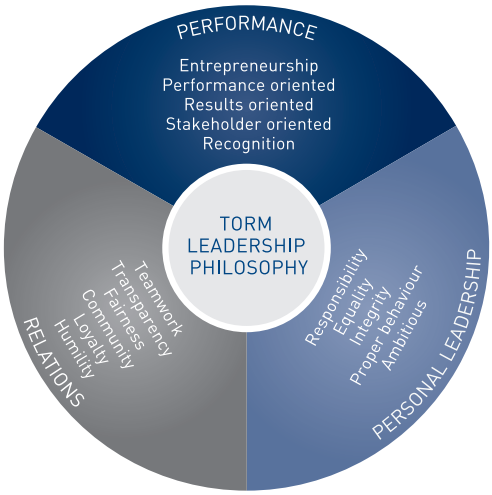


On 14 January 2014 , TORM celebrated 125 years of shipping with pride. The event was celebrated worldwide by all employees and several business associates.

The survey also underpinned that the employees have a high level of understanding of the TLP and the One TORM strategic direction and they feel able to act accordingly. Satisfaction scores were considerably up from the 2012 survey and so was the employee retention rate for 2013.

NEW MODUS OPERANDI FOR THE TECHNICAL PLATFORM

In 2013, TORM has introduced a new organizational structure in the Technical Division ashore. This will enable TORM to deliver a more flexible and even better customer service. The purpose of the new structure is to make the planning, coordination and execution on board more effective through the empowerment of TORM's ~2,700 seafarers. The new structure entails that each vessel will be appointed a Vessel Manager ashore and that they jointly will be responsible for the daily management of the vessel. The vessel manager is co-located with the commercial desk to ensure seamless integration between TORM's technical and commercial platform. Consequently, TORM can be much more proactive and predictive when planning, coordinating and executing the daily operation. The benefit will be higher reliability and better cost and quality control of the vessels.



TORM continued its focus on integrating the Company's Leadership Philosophy in the organization as well as on board the vessels.

CORPORATE SOCIAL RESPONSIBILITY

- New investments in retrofitting program to reduce oil consumption and CO_2 emissions
- Fleet certified according to the Maritime Labour Convention
- Revised set of Business Principles aligned with UN Global Compact rolled out at sea

REPORTING AND TRANSPARENCY

TORM's approach to CSR is rooted in the values of the Company and is based on our commitment to the UN Global Compact, an internationally recognized set of principles regarding health, safety, labor rights, environmental protection and anti-corruption. The importance of CSR is also emphasized in the One TORM strategic focus.

In 2009, TORM became the first Danish shipping company to sign the UN Global Compact. Since then, the Company has reported on its social and environmental performance every year to ensure progress and accountability to stakeholders. The Company believes that accountability in all aspects is necessary in order to be the preferred carrier in the industry.

Responsible behavior is central to the way TORM does business. TORM's CSR policies have the following overall objectives:

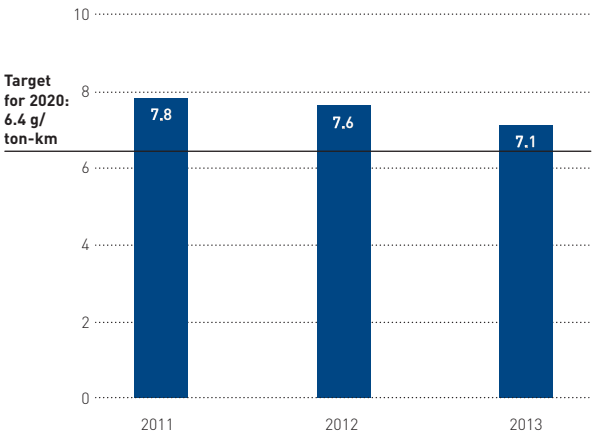
- Comply with statutory rules and regulations in order to ensure that all employees are able to execute their work under safe, healthy and proper working conditions
- Strive to eliminate all known risks that may result in accidents, injuries, illness, damage to property or to the environment
- Integrate sustainability into TORM's business operations
- Avoid any form of corruption and bribery
- Make TORM's CSR performance transparent to its stakeholders

BUSINESS PRINCIPLES

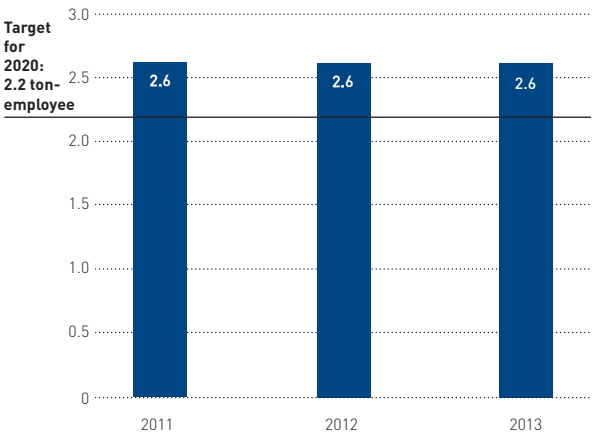
The shipping industry is strongly regulated with regard to safety and environmental protection and customers have ever stricter compliance criteria. TORM is committed to exceeding compliance and continue making CSR a strong value proposition for customers.

During 2013, TORM began rolling out a revised set of business principles at sea as part of the officer seminars. These principles serve as a guideline for the Company's responsible business conduct and are rooted in TORM's Leadership Philosophy and the commitment to the UN Global Compact.

CO_2 EMISSION PER VESSEL PER G/TON-KM
Source: TORM



CO_2 EMISSION PER OFFICE EMPLOYEE IN TON
Source: TORM



When sailing inside the High Risk Area in the Indian Ocean, TORM is always in compliance with Best Management Practice (BMP 4).

INSPECTIONS AND AUDITS

In order to exceed the standards set by stakeholders, the Company has enhanced the vetting preparations and increased the number of internal vettings on the vessels carried out by SQE officers.

On average, each product tanker is subject to nine inspections a year. Inspections are carried out by charterers, terminals, internal auditors, ports, and classification societies. TORM is committed to meeting and outperforming the increasingly high standards set both internally and by charterers.

ENVIRONMENT AND CLIMATE

Marine pollution constitutes TORM's largest environmental risk. Consequently, the Company seeks to minimize its environmental impact by taking constant care and measuring progress on identified key performance indicators.

FUEL EFFICIENCY

TORM takes a proactive approach to fuel efficiency as this has a significant environmental and economic impact. During 2013, the Company focused on fuel efficiency projects and retrofitting vessels with technical equipment to reduce oil consumption and CO_2 emissions. The initiatives include hull and propeller cleaning, voyage decision support software, trim equipment as well as behavioral change on board the vessels. TORM will continue the efforts in 2014 with a number of additional initiatives.

CLIMATE PERFORMANCE

TORM has reduced the year-on-year CO_2 emissions from 7.6 to 7.1 g/ton-km equivalent to a 6.8% reduction. This is primarily driven by increased cargo load and fuel efficiency initiatives. In 2014, TORM will continue the investments in fuel efficiency projects covering retrofitting, performance management and changes in mindset and behavior.

The development in CO_2 emissions from offices was maintained at 2.6 g/ton-employee, as the reduction in emissions of 8% was offset by fewer employees. Since 2008, TORM has improved performance on this measure by approximately 14%.

OIL SPILLS

In 2013, TORM experienced no oil spills larger than one barrel, but five smaller oil spills of less than one barrel of oil in total. All incidents were investigated and procedures revised where required.

HEALTH, SAFETY AND SECURITY

Roughly 90% of TORM's employees work at sea, and providing healthy, safe and secure working conditions for them is an essential part of the business. Respecting employees' human rights is pivotal to the Company and policies are outlined in TORM's Business Principles and the commitment to the UN Global Compact. The Company's safety policy is rooted in the rules and regulations issued by the Danish Maritime Occupational Health Service. All vessels under TORM's technical management were audited and certified as required under the Maritime Labour Convention of 2006 when it came into effect in August 2013.

SAFETY CULTURE
A strong safety culture is central to TORM, and the Company has not experienced work-related fatalities. Lost Time Accident Frequency (LTAF) is an indicator of serious work-related personal injuries that result in more than one day off work. During 2013, TORM had an LTAF of 1.26. The definition of LTAF follows standard practice among shipping companies.

Near-miss reports provide TORM with an opportunity to analyze conditions that might lead to accidents and ultimately prevent accidents. A high number of near-miss reports indicate that the organization is aware of the risks and responding to them. In 2013, TORM exceeded the target of 6.0 near-miss reports per month per vessel on average by reaching 6.5 due to continued focus on this area.

PIRACY
TORM's response to piracy is founded in the Best Management Practice (BMP) developed by the International Chamber of Shipping, the International Shipping Federation and national navy forces. During 2013, TORM experienced one failed attempt of hijacking and four robberies. The Company will continue to monitor the risk situation and preempt hijacking by following Company security procedures, which currently means engaging armed guards on all vessels passing through High Risk Areas. During 2013, TORM did 302 voyages with armed guards (2012: 271).

RESPONSIBLE BUSINESS

TORM's CSR commitment is not limited to the Company's own business practices, as a real impact often requires industry collaboration. TORM cooperates with peers and stakeholders in a number of areas to increase responsibility in the shipping industry and the supply chain. As a member of the Danish Shipowners' Association's CSR work group and co-founder and member of the Maritime Anti-Corruption Network (MACN), TORM strives to increase corporate transparency and accountability and minimize corruption.

As part of TORM's Business Principles, the Company is revising the tender procedure to include a recorded CSR assessment.

TORM continued in 2013 to co-sponsor a pilot project on fighting corruption in Nigeria via MACN in cooperation with the UN Development Programme (UNDP). West Africa is an increasingly important region in the international shipping industry, and avoiding institutionalization of facilitation payments is crucial.

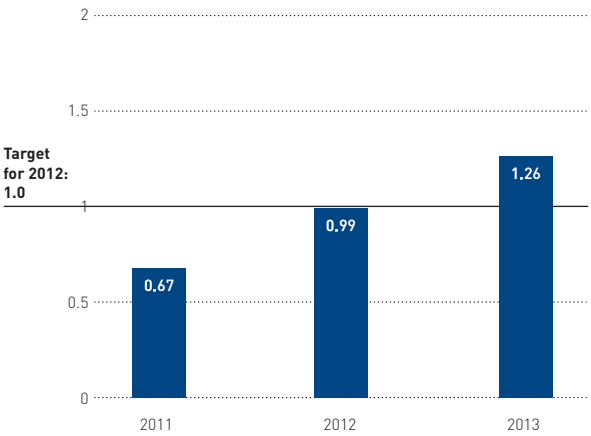
EMPLOYEES AND COMMUNITIES
The Company has among others things been a long-standing supporter of maritime education in India and the Philippines. This commitment also has a strategic purpose and reflects the Company's ties to local communities.

This section constitutes TORM's reporting according to the requirements of The Danish Financial Statements Act on CSR.

TORM reports to the UN Global Compact. To see the reports, please visit **www.unglobalcompact.org**.

LOST TIME ACCIDENT FREQUENCY (LTAF)
Source: TORM

LTAF = work-related personal injuries that result in more than one day off work per million hours of work



RISK MANAGEMENT

- Capital structure continues to be addressed actively
- Operational risks remain well-managed
- Market risks remain high, but TORM is well-positioned for product tanker market recovery
- Bulk trading exposure limited

TORM believes that a strong risk management framework is vital to protect the Company and to ensure that the Company is well-positioned in key markets. The objective remains a balance of risk and reward generating the most value for shareholders.

Risks are defined as all events or developments that could significantly reduce TORM's ability to sustain the long-term value of the Company.

The risk management approach emphasizes management accountability and broad organizational anchoring of risk management and mitigation activities. The approach is based on a combination of overall risk management tools such as scenario and sensitivity analyses, active monitoring of the risk profile and specific policies governing the risk management in all key areas. Finally, there is a verification process for the adequacy of TORM's risk management infrastructure.

The key risks associated with TORM's activities can broadly be divided into the four main categories described in the figure below.

Adequate management of operational and compliance risks within TORM's risk tolerance limits is a prerequisite for TORM to succeed as a tanker owner and operator.

The Executive Management and the Board of Directors discuss and decide on the Company's tolerance of the most significant risks, while the Executive Management is responsible for the ongoing monitoring of risks and implementation of mitigating actions. TORM's overall risk tolerance for and inherited exposure to risks in each of the four main categories are detailed below.

LONG-TERM STRATEGIC RISKS ("RISK-SEEKING")

Risks and opportunities beyond the immediate strategy window are monitored by the Executive Management and incorporated in updates of the corporate strategy. Industry-changing risks, such as the substitution of oil for other energy sources and radical changes in transportation patterns, are considered to have a relatively high potential impact, but are considered as long-term risks.

INDUSTRY AND MARKET-RELATED RISKS ("RISK-SEEKING")

TORM's business is sensitive to changes in market-related risks such as changes in the global economic situation, changes in freight rates in the product tanker market and changes in bunker prices.

It remains a cornerstone of the Company's strategy to actively pursue this type of risk by taking positions to benefit from fluctuations in freight rates and vessel prices.

MAIN RISKS ASSOCIATED WITH TORM'S ACTIVITIES

LONG-TERM STRATEGIC RISKS	INDUSTRY AND MARKET-RELATED RISKS	OPERATIONAL AND COMPLIANCE RISKS	FINANCIAL RISKS
• Political risks • Substitution of oil	• Macroeconomic development • Freight rate fluctuations • Bunker price fluctuations • Sales and purchase price fluctuations	• Compliance with relevant maritime regimes • Vessel utilization • Safe operation of vessels • Terrorism and piracy • Availability of experienced seafarers and staff • Compliance with environmental regulations • Stability of IT systems • Fraud • Insurance coverage	• Funding and liquidity risk • Interest rate risk • Currency risk • Counterparty risk

A desire to limit the Company's exposure to the dry bulk market has caused TORM to lower its risk tolerance with regard to its dry bulk business to "risk-averse".

OPERATIONAL AND COMPLIANCE RISKS ("RISK-AVERSE")

TORM aims at maintaining its position as a quality operator with high focus on operating safe and reliable vessels. Consequently, commercial operations are an important part of TORM's business model. This area involves potentially severe risks with respect to environment, health, safety and compliance. TORM constantly focuses on reducing these risks through rigorous procedures and standardized controls carried out by well-trained employees. Quality-enhancing measures were implemented during 2013 and will continue to be implemented in 2014.

FINANCIAL RISKS ("RISK-NEUTRAL")

Management believes that a prudent approach to financial risks, including funding, benefits the Company the most.

During 2013, TORM has benefitted from the Restructuring Agreement executed on 5 November 2012. Significant progress has been made towards improving the Company's long-term capital structure since the process was initiated in the second half of 2013. However, as described on page 25, this area requires continued actions to further reduce the risks.

TORM'S CURRENT RISK PROFILE

The key aspects of TORM's current risk profile are summarized below:

- Through 2013, TORM's earnings have been low as a result of the depressed freight rates caused by oversupply of tonnage. With a low coverage ratio, TORM remains well-positioned for an upswing. As a consequence, the market risks remain high
- While having secured the Restructuring Agreement during 2012, the Company's risks related to the current capital structure remain high and are higher than the desired level
- Risks within the Company's immediate sphere of control, including compliance with quality and environmental requirements, have remained stable at a low level due to the implemented mitigating controls

TORM's top risks and changes compared to 2012 are described below. For a more in-depth description of the various risks and TORM's risk management as well as sensitivity analyses, please see note 23 on page 76.

TORM TOP RISK MAP (RISK EVALUATION INCLUDES EFFECT OF CURRENTLY DEPLOYED MITIGATION)

#	RISK	DESCRIPTION	SEVERITY	COMMENTS TO DEVELOPMENT 2012 – 2013 / STATUS 2013
A	Bulk trading exposure	The risk of a bulk counterparty exposure materializing and of TORM not being able to predict and act on the development in the bulk freight rates.	Low	During 2013, TORM has reduced its dry bulk T/C-in fleet, and the exposure is now rooted in approximately ten vessels. TORM has maintained a high coverage for the dry bulk business, and consequently the bulk trading exposure is low; however, some counterparty exposure still exists.
B	Product tanker freight rates	The risk of sustained low tanker freight rates or of TORM not being able to predict and act on the development.	High	The continued low spot product tanker freight rates result in unattractive hedging opportunities for the product tanker fleet. Accordingly, TORM has retained a high exposure towards the product tanker market.
C	Bunker prices	The risk of unexpected bunker price increases not covered by corresponding freight rate increases.	Medium	Adequate bunker purchase procedures continue to be in place, but as bunker prices are volatile and not necessarily reflected in the freight rates, TORM continues to be exposed to bunker price changes.
D	Timing of sale and purchase of vessels	The risk of TORM not purchasing and selling vessels timely relative to market developments and business requirements.	High	After several years of deterioration in vessel values, the vessel prices seem to have reached the bottom. As the financing agreement involves a potential forced sale of up to 13 vessels, and the Company has restrictions on traditional asset management activities, the risk remains high.
E	Oil major approval	The risk of a partial ban of the TORM tanker fleet by oil majors.	Low	The overall tradability of the fleet with oil majors has improved, and TORM is considered a top performer in the market. Constant focus on mitigating activities has reduced the severity to "Low" (2012: "Medium").
F	Environmental regulations	The risk of violations of environmental regulations.	Medium	TORM's comprehensive environmental compliance and monitoring infrastructure has been maintained, and the risk remains unchanged as "Medium" due to potential new environmental regulations in the form of Ballast Water Convention and MARPOL requirements.
G	Severe vessel accidents	The risk of a severe vessel accident.	Medium	TORM's comprehensive quality and safety procedures have been maintained, thereby leaving the risk unchanged.
H	Capital structure	The risk that the current capital structure restricts business decisions.	High	It remains high on the Company's agenda to secure a long-term sustainable capital structure with its lenders and investors.
I	Interest rates	The risk of TORM not being able to predict and act on increasing interest rates.	Medium	During 2013, TORM has benefitted from historically low interest rates due to the entire debt being on floating rate terms. TORM has chosen to include interest rate risk as a new top risk. However, the severity of the risk is on the same level as in 2012, as TORM remains exposed to interest rate changes.
J	Negative equity	The risk that the equity becomes negative and restricts TORM from pursuing attractive business opportunities.	High	TORM may need to operate part of 2014 with a negative equity following a potential write-down related to either vessel sales or changed assumptions for the impairment tests (Value in use test). Such a situation will not directly have an impact on the Company's enterprise value, but the risk is taken seriously and requires prudent stakeholder management.

CORPORATE GOVERNANCE

- As of 31 December 2013, TORM complied with 46 out of 47 of the 2013 Danish Corporate Governance Recommendations
- A comprehensive system for internal control and risk management is in place as a result of the Sarbanes-Oxley compliance program

To TORM, good Corporate Governance represents the framework and guideline for business management. The aim is to ensure that the Company is managed in a proper and orderly manner, consistent with applicable legislation and codes.

CORPORATE GOVERNANCE RECOMMENDATIONS

In line with the "comply or explain" principle, the Board of Directors has considered the 2013 Corporate Governance Recommendations, which form part of the disclosure obligations for companies listed on NASDAQ OMX Copenhagen. The Company has chosen not to be in compliance with one recommendation regarding one year election periods for all shareholder-elected Board members. In the interest of continuity, the TORM shareholder-elected Board members are all elected for two years, meaning that TORM is in compliance with 46 out of 47 recommendations.

TORM complies with recommendations regarding diversity at management level. Along with other major Danish shipowners, TORM has signed the Charter on More Women on Boards. As of December 2013, females represented 41% of the land-based employees globally (defined as non-managerial individual performers), 33% of middle management and 9% of top management (Vice Presidents and above). TORM has set a target to reach minimum 20% of top management and 40% of middle management being female by 2016, for example by adjusting the Company's recruitment procedures. To comply with existing legal requirements for goal setting with respect to gender diversity on the Board of Directors, TORM has defined a diversity policy including a goal of having at least 25% female Board members (elected by the shareholders) in 2016.

This Corporate Governance section and an overview of TORM's position on the individual recommendations are available on TORM's website. They constitute TORM's mandatory Corporate Governance Report in accordance with Section 107b of the Danish Financial Statements' Act.

THE BOARD OF DIRECTORS

In accordance with Danish company legislation, TORM has a two-tier management structure. The Board of Directors lays out policies and directives, which in turn the Executive Management implements in its day-to-day operations. The Board of Directors acts as a partner as well as a supervisory body to the Executive Management. No member of the Executive Management is a member of the Board of Directors, but the Executive Management ordinarily attends Board meetings.

The primary responsibilities of the Board of Directors are to safeguard the interests of the shareholders, to ensure that the Company is properly managed in accordance with the Articles of Association and applicable laws and regulations and to pursue the commercial goals as well as the strategic development of the Company.

At the end of 2013, the Board of Directors consisted of six members, of whom four were elected by the Annual General Meeting. The remaining two members have been elected by the employees. Board members elected by the employees have the same rights, duties and responsibilities as shareholder-elected members.

The Board of Directors has issued management guidelines and Business Principles.

The Board of Directors meets at least five times a year in accordance with the Rules of Procedure. In 2013, 23 Board meetings were held.

The Board of Directors regularly evaluates the work, the results and the composition of the Board of Directors and the Executive Management.

On 9 January 2013, at an Extraordinary General Meeting, four new Board members were elected: Mr. Flemming Ipsen, Mr. Olivier Dubois, Mr. Alexander Green and Mr. Jon Syvertsen. They replaced Mr. N.E. Nielsen, Mr. Christian Frigast and Mr. Jesper Jarlbæk, who had relinquished their mandates as members of the Board of Directors.

THE AUDIT COMMITTEE

The Audit Committee meets at least four times a year, and both the Executive Management and the independent auditors attend these meetings. In 2013, seven meetings were held. As of 31 December 2013, the Audit Committee had two members elected by the Board of Directors from its members.

The Audit Committee performs its duties under a charter approved by the Board of Directors on an annual basis, and the Audit Committee assists the Board of Directors in supervising and enhancing financial reporting, risk management processes, internal controls and auditing processes.

The Audit Committee presents an annual report on the Committee's activities.

THE REMUNERATION COMMITTEE

The Remuneration Committee meets at least three times a year, and four meetings were held in 2013. As of 31 December 2013, the Remuneration Committee had three members elected by the Board of Directors. The Remuneration Committee assists the Board of Directors in reviewing Management's performance and remuneration as well as the Company's general remuneration policies.

The amounts and components of the remuneration to the individual members of the Board of Directors and Executive Management are disclosed in note 4 to the financial statements.

THE NOMINATION COMMITTEE

The Company's Nomination Committee is responsible for maintaining and developing a number of governance procedures and evaluation processes in relation to the Board of Directors and the Executive Management.

THE EXECUTIVE MANAGEMENT

As of 31 December 2013, the Executive Management consists of Mr. Jacob Meldgaard, CEO. The position as CFO is held by Mr. Mads Peter Zacho.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board of Directors is overall responsible for the Company's internal control and the assessment and management of risk. Executive Management is responsible for the identification of key risks, the operation of an effective internal control environment and the implementation of adequate risk management processes.

Management is also responsible for periodical risk reporting to the Audit Committee and the Board of Directors. The Board of Directors reviews the key risks with the Executive Management as appropriate, but at least once a year.

Due to its presence in the US, TORM has throughout 2013 been obliged to comply with certain standards, rules and regulations under the Sarbanes-Oxley Act and certain requirements in Section 404 regarding Executive Management's and the independent auditors' reporting on the adequacy of the Company's internal controls.

TORM's financial controls are defined and monitored in the Internal Control and Administration System (INCA). INCA is consistent with the recognized framework established by the Committee of Sponsoring Organizations (COSO) and provides a clear audit trail of changes in risk assessments and design of controls. TORM's process for financial reporting and the INCA system consists of the following elements, performed throughout the financial year:

- *Overall scoping*: It is assessed whether changes should be made to the scoping.
- *Risk assessment*: TORM performs a risk assessment to identify financial reporting risks. TORM uses a top-down risk-based approach. The process starts with the identification and assessment of the risks related to financial reporting, including relevant changes. Furthermore, the entity-wide controls and general IT controls are considered. The likelihood of risks occurring as well as the financial impact of such are assessed.
- *Mapping*: The material risks identified in the risk assessment are mapped in relation to the financial statements and the existing internal controls.

MEETINGS ATTENDED/HELD

Members	Board of Directors	Audit Committee	Remuneration Commitee	Nomination Committee
Flemming Ipsen 1)	21/21	7/7	4/4	2/2
Olivier Dubois 1)	15/21	7/7		
Alexander Green 1)	16/21		4/4	2/2
Kari Millum Gardarnar	13/23			
Rasmus J. Hoffmann	22/23			
Jon Syvertsen 1)	16/21		4/4	2/2
Christian Frigast 2)	2/2			
Jesper Jarlbæk 2)	2/2			
Niels Erik Nielsen 2)	2/2			

1) Member since 9 January 2013
2) Member until 9 January 2013

- *Monitoring*: Based on information from TORM's subsidiaries and the Parent Company's financial data, an internal financial report is prepared to Management every month. At the end of each quarter, external financial statements are prepared, and additional controls and analyses are performed. At the end of the year, further controls and analyses are performed to ensure a correct and complete presentation in the annual report.
- *Conclusion*: At the end of each financial year, TORM concludes whether any material weaknesses have been found in the internal controls for the financial reporting. In the Form 20-F for 2012, filed with the US Securities and Exchange Commission (SEC) on 30 April 2013, Management and auditors concluded that there were no material weaknesses or areas of concern as of 31 December 2012. As stated earlier in this section, there will not be filed a Form 20-F for 2013. However, Manangement concludes that there were no material weaknesses or areas of concern during 2013. In view of TORM's compliance program and comprehensive system for internal control and risk management in connection with the financial reporting as well as the size of the Company, the Board of Directors has not found it relevant to establish an internal audit function. The Board of Directors continues to evaluate the need for an internal audit function annually.

On 8 January 2014, TORM filed a Form 15-F with the U.S. Securities and Exchange Commission (SEC) to voluntarily terminate the SEC registration of its securities and its SEC reporting obligations. TORM's reporting obligations with the SEC, including its obligation to file reports on Form 20-F and furnish reports on Form 6-K, were immediately suspended. The termination is associated with the delisting of TORM's ADR program from NASDAQ Capital Market in 2013 and is expected to become effective no later than 8 April 2014 if there are no objections from the SEC. As a consequence, TORM is no longer subject to the reporting requirements as set forth in the above section.

In addition to ensuring compliance with the relevant legislation, TORM believes that the increased focus on internal controls and risk management contributes positively to improving the effectiveness of the Company's business.

WHISTLEBLOWER FACILITY

Since 2006, the Board of Directors has, as part of the internal control system, a whistleblower facility with an independent lawyer to detect any violations of laws, regulations or business ethics by TORM representatives. In 2013, there was one enquiry to the whistleblower facility, which was investigated and closed without any critique or requirements for new measures.

The whistleblower facility is registered and approved by the Danish Data Protection Agency. For further information on the whistleblower facility, please visit TORM's website **www.torm.com/whistleblower.**

For TORM's overall guidelines for incentive schemes for members of the Board of Directors and the Management, please visit **www.torm.com/investor-relations/incentive-programme.**

For further information on TORM's position on the individual corporate governance recommendations, please visit TORM's website **www.torm.com/investor-relations/corporategovernance/report2013.**

BOARD OF DIRECTORS

MR. FLEMMING IPSEN / Born: 16-04-1948 / TORM shares: 500

Flemming Ipsen became a Board member and Chairman of TORM in January 2013. Mr. Ipsen holds a PMD from Harvard Business School and an LLM from the University of Copenhagen. Mr. Ipsen is Chairman of the Nomination and Remuneration Committee and a member of the Audit Committee and has management duties in the following companies:

- Ejendomselskabet Lindø
- Royal Danish Yacht Club
- Mærsk Broker A/S
- Port of Hanstholm
- Maritime & Commercial Court
- J. Poulsen Shipping A/S
- Julius Koch International A/S
- The Danish Institute of Arbitration
- TORM Foundation

Special competencies:

- General management
- Active management from boards
- Shipping and maritime law

MR. OLIVIER DUBOIS / Born: 20-03-1954 / TORM shares: 10

Olivier Dubois became a Board member and Deputy Chairman of TORM in January 2013. Mr. Dubois is CFO of the Elior Group. Mr. Dubois holds an MBA degree from ESSEC, a Political Science degree from Institut d'Etudes Politiques in Paris and a Bachelor's degree in Economics from the University of Paris. Mr. Dubois is Chairman of TORM's Audit Committee and has management duties in:

- Elior Group

Special competencies:

- General and financial management
- Active management from boards
- Audit committees
- Shipping

MR. KARI MILLUM GARDARNAR / Born: 05-05-1951 / TORM shares: 2,880

A member of the Board since April 2011, employee-elected representative. Mr. Gardarnar is employed by TORM as Captain and has been with the Company since 1975.

Special competencies:

- Worldwide sea services since 1975 with experience from general, refrigerated, container and project cargos as well as dry bulk and tanker cargo

MR. ALEXANDER GREEN / Born: 26-07-1963 / TORM shares: 100

Alexander Green became a Board member in January 2013. Mr. Green holds a Bachelor's degree in Civil Engineering from the University of Salford and is a graduate of the Royal Military Academy at Sandhurst and the Royal School of Military Engineering. He is currently in a Masters program at the London School of Economics and Political Science. Mr. Green is a member of TORM's Nomination and Remuneration Committees.

Special competencies:

- Oil, energy and commodity trading
- Management of physical and derivative trading
- Risk management

MR. RASMUS J. SKAUN HOFFMANN / Born: 10-04-1977 / TORM shares: 1,675

A member of the Board since April 2011, employee-elected representative. Mr. Hoffmann is employed by TORM as Chief Engineer and has been with the Company since 2003.

Special competencies:
- 19 years of sailing experience on various vessel types

MR. JON SYVERTSEN / Born: 22-08-1961 / TORM shares: 10,000

Jon Syvertsen became a Board member in January 2013. Mr. Syvertsen holds an MBA from IESE Business School and a Master's degree in Naval Architecture from the Norwegian Institute of Technology. Mr. Syvertsen is a member of TORM's Nomination and Remuneration Committees and has management duties in the following companies:
- Gram Car Carriers Ltd.
- KM Holdings AS
- Arne Blystad AS
- Offshore Heavy Transport AS

Special competencies:
- General management from boards
- Shipping

EXECUTIVE MANAGEMENT

MR. JACOB MELDGAARD / Born: 24-06-68 / TORM shares: 100,000

Jacob Meldgaard has been Chief Executive Officer since 1 April 2010. Before this, Mr. Meldgaard served as Executive Vice President of Dampskibsselskabet NORDEN A/S. Mr. Meldgaard holds a Bachelor's degree in International Trade from Copenhagen Business School, Denmark, and has attended the Advanced Management Program at Wharton Business School and Harvard Business School in the US.

MR. MADS PETER ZACHO / Born: 24-05-69 / TORM shares: 0

Chief Financial Officer since September 2013. From 2010 to 2013, Mads Peter Zacho served as CFO of Svitzer. He was Deputy Head of Group Finance in A.P. Møller – Mærsk, which he joined in 2004. Prior to this, Mads Peter Zacho held positions with Nordea and The World Bank. Mads Peter Zacho holds a Master of Science in Economics from the University of Copenhagen and has an executive MBA from IMD in Switzerland.

INVESTOR INFORMATION

- ADR program delisted from NASDAQ Capital Market US
- TORM deregistered with SEC in January 2014
- Electronic communication introduced with shareholders

COMMUNICATION TO THE INVESTORS

To ensure consistent communication to all investors, quarterly and annual financial statements and other stock exchange announcements are the main vehicles of communication. In 2013, TORM issued 18 announcements to the stock exchange, which are accessible in both Danish and English versions on www.torm.com/investor-relations. Interested stakeholders can sign up for TORM's investor relations mailing list there.

TORM maintains regular capital market contact through analyst and industry presentations, investor meetings and conference calls. In 2013, the conducted road shows were held in Copenhagen, Oslo, London and New York.

For a three-week period prior to the publication of quarterly and annual financial statements, communication is limited to issues of a general nature and no individual investor meetings are held.

DELISTING OF ADR PROGRAM

On 19 June 2013, TORM announced that it had commenced the process to (i) terminate its American Depository Receipt ("ADR") program, which was governed by the Deposit Agreement between the Company and Deutsche Bank Trust Company Americas (the "Depositary"), and (ii) delist its American Depositary Shares ("ADSs"), evidenced by American Depositary Receipts ("ADRs"), from the NASDAQ Capital Market, which was authorized by the Company's shareholders at the Annual General Meeting held on 11 April 2013.

The Board of Directors had determined that termination of the Company's ADR program, delisting its securities from NASDAQ, USA and deregistering its securities under the Securities Exchange Act is in the interest of the Company due to the limited size of the ADR program and the costs involved with a listing on NASDAQ and the reporting and filing obligations under the U.S. Securities Exchange Act.

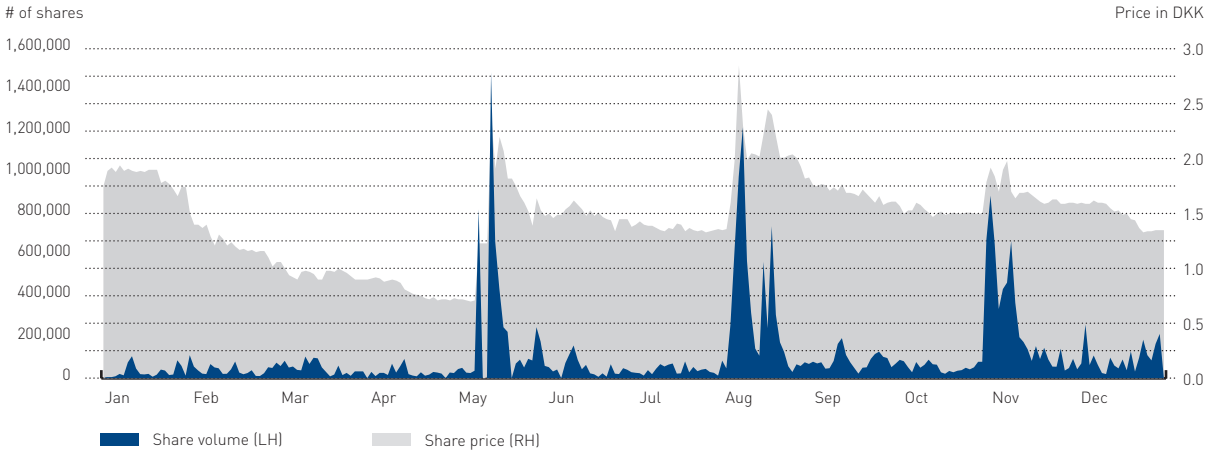
The delisting from NASDAQ Capital Market took effect on 19 July 2013 where trading of the Company's ADR ceased. On 8 January 2014, TORM sent an application to the SEC to deregister as a reporting company under US laws, which means that TORM does not expect to submit a Form 20-F filing for 2013 nor file company announcements with the SEC.

TRADING

The average daily trading volumes in 2013 were approximately 1,108,000 on NASDAQ OMX. The share price declined from DKK 1.75 per share at the beginning of 2013 to DKK 1.35 per share at the end of 2013.

As mentioned, TORM's American Depository Receipts (ADRs) ceased trading on 19 July 2013. Until then, the average daily trading volumes were approximately 48,900 ADRs where each ADR corresponded to 10 ordinary shares.

TORM SHARE PRICE PERFORMANCE AND TURNOVER, COPENHAGEN



SHAREHOLDERS

As of 31 December 2013, TORM had approximately 14,800 registered shareholders representing 84% of the share capital. In compliance with section 29 of the Danish Securities Trading Act, the following shareholders have reported to TORM that they owned more than 5% and 10% respectively:

- HSH Nordbank AG, Germany (>10%)
- Danske Bank, Denmark (>10%)
- Nordea Bank Danmark A/S, Denmark (>10%)
- Deutsche Bank AG, Germany (>5%)
- DBS Bank Ltd., Singapore (>5%)

At the end of 2013, the members of the Board of Directors held a total of 15,165 shares, equivalent to a total market capitalization of DKK 20,503 or USD 3,566. The Executive Management held a total of 100,000 shares, equivalent to a market capitalization of DKK 135,200 or USD 23,513. The Board of Directors and all employees are limited to trading shares during a four-week period after the publication of financial reports.

TORM's company's registrar is VP Securities, Weidekampsgade 14, P.O. Box 4040, DK-2300 Copenhagen S, Denmark.

DIVIDEND

TORM's dividend policy states that up to 50% of the net profit for the year may be distributed as dividend. Furthermore, dividend distribution should always be considered in light of TORM's capital structure, strategic developments, future obligations, market trends and shareholder interest. Following the restructuring in 2012, the terms of the credit facilities include a covenant according to which the issue of new shares and payment of dividends require the lenders' consent.

The Board of Directors recommends that no dividend be paid for 2013.

For further information about investor relations, please visit **www.torm.com/investor-relations.**

INVESTOR RELATIONS CONTACT

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FINANCIAL CALENDAR 2014

03 April 2014	Annual General Meeting
14 May 2014	First quarter 2014 results
14 August 2014	First half 2014 results
06 November 2014	Nine months 2014 results

ANALYSTS COVERING TORM

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NO SMOKING
SAFETY FIRST

When fully loaded with gasoline, an average MR tanker like TORM Lotte displaces 51,800 tons of water equal to the weight of 1,295 loaded lorries.

FINANCIAL STATEMENTS 2013

FINANCIAL REVIEW 2013

FINANCIAL PERFORMANCE OVERVIEW

TORM achieved a net loss of USD 162m in 2013 (2012: USD -581m), resulting in earnings/(loss) per share, or EPS, of USD -0.2 in 2013 (2012: USD -3.3). The performance in 2013 was stronger than in 2012 due to higher freight rates, but also due to lower negative accounting effects from vessel sales and impairment charges. TORM recorded impairment losses of USD 60m in 2013 relating to vessels held-for-sale as compared to USD 74m in 2012. In addition, in 2012 TORM recorded impairment losses of USD 42m relating to the Company's 50% investment in FR8 and a loss from sale of vessels of USD 26m, whereas no further losses were recorded in 2013 on jointly controlled entities or sale of vessels. Please refer to note 9 of the Company's consolidated financial statements for a review of the impairment testing performed by the Management. Furthermore, 2012 was negatively affected by the execution of the Restructuring Agreement. The effects relating to the restructuring amounted to a loss of USD 210m as outlined in the table on page 42.

EBITDA for 2013 was USD 96m, which is in line with the latest guidance of an EBITDA of USD 90-100m.

The loss before tax for 2013 was USD 166m, which is in line with the latest guidance of a loss before tax of USD 165-175m.

Total revenues in 2013 were USD 992m (2012: USD 1,121m) and TCE earnings in 2013 amounted to USD 443m (2012: USD 466m). The decrease in TCE earnings was primarily due to a decrease of 15% in the number of available earning days, corresponding to a reduction in earnings of USD 74m. This was offset by higher freight rates in both the Company's Tanker Division and the Bulk Division, corresponding to an increase in earnings of USD 54m.

The operating loss decreased by USD 358m to a loss of USD 91m in 2013 from a loss of USD 449m in 2012. The improvement compared to 2012 was primarily due to improved gross profit (net earnings from shipping activities) of USD 108m, the accounting effects of the restructuring of USD 145m, a reduction in loss from sale of vessels of USD 26m, a net decrease of USD 56m in impairment losses on jointly controlled entities and tangible and intangible assets. For 2012, the impairment losses amounted to USD 116m.

TORM's total assets decreased by USD 348m in 2013 to USD 2,008m (2012: USD 2,355m), of which the carrying amount of vessels including vessels held for sale, capitalized dry-docking and prepayments on vessels amounted to USD 1,812m (2012: USD 2,082m). The decrease was primarily due to impairment losses of USD 60m, depreciation of USD 127m and sale of vessels of USD 129m.

Current assets excluding cash decreased by USD 90m. The decrease in current assets is primarily due to a decrease in assets held-for-sale of USD 14m, a decrease in bunkers of USD 26m and a decrease in freight receivables of USD 38m. The decrease in bunkers was driven by the decrease in the fleet of owned and chartered vessels, whereas the decrease in freight receivables was primarily driven by the decrease in revenue.

Total equity decreased year-on-year by USD 150m in 2013 to USD 118m from USD 267m in 2012. The decrease in equity was mainly due to the loss for the year of USD 162m. The impact of the loss for the year was partly offset by a reversal of a hedging reserve of USD 12m.

TORM's total liabilities decreased by USD 198m in 2013 to USD 1,890m from USD 2,088m in 2012, primarily due to repayment of bank loans in connection with the sale and delivery of five vessels of USD 121m, a decrease in trade payables of USD 39m due to the decrease in the fleet of owned and chartered vessels and a decrease in drawdowns of USD 36m on the Working Capital Facility.

SEGMENT RESULTS

TORM's revenues derive from two segments: The Tanker Division and the Bulk Division. The table Segment gross profit/loss on page 37 presents the results of shipping activities by operating segment for the years 2013 and 2012 excluding the restructuring effects. The gross profit for 2013 in the Tanker Division increased by USD 113m and the gross profit in the Bulk Division decreased by USD 5m compared to 2012.

The change in time charter equivalent earnings in the Tanker Division and the Bulk Division is summarized as illustrated in the table on page 37.

Furthermore, the table on page 38 summarizes earnings data per quarter.

Tanker Division

Revenue in the Tanker Division decreased by 16% to USD 775m in 2013 from USD 917m in 2012, and time charter equivalent earnings decreased by USD 14m or 4% to USD 364m in 2013 from USD 378m in 2012. The decrease in TCE earnings was primarily due to a decrease in the number of available earning days of 22%, partly offset by an increase in the weighted average TCE earnings per available earning day of 24% compared to 2012.

In the LR2 fleet, one finance lease was redelivered late in 2012 as part of the restructuring causing the number of available earning days in the LR2 fleet to decrease by 6% in 2013, resulting in a reduction in earnings of USD 2m. The average freight rates increased by 24% from 2012 to 2013, resulting in an increase in earnings of USD 9m. Hence, earnings in total increased by USD 7m.

In the LR1 fleet, the time charter fleet was significantly reduced as part of the restructuring late in 2012, leaving the number of available earning days in the LR1 fleet 60% lower compared to 2012. This was only partly compensated by an increase in the average freight rates of 22% in 2013. In total, earnings were reduced by USD 44m.

In the MR fleet, five vessels were delivered to the new owners in 2013 and combined with the sale of one vessel in 2012

SEGMENT GROSS PROFIT/(LOSS)

USDm	Tanker Division	Bulk Division	**Total 2012*)**	Tanker Division	Bulk Division	**Total 2013**
Revenue	917.1	204.1	1,121.2	774.8	217.5	992.3
Port expenses, bunkers and commissions	-538.1	-127.3	-665.4	-410.8	-139.7	-550.5
Freight and bunker derivatives	-0.6	10.5	9.9	0.1	1.3	1.4
Time charter equivalent earnings	**378.4**	**87.3**	**465.7**	**364.1**	**79.1**	**443.2**
Charter hire	-153.8	-100.5	-254.3	-22.1	-97.1	-119.2
Operating expenses	-165.5	-3.4	-168.9	-169.9	-3.7	-173.6
Gross profit/(loss) (Net earnings from shipping activities)	**59.1**	**-16.6**	**42.5**	**172.1**	**-21.7**	**150.4**

*) 2012 figures exclude the impact from the restructuring to enable a like-for-like comparison between 2012 and 2013.

CHANGE IN TIME CHARTER EQUIVALENT EARNINGS

USDm	Handy-size	MR	LR1	LR2	Un-allo-cated	**Tanker Division Total**	Handy-max	Pana-max	Un-allo-cated	**Bulk Division Total**	**Total**
Time charter equivalent earnings 2012	48.6	205.9	85.2	39.6	-0.9	378.4	23.8	60.4	3.1	87.3	465.7
Change in number of earning days	-0.7	-32.3	-51.2	-2.2	-	-86.4	6.2	6.6	-	12.8	-73.6
Change in freight rates	2.3	52.3	7.5	9.1	-	71.2	-1.8	-15.3	-	-17.1	54.1
Other	-	-	-	-	0.9	0.9	-	-	-3.9	-3.9	-3.0
Time charter equivalent earnings 2013	**50.2**	**225.9**	**41.5**	**46.5**	**0.0**	**364.1**	**28.2**	**51.7**	**-0.8**	**79.1**	**443.2**

Unallocated earnings comprise fair value adjustment of freight and bunker derivatives, which are not designated as hedges, and gains and losses on freight and bunker derivatives, which are not entered into for hedging purposes.

and the reduction in the time charter fleet as part of the restructuring late in 2012, the number of available earning days decreased by 2,683 days or 16%, resulting in a decrease in earnings of USD 32m. However, this was more than offset by an increase in freight rates of 30%, resulting in increased earnings of USD 52m. Hence, total earnings increased by USD 20m.

In the Handysize fleet, the average freight rates were 5% higher in 2013 compared to 2012, resulting in an increase in earnings of USD 2m.

Bulk Division

In the Bulk Division, revenue increased by 7% to USD 218m in 2013 from USD 204m in 2012, whereas time charter equivalent earnings decreased by 9% or USD 8m to USD 79m in 2013 from USD 87m in 2012. Earnings were positively affected by an overall increase of 14% in the number of available earning days. However, this was more than offset by a reduction in the weighted average TCE earnings per available earning day of 17% compared to 2012.

In the Panamax fleet, the number of available earning days increased by 642 days in 2013 as compared to 2012 or 10% due to an increase in the time charter fleet, causing an increase in earnings of USD 7m. Freight rates were on average 22% lower in 2013 and reduced earnings by USD 15m in 2013 as compared to 2012.

In the Handymax fleet, the number of available earning days increased by 588 days to 3,009 days in 2013 compared to 2012 or 24% due to an increase in the time charter fleet. The

EARNINGS DATA

USDm	2012 Full year	2013 Q1	Q2	Q3	Q4	Full year	% Change full year
TANKER DIVISION							
LR2/Aframax vessels							
Available earning days	3,703	881	891	874	847	3,493	-6%
Owned	3,106	701	710	690	664	2,765	
T/C	598	180	181	184	183	728	
Spot rates 1)	12,573	14,245	15,346	11,350	11,711	13,134	4%
TCE per earning day 2)	10,735	7,865	14,157	11,082	14,595	13,350	24%
LR1/Panamax vessels							
Available earning days	6,967	898	637	644	624	2,803	-60%
Owned	2,530	630	637	644	624	2,535	
T/C	4,437	268	-	-	-	268	
Spot rates 1)	11,953	16,796	14,252	15,282	11,231	14,212	19%
TCE per earning day 2)	12,294	17,509	12,674	16,124	12,413	14,958	22%
MR vessels							
Available earning days	17,052	3,722	3,744	3,583	3,320	14,369	-16%
Owned	13,962	3,452	3,477	3,308	3,060	13,297	
T/C	3,090	270	267	275	260	1,072	
Spot rates 1)	12,178	17,647	17,060	14,585	15,338	15,914	31%
TCE per earning day 2)	12,042	17,210	16,457	13,909	15,046	15,682	30%
Handysize vessels							
Available earning days	3,986	986	981	979	984	3,930	-1%
Owned	3,986	986	981	979	984	3,930	
T/C	0	-	-	-	-	0	
Spot rates 1)	11,801	15,231	10,700	11,389	13,508	12,783	8%
TCE per earning day 2)	12,196	15,987	10,328	11,201	13,555	12,773	5%
BULK DIVISION							
Panamax vessels							
Available earning days	6,226	2,072	2,312	1,617	867	6,868	10%
Owned	724	180	182	184	160	706	
T/C	5,502	1,892	2,130	1,433	707	6,162	
TCE per earning day 2)	10,248	6,149	8,156	8,128	12,697	8,019	-22%
Handymax vessels							
Available earning days	2,421	848	1,105	736	321	3,009	24%
Owned	0	-	-	-	-	0	
T/C	2,421	848	1,105	736	321	3,009	
TCE per earning day 2)	10,481	7,504	9,881	11,959	12,906	9,880	-6%

1) Spot rate = Time Charter Equivalent Earnings for all charters with less than six months' duration = Gross freight income less bunker, commissions and port expenses.

2) TCE = Time Charter Equivalent Earnings = Gross freight income less bunker, commissions and port expenses.

increase in available earning days increased earnings by USD 6m, whereas a decrease in average freight rates of 6% resulted in a decrease in earnings of USD 2m.

OPERATION OF VESSELS

As compared to 2012, the charter hire cost in the Tanker Division decreased by USD 132m (86%) to USD 22m in 2013, whereas the charter hire cost in the Bulk Division decreased by USD 3m (3%) to USD 97m. The decreases were primarily caused by a reduction of chartering days due to a large number of redeliveries in connection with the restructuring in 2012 within the Tanker Division and reduced activity in the Bulk Division.

The development in operating expenses can be summarized as illustrated in the table on page 39. The table also summarizes the operating data for the Company's fleet of owned and bareboat chartered vessels.

Operating expenses for the owned vessels increased by USD 5m to USD 174m in 2013 due to investment in the owned fleet in order to increase the quality and performance. During 2013, the cost savings and efficiency programs continued, keeping the cost development under control.

The total fleet of owned vessels had 651 off-hire days, corresponding to 2.7% of the number of operating days in 2013

CHANGE IN OPERATING EXPENSES

USDm	Tanker Division				Bulk Division		
	Handysize	MR	LR1	LR2	Panamax	Unallocated	**Total**
Operating expenses in 2012	24	99	16	27	3	-	169
Change in operating days	-	-4	-	-5	-	-	-9
Change in operating expenses per day	4	3	1	3	1	-	12
Other				**2**			**2**
Operating expenses in 2013	**28**	**98**	**17**	**27**	**4**	**-**	**174**

OPERATING DATA

USD/day	Tanker Division					Bulk Division			**2013**
	Handysize	MR	LR1	LR2	**Tanker**	Handymax	Panamax	**Bulk**	**Total**
Operating expenses per operating day in 2012	6,004	6,921	6,293	6,554	6,649	-	4,637	4,637	6,591
Operating expenses per operating day in 2013	7,067	7,155	6,842	7,354	7,134	-	5,060	5,060	7,071
Change in the operating expenses per operating day in %	18%	3%	9%	12%	7%	-	9%	9%	7%
Operating days in 2013*)	4,015	13,664	2,555	3,284	23,518	-	730	730	24,248
- Off-hire	39	112	2	54	207	-	-	-	207
- Dry-docking	46	255	18	101	420	-	24	24	444
+/- Bareboat charters out/in	-	-	-	-364	-364	-	-	-	-364
+ Vessels chartered in	-	1,073	268	729	2,070	3,009	6,161	9,170	11,240
Available earning days	**3,930**	**14,370**	**2,803**	**3,494**	**24,597**	**3,009**	**6,867**	**9,876**	**34,473**

*) Including bareboat charters.

compared to 585 off-hire days in 2012, corresponding to 2.3% of the number of operating days.

Net profit/(loss) from sale of vessels
There was no profit/loss from sale of vessels during 2013. In 2012, TORM incurred a loss from the sale of vessels of USD 26m.

Administrative expenses and other operating income
Total administrative expenses amounted to USD 57m in 2013, which was a decrease of USD 11m or 16% compared to the USD 67m in 2012 and mainly due to a reduction in the number of employees and a decrease in facility expenses.

Other operating income primarily comprises chartering commissions and service fees. Other operating income amounted to USD 2m in 2013 and USD 1m in 2012.

Financial income and expenses
Net financial expenses in 2013 were USD 76m (2012: USD 131m), corresponding to a decrease of USD 55m. This was mainly due to the fact that 2012 included an expense of USD 65m relating to fees to advisors of the Company and the Company's creditors related to the work on the Restructuring Agreement. This was partly compensated by an income from fair value adjustment on derivative financial instruments of USD 8m in 2012.

Tax
Tax for the year amounted to an income of USD 4m compared to an expense of USD 2m in 2012. The tax for 2013 comprises a current tax expense for the year of USD 2m, which was unchanged from the previous year, an expense of USD 1m due to an adjustment of the estimated tax liabilities for the previous years and an income of USD 7m in the deferred tax liability mainly related to the reduction in the Danish company tax rate from 25% in 2013 to 22% in 2016 when the reduction will be fully phased in. In 2012, there was no significant income or expenses related to tax liabilities from previous years or deferred tax liabilities.

Vessels and dry-docking
The decrease in tangible fixed assets of USD 258m to USD 1,697m in 2013 is mainly attributable to impairment losses for the year, reclassification to assets held-for-sale and depreciation for the year.

Transfer to assets held-for-sale amounted to USD 120m in 2013 (2012: USD 134m). Depreciation regarding tangible fixed assets amounted to USD 127m in 2013 (2012: USD 138m), and an impairment loss of USD 60m mainly relating to the four MR vessels classified as held-for-sale was recorded in 2013, whereas the impairment loss relating to the tanker fleet in 2012 was USD 74m.

Investments in entities, including jointly controlled entities
The carrying amount of the investment in jointly controlled entities was USD 1m at 31 December 2013 (2012: USD 1m). The share of results of jointly controlled entities in 2013 was USD 0m, against a loss of USD 9m in 2012, of which a loss of USD 4m derived from FR8.

Assessment of impairment of assets
The Management followed its usual practice of performing an impairment review every quarter and presenting the outcome to the Audit Committee. The Audit Committee evaluates the impairment review and prepares a recommendation to the Board of Directors. The recoverable amount of the assets is reviewed by assessing the net selling price and the value in use for the significant assets within the two cash generating units of the Company: The Tanker Division and the Bulk Division.

In the assessment of the net selling price, the Management included a review of market values derived as the average of two internationally recognized shipbrokers' valuations. The shipbrokers' primary input is deadweight tonnage, yard and age of the vessel. The assessment of the value in use was based on the net present value of the expected future cash flows. The key assumptions are considered to be related to future developments in freight rates and operating expenses and to the weighted average cost of capital (WACC) applied as discounting factor in the calculations.

The impairment assessment, which is made under the assumption that TORM will continue to operate its fleet in the current set-up, is highly sensitive in particular to changes in the freight rates. Please refer to note 9 for further details.

In 2013, the lenders under one of the Company's bank facilities exercised their option to initiate a sales process of the four MR vessels financed by that facility, and the vessels have been reclassified from non-current assets to assets held-for-sale as per 31 December 2013. These four vessels were subsequently sold to a company controlled by Oaktree Capital Management. As a result, an impairment loss of USD 55m equal to the difference between the expected sales price less costs to sell and the book value was recognized. In 2012, an option leading to the sale of five MR vessels and an impairment loss of USD 74m was exercised. These five vessels were further impaired in 2013 and an impairment loss of USD 5m was recorded. The Tanker Division and the Bulk Division were not further impaired in 2013, whereas there was an additional impairment loss from the 50% investment in FR8 in the amount of USD 42m in 2012.

The Company will continue to monitor developments on a quarterly basis for indications of impairment.

LIQUIDITY AND CASH FLOW
In 2013, the invested capital decreased by USD 305m to USD 1,823m at 31 December 2013 (2012: USD 2,128m). The decrease can primarily be explained by the disposal of vessels, impairment loss for the year and depreciations for the year.

Total cash and cash equivalents amounted to USD 29m at the end of 2013 against USD 28m at the end of 2012, resulting in a net increase in cash and cash equivalents for the year of USD 1m, compared to a net decrease of USD 58m in 2012. The undrawn credit facility at 31 December 2013 amounted to USD 78m (2012: USD 42m).

The Company's operations generated a cash inflow of USD 68m in 2013. In 2012, the cash outflow from operations was USD 100m, of which fees to advisors of the Company and the Company's creditors related to the work on the Restructuring Agreement amounted to USD 65m. In addition, the Company invested USD 41m (2012: USD 59m) in tangible fixed assets during 2013, primarily comprising the capitalized dry-docking. The Company generated USD 135m (2012: 50m) in cash flow from the sale of non-current assets, primarily vessels.

The total cash outflow from financing activities amounted to USD 161m, compared to a cash inflow of USD 42m in 2012. Repayment on mortgage debt and bank loans amounted to USD 178m. Additional borrowings generated an inflow of USD 18m relating to the new Working Capital Facility. TORM did not pay any dividends to its shareholders during 2013.

PRIMARY FACTORS AFFECTING RESULTS OF OPERATIONS
TORM generates revenue by charging customers for the transportation of refined oil products, crude oil and, to a lesser extent, dry bulk cargoes, using the Company's tankers and dry bulk vessels. The Company's focus is on maintaining a young, high quality fleet and optimizing the mix between long-term chartered-in and owned vessels to the extent allowed in TORM's financing agreement. The Company actively manages the deployment of the fleet between spot market voyage charters, which generally last from several days to several weeks, and time charters to the extent allowed in TORM's financing agreement. Some of the Company's product tankers are employed in a pool, where revenue is generated from both spot market voyage charters and time charters.

TORM believes that the important measures for analyzing trends in the results of its operations for both tankers and dry bulk vessels consist of the following:

- *Time charter equivalent (TCE) earnings per available earning day.* TCE earnings per available earning day are defined as revenue less voyage expenses divided by the number of available earning days. Voyage expenses primarily consist of port and bunker expenses that are unique to a particular voyage, which would otherwise be paid by a charterer under a time charter, as well as commissions, freight and bunker derivatives. TORM believes that presenting revenue net of voyage expenses neutralizes the variability created by unique costs associated with particular voyages or the deployment of vessels on the spot market and facilitates comparisons between periods on a consistent basis. Under time charter contracts, the charterer pays the voyage expenses, while under voyage charter contracts the shipowner pays these expenses. A charterer has the choice of entering into a time charter (which may be a one-trip time charter) or a voyage charter. TORM is neutral as to the charterer's choice because the Company will primarily base its financial decisions on expected TCE rates rather than on expected revenue. The analysis of revenue is therefore primarily based on developments in TCE earnings.
- *Spot charter rates.* A spot market voyage charter is generally a contract to carry a specific cargo from a load port to a discharge port for an agreed freight per ton of cargo or a specified total amount. Under spot market voyage charters, TORM pays voyage expenses such as port, canal and bunker costs. Spot charter rates are volatile and fluctuate on a seasonal and year-to-year basis. Fluctuations derive from imbalances in the availability of cargoes for shipment and the number of vessels available at any given time to transport these cargoes. Vessels operating in the spot market generate revenue that is less predictable, but may enable the Company to capture increased profit margins during periods of improvements in tanker rates.
- *Time charter rates.* A time charter is generally a contract to charter a vessel for a fixed period of time at a set daily or monthly rate. Under time charters, the charterer pays voyage expenses such as port, canal and bunker costs. Vessels operating on time charters provide more predictable cash flows, but can yield lower profit margins than vessels operating in the spot market during periods characterized by favorable market conditions.
- *Available earning days.* Available earning days are the total number of days in a period when a vessel is ready and available to perform a voyage, meaning the vessel is not off-hire or in dry-dock. For the owned vessels, this is calculated by taking operating days and subtracting off-hire days and days in dry-dock. For the chartered-in vessels, no such calculation is required because charter hire is only paid on earning days and not for off-hire days or days in dry-dock.
- *Operating days.* Operating days are the total number of available days in a period with respect to the owned vessels, before deducting unavailable days due to off-hire days and days in dry-dock. Operating days is a measurement that is only applicable to the owned vessels, not to the chartered-in vessels.
- *Operating expenses per operating day.* Operating expenses per operating day are defined as crew wages and related costs, the costs of spares and consumable stores, expenses relating to repairs and maintenance (excluding capitalized dry-docking), the cost of insurance and other expenses on a per operating day basis. Operating expenses are only paid for owned vessels. The Company does not pay such costs for the chartered-in vessels, as they are paid by the vessel owner and instead factored into the charter hire cost for such chartered-in vessels.

ACCOUNTING EFFECTS FROM RESTRUCTURING IN 2012

In November 2012, TORM completed a restructuring with the cooperation of the Company's banks and time charter partners, which provides the Company with a robust platform for the coming years. The agreement secured TORM deferral of bank debt, new liquidity and substantial savings from the restructured time charter book.

The accounting effects on the 2012 numbers from the restructuring are presented in detail in the table on page 42. The restructuring did not impact 2013. For the purpose of the analysis of the segment results in the tables on page 37, the effects of the restructuring have been excluded to enable a like-for-like comparison between 2012 and 2013.

ACCOUNTING IMPACT OF THE RESTRUCTURING AGREEMENT AND CERTAIN RELATED TRANSACTIONS

USDm	Fee to banks 1)	Fee to charter-ins (operating lease) 2)	Fee to charter-ins (finance leases) 3)	New finance lease 4)	Capital decrease 5)	Conversion of debt 6)	Transfer to non-current liabilities 7)	Draw-down and payment of interest and fees 8)	Fee to advisors 9)	**Net accounting impact**
Charter hire	-	-135	-	-	-	-	-	-	-	-135
Net profit/(loss) from sale of vessels	-	-	-10	-	-	-	-	-	-	-10
Financial expenses	-	-	-	-	-	-	-	-	-65	-65
Net profit/(loss)	**-**	**-135**	**-10**	**-**	**-**	**-**	**-**	**-**	**-65**	**-210**
Vessels and capitalized dry-docking	-	-	-67	15	-	-	-	-	-	-52
Cash and cash equivalents	-	-	-	-	-	-	-	5	-74	-69
TOTAL ASSETS	**-**	**-**	**-67**	**15**	**-**	**-**	**-**	**5**	**-74**	**-121**
Common shares	-	-	-	-	-61	1	-	-	-	-60
Special reserve	-	-	-	-	61	-	-	-	-	61
Retained profit	-	-135	-10	-	-	199	-	-	-68	-14
Total equity	**-**	**-135**	**-10**	**-**	**-**	**200**	**-**	**-**	**-68**	**-13**
Mortgage debt and bank loans	-	-	-	-	-	-	1,830	58	-6	1,882
Finance lease liabilities	-	-	-28	15	-	-	-	-	-	-13
Total non-current liabilities	**-**	**-**	**-28**	**15**	**-**	**-**	**1,830**	**58**	**-6**	**1,869**
Mortgage debt and bank loans	-10	-	-	-	-	-	-1,784	-	-	-1,794
Finance lease liabilities	-	-	-50	-	-	-	-	-	-	-50
Other liabilities	10	135	21	-	-	-200	-46	-53	-	-133
Total current liabilities	**-**	**135**	**-29**	**-**	**-**	**-200**	**-1,830**	**-53**	**-**	**-1,977**
TOTAL EQUITY AND LIABILITIES	**-**	**-**	**-67**	**15**	**-**	**-**	**-**	**5**	**-74**	**-121**

1) A USD 10m fee to the banks was recognized as transaction costs against mortgage debt and bank loans and as an increase of agreed debt in other liabilities.

2) Of a USD 190m in consideration to time charter-in partners, USD 169m was for accounting purposes considered to relate to termination and modification of charter-in debt in respect of operating leases. Of the USD 169m, charter hire of USD 34m was previously rolled up in accrued charter hire in other liabilities. The net amount of USD 135m was expensed as termination costs of USD 88m (terminated contracts) and an expected loss on continuing time charter-ins of USD 47m (onerous contracts), both in the line item charter hire.

3) TORM's two finance leases (USD 67m in vessels) have been terminated as part of the restructuring, one of which was subsequently accounted for as a new finance lease, see note 4 below. USD 21m of the USD 190m consideration to time charter-in partners was considered to relate to settlement of terminated charter-in contracts in respect of finance leases. The USD 21m was added to other liabilities, and the finance lease liabilities and book value of the vessels were removed from the balance sheet, resulting in a net loss of USD 10m in net profit/(loss) from sale of vessels.

4) One of TORM's two finance leases has re-entered the fleet under new terms and has been accounted for as a new finance lease, cf. note 3 above. The new finance lease results in an addition of USD 15m to the line item vessels and a corresponding increase in finance lease liabilities.

5) The capital decrease approved at the Annual General Meeting on 23 April 2012 was completed as part of the completion of the restructuring by decreasing the nominal amount per share from DKK 5.00 to DKK 0.01. The share capital was reduced by USD 61m, which has been transferred from the line item common shares to the line item special reserve.

6) The total restructuring fee and agreed debt of USD 200m was converted into new shares upon completion of the restructuring. TORM issued 655.2m new shares of a nominal value of DKK 0.01 each, at a subscription price of DKK 1.79 per new share, corresponding to an increase of the nominal share capital of USD 1m and an increase in retained profit of USD 199m.

7) As of the completion of the restructuring, TORM was no longer in breach of any covenants, and as a result hereof TORM's bank debt was not considered to fall due within a period of 12 months from completion of the restructuring. Consequently, USD 1,784m in mortgage debt and bank loans have been transferred from current to non-current liabilities. In addition, USD 46m of swap liabilities have been transferred to non-current liabilities.

8) At the completion of the restructuring, TORM made a drawdown of USD 60m on the Super Senior Working Capital Facility of which USD 2m was used to pay upfront and agency fees and recognized as transaction costs against mortgage debt and bank loans. In addition, the drawdown was used to finance the payment of rolled-up interest of USD 22m and other accrued fees and expenses of approximately USD 31m. As of 28 December 2012, TORM repaid USD 2m, so that the total drawdown at year-end 2012 was USD 58m.

9) Fees to advisors of TORM and its creditors related to the work on the Restructuring Agreement.

CONSOLIDATED SEGMENT INFORMATION 2012 – ADJUSTED FOR RESTRUCTURING EFFECTS

This table gives a segment result for 2012 excluding restructuring effects to enable a like-for-like comparison with 2013. In addition, it outlines the total effects on EBIT as well as the split on segments. The full accounting effects from the restructuring are presented in detail in the table on page 42.

	2012									
USDm	Tanker Division without restruc-turing	Restruc-turing effects	Tanker Division Total	Bulk Division without restruc-turing	Restruc-turing effects	Bulk Division Total	Divisions without restruc-turing	Restruc-turing effects	Not allocated	**Total**
INCOME STATEMENT										
Revenue	917.1	-	917.1	204.1	-	204.1	1,121.2	0.0	-	1,121.2
Port expenses, bunkers and commissions	-538.1	-	-538.1	-127.3	-	-127.3	-665.4	0.0	-	-665.4
Freight and bunker derivatives	-0.6	-	-0.6	10.5	-	10.5	9.9	0.0	-	9.9
Time charter equivalent earnings	**378.4**	**-**	**378.4**	**87.3**	**-**	**87.3**	**465.7**	**0.0**	**-**	**465.7**
Charter hire	-153.8	-74.6	-228.4	-100.5	-60.7	-161.2	-254.3	-135.3	-	-389.6
Operating expenses	-165.5	-	-165.5	-3.4	-	-3.4	-168.9	0.0	-	-168.9
Gross profit/(loss) (Net earnings from shipping activities)	**59.1**	**-74.6**	**-15.5**	**-16.6**	**-60.7**	**-77.3**	**42.5**	**-135.3**	**-**	**-92.8**
Net profit/(loss) from sale of vessels	-16.0	-10.0	-26.0	0.0	-	0.0	-16.0	-10.0	-	-26.0
Administrative expenses	-58.9	-	-58.9	-8.3	-	-8.3	-67.2	0.0	-	-67.2
Other operating income	0.6	-	0.6	0.3	-	0.3	0.9	0.0	-	0.9
Share of results of jointly controlled entities	-5.0	-	-5.0	0.0	-	0.0	-5.0	0.0	-4.4	-9.4
EBITDA	**-20.2**	**-84.6**	**-104.8**	**-24.6**	**-60.7**	**-85.3**	**-44.8**	**-145.3**	**-4.4**	**-194.5**
Depreciation incl. impairment losses	-209.6	-	-209.6	-2.8	-	-2.8	-212.4	0.0	-41.6	-254.0
Operating profit/(loss) (EBIT) (Segment result)	**-229.8**	**-84.6**	**-314.4**	**-27.4**	**-60.7**	**-88.1**	**-257.2**	**-145.3**	**-46.0**	**-448.5**

CONSOLIDATED INCOME STATEMENT
1 JANUARY – 31 DECEMBER

USD '000	Note	2013	2012
Revenue		992,336	1,121,215
Port expenses, bunkers and commissions		-550,547	-665,395
Freight and bunker derivatives		1,408	9,914
Time charter equivalent earnings		**443,197**	**465,734**
Charter hire		-119,203	-389,603
Operating expenses	4	-173,637	-168,903
Gross profit (Net earnings from shipping activities)	**3**	**150,357**	**-92,772**
Net profit/(loss) from sale of vessels		0	-26,048
Administrative expenses	4, 5	-56,521	-67,224
Other operating income		1,690	951
Share of profits/(loss) from jointly controlled entities	28	493	-9,408
EBITDA		**96,019**	**-194,501**
Impairment losses on jointly controlled entities	9	0	-41,542
Impairment losses on tangible and intangible assets	7, 8, 9, 26	-59,772	-74,232
Amortizations and depreciation	7, 8	-126,903	-138,229
Operating profit/(loss) (EBIT)		**-90,656**	**-448,504**
Financial income	10	4,199	11,846
Financial expenses	10	-79,703	-142,427
Profit/(loss) before tax		**-166,160**	**-579,085**
Tax	13	3,927	-1,558
Net profit/(loss) for the year		**-162,233**	**-580,643**

EARNINGS/(LOSS) PER SHARE

		2013	2012
Earnings/(loss) per share (USD)	29	-0.2	-3.3
Earnings/(loss) per share (DKK)*)		-1.3	-18.9
Diluted earnings/(loss) per share (USD)	29	-0.2	-3.3
Diluted earnings/(loss) per share (DKK)*)		-1.3	-18.9

*) Calculated from USD to DKK at the average USD/DKK exchange rate for the relevant period.

The accompanying notes are an integrated part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
1 JANUARY – 31 DECEMBER

USD '000	2013	2012
Net profit/(loss) for the year	**-162,233**	**-580,643**
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange rate adjustment arising on translation of entities using a functional currency different from USD	-256	343
Fair value adjustment on hedging instruments	0	-11,112
Value adjustment on hedging instruments transferred to income statement	11,553	18,186
Fair value adjustment on other investments available-for-sale	575	170
Other comprehensive income after tax	**11,872**	**7,587**
Total comprehensive income for the year	**-150,361**	**-573,056**

No income taxes fall on other comprehensive income items.

The accompanying notes are an integrated part of these financial statements.

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER

USD '000	Note	2013	2012
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Goodwill		0	0
Other intangible assets		1,537	1,720
Total intangible assets	**7, 9**	**1,537**	**1,720**
Tangible fixed assets			
Land and buildings		0	812
Vessels and capitalized dry-docking	18	1,692,739	1,948,348
Prepayments on vessels		0	0
Other plant and operating equipment		4,684	6,504
Total tangible fixed assets	**8, 9**	**1,697,423**	**1,955,664**
Financial assets			
Investments in jointly controlled entities	9, 28	1,034	1,040
Other investments	6	12,322	12,333
Total financial assets		**13,356**	**13,373**
Total non-current assets		**1,712,316**	**1,970,757**
CURRENT ASSETS			
Bunkers		46,075	72,544
Freight receivables	11	79,713	117,331
Other receivables	12	13,280	16,831
Prepayments		7,617	15,566
Cash and cash equivalents		29,109	28,328
Total current assets excluding assets held-for-sale		**175,794**	**250,600**
Non-current assets held-for-sale	26	119,500	133,980
Total current assets		**295,294**	**384,580**
TOTAL ASSETS		**2,007,610**	**2,355,337**

The accompanying notes are an integrated part of these financial statements.

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER

USD '000	Note	2013	2012
EQUITY AND LIABILITIES			
EQUITY			
Common shares	14	1,247	1,247
Special reserve		60,974	60,974
Treasury shares	14	-19,048	-19,104
Revaluation reserves		6,925	6,350
Retained profit		75,048	236,607
Hedging reserves		-11,186	-22,739
Currency translation reserves		3,748	4,004
Total equity		**117,708**	**267,339**
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred tax liability	13	46,337	53,220
Mortgage debt and bank loans	2, 17, 18, 20	1,565,222	1,881,014
Finance lease liabilities	21	12,851	14,371
Deferred income	15	4,041	5,224
Total non-current liabilities		**1,628,451**	**1,953,829**
CURRENT LIABILITIES			
Mortgage debt and bank loans	2, 17, 18, 20	168,645	812
Trade payables		43,891	83,766
Current tax liabilities		1,581	325
Other liabilities	16	43,513	48,083
Deferred income	15	3,821	1,183
Total current liabilities		**261,451**	**134,169**
Total liabilities		**1,889,902**	**2,087,998**
TOTAL EQUITY AND LIABILITIES		**2,007,610**	**2,355,337**

The accompanying notes are an integrated part of these financial statements.

Accounting policies, critical estimates and judgements	1
Liquidity, capital resources, going concern and subsequent events	2
Guarantee commitments and contingent liabilities	19
Derivative financial instruments	22
Risks associated with TORM's activities	23
Related party transactions	25

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

USD '000	Common shares	Special reserve*)	Treasury shares**)	Retained profit	Revaluation reserves	Hedging reserves	Translation reserves	Total
EQUITY								
Equity at 1 January 2012	**61,098**	**0**	**-17,309**	**620,032**	**6,180**	**-29,813**	**3,661**	**643,849**
Comprehensive income for the year:								
Net profit/(loss) for the year	-	-	-	-580,643	-	-	-	-580,643
Other comprehensive income for the year	-	-	-	-	170	7,074	343	7,587
Total comprehensive income for the year	**0**	**0**	**0**	**-580,643**	**170**	**7,074**	**343**	**-573,056**
Share capital decrease	-60,974	60,974	-	-	-	-	-	0
Conversion of debt	1,123	-	-	198,877	-	-	-	200,000
Acquisition of treasury shares, cost	-	-	-1,795	-	-	-	-	-1,795
Transaction costs share issue	-	-	-	-2,944	-	-	-	-2,944
Disposal treasury shares, cost	-	-	-	-	-	-	-	0
Gain from disposal of treasury shares	-	-	-	-	-	-	-	0
Share-based compensation	-	-	-	1,285	-	-	-	1,285
Total changes in equity 2012	**-59,851**	**60,974**	**-1,795**	**-383,425**	**170**	**7,074**	**343**	**-376,510**
Equity at 31 December 2012	**1,247**	**60,974**	**-19,104**	**236,607**	**6,350**	**-22,739**	**4,004**	**267,339**
Comprehensive income for the year:								
Net profit/(loss) for the year	-	-	-	-162,233	-	-	-	-162,233
Other comprehensive income for the year	-	-	-	-	575	11,553	-256	11,872
Total comprehensive income for the year	**0**	**0**	**0**	**-162,233**	**575**	**11,553**	**-256**	**-150,361**
Share capital decrease	-	-	-	-	-	-	-	0
Conversion of debt	-	-	-	-	-	-	-	0
Acquisition of treasury shares, cost	-	-	-	-	-	-	-	0
Transaction costs share issue	-	-	-	-	-	-	-	0
Disposal treasury shares, cost	-	-	56	-	-	-	-	56
Gain from disposal of treasury shares	-	-	-	37	-	-	-	37
Share-based compensation	-	-	-	637	-	-	-	637
Total changes in equity 2013	**0**	**0**	**56**	**-161,559**	**575**	**11,553**	**-256**	**-149,631**
Equity at 31 December 2013	**1,247**	**60,974**	**-19,048**	**75,048**	**6,925**	**-11,186**	**3,748**	**117,708**

*) The special reserve was established in conjunction with a capital decrease in 2012. In accordance with the Danish Companies Act, the special reserve can be used by the Board of Directors to distribute dividends or for other purposes that the Board of Directors may deem appropiate.

**) Please refer to note 14 in the consolidated financial statements for further information on treasury shares.

The accompanying notes are an integrated part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
1 JANUARY - 31 DECEMBER

USD '000	Note	2013	2012
CASH FLOW FROM OPERATING ACTIVITIES			
Operating profit/(loss)		-90,656	-448,504
Adjustments:			
Reversal of net loss from sale of vessels		0	26,048
Reversal of amortization and depreciation		126,903	138,229
Reversal of impairment of jointly controlled entities		0	41,542
Reversal of impairment of tangible and intangible assets		59,772	74,232
Reversal of share of results of jointly controlled entities		-493	9,408
Reversal of restructuring charter-in fee		0	168,870
Reversal of other non-cash movements	27	5,277	2,777
Dividends received		547	428
Dividends received from jointly controlled entities		500	0
Interest received		56	676
Interest paid		-55,123	-51,598
Advisor fees related to financing and restructuring plan		-1,172	-64,972
Income taxes paid/repaid		-1,914	-2,935
Change in bunkers, receivables and payables	27	24,249	6,285
Net cash flow from operating activities		**67,946**	**-99,514**
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in tangible fixed assets		-41,333	-59,446
Loans to jointly controlled entities		0	8,198
Sale of equity interests and securities		0	1,948
Sale of non-current assets		134,703	49,626
Net cash flow from investing activities		**93,370**	**326**
CASH FLOW FROM FINANCING ACTIVITIES			
Borrowing, mortgage debt		18,000	82,451
Repayment/redemption, mortgage debt		-177,556	-34,597
Repayment/redemption, finance lease liabilities		0	-2,219
Transaction costs share issue		-1,072	-1,872
Purchase/disposals of treasury shares		93	-1,795
Cash flow from financing activities		**-160,535**	**41,968**
Net cash flow from operating, investing and financing activities		**781**	**-57,220**
Cash and cash equivalents at 1 January		**28,328**	**85,548**
Cash and cash equivalents at 31 December		**29,109**	**28,328**
Of which restricted cash and cash equivalents		0	0
Non-restricted cash and cash equivalents at 31 December		**29,109**	**28,328**

The accompanying notes are an integrated part of these financial statements.

NOTE 1

ACCOUNTING POLICIES, CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The annual report has been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and the disclosure requirements for Danish listed companies' financial reporting issued by NASDAQ OMX Copenhagen.

The financial statements are prepared in accordance with the historical cost convention except where fair value accounting is specifically required by IFRS.

The functional currency in all major entities is USD, and the Company applies USD as presentation currency in the preparation of the annual report.

ADOPTION OF NEW OR AMENDED IFRS

TORM has implemented IFRS 13 "Fair Value Measurement" in the annual report for 2013, which did not affect TORM's accounting policies.

ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

IASB has issued a number of new or amended and revised accounting standards and interpretations that have not yet come into effect. The following are the most significant:

IFRS 10 "Consolidated Financial Statements"
IFRS 11 "Joint Arrangements"
IFRS 12 "Disclosures of Interests in Other Entities"
IAS 27 "Investments in Associates"
IAS 28 "Investments in Associates and Joint Ventures"

The standards will be implemented in 2014, when they become effective in the EU. The implementation of the standards is not expected to have any significant impact on the consolidated financial statements.

IFRS 9 "Financial Instruments". The standard and subsequent amendments will substantially change the classification and measurement of financial instruments and hedging requirements. The new standard and amendments have not yet been endorsed by the European Union. IASB has tentatively decided that the mandatory effective date of the standard will be no earlier than annual periods beginning on or after 1 January 2017. The impact on the consolidated financial statements has not yet been determined on a sufficiently reliable basis.

KEY ACCOUNTING POLICIES

The Management considers the following to be the most important accounting policies for the TORM Group.

Participation in pools

TORM generates its revenue from shipping activities, which to some extent are conducted through pools. Total pool revenue is generated from each vessel participating in the pools in which the Group participates and is based on either voyage or time charter parties. The pool measures net revenues based on the contractual rates and the duration of each voyage, and net revenue is recognized upon delivery of services in accordance with the terms and conditions of the charter parties.

The pools are regarded as joint operations, and the Company's share of the income statement and balance sheet in the respective pools is accounted for by recognizing a proportional share, based on participation in the pool, combining items of a uniform nature.

The Company's share of the income in the pools is primarily dependent on the number of days the Company's vessels have been available for the pools in relation to the total available pool earning days during the period.

In 2013, TORM acted as pool manager of one pool in which the Company is participating with a significant number of vessels. As pool manager, TORM receives a chartering commission income to cover the expenses associated with this role. The chartering commission income is calculated as a fixed percentage of the freight income from each charter agreement. If the pool does not earn any freight income, TORM will not receive any commission income. The commission income is recognized in the income statement under "Other operating income" simultaneously with the recognition of the underlying freight income in the pool.

Cross-over voyages

Revenue is recognized upon delivery of services in accordance with the terms and conditions of the charter parties. For cross-over voyages (voyages in progress at the end of a reporting period), the uncertainty and the dependence on estimates are greater than for finalized voyages. The Company recognizes a percentage of the estimated revenue for the voyage equal to the percentage of the estimated duration of the voyage completed at the balance sheet date. The estimate of revenue is based on the expected duration and destination of the voyage. Voyage expenses are recognized as incurred.

When recognizing revenue, there is a risk that the actual number of days it takes to complete the voyage will differ from the estimate, and for time charter parties a lower day rate may have been agreed for additional days. The contract for a single voyage may state several alternative destination ports. The destination port may change during the voyage, and the rate may vary depending on the destination port. Changes to the estimated duration of the voyage as well as changing destinations and weather conditions will affect the voyage expenses.

Demurrage revenue

Freight contracts contain conditions regarding the amount of time available for loading and discharging of the vessel. If these conditions are breached, TORM is compensated for the additional time incurred in the form of demurrage revenue. Demurrage revenue is recognized upon delivery of services in accordance with the terms and conditions of the charter parties. Upon completion of the voyage, the Company assesses the time spent in port, and a demurrage claim based on the relevant contractual conditions is submitted to the charterers. The claim will often be met by counterclaims due to differences in the interpretation of the agreement compared to the actual circumstances of the additional time used. Based on previous experience, 95% of the demurrage claim submitted is recognized as demurrage revenue. The Company receives the demurrage payment upon reaching final agreement on the amount, which on average is approximately 100 days after the original demurrage claim was submitted. If the Group accepts a reduction of more than 5% of the original claim, or if the charterer is not able to pay, demurrage revenue will be affected.

Vessels

Vessels are measured at cost less accumulated depreciation and accumulated impairment losses. Cost comprises acquisition cost and costs directly related to the acquisition up until the time when the asset is ready for use, including interest expenses incurred during the period of construction, based on the loans obtained for the vessels. All major components of vessels except for dry-docking costs are depreciated on a straight-line basis to the estimated residual value over their estimated useful lives, which TORM estimates to be 25 years. The Company considers that a 25-year depreciable life is consistent with that used by other shipowners with comparable tonnage. Depreciation is based on cost less the estimated residual value. Residual value is estimated as the lightweight tonnage of each vessel multiplied by scrap value per ton.

NOTE 1 – CONTINUED

The useful life and the 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.

The Company also evaluates the carrying amounts to determine if events have occurred that indicate impairment and would require a modification of their carrying amounts. Prepayment on vessels is measured at costs incurred.

Dry-docking
Approximately every 30 and 60 months, depending on the nature of work and external requirements, the vessels are required to undergo planned dry-dockings for replacement of certain components, major repairs and maintenance of other components, which cannot be carried out while the vessels are operating. These dry-docking costs are capitalized and depreciated on a straight-line basis over the estimated period until the next dry-docking. The residual value of such components is estimated at nil. The useful life of the dry-docking costs are reviewed at least at each financial year-end based on market conditions, regulatory requirements and TORM's business plans.

A portion of the cost of acquiring a new vessel is allocated to the components expected to be replaced or refurbished at the next dry-docking. Depreciation hereof is carried over the period until the next dry-docking. For newbuildings, the initial dry-docking asset is estimated based on the expected costs related to the first-coming dry-docking, which again is based on experience and past history of similar vessels. For second-hand vessels, a dry-docking asset is also segregated and capitalized separately, taking into account the normal docking intervals of the Company.

At subsequent dry-dockings, the costs comprise the actual costs incurred at the dry-docking yard. Dry-docking costs may include the cost of hiring crews to effect replacements and repairs and the cost of parts and materials used, cost of travel, lodging and supervision of Company personnel and the cost of hiring third-party personnel to oversee a dry-docking. Dry-docking activities include, but are not limited to, the inspection, service on turbo-charger, replacement of shaft seals, service on boiler, replacement of hull anodes, applying of antifouling and hull paint, steel repairs and refurbishment and replacement of other parts of the vessel.

Deferred tax
All significant Danish entities within the Group entered into the Danish tonnage tax scheme for a binding 10-year period with effect from 1 January 2001. However, as a consequence of the acquisition of 50% of OMI in 2007, a new 10-year binding period commenced with effect from 1 January 2008. Under the Danish tonnage tax scheme, taxable income is not calculated on the basis of income and expenses as under the normal corporate taxation. Instead, taxable income is calculated with reference to the tonnage used during the year. The taxable income of a company for a given period is calculated as the sum of the taxable income under the tonnage tax scheme and the taxable income from the activities that are not covered by the tonnage tax scheme computed in accordance with the ordinary Danish corporate tax rules.

If the entities' participation in the Danish tonnage tax scheme is abandoned, or if the entities' level of investment and activity is significantly reduced, a deferred tax liability will become payable. A deferred tax liability is recognized in the balance sheet at each period end calculated using the balance sheet liability method. The deferred tax liability relating to the vessels is measured on the basis of the difference between the tax base of the vessels at the date of entry into the tonnage tax scheme and the lower of cost and the realized or realizable sales value of the vessels.

OTHER ACCOUNTING POLICIES

Consolidation principles
The consolidated financial statements comprise the financial statements of the Parent Company, TORM A/S, and its subsidiaries, i.e. the entities in which the Parent Company, directly or indirectly, holds the majority of the voting rights or otherwise exercises control. Entities in which the Group exercises significant, but not controlling influence, are regarded as associated companies and are recognized using the equity method.

Companies which are by agreement managed jointly with one or more companies and therefore are subject to joint control (joint ventures) are accounted for using the equity method.

The consolidated financial statements are prepared on the basis of the financial statements of the Parent Company, its subsidiaries and proportionately consolidated activities (joint operations) by combining items of a uniform nature and eliminating intercompany transactions, balances and shareholdings as well as realized and unrealized gains and losses on transactions between the consolidated companies. The financial statements used for consolidation purposes are prepared in accordance with the Company's accounting policies.

Foreign currencies
The functional currency of all significant entities, including subsidiaries and associated companies, is USD, because the Company's vessels operate in international shipping markets, in which income and expenses are settled in USD, and the Companies most significant assets and liabilities in the form of vessels and related liabilities are denominated in USD. Transactions in currencies other than the functional currency are translated into the functional currency at the transaction date. Cash, receivables and payables and other monetary items denominated in currencies other than the functional currency are translated into the functional currency at the exchange rate at the balance sheet date. Gains or losses due to differences between the exchange rate at the transaction date and the exchange rate at the settlement date or the balance sheet date are recognized in the income statement under "Financial income and expenses".

An exchange rate gain or loss relating to a non-monetary item carried at fair value is recognized in the same line as the fair value adjustment.

The reporting currency of the Company is USD. Upon recognition of entities with functional currencies other than USD, the financial statements are translated into USD. Income statement items are translated into USD at the average exchange rates for the period, whereas balance sheet items are translated at the exchange rates as at the balance sheet date. Exchange differences arising from the translation of financial statements into USD are recognized as a separate component of equity. On the disposal of an entity, the cumulative amount of the exchange differences recognized in the separate component of equity relating to that entity is transferred to the income statement as part of the gain or loss on disposal.

Derivative financial instruments
Derivative financial instruments, primarily interest rate swaps, forward currency exchange contracts, forward freight agreements and forward contracts regarding bunker purchases, are entered to hedge future committed or anticipated transactions. TORM applies hedge accounting under the specific rules on cash flow hedges when appropriate and allowed according to the restructuring in 2012.

Derivative financial instruments are initially recognized in the balance sheet at fair value at the date when the derivative contract is entered into and are subsequently measured at their fair value as other receivables or other liabilities, respectively.

NOTE 1 – CONTINUED

Changes in the fair value of derivative financial instruments, which are designated as cash flow hedges and deemed to be effective, are recognized directly in "Other comprehensive income". When the hedged transaction is recognized in the income statement, the cumulative value adjustment recognized in "Other comprehensive income" is transferred to the income statement and included in the same line as the hedged transaction. However, when the hedged transaction results in the recognition of a fixed asset, the gains and losses previously accumulated in "Other comprehensive income" are transferred from "Other comprehensive income" and included in the initial measurement of the cost of the fixed asset. Changes in the fair value of a portion of a hedge deemed to be ineffective are recognized in the income statement.

Changes in the fair value of derivative financial instruments that are not designated as hedges are recognized in the income statement. While effectively reducing cash flow risk in accordance with the risk management policy of the Company, interest rate swaps with cap features and certain forward freight agreements and forward contracts regarding bunker purchases do not qualify for hedge accounting. Changes in fair value of these derivate financial instruments are therefore recognized in the income statement under "Financial income" or expenses for interest rate swaps with cap features and under "Freight and bunkers derivatives" for forward freight agreements and forward bunker contracts.

Segment information
TORM consists of two business segments: The Tanker Division and the Bulk Division. This segmentation is based on the Group's internal management and reporting structure. In the tanker segment, the services provided primarily comprise transport of refined oil products such as gasoline, jet fuel and naphtha, and in the bulk segment the services provided comprise transport of dry cargo – typically commodities such as coal, grain, iron ore, etc. Transactions between segments are based on market-related prices and are eliminated at Group level. The Group only has one geographical segment, because the Company considers the global market as a whole, and as the individual vessels are not limited to specific parts of the world. Furthermore, the internal management reporting does not provide such information. Consequently, it is not possible to provide geographical segment information on revenue from external customers or non-current assets.

The accounting policies applied for the segments regarding recognition and measurement are consistent with the policies for TORM as described in this note.

The segment income statement comprises income directly attributable to the segment and expenses which are directly or indirectly attributable to the segment. Indirect allocation of expenses is based on distribution keys reflecting the segment's use of shared resources.

The segment's non-current assets consist of the non-current assets used directly for segment operations.

Current assets are allocated to segments to the extent that they are directly attributable to segment operations, including inventories, outstanding freight or other receivables and prepayments.

Segment liabilities comprise segment operating liabilities including trade payables and other liabilities.

Not allocated items primarily comprise assets and liabilities as well as revenues and expenses relating to the Company's administrative functions and investment activities, including cash and bank balances, interest-bearing debt, income tax, deferred tax, etc.

Employee benefits
Wages, salaries, social security contributions, paid holiday and sick leave, bonuses and other monetary and non-monetary benefits are recognized in the year in which the employees render the associated services.

Pension plans
The Group has entered into defined contribution plans only. Pension costs related to defined contribution plans are recorded in the income statement in the year to which they relate.

Share-based payment
For the period 2007-2009, the Management and all land-based employees and officers employed on permanent contracts (apart from trainees, apprentices and cadets) that were directly employed by TORM A/S participated in an incentive scheme, which included grants of shares and share options. In 2010 and 2011, a new incentive scheme comprising share options has been established for Management and certain key employees. The schemes do not provide the choice of cash settlement instead of shares. The value of the services received as consideration for the shares and share options granted under the schemes is measured at the fair value of the granted shares and share options. The fair value is measured at the grant date and is recognized in the income statement as staff costs under administrative expenses and operating expenses over the vesting period. The counter item is recognized in equity. The fair value is measured based on the Black-Scholes and Monte Carlo models.

Leases
Agreements to charter in vessels and to lease other plant and operating equipment, where TORM has substantially all the risks and rewards of ownership, are recognized in the balance sheet as finance leases. Lease assets are measured at the lower of fair value and the present value of minimum lease payments determined in the leases.

For the purpose of calculating the present value, the interest rate implicit in the lease or an incremental borrowing rate is used as discount factor. The lease assets are depreciated and written down under the same accounting policy as the vessels owned by the Company or over the lease period depending on the lease terms.

The corresponding lease obligation is recognized as a liability in the balance sheet, and the interest element of the lease payment is charged to the income statement as incurred.

Other charter agreements concerning vessels and other leases are classified as operating leases, and lease payments are charged to the income statement on a straight-line basis over the lease term. The obligation for the remaining lease term is disclosed in the notes to the financial statements.

Agreements to charter out vessels, where substantially all the risks and rewards of ownership are transferred to the lessee, are classified as finance leases, and an amount equal to the net investment in the lease is recognized and presented in the balance sheet as a receivable. The carrying amount of the vessel is derecognized, and any gain or loss on disposal is recognized in the income statement. Other agreements to charter out vessels are classified as operating leases, and lease income is recognized in the income statement on a straight-line basis over the lease term.

Sale and leaseback transactions
A gain or loss related to a sale and leaseback transaction resulting in a finance lease is deferred and amortized in proportion to the gross rental on the time charter over the lease term.

NOTE 1 – CONTINUED

A gain related to a sale and leaseback transaction resulting in an operating lease is recognized in the income statement immediately, provided the transaction is established at fair value or the sales price is lower than the fair value. If the sales price exceeds the fair value, the difference between the sales price and the fair value is deferred and amortized in proportion to the lease payments over the term of the lease. A loss related to a sale and leaseback transaction resulting in an operating lease is recognized in the income statement at the date of the transaction, except if the loss is compensated by future lease payments below fair value, the loss is deferred and amortized in proportion to the lease payments over the term of the lease.

INCOME STATEMENT

Revenue
Income, including revenue, is recognized in the income statement when:
- The income generating activities have been carried out on the basis of a binding agreement
- The income can be measured reliably
- It is probable that the economic benefits associated with the transaction will flow to the Company
- Costs relating to the transaction can be measured reliably

Revenue comprises freight, charter hire and demurrage revenues from the vessels and gains and losses on forward freight agreements designated as hedges. Revenue is recognized when it meets the general criteria mentioned above and when the stage of completion can be measured reliably. Accordingly, freight, charter hire and demurrage revenue are recognized at selling price upon delivery of the service according to the charter parties concluded.

Port expenses, bunkers and commissions
Port expenses, bunker fuel consumption and commissions are recognized as incurred. Gains and losses on forward bunker contracts designated as hedges and write-down and provisions for losses on freight receivables are included in this line.

Freight and bunkers derivatives
Freight and bunkers derivatives comprise fair value adjustments and gains and losses on forward freight agreements, forward bunker contracts and other derivative financial instruments directly relating to shipping activities which are not designated as hedges.

Charter hire
Charter hire comprises expenses related to the chartering in of vessels incurred in order to achieve the net revenue for the period.

Operating expenses
Operating expenses, which comprise crew expenses, repair and maintenance expenses and tonnage duty, are expensed as incurred.

Net profit/(loss) from sale of vessels
Net profit/(loss) from sale of vessels is recognized when the significant risks and rewards of ownership have been transferred to the buyer, and it is measured as the difference between the sales price less sales costs and the carrying amount of the asset. Net profit/(loss) from sale of vessels also includes onerous contracts related to sale of vessels and losses from cancellation of newbuilding contracts.

Administrative expenses
Administrative expenses, which comprise administrative staff costs, management costs, office expenses and other expenses relating to administration, are expensed as incurred.

Other operating income
Other operating income primarily comprises chartering commissions, management fees and profits and losses deriving from the disposal of other plant and operating equipment.

Impairment losses on jointly controlled entities
Impairment losses on jointly controlled entities comprise the reduction in the value of the equity investment in jointly controlled entities by the amount by which the carrying amount of the investment exceeds its recoverable amount. In the event of indication of impairment, the carrying amount is assessed, and the value of the asset is written down to its recoverable amount equal to the higher of the value in use based on net present value of future earnings from the assets and its net selling price.

Amortizations, depreciation and impairment losses
Amortizations, depreciation and impairment losses comprise amortization of other intangible assets and depreciation of tangible fixed assets for the period as well as the write-down of the value of assets by the amount by which the carrying amount of the asset exceeds its recoverable amount. In the event of indication of impairment, the carrying amount is assessed, and the value of the asset is written down 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 income
Financial income comprises interest income, realized and unrealized exchange rate gains relating to transactions in currencies other than the functional currency, realized gains from other equity investments and securities, unrealized gains from securities, dividends received and other financial income including value adjustments of certain financial instruments not accounted for as hedges of future transactions.

Interest is recognized in accordance with the accrual basis of accounting taking into account the effective interest rate. Dividends from other investments are recognized when the right to receive payment has been decided, which is typically when the dividend has been declared and can be received without conditions.

Financial expenses
Financial expenses comprise interest expenses, financing costs of finance leases, realized and unrealized exchange rate losses relating to transactions in currencies other than the functional currency, realized losses from other equity investments and securities, unrealized losses from securities and other financial expenses including value adjustments of certain financial instruments not accounted for as hedges of future transactions.

Interest is recognized in accordance with the accrual basis of accounting taking into account the effective interest rate.

Tax
In Denmark, TORM A/S is jointly taxed with its Danish subsidiaries. The Parent Company provides for and pays the aggregate Danish tax on the taxable income of these companies, but recovers the relevant portion of the taxes paid from the subsidiaries based on each entity's portion of the aggregate taxable income. Tax expenses comprise the expected tax including tonnage tax on the taxable income for the year for the Group, adjustments relating to previous years and the change in deferred tax for the year. However, tax relating to equity items is posted directly in equity.

NOTE 1 – CONTINUED

BALANCE SHEET

Goodwill
Goodwill is measured as the excess of the cost of the business combination over the fair value of the acquired assets, liabilities and contingent liabilities and is recognized as an asset under intangible assets. Goodwill is not amortized, but the recoverable amount of goodwill is assessed every quarter. For impairment testing purposes, goodwill is on initial recognition allocated to those cash generating units to which it relates.

Other intangible assets
Other intangible assets were acquired in connection with the acquisition of OMI and are amortized over their useful lives, which vary from one to 15 years.

Other plant and operating equipment
Land is measured at cost.

Buildings are measured at cost less accumulated depreciation and accumulated impairment losses. Buildings are depreciated on a straight-line basis over 50 years.

Operating equipment is measured at cost less accumulated depreciation. Computer equipment is depreciated on a straight-line basis over three years, and other operating equipment is depreciated on a straight-line basis over five years.

Leasehold improvements are measured at cost less accumulated amortization and impairment losses, and leasehold improvements are amortized on a straight-line basis over the shorter of the term of the lease and the estimated useful life. Cost comprises acquisition cost and costs directly related to the acquisition up until the time when the asset is ready for use.

Investments in jointly controlled entities
Investments in joint controlled entities comprise investments in companies which are by agreement managed jointly with one or more companies and therefore subject to joint control and are accounted for using the equity method.

Financial assets
Financial assets are initially recognized at the settlement date at fair value plus transaction costs, except for financial assets at fair value through profit or loss, which are recognized at fair value. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred.

Financial assets are classified as:
- Financial assets at fair value through profit or loss
- Held-to-maturity investments
- Loans and receivables
- Available-for-sale financial assets

Other investments
Other investments comprise shares in other companies and are classified as available-for-sale. Listed shares are measured at the market value at the balance sheet date, and unlisted shares are measured at estimated fair value. Unrealized gains and losses resulting from changes in fair value of shares are recognized in "Other comprehensive income". Realized gains and losses resulting from sales of shares are recognized as financial items in the income statement. The cumulative value adjustment recognized in "Other comprehensive income" is transferred to the income statement when the shares are sold. Dividends on shares in other companies are recognized as financial income in the period in which they are declared.

Other investments are presented as non-current, unless Management intends to dispose of the investments within 12 months of the balance sheet date.

Receivables
Outstanding freight receivables and other receivables that are expected to be realized within 12 months from the balance sheet date are classified as loans and receivables and presented as current assets. Receivables are measured at the lower of amortized cost and net realizable values, which corresponds to nominal value less provision for bad debts. Derivative financial instruments included in other receivables are measured at fair value.

Non-current assets held-for-sale
Non-current assets are classified as held-for-sale if the carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification

Non-current assets held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Gains and losses are recognized on delivery to the new owners in the income statement in the item "Net profit/loss from sale of vessels".

Impairment of assets
Non-current assets are reviewed quarterly to determine any indication of impairment due to a significant decline in either the assets' market value or in the cash flows generated by the assets. In case of such indication, the recoverable amount of the asset is estimated as the higher of the asset's net selling price and its value in use. The value in use is the present value of the future cash flows expected to derive from an asset. If the recoverable amount is less than the carrying amount of the asset, the carrying amount is reduced to the recoverable amount. The impairment loss is recognized immediately in the income statement.

For the purpose of assessing impairment, assets including goodwill and time charter and bareboat contracts are grouped at the lowest levels at which goodwill is monitored for internal management purposes. The two cash generating units of the Company are the Tanker Division and the Bulk Division.

Bunkers
Bunkers and luboil are stated at the lower of cost and net realizable value. Cost is determined using the FIFO method and includes expenditures incurred in acquiring the bunkers and luboil and delivery cost less discounts.

Treasury shares
Treasury shares are recognized as a separate component of equity at cost. Upon subsequent disposal of treasury shares, any consideration is also recognized directly in equity.

Dividend
Dividend is recognized as a liability at the time of declaration at the Annual General Meeting. Dividend proposed for the year is moved from "Retained profit" and presented as a separate component of equity.

NOTE 1 – CONTINUED

Provisions
Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that it will lead to an outflow of resources that can be reliably estimated. Provisions are measured at the estimated liability that is expected to arise, taking into account the time value of money.

Mortgage debt and bank loans
At the time of borrowing, mortgage debt and bank loans are measured at fair value less transaction costs. Mortgage debt and bank loans are subsequently measured at amortized cost. This means that the difference between the proceeds at the time of borrowing and the nominal amount of the loan is recognized in the income statement as a financial expense over the term of the loan applying the effective interest method.

When terms of existing financial liabilities are renegotiated, or other changes regarding the effective interest rate occur, TORM performs a test to evaluate whether the new terms are substantially different from the original terms. If the new terms are substantially different from the original terms, TORM accounts for the change as an extinguishment of the original financial liability and the recognition of a new financial liability. TORM considers the new terms to be substantially different from the original terms if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

Other liabilities
Liabilities are generally measured at amortized cost. Derivative financial instruments included in other liabilities are measured at fair value.

CASH FLOW STATEMENT
The cash flow statement shows the Company's cash flows and cash and cash equivalents at the beginning and the end of the period.

Cash flow from operating activities is presented using the indirect method and is based on operating profit/(loss) for the year, financial income and expenses, net profit from sale of vessels, non-cash operating items, changes in working capital, income tax paid, dividends received and interest paid/received.

Cash flow from investing activities comprises the purchase and sale of tangible fixed assets and financial assets.

Cash flow from financing activities comprises changes in long-term debt, bank loans, finance lease liabilities, purchases or sales of treasury shares and dividend paid to shareholders.

Cash and cash equivalents comprise cash at bank and in hand including restricted cash and cash equivalents. Other investments are classified as investment activities.

EARNINGS PER SHARE
Basic earnings per share are calculated by dividing the consolidated net profit or loss for the year available to common shareholders by the weighted average number of common shares outstanding during the period. Treasury shares are not included in the calculation. Purchases and sales of treasury shares during the period are weighted based on the remaining period.

Diluted earnings per share are calculated by adjusting the consolidated profit or loss available to common shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive shares. Such potentially dilutive common shares are excluded when the effect of including them would be to increase earnings per share or reduce a loss per share.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS
The preparation of financial statements in accordance with IFRS requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are affected by the way TORM applies its accounting policies. An accounting estimate is considered critical if the estimate requires Management to make assumptions about matters subject to significant uncertainty, if different estimates could reasonably have been used, or if changes in the estimate that would have a material impact on the Company's financial position or results of operations are reasonably likely to occur from period to period. Management believes that the accounting estimates applied are appropriate and the resulting balances are reasonable. However, actual results could differ from the original estimates requiring adjustments to these balances in future periods.

Management believes that the following are the significant accounting estimates and judgments used in the preparation of the consolidated financial statement:

Carrying amounts of vessels
The Company evaluates the carrying amounts of the vessels to determine if events have occurred that would require a modification of their carrying amounts. The valuation of vessels is reviewed based on events and changes in circumstances that would indicate that the carrying amount of the assets might not be recovered. In assessing the recoverability of the vessels, the Company reviews certain indicators of potential impairment such as reported sale and purchase prices, market demand and general market conditions. Furthermore, market valuations from leading, independent and internationally recognized shipbroking companies are obtained on a quarterly basis as part of the review for potential impairment indicators. If an indication of impairment is identified, the need for recognizing an impairment loss is assessed by comparing the carrying amount of the vessels to the higher of the fair value less cost to sell and the value in use.

The review for potential impairment indicators and projection of future undiscounted and discounted cash flows related to the vessels is complex and requires the Company to make various estimates including future freight rates, earnings from the vessels and discount rates. All of these factors have historically been volatile.

The carrying amounts of TORM's vessels may not represent their fair market value at any point in time as market prices of second-hand vessels to a certain degree tend to fluctuate with changes in charter rates and the cost of newbuildings. However, if the estimated future cash flow or related assumptions in the future experience change, an impairment write-down of vessels may be required.

NOTE 2

LIQUIDITY, CAPITAL RESOURCES AND SUBSEQUENT EVENTS

Liquidity and capital resources
As of 31 December 2013, TORM's cash position totaled USD 29m (2012: USD 28m) and undrawn credit facilities amounted to USD 78m (2012: USD 42m). TORM has no order book and therefore no CAPEX related hereto.

TORM's bank debt (excluding the Working Capital Facility of USD 100m) has aligned key terms and conditions across all facilities with maturity on 31 December 2016. As of 31 December 2013, the financing agreements provide for a deferral of installment on the existing bank debt until 30 September 2014, in which period re-scheduled principal amortizations will only fall due if the Company has sufficient liquidity. If vessels are sold, the related debt will fall due and minimum amortizations will be adjusted accordingly. Annualized minimum amortizations of USD 88m were scheduled as of 31 December 2013 to commence with effect from 30 September 2014 until 31 December 2016. Please see subsequent events for postponement in scheduled amortization.

During 2013, TORM's bank debt was reduced by USD 121m. This was driven by the sale of five vessels following one bank group's exercise of its option to sell vessels. Furthermore, the utilization of the Working Capital Facility was reduced by USD 36m.

Interest on the existing debt will only be paid if the Company has sufficient liquidity, and otherwise the remainder will be rolled up until debt amortizations begin. In 2013, all interest was paid. The Company will pay interest on the Working Capital Facility until its maturity on 30 September 2014.

The financial covenants appear uniformly across the bank debt facilities and include:

- *Minimum liquidity*: Cash plus available part of the USD 100m Working Capital Facility must exceed USD 50m until 30 September 2014 when the minimum cash requirement is adjusted. Please see subsequent events for reduction in minimum cash requirement.

- *Loan-to-value ratio:* As of 31 December 2013, the total bank debt (excluding Working Capital Facility) of USD 1,728m is split into a senior debt facility of USD 913m, a junior debt facility of USD 452m and a subordinated debt facility of USD 363m. All debt facilities have collateral in the vessels. The senior debt facility must have an agreed ratio of loan to TORM's fleet value (excl. financial lease vessel) below 85%. The agreed ratio will gradually step down to 65% by 30 June 2016.

- *Consolidated total debt to EBITDA:* As of 31 December 2013, the agreed ratio was 25:1. This will gradually step down to a 6:1 ratio by 30 June 2016.

- *Interest cover ratio*: Agreed EBITDA to interest ratio of initially 1.4x by 30 June 2014 will gradually step up to 2.5x by 31 December 2015.

The terms of the credit facilities include a catalogue of additional covenants, including among other things:
- A change-of-control provision with a threshold of 25% of shares or voting rights
- No issuance of new shares or dividend distribution without consent from the lenders

During 2012, 2013 and as of 31 December 2013, TORM was in compliance with all covenants.

SUBSEQUENT EVENTS
For the full year 2014, TORM forecasts a positive EBITDA of USD 90-130m and a loss before tax of USD 70-110m. TORM expects to be operational cash flow positive after all interest payments. The forecasts are based on the current capital structure and are before potential vessel sales and impairment charges.

On 28 February 2014, TORM and its Lenders agreed to amend the existing loan agreements and hereby postpone the Minimum Amortization Amounts previously scheduled for 2014 by six months. For the financial year 2014, payments of USD 33m and USD 11m previously scheduled to 30 September 2014 and 31 December 2014 respectively have been postponed into 2015. The amendment also includes a decrease of the Minimum Cash requirement from USD 30m to USD 20m for the period 30 September 2014 to 30 March 2015. TORM's USD 100m Working Capital Facility is still scheduled to fall due on 30 September 2014.

Following the above-mentioned amendment, TORM expects to remain in compliance with its financial covenants for 2014.

The uncertainties and sensitivities about freight rates and asset prices may have an effect on the Company's compliance with the financial covenants. As 21,328 earning days are uncovered at year-end 2013, a change in freight rates of USD/day 1,000 would impact profit before tax by USD 21m.

For further details on the forecast, please refer to "Outlook 2014" on page 8 and "Safe Harbor Statement" on page 10.

NOTE 3

USDm	2013 Tanker Division	2013 Bulk Division	2013 Not allocated	2013 Total	2012 Tanker Division	2012 Bulk Division	2012 Not allocated	2012 Total
CONSOLIDATED SEGMENT INFORMATION								
INCOME STATEMENT								
Revenue	774.8	217.5	-	992.3	917.1	204.1	-	1,121.2
Port expenses, bunkers and commissions	-410.8	-139.7	-	-550.5	-538.1	-127.3	-	-665.4
Freight and bunker derivatives	0.1	1.3	-	1.4	-0.6	10.5	-	9.9
Time charter equivalent earnings	**364.1**	**79.1**	**0.0**	**443.2**	**378.4**	**87.3**	**0.0**	**465.7**
Charter hire	-22.1	-97.1	-	-119.2	-228.4	-161.2	-	-389.6
Operating expenses	-169.9	-3.7	-	-173.6	-165.5	-3.4	-	-168.9
Gross profit/(loss) (Net earnings from shipping activities)	**172.1**	**-21.7**	**0.0**	**150.4**	**-15.5**	**-77.3**	**0.0**	**-92.8**
Net profit/(loss) from sale of vessels	-	-	-	0.0	-26.0	-	-	-26.0
Administrative expenses	-48.2	-8.3	-	-56.5	-58.9	-8.3	-	-67.2
Other operating income	1.4	0.2	-	1.6	0.6	0.3	-	0.9
Share of results of jointly controlled entities	0.5	-	-	0.5	-5.0	-	-4.4	-9.4
EBITDA	**125.8**	**-29.8**	**0.0**	**96.0**	**-104.8**	**-85.3**	**-4.4**	**-194.5**
Impairment losses on jointly controlled entities	-	-	-	0.0	-	-	-41.6	-41.6
Impairment losses on tangible and intangible assets	-59.8	-	-	-59.8	-74.2	-	-	-74.2
Amortization and depreciation	-123.8	-2.9	-	-126.8	-135.4	-2.8	-	-138.2
Operating profit/(loss) (EBIT) (Segment result)	**-57.9**	**-32.7**	**0.0**	**-90.6**	**-314.4**	**-88.1**	**-46.0**	**-448.5**
Financial income			4.2	4.2			11.8	11.8
Financial expenses			-79.7	-79.7			-142.3	-142.3
Profit/(loss) before tax			**-75.5**	**-166.1**			**-176.5**	**-579.0**
Tax			3.9	3.9			-1.6	-1.6
Net profit/(loss) for the year			**-71.6**	**-162.2**			**-178.1**	**-580.6**
BALANCE SHEET								
Total non-current assets	1,664.5	35.5	12.3	**1,712.3**	1,916.3	36.0	18.5	**1,970.8**
Total liabilities	69.3	10.3	1,810.3	**1,889.9**	72.9	40.3	1,974.8	**2,088.0**
OTHER INFORMATION								
Additions to intangible assets and tangible fixed assets	41.6	1.5	-	**43.1**	78.9	0.6	-	**79.5**
Impairment losses recognized in the income statement	-59.8	-	0.0	**-59.8**	-74.2	-	-41.6	**-115.8**
Investments in jointly controlled entities	1.0	-	-	**1.0**	1.0	-	-	**1.0**

The activity in TORM's 50% ownership of FR8 Holding Pte. Ltd. including impairment loss is included in "Not allocated".

TORM consists of two business segments: The Tanker Division and the Bulk Division. This segmentation is based on the Group's internal management and reporting structure.

During the year, there have been no transactions between the tanker and the bulk segments, and therefore all revenue derives from external customers.

Because the Company considers the global market as a whole, and as the individual vessels are not limited to specific parts of the world, the Group has only one geographical segment.

In the Tanker Division, a major portion of the Company's freight revenue is concentrated on a small group of customers. In 2013 and 2012, no customers in the Tanker Division accounted for more than 10% of the total freight revenue of the Company.

Please also refer to the section "Segment information" in note 1.

NOTE 4

USDm	2013	2012
STAFF COSTS		
Total staff costs		
Staff costs included in operating expenses	18.1	17.4
Staff costs included in administrative expenses	36.3	40.8
Total	**54.4**	**58.2**

Staff costs comprise the following		
Wages and salaries	50.0	52.7
Share-based compensation	0.6	1.3
Pension costs	3.5	3.7
Other social security costs	0.3	0.5
Total	**54.4**	**58.2**

Of which remuneration to the Board of Directors and salaries to the Executive Management:

USD '000	2013			2012**)		
	Board remu-neration	Committee remuner-ation	Total short-term benefits	Board remu-neration	Committee remuner-ation	Total short-term benefits
Board of Directors						
Flemming Ipsen ***)	222	38	260	-	-	-
Olivier Dubois ***)	75	51	126	-	-	-
Kari Millum Gardarnar	76	-	76	139	-	139
Alexander Green ***)	77	16	93	-	-	-
Rasmus Johannes Hoffmann	79	-	79	139	-	139
Jon Syvertsen ***)	76	16	92	-	-	-
Niels Erik Nielsen ****)	-	-	-	347	9	356
Christian Frigast ****)	-	-	-	225	17	242
Peter Abildgaard ****)	-	-	-	22	-	22
Jesper Jarlbæk ****)	-	-	-	139	9	148
Gabriel Panayotides*)	-	-	-	22	3	25
Angelos Papoulias*)	-	-	-	22	3	25
Stefanos-Niko Zouvelos*)	-	-	-	22	3	25
Total for the year	**605**	**121**	**726**	**1,077**	**44**	**1,121**

*) Did not stand for re-election at the Annual General Meeting on 23 April 2012.

**) The Board of Directors has for 2012 received additional compensation for the extraordinary work carried out during the restructuring process.

***) Appointed on 9 January 2013.

****) Resigned on 9 January 2013.

	Short-term benefits					
Executive Management 2013	Salaries	Bonus	Pension	Share-based compen-sation*)	One-time compen-sation**)	Total
Jacob Meldgaard	957	-	-	143	-	1,100
Roland M. Andersen	687	-	12	95	1,754	2,548
Total for 2013	**1,644**	**0**	**12**	**238**	**1,754**	**3,648**

*) Share-based compensation to Executive Management relates to the theoretical value of share options granted before 2012, but allocated to and recognized in the income statement for 2013. The current share price is well below the exercise prices for these options which are considerably out-of-the-money.

**) Roland M. Andersen resigned as CFO at the end of October 2013. The 2013 compensation includes an extraordinary compensation element, as he invoked a change-of-control clause in his employment contract.

	Short-term benefits					
Executive Management 2012	Salaries	Bonus	Pension	Share-based compen-sation	One-time compen-sation	Total
Jacob Meldgaard	929	-	-	252	-	1,181
Roland M. Andersen	675	-	15	173	-	863
Total for 2012	**1,604**	**0**	**15**	**425**	**0**	**2,044**

Employee information

The average number of permanently employed staff in the Group in the financial year was 281 (2012: 305) land-based employees and 147 (2012: 161) seafarers.
The majority of the staff on vessels are not employed by TORM.
The average number of employees is calculated as a full-time equivalent (FTE).
The members of the Executive Management are, in the event of termination by the Company, entitled to a severance payment of up to 12 months' salary.

NOTE 4 - CONTINUED

INCENTIVE SCHEME FOR MANAGEMENT AND CERTAIN EMPLOYEES FOR 2010-2012

TORM's share option programs are subject to Danish law and include certain adjustment provisions and exercise conditions and other terms customary for share option programs of this nature.

Incentive scheme

In 2010, a share option-based incentive scheme was established for certain employees including the Executive Management, members of the management group and certain key employees. 35 persons were comprised by the 2010 grant and 40 persons by the 2011 grant. The Company has granted 0 share options in the year 2012.

The Board of Directors is not included in the share option program 2010-2012.

The share option program 2010-2012 comprises share options only and aims at incentivizing the participants to seek to improve the results of the Company and thereby the value of the Company, i.e. the share price, to the mutual benefit of themselves and the shareholders of the Company.

The share options were granted in 2010, 2011 and 2012 at the discretion of the Board of Directors in accordance with criteria determined by the Board of Directors.

In 2013, 102,583 (2012: 40,000) of the share options granted in 2011 and 21,982 (2012: 40,000) of the share option granted in 2010 were forfeited.

As at 31 December 2013, a total number of 2,596,071 (2012: 2,720,636) unexercised share options were outstanding under the share option program for 2010 and 2011, including 536,422 (2012: 891,406) options to members of the current Executive Management.

The share options vest in connection with the publication of the annual report in the third calendar year following the grant.

Vested share options may be exercised from the vesting date until the publication of the annual report in the sixth year from the grant. Additionally, the share options may only be exercised in an exercise window during a period of four weeks from the date of the Company's publication of an interim report or an annual report.

Each share option gives the employee the right to acquire one share with a nominal value of DKK 0.01. Exercised options are settled by the Company's holding of treasury shares or, in certain situations, by settlement in cash.

For grants made in 2010, the exercise price is DKK 33.59, which was calculated as the average closing price on NASDAQ OMX Copenhagen on the day of the publication of the interim financial report for the third quarter of 2010 and the following four business days plus a hurdle rate of 12% per annum calculated from the date of the grant until the vesting date and after adjustment for the discounted issuance of the new shares. For grants made in 2011, the exercise price is DKK 27.20, which was calculated as the average closing price on NASDAQ OMX Copenhagen on the day of the publication of the annual report for 2010 and the following four business days plus a hurdle rate of 12% per annum calculated from the date of the grant until the vesting date.

Participants resigning from their positions with the Company as good leavers prior to vesting are allowed to keep their share options and to exercise them in accordance with the terms and conditions of the share option program 2010-2012. Bad leaver participants will lose all share options that have not vested at the time of final resignation. This is in accordance with the mandatory provisions of the Danish Stock Option Act.

In 2013, an expense of USD 0.1m (2012: USD 0.6m) has been recognized in the income statement regarding share options granted in 2010 and USD 0.5m (2012: USD 0.7m) regarding share options granted in 2011.

The fair value of the share options granted in 2010 and 2011 is based on the Black-Scholes model and as at the grant date calculated at USD 1.6m for the 2010 grant and USD 2.0m for the 2011 grant.

The key assumptions for the calculation of the fair value based on the Black-Scholes model are:

- The share price at the time of grant was estimated at DKK 34.70 per share for the 2010 grant and DKK 29.40 per share for the 2011 grant based on the closing price on NASDAQ OMX Copenhagen as at 24 November 2010 for the 2010 grant and as at 16 March 2011 for the 2011 grant
- The exercise price is adjusted for TORM dividends
- The expected dividend rate at grant date is 0%
- The volatility of the TORM share is estimated based on the Company's historical volatility and was estimated at 47.76% for the 2010 grant and 49.95% for the 2011 grant
- The risk-free interest rate based upon expiry of the options is 1.81% for the 2010 grant and 2.37% for the 2011 grant
- The options are on average held for a period of 3.8 years for the 2010 grant and 4.5 years for the 2011 grant

NOTE 4 - CONTINUED

INCENTIVE SCHEME FOR MANAGEMENT AND EMPLOYEES FOR 2007-2009
In 2007, an incentive scheme was established for all land-based employees and officers employed on permanent contracts (apart from trainees, apprentices and cadets) that were directly employed in TORM A/S. The Board of Directors was not included in the scheme. The scheme covers the financial years 2007, 2008 and 2009. The scheme consists of both bonuses and share options.

Bonus
The employee received the bonus after the publication of TORM's Annual Report. For the financial years 2010-2013, no bonus has been awarded under this program as it only covers the financial years 2007-2009.

Please refer to the annual reports for 2007-2009 for further information on bonuses under this scheme in 2007-2009.

Share options
In 2007, the Company established a share option scheme for the period 2007-2009 for all land-based employees and officers employed on permanent contracts with the Company, including the members of the Executive Management.

The share option program 2007-2009 is subject to Danish law and includes certain adjustment provisions and exercise conditions and other terms customary for share option programs of this nature.

In 2013, 1,487,801 share options granted in 2007 expired.

As at 31 December 2013, a total number of 2,445,865 (2012: 3,933,666) unexercised share options were outstanding under the share option program for 2007-2009, including 0 (2012: 327,920) options to members of the current Executive Management.

Approximately 50% of the share options were granted with a fixed exercise price (standard options). For the share options granted in 2007, the exercise price is DKK 101.19 per share, in 2008 DKK 108.97 per share and in 2009 DKK 116.67 per share after adjustment for the extraordinary dividend paid out in September 2007 and December 2008 and after adjustment for the discounted issuance of the new shares.

The other approximately 50% of the share options were granted with an exercise price that is ultimately determined at the publication of the Company's annual report after a three-year period, e.g. for the grant in 2009, determination took place in March 2012. The exercise price is based on the market price of the shares on 5 March 2007 and is adjusted for the relative development in the share price in relation to a defined peer group (peer group options). Furthermore, the exercise price is reduced if the Company's total shareholder return (calculated on the basis of the share price of the respective shares' primary place of listing with dividends reinvested in the company) exceeds the average total shareholder return of a defined peer group (peer group options). Finally, adjustments are made to reflect the dividends paid by the Company to its shareholders during the vesting periods. If the shares develop relatively better than the peer group, the share options will be in-the-money. After adjustment for the discounted issuance of the new shares for peer group options granted in 2007, the exercise price is DKK 72.32, for peer group options granted in 2008, the exercise price is DKK 54.58 and for peer group options granted in 2009, the exercise price is DKK 24.56. As at 31 December 2013, a total number of 1,084,609 (2012: 1,744,333) unexercised standard options were outstanding, and a total number of 1,361,256 (2012: 2,189,333) unexercised peer group options were outstanding.

The share options may be exercised in an exercise window starting at expiry of a seven-day period after publication of the annual report in the third calendar year after the date of grant (from 2010-2012) and ending at the end of the sixth calendar year after the date of grant (2013-2015). During the exercise window, the share options may only be exercised within windows of four weeks after the Company's publication of annual reports and interim financial reports. For the 2007 grant, share options can be exercised after the publication of the annual report for 2009 in March 2010 and shall be exercised by March 2013 at the latest. For the 2008 grant, share options can be exercised after the publication of the annual report for 2010 in March 2011 and shall be exercised by March 2014 at the latest and, finally, for the 2009 grant, share options can be exercised after the publication of the annual report for 2011 in March 2012 and shall be exercised by March 2015 at the latest. As at 31 December 2013, all 2,445,865 share options were vested.

Each share option gives the employee the right to acquire one share with a nominal value of DKK 0.01. Exercised options are settled by the Company's holding of treasury shares or, in certain situations, by settlement in cash.

Participants resigning from their positions with the Company as good leavers prior to vesting are allowed to keep their share options and to exercise them in accordance with the terms and conditions of the share option program 2007-2009. Bad leaver participants will lose all share options that have not vested at the time of final resignation. This is in accordance with the mandatory provisions of the Danish Stock Option Act.

In 2013, a total expense of USD 0.0m (2012: USD 0.0m) has been recognized in the income statement regarding share options.

The fair value of the share options granted in 2007, 2008 and 2009 was based on the Black-Scholes and Monte Carlo models and calculated at USD 10.9m for the 2007 grant, USD 6.3m for the 2008 grant and USD 1.4m for the 2009 grant as per the grant date.

The key assumptions for the calculation of the fair value based on the Black-Scholes and Monte Carlo models are:

- The share price at the measurement date was estimated at DKK 48.6 per share for the 2009 grant, DKK 140.0 for the 2008 grant and DKK 202.25 for the 2007 grant based on the share price on NASDAQ OMX Copenhagen as at 10 July 2009 for the 2009 grant, 31 March 2008 for the 2008 grant and 9 August 2007 for the 2007 grant
- The exercise price (before adjusting for interim dividends) is DKK 201 per share for the 2009 grant, DKK 190 for the 2008 grant and DKK 179 for the 2007 grant
- The exercise price will be adjusted for interim TORM dividends, amounting to an adjustment of DKK 30.0 per share for the 2009 grant, DKK 30.3 per share for the 2008 grant and DKK 30.7 per share for the 2007 grant
- The expected dividend rate at grant date is estimated at 3% for the 2009 grant, 3% for the 2008 grant and 3% for the 2007 grant of the equity per annum
- The volatility on the TORM share is estimated based on the Company's historical volatility at 39.2% for the 2009 grant, 34.9% for the 2008 grant, 36% for the 2007 grant, and for the peer group at 30.8% for the 2009 grant, 26% for the 2008 grant and 22% for the 2007 grant
- The risk-free interest rate based upon expiry of the options is 2.68% for the 2009 grant, 3.80% for the 2008 grant and 4.46% for the 2007 grant
- The options are on average held for a period of 4.2 years for the 2009 grant, 4.5 years for the 2008 grant and 4.1 years for the 2007 grant
- The correlation rate between peer group and TORM is 92.5% for the 2009 grant, 92.5% for the 2008 grant and 92.5% for the 2007 grant, based on the correlation on the 12-month return for the historical share prices during the last ten years

NOTE 4 - CONTINUED

Changes in outstanding share options are as follows:

	Total options	Options allocation per year		
Number of share options	**2013**	2012	2011	2010
Share option program - 2010-2012				
Executive Management				
Granted	891,406	-	445,703	445,703
Transferred to resigned employees	-354,984	-	-177,492	-177,492
Exercised	0	-	-	-
Forfeited/expired in 2010-2012	0	-	-	-
Forfeited/expired in 2013	0	-	-	-
Not exercised at 31 December 2013	**536,422**	**0**	**268,211**	**268,211**
Other employees				
Granted	1,939,318	-	1.071,897	867,421
Transferred to resigned employees	-638,373	-	-273,713	-364,660
Exercised	0	-	-	-
Forfeited/expired in 2010-2012	-145,000	-	-70,000	-75,000
Forfeited/expired in 2013	-124,565	-	-102,583	-21,982
Not exercised at 31 December 2013	**1,031,380**	**0**	**625,601**	**405,779**
Resigned employees				
Granted	34,912	-	11,637	23,275
Transferred from Management and other employees	993,357	-	451,205	542,152
Exercised	0	-	-	-
Forfeited/expired in 2010-2012	0	-	-	-
Forfeited/expired in 2013	0	-	-	-
Not exercised at 31 December 2013	**1,028,269**	**0**	**462,842**	**565,427**
Total number of share options not exercised at 31 December 2013	**2,596,071**	**0**	**1,356,654**	**1,239,417**
Total number of share options not exercised at 31 December 2012	**2,720,636**	**0**	**1,459,237**	**1,261,399**
Total number of share options that could be exercised at 31 December 2013	**1,239,417**	**0**	**0**	**1,239,417**
Total number of share options that could be exercised at 31 December 2012	**0**	**0**	**0**	**0**

NOTE 4 - CONTINUED

Changes in outstanding share options are as follows:

	Total options	Options allocation per year		
Number of share options	**2013**	2009	2008	2007
Share option program - 2007-2009				
Executive Management				
Granted	856,278	327,920	200,009	328,349
Transferred to resigned employees	-856,278	-327,920	-200,009	-328,349
Exercised	0	-	-	-
Forfeited/expired in 2007-2012	0	-	-	-
Forfeited/expired in 2013	0	-	-	-
Not exercised at 31 December 2013	**0**	**0**	**0**	**0**
Other employees				
Granted	3,057,476	1,180,901	1,016,835	859,740
Transferred to resigned employees	-1,286,274	-387,858	-418,944	-479,472
Exercised	0	-	-	-
Forfeited/expired in 2007-2012	-730,154	-390,396	-269,936	-69,822
Forfeited/expired in 2013	-310,446	0	-	-310,446
Not exercised at 31 December 2013	**730,602**	**402,647**	**327,955**	**0**
Resigned employees				
Granted	755,624	134,309	249,662	371,653
Transferred from Management and other employees	2,142,552	715,778	618,953	807,821
Exercised	0	-	-	-
Forfeited/expired in 2007-2012	-5,558	-1,080	-2,359	-2,119
Forfeited/expired in 2013	-1,177,355	-	-	-1,177,355
Not exercised at 31 December 2013	**1,715,263**	**849,007**	**866,256**	**0**
Total number of share options not exercised at 31 December 2013	**2,445,865**	**1,251,654**	**1,194,211**	**0**
Of which:				
Share options with a fixed exercise price	1,084,609	555,043	529,566	0
Share options with an exercise price based on peer group	1,361,256	696,611	664,645	0
Total number of share options not exercised at 31 December 2012	**3,933,666**	**1,251,654**	**1,194,211**	**1,487,801**
Total number of share options that could be exercised at 31 December 2013:				
Share options with a fixed exercise price	1,084,609	555,043	529,566	0
Share options with an exercise price based on peer group	1,361,256	696,611	664,645	0
	2,445,865	**1,251,654**	**1,194,211**	**0**
Total number of share options that could be exercised at 31 December 2012	**3,933,666**	**1,251,654**	**1,194,211**	**1,487,801**

NOTE 5

USDm	2013	2012
REMUNERATION TO AUDITORS APPOINTED AT THE PARENT COMPANY'S ANNUAL GENERAL MEETING		
Deloitte		
Audit fees	0.4	0.5
Audit-related fees	0.4	1.3
Tax fees	0.3	0.8
Fees other services	0.1	0.3
	1.2	**2.9**

NOTE 6

USDm	2013	2012
OTHER INVESTMENTS		
Other investments include shares in other companies.		
Cost:		
Balance at 1 January	5.4	5.4
Additions	-	-
Disposals	-	-
Balance at 31 December	**5.4**	**5.4**
Value adjustment:		
Balance at 1 January	6.9	6.2
Exchange rate adjustment	0.6	0.7
Value adjustment for the year	-0.6	-
Disposals	-	-
Balance at 31 December	**6.9**	**6.9**
Carrying amount at 31 December	**12.3**	**12.3**
Of which listed	0.0	0.0
Of which unlisted	12.3	12.3

NOTE 7

USDm	Goodwill	Other intangible assets	Total
INTANGIBLE ASSETS			
Cost:			
Balance at 1 January 2012	89.2	2.7	91.9
Additions	-	-	0.0
Disposals	-	-	0.0
Balance at 31 December 2012	**89.2**	**2.7**	**91.9**
Amortization and impairment losses:			
Balance at 1 January 2012	89.2	0.8	90.0
Disposals	-	-	0.0
Amortization and impairment losses for the year	-	0.2	0.2
Balance at 31 December 2012	**89.2**	**1.0**	**90.2**
Carrying amount at 31 December 2012	**0.0**	**1.7**	**1.7**
Cost:			
Balance at 1 January 2013	89.2	2.7	91.9
Additions	-	-	0.0
Disposals	-	-	0.0
Balance at 31 December 2013	**89.2**	**2.7**	**91.9**
Amortization and impairment losses:			
Balance at 1 January 2013	89.2	1.0	90.2
Disposals	-	-	0.0
Amortization and impairment losses for the year	-	0.2	0.2
Balance at 31 December 2013	**89.2**	**1.2**	**90.4**
Carrying amount at 31 December 2013	**0.0**	**1.5**	**1.5**

NOTE 8

USDm	Land and buildings	Vessels and capitalized dry-docking	Pre-payments on vessels	Other plant and operating equipment	Total
TANGIBLE FIXED ASSETS					
Cost:					
Balance at 1 January 2012	2.2	2,999.3	69.2	27.2	3,097.9
Exchange rate adjustment	-	-	-	-	0.0
Additions	-	35.8	41.7	2.0	79.5
Disposals	-0.5	-146.7	-8.0	-0.2	-155.4
Transferred to/from other items	-	102.9	-102.9	-	0.0
Transferred to non-current assets held-for-sale	-	-239.3	-	-	-239.3
Balance at 31 December 2012	**1.7**	**2,752.0**	**0.0**	**29.0**	**2,782.7**
Depreciation and impairment losses:					
Balance at 1 January 2012	0.2	740.7	-	19.0	759.9
Exchange rate adjustment	-	-	-	-	0.0
Disposals	-0.1	-39.4	-	-0.2	-39.7
Depreciation for the year	0.8	133.7	-	3.7	138.2
Impairment loss	-	74.2	-	-	74.2
Transferred to/from other items	-	-105.5	-	-	-105.5
Balance at 31 December 2012	**0.9**	**803.7**	**0.0**	**22.5**	**827.1**
Carrying amount at 31 December 2012	**0.8**	**1,948.3**	**0.0**	**6.5**	**1,955.6**
Of which finance leases	0.0	14.7	0.0	0.0	14.7
Of which financial expenses included in cost	0.0	2.3	0.0	0.0	2.3
Cost:					
Balance at 1 January 2013	1.7	2,752.0	0.0	29.0	2,782.7
Exchange rate adjustment	-	-	-	-0.1	-0.1
Additions	-	41.2	-	1.9	43.1
Disposals	-1.7	-19.4	-	-	-21.1
Transferred to/from other items	-	-	-	0.1	0.1
Transferred to non-current assets held-for-sale	-	-197.9	-	-	-197.9
Balance at 31 December 2013	**0.0**	**2,575.9**	**0.0**	**30.9**	**2,606.8**
Depreciation and impairment losses:					
Balance at 1 January 2013	0.9	803.7	-	22.5	827.1
Exchange rate adjustment	-	-	-	0.0	0.0
Disposals	-0.9	-19.4	-	-	-20.3
Depreciation for the year	-	122.5	-	3.7	126.2
Impairment loss	-	54.8	-	-	54.8
Transferred to non-current assets held-for-sale	-	-78.4	-	-	-78.4
Balance at 31 December 2013	**0.0**	**883.2**	**0.0**	**26.2**	**909.4**
Carrying amount at 31 December 2013	**0.0**	**1,692.7**	**0.0**	**4.7**	**1,697.4**
Of which finance leases	0.0	13.7	0.0	0.0	13.7
Of which financial expenses included in cost	0.0	1.2	0.0	0.0	1.2

Included in the carrying amount for "Vessels and capitalized dry-docking" are capitalized dry-docking costs in the amount of USD 44.5m (2012: USD 30.6m).

For information on assets used as collateral security, please refer to note 18.

In all material aspects, the depreciation under "Other plant and operating equipment" of USD 3.7m relates to administration (2012: USD 3.7m).

Please refer to note 9 for information on impairment testing.

NOTE 9

IMPAIRMENT TESTING

As of 31 December 2013, Management performed a review of the recoverable amount of the assets by assessing the recoverable amount for the significant assets within the cash generating units: The Tanker Division and the Bulk Division.

As of 31 December 2013, the recoverable amount of the Tanker Division was the value in use, whereas the recoverable amount of the Bulk Division was the net selling price.

Based on the review, Management concluded that:
- Assets within the Bulk Division were not impaired as the net selling price exceeded the carrying amount by USD 4m
- Assets within the Tanker Division were not further impaired as the calculated value in use was equal to the carrying amount

In the assessment of the net selling price of the Bulk Division, Management included a review of market values calculated as the average of valuations from two internationally acknowledged shipbrokers.

The assessment of the value in use of the Tanker Division was based on the present value of the expected future cash flows.

The major assumptions used in the calculation of the value in use are:
- The cash flows are based on known tonnage including vessels contracted for delivery in future periods. Assets held-for-sale are not included. Additions or sales of tonnage are not factored in as the timing and effect of such transactions is highly uncertain. However, additions will only be made if Management expects to achieve a return in excess of the discount rate applied in the impairment test.
- The product tankers are expected to generate normal income for 25 years. Given the current age profile of the tanker fleet, the average remaining life would be approximately 15 years.
- Freight rate estimates in the period 2014-2016 are based on the Company's business plans.
- Beyond 2016, freight rates for the Tanker Division are based on the following 10-year historical average freight rates from Clarkson adjusted by the inflation rate:
  - o LR2 USD/day 25,461 (2012: USD/day 26,578)
  - o LR1 USD/day 21,881 (2012: USD/day 22,446)
  - o MR USD/day 18,951 (2012: USD/day 19,814)
- Operating expenses and administrative expenses are estimated based on TORM's current run rate adjusted for cost reductions outlined in the operating budgets and the business plans for the period 2014-2016. Beyond 2016, operating expenses per operating day and administrative expenses are expected to increase with the inflation rate.
- WACC is set to 8.3% (2012: 8.0%) for the Tanker Division. WACC is calculated using a standard WACC model in which cost of equity, cost of debt and capital structure are the key parameters.
- The inflation rate is based on the US Federal Reserve and ECB inflation target over the medium term, currently set to 2%.

Management believes that these major assumptions are reasonable.

The calculation of value in use is very sensitive to changes in the key assumptions, which are considered to be related to the future development in freight rates, WACC applied as discounting factor in the calculations and the development in operating expenses. The sensitivities have been assessed as follows, all other things being equal:
- A decrease in the tanker freight rates of USD/day 1,000 would result in a further impairment of USD 178m for the Tanker Division
- An increase of the WACC of 1% would result in a further impairment of USD 111m for the Tanker Division
- An increase of the operating expenses of 10% would result in a further impairment of USD 145m for the Tanker Division

As outlined above, the impairment tests have been prepared on the basis that the Company will continue to operate its vessels as a fleet in the current set-up. In comparison, the market value of TORM's vessels was USD 1,137m (excluding product tankers held-for-sale), which is USD 555m less than the carrying impaired amount.

Reference is made to note 26, in which an impairment loss of USD 55m relating to non-current assets held-for-sale is disclosed.

NOTE 10

USDm	2013	2012
FINANCIAL ITEMS		
Financial income		
Interest income from cash and cash equivalents, etc.	0.0	0.5
Dividends	0.5	0.4
Fair value adjustments on derivative financial instruments	0.0	8.2
Exchange rate adjustments, including net gain from forward exchange rate contracts	3.7	2.7
	4.2	11.8
Financial expenses		
Interest expenses on mortgage and bank debt, including net gain/loss on interest related derivatives	74.8	74.7
Fair value adjustments on derivative financial instruments	0.0	0.1
Advisor fee related to financing and restructuring plan	1.8	65.0
Exchange rate adjustments, including net gain/loss from forward exchange rate contracts	0.2	0.0
Other financial expenses	2.9	2.6
	79.7	142.4
Total financial items	**-75.5**	**-130.6**

NOTE 11

USDm	2013	2012
FREIGHT RECEIVABLES		
Analysis at 31 December of freight receivables:		
Neither past due nor impaired	50.8	77.5
Due < 30 days	6.6	8.0
Due between 30 and 180 days	20.1	22.7
Due > 180 days	2.2	9.1
	79.7	**117.3**

At 31 December 2013, freight receivables included receivables at a value of USD 8.7m (2012: USD 0.2m), that are individually determined to be impaired to a value of USD 0.5m (2012: USD 0.0m).

Movements in provisions for impairment of freight receivables during the year are as follows:

USDm	2013	2012
PROVISION FOR IMPAIRMENT OF FREIGHT RECEIVABLES		
Balance at 1 January	0.2	0.2
Provisions for the year	8.0	-
Provisions reversed during the year	-	-
Provisions utilized during the year	-	-
Balance at 31 December	**8.2**	**0.2**

Provision for impairment of freight receivables has been recognized in the income statement under "Port expenses, bunkers and commissions".

The provision is based on an individual assessment of each receivable.

NOTE 12

USDm	2013	2012
OTHER RECEIVABLES		
Partners and commercial managements	2.3	2.8
Derivative financial instruments	0.2	2.9
Receivables at jointly controlled entities	2.0	2.7
Tax receivables	0.8	0.8
Miscellaneous, including items related to shipping activities	8.0	7.6
	13.3	**16.8**

NOTE 13

USDm	2013	2012
TAX		
Current tax for the year	-1.9	-1.9
Adjustments related to previous years	-1.4	-0.2
Adjustment of deferred tax liability	6.9	0.5
Adjustment of deferred tax asset	0.3	0.0
	3.9	**-1.6**

	2013	2012
RECONCILIATION OF THE EFFECTIVE CORPORATION TAX RATE FOR THE YEAR		
Corporation tax rate in Denmark	25.0%	25.0%
Differences in tax rates, foreign subsidiaries	3.8%	-12.0%
Differences in tax rates, foreign jointly controlled entities	0.0%	-0.2%
Adjustment of tax related to previous years	0.1%	0.0%
Change in deferred tax due to reduction of Danish corporation tax from 25% to 22%	3.8%	0.0%
Effect from the tonnage tax scheme	-30.3%	-13.1%
Effective corporate tax rate	**2.4%**	**-0.3%**

The Company participates in the tonnage tax scheme in Denmark. The participation in the tonnage tax scheme is binding until 31 December 2017.

Under the Danish tonnage tax scheme, income and expenses from shipping activities are not subject to direct taxation. 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
· The number of days the vessels are used during the year

The Company expects to participate in the tonnage tax scheme after the binding period and at a minimum to maintain an investing and activity level equivalent to the time of entering into the tonnage tax scheme.

USDm	2013	2012
DEFERRED TAX LIABILITY		
Balance at 1 January	53.2	53.7
Reduction of Danish corporation tax from 25% to 22%	-6.3	-
Deferred tax for the year	-0.6	-0.5
Balance at 31 December	**46.3**	**53.2**

Essentially all deferred tax relates to vessels included in the transition account under the Danish tonnage tax scheme.

NOTE 14

	2013	2012	2013	2012
	Number of shares million	Number of shares million	Nominal value DKKm	Nominal value DKKm
COMMON SHARES				
Balance at 1 January	728.0	72.8	7.3	364.0
Share capital decrease	-	-	-	-363.3
Share capital increase	-	655.2	-	6.6
Balance at 31 December	**728.0**	**728.0**	**7.3**	**7.3**

The common shares consist of 728.0m shares of a nominal value of DKK 0.01 each (2012: DKK 0.01 each). No shares carry special rights. All issued shares are fully paid.

In connection with the restructuring in November 2012, the nominal value of the Company's shares was reduced from DKK 5.00 to DKK 0.01 per share with a value of DKK 363.3m. The nominal value of the Company's share amounted hereafter to DKK 0.7m. The Company's share capital was hereafter increased by a nominal amount of DKK 6.6m to DKK 7.3m by issuance of 655.2m shares with a nominal value of DKK 0.01 per share.

NOTE 14 - CONTINUED

	2013	2012	2013	2012	2013	2012
	Number of shares (1,000)	Number of shares (1,000)	Nominal value DKKm	Nominal value DKKm	% of share capital	% of share capital
TREASURY SHARES						
Balance at 1 January	6,711.8	3,230.4	0.1	16.2	0.9	4.4
Change in share capital	-	-	-	-16.1	-	-4.0
Change in ADS ratio	-	-258.4	-	-	-	-
Additions	-	3,739.8	-	-	-	0.5
Disposals	-28.7	-	-	-	-	-
Used for share-based compensation	-	-	-	-	-	-
Balance at 31 December	**6,683.1**	**6,711.8**	**0.1**	**0.1**	**0.9**	**0.9**

The total consideration for the treasury shares was USD 19.0m (2012: USD 19.1m).

At 31 December 2013, the Company's holding of treasury shares represented 6,683,072 shares (2012: 6,711,792 shares) of DKK 0.01 each at a total nominal value of USD 0.0m (2012: USD 0.0m) and a market value of USD 1.7m (2012: USD 2.1m). The retained shares equate to 0.9% (2012: 0.9%) of the Company's common shares.

The treasury shares are held as a hedge of the Company's program for share-based compensation.

NOTE 15

USDm	2013	2012
DEFERRED INCOME		
Deferred gain related to sale and leaseback transactions	5.2	6.4
Prepaid commissions and Management fees	2.0	-
Other	0.7	-
	7.9	**6.4**

NOTE 16

USDm	2013	2012
OTHER LIABILITIES		
Partners and commercial managements	12.1	11.9
Accrued operating expenses	14.9	14.4
Accrued interest	0.3	0.9
Wages and social expenses	14.9	12.7
Derivative financial instruments	0.0	1.0
Payables to jointly controlled entities	0.1	0.4
Miscellaneous, including items related to shipping activities	1.2	6.8
	43.5	**48.1**

NOTE 17

EFFECTIVE INTEREST RATE AND FAIR VALUE OF MORTAGE DEBT AND BANK LOANS

In November 2012, TORM completed a restructuring. As part of the restructuring, TORM secured a new Working Capital Facility of USD 100m until 30 September 2014. The group of banks aligned key terms and conditions as well as financial covenants across all existing debt facilities, and the maturity on all existing credit facilities was adjusted to 31 December 2016.

Please refer to note 2 in the group financial statement for further information on the Company's liquidity and capital resources and note 22 and 23 in the group financial statement for further information on interest rate swaps and financial risks.

The table below shows the effective interest and fair value of the mortgage debt and bank loans.

			2013			2012	
USDm	Fixed/ floating	Maturity	Effective interest	Fair value	Maturity	Effective interest	Fair value
LOAN							
USD	Floating	2014	24.2% *)	22.0	2014	15.6% *)	58.0
USD	Floating	2016	3.7% **)	1,727.6	2016	3.4% **)	1,846.1
Weighted average effective interest rate			**3,7%**			**3,5%**	
Fair value				**1,749.6**			**1,904.1**

*) Effective interest rate includes deferred and amortized bank fees and commitment fee.

**) Effective interest rate includes deferred and amortized bank fees related to original facilities and fees related to the restructured bank loans.

The fair value of mortgage debt and bank loans is calculated as the present value of expected future repayments and interest payments using the interest curve, which is based on actual market rates.

NOTE 18

USDm	2013	2012
COLLATERAL SECURITY FOR MORTGAGE DEBT AND BANK LOANS		
Fair value of loans collateralized by vessels	1,749.6	1,904.1
	1,749.6	**1,904.1**

The total carrying amount for vessels that have been provided as security amounts to USD 1,812m at 31 December 2013 (2012: USD 2,082m).

NOTE 19

USDm	2013	2012
GUARANTEE COMMITMENTS AND CONTINGENT LIABILITIES		
Guarantee commitments	**0.0**	**0.0**

The guarantee commitments of the Group are less than USD 0.1m and relate to guarantee commitments to the Danish Shipowners' Association.

NOTE 20

CONTRACTUAL OBLIGATIONS, MORTGAGE DEBT AND BANK LOANS

TORM has various contractual obligations and commercial commitments to make future payments including lease obligations, purchase commitments, interest payments and repayment of mortgage debt and bank loans.

In November 2013, one bank exercised its option to have TORM to sell four vessels. The vessels will be delivered in 2014. As a result, the related debt will be repaid in 2014, alongside the USD 100m credit facility expiring in Q3 2014. The remaining debt matures on 31 December 2016, with scheduled amotizations starting in Q3 2014.

The following table summarizes the Company's contractual obligations.

At 31 December 2013:

USDm	2014	2015	2016	2017	2018	There-after	**Total**
Mortgage debt and bank loans 1)	172.9	87.8	1,488.9	-	-	-	1,749.6
Interest payments related to scheduled interest fixing	11.3	-	-	-	-	-	11.3
Estimated variable interest payments 2)	33.9	46.6	58.2	-	-	-	138.7
Total	**218.1**	**134.4**	**1,547.1**	**0.0**	**0.0**	**0.0**	**1,899.6**

USDm	2014	2015	2016	2017	2018	There-after	**Total**
Finance lease liabilities 3)	-	-	-	12.9	-	-	12.9
Interest element finance lease	3.9	4.2	4.2	2.9	-	-	15.2
Chartered-in vessels (incl. vessels not delivered (Operating lease) 4)	45.4	43.7	17.3	14.5	7.3	-	128.2
Other operating leases 5)	5.2	2.6	2.5	0.7	-	-	11.0
Total	**54.5**	**50.5**	**24.0**	**31.0**	**7.3**	**0.0**	**167.3**

Contractual obligations – as lessor:

Charter hire income for vessels on time charter and bareboat charter (incl. vessels not delivered) (Operating lease) 6)	36.7	0.3	-	-	-	-	37.0
Total	**36.7**	**0.3**	**0.0**	**0.0**	**0.0**	**0.0**	**37.0**

NOTE 20 – CONTINUED

At 31 December 2012:

USDm	2013	2014	2015	2016	2017	There-after	**Total**
Mortgage debt and bank loans 1)	-	108.0	100.0	1,696.1	-	-	1,904.1
Interest payments related to scheduled interest fixing	12.3	-	-	-	-	-	12.3
Estimated variable interest payments 2)	42.9	56.0	54.2	58.3	-	-	211.4
Total	**55.2**	**164.0**	**154.2**	**1,754.4**	**0.0**	**0.0**	**2,127.8**

USDm	2013	2014	2015	2016	2017	There-after	**Total**
Finance lease liabilities 3)	-	-	-	-	14.4	-	14.4
Interest element regarding finance lease	4.0	4.4	4.7	4.8	3.2	-	21.1
Chartered-in vessels (incl. vessels not delivered (Operating lease) 4)	71.9	45.0	43.5	15.7	13.5	5.8	195.4
Other operating leases 5)	7.8	5.8	2.1	2.0	0.4	-	18.1
Total	**83.7**	**55.2**	**50.3**	**22.5**	**31.5**	**5.8**	**249.0**

Contractual obligations - as lessor:							
Charter hire income for vessels on time charter and bareboat charter (incl. vessels not delivered) (Operating lease) 6)	23.7	7.3	0.1	-	-	-	31.1
Total	**23.7**	**7.3**	**0.1**	**0.0**	**0.0**	**0.0**	**31.1**

1) The presented amounts to be repaid do not include directly related costs arising from the issuing of the loans of USD 18.8m (2012: USD 25.1m), which are amortized over the term of the loans

2) Variable interest payments are estimated based on the average forward rates for each year. This corresponds to an average net interest including margin of 2.5% (2012: 2.9%)

3) One leasing agreement includes a purchase liability at expiry of the leasing period

4) Leases have been entered into with a mutually non-cancelable lease period of up to eight years. Certain leases include a profit sharing element implying that the actual charter hire may be higher. The average period until redelivery of the vessels is 2.2 years (2012: 0.9 year)

5) Other operating leases primarily consist of contracts regarding office spaces, cars and apartments as well as IT-related contracts

6) Charter hire income for vessels on time charter and bareboat charter is recognized under revenue. The average period until redelivery of the vessels is 0.6 year (2012: 1.0 year)

NOTE 21

USDm	Minimum lease payments	Interest element	Carrying amount
FINANCE LEASE LIABILITIES - AS LESSEE			
Lease liabilities regarding finance lease assets:			
2013			
Falling due within one year	3.0	-3.9	-0.9
Total current	3.0	-3.9	-0.9
Falling due between one and five years	25.1	-11.3	13.8
Total non-current	25.1	-11.3	13.8
Total	**28.1**	**-15.2**	**12.9**
Fair value			**12.9**
2012			
Falling due within one year	2.1	-3.9	-1.8
Total current	2.1	-3.9	-1.8
Falling due between one and five years	33.4	-17.2	16.2
Total non-current	33.4	-17.2	16.2
Total	**35.5**	**-21.1**	**14.4**
Fair value			**14.4**

Finance lease in 2013 relates to one MR product tanker (2012: one) chartered on bareboat expiring no later than in 2017. At the expiry of the charter period, the Company has an obligation to purchase the vessel.

NOTE 22

DERIVATIVE FINANCIAL INSTRUMENTS

The table below shows the fair value of the derivative financial instruments:

USDm	**Fair value as of 31 December 2013**	Fair value as of 31 December 2012
Non-hedge accounting:		
Derivative financial instruments regarding freight and bunkers:		
Bunker swaps	0.0	1.3
	0.0	**1.3**

Of which included in:		
Current assets		
Other receivables	0.0	1.4
Current liabilities		
Other liabilities	0.0	-0.1
	0.0	**1.3**

Please refer to note 24 for further information on fair value hierarchies.

NOTE 22 – CONTINUED

The table below shows realized amounts as well as fair value adjustments regarding derivative financial instruments recognized in income statements and equity in 2013 and 2012:

	Income statement					
USDm	Revenue	Freight and bunker derivatives	Operating expenses	Administrative expenses	Financial items	Equity hedging reserves
Bunker swaps	-	1.4	-	-	-	-
Forward Freight Agreements	0.3	-	-	-	-	-
Forward exchange contracts	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	-11.6	11.6
Currency contracts	-	-	-	-	0.0	-
Total 2013	**0.3**	**1.4**	**0.0**	**0.0**	**-11.6**	**11.6**
Bunker swaps	-	3.0	-	-	-	-
FFAs	-	6.9	-	-	-	-
Forward exchange contracts	-	-	-1.7	-1.6	-	3.3
Interest rate swaps	-	-	-	-	-15.5	3.8
Currency contracts	-	-	-	-	0.0	-
Total 2012	**0.0**	**9.9**	**-1.7**	**-1.6**	**-15.5**	**7.1**

Please refer to the section "Risk Management" and note 23 for further information on commercial and financial risks.

NOTE 23

RISKS ASSOCIATED WITH TORM'S ACTIVITIES

The risks can generally be divided into four main categories: 1) Long-term strategic risks, 2) Industry and market-related risks, 3) Operational and compliance risks and 4) Financial risks.

The risks described under each of the four categories are considered to be among the most significant risks for TORM within each category.

1) LONG-TERM STRATEGIC RISKS

Industry-changing risks, such as the substitution of oil for other energy sources and radical changes in transportation patterns, are considered to have a relatively high potential impact, but are long-term risks. Management continues to monitor long-term strategic risks to ensure the earliest possible mitigation of potential risks as well as to develop necessary capabilities to exploit opportunities created by the same risks.

2) INDUSTRY AND MARKET-RELATED RISKS

Industry and market-related risk factors relate to changes in the markets and in the political, economic and physical environment that Management cannot control, such as freight rates and vessel and bunker prices.

FREIGHT RATE FLUCTUATIONS

The Company's income is principally generated from voyages carried out by its fleet of vessels. As such, TORM is exposed to the considerable volatility that characterizes freight rates on such voyages.

In the tanker segment, it is the Company's strategy to seek a certain exposure to this risk, as volatility also represents an opportunity because earnings historically have been higher in the day-to-day market compared to time charters. The fluctuations in freight rates for different segments and different routes may vary substantially. However, TORM is aiming at reducing the sensitivity to the volatility of such specific freight rates by achieving economies of scale, by actively seeking the optimal geographical positioning of the fleet and by optimizing the service offered to customers.

Within the tanker segment, freight income is to a certain extent covered against general fluctuations through the use of physical contracts, such as cargo contracts and time charter agreements with durations of 6-24 months. In addition, TORM has historically used financial instruments such as forward freight agreements (FFAs) and synthetic time charter contracts, with a coverage of typically 3-12 months forward, based on market expectations and in accordance with the Company's risk management policies. In 2013, 8% (2012: 12%) of freight earnings deriving from the Company's tankers was secured in this way. Physical time charter contracts accounted for 94% (2012: 92%) of overall hedging, as this hedging instrument resulted in higher rates than those offered by the forward market. In 2013, the Company entered into FFAs with a total notional contract value of USD 5m (2012: USD 14m). At the end of 2013, the coverage for 2014 for all segments was at a relatively low level of 14% (2012: 17%).

FFA trade and other freight-related derivatives are subject to specific policies and guidelines approved by the Board of Directors, including trading limits, stop-loss policies, segregation of duties and other internal control procedures.

By the end of 2013, TORM has reduced its long-term bulk T/C-in fleet to six vessels (2012: Eight vessels). TORM has made a strategic transition from spot operator to tonnage provider and will seek to employ its fleet in the medium/long-term period market going forward. As of 31 December 2013, the coverage for 2014 was 56%.

All things being equal and to the extent that the Company's vessels have not already been chartered out at fixed rates, a freight rate change of USD/day 1,000 would lead to the following change in profit before tax based on the expected number of earning days for the coming financial year:

USDm	**2014**	2013
SENSITIVITY TO CHANGES IN FREIGHT RATES		
Change in freight rates of USD/day 1,000:		
Change in profit before tax	21.2	24.7
Change in equity	**21.2**	**24.7**

SALES AND PURCHASE PRICE FLUCTUATIONS

As an owner of 62 vessels, TORM is exposed to risk associated with changes in the value of the vessels, which can vary considerably during their useful lives. As of 31 December 2013, the carrying value of the fleet was USD 1,693m (2012: USD 1.948m). Based on broker valuations, TORM's fleet excluding vessels held-for-sale had a market value of USD 1,137m as of 31 December 2013.

During the year, TORM has reduced its fleet by five product tankers which were sold as a consequence of one bank group deciding to exercise its option to sell the vessels. Following the sale, the vessels were placed under commercial and technical management with TORM. In November 2013, another bank group exercised its option to sell four vessels. The four vessels will be delivered in 2014, and following delivery the vessels will be placed under TORM's commercial and technical management.

During the year, TORM has not taken delivery of any vessels and has no vessels on order.

Under the financing agreements, TORM must obtain consent from the banks to sell and purchase vessels and thus the Company's mitigation options are limited.

BUNKER PRICE FLUCTUATIONS

The cost of fuel oil consumed by the vessels, known in the industry as bunkers, accounted for 66% of the total voyage costs in 2013 (2012: 69%) and is by far the biggest single cost related to a voyage.

TORM is exposed to fluctuations in bunker prices that are not reflected in the freight rates achieved by the Company. To reduce this exposure, TORM hedges part of its bunker requirements with oil derivatives.

Bunker trade is subject to specific risk policies and guidelines approved by the Board of Directors including trading limits, stop-loss, stop-gain and stop-at-zero policies, segregation of duties and other internal control procedures.

TORM applies hedge accounting to certain bunker hedge contracts. Hedge accounting is applied systematically and is based on specific policies.

In 2013, TORM covered 8.3% (2012: 17.4%) of its bunker requirements using hedging instruments. As of 31 December 2013, the total market value of bunker hedge contracts was USD 0.0m (2012: USD 1.3m).

All things being equal, a price change of 10% per ton of bunker oil (without subsequent changes in freight rates) would lead to the following change in expenditure based on the expected bunker consumption in the spot market:

NOTE 23 – CONTINUED

USDm	2014	2013
SENSITIVITY TO CHANGES IN THE BUNKER PRICES		
Change in the bunker prices of 10% per ton:		
Change in bunker expenses	21.5	33.5
Change in equity	**21.5**	**33.5**

3) OPERATIONAL AND COMPLIANCE RISKS

Operational risks are risks associated with the ongoing operations of the business and include risks such as safe operation of vessels, availability of experienced seafarers and staff, terrorism, piracy and insurance and counterparty risk.

INSURANCE COVERAGE

In the course of the fleet's operation, various casualties, accidents and other incidents may occur that may result in financial losses for TORM. For example, national and international rules, regulations and conventions mean that the Company may incur substantial liabilities in the event that a vessel is involved in an oil spill or emission of other environmentally hazardous agents.

In order to reduce the exposure to these risks, the fleet is insured against such risks to the extent possible. The total insurance program comprises a broad cover of risks in relation to the operation of vessels and transportation of cargos, including personal injury, environmental damage and pollution, cargo damage, third-party casualty and liability, hull and machinery damage, total loss and war. All of TORM's owned vessels are insured for an amount corresponding to their market value plus a margin to cover any fluctuations. Liability risks are covered in line with international standards. Furthermore, all vessels are insured for loss of hire for a period of up to 90 days in the event of a casualty. It is TORM's policy to cooperate with financially sound international insurance companies with a credit rating of BBB or better, presently some 14-16 companies, along with two P&I Clubs, to diversify risk. The P&I Clubs are member of the internationally recognized collaboration, International Group of P&I Clubs, and the Company's vessels are each insured for the maximum amounts available in the P&I system. At the end of 2013, the aggregate insured value of hull and machinery and interest for TORM's owned vessels amounted to USD 2.5bn (2012: 2.6bn).

COUNTERPARTY RISK

The negative development in the shipping industry since 2009 caused counterparty risk to be an ever-present challenge demanding close monitoring to manage and decide on actions to minimize possible losses. The maximum counterparty risk associated is equal to the values recognized in the balance sheet. A consequential effect of the counterparty risk is loss of income in future periods, e.g. counterparts not being able to fulfill their responsibilities under a time charter, a contract of affreightment or an option. The main risk is the difference between the fixed rates under a time charter or a contract of affreightment and the market rates prevailing upon default.

The Company has focused closely on its risk policies and procedures during the year to assure that risks managed in the day-to-day business are kept at agreed levels and that changes in the risk situations are brought to Management's attention.

The Company's counterparty risks are primarily associated with:
- Receivables, cash and cash equivalents
- Contracts of affreightment with a positive fair value
- Derivative financial instruments and commodity instruments with positive fair value

Receivables, cash and cash equivalents

The majority of TORM's customers are companies that operate in the oil industry. It is assessed that these companies are, to a great extent, subject to the same risk factors as those identified for TORM's Tanker Division.

In the Tanker Division, a major part of the Company's freight revenues stems from a small group of customers. One customer accounted for 6.4% (2012: 8.0%) of the freight revenues in 2013. The concentration of earnings on a few customers requires extra attention to credit risk. TORM has a credit policy under which continued credit evaluations of new and existing customers take place. For longstanding customers, payment of freight normally takes place after a vessel's cargo has been discharged. For new and smaller customers, the Company's credit risk is limited as freight most often is paid prior to the cargo's discharge, or, alternatively, that a suitable bank guarantee is placed in lieu thereof.

The Bulk Division enforces appropriate vetting of counterparties using all available information and insists on additional mitigation such as bank guarantees, upfront payment of freight or parent company guarantee, if required, to reduce the risk profile of a contract to a reasonable level without jeopardizing the commercial opportunity.

As a consequence of the payment patterns mentioned above, the Company's receivables within the Tanker and the Bulk Divisions primarily consist of receivables from voyages in progress at year-end and, to a lesser extent, of outstanding demurrage. For the past five years, the Company has not experienced any significant losses in respect of charter payments or any other freight agreements. With regard to the collection of demurrage, the Company's average stands at 95%, which is considered to be satisfactory given the differences in interpretation of events. In 2013, demurrage represented 8.0% (2012:9.0%) of the total freight revenues.

The Company only places cash deposits with major banks covered by a government guarantee or with strong and acceptable credit ratings.

Derivative financial instruments and commodity instruments

In 2013, 100% of TORM's forward freight agreements (FFAs) and approximately 99% of fuel swaps were cleared either through Norsk Oppgjørs Sentral (NOS), London Clearinghouse (LCH) or NYMEX Clearport, effectively reducing counterparty credit risk by daily clearing of balances. Over the counter fuel swaps have restrictively been entered into with major oil companies, banks or highly reputed partners with a satisfactory credit rating.

4) FINANCIAL RISKS

Financial risks relate to the Company's financial position, financing and cash flows generated by the business, including foreign exchange risk and interest rate risk. The Company's liquidity and capital resources are described in note 2.

Under the current financing agreements, TORM is prohibited from hedging its currency and interest rate exposures. The risks related hereto are uncovered, and as a result the entire debt is uncovered in relation to interest risk, and non-USD denominated expenses are exposed to foreign exchange risk. Any changes in interest rates and foreign exchange rates could therefore have a material adverse effect on TORM's future performance, results of operations, cash flows and financial position. Going forward, TORM may obtain consent to increase the use of derivatives, and then the policies and guidelines mentioned under the various risks will still apply.

NOTE 23 – CONTINUED

FOREIGN EXCHANGE RISK

TORM uses USD as its functional currency because the majority of the Company's transactions are denominated in USD. The foreign exchange risk is thereby limited to cash flows not denominated in USD. The primary risk relates to transactions denominated in DKK, EUR and SGD and relates to administrative and operating expenses.

The part of the Company's expenses that are denominated in currencies other than USD account for approximately 95% for administrative expenses and approximately 10% for operating expenses.

Other significant cash flows in non-USD-related currencies occur occasionally, including certain purchase obligations denominated in JPY. No other significant cash flows in non-USD-related currencies occurred in 2013.

All things being equal, a change in the USD/DKK exchange rate of 10% would result in a change in profit before tax and equity as follows:

USDm	**2014**	2013
SENSITIVITY TO CHANGES IN THE USD/DKK EXCHANGE RATE		
Effect of a change in the USD exchange rate of 10% in relation to DKK:		
Change in profit before tax	**7.5**	6.4
Change in equity	**7.5**	6.4

INTEREST RATE RISK

TORM's interest rate risk generally relates to interest-bearing mortgage debt and bank loans. All of the Company's loans for financing vessels are denominated in USD, and all are floating rate loans. Fixing interest exposure is therefore reduced to the scheduled interest fixing of the debt.

At the end of 2013, TORM has fixed 25% of the interest exposure for 2014. The fixing is a result of the scheduled interest fixing of the debt through 31 March 2014.

All things being equal, a change in the interest rate level of 1% point on the unhedged debt will result in a change in the interest rate expenses as follows:

USDm	**2014**	2013
SENSITIVITY TO CHANGES IN INTEREST RATES		
Effect of a change in the interest rate level of 1% point:		
Change in interest rate expenses	**12.4**	14.1
Change in equity	**12.4**	14.1

TORM's interest-bearing debt decreased from year-end 2012 to year-end 2013 by USD 150m (2012: increase of USD 81m) to USD 1,718m (2012: USD 1,868m).

NOTE 24

FINANCIAL INSTRUMENTS

USDm	2013	2012
CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES:		
Loans and receivables		
Freight receivables	79.7	117.3
Other receivables	12.5	13.7
Cash and cash equivalents	29.1	28.3
	121.3	**159.3**
Available-for-sale assets		
Other investments	12.3	12.3
	12.3	**12.3**
Derivative financial instruments (assets)		
Other receivables (held-for-trading)	0.0	2.3
	0.0	**2.3**
Financial liabilities measured at amortized cost		
Mortage debt and bank loans	1,733.9	1,881.8
Finance lease liabilities	12.9	14.4
Trade payables	43.9	83.8
Other liabilities	28.6	34.5
	1,819.3	**2,014.5**
Derivative financial instruments (liabilities)		
Other liabilities (held-for-trading)	0.0	1.0
Other liabilities (hedge accounting)	0.0	0.0
	0.0	**1.0**

The fair value of the financial assets and liabilities above equals the carrying amount except for mortage debt and bank loans for which the fair value can be found in note 17.

FAIR VALUE HIERARCHY FOR FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE IN THE BALANCE SHEET

The table below shows the fair value hierarchy for financial instruments measured at fair value in the balance sheet. The financial instruments in question are grouped into Levels 1-3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 fair value measurements are those derived from input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include input for the asset or liability that are not based on observable market data (unobservable input)

NOTE 24 – CONTINUED

USDm	2013 Quoted prices (Level 1)	Observable input (Level 2)	Unobservable input (Level 3)	Total
Available-for-sale financial assets:				
Other investments	-	-	12.3	12.3
Derivative financial instruments (assets):				
Other receivables (held-for-trading)	-	0.0	-	0.0
Other receivables (hedge accounting)	-	0.0	-	0.0
Total financial assets	**0.0**	**0.0**	**12.3**	**12.3**
Derivative financial instruments (liabilities):				
Other liabilities (held-for-trading)	-	0.0	-	0.0
Other liabilities (hedge accounting)	-	0.0	-	0.0
Total financial liabilities	**0.0**	**0.0**	**0.0**	**0.0**

USDm	2012 Quoted prices (Level 1)	Observable input (Level 2)	Unobservable input (Level 3)	Total
Available-for-sale financial assets:				
Other investments	0.0	-	12.3	12.3
Derivative financial instruments (assets):				
Other receivables (held-for-trading)	-	2.3	-	2.3
Other receivables (hedge accounting)	-	0.0	-	0.0
Total financial assets	**0.0**	**2.3**	**12.3**	**14.6**
Derivative financial instruments (liabilities):				
Other liabilities (held-for-trading)	-	1.0	-	1.0
Other liabilities (hedge accounting)	-	0.0	-	0.0
Total financial liabilities	**0.0**	**1.0**	**0.0**	**1.0**

There were no transfers between Level 1 and 2 in 2013 and 2012.

The estimation of the fair market value of TORM's unlisted shares (level 3) is based on market multiples for comparable listed companies (peer group). The peer group is selected from companies in comparable industries and is assessed as representative for the assessment of the value of the shareholding. Furthermore, TORM applies an average of both a price to earnings and a price to book multiple in determining the fair market value.

Derivative financial instruments USD 0.0m (2012: USD 2.3m) are measured at fair value based on discounted cash flow on a recurring basis. Future cash flows are estimated on forward curves for bunker swaps and FFAs from observable forward curves at the end of the reporting period and contract forward rates discounted at a rate that reflects the credit risk of the counterparties.

RECONCILIATION OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE IN THE BALANCE SHEET BASED ON LEVEL 3

USDm	2013	2012
Other investments, available-for-sale:		
Balance at 1 January	12.3	11.6
Gain/loss in other comprehensive income	0.6	0.2
Transfers to/from Level 3	-0.6	0.5
Balance at 31 December	**12.3**	**12.3**
Gain/loss in the income statement for assets held at the end of the reporting period	**0.0**	**0.0**

NOTE 25

RELATED PARTY TRANSACTIONS

Niels Erik Nielsen, former Chairman of the Board of Directors, was during the year a practicing partner in the law firm Lett. Lett has rendered legal assistance in the period up to 9 January 2013 as one of a number of law firms. The firm's fee of USD 0.0m (2012: 2.0m) is based upon the amount of time spent by the firm.

Jesper Jarlbæk, former member of the Board of Directors, is Chairman of the Board of Directors in Basico Consulting A/S. TORM has used Basico Consulting A/S for consulting services in the period up to 9 January 2013 amounting to USD 0.0m (2012: USD 0.8m).

During the financial year, TORM carried on trading with its jointly controlled entities for a total amount of USD 0.0m (2012: USD 1.5m). In July 2012, TORM acquired a claim against affiliates of a time charter-in counterparty, for a consideration of USD 3.0m, from a subsidiary of TORM's jointly controlled entity FR8 Holdings Pte. Ltd.

To the best of TORM's knowledge, there have been no other transactions with such parties during the financial year.

Management remuneration is disclosed in note 4.

NOTE 26

NON-CURRENT ASSETS HELD-FOR-SALE

In November 2013, the Company had entered into an agreement concerning the sale of four MR tankers. The tankers had been classified as held-for-sale and are presented separately in the balance sheet and are included under Tanker DIvision in the segment information.

An impairment loss of USD 55m from adjusting the carrying amount of the tankers to the market value had been recognized in the income statement for 2013 under "Impairment losses on tangible and intangible assets".

At year-end 2012, the Company had entered into negotiations concerning the sale of five MR tankers. The tankers were classified as held-for-sale and presented separately in the balance sheet and included under Tanker Division in the segment information.

An impairment loss of USD 74m from adjusting the carrying amount of the tankers to the market value at year-end 2012 has been recognized in the income statement for 2012 under "Impairment losses on tangible and intangible assets". During 2013 a further loss of USD 5m was recognized in the income statement under "Impairment losses on tangible and intangible assets", and subsequently the vessels were delivered to the new owners in the second half of 2013.

NOTE 27

CASH FLOWS

USDm	**2013**	2012
Reversal of other non-cash movements:		
Amortization of acquired assets and liabilities	-0.7	-1.3
Share-based payment	0.6	1.3
Adjustments on derivative financial instruments	1.3	2.5
Exchange rate adjustments	0.0	0.7
Other adjustments	4.1	0.0
Gain from sale of other fixed assets than vessels	0.0	-0.4
	5.3	**2.8**

USDm	**2013**	2012
Change in bunkers, receivables and payables:		
Change in bunkers	22.5	11.7
Change in receivables	38.5	27.8
Change in prepayments	8.6	-3.8
Change in trade payables and other liabilities	-44.0	-67.8
Adjusted for fair value changes of derivative financial instruments	-1.4	38.4
	24.2	**6.3**

NOTE 28

ENTITIES IN THE GROUP

Parent Company:

TORM A/S		Denmark

Investments in subsidiaries*):

DK Vessel HoldCo GP ApS	100%	Denmark
DK Vessel HoldCo K/S	100%	Denmark
Long Range 1 A/S	100%	Denmark
LR1 Management K/S	100%	Denmark
Medium Range A/S	100%	Denmark
MR Management K/S	100%	Denmark
OMI Holding Ltd.	100%	Mauritius
Torghatten & TORM Shipowning ApS	100%	Denmark
TORM Brasil Consultoria em Transporte Maritimo Ltda.	100%	Brazil
TORM Crewing Service Ltd.	100%	Bermuda
TORM Shipping India Private Limited	100%	India
TORM Singapore Pte. Ltd.	100%	Singapore
TORM USA LLC	100%	Delaware
TT Shipowning K/S	100%	Denmark
VesselCo 1 K/S	100%	Denmark
VesselCo 2 K/S	100%	Denmark
VesselCo 2 Pte. Ltd.	100%	Singapore
VesselCo 3 K/S	100%	Denmark
VesselCo 4 K/S	100%	Denmark
VesselCo 4 Pte. Ltd.	100%	Singapore
VesselCo 6 Pte. Ltd.	100%	Singapore
VesselCo 7 Pte. Ltd.	100%	Singapore
VesselCo A ApS	100%	Denmark
VesselCo B ApS	100%	Denmark
VesselCo C ApS	100%	Denmark
VesselCo D ApS	100%	Denmark

Investments in legal entities included as jointly controlled entities*):

Long Range 2 A/S	50%	Denmark
LR2 Management K/S	50%	Denmark
TORM Shipping Phils, Inc.	25%	Philippines

*) Entities with activities in the financial year.

As part of the restructuring in 2012, TORM made substantial changes to the internal legal group structure of the Company to align it with the individual loan facilities. This involves transfer of vessels to separate legal entities in Denmark and Singapore. All legal entities are ultimately owned by TORM A/S.

NOTE 28 – CONTINUED

SUMMARIZED FINANCIAL INFORMATION OF JOINT VENTURES

USDm	2013	2012
Total income	4.5	22.6
Total expense	-3.4	-31.2
Net profit/(loss) for the year	**1.1**	**-8.6**
Non-current assets	0.1	0.4
Current assets	2.3	1.8
Non-current liabilities	-	0.0
Current liabilities	0.0	0.0

In 2012, TORM entered into an agreement to sell its 50% stake in the joint venture entity Ugland & TORM Shipowning ApS. The transaction led to a P&L loss of USD 5m, which was recognized in the financial statement for 2012 under "Share of profits/(loss) from jointly controlled entities".

NOTE 29

	2013	2012
EARNINGS/LOSS PER SHARE		
Net profit/(loss) for the year (USDm)	**-162.2**	**-580.6**
Million shares		
Average number of shares	728.0	182.0
Average number of treasury shares	-6.7	-3.8
Average number of shares outstanding	721.3	178.2
Dilutive effect of outstanding share options	0.0	0.0
Average number of shares outstanding incl. dilutive effect of share options	**721.3**	**178.2**
Earnings/(loss) per share (USD)	**-0.2**	**-3.3**
Diluted earnings/(loss) per share (USD)	**-0.2**	**-3.3**

When calculating diluted earnings per share for 2013, 5,041,936 share options (2012: 6,654,302 share options) have been omitted as they are out-of-the-money, but potentially the share options might dilute earnings per share in the future.

STATEMENT BY MANAGEMENT

We have today presented the annual report of TORM A/S for the financial year 1 January - 31 December 2013.

The annual report is prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position as of 31 December 2013 as well as of their financial performance and cash flows for the financial year 1 January - 31 December 2013.

We also believe that the management report contains a fair review of the development and performance of the Group's and the Parent's business and of their financial position as a whole, together with a description of the principal risks and uncertainties that they face.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 5 March 2014

BOARD OF DIRECTORS:

Flemming Ipsen
Chairman

Olivier Dubois
Deputy Chairman

Kari Millum Gardarnar

Alexander Green

Rasmus Johannes Hoffmann

Jon Syvertsen

EXECUTIVE MANAGEMENT:

Jacob Meldgaard
CEO

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF TORM A/S

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AND PARENT FINANCIAL STATEMENTS

We have audited the consolidated financial statements and parent financial statements of TORM A/S on pages 44-85 for the financial year 1 January - 31 December 2013, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including the accounting policies, for the Group as well as for the Parent. The consolidated financial statements and parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND PARENT FINANCIAL STATEMENTS

Management is responsible for the preparation of consolidated financial statements and parent financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies and for such internal control as the Management determines is necessary to enable the preparation and fair presentation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the consolidated financial statements and parent financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements and parent financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and parent financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the consolidated financial statements and parent financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements and parent financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the consolidated financial statements and parent financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

OPINION

In our opinion, the consolidated financial statements and parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2013, and of the results of their operations and cash flows for the financial year 1 January - 31 December 2013 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

STATEMENT ON THE MANAGEMENT COMMENTARY (PAGES 4-43)

Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the consolidated financial statements and parent financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the consolidated financial statements and parent financial statements.

Copenhagen, 5 March 2014

DELOITTE
Statsautoriseret Revisionspartnerselskab

Anders Dons
State Authorised
Public Accountant

Henrik Kjelgaard
State Authorised
Public Accountant

PARENT COMPANY 2013

INCOME STATEMENT
1 JANUARY - 31 DECEMBER

USD '000	Note	2013	2012
Revenue		993,439	1,118,509
Port expenses, bunkers and commissions		-551,521	-666,308
Freight and bunker derivatives		1,408	9,914
Time charter equivalent earnings		**443,326**	**462,115**
Charter hire		-266,955	-438,698
Operating expenses	2	-175,380	-142,519
Gross profit (Net earnings from shipping activities)		**991**	**-119,102**
Net profit/(loss) from sale of vessels		0	-8,047
Administrative expenses	2, 3	-46,067	-54,877
Other operating expenses		-36,598	-1,782
EBITDA		**-81,674**	**-183,808**
Impairment losses on tangible and intangible assets	5, 6	0	-28,600
Amortization and depreciation	6	-6,322	-96,097
Operating profit/(loss) (EBIT)		**-87,996**	**-308,505**
Financial income	7	153,904	34,338
Financial expenses	7	-200,809	-205,455
Profit/(loss) before tax		**-134,901**	**-479,622**
Tax expenses	10	5,053	-1,282
Net profit/(loss) for the year		**-129,848**	**-480,904**

ALLOCATION OF PROFIT/(LOSS) FOR THE YEAR

The Board of Directors recommends that the net profit/(loss) for the year of USD -130m is allocated as follows:

Proposed dividend USD 0.0 per share of DKK 0,01	0
Retained profit	-129,848
	-129,848

The accompanying notes are an integrated part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
1 JANUARY - 31 DECEMBER

USD '000	2013	2012
Net profit/(loss) for the year	**-129,848**	**-480,904**
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Fair value adjustment on hedge instruments	0	-10,762
Value adjustment on hedge instruments transferred to income statement	10,769	17,423
Fair value adjustment on other investments available-for-sale	575	169
Other comprehensive income after tax	**11,344**	**6,830**
Total comprehensive income for the year	**-118,504**	**-474,074**

No income taxes fall on other comprehensive income items.

The accompanying notes are an integrated part of these financial statements.

BALANCE SHEET
AT 31 DECEMBER

USD '000	Note	2013	2012
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Goodwill		0	0
Total intangible assets	5	**0**	**0**
Tangible fixed assets			
Land and buildings		0	812
Vessels and capitalized dry-docking	13	13,699	22,687
Other plant and operating equipment		3,735	5,072
Total tangible fixed assets	6	**17,434**	**28,571**
Financial assets			
Investment in subsidiaries	4, 13	1,685,886	1,755,797
Loans to subsidiaries		6,740	39,725
Investments in jointly controlled entities	4	56	92
Other investments	4	12,320	11,781
Total financial assets		**1,705,002**	**1,807,395**
Total non-current assets		**1,722,436**	**1,835,966**
CURRENT ASSETS			
Bunkers		46,075	72,544
Freight receivables	8	78,144	114,689
Other receivables	9	8,719	12,393
Prepayments		6,965	14,970
Cash and cash equivalents		25,544	24,687
Total current assets excluding assets held-for-sale		**165,447**	**239,283**
Non-current assets held-for-sale	20	0	53,592
Total current assets		**165,447**	**292,875**
TOTAL ASSETS		**1,887,883**	**2,128,841**

The accompanying notes are an integrated part of these financial statements.

BALANCE SHEET
AT 31 DECEMBER

USD '000	Note	2013	2012
EQUITY AND LIABILITIES			
EQUITY			
Common shares		1,247	1,247
Special reserve		60,974	60,974
Treasury shares		-19,048	-19,104
Revaluation reserves		6,924	6,349
Retained profit		-39,081	90,093
Hedging reserves		-11,188	-21,957
Translation reserves		5,896	5,896
Total equity		**5,724**	**123,498**
LIABILITIES			
Non-current liabilities			
Deferred tax liability	10	46,466	53,350
Mortgage debt and bank loans	12, 13, 15	1,565,222	1,806,233
Finance lease liabilities	16	12,851	14,370
Total non-current liabilities		**1,624,539**	**1,873,953**
CURRENT LIABILITIES			
Mortgage debt and bank loans	12, 13, 15	168,645	813
Trade payables		43,479	82,458
Current tax liabilities		313	342
Other liabilities	11	42,545	47,777
Deferred income		2,638	0
Total current liabilities		**257,620**	**131,390**
Total liabilities		**1,882,159**	**2,005,343**
TOTAL EQUITY AND LIABILITIES		**1,887,883**	**2,128,841**

The accompanying notes are an integrated part of these financial statements.

Accounting policies	1
Guarantee and contingent liabilities	14
Derivative financial instruments	17
Financial instruments	18
Related party transactions	19

STATEMENT OF CHANGES IN EQUITY

USD '000	Common shares	Special reserve*)	Treasury shares**)	Retained profit	Revaluation reserves	Hedging reserves	Translation reserves	Total
EQUITY								
Equity at 1 January 2012	**61,098**	**0**	**-17,309**	**373,779**	**6,180**	**-28,618**	**5,896**	**401,026**
Changes in equity 2012:								
Net profit/(loss) for the year	-	-	-	-480,904	-	-	-	-480,904
Other comprehensive income for the year	-	-	-	-	169	6,661	-	6,830
Total comprehensive income for the year	**0**	**0**	**0**	**-480,904**	**169**	**6,661**	**0**	**-474,074**
Share capital decrease	-60,974	60,974	-	-	-	-	-	0
Conversion of debt	1,123	-	-	198,877	-	-	-	200,000
Acquisition of treasury shares, cost	-	-	-1,795	-	-	-	-	-1,795
Transaction costs share issue	-	-	-	-2,944	-	-	-	-2,944
Disposal treasury shares, cost	-	-	-	-	-	-	-	0
Gain from disposal of treasury shares	-	-	-	-	-	-	-	0
Share-based compensation	-	-	-	1,285	-	-	-	1,285
Total changes in equity 2012	**-59,851**	**60,974**	**-1,795**	**-283,686**	**169**	**6,661**	**0**	**-277,528**
Equity at 31 December 2012	**1,247**	**60,974**	**-19,104**	**90,093**	**6,349**	**-21,957**	**5,896**	**123,498**
Comprehensive income for the year:								
Net profit/(loss) for the year	-	-	-	-129,848	-	-	-	-129,848
Other comprehensive income for the year	-	-	-	-	575	10,769	-	11,344
Total comprehensive income for the year	**0**	**0**	**0**	**-129,848**	**575**	**10,769**	**0**	**-118,504**
Share capital decrease	-	-	-	-	-	-	-	0
Conversion of debt	-	-	-	-	-	-	-	0
Acquisition of treasury shares, cost	-	-	-	-	-	-	-	0
Transaction costs share issue	-	-	-	-	-	-	-	0
Disposal treasury shares, cost	-	-	56	-	-	-	-	56
Gain from disposal of treasury shares	-	-	-	37	-	-	-	37
Share-based compensation	-	-	-	637	-	-	-	637
Total changes in equity 2013	**0**	**0**	**56**	**-129,174**	**575**	**10,769**	**0**	**-117,774**
Equity at 31 December 2013	**1,247**	**60,974**	**-19,048**	**-39,081**	**6,924**	**-11,188**	**5,896**	**5,724**

*) The special reserve was established in conjunction with a capital decrease in 2012. In accordance with the Danish Companies Act, the special reserve can be used by the Board of Directors to distribute dividends or for other purposes that the Board of Directors may deem appropiate.

**) Please refer to note 14 in the consolidated financial statements for further information on treasury shares.

CASH FLOW STATEMENT
1 JANUARY - 31 DECEMBER

USD '000	Note	2013	2012
CASH FLOW FROM OPERATING ACTIVITIES			
Operating profit/(loss)		-87,996	-308,505
Adjustments:			
Reversal of bareboat hire from subsidiaries		151,521	20,995
Reversal management fees from subsidiaries		34,275	0
Reversal of profit from sale of vessels		0	8,047
Reversal of depreciation and impairment losses		6,322	124,697
Reversal of other non-cash movements	21	8,115	3,714
Reversal of restructuring charter-in fee		0	141,676
Dividends received		547	427
Dividends received from jointly controlled entities		508	0
Interest received and exchange rate gains		174	3,034
Interest paid		-53,651	-45,091
Advisor fees related to financing and restructuring plan		-1,172	-64,015
Income taxes paid/repaid		-1,644	-2,543
Change in bunkers, accounts receivables and payables	21	25,177	12,548
Net cash flow from operating activities		**82,176**	**-105,016**
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in tangible fixed assets		-2,037	-63,094
Investment in equity interests and securities		-38,694	-77
Sale of equity interests and securities		0	1,948
Loans and repayment of loans to subsidiaries and jointly controlled entities		-9,120	-14,069
Sale of non-current assets		54,286	89,917
Net cash flow from investing activities		**4,435**	**14,625**
CASH FLOW FROM FINANCING ACTIVITIES			
Borrowing, mortgage debt		18,000	82,451
Repayment/redemption, mortgage debt		-102,775	-34,597
Repayment/redemption, finance lease liabilities		0	-36
Transaction costs share issue		-1,072	-1,872
Purchase/disposals of treasury shares		93	-1,795
Cash flow from financing activities		**-85,754**	**44,151**
Net cash flow from operating, investing and financing activities		**857**	**-46,240**
Cash and cash equivalent at 1 January		**24,687**	**70,927**
Cash and cash equivalent at 31 December		**25,544**	**24,687**
Of which restricted cash and cash equivalents		0	0
Non restricted cash and cash equivalent at 31 December		**25,544**	**24,687**

The accompanying notes are an integrated part of these financial statements.

NOTE 1

ACCOUNTING POLICIES

SUPPLEMENTARY ACCOUNTING POLICIES FOR THE PARENT COMPANY

In addition to the accounting policies for the Group as presented in note 1 in the consolidated financial statements, the Parent Company, TORM A/S, applies the following supplementary accounting policies.

Foreign currencies

Exchange rate gains or losses on intercompany balances with foreign subsidiaries, which are considered part of the investment in the entity, are recognized directly in equity.

Investment in subsidiaries and jointly controlled entities

Investment in subsidiaries, associated companies and jointly controlled entities are recognized and measured in the financial statements of the Parent Company at cost and classified as "Non-current assets". Dividends are recognized under "Financial income".

As part of the restructuring in 2012, the ownership of all vessels in the Group was contributed to subsidiaries which since their formation have bareboat chartered the vessels back to TORM A/S.

According to the Restructuring Agreement, subsidiaries are requested to cancel their charter hire receivables on TORM A/S on a quarterly basis. The gain from these debt cancellations is recognized as "financial income" in TORM A/S as the investments in subsidiaries are considered as financial assets. Accordingly, return of the investments is recognized as "financial income".

As a consequence of depreciation on vessels and the ongoing debt cancellations, the entity in the vessel-owning subsidiaries is gradually reduced. This triggers an ongoing impairment loss on TORM A/S' investment in vessel-owning subsidiaries which is recognized as "Impairment losses on subsidiaries" under "Financial expenses". The impairment loss and the gain from debt cancellation are to be considered as a whole in order to understand the accounting impact and the change of the financial structure.

NOTE 2

USDm	2013	2012
STAFF COSTS		
Total staff costs		
Staff costs included in operating expenses	18.1	17.4
Staff costs included in administrative expenses	29.7	33.1
	47.8	**50.5**
Staff costs comprise the following:		
Wages and salaries	43.6	45.2
Share-based compensation	0.6	1.3
Pension costs	3.3	3.5
Other social security costs	0.3	0.5
	47.8	**50.5**

Employee information

The average number of permanently employed staff in the Parent Company in the financial year was 150 (2012: 161) land-based employees and 147 (2012: 161) seafarers.

The average number of employees is calculated as a full-time equivalent (FTE).

Management remuneration is disclosed in note 4 in the consolidated financial statements.

NOTE 3

USDm	2013	2012
REMUNERATION TO AUDITORS APPOINTED AT THE PARENT COMPANY'S ANNUAL GENERAL MEETING		
Deloitte		
Audit fees	0.3	0.3
Audit-related fees	0.3	1.3
Tax fees	0.2	0.8
Fees for other services	0.1	0.3
	0.9	**2.7**

NOTE 4

USDm	Investment in subsidiaries	Investment in jointly controlled entities	Other investments
FINANCIAL ASSETS			
Cost:			
Balance at 1 January 2012	19.8	112.7	5.4
Additions	100.6	-	-
Disposals	0.0	-	-
Transferred from vessels and capitalized dry-docking	1,655.2	-	-
Balance at 31 December 2012	**1,775.6**	**112.7**	**5.4**
Value adjustment:			
Balance at 1 January 2012	0.0	-70.3	6.2
Exchange rate adjustment	-	-	0.2
Value adjustment for the year	-	-	-
Disposals	-	-	-
Impairment losses	-19.8	-42.3	-
Balance at 31 December 2012	**-19.8**	**-112.6**	**6.4**
Carrying amount at 31 December 2012	**1,755.8**	**0.1**	**11.8**
Cost:			
Balance at 1 January 2013	1,775.6	112.7	5.4
Additions	8.3	-	-
Disposals	-5.8	0.0	-
Transferred from vessels and capitalized dry-docking	-	-	-
Balance at 31 December 2013	**1,778.1**	**112.7**	**5.4**
Value adjustment:			
Balance at 1 January 2013	-19.8	-112.6	6.4
Exchange rate adjustment	-	-	0.5
Value adjustment for the year	49.1	-	-
Disposals	-	-	-
Impairment losses	-121.5	-	-
Balance at 31 December 2013	**-92.2**	**-112.6**	**6.9**
Carrying amount at 31 December 2013	**1,685.9**	**0.1**	**12.3**
Hereof listed			0.0
Hereof unlisted			12.3

Please refer to note 9 in the consolidated financial statements for information on impairment testing on investment in jointly controlled entities in 2012.

Impairment losses on investments in subsidiaries in 2012 and 2013 relate to investment in vessel-owning subsidiaries.

A list of companies in the Group is found in note 28 in the consolidated financial statements.

NOTE 5

USDm	Goodwill	Total
INTANGIBLE ASSETS		
Cost:		
Balance at 1 January 2012	89.2	89.2
Additions	-	0,0
Disposals	-	0,0
Balance at 31 December 2012	**89.2**	**89.2**
Impairment losses:		
Balance at 1 January 2012	89.2	89.2
Disposals	-	0.0
Impairment losses for the year	-	0.0
Balance at 31 December 2012	**89.2**	**89.2**
Carrying amount at 31 December 2012	**0.0**	**0.0**
Cost:		
Balance at 1 January 2013	89.2	89.2
Additions	-	0.0
Disposals	-	0.0
Balance at 31 December 2013	**89.2**	**89.2**
Impairment losses:		
Balance at 1 January 2013	89.2	89.2
Disposals	-	0.0
Impairment losses for the year	-	0.0
Balance at 31 December 2013	**89.2**	**89.2**
Carrying amount at 31 December 2013	**0.0**	**0.0**

In connection with the dissolvement of certain subsidiaries acquired as part of the acquisition of OMI, the related goodwill was transferred to the Parent Company in 2010.

NOTE 6

USDm	Land and buildings	Vessels and capitalized dry-docking	Prepayments on vessels	Other plant and operating equipment	Total
TANGIBLE FIXED ASSETS					
Cost:					
Balance at 1 January 2012	2.3	2,424.4	69.2	23.8	2,519.7
Additions	-	34.9	41.7	1.8	78.4
Disposals	-0.5	-136.4	-8.0	-	-144.9
Transferred to/from other items	-	102.9	-102.9	-	0.0
Transferred to non-current assets held-for-sale	-	-95.6	-	-	-95.6
Transferred to investment in subsidiaries	-	-2,307.4	-	-	-2,307.4
Balance at 31 December 2012	**1.8**	**22.8**	**0.0**	**25.6**	**50.2**
Depreciation and impairment losses:					
Balance at 1 January 2012	0.3	583.9	33.1	17.3	634.6
Disposals	-0.1	-43.4	-	-	-43.5
Depreciation for the year	0.8	92.1	-	3.2	96.1
Impairment loss	-	28.6	-	-	28.6
Transferred to/from other items	-	33.1	-33.1	-	0.0
Transferred to non-current assets held-for-sale	-	-42.0	-	-	-42.0
Transferred to investment in subsidiaries	-	-652.2	-	-	-652.2
Balance at 31 December 2012	**1.0**	**0.1**	**0.0**	**20.5**	**21.6**
Carrying amount at 31 December 2012	**0.8**	**22.7**	**0.0**	**5.1**	**28.6**
Hereof finance leases	0.0	14.7	0.0	0.0	14.7
Hereof financial expenses included in cost	0.0	2.7	0.0	0.0	2.7
Cost:					
Balance at 1 January 2013	1.8	22.8	0.0	25.6	50.2
Additions	-	-	-	1.7	1.7
Disposals	-1.7	-	-	-	-1.7
Transferred to/from other items	-0.1	-	-	0.1	0.0
Transferred to non-current assets held-for-sale	-	-	-	-	0.0
Transferred to investment in subsidiaries	0.0	-8.0	-	0.0	-8.0
Balance at 31 December 2013	**0.0**	**14.8**	**0.0**	**27.4**	**42.2**
Depreciation and impairment losses:					
Balance at 1 January 2013	1.0	0.1	0.0	20.5	21.6
Disposals	-1.0	-	-	-	-1.0
Depreciation for the year	-	1.0	-	3.2	4.2
Impairment loss	-	-	-	-	0.0
Transferred to/from other items	-	-	-	0.0	0.0
Transferred to non-current assets held- for-sale	-	-	-	0.0	0.0
Transferred to investment in subsidiaries	-	-	-	0.0	0.0
Balance at 31 December 2013	**0.0**	**1.1**	**0.0**	**23.7**	**24.8**
Carrying amount at 31 December 2013	**0.0**	**13.7**	**0.0**	**3.7**	**17.4**
Hereof finance leases	0.0	13.7	0.0	0.0	13.7
Hereof financial expenses included in cost	0.0	0.0	0.0	0.0	0.0

Included in the carrying amount for vessels and capitalized dry-docking are capitalized dry-docking costs in the amount of USD 0.0m (2012: USD 4.7m).

Please refer to note 9 in the consolidated financial statement for information on impairment testing.

NOTE 7

USDm	2013	2012
FINANCIAL ITEMS		
Financial income		
Interest income from cash and cash equivalents	0.1	2.7
Gain on sale from investments in jointly controlled entities	0.0	1.9
Dividends	0.5	0.4
Dividends from subsidiaries	0.8	0.1
Debt cancellations from subsidiaries	149.3	21.0
Fair value adjustments on derivative financial instruments	0.0	5.7
Exchange rate adjustments, including net gain/loss from forward exchange rate contracts	3.2	2.5
	153.9	34.3
Financial expenses		
Interest expense on mortgage and bank debt, including net gain/loss on interest-related derivatives	72.6	70.8
Currency translation adjustments, including net gain/loss from forward exchange rate contracts	0.2	0.1
Advisor fees related to financing and restructuring plan	1.8	64.0
Impairment losses on subsidiaries	121.5	19.8
Impairment losses on jointly controlled entities	0.0	46.0
Write-down on financial fixed assets regarding liquidation of inactive subsidiaries and jointly controlled entities	1.8	1.9
Other financial expenses	2.9	2.8
	200.8	205.4
Total financial items	**-46.9**	**-171.1**

Please refer to note 1 for accounting policies on impairment losses on subsidiaries and debt cancellations on subsidiaries.

NOTE 8

USDm	2013	2012
FREIGHT RECEIVABLES		
Analysis as at 31 December of freight receivables:		
Neither past due nor impaired	50.8	76.4
Due < 30 days	6.7	8.0
Due between 30 and 180 days	20.0	22.7
Due > 180 days	0.6	7.6
	78.1	**114.7**

At 31 December 2013, freight receivables include receivables at a value of USD 8.7m (2012: USD 0.2m), which are individually determined to be impaired to a value of USD 0.5m (2011: USD 0.0m).

Movements in the provision for impairment of freight receivables during the year are as follows:

USDm	2013	2012
PROVISION FOR IMPAIRMENT OF FREIGHT RECEIVABLES		
Balance at 1 January	0.2	0.2
Provisions for the year	8.0	-
Provisions reversed during the year	-	-
Provisions utilized during the year	-	-
Balance at 31 December	**8.2**	**0.2**

Provision for impairment of freight receivables has been recognized in the income statement under 'Port expenses, bunkers and commissions'. The provision is based on an individual assessment of each individual receivable.

NOTE 9

USDm	2013	2012
OTHER RECEIVABLES		
Partners and commercial managements	2.0	2.8
Derivative financial instruments	0.2	2.9
Tax receivables	0.4	0.8
Miscellaneous, including items related to shipping activities	6.1	5.9
	8.7	**12.4**

NOTE 10

USDm	2013	2012
TAX		
Current tax for the year	1.7	1.6
Adjustments related to previous years	0.1	0.2
Adjustment of deferred tax	-6.9	-0.5
	-5.1	**1.3**
Effective corporate tax rate	**3.9%**	**-0.3%**

The Company participates in the tonnage tax scheme in Denmark. Participation in the tonnage tax scheme is binding until 31 December 2017.

Under the Danish tonnage tax scheme, the income and expenses from shipping activities are not subject to direct taxation. 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
- The number of days the vessels are used during the year

The Company expects to participate in the tonnage tax scheme after the binding period and at a minimum to maintain its current investing and activity level.

The difference between the effective corporate tax rate of 3.9% (2012: -0.3%) and the corporation tax rate in Denmark of 25% (2012: 25%) primarily relates to the tonnage tax scheme and to a lesser extent to a reduction in the Danish tax rate from 25% to 22%.

Payment of dividends to the shareholders of TORM A/S has no taxable consequences for TORM A/S.

USDm	2013	2012
DEFERRED TAX		
Deferred tax at 1 January	53.4	53.9
Reduction of Danish corporation tax from 25% to 22%	-6.3	-
Deferred tax for the year	-0.6	-0.5
Deferred tax at 31 December	**46.5**	**53.4**

Essentially all deferred tax relates to vessels included in the transition account under the Danish tonnage tax scheme.

NOTE 11

USDm	2013	2012
OTHER LIABILITIES		
Partners and commercial managements	12.0	12.0
Accrued operating expenses	14.9	14.4
Accrued interests	0.3	0.8
Wages and social expenses	12.8	11.6
Derivative financial instruments	0.0	1.0
Miscellaneous, including items related to shipping activities	2.6	8.0
	42.5	**47.8**

NOTE 12

EFFECTIVE INTEREST RATE AND FAIR VALUE OF MORTGAGE DEBT AND BANK LOANS

In November 2012, TORM completed a restructuring. As part of the restructuring, TORM secured a Working Capital Facility of USD 100m until 30 September 2014. The group of banks aligned key terms and conditions as well as financial covenants across all existing debt facilities, and the maturity on all existing credit facilities was adjusted to 31 December 2016. Following the sale of five vessels during 2013, TORM has repaid the related debt.

Please refer to note 2 in the group financial statement for further information on the Company's liquidity and capital resources and note 22 and 23 in the group financial statement for further information on interest rate swaps and financial risks.

The table below shows the effective interest and fair value of the mortgage debt and bank loans.

			2013			2012	
USDm	Fixed/ floating	Maturity	Effective interest	Fair value	Maturity	Effective interest	Fair value
LOAN							
USD	Floating	2014	24,2%*)	22.0	2014	15,6%*)	58.0
USD	Floating	2016	3,7%**)	1,727.6	2016	3,4%**)	1,771.3
Weighted average effective interest rate			**3.7%**			**3.6%**	
Fair value				**1,749.6**			**1,829.3**

As of 31 December 2013, no derivatives had been used to hedge the interest rate, hence all loans had floating interest rate.

*) Effective interest rate includes deferred and amortized bank fees and commitment fee.

**) Effective interest rate includes deferred and amortized bank fees related to original facilities and fees related to the restructured bank loans.

NOTE 13

USDm	2013	2012
COLLATERAL SECURITY FOR MORTAGE DEBT AND BANK LOANS		
Fair value of loans collaterized by investment in subsidiaries	1,749.6	1,829.3
	1,749.6	**1,829.3**

The total carrying amount for investment in subsidiaries that have been provided as security amounts to USD 1,656m (2012: USD 1,734m).

NOTE 14

USDm	2013	2012
GUARANTEE AND CONTINGENT LIABILITIES		
Guarantees for bank loans in subsidiaries	0.0	115.9
Guarantees for leasing liabilities in subsidiaries	36.5	40.3
Other guarantee liabilities	0.0	0.0
Total guarantee and contingent liabilities	**36.5**	**156.2**

Other guarantees relate to guarantee liabilities to the Danish Shipowners' Association and amount to less than USD 0.1m.

NOTE 15

CONTRACTUAL OBLIGATIONS, MORTGAGE DEBT AND BANK LOANS

TORM has various contractual obligations and commercial commitments to make future payments including lease obligations, purchase commitments,interest payments and repayment of mortgage debt and bank loans.

In November 2013, one bank exercised its option to have TORM to sell four vessels. The vessels will be delivered in 2014, as a result the related debt will be repaid in 2014, alongside the USD 100m credit facility expiring in Q3 2014. The remaining debt matures on 31 December 2016, with scheduled amoritizations starting in Q3 2014.

The following table summarizes the Company's contractual obligations:

NOTE 15 – CONTINUED

As of 31 December 2013:

USDm	2014	2015	2016	2017	2018	Thereafter	Total
Mortgage debt and bank loans 1)	172.9	87.8	1,488.9	-	-	-	1,749.6
Interest payments related to scheduled interest fixing	11.3	-	-	-	-	-	11.3
Estimated variable interest payments 2)	33.9	46.6	58.2	-	-	-	138.7
Total	**218.1**	**134.4**	**1,547.1**	**0.0**	**0.0**	**0.0**	**1,899.6**

USDm	2014	2015	2016	2017	2018	Thereafter	Total
Finance lease liabilities 3)	-	-	-	12.9	-	-	12.9
Interest element finance lease	3.9	4.2	4.2	2.9	-	-	15.2
Chartered-in vessels (incl. vessels not delivered) (Operating lease) 4)	45.4	43.7	17.3	14.5	7.3	-	128.2
Other operating leases 5)	2.4	0.2	0.2	0.0	-	-	2.8
Total	**51.7**	**48.1**	**21.7**	**30.3**	**7.3**	**0.0**	**159.1**

Contractual obligations – as lessor:							
Charter hire income for vessels on time charter and bareboat charter (incl. vessels not delivered) (Operating lease) 6)	36.7	0.3	-	-	-	-	37.0
Total	**36.7**	**0.3**	**0.0**	**0.0**	**0.0**	**0.0**	**37.0**

As of 31 December 2012:

USDm	2013	2014	2015	2016	2017	Thereafter	Total
Mortgage debt and bank loans 1)	-	104,8	93.6	1,630.9	-	-	1,829.3
Interest payments related to scheduled interest fixing	11.8	-	-	-	-	-	11.8
Estimated variable interest payments 2)	41.1	53.7	51.9	55.8	-	-	202.5
Total	**52.9**	**158.5**	**145.5**	**1,686.7**	**0.0**	**0.0**	**2,043.6**

USDm	2013	2014	2015	2016	2017	Thereafter	Total
Finance lease liabilities 3)	-	-	-	-	14.4	-	14.4
Interest element finance lease	4.0	4.4	4.7	4.8	3.2	-	21.1
Chartered-in vessels (incl. vessels not delivered) (Operating lease) 4)	71.9	45.0	43.5	15.7	13.5	5.8	195.4
Other operating leases 5)	4.7	3.2	0.1	0.1	-	-	8.1
Total	**80,6**	**52.6**	**48.3**	**20.6**	**31.1**	**5.8**	**239.0**

Contractual obligations - as lessor:							
Charter hire income for vessels on time charter and bareboat charter (incl. vessels not delivered) (Operating lease) 6)	23.7	7.3	0.1	-	-	-	31.1
Total	**23.7**	**7.3**	**0.1**	**0.0**	**0.0**	**0.0**	**31.1**

1) The presented amounts to be repaid do not include directly related costs arising from the issuing of the loans of USD 18.8m (2012: USD 25.1m), which are amortized over the term of the loans

2) Variable interest payments are estimated based on the average forward rates for each year. This corresponds to an average net interest including margin of 2.5% (2012: 2.9%)

3) One leasing agreement includes a purchase liability at expiry of leasing period

4) Leases have been entered into with a mutually non-cancelable lease period of up to eight years. Certain leases include a profit sharing element implying that the actual charter hire may be higher. The average period until redelivery of the vessels is 2.2 years (2012: 0.9 year)

5) Other operating leases primarily consist of contracts regarding office spaces, cars and apartments as well as IT-related contracts

6) Charter hire income for vessels on time charter and bareboat charter is recognized under revenue. The average period until redelivery of the vessels is 0.6 year (2012: 1.0 year)

NOTE 16

USDm	Minimum lease payments	Interest element	Carrying amount
FINANCE LEASE LIABILITIES - AS LESSEE			
Lease liabilities regarding finance lease assets:			
2013			
Falling due within one year	3.0	-3.9	-0.9
Total current	3.0	-3.9	-0.9
Falling due between one and five years	25.1	-11.3	13.8
Falling due after five years	-	-	0.0
Total non-current	25.1	-11.3	13.8
Total	**28.1**	**-15.2**	**12.9**
Fair value			**12.9**
2012			
Falling due within one year	2.1	-3.9	-1.8
Total current	2.1	-3.9	-1.8
Falling due between one and five years	33.4	-17.2	16.2
Falling due after five years	-	-	0.0
Total non-current	33.4	-17.2	16.2
Total	**35.5**	**-21.1**	**14.4**
Fair value			**14.4**

Finance lease relates to an MR product tanker vessel chartered on bareboat expiring no later than in 2017. At the expire of the charter period, the Company has an obligation to purchase the vessel.

The fair value of finance lease liabilities is calculated as the present value of expected future repayments and interest payments using the interest rate implicit in the lease.

NOTE 17

DERIVATIVE FINANCIAL INSTRUMENTS

The table below shows the fair value of the derivative financial instruments:

USDm	**Fair value as of 31 December 2013**	Fair value as of 31 December 2012
Non hedge accounting:		
Derivative financial instruments regarding freight and bunkers:		
Bunker swaps	0.0	1.3
	0.0	**1.3**
Hereof included in:		
Current assets	0.0	1.4
Other receivables		
Current liabilities		
Other liabilities	0.0	-0.1
	0.0	1.3

Please refer to note 18 for further information on fair value hierarchies.

NOTE 17 – CONTINUED

The table below shows realized amounts as well as fair value adjustments regarding derivative financial instruments recognized in the income statement and equity in 2013 and 2012:

	Income statement					
USDm	Revenue	Freight and bunker derivatives	Operating expenses	Administrative expenses	Financial items	Equity hedging reserves
Bunker swaps	-	1.4	-	-	-	-
Forward Freight Agreements	0.3	-	-	-	-	-
Forward rate contracts	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	-10.8	10.8
Currency options	-	-	-	-	0.0	-
Total 2013	**0.3**	**1.4**	**0.0**	**0.0**	**-10.8**	**10.8**
Bunker swaps	-	3.0	-	-	-	-
Forward Freight Agreements	-	6.9	-	-	-	-
Forward rate contracts	-	-	-1.7	-1.6	-	3.3
Interest rate swaps	-	-	-	-	-14.7	3.4
Currency options	-	-	-	-	0.0	-
Total 2012	**0.0**	**9.9**	**-1.7**	**-1.6**	**-14.7**	**6.7**

Please refer to the section "Risk management" and exposure and note 23 in the consolidated financial statements for further information on financial risks.

NOTE 18

FINANCIAL INSTRUMENTS

USDm	2013	2012
CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES AS DEFINED IN IAS 39:		
Loans and receivables		
Loans to subsidiaries	6.7	39.7
Freight receivables, etc.	78.1	114.7
Other receivables	8.3	9.3
Cash and cash equivalents	25.5	24.7
	118.6	**188.4**
Available-for-sale financial assets		
Other investments	12.3	11.8
	12.3	**11.8**
Derivative financial instruments (assets)		
Other receivables (held-for-trading)	0.0	2.3
	0.0	**2.3**
Financial liabilities measured at amortized cost		
Mortgage debt and bank loans	1,733.9	1,807.0
Finance lease liabilities	12.9	14.4
Trade payables	43.5	82.5
Other liabilities	29.8	35.1
	1,820.1	**1,939.0**
Derivative financial instruments (liabilities)		
Other liabilities (held-for-trading)	0.0	1.0
Other liabilities (hedge accounting)	0.0	0.0
	0.0	**1.0**

The fair value of the financial assets and liabilities above equals the carrying amount except for mortgage debt and bank loans for which the fair value can be found in note 12.

FAIR VALUE HIERARCHY FOR FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE IN THE BALANCE SHEET

The table below shows the fair value hierarchy for financial instruments measured at fair value in the balance sheet. The financial instruments in question are grouped into Levels 1-3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 fair value measurements are those derived from input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include input for the asset or liability that are not based on observable market data (unobservable input)

NOTE 18 - CONTINUED

USDm	2013 Quoted prices (Level 1)	Observable input (Level 2)	Unobservable input (Level 3)	Total
Available-for-sale financial assets:				
Other investments	-	-	12.3	12.3
Derivative financial instruments (assets):				
Other receivables (held-for-trading)	-	0.0	-	0.0
Total financial assets	**0.0**	**0.0**	**12.3**	**12.3**
Derivative financial instruments (liabilities):				
Other liabilities (held-for-trading)	-	0.0	-	0.0
Total financial liabilities	**0.0**	**0.0**	**0.0**	**0.0**

USDm	2012 Quoted prices (Level 1)	Observable input (Level 2)	Unobservable input (Level 3)	Total
Available-for-sale financial assets:				
Other investments	0.0	0.0	11.8	11.8
Derivative financial instruments (assets):				
Other receivables (held-for-trading)	-	1.4	-	1.4
Total financial assets	**0.0**	**1.4**	**11.8**	**13.2**
Derivative financial instruments (liabilities):				
Other liabilities (held-for-trading)	-	0.1	-	0.1
Total financial liabilities	**0.0**	**0.1**	**0.0**	**0.1**

There were no transfers between Level 1 and 2 in 2013 and 2012.

The estimation of the fair market value of TORM's unlisted shares (level 3) is based on market multiples for comparable listed companies (peer group). The peer group is selected from companies in comparable industries and is assessed as representative for the assessment of the value of the shareholding. Furthermore, TORM applies an average of both a price to earnings and a price to book multiple in determining the fair market value.

Derivative financial instruments USD 0.0m (2012: USD 1.3m) are measured at fair value based on discounted cash flow on a recurring basis. Future cash flow are estimated on forward curves for bunker swaps and FFAs from observable forward curves at the end of the reporting period and contract forward rates discounted at a rate that reflects the credit risk of the counterparties.

RECONCILIATION OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE IN THE BALANCE SHEET BASED ON LEVEL 3

USDm	2013	2012
Other investments, available-for-sale :		
Balance at 1 January	11.8	11.6
Gain/loss in other comprehensive income	0.5	0.2
Transfers to/from Level 3	-	-
Balance at 31 December	**12.3**	**11.8**
Gain/loss in the income statement for assets held at the end of the reporting period	**0.0**	**0.0**

NOTE 19

RELATED PARTY TRANSACTIONS

Subsidiaries and jointly controlled entities are considered as related parties in relation to the Parent Company, TORM A/S. In addition to the related parties disclosed in note 25 to the consolidated financial statements, the following transactions took place between TORM A/S and subsidiairies and jointly controlled entities during the year:

USDm	2013	2012
Services provided by TORM A/S to subsidiaries	0.0	2.0
Services provided by TORM A/S to jointly controlled entities	1.9	1.8
Assets sold by TORM A/S	0.0	68.1
Services provided by subsidiaries	193.8	100.3
Services provided by jointly controlled entities	0.0	1.5
Debt cancellations by subsidiaries	149.3	21.0

The services provided between the parties are all directly related to the Group's shipping activities and based on arm's lenght principles.

NOTE 20

NON-CURRENT ASSETS HELD-FOR-SALE

At year end 2012, the Company had entered into negotiations concerning the sale of two MR tankers. The tankers were classified as held-for-sale and are presented separately in the balance sheet.

An impairment loss of USD 29m from adjusting the carrying amount of the tankers to the market value at year-end 2012 was recognized in the income statement for 2012 under 'Impairment losses on tangible and intangible assets'.

NOTE 21

CASH FLOWS

USDm	2013	2012
Reversal of other non-cash movements:		
Amortization of acquired assets and liabilities	0.5	-0.1
Fair value adjustmens on derivative financial instruments	1.3	2.5
Currency translation adjustments	-0.2	0.4
Share-based payment	0.6	1.3
Other adjustments	6.0	0.0
Gain from sale of other fixed assets than vessels	0.0	-0.4
	8.2	**3.7**

USDm	2013	2012
Change in bunkers, accounts receivables and payables:		
Change in bunkers	24.9	11.6
Change in receivables	36.7	28.0
Change in prepayments	8.7	-3.3
Change in trade payables and other liabilities	-43.8	-58.5
Adjusted for fair value changes of derivative financial instruments	-1.3	34.7
	25.2	**12.5**

TORM FLEET OVERVIEW AS OF 31 DECEMBER 2013

TANKERS/ BULK	TYPE	VESSEL	DWT	BUILT	OWNERSHIP	CARRYING VALUE (USDm)
Tanker	LR2	TORM HELENE	99,999	1997	100%	18*)
Tanker	LR2	TORM KRISTINA	105,001	1999	100%	27*)
Tanker	LR2	TORM GUDRUN	101,122	2000	100%	26*)
Tanker	LR2	TORM VALBORG	99,999	2003	100%	29*)
Tanker	LR2	TORM INGEBORG	99,999	2003	100%	29*)
Tanker	LR2	TORM MARINA	109,672	2007	100%	45*)
Tanker	LR2	TORM MAREN	110,000	2008	100%	48*)
Tanker	LR2	TORM MATHILDE	110,000	2008	100%	48*)
Tanker	LR1	TORM SARA	72,718	2003	100%	33*)
Tanker	LR1	TORM ESTRID	74,999	2004	100%	22
Tanker	LR1	TORM EMILIE	74,999	2004	100%	32*)
Tanker	LR1	TORM ISMINI	74,999	2004	100%	22*)
Tanker	LR1	TORM SIGNE	72,718	2005	100%	33*)
Tanker	LR1	TORM SOFIA	72,718	2005	100%	34*)
Tanker	LR1	TORM VENTURE	74,999	2007	100%	29*)
Tanker	MR	TORM GUNHILD	44,999	1999	100%	13*)
Tanker	MR	TORM ANNE	44,990	1999	100%	14*)
Tanker	MR	TORM NECHES	47,052	2000	100%	28*)
Tanker	MR	TORM CLARA	45,999	2000	100%	26*)
Tanker	MR	TORM CECILIE	44,946	2001	100%	25*)
Tanker	MR	TORM AMAZON	47,275	2002	100%	14
Tanker	MR	TORM SAN JACINTO	47,038	2002	100%	31*)
Tanker	MR	TORM MARY	45,990	2002	100%	17*)
Tanker	MR	TORM VITA	45,940	2002	100%	17*)
Tanker	MR	TORM CAROLINE	44,946	2002	100%	28*)
Tanker	MR	TORM GERTRUD	45,940	2002	100%	19*)
Tanker	MR	TORM GERD	45,940	2002	100%	18*)
Tanker	MR	TORM THYRA	45,990	2003	100%	18
Tanker	MR	TORM FREYA	45,990	2003	100%	18*)
Tanker	MR	TORM MOSELLE	47,024	2003	100%	33*)
Tanker	MR	TORM ROSETTA	47,015	2003	100%	34*)
Tanker	MR	TORM CAMILLA	44,990	2003	100%	27*)
Tanker	MR	TORM CARINA	44,990	2003	100%	25*)
Tanker	MR	TORM HORIZON	46,955	2004	100%	35*)
Tanker	MR	TORM HELVIG	44,990	2005	100%	30*)
Tanker	MR	TORM RAGNHILD	44,990	2005	100%	30*)
Tanker	MR	TORM THAMES	47,035	2005	100%	38*)
Tanker	MR	TORM KANSAS	46,922	2006	100%	39*)
Tanker	MR	TORM REPUBLICAN	46,893	2006	100%	39*)
Tanker	MR	TORM PLATTE	46,920	2006	100%	38*)
Tanker	MR	TORM LAURA	52,000	2008	100%	39*)
Tanker	MR	TORM LENE	52,000	2008	100%	38*)
Tanker	MR	TORM LOTTE	52,000	2009	100%	39*)

TANKERS/ BULK	TYPE	VESSEL	DWT	BUILT	OWNERSHIP	CARRYING VALUE (USDm)
Tanker	MR	TORM LOUISE	52,000	2009	100%	39*)
Tanker	MR	TORM LILLY	52,000	2009	100%	39*)
Tanker	MR	TORM ALEXANDRA	50,500	2010	100%	**)
Tanker	MR	TORM AGNETE	50,500	2010	100%	**)
Tanker	MR	TORM ARAWA	52,500	2012	100%	**)
Tanker	MR	TORM ANABEL	52,500	2012	100%	**)
Tanker	Handysize	TORM MADISON	35,828	2000	100%	25*)
Tanker	Handysize	TORM TRINITY	35,834	2000	100%	26*)
Tanker	Handysize	TORM RHONE	35,751	2000	100%	25*)
Tanker	Handysize	TORM CHARENTE	35,751	2001	100%	26*)
Tanker	Handysize	TORM OHIO	37,274	2001	100%	27*)
Tanker	Handysize	TORM LOIRE	37,106	2004	100%	33*)
Tanker	Handysize	TORM GARONNE	37,178	2004	100%	32*)
Tanker	Handysize	TORM SAONE	37,106	2004	100%	33*)
Tanker	Handysize	TORM FOX	37,006	2005	100%	34*)
Tanker	Handysize	TORM TEVERE	36,990	2005	100%	34*)
Tanker	Handysize	TORM GYDA	37,000	2009	100%	40*)
Bulker	Panamax	TORM ANHOLT	74,195	2004	100%	17*)
Bulker	Panamax	TORM BORNHOLM	75,912	2004	100%	18*)

*) Indicates vessels for which TORM believes that, as of 31 December 2013, the basic charter-free market value is lower than the vessel's carrying amount.

**) Indicates that the vessels are assets held-for-sale.

GLOSSARY

20-F: Annual report filed with the US Securities and Exchange Commission (SEC).

ADR: American Depository Receipt. Proof of ownership (the equivalent) of one share. ADRs are used by foreign companies wishing to be admitted to listing on American stock exchanges.

ADS: American Depositary Shares. Shares registered with the SEC and kept in custody with a bank as security for the ADRs issued.

Bareboat: See B/B.

B/B: Bareboat. A form of charter arrangement where the charterer is responsible for all costs and risks in connection with the operation of the vessel.

Bulk: Dry cargo – typically commodities such as coal, grain, iron ore, etc.

Bunkers: Fuel with which to run a vessel's engines.

Capesize: Bulk carriers with a cargo carrying capacity of 120,000-200,000 dwt.

Classification society: Independent organization, which ensures through verification of design, construction, building process and operation of vessels that the vessels at all times meet a long list of requirements to seaworthiness, etc. If the vessels do not meet these requirements, insuring and mortgaging the vessel will typically not be possible.

COA: Contract of Affreightment. A contract that involves a number of consecutive cargoes at previously agreed freight rates.

Coating: The internal coatings applied to the tanks of a product tanker enabling the vessel to load refined oil products.

Demurrage: A charge against the charterer of a vessel for delaying the vessel beyond the allowed free time. The demurrage rate will typically be at a level equal to the earnings in USD/day for the voyage.

DKK: Danish kroner.

Dry cargo: See Bulk.

Dwt: Deadweight ton. The cargo carrying capacity of a vessel.

FFA: Forward Freight Agreement. A financial derivative instrument enabling freight to be hedged forward at a fixed price.

GAAP: Generally Accepted Accounting Principles.

Handymax: Dry bulk carriers with a cargo carrying capacity of 40,000-60,000 dwt.

Handysize: A specific class of product tankers with a cargo carrying capacity of 20,000 – 40,000 dwt.

IAS: International Accounting Standards.

IFRS: International Financial Reporting Standards.

IMO: International Maritime Organization.

Kamsarmax: Dry bulk carriers with a cargo carrying capacity of 80,000–85,000 dwt.

KPI: Key Performance Indicator. A measure of performance used to define and evaluate how the company is making progress towards its long-term organizational goals.

LR1: Long Range 1. A specific class of product tankers with a cargo carrying capacity of 60,000 – 80,000 dwt.

LR2: Long Range 2. A specific class of product tankers with a cargo carrying capacity of 80,000 – 110,000 dwt.

LTAF: Lost Time Accident Frequency. Work-related personal injuries that result in more than one day off work per million hours of work.

MR: Medium Range. A specific class of product tankers with a cargo carrying capacity of 40,000 – 60,000 dwt.

Oil major: One of the world's largest publicly owned oil and gas companies. Examples of oil majors are BP, Chevron, ExxonMobil, Shell and Total.

OPEC: Organization of the Petroleum Exporting Countries.

Panamax: Dry bulk carriers with a cargo carrying capacity of 60,000–80,000 dwt. The biggest vessel allowed to pass through the Panama Canal.

P&I club: Protection & Indemnity Club.

Pool: A grouping of vessels of similar size and characteristics, owned by different owners, but commercially operated jointly. The pool manager is mandated to charter the vessels out for the maximum benefit of the pool as a whole. Earnings are equalized taking account of differences in vessel specifications, the number of days the vessels have been ready for charter, etc.

Product tanker: A vessel suitable for carrying clean petroleum products such as gasoline, jet fuel and naphtha.

Sarbanes-Oxley Act: An act passed by the US Congress in 2002 to protect investors from the possibility of fraudulent accounting activities by corporations. It mandated strict reforms to improve financial disclosures from corporations and prevent accounting fraud.

SEC: US Securities and Exchange Commission.

Supramax: Dry bulk carriers with a cargo carrying capacity of 40-60,000 dwt.

T/C: Time charter. An agreement covering the chartering out of a vessel to an end user for a defined period of time, where the owner is responsible for crewing the vessel, but the charterer must pay port costs and bunkers.

TCE: See T/C equivalent.

Time charter: See T/C.

Ton-miles: A unit of freight transportation equivalent to a ton of freight moved one mile.

T/C equivalent: The freight receivable after deducting port expenses, consumption of bunkers and commissions.

UN: The United Nations.

DESIGN: BYSTED

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