TORM

ANNUAL REPORT 2014

HISTORY OF TORM

2009-

ON 14 JANUARY 2014, TORM CELEBRATES 125 YEARS OF SHIPPING WITH PRIDE. IN 2012, TORM COMPLETES A RESTRUCTURING IN COOPERATION WITH TIME CHARTER OWNERS, LENDERS AND SHAREHOLDERS

1999-2009

WITH THE ACQUISITION OF OMI IN 2007, TORM REALIZES THE GREATEST FLEET INCREASE IN TORM'S RECENT HISTORY

1989-1999

IN THE EARLY 1990S, TORM MAKES SHIPPING HISTORY WHEN IT ESTABLISHES A POOL PARTNER COLLABORATION

1979-1989

TORM'S FIRST DOUBLE-HULL TANKERS ARE DELIVERED, AND WASTE WATER TREATMENT SYSTEMS ARE INSTALLED ON THE OLDER VESSELS

1969-1979

MERGERS AND EFFICIENCY IMPROVEMENTS HELP STREAMLINING OPERATIONS. IN 1974, TORM MERGES WITH THE STEAMSHIP COMPANY BORNHOLM OF 1866. A NUMBER OF THE OLDER SHIPS ARE SOLD OFF. TORM TAKES DELIVERY OF ITS FIRST PRODUCT TANKER

1959-1969

DESIGN AND ENGINEERING DEVELOPMENTS IN THE SHIPBUILDING INDUSTRY MEAN BETTER CONDITIONS FOR TORM'S CREW MEMBERS. THE TORM FLEET CONTINUES TO INCREASE

1949-1959

THE POST-WAR PERIOD WAS A PERIOD OF GROWTH AND CONSOLIDATION. "GUNHILD TORM", DENMARK'S LARGEST DRY BULK CARRIER AT THAT TIME, JOINS THE FLEET

1939-1949

DURING WORLD WAR II, TORM LOSES SEVERAL VESSELS AND EMPLOYEES. HOWEVER, TORM RECOVERS AND INCREASES THE NUMBER OF SAILING ROUTES. THE COMPANY ESTABLISHES WHAT TODAY IS KNOWN AS THE TORM FOUNDATION

1929-1939

TORM EXPANDS OPERATIONS AND TAKES DELIVERY OF ITS FIRST MOTORIZED VESSEL

1919-1929

THE COMPANY CARRIES ITS FIRST CARGO OF FRUIT FROM THE MIDDLE EAST TO ENGLAND AND ORDERS ITS FIRST REFRIGERATED VESSEL

1909-1919

TORM CONTINUES TO EXPAND ITS SHIPPING OPERATIONS. TORM VESSELS BEGIN TO SAIL INTERNATIONAL VOYAGES

1899-1909

THE COMPANY GROWS RAPIDLY. TORM IS LISTED ON THE COPENHAGEN STOCK EXCHANGE

1889-1899

IN 1889, TORM IS FOUNDED BY CAPTAIN DITLEV E. TORM AND CHRISTIAN SCHMIEGELOW. THE TORM FLEET GROWS TO FOUR VESSELS DURING THE FIRST TEN YEARS

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INTRODUCTION

TORM has been sailing the world seas since 1889, and in January 2014, the Company hosted the first reception to celebrate and commemorate 125 years of TORM history. Such a long history is both a source of motivation and a great asset for TORM in the daily business. It has been a privilege and a unique occasion to mark the anniversary at different customer events throughout 2014. Furthermore, TORM paid tribute to the Company's approx. 3,000 employees worldwide – at sea and ashore – as well as the many customers, investors, authorities and many others who have influenced the development of TORM through the years.

2014 PERFORMANCE

In 2014, TORM's product tanker fleet realized average spot TCE earnings of USD/day 15,968 or up 6% year-on-year driven by a strong market towards the end of the year. The overall operational result (EBITDA) was positive with USD 77m, which is a decline of USD 19m and mainly driven by 12,187 fewer earning days. The unsatisfactory loss before tax of USD 283m (2013: USD -166m) included impairment charges of USD 192m related to vessel sales (USD 60m).

In the first part of 2014, the product tanker freight rates were under pressure especially from low European demand, limited arbitrage trades and lower ton-mile on US exports. The second part of the year saw a market recovery initially in the LR segment, which later spilled over into the other segments leading to the highest freight rates obtained since 2008. The main drivers were open arbitrage trades, new refinery capacity in the Middle East and lower oil prices. During 2014, TORM remained focused on optimizing the fully integrated operational platform to ensure flexible commercial trading and a higher contribution margin. TORM was well-positioned to take advantage of the stronger market towards the end of the year and leveraged the Company's strong operational platform to perform well against the commercial benchmarks.

In 2014, the dry bulk freight rates continued to be under pressure and were at historically low levels according to the Baltic Dry Index. TORM has for a period maintained a cautious view on the dry bulk markets in the short to medium term, and the Company has previously decided to focus all available resources on its scale and operational platform in the product tanker segment. Consequently, since the summer of 2013, TORM has minimized market risk by redelivering bulk vessels and maintaining a relatively high coverage. During 2014, TORM continued to scale down its bulk activities. TORM has therefore only been operating the existing core bulk fleet of approx. eight vessels on time charter contracts. This has resulted in TORM delivering TCE levels significantly above the prevailing spot market in 2014.

With the One TORM framework 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 2014, TORM's cost program delivered savings of USD 44m mainly related to fuel, administration and CAPEX, whereas OPEX trended up. This means that TORM has generated savings of USD 99m between 2012 and 2014, which is in line with the target communicated in 2012.

CAPITAL LOSS IN MARCH 2014

As part of the Restructuring Agreement from November 2012, three banks were granted certain specific option rights until July 2014 that could trigger a sales process for up to 22 vessels and repayment of the related debt. In March 2014, the third bank exercised its option rights leading to the sale of ten MR and three LR2 product tankers financed by this bank facility. Consequently, TORM concluded an agreement to sell the product tankers to entities controlled by Oaktree Capital Management (Oaktree), whereby the 13 vessels remained under TORM's commercial management and utilized TORM's integrated operating platform for technical management. Following this transaction, the associated vessel financing was fully repaid, thereby reducing the Company's debt by USD 223m.

This transaction also led to an impairment charge of USD 192m that resulted in negative equity on TORM's balance sheet. When a company recognizes a capital loss, the Board of Directors has an obligation to test whether the justification for the company's operations as a going concern is sufficiently solid, while the possibilities for a recapitalization is investigated and implemented. TORM's Board of Directors assessed that it has been and remains completely justifiable to continue TORM's operations in an intermediate period whilst finalizing the ongoing restructuring efforts.

RESTRUCTURING

On 27 October 2014, TORM entered into an agreement with a group of its lenders, representing 61% of TORM's ship financing, and Oaktree regarding a financial restructuring. The parties are negotiating to secure the required lender support to implement the agreement. The restructuring is expected to include that the lenders will initially write down the debt to the current asset values in exchange for warrants. In addition, they may choose to convert part of the remaining debt into new equity in the Company. Oaktree is expected to contribute product tankers in exchange for a controlling equity stake in the combined Company, which will reinforce TORM's position as one of the largest product tanker owners. The agreement

Chairman of the Board, Flemming Ipsen (right), and CEO of TORM, Jacob Meldgaard (left).

envisages a new Working Capital Facility of USD 75m as a replacement of the current Facility. The exact consequences of the restructuring will be presented to the shareholders when the proposed implementation structure is agreed upon, however, it is currently anticipated that existing shareholders would retain approximately 1-2% of the ordinary share capital. No later than 26 March 2015 at the Annual General Meeting, TORM expects to have reached the minimum required lender support (75% by value and 50% by number) to be able to implement the proposed agreement.

2015 – NEW HORIZONS

Already now, it is clear that 2015 will be a significant period in the Company's history where the organization will continue the work on three important dimensions.

First, TORM has entered into the above-mentioned agreement with its lenders and Oaktree regarding a financial restructuring of the Company, which will secure the future, long-term capital structure. This will give TORM financial and strategic agility to navigate towards new horizons.

Secondly, TORM has taken a cautious view on the dry bulk markets, and the decision to scale down the bulk activities has proven correct. In 2015, TORM will continue the orientation towards being a pure product tanker company, as this segment offers a promising market outlook.

Thirdly, TORM will continue to optimize the Company's operational performance through the framework called One TORM. The overall objective is to operationally position TORM as the reference company in the product tanker industry, and the framework serves as a scoreboard to measure progress on a number of key performance indicators. In 2015, TORM will remain focused on delivering industry-leading results via a number of measures designed to support the strong integrated commercial and technical platform.

We are convinced that superior operational results and 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

	2014	2013	2012	2011	2010
INCOME STATEMENT (USDm)					
Revenue	624	992	1,121	1,305	856
Time charter equivalent earnings (TCE)	326	443	466	644	561
Gross profit	123	150	-93	81	180
EBITDA	77	96	-195	-44	97
Operating profit/(loss) (EBIT)	-211	-91	-449	-389	-80
Financial items	-72	-76	-131	-63	-57
Profit/(loss) before tax	-283	-166	-579	-451	-136
Net profit/(loss) for the year	-284	-162	-581	-453	-135
Net profit/(loss) for the year excl. impairment charges and restructuring costs	-77	-102	-255	-253	-100
BALANCE SHEET (USDm)					
Non-current assets	1,231	1,712	1,971	2,410	2,984
Total assets	1,384	2,008	2,355	2,779	3,286
Equity	-164	118	267	644	1,115
Total liabilities	1,548	1,890	2,088	2,135	2,171
Invested capital	1,219	1,823	2,128	2,425	2,987
Net interest-bearing debt	1,394	1,718	1,868	1,787	1,875
Cash and cash equivalents	45	29	28	86	120
CASH FLOW (USDm)					
From operating activities	27	68	-100	-75	-1
From investing activities,	313	93	0	168	-187
thereof investment in tangible fixed assets	-42	-41	-59	-118	-254
From financing activities	-324	-161	42	-128	186
Total net cash flow	16	1	-57	-34	-2
KEY FINANCIAL FIGURES*)					
Gross margins:					
TCE	52.2%	44.7%	41.5%	49.4%	65.5%
Gross profit	19.7%	15.2%	-8.3%	6.2%	21.0%
EBITDA	12.3%	9.7%	-17.3%	-3.4%	11.3%
Operating profit	-33.8%	-9.1%	-40.0%	-29.8%	-9.3%
Return on Equity (RoE)	-	-84.3%	-127.4%	-51.5%	-11.4%
Return on Invested Capital (RoIC) **)	-13.9%	-4.6%	-19.7%	-14.4%	-2.7%
Equity ratio	-11.8%	5.9%	11.4%	23.2%	33.9%
Exchange rate DKK/USD, end of period	6.12	5.41	5.66	5.75	5.61
Exchange rate DKK/USD, average	5.62	5.62	5.79	5.36	5.62
SHARE-RELATED KEY FIGURES*)					
Earnings/(loss) per share, EPS (USD)	-0.4	-0.2	-3.3	-6.5	-2.0
Diluted earnings/(loss) per share, EPS (USD)	-0.4	-0.2	-3.3	-6.5	-2.0
Cash flow per share, CFPS (USD)	0.0	0.1	-0.6	-1.1	0.0
Share price in DKK, end of period (per share of DKK 0.01 each) ***)	0.31	1.4	1.7	3.7	39.7
Number of shares, end of period (million)	728.0	728.0	728.0	72.8	72.8
Number of shares (excl. treasury shares), average (million)	721.3	721.3	178.2	69.5	69.3

*) 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).

***) 2010-2011: Per share of DKK 5.00 each.

2014 HIGHLIGHTS

In the fourth quarter of 2014, the product tanker freight rates reached the highest level since 2008 and the positive market sentiments have continued in 2015. TORM's integrated platform has managed to take advantage of the stronger market, says CEO Jacob Meldgaard.

- In 2014, the Company realized a positive EBITDA of USD 77m (USD 96m) and a loss before tax of USD 283m (USD -166m). The performance is in line with the revised forecasts of 6 November 2014. The result before tax was negatively affected by special items of USD 192m (USD -60m).

- In the first part of 2014, the product tanker freight rates were under pressure especially from low European demand, limited arbitrage trades and lower ton-mile on US exports. The second half of the year saw a market recovery initially in the LR segment, which later spilled over into the other segments leading to the highest freight rates experienced since 2008. The main drivers were open arbitrage trades, new refinery capacity in the Middle East and lower oil prices. In 2014, TORM's largest segment, MRs, achieved spot rates of USD/day 15,224 (USD/day 15,914). The gross profit for the Tanker Division was USD 123m (USD 172m), which was a decline of USD 49m year-on-year primarily caused by 22% fewer earning days and higher OPEX.

- In 2014, the dry bulk freight rates continued to be under pressure and were at historically low levels. TORM had expected a soft market and taken time charter coverage, which means that the Company's largest segment, Panamax, achieved TCE earnings of USD/day 10,477 (USD/day 8,019) despite the weak spot market that averaged USD/day 7,800. The gross profit for the bulk activities was USD 0m (USD -22m), despite the historically low freight rates. During 2014, TORM continued to scale down its bulk activities to operating the existing core fleet of approx. eight vessels, which are on time charter contracts.

- In March 2014, one bank exercised its option rights leading to the sale of ten MR and three LR2 product tankers financed by this bank. Consequently, TORM concluded an agreement to sell these product tankers to entities controlled by Oaktree Capital Management, whereby the 13 vessels remained under TORM's commercial management and utilized TORM's integrated operating platform for technical management. Following this transaction, the associated vessel financing was fully repaid, thereby reducing the Company's debt by USD 223m. This transaction also led to an impairment charge of USD 192m that resulted in negative equity on TORM's balance sheet.

- On 27 October 2014, TORM entered into an agreement with a group of its lenders, representing 61% of TORM's ship financing, and Oaktree regarding a financial restructuring. The parties are negotiating to secure the required lender support to implement the agreement. The restructuring is expected to include that the lenders will initially write down the debt to the current asset values in exchange for warrants. In addition, they may choose to convert part of the remaining debt into new equity in the Company. Oaktree is expected to contribute product tankers in exchange for a controlling equity stake in the combined Company. No later than 26 March 2015 at the Annual General Meeting, TORM expects to have reached the minimum required lender support (75% by value and 50% by number) to be able to implement the agreement. The final implementation of any restructuring would be subject to shareholder approval and certain conditions precedent, including required approvals from public authorities. The Company's continuing operation is dependent on the outcome of the ongoing recapitalization process.

- As of 31 December 2014, TORM's available liquidity was USD 65m consisting of USD 45m in cash and USD 20m in undrawn credit facilities. There are no newbuildings on order or CAPEX commitments related hereto.

- The book value of the fleet was USD 1,215m as of 31 December 2014. Based on broker valuations, TORM's fleet had a market value of USD 859m as of 31 December 2014. 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 2014 supports the carrying amount.

- As of 31 December 2014, net interest-bearing debt amounted to USD 1,394m (USD 1,718m).

- TORM's equity is negative at USD 164m as of 31 December 2014 (positive at USD 118m).

- As of 31 December 2014, 4% of the total earning days in the Tanker Division for 2015 were covered at a rate of USD/day 23,140 and 64% of the total earning days for the bulk activities at USD/day 8,454.

- The financial results for 2015 are subject to considerable uncertainty related to the completion of the proposed Restructuring Agreement. Consequently, TORM has decided not to provide earnings guidance for 2015.

- The Board of Directors proposes that no dividend be distributed for 2014.

OUTLOOK 2015

EARNINGS AND COVERAGE FOR 2015

The financial results for 2015 are subject to considerable uncertainty related to the completion of the proposed Restructuring Agreement. Consequently, TORM has decided not to provide earnings guidance for 2015.

As 16,669 earning days are uncovered at year-end 2014, a change in freight rates of USD/day 1,000 would impact the financial results by USD 17m.

As of 31 December 2014, the Tanker Division had covered 4% of the total earning days in 2015 at an average rate of USD/day 23,140 (8% at an average rate of USD/day 14,908 in 2013).

As of 31 December 2014, the bulk activities had covered 64% of the total earning days in 2015 at an average rate of USD/day 8,454 (56% at an average rate of USD/day 11,350 in 2013).

The table on this page shows the effect of variations in freight rates for product tankers and bulk carriers on the EBITDA result and the result before tax for 2015.

The most important factors affecting TORM's earnings in 2015 are:

- Global economic growth
- Consumption of refined oil products
- Oil trading activity and developments in ton-mile
- Bunker price developments
- 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-mile effects from relocation of refinery capacity to have a positive effect on the demand for product tankers. The product tanker ton-mile demand is estimated to grow by a compound annual rate of 6% during 2015-2017, exceeding the estimated net growth in tonnage supply of approximately 5% and subsequently contributing to a positive development in the product tanker fleet utilization during that period. 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 23 February 2015 on page 10.

OUTLOOK FOR THE BULK SEGMENT

TORM maintains a cautious view on the dry bulk markets for the coming period. Consequently, since the summer of 2013, the Company has minimized market risk by redelivering bulk vessels and maintaining a relatively high coverage of 64% for 2015 from T/C activity. TORM will continue to scale down the Company's bulk activities in 2015.

2015 PROFIT SENSITIVITY TO CHANGES IN FREIGHT RATES

	Change in freight rates (USD/day)			
USDm	-2,000	-1,000	1,000	2,000
LR2	-5	-2	2	5
LR1	-5	-2	2	5
MR	-15	-8	8	15
Handysize	-7	-3	3	7
Tanker Segment	**-32**	**-16**	**16**	**32**
Panamax	-1	-1	1	1
Handymax	-0	-0	0	0
Bulk Segment	**-1**	**-1**	**1**	**1**
Total	**-33**	**-17**	**17**	**33**

COVERED AND CHARTERED-IN DAYS IN TORM – DATA AS OF 31 DECEMBER 2014

	2015	2016	2017	2015	2016	2017
	Owned days					
LR2	1,782	1,815	1,825			
LR1	2,510	2,546	2,555			
MR	7,077	7,155	7,186			
Handysize	3,797	3,960	4,015			
Tanker Division	15,166	15,476	15,581			
Panamax	726	728	730			
Handymax	-	-	-			
Bulk activities	726	728	730			
Total	**15,892**	**16,204**	**16,311**			
	T/C-in days at fixed rate			T/C-in costs, USD/day		
LR2	-	-	-	-	-	-
LR1	-	-	-	-	-	-
MR	752	104	-	15,697	16,000	-
Handysize	-	-	-	-	-	-
Tanker Division	752	104	-	15,697	16,000	-
Panamax	1,245	760	730	12,458	11,000	11,000
Handymax	-	-	-	-	-	-
Bulk activities	1,245	760	730	12,458	11,000	11,000
Total	**1,997**	**864**	**730**	**13,678**	**11,600**	**11,000**
	T/C-in days at floating rate					
LR2	726	684	730			
LR1	-	-	-			
MR	-	-	-			
Handysize	-	-	-			
Tanker Division	726	684	730			
Panamax	-	-	-			
Handymax	41	13	-			
Bulk activities	41	13	-			
Total	**767**	**697**	**730**			
	Total physical days			Total covered days		
LR2	2,509	2,499	2,555	116	-	-
LR1	2,510	2,546	2,555	73	-	-
MR	7,829	7,259	7,186	194	-	-
Handysize	3,797	3,960	4,015	332	-	-
Tanker Division	16,644	16,263	16,311	705	-	-
Panamax	1,971	1,488	1,460	1,283	-	-
Handymax	41	13	-	-	-	-
Bulk activities	2,011	1,501	1,460	1,283	-	-
Total	**18,656**	**17,764**	**17,771**	**1,987**	**-**	**-**
	Covered, %			Coverage rates, USD/day		
LR2	5%	-	-	20,486	-	-
LR1	3%	-	-	40,138	-	-
MR	2%	-	-	25,949	-	-
Handysize	8%	-	-	18,532	-	-
Tanker Division	4%	-	-	23,140	-	-
Panamax	65%	-	-	8,454	-	-
Handymax	-	-	-	-	-	-
Bulk activities	64%	-	-	8,454	-	-
Total	**11%**	-	-	**13,661**	**-**	**-**

Fair value of freight rate contracts that are mark-to-market in the income statement: Contracts not included above USD -1.6m, contracts included above USD -0.1m.

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 half year, 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 23 FEBRUARY 2015

	2014	2015		
USD/day	realized	Q2	Q3	Q4
Product tankers				
LR2	15,413	-	-	-
LR1	17,556	18,300	19,200	19,300
MR	14,697	16,500	15,500	18,300
Handysize	15,287	-	-	-
Dry bulk vessels				
Panamax	10,477	6,850	6,800	7,875
Handymax	12,748	5,825	5,825	6,300

Bulk based on SSY Dry FFA Report
LR is based on T/C5 roundtrip, MR is based on mix of West, T/C14+T/C2 and East, modified T/C12

SAFE HARBOR STATEMENTS AS TO THE FUTURE

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 Company desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this cautionary statement in connection with this safe harbor legislation. The words "believe," "anticipate," "intend," "estimate," "forecast," "project," "plan," "potential," "may," "should," "expect," "pending" and similar expressions identify forward-looking statements.

Forward-looking statements in this company announcement 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 the Company 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, the Company 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 strength of the world economy and currencies, changes in charter hire rates and vessel values, changes in demand for "tonne 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.

ONE TORM – A WORLD-CLASS OPERATIONAL PLATFORM

- TORM will be a pure product tanker company
- The product tanker fleet is spot-oriented
- One TORM platform integrates commercial and technical management
- Long-term capital structure addressed

CAPITAL STRUCTURE

TORM has for a number of years been operating under the constraints of an inadequate capital structure.

On 27 October 2014, TORM entered into an agreement with a group of its lenders, representing 61% of TORM's ship financing, and Oaktree regarding a financial restructuring. The parties are negotiating to secure the required lender support to implement the agreement. The restructuring is expected to include that the lenders will initially write down the debt to the current asset values in exchange for warrants. In addition, they may choose to convert part of the remaining debt into new equity in the Company. Oaktree is expected to contribute product tankers in exchange for a controlling equity stake in the combined Company, which will reinforce TORM's position as one of the largest product tanker owners. The agreement also envisages a new Working Capital Facility of USD 75m as a replacement of the current Facility. The final implementation of any restructuring would be subject to shareholder approval and certain conditions precedent, including required approvals from public authorities.

ONE TORM

Since the beginning of 2013, TORM has pursued a framework for TORM's operational performance which focuses on four common goals named One TORM:

- *Acting responsibly* to maintain the highest safety, environment and CSR standards
- *Putting customers first* and thereby enabling TORM to outperform available earnings benchmarks
- *Ensuring quality in everything,* e.g. by improving technical and commercial tradability and delivering optimized processes across the entire value chain
- *Operating in a cost-efficient manner* to deliver a competitive cost base

The overall objective is to operationally position TORM as the reference company in the product tanker industry, 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 – above 97.5%
- Highest safety standards
- Savings from cost program of USD 99m for the period 2012-2014
- 2014 administrative expenses reduced by 10% year-on-year

PRODUCT TANKER SEGMENT

TORM's business model in this segment centers on continued presence in the spot market. This will allow the Company to take advantage of the anticipated volatility and the stronger market fundamentals observed especially towards the end of 2014. 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 2014, TORM owned 43 product tankers. In addition, TORM had chartered-in seven product tankers and had 22 product tankers under commercial management.

BULK SEGMENT

TORM continues to have a cautious view on the dry bulk markets for the coming period. Therefore, the Company will minimize market risk by redelivering vessels and maintaining a high coverage for 2015, primarily from period activity.

Since the summer of 2013, TORM has gradually scaled down the Company's bulk activities. TORM has decided to focus all available resources on its scale and operational platform in the product tanker segment. As of 31 December 2014, TORM's bulk fleet counted two owned vessels and five time charter vessels with expiry over the coming years.

TANKER SEGMENT

- Strong freight rates in the second half of 2014
- TORM outperforms commercial benchmarks
- Simplification of the Company's One TORM platform

In the first part of 2014, the product tanker freight rates were under pressure especially from low European demand, limited arbitrage trades and lower ton-mile on US exports. The second part of the year saw a market recovery in the LR segment, which spilled over into the other segments leading to the highest freight rates experienced since 2008. The main drivers were open arbitrage trades, new refinery capacity in the Middle East and lower oil prices. In 2014, TORM's largest segment, MRs, achieved spot rates of USD/day 15,224 (USD/day 15,914). The gross profit for the Tanker Division was USD 123m (USD 172m), which was a decline of USD 49m year-on-year primarily caused by 22% fewer earning days and higher OPEX.

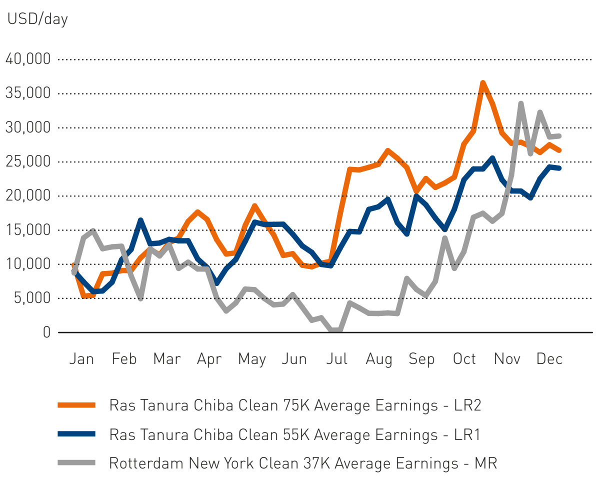
The first quarter of the year is usually a strong period for product tankers. However, in the West, the MR activity was negatively impacted by the cold weather in the US, resulting in increased domestic demand for heating oil and reduced export of diesel. The mild weather in Europe caused the reverse situation with reduced demand for heating oil, less imports and subsequently reduced activity levels. In the East, the LR market was negatively impacted by the middle distillate arbitrage to Europe being closed for long periods.

In the second quarter of 2014, the product tanker market saw increased US export volumes, but this was partly offset by shorter transportation distances. The MR freight rates were negatively impacted by shorter ton-mile effect especially in the West. The LR vessels captured a larger part of the export market to West Africa and Europe, which had a positive impact on LR1 freight rates. Nevertheless, the LR market was negatively impacted by continued tonnage overhang and the fact that the naphtha arbitrage from Europe to the Far East was closed for long periods. The pressure on LR freight rates spilled over into the MRs in the East.

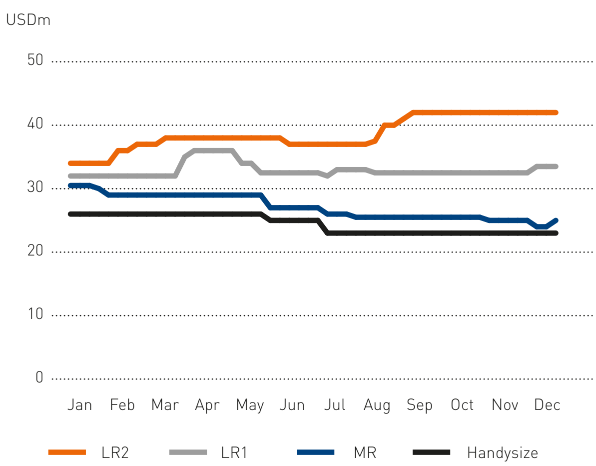
During the third quarter of 2014, the product tanker market showed signs of recovery for the LRs. In the West, the freight rates were negatively impacted by weak demand in Europe and refinery maintenance in the US. The Atlantic Basin experienced an oversupply of tonnage and freight rates remained subdued for most of the quarter. In the East, especially the LR freight rates in the Arabian Gulf improved as a result of increased demand in general and for naphtha in particular as well as new refinery capacity coming on stream. The MR freight rates followed suit in the North East and in the Middle East.

The fourth quarter of the year is usually a strong period for product tankers, and the market continued to strengthen due to the opening of several long-haul arbitrage trades. A significant decrease in oil prices resulted in lower bunker

TANKER FREIGHT RATES 2014
Source: Clarksons



ASSET PRICES ON FIVE-YEAR-OLD SECOND-HAND PRODUCT TANKERS IN 2014
Source: Clarksons



LR1 product tanker TORM Estrid at Proevestenen in Denmark discharging vacuum gasoil.

costs, increased oil demand and stock building. In the West, a decrease in the price for light distillates opened up further arbitrage in the Atlantic Basin. Unplanned maintenance of South American refineries led to increased import demand and ton-mile. In the East, the earnings for the LRs peaked in November due to continued strong demand and LR2 congestion. The difference between earnings in the East and the West became significant in the fourth quarter. In December 2014, the product tanker market reached the highest level since 2008 (source: Clarksons).

In the volatile market, TORM's Tanker Division outperformed commercial spot benchmarks by 47% for MRs and 17% for LR1s, whereas TORM's LR2 spot rates were 8% below spot benchmarks (source: Clarksons).

Houston, Texas, is increasingly becoming a hub for shipping customers in the US, and therefore TORM relocated its office from Stamford to Houston in order to be closer to the customers.

During the year, TORM focused on optimizing processes and simplifying the One TORM platform. Furthermore, TORM and Maersk Tankers dissolved the LR2 Pool cooperation which enabled TORM to take full strategic and commercial control of the Company's LR2 vessels. This is a further step towards simplifying the set-up of the One TORM platform. Going forward, TORM will cross-sell all vessel segments and offer customers a full range of services from the four product tanker segments.

During 2014, TORM entered into an agreement to sell a total of 13 product tankers, ten MRs and three LR2s, to entities owned by Oaktree. According to the agreement, all 13 vessels will remain with TORM for commercial and technical management.

At year-end, TORM operated a total of 72 product tankers, of which 43 are owned, seven are chartered-in and 22 are under commercial management. There were no newbuildings on order.

TORM'S RESULTS IN THE TANKER SEGMENT

	2013	**2014**				**2014**
USDm	Total	Q1	Q2	Q3	Q4	Total
INCOME STATEMENT						
Revenue	774.8	173.1	140.4	132.1	151.5	597.1
Port expenses, bunkers and commissions	-410.8	-95.2	-71.2	-65.8	-69.9	-302.1
Freight and bunker derivatives	0.1	-	0.1	-0.2	0.1	-
Time charter equivalent earnings	**364.1**	**77.9**	**69.3**	**66.1**	**81.7**	**295.0**
Charter hire	-22.1	-4.2	-5.6	-8.9	-8.1	-26.8
Operating expenses	-169.9	-41.4	-38.1	-32.6	-33.2	-145.3
Gross profit/(loss) (Net earnings from shipping activities)	**172.1**	**32.3**	**25.6**	**24.6**	**40.4**	**122.9**
Impairment losses	-59.8	-195.0	2.6	-0.2	0.9	-191.7
Operating profit/(loss) (EBIT)	**112.3**	**-162.7**	**28.2**	**24.4**	**41.3**	**-68.8**

TANKER SEGMENT – SUPPLY AND DEMAND

- Current order book indicates high number of deliveries in 2015-2016
- Higher ton-mile demand driven by increased oil consumption and relocation of refineries

SUPPLY

In 2014, the global product tanker fleet grew by 3.8% in terms of capacity and 3.4% in terms of number of vessels. This was the highest growth since 2011, but the figure covers considerable differences in the individual segments. The growth was ranging from 0.2% for the LR1 segment to 5.8% for MR vessels, and while all other segments have seen an increasing growth trend in recent years, the LR1 segment stands out as growth has stagnated. At the end of 2014, the global product tanker fleet totaled 2,635 vessels, counting 259 LR2 vessels, 328 LR1 vessels, 1,397 MR vessels and 651 Handysize vessels.

CURRENT NEWBUILDING ORDER BOOK

New contracting in 2014 declined by 56% compared to the 7-year high ordering activity in 2013, yet ordering activity in 2014 was higher than in any of the years 2008-2012. It was especially the first quarter which saw a high ordering activity, however, a number of LR1 orders placed in the second half of the year took new ordering in the LR1 segment to a 8-year high. At the end of 2014, the existing order book for deliveries in 2015-2017 totaled 459 vessels, including 75 LR2 vessels, 38 LR1 vessels, 236 MR vessels and 110 Handysize vessels.

CANCELLATIONS AND POSTPONEMENTS

In 2014, only 73% of the deliveries scheduled for the year actually materialized, with the remaining 27% being split between order cancellations (5%) and order delays/postponements (22%) as of 1 February 2015. For 2015, TORM expects a delivery slippage of approximately 20%.

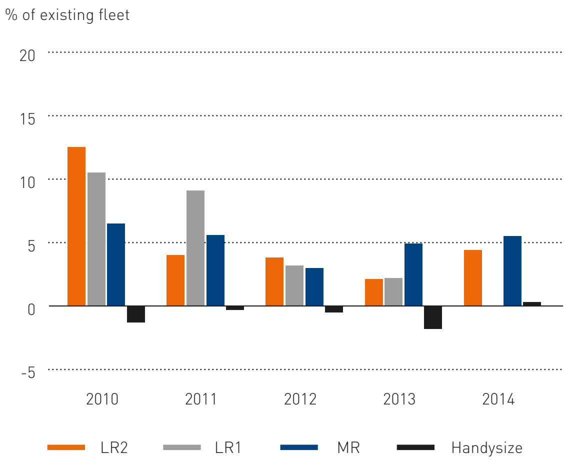
SCRAPPING

In 2014, almost 1.7m dwt of product tanker capacity was scrapped, corresponding to approx. 1.2% of the fleet capacity at the beginning of the year. Compared to 2013, scrapping activity slowed down, yet remained above the average scrapping level during 2000-2013. It is expected that approx. 3% of the existing capacity in the global fleet will be phased out or scrapped during 2015-2017.

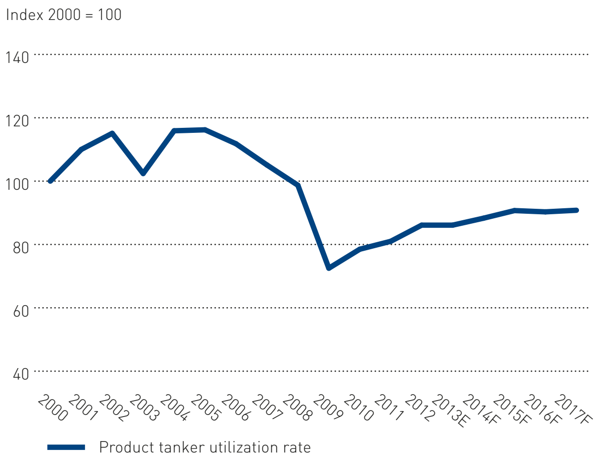
NEW CONTRACTING OF NEWBUILDINGS

TORM anticipates limited ordering of new product tankers with delivery before the end of 2016. The Company expects the ordering activity in 2015 to be at around the 2000-2014 average level, which is considerably lower than what was seen in 2013 and also marks a slowdown from the 2014 level. During 2015-2017, the product tanker fleet capacity is estimated to grow by a compound annual rate of approx. 6%. However, 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 approx. 5% during the same period.

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



PRODUCT TANKER UTILIZATION RATE
Source: TORM



DEMAND

Global oil demand growth in 2014 fell short of expectations due to lower-than-expected economic growth in the Eurozone, China and most of the emerging economies. Yet, global macroeconomic momentum is set to gather strength in 2015. Consequently, global oil demand is expected to grow by 0.9m barrels/day (1.0%) in 2015 after only 0.6m barrels/day (0.7%) in 2014 (source: IEA January 2015). Whereas much of the oil demand weakness in 2014 was due to deteriorated demand for gasoil/diesel in the non-OECD countries, this type of demand is anticipated to become the largest contributor to accelerating oil demand in 2015 with a product switch in the bunker fuel market from heavier fuel oil to marine gasoil as one of the key contributors. Nevertheless, there is some upside to the oil demand growth, were the currently low crude oil prices to stay for a longer period. 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 2014.

REFINERY CAPACITY AND TRANSPORTATION

According to TORM estimates, the net global refinery capacity is expected to grow by approximately 4.4m barrels/day during 2015-2017. The majority of the refinery additions are in China and in the Middle East. In the latter region, a significant part of the additional supply is likely to be transported long-haul by product tankers to regions where demand outpaces local refinery capacity or refineries are being closed.

Several new condensate splitter capacity projects are underway in the US in 2015 and 2016, helping to absorb the abundant domestic supplies of light tight oil (LTO) and condensates. This will likely lead to increased export capacity of light end products. At the same time, the traditional role of the US as an importer of Europe's excess gasoline continues to decline, as vehicle efficiency gains are anticipated to exceed any potential gains in miles travelled, the latter being a result of improved economic situation and lower gasoline prices.

European refiners face increasing competition from new refining capacity on their traditional export markets in Africa and the rest of the Americas, offsetting the gains experienced in the fourth quarter of 2014 from lower crude costs. TORM expects this to lead to further cuts in refinery runs in Europe, if not refinery shutdowns.

European diesel imports from Russia, the US Gulf and increasingly from the new refineries in the Middle East will grow, underpinned by increase in demand for ultra-low sulphur diesel as a result of a change in bunker fuel rules in the North Sea Emission Control Area.

Despite new refining capacity coming online in South America, the regions' import needs remain high, only temporarily disrupted by new regional refinery capacity additions in 2015/2016. Imports to Australia will increase, mainly met by South East Asia and the North Pacific. A sustained demand for naphtha imports in the North Pacific will increasingly be met by supplies from Europe and the US, the latter potentially supported by the expansion of the Panama Canal.

Consequently, the product tanker ton-mile demand is estimated to grow by a compound annual rate of around 6% during 2015-2017, 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 the impact of sustained low oil prices on demand and trade patterns, higher-than-expected newbuilding contracting activity, lacking or slower refining industry rationalization in Europe, the level of compliance with the new ECA (Emission Control Area) rules, a total or partial relaxation of the US crude oil export ban, the export strategy of the new Middle East refineries, slower-than-forecast shift in Russia's refining sector's exports between fuel oil and cleaner products as well as uncertainty around China's new refinery projects. Similarly, product price volatility and arbitrage are potential swing factors.

Other swing factors affecting the supply of vessels available for transportation of clean products are substitution of tonnage between dirty and clean product transportation and the use of vessels for floating storage purposes as seen in 2009 and 2010. With a possible crude market recovery, a larger number of product tankers will likely switch to the dirty segment. Furthermore, slow-steaming is a factor although the effect is likely to be less pronounced the smaller the vessels.

BULK SEGMENT

- Financial result in break-even despite freight and charter rates at historically low levels
- Continued scale-down of TORM's bulk activities
- Remaining fleet employed on time charter contracts

The dry bulk market was at historically low levels during 2014. The average spot freight rates in the Panamax segment were approx. 67% below the 10-year historical average (source: Baltic Panamax Index). A declining spot market during the first half of the year led the period market to gradually erode and the second-hand asset market to decline.

In line with the general market expectations, the global bulk fleet grew by approx. 4.4% in 2014 net after scrapping. Trade volumes increased by approx. 4.2%, which was less than market expectations and partly explained by slowing demand for coal from China.

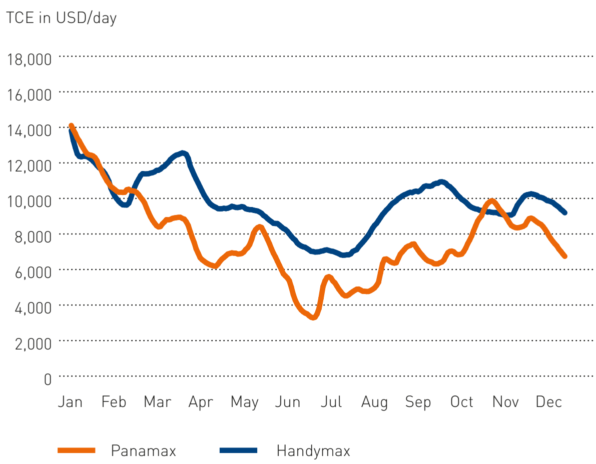
During the year, the spot freight rates in the Panamax segment varied from USD/day 3,500 to USD/day 14,000 with an average market level of USD/day 7,800, which was 20% below 2013 levels (source: Baltic Panamax Index).

The one-year time charter rate for Panamax averaged around USD/day 12,000, which was also approx. 20% above the level for 2013. The period market was relatively strong during the first half of 2014, upheld by expectations of a firming forward market, but eventually the depressed spot market led the period market to fall to USD/day 10,000 in the second half of the year.

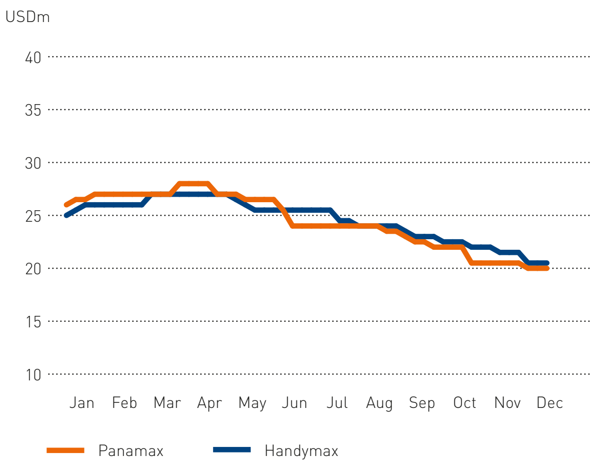
The second-hand market for bulk vessels reversed the positive trend from 2013, and the price for a five-year-old second-hand Panamax bulk carrier declined by almost 20% during the year (source: Clarksons).

As previously announced, TORM has continued to scale down the Company's bulk activities, and the remaining fleet will continue to be employed in the long-term period market.

BULK FREIGHT RATES 2014
Source: Clarksons



ASSET PRICES ON FIVE-YEAR-OLD SECOND-HAND DRY BULK CARRIERS IN 2014
Source: Clarksons



The bulk vessel TORM Anholt carrying out a discharge operation in Asia.

The gross profit for the Company's bulk activities was USD 0m (USD -22) despite freight and charter rates at historically low levels. In the Panamax segment, TORM achieved average earnings of USD/day 10,477, which was 30% higher than in the same period last year and 36% above the average spot market (source: Baltic Panamax Index). The improvement is a result of the Company's high coverage policy.

As of 31 December 2014, TORM's active bulk fleet consisted of two owned vessels and five long-term time charter vessels. TORM expects to have approx. 2,000 bulk earning days in 2015 (-33%). There are no bulk vessels on order.

TORM'S RESULTS IN THE BULK SEGMENT

	2013		**2014**			**2014**
USDm	Total	Q1	Q2	Q3	Q4	Total
INCOME STATEMENT						
Revenue	217.5	9.8	8.3	7.9	1.0	27.0
Port expenses, bunkers and commissions	-139.7	-0.1	0.5	-0.6	4.2	4.0
Freight and bunker derivatives	1.3	-0.2	-	-	-	-0.2
Time charter equivalent earnings	**79.1**	**9.5**	**8.8**	**7.3**	**5.2**	**30.8**
Charter hire	-97.1	-7.5	-6.5	-6.5	-6.3	-26.8
Operating expenses	-3.7	-1.0	-1.0	-1.0	-0.9	-3.9
Gross profit/(loss) (Net earnings from shipping activities)	**-21.7**	**1.0**	**1.3**	**-0.3**	**-2.0**	**0.1**
Depreciation incl. impairment losses	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit/(loss) (EBIT)	**-21.7**	**1.0**	**1.3**	**-0.3**	**-2.0**	**0.1**

TORM'S 125TH ANNIVERSARY

On 14 January 1889, Captain Ditlev E. Torm and Christian Schmiegelow founded the Company and later the same year, TORM's first vessel, TORM Alice, was delivered. This year, the Company celebrated its 125th anniversary.

TORM benefits from a strong heritage and many years of embedded know-how. The Company has been "shipping with pride" throughout the changing times and the cyclical nature of the shipping industry.

TORM has celebrated this historical milestone worldwide throughout the year – externally with customers and business partners and internally with the Company's employees.

During the year, TORM hosted receptions in Singapore, Dubai, Geneva, Houston and London for the Company's customers.

At TORM's headquarters in Copenhagen, a reception was held for the Company's external business partners and employees with more than 300 visitors.

Furthermore, TORM created a 125th anniversary film made by the Company's employees. All employees, ashore and at sea, were encouraged to use their smartphones and upload video clips demonstrating what TORM is or means to them. More than 350 video clips were received from all parts of the organization, and these clips were transformed into an anniversary film.

On the day of the anniversary, TORM hosted an internal celebration event including the Company's five offices worldwide via a live Skype connection. The anniversary film was released during this event.

In close cooperation with the TORM Foundation, the Training Ship DANMARK anchored outside TORM's premises in Tuborg Havn for a special employee event.

At sea, the anniversary was celebrated with a get-together on board almost all vessels. The vessels also received a link to the anniversary film showing the spirit of TORM.

TORM has achieved remarkable results over the years which have made the Company what it is today – one of the world's leading shipping companies within the product tanker segment with a strong integrated operational platform.

Pictures from the anniversary reception at TORM's headquarters in Copenhagen on 17 January 2014. The reception was held for TORM's external business partners and employees.

TORM
CELEBRATING
125
YEARS OF
SHIPPING
WITH PRIDE

PEOPLE

- Employee satisfaction surveys demonstrate dedication and understanding of the One TORM strategic direction
- Performance Leadership focus in the Technical Division and on board TORM's vessels

SEAFARERS

The positive commitment and engagement from seafarers continued throughout 2014 with a strong retention level of 99% for Senior Officers and 99% compliance with customer requirements (the so-called officer matrix compliance). Dedication amongst seafarers was also demonstrated in the Company's seafarer survey that is carried out every third year. This year, the survey showed an overall improvement in all four measures (Satisfaction, Engagement, Loyalty and Reputation).

In 2014, TORM implemented the TORM Evaluation and Leadership Development Program, which is an assessment program for the Company's Senior Officers. In total, 90 Captains, Chief Engineers, Chief Officers and Second Engineers participated in the program. The purpose is to exemplify how TORM expects Senior Officers to act as leaders on board the Company's vessels and to increase awareness about individual competences. As part of this program, all Senior Officers will have a development plan, which will be followed up regularly.

In 2014, TORM continued to focus on integrating the TORM Leadership Philosophy and on increasing awareness and understanding of the One TORM strategic direction. In line with the TORM Leadership Philosophy and One TORM, the Company has introduced the Performance Leadership project in the Technical Division and on board the vessels. This includes a number of KPIs for TORM's vessels and is divided into six overall areas: Energy efficiency, reliability, cost, operations, safety and tradability. Each KPI area has a number of directly related action points for the vessels.

Furthermore, TORM has developed a global cadet program to ensure alignment and quality in the way the Company recruits and develops cadets.

Performance was also an important topic on the four officers' seminars which were conducted in Denmark, Croatia, India and the Philippines during 2014.

SHORE ORGANIZATION

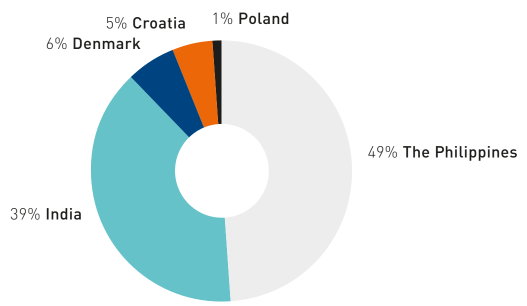
In 2014, TORM continued to focus on employee performance which is a central part of the One TORM strategic direction. In the beginning of the year, TORM's Senior Management hosted workshops for all employees, where the objectives of all departments were shared and linked to the One TORM framework in order to create transparency around the overall objectives of the Company.

TORM conducts an annual employee satisfaction survey for all land-based employees. In 2014, 95% of the employees participated in the survey that included One TORM as one of the focus areas. The results demonstrated that TORM's employees have a high level of understanding of One TORM and know how they can contribute to the strategic direction of the Company.

TORM experienced a satisfactory employee retention rate for 2014 of 84%. Retaining motivated employees is central to the Company's continued ability to deliver to customers. When it comes to attraction and recruitment of new employees, TORM has also received a satisfactory number of qualified applications to the vacant positions during the year.

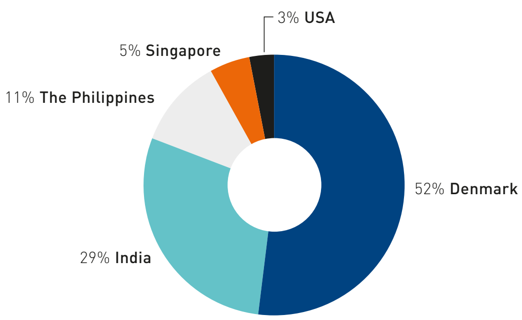
GEOGRAPHICAL DISTRIBUTION OF SEAFARES IN %

100% = 2,729 seafarers ultimo 2014 incl. contracted crew



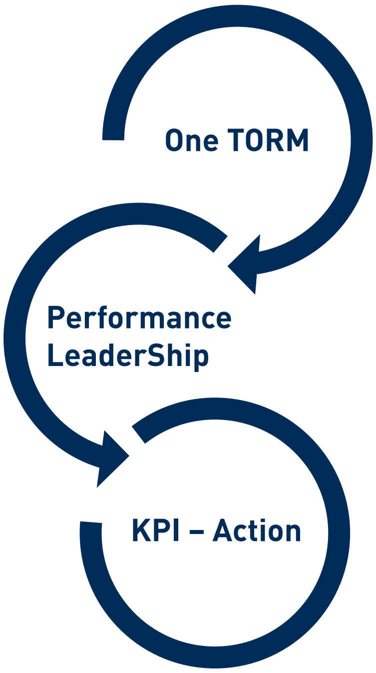
GEOGRAPHICAL DISTRIBUTION OF LAND-BASED EMPLOYEES IN %

100% = 278 employees ultimo 2014



Chief Engineer, Rasmus J. Skaun Hoffmann, on board TORM Lotte sailing off Skagens Rev. Positive commitment and engagement from seafarers continued throughout 2014 with a strong retention level of 99% for Senior Officers.

Another element of the One TORM strategic direction is to have an integrated technical platform handling technical management and the manning of TORM's vessels. In 2014, TORM welcomed a new Head of the Technical Division and introduced a number of initiatives to further optimize operations and focus on higher reliability as well as better cost and quality control of the vessels.



In line with the One TORM strategic direction, the Company has introduced the Performance Leadership project in the Technical Division and on board the vessels. This includes a number of KPIs for TORM's vessels.

CORPORATE SOCIAL RESPONSIBILITY

- New investments in retrofitting program to reduce oil consumption and CO_2 emissions
- Armed guards retained while the number of piracy attacks in the High Risk Area off the African Horn are reduced

REPORTING AND TRANSPARENCY

TORM's approach to Corporate Social Responsibility (CSR) is rooted in the values of the Company and based on the Company's 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 direction and TORM's Business Principles.

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 policy has 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 all stakeholders

INSPECTIONS AND AUDITS

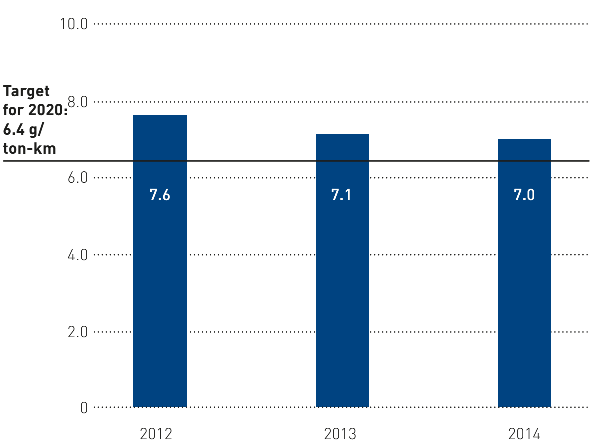
In order to exceed the standards set by stakeholders, the Company has enhanced the vetting preparations and increased the number of internal vettings on the vessels carried out by SQE officers.

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

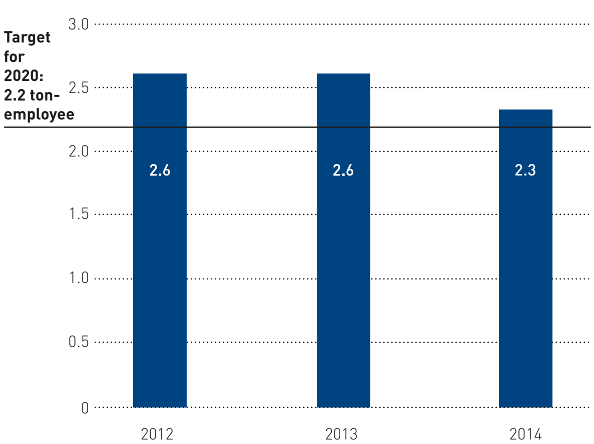
ENVIRONMENT AND CLIMATE

Marine pollution constitutes the largest environmental risk. Consequently, the Company seeks to minimize its

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



CO_2 EMISSION PER OFFICE EMPLOYEE IN TON
Source: TORM



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

environmental impact by taking constant care and by measuring CO_2 emissions per ton-km and per office employee.

FUEL EFFICIENCY

TORM takes a proactive approach to fuel efficiency as this has a significant environmental and economic impact. During 2014, TORM installed retrofit equipment on a number of vessels, such as propeller boss cap fins and bunker flow meters, to reduce oil consumption and CO_2 emissions. Furthermore, the Company implemented initiatives to strengthen energy efficient navigation, including upgrades of autopilots and voyage decision support software. To drive energy efficient behavior, TORM is implementing a new vessel reporting system and has installed advanced auto data logging on a number of vessels. TORM will continue these efforts in 2015 with a number of additional initiatives, including launch of weekly performance indicators to the vessels.

CLIMATE PERFORMANCE

TORM has reduced the year-on-year CO_2 emissions from 7.07 to 6.99 g/ton-km, or by 12.6% since 2008. This is primarily driven by increased fuel efficiency. In 2015, TORM will continue to invest in fuel efficiency projects.

CO_2 emissions from TORM's offices were reduced from 2.58 to 2.32 ton-employee. Since 2008, TORM has improved performance on this measure by approx. 19%.

OIL SPILLS

In 2014, TORM experienced no oil spills larger than one barrel, but four smaller oil spills over board of less than one barrel of oil. All incidents were investigated and procedures revised where required.

HEALTH, SAFETY AND SECURITY

Approx. 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.

In July 2014, one of TORM's product tankers, TORM Lotte, performed a Search and Rescue operation in the Mediterranean Sea and rescued the lives of more than 560 boat refugees. This is part of a trend that has manifested itself especially in 2014.

SAFETY CULTURE

A strong safety culture is central to TORM, and the Company has not experienced any work-related fatalities in 2014. Lost Time Accident Frequency (LTAF) is an indicator of serious work-related personal injuries that result in more than one day off work. During 2014, TORM had an LTAF of 1.49 (1.26). The increase from 2013 to 2014 is caused by one additional accident. 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 responds to them. In 2014, TORM exceeded the target of 6.0 near-miss reports per month per vessel on average by reaching 6.8 due to continued focus on this area.

2014 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. In 2014, TORM experienced four robberies and seven suspicious approaches. Furthermore, the Company observed a significant reduction in the number of piracy attacks in the High Risk Area off the African Horn. Piracy activity in the West African region centered around the Gulf of Guinea has been monitored thoroughly throughout the year. The Company will continue to monitor the risk situation and preempt hijacking by following Company security procedures. TORM made 175 voyages with armed guards in 2014 against 302 in 2013. The decrease in the number of voyages with armed guards from 2013 to 2014 is primarily due to changes in the boundaries of the High Risk Area.

RESPONSIBLE BUSINESS

TORM's CSR commitment is not limited to the Company's own business practices, as 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.

EMPLOYEES AND COMMUNITIES

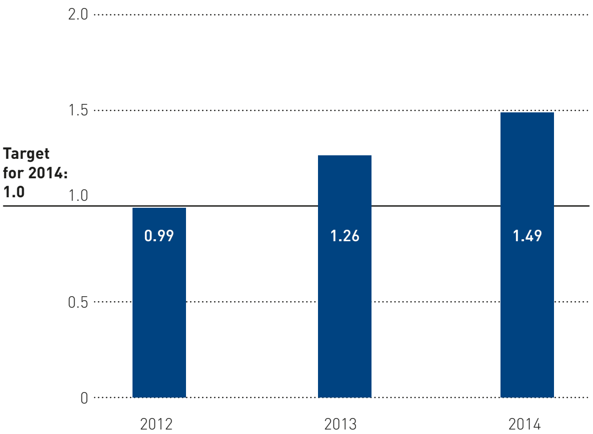
The Company has been a long-standing supporter of maritime education in India and the Philippines. This commitment also has a strategic purpose and reflects the Company's ties to local communities.

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 through ongoing restructuring efforts
- Current restrictions on vessel sale and purchase activities and ageing of the fleet remain a strategic risk
- Market risks remain high, but TORM is well-positioned for a strengthening of the product tanker market

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.

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 • Vessel 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

TORM continues to limit the exposure to the dry bulk business and as a result the risk tolerance in this business area is "risk-averse".

OPERATIONAL AND COMPLIANCE RISKS ("RISK-AVERSE")

TORM aims at maintaining its position as a quality operator with high focus on operating vessels in a safe and reliable manner. 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 2014 and will continue in 2015.

FINANCIAL RISKS ("MODERATELY RISK-AVERSE")

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

During 2014, TORM has continued efforts towards a financial restructuring in order to create a long-term, sustainable capital structure.

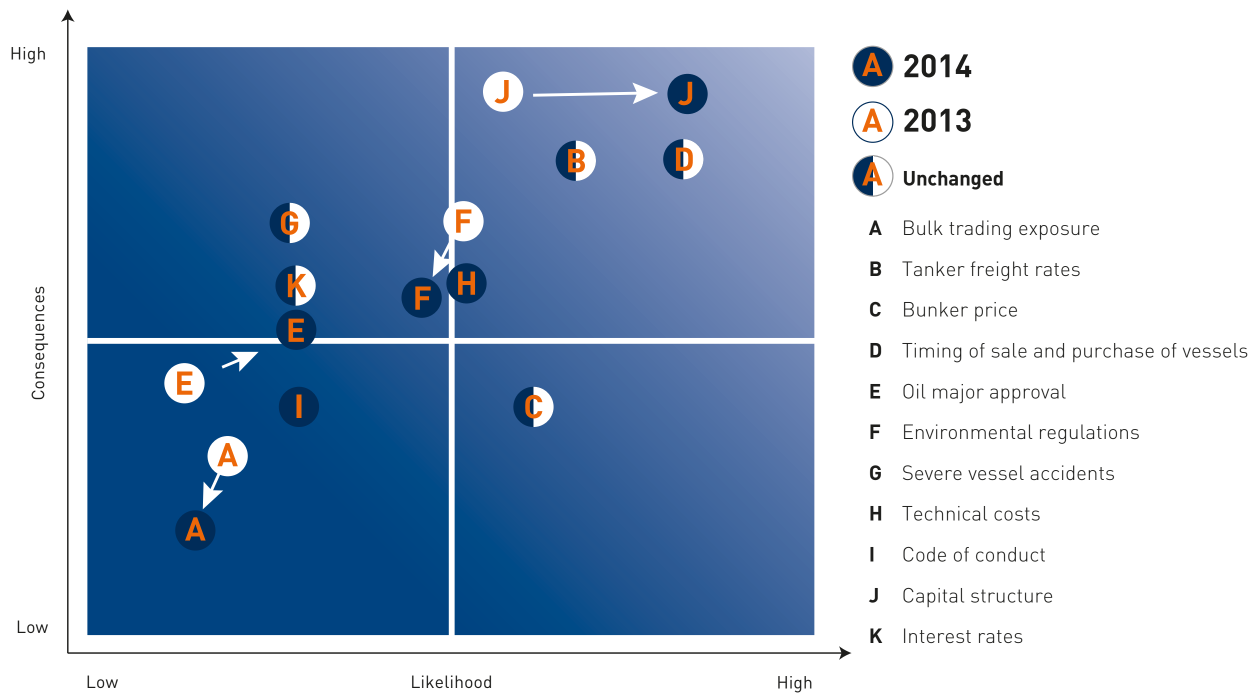
TORM'S CURRENT RISK PROFILE

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

- Through 2014, TORM's product tanker fleet has realized better average spot TCE earnings than in 2013. Despite this, the overall result is lower than in 2013 mainly driven by fewer earning days. With a low coverage ratio, TORM remains well-positioned for a strengthening of the market. As a consequence, the market risks remain high.
- In 2014, TORM realized negative equity (a top risk identified in the 2013 Annual Report) due to an impairment charge following the forced sale of 13 vessels. Despite realizing negative equity, TORM has been able to maintain customers and credit lines in place. However, the fact that the Company has negative equity underlines the risks related to the current capital structure. As at 31 December 2014, the risks remained high and above the desired level.
- TORM continues to face strategic risks caused by restrictions on vessel sale and purchase activities.
- 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 2013 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 72. TORM assesses the Company's risks on a continuous basis.

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



#	RISK	DESCRIPTION	SEVERITY	COMMENTS TO DEVELOPMENT 2013 – 2014 / STATUS 2014
A	Bulk trading exposure	The risk of a bulk counterparty failing to fulfill its obligation and of TORM not being able to predict and act on freight rate developments.	Low	During 2014, TORM has continued the scale-down of its dry bulk activities, and the exposure is equivalent to seven vessels as per the end of 2014. TORM has maintained a high coverage for the dry bulk business, and as a consequence the bulk trading exposure is low.
B	Tanker freight rates	The risk of sustained low tanker freight rates or of TORM not being able to predict and act on the development of these.	High	The product tanker market remained volatile during 2014. TORM has maintained a low coverage and accordingly, the Company has maintained a high exposure towards the product tanker market.
C	Bunker price	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	The financing agreements and TORM's capital structure prohibit the Company from actively managing the composition of the fleet, thereby exposing the Company to strategic risk.
E	Oil major approval	The risk of a partial ban of the TORM tanker fleet by oil majors.	Medium	The overall tradability of the fleet with oil majors is unchanged, and TORM is considered a top performer in the market. However, as vetting requirements increase with vessel age and as customers take on an increasingly holistic approach to vetting, the risk is increased to Medium (2013: Low).
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.
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	Technical costs (new)	The risk of technical costs related to increasing OPEX and an extensive dry-docking schedule in 2015.	Medium	Technical costs are a new top risk in TORM, reflecting an increasing OPEX trend through 2014 and the risks related to an extensive dry-docking and survey schedule in 2015. TORM takes a serious and prudent approach to reversing the OPEX trend by outlining a number of reduction areas and mitigating the risks related to the 2015 dry-docking schedule.
I	Code of conduct (new)	Fraud and misconduct risk.	Medium	TORM recognizes the risk of fraud and misconduct as a top risk as the potential impact of misconduct can be severe.
J	Capital structure	The risk of going concern.	High	TORM's top priority is to secure a long-term sustainable capital structure.
K	Interest rates	The risk of TORM being restricted from acting against increasing interest rates.	Medium	During 2014, TORM has benefitted from low interest rates due to the entire debt being on floating rate terms. Although the debt level is lower, the severity of the risk is on the same level as in 2013 as TORM remains exposed to interest rate changes.

CORPORATE GOVERNANCE

- As of 31 December 2014, TORM complied with 49 out of 50 of the 2013 Danish Corporate Governance Recommendations
- A comprehensive system for internal control and risk management has been in place for years and is continuously improved

To TORM, good Corporate Governance represents the framework and guidelines for business management and aims to ensure that the Company is managed in a proper and orderly manner, consistent with applicable laws and regulations.

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 49 out of 50 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 2014, females represented 44% of the land-based employees globally (defined as non-managerial individual performers), 25% of middle management and 11% 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 the 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 2014, 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 2014, 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.

At the Ordinary General Meeting on 3 April 2014, Mr. Flemming Ipsen, Mr. Olivier Dubois, Mr. Alexander Green and Mr. Jon Syvertsen were re-elected as Board members.

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 2014, five meetings were held. As of 31 December 2014, 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 REMUNERATION COMMITTEE

The Remuneration Committee meets at least three times a year, and four meetings were held in 2014. As of 31 December 2014, 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 Nomination Committee meets at least twice a year, and two meetings were held in 2014. As of 31 December 2014, the Nomination Committee had three members elected by the Board of Directors. 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 2014, 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 risk assessment and management. The 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.

TORM's financial controls are defined and monitored in a compliance framework consistent with the recognized framework established by the Committee of Sponsoring Organizations (COSO 1992) and provides a clear audit trail of changes in risk assessments and design of controls. TORM's processes for financial reporting and financial controls consist 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.
- *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. Management has concluded that there were no material weaknesses or areas of concern during 2014. 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.

MEETINGS ATTENDED/HELD

Members	Board of Directors	Audit Committee	Remuneration Commitee	Nomination Committee
Flemming Ipsen, Chairman	23/23	5/5	4/4	2/2
Olivier Dubois, Deputy Chairman	19/23	5/5		
Kari Millum Gardarnar	9/23			
Alexander Green	20/23		4/4	2/2
Rasmus J. Hoffmann	18/23			
Jon Syvertsen	18/23		4/4	2/2

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 became effective in April 2014. As a consequence, TORM is no longer subject to the reporting requirements as set forth in this 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 2014, there were three enquiries to the whistleblower facility, which were 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/about-torm/corporate-governance/whistle-blower**.

For TORM's overall guidelines for incentive schemes for members of the Board of Directors and the Management, please visit **www.torm.com/about-torm/corporate-governance/incentive-scheme**.

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

BOARD OF DIRECTORS

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 Committee and the Remuneration Committee and a member of the Audit Committee and has management duties in the following companies:

- Ejendomsselskabet Lindø
- 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

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

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

A member of the Board since April 2011, representing the employees of TORM on the Board. 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

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

Alexander Green became a Board member in January 2013. Mr. Green holds a Master's degree in Global History from the London School of Economics and Political Science, 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. 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

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

A member of the Board since April 2011, representing the employees of TORM on the Board. Mr. Hoffmann is employed by TORM as Chief Engineer and has been with the Company since 2003.

Special competencies:
- 20 years of sailing experience on various vessel types
- Project management in fleet reliability initiatives, energy efficiency and operational optimization of technical systems

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 Committee and Remuneration Committee and has management duties in the following companies:

- Arne Blystad AS
- Offshore Heavy Transport AS

Special competencies:
- General management from boards
- Shipping

EXECUTIVE MANAGEMENT AND CHIEF FINANCIAL OFFICER

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. As of 31 December 2014, the Executive Management consists of Mr. Jacob Meldgaard, CEO.

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 Moller–Maersk, 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, Economics, from the University of Copenhagen and has an executive MBA from IMD in Switzerland.

INVESTOR INFORMATION

- 19 company announcements issued in 2014
- Impairment charge triggered a capital loss

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 2014, TORM issued 19 announcements to the stock exchange, which are accessible in both Danish and English versions on www.torm.com/investors/releases. 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. 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.

In 2014, TORM also convened an Extraordinary General Meeting on 16 September 2014 to report on the ongoing efforts regarding the long-term capital structure and the Company's financial position.

LOSS OF CAPITAL

At the Annual General Meeting in April 2014, TORM's Board of Directors informed the shareholders that at the end of the first quarter of 2014 the Company had suffered a capital loss. The specific event that triggered the negative equity was a USD 192m impairment charge related to vessel sales as an indirect consequence of the Restructuring Agreement from November 2012.

According to section 119 of the Danish Companies Act, when a company recognizes a capital loss, it is the Board of Directors' responsibility to report the capital loss to the Company's shareholders and to test whether the foundation for the Company's operation as a going concern is sufficiently solid to continue operations while the possibilities of a recapitalization are explored and implemented. The Board of Directors assessed that it was in the best interest of all stakeholders to continue the Company's operations while working to secure a recapitalization.

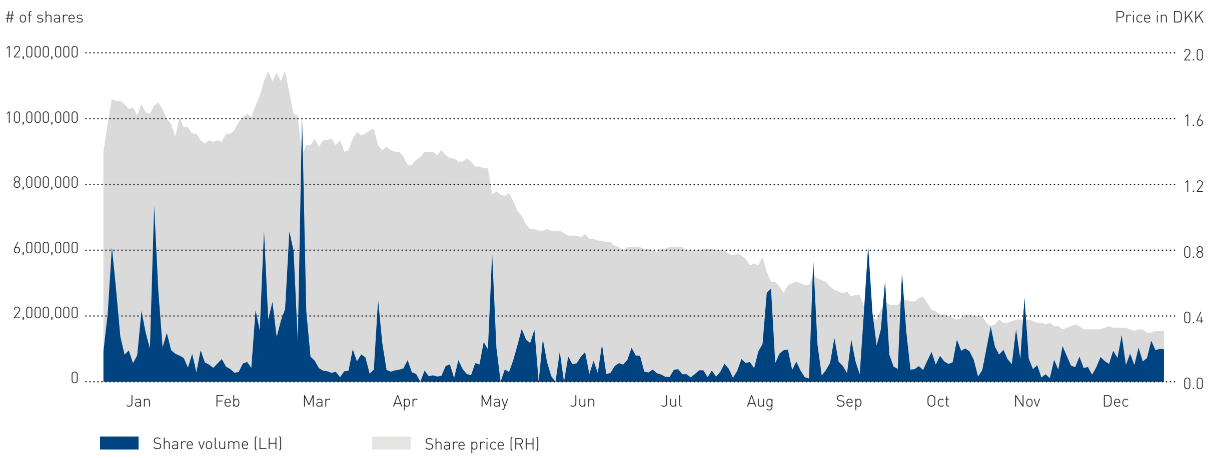
RESTRUCTURING

With reference to the Introduction on page 4, TORM is working to finalize and implement a financial restructuring. The exact consequences of the restructuring will be presented to the shareholders when the proposed implementation structure is agreed upon, however, it is currently anticipated that existing shareholders would retain approx. 1-2% of the ordinary share capital.

TRADING

The average daily trading volumes in 2014 were approx.1.1m on NASDAQ OMX. The share price declined from DKK 1.35 per share at the beginning of 2014 to DKK 0.31 per share at the end of 2014.

TORM SHARE PRICE PERFORMANCE AND TURNOVER, COPENHAGEN



SHAREHOLDERS

As of 31 December 2014, TORM had approx. 14,400 registered shareholders representing 76% 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 2014, the members of the Board of Directors held a total of 15,165 shares, equivalent to a total market capitalization of DKK 4,701 or USD 768. The Executive Management held a total of 100,000 shares, equivalent to a market capitalization of DKK 31,000 or USD 5,064. 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 2014.

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

INVESTOR RELATIONS CONTACT

Christian Søgaard-Christensen
Vice President, Investor Relations & Corporate Support

Phone: +45 3917 9285
E-mail: csc@torm.com

FINANCIAL CALENDAR 2015

26 March 2015	Annual General Meeting
13 May 2015	First quarter 2015 results
12 August 2015	First half 2015 results
11 November 2015	Nine months 2015 results


NO SMOKING
T
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FINANCIAL REVIEW

FINANCIAL PERFORMANCE OVERVIEW

TORM achieved a net loss of USD 284m in 2014 (2013: USD -162m), resulting in earnings/(loss) per share, or EPS, of USD -0.4 in 2014 (2013: USD -0.2). The lower result in 2014 was mainly due to impairment charges. In 2014, TORM recorded impairment losses of USD 192m (2013: USD 60m) relating to vessels held-for-sale and the fleet on water. Please refer to note 9 of the Company's consolidated financial statements for a review of the impairment testing performed by Management.

EBITDA for 2014 was USD 77m, which is in line with the latest guidance of an EBITDA of USD 70-80m dated 6 November 2014.

The loss before tax for 2014 was USD 283m, which is also in line with the latest guidance of a loss before tax of USD 280-290m.

In 2014, total revenues were USD 624m (2013: USD 992m) and TCE earnings amounted to USD 326m (2013: USD 443m). The decrease in TCE earnings was primarily attributable to a decrease of 35% in the number of available earning days, corresponding to a reduction in earnings of USD 141m. This was offset by higher freight rates in both the Company's Tanker Segment and the Bulk Segment, corresponding to an increase in earnings of USD 19m.

The operating loss increased by USD 120m to a loss of USD 211m in 2014 (2013:USD 91m). This increase was primarily due to a decrease in gross profit (net earnings from shipping activities) of USD 27m and an increase of USD 132m in impairment losses on vessels. This was partly offset by decreases in administrative expenses of USD 6m and amortizations and depreciations on tangible and intangible assets of USD 31m.

TORM's total assets decreased by USD 624m in 2014 to USD 1,384m (2013: USD 2,008m), of which the carrying amount of vessels including vessels held-for-sale, capitalized dry-docking and prepayments on vessels amounted to USD 1,215m (2013: USD 1,812m). The decrease was primarily attributable to sale of vessels of USD 385m, impairment losses of USD 192m and depreciation of USD 96m.

In 2014, current assets excluding cash decreased by USD 158m. This was primarily due to a decrease in assets held-for-sale of USD 120m, a decrease in bunkers of USD 22m and a decrease in freight receivables of USD 8m. The decrease in bunkers was driven by the decrease in the fleet of owned and chartered vessels and the decrease in bunker prices, whereas the decrease in freight receivables primarily was driven by the decrease in revenue.

Total equity decreased year-on-year by USD 282m in 2014 to USD -164m from USD 118m in 2013. The decrease was mainly relating to the loss for the year of USD 284m. The impact of the loss for the year was partly offset by a reversal of a hedging reserve of USD 5m.

TORM's total liabilities decreased by USD 342m in 2014 to USD 1,548m from USD 1,890m in 2013. This was primarily attributable to repayment of bank loans in connection with the sale and delivery of 17 vessels of USD 329m and a decrease in trade payables of USD 26m due to the decrease in the fleet of owned and chartered vessels. This was partly offset by additional net drawdowns of USD 8m on the Working Capital Facility.

SEGMENT RESULTS

TORM's revenues derive from two segments: The Tanker Segment and the Bulk Segment. The table Segment gross profit/(loss) on page 39 presents the results of shipping activities by operating segment for 2014 and 2013. The gross profit for 2014 in the Tanker Segment decreased by USD 49m, and the gross profit in the Bulk Segment increased by USD 22m compared to 2013.

The change in TCE earnings in the Tanker Segment and the Bulk Segment is summarized in the table on page 39.

Furthermore, the table on page 40 summarizes earnings data per quarter.

Tanker Segment

Revenue in the Tanker Segment decreased by 23% to USD 597m in 2014 from USD 775m in 2013, and TCE earnings decreased by USD 69m or 19% to USD 295m in 2014 from USD 364m in 2013. 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 3% compared to 2013.

In the LR2 fleet, three vessels were sold and delivered to the new owners in 2014, causing the number of available earning days in the LR2 fleet to decrease by 15% in 2014, thereby resulting in a reduction in earnings of USD 7m. On the other hand, the average freight rates increased by 15% from 2013 to 2014, resulting in an increase in earnings of USD 6m. Hence, earnings in total decreased by USD 1m.

The available earning days in the LR1 fleet were 13% lower compared to 2013 as TORM no longer has time-chartered vessels in this segment. However, this was compensated by an increase in the average freight rates of 17% in 2014. In total, earnings increased by USD 1m.

In the MR fleet, 14 vessels were sold and delivered to the new owners in 2014, three of which were time-chartered back to TORM. Combined with the sale of five vessels during 2013, the number of available earning days decreased by 4,180 days or 29%, resulting in a decrease in earnings of USD 66m. Furthermore, freight rates decreased by 6%, resulting in lower earnings of USD 10m. Hence, total earnings decreased by USD 76m.

In the Handysize fleet, the average freight rates were 20% higher in 2014 compared to 2013, resulting in a net increase in earnings of USD 7m. There were no changes in the fleet size during 2014.

SEGMENT GROSS PROFIT/(LOSS)

USDm	Tanker Segment	Bulk Segment	**Total 2013**	Tanker Segment	Bulk Segment	**Total 2014**
Revenue	774.8	217.5	992.3	597.1	27.0	624.1
Port expenses, bunkers and commissions	-410.8	-139.7	-550.5	-302.1	4.0	-298.1
Freight and bunker derivatives	0.1	1.3	1.4	0.0	-0.2	-0.2
Time charter equivalent earnings	**364.1**	**79.1**	**443.2**	**295.0**	**30.8**	**325.8**
Charter hire	-22.1	-97.1	-119.2	-26.8	-26.8	-53.6
Operating expenses	-169.9	-3.7	-173.6	-145.3	-3.9	-149.2
Gross profit/(loss) (Net earnings from shipping activities)	**172.1**	**-21.7**	**150.4**	**122.9**	**0.1**	**123.0**

CHANGE IN TIME CHARTER EQUIVALENT EARNINGS

USDm	Handy-size	MR	LR1	LR2	Un-allo-cated	**Tanker Seg-ment Total**	Handy-max	Pana-max	Un-allo-cated	**Bulk Seg-ment Total**	**Total**
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
Change in number of earning days	-2.8	-65.5	-5.4	-7.1	-	-80.8	-25.1	-34.9	-	-60.0	-140.8
Change in freight rates	9.3	-10.0	6.3	6.1	-	11.7	1.3	6.2	-	7.5	19.2
Other	-	-	-	-	-	-	1.5	4.0	-1.3	4.2	4.2
Time charter equivalent earnings 2014	**56.7**	**150.4**	**42.4**	**45.5**	**-**	**295.0**	**5.9**	**27.0**	**-2.1**	**30.8**	**325.8**

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.

Bulk Segment

TORM has continued to scale down the bulk activities in 2014, and the remaining fleet is employed in the long-term period market.

The revenue decreased by 88% to USD 27m (2013: USD 218m), whereas TCE earnings decreased by 61% or USD 48m to USD 31m in 2014 (2013:USD 79m). Earnings were negatively affected by an overall decrease of 70% in the number of available earning days. This was only partly offset by an increase in the weighted average TCE earnings per available earning day of 26% compared to 2013.

In the Panamax fleet, the number of available earning days decreased by 4,352 days or 63% in 2014 as compared to 2013 due to a decrease in the time charter fleet, which caused earnings to decrease by USD 35m. Freight rates were on average 31% higher in 2014 and increased earnings by USD 6m in 2014 as compared to 2013.

In the Handymax fleet, the number of available earning days decreased by 2,544 days or 85% in 2014 compared to 2013 due to a decrease in the time charter fleet. The decrease in available earning days reduced earnings by USD 25m, whereas a decrease in average freight rates of 29% resulted in a decrease in earnings of USD 1m.

OPERATION OF VESSELS

As compared to 2013, the charter hire cost in the Tanker Segment increased by USD 5m or 21% to USD 27m in 2014, whereas the charter hire cost in the Bulk Segment decreased by USD 70m or 72% to USD 27m. The increase in the Tanker Segment was caused by three MR vessels that were sold and time chartered back by TORM. The decrease in the Bulk Segment was due to reduced activity.

The development in operating expenses is summarized in the table on page 41. The table also summarizes the operating data for the Company's fleet of owned and bareboat chartered vessels.

Operating expenses for the owned vessels decreased by USD 25m to USD 149m in 2014 due to fewer operating days as a result of the final delivery of 17 vessels. This was partly offset by an increase in operating expenses per day following investments in the owned fleet in order to increase the quality and performance.

The total fleet of owned vessels had 802 off-hire and dry-docking days, corresponding to 4% of the number of operating days in 2014 compared to 651 off-hire days in 2013, equivalent to 3% of the number of operating days. This was mainly attributable to an increase in dry-docking activities.

EARNINGS DATA

USDm	2013 Full year	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2014 Full year	% Change full year
TANKER DIVISION							
LR2/Aframax vessels							
Available earning days	3,493	880	818	621	641	2,960	-15%
Owned	2,765	706	643	446	458	2,253	
T/C	728	174	175	175	183	707	
Spot rates 1)	13,134	12,415	14,596	17,582	23,577	16,807	28%
TCE per earning day 2)	13,350	11,499	14,952	17,829	19,033	15,413	15%
LR1/Panamax vessels							
Available earning days	2,803	610	604	597	635	2,445	-13%
Owned	2,535	610	604	597	635	2,445	
T/C	268	0	-	-	-	0	
Spot rates 1)	14,212	15,579	17,258	19,172	22,274	17,770	25%
TCE per earning day 2)	14,958	15,067	15,927	17,963	21,110	17,556	17%
MR vessels							
Available earning days	14,369	3,115	2,554	2,245	2,275	10,189	-29%
Owned	13,297	2,912	2,235	1,788	1,817	8,752	
T/C	1,072	203	319	457	458	1,437	
Spot rates 1)	15,914	15,207	13,130	14,295	18,574	15,224	-4%
TCE per earning day 2)	15,682	14,141	13,481	14,049	17,461	14,697	-6%
Handysize vessels							
Available earning days	3,930	947	921	881	960	3,710	-6%
Owned	3,930	947	921	881	960	3,710	
T/C	0	0	0	0	0	0	
Spot rates 1)	12,783	15,633	14,992	14,690	17,739	15,583	22%
TCE per earning day 2)	12,773	15,404	13,988	14,740	16,917	15,287	20%
BULK ACTIVITIES							
Panamax vessels							
Available earning days	6,868	637	627	638	614	2,516	-63%
Owned	706	180	182	172	165	699	
T/C	6,162	457	445	466	449	1,817	
TCE per earning day 2)	8,019	12,147	12,286	10,426	6,952	10,477	31%
Handymax vessels							
Available earning days	3,009	174	107	92	92	465	-85%
Owned	0	0	0	0	0	0	
T/C	3,009	174	107	92	92	465	
TCE per earning day 2)	9,880	19,162	9,401	6,097	11,176	12,748	29%

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.

Administrative expenses and other operating income

Total administrative expenses amounted to USD 51m in 2014, which was a decrease of USD 6m or 10% (2013: USD 57m). This was mainly driven by a reduction in staff-related expenses and audit, consultancy costs and the appreciation of USD.

Other operating income primarily consisting of chartering commissions and service fees amounted to USD 5m in 2014 (2013: USD 2m). The increase is due to the fact that the majority of the product tankers sold to entities controlled by Oaktree Capital Management were placed under TORM's commercial and technical management.

Financial income and expenses

Net financial expenses in 2014 were USD 72m (2013: USD 76m), corresponding to a decrease of USD 4m. This was mainly due to the sale of vessels, where the associated vessel financing was fully repaid, thereby reducing of the Company's interest expenses by USD 17m. This was partly offset by an increase of USD 14m relating to fees to advisors of the Company and the Company's creditors for the ongoing work regarding a restructuring.

CHANGE IN OPERATING EXPENSES

USDm	Tanker Division				Bulk Activities		
	Handysize	MR	LR1	LR2	Panamax	Unallocated	**Total**
Operating expenses 2013	28	98	17	27	4	0	174
Change in operating days	-	-33	-	-4	-	-	-37
Change in operating expenses per day	4	6	2	2	-	-	14
Other	-	-	-	-2	-	-	-2
Operating expenses 2014	**32**	**71**	**19**	**23**	**4**	**0**	**149**

OPERATING DATA

USD/day	Tanker Division					Bulk Activities			
	Handysize	MR	LR1	LR2	**Tanker**	Handymax	Panamax	**Bulk**	**Total**
Operating expenses per operating day in 2013	7,067	7,155	6,842	7,354	7,134	-	5,060	5,060	7,071
Operating expenses per operating day in 2014	7,862	7,801	7,351	8,023	7,788	-	5,320	5,320	7,695
Change in the operating expenses per operating day in %	11%	9%	7%	9%	9%	N/A	5%	15%	9%
Operating days in 2014*)	4,015	9,072	2,555	3,019	18,661	-	730	730	19,391
- Off-hire	88	160	11	28	287	-	6	6	293
- Dry-docking	218	159	99	8	484		25	25	509
+/- Bareboat charters out/in	-	-	-	-730	-730	-	-	-	-730
+ Vessels chartered in	-	1,436	0	707	2,143	465	1,817	2,282	4,425
Available earning days	**3,710**	**10,189**	**2,445**	**2,960**	**19,304**	**465**	**2,516**	**2,981**	**22,285**

*) Including bareboat charters.

Tax
Tax for the year amounted to an expense of USD 1m compared to an income of USD 4m in 2013. The tax for 2014 comprises a current tax expense for the year of USD 2m, which was unchanged from the previous year, and an income of USD 1m in the deferred tax liability mainly related to adjustments to the transition account under the Danish tonnage tax scheme following the sale of vessels. In 2013, there was 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 2014 to 22% in 2016 when the reduction will be fully phased in.

Vessels and dry-docking
The decrease in tangible fixed assets of USD 480m to USD 1,218m in 2014 is mainly attributable to impairment losses for the year, sale of vessels and depreciation for the year.

Transfer to assets held-for-sale amounted to USD 0m in 2014 (2013: USD 120m). Depreciation regarding tangible fixed assets amounted to USD 96m in 2014 (2013: USD 127m), and an impairment loss of USD 192m mainly relating to the sale of ten MR vessels and three LR2 vessels was recorded in 2014, whereas the impairment loss relating to the tanker fleet in 2013 was USD 60m.

Investments in entities, including joint ventures
The carrying amount of the investment in jointly controlled entities was USD 1m at 31 December 2014 (2013: USD 1m). The share of results of jointly controlled entities in 2014 was USD 0m (2013: USD 0m).

Assessment of impairment of assets
Management has followed the 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 Segment and the Bulk Segment.

In the assessment of the net selling price, Management included a review of market values calculated 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 (NPV) 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 2014, one bank exercised its option to initiate a sales process of the ten MR and three LR2 product tankers financed by that bank. These 13 vessels were subsequently sold to a company controlled by Oaktree Capital Management. As a result, TORM took an impairment loss of USD 43m in addtion to an

impairment loss on the remaining fleet of USD 149m.
In 2013, an option leading to the sale of four MR vessels and an impairment loss of USD 55m was exercised together with a recorded impairment loss of USD 5m relating to five vessels sold in 2012 and further impaired in 2013. The Tanker Segment and the Bulk Segment were not further impaired in 2014.

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

LIQUIDITY AND CASH FLOW
In 2014, the invested capital decreased by USD 604m to USD 1,219m at 31 December 2014 (2013: USD 1,823m). 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 45m at the end of 2014 (2013: USD 29), resulting in a net increase in cash and cash equivalents for the year of USD 16m, compared to a net decrease of USD 1m in 2013. The undrawn credit facility at 31 December 2014 amounted to USD 20m (2013: USD 78m).

The Company's operations generated a cash inflow of USD 27m in 2014 (2013: USD 68m) including a cash outflow on fees amounting to USD 12.2m to advisors of the Company and the Company's creditors for the ongoing work on a restructuring. In addition, the Company invested USD 42m (2013: USD 41m) in tangible fixed assets during 2014, primarily covering the capitalized dry-docking. The Company generated USD 355m (2013: 135m) in cash flow from the sale of non-current assets, primarily vessels.

The total cash outflow from financing activities amounted to USD 324m, compared to a cash outflow of USD 161m in 2013. Repayment on mortgage debt and bank loans amounted to USD 349m primarily in connection with vessel sales. Additional borrowings generated an inflow of USD 25m relating to the Working Capital Facility. TORM did not pay any dividends to its shareholders during 2014.

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 cargos, 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 lasts 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 have been employed in a pool during the year, 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 rate 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-on-year basis. Fluctuations derive from imbalances in the availability of cargos for shipment and the number of vessels available at any given time to transport these cargos. 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 favourable 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 time 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 time chartered-in vessels, as they are paid by the vessel owner and instead factored into the charter hire cost for such chartered-in vessels.

CONSOLIDATED INCOME STATEMENT
1 JANUARY–31 DECEMBER

USD '000	Note	2014	2013
Revenue		624,173	992,336
Port expenses, bunkers and commissions		-298,124	-550,547
Freight and bunker derivatives		-236	1,408
Time charter equivalent earnings		**325,813**	**443,197**
Charter hire		-53,628	-119,203
Operating expenses	4	-149,229	-173,637
Gross profit (Net earnings from shipping activities)	3	**122,956**	**150,357**
Administrative expenses	4, 5	-50,966	-56,521
Other operating income		4,590	1,690
Share of profits/(loss) from joint ventures	28	387	493
EBITDA		**76,967**	**96,019**
Impairment losses on tangible and intangible assets	7, 8, 9, 26	-191,691	-59,772
Amortizations and depreciation	7, 8	-96,310	-126,903
Operating profit/(loss) (EBIT)		**-211,034**	**-90,656**
Financial income	10	3,786	4,199
Financial expenses	10	-76,164	-79,703
Profit/(loss) before tax		**-283,412**	**-166,160**
Tax	13	-769	3,927
Net profit/(loss) for the year		**-284,181**	**-162,233**

EARNINGS/(LOSS) PER SHARE

		2014	2013
Earnings/(loss) per share (USD)	29	-0.4	-0.2
Earnings/(loss) per share (DKK)*)		-2.2	-1.3
Diluted earnings/(loss) per share (USD)	29	-0.4	-0.2
Diluted earnings/(loss) per share (DKK)*)		-2.2	-1.3

*) 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	2014	2013
Net profit/(loss) for the year	**-284,181**	**-162,233**
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	-971	-256
Reclassification adjustments relating to disposed entities	-196	0
Fair value adjustment on hedging instruments	-2,326	0
Value adjustment on hedging instruments transferred to income statement	7,327	11,553
Fair value adjustment on other investments available-for-sale	-1,467	575
Other comprehensive income after tax *)	**2,367**	**11,872**
Total comprehensive income for the year	**-281,814**	**-150,361**

*) No income tax falls 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	2014	2013
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Goodwill		0	0
Other intangible assets		1,355	1,537
Total intangible assets	7, 9	**1,355**	**1,537**
Tangible fixed assets			
Land and buildings		0	0
Vessels and capitalized dry-docking	18	1,214,807	1,692,739
Other plant and operating equipment		3,002	4,684
Total tangible fixed assets	8, 9	**1,217,809**	**1,697,423**
Financial assets			
Investments in joint ventures	9, 28	920	1,034
Other investments	6	10,890	12,322
Total financial assets		**11,810**	**13,356**
Total non-current assets		**1,230,974**	**1,712,316**
CURRENT ASSETS			
Bunkers		23,863	46,075
Freight receivables	11	71,832	79,713
Other receivables	12	5,222	13,280
Prepayments		7,727	7,617
Cash and cash equivalents		44,631	29,109
Total current assets excluding assets held-for-sale		**153,275**	**175,794**
Non-current assets held-for-sale	26	0	119,500
Total current assets		**153,275**	**295,294**
TOTAL ASSETS		**1,384,249**	**2,007,610**

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

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER

USD '000	Note	2014	2013
EQUITY AND LIABILITIES			
EQUITY			
Common shares	14	1,247	1,247
Special reserve		60,974	60,974
Treasury shares	14	-19,048	-19,048
Revaluation reserves		5,458	6,925
Hedging reserves		-6,185	-11,186
Currency translation reserves		2,581	3,748
Retained profit/(loss)		-209,022	75,048
Total equity		**-163,995**	**117,708**
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred tax liability	13	45,009	46,337
Mortgage debt and bank loans	2, 17, 18, 20	1,319,169	1,565,222
Finance lease liabilities	20, 21	11,901	12,851
Deferred income	15	2,858	4,041
Total non-current liabilities		**1,378,937**	**1,628,451**
CURRENT LIABILITIES			
Mortgage debt and bank loans	2, 17, 18, 20	107,906	168,645
Trade payables	20	18,260	43,891
Current tax liabilities		2,026	1,581
Other liabilities	16, 20	38,773	43,513
Deferred income	15	2,342	3,821
Total current liabilities		**169,307**	**261,451**
Total liabilities		**1,548,244**	**1,889,902**
TOTAL EQUITY AND LIABILITIES		**1,384,249**	**2,007,610**

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

USD ´000	Common shares	Special reserve*)	Treasury shares**)	Revalu-ation reserves	Hedging reserves	Trans-lation reserves	Retained profit / (loss)	Total
EQUITY								
Equity at 1 January 2013	**1,247**	**60,974**	**-19,104**	**6,350**	**-22,739**	**4,004**	**236,607**	**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**	**575**	**11,553**	**-256**	**-162,233**	**-150,361**
Disposal of 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**	**575**	**11,553**	**-256**	**-161,559**	**-149,631**
Equity at 31 December 2013	**1,247**	**60,974**	**-19,048**	**6,925**	**-11,186**	**3,748**	**75,048**	**117,708**
Comprehensive income for the year:								
Net profit/(loss) for the year	-	-	-	-	-	-	-284,181	-284,181
Other comprehensive income for the year***)	-	-	-	-1,467	5,001	-1,167	-	2,367
Total comprehensive income for the year	**0**	**0**	**0**	**-1,467**	**5,001**	**-1,167**	**-284,181**	**-281,814**
Disposal of treasury shares, cost	-	-	-	-	-	-	-	0
Gain from disposal of treasury shares	-	-	-	-	-	-	-	0
Share-based compensation	-	-	-	-	-	-	111	111
Total changes in equity 2014	**0**	**0**	**0**	**-1,467**	**5,001**	**-1,167**	**-284,070**	**-281,703**
Equity at 31 December 2014	**1,247**	**60,974**	**-19,048**	**5,458**	**-6,185**	**2,581**	**-209,022**	**-163,995**

*) 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 appropriate.

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

***) Please refer to "Consolidated Statement of Comprehensive Income".

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

CONSOLIDATED CASH FLOW STATEMENT
1 JANUARY - 31 DECEMBER

USD '000	Note	2014	2013
CASH FLOW FROM OPERATING ACTIVITIES			
Operating profit/(loss)		-211,034	-90,656
Adjustments:			
Reversal of amortization and depreciation		96,310	126,903
Reversal of impairment of tangible and intangible assets		191,691	59,772
Reversal of share of profit/(loss) from joint ventures		-387	-493
Reversal of other non-cash movements	27	-6,642	5,277
Dividends received		877	547
Dividends received from joint ventures		500	500
Interest received and exchange gains		78	56
Interest paid and exchange losses		-34,726	-55,123
Advisor fees related to financing and restructuring plan		-12,166	-1,172
Income taxes paid/repaid		-1,888	-1,914
Change in bunkers, receivables and payables	27	4,287	24,249
Net cash flow from operating activities		**26,900**	**67,946**
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in tangible fixed assets		-42,254	-41,333
Sale of non-current assets		355,281	134,703
Net cash flow from investing activities		**313,027**	**93,370**
CASH FLOW FROM FINANCING ACTIVITIES			
Borrowing, mortgage debt		25,000	18,000
Repayment/redemption, mortgage debt		-349,405	-177,556
Transaction costs share issue		0	-1,072
Purchase/disposal of treasury shares		0	93
Net cash flow from financing activities		**-324,405**	**-160,535**
Net cash flow from operating, investing and financing activities		**15,522**	**781**
Cash and cash equivalents at 1 January		**29,109**	**28,328**
Cash and cash equivalents at 31 December		**44,631**	**29,109**
Of which restricted cash and cash equivalents		0	0
Non-restricted cash and cash equivalents at 31 December		**44,631**	**29,109**

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 additional Danish disclosure requirements for annual reports for listed companies.

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 IFRSs
TORM has implemented the following standards issued by IASB and adopted by the EU and the interpretations in the annual report for 2014:
- IFRS 10 "Consolidated Financial Statements"
- IFRS 11 "Joint Arrangements"
- IFRS 12 "Disclosures of Interests in Other Entities"
- IAS 27 "Separate Financial Statements"
- IAS 28 "Investments in Associates and Joint Ventures"
- IFRIC 21 "Levies"

The implemented standards have not had any effect on the recognition of the consolidated entities, but have only impacted disclosures. The new control concept in IFRS 10 has not changed the consolidated entities as all subsidiaries were already included in the consolidated financial statements. IFRS 11 had no effect as TORM already recognized joint ventures using the equity method. IFRIC 21 had no effect on the accounting policies.

Moreover, TORM has implemented minor changes to:
- IAS 32 "Financial Instruments: Presentation" – Amendments relating to the offsetting of assets and liabilities
- IAS 36 "Impairment of Assets" - Amendments arising from Recoverable Amount Disclosures for Non-Financial Assets
- IAS 39 "Financial Instruments: Recognition and Measurement" - Amendments for novations of derivatives

The implementation of the amendments 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 potentially could come into effect:
- 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 2018
- IFRS 15 "Revenue from Contracts with Customers"
- Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"
- Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation"
- Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"
- Changes from Annual Improvements to IFRS 2010–2012
- Changes from Annual Improvements to IFRS 2011–2013

The impact on the consolidated financial statements has not yet been determined on a sufficiently reliable basis.

KEY ACCOUNTING POLICIES

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 considered to be joint operations, which is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and liabilities relating to the arrangement. Joint control is considered to be the contractually agreed sharing of control of the arrangement, where the decisions for the relevant activities require unanimous consent from the partners in the arrangement.

TORM recognizes the Company's share of the income statement and balance sheet in the respective pools 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 2014, 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

NOTE 1 – CONTINUED

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 what is 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. 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 the 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 is 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 carry out replacements and repairs, the cost of parts and materials used, cost of travel, lodging and supervision of Company personnel as well as 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 turbocharger, 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. As a consequence of the acquisition of 50% of OMI in 2007, however, 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 entities controlled by the Company. Control is achieved, when the Company:

- Has the power over the investee; and
- Is exposed, or has the right to variable returns from involvement with the investee; and
- Has the ability to use its power to affect its returns

The Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of controls listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities unilaterally. The Company considers all facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders
- Potential voting rights held by the Company, other vote holders or other parties
- Rights arising from other contractual arrangements
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting pattern at previous shareholders' meetings

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.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ends when the Company loses control over the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement and other comprehensive income from the date that the Company obtains control until the date when the Company loses control over the subsidiary.

The consolidated financial statements are prepared on the basis of the financial statements of the Parent Company, its subsidiaries and the Company's share of the income statement and balance sheet of joint operations by combining items of a uniform nature and eliminating intercompany transactions, balances and shareholdings as well as

NOTE 1 – CONTINUED

realized and unrealized gains and losses on transactions between the consolidated entities. 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.

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 Segment and the Bulk Segment. This segmentation is based on the Group's internal management and reporting structure. In the Tanker Segment, the services provided primarily comprise transportation of refined oil products such as gasoline, jet fuel and naphtha, and in the Bulk Segment the services provided comprise transportation 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 segment 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, 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

NOTE 1 – CONTINUED

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.

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, where 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 bunker derivatives

Freight and bunker 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.

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

NOTE 1 – CONTINUED

from securities, advisor fees related to financing and restructuring plan 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.

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 joint ventures
Investments in joint ventures comprise investments in companies which by agreement are managed jointly with one or more companies and therefore subject to joint control and in which the parties have rights to the net assets of the joint venture. Joint ventures are accounted for using the equity method. Under the equity method, the investment in joint ventures is initially recognized at cost and thereafter adjusted to recognize TORM's share of the profit or loss in the joint venture. When TORM's share of losses in a joint venture exceeds the investment in the joint venture, TORM discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that TORM has incurred legal or constructive obligations or made payments on behalf of the joint venture.

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
- 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 sales 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 Segment and the Bulk Segment.

NOTE 1 – CONTINUED

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.

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 net operating profit/(loss) for the year adjusted for tax, financial income and expenses, net profit/(loss) 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 is calculated by dividing the consolidated net operation profit/(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 is 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 these factors have been historically 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, GOING CONCERN AND SUBSEQUENT EVENTS

Liquidity and capital resources

As part of the Restructuring Agreement from November 2012, three banks were granted certain specific option rights until July 2014 that could trigger a sales process for up to 22 vessels and repayment of the related debt. In March 2014, one bank exercised its option rights leading to a sale of ten MR and three LR2 product tankers financed by this bank. Consequently, TORM concluded an agreement to sell the product tankers to entities controlled by Oaktree Capital Management (Oaktree), whereby the 13 vessels remained under TORM's commercial control and utilizing TORM's integrated operating platform for technical management. Following the transaction, the associated vessel financing was fully repaid, thereby reducing the Company's debt by USD 223m. The transaction also led to an impairment charge of USD 43m together with an impairment loss on the remaining fleet of USD 149m that resulted in negative equity on TORM's balance sheet. When a company recognizes a capital loss, the Board of Directors has an obligation to test whether the justification for the company's operations as a going concern is sufficiently solid, while the possibilities for a recapitalization are investigated and implemented. TORM's Board of Directors assessed that it has been and remains completely justifiable to continue TORM's operations in an intermediate period whilst finalizing the ongoing restructuring efforts.

As of 31 December 2014, TORM's cash position totaled USD 45m (2013: USD 29m) and undrawn credit facilities amounted to USD 20m (2013: USD 78m). TORM has no newbuildings in the order book and therefore no CAPEX related hereto.

TORM's bank debt (excluding the Working Capital Facility of USD 50m) has aligned key terms and conditions across all facilities with maturity on 31 December 2016. The financing agreements provide for a deferral of installments on the existing bank debt until 31 March 2015. Annualized minimum amortizations of USD 76m were scheduled as of 31 December 2014 to commence with effect from 31 March 2015 until 31 December 2015.

On 29 August 2014, TORM's Working Capital Facility originally amounting to USD 100m was extended to 31 March 2015, and at the same time the committed amount was reduced to USD 50m at TORM's request.

During 2014, TORM's bank debt was reduced by USD 329m. This was driven by the sale of 17 vessels following two lenders' exercise of their options to sell vessels in 2013 and 2014 respectively. Hereafter, no further opt-out rights are outstanding. The debt reduction from vessel sales was partly offset by a net increase of USD 8m in the utilization of the Working Capital Facility and a capitalization of interests for the fourth quarter of 2014 of USD 11m.

For the first three quarters of 2014, all interest was paid in cash. For the fourth quarter of 2014, the interest payment was capitalized and added to the debt balance in accordance with the financing agreements. The Company will pay interest on the Working Capital Facility until its maturity on 31 March 2015.

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

- *Minimum liquidity:* Cash plus available part of the USD 50m Working Capital Facility must exceed USD 20m until 31 March 2015 when the minimum cash requirement is adjusted to USD 40m.
- *Loan-to-value ratio:* As of 31 December 2014, the total bank debt (excluding Working Capital Facility) of USD 1,409m is split into a senior debt facility of USD 663m, a junior debt facility of USD 380m and a subordinated debt facility of USD 366m. All debt facilities have collateral in the vessels. As per 31 March 2015, the senior debt facility must have an agreed ratio of loan to TORM's fleet value (excl. financial lease vessel) below 75%. The agreed ratio will gradually step down to 65% by 30 June 2016.
- *Consolidated total debt to EBITDA:* As per 31 December 2014, there is no requirement for consolidated total debt to EBITDA ratio. From 31 March 2015, the maximum ratio is agreed to 15:1. This will gradually step down to a 6:1 ratio by 30 June 2016.
- *Interest cover ratio:* As per 31 December 2014, there is no requirement for interest cover ratio. From 31 March 2015, the minimum ratio is agreed to 1.8x. This 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
- Continued progress in the recapitalization process defined by certain milestones (cf. announcement no. 13 dated 29 August 2014)

On 27 October 2014, TORM entered into an agreement with a group of its lenders, representing 61% of TORM's ship financing, and Oaktree regarding a financial restructuring. The parties are negotiating to secure the required lender support to implement the agreement. The restructuring is expected to include that the lenders will initially write down the debt to the current asset values in exchange for warrants. In addition, they may choose to convert part of the remaining debt into new equity in the Company. Oaktree is expected to contribute product tankers in exchange for a controlling equity stake in the combined Company, which will reinforce TORM's position as one of the largest product tanker owners. The agreement envisages a new Working Capital Facility of USD 75m as a replacement of the current Facility. The exact consequences of the restructuring will be presented to the shareholders when the proposed implementation structure is agreed upon, however, it is currently anticipated that existing shareholders would retain approximately 1-2% of the ordinary share capital. No later than 26 March 2015 at the Annual General Meeting, TORM expects to have reached the minimum required lender support (75% by value and 50% by number) to be able to implement the proposed agreement. The final implementation of any restructuring would be subject to shareholder approval and certain conditions precedent, including required approvals from public authorities. The Company's continuing operation is dependent on the outcome of the ongoing recapitalization process.

Until 21 November 2014, TORM was in compliance with all covenants. On 21 November 2014, the Company announced that it was in non-compliance with the recapitalization milestones agreed in connection with the extension of the Working Capital Facility.

SUBSEQUENT EVENTS

On 28 January 2015, TORM received confirmation that its majority lenders had waived certain milestone events of default having occurred as further described in the company announcement no. 18 dated 21 November 2014.

The financial results for 2015 are subject to considerable uncertainty related to the completion of the proposed Restructuring Agreement. Consequently, TORM has decided not to provide earnings guidance for 2015.

For further details on the forecast, please refer to "Outlook 2015" on page 8 and "Safe Harbor Statement" on page 10.

NOTE 3

USDm	2014 Tanker Segment	2014 Bulk Segment	2014 Not allocated	2014 Total	2013 Tanker Segment	2013 Bulk Segment	2013 Not allocated	2013 Total
CONSOLIDATED SEGMENT INFORMATION								
INCOME STATEMENT								
Revenue	597.1	27.0	-	624.1	774.8	217.5	-	992.3
Port expenses, bunkers and commissions	-302.1	4.0	-	-298.1	-410.8	-139.7	-	-550.5
Freight and bunker derivatives	0.0	-0.2	-	-0.2	0.1	1.3	-	1.4
Time charter equivalent earnings	**295.0**	**30.8**	**0.0**	**325.8**	**364.1**	**79.1**	**0.0**	**443.2**
Charter hire	-26.8	-26.8	-	-53.6	-22.1	-97.1	-	-119.2
Operating expenses	-145.3	-3.9	-	-149.2	-169.9	-3.7	-	-173.6
Gross profit/(loss) (Net earnings from shipping activities)	**122.9**	**0.1**	**0.0**	**123.0**	**172.1**	**-21.7**	**0.0**	**150.4**
Administrative expenses	-	-	-51.0	-51.0	-	-	-56.5	-56.5
Other operating income	-	-	4.6	4.6	-	-	1.6	1.6
Share of results of joint ventures	-	-	0.4	0.4	-	-	0.5	0.5
EBITDA	**122.9**	**0.1**	**-46.0**	**77.0**	**172.1**	**-21.7**	**-54.4**	**96.0**
Impairment losses on tangible and intangible assets	-191.7	-	-	-191.7	-59.8	-	-	-59.8
Amortization and depreciation	-	-	-96.3	-96.3	-	-	-126.7	-126.7
Operating profit/(loss) (EBIT) (Segment result)	**-68.8**	**0.1**	**-142.3**	**-211.0**	**112.3**	**-21.7**	**-181.1**	**-90.5**
Financial income			3.8	3.8			4.2	4.2
Financial expenses			-76.2	-76.2			-79.7	-79.7
Profit/(loss) before tax			**-214.7**	**-283.4**			**-256.6**	**-166.1**
Tax			-0.8	-0.8			3.9	3.9
Net profit/(loss) for the year			**-215.5**	**-284.2**			**-252.7**	**-162.2**

TORM consists of two business segments: The Tanker Segment and the Bulk Segment. 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.

All revenue derives from transportation services to customers. In all material aspects, the Company's customers are domiciled outside Denmark. A significant part of approximately 30% (2013: 27%) of the Company's revenue is derived from customers registered in Singapore. Singapore is one of the world's largest shipping hubs with the presence of a large part of the world's oil trading industry.

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 Segment, a major part of the Company's freight revenue is concentrated on a small group of customers. In 2014 and 2013, no customers in the Tanker Segment 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	2014	2013
STAFF COSTS		
Total staff costs		
Staff costs included in operating expenses	16.3	18.1
Staff costs included in administrative expenses	33.2	36.3
Total	**49.5**	**54.4**

Staff costs comprise the following		
Wages and salaries	45.8	50.0
Share-based compensation	0.1	0.6
Pension costs	3.4	3.5
Other social security costs	0.2	0.3
Total	**49.5**	**54.4**

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

USD ´000	2014				2013			
	Board remuner-ation	Committee remuner-ation	Additional meetings and travel allowance	Total short-term benefits	Board remuner-ation	Committee remuner-ation	Additional meetings and travel allowance	Total short-term benefits
Board of Directors								
Flemming Ipsen *)	200	50	55	305	222	38	-	260
Olivier Dubois *)	75	50	22	147	75	51	-	126
Kari Millum Gardarnar	75	-	-	75	76	-	-	76
Alexander Green *)	75	25	35	135	77	16	-	93
Rasmus Johannes Hoffmann	75	-	14	89	79	-	-	79
Jon Syvertsen *)	75	25	32	132	76	16	-	92
Total for the year	**575**	**150**	**158**	**883**	**605**	**121**	**0**	**726**

*) Appointed on 9 January 2013 and re-elected in April 2014

The former members of the Board of Directors Niels Erik Nielsen, Christian Frigast, Peter Abildgaard and Jesper Jarlbæk resigned from the Board of Directors on 9 January 2013. They did not receive any compensation from 1 January 2013 until their resignation.

	Short-term benefits					
Executive Management 2014	Salaries	Bonus	Pension	Share-based compen-sation	One-time compen-sation	Total
Jacob Meldgaard	980	-	-	-	-	980
Total for 2014	**980**	**0**	**0**	**0**	**0**	**980**

	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.

Employee information

The average number of permanently employed staff in the Group in the financial year was 281 land-based employees (2013: 281) and 138 seafarers (2013: 147).

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 member of Executive Management is, 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

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. 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. 35 persons were included in the 2010 grant and 40 persons in the 2011 grant. The Company has granted 0 share options in 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 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 and for grants made in 2011, the exercise price is DKK 27.20.

In 2014, no share options have been exerised.

INCENTIVE SCHEME FOR MANAGEMENT AND EMPLOYEES FOR 2007-2009

Incentive scheme

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 including the members of the Executive Management. 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.

Share options

Share options granted in 2007 and 2008 expired in 2013 and 2014, respectively.

Approximately 50% of the share options were granted with a fixed exercise price (standard options). For the share options granted in 2009, the exercise price is 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. For peer group options granted in 2009, the exercise price is DKK 24.56.

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.

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.

In 2014, no share options have been exerised.

General

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. 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 2014, a total expense of USD 0.1m (2013: USD 0.6m) has been recognized in the income statement regarding share options.

Changes in outstanding share options are as follows:

Number of share options	**Total options 2014**	Total options 2013
Not exercised at 1 January	5,041,936	6,654,302
Forfeited/expired	-1,194,211	-1,612,366
Not exercised at 31 December	**3,847,725**	**5,041,936**
Total number of share options that could be exercised at 31 December	**3,847,725**	**3,685,282**

NOTE 5

USDm	2014	2013
REMUNERATION TO AUDITORS APPOINTED AT THE PARENT COMPANY'S ANNUAL GENERAL MEETING		
Deloitte		
Audit fees	0.4	0.4
Audit-related fees	0.1	0.4
Tax fees	0.3	0.3
Fees for other services	0.1	0.1
	0.9	**1.2**

NOTE 6

USDm	2014	2013
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	6.9
Exchange rate adjustment	-0.5	0.6
Value adjustment for the year	-0.9	-0.6
Disposals	-	-
Balance at 31 December	**5.5**	**6.9**
Carrying amount at 31 December	**10.9**	**12.3**
Of which listed	0.0	0.0
Of which unlisted	10.9	12.3

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

NOTE 7

USDm	Goodwill	Other intangible assets	Total
INTANGIBLE ASSETS			
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**

Cost:			
Balance at 1 January 2014	89.2	2.7	91.9
Additions	-	-	0.0
Disposals	-	-	0.0
Balance at 31 December 2014	**89.2**	**2.7**	**91.9**
Amortization and impairment losses:			
Balance at 1 January 2014	89.2	1.2	90.4
Disposals	-	-	0.0
Amortization and impairment losses for the year	-	0.2	0.2
Balance at 31 December 2014	**89.2**	**1.4**	**90.6**
Carrying amount at 31 December 2014	**0.0**	**1.3**	**1.3**

NOTE 8

USDm	Land and buildings	Vessels and capitalized dry-docking	Other plant and operating equipment	Total
TANGIBLE FIXED ASSETS				
Cost:				
Balance at 1 January 2013	1.7	2,752.0	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**	**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	-	-	-	-
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**	**26.2**	**909.4**
Carrying amount at 31 December 2013	**0.0**	**1,692.7**	**4.7**	**1,697.4**
Of which finance leases	-	13.7	-	13.7
Of which financial expenses included in cost	-	1.2	-	1.2
Cost:				
Balance at 1 January 2014	-	2,575.9	30.9	2,606.8
Exchange rate adjustment	-	-	-0.1	-0.1
Additions	-	33.7	2.2	35.9
Disposals	-	-10.4	-6.6	-17.0
Transferred to/from other items	-	-	-	0.0
Transferred to non-current assets held-for-sale	-	-469.8	-	-469.8
Balance at 31 December 2014	**0.0**	**2,129.4**	**26.4**	**2,155.8**
Depreciation and impairment losses:				
Balance at 1 January 2014	-	883.2	26.2	909.4
Exchange rate adjustment	-	-	-	-
Disposals	-	-9.2	-6.4	-15.6
Depreciation for the year	-	95.8	3.6	99.4
Impairment loss	-	191.7	-	191.7
Transferred to non-current assets held-for-sale	-	-246.9	-	-246.9
Balance at 31 December 2014	**0.0**	**914.6**	**23.4**	**938.0**
Carrying amount at 31 December 2014	**-**	**1,214.8**	**3.0**	**1,217.8**
Of which finance leases	-	12.8	-	12.8
Of which financial expenses included in cost	0.0	0.4	-	0.4

Included in the carrying amount for "Vessels and capitalized dry-docking" are capitalized dry-docking costs in the amount of USD 44.1m (2013: USD 44.5m).

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 3.6m relates to administration (2013: USD 3.7m).

Please refer to note 9 for information on impairment testing.

NOTE 9

IMPAIRMENT TESTING

As of 31 December 2014, 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 Segment and the Bulk Segment.

As of 31 December 2014, the recoverable amount of the Tanker Segment was the value in use, whereas the recoverable amount of the Bulk Segment was the net selling price.

Based on this review, Management concluded that:

- Assets within the Bulk Segment were not impaired as the net selling price was in line with the carrying amount
- Assets within the Tanker Segment 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 Segment, 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 Segment 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
- 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 2015-2017 are based on the Company's business plans
- Beyond 2017, freight rates for the Tanker Segment are based on the following 10-year historical average freight rates from Clarkson adjusted by the inflation rate:
  - o LR2 USD/day 23,130 (2013: USD/day 25,461)
  - o LR1 USD/day 19,967 (2013: USD/day 21,881)
  - o MR USD/day 17,757 (2013: USD/day 18,951)
  - o Handysize USD/day 19,360 (2013: USD/day 21,704)
- 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 2015-2017. Beyond 2017, operating expenses per operating day and administrative expenses are expected to increase with the inflation rate
- WACC is set to 7.8% (2013: 8.3%) for the Tanker Segment. 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 136m for the Tanker Segment
- An increase of the WACC of 1% would result in a further impairment of USD 77m for the Tanker Segment
- An increase of the operating expenses of 10% would result in a further impairment of USD 114m for the Tanker Segment

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 859m, which is USD 356m less than the carrying impaired amount.

During the year, TORM recognized an impairment loss of USD 192m relating to the Tanker Segment as a consequence of the fact that one bank exercised its option rights, leading to a sale of ten MR and three LR2 product tankers financed by this bank. After the impairment, the recoverable amount based on value in use was equal to the carrying amount. The value in use was based on a discount rate of 8.1%.

NOTE 10

USDm	2014	2013
FINANCIAL ITEMS		
Financial income		
Interest income from cash and cash equivalents, etc.	0.1	0.0
Dividends	0.9	0.5
Exchange rate adjustments, including net gain from forward exchange rate contracts	2.8	3.7
	3.8	4.2
Financial expenses		
Interest expenses on mortgage and bank debt	57.4	74.8
Advisor fee related to financing and restructuring plan	15.4	1.8
Exchange rate adjustments, including net gain/loss from forward exchange rate contracts	0.8	0.2
Other financial expenses	2.6	2.9
	76.2	79.7
Total financial items	**-72.4**	**-75.5**

NOTE 11

USDm	2014	2013
FREIGHT RECEIVABLES		
Analysis at 31 December of freight receivables:		
Neither past due nor impaired	42.5	50.8
Due < 30 days	13.9	6.6
Due between 30 and 180 days	13.7	20.1
Due > 180 days	1.7	2.2
	71.8	**79.7**

At 31 December 2014, freight receivables included receivables at a value of USD 3.4m (2013: USD 8.7m), that are individually determined to be impaired to a value of USD 0,6m (2013: USD 0.5m).

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

USDm	2014	2013
PROVISION FOR IMPAIRMENT OF FREIGHT RECEIVABLES		
Balance at 1 January	8.2	0.2
Provisions for the year	1.5	8.0
Provisions reversed during the year	-2.2	-
Provisions utilized during the year	-4.7	-
Balance at 31 December	**2.8**	**8.2**

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	2014	2013
OTHER RECEIVABLES		
Partners and commercial managements	1.2	2.3
Derivative financial instruments	0.0	0.2
Receivables at joint ventures	0.0	2.0
Tax receivables	1.2	0.8
Miscellaneous, including items related to shipping activities	2.8	8.0
	5.2	**13.3**

NOTE 13

USDm	2014	2013
TAX		
Current tax for the year	-2.1	-1.9
Adjustments related to previous years	-0.1	-1.4
Adjustment of deferred tax liability	1.3	6.9
Adjustment of deferred tax asset	0.1	0.3
	-0.8	**3.9**

	2014	2013
RECONCILIATION OF THE EFFECTIVE CORPORATION TAX RATE FOR THE YEAR		
Corporation tax rate in Denmark	24.5%	25.0%
Differences in tax rates, foreign subsidiaries	0.0%	3.8%
Differences in tax rates, foreign joint ventures	0.0%	0.0%
Adjustment of tax related to previous years	0.0%	0.1%
Change in deferred tax due to reduction of Danish corporation tax from 25% to 22%	-	3.8%
Effect from the tonnage tax scheme	-24.8%	-30.3%
Effective corporate tax rate	**-0.3%**	**2.4%**

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 the tonnage tax scheme.

USDm	2014	2013
DEFERRED TAX LIABILITY		
Balance at 1 January	46.3	53.2
Reduction of Danish corporation tax from 25% to 22%	-	-6.3
Deferred tax for the year	-1.3	-0.6
Balance at 31 December	**45.0**	**46.3**

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

NOTE 14

	2014	2013	2014	2013
	Number of shares million	Number of shares million	Nominal value DKKm	Nominal value DKKm
COMMON SHARES				
Balance at 1 January	728.0	728.0	7.3	7.3
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 (2013: 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 shares 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

	2014	2013	2014	2013	2014	2013
	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	6,683.1	6,711.8	0.1	0.1	0.9	0.9
Disposals	-	-28.7	-	-	-	-
Used for share-based compensation	-	-	-	-	-	-
Balance at 31 December	**6,683.1**	**6,683.1**	**0.1**	**0.1**	**0.9**	**0.9**

The total consideration for the treasury shares was USD 19.0m (2013: USD 19.0m).

At 31 December 2014, the Company's holding of treasury shares represented 6,683,072 shares (2013: 6,683,072 shares) of DKK 0.01 each at a total nominal value of USD 0.0m (2013: USD 0.0m) and a market value of USD 0.4m (2013: USD 1.7m). The retained shares equate to 0.9% (2013: 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	2014	2013
DEFERRED INCOME		
Deferred gain related to sale and leaseback transactions	4.0	5.2
Prepaid commissions and management fees	1.0	2.0
Other	0.2	0.7
	5.2	**7.9**

NOTE 16

USDm	2014	2013
OTHER LIABILITIES		
Partners and commercial managements	8.0	12.1
Accrued operating expenses	7.4	14.9
Accrued interest	0.4	0.3
Wages and social expenses	14.2	14.9
Derivative financial instruments	1.8	0.0
Payables to joint ventures	0.1	0.1
Miscellaneous, including items related to shipping activities	6.9	1.2
	38.8	**43.5**

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

NOTE 17

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

In November 2012, TORM completed a restructuring. The group of banks aligned key terms and conditions as well as financial covenants across all existing debt facilities, and all maturity on existing credit facilities was adjusted to 31 December 2016. As part of the restructuring, TORM initially secured a Working Capital Facility of USD 100m until 30 September 2014. In August 2014, the Working Capital Facility was extended until 31 March 2015 and reduced to USD 50m at the Company's request. Following the sale of 13 vessels during 2014, TORM has repaid the related debt.

Please refer to note 2 for further information on the Company's liquidity and capital resources and note 22 and 23 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.

			2014			2013	
USDm	Fixed/ floating	Maturity	Effective interest	Fair value	Maturity	Effective interest	Fair value
LOAN							
USD	Floating	2015	18,4%*	30.0	2014	24,2%*	22.0
USD	Floating	2016	3,6%**	1,409.0	2016	3,7%**	1,727.6
Weighted average effective interest rate			**3.6%**			**3.7%**	
Fair value *)**				**1,439.0**			**1,749.6**

*) 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 considered for fair value measurement at level 2 in the fair value hierarchy.

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	**2014**	2013
COLLATERAL SECURITY FOR MORTGAGE DEBT AND BANK LOANS		
Fair value of loans collateralized by vessels	1,439.0	1,749.6
	1,439.0	**1,749.6**

The total carrying amount for vessels that have been provided as security amounts to USD 1,215m at 31 December 2014 (2013: USD 1,812m).

NOTE 19

USDm	**2014**	2013
GUARANTEE COMMITMENTS AND CONTINGENT LIABILITIES		
Guarantee commitments	0.2	0.0
	0.2	**0.0**

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 March 2014, one bank exercised its option to have TORM to sell 13 vessels. All the sold vessels were delivered in 2014 and the related debt was repaid during the year.

The following tables summarize the Company's contractual obligations.

At 31 December 2014:

USDm	2015	2016	2017	2018	2019	Thereafter	**Total**
Mortgage debt and bank loans 1)	113.9	1,325.1	-	-	-	-	1,439.0
Interest payments related to scheduled interest fixing	9.0	-	-	-	-	-	9.0
Estimated variable interest payments 2)	28.4	46.9	-	-	-	-	75.3
Total	**151.3**	**1,372.0**	**0.0**	**0.0**	**0.0**	**0.0**	**1,523.3**

USDm	2015	2016	2017	2018	2019	Thereafter	**Total**
Finance lease liabilities 3)	-	-	11.9	-	-	-	11.9
Interest element finance lease	4.3	4.5	2.9	-	-	-	11.7
Chartered-in vessels (incl. vessels not delivered) (Operating lease) 4)	38.5	19.0	17.2	7.4	-	-	82.1
Other operating leases 5)	3.1	3.5	2.3	1.6	0.9	0.1	11.5
Trade payables and other liabilities	47.0	-	-	-	-	-	47.0
Total	**92.9**	**27.0**	**34.3**	**9.0**	**0.9**	**0.1**	**164.2**

USDm	2015	2016	2017	2018	2019	Thereafter	**Total**
Contractual obligations – as lessor:							
Charter hire income for vessels on time charter and bareboat charter (incl. vessels not delivered) (Operating lease) 6)	23.0	-	-	-	-	-	23.0
Total	**23.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**23.0**

NOTE 20 – CONTINUED

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 regarding 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
Trade payables and other liabilities	78.5	-	-	-	-	-	78.5
Total	**133.0**	**50.5**	**24.0**	**31.0**	**7.3**	**0.0**	**245.8**

USDm	2014	2015	2016	2017	2018	There-after	Total
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**

1) The presented amounts to be repaid do not include directly related costs arising from the issuing of the loans of USD 11.9m (2013: USD 15.8m), which are amortized over the term of the loans.

2) Variable interest payments are estimated based on the forward rates for each interest period. This corresponds to an average net interest including margin of 2.8% for 2015 (2013: the average net interest rate for 2014 was 2.5%).

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 four 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 1.3 years (2013: 2.2 years).

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 0.3 year (2013: 0.6 year).

NOTE 21

USDm	Minimum lease payments	Interest element	Carrying amount
FINANCE LEASE LIABILITIES - AS LESSEE			
Lease liabilities regarding finance lease assets:			
2014			
Falling due within one year	3.2	-4.3	-1.1
Total current	3.2	-4.3	-1.1
Falling due between one and five years	20.4	-7.4	13.0
Falling due after five years	-	-	0.0
Total non-current	20.4	-7.4	13.0
Total	**23.6**	**-11.7**	**11.9**
Fair value			**11.9**
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**

Finance lease in 2014 relates to one MR product tanker (2013: one) chartered on bareboat expiring no later than 2017. At the expiry of the charter period, the Company has an obligation to purchase the vessel.

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

NOTE 22

DERIVATIVE FINANCIAL INSTRUMENTS

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

USDm	Fair value as of 31 December 2014	Fair value as of 31 December 2013
Hedge accounting cash flows:		
Derivative financial instruments regarding freight and bunkers:		
Forward Freight Agreements	0.1	-
Bunker swaps	-1.7	-
Non-hedge accounting:		
Derivative financial instruments regarding freight and bunkers:		
Bunker swaps	-0.1	0.0
	-1.7	**0.0**

Of which included in:		
Current assets		
Other receivables	0.1	0.0
Current liabilities		
Other liabilities	-1.8	0.0
	-1.7	**0.0**

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

The table below shows realized amounts as well as fair value adjustments regarding derivative financial instruments recognized in the income statements and equity in 2014 and 2013:

	Income statement				
USDm	Revenue	Port expenses, bunkers and commissions	Freight and bunker derivatives	Financial items	Equity hedging reserves
Bunker swaps	-	-0.1	-0.1	-	-1.7
Forward Freight Agreements	-0.6	-	-	-	-0.6
Interest rate swaps	-	-	-	-6.6	
Total 2014	**-0.6**	**-0.1**	**-0.1**	**-6.6**	**-2.3**
Bunker swaps	-	-	1.4	-	-
Forward Freight Agreements	0.3	-	-	-	-
Interest rate swaps	-	-	-	-11.6	-
Total 2013	**0.3**	**0.0**	**1.4**	**-11.6**	**0.0**

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, 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 coverage of typically 3-12 months forward, based on market expectations and in accordance with the Company's risk management policies. In 2014, 8% (2013: 8%) of freight earnings deriving from the Company's tankers was secured in this way. Physical time charter contracts accounted for 89% (2013: 94%) of overall hedging, as this hedging instrument resulted in higher rates than those offered by the forward market. In 2014, the Company entered into FFAs with a total notional contract value of USD 5m (2013: USD 5m). At the end of 2014, the coverage for 2015 for all segments was at a relatively low level of 11% (2013: 14%).

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 2014, TORM had a long-term bulk T/C-in fleet of seven vessels (2013: six vessels). During the summer of 2013, TORM made a strategic transition from spot operator to tonnage provider and has since then operated the existing core bulk fleet on time charter contracts. As of 31 December 2014, the coverage for 2015 was 64% (2013: 56%). As of 31 December 2014, the market value of the FFA hedge position was USD 0 (2013: USD 0).

All things being equal and to the extent 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:

USD m	**2015**	2014
SENSITIVITY TO CHANGES IN FREIGHT RATES		
Change in freight rates of USD/day 1,000:		
Change in profit before tax	16.7	21.2
Change in equity	16.7	21.2

SALES AND PURCHASE PRICE FLUCTUATIONS

As an owner of 45 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 2014, the carrying value of the fleet was USD 1,215m (2013: USD 1,693m). Based on broker valuations, TORM's fleet had a market value of USD 859m as of 31 December 2014 (2013: USD 1,137m).

During the year, TORM has reduced its fleet by 17 product tankers which were sold as a consequence of two lenders deciding to exercise their options to have TORM sell the vessels in 2013 and 2014 respectively. Following the sale, the vessels were placed under commercial and technical management with TORM. 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 69% of the total voyage costs in 2014 (2013: 66%) 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 2014, TORM covered 2.2% (2013: 8.3%) of its bunker requirements using hedging instruments. As of 31 December 2014, the total market value of bunker hedge contracts was USD 2m (2013: USD 0m).

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:

USD m	**2015**	2014
SENSITIVITY TO CHANGES IN THE BUNKER PRICES		
Change in the bunker prices of 10% per ton:		
Change in profit before tax	13.7	21.5
Change in equity	13.7	21.5

NOTE 23 – CONTINUED

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 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 2014, the aggregate insured value of hull and machinery and interest for TORM's owned vessels amounted to USD 1.7 billion (2013: USD 2.5 billion).

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 Segment.

In the Tanker Segment, a major part of the Company's freight revenues stems from a small group of customers. The largest customer accounted for 9.8% (2013: 6.4%) of the freight revenues in 2014. 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. Alternatively, a suitable bank guarantee is placed in lieu thereof.

The Bulk Segment 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 Segments 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 97% (2013: 95%), which is considered to be satisfactory given the differences in interpretation of events. In 2014, demurrage represented 10.0% (2013: 8.0%) 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 2014, 100% of TORM's forward freight agreements (FFAs) and fuel swaps were cleared either through NASDAQ, London Clearinghouse (LCH) or NYMEX Clearport, effectively reducing counterparty credit risk by daily clearing of balances.

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.

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 97% for administrative expenses (2013: 95%), approximately 16% for operating expenses (2013: 10%) and approximately 10% for capital expenditures (2013: 38%).

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 2014.

NOTE 23 – CONTINUED

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	2015	2014
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	5.5	7.5
Change in equity	5.5	7.5

INTEREST RATE RISK

TORM's interest rate risk generally relates to interest-bearing mortgage debt and bank loans. All 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 2014, TORM has fixed 25% (2013: 25%) of the interest exposure for 2015. The fixing is a result of the scheduled interest fixing of the debt through 31 March 2015.

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	2015	2014
SENSITIVITY TO CHANGES IN INTEREST RATES		
Effect of a change in the interest rate level of 1% point:		
Change in interest rate expenses	10.4	12.4
Change in equity	10.4	12.4

TORM's interest-bearing debt decreased from year-end 2013 to year-end 2014 by USD 324m (2013: decrease of USD 150m) to USD 1,394m (2013: USD 1,718 m).

NOTE 24

FINANCIAL INSTRUMENTS

USDm	2014	2013
CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES:		
Loans and receivables		
Freight receivables	71.8	79.7
Other receivables	4.0	12.5
Cash and cash equivalents	44.6	29.1
	120.4	**121.3**
Available-for-sale assets		
Other investments	10.9	12.3
	10.9	**12.3**
Derivative financial instruments (assets)		
Other receivables - hedge accounting	0.0	-
	0.0	**0.0**
Financial liabilities measured at amortized cost		
Mortage debt and bank loans	1,427.1	1,733.9
Finance lease liabilities	11.9	12.9
Trade payables	18.3	43.9
Other liabilities	22.8	28.6
	1,480.1	**1,819.3**
Derivative financial instruments (liabilities)		
Other liabilities - fair value through profit or loss (held-for-trading)	0.1	0.0
Other liabilities (hedge accounting)	1.7	0.0
	1.8	**0.0**

In all material aspects, 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 level 1 to 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	2014 Quoted prices (Level 1)	Observable input (Level 2)	Unobservable input (Level 3)	Total
Available-for-sale financial assets:				
Other investments	-	-	10.9	10.9
Derivative financial instruments (assets):				
Other receivables - fair value through profit or loss (held-for-trading)	-	-	-	0.0
Other receivables (hedge accounting)	-	0.0	-	0.0
Total financial assets	**0.0**	**0.0**	**10.9**	**10.9**
Derivative financial instruments (liabilities):				
Other liabilities - fair value through profit or loss (held-for-trading)	-	0.1	-	0.1
Other liabilities (hedge accounting)	-	1.7	-	1.7
Total financial liabilities	**0.0**	**1.8**	**0.0**	**1.8**

USDm	2013 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 - fair value through profit or loss (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 - fair value through profit or loss (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**

There were no transfers between level 1 and 2 in 2014 and 2013.

In all material aspects, 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 of USD 1.7m (2013: USD 0.0m) 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	**2014**	2013
Other investments, available-for-sale:		
Balance at 1 January	12.3	12.3
Gain/loss in other comprehensive income	-1.4	0.6
Transfers to/from level 3	-	-0.6
Balance at 31 December	**10.9**	**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

During the financial year, TORM carried on trading with its joint ventures for a total amount of USD 1.4m (2013: USD 1.9m).

Management remuneration is disclosed in note 4.

To the best of TORM's knowledge, there have not been any other transactions with related parties during the financial year.

NOTE 26

NON-CURRENT ASSETS HELD-FOR-SALE

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

An impairment loss of USD 55m from adjusting the carrying amount of the tankers to the market value was recognized in the income statement for 2013 under "Impairment losses on tangible and intangible assets". The vessels were delivered to the new owners in March and April 2014.

NOTE 27

CASH FLOWS

USDm	**2014**	2013
Reversal of other non-cash movements:		
Amortization of acquired assets and liabilities	1.4	-0.7
Share-based payment	0.1	0.6
Adjustments on derivative financial instruments	0.1	1.3
Exchange rate adjustments	0.0	0.0
Other adjustments	-8.2	4.1
	-6.6	**5.3**

USDm	**2014**	2013
Change in bunkers, receivables and payables:		
Change in bunkers	1.7	22.5
Change in receivables	20.8	38.5
Change in prepayments	-1.2	8.6
Change in trade payables and other liabilities	-15.3	-44.0
Adjusted for fair value changes of derivative financial instruments	-1.7	-1.4
	4.3	**24.2**

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

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. The vessels in the vessel owning entities can only be sold with approval from the lenders of the Group.

Investments in legal entities included as joint ventures*):

Long Range 2 A/S	50%	Denmark
LR2 Management K/S	50%	Denmark
TORM SHIPPING (PHILS.), INC.	25%	The Philippines

Interest in joint operations:

During the financial year, TORM had a material joint operation, The LR2 Pool, which was based out of the offices in Copenhagen and Singapore. The LR2 Pool consisted of 29 double-hull Aframax tankers, including ten of TORM's vessels, which mainly trade clean petroleum products. TORM recognizes a proportional share of the revenue, costs, assets and liabilities, based on the number of days the Company's vessels have been available for the pool in relation to the total available earning days during the period (approx. 35%). The LR2 Pool ceased the activities with effect from 1 October 2014.

*) Entities with activities in the financial year.

**) Dissolved during the year.

NOTE 28 – CONTINUED

AGGREGATE FINANCIAL INFORMATION OF INDIVIDUALLY IMMATERIAL JOINT VENTURES

USDm	**2014**	2013
TORM's share of profit/(loss) from continuing operations	0.4	0.5
TORM's share of total comprehensive income	0.4	0.5
Aggregate carrying amount of the Group's interest in these joint ventures	0.9	1.0

NOTE 29

	2014	2013
EARNINGS/LOSS PER SHARE		
Net profit/(loss) for the year (USDm)	**-284.2**	**-162.2**
Million shares		
Average number of shares	728.0	728.0
Average number of treasury shares	-6.7	-6.7
Average number of shares outstanding	721.3	721.3
Dilutive effect of outstanding share options	0.0	0.0
Average number of shares outstanding incl. dilutive effect of share options	**721.3**	**721.3**
Earnings/(loss) per share (USD)	**-0.4**	**-0.2**
Diluted earnings/(loss) per share (USD)	**-0.4**	**-0.2**

When calculating diluted earnings per share for 2014, 3,847,725 share options (2013: 5,041,936) 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 2014.

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 2014 as well as of their financial performance and cash flows for the financial year 1 January - 31 December 2014.

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.

The Company's continuing operation is dependent on the outcome of the ongoing recapitalization process. Reference is made to note 2 to the consolidated financial statements "Liquidity, capital resources, going concern and subsequent events" as well as announcement no. 16 dated 27 October 2014 on TORM's agreement with a group of its lenders, representing 61% of TORM's ship financing, and Oaktree Capital Management regarding a possible restructuring of TORM. No later than 26 March 2015 at the Annual General Meeting, TORM expects to have reached the minimum required lender support (75% by value and 50% by number) to be able to implement the proposed agreement. The final implementation of any restructuring would be subject to shareholder approval and certain conditions precedent, including required approvals from public authorities.

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

Copenhagen, 4 March 2015

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

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 – 94, for the financial year 1 January to 31 December 2014, which comprise the income statement, the statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group as well as for the Parent. The consolidated financial statements and the 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 THE 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 the 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 the 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 the parent financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the consolidated financial statements and the 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 the 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 2014, and of the results of their operations and cash flows for the financial year 1 January to 31 December 2014 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

EMPHASIS OF MATTER

EMPHASIS OF MATTER REGARDING THE FINANCIAL STATEMENTS – FINANCIAL RESTRUCTURING

In forming our unqualified conclusion on the consolidated financial statements and parent financial statements, we have considered the adequacy of the disclosure made in note 2 to the consolidated financial statements concerning TORM's liquidity, capital resources and ability to comply with its financial covenants.

Note 2 to the consolidated financial statements discloses that the Company, Oaktree Capital Management and TORM's lenders are working towards completing a financial restructuring involving new investors, a foregiveness of part of TORM's current debt and amended loan terms that will allow TORM to continue to trade as a going concern. The Company expects to reach the minimum required lender support to implement the proposed agreement no later than at the Annual General Meeting on 26 March 2015. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

STATEMENT ON THE MANAGEMENT COMMENTARY (PAGES 3-43)

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.

OTHER MATTERS

If before the Annual General Meeting on 26 March 2015, TORM is able to present documentation that the restructuring agreement has been approved by the relevant parties, and the disclosures in the consolidated financial statements and the parent financial statements are amended to appropriately reflect this, we will in the annual report to be approved by the Annual General Meeting amend our auditor's report accordingly.

Copenhagen, 4 March 2015

DELOITTE
Statsautoriseret Revisionspartnerselskab

Anders Dons State Authorised Public Accountant	Henrik Kjelgaard State Authorised Public Accountant

PARENT COMPANY 2014

INCOME STATEMENT
1 JANUARY - 31 DECEMBER

USD '000	Note	2014	2013
Revenue		624,173	993,439
Port expenses, bunkers and commissions		-298,155	-551,521
Freight and bunkers derivatives		-236	1,408
Time charter equivalent earnings		**325,782**	**443,326**
Charter hire		-179,984	-266,955
Operating expenses	2	-149,259	-175,380
Gross profit (Net earnings from shipping activities)		**-3,461**	**991**
Administrative expenses	2, 3	-39,088	-46,067
Other operating expenses		-9,465	-36,598
EBITDA		**-52,014**	**-81,674**
Amortization and depreciation	6	-3,305	-6,322
Operating profit/(loss) (EBIT)		**-55,319**	**-87,996**
Financial income	7	471,532	153,904
Financial expenses	7	-688,809	-200,809
Profit/(loss) before tax		**-272,596**	**-134,901**
Tax	10	-9	5,053
Net profit/(loss) for the year		**-272,605**	**-129,848**

ALLOCATION OF PROFIT/(LOSS) FOR THE YEAR

The Board of Directors recommends that the net profit/(loss) for the year of USD -273m is allocated as follows:	
Proposed dividend USD 0.0 per share of DKK 0,01	0
Retained profit	-272,605
	-272,605

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

STATEMENT OF COMPREHENSIVE INCOME
1 JANUARY - 31 DECEMBER

USD '000	2014	2013
Net profit/(loss) for the year	**-272,605**	**-129,848**
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Fair value adjustment on hedge instruments	-2,327	0
Value adjustment on hedge instruments transferred to income statement	7,327	10,769
Fair value adjustment on other investments available-for-sale	-1,466	575
Other comprehensive income after tax *)	**3,534**	**11,344**
Total comprehensive income for the year	**-269,071**	**-118,504**

*) 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	2014	2013
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Goodwill		0	0
Total intangible assets	5	**0**	**0**
Tangible fixed assets			
Land and buildings		0	0
Vessels	13	12,848	13,699
Other plant and operating equipment		2,536	3,735
Total tangible fixed assets	6	**15,384**	**17,434**
Financial assets			
Investments in subsidiaries	4, 13	1,104,861	1,685,886
Loans to subsidiaries		3,033	6,740
Investments in joint ventures	4	56	56
Other investments	4	10,889	12,320
Total financial assets		**1,118,839**	**1,705,002**
Total non-current assets		**1,134,223**	**1,722,436**
CURRENT ASSETS			
Bunkers		23,863	46,075
Freight receivables	8	70,756	78,144
Other receivables	9	3,084	8,719
Prepayments		6,729	6,965
Cash and cash equivalents		39,659	25,544
Total current assets		**144,091**	**165,447**
TOTAL ASSETS		**1,278,314**	**1,887,883**

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

BALANCE SHEET
AT 31 DECEMBER

USD '000	Note	2014	2013
EQUITY AND LIABILITIES			
EQUITY			
Common shares		1,247	1,247
Special reserve		60,974	60,974
Treasury shares		-19,048	-19,048
Revaluation reserves		5,458	6,924
Translation reserves		-6,188	-11,188
Hedging reserves		5,896	5,896
Retained profit/(loss)		-311,575	-39,081
Total equity		**-263,236**	**5,724**
LIABILITIES			
Non-current liabilities			
Deferred tax liability	10	45,176	46,466
Mortgage debt and bank loans	12, 13, 15	1,319,170	1,565,222
Finance lease liabilities	15, 16	11,901	12,851
Total non-current liabilities		**1,376,247**	**1,624,539**
Current liabilities			
Mortgage debt and bank loans	12, 13, 15	107,906	168,645
Loans from subsidiaries		3,026	0
Trade payables	15	17,994	43,479
Current tax liabilities		926	313
Other liabilities	11, 15	34,292	42,545
Deferred income		1,159	2,638
Total current liabilities		**165,303**	**257,620**
Total liabilities		**1,541,550**	**1,882,159**
TOTAL EQUITY AND LIABILITIES		**1,278,314**	**1,887,883**

Accounting policies	1
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The accompanying notes are an integrated part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

USD '000	Common shares	Special reserve*)	Treasury shares**)	Revaluation reserves	Hedging reserves	Translation reserves	Retained profit/(loss)	Total
EQUITY								
Equity at 1 January 2013	**1,247**	**60,974**	**-19,104**	**6,349**	**-21,957**	**5,896**	**90,093**	**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**	**575**	**10,769**	**0**	**-129,848**	**-118,504**
Share capital decrease	-	-	-	-	-	-	-	0
Conversion of debt	-	-	-	-	-	-	-	0
Acquisition of treasury shares, cost	-	-	-	-	-	-	-	0
Transaction costs share issue	-	-	-	-	-	-	-	0
Disposal of 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**	**575**	**10,769**	**0**	**-129,174**	**-117,774**
Equity at 31 December 2013	**1,247**	**60,974**	**-19,048**	**6,924**	**-11,188**	**5,896**	**-39,081**	**5,724**
Comprehensive income for the year:								
Net profit/(loss) for the year	-	-	-	-	-	-	-272,605	-272,605
Other comprehensive income for the year	-	-	-	-1,466	5,000	-	-	3,534
Total comprehensive income for the year	**0**	**0**	**0**	**-1,466**	**5,000**	**0**	**-272,605**	**-269,071**
Share capital decrease	-	-	-	-	-	-	-	0
Conversion of debt	-	-	-	-	-	-	-	0
Acquisition of treasury shares, cost	-	-	-	-	-	-	-	0
Transaction costs share issue	-	-	-	-	-	-	-	0
Disposal of treasury shares, cost	-	-	-	-	-	-	-	0
Gain from disposal of treasury shares	-	-	-	-	-	-	-	0
Share-based compensation	-	-	-	-	-	-	111	111
Total changes in equity 2014	**0**	**0**	**0**	**-1,466**	**5,000**	**0**	**-272,494**	**-268,960**
Equity at 31 December 2014	**1,247**	**60,974**	**-19,048**	**5,458**	**-6,188**	**5,896**	**-311,575**	**-263,236**

*) 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 appropriate.

**) 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	2014	2013
CASH FLOW FROM OPERATING ACTIVITIES			
Operating profit/(loss)		-55,319	-87,996
Adjustments:			
Reversal of bareboat hire from subsidiaries		130,983	151,521
Reversal of management fees from subsidiaries		7,486	34,275
Reversal of depreciation and impairment losses		3,305	6,322
Reversal of other non-cash movements	20	-5,919	8,115
Dividends received		877	547
Dividends received from joint ventures and subsidiaries		531	508
Interest received and exchange rate gains		71	174
Interest paid and exchange rate losses		-34,672	-53,651
Advisor fees related to financing and restructuring plan		-12,166	-1,172
Income taxes paid/repaid		-884	-1,644
Change in bunkers, accounts receivables and payables	20	-737	25,177
Net cash flow from operating activities		**33,556**	**82,176**
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in tangible fixed assets		-1,546	-2,037
Investment in equity interests and securities		-40,390	-38,694
Loans and repayment of loans to subsidiaries and joint ventures		-8,371	-9,120
Sale of enterprises and activities		355,234	0
Sale of non-current assets		37	54,286
Net cash flow from investing activities		**304,964**	**4,435**
CASH FLOW FROM FINANCING ACTIVITIES			
Borrowing, mortgage debt		25,000	18,000
Repayment/redemption, mortgage debt		-349,405	-102,775
Transaction costs share issue		0	-1,072
Purchase/disposal of treasury shares		0	93
Cash flow from financing activities		**-324,405**	**-85,754**
Net cash flow from operating, investing and financing activities		**14,115**	**857**
Cash and cash equivalents at 1 January		**25,544**	**24,687**
Cash and cash equivalents at 31 December		**39,659**	**25,544**
Of which restricted cash and cash equivalents		0	0
Non restricted cash and cash equivalents, at 31 December		**39,659**	**25,544**

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.

Investments in subsidiaries and joint ventures
Investments in subsidiaries, associated companies and joint ventures 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 equity in the vessel-owning subsidiaries is gradually reduced. This triggers an ongoing impairment loss on TORM A/S' investments in vessel-owning subsidiaries which is recognized as "Impairment losses on subsidiaries" under "Financial expenses". The impairment loss and the gain from debt cancellations are to be considered as a whole in order to understand the accounting impact and the change of the financial structure.

NOTE 2

USDm	2014	2013
STAFF COSTS		
Total staff costs		
Staff costs included in operating expenses	16.3	18.1
Staff costs included in administrative expenses	28.0	29.7
	44.3	**47.8**
Staff costs comprise the following:		
Wages and salaries	40.8	43.6
Share-based compensation	0.1	0.6
Pension costs	3.2	3.3
Other social security costs	0.2	0.3
	44.3	**47.8**

Employee information

The average number of permanently employed staff in the Parent Company in the financial year was 150 (2013: 150) land-based employees and 138 (2013: 147) 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	2014	2013
REMUNERATION TO AUDITORS APPOINTED AT THE PARENT COMPANY'S ANNUAL GENERAL MEETING		
Deloitte		
Audit fees	0.3	0.3
Audit-related fees	0.1	0.3
Tax fees	0.2	0.2
Fees for other services	0.1	0.1
	0.7	**0.9**

NOTE 4

USDm	Investments in subsidiaries	Investments in joint ventures	Other investments
FINANCIAL ASSETS			
Cost:			
Balance at 1 January 2013	1,775.6	112.7	5.4
Additions	8.3	-	-
Disposals	-5.8	0.0	-
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**
Cost:			
Balance at 1 January 2014	1,778.1	112.7	5.4
Additions	2.1	-	-
Disposals	-351.1	-	-
Balance at 31 December 2014	**1,429.1**	**112.7**	**5.4**
Value adjustment:			
Balance at 1 January 2014	-92.2	-112.6	6.9
Exchange rate adjustment	-	-	-0.5
Value adjustment for the year	29.4	-	-0.9
Disposals	18.1	-	-
Impairment losses	-279.5	-	-
Balance at 31 December 2014	**-324.2**	**-112.6**	**5.5**
Carrying amount at 31 December 2014	**1,104.9**	**0.1**	**10.9**
Hereof listed			0.0
Hereof unlisted			10.9

Impairment losses on investments in subsidiaries in 2013 and 2014 relate to investments in vessel-owing 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 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**
Cost:		
Balance at 1 January 2014	89.2	89.2
Additions	-	0.0
Disposals	-	0.0
Balance at 31 December 2014	**89.2**	**89.2**
Impairment losses:		
Balance at 1 January 2014	89.2	89.2
Disposals	-	0.0
Impairment losses for the year	-	0.0
Balance at 31 December 2014	**89.2**	**89.2**
Carrying amount at 31 December 2014	**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	Other plant and operating equipment	Total
TANGIBLE FIXED ASSETS				
Cost:				
Balance at 1 January 2013	1.8	22.8	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 investments in subsidiaries	0.0	-8.0	0.0	-8.0
Balance at 31 December 2013	**0.0**	**14.8**	**27.4**	**42.2**
Depreciation and impairment losses:				
Balance at 1 January 2013	1.0	0.1	20.5	21.6
Disposals	-1.0	-	-	-1.0
Depreciation for the year	-	1.0	3.2	4.2
Transferred to/from other items	-	-	0.0	0.0
Transferred to investments in subsidiaries	-	-	0.0	0.0
Balance at 31 December 2013	**0.0**	**1.1**	**23.7**	**24.8**
Carrying amount at 31 December 2013	**0.0**	**13.7**	**3.7**	**17.4**
Hereof finance leases	0.0	13.7	0.0	13.7
Cost:				
Balance at 1 January 2014	0.0	14.8	27.4	42.2
Additions	-	-	1.3	1.3
Disposals	-	-	-4.9	-4.9
Transferred to/from other items	-	-	-	0.0
Transferred to investments in subsidiaries	-	-	-	0.0
Balance at 31 December 2014	**0.0**	**14.8**	**23.8**	**38.6**
Depreciation and impairment losses:				
Balance at 1 January 2014	0.0	1.1	23.7	24.8
Disposals	-	-	-4.8	-4.8
Depreciation for the year	-	0.9	2.4	3.3
Transferred to/from other items	-	-	-	0.0
Transferred to investments in subsidiaries	-	-	-	0.0
Balance at 31 December 2014	**0.0**	**2.0**	**21.3**	**23.3**
Carrying amount at 31 December 2014	**0.0**	**12.8**	**2.5**	**15.3**
Hereof finance leases	-	12.8	-	12.8

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

NOTE 7

USDm	2014	2013
FINANCIAL ITEMS		
Financial income		
Interest income from cash and cash equivalents	0.1	0.1
Dividends	0.9	0.5
Dividends from subsidiaries	0.5	0.8
Debt cancellations from subsidiaries	468.0	149.3
Exchange rate adjustments, including net gain/loss from forward exchange rate contracts	2.0	3.2
	471.5	153.9
Financial expenses		
Interest expense on mortgage and bank debt	57.3	72.6
Exchange rate adjustments, including net gain/loss from forward exchange rate contracts	0.7	0.2
Advisor fees related to financing and restructuring plan	15.4	1.8
Impairment losses on subsidiaries	279.5	121.5
Disposal of subsidiaries	333.3	-
Write down on financial fixed assets regarding liquidation of inactive subsidiaries and joint ventures	-	1.8
Other financial expenses	2.6	2.9
	688.8	200.8
Total financial items	**-217.3**	**-46.9**

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

NOTE 8

USDm	2014	2013
FREIGHT RECEIVABLES		
Analysis as at 31 December of freight receivables:		
Neither past due nor impaired	42.6	50.8
Due < 30 days	14.2	6.7
Due between 30 and 180 days	13.9	20.0
Due > 180 days	0.1	0.6
	70.8	**78.1**

At 31 December 2014, freight receivables included receivables at a value of USD 3,4m (2013: USD 8.7m), that are individually determined to be impaired to a value of USD 0,6m (2013: USD 0.5m).

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

USDm	2014	2013
PROVISION FOR IMPAIRMENT OF FREIGHT RECEIVABLES		
Balance at 1 January	8.2	0.2
Provisions for the year	1.5	8.0
Provisions reversed during the year	-2.2	-
Provisions utilized during the year	-4.7	-
Balance at 31 December	**2.8**	**8.2**

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	2014	2013
OTHER RECEIVABLES		
Partners and commercial managements	0.4	2.0
Derivative financial instruments	0.1	0.2
Tax receivables	0.5	0.4
Miscellaneous, including items related to shipping activities	2.1	6.1
	3.1	**8.7**

NOTE 10

USDm	2014	2013
TAX		
Current tax for the year	1.2	1.7
Adjustments related to previous years	0.1	0.1
Adjustment of deferred tax	-1.3	-6.9
	0.0	**-5.1**
Effective corporate tax rate	**0.0%**	**3.9%**

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 0.0% (2013: 3.9%) and the corporation tax rate in Denmark of 24.5% (2013: 25%) primarily relates to the tonnage tax scheme and to a lesser extent to a reduction in the Danish tax from 25% to 22%.

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

USDm	2014	2013
DEFERRED TAX		
Deferred tax at 1 January	46.5	53.4
Reduction of Danish corporation tax from 25% to 22%	-	-6.3
Deferred tax for the year	-1.3	-0.6
Deferred tax at 31 December	**45.2**	**46.5**

The deferred tax liability relates to vessels included in the transition account under the tonnage tax scheme.

NOTE 11

USDm	2014	2013
OTHER LIABILITIES		
Partners and commercial managements	6.2	12.0
Accrued operating expenses	7.4	14.8
Accrued interests	0.4	0.3
Wages and social expenses	12.0	12.8
Derivative financial instruments	1.8	0.0
Miscellaneous, including items related to shipping activities	6.5	2.6
	34.3	**42.5**

NOTE 12

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

In November 2012, TORM completed a restructuring. The group of banks aligned key terms and conditions as well as financial covenants across all existing debt facilities, and all maturity on existing credit facilities was adjusted to 31 December 2016. As part of the restructuring, TORM initially secured a Working Capital Facility of USD 100m until 30 September 2014. In August 2014, the Working Capital Facility was extended until 31 March 2015 and reduced to USD 50m at the Company's request. Following the sale of 13 vessels during 2014, 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.

		2014			2013		
USDm	Fixed/ floating	Maturity	Effective interest	Fair value	Maturity	Effective interest	Fair value
LOAN							
USD	Floating	2015	18,4%	30.0*	2014	24,2%	22.0*
USD	Floating	2016	3,6%	1,409.0**	2016	3,7%	1,727.6**
Weighted average effective interest rate			**3.7%**			**3.7%**	
Fair value				**1,439.0**			**1,749.6**

*) 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 loas is considered for fair value measurement at level 2 in the fair value hierarchy.

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 13

USDm	2014	2013
COLLATERAL SECURITY FOR MORTGAGE DEBT AND BANK LOANS		
Fair value of loans collaterized by investment in subsidiaries	1,439.0	1,749.6
	1,439.0	**1,749.6**

The total carrying amount for investment in subsidiaries that have been provided as security amounts USD 1,073m (2013: USD 1,656m).

NOTE 14

USDm	2014	2013
GUARANTEE AND CONTINGENT LIABILITIES		
Guarantees for leasing liabilities in subsidiaries	32.4	36.5
Other guarantee liabilities	0.2	0.0
Total guarantee and contingent liabilities	**32.6**	**36.5**

NOTE 15

CONTRACTUAL OBLIGATIONS, MORTGAGE DEBT AND BANKLOANS

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 March 2014, one bank exercised its option to have TORM sell 13 vessels. All the sold vessels were delivered in 2014 and the related debt was repaid during the year.

The following table summarizes the Company's contractual obligations:

NOTE 15 – CONTINUED

As of 31 December 2014:

USDm	2015	2016	2017	2018	2019	Thereafter	Total
Mortgage debt and bank loans 1)	113.9	1325.1	-	-	-	-	1,439.0
Interest payments related to scheduled interest fixing	9.0	-	-	-	-	-	9.0
Estimated variable interest payments 2)	28.4	46.9	-	-	-	-	75.3
Total	**151.3**	**1,372.0**	**0.0**	**0.0**	**0.0**	**0.0**	**1,523.3**

USDm	2015	2016	2017	2018	2019	Thereafter	Total
Finance lease liabilities 3)	-	-	11.9	-	-	-	11.9
Interest element finance lease	4.3	4.5	2.9	-	-	-	11.7
Chartered-in vessels (incl. vessels not delivered) (Operating lease) 4)	38.5	19.0	17.2	7.4	-	-	82.1
Other operating leases 5)	1.4	1.7	1.4	1.0	0.7	-	6.2
Trade payables and other liabilities	40.8	-	-	-	-	-	40.8
Total	**85.0**	**25.2**	**33.4**	**8.4**	**0.7**	**0.0**	**152.7**

USDm	2015	2016	2017	2018	2019	Thereafter	Total
Contractual obligations - as lessor:							
Charter hire income for vessels on time charter and bareboat charter (incl. vessels not delivered) (Operating lease) 6)	23.0	-	-	-	-	-	23.0
Total	**23.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**23.0**

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
Trade payables and other liabilities	75.5	-	-	-	-	-	75.5
Total	**127.2**	**48.1**	**21.7**	**30.3**	**7.3**	**0.0**	**234.6**

USDm	2015	2016	2017	2018	2019	Thereafter	Total
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**

1) The presented amounts to be repaid do not include directly related costs arising from the issuing of the loans of USD 11.9m (2013: USD 15.8m), which are amortized over the term of the loans.

2) Variable interest payments are estimated based on the forward rates for each interest period. This corresponds to an average net interest including margin 2,8% for 2015 (2013: the average net interest rate for 2014 was 2.5%).

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 1.3 years (2013: 2.2 years).

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 0.3 year (2013: 0.6 year).

NOTE 16

USDm	Minimum lease payments	Interest element	Carrying amount
FINANCE LEASE LIABILITIES - AS LESSEE			
Lease liabilities regarding finance lease assets:			
2014			
Falling due within one year	3.2	-4.3	-1.1
Total current	3.2	-4.3	-1.1
Falling due between one and five years	20.4	-7.4	13.0
Falling due after five years	-	-	0.0
Total non-current	20.4	-7.4	13.0
Total	**23.6**	**-11.7**	**11.9**
Fair value			**11.9**
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**

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

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

NOTE 17

DERIVATIVE FINANCIAL INSTRUMENTS

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

USDm	**Fair value as of 31 December 2014**	Fair value as of 31 December 2013
Hedge accounting, cash flows:		
Derivative financial instruments regarding freight and bunkers:		
Forward Freight Agreements	0.1	-
Bunker swap	-1.7	-
Non hedge accounting:		
Derivative financial instruments regarding freight and bunkers:		
Bunker swap	-0.1	0.0
	-1.7	**0.0**
Hereof included in:		
Current assets		
Other receivables	0.1	0.0
Current liabilities		
Other liabilities	-1.8	0.0
	-1.7	**0.0**

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 2014 and 2013:

	Income statement				
USDm	Revenue	Port expenses, bunkers and commissions	Freight and bunker derivatives	Financial items	Equity hedging reserves
Bunker swaps	-	-0.1	-0.1	-	-1.7
Forward Freight Agreements	-0.6	-	-	-	-0.6
Interest rate swaps	-	-	-	-6.6	-
Total 2014	**-0.6**	**-0.1**	**-0.1**	**-6.6**	**-2.3**
Bunker swaps	-	-	1.4	-	-
Forward Freight Agreements	0.3	-	-	-	-
Interest rate swaps	-	-	-	-10.8	-
Total 2013	**0.3**	**0.0**	**1.4**	**-10.8**	**0.0**

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

NOTE 18

FINANCIAL INSTRUMENTS

USDm	2014	2013
CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES:		
Loans and receivables		
Loans to subsidiaries	0.0	6.7
Freight receivables, etc.	70.7	78.1
Other receivables	2.5	8.3
Cash and cash equivalents	39.7	25.5
	112.9	**118.6**
Available-for-sale financial assets		
Other investments	10.8	12.3
	10.8	**12.3**
Derivative financial instruments (assets)		
Other receivables - fair value through profit or loss (held-for-trading)	0.0	0.0
	0.0	**0.0**
Financial liabilities measured at amortized cost		
Mortgage debt and bank loans	1,427.1	1,733.9
Finance lease liabilities	11.9	12.9
Trade payables	18.0	43.5
Other liabilities	20.6	29.8
	1,477.6	**1,820.1**
Derivative financial instruments (liabilities)		
Other liabilities - fair value through profit or loss (held-for-trading)	0.1	0.0
Other liabilities (hedge accounting)	1.7	0.0
	1.8	**0.0**

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 level 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	2014 Quoted prices (Level 1)	2014 Observable input (Level 2)	2014 Unobservable input (Level 3)	2014 Total
Available-for-sale financial assets:				
Other investments	-	-	10.9	10.9
Derivative financial instruments (assets):				
Other receivables - fair value through profit or loss (held-for-trading)	-	-	-	0.0
Other receivables (hedge accounting)	-	0.0	-	0.0
Total financial assets	**0.0**	**0.0**	**10.9**	**10.9**
Derivative financial instruments (liabilities):				
Other liabilities - fair value through profit or loss (held-for-trading)	-	0.1	-	0.1
Other liabilities (hedge accounting)	-	1.7	-	1.7
Total financial liabilities	**0.0**	**1.8**	**0.0**	**1.8**

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

There were no transfers between level 1 and 2 in 2014 and 2013.

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 of USD -1.7m (2013: USD 0.0m) 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	2014	2013
Other investments, available-for-sale :		
Balance at 1 January	12.3	11.8
Gain/loss in other comprehensive income	-1.4	0.5
Transfers to/from level 3	-	-
Balance at 31 December	**10.9**	**12.3**
Gain/loss in the income statement for assets held at the end of the reporting period	**10.9**	**0.0**

NOTE 19

RELATED PARTY TRANSACTIONS

Subsidiaries and joint ventures 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 joint ventures during the year:

USDm	2014	2013
Services provided by TORM A/S to joint ventures	1.4	1.9
Services provided by subsidiaries	149.3	193.8
Debt cancellations by subsidiaries	470.7	149.3

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

CASH FLOWS

USDm	2014	2013
Reversal of other non-cash movements:		
Amortization of acquired assets and liabilities	2.5	0.5
Fair value adjustmens on derivative financial instruments	0.1	1.3
Exchange rate adjustments	-0.2	-0.2
Share-based payment	0.1	0.6
Other adjustments	-8.4	6.0
	-5.9	**8.2**

USDm	2014	2013
Change in bunkers, accounts receivables and payables:		
Change in bunkers	1.7	24.9
Change in receivables	18.8	36.7
Change in prepayments	-0.8	8.7
Change in trade payables and other liabilities	-18.7	-43.8
Adjusted for fair value changes of derivative financial instruments	-1.7	-1.3
	-0.7	**25.2**

TORM FLEET OVERVIEW AS OF 31 DECEMBER 2014

TANKERS/ BULKERS	SEGMENT	VESSEL	DWT	BUILT	OWNERSHIP	CARRYING VALUE (USDm)
Tanker	LR2	TORM KRISTINA	105,001	1999	100%	20*)
Tanker	LR2	TORM GUDRUN	101,122	2000	100%	21*)
Tanker	LR2	TORM MARINA	109,672	2007	100%	39*)
Tanker	LR2	TORM MAREN	110,000	2008	100%	42*)
Tanker	LR2	TORM MATHILDE	110,000	2008	100%	42*)
Tanker	LR1	TORM SARA	72,718	2003	100%	27*)
Tanker	LR1	TORM ESTRID	74,999	2004	100%	22
Tanker	LR1	TORM EMILIE	74,999	2004	100%	29*)
Tanker	LR1	TORM ISMINI	74,999	2004	100%	23
Tanker	LR1	TORM SIGNE	72,718	2005	100%	30*)
Tanker	LR1	TORM SOFIA	72,718	2005	100%	30*)
Tanker	LR1	TORM VENTURE	74,999	2007	100%	27
Tanker	MR	TORM NECHES	47,052	2000	100%	21*)
Tanker	MR	TORM CLARA	45,999	2000	100%	20*)
Tanker	MR	TORM CECILIE	44,946	2001	100%	21*)
Tanker	MR	TORM AMAZON	47,275	2002	100%	13
Tanker	MR	TORM SAN JACINTO	47,038	2002	100%	25*)
Tanker	MR	TORM CAROLINE	44,946	2002	100%	23*)
Tanker	MR	TORM MOSELLE	47,024	2003	100%	26*)
Tanker	MR	TORM ROSETTA	47,015	2003	100%	27*)
Tanker	MR	TORM CAMILLA	44,990	2003	100%	23*)
Tanker	MR	TORM CARINA	44,990	2003	100%	22*)
Tanker	MR	TORM HORIZON	46,955	2004	100%	33*)
Tanker	MR	TORM THAMES	47,035	2005	100%	32*)
Tanker	MR	TORM KANSAS	46,922	2006	100%	32*)
Tanker	MR	TORM REPUBLICAN	46,893	2006	100%	32*)
Tanker	MR	TORM PLATTE	46,920	2006	100%	32*)
Tanker	MR	TORM LAURA	52,000	2008	100%	34*)
Tanker	MR	TORM LENE	52,000	2008	100%	34*)
Tanker	MR	TORM LOTTE	52,000	2009	100%	34*)
Tanker	MR	TORM LOUISE	52,000	2009	100%	34*)
Tanker	MR	TORM LILLY	52,000	2009	100%	35*)

TANKERS/ BULKERS	SEGMENT	VESSEL	DWT	BUILT	OWNERSHIP	CARRYING VALUE (USDm)
Tanker	Handysize	TORM MADISON	35,828	2000	100%	19*)
Tanker	Handysize	TORM TRINITY	35,834	2000	100%	19*)
Tanker	Handysize	TORM RHONE	35,751	2000	100%	19*)
Tanker	Handysize	TORM CHARENTE	35,751	2001	100%	21*)
Tanker	Handysize	TORM OHIO	37,274	2001	100%	21*)
Tanker	Handysize	TORM LOIRE	37,106	2004	100%	28*)
Tanker	Handysize	TORM GARONNE	37,178	2004	100%	28*)
Tanker	Handysize	TORM SAONE	37,106	2004	100%	30*)
Tanker	Handysize	TORM FOX	37,006	2005	100%	28*)
Tanker	Handysize	TORM TEVERE	36,990	2005	100%	28*)
Tanker	Handysize	TORM GYDA	37,000	2009	100%	35*)
Bulker	Panamax	TORM ANHOLT	74,195	2004	100%	16*)
Bulker	Panamax	TORM BORNHOLM	75,912	2004	100%	18*)

*) Indicates vessels for which TORM believes that, as of 31 December 2014, the basic charter-free market value is lower than the vessel's carrying amount.

GLOSSARY

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.

Bunker hedge: A forward agreement used to reduce a company's exposure to fluctuating bunker costs.

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

Charter party: A lease or freight agreement between a shipowner and a charterer for a longer period of time or for a single voyage.

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 cargos 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.

Commercial management: An agreement to manage a vessel's commercial operations for the account and risk of the shipowner.

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.

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.

Spot market: Market in which vessels are contracted for a single voyage for near-term delivery.

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.

Technical management: An agreement to manage a vessel's technical operations and crew for the account and risk of the shipowner.

Time charter: See T/C.

Ton-mile: 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 Global Compact: The United Nation's social charter for enterprises, etc.

Vetting: An audit of the safety and performance status of a tanker vessel made by oil majors.

DID YOU KNOW THAT....

116,000 TONS

WHEN FULLY LOADED WITH GASOLINE, AN LR2 TANKER DISPLACES 116,000 TONS OF WATER EQUAL TO THE WEIGHT OF 2,212 LORRIES

AN LR2 TANKER MEASURES 48 METERS FROM THE AERIAL MAST TO THE KEEL, CORRESPONDING TO

30 CARS

PILED ON TOP OF EACH OTHER

A STANDARD MR TANKER OF 45,000 DWT CAN CONTAIN 53.5 MILLION LITERS OF WATER EQUIVALENT TO THE ANNUAL WATER CONSUMPTION OF

293

DANISH STANDARD HOUSEHOLDS

ON AVERAGE, AN MR TANKER CROSSES THE ATLANTIC OCEAN 26 TIMES IN A YEAR – CORRESPONDING TO

4 TIMES

AROUND THE WORLD

DESIGN: BYSTED

TORM A/S
TUBORG HAVNEVEJ 18
2900 HELLERUP
DENMARK
TEL.: +45 3917 9200
WWW.TORM.COM