



ANNUAL REPORT 2012

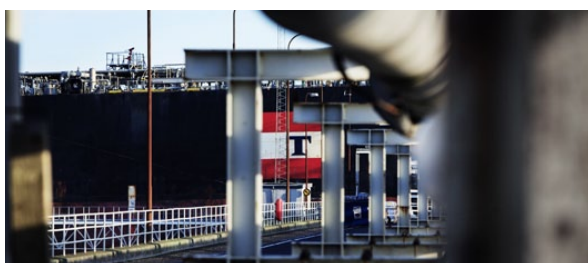


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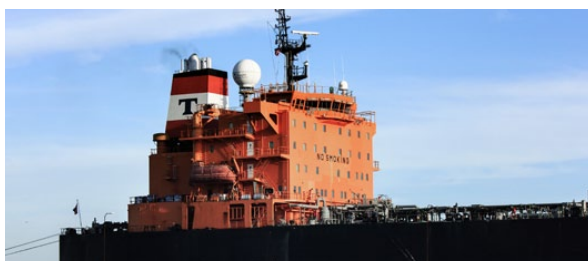
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INTRODUCTION

2012 was marked by the uncertainty surrounding the Company's financial situation and the continued adverse market conditions in the product tanker and dry bulk markets. TORM succeeded in its endeavors of reaching a Restructuring Agreement with its lenders and time charter partners while simultaneously driving considerable operational improvements. This has created a stronger foundation for TORM as a major player in the cyclical shipping markets going forward.

RESTRUCTURING

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

BANK DEBT

As part of the restructuring, TORM secured a new working capital facility of USD 100 million until 30 September 2014.

The group of banks aligned key terms and conditions as well as financial covenants across all existing debt facilities, and all maturities on existing credit facilities were adjusted until 31 December 2016. The bank debt remains unimpaired.

Interest on the existing debt will only be paid if the Company has sufficient liquidity and otherwise rolled over until at least 30 June 2014 with potential extension until 30 September 2014. The Company will pay interest on the new working capital facility.

The new financing agreements provide a deferral of installments on the existing bank debt until 30 September 2014. In this period, rescheduled principal amortization only falls due if the Company has sufficient liquidity. Provided that TORM generates sufficient cash, specific cash sweep mechanisms will apply.

Certain specific option rights were agreed with three bank groups that may trigger a sales process for up to 22 vessels and repayment of the related debt. Only one bank group has exercised the option on five vessels, and TORM has subsequently accounted for the assets as held for sale in the financial statements.

CHARTERED-IN TONNAGE

As part of the restructuring, the time charter-in partners accepted that the time charter-in contracts were either permanently changed and rates aligned to market terms or allowed for termination with redelivery of the vessels. These amendments resulted in a significant reduction of the Company's future time charter commitments with an

estimated total positive nominal mark-to-market impact on TORM of approximately USD 270 million. As part of the restructuring, TORM redelivers 22 vessels ahead of the original contract schedule.

NEW SHAREHOLDER STRUCTURE

The outstanding amount that the time charter partners had as a consequence of the amended contractual conditions as well as a fee to the banks were estimated to an agreed debt of USD 200 million that was converted into new shares in the Company. The banks received 73% ownership and the time charter partners 17%, while the existing shareholders retained 10% ownership, compared to the 7.5% communicated at the Annual General Meeting in April 2012. The Danish Financial Supervisory Authority subsequently issued an exemption from the Danish mandatory takeover rules. In December 2012, TORM published a listing prospectus to admit the new shares for trading on NASDAQ OMX Copenhagen.

ACCOUNTING EFFECTS

The restructuring resulted in a net accounting loss of USD 145 million, mainly related to cancelled time charter agreements, which is recognized in profit/loss. In addition, the restructuring resulted in special financial expenses of USD 65 million. The restructuring also included the above-mentioned USD 200 million capital increase.

2012 PERFORMANCE

TORM incurred a clearly unsatisfactory loss before tax of USD 579 million in 2012. The performance is in line with the revised forecast of 27 February 2013. The results include special items of USD 210 million from the restructuring and recognized impairment charges of USD 116 million related to FR8 and assets held for sale. The operational loss of USD 253 million before special items of USD -326 million was driven by the adverse market conditions during 2012 in both the product tanker and dry bulk segments. In addition, the Bulk and Tanker Divisions' results were to a significant degree adversely affected by TORM's challenging financial position up until the completion of the restructuring by the end of the year.

The product tanker freight rates remained under pressure in 2012 as the markets continued to suffer from tonnage oversupply. Global growth indicators were sluggish, which negatively impacted the oil product transportation. Nevertheless, by leveraging strong customer relationships and scale benefits and despite the critical financial situation, TORM achieved high fleet utilization as well as earnings above spot market benchmarks.

The dry bulk market also suffered from a record-high tonnage influx combined with slower demand growth,



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

especially in China. Freight rates were generally at a lower level than experienced in 2011. During 2012, TORM strengthened its customer relations and signed the largest number of contract cargoes in the history of the Company.

During the year, TORM took delivery of two MR newbuildings (TORM Arawa and TORM Anabel) and reduced its owned fleet by two product tankers (TORM Lana and TORM Ugland) in addition to cancelling one newbuilding contract with scheduled delivery in 2014. The sales and cancellations were completed as part of TORM's efforts to generate liquidity and reduce debt while negotiating the restructuring. As part of the restructuring, TORM has redelivered one finance lease vessel.

Despite difficult circumstances, TORM's organization continued to improve its performance in important areas such as customers, quality, costs, safety and environment. These improvements are described in more detail on the following pages.

A special word of appreciation to TORM's entire organization for a remarkable performance during a particularly challenging period in the Company's 124-year history. This

performance level bodes well for the future. TORM would also like to thank all external stakeholders for their continued support.

2013 GOING FORWARD

TORM has now created a financial and operational platform for the coming years, which will give the Company time to achieve a more permanent long-term capital structure. The Board and Management are confident that the Company will demonstrate the ability to create a long-term foundation for the Company in close cooperation with its lenders and shareholders.

TORM will in 2013 focus on driving further performance improvements, i.e. forging even stronger customer relations, continue quality improvements, maintaining the highest safety, environment and CSR standards as well as delivering cost-efficient operations.

The shipping environment is expected to remain volatile in the coming years, but TORM seeks to take advantage of the gradual market improvement.

Flemming Ipsen, Chairman of the Board

Jacob Meldgaard, CEO

FIVE-YEAR KEY FIGURES

	2012	2011	2010	2009	2008
INCOME STATEMENT (USD MILLION)					
Revenue	1,121	1,305	856	862	1,184
Time charter equivalent earnings (TCE)	466	644	561	633	906
Gross profit	-93	81	180	243	538
EBITDA	-195	-44	97	203	572
Operating profit/(loss) (EBIT)	-449	-389	-80	50	446
Financial items	-131	-63	-57	-69	-86
Profit/(loss) before tax	-579	-451	-136	-19	360
Net profit/(loss) for the year	-581	-453	-135	-17	361
Net profit/(loss) for the year excl. impairment charges and restructuring costs	-255	-253	-100	3	361

BALANCE SHEET (USD MILLION)					
Non-current assets	1,971	2,410	2,984	2,944	2,913
Total assets	2,355	2,779	3,286	3,227	3,317
Equity	267	644	1,115	1,247	1,279
Total liabilities	2,088	2,135	2,171	1,981	2,038
Invested capital	2,123	2,425	2,987	2,926	2,822
Net interest-bearing debt	1,868	1,787	1,875	1,683	1,550
Cash and cash equivalents	28	86	120	122	168

CASH FLOW (USD MILLION)					
From operating activities	-100	-75	-1	116	385
From investing activities,	0	168	-187	-199	-262
thereof investment in tangible fixed assets	-59	-118	-254	-289	-378
From financing activities	42	-128	186	37	-59
Total net cash flow	-57	-34	-2	-46	63

KEY FINANCIAL FIGURES*)					
Gross margins:					
TCE	41.5%	49.4%	65.5%	73.4%	76.5%
Gross profit	-8.3%	6.2%	21.0%	28.2%	45.4%
EBITDA	-17.3%	-3.4%	11.3%	23.5%	48.3%
Operating profit	-40.0%	-29.8%	-9.3%	5.8%	37.7%
Return on Equity (RoE)	-127.4%	-51.5%	-11.4%	-1.3%	30.6%
Return on Invested Capital (RoIC)**)	-19.7%	-14.4%	-2.7%	1.7%	16.4%
Equity ratio	11.4%	23.2%	33.9%	38.6%	38.6%
Exchange rate DKK/USD, end of period	5.66	5.75	5.61	5.19	5.28
Exchange rate DKK/USD, average	5.79	5.36	5.62	5.36	5.09

SHARE-RELATED KEY FIGURES*)					
Earnings/(loss) per share, EPS (USD)	-3.3	-6.5	-2.0	-0.3	5.2
Diluted earnings/(loss) per share, EPS (USD)	-3.3	-6.5	-2.0	-0.3	5.2
Cash flow per share, CFPS (USD)	-0.6	-1.1	0.0	1.7	5.6
Proposed dividend per share (USD)***)	0.00	0.00	0.00	0.00	0.76
Proposed dividend per share (DKK)	0.00	0.00	0.00	0.00	4.00
Extraordinary dividend per share (DKK)	0.00	0.00	0.00	0.00	4.50
Share price in DKK, end of period (per share of DKK 0.01 each) ****)	1.7	3.7	39.7	50.7	55.5
Number of shares, end of period (million)	728.0	72.8	72.8	72.8	72.8
Number of shares (excl. treasury shares), average (million)	178.2	69.5	69.3	69.2	69.2

*) Key figures are calculated in accordance with the 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).

***) Proposed dividend per share has been translated into USD using the USD/DKK exchange rate at year-end for the year in question.

****) 2008-2011: DKK 5.00 each.

2012 HIGHLIGHTS

■ ■ 2012 proved challenging for shipping in general and in particular TORM faced uncertainty for a prolonged period. On a positive note, TORM succeeded in achieving a financial restructuring, which brings stability to the Company for the coming period. The Board of Directors is confident that TORM together with its most important stakeholders will re-establish the foundation for a stronger company going forward, ■ ■

says Chairman of the Board Flemming Ipsen.

- In 2012, the Company incurred a loss before tax of USD 579 million. This is clearly unsatisfactory and impacted by special items of USD -326 million including restructuring costs of USD 210 million, impairment loss from assets held for sale of USD 74 million, an impairment loss of USD 42 million related to FR8 (see "Financial Review" page 38 for more details). The performance is in line with the revised forecast of 27 February 2013.
- Throughout 2012, the Tanker Division's earnings were negatively impacted by low freight rates and continued tonnage oversupply in the global product tanker market. The continued European financial crisis and a slowdown in GDP growth in China and the USA negatively affected global indicators. Combined, these factors led to a slowdown in global oil consumption, consequently adversely impacting oil product transportation. The Tanker Division's result was to a significant degree adversely affected by TORM's financial situation in 2012.
- During 2012, dry bulk freight rates continued to be volatile and under pressure. The dry bulk spot market stayed volatile due to seasonality and events such as the drought during the US grain season, the Indonesian raw material export ban and the tropical storms Isaac and Sandy. In 2012, the bulk market saw the highest level of newbuilding deliveries ever recorded. However, demand from China continued to be strong. The Bulk Division experienced a high number of waiting days in 2012 due to the Company's challenging financial situation.
- The Company's 2012 performance was negatively impacted by a USD 16 million net loss from the sale of TORM Lana and the cancellation of one product tanker newbuilding contract. In addition, there was a loss of USD 10 million from the termination of finance lease vessels in connection with the restructuring. Five MR vessels are accounted for as assets held for sale with an impairment charge of USD 74 million.
- As stated in company announcements no. 31 dated 2 October 2012 and no. 32 and no. 33 dated 5 November 2012, TORM entered into a Restructuring Agreement with its banks and time charter partners that secured the Company deferral of bank debt, new liquidity and substantial savings from the restructured time charter book. The receivable that the time charter partners were given for the amended contractual conditions as well as a fee to the banks, estimated at a total net present value of USD 200 million, has been converted into shares in TORM, corresponding to 90% of the shares in the Company. Consequently, the existing shareholders retained an ownership interest of 10%.
- As of 31 December 2012, cash totaled USD 28 million and undrawn credit facilities amounted to USD 42 million. TORM has no newbuilding order book and therefore no CAPEX commitments related hereto.
- The book value of the fleet excluding finance lease vessels as of 31 December 2012 was USD 1,934 million. Based on broker valuations, TORM's fleet excluding finance lease vessels had a market value of USD 1,145 million as of 31 December 2012. In accordance with IFRS, TORM estimates the fleet's total long-term earning potential each quarter based on discounted future cash flows. The estimated value of the fleet as of 31 December 2012 supports the carrying amount.
- As of 31 December 2012, net interest-bearing debt amounted to USD 1,868 million.
- As of 31 December 2012, equity amounted to USD 267 million (DKK 1,513 million), corresponding to USD 0.4 per share (DKK 2.1) excluding treasury shares, resulting in an equity ratio of 11%.
- As of 31 December 2012, 8% of the total earning days in the Tanker Division for 2013 were covered at a rate of USD/day 15,126 and 66% of the total earning days in the Bulk Division at USD/day 13,155.
- For the full year 2013, TORM forecasts a loss before tax of USD 100-150 million before potential vessel sales and impairment charges. TORM expects to remain in compliance with the financial covenants for 2013. In addition, TORM expects to be operational cash flow positive after interest payment. The uncertainties and sensitivities about freight rates and asset prices may have an effect on the Company's compliance with the financial covenants. As 24,676 earning days are uncovered at year-end 2012, a change in freight rates of USD/day 1,000 would impact profit before tax by USD 25 million.
- The Board of Directors proposes that no dividend be distributed for 2012.

OUTLOOK 2013

- For 2013, TORM forecasts a loss before tax of USD 100-150 million before potential vessel sales and impairment charges
- Given the number of open earning days, profit/loss before tax will be impacted by USD 25 million in case of a freight rate change of USD/day 1,000

EARNINGS AND COVERAGE FOR 2013

For the full year 2013, TORM forecasts a loss before tax of USD 100-150 million before potential vessel sales and impairment charges. TORM expects to remain in compliance with the financial covenants for 2013. In addition, TORM expects to be operational cash flow positive after interest payment. The uncertainties and sensitivities about freight rates and asset prices may have an effect on the Company's compliance with the financial covenants. As 24,676 earning days are uncovered at year-end 2012, a change in freight rates of USD/day 1,000 would impact profit before tax by USD 25 million.

As of 31 December 2012, the Tanker Division had covered 8% of the total earning days in 2013 at an average rate of USD/day 15,126 against 14% at an average rate of USD/day 15,002 at the same time in 2011.

As of 31 December 2012, the Bulk Division had covered 66% of the total earning days in 2013 at an average rate of USD/day 13,155 against 87% at an average rate of USD/day 13,906 at the same time in 2011.

The table on this page shows the effect of variations in the expected freight rates for product tankers and bulk carriers on the result before tax for 2013.

As of 31 December 2012, the interest-bearing bank debt totaled USD 1.904 million. 97% of the interest is fixed for three months and 3% for one month. This corresponds to 24% of TORM's 2013 interest expenses being fixed (at an average fixed interest rate of 2.83% including the margin). A change in interest rates of 25 basispoints would impact the result before tax by USD 4 million.

The most important factors affecting TORM's earnings in 2013 are:

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

OUTLOOK FOR THE TANKER DIVISION

The product tanker market is expected to gradually improve during 2013. Going forward, TORM expects increasing oil consumption and increased ton-miles effects from relocation of refinery capacity to increase demand. The supply side is still affected by the tonnage influx in 2008-2012, which resulted in ample tonnage supply. However, a manageable order book, scrapping of existing tonnage and possible postponement of newbuildings will reduce supply growth and impact rates positively. Freight rates are expected to be volatile and uncertainty exists related to the level of newbuilding ordering going forward.

TORM does not publish its freight rate forecast, but instead provides market expectations as of 1 March 2013 on page 10.

OUTLOOK FOR THE BULK DIVISION

TORM remains cautious about the prospects for the dry bulk market in 2013 due to the expected high level of newbuilding deliveries across all segments. Freight rates are expected to remain under pressure due to the oversupply of tonnage and the market's significant dependence on China coupled with seasonal demand fluctuations.

TORM does not publish its freight rate forecast, but instead provides market expectations as of 1 March 2013 on page 10.

2013 NET PROFIT SENSITIVITY TO CHANGES IN FREIGHT RATES

USD million	Change in freight rates (USD/day)			
	-2,000	-1,000	1,000	2,000
LR2	-6.0	-3.0	3.0	6.0
LR1	-4.5	-2.2	2.2	4.5
MR	-27.8	-13.9	13.9	27.8
Handysize	-7.9	-3.9	3.9	7.9
Tanker Division	-46.2	-23.1	23.1	46.2
Panamax	-5.1	-2.6	2.6	5.1
Handymax	2.0	1.0	-1.0	-2.0
Bulk Division	-3.2	-1.6	1.6	3.2
Total	-49.4	-24.7	24.7	49.4

COVERED AND CHARTERED-IN EARNING DAYS IN TORM AS OF 31 DECEMBER 2012

	2013	2014	2015	2013	2014	2015
Owned days						
LR2	2,760	2,904	2,880			
LR1	2,492	2,497	2,495			
MR	12,459	12,223	12,168			
Handysize	3,933	3,920	3,883			
Tanker Division	21,645	21,544	21,425			
Panamax	726	682	726			
Handymax	-	-	-			
Bulk Division	726	682	726			
Total	22,371	22,226	22,151			

	T/C-in days at fixed rate			T/C-in costs, USD/day		
LR2	-	-	-	-	-	-
LR1	-	-	-	12,296	-	-
MR	203	726	726	13,959	15,145	15,895
Handysize	-	-	-	-	-	-
Tanker Division	1,251	726	726	13,690	15,145	15,895
Panamax	2,705	1,816	1,676	9,515	12,393	12,225
Handymax	233	-	-	10,991	-	-
Bulk Division	2,938	1,816	1,676	9,632	12,393	12,225
Total	4,189	2,542	2,402	10,844	13,179	13,335

	T/C-in days at floating rate					
LR2	726	721	726			
LR1	-	-	-			
MR	1,360	1,810	1,727			
Handysize	-	-	-			
Tanker Division	2,086	2,531	2,453			
Panamax	636	411	363			
Handymax	363	363	363			
Bulk Division	999	774	726			
Total	3,085	3,305	3,179			

	Total physical days			Total covered days		
LR2	3,486	3,625	3,606	475	353	6
LR1	2,695	2,497	2,495	456	174	-
MR	14,868	14,759	14,621	963	-	-
Handysize	3,933	3,920	3,883	1	-	-
Tanker Division	24,982	24,801	24,604	1,895	527	6
Panamax	4,067	2,909	2,765	1,499	25	-
Handymax	596	363	363	1,575	869	908
Bulk Division	4,663	3,272	3,128	3,074	895	908
Total	29,645	28,072	27,732	4,969	1,422	914

	Covered, %			Coverage rates, USD/day		
LR2	14%	10%	0%	15,891	15,316	13,993
LR1	17%	7%	0%	16,461	15,666	-
MR	6%	0%	0%	14,109	-	-
Handysize	0%	0%	0%	23,536	-	-
Tanker Division	8%	2%	0%	15,126	15,432	13,993
Panamax	37%	1%	0%	15,299	20,372	-
Handymax	264%	240%	250%	11,113	16,612	16,853
Bulk Division	66%	27%	29%	13,155	16,718	16,853
Total	17%	5%	3%	13,907	16,241	16,835

Fair value of freight rate derivatives that are mark-to-market in the income statement (USD million): Contracts not included above 0.0, Contracts included above 1.3.
Notes: Actual no. of days can vary from projected no. of days primarily due to vessel sales and delays of vessel deliveries. T/C-in days at fixed rate do not include effects from profit split arrangements. For T/C-in days at floating rate, rates are determined at the entry of every half year, and then TORM will receive approximately 10% profit/loss compared to this rate.

TCE RATES IN THE FORWARD CONTRACT MARKET FOR THE PRODUCT TANKER AND THE BULK SEGMENTS AS OF 1 MARCH 2013

USD/day	2012	2013		
	realized	Q2	Q3	Q4
Product tanker				
LR2	10,735	-	-	-
LR1	12,294	13,000	14,000	15,000
MR	12,042	14,750	13,000	15,750
Handysize	12,196	-	-	-
Dry bulk				
Panamax	10,248	9,450	7,400	7,950
Handymax	10,481	7,575	6,825	7,100

There is no active forward derivatives market for LR2 and Handysize vessels. Source: IMAREX, Fuel Forward swaps, TORM.

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

SAFE HARBOR STATEMENT

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

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

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

Important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the conclusion of definitive waiver documents with our lenders, the strength of world economies and currencies, changes in charter hire rates and vessel values, changes in demand for "ton miles" of crude 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 governmental rules and regulations 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.

Risks and uncertainties are further described in reports filed by TORM with the US Securities and Exchange Commission, including the TORM Annual Report on Form 20-F and its reports on Form 6-K. See page 30 in the Annual Report.

STRATEGIC DIRECTION

- Maintaining upside potential with a spot-oriented product tanker fleet
- Serve as a freight service provider in bulk

The Company will in the short to medium term operate under constraints which are a consequence of the current capital structure.

TORM's strategic framework focuses on four common goals:

- Putting customers first: for example achieve full customer reach and thereby outperform available earnings benchmarks
- Ensuring quality in everything: for example improve technical and commercial tradability and deliver optimized processes
- Acting responsibly: for example maintaining the highest safety, environment and CSR standards
- Operating in a cost-efficient manner: for example delivering on TORM's cost program with USD 100 million in accumulated savings between 2012 and 2014

PRODUCT TANKER SEGMENT

TORM's business model in this segment centers on its continued presence in the spot market. This will allow the Company to take advantage of the anticipated volatility and a market recovery. In the short term, TORM will not seek higher coverage than the current levels, 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.

TORM will continue to strengthen the service offering to customers in terms of quality, flexibility and proximity. For instance, TORM strives to be a quality carrier approved at all times by a pre-defined, representative group of oil majors, thus securing optimal trading flexibility and profitability. During 2012, TORM again improved its performance on this objective by 2 percentage points. On proximity, TORM has reorganized the structure of its Tanker Division into supporting all vessel segments depending on the geographical location of the customers. By doing so, the Company mirrors the organization and needs of individual customers, thereby enhancing customer relationships.

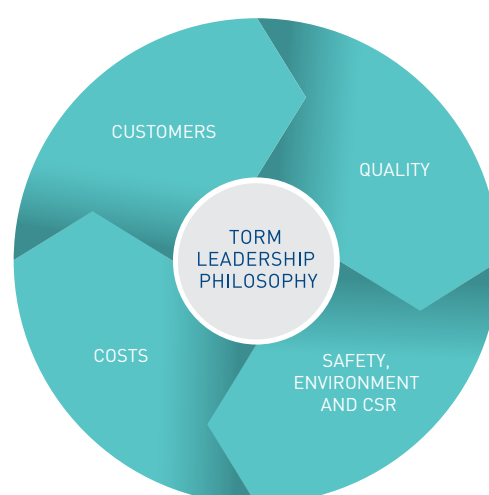
As of 31 December 2012, TORM owned 65 product tankers and had chartered in 11 vessels.

BULK SEGMENT

TORM will continue its transformation from a tonnage provider to a freight service provider to primarily industrial customers. During 2012, TORM expanded its cargo book with several new contracts of affreightment (COAs) with new and existing customers.

TORM holds a cautious view on the dry bulk markets for the coming period. Therefore, the Company will minimize market risk by maintaining a high coverage for 2013 and TORM intends to gradually increase coverage for 2014. The coverage will be achieved by a mix of reletting the time chartered-in fleet and concluding COAs.

As of 31 December 2012, TORM owned two dry bulk vessels and operated a long-term time chartered-in fleet of eight vessels, which will be complemented by a number of vessels for spot voyages to optimize the COA program.



TANKER DIVISION

- Despite TORM's challenging financial position, commercial benchmarks were still outperformed
- Continued global economic weakness adversely affected freight rates
- Reorganization to enhance customer relations

Product tanker freight rates continued to be under pressure in 2012 as the markets continued to suffer from tonnage oversupply. Global economic growth indicators were sluggish, which hampered the global oil consumption and subsequently the refined oil product transportation. Asset prices for product tankers declined during 2012.

In the first quarter of 2012, the freight markets for especially the larger segments (LRs) continued at the low levels from end-2011. This was mainly due to reduced demand for naphtha in the East and a weak Arabian Gulf market impacted by temporary refinery closures and limited arbitrage opportunities. The freight rates for medium-sized vessels (MRs) were positively influenced by Brazilian imports leading to increasing ton-miles. However, lower imports and domestic demand of gasoline in the USA put the market under pressure.

In the second quarter of 2012, the jet oil arbitrage to Europe opened, increasing the freight rates for LR2s in the East. The MR freight rates were negatively affected in the West by a lack of diesel arbitrage between the USA and Europe as well as closed arbitrage for gasoline from Europe to the USA due to weaker US East Coast demand.

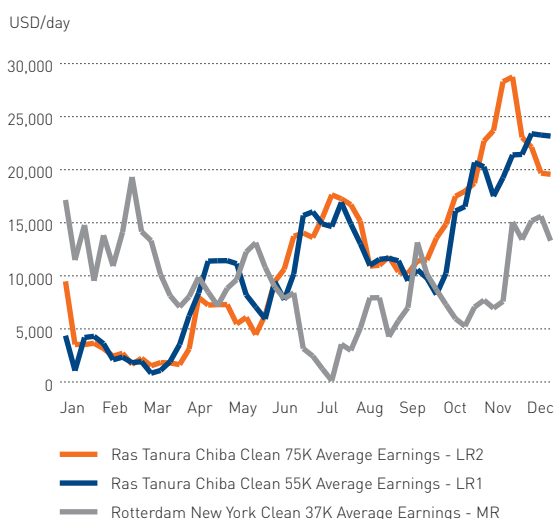
In the third quarter of 2012, freight rates continued at low levels, mainly due to mixed global growth signals and a

supply overhang of tonnage. The eastern market was stronger, and LR2s were supported by the increased long haul fixtures from the Arabian Gulf to Brazil and the naphtha trade in general, together with the distillate arbitrage from the Middle East to the West. The western market remained weak, and MRs were impacted by planned refinery maintenance in Europe and continued limited diesel trade from the US Gulf to Europe. Rates firmed up following a refinery explosion in Venezuela, leading to increased long haul trades from the US Gulf. MRs were positively impacted by new trades created by the permanent closures of refineries in Australia.

The fourth quarter of 2012 showed a positive development in MR freight rates in the West triggered by the hurricane Sandy's landfall on the US East Coast at the end of October, which had a short-term impact, leading to product supply disruptions through refinery shutdowns and reduced productivity. At the same time, refinery outages on the US West Coast positively impacted the ton-miles factor through an increased product flow from the US Gulf and the Far East. The eastern market was positively impacted by continued distillates arbitrage to Europe, increased naphtha demand, arbitrage opportunities driven by an improved economic outlook in the Far East economies and an increasing demand for ethylene in China.

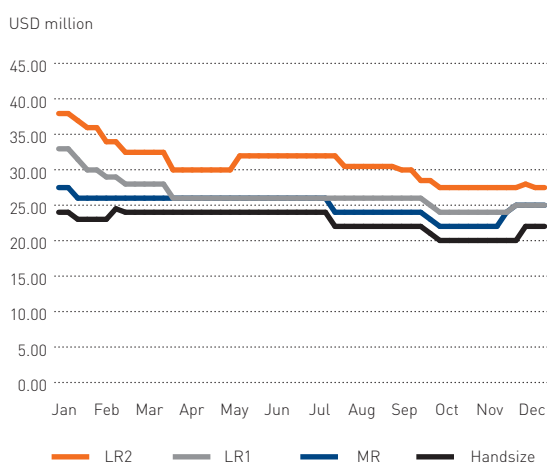
TANKER FREIGHT RATES 2012

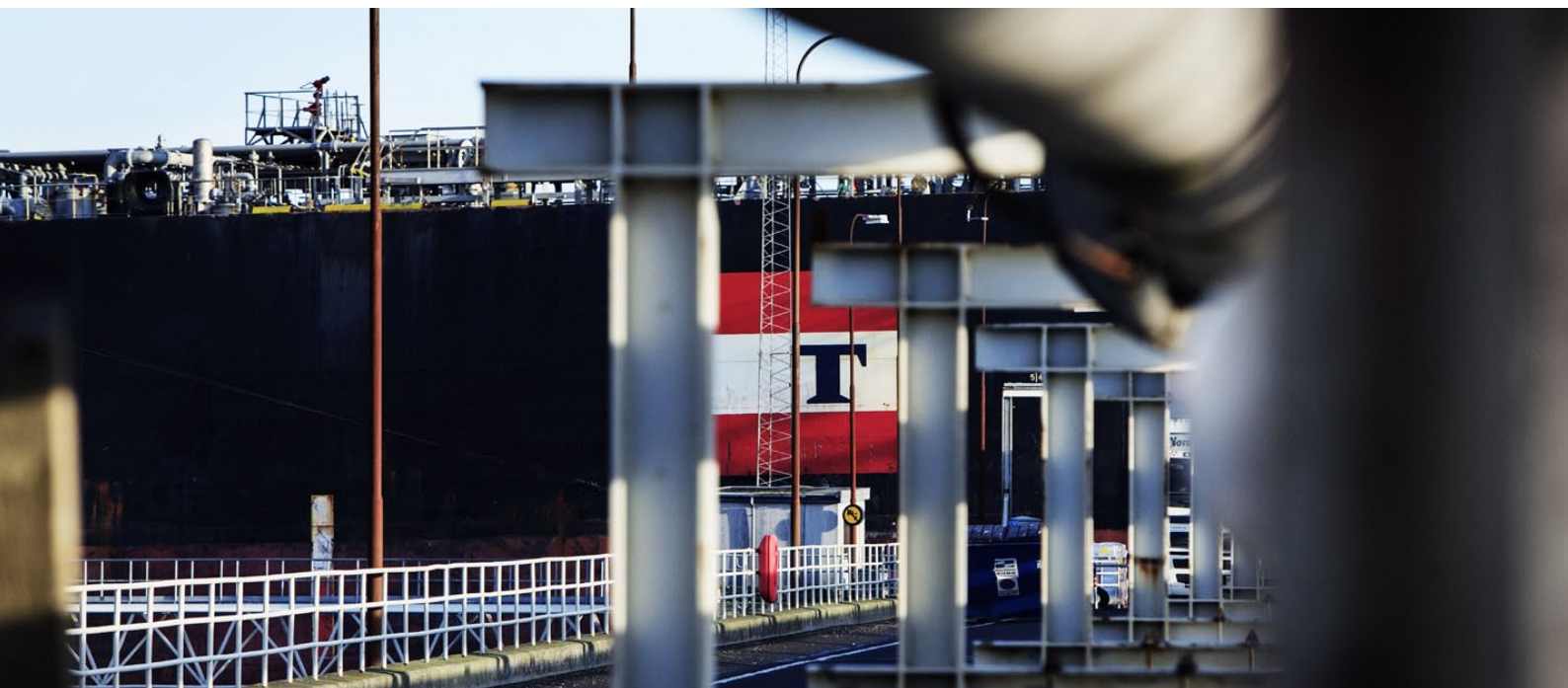
Source: Clarksons



ASSET PRICES ON FIVE-YEAR-OLD SECOND-HAND PRODUCT TANKERS IN 2012

Source: Clarksons





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

Despite TORM's challenging financial position, TORM once again outperformed the commercial spot benchmarks by 9%, 13% and 37% for LR2, LR1 and MR, respectively (source: Clarksons benchmarks on TC1, TC2, TC5). This is due to TORM's strong customer relations and the Company's scale effects. Nevertheless, TORM's result excluding restructuring effects was a loss for the year of USD 156 million before impairment losses of USD 74 million (2011: USD 107 million before impairment losses of USD 187 million).

In October 2012, TORM reorganized the Tanker Division to focus on the geographical location of the customers and covering all vessel segments. By doing so, the Company

mirrors the organization and needs of individual customers better and enhances customer relations.

During the first quarter of 2012, one MR product tanker was sold and one MR product tanker newbuilding was cancelled. In addition, TORM took delivery of two MR product tanker newbuildings. In the second quarter of 2012, TORM sold its share in a joint venture in which the main asset was the 2007-built LR1 vessel TORM Ugland.

At year-end 2012, TORM owned 65 product tankers and had chartered in 11 vessels. Furthermore, TORM operated 20 vessels primarily in the LR2 Pool. There were no newbuildings on order.

TANKER DIVISION

USD million	2011	2012				2012
	Total	Q1	Q2	Q3	Q4	Total
INCOME STATEMENT EXCL. RESTRUCTURING EFFECTS*)						
Revenue	958.7	251.4	232.6	214.0	219.1	917.1
Port expenses, bunkers and commissions	-510.7	-138.7	-137.0	-128.9	-133.5	-538.1
Freight and bunker derivatives	4.9	-0.4	-0.1	0.4	-0.5	-0.6
Time charter equivalent earnings	452.9	112.3	95.5	85.5	85.1	378.4
Charter hire	-199.3	-51.2	-43.7	-39.4	-19.5	-153.8
Operating expenses	-161.8	-39.6	-40.4	-41.6	-43.9	-165.5
Gross profit/(loss) (Net earnings from shipping activities)	91.8	21.5	11.4	4.5	21.7	59.1
Net profit from sale of vessels	-11.6	-15.9	0.0	0.0	-0.1	-16.0
Administrative expenses	-58.0	-14.9	-14.8	-13.0	-16.2	-58.9
Other operating income	2.7	0.5	0.3	0.4	-0.6	0.6
Share of results of jointly controlled entities	9.7	0.1	-5.5	0.3	0.1	-5.0
EBITDA	34.6	-8.7	-8.6	-7.8	4.9	-20.2
Depreciation incl. impairment losses	-328.6	-33.3	-33.5	-34.4	-108.4	-209.6
Operating profit/(loss) (EBIT)	-294.0	-42.0	-42.1	-42.2	-103.5	-229.8

*) Please refer to 'Financial Review' on page 38 for further details.

TANKER DIVISION – SUPPLY AND DEMAND

- Gradual improvement in the supply and demand balance
- Currently manageable order book for product tankers
- Demand driven by increased oil consumption and relocation of refineries (higher ton-miles factor)

SUPPLY

The existing global product tanker fleet at the end of 2011 consisted of a total of 2,492 vessels: 225 LR2 vessels, 330 LR1 vessels, 1,253 MR vessels and 684 Handysize vessels. At the end of 2012, the global product tanker fleet totaled 2,535 vessels, comprising 228 LR2 vessels, 339 LR1 vessels, 1,287 MR vessels and 681 Handysize vessels. This corresponds to an overall fleet growth of 1.8% (2.2% in terms of capacity), ranging from -0.4% for Handysize vessels to 2.7% for LR1 and MR vessels (source: broker estimates).

The development in the supply situation is a function of the existing product tanker order book, newbuilding orders, cancellations, postponed deliveries of orders (slippage) and phasing out of older product tankers.

NEWBUILDING ORDER BOOK

At the end of 2012, the existing order book of product tankers for delivery in 2013-2015 came to 257 vessels: 15 LR2 vessels, 18 LR1 vessels, 198 MR vessels and 26 Handysize vessels. This corresponds to a gross increase in the period of between 4% and 15% depending on the segment, which relatively is one of the lowest order books in the shipping industry.

New contracting in 2012 gained momentum (+125% year-on-year) as a result of newbuilding prices slipping to a nine-year low and new fuel-efficient designs becoming available. During 2012, more than 80% of the orders placed were in the MR segment.

CANCELLATIONS AND POSTPONEMENTS

Since the global financial downturn began in 2008, shipyards and shipping companies have cancelled newbuilding orders and generally renegotiated newbuilding contracts. TORM estimates that the cancellation of newbuilding orders has already reduced the original global product tanker order book for 2013-2015 by 10%.

In both 2011 and 2012, approximately 30% of the scheduled deliveries did not materialize due to cancellations and delivery slippage. Whereas some slippage is also expected in 2013 and beyond, the extent of this is not likely to reach the same level as in recent years.

PHASING OUT OF OLDER AND SINGLE-HULLED VESSELS

International Maritime Organization (IMO) regulations on single-hulled tankers have resulted in the majority of these older vessels having already been phased out. In 2012, approximately three quarters of vessels scrapped were double hulls. Older vessels will continuously be phased out, as it is increasingly difficult to trade older tonnage. It is expected that approximately 6% of the existing vessels in the global fleet will be phased out or scrapped in the period from 2013-2015. The Handysize segment is estimated to phase out roughly 11% of the fleet during 2013-2015.

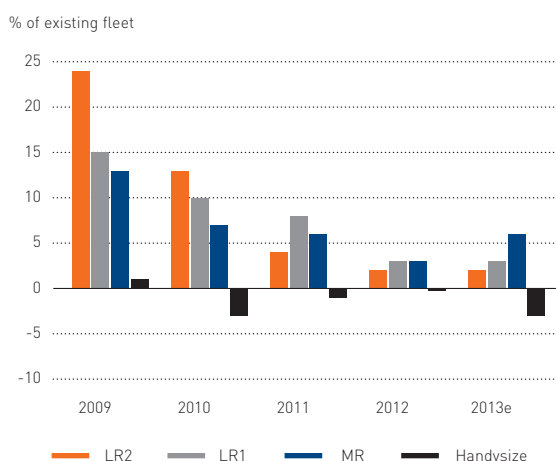
NEWBUILDINGS

TORM anticipates that there will be limited ordering of new product tankers, which can be delivered before the end of 2014. The Company expects that the new ordering activity for 2013 and 2014 will be – in capacity terms – at the same annual level as was the case in 2012.

The product tanker supply is estimated to have a compound annual growth rate of approximately 2% during 2013-2015.

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

Source: SSY



DEMAND

There is a correlation between freight rates (total vessel utilization) and GDP growth and global oil demand. TORM's forecasted demand for transportation of refined oil products is based on various additional factors such as an expansion of the refinery capacity dislocated from the consumption areas, changes to transport patterns and port days.

REFINERY CAPACITY AND TRANSPORTATION (TON-MILES)

The net global refinery capacity is estimated to grow by approximately 3.8 million barrels/day during 2013- 2015 (source: IEA). The majority of the refinery additions are located in Asia, in particular in China and India, and in the Middle East. With refinery capacity additions outpacing growth in local demand, a significant part of this new production is expected to be transported long haul by product tankers, mainly to Europe, South America and the USA, where demand outpaces local refinery capacity or refineries are being closed. This figure only includes the confirmed closure of refineries. Several US- and European-based refineries may also be closed as they are currently held for sale due to unattractive refining margins.

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

- A decline in gasoline imports to the US East Coast, though imports from the Middle East and India will increase
- An increase in imports of middle distillates to Europe from the US Gulf, the Middle East and India
- An increase in imports of all products to South America and specifically Brazil from all continents (but especially from the US Gulf)
- A decline in trade from China to the Arabian Gulf (e.g. gasoline)
- An increase in trade to West Africa from Europe, the Arabian Gulf and South East Asia

INCREASE IN OIL DEMAND

Oil demand is expected to increase by approximately 1.0% or 0.9 million barrels/day to 90.8 million barrels/day in 2013 (source: IEA December 2012). In the following years, 2014 to 2015, cumulated oil demand is expected to grow by 1.4% per year. The non-OECD areas, especially China, the Middle East, Russia and Brazil, are expected to be the areas with the strongest growth in oil demand.

The product tanker ton-miles demand is estimated to have a compound annual growth rate of approximately 3% p.a. during 2013-2015.

SWING FACTORS

A central element in understanding the product tanker market is the swing factors. Swing factors are by definition unpredictable and can create sudden spikes in the product tanker market.

Swing factors are typically major events such as hurricanes, embargoes, wars, political intervention, strikes, blockage of waterways and ports, geographical product shortages and unforeseen disruptions to refinery production. Other known factors include slow steaming and potential substitution of product tanker tonnage between crude and product transport. The use of product tanker vessels for floating storage purposes as seen in 2009 and 2010 is also an example of a swing factor, which requires that the oil price is in contango.

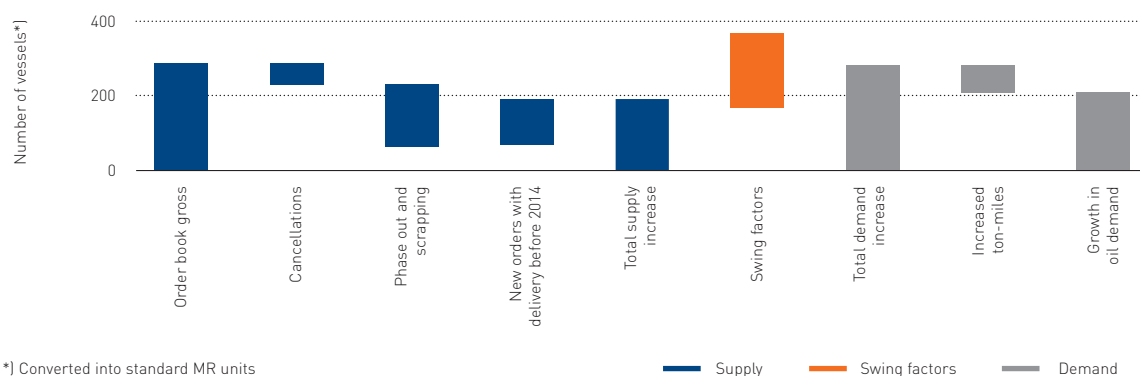
Other significant uncertainties are related to newbuilding order activity and potential changes to China's import and/or export requirements.

MODEL

The supply and demand model below is a marginal model taking the main factors into consideration. The model calculates all tonnage in terms of MR equivalents.

SUPPLY AND DEMAND 2013-2015

Source: TORM



BULK DIVISION

- Lowest average spot market in a decade
- The Bulk Division achieved earnings above spot benchmarks

The global bulk fleet grew by approximately 10% in 2012 despite considerable scrapping. The net supply growth is estimated to have been positively impacted by slow steaming, lay-up and congestion. Growth in trade volumes in 2012 reached approximately 5% with increased Chinese iron ore imports as the primary driver. The dry bulk demand measured in ton-miles is estimated to have increased less, as Brazil has been losing market share in the Asian iron ore market (source: Clarksons and RS Platou).

Bulk asset prices gradually declined during 2012 due to a high number of newbuilding deliveries exceeding demand growth. For example, the estimated price for a five-year-old second-hand Panamax bulk carrier decreased by 30% during 2012 (Clarksons).

The dry bulk spot market was volatile during 2012 driven by seasonality and events like the drought in the US grain season, the Indonesian raw material export ban and the tropical storms Isaac and Sandy.

The freight rates in the Panamax segment moved between USD/day 3,500 and 13,000 with an average market level of USD/day 7,679, or approximately 45% below 2011 levels (Clarksons, Baltic Dry Index). In addition, the bulk freight market was suffering from general economic unrest, especially concerning the Eurozone area, and a high influx of new tonnage. As a consequence, the bulk freight market

reached the lowest level experienced in the Baltic Dry Index in more than a decade.

In the first quarter of 2012, freight rates were under pressure due to a large number of seasonal newbuilding deliveries. Furthermore, the market was negatively influenced by a slower growth in Chinese commodity demand and a delay in the South American grain season.

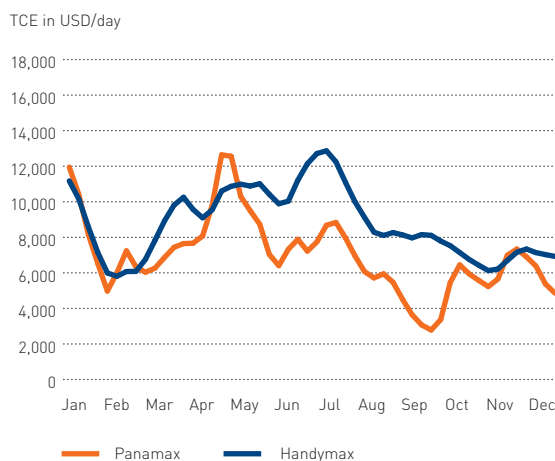
The second quarter of 2012 started with a positive sentiment as a result of South American grain coming into season. However, general macroeconomic uncertainty and events like the Indonesian export ban led to an overall negative movement. Especially the larger segments suffered from high tonnage inflow and a decline in volumes from high iron ore prices and high stock levels in Chinese ports.

In the third quarter of 2012, the bulk market continued to be under pressure. The Pacific market was impacted by the monsoon season and in the Atlantic, freight rates were adversely affected by drought, leading to the lowest North American grain yield in six years, as well as a logistical disruption caused by the tropical storm Isaac.

The fourth quarter of 2012 was negatively affected by the seasonal decline in freight rates for both the Atlantic and the Pacific markets. This occurred despite the fact that the demand for iron ore continued to be firm.

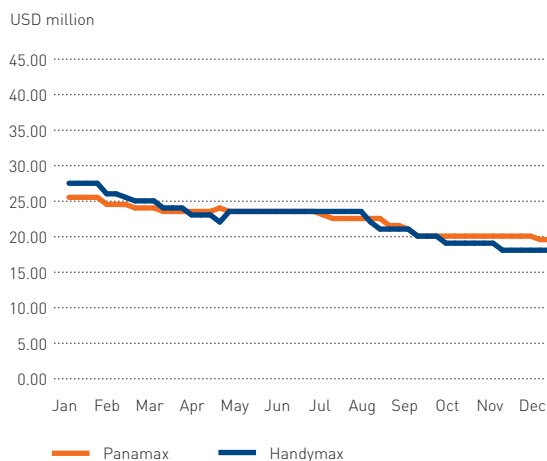
BULK FREIGHT RATES 2012

Source: Clarksons



ASSET PRICES ON FIVE-YEAR-OLD SECOND-HAND DRY BULK CARRIERS IN 2012

Source: Clarksons





Discharge operation in Asia.

TORM experienced an increasing number of waiting days and ballasting days due to adverse effects of the Company's financial situation. The Bulk Division delivered an operating result (EBIT) of USD -27 million excl. restructuring effects (USD -68 million in 2011). This was driven by the fact that the bulk markets had the lowest average spot market level (BDI) in a decade.

TORM achieved average earnings of USD/day 10,248 in the Panamax segment, which was 33% higher than the average market of USD/day 7,679 (Baltic Panamax Index average four benchmark routes). In the Handymax segment, TORM's average daily earnings were USD/day 10,481, which is 11% higher than the average market level of USD/day

9,454 (Baltic Supramax Index average six benchmark routes).

During 2012, TORM focused on strengthening its customer relations and signed the largest number of contract cargoes (COAs) in the history of the Company. The coverage for 2013 is thus entirely based on COAs with key customers.

At year-end 2012, TORM owned two Panamax bulk carriers. On average, TORM operated 23 vessels during 2012. There are no bulk vessels in the Company's order book.

BULK DIVISION

USD million	2011	2012				2012
	Total	Q1	Q2	Q3	Q4	Total
INCOME STATEMENT EXCL. RESTRUCTURING EFFECTS*)						
Revenue	346.5	59.2	39.7	42.0	63.2	204.1
Port expenses, bunkers and commissions	-164.3	-33.5	-24.6	-25.3	-43.9	-127.3
Freight and bunker derivatives	9.2	14.0	-8.0	7.6	-3.1	10.5
Time charter equivalent earnings	191.4	39.7	7.1	24.3	16.2	87.3
Charter hire	-199.0	-33.2	-16.9	-25.0	-25.4	-100.5
Operating expenses	-3.2	-0.7	-1.0	-0.7	-1.0	-3.4
Gross profit/(loss) (Net earnings from shipping activities)	-10.8	5.8	-10.8	-1.4	-10.2	-16.6
Net profit from sale of vessels	-40.9	0.0	0.0	0.0	0.0	0.0
Administrative expenses	-13.2	-1.7	-1.7	-1.9	-3.0	-8.3
Other operating income	0.4	0.0	0.1	0.0	0.2	0.3
Share of results of jointly controlled entities	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	-64.5	4.1	-12.4	-3.3	-13.0	-24.6
Depreciation incl. impairment losses	-3.2	-0.7	-0.6	-0.8	-0.7	-2.8
Operating profit/(loss) (EBIT)	-67.7	3.4	-13.0	-4.1	-13.7	-27.4

*) Please refer to 'Financial Review' on page 38 for further details.

BULK DIVISION – SUPPLY AND DEMAND

- Continued supply increase during 2013, though at a lower level than in recent years, due to scrapping and less newbuilding deliveries
- 2013 demand growth estimated at a slightly lower level than in 2012
- Supply will continue to outpace demand, but at a lower speed

TORM expects the dry bulk market to remain under pressure during 2013 due to the fleet oversupply built up over the past three to four years. However, the fleet boom is gradually slowing down, which may be a first sign of a cyclical low in the bulk market.

SUPPLY

The volume of expected newbuilding deliveries in 2013 is estimated to be in the region of 55-65 million dwt, which is 5-10 million dwt less than the actual deliveries in 2012 (source: RS Platou). The Panamax segment is predicted to incur the largest net year-on-year fleet growth of 7-8%.

As in 2011-12, TORM anticipates that the scheduled newbuilding deliveries for 2013 will be partially offset by cancellations and delivery slippage. This is a result of the availability of financing still being tight and freight rates remaining under pressure.

More importantly, the weak asset prices combined with strong steel prices will continue to increase the incentive for scrapping older vessels. In 2012, a total of 32 million dwt was scrapped corresponding to 5% of the existing fleet. It is projected that a similar number will be scrapped during 2013 (source: RS Platou).

Adjusted for an expected scrapping of 30-35 million dwt, the net fleet growth in 2013 will be around 4-6% calculated on a year-on-year basis

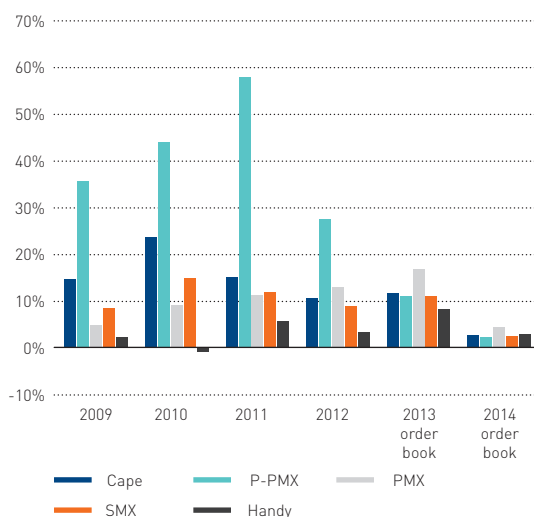
SEABORNE EXPORTS OF MAJOR COMMODITIES

Source: Clarksons



BULK ORDER BOOK AS PERCENT OF EXISTING FLEET

Source: TORM





TORM bulk carrier loading grain in New Orleans, USA.

DEMAND

The major commodities, iron ore and coal, represent about 60% of the total seaborne dry bulk transportation. TORM does not expect major changes in the trading patterns for the major bulk commodities, but expects the dependency on China and other growing Asian economies as the major importers of dry bulk commodities to continue (source: IEA and RS Platou).

The global seaborne iron ore trade is projected to increase by 6% in 2013, compared to 5% in 2012. China is the world's largest steel producer and its iron ore consumption is expected to grow by 5% during 2013 (source: RS Platou). In 2012, China sourced about 50% of its iron ore from the import markets. TORM expects this ratio to increase if iron ore prices should decline again.

The global seaborne coal trade is projected to grow by approximately 7% in 2013. The largest market for coal is Asia, which accounts for about 65% of the global consumption of both steam coal for electricity generation and coking coal for steel production. China alone accounts for roughly half of the global coal consumption and sourced 95% from domestic production in 2012.

Seaborne transportation demand is estimated to increase by approximately 4% year-on-year in 2013.

TORM expects the demand growth of approximately 4% p.a. to be exceeded by a net fleet growth of 4-6% p.a., even after adjusting for cancellations, slippage and scrapping.

PEOPLE

- Integration of TORM's Leadership Philosophy on board the vessels
- New and significantly improved operational Marine HR platform

PERFORMANCE CULTURE IN CHALLENGING TIMES

2012 proved to be a challenging year for TORM and its employees due to the Company's financial situation as well as uncertainty about the future ownership structure. For the onshore organization, this resulted in a higher than normal attrition rate. Despite this, TORM experienced increased performance levels in 2012 both in the shore organization and among seafarers.

Training and communication were key priorities in 2012 to ensure an aligned workforce across the sea and shore organizations. A total of six global seafarer conferences were held in Denmark, India and the Philippines.

SEAFARERS

TORM's seafarers continued to deliver high performance levels across KPIs throughout 2012. This resulted in an increase in the tradability of the Company's fleet, zero observations by customers regarding TORM's compliance with the officer matrix (crew qualifications) and the highest retention rate among senior officers in five years.

In 2012, the Company continued its focus on integrating TORM's Leadership Philosophy. This included the establishment of a Senior Officer Incentive Program aimed at rewarding high performance by creating a structured performance ranking of all vessels and senior officers.

Creating focus on the core vessel success factors allows vessel management to see the connection between their own performance and the overall performance of TORM.

SHORE ORGANIZATION

Ashore, the employees showed remarkable effort and performance throughout the challenging times of the restructuring and, consequently, the Company was able to uphold a strong TORM brand among customers, suppliers and partners.

A focus point for 2012 was to further develop KPIs and feedback structures to enable TORM to deliver on its objectives.

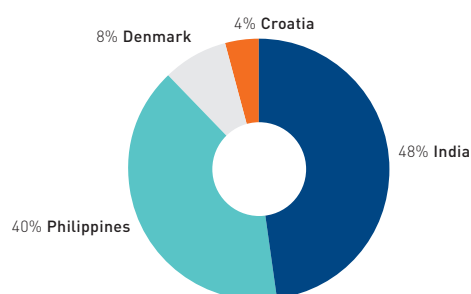
NEW OPERATIONAL MARINE HR PLATFORM

NEW CREWING SYSTEM

In 2012, TORM implemented a new global crewing system platform, enabling the Company to manage all seafarers in the same global system. This allows for standardized global procedures and processes and ensures consistent customer service. TORM's strategic aim is to drive a global, uniform and cost-efficient manning of the Company's fleet with the necessary qualifications and, during 2012, performance improved and the organization continued to deliver on customer requirements.

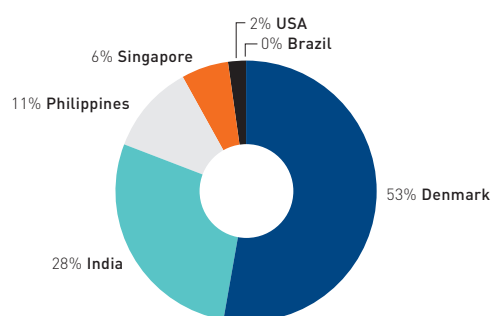
GEOGRAPHICAL DISTRIBUTION OF SEAFARERS IN %

100% = 2,692 seafarers ultimo 2012 incl. contracted crew



GEOGRAPHICAL DISTRIBUTION OF LAND-BASED EMPLOYEES IN %

100% = 298 employees ultimo 2012





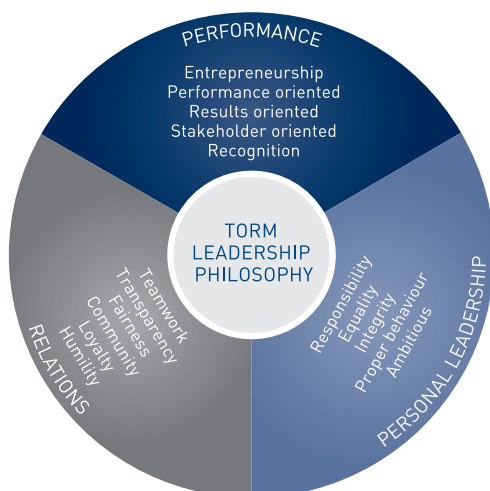
SQE officer reviews safety procedures with crew members on board one of TORM's product tankers.

BLENDING

In 2012, the Company started to blend different nationalities and competencies on board the individual vessels. In 2012, TORM had 15 vessels in total operating with a minimum of three different nationalities on board. This is a significant shift in the manning operation and allows employees at sea to feel part of a large company with global career opportunities on board as well as ashore. It has been positively received by TORM's seafarers and, among other things, resulted in a positive shift in retention among senior officers.

NEW OFFICE SET-UP IN MANILA

In April 2012, TORM moved into its new offices in Manila. Today, TORM is the second largest crew operator in the Philippines based on the number of Filipino senior officers, and the new set-up under its own brand signals the Company's commitment in the Philippines and is part of the new Marine HR platform.



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

CORPORATE SOCIAL RESPONSIBILITY

- Online CSR reporting launched, increasing reach to approximately 5,000 unique readers in 2012
- Reductions in CO₂ emissions and costs with increased focus on fuel efficiency
- Continued positive trend in safety performance

REPORTING AND TRANSPARENCY

Responsible behavior is central to the way TORM does business. TORM's CSR policies cover the following areas:

- Legal compliance
- Risk management
- Sustainable business operations
- Anti-corruption
- Transparency

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.

The Company has reported to the Carbon Disclosure Project since 2007 and will continue this reporting as it promotes TORM's ambition of minimizing emissions and costs.

In March 2012, TORM introduced online CSR reporting via the Company's CSR site, which has catered to approximately 5,000 unique readers in 2012. TORM will continue to strengthen its online presence and will release its full 2012 reporting at the end of March 2013.

BUSINESS PRINCIPLES

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

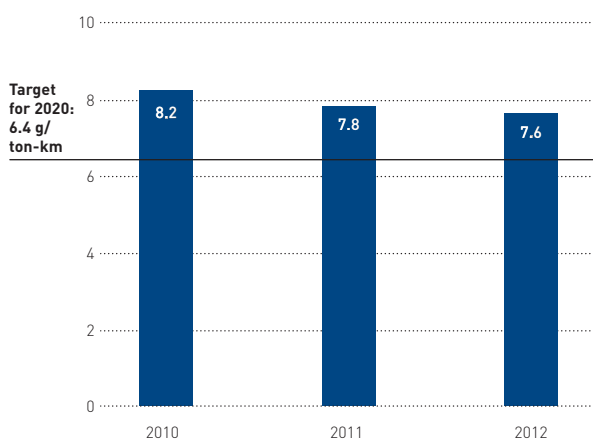
During 2012, TORM introduced a revised set of business principles that serves as a guideline for the Company's responsible business conduct. These principles are rooted in TORM's Leadership Philosophy and the commitment to the UN Global Compact.

INSPECTIONS AND AUDITS

The shipping industry, and the product tanker segment in particular, is subject to a wide range of inspections and

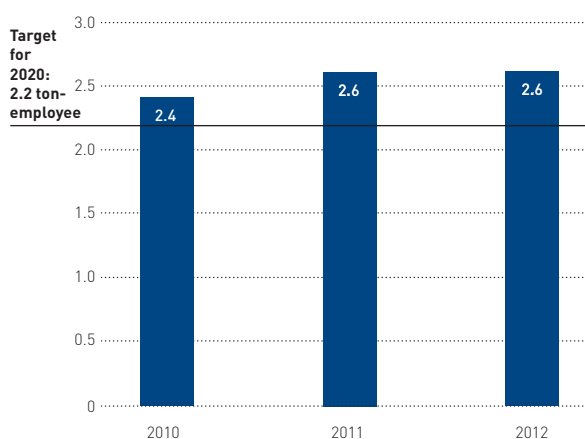
CO₂ EMISSION PER VESSEL PER G/TON-KM

Source: TORM



CO₂ EMISSION PER OFFICE EMPLOYEE IN TON

Source: TORM





TORM maintains armed guards on all vessels passing through High Risk Areas.

audits carried out by terminals, port states, classification societies, internal auditors and oil companies. 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.

ENVIRONMENT AND CLIMATE

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

FUEL EFFICIENCY

TORM takes a proactive approach to fuel efficiency as this has a significant environmental and economic impact. During 2012, the Company focused on enhancing the measurability of engine performance, on increasing energy efficiency management training and addressing the mindset and behavior of the relevant stakeholders. The Company has also implemented a system to optimize hull and propeller cleaning intervals to reduce fuel consumption. In addition, TORM has conducted successful pilot projects on e.g. trim of vessels, engine optimization tools and certain retrofits to the vessels. TORM will continue the efforts in 2013 with several new initiatives.

CLIMATE PERFORMANCE

TORM has reduced the year-on-year CO₂ emissions from 7.8 to 7.6 g/ton-km, primarily driven by speed reductions across the fleet and fuel efficiency initiatives. In 2013, TORM will continue the investments in fuel efficiency

projects covering retrofitting, performance management and changes in mindset and behavior.

The development in CO₂ emissions from offices was flat from 2011 to 2012 at 2.6 g/ton-employee. Since 2008, TORM has improved performance on this measure by approximately 10%.

OIL SPILLS

In 2012, TORM experienced one oil spill equivalent to one barrel of oil. This spill was due to a damaged air vent pipe. Additionally, TORM experienced six smaller oil spills amounting to two barrels in total. All incidents were investigated and procedures were revised accordingly.

HEALTH, SAFETY AND SECURITY

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. The Company's safety policy is rooted in the rules and regulations issued by the Danish Maritime Occupational Health Service.

SAFETY CULTURE

A strong safety culture is central to TORM, and the Company has never experienced work-related fatalities.

Lost Time Accident Frequency (LTAF) is an indicator of serious work-related personal injuries that result in more than one day off work. During 2012, TORM had an LTAF below 1. This is due to continued focus on improving occupational safety on board vessels, e.g. through training and near-miss reporting. The definition of LTAF follows standard practice among shipping companies.

Near-miss reports provide TORM with an opportunity to analyze conditions that might lead to accidents and ultimately prevent accidents. A high number of near-miss reports indicate that the organization is aware of the risks and responding to them. In 2012, TORM exceeded the target of 6.0 near-miss reports per month per vessel on average by reaching 6.2 due to continued focus on this area.

PIRACY

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

RESPONSIBLE BUSINESS

TORM cooperates with peers and stakeholders in a number of areas to increase responsibility in the shipping industry and the supply chain. Especially as a co-founder of the Maritime Anti-Corruption Network (MACN) in 2010, TORM strives to minimize corruption.

In 2012, TORM initiated a pilot project on fighting corruption in Nigeria together with the UN Development Programme (UNDP). West Africa is an increasingly important region in the international shipping industry, and avoiding institutionalization of facilitation payments is

crucial. The Company has also established process targets for monitoring facilitation payments.

EMPLOYEES AND COMMUNITIES

The Company has among others 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.

OUTLOOK 2013

- Implement successful fuel pilot projects in the entire fleet to optimize vessel performance further
- Continue monitoring of facilitation payments
- Complete roll-out of newly introduced business principles
- Continue focus on work-rest hours on board vessels
- Certification of fleet according to the Maritime Labour Convention

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

TORM's CSR Report is due online on 31 March 2013. To see the report and further information on TORM's CSR work, please visit www.torm.com/csr.

TORM reports to the UN Global Compact.

To see the reports, please visit www.unglobalcompact.org.

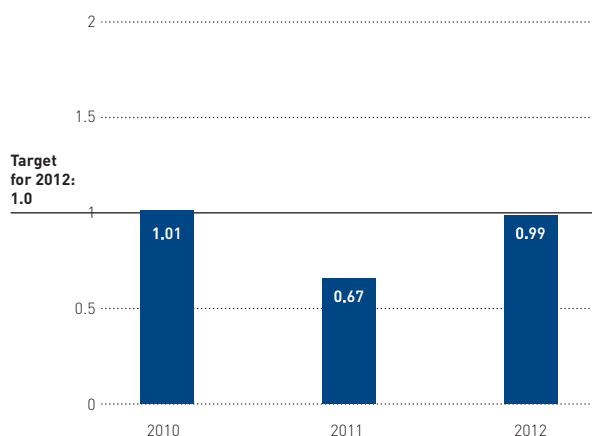
TORM reports to the Carbon Disclosure Project.

To see the reports, please visit www.carbondisclosureproject.net.

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 and liquidity continue to be managed actively
- Market risks remain high, but TORM is positioned for market recovery
- Operational risks remain well-managed

TORM believes that a strong risk management framework is vital to protecting the Company and to ensuring that the Company is well-positioned in key markets. The objective remains a balance of risk and reward that generates 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, a bi-annual update 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 active management of industry and market-related risks.

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

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

Risks and opportunities beyond the immediate strategy window are monitored by Management and incorporated in updates of 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 very sensitive to changes in market-related risks such as changes in the global economic situation and changes in freight rates, particularly in the product tanker market.

It remains a cornerstone of the Company's strategy to actively pursue this type of risk by taking positions to benefit from fluctuations in freight rates and vessel prices. However, the prolonged period of depressed freight rates has highlighted the need for maintaining the resilience to absorb these fluctuations.

RISKS ASSOCIATED WITH TORM'S ACTIVITIES IN 2012

LONG-TERM STRATEGIC RISKS	INDUSTRY AND MARKET-RELATED RISKS	OPERATIONAL AND COMPLIANCE RISKS	FINANCIAL RISKS
<ul style="list-style-type: none"> • Political risks • Substitution of oil 	<ul style="list-style-type: none"> • Macroeconomic development • Freight rate volatility • Bunker price fluctuations • Sales and purchase price fluctuations 	<ul style="list-style-type: none"> • Compliance with relevant maritime regimes • Vessel utilization • Counterparty risk • Safe operation of vessels • Terrorism and piracy • Availability of experienced seafarers and staff • Compliance with environmental regulations • Stability of IT systems • Fraud • Insurance coverage 	<ul style="list-style-type: none"> • Funding and liquidity risk • Interest rate risk • Currency risk

OPERATIONAL AND COMPLIANCE RISKS ("RISK-AVERSE")

TORM aims at maintaining its position as a quality operator with high focus on operating safe and reliable vessels. Consequently, commercial operations are an important part of TORM's business model. This area involves potentially severe risks with respect to environment, health, safety and compliance. TORM constantly focuses on reducing these risks through rigorous procedures and standardized controls carried out by well-trained employees. Quality-enhancing measures were implemented during 2012 and will continue to be implemented in 2013.

FINANCIAL RISKS ("RISK-NEUTRAL")

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

During 2012, significant progress has been made in improving the capital structure, funding and liquidity, but, as described on page 27, these two areas require continued actions to further reduce the risk.

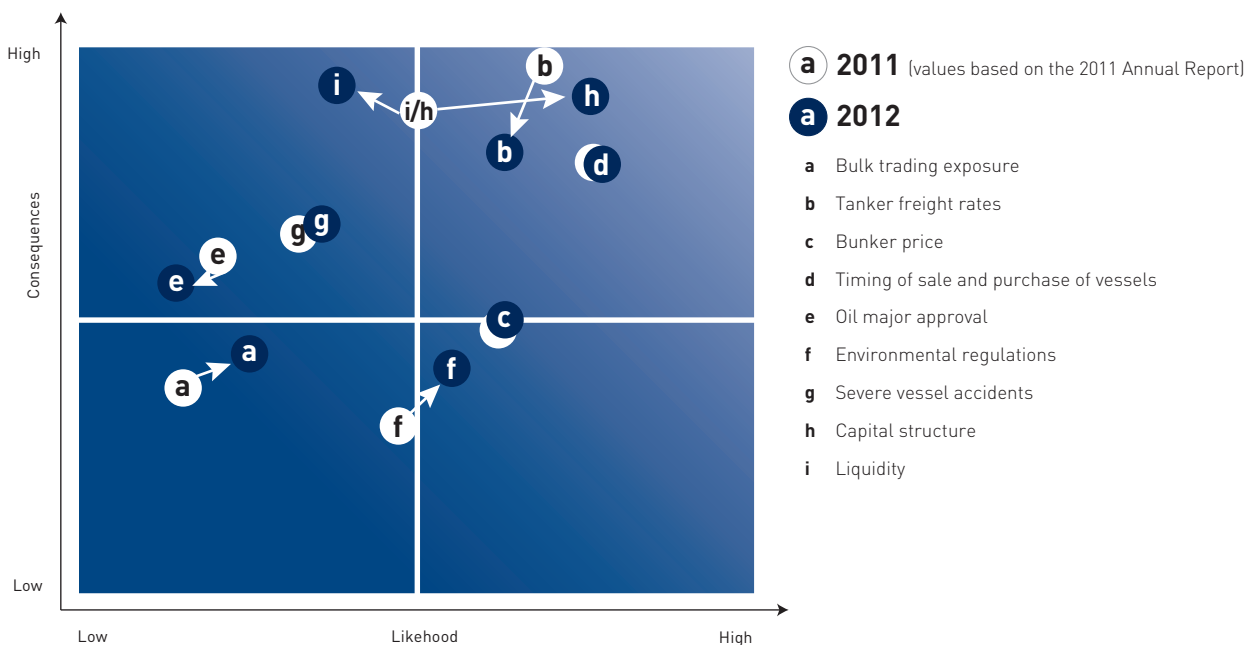
TORM'S CURRENT RISK PROFILE

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

- Market risks are high due to the continued pressure on freight rates and vessel values, but TORM remains well-positioned for an upswing
- While having secured the Restructuring Agreement during 2012, the Company's risks related to the current capital structure and liquidity remain high
- Risks within the Company's immediate sphere of control, including compliance with quality and environmental requirements, have remained stable due to the implemented mitigating controls

TORM's top risks and changes compared to 2012 are described below. For a more in-depth description of the various risks and TORM's risk management as well as sensitivity analyses, please see note 23 on page 78.

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



	#	RISK	DESCRIPTION	SEVERITY (HIGH, MEDIUM, LOW)	COMMENT TO DEVELOPMENT 2011 - 2012 / STATUS 2012
INDUSTRY/MARKET-RELATED RISKS	a	Bulk trading exposure	The risk of a bulk counterparty exposure materializing and of TORM not being able to predict and act on the development in the bulk freight rates.	Low	A high coverage has been maintained, but due to low bulk freight rates, iron ore prices and political unrest the counterparty exposure has increased. The overall bulk trading exposure has increased marginally.
	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 in these.	High	While the T/C-in fleet has been significantly reduced, the continued low spot tanker freight rates result in unattractive hedging opportunities for the remaining tanker fleet. Accordingly, TORM has retained a high exposure towards the 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	Vessel values have deteriorated further, and the operational covenants in the new financing agreements restrict traditional asset management activities resulting in a continued high risk.
OPERATIONAL AND COMPLIANCE RISKS	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 has improved somewhat, but the risk is largely unchanged.
	f	Environmental regulations	The risk of violations of environmental regulations.	Medium	TORM's comprehensive environmental compliance and monitoring infrastructure has been maintained, but potential new environmental regulations increased the risk somewhat.
	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 largely unchanged.
FINANCIAL RISKS	h	Capital structure	The risk that the current capital structure restricts doing otherwise sound business.	High	While the Restructuring Agreement has been completed, the negative margin between the market value of TORM's vessels and the long-term debt has increased, leaving the consequence and the likelihood of the risk occurring high.
	i	Liquidity	The risk that the liquidity is too tight to effectively maintain the operation of the Company.	High	Relative to business requirements, the liquidity is currently low and highly sensitive to changes in business conditions, leaving the consequence and the likelihood of the risk occurring relatively high.

CORPORATE GOVERNANCE

- As of 31 December 2012, TORM complied with 77 out of 79 Danish Corporate Governance Recommendations
- A comprehensive system for internal control and risk management is in place as a result of the Sarbanes-Oxley compliance program

TORM's Board of Directors and Executive Management are committed to maintaining high standards of corporate governance. To TORM, good corporate governance represents the framework and guideline for business management. This includes the overall principles and structures which regulate the interaction between the Company's management levels. The aim is to ensure that the Company is managed in a proper and orderly manner, consistent with applicable legislation and codes.

CORPORATE GOVERNANCE RECOMMENDATIONS

In line with the 'comply or explain' principle, the Board of Directors has considered the current Corporate Governance Recommendations which form part of the disclosure obligations for companies listed on NASDAQ OMX Copenhagen. With the amendment of the Articles of Association, approved at the Annual General Meeting in April 2012, the Company was in full compliance with the recommendations. However, by September 2012, the tenure of two Board members had exceeded 12 years, meaning that at least half of the members elected by the general meeting were no longer considered independent persons. This has bearing on two of the recommendations and consequently TORM was in compliance with 77 out of 79 Danish Corporate Governance Recommendations as of 31 December 2012. TORM regained compliance on these two recommendations after the election of a new Board of Directors on 9 January 2013.

TORM complies with the most recent recommendation regarding diversity at management levels. Along with other major Danish shipowners, TORM has signed the Charter on More Women on Boards. In 2012, the Company continued to focus its diversity efforts on encouraging and developing female talent. In terms of gender diversity, as of December 2012 females represented 34% of the land-based employees globally (defined as non-managerial individual performers), 29% of middle management and 9% of top management (vice presidents and above). With the implementation of TORM's Leadership Philosophy and the current focus on diversity-enhancing measures, TORM expects that, all things being equal, diversity will grow within the Company in the coming years.

This corporate governance section and an overview of TORM's position on the individual recommendations are available on TORM's website, and they constitute TORM's

mandatory Corporate Governance Report in accordance with Section 107b of the Danish Financial Statements Act.

As of 31 of December 2012, TORM complied with the US Sarbanes-Oxley Act as it applies to foreign private issuers.

BOARD OF DIRECTORS

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

The primary responsibilities of the Board of Directors are to safeguard the interests of the shareholders and 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 2012, the Board of Directors consisted of five members, of whom three were elected at the Annual General Meeting. The remaining two members are elected by the employees. Board members elected by the employees have the same rights, duties and responsibilities as Board members elected at the Annual General Meeting.

The Board of Directors has laid down management guidelines and a Code of Ethics and Conduct in order to ensure that the Company is managed and its business activities are carried out in accordance with principles of integrity and ethics.

TORM's Board of Directors and Executive Management continually work to improve the management of the Company. The Board of Directors meets at least five times a year in accordance with the Rules of Procedure. In 2012, 61 Board meetings were held due to the extraordinary circumstances during the restructuring.

The Board of Directors on a regular basis evaluates the work, the results and the composition of the Board of Directors and Executive Management.

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

THE AUDIT COMMITTEE

The Audit Committee meets at least four times a year, and both the Executive Management and the independent auditors attend these meetings. In 2012, seven meetings were held. As of 31 December 2012, the Audit Committee had two members, elected by the Board of Directors from its members.

The members of the Audit Committee possess the relevant qualifications to perform the Committee's tasks.

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

The Audit Committee presents a report on the Committee's activities to the Board of Directors no later than at the first Board meeting following an Audit Committee meeting.

REMUNERATION COMMITTEE AND REMUNERATION POLICIES

The Remuneration Committee meets at least twice a year, and three meetings were held in 2012. As of 31 December 2012, the Remuneration Committee had two members, elected by the Board of Directors from its members. The Remuneration Committee assists the Board of Directors in reviewing Management's performance and remuneration as well as the Company's general remuneration policies.

In order to attract, retain and motivate qualified managers, remuneration is based on the nature and the quality of work, the value creation to the Company and remuneration levels in comparable businesses. The amounts and components of the remuneration to the individual mem-

bers of the Board of Directors and Executive Management are disclosed in note 4 to the financial statements.

EXECUTIVE MANAGEMENT

The Executive Management is responsible for the day-to-day operation of TORM and for the ongoing optimization and follow-up. As of 31 December 2012, the Executive Management consisted of two members: CEO Jacob Meldgaard and CFO Roland M. Andersen.

INTERNAL CONTROL AND RISK MANAGEMENT

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

Management is also responsible for periodical reporting to the Audit Committee and the Board of Directors on key risks such as business-critical geopolitical, environmental, macroeconomic, financial and operational risks. The Board of Directors reviews the key risks and discusses the development in relation to these risks with the Executive Management as appropriate, however at least once a year.

As a consequence of its listing on NASDAQ in the USA, TORM is obliged to comply with a number of standards, rules and regulations aimed at good corporate governance under the Sarbanes-Oxley Act as applicable to foreign private issuers. The most important parts of the requirements are listed in Section 404, which requires Management and the independent auditors to report on the adequacy of the Company's internal control of financial reporting.

TORM's Sarbanes-Oxley compliance program and system for internal control and risk management in connection with the financial reporting are executed and monitored in the Internal Control and Administration System (INCA). INCA is consistent with the recognized framework established by the Committee of Sponsoring Organizations (COSO) and provides a clear audit trail of changes in risk assessments, a design of controls as well as of the results

MEETINGS ATTENDED/HELD

Members	Board of Directors	Audit Committee	Remuneration Committee
Niels Erik Nielsen 2)	61/61		3/3
Christian Frigast 1) 2)	55/61	7/7	3/3
Peter Abildgaard 3)	27/61		
Kari Millum Gardarnar	47/61		
Rasmus J. Hoffmann	49/61		
Jesper Jarlbæk 1)	58/61	6/7	
Gabriel Panayotides 2) 3)	20/61		0/3
Angelos Papoulas 1) 3)	21/61	1/7	
Stefanos-Niko Zouvelos 2) 3)	25/61		0/3

1) Member of the Audit Committee 2) Member of the Remuneration Committee

3) Member until April 2012

of tests of internal controls. TORM's process for financial reporting and the INCA system consist of the following elements, performed throughout the financial year:

- **Overall scoping:** Based on earlier years' experience, budgets and actual figures for the financial year and the knowledge of significant changes affecting TORM, it is assessed whether changes should be made to the scoping.
- **Risk assessment:** TORM performs a risk assessment with the purpose of identifying the Company's financial reporting risks, i.e. risks of misstatement that could (individually or in combination with others) result in a material misstatement of the financial statements. For this assessment, TORM uses a top-down risk-based approach. The process starts with the identification and assessment of the risks related to financial reporting, including possible changes to those risks compared to last year. In the process of identifying and assessing risks, knowledge and understanding of the business, the organization, operations and process are taken into consideration as well as the size, complexity and organizational structure and financial reporting environment. Further, as part of the assessment of risk, the entity-wide controls and the general IT controls are considered. The potential likelihood of the risk occurring as well as the financial impact or consequences are also taken into consideration.
- **Mapping:** The material risks identified in the risk assessment are mapped to the financial statements and to the existing internal controls to ensure that gaps between material risks and internal controls have not materialized.
- **Monitoring:** Based on information from TORM's subsidiaries and the Parent Company's financial data, an internal financial report to Management is prepared every month. The financial reporting and supporting documentation are verified on an ongoing basis. At the end of each quarter, external financial statements are prepared, and additional controls and analyses are performed compared to the monthly financial report. At the end of the year, additional controls and analyses are performed compared to the quarterly financial reports, primarily to ensure a correct and complete presentation in the annual report of the Company.
- **Testing:** TORM ensures at least annually, by testing, that there are no material weaknesses in the internal controls which could potentially lead to a material misstatement of the financial reporting.

- **Conclusion:** At the end of each financial year, TORM concludes whether any material weaknesses have been found in the internal controls covering the financial reporting. In the FORM 20-F for 2011, filed with the US Securities and Exchange Commission (SEC) on 30 April 2012, Management as well as the auditors concluded that there were no material weaknesses or areas of concern as of 31 December 2011. Management's conclusion and the auditors' evaluation of the internal controls and the testing performed by Management regarding 2012 are expected to be filed with the SEC in April 2013.

In view of TORM's Sarbanes-Oxley 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 yet found it relevant to establish an internal audit function. The Board of Directors also acknowledges the already intensified internal controlling across all offices and geographies. The Board of Directors continues to evaluate the need for an internal audit function annually.

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 procedures and processes, and hence earnings, both in the short and the long term.

WHISTLEBLOWER FACILITY

As part of the internal control system, the Board of Directors has, since 2006, had a whistleblower facility, handling the filing of complaints to an independent lawyer's office concerning violations of laws, regulations and good business conduct by TORM representatives. In 2012, there were nil enquiries to the whistleblower facility.

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

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

For further information on TORM's position on the individual corporate governance recommendations, please visit TORM's website www.torm.com/investor-relations/corporategovernance/report2012.

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

- A/S Mærsk Aviation Holding
- Star Air A/S
- Ejendomselskabet Lindø

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

Special competencies:

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

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
- Meilleurtaux

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 Bachelor's degree in Civil Engineering from the University of Salford and has been trained at the Royal Military Academy at Sandhurst and the Royal School of Military Engineering. Mr. Green is a member of TORM's Remuneration Committee.

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:

- 19 years of sailing experience on various vessel types

JON SYVERTSEN / Born: 22-08-1961 / TORM shares: 0



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 Remuneration Committee and has management duties in the following companies:

- Gram Car Carriers Ltd
- KM Holdings AS
- Arne Blystad AS
- Offshore Heavy Transport AS

Special competencies:

- General management from boards
- Shipping

EXECUTIVE MANAGEMENT

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 USA.

ROLAND M. ANDERSEN / Born: 22-03-68 / TORM shares: 10,449



Chief Financial Officer since May 2008. From 2005 to 2008, Roland M. Andersen was CFO of the Danish mobile and broadband operator Sonofon/Cybercity. From 2000 to 2005, he was CFO of the private equity-owned Cybercity. Prior to this, Roland M. Andersen held positions with A.P. Moller-Maersk, most recently as CFO of A.P. Moller-Maersk Singapore. Complementing his professional experience, Roland M. Andersen holds an M.Sc. and has attended the Executive Program at London Business School.

INVESTOR INFORMATION

- Capital decrease and subsequent capital increase as a result of the Restructuring Agreement
- Five new shareholders exceeding 5% ownership
- ADR-ratio changed to comply with the US-listing rules

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 2012, TORM issued 43 announcements to the stock exchange, which are accessible in both Danish and English versions on www.torm.com/investor-relations. Interested stakeholders can sign up for TORM's investor relations mailing list here.

TORM maintains regular capital market contact through analyst and industry presentations, investor meetings and teleconferences. Road shows are primarily held in Copenhagen and in the major European and US financial centers.

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.

CHANGES TO THE SHARE CAPITAL

At TORM's Annual General Meeting held on 23 April 2012, the Board of Directors was authorized to reduce the share capital of TORM by a nominal value of DKK 363,272,000 from DKK 364,000,000 nominal value to DKK 728,000 nominal value by transfer of the reduction amount to a special reserve fund and by changing the nominal value per share from DKK 5.00 to DKK 0.01. The main reason was that new shares cannot be issued at a price below the

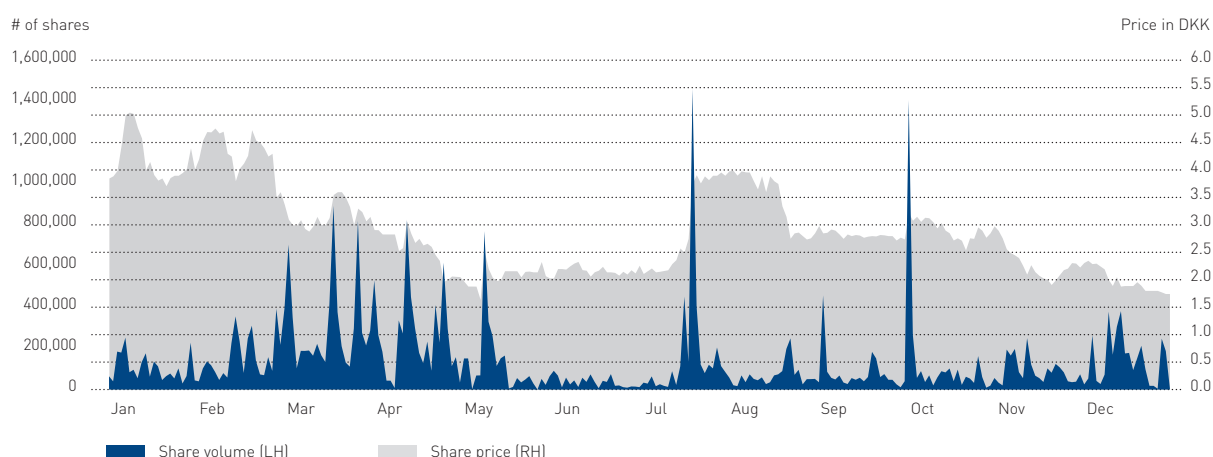
nominal value, and TORM was thereby unable to issue new shares prior to the capital reduction as the share price was below DKK 5.

At TORM's Annual General Meeting held on 23 April 2012, the Board of Directors was also authorized to increase TORM's share capital by up to a total nominal amount of DKK 2,400,000,000 by cash payment, conversion of debt or contribution of assets other than cash without pre-emptive subscription rights for the existing shareholders at a rate discounted to the market price, as per article 2.14 of the Articles of Association. This article was later repealed at the Extraordinary General Meeting held on 9 January 2013.

In connection with the completion of the restructuring, the Board of Directors decided to exercise the authorizations to first reduce the share capital as described above and subsequently to increase the share capital of TORM by a nominal amount of DKK 6,552,000 by issuance of 655,200,000 shares of a nominal value of DKK 0.01 each. The capital increase comprised a private placement of new shares by conversion of debt of DKK 1,174,100,581 in total

STOCK EXCHANGE	NASDAQ OMX Copenhagen A/S	NASDAQ New York
Ratio (ODR:ADR)	–	10:1
ISIN Code	DK0060082915	US8910721005
Ticker symbol	TORM	TRMD

TORM SHARE PRICE PERFORMANCE AND TURNOVER, COPENHAGEN



(approximately USD 200 million) pursuant to the terms of the Restructuring Agreement and supplementary agreements to TORM's banks and time charter partners or their assignees. The capital increase was fully subscribed for the aggregate of 655,200,000 new shares of a nominal value of DKK 0.01 each, at a subscription price of DKK 1.79 per share of DKK nominal value 0.01 each (approximately USD 0.31 per share). The new shares issued corresponded to 90% of TORM's registered share capital and votes, following the registration of the capital increase with the Danish Business Authority. TORM's issued share capital hereafter amounts to DKK 7,280,000 nominal value, equal to 728,000,000 shares of DKK 0.01 nominal value each.

TRADING

Following the capital increase, TORM published a listing prospectus to admit the new shares for trading on NASDAQ OMX Copenhagen, which took effect on 10 December 2012.

The average daily trading volumes in 2012 were approximately 113,000 on NASDAQ OMX and 31,000 American Depositary Receipts (ADRs). The share price deteriorated from DKK 3.9 per share at the beginning of 2012 to DKK 1.7 per share at the end of 2012.

TORM ensured continued compliance with the NASDAQ rules by changing the ratio of its ADRs to its common shares from 1:1 to 1:10.

SHAREHOLDERS

As of 31 December 2012, TORM had approximately 14,300 registered shareholders representing 88% 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% of the shares as of 5 November 2012:

- HSH Nordbank AG: 13.6%
- Danske Bank: 11.5%
- Nordea Bank Danmark A/S: 11.3%
- Deutsche Bank AG: 6.2%
- DBS Bank Ltd.: 5.5%
- Alpha Trust and its trustee First Link Management: 5.2%*)

At the end of 2012, the members of the Board of Directors held a total of 5,156 shares, equivalent to a total market capitalization of DKK 0.0 million (USD 0.0 million). The members of the Executive Management held a total of 110,449 shares, equivalent to a market capitalization of DKK 0.2 million (USD 0.0 million). 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, the terms of the credit facilities include a covenant that there will be no issuance of new shares or dividend distribution without consent from the lenders.

The Board of Directors recommends that no dividend be paid for 2012.

*) Based on Alpha Trust's notice to the Company dated 23 September 2011 and their proxy to the Chairman of the Board of Directors of TORM A/S in relation to the Annual General Meeting on 23 April 2012, adjusted for dilution following the restructuring.

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

For access to the Listing Prospectus, please visit www.torm.com.

INVESTOR RELATIONS CONTACT

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 Corporate Support

FINANCIAL CALENDAR 2013

28 February 2013	Deadline for shareholder submissions to the Annual General Meeting
13 March 2013	Annual Report 2012
11 April 2013	Annual General Meeting
08 May 2013	First quarter 2013 results
15 August 2013	First half 2013 results
05 November 2013	Nine months 2013 results

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Handelsbanken Capital Markets

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FINANCIAL REVIEW 2012

RESTRUCTURING

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

The accounting effects from the restructuring are presented in detail in the table on page 39.

For the purpose of the analysis of the segment results in the tables on page 40 and 41, the effects of the restructuring have been excluded to enable a like-for-like comparison between 2011 and 2012.

For further details on the restructuring, please refer to the introduction on pages 4 and 5, the liquidity and cash section of this financial review and note 2 as well as company announcement no. 40 of 7 December 2012 including the attached listing prospectus.

KEY FACTS ON THE RESTRUCTURING

TORM completed its restructuring on 5 November 2012. The key elements of the restructuring are outlined below.

NEW LIQUIDITY	DEFERRAL OF BANK DEBT	RESTRUCTURING OF THE CHARTER BOOK	NEW SHAREHOLDER STRUCTURE
<p>A new working capital facility of USD 100 million was established with the following key terms:</p> <ul style="list-style-type: none"> • Maturity on 30 September 2014 without fixed amortization • A cash sweep mechanism applies if TORM's cash position exceeds USD 50 million • Cash interest with a margin of 650 basis points (bp) and LIBOR floor of 150 bp • First lien on the majority of TORM's vessels 	<p>The existing bank facilities prior to the restructuring with a total outstanding debt of USD 1,800 million were rolled over together with accrued swap liabilities of USD 46 million under a new financing agreement. The key terms of the facilities were aligned through the new agreement:</p> <ul style="list-style-type: none"> • Maturities aligned to 31 December 2016 • No fixed installments until 30 June 2014 and with potential extension to 30 September 2014, in which period a cash sweep mechanism applies • Annualized minimum installments of USD 100 million until 31 December 2016 • Retrenching of each loan facility to a senior tranche, a junior tranche and a subordinated tranche based on loan-to-value • Average interest margin of approximately 240 bp across loan facilities (the margin for each tranche differs) • Uniform financial covenants (minimum liquidity, loan-to-value, net leverage ratio and interest coverage) • Certain specific option rights for three bank facilities that may trigger a sales process for up to 22 vessels and repayment of the related debt <ul style="list-style-type: none"> o One bank facility has exercised the option on five vessels 	<ul style="list-style-type: none"> • Charter-in commitments were reduced with an estimated positive mark-to-market impact of approximately USD 270 million measured as the nominal difference between the originally contracted rates and the reference market rate as of March 2012 • TORM will redeliver 22 vessels ahead of the original contract schedule • Cancellation of five agreements concerning vessels not yet delivered to TORM • Charter rates aligned to market level for the remaining contracts 	<ul style="list-style-type: none"> • In consideration for the new liquidity, amended bank facilities and reduction of charter-in commitments, TORM's banks and time charter partners received a total restructuring fee and agreed debt amount of approximately USD 200 million which was converted into 655.2 million new shares • Subscription price of DKK 1.79 per share corresponding to a total restructuring fee and agreed debt amount of USD 200 million • New shareholder structure at completion: <ul style="list-style-type: none"> o Existing shareholders: 10% o Certain banks: 73% o Time charter partners: 17%

ACCOUNTING IMPACT OF THE RESTRUCTURING AGREEMENT AND CERTAIN RELATED TRANSACTIONS

USD million	Fee to banks 1)	Fee to charter-ins (operating lease) 2)	Fee to charter-ins (finance leases) 3)	New finance lease 4)	Capital decrease 5)	Conversion of debt 6)	Transfer to non-current liabilities 7)	Drawdown and payment of interest and fees 8)	Fee to advisors 9)	Net accounting impact
Charter hire	-	-135	-	-	-	-	-	-	-	-135
Net profit/(loss) from sale of vessels	-	-	-10	-	-	-	-	-	-	-10
Financial expenses	-	-	-	-	-	-	-	-	-65	-65
Net profit/(loss)	0	-135	-10	0	0	0	0	0	-65	-210
Vessels and capitalized dry-docking	-	-	-67	15	-	-	-	-	-	-52
Cash and cash equivalents	-	-	-	-	-	-	-	5	-74	-69
TOTAL ASSETS	0	0	-67	15	0	0	0	5	-74	-121
Common shares	-	-	-	-	-61	1	-	-	-	-60
Special reserve	-	-	-	-	61	-	-	-	-	61
Retained profit	-	-135	-10	-	-	199	-	-	-68	-14
Total equity	0	-135	-10	0	0	200	0	0	-68	-13
Mortgage debt and bank loans	-	-	-	-	-	-	1,830	58	-6	1,882
Finance lease liabilities	-	-	-28	15	-	-	-	-	-	-13
Total non-current liabilities	0	0	-28	15	0	0	1,830	58	-6	1,869
Mortgage debt and bank loans	-10	-	-	-	-	-	-1,784	-	-	-1,794
Finance lease liabilities	-	-	-50	-	-	-	-	-	-	-50
Other liabilities	10	135	21	-	-	-200	-46	-53	-	-133
Total current liabilities	0	135	-29	0	0	-200	-1,830	-53	0	-1,977
TOTAL EQUITY AND LIABILITIES	0	0	-67	15	0	0	0	5	-74	-121

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

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

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

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

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

6) The total restructuring fee and agreed debt of USD 200 million was converted into new shares upon completion of the restructuring. TORM issued 665.2 million new shares of a nominal value of DKK 0.01 each, at a subscription price of DKK 1.79 per new share, corresponding to an increase of the nominal share capital of USD 1 million and an increase in retained profit of USD 199 million.

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

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

9) Fees to advisors of the Company and the Company's creditors related to the work on the Restructuring Agreement.

CONSOLIDATED SEGMENT INFORMATION 2012 - ADJUSTED FOR THE RESTRUCTURING EFFECTS

This table displays the segment results for 2012 excluding restructuring effects to enable a like-for-like comparison with 2011. In addition, it outlines the total effect on EBIT as well as the split on segments. The full accounting effects from the restructuring are presented in detail in the table on page 39.

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

FINANCIAL PERFORMANCE OVERVIEW

TORM achieved a clearly unsatisfactory net loss of USD 581 million in 2012 compared to a net loss of USD 453 million in 2011, resulting in earnings per share (EPS) of USD -3.3 in 2012. The performance in 2012 was weaker due to lower freight rates and accounting effects of the execution of the restructuring, vessel sales and impairment charges. As outlined in the table on page 39, the effects related to the restructuring amounted to USD 210 million. TORM furthermore recorded impairment losses of USD 74 million relating to five vessels treated as assets held for sale and USD 42 million relating to the Company's 50% investment in FR8. Please refer to note 9 for a review of the impairment testing performed by Management.

The loss before tax for the year was USD 579 million, which is in line with the latest guidance of a loss before tax of approximately USD 579 million.

Total revenue in 2012 was USD 1,121 million compared to USD 1,305 million in 2011. TCE earnings in 2012 amounted to USD 466 million compared to USD 644 million in 2011. The decrease in TCE earnings was due to a decrease in the number of available earning days of 16%, corresponding to a reduction in earnings of USD 102 million, and lower freight rates in both the Tanker Division and the Bulk Division, corresponding to a reduction in earnings of USD 68 million.

The operating loss increased by USD 60 million to a loss of USD 449 million in 2012 from a loss of USD 389 million in 2011. The increased loss compared to 2011 was primarily due to the accounting effects of the restructuring of USD 145 million, which was partly offset by a reduction in loss from sale of vessels of USD 36 million and net decrease of USD 84 million in impairment losses on jointly controlled entities and tangible and intangible assets. For 2011, the impairment losses amounted to USD 200 million.

TORM's total assets decreased by USD 424 million in 2012 to USD 2,355 million from USD 2,779 million in 2011, of which the carrying amount of vessels including vessels held for sale, capitalized dry-docking and prepayments on vessels amounted to USD 2,082 million, compared to USD 2,349 million in 2011. The decrease was primarily due to impairment losses of USD 116 million and depreciation of USD 138 million.

Current assets excluding cash increased by USD 73 million. The increase in current assets is primarily due to an increase in assets held for sale of USD 113 million compared to 2011, partly offset by a decrease in freight receivables. The decrease in freight receivables was primarily driven by a significant decrease in revenue.

Total equity decreased by USD 377 million in 2012 to USD 267 million from USD 644 million in 2011. The decrease in equity was mainly due to the loss for the year of USD 581 million, hereof USD 210 million relating to the restructuring. The

SEGMENT GROSS PROFIT/(LOSS)

USD million	Tanker Division	Bulk Division	Total 2011	Tanker Division	Bulk Division	Total 2012
Revenue	958.7	346.5	1,305.2	917.1	204.1	1,121.2
Port expenses, bunkers and commissions	-510.7	-164.3	-675.0	-538.1	-127.3	-665.4
Freight and bunker derivatives	4.9	9.2	14.1	-0.6	10.5	9.9
Time charter equivalent earnings	452.9	191.4	644.3	378.4	87.3	465.7
Charter hire*)	-199.3	-199.0	-398.3	-153.8	-100.5	-254.3
Operating expenses	-161.8	-3.2	-165.0	-165.5	-3.4	-168.9
Gross profit/(loss) (Net earnings from shipping activities)	91.8	-10.8	81.0	59.1	-16.6	42.5

*) 2012 figures exclude the impact from the restructuring as explained on page 38 and 39 to enable a like-for-like comparison between 2011 and 2012.

CHANGE IN TIME CHARTER EQUIVALENT EARNINGS

USD million	Handy-size	MR	LR1	LR2	Un-allocated	Tanker Division Total	Handy-max	Pana-max	Un-allocated	Bulk Division Total	Total
Time charter equivalent earnings 2011	44.4	242.3	102.2	61.5	2.5	452.9	53.5	129.6	8.3	191.4	644.3
Change in number of earning days	0.6	-7.8	-18.9	-11.6	-	-37.7	-23.4	-41.0	-	-64.4	-102.1
Change in freight rates	3.6	-28.6	1.9	-10.3	-	-33.4	-6.3	-28.2	-	-34.5	-67.9
Other	-	-	-	-	-3.4	-3.4	-	-	-5.2	-5.2	-8.6
Time charter equivalent earnings 2012	48.6	205.9	85.2	39.6	-0.9	378.4	23.8	60.4	3.1	87.3	465.7

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.

impact of the loss for the year was partly offset by an increase in capital of USD 200 million by conversion of debt.

TORM's total liabilities decreased by USD 47 million in 2012 to USD 2,088 million from USD 2,135 million in 2011, primarily due to redelivery of one finance lease contract in connection with the restructuring of USD 46 million and a decrease in trade payables and other payables of USD 69 million, which is partly offset by drawdowns of USD 58 million on the new working capital facility.

SEGMENT RESULTS

TORM's revenue derives from two segments: The Tanker Division and the Bulk Division. The table Segment gross profit/loss on page 41 presents the results of shipping activities by operating segment for the years 2011 and 2012 excluding the restructuring effects. The gross profit for 2012 in the Tanker Division decreased by USD 33 million and in the Bulk Division by USD 6 million compared to 2011.

The change in time charter equivalent earnings in the Tanker Division and the Bulk Division is summarized as illustrated in the table on page 41.

Furthermore the table on page 42 summarizes earnings data per quarter.

Tanker Division

Revenue in the Tanker Division decreased by 4% to USD 917 million from USD 959 million in 2011, and time charter equivalent earnings decreased by USD 75 million or 16% to USD 378 million in 2012 from USD 453 million in 2011. The decrease in TCE earnings was primarily due to a decrease in both the number of available earning days of 9% and the weighted average TCE earnings per available earning day of 8% compared to 2011.

In the LR2 fleet, one finance lease was redelivered in 2012 as part of the restructuring. Combined with the sale of two vessels late in 2011, the number of available earning days in the LR2 fleet decreased by 19% compared to 2011, resulting in a reduction in earnings of USD 12 million. The average freight rates dropped by 21% from 2011 to 2012, resulting in a reduction in earnings of USD 10 million.

In the LR1 fleet, one vessel was sold in 2012 (50% ownership), and the time charter fleet was significantly reduced as part of the restructuring, leaving the number of available earning days in the LR1 fleet 18% lower compared to 2011. The average freight rates increased by 2% in 2012. In total, earnings were reduced by USD 17 million.

In the MR fleet, two newbuildings were delivered to the fleet of owned vessels and one vessel was sold. The time charter fleet was reduced as part of the restructuring, resulting in a decrease in the number of available earning days of 573 days or 3%. In combination with a decrease in freight rates of 12%, this resulted in reduced earnings of USD 36 million.

In the Handysize fleet, the average freight rates were 8% higher than in 2011, resulting in an increase in earnings of USD 4 million.

Bulk Division

In the Bulk Division, revenue decreased by 41% to USD 204 million from USD 347 million in 2011, and time charter equivalent earnings decreased by 54% or USD 104 million to USD 87 million from USD 191 million in 2011. Earnings were negatively affected by an overall decrease of 35% in the number of available earning days combined with a reduction in the weighted average TCE earnings per available earning day of 28% compared to 2011.

EARNINGS DATA

		2012					%
USD million	2011 Full year	Q1	Q2	Q3	Q4	Full year	Change full year
TANKER DIVISION							
LR2/Aframax vessels							
Available earning days	4,560	899	854	989	961	3,703	-19%
Owned	4,234	808	711	806	781	3,106	
T/C	326	91	143	184	180	598	
Spot rates 1)	11,821	10,814	10,206	13,581	14,383	12,573	6%
TCE per earning day 2)	13,505	7,865	14,157	11,082	10,025	10,735	-21%
LR1/Panamax vessels							
Available earning days	8,537	2,076	1,879	1,716	1,296	6,967	-18%
Owned	2,537	636	606	644	644	2,530	
T/C	6,000	1,440	1,273	1,072	652	4,437	
Spot rates 1)	11,855	12,515	11,237	13,512	11,856	11,953	1%
TCE per earning day 2)	12,017	12,977	11,747	12,723	11,424	12,294	2%
MR vessels							
Available earning days	17,625	4,681	4,362	4,176	3,833	17,052	-3%
Owned	13,627	3,549	3,436	3,491	3,486	13,962	
T/C	3,998	1,132	926	685	347	3,090	
Spot rates 1)	13,448	14,363	11,510	10,612	14,165	12,178	-9%
TCE per earning day 2)	13,718	14,082	11,418	9,843	12,655	12,042	-12%
Handysize vessels							
Available earning days	3,935	989	981	1,007	1,009	3,986	1%
Owned	3,935	989	981	1,007	1,009	3,986	
T/C	-	-	-	-	-	-	
Spot rates 1)	10,074	12,823	10,939	11,263	13,211	11,801	17%
TCE per earning day 2)	11,288	13,122	12,189	10,873	12,617	12,196	8%
BULK DIVISION							
Panamax vessels							
Available earning days	8,998	1,848	1,447	1,205	1,726	6,226	-31%
Owned	730	182	174	184	184	724	
T/C	8,268	1,666	1,272	1,021	1,543	5,502	
TCE per earning day 2)	14,783	11,727	11,084	10,857	7,541	10,248	-31%
Handymax vessels							
Available earning days	4,212	642	260	757	762	2,421	-43%
Owned	-	-	-	-	-	-	
T/C	4,212	642	260	757	762	2,421	
TCE per earning day 2)	13,065	12,683	4,954	9,916	11,076	10,481	-20%

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.

In the Panamax fleet, the number of available earning days decreased by 2,772 days compared to 2011 or 31% due to a reduction in the time charter fleet, causing a decrease in earnings of USD 41 million. Freight rates were on average 31% lower than in 2011 and reduced earnings by USD 28 million compared to 2011.

In the Handymax fleet, the number of available earning days decreased by 1,791 days to 2,421 days compared to 2011 or 43% due to a decrease in the time charter fleet. The decrease in available earning days decreased earnings by USD 23 million, whereas a decrease in average freight rates of 20% resulted in a decrease in earnings of USD 6 million.

OPERATION OF VESSELS

As compared to 2011, the charter hire cost in the Tanker Division decreased by USD 46 million (23%) to USD 154 million in 2012, whereas the charter hire cost in the Bulk Division decreased by USD 99 million (49%) to USD 101 million. The decreases were primarily caused by a reduction of chartering days due to a large number of redeliveries in connection with the restructuring and reduced activity in the Bulk Division.

The development in operating expenses can be summarized as illustrated in the table on page 43. The table also summarizes the operating data for the Company's fleet of owned and bareboat chartered vessels.

CHANGE IN OPERATING EXPENSES

USD million	Tanker Division				Bulk Division		Total
	Handysize	MR	LR1	LR2	Panamax	Unallocated	
Operating expenses 2011	24	91	16	31	3	0	165
Change in operating days	-	2	-	-4	-	-	-2
Change in operating expenses per day	-	6	-	-	-	-	6
Operating expenses 2012	24	99	16	27	3	0	169

OPERATING DATA

USD/day	Tanker Division				Bulk Division			2012	
	Handysize	MR	LR1	LR2	Tanker	Handymax	Panamax	Bulk	Total
Operating expenses per operating day in 2011	6,013	6,479	6,403	6,586	6,417	-	4,440	4,440	6,363
Operating expenses per operating day in 2012	6,004	6,921	6,293	6,554	6,649	-	4,637	4,637	6,591
Change in the operating expenses per operating day in %	0%	7%	-2%	0%	4%	N/A	4%	4%	4%
Operating days in 2012*)	4,026	14,290	2,562	4,015	24,893	-	732	732	25,625
- Off-hire	40	152	2	86	280	-	8	8	288
- Dry-docking	-	175	30	92	297	-	-	-	297
+/- Bareboat charters out/in	-	-	-	-732	-732	-	-	-	-732
+ Vessels chartered in	-	3,090	4,437	598	8,125	2,421	5,502	7,923	16,048
Available earning days	3,986	17,053	6,967	3,703	31,709	2,421	6,226	8,647	40,356

*) Including bareboat charters.

Operating expenses for the owned vessels increased by USD 4 million to USD 169 million in 2012. During 2012, the cost savings and efficiency programs continued, keeping the cost development under control.

The total fleet of owned vessels had 585 off-hire days, corresponding to 2.3% of the number of operating days in 2012 compared to 373 off-hire days in 2011, corresponding to 1.4% of operating days.

ADMINISTRATIVE EXPENSES AND OTHER OPERATING INCOME

Total administrative expenses amounted to USD 67 million, which was a decrease of USD 4 million or 6% compared to the USD 71 million in 2011 and mainly due to a reduction in the number of employees.

Other operating income primarily comprises chartering commissions and service fees. Other operating income amounted to USD 1 million in 2012, against USD 3 million in 2011.

FINANCIAL INCOME AND EXPENSES

Net financial expenses in 2012 were USD 131 million against USD 63 million in 2011, corresponding to an increase of USD 68 million, whereof USD 65 million relates to fees to advisors of the Company and the Company's creditors related to the work on the Restructuring Agreement.

TAX

Tax for the year amounted to an expense of USD 2 million, which was the same level as in 2011.

VESSELS AND DRY-DOCKING

The decrease in tangible fixed assets of USD 382 million to USD 1,956 million in 2012 is attributable to the disposal of vessels, impairment losses for the year, reclassification to assets held for sale and depreciation for the year.

One LR2 tanker was redelivered and one MR tanker representing a total carrying amount of USD 74 million was sold. In addition, two MR newbuildings were delivered amounting to USD 103 million.

Transfer to assets held for sale amounted to USD 134 million in 2012 against USD 62 million in 2011. Depreciation regarding tangible fixed assets amounted to USD 138 million in 2012, against USD 145 million in 2011, and an impairment loss of USD 74 million relating to the five MR vessels classified as held for sale was recorded in 2012, whereas the impairment loss relating to the tanker fleet in 2011 was USD 98 million.

INVESTMENTS IN ENTITIES, INCLUDING JOINTLY CONTROLLED ENTITIES (FR8)

The carrying amount of the investment in and loans to jointly controlled entities was USD 1 million at 31 December 2012, compared to USD 58 million at 31 December 2011. The carrying amount was primarily reduced by an impairment loss of USD 42 million relating to TORM's 50% investment in FR8 compared to an impairment loss of USD 13 million in 2011, also relating to FR8. The 50% ownership of one vessel was sold, reducing the carrying value in investments in jointly controlled entities and loans by USD 15 million. The share of results of jointly controlled entities in 2012 was a loss of USD 9 million, of which a loss of USD 4 million derived from FR8,

against a loss of USD 4 million in 2011, of which a loss of USD 12 million derived from FR8.

ASSESSMENT OF IMPAIRMENT OF ASSETS

During 2012, TORM continued to observe indications of potential impairment of the Company's assets in the form of a downward trend in freight rates and vessel prices. As a consequence, Management followed its usual practice of performing an impairment review every quarter and presenting the outcome to the Audit Committee. The Audit Committee evaluates the impairment review and prepares a recommendation to the Board of Directors. The recoverable amount of the assets is reviewed by assessing the net selling price and the value in use for the significant assets within the two cash generating units: The Tanker Division and the Bulk Division.

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

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

The underlying assumptions and sensitivities for the discounted cash flow calculations are presented in note 9.

The lenders under one of the Company's bank facilities have exercised their option to initiate a sales process of the five MR vessels financed by that facility. At 31 December 2012, Management expects that these five vessels will be sold within 12 months, and the vessels have been reclassified from non-current assets to assets held for sale. An impairment loss of USD 74 million equal to the difference between the expected sales price and the book value was recognized as a result hereof. In addition, impairment losses from the 50% investment in FR8 accounted for USD 42 million in 2012 compared to USD 13 million in 2011.

The Tanker Division and the Bulk Division were not impaired further in 2012, whereas impairment losses of USD 187 million in 2011 related to the Tanker Division.

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

LIQUIDITY AND CASH FLOW

In 2012, the invested capital decreased by USD 297 million to USD 2,128 million at 31 December 2012, from USD 2,425 million at 31 December 2011. The decrease can primarily be explained by the disposal of vessels, impairment loss for the year, reclassification to assets held for sale and depreciation for the year.

Total cash and cash equivalents amounted to USD 28 million at the end of 2012 against USD 86 million at the end of 2011, resulting in a net decrease in cash and cash equivalents for the year of USD 58 million, compared to a net decrease of USD

34 million in 2011. The undrawn credit facility at 31 December 2012 amounted to USD 42 million (2011: USD 52 million).

The Company's operations generated a cash outflow of USD 100 million in 2012, of which fees to advisors of the Company and the Company's creditors related to the work on the Restructuring Agreement amounted to USD 65 million. In 2011, the cash outflow from operations was USD 75 million. In addition, the Company invested USD 59 million in tangible fixed assets during 2012, primarily comprising the deliveries under the newbuilding program, against USD 118 million in 2011. In 2012, the Company generated USD 50 million in cash flow from the sale of non-current assets, primarily vessels, compared to USD 284 million in 2011.

The total cash inflow from financing activities amounted to USD 42 million, compared to a cash outflow of USD 128 million in 2011. Additional borrowings generated an inflow of USD 82 million, hereof USD 58 million relating to the new working capital facility. Repayment on mortgage debt and bank loans amounted to USD 35 million. TORM did not pay any dividends to its shareholders during 2012.

PRIMARY FACTORS AFFECTING RESULTS OF OPERATIONS

TORM generates revenue by charging customers for the transportation of refined oil products, crude oil and, to a lesser extent, dry bulk cargoes, using the Company's tankers and dry bulk vessels. The Company's focus is on maintaining a young, high quality fleet and optimizing the mix between long-term chartered-in and owned vessels to the extent allowed in TORM's financing agreement. In the Bulk Division, this is supplemented by short-term time charter contracts lasting from a single trip to several months. The Company actively manages the deployment of the fleet between spot market voyage charters, which generally last from several days to several weeks, and time charters to the extent allowed in TORM's financing agreement. Some of the Company's product tankers are employed in a pool, where revenue is derived from both spot market voyage charters and time charters.

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

- Time charter equivalent (TCE) earnings per available earning day. TCE earnings per available earning day are defined as revenue less voyage expenses divided by the number of available earning days. Voyage expenses primarily consist of port and bunker expenses that are unique to a particular voyage, which would otherwise be paid by a charterer under a time charter, as well as commissions, freight and bunker derivatives. TORM believes that presenting revenue net of voyage expenses neutralizes the variability created by unique costs associated with particular voyages or the deployment of vessels on the spot market and facilitates comparisons between periods on a consistent basis. Under time charter contracts, the charterer pays the voyage expenses, while under voyage charter contracts the shipowner pays these expenses. A charterer has the choice of entering into a time charter (which may be a one-trip time charter) or a voyage charter. TORM is neutral as to the charterer's choice because the Company will primarily base its financial decisions on expected TCE rates rather than on expected revenue. The analysis of revenue is therefore primarily based on developments in TCE earnings.

- **Spot charter rates.** A spot market voyage charter is generally a contract to carry a specific cargo from a load port to a discharge port for an agreed freight per ton of cargo or a specified total amount. Under spot market voyage charters, TORM pays voyage expenses such as port, canal and bunker costs. Spot charter rates are volatile and fluctuate on a seasonal and year-to-year basis. Fluctuations derive from imbalances in the availability of cargoes for shipment and the number of vessels available at any given time to transport these cargoes. Vessels operating in the spot market generate revenue that is less predictable, but may enable the Company to capture increased profit margins during periods of improvements in tanker rates.
- **Time charter rates.** A time charter is generally a contract to charter a vessel for a fixed period of time at a set daily or monthly rate. Under time charters, the charterer pays voyage expenses such as port, canal and bunker costs. Vessels operating on time charters provide more predictable cash flows, but can yield lower profit margins than vessels operating in the spot market during periods characterized by favorable market conditions.
- **Available earning days.** Available earning days are the total number of days in a period when a vessel is ready and available to perform a voyage, meaning the vessel is not off-hire or in dry-dock. For the owned vessels, this is calculated by taking operating days and subtracting off-hire days and days in dry-dock. For the chartered-in vessels, no such calculation is required because charter hire is only paid on earning days and not for off-hire days or days in dry-dock.
- **Operating days.** Operating days are the total number of available days in a period with respect to the owned vessels, before deducting unavailable days due to off-hire days and days in dry-dock. Operating days is a measurement that is only applicable to the owned vessels, not to the chartered-in vessels.
- **Operating expenses per operating day.** Operating expenses per operating day are defined as crew wages and related costs, the costs of spares and consumable stores, expenses relating to repairs and maintenance (excluding capitalized dry-docking), the cost of insurance and other expenses on a per operating day basis. Operating expenses are only paid for owned vessels. The Company does not pay such costs for the chartered-in vessels, as they are paid by the vessel owner and instead factored into the charter hire cost for such chartered-in vessels.

CONSOLIDATED INCOME STATEMENT

1 JANUARY – 31 DECEMBER

USD '000	Note	2012	2011
Revenue		1,121,215	1,305,208
Port expenses, bunkers and commissions		-665,395	-675,004
Freight and bunker derivatives		9,914	14,105
Time charter equivalent earnings		465,734	644,309
Charter hire		-389,603	-398,326
Operating expenses	4	-168,903	-164,949
Gross profit (Net earnings from shipping activities)	3	-92,772	81,034
Net profit/(loss) from sale of vessels	26	-26,048	-52,538
Administrative expenses	4, 5	-67,224	-71,222
Other operating income		951	3,170
Share of results of jointly controlled entities	28	-9,408	-4,217
EBITDA		-194,501	-43,773
Impairment losses on jointly controlled entities	9	-41,542	-13,000
Impairment losses on tangible and intangible assets	7, 8, 9, 26	-74,232	-187,000
Amortizations and depreciation	7, 8	-138,229	-144,826
Operating profit/(loss) (EBIT)		-448,504	-388,599
Financial income	10	11,846	9,930
Financial expenses	10	-142,427	-72,716
Profit/(loss) before tax		-579,085	-451,385
Tax	13	-1,558	-1,621
Net profit/(loss) for the year		-580,643	-453,006

EARNINGS/(LOSS) PER SHARE

		2012	2011
Earnings/(loss) per share (USD)	29	-3.3	-6.5
Earnings/(loss) per share (DKK)*]		-18.9	-34.9
Diluted earnings/(loss) per share (USD)	29	-3.3	-6.5
Diluted earnings/(loss) per share (DKK)*]		-18.9	-34.9

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 JANUARY – 31 DECEMBER

USD '000	2012	2011
Net profit/(loss) for the year	-580,643	-453,006
Other comprehensive income:		
Exchange rate adjustment arising on translation of entities using a measurement currency different from USD	343	-399
Fair value adjustment on hedging instruments	-11,112	-29,668
Value adjustment on hedging instruments transferred to income statement	18,186	1,700
Fair value adjustment on other investments available for sale	170	8,651
Other comprehensive income after tax	7,587	-19,716
Total comprehensive income for the year	-573,056	-472,722

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

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER

USD '000	Note	2012	2011
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Goodwill		0	0
Other intangible assets		1,720	1,903
Total intangible assets	7, 9	1,720	1,903
Tangible fixed assets			
Land and buildings		812	1,976
Vessels and capitalized dry-docking	18	1,948,348	2,258,550
Prepayments on vessels		0	69,250
Other plant and operating equipment		6,504	8,176
Total tangible fixed assets	8, 9	1,955,664	2,337,952
Financial assets			
Investments in jointly controlled entities	9, 28	1,040	50,259
Loans to jointly controlled entities		0	8,198
Other investments	6	12,333	11,614
Total financial assets		13,373	70,071
Total non-current assets		1,970,757	2,409,926
CURRENT ASSETS			
Bunkers		72,544	84,552
Freight receivables	11	117,331	140,177
Other receivables	12	16,831	26,037
Prepayments		15,566	11,731
Cash and cash equivalents		28,328	85,548
Total current assets excluding assets held for sale		250,600	348,045
Non-current assets held for sale	26	133,980	21,236
Total current assets		384,580	369,281
TOTAL ASSETS		2,355,337	2,779,207

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

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER

USD '000	Note	2012	2011
EQUITY AND LIABILITIES			
EQUITY			
Common shares	14	1,247	61,098
Special reserve		60,974	0
Treasury shares	14	-19,104	-17,309
Revaluation reserves		6,350	6,180
Retained profit		236,607	620,032
Hedging reserves		-22,739	-29,813
Currency translation reserves		4,004	3,661
Total equity		267,339	643,849
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred tax liability	13	53,220	53,711
Mortgage debt and bank loans	2, 17, 18, 20	1,881,014	0
Finance lease liabilities	21	14,371	29,361
Deferred income	15	5,224	6,407
Total non-current liabilities		1,953,829	89,479
CURRENT LIABILITIES			
Mortgage debt and bank loans	2, 17, 18, 20	812	1,794,644
Finance lease liabilities	21	0	48,296
Trade payables		83,766	115,552
Current tax liabilities		325	1,216
Other liabilities	16	48,083	84,904
Acquired liabilities related to options on vessels	24	0	84
Deferred income	15	1,183	1,183
Total current liabilities		134,169	2,045,879
Total liabilities		2,087,998	2,135,358
TOTAL EQUITY AND LIABILITIES		2,355,337	2,779,207

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	Retained profit	Proposed dividends	Revalua- tion reserves	Hedging reserves	Transla- tion reserves	Total
EQUITY									
Equity at 1 January 2011	61,098	0	-17,883	1,072,330	0	-2,471	-1,845	4,060	1,115,289
Comprehensive income for the year:									
Net profit/(loss) for the year	-	-	-	-453,006	-	-	-	-	-453,006
Other comprehensive income for the year	-	-	-	-	-	8,651	-27,968	-399	-19,716
Total comprehensive income for the year	0	0	0	-453,006	0	8,651	-27,968	-399	-472,722
Share capital decrease	-	-	-	-	-	-	-	-	0
Conversion of debt	-	-	-	-	-	-	-	-	0
Acquisition of treasury shares, cost	-	-	-	-	-	-	-	-	0
Transaction costs share issue	-	-	-	-	-	-	-	-	0
Disposal treasury shares, cost	-	-	574	-	-	-	-	-	574
Loss from disposal of treasury shares	-	-	-	-574	-	-	-	-	-574
Share-based compensation	-	-	-	1,282	-	-	-	-	1,282
Total changes in equity 2011	0	0	574	-452,298	0	8,651	-27,968	-399	-471,440
Equity at 31 December 2011	61,098	0	-17,309	620,032	0	6,180	-29,813	3,661	643,849
Comprehensive income for the year:									
Net profit/(loss) for the year	-	-	-	-580,643	-	-	-	-	-580,643
Other comprehensive income for the year	-	-	-	-	-	170	7,074	343	7,587
Total comprehensive income for the year	0	0	0	-580,643	0	170	7,074	343	-573,056
Share capital decrease	-60,974	60,974	-	-	-	-	-	-	0
Conversion of debt	1,123	-	-	198,877	-	-	-	-	200,000
Acquisition of treasury shares, cost	-	-	-1,795	-	-	-	-	-	-1,795
Transaction costs share issue	-	-	-	-2,944	-	-	-	-	-2,944
Disposal treasury shares, cost	-	-	-	-	-	-	-	-	0
Loss from disposal of treasury shares	-	-	-	-	-	-	-	-	0
Share-based compensation	-	-	-	1,285	-	-	-	-	1,285
Total changes in equity 2012	-59,851	60,974	-1,795	-383,425	0	170	7,074	343	-376,510
Equity at 31 December 2012	1,247	60,974	-19,104	236,607	0	6,350	-22,739	4,004	267,339

*) Special reserve in accordance with the Danish Companies Act.

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

CONSOLIDATED CASH FLOW STATEMENT

1 JANUARY - 31 DECEMBER

USD '000	Note	2012	2011
CASH FLOW FROM OPERATING ACTIVITIES			
Operating profit/(loss)		-448,504	-388,599
Adjustments:			
Reversal of net loss from sale of vessels		26,048	52,538
Reversal of amortization and depreciation		138,229	144,826
Reversal of impairment of jointly controlled entities		41,542	13,000
Reversal of impairment of tangible and intangible assets		74,232	187,000
Reversal of share of result from jointly controlled entities		9,408	4,217
Reversal of restructuring charter-in fee		168,870	0
Reversal of other non-cash movements	27	2,777	-6,796
Dividends received		428	1
Dividends received from jointly controlled entities		0	1,360
Interest received and exchange gains		676	4,983
Interest paid and exchange losses		-51,598	-66,951
Advisor fees related to financing and restructuring plan		-64,972	0
Income taxes paid/repaid		-2,935	-2,671
Change in bunkers, receivables and payables	27	6,285	-17,687
Net cash flow from operating activities		-99,514	-74,779
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in tangible fixed assets		-59,446	-118,455
Loans to jointly controlled entities		8,198	2,100
Sale of equity interests and securities		1,948	0
Sale of non-current assets		49,626	284,475
Net cash flow from investing activities		326	168,120
CASH FLOW FROM FINANCING ACTIVITIES			
Borrowing, mortgage debt		82,451	87,043
Borrowing, finance lease liabilities		0	46,765
Repayment/redemption, mortgage debt		-34,597	-254,104
Repayment/redemption, finance lease liabilities		-2,219	-7,468
Transaction costs share issue		-1,872	0
Purchase/disposals of treasury shares		-1,795	0
Cash flow from financing activities		41,968	-127,764
Net cash flow from operating, investing and financing activities		-57,220	-34,423
Cash and cash equivalents at 1 January		85,548	119,971
Cash and cash equivalents at 31 December		28,328	85,548
Of which restricted cash and cash equivalents		0	0
Non-restricted cash and cash equivalents at 31 December		28,328	85,548

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

NOTE 1**ACCOUNTING POLICIES, CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

The annual report also complies with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

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

Based on an assessment of new or amended and revised accounting standards and interpretations ('IFRSs') issued by IASB and IFRSs endorsed by the European Union effective on 1 January 2012, it has been assessed that the application of the new IFRSs has not had a material impact on the consolidated financial statements in 2012 and TORM does not anticipate any significant impact on future periods from the adoption of these new IFRSs.

ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

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

- IASB has issued IFRS 9 'Financial Instruments', which is applicable for reporting periods starting on or after 1 January 2015. The new 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. The impact on the consolidated financial statements has not yet been determined on a sufficiently reliable basis.

KEY ACCOUNTING POLICIES

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

Participation in pools

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

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

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

In 2012, TORM acted as pool manager of one pool in which the Company is participating with a significant number of vessels. As pool manager TORM receives a chartering commission income to cover the expenses associated with this role. The chartering commission income is calculated as a fixed percentage of the freight income from each charter agreement. If the pool does not earn any freight income, TORM will not receive any commission income. The commission income is recognized in the income statement under 'Other operating income' simultaneously with the recognition of the underlying freight income in the pool.

Cross-over voyages

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

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

Demurrage revenue

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

Vessels

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

NOTE 1 – CONTINUED

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

Dry-docking

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

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

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

Deferred tax

All significant Danish entities within the Group entered into the Danish tonnage tax scheme for a binding 10-year period with effect from 1 January 2001. 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 its subsidiaries, i.e. the entities in which the Parent Company, directly or indirectly, holds the majority of the voting rights or otherwise exercises control. Entities in which the Group exercises significant, but not controlling influence are regarded as associated companies and are recognized using the equity method.

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

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

Business combinations

Newly acquired or formed entities are recognized in the consolidated financial statements from the date of acquisition or formation. The date of acquisition is the date on which control is effectively obtained. Entities sold or wound up are recognized in the consolidated financial statements until the date of the sale or the winding up. The date of sale or winding up is the date when control is effectively obtained by a third party. The comparative figures are not restated for entities acquired, disposed of or wound up.

Business combinations are accounted for by applying the purchase method, whereby the acquired entities' identifiable assets, liabilities and contingent liabilities are measured at fair value at the acquisition date. The tax effect of the revaluation activities is also taken into account. The cost of a business combination is measured as the fair value of the consideration agreed upon. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the amount of that adjustment is included in the cost of the combination if the event is probable and the adjustment can be measured reliably. Costs of issuing debt or equity instruments in connection with a business combination are accounted for together with the debt or equity issuance. All other costs associated with the acquisition are expensed in the income statement.

The excess of the cost of the business combination over the fair value of the acquired assets, liabilities and contingent liabilities is recognized as goodwill under intangible assets and is tested for impairment at least once every year. Upon acquisition, goodwill is allocated to the relevant cash generating units, which subsequently form the basis for impairment testing.

If the fair value of the acquired assets, liabilities and contingent liabilities exceeds the cost of the business combination, the identification of assets and liabilities and the processes of measuring the fair value of the assets and liabilities and the cost of the business combination are reassessed. If the fair value of the business combination continues to exceed the cost, the resulting gain is recognized in the income statement.

NOTE 1 – CONTINUED**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 Company's 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 into to hedge future committed or anticipated transactions. TORM applies hedge accounting under the specific rules on cash flow hedges when allowed and appropriate. As part of the restructuring, TORM will not be able to enter into new derivatives.

In addition, TORM takes limited positions in forward freight agreements as a supplement to the Company's physical positions in vessels, which are not entered into for hedging purposes.

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 derivative 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. Changes in fair value of forward freight agreements, which are not entered into for hedge purposes, are also recognized under 'Freight and bunker derivatives'.

Segment information

TORM consists of two business segments: The Tanker Division and the Bulk Division. This segmentation is based on the Group's internal management and reporting structure. In the tanker segment, the services provided primarily comprise transport of crude oil and refined oil products such as gasoline, jet fuel and naphtha, and in the bulk segment the services provided comprise transport of dry cargo – typically commodities such as coal, grain, iron ore, etc. Transactions between segments are based on market-related prices and are eliminated at Group level. The Group only has one geographical segment, because the Company considers the global market as a whole, and as the individual vessels are not limited to specific parts of the world. Customer address geography is not related to the geography of the service rendered. 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, the Management and all land-based employees and officers employed on permanent contracts (apart from trainees, apprentices and cadets) that were directly employed by TORM A/S participated in an incentive scheme, which

NOTE 1 – CONTINUED

included grants of shares and share options. In 2010 and 2011, a new incentive scheme comprising share options was established for Management and certain key employees. The schemes do not provide the choice of cash settlement instead of shares. The value of the services received as consideration for the shares and share options granted under the schemes is measured at the fair value of the granted shares and share options. The fair value is measured at the grant date and is recognized in the income statement as staff costs under administrative expenses and operating expenses over the vesting period. The counter item is recognized in equity. The fair value is measured based on the Black-Scholes and Monte Carlo models.

Leases

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

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

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

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

Agreements to charter out vessels, where substantially all the risks and rewards of ownership are transferred to the lessee, are classified as finance leases, and an amount equal to the net investment in the lease is recognized and presented in the balance sheet as a receivable. The carrying amount of the vessel is de-recognized 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, unless the loss is compensated by future lease payments below fair value, the loss is deferred and amortized in proportion to the lease payments over the term of the lease.

INCOME STATEMENT**Revenue**

Income, including revenue, is recognized in the income statement when:

- The income generating activities have been carried out on the basis of a binding agreement
- The income can be measured reliably
- It is probable that the economic benefits associated with the transaction will flow to the Company
- Costs relating to the transaction can be measured reliably

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

Port expenses, bunkers and commissions

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

Freight and 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 new-building contracts.

Administrative expenses

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

Other operating income

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

Impairment losses on jointly controlled entities

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

NOTE 1 – CONTINUED**Amortizations, depreciation and impairment losses**

Amortizations, depreciation and impairment losses comprise amortization of other intangible assets and depreciation of tangible fixed assets for the period as well as the write-down of the value of assets by the amount by which the carrying amount of the asset exceeds its recoverable amount. In the event of indication of impairment, the carrying amount is assessed and the value of the asset is written down to its recoverable amount equal to the higher of value in use based on net present value of future earnings from the assets and its net selling price.

Financial income

Financial income comprises interest income, realized and unrealized exchange rate gains relating to transactions in currencies other than the functional currency, realized gains from other equity investments and securities, unrealized gains from securities, dividends received and other financial income including value adjustments of certain financial instruments not accounted for as hedges of future transactions.

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

Financial expenses

Financial expenses comprise interest expenses, financing costs of finance leases, realized and unrealized exchange rate losses relating to transactions in currencies other than the functional currency, realized losses from other equity investments and securities, unrealized losses from securities and other financial expenses including value adjustments of certain financial instruments not accounted for as hedges of future transactions. Interest is recognized in accordance with the accrual basis of accounting taking into account the effective interest rate.

Tax

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

BALANCE SHEET**Goodwill**

Goodwill is measured as the excess of the cost of the business combination over the fair value of the acquired assets, liabilities and contingent liabilities and is recognized as an asset under intangible assets.

Goodwill is not amortized, but the recoverable amount of goodwill is assessed every quarter. For impairment testing purposes, goodwill is on initial recognition allocated to those cash generating units to which it relates.

Other intangible assets

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

Other plant and operating equipment

Land is measured at cost.

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

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

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

Investments in jointly controlled entities

Investments in jointly controlled entities comprise investments in companies which are by agreement managed jointly with one or more companies and therefore subject to joint control and are measured at equity value.

Financial assets

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

Financial assets are classified as:

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

Other investments

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

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

Other financial assets

Other financial assets comprise TORM's rights to a share of the gain on purchase options on vessels, which were acquired as part of the acquisition of OMI, and are classified as derivative financial instruments. The rights are measured and recognized at fair value, and the change for the period is recognized in the income statement under financial income or expenses.

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

NOTE 1 – CONTINUED

value less provision for bad debts. Derivative financial instruments included in other receivables are measured at fair value.

Impairment of assets

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

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

Bunkers

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

Treasury shares

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

Dividend

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

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.

Acquired liabilities related to options on vessel

As part of the acquisition of OMI, the Company acquired certain option obligations relating to vessels chartered out on time charter contracts. The option obligations are classified as derivative financial instruments and are recognized at fair value. The change for the period is recognized in the income statement under financial income or expenses.

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 occurs, 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 initially measured at cost and subsequently 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 profit for the year adjusted for tax, financial income and expenses, net profit from sale of vessels, non-cash operating items, changes in working capital, income tax paid, dividends received and interest paid/received.

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

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

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

EARNINGS PER SHARE

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

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

NOTE 1 – CONTINUED

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

Carrying amounts of vessels

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

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

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

NOTE 2**LIQUIDITY, CAPITAL RESOURCES AND SUBSEQUENT EVENTS****LIQUIDITY AND CAPITAL RESOURCES**

In 2012, TORM succeeded in achieving a restructuring agreement, which stabilizes the Company in the coming period.

As of 31 December 2012, TORM's cash position totaled USD 28 million and undrawn credit facilities amounted to USD 42 million (2011: USD 52 million). TORM has no newbuilding order book and therefore no CAPEX commitments related hereto.

TORM's bank debt (excluding the working capital facility of USD 100 million) has aligned key terms and conditions across all facilities with maturity on 31 December 2016. The financing agreements provide for a deferral of installment on the bank debt until 30 September 2014, in which period rescheduled principal amortizations will only fall due if the Company has sufficient liquidity. Provided that the Company generates sufficient cash, certain cash sweep mechanisms will apply. Annualized minimum repayments of USD 100 million will commence with effect from 30 September 2014 until 31 December 2016. If vessels are sold, the related debt will fall due.

Interest on the existing debt will only be paid if the Company has sufficient liquidity and otherwise the remainder will be rolled up until at least 30 June 2014 with potential extension until 30 September 2014. The Company will pay interest on the new working capital facility until 30 September 2014.

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

- Minimum liquidity: Cash plus available part of the USD 100 million working capital facility must exceed USD 50 million to be tested from 31 December 2012. This will later adjust to a cash requirement of USD 30 million by 30 September 2014 and USD 40 million by 31 March 2015.
- Loan to value ratio: As of 31 December 2012, the total bank debt (excluding working capital facility) of USD 1,846 million

is split into a senior debt facility of USD 1,020 million, a junior debt facility of USD 466 million and a subordinated debt facility of USD 360 million. All debt facilities have collateral in the vessels. The senior debt facility must have an initial agreed ratio of loan to TORM's fleet value (excl. finance lease vessels) below 85% to be confirmed from 30 June 2013. This will gradually step down to 65% by 30 June 2016. The remaining bank debt of USD 826 million is divided into two additional debt facilities both with collateral in the vessels.

- Consolidated net debt to cash adjusted EBITDA: Initial agreed ratio of maximum 30:1 to be tested from 30 June 2013 and gradual step down to a 6:1 ratio by 30 June 2016.
- Interest cover ratio: Agreed cash adjusted EBITDA to interest ratio of initially minimum 1.4x by 30 June 2014 and gradual step up to 2.5 by 31 December 2015.

The terms of the credit facilities include 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

As of 31 December 2012, TORM is in compliance with all covenants.

SUBSEQUENT EVENTS

For the full year 2013, TORM forecasts a loss before tax of USD 100-150 million before potential vessel sales and impairment charges. TORM expects to remain in compliance with the financial covenants for 2013. In addition, TORM expects to be operational cash flow positive after interest payment. The uncertainties and sensitivities about freight rates and asset prices may have an effect on the Company's compliance with the financial covenants. As 24,676 earning days are uncovered at year-end 2012, a change in freight rates of USD/day 1,000 would impact profit before tax by USD 25 million. For further details on the forecast, please refer to 'Outlook 2013' on page 8 and 'Safe Harbor Statement' on page 10.

NOTE 3

USD million	2012				2011			
	Tanker Division	Bulk Division	Not allocated	Total	Tanker Division	Bulk Division	Not allocated	Total
CONSOLIDATED SEGMENT INFORMATION								
INCOME STATEMENT								
Revenue	917.1	204.1	-	1,121.2	958.7	346.5	-	1,305.2
Port expenses, bunkers and commissions	-538.1	-127.3	-	-665.4	-510.7	-164.3	-	-675.0
Freight and bunker derivatives	-0.6	10.5	-	9.9	4.9	9.2	-	14.1
Time charter equivalent earnings	378.4	87.3	0.0	465.7	452.9	191.4	0.0	644.3
Charter hire	-228.4	-161.2	-	-389.6	-199.3	-199.0	-	-398.3
Operating expenses	-165.5	-3.4	-	-168.9	-161.8	-3.2	-	-165.0
Gross profit/(loss) (Net earnings from shipping activities)	-15.5	-77.3	0.0	-92.8	91.8	-10.8	0.0	81.0
Net profit/(loss) from sale of vessels	-26.0	-	-	-26.0	-11.6	-40.9	-	-52.5
Administrative expenses	-58.9	-8.3	-	-67.2	-58.0	-13.2	-	-71.2
Other operating income	0.6	0.3	-	0.9	2.7	0.4	-	3.1
Share of results of jointly controlled entities	-5.0	-	-4.4	-9.4	9.7	-	-13.9	-4.2
EBITDA	-104.8	-85.3	-4.4	-194.5	34.6	-64.5	-13.9	-43.8
Impairment losses on jointly controlled entities	-	-	-41.6	-41.6	-	-	-13.0	-13.0
Impairment losses on tangible and intangible assets	-74.2	-	-	-74.2	-187.0	-	-	-187.0
Amortization and depreciation	-135.4	-2.8	-	-138.2	-141.6	-3.2	-	-144.8
Operating profit/(loss) (EBIT) (Segment result)	-314.4	-88.1	-46.0	-448.5	-294.0	-67.7	-26.9	-388.6
Financial income			11.8	11.8			9.9	9.9
Financial expenses			-142.3	-142.3			-72.7	-72.7
Profit/(loss) before tax			-176.5	-579.0			-89.7	-451.4
Tax			-1.6	-1.6			-1.6	-1.6
Net profit/(loss) for the year			-178.1	-580.6			-91.3	-453.0
BALANCE SHEET								
Total non-current assets	1,916.3	36.0	18.5	1,970.8	2,307.7	39.9	62.3	2,409.9
Total liabilities	72.9	40.3	1,974.8	2,088.0	96.3	49.8	1,989.2	2,135.3
OTHER INFORMATION								
Additions to intangible assets and tangible fixed assets	78.9	0.6	-	79.5	83.4	35.1	-	118.5
Impairment losses recognized in the income statement	-74.2	-	-41.6	-115.8	-187.0	-	-13.0	-200.0
Investments in jointly controlled entities	1.0	-	-	1.0	8.0	-	42.3	50.3

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

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

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

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

In the Tanker Division, a major portion of the Company's freight revenue is concentrated on a small group of customers. In 2012, no customers in the Tanker Division accounted for more than 10% of the total freight revenue of the Company. In 2011, one customer accounted for 10% of the total freight revenue of the Company.

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

NOTE 4

USD million 2012 2011

STAFF COSTS**Total staff costs**

Staff costs included in operating expenses	17.4	18.0
Staff costs included in administrative expenses	40.8	46.7
Total	58.2	64.7

Staff costs comprise the following

Wages and salaries	52.7	58.1
Share-based compensation	1.3	1.2
Pension costs	3.7	5.0
Other social security costs	0.5	0.4
Total	58.2	64.7

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

USD '000	2012**)			2011		
	Board remuneration	Committee remuneration	Total short-term benefits	Board remuneration	Committee remuneration	Total short-term benefits
Board of Directors						
Niels Erik Nielsen	347	9	356	187	9	196
Christian Frigast	225	17	242	121	19	140
Peter Abildgaard (resigned on 27 April 2012)	22	-	22	75	-	75
Lennart Arrias (resigned on 14 April 2011)	-	-	0	21	-	21
Margrethe Bligaard (resigned on 14 April 2011)	-	-	0	21	-	21
Kari Millum Gardarnar (appointed on 14 April 2011)	139	-	139	53	-	53
Rasmus Johannes Hoffmann (appointed on 14 April 2011)	139	-	139	53	-	53
Bo Jagd (resigned on 14 April 2011)	-	-	0	21	3	24
Jesper Jarlbæk	139	9	148	75	9	84
Gabriel Panayotides*)	22	3	25	75	9	84
Angelos Papoulas*)	22	3	25	75	15	90
Stefanos-Niko Zouvelos*)	22	3	25	75	9	84
Total for the year	1,077	44	1,121	852	73	925

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

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

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

*) 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 2012. The current share price is well below the exercise prices for these options which are considerably out-of-the-money.

Executive Management 2011	Short-term benefits		Share-based compensation		Total
	Salaries	Bonus	Pension		
Jacob Meldgaard	1,003	-	-	227	1,230
Roland M. Andersen	722	-	22	231	975
Total for 2011	1,725	0	22	458	2,205

Employee information

The average number of permanently employed staff in the Group in 2012 was 305 [2011: 332] land-based employees and 161 [2011: 212] seafarers.

The majority of the staff on vessels are not employed by TORM.

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

The members of Management are, in the event of termination by the Company, entitled to a severance payment of up to 24 months' salary.

TORM 2012

NOTE 4 - CONTINUED

INCENTIVE SCHEME FOR MANAGEMENT AND CERTAIN EMPLOYEES FOR 2010-2012

TORM's share option programs are subject to Danish law and include certain adjustment provisions and exercise conditions and other terms customary for share option programs of this nature. Among other things, the programs provide that a share capital increase made at a subscription price below market value (except where a capital increase is made pursuant to a general employee share scheme), should result in a proportional adjustment of the number of shares in the Company which can be acquired when exercising a share option. As a result of the capital reduction and the issuance of the new shares at a subscription price below market value in connection with the restructuring, TORM's share option programs were adjusted in accordance with their terms. As a consequence of the discounted issuance of the new shares, the exercise price of TORM's issued share options was adjusted with a factor of 0.6823 and the number of share options held by the holders was adjusted with a factor of 1.4655.

Incentive scheme

In 2010, a share option-based incentive scheme was established for certain employees including the Executive Management, members of the management group and certain key employees. 35 persons were comprised by the 2010 grant and 40 persons by the 2011 grant. The Company has granted 0 share options in 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 can be granted in 2010, 2011 and 2012 at the discretion of the Board of Directors in accordance with criteria determined by the Board of Directors.

In 2012, 40,000 (2011: 30,000) of the share options granted in 2011 and 40,000 (2011: 35,000) of the share options granted in 2010 were forfeited.

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

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

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

Each share option gives the employee the right to acquire one share with a nominal value of DKK 5 which was adjusted to a nominal value of DKK 0.01 in connection with the adjustment for the discounted issuance of the new shares. As set out above, in connection with the new shares, the number of shares in the Company that can be acquired on the basis of each individual share option is adjusted on a pro rata basis. Exercised options are settled by the Company's holding of treasury shares or, in certain situations, by settlement in cash.

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

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

In 2012, an expense of USD 0.6 million has been recognized in the income statement regarding share options granted in 2010 and USD 0.7 million regarding share options granted in 2011.

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

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

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

NOTE 4 - CONTINUED

Changes in outstanding share options are as follows:

Number of share options	Total options	Options allocation per year		
	2012	2012	2011	2010
Share option program - 2010 to 2012				
Executive Management				
Granted	608,262	-	304,131	304,131
Adjustment for the discounted issuance of new shares	283,144	-	141,572	141,572
Transferred to resigned employees	0	-	-	-
Exercised	0	-	-	-
Forfeited/expired in 2010-2011	0	-	-	-
Forfeited/expired in 2012	0	-	-	-
Not exercised at 31 December 2012	891,406	0	445,703	445,703
Other employees				
Granted	1,393,210	-	761,605	631,605
Adjustment for the discounted issuance of new shares	546,108	-	310,292	235,816
Transferred to resigned employees	-140,947	-	-61,637	-79,310
Exercised	0	-	-	-
Forfeited/expired in 2010-2011	-65,000	-	-30,000	-35,000
Forfeited/expired in 2012	-80,000	-	-40,000	-40,000
Not exercised at 31 December 2012	1,653,371	0	940,260	713,111
Resigned employees				
Adjustment for the discounted issuance of new shares	34,912	-	11,637	23,275
Transferred from management and other employees	140,947	-	61,637	79,310
Exercised	0	-	-	-
Forfeited/expired in 2010-2011	0	-	-	-
Forfeited/expired in 2012	0	-	-	-
Not exercised at 31 December 2012	175,859	0	73,274	102,585
Total number of share options not exercised at 31 December 2012	2,720,636	0	1,459,237	1,261,399
Total number of share options not exercised at 31 December 2011	1,936,472	0	1,035,736	900,736
Total number of share options that could be exercised at 31 December 2012	0	0	0	0
Total number of share options that could be exercised at 31 December 2011	0	0	0	0

NOTE 4 - CONTINUED**INCENTIVE SCHEME FOR MANAGEMENT AND EMPLOYEES FOR 2007-2009**

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

Bonus

The bonus was awarded based on TORM achieving a calculated RoIC (Return on Invested Capital) in each financial year compared to each year's budgeted RoIC. If the RoIC was higher or lower, the amount available for bonuses was adjusted accordingly. 75% of the achieved bonus was paid in cash and 25% in shares, which the employees would own provided that they were still employed by the Company after a period of two years. The number of shares granted to the employee depended on the market price of the TORM share when TORM's annual report for the grant year was published. In addition to the RoIC-based bonus, a discretionary bonus could be awarded. In 2009, the RoIC target was not achieved and, consequently, only the discretionary bonus was awarded. The individual employee's share of the bonus was based partly on the individual's salary and partly on the evaluation of the individual's performance. The employee received the bonus after the publication of TORM's annual report. For the financial year 2010, 2011 and 2012 no bonus has been awarded under this program as it only covers the financial years 2007-2009.

An income of USD 0.0 million (2011: an income of USD 0.3 million) relating to the amortization of shares for 2007-2008 has been recognized in the income statement for 2012.

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

Share options

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

The share option program 2007-2009 is subject to Danish law and includes certain adjustment provisions and exercise conditions and other terms customary for share option programs of this nature. Among other things, the program provides that a share capital increase made at a subscription price below market value (except where a capital increase is made pursuant to a general employee share scheme), should result in a proportional adjustment of the number of shares in the Company which can be acquired when exercising a share option. Any issue of bonus shares in the Company or a change in the denomination of the shares in the Company or share capital reductions made at a price above market value also lead to adjustments of the number of shares. Furthermore, the exercise price of the stock options is adjusted if excess dividends are distributed to the shareholders. Excess dividends are defined as any dividend payments which materially deviate from the dividend payments of the Company taken into consideration when granting the share options. For example the Board of Directors' decision to pay an extraordinary dividend based on its authorization granted by the general meeting will constitute an excess dividend. As set out above and in order to ensure that the value of the share options remains unaffected by the issuance of the new shares, and in accordance with the adjustment provisions of the share option program, the exercise price and the number of options was adjusted with an adjustment factor of 0.6823 and 1.4655 respectively.

As at 31 December 2012, a total number of 3,933,666 unexercised share options were outstanding under the share option program

for 2007-2009, including 327,920 options to members of the current Executive Management.

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

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

The share options may be exercised in an exercise window starting at expiry of a seven-day period after publication of the annual report in the third calendar year after the date of grant (from 2010-2012) and ending at the end of the sixth calendar year after the date of grant (2013-2015). During the exercise window, the share options may only be exercised within windows of 28 days after the Company's publication of annual reports and interim financial reports. For the 2007 grant, share options can be exercised after the publication of the annual report for 2009 in March 2010, and shall be exercised by March 2013 at the latest, for the 2008 grant, share options can be exercised after the publication of the annual report for 2010 in March 2011, and shall be exercised by March 2014 at the latest, and finally, for the 2009 grant, share options can be exercised after the publication of the annual report for 2011 in March 2012, and shall be exercised by March 2015 at the latest. As at 31 December 2012, all 3,933,666 share options were vested.

Each share option gives the employee the right to acquire one share with a nominal value of DKK 5 which was adjusted to a nominal value of DKK 0.01 in connection with the adjustment for the discounted issuance of the new shares. As set out above, in connection with the capital reduction and the listing, the number of shares in the Company that can be acquired on the basis of each individual share option is adjusted on a pro rata basis. Exercised options are settled by the Company's holding of treasury shares or, in certain situations, by settlement in cash.

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

NOTE 4 - CONTINUED

Changes in outstanding share options are as follows:

Number of share options	Total options	Options allocation per year		
	2012	2009	2008	2007
Share option program - 2007 to 2009				
Executive Management				
Granted	752,119	223,761	200,009	328,349
Adjustment for the discounted issuance of new shares	104,159	104,159	-	-
Transferred to resigned employees	-528,358	-	-200,009	-328,349
Exercised	0	-	-	-
Forfeited/expired in 2007-2011	0	-	-	-
Forfeited/expired in 2012	0	-	-	-
Not exercised at 31 December 2012	327,920	327,920	0	0
Other employees				
Granted	2,668,369	1,022,003	887,353	759,013
Adjustment for the discounted issuance of new shares	389,107	158,898	129,482	100,727
Transferred to resigned employees	-1,120,344	-296,089	-344,783	-479,472
Exercised	0	-	-	-
Forfeited/expired in 2007-2011	-690,084	-350,326	-269,936	-69,822
Forfeited/expired in 2012	-40,070	-40,070	-	-
Not exercised at 31 December 2012	1,206,978	494,416	402,116	310,446
Resigned employees				
Adjustment for the discounted issuance of new shares	755,624	134,309	249,662	371,653
Transferred from management and other employees	1,648,702	296,089	544,792	807,821
Exercised	0	-	-	-
Forfeited/expired in 2007-2011	-5,558	-1,080	-2,359	-2,119
Forfeited/expired in 2012	0	-	-	-
Not exercised at 31 December 2012	2,398,768	429,318	792,095	1,177,355
Total number of share options not exercised at 31 December 2012	3,933,666	1,251,654	1,194,211	1,487,801
Of which:				
Share options with a fixed exercise price	1,744,333	555,043	529,566	659,724
Share options with an exercise price based on peer group	2,189,333	696,611	664,645	828,077
Total number of share options not exercised at 31 December 2011	2,724,846	894,358	815,067	1,015,421
Total number of share options that could be exercised at 31 December 2012:				
Share options with a fixed exercise price	1,744,333	555,043	529,566	659,724
Share options with an exercise price based on peer group	2,189,333	696,611	664,645	828,077
	3,933,666	1,251,654	1,194,211	1,487,801
Total number of share options that could be exercised at 31 December 2011	1,830,488	0	815,067	1,015,421

In 2012, a total expense of USD 0.0 million has been recognized in the income statement regarding share options.

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

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

- The share price at the measurement date was estimated at DKK 48.6 per share for the 2009 grant, DKK 140.0 for the 2008 grant and DKK 202.25 for the 2007 grant based on the share price on NASDAQ OMX Copenhagen A/S as at 10 July 2009 for the 2009 grant, 31 March 2008 for the 2008 grant and 9 August 2007 for the 2007 grant

NOTE 4 - CONTINUED

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

NOTE 5

USD million	2012	2011
REMUNERATION TO AUDITORS APPOINTED AT THE PARENT COMPANY'S ANNUAL GENERAL MEETING		
Deloitte		
Audit fees	0.5	0.5
Audit-related fees	1.3	0.6
Tax fees	0.8	0.1
Fees other services	0.3	0.2
	2.9	1.4

NOTE 6

USD million	2012	2011
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	6.2	-2.4
Exchange rate adjustment	0.7	-0.5
Value adjustment for the year	-	9.1
Disposals	-	-
Balance at 31 December	6.9	6.2
Carrying amount at 31 December	12.3	11.6
Of which listed	0.0	0.0
Of which unlisted	12.3	11.6

NOTE 7

USD million	Goodwill	Other intangible assets	Total
INTANGIBLE ASSETS			
Cost:			
Balance at 1 January 2011	89.2	2.7	91.9
Additions	-	-	0.0
Disposals	-	-	0.0
Balance at 31 December 2011	89.2	2.7	91.9
Amortization and impairment losses:			
Balance at 1 January 2011	-	0.7	0.7
Disposals	-	-	0.0
Amortization and impairment losses for the year	89.2	0.1	89.3
Balance at 31 December 2011	89.2	0.8	90.0
Carrying amount at 31 December 2011	0.0	1.9	1.9
Cost:			
Balance at 1 January 2012	89.2	2.7	91.9
Additions	-	-	0.0
Disposals	-	-	0.0
Balance at 31 December 2012	89.2	2.7	91.9
Amortization and impairment losses:			
Balance at 1 January 2012	89.2	0.8	90.0
Disposals	-	-	0.0
Amortization and impairment losses for the year	-	0.2	0.2
Balance at 31 December 2012	89.2	1.0	90.2
Carrying amount at 31 December 2012	0.0	1.7	1.7

NOTE 8

USD million	Land and buildings	Vessels and capitalized dry-docking	Pre-payments on vessels	Other plant and operating equipment	Total
TANGIBLE FIXED ASSETS					
Cost:					
Balance at 1 January 2011	4.1	3,113.9	243.3	24.8	3,386.1
Exchange rate adjustment	-	-	-	-0.2	-0.2
Additions	-	20.7	94.8	3.0	118.5
Disposals	-1.9	-334.6	-7.8	-0.4	-344.7
Transferred to/from other items	-	199.3	-199.3	-	0.0
Transferred to non-current assets held for sale	-	-	-61.8	-	-61.8
Balance at 31 December 2011	2.2	2,999.3	69.2	27.2	3,097.9
Depreciation and impairment losses:					
Balance at 1 January 2011	0.5	553.8	16.3	15.2	585.8
Exchange rate adjustment	-	-	-	-0.1	-0.1
Disposals	-0.4	-67.8	-	-0.3	-68.5
Depreciation for the year	0.1	140.6	-	4.2	144.9
Impairment loss	-	97.8	-	-	97.8
Transferred to/from other items	-	16.3	-16.3	-	0.0
Balance at 31 December 2011	0.2	740.7	0.0	19.0	759.9
Carrying amount at 31 December 2011	2.0	2,258.6	69.2	8.2	2,338.0
Of which finance leases	0.0	71.5	0.0	0.0	71.5
Of which financial expenses included in cost	0.0	2.8	0.8	0.0	3.6
Cost:					
Balance at 1 January 2012	2.2	2,999.3	69.2	27.2	3,097.9
Exchange rate adjustment	-	-	-	-	0.0
Additions	-	35.8	41.7	2.0	79.5
Disposals	-0.5	-146.7	-8.0	-0.2	-155.4
Transferred to/from other items	-	102.9	-102.9	-	0.0
Transferred to non-current assets held for sale	-	-239.3	-	-	-239.3
Balance at 31 December 2012	1.7	2,752.0	0.0	29.0	2,782.7
Depreciation and impairment losses:					
Balance at 1 January 2012	0.2	740.7	-	19.0	759.9
Exchange rate adjustment	-	-	-	-	0.0
Disposals	-0.1	-39.4	-	-0.2	-39.7
Depreciation for the year	0.8	133.7	-	3.7	138.2
Impairment loss	-	74.2	-	-	74.2
Transferred to non-current assets held for sale	-	-105.5	-	-	-105.5
Balance at 31 December 2012	0.9	803.7	0.0	22.5	827.1
Carrying amount at 31 December 2012	0.8	1,948.3	0.0	6.5	1,955.6
Of which finance leases	0.0	14.7	0.0	0.0	14.7
Of which financial expenses included in cost	0.0	2.3	0.0	0.0	2.3

Included in the carrying amount for vessels and capitalized dry-docking are capitalized dry-docking costs in the amount of USD 30.6 million (2011: USD 33.2 million).

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 3.7 million relates to administration (2011: USD 4.2 million).

Please refer to note 9 for information on impairment testing.

NOTE 9**IMPAIRMENT TESTING**

As of 31 December 2012, Management performed a review of the recoverable amount of the assets by assessing the recoverable amount for the significant assets within the cash generating units: The Tanker Division, the Bulk Division and the investment in 50% of FR8.

As of 31 December 2012, the recoverable amount of the Tanker Division was the value in use, whereas the recoverable amount of the Bulk Division was the net selling price.

Based on this review, Management concluded that:

- Assets within the Bulk Division were not impaired as the net selling price exceeded the carrying amount by USD 3 million
- Assets within the Tanker Division were not further impaired as the value in use was equal to the carrying amount
- The carrying amount of the investment in 50% of FR8 was during 2012 impaired by USD 42 million to nil in addition to the impairment losses previously recognized

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

The assessment of the value in use of the Tanker Division and the investment in 50% of FR8 was based on the present value of the expected future cash flows.

The major assumptions used in the calculation of the value in use are:

- The cash flows are based on known tonnage including vessels contracted for delivery in future periods. Assets held for sale are not included. Additions or sales of tonnage are not factored in as the timing and effect of such transactions are highly uncertain. However, additions will only be made if Management expects to achieve a return in excess of the discount rate applied in the impairment test.
- The product tankers are expected to generate normal income for 25 years. Given the current age profile of the tanker fleet, the average remaining life would be approximately 17 years.
- Freight rate estimates in the period 2013 to 2015 are based on the Company's business plans, which in 2014 and 2015 assume a gradual increase towards the 10-year historic average.

- Beyond 2015, freight rates for the Tanker Division are based on the following 10-year historic average freight rates from Clarkson adjusted by the inflation rate:
 - LR2 USD/day 26,578
 - LR1 USD/day 22,446
 - MR USD/day 19,814
- Operating expenses and administrative expenses are estimated based on TORM's current run rate adjusted for cost adjustments outlined in the operating budgets and the business plans for the period 2013 to 2014. Beyond 2014, operating expenses per operating day and administrative expenses are expected to increase with the inflation rate.
- WACC is set to 8.0% (2011: 8.0%) for the Tanker Division. WACC is calculated using a standard WACC model in which cost of equity, cost of debt and capital structure are the key parameters.
- The inflation rate is based on the US Federal Reserve and ECB inflation target over the medium term, currently set to 2%.

Management believes that these major assumptions are reasonable.

The calculation of value in use is 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 204 million for the Tanker Division
- An increase of the WACC of 1% would result in a further impairment of USD 139 million for the Tanker Division
- An increase of the operating expenses of 10% would result in a further impairment of USD 155 million for the Tanker Division

As outlined above, the impairment tests have been prepared on the basis that the Company will continue to operate its vessels as a fleet in the current set-up. In comparison, the market value of TORM's vessels was USD 1,159 million (excluding product tankers held for sale), which is USD 790 million less than the carrying impaired amount.

Reference is made to note 26, in which an impairment loss of USD 74 million relating to non-current assets held for sale is disclosed.

NOTE 10

USD million	2012	2011
FINANCIAL ITEMS		
Financial income		
Interest income from cash and cash equivalents, etc.	0.5	1.3
Dividends	0.4	0.0
Fair value adjustments on derivative financial instruments	8.2	4.2
Exchange rate adjustments, including net gain from forward exchange rate contracts	2.7	4.4
	11.8	9.9
Financial expenses		
Interest expenses on mortgage and bank debt, including realized net loss on interest-related derivatives	74.7	58.7
Exchange rate adjustments, including net realized loss from forward exchange rate contracts	0.1	4.0
Financial expenses related to the restructuring	65.0	0.0
Other financial expenses	2.6	10.6
Of which included in the cost of tangible fixed assets	0.0	-0.6
	142.4	72.7
Total financial items	-130.6	-62.8

NOTE 11

USD million	2012	2011
FREIGHT RECEIVABLES		
Analysis of freight receivables at 31 December:		
Neither past due nor impaired	77.5	78.7
Due < 30 days	8.0	43.7
Due between 30 and 180 days	22.7	13.4
Due > 180 days	9.1	4.4
	117.3	140.2

At 31 December 2012, freight receivables included receivables at a value of USD 0.2 million (2011: USD 0.2 million), which are individually determined to be impaired to a value of USD 0.0 million (2011: USD 0.0 million).

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

USD million	2012	2011
PROVISION FOR IMPAIRMENT OF FREIGHT RECEIVABLES		
Balance at 1 January	0.2	0.2
Provisions for the year	-	-
Provisions reversed during the year	-	-
Provisions utilized during the year	-	-
Balance at 31 December	0.2	0.2

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

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

NOTE 12

USD million	2012	2011
OTHER RECEIVABLES		
Partners and commercial managements	2.8	5.0
Derivative financial instruments	2.9	5.6
Receivables at joint ventures	2.7	4.5
Tax receivables	0.8	0.6
Miscellaneous, including items related to shipping activities	7.6	10.3
	16.8	26.0

NOTE 13

USD million	2012	2011
TAX		
Current tax for the year	-1.9	-2.6
Adjustments related to previous years	-0.2	0.5
Adjustment of deferred tax	0.5	0.5
	-1.6	-1.6
	2012	2011
RECONCILIATION OF THE EFFECTIVE CORPORATION TAX RATE FOR THE YEAR		
Corporation tax rate in Denmark	25.0%	25.0%
Differences in tax rates, foreign subsidiaries	-12.0%	-2.4%
Differences in tax rates, foreign jointly controlled entities	-0.2%	-0.8%
Adjustment of tax related to previous years	0.0%	0.1%
Effect from the tonnage tax scheme	-13.1%	-22.3%
Effective corporate tax rate	-0.3%	-0.4%

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 into the tonnage tax scheme.

USD million	2012	2011
DEFERRED TAX		
Balance at 1 January	53.7	54.2
Deferred tax for the year	-0.5	-0.5
Balance at 31 December	53.2	53.7

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

NOTE 14

	2012	2011	2012	2011
	Number of shares million	Number of shares million	Nominal value DKK million	Nominal value DKK million
COMMON SHARES				
Balance at 1 January	72.8	72.8	364.0	364.0
Share capital decrease	-	-	-363.3	-
Share capital increase	655.2	-	6.6	-
Balance at 31 December	728.0	72.8	7.3	364.0

The common shares consist of 728 million shares of a nominal value of DKK 0.01 each (2011: DKK 5.00 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 common shares was reduced from DKK 5.00 to DKK 0.01 per share with a value of DKK 363.3 million. The nominal value of the Company's share amounted hereafter to DKK 0.7 million. The Company's share capital was hereafter increased by a nominal amount of DKK 6.6 million to DKK 7.3 million by issuance of 655.2 million shares with a nominal value of DKK 0.01 per share.

NOTE 14 - CONTINUED

	2012	2011	2012	2011	2012	2011
	Number of shares (1,000)	Number of shares (1,000)	Nominal value DKK million	Nominal value DKK million	% of share capital	% of share capital
TREASURY SHARES						
Balance at 1 January	3,230.4	3,461.6	16.2	17.3	4.4	4.8
Change in share capital	-	-	-16.1	-	-4.0	-
Change in ADS ratio	-258.4	-	-	-	-	-
Purchase	3,739.8	-	-	-	0.5	-
Sale	-	-	-	-	-	-
Used for share-based compensation	-	-231.2	-	-1.1	-	-0.4
Balance at 31 December	6,711.8	3,230.4	0.1	16.2	0.9	4.4

The total consideration for the treasury shares was USD 19.1 million (2011: USD 17.3 million).

At 31 December 2012, the Company's holding of treasury shares represented 6,711,792 shares (2011: 3,230,432 shares) of DKK 0.01 each at a total nominal value of USD 0.0 million (2011: USD 2.8 million) and a market value of USD 2.1 million (2011: USD 2.1 million). The retained shares equates to 0.9% (2011: 4.4%) 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

USD million	2012	2011
DEFERRED INCOME		
Deferred gain related to sale and leaseback transactions	6.4	7.6
	6.4	7.6

NOTE 16

USD million	2012	2011
OTHER LIABILITIES		
Partners and commercial managements	11.9	6.1
Accrued operating expenses	14.4	6.6
Accrued interest	0.9	3.6
Wages and social expenses	12.7	17.8
Derivative financial instruments	1.0	41.2
Payables to joint ventures	0.4	0.8
Miscellaneous, including items related to shipping activities	6.8	8.8
	48.1	84.9

NOTE 17**EFFECTIVE INTEREST RATE AND FAIR VALUE OF MORTGAGE DEBT AND BANK LOANS**

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

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

At 31 December 2011, the Company's mortgage debt and bank loans were subject to an unremediated breach of financial covenants and therefore formally due in 2012.

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

USD million	Fixed/ floating	2012			2011		
		Maturity	Effective interest	Fair value	Maturity	Effective interest	Fair value
LOAN							
USD	Floating	-	-	-	2012	3.2%	1,803.7
USD	Floating	2014	15.6%*)	58.0	-	-	-
USD	Floating	2016	3.4%**)	1,846.1	-	-	-
Weighted average effective interest rate			3.5%		3.2%		
Fair value				1,904.1		1,803.7	

As of 31 December 2011, part of the loans with floating interest rate were swapped to fixed interest rate.

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

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

NOTE 18

USD million	2012	2011
COLLATERAL SECURITY FOR MORTGAGE DEBT AND BANK LOANS		
Value of loans collateralized by vessels	1,903.7	1,768.5
	1,903.7	1,768.5

The total carrying amount for vessels that have been provided as security was USD 2,082 million at 31 December 2012 (2011: USD 2,280 million).

NOTE 19

USD million	2012	2011
GUARANTEE COMMITMENTS AND CONTINGENT LIABILITIES		
Guarantee commitments	0.0	0.0

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

NOTE 20**CONTRACTUAL OBLIGATIONS, MORTGAGE DEBT AND BANK LOANS**

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

At 31 December 2011, the Company's mortgage debt and bank loans were formally due in 2012 due to an unremediated breach of financial covenants. With the Restructuring Agreement per 5 November 2012, the Company has extended its debt to 31 December 2016 and is no longer in breach. In addition, the Company secured a USD 100 million working capital facility available with expiring date on 30 September 2014.

The following table summarizes the Company's contractual obligations.

As of 31 December 2012:

USD million	2013	2014	2015	2016	2017	There- after	Total
Mortgage debt and bank loans 1)	0.8	96.8	94.2	1,690.0	-	-	1,881.8
Interest payments related to scheduled interest fixing	12.3	-	-	-	-	-	12.3
Estimated variable interest payments 3)	42.9	56.0	54.2	58.3	-	-	211.4
Total	56.0	152.8	148.4	1,748.3	0.0	0.0	2,105.5

USD million	2013	2014	2015	2016	2017	There- after	Total
Finance lease liabilities 4)	-1.9	-1.4	-0.9	-0.1	18.7	-	14.4
Interest element finance lease	4.0	4.4	4.7	4.8	3.2	-	21.1
Chartered-in vessels (incl. vessels not delivered) (Operating lease) 5)	71.9	45.0	43.5	15.7	13.5	5.8	195.4
Newbuilding installments and exercised purchase options (Purchase obligations) 6)	-	-	-	-	-	-	0.0
Other operating leases 7)	7.8	5.8	2.1	2.0	0.4	-	18.1
Total	81.8	53.8	49.4	22.4	35.8	5.8	249.0

Contractual obligations - as lessor:

Charter hire income for vessels on time charter and bareboat charter (incl. vessels not delivered) (Operating lease) 8)

	23.7	7.3	0.1	-	-	-	31.1
Total	23.7	7.3	0.1	0.0	0.0	0.0	31.1

NOTE 20 – CONTINUED

As of 31 December 2011:

USD million	2012	2013	2014	2015	2016	There- after	Total
Mortgage debt and bank loans 1)	1,794.7	-	-	-	-	-	1,794.7
Interest payments related to interest rate swaps 2)	30.9	15.6	8.5	5.0	3.5	-	63.5
Estimated variable interest payments 3)	9.4	-	-	-	-	-	9.4
Total	1,835.0	15.6	8.5	5.0	3.5	0.0	1,867.6

USD million	2012	2013	2014	2015	2016	There- after	Total
Finance lease liabilities 4)	48.3	2.4	2.6	2.9	3.2	18.3	77.7
Interest element regarding finance lease	2.7	2.5	2.3	2.0	1.7	1.1	12.3
Chartered-in vessels (incl. vessels not delivered) (Operating lease) 5)	268.3	214.0	190.2	145.9	75.0	143.1	1,036.5
Newbuilding installments and exercised purchase options (Purchase obligations) 6)	52.0	9.7	20.0	-	-	-	81.7
Other operating leases 7)	6.9	6.9	5.0	1.8	1.0	0.1	21.7
Total	378.2	235.5	220.1	152.6	80.9	162.6	1,229.9

Contractual obligations - as lessor:

Charter hire income for vessels on time charter and

bareboat charter (incl. vessels not

delivered) (Operating lease) 8)

	68.6	16.5	4.6	-	-	-	89.7
Total	68.6	16.5	4.6	0.0	0.0	0.0	89.7

1) The presented amounts to be repaid are adjusted by directly related costs arising from the issuing of the loans by USD 25.1 million (2011: USD 12.3 million), which are amortized over the term of the loans.

2) Actual fixed rate according to interest rate swaps is used for the hedged interest payments.

3) Variable interest payments are estimated based on the average forward rates for each year. This corresponds to an average net interest including margin of 2.9% (2011: 2.5%).

4) One leasing agreement includes a purchase liability upon default of certain financial covenants similar to those disclosed in note 17.

5) Leases have been entered into with a mutually non-cancelable lease period of up to eight years. The obligation is based on minimum lease payments. 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 0.9 years (2011: 2.3 years).

6) At 31 December 2012, TORM had no contracted newbuildings (2011: three newbuildings to be delivered during 2012-2014 for which the total outstanding contractual commitment at 31 December 2011 amounted to USD 82 million).

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

8) Charter hire income for vessels on time charter and bareboat charter is recognized under revenue. The average period until redelivery of the vessels is 1.0 years (2011: 0.6 years).

NOTE 21

USD million	Minimum lease payments	Interest element	Carrying amount
FINANCE LEASE LIABILITIES - AS LESSEE			
Lease liabilities regarding finance lease assets:			
2012			
Falling due within one year	2.1	-3.9	-1.8
Total current	2.1	-3.9	-1.8
Falling due between one and five years	33.4	-17.2	16.2
Falling due after five years	-	-	0.0
Total non-current	33.4	-17.2	16.2
Total	35.5	-21.1	14.4
Fair value			14.4
2011			
Falling due within one year	55.6	-7.3	48.3
Total current	55.6	-7.3	48.3
Falling due between one and five years	19.6	-8.4	11.2
Falling due after five years	19.3	-1.1	18.2
Total non-current	38.9	-9.5	29.4
Total	94.5	-16.8	77.7
Fair value			77.7

Finance lease in 2012 relates to one MR product tanker (2011: Two) chartered on bareboat expiring no later than in 2017. At the expiry of the charter period, the Company has an obligation to purchase the vessel.

NOTE 22**DERIVATIVE FINANCIAL INSTRUMENTS**

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

	Fair value as of 31 December 2012	Fair value as of 31 December 2011
USD million		
Hedge accounting cash flows:		
Derivative financial instruments regarding interest rate and currency exchange rate:		
Forward exchange contracts	-	-3.8
Interest rate swaps	-	-26.0
Non-hedge accounting:		
Derivative financial instruments regarding interest rates:		
Interest rate swaps	-	-11.1
Derivative financial instruments regarding freight and bunkers:		
Bunker swaps	1.3	2.3
FFAs	-	1.5
Derivative financial instruments regarding options on vessels:		
Acquired liabilities related to options on vessels	-	-0.1
	1.3	-37.2
Of which included in:		
Current assets		
Other receivables	1.4	3.9
Current liabilities		
Other liabilities	-0.1	-41.0
Acquired liabilities related to options on vessels	-	-0.1
	1.3	-37.2

NOTE 22 – CONTINUED

The table below shows realized amounts as well as fair value adjustments regarding derivative financial instruments recognized in income statements and equity in 2012 and 2011:

USD million	Freight and bunker derivatives	Operating expenses	Administrative expenses	Financial items	Equity hedging reserves
Bunker swaps	3.0	-	-	-	-
FFAs	6.9	-	-	-	-
Forward exchange contracts	-	-1.7	-1.6	-	3.3
Interest rate swaps	-	-	-	-15.5	3.8
Currency contracts	-	-	-	0.0	-
Right to share of gain on purchase options on vessels	-	-	-	-	-
Total 2012	9.9	-1.7	-1.6	-15.5	7.1
Bunker swaps	7.0	-	-	-	-
FFAs	7.1	-	-	-	-
Forward exchange contracts	-	1.2	1.6	-	-3.3
Interest rate swaps	-	-	-	-8.4	-24.6
Currency contracts	-	-	-	-3.7	-
Right to share of gain on purchase options on vessels	-	-	-	-6.0	-
Total 2011	14.1	1.2	1.6	-18.1	-27.9

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

The forward exchange rate contracts with a fair value of USD 0.0 million (2011: USD -3.8 million) are designated as hedge accounting to hedge a part of TORM's payments in 2013 regarding administrative and operating expenses denominated in DKK.

The interest rate swaps with a fair value of USD 0.0 million (2011: USD -26.0 million) are designated as hedge accounting to hedge a part of TORM's interest payments during the period 2013 to 2016.

The gains or losses on these contracts will be recognized in the income statement when realized together with the hedged items.

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.

Under the new financing agreements, TORM is required to limit its derivative trading to spot exchange contracts in the ordinary course of business. Therefore TORM cannot use derivatives to the same extent as before to hedge the exposure towards fluctuations in freight rates, bunker prices and currency and interest rates. Going forward, TORM may obtain consent to increase its use of derivatives and then the policies and guidelines mentioned under the various risks will still apply.

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 at least bi-annually 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 and can only influence to a very limited degree, such as freight rates and vessel and bunker prices.

FREIGHT RATE VOLATILITY

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 as earnings historically have been higher in the day-to-day market compared to time charters. On the other hand, TORM is aiming at reducing the sensitivity to the volatility of 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 2012, 12% of freight earnings deriving from the Company's tankers was secured in this way compared to 33% in 2011. Physical time charter contracts accounted for 92% (2011: 57%) of overall hedging, as this hedging instrument resulted in higher rates than those offered by the forward market. In 2012, the Company entered into FFAs with a total notional contract value of USD 14 million (2011: USD 331 million). At the end of 2012, the coverage for 2013 was at a relatively low level of 17% (by the end of 2011: 26%).

FFA trade and other freight-related derivatives are currently restricted by the new financing agreements, but are otherwise 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.

For the bulk segment, TORM has sought to have high coverage in the declining market. The targeted coverage for the next 12 months rolling is more than 75% for owned and time charter vessels. TORM will actively seek cover using the spot market, reletting time charters and/or using derivative instruments to the extent possible under the new financing agreements.

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 million	2013	2012
SENSITIVITY TO CHANGES IN FREIGHT RATES		
Change in freight rates of USD/day 1,000:		
Change in profit before tax	24.7	30.3
Change in equity	24.7	30.3

SALES AND PURCHASE PRICE FLUCTUATIONS

As an owner of 67 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 2012, the carrying value of the fleet excluding finance lease vessels was USD 1,949 million. Based on broker valuations, TORM's fleet excluding finance lease vessels had a market value of USD 1,159 million as of 31 December 2012.

During the year, TORM took delivery of two MR newbuildings and reduced its fleet by three product tankers. One MR product tanker and the 50% ownership of one LR1 product tanker were sold and furthermore one LR2 vessel on finance lease was redelivered. The Company also cancelled one MR newbuilding with scheduled delivery in 2014 and has no vessels on order.

Under the new 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 2012 (2011: 69%) and is by far the biggest single cost related to a voyage.

Thus 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 has historically hedged part of its bunker requirements with oil derivatives, but the use of oil derivatives is currently restricted by the new financing agreements.

To the extent applicable 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.

In 2012, TORM covered 17.4% (2011: 7.6%) of its bunker requirements using hedging instruments. As at 31 December 2012, the total market value of bunker hedge contracts was USD 1.3 million (2011: USD 2.1 million).

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

NOTE 23 – CONTINUED

USD million	2013	2012
SENSITIVITY TO CHANGES IN THE BUNKER PRICES		
Change in the bunker prices of 10% per ton:		
Change in bunker expenses	33.5	46.7
Change in equity	33.5	46.7

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 cargoes, including personal injury, environmental damage and pollution, cargo damage, third-party casualty and liability, hull and machinery damage, total loss and war. All of TORM's owned vessels are insured for an amount corresponding to their market value plus a margin to cover any fluctuations. Liability risks are covered in line with international standards. Furthermore, all vessels are insured for loss of hire for a period of up to 90 days in the event of a casualty. It is TORM's policy to cooperate with financially sound international insurance companies with a credit rating of BBB or better – presently some 14-16 companies along with two P&I Clubs to diversify risk. The P&I Clubs are member of the internationally recognized collaboration, International Group of P&I Clubs, and the Company's vessels are each insured for the maximum amounts available in the P&I system. At the end of 2012, the aggregate insured value of hull and machinery and interest for TORM's owned vessels amounted to USD 2.6 billion (2011: USD 2.7 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 Division.

In the Tanker Division, a major part of the Company's freight revenues stems from a small group of customers. One customer accounted for 8% (2011: 10%) of the freight revenues in 2012. 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 long-standing customers, payment of freight normally takes place after a vessel has discharged her cargo. For new and smaller customers, the Company's credit risk is limited as freight most often is paid prior to the cargo's discharge or, alternatively, that a suitable bank guarantee is placed in lieu thereof.

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

As a consequence of the payment patterns mentioned above, the Company's receivables within the Tanker and the Bulk Divisions primarily consist of receivables from voyages in progress at year-end and, to a lesser extent, of outstanding demurrage. For the past five years, the Company has not experienced any significant losses in respect of charter payments or any other freight agreements. With regard to the collection of demurrage, the Company's average stands at 97%, which is considered to be satisfactory given the differences in interpretation of events. In 2012, demurrage represented 9.0% (2011: 9.7%) 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 2012, 100% of TORM's forward freight agreements (FFAs) and approximately 70% of fuel swaps have been cleared either through Norsk Oppgjørs Sentral (NOS), London Clearinghouse (LCH) or NYMEX Clearport, hereby effectively reducing counterparty credit risk by daily clearing of balances. Over the counter fuel swaps have restrictively been entered into with major oil companies, banks or highly reputed partners with a satisfactory credit rating. Financial derivative instruments, mainly interest rate swaps and forward exchange contracts, have been exclusively traded with major banks in possession of a high credit rating.

4) FINANCIAL RISKS

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

All TORM's interest rate and currency swap transactions were closed-out as part of the restructuring and TORM will not be able to enter into new derivative transactions.

As a result, TORM's entire debt is now uncovered in relation to interest risk, and the foreign exchange risk primarily related to non-USD denominated administrative and operating expenses is thereby left unhedged. Any changes in interest rates and currency rates could therefore have a material adverse effect on TORM's future performance, results of operations, cash flows and financial position.

NOTE 23 – CONTINUED**FOREIGN EXCHANGE RISK**

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

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

Other significant cash flows in non-USD-related currencies occur occasionally. No other significant cash flows in non-USD-related currencies occurred in 2012.

At 31 December 2012, the overall hedge of the foreign exchange risk for 2013 is 0% (at 31 December 2011: 52% for 2012).

Forward foreign exchange contracts and other foreign exchange contracts have during 2012 been traded subject to specific risk policies and guidelines approved by the Board of Directors including trading limits, segregation of duties and other internal control procedures.

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

USD million	2013	2012
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	6.4	4.6
Change in equity	6.4	1.2

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 2012, TORM has fixed 23% of the interest exposure. The fixing was a result of the scheduled interest fixing of the debt (through 27 March 2013).

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

USD million	2013	2012
SENSITIVITY TO CHANGES IN INTEREST RATES		
Effect of a change in the interest rate level of 1% point:		
Change in interest rate expenses	14.1	5.0
Change in equity	14.1	5.0

TORM's interest-bearing debt increased from year-end 2011 to year-end 2012 by USD 81 million (2011: increased by USD 169 million) to USD 1,868 million (2011: USD 1,787 million).

NOTE 24**FINANCIAL INSTRUMENTS**

USD million 2012 2011

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES AS DEFINED IN IAS 39:**Loans and receivables**

Loans to jointly controlled entities	0.0	8.2
Freight receivables	117.3	140.2
Other receivables	13.7	21.5
Cash and cash equivalents	28.3	85.6
	159.3	255.5

Available for sale assets

Other investments	12.3	11.6
	12.3	11.6

Derivative financial instruments (assets)

Other receivables (held for trading)	2.3	3.9
	2.3	3.9

Financial liabilities measured at amortized cost

Mortgage debt and bank loans	1,881.8	1,794.6
Finance lease liabilities	14.4	77.7
Trade payables	83.8	115.6
Other liabilities	34.5	26.0
	2,014.5	2,013.9

Derivative financial instruments (liabilities)

Acquired liabilities related to options on vessels (held for trading)	0.0	0.1
Other liabilities (held for trading)	1.0	11.2
Other liabilities (hedge accounting)	0.0	29.8
	1.0	41.1

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 17.

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

The table below shows the fair value hierarchy for financial instruments measured at fair value in the balance sheet. The financial instruments in question are grouped into Levels 1 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 inputs)

NOTE 24 – CONTINUED

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

USD million	2011			Total
	Quoted prices (Level 1)	Observable input (Level 2)	Unobserv- able input (Level 3)	
Available for sale financial assets:				
Other investments	0.0	-	11.6	11.6
Derivative financial instruments (assets):				
Other receivables (held for trading)	-	3.9	-	3.9
Other receivables (hedge accounting)	-	0.0	-	0.0
Total financial assets	0.0	3.9	11.6	15.5
Derivative financial instruments (liabilities):				
Acquired liabilities related to options on vessels (held for trading)	-	0.1	-	0.1
Other liabilities (held for trading)	-	11.2	-	11.2
Other liabilities (hedge accounting)	-	29.8	-	29.8
Total financial liabilities	0.0	41.1	0.0	41.1

There were no transfers between Level 1 and 2 in 2012 and 2011.

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

USD million	2012	2011
Other investments, available for sale:		
Balance at 1 January	11.6	2.8
Gain/loss in other comprehensive income	0.2	8.8
Transfers to/from Level 3	0.5	-
Balance at 31 December	12.3	11.6
Gain/loss in the income statement for assets held at the end of the reporting period	0.0	0.0

NOTE 25**RELATED PARTY TRANSACTIONS**

Niels Erik Nielsen, former Chairman of the Board of Directors, was during the year a practicing partner in the law firm Lett. Lett has rendered legal assistance during the financial year as one of a number of law firms. The firm's fee of USD 2.0 million (2011: USD 0.2 million) is based upon the amount of time spent by the firm.

Jesper Jarlbæk, former member of the Board of Directors, is Chairman of the Board of Directors and shareholder in Basico Consulting A/S and member of the Board of Directors and shareholder in IT2 Treasury Solutions Ltd. TORM has used Basico Consulting A/S for interim employment during the financial year amounting to USD 0.8 million (2011: USD 0.8 million), and IT2 Treasury Solutions Ltd. has licensed treasure management software and related implementation during the financial year amounting to USD 0.2 million (2011: USD 0.0 million). Interim employment fees and implementation fees are based upon the amount of time spent by the firms.

Angelos Papoulias, former member of the Board of Directors until April 2012, is director of Investments & Finance Ltd. TORM has paid Investments & Finance Ltd. for consulting services during the financial year amounting to USD 0.8 million (2011: USD 1.3 million) based upon the amount of time spent by the firm.

Until the completion of the restructuring, Alpha Trust and its trustee, First Link Management Services Limited, was considered to have control over TORM via the ownership of 52.23% of the share capital of the Company.

During the financial year, TORM carried on trading with its jointly controlled entities for a total amount of USD 1.5 million (2011: USD 8.4 million). In July 2012, TORM acquired a claim against affiliates of a time charter-in partner for a consideration of USD 3.0 million from a subsidiary of TORM's jointly controlled entity FR8 Holdings Pte. Ltd.

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

Management remuneration is disclosed in note 4.

NOTE 26**NON-CURRENT ASSETS HELD FOR SALE**

At year end 2012, the Company has entered into negotiations concerning the sale of five MR tankers. The tankers have been classified as held for sale and are presented separately in the balance sheet and included under 'Tanker' in the segment information.

An impairment loss of USD 74 million from adjusting the book value of the tankers to the market value at year-end 2012 has been recognized in the income statement for 2012 under 'Impairment losses on tangible and intangible assets'.

At year-end 2011, the Company had entered into contracts regarding sale of two newbuilding contracts, which qualified for a classification as assets held for sale. The loss from the sale of the contracts amounting to USD 41 million was recognized in the income statement for 2011 under 'Net profit/(loss) from sale of vessels'.

NOTE 27**CASH FLOWS**

USD million	2012	2011
Reversal of other non-cash movements:		
Amortization of acquired assets and liabilities	-1.3	-2.7
Share-based payment	1.3	1.3
Adjustments on derivative financial instruments	2.5	-4.0
Exchange rate adjustments	0.7	0.3
Gain from sale of other fixed assets than vessels	-0.4	-1.7
	2.8	-6.8

USD million	2012	2011
Change in bunkers, receivables and payables:		
Change in bunkers	11.7	-48.0
Change in receivables	27.8	-45.3
Change in prepayments	-3.8	8.7
Change in trade payables and other liabilities	-67.8	82.3
Fair value changes of derivative financial instruments	38.4	-13.7
Other non-cash movements included in current assets and liabilities	0.0	-1.7
	6.3	-17.7

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
OMI Marine Service Ltd.	100%	Delaware
Tiber Shipping LLC	100%	Marshall Islands
Torghatten & TORM Shipowning ApS	100%	Denmark
TORM Brasil Consultoria em Transporte Maritimo LTDA.	100%	Brazil
TORM Crewing Service Ltd.	100%	Bermuda
TORM Singapore Pte. Ltd.	100%	Singapore
TORM Shipping India Private Limited	100%	India
TORM USA LLC	100%	Delaware
TT Shipowning K/S	100%	Denmark
VesselCo 1 K/S	100%	Denmark
VesselCo 2 K/S	100%	Denmark
VesselCo 3 K/S	100%	Denmark
VesselCo 4 K/S	100%	Denmark
VesselCo A ApS	100%	Denmark
VesselCo B ApS	100%	Denmark
VesselCo C ApS	100%	Denmark
VesselCo D ApS	100%	Denmark
VesselCo 2 Pte. Ltd.	100%	Singapore
VesselCo 4 Pte. Ltd.	100%	Singapore
VesselCo 6 Pte. Ltd.	100%	Singapore
VesselCo 7 Pte. Ltd.	100%	Singapore

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

FR8 Holdings Pte. Ltd.	50%	Singapore
Long Range 2 A/S	50%	Denmark
LR2 Management K/S	50%	Denmark
TORM Shipping (Phils.), Inc.	25%	Philippines
Ugland & TORM Shipowning ApS**]	50%	Denmark
UT Shipowning K/S**]	50%	Denmark

*) Entities with activities in the financial year.

**) Entities divested in the financial year.

As part of the restructuring, TORM has 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.

Furthermore, TORM participates in a number of joint ventures, primarily The LR2 Pool, which are not legal entities. The investments in these joint ventures are included as investments in jointly controlled operations.

NOTE 28 – CONTINUED**INCOME AND EXPENSES AND SUMMARIZED BALANCE SHEET DATA FOR JOINTLY CONTROLLED ENTITIES**

USD million	2012	2011
Total income	22.6	60.4
Total expenses	-31.2	-68.8
Net profit for the year	-8.6	-8.4
Non-current assets	0.4	237.0
Current assets	1.8	62.6
Non-current liabilities	0.0	163.8
Current liabilities	0.0	35.2

In 2012, TORM entered into an agreement to sell its 50% stake in the joint venture entity Ugland & TORM Shipowning ApS. The transaction led to a P&L loss of USD 5 million, which has been recognized in the financial statement for 2012 under 'Share of results of jointly controlled entities'.

NEWBUILDING CONTRACTS AND PURCHASE OPTIONS ON VESSELS IN JOINTLY CONTROLLED ENTITIES

At 31 December 2012, no purchase options on vessels were exercised (2011: no purchase options exercised) in jointly controlled entities. TORM's share of the total outstanding contractual commitment for the exercised purchase options on vessels amounts to USD 0 million (2011: USD 0 million) as at 31 December 2012.

NOTE 29

	2012	2011
EARNINGS/LOSS PER SHARE		
Net profit/(loss) for the year (USD million)	-580.6	-453.0
Million shares		
Average number of shares	182.0	72.8
Average number of treasury shares	-3.8	-3.3
Average number of shares outstanding	178.2	69.5
Dilutive effect of outstanding share options	0.0	0.0
Average number of shares outstanding incl. dilutive effect of share options	178.2	69.5
Earnings/(loss) per share (USD)	-3.3	-6.5
Diluted earnings/(loss) per share (USD)	-3.3	-6.5

When calculating diluted earnings per share for 2012, 6,654,302 share options (2011: 4,661,318 share options) have been omitted as they are out-of-the-money, but potentially the share options might dilute earnings per share in the future.

STATEMENT BY MANAGEMENT

We have today presented the annual report of TORM A/S for the financial year 1 January - 31 December 2012.

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 2012 as well as of their financial performance and cash flows for the financial year 1 January - 31 December 2012.

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

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

Copenhagen, 13 March 2013

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

Roland M. Andersen
CFO

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 46 – 100 for the financial year 1 January to 31 December 2012, 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 the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2012 and of the results of their operations and cash flows for the financial year 1 January to 31 December 2012 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

STATEMENT ON THE MANAGEMENT COMMENTARY (PAGES 4-45)

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 the 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 the parent financial statements.

Copenhagen, 13 March 2013

DELOITTE

Statsautoriseret Revisionspartnerselskab

Anders Dons
State Authorised
Public Accountant

Henrik Kjølgaard
State Authorised
Public Accountant

PARENT COMPANY 2012

INCOME STATEMENT

1 JANUARY - 31 DECEMBER

USD '000	Note	2012	2011
Revenue		1,118,509	1,294,982
Port expenses, bunkers and commissions		-666,308	-673,063
Freight and bunker derivatives		9,914	14,105
Time charter equivalent earnings		442,115	635,624
Charter hire		-417,703	-446,919
Operating expenses	2	-142,519	-136,885
Gross profit (Net earnings from shipping activities)		-98,107	51,820
Net profit/(loss) from sale of vessels		-8,047	-59,715
Administrative expenses	2, 3	-54,877	-53,051
Other operating expenses		-1,782	-1,155
EBITDA		-162,813	-62,101
Impairment losses on tangible and intangible assets	5, 6	-28,600	-173,294
Amortization and depreciation	6	-96,097	-121,513
Operating profit/(loss) (EBIT)		-287,510	-356,908
Financial income	7	13,343	11,079
Financial expenses	7	-205,455	-97,865
Profit/(loss) before tax		-479,622	-443,694
Tax expenses	10	-1,282	-1,093
Net profit/(loss) for the year		-480,904	-444,787

ALLOCATION OF PROFIT/(LOSS) FOR THE YEAR

The Board of Directors recommends that the net profit/(loss) for the year of USD -481 million is allocated as follows:

Proposed dividend USD 0.0 per share of DKK 0.01 (2011: USD 0.0 per share of DKK 5.00)	0
Retained profit	-480,904
	-480,904

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

STATEMENT OF COMPREHENSIVE INCOME

1 JANUARY - 31 DECEMBER

USD '000	2012	2011
Net profit/(loss) for the year	-480,904	-444,787
Other comprehensive income:		
Fair value adjustment on hedge instruments	-10,762	-29,128
Value adjustment on hedge instruments transferred to income statement	17,423	852
Fair value adjustment on other investments available for sale	169	8,651
Other comprehensive income after tax	6,830	-19,625
Total comprehensive income for the year	-474,074	-464,412

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

BALANCE SHEET AT 31 DECEMBER

USD '000	Note	2012	2011
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Goodwill	5	0	0
Total intangible assets		0	0
Tangible fixed assets			
Land and buildings		812	1,976
Vessels and capitalized dry-docking	13	22,687	1,840,549
Prepayments on vessels		0	36,120
Other plant and operating equipment		5,072	6,464
Total tangible fixed assets	6	28,571	1,885,109
Financial assets			
Investment in subsidiaries	4, 13	1,755,797	19,825
Loans to subsidiaries		39,725	53,875
Investments in jointly controlled entities	4	92	42,411
Loans to jointly controlled entities		0	8,198
Other investments	4	11,781	11,612
Total financial assets		1,807,395	135,921
Total non-current assets		1,835,966	2,021,030
CURRENT ASSETS			
Bunkers		72,544	83,321
Freight receivables	8	114,689	137,882
Other receivables	9	12,393	20,920
Prepayments		14,970	11,664
Cash and cash equivalents		24,687	70,927
		239,283	324,714
Non-current assets held for sale	20	53,592	21,236
Total current assets		292,875	345,950
TOTAL ASSETS		2,128,841	2,366,980

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

BALANCE SHEET AT 31 DECEMBER

USD '000	Note	2012	2011
EQUITY AND LIABILITIES			
EQUITY			
Common shares		1,247	61,098
Special reserve		60,974	0
Treasury shares		-19,104	-17,309
Revaluation reserves		6,349	6,180
Retained profit		90,093	373,777
Proposed dividend		0	0
Hedging reserves		-21,957	-28,618
Translation reserves		5,896	5,896
Total equity		123,498	401,024
LIABILITIES			
Non-current liabilities			
Deferred tax liability	10	53,350	53,858
Mortgage debt and bank loans	12, 13, 15	1,806,233	0
Finance lease liabilities	16	14,370	26,806
Total non-current liabilities		1,873,953	80,664
Current liabilities			
Mortgage debt and bank loans	12, 13, 15	813	1,515,574
Finance lease liabilities	16	0	1,620
Loans from subsidiaries		0	174,814
Trade payables		82,458	114,270
Current tax liabilities		342	1,094
Other liabilities	11	47,777	77,836
Acquired liabilities related to options on vessels		0	84
Total current liabilities		131,390	1,885,292
Total liabilities		2,005,343	1,965,956
TOTAL EQUITY AND LIABILITIES		2,128,841	2,366,980

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

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

STATEMENT OF CHANGES IN EQUITY

USD million	Common shares	Special reserve ¹⁾	Treasury shares ¹⁾	Retained profit	Proposed dividends	Revaluation reserves	Hedging reserves	Translation reserves	Total
EQUITY									
Equity at 1 January 2011	61.1	0.0	-17.9	817.9	0.0	-2.4	-0.4	5.9	864.2
Changes in equity 2011:									
Net profit/(loss) for the year	-	-	-	-444.8	-	-	-	-	-444.8
Other comprehensive income for the year	-	-	-	-	-	8.7	-28.3	-	-19.6
Total comprehensive income for the year	0.0	0.0	0.0	-444.8	0.0	8.7	-28.3	0.0	-464.4
Share capital decrease	-	-	-	-	-	-	-	-	0.0
Conversion of debt	-	-	-	-	-	-	-	-	0.0
Acquisition of treasury shares, cost	-	-	-	-	-	-	-	-	0.0
Transaction costs, share issue	-	-	-	-	-	-	-	-	0.0
Disposal treasury shares, cost	-	-	-	-	-	-	-	-	0.0
Loss from disposal of treasury shares	-	-	0.6	-	-	-	-	-	0.6
Share-based compensation	-	-	-	-0.6	-	-	-	-	-0.6
	-	-	-	1.3	-	-	-	-	1.3
Total changes in equity 2011	0.0	0.0	0.6	-444.1	0.0	8.7	-28.3	0.0	-463.1
Equity at 31 December 2011	61.1	0.0	-17.3	373.8	0.0	6.3	-28.7	5.9	401.1
Comprehensive income for the year:									
Net profit/(loss) for the year	-	-	-	-480.9	-	-	-	-	-480.9
Other comprehensive income for the year	-	-	-	-	-	0.2	6.6	-	6.8
Total comprehensive income for the year	0.0	0.0	0.0	-480.9	0.0	0.2	6.6	0.0	-474.1
Share capital decrease	-61.0	61.0	-	-	-	-	-	-	0.0
Conversion of debt	1.1	-	-	198.9	-	-	-	-	200.0
Acquisition of treasury shares, cost	-	-	-1.8	-	-	-	-	-	-1.8
Transaction costs, share issue	-	-	-	-2.9	-	-	-	-	-2.9
Disposal treasury shares, cost	-	-	-	-	-	-	-	-	0.0
Loss from disposal of treasury shares	-	-	-	-	-	-	-	-	0.0
Share-based compensation	-	-	-	-	-	-	-	-	0.0
	-	-	-	1.2	-	-	-	-	1.2
Total changes in equity 2012	-59.9	61.0	-1.8	-283.7	0.0	0.2	6.6	0.0	-277.6
Equity at 31 December 2012	1.2	61.0	-19.1	90.1	0.0	6.4	-22.0	5.9	123.5

¹⁾ Special reserve in accordance with the Danish Companies Act.

^{**1)} 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	2012	2011
CASH FLOW FROM OPERATING ACTIVITIES			
Operating profit/(loss)		-287,510	-356,908
Adjustments:			
Reversal of profit from sale of vessels		8,047	59,715
Reversal of depreciation and impairment losses		124,697	294,807
Reversal of other non-cash movements	21	3,714	-4,627
Reversal of restructuring charter-in fee		141,676	0
Dividends received		427	1,417
Interest received and exchange rate gains		3,034	5,920
Interest paid and exchange rate losses		-45,091	-61,925
Advisor fees related to financing and restructuring plan		-64,015	0
Income taxes paid/repaid		-2,543	-2,240
Change in bunkers, accounts receivables and payables	21	12,548	-19,182
Net cash flow from operating activities		-105,016	-83,023
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in tangible fixed assets		-63,094	-76,884
Investment in equity interests and securities		-77	0
Sale of equity interests and securities		1,948	0
Loans and repayment of loans to subsidiaries and jointly controlled entities		-14,069	111,278
Sale of non-current assets		89,917	292,709
Net cash flow from investing activities		14,425	327,103
CASH FLOW FROM FINANCING ACTIVITIES			
Borrowing, mortgage debt		82,451	33,780
Repayment/redemption, mortgage debt		-34,597	-230,142
Repayment/redemption, finance lease liabilities		-36	-4,476
Transaction costs share issue		-1,872	0
Purchase/disposals of treasury shares		-1,795	0
Dividends paid		0	0
Cash flow from financing activities		44,151	-200,838
Net cash flow from operating, investing and financing activities		-46,240	43,242
Cash and cash equivalents at 1 January		70,927	27,685
Cash and cash equivalents at 31 December		24,687	70,927
Of which restricted cash and cash equivalents		0	0
Non-restricted cash and cash equivalents at 31 December		24,687	70,927

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 AS, applies the following supplementary accounting policies.

Foreign currencies

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

Investment in subsidiaries and jointly controlled entities

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

NOTE 2

USD million

2012 2011

STAFF COSTS**Total staff costs**

Staff costs included in operating expenses	17.4	18.0
Staff costs included in administrative expenses	33.1	37.7
	50.5	55.7

Staff costs comprise the following:

Wages and salaries	45.2	49.3
Share-based compensation	1.3	1.3
Pension costs	3.5	4.8
Other social security costs	0.5	0.3
	50.5	55.7

Employee information

The average number of permanently employed staff in the Parent Company in the financial year was 161 (2011: 186) land-based employees and 161 (2011: 212) 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

USD million

2012 2011

REMUNERATION TO AUDITORS APPOINTED AT THE PARENT COMPANY'S ANNUAL GENERAL MEETING**Deloitte**

Audit fees	0.3	0.4
Audit-related fees	1.3	0.4
Tax fees	0.8	0.1
Fees for other services	0.3	0.4
	2.7	1.3

NOTE 4				
USD million	Investment in subsidiaries	Investment in jointly controlled activities	Total investments	Other investments
FINANCIAL ASSETS				
Cost:				
Balance at 1 January 2011	26.0	112.7	138.7	5.4
Additions	-	-	0.0	-
Disposals	-6.2	-	-6.2	-
Transferred from vessels and capitalized dry-docking	-	-	0.0	-
Balance at 31 December 2011	19.8	112.7	132.5	5.4
Depreciation and impairment losses:				
Balance at 1 January 2011	0.0	-45.1	-45.1	-2.4
Exchange rate adjustment	-	-	0.0	-0.5
Value adjustment for the year	-	-	0.0	9.1
Disposals	-	-	0.0	-
Impairment losses	-	-25.2	-25.2	-
Balance at 31 December 2011	0.0	-70.3	-70.3	6.2
Carrying amount at 31 December 2011	19.8	42.4	62.2	11.6
Cost:				
Balance at 1 January 2012	19.8	112.7	132.5	5.4
Additions	100.6	-	100.6	-
Disposals	0.0	-	0.0	-
Transferred from vessels and capitalized dry-docking	1,655.2	-	1,655.2	-
Balance at 31 December 2012	1,775.6	112.7	1,888.3	5.4
Depreciation and impairment losses:				
Balance at 1 January 2012	0.0	-70.3	-70.3	6.2
Exchange rate adjustment	-	-	0.0	0.2
Value adjustment for the year	-	-	0.0	-
Disposals	-	-	0.0	-
Impairment losses	-19.8	-42.3	-62.1	-
Balance at 31 December 2012	-19.8	-112.6	-132.4	6.4
Carrying amount at 31 December 2012	1,755.8	0.1	1,755.9	11.8
Hereof listed				0.0
Hereof unlisted				11.8

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

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

NOTE 5			
USD million	Goodwill	Total	
INTANGIBLE ASSETS			
Cost:			
Balance at 1 January 2011	89.2	89.2	
Additions	-	0.0	
Disposals	-	0.0	
Balance at 31 December 2011	89.2	89.2	
Impairment losses:			
Balance at 1 January 2011	0.0	0.0	
Disposals	-	0.0	
Impairment losses for the year	89.2	89.2	
Balance at 31 December 2011	89.2	89.2	
Carrying amount at 31 December 2011	0.0	0.0	
Cost:			
Balance at 1 January 2012	89.2	89.2	
Additions	-	0.0	
Disposals	-	0.0	
Balance at 31 December 2012	89.2	89.2	
Impairment losses:			
Balance at 1 January 2012	89.2	89.2	
Disposals	-	0.0	
Impairment losses for the year	-	0.0	
Balance at 31 December 2012	89.2	89.2	
Carrying amount at 31 December 2012	0.0	0.0	

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

NOTE 6

USD million	Land and buildings	Vessels and capitalized dry-docking	Prepayments on vessels	Other plant and operating equipment	Total
TANGIBLE FIXED ASSETS					
Cost:					
Balance at 1 January 2011	2.3	2,619.0	186.6	21.6	2,829.5
Additions	-	17.4	57.0	2.4	76.8
Disposals	-	-316.8	-7.8	-0.2	-324.8
Transferred to/from other items	-	104.8	-104.8	-	0.0
Transferred to non-current assets held for sale	-	-	-61.8	-	-61.8
Balance at 31 December 2011	2.3	2,424.4	69.2	23.8	2,519.7
Depreciation and impairment losses:					
Balance at 1 January 2011	0.3	420.4	16.3	13.9	450.9
Disposals	-	-54.9	-	-0.2	-55.1
Depreciation for the year	-	118.0	-	3.6	121.6
Loss on sale of newbuildings	-	-	33.1	-	33.1
Impairment loss	-	84.1	-	-	84.1
Transferred to/from other items	-	16.3	-16.3	-	0.0
Balance at 31 December 2011	0.3	583.9	33.1	17.3	634.6
Carrying amount at 31 December 2011	2.0	1,840.5	36.1	6.5	1,885.1
Of which finance leases	0.0	26.9	0.0	0.0	26.9
Of which financial expenses included in cost	0.0	2.0	0.8	0.0	2.8
Cost:					
Balance at 1 January 2012	2.3	2,424.4	69.2	23.8	2,519.7
Additions	-	34.9	41.7	1.8	78.4
Disposals	-0.5	-136.4	-8.0	-	-144.9
Transferred to/from other items	-	102.9	-102.9	-	0.0
Transferred to non-current assets held for sale	-	-95.6	-	-	-95.6
Transferred to investment in subsidiaries*)	-	-2,307.4	-	-	-2,307.4
Balance at 31 December 2012	1.8	22.8	0.0	25.6	50.2
Depreciation and impairment losses:					
Balance at 1 January 2012	0.3	583.9	33.1	17.3	634.6
Disposals	-0.1	-43.4	-	-	-43.5
Depreciation for the year	0.8	92.1	-	3.2	96.1
Loss on sale of newbuildings	-	-	-	-	0.0
Impairment loss	-	28.6	-	-	28.6
Transferred to/from other items	-	33.1	-33.1	-	0.0
Transferred to non-current assets held for sale	-	-42.0	-	-	-42.0
Transferred to investment in subsidiaries*)	-	-652.2	-	-	-652.2
Balance at 31 December 2012	1.0	0.1	0.0	20.5	21.6
Carrying amount at 31 December 2012	0.8	22.7	0.0	5.1	28.6
Of which finance leases	0.0	14.7	0.0	0.0	14.7
Of which financial expenses included in cost	0.0	2.7	0.0	0.0	2.7

Included in the carrying amount for vessels and capitalized dry-docking are capitalized dry-docking costs in the amount of USD 4.7 million (2011: USD 25.7 million).

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

Please refer to note 13 for information in relation to assets used for collateral security.

*) Vessels and capitalized dry-docking have been contributed in kind in wholly owned subsidiaries as a part of the restructuring.

NOTE 7

USD million	2012	2011
FINANCIAL ITEMS		
Financial income		
Interest income from cash and cash equivalents, etc.	2.7	1.9
Gain on sale from investments in jointly controlled entities	1.9	0.0
Dividends	0.4	0.0
Dividends from subsidiaries	0.1	1.4
Fair value adjustments on derivative financial instruments	5.7	3.7
Exchange rate adjustments, including net gain from forward exchange rate contracts	2.5	4.1
Balance at 31 December 2011	13.3	11.1
Financial expenses		
Interest expense on mortgage and bank debt, including net gain/loss on interest-related derivatives	70.8	50.3
Exchange rate adjustments, including net realized loss from forward exchange rate contracts	0.1	4.0
Advisor fees related to financing and restructuring plan	64.0	0.0
Impairment losses on subsidiaries	19.8	0.0
Impairment losses on jointly controlled entities	46.0	25.2
Write-down on financial fixed assets regarding liquidation of inactive subsidiaries and jointly controlled entities	1.9	9.1
Other financial expenses	2.8	9.9
Of which included in the cost of tangible fixed assets	0.0	-0.6
Total financial items	-192.1	-86.8

NOTE 8

USD million	2012	2011
FREIGHT RECEIVABLES		
Analysis of freight receivables at 31 December:		
Neither past due nor impaired	76.4	78.2
Due < 30 days	8.0	43.2
Due between 30 and 180 days	22.7	13.3
Due > 180 days	7.6	3.2
Balance at 31 December	114.7	137.9
At 31 December 2012, freight receivables include receivables at a value of USD 0.2 million (2011: USD 0.2 million), which are individually determined to be impaired to a value of USD 0.0 million (2011: USD 0.0 million).		
Movements in the provision for impairment of freight receivables during the year are as follows:		
USD million	2012	2011
PROVISION FOR IMPAIRMENT OF FREIGHT RECEIVABLES		
Balance at 1 January	0.2	0.1
Provisions for the year	-	-
Provisions reversed during the year	-	-
Provisions utilized during the year	-	-
Balance at 31 December	0.2	0.2

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

NOTE 9		
USD million		
	2012	2011
OTHER RECEIVABLES		
Partners and commercial managements	2.8	5.0
Derivative financial instruments	2.9	5.6
Receivables at joint ventures	0.0	3.7
Tax receivables	0.8	0.6
Miscellaneous, including items related to shipping activities	5.9	6.0
	12.4	20.9

NOTE 10		
USD million		
	2012	2011
TAX		
Current tax for the year	1.6	-2.0
Adjustments related to previous years	0.2	0.5
Adjustment of deferred tax	-0.5	0.5
	1.3	-1.0
	-0.3%	-0.2%

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, 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 -0.3% (2011: -0.2%) and the corporation tax rate in Denmark of 25% (2011: 25%) primarily relates to the tonnage tax scheme.

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

USD million		
	2012	2011
DEFERRED TAX		
Deferred tax at 1 January	53.9	54.4
Deferred tax for the year	-0.6	-0.5
Deferred tax at 31 December	53.3	53.9

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

NOTE 11		
USD million		
	2012	2011
OTHER LIABILITIES		
Partners and commercial managements	12.0	6.0
Accrued operating expenses	14.4	5.4
Accrued interests	0.8	3.2
Wages and social expenses	11.6	15.8
Derivative financial instruments	1.0	37.5
Miscellaneous, including items related to shipping activities	8.0	9.9
	47.8	77.8

NOTE 12 **EFFECTIVE INTEREST RATE AND FAIR VALUE OF MORTGAGE DEBT AND BANK LOANS**

In November 2012, TORM completed a restructuring. As part of the restructuring, TORM secured a new working facility of USD 100 million until 30 September 2014. 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.

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

As 31 December 2011, the Company's mortgage debt and bank loans were subject to an unremediated breach of financial covenants and therefore formally due in 2012.

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

USD million	Fixed/ floating	2012			2011		
		Maturity	Effective interest	Fair value	Maturity	Effective interest	Fair value
LOAN							
USD	Floating	-	-	-	2012	3.3%	1,521.8
USD	Floating	2014	15.6%*	58.0	-	-	-
USD	Floating	2016	3.4%**	1,771.3	-	-	-
Weighted average effective interest rate				3.6%	3.3%		
Fair value				1,829.3	1,521.8		

As of 31 December 2011, part of the loans with floating interest rate were swapped to fixed interest rate.

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

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

NOTE 13		
USD million		
	2012	2011
COLLATERAL SECURITY		
Collateral security for mortgage debt and bank loans:		
Vessels	-	1,486.6
Investment in subsidiaries	1,828.9	-
	1,828.9	1,486.6

The total carrying amount for vessels that have been provided as security amounts to USD 0 million (2011: USD 1,897 million).

The total carrying amount for investment in subsidiaries that have been provided as security amounts to USD 1,734 million (2011: USD 0 million).

NOTE 14		
USD million		
	2012	2011
GUARANTEE AND CONTINGENT LIABILITIES		
Guarantees for bank loans in subsidiaries	115.9	237.1
Guarantees for leasing liabilities in subsidiaries	40.3	92.0
Other guarantee liabilities	0.0	0.0
	156.2	329.1

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

NOTE 15		
CONTRACTUAL OBLIGATIONS, MORTGAGE DEBT AND BANK LOANS		
TORM has various contractual obligations and commercial commitments to make future payments including lease obligations, purchase commitments, interest payments and repayment of mortgage debt and bank loans.		

At 31 December 2011, the Company's mortgage debt and bank loans were formally due in 2012 due to an unremediated breach of financial covenants. With the Restructuring Agreement per 5 November 2012, the Company has extended its debt to 31 December 2016 and is no longer in breach. In addition, the Company secured a USD 100 million working capital facility available with expiring date 30 September 2014.

The following table summarizes the Company's contractual obligations:

NOTE 15 - CONTINUED									
As of 31 December 2012:									
USD million	2013	2014	2015	2016	2017	Thereafter	Total		
Mortgage debt and bank loans 1)	0.8	93.7	87.8	1,624.8	-	-	-	-	1,807.1
Interest payments related to scheduled interest fixing	11.8	-	-	-	-	-	-	-	11.8
Estimated variable interest payments 3)	41.1	53.7	51.9	55.8	-	-	-	-	202.5
	53.7	147.4	139.7	1,680.6	0.0	0.0	0.0	0.0	2,021.4
USD million	2013	2014	2015	2016	2017	Thereafter	Total		
Finance lease liabilities 4)	-1.9	-1.4	-0.9	-0.1	18.7	-	-	-	14.4
Interest element finance lease	4.0	4.4	4.7	4.8	3.2	-	-	-	21.1
Chartered-in vessels (incl. vessels not delivered) (Operating lease) 5)	71.9	45.0	43.5	15.7	13.5	5.8	-	-	195.4
Newbuilding instalments and exercised purchase options (Purchase obligations) 6)	-	-	-	-	-	-	-	-	0.0
Other operating leases 7)	4.7	3.2	0.1	0.1	-	-	-	-	8.1
	78.7	51.2	47.4	20.5	35.4	5.8	5.8	5.8	239.0

Contractual obligations - as lessor:

Charter hire income for vessels on time charter and

bareboat charter (incl. vessels not

delivered) (Operating lease) 8)

USD million	2013	2014	2015	2016	2017	Thereafter	Total		
	23.7	7.3	0.1	-	-	-	-	-	31.1
	23.7	7.3	0.1	0.0	0.0	0.0	0.0	0.0	31.1

As of 31 December 2011:

USD million	2012	2013	2014	2015	2016	Thereafter	Total		
Mortgage debt and bank loans 1)	1,515.6	-	-	-	-	-	-	-	1,515.6
Interest payments related to interest rate swaps 2)	28.6	13.5	8.2	4.6	2.9	-	-	-	57.8
Estimated variable interest payments 3)	4.8	-	-	-	-	-	-	-	4.8
	1,549.0	13.5	8.2	4.6	2.9	0.0	2.9	0.0	1,578.2

USD million	2012	2013	2014	2015	2016	Thereafter	Total		
Finance lease liabilities 4)	1.6	1.8	2.1	2.3	2.7	17.9	-	-	28.4
Interest element finance lease	3.3	3.1	2.8	2.6	2.2	1.4	-	-	15.4
Chartered-in vessels (incl. vessels not delivered) (Operating lease) 5)	327.1	273.1	248.2	184.1	85.5	126.1	-	-	1,244.1
Newbuilding instalments and exercised purchase options (Purchase obligations) 6)	52.0	9.8	19.9	-	-	-	-	-	81.7
Other operating leases 7)	4.7	4.8	3.3	0.1	0.1	-	-	-	13.0
	388.7	292.6	276.3	189.1	90.5	145.4	90.5	145.4	1,382.6

Contractual obligations - as lessor:

Charter hire income for vessels on time charter and

bareboat charter (incl. vessels not

delivered) (Operating lease) 8)

USD million	2013	2014	2015	2016	2017	Thereafter	Total		
	68.6	16.5	4.6	-	-	-	-	-	89.7
	68.6	16.5	4.6	0.0	0.0	0.0	0.0	0.0	89.7

1) The presented amounts to be repaid are adjusted by directly related costs arising from the issuing of the loans by USD 25.1 million (2011: USD 4.2 million) which are amortized over the term of the loans.

2) Actual fixed rate according to interest rate swaps is used for the covered interest payments.

3) Variable interest payments are estimated based on the average forward rates for each year. This corresponds to an average net interest including margin of 2.9% (2011: 2.5%).

4) One leasing agreement includes a purchase liability upon default of certain financial covenants similar to those disclosed in note 16.

5) Leases have been entered into with a mutually non-cancelable lease period of up to eight years. The obligation is based on minimum lease payments. 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 0.9 years (2011: 2.3 years).

6) At 31 December 2012, TORM had no contracted newbuildings (2011: three newbuildings to be delivered during 2012-2014 for which the total outstanding contractual commitment at 31 December 2011 amounted to USD 82 million).

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

8) Charter hire income for vessels on time charter and bareboat charter is recognized under revenue. The average period until redelivery of the vessels is 1.0 years (2011: 0.6 years).

NOTE 16

USD million	Minimum lease payments	Interest element	Carrying amount
FINANCE LEASE LIABILITIES - AS LESSEE			
Lease liabilities regarding finance lease assets:			
2012			
Falling due within one year	2.1	-3.9	-1.8
Total current	2.1	-3.9	-1.8
Falling due between one and five years	33.4	-17.2	16.2
Falling due after five years	-	-	0.0
Total non-current	33.4	-17.2	16.2
Total	35.5	-21.1	14.4
Fair value			14.4

2011			
Falling due within one year	4.9	-3.3	1.6
Total current	4.9	-3.3	1.6
Falling due between one and five years	19.6	-10.7	8.9
Falling due after five years	19.3	-1.4	17.9
Total non-current	38.9	-12.1	26.8
Total	43.8	-15.4	28.4
Fair value			28.4

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

NOTE 17**DERIVATIVE FINANCIAL INSTRUMENTS**

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

USD million	Fair value as of 31 December 2012	Fair value as of 31 December 2011
Hedge accounting, cash flows:		
Derivative financial instruments regarding interest rate and currency exchange rate:		
Forward exchange rate contracts	-	-3.8
Interest rate swaps	-	-24.8
Non hedge accounting:		
Derivative financial instruments regarding interest rate and currency exchange rate:		
Interest rate swaps	-	-8.5
Derivative financial instruments regarding freight and bunkers:		
Bunker swap	1.3	2.3
Forward Freight Agreements	-	1.5
Derivative financial instruments regarding options on vessels:		
Acquired liabilities related to options on vessels	-	-0.1
	1.3	-33.4
Hereof included in:		
Current assets		
Other receivables	1.4	3.9
Current liabilities		
Other liabilities	-0.1	-37.2
Acquired liabilities related to options on vessels	0.0	-0.1
	1.3	-33.4

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 2012 and 2011:

USD million	Income statement				Equity hedging reserves
	Freight and bunker derivatives	Operating expenses	Administrative expenses	Financial items	
Bunker swaps	3.0	-	-	-	-
Forward Freight Agreements	6.9	-	-	-	-
Forward rate contracts	-	-1.7	-1.6	-	3.3
Interest rate swaps	-	-	-	-14.7	3.4
Currency contracts	-	-	-	0.0	-
Right to share of gain on purchase options on vessels	-	-	-	-	-
Total 2012	9.9	-1.7	-1.6	-14.7	6.7
Bunker swaps	7.0	-	-	-	-
Forward Freight Agreements	7.1	-	-	-	-
Forward rate contracts	-	1.2	1.6	-	-3.3
Interest rate swaps	-	-	-	-5.6	-24.9
Currency contracts	-	-	-	-3.7	-
Right to share of gain on purchase options on vessels	-	-	-	-6.0	-
Total 2011	14.1	1.2	1.6	-15.3	-28.2

Please refer to the section Managing risk and exposure and note 23 in the consolidated financial statements for further information on financial risks.

The forward exchange rate contracts with a fair value of USD 0.0 million (2011: USD -3.8 million) are designated as hedge accounting to hedge a part of TORM's payments in 2013 regarding administrative and operating expenses denominated in DKK.

The interest rate swaps with a fair value of USD 0.0 million (2011: USD -24.8 million) are designated as hedge accounting to hedge a part of TORM's interest payments during the period 2013 to 2016.

The gains or losses on these contracts will be recognized in the income statement when realized together with the hedged items.

NOTE 18**FINANCIAL INSTRUMENTS**

USD million

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES AS DEFINED IN IAS 39:

	2012	2011
Loans and receivables		
Loans to subsidiaries	39.7	53.8
Loans to jointly controlled entities	0.0	8.2
Freight receivables, etc.	114.7	137.9
Other receivables	9.3	16.7
Cash and cash equivalents	24.7	70.9
	188.4	287.5

Available for sale financial assets

Other investments	11.8	11.6
	11.8	11.6

Derivative financial instruments (assets)

Other receivables (held for trading)	2.3	3.9
	2.3	3.9

Financial liabilities measured at amortized cost

Mortgage debt and bank loans	1,807.0	1,516.0
Finance lease liabilities	14.4	28.4
Loan from subsidiaries	0.0	174.8
Trade payables	82.5	114.3
Other liabilities	35.1	23.1
	1,939.0	1,856.6

Derivative financial instruments (liabilities)

Acquired liabilities related to options on vessels (held for trading)	0.0	0.1
Other liabilities (held for trading)	1.0	8.7
Other liabilities (hedge accounting)	0.0	28.6
	1.0	37.4

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

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

The table below shows the fair value hierarchy for financial instruments measured at fair value in the balance sheet. The financial instruments in question are grouped into Levels 1 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 18 - CONTINUED

	2012			Total
	Quoted prices (Level 1)	Observable input (Level 2)	Unobservable input (Level 3)	
USD million				
Available for sale financial assets:				
Other investments	-	-	11.8	11.8
Derivative financial instruments (assets):				
Other receivables (held for trading)	-	1.4	-	1.4
Total financial assets	0.0	1.4	11.8	13.2
Derivative financial instruments (liabilities):				
Acquired liabilities related to options on vessels (held for trading)	-	-	-	0.0
Other liabilities (held for trading)	-	0.1	-	0.1
Other liabilities (hedge accounting)	-	0.0	-	0.0
Total financial liabilities	0.0	0.1	0.0	0.1

	2011			Total
	Quoted prices (Level 1)	Observable input (Level 2)	Unobservable input (Level 3)	
USD million				
Available for sale financial assets:				
Other investments	-	-	11.6	11.6
Derivative financial instruments (assets):				
Other receivables (held for trading)	-	3.9	-	3.9
Total financial assets	0.0	3.9	11.6	15.5
Derivative financial instruments (liabilities):				
Acquired liabilities related to options on vessels (held for trading)	-	0.1	-	0.1
Other liabilities (held for trading)	-	8.7	-	8.7
Other liabilities (hedge accounting)	-	28.6	-	28.6
Total financial liabilities	0.0	37.4	0.0	37.4

There were no transfers between Level 1 and 2 in 2012 and 2011.

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

	2012	2011
USD million		
Other investments, available for sale:		
Balance at 1 January		
Gain/loss in the income statement	11.6	2.8
Gain/loss in other comprehensive income	-	-
Transfers to/from Level 3	0.2	8.8
Balance at 31 December	11.8	11.6
Gain/loss in the income statement for assets held at the end of the reporting period	0.0	0.0

NOTE 19**RELATED PARTY TRANSACTIONS**

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

USD million	2012	2011
Services provided by TORM A/S	3.8	21.3
Assets sold by TORM A/S	68.1	82.8
Services provided by subsidiaries and jointly controlled entities	80.8	72.1
	152.7	176.2

The service provided between the parties are all directly related to the Group's shipping activities.

NOTE 20**NON-CURRENT ASSETS HELD FOR SALE**

At year end 2012, the Company has entered into negotiations concerning the sale of two MR tankers. The tankers have been classified as held for sale and are presented separately in the balance sheet and are included under Tanker Division in the segment information.

An impairment loss of USD 29 million from adjusting the book value of the tankers to the market value at year-end 2012 has been recognized in the income statement for 2012 under impairment losses on tangible and intangible assets.

At year-end 2011, the Company had entered into contracts regarding sale of newbuilding contracts, which qualified for a classification as assets held for sale. The loss from the sale of the contracts amounting to USD 41 million was recognized in the income statement for 2011 under net profit/(loss) from sale of vessels.

NOTE 21**CASH FLOWS**

USD million	2012	2011
Reversal of other non-cash movements:		
Amortization of acquired assets and liabilities	-0.1	-2.0
Fair value adjustments on derivative financial instruments	2.5	-4.0
Currency translation adjustments	0.4	0.1
Share-based payment	1.3	1.3
Gain from sale of other fixed assets than vessels	-0.4	0.0
	3.7	-4.6

RECONCILIATION OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE IN THE**Balance Sheet Based on Level 3**

	2012	2011
USD million		
Other investments, available for sale:		
Balance at 1 January		
Gain/loss in the income statement	11.6	2.8
Gain/loss in other comprehensive income	-	-
Transfers to/from Level 3	0.2	8.8
Balance at 31 December	11.8	11.6
Gain/loss in the income statement for assets held at the end of the reporting period	0.0	0.0

TORM FLEET OVERVIEW

AS OF 31 DECEMBER 2012

TANKERS/ BULK	SEGMENT	VESSEL	DWT	BUILT	OWNERSHIP	CARRYING VALUE (USD M)
Tanker	LR2	TORM HELENE	99,999	1997	100%	20*)
Tanker	LR2	TORM KRISTINA	105,001	1999	100%	27*)
Tanker	LR2	TORM GUDRUN	101,122	2000	100%	28*)
Tanker	LR2	TORM INGEBORG	99,999	2003	100%	29*)
Tanker	LR2	TORM VALBORG	99,999	2003	100%	29*)
Tanker	LR2	TORM MARINA	109,672	2007	100%	47*)
Tanker	LR2	TORM MAREN	110,000	2008	100%	49*)
Tanker	LR2	TORM MATHILDE	110,000	2008	100%	50*)
Tanker	LR1	TORM SARA	72,718	2003	100%	33*)
Tanker	LR1	TORM ESTRID	74,999	2004	100%	23*)
Tanker	LR1	TORM EMILIE	74,999	2004	100%	33*)
Tanker	LR1	TORM ISMINI	74,999	2004	100%	23*)
Tanker	LR1	TORM SIGNE	72,718	2005	100%	35*)
Tanker	LR1	TORM SOFIA	72,718	2005	100%	36*)
Tanker	LR1	TORM VENTURE	74,999	2007	100%	31*)
Tanker	MR	TORM GUNHILD	44,999	1999	100%	14*)
Tanker	MR	TORM ANNE	44,990	1999	100%	16*)
Tanker	MR	TORM NECHES	47,052	2000	100%	30*)
Tanker	MR	TORM CLARA	45,999	2000	100%	28*)
Tanker	MR	TORM CECILIE	44,946	2001	100%	27*)
Tanker	MR	TORM AMAZON	47,275	2002	100%	15*)
Tanker	MR	TORM SAN JACINTO	47,038	2002	100%	34*)
Tanker	MR	TORM MARY	45,990	2002	100%	18*)
Tanker	MR	TORM VITA	45,940	2002	100%	18*)
Tanker	MR	TORM CAROLINE	44,946	2002	100%	30*)
Tanker	MR	TORM GERTRUD	45,940	2002	100%	20*)
Tanker	MR	TORM GERD	45,940	2002	100%	19*)
Tanker	MR	TORM THYRA	45,990	2003	100%	19*)
Tanker	MR	TORM FREYA	45,990	2003	100%	18*)
Tanker	MR	TORM MOSELLE	47,024	2003	100%	35*)
Tanker	MR	TORM ROSETTA	47,015	2003	100%	35*)
Tanker	MR	TORM CAMILLA	44,990	2003	100%	26*)
Tanker	MR	TORM CARINA	44,990	2003	100%	26*)
Tanker	MR	TORM HORIZON	46,955	2004	100%	38*)
Tanker	MR	TORM HELVIG	44,990	2005	100%	31*)
Tanker	MR	TORM RAGNHILD	44,990	2005	100%	32*)
Tanker	MR	TORM THAMES	47,035	2005	100%	40*)
Tanker	MR	TORM KANSAS	46,922	2006	100%	40*)
Tanker	MR	TORM REPUBLICAN	46,893	2006	100%	40*)
Tanker	MR	TORM PLATTE	46,920	2006	100%	41*)
Tanker	MR	TORM LAURA	52,000	2008	100%	38*)
Tanker	MR	TORM LENE	52,000	2008	100%	38*)
Tanker	MR	TORM LOTTE	52,000	2009	100%	38*)

TANKERS/ BULK	SEGMENT	VESSEL	DWT	BUILT	OWNERSHIP	CARRYING VALUE (USD M)
Tanker	MR	TORM LOUISE	52,000	2009	100%	39*)
Tanker	MR	TORM LILLY	52,000	2009	100%	39*)
Tanker	MR	TORM ALICE	50,500	2010	100%	**)
Tanker	MR	TORM ALEXANDRA	50,500	2010	100%	41*)
Tanker	MR	TORM ASLAUG	50,500	2010	100%	**)
Tanker	MR	TORM AGNETE	50,500	2010	100%	41*)
Tanker	MR	TORM ALMENA	50,500	2010	100%	**)
Tanker	MR	TORM AGNES	50,500	2011	100%	**)
Tanker	MR	TORM AMALIE	50,500	2011	100%	**)
Tanker	MR	TORM ARAWA	49,999	2012	100%	50*)
Tanker	MR	TORM ANABEL	49,999	2012	100%	50*)
Tanker	Handysize	TORM MADISON	35,828	2000	100%	27*)
Tanker	Handysize	TORM TRINITY	35,834	2000	100%	27*)
Tanker	Handysize	TORM RHONE	35,751	2000	100%	27*)
Tanker	Handysize	TORM CHARENTE	35,751	2001	100%	28*)
Tanker	Handysize	TORM OHIO	37,274	2001	100%	29*)
Tanker	Handysize	TORM LOIRE	37,106	2004	100%	35*)
Tanker	Handysize	TORM GARONNE	37,178	2004	100%	34*)
Tanker	Handysize	TORM SAONE	37,106	2004	100%	35*)
Tanker	Handysize	TORM FOX	37,006	2005	100%	36*)
Tanker	Handysize	TORM TEVERE	36,990	2005	100%	36*)
Tanker	Handysize	TORM GYDA	37,000	2009	100%	41*)
Bulk	Panamax	TORM ANHOLT	74,195	2004	100%	17*)
Bulk	Panamax	TORM BORNHOLM	75,912	2004	100%	19*)

*) Indicates vessels for which TORM believes that, as of 31 December 2012, the basic charter-free market value is lower than the vessel's carrying amount.

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

GLOSSARY

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

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

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

Bareboat: See B/B.

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

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

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

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

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

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

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

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

DKK: Danish kroner.

Dry cargo: See Bulk.

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

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

GAAP: Generally Accepted Accounting Principles.

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

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

IAS: International Accounting Standards.

IFRS: International Financial Reporting Standards.

IMO: International Maritime Organization.

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

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

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

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

LTAF: Lost Time Accident Frequency. Work-related personal injuries that result in more than one day off work per million hours of work.

MR: Medium Range. A specific class of product tankers with a cargo carrying capacity of 40,000 – 60,000 dwt.

Oil major: One of the world's largest publicly owned oil and gas companies. Examples of oil majors are BP, Chevron, ExxonMobil, Shell and Total.

OPEC: Organization of the Petroleum Exporting Countries.

Panamax: Dry bulk carriers with a cargo carrying capacity of 60,000–80,000 dwt. The biggest vessel allowed to pass through the Panama Canal.

P&I club: Protection & Indemnity Club.

Pool: A grouping of vessels of similar size and characteristics, owned by different owners, but commercially operated jointly. The pool manager is mandated to charter the vessels out for the maximum benefit of the pool as a whole. Earnings are equalized taking account of differences in vessel specifications, the number of days the vessels have been ready for charter, etc.

Product tanker: A vessel suitable for carrying clean petroleum products such as gasoline, jet fuel and naphtha.

Sarbanes-Oxley Act: An act passed by the US Congress in 2002 to protect investors from the possibility of fraudulent accounting activities by corporations. It mandated strict reforms to improve financial disclosures from corporations and prevent accounting fraud.

SEC: US Securities and Exchange Commission.

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

T/C: Time charter. An agreement covering the chartering out of a vessel to an end user for a defined period of time, where the owner is responsible for crewing the vessel, but the charterer must pay port costs and bunkers.

TCE: See T/C equivalent.

Time charter: See T/C.

Ton-miles: A unit of freight transportation equivalent to a ton of freight moved one mile.

T/C equivalent: The freight receivable after deducting port expenses, consumption of bunkers and commissions.

UN: The United Nations.

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