TORM A/S
CVR no. 22 46 02 18
Tuboug Havnevej 18
2900 Hellerup

Annual Report 2016

The Annual Report was presented and adopted at the Annual General Meeting of the Company on

19 / 4 2017

Ole Øgaarden

Chairman

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of TORM A/S for the financial year 1 January - 31 December 2016.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the financial position at 31 December 2016 of the Company and of the results of the Company's operations for 2016.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Hellerup, 19 April 2017

Executive Board

Jacob Balslev Meldgaard

Board of Directors

Christian Søgaard-Christensen
Chairman

Jacob Balslev Meldgaard

Christian Gorrissen

Rasmus Johannes Skaun Hoffmann

Kári Millum Garðarnar

Independent auditor's report

To the shareholder of TORM A/S

Opinion

We have audited the financial statements of TORM A/S for the financial year 1 January 2016 - 31 December 2016, which comprise the income statement, balance sheet, statement of changes in equity, and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31 December 2016 and of the results of its operations for the financial year 1 January 2016 - 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the financial statements* section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management review

Management is responsible for the management review.

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

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

Moreover, it is our responsibility to consider whether the management review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management review.

Copenhagen, 19 April 2017

Deloitte

Statsautoriseret Revisionspartnerselskab

Business Registration No 33 96 35 56

Sumit Sudan

State-Authorised

Public Accountant

Company Information

The Company	TORM A/S Tuborg Havnevej 18 2900 Hellerup Website: www.torm.com CVR No. 22 46 02 18 Financial period: 1 January – 31 December Municipality of reg. office: Gentofte, Denmark
Board of Directors	Christian Søgaard-Christensen (Chairman) Jacob Balslev Meldgaard Christian Gorrissen Rasmus Johannes Skaun Hoffman Kári Millum Garðarnar
Executive Board	Jacob Balslev Meldgaard
Auditors	Deloitte Statsautoriseret Revisionspartnerselskab Weidekampsgade 6 2300 København S
Consolidated Financial Statements	The Company is included in the consolidated financial statements of TORM plc. The consolidated financial statements of TORM plc may be obtained at the following address: TORM plc 20 Birchin Court London EC3V 9DU United Kingdom VAT 239 53 53 87

Financial Highlights

Key figures	2016	2015	2014	2013	2012
Income Statement (USDm)					
Revenue	667	626	624	993	1,119
Time charter equivalent earnings (TCE)	450	428	326	443	462
Operating profit/loss (EBIT)	-808	90	-55	-88	-309
Financial items	14	657	-217	-47	-171
Net profit/loss for the year	-795	747	-273	-130	-481
Balance Sheet (USDm)					
Total fixed assets	1,082	2,159	1,134	1,722	1,836
Total assets	1,231	2,346	1,278	1,888	2,129
Equity	303	1,384	-263	6	123
Investments in tangible fixed assets	10	187	1	2	78
Key Financial Figures					
Gross margins:					
TCE	67.4%	68.3%	52.2%	44.6%	41.3%
Gross profit	-9.2%	20.0%	0.0%	0.0%	-0.1%
EBITDA	-15.3%	14.7%	-0.1%	-0.1%	-0.2%
Operating profit	-121.1%	14.3%	-0.1%	-0.1%	-0.3%
Return on Equity (RoE)	-94.3%	133.3%	211.7%	-201.0%	-183.4%
Equity ratio	24.6%	59.0%	-20.6%	0.0%	5.8%

The ratios have been prepared in accordance with the "Recommendations & Financial Ratios 2015" issued by the Danish Society of Financial Analysts.

Management's Review

Main activity

The TORM Group is a pure-play product tanker organization and one of the world's leading carriers of refined oil products such as gasoline, jet fuel, naphtha and diesel oil. With vessels varying in size from 35,000-110,000 dwt, TORM operates a large and modern fleet of product tankers.

Development in the year

In the financial year, several important events have transpired within the Company.

On 15 April 2016, TORM established a new corporate structure of the TORM Group including the insertion of a UK parent company, TORM plc (the "Corporate Reorganization"). For TORM A/S this meant a delisting from the Danish stock exchange in favor of a listing of TORM plc.

In the wake of the Corporate Reorganization, the TORM Group also established new entities and moved activity to these. The entities were placed under TORM plc and the assets were moved from TORM A/S subsidiaries, which meant a decrease in the subsidiary investments in TORM A/S.

At year-end, the TORM Group determined that the vessels were impaired, mainly due to a 25% decrease in broker values. This meant that the recoverable amount was measured as the value in use, rather than fair value less cost to sell. In turn, this caused an impairment charge of USD 698 million on investments in subsidiaries.

Please refer to the Annual Report for TORM plc for further explanation of the Corporate Reorganization, delisting and impairment.

The past year and follow-up on development expectations from last year

No expectations were made for TORM A/S on a parent company level, but these were instead included in the total expectations for the Group. For further information, please see the Annual Report of the TORM plc Group for 2016.

Expectations for the year ahead

For 2017 management expects a minor but positive result before tax excluding impairment charges or reversals and dividends if any. The result is mainly driven by the freight rates which have historically been very volatile.

Due to the Corporate Reorganization in 2016 the results expected in TORM A/S for 2017 will not be comparable to the TORM plc Group. This guidance is therefore only subject to TORM A/S on a stand-alone basis.

Corporate social responsibility

The Company's policies for corporate social responsibility, as well as climate policies, are described in the Annual Report of the TORM plc Group for 2016.

Gender diversity

TORM has an obligation to its customers, shareholders, employees and other stakeholders to develop the Company's talent pool irrespective of attributes such as gender, religion, sexuality, nationality, ethnicity or disabilities. As stated in TORM's Business Principles under "Respecting People", the Company does not accept discrimination with respect to any of the above. TORM works towards a diverse workplace, in which everyone is included and respected, and in which well-being at work is regarded as a shared responsibility.

For further information on TORM's Business Principles, please visit: http://csr.torm.com/torm-s-way-of-doing-busness.

The Company, along with other major Danish-based shipowners, has signed the Charter on more women on boards, and the Board of Directors has formulated an ambition for females to constitute at least 20% of the Board of Directors by 2018.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Accounting Policies

The Annual Report of TORM A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The financial statements for 2016 are presented in USD '000.

Consolidated financial statements
With reference to Section 112(3) (2) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements as these are included in the consolidated financial statements of TORM plc.

Cash flow statement
With reference to section 86(4) of the Danish Financial Statements Act, the Company has not prepared a cash flow statement.

Changes in accounting policies
The financial statements for 2016 has been prepared in accordance with the Danish Financial Statements Act, compared with preparation in accordance with International Financial Reporting Standards (IFRS) in prior years. The transition has been made in accordance with the Danish Executive Order of transition to reporting in accordance with the Danish Financial Statements Act, see the Danish Executive Order no 319 of 12/04/2011.

As a consequence no change has been implemented in relation to recognition and measurement:

Recognition and measurement
Revenues are recognized in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortized cost are recognized in the income statement. Moreover, all expenses incurred to achieve the earnings for the year are recognized in the income statement, including depreciation, amortization, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognized in the income statement.

Assets are recognized in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortized cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortized cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortization of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

The used USD/DKK exchange rate at 31 December 2016 is 705.3 (2015: 683.0). US Dollar is used as the measurement currency. All other currencies are regarded as foreign currencies.

Translation policies
Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognized in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognized in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

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

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 values of financial instruments that are designated and qualify as fair value hedges of a recognized asset or a recognized liability are recognized in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognized in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognized in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognized in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognized. The amount is recognized in the same item as the hedged transaction.

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 as per 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.

Charter hire
Charter hire comprises expenses related to the chartering in of vessels under operating leases which have been 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.

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 comprises revenue from commissions and technical management fee.

Other operating expenses
Other operating expenses primarily comprise chartering commissions and management fees paid to commercial and technical managers for managing the fleet and to a lesser extent profits and losses deriving from the disposal of other plant and operating equipment.

Depreciation and impairment losses
Depreciation and impairment losses comprise 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

The Company is jointly taxed with wholly-owned Danish subsidiaries. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes. TORM A/S provides for and pays the aggregate Danish tax on the taxable income of these companies, but recovers the relevant portion of 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, adjustments relating to previous years and the change in deferred tax for the year.

Balance Sheet

Vessels

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

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

Other plant and operating equipment

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.

Investment in subsidiaries

Investment in subsidiaries are recognized and measured at cost and classified as "fixed assets". Dividends are recognized under "Financial income".

The carrying amount of investments in subsidiaries is increased to its recoverable amount, if there have been changes in the estimates used to determine the recoverable amount since the last impairment loss was recognized.

Reversal of impairment losses on investments in subsidiaries is recognized in "Financial income".

Investments in joint ventures

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

Reversal of impairment losses on investments in joint ventures is recognized in "Financial income".

Receivables

Outstanding freight receivables and other receivables that are expected to be realized within 12 months from the balance sheet date are classified as loans and receivables and presented as current assets.

Receivables are measured at the lower of amortized cost and net realizable values, which corresponds to nominal value less provision for bad debts. Derivative financial instruments included in other receivables are measured at fair value.

Impairment of assets

Fixed 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 fair value less costs to sell and its value in use. The value in use is the present value of the future cash flows expected to derive from a cash generating unit, utilizing a pre-tax discount rate that reflects current market estimates of the time value of money and the risks specific to the unit for which the estimates of future cash flows have not been adjusted. If the recoverable amount is less than the carrying amount of the cash generating unit, the carrying amount is reduced to the recoverable amount. The impairment loss is recognized immediately in the income statement. Where an impairment loss subsequently reverses, the carrying amount of the cash generating unit is increased to the revised estimate of the recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years.

For the purpose of assessing impairment, assets including time charter and bareboat contracts are grouped at the lowest levels at which it is monitored for internal management purposes.

The two cash generating units of the Company are the Tanker Segment and the Bulk Segment. In 2016, there was only one cash generating unit since the Bulk segment has been without activity.

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.

Share-based payments

The Company makes equity settled share-based payments to certain employees, which are measured at fair value at the date of grant and expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest. The fair value of the share schemes is calculated using the Black Scholes method at grant date.

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/loss" and presented as a separate component of equity.

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 net proceeds at the time of borrowing and the nominal amount of the loan is recognized in the income statement as a financial expense over the term of the loan applying the effective interest method.

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

Leases

Agreements to charter in vessels, for which TORM A/S substantially has all the risks and rewards of ownership, are recongnized 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 and 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.

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

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. In addition, the deferred tax also constitutes the reserve in relation to the transition balance in connection with the Danish tonnage tax scheme.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on the laws that have been enacted by the reporting day. The deferred tax is charged through the income statement except when it relates to other comprehensive income items.

Other liabilities

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

Income Statement 1 January – 31 December

	Note	2016 USD '000	2015 USD '000
Revenue		666,993	626,414
Port expenses, bunkers and commissions		-217,193	-198,734
Time charter equivalent earnings (TCE)		**449,800**	**427,680**
Charter hire		-324,873	-179,984
Operating expenses	1	-186,572	-135,998
Gross profit (Net earnings from shipping activities)		**-61,645**	**125,551**
Administrative expenses	1	-41,335	-32,712
Other operating income		1,157	0
Other operating expenses		-207	-668
EBITDA		**-102,030**	**92,171**
Depreciation		-7,488	-2,428
Impairment of investments in subsidiaries	5	-698,489	0
Operating profit/(loss) (EBIT)		**-808,007**	**89,743**
Financial income	2	50,474	729,657
Financial expenses	3	-36,946	-72,298
Profit/(loss) before tax		**-794,479**	**747,102**
Tax expenses		-419	-224
Net profit/(loss) for the year		**-794,898**	**746,878**

Allocation of profit/(loss) for the year

The Board of Directors recommends that the net profit/(loss) for the year be allocated as follows:

	2016	2015
Extraordinary dividend	287,069	0
Retained profit/(loss)	-1,081,967	746,878
	-794,898	**746,878**

Balance Sheet as of 31 December

	Note	2016 USD '000	2015 USD '000
Vessels		15,227	12,048
Prepayments on vessels		0	19,200
Other plant and operating equipment		1,250	1,820
Total tangible fixed assets	**4**	**16,477**	**33,068**
Investments in subsidiaries	**5**	1,065,740	1,845,146
Investments in joint ventures	**5**	56	56
Other investments		3	3
Loans to subsidiaries		0	280,419
Total financial assets		**1,065,799**	**2,125,624**
Total fixed assets		**1,082,276**	**2,158,692**
Bunkers		31,462	21,133
Freight receivables		60,029	60,366
Current tax receivables		304	0
Loans to subsidiaries		12,052	0
Other receivables		5,925	4,382
Prepayments		2,332	4,653
Cash and cash equivalents		36,268	96,787
Total current assets		**148,372**	**187,321**
Total assets		**1,230,648**	**2,346,013**

Balance Sheet as of 31 December

	Note	2016 USD '000	2015 USD '000
Common shares		141,946	141,946
Special reserves		0	60,974
Treasury reserves		0	-19,224
Hedging reserves		388	1,398
Translation reserves		5,896	5,896
Retained profit/(loss)		154,567	1,192,755
Total equity	6	**302,797**	**1,383,745**
Deferred tax liabilities	7	45,176	45,176
Total provisions		**45,176**	**45,176**
Mortgage debt and bank loans		567,731	717,530
Finance lease liabilities		0	11,522
Total non-current liabilities	8	**567,731**	**729,052**
Mortgage debt and bank loans	8	73,087	48,728
Loans from subsidiaries		172,263	85,152
Finance lease liabilities	8	12,556	624
Trade payables		25,915	18,687
Current tax liabilities		0	392
Other liabilities		30,927	34,017
Deferred income		196	440
Total current liabilities		**314,944**	**188,040**
Total liabilities		**927,851**	**962,268**
Total equity and liabilities		**1,230,648**	**2,346,013**
Guarantee and contingent liabilities	9		
Related parties	10		
Financial instruments	11		

Statement of changes in equity

USD '000	Common shares	Special reserves	Treasury shares	Revaluation reserves	Hedging reserves	Translation Reserves	Retained profit/(loss)	**Total**
Equity as of 1 January 2015	**1,247**	**60,974**	**-19,048**	**5,458**	**-6,188**	**5,896**	**-311,575**	**-263,236**
Changes in equity for 2015								
Net profit/(loss) for the year	-	-	-	-	-	-	746,878	746,878
Financial instruments, net	-	-	-	-	7,586	-	-	7,586
Fair value adjustment on other investments available-for-sale	-	-	-	-5,458	-	-	-	-5,458
Debt cancellation	52,817	-	-	-	-	-	259,658	312,475
Issued consideration warrants to extinguish debt written down	-	-	-	-	-	-	18,000	18,000
Contribution in kind	87,882	-	-	-	-	-	482,517	570,399
Acquisition of treasury shares, cost	-	-	-176	-	-	-	-	-176
Transaction costs share issue	-	-	-	-	-	-	-2,723	-2,723
Total changes in equity 2015	**140,699**	**0**	**-176**	**-5,458**	**7,586**	**0**	**1,504,330**	**1,646,981**
Equity as of 31 December 2015	**141,946**	**60,974**	**-19,224**	**0**	**1,398**	**5,896**	**1,192,755**	**1,383,745**
Changes in equity for 2016								
Net profit/(loss) for the year	-	-	-	-	-	-	-794,898	-794,898
Financial instruments, net	-	-	-	-	-1,010	-	-	-1,010
Redistribution of capital reserves	-	-60,974	19,224	-	-	-	41,750	0
Share-based compensation	-	-	-	-	-	-	2,029	2,029
Extraordinary dividend	-	-	-	-	-	-	-287,069	-287,069
Total changes in equity 2016	**0**	**-60,974**	**19,224**	**0**	**-1,010**	**0**	**-1,038,188**	**-1,080,948**
Equity as of 31 December 2016	**141,946**	**0**	**0**	**0**	**388**	**5,896**	**154,567**	**302,797**

Notes

	2016 USD '000	2015 USD '000
1. Staff costs		
Staff costs included in operating expenses	15,742	11,958
Staff costs included in administrative expenses	19,762	23,042
Total	**35,504**	**42,230**
Staff costs comprise the following:		
Wages and salaries	37,646	39,428
Pension costs	2,673	2,646
Other social security costs	127	155
Total	**40,445**	**42,230**
Of which salaries to the Executive Management and remuneration to the Board of Directors:		
Executive Management, salaries	876	812
Executive Management, bonus	0	1,316
Board of Directors	199	834
Total	**1,153**	**2,962**
Average number of full-time employees (FTE)	**271**	**288**

2. Financial income

	2016 USD '000	2015 USD '000
Dividends from subsidiaries	39,594	13,284
Debt cancellations from subsidiaries	0	113,438
Reversal of impairment losses on subsidiaries	0	79,458
Gain on sale of subsidiary	10,000	0
Unrealized gain from joint ventures	188	0
Interest from subsidiaries	586	2,420
Cancellation of mortgage debt and bank loans	0	505,805
Other financial income	106	15,251
Total	**50,474**	**729,657**

3. Financial expenses

	2016 USD '000	2015 USD '000
Disposal of subsidiaries	0	1,301
Interest to subsidiaries	3,221	991
Other financial expenses	33,725	70,006
Total	**36,946**	**72,298**

Notes

4. Tangible Assets

	Vessels	Prepayments on vessels	Other plant and operating equipment
Cost			
Balance as of 1 January	15,077	19,200	18,230
Additions	8,769	0	890
Disposals	0	-19,200	0
Balance as of 31 December	**23,846**	**0**	**19,120**
Depreciation and impairment losses			
Balance as of 1 January	3,029	0	16,410
Depreciation for the year	5,590	0	1,461
Balance as of 31 December	**8,619**	**0**	**17,870**
Carrying amount as of 31 December	**15,227**	**0**	**1,250**
Of which finance leases	9,367	0	0

Notes

5. Financial Assets

	Investments in subsidiaries	Investments in joint ventures
Cost		
Balance as of 1 January	2,004,818	112,625
Additions	125,855	0
Disposals	-206,769	-112,569
Balance as of 31 December	**1,923,904**	**56**
Value adjustment		
Balance as of 1 January	-159,676	-112,569
Impairment losses	-698,489	0
Disposals	0	112,569
Balance as of 31 December	**-858,164**	**0**
Carrying amount as of 31 December	**1,065,740**	**56**

Investments in subsidiaries

Entity	Owner-ship	Voting rights	Country	Profit/(loss) for the year	Equity
VesselCo A ApS	100%	100%	Denmark	4	15
VesselCo C ApS	100%	100%	Denmark	4	15
DK Vessel HoldCo GP ApS	100%	100%	Denmark	4	15
DK Vessel HoldCo K/S	100%	100%	Denmark	179,806	332,475
OCM Njord Midco Ltd	100%	100%	Gibraltar	47,592	275,168
OMI Holding Ltd.	100%	100%	Mauritius	-42	638
TORM Crewing Service Ltd	100%	100%	Bermuda	151	-3,212
TORM Shipping (Phils.), Inc.	25%	100%	Philippines	-38	531
TORM Shipping India Private ltd.	100%	100%	India	571	2,692
TORM Singapore Pte. Ltd.	100%	100%	Singapore	117,872	-9,944
TORM USA LLC	100%	100%	United States	156	-148
VesselCo 8 Pte. Ltd	100%	100%	Singapore	51,171	322,133

Investments in joint ventures

Entity	Owner-ship	Voting rights	Country	Profit/(loss) for the year	Equity
Long Range 2 A/S	50%	50%	Denmark	3	68
LR2 Management K/S	50%	50%	Denmark	-26	955

Notes

6. Equity

Common shares consist of:	Number of shares	Nominal value (DKK'000)
A-shares	63,836,249	957,397
B-shares	1	0
C-shares	1	0
		957,397

Common shares has developed as follows:

	2016 DKK '000	2015 DKK '000	2014 DKK '000	2013 DKK '000	2012 DKK '000
Common shares at 1 January	957,397	7,280	7,280	7,280	364,000
Capital decrease	-	-147	-	-	-363,272
Conversion of debt	-	-	-	-	6,552
Contribution in kind	-	593,544	-	-	-
Contribution in kind	-	363,853	-	-	-
Common shares at 31 December	**957,397**	**957,397**	**7,280**	**7,280**	**7,280**

7. Deferred tax liabilities

All deferred tax liabilities relate to vessels included in the transition account under the Danish tonnage tax scheme.

8. Non-current liabilities

Non-current liabilities are due:

	2016 USD '000	2015 USD '000
Mortgage debt and bank loans*		
After 5 years	16,938	382,862
Between 1 and 5 years	551,381	334,668
Within 1 year	73,285	48,728
Total	**641,604**	**766,258**
Finance lease liabilities		
After 5 years	0	0
Between 1 and 5 years	0	11,522
Within 1 year	12,556	624
Total	**12,556**	**12,146**

* The presented amounts to be repaid do not include directly related costs arising from the issuing of the loans of USD 785k (2015: USD 1.0m), which are amortized over the term of the loans.

9. Guarantee and contingent liabilities

	2016 USD '000
Collateral Security and Guarantees	
Carrying amount of vessels in subsidiaries collateralized	1,115
Total	**1,115**
Contingent liabilities	
Chartered-in vessels (operating lease)	13,491
Other operating leases	3,146
Total	**16,637**

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

The Company is involved in some legal proceedings and disputes. It is Management's opinion that the outcome of these proceedings and disputes will not have any material impact on the Company's financial position and results of operations.

Joint taxation
The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report, as the Company is the management company of the joint taxation purposes. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

10. Related parties and ownership

Parent entities
The Company is controlled by the following entities:

Name	**Type**	**Place of incorporation**
TORM plc	Immediate parent entity	United Kingdom
Oaktree Capital Group. LLC	Ultimate parent entity	United States

Transactions with related parties
All transactions with related parties were made on terms equivalent to those that prevail in arm's length transactions.

Consolidated Financial Statements
The Company is included in the consolidated financial statements of the Parent Company TORM plc, United Kingdom.

11. Financial instruments

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

	Fair value as of 31 December 2016 USD'000	Fair value as of 31 December 2015 USD'000
Fair value of derivatives		
Derivative financial instruments regarding freight and bunkers:		
Forward freight agreements	-140	0
Bunker swaps	761	-200
Derivative financial instruments regarding interest and currency exchange rate:		
Forward exchange contracts	-4,516	828
Interest rate swaps	2,357	766
Total	**1,538**	**1,394**
Of which included in:		
Current assets		
Other receivables	3,274	1,644
Current liabilities		
Other liabilities	-4,812	-251
Total	**1,538**	**1,394**

In 2016, 93% (2015: 100%) of TORM's forward freight agreements (FFAs) and fuel swaps were cleared through NASDAQ, 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. TORM also trades FX and interest derivatives. In 2016, all such derivatives were done with investment grade counterparties.

Methods and assumptions in determining fair value of financial instruments

The fair value of derivatives in other receivables and other payables is measured using accepted valuation methods with input variables such as yield curves, forward curves, spreads, etc. The valuation methods discount the future fixed and estimated cash flows and valuation of any option elements.

12. Going concern

As part of the business model in TORM, TORM A/S has bareboat agreements with group companies, which are nullified on a continuing basis through dividends, capital increases, etc. Consequently, the current intercompany liability is expected to be nullified during 2017.

Based on this and the future outlook for operations and earnings, Management deems that the Annual Report for 2016 is prepared on a going concern basis.