

THE ANNUAL REPORT WAS  
PRESENTED AND ADOPTED AT  
THE ANNUAL GENERAL  
MEETING OF THE COMPANY ON

11 JUNE 2021

LARS CHRISTENSEN  
CHAIRMAN

# TORM A/S

COMPANY NO. 22 46 02 18  
TUBORG HAVNEVEJ 18  
2900 HELLERUP  
DENMARK

## ANNUAL REPORT 2020





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# MANAGEMENT'S STATEMENT

The Executive Board and the Board of Directors have today considered and adopted the Annual Report of TORM A/S for the financial year 1 January - 31 December 2020.

Hellerup, 11 June 2021

## **Executive Board**

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

Jacob Balslev Meldgaard

## **Board of Directors**

In our opinion, the Financial Statements give a true and fair view of the financial position at 31 December 2020 of the Company and of the results of the Company's operations for 2020.

Lars Christensen  
Chairman

Jacob Balslev Meldgaard

Susanne Lynggaard Jensen

Further, in our opinion, the Management's Review gives a fair review of the development in the Company's operations and financial matters, the results for the year and the Company's financial position.

Kim Balle

Christian Gorrissen

Rasmus Johannes Skaun Hoffmann

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



# 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 – 31 December 2020, which comprise accounting policies, income statement, balance sheet, statement of changes in equity and notes. 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 financial position of the Company at 31 December 2020 and of the results of the Company's operations for the financial year 1 January – 31 December 2020 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 our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional

Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 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 the financial statements.

As part of an audit conducted in accordance with ISAs and 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 Company's internal control. Evaluate the



# INDEPENDENT AUDITOR'S REPORT - continued

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

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view. 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's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

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

Copenhagen, 11 June 2021

#### EY GODKENDT REVISIONSPARTNERSELSKAB

Business Registration No. 30 70 02 28

Jens Thordahl Nøhr  
State-Authorised  
Public Accountant  
mne32212



# COMPANY INFORMATION

## **The Company**

TORM A/S

Tuborg Havnevej 18

DK-2900 Hellerup

Website: [www.torm.com](http://www.torm.com)

CVR No. 22 46 02 18

Financial period: 1 January - 31 December

Municipality of reg. office: Gentofte, Denmark

## **Board of Directors**

Lars Christensen (Chairman)

Jacob Balslev Meldgaard

Susanne Lynggaard Jensen

Kim Balle

Christian Gorrissen

Rasmus Johannes Skaun Hoffman

## **Executive Board**

Jacob Balslev Meldgaard

## **Auditors**

EY Godkendt revisionspartnerselskab

Dirch Passers Allé 36

DK - 2000 Frederiksberg

## **Consolidated**

The Company is included in the consolidated financial statements of TORM plc.

## **Financial Statements**

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

or

[www.torm.com](http://www.torm.com)



# FINANCIAL HIGHLIGHTS

(USDm)	2020	2019	2018	2017	2016
<b>KEY FIGURES</b>					
<b>Income Statement</b>					
Revenue	739	692	635	657	667
Time charter equivalent earnings (TCE)	519	425	352	397	450
Operating profit/loss (EBIT)	-64	-44	-118	-57	-134
Financial items	-31	-29	-25	49	-660
Net profit/loss for the year	-91	255	241	114	-889
<b>Balance Sheet</b>					
Total fixed assets	1,864	1,257	930	1,172	1,082
Total assets	2,069	1,635	1,160	1,354	1,231
Equity	520	607	354	114	94
Investments in tangible fixed assets	904	275	43	39	52
<b>KEY FINANCIAL FIGURES</b>					
Margins:					
TCE	70.2%	61.4%	55.4%	60.4%	67.5%
Gross profit	18.2%	7.7%	-4.8%	5.2%	-9.2%
EBITDA	8.7%	0.3%	-12.6%	-1.4%	-15.3%
Operating profit/loss (EBIT)	-8.6%	-6.3%	-18.5%	-8.7%	-20.1%
Return on Equity (RoE)	-16.1%	53.1%	102.8%	109.1%	-130.4%
Equity ratio	25.1%	37.1%	30.6%	8.4%	7.7%



# MANAGEMENT'S REVIEW

## MAIN ACTIVITY

### *TORM Group*

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.

### *TORM A/S*

TORM A/S acts as the main operating entity of the TORM Group in respect of all product tanker activities. TORM A/S owns the part of the Danish flagged vessels, and leases a number of vessels from subsidiaries and the parent company, TORM plc. For a full overview of the TORM Group's financial development, cash flows and financial position, reference is made to the consolidated financial statements of TORM plc for 2020, in which TORM A/S and all its subsidiaries are consolidated (refer to 2020 Annual Report for TORM plc available at <https://investors.torm.com/financials/results-center>).

### *Consolidated TORM Group key figures*

Key figures for the TORM Group's consolidated financial statements are

(USDm)	2020	2019
<b>KEY FIGURES TORM GROUP</b>		
Revenue	747	693
Time charter equivalent earnings (TCE)	520	425

Operating profit/loss (EBIT)	139	206
Net profit/loss for the year	88	166
Net profit/loss ex. non-recurring items	122	51

The following Management's Review relates to the stand-alone activities of TORM A/S.

## DEVELOPMENT IN THE YEAR

The COVID-19 pandemic generated considerable volatility in the product tanker market, temporarily sending freight rates to all-time highs. An unprecedented decline in oil demand and an increase in product stockpiles affected trade patterns and led to a significant share of the fleet being tied up in floating storage.

In 2020, TORM A/S's commercial performance was again among the best compared with peers in the product tanker industry. This can be accredited to the Company's scale, quality fleet and integrated operating platform. Please refer to the 2020 Annual Report for TORM plc for further reference on commercial and operational performance of the TORM Group.

During the year the Company has acquired a substantial number of vessels from entities within the TORM Group financed via intercompany loans expected to be settled during 2021 through dividends. Total CAPEX investments related to vessels and

capitalized drydocking during the year amounted to USD 837m.

Impairment of vessels amounted to USD 69.9m in 2020 (2019: USD 2.4m) as the carrying amount of the fleet exceeded the recoverable amount. The primary driver of the impairment is the development of the current weak conditions in the product tanker market.

Income from investments in subsidiaries decreased to USD 20.6m from USD 161.9m in 2019 primarily due to postponement of dividends from subsidiaries to 2021 in connection with vessel acquisitions. Impairment of investments in subsidiaries amounted to USD 15.5m compared to a reversal of USD 166.4m in 2019.

Net profit for the year excluding impairment on vessels and subsidiaries as well as results from subsidiaries, USD -26m (2019: USD -71m) is considered satisfactory.



# MANAGEMENT'S REVIEW - CONTINUED

## EXPECTATIONS FOR THE YEAR AHEAD

The COVID-19 pandemic continues to severely impact the global oil market and the product tanker industry leading to material uncertainties and lack of visibility related to the global demand for transportation of refined oil products.

For 2021, Management expects a lower revenue, but a higher net profit for the stand-alone activities of TORM A/S excluding impairment on vessels and subsidiaries as well as results from subsidiaries compared to 2020.

## CORRECTION OF COMPARISON FIGURES

Comparison figures for 2019 for Equity, intercompany receivables and total assets as well as Impairment/reversal of impairment of investments in subsidiaries have been adjusted, compared with the Annual report 2019, due to an identified error related to a missing impairment of an investment in a subsidiary in 2019 in the amount of USD 16.3m. Please refer to description under Accounting policies.

## ENVIRONMENT AND CLIMATE PERFORMANCE

Within the shipping industry, marine pollution constitutes the largest environmental risk. It is therefore a key priority for the Company to avoid pollution of the seas and the atmosphere.

Throughout 2020, the Company continued to have a strong and dedicated focus on reducing fuel consumption, and the efforts made within this area

have generated a positive result. Please refer to Annual Report 2020 for TORM plc page 34-36 for further reference.

As in previous years, the Company's Operational Performance team shares the performance of each vessel with the respective vessel managers and vessels on a monthly basis

## CORPORATE SOCIAL RESPONSIBILITY

The TORM Group's policies for corporate social responsibility, as well as climate policies, are described on the TORM Group's homepage:

<http://www.torm.com/csr-at-torm> and in the Annual Report 2020 for TORM plc, which is available at: <https://investors.torm.com/financials/results-center>.

## GENDER DIVERSITY

The TORM Group 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 the TORM Group's Business Principles under "Respecting People", the Company does not accept discrimination with respect to any of the above.

The TORM Group 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 the TORM Group's Business Principles, please visit: <http://www.torm.com/about-torm>.

The Company has a target for the diversity of the Company's shareholder-appointed members of the Board of Directors with respect to the under-represented gender. The target is for females to constitute at least 25% of the shareholder-appointed members of the Board of Directors. At the end of 2020, TORM A/S' Board of Directors consisted of 3 male members and 1 female member elected at the Annual General Meeting. In 2020, the Board of Directors fulfilled its target of 25% female Board members (1 out of 4).

In 2020, TORM A/S continued its participation in and was driving the aim of Danish Shipping's work group "More Women at Sea". The Company has incorporated the 10 recommendations into processes and procedures as best practice.

The Company actively monitors the representation of females in the workforce and in leadership positions. At the end of 2020, the proportion of females in the shore-based workforce was 36.1%, while women in leadership positions, defined as having one or more direct reports, constituted 10.8%. By 2021, the Company aims to have 35% women in the shore-based workforce in line with the industry average, and 25% women in leadership positions. Additionally, the Company has a target for 2030 of 35%.

## SUBSEQUENT EVENTS

Please refer to note 19 on page 22.



# ACCOUNTING POLICIES

The Annual Report of TORM A/S for 2020 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 2020 are presented in USD '000.

## Changes in accounting policies

Effective from the financial year 2020, the Company has implemented amending act no. 1716 of 27 December 2018 to the Danish Financial Statements Act. The implementation of the amending act has not affected the Company's accounting policies on recognition and measurement of assets and liabilities but has solely entailed new and amended presentation and disclosure requirements. Besides that, there have been no changes in the accounting policies in 2020 compared to 2019.

## 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.

## Misstatement in prior year

During the year, it was identified that an impairment of subsidiaries amounting to USD 16.3m had incorrectly been recognised as an intercompany receivable instead of impairment of subsidiaries in 2019.

The error has been corrected in accordance with the Danish Financial Statements act by restating comparatives and the opening equity in these financial statements.

As a consequence of the restatement 2019 profit has been reduced by USD 16.3m (USD 16.3m after tax) while intercompany receivables and total assets at 31 December 2019 have been reduced by USD 16.3m. Equity as of 31 December 2019 and opening equity as of 1 January 2020 has been reduced by USD 16.3m.

Comparative figures and the figures in financial highlights have been updated accordingly.

## 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.

US Dollar is used as the measurement and presentation currency. All other currencies are regarded as foreign currencies.

The USD/DKK exchange rate at 31 December 2020 is 605.8 (2019: 667.6).

## 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.

# ACCOUNTING POLICIES - CONTINUED

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 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.

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 Company's risk management policy, 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 "Financial expenses" for interest rate swaps with cap features, under "Revenue" for forward freight agreements and under "Port expenses, bunkers and commissions" for forward bunker contracts.

## 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.

IAS 17 is used as interpretation guidelines.

## INCOME STATEMENT

### Revenue

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. IAS 18 is used for interpretation of revenue.

### 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.





# ACCOUNTING POLICIES - CONTINUED

## Depreciation and impairment losses/reversal of impairment

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.

Reversal of impairment losses is recognized if the recoverable amount exceeds the previously impaired carrying amount in the same line item as the previously impairment was recognized.

## Income from investments in subsidiaries

Income from investments in subsidiaries comprises dividends received from subsidiaries as well as gain or losses on sale of interests in subsidiaries.

## Financial income

Financial income comprises interest income, including interests from cash pool, 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 and capitalized dry-docking

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.

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 major maintenance of other components, which cannot be carried out while the vessels are operating. These dry-docking costs are capitalized and depreciated on a straight-line basis over the estimated period until the next dry-docking. The residual value of such components is estimated at nil. The useful life of the dry-docking costs is reviewed at least at each financial year-end based on market conditions, regulatory requirements and TORM's business plans.

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

For subsequent dry-dockings, the costs comprise the actual costs incurred at the dry-docking yard. Dry-docking costs may include the cost of hiring crews to carry out replacements and repairs, the cost of parts and materials used, cost of travel, lodging and supervision of Company personnel as well as the



# ACCOUNTING POLICIES - CONTINUED

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 anti-fouling and hull paint, steel repairs as well as refurbishment and replacement of other parts of the vessel.

## 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 term of the lease. 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 is recognized and measured at the lower of cost and estimated net realizable value and classified as "fixed assets". Dividends are recognized under "Income from investments in subsidiaries", and any impairment losses are classified under "Impairment/reversal of impairment of investments in subsidiaries".

The carrying amount of investments in subsidiaries is increased to its estimated net realizable value which, however, cannot exceed cost, if there have been changes in the estimates used to determine the net realizable value since the last impairment loss was recognized.

Reversal of impairment losses on investments in subsidiaries is recognized in "Impairment/reversal of impairment of investments in subsidiaries".

## 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, unless 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 "Income/(loss) from joint ventures".

## Impairment of assets

Non-current assets are reviewed at least annually 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. If 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 and time charter and bareboat contracts are grouped at the lowest levels at which impairment is monitored for internal management purposes.

Management has assessed that TORM has three CGUs. The largest of which is its Main Fleet (comprising LR1/LR2 and MR vessels). The Main Fleet is considered to be a single cash generating unit because the vessels in the Main Fleet are largely interchangeable and the cash flows generated by them are interdependent. These vessels are operated collectively as a combined internal pool, employed principally in the spot market and actively managed to meet the needs of our customers in that market, particularly regarding the location of vessels meeting required specifications and the price of transport rather than vessel class. Given the technical specifications and capacity of vessels, the Main Fleet is relatively homogenous with a very high degree of interoperability. All vessels in the Main Fleet are able to handle multiple sizes of cargoes and sail all seas and oceans, over both shorter and long distances. The Main Fleet is monitored and managed on an aggregated level as one pool, i.e. each vessel or vessel class does not generate cash inflows that are largely independent of those from other vessels or vessel classes.

The other groups of CGUs outside the Main Fleet comprise the two Handysize vessels (which are typically used for shorter and coastal trade routes and more frequent port calls, including for transportation of various clean petroleum products within Europe and in the Mediterranean).

## Bunkers

Bunkers and lube oil are stated at the lower of cost and net realizable value. Cost is determined using the FIFO method



# ACCOUNTING POLICIES - CONTINUED

and includes expenditures incurred in acquiring the bunkers and lube oil and delivery cost less discounts.

## 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.

## 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 the 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.

## Borrowings

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. At the time of borrowing, lease liabilities are measured at fair value less transaction costs. Lease liabilities 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.

## 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.

## Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events, and when it is probable that this 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.

## 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

USD '000	Note	2020	2019
Revenue	1	739,360	692,225
Port expenses, bunkers and commissions		-220,139	-267,484
<b>Time charter equivalent earnings (TCE)</b>		<b>519,221</b>	<b>424,741</b>
Charter hire		-210,810	-202,668
Operating expenses	2	-174,189	-168,899
<b>Gross profit/(loss) (Net earnings from shipping activities)</b>		<b>134,222</b>	<b>53,174</b>
Administrative expenses	2, 6	-35,470	-33,535
Other operating income		-	116
Other operating expenses		-34,183	-17,970
<b>EBITDA</b>		<b>64,569</b>	<b>1,785</b>
Depreciation	8	-58,470	-43,058
Impairment of vessels	8	-69,934	-2,391
<b>Operating profit/(loss) (EBIT)</b>		<b>-63,835</b>	<b>-43,664</b>
Income from investments in subsidiaries	3	20,563	161,858
Income/(loss) from joint ventures	9	-242	-439
Impairment/reversal of impairment of investments in subsidiaries	9	-15,530	166,388
Financial income	4	9,666	2,928
Financial expenses	5	-40,564	-31,601
<b>Profit/(loss) before tax</b>		<b>-89,942</b>	<b>255,470</b>
Tax expense		-896	-319
<b>Net profit/(loss) for the year</b>		<b>-90,838</b>	<b>255,151</b>



## BALANCE SHEET AS OF 31 DECEMBER

USD '000	Note	2020	2019
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
<b>Tangible fixed assets</b>			
Vessels and capitalized dry-docking		1,040,654	285,302
Prepayments on vessels		12,024	14,517
Other plant and operating equipment		5,012	2,985
<b>Total tangible fixed assets</b>	8	<b>1,057,690</b>	<b>302,804</b>
<b>Financial assets</b>			
Investments in subsidiaries	9	804,404	952,800
Investments in joint ventures	9	1,588	1,171
<b>Total financial assets</b>		<b>805,992</b>	<b>953,971</b>
<b>Total fixed assets</b>		<b>1,863,682</b>	<b>1,256,775</b>
<b>CURRENT ASSETS</b>			
Bunkers		22,306	35,239
Freight receivables		57,080	84,228
Intercompany receivables		43,568	252,282
Other receivables		22,780	4,107
Prepayments		1,791	2,752
Cash and cash equivalents, including restricted cash	10	57,635	-
<b>Total current assets</b>		<b>205,160</b>	<b>378,608</b>
<b>Total assets</b>		<b>2,068,842</b>	<b>1,635,383</b>

USD '000	Note	2020	2019
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Common shares		141,946	141,946
Hedging reserves		809	-848
Translation reserves		5,896	5,896
Retained earnings		371,078	460,235
<b>Total equity</b>	11	<b>519,729</b>	<b>607,229</b>
<b>LIABILITIES</b>			
Non-current tax liability related to held over gains	12	45,176	45,176
<b>Total provisions</b>		<b>45,176</b>	<b>45,176</b>
<b>Non-current liabilities</b>			
Borrowings	13	165,064	417,768
<b>Total non-current liabilities</b>		<b>165,064</b>	<b>417,768</b>
<b>Current liabilities</b>			
Borrowings	14	15,499	67,076
Intercompany payables		1,260,329	419,828
Trade payables		14,027	44,911
Current tax liabilities		155	504
Other liabilities		30,563	32,891
Provisions	15	18,300	-
<b>Total current liabilities</b>		<b>1,338,873</b>	<b>565,210</b>
<b>Total liabilities</b>		<b>1,549,113</b>	<b>1,028,154</b>
<b>Total equity and liabilities</b>		<b>2,068,842</b>	<b>1,635,383</b>

Allocation of profit/(loss) for the year	7
Guarantee and contingent liabilities	15
Related parties and ownership	16
Financial instruments	17
Going concern	18
Subsequent events	19



## STATEMENT OF CHANGES IN EQUITY

### 1 JANUARY – 31 DECEMBER

USD '000	Common shares	Hedging reserves	Translation reserves	Retained earnings	Total
<b>Equity as of 1 January 2019</b>	<b>141,946</b>	<b>2,933</b>	<b>5,896</b>	<b>203,171</b>	<b>353,946</b>
<b>Changes in equity for 2019</b>					
Net profit/(loss) for the year	-	-	-	255,151	<b>255,151</b>
Financial derivatives	-	-3,781	-	-	<b>-3,781</b>
Share-based compensation	-	-	-	1,913	<b>1,913</b>
<b>Total changes in equity 2019</b>	<b>-</b>	<b>-3,781</b>	<b>-</b>	<b>257,064</b>	<b>253,283</b>
<b>Equity as of 31 December 2019</b>	<b>141,946</b>	<b>-848</b>	<b>5,896</b>	<b>460,235</b>	<b>607,229</b>
<b>Changes in equity for 2020</b>					
Net profit/(loss) for the year	-	-	-	-90,838	<b>-90,838</b>
Financial derivatives	-	1,657	-	-	<b>1,657</b>
Share-based compensation	-	-	-	1,681	<b>1,681</b>
<b>Total changes in equity 2020</b>	<b>-</b>	<b>1,657</b>	<b>-</b>	<b>-89,157</b>	<b>-87,500</b>
<b>Equity as of 31 December 2020</b>	<b>141,946</b>	<b>809</b>	<b>5,896</b>	<b>371,078</b>	<b>519,729</b>



## NOTE 1 - REVENUE

All revenue is derived from transportation of refined oil products such as gasoline, jet fuel and naphtha. The Company has only one geographical segment, because the Company considers the global market as one market and because the individual vessels are not limited to specific parts of the world.

## NOTE 2 - STAFF COSTS

USD ('000)	2020	2019
Staff costs included in operating expenses	9,212	8,091
Staff costs included in administrative expenses	28,602	24,977
<b>Total</b>	<b>37,814</b>	<b>33,068</b>

### Staff costs comprise the following

Wages and salaries	31,286	26,344
Pension costs	2,682	2,855
Other social security costs	3,846	3,869
<b>Total</b>	<b>37,814</b>	<b>33,068</b>

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

Executive Management, salaries	1,052	962
Executive Management, bonus	1,262	1,126
Board of Directors	-	-
<b>Total</b>	<b>2,314</b>	<b>2,088</b>

<b>Average number of full-time employees (FTE)</b>	<b>249</b>	<b>282</b>
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Executive Management and certain employees of the Company participates in an equity-settled, share-based compensation plan related to shares in TORM plc. The fair value of the employee services received in exchange for the grant of shares is recognized as an expense and allocated over the vesting period. During the year the Company has recognized an expense of USD 1.7m (2019: USD 1.9m).

The majority of the seafarers on vessels are on short term contracts. The number of seafarers on short-term contracts in 2020 was on average 1,474 (2019: 1,510). Total seafarers costs in 2020 was USD 80.5m (2019: USD 79.5m), which has been included in "Operating expenses".

## NOTE 3 - INCOME FROM INVESTMENTS IN SUBSIDIARIES

USD ('000)	2020	2019
Dividends from subsidiaries	20,563	161,858
<b>Total</b>	<b>20,563</b>	<b>161,858</b>

## NOTE 4 - FINANCIAL INCOME

USD ('000)	2020	2019
Interest from group enterprises	9,380	480
Exchange rate adjustments	-	1,358
Other financial income	286	1,090
<b>Total</b>	<b>9,666</b>	<b>2,928</b>

## NOTE 5 - FINANCIAL EXPENSES

USD ('000)	2020	2019
Interest to group enterprises	25,907	9,243
Interest external financing	12,365	21,511
Exchange rate adjustments	761	168
Other financial expenses	1,531	679
<b>Total</b>	<b>40,564</b>	<b>31,601</b>

## NOTE 6 - REMUNERATION TO AUDITORS APPOINTED AT THE COMPANY'S ANNUAL GENERAL MEETING

Remuneration to auditors appointed at the Company's Annual General Meeting is not disclosed with reference to the Danish Financial Statements Act Section 96 paragraph 3.

## NOTE 7 - ALLOCATION OF PROFIT/(LOSS) FOR THE YEAR

USD ('000)	2020	2019
The Board of Directors recommends that the net profit/(loss) for the year be allocated as follows:		
Retained earnings	-90,838	255,151
<b>Total</b>	<b>-90,838</b>	<b>255,151</b>

**NOTE 8 - TANGIBLE FIXED ASSETS**

USD ('000)	Vessels and capitalized		Other plant and operating
	dry-docking	Newbuildings	equipment
<b>COST</b>			
Balance as of 1 January 2020	353,199	14,517	22,822
Additions	836,862	63,869	2,778
Disposals	-68,023	-	-4,060
Transfer to/from	66,362	-66,362	-
<b>Balance as of 31 December 2020</b>	<b>1,188,400</b>	<b>12,024</b>	<b>21,540</b>
<b>DEPRECIATION AND IMPAIRMENT LOSSES</b>			
Balance as of 1 January 2020	67,897	-	19,837
Depreciation for the year	58,885	-	751
Impairment for the year	66,350	-	-
Disposals	-45,386	-	-4,060
<b>Balance as of 31 December 2020</b>	<b>147,746</b>	<b>-</b>	<b>16,528</b>
<b>Carrying amount as of 31 December 2020</b>	<b>1,040,654</b>	<b>12,024</b>	<b>5,012</b>

Impairment of vessels and capitalized dry-docking of USD 66,4m were recognized during the year as the carrying amount of the fleet exceeded the recoverable amount. The primary driver of the impairment is the development of the current weak conditions in the product tanker market. In addition an impairment of USD 3.6m has been recognized in the income statement in relation to sold vessels.

**NOTE 9 - FINANCIAL ASSETS**

USD ('000)	Investments in subsidiaries	Investments in joint ventures
	<b>COST</b>	
Balance as of 1 January 2020	1,692,300	331
Additions	29,159	-
Disposals	-162,033	-
<b>Balance as of 31 December 2020</b>	<b>1,559,426</b>	<b>331</b>
<b>VALUE ADJUSTMENT</b>		
Balance as of 1 January 2020	-739,500	840
Impairment	-15,530	-
Value adjustment for the year	-	417
Disposals	8	-
<b>Balance as of 31 December 2020</b>	<b>-755,022</b>	<b>1,257</b>
<b>Carrying amount as of 31 December 2020</b>	<b>804,404</b>	<b>1,588</b>

Impairment of investment in subsidiaries of USD 15.5m were recognized during the year as the carrying amount of the investment in subsidiaries exceeded the recoverable amount, which is based on value in use. The value of investments in subsidiaries is based on value in use of the vessels owned by the subsidiaries. The primary driver of the impairment is the development of the current weak conditions in the product tanker market.

**INVESTMENTS IN JOINT VENTURES**

Entity	Country	Profit/ (loss)	Equity
		for the year (USDm)	(USDm)
Long Range 2 A/S	Denmark	0	0
LR2 Management K/S	Denmark	0	0
ME Production Marine Exhaust Technology Ltd.	Hong Kong	3	6

**NOTE 9 - continued****INVESTMENTS IN SUBSIDIARIES**

<b>Entity <sup>1)</sup></b>	<b>Country</b>	<b>Profit/ (loss) for the year (USDm)</b>	<b>Equity (USDm)</b>
VesselCo A ApS <sup>2)</sup>	Denmark	0	0
VesselCo C ApS <sup>2)</sup>	Denmark	0	0
VesselCo E ApS <sup>2)</sup>	Denmark	0	0
VesselCo F ApS <sup>2)</sup>	Denmark	0	0
DK Vessel Holdco GP ApS	Denmark	0	0
DK Vessel Holdco K/S	Denmark	264	594
TORM Crewing Services Ltd	Bermuda	0	-3
TORM Shipping (Phils.), Inc	Philippines	0	2
TORM Shipping India Private Ltd.	India	2	5
TORM Singapore PTE. LTD.	Singapore	13	35
TORM USA LLC	United States	0	0
VesselCo 8 Pte. Ltd.	Singapore	-6	89
OCM Singapore Njords Holdings Alice, Pte. Ltd.	Singapore	0	0
OCM Singapore Njords Holdings Almena, Pte. Ltd.	Singapore	2	21
OCM Singapore Njords Holdings Hardrada, Pte. Ltd.	Singapore	4	17
OCM Singapore Njords Holdings St. Michaelis, Pte. Ltd.	Singapore	0	14
OCM Singapore Njords Holdings St. Gabriel, Pte. Ltd.	Singapore	2	15
OCM Singapore Njords Holdings Agnete, Pte. Ltd.	Singapore	-1	21
OCM Singapore Njords Holdings Alexandra, Pte. Ltd.	Singapore	0	0

<sup>1)</sup> Ownership and voting rights for all subsidiaries are 100%, except TORM Shipping (Phils), Inc where the ownership is 25%.

<sup>2)</sup> Dissolved during the year

**NOTE 10 - CASH AND CASH EQUIVALENTS, INCLUDING RESTRICTED CASH**

Cash and cash equivalents, including restricted cash include USD 34.7m in restricted cash provided as security for initial margin calls and negative market values on derivatives etc.

**NOTE 11 - EQUITY**

<b>Common shares consist of:</b>	<b>Number of shares</b>	<b>Nominal value (DKK '000)</b>
A-shares	63,836,249	957,397
B-shares	1	-
C-shares	1	-
<b>Total</b>	<b>63,836,251</b>	<b>957,397</b>

The number of shares is unchanged in the past five years.

**NOTE 12 - NON-CURRENT TAX LIABILITY RELATED TO HELD OVER GAINS**

The non-current tax liability related to held over gains is the undiscounted income tax payable calculated on the realized gain on sale of vessels that came from corporate income taxation into the Danish tonnage tax scheme upon initial application in 2001 (the held over gain reflected in the transition account under the Danish tonnage tax scheme). This tax liability will become payable, in part or in full, if the Danish owned fleet of vessels is significantly or fully disposed of, or if operated to end of useful life and sold for scrap.

If TORM discontinues its participation in the Danish tonnage tax scheme, a deferred tax liability would arise in relation to the vessels held by the Group and taken out of the tonnage tax scheme. Management considers this to be a remote scenario

**NOTE 13 - NON-CURRENT LIABILITIES**

<b>USD ('000)</b>	<b>2020</b>	<b>2019</b>
<b>Borrowings<sup>1)</sup></b>		
After 5 years	66,468	76,018
Between 1 and 5 years	102,872	345,310
Within 1 year	15,451	67,228
<b>Total</b>	<b>184,791</b>	<b>488,556</b>

<sup>1)</sup> The presented amounts to be repaid do not include related costs arising from the issuing of the loans of USD 4,227k (2019: USD 4,057k), which are amortized over the term of the loans.





## NOTE 14 - PROVISIONS

In 2020 the Company was involved in two cargo claims, both relating to one customer having issued indemnities to TORM for safe discharge of cargoes, and not being able to honor those indemnity obligations. Both cases involved irregular activities by the customer in relation to the handling of bills of lading. Legal action has been initiated by the Company in the UK and in India against the customer and a number of individual owners and management representatives. The Company has recognized provisions in the total amount of USD 18.3m relating to the two claims. The proceedings are ongoing and therefore the provisions recognized are subject to uncertainty related to both timing and amount.

## NOTE 15 - GUARANTEE COMMITMENTS

USD ('000)	2020	2019
<b>Collateral security and guarantees</b>		
Carrying amount of investments in subsidiaries collateralized	-	969,185
Carrying amount of vessels collateralized	1,076,524	-
<b>Total</b>	<b>1,076,524</b>	<b>969,185</b>
Contingent liabilities:		
Bareboat hire	63,938	209,879
Other operating leases	5,234	5,789
<b>Total</b>	<b>69,172</b>	<b>215,668</b>

The guarantee commitments of the Company consist of vessels used as collateral for all mortgage debt within the TORM plc Group.

Furthermore, the Company guarantees less than USD 0.1m relating to guarantee commitments to Danish Shipping.

The Company is involved in legal proceedings and disputes other than the dispute described in note 10. 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 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.

## NOTE 16 - 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

During the year the following transactions with related parties have occurred:

USD ('000)	2020	2019
Transactions with parent company:		
Bareboat hire expense	70,338	52,996
Transactions with subsidiaries:		
Bareboat hire expense	140,472	202,668
Management fee income	15	17
Management fee expense	14,971	15,201
Vessel acquisitions	742,326	-

Please also refer to note 2 for Management remuneration, note 3 for dividends from subsidiaries, note 4 for financial income from group enterprises, note 5 for financial expenses to group enterprises.

### Consolidated Financial Statements

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



## NOTE 17 – FINANCIAL INSTRUMENTS

USD ('000)	2020	2019
<b>FAIR VALUE OF DERIVATIVES</b>		
<b>Derivative financial instruments regarding freight and bunkers:</b>		
Forward freight agreements	-3,097	-300
Bunker swaps	4,266	32
<b>Derivative financial instruments regarding interest and currency exchange rate:</b>		
Forward exchange contracts	-	-128
Interest rate swaps	52	-409
<b>Total</b>	<b>1,221</b>	<b>-805</b>

Of which included in:

### Current assets

Other receivables	4,318	551
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### Current liabilities

Other liabilities	-3,097	-1,356
<b>Total</b>	<b>1,221</b>	<b>-805</b>

In 2020, 100% (2019: 100%) of TORM's forward freight agreements (FFAs) and fuel swaps were cleared through clearing houses, effectively reducing counterparty credit risk by daily clearing of balances. TORM also trades FX and interest derivatives. 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.

## NOTE 18 – 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 towards subsidiaries is expected to be settled during 2021.

During 2020 the Company has renewed a financing agreement with the its Parent Company TORM plc., which expires in 2022. The Parent Company has declared that they will not demand repayment of debt owed under the financing agreement prior to 1 January 2022.

It is not possible to reliably estimate the length or severity of the COVID-19 outbreak, the economic effects over the shorter term are subject to some degree of uncertainty. If the length or severity of the outbreak exceeds the market expectations, there will be a risk of an impairment of the Company's investments in subsidiaries and vessels

Based on the financial position of the Company and the longer term outlook for operations and earnings, Management deems that the Company is going concern.

## NOTE 19 – SUBSEQUENT EVENTS

On 1 March 2021, TORM A/S entered into an agreement to purchase eight 2007-2012 built MR product tanker vessels from TEAM Tankers Deep Sea Ltd. for a total cash consideration of USD 82.5m and a non-cash loan note settled by the parent company TORM plc. Six of the vessels have specialized cargo tank configurations and extended tank segregations (IMO 2), allowing for enhanced trading flexibility through chemical trading options. Based on broker valuations, the market value of the acquired vessels is assessed at USD 148m.

On 12 May 2021, TORM A/S purchased three 2015-built scrubber-fitted and fuel-efficient LR2 vessels Nissos Schinoussa, Nissos Heraclea and Nissos Therassia from Okeanis Eco Tankers Corp. for a total consideration of USD 120.8m.

TORM A/S also sold the MR vessel TORM Carina. Net of debt repayment, the sale will generate USD 6m in liquidity. The vessel was delivered to the new owner on 28 May 2021.

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