ANNUAL REPORT 2016

TORM

TORM AT A GLANCE

A WORLD-LEADING

PURE-PLAY PRODUCT TANKER COMPANY

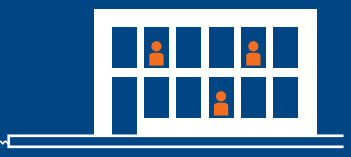
ONE OF THE WORLD'S LARGEST OWNERS AND OPERATORS OF **PRODUCT TANKERS** THAT TRANSPORT REFINED OIL PRODUCTS

CUSTOMERS CONSIST OF
MAJOR INDEPENDENT OIL COMPANIES, STATE-OWNED OIL COMPANIES, OIL TRADERS AND REFINERS

TORM PLC IS LISTED ON
NASDAQ COPENHAGEN

128
YEARS OF TRACK RECORD

~3,000
SEAFARERS



277
LAND-BASED EMPLOYEES

TORM			WORLD FLEET
10 (+4) LR2		On the water / Newbuildings	318
7 LR1			338
53 MR			1,573
11 Handysize			704

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CHAIRMAN'S STATEMENT

With the combination of a strong integrated operating platform, a transparent governance structure and a solid balance sheet, I believe TORM provides an excellent platform for generating shareholder value within the product tanker segment. There is ample work to do as we work through this softer market environment, and I look forward to reporting on our progress throughout the coming year.

Chairman of the Board Christopher H. Boehringer.

In a year where product tanker rates weakened significantly, I am pleased to report that TORM maintained its position in the forefront of its industry with a commercial performance which was among the best of its peer group. As a pure-play product tanker company, this performance can be attributed to the Company's integrated operating platform, its well-maintained fleet and its presence in all larger product tanker classes. With TCE earnings[1] and cash flow at the top end of comparable industry players, I consider the solid 2016 results to be another step towards TORM's ambition to be the Reference Company within the product tanker industry.

INTEGRATED OPERATING PLATFORM

TORM puts customers first, and the Company's One TORM integrated operating platform ensures close cooperation between the commercial and technical divisions and provides the commercial management team with enhanced flexibility to service customers across vessel classes. TORM has a number of functions in-house which other players outsource, including full commercial management, full technical management as well as its S&P team. Having an internal S&P team allows the Company to utilize its relationships with brokers, yards, banks and shipowners to track and execute on opportunities to grow and refresh the fleet, where this makes commercial sense.

TRANSPARENT GOVERNANCE

As part of its drive to become a Reference Company in the product tanker industry, TORM is very focused on maintaining a transparent governance structure with no related party issues or conflicts of interest. This is considered a key benefit for all stakeholders and a prerequisite to creating an attractive vehicle for investors looking for exposure to this sector.

In this vein, on 15 April 2016, the Company undertook a corporate reorganization which included the establishment of a UK parent company, TORM plc. We believe that this step will improve the marketability of the Company by attracting a broader and more diversified international investor base and will facilitate an eventual dual listing in the United States. Amongst other things, the establishment of a UK company results in TORM reporting under the internationally recognized UK Corporate Governance Code, which entails comprehensive reporting and transparency requirements.

TORM plc was listed on Nasdaq Copenhagen on 19 April 2016 under the ticker "TRMD A".

SOLID CAPITAL STRUCTURE

Throughout 2016, TORM has maintained its strategic and financial flexibility. During the year, the Company extended its relationships with existing lenders and expanded the lender group. The new financing facilities totaling USD 271m announced in the second half of 2016 ensure a solid capital position going forward and allow TORM the flexibility to pursue investment opportunities where attractive.

1) See Glossary on pages 128-132 for definition of TCE earnings.

In 2016, TORM adopted a new Distribution Policy. Going forward, TORM intends to distribute 25-50% of net income on a semi-annual basis. In September 2016, TORM distributed the first dividend payment totaling USD 25m, and through the dividend payment and accretive share repurchases, the Company has returned a total of USD 47m to its shareholders during 2016. This balanced approach to distributions ensures that shareholders will benefit from the earnings in times of strong cash generation. The Distribution Policy will be reviewed on a continuous basis considering TORM's capital structure, strategic developments, future obligations, market trends and shareholder interests.

2016 PERFORMANCE

2016 started on a robust note; however, the product tanker segment experienced softening freight rates over the course of the year. High product inventory levels and a lack of long-haul movements of naphtha from the Atlantic Basin to the Far East had a negative impact on demand for seaborne transportation. Despite challenging market conditions, TORM was able to benefit from the One TORM platform and deliver competitive results.

Operating within the context of this weakening market, TORM nevertheless generated strong cash flow from operations of USD 171m (2015: USD 214m) and an EBITDA[2)] of USD 200m (2015: USD 210m).

Throughout the year, vessel values decreased by roughly 25% in total, and TORM has booked an impairment charge of USD 185m. Following the impairment, the net loss for the year is USD 142m (2015: net profit of USD 126m), which corresponds to a net profit of USD 43m when adjusting for the impairment.

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With the combination of a strong integrated operating platform, a transparent governance structure and a solid balance sheet, I believe TORM provides an excellent platform for generating shareholder value within the product tanker segment. There is ample work to do as we work through this softer market environment, and I look forward to reporting on our progress throughout the coming year.

Christopher H. Boehringer, Chairman of the Board

2) See Glossary on pages 128-132 for definition of EBITDA.

KEY FIGURES

	2016	Pro forma 2015*)	2015	Pro forma 2014*)
INCOME STATEMENT (USDm)				
Revenue	680	854	540	794
Time charter equivalent earnings (TCE)	458	582	371	414
Gross profit	242	361	236	172
EBITDA	200	319	210	119
Operating profit/(loss) (EBIT)	-107	219	143	24
Financial items	-35	-31	-16	-23
Profit/(loss) before tax	-142	188	127	1
Net profit/(loss) for the year	-142	187	126	0
Net profit/(loss) for the year excluding impairment charges	43	187	126	0
BALANCE SHEET (USDm)				
Non-current assets	1,390	1,579	1,579	1,432
Total assets	1,571	1,867	1,867	1,673
Equity	781	976	976	842
Total liabilities	790	891	891	831
Invested capital**)	1,388	1,588	1,588	1,488
Net interest-bearing debt**)	609	613	613	619
Cash and cash equivalents	76	168	168	70
KEY FINANCIAL FIGURES)**				
Gross margins:				
TCE	67.4%	68.1%	68.6%	52.2%
Gross profit	35.6%	42.3%	43.6%	21.7%
EBITDA	29.4%	37.4%	38.9%	14.9%
Operating profit/(loss)	-15.7%	25.6%	26.5%	3.0%
Return on Equity (RoE)	-16.2%	-	17.4%	-
Return on Invested Capital (RoIC)	-7.2%	14.1%	13.2%	1.6%
Adjusted Return on Invested Capital (RoIC)**)	4.9%	14.1%	13.2%	1.6%
Equity ratio	49.7%	-	52.3%	-
SHARE-RELATED KEY FIGURES)**				
Earnings per share, EPS (USD)	-2.3	-	2.4	-
Diluted earnings/(loss) per share, EPS (USD)	-2.3	-	2.4	-
Net Asset Value per share (NAV)***)	11.8	-	18.4	-
Stock price in DKK, end of period (per share of USD 0.01)	63.5	-	97.5	-
Number of shares (excluding treasury shares), end of period (million)	62.0	-	63.8	-
Number of shares (excluding treasury shares), average (million)	62.9	-	51.7	-

*) Please refer to "Financial review 2016" on page 36 for further description of pro forma figures.

**) For definition of the calculated key figures, please refer to the glossary on pages 128-132.

***) Based on broker valuations as of 31 December 2016, excluding charter commitments.

TORM'S RESTRUCTURING, CORPORATE REORGANIZATION AND IMPACT ON THE ANNUAL REPORT 2016

On 13 July 2015, TORM, its lenders and Oaktree Capital Management ("Oaktree") completed a comprehensive restructuring ("Restructuring") of TORM A/S' balance sheet and a transformative merger between TORM and Oaktree. In return for a vessel contribution by means of the shares in OCM (Gibraltar) Njord Midco Ltd. ("Njord"), Oaktree obtained a controlling equity stake in TORM. In accordance with IFRS 10 and 3, Oaktree was considered to control the combined entity, and the Restructuring was therefore accounted for as a reverse acquisition for financial reporting purposes. This means that Njord is considered the accounting acquirer and the continuing reporting entity. For comparative figures covering 2015, the period from 1 January 2015 to 13 July 2015 ("Restructuring Completion Date") shown in the consolidated financial statements reflects the activity of Njord only, whereas the period from the Restructuring Completion Date to 31 December 2015 reflects the combined activities of TORM and Njord.

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 accounting purposes, the consolidated financial statements for the TORM Group are presented in the legal name of TORM plc but are a continuation of the consolidated financial statements of TORM A/S.

The Strategic Report and Governance Report sections of the Annual Report also contain pro forma figures for 2015, presenting TORM as if the Restructuring had been undertaken as of 1 January 2015.

The Strategic Report and Governance Report sections (pages 4–74) focus on the pro forma numbers, as they are deemed to be the most representative when evaluating both the Company's current and future financial performance and position. The Financial review contains a reconciliation between the reported figures per the consolidated financial statements (Income statement and Balance sheet) and the computed pro forma figures, including the assumptions applied. The Financial review also contains a brief review of the reported figures.

For comparative figures covering 2015 displayed in the Strategic Report (pages 4–45), "TORM" or the "Company" generally refers to pro forma figures adjusted for non-recurring items for the combined group or for the legal entity TORM A/S, unless stated otherwise.

In the Financial review included in the Strategic Report (pages 36–45), references to the historical financial statements of "TORM A/S" and "Njord" are references to the historical financial statements of Njord, the accounting acquirer. References to the historical financial statements of "Former TORM A/S" are references to the historical financial statements of TORM A/S, the accounting acquiree, prior to the contribution of Njord.

SAFE HARBOR STATEMENTS AS TO THE FUTURE

Matters discussed in this release may constitute forward-looking statements. Forward-looking statements reflect our current views with respect to future events and financial performance and may include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and statements other than statements of historical facts. The words "believe," "anticipate," "intend," "estimate," "forecast," "project," "plan," "potential," "may," "should," "expect," "pending" and similar expressions generally identify forward-looking statements.

The forward-looking statements in this release are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in our records and other data available from third parties. Although the Company believes that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies that are difficult or impossible to predict and are beyond our control, the Company cannot guarantee that it will achieve or accomplish these expectations, beliefs or projections.

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

In light of these risks and uncertainties, you should not place undue reliance on forward-looking statements contained in this release because they are statements about events that are not certain to occur as described or at all. These forward-looking statements are not guarantees of our future performance, and actual results and future developments may vary materially from those projected in the forward-looking statements.

Except to the extent required by applicable law or regulation, the Company undertakes no obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this release or to reflect the occurrence of unanticipated events.

HIGHLIGHTS

In a softening freight rate environment, TORM benefited from its integrated operating platform and realized an EBITDA of USD 200m in 2016. With the broadening of the Company's lending group, we have enhanced TORM's strategic and financial flexibility.

Executive Director Jacob Meldgaard.

- In 2016, the Company realized an EBITDA of USD 200m (2015, pro forma: USD 319m). As of 31 December 2016, TORM has booked a non-cash impairment charge of USD 185m. Following the impairment, TORM's 2016 full-year results amounted to a loss before tax of USD 142m and a profit before tax of USD 43m when adjusting for the non-cash impairment (2015, pro forma: profit of USD 187m). The performance is in line with the guidance provided as of 15 November 2016 when adjusting for the impairment charge.

- Product tanker freight rates were at healthy levels at the beginning of 2016 but softened during the year, as high product inventory levels globally and lack of long-haul movements of naphtha from the Atlantic Basin to the Far East contained the demand for product tankers. For the full year 2016, TORM achieved TCE rates of USD/day 16,050 (2015, pro forma: USD/day 22,879). The gross profit amounted to USD 242m (2015, pro forma: USD 361m).

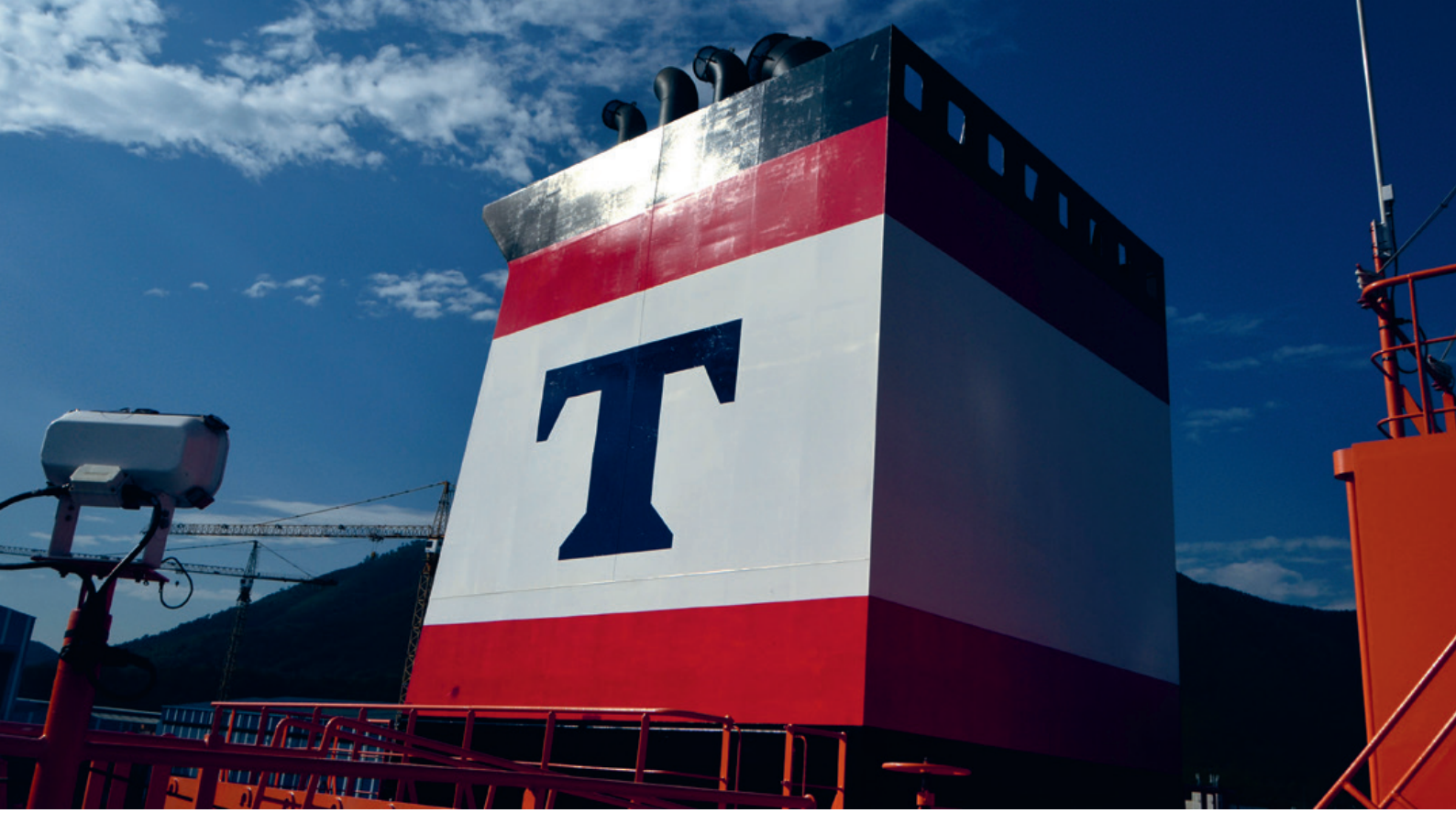
- On 15 April 2016, the TORM Group implemented a Corporate Reorganization including the insertion of a UK parent company, TORM plc. TORM plc was listed on Nasdaq Copenhagen on 19 April 2016, and TORM A/S was delisted from Nasdaq Copenhagen on 26 April 2016. A total of 97.6% of TORM A/S' shareholders have exchanged their shareholdings to TORM plc, and TORM plc has acquired the remaining 2.4% shares from TORM A/S' minority shareholders. For accounting purposes, the consolidated financial statements for the TORM Group are presented in the legal name of TORM plc but are a continuation of the consolidated financial statements of TORM A/S.

- During the first quarter of 2016, TORM took delivery of three MR newbuildings. As of 31 December 2016, TORM's order book stood at four LR2[3)] newbuildings from Guangzhou Shipyard International with expected delivery between the fourth quarter of 2017 and the second quarter of 2018.

- As of 31 December 2016, TORM's available liquidity was USD 266m and consisted of USD 76m in cash and USD 190m in undrawn credit facilities. Outstanding CAPEX relating to the order book and vessel purchases amounted to USD 149m. Following the balance sheet date, TORM has completed the sale of one vessel, TORM Anne, and sale and leaseback transactions for two vessels, TORM Mary and TORM Helene. In addition, the new term facility of up to USD 130m, announced in December 2016, was finalized and drawn in January 2017.

- As of 31 December 2016, net interest-bearing debt amounted to USD 609m. During 2016, TORM secured new financing totaling USD 271m against collateral in four LR2 newbuildings and eleven unencumbered MR vessels. Through the new financing agreements, TORM has been able to both attract new strategic financial institutions and build on existing relations. As of 31 December 2016, TORM's loan-to-value ratio (LTV)[4)] was 58% at Group level.

3) See "The TORM Fleet" on page 15.
4) See Glossary on page 128-132 for definition of LTV.



- As of 31 December 2016, TORM performed a quarterly review of the recoverable amount of the assets by assessing the recoverable amount for the most significant assets including goodwill within the Tanker Segment. Based on this review, Management concluded that the assets within the Tanker Segment were impaired by USD 185m as of 31 December 2016 (2015: USD 0m), as the carrying value exceeded the value in use. Following the impairment charge, the book value of the fleet was USD 1,388m excluding outstanding installments on newbuildings of USD 149m. Based on broker valuations, TORM's fleet, including newbuildings, had a market value of USD 1,446m as of 31 December 2016.

- Based on broker valuations, TORM's net asset value (NAV)[5] excluding charter commitments is estimated at USD 733m. This corresponds to a NAV/share of USD 11.8 or DKK 83.3.

- TORM's equity amounted to USD 781m as of 31 December 2016. This corresponds to an equity/share of USD 12.6 or DKK 88.8.

- As of 31 December 2016, 12% of the total earning days[6] in 2017 were covered at USD/day 19,739.

- As of 3 March 2017, TORM had covered 84% of the earning days in the first quarter of 2017 at an average TCE of USD/day 15,250.

- Following TORM's incorporation in the UK, the Company reports according to standard UK reporting practice. In previous quarterly earnings announcements, TORM has included guidance on earnings. In line with common practice in most UK-listed companies and other major shipping companies, TORM has decided not to provide guidance on earnings in the Annual Report and any future announcements. Information on covered days, interest-bearing bank debt, the one-year time charter market and EBITDA sensitivity to freight rates will remain included in the Annual Report.

- On 12 May 2016, TORM's Board of Directors approved a new Distribution Policy. Going forward, TORM intends to distribute 25-50% of net income semi-annually. The first dividend payment of USD 25.0m was distributed on 15 September 2016. Further, TORM has repurchased own shares totaling USD 22.1m, of which USD 19.2m relates to the Corporate Reorganization. In total, TORM has returned USD 47.1m to its shareholders during 2016. The Board of Directors proposes that no dividend be distributed for the second half of 2016.

5) See Glossary on pages 128-132 for definition of NAV.
6) See Glossary on pages 128-132 for definition of earning days.

OUTLOOK 2017

As of 31 December 2016, TORM had covered 3,264 earning days (12% of total earning days) at an average rate of USD/day 19,739 for 2017

As of 31 December 2016, the interest-bearing bank debt totaled USD 685m, and TORM had fixed 68% of the interest exposure for 2017

OUTLOOK

Taking the economic and political uncertainty into account, TORM expects the supply and demand balance within the product tanker market to gradually improve. Going forward, TORM also expects increasing oil consumption and increased ton-mile effects of dislocation of refinery activity to have a positive impact on the demand for product tankers. During 2017-2019, the product tanker ton-mile demand is estimated to grow by a compound annual rate of around 5% with an estimated net growth in tonnage supply of approximately 4%. During the first part of this period, the market is expected to be impacted by product stock drawdowns and a high number of newbuilding deliveries. Expectations are that the market balance will improve towards the end of the period supported by an increasing demand for transportation and lower fleet growth. Please see "The Product Tanker Market" section on pages 18-20.

COVERAGE FOR 2017

Following TORM's incorporation in the UK, the Company reports according to standard UK reporting practice. In previous quarterly earnings announcements, TORM has included guidance on earnings. In line with common practice in most UK-listed companies and other major shipping companies, TORM has decided not to provide guidance on earnings in the Annual Report and any future announcements. Information on covered days, interest-bearing bank debt, the one-year time charter market and EBITDA sensitivity to freight rates will remain included in the Annual Report.

As of 31 December 2016, TORM had covered 3,264 earning days (12% of total earning days) at an average rate of USD/day 19,739 for 2017. This means that a change in freight rates of USD/day 1,000 would impact the full-year EBITDA by USD 25m.

As of 31 December 2016, the interest-bearing bank debt totaled USD 685m, and TORM had fixed 68% of the interest exposure for 2017. A change in interest rates of 25 basis points would impact the result before tax by USD 0.9m.

The most important factors affecting TORM's earnings in 2017 are:

- Global economic growth
- Consumption of refined oil products
- Developments in inventory levels of refined oil products
- Oil trading activity and developments in ton-mile trends
- Fleet growth, scrapping of vessels and delays to deliveries from the order book
- Bunker price developments
- One-off market-shaping events such as strikes, embargoes, political instability, weather conditions, etc.
- Potential difficulties of major business partners

As of 28 February 2017, the one-year time charter (T/C) market can be seen in the table below, which corresponds to a weighted average one-year T/C rate for TORM's vessels of USD/day 12,690.

2017 EBITDA SENSITIVITY TO CHANGES IN FREIGHT RATES

	Change in freight rates (USD/day)			
USDm	-2,000	-1,000	1,000	2,000
LR2	-5	-2	2	5
LR1	-5	-2	2	5
MR	-33	-16	16	33
Handysize	-8	-4	4	8
Total	**-51**	**-24**	**24**	**51**

ONE-YEAR TIME CHARTER MARKET

Source: Average of selected broker assessments.

USD/day	One-year T/C rate as of 28 February 2017
LR2	15,200
LR1	13,175
MR	12,425
Handysize	11,375

Note: The time charter market has limited liquidity.

COVERED AND CHARTERED-IN DAYS IN TORM – DATA AS OF 31 DECEMBER 2016

	2017	2018	2019	2017	2018	2019
	Owned days					
LR2	2,868	4,156	4,380			
LR1	2,501	2,550	2,555			
MR	18,015	18,494	18,615			
Handysize	3,915	4,010	4,015			
Total	**27,299**	**29,210**	**29,565**			
	T/C-in days at fixed rate			T/C-in costs, USD/day		
LR2	-	-	-	-	-	-
LR1	-	-	-	-	-	-
MR	215	-	-	16,250	-	-
Handysize	-	-	-	-	-	-
Total	**215**	**-**	**-**	**16,250**	**-**	**-**
	T/C-in days at floating rate					
LR2	726	339	-			
LR1	-	-	-			
MR	-	-	-			
Handysize	-	-	-			
Total	**726**	**339**	**-**			
	Total physical days			Total covered days		
LR2	3,594	4,495	4,380	1,166	1,092	85
LR1	2,501	2,550	2,555	63	-	-
MR	18,230	18,494	18,615	1,942	1,095	148
Handysize	3,915	4,010	4,015	93	-	-
Total	**28,240**	**29,549**	**29,565**	**3,264**	**2,187**	**232**
	Covered, %			Coverage rates, USD/day		
LR2	32%	24%	2%	22,816	24,180	24,352
LR1	3%	0%	0%	18,094	-	-
MR	11%	6%	1%	18,244	17,535	17,535
Handysize	2%	0%	0%	13,513	-	-
Total	**12%**	**7%**	**1%**	**19,739**	**20,853**	**20,021**

Fair value of freight rate contracts that are mark-to-market in the income statement (USDm):

Contracts not included above: 0.0

Contracts included above: 0.6

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

STATEMENT BY THE EXECUTIVE DIRECTOR

In the past several quarters, TORM has consistently performed very competitively both in terms of total TCE/day and in terms of RoIC. TORM believes that this performance is a result of the One TORM approach with in-house commercial and technical management.

Executive Director Jacob Meldgaard.

TORM's continued focus on optimizing the operational performance supports the ambition to be the Reference Company in the product tanker industry.

In 2016, TORM's product tanker fleet realized average TCE earnings of USD/day 16,050. 2016 started well with freight rates at similar levels as at the end of 2015. Initially, the product tanker market benefited from relatively strong refinery margins, resulting in high production of clean petroleum products and all-time high inventory levels. In the second quarter, the product tanker market began to soften, as high global inventory levels combined with lower refinery utilization had a negative impact on the demand for long-haul arbitrage movements and product tanker freight rates in general.

High inventory levels remained the most important factor during the second half of 2016, limiting the demand for seaborne transportation. In addition, penetration from newly delivered Very Large Crude Carriers (VLCC) and Suezmax vessels into traditional LR2 routes influenced the market negatively. Towards the end of the fourth quarter, the long-haul naphtha arbitrage increased and freight rates improved.

TORM has focused its operational efforts on generating the highest possible operational return by ensuring the right trade-off between maximizing the TCE and minimizing cost. In 2016, TORM generated an EBITDA of USD 200m and an adjusted RoIC[7)] of 4.9%.

The One TORM approach with in-house commercial and technical management ensures maximum flexibility to optimize performance and has proven its strength by ensuring the right trade-off between maximizing the TCE and minimizing cost. The integrated nature of TORM's business model provides transparency and additional alignment of management and shareholder interests, which mitigates the potential for actual or perceived conflicts of interest with related parties and allows for closer control over operating expenses.

The Company's capital structure supports the operational performance by ensuring sufficient financial and strategic flexibility to allow for spot employment. As a recognized shipping name, TORM is one of a few within the industry with access to financing. The balance sheet strength combined with TORM's access to funding provides a competitive advantage when pursuing vessel acquisitions.

7) See Glossary on pages 128-132 for definition of adjusted RoIC.

In 2016, TORM's fleet on the water increased by 13% in terms of earning days. Following the delivery of three MR newbuildings in 2016, TORM's owned fleet numbers 77 product tankers on the water and four LR2 newbuildings to be delivered in 2017 and 2018.

The TORM fleet covers all larger product tanker classes (LR2, LR1, MR and Handysize). This further supports TORM's operational performance and is an important factor in meeting customer demands, as global customers in general have transportation requirements that move between vessel classes.

In line with the Company's strategic focus on safety performance and the journey towards becoming the Reference Company in the product tanker industry, TORM introduced a new safety program called One TORM Safety Culture. With the new safety program, the Company wants to take safety culture, performance and quality to a higher level and to ensure a common understanding of safety across the organization. The One TORM Safety Culture involves all employees both ashore and at sea.

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In the past several quarters, TORM has consistently performed very competitively both in terms of total TCE/day and in terms of RoIC. TORM believes that this performance is a result of the One TORM approach with in-house commercial and technical management.

The Strategic Report on pages 4-45 has been prepared in accordance with the requirements of the Companies Act 2006 and is approved and signed on behalf of the Board of Directors.

Jacob Meldgaard, Executive Director

FROM EXPLORATION TO END CONSUMPTION

The global oil industry includes a range of activities and processes which contribute to the transformation of primary petroleum resources into usable end products for industrial and private customers.

The value chain begins with the identification and subsequent exploration of productive petroleum fields. The unrefined crude oil is transported from the production area to the refinery facilities by crude oil tankers, pipelines, road and rail.

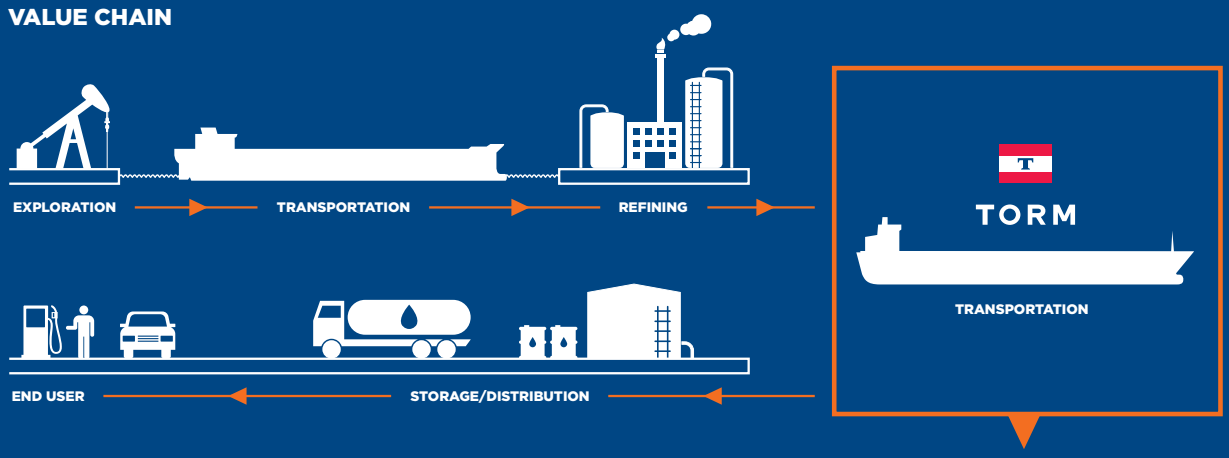
After the refinery process, refined oil products are primarily transported by product and chemical tankers, pipelines, road and rail to the final customer for direct usage or to be further marketed.

Road transportation fuels, such as gasoline and diesel, are primarily distributed at retail stations. Heating oil is generally delivered to residential and industrial customers, and jet fuel is purchased directly by individual airlines and airports. Residual fuels are sold directly to utilities, industrial plants or as marine bunker to shipping companies.

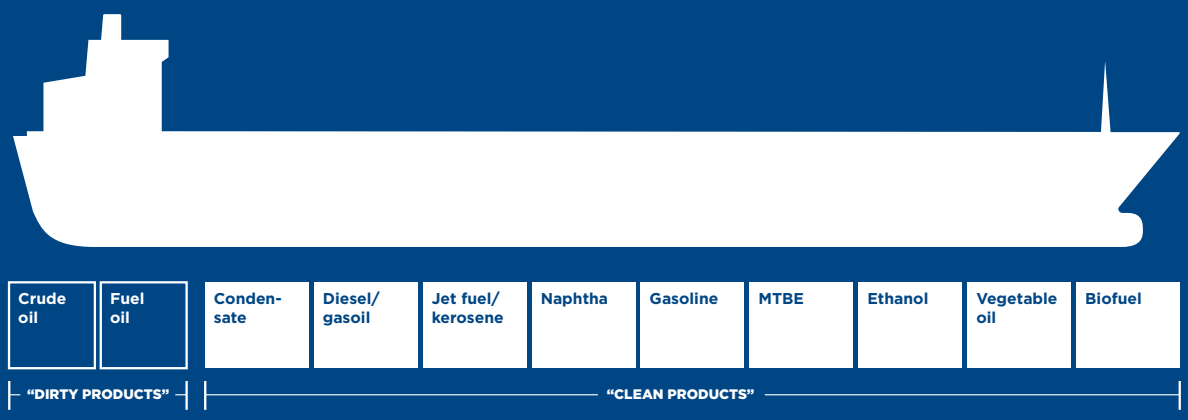
TORM is primarily involved in the transportation of refined oil products from the refineries to the end user. TORM transports different types of refined products such as transportation fuels like gasoline, diesel or jet fuel, naphtha, which is used in the petrochemical industry, and fuel additives like MTBE. TORM is also able to transport other types of liquid products such as ethanol and vegetable oil, which can be used as a component in cosmetics or biofuels.

In addition to clean products, TORM uses some of its vessels for the transportation of residual fuels from the refineries as well as crude oil directly from the production field to the refinery. These fuel types are commonly referred to as dirty petroleum products, as extensive cleaning of the vessel's cargo tanks is required before a vessel can trade with clean products. In 2016, 91% of TORM's turnover was generated from clean products transportation.

VALUE CHAIN



TYPICAL REFINED OIL PRODUCTS CARRIED ON TORM'S VESSELS



THE TORM FLEET

LR2

TOTAL NUMBER OF VESSELS	10
NEWBUILDINGS	4
LENGTH OVERALL (m)	245
WIDTH (m)	42
CUBIC (m^3)	117,000-122,000
CARGO CAPACITY (dwt)	90,000-100,000

Long Range 2 vessels are the largest vessels in TORM's fleet. They are typically employed on longer trade routes, including naphtha transportation from the Middle East to the Far East. The global LR2 fleet consisted of 318 vessels at the end of 2016.

LR1

TOTAL NUMBER OF VESSELS	7
LENGTH OVERALL (m)	228
WIDTH (m)	32
CUBIC (m^3)	84,000
CARGO CAPACITY (dwt)	72,000-75,000

Long Range 1 vessels are typically employed on the same routes as LR2 vessels, but they also have the flexibility to cover trades and routes that are traditionally dominated by the smaller MR vessel class. A typical LR1 trade could be diesel or jet fuel from the Middle East to Europe. The global LR1 fleet consisted of 338 vessels at the end of 2016.

MR

TOTAL NUMBER OF VESSELS	53
LENGTH OVERALL (m)	183
WIDTH (m)	32
CUBIC (m^3)	50,000-57,000
CARGO CAPACITY (dwt)	45,000-55,000

The Medium Range vessels are often referred to as the "workhorse" of the product tanker fleet. They cover longer trade routes and, compared to the larger LR vessels, this vessel type has the flexibility to enter into more ports and cover shorter and coastal trades. A typical trade for MR vessels would be gasoline from Europe to the US East Coast. The global MR fleet consisted of 1,573 vessels at the end of 2016.

HANDYSIZE

TOTAL NUMBER OF VESSELS	11
LENGTH OVERALL (m)	183
WIDTH (m)	27
CUBIC (m^3)	42,000
CARGO CAPACITY (dwt)	35,000-37,000

Handysize vessels are the smallest and most flexible vessel type. They are involved in more varied and typically shorter and coastal trade routes. Typical trades for a Handysize vessel include transportation of various clean petroleum products within Europe and the Mediterranean. The global Handysize fleet consisted of 704 vessels at the end of 2016.

STRATEGIC AMBITION AND BUSINESS MODEL

TORM is a pure-play product tanker owner and a reference company in the product tanker segment

The Company has a solid capital structure

One TORM offers a strong operating platform

PURE-PLAY PRODUCT TANKER OWNER AND OPERATOR
TORM is one of the world's largest product tanker companies with an owned fleet of 77 vessels on the water and four newbuildings as of 31 December 2016. TORM is active within all larger product tanker classes (LR2, LR1, MR and Handysize). This is an important factor in meeting customer demands, as global customers in general have transportation requirements that move between vessel classes. TORM is a pure-play product tanker company and is well-positioned to take advantage of the promising long-term supply-and-demand fundamentals in this segment by utilizing its extensive experience and expertise as a product tanker operator. TORM's chartering strategy is to employ the fleet primarily in the spot market, where the Company is able to optimize earnings from voyage to voyage. TORM may seek to employ some of its vessels on longer-term time charter-out contracts, if customer needs and expected returns make it attractive. Due to its own scale, TORM will only enter into long-term charter-in commitments if deemed profitable on a case-by-case assessment. The Company believes that ownership of vessels combined with TORM's integrated platform provides an essential control and allows more flexibility. Short-term charter-in agreements (<12 months) are considered and evaluated as an active part of the spot-oriented market approach.

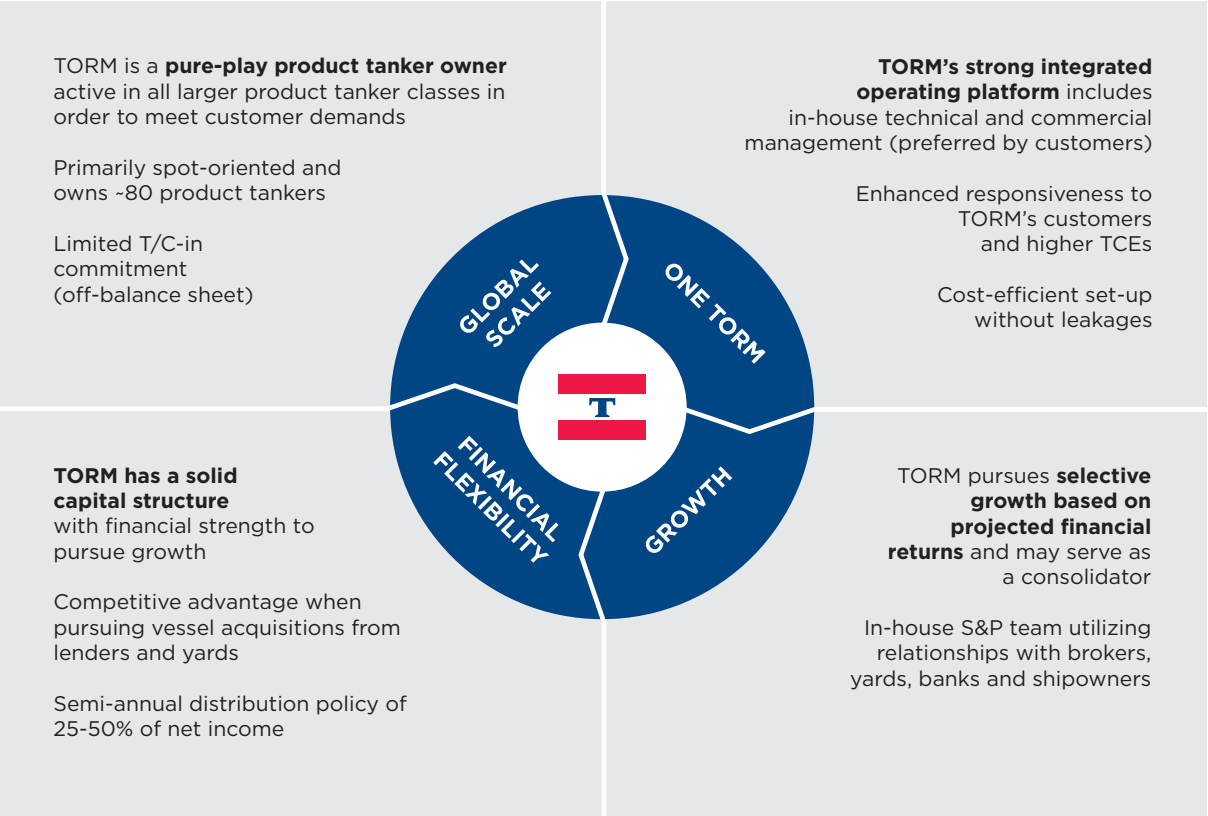
SELECTIVE FLEET GROWTH
TORM may selectively grow its product tanker fleet and serve as a consolidator in the product tanker segment if the right opportunities arise. TORM's sale and purchase activities are conducted by an in-house team leveraging relationships with shipbrokers, shipyards, financial institutions and shipowners. TORM is continuously following the market for attractive opportunities to acquire high-specification second-hand product tankers that will be franchise enhancing and financially accretive. The specific acquisition criteria include for example:

- Price point attractiveness
- Complementarity to the current fleet
- Vessel quality level and origin (quality yard)
- Operational characteristics incl. main engine design, bunker consumption and cargo intake

TORM may also selectively pursue attractive newbuilding programs with high-quality shipyards, where second-hand purchases do not meet TORM's return thresholds, or where the second-hand market has insufficient liquidity in vessels that meet customer requirements. TORM's in-house technical management has significant experience in newbuilding projects from design to delivery. TORM's current newbuilding program consists of four LR2 vessels with scheduled delivery between the fourth quarter of 2017 and the second quarter of 2018.

TORM will from time to time sell vessels that no longer fit the commercial strategy, or if the price point is deemed attractive.

SOLID CAPITAL STRUCTURE
TORM has a solid capital structure with long-dated debt maturities, a strong liquidity position and limited off-balance sheet liabilities. The Company has an attractive debt profile with favorable interest rates, amortization schedule and covenants. The solid capital structure supports TORM's spot employment strategy and enhances financial and strategic flexibility. In addition, the balance sheet strength gives a competitive advantage when pursuing vessel acquisitions, as counterparties prefer contracting with well-capitalized counterparties. TORM plans to finance its business and fleet growth with a combination of cash-on-hand and financing from lenders and from the capital markets. During the second half of 2016, TORM was able to attract new strategic financial partners and announced three separate financings totaling up to USD 271m. This illustrates the Company's ability to source capital and supports TORM's strategic and financial flexibility.



ONE TORM – STRONG INTEGRATED OPERATING PLATFORM

TORM's fleet is managed cost-efficiently and effectively by the in-house commercial and technical management team, which has a reputation for strong commercial performance, safety and operational expertise. Within the One TORM platform, TORM's employees ensure the high quality of the fleet that is essential for acceptance by our customers under their strict vetting criteria. TORM believes that the largest customers prefer the integrated operating model, as it provides them with better accountability and insight into safety and vessel performance.

The integrated nature of TORM's operating platform provides transparency and additional alignment of management and shareholder interests, which mitigates the potential for actual or perceived conflicts of interest with related parties. In addition, it allows for closer control over operating expenses.

TORM's diverse fleet of well-maintained product tankers gives the Company the necessary and critical mass to reap scale advantages both commercially and in terms of cost-efficiency compared to smaller product tanker owners.

The Company's Management believes that the combination of well-maintained vessels, the presence in all product tanker classes and the integrated operating platform provides the commercial management team with enhanced flexibility and responsiveness to customer demands. As a result, TORM has consistently delivered TCE earnings and cash flows above industry average.

TORM has identified a number of strategic KPIs that the Company believes are vital for the fulfillment of the strategic ambition. These strategic KPIs are described on pages 24-25.

THE PRODUCT TANKER MARKET

The One TORM platform enabled market-leading TCE results

High inventory levels globally led to softening product tanker freight rates

Demand expected to gradually outperform supply

2016 MARKET

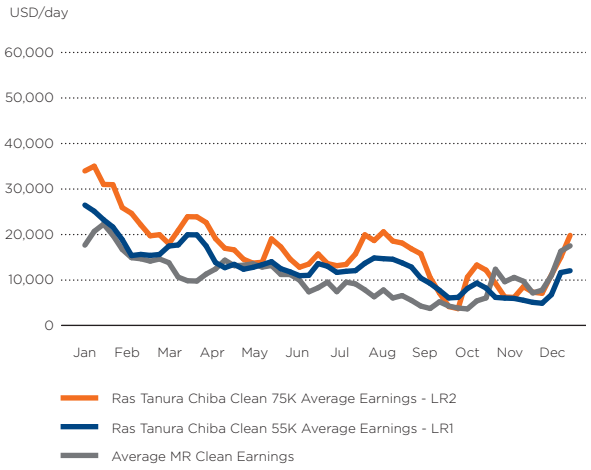
2016 was characterized by a healthy consumer-driven demand for clean petroleum products, which is expected to continue. However, high product inventory levels globally meant that consumer demand to a large extent was met via local inventory drawdowns. During the second half of 2016, inventory levels started to retract. At the time of reporting, the levels were still above the historical average.

2015 was a strong year for product tanker freight rates in general, and 2016 started with freight rates at similar levels as at the end of 2015. In the first quarter of 2016, the product tanker market benefited from relatively strong refinery margins, which resulted in high production of clean petroleum products on a global scale. The high production levels of clean petroleum products in 2015 and the first quarter of 2016 led to all-time high global inventory levels. In the second quarter of 2016, high inventory levels combined with lower refinery utilization led to a reduction of long-haul arbitrage movements and softening product tanker freight rates in general.

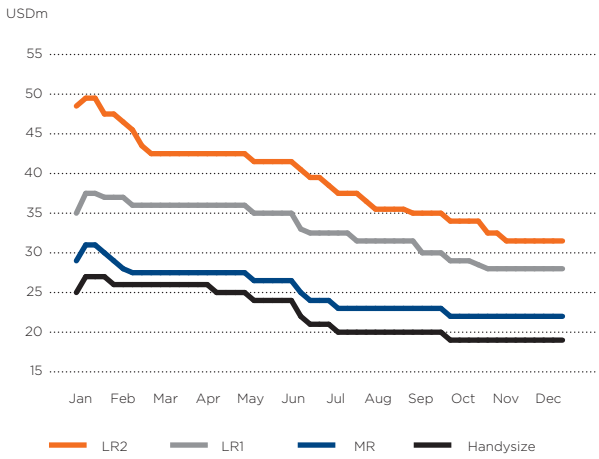
During the second half of 2016, product tanker freight rates continued to soften, as high inventory levels limited the demand for seaborne transportation. Long-haul arbitrage movements remained limited for most of the period. Furthermore, a weak market for dirty petroleum products in the third quarter of 2016 combined with a high number of crude tanker newbuildings caused the newly delivered VLCC and Suezmax vessels to penetrate traditional LR2 routes, which influenced LR2 freight rates negatively. In the fourth quarter of 2016, freight rates for dirty products recovered alleviating pressure on the LR2 market. During the fourth quarter of 2016, the long-haul naphtha arbitrage from the Atlantic Basin to the Far East increased led by improved naphtha import economics for Far Eastern petrochemicals.

Asset prices on second-hand product tankers were under pressure during 2016 (source: Clarksons). The declining asset prices were mainly driven by a combination of a relatively large supply of sales candidates, limited access to financing and decreasing freight rates in general. The value of TORM's fleet measured by broker values decreased by 25% during 2016.

TANKER FREIGHT RATES 2016
Source: Clarksons



ASSET PRICES ON FIVE-YEAR-OLD SECOND-HAND PRODUCT TANKERS IN 2016
Source: Clarksons



In 2016, TORM's product tanker fleet realized TCE earnings of USD/day 16,050 or down 30% year on year, with the LR2 class at USD/day 19,172, the LR1 class at USD/day 18,371, the MR class at USD/day 15,447 and the Handysize class at USD/day 12,633. TORM achieved a gross profit of USD 242m (2015, pro forma: USD 361m) primarily due to lower freight rates. See note 3 on page 93 for further details on results.

During the first quarter of 2016, TORM took delivery of three MR newbuildings. At the end of 2016, TORM's order book stood at four LR2 newbuildings being contracted at Guangzhou Shipyard International with expected delivery between the fourth quarter of 2017 and the second quarter of 2018. At the end of 2016, TORM operated a fleet of 81 vessels of which 77 are fully owned and four are chartered in.

SUPPLY OUTLOOK

In 2016, the global product tanker fleet grew by 6.5% in terms of capacity and 5.6% in terms of number of vessels. This was a slightly lower growth rate than in 2015, due to fewer deliveries of MR vessels. Meanwhile, the LR1 and LR2 classes experienced the highest number of vessel deliveries since 2011 and 2009, respectively. The growth ranged from 4.0% for the LR1 vessels to 11.6% for LR2 vessels. 2017 is expected to see a global fleet growth of 5.7% with the majority being LR1 and LR2 vessels.

The number of newbuilding orders placed in 2016 fell by more than 80% from 2015, corresponding to only 30 orders placed across all product tanker classes. This is the lowest number of newbuilding orders since 1995. The MR class accounted for the majority of orders with 24 units contracted, while no LR2 vessels were contracted. At the end of 2016, the existing order book for deliveries for 2017-2019 totaled 311 vessels, including 55 LR2 vessels, 47 LR1 vessels, 148 MR vessels and 61 Handysize vessels.

TORM anticipates limited ordering of new product tankers with delivery before the end of 2018. The Company expects ordering activity in 2017 to increase from the historically low level seen in 2016 but to remain below the long-term average.

In 2016, only 75% of the deliveries scheduled for the year actually materialized. TORM expects to see some slippage in 2017 as well.

Around 0.8m dwt of product tanker capacity was scrapped in 2016, corresponding to approximately 0.5% of the fleet capacity at the beginning of the year. This was a slight decline from 2015, when 0.95m dwt was scrapped, and corresponds to the lowest scrapping since 2001. TORM estimates that approximately 2% of the existing capacity of the global fleet will be phased out or scrapped during 2017-2019.

During 2017-2019, product tanker fleet capacity is estimated to grow by a compound annual rate of approximately 4%.

DEMAND OUTLOOK

The global oil demand grew by 1.5 mb/d (1.6%) in 2016, exceeding expectations (source: IEA January 2017). Although this was a relatively robust growth pace in a historical context, it was down from a five-year high global oil demand growth of 2.0 mb/d (2.1%) in 2015, as the effect of lower oil prices started to wane. The main oil demand growth drivers remained Asia and Europe. Similar to 2015, it was the light-end products such as LPG and gasoline that drove demand growth in 2016, although the demand for jet fuel also increased. Demand for diesel and gasoil declined compared to last year, affected by the economic slowdown in China and weaker oil demand from the industrial sector in the US. In 2017, global oil demand is projected to grow at a slower pace, by 1.3 mb/d (1.3%), likely supported by a slightly stronger macroeconomic background, as the International Monetary Fund (IMF) expects global economic growth to increase from 3.1% in 2016 to 3.4% in 2017. This should add support to the demand for diesel and gasoil, leading to growth that is more evenly spread across products than seen in 2016.

Global refinery throughput increased by 0.4 mb/d in 2016 (source: IEA January 2017), which was below the 1.5 mb/d demand growth. The relatively low increase in refinery throughput was mainly driven by high product inventory levels, low refinery capacity expansions and refinery margins below 2015 levels. Despite drawdowns, product inventories have remained at elevated levels.

Increasing LPG production and suppressed propane prices weakened the competitiveness of naphtha as a feedstock in the Asian petrochemical sector. This negatively affected the long-haul naphtha flows from West to East, resulting in a decreased ton-mile demand for larger product tankers. According to preliminary estimates, product tanker ton-mile demand increased by around 3% in 2016.

In the short term, TORM expects the market to remain negatively impacted by inventory drawdowns, a relatively high number of product tanker newbuilding deliveries during 2017 and market penetration by Suezmax tanker newbuildings in 2017.

ORDER BOOK

As of 31 December 2016

	Fleet start 2016	Delivered in 2016	Scrapped in 2016	Fleet end 2016	Order book for 2017-2019	2017-2019 order books as % of end-2016 fleet
LR2	284	33		317	55	17%
LR1	326	14	1	339	47	14%
MR	1,492	93	10	1,575	148	9%
Handysize	677	37	11	703	61	9%
Total	**2,779**	**177**	**22**	**2,934**	**311**	**11%**

In the medium and long term, additional global refining capacity coming online will put renewed pressure on older and less competitive European refiners. According to IEA estimates, the net global refinery capacity is projected to grow by around 4.0 mb/d during 2017-2019 (IEA 2016). The majority of the refinery capacity additions continue to come from Asia, and towards the end of the period a new wave of refineries will come online in the Middle East. TORM expects this to lead to cuts in refinery activity in Europe and, consequently, growing diesel imports from Russia, the US Gulf and – to an increasing degree – from the Middle East. The current, still relatively high diesel and gasoil inventories in Europe could, however, soften the need for imports in 2017.

Weakened oil demand coupled with refinery capacity additions in Latin America in 2018 could potentially limit increases in the region's seaborne imports; yet weak macroeconomic conditions may result in potential delays in new refineries scheduled to come online in the region.

Fundamentally strong oil demand in developing Asia will continue to support seaborne trade, and the region is forecast to become reliant on imported gasoline. The global shift in marine fuel specifications towards cleaner fuels in 2020 could lead to new long-haul trade flows. Increasing petrochemical capacity in the Middle East and India is expected to reduce naphtha availability for exports from these regions, supporting long-haul naphtha flows from West to East.

Consequently, the product tanker ton-mile demand on main trade routes is estimated to grow by a compound annual rate of around 5% during 2017-2019.

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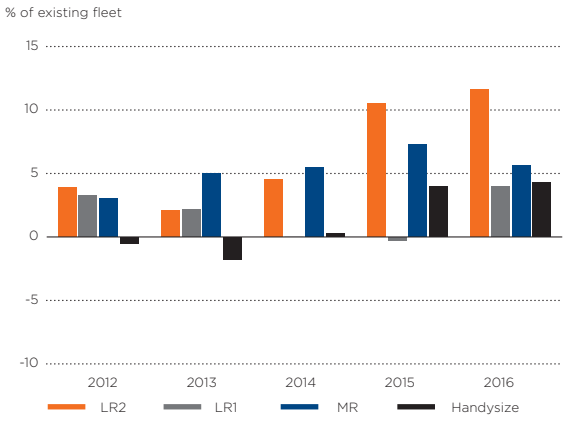
For further details on factors most likely to change this outlook in either a negative or a positive direction, please see Outlook on page 10.

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



GLOBAL OIL DEMAND GROWTH AND NET REFINING CAPACITY ADDITIONS
Source: TORM

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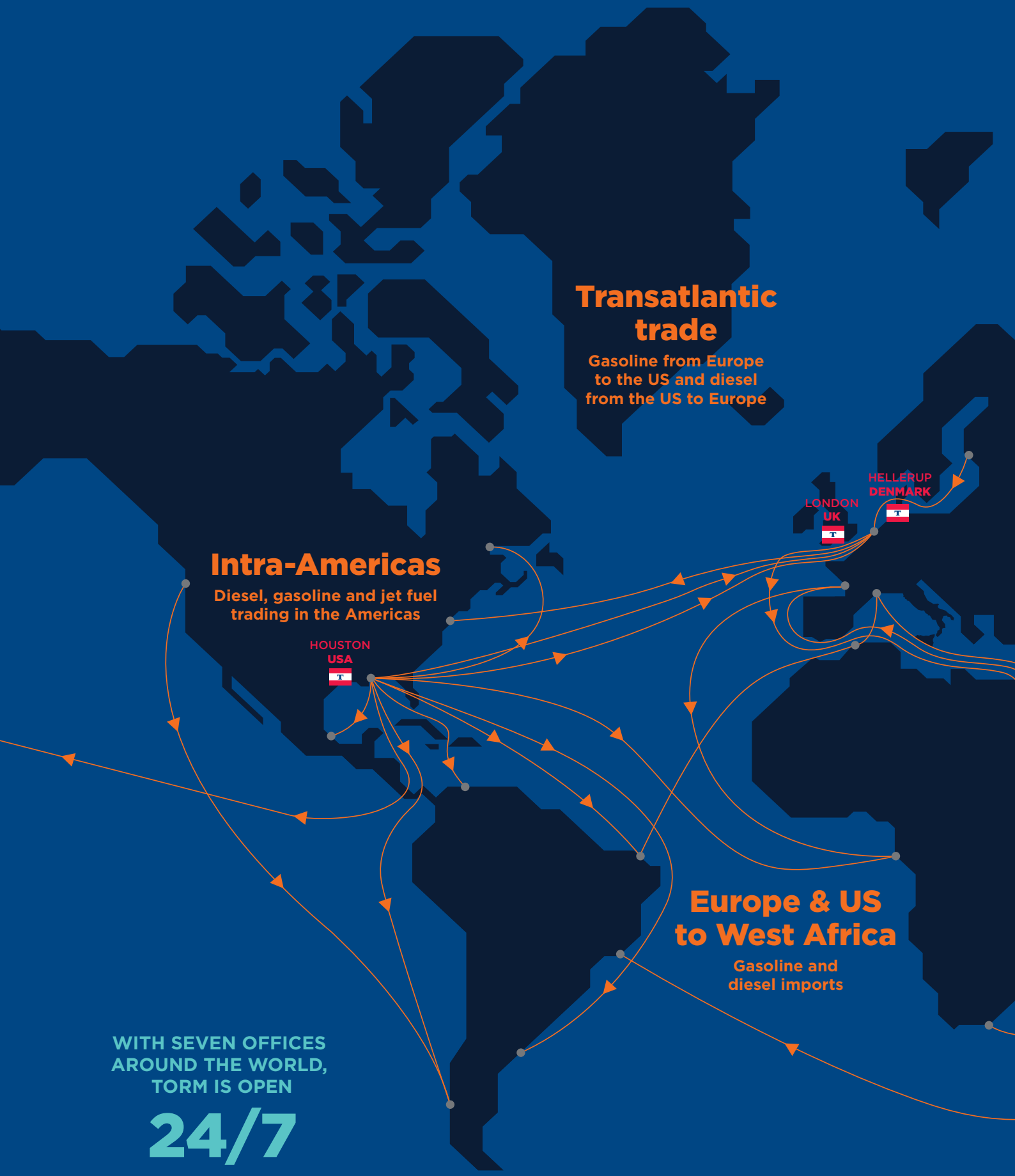
NO SMOKING



WITH SEVEN OFFICES AROUND THE WORLD, TORM IS OPEN

24/7

| UTC -10 | UTC -9 | UTC -8 | UTC -7 | UTC -6 | UTC -5 | UTC -4 | UTC -3 | UTC -2 | UTC -1 | UTC | UTC +1 | UTC

C +2 | UTC +3 | UTC +4 | UTC +5 | UTC +6 | UTC +7 | UTC +8 | UTC +9 | UTC +10 | UTC +11 | UTC +12 | UTC -12 | UTC -11 |

KEY PERFORMANCE INDICATORS

TORM assesses the performance across a wide range of measures and indicators. The Key Performance Indicators (KPIs) help the Board of Directors and Management measure performance against the strategic priorities and business plans. TORM reviews the metrics and tests the relevance of these KPIs to the strategy on an ongoing basis.

MR TCE EARNINGS
USD/day

2016: **15,462**

2015: **21,935**

In 2016, TORM's commercial performance has consistently been among the best in the peer group. This can be accredited to the Company's well-maintained fleet, the presence in all main product tanker classes and the integrated operating platform. This combination provides the Company's commercial management team with flexibility and responsiveness to meet customer demands, thereby enabling TORM to outperform available earning benchmarks.

During most of 2016, TORM delivered MR TCE earnings above average compared to industry peers. The majority of TORM's vessels are MR vessels. The Company achieved TCE rates of USD/day 15,462 for the MR vessels, which is a decrease of USD/day 6,473 compared to 2015. The softening in the MR freight rates during 2016 was caused by high inventory levels globally, which limited the demand for transportation.

LOST TIME ACCIDENT FREQUENCY (LTAF)
Injuries/million work hours

2016: **0.65**

2015: **0.96**

In line with the Company's strategic focus on safety performance, TORM introduced a new safety program in 2016 called One TORM Safety Culture.

Lost Time Accident Frequency (LTAF) is an indicator of serious work-related personal injuries that result in more than one day off work per million of work hours. The definition of LTAF follows standard practice among shipping companies. During 2016, TORM had an LTAF of 0.65 compared to an LTAF of 0.96 in 2015. The decrease from 2015 to 2016 is a result of four fewer injuries.

ADJUSTED RETURN ON INVESTED CAPITAL (ROIC)

2016: 4.9%

2015: 14.1%

Adjusted RoIC illustrates TORM's ability to generate shareholder value from the capital invested in TORM. It is defined as the net operating profit after tax (excluding impairment charges) divided by the invested capital over the period (excluding impairment charges).

The KPI reflects that although the average age of TORM's fleet is approximately 10 years, TORM is still able to generate a very attractive RoIC compared to its peers. This has been achieved by delivering competitive TCE results considering TORM's asset base and market conditions in general. The decrease in RoIC from 2015 to 2016 is due to the lower freight rates in 2016.

FUEL EFFICIENCY POTENTIAL

2016: 3.6%

2015: N/A

Fuel efficiency potential illustrates TORM's continued strong focus on fuel consumption and the efforts made in this area.

In 2016, TORM set a goal to improve fuel efficiency by 3% compared to 2015. The Company achieved an improvement of 3.6% in 2016, which is better than the 3% target.

The goal for 2017 is a further improvement of 2%.

CORPORATE REORGANIZATION

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"). TORM plc was listed on Nasdaq Copenhagen on 19 April 2016, and TORM A/S was delisted from Nasdaq Copenhagen on 26 April 2016.

The purpose of the Corporate Reorganization was to improve the marketability of the TORM Group, to attract a broader and more diversified international investor base and to facilitate a possible dual listing in the US. The Company believes the UK holding company structure should contribute to this, as the UK legal system, corporate governance structure and tax regime are more familiar and beneficial for TORM's investor base going forward.
A total of 97.6% of TORM A/S' shareholders exchanged their shareholdings to TORM plc, and TORM plc has acquired the remaining 2.4% shares from TORM A/S' minority shareholders for a total consideration of USD 19.2m. All TORM A/S warrant holders transferred their warrants to TORM plc.

All main corporate governance provisions, including minority protection rights, have been maintained in TORM plc compared to TORM A/S. The key change relates to the adoption of the UK one-tier system with no segregation of power between the Board and Management. TORM plc's Board of Directors now consists of the four previous TORM A/S shareholder-elected Board members and TORM A/S' CEO as Executive Director. In addition, the Board has three Board Observers, two employee-elected members and one shareholder-elected observer representing the minority shareholders. TORM plc has decided to follow the UK Corporate Governance Codes. TORM has also adopted a new set of Articles of Association, Rules of Procedures and new Terms of Reference for the four Board Committees (Audit, Risk, Remuneration and Nomination) to comply with UK legislation.

All commercial and technical management will continue to be led out of TORM A/S via the Danish office and subsidiaries in India, the Philippines, the US and Singapore.

THE TRANSACTION – SHARE EXCHANGE OFFER

TORM A/S
- Technical management
- Commercial management
- Administrative functions

LISTED ON
Nasdaq
COPENHAGEN (DK)

TORM A/S GOVERNANCE AND BOARD OF DIRECTORS

- **Two-tier system**
- **Board of Directors**

  Mr. Christopher H. Boehringer (Chairman), Mr. David Weinstein (Deputy Chairman/Minority Director), Mr. Göran Trapp, Mr. Torben Janholt, Mr. Kari Gardarnar (employee-elected), Mr. Rasmus Hoffmann (employee-elected), Mr. Jeffrey S. Stein (Board Observer)

97.6% SHAREHOLDERS TRANSFERRED TO TORM PLC

TORM PLC (UK)
- Certain administrative functions

LISTED ON
Nasdaq
COPENHAGEN (DK)

TORM A/S (DK)
- Technical management
- Commercial management
- Certain administrative functions

TORM PLC GOVERNANCE AND BOARD OF DIRECTORS

- **One-tier system**
- **Board of Directors:**

  Mr. Christopher H. Boehringer (Chairman), Mr. David Weinstein (Deputy Chairman/Minority Director and Senior Independent Director), Mr. Göran Trapp, Mr. Torben Janholt, Mr. Jacob Meldgaard (Executive Director), Mr. Kari Gardarnar (Board Observer), Mr. Rasmus Hoffmann (Board Observer), Mr. Jeffrey S. Stein (Board Observer)

  Board composition largely unchanged, but aligned with the UK one-tier system.

CORPORATE SOCIAL RESPONSIBILITY

Enhanced safety program launched across offices and fleet

New branch office opened in Cebu to further strengthen ties to seafarers

TORM aims to improve fuel efficiency by 2% in 2017

REPORTING PRINCIPLES AND TRANSPARENCY

As a long-standing member of the UN Global Compact, TORM remains committed to protecting its employees, assets, reputation and the environment by maintaining the highest possible standards. Transparency and accountability are central parts of TORM's way of doing business. Thus these values play a central role in the Company's Corporate Social Responsibility (CSR) approach.

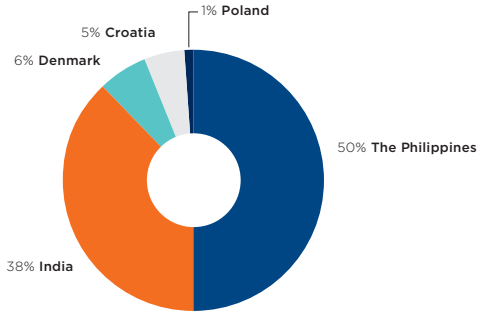
TORM signed the UN Global Compact in 2009 as the first shipping company in Denmark to commit to the internationally recognized set of principles regarding health, safety, labor rights, environmental protection and anti-corruption.

Being a signatory also means that TORM reports on its social and environmental performance on an annual basis to ensure progress and accountability to stakeholders.

TORM's approach to responsible behavior and CSR is further rooted in the Company's Business Principles and has the following five objectives:

GEOGRAPHICAL DISTRIBUTION OF SEAFARERS IN %

100% = 3,062 seafarers at the end of 2016 incl. contracted crew



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

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

RESPONSIBILITY

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

INSPECTIONS AND AUDITS

In order to maintain Company standards and exceed the targets set by customers, TORM has enhanced the vetting preparations and increased the number of internal audits on its vessels carried out by Safety Quality and Environment (SQE) officers. On average, each vessel is subject to ten inspections a year. Inspections are carried out by customers, terminals, internal auditors, ports and classification societies. TORM is committed to meeting and outperforming the ever increasing standards set both internally and by its customers.

ENVIRONMENT AND CLIMATE PERFORMANCE

Within the shipping industry, marine pollution constitutes the largest environmental risk. Thus it is a key priority for TORM to avoid pollution of the seas and the atmosphere.

In 2016, TORM experienced zero oil spills larger than one barrel, but one small oil spill overboard of less than one barrel. The incident was investigated and procedures revised where required.

Throughout the year, TORM continued to have a strong and dedicated focus on fuel consumption, and the efforts made within this area have generated a positive impact. During 2016, the Company implemented a number of new tools and procedures to monitor and oversee daily fuel consumption in order to identify areas where efficiency can be higher and to be able to minimize the global environmental impact and reduce TORM's overall fuel costs.

TORM's Operational Performance Team shares the performance of the vessels with their respective vessel managers on a monthly basis. This ensures that corrective action can be taken at the right time. The One TORM platform facilitates efficient knowledge sharing of key fuel performance data across the Company.

In 2016, TORM set a goal to improve fuel efficiency by 3% compared to 2015. Due to the Company's continued focus on operational procedures and on minimizing hull fouling, TORM achieved an improvement of 3.6% in 2016, which is better than the 3% target. The goal for 2017 is a further improvement of 2%.

GREENHOUSE GAS EMISSIONS

In 2015, TORM changed the system used for generating emissions data. Thus the Annual Report 2016 includes emissions data from 2015 and 2016 only. Data for the three consecutive years, 2015-2017, will be included in the Annual Report 2017.

GREEN HOUSE GAS EMISSIONS DATA

	2016	2015
VESSEL EMISSIONS AND INDICATORS		
Number of vessels in operation at the end of the year (in technical management)	76.0	72.0
Number of vessel months (one vessel one year equals 12 vessel months)	910	813
Usage of oil and the generated CO_2 emissions		
Used heavy fuel oil (ton)	308,467	343,785
Used low sulfur heavy fuel oil (ton)	0	9,579
Used marine gas oil (ton)	56,549	50,704
Generated CO_2 emission from vessels (ton)	1,141,862	1,262,933
NO_X (ton)	26,992	30,227
So_X (ton)	15,289	17,477
Distance and cargo		
Distance sailed in nautical miles	3,279,977	3,214,943
Average cargo on board (ton)	37,433	39,117
Ton-km	251,946,149,526	263,691,358,733
CO_2 emission in grams per ton-km (one ton of cargo transported one km)	4.5 g/ton-km	4.8 g/ton-km
OFFICE EMISSIONS AND INDICATORS		
Electricity, heating and other office-related activities		
Electricity used in kWh all office locations	924,951	1,099,823
District heating in Gj	1,619	1,340*)
Generated CO_2 emission in ton from office location	562	646*)
Employees		
Number of office employees at the end of the year	277	271
CO_2 emission per employee (ton)	2.0	2.4*)
FLIGHT EMISSIONS AND INDICATORS		
Air travel		
Air mileage in kilometers	77,284,100	68,523,791
Number of travels	13,056	12,725
CO_2 emissions in ton	6,750	6,069

*) This figure has been amended compared to the figure in TORM's Annual Report 2015 due to revised data.

REPORTING SCOPE

Environmental and social data is based on all vessels under TORM's technical management (vessels for which TORM holds the Document of Compliance). Having the technical management of a vessel implies having control over the vessel in terms of environmental performance and crew.

As of 1 January 2017, TORM had 76 vessels under technical management compared to 72 vessels as of 1 January 2016. The report includes emissions from TORM's offices in Copenhagen, Mumbai, Singapore, Manila, Stamford and Houston. Emissions from the Company's office in London will be included in the Annual Report for 2017. Emissions from air travel are included for all office staff and crew. Data from vessels is collected according to a specific reporting routine, mainly on a monthly basis but for certain data with less frequency. Other environmental data is collected on an annual basis. Safety data is based on reporting made to TORM's Safety, Quality and Environmental Department whenever an incident occurs.

REPORTING GUIDELINES

The 2016 greenhouse gas emissions (GHG) reporting covers scope 1 (direct emissions from own production) and scope 2 (emissions from own production but others' emissions) of the Greenhouse Gas Protocol except for the activities listed below, as well as selected scope 3 (others' production and emissions services) activities.

- **Scope 1**
  Consumption of bunker oil has been calculated to CO_2 emissions using IMO's factors for heavy fuel oil and marine gas oil. SOx and NOx emissions are calculated using the third IMO GHG Study from 2014. Emissions are calculated for each single vessel and then consolidated. Numbers under scope 1 data sheet have been collected on board the vessels or at the offices. The collection is based on actual usage or disposals.

- **Scope 2**
  Emissions from heating (district heating) in the Copenhagen and USA offices are calculated using Danish and World Resources Institute emission factors.

- **Scope 3**
  Emissions from air travel are provided by TORM's travel agent.

- **Other principles**
  2016 greenhouse gas emissions are calculated for vessels in technical management (vessels for which TORM holds the Document of Compliance) in TORM, amounting to a total of 910 vessel months of operation.

  Ton-km is calculated by use of actual cargo multiplied by the distance with actual cargo; thus a ballast voyage will give 0 (zero) in ton-km.

  CO_2 emission per ton-km is the full CO_2 emissions on board all vessels divided by the ton-km for all voyages; thus it includes emissions from ballast voyages, electricity production, inerting, cargo operations, etc.

HEALTH, SAFETY AND SECURITY

Approximately 90% of TORM's employees work at sea, and providing healthy, safe and secure working conditions for them is an essential part of the business. Respecting employees' human rights is pivotal to the Company. TORM's policies are outlined in TORM's Business Principles and the commitment to the UN Global Compact. The Company's safety policy is rooted in the rules and regulations issued by the Danish Maritime Occupational Health Service.

ONE TORM SAFETY CULTURE

In line with the Company's strategic focus on safety performance, TORM introduced a new safety program in 2016 called "One TORM Safety Culture". TORM has the ambition to be the Reference Company in the product tanker industry, and with the enhanced safety program the Company wants to take the safety culture, performance and quality to a higher level. In order to ensure a common understanding of safety across the organization, One TORM Safety Culture involves all employees ashore and at sea.

In 2017, TORM will further roll out the program including a new safety philosophy, training courses and workshops for employees.

LOST TIME ACCIDENT FREQUENCY AND NEAR-MISS

Lost Time Accident Frequency (LTAF) is an indicator of serious work-related personal injuries that result in more than one day off work per million hours of work. The definition of LTAF follows standard practice among shipping companies. During 2016, TORM had an LTAF of 0.65 (0.96). In 2016, a member of TORM's crew dissappeared on board a vessel. The crew member has not been found. The decrease in LTAF from 2015 to 2016 is a result of four fewer injuries.

Near-miss reports provide TORM with an opportunity to analyze conditions that might lead to accidents and ultimately prevent accidents. A high number of near-miss reports indicate that the organization is aware of the risks and responds to them. In 2016, TORM exceeded the target of 6.0 near-miss reports per month per vessel on average by reaching 6.7 (6.6) due to continued focus on this area.

SECURITY

TORM's response to piracy is founded in the Best Management Practice 4 (BMP). In 2016, TORM experienced six robberies and seven cases of stowaways found on board the Company's vessels. Throughout the year, the security situation and developments in the various risk areas have been monitored closely and actions have been taken to safeguard TORM's seafarers and vessels.

The Company will continue to monitor the risk situation and pre-empt hijacking and robbery attempts by following security procedures.

EMPLOYEES

Employees are the core and valuable assets of TORM. The Company continues to grow and thrive due to the efforts and dedication of its staff both at sea and on land.

TORM respects the values and cultures of our employees and business partners. The Company does not accept discrimination with respect to gender, ethnicity, religion, sexual orientation, disability or age. TORM works towards a diverse workplace in which everyone is included and respected and TORM regards well-being at work as a shared responsibility.

AT SEA

In 2016, TORM continued its focus on increasing commitment and engagement among seafarers. At year-end, TORM's retention rate for Senior Officers was above 95%, and for the second year in a row TORM could demonstrate 100% compliance with customer requirements (the so-called officer matrix compliance).

In the period from the fourth quarter of 2015 to the first quarter of 2016, TORM assumed technical management of additional vessels with a full-year effect equivalent to +10 vessels. This meant that the Company was able to increase the number of seafarers working on board its vessels by approximately 18%. This was supported by a strengthened process for recruitment and promotion.

In November 2016, TORM opened a branch office in Cebu, the Philippines. The opening of the new office will allow TORM to adjust to the increase in seafarers. Furthermore, with a branch in the southern part of the Philippines, TORM will be able to provide excellent service to the Company's seafarers from this region and have a presence in its second largest recruitment area.

In 2016, TORM continued its focus on activities to further improve cooperation between seafarers and the shore-based organization and to allow seafarers to join the same vessel whenever possible. Throughout the year, TORM continued hosting town hall meetings and seminars for its officers, as these gatherings constitute a valuable forum for sharing knowledge and best practice regarding the operation of TORM's vessels.

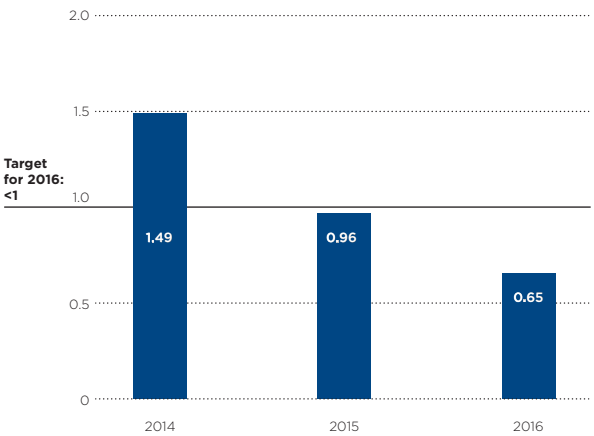
In 2016, the Company changed its training set-up for seafarers, thereby allowing TORM to better direct and align training with on-board learning from the vessels. TORM further enhanced its training facilities with the installation of new bridge, engine and cargo simulators at the Company's office in Manila.

At the end of 2016, TORM had 177 permanently employed seafarers.

LOST TIME ACCIDENT FREQUENCY (LTAF)

Source: TORM

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



ONE TORM SAFETY CULTURE

In 2016, TORM introduced a new safety program called "One TORM Safety Culture" to take the safety culture, performance and quality to a higher level.

ASHORE

TORM's annual employee motivation and satisfaction survey is of great importance to the Company. The positive results for 2016 prove that TORM continues to have dedicated and motivated staff.

In 2016, 98.1% of all shore-based employees worldwide participated in the voluntary survey, which in itself can be viewed as a testament to employee commitment. The outcome of the survey showed improvements in almost all areas, notably with regard to categories covering engagement, loyalty and satisfaction.

TORM aims to attract and retain the best employees by living the values in the TORM Leadership Philosophy and by ensuring that the Company's leaders are investing in their employees. Through the One TORM platform, the Company strives to continuously develop the employees' abilities to do what they do best.

At the end of 2016, the shore-based organization had 277 full-time employees: 131 in Hellerup, 90 in Mumbai, 36 in Manila, 1 in Cebu, 13 in Singapore, 5 in Houston and 1 at the Company's new office in London, which was opened during 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-business**.

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.

In terms of gender diversity globally as of December 2016, females constitute 24.7% of all permanently employed employees.

Females constitute 41.3% of land-based employees (defined as non-managerial individual performers), 27.3% of middle management and 5.3% of top management (Vice Presidents and above).

EMPLOYEE GENDER DIVERSITY
(Permanently employed, sea and shore)

	Male	Female
Directors of the Company	5	0
Employees in other senior executive positions	3	0
Directors of subsidiary companies not included in the above	0	0
Total top management other than directors of the Company*)	18	1
Other employees of the Group	322	111
Total employees of the Group	342	112

*) One member of the Board of Directors is also part of senior management and therefore not included in this figure.

Females constitute 5.1% of all permanently employed seafarers, 0.0% of ratings and 5.1% of officers.

With the enforcement of the Company's Leadership Philosophy and the planned sustained investments in diversity-enhancing measures, the Company is seeking to increase diversity. In 2017, the Company will continue to focus its diversity efforts on encouraging and developing female talent.

LOCAL COMMUNITIES

TORM is a long-standing supporter of maritime education in India and the Philippines. This commitment reflects the Company's ties to local communities.

The TORM Philippines Education Foundation currently supports 66 scholars across the Philippines. In 2016, nine students supported by the Foundation graduated. Apart from maritime education, the support also includes training courses for teachers, IT equipment and school kits for students in rural schools. TORM expects to include an account of the result of its commitment within India in the Annual Report 2017.

This section constitutes TORM's CSR reporting according to the requirements in UK law.

As part of the Company's commitment to the UN Global Compact, TORM submits its communication on progress every year. Please visit **www.unglobalcompact.org** to see the reports.

RISK MANAGEMENT

With the current risk management, TORM is well-positioned to pursue market opportunities

Market risks remain high given TORM's spot-oriented trading strategy

Asset price volatility will always affect the capital structure

Risk management is an integrated part of doing business in TORM. In taking balanced risks, TORM strives to foster a high awareness and internal control geared towards aligning risk appetite while providing transparency in the Company's operations. TORM's anchored risk management framework is vital to protect the Company and to achieve its strategic ambition. The objective remains that TORM and its shareholders are adequately rewarded for accepting risk and that the governance is tailored to oversee this. TORM's risk management framework seeks to provide reasonable assurance that business objectives can be achieved and obligations to customers, shareholders and employees are met. Risks are defined as all events or developments that could significantly reduce TORM's ability to sustain the long-term value of the Company.

TORM's risk management approach emphasizes management accountability and oversight. Risks identified through the Company's risk management processes are prioritized based on probability and severity. Identified risks are discussed, and responsibility is assigned to the Senior Management member most suited to manage the risk. Assigned owners are required to continually monitor the risk, implement mitigating actions and evaluate and report on risks for which they bear responsibility. TORM's Management and the Risk Committee discuss and decide on TORM's risk tolerance for the most significant risks.

TORM's overall risk tolerance and inherited exposure to risks are divided into four main categories as detailed below:

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

INDUSTRY AND MARKET-RELATED RISKS ("RISK-SEEKING")
TORM's business is sensitive to changes in market-related risks such as changes in the global economic situation, changes in product tanker freight rates and changes in bunker prices. It remains a cornerstone of the Company's strategy to actively pursue this type of risk by taking positions to benefit from fluctuations in freight rates.

OPERATIONAL AND COMPLIANCE RISKS ("RISK-AVERSE")
Adequate management of operational and compliance risks within TORM's risk tolerance limits is a prerequisite for TORM to succeed as a tanker owner and operator.

MAIN RISKS ASSOCIATED WITH TORM'S ACTIVITIES

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

TORM aims to maintain its position as a quality operator with high focus on operating vessels in a safe and reliable manner. Consequently, commercial operations are an important part of TORM's business model. This area involves potentially severe risks with respect to environment, health, safety and compliance. TORM constantly focuses on reducing these risks, and this is achieved by a strong integrated platform, where cross functional collaboration ensures that rigorous procedures and standardized controls are maintained to the highest quality.

FINANCIAL RISKS ("MODERATELY RISK-AVERSE/RISK NEUTRAL")

Management believes that a prudent approach to financial risks benefits the Company the most. TORM's global presence means that its financial position is exposed to a number of risk factors including interest rate, foreign exchange, credit and liquidity risks. TORM's treasury policy is approved by the Risk Committee, which sets the limits for the various financial risks. The policy is adjusted on an ongoing basis to adapt to the market situation.

TORM'S CURRENT RISK PROFILE

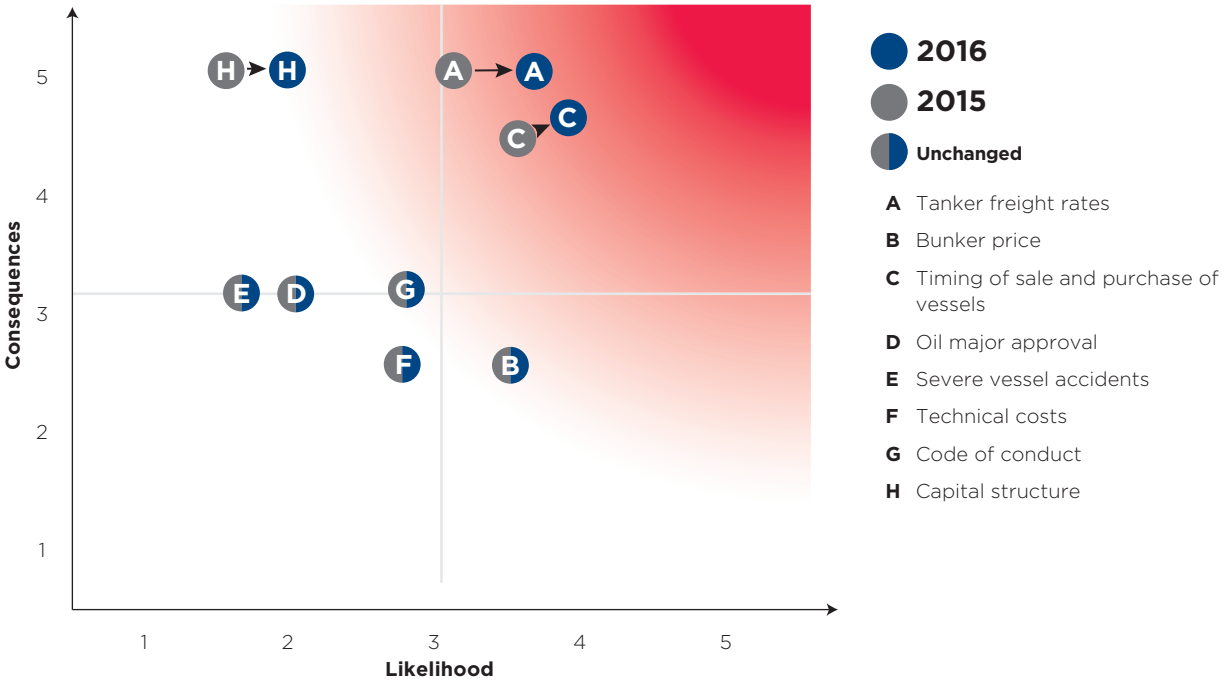
The key aspects of TORM's current risk profile are summarized below:

- Through 2016, TORM saw continued volatility in the product tanker market and with a low coverage ratio going into 2017, the Company is exposed to potentially adverse market conditions. As a consequence, market risks remain high. However, TORM is financially solid and well-positioned to pursue opportunities
- TORM faces market risks in terms of vessel sale and purchase activities
- Risks within the Company's immediate sphere of control, including compliance with quality and environmental requirements, have remained stable at a low level due to a strong continuous focus and efficient controls

TORM's top risks and changes compared to last year are described below. For a more in-depth description of the various risks and TORM's risk management as well as sensitivity analyses, please see note 20 on pages 104-106. TORM assesses the Company's risks on a continuous basis.

The Directors of TORM confirm that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

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



#	RISK	DESCRIPTION	SEVERITY	MITIGATION	COMMENTS TO DEVELOPMENT 2015–2016 / STATUS 2016
A	Tanker freight rates	The risk of sustained low tanker freight rates or of TORM not being able to predict and act on the development of these.	High	TORM's spot-oriented strategy limits possible mitigation. Time charter-outs are considered when terms and pricing are deemed attractive.	TORM has maintained a low coverage and high exposure towards the product tanker market. The product tanker market remained volatile in 2016 resulting in suppressed freight rates.
B	Bunker price	The risk of unexpected bunker price increases not covered by corresponding freight rate increases.	Medium	In general, TORM does not hedge future bunker expenses. Only when freight income is fixed does TORM hedge future bunker exposures.	Adequate bunker purchase procedures continue to be in place, but as bunker prices are volatile and not necessarily reflected in the freight rates, TORM continues to be exposed to bunker price changes.
C	Timing of sale and purchase of vessels	The risk of TORM not purchasing and selling vessels timely relative to market developments and business requirements.	High	TORM maintains flexibility to manage the composition of the fleet to ensure a strategic fit.	Market risk remains high, and vessel prices have come under additional pressure due to lower freight rates.
D	Oil major approval	The risk of a partial ban of the TORM tanker fleet by oil majors.	Medium	TORM has continuous focus on quality and has quality assessment standards in place both ashore and at sea.	TORM's integrated platform with in-house safety, technical and operational staff secures continued focus on high vetting standards.
E	Severe vessel accidents	The risk of a severe vessel accident.	Medium	Contingency plans for emergency situations are in place, should an accident occur. Equally important, TORM has high focus on training of seafarers and standard procedures in place for managing, operating and maintaining vessels.	Safety is at the top of TORM's agenda.
F	Technical costs	The risk of technical costs related primarily to OPEX.	Medium	TORM's vessels all have a planned maintenance plan to ensure vessels are well kept in order to secure a high tradability.	TORM's Technical Division is organized to be close to the vessels to ensure accountability and focus on identifying and handling risks early.
G	Code of conduct	Fraud and misconduct risk.	Medium	Compliance and awareness training is mandatory for all employees.	TORM recognizes the risk of fraud and misconduct as a top risk, as the potential impact of misconduct can be severe.
H	Capital structure	The risk of going concern	High	TORM has strong focus on leverage levels and on pursuing a debt profile with staggered maturities. In addition, the Company hedges part of its currency and interest rate risks.	TORM has a healthy capital structure, and it is a top priority to maintain a long-term sustainable capital structure. Sustained low freight rates could jeopardize the capital structure in the long term.

FINANCIAL REVIEW 2016

FINANCIAL REVIEW FOR THE YEAR ENDED 31 DECEMBER 2016

MR. CHRISTIAN SØGAARD-CHRISTENSEN
Chief Financial Officer, TORM A/S

REPORTED FINANCIALS

With reference to TORM's Corporate Reorganization on 15 April 2016, TORM established a new corporate structure of the TORM Group including the insertion of a UK parent company, TORM plc. For accounting purposes, the consolidated financial statements for the TORM Group are presented in the legal name of TORM plc but are a continuation of the consolidated financial statements of TORM A/S.

As part of the reorganization in 2015, the fleet increased significantly. The reported numbers reflect the actual capacity during the year, whereas the pro forma numbers equal out the effect for comparison reasons. Please refer to page 38 for Financial Performance Overview (pro forma Financials).

TORM achieved a net loss of USD 142m in 2016, resulting in negative earnings per share (EPS) of USD 2.3 in 2016 compared with positive USD 2.4 in 2015. Excluding effects from impairment charges, TORM generated a net profit of USD 43m or earnings per share of USD 0.7. The lower result in 2016 was mainly due to the impairment charge and a reduction in freight rates following the softening product tanker market.

The operating profit decreased by USD 250m to a loss of USD 107m in 2016. This decrease was also primarily due to a reduction in freight rates as well as a USD 185m impairment charge.

EBITDA for 2016 was USD 200m, which is in the high end of the latest guidance of an EBITDA of USD 185-205m dated 15 November 2016.

In 2016, total revenue was USD 680m compared to USD 540m in 2015 and TCE earnings increased from USD 371m to USD 458m. The increase in TCE earnings was primarily attributable to two opposite effects. On one hand, the Corporate Restructuring in 2015 increased the number of vessels and thereby the available earning days. On the other hand, the soft market, which was a consequence of continued high refined product stocks globally, limited trade arbitrage opportunities for oil traders and the demand for seaborne transportation.

TORM's total assets decreased by USD 296m in 2016 to USD 1,571m, of which the carrying amount of vessels, capitalized dry-docking and prepayments on vessels

KEY HIGHLIGHTS

USDm	2016	2015	Change
INCOME STATEMENT			
Revenue	680	540	140
Time charter equivalent (TCE)	458	371	87
Gross profit	242	236	6
EBITDA	200	210	-10
Operating profit/(loss) (EBIT)	-107	143	-250
Financial items	-35	-16	-19
Net profit/(loss) for the year	-142	126	-268
Net profit/(loss) for the year excluding impairment charges	43	126	-83
BALANCE SHEET			
Non-current assets	1,390	1,579	-189
Total assets	1,571	1,867	-296
Equity	781	976	-195
Total liabilities	790	891	-101

The 2016 EBITDA of USD 200m is at the high end of the latest guidance, which reflects that our cost-efficient platform also delivered relatively well in the fourth quarter of 2016. TORM has booked a non-cash impairment charge of USD 185m in a year where vessel values dropped by ~25%. The net profit excluding impairment is USD 43m and corresponds to a RoIC of 4.9%.

CFO Christian Søgaard-Christensen.

amounted to USD 1,388m compared to USD 1,565m in 2015. There was a reduction in the current assets, especially related to the cash and cash equivalents. Most cash was invested in installments and CAPEX and used to pay out outstanding loan facilities.

In 2016, total equity decreased year on year by USD 195m to USD 781m from USD 976m in 2015. The decrease is primarily related to the negative result for the year that includes impairment losses of USD 185m. The reduction also includes a paid dividend of USD 25m and purchase of treasury shares of USD 3m. The Return on Equity (RoE) decreased from 17.4% to -16.2% due to the impairment and lower earnings.

In 2016, TORM's total liabilities decreased by USD 101m to USD 790m from USD 891m in 2015. This was primarily attributable to a reduction of mortgage and bank debt of USD 97m.

The Net Asset Value per share based on broker values decreased from USD 18.4 to USD 11.8 mainly due to falling vessel prices.

Liquidity and cash flow

In 2016, invested capital decreased by USD 200m to USD 1,388m as of 31 December 2016. In 2016, Return on Invested Capital (RoIC) decreased by 20.4%-points from 13.2% to -7.2% (or 4.9% excluding the impairment charge).

TORM has an undrawn USD 115m facility in place to finance the Company's LR2 newbuilding program. As of 31 December 2016, TORM had CAPEX commitments of USD 149m, all related to the LR2 newbuildings. In addition, TORM had signed a term sheet with Danish Ship Finance (DSF) providing USD 30m of new financing with six-year maturity against collateral in two MR vessels. The loan agreement was paid out in December 2016 and is a new tranche on the Company's existing DSF loan agreements. The loan matures in December 2022. In December 2016, TORM also signed a term sheet for financing of up to USD 130m with collateral in nine MR vessels. The financing agreement was concluded in January 2017 with ABN AMRO, Danske Bank, DVB and ING. The financing agreement will mature on 31 March 2022. The main conditions of the agreement are in line with the Company's existing loan agreements.

Total cash and cash equivalents amounted to USD 76m at the end of 2016, resulting in a net decrease in cash and cash equivalents for the year of USD 92m compared to a net increase of USD 130m in 2015. In addition to the USD 115m CEXIM credit facility, the undrawn credit facilities as of 31 December 2016 remained unchanged and amounted to USD 75 m. Net cash inflow from operations decreased from USD 214m in 2015 to USD 171m in 2016 due to the lower freight rates. Net cash outflow from investing activities amounted to USD 119m in 2016. The cash was used on tangible fixed assets, primarily related to prepayments in relation to the LR2 newbuildings and capitalized dry-docking. In 2015, the net cash outflow from investments was USD 159m.

Net cash outflow from financing activities amounted to USD 144m compared to a cash inflow of USD 75m in 2015. Repayment on mortgage debt and bank loans amounted to USD 146m, primarily in connection with the Term Facility. Additional borrowings generated an inflow of USD 49m relating to the new DSF loan and financing of the acquisition of outstanding shares in TORM A/S. TORM paid out USD 25m in dividends to its shareholders during 2016.

Earnings per share

Basic earnings per share was a net loss of USD 2.3 in 2016 compared to net earnings of USD 2.4 in 2015. There was no difference between the earnings per share and the diluted earnings per share in neither 2016 nor 2015. Due to the change in the Group structure in 2016, the 2015 numbers have been recalculated based on the new number of shares.

KEY HIGHLIGHTS

	2016	2015	Change
KEY FIGURES			
Invested capital in USDm	1,388	1,588	-200
Net Asset Value per share (NAV)	11.8	18.4	-6.6
Return on Invested Capital (RoIC)	-7.2%	13.2%	-20.4%-points
Return on Equity (RoE)	-16.2%	17.4%	-33.6%-points
Earnings per share (EPS)	-2.3	2.4	-4.7

FINANCIAL PERFORMANCE OVERVIEW (PRO FORMA FINANCIALS)

For the purpose of presenting historical financial performance and the financial position of the continuing business, TORM has in this section presented 2015 pro forma financial information and a financial review of the combined businesses of Former TORM A/S and Njord adjusted for non-recurring items. In 2016, the financial statements contain the full continuing operation without any adjustments.

TORM achieved a net loss of USD 142m in 2016 compared to a net profit of USD 187m in 2015. The 2016 result excluding impairment losses was a net profit of USD 43m. The lower result in 2016 was mainly due to the impairment charge of USD 185m and a significant reduction in freight rates and freight margins in the product tanker market. EBITDA for 2016 was USD 200m compared to USD 319m in 2015. The lower result in 2016 was mainly due to a reduction in freight rates in the softening product tanker market.

The operating profit decreased from USD 219m in 2015 to a loss of USD 107m in 2016. This was primarily due to a decrease in gross profit of USD 119m to USD 242m as well as the USD 185m impairment charge.

In 2016, total revenue decreased from USD 854m in 2015 to USD 680m, and TCE earnings amounted to USD 458m. This was a decrease of USD 124m that was primarily attributable to a decrease of 24% in freight rates in the Company's Tanker Segment.

KEY HIGHLIGHTS

USDm	2016	2015 (Pro forma)	Change
Revenue	680	854	-174
Time charter equivalent (TCE)	458	582	-124
Gross profit	242	361	-119
EBITDA	200	319	-119
Operating profit (EBIT)	-107	219	-326
Financial items	-35	-31	-4
Net profit for the year	-142	187	-329
Net profit for the year excluding impairment charges	43	187	-144
Return on Invested Capital (RoIC)	-7.2%	14.1%	-21.3%-points

SEGMENT RESULTS

The table "Segment Gross Profit/(Loss)" below presents the results of shipping activities by operating segment for 2016 and 2015. The gross profit for 2016 in the Tanker Segment decreased by USD 123m to USD 242m.

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

Furthermore, the table on page 39 summarizes earnings data per quarter.

SEGMENT GROSS PROFIT/(LOSS)

USDm	Tanker Segment	Bulk Segment	**Total 2016**	(Pro forma) Tanker Segment	Bulk Segment	**Total 2015**
Revenue	680.1	-	680.1	844.0	10.3	854.3
Port expenses, bunkers and commissions	-221.8	-	-221.8	-269.7	-2.6	-272.3
Freight and bunker derivatives	0.0	-	0.0	0.0	0.0	0.0
Time charter equivalent earnings	**458.3**	**-**	**458.3**	**574.3**	**7.7**	**582.0**
Charter hire	-21.5	-	-21.5	-23.3	-8.1	-31.4
Operating expenses	-195.2	-	-195.2	-186.5	-3.1	-189.6
Gross profit/(loss) (Net earnings from shipping activities)	**241.5**	**-**	**241.5**	**364.5**	**-3.5**	**361.0**

CHANGE IN TIME CHARTER EQUIVALENT EARNINGS

USDm	Handy-size	MR	LR1	LR2	Un-allo-cated	**Tanker Seg-ment Total**	Handy-max	Pana-max	Un-allo-cated	**Bulk Seg-ment Total**	**Total**
Time charter equivalent earnings 2015 (pro forma)	72.2	344.0	64.2	97.0	-3.1	574.3	-0.3	7.5	0.5	7.7	582.0
Change in number of earning days	5.1	65.4	2.1	0.1	-	72.7	0.3	-7.5	-0.5	-7.7	65.0
Change in freight rates	-29.3	-120.8	-18.3	-23.5	-	-191.9	-	-	-	-	-191.9
Other	-	-0.2	-	-	3.4	3.2	-	-	-	-	3.2
Time charter equivalent earnings 2016	**48.0**	**288.4**	**48.0**	**73.6**	**0.3**	**458.3**	**-**	**-**	**-**	**-**	**458.3**

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

EARNINGS DATA

USDm	2015 Full year (Pro forma)	2016 Q1	Q2	Q3	Q4	**Full year**	% Change full year
TANKER SEGMENT							
LR2 vessels							
Available earning days	3,486	893	811	867	919	3,490	0%
Owned	2,814	713	696	684	735	2,828	-
T/C	672	180	115	183	184	662	-
Spot rates [1]	27,884	23,754	21,868	18,383	13,868	19,172	-31%
TCE per earning day [2]	27,826	22,598	21,875	22,031	18,107	21,106	-24%
LR1 vessels							
Available earning days	2,476	637	635	642	643	2,557	3%
Owned	2,476	637	635	642	643	2,557	-
T/C	-	-	-	-	-	-	-
Spot rates [1]	26,047	22,306	19,018	17,291	14,496	18,371	-29%
TCE per earning day [2]	25,938	22,305	20,235	18,219	14,490	18,800	-28%
MR vessels							
Available earning days	15,676	4,448	4,651	4,778	4,782	18,659	19%
Owned	14,987	4,266	4,491	4,594	4,598	17,949	-
T/C	689	182	160	184	184	710	-
Spot rates [1]	21,998	19,393	17,417	13,159	12,172	15,447	-30%
TCE per earning day [2]	21,935	19,449	17,085	13,388	12,522	15,462	-30%
Handysize vessels							
Available earning days	3,595	995	954	902	999	3,850	7%
Owned	3,595	995	954	902	999	3,850	-
T/C	-	-	-	-	-	-	-
Spot rates [1]	20,942	17,230	14,823	9,485	8,356	12,633	-40%
TCE per earning day [2]	20,090	17,567	14,680	9,635	7,921	12,490	-38%
Tanker Segment							
Available earning days	25,233	6,973	7,051	7,188	7,343	28,555	13%
Owned	23,872	6,611	6,776	6,822	6,975	27,184	-
T/C	1,361	362	275	367	368	1,372	-
Spot rates	22,986	19,680	17,457	13,508	11,968	15,598	-32%
TCE per earning day [2]	22,879	19,845	17,594	14,391	12,767	16,050	-30%
BULK SEGMENT							
Bulk							
Available earning days	1,287	-	-	-	-	-	-
Owned	594	-	-	-	-	-	-
T/C	693	-	-	-	-	-	-
TCE per earning day [2]	5,805	-	-	-	-	-	-

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

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

CHANGE IN OPERATING EXPENSES

USDm	Tanker Segment			Bulk Segment		
	Handysize	MR	LR1	LR2	Panamax	**Total**
Operating expenses 2015 (pro forma)	28.0	110.0	19.0	30.0	3.0	190.0
Change in operating days	0.2	20.4	0.1	0.1	-3.0	17.8
Change in operating expenses per day	-1.5	-10.4	0.1	0.3	0.0	-11.5
Other	-0.9	0.0	-0.5	0.3	0.0	-1.1
Operating expenses 2016	**25.8**	**120.0**	**18.7**	**30.7**	**0.0**	**195.2**

OPERATING DATA

USD/day	Tanker Segment					Bulk Segment		
	Handysize	MR	LR1	LR2	**Tanker**	Panamax	**Bulk**	**Total**
Operating expenses per operating day in 2015 (pro forma)	6,768	7,031	7,252	8,319	7,193	5,414	5,414	7,154
Operating expenses per operating day in 2016	6,386	6,459	7,294	8,411	6,771	-	-	6,771
Change in operating expenses per operating day in %	-6%	-8%	1%	1%	-6%	-	-	-6%
Operating days in 2016*)	4,026	18,578	2,562	3,660	28,826	-	-	28,826
- Off-hire	14	152	5	24	195	-	-	195
- Dry-docking	162	478	-	76	716	-	-	716
+/- Bareboat charters out/in	-	-	-	-732	-732	-	-	-732
+ Vessels chartered in	-	710	-	662	1,372	-	-	1,372
Available earning days	**3,850**	**18,658**	**2,557**	**3,490**	**28,555**	**-**	**-**	**28,555**

*) Including bareboat charters.

Tanker Segment
Revenue in the Tanker Segment decreased by 19.4% to USD 680m in 2016 from USD 844m in 2015, and TCE earnings decreased by 20.2% to USD 458m in 2016 from USD 574m in 2015. The decrease in TCE earnings was primarily due to the softening market as a consequence of continued high gasoline and diesel stocks globally, which limited trade arbitrage opportunities for oil traders and the demand for transportation. Maintenance in the Far Eastern petrochemical sector and among European refineries also had a negative impact on the market, as petrochemicals and refiners turned to maintenance earlier than usual.

In the LR2 fleet, the average freight rates decreased by 24% from 2016 to 2015, resulting in a decrease in earnings of USD 23m. The number of available earning days in the LR2 fleet was unchanged between 2015 and 2016.

The average freight rates in the LR1 fleet were 28% lower than in 2015. The available earning days in the LR1 fleet increased by 3% due to less dry-docking. In total, earnings decreased by USD 16m.

In 2016, three MR newbuildings were delivered to TORM. Furthermore, vessels delivered and acquired during the second half of 2015 increased the number of available earning days by 2,983 days or 19%. Due to the softening market this increase in available earning days did not result in increased earnings. The rates decreased by 30%, resulting in total earnings of USD 288m, a decrease of USD 55.6m.

In the Handysize fleet, the average freight rates were 38% lower in 2016 compared to 2015, resulting in a net decrease in earnings of USD 24m. There was an increase in available earning days of 7% in 2016.

Bulk Segment
During 2015, TORM discontinued its bulk activities as part of its Restructuring. The remaining vessels were sold and there was no activity in this segment in 2016.

Operation of vessels
As compared to 2015, the charter hire cost in the Tanker Segment decreased by USD 2m or 8% to USD 22m in 2016. The decrease in the Tanker Segment was caused by lower charter rates.

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

Operating expenses for the owned vessels increased by USD 9m to USD 195m in 2016, as a consequence of more operating days. On a per-day-basis, OPEX decreased by 6% in 2016.

The total fleet of owned vessels had 911 off-hire and dry-docking days, corresponding to 3% of the number of operating days in 2016 compared to 1,274 off-hire days in 2015, or 5% of the number of operating days. This was mainly attributable to a decrease in dry-docking activities.

Administrative expenses and other operating income
Total administrative expenses and other operating expenses amounted to USD 41m in 2016, which was at the same level as in 2015 although the earning days increased by 13%.

Financial income and expenses
Net financial expenses in 2016 were USD 35m compared to USD 31m in 2015, corresponding to an increase of USD 4m. The increase was mainly due to an increase in interest-bearing debt and to a rise in the interest rate level.

Tax
Tax for the year amounted to an expense of USD 1m compared to an expense of USD 1m in 2015. The tax for 2016 comprises the current tax expense for the year of USD 1m and a minor adjustment of tax related to previous years.

Assessment of impairment of assets
Management has followed the usual practice of performing an impairment review every quarter and presenting the outcome to the Audit Committee. The Audit Committee evaluates the impairment review and prepares a recommendation to the Board of Directors. The recoverable amount of the assets is calculated by assessing the fair value less costs to sell and the value in use of the significant assets within the Tanker Segment.

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

As of 31 December 2016, Management performed a review of the recoverable amount of the assets by calculating the recoverable amount (being higher of fair value less costs to sell and value in use) of the significant assets including goodwill within the Tanker Segment. As of 31 December 2016, the recoverable amount of the Tanker Segment was based on the value in use. Based on this review, Management concluded that the assets within the Tanker Segment were impaired by USD 185m as of 31 December 2016 (2015: USD 0m), as the carrying value exceeded the value in use.

The assessment of the value in use of the Tanker Segment was based on the present value of the expected future cash flows. This overall methodology is unchanged compared to previous years. Accordingly, the freight rate estimates in the period 2017-2019 are based on the Company's business plans. Beyond 2020, the freight rates are based on the 10-year historical average rates from Clarksons, amended to reduce strong rates in 2007 and also adjusted for inflation. Please refer to note 8 for further details.

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

PRO FORMA FINANCIAL INFORMATION FOR 2015 ADJUSTED FOR NON-RECURRING ITEMS
TORM has prepared pro forma financial information by performing consolidation and elimination of all significant transactions between Former TORM A/S and Njord (OCM (Gibraltar) Njord Midco Ltd.) for the previous year.

Pro forma adjustments give effect to the completion of the Restructuring in 2015, which also reflects the write-down of part of TORM's debt to current asset values against issuance of Consideration Warrants, the exchange of part of Former TORM's debt for equity and, subject to certain adjustments, reinstatement of Former TORM's remaining debt under the New Term Facility Agreement.

The pro forma income statement for 2015 has been prepared as though the Restructuring occurred as of 1 January 2015. The pro forma adjustments and adjustments for non-recurring items were based on available information and assumptions that TORM believed were reasonable. There have been no changes in the estimates in 2016.

For the purpose of pro forma financial information, the purchase price allocation is based upon the estimated fair value of assets and liabilities of Former TORM as of 1 January 2015. The pro forma adjustments consist of the differences between those fair values and the carrying amount of the same assets and liabilities as of 1 January 2015 except for write-down of debt.

For the purpose of pro forma financial information, the write-down of part of Former TORM's debt to current asset values against issuance of warrants and the exchange of part of Former TORM's debt for equity are the actual numbers despite the carrying amount of the debt being different from the amount as of the Restructuring Completion Date.

The impact of the write-down of debt and the cost incurred to affect the business combination have not been incorporated in the pro forma income statements, as the pro forma financial information has been prepared as though the Restructuring took place as of 1 January 2015.

Furthermore, in addition to the pro forma adjustments, the pro forma income statement has been adjusted for costs incurred in relation to the Restructuring.

The following pro forma adjustments have been made to the unadjusted financial information of Former TORM and Njord:

1) Elimination of revenue generated and costs incurred in connection with the chartering of three vessels from Njord to Former TORM A/S.
2) In 2011, Former TORM sold two LR2 tankers at prices above market and leased them back on seven-year bareboat contracts. The excess profit arising from the sales was recognized as deferred income and amortized over the term of the leases. In connection with the purchase price allocation, no new value has been allocated to these contracts, as it has been

determined that the charter rate according to the agreements approximates the current market rate. Accordingly, the amortized income recognized in 2015 has been reversed to reflect the situation as if the purchase price allocation occurred on 1 January 2015. Furthermore, there have been added amortizations of the value allocated to time charter contracts as part of the purchase price allocation on 1 January 2015, calculated as the difference between the contract value and the fair value of the monthly time charter as of the date of the Restructuring.

3) Depreciations during 2015 on vessels are reduced to reflect that the depreciable amount would have been reduced, had the vessels been adjusted to fair values as of 1 January 2015 in connection with the purchase price allocation on these dates. No adjustments have been made to depreciations on other tangible assets.
4) Former TORM A/S disposed of its investment in Danish Ship Finance in connection with the Restructuring. For the presentation of the pro forma income statement, dividend received in 2015 has been reversed.
5) In 2015, Former TORM recognized financial expenses related to amortized borrowing costs and an amortization of the cash flow hedging reserve generated by interest rate swaps that were canceled in connection with the 2012-Restructuring. For pro forma presentation purposes, amortized borrowing costs and amortized hedging reserve costs are reversed to reflect that had the Restructuring occurred as of 1 January 2015, any unamortized borrowing costs and hedge reserves would have been eliminated, as such borrowing costs and hedge reserves would not have been part of the purchase price allocation.
6) As part of the Restructuring, Former TORM's debt was significantly reduced. Consequently, for pro forma presentation purposes, interest expenses are reduced to reflect that had the Restructuring occurred as of 1 January 2015, the interest-bearing debt had been lower.

The following adjustments have been made for non-recurring items:

7) As of the Restructuring Completion Date, Former TORM A/S had incurred advisor fees directly related to the Restructuring, which are reversed as they are considered of non-recurring nature.

PRO FORMA CONSOLIDATED INCOME STATEMENT ADJUSTED FOR NON-RECURRING ITEMS

	2015				
USDm	TORM A/S (Njord)	Former TORM A/S*)	Pro forma adjustments, etc.	Note	Pro forma Group
Revenue	540.4	315.4	-1.5	1, 2	854.3
Port expenses, bunkers and commissions	-169.7	-102.6			-272.3
Freight and bunker derivatives	0.0	0.0			0.0
Time charter equivalent earnings	**370.7**	**212.8**	**-1.5**		**582.0**
Charter hire	-12.0	-21.3	1.9	1, 2	-31.4
Operating expenses	-122.9	-66.7			-189.6
Gross profit (Net earnings from shipping activities)	**235.8**	**124.8**	**0.4**		**361.0**
Administrative expenses	-19.5	-22.4			-41.9
Other operating income/(expenses)	-6.3	6.3			0.0
Share of profit/(loss) from joint ventures	0.2	-0.1			0.1
EBITDA	**210.2**	**108.6**	**0.4**		**319.2**
Impairment losses on tangible and intangible assets	0.0	0.0			0.0
Amortizations and depreciation	-67.3	-50.4	17.0	3	-100.7
Operating profit/(EBIT)	**142.9**	**58.2**	**17.4**		**218.5**
Financial income	0.6	3.1	-2.3	4	1.4
Financial expenses	-16.6	-57.8	42.3	5, 6, 7	-32.1
Profit/(loss) before tax	**126.9**	**3.5**	**57.4**		**187.8**
Tax	-1.0	-0.1			-1.1
Net profit/(loss) for the year	**125.9**	**3.4**	**57.4**		**186.7**

*) Former TORM A/S refers to the period 1 January to 13 July 2015.

Pro forma adjustments:

1) Elimination of charter-in income and charter hire of vessels between Former TORM and Njord and amortization of the fair value of Former TORM's time charter book.
2) Reversal of amortization of deferred income on sale and leaseback transactions involving two Former TORM LR2 product tankers and amortization of fair value of Former TORM's time charter book as follows from the purchase price allocation.
3) Adjustment to depreciation to reflect depreciation on the fair value of the vessels at the assumed dates for the business combination.
4) Reversal of dividends from disposed investment in Danish Ship Finance.
5) Reversal of amortization of deferred borrowing costs and interest rate swaps relating to the 2012-Restructuring.
6) Adjustments to interest expenses based on the reinstated debt.

Non-recurring items:

7) Reversal of Former TORM advisor fees related to the financing and restructuring plan of USD 26.6m in 2015.

PRIMARY FACTORS AFFECTING RESULTS OF OPERATIONS

TORM generates revenue by charging customers for the transportation of refined oil products and crude oil, using the Company's tanker vessels. The Company's focus is on maintaining a high quality fleet, and TORM actively manages the deployment of the fleet between spot market voyage charters, which generally last from several days to several weeks, and time charters.

TORM believes that the important measures for analyzing trends in the results of its operations of tanker vessels consist of the following:

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

- *Spot charter rates*. A spot market voyage charter is generally a contract to carry a specific cargo from a load port to a discharge port for an agreed freight rate per ton of cargo or a specified total amount. Under spot market voyage charters, TORM pays voyage expenses such as port, canal and bunker costs. Spot charter rates are volatile and fluctuate on a seasonal and year-to-year basis. Fluctuations derive from imbalances in the availability of cargoes for shipment and the number of vessels available at any given time to transport these cargoes. Vessels operating in the spot market generate revenue that is less predictable but may enable the Company to capture increased profit margins during periods of improvements in tanker rates.

- *Time charter rates*. A time charter is generally a contract to charter a vessel for a fixed period of time at a set daily or monthly rate. Under time charters, the charterer pays voyage expenses such as port, canal and bunker costs. Vessels operating on time charters provide more predictable cash flows but can yield lower profit margins than vessels operating in the spot market during periods characterized by favorable market conditions.

- *Available earning days*. Available earning days are the total number of days in a period when a vessel is ready and available to perform a voyage, meaning the vessel is not off-hire or in dry-dock. For the owned vessels, this is calculated by taking operating days and subtracting off-hire days and days in dry-dock. For the chartered-in vessels, no such calculation is required, because charter hire is only paid on earning days and not for off-hire days or days in dry-dock.

- *Operating days*. Operating days are the total number of available days in a period with respect to the owned vessels, before deducting unavailable days due to off-hire days and days in dry-dock. Operating days is a measurement that is only applicable to the owned vessels, not to the time chartered-in vessels.

- *Operating expenses per operating day*. Operating expenses per operating day are defined as crew wages and related costs, the costs of spares and consumable stores, expenses relating to repairs and maintenance (excluding capitalized dry-docking), the cost of insurance and other expenses on a per operating day basis. Operating expenses are only paid for owned vessels. The Company does not pay such costs for the time chartered-in vessels, as they are paid by the vessel owner and instead factored into the charter hire cost for such chartered-in vessels.

ACQUISITION AND CAPITAL EXPENDITURE

TORM has four LR2 newbuildings on order with expected delivery between the fourth quarter of 2017 and the second quarter of 2018. The value of the prepayments included within the total asset value amounts to USD 44m compared to USD 73m in 2015.

RETURNS TO SHAREHOLDERS

Analysis of dividends

On 12 May 2016, TORM's Board of Directors approved a new Distribution Policy intending to distribute 25-50% of net income semi-annually. On 15 September 2016, TORM distributed an interim dividend payment of USD 25m, equivalent to USD/share 0.4, as reported on 16 August 2016 in the second quarter release. The Board of Directors proposes no dividend for the second half of 2016.

Share buyback

During 2016, TORM plc repurchased 312,871 own shares for a total consideration of USD 2.9m. As part of the Corporate Reorganization, TORM plc's purchased 2.4% of TORM A/S' shares (the "Squeeze-out"). This corresponds to total accretive repurchases of USD 22.1m. TORM may continue to conduct limited share repurchases in the market.

GOING CONCERN

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are set out on pages 36-44. As of 31 December 2016, TORM's cash position was USD 76.0m, TORM's net debt was USD 609m and the loan-to-value ratio was 58%. Further information on the Group's objectives and policies for managing its capital, its financial risk management objectives and its exposure to credit and liquidity risk can be found in note 20 to the financial statements. The principal risks and uncertainties facing the Group are set out on pages 33-35.

The Group monitors its funding position throughout the year to ensure that it has access to sufficient funds to meet its forecast cash requirements, including newbuilding loan commitments, and to monitor compliance with the financial covenants within its loan facilities, details of which are in note 2 to the financial statements. Sensitivity calculations are run to reflect different scenarios including, but not limited to, future freight rates and vessel valuations, in order to identify risks to future liquidity and covenant compliance and to enable Management to take corrective actions, if required.

The Board of Directors has considered the Group's cash flow forecasts and the expected compliance with the Company's financial covenants for a period of not less than 12 months from the date of approval of these financial statements. Based on this review, the Board of Directors has a reasonable expectation that, taking into account reasonably possible changes in trading performance and vessel valuations, the Group will be able to continue in operational existence and comply with its financial covenants for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in preparing its financial statements.

LONG-TERM VIABILITY STATEMENT

In accordance with provision C.2.2 of the UK Corporate Governance Code, the Board of Directors confirms that they have a reasonable expectation that the Group will continue in operation and meet its liabilities as they fall due for the three-year period ended 31 December 2019. This period has been selected for the following reasons:

- The general volatility and uncertainty in the product tanker market leads to a significant increase in the degree of judgement and uncertainty beyond a three-year period
- Three years is generally in line with the forecast horizon for external equity analysts covering the shipping sector

The assessment of the Board of Directors has been made with reference to the Group's current financial position and prospects. The assessment of financial performance and cash flows is primarily dependent on the expectations for:

- Demand-supply picture in the product tanker sector including the expected vessel values and freight rates achieved by the Group
- Development of the fleet
- Operational expenditures
- Capital expenditures covering newbuildings and maintenance of the existing fleet
- Interest rate

The expected financial performance and cash flows have been subjected to a stress test and sensitivity analysis over the three-year period, using a conservative outlook for the product tanker sector, with sensitivities including freight rates and vessel values, in addition to operational expenses. Further details on TORM's principal risks and uncertainties are set out on pages 33-35.

The Board of Directors does not currently expect that TORM will breach its financial covenants over the three-year forecast period. However, should the product tanker market materialize significantly below TORM's expectations, there is a risk of a covenant breach. If this occurs, mitigating actions or appropriate waivers regarding the Company's financial covenants would be required, and the Board of Directors has, in making their statement in relation to long-term viability, an expectation that TORM would avoid a breach in such a scenario.

On behalf of TORM plc

Christian Søgaard-Christensen
Chief Financial Officer, TORM A/S
9 March 2017

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CHAIRMAN'S INTRODUCTION

MR. CHRISTOPHER H. BOEHRINGER / Chairman of TORM's Board of Directors

For TORM, good Corporate Governance represents the framework and guidelines for business management and aims to ensure that the Company is managed in a proper and orderly manner, consistent with applicable laws and regulations. It is important for the Board that TORM maintains a transparent governance structure and operational set-up with all elements of the operating platform integrated under the One TORM strategy. The Board believes this is in the best interests of all key stakeholders and will support TORM as a Reference Company in the product tanker industry.

TORM plc was established in connection with TORM's Corporate Reorganization on 15 April 2016 and benefits from more than 125 years of history from the TORM Group. A primary focus for the Board in 2016 has been the Corporate Reorganization, with the Board working in parallel on managing both TORM A/S and TORM plc up until the time of the Corporate Reorganization. During that period, the TORM plc Board meetings primarily focused on establishing TORM plc and preparing for the Corporate Reorganization, whereas the TORM A/S Board meetings focused on the ongoing day-to-day business of TORM A/S.

As for the remaining sections in the Annual Report, the Governance sections are described as a continuation of TORM A/S, but in the legal name of TORM plc. Key matters covering the period up until the Corporate Reorganization will be mentioned throughout the Corporate Governance Report.

For further details on the Corporate Reorganization, see page 7 of the Strategic Report.

The purpose of the Corporate Reorganization has been to enhance the marketability of the TORM Group, to attract a broader and more diversified international investor base and to facilitate a possible dual listing in the US. To support those purposes, it has been important for the Board to ensure that the appropriate governance structure is in place. In accordance with UK legislation, TORM has changed its past two-tier management system with a separation of Board and management to a one-tier system. This has meant that TORM A/S' Chief Executive Officer, Jacob Meldgaard, has joined the Board of TORM plc as Executive Director and, as it is not customary for UK companies to have employee-elected members, the roles of Mr. Kari Millum Gardarnar and Mr. Rasmus J. Skaun Hoffmann have been changed to Board Observers. Furthermore, TORM plc has decided to follow the UK Corporate Governance Code. The Company complies with 51 out of 55 recommendations.

TORM's key minority shareholder protection rights, which were put in place under the 2015 Restructuring, have been maintained in all material aspects in the Corporate Reorganization. Consequently, TORM's Minority Director maintains approval rights over Reserved Matters such as related party transactions, larger business acquisitions and the issuance of certain share, warrant or convertible debt instruments.

The Corporate Reorganization was supported by the majority of the Company's shareholders with a total of 97.6% of TORM A/S' shareholders transferred to TORM plc. The Board of Directors would like to thank the shareholders for their continued support of TORM in connection with the Corporate Reorganization. TORM plc has acquired the remaining 2.4% shares from TORM A/S' minority shareholders.

In 2016, TORM announced a new distribution policy with the intention to distribute 25-50% of net income semi-annually via dividends or share repurchases. The Board of Directors believes that this policy strikes a balance between retaining financial and strategic flexibility and allowing shareholders to benefit directly from TORM's positive financial results. TORM initiated the dividend payments with one fixed payment of USD 25m in September 2016 and has returned USD 47.1m in total to the shareholders in 2016 including the shares repurchased in connection with the Corporate Reorganization and ordinary share repurchases. The Board of Directors proposes that no dividend be distributed for the second half of 2016.

In line with the ambition for TORM's potential dual listing in the US, TORM has also made extensive preparations for future compliance with internal control requirements. This effort will continue during 2017.

The Board is pleased that the Company has secured financing totaling USD 271m during the second half of 2016. The financing supports TORM's financial and strategic flexibility.

CORPORATE GOVERNANCE

THE BOARD OF DIRECTORS

The Board of Directors is entrusted with the overall responsibility for the Company. The duties of the Directors include establishing policies for strategy, accounting, organization and finance and the appointment of executive officers. The Board of Directors governs the Company in accordance with the limits prescribed by the Articles of Association or by any special resolution of the shareholders. The Board of Directors is also overall responsible for the Company's internal controls and risk assessment. This is described in further detail in the Risk Management section of the Strategic Report and in the Audit and Risk Committee reports.

The Board of Directors has six prescheduled meetings on an annual basis held in connection with the quarterly result announcements, the approval of the annual budget and the Annual General Meeting. The actual meeting frequency is in general higher, as extraordinary meetings are held to account for specific matters. In 2016, the Board of Directors had 5 meetings in TORM A/S and 15 meetings in TORM plc. The extraordinary meetings primarily focused on the Corporate Reorganization.

In accordance with UK company legislation, TORM now has a one-tier management structure. In connection with the Corporate Reorganization, it was decided that the Board of Directors of TORM plc should consist of Mr. Christopher H. Boehringer as Chairman and Non-Executive Director, Mr. David N. Weinstein as Deputy Chairman, Senior Independent Director, Minority Director and Non-Executive Director, Mr. Torben Janholt as Non-Executive Director, Mr. Göran Trapp as Non-Executive Director and Mr. Jacob Meldgaard as Executive Director. In addition, TORM plc has three Board Observers who attend all Board meetings. The Board Observers are Mr. Kari Millum Gardarnar (employee-elected in TORM A/S), Mr. Rasmus J. Skaun Hoffmann (employee-elected in TORM A/S) and Mr. Jeffery S. Stein (Deputy Minority Director). The Directors were all re-elected at TORM plc's Annual General Meeting on 15 March 2016, and Mr. Christopher H. Boehringer, Mr. Torben Janholt and Mr. Göran Trapp were all elected for a two year period until 2018. The Board of Directors has not conducted a self-evaluation in 2016 but will do that in 2017.

BOARD COMMITTEES

The Board of Directors has established four committees for which formal Terms of Reference have been approved by the Board of Directors and can be found on TORM's website.

- The Audit Committee assists the Board of Directors in supervising and enhancing financial reporting, internal controls and auditing processes
- The Risk Committee is responsible for supervisory oversight and monitors responsibilities with respect to internal controls and risk management
- The Remuneration Committee assists the Board of Directors in reviewing Management's performance and remuneration as well as the Company's general remuneration policies
- The Nomination Committee is responsible for maintaining and developing a number of governance procedures and evaluation processes in relation to the Board of Directors

Further details on the work in the Audit Committee, Risk Committee and Remuneration Committee can be found in the individual Committee reports.

No meetings were held in the Nomination Committee during 2016, as the Board of Directors were appointed in connection with the Corporate Reorganization in 2016. No separate Nomination Committee report is therefore deemed required. Details on TORM's gender policy is set out on page 32.

MANAGEMENT STRUCTURE AND DELEGATION OF AUTHORITY

The Board of Directors has delegated the day-to-day management of the business to the Executive Director, Mr. Jacob Meldgaard. This includes the Company's operational development and responsibility for implementing the strategies and overall decisions approved by the Board of Directors. The Executive Director also serves a position as Chief Executive Officer in the Group's largest subsidiary, TORM A/S.

MEETINGS ATTENDED/HELD

Members	Board of Directors TORM A/S (Meetings held 1 January - 14 April 2016)	Board of Directors TORM plc (Meetings held 15 April - 31 December 2016)	Audit Committee	Remuneration Committee	Nomination Committee	Risk Committee
Christopher H. Boehringer	5/5	15/15	5/5	4/4	0/0	3/3
David N. Weinstein	4/5	14/15		4/4	0/0	
Göran Trapp	3/5	14/15	5/5			3/3
Jacob Meldgaard	NA	15/15				
Torben Janholt	4/5	14/15	5/5	3/4	0/0	3/3
Kari Millum Gardarnar	3/5	N/A				
Rasmus J. Skaun Hoffmann	4/5	N/A				

David Weinstein, Göran Trapp and Torben Janholt are considered independent directors.

Transactions of an unusual nature or of major importance may only be effected by the Executive Director on the basis of a special authorization granted by the Board of Directors. If certain transactions cannot await approval of the Board of Directors due to their urgency, the Executive Director shall, taking into consideration the interests of the Company to the extent possible, obtain the approval of the Chairman and ensure that the Board of Directors are subsequently informed. Any transaction shall always be subject to the authorizations stated in the Company's Articles of Association, including any required approvals by the Minority Director.

The Executive Director is assisted by the Senior Management Team in the day-to-day management of the business. The Senior Management Team consists of the following employees in TORM A/S (in addition to the Executive Director): Mr. Christian Søgaard-Christensen (Chief Financial Officer), Mr. Lars Christensen (Senior Vice President and Head of Projects) and Mr. Jesper Jensen (Senior Vice President and Head of Technical Division). The Senior Management Team holds weekly meetings. Mr. Christian Søgaard-Christensen generally attends the Board meetings.

The Senior Management Team members are individually responsible for authority delegation further within the organization. TORM maintains an overview of mandates and authorities for different levels within the organization.

SHAREHOLDER COMMUNICATION

To ensure consistent communication to all investors, quarterly and annual financial statements and other stock exchange announcements are the main channels of communication. In 2016, TORM maintained regular capital market contact through analyst and industry presentations, investor meetings and conference calls. Roadshows are primarily held in Copenhagen and in the major European and US financial centers. In addition to the Executive Director and the remaining management team, TORM's Senior Independent Director, Mr. David Weinstein, has attended a number of meetings with investors.

SELECTED MINORITY PROTECTION PROVISIONS IN TORMS ARTICLES OF ASSOCIATION

TORM's central corporate governance provisions aim to ensure appropriate minority shareholder protection. The key provisions include:

- The appointment of a Minority Trustee who shall hold a B share giving the Minority Trustee the right to appoint a Minority Director, the Deputy Chairman of the Board. The Minority Director has approval rights over Reserved Matters such as related party transactions, larger business acquisitions and the issuance of certain share, warrant or convertible debt instruments
- Appointment of a Board Observer and alternates for the Minority Director

The B share has no other rights than the right to elect one member of the Board of Directors and one Board Observer in TORM. The Minority Trustee will exercise this voting right on behalf of all A shareholders other than Oaktree Capital Management (Oaktree) and its affiliates. Further, a single redeemable and non-transferable C share has been issued to Oaktree in order to give Oaktree sufficient voting rights to elect all Board members other than the Minority Director (and employee representatives) and to vote for amendments to TORM's Articles of Association with the exception of certain minority protection rights. The C share has no voting rights on any other matters.

Both the B share and the C share will be redeemed by TORM upon a reduction in Oaktree's shareholding below 1/3 of the issued and outstanding shares in TORM. TORM's Articles of Association are available on TORM's website **(www.torm.com/about-torm)**.

CORPORATE GOVERNANCE RECOMMENDATIONS

In connection with the Corporate Reorganization, TORM decided to change its corporate governance code from the Danish Recommendations on Corporate Governance, available at **www.corporategovernance.dk**, to the UK Corporate Governance Code as issued by the Financial Reporting Council in April 2016. The change to the UK Corporate Governance Code was carried out to align with domestic legislation for the Company and to increase transparency. The Code sets out principles and operates on a "comply or explain" basis. TORM has considered the individual recommendations and is compliant with 51 of 55 recommendations. TORM is not in compliance with the principles outlined below because of business decisions taken based on careful consideration by the Board of Directors. Based on the explanations provided below, no plan is currently in place to attain compliance with the below recommendations:

- Non-executive Directors should be appointed for a specified term (recommendation B.2.3): and no longer than a three-year term (recommendation B.7.1): The B Director is not appointed for a specified term but will continue until removed by the B shareholder. The Company believes that continuity in the B Director role is important, as he serves as a representative for the minority shareholders. The B shareholder, who represents the minority shareholders, can replace the B Director at any time.

- The Audit Committee should consist of independent Directors (recommendation C.3.1): The Chairman of the Board of Directors, Mr. Boehringer, was not considered independent at the time of his appointment or on an ongoing basis. The Company believes that, given that the Chairman of the Audit Committee is independent, the Company's controlling shareholder structure and the rights of the C share held by Oaktree, it is appropriate for Mr. Boehringer to be on the Audit Committee.

- The Remuneration Committee should consist of independent Directors and the Chairman of the Board of Directors should not chair the Committee (recommendation D.2.1): The Chairman of the Board of Directors, Mr. Boehringer, is Chairman of the Remuneration Committee. Mr. Boehringer was not considered independent at the time of his appointment or on an ongoing basis. The Company believes that, given the Company's controlling shareholder structure and the alignment of interests with regard to remuneration, it is appropriate for Mr. Boehringer to chair the Remuneration Committee.

An overview of TORM's position on the individual recommendations is available on TORM's website **(www.torm.com/about-torm)**.

BOARD OF DIRECTORS

CHRISTOPHER H. BOEHRINGER / Non-Executive Director and Chairman of TORM's Board of Directors

Born: 01-01-1971
Nationality: Canadian
Employment: Managing Director, Oaktree Capital Management, L. P.
Education: BA degree in Economics from Harvard University and an MBA from INSEAD in France, where he graduated with Distinction and was the recipient of the INSEAD Canadian Foundation Scholarship.

Mr. Boehringer is Chairman of TORM's Nomination Committee and the Remuneration Committee and a member of the Audit Committee and the Risk Committee.

Prior to joining Oaktree in March 2006, Mr. Boehringer worked at Goldman Sachs, FITravel Corporation, Warburg Dillon Read/SG Warburg and LTU GmbH & Co.

Other Board directorships:
LCCG UK Limited
Life Company Consolidation Group Limited
LCCG UK Holdings Limited
Mars Acquisition Limited
Amber GP (London) Limited
Eolia Renovables de Inversiones, S.C.R., S.A.

DAVID NEIL WEINSTEIN / Senior Independent Director and Deputy Chairman of TORM's Board of Directors

Born: 22-08-1959
Nationality: US citizen
Employment: Senior Investment Banking, Governance and Reorganization Specialist
Education: Brandeis University, BA Economics and Columbia University School of Law.

Mr. Weinstein is a member of TORM's Nomination Committee and Remuneration Committee.

Mr. Weinstein has had a number of Board leadership positions in inter alia Horizon Lines, Inc., Interstate Bakeries Corporation, Pioneer Companies, Inc. and York Research Corporation and has served as Managing Director of Calyon Securities Inc., BNP Paribas, Bank of Boston and Chase Securities Inc.

Other Board directorships: Chairman of Everyware Global Inc., Board member of DeepOcean Group Holdings AS and TORM plc.

GÖRAN TRAPP / Non-Executive Director

Born: 31-01-1962
Nationality: Swedish
Employment: Board member
Education: Stockholm School of Economics, MSc Economics and Business Administration (Majoring in Finance, 1983-1987).

Mr. Trapp is Chairman of TORM's Audit Committee and Risk Committee.

Mr. Trapp was with Morgan Stanley from 1992 to 2013 where he started as crude oil trader, then became Head of Oil Products Trading Europe & Asia, Head of Global Trading and Head of Commodities EMEA. Prior to joining Morgan Stanley, Mr. Trapp was crude oil trader at Statoil.

Other Board directorships: Chairman of Madrague Capital Partners AB, Board member of Amara Living Ltd, Board member of Energex Partners Ltd. and TORM plc.

TORBEN JANHOLT / Non-Executive Director

Born: 11-10-1946
Nationality: Danish
Employment: Just Water ApS
Education: IESE, Barcelona (2012/2008), Harvard, Copenhagen (Board of Directors Program) (2011), IMD, Lausanne (2010/2007/2003/2000/1999), CEDEP/INSEAD Management School, Fontainebleau (1990), Niels Brock Business College, Copenhagen (Certificate in Business Administration, 1974).

Mr. Janholt is a member of TORM's Audit Committee, Risk Committee and Remuneration Committee.

Mr. Janholt has been the CEO and President for J. Lauritzen A/S from 1998 to 2013 and Chairman of the Danish Shipowners' Association from 2005 to 2009 and holds a number of management duties/directorships.

Other Board directorships: Chairman of Otto Suenson & Co. A/S, Board member of Pioneer Marine Pty Ltd. Singapore, PostNord A/B, A/S United Shipping & Trading Company, Bunker Holding A/S, Uni-Chartering A/S, Uni-Tankers A/S and TORM plc.

JACOB MELDGAARD / Executive Director

Born: 24-06-1968
Nationality: Danish
Education: Copenhagen Business School, Denmark (Bachelor's degree in International Trade) and Wharton Business School and Harvard Business School, USA (Advanced Management Program).

Jacob Meldgaard has been Chief Executive Officer since 1 April 2010. Before this, Mr. Meldgaard served as Executive Vice President of Dampskibsselskabet NORDEN A/S.

AUDIT COMMITTEE REPORT

MR. GÖRAN TRAPP / Chairman of TORM's Audit Committee

CHAIRMAN'S STATEMENT

Dear Shareholder

The Audit Committee is pleased to present its report for 2016.

The purpose of this report is to describe how the Audit Committee has carried out its responsibilities during the year. In overview, the role of the Audit Committee is to monitor and review: the integrity of the Company's financial statements, internal control and risk management, audit and risk programs, business conduct and ethics, "whistleblowing" and the appointment of the independent auditor.

The Audit Committee took note of the publication in April 2016 of an updated version of the UK Corporate Governance Code (Code). As stipulated, the Company applies the requirements of the updated Code for TORM plc's year ended 31 December 2016.

In discharging its duties, the Audit Committee seeks to balance independent oversight of the matters within its remit with providing support and guidance to management.

COMPOSITION OF THE AUDIT COMMITTEE

Members and attendance at meetings held during 2016.

Committee members	Meetings attended/held*)
Mr. Göran Trapp (Chairman)	5/5
Mr. Christopher H. Boehringer	5/5
Mr. Torben Janholt	5/5

*) Two of the five meetings were held in TORM A/S. The remaining three meetings were held in TORM plc. See Board of Directors biographies on page 50

Board Observer Jeffrey S. Stein attended the November 2016 meeting by phone. Senior Independent Director David Weinstein attended the November 2016 meeting in his capacity as Deputy Board Chairman by phone.

The Board is satisfied that the Audit Committee meets the independence requirements established and applicable laws, regulations and listing requirements, including the UK Corporate Governance Code. At least one Audit Committee member has, in the judgement of the Board, recent and relevant financial experience in order to have the ability to make an independent assessment of the appropriateness of the Company's financial statements and internal controls as well as the planning and execution of the external audit. Further, members of the Audit Committee have the necessary qualifications and competences relevant to the shipping sector. The Chairman of the Audit Committee, Göran Trapp, possesses the necessary qualifications to fulfill the requirements. The Audit Committee also has access to the financial expertise of the Group and its independent auditors and can seek further professional advice at the Company's expense, if required.

SUMMARY OF THE ROLE OF THE AUDIT COMMITTEE

The purpose of the Audit Committee is to assist the Board of Directors in fulfilling its responsibilities relating to the oversight of the quality and integrity of the accounting, auditing, financial reporting and risk management of the Company and such other duties as may from time to time be assigned to the Audit Committee by the Board and are required by the rules and regulations of the UK Corporate Governance Code or any securities exchange on which the Company's securities are traded.

The Audit Committee's function is one of oversight only and does not relieve the Board of Directors of its responsibilities for preparing financial statements that accurately and fairly present the Company's financial results and condition, nor the auditors of their responsibilities relating to the audit or review of financial statements. The Audit Committee shall oversee the accounting, financial reporting, risk management processes and the audits of the Company's financial statements. It also provides advise to the Board on whether the Annual Report as a whole is fair, balanced and understandable. The Audit Committee shall oversee and control the qualifications, independence and performance of the appointed independent auditors.

The formal role of the Audit Committee is set out in its Terms of Reference, which are available at **www.torm.com**.

MEETINGS

The Audit Committee meets at least four times a year. The Chief Financial Officer of TORM A/S, the Head of Group Finance of TORM A/S as well as the Company's independent auditor will normally attend these meetings. During

2016, the Audit Committee met five times, and each meeting was attended by all Audit Committee members in person or by phone.

FINANCIAL REPORTING AND SIGNIFICANT FINANCIAL JUDGEMENTS

The Committee considered the issues summarized below as significant in the context of the 2016 financial statements. These were discussed and reviewed with Management and the independent auditors, and the Audit Committee challenged judgements and sought clarification where necessary.

Impairment considerations

As explained in note 8 to the financial statements on page 97, an impairment charge of USD 185m has been recorded regarding the Tanker Segment (2015: USD 0m). In order to determine whether a cash-generating unit (CGU) is impaired, management assesses whether there are any indicators for impairment of the vessels in the Tanker Segment. If such indicators exist, the future discounted net cash flow deriving from the CGU must be estimated. These estimates are based on a number of assumptions including future freight rates, estimated operating expenses, weighted average cost of capital (WACC) and level of inflation.

In view of the softening product tanker market, Management prepared a detailed impairment test for the Audit Committee setting out the key assumptions for the CGU. The Audit Committee challenged these assumptions and judgements to ensure that all material factors were included.

The Audit Committee noted in particular that the freight rates in the years 2017-2019 are consistent with the long-term planning assumptions used by the Company.

The Audit Committee discussed with Management the adjustments made to the 10-year historical average spot rates from Clarksons. The Audit Committee reviewed the calculations to ensure the accuracy and the completeness of the adjustments.

The Audit Committee was satisfied that future cash flows related to operating expenses in the Tanker Segment appropriately reflected current market assessments.

The Audit Committee was satisfied that the rates used to discount future cash flows appropriately reflected current market assessments of the time value of money and the risk associated with the CGU concerned.

The Audit Committee was satisfied that the most material assumptions on which the amount of the impairment charges is based are appropriate.

For further description please refer to note 8 in the Financial Statements on page 97.

Corporate Reorganization

The Audit Committee considered how to reflect the Corporate Reorganization in the consolidated financial statements. The Corporate Reorganization, where TORM plc was inserted as new parent of TORM A/S, is treated as a "Capital Restructuring" (reverse acquisition – but not reverse business combination as in scope of IFRS 3), and accordingly the consolidated financial statements of TORM plc are a continuation of the consolidated financial statements of TORM A/S.

The prepared consolidated financial statements are similar to those prepared under reverse acquisition accounting, except for the fact that no purchase price allocation is prepared and thus no goodwill will be recorded. The consolidated financial statements for the TORM Group are prepared in the legal name of TORM plc but are in principle a continuation of the consolidated financial statements of TORM A/S with the only adjustment of retroactively reflecting the legal capital of the legal parent (TORM plc). The Committee approved the suggested accounting treatment.

The Audit Committee also reviewed and approved the accounting treatment in relation to the TORM plc squeeze-out.

Financial Reporting Standards

The Audit Committee reviewed the information on the adoption of the new standards IFRS 15 and IFRS 16.

IFRS 15 specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. Going forward, revenue recognition will be determined on the basis of transfer of the transportation service to the customer. The standard will be applied to TORM's Annual Report no later than in 2018, and the impact on the Company is not expected to be significant.

IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice in that lessors continue to classify leases as finance and operating leases. The standard will be applied to TORM's Annual Report no later than in 2019, and the impact on the Company is deemed minimal with the current operating model, but would need to be applied on any current Time Charter agreements.

Effectiveness

In 2016, the Audit Committee carried out a detailed self-assessment. Based on the self-assessment, no material concerns arose.

Independent audit

During the year, Deloitte undertook independent audit and certain non-audit work. They provided the Committee with information and recommendations on the financial statements and internal controls.

In August 2016, the Audit Committee reviewed and approved the terms, areas of responsibility and scope of the 2016 audit as set out in the independent auditors' engagement letter. During the year, Deloitte provided the Committee with recommendations and updates regarding audit-related services on subjects such as regulatory and statutory reporting, Audit Committee training, etc. The

independent auditors are expected to perform audit according to relevant auditing standards. The Independent Audit Plan was approved in August 2016 and has been successfully completed at the date of this report.

AUDITOR APPOINTMENT AND TENDERING

In 2016, TORM plc, which was newly incorporated, became the holding company of the Group, and Deloitte LLP (UK) has been its independent auditors since then. Prior to that, Deloitte Statsautoriseret Revisionspartnerselskab (Denmark) had been the independent auditors of TORM A/S (now a subsidiary of TORM plc). From a Group perspective, Deloitte Denmark was elected for the first time in April 2003 replacing Arthur Andersen, and there has not been an audit tender since that date.

TORM plc will at the latest undertake a tender and rotation of the independent audit appointment at the time of the rotation of the lead engagement partner, which is due after completion of the 2020 audit.

Auditor effectiveness

The Audit Committee conducts an annual review of the performance of the independent auditors by a combination of discussions with Management, the quality of written deliverables to the Audit Committee and the quality of dialogue and insights provided during Audit Committee meetings. The Committee concluded that the effectiveness of the independent auditors has not been impaired in any way, and accordingly they will be proposed for re-appointment at the forthcomming Annual General Meeting.

Auditor independence and objectivity

The Company has policies and procedures in place to ensure that the independence and objectivity of the independent auditor is not impaired. These include restrictions on the types of services which the independent auditor can provide, in line with Ethical Standards on Integrity, Objectivity and Independence published by the UK Financial Reporting Council (FRC). Details of the services that the independent auditors cannot be engaged to perform were provided to the Audit Committee within the November 2016 Audit Committee meeting documentation. The policy regarding pre-approval of audit and non-audit fees will be available on request.

Audit and non-audit fees

Full disclosure of the audit and non-audit fees paid during 2016 can be found in note 5 to the consolidated financial statements.

Audit fees:	USD 0.5m
Non-audit fees:	USD 1.0m

The independent auditors may be contracted to perform certain non-audit activities. The Audit Committee believes this can be performed without compromising the auditor's independence and objectivity. The Audit Committee will allocate the non-audit work after considering the Company's policy on the provision of non-audit services by the company auditors. Copies of the pre-approval procedures are available on request.

Internal audit

The Audit Committee assesses the need for an internal audit function on an annual basis and makes a recommendation to the Board. Based on the Company's size, complexity and its internal control environment, the Company has decided to defer the establishment of an internal audit function until the need arises.

RISK MANAGEMENT AND INTERNAL CONTROLS

Risk management

The Committee regularly discusses the principles for risk assessment and risk management related to the financial reporting and reviews the Company's significant risks, including fraud, and their impact on the financial reporting including stress testing, when relevant. During 2016, the Committee was given a presentation by the risk management team.

The principal risks and uncertainties are outlined in the Risk Management section of the Strategic Report on pages 33 and 35.

Internal controls

The Board of directors fulfills its responsibility in regard to effectiveness of the risk management and internal controls over financial reporting through the Audit Committee. The oversight is conducted through review of reports covering all aspects of the framework from planning, test of operational effectiveness and adequacy of the internal control environment. In-depth review of specific risks is performed when changes in the internal or external environment make it relevant.

In line with the planned dual listing on the US stock exchange see page 26, the Audit Committee has increased focus on the future compliance requirements. The effort is expected to continue throughout 2017.

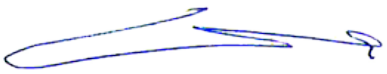
Full details of how the business implements its enterprise risk management on a Group-wide basis are set out in the Risk Management section of the Strategic Report on pages 33 to 35.

Whistleblowing

The Group's Whistleblower Policy, which supports the Group-wide Business Principles, is monitored by the Audit Committee. A copy of the Group's Business Principles is available on the TORM plc website **www.torm.com/about-torm**. The Audit Committee received reports providing details of matters reported through the Group's international, confidential telephone reporting lines and secure e-mail reporting facility, which is operated on its behalf by an independent third party, Holst, Advokater. All matters reported are investigated by Holst, Advokater and, where appropriate, reported to the Audit Committee together with details of any corrective action taken. The Audit Committee also received reports at each Audit Committee meeting providing details of any fraud losses in each quarter.

Approval

On behalf of the Audit Committee



Mr. Göran Trapp, Chairman of the Audit Committee
9 March 2017

RISK COMMITTEE REPORT

MR. GÖRAN TRAPP / Chairman of TORM's Risk Committee

CHAIRMAN'S STATEMENT

Dear Shareholder

The Risk Committee is pleased to present its report for 2016.

The purpose of this report is to describe how the Risk Committee has fulfilled its duties during 2016. In essence, the role of the Risk Committee is to assist the Board of Directors in fulfilling its responsibilities relating to the oversight of the quality and effectiveness of the company-wide risk management program.

In 2016, the Risk Committee had special focus on reviewing the vetting practices and policies of oil majors to understand risks related to tradability. Furthermore, the Risk Committee focused on the risks related to derivatives trading and exposures as well as risks related to strategic decisions around the Company's capital structure.

The Risk Committee seeks to balance independent oversight of the matters within the scope of the Committee with providing support and guidance to Management. The Risk Committee is confident that the Risk Committee, supported by members of TORM A/S Management, has carried out its duties effectively and to a high standard in 2016.

Senior Independent Director David Weinstein, Executive Director Jacob Meldgaard and Board Observer Jeffery S. Stein attended all risk committee meetings in 2016.

The Risk Committee assesses that the committee members have sufficient qualifications within risk management and capital market knowledge to have the ability to make an independent assessment of the appropriateness of the Company's risk management and control environment as well as the planning and execution of the risk management policies and funding activities. The Risk Committee has access to the financial and risk management competencies within the TORM Group and its external advisors. The Committee is also authorized to seek further external advice at the Company's expense, if required.

COMPOSITION OF THE RISK COMMITTEE

Members and attendance at meetings held during 2016.

Committee members	Meetings attended/held*)
Mr. Göran Trapp (Chairman)	3/3
Mr. Christopher H. Boehringer	3/3
Mr. Torben Janholt	3/3

*) All three Risk Committee meetings were held in TORM plc.

SUMMARY OF THE ROLE OF THE COMMITTEE

The purpose of the Risk Committee is to assist the Board of Directors in fulfilling its responsibilities in relation to the oversight of the quality and effectiveness of the company-wide risk management program.

This is an ongoing process of refinement and embedding of risk management best practice throughout the organization. The risk management framework builds on clear policies and procedures that are applied consistently throughout the organization.

The Risk Committee oversees the risk management processes and reporting of the Company and discusses relevant risk management policies, capital structure targets and planned funding initiatives. The Risk Committee is responsible for providing recommendations to the Board of Directors with respect to these targets and initiatives.

MEETINGS

The Risk Committee normally meets no less than four times a year; however, in 2016 the Committee covered its material through three extended meetings instead. Ordinarily, the Executive Director, the Chief Financial Officer of TORM A/S and TORM A/S' Head of Group Treasury attend these meetings.

ACTIVITIES DURING THE YEAR

Continuous review of selected risk exposures

At each meeting the Risk Committee follows up on key risk indicators to ensure alignment between risk tolerance, actual risk level and business objectives. These measures include: monitoring of credit lines, monitoring of compliance with internal mandates and exposure to financial derivatives.

Oil major vetting practices
The Risk Committee reviewed the oil majors' vetting practices and policies in terms of inherent risk and tradability. Furthermore, the Risk Committee had a discussion on TORM's ability to continue having a strong tradability record by further understanding the oil majors' standard vetting approach.

Review of Company governance principles and policies related to IT and insurances
The Risk Committee reviewed TORM's IT Policy and governance set-up as well as TORM's Insurance Policy. The policies outline major issues at risk and which corresponding measures TORM takes to mitigate the risks.

Financial risk management and review of TORM's Financial Policy
TORM uses financial derivatives to manage market risks and to optimize earnings. In addition, the Company uses derivatives to hedge exposures related to interest rate and foreign exchange risks.

The Risk Committee reviewed TORM's exposures, the relevant tolerance levels and appropriate hedging instruments and subsequently approved the Financial Policy that clearly outlines mandates.

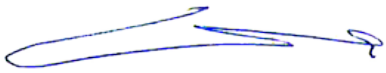
Liquidity risk
The Committee reviewed the Company's liquidity forecast model and the underlying key assumptions as well as TORM's forecasted liquidity position and compliance with financial covenants on borrowing facilities over the coming 12 months.

Capital structure risks
The Committee reviewed risk considerations related to the Company's capital structure, including: Liquidity position, Loan-to-Value, distribution policy, off-balance sheet liabilities, terms and sources of funding, vessel investments and fleet employment strategy.

Counterparty risk
The Risk Committee performed an in-depth review of counterparty risk related to TORM's customers.

Enterprise risk management
The Committee reviewed the key risks faced by TORM and the underlying drivers of those exposures. The alignment of actual risk and desired risk was discussed, and the Committee approved the Company risk profile based on these discussions. Furthermore, the Committee reviewed the assigned management accountability, which highlights current and planned risk mitigating activities.

Approval
On behalf of the Risk Committee



Mr. Göran Trapp, Chairman of the Risk Committee
9 March 2017

REMUNERATION COMMITTEE REPORT

INTRODUCTION

This report is on the activities of the Remuneration Committee for the period 1 January 2016 to 31 December 2016. It sets out the remuneration policy and remuneration details for the Executive and non-Executive Directors of the Company. It has been prepared in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013 (the "Regulations").

The report is split into three main areas:

- The statement by the chair of the Remuneration Committee
- The annual report on remuneration
- The Remuneration Policy

The Remuneration Policy, if approved by the shareholders at the General Meeting on 4 April 2017, will take effect from the date of that meeting. Notwithstanding the foregoing, as at the date of this Annual Report, TORM plc is in compliance with the requirements of this remuneration policy. The annual report on remuneration provides details on remuneration in the period and some other information required by the Regulations.

The Companies Act 2006 requires the auditors to report to the shareholders on certain parts of the Directors' Remuneration Report and to state whether, in their opinion, those parts of the report have been properly prepared in accordance with the Regulations. The parts of the Annual Report on remuneration that are subject to audit are indicated in that report. The statement by the Chairman of the Remuneration Committee and the policy report are not subject to audit.

COMPOSITION OF THE REMUNERATION COMMITTEE

Members and attendance (eligibility) at meetings held during the year ended 31 December 2016. The Committee comprised the non-Executive Directors shown below during the year ended 31 December 2016.

Committee members	Meetings attended/held
Mr. Christopher H. Boehringer (Chairman)	4/4
Mr. David Weinstein (Deputy Chairman)	4/4
Mr. Torben Janholt	3/4

Committee discussions in 2016

Date of Meeting	Agenda items discussed
17 March 2016	• Overview of Short-Term Incentive Plan (STIP) allocations 2015 • Performance evaluation and bonus to the CEO
4 May 2016	• Bonus model presentation by the Head of HR • Performance evaluation and bonus to the CEO
14 November 2016	• Compensation recommendations 2017 (STIP and LTIP)
13 December 2016	• Updated draft policy reviewed and agreed • Long-Term Incentive Plan (LTIP) – 2017 Restricted Share Unit (RSU) allocation and 2016 RSU vesting • 2017 KPIs for the CEO

Advisers to the Committee

During the year, the Committee received advice and/or services from the Head of Group HR and the Executive Director together with other senior group employees and CWT as necessary.

Minority Board Observer Mr. Jeffrey S. Stein attended the meeting held on 14 November 2016.

Remuneration Committee

The Committee met regularly during the year. There were four meetings held in 2016.

STATEMENT BY THE CHAIRMAN OF THE REMUNERATION COMMITTEE

Dear Shareholder

On behalf of the Remuneration Committee, the Director's Remuneration Report for the year ended 31 December 2016 is presented in the following section.

The Remuneration Committee assists the Board of Directors in its responsibilities in relation to remuneration.

The Remuneration Committee's responsibilities include:
- Setting the strategy, structure and levels of remuneration of the Company's Directors, Executive Director and Senior Management
- Ensuring compliance with policies while adhering to legislative regulations
- Aligning the financial interests of the Executive Directors and other management employees with the achievement of the Company's objectives

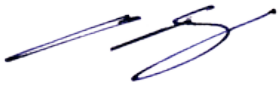
The overall remuneration structure comprises:
- Base salary, benefits and allowances, set at a level appropriate to the sector and markets in which the company operates
- An annual bonus, based on measures of annual financial and strategic performance
- A share-based long-term incentive plan, based on growth in the share price

This Remuneration Report includes:
- The Company's Remuneration Policy, including guidelines for incentive pay for the Board of Directors and Executive Management
- The responsibilities of the Remuneration Committee reflected in the Terms of Reference for the Committee, reflected in full
- The members of the Remuneration Committee
- Shareholder voting at the Annual General Meeting
- The remuneration to the Board of Directors
- The remuneration to the CEO

The Committee assessed the Executive Director's performance against long-term and short-term targets. We have assessed the Executive Director's contribution against his personal performance measures. As a result, the performance bonus was calculated at 20% of the yearly salary for the objective-based contributions in 2015. Further, in relation to achievements relating to the TORM Leadership Philosophy, an additional 20% was awarded. Throughout 2016, the Committee maintained the link between pay and performance and will continue to do so.

As a Committee, we continue to monitor developments in corporate governance and remuneration and, where we consider it appropriate and in the best interests of TORM plc and its shareholders, we would propose to adopt them. The Company's Remuneration Policy set out within this Remuneration Report is the first policy to be approved by the shareholders.

On behalf of the Committee, I thank you for your continued support and trust that you find the Directors' Remuneration Report informative. I very much hope that we will receive your support at the 2017 Annual General Meeting.



Christopher H. Boehringer
Chairman of the Remuneration Committee
9 March 2017

ANNUAL REPORT ON REMUNERATION

-The information provided in this part of the Directors' Remuneration Report is subject to audit.

Executive Director's remuneration table (showing single total figure of pay for the year)

The 2015-16 Executive Director's remuneration for Jacob Meldgaard's role as Executive Director of TORM plc and CEO of TORM A/S, a subsidiary of TORM plc, is shown in the below table.

Jacob Meldgaard USD ('000)		Salary [1]	Taxable benefits [2]	Annual performance bonus [3]	EBITDA bonus [4]	Transaction bonus [5]	Total
2015	TORM A/S	362	19	144	-	345	870
2016	TORM A/S	834	42	-	-	-	876
2016	TORM plc	39	-	-	-	-	39

1) The salary for 2015 only includes amounts arising subsequent to the Restructuring on 13 July 2015, as this was treated as a reverse acquisition (see note 1 of the financial statements). The total salary of the CEO of TORM A/S for 2015, including amounts arising in the period 1 January to 13 July 2015, was DKK 5,100,000.

2) The Company can place a car costing no more than DKK 1m at the CEO's disposal and pay the running and maintenance expenses associated with the car (DKK 23,000 per month). Allowances and benefits: Other benefits provided directly include two newspapers (DKK 5,500 per annum), mobile phone which may be used for both business and private purposes, a PC at the CEO's disposal at his home address which may be used for both business and private purposes including ADSL and call charges (DKK 2,700 per annum).

3) Annual bonus 2015 paid in 2016. The Annual Performance Bonus for 2015 only includes amounts arising subsequent to the Restructuring on 13 July 2015. The total Annual Performance Bonus of the CEO of TORM A/S for 2015, including amounts arising in the period 1 january to 13 July 2015, was DKK 2,072,300. The performance bonus for 2016 has not yet been set by the Remuneration Committee. Full explanation of TORM's Performance Bonus Policy is available in the Remuneration Policy on page 65.

4) EBITDA bonus 2015 paid in 2016. The EBITDA Bonus for 2015 only includes amounts arising subsequent to the Restructuring on 13 July 2015. The total EBITDA Bonus of the CEO of TORM A/S for 2015, including amounts arising in the period 1 January to 13 July 2015, was DKK 2,755,508. This bonus is not applicable for 2016.

5) Transaction success bonus 2015 paid in 2016 - The Transaction Success Bonus was related to the Corporate Restructuring and is not applicable for 2016.

LTIP element of Jacob Meldgaard's remuneration package 2016	RSU LTIP grant	Exercise price per Share	RSU grant value assuming 100% vesting	Comment
Jacob Meldgaard	1,276,725	DKK 96.3	USD 3.4m	Exercise price originally 96.3. Subsequently adjusted to 93.6 due to dividend payment in September 2016

Base salary

The CEO's base salary was reviewed on 10 November 2015 to determine the appropriate salary for the coming year. The base salary for 2016 was set as follows: base salary as of 1 January 2015: DKK 5,100,000. Base salary as of 1 January 2016: DKK 5,610,000.

The base salary will be discussed and agreed with the Chairman of the Board of Directors once a year in May. The first discussion shall take place in May 2017, and unless otherwise agreed any adjustment of the salary will take effect on 1 January 2017.

Company car

The Company can place a car costing no more than DKK 1m at the CEO's disposal and pay the running and maintenance expenses associated with the car (DKK 23,000 per month).

Allowances and benefits

Other benefits provided directly include two newspapers (DKK 5,500 per annum), mobile phone which may be used for both business and private purposes, a PC at the CEO's disposal at his home address which may be used for both business and private purposes including ADSL and call charges (DKK 2,700 per annum).

For 2017, changes in allowances and benefits are not expected.

Performance bonus 2016

The Board of Directors has provided the CEO with a cash bonus opportunity for the financial year 2016 in the following ranges and based upon the following parameters:

- The fulfillment of specific performance metrics related to TCE earnings, LTAF, employee retention and cost-efficiency (up to 50% of the CEO's base salary)
- The weighted average Price to Net Asset Value ratio of the Company's shares, based on the closing share price on each trading day during the financial year 2016 (up to 50% of the CEO's base salary)
- Up to 20% of the CEO's base salary, based on the discretion of the Board of Directors on the basis of, among others, progress on strategic projects, stakeholder orientation.

In aggregate, the maximum achievable cash bonus for the financial year 2016 for the CEO is equal to 120% of the CEO's base salary in the financial year 2016. The specific metrics and calculation methodology for each of the above parameters have been determined by the Board of Directors. At the time of writing, this figure had yet to be

set by the Remuneration Committee or agreed with the Chairman of Remuneration Committee. This will be discussed at the next Remuneration Committee meeting in 2017.

Performance bonus 2017

The Board of Directors has provided the CEO with a performance bonus opportunity for the financial year 2017 in the following ranges and based upon the following parameters:

- The fulfillment of specific performance metrics related to TCE earnings, LTAF, employee retention and cost-efficiency (up to 50% of the CEO's base salary)
- TORM P/NAV vs. peers, based on weighted average Price to Net Asset Value ratio 2017 (up to 50% of the CEO's base salary)
- Up to 20% of the CEO's base salary, based on the discretion of the Company's Board of Directors on the basis of, among others, progress on strategic projects, stakeholder orientation.

In aggregate, the maximum achievable cash bonus for the financial year 2017 for the CEO is equal to 120% of the CEO's base salary in the financial year 2017. The specific metrics and calculation methodology have been determined by the Board of Directors.

EBITDA cash bonus program 2015

Subject to TORM reaching a full-year 2015 EBITDA above USD 77m, the CEO received a cash EBITDA bonus equivalent to 12 months' base salary pro-rated for the period of 1 January to 13 July 2015 (the date of restructuring) of DKK 2,755,508 or USD 389,815.

Long-Term Incentive Plan – RSUs granted in 2016

TORM has in accordance with its Remuneration Policy granted the CEO a number of Restricted Share Units ("RSU") which was communicated in company announcement no. 2 dated 18 January 2016. There are no performance conditions associated with this grant of RSUs.

The RSUs granted to the CEO will vest over a five-year period, with one fifth of the grant amount vesting at each anniversary during the five-year period. The total value of the RSU allocation is calculated based on the Black-Scholes model and is included in the overall cost estimate for the Company's Long-Term Incentive Program (cf. company announcements dated 18 January and 8 March 2016).

The total number of securities granted was 1,276,725 (assuming 100% vesting).

The value of the grant, USD 3.4m, is based on the Black-Scholes model with an exercise price of DKK/share 96.3, a market value of one TORM A share of DKK 84.05 (the closing price on 15 January 2016 and assuming 100% vesting). Subsequently, the exercise price was adjusted to DKK/share 93.6 due to the dividend payment in September 2016.

End of service gratuity

The Company may terminate the CEO's Service Agreement with 12 months' notice to expire on the last day of a month. The CEO may terminate the Service Agreement with six months' written notice to expire on the last day of a month.

Post service salary

If the CEO dies during the employment, the Company shall pay to the widow or any of his children below the age of 18 the fixed salary including non-salary benefits for the current month and post-service salary for three months equal to the fixed salary. Notwithstanding the foregoing, such post-service salary will only be paid until the date of which the employment would have terminated as a result of termination of the Service Agreement.

Remuneration table non-Executive Directors (showing single total figure of pay for the year)

USD '000	2016	2015[4]
Board of Directors		
Cheam Directors Limited [1]	-	3
Christopher H. Boehringer	237	88
Kari Millum Gardarnar [2, 3]	-	31
Rasmus Johannes Hoffmann [2, 3]	-	29
Flemming Ipsen [2]	-	38
Olivier Dubois [2]	-	17
Alexander Green [2]	-	19
Jon Syvertsen [2]	-	19
David Weinstein	131	48
Torben Janholt	131	48
Göran Trapp	158	58
Jeffery Stein [2, 3]	-	7
	658	**405**

1) Former member of the Board of Directors of Njord. Left the Board of Directors due to the reverse acquisition on 13 July 2015.
2) Former member of the Board of Directors of Former TORM A/S. Resigned on 25 August 2015.
3) Took up position as Board Observer of TORM plc.
4) The 2015 figures represent amounts earned subsequent to the Restructuring on 13 July 2015.

Annual bonuses and LTIPs

The Company's Remuneration Policy stipulates that the non-Executive Directors' remuneration cannot include participation in share or warrant programs. The non-Executive Directors of TORM plc do not receive any part of their compensation from the Company in shares or warrants. The remuneration for the non-Executive Directors is determined by the Board of Directors subject to limits in the Company's Articles of Association. During 2016, none of the non-Executive Directors received any part of their compensation in shares or warrants.

Total pension entitlements

The Directors of TORM plc do not receive any pension from the Company. In addition, Denmark-based Executive Director, Jacob Meldgaard, in his role as CEO of TORM A/S, does not receive any pension.

Payments for loss of office

No payments for loss of office have been made in 2016.

2016 REMUNERATION TABLE NON-EXECUTIVE DIRECTORS

USD '000	Possible to earn [1]		Total earned		Paid by TORM A/S [3]		Paid by TORM plc [2]	
Director	Board	Committee	Board	Committee	Board	Committee	Board	Committee
Christopher H. Boehringer [1]	158	105	158	79	47	24	111	55
David Weinstein [1]	105	53	105	26	32	8	74	18
Göran Trapp	53	105	53	105	16	32	37	74
Torben Janholt [1]	53	105	53	79	16	24	37	55

1) Mr. Boehringer, Mr. Weinstein and Mr. Janholt are members of the Nomination Committee. There were no Nomination Committee meetings held in 2016, explaining the variance between possibility to earn figures and earned figure.

2) From 20 April 2016, TORM plc remunerated members of the Board of Directors.

3) Board fees earned prior to 20 April 2016 relate directly to TORM A/S directorships.

Taxable benefits

As members of the Board of TORM plc, the Directors do not receive any additional benefits.

STATEMENT OF DIRECTORS' SHAREHOLDING AND SHARE INTEREST

The table below shows the total number of Directors' interests in shares.

Director	31 December 2016	31 December 2015
Christopher H. Boehringer	7,566	0
David Weinstein	0	0
Göran Trapp	12,820	0
Torben Janholt	26	0
Jacob Meldgaard	66	0

No changes took place in the interests of the Directors between 31 December 2016 and 9 March 2017.

The table below shows, in relation to each Director, the total number of share interests with and without performance conditions, the total number of Restricted Share Units with and without performance measures, those vested but unexercised and those exercised. It should be noted that Denmark-based Executive Director, Jacob Meldgaard, in his role as CEO of TORM A/S, received Restricted Share Units which are listed in the below table.

	Shares held	Unvested RSUs	RSU grant value assuming 100% vesting
Director	Without performance measures	Without performance measures	Without performance measures
Christopher H. Boehringer	7,566	0	0
David Weinstein	0	0	0
Göran Trapp	12,820	0	0
Torben Janholt	26	0	0
Jacob Meldgaard	66	1,276,725	USD 3.4m

Under article 3 of the Remuneration Policy, non-Executive Directors are not offered participation in any incentive schemes. However, the Executive Director participates in an incentive scheme of TORM plc's subsidiary, TORM A/S, in his role as CEO of that company.

-The information provided in this part of the Annual Report on Remuneration is not subject to audit.

PERFORMANCE GRAPH AND CEO REMUNERATION TABLE (USD '000)

Jacob Meldgaard		Salary and Directors fees	All Taxable benefits	Annual Bonus	Total for 2016
2016	TORM A/S	873	42	- [1]	915
Maximum bonus Opportunity attainable				The maximum attainable is 120% of base salary.	

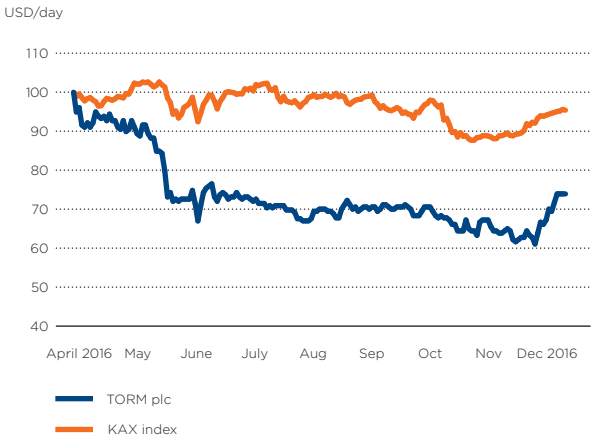
1) At the time of writing this figure had yet to be set by the Remuneration committee or agreed by the Chairman. This will be discussed at the next remuneration committee meeting in 2017.

2016	RSU LTIP grant	Exercise price per Share	RSU assuming 100% vesting	Comment
Jacob Meldgaard	1,276,725	DKK 96.3	USD 3.4m	
			LTIP award is fixed by the Chairman and was communicated via Company announcement no. 2 of 18 January 2016, therefore there is no minimum or maximum for 2016.	Exercise price originally 96.3. Subsequently adjusted to 93.6 due to dividend payment in September2016

The following graph shows the Company's performance, measured by total shareholder return, compared with the performance of the Danish stock index KAX. The KAX index is a market cap weighted index of all stocks listed on Nasdaq Copenhagen.

TORM PLC VERSUS THE KAX INDEX

Source: Bloomberg



CHANGE IN CHIEF EXECUTIVE'S REMUNERATION COMPARED TO GROUP EMPLOYEES WORLDWIDE

2015 – 2016 %		Salary[1]	Benefits[2]	Bonus[3]
Chief Executive	% Change[4]	10.0%	1.4%	
Employees entire group	Average % change	2.5%	0.0%	-1.0%

1) The 2015 comparative figures used to determine the % change take into consideration the CEO's salary and benefits for the full 12 months of 2015, both prior to and subsequent to the Restructuring in July 2015.

2) Other benefits provided directly in 2016 includes, two newspapers (DKK 5,500 per annum).

3) At the time of writing this figure had yet to be set by the Remuneration committee or agreed by the Chairman. This will be discussed at the next remuneration committee meeting in 2017.

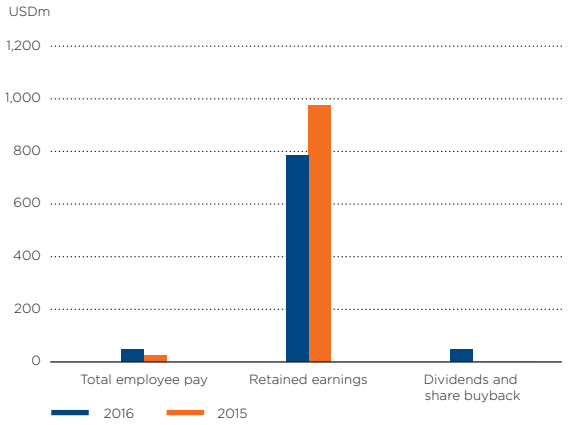
4) Measured in local currency (DKK).

Relative importance of spend on pay

The graph below shows the actual expenditure of the Group for employee pay and distributions to shareholders compared to the retained earnings of the Group.

The actual amounts are shown in the table on the right.

ACTUAL EXPENDITURE OF THE GROUP



For comparison, the 2015 figures have been included. These are effected by the restructuring at 13/7/2015. Please refer to description on page 7.

Dividends paid	USD 25.0m
Purchase outstanding shares in TORM A/S	USD 19.2m
Purchase/disposals of treasury shares	USD 2.8m
Total 2016	**USD 47.1m**

	2016	2015
Staff costs	USD 46.7m	USD 23.9m

	2016	2015
Retained Earnings	USD 783m	USD 974m

IMPLEMENTATION OF NON-EXECUTIVE DIRECTOR REMUNERATION FOR 2017

The remuneration of the non-Executive Directors for 2017 is subject to approval by ordinary resolution at the Annual General Meeting of the Company to be held on 04 April 2017.

REMUNERATION POLICY

1. Introduction

The following pages set out the Remuneration Policy for Directors of TORM plc which, if approved by the shareholders at the General Meeting on 4 April 2017, will take effect from the date of that meeting. Notwithstanding the foregoing, as at the date of this Annual Report, TORM plc is in compliance with the requirements of this Directors' Remuneration Policy.

The Board of Directors (the "Board of Directors") of TORM plc ("TORM" or the "Company") has adopted this remuneration policy (the "Remuneration Policy"), including overall guidelines on incentive pay, in line with the previous Remuneration Policy adopted by TORM A/S prior to the Exchange Offer for TORM A/S by the Company, which was completed on 15 April 2016.

This Remuneration Policy provides the framework for remuneration paid to non-Executive members of the Board of Directors and certain specified members of the Company's Executive Management (the "Executive Management"; the Board of Directors and the Executive Management jointly referred to as the "Management").

In accordance with the requirements of the UK Companies Act 2006 and as part of its Annual Report for the year ended 31 December 2016, the Company will be required to prepare a Remuneration Report for that financial year (the "Remuneration Report").

As part of the Remuneration Report, the Company is required to have a remuneration policy for the Company which complies with the contents requirements of the UK Companies Act. The Remuneration Policy will be proposed for approval at the Annual General Meeting of the Company to be held in 2017 and will continue to be subject to a binding shareholder vote at least once every three years thereafter.

2. Background and general objectives

The growth and future success of the Company depend on the efforts of the members of Management. Therefore, it is the overall objective of this Remuneration Policy to attract, motivate and retain qualified Management members.

Remuneration of members of Management, including the size and composition of the Board of Directors, shall be determined with a view to promote value-creation within the Company, to implement its short-term as well as long-term strategic goals and to create common interests between members of Management and TORM shareholders.

2.1 Consideration of employment conditions elsewhere in the Company

The Company does not specifically consult with employees in relation to this policy, and no direct comparison metrics are applied between employees and the remuneration levels for Executive Director(s). However, this Remuneration Policy seeks to ensure that the combined remuneration to members of Management for work performed in and for the Company is market comparable not only in comparison to other industry groups, but also in comparison with peer companies within the global shipping industry. When considering salary increases for the Executive Director(s), the Company will seek to ensure comparison against other companies within the same market capitalization range.

2.2 Statement of consideration of shareholder views

The Chairman of the Annual General Meeting of the Company will inform the shareholders of any proposal by the Board of Directors in relation to level of Management remuneration. The Committee is strongly committed to an open and transparent dialogue with shareholders on remuneration matters, and the Chairman will invite comments from the shareholders before any level is agreed upon.

3. Remuneration of the Board of Directors

Members of the Board of Directors receive a fixed annual fee in line with the amounts set out in Table 1 below. The level of the fixed annual fee is proposed by the Board of Directors at the Annual General Meeting, after comparison against other companies within the same market capitalization range.

Members of the Board of Directors are not offered any participation in any incentive schemes. However, the Executive Director participates in an incentive scheme of TORM plc's subsidiary, TORM A/S, in his role as CEO of that company. The Chairman and the Deputy Chairman of the Board of Directors as well as the Chairman and members of the committees established by the Board of Directors may receive additional fees in line with the amounts set out in Table 1 below.

If a member of the Board of Directors is instructed to take on a specific ad hoc task that falls outside the scope of that member's ordinary duties, such member may be offered an additional fee for the work carried out related to such task subject to the approval by the Board of Directors.

The Company will be required, under the UK Companies Act 2006, to prepare a Remuneration Report for each financial year, which will be provided to the shareholders as part of the Company's Annual Report, and which will set out details of all payments made to the Board of Directors in the preceding financial year.

The Remuneration Policy will be subject to a binding shareholder vote at least once every three years.

TORM may reimburse relevant reasonable expenses, such as travel and accommodation, in connection with attendance at meetings of the Board of Directors (or duly appointed committees of the Board of Directors).

The remuneration principles applicable to members of the Board of Directors also apply to any Board Observer appointed in accordance with articles 74 or 76 of the Company's Articles of Association.

Any fees payable to the members of the Board of Directors and any Board Observer may be paid in cash or as a share-based payment.

TABLE 1 – BOARD FEES

Board members and Observers	Directors' fee per annum
Chairman	EUR 150,000
Deputy Chairman	EUR 100,000
Minority Board Observer	EUR 70,000
Executive Director	EUR 70,000
Director	EUR 50,000
Board Observer	EUR 50,000

Additional duties	Additional fees per annum
Chairman of the Audit Committee	EUR 50,000
Other Audit Committee members	EUR 25,000
Chairman of the Risk Committee	EUR 50,000
Other Risk Committee members	EUR 25,000
Chairman of the Nomination Committee*)	EUR 25,000
Other Nomination Committee members*)	EUR 25,000
Chairman of the Remuneration Committee	EUR 25,000
Other Remuneration Committee members	EUR 25,000

*) Only payable in a year where actual meetings are held.

3.1 Approach to recruitment remuneration of Executive Director

When considering the appropriate remuneration for a new Executive Director, the Remuneration Committee will consider the level of the fixed annual fee proposed by the Board of Directors and agreed at the Annual General Meeting as detailed in Table 2 below. The aim is to provide a remuneration package which is sufficient to attract, retain and motivate key talent, while at all times ensuring we pay no more than is necessary with due regard to the best interests of the Company and our shareholders. The Remuneration Committee will provide full details of the recruitment package for any new Executive Director in the next Annual Report on remuneration and will provide shareholders with the rationale for any decisions taken.

TABLE 2 – EXECUTIVE BOARD MEMBERS

Elements and purpose	Operation and performance measures
Director's fees – provide base level remuneration.	The level of the fixed annual fee is proposed by the Board of Directors at the Annual General Meeting, after comparison against other companies within the same market capitalization range. There are no performance measures associated with the Director's fees.
CEO base salary provides base level remuneration at a competitive market rate.	The salary will be discussed and agreed with the Chairman of the Board of Directors once a year in May. There are no performance measures associated with the base salary.
CEO taxable benefits - provide base level remuneration at a competitive market rate.	Company car: The Company can place a car costing no more than DKK 1m at the CEO's disposal and pay the running and maintenance expenses associated with the car (DKK 23,000 per month). There are no performance measures associated with this benefit. Allowances and benefits: Other benefits provided directly include two newspapers (DKK 5,500 per annum), mobile phone which may be used for both business and private purposes, a PC at the CEO's disposal at his home address which may be used for both business and private purposes including ADSL and call charges (DKK 2,700 per annum). There are no performance measures associated with this benefit.
CEO bonus – provides a variable level of remuneration based on short-term performance against the annual plan.	The Board of Directors will provide the CEO with a performance bonus for each financial year in the following range and based upon the following parameters: • The fulfillment of specific performance metrics related to TCE earnings, LTAF, employee retention and cost-efficiency (up to 50% of the CEO's base salary) • TORM P/NAV vs. peers, based on weighted average price to net asset value ratio (up to 50% of the CEO's base salary) • Up to 20% of the CEO's base salary, based on the discretion of the Board of Directors on the basis of, among others, progress on strategic projects, stakeholder orientation. In aggregate, the maximum achievable cash bonus for any financial year for the CEO is equal to 120% of the CEO's base salary in that financial year.
CEO LTIP – provides the largest potential remuneration to long-term performance. Each type of award is discussed in greater detail in the sub-paragraph 4.2 "Types of Incentives" including all relevant performance measures.	Incentives under the LTIP may be granted in any one or a combination of the following forms: • Share options • Restricted share units • Other share-based awards

3.2 Service contracts

In accordance with the Companies Act 2006, Chapter 5, Section 228 (1) b, the Company has chosen to issue a written memorandum setting out the terms of the non-Executive and Executive Directors' contracts. The memorandum is available for viewing at the Company's registered office upon demand. Under the Company's Articles of Association, each Director must retire at the end of the second Annual General Meeting after his appointment or last reappointment, unless he has been reappointed at that Annual General Meeting.

3.3 Payments for loss of office

Non-Executive Directors: The Company does not consider making payments for loss of office of non-Executive Directors.

Executive Directors: A termination notice cannot exceed 24 months. Termination by the Executive Director shall be subject to a minimum of six months' prior written notice. Any severance pay cannot exceed an amount corresponding to the remuneration paid for the preceding two years. The Remuneration Committee will maintain a discretionary approach to the treatment of leavers, on the basis that the facts and circumstances of each case are unique. In an exit situation, the Remuneration Committee will consider: The individual circumstances, any mitigating factors that might be relevant, the appropriate statutory and contractual position and the requirements of the business for speed of change.

The Company may terminate the CEO's Service Agreement with at least 12 months' notice to expire on the last day of a month. The CEO may terminate his Service Agreement with six months' written notice to expire on the last day of a month.

4. Remuneration of the Executive Director

4.1 Composition

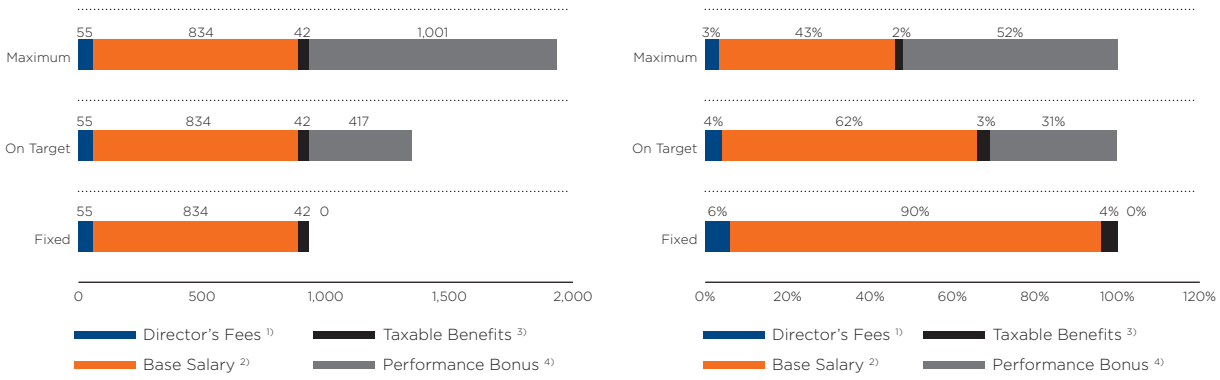
TABLE 3 - EXECUTIVE DIRECTOR REMUNERATION

Executive Board members	Operation and performance measures
Director's fees	The level of the fixed annual fee of EUR 70,000 is proposed by the Board of Directors at the Annual General Meeting, after comparison against other companies within the same market capitalization range. The figure of EUR 35,000 paid in compensation in 2016 relates to the period from 20 April 2016 to 31 December 2016.
CEO base salary – provides base level remuneration at a competitive market rate.	The base salary will be discussed and agreed with the Chairman of the Board of Directors once a year in May.
CEO taxable benefits – provide base level remuneration at a competitive market rate.	Company car: The Company can place a car costing no more than DKK 1m at the CEO's disposal and pay the running and maintenance expenses associated with the car (DKK 23,000 per month). The CEO has chosen to receive the benefit of DKK 23,000 per month as salary instead. Allowances and benefits: Other benefits provided directly include two newspapers (DKK 5,500 per annum), mobile phone which may be used for both business and private purposes, a PC at the CEO's disposal at his home address which may be used for both business and private purposes including ADSL and call charges (DKK 2,700 per annum).
CEO bonus – provides a variable level of remuneration based on short-term performance.	EBITDA cash bonus program, 2015. Subject to TORM plc reaching a full-year 2015 EBITDA above USD 77m, the CEO received a cash EBITDA bonus equivalent to 12 months' base salary pro-rated to the period of 1 January to 13 July 2015 (the date of restructuring) of DKK 2,755,508. Transaction success bonus: DKK 2,500,000. Payment of bonus related to securing a long-term solution to the capital structure of the TORM Group. Annual bonus 2015 paid in 2016: A performance bonus of 20% of the basic maximum yearly salary for the objective-based contributions in 2015. Further, in relation to achievements relating to the TORM Leadership Philosophy, an additional 20% was awarded. Total award: DKK 2,072,300. The performance bonus for 2016 has not yet been set by the Remuneration Committee. This will be discussed at the next Remuneration Committee meeting in 2017.
CEO LTIP – provides the largest potential remuneration to long-term performance. Each type of award is discussed in greater detail in the sub-paragraph "Types of Incentives" below.	The Restricted Share Units (RSUs) granted to the CEO will vest over a five-year period, with one fifth of the grant amount vesting at each anniversary during the five-year period. The theoretical market value of the RSU allocation is calculated based on the Black-Scholes model and is included in the overall cost estimate for the Company's Long-Term Incentive Program (cf. company announcements of 18 January and 8 March 2016). The number of securities is 1,276,725 (assuming 100% vesting). The market value of the grant was DKK 3.4m (based on the Black-Scholes model with an exercise price of DKK/share 96.3 and assuming 100% vesting). Subsequently, the exercise price was adjusted to DKK/share 93.6 due to the dividend payment made in September 2016.

TABLE 4 - EXECUTIVE DIRECTOR REMUNERATION

ILLUSTRATION OF APPLICATION OF THE EXECUTIVE DIRECTOR REMUNERATION POLICY

USD '000s



1) Director's Fee - the figure of EUR 50,000.
2) Base salary – is a fixed figure. Therefore, there is no minimum or maximum.
3) Taxable benefits – is a fixed figure. Therefore, there is no minimum or maximum.
4) Performance bonus
   a. Minimum attainable value was zero.
   b. On target - The fulfillment of specific performance metrics by the Company (up to 50% of the CEO's base salary). For this example, no other parts of the performance bonus calculation have been taken into account.
   c. The maximum attainable was 120% of base salary.

The Executive Director receives a fixed annual base salary based on assessment of the overall objectives of this Remuneration Policy, market practice, scope and nature of the work performed, qualifications required and performance.

When the Executive Director is also the CEO of the Company's subsidiary TORM A/S, his/her remuneration will include compensation from TORM A/S, subject to the framework of this Remuneration Policy.

The Executive Director's terms of employment with the TORM Group including salary, pension and resignation are determined by the Board of Directors. A termination notice cannot exceed 24 months. Resignation by the Executive Director shall be subject to a minimum of six months' prior written notice. Any severance pay cannot exceed an amount corresponding to the remuneration paid for the preceding two years.

In addition, the Executive Director may be offered to participate in Management Incentive Plan(s) (a "Plan" or "Plans") or be offered extraordinary bonuses as well as ordinary benefits, inter alia company car, telephone, Internet access and newspapers.

4.2 TORM's Management Incentive Plans

The Plans are established by the Board of Directors who will determine the terms and conditions of each Plan subject to the framework of this Remuneration Policy. When determining the composition of a Plan, including the elements of incentive pay as well as the ratio between fixed salary and incentive pay under the Plan, due consideration must be given to the overall objectives of this Remuneration Policy to avoid undesirable incentives. The Plan should combine an effective means of attracting and retaining qualified candidates with a long-term focus on maximizing shareholder value.

Purpose of the Plans

A Plan may comprise a Short-Term Incentive Plan ("STIP") and/or a Long-Term Incentive Plan ("LTIP"), both as described below.

TORM believes that providing the members of Executive Management with a proprietary interest in the growth and performance of TORM stimulates individual performance and enhances shareholder value. TORM also believes that a significant portion of a named executive's compensation should be directly linked to TORM's performance.

This Remuneration Policy has several provisions designed to protect shareholder interests and promote effective corporate governance in respect of the Plans, including the following:

- Limitations on grants to Executive Management and individual participants in a given calendar year
- Awards under the Plans are administered by the Remuneration Committee, an independent committee of the Board of Directors

Estimated present value. The estimated present value of the Plans will be disclosed in TORM's Annual Report.

Terms of the Plans

Administration. The Board of Directors will, based on recommendations from the Remuneration Committee, generally administer a Plan and has the authority to grant incentives under any Plan and to set the terms of the awards, amend any outstanding incentives or accelerate the time at which any outstanding incentives may vest, correct any defect in the Plans or any incentive as it deems necessary and establish rules or regulations relating to administration of the Plans. See further paragraph 4.4 below, "*Adjustments*". All provisions of the Plans and any actions taken thereunder will be subject to applicable law.

Principal conditions for granting incentive pay. The attainment of performance targets based on TORM's strategic and operational initiatives, including inter alia total shareholder return and cash flow metrics, may be used to determine allocations under the Plans, in addition to discretionary allocations.

Eligibility. Members of Executive Management will be eligible to receive incentives under a Plan when designated as participants.

Requirements. The Board of Directors has discretion to determine the times at which such incentives are to be made, the size of such incentives, the form of payment and all other conditions of such incentives, including any restrictions, deferral periods or performance requirements.

Amendments or discontinuation. The General Meeting must approve any amendments to, or discontinuation of, this Remuneration Policy, which provides the framework for the Plans. No amendment to, or discontinuation of, this Remuneration Policy may materially impair any previously granted award under the Plans without the consent of the recipient.

Term. No incentives may be granted under a Plan more than ten years after the date on which this Remuneration Policy was initially approved by the General Meeting.

Incentive agreements. Grants of incentives will be subject to the terms and conditions of the Plans and may also be subject to individual restrictions imposed by the Board of Directors and detailed in an incentive agreement between TORM and the relevant participant.

STIP. The STIP primarily supports fulfillment of short-term objectives and goals. The Board of Directors may, based on recommendations from the Remuneration Committee, decide to declare annual cash bonuses to members of Executive Management in order to meet the overall objectives of this Remuneration Policy. Such bonuses may be subject to the attainment of certain performance or other targets.

LTIP. Incentives under the LTIP may be granted in any one or a combination of the following forms:

- Share options
- Restricted share units
- Other share-based awards

Each type of award is discussed in greater detail in the sub-paragraph "*Types of incentives*" below.

The LTIP primarily supports fulfillment of long-term objectives and goals.

Maximum threshold. The maximum threshold for the share-based LTIP grants applicable to Executive Management as a group is expected to be approximately 7% of the Company's share capital from time to time.

Minimum vesting requirements. Incentives granted under the LTIP are generally subject to minimum vesting requirements of three years and must generally have a vesting period of five years for members of Executive Management (with incremental vesting permitted over the vesting period).

Types of incentives. Each type of award that may be granted under the LTIP is described below.

- Share Options. A share option is a right to subscribe for A shares in TORM. The Board of Directors will determine the number and exercise price of the options and when the options become exercisable. The term of an option may not exceed ten years. The Board of Directors may not decrease the exercise price for any outstanding options after the date of grant other than as provided for in the Plans or in accordance with the adjustment principles set out in the "Adjustments" paragraph. In addition, an outstanding option may not, as of any date that the option has a per share exercise price that is greater than the then current fair market value of a share, be surrendered to TORM as consideration for the grant of a new option with a lower exercise price, another award, a cash payment or A shares, unless provided for in the Plans or in accordance with the adjustment principles set out in the "Adjustments" paragraph.

  The option exercise price may be paid in cash, by check, in A shares, through a "cashless" exercise arrangement, through a net exercise procedure (if approved by the Board of Directors) or in any other manner authorized by the Board of Directors.

  TORM intends to make A shares available upon exercise of any share options by way of a fresh issuance of A shares out of capital and currently has allotment authorities in place in order to allow any such share issuances to be made by the Company.

- *Restricted share units*. A restricted share unit, or RSU, represents the right to receive from TORM one share on a respective vesting or settlement date. Subject to the restrictions provided in the applicable incentive agreement and the LTIP, a participant receiving RSUs has no rights as a shareholder as to such units, until the RSUs vest and A shares are issued to the participant. RSUs may be granted with dividend equivalent rights; however, unless determined by the Board of Directors to be paid currently, TORM shall establish a bookkeeping account for the participant and reflect in that account any securities, cash or other property comprising any dividend or property distribution with respect to each share underlying each RSU.

- *Other share-based awards*. The LTIP also permits the Board of Directors to grant to eligible participants awards of A shares and other awards that are denominated or payable in, valued in whole or in part by reference to, or are otherwise based on or related to, A shares, or the appreciation in value of, A shares.

Termination of employment or service. Each incentive agreement may, subject to applicable law, include provisions requiring the forfeiture of outstanding incentives in the event of the participant's termination of employment, if such participant is considered a bad leaver (as defined by the Board of Directors in the individual agreement) or, in the case of performance-based grants, if applicable goals or targets are not met.

Claw back provisions. RSUs issued under the LTIP are subject to claw back in the event of material misstatement of the Company's financial results, gross misconduct, or material error in the calculation of performance conditions.

Change of control. If determined by the Board of Directors and if so provided in the incentive agreement, a change of control of TORM (as defined by the Board of Directors in the individual agreement) may require that:

- All outstanding incentives will become fully vested and exercisable
- All restrictions or limitations on any outstanding incentives will lapse
- All performance criteria and other conditions relating to the payment of incentives will be deemed to have been achieved or waived by TORM
- All outstanding options are required to be exercised by a certain date
- The surrender to TORM of some or all outstanding options in exchange for a share or cash payment for each option equal in value to the per share change of control value, calculated as described in the LTIP, over the exercise price
- Any equitable adjustment be made to outstanding incentives as deemed necessary to reflect TORM's corporate changes
- An option will become an option relating to the number of A shares or other securities or property (including cash) to which the participant would have been entitled in connection with the change of control transaction if the participant had been a shareholder

See further paragraph below, "*Adjustments*".

Transferability of incentives. The Board of Directors may determine that the incentives granted under the LTIP may not be transferred except a) by will, b) by the laws of descent and distribution, c) pursuant to any court order in connection with separation of domestic property or d) as to options only, if permitted by the Board of Directors and so provided in the applicable incentive agreement, to immediate family members or to a partnership, limited liability company or trust for which the sole owners, members or beneficiaries are the participant or immediate family members.

Awards to be granted

Grants of incentives to members of Executive Management will be made by the Board of Directors as deemed necessary or appropriate considering the overall objectives of this Remuneration Policy.

4.3 Extraordinary bonus

The Board of Directors may in individual cases grant a one-off bonus or other extraordinary incentive-based pay, e.g. retention bonus, severance payment, sign-on bonus or other schemes in connection with the appointment, provided that it is deemed necessary by the Board of Directors in order to meet the overall objectives of this Remuneration Policy. A grant of extraordinary bonus may consist of cash and/or be share-based and may be subject to the attainment of certain performance targets.

4.4 Adjustments

For the various types of incentive-based pay, the Board of Directors may lay down specific terms governing the lapse of the scheme or repayment of the incentive-based pay.

In exceptional cases or in extraordinary circumstances, TORM may reclaim in full or in part incentive pay paid to members of Executive Management (claw back), e.g. in the event of manifest errors in the accounting figures or other basis for award or vesting. There is no specific provision on claw back in the CEO service agreement. Under Danish law, the principle of "condictio indebiti" may apply to payments made in error. Also, under the Danish Companies Act, a CEO may be held liable for damages to his employer, in cases of negligence or willful misconduct.

Furthermore, the Board of Directors may lay down provisions on accelerated vesting or exercise and adjustment of the incentive-based pay, exercise price, performance targets, etc. in the event of changes to the capital structure or other material events, which would otherwise adversely influence the value or effect of the incentive-based pay in contravention with the general objectives of this Remuneration Policy.

In respect of the share limitations provided in the LTIP, including the number of A shares subject to the LTIP, proportionate adjustments may be made by the Board of Directors in the event of any recapitalization, reclassification, share dividend, share split, combination of A shares or other similar change in the A shares. In addition, the exercise price of any outstanding options and any performance goals will be adjusted downwards for dividends and will also be subject to other adjustments if necessary to provide participants with the same relative rights before and after the occurrence of any such event.

Adoption and publication

The Board of Directors shall review this Remuneration Policy at least once a year. Any changes to this Remuneration Policy shall be adopted by the Board of Directors and approved by the shareholders at a General Meeting[1].

TORM's Remuneration Report will be included in the Company's annual reports for all financial years commencing with the financial year ended 31 December 2016 and will contain information on remuneration paid to the Board of Directors and Executive Management.

This Remuneration Policy is available on TORM's website, **www.torm-plc.com**.

This Remuneration Policy has been adopted by the Board of Directors.

This Remuneration Policy has been prepared in both a Danish and an English version. In the event of a conflict between them or in case of difficulty of interpretation, the English version shall prevail.

Statement of voting at General Meeting

As the Company did not become a "quoted company" for the purposes of the UK Companies Act until after completion of the Exchange Offer and its subsequent listing on Nasdaq Copenhagen in April 2016, it was not subject to the relevant provisions of the UK Companies Act relating to the preparation of a Remuneration Report and the approval of its Remuneration Policy for the financial year ended 31 December 2015.

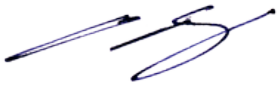
The revised Remuneration Policy will be proposed for approval at the Annual General Meeting of the Company to be held in 2017 and will continue to be subject to a binding shareholder vote at least once every three years thereafter.

Terms of Reference for the Remuneration Committee of the Company

The Terms of Reference of the Remuneration Committee can be found on the TORM website at the following link: **http://www.torm.com/uploads/media_items/terms-of-reference-remuneration-committee.original.pdf**.

Approval of TORM plc Remuneration Report for 2016

This report was approved by the Board of Directors on 9 March 2017 and signed on its behalf by:



Christopher H. Boehringer

Chairman of the Remuneration Committee
9 March 2017

1) Once the Revised Remuneration Policy has been adopted by the Company at its 2017 Annual General Meeting, any amendments to, or exceptions from, the terms of that policy will require approval by the shareholders at a General Meeting.

INVESTOR INFORMATION

Introduction of a Distribution Policy

Corporate Reorganization completed in 2016

COMMUNICATION TO THE INVESTORS

To ensure consistent communication to all investors, quarterly and annual financial statements and other stock exchange announcements are the main vehicles of communication. TORM maintains regular capital market contact through analyst and industry presentations, investor meetings and conference calls. Investor meetings are primarily held in Copenhagen and in the major European and US financial centers. In addition to the Executive Director and the remaining management team, TORM's Senior Independent Director, Mr. David Weinstein, has attended a number of meetings with investors in the US.

In 2016, TORM issued a total of 34 announcements to the stock exchange, 12 announcements as TORM A/S and 22 announcements as TORM plc. These announcements are available in both Danish and English versions on **www.torm.com/investors**. Interested stakeholders can sign up for TORM's investor relations mailing list there.

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

CHANGES TO THE SHARE CAPITAL

TORM A/S' share capital as of 31 December 2015 consisted of 63,836,249 A shares of DKK 15.00 each, 1,054 A shares of DKK 0.01 each, one B share and one C share, both of DKK 0.01.

On 13 January 2016, TORM A/S completed a share redemption process by cancelling 9,810 A shares of DKK 15.00 each and the 1,054 A shares of DKK 0.01 each held as treasury shares by the Company. The shares cancelled were acquired in connection with the reverse split of A shares on 23 September 2015. Following the share redemption, the Company's share capital consisted of 63,826,439 A shares of DKK 15.00 each, one B share and one C share of DKK 0.01 each.

In connection with the Corporate Reorganization (cf. page 26), 97.6% of TORM A/S' shareholders exchanged their shareholdings to TORM plc. This corresponded to 62,298,846 TORM A/S A shares of DKK 15.00 each being converted one-for-one to 62,298,846 TORM plc A shares of USD 0.01 each. The TORM A/S B share and C share of DKK 0.01 each were also converted into one TORM plc B share and one TORM plc C share of USD 0.01 each. The remaining 1,523,139 TORM A/S A shares were purchased by TORM plc. Upon completion of the Corporate Reorganization, TORM plc's share capital consisted of 62,298,846 A shares of USD 0.01 each, one B share of USD 0.01, one C share of USD 0.01 and 50,000 redeemable shares of GBP 1.00 each.

In September 2016, the Board of Directors approved to redeem the 50,000 redeemable shares of GBP 1.00 each. Following the redemption, TORM plc's share capital consisted of 62,298,846 A shares of USD 0.01 each, one B share of USD 0.01 and one C share of USD 0.01.

INTRODUCTION OF DISTRIBUTION POLICY

On 12 May 2016, TORM announced a new distribution policy in order to allow investors to benefit directly from the earnings generated in TORM, while at the same time enabling the Company to selectively invest in the fleet. During 2016, TORM has returned a total of USD 47m to its shareholders consisting of USD 25m through the dividend payment made in September and USD 22m in share repurchases, of which the USD 20m was related to the Corporate Reorganization.

Going forward, TORM intends to distribute 25-50% of net income on a semi-annual basis. The distribution policy will be reviewed periodically, carefully considering TORM's capital structure, strategic developments, future obligations, market trends and shareholder interests.

The Board of Directors proposes that no dividend be distributed for the second half of 2016.

TRADING

TORM had 63,837,303 A shares outstanding at the beginning of 2016. Following the share redemption on 13 January 2016 and the Corporate Reorganization, TORM had 62,298,846 A shares outstanding. The average daily trading volume on Nasdaq Copenhagen has been approximately 79t shares. During 2016, the share price declined from approximately DKK 98 to DKK 63.5. Throughout 2016, TORM has been part of the MidCap segment on Nasdaq Copenhagen.

SHAREHOLDERS

TORM's A shares are listed on Nasdaq Copenhagen under the ticker TRMD A. As of 31 December 2016, TORM had a share capital of USD 622,988.48 divided into 62,298,846 A shares with a nominal value of USD 0.01, one B share and one C share, both with a nominal value of USD 0.01. As of 31

December 2016, TORM had approximately 8,600 registered shareholders representing 98% of the share capital.
In compliance with section 29 of the Danish Securities Trading Act, the following shareholders have reported to TORM that they owned more than 5% and 50% of the share capital, respectively:

- OCM Njord Holdings S.à r.l. (Oaktree) (>50%)
- DW Partners, LP (>5%)

As of 31 December 2016, TORM's treasury shares comprised approximately 0.5% of the total share capital. The C share is held by Oaktree, and the B share is held by the Minority Trustee, SFM Trustees Limited, on behalf of TORM's non-Oaktree shareholders. The B and the C share have certain voting rights.

At the end of 2016, the members of the Board of Directors held a total of 20,478 shares, equivalent to a total market capitalization of DKK 1,300,353 or USD 184,447. The Board of Directors and certain employees are limited to trading shares during a four-week period after the publication of financial reports. TORM's Transfer Agent is Computershare Inc, Dept CH 19228, Palatine, IL 60055-9228, United States of America.

WARRANTS AND RESTRICTED SHARE UNITS

As of 31 December 2016, 4,787,692 warrants are outstanding with each warrant being convertible into one A share with a nominal value of USD 0.01 against payment of a subscription price in cash to TORM of DKK 96.3. The warrants can be exercised until 13 July 2020. The warrants are not publicly listed but can be transferred by submitting a warrant transfer notice to the Company. The warrant transfer notice is available on **http://www.torm.com/uploads/media_items/warrant-transfer-notice-2016.original.docx**.

In accordance with TORM's Remuneration Policy, the Board of Directors has as part of the long-term incentive program granted certain employees Restricted Share Units ("RSU") in the form of restricted stock options. The RSUs aim at incentivizing the employees to seek to improve the performance of TORM and thereby the TORM share price for the mutual benefit of themselves and the shareholders of TORM. A total of 2,994,009 RSUs have been granted in 2016 and 2017 and, subject to vesting, each RSU entitles the holder to acquire one TORM A share. The RSUs will vest over a three-year period from the grant date with an exercise price for each TORM A share of DKK 93.6.
Of the 2,994,009 RSUs granted, 1,276,725 were granted to the Executive Director. RSUs granted to the Executive Director vest over a five-year period with an exercise price for each TORM A share of DKK 93.6.

The theoretical market value of the RSU allocations in 2016 and 2017 was around the time of issuance calculated at USD 5.0m and USD 1.0m respectively, based on the Black-Scholes model.

NET ASSET VALUE (NAV)

TORM's net asset value (NAV) as of 31 December 2016 is estimated at USD 733m based on i) broker values of USD 1,446m, ii) outstanding debt of USD 685m, iii) outstanding newbuilding installments of USD 149m, iv) a cash position of USD 76m, v) other current assets of USD 105m and vi) current liabilities of USD 60m. Based on 61,985,975 outstanding A shares, excluding treasury shares, as of 31 December 2016, this corresponds to a NAV/share of USD 11.8 or DKK 83.3.

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

INVESTOR RELATIONS CONTACT

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FINANCIAL CALENDAR 2017

04 April 2017	Annual General Meeting
16 May 2017	First quarter 2017 results
16 August 2017	First half 2017 results
15 November 2017	Nine months 2017 results

ANALYST COVERAGE

As of 7 March 2017, the following analysts from Nordic investment banks cover TORM:

Carnegie Investment Bank
Marcus Bellander
Phone: +45 3288 0298
Email: marcus.bellander@carnegie.dk

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Finn Bjarke Petersen
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Email: finpe@danskebank.dk

Fearnley Securities
Peder Jarlsby
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Email: pnj@fearnleys.no

Espen L. Fjermestad
Phone: +47 2293 6484
Email: elf@fearnleys.no

Handelsbanken
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Nordea Markets
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Email: jorgen.bruaset@nordea.com

Jyske Bank
Frans Høyer
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Email: frans.hoyer@jyskebank.dk

SEB
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Phone: +45 3328 3307
Email: lars.heindorff@seb.dk

Ole G. Stenhagen
Phone: +47 2100 8527
Email: ole.g.stenhagen@seb.no

The list of analysts is updated on a regular basis and is available on **www.torm.com/investors**.

DIRECTORS' REPORT

The Directors are pleased to present the Annual Report on the affairs of the TORM Group, including the financial statements and auditor's report, for 2016. Details on the Directors' responsibilities are available in the Directors Responsibility Statement on page 75.

Other disclosure requirements, which form part of the Directors' Report, are included in other sections of this Annual Report. Details on information incorporated by reference are generally set out under the relevant topics in the Directors' Report. For TORM's going concern statement and viability statement, please see the Financial Review section on page 45, and for details on any significant events after 31 December 2016, please refer to note 2 on page 92. Details of financial risks are provided in note 20 of the financial statements.

DIVIDENDS

The Board of Directors proposes that no dividend be distributed for the second half of 2016. TORM has distributed a total of USD 47.1m to shareholders in 2016, covering USD 25m in dividends in September 2016 and USD 22.1m in share repurchases. For further details on distributions to shareholders in 2016, please see the Investor section page 70.

ANNUAL GENERAL MEETING

TORM's next Annual General Meeting will be held on 4 April 2017. The notice of the Annual General Meeting including the complete proposals will be available on TORM's website **www.torm.com** prior to the meeting.

DIRECTORS

Information on TORM's Board of Directors as of 9 March 2017 are available on page 50.

INDEMNIFICATION OF DIRECTORS AND INSURANCE

TORM has not granted any indemnity for the benefit of the Directors but has a general Directors' and Officers' Liability Insurance and a Public Offering of Securities Insurance covering the Prospectus and Exchange Offer documentation related to the Corporate Reorganization.

SHARE CAPITAL

TORM's share capital as of 9 March 2017 amounts to a total nominal value of USD 622,988.48 divided into 62,298,846 A shares of USD 0.01 each, one B share of USD 0.01 and one C share of USD 0.01. A total of 62,298,846 votes are attached to the A shares. Only the A shares are admitted to trading and official listing on Nasdaq Copenhagen.

Each A share has one vote on all resolutions proposed at general meetings of the Company except for the election or removal of the B Director. Until the Threshold Date (as defined below), the sole B share has one vote at the general meeting and special administrative rights, including the right to appoint the Deputy Chairman of the Board of Directors. After the Threshold Date, all directors can be appointed or removed by passing an ordinary resolution. The B shareholder also has the right to appoint one Board Observer. Pursuant to the Articles of Association no more than one B share can be issued by the Company.

The Company may only take certain material actions relating to supermajority matters and Reserved Matters (as specified in its Articles of Association) if either (i) the majority of the Directors (which must include the Chairman and the B Director) approve the relevant action or (ii) (a) in case of a supermajority action, if the B Director did not approve such action or attend the relevant Board meeting, such action is approved by a shareholder resolution approved by at least 86% of the votes capable of being cast on such supermajority action or (ii) (b) in the case of a Reserved Matter action, if the B Director did not approve such action or attend the relevant Board meeting, such action is approved by a shareholder resolution approved by at least 70% of the votes capable of being cast on such Reserved Matter action.

Until the Threshold Date (as defined below), the sole TORM C share has 350,000,000 votes at the general meeting in respect of certain Specified Matters only, including election of members to the Board of Directors of TORM (including the Chairman, but excluding the B Director) and certain amendments to the Articles of Association. The sole C shareholder, OCM Njord Holdings S.à r.l. ("Oaktree"), shall continue to hold the C share so long as it or its affiliates beneficially own at least one third of the issued shares ("Threshold Date"). Accordingly, Oaktree may continue to operate as the Company's controlling shareholder, even where it does not own a majority of the A shares. Pursuant to the Articles of Association, no more than one C share can be issued by the Company.

Further details and movements in the share capital during the year are shown in note 13 and described in the Investor information section on page 70.

A number of the A shares are issued subject to restrictions on transfer ("Restricted Shares") imposed by US securities laws, and these Restricted Shares may only be transferred pursuant to an effective registration statement filed with the United States Securities Exchange Commission or an exemption from the registration requirements of the United States Securities Act of 1933 as amended. There are no specific restrictions on the size of a holding of the A shares nor the transfer of the A shares (except for the Restricted Shares as detailed above), which are both governed by the general provisions of the Articles of Association and prevailing legislation.

The B share can only be transferred to (i) another trustee (it is currently held by SFM Trustee Limited on behalf of the minority shareholders), or (ii) the Company if the B share is redeemed or (iii) any person who has acquired 100% of the issued A shares. The B share cannot be encumbered. The C share is held by Oaktree and can only be transferred (i) to one of Oaktree's affiliates or (ii) to the Company if the

C share is redeemed or (iii) any person who has acquired 100% of the issued A shares. The C Share cannot be encumbered. For further details on the transferability, please see the Articles of Association on TORM website, www.torm.com.

The B share and the C share do not have any rights to receive dividends or other distributions which the Company decides to pay.

The Company must redeem the B share and the C share at the same time as soon as possible after the Threshold Date for USD 0.01 each. Once redeemed, the B and C share must be cancelled and no further B shares or C shares can be issued by the Company.

Pursuant to TORM's Articles of Association and authorities passed at TORM plc's Annual General Meeting on 15 March 2016 (2016 AGM), the Directors were granted authority to allot shares or rights relating to shares for cash free from pre-emption up to an aggregate nominal amount of USD 5,493,160 comprising:

- Up to an aggregate nominal amount of USD 686,142 in connection with the Exchange Offer (of which USD 622,988.48 nominal value was issued (62,298,846 A shares, one B share and one C share) during the period ended 31 December 2016. As the Exchange Offer has been completed, no further shares will be issued under this authority

- Up to an aggregate nominal amount of USD 1,372,283 and which can be offered in connection with any proposed initial public offering of equity securities on certain US stock exchanges (of which zero was issued during the period ended 31 December 2016, leaving a current authority to issue up to 137,228,300 A shares)

- Up to an aggregate nominal amount of USD 2,596,226 in general equity issues including warrants, convertible debt and general equity with the issue being at fair value as determined by the Board (of which zero nominal value was used during the period ended 31 December 2016, leaving a current authority to issue up to 2,596,226 A shares)

- Up to an aggregate nominal amount of USD 838,509 to directors, officers or employees of the Company or any of its subsidiaries (of which USD 19,998 nominal value was used for the grant of restricted share units during the period ended 31 December 2016). Since the balance sheet date of 31 December 2016, a nominal value of USD 8,666 was used for the grant of restricted share units to directors, officers or employees of the Company or any of its subsidiaries, leaving a current authority to issue up to 809,845 A shares

Furthermore, the Directors received authorization at the 2016 AGM to make market purchases up to a maximum of 6,861,413 A shares within a certain pricing range. TORM has repurchased 312,871 A shares during the period ended 31 December 2016, leaving a current authority to purchase up to 6,548,542 A shares or approximately 11% of TORM's share capital excluding treasury shares.

All the above share authorities expire on 14 March 2021. The Directors will not be seeking any new authorities at the 2017 AGM.

Details of TORM's employee share schemes and any rights attaching to the shares under the employee share schemes are set out in note 4. Details of the warrants issued by TORM giving the right to buy A shares are set out in the Investor information section on page 70.

The U.K. Takeover Code, issued and administered by the U.K. Takeover Panel, applies to the Company.

POLITICAL DONATIONS
No political donations were made during 2016.

FINANCIAL INSTRUMENTS
The Company uses financial instruments to manage risks related to freight rates, bunker fuels, interest rates and foreign exchange. Further information on the use of financial instruments please refer to Note 20 on pages 104-106.

RESEARCH AND DEVELOPMENT
The Company has a continuous focus on optimization, but does not allocate specific costs to research and development.

COMPANY BRANCHES
The TORM Group has offices globally, covering Denmark, India, the Philippines, Singapore, the UK and the US. Further details on the Company's global presence is set out on pages 20-21.

SIGNIFICANT SHAREHOLDINGS
Details on significant shareholdings are set out in the Investor information section on page 70.

CONTROLLING SHAREHOLDER
TORM's controlling shareholder, Oaktree, owns TORM plc's sole C share, which carries 350,000,000 votes at the general meeting in respect of Specified Matters, including election of members to the Board of Directors of TORM plc (including the Chairman, but excluding the Deputy Chairman) and certain amendments to the Articles of Association.

OTHER INFORMATION INCLUDED IN THE STRATEGIC REPORT
The Strategic Report set out on pages 4 to 45 provides a review of TORM's operations in 2016 and the potential future developments on those operations. Details on Greenhouse Gas Emissions are included in the Strategic Report on page 29, and details on TORM's general policy relating to recruitment, training, career development and disabled employees are included on page 31.

REQUIREMENTS TO THE LISTING RULES
TORM plc is listed on Nasdaq Copenhagen, and the only listing rule requirement regarding the content of the Annual Report is that TORM's Annual Report follows the requirements according to the UK Companies Act, including provisions for EEA listed coompanies.

INDEPENDENT AUDITORS

Each person who is a Director at the date of approval of the Annual Report confirms that:

- As far as the Director is aware, there is no relevant audit information of which the Company's independent auditor is unaware
- The Director has taken all reasonable steps that he/she ought to have taken as a Director in order to make him/herself aware of any relevant audit information and to establish that the Company's independent auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

On 15 March 2016 Deloitte LLP were reappointed as auditors for TORM plc. Deloitte LLP has expressed willingness to continue in office as auditors, and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting on 4 April 2017.

Approved on behalf of the Board of Directors,

Christopher H. Boehringer, Chairman of the Board of Directors
9 March 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare such financial statements for each financial year. Under that law, the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and Article 4 of the International Accounting Standards ("IAS") Regulation and have also chosen to prepare the parent company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgments and accounting estimates that are reasonable and prudent
- State whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

In preparing the Group financial statements, International Accounting Standard 1 - Presentation of Financial Statements - requires that Directors:

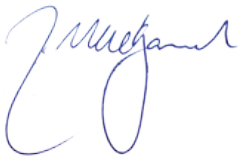
- Properly select and apply accounting policies
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- Provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance
- Make an assessment of the Company's and the Group's ability to continue as a going concern

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement
We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face
- The Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy

This responsibility statement was approved by the Board of Directors on 9 March 2017 and is signed on its behalf by:



Jacob Meldgaard
Executive Director
9 March 2017

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CONSOLIDATED INCOME STATEMENT
1 JANUARY-31 DECEMBER

USD '000	Note	**2016**	2015
Revenue		680,143	540,404
Port expenses, bunkers and commissions		-221,859	-169,646
Time charter equivalent earnings		**458,284**	**370,758**
Charter hire		-21,498	-12,023
Operating expenses	4	-195,249	-122,867
Gross profit (Net earnings from shipping activities)	3	**241,537**	**235,868**
Administrative expenses	4,5	-41,406	-19,486
Other operating expenses		-304	-6,299
Share of profit/(loss) from joint ventures		176	202
EBITDA		**200,003**	**210,285**
Impairment losses on tangible and intangible assets	6,7,8	-185,000	0
Depreciation	6,7	-122,215	-67,327
Operating profit/(loss) (EBIT)		**-107,212**	**142,958**
Financial income	9	2,814	992
Financial expenses	9	-37,333	-16,926
Profit/(loss) before tax		**-141,731**	**127,024**
Tax	12	-760	-1,041
Net profit/(loss) for the year		**-142,491**	**125,983**

EARNINGS PER SHARE

		2016	2015
Earnings per share (USD)	26	-2.3	2.4
Diluted earnings per share (USD)	26	-2.3	2.4

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
1 JANUARY-31 DECEMBER

USD '000	**2016**	2015
Net profit/(loss) for the year	**-142,491**	**125,983**
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange rate adjustment arising from translation of entities using a functional currency different from USD	-240	160
Fair value adjustment on hedging instruments	-2,675	1,067
Value adjustment on hedging instruments transferred to income statement	1,665	333
Other comprehensive income after tax *)	**-1,250**	**1,560**
Total comprehensive income/(loss) for the year	**-143,741**	**127,543**

*) No income tax was incurred relating to other comprehensive income/(loss) items.

CONSOLIDATED BALANCE SHEET
AS 31 DECEMBER

USD '000	Note	2016	2015
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Goodwill	6,8	0	11,400
Total intangible assets		**0**	**11,400**
Tangible fixed assets			
Vessels and capitalized dry-docking	7,8,16	1,343,778	1,492,046
Prepayments on vessels	7	44,036	72,540
Other plant and operating equipment	7	1,836	2,499
Total tangible fixed assets		**1,389,650**	**1,567,085**
Financial assets			
Investments in joint ventures		322	334
Other investments		4	5
Total financial assets		**326**	**339**
Total non-current assets		**1,389,976**	**1,578,824**
CURRENT ASSETS			
Bunkers		31,616	25,557
Freight receivables	10	62,533	83,088
Other receivables	11	8,134	5,791
Prepayments		3,024	5,923
Cash and cash equivalents		75,971	168,258
Total current assets		**181,278**	**288,617**
TOTAL ASSETS		**1,571,254**	**1,867,441**

CONSOLIDATED BALANCE SHEET
AS 31 DECEMBER

USD '000	Note	2016	2015
EQUITY AND LIABILITIES			
EQUITY			
Common shares	13	623	638
Treasury shares	13	-2,887	-176
Hedging reserves		390	1,400
Translation reserves		-80	160
Retained profit		782,532	973,954
Total equity		**780,578**	**975,976**
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred tax liability	12	44,967	45,105
Mortgage debt and bank loans	2,15,16,18	593,912	717,530
Finance lease liabilities	18	0	12,937
Total non-current liabilities		**638,879**	**775,572**
CURRENT LIABILITIES			
Mortgage debt and bank loans	2,15,16,18	75,652	48,727
Finance lease liabilities	18	13,624	624
Trade payables	18	28,498	22,284
Current tax liabilities		773	1,763
Other liabilities	14,18	33,055	42,055
Deferred income		195	440
Total current liabilities		**151,797**	**115,893**
Total liabilities		**790,676**	**891,465**
TOTAL EQUITY AND LIABILITIES		**1,571,254**	**1,867,441**

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The financial statements of TORM plc, company number 09818726, have been approved by the Board of Directors and signed on their behalf by:

Jacob Meldgard, Executive Director
9 March 2017

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

USD '000	Common shares	Treasury shares ***)	Hedging reserves	Trans-lation reserves	Retained profit	**Total**
EQUITY						
Balance as of 1 January 2015, as shown in the financial statements of TORM A/S	87,986	-	-	-	381,528	469,514
Effect as of 1 January 2015 of the Exchange Offer *)	-87,590	-	-	-	87,590	-
Equity as of 1 January 2015	**396**	**-**	**-**	**-**	**469,118**	**469,514**
Comprehensive income/(loss) for the year:	-	-	-	-	-	-
Net profit/(loss) for the year	-	-	-	-	125,983	125,983
Other comprehensive income/(loss) for the year	-	-	1,400	160	-	1,560
Total comprehensive income/(loss) for the year	**-**	**-**	**1,400**	**160**	**125,983**	**127,543**
Shareholders' contribution	-	-	-	-	14,040	14,040
Reverse acquisition of TORM A/S	242	-	-	-	367,536	367,778
Transaction costs share issue	-	-	-	-	-2,723	-2,723
Acquisition treasury shares, cost	-	-176	-	-	-	-176
Total changes in equity 2015	**242**	**-176**	**1,400**	**160**	**504,836**	**506,462**
Equity as of 31 December 2015	**638**	**-176**	**1,400**	**160**	**973,954**	**975,976**
Equity as of 1 January 2016	638	-176	1,400	160	973,954	975,976
Comprehensive income/(loss) for the year:						
Net profit/(loss) for the year	-	-	-	-	-142,491	-142,491
Other comprehensive income/(loss) for the year ****)	-	-	-1,010	-240	-	-1,250
Total comprehensive income/(loss) for the year	**-**	**-**	**-1,010**	**-240**	**-142,491**	**-143,741**
Corporate Reorganization TORM plc	-	-	-	-	-6,564	-6,564
Acquisition outstanding shares in TORM A/S, cost **)	-15	176	-	-	-19,396	-19,235
Acquisition treasury shares, cost	-	-2,887	-	-	-	-2,887
Share-based compensation	-	-	-	-	2,029	2,029
Dividend paid	-	-	-	-	-25,000	-25,000
Total changes in equity 2016	**-15**	**-2,711**	**-1,010**	**-240**	**-191,422**	**-195,398**
Equity as of 31 December 2016	**623**	**-2,887**	**390**	**-80**	**782,532**	**780,578**

*) In connection with the Exchange Offer of 15 April 2016, common shares and the reserve for treasury shares were adjusted to reflect those of TORM plc. The adjustment on common shares reflects the fact that the currency of shares changed from DKK to USD and that the nominal value of each share was reduced from DKK 15 each to USD 0.01 each. Reserve for treasury shares was the holding of own shares in TORM A/S. As the items related to TORM A/S, the reserves were eliminated to reflect the reserves of TORM plc. Please refer to note 1 for further information.

**) Relates to the squeeze-out of remaining minority shareholders in TORM A/S.

***) Please refer to note 13 for further information on treasury shares.

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

CONSOLIDATED CASH FLOW STATEMENT
1 JANUARY-31 DECEMBER

USD '000	Note	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES			
Operating profit/(loss)		-107,212	142,958
Adjustments:			
Reversal of depreciation		122,215	67,327
Reversal of impairment of tangible and intangible assets		185,000	0
Reversal of share of profit/(loss) from joint ventures		-176	-202
Reversal of other non-cash movements	24	-7,114	-874
Dividends received from joint ventures		188	200
Interest received and exchange gains		2,735	624
Interest paid and exchange losses		-31,385	-12,364
Income taxes paid/repaid		-1,430	-584
Change in bunkers, receivables and payables etc.	24	8,322	16,870
Net cash flow from operating activities		**171,143**	**213,955**
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in tangible fixed assets		-119,408	-253,964
Cash from business combination	27	0	77,544
Sale of non-current assets	23	0	17,640
Net cash flow from investing activities		**-119,408**	**-158,780**
CASH FLOW FROM FINANCING ACTIVITIES			
Borrowing, mortgage debt		49,256	93,100
Repayment/redemption, mortgage debt		-146,150	-29,214
Dividend paid		-25,000	0
Acquisition outstanding shares in TORM A/S		-19,241	0
Shareholders' contribution		0	14,040
Transaction costs share issue		0	-2,723
Purchase/disposal of treasury shares		-2,887	-176
Cash flow from financing activities		**-144,022**	**75,027**
Net cash flow from operating, investing and financing activities		**-92,287**	**130,202**
Cash and cash equivalents as of 1 January		**168,258**	**38,056**
Cash and cash equivalents as of 31 December		**75,971**	**168,258**
Of which restricted cash equivalents as of 31 December		1,853	13,768
Non restricted cash and cash equivalents as of 31 December		**74,118**	**154,490**

NOTE 1

ACCOUNTING POLICIES, CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Basis of preparation

TORM plc is a company incorporated in the United Kingdom under the Companies Act. References to the "Company", "TORM" and "TORM Group" refer to TORM plc and its subsidiaries. References to "Former TORM A/S" refer to the activities of TORM A/S, and "Njord" refers to the activities of OCM (Gibraltar) Njord Midco Ltd. prior to the business combination in 2015. For more information on the business combination, please refer to the sections "Business combination", "Reverse acquisition" below and note 27.

Comparative figures for the consolidated financial results reflect the activities of Njord only for the period from 1 January–13 July 2015, whereas the remaining period of 2015 reflects the combined activity of Former TORM A/S and Njord. Refer to "Accounting for Corporate Reorganization" below.

The Annual Report has been prepared in accordance with the International Financial Reporting Standards as adopted by the EU.

The financial statements have been prepared under the going concern basis. For further information relating to the use of the going concern assumption please refer to the "Going Concern" section of the Financial Review as set out on page 45.

The functional currency is USD, and the Company applies USD as presentation currency in the preparation of the Annual Report.

Accounting for Corporate Reorganization

On 15 April 2016, TORM established a new corporate structure of the TORM Group (the "Corporate Reorganization"). The Corporate Reorganization involved the insertion of a UK parent company, TORM plc, where the former shareholders of TORM A/S exchanged their shares in TORM A/S with shares in TORM plc and a relisting on Nasdaq Copenhagen of TORM plc. The Corporate Reorganization was supported by 97.6% of TORM A/S' shareholders. In addition, TORM plc acquired the shares from the remaining TORM A/S minority shareholders not accepting the share transfer in a squeeze-out transaction for an amount of USD 19m.

The Corporate Reorganization is accounted for as a capital restructuring, where the assets and liabilities of TORM A/S and its subsidiaries are accounted for at their historical cost basis and not revalued at market value.

The consolidated financial statements for the TORM Group is presented in the legal name of TORM plc, but is a continuation of the financial statements of TORM A/S with a retroactive adjustment of the legal capital of the legal parent (TORM plc). The consolidated financial results reflect the activities for TORM A/S only for 2015 (refer to "Basis for Preparation" for the impact of the Reverse Acquisition in 2015) and the period from 1 January 2016 until 15 April 2016, whereas the remaining period of 2016 reflects the combined activity of TORM plc and TORM A/S.

TORM's equity is affected negatively by the Corporate Reorganization by USD 6m primarily caused by advisor fees in connection with the incorporation and listing of TORM plc and by the squeeze-out transaction of USD 19m.

ADOPTION OF NEW OR AMENDED IFRS

TORM has implemented the following standard amendments issued by IASB and adopted by the EU and the interpretations in the Annual Report for 2016:

- Annual improvement to IFRS 2012-2014 cycle
- Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"
- Amendments to IAS 1 "Disclosure initiative"
- Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"

The implementation of the standard amendments and improvements had no significant impact on the Group's financial statements.

ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

IASB has issued a number of new or amended accounting standards (IFRS) and interpretations (IFRIC) that potentially could have an effect on TORM's financial statements:

- Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions". The impact on the consolidated financial statements has not yet been determined on a sufficiently reliable basis. Effective date is 1 January 2018.
- IFRS 9 "Financial Instruments". The standard and subsequent amendments will substantially change the classification and measurement of financial instruments and hedging requirements. Effective date is 1 January 2018. The impact on the consolidated financial statements has not yet been determined on a sufficiently reliable basis.
- IFRS 15 "Revenue from Contracts with Customers" The standard will change the recognition pattern of revenue. However, the impact will only be visible in the implementation year. Effective date is 1 January 2018. The impact on the consolidated financial statements is not expected to be significant.
- IFRS 16 "Leases". The standard will change the recognition of leases. Effective date is 1 January 2019. The impact on the consolidated financial statements is not expected to be significant.
- Amendments to IAS 7 "Disclosure initiative". The impact on the consolidated financial statements has not yet been determined on a sufficiently reliable basis. Effective date is 1 January 2017.

NOTE 1 – CONTINUED

ACCOUNTING POLICIES

Consolidation principles
The consolidated financial statements comprise the financial statements of the Parent Company, TORM plc, and entities controlled by the Company. Control is achieved when the Company:

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

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

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

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

Entities in which the Group exercises significant but not controlling influence are regarded as associated companies and are recognized using the equity method.

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

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

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

The consolidated financial statements following a reverse acquisition are issued under the name of the legal parent (accounting acquiree) but as a continuation of the financial statements of the legal subsidiary (accounting acquirer). The accounting acquirer's legal capital is adjusted retrospectively to reflect the legal capital of the accounting acquirer. Comparative information is adjusted accordingly.

Business combinations
Newly acquired or formed entities are recognized in the consolidated financial statements from the date of acquisition or formation. The date of acquisition is the date on which control over the entity is effectively transferred.

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

In reverse acquisitions the purchase price of a business combination is measured as the fair value of the consideration agreed upon. The purchase price in a reverse acquisition is calculated as the fair value of the interest in the accounting acquirer that the existing shareholders of the accounting acquiree would have received, had the business combination not been a reverse acquisition.

The excess of the cost of the business combination over the fair value of the acquired assets, liabilities and contingent liabilities is recognized as goodwill under intangible assets and is tested for impairment at least once every year. Upon acquisition, goodwill is allocated to the cash generating units, which subsequently form the basis for the impairment test. If the fair value of the acquired assets, liabilities and contingent liabilities exceeds the cost of the business combination, the identification of assets and liabilities and the processes of measuring the fair value of the assets and liabilities and the cost of the business combination are reassessed. If the fair value of the business combination continues to exceed the cost, the resulting gain is recognized in the income statement.

NOTE 1 – CONTINUED

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

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

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

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

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

Segment information
In 2015, TORM consisted of two business segments: The Tanker and Bulk Segments. Due to divestment of The Bulk Segment in 2015, only the Tanker Segment remains in 2016.

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

The Group has only one geographical segment, because the Company considers the global market as a whole, and as the individual vessels are not limited to specific parts of the world. Furthermore, the internal management reporting does not provide such information. Consequently, it is not possible to provide geographical segment information on revenue from external customers or non-current segment assets.

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

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

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

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

Leases
Agreements to charter in vessels and to lease other plant and operating equipment, for which TORM substantially has 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.

NOTE 1 – CONTINUED

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

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

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

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

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.

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

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

Changes to the estimated duration of the voyage as well as changing destinations and weather conditions will affect the voyage expenses.

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

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

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

Charter hire
Charter hire comprises expenses related to the chartering in of vessels 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.

NOTE 1 – CONTINUED

Other operating expenses
Other operating expenses primarily comprises 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
Tax expenses comprise the expected tax including tonnage tax on the taxable income for the year for the Group, adjustments relating to previous years and the change in deferred tax for the year. However, tax relating to items in other comprehensive income is recognized directly in the statement of other comprehensive income.

BALANCE SHEET

Goodwill
Goodwill is measured as the excess of the cost of the business combination over the fair value of the acquired assets, liabilities and contingent liabilities and is recognized as an asset under intangible assets. Goodwill is not amortized as it is considered to have an indefinite useful life, but the recoverable amount of goodwill is assessed every quarter. For impairment testing purposes, goodwill is on initial recognition allocated to the cash generating unit expected to benefit from the synergies of the combination. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is first allocated to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss for goodwill is not reversed in a subsequent period.

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

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

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

NOTE 1 – CONTINUED

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

At subsequent dry-dockings, the costs comprise the actual costs incurred at the dry-docking yard. Dry-docking costs may include the cost of hiring crews to carry out replacements and repairs, the cost of parts and materials used, cost of travel, lodging and supervision of Company personnel as well as the cost of hiring third-party personnel to oversee a dry-docking. Dry-docking activities include, but are not limited to, the inspection, service on turbocharger, replacement of shaft seals, service on boiler, replacement of hull anodes, applying of anti-fouling and hull paint, steel repairs and 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 shorter of the term of the lease and the estimated useful life. Cost comprises acquisition cost and costs directly related to the acquisition up until the time when the asset is ready for use.

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

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

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

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

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

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

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

Impairment of assets
Non-current assets are reviewed quarterly to determine any indication of impairment due to a significant decline in either the assets' market value or in the cash flows generated by the assets. In case of such indication, the recoverable amount of the asset is estimated as the higher of the asset's 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.

NOTE 1 – CONTINUED

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

The two cash generating units of the Company are the Tanker Segment and the Bulk Segment. 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 Group 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 Group'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" and presented as a separate component of equity.

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

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.

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.

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

CASH FLOW STATEMENT
The cash flow statement shows the Company's cash flows and cash and cash equivalents at the beginning and the end of the period. Cash flow from operating activities is presented using the indirect method and is based on net operating profit for the year adjusted for tax, financial income and expenses, net profit/(loss) from sale of vessels, non-cash operating items, changes in working capital, income tax paid, dividends received and interest paid/received.

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

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

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

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

NOTE 1 – CONTINUED

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

ACCOUNTING ESTIMATES

Carrying amounts of vessels

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

The review for potential impairment indicators and projection of future discounted cash flows related to the vessels is complex and requires the Company to make various estimates including future freight rates, utilization, earnings from the vessels, future operating and capital expenditure and discount rates. For more information on key assumptions and related sensitivities, please refer to note 8 in these financial statements. All these factors have been historically volatile. The carrying amounts of TORM's vessels may not represent their fair market value at any point in time as market prices of second-hand vessels to a certain degree tend to fluctuate with changes in charter rates and the cost of newbuildings. However, if the estimated future cash flow or related assumptions in the future experience change, an impairment write-down of vessels may be required.

JUDGEMENTS

Reverse acquisition

TORM's Restructuring was completed on 13 July 2015 and included inter alia a contribution by OCM Njord Holdings S.à r.l. ("Njord Luxco") of Njord to TORM in exchange for a controlling interest in TORM. The transaction is described in detail in note 27. Management has concluded that the contribution should be accounted for as a reverse acquisition according to IFRS 3 (Revised 2008) – Business Combinations ("IFRS 3"), i.e. Njord is the acquirer and Former TORM is the acquiree. Management's most significant judgements applying to the accounting policies relate to:

- Identification of the acquirer
- Calculation of consideration

Identification of the acquirer

IFRS 3 requires that the determination of the acquirer shall be determined based on the guidance in IFRS 10 – "Consolidated Financial Statements", which means that the acquirer will be the entity that obtains control over the acquiree. The acquirer in a business combination will therefore most often be the entity (Former TORM A/S) legally acquiring the other (Njord) in exchange for cash, other assets or in exchange for issuing its equity interests. However, IFRS 3 states that in some cases the accounting acquirer can be the entity that is legally being acquired, i.e. Former TORM A/S. The latter is typically the case when the former shareholder (Njord Luxco) of the entity whose shares are being acquired (Njord) owns the majority of shares and controls the majority of votes in the combined entity (TORM) after the transaction.

Following the transaction, Njord Luxco will have control with the majority of the share capital and associated votes of Former TORM A/S, which led Management to conclude that the transaction is to be accounted for as a reverse acquisition, i.e. as if Former TORM A/S has been acquired by Njord rather than Former TORM A/S acquiring Njord.

Calculation of consideration

Based on the provision of IFRS 3, Njord's purchase price for a controlling interest in Former TORM A/S is calculated as the fair value of the interest in Njord that the existing shareholders and warrant holders in Former TORM A/S would have received, had the business combination of Former TORM A/S and Njord not been a reverse acquisition. As the issued shares of Former TORM A/S are publicly traded, Management has considered whether the fair value of Former TORM A/S would be a more reliable measure of the consideration. Management believes that the fair value of the interest in Njord that would have been issued represents the fair value of the consideration more reliably than the share price of Former TORM A/S. The share price of Former TORM A/S was very volatile during the period before the Restructuring due to the significant uncertainty about Former TORM A/S' future as an independent group.

NOTE 2

LIQUIDITY, CAPITAL RESOURCES AND SUBSEQUENT EVENTS

Liquidity and capital resources
As of 31 December 2016, TORM's cash position totaled USD 76m (2015: USD 168m) and undrawn credit facilities amounted to USD 190m (2015: USD 75m). The undrawn credit facilities consisted of a USD 75m Working Capital Facility and a bilateral USD 115m facility with China Export-Import Bank. TORM had four (2015: seven) newbuildings on order for delivery in 2017-2018. The total outstanding CAPEX related to these newbuildings was USD 149m (2015: USD 224m), and is mainly financed by the undrawn USD 115m China Export-Import Bank facility.

TORM has a Term Facility Agreement of USD 470m and an undrawn Working Capital Facility of USD 75m both with maturity in 2021. In addition, a finance lease liability with a purchase obligation of USD 13.6m (JPY: 1.5 bn) expiring in 2017 was acquired as part of the reverse acquisition. In addition to the Term Facility Agreement and the Working Capital Facility, TORM also had bilateral loan agreements with Danish Ship Finance of 202m in total at the end of 2016. As of 31 December 2016, the scheduled minimum payments on mortgage debt and bank loans in 2017 were USD 75m.

TORM's bank debt facilities include financial covenants related to:

- Minimum liquidity including committed credit lines
- Minimum cash
- Loan-to-value
- Equity ratio

As of 31 December 2016, TORM is in compliance with all covenants.

SUBSEQUENT EVENTS

On 6 January 2017, TORM plc signed a syndicated financing agreement with Danske Bank, ABN AMRO, DVB and ING with collateral in nine MR vessels. The available facility was fully utilized on 27 January 2017 where TORM plc drew USD 126m on the facility which matures on 31 March 2022. Main conditions are in line with the Company's existing loan agreements.

On 12 January 2017, the Board of Directors granted certain employees (the "Participants") Restricted Share Units ("RSU") in the form of restricted stock options. The Board of Directors of TORM has granted the Participants a total of 866,617 RSUs and, subject to vesting, each RSU entitles the holder to acquire one TORM A share. The RSUs will vest over a three-year period, with one third of the grant amount vesting at each anniversary during the three-year period. The exercise price for each TORM A share is DKK 93.6.

The theoretical market value of the RSU allocation is calculated at USD 1.0m based on the Black-Scholes model (cf. company announcement no. 1 dated 12 January 2017).

In March 2017, the Company entered an agreement to sell and lease back two vessels, TORM Helene and TORM Mary. The Company's liquidity is expected to increase by USD 6.1m following repayment of debt.

In March 2017, the Company entered an agreement to sell one vessel, TORM Anne. After the repayment of the mortgage debt of the vessel along with transaction-related expenses and fees, the Company expects to receive net cash proceeds of ca USD 0.9m.

The events described in the sections above are deemed to have no material impact on the financial statements for 2017.

NOTE 3

USDm	2016 Tanker Segment	2016 Bulk Segment	2016 Not allocated	2016 **Total**	2015 Tanker Segment	2015 Bulk Segment	2015 Not allocated	2015 **Total**
CONSOLIDATED SEGMENT INFORMATION								
INCOME STATEMENT								
Revenue	680.1	-	-	680.1	538.7	1.7	-	540.4
Port expenses, bunkers and commissions	-221.9	-	-	-221.9	-169.2	-0.4	-	-169.6
Time charter equivalent earnings	**458.2**	**-**	**-**	**458.2**	**369.5**	**1.3**	**-**	**370.8**
Charter hire	-21.5	-	-	-21.5	-11.1	-0.9	-	-12.0
Operating expenses	-195.2	-	-	-195.2	-121.7	-1.2	-	-122.9
Gross profit (Net earnings from shipping activities) (Segment result)	**241.5**	**-**	**-**	**241.5**	**236.7**	**-0.8**	**-**	**235.9**
Administrative expenses	-	-	-41.4	-41.4	-	-	-19.5	-19.5
Other operating expenses	-	-	-0.3	-0.3	-	-	-6.3	-6.3
Share of profit/(loss) from joint ventures	-	-	0.2	0.2	-	-	0.2	0.2
EBITDA	**241.5**	**-**	**-41.5**	**200.0**	**236.7**	**-0.8**	**-25.6**	**210.3**
Impairment losses on tangible and intangible assets	-	-	-185.0	-185.0	-	-	-	-
Depreciation	-	-	-122.2	-122.2	-	-	-67.3	-67.3
Operating profit/(loss) (EBIT)	**241.5**	**-**	**-348.7**	**-107.2**	**236.7**	**-0.8**	**-92.9**	**143.0**
Financial income	-	-	2.8	2.8	-	-	1.0	1.0
Financial expenses	-	-	-37.3	-37.3	-	-	-16.9	-16.9
Profit/(loss) before tax	**241.5**	**-**	**-383.2**	**-141.7**	**236.7**	**-0.8**	**-108.8**	**127.1**
Tax	-	-	-0.8	-0.8	-	-	-1.0	-1.0
Net profit/(loss) for the year	**241.5**	**-**	**-384.0**	**-142.5**	**236.7**	**-0.8**	**-109.8**	**126.1**

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

In 2015, TORM consisted of two business segments: The Tanker and the Bulk Segments. Due to divestment of the Bulk segment in 2015, only the Tanker Segment remains in 2016.

During 2015, there have been no transactions between the Tanker and the Bulk Segments, and therefore all revenue derives from external customers.

In the Tanker Segment, a major part of the Company's freight revenue is concentrated on a small group of customers. In 2016, one (2015: one) customer in the Tanker Segment accounted for more than 10% of the total freight revenue of the Company. The customer accounted for USD 86.1m (2015: USD 68.2m) of the total freight revenue.

NOTE 4

USDm	2016	2015
STAFF COSTS		
Total staff costs		
Staff costs included in operating expenses	15.7	9.7
Staff costs included in administrative expenses	31.0	14.2
Total	**46.7**	**23.9**

Average number of permanent employees		
Seafarers	137.0	65.0
Land-based	269.1	133.0
Total	**406.1**	**198.0**

Executive Management
The remuneration of Executive Management is disclosed in the Remuneration Committee Report on page 56. Please refer to the Remuneration Report for a detailed split.

Employee information
The majority of the staff on vessels are not employed by TORM. Staff costs included in OPEX relates to the 137 seafarers. The average number of employees is calculated as a full-time equivalent (FTE).
The member of Executive Management is, in the event of termination by the Company, entitled to a severance payment of up to 12 months' salary.

Long-term employee benefit obligations
The obligation comprises an obligation under incentive programs to deliver Restricted Share Units ("RSUs") in TORM plc at a determinable price to the entity's key personnel. The RSUs granted entitles the holder to acquire one TORM A share.

The program was established during the year and comprises the following number of shares in TORM plc:

	2016
	Number of shares ('000)
Outstanding 1 January	0,0
Granted during the period	2,127.4
Exercised during the period	0,0
Expired during the period	0,0
Forfeited during the period	0,0
Outstanding 31 December	**2,127.4**
Exercisable 31 December	538.9

The vesting period of the program is three years for key employees and five years for the CEO. The exercise price is set to DKK 96.3. The exercise period is six months after the vesting date. The fair value of the options granted in 2016 was determined using the Black-Scholes valuation model and is not material.

NOTE 5

USDm	2016	2015
REMUNERATION TO AUDITORS APPOINTED AT THE PARENT COMPANY'S ANNUAL GENERAL MEETING		
Audit fees		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	0.4	0.2
Audit of the Company's subsidiaries pursuant to legislation	0.1	0.1
Total	**0.5**	**0.3**
Non-audit fees		
Other services pursuant to legislation	0.6	1.1
Tax services	0.3	0.5
Other fees	0.1	0.2
Total	**1.0**	**1.8**

NOTE 6

USDm	Goodwill
INTANGIBLE ASSETS	
Cost:	
Balance as of 1 January 2015	0.0
Additions	11.4
Balance as of 31 December 2015	**11.4**
Impairment losses:	
Balance as of 1 January 2015	0.0
Impairment losses for the year	0.0
Balance as of 31 December 2015	**0.0**
Carrying amount as of 31 December 2015	**11.4**
Cost:	
Balance as of 1 January 2016	11.4
Additions	0.0
Balance as of 31 December 2016	**11.4**
Impairment losses:	
Balance as of 1 January 2016	0.0
Impairment losses for the year	11.4
Balance as of 31 December 2016	**11.4**
Carrying amount as of 31 December 2016	**0.0**

Goodwill is related to the reverse acquisition of TORM A/S in 2015 and has been allocated to the Tanker Segment.

Please refer to note 8 for information on impairment testing of goodwill.

NOTE 7

USDm	Vessels and capitalized dry-docking	Prepay-ments on vessels	Other plant and operating equipment	**Total**
TANGIBLE FIXED ASSETS				
Cost:				
Balance as of 1 January 2015	530.1	34.7	0.0	564.8
Additions	112.0	142.5	0.9	255.4
Additions from business combinations	857.4	0.0	2.5	859.9
Disposals	-18.6	0.0	-0.2	-18.8
Transferred to/from other items	104.6	-104.6	0.0	0.0
Transferred to assets held-for-sale	-18.0	0.0	0.0	-18.0
Balance as of 31 December 2015	**1,567.5**	**72.6**	**3.2**	**1,643.3**
Depreciation:				
Balance as of 1 January 2015	27.9	0.0	0.0	27.9
Disposals	-18.6	0.0	-0.2	-18.8
Depreciations for the year	66.5	0.0	0.9	67.4
Transferred to assets held-for-sale	-0.3	0.0	0.0	-0.3
Balance as of 31 December 2015	**75.5**	**0.0**	**0.7**	**76.2**
Carrying amount as of 31 December 2015	**1,492.0**	**72.6**	**2.5**	**1,567.1**
Of which finance leases	13.1	-	-	13.1
Cost:				
Balance as of 1 January 2016	1,567.5	72.6	3.2	1,643.3
Additions	40.8	76.9	1.1	118.8
Disposals	-16.3	0.0	-1.6	-17.9
Transferred to/from other items	105.4	-105.4	0.0	0.0
Balance as of 31 December 2016	**1,697.4**	**44.1**	**2.7**	**1,744.2**
Depreciation:				
Balance as of 1 January 2016	75.5	0.0	0.7	76.2
Disposals	-15.9	0.0	-1.6	-17.5
Depreciations for the year	120.4	0.0	1.8	122.2
Balance as of 31 December 2016	**180.0**	**0.0**	**0.9**	**180.9**
Impairment				
Balance as of 1 January 2016	0.0	-	0.0	0.0
Impairment losses on tangible fixed assets	173.6	-	0.0	173.6
Balance as of 31 December 2016	**173.6**	**-**	**0.0**	**173.6**
Carrying amount as of 31 December 2016	**1,343.8**	**44.1**	**1.8**	**1,389.7**
Of which finance leases	12.4	-	-	12.4

Included in the carrying amount for "Vessels and capitalized dry-docking" are capitalized dry-docking costs in the amount of USD 80.4m (2015: USD 81.7m).

For information on assets used as collateral security, please refer to note 16.

In all material aspects, the depreciation under "Other plant and operating equipment" of USD 1.8m relates to administration (2015: USD 0.9m).

Depreciations and impairment losses on tangible fixed asstes on "Vessels and capitalized dry-docking" and "Prepay-ments on vessels" relates to operating expenses.

Please refer to note 8 for information on impairment testing.

NOTE 8

IMPAIRMENT TESTING

As of 31 December 2016, Management performed an impairment test of the recoverable amount of significant assets including goodwill within the cash-generating unit — the Tanker Segment.

As of 31 December 2016, the recoverable amount of the Tanker Segment was based on the value in use.

Based on this test, Management concluded that the assets within the Tanker Segment were impaired by USD 185m, as the carrying amount exceeded the value in use. The impairment, which was primarily due to the significant fall in expected freight rates during the year, was recognized in the profit and loss in "impairment losses on tangible and intangible assets".

The assessment of the value in use of the Tanker Segment was based on the present value of the expected future cash flows. The overall methodology used for calculating the value in use is unchanged compared to prior years. Accordingly the freight rate estimates in the period 2017-2019 are based on the Company's business plans. Beyond 2019, the freight rates are based on the 10-year historical average rates from Clarksons, amended to reduce strong rates in 2007 and also adjusted for inflation.

The discount rate is based on a WACC of 8.8% as of 31 December 2016 (2015: 8.3%). WACC is calculated by using a standard WACC model in which cost of equity, cost of debt and capital structure are the key parameters.

As of 31 December 2016, the amended 10-year historical average spot freight rates are as follows:

- LR2 USD/day 20,176 (2015: USD/day 21,975)
- LR1 USD/day 17,124 (2015: USD/day 18,900)
- MR USD/day 15,118 (2015: USD/day 16,948)
- Handysize USD/day 15,203 (2015: USD/day 17,868)

Operating expenses and administrative expenses are estimated based on TORM's business plans for the period 2017-2019. Beyond 2019, operating expenses and administrative expenses are adjusted for 2% inflation.

The product tankers are expected to generate normal income for 25 years. Given the current age profile of the tanker fleet, the average remaining life would be approximately 14 years.

The inflation rate is based on the US Federal Reserve and ECB inflation target over the medium term and is set to 2%.

Management believes that these major assumptions are reasonable.

The calculation of the value in use is sensitive to changes in the key assumptions which are related to the future developments in freight rates, the WACC applied as discounting factor in the calculations and the development in operating expenses. All other things being equal, the sensitivities to the value in use have been assessed as follows:

- A decrease in tanker freight rates of USD/day 1,000 would result in a further decline of USD 228m
- An increase in WACC of 1.0% would result in a further decline of USD 105m
- An increase in operating expenses of 10.0% would result in a further decline of USD 174m
- A decrease in inflation rate of 0.5 percentage points would result in a further decline of USD 15m

However, if these sensitivities had been applied to the impairment test as of 31 December 2016, the maximum additional impairment would be USD 91m as the recoverable amount is to be assessed as the higher of value in use and the fair value less cost to sell.

As outlined above, the impairment test has been prepared on the basis that the Company will continue to operate its vessels as a fleet in the current set-up. In comparison, the market value based on broker values of TORM's vessels including the order book and remaining CAPEX on new-buildings was USD 1,297m, which is USD 91m below the carrying amount.

NOTE 9

USDm	2016	2015
FINANCIAL ITEMS		
Financial income		
Interest income from cash and cash equivalents, etc.*)	0.2	0.3
Exchange rate adjustments, including net gain from forward exchange rate contracts	2.6	0.7
Total	**2.8**	**1.0**
Financial expenses		
Interest expenses on mortgage and bank debt*)	29.6	15.0
Exchange rate adjustments, including net gain/loss from forward exchange rate contracts	2.5	0.6
Other financial expenses	5.2	1.3
Total	**37.3**	**16.9**
Total financial items	**-34.5**	**-15.9**

*) Interest for financial assets and liabilities not at fair value through profit and loss.

NOTE 10

USDm	2016	2015
FREIGHT RECEIVABLES		
Analysis as of 31 December of freight receivables:		
Neither past due nor impaired	28.7	40.3
Past due not impaired:		
Due < 30 days	13.0	22.8
Due between 30 and 180 days	18.7	16.4
Past due and impaired:		
Due > 180 days	4.7	5.3
Total gross	**65.1**	**84.8**
Provision for impairment of freight receivables	2.6	1.7
Total net	**62.5**	**83.1**

As of 31 December 2016, freight receivables included receivables at a value of USD 0.6m (2015: USD 1.9m), that are individually determined to be impaired to a value of USD 0.5m (2015: USD 0.2m).

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

USDm	2016	2015
PROVISIONS FOR IMPAIRMENT OF FREIGHT RECEIVABLES		
Balance as of 1 January	1.7	0.0
Addition from business combinations	0	1.9
Provisions for the year	1.9	0.5
Provisions reversed during the year	-1.0	-0.7
Provisions utilized during the year	0.0	0.0
Balance as of 31 December	**2.6**	**1.7**

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

NOTE 11

USDm	2016	2015
OTHER RECEIVABLES		
Partners and commercial managements	0.5	0.3
Derivative financial instruments	3.3	1.6
Tax receivables	1.1	1.7
Other	3.2	2.2
Balance as of 31 December	**8.1**	**5.8**

No significant other receivables are past due or impaired.

NOTE 12

USDm	2016	2015
TAX		
Current tax for the year	1.2	1.3
Adjustments related to previous years	-0.3	-0.2
Adjustment of deferred tax asset	-0.1	-0.1
Total	**0.8**	**1.0**

The majority of the Group's taxable income is located in Denmark and therefore the majority of the tax base is subject to Danish tax legislation. In this connection the Group has elected to participate in the Danish tonnage tax scheme. The participation in the tonnage tax scheme is binding until 31 December 2025.

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

Under the Danish tonnage tax scheme, income and expenses from shipping activities are not subject to direct taxation and accordingly an effective rate reconciliation has not been provided as it would not provide any meaningful information. Instead, the taxable income is calculated from:

- The net tonnage of the vessels used to generate the income from shipping activities
- A rate applicable to the specific net tonnage of the vessel based on a sliding scale

Due to the provisions of the tonnage tax scheme, the effective tax rate of the Group is -0.6 % (2015: 0.8 %).

USDm	2016	2015
DEFERRED TAX LIABILITY		
Balance at 1 January	45.1	0.0
Addition from business combination	0.0	45.2
Deferred tax for the year	-0.1	-0.1
Balance as of 31 December	**45.0**	**45.1**

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

The Group operates in a wide variety of jurisdictions, in some of which the tax law is subject to varying interpretations and potentially inconsistent enforcement. As a result, there can be practical uncertainties in applying tax legislation to the Group's activities. Whilst the Group considers that it operates in accordance with applicable tax law, there are potential tax exposures in respect of its operations, the impact of which cannot be reliably estimated but could be material.

NOTE 13

	2016	2015
	Number of shares	Number of shares
COMMON SHARES		
A shares	62,298,846	63,836,249
B shares	1	1
C shares	1	1
Total	**62,298,848**	**63,836,251**

For accounting purposes and due to the Corporate Reorganization, the common shares have been adjusted retrospectively to reflect the issued capital and common shares of TORM plc amounting to USD 0.4m as per 1 January 2015.

NOTE 13 - CONTINUED

A shares are listed on Nasdaq Copenhagen and are publicly available for trading. Each A share carries one vote at the Annual General Meeting and gives the shareholder right to dividends, liquidation proceeds or other distributions. The A shares carries no other rights or obligations.

The B share has one vote at the general meeting, has no pre-emption rights in relation to any issue of new shares of other classes and carries no right to receive dividends, liquidation proceeds or other distributions from TORM. The holder of the B share has the right to elect one member to the Board of Directors (being the Deputy Chairman), up to three alternates as well as one Board Observer. The B share cannot be transferred or pledged, except for a transfer to a replacement trustee.

The C share represents 350,000,000 votes at the general meeting in respect of certain Specified Matters, including election of members to the Board of Directors (including the Chairman but excluding the Deputy Chairman) and certain amendments to the Articles of Association proposed by the Board of Directors. The C share has no pre-emption rights in relation to any issue of new shares of other classes and carries no right to receive dividends, liquidation proceeds or other distributions from TORM. The C share cannot be transferred or pledged, except to an affiliate of Njord Luxco.

The B share and the C share are redeemable by TORM in the event that (i) TORM has received written notification from Njord Luxco (or its affiliates) that Njord Luxco and its affiliates (as defined in the Articles of Association) hold less than 1/3 in aggregate of TORM's issued and outstanding shares, (ii) five business days have elapsed from the Board of Directors' receipt of such written notice either without any Board member disputing such notice or with at least 2/3 of the Board members confirming such notice, and (iii) both of the B share and the C share are redeemed at the same time.

Issued warrants
Key management participates in an LTIP program which gives the right to buy TORM shares at a predefined share price. The program is described in the Remuneration Report. Please refer to the Remuneration Report on page 56 for more information on the LTIP program. Please also see note 4.

	2016	2015	**2016**	2015	**2016**	2015
	Number of shares ('000)	Number of shares ('000)	Nominal value USDm	Nominal value USDm	% of share capital	% of share capital
Treasury shares						
Balance as of 1 January	15.3	0.0	0.0	0.0	0.2	0.0
Additions	312.9	15.3	0.0	0.0	0.5	0.2
Cancellations	-15.3	0.0	0.0	0.0	-0.2	0.0
Disposals	0.0	0.0	0.0	0.0	0.0	0.0
Balance as of 31 December	**312.9**	**15.3**	**0.0**	**0.0**	**0.5**	**0.2**

The total consideration for the treasury shares was USD 2.9m (2015: USD 0.2m). At 31 December 2016, the Company's holding of treasury shares represented 312,871 shares (2015: 15,319 shares) of USD 0.01 each at a total nominal value of USD 0.0m (2015: USD 0.0m) and a market value of USD 2.8m (2015: 0.2m).

NOTE 14

USDm	**2016**	2015
OTHER LIABILITIES		
Partners and commercial managements	2.0	3.3
Accrued operating expenses	5.2	13.1
Accrued interest	5.8	4.7
Wages and social expenses	14.6	17.0
Derivative financial instruments	4.8	0.2
Payables to joint ventures	0.1	0.1
Acquired time charter contracts	0.0	0.2
Other	0.5	3.5
Balance as of 31 December	**33.0**	**42.1**

Please refer to note 21 for further information on fair value hierarchies.

NOTE 15

EFFECTIVE INTEREST RATE AND OUTSTANDING MORTAGE DEBT AND BANK LOANS

In July 2015, TORM completed the Corporate Restructuring. This resulted in a new Term Facility Agreement of USD 470m and a Working Capital Facility of USD 75m both expiring in 2021. Furthermore, TORM has a debt facility with Danish Ship Finance totaling USD 202m, the tranches of which expire in 2019, 2021 and 2022. In 2017 and 2018, TORM will take delivery of four new LR2 vessels. The Export Import Bank of China (CEXIM) has committed funding of up to USD 115m in a 12-year facility to finance these newbuildings. As of 31 December 2016, no drawdowns had been made on the CEXIM Facility or the Working Capital Facility.

Please refer to note 2 for further information on the Company's liquidity and capital resources and note 19 and 20 for further information on interest rate swaps and financial risks.

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

		2016			2015		
USDm	Fixed/ floating	Maturity	Effective interest	Carrying value**)	Maturity	Effective interest	Carrying value**)
LOAN							
USD	Floating	2019	4.6%*	109.4	2019	4.1%*	125.7
USD	Floating	2021	4.6%*	470.0	2019	4.1%*	26.0
USD	Floating	2021	4.6%	62.2	2021	4.3%	548.9
USD	Floating	2022	4.8%*	30.0	2021	4.4%*	66.6
Weighted average effective interest rate			**4.6%**			**4.3%**	
Carrying value				**671.6**			**767.2**

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

**) The carrying value of the Group's mortgage debt and bank loans are due to their short-term nature of fixing approximate to fair value.

The fair value of mortgage debt and bank loans is calculated as the present value of expected future repayments and interest payments.

NOTE 16

COLLATERAL SECURITY FOR MORTGAGE DEBT AND BANK LOANS

The total carrying amount of vessels that have been provided as security amounts to USD 1,115m at 31 December 2016 (2015: USD 1,329m).

NOTE 17

GUARANTEE COMMITMENTS AND CONTINGENT LIABILITIES

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

The Group 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 Group's financial position, results of operations and cash flows.

NOTE 18

CONTRACTUAL OBLIGATIONS AND RIGHTS

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

The following table summarizes the Company's contractual obligations:

As of 31 December 2016:

USDm		2017	2018	2019	2020	2021	Thereafter	**Total**
Mortgage debt and bank loans	1)	75.9	75.1	137.5	59.7	306.5	16.9	671.6
Interest payments related to scheduled interest fixing		18.8	14.4	12.0	10.0	7.1	0.0	62.3
Estimated variable interest payments	2)	8.9	10.6	9.6	6.8	4.5	0.8	41.2
Finance lease liabilities	3)	13.6	-	-	-	-	-	13.6
Interest element regarding finance lease		0.8	-	-	-	-	-	0.8
Newbuilding installments and exercised purchase options	4)	62.4	86.4	-	-	-	-	148.8
Chartered-in vessels (Operating lease)	5)	10.3	3.2	-	-	-	-	13.5
Derivative financial liabilities		4.8	-	-	-	-	-	4.8
Other operating leases	6)	2.1	1.8	1.2	0.2	-	-	5.3
Trade payables and other liabilities		48.9	-	-	-	-	-	48.9
Total		**246.5**	**191.5**	**160.3**	**76.7**	**318.1**	**17.7**	**1,010.8**

TORM has contractual rights to receive future payments as lessor of vessels on time charter and bareboat charter.

The following table summarizes the Company's contractual rights:

USDm		2017	2018	2019	2020	2021	Thereafter	**Total**
Contractual rights — as lessor:								
Charter hire income for vessels	7)	46.1	46.5	4.7	-	-	-	97.3
Total		**46.1**	**46.5**	**4.7**	**0.0**	**0.0**	**0.0**	**97.3**

1) The presented amounts to be repaid do not include directly related costs arising from the issuing of the loans of USD 2.0m (2015: USD 1.0m), which are amortized over the term of the loans.

2) Variable interest payments are estimated based on the forward rates for each interest period.

3) One leasing agreement includes a purchase liability at expiry of the leasing period in 2017.

4) As of 31 December 2016, TORM had four contracted newbuildings (2015: seven) to be delivered during 2017-2018.

5) Leases have been entered into with a mutually non-cancelable lease period of up to eight years. Certain leases include a profit sharing element implying that the actual charter hire may be higher. The average period until redelivery of the vessels is 0.9 years (2015: 1.9 years). The leasing expense for 2016 amounts to USD 21.5m and is recognized under "Charter hire".

6) Other operating leases primarily consist of contracts regarding office spaces, cars and apartments as well as IT-related contracts. The leasing expense for 2016 amounts to USD 2.2m and is recognized under "Administrative expenses".

7) Charter hire income for vessels on time charter and bareboat charter is recognized under "Revenue". The average period until redelivery of the vessels is 2.1 year (2015: 0.6 year).

NOTE 19

DERIVATIVE FINANCIAL INSTRUMENTS

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

USDm	**Fair value as of 31 December 2016**	Fair value as of 31 December 2015
Fair value of derivatives:		
Derivative financial instruments regarding freight and bunkers:		
Forward freight agreements	-0.1	-
Bunker swaps	0.8	-0.2
Derivative financial instruments regarding interest and currency exchange rate:		
Forward exchange contracts	-4.6	0.8
Interest rate swaps	2.4	0.8
Total	**-1.5**	**1.4**
Of which included in:		
Current assets		
Other receivables	3.3	1.6
Current liabilities		
Other liabilities	-4.8	-0.2
Total	**-1.5**	**1.4**

Please refer to note 21 for further information on fair value hierarchies.

Bunker swaps and forward freight agreements with a fair value of USD 0.8m (net) of a previously fixed hedge will be recognized in the income statement in 2017 (2016: USD -0.2m).

Forward exchange contracts with a fair value of USD -4.6m are designated as hedge accounting to hedge a part of TORM's payments in 2017 regarding administrative and operating expenses denominated in DKK with a notional value of DKK 336.4m (2015: DKK 235.1m).

Interest rate swaps with a fair value of USD 2.4m are designated as hedge accounting to hedge a part of TORM's interest payments during the period 2016-2021, with a notional value of USD 373.8m (2015: USD 382.3m).

The table below shows realized amounts as well as fair value adjustments regarding derivative financial instruments recognized in income statements and equity in 2016 and 2015.

	Income statement			
2016 USDm	Revenue	Port expenses, bunkers and commissions	Financial items	Equity hedging reserves
Forward freight agreements	-0.1	-	-	-0.2
Bunker swaps	-	0.0	-	0.8
Forward exchange contracts	-	-	0.1	-2.6
Interest rate swaps	-	-	-2.9	2.4
Total	**-0.1**	**0.0**	**-2.8**	**0.4**
2015 Forward freight agreements	0.6	-	-	0.0
Bunker swaps	-	-0.9	-	-0.2
Forward exchange contracts	-	-	-	0.8
Interest rate swaps	-	-	-	0.8
Total	**0.6**	**-0.9**	**0.0**	**1.4**

Please refer to the section "Risk Management" and note 20 for further information on commercial and financial risks.

NOTE 20

RISKS ASSOCIATED WITH TORM'S ACTIVITIES

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

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

1) LONG-TERM STRATEGIC RISKS

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

2) INDUSTRY AND MARKET-RELATED RISKS

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

FREIGHT RATE FLUCTUATIONS

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

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

Tanker freight income is to a certain extent covered against general fluctuations through the use of physical contracts such as cargo contracts and time charter agreements with durations of 6-36 months. In addition, TORM uses financial instruments such as forward freight agreements (FFAs) with coverage of typically 0-24 months forward, based on market expectations and in accordance with the Company's risk management policies. In 2016, 10% (2015: 5%) of freight earnings deriving from the Company's tankers was secured in this way. Physical time charter contracts accounted for 83% (2015: 95%) of overall hedging. In 2016, the Company sold FFAs with a notional contract value of USD 12m (2015: USD 6m) and bought FFAs with a notional contract value of USD 3m (2015: USD 4m). The total notional contract volume sold in 2016 was 781,000 mt (2015: 215,000 mt) and the total notional volume bought was 190,000 mt (2015: 142,000 mt). At the end of 2016, the coverage for 2017 was 12% (2015: 8%).

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

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

USDm	**2017**	2016
SENSITIVITY TO CHANGES IN FREIGHT RATES		
Increase in freight rates of USD/day 1,000:		
Change in profit before tax	25.0	26.7
Change in equity	25.0	26.7

SALES AND PURCHASE PRICE FLUCTUATIONS

As an owner of 77 vessels, TORM is exposed to risk associated with changes in the value of the vessels, which can vary considerably during their useful lives. As of 31 December 2016, the carrying value of the fleet was USD 1,344m (2015: USD 1,492m). Based on broker valuations, TORM's fleet excluding undelivered newbuildings had a market value of USD 1,260m as of 31 December 2016 (2015: USD 1,626m). During the year, TORM has increased its fleet by three new product tankers. Furthermore, TORM has four vessels on order for delivery in 2017-2018.

BUNKER PRICE FLUCTUATIONS

The cost of fuel oil consumed by the vessels, known in the industry as bunkers, accounted for 50% of the total voyage costs in 2016 (2015: 57%) and is by far the biggest single cost related to a voyage.

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

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

TORM applies hedge accounting to all bunker hedge contracts.

In 2016, TORM covered 1.6% (2015: 0.7%) of its bunker requirements using hedging instruments.

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

USD m	**2017**	2016
SENSITIVITY TO CHANGES IN THE BUNKER PRICES		
Increase in the bunker prices of 10% per ton:		
Change in profit before tax	-15.6	-12.8
Change in equity	-15.6	-12.8

NOTE 20 – CONTINUED

3) OPERATIONAL AND COMPLIANCE RISKS

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

INSURANCE COVERAGE

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

In order to reduce the exposure to these risks, the fleet is insured against such risks to the extent possible. The total insurance program comprises a broad cover of risks in relation to the operation of vessels and transportation of cargo, including personal injury, environmental damage and pollution, cargo damage, third-party casualty and liability, hull and machinery damage, total loss and war. All TORM's owned vessels are insured for an amount corresponding to their market value plus a margin to cover any fluctuations. Liability risks are covered in line with international standards. It is TORM's policy to cooperate with financially sound international insurance companies with a credit rating of BBB or better, presently some 14-16 companies, along with two P&I clubs, to diversify risk. The P&I clubs are member of the internationally recognized collaboration, International Group of P&I clubs, and the Company's vessels are each insured for the maximum amounts available in the P&I system. At the end of 2016, the aggregate insured value of hull and machinery and interest for TORM's owned vessels amounted to USD 1.6bn (2015: USD 2.0bn).

COUNTERPARTY RISK

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

The Company has close focus on its risk policies and procedures to ensure that risks managed in the day-to-day business are kept at agreed levels and that changes in the risk situations are brought to Management's attention.

The Company's counterparty risks are primarily associated with:

- Receivables, cash and cash equivalents
- Contracts of affreightment with a positive fair value
- Derivative financial instruments and commodity instruments with positive fair value

Receivables, cash and cash equivalents

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

A major part of the Company's freight revenues stems from a small group of customers. One customer accounted for 12.6% (2015: 12.6%) of the freight revenues in 2016. The concentration of earnings on a few customers requires extra attention to credit risk. TORM has a credit policy under which continued credit evaluations of new and existing customers take place. For long-standing customers, payment of freight normally takes place after a vessel's cargo has been discharged. For new and smaller customers, the Company's credit risk is limited as freight is usually paid prior to the cargo's discharge, or, alternatively, that a suitable bank guarantee is placed in lieu thereof.

As a consequence of the payment patterns mentioned above, the Company's receivables primarily consist of receivables from voyages in progress at year-end and, to a lesser extent, of outstanding demurrage. For the past five years, the Company has not experienced any significant losses in respect of charter payments or any other freight agreements. With regard to the collection of demurrage, the Company's average stands at 96.8% (2015: 96%), which is considered to be satisfactory given the differences in interpretation of events. In 2016, demurrage represented 15.0% (2015: 17.7%) of the total freight revenues.

Excess liquidity is placed on deposit accounts with major banks with strong and acceptable credit ratings or invested in secure papers such as American or Danish government bonds. Cash is invested with the aim of getting the highest possible yield while maintaining a low counterparty risk and adequate liquidity reserves for possible investment opportunities or to withstand a sudden drop in freight rates.

NOTE 20 – CONTINUED

Derivative financial instruments and commodity instruments
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.

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

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

The part of the Company's expenses that are denominated in currencies other than USD accounts for approximately 99% (2015: 98%) for administrative expenses and approximately 27% (2015: 26%) for operating expenses. Approximately 74% (2015: 55%) of TORM's administrative and operating expenses in DKK and EUR in 2017 are hedged through FX forward contracts. TORM assumes identical currency risks arising from exposures in DKK and EUR. Other significant cash flows in non-USD-related currencies occur occasionally, including certain purchase obligations denominated in JPY.

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

USDm	**2017**	2016
SENSITIVITY TO CHANGES IN THE USD/DKK AND USD/EUR EXCHANGE RATE		
Effect of a 10% increase of DKK and EUR:		
Change in profit before tax	-1.7	-2.8
Change in equity	-1.7	-2.8

INTEREST RATE RISK
TORM's interest rate risk generally relates to interest-bearing mortgage debt and bank loans. All the Company's loans for financing vessels are denominated in USD, and all are floating rate loans. At the end of 2016, TORM has fixed 68% of the interest exposure for 2017 (2015: 65%). The fixing is a result of floating rate loans where Libor 3 or Libor 6 was fixed in 2016 into 2017 and interest hedging through interest rate swaps.

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

USDm	**2017**	2016
SENSITIVITY TO CHANGES IN INTEREST RATES		
Effect of a 1% point increase in interest rates:		
Change in profit before tax	-2.5	-3.3
Change in equity	6.8	9.5

TORM's interest-bearing debt decreased from year-end 2015 to year-end 2016 by USD 95m (2015: increase of USD 639m) to USD 672m (2015: USD 767m).

NOTE 21

FINANCIAL INSTRUMENTS

USDm		2016 Quoted prices (Level 1)	Observable input (Level 2)	Unobservable input (Level 3)	Carrying value
CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES:					
Loans and receivables					
Freight receivables, amortized cost	*)	-	-	-	62.5
Other receivables, amortized cost		-	-	-	7.2
Other receivables, fair value		-	3.3	-	-
Cash and cash equivalents, amortized cost	*)	-	-	-	76.0
Total		**-**	**3.3**	**-**	**145.7**
Financial liabilities					
Mortgage debt and bank loans, amortized cost	**)	-	-	-	669.6
Finance lease liabilities, amortized cost	*)	-	-	-	13.6
Trade payables, amortized cost	*)	-	-	-	28.5
Other liabilities, amortized cost	*)	-	-	-	28.3
Other liabilities, fair value		-	4.8	-	4.8
Total		**-**	**4.8**	**-**	**744.8**

USDm		2015 Quoted prices (Level 1)	Observable input (Level 2)	Unobservable input (Level 3)	Carrying value
CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES:					
Loans and receivables					
Freight receivables, amortized cost	*)	-	-	-	83.1
Other receivables, amortized cost		-	-	-	2.5
Other receivables, fair value		-	1.6	-	1.6
Cash and cash equivalents, amortized cost	*)	-	-	-	168.3
Total		**-**	**1.6**	**-**	**255.5**
Financial liabilities					
Mortgage debt and bank loans, amortized cost	**)	-	-	-	766.3
Finance lease liabilities, amortized cost	*)	-	-	-	13.6
Trade payables, amortized cost	*)	-	-	-	22.3
Other liabilities, amortized cost	*)	-	-	-	24.6
Other liabilities, fair value		-	0.2	-	0.2
Total		**-**	**0.2**	**-**	**827.0**

*) Due to the short maturity, the carrying value is considered to be an appropriate expression of the fair value.

**) See note 15.

There have been no transfers between level 1 and 2.

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

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

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

METHODS AND ASSUMPTIONS IN DETERMINING FAIR VALUE OF FINANCIAL INSTRUMENTS

Derivative part of other receivables and other payables

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 22

RELATED PARTY TRANSACTIONS

The Company's ultimate controlling party is Oaktree Capital Group, LLC, a limited liability company incorporated in the USA. The immediate controlling shareholder is Njord Luxco.

Dividends paid are disclosed in the consolidated statement of changes in equity.

The remuneration of key management personnel, which consists of the board of directors, is disclosed in the Remuneration Committee Report on page 56.

NOTE 23

NON-CURRENT ASSETS SOLD DURING THE YEAR

There has been no sale of non-current assets in 2016.

During 2015, TORM sold its two remaining bulk vessels for USD 18m in connection with the wind-down of the Company's bulk activities. Both vessels were delivered to the new owners during 2015. The sales did not result in any gain or losses.

NOTE 24

CASH FLOWS

USDm	**2016**	2015
Reversal of other non-cash movements:		
Amortization of acquired assets and liabilities	-0.1	-0.7
Exchange rate adjustments	-2.4	-0.1
Share-based payments	2.0	-0.0
Equity transactions expensed in relation to Corporate Reorganization	-6.4	-
Other adjustments	-0.2	-0.1
Total	**-7.1**	**-0.9**

Change in bunkers, receivables and payables etc.:		
Change in bunkers	-6.1	15.6
Change in receivables	18.1	6.1
Change in prepayments	2.7	4.9
Change in trade payables and other liabilities	-5.4	-11.9
Adjusted for fair value changes of derivative financial instruments	-1.0	2.2
Total	**8.3**	**16.9**

NOTE 25

ENTITIES IN THE GROUP

Parent Company:

TORM plc United Kingdom

Investments in subsidiaries*):

Entity	Ownership	Country
TORM A/S	100%	Denmark
DK Vessel HoldCo GP ApS	100%	Denmark
DK Vessel HoldCo K/S	100%	Denmark
OCM (Gibraltar) Njord Midco Ltd	100%	Gibraltar
OCM Njord Chartering Inc	100%	Marshall Islands
OCM Singapore Njord Holdings Agnes, Pte. Ltd.	100%	Singapore
OCM Singapore Njord Holdings Alice, Pte. Ltd.	100%	Singapore
OCM Singapore Njord Holdings Almena, Pte. Ltd.	100%	Singapore
OCM Singapore Njord Holdings Amalie, Pte. Ltd.	100%	Singapore
OCM Singapore Njord Holdings Aslaug, Pte. Ltd.	100%	Singapore
OCM Singapore Njord Holdings Hardrada, Pte. Ltd.	100%	Singapore
OCM Singapore Njord Holdings St.Michaelis Pte. Ltd.	100%	Singapore
OCM Singapore Njord Holdings St. Gabriel Pte. Ltd.	100%	Singapore
OCM Singapore Njord Holdings Harald Pte. Ltd. **)	100%	Singapore
OCM Singapore Njord Holdings Gorm Pte. Ltd.	100%	Singapore
OCM Singapore Njord Holdings Knut Pte. Ltd.	100%	Singapore
OCM Singapore Njord Holdings Valdemar Pte. Ltd.	100%	Singapore
OCM Singapore Njord Holdings Agnete, Pte. Ltd.	100%	Singapore
OCM Singapore Njord Holdings Alexandra, Pte. Ltd.	100%	Singapore
OCM Singapore Njord Holdings Anabel, Pte. Ltd.	100%	Singapore
OCM Singapore Njord Holdings Arawa Pte. Ltd.	100%	Singapore
OCM Singapore Njord Holdings Leif Pte. Ltd.	100%	Singapore
OCM Singapore Njord Holdings Rolf Pte. Ltd. **)	100%	Singapore

Entity	Ownership	Country
OCM Holdings Mrs Inc.	100%	Marshall Islands
OCM Njord Anne Inc.	100%	Marshall Islands
OCM Njord Freya Inc.	100%	Marshall Islands
OCM Njord Gerd Inc.	100%	Marshall Islands
OCM Njord Gertrud Inc.	100%	Marshall Islands
OCM Njord Gunhild Inc.	100%	Marshall Islands
OCM Njord Helene Inc.	100%	Marshall Islands
OCM Njord Helvig Inc.	100%	Marshall Islands
OCM Njord Ingeborg Inc.	100%	Marshall Islands
OCM Njord Mary Inc.	100%	Marshall Islands
OCM Njord Ragnhild Inc.	100%	Marshall Islands
OCM Njord Thyra Inc.	100%	Marshall Islands
OCM Njord Valborg Inc.	100%	Marshall Islands
OCM Njord Vita Inc.	100%	Marshall Islands
OMI Holding Ltd.	100%	Mauritius
Torghatten & TORM Shipowning ApS **)	100%	Denmark
TORM Crewing Service Ltd.	100%	Bermuda
TORM Shipping India Private Limited	100%	India
TORM Singapore Pte. Ltd.	100%	Singapore
TORM USA LLC	100%	United States
TT Shipowning K/S **)	100%	Denmark
VesselCo 1 K/S	100%	Denmark
VesselCo 3 K/S	100%	Denmark
VesselCo 6 Pte. Ltd.	100%	Singapore
VesselCo 7 Pte. Ltd.	100%	Singapore
VesselCo 8 Pte. Ltd.	100%	Singapore
VesselCo 9 Pte. Ltd.	100%	Singapore
VesselCo 10 Pte. Ltd.	100%	Singapore
VesselCo 11 Pte. Ltd.	100%	Singapore
TORM SHIPPING (PHILS.), INC.	25%	Philippines
VesselCo A ApS	100%	Denmark
VesselCo C ApS	100%	Denmark

Interest in legal entities included as joint ventures:

USDm			2016		
Entity	**Ownership**	**Country**	**Profit and loss from continuing operations**	**Other comprehensive income**	**Total comprehensive income**
Long Range 2 A/S	50%	Denmark	0.0	0.0	0.0
LR2 Management K/S	50%	Denmark	0.0	0.0	0.0

*) For all companies in this list, ownership and voting rights are the same except for TORM SHIPPING (PHILS.) INC where voting rights are 100%.

**) Dissolved during the year.

NOTE 26

EARNINGS PER SHARE	2016	2015
Net profit/(loss) for the year (USDm)	**-142.5**	**126.0**
Million shares		
Average number of shares	63.1	51.7
Average number of treasury shares	-0.2	0.0
Average number of shares outstanding	62.9	51.7
Dilutive effect of outstanding share options	0.0	0.0
Average number of shares outstanding incl. dilutive effect of share options	**62.9**	**51.7**
Earnings per share (USD)	**-2.3**	**2.4**
Diluted earnings per share (USD)	**-2.3**	**2.4**

When calculating diluted earnings per share for 2016, share options have been omitted as they are out-of-the-money, but the share options may potentially dilute earnings per share in the future. See also note 4 for information related to share options.

DIVIDEND PER SHARE	2016	2015
Dividend for the year (USDm)	**25.0**	**0.0**
Number of shares, end of period (million)	62.3	63.8
Dividend per share	**0.4**	**0.0**

There is no proposed dividend as of 31 December 2016.

NOTE 27

BUSINESS COMBINATIONS IN 2015

TORM A/S' Restructuring was completed on 13 July 2015 and included inter alia a contribution by OCM Njord Holdings S.à.r.l. ("Njord Luxco") of its 100% owned subsidiary Njord to TORM A/S in exchange for a controlling interest in TORM A/S.

Following the implementation of the Restructuring, Njord Luxco, holding 61.99% of the voting rights (excluding the voting rights attached to the C Share) in TORM A/S, and its subsidiaries, including Njord and Njord's subsidiaries (the "Combined Group"), controls the Combined Group in accordance with IFRS 10 "Consolidated financial statements", as it controls the majority of the voting rights in the Combined Group. Accordingly, the contribution of Njord by Njord Luxco in exchange for a controlling interest in the Combined Group has been accounted for as a reverse acquisition in accordance with IFRS 3, "Business Combinations", which means that for financial reporting purposes, Njord is considered the accounting acquirer and the continuing reporting entity. Consequently, the consolidated financial statements of TORM following the Restructuring are a continuation of the financial statements of Njord as the reporting continuing entity, despite TORM A/S being the legal acquirer and the continuing publicly listed company.

Njord's purchase price for a controlling interest in TORM A/S is calculated as the fair value of the interest in Njord that the existing shareholders and warrant holders of TORM A/S would have received, had the business combination of TORM A/S and Njord not been a reverse acquisition. The value is based on the value agreed between TORM A/S, Njord Luxco and certain of TORM A/S' pre-Restructuring shareholders and lenders for the purposes of determining the ownership interest in TORM A/S obtained by Njord Luxco in exchange for the contribution of Njord.

Goodwill that arose in the combination relates to the benefit of expected synergies from combining operations of the acquiree and the acquirer. These benefits are not recognized separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets.

The freight and other receivables acquired with a total fair value of USD 60.0m had a gross contractual amount of USD 61.9m. The best estimate at the acquisition date of the contractual cash flows not to be collected is USD 1.9m.

No acquisition-related costs have been incurred.

Since the acquisition date, revenue of USD 390.8m and profit for the period ended 31 December 2015 of USD 88.2m are included in the consolidated income statement in 2015.

Had the business combination been effected as of 1 January 2015, the revenue of the combined Group would have been USD 854.3m and the profit for the year would have been USD 186.7m in 2015.

The preparation of the pro forma figures for revenue and profit for the year is based on actual earnings for the period and the fair values used in the pre-acquisition balance sheet and the effect thereof on earnings, including depreciation on tangible fixed assets.

Assets acquired and liabilities assumed in the business combination at fair value

USDm	
Tangible fixed assets	859.9
Investment in joint ventures	0.3
Bunkers	27.8
Freight receivables	53.4
Other receivables	6.6
Prepayments	10.6
Cash and cash equivalents	77.5
Deferred tax liability	-45.1
Mortgage debt and bank loans	-560.7
Finance lease liabilities	-13.5
Trade payables	-27.3
Current tax liabilities	-1.4
Other liabilities	-29.7
Time charter contracts	-1.6
Deferred income	-0.4
Net assets acquired	**356.4**
Goodwill	11.4
Consideration (purchase price)	**367.8**
Of which:	
Shares	349.8
Warrants	18.0
	367.8

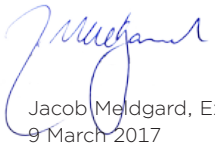
PARENT COMPANY 2016

COMPANY BALANCE SHEET
AS OF 31 DECEMBER

USD '000	Note	2016	2015
ASSETS			
NON-CURRENT ASSETS			
Financial assets			
Investments in subsidiaries	5	828,555	-
Total financial assets		**828,555**	**-**
Total non-current assets		**828,555**	**-**
CURRENT ASSETS			
Other receivables		1,066	286
Prepayments		-	1,379
Cash and cash equivalents		34,536	-
Total current assets		**35,602**	**1,665**
TOTAL ASSETS		**864,157**	**1,665**
EQUITY AND LIABILITIES			
EQUITY			
Common shares		623	0
Treasury shares		-2,887	0
Share premium		809,956	0
Retained profit	2	14,240	-1,097
Total equity		**821,932**	**-1,097**
LIABILITIES			
NON-CURRENT LIABILITIES			
Mortgage debt and bank loans	3	27,153	0
Total non-current liabilities		**27,153**	**0**
CURRENT LIABILITIES			
Mortgage debt and bank loans	3	2,565	0
Trade payables		1,284	0
Payables to subsidiaries		10,338	30
Other liabilities		885	2,732
Total current liabilities		**15,072**	**2,762**
Total liabilities		**42,225**	**2,762**
TOTAL EQUITY AND LIABILITIES		**864,157**	**1,665**

Accounting policies	1
Staff costs	4
Collateral security for mortgage debt and bank loans	7
Guarantee commitments and contingent liabilities	8
Related party transactions	9

The financial statements of TORM plc, company number 09818726, have been approved by the Board of Directors and signed on their behalf by:



Jacob Meldgard, Executive Director
9 March 2017

COMPANY STATEMENT OF CHANGES IN EQUITY

USD '000	Common shares	Treasury shares	Share premium	Retained profit	**Total**
EQUITY					
Balance as of 12 October 2015 (incorporation)	-	-	-	-	-
Comprehensive income/(loss) for the year:					
Net profit/(loss) for the year	-	-	-	-1,097	-1,097
Other comprehensive income/(loss) for the year	-	-	-	-	-
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**-1,097**	**-1,097**
Dividend paid					-
Total changes in equity 2015	**-**	**-**	**-**	**-1,097**	**-1,097**
Equity as of 31 December 2015	**-**	**-**	**-**	**-1,097**	**-1,097**
Equity as of 1 January 2016	-	-	-	-1,097	-1,097
Comprehensive income/(loss) for the year:					
Net profit/(loss) for the year	-	-	-	38,308	38,308
Other comprehensive income/(loss) for the year	-	-	-	-	-
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**38,308**	**38,308**
Share capital increase	623	-	-	-	623
Contribution in kind of subsidiary	-	-	813,100	-	813,100
Corporate Reorganization TORM plc	-	-	-3,144	-	-3,144
Share-based compensation	-	-	-	2,029	2,029
Acquisition treasury shares, cost	-	-2,887	-	-	-2,887
Dividend paid	-	-	-	-25,000	-25,000
Total changes in equity 2016	**623**	**-2,887**	**809,956**	**15,337**	**823,029**
Equity as of 31 December 2016	**623**	**-2,887**	**809,956**	**14,240**	**821,932**

NOTE 1

ACCOUNTING POLICIES - SUPPLEMENTARY FOR THE PARENT COMPANY

Basis of preparation
The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 ("FRS 100") issued by the Financial Reporting Council. Therefore these financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

As permitted by FRS 101, the Company has taken advantages of the disclosure exemptions available under that standard in relation to accounting standards issued but not yet effective or implemented, share-based payment information, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement and certain related party transactions.

The financial statements have been prepared on a going concern basis. Further information relating to the going concer assumption is provided in the Corporate Governance section of the group financial statements on page 45.

Where required, the equivalent disclosures are given in the Group's consolidated financial statements. Key sources of estimation uncertainty disclosure are provided in the accounting policies and in relevant notes to the Group consolidated financial statements as applicable. Details of the company's share-based payment schemes are provided in note 4 of the Group consolidated financial statements on page 94.

First time application of FRS 101
In the current year, the Company has adopted FRS 101. In previous years, the financial statements were prepared in accordance with IFRS as adopted by the EU.

The change in the basis of preparation has not materially altered the recognition and measurement of requirements previously applied. Consequently, the principal accounting policies are unchanged from previous year.

Investment in subsidiaries
Investment in subsidiaries are recognized and measured in the financial statements of the Parent Company at cost and classified as "non-current assets". Dividends are recognized under "Financial income".

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 and joint ventures is recognized in "Financial income".

NOTE 2

PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

As permitted by section 408 of the Companies Act 2006, the statement of comprehensive income of the Company is not presented as part of these financial statements.

The profit after tax for the year and total comprehensive income of the Company amounted to USD 38.3m (2015: USD -1.1m).

NOTE 3

INTERESTS AND BORROWINGS

As of 31 December 2016, the Company had borrowed USD 30.0m. The loan proceed was USD 0.3m lower due to fees. The fee is amortized over the loan period. The Company has paid interests of USD 0.1m on this loan facility in 2016.

NOTE 4

USDm	**2016**	2015
STAFF COSTS		
Total staff costs		
Staff costs included in administrative expenses	0.7	0.0
Total staff costs	**0.7**	**0.0**
Average number of permanent employees	1	0

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

NOTE 5

USDm	Investments in subsidiaries
FINANCIAL ASSETS	
Cost:	
Balance as of 12 October 2015	0.0
Additions	0.0
Balance as of 31 December 2015	**0.0**
Carrying amount as of 31 December 2015	**0.0**
Cost:	
Balance as of 1 January 2016	0.0
Contribution in kind of subsidiary	813.7
Additions	29.3
Capital increases in subsidiaries	227.5
Capital increase related to share-based payments	2.0
Balance as of 31 December 2016	**1,072.5**
Impairment:	
Balance as of 1 January 2016	0
Impairment losses for the year	244.0
Balance as of 31 December 2016	**244.0**
Carrying amount as of 31 December 2016	**828.5**

NOTE 6

IMPAIRMENT TESTING

As of 31 December 2016, Management performed an impairment test of investments in subsidiaries. The subsidiaries of TORM plc are the formal owners of the TORM vessels and operate in the product tanker market.

As of 31 December 2016, the recoverable amount of the investments in subsidiaries was based on the value in use.

Based on this test, Management concluded that the investments in subsidiaries were impaired by USD 244m, as the carrying amount exceeded the value in use. The impairment, which was primarily due to the significant fall in expected freight rates during the year, was recognized in the profit and loss in "Financial income".

The assessment of the value in use of the subsidiaries was based on the present value of the expected future cash flows. Accordingly, the freight rate estimates in the period 2017-2019 are based on the Company's business plans. Beyond 2019, the freight rates are based on the 10-year historical average rates from Clarksons, amended to reduce strong rates in 2007 and also adjusted for inflation.

The discount rate is based on a WACC of 8.8% as of 31 December 2016 (2015: 8.3%). WACC is calculated by using a standard WACC model in which cost of equity, cost of debt and capital structure are the key parameters.

As of 31 December 2016, the amended 10-year historical average spot freight rates are as follows:

- LR2 USD/day 20,176 (2015: USD/day 21,975)
- LR1 USD/day 17,124 (2015: USD/day 18,900)
- MR USD/day 15,118 (2015: USD/day 16,948)
- Handysize USD/day 15,203 (2015: USD/day 17,868)

Operating expenses and administrative expenses are estimated based on TORM's business plans for the period 2017-2019. Beyond 2019, operating expenses and administrative expenses are adjusted for 2% inflation.

The product tankers are expected to generate normal income for 25 years. Given the current age profile of the tanker fleet, the average remaining life would be approximately 14 years.

The inflation rate is based on the US Federal Reserve and ECB inflation target over the medium term and is set to 2%.

Management believes that these major assumptions are reasonable.

The calculation of the value in use is sensitive to changes in the key assumptions which are related to the future developments in freight rates, the WACC applied as discounting factor in the calculations and the development in operating expenses. All other things being equal, the sensitivities to the value in use have been assessed as follows:

- A decrease in tanker freight rates of USD/day 1,000 would result in a further decline of USD 228m
- An increase in WACC of 1.0% would result in a further decline of USD 105m
- An increase in operating expenses of 10.0% would result in a further decline of USD 174m
- A decrease in inflation rate of 0.5 percentage points would result in a further decline of USD 15m

However, if these sensitivities had been applied to the impairment test as of 31 December 2016, the maximum additional impairment would be USD 91m as the recoverable amount is to be assessed as the higher of value in use and the fair value less cost to sell.

As outlined above, the impairment test has been prepared on the basis that the Company will continue to operate the vessels in the subsidiaries as a fleet in the current set-up.

Please refer to note 8 in the consolidated financial statements for further information.

NOTE 7

COLLATERAL SECURITY FOR MORTGAGE DEBT AND BANK LOANS

The carrying amount of investments in subsidiaries that have been provided as security for mortgage debt and bank loans amounts to USD 18.8m (2015: USD 0.0m).

NOTE 8

GUARANTEE COMMITMENTS AND CONTINGENT LIABILITIES

The Company is guarantor for loan agreements established in the subsidiaries TORM A/S and VesselCo 9 Pte. Ltd.

NOTE 9

RELATED PARTY TRANSACTIONS

The Company's ultimate controlling party is Oaktree Capital Group, LLC, a limited liability company incorporated in the US.
The immediate controlling shareholder is Njord Luxco.

Shareholders' contribution and dividend paid are disclosed in the consolidated statement of changes in equity.

The Company has received dividends from subsidiaries amounting to USD 287.1m (2015: USD 0.0m).
The Company has income in the form of management fee from its subsidiary TORM A/S of USD 0.0m (2015: USD 0.0m).
The Company has income in form of bareboat hire from its subsidiary TORM A/S of USD 9.9m (2015: USD 0.0m).
The Company has paid bareboat hire to its subsidiaries in the amount of USD 9.7m (2015: USD 0.0m).

There have been no or limited transactions with related parties during the financial year other than those disclosed above.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TORM PLC

OPINION ON FINANCIAL STATEMENTS OF TORM PLC

In our opinion:

- **the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2016 and of the Group's loss for the year then ended;**
- **the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;**
- **the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and**
- **the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.**

The financial statements comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated and Parent Company Balance Sheets;
- the Consolidated Cash Flow Statement,
- the Consolidated and Parent Company Statements of Changes in Equity; and
- the related notes 1 to 27 in respect of the Group financial statements and notes 1 to 9 in respect of the parent company financial statements.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

GOING CONCERN AND THE DIRECTORS' ASSESSMENT OF THE PRINCIPAL RISKS THAT WOULD THREATEN THE SOLVENCY OR LIQUIDITY OF THE GROUP

We have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 1 to the financial statements and the directors' statement on the longer-term viability of the Group contained within the strategic report, on page 45.

We are required to state whether we have anything material to add or draw attention to in relation to:

- the directors' confirmation on page 34 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 34-35 that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- the directors' explanation on page 45 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We confirm that we have nothing material to add or draw attention to in respect of these matters.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

INDEPENDENCE

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards.

We confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

IMPAIRMENT OF THE GROUP'S TANKER SEGMENT

RISK DESCRIPTION

As a consequence of significant reductions in prevailing freight rates during 2016, the carrying value of the group's Tanker segment was considered to be a key risk. Management has concluded that its Tanker segment represents its sole cash generating unit (CGU) and has accordingly conducted its impairment assessment at an overall Tanker segment level. The carrying value of the CGU at 31 December 2016, which consists of goodwill, vessels and capitalized dry-docking and prepayments on vessels, was USD 1,573m, prior to the determination of impairment.

The recoverable amount of the CGU is highly sensitive to a number of key assumptions, as outlined further below. Significant judgement is also required in determining that the CGU represents the Group's sole cash generating unit and hence is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Management has performed a review of the CGU for indicators of impairment and has subsequently conducted an impairment test, on a value in use (discounted cash flow) basis, using the following key assumptions:

- future freight rates, which are based on the Group's most recent business plan for 2017-2019 and the 10-year historical average rates from Clarksons, amended to reduce strong rates in 2007 and also adjusted for inflation;
- utilisation;
- discount rate;
- operating expenditure; and
- capital expenditure, including dry-docking.

As referenced on page 91 of the financial statements, the carrying value of vessels is considered by management as a critical accounting judgement and key source of estimation uncertainty.

Management concluded that an impairment charge of USD 185m was required. Further details of the amounts capitalised at 31 December 2016 and the impairment charge that was recorded in the year are provided in notes 7 and 8 of the financial statements and in the Audit Committee Report on page 52.

HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE RISK	We have obtained management's value in use calculations and challenged the key assumptions by comparing them with publicly available information, our knowledge of the Group and industry and the Group's most recent business plan. This included: • assessing the design & implementation of management's controls to address the risk of impairment of its CGU; • understanding how management manages their fleet and creates positive cashflows in order to determine whether their judgement that the whole Tanker segment is one CGU is correct; • understanding the process by which management has derived its value in use estimates; • understanding and challenging the process used to develop the Group's business plan and comparing the key assumptions used for 2017-2019 to those applied in the value in use calculations; • comparing the freight rate assumptions used for 2017-2019 to third party forecasts for those periods; • comparing assumed freight rates from 2020 onwards with the published 10 year historical average freight rate and understanding the basis for the adjustments made by management to this published rate; • comparing forecast utilisation by vessel to those achieved in prior periods; • using our internal valuation specialists to perform an independent recalculation of the discount rate used; • evaluating management's historic ability to budget for operating expenses per day; • completing a scenario analysis, through which we sensitised future freight rates and the discount rate and computed what we believed to be a reasonable range of impairment charges, and then comparing management's impairment charge against this range;and • testing the clerical accuracy of the value in use calculations.
KEY OBSERVATIONS	We concur with management's assesment that TORM's fleet is, in all material regards, interchangeable, and the identification of a single CGU is consistent with how management manages the business to deliver the strongest returns. As such, considering the Tanker segment as one CGU is appropriate. Based on our scenario analysis, we are satisfied that the USD 185m charge recorded by the Group lies towards the conservative (but acceptable) end of the range and we are satisfied it is reasonable.

RECOGNITION OF REVENUE AND VOYAGE EXPENSES

RISK DESCRIPTION	Each of the Group's vessels earns revenues on the basis of specific contracts with charter parties, with revenue recognized upon delivery of services in accordance with the terms and conditions of each contract. Contracts are typically either time charters or voyage charters. For a time charter, revenue is typically earned based on a specified rate per day, with the Group retaining responsibility for crewing costs but the counterparty responsible for all other direct vessel costs, including fuel and port charges. A voyage charter is the hiring of one of the Group's vessels for a defined voyage, with revenue typically earned on a lump-sum basis and the Group retaining responsibility for all related costs. Under a voyage charter, revenue is recognised on a percentage of completion basis, based on the percentage of the estimated duration of the voyage completed at the balance sheet date. However, the contract for a single voyage may state several alternative destination ports with the consideration varying depending on the ultimate destination. Voyage expenses (being port expenses, bunkers and commissions) are recognised as incurred, however changes to the estimated duration of the voyage as well as changing destinations and weather conditions will affect the expenses that are ultimately incurred. As the revenue earned in relation to time charters in 2016 was not material, we concluded that the key risk in respect of revenue and associated voyage expenses relates to the Group's voyage charters, which exhibit significant variability in contract terms by vessel and by counterparty and require judgement to be applied in estimating the percentage of revenue to be recognised, and the associated cost, in respect of voyages in progress at year end. Further details of revenue recorded during the year and the corresponding judgements made by management are provided in note 1 of the financial statements.

HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE RISK	We have assessed the design and implementation of relevant internal controls related to revenue recognition and related port expenses, bunkers and commissions. We have also obtained a listing of all voyages for which revenue was recognised during the year and, on a sample basis, recalculated the revenue recognised on the basis of the terms of the contract, as well as agreeing it back to supporting invoices. Associated port expenses, bunkers and commissions have been tested on a sample basis by agreeing them back to invoices and other third party support. We have obtained a listing of voyages in progress at year-end and, on a sample basis, have verified that an appropriate proportion of revenue has been recognised in the year based on the relevant contract terms. Our procedures included performing a retrospective review, subsequent to year-end, to compare actual revenue and associated costs upon completion of a voyage to the amounts estimated and recorded as of 31 December 2016.
KEY OBSERVATIONS	We concur with the accounting policies applied to revenue recognition and voyage expenses and we have not identified any unadjusted misstatements exceeding our threshold for reporting.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

OUR APPLICATION OF MATERIALITY	We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work. We determined materiality for the Company to be USD 10 million, which represents 8.6% of the average profit before tax for the last two years, adjusted to exclude impairment charges. We have utilised a two-year average profit figure due to the significant volatility in prevailing freight rates during 2016 and the difficulty in predicting their future direction. The profit before tax figure used in this calculation for 2015 was the pro forma figure prepared as though the restructuring of the Group, which completed in July 2015, had occurred on 1 January 2015, as we believe this provides a more representative two-year average profit figure for the Group in its current form. In addition to this primary metric, we have also taken into consideration a number of other income statement and balance sheet metrics, with USD 10 million representing 1% of year end net assets, 2% of time charter equivalent earnings and 5% of earnings before interest, tax,depreciation and impairment. We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of USD 0.5 million, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.
AN OVERVIEW OF THE SCOPE OF OUR AUDIT	Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. All significant elements of the Group's finance and accounting function are situated and managed centrally in Copenhagen, Denmark and operate under one common internal control environment; all operations of the Group are also managed from this location. Accordingly, we concluded, that the Group's business represented a single component and therefore all operations of the Group were subject to a full scope audit. During the course of the audit, senior members of the UK audit team, including the Senior Statutory Auditor, supervised the members of the audit team who are based in Copenhagen, Denmark, and visited the Copenhagen operations during the interim and completion stages of the audit.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:
- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

ADEQUACY OF EXPLANATIONS RECEIVED AND ACCOUNTING RECORDS

Under the Companies Act 2006 we are required to report to you if, in our opinion:
- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

DIRECTORS' REMUNERATION

Under the Companies Act 2006 we are also required to report if, in our opinion, certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.

We have nothing to report arising from these matters.

OUR DUTY TO READ OTHER INFORMATION IN THE ANNUAL REPORT

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:
- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

We confirm that we have not identified any such inconsistencies or misleading statements.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and nonfinancial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

David Paterson, ACA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
9 March 2017

TORM FLEET OVERVIEW AS OF 31 DECEMBER 2016

SEGMENT	VESSEL CLASS	VESSEL	DWT	BUILT	OWNERSHIP
Tanker	LR2	TORM GUDRUN	99,965	2000	100%
Tanker	LR2	TORM HELENE	99,999	1997	100%
Tanker	LR2	TORM INGEBORG	99,999	2003	100%
Tanker	LR2	TORM KRISTINA	99,999	1999	100%
Tanker	LR2	TORM MAREN	109,672	2008	100%
Tanker	LR2	TORM MARINA	109,672	2007	100%
Tanker	LR2	TORM MATHILDE	109,672	2008	100%
Tanker	LR2	TORM VALBORG	99,999	2003	100%
Tanker	LR1	TORM EMILIE	74,999	2004	100%
Tanker	LR1	TORM ESTRID	74,999	2004	100%
Tanker	LR1	TORM ISMINI	74,999	2004	100%
Tanker	LR1	TORM SARA	72,718	2003	100%
Tanker	LR1	TORM SIGNE	72,718	2005	100%
Tanker	LR1	TORM SOFIA	72,660	2005	100%
Tanker	LR1	TORM VENTURE	73,700	2007	100%
Tanker	MR	TORM AGNES	49,999	2011	100%
Tanker	MR	TORM AGNETE	49,999	2010	100%
Tanker	MR	TORM ALEXANDRA	49,999	2010	100%
Tanker	MR	TORM ALICE	49,999	2010	100%
Tanker	MR	TORM ALMENA	49,999	2010	100%
Tanker	MR	TORM AMALIE	49,999	2011	100%
Tanker	MR	TORM AMAZON	47,275	2002	100%
Tanker	MR	TORM ANABEL	49,999	2012	100%
Tanker	MR	TORM ANNE	44,900	1999	100%
Tanker	MR	TORM ARAWA	49,999	2012	100%
Tanker	MR	TORM ASLAUG	49,999	2010	100%
Tanker	MR	TORM ASTRID	49,999	2012	100%
Tanker	MR	TORM ATLANTIC	49,999	2010	100%
Tanker	MR	TORM CAMILLA	44,990	2003	100%
Tanker	MR	TORM CARINA	46,219	2003	100%
Tanker	MR	TORM CAROLINE	44,999	2002	100%
Tanker	MR	TORM CECILIE	44,999	2001	100%
Tanker	MR	TORM CLARA	44,999	2000	100%
Tanker	MR	TORM ERIC	51,266	2006	100%
Tanker	MR	TORM FREYA	45,990	2003	100%
Tanker	MR	TORM GERD	45,960	2002	100%
Tanker	MR	TORM GERTRUD	45,990	2002	100%
Tanker	MR	TORM GUNHILD	44,999	1999	100%
Tanker	MR	TORM HARDRADA	45,983	2007	100%
Tanker	MR	TORM HELVIG	46,187	2005	100%
Tanker	MR	TORM HORIZON	46,955	2004	100%
Tanker	MR	TORM KANSAS	46,955	2006	100%
Tanker	MR	TORM LAURA	49,999	2008	100%
Tanker	MR	TORM LENE	49,999	2008	100%

SEGMENT	VESSEL CLASS	VESSEL	DWT	BUILT	OWNERSHIP
Tanker	MR	TORM LILLY	49,999	2009	100%
Tanker	MR	TORM LOKE	51,372	2007	100%
Tanker	MR	TORM LOTTE	49,999	2009	100%
Tanker	MR	TORM LOUISE	49,999	2009	100%
Tanker	MR	TORM MARY	44,990	2002	100%
Tanker	MR	TORM MOSELLE	47,024	2003	100%
Tanker	MR	TORM NECHES	47,052	2000	100%
Tanker	MR	TORM PLATTE	46,959	2006	100%
Tanker	MR	TORM RAGNHILD	46,187	2005	100%
Tanker	MR	TORM REPUBLICAN	46,955	2006	100%
Tanker	MR	TORM RESILIENCE	49,999	2005	100%
Tanker	MR	TORM ROSETTA	47,015	2003	100%
Tanker	MR	TORM SAN JACINTO	47,038	2002	100%
Tanker	MR	TORM THAMES	47,036	2005	100%
Tanker	MR	TORM THOR	49,842	2015	100%
Tanker	MR	TORM THUNDER	49,842	2015	100%
Tanker	MR	TORM TIMOTHY	49,842	2015	100%
Tanker	MR	TORM TITAN	49,842	2015	100%
Tanker	MR	TORM TORINO	49,842	2015	100%
Tanker	MR	TORM TROILUS	49,842	2015	100%
Tanker	MR	TORM THYRA	45,950	2003	100%
Tanker	MR	TORM VITA	45,990	2002	100%
Tanker	Handysize	TORM CHARENTE	35,751	2001	100%
Tanker	Handysize	TORM FOX	37,025	2005	100%
Tanker	Handysize	TORM GARONNE	37,178	2004	100%
Tanker	Handysize	TORM GYDA	36,207	2009	100%
Tanker	Handysize	TORM LOIRE	37,106	2004	100%
Tanker	Handysize	TORM MADISON	35,828	2000	100%
Tanker	Handysize	TORM OHIO	37,278	2001	100%
Tanker	Handysize	TORM RHONE	35,770	2000	100%
Tanker	Handysize	TORM SAONE	36,986	2004	100%
Tanker	Handysize	TORM TEVERE	37,383	2005	100%
Tanker	Handysize	TORM TRINITY	35,834	2000	100%

GLOSSARY

Bareboat: See B/B.

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

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

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

CAPEX: Capital expenditure.

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

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

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

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

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

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

DKK: Danish kroner.

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

EBIT/Operating profit/(loss): Earnings Before Interest and Tax.

Earning days: A measure of operating days available for generating earnings.

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

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

IAS: International Accounting Standards.

IFRS: International Financial Reporting Standards.

IMO: International Maritime Organization.

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

Loan-to-value (LTV): A measure of notional debt divided by broker values of the encumbered vessels.

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

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

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

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

MT: Metric ton.

Oaktree: Oaktree Capital Management, L.P.

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

OPEC: Organization of the Petroleum Exporting Countries.

P&I club: Protection & Indemnity club.

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

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

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

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

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

Time charter: See T/C.

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

UN Global Compact: The United Nation's social charter for enterprises, etc.

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

KEY FINANCIAL FIGURES

TCE % =	$\frac{\text{TCE}}{\text{Revenue}}$
Gross profit % =	$\frac{\text{Gross profit}}{\text{Revenue}}$
EBITDA % =	$\frac{\text{EBITDA}}{\text{Revenue}}$
Operating profit/(loss) % =	$\frac{\text{Operating profit/(loss) (EBIT)}}{\text{Revenue}}$
Return on Equity (RoE) % =	$\frac{\text{Net profit/(loss) for the year}}{\text{Average equity}}$
Return on Invested Capital (RoIC) % =	$\frac{\text{Operating profit/(loss) less tax}}{\text{Average invested capital}}$
Adjusted Return on Invested Capital (Adjusted RoIC) % =	$\frac{\text{Operating profit/(loss) less tax less impairment charges}}{\text{Average invested capital less average impairment charges}}$
Equity ratio =	$\frac{\text{Equity}}{\text{Total assets}}$
Earnings per share, EPS =	$\frac{\text{Net profit/(loss) for the year}}{\text{Average number of shares}}$
Diluted earnings/(loss) per share, EPS (USD) =	$\frac{\text{Net profit/(loss) for the year}}{\text{Average number of shares less average number of treasury shares}}$

ALTERNATIVE PERFORMANCE MEASURES

Net profit excluding impairment: Net profit excluding impairment is net profit less impairment. The table below states the net profit without the impact of the impairment adjustment of 185m USD in 2016:

USDm	Reported numbers		Pro forma	
Reconciliation to net profit	**2016**	2015	2015	2014
Net profit for the year	**-142.5**	**126.0**	**186.7**	**0.0**
Reversal of impairment losses on tangible and intangible assets	185.0	0.0	0.0	0.0
Net profit excluding impairment	**42.5**	**126.0**	**186.7**	**0.0**

EBITDA: TORM defines EBITDA as earnings before financial income and expenses, depreciation, impairment, amortization and taxes. The computation of EBITDA refers to financial income and expenses which the Company deems to be equivalent to "interest" for purposes of presenting EBITDA. Financial expenses consist of interest on bank loans, losses on foreign exchange transactions and bank charges. Financial income consists of interest income and gains on foreign exchange transactions.

EBITDA is used as a supplemental financial measure by management and external users of financial statements, such as lenders, to assess TORM's operating performance as well as compliance with the financial covenants and restrictions contained in the Company's financing agreements. TORM believes that EBITDA assists Management and investors by increasing comparability of the Company's performance from period to period. This increased comparability is achieved by excluding the potentially disparate effects of interest, depreciation, impairment, amortization and taxes. These are items that could be affected by various changing financing methods, capital structure and which may significantly affect profit/(loss) between periods. Including EBITDA as a measure benefits investors in selecting between investment alternatives.

EBITDA excludes some, but not all, items that affect profit/(loss), and these measures may vary among other companies and not be directly comparable. The following table reconciles EBITDA to net profit/(loss), the most directly comparable IFRS financial measure, for the periods presented:

USDm	Reported numbers		Pro forma	
Reconciliation to net profit/(loss)	**2016**	2015	2015	2014
Net profit/(loss) of the year	**-142.5**	**126.0**	**186.7**	**0.0**
Tax	0.8	1.0	1.1	0.8
Financial expenses	37.3	16.9	32.1	25.7
Financial income	-2.8	-1.0	-1.4	-2.9
Depreciation	122.2	67.3	100.7	94.9
Impairment losses on tangible and intangible assets	185.0	0.0	0.0	0.0
EBITDA	**200.0**	**210.3**	**319.2**	**118.5**

Time Charter Equivalent (TCE) earnings: TORM defines TCE earnings, a performance measure, as revenue after port expenses, bunkers and commissions incl. freight and bunker derivatives. The Company reports TCE earnings because we believe it provides additional meaningful information to investors in relation to revenue, the most directly comparable IFRS measure. TCE earnings is a standard shipping industry performance measure used primarily to compare period-to-period changes in a shipping company's performance irrespective of changes in the mix of charter types (i.e., spot charters, time charters and bareboat charters) under which the vessels may be employed between the periods. Below is presented a reconciliation from Revenue to TCE earnings:

USDm	Reported numbers		Pro forma	
Reconciliation to revenue	**2016**	2015	2015	2014
Revenue	**680.1**	**540.4**	**854.3**	**793.8**
Port expenses, bunkers and commissions	-221.8	-169.6	-272.3	-379.5
TCE earnings	**458.3**	**370.8**	**582.0**	**414.3**

Invested capital: TORM defines invested capital as the sum of intangible assets, tangible fixed assets, investments in joint ventures, bunkers, accounts receivables, assets held-for-sale (when applicable), deferred tax liability, trade payables, current tax liabilities and deferred income. Invested capital measures the net investment used to achieve our operating profit. The Company believes that invested capital is a relevant measure that management uses to measure the overall development of the assets and liabilities generating our net profit. Such measure may not be comparable to similarly titled measures of other companies. Invested capital is calculated as follows:

USDm	Reported numbers		Pro forma	
Invested capital	**2016**	2015	2015	2014
Tangible and intangible fixed assets	1,389.7	1,578.5	1,578.5	1,430.7
Investments in joint ventures	0.3	0.3	0.3	0.9
Bunkers	31.6	25.6	25.6	32.4
Accounts receivables[1)]	73.7	94.8	94.8	153.1
Deferred tax liability	-45.0	-45.1	-45.1	0.0
Trade payables[2)]	-61.6	-64.3	-64.3	-127.4
Current tax liabilities	-0.8	-1.8	-1.8	0.0
Deferred income	-0.2	-0.4	-0.4	-1.7
Invested capital	**1,387.8**	**1,587.6**	**1,587.6**	**1,488.0**

1) Accounts receivables includes Freight receivables, Other receivables and Prepayments.

2) Trade payables includes Trade payables and Other liabilities.

Net interest-bearing debt: Net interest-bearing debt is defined as mortgage debt and bank loans (current and non-current), finance lease liabilities less cash and cash equivalents. Net interest-bearing debt depicts the net capital resources, which cause net interest expenditure and interest rate risk and which, together with equity, are used to finance our investments. As such, TORM believes that net interest-bearing debt is a relevant measure which management uses to measure the overall development of our use of financing, other than equity. Such measure may not be comparable to similarly titled measures of other companies. Net interest-bearing debt is calculated as follows:

USDm	Reported numbers		Pro forma	
Net interest-bearing debt	**2016**	2015	2015	2014
Mortgage debt and bank loans (current and non-current)	669.6	766.2	766.2	688.5
Finance lease liabilities	13.6	13.6	13.6	0.0
Amortized bank fees	2.0	1.0	1.0	0.0
Cash and cash equivalents	-76.0	-168.3	-168.3	-69.5
Net interest-bearing debt	**609.2**	**612.5**	**612.5**	**619.0**

Net Asset Value per share (NAV/share): TORM believes that the NAV/share is a relevant measure that management uses to measure the overall development of the assets and liabilities per share. Such measure may not be comparable to similarly titled measures of other companies. NAV/share is calculated using broker values of vessels and excluding charter commitments. NAV/share is calculated as follows:

USDm	Reported numbers	
Net Asset Value per share	**2016**	2015
Total vessels value including newbuildings (broker values)	1,445.8	1,951.0
Committed CAPEX on newbuildings	-148.8	-223.9
Cash position	76.0	168.3
Bunkers	31.6	25.6
Freight receivables	62.5	83.1
Other receivables	8.1	5.8
Other plant and operating equipment	1.8	2.5
Investments in joint ventures	0.3	0.3
Prepayment	3.0	5.9
Outstanding debt[1)]	-685.2	-780.8
Trade payables	-28.5	-22.3
Other liabilities	-33.0	-42.1
Current tax liabilities	-0.8	-1.8
Total Net Asset Value (NAV)	732.7	1,171.6
Total number of shares excluding treasury shares (million)	62.0	63.8
Total Net Asset Value per share (NAV/share)	**11.8**	**18.4**

1) Outstanding debt includes long-term and short-term Mortgage debt and bank loans and Finance lease liabilities.

TORM

SERIOUSLY GOOD AT SHIPPING

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