

21 March 2016

# 10th Annual Capital Link Shipping Forum



# SAFE HARBOR STATEMENT



Matters discussed in this release may constitute forward-looking statements. Forward-looking statements reflect our current views with respect to future events and financial performance and may include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and 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
  - Financial and Operating Performance
  - Corporate Reorganization

# HIGHLIGHTS FOR 2015



## 2015 Results

- Pro forma EBITDA of USD 319m and Profit before tax of USD 188m, which is in line with guidance
- Q4 2015 EBITDA of USD 62m and Profit before tax of USD 28m
- Pro forma RoIC of 14% and pro forma Earning per Share of USD 2.9
- Net Asset Value estimated at USD 1,169m, corresponding to a NAV/share of USD 18.3 or DKK 125.1

## Product tanker market

- The product tanker freight rates across segments were USD/day ~23,000 in 2015, which are the highest since 2008
- Low oil price increased refinery margins in the first half of 2015 leading to higher production of clean petroleum products
- Freight rates peaked in Q3 2015. Freight rates in Q4 2015 and Q1 2016 have also been at profitable and strong levels

## Sales & Purchase

- Delivery of three MR newbuildings and three modern MR second-hand vessels (last three MR newbuildings have been delivered in the first quarter of 2016)
- Four LR2 newbuilding contracts with scheduled delivery in 2017-2018 including option for additional six vessels
- The value of TORM's product tanker fleet has remained flat in the fourth quarter of 2015

## Corporate events

- TORM's Restructuring was implemented on 13 July 2015, thereby creating a leading product tanker owner-operator with 81 owned vessels in addition to providing TORM with strategic and financial flexibility
- TORM became a pure-play product tanker company by completing the planned wind-down of bulk activities
- Planned corporate reorganization by a redomiciliation to the UK with the aim of facilitating a future dual listing on Nasdaq Copenhagen and New York Stock Exchange

## 2016 guidance

- For the full year 2016, TORM expects:
  - EBITDA in the range of USD 250-330m
  - Profit before tax in the range of USD 100-180m



# TORM AIMS TO BE REGARDED AS THE REFERENCE COMPANY IN THE PRODUCT TANKER SEGMENT



## Pure-play product tanker owner

Active in all large segments to meet customer demands

~80 owned product tankers

Primarily spot-orientated

Limited T/C commitments

## One TORM – Superior integrated operating platform

In-house technical and commercial management (preferred by customers)

Enhanced responsiveness to customers and higher TCEs

Cost-efficient without leakages

Moderate debt levels with attractive debt profile

Financial strength to pursue growth

Strong balance sheet gives a competitive advantage when pursuing vessel acquisitions from lenders and yards

## Strong capital structure

One  
TORM

Global  
scale

Growth

Financial  
flexibility



*Focused on profitability*

May serve as consolidator

Selective growth based on projected financial returns

In-house S&P team with relationships with brokers, yards, banks and shipowners

## Selective fleet growth

- Highlights
- Financial and Operating Performance
- Corporate Reorganization

# PRO FORMA EBITDA OF USD 319M AND A POSITIVE PBT OF USD 188M FOR 2015



USDm	Pro forma 2015*	Pro forma 2014*	Reported 2015	Reported Q4 2015
<b>P&amp;L</b>				
TCE Earnings	582	414	371	129
Gross profit	361	172	236	73
Sale of vessels	0	0	0	0
EBITDA	319	119	210	62
Profit before tax	188	1	127	28
<b>Balance sheet</b>				
Equity	976	842	976	976
NIBD	612	619	612	612
Cash and cash equivalents	168	70	168	168
<b>Key drivers</b>				
Number of vessels (#)	78	79	78	78
Tanker TCE/day (USD)	22,879	15,171	22,155	19,757
Tanker OPEX/day (USD)	7,193	7,655	7,085	7,330

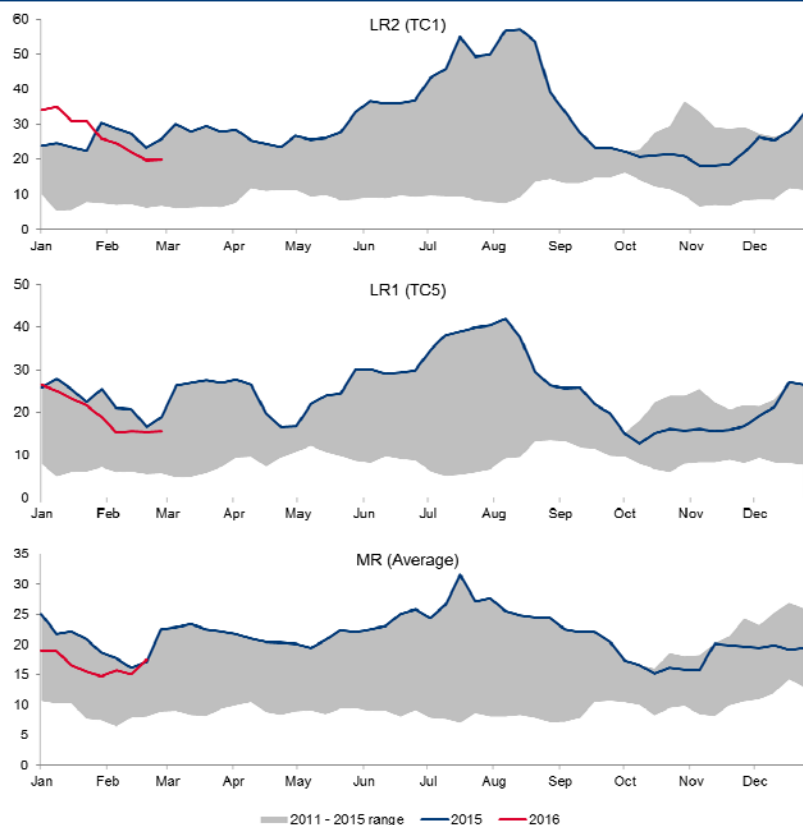
\* Pro forma figures for 2014 and 2015 presented as though the Restructuring occurred as of 1 January 2014 and 1 January 2015 respectively and include the combined TORM and Njord fleet

- Full-year **pro forma** EBITDA of USD 319m and pro forma profit before tax of USD 188m
- Full-year Equity of USD 976m and Cash and cash equivalents of USD 168m
- Q4 EBITDA of USD 62m and profit before tax of USD 28m
- Full-year **reported** EBITDA of USD 210m and profit before tax of USD 127m

# FREIGHT RATES IN 2015 REACHED THE HIGHEST SINCE 2008 AND HAS CONTINUED AT STRONG LEVELS IN 2016



## PRODUCT TANKER FREIGHT RATES IN '000 USD/DAY



### 1H 2015

- Product tanker market benefitted from higher refinery margins and output of clean petroleum products
- The MR segment benefitted from strong gasoline demand in the US as well as increased USG exports to South and Latin America
- High European exports to West Africa and large volumes of naphtha to the Far East supported the LR segments
- In the East, the newly added refineries in the Middle East contributed to an increase in export volumes
- A larger part of the LR2 fleet switched into dirty trade, as freight rates for dirty vessels showed remarkable strength

### 2H 2015

- A seasonal reduction in US gasoline demand and declines in West African demand caused the markets to soften from high levels seen in July-August
- US clean product exports reached an all-time high in Q4, but ample tonnage supply limited improvements in rates
- China's product exports reached record highs in 2H 2015
- Strong naphtha arbitrage flows from West to East and mixed aromatics flows from Europe to China increased the number of vessels in the East
- Diesel/gasoil stocks in consuming areas rose to record levels and refinery margins contracted, and the usual Q4 freight rate spike did not occur
- Logistical bottlenecks led to forced floating storage and longer sailing routes

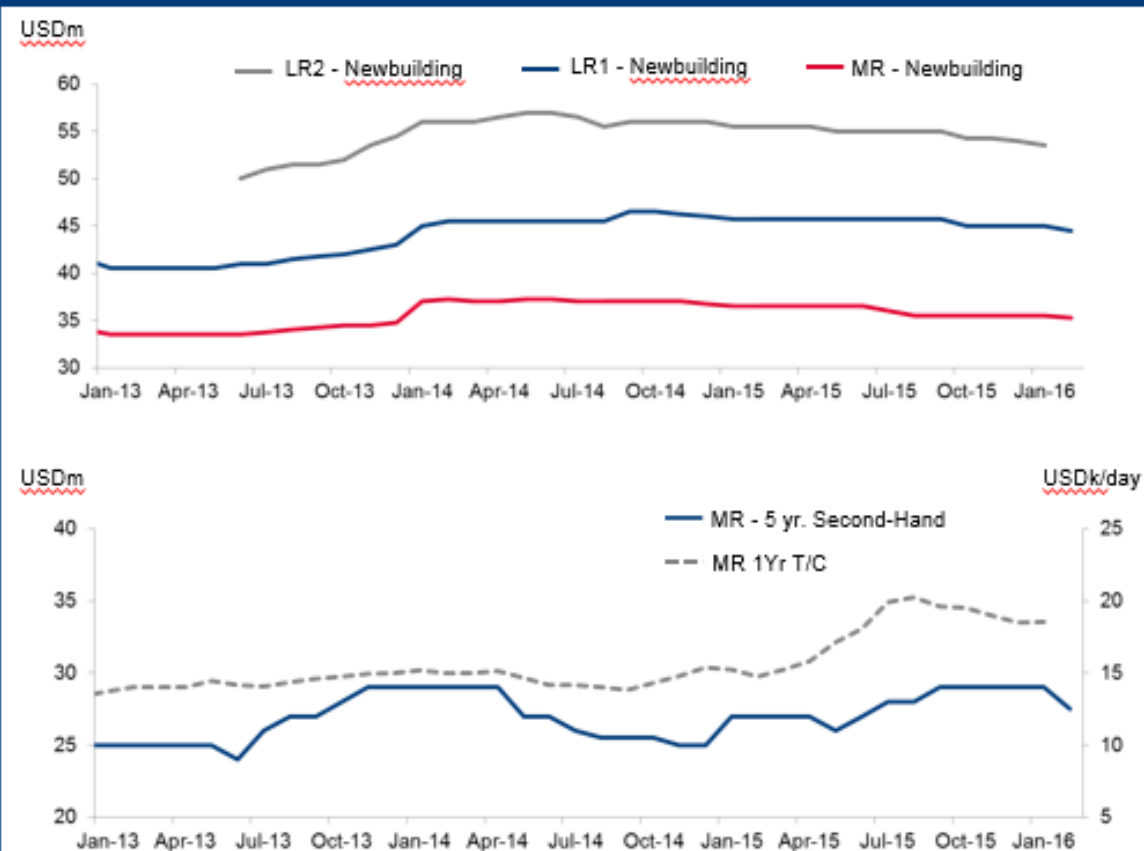
Source: Clarksons. Spot earnings: LR2: TC1 Ras Tanura-> Chiba, LR1: TC5 Ras Tanura-> Chiba and MR: average basket of Rotterdam->NY, Bombay->Chiba, Mina Al Ahmadi->Rotterdam, Amsterdam->Lome, Houston->Rio de Janeiro, Singapore->Sydney



# PRODUCT TANKER VESSEL PRICES



## VESSEL PRICE DEVELOPMENT

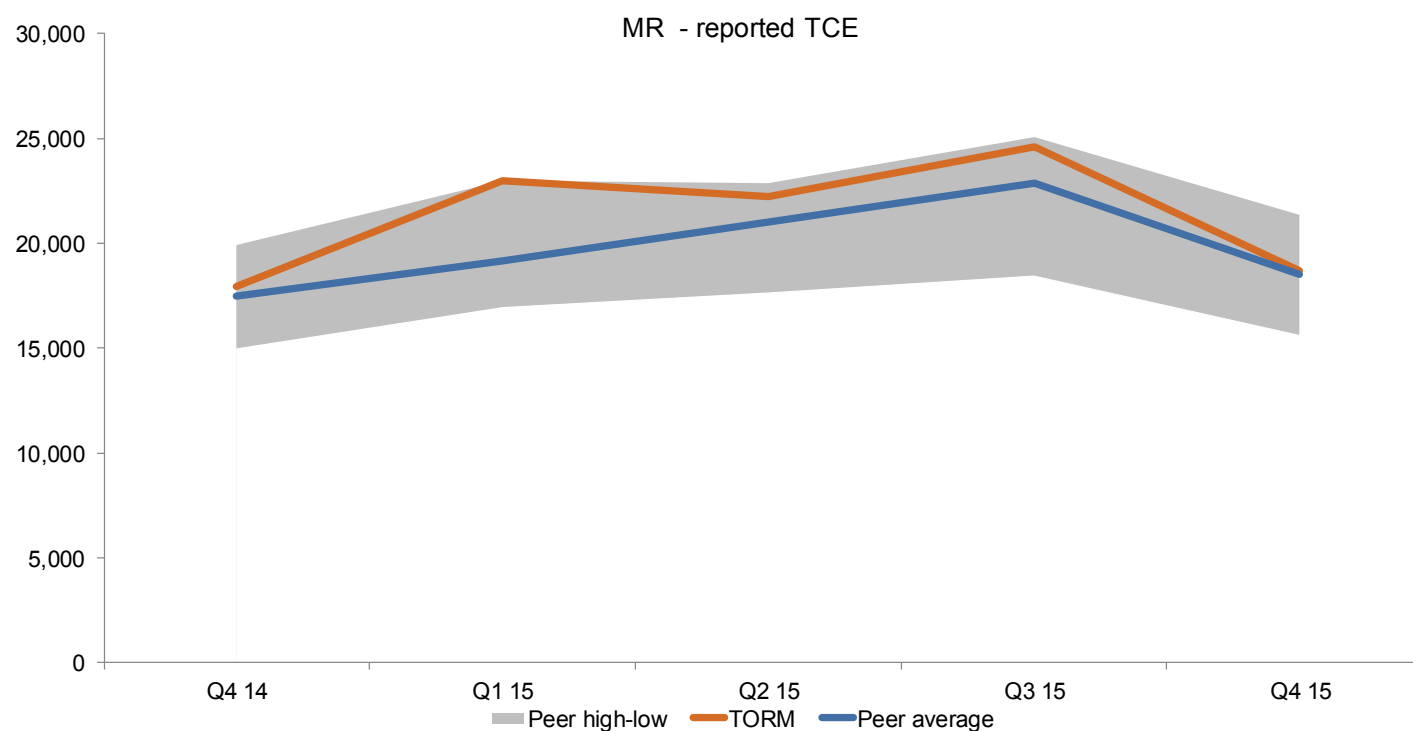


- In Q2 and Q3, the second-hand market was relatively active, but it slowed down towards the end of Q3 and into Q4
- Second-hand prices increased generally until Q3 where more sellers appeared.
- The rising supply of tonnage for sale widened the price cap as buyers started to discount prices due to the high number of sales candidates. The number of excess sale candidates increased towards the end of the year
- So far in 2016, ordering of product tanker newbuildings has been very limited

## TORM CONTINUES TO PERFORM COMMERCIALY DESPITE FINANCIAL DIFFICULTIES (PRE-RESTRUCTURING) AND AN OLDER FLEET



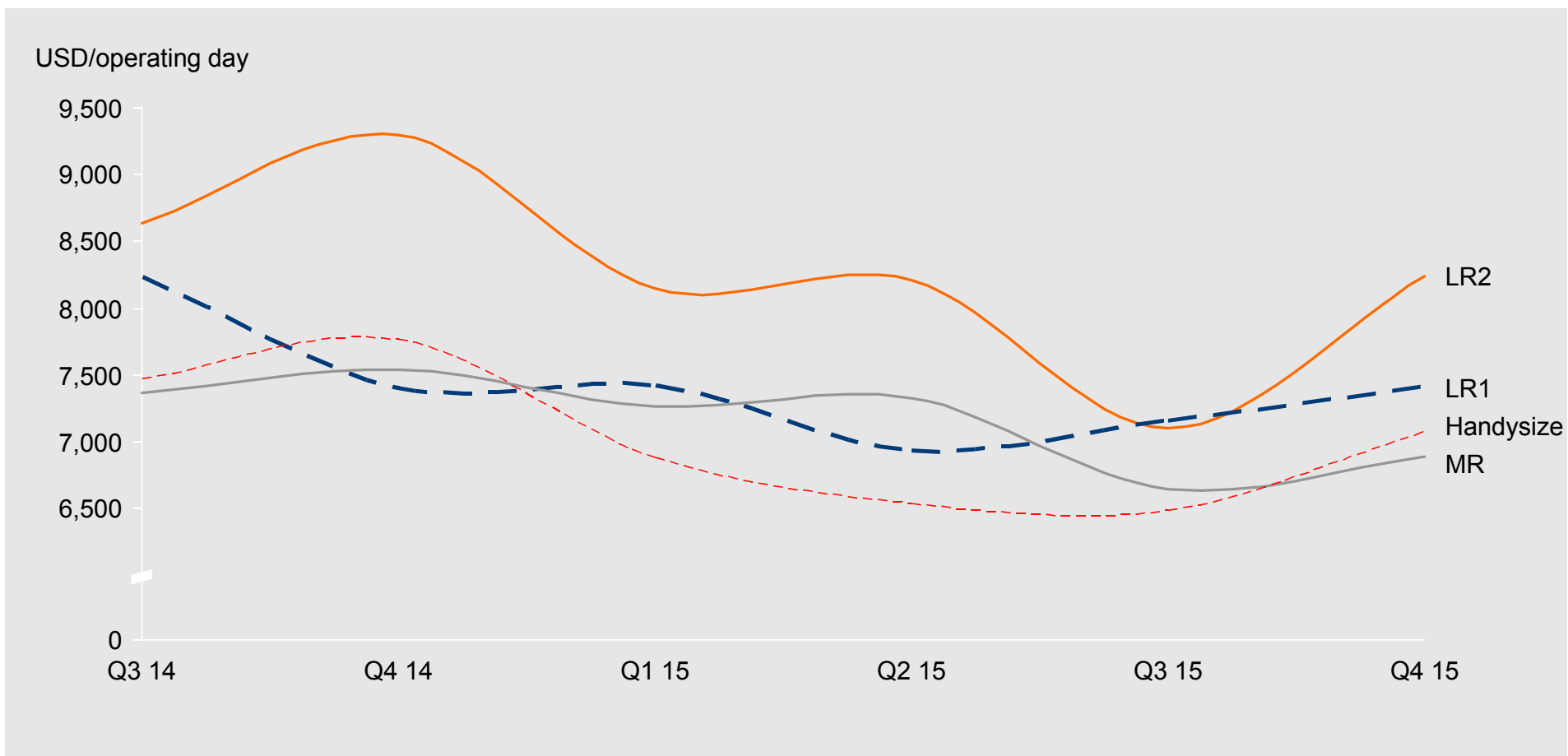
USD/day



### Notes:

- Peer group is based on Ardmore (split by ECO and ECO-modified); d'Amico, Frontline 2012, Norden, BW, Teeday Tankers and Scorpio
- Q4 2015 figures are missing Frontline 2012 and BW reporting is based on prospectus in 2015

## PRO FORMA OPEX IS TRENDING DOWNWARDS



# TORM HAS A FULLY INTEGRATED BUSINESS MODEL AND ADMIN EXPENSES ARE TRENDING SIGNIFICANTLY DOWN

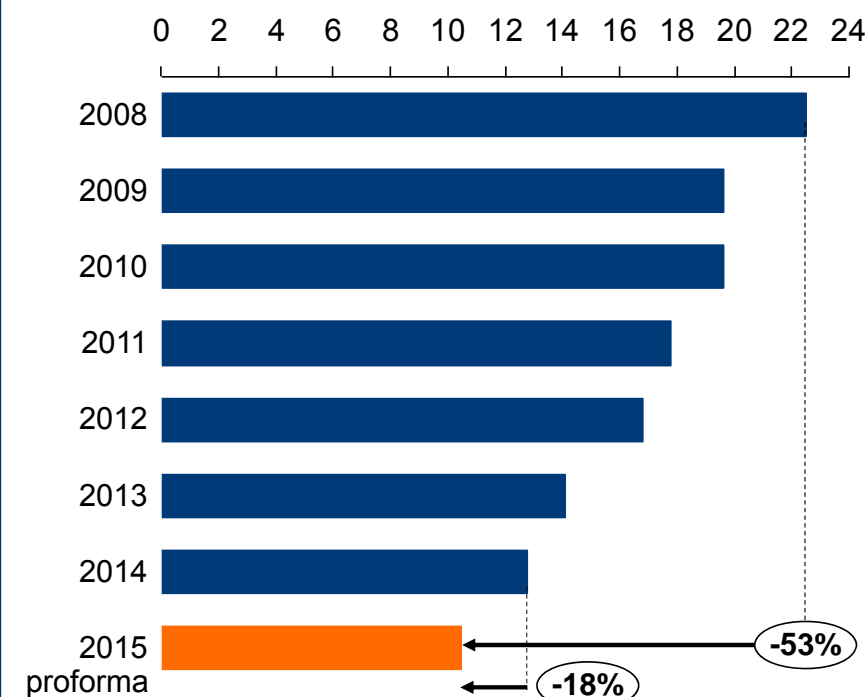


## TORM has maintained a fully integrated business model...

- TORM has a fully integrated business model to obtain the highest possible
  - trading flexibility
  - earning power
- TORM manages
  - ~80 vessels commercially
  - ~75 vessels technically
- Global reach ensures proximity to customers
- Outsourced technical and commercial management would affect other line items of the P&L
- Average admin cost per earning day is 1,580 USD

## ... and TORM's cost program has trimmed admin expenses significantly

Admin. expenses (quarterly avg. in USDm)

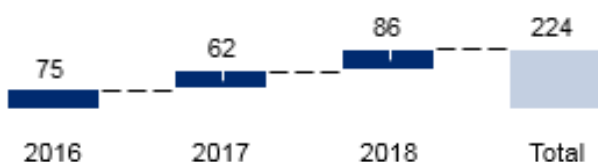


# TORM HAS A FAVOURABLE FINANCING PROFILE AND STRONG LIQUIDITY POSITION

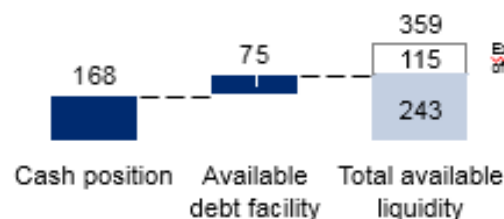


## CAPEX and Liquidity (USDm)

### CAPEX commitments



### Available liquidity

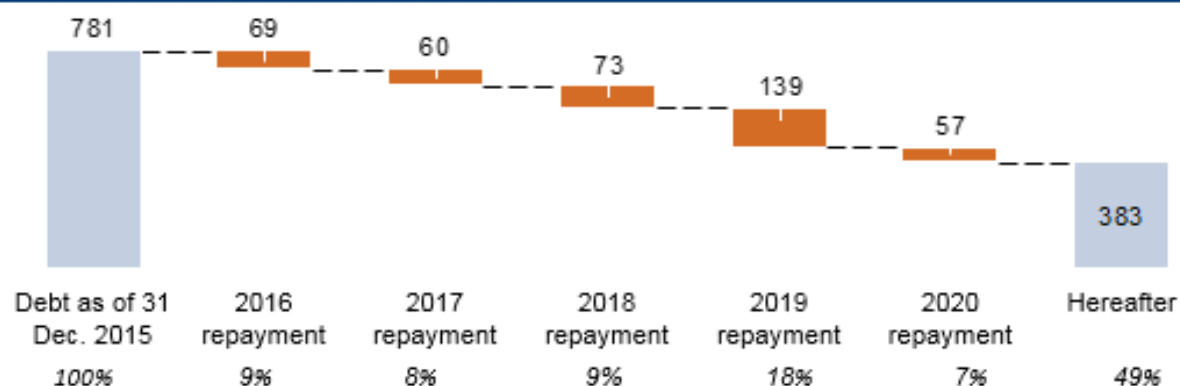


Expected financing of LR2 newbuildings

TORM is well-positioned to service future CAPEX and debt commitments

Strong operational cash flows expected in 2016

## Scheduled debt repayments (USDm)



Ample headroom under our attractive covenant package:

- Loan-to-Value (depending on facility)
- Minimum liquidity: USD 50m\*
- Minimum book equity ratio: 25% (adjusted for market value of vessels)

Debt repayments do not include any potential cash sweep under TORM's loan facilities.

\* Of which USD 20m must be cash or cash equivalents

## FORECASTED EBITDA FOR THE COMBINED COMPANY IN THE RANGE OF USD 250M TO USD 330M FOR FY2016



	2016 full-year result	USD/day 1,000 freight rate change	USD/day 2,000 freight rate change
EBITDA (USDm)	250 – 330	+/- 27	+/- 53
Profit before tax (USDm)	100 – 180	+/- 27	+/- 53
Earnings per Share (USD)	1.6 – 2.8	+/- 0.4	+/- 0.8
Earning per Share* (DKK)	10.7 – 19.2	+/- 2.8	+/- 5.7

*With 26,657 unfixed earning days as of 31 December 2015, TORM's financial result is highly exposed to freight rate fluctuations*

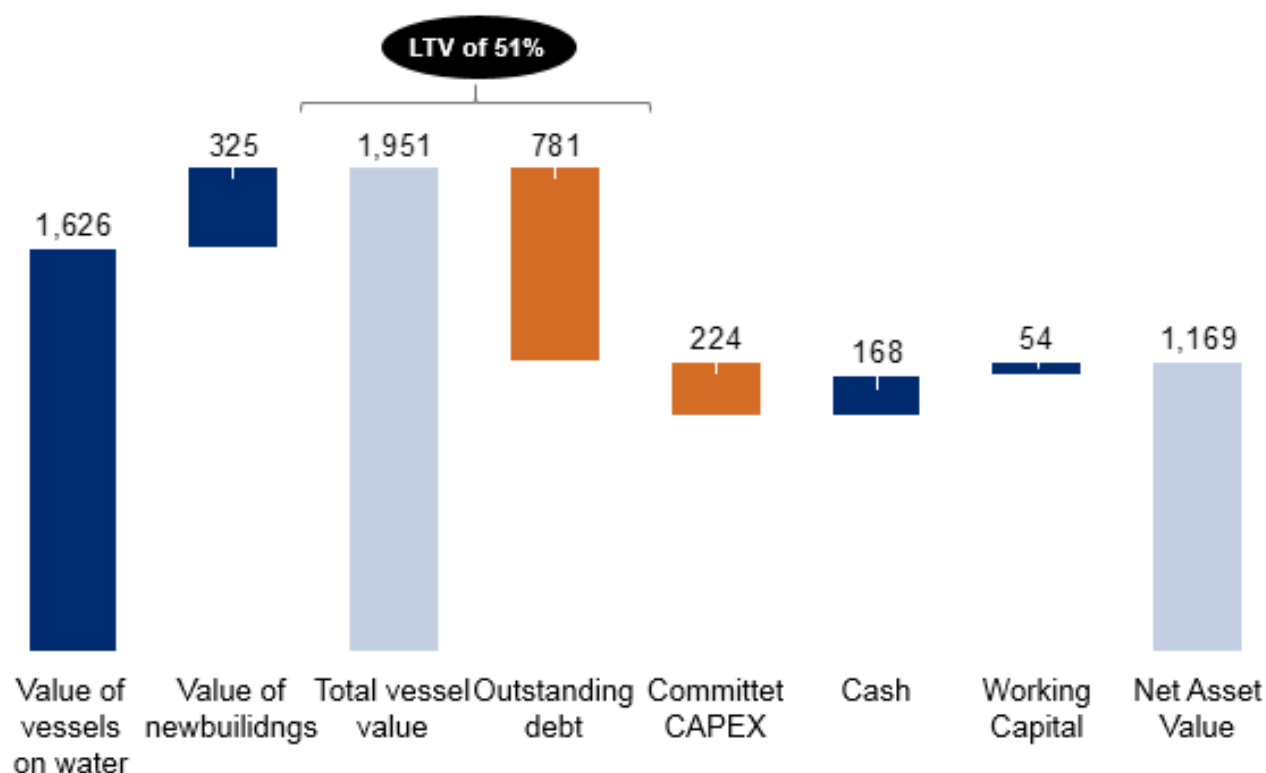
\* Earning per Share in DKK is calculated assuming an USD/DKK fx rate of 6.81



# TORM'S NET ASSET VALUE ESTIMATED AT USD 1,169M



31 December figures, USDm



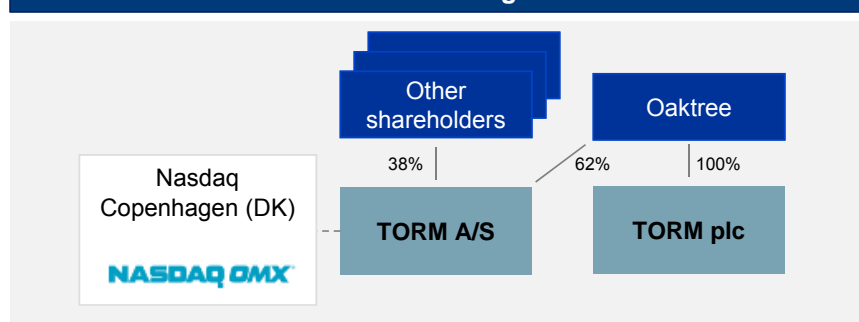
- Based on broker values, TORM's vessels including newbuildings were at 31 December 2015 estimated at USD 1,951m
- With an outstanding debt of USD 781m and committed CAPEX of USD 224m, TORM's Loan-to-Value was at 51% ensuring a strong capital structure
- Adjusting for cash and working capital, TORM's Net Asset Value (NAV) was estimated at USD 1,169m
- On a per share basis, the NAV was estimated at USD 18.3 and DKK 125.1

- Highlights
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- Corporate Reorganization

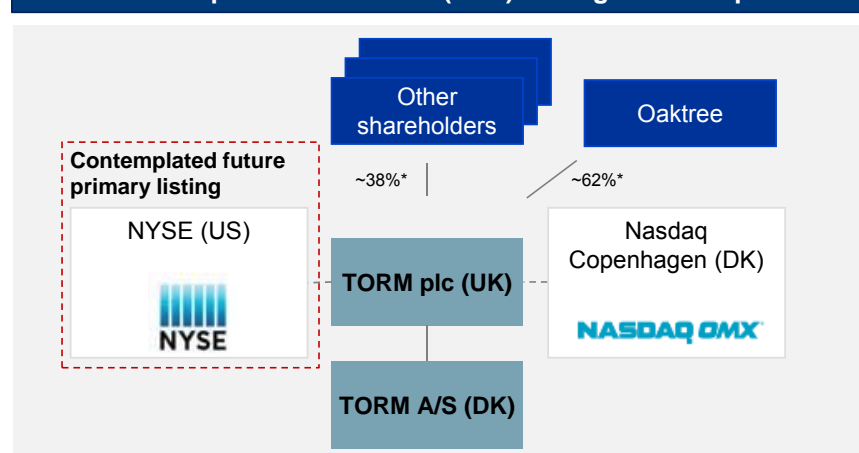
# PROPOSED CORPORATE REORGANIZATION WITH THE AIM TO FACILITATE A POSSIBLE FUTURE DUAL LISTING



## Current Structure - Listing of TORM A/S



## New Proposed Structure – (dual) Listing of TORM plc



Note:

\* Actual ownership percentage will depend on the achieved support for the Exchange Offer

- TORM A/S is contemplating a corporate reorganization involving a redomiciliation to the UK and the creation of a UK-based company, TORM plc, above TORM A/S
- The purpose of the corporate reorganization is to improve the marketability of the listed Company, to attract a broader and more diversified investor base and to facilitate a potential dual listing in the US
- The Company believes a new UK holding company structure should assist in this, as the UK legal system, corporate governance structure and tax regime, in combination, is more familiar and beneficial for TORM's investor base going forward



 **TORM**