TORM

TORM Annual Report 2015

"The positive market sentiments that started in the fourth quarter of 2014 continued throughout 2015 with freight rates reaching the highest levels since 2008. The completion of TORM's Restructuring has provided TORM with financial and strategic flexibility. TORM realized a pro forma EBITDA of USD 319m and a ROIC of 14% in 2015, when adjusting for the Restructuring," says CEO Jacob Meldgaard.

- On 13 July 2015, TORM completed the Restructuring including the contribution of 31 vessels by the Oaktree controlled entity OCM (Gibraltar) Njord Midco Ltd. ("Njord"). Due to reverse acquisition accounting, the consolidated financial results reflect the activities for Njord only for 2014 and the period from 1 January 2015 to 13 July 2015, whereas the remaining period of 2015 reflects the combined activities of TORM and Njord. The Annual Report also contains pro forma figures for 2014 and 2015, presenting TORM as if the Restructuring had been undertaken as of 1 January 2014 and 1 January 2015, respectively.

- In 2015, the Company realized a pro forma EBITDA of USD 319m (2014, pro forma: USD 119m) and reported a positive EBITDA of USD 210m. The 2015 pro forma profit before tax amounted to USD 188m (USD 1m) with the reported number being USD 127m. The performance is in line with the forecasts provided as of 11 November 2015.

- In the first half of 2015, the product tanker freight rates were driven by increasing refinery margins, strong growth in US demand for gasoline, long-haul movement of naphtha from Europe to the Far East and newly added Middle East refinery capacity. This led to strong freight rates in the first half of 2015. In the second half of the year, refinery margins and freight rates peaked during the third quarter. During the fourth quarter, freight rates softened though remained at strong levels. For the full year 2015, TORM's spot rates reached the highest levels since 2008 with pro forma spot rates of USD/day 22,986 (USD/day 15,565). The pro forma gross profit for the Tanker Division was USD 365m (USD 171m), corresponding to an increase of USD 194m year-on-year and primarily due to the increased freight rates.

- In 2015, TORM completed the wind-down of its bulk activities with the sale of the last two bulk vessels. Thereby, TORM has become a pure-play product tanker company. In line with TORM's expectations, the dry bulk market was under pressure in 2015 with freight rates reaching historically low levels. TORM achieved pro forma TCE earnings of USD/day 5,805 (USD/day 10,831) and a gross profit/(loss) of USD -4m from its bulk activities.

- On 13 July 2015, TORM, its lenders and Oaktree completed a comprehensive restructuring of TORM's balance sheet and a transformative merger between TORM and Oaktree. The Restructuring included among other things a debt write-down of USD 536m, a USD 312m debt conversion into new equity in TORM and a contribution of 25 on-the-water vessels and six newbuildings by Oaktree. In return for the vessel contribution and the debt-to-equity conversion, Oaktree and TORM's lenders obtained equity stakes in TORM of 62% and 37% respectively following a share capital increase. Further, TORM has adopted new corporate governance provisions including minority shareholder protection rights, published a listing prospectus, elected a new Board of Directors, implemented a reverse stock split with a consolidation ratio of 1,500:1 and, on 13 January 2016, conducted a subsequent share capital decrease of the Company's treasury shares.

- During the fourth quarter of 2015, TORM took delivery of three modern second-hand MR vessels (TORM Loke (built 2007), TORM Atlantic (built 2010) and TORM Astrid (built 2012)) for a total consideration of USD 79.3m. Of the six MR newbuildings contributed by Oaktree, three were delivered during the fourth quarter of 2015. The last three were delivered during the first quarter of 2016.

- On 30 November 2015, TORM ordered four fuel-efficient LR2 newbuildings from Guangzhou Shipyard International with expected delivery in the period between the fourth quarter of 2017 and the second quarter of 2018. The agreement includes the option to purchase up to six additional vessels within the LR2, LR1 or MR segments with expected delivery in 2018 and 2019. TORM expects to have a total CAPEX relating to the four firm vessels below USD 200m.

- As of 31 December 2015, TORM’s available liquidity was USD 243m and consisted of USD 168m in cash and USD 75m in undrawn credit facilities. Outstanding CAPEX relating to the order book and vessel purchases amounted to USD 224m.

- As of 31 December 2015, net interest-bearing debt amounted to USD 612m. In addition to the financial restructuring of TORM’s debt, the Company has secured a total new financing of USD 93m against collateral in three MR newbuildings and two MR vessels. As of 31 December 2015, TORM's loan-to-value ratio was 52%.

- The book value of the fleet was USD 1,565m as of 31 December 2015 excluding outstanding installments on the newbuildings of USD 224m. Based on broker valuations, TORM’s fleet including newbuildings had a market value of USD 1,951m as of 31 December 2015.

- Based on broker valuations, TORM’s net asset value (NAV), excluding charter commitments, is estimated at USD 1,169m. This corresponds to a NAV/share of USD 18.3 or DKK 125.1.

- TORM’s book equity amounted to USD 976m as of 31 December 2015. This corresponds to book equity/share of USD 15.3 or DKK 104.4.

- As of 31 December 2015, 8% of the total earning days in 2016 were covered at USD/day 23,638.

- For the full year 2016, TORM forecasts an EBITDA of USD 250 to 330m and a profit before tax of USD 100 to 180m. As 26,657 earning days are uncovered at year-end 2015, a change in freight rates of USD/day 1,000 would impact EBITDA and the profit before tax by USD 27m.

- The Board of Directors proposes that no dividend be distributed for 2015.

KEY FIGURES

	2015	2014	2013	Pro forma 2015 **)	Pro forma 2014 **)
INCOME STATEMENT (USDm)					
Revenue	540	180	23	854	794
Time charter equivalent earnings (TCE)	371	99	11	582	414
Gross profit	236	48	6	361	172
EBITDA	210	41	5	319	119
Operating profit (EBIT)	143	16	2	219	24
Financial items	-16	-4	0	-31	-23
Profit before tax	127	13	2	188	1
Net profit for the year	126	13	2	187	0
BALANCE SHEET (USDm)					
Non-current assets	1.579	537	184	1.579	1.432
Total assets	1.867	626	202	1.867	1.673
Equity	976	470	201	976	842
Total liabilities	891	156	1	891	831
Invested capital	1.588	573	200	1.588	1.488
Net interest-bearing debt	612	103	-2	612	619
Cash and cash equivalents	168	38	2	168	70
CASH FLOW (USDm)					
From operating activities	214	17	-11	-	-
From investing activities	-159	-378	-187	-	-
thereof investment in tangible fixed assets	-254	-378	-187	-	-
From financing activities	75	397	200	-	-
Total net cash flow	130	36	2	-	-
KEY FINANCIAL FIGURES **)					
Gross margins:					
TCE	68,6%	54,9%	48,3%	68,1%	52,2%
Gross profit	43,6%	26,9%	24,3%	42,3%	21,7%
EBITDA	38,9%	22,8%	20,5%	37,4%	14,9%
Operating profit	26,5%	9,0%	7,4%	25,6%	3,0%
Return on Equity (RoE)	17,4%	3,8%	1,7%	-	-
Return on Invested Capital (RoIC) ***)	13,1%	4,2%	1,7%	14,1%	1,6%
Equity ratio	52,3%	75,0%	99,8%	-	-
Exchange rate DKK/USD, end of period	6,83	6,12	5,41	-	-
Exchange rate DKK/USD, average	6,73	5,62	5,62	-	-
SHARE-RELATED KEY FIGURES **)					
Earnings per share, EPS (USD)	2,5	0,4	0,2	-	-
Diluted earnings/(loss) per share, EPS (USD)	2,5	0,4	0,2	-	-
Cash flow per share, CFPS (USD)	4,2	0,5	-1,3	-	-
Share price in DKK, end of period (per share of DKK 15 each)	97,5	-	-	-	-
Number of shares, end of period (million)	63,8	39,6	39,6	-	-
Number of shares (excl. treasury shares), average (million)	51,0	32,5	8,9	-	-

*) Key figures only consists of three years, as OCM (Gibraltar) Njord Midco Ltd. (the reporting entity) was incorporated on 30 April 2013.

**) Please refer to "Financial review" on page 40 in the Annual Report 2015 for further description of pro forma figures

***) Key figures are calculated in accordance with recommendations from the Danish Society of Financial Analysts.

****) Return on Invested Capital is defined as: Operating profit less tax expense divided by average Invested capital, defined as average of beginning and ending balances of (equity plus Net interest bearing debt less Non-operating assets).

CONTACT
Jacob Meldgaard, CEO, tel.: +45 3917 9200
Mads Peter Zacho, CFO, tel.: +45 3917 9200
Morten Agdrup, IR, tel.: +45 2199 5723

TORM A/S
Tuborg Havnevej 18
DK-2900 Hellerup, Denmark
Tel.: +45 3917 9200 / Fax: +45 3917 9393
www.torm.com

ABOUT TORM
TORM is one of the world's leading carriers of refined oil products. The Company operates a fleet of approximately 80 modern vessels with a strong commitment to safety, environmental responsibility and customer service. TORM was founded in 1889. The Company conducts business worldwide and is headquartered in Copenhagen, Denmark. TORM's shares are listed on Nasdaq Copenhagen (ticker: TORM A). For further information, please visit www.torm.com.

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.