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## Results from TORM plc's Annual General Meeting on 4 April 2017

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At the Annual General Meeting the following took place:

- The Annual Report for 2016 including the accounts and the reports of the Directors and Auditors was approved, cf. resolution 1 of the AGM notice
- The proposal that no final dividend be distributed for the year ended 31 December 2016 was approved, cf. resolution 2 of the AGM notice
- The 2016 Remuneration Report was approved, cf. resolution 3 of the AGM notice
- The Company's Remuneration Policy was approved, cf. resolution 4 of the AGM notice
- Deloitte LLP was reappointed as the Company's auditor, cf. resolution 5 of the AGM notice

The Chairman of the meeting, Executive Director Jacob Meldgaard, presented the Board of Directors' report. The full report is inserted on the following pages.

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### 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. TORM's shares are listed on Nasdaq Copenhagen (ticker: TRMD A). For further information, please visit [www.torm.com](http://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.

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## **Board of Directors' report at TORM plc's Annual General Meeting on 4 April 2017**

Dear Shareholders,

2016 was an eventful year for TORM.

In April 2016, TORM completed a corporate reorganization which included the insertion of a UK parent company, TORM plc. The Board of Directors believes that this step will improve the marketability of the Company by attracting a broader and more diversified international investor base.

In May 2016, TORM announced a Distribution Policy by which the Company will look to distribute 25-50% of net income on a semi-annual basis going forward.

In September 2016, TORM paid out its' first dividend payment of USD 25m. In total, TORM returned USD 47m to its shareholders during 2016 through the dividend payment and accretive share purchases.

Throughout the year, TORM has maintained its focus on ensuring a high level of financial and strategic flexibility. The Board of Directors is pleased that with a year-end loan-to-value ratio of 58% and a strong cash position, TORM is in a position where we have a solid base with ample financial and strategic flexibility.

### **TORM's financial results for 2016 and the Company's financial position**

In 2016, TORM realized an EBITDA of USD 200m, a decrease compared to the 2015 pro forma EBITDA of USD 319m. This decrease is mainly due to a weaker freight market in 2016 compared to the unusually strong 2015.

Vessel values fell by 25% throughout 2016, and due to an uncertain outlook TORM took an impairment charge of USD 185m at the end of the year. The impairment charge is non-cash and does not impact TORM's liquidity or financial covenants.

The 2016 profit before tax amounted to a loss of USD 142m, or a profit before tax of USD 43m when excluding the impairment charge.

Both the EBITDA and the PBT results are in line with the forecasts provided as of 15 November 2016 when adjusting for the impairment charge.

The adjusted results mean that TORM obtained a Return on Invested Capital of 4.9% in 2016.

I would now like to elaborate on 2016 from a market and operational point of view.

### **Operations in 2016**

In 2016, TORM's product tanker fleet realized average TCE earnings of USD/day 16,050.

The year started off 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 negatively impacted 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 crude tanker vessels into traditional LR2 routes negatively influenced the market. Towards the end of the year, the long-haul naphtha arbitrage increased and freight rates improved.

TORM has an ambition to become the Reference Company in the product tanker industry, and we continuously strive to optimize our operational performance.

With the One TORM approach, TORM has a number of functions in-house which others outsource, including full commercial and technical management as well as an in-house Sale & Purchase team.

The in-house commercial and technical management ensures maximum flexibility in order to optimize performance and has proven its strength by ensuring the right trade-off between maximizing the TCE and minimizing cost.

Having an internal Sale & Purchase team allows the Company to utilize relationships with brokers, yards, banks and shipowners in order to track and execute on opportunities to grow and refresh the fleet, where this makes commercial sense.

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 only 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.

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 its' safety culture, performance and quality to a higher level and ensure a common understanding of safety across the organization. The One TORM Safety Culture involves all employees both ashore and at sea.

## **Financial statements**

Next, I am going to review the financial statements for 2016. Please note that when I refer to comparable 2015 figures, I am referring to 2015 pro forma figures.

### *Income statement*

TCE earnings in 2016 amounted to USD 458m compared to USD 582m in 2015. The decrease was mainly due to lower freight rates in 2016, compared to the unusually strong 2015.

In 2016, TORM made an operating loss of USD 107m, corresponding to an operating profit of USD 78m when adjusting for the impairment.

Total administrative expenses amounted to USD 41m in 2016, which was at the same level as in 2015 even though earning days increased by 13%. On a per day basis, I believe that TORM has once again shown a strong ability to manage the cost structure in this area.

EBITDA for 2016 was USD 200m compared to 2015 pro-forma EBITDA of USD 319m. The 2016 result was in line with the forecast of USD 185-205m that was published on 15 November 2016.

The profit before tax for 2016 amounted to a loss of USD 142m or an adjusted profit of USD 43m, which is also in line with the published forecast profit before tax of USD 30-50m.

The Board of Directors is of the opinion that the financial results for 2016 are satisfactory.

#### *Balance sheet and cash flows*

TORM's total assets amounted to USD 1,571m in 2016. The carrying amount of vessels including capitalized dry-docking amounted to USD 1,344m, and there were prepayments on vessels of USD 44m.

The Company's equity was USD 781m as of 31 December 2016, which gave TORM an equity ratio of 50%.

The Group's net interest-bearing debt for 2016 was USD 609m.

TORM's operating activities in 2016 generated a net cash inflow of USD 171m. Cash flow from investing activities amounted to USD 119m, and cash flow from financing activities was a net cash outflow of USD 144m in 2016.

#### *Independent Auditor's report*

The 2016 Annual Report is issued with an unqualified auditor's report.

#### **Share price development**

TORM had 63.8m A-shares outstanding at the beginning of 2016. Following the Corporate Reorganization, TORM had 62.3m A-shares outstanding. During 2016, the average daily trading volume on Nasdaq Copenhagen was approximately 80,000 shares.

The share price ended 2016 at approximately DKK 63 per share.

As of closing yesterday, the share price was DKK 71.

#### **Dividend**

In line with the Company's Distribution Policy, the Board of Directors proposes that no dividend be distributed for the second half of 2016.

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On behalf of the Board of Directors, I would like to conclude by thanking all our stakeholders for their cooperation throughout 2016, especially in connection with the Corporate Reorganization. The Board of Directors would also like to express their appreciation to TORM's entire organization for their outstanding contribution during 2016 and so far in 2017.