

TORM plc Annual Report 2017

"I am satisfied that we were able to remain profitable in 2017 despite a challenging product tanker market. In 2017, we have expanded the fleet through a number of attractively priced vessel acquisitions and completed a dual listing on NASDAQ in New York and Copenhagen, and in January 2018 we raised USD 100m in new equity for further growth," says Executive Director Jacob Meldgaard.

- In 2017, TORM realized an EBITDA of USD 158m (2016 : USD 200m). The profit before tax amounted to USD 3m (2016 : USD -142m). TORM's performance in 2017 is satisfactory considering the market conditions and strong when comparing to peers. Return on Invested Capital (RoIC) was 2.8% (2016 : -7.2%, or 4.9% when adjusting for impairments).
- For the full year 2017, TORM achieved TCE rates of USD/day 14,621 (2016 : USD/day 16,050). Despite a healthy consumer-driven demand for refined oil products, the record high clean petroleum product inventory levels globally, which were built up during 2015 and 2016, had a negative impact on the product tanker market in 2017. Inventory drawdown was an overriding theme in 2017, which naturally had a negative impact on product tanker demand. In fact, global stocks of clean petroleum products decreased by a volume equivalent to a loss of potential trade of 4%.
- During 2017, TORM acquired six MR resale vessels and executed newbuilding options for two LR1 vessels for a total consideration of USD 259m. Two of the MR resale vessels were delivered in the third quarter of 2017. TORM has bank financing in place for all eight vessels. As of 31 December 2017, TORM's order book stood at ten newbuildings: four LR2s, four MRs and two LR1s, all from Guangzhou Shipyard International. In addition to the vessel acquisitions, TORM has over the course of 2017 sold five older vessels (one MR and four Handysize vessels). TORM has also made three sale and leaseback transactions that are treated as financial leases although they have no purchase obligation attached.
- On 11 December 2017, TORM achieved a milestone by listing its A-shares on NASDAQ in New York under the ticker TRMD. TORM's shares are now dual-listed in Copenhagen and New York, and the dual listing enables shareholders to move their shares between the two exchanges. TORM believes that over time, a dual listing will attract further investor interest, which will strengthen the Company's strategic and financial flexibility. Following the balance sheet date, on 26 January 2018, TORM completed an equity raise of USD 100m. The new equity strengthens TORM's ability to pursue attractively priced growth opportunities.
- As of 31 December 2017, TORM's available liquidity was USD 405m and consisted of USD 134m in cash and USD 271m in undrawn credit facilities. Net interest-bearing debt amounted to USD 620m. As of 31 December 2017, TORM's net loan-to-value ratio was 56%.
- Based on broker valuations, TORM's Net Asset Value (NAV) excluding charter commitments is estimated at USD 796m as of 31 December 2017. This corresponds to a NAV/share of USD 12.8 or DKK 79.7.
- TORM's equity amounted to USD 791m as of 31 December 2017. This corresponds to an equity/share of USD 12.8 or DKK 79.2.
- As of 31 December 2017, TORM's fleet including newbuildings had a market value of USD 1,661m based on broker valuations. As of 31 December 2017, TORM's order book stood at ten newbuildings: four LR2s, four MRs and two LR1s, all from Guangzhou Shipyard International. The LR2s are expected to be delivered in 2018 and the MRs and the LR1s in 2019 throughout the first quarter of 2020. Outstanding CAPEX relating to the order book and vessel purchases amounted to USD 307m.
- As of 31 December 2017, TORM performed a quarterly review of the recoverable amount of its assets by assessing the recoverable amount for the most significant assets including goodwill. Based on this review, Management concluded that the assets were unimpaired as the value in use exceeded the carrying value. The book value of the fleet was USD 1,383m as of 31 December 2017 excluding outstanding installments on the newbuildings of USD 307m.

- As of 31 December 2017, 13% of the total earning days in 2018 were covered at USD/day 18,814. As of 2 March 2018, 27% of the total earning days in 2018 were covered at USD/day 15,792.
- TORM intends to distribute 25-50% of net income semi-annually. For the first half of 2017, TORM distributed USD 1.2m in dividends. For the second half of 2017, the Board of Directors proposes that no dividend be distributed.

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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 and NASDAQ New York (tickers: TRMD A and TRMD). 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.