TORM

First quarter report 2014

"The first quarter is usually a strong period for product tankers, but this year freight rate improvements were partly offset by limited arbitrage trades and continued low European demand,"* says CEO Jacob Meldgaard, and adds: *"TORM incurred a non-cash impairment charge of USD 195m and now has negative equity. I am pleased that TORM's operational platform continues to deliver competitive results, which is the foundation for a recapitalization of the Company".
In the first quarter of 2014, TORM realized a positive EBITDA of USD 21m and a loss before tax of USD 222m including an impairment charge of USD 195m.

- EBITDA for the first quarter of 2014 was a gain of USD 21m (Q1 2013: USD 36m). Following an agreement to sell 13 vessels and updated freight rate forecasts, TORM made a non-cash impairment charge of USD 195m in the first quarter of 2014 (USD 0m). The result before tax for the first quarter of 2014 was a loss of USD 222m (USD -16m). Cash flow from operating activities after full interest payments was positive with USD 10m in the first quarter of 2014 (USD 11m).

- The first quarter of the year is usually a strong period for product tankers, but the improvements in freight rates were partly offset by low European demand and limited arbitrage trades. TORM's largest segment, MRs, achieved spot rates of USD/day 15,207 in the first quarter of 2014, which is down 14% year-on-year. The Tanker Division reported an EBITDA of USD 20m in the first quarter of 2014 (USD 46m).

- The freight rates for the relevant bulk segments were volatile, but with a downward trend throughout the first quarter of 2014. TORM's largest segment, Panamax, achieved freight rates of USD/day 12,147, which is up 98% compared to the first quarter of 2013. The Bulk Division reported an EBITDA in the first quarter of 2014 of USD 0m (USD -11m).

- The Restructuring Agreement included certain option rights, which in the first quarter of 2014 triggered TORM to sell 13 product tankers to entities controlled by Oaktree (cf. announcement no. 4 dated 7 March 2014). According to the agreement, Oaktree will place the 13 vessels under TORM's commercial management and utilize TORM's integrated operating platform for technical management. Upon completion of the transaction in the second quarter of 2014, the associated vessel financing will be fully repaid, thereby reducing the Company's debt by USD 223m. The vessels are treated as assets held for sale as of 31 March 2014.

- The book value of the fleet excl. assets held for sale was USD 1,258m as of 31 March 2014. Based on broker valuations, TORM's fleet excl. assets held for sale had a market value of USD 943m as of 31 March 2014. In accordance with IFRS, TORM estimates the product tanker fleet's total long-term earning potential each quarter based on discounted future cash flow. Following the impairment in the first quarter of 2014, the estimated value of the fleet as of 31 March 2014 supports the carrying amount.

- Net interest-bearing debt amounted to USD 1,662m as at 31 March 2014, compared to USD 1,718m as at 31 December 2013. The decrease in the first quarter of 2014 is primarily a result of repayment of debt in connection with the delivery of vessels held for sale.

- As of 31 March 2014, TORM's available liquidity was USD 106m consisting of USD 18m in cash and USD 88m in undrawn credit facilities. There are no newbuildings on order or CAPEX commitments related hereto.

- Following the impairment charge of USD 195m and the operational results in the first quarter of 2014, the equity is negative with USD 103m as at 31 March 2014.

- By 31 March 2014, TORM had covered 12% of the remaining tanker earning days in 2014 at USD/day 15,337. 60% of the remaining bulk earning days in 2014 were covered at USD/day 11,466.

- For the full year 2014, TORM adjusts the forecasts for a positive EBITDA of USD 70-100m and a loss before tax of USD 260-290m. As at 31 March 2014, 12,594 earning days for 2014 were unfixed, meaning that a change in freight rates of USD/day 1,000 will impact the forecasts by USD 13m. The forecasts are before any potential further vessel sales or impairment charges.

- TORM expects to be operational cash flow positive after full interest payments. By 31 March 2014, TORM was in compliance with its financial covenants. With the current forecasts on freight rates, TORM expects to be unable to comply with the covenant on minimum interest cover when tested as at 30 June 2014, however, TORM has already approached the lenders and expects to obtain a covenant waiver in advance of the test.

TORM is in constructive dialogue with long-standing and new lenders regarding a long-term capital structure and expects them to remain supportive.

Conference call

TORM will be hosting a conference call for financial analysts and investors at 3 pm CEST today. Please dial in 10 minutes before the conference is due to start on +45 3271 4607 (from Europe) or +1 877 491 0064 (from the USA). The presentation can be downloaded from www.torm.com.

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Key figures

		Q1 2014	Q1 2013	2013
Income statement (USDm)				
Revenue		182.9	278.2	992.3
Time charter equivalent earnings (TCE)		87.4	127.4	443.2
Gross profit		33.3	49.5	150.4
EBITDA		20.5	35.8	96.1
Operating profit (EBIT)		-203.1	4.0	-90.6
Profit/(loss) before tax		-222.0	-15.9	-166.1
Net profit/(loss)		-222.6	-16.3	-162.2
Balance sheet (USDm)				
Total assets		1,720.1	2,310.6	2,007.6
Equity		-103.2	254.8	117.7
Total liabilities		1,823.3	2,055.8	1,889.9
Invested capital		1,546.0	2,114.1	1,823.0
Net interest bearing debt		1,661.5	1,870.7	1,717.6
Cash flow (USDm)				
From operating activities		9.8	10.7	67.9
From investing activities		49.2	-8.9	93.4
Thereof investment in tangible fixed assets		-12.1	-8.9	-41.3
From financing activities		-70.3	-13.5	-160.5
Total net cash flow		-11.3	-11.7	0.8
Key financial figures				
Gross margins:				
TCE		47.8%	45.8%	44.7%
Gross profit		18.2%	17.8%	15.2%
EBITDA		11.2%	12.9%	9.7%
Operating profit		-111.0%	1.4%	-9.1%
Return on Equity (RoE) (p.a.)*)		-	-25.0%	-84.3%
Return on Invested Capital (RoIC) (p.a.)**)		-48.2%	0.8%	-4.6%
Equity ratio		-6.0%	11.0%	5.9%
Exchange rate USD/DKK, end of period		5.41	5.84	5.41
Exchange rate USD/DKK, average		5.45	5.65	5.62
Share related key figures				
Earnings per share, EPS	USD	-0.3	0.0	-0.2
Diluted earnings per share, EPS	USD	-0.3	0.0	-0.2
Cash flow per share, CFPS	USD	0.0	0.0	0.1
Share price, end of period (per share of DKK 0.01 each)	DKK	1.5	0.9	1.4
Number of shares, end of period	Million	728.0	728.0	728.0
Number of shares (excl. treasury shares), average	Million	721.3	721.3	721.3

*) Earnings/losses from sale of vessels are not annualized when calculating the return on equity.

**) Earnings/losses from sale of vessels are not annualized when calculating the Return on Invested Capital.

Results

The EBITDA result for the first quarter of 2014 was a gain of USD 21m (USD 36m). The result before tax for the first quarter of 2014 was a loss of USD 222m (USD -16m) including an impairment charge of USD 195m (USD 0m).

The Tanker Division reported an operating result (EBIT) of USD -203m in the first quarter of 2014 (USD 15m), which includes the above-mentioned impairment of USD 195m (USD 0m).

The Bulk Division reported an operating result (EBIT) in the first quarter of 2014 of USD -1m (USD -11m).

	Q1 2014			
USDm	Tanker Division	Bulk Division	Not allocated	**Total**
Revenue	173.1	9.8	0.0	182.9
Port expenses, bunkers and commissions	-95.2	-0.1	0.0	-95.3
Freight and bunker derivatives	0.0	-0.2	0.0	-0.2
Time charter equivalent earnings	77.9	9.5	0.0	**87.4**
Charter hire	-4.2	-7.5	0.0	-11.7
Operating expenses	-41.4	-1.0	0.0	-42.4
Gross profit (Net earnings from shipping activities)	32.3	1.0	0.0	33.3
Administrative expenses	-12.7	-0.8	0.0	-13.5
Other operating income	0.6	0.0	0.0	0.6
Share of results of joint ventures	0.1	0.0	0.0	0.1
EBITDA	20.3	0.2	0.0	20.5
Impairment losses on tangible and intangible assets	-195.0	0.0	0.0	-195.0
Amortizations and depreciation	-27.9	-0.7	0.0	-28.6
Operating profit (EBIT)	-202.6	-0.5	0.0	-203.1
Financial income	-	-	0.3	0.3
Financial expenses	-	-	-19.2	-19.2
Profit/(loss) before tax	-	-	-18.9	-222.0
Tax	-	-	-0.6	-0.6
Net profit/(loss) for the period	**-**	**-**	**-19.5**	**-222.6**

Outlook and coverage

For the full year 2014, TORM adjusts the forecasts for a positive EBITDA of USD 70-100m and a loss before tax of USD 260-290m. The forecasts are before any potential further vessel sales or impairment charges. In addition, TORM expects to be operating cash flow positive after full interest payments.

2014 forecast			USDm
EBITDA	70	to	100
Profit before tax	-260	to	-290
A change in freight rates of USD/day 1,000 will impact forecasts by			±13

As at 31 March 2014, TORM had covered 12% of the remaining tanker earning days in 2014 at USD/day 15,337 and 60% of the bulk earning days in the same period at USD/day 11,466.

The table on the next page shows the figures for the period from 1 April to 31 December 2014. 2015 and 2016 are full year figures.

Covered and chartered-in days in TORM

Data as of 31/03/2014

	2014	2015	2016	2014	2015	2016
		Owned days				
LR2	1,457	1,791	1,815			
LR1	1,859	2,495	2,546			
MR	5,665	7,189	7,155			
Handysize	2,943	3,883	3,960			
Tanker Division	11,925	15,357	15,476			
Panamax	518	726	728			
Handymax	-	-	-			
Bulk Division	518	726	728			
Total	**12,443**	**16,083**	**16,204**			
		T/C-in days at fixed rate			T/C-in costs, USD/day	
LR2	-	-	-	-	-	-
LR1	-	-	-	-	-	-
MR	796	726	104	14,487	15,895	16,000
Handysize	-	-	-	-	-	-
Tanker Division	796	726	104	14,487	15,895	16,000
Panamax	1,367	1,676	760	12,712	12,225	11,000
Handymax	14	-	-	11,550	-	-
Bulk Division	1,381	1,676	760	12,701	12,225	11,000
Total	**2,177**	**2,402**	**864**	**13,354**	**13,335**	**11,600**
		T/C-in days at floating rate				
LR2	550	726	684			
LR1	-	-	-			
MR	-	-	-			
Handysize	-	-	-			
Tanker Division	550	726	684			
Panamax	-	-	-			
Handymax	275	363	13			
Bulk Division	275	363	13			
Total	**825**	**1,089**	**697**			
		Total physical days			Covered days	
LR2	2,007	2,517	2,499	268	6	-
LR1	1,859	2,495	2,546	124	-	-
MR	6,461	7,915	7,259	1,046	33	-
Handysize	2,943	3,883	3,960	110	-	-
Tanker Division	13,271	16,809	16,263	1,548	38	-
Panamax	1,886	2,402	1,488	1,273	0	-
Handymax	289	363	13	30	-	-
Bulk Division	2,174	2,765	1,501	1,302	0	-
Total	**15,445**	**19,574**	**17,764**	**2,851**	**39**	**-**
		Covered, %			Coverage rates, USD/day	
LR2	13%	0%	0%	15,623	14,567	-
LR1	7%	0%	0%	16,271	-	-
MR	16%	0%	0%	14,731	16,623	-
Handysize	4%	0%	0%	19,361	-	-
Tanker Division	12%	0%	0%	15,337	16,328	-
Panamax	68%	0%	0%	11,410	11,344	-
Handymax	10%	0%	0%	13,888	-	-
Bulk Division	60%	0%	0%	11,466	11,344	-
Total	**18%**	**0%**	**0%**	**13,569**	**16,287**	**-**

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

Contracts not included above	0.0
Contracts included above	-0.2

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 from profit split arrangements. T/C-in days at floating rate determine rates at the entry of each quarter, and then TORM will receive approx. 10% profit/loss compared to this rate.

Tanker Division

The first quarter of the year is usually a strong period for product tankers, but the improvements in freight rates were partly offset by low European demand and limited arbitrage trades.

In the West, the MR activity was negatively impacted by both the cold weather in the US and the mild weather in Europe. This resulted in increased domestic demand for heating oil in the US, which reduced exports from the US. The export levels were further capped by the planned maintenance of US refineries. In Europe, the reverse situation applied with reduced demand for heating oil due to the mild weather, resulting in less imports and subsequently reduced activity levels.

In the East, the LR market was negatively impacted by the middle distillate arbitrage to Europe being shut for long periods as the European demand was sluggish. Especially the LR2 vessels continued to struggle with the overhang of vessels that cleaned up from crude oil trades in 2013, thereby increasing available tonnage. The lower-than-usual European heating oil needs also reduced the ton-mile demand in the East, as gasoil movements from the Far East normally planned for Europe ended up in South East Asia.

The global product tanker fleet (above 25,000 dwt) grew by 0.5% in the first quarter of 2014 (source: TORM).

The Tanker Division achieved LR2 spot rates of USD/day 12,415 in the first quarter of 2014, which was 13% lower than in the same period last year. The LR1 spot rates were at USD/day 15,579, down by 7% year-on-year, and the spot rates in TORM's largest segment, MR, were at USD/day 15,207, which is a decrease of 14% year-on-year. The Handysize spot rates were at USD/day 15,633, which was up by 3% year-on-year.

The Tanker Division's operating loss for the first quarter of 2014 was USD 203m including an impairment charge of USD 195m (2013: EBIT of USD 15m).

Tanker Division	Q1 13	Q2 13	Q3 13	Q4 13	**Q1 14**	Change Q1 13 - Q1 14	12 month avg.
LR2 (Aframax, 90-110,000 dwt)							
Available earning days	881	891	874	847	880	0%	
Spot rates 1)	14,245	15,346	11,350	11,711	12,415	-13%	12,482
TCE per earning day 2)	14,595	15,711	10,775	12,230	11,499	-21%	12,570
Operating days	900	850	798	736	720	-20%	
Operating expenses per operating day 3)	6,586	7,718	7,697	7,499	6,925	5%	7,477
LR1 (Panamax 75-85,000 dwt)							
Available earning days	898	637	644	624	610	-32%	
Spot rates 1)	16,796	14,252	15,282	11,231	15,579	-7%	13,962
TCE per earning day 2)	17,509	12,674	16,124	12,413	15,067	-14%	14,073
Operating days	630	637	644	644	630	0%	
Operating expenses per operating day 3)	6,930	6,805	6,568	7,067	6,513	-6%	6,739
MR (45,000 dwt)							
Available earning days	3,722	3,744	3,583	3,320	3,115	-16%	
Spot rates 1)	17,647	17,060	14,585	15,338	15,207	-14%	15,328
TCE per earning day 2)	17,210	16,457	13,909	15,046	14,141	-18%	14,929
Operating days	3,510	3,549	3,477	3,128	3,041	-13%	
Operating expenses per operating day 3)	7,189	7,164	6,999	7,279	7,560	5%	7,239
Handy (35,000 dwt)							
Available earning days	986	981	979	984	947	-4%	
Spot rates 1)	15,231	10,700	11,389	13,508	15,633	3%	12,719
TCE per earning day 2)	15,987	10,328	11,201	13,555	15,404	-4%	12,599
Operating days	990	1,001	1,012	1,012	990	0%	
Operating expenses per operating day 3)	6,859	7,028	6,973	7,402	8,157	19%	7,387

1) Spot rates = Time Charter Equivalent Earnings for all charters with less than 6 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
3) Operating expenses are related to owned vessels

Bulk Division

The freight rates for the Panamax segment were volatile, but with a downward trend throughout the first quarter of 2014.

The Panamax freight rates started the year at roughly USD/day 14,000, but quickly dropped to about USD/day 8,500-10,500 in January and February due to the expected seasonal slowdown and an early Chinese New Year. Later on, the expected increase in market activity from the South American grain season did not materialize in the first quarter, which caused the Atlantic round trip market to drop significantly.

The period market for Panamax has remained robust throughout the first quarter of 2014 with one-year time charter levels of around USD/day 14,000, however, the downward trend in spot rates has led the period interest to erode.

The global bulk fleet grew by 1.8% in the first quarter of 2014 (source: TORM).

TORM's Panamax time charter equivalent (TCE) earnings in the first quarter of 2014 were USD/day 12,147 or up by 98% compared to the same period in 2013. The realized TCE earnings for Handymax during the first quarter of 2014 were USD/day 19,162, which is 155% higher than in the same period of 2013.

The Bulk Division's operating loss for the first quarter of 2014 was USD 1m (USD -11m).

Bulk Division	Q1 13	Q2 13	Q3 13	Q4 13	**Q1 14**	Change Q1 13 - Q1 14	12 month avg.
Panamax (60-80,000 dwt)							
Available earning days	2,072	2,312	1,617	867	637	-69%	
TCE per earning day 1)	6,149	8,156	8,128	12,697	12,147	98%	9,340
Operating days	180	182	184	184	180	0%	
Operating expenses per operating day 2)	4,660	5,364	4,750	5,461	5,618	21%	5,296
Handymax (40-55,000 dwt)							
Available earning days	848	1,105	736	321	174	-79%	
TCE per earning day 1)	7,504	9,881	11,959	12,906	19,162	155%	11,643
Operating days	-	-	-	-	-	-	
Operating expenses per operating day 2)	-	-	-	-	-	-	-

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

2) Operating expenses are related to owned vessels.

Fleet development

During the first quarter of 2014, TORM delivered two MR product tankers that were sold in 2013 to entities controlled by Oaktree Capital Management (Oaktree). Oaktree has placed these vessels under TORM's commercial management in a revenue sharing scheme and utilizes TORM's integrated operating platform for technical management.

As stated in company announcements no. 4 dated 7 March 2014 and no. 8 dated 10 April 2014, TORM has sold three LR2 and ten MR product tankers to Oaktree with delivery in the second quarter of 2014. According to the agreement, Oaktree will place the 13 vessels under TORM's commercial control and utilize TORM's integrated operating platform for technical management.

As of 31 March 2014, TORM's owned fleet consists of 58 product tankers and two dry bulk vessels. 15 vessels were classified as assets held for sale. TORM has no newbuilding order book and therefore no CAPEX commitments related hereto.

TORM's operated fleet as at 31 March 2014 is shown in the table below. In addition to the 60 owned vessels, TORM had chartered-in four product tankers and six bulk vessels on longer time charter contracts (minimum one year contracts) and one bulk vessel on shorter time charter contract (less than one year contracts). Another 28 product tankers were either in pool or under commercial management with TORM.

# of vessels	Current fleet			Newbuildings and T/C-in deliveries with a period >= 12 months		
	Q4 2013	Changes	Q1 2014	2014	2015	2016
Owned vessels						
LR2	8.0	-	8.0	-3.0		
LR1	7.0	-	7.0			
MR	34.0	-2.0	32.0	-12.0		
Handysize	11.0	-	11.0			
Tanker Division	60.0	-2.0	58.0	-15.0	-	-
Panamax	2.0	-	2.0			
Handymax		-	-			
Bulk Division	2.0	-	2.0	-	-	-
Total	**62.0**	**-2.0**	**60.0**	**-15.0**	**-**	**-**
T/C-in vessels with contract period >= 12 months						
LR2	2.0	-	2.0			
LR1	-	-	-			
MR	3.0	-1.0	2.0			
Handysize	-	-	-			
Tanker Division	5.0	-1.0	4.0	-	-	-
Panamax	5.0	-	5.0			
Handymax	1.0	-	1.0			
Bulk Division	6.0	-	6.0	-	-	-
Total	**11.0**	**-1.0**	**10.0**	**-**	**-**	**-**
T/C-in vessels with contract period < 12 months						
LR2						
LR1						
MR						
Handysize						
Tanker Division	-	-	-			
Panamax	1.0	-	1.0			
Handymax	2.0	-2.0	-			
Bulk Division	3.0	-2.0	1.0			
Total	**3.0**	**-2.0**	**1.0**			
Pools/commercial management	26.0	2.0	28.0	15.0		
Total fleet	**102.0**	**-3.0**	**99.0**			

Notes on the financial reporting

Accounting policies

The interim report for the period 1 January – 31 March 2014 is presented in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and additional Danish disclosure requirements for interim reports of listed companies. The interim report has been prepared using the accounting policies as for the Annual Report for 2013 including IFRS standards endorsed by the EU effective for accounting periods beginning after 1 January 2014. The new standards have not had any material effect on the interim report. The accounting policies are described in more detail in the Annual Report for 2013. The interim report for the first three months of 2014 is unaudited, which is in line with the normal practice.

Income statement

The gross profit for the first quarter of 2014 was USD 33m (USD 50m).

Administrative costs in the first quarter of 2014 were down by 5% year-and-year at USD 14m as a result of the Company's cost program.

The result before depreciation (EBITDA) for the first quarter of 2014 was a gain of USD 21m (USD 36m).

The first quarter of 2014 had mark-to-market non-cash adjustments of USD 0m (USD 0m).

Depreciation in the first quarter of 2014 was USD 29m (USD 32m) primarily due to fewer owned vessels than in the previous year.

There was an impairment charge on the tanker fleet amounting to USD 195m in the first quarter of 2014 (USD 0m).

The primary operating result (EBIT) for the first quarter of 2014 was a loss of USD 203m (USD 4m).

The first quarter of 2014 had financial expenses of USD 19m (USD 21m).

The result after tax for the first quarter of 2014 was a loss of USD 223m (USD -16m).

Assets

Total assets were down from USD 2,008m as at 31 December 2013 to USD 1,720m as at 31 March 2014.

The book value of the fleet excl. assets held for sale was USD 1,258m as of 31 March 2014. Based on broker valuations, TORM's fleet excl. assets held for sale had a market value of USD 943m as of 31 March 2014.

TORM estimates the product tanker fleet's total long-term earning potential each quarter based on future discounted cash flow in accordance with IFRS requirements. Following the impairment in the first quarter of 2014, the estimated value of the fleet as of 31 March 2014 supports the carrying amount.

Debt

Net interest-bearing debt amounted to USD 1,662m as at 31 March 2014, compared to USD 1,718m as at 31 December 2013. The decrease in the first quarter of 2014 is primarily a result of repayment of debt in connection with the delivery of vessels held for sale.

As at 31 March 2014, TORM was in compliance with its financial covenants.

Equity

As of 31 December 2013, TORM’s equity amounted to USD 118m. The impairment charge of USD 195m and the operational results in the first quarter of 2014 have resulted in a negative equity of USD 103m as at 31 March 2014.

TORM held 6,683, 072 treasury shares as at 31 March 2014, equivalent to 0.9% of the Company's share capital. This is the same level as of 31 December 2013.

Liquidity

As of 31 March 2014, TORM’s available liquidity was USD 106m consisting of USD 18m in cash and USD 88m in undrawn credit facilities. TORM has no newbuilding order book and therefore no CAPEX commitments related hereto.

Post balance sheet events

As stated in company announcement no. 8 dated 10 April 2014, TORM confirmed a previously announced agreement in principle to sell 13 product tankers to entities controlled by Oaktree Capital Management. All necessary approvals had been obtained, and the agreement had subsequently become unconditional as per the outlined terms and conditions.

Financial calendar

TORM's second quarter report for 2014 will be published on 14 August 2014. TORM's financial calendar can be found at www.torm.com/investor-relations.

About TORM

TORM is one of the world's leading carriers of refined oil products as well as a player in the dry bulk market. The Company operates a fleet of approximately 100 modern vessels with a strong commitment to safety, environmental responsibility and customer service.

TORM was founded in 1889 and celebrated its 125 year anniversary earlier this year. The Company conducts business worldwide and is headquartered in Copenhagen, Denmark. TORM's shares are listed on NASDAQ OMX Copenhagen (ticker: TORM). 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 Company desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this cautionary statement in connection with this safe harbor legislation. The words "believe," "anticipate," "intend," "estimate," "forecast," "project," "plan," "potential," "may," "should," "expect," "pending" and similar expressions identify forward-looking statements.

Forward-looking statements in this company announcement 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 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 which 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 "tonne 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 and political events or acts by terrorists.

Forward-looking statements are based on management's current evaluation, and TORM is only under an obligation to update and change the listed expectations to the extent required by law.

Statement by the Board of Directors and Executive Management

The Board and Management have today discussed and adopted this interim report for the period 1 January – 31 March 2014.

The interim report for the period 1 January – 31 March 2014 is presented in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and additional Danish disclosure requirements for interim reports of listed companies. The interim report has been prepared using the accounting policies as for the Annual Report for 2013 including IFRS standards endorsed by the EU effective for accounting periods beginning after 1 January 2014. The new standards have not had any material effect on the interim report. The accounting policies are described in more detail in the Annual Report for 2013. The interim report for the first three months of 2014 is unaudited, in line with the normal practice.

Reference is made to note 1 on page 21 and note 3 on page 22 that as at 31 March 2014 TORM was in compliance with its financial covenants. With the current forecasts on freight rates, TORM expects to be unable to comply with the covenant on minimum interest cover when tested as at 30 June 2014, however, TORM has already approached the lenders and expects to obtain a covenant waiver in advance of the test. TORM is in constructive dialogue with long-standing and new lenders regarding a long-term capital structure and expects them to remain supportive.

We believe the accounting practices used are reasonable, and that this interim report gives a true and accurate picture of the Group's assets, debt, financial position, results and cash flow.

Copenhagen, 14 May 2014

Management

Jacob Meldgaard, CEO

Board of Directors

Flemming Ipsen, Chairman

Olivier Dubois, Deputy Chairman

Kari Millum Gardarnar

Alexander Green

Rasmus Johannes Hoffmann

Jon Syvertsen

Consolidated income statement

USDm		Q1 2014	Q1 2013	2013
Revenue		182.9	278.2	992.3
Port expenses, bunkers and commissions		-95.3	-151.9	-550.5
Freight and bunker derivatives		-0.2	1.1	1.4
Time charter equivalent earnings		87.4	127.4	443.2
Charter hire		-11.7	-34.7	-119.2
Operating expenses		-42.4	-43.2	-173.6
Gross profit (Net earnings from shipping activities)		33.3	49.5	150.4
Administrative expenses		-13.5	-14.2	-56.5
Other operating income		0.6	0.3	1.7
Share of results of joint ventures		0.1	0.2	0.5
EBITDA		20.5	35.8	96.1
Impairment losses on tangible and intangible assets		-195.0	0.0	-59.8
Amortizations and depreciation		-28.6	-31.8	-126.9
Operating profit (EBIT)		-203.1	4.0	-90.6
Financial income		0.3	1.1	4.2
Financial expenses		-19.2	-21.0	-79.7
Profit/(loss) before tax		-222.0	-15.9	-166.1
Tax		-0.6	-0.4	3.9
Net profit/(loss) for the period		-222.6	-16.3	-162.2
Earnings/(loss) per share, EPS				
Earnings/(loss) per share, EPS	USD	-0.3	0.0	-0.2
Earnings/(loss) per share, EPS	DKK*	-1.7	-0.1	-1.3
Diluted earnings/(loss) per share	USD	-0.3	0.0	-0.2
Diluted earnings/(loss) per share	DKK*	-1.7	-0.1	-1.3

*) The key figures have been translated from USD to DKK using the average USD/DKK exchange change rate for the period in question.

Consolidated income statement per quarter

USDm		Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Revenue		182.9	193.0	231.7	289.4	278.2
Port expenses, bunkers and commissions		-95.3	-96.8	-135.4	-166.4	-151.9
Freight and bunker derivatives		-0.2	0.6	0.6	-0.9	1.1
Time charter equivalent earnings		87.4	96.8	96.9	122.1	127.4
Charter hire		-11.7	-17.1	-28.6	-38.8	-34.7
Operating expenses		-42.4	-42.3	-43.7	-44.4	-43.2
Gross profit (Net earnings from shipping activities)		33.3	37.4	24.6	38.9	49.5
Administrative expenses		-13.5	-13.6	-14.3	-14.4	-14.2
Other operating income		0.6	0.8	0.5	0.1	0.3
Share of results of joint ventures		0.1	0.1	0.0	0.2	0.2
EBITDA		20.5	24.7	10.8	24.8	35.8
Impairment losses on tangible and intangible assets		-195.0	-54.8	0.0	-5.0	0.0
Amortizations and depreciation		-28.6	-31.6	-31.9	-31.6	-31.8
Operating profit (EBIT)		-203.1	-61.7	-21.1	-11.8	4.0
Financial income		0.3	1.0	0.4	1.7	1.1
Financial expenses		-19.2	-19.4	-19.3	-20.0	-21.0
Profit/(loss) before tax		-222.0	-80.1	-40.0	-30.1	-15.9
Tax		-0.6	4.6	-0.2	-0.1	-0.4
Net profit/(loss) for the period		-222.6	-75.5	-40.2	-30.2	-16.3
Earnings/(loss) per share, EPS						
Earnings/(loss) per share, EPS	USD	-0.3	-0.1	-0.1	0.0	0.0
Diluted earnings/(loss) per share	USD	-0.3	-0.1	-0.1	0.0	0.0

Consolidated statement of comprehensive income

USDm	**Q1 2014**	Q1 2013	2013
Net profit/(loss) for the period	-222.6	-16.3	-162.2
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange rate adjustment arising on translation of entities using a measurement currency different from USD	-0.1	0.0	-0.3
Fair value adjustment on hedging instruments	0.1	0.0	0.0
Value adjustment on hedging instruments transferred to income statement	1.6	3.9	11.5
Fair value adjustment on available for sale investments	0,0	-0.3	0.6
Other comprehensive income after tax	1.6	3.6	11.8
Total comprehensive income	**-221.0**	-12.7	-150.4

Consolidated balance sheet – Assets

USDm	**31 March 2014**	31 March 2013	31 December 2013
NON-CURRENT ASSETS			
Intangible assets			
Goodwill	0.0	0.0	0.0
Other intangible assets	1.5	1.7	1.5
Total intangible assets	1.5	1.7	1.5
Tangible fixed assets			
Land and buildings	0.0	0.8	0.0
Vessels and capitalized dry-docking	1,258.3	1,922.9	1,692.7
Other plant and operating equipment	4.3	5.9	4.7
Total tangible fixed assets	1,262.6	1,929.6	1,697.4
Financial assets			
Investment in joint ventures	1.1	1.2	1.1
Other investments	12.3	11.4	12.3
Total financial assets	13.4	12.6	13.4
TOTAL NON-CURRENT ASSETS	**1,277.5**	1,943.9	1,712.3
CURRENT ASSETS			
Bunkers	43.2	59.8	46.1
Freight receivables	80.7	123.5	79.7
Other receivables	10.2	16.6	13.3
Prepayments	7.9	16.2	7.6
Cash and cash equivalents	17.8	16.6	29.1
	159.8	232.7	175.8
Non-current assets held for sale	282.8	134.0	119.5
TOTAL CURRENT ASSETS	**442.6**	366.7	295.3
TOTAL ASSETS	**1,720.1**	2,310.6	2,007.6

Consolidated balance sheet – Equity and liabilities

USDm	**31 March 2014**	31 March 2013	31 December 2013
EQUITY			
Common shares	1.2	1.2	1.2
Special reserve	61.0	61.0	61.0
Treasury shares	-19.0	-19.1	-19.0
Revaluation reserves	6.9	6.0	6.9
Retained profit	-147.5	220.5	75.0
Hedging reserves	-9.5	-18.8	-11.2
Translation reserves	3.7	4.0	3.8
TOTAL EQUITY	-103.2	254.8	117.7
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred tax liability	46.3	53.1	46.3
Mortgage debt and bank loans	1,360.0	1,872.1	1,565.2
Finance lease liabilities	13.3	13.6	12.9
Deferred income	3.7	4.9	4.1
TOTAL NON-CURRENT LIABILITIES	1,423.3	1,943.7	1,628.5
CURRENT LIABILITIES			
Mortgage debt and bank loans	306.0	1.6	168.6
Trade payables	40.3	72.5	43.9
Current tax liabilities	1.6	0.4	1.6
Other liabilities	48.4	36.4	43.5
Deferred income	3.7	1.2	3.8
TOTAL CURRENT LIABILITIES	400.0	112.1	261.4
TOTAL LIABILITIES	**1,823.3**	2,055.8	1,889.9
TOTAL EQUITY AND LIABILITIES	**1,720.1**	2,310.6	2,007.6

Consolidated statement of changes in equity as at 1 January – 31 March 2014

USDm	Common shares	Special reserve	Treasury shares	Retained profit	Revaluation reserves	Hedging reserves	Translation reserves	**Total**
Equity at 1 January 2014	1.2	61.0	-19.0	75.0	6.9	-11.2	3.8	**117.7**
Comprehensive income for the year:								
Net profit/(loss) for the year	-	-	-	-222.6	-	-	-	-222.6
Other comprehensive income for the year	-	-	-	-	0,0	1.7	-0.1	1.6
Total comprehensive income for the year	**-**	**-**	**-**	**-222.6**	**0.0**	**1.7**	**-0.1**	**-221.0**
Share-based compensation	-	-	-	0.1	-	-	-	0.1
Total changes in equity Q1 2014	0.0	0.0	0.0	-222.5	0.0	1.7	-0.1	-220.9
Equity at 31 March 2014	1.2	61.0	-19.0	-147.5	6.9	-9.5	3.7	-103.2

Consolidated statement of changes in equity as at 1 January – 31 March 2013

USDm	Common shares	Special reserve	Treasury shares	Retained profit	Revaluation reserves	Hedging reserves	Translation reserves	**Total**
Equity at 1 January 2013	1.2	61.0	-19.1	236.6	6.3	-22.7	4.0	**267.3**
Comprehensive income for the year:								
Net profit/(loss) for the year	-	-	-	-16.3	-	-	-	-16.3
Other comprehensive income for the year	-	-	-	-	-0.3	3.9	0.0	3.6
Total comprehensive income for the year	-	**-**	**-**	**-16.3**	**-0.3**	**3.9**	**0.0**	**-12.7**
Share-based compensation	-	-	-	0.2	-	-	-	0.2
Total changes in equity Q1 2013	0.0	0.0	0.0	-16.1	-0.3	3.9	0.0	-12.5
Equity at 31 March 2013	1.2	61.0	-19.1	220.5	6.0	-18.8	4.0	**254.8**

Consolidated statement of cash flow

USDm	**Q1 2014**	Q1 2013	2013
Cash flow from operating activities			
Operating profit	-203.1	4.0	-90.6
Adjustments:			
Reversal of amortizations and depreciation	28.6	31.8	126.9
Reversal of impairment of tangible and intangible assets	195.0	0.0	59.8
Reversal of share of results of joint ventures	-0.1	-0.2	-0.5
Reversal of other non-cash movements	-0.8	0.0	5.2
Dividends received	0.0	0.0	0.5
Dividends received from joint ventures	0.0	0.0	0.5
Interest received and exchange rate gains	0.1	0.0	0.1
Interest paid and exchange rate losses	-12.5	-13.7	-55.1
Advisor fees related to financing and restructuring plan	-0.9	0.0	-1.2
Income taxes paid/repaid	-0.8	-0.5	-1.9
Change in bunkers, accounts receivables and payables	4.3	-10.7	24.2
Net cash flow from operating activities	**9.8**	10.7	67.9
Cash flow from investing activities			
Investment in tangible fixed assets	-12.1	-8.9	-41.3
Sale of non-current assets	61.3	0.0	134.7
Net cash flow from investing activities	**49.2**	-8.9	93.4
Cash flow from financing activities			
Borrowing, mortgage debt	0.0	15.0	18.0
Repayment/redemption, mortgage debt	-70.3	-27.4	-177.5
Transaction costs share issue	0.0	-1.1	-1.1
Purchase/disposals of treasury shares	0.0	0.0	0.1
Net cash flow from financing activities	**-70.3**	-13.5	-160.5
Net cash flow from operating, investing and financing activities	**-11.3**	-11.7	0.8
Cash and cash equivalents, beginning balance	29.1	28.3	28.3
Cash and cash equivalents, ending balance	**17.8**	16.6	29.1

Consolidated quarterly statement of cash flow

USDm	**Q1 2014**	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Cash flow from operating activities					
Operating profit	-203.1	-61.7	-21.1	-11.8	4.0
Adjustments:					
Reversal of amortizations and depreciation	28.6	31.6	31.9	31.6	31.8
Reversal of impairment of tangible and intangible assets	195.0	54.8	0.0	5.0	0.0
Reversal of share of results of joint ventures	-0.1	-0.1	0.0	-0.2	-0.2
Reversal of other non-cash movements	-0.8	-1.3	4.9	1.6	0.0
Dividends received	0.0	0.0	0.0	0.5	0.0
Dividends received from joint ventures	0.0	0.0	0.0	0.5	0.0
Interest received and exchange rate gains	0.1	0.0	0.1	0.0	0.0
Interest paid and exchange rate losses	-12.5	-12.5	-14.2	-14.7	-13.7
Advisor fees related to financing and restructuring plan	-0.9	-1.2	0.0	0.0	0.0
Income taxes paid/repaid	-0.8	-1.3	0.0	-0.1	-0.5
Change in bunkers, accounts receivables and payables	4.3	12.4	7.2	15.4	-10.7
Net cash flow from operating activities	**9.8**	20.7	8.8	27.7	10.7
Cash flow from investing activities					
Investment in tangible fixed assets	-12.1	-11.7	-13.2	-7.5	-8.9
Sale of non-current assets	61.3	0.0	134.0	0.7	0.0
Net cash flow from investing activities	**49.2**	-11.7	120.8	-6.8	-8.9
Cash flow from financing activities					
Borrowing, mortgage debt	0.0	0.0	3.0	0.0	15.0
Repayment/redemption, mortgage debt	-70.3	-10.5	-127.3	-12.3	-27.4
Transaction costs share issue	0.0	0.0	0.0	0.0	-1.1
Purchase/disposals of treasury shares	0.0	0.1	0.0	0.0	0.0
Net cash flow from financing activities	**-70.3**	-10.4	-124.3	-12.3	-13.5
Net cash flow from operating, investing and financing activities	**-11.3**	-1.4	5.3	8.6	-11.7
Cash and cash equivalents, beginning balance	29.1	30.5	25.2	16.6	28.3
Cash and cash equivalents, ending balance	**17.8**	29.1	30.5	25.2	16.6

Notes

Note 1 - Impairment test
As at 31 March 2014, Management performed a review of the recoverable amount of the assets by assessing the recoverable amount for the significant assets within the Tanker Division and the Bulk Division.

Based on the review, Management concluded that:
- Assets within the Bulk Division were not impaired as the fair value less costs to sell equals the carrying amount
- Assets within the Tanker Division were impaired by USD 195m composed of USD 46m relating to assets held for sale and USD 149m to the remaining tanker fleet

Tanker Division
The methodology used for calculating the value in use is unchanged compared to the Annual Report for 2013 and accordingly the freight rate estimates in the period 2014 to 2016 are based on the Company's business plans. Beyond 2016, the freight rates are based on the 10-year historical average freight rates from Clarksons adjusted by the inflation rate.

The WACC is 8.1% (31 March 2013: 8.0%) and 8.3% as at 31 December 2013.

The 10-year historical average spot freight rates as of 31 March 2014 are as follows:
- LR2 USD/day 24,785 (31 March 2013: USD/day 25,884)
- LR1 USD/day 21,350 (31 March 2013: USD/day 22,097)
- MR USD/day 18,311 (31 March 2013: USD/day 19,718)

Management believes that these major assumptions are reasonable.

The calculation of the value in use is very sensitive to changes in the key assumptions, which are considered to be related to the future development in freight rates, the WACC applied as discounting factor in the calculations and the development in operating expenses. The sensitivities have been assessed as follows, all other things being equal:

- A decrease in the tanker freight rates of USD/day 1,000 would result in an additional impairment of USD 140m for the Tanker Division
- An increase of the WACC of 1.0% would result in an additional impairment of USD 85m for the Tanker Division
- An increase of the operating expenses of 10.0% would result in an additional impairment of USD 115m for the Tanker Division

As outlined above, the impairment tests have 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 of TORM's vessels was USD 943m, which is USD 315m less than the carrying impaired amount.

Note 2 - Vessels and capitalized dry-docking

USDm	**31 March 2014**	31 March 2013	31 Dec. 2013
Cost:			
Balance at 1 January	2,575.9	2,752.0	2,752.0
Additions	10.8	5.0	41.2
Disposals	-3.8	0.0	-19.4
Transferred to non-current assets held for sale	-468.7	0.0	-197.9
Balance	2,114.2	2,757.0	2,575.9
Depreciation and impairments:			
Balance at 1 January	883.2	803.7	803.7
Disposals	-3.7	0.0	-19.4
Depreciation for the year	27.1	30.5	122.5
Impairment loss	195.0	0.0	54.8
Transferred to/from other items	-245.7	0.0	-78.4
Balance	855.9	834.2	883.2
Carrying amount	1,258.3	1,922.8	1,692.7

Note 3 - Mortgage debt and bank loans

USDm	**31 March 2014**	31 March 2013	31 Dec. 2013
Mortgage debt and bank loans			
To be repaid as follows:			
Falling due within one year	310.9	0.0	172.9
Falling due between one and two years	66.4	117.9	87.8
Falling due between two and three years	1,304.0	100.0	1,488.9
Falling due between three and four years	0.0	1,675.9	0.0
Falling due between four and five years	0.0	0.0	0.0
Falling due after five years	0.0	0.0	0.0
Total	1,681.3	1,893.8	1,749.6

The presented amounts to be repaid do not include directly related costs arising from the issuing of the loans of USD 15.3m (31 March 2013: 20.1m), which are amortized over the term of the loans.

As at 31 March 2014, TORM was in compliance with its financial covenants. With the current forecasts on freight rates, TORM expects to be unable to comply with the covenant on minimum interest cover when tested as at 30 June 2014, however, TORM has already approached the lenders and expects to obtain a covenant waiver in advance of the test. TORM is in constructive dialogue with long-standing and new lenders regarding a long-term capital structure and expects them to remain supportive.

Note 4 - Segment information

	Q1 2014				Q1 2013			
USDm	Tanker Division	Bulk Division	Not allocated	Total	Tanker Division	Bulk Division	Not allocated	**Total**
Revenue	173.1	9.8	0.0	182.9	218.8	59.4	0.0	278.2
Port expenses, bunkers and commissions	-95.2	-0.1	0.0	-95.3	-110.5	-41.4	0.0	-151.9
Freight and bunker derivatives	0.0	-0.2	0.0	-0.2	0.1	0.9	0.0	1.0
Time charter equivalent earnings	77.9	9.5	0.0	**87.4**	108.4	18.9	0.0	**127.3**
Charter hire	-4.2	-7.5	0.0	-11.7	-8.1	-26.6	0.0	-34.7
Operating expenses	-41.4	-1.0	0.0	-42.4	-42.3	-0.8	0.0	-43.1
Gross profit (Net earnings from shipping activities)	32.3	1.0	0.0	**33.3**	58.0	-8.5	0.0	**49.5**
Administrative expenses	-12.7	-0.8	0.0	-13.5	-12.1	-2.1	0.0	-14.2
Other operating income	0.6	0.0	0.0	0.6	0.3	0.0	0.0	0.3
Share of results of jointly controlled entities	0.1	0.0	0.0	0.1	0.2	0.0	0.0	0.2
EBITDA	20.3	0.2	0.0	**20.5**	46.4	-10.6	0.0	**35.8**
Impairment losses on jointly controlled entities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Impairment losses on tangible and intangible assets	-195.0	0.0	0.0	-195.0	0.0	0.0	0.0	0.0
Amortizations and depreciation	-27.9	-0.7	0.0	-28.6	-31.1	-0.7	0.0	-31.8
Operating profit (EBIT)	-202.6	-0.5	0.0	**-203.1**	15.3	-11.3	0.0	**4.0**
Financial income	-	-	0.3	0.3	-	-	1.1	1.1
Financial expenses	-	-	-19.2	-19.2	-	-	-21.0	-21.0
Profit/(loss) before tax	-	-	-18.9	**-222.0**	-	-	-19.9	**-15.9**
Tax	-	-	-0.6	-0.6	-	-	-0.4	-0.4
Net profit/(loss) for the period	**-**	**-**	**-19.5**	**-222.6**	**-**	**-**	-20.3	**-16.3**
BALANCE SHEET								
Total non-current assets	1,230.3	34.9	12.3	1,277.5	1,891.4	35.4	17.1	1,943.9

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

Note 5 – Subsequent events

As stated in company announcement no. 8 dated 10 April 2014, TORM confirmed a previously announced agreement in principle to sell 13 product tankers to entities controlled by Oaktree Capital Management. All necessary approvals had been obtained, and the agreement had subsequently become unconditional as per the outlined terms and conditions.

Note 6 - Accounting policies

The interim report for the period 1 January – 31 March 2014 is presented in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and additional Danish disclosure requirements for interim reports of listed companies. The interim report has been prepared using the accounting policies as for the Annual Report for 2013 including IFRS standards endorsed by the EU effective for accounting periods beginning after 1 January 2014. The new standards have not had any material effect on the interim report. The accounting policies are described in more detail in the Annual Report for 2013. The interim report for the first three months of 2014 is unaudited, which is in line with the normal practice.