Annual Report 2014

"In the fourth quarter of 2014, the product tanker freight rates reached the highest level since 2008 and the positive market sentiments have continued in 2015. TORM's integrated platform has managed to take advantage of the stronger market," says CEO Jacob Meldgaard.

- In 2014, the Company realized a positive EBITDA of USD 77m (USD 96m) and a loss before tax of USD 283m (USD -166m). The performance is in line with the revised forecasts of 6 November 2014. The result before tax was negatively affected by special items of USD 192m (USD -60m).

- In the first part of 2014, the product tanker freight rates were under pressure especially from low European demand, limited arbitrage trades and lower ton-mile on US exports. The second half of the year saw a market recovery initially in the LR segment, which later spilled over into the other segments leading to the highest freight rates experienced since 2008. The main drivers were open arbitrage trades, new refinery capacity in the Middle East and lower oil prices. In 2014, TORM's largest segment, MRs, achieved spot rates of USD/day 15,224 (USD/day 15,914). The gross profit for the Tanker Division was USD 123m (USD 172m), which was a decline of USD 49m year-on-year primarily caused by 22% fewer earning days and higher OPEX.

- In 2014, the dry bulk freight rates continued to be under pressure and were at historically low levels. TORM had expected a soft market and taken time charter coverage, which means that the Company's largest segment, Panamax, achieved TCE earnings of USD/day 10,477 (USD/day 8,019) despite the weak spot market that averaged USD/day 7,800. The gross profit for the bulk activities was USD 0m (USD -22m), despite the historically low freight rates. During 2014, TORM continued to scale down its bulk activities to operating the existing core fleet of approx. eight vessels, which are on time charter contracts.

- In March 2014, one bank exercised its option rights leading to the sale of ten MR and three LR2 product tankers financed by this bank. Consequently, TORM concluded an agreement to sell these product tankers to entities controlled by Oaktree Capital Management, whereby the 13 vessels remained under TORM's commercial control and utilized TORM's integrated operating platform for technical management. Following this transaction, the associated vessel financing was fully repaid, thereby reducing the Company's debt by USD 223m. This transaction also led to an impairment charge of USD 192m that resulted in negative equity on TORM's balance sheet.

- On 27 October 2014, TORM entered into an agreement with a group of its lenders, representing 61% of TORM's ship financing, and Oaktree regarding a financial restructuring. The parties are negotiating to secure the required lender support to implement the agreement. The restructuring is expected to include that the lenders will initially write down the debt to the current asset values in exchange for warrants. In addition, they may choose to convert part of the remaining debt into new equity in the Company. Oaktree is expected to contribute product tankers in exchange for a controlling equity stake in the combined Company. No later than 26 March 2015 at the Annual General Meeting, TORM expects to have reached the minimum required lender support (75% by value and 50% by number) to be able to implement the agreement. The final implementation of any restructuring would be subject to shareholder approval and certain conditions precedent, including required approvals from public authorities. The Company's continued operation is dependent on the outcome of the ongoing recapitalization process.

- As of 31 December 2014, TORM's available liquidity was USD 65m consisting of USD 45m in cash and USD 20m in undrawn credit facilities. There are no newbuildings on order or CAPEX commitments related hereto.

- The book value of the fleet was USD 1,215m as of 31 December 2014. Based on broker valuations, TORM's fleet had a market value of USD 859m as of 31 December 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. The estimated value of the fleet as of 31 December 2014 supports the carrying amount.

- As of 31 December 2014, net interest-bearing debt amounted to USD 1,394m (USD 1,718m).

- TORM's equity is negative at USD 164m as of 31 December 2014 (positive at USD 118m).

- As of 31 December 2014, 4% of the total earning days in the Tanker Division for 2015 were covered at a rate of USD/day 23,140 and 64% of the total earning days for the bulk activities at USD/day 8,454.

- The financial results for 2015 are subject to considerable uncertainty related to the completion of the proposed Restructuring Agreement. Consequently, TORM has decided not to provide earnings guidance for 2015.

- The Board of Directors proposes that no dividend be distributed for 2014.

Teleconference

TORM will be holding a teleconference for financial analysts and investors at 15:00 Danish time today. Please call 10 minutes before the conference is due to start on +45 3271 4607 (from Europe) or +1 887 491 0064 (from the USA). The presentation documents can be downloaded from TORM's website.

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FIVE-YEAR KEY FIGURES

	2014	2013	2012	2011	2010
INCOME STATEMENT (USDm)					
Revenue	624	992	1.121	1.305	856
Time charter equivalent earnings (TCE)	326	443	466	644	561
Gross profit	123	150	-93	81	180
EBITDA	77	96	-195	-44	97
Operating profit/(loss) (EBIT)	-211	-91	-449	-389	-80
Financial items	-72	-76	-131	-63	-57
Profit/(loss) before tax	-283	-166	-579	-451	-136
Net profit/(loss) for the year	-284	-162	-581	-453	-135
Net profit/(loss) for the year excl. impairment charge and restructuring costs	-77	-102	-255	-253	-100
BALANCE SHEET (USDm)					
Non-current assets	1,231	1,712	1,971	2,410	2,984
Total assets	1,384	2,008	2,355	2,779	3,286
Equity	-164	118	267	644	1,115
Total liabilities	1,548	1,890	2,088	2,135	2,171
Invested capital	1,219	1,823	2,128	2,425	2,987
Net interest bearing debt	1,394	1,718	1,868	1,787	1,875
Cash and cash equivalents	45	29	28	86	120
CASH FLOW (USDm)					
From operating activities	27	68	-100	-75	-1
From investing activities	313	93	0	168	-187
thereof investment in tangible fixed assets	-42	-41	-59	-118	-254
From financing activities	-324	-161	42	-128	186
Total net cash flow	16	1	-57	-34	-2
KEY FINANCIAL FIGURES *)					
Gross margins:					
TCE	52.2%	44.7%	41.5%	49.4%	65.5%
Gross profit	19.7%	15.2%	-8.3%	6.2%	21.0%
EBITDA	12.3%	9.7%	-17.3%	-3.4%	11.3%
Operating profit	-33.8%	-9.1%	-40.0%	-29.8%	-9.3%
Return on Equity (RoE)	-	-84.3%	-127.4%	-51.5%	-11.4%
Return on Invested Capital (RoIC) **)	-13.9%	-4.6%	-19.7%	-14.4%	-2.7%
Equity ratio	-11.8%	5.9%	11.4%	23.2%	33.9%
Exchange rate DKK/USD, end of period	6.12	5.41	5.66	5.75	5.61
Exchange rate DKK/USD, average	5.62	5.62	5.79	5.36	5.62
SHARE-RELATED KEY FIGURES *)					
Earnings/(loss) per share, EPS (USD)	-0.4	-0.2	-3.3	-6.5	-2.0
Diluted earnings/(loss) per share, EPS (USD)	-0.4	-0.2	-3.3	-6.5	-2.0
Cash flow per share, CFPS (USD)	0.0	0.1	-0.6	-1.1	0.0
Share price in DKK, end of period (per share of DKK 0.01 each) ***)	0.31	1.4	1.7	3.7	39.7
Number of shares, end of period (million)	728.0	728.0	728.0	72.8	72.8
Number of shares (excl. treasury shares), average (million)	721.3	721.3	178.2	69.5	69.3

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

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

***) 2010-2011: Per share of DKK 5.00 each.

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 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 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.