



Board of Directors' report at TORM's Extraordinary General Meeting on 7 July 2015

In connection with TORM A/S' Extraordinary General Meeting today, the Board of Directors' report is hereby made public.

Contact TORM A/S

Flemming Ipsen, Chairman, tel.: +45 3917 9200
Jacob Meldgaard, CEO, tel.: +45 3917 9200
Mads Peter Zacho, CFO, tel.: +45 3917 9200
Christian Søgaaard-Christensen, IR, tel.: +45 3076 1288

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 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.

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 "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.

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.



Board of Directors' report by the Chairman of the Board Flemming Ipsen

Ladies and gentlemen, dear TORM shareholders.

On behalf of the Board of Directors and the Executive Management, I am pleased to welcome you all to this Extraordinary General Meeting (EGM) of TORM.

We have had to postpone the EGM originally scheduled for 29 June 2015 until today as the final negotiations revealed the need for additional changes to the Articles of Associations. Therefore, I am pleased that you have all been able to join the general meeting today.

In essence, there is only one item on the agenda today, which is the proposed new Articles of Associations. However, before getting to this item, I have deemed it to be relevant to provide you with an update on the product tanker market and the ongoing Restructuring as well as the envisaged next steps.

Developments in the product tanker market

The assembly will have noticed that TORM for the first time in five years reported a positive bottom line in the first quarter of 2015. A combination of lower oil prices and higher refining margins led to increased demand for transportation of refined oil products in the first quarter of 2015. The positive demand has continued into the second quarter and also into the beginning of the third quarter, which also can be seen in the estimate announced by TORM on 1 July. The Company estimates a positive EBITDA of USD 95-100 million and a profit before tax of USD 5-10 million for the six months ending on 30 June 2015.

If we briefly examine the underlying trends that drive the demand, the MR segment is supported by a high European refinery production as a result of the refining margins being at their highest level since 2008. This has resulted in several gasoline cargoes from Europe to the United States and West Africa. In the Middle East, the MR market is also favorable mainly due to a stronger regional demand for refined oil products.

For the larger LR vessels, the current high freight rates are partly driven by a large and stable volume of gas oil and jet fuel, primarily from the Far East and the Middle East to West Africa and Europe. The demand for naphtha in Northeast Asia has led to increased tonnage demand in primarily the Middle East and Europe. Last but not least, there have been positive spillover effects from the current high freight rates experienced in the segment for transportation of crude oil.

We are pleased with the relatively high freight rates for the product tankers at the moment. It should, however, be noted that even with the recent tailwind, TORM will not be able to pull through its financial difficulties without the Restructuring, which is under implementation.

Status of the Restructuring Agreement

At the Annual General Meeting on 26 March 2015, the Board of Directors' report highlighted that TORM's operational platform is performing well, but also that the Company is to a large extent hampered by an overleveraged capital structure and negative equity.

On 27 March 2015, TORM, Oaktree Capital Management and certain of the lenders entered into a new Restructuring Agreement. This Agreement seeks to recapitalize TORM, thereby reducing the Company's overall debt to an expected debt level of less than 65% of the value of the assets.

The Restructuring comprises the following distinct steps:

1. Write-down of debt to current asset values against issuance of Warrants

2. Conversion of debt into equity and reinstatement of remaining debt under a New Term Facility
3. Contribution of assets by Oaktree in exchange for a controlling interest in TORM
4. Provision of a New Working Capital Facility
5. Implementation of new corporate governance provisions
6. Admission to trading and official listing of the Listing Shares

Step 1: On the Restructuring Completion Date, a portion of each lender's part of the outstanding balance under the current debt facilities is written down, totalling around USD 536 million, so as to reduce TORM's aggregate debt to a notional USD 873m. In consideration for the write-down, the lenders will receive warrants equivalent to 7.5% of the share capital of TORM.

Step 2: Each Participating Lender can elect whether to convert between 5% and 100% of the Lender's remaining Scheme Claim following the write-down into Listing Shares. However, the maximum aggregate debt to be converted is 50% of the total outstanding balance following the write-down. It is a condition to the Restructuring that the aggregate of the New Financing Agreements will be no more than 65% of the value of the assets as at the Restructuring Completion Date. The reinstated debt will continue in a New Term Facility Agreement that matures six years after the Restructuring Completion Date or on around 13 July 2021.

Step 3: At the Restructuring Completion Date, Oaktree will contribute to TORM a number of subsidiaries owning 25 product tankers - 12 of which are unencumbered and 13 of which are encumbered by existing mortgages under the DSF Facility that matures on 15 June 2019. Oaktree will also contribute six MR newbuildings with expected delivery in late 2015 or 2016. TORM will assume liability for the remaining capital expenditures related to these newbuildings. In consideration for Oaktree's asset contribution, TORM will issue shares proportionate to the value of the net assets contributed by Oaktree. This is adjusted for remaining capital expenditures related to the newbuildings.

Step 4: On the Restructuring Completion Date, certain of the lenders will provide TORM with a USD 75m New Working Capital Facility.

Step 5: As part of the Restructuring, new Articles of Association are to be adopted at the extraordinary general meeting today to implement new corporate governance provisions, including certain minority shareholder protection. This is the purpose of today's general meeting.

Step 6: On the Restructuring Completion Date, all new A shares will be issued under a temporary, unlisted ISIN code. The issuance of the new shares will result in a new shareholder structure where the current shareholders will hold less than 1% of the future Company. TORM has undertaken to file a Listing Prospectus following the completion of the Restructuring to apply for admission to trading and official listing of the Listing Shares on Nasdaq Copenhagen.

TORM has successfully sought to implement the Restructuring through an English law Scheme of Arrangement as TORM was unable to obtain the required unanimous consent of all Lenders under the current debt facilities.

Next steps following the Completion of the Restructuring

TORM expects to complete the Restructuring on or around 13 July 2015. This will be the time where the current capital structure issues will be corrected and the new A shares will be issued, using the authorizations given at the Annual General Meeting on 26 March 2015.

It is currently the plan to publish a Listing Prospectus on or around 24 July 2015 with the purpose of having the new shares admitted to trading and official listing on Nasdaq Copenhagen.



Mr. Olivier Dubois, Mr. Alexander Green, Mr. Jon Syvertsen and I, Flemming Ipsen, will relinquish our mandates as members of the Board of Directors at an upcoming extraordinary general meeting. We believe that we have served our purpose in the restructuring phase and that the new shareholders should have the opportunity to elect their own representatives. The timing of this general meeting will likely be in August this year.

TORM going forward

When looking at the Company post-Restructuring, the Board of Directors believes that TORM will be the reference company in the product tanker segment:

- TORM will be one of the world's largest owner-operators with a portfolio of 74 owned product tanker vessels including LR2, LR1, MR and Handysize vessels with an average age of 10 years
- TORM will have a cash generative business benefiting from strong industry fundamentals, a strong operational platform and significant operational leverage
- TORM will have a strong balance sheet providing flexibility to fund future fleet investment. The restructured debt is with attractive terms, flexibility and an attractive repayment profile
- TORM will have a strong ownership structure with continued support from the lenders

Exercise of authorizations for capital increase and impact on the existing shareholders

At the Annual General Meeting held on 26 March 2015, a number of authorizations were given to increase the capital of TORM.

It is important for the current Board of Directors to underline that these authorizations only will be used with due consideration to Board's fiduciary duties, i.e. its obligations to safeguard the interests of all stakeholders.

As mentioned at the Annual General Meeting, the Company engaged an independent auditing firm, PWC, that will issue a fairness opinion on the capital increases associated with the Restructuring Agreement. The fairness opinion is about to be completed. In line with the initial fairness opinion, PWC is expected to conclude that the overall terms of the agreement are fair and reasonable for the current shareholders of TORM.

The current shareholders today have 728 million shares. There are still a number of moving elements in relation to the conversion of debt and issuance of shares in connection with the combination with Oaktree why the dilutive effect provided is provisional. After the creditors' optional conversion of debt in step two, the current shareholders will own 2.0% of the outstanding share capital at the time. TORM expects that the creditors will convert debt that after adjustments will give TORM a Net Asset Value (NAV) of approx. USD 313 million. NAV corresponds to the assets values (primarily vessels) adjusted for debt.

The combination with Oaktree will be made on the basis of the parties' NAV of March 2015, which means that the issuing of new A shares to Oaktree equals their NAV of approx. USD 511 million. After the combination in step three, TORM will have a NAV of approx. USD 824 million and TORM will have approx. 95.9 billion A shares outstanding. At this stage, the current shareholders are expected to hold approx. 0.8% of the share capital in the new and enlarged company.



Converted to NAV per share in DKK, this equals to DKK 0.04 to 0.08, which is significantly below the current share price on Nasdaq Copenhagen.

New Articles of Association

As a closing remark, I want to focus on the proposed new Articles of Association.

As part of the implementation process, the Company's lenders and Oaktree have requested the Company to convene a general meeting to approve certain corporate governance terms. These changes have been agreed between the Company's lenders and Oaktree as the future majority shareholder of TORM.

The proposed amendments to the Articles of Associations are comprehensive, and I know that the Chairman, Frantz Palludan, will diligently take us through the details. We have decided to provide you with two versions of the Articles of Associations: One version that contains the mark-up of changes (appendix 1) and a second version that contains the "clean" Articles of Association (appendix 2).
