
Board of Directors' report at TORM's Annual General Meeting on 12 April 2016

Ladies and gentlemen, dear TORM shareholders

2015 marked a step change for the product tanker sector in general and for TORM in particular. Freight rates reached the highest levels since 2008, and TORM's integrated operational platform delivered a strong performance. Additionally, TORM finalized the financial restructuring, thereby securing both financial and strategic flexibility.

TORM held three extraordinary general meetings in 2015 – all with special focus on TORM's Restructuring. Therefore, there will be less focus on that today. Instead, the Board of Directors will first report on the financial results for 2015 and the Company's financial position. Secondly, the Board will give a description of the proposed corporate reorganization with TORM plc as parent company and thirdly, we will give background to the proposals 6.a. to 6.c. on today's agenda.

1. TORM's financial results for 2015 and the Company's financial position

Operations in 2015

The presentation of TORM's financial results for 2015 focuses on what we, in the annual report, have labelled 'pro forma' figures. These pro forma figures reflect the combined full year result of the two companies Njord Midco Ltd. and TORM A/S that following the Restructuring in July 2015 were merged into TORM A/S.

The overall operational result for 2015 was positive with a pro forma EBITDA of USD 319m. This is an increase of USD 200m – mainly driven by higher freight rates and reduced administrative expenses.

The 2015 profit before tax was USD 188m on pro forma basis, which is an improvement of USD 187m year-on-year.

Both the EBITDA and the PBT results are in line with the forecasts provided as of 11 November 2015.

The pro forma result means that TORM obtained a Return on Invested Capital of 14.1% in 2015.

I will now elaborate on how TORM experienced 2015 from a market and operational point of view.

Tanker segment

As you know, TORM is today a pure-play product tanker company, and the vast majority of the Company's operations during 2015 were in this particular segment. TORM employed most of the fleet in the spot market and therefore benefitted from the significant increase in freight rates.

In the first half of 2015, product tanker freight rates were mainly supported by four key elements: 1) increasing refinery margins 2) strong growth in US demand for gasoline 3) long-haul naphtha movements from Europe to the Far East, and 4) newly added export-oriented refinery capacity in the Middle East

During the second half of 2015, product tanker freight rates reached the highest level since 2008. However, in the fourth quarter of 2015, a seasonal reduction in US gasoline demand and sharp declines in West African demand caused the western hemisphere markets to soften. Global petroleum product stocks in consuming areas rose to record levels and refinery margins contracted, which resulted in a reduction of long-haul arbitrage movements.

On the asset side, prices for second-hand product tankers were relatively flat during 2015 – this despite the considerable freight rate improvements.

In relation to this increase in fleet growth, and based on preliminary data, the demand for product tonne miles is estimated to have grown by 11% in 2015. Global product tanker fleet grew by 6.5% in terms of capacity and 5.9% in terms of number of vessels. This was the highest growth since 2009, but the figure covers considerable differences between the individual segments. Hence, the growth was ranging from -0.3% for the LR1 segment to 10.5% for LR2 vessels.

The global economic growth remained relatively lackluster in 2015, whereas global oil demand surprised to the upside with an increase of 1.7 mb/d or 1.8%. This marked the highest growth in five years and was propelled by main economies such as China, the USA, India and Europe. Gasoline dominated demand growth, which was positively affected by the fact that crude oil prices dropped by 46% on average compared to 2014.

I will now highlight some of TORM's actions in the product tanker segment during the past year.

During the second half of 2015 and following the Restructuring, TORM started to grow its fleet of product tankers on a selective basis. We took over contracts for six MR newbuildings as part of the Restructuring of which three were delivered during the fourth quarter of 2015 and the last three during the first quarter of 2016. TORM also purchased three modern second-hand MR vessels.

Towards the end of the year, TORM placed an order for four LR2 newbuildings at Guangzhou Shipyard in China. These vessels will be delivered in the period between the fourth quarter of 2017 and the second quarter of 2018. Furthermore, TORM has options to order up to six additional vessels at pre-determined price levels.

By the end of 2015, TORM operated a fleet of 78 vessels of which 74 are fully owned and four are chartered in. As of today, TORM owns 77 product tankers – the highest number in the Company's long history.

TORM's integrated operational platform ensures close cooperation between the commercial and technical divisions. In this way, we can operate the entire fleet optimally across all segments and thereby generate TCE earnings and cash flows that are better than the average of industry peers – even peers with an average fleet age lower than TORM's.

For the full year 2015, TORM achieved blended rates of USD/day 22,879, which is the highest level since 2008 and up 51% compared to 2014.

The pro forma gross profit for the Tanker Division was USD 365m, corresponding to an increase of USD 194m compared to last year.

Bulk segment

Let us also spend a moment on the bulk segment.

In 2013, TORM decided to exit this segment. TORM sold its last two owned bulk carriers and redelivered the remaining time charter vessels during the second half of 2015. With this, TORM has now completed the wind-down of the bulk activities.

The dry bulk freight rates remained at historically low levels during 2015. The average Panamax spot market was USD/day 5,561, which is 76% under the 10-year average. The depressed spot market also led to an erosion of the period market as well as declining second-hand asset prices. For instance, the price for a five-year-old second-hand Panamax bulk carrier declined by almost 30% during the year.

The pro forma gross profit/loss for the Company's bulk activities was USD -4m for 2015.

Financial statements

Next, I am going to review the financial statements for 2015, and please note that the figures will be presented on a pro forma basis to enable a meaningful year-on-year comparison.

Income statement (pro forma financials)

TCE earnings in 2015 amounted to USD 582m compared to USD 414m in 2014. The main improvement comes from product tanker freight rates that increased 51% year-on-year. There was a smaller negative effect from fewer available earning days and lower freight rates in the Bulk Segment.

The operating profit increased by USD 195m to a profit of USD 219m in 2015. This was primarily due to an increase in gross profit of USD 189m and lower administrative expenses.

Total administrative expenses amounted to USD 42m in 2015, which was a decrease of USD 10m or 19% year-on-year. This reduction mainly relates to staff-related expenses, facility costs and the appreciation of the USD. On a per day basis, I believe that TORM is making very good progress on its cost structure in this area.

EBITDA for 2015 was USD 319m compared to 2014 pro-forma EBITDA of USD 119m and an actual EBITDA of USD 41m in 2014. The 2015 result was in line with the forecast of USD 310-330m that was published on 11 November 2015.

The profit before tax for 2015 was USD 188m, which is also in line with the published forecast profit before tax of USD 185-205m.

The Board of Directors is of the opinion that the financial results for 2015 are satisfactory.

Balance sheet and cash flows

TORM's total assets amounted to USD 1,867m in 2015. The carrying amount of vessels including capitalized dry-docking amounted to USD 1,492m, and there were prepayments on vessels of USD 73m.

The Company's equity was USD 976m as at 31 December 2015, which gave TORM an equity ratio of 52%.

The Group's net interest-bearing debt for 2015 was USD 612m.

TORM's operating activities in 2015 generated a net cash inflow of USD 214m. Cash flow from investing activities amounted to USD -159m, and cash flow from financing activities was a net cash outflow of USD 75m in 2015.

Independent Auditor's report

The 2015 annual report is provided with an unqualified auditor's report.

Share price development

If we adjust for the share consolidation in September 2015, TORM had approximately 0.5m shares trading at approximately DKK 465 each at the beginning of 2015. On 29 July 2015, following the Restructuring, TORM listed 63m shares that initially were trading at approximately DKK 105 each. The share price ended 2015 at approximately DKK 98 per share.

As of closing yesterday, the share price was DKK 80.

Dividend

The Board of Directors proposes that no dividend be distributed for the financial year 2015.

TORM's outlook for 2016

For the full year 2016, TORM forecasts a positive EBITDA of USD 250-330m and a profit before tax of USD 100-180m.

2. TORM's proposed corporate reorganization

I will now address the proposed corporate reorganization.

On 8 March 2016, TORM announced a potential corporate reorganization including a UK parent company, TORM plc. TORM believes that this new structure presents a number of benefits such as improve the marketability of the TORM Group and attract a broader investor base. TORM's commercial and technical operations will still be managed from Copenhagen, while TORM plc will undertake selected administrative functions.

We have presented an offer to exchange your TORM A/S shares for TORM plc shares on a one-for-one basis and with substantially the same rights. Existing minority protection rights will be substantially maintained, however, with certain amendments to reflect the new structure and to accommodate a future enlarged shareholder base. Furthermore, the shareholder-elected members of TORM A/S' Board of Directors will form the TORM plc Board of Directors together with TORM A/S' CEO.

We intend to delist TORM A/S' A shares and instead list TORM plc's A shares on Nasdaq Copenhagen A/S. Hence, the Company will maintain a strong trading platform in Denmark.

If you want more information about the Share Exchange Offer and to find the Acceptance Form, we ask you kindly to visit our homepage: www.torm.com or www.torm-plc.com. The Exchange Offer will close on 14 April 2016 at 16:00 Copenhagen time, subject to changes. If you wish to exchange your TORM shares, please contact your bank in due time to submit the Acceptance Form.

The Company has obtained wide support from the share and warrant holders. If we obtain Acceptance Forms for more than 90% of the share capital, the remaining TORM A/S shareholders will be squeezed out.

The Board of Directors of TORM A/S unanimously supports the Exchange Offer, and we believe that the corporate reorganization will support the business strategy and the continued growth of the TORM Group.

3. Proposals at the Annual General Meeting

Finally, I will address the three proposals 6.a to 6.c.

Proposal 6.a is motivated by the Danish Recommendations on Corporate Governance and aims to keep the remuneration to the Board of Directors unchanged from what was approved by the shareholders at an extraordinary general meeting last year. The only change relates to the fee to the minority Board Observer.

Proposal 6.b is an authorization to buy back A shares in TORM A/S. Given how the share is currently trading, the Board believes that such a measure may prove accretive to all shareholders.

Finally, proposal 6.c. is an amendment to Article 2.5 of the Articles of Association regarding the Company's B share and is related to the proposed corporate reorganization.

That was the review of the proposals for this Annual General Meeting.

On behalf of the Board of Directors, I would like to conclude by thanking all our stakeholders for their cooperation through 2015 and the highly challenging restructuring period. The Board of Directors also wishes to express a word of appreciation to TORM's entire organization for an excellent contribution during 2015 and so far in 2016.

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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 and is headquartered in Copenhagen, Denmark. TORM's shares are listed on Nasdaq Copenhagen (ticker: TORM A). 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.