

TORM plc Annual Report 2016

“In a softening freight rate environment, TORM benefited from its integrated operating platform and realized an EBITDA of USD 200m in 2016. With the broadening of the Company's lending group, we have enhanced TORM's strategic and financial flexibility,” says Executive Director Jacob Meldgaard.

- In 2016, the Company realized an EBITDA of USD 200m (2015, pro forma: USD 319m). As of 31 December 2016, TORM has booked a non-cash impairment charge of USD 185m. Following the impairment, TORM's 2016 full-year results amounted to a loss before tax of USD 142m and a profit before tax of USD 43m when adjusting for the non-cash impairment (2015, pro forma: profit of USD 187m). The performance is in line with the guidance provided as of 15 November 2016 when adjusting for the impairment charge.
- Product tanker freight rates were at healthy levels at the beginning of 2016 but softened during the year, as high product inventory levels globally and lack of long-haul movements of naphtha from the Atlantic Basin to the Far East contained the demand for product tankers. For the full year 2016, TORM achieved TCE rates of USD/day 16,050 (2015, pro forma: USD/day 22,879). The gross profit amounted to USD 242m (2015, pro forma: USD 361m).
- On 15 April 2016, the TORM Group implemented a Corporate Reorganization including the insertion of a UK parent company, TORM plc. TORM plc was listed on Nasdaq Copenhagen on 19 April 2016, and TORM A/S was delisted from Nasdaq Copenhagen on 26 April 2016. A total of 97.6% of TORM A/S' shareholders have exchanged their shareholdings to TORM plc, and TORM plc has acquired the remaining 2.4% shares from TORM A/S' minority shareholders. For accounting purposes, the consolidated financial statements for the TORM Group are presented in the legal name of TORM plc but are a continuation of the consolidated financial statements of TORM A/S.
- During the first quarter of 2016, TORM took delivery of three MR newbuildings. As of 31 December 2016, TORM's order book stood at four LR2 newbuildings from Guangzhou Shipyard International with expected delivery between the fourth quarter of 2017 and the second quarter of 2018.
- As of 31 December 2016, TORM's available liquidity was USD 266m and consisted of USD 76m in cash and USD 190m in undrawn credit facilities. Outstanding CAPEX relating to the order book and vessel purchases amounted to USD 149m. Following the balance sheet date, TORM has completed the sale of one vessel, TORM Anne, and sale and leaseback transactions for two vessels, TORM Mary and TORM Helene. In addition, the new term facility of up to USD 130m, announced in December 2016, was finalized and drawn in January 2017.
- As of 31 December 2016, net interest-bearing debt amounted to USD 609m. During 2016, TORM secured new financing totaling USD 271m against collateral in four LR2 newbuildings and eleven unencumbered MR vessels. Through the new financing agreements, TORM has been able to both attract new strategic financial institutions and build on existing relations. As of 31 December 2016, TORM's loan-to-value ratio (LTV) was 58% at Group level.
- As of 31 December 2016, TORM performed a quarterly review of the recoverable amount of the assets by assessing the recoverable amount for the most significant assets including goodwill within the Tanker Segment. Based on this review, Management concluded that the assets within the Tanker Segment were impaired by USD 185m as of 31 December 2016 (2015: USD 0m), as the carrying value exceeded the value in use. Following the impairment charge, the book value of the fleet was USD 1,388m excluding outstanding installments on newbuildings of USD 149m. Based on broker valuations, TORM's fleet, including newbuildings, had a market value of USD 1,446m as of 31 December 2016.
- Based on broker valuations, TORM's net asset value (NAV) excluding charter commitments is estimated at USD 733m. This corresponds to a NAV/share of USD 11.8 or DKK 83.3.
- TORM's equity amounted to USD 781m as of 31 December 2016. This corresponds to an equity/share of USD 12.6 or DKK 88.8.
- As of 31 December 2016, 12% of the total earning days in 2017 were covered at USD/day 19,739.
- As of 3 March 2017, TORM had covered 84% of the earning days in the first quarter of 2017 at an average TCE of USD/day 15,250.
- Following TORM's incorporation in the UK, the Company reports according to standard UK reporting practice. In previous quarterly earnings announcements, TORM has included guidance on earnings. In line with common

practice in most UK-listed companies and other major shipping companies, TORM has decided not to provide guidance on earnings in the Annual Report and any future announcements. Information on covered days, interest-bearing bank debt, the one-year time charter market and EBITDA sensitivity to freight rates will remain included in the Annual Report.

- On 12 May 2016, TORM's Board of Directors approved a new Distribution Policy. Going forward, TORM intends to distribute 25-50% of net income semi-annually. The first dividend payment of USD 25.0m was distributed on 15 September 2016. Further, TORM has repurchased own shares totaling USD 22.1m, of which USD 19.2m relates to the Corporate Reorganization. In total, TORM has returned USD 47.1m to its shareholders during 2016. The Board of Directors proposes that no dividend be distributed for the second half of 2016.

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.

Key figures

	2016	Pro forma 2015 *)	2015	Pro forma 2014 *)
Income statement (USDm)				
Revenue	680	854	540	794
Time charter equivalent earnings (TCE)	458	582	371	414
Gross profit	242	361	236	172
EBITDA	200	319	210	119
Operating profit (EBIT)	-107	219	143	24
Financial items	-35	-31	-16	-23
Profit/(loss) before tax	-142	188	127	1
Net profit/(loss) for the year	-142	187	126	0
Net profit/(loss) for the year excl. Impairment charges	43	187	126	0
Balance sheet (USDm)				
Non-current assets	1.390	1.579	1.579	1.432
Total assets	1.571	1.867	1.867	1.673
Equity	781	976	976	842
Total liabilities	791	891	891	831
Invested capital **)	1.388	1.588	1.588	1.488
Net interest-bearing debt **)	607	612	612	619
Cash and cash equivalents	76	168	168	70
Key financial figures**)				
Gross margins:				
TCE	67,4%	68,1%	68,6%	52,2%
Gross profit	35,6%	42,3%	43,6%	21,7%
EBITDA	29,4%	37,4%	38,9%	14,9%
Operating profit/(loss)	-15,7%	25,6%	26,5%	3,0%
Return on Equity (RoE)	-16,2%	-	17,4%	-
Return on Invested Capital (RoIC)	-7,2%	14,1%	13,2%	1,6%
Adjusted Return on Invested Capital (RoIC)**)	4,9%	14,1%	13,2%	1,6%
Equity ratio	49,7%	-	52,3%	-
Share-related key figures**)				
Earnings per share, EPS (USD)	-2,3	-	2,4	-
Diluted earnings/(loss) per share, EPS (USD)	-2,3	-	2,4	-
Net Asset Value per share (NAV)***)	11,8	-	18,4	-
Stock price in DKK, ultimo (per share of USD 0.01)	63,5	-	97,5	-
Number of shares (excl. treasury shares), end of period (million)	62,0	-	63,8	-
Number of shares (excl. treasury shares), average (million)	62,9	-	51,7	-

*) Please refer to "Financial review 2016" on page 36 of the Annual Report 2016 for further description of pro forma figures.

**) Definition of the calculated key figures please refer to the glossary on page 128-132 of the Annual report.

***) Based on broker valuations as of 31 December 2016, excluding charter commitments.

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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 (ticker: TRMD 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.