



SEB Enskilda Nordic Seminar 2010  
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# Introduction to TORM

**Company facts**  
 Tanker market  
 Dry bulk market  
 Strategy  
 Finance

## Strategy and key facts

### Strategy

- Superior advantage through modern product tanker fleet, excellent quality delivery model and global reach through pool cooperation,
- Consolidate the Product tanker market
- Operate profitable service provider model in the dry-bulk market

### Fleet

- 141 vessels under management:
  - 127 product tankers (64 owned, 26 chartered-in, 37 in pools/comm. mngt.)
  - 13 bulk carriers (4 owned, 9 chartered-in)
- 15 newbuildings:
  - 11 product tankers (MR)
  - 4 bulk carriers (Kamsarmaxes)

### Listings

- NASDAQ OMX Copenhagen
- NASDAQ in NY

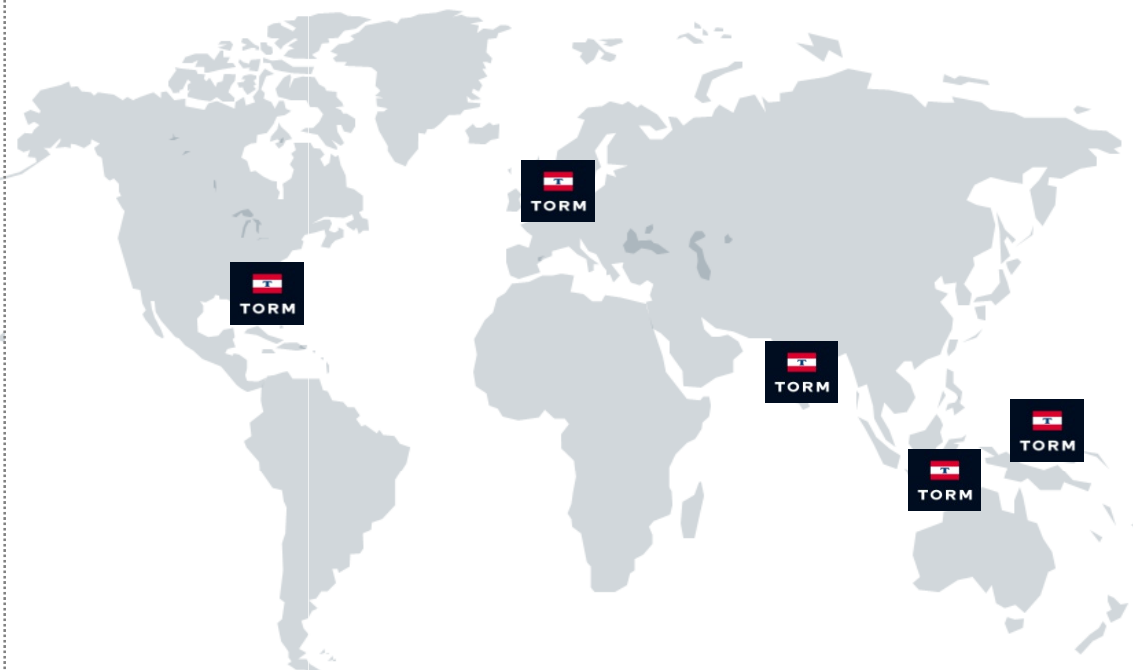
### Market cap

- USD 1 billion

### Key financials

USD m	Q3 09	Q1-Q3 09	2008
Revenue	209	661	1.184
EBITDA	59	171	572
Net income	2	8	360
NIBD	1.682	1.682	1.550
Equity	1.274	1.274	1.279

## Global footprint based on regional power and presence



Offices – app. 300:

- 170 in Copenhagen
- 20 in Singapore
- 20 in Manila
- 80 in Mumbai
- 10 in US (Stamford)

Seafarers – app. 2,900:

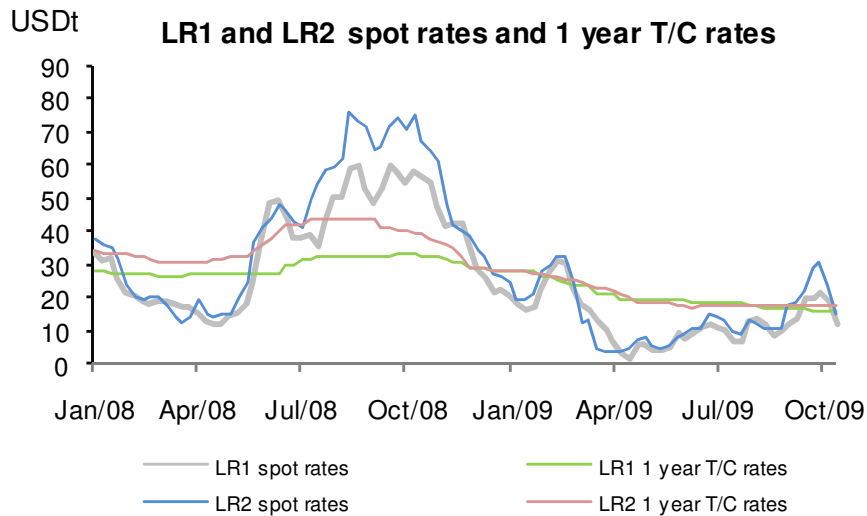
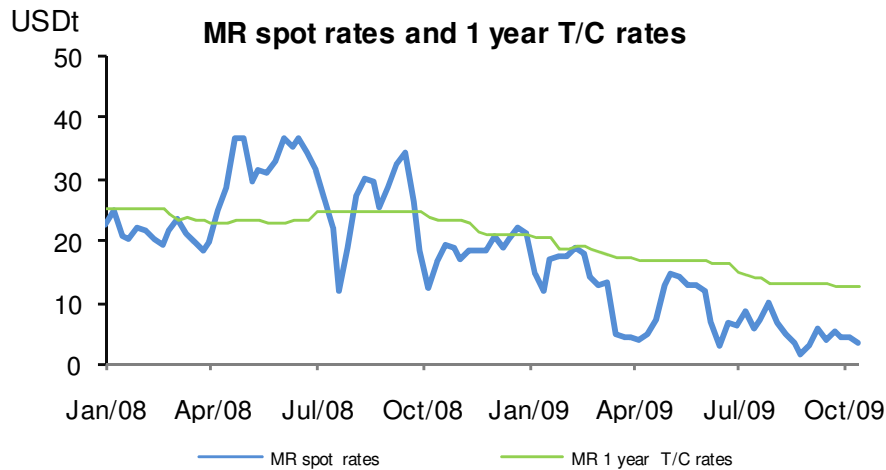
- 350 Danish seafarers
- 100 Croatian/Italian seafarers
- 1,400 Indian seafarers
- 1,050 Philippine seafarers



# Product tanker market continued at low levels in Q3



## Freight rates (MR and LR's)



TORM's tank division had an EBITDA of USD 34m in Q3 2009

Market is still suffering from the negative impacts of low global oil demand and the addition of new tonnage

Towards the end of Q3, rates rose significantly for the large vessels, LR1 and LR2, driven by a demand for naphtha in the Far East and increased exports from new refineries in the East

### Positive impact:

- Use of LR1 and LR2 vessels as floating storage facilities and slow steaming
- Increased exports from new refineries in the East
- Higher demand for naphtha in the Far East

### Negative impact:

- Continued low demand for gasoline in the USA
- Delivery of a number of newbuildings
- High fuel costs
- Lower utilisation of refinery capacity squeezed the demand for crude oil, primarily affecting the LR2 vessels

\*Source: Clarksons

# The value of TORM's pool-concept has been significant in the tough market



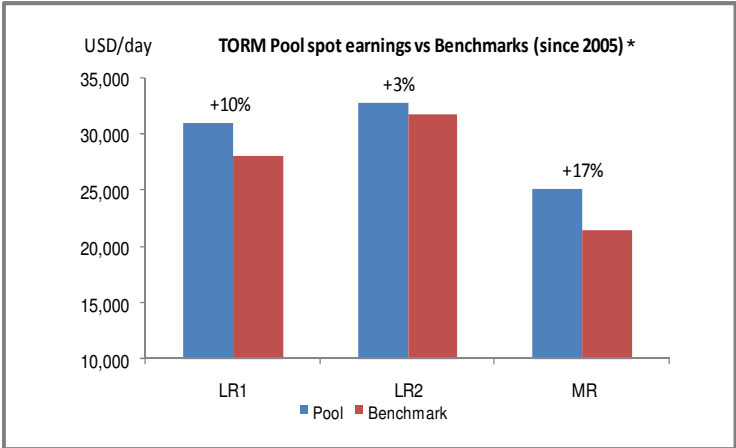
## TORM's pools...

- Large and high quality fleet:
  - +30 vessels in each pool
  - Global presence
  - Young fleet
  - Strict requirements to quality and safety
- Strong cargo base:
  - Large number of COA s
  - Long term relations to all the oil majors and tradinghouses
  - Commercial offices in US, Europe and Asia
- Cooperation on key functions:
  - Market intelligence
  - Bunker purchase
  - Vetting coordination

## ..give clear benefits

- Better optimisation and planning of fleet capacity leading to reduced idle and ballast days
- Ability to give customers valuable options regarding timing and destination of vessels
- Increased market insight
- Cost advantages

## ..and has proven results



## ...and even more significant during the downturn

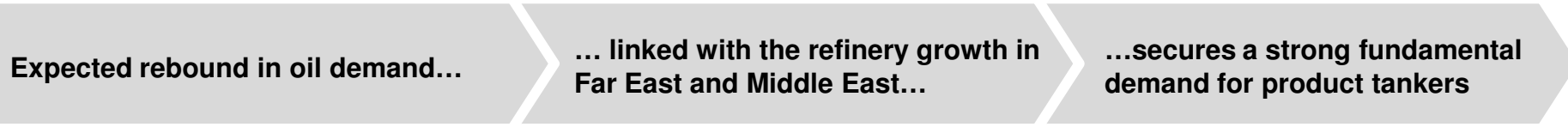
- Q3 market characterized by:
  - Low demand
  - Influx of new tonnage
  - High fuel costs
- Less cargoes available
- Increased value of backhauls
- TORM's MR spot earnings were USD/day 12,580 in Q3 2009
- Market MR spot earnings on key routes has been less than USD/day 10,000

\*Benchmarks are based on:

- LR1: TC5 (Ras Tanura-> Chiba) spot earnings from Clarksons
- LR2: TC1 (Ras Tanura-> Chiba) spot earnings from Clarksons
- MR: Avg. of spot earnings on TC2 (Rotterdam->NY), TC4 (Singapore-> Chiba) and Curacao->NY from Clarksons

TORM pool earnings have been adjusted to reflect Clarksons' earning definition (earnings before commissions and excl. idle days)

# Dislocation of refineries will be the main growth driver for demand in the product tanker segment

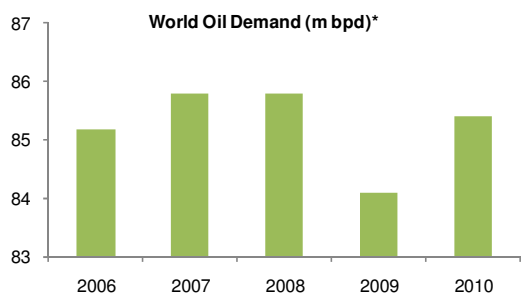


**Expected rebound in oil demand...**

Latest oil demand forecast from EIA for 2009 is 84.1m bpd

The forecast for 2010 is 85.4m bpd and has been upward adjusted from 84.4m bpd (the forecast in July)

Thus, 2010 oil demand will be close to the 2008 level



\*) EIA, november 2009

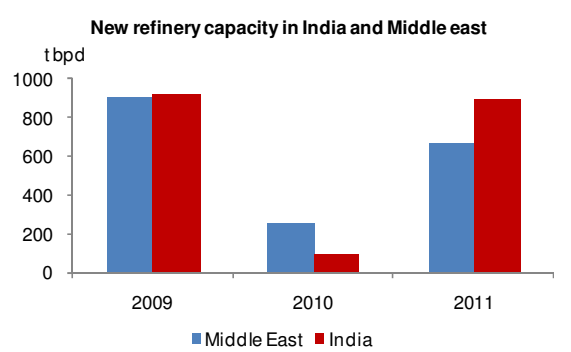
**... linked with the refinery growth in Far East and Middle East...**

New refinery capacity is being built away from consumption areas

From 2009 to 2011 capacity corresponding to app. 1.2 m bpd is expected to be built in Middle East and India

The new refineries are expected to push out older refineries in US and Europe

This will lead to increased transport distances



**...secures a strong fundamental demand for product tankers**

Demand for refined oil products in 2010 will close to the 2008 level

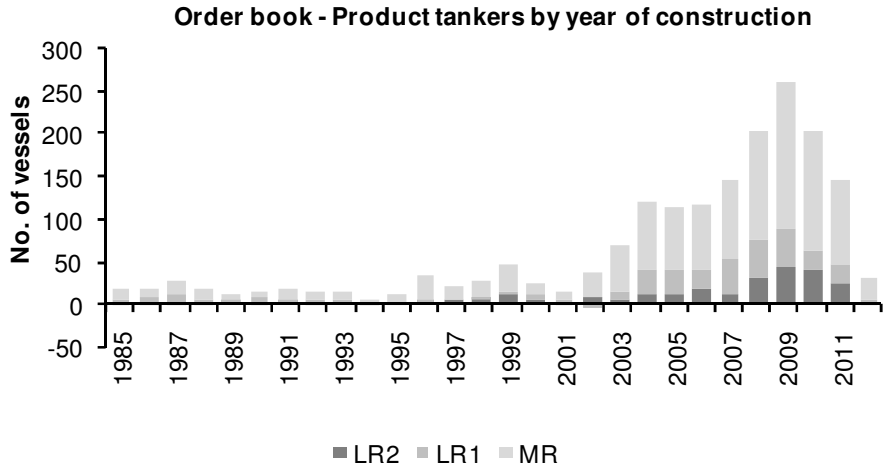
Due to the dislocation of refineries the growth in demand for transport of refined oil products in 2010 will outpace the general demand

Thus the total demand picture for product tankers in 2010 will be stronger than in 2008

# Scrapping and cancellations to improve supply picture from 2010



## Order book peaked in 2009...

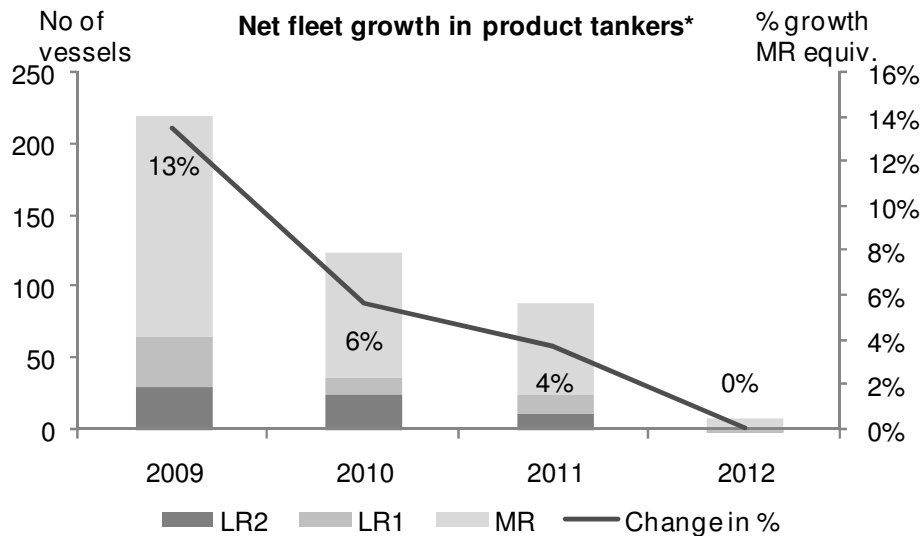


The influx of gross new tonnage peaked in 2009

Close to zero cancellations or slippage so far

Order book is declining from 2010 and practically no newbuildings have been ordered since autumn 2008

## ... and net fleet growth is declining



Due to the continued low freight rates cancellations are expected from 2010 – TORM estimates 15% cancellations from 2010 and onwards

Phase out of single hulls is expected to be accelerated by the low freight rates in addition to the legislative phase out requirements from 2010

Thus, total net growth in the fleet declines to from 13% in 2009 to 0% in 2012

\*Note: Net fleet growth: Gross order book adjusted for scrapping, phase out of single hulls, expected cancellations and vessels going in to dirty (Source: Inge Steensland and TORM)

# Product Tanker market – balance between total supply and demand development from start 2009 to end 2011



According to TORM's research, increase in demand and supply will be balanced going forward

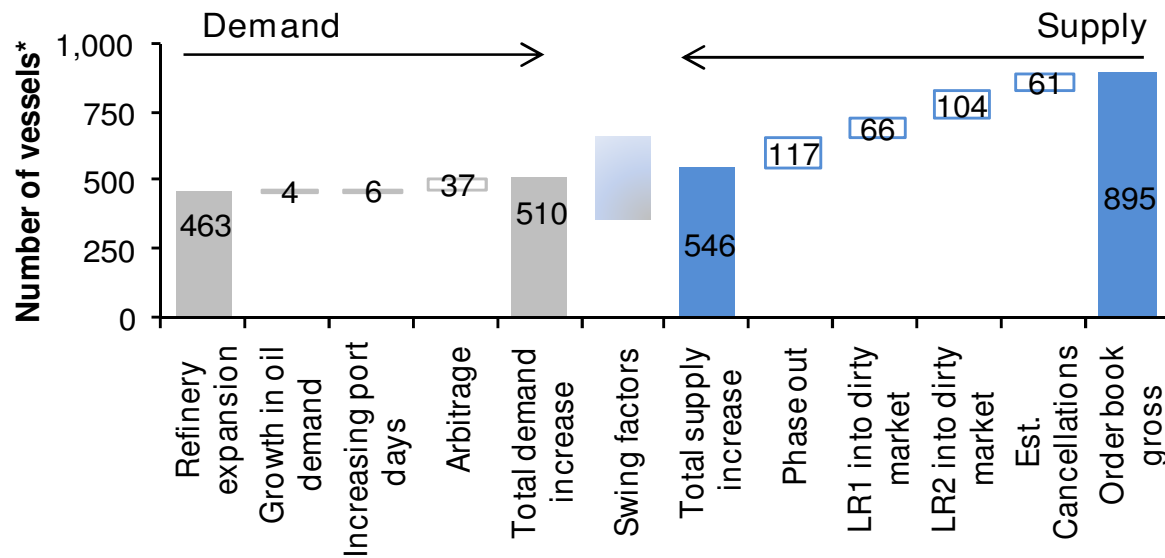
- Demand is primarily driven by:
- New refineries in Middle East and India
  - Increased oil demand over the period
  - Increasing port days due to pick up in activity/bottlenecks

- Supply side is affected by:
- Phase out of single hulls
  - A number of LR1 vessels are replacing Panamax phase outs in the crude oil segment
  - 30% of LR2 vessels are expected (on average) to trade in the crude oil segment
  - Expected cancellations of 15% from 2010 as a consequence of the financial crisis

A number of swing factors can change the picture:

- Delays in order book
- Delays in refineries
- Floating storage
- Slow steaming
- Clean to crude swap

Demand and supply development (start 2009 - end 2011)

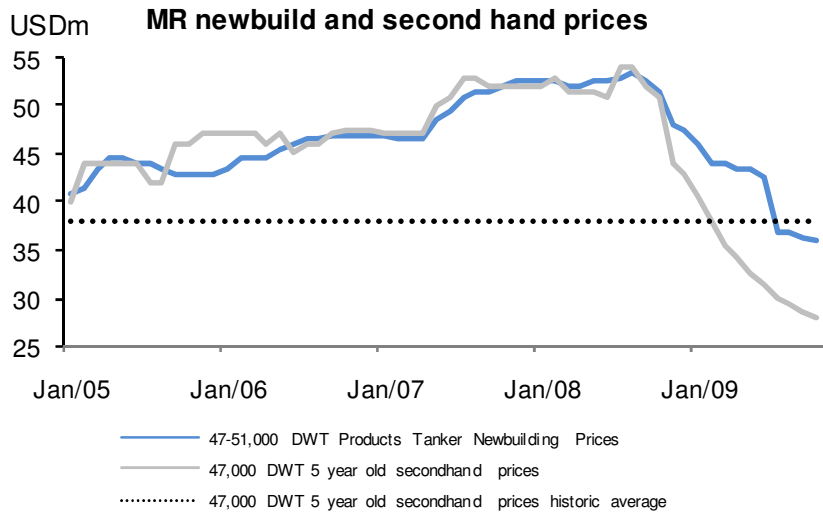


\*The number of vessels reflect MR vessels – when necessary a conversion factor for LR2, and LR1 has been used based on their volume relative to MR

# Product Tanker vessel prices have continued to decline and S&P activity has been limited

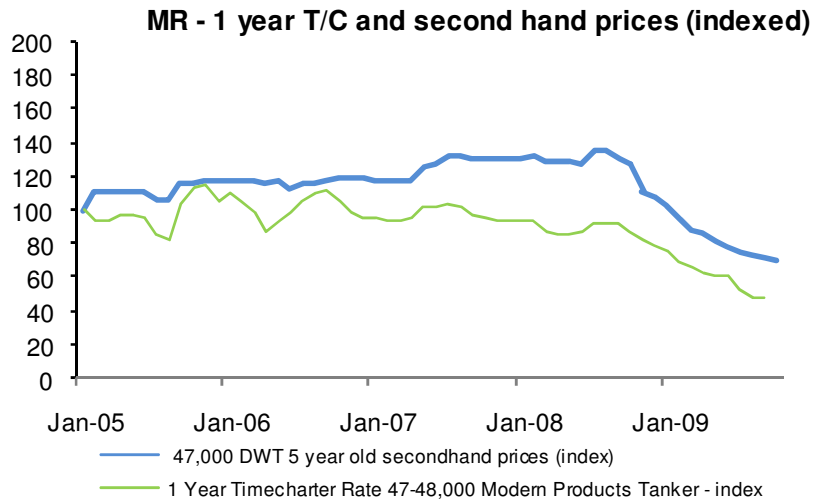


## Vessel price development\*



Newbuildings and second-hand prices have continued to decline in Q3 2009

However, there is currently limited activity in the market and the indicated levels are subject to significant uncertainty



TC rates and second-hand prices are relatively well correlated

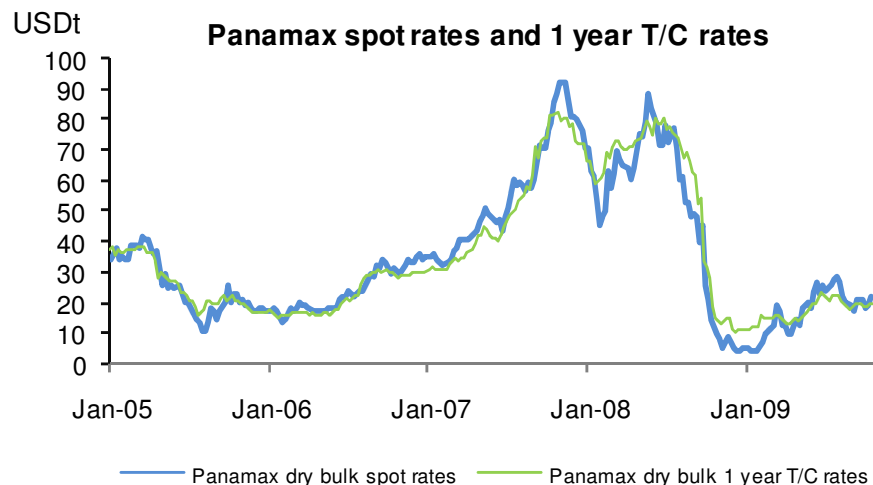
As the TC market has declined the vessel prices have been under pressure

\*Source: Clarksons and TORM research



# Dry bulk market continues at a relatively strong level

## Freight rates development



TORM's dry bulk division had an EBITDA of USD 26m in Q3 of 2009 – hereof USD 21m was related to the sale of TORM Marta and TORM Tina

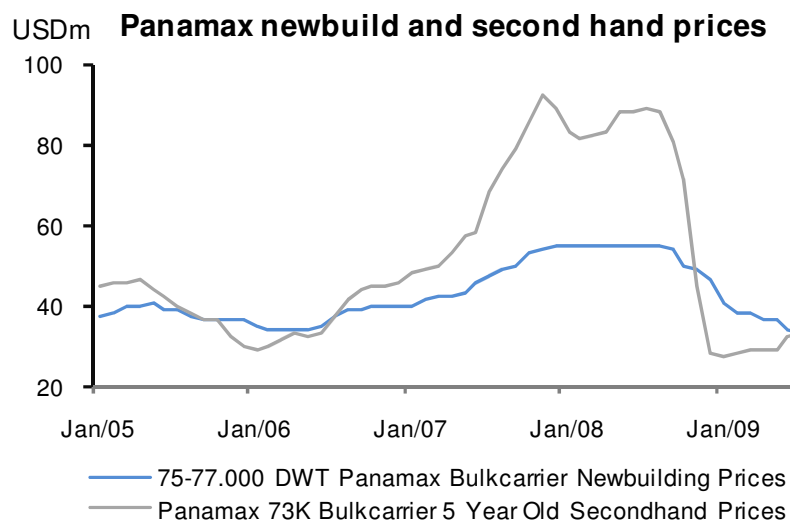
Bulk Panamax rates fell back in mid Q3, but regained some ground towards the end of the quarter

Chinese coal and iron ore import remain the most significant driver of bulk rates

Going into Q3, TORM's coverage of earning days was high, and therefore the spot rate developments had limited impact on Bulk Division earnings

Coverage for 2010 was by end September 2009 46%

## Vessel price development



Relatively strong activity in the sale and purchase market for bulk vessels in the third quarter

The price level has been relatively stable despite a relatively volatile spot market

\*Source: Clarksons

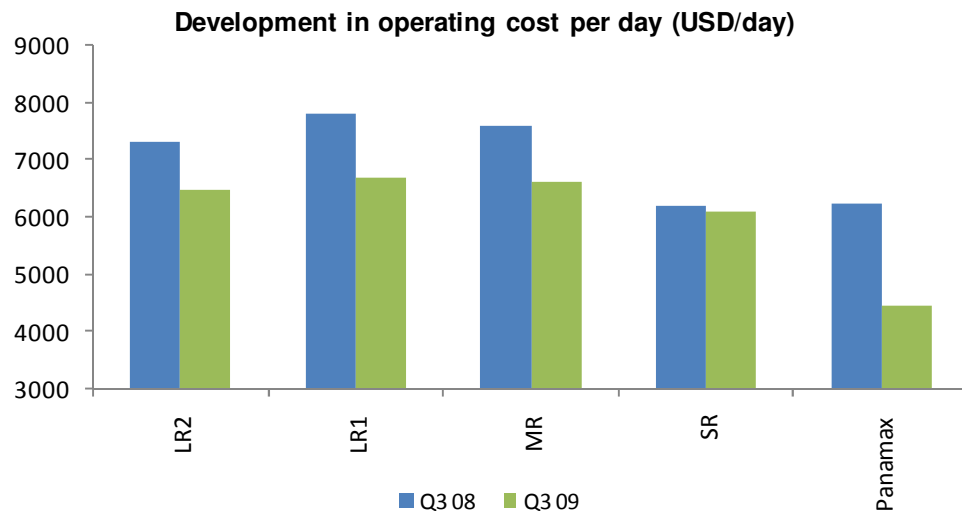


# “Greater Efficiency Power” project on track

## Status on Greater Efficiency Power

### Key milestones achieved:

- 12% reduction on average opex/day y-o-y
- 21% reduction in admin cost y-o-y
- Re-organisation of global crew management and landbased setup
- Repair and maintenance processes optimised
- Procurement functions centralized and strengthened
- 10% reduction of land-based employees
- Centralization of support functions to better utilize global IT platform



TORM has in Q3 realised reductions of 12% on OPEX/day (vessel running cost) compared to Q3 2008 across the fleet

Administration costs have been reduced by 21% in Q3 compared to Q3 2008

The efficiency programme “Greater Efficiency Power” is developing according to plan

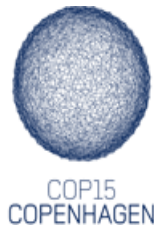
The targeted savings of USD 40-60m are expected to be realised from 2010 and onwards

# Ambitious CSR strategy – the overview

Focus on environment has never been bigger and shipping has a key role



- At the G8 meeting, July 2009, participants made a preliminary agreement that the global temperature increase must not exceed 2 degrees Celsius before 2050



- The Copenhagen Accord is supported by 188 countries, incl. USA, China, Brazil and India:
  - A common, long-term goal to limit global temperature rise to below 2 degrees Celsius
  - Countries to report on reduction targets/initiatives
  - High Level Panel will analyze financing of support to the most vulnerable countries to cope with climate changes
  - Important step towards a binding agreement in Mexico end 2010
  - Shipping not covered by the Copenhagen Accord/Kyoto Protocol - referred to the IMO



- Shipping accounts for 80 - 90% of all transportation of goods
- Global shipping accounts for around 3% of global CO<sub>2</sub> emissions
- Shipping is the most energy-efficient form of transportation compared to plane, train or truck

..therefore **TORM** has decided on an ambitious CSR strategy with green focus

- TORM signed the UN Global Compact in 2009 as first Danish ship owner
- **TORM's climate strategy:**
  - **Reduction of CO<sub>2</sub> air emissions pr. vessel by 20% in 2020 compared to 2008**
  - **Reduction of CO<sub>2</sub> air emissions at the office locations by 25% pr. employee in 2020 compared to 2008**
- Participating in the Carbon Disclosure Project (CDP) reporting
- TORM received in 2009 BP's Shipping Award for outstanding environmental achievement
- TORM's Environmental Report 2008 was recognized by the Danish Association of Chartered Financial Accountants and Dagbladet Borsen for best CO<sub>2</sub> report

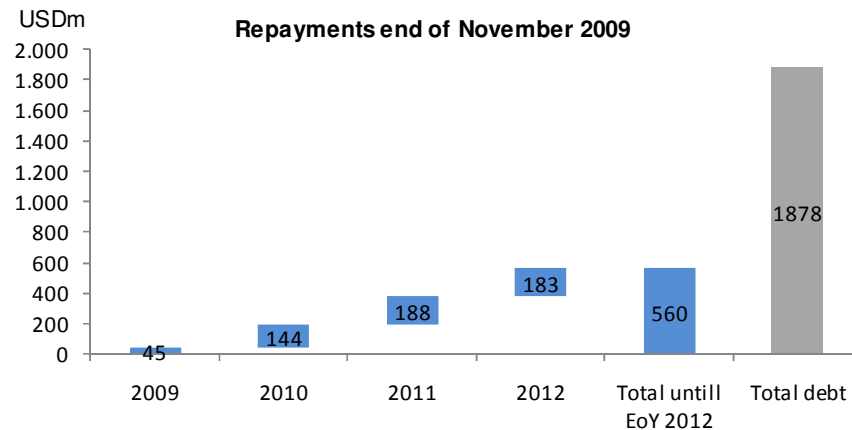
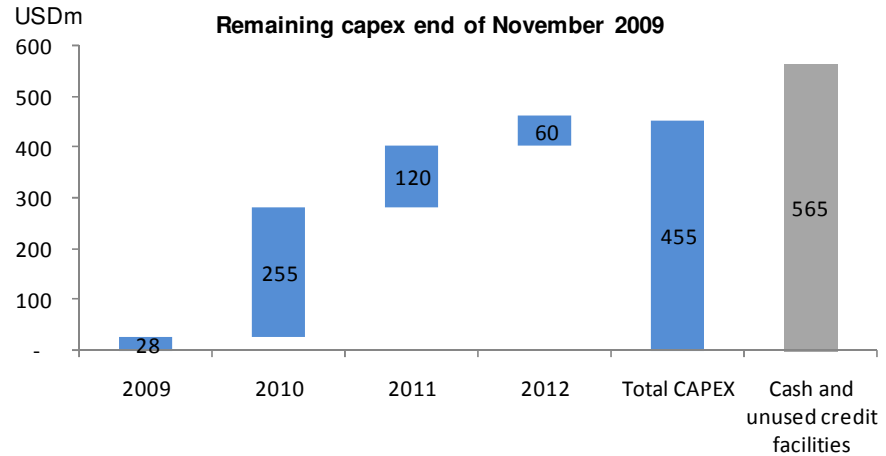


# Financing – no loan to value covenants, back-end loaded repayment schedule and sufficient credit facilities



## TORM has a sound financial position

- TORM has just raised a new facility of USD 167m to finance 6 MR newbuildings and is in the process of raising further debt
- Cash and unused credit facilities of approx. USD 565m by end of November 2009
- Remaining capex of USD 455m relating to the new building programme by end of November 2009
- Around 70% of the total debt falls due in 2013 and thereafter
- TORM has no loan to value covenants
- TORM's main debt covenants:
  - Minimum equity ratio of 25%
  - Minimum book value of equity of approx. USD 250m
  - No less than USD 25m in cash



# Coverage of earnings by end of September 2009



## Coverage end of September 2009

	Total days			Covered days		
	2009	2010	2011	2009	2010	2011
<b>Tank</b>						
LR2	1.183	5.488	4.563	400	867	425
LR1	1.922	7.749	6.768	882	1.377	730
MR	3.808	17.511	18.256	1.839	3.945	1.309
SR	1.123	3.682	3.650	866	1.913	730
<b>Total tank</b>	<b>8.036</b>	<b>34.430</b>	<b>33.237</b>	<b>3.906</b>	<b>8.102</b>	<b>3.194</b>
<b>Bulk</b>						
Panamax	1.189	5.102	6.143	1.011	2.342	430
<b>Total tank and bulk</b>	<b>9.225</b>	<b>39.532</b>	<b>39.380</b>	<b>4.916</b>	<b>10.444</b>	<b>3.624</b>

	Coverage ratio			Avg. coverage rate		
	2009	2010	2011	2009	2010	2011
<b>Tank</b>						
LR2	34%	16%	9%	24.745	27.478	29.812
LR1	46%	18%	11%	17.846	19.922	18.590
MR	48%	23%	7%	19.316	20.379	18.541
SR	77%	52%	20%	17.218	16.242	15.132
<b>Total tank</b>	<b>49%</b>	<b>24%</b>	<b>10%</b>	<b>19.227</b>	<b>20.033</b>	<b>19.273</b>
<b>Bulk</b>						
Panamax	85%	46%	7%	17.050	16.650	14.150
<b>Total tank and bulk</b>	<b>53%</b>	<b>26%</b>	<b>9%</b>	<b>18.779</b>	<b>19.274</b>	<b>18.665</b>

At 30 September 2009, TORM had covered:

- 2009 (remaining): 49% in the Tanker Division at USD/day 19,227 and 85% in the Bulk Division at USD/day 17,050
- 2010: 24% at USD/day 20,033 in the Tanker Division and 46% at USD/day 16,650 in the Bulk Division

# Appendix



# TORM fleet overview

## TORM fleet overview

	31/12/2006	31/12/2007	31/12/2008	31/12/2009	31/12/2010	31/12/2011	31/12/2012	31/12/2013
<b>Owned vessels</b>								
<b>Tank</b>								
LR2	7.0	9.5	12.5	12.5	12.5	12.5	12.5	12.5
LR1	6.0	7.5	7.5	7.5	7.5	7.5	7.5	7.5
MR	18.0	29.0	29.0	33.0	40.0	42.0	44.0	44.0
SR	-	10.0	10.0	11.0	11.0	11.0	11.0	11.0
<b>Total Tank</b>	<b>31.0</b>	<b>56.0</b>	<b>59.0</b>	<b>64.0</b>	<b>71.0</b>	<b>73.0</b>	<b>75.0</b>	<b>75.0</b>
<b>Bulk (Panamax only)</b>	<b>5.0</b>	<b>6.0</b>	<b>6.0</b>	<b>4.0</b>	<b>4.0</b>	<b>6.0</b>	<b>7.0</b>	<b>8.0</b>
<b>Total Fleet - Owned</b>	<b>36.0</b>	<b>62.0</b>	<b>65.0</b>	<b>68.0</b>	<b>75.0</b>	<b>79.0</b>	<b>82.0</b>	<b>83.0</b>
<b>Timechartered fleet</b>								
<b>Total tank</b>	9.5	17.0	22.5	25.5	23.0	21.5	16.5	14.0
<b>Total bulk</b>	9.0	8.0	11.0	9.0	11.0	11.0	12.0	11.0
<b>Total Fleet - Timechartered</b>	<b>18.5</b>	<b>25.0</b>	<b>33.5</b>	<b>34.5</b>	<b>34.0</b>	<b>32.5</b>	<b>28.5</b>	<b>25.0</b>
<b>Total fleet under management</b>								
LR2	25.1	25.1	29.1	30.1				
LR1	36.0	45.5	37.5	36.5				
MR	24.0	35.5	42.0	49.0				
SR	-	12.0	12.0	12.0				
<b>Total tank</b>	<b>85.1</b>	<b>118.1</b>	<b>120.6</b>	<b>127.6</b>				
<b>Bulk</b>	14.0	14.0	17.0	13.0				
<b>Total fleet operated by Torm</b>	<b>99.1</b>	<b>132.1</b>	<b>137.6</b>	140.6				



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# Detailed key figures overview

## Key figures overview

USD million	Q1-Q3 2009	2008	2007	2006	2005	2004
<b>P&amp;L</b>						
Revenue	661	1,184	774	604	586	442
EBITDA	171	572	288	301	351	215
Net income	8	361	792	235	299	187
<b>Balance</b>						
Total assets	3,360	3,317	2,959	2,089	1,810	1,240
Long term assets	3,008	2,913	2,703	1,970	1,528	1,056
Equity	1,274	1,279	1,081	1,281	905	715
NIBD	1,682	1,550	1,548	663	632	272
Cash and marketable securities	196	168	105	32	157	124
<b>Cash flow statement</b>						
Operating cash flow	95	385	188	232	261	228
Investment cash flow	-179	-262	-357	-118	-473	-187
Financing cash flow	111	-59	242	-239	303	-3
<b>Financial related key figures</b>						
EBITDA margin	26%	48%	37%	50%	60%	49%
Return on invested capital (ROIC)	1%	16%	10%	20%	34%	31%
<b>Stock related key figures</b>						
Earnings per share (EPS)	0.03	5.21	11.44	3.38	4.29	2.69
Cash flow per share, CFPS (USD)	0.32	5.56	2.71	3.33	3.74	3.28



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**Safe Harbour Statement**

Matters discussed in this presentation may constitute forward-looking statements.

Such statements reflect TORM's current expectations and are subject to certain risks and uncertainties that could negatively impact TORM's business.

To understand these risks and uncertainties, please read TORM's announcements and filings with The US Securities and Exchange Commission.



**TORM**