



Presentation of Q2 2014 results

# Safe Harbor 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 to NASDAQ OMX Copenhagen.*

*The presentation may include statements and illustrations concerning risks, plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts. The forward-looking statements in this presentation are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, TORM's examination of historical operating trends, data contained in our records and other data available from third parties. As many of these factors are subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control, TORM makes no warranties or representations about accuracy, sequence, timeliness or completeness of the content of this presentation.*

# Highlights for Q2 2014

Highlights  
Tanker market  
Dry bulk market  
Finance

## Q2 2014 Results

- EBITDA of USD 14m (USD 25m)
- Loss before tax of USD -24m (USD -30m)
- Positive operating cash flow of USD 15m (USD 28m) after full interest payment

## Tanker

- The product tanker market saw continued strong US export volumes, but this was partly offset by shorter transport distances
- Divisional Q2 2014 EBITDA of USD 13m (USD 34m)

## Bulk

- Freight rates remained under pressure throughout Q2 2014
- Divisional Q2 2014 EBITDA of USD 1m (USD -9m)

## Sale & Purchase

- The assets held for sale (3 LR2 and 10 MR product tankers) were delivered to entities controlled by Oaktree in Q2 2014
- Price for modern tonnage slightly down in Q2 2014, but with few transactions

## Guidance for FY2014

- EBITDA forecast for 2014 adjusted to positive USD 50-70m
- Forecast on loss before tax adjusted to USD 290-310m
- Results include impairment of USD 192m



# Q2 2014 results

Highlights  
Tanker market  
Dry bulk market  
Finance



USDm	Q1 2014	H1 2014	2013	2012	2011
<b>P&amp;L</b>					
Gross profit	27	60	150	(93)	81
Sale of vessels	0	0	0	(26)	(53)
EBITDA	14	34	96	(195)	(44)
Profit before tax	(24)	(246)	(166)	(579)	(451)
<b>Balance</b>					
Equity	(125)	(125)	118	267	644
NIBD	1,367	1,367	1,718	1,868	1,787
Cash and cash equivalents	43	43	29	28	86
<b>Cash flow statement</b>					
Operating cash flow	15	24	68	(100)	(75)
Investment cash flow	283	332	93	0	168
Financing cash flow	(273)	(343)	(161)	42	(128)

- Q2 EBITDA of USD 14m (USD 25m)

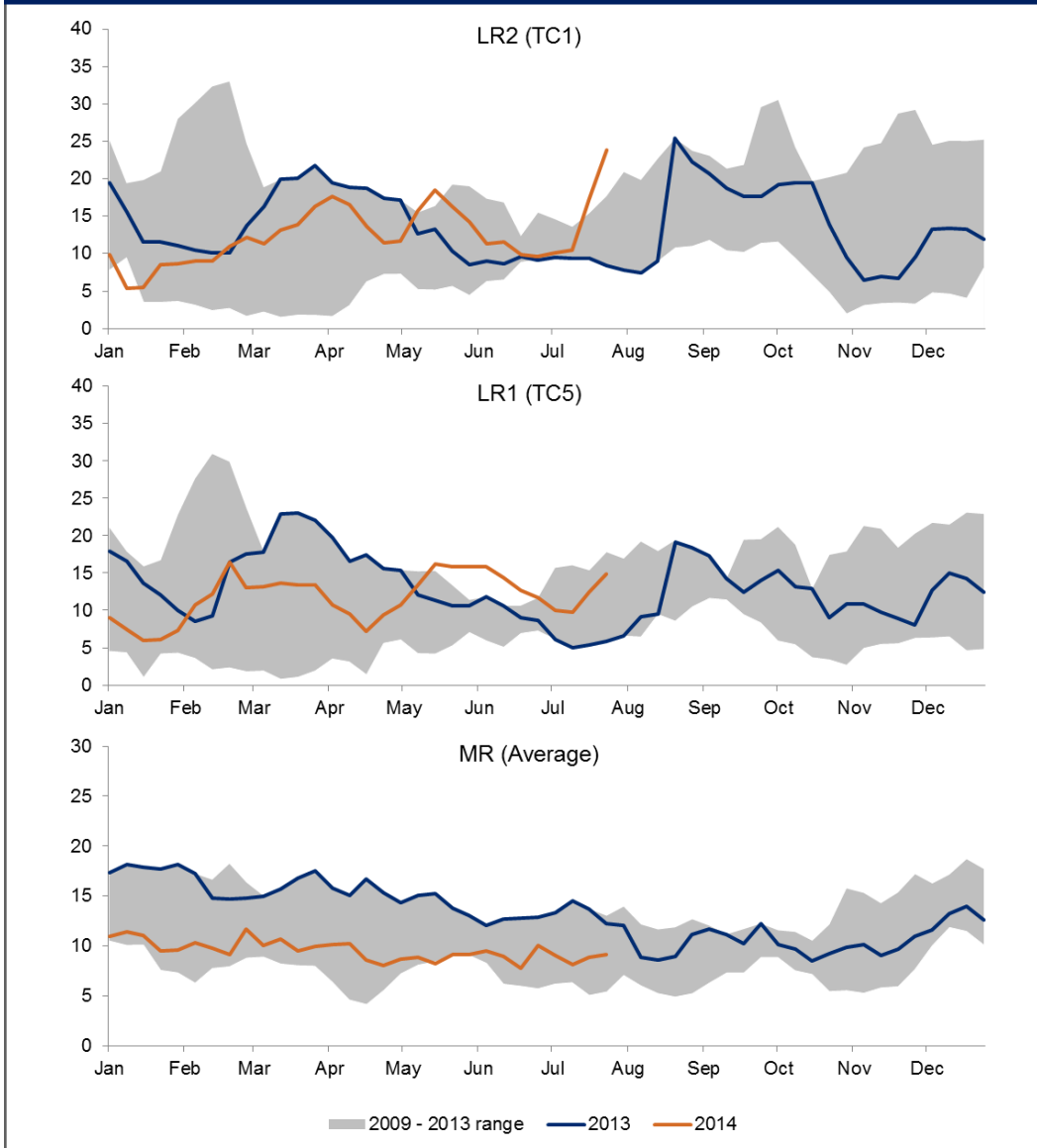
- Q2 2014 results before tax of USD -24m (USD -30m). H1 result includes impairment charges of USD 192m (USD -5m)

- Positive operating cash flow of USD 15m after full interest payment (USD 28m)

# Product tanker freight rates



## Freight rates in '000 USD/day



### LR1 and LR2

- Naphtha arbitrage from Europe to the Far East shut for long periods during Q2 2014 due to relatively high European naphtha prices
- LR1s captured a larger part of the export market to West Africa and Europe
- Continued oversupply of vessels
- In Q2 2014, TORM beat available spot benchmarks for LR2 and LR1 with 7% and 37% respectively

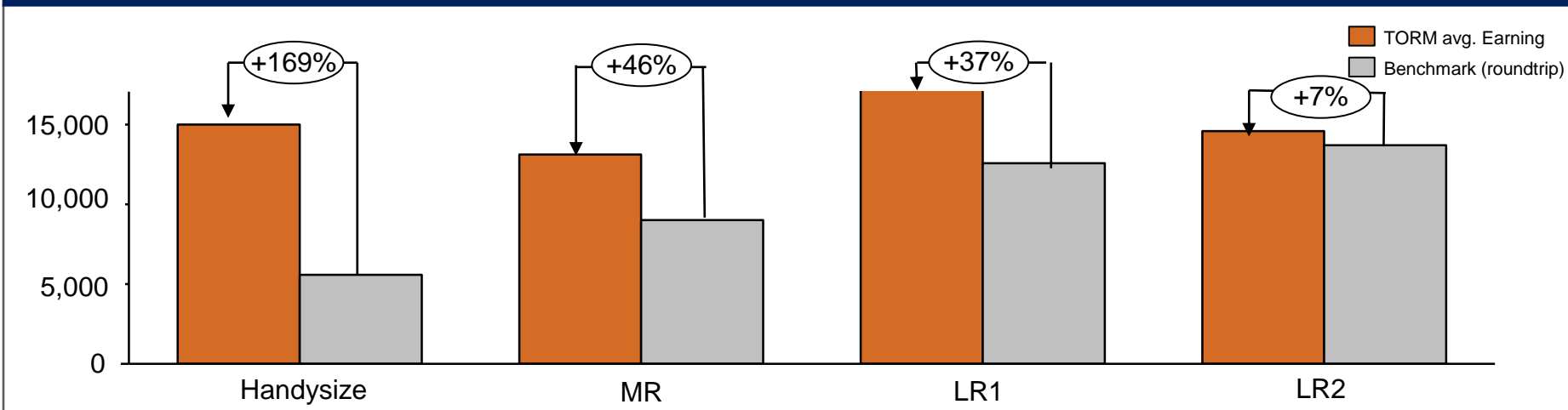
### MR

- Continued strong US clean product export volumes in Q2 2014, but destinations were short-haul to e.g. the Caribbean and Latin America
- European demand met by a higher share of Russian short-haul exports
- In Q2 2014, TORM outperformed the available spot benchmarks for MR by 46%

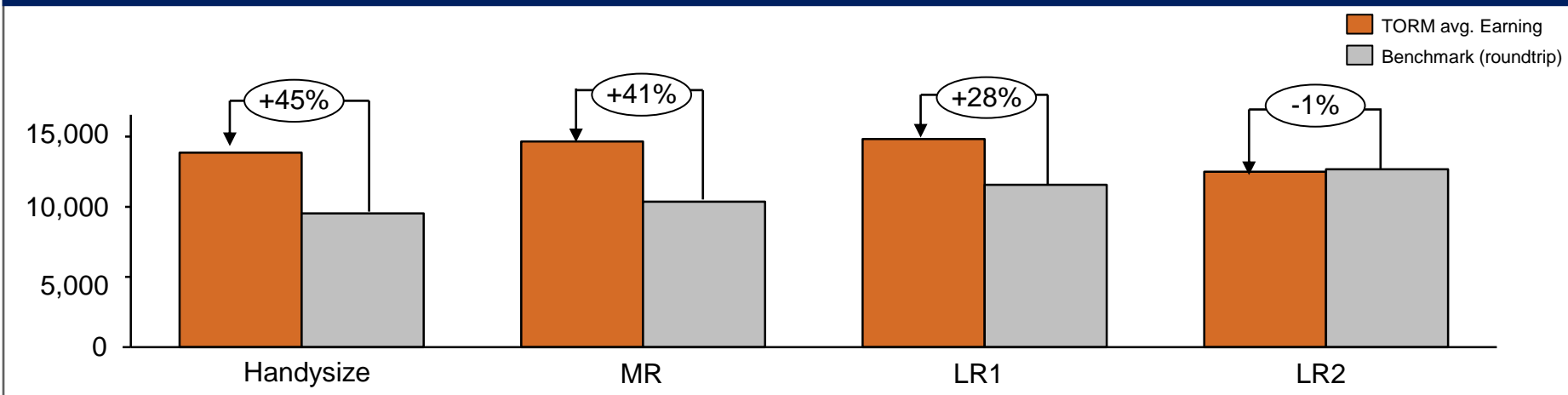
# Tanker Division spot rates versus benchmark



## TORM spot vs. benchmark Q2 2014 (USD/day)



## TORM spot vs. benchmark last 12 months (USD/day)



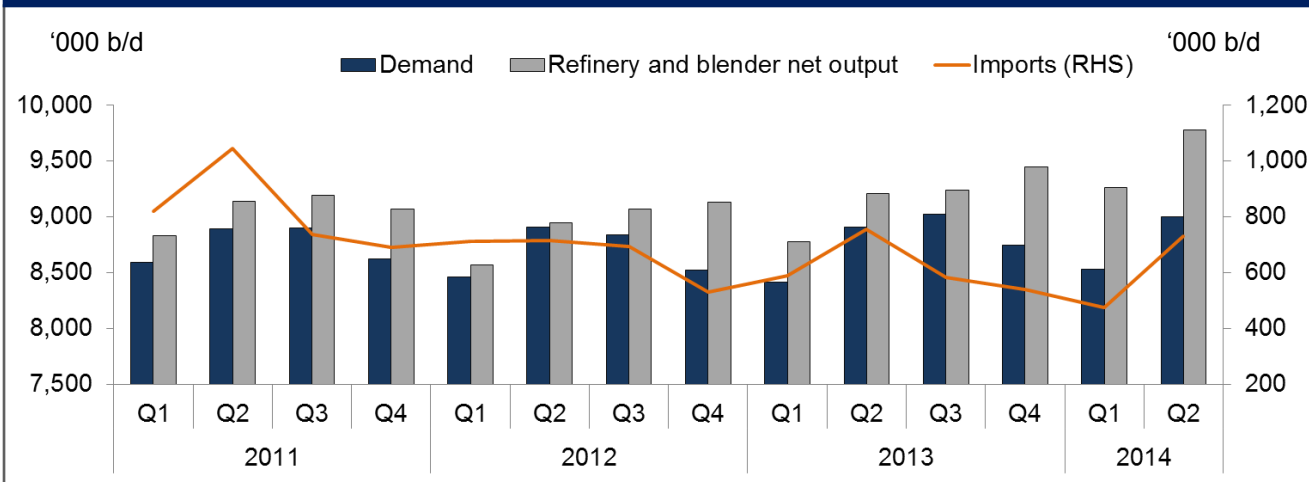
Note: Benchmarks are not one-to-one comparisons as they do not take broker commission, armed guards and low sulphur fuel costs into account.

Source: Clarksons, Spot earnings: LR2: TC1 (Ras Tanura-> Chiba), LR1: TC5 (Ras Tanura-> Chiba), MR: average basket of Rotterdam->NY, Bombay->Chiba, Mina Al Ahmadi->Rotterdam, Amsterdam->Lome, Houston->Rio de Janeiro, Singapore->Sidney, Handysize: average basket of Augusta->Lavera, Tuapse->Agioi Theodoroi

# Demand outlook for the product tanker market

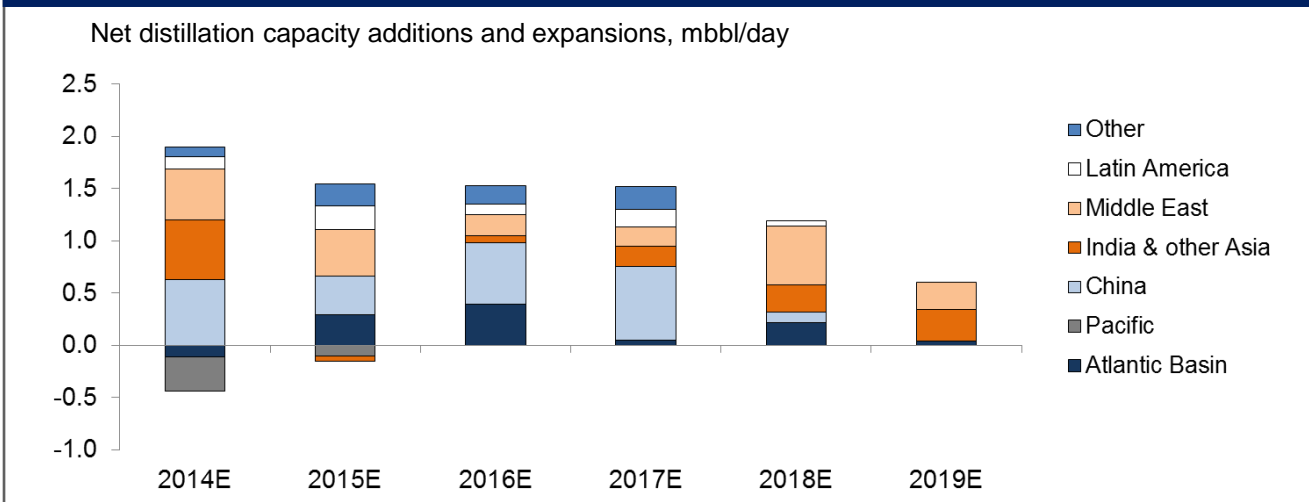


## US gasoline imports in Q2 2014 down 6.8% y-o-y\*



- Supported by a more robust economy, US gasoline demand increased 1.4% y-o-y in Q2
- Gasoline flows to the US to feed summer driving season were down y-o-y as growth in domestic refinery production exceeded gains in demand
- US exports of CPP, driven by distillates, increased 14% y-o-y
- Far East naphtha imports declined y-o-y amid closure of a major cracker in Japan and the fact that West to East naphtha arbitrage was closed

## Refinery expansions favoring ton-mile

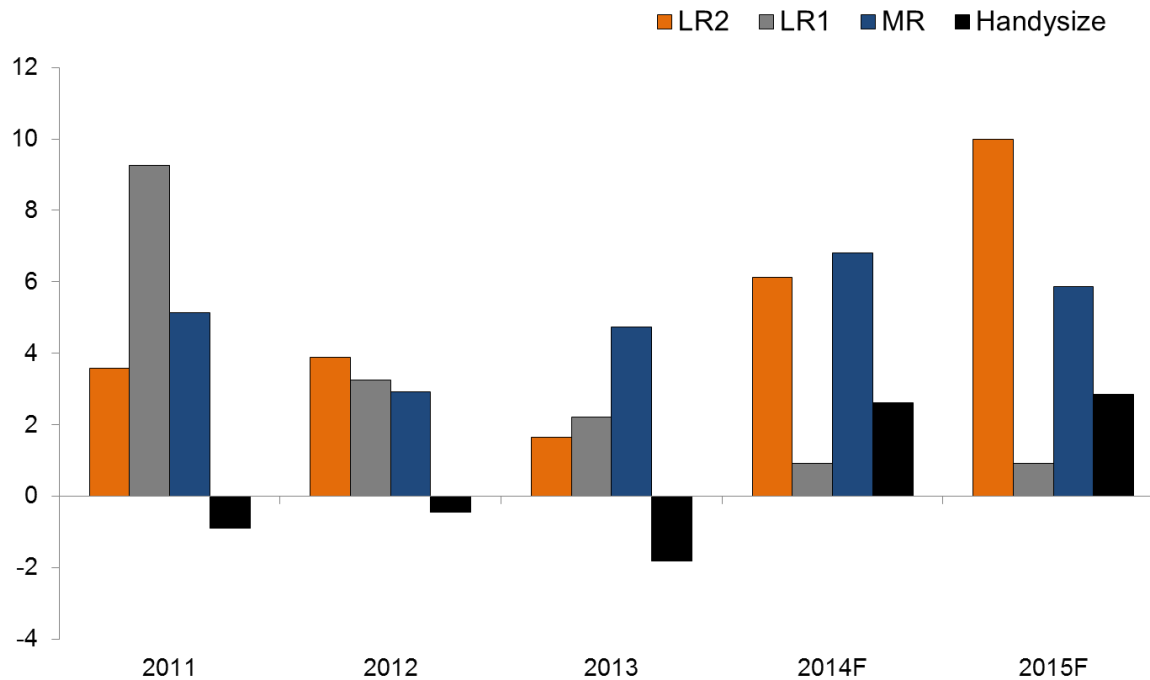


- Longer haul product movements from increasing refinery capacity in the Middle East and India are favored by expected closure of non-competitive refining capacity and utilization cuts in Europe
- Many refinery projects in China are cancelled or postponed, decreasing the country's potential as a major product exporter to the rest of Asia
- Closure of refinery capacity in the Pacific basin is expected to support the intra-Asian trade

# Supply outlook for the product tanker fleet



Net fleet growth y-o-y in % of total fleet (no. of vessels)



- The total product tanker fleet is forecasted to grow by approximately 4.9% both in 2014 and 2015 (in terms of no. of vessels), with the MR and LR2 segments leading the growth
- Higher fleet growth in 2014 and 2015 reflects higher deliveries for all segments except for LR1 compared to 2013, although some delivery slippage is likely
- Scrapping will mostly impact the Handysize segment

Note: Increase calculated basis number of vessels. The number of vessels by the beginning of 2014 was: LR2 245, LR1 324, MR 1,324, Handy 650

Note: Net fleet growth: Gross order book adjusted for expected scrapping and delivery slippage

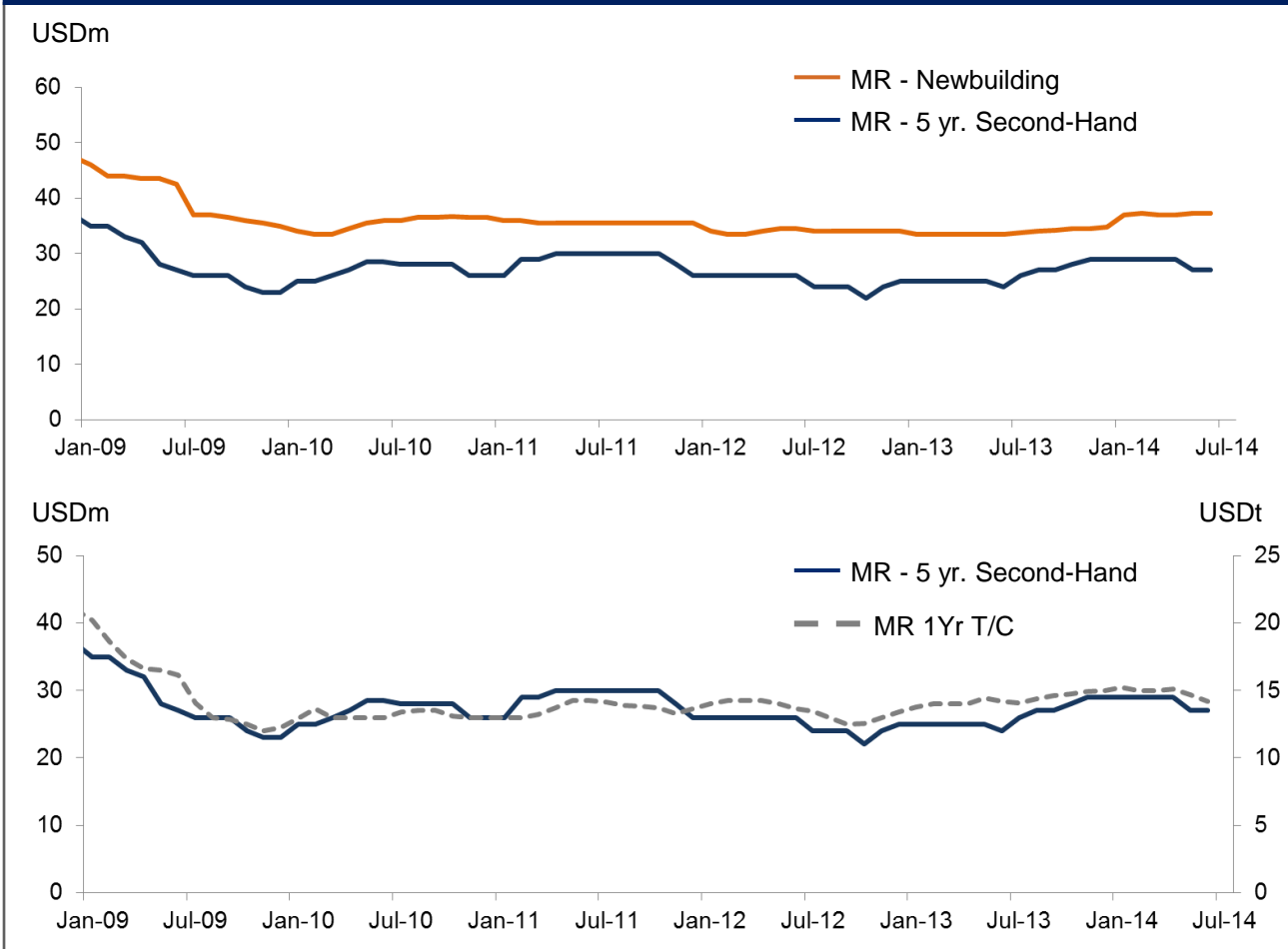
Source: TORM Research



# Product tanker vessel prices



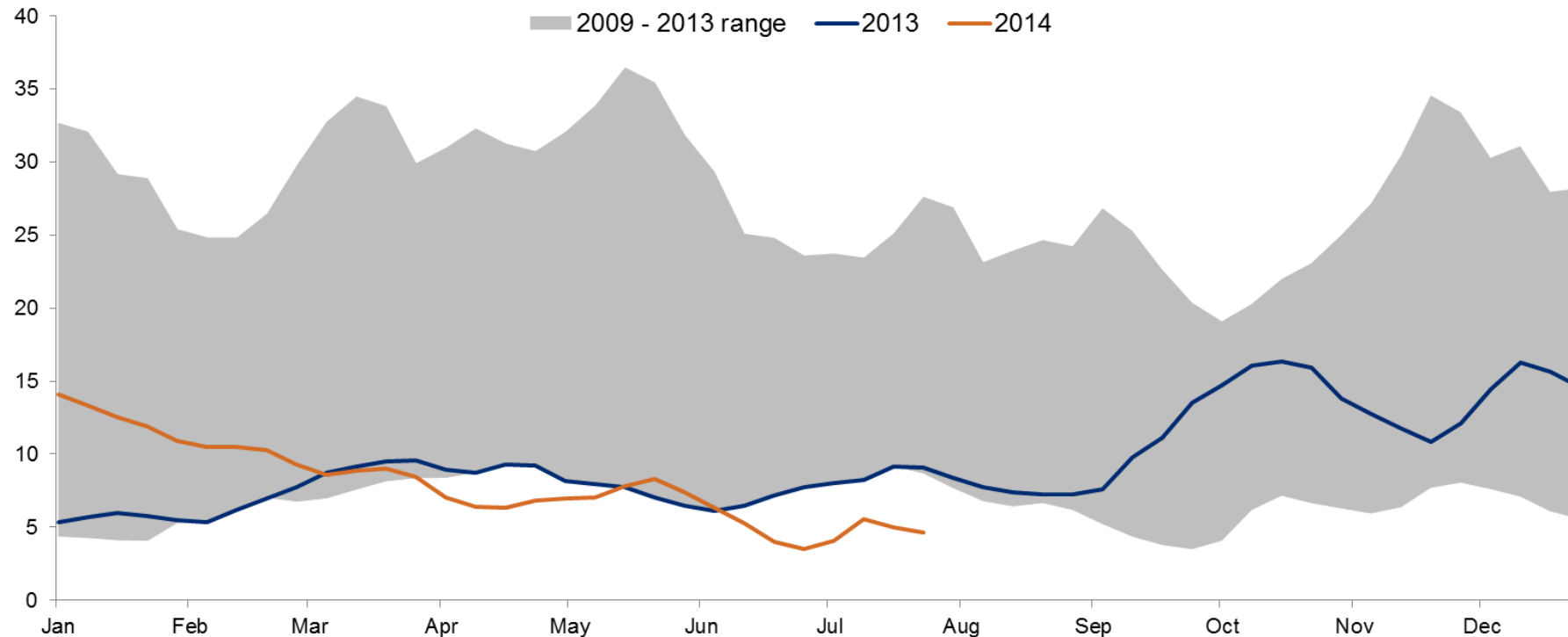
## Vessel price development



- Product tanker ordering activity lost momentum in Q2 2014, declining 61% compared to Q1 and 68% compared to the same period last year (in terms of capacity)
- Compared to the previous quarter, ordering of MR tankers picked up while all other segments experienced a slow down
- Price for modern tonnage declined slightly in Q2 2014



## Panamax freight rates in '000 USD/day

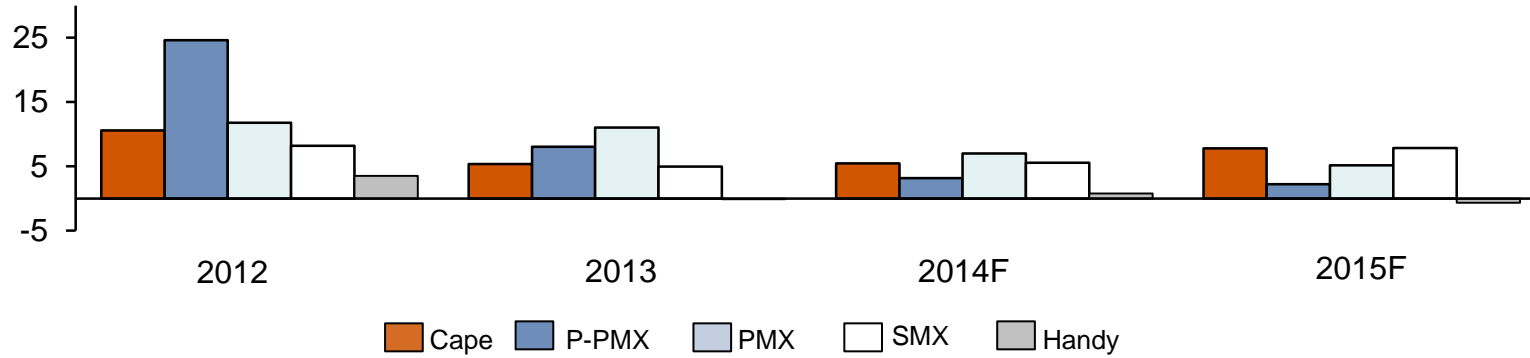


- Spot rates for the relevant bulk segments remained under pressure in Q2 2014
- TORM continued to employ its Panamax fleet in the period market and obtained TCE earnings of USD/day 12,286 in Q2 2014
- By early August 2014, the 1-year time charter rate was at USD/day ~9,000 for a standard 75,000 dwt Panamax (although with limited number of fixtures)

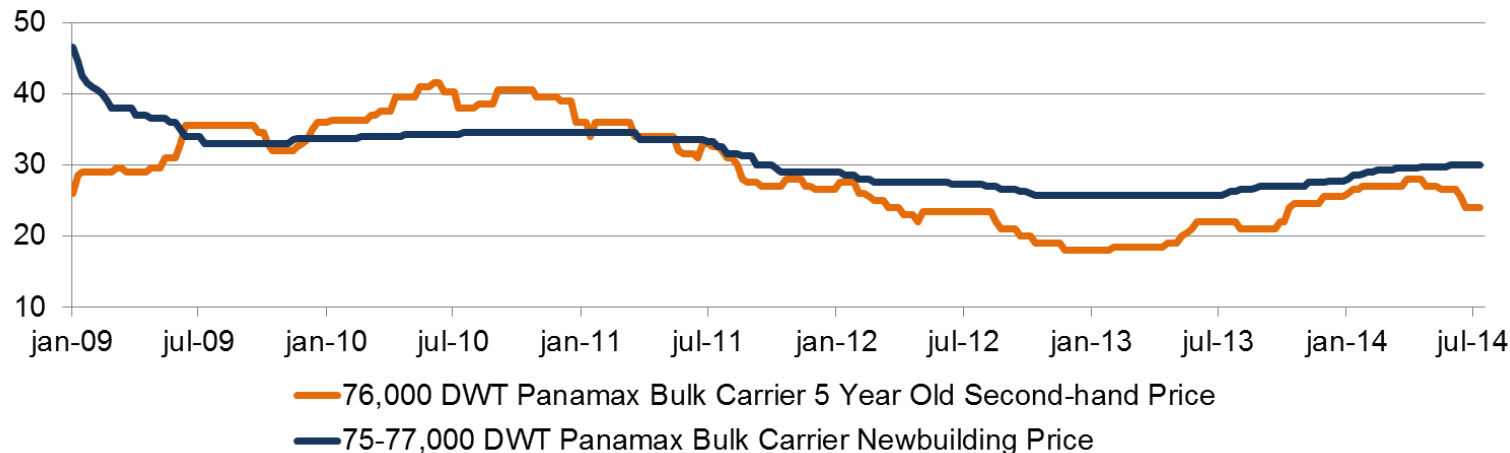
# Dry bulk order book and vessel prices



## Net fleet growth y-o-y as percent of existing fleet primo 2014\*



## Panamax newbuilding and second-hand prices (USDm)



\* Calculated basis dwt. Number of vessels primo 2013: Cape 1,468; P-PMX 523; PMX 1,964, SMX 3,047; Handy 2,920.

Source: TORM Research, Clarksons

# TORM has a fully integrated business model

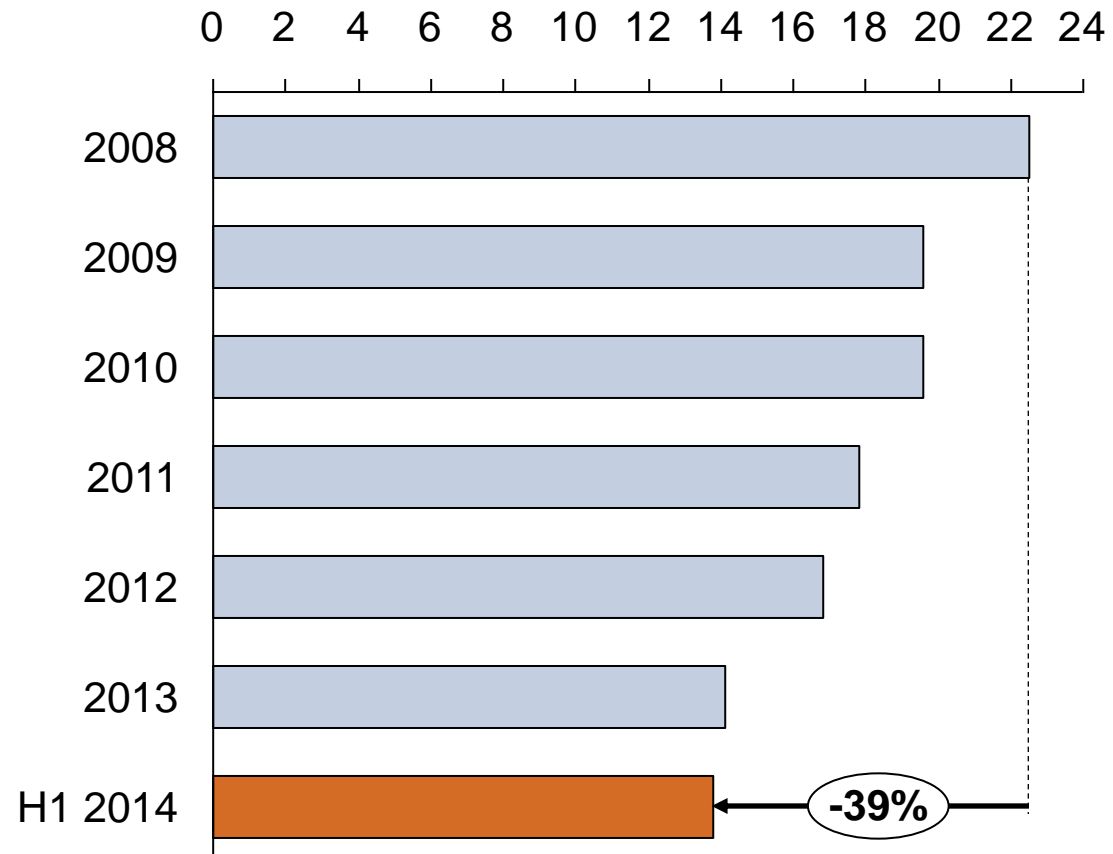


## TORM has maintained a fully integrated business model...

- TORM has a fully integrated business model to obtain the highest possible
  - trading flexibility
  - earning power
- TORM manages
  - ~100 vessels commercially
  - 65+ vessels technically
- Global reach ensures proximity to customers
- Outsourced technical and commercial management would affect other line items of the P&L

## ... but TORM's cost program has trimmed admin expenses significantly

*Admin. expenses (quarterly avg. in USDm)*



# TORM's financial position



## Liquidity

- As at 30 June 2014, TORM's available liquidity was USD 119m consisting of
  - USD 43m in cash
  - USD 76m in undrawn working capital facility

## Newbuilding CAPEX

- TORM has no newbuildings on order

## Debt situation

- TORM has a total debt of USD 1.41bn incl. drawn part of working capital facility
- 2014 debt repayment related to drawn part of working capital facility (USD 0.01bn)
- Agreement in principle in place regarding an extension of the working capital facility by six months until 31 March 2015 in the amount of USD 50m.
- The extension is subject to continued progress in the recapitalization process. Final implementation of the extension is expected before to 30 September 2014

USD bn, as of 30 June 2014



# TORM's forecast for 2014

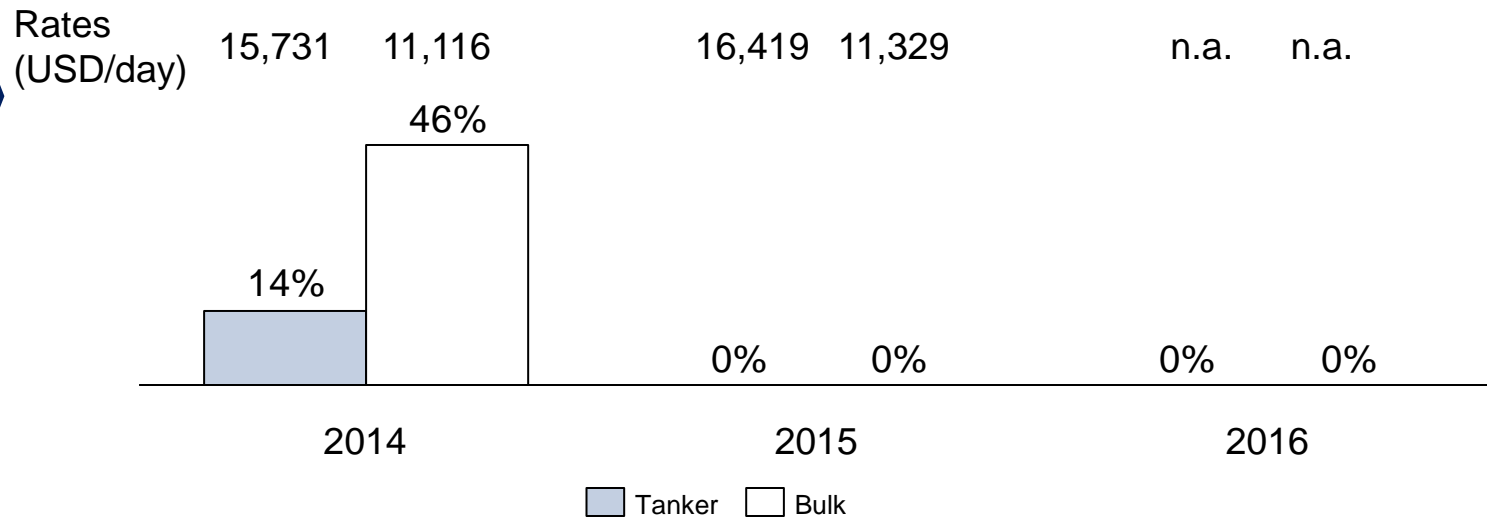


## 2014 forecast

### Forecasts for 2014

	Total, USDm	
EBITDA	50 to	70
Profit before tax	-290 to	-310

## Coverage per 30 June 2014



## Earnings sensitivity for 2014

USDm Segment	Change in freight rates (USD/day)			
	-2,000	-1,000	1,000	2,000
Tankers	-15	-7	7	15
Bulk	-2	-1	1	2
<b>Total</b>	<b>-16</b>	<b>-8</b>	<b>8</b>	<b>16</b>

# Appendix



# TORM at a glance

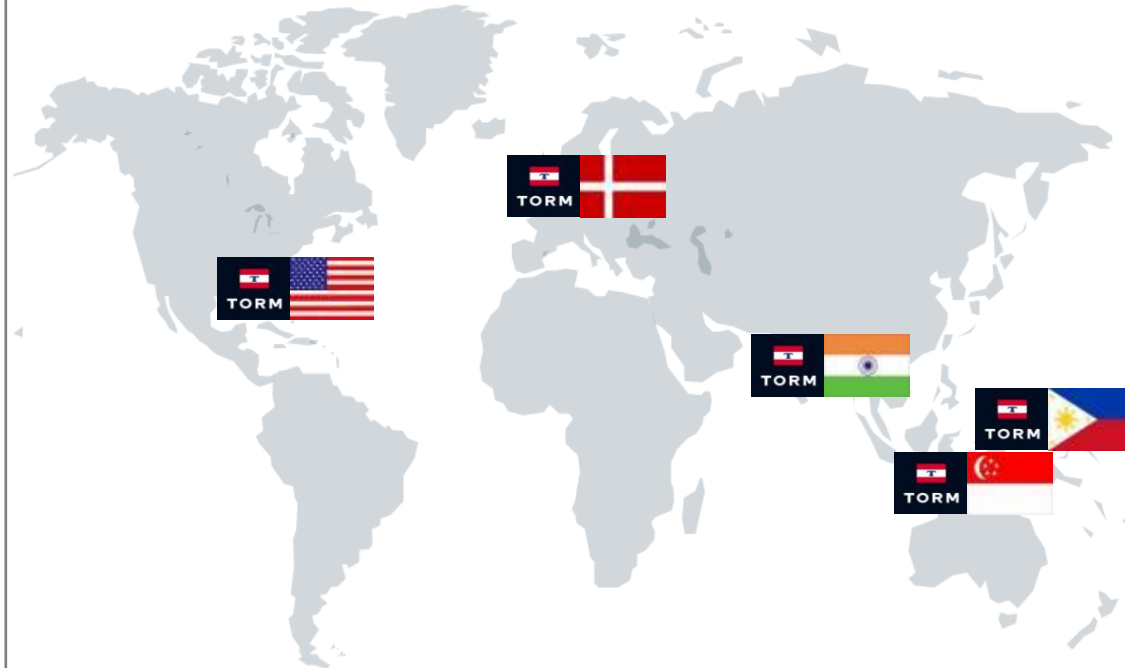
## Key facts

### A world leading product tanker company

- 125 years of history
- A leading product tanker owner
- Presence in dry bulk as operator

Listed on NASDAQ OMX  
Copenhagen

## Global footprint based on regional power and presence



### TORM employees:

**TORM Offices: ~275**

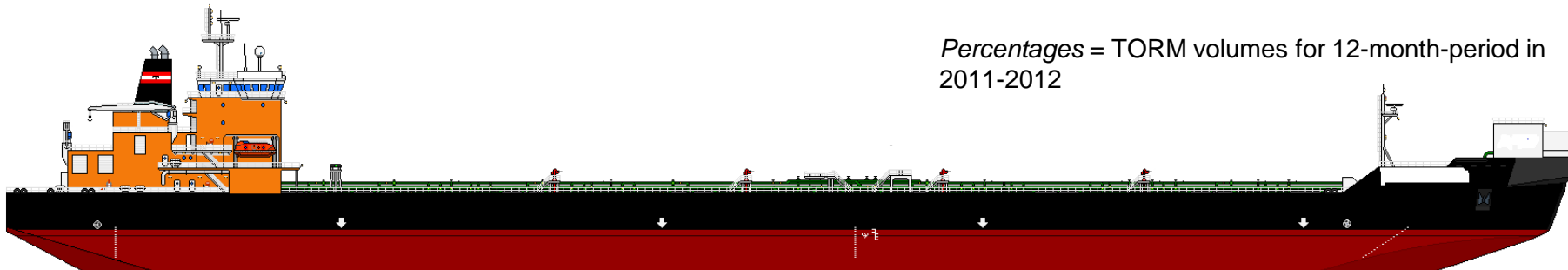
**Seafarers: ~2,900**

- 1,400 Indian seafarers
- 1,150 Filipino seafarers
- 250 Danish seafarers
- 100 Croatian seafarers





# Product tankers have coated tanks and have specially designed cargo systems with flexibility to transport a wide range of different products



Percentages = TORM volumes for 12-month-period in 2011-2012

Crude oils	Fuel oils	Diesels	Gas oils / Gasolines	Karosenes / Jet fuel	Clean condensates	Naphthas	MTBEs	Veg. oils	Biofuel	Ethanol
~14%	~12%	~7%	~38%	~9%	~3%	~15%	~0%	~1%	~0%	~0%

”Dirty products”

← Less refined  
”clean products”

→ More refined  
”clean products”

# Management team with an international outlook and many years of shipping experience



## Executive Management



### Jacob Meldgaard

- CEO of TORM since April 2010
- Previously Executive Vice President of the Danish shipping company NORDEN where he was in charge of the company's dry cargo division
- Prior to that he held various positions with J. Lauritzen and A.P. Møller-Mærsk
- More than 20 years of shipping experience



### Mads Peter Zacho

- CFO of TORM since September 2013
- Previously CFO of the Danish shipping company Svitzer, part of A.P. Møller-Mærsk and prior to that Deputy Head of Group Finance with A.P. Møller-Mærsk
- Prior he was with Nordea in Copenhagen and the World Bank in Washington D.C.
- In shipping since 2004

## Senior Management



### Tina Revsbech

- Head of Tanker Division



### Lars Christensen

- Head of Sale & Purchase Division



### Christian Søgaard-Christensen

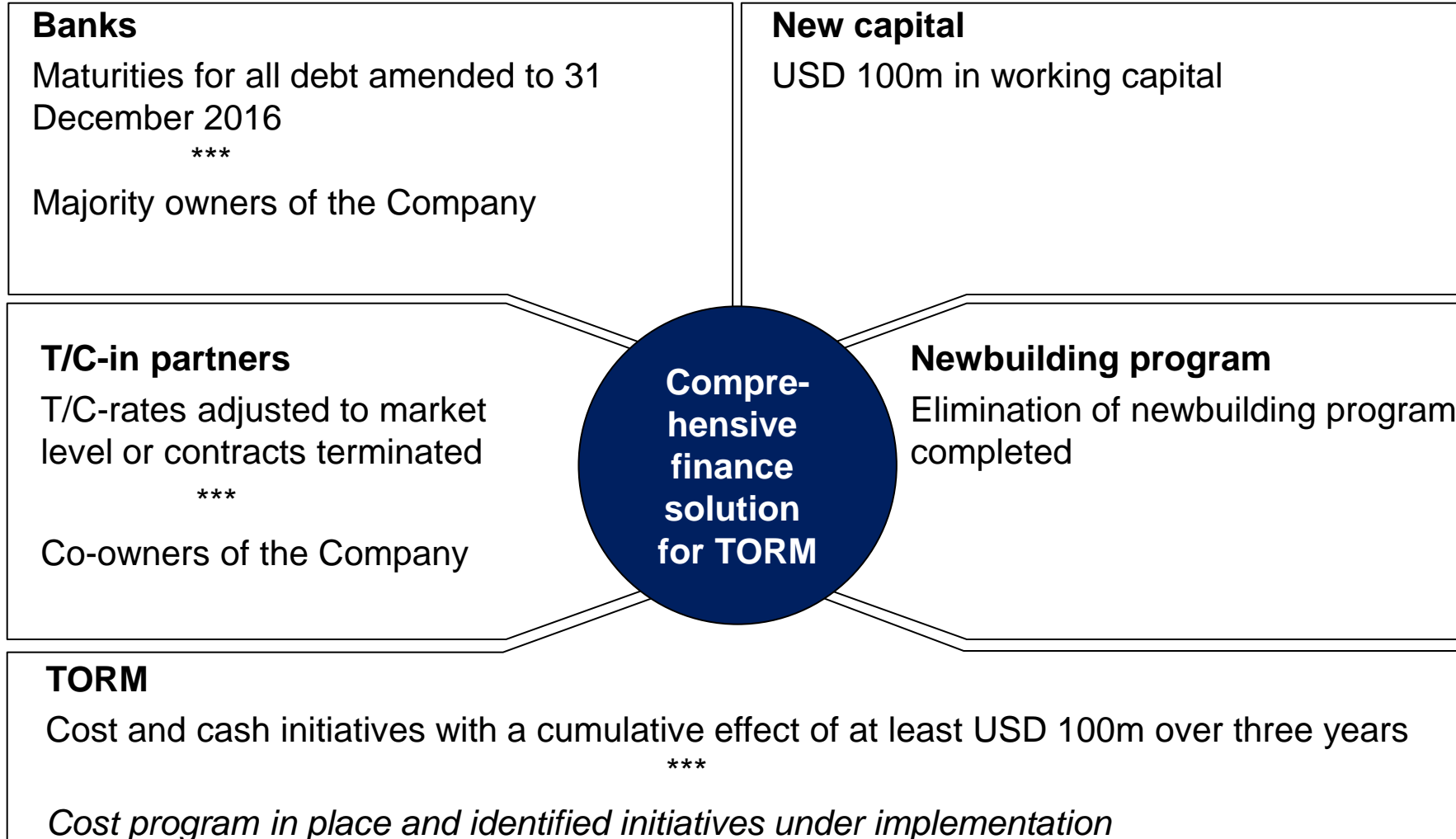
- Head of Investor Relations and Corporate Support



### Christian Riber

- Head of Human Resources

# TORM completed the restructuring with banks and time charter partners on 5 November 2012



# The TORM share

## Share information

TORM's shares are listed on NASDAQ OMX Copenhagen under the ticker TORM

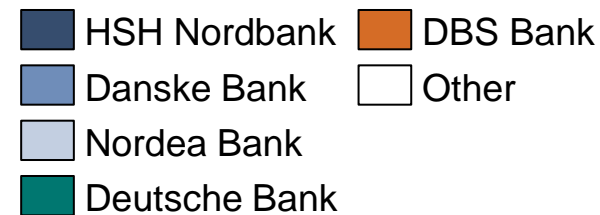
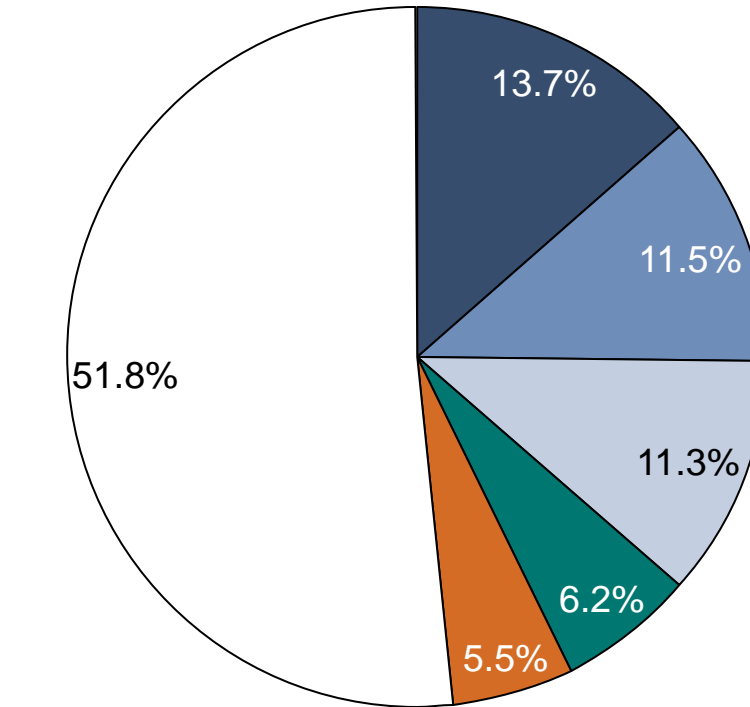
In July 2013, TORM delisted the ADR-program from NASDAQ Capital Markets, USA, (ticker "TRMD")

### Shares

- One class of shares, each carrying one vote
- Share capital of 728m shares of DKK 0.01 each

For further company information, visit TORM at [www.torm.com](http://www.torm.com)

## Ownership structure (31 December 2013\*)



# Industry cooperation and transparency is key to TORM's Corporate Social Responsibility



## TORM is actively participating in...



- UN Global Compact – TORM became signatory to the UNGC in 2009 as the first Danish shipping company



- Maritime Anti Corruption Network – TORM is founding member of a global business network working towards a maritime industry free of corruption that enables fair trade

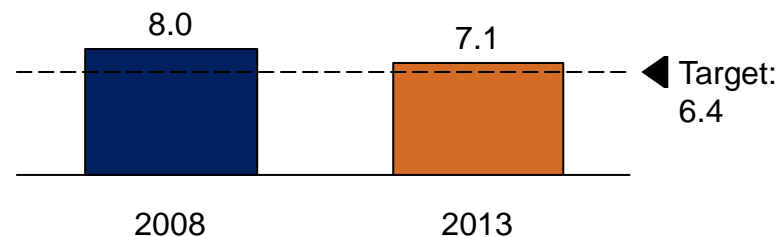


- Danish Shipowners' Association - As part of DSA, TORM is pushing for international regulation and standards on e.g. emissions through the International Maritime Organization

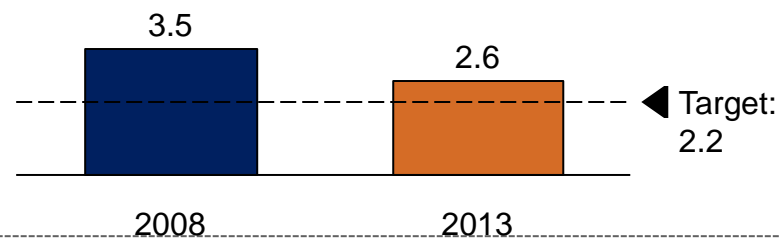
## TORM has set and communicated on climate targets

### Set climate targets:

- 20% reduction of CO<sub>2</sub> emissions pr. vessel by 2020 (starting point in 2008), in g/ton-km



- 25% reduction of CO<sub>2</sub> emissions from offices per employee by 2020 (starting point in 2008), ton-employee



# Detailed key figures overview

USDm	H1 2014	2013	2012	2011	2010	2009
Revenue	332	992	1,121	1,305	856	862
EBITDA	34	96	(195)	(44)	97	203
Profit/(loss) before tax	(246)	(166)	(579)	(451)	(136)	(19)
<b>Balance</b>						
Total assets	1,419	2,008	2,355	2,779	3,286	3,227
Equity	-125	118	267	644	1,115	1,247
NIBD	1,367	1,718	1,868	1,787	1,875	1,683
Cash and cash equivalents	43	29	28	86	120	122
<b>Cash flow statement</b>						
Operating cash flow	24	68	(100)	(75)	(1)	116
Investment cash flow	332	93	0	168	(187)	(199)
Financing cash flow	(343)	(161)	42	(128)	186	37
<b>Financial related key figures</b>						
EBITDA margin	10%	10%	-17%	-3%	11%	24%
Equity ratio	-	6%	11%	23%	34%	39%
Return on invested capital (ROIC)	-28%	-5%	-20%	-14%	-3%	2%



# Large and modern fleet

# of vessels	Current fleet			Newbuildings and T/C-in deliveries with a period >= 12 months		
	Q1 2014	Changes	Q2 2014	2014	2015	2016
Owned vessels						
LR2	8.0	-3.0	5.0			
LR1	7.0	-	7.0			
MR	32.0	-12.0	20.0			
Handysize	11.0	-	11.0			
Tanker Division	58.0	-15.0	43.0	-	-	-
Panamax	2.0	-	2.0			
Handymax	-	-	-			
Bulk Division	2.0	-	2.0	-	-	-
<b>Total</b>	<b>60.0</b>	<b>-15.0</b>	<b>45.0</b>	<b>-</b>	<b>-</b>	<b>-</b>
T/C-in vessels with contract period >= 12 months						
LR2	2.0	-	2.0			
LR1	-	-	-			
MR	2.0	3.0	5.0	-3.0		
Handysize	-	-	-			
Tanker Division	4.0	3.0	7.0	-3.0	-	-
Panamax	5.0	-	5.0			
Handymax	1.0	-	1.0			
Bulk Division	6.0	-	6.0	-	-	-
<b>Total</b>	<b>10.0</b>	<b>3.0</b>	<b>13.0</b>	<b>-3.0</b>	<b>-</b>	<b>-</b>
T/C-in vessels with contract period < 12 months						
LR2						
LR1						
MR						
Handysize						
Tanker Division	-	-	-			
Panamax	1.0	-1.0	-			
Handymax	-	-	-			
Bulk Division	1.0	-1.0	-			
<b>Total</b>	<b>1.0</b>	<b>-1.0</b>	<b>-</b>			
Pools/commercial management	28.0	12.0	40.0	3.0		
<b>Total fleet</b>	<b>99.0</b>	<b>-1.0</b>	<b>98.0</b>			



# Earning days, T/C cost and coverage for 2014, 2015 and 2016

PER 30.6.2014



## Owned days

	2014	2015	2016	2014	2015	2016
		Owned days				
LR2	915	1,791	1,815			
LR1	1,262	2,495	2,546			
MR	3,641	7,189	7,155			
Handysize	1,954	3,883	3,960			
Tanker Division	7,772	15,357	15,476			
Panamax	336	726	728			
Handymax	-	-	-			
Bulk Division	336	726	728			
<b>Total</b>	<b>8,109</b>	<b>16,083</b>	<b>16,204</b>			

## T/C-in days at fixed rate

	T/C-in days at fixed rate			T/C-in costs, USD/day		
LR2	-	-	-	-	-	-
LR1	-	-	-	-	-	-
MR	481	726	104	14,617	15,895	16,000
Handysize	-	-	-	-	-	-
Tanker Division	481	726	104	14,617	15,895	16,000
Panamax	915	1,676	760	12,538	12,225	11,000
Handymax	-	-	-	-	-	-
Bulk Division	915	1,676	760	12,538	12,225	11,000
<b>Total</b>	<b>1,396</b>	<b>2,402</b>	<b>864</b>	<b>13,254</b>	<b>13,335</b>	<b>11,600</b>

## T/C-in days at floating rate

	T/C-in days at floating rate		
LR2	366	726	684
LR1	-	-	-
MR	-	-	-
Handysize	-	-	-
Tanker Division	366	726	684
Panamax	-	-	-
Handymax	183	363	13
Bulk Division	183	363	13
<b>Total</b>	<b>549</b>	<b>1,089</b>	<b>697</b>

## Total physical days

	Total physical days			Covered days		
LR2	1,281	2,517	2,499	229	5	-
LR1	1,262	2,495	2,546	159	-	-
MR	4,122	7,915	7,259	773	34	-
Handysize	1,954	3,883	3,960	80	-	-
Tanker Division	8,619	16,809	16,263	1,240	39	-
Panamax	1,251	2,402	1,488	635	0	-
Handymax	183	363	13	31	-	-
Bulk Division	1,434	2,765	1,501	666	0	-
<b>Total</b>	<b>10,053</b>	<b>19,574</b>	<b>17,764</b>	<b>1,907</b>	<b>39</b>	<b>-</b>

## Coverage

	Covered, %			Coverage rates, USD/day		
LR2	18%	0%	0%	13,817	14,497	-
LR1	13%	0%	0%	21,097	-	-
MR	19%	0%	0%	14,817	16,690	-
Handysize	4%	0%	0%	19,371	-	-
Tanker Division	14%	0%	0%	15,731	16,419	-
Panamax	51%	0%	0%	11,497	11,329	-
Handymax	17%	0%	0%	3,346	-	-
Bulk Division	46%	0%	0%	11,116	11,329	-
<b>Total</b>	<b>19%</b>	<b>0%</b>	<b>0%</b>	<b>14,118</b>	<b>16,377</b>	<b>-</b>





**TORM**