


12 NOVEMBER 2019

# Q3 2019 RESULTS

TORM

# SAFE HARBOR STATEMENT

*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.*



# AGENDA

| | |
|---|---|
| 1 | **Introduction to TORM and Q3 2019 highlights** |
| 2 | **Product tanker market overview and outlook** |
| 3 | **IMO 2020 preparations** |
| 4 | **Financial metrics** |
| 5 | **Asset management** |

# TORM AT A GLANCE

## A world-leading product tanker company

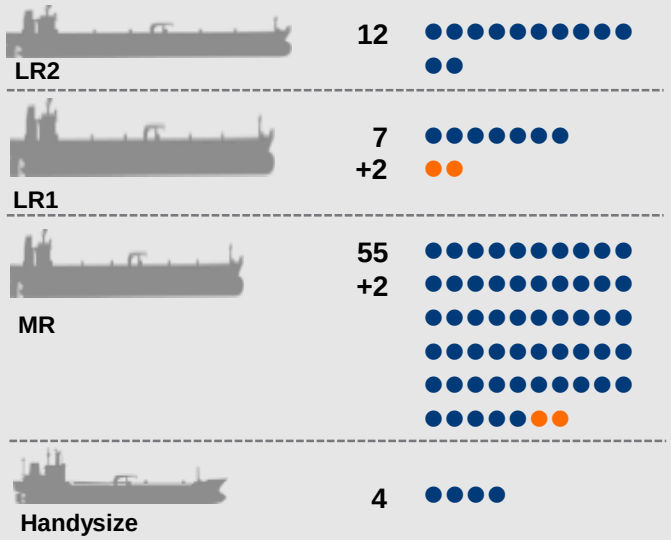
- A leading pure-play product tanker owner
- Large commercial footprint with presence in all key product tanker segments
- Strong capital structure to support disciplined growth strategy
- Dual-listed on Nasdaq in Copenhagen and Nasdaq in New York

## One TORM

- Large, global organization with ~300 land-based employees and ~3,000 seafarers
- Integrated in-house operating and technical platform
- Focused on maintaining highest safety, environment and CSR standards, while delivering cost-efficient operations
- Driving performance improvements and creating value for stakeholders

## Fleet overview*

**78** Owned **4** On order




* As of 12 November 2019, owned vessels include financially leased vessels.

# Q3 2019 FINANCIAL HIGHLIGHTS

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## HISTORICAL PERFORMANCE

**TIME CHARTER EQUIVALENT**
Increase in time charter equivalent is driven by general market development

**USD/day 13,392**
Q3 2019

**USD/day 10,598**
Q3 2018

**EBITDA**
Increase in EBITDA is driven by higher freight rates

**USD 32m**
Q3 2019

**USD 15m**
Q3 2018

**ROIC**
Increase in RoIC is driven by higher EBITDA

**0.4%**
Q3 2019

**-4.3%**
Q3 2018

## CAPITAL STRUCTURE
as of 30 September 2019

**LIQUIDITY**
Well-positioned to service future commitments

**USD 337m**
Q3 2019

**NET ASSET VALUE**
Broker-based valuation of TORM's assets

**USD 887m**
Q3 2019

**NET LOAN TO VALUE**
Strong capital structure

**50%**
Q3 2019

## OPERATIONAL LEVERAGE
as of 8 November 2019

**OPEN DAYS**

**2,439**
Q4 2019

**COVERED DAYS**

**4,170**
Q4 2019

**COVERAGE RATES**

**USD/day 19,531**
Q4 2019

# THE REFERENCE COMPANY IN THE PRODUCT TANKER SEGMENT

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TORM is a large-scale, **pure-play product tanker owner**, active in all key product tanker segments in order to meet customer needs

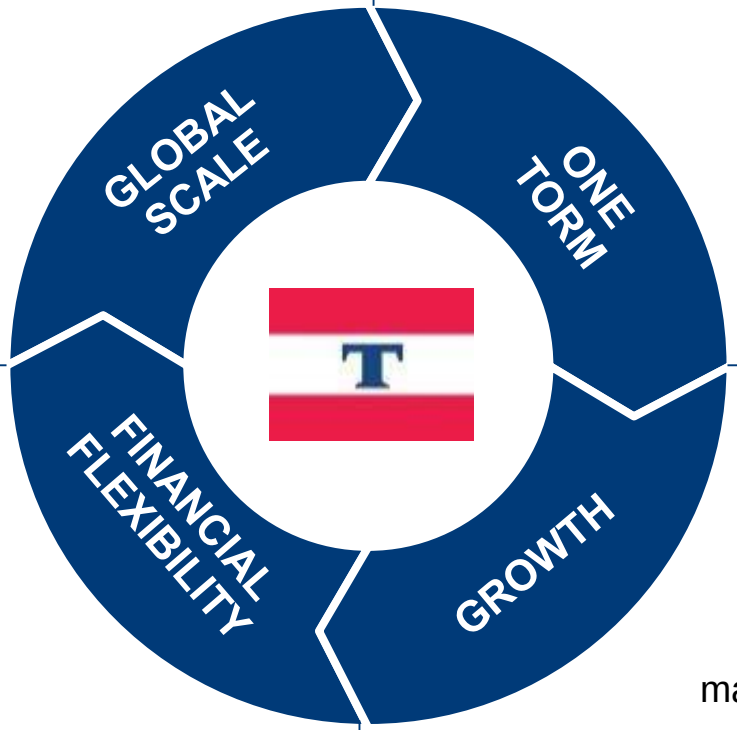
Our product tankers are primarily deployed in the spot market

Limited charter-in commitment (off-balance sheet)

**TORM's superior integrated operating platform** includes in-house technical and commercial management (preferred by customers)

Enhanced responsiveness to TORM's customers, resulting in higher TCEs

Scale and focus driving cost-efficient results




**TORM has a solid capital structure** with financial strength to pursue growth

Competitive advantage when pursuing vessel acquisitions from yards

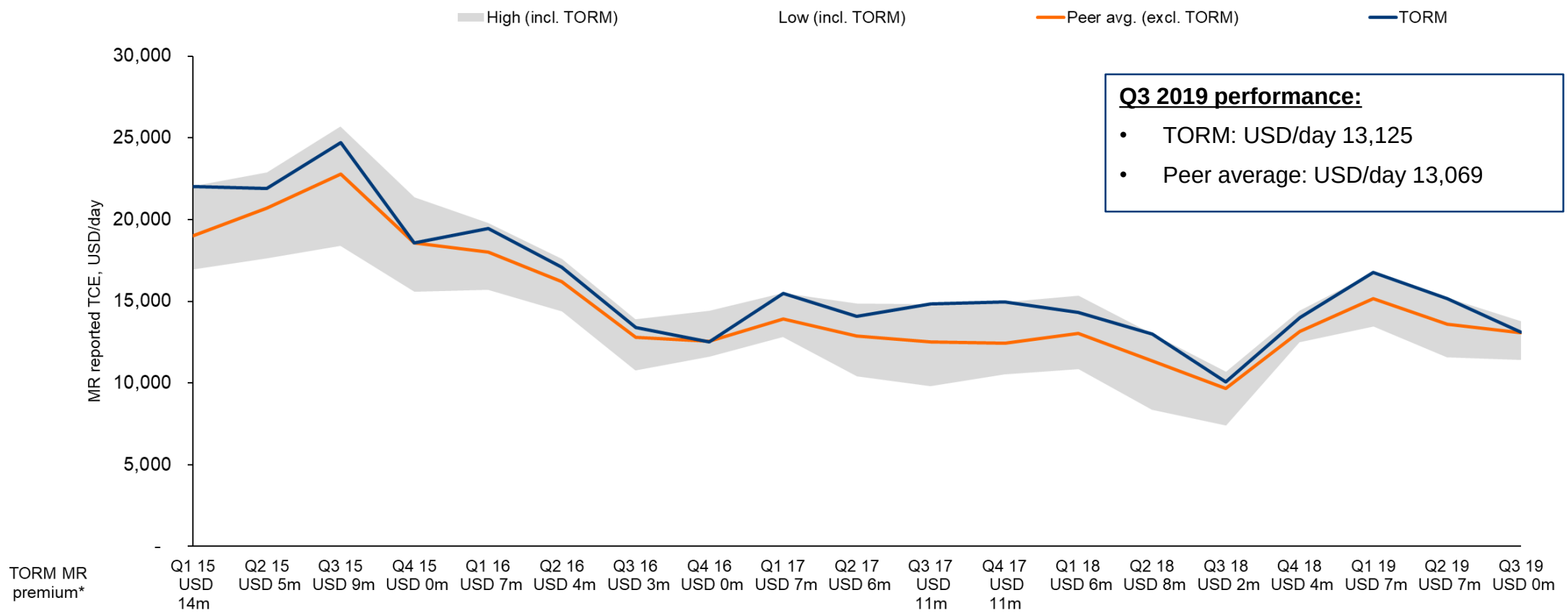
Semi-annual distribution policy of 25-50% of net income

TORM pursues **selective fleet growth and renewal through rigorous financial hurdles**

Well-positioned to increase competitiveness through asset management, scrubber installations and market consolidation

In-house S&P team with relationships with brokers, yards, banks and shipowners

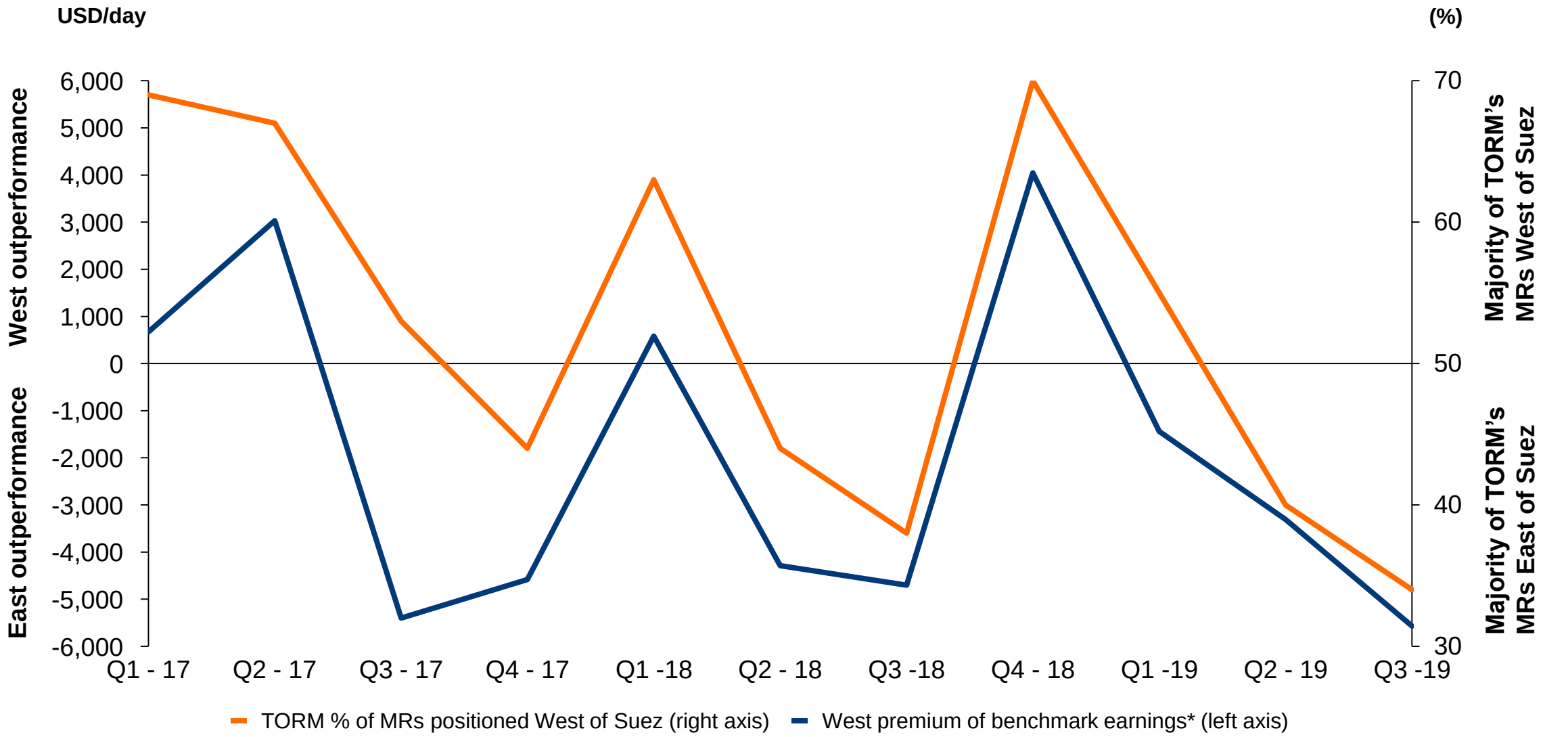
# TORM COMMERCIALLY OUTPERFORMS PEERS IN ITS KEY MR SEGMENT




FY 2015: USD 28m | FY 2016: USD 14m | FY 2017: USD 35m | FY 2018: USD 20m | 9M 2019: USD 14m

Note: Peer group is based on Ardmore, d'Amico (composite of LR1, MR and Handy), Diamond S, Frontline 2012, Hafnia Tankers, NORDEN, Maersk Tankers, Teekay Tankers, Scorpio and International Seaways.
For Q3 2019, the peer group only consists of Ardmore, NORDEN, Scorpio and International Seaways. Earning releases from other peers are pending.
* TORM premium calculation is based on a TORM MR fleet of 50 vessels earning TORM's TCE rate compared to the peer average.

# TORM'S COMMERCIAL CAPABILITIES ARE FOCUSED ON OPTIMIZING GEOGRAPHICAL POSITIONING



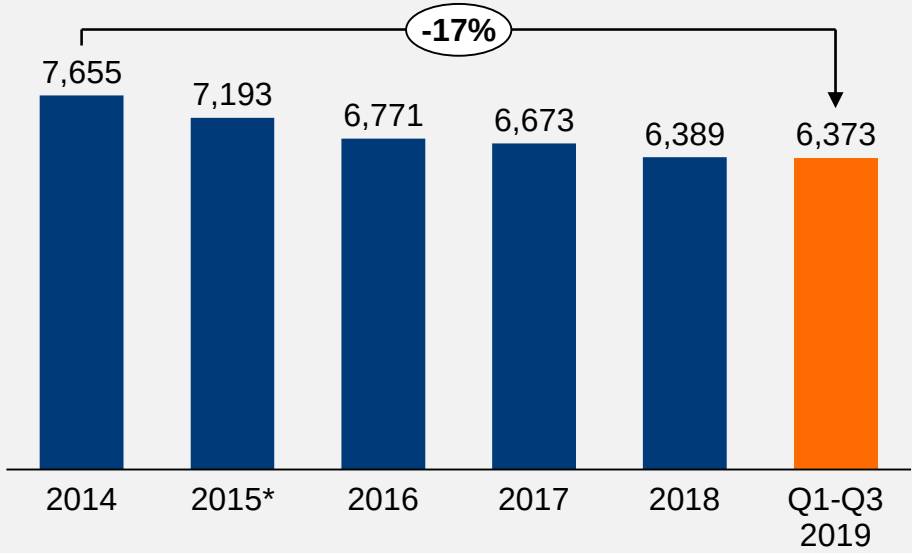

* West premium calculated as spread between Atlantic triangulation (TC2 & TC14) and Transpacific voyage (TC10).
Source: Clarksons, TORM.

# FULLY INTEGRATED BUSINESS MODEL WITH COMPETITIVE COST STRUCTURE

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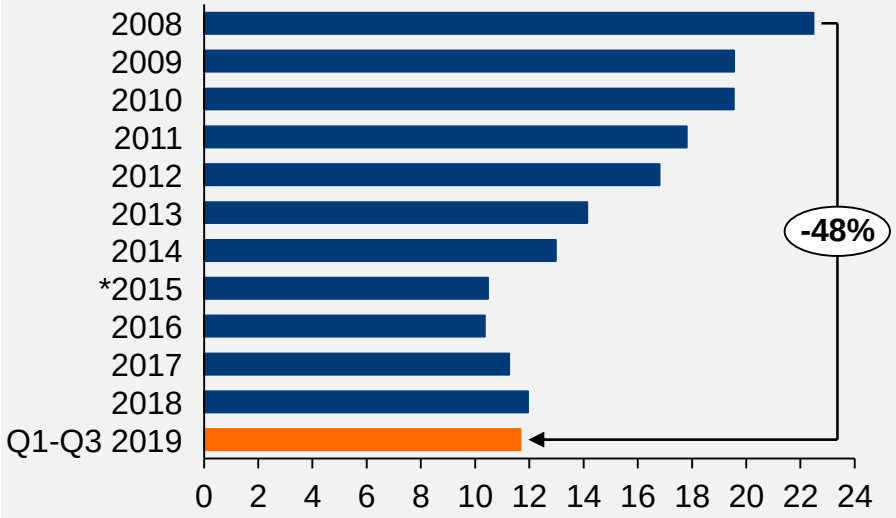
## Significant reduction in OPEX

OPEX per day (yearly, weighted avg. in USD/day)




## TORM has trimmed administration expenses

Admin. expenses (quarterly avg. in USDm)




Compared to 2014, TORM has reduced the annual OPEX cost base of approx. USD 35m by an OPEX/day reduction of USD/day 1,282

EBITDA break-even rate Q1-Q3 2019: USD/day 8,600

Profit before tax break-even rate Q1-Q3 2019: USD/day 14,300

## TORM operates a fully integrated commercial and technical platform

- TORM's operational platform handles commercial and technical operations in-house
- The integrated One TORM business model provides TORM with the highest possible trading flexibility and earning power
- Outsourced technical and commercial management would affect other line items of the P&L

* Pro forma figures for 2015 presented as though the Restructuring occurred as of 1 January 2015 and include the combined TORM and Njord fleet.

# INDUSTRY COOPERATION AND TRANSPARENCY ARE KEY TO TORM'S CORPORATE SOCIAL RESPONSIBILITY AND INDUSTRY INITIATIVES

TORM

## TORM is committed to support…

| | |
|---|---|
| **UN Sustainable Development Goals** | TORM supports the SDGs based on an assessment of our CSR activities and areas of impact. |
| **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 Shipping** | As part of Danish Shipping, TORM is pushing for international regulation and standards on e.g. emissions through the International Maritime Organization. |
| **Getting to Zero Coalition** | TORM is supporting the efforts to make commercially viable zero-emission vessels a scalable reality by 2030. |

# CORPORATE TRANSACTIONS AND IMO 2020 PREPARATIONS

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**Corporate transactions**

- Taking delivery of a total of seven vessels. Three MR newbuildings and four 2011-built MR second-hand vessels
- Executed sale and leaseback agreements for a total of eight vessels
- Four vessels sold since the beginning of Q3 2019
  - The MR vessel TORM San Jacinto (built in 2002) and the Handysize vessel TORM Saone (built in 2004) were sold during Q3 2019
  - After the quarter ended, two additional vessels were sold, the MR vessel TORM Rosetta (built in 2003) and the Handysize vessel TORM Garonne (built in 2004)

**IMO 2020 preparations**

- TORM has decided to install an additional ten scrubbers, bringing the new total to 44 scrubber vessels
- Balanced approach towards compliance with approx. half of the fleet having scrubbers installed for the IMO 2020 sulfur regulation. As of 12 November 2019, TORM has installed 16 scrubbers
- During the third quarter, TORM's non-scrubber vessels have initiated their customized schedules to be compliant. The first volumes of compliant fuels have been delivered and successfully tested onboard the vessels

# INVESTMENT HIGHLIGHTS

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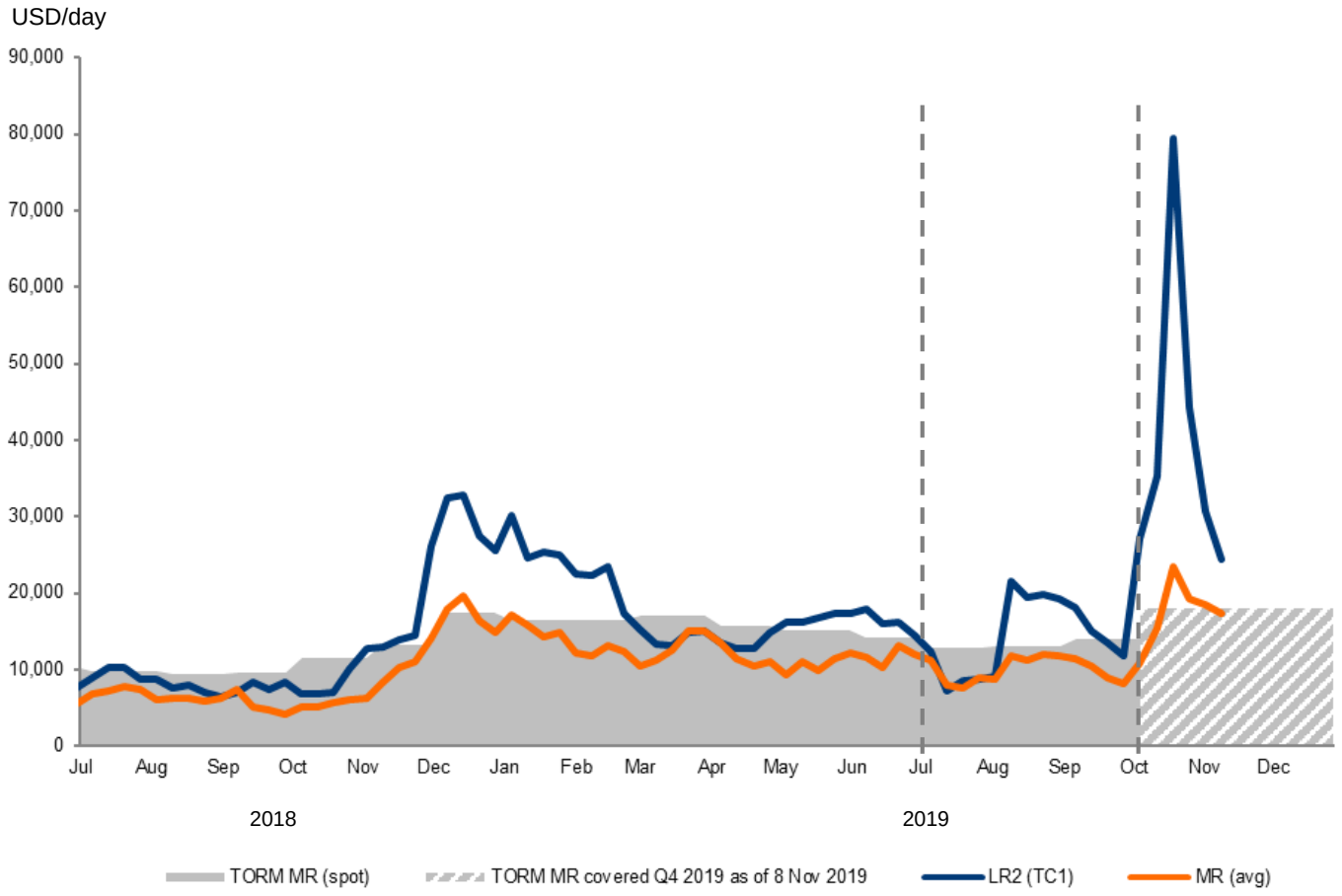
| | |
|---|---|
| **Pure-play product tanker exposure** | ~80 vessels deployed in the spot market across all four larger product tanker segments |
| **Superior commercial performance** | One TORM approach with in-house commercial and technical management provides superior earnings while maintaining a balanced cost structure without leakage |
| **Solid capital structure** | Conservative balance sheet and a strong liquidity position provide room for potential growth while maintaining break-even rates at low levels |
| **Significant operating leverage** | Significant operating leverage through spot-orientation allowing TORM to benefit from the recent increase in TCE rates |
| **Balanced approach towards IMO 2020** | Ready for IMO 2020 sulfur compliance with a balanced approach and committed to scrubber installations on 44 vessels, just above half of our fleet |
| **Positive market fundamentals** | Prospective market outlook impacted by increased demand from the upcoming IMO 2020 sulfur regulation, Middle East refinery expansions and low order book |

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# SOFT RATES DURING Q3 FOLLOWED BY A STRONG UPTICK IN Q4




**Q3 2019**

- In the West, the closure of the largest refinery on the US East Coast supported transatlantic gasoline flows, although weak demand from West Africa and limited West to East naphtha arbitrage flows kept freight rates suppressed
- In the East, attacks on tankers in the Strait of Hormuz increased war insurance and dampened trade at the start of the quarter, followed by the return of several export-oriented refineries in the Middle East/India from outages in August that lifted freight rates
- Attacks on Saudi Arabian oil facilities in mid-September resulted in a decline in the country's product exports, which were partially replaced by longer-haul product flows from Europe and Asia

**Q4 2019 – to date**

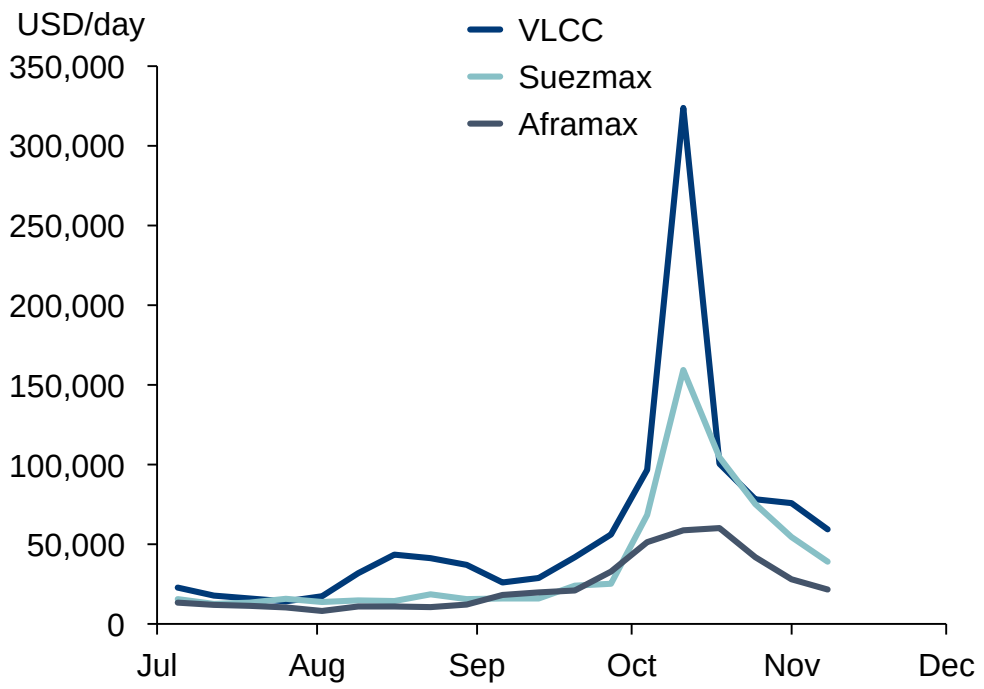
- Large product tankers in particular have gained from the unprecedented strong sentiment in the VLCC/crude tanker market induced by sanctions on the COSCO fleet
- Peak scrubber retrofitting with around 5% of the LR2 fleet scheduled to retrofit in Q4
- Increasing diesel supply from the East driven by a strong increase in China's diesel exports on record high refinery runs and Middle East refineries returning from outages/run cuts
- USG exports have been limited by maintenance, but units are starting to return from peak maintenance while refinery outages in USWC have increased imports to the region
- Increasing CPP flows to West Africa

Source: Clarksons. Spot earnings: LR2: TC1 Ras Tanura-> Chiba, MR: average basket of Rotterdam->NY, Bombay->Chiba, Mina Al Ahmadi->Rotterdam, Amsterdam->Lome, Houston->Rio de Janeiro, Singapore->Sydney.

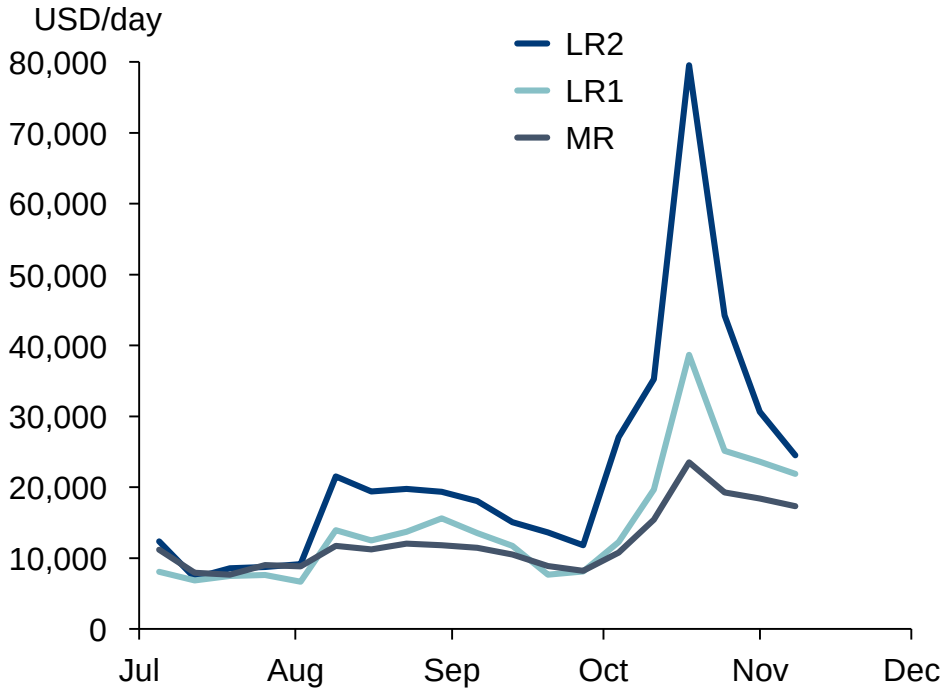
# UNPRECEDENT SENTIMENT IN THE CRUDE TANKER MARKET HAS CARRIED OVER TO PRODUCT TANKER RATES

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## Crude tanker rates



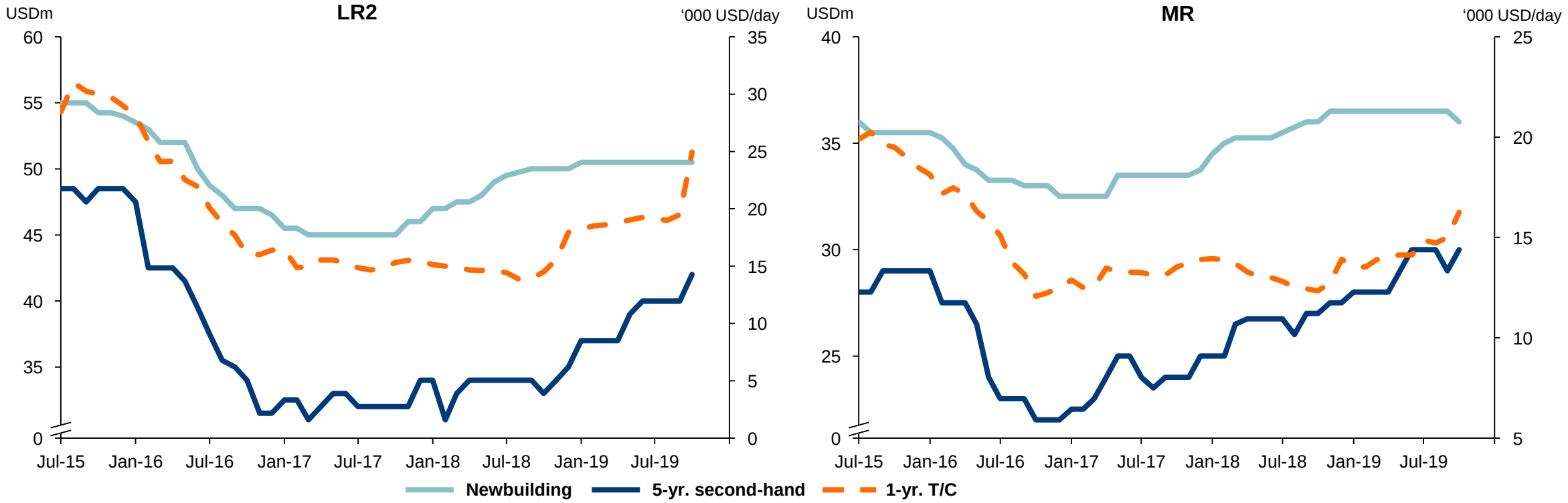

## Product tanker rates




- Sanctions on COSCO which affected around 4% of the global VLCC fleet caused an overall positive sentiment on the crude tanker market, with VLCC rates touching all-time high levels at around USD/day 300,000
- The positive sentiment spread to the product tanker market with LR2 rates reaching USD/day 80,000 before retreating to the current levels
- Around 5% of the CPP-trading LR2 fleet has switched to DPP, helping to sustain product tanker freight rates over the medium term

Source: TORM, Clarksons.

# VESSEL VALUES HAVE CONTINUED TO IMPROVE AS FREIGHT MARKET STRENGTHENS

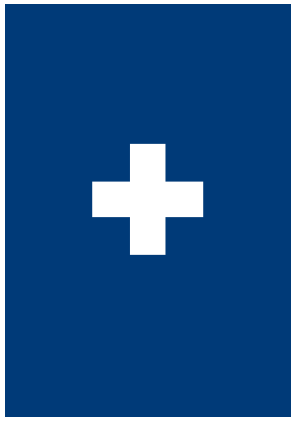



- Vessel values for modern tonnage have been positively affected by continued expectations for a stronger freight market and are currently up 25% for LR2s and 13% for MRs compared to last year's average
- Product tanker newbuilding activity has been relatively low so far this year; however, interest for remaining positions at yards has increased along with the stronger freight market, and early orders of LNG-based dual fueled vessels have emerged
- Currently concluded newbuilding prices remain around 12% above the lows seen in 2017. Newbuilding prices for larger vessels remain 9% below the last peak seen in 2015, while MR prices are on par with the last peak

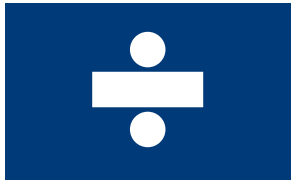
Source: Clarksons.

# MEDIUM TO LONG-TERM MARKET DRIVERS REMAIN POSITIVE

## Key medium to long-term market drivers



- Global oil demand growth remains positive albeit slower than in previous years
- Global CPP stockpiles have returned to normal levels
- Refinery capacity addition in the Middle East potentially increasing sailing distances
- IMO 2020-induced increase in inter- and intra-regional product tanker trade
- Product tanker order book to fleet ratio at historically low level

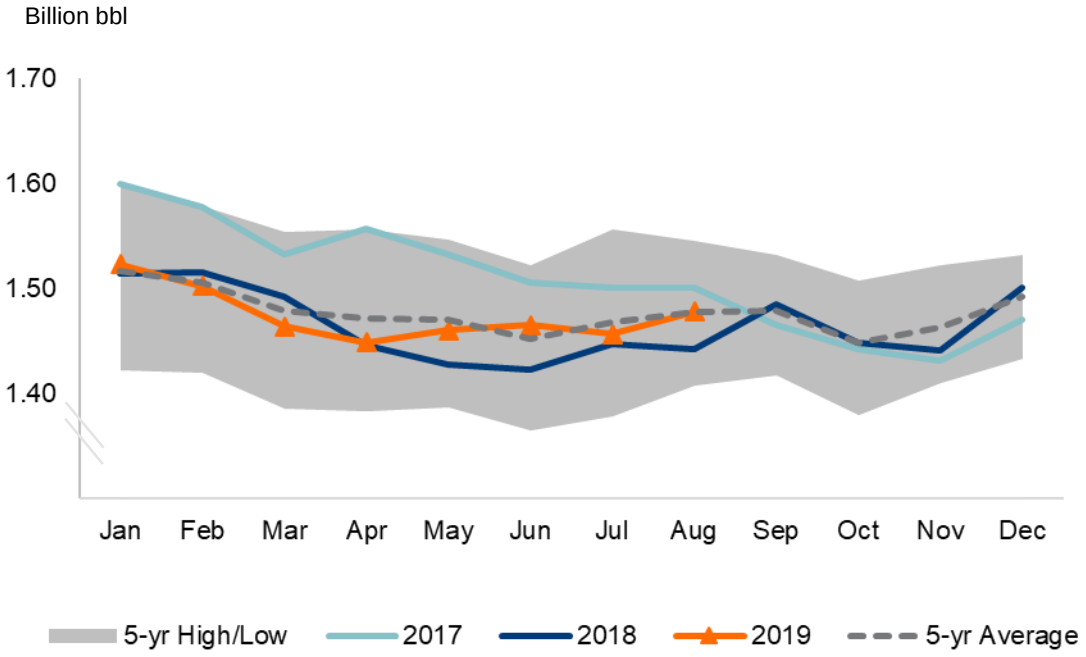


- Macroeconomic uncertainty
- Geopolitical situation in the Middle East

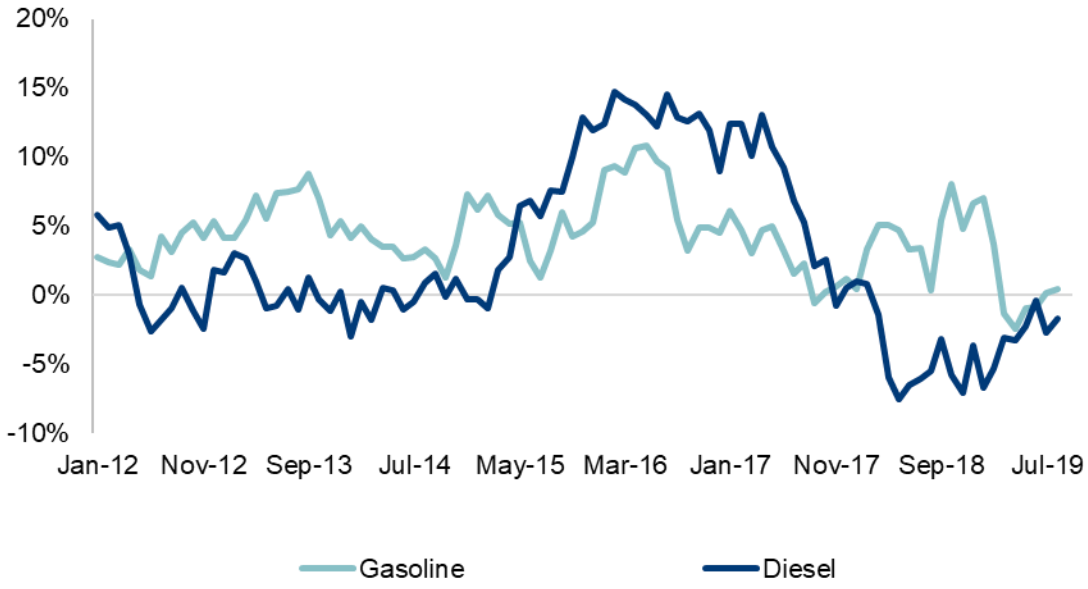
Source: TORM.

# PRODUCT INVENTORIES BACK TO NORMAL LEVELS

## Aggregated global CPP inventories*



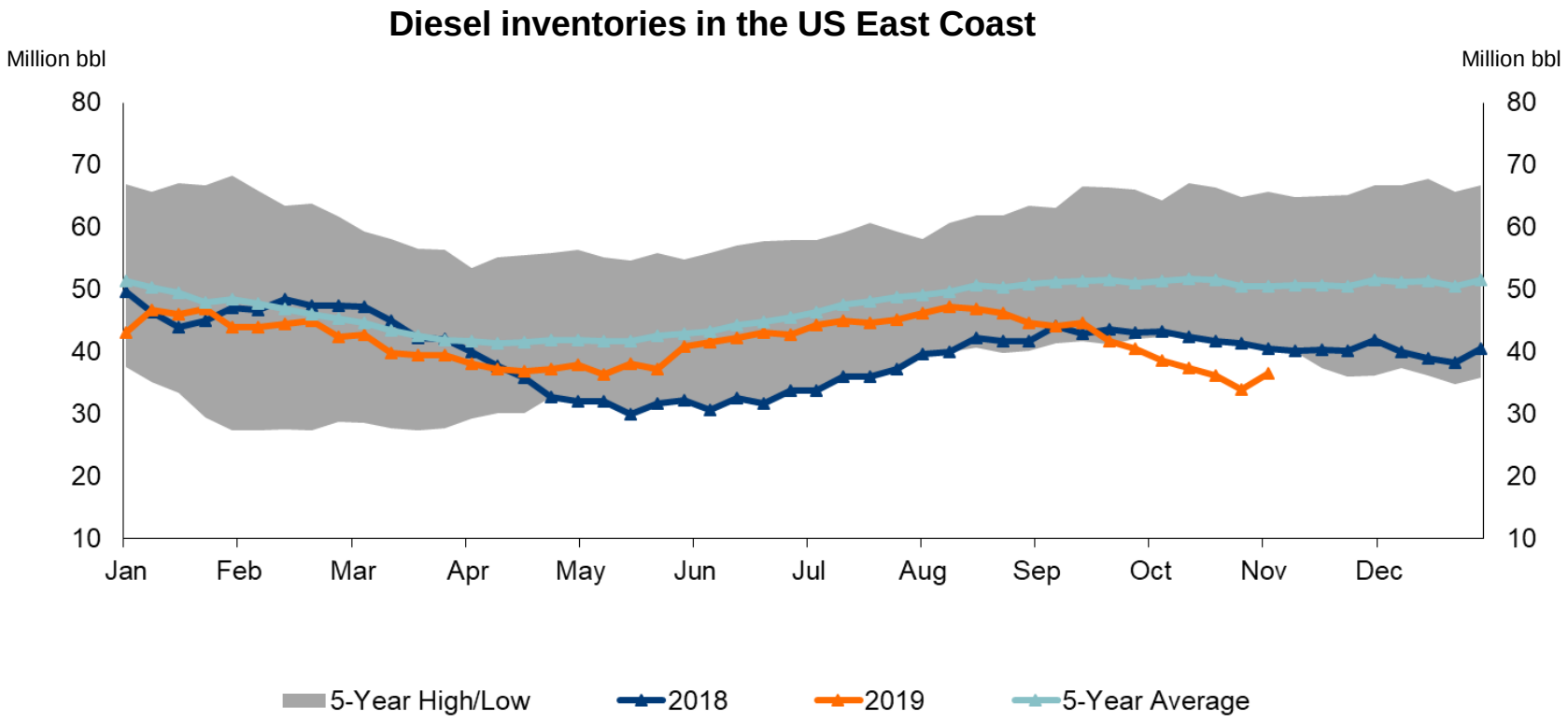

## Global inventories compared to 5-year average levels




- Global CPP inventories are back to 5-year average levels
- Low diesel inventories in main import areas (e.g. Europe) indicate the need for restocking prior to IMO 2020
- Low diesel inventories in USEC ahead of the winter heating season suggest need for imports

Note: Includes countries for which March 2019 data is available. These account for approximately 86% of global visible CPP (naphtha, gasoline, jet/kero, diesel/gasoil) stocks.
ARA stands for Amsterdam-Rotterdam-Antwerp.
Source: JODI, TORM.

# LOW DIESEL INVENTORIES IN THE ATLANTIC BASIN AHEAD OF IMO 2020 AND THE WINTER HEATING SEASON

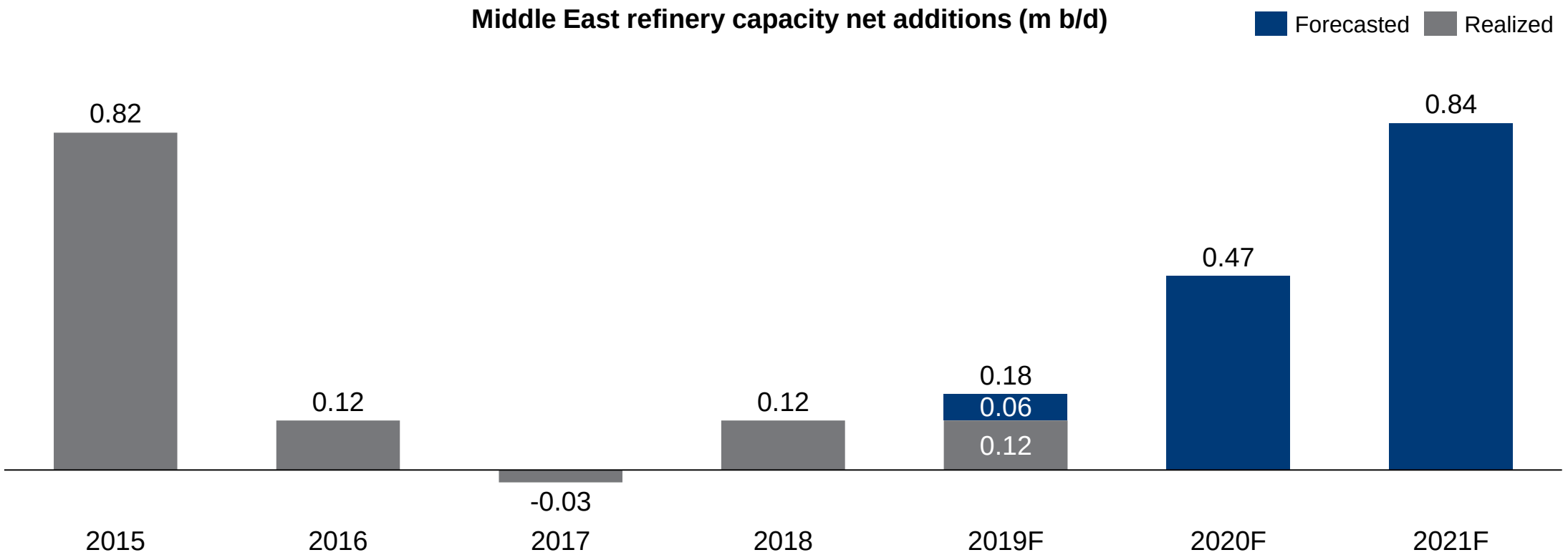



- Diesel inventories in the US East Coast are currently at 5-year lows (~30% below the 5-year average)
- Diesel inventories in the ARA (Amsterdam-Rotterdam-Antwerp) region are currently 4% below the 5-year average
- Low diesel inventories in the Atlantic Basin ahead of seasonally increased heating demand and IMO 2020-related diesel demand indicate the need for restocking in the coming months

Source: EIA, Reuters, TORM.

# MIDDLE EAST REFINERY CAPACITY ADDITIONS SET TO INCREASE SIGNIFICANTLY IN 2021

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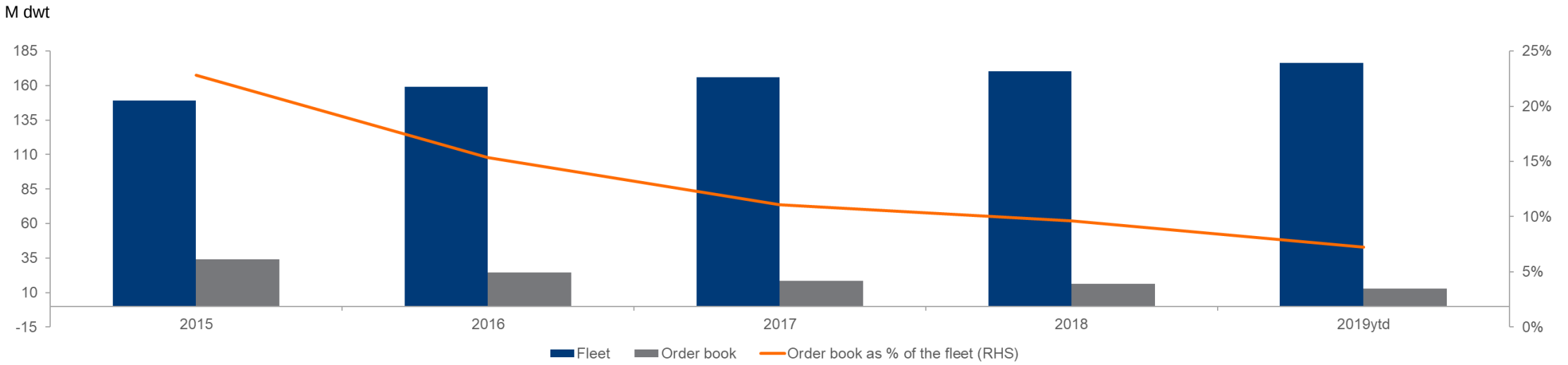



- As oil product demand increases, the ton-mile demand is positively impacted by increasing geographic dislocations between the demand for and supply of clean petroleum products (CPP)
- Middle East refinery capacity additions are expected to accelerate in 2020-2021, placing a renewed pressure on less competitive refineries in e.g. Europe and subsequently leading to increased CPP movements across regions

Source: WoodMackenzie, TORM.

# PRODUCT TANKER ORDER BOOK REMAINS AT 25 YEARS LOW

## Product tanker order book as percentage of the fleet



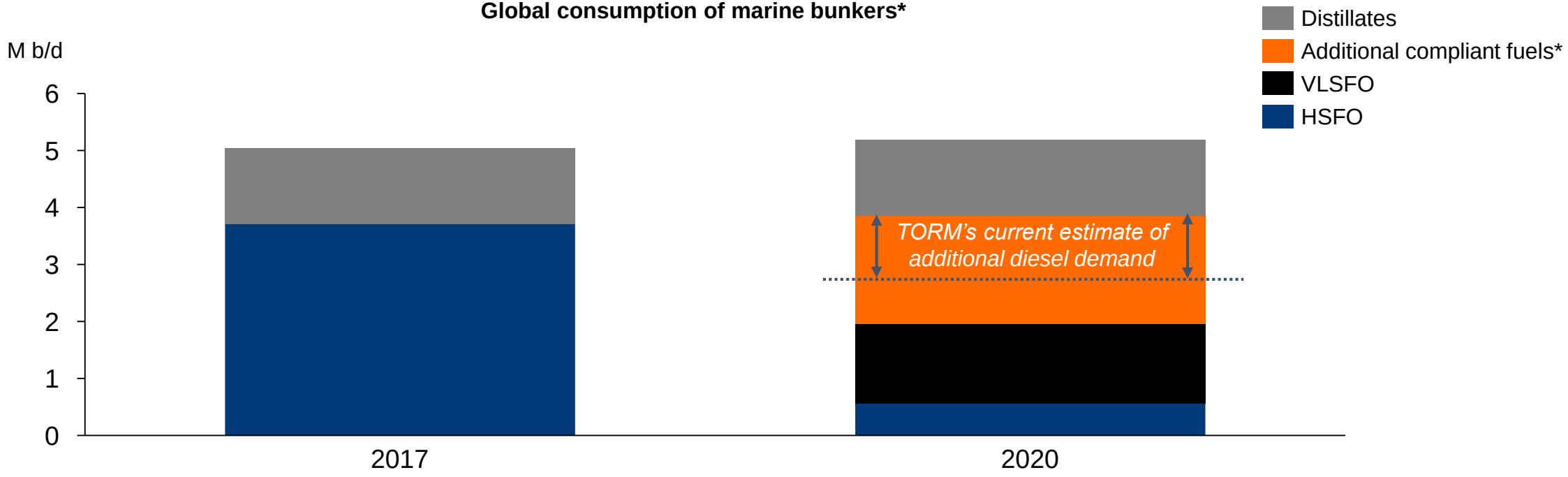

- The product tanker order book to fleet ratio is at a historically low level of 6.8% (9% for MRs, 2% for LR1s and 8% for LR2s)
- In the first nine months of 2019, the product tanker fleet grew by 4.0% (vs. 2.5% in FY 2018, 4.5% in FY 2017 and 6.5% in FY 2016)
- TORM estimates that the product tanker fleet will grow by an average of ~3.4% p.a. in the period 2019-2021, excluding any potential acceleration of scrapping in response to new regulations*

* These calculations are based on the known order book and TORM's estimates for additional ordering and scrapping in line with historical average activity.
Source: TORM.

# IMO 2020 WILL BE THE CATALYST FOR AN ESTIMATED 7% GROWTH IN PRODUCT TANKER TON-MILE DEMAND IN 2020

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**Global consumption of marine bunkers***



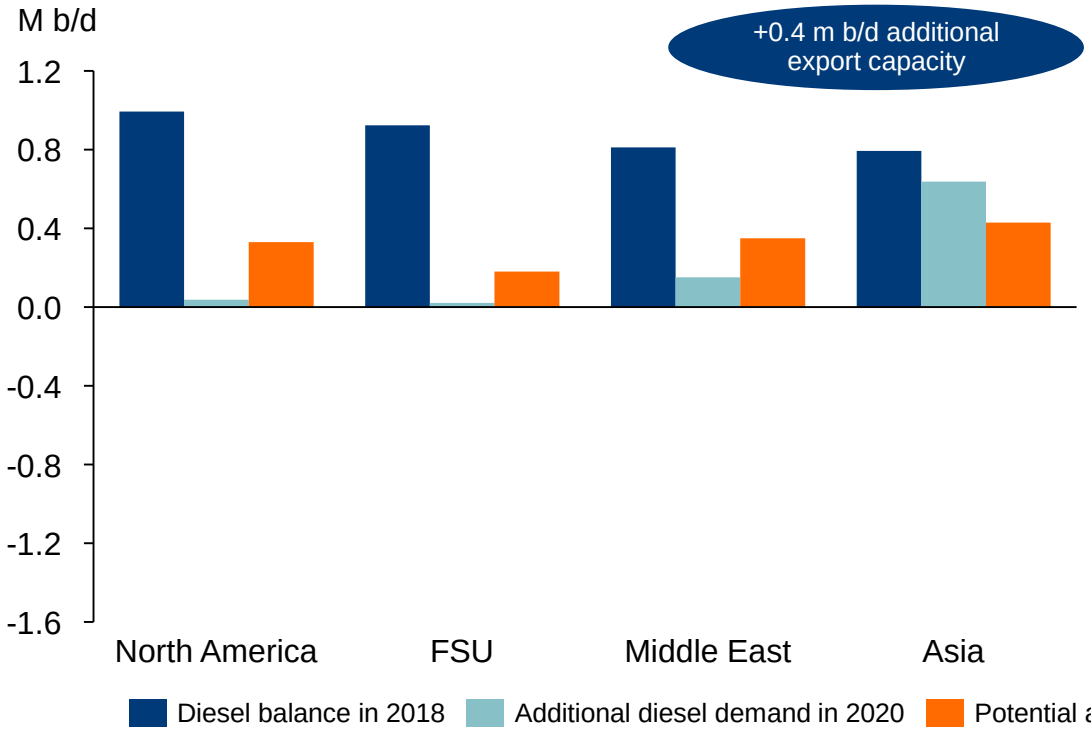

- Up to 2 mb/d of HSFO potentially shifting to MGO or other 0.5% sulfur fuels, leading to increased inter- and intra-regional product tanker trade
- TORM currently expects the IMO 2020 regulation to lead to around 1 mb/d of additional diesel demand, which will underpin the overall 7% increase in the product tanker ton-mile in 2020, with a downside dependent on higher availability of VLSFO
- Temporary fleet capacity reduction is expected due to increased off-hire time in connection with preparations for the IMO 2020 regulation, currently estimated at around 0.8% of the total fleet capacity

* Additional compliant fuels include distillates (MGO), 0.5% sulfur fuel oil blends, desulfurized residual fuel oil and blended VGO streams for VLSFO production. In case of initial non-compliance, this also covers unscrubbed HSFO.
Source: TORM.

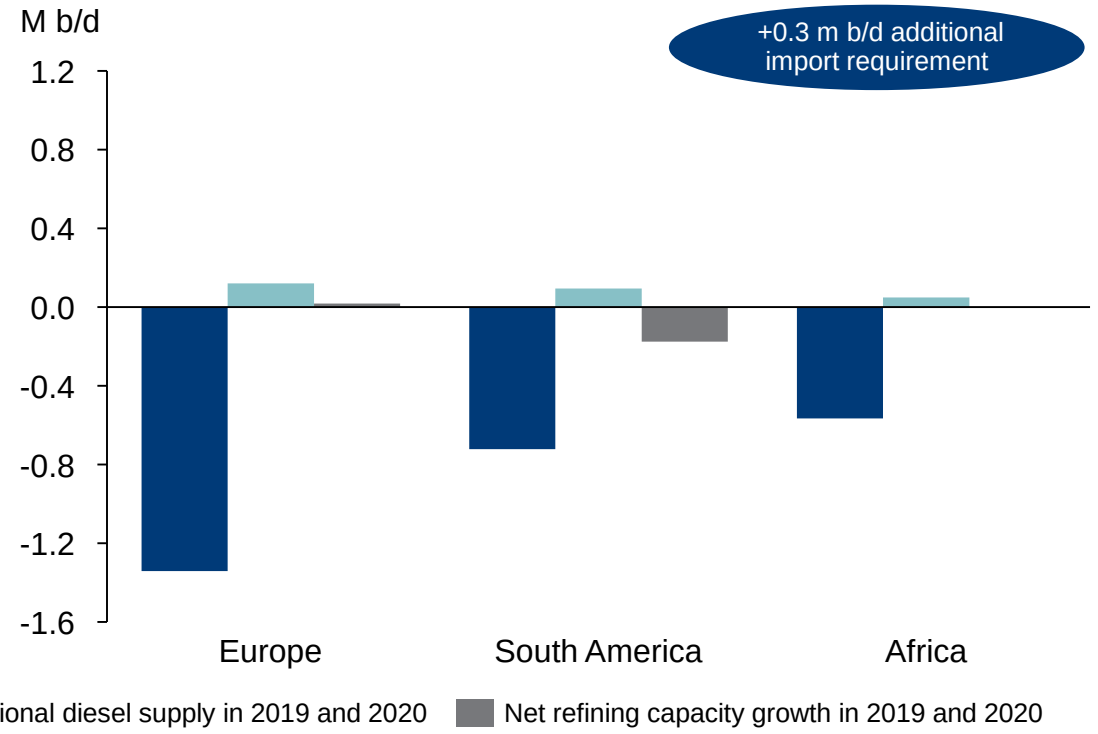
# NET EXPORTING REGIONS HAVE MORE FLEXIBILITY TO PRODUCE ADDITIONAL DIESEL

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## Exporting regions increase diesel production capacity…




## …while IMO 2020 will increase the deficit in importing regions




Diesel balance in 2018 | Additional diesel demand in 2020 | Potential additional diesel supply in 2019 and 2020 | Net refining capacity growth in 2019 and 2020

- The Middle East and Asia will add a total of 3.3 mb/d of new refining capacity during 2019-2020, resulting in increased diesel supply
- In the US and the FSU[1)], additional diesel supply is mainly the result of increased secondary feedstock use and refinery upgrades

- No new refineries coming online in diesel deficit regions
- Additional diesel supply limited to changes in refinery runs and yield shifts

1. Former Soviet Union.

Source: IEA, WoodMackenzie, TORM.

# BOTH MEDIUM-HAUL REGIONAL TRADE AND LONG-HAUL TRADE WILL BE SUPPORTED BY THE IMO 2020 REGULATION

**Examples of trade routes impacted by the IMO 2020 sulfur regulation**



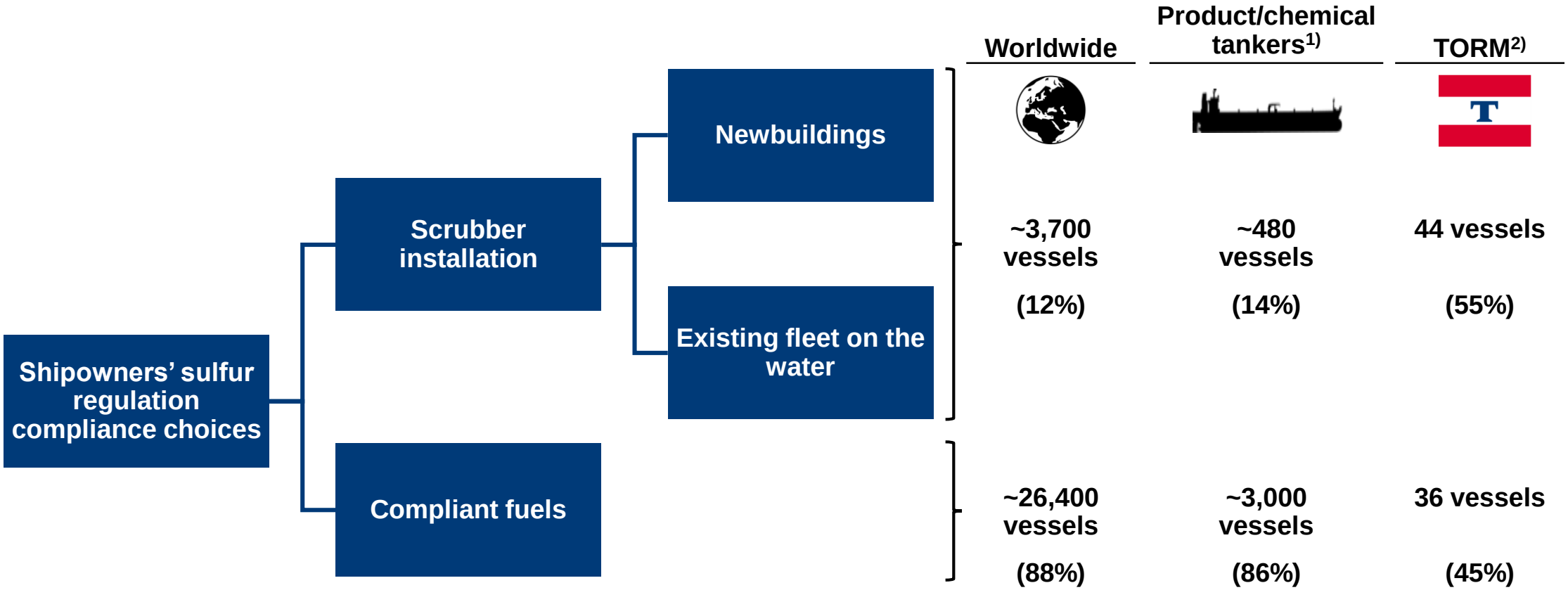

- Increased flexibility to produce additional diesel in net exporting regions and refinery expansion support long-haul and medium-haul trade routes across the world
- Additional routes will be impacted including shorter distance regional and coastal trades

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# THERE ARE TWO MAIN OPTIONS FOR OCEAN-GOING VESSELS TO COMPLY WITH THE UPCOMING IMO 2020 SULFUR REGULATIONS



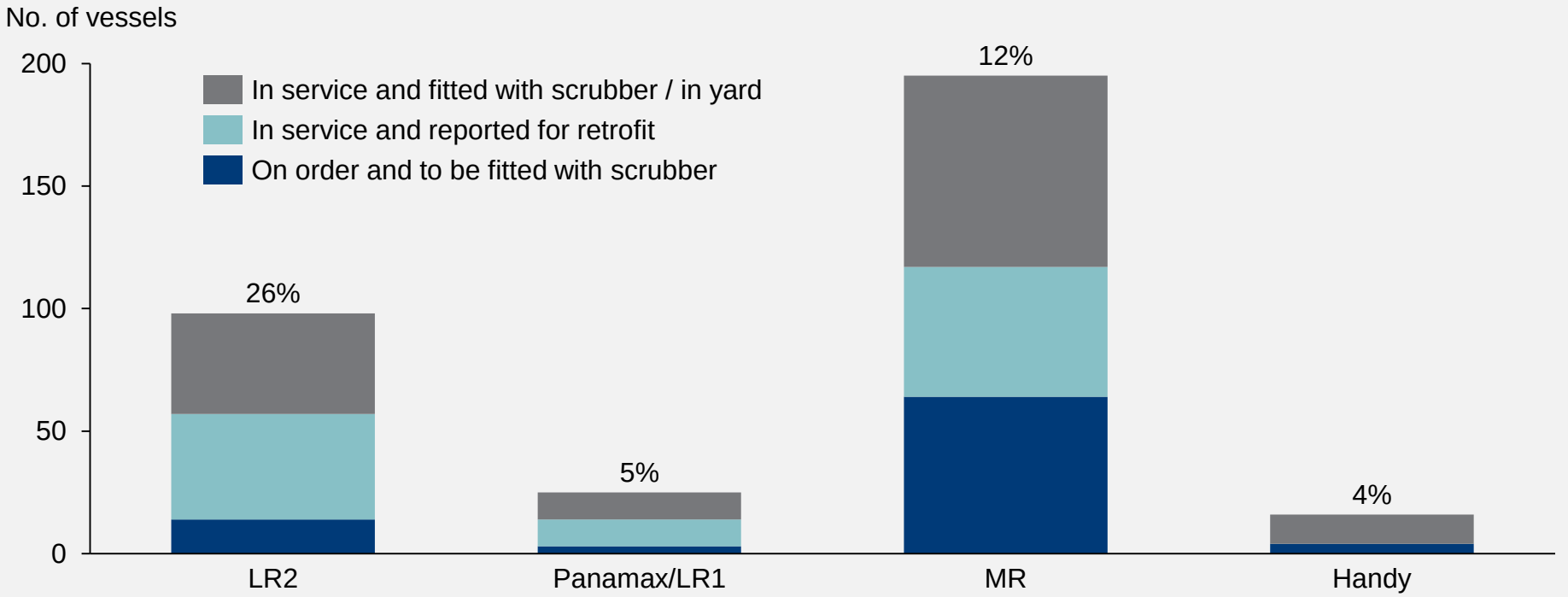

1. Product tankers and chemical tankers 25k dwt+.
2. As of May 2020.

Source: IHS, Clarksons, DNV GL's Alternative Fuels Insight platform.

# SCRUBBER INSTALLATIONS ACROSS SHIPPING SEGMENTS

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**Crude and product tankers to be fitted with scrubbers (% of current fleet)**

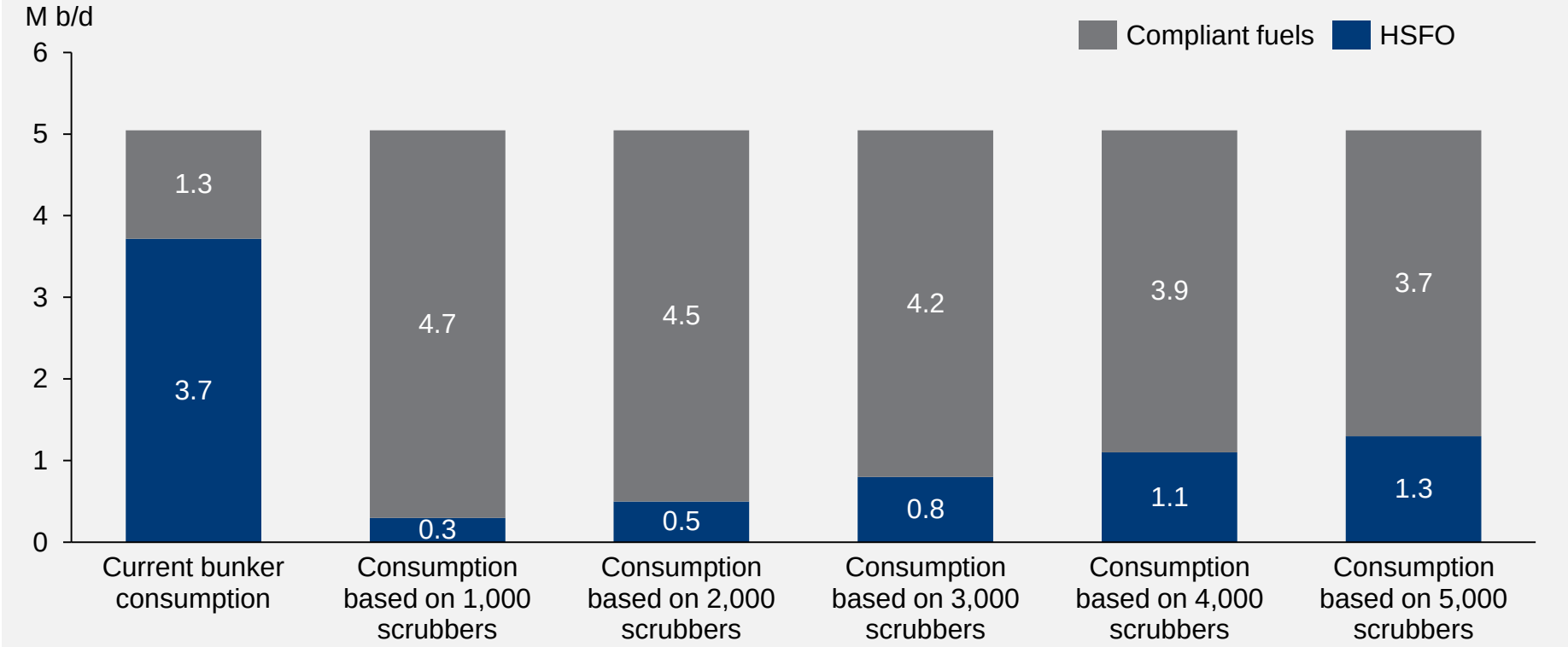



Source: Clarksons, compiled by TORM.
Note: Product tanker segment does not cover chemical tankers. Data as of 1 October 2019.

# SCRUBBER INSTALLATIONS IMPACT TIMING OF SUPPLY EFFECT AND FUEL MIX FOR MARINE TRANSPORTATION

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**Bunker consumption – scrubber sensitivity**




Source: Clarksons and TORM.

# 44 SCRUBBER INSTALLATIONS WILL BE CONDUCTED SUPPORTED BY TORM'S SCRUBBER JV

**TORM's scrubber JV, ME Production China**

TORM

Ownership share: 27.5%

**ME Production China**

MEPRODUCTION

*Leading scrubber manufacturer*

GSI 广船国际 广船国际有限公司 GUANGZHOU SHIPYARD INTERNATIONAL COMPANY LIMITED

*Part of one of the largest shipyards groups*

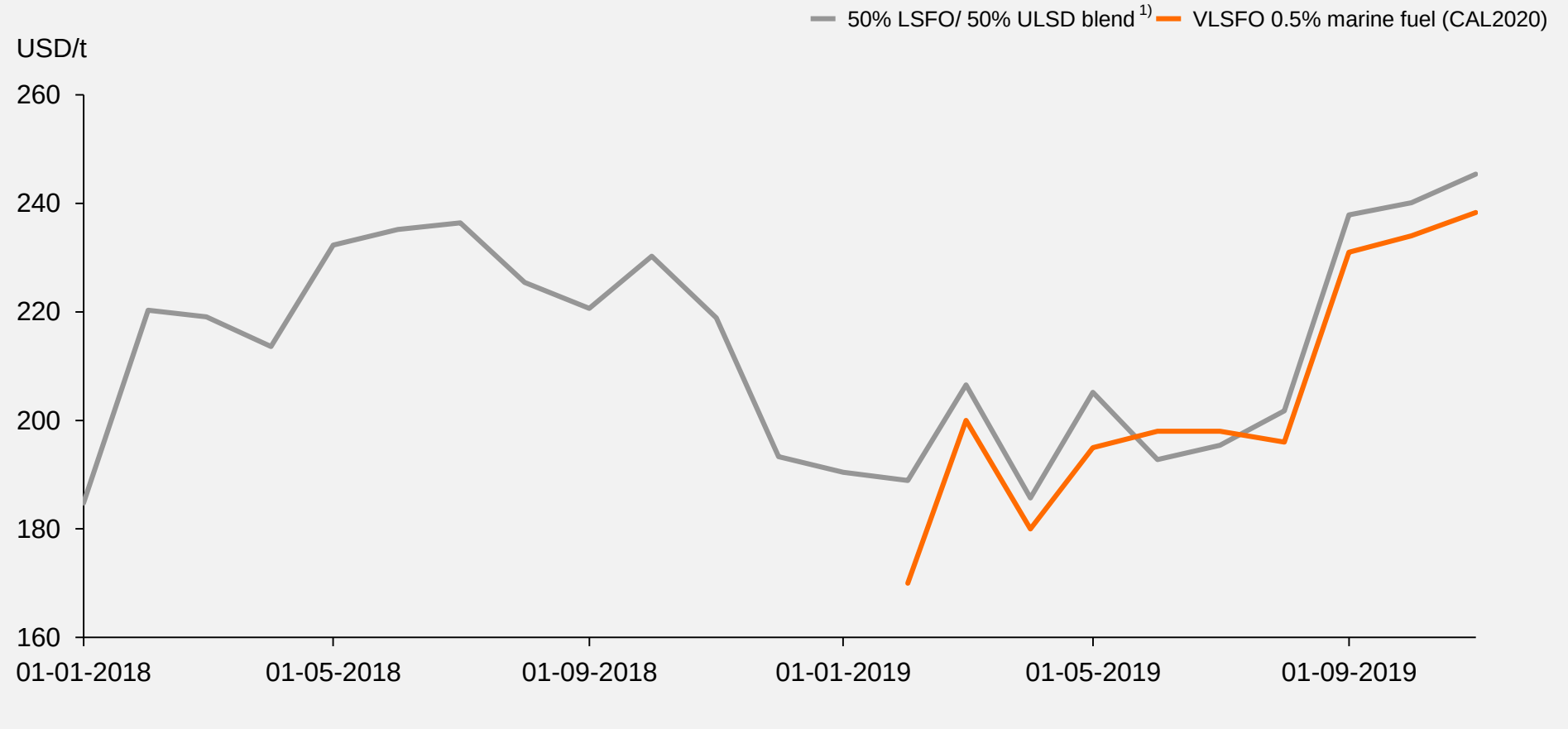


- One of the largest risks with scrubber installations is the potential delay during both the production and the installation phase
- Due to the strategic partnership with ME Production and GSI, TORM has secured production slots at ME Production China
- 38 out of the 44 scrubbers will be delivered from TORM's scrubber JV, ME Production China

# CURRENT FUEL SPREAD PRICES SUPPORT THE ATTRACTIVE SCRUBBER BUSINESS CASES

TORM

**Cal2020 price spread between 0.5% compliant fuels and 3.5% HSFO, Rotterdam delivery**




- The spread between 0.5% compliant fuel and 3.5% HSFO is currently trading at USD 238 for the calendar year 2020 and USD 187 for the calendar year 2021[2)]

1. Theoretical blend.
2. Clarksons - Rotterdam data as of 29 October 2019.

Source: Industry sources.

# AGENDA

| | |
|---|---|
| 1 | Introduction to TORM and Q3 2019 highlights |
| 2 | Product tanker market overview and outlook |
| 3 | IMO 2020 preparations |
| 4 | **Financial metrics** |
| 5 | Asset management |

# RESULTS Q3 2019

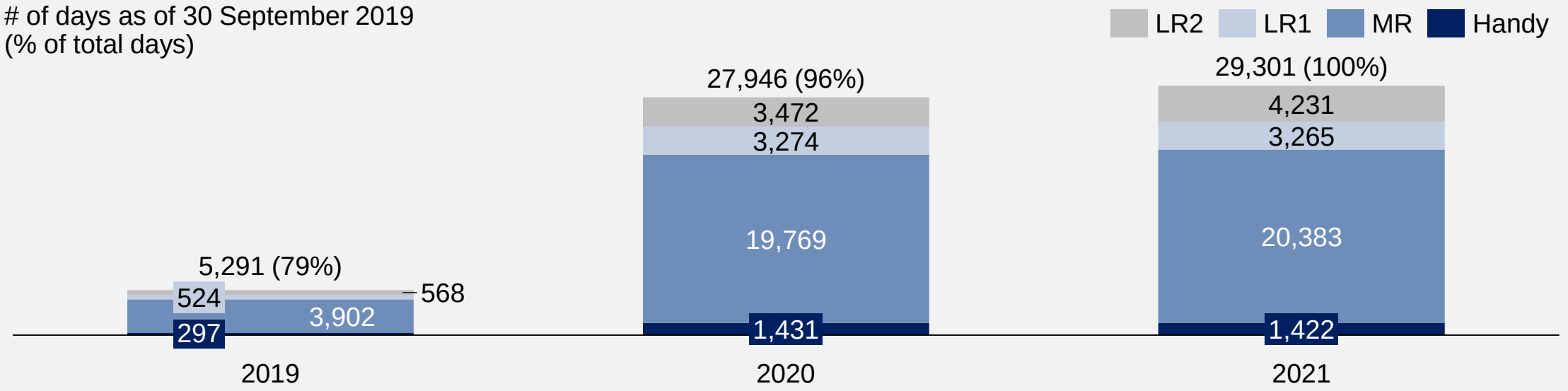
TORM

| USDm | Q3 2019 | Q3 2018 | 2018 |
|---|---|---|---|
| **P&L** | | | |
| TCE earnings | 84 | 71 | 352 |
| Gross profit | 43 | 27 | 169 |
| Sale of vessels | 0 | 0 | 1 |
| EBITDA | 32 | 15 | 121 |
| Profit before tax | -9 | -25 | -33 |
| **Balance sheet** | | | |
| Equity | 852 | 859 | 847 |
| NIBD | 733 | 597 | 627 |
| Cash and cash equivalents | 121 | 163 | 127 |
| **Key figures** | | | |
| Earnings per share (USD) | -0.12 | -0.34 | -0.48 |
| Return on Invested Capital | 0.4% | -4.3% | 0.1% |
| Net Asset Value (NAV) | 887 | 826 | 856 |
| Number of vessels (#)[1)] | 77 | 77 | 75 |
| Tanker TCE/day (USD) | 13,392 | 10,598 | 12,982 |
| Tanker OPEX/day (USD) | 6,103 | 6,209 | 6,389 |

1) Including financially leased vessels.

# SPOT-ORIENTATION PROVIDES SIGNIFICANT OPERATING LEVERAGE

## Unfixed days



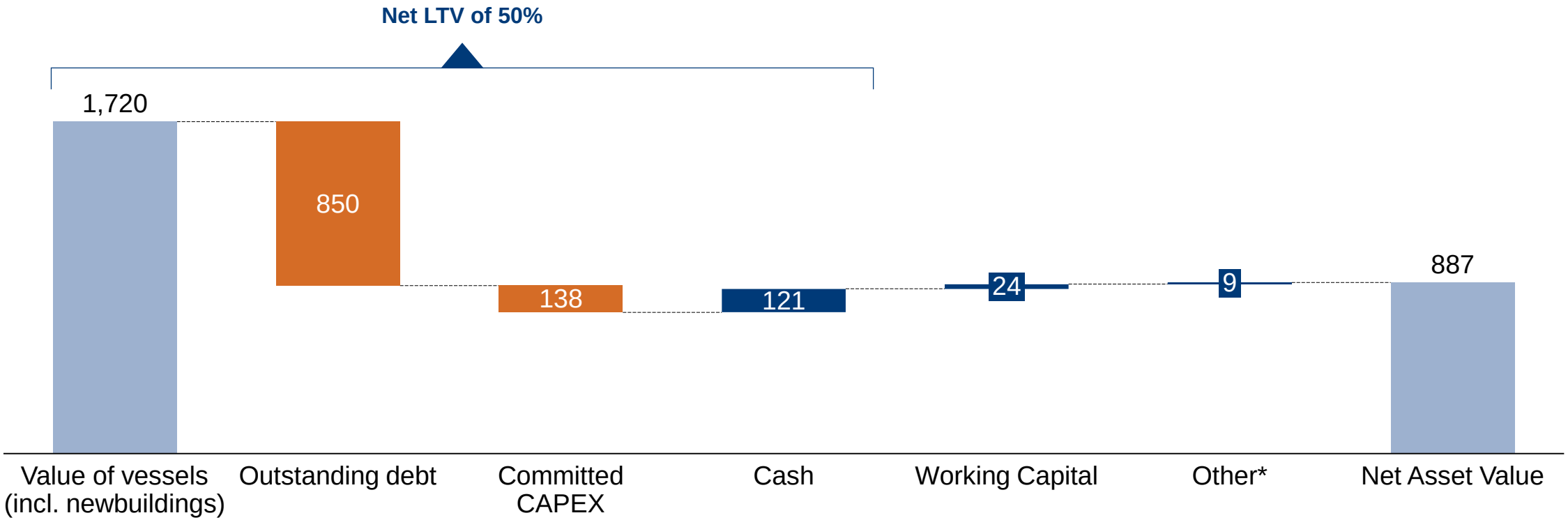

## Illustrative change in cash flow generation potential for the TORM fleet

| Change in average TCE/day | 2019 | 2020 | 2021 |
|---|---|---|---|
| +/- USD 1,000 | 5.3 | 27.9 | 29.3 |
| +/- USD 2,500 | 13.2 | 69.9 | 73.3 |
| +/- USD 5,000 | 26.5 | 139.7 | 146.5 |

- As of 30 September 2019, 21% of the total earning days in 2019 were covered at USD/day 15,655
- As of 8 November 2019, the coverage for the fourth quarter of 2019 was 63% at USD/day 19,531
- For the individual segments, the coverage was 69% at USD/day 26,267 for LR2, 59% at USD/day 20,736 for LR1, 61% at USD/day 18,095 for MR and 75% at USD/day 14,990 for Handy.

# NET ASSET VALUE ESTIMATED AT USD 887M

30 September 2019 figures, USDm




- Net Loan-to-Value was 50% ensuring a strong capital structure
- Net Asset Value (NAV) was estimated at USD 887m (USD 12.0/DKK 82.2 per share)
- Market cap as of 30 September 2019 was USD 628m, or DKK 58 per share**

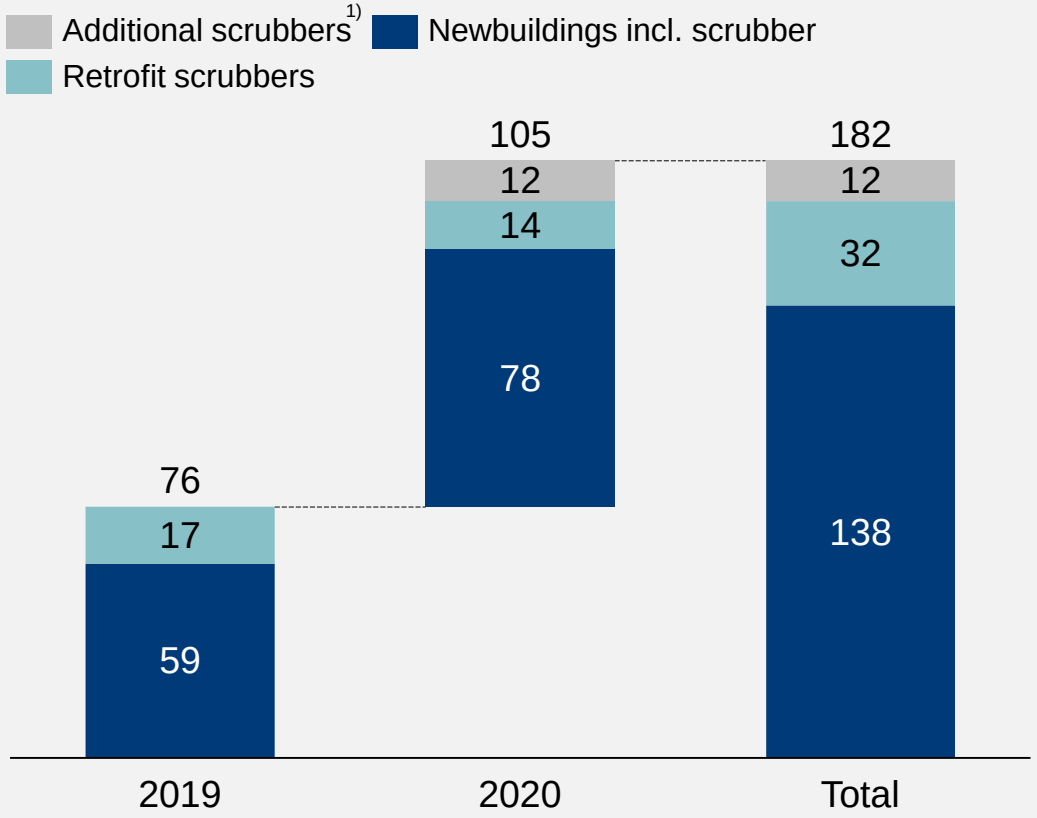
* Other includes Other plant and operating equipment and total financial assets.
** Calculated based on 74,218,846 shares and USD/DKK FX rate of 6.85.

# WELL-POSITIONED TO SERVICE FUTURE CAPEX COMMITMENTS

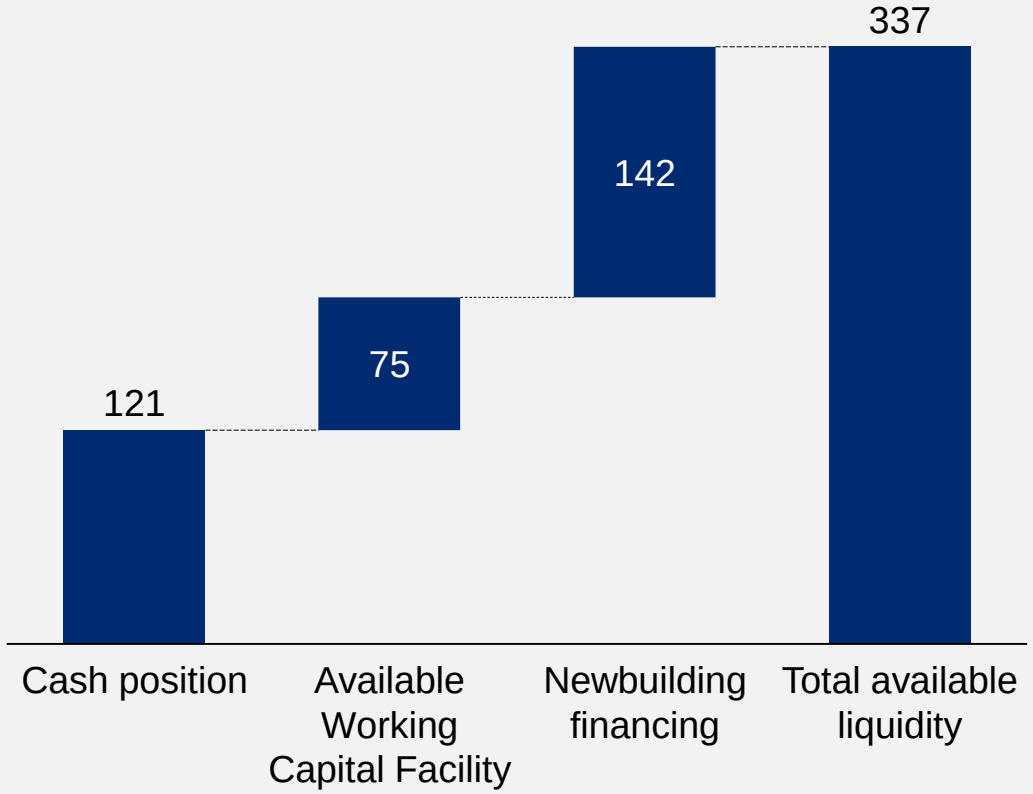
## CAPEX and liquidity as of 30 September 2019

USDm

### CAPEX commitments




### Available liquidity

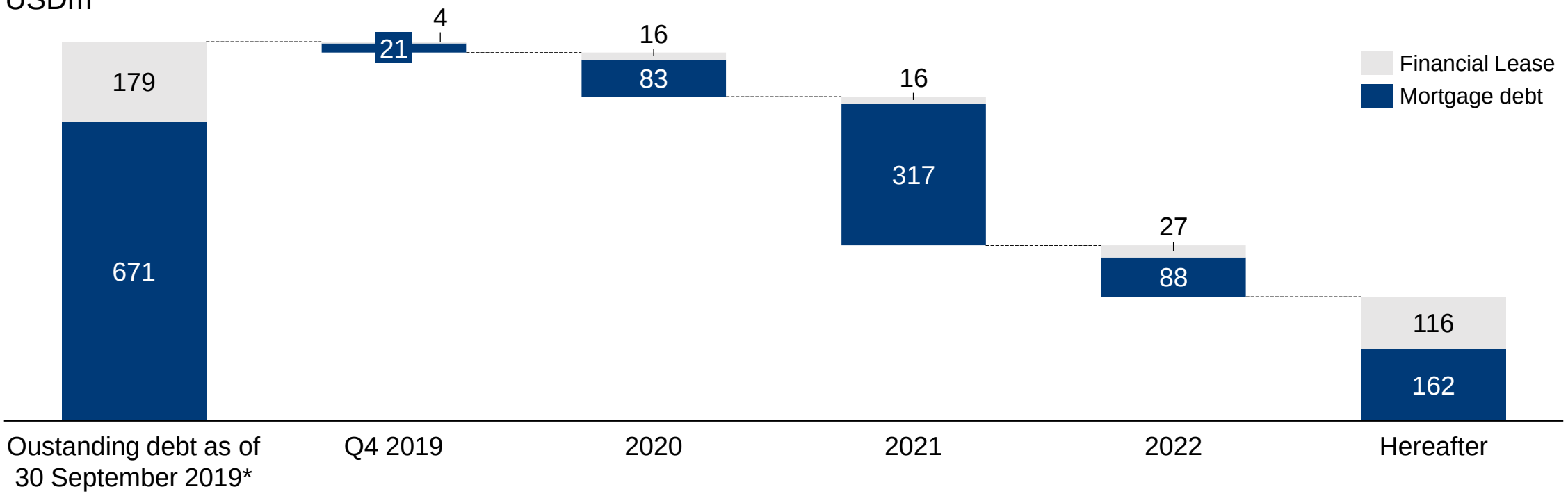



1) Six retrofit scrubbers decided after 30 September 2019.

# FAVOURABLE FINANCING PROFILE WITH NO NEAR-TERM MATURITIES

## Scheduled debt repayments as of 30 September 2019

USDm




**Ample headroom under our attractive covenant package:**

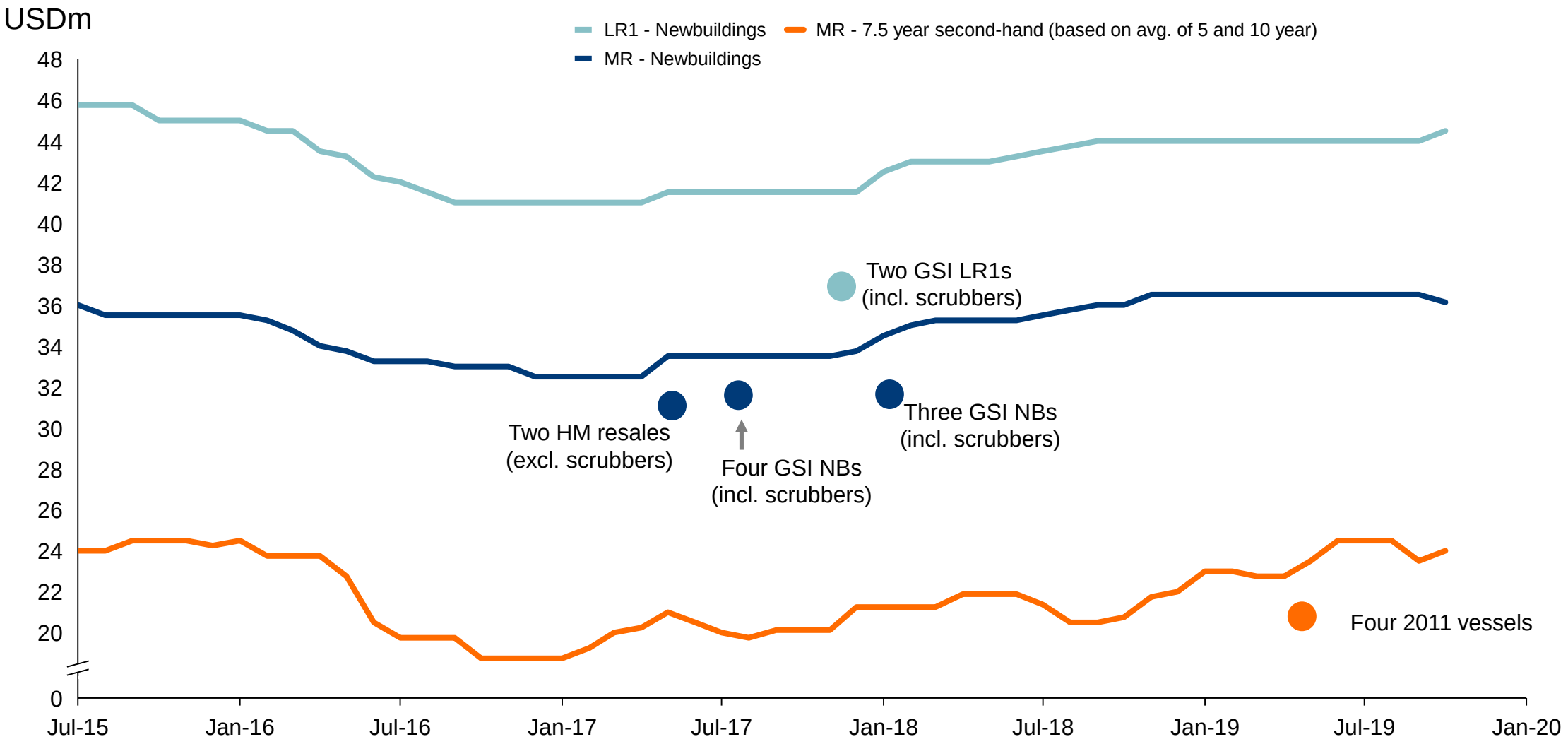
- Minimum liquidity: USD 75m**
- Minimum book equity ratio: 25% (adjusted for market value of vessels)

* Finance Lease excludes IFRS16 liabilities of USD 8.4m.
** Of which USD 40m must be cash or cash equivalent.

# AGENDA

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# VESSELS ACQUIRED BELOW MARKET PRICE




Source: Clarksons, TORM.

# TORM'S RECENT VESSEL SALES ARE DONE AT BROKER VALUES

| Vessel name | Vessel segment | Date | Age | Sales price, net of commission, USDm | Broker values, USDm |
|---|---|---|---|---|---|
| TORM Ohio | Handy | Q3-18 | 16.7 | | |
| TORM Neches | MR | Q3-18 | 18.0 | | |
| TORM Clara | MR | Q4-18 | 17.9 | | |
| TORM Charente | Handy | Q4-18 | 17.2 | | |
| TORM Amazon | MR | Q1-19 | 17.1 | | |
| TORM Cecilie | MR | Q1-19 | 18.1 | | |
| TORM Gunhild | MR | Q2-19 | 20.0 | | |
| TORM San Jacinto | MR | Q3-19 | 17.0 | | |
| TORM Saone | Handy | Q3-19 | 15.0 | | |
| TORM Garonne | Handy | Q4-19 | 15.7 | | |
| TORM Rosetta | MR | Q4-19 | 16.7 | | |
| **Total** | | | **17.2** | **~82** | **~84** |

- Since Q3 2018 TORM has sold 11 vessels at broker values
- Proceeds from vessel sales used for fleet modernization and scrubber investments
- Transactions at broker values support TORM's Net Asset Value assessment




# APPENDIX

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# MANAGEMENT TEAM WITH AN INTERNATIONAL OUTLOOK AND MANY YEARS OF SHIPPING EXPERIENCE

TORM

## Executive Director



**Jacob Meldgaard**

- Executive Director of TORM plc
- CEO of TORM A/S since April 2010
- Chairman of the Board of Danish Shipping and member of the Board of Danish Ship Finance
- 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-Maersk
- More than 25 years of shipping experience

## Senior Management



**Kim Balle**

- Chief Financial Officer
- Will join TORM on 1 December 2019
- Previously CFO of CASA A/S and DLG
- More than 25 years of banking experience



**Lars Christensen**

- Head of Projects
- With TORM since 2011
- Previously with Navita Ship, Maersk Broker and EA Gibson
- More than 25 years of shipping experience



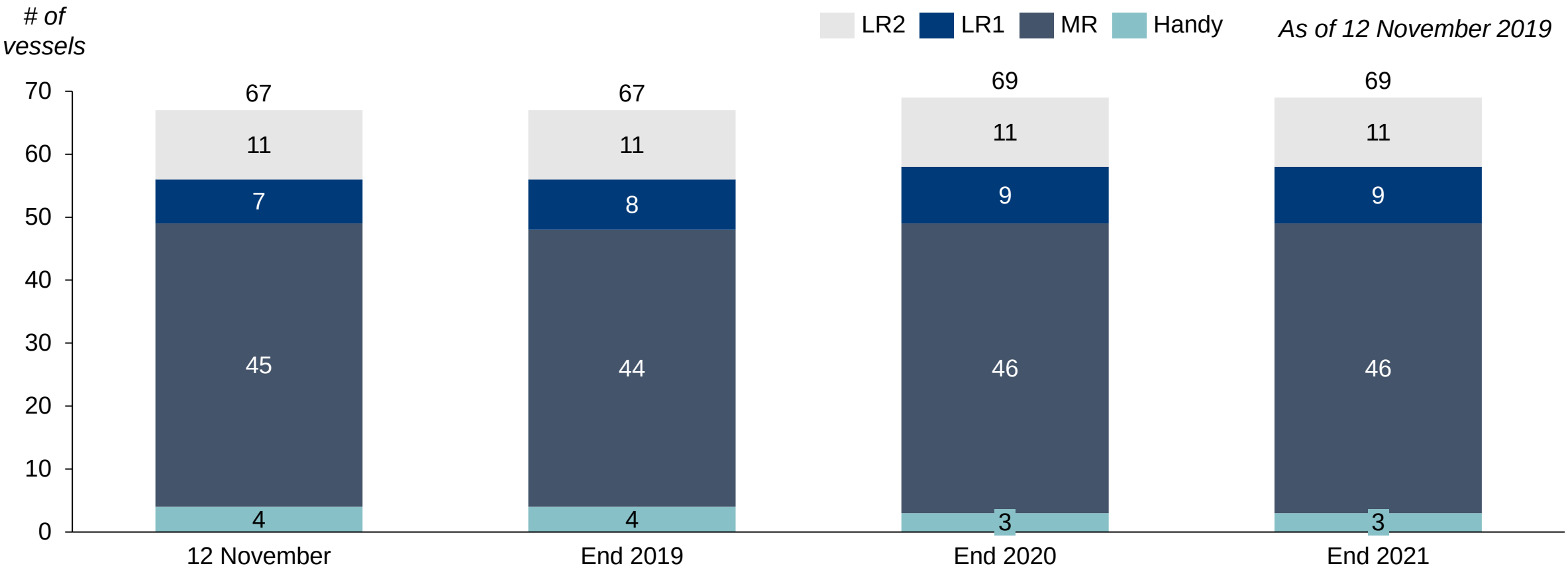
**Jesper S. Jensen**

- Head of Technical Division
- With TORM since 2014
- Previously with Clipper and Maersk
- More than 25 years of shipping experience

# KEY FIGURES

| USDm | Q3 2019 | Q3 2018 | Q1-Q3 2019 | Q1-Q3 2018 | 2018 |
|---|---|---|---|---|---|
| Revenue | 147 | 140 | 499 | 467 | 635 |
| EBITDA | 32 | 15 | 134 | 81 | 121 |
| Profit/(loss) before tax | -9 | -25 | 20 | -32 | -33 |
| Net profit/(loss) | -9 | -25 | 19 | -33 | -35 |
| **Balance sheet** | | | | | |
| Total assets | 1,834 | 1,718 | 1,834 | 1,718 | 1,714 |
| Equity | 852 | 859 | 852 | 859 | 847 |
| NIBD | 733 | 597 | 733 | 597 | 627 |
| Cash and cash equivalents | 121 | 163 | 121 | 163 | 127 |
| **Cash flow statement** | | | | | |
| Operating cash flow | 32 | 18 | 126 | 61 | 71 |
| Investment cash flow | -142 | -17 | -225 | -136 | -176 |
| Financing cash flow | 124 | 2 | 82 | 104 | 96 |
| **Financial related key figures** | | | | | |
| EBITDA margin | 22% | 11% | 27% | 17% | 19% |
| Equity ratio | 46% | 50% | 46% | 50% | 49% |
| Return on Invested Capital (RoIC) | 0% | -4% | 4% | -1% | 0% |

# FLEET OVERVIEW




**Graph excludes sale and leaseback vessels**

11 | 11 | 11 | 11

# SUPPORTING EDUCATION AND CLIMATE ACTION

TORM

- In 2018, TORM extended its support to the UN Sustainable Development Goals (SDGs) as a natural progression of its commitment to the UN Global Compact
- TORM focuses on two specific SDGs, which are linked to the Company's current CSR activities. Activities and efforts made within these areas also make good business sense for the Company




- Long-standing supporter of maritime education – supporting potential future employees of TORM and strengthening the overall competence level among seafarers
- Supporting education has positive effects on TORM's core business – developing the pipeline of available competences in the industry and positively impacting retention and brand recognition
- Cooperating with educational institutions and universities – offering trainee and internship positions



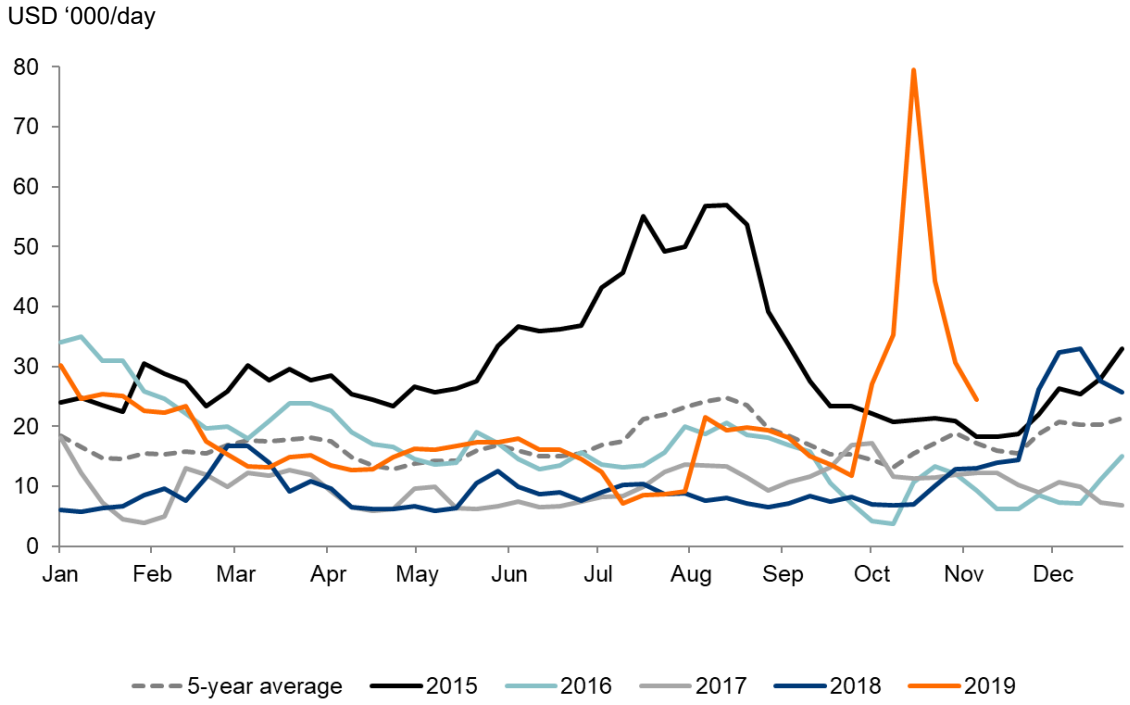

- Marine pollution constitutes the largest environmental risk in shipping. A key priority for TORM is to avoid pollution of the seas and the atmosphere
- Founding member of the Clean Shipping Alliance 2020 – supporting the enforcement of the global 0.5% sulfur cap as of 1 January 2020
- Fuel efficiency minimizes environmental impact while also making good business sense – TORM achieved fuel efficiency improvements of 6.9%* in 2018 and the target for 2019 is a 1% further improvement

* Compared to the 2015 baseline.

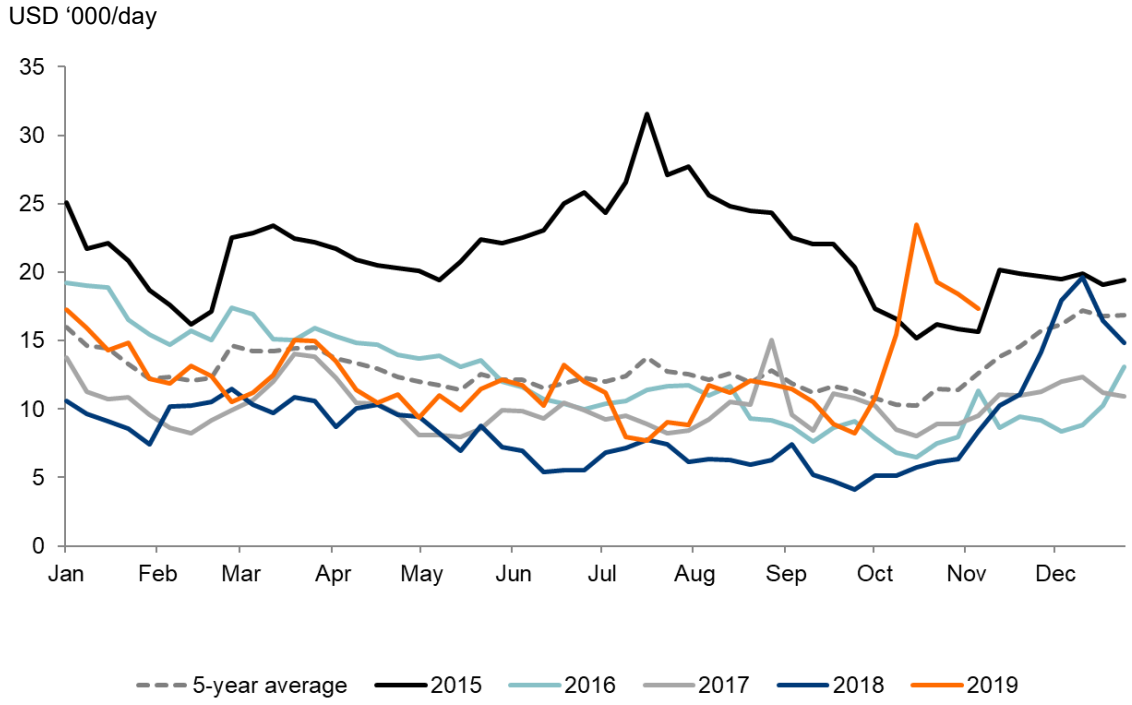
# SOFT RATES DURING Q3 FOLLOWED BY A STRONG UPTICK IN Q4

TORM

**LR2 (TC1)**




**MR (average)**




Source: Clarksons. Spot earnings: LR2: TC1 Ras Tanura-> Chiba, MR: average basket of Rotterdam->NY, Bombay->Chiba, Mina Al Ahmadi->Rotterdam, Amsterdam->Lome, Houston->Rio de Janeiro, Singapore->Sydney.

# TORM MONITORS THE GEOPOLITICAL SITUATION IN KEY PRODUCT TANKER SEGMENT AREAS IN THE MIDDLE EAST

## Prior events in the Persian Gulf region

- 5 November 2018: US reinstates all sanctions against Iran
- 8 April 2019: US labels an Iranian guard corps as a foreign terrorist organization (IRGC)
- 5 May 2019: US announces the deployment of additional military assets to the Persian Gulf region
- 12 May 2019: Four tankers damaged by explosions at the Fujairah anchorage
- 13 June 2019: Two tankers are damaged by explosions whilst transiting the Gulf of Oman
- 20 June 2019: Iran shoots down US military drone
- 10 July 2019: Isle of Man-flagged vessel is approached by the Iranian guard corps while under naval escort through the Strait of Hormuz
- 19 July 2019 MR tanker 'Stena Impero' under UK flag was seized by IRGC
- 14 September 2019 Saudi Arabian refineries attacked by drones
- 18 September 2019 Saudi Arabian Government held conference stating repairs to be executed faster than expected
- 11 October 2019 Iranian oil tanker hit by missile in the Red Sea

## Impact of less trade in the Middle East area

- More than 40% of global crude oil flows stem from the Middle East region
- The Middle East accounts for around 12% of global CPP exports and 3% of global CPP imports
- Long-haul naphtha trades on LR1s and LR2s to Far East
- Diesel and jet fuel trades on LR2s, LR1s and MRs to primarily Europe
- Hence the potential impact would be larger for the crude tanker market




- The safety of our crew and vessels is of highest priority, and TORM has taken several precautionary measures
- The Middle East remains an important area for TORM, and we have ongoing business in the area
- TORM monitors the situation in the area closely based on dialogue with and information from our security advisors, public authorities and other relevant sources

# OAKTREE IS THE MAJORITY SHAREHOLDER WITH A REMAINING FREE FLOAT OF 35%

## Share information

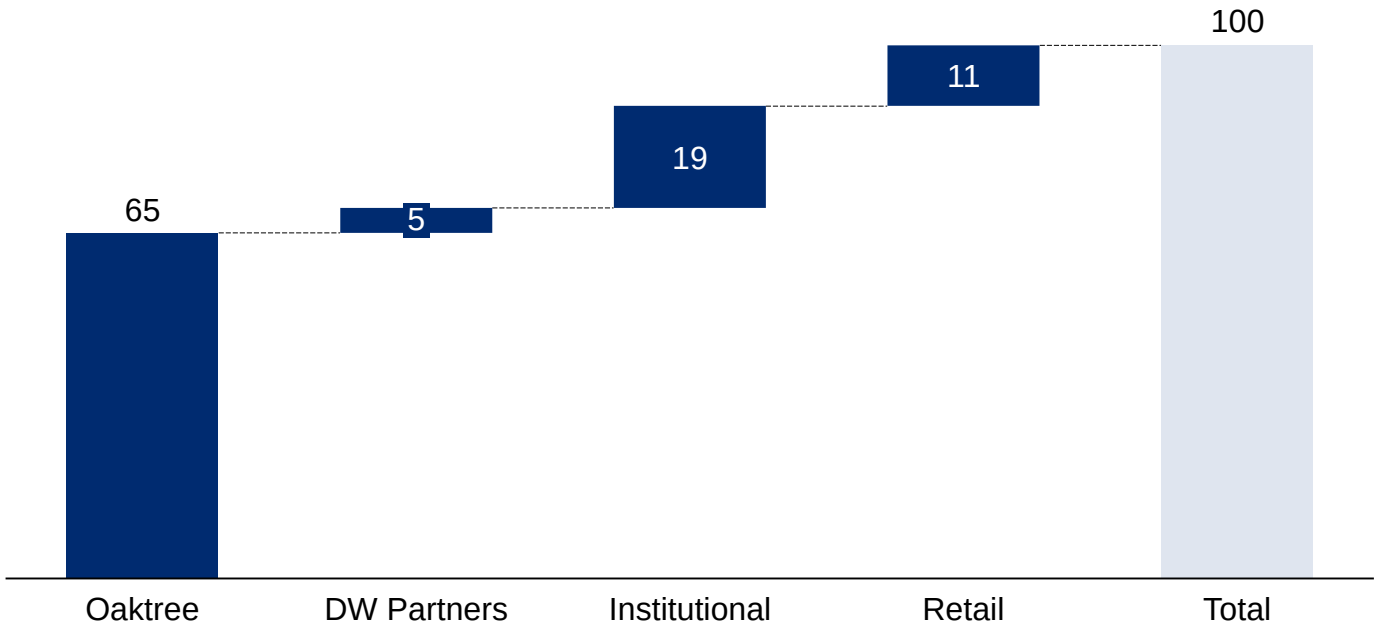
TORM's shares are listed on Nasdaq in Copenhagen and Nasdaq in New York under the tickers TRMD A and TRMD, respectively.

Shares

- 74.2m A-shares, one B-share and one C-share
- The B- and the C-shares have certain voting rights
- A-shares have a nominal value of USD/share 0.01

For further company information, visit TORM at www.torm.com.

## Estimated shareholdings as of November 2019 (%)*




* Based on major shareholder announcements and shareholder ID from Q3 2019.

# TORM EXPECTS A POSITIVE TCE IMPACT ON THE TORM FLEET DUE TO THE SCRUBBER INVESTMENTS

TORM

| Vessel type | Avg. fuel consumption, tons/day[1)] | | Compliant HSFO fuel spread assumption, USD/t | | TCE impact per vessel, USD/day[2)] | Annual TCE impact per vessel, USDm |
|---|---|---|---|---|---|---|
| MR Eco vessel | ~11 | × | 200 (Example) | = | ~2,000 | 0.7 |
| MR Non-eco vessel | ~14 | × | 200 (Example) | = | ~2,400 | 0.9 |

- Scrubber vessels will have lower expected fuel costs which in turn will positively impact the TCE compared to a non-scrubber vessel
- The financial effect will be bigger for the larger vessels with higher fuel consumption
- Based on 44 scrubber vessels and an assumed fuel spread of USD/t 200, an estimated annual TCE increase of up to USD ~40m is estimated

1) Assumptions: 365 operational days per year, MR scrubber utilization of 90%; based on 2018 actual fuel consumption; assuming 55% steaming ratio.
2) Calculation includes an extra scrubber fuel consumption of 2%.