Exercised option triggers sale of 13 vessels to Oaktree and expected impairment charge

As part of the Restructuring Agreement, three bank facilities were given certain specific option rights until 31 July 2014 that could trigger a sales process for up to 22 vessels and repayment of the related debt (cf. announcement no. 31 dated 2 October 2012).

The third bank facility has today exercised its option rights leading to a sale of ten MR and three LR2 product tankers financed by this bank facility. The vessels are TORM Helene (LR2, 1997), TORM Ingeborg (LR2, 2003), TORM Valborg (LR2, 2003), TORM Gunhild (MR, 1999), TORM Anne (MR, 1999), TORM Mary (MR, 2002), TORM Vita (MR, 2002), TORM Gertrud (MR, 2002), TORM Gerd (MR, 2002), TORM Thyra (MR, 2003), TORM Freya (MR, 2003), TORM Helvig (MR, 2005) and TORM Ragnhild (MR, 2005).

Consequently, TORM has concluded an agreement in principle to sell the 13 product tankers to entities controlled by Oaktree Capital Management (Oaktree). The agreement is expected to be implemented in the near future, pending internal approval processes with the parties involved and other relevant parties. According to the agreement, Oaktree will place the 13 vessels under TORM's commercial control and utilize TORM's integrated operating platform for technical management.

"We acknowledge Danish Ship Finance's commercial incentive to exercise their sales option before it expires in July and thereby trigger a sales process. In this light, I am very pleased that TORM's strong operational performance is recognized by a strategic investor in the product tanker space, which enables us to maintain all 13 vessels in TORM's commercial control and technical management," says CEO Jacob Meldgaard.

Upon completion of the sale, TORM's owned fleet will consist of 43 product tankers and two dry bulk vessels.

Financial effects
With the exercised option rights and the agreement in principle, TORM revises the forecasted 2014 EBITDA from USD 90-130m to USD 70-110m.

Upon completion of the transaction, the associated vessel financing will be fully repaid and thereby reducing the Company's debt by USD 223m. TORM's liquidity position is expected to remain largely unaffected, currently at USD 110m consisting of USD 22m in cash and USD 88m in undrawn credit facilities.

The agreement in principle is expected to lead to an impairment charge of USD 150-200m, which will be recognized in the financial statements in the first quarter of 2014. Therefore, TORM revises the forecasted 2014 loss before tax from USD 70-110m to USD 230-280m.

As of 31 December 2013, TORM's equity amounted to USD 118m, which means that the expected impairment charge likely will result in negative equity in the first quarter of 2014. The Board of Directors will make the mandatory report on the financial position of the Company at the upcoming Annual General Meeting on 3 April 2014. Despite the financial effects, TORM expects to remain in compliance with the financial covenants for 2014.

"The Restructuring Agreement from 2012 provided a financial safety net, which TORM continues to benefit from. With the current liquidity of more than USD 100m and positive operational cash flow, TORM has the manoeuvrability and support from the lenders to secure a long-term capital structure," says Chairman of the Board Flemming Ipsen.

As stated in announcement no. 2 dated 20 January 2014, TORM is carrying out a structured process involving a number of external stakeholders to explore the possibilities for a strategic transaction during 2014.

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About TORM
TORM is one of the world's leading carriers of refined oil products as well as a player in the dry bulk market. The Company operates a fleet of approximately 100 modern vessels with a strong commitment to safety, environmental responsibility and customer service.

TORM was founded in 1889 and celebrated its 125 year anniversary earlier this year. The Company conducts business worldwide and is headquartered in Copenhagen, Denmark. TORM's shares are listed on NASDAQ OMX Copenhagen (ticker: TORM). 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 Company desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this cautionary statement in connection with this safe harbor legislation. The words "believe," "anticipate," "intend," "estimate," "forecast," "project," "plan," "potential," "may," "should," "expect," "pending" and similar expressions identify forward-looking statements.

Forward-looking statements in this company announcement 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 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 which 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 "tonne 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 and political events or acts by terrorists.

Forward-looking statements are based on management's current evaluation, and TORM is only under an obligation to update and change the listed expectations to the extent required by law.