TORM

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NASDAQ: TRMD
CSE: TORM

HIGHLIGHTS 1ST QUARTER 2002

- EBITDA result of DKK 62.8 million and net profit of DKK 6.1 million or DKK 0.35 per share, excluding write–back of tonnage–tax effect, which is ahead of expectations

- Estimated net profit for 2002 increased to DKK 415 million (previously DKK 40 million pre–tax) due to a slight improvement in the operating result, plus write–back of deferred tax (tonnage–tax)

- Shareholders approval for dual listing of the Company's share on the NASDAQ effective 16 April 2002

- The 3 tanker Pools outperformed the day–to–day spot market in difficult trading conditions

- Letter of Intent signed during the quarter followed by a firm order being placed by TORM and pool partners during May for a total of 7 LR1 panamax newbuildings at highly competitive prices

- Dry bulk market operations were loss making, although in line with expectations

- Liner division achieved improved earnings

- Change in Danish accounting policies as a result of the enactment of the new Danish Company Accounting Act in addition to dual listing on the NASDAQ

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GROUP FINANCIAL HIGHLIGHTS

		Q1 2002 DKKm	Q1 2002 USDm
PROFIT AND LOSS STATEMENTS			
Net turnover		519.8	61.3
Net earnings from shipping activities		74.9	8.8
Profit from sale of vessels and interests		4.8	0.6
Other operating income		12.3	1.4
Profit before depreciation and write-downs (EBITDA)		62.8	7.4
Profit before tax		8.5	1.0
Net profit		**6.1**	**0.7**
BALANCE SHEETS			
Fixed assets		2,299	270
Total assets		3,679	433
Shareholders' equity		1,103	130
Total liabilities		2,201	259
Net interest bearing debt		834	98
Invested capital		1,898	223
KEY FIGURES			
Return on equity *)	%	0.5	
ROIC *)	%	0.3	
EBITDA/net turnover *)	%	12	
Earnings per share (EPS) *)		0.35	0.04
Market price per share end of period		58.6	6.9
Equity ratio	%	30	
Investments in tangible fixed assets	million	163	19
Number of shares	million	17.5	
USD/DKK exchange rate end of period		8.50	

*) Quarterly basis

RECONCILIATION TO UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AS OF MARCH 31, 2002

	Q1 2002 DKKm	Q1 2002 USDm
PROFIT AND LOSS STATEMENTS		
Profit as reported under Danish GAAP (restated)	6.1	0.7
Sales leaseback transactions	1.1	0.1
Provision for repair and capitalization of docking costs	−3.8	−0.4
Stock Option/Stock Grant	−1.1	−0.1
Unrealized losses on marketable securities	0.8	0.1
Foreign currency translation	1.6	0.2
Derivative Financial Instruments	0.3	0.0
Tax effect of US GAAP Adjustments	0.3	0.0
Net profit	**5.3**	**0.6**
Diluted earnings per share	0.30	0.04

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OUTLOOK FOR 2002

Changes in Danish accounting policies increase the estimated EBITDA result from DKK 220 million to DKK 300 million. A sales gain derived from vessels sold in 2000 will affect the 2002 P&L Statement positively with a net profit of approximately DKK 15 million as a result of the aforementioned changes to accounting policies. The profit forecast for the year, excluding extraordinary activities, is therefore expected to approximately DKK 55 million thus higher than originally estimated.

The Company expects to enter into the tonnage tax programme resulting in a change in income taxation for shipping companies. Consequently an amount of approximately DKK 360 million due to write-back of deferred tax is expected to positively affect the P&L Statement in the second quarter of 2002. This change only applies to Danish GAAP. There will be no cash flow effect from this change.

The total net profit for 2002 including above changes is thereafter expected to be DKK 415 million or DKK 23.66 per share.

This forecast is based on actual fixtures for the first and second quarter while other quarters are estimates as shown in below table.

Estimated earnings for 2002 (USD/day)

	Product Tankers			**Bulk Vessels**	
	MR	LR1	LR2	Panamax	Handysize
1. Quarter	15,305	17,569	19,875	6,259	5,292
2. Quarter	13,800	14,900	20,700	6,900	5,500
3. Quarter	14,750	16,000	20,000	6,750	6,250
4. Quarter	14,750	16,000	20,000	6,750	6,250

FINANCIAL RESULTS 1ST QUARTER 2002

Net income for the first quarter of 2002 was DKK 6.1 million or DKK 0.35 per share. As previously forecasted, the weakening tanker market resulted in a sharp drop in profits for the quarter as compared with last year. The Bulk operation was loss making although in line with expectations, whereas the Liner division recorded improved earnings.

Net earnings from shipping activities *)

DKKm	Q1 2002	Share
Tankers	74	99%
Bulkers	-10	-14%
Linie	11	15%
Offshore	0	0%
Total	**75**	**100%**

*) Gross earnings minus operating costs, which comprise port expenses, bunkers, commissions, crewing, maintenance etc. and hire but excluding administration, interest and depreciation.

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PRODUCT TANKERS

Details of earnings in respect of the Company's product tankers for the first quarter, by category, were as follows:

Product tankers - operating result for owned and chartered vessels:

	First quarter 2002
LR2/Aframax	
Available earning days	270
Average number of vessels	3.0
TCE per earning days	19,875
OPEX per earning days *)	-4,732
Operating Cash Flow per earning days **)	4,668
LR1/Panamax	
Available earning days	357
Average number of vessels	4.0
TCE per earning days	17,569
OPEX per earning days *)	-6,377
Operating Cash Flow per earning days **)	6,316
MR/Handymax	
Available earning days	523
Average number of vessels	5.8
TCE per earning days	15,305
OPEX per earning days *)	-5,046
Operating Cash Flow per earning days **)	10,166

*) Operating expenses for owned vessels

**) TCE earnings minus operating expenses and charter hire

Higher oil prices, reduced demand, an unstable situation in the Middle East and the refinery maintenance season gave rise to unsatisfactory rate levels during the quarter. Results were nonetheless in line with expectations and, as mentioned, in excess of the day-to-day spot market.

Low inventories, especially in the U.S., and the upcoming summer season when consumption of jetfuel and gasoline increases significantly, gives the Company cautious optimism for this activity in the second half.

Significant scrapping took place during Q1 with about 6 million tons dwt being committed for demolition. Conversely, delivery of new vessels totalled 5 million dwt.

The LR2 segment (100,000 dwt) was affected by a slow-down in demand for naphta in Japan and Korea, as well as a reduction in refinery capacity due to the refinery maintenance season taking place in both the Far East and the Caribbean. The LR1 vessels (80,000 dwt) were negatively impacted by reduced demand for jet fuel whereas in the MR market (45,000 dwt), a degree of excess tonnage capacity, especially in the Far East, contributed to weaker rates.

DRY BULK

Newbuilding deliveries exceeded scrapping considerably during the quarter resulting in a downward pressure on freight rates especially in the Far East during the second half of the quarter. In expectation of a soft bulk market for the remainder of 2002 the division has hedged in excess of 75% of its freight for this period. However, the activity is expected to be loss making for the year.

The bulk operations chartered in additional tonnage in anticipation of a longer term improvement in this sector.

LINER

The liner operations achieved encouraging results. All eastbound sailings were fully booked at satisfactory rate levels, and westbound bookings were sufficient to warrant extra tonnage being chartered.

The outlook for the second half is positive with further improvements in earnings expected.

OFFSHORE

The two chartered vessels TORM HERON and TORM KESTREL performed in line with expectations. The activity is expected to contribute positively to the year's result.

FINANCIAL ITEMS

The average interest rate paid on loans and currency swaps for the first quarter of 2002 were 3.99% incl. margin. For 2002 and 2003, approximately 85% and 38% of the Company's interest rate exposure is hedged. A change in interest rates of 1% on the remaining variable debt would result in a change in interest expense of DKK 4 million for 2002.

Additionally, as of March 31, 2002, the Company had holdings in Danish bonds with a market value of DKK 569 million. The annualised return for the period was 1.58%. If interest rates at year–end 2002 were to change by 1%, fair value of these investments would change by DKK 23 million.

ASSET MANAGEMENT

Towards the end of the quarter, the Company signed a Letter of Intent, together with existing pool partners, to contract 7 newbuildings with 5 options LR1 product tankers of about 75,000 dwt at Hyundai in Korea for delivery first half 2004 and onwards. Of the 7 newbuildings and 5 options TORM has ordered 1 vessel and 1 option. The order further underlines the Company's commitment to maintaining a modern, state–of–the–art fleet.

The joint order marks a further strengthening of the pool partnerships across the three existing pools, in as much as neither of these partners are currently members of the LR1 pool. Furthermore this is the first time TORM and its pool partners have joined forces in contracting of newbuildings.

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DANISH GAAP ACCOUNTING POLICIES

As a consequence of the enactment of the new Danish Company Accounting Act as per January 1, 2002 and the dual listing on the NASDAQ changes to accounting policies have been effected. The accounting policies listed below have been revised, while the remaining accounting policies have been consistently applied.

Capital leases

The bareboat arrangements for the vessels that the Company has entered into, which meet the definition of capital leases are accounted for by initially recognizing assets and related lease obligations at an amount equal to the present value of the underlying minimum lease payments measured at the beginning of the lease term. The capitalized leased assets are amortized according to the Company's depreciation policy for owned vessels. Previously the Company chose to treat these agreements as operating leases.

The change in policy resulted in an increase in net income of DKK 1 million for the three-month period ended March 31, 2002 and resulted in a transitional adjustment to reduce shareholders' equity by DKK 15 million.

Sale and lease back agreements

Gains related to sale and lease back agreements are deferred and amortized in proportion to the gross rental on the time charter over the life of the related agreements. Previously all such gains were recognized at the date of the transaction.

The change in policy resulted in an increase in net income of DKK 3 million for the three-month period ended March 31, 2002 and a transitional adjustment to reduce shareholders' equity by DKK 84 million.

Swaps of vessels

The Company records the gain on the swap of ownership in vessels in the profit and loss statement at the date of the swap, except when the vessels are similar productive assets. During prior periods, any gain on the swap of vessels were recorded in the profit and loss statement at the date of the swap transaction, except when the vessels were sister vessels of equivalent age.

The change in accounting policy resulted in a transitional adjustment to reduce shareholders' equity by DKK 7 million. There was no impact on net income as a result of this change in accounting policy.

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Dividends

Dividends are recorded as an obligation, when they are declared at the Annual General Meeting. Previously dividends were recorded as an obligation in the fiscal year to which they relate.

The change in policy resulted in a transitional adjustment to increase shareholders' equity of DKK 73 million and had no impact on net income.

Own shares

Own shares are accounted for as a component of shareholders' equity at cost paid for such shares. In previous years, own shares were reflected as an asset and adjusted at market value through the profit and loss statement.

The change in policy resulted in a decrease in net income of DKK 7 million for the three-month period ended March 31, 2002 and a transitional adjustment to reduce shareholders' equity of DKK 44 million.

Foreign currency contracts and derivatives

Foreign currency contracts and derivatives are recorded at fair value in the balance sheet. For fair value hedges the change in fair value is set-off against the exchange rate adjustment of the hedged item. For cash flow hedges the change in fair value on the contract is recorded as part of the shareholders' equity and then transferred to the profit and loss statement when the hedged item is realized.
The change in fair value on contracts that do not qualify for hedge accounting is recorded in the profit and loss statement at the end of each period. In prior periods, these contracts were accounted for as off-balance sheet items.

The change in policy did not affect the income for the period while there was a transitional adjustment to reduce shareholders' equity by DKK 27 million.

Mortgage debt and bank loans

Mortgage debt and bank loans relating to the financing of vessels are required to be recorded at the exchange rate prevailing at the balance sheet date. As these are considered an effective hedge of the vessels, the adjustment is recorded as part of the shareholders' equity and then transferred to the profit and loss statement when the vessel is sold. Previously the mortgage debt and bank loans relating to the financing of vessels in integrated entities were recorded at the historical exchange rate.

The change in policy did not affect the income for the period. The change resulted in a transitional adjustment to reduce shareholders' equity by DKK 187 million.

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The following provides a summary of the impact on the results for the three–month period ended March 31, 2002:

	Historical DKKm	Adjustments DKKm	Restated DKKm
PROFIT AND LOSS STATEMENT			
Net turn over	520		520
Net earnings from shipping activities	59	16	75
Profit from sale of vessels and interests		5	5
Other operating income	12		12
Profit before depreciation	42	21	63
Profit before tax	12	–4	8
Net Profit	**9**	**-3**	**6**
BALANCE SHEET			
Fixed assets	2,081	218	2,299
Total assets	3,434	245	3,679
Shareholders' equity	1,401	–298	1,103
Provisions	439	–64	375
Liabilities	1,594	607	2,201
Total liabilities and shareholders' equity	3,434	245	3,679

Shareholders' equity	**DKKm**
Balance at January 1, 2002	1,392
Transitional adjustment	–291
Adjusted balance at January 1, 2002	1,102
Exchange adjustment of shareholders' equity in subsidiaries and associated companies	–13
Exchange adjustment of loans to independent units	7
Adjustment of derivatives and own shares	1
Profit and loss statement	6
Shareholders' equity at March 31, 2002	1,103

In addition to the factors and matters discussed elsewhere in this report, important factors that, in TORM's view, could cause actual results to differ materially from those discussed in the forward looking statements include the strengths of world economies and currencies, general market conditions, including fluctuations in charterhire rates and vessel values, changes in demand in the shipping market, including the effect of changes in OPEC's petroleum production levels and worldwide oil consumption and storage, changes in the Company's operating expenses, including bunker prices, dry–docking and insurance costs, changes in governmental rules and regulations or actions taken by regulatory authorities, potential liability from pending future litigation, general domestic and international political conditions, potential disruption of shipping routes due to accidents or political events, and other important factors described from time to time in the reports filed by TORM with the Copenhagen Stock exchange and the Securities and Exchange Commission.