

GLOSSARY

ALTERNATIVE PERFORMANCE MEASURES

- continued

EBITDA: TORM defines EBITDA as earnings before financial income and expenses, depreciation, impairment, amortization and taxes. The computation of EBITDA refers to financial income and expenses which the Company deems to be equivalent to “interest” for purposes of presenting EBITDA. Financial expenses consist of interest on borrowings, losses on foreign exchange transactions and bank charges. Financial income consists of interest income and gains on foreign exchange transactions.

EBITDA is used as a supplemental financial measure by Management and external users of financial statements, such as lenders, to assess TORM’s operating performance as well as compliance with the financial covenants and restrictions contained in the Company’s financing agreements. TORM believes that EBITDA assists Management and investors by increasing comparability of the Company’s performance from period to period. This increased comparability is achieved by excluding the potentially disparate effects of interest, depreciation, impairment, amortization and taxes. These are items that could be affected by various changing financing methods and capital structure and which may significantly affect profit/(loss) between periods. Including EBITDA as a measure benefits investors in selecting between investment alternatives.

EBITDA excludes some, but not all, items that affect profit/(loss), and these measures may vary among other companies and not be directly comparable. The following table reconciles EBITDA to net profit/ (loss), the most directly comparable IFRS financial measure, for the periods presented:

USDm	2019	2018	2017
Reconciliation to net profit/(loss)			
Net profit/(loss) for the year	166.0	-34.8	2.4
Tax	0.8	1.6	0.8
Financial expenses	41.9	39.3	40.6
Financial income	-2.8	-3.3	-4.3
Depreciation	110.1	114.5	114.5
Impairment (reversal)/losses on tangible assets	-114.0	3.2	3.6
EBITDA	202.0	120.5	157.6

Loan-to-value (LTV): TORM defines Loan-to-value (LTV) ratio as Vessel values divided by net borrowings on the vessels.

LTV describes the net debt ratio on the vessel, and is used by TORM to describe the financial situation, the liquidity risk as well as to express the future possibilities to raise new capital by new loan facilities.

USDm	2019	2018	2017
Vessel values including newbuildings (broker values)	1,801.5	1,675.1	1,661.1
Total (value)	1,801.5	1,675.1	1,661.1
Borrowings	863.4	754.7	753.9
- Hereof debt regarding Land and buildings & Other plant and operating equipment	-8.7	-	-
Committed CAPEX on newbuildings	51.2	258.0	306.9
Loans receivables	-4.6	-	-
Cash and cash equivalents, including restricted cash	-72.5	-127.4	-134.2
Total (loan)	828.8	885.3	926.6
 Loan-to-value (LTV) ratio	 46.0%	 52.9%	 55.8%