

The following is a Company Announcement issued by Endo Finance p.l.c., a company registered under the laws of Malta with company registration number C 89481 and having its registered office at 10, Timber Wharf, Marsa MRS 1443, Malta (hereinafter the “Company”), pursuant to the Listing Rules issued by the Listing Authority.

***Quote***

**Publication of Financial Analysis Summary**

The Company hereby announces that the updated Financial Analysis Summary dated today, 31<sup>st</sup> August 2020 has been approved for publication and is available for viewing below as an attachment to this announcement and at the Company’s registered office, and is also available for download from the Company’s website: <https://www.endofinance.com/>.

***Unquote***



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Dr Luca Vella  
Company Secretary  
31<sup>st</sup> August 2020



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**FINANCIAL ANALYSIS SUMMARY**

**Endo Finance p.l.c.**

**31 August 2020**



**Calamatta Cuschieri**  
YOUR PARTNER IN FINANCIAL SERVICES

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The Directors  
Endo Finance p.l.c.,  
10, Timber Wharf,  
Marsa, MRS 1443, Malta

31 August 2020

Dear Sirs,

In accordance with your instructions, and in line with the requirements of the Listing Authority Policies, we have compiled the Financial Analysis Summary (the “**Analysis**”) set out on the following pages and which is being forwarded to you together with this letter.

The purpose of the financial analysis is that of summarising key financial data appertaining to Endo Finance p.l.c. (the “**Issuer**”), and International Fender Providers Ltd (C 69877), IFP International Fender Providers Ltd (HE 348221), Endo Properties Ltd (C 13033) collectively (the “**Guarantors**”) and related companies within the group as explained in part 1 of the Analysis. The data is derived from various sources or is based on our own computations as follows:

- (a) Historical financial data for the three years ended 31 December 2017, 2018, and 2019 has been extracted from the audited financial statements of the Guarantors and the Issuer for the three years in question.
- (b) The forecast data for the current financial year 2020 has been provided by management.
- (c) Our commentary on the Issuer and Guarantor’s results and financial position is based on the explanations provided by management.
- (d) The ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions set out in Part 4 of the Analysis.
- (e) The principal relevant market players listed in Part 3 of the document have been identified by management. Relevant financial data in respect of competitors has been extracted from public sources such as the web sites of the companies concerned or financial statements filed with the Registrar of Companies or websites providing financial data.

The Analysis is meant to assist investors in the Issuer’s securities and potential investors by summarising the more important financial data of the Group. The Analysis does not contain all data that is relevant to investors or potential investors. The Analysis does not constitute an endorsement by our firm of any securities of the Issuer and should not be interpreted as a recommendation to invest in any of the Issuer’s securities. We shall not accept any liability for any loss or damage arising out of the use of the Analysis. As with all investments, potential investors are encouraged to seek professional advice before investing in the Issuer’s securities.

Yours sincerely,



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Nick Calamatta  
Director

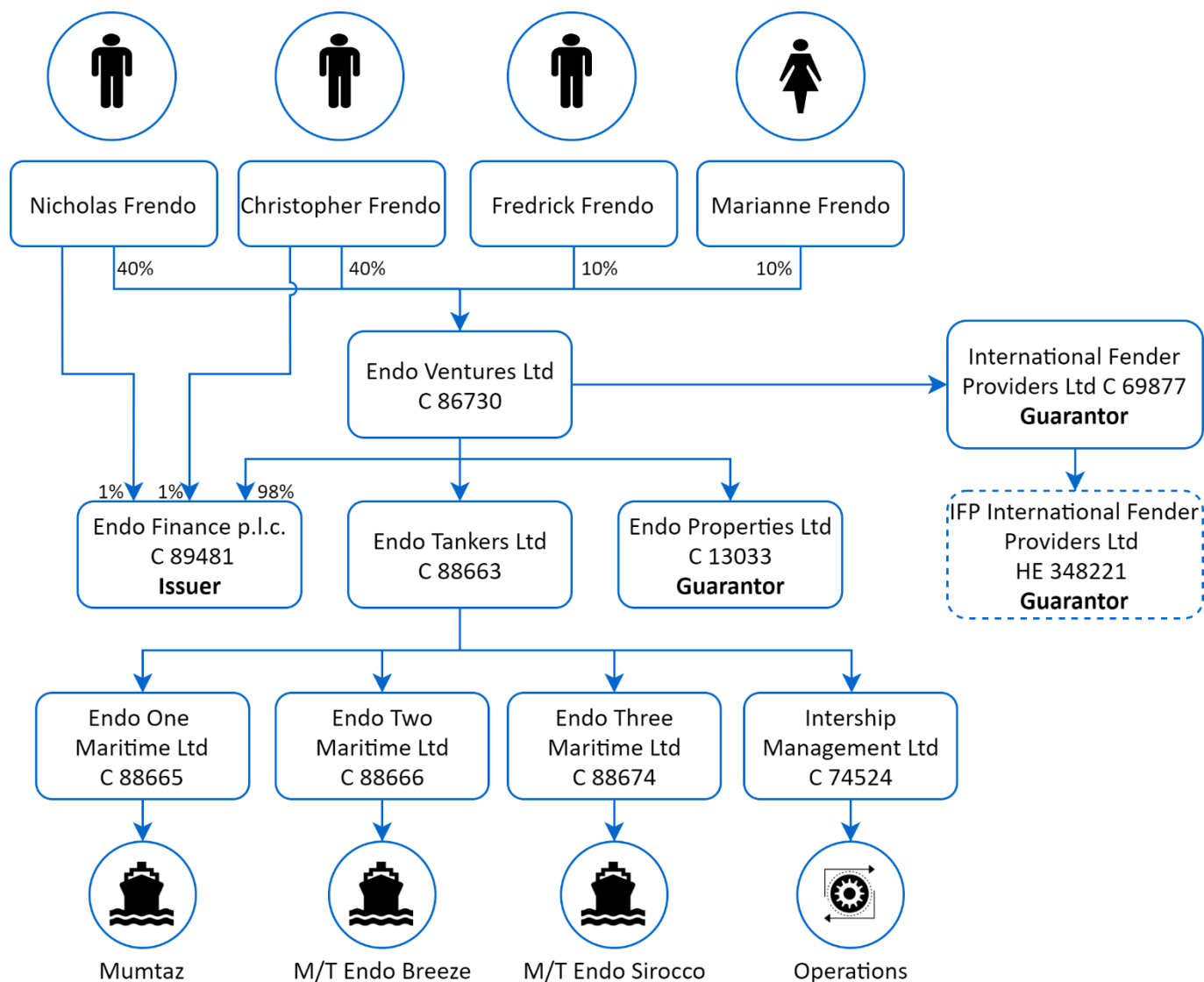
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## Part 1 - Information about the Endo Group

### 1.1 Issuer, Guarantors and Endo Group's Subsidiaries Key Activities and Structure

The Endo Group structure is as follows:



Ownership percentages are 100% unless otherwise indicated

— Company registered in Malta

- - - Company registered in Cyprus

The “**Endo Group**” of companies consists of Endo Ventures Ltd being the “**Parent**” company of the Endo Group, the Issuer, the Guarantors, and Endo Tankers Ltd, which includes its subsidiaries Endo One Maritime Ltd, Endo Two Maritime Ltd, Endo Three Maritime Ltd and InterShip Management Ltd. The objective of the Endo Group is to acquire, finance, manage and charter commercial vessels, in addition to providing ship-to-ship services.

Endo Ventures Ltd, company registration number C 86730, was set up on 11 June 2018 and acts as the parent company of the Endo Group. The Parent’s ultimate beneficial owners are: Mr. Christopher Frendo (40% ownership), Mr. Nicholas Frendo (40% ownership), Mr. Fredrick Frendo (10% ownership) and Ms. Marianne Frendo (10% ownership).

Endo Tankers Ltd (“**Endo Tankers**”), company registration number C 88663, was incorporated on 8 October 2018 and acts as a holding company of the “**Endo Tankers Sub-Group**”. The Endo Tankers Sub-Group is primarily involved in the acquisition, financing, management and chartering of commercial vessels. Endo One Maritime Ltd (“**Endo One**”), Endo Two Maritime Ltd

("Endo Two"), Endo Three Maritime Ltd ("Endo Three"), and Intership Management Ltd are all wholly owned subsidiaries of Endo Tankers.

The Issuer, Endo Finance plc, company registration number C 89481, is a limited liability company registered in Malta on 20 November 2018. The Issuer is, except for one ordinary share, which is held by Christopher Frendo, and another ordinary share held by Nicholas Frendo, a wholly owned subsidiary of the Parent company of the Endo Group. The Issuer, which was set up and established to act as a finance vehicle, has as at the date of this Analysis an authorised and issued share capital of €250,000 divided into 250,000 ordinary shares of €1 each, all fully paid up.

The Guarantors consist of International Fender Providers Ltd, IFP International Fender Providers Ltd and Endo Properties Ltd. International Fender Providers Ltd ("IFP Malta"), a wholly owned subsidiary of the Parent, is a private limited liability company incorporated and registered in Malta on 2 April 2015, with company registration number C 69877. The authorised and issued share capital of IFP Malta is €16,000 divided into 16,000 ordinary shares having a nominal value of €1 each, all fully paid up. The principal activity of IFP Malta is a ship-to-ship service provider with ship-to-ship bases in Malta, Augusta and Cyprus. It assists with the transfer of any cargo between any sized ships with all ship-to-ship operations carried out as per Oil Companies International Marine Forum (OCIMF) guidelines. As part of its service, IFP Malta also offers the hire of Yokohama fenders and hoses used for the transfer of cargo from one ship to another.

IFP International Fender Providers Ltd ("IFP Cyprus"), a wholly owned subsidiary of IFP Malta, is a private limited liability company incorporated and registered in Cyprus on 26 October 2015, with company registration number HE 348221. IFP Cyprus has an authorised share capital of €2,000 divided into 2,000 ordinary shares of €1 each and an issued share capital of €1,000 divided into 1,000 ordinary shares having a nominal value of €1 each, all fully paid up. IFP Cyprus carries out the same principal activity as IFP Malta and was incorporated to take over the ship-to-ship operations in Cyprus.

Endo Properties Ltd (formerly P & C Ltd), a wholly owned subsidiary of the Parent, is a private limited liability company incorporated and registered in Malta on 28 August 1991, with company registration number C 13033. The authorised and issued share capital of Endo Properties Ltd ("Endo Properties") is €774,690 divided into 774,690 Ordinary shares of €1 each, paid up and allotted as to (i) 11,647 Ordinary shares of €1 each, 20% paid up, and (ii) 763,043 Ordinary shares of €1 each, 100% paid up. With effect from 28 April 2020 the company's name was changed from P & C Ltd to Endo Properties Ltd. The principal objective of Endo Properties is to purchase or otherwise acquire, under any title whatsoever, any immovable or otherwise deal in and hold for the purpose of development or resale and traffic in any freehold, leasehold or other property or any estate or interest whatsoever.

Endo One, Endo Two and Endo Three were all incorporated on 8 October 2018. Endo One was set up to acquire a 599 DWT (deadweight tonnage) vessel, "Mumtaz", an oil tanker used for the transportation of petroleum products and for the transfer and carriage of dry cargo on deck. Endo Two was incorporated in order to acquire a vessel, being a Medium-Range ('MR') 45,000 to 50,000 DWT oil tanker, as set out in the prospectus dated 6 March 2019 ("**March 2019 Prospectus**" or "**March 2019 Bonds**"). In terms of the March 2019 Prospectus, Endo Two took delivery of this marine vessel ("Endo Breeze") on 22 May 2019.

Endo Three was incorporated in order to acquire "Vessel 3", being a, 5,000 to 8,000 DWT vessel, an oil tanker to be used for the transportation of petroleum products and for bunkering operations. In terms of the March 2019 Prospectus, Endo Tankers Sub-Group anticipated that Vessel 3 would have been acquired and delivered by the end of Q2 2019, however said acquisition has not yet materialised to date as negotiations with a potential seller fell through at a late stage for reasons beyond the Endo Tankers Sub-Group's control. Endo Three has identified a vessel having characteristics similar to Vessel 3 and all necessary initial documentation for the acquisition of said vessel to take effect has been duly executed. However, due to the circumstances brought about by COVID-19 and the subsequent containment measures, Endo Three was prevented from taking legal ownership of the vessel. Accordingly, acquisition of Vessel 3 has been delayed until the Endo Tankers Sub-Group's management team has certainty that Endo Three can take effective legal ownership and control of the vessel. The Issuer, through company announcement dated 30 July 2020, announced that on 28 July 2020, Endo Three entered into a Memorandum of Agreement to acquire the said vessel. As per this agreement, the Vessel 3, which will be named ("**Endo Sirocco**") is to be delivered to Endo Three within 4 to 6 weeks from the date of said agreement.

Further information in relation to the vessels owned or to be acquired by the Endo Tankers Sub-Group is found in sub-section 1.3 and 1.4 below.

Intership Management Ltd was set up on 25 February 2016 and is a ship management company which provides a complete and comprehensive set of ship management services (provision of crew, management, repairs and maintenance, navigation, operation and dry-docking of vessels) to Endo One and Endo Three, once **Endo Sirocco** is acquired. The company is certified by Bureau Veritas and complies with the International Management Code for the Safe Operation of Ships and for Pollution Prevention.

## 1.2 Directors and Key Employees

### Board of Directors - Issuer

As at the date of the prospectus, the Issuer is constituted by the following persons:

| Name               | Office Designation                 |
|--------------------|------------------------------------|
| Christopher Frendo | Executive Director                 |
| Nicholas Frendo    | Executive Director                 |
| Anthony Busuttil   | Independent non-executive Director |
| Francis Gouder     | Independent non-executive Director |
| Erica Scerri       | Independent non-executive Director |

The business address of all the directors is the registered office of the Issuer. Dr Luca Vella is the company secretary of the Issuer.

### Board of Directors – Guarantors

As at the date of the prospectus, the Guarantors are constituted by the following persons:

#### IFP Malta

| Name               | Office Designation                       |
|--------------------|--|
| Christopher Frendo | Executive Director and Company Secretary |
| Nicholas Frendo    | Executive Director                       |

The business address of all the directors is the registered office of the Issuer.

#### IFP Cyprus

| Name                  | Office Designation                           |
|-----------------------|--|
| Christopher Frendo    | Executive Director                           |
| Nicholas Frendo       | Executive Director                           |
| Georgia Philippou     | Non-executive Director and Company Secretary |
| Constantina Panayidou | Non-executive Director                       |

The business address of all the directors is Florinis, 7, Greg Tower, 2nd Floor, 1065, Nicosia, Cyprus.

### Endo Properties

| Name               | Office Designation                       |
|--------------------|--|
| Christopher Frendo | Executive Director                       |
| Nicholas Frendo    | Executive Director and Company Secretary |

The business address of all the directors is the registered office of the Issuer.

The Issuer is currently managed by a board of five directors who are responsible for the overall direction and management of the Issuer. The board currently consists of two executive directors, who are entrusted with the Issuer's day-to-day management, and three non-executive directors, all of whom are also independent of the Issuer, whose main functions are to monitor the operations of the executive directors and their performance, as well as to review any proposals tabled by the

executive directors. This practice goes in accordance with the generally accepted principles of sound corporate governance, where at least one of the directors shall be a person independent of a group of companies. No directors have been removed since the Issuer's inception. The Issuer does not have any employees of its own, and thus is dependent on the resources within the Endo Group entities.

Each Guarantor has its own Board of directors that is entrusted with the responsibility of the direction and management of the respective Guarantor entity within the strategic parameters established by the respective Board. All three Guarantors are governed by the same two executive directors, with the exception of IFP Cyprus, where in addition to the two executive directors, the board also consist of another two non-executive directors.

The Group is managed by the same two executive governing both the Issuers and Guarantors. Additionally, in the day to day operations the Group employs 7 employees (as per FY19 financials), 6 of which are in operations and 1 in administration. In FY18, the average number of the Group's employees stood at 4 (operations-3 and administration-1).

### 1.3 Major Assets owned by the Endo Group

The Issuer does not have any substantial assets and is essentially a special purpose vehicle set up to act as a financing company.

#### Endo One - Mumtaz

In March 2016, a related group ("Palm Group"), which is controlled by the same beneficial owners of the Endo Group, acquired its first vessel Mumtaz. The vessel, built in 2002 in Puesta de Quilla in Dubai and having a total length of 44.84 meters, is a 599 DWT oil tanker used for the transportation of petroleum products and for the transfer and carriage of dry cargo on deck, both in the Maltese territorial waters and international waters. Mumtaz, bearing IMO (International Maritime Organisation) number 9268514, is currently being leased under a bareboat charter<sup>1</sup> agreement to a subsidiary of Palm Group. Mumtaz was registered with the Registrar of Ships in Malta on 9 March 2016.

Following its incorporation, Endo One acquired Mumtaz from Palm Group on 1 November 2018, for the price of €1.8m, being an amount equivalent to the value of the vessel. This amount due to Palm Group was novated upwards within the Endo Group, where the liability of €1.8m was capitalised and exchanged for shares to the ultimate beneficiary owners of the Endo Group, which effectively increased the issued share capital of the Group's Parent company.

The bareboat charter agreement to which Mumtaz is subject as from 1 November 2018 is entered into with International Fuel Suppliers Ltd ("IFS"), an entity forming part of the Palm Group, and in virtue of which agreement IFS has agreed to charter the vessel Mumtaz for a period extending to 31 December 2028. IFS has engaged Intership Management Ltd to manage Mumtaz and, further to such engagement, the latter company provides the crew, manages, maintains, navigates, operates, insures, fuels, repairs and dry-docks the vessel. Against this service, Intership Management Ltd charges a ship management fee to IFS. All direct costs in relation to this vessel are borne by IFS, given that Mumtaz is chartered under a bareboat charter agreement.

Dry-docking refers to the process when a vessel is taken to the service yard and brought to dry land so that submerged portions of the hull can be cleaned and inspected. This work is both preventative as well as a regulatory requirement within the industry. Oil tankers are scheduled for full dry-docking once every five years, with intermediate dry-docking taking place every two years.

#### Endo Two – Endo Breeze

In terms of the March 2019 Prospectus, the Endo Tankers Sub-Group, through Endo Two and pursuant to the successful completion of the appropriate structural and condition inspections into the vessel, acquired the MR vessel Endo Breeze, a 44,999 DWT product/chemical tanker being 176 metres in length. The MR vessel, Endo Breeze was built in Croatia and delivered in 2003, and is today registered under the Malta Maritime Flag with hull (IMO) number 9239977 with a gross tonnage of 26,914. Endo Breeze was acquired by Endo Two from proceeds of the issue of the March 2019 Bonds in terms of the March 2019 Prospectus.

<sup>1</sup> A bareboat charter is an arrangement for the hiring of a vessel whereby the charterer obtains possession and full control of the vessel along with the right to trade it as it chooses for a specified period as well as the legal and financial responsibility for it, and no administration or technical maintenance is included as part of the agreement. The charterer typically pays for all operating expenses, including fuel, crew, port expenses and Protection & Indemnity and Hull & Machinery insurance.



Specifically, Endo Two took delivery of the marine vessel Endo Breeze on 22 May 2019 and ownership of the MV Endo Breeze vests in Endo Two with effect from said date. In terms of the March 2019 Prospectus, on 22 May 2019 a first priority mortgage on the MV Endo Breeze was registered with the Merchant Shipping Directorate within Transport Malta in favour of the Custodian for the benefit of holders of the March 2019 Bonds.

With effect from 20 May 2019, Endo Two entered into a time charter agreement with a third party for the chartering of Endo Breeze for a period of 3 years, during which term the vessel will be 100% utilised. Endo Breeze is managed by Columbia Shipmanagement Ltd, which has over 40 years' experience in the ship management and maritime services industry.

### **Endo Three - Endo Sirocco**

In terms of the March 2019 Prospectus, the Endo Tankers Sub-Group anticipated that Vessel 3 would have been acquired and delivered by the end of Q2 2019, however said acquisition has not yet materialised to date as negotiations with a potential seller fell through at a late stage for reasons beyond the Endo Tankers Sub-Group's control. Further information in relation to the ongoing negotiations in acquiring this vessel and the adverse conditions due to COVID-19 is found below in sub-section 1.4.

### **IFP Malta & IFP Cyprus**

As part of its operations as a ship-to-ship service provider, IFP Malta and IFP Cyprus require fenders and hoses for the transfer of cargo from one ship to another. Fenders offer protection to the ships by absorbing energy as the vessels berth alongside each other and hoses are used to transfer cargo between ships. Currently, IFP Malta owns 4 sets of fenders and hoses which are also used by IFP Cyprus. Each set mainly consist of 4 or 5 primary fenders, 2 secondary fenders and 4 hoses.

### **Endo Properties**

Endo Properties has an investment property which is situated at 9, 10, Timber Wharf in Marsa. The premises comprise a large street level warehouse with a floor area of circa 500 m<sup>2</sup> and three floors of office space and receded floor. As per architect's valuation dated 7 August 2018, the property which is owned by the company was valued at €7.2m. Endo Properties generates its revenue through the rental of its property in Marsa to third parties as well as to a related company within Palm Group. Apart from the rental income, Endo Properties Ltd also charges management fees to this related group.

In the March 2019 Prospectus, the Group had indicated its intention to sell the aforesaid investment property owned by Endo Properties in virtue of a promise of sale agreement signed in March 2018 and having a validity of 24 months.

Endo Group recently announced, through a company announcement, that the buyer on the above-mentioned promise of sale agreement failed to appear on the final deed of sale of the property. Accordingly, Endo Properties has taken all actions available to it at law to protect its rights. The foregoing is not deemed to have an adverse impact on Endo Properties Ltd's liquidity and financial position and the company will continue to generate revenue through the rental of this property. The planned sale of the said property was the result of a decision taken to realise property value and concentrate on the core operations of the Group. In terms of asset strength, the full value of the property will be retained in the company's balance sheet.

Additionally, in November 2019, the ultimate beneficial owners of the Group transferred properties having a market value of €3.0m from Palm Group to Endo Properties. The properties consist of; (i) an apartment situated at Sir George Borg Street, Sliema, (ii) an apartment situated at The Strand, Sliema, (iii) an apartment situated at Tower Road, Sliema, (iv) an apartment situated in Birzebbugia, and (v) an apartment situated in Ta' Xbiex. The amount due to Palm Group of €0.8m (book value) for the transfer of the properties, was novated upwards within the Endo Group, where the liability was capitalised and exchanged for shares to the ultimate beneficiary owners of the Endo Group.

## 1.4 Operational Developments

The Endo Tankers Sub-Group was incorporated to engage in the business of acquiring, financing, managing and chartering commercial vessels, in addition to, strengthening the operations of Palm Group, being the bunkering and transportation of petroleum products. In terms of the March 2019 Prospectus, Endo Two successfully acquired an MR Vessel, Endo Breeze on 22 May 2019. Endo Breeze is currently leased on a time charter agreement with a third party for a period of three years, during which term the vessel will be 100% utilised.

### Endo Three - Endo Sirocco

In terms of the March 2019 Prospectus, the Endo Tankers Sub-Group anticipated that Vessel 3 would have been acquired and delivered by the end of Q2 2019, however the said acquisition has not yet materialized to date as negotiations with a potential seller fell through at a late stage for reasons beyond the Endo Tankers Sub-Group's control.

The Endo Tankers Sub-Group remains committed to acquiring the aforementioned vessel (as defined in the March 2019 Prospectus) and has identified a vessel having characteristics similar to Vessel 3, as mentioned above. All necessary initial documentation for the acquisition of said vessel has been duly executed. However, due to COVID-19 related travel restrictions and quarantine rules, Endo Tankers Sub-Group was prevented from taking legal ownership of the vessel, as both the replacement crew and qualified third-party surveyors are prohibited from boarding the vessel. Accordingly, the acquisition of this vessel has been delayed until the management team has full certainty that Endo Three can take effective legal ownership and control of Endo Sirocco. The Issuer, through company announcement dated 30 July 2020, announced that on 28 July 2020, Endo Three entered into a Memorandum of Agreement to acquire the said vessel. As per this agreement, the Endo Sirocco is to be delivered to Endo Three within 4 to 6 weeks from the date of said agreement. More specifically, delivery is expected in the first week of September, with operations estimated to start from mid-September,

Endo Sirocco, once acquired, will be time chartered to companies forming part of the Palm Group. This will eventually be used for the transportation of petroleum products, thereby supporting the Palm Group's existing bunker operating business both in Maltese territorial waters and international waters.

As is the case with the Mumtaz, Endo Sirocco, once acquired, will be managed by Intership Management Ltd, which provides the crew, manages, maintains, navigates, operates, insures, fuels, repairs and dry-docks the vessel. The Issuer confirms that part of the proceeds from the issue of the March 2019 Bonds to be utilised in connection with the acquisition of Endo Sirocco by Endo Three, are still held by the custodian on escrow in terms of the March 2019 Prospectus and will remain so held by the Custodian until the acquisition of said vessel.

Summary of the vessels owned or to be acquired by the Endo Tankers Sub-Group:

| Company   | Endo One          | Endo Two     | Endo Three        |
|---|-------------------|--------------|-------------------|
| <b>Vessel Name</b>  | Mumtaz            | Endo Breeze  | Endo Sirocco      |
| <b>Vessel Size Class</b>  | Bunker            | Medium-Range | Small-Range       |
| <b>Dead Weight Tonnage</b>                                      | 599               | 44,999       | 5,000 - 8,000     |
| <b>Length (meters)</b>  | 44.84             | 176          | 90 – 120          |
| <b>Years from Build (up to 2019)</b>                            | 17                | 16           | 9 - 15            |
| <b>Additional Useful Life (from 2020)</b>                       | 9                 | 10           | 10 – 15           |
| <b>Certified by approved Classification Society<sup>2</sup></b> | Yes               | Yes          | Yes               |
| <b>Classification Society</b>                                   | Bureau Veritas SA | DNV GL       | Bureau Veritas SA |

The Issuer, through an independent ship broker with over 40 years' experience in the tanker shipping industry, obtained an assessment of the useful life of the vessel classes owned or to be acquired by the Endo Tankers Sub-Group. The independent ship broker estimated the useful lifetime of the vessels as follows; Endo Sirocco at 35-40 years, Mumtaz at 40-45 years, whereas Endo Breeze was estimated to have a useful life of 25-30 years.

<sup>2</sup> Classification societies are non-governmental organisations, which maintain technical standards for the construction and operation of marine vessels, in addition to surveying and classifying ships to ensure continuous compliance with such standards.

Additionally, the Issuer's useful life of its vessels averaging to 25 years is based on industry practice. As per the latest available financial statements of the largest listed crude tanker companies, the estimated useful life for crude oil tankers is 25 years. Amongst others, the list includes: Teekay Tankers Ltd, Frontline Ltd, Nordic American Tankers Ltd and SFL Corporation Ltd.

### **Impact of COVID-19 on Endo Group's business**

Endo Group has been closely monitoring the developments resulting from the outbreak of the COVID-19 pandemic and the impact on the global economy, with specific reference to the shipping industry. According to research and feedback from major industry players and ship brokers, the tanker shipping market has been one of the few industries that has, so far, been positively affected by the COVID-19 pandemic and the drastic fall in oil price<sup>3</sup>.

Following an analysis of the pandemic and its implications, the directors do not envisage any immediate material adverse effect on the Endo Tankers Sub-Group's current and future operations. Endo Breeze, which is owned and time chartered by Endo Two, is currently under a fixed time charter of 3 years (2 years remaining) with Team Tankers International Ltd. This company is listed on the Oslo Stock Exchange and as at September 2019 owned vessels having a book value of \$0.4 billion<sup>4</sup>. Therefore, this vessel, which represents a significant portion of the Endo Tankers Sub-Group's operating assets, is leased to a reputable company, having a strong financial position which enables it to honour its obligations with the Endo Tankers Sub-Group.

As with regards the operations related to Endo One, Endo Three, IFP Malta and IFP Cyprus, it is noted that measures issued by the Maltese authorities at the peak of outbreak during the first half of 2020, particularly the travel ban, provide an exemption in relation to cargo ships and tankers carrying essential fuels. Notwithstanding these restrictions, the Endo Tankers Sub-Group does not perceive adverse effects from the COVID-19 pandemic with respect to Mumtaz and the new Endo Sirocco to be acquired as both are or will be chartered to Palm Group.

The aforementioned measures and notices also apply to IFP Malta and IFP Cyprus. Ship-to-ship operations are not being affected since these operations are still being allowed, except for crew changes, as these are not allowed to disembark vessels. As a result, the Group is extending crew contracts for crew members to remain on board until these bans and restrictions are lifted. The Group has not, as at to date, received any negative feedback or reduction in business due to the current COVID-19 situation. It is also expected that by the time the time charter agreements expire, the current situation would have improved.

Given that the impact of the COVID-19 pandemic on the Group's operations is expected to be minimal, management based FY20 forecasts on historical performance and agreements currently in place, or in the process of being signed. The Group's operations have been discussed in detail above. The Group's forecasts for FY20 capture the actual trading results for the 6-month period (1 January to 30 June 2020) and the financial projections for the remaining 6-month period (1 July to 31 December 2020). The assumptions utilised in arriving at FY20 forecasts are described below in part 2 of this Analysis.

The Issuer has settled its first bond coupon which was due by the end of the first quarter of 2020. Additionally, the forecasts prepared by the Group indicate that sufficient cash will be generated throughout this financial year and the Group should be in a position to meet its financial commitments, including the next bond interest due on 22 March 2021.

<sup>3</sup> Intermodal Research and Valuations – Weekly market report – Week 14, Tuesday 7 April 2020

<sup>4</sup> <https://ml-eu.globenewswire.com/Resource/Download/e7a9b240-a6a9-4e46-b3f8-9ec7c48480d6>

## Part 2 - Historical Performance and Forecasts

The Issuer was incorporated on 20 November 2018 and, accordingly, the first year capture the period from 20 November 2018 to 31 December 2019. Furthermore, the Issuer itself does not have any substantial assets and is essentially a special purpose vehicle set up to act as a financing company solely for the needs of the Endo Group, and, as such, its assets are intended to consist primarily of loans issued to the Endo Tankers Sub-Group's companies.

For the purpose of this document, the focus is on a review of the performance of the Guarantors and the Endo Group. The Guarantors' historical financial information for the period ended 31 December 2017 to 31 December 2019 and their respective projections are set out in sections 2.4 to 2.6. The Group's financial performance review is set out in section 2.7 to 2.9. The forecast data for the current financial year 2020 has been provided by management.

### 2.1 Issuer's Income Statement

| Income Statement <sup>5</sup> | 20/11/2018<br>31/12/2019A | 31/12/2020F |
|-------------------------------|---------------------------|-------------|
|                               | €000s                     | €000s       |
| Finance income                | 584                       | 763         |
| Finance costs                 | (464)                     | (608)       |
| <b>Net Finance income</b>     | <b>120</b>                | <b>155</b>  |
| Administrative expenses       | (82)                      | (90)        |
| <b>Profit before tax</b>      | <b>38</b>                 | <b>65</b>   |
| Income tax                    | (29)                      | (41)        |
| <b>Profit for the year</b>    | <b>9</b>                  | <b>24</b>   |

| Ratio Analysis                                     | 20/11/2018<br>31/12/2019A | 31/12/2020F |
|--|---------------------------|-------------|
| Gross Margin (Net finance income / Finance income) | 20.5%                     | 20.3%       |
| Net Margin (Profit for the year / Finance income)  | 1.5%                      | 3.1%        |

The Issuer has generated €0.6m in finance income for the period ended 31 December 2019. During this period, the Issuer incurred €0.5m in finance costs and €0.1m in administrative expenses, which resulted in the Issuer to almost break-even after considering income tax.

The Issuer's finance income was lower than previously expected in the March 19 Bonds FAS, and this was due to delays in the bond issue by circa 3 months, which were not reflected in the projections of the Issuer at that time. Correspondingly, finance costs in FY19 were lower than anticipated, however on a net basis the actual performance was in line with expectations, with the Issuer breaking-even operations.

Projected revenue expected to be generated during FY20 represents the interest earned on the loan granted to the Endo Tankers Sub-Group out of the €13.5m March 2019 Bonds. The Issuer is expected to remain profitable during FY20, with profitability increasing marginally to €24k from €9k in FY19. This profitability represents the marginally higher interest rate charged by the Issuer to the Endo Group subsidiaries, when compared to the coupon rate that the Issuer incurs with regards to the bonds.

<sup>5</sup> The Issuer's income statement structure has been restated in line with the audited financials, therefore it is not comparable to the structure presented in last year's FAS.

## 2.2 Issuer's Statement of Financial Position

| Statement of Financial Position       | 31/12/2019A   | 31/12/2020F   |
|---------------------------------------|---------------|---------------|
|                                       | €000s         | €000s         |
| <b>Assets</b>                         |               |               |
| <b>Non-current assets</b>             |               |               |
| Financial assets                      | 11,954        | 13,347        |
| Intangible assets                     | 3             | 3             |
|                                       | <b>11,957</b> | <b>13,350</b> |
| <b>Current assets</b>                 |               |               |
| Trade and other receivables           | 630           | 570           |
| Cash and cash equivalents             | 1,395         | 120           |
|                                       | <b>2,025</b>  | <b>690</b>    |
| <b>Total assets</b>                   | <b>13,982</b> | <b>14,040</b> |
| <b>Equity and liabilities</b>         |               |               |
| <b>Capital and reserves</b>           |               |               |
| Share capital                         | 250           | 250           |
| Retained earnings                     | 9             | 33            |
| <b>Total equity</b>                   | <b>259</b>    | <b>283</b>    |
| <b>Non-current liabilities</b>        |               |               |
| Debt securities in issue              | 13,200        | 13,260        |
|                                       | <b>13,200</b> | <b>13,260</b> |
| <b>Current liabilities</b>            |               |               |
| Trade payables                        | 464           | 456           |
| Current tax payable                   | 29            | 41            |
| Debt securities in issue              | 30            | -             |
|                                       | <b>523</b>    | <b>497</b>    |
| <b>Total liabilities</b>              | <b>13,723</b> | <b>13,757</b> |
| <b>Total equity &amp; Liabilities</b> | <b>13,982</b> | <b>14,040</b> |

The Issuer's assets in FY19, mainly comprised of loans advanced to its fellow subsidiaries, whereas the major liability comprised of the €13.5m March 2019 Bonds. Loans granted to related parties during FY19 amount to €11,953,826, split as follows: €250,000 to Endo Ventures Ltd, and €11,703,826 to Endo Tankers Ltd. Both carry an interest rate of 6.5% per annum. Current liabilities mainly consisted of trade payables, being the accrual for interest due on the outstanding bond issue as at 31 December 2019.

The Issuer's financial assets in FY19 were lower than previously expected in the March 19 Bonds FAS and this is due to the delay in the acquisition of Vessel 3 by the Endo Tankers Sub-Group as explained in detail in section 1.4 of this Analysis. In fact as stated in this section, part of the proceeds derived from the issue of the March 2019 Bonds to be utilised in connection with the acquisition of Endo Sirocco are still held by the custodian on escrow in terms and this is reflected in the current higher cash balance of €1.4m, when compared to previous projections of €0.2m.

In view of the limited trading activity of the Issuer, the financial position in FY20 is not expected to differ materially when compared to FY19. Financial assets are expected to increase to €13.3m (FY19: €12.0m) reflecting the financing that will be granted to the Endo Tankers Sub-Group for the acquisition of Endo Sirocco, accordingly cash and cash equivalents is expected to fall to €0.1m. Total liabilities are expected to remain fairly stable, with the movement in the debt securities representing the amortisation charge on the 2019 bond issue costs.

## 2.3 Issuer's Statement of Cash Flows

| Cash Flows Statement  | 20/11/2018<br>31/12/2019A | 31/12/2020F    |
|---|---------------------------|----------------|
|   | €000s                     | €000s          |
| <b>Cash flows from operating activities</b>                   |                           |                |
| Cash flows from operations                                    | (518)                     | (46)           |
| Interest paid   | (464)                     | (608)          |
| Interest received   | 584                       | 763            |
| Taxation paid   | -                         | (29)           |
| <b>Net cash generated from/(used in) operating activities</b> | <b>(398)</b>              | <b>80</b>      |
| <b>Cash flows from investing activities</b>                   |                           |                |
| Acquisition of intangible assets                              | (3)                       | -              |
| Intercompany receivables                                      | -                         | 38             |
| Movement in loans to related parties                          | (11,954)                  | (1,393)        |
| <b>Net cash used in investing activities</b>                  | <b>(11,957)</b>           | <b>(1,355)</b> |
| <b>Cash flows from financing activities</b>                   |                           |                |
| Proceeds from the issue of debt securities                    | 13,500                    | -              |
| Proceeds from equity  | 250                       | -              |
| <b>Net cash generated from financing activities</b>           | <b>13,750</b>             | <b>-</b>       |
| <b>Net movement in cash and cash equivalents</b>              | <b>1,395</b>              | <b>(1,275)</b> |
| <b>Cash and cash equivalents at the beginning of year</b>     | <b>-</b>                  | <b>1,395</b>   |
| <b>Cash and cash equivalents at the end of year</b>           | <b>1,395</b>              | <b>120</b>     |

In FY19, the Issuer used €0.4m in operating activities and this mainly reflects a negative €0.3m adjustment for the capitalisation of bond issue costs. Cash used in investing activities represent the loans granted the Endo Tankers Sub-Group out of the €13.5m March 2019 Bonds, with cash from financing capturing the proceeds of aforesaid bond. As explained above, the acquisition of Endo Sirocco was delayed and accordingly, the Issuer ended FY19 with a higher cash balance than previously predicted in the March 19 Bonds FAS.

The Endo Tankers Sub-Group expects to acquire Endo Sirocco during 2020, thus the negative cash movement of €1.3m during FY20. Post FY20, the Issuer is expected to generate a positive cash movement mainly representing the marginally higher interest rate charged by the Issuer to the Endo Group subsidiaries, when compared to the coupon rate that the Issuer incurs with regards to the bonds.

## 2.4 Guarantors' Income Statement

### Endo Properties Ltd

Endo Properties Ltd is one of the Guarantors and is engaged in investing and renting of property. The company's year-end was 31 July and has been changed to 31 December as from FY18. The audited historical performance for the years ended 31 July 2017 to 31 December 2019, in addition to the forecasts for FY20 as set out by management, are presented below.

| Income Statement                               | 31/07/2017A   | 01/08/2017<br>31/12/2018A | 31/12/2019A      | 31/12/2020F    |
|--|---------------|---------------------------|------------------|----------------|
|  | €             | €                         | €                | €              |
| Revenue  | 111,448       | 232,546                   | 191,622          | 131,326        |
| Administrative expenses                        | (39,085)      | (63,938)                  | (44,438)         | (27,969)       |
| <b>EBITDA</b>                                  | <b>72,363</b> | <b>168,608</b>            | <b>147,184</b>   | <b>103,357</b> |
| Depreciation                                   | (20,318)      | (7,042)                   | (1,701)          | (1,701)        |
| <b>EBIT</b>                                    | <b>52,045</b> | <b>161,566</b>            | <b>145,483</b>   | <b>101,656</b> |
| Movement in revaluation of investment property | -             | 4,341,277                 | 2,236,957        | -              |
| Finance costs                                  | (6,886)       | (65,986)                  | (42,665)         | (24,000)       |
| <b>Profit before tax</b>                       | <b>45,159</b> | <b>4,436,857</b>          | <b>2,339,775</b> | <b>77,656</b>  |
| Taxation                                       | (40,239)      | (400,961)                 | (256,309)        | (27,180)       |
| <b>Profit after tax</b>                        | <b>4,920</b>  | <b>4,035,896</b>          | <b>2,083,466</b> | <b>50,476</b>  |

| Ratio Analysis                             | 31/07/2017A | 31/12/2018A | 31/12/2019A | 31/12/2020F |
|--|-------------|-------------|-------------|-------------|
| EBITDA Margin (EBITDA / Revenue)           | 64.9%       | 72.5%       | 76.8%       | 78.7%       |
| Operating (EBIT) Margin (EBIT / Revenue)   | 46.7%       | 69.5%       | 75.9%       | 77.4%       |
| Net Margin (Profit for the year / Revenue) | 4.4%        | 1735.5%     | 1087.3%     | 38.4%       |

The company generates its revenue through the rental of its property in Marsa to third parties as well as to a related company, Palm Shipping Agency Ltd. Apart from the rental income, Endo Properties also charges management fees to another related company, Palm Enterprises Ltd. Both companies, Palm Shipping Agency Ltd and Palm Enterprises Ltd form part of the Palm Group.

As at FY19, the property was fully occupied, and Endo Properties generated €0.2m in revenue. The decrease in revenue in comparison to FY18 is a result of the 17-months operations captured in FY18 compared to the 12-months operations in FY19. Nonetheless, the monthly revenue for FY19 on a comparative basis to FY18 increased. The company continuously improved its EBITDA margin throughout FY17 to FY19, with this increasing from 64.9% to 76.8%.

As further explained in section 1.3, the ultimate beneficial owners of the Group transferred properties having a market value of €3.0m from Palm Group to Endo Properties. The book value of these properties was of €0.8m (this amount due to Palm Group was novated upwards within the Endo Group), with the difference in value shown above as 'Movement in revaluation of investment property' of €2.2m. This resulted in Endo Properties recognising a profit after tax of €2.1m.

Previously, the Group was expecting to sell the property in Marsa, however, as explained in further detail in section 1.3, recently the buyer failed to appear on the final deed of sale. The planned sale was the result of a decision taken to realise property value and concentrate on the core operations of the Group, and thus this is not deemed to have an adverse impact on the company. Endo Properties will retain the full value of the property in its balance sheet together with all the tenants.

Accordingly, revenue will continue to be generated from the Marsa property, although in FY20 this is expected to decrease slightly to €131.3k (FY19: €191.6k) as a result of the changes in tenants that happened due to the planned sale. This is expected to reverse during this year following the termination of the aforementioned sale. In view of the fall in revenue, EBITDA is expected to fall to €103.4k from €147.2k in FY19, with the EBITDA margin improving to 78.7% (FY19: 76.8%).



## International Fender Providers Ltd

IFP Malta is one of the Guarantors and is engaged in the service of transferring cargo between ship-to-ship operations, in addition to, hiring of fenders and hoses. The company's year-end is 31 December. The audited historical performance for the years ended 31 December 2017 to 31 December 2019, in addition to the forecasts for FY20 as set out by management, are presented below.

| Income Statement         | 31/12/2017A    | 31/12/2018A    | 31/12/2019A    | 31/12/2020F    |
|--------------------------|----------------|----------------|----------------|----------------|
|                          | €              | €              | €              | €              |
| Revenue                  | 1,628,569      | 1,466,405      | 1,535,639      | 2,971,124      |
| Cost of sales            | (973,245)      | (1,013,096)    | (1,091,401)    | (2,421,466)    |
| <b>Gross profit</b>      | <b>655,324</b> | <b>453,309</b> | <b>444,238</b> | <b>549,658</b> |
| Other Income             | 221,952        | 10,796         | 105,769        | -              |
| Administrative expenses  | (148,618)      | (126,277)      | (119,769)      | (121,584)      |
| <b>EBITDA</b>            | <b>728,658</b> | <b>337,828</b> | <b>430,238</b> | <b>428,074</b> |
| Depreciation             | (209,131)      | (196,624)      | (167,985)      | (154,968)      |
| <b>EBIT</b>              | <b>519,527</b> | <b>141,204</b> | <b>262,253</b> | <b>273,106</b> |
| Finance costs            | (90,904)       | (108,170)      | (152,127)      | (135,568)      |
| <b>Profit before tax</b> | <b>428,623</b> | <b>33,034</b>  | <b>110,126</b> | <b>137,538</b> |
| Taxation                 | (150,888)      | (11,676)       | (39,085)       | (48,138)       |
| <b>Profit after tax</b>  | <b>277,735</b> | <b>21,358</b>  | <b>71,041</b>  | <b>89,400</b>  |

| Ratio Analysis                               | 31/12/2017 | 31/12/2018 | 31/12/2019 | 31/12/2020F |
|--|------------|------------|------------|-------------|
| Gross Profit Margin (Gross Profit / Revenue) | 40.2%      | 30.9%      | 28.9%      | 18.5%       |
| EBITDA Margin (EBITDA / Revenue)             | 44.7%      | 23.0%      | 28.0%      | 14.4%       |
| Operating (EBIT) Margin (EBIT / Revenue)     | 31.9%      | 9.6%       | 17.1%      | 9.2%        |
| Net Margin (Profit for the year / Revenue)   | 17.1%      | 1.5%       | 4.6%       | 3.0%        |

IFP Malta generates its revenue from the provision of fenders and hoses used for the transfer of cargo from one ship to another. In addition, it provides mooring master services. For these services, the company enters into fixed fee contracts up to a stipulated number of hours, with a variable amount at a fixed fee thereafter. Management explained that the business of the company is affected by seasonality factors due to bad weather conditions during the months of Jan to Feb and Oct to Dec.

In FY19, revenue increased by 4.7% when compared to FY18, which was a result of an increase in the number of ship-to-ship operations which are also known as voyages. Total voyages in FY19 stood at 170 (FY18: 152). This translated to an improved EBITDA margin and net margin of 28.0% and 4.6%, respectively (FY18: 23.0% and 1.5%). The table below shows the number of voyages from 2016 to 2019:



Projected revenue is based on the voyages conducted by the company during FY19, in addition to, the expected local rate of inflation of 1.7%. Additionally, in view of the current COVID-19 situation, which resulted in a boost in the tankers shipping market, management explained that IFP Malta experienced a one-off surge in revenue during H1 2020. Administrative expenses are expected to marginally increase during FY20, with the EBITDA margin decreasing to 14.4% from 28.0% in FY19. However, this will be compensated by an expected decrease in finance costs, which will boost the company's profit to €89.4k in FY20. In view of the spike in operations during H1 2020, as explained above, the net margin is anticipated to fall to 3.0% in FY20 (FY19: 4.6%).



## IFP International Fender Providers Ltd

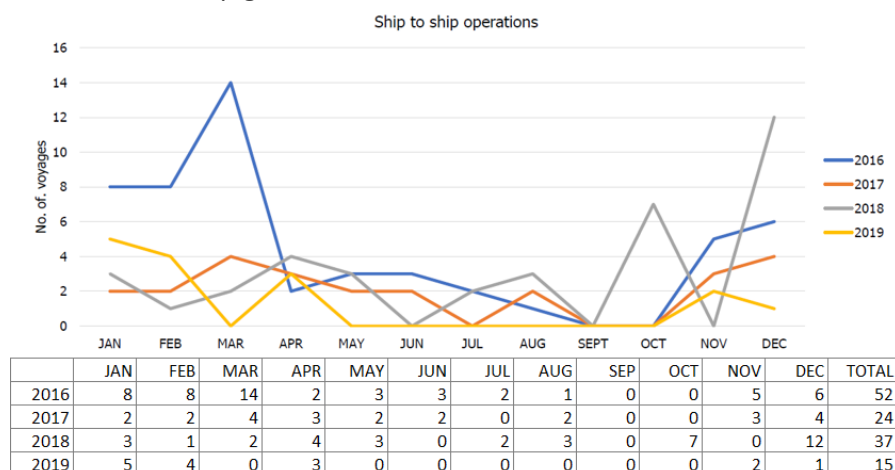
IFP Cyprus is one of the Guarantors and is engaged in the service of transferring cargo between ship-to-ship operations, in addition to, hiring of fenders and hoses which are all carried in Cyprus. Its activities are similar to that performed by IFP Malta. The company's year-end is 31 December. The audited historical performance for the years ended 31 December 2017 to 31 December 2019, in addition to the forecasts for FY20 as set out by management, are presented below.

| Income Statement           | 31/12/2017A    | 31/12/2018A    | 31/12/2019A    | 31/12/2020F    |
|----------------------------|----------------|----------------|----------------|----------------|
|                            | €              | €              | €              | €              |
| Revenue                    | 457,027        | 649,074        | 311,011        | 315,054        |
| Cost of sales              | (291,864)      | (491,510)      | (177,657)      | (200,283)      |
| <b>Gross profit</b>        | <b>165,163</b> | <b>157,564</b> | <b>133,354</b> | <b>114,771</b> |
| Other Income               | 2,615          | -              | -              | -              |
| Administrative expenses    | (54,012)       | (66,357)       | (41,661)       | (42,203)       |
| <b>EBITDA</b>              | <b>113,766</b> | <b>91,207</b>  | <b>91,693</b>  | <b>72,568</b>  |
| Depreciation               | (76,378)       | (81,959)       | (56,160)       | (56,160)       |
| <b>EBIT</b>                | <b>37,388</b>  | <b>9,248</b>   | <b>35,533</b>  | <b>16,408</b>  |
| Net finance income/(costs) | (5,697)        | (4,335)        | 5,092          | -              |
| <b>Profit before tax</b>   | <b>31,691</b>  | <b>4,913</b>   | <b>40,625</b>  | <b>16,408</b>  |
| Taxation                   | (4,571)        | (924)          | (2,841)        | (2,051)        |
| <b>Profit after tax</b>    | <b>27,120</b>  | <b>3,989</b>   | <b>37,784</b>  | <b>14,357</b>  |

| Ratio Analysis                               | 31/12/2017A | 31/12/2018A | 31/12/2019A | 31/12/2020F |
|--|-------------|-------------|-------------|-------------|
| Gross Profit Margin (Gross Profit / Revenue) | 36.1%       | 24.3%       | 42.9%       | 36.4%       |
| EBITDA Margin (EBITDA / Revenue)             | 24.9%       | 14.1%       | 29.5%       | 23.0%       |
| Operating (EBIT) Margin (EBIT / Revenue)     | 8.2%        | 1.4%        | 11.4%       | 5.2%        |
| Net Margin (Profit for the year / Revenue)   | 5.9%        | 0.6%        | 12.1%       | 4.6%        |

Similar to IFP Malta, IFP Cyprus generates its revenue from the provision of Yokohama fenders and hoses used for the transfer of cargo from one ship to another in Augusta and Cyprus, whilst also provides mooring master services.

The Company performed 24 voyages in FY17 and 37 voyages in FY18. In FY19, IFP Cyprus conducted 15 voyages and this was mainly due to bad weather conditions. As a result of the fall in voyages revenue in FY19 decreased by 52.1%. However, management explained that the voyages in Cyprus are more profitable and since the majority of operations in FY19 took place in Cyprus, the company's EBITDA margin and net margin improved to 29.5% and 12.1%, respectively (FY18: 14.1% and 0.6%). The table below shows the number of voyages from 2016 to 2019.



Projected revenue is based on the voyages conducted by the company during FY19, in addition to, the expected Cyprus rate of inflation of 1.1%. Operating expenses are expected to marginally increase during FY20, resulting in the EBITDA margin decreasing to 23.0% and the net margin decreasing to 4.6% in FY20.

## 2.5 Guarantors' Statement of Financial Position

### Endo Properties Ltd

| Statement of Financial Position     | 31/07/2017A      | 31/12/2018A      | 31/12/2019A       | 31/12/2020F       |
|-------------------------------------|------------------|------------------|-------------------|-------------------|
|                                     | €                | €                | €                 | €                 |
| <b>Assets</b>                       |                  |                  |                   |                   |
| <b>Non-current assets</b>           |                  |                  |                   |                   |
| Investment property                 | 2,858,723        | 7,200,000        | 10,200,000        | 10,200,000        |
| Property, plant and equipment       | 46,014           | 165,550          | 163,849           | 162,148           |
|                                     | <b>2,904,737</b> | <b>7,365,550</b> | <b>10,363,849</b> | <b>10,362,148</b> |
| <b>Current assets</b>               |                  |                  |                   |                   |
| Trade and other receivables         | 516,497          | 233,566          | 186,726           | 159,497           |
| Current tax recoverable             | 17,435           | -                | -                 | -                 |
| Cash at bank and in hand            | -                | 2,742            | -                 | -                 |
|                                     | <b>533,932</b>   | <b>236,308</b>   | <b>186,726</b>    | <b>159,497</b>    |
| <b>Total assets</b>                 | <b>3,438,669</b> | <b>7,601,858</b> | <b>10,550,575</b> | <b>10,521,645</b> |
| <b>Equity and liabilities</b>       |                  |                  |                   |                   |
| Capital and reserves                |                  |                  |                   |                   |
| Called up issued share capital      | 2,329            | 2,329            | 2,329             | 765,372           |
| Revaluation reserve                 | 1,168,796        | 5,130,354        | 7,127,311         | 7,127,311         |
| Retained earnings                   | 231,263          | 305,601          | 392,110           | 442,586           |
| <b>Total equity</b>                 | <b>1,402,388</b> | <b>5,438,284</b> | <b>7,521,750</b>  | <b>8,335,269</b>  |
| <b>Non-current liabilities</b>      |                  |                  |                   |                   |
| Long-term borrowings                | 1,640,494        | 892,948          | 785,970           | 654,830           |
| Trade and other payables            | -                | 360,000          | -                 | -                 |
| Deferred taxation                   | 252,246          | 637,264          | 875,708           | 875,708           |
|                                     | <b>1,892,740</b> | <b>1,890,212</b> | <b>1,661,678</b>  | <b>1,530,538</b>  |
| <b>Current liabilities</b>          |                  |                  |                   |                   |
| Short term borrowings               | 63,683           | 112,082          | 119,434           | 160,061           |
| Trade and other payables            | 79,858           | 146,274          | 1,238,368         | 468,597           |
| Current tax payable                 | -                | 15,006           | 9,345             | 27,180            |
|                                     | <b>143,541</b>   | <b>273,362</b>   | <b>1,367,147</b>  | <b>655,838</b>    |
| <b>Total liabilities</b>            | <b>2,036,281</b> | <b>2,163,574</b> | <b>3,028,825</b>  | <b>2,186,376</b>  |
| <b>Total equity and liabilities</b> | <b>3,438,669</b> | <b>7,601,858</b> | <b>10,550,575</b> | <b>10,521,645</b> |

International Fender Providers Ltd

| Statement of Financial Position     | 31/12/2017A      | 31/12/2018A      | 31/12/2019A      | 31/12/2020F      |
|-------------------------------------|------------------|------------------|------------------|------------------|
|                                     | €                | €                | €                | €                |
| <b>Assets</b>                       |                  |                  |                  |                  |
| <b>Non-current assets</b>           |                  |                  |                  |                  |
| Investment in subsidiary            | 1,000            | 1,000            | 1,000            | 1,000            |
| Property, plant and equipment       | 693,193          | 500,573          | 325,165          | 170,197          |
| Related party loans                 | 2,407,427        | 2,754,793        | 3,739,327        | 3,739,327        |
|                                     | <b>3,101,620</b> | <b>3,256,366</b> | <b>4,065,492</b> | <b>3,910,524</b> |
| <b>Current assets</b>               |                  |                  |                  |                  |
| Trade and other receivables         | 195,916          | 509,322          | 250,029          | 263,976          |
| Current tax recoverable             | -                | 25,670           | 78,255           | -                |
| Cash at bank and in hand            | 395              | 9,680            | 33,309           | -                |
|                                     | <b>196,311</b>   | <b>544,672</b>   | <b>361,593</b>   | <b>263,976</b>   |
| <b>Total assets</b>                 | <b>3,297,931</b> | <b>3,801,038</b> | <b>4,427,085</b> | <b>4,174,500</b> |
| <b>Equity and liabilities</b>       |                  |                  |                  |                  |
| Capital and reserves                |                  |                  |                  |                  |
| Called up issued share capital      | 16,000           | 16,000           | 16,000           | 16,000           |
| Retained earnings                   | 508,750          | 530,108          | 601,149          | 690,549          |
| <b>Total equity</b>                 | <b>524,750</b>   | <b>546,108</b>   | <b>617,149</b>   | <b>706,549</b>   |
| <b>Non-current liabilities</b>      |                  |                  |                  |                  |
| Long-term borrowings                | 34,476           | 412,146          | 1,385,754        | 1,265,290        |
| Deferred taxation                   | -                | 30,803           | 35,486           | 35,486           |
|                                     | <b>34,476</b>    | <b>442,949</b>   | <b>1,421,240</b> | <b>1,300,776</b> |
| <b>Current liabilities</b>          |                  |                  |                  |                  |
| Trade and other payables            | 687,549          | 653,103          | 228,911          | 237,522          |
| Short-term borrowings               | 2,034,170        | 2,158,878        | 2,159,785        | 1,881,515        |
| Current tax payable                 | 16,986           | -                | -                | 48,138           |
|                                     | <b>2,738,705</b> | <b>2,811,981</b> | <b>2,388,696</b> | <b>2,167,175</b> |
| <b>Total liabilities</b>            | <b>2,773,181</b> | <b>3,254,930</b> | <b>3,809,936</b> | <b>3,467,951</b> |
| <b>Total equity and liabilities</b> | <b>3,297,931</b> | <b>3,801,038</b> | <b>4,427,085</b> | <b>4,174,500</b> |

IFP International Fender Providers Ltd

| Statement of Financial Position     | 31/12/2017A    | 31/12/2018A    | 31/12/2019A    | 31/12/2020F    |
|-------------------------------------|----------------|----------------|----------------|----------------|
|                                     | €              | €              | €              | €              |
| <b>Assets</b>                       |                |                |                |                |
| <b>Non-current assets</b>           |                |                |                |                |
| Property, plant and equipment       | 370,189        | 314,658        | 258,498        | 202,338        |
| Loans receivable                    | -              | -              | -              | 174,748        |
|                                     | <b>370,189</b> | <b>314,658</b> | <b>258,498</b> | <b>377,086</b> |
| <b>Current assets</b>               |                |                |                |                |
| Trade and other receivables         | 323,936        | 219,285        | 166,947        | 167,947        |
| Loans receivable                    | -              | -              | 174,748        | -              |
| Refundable taxes                    | 1,524          | 600            | -              | -              |
| Cash at bank and in hand            | 68,465         | 212,096        | 33,304         | 121,666        |
|                                     | <b>393,925</b> | <b>431,981</b> | <b>374,999</b> | <b>289,613</b> |
| <b>Total assets</b>                 | <b>764,114</b> | <b>746,639</b> | <b>633,497</b> | <b>666,699</b> |
| <b>Equity and liabilities</b>       |                |                |                |                |
| Capital and reserves                |                |                |                |                |
| Called up issued share capital      | 1,000          | 1,000          | 1,000          | 1,000          |
| Retained earnings                   | 375,906        | 379,896        | 417,680        | 432,037        |
| <b>Total equity</b>                 | <b>376,906</b> | <b>380,896</b> | <b>418,680</b> | <b>433,037</b> |
| <b>Current liabilities</b>          |                |                |                |                |
| Trade and other payables            | 387,208        | 365,743        | 212,576        | 231,611        |
| Current tax liabilities             | -              | -              | 2,241          | 2,051          |
|                                     | <b>387,208</b> | <b>365,743</b> | <b>214,817</b> | <b>233,662</b> |
| <b>Total liabilities</b>            | <b>387,208</b> | <b>365,743</b> | <b>214,817</b> | <b>233,662</b> |
| <b>Total equity and liabilities</b> | <b>764,114</b> | <b>746,639</b> | <b>633,497</b> | <b>666,699</b> |

## 2.6 Guarantors' Statement of Cash Flows

### Endo Properties Ltd

| Statement of Cash Flows   | 31/07/2017A      | 31/12/2018A      | 31/12/2019A      | 31/12/2020F      |
|---|------------------|------------------|------------------|------------------|
|   | €                | €                | €                | €                |
| Cash flows from operations  | 48,523           | 877,955          | 163,075          | 123,858          |
| Interest paid   | (6,886)          | (65,986)         | (42,665)         | (24,000)         |
| Taxation refund   | -                | 16,498           | -                | -                |
| Taxation paid   | (15,311)         | -                | (23,526)         | (9,345)          |
| <b>Net cash flows generated from operating activities</b>           | <b>26,326</b>    | <b>828,467</b>   | <b>96,884</b>    | <b>90,513</b>    |
| <b>Cash flows from investing activities</b>                         |                  |                  |                  |                  |
| Acquisition of investment property                                  | (258,723)        | -                | -                | -                |
| Acquisition of property, plant and equipment                        | -                | (126,578)        | -                | -                |
| <b>Net cash flows used in investing activities</b>                  | <b>(258,723)</b> | <b>(126,578)</b> | <b>-</b>         | <b>-</b>         |
| <b>Cash flows from financing activities</b>                         |                  |                  |                  |                  |
| Movement in related party loans                                     | 70,195           | (790,322)        | 13,026           | -                |
| Movement in bank loan   | 154,574          | 94,520           | (113,418)        | (127,790)        |
| <b>Net cash flows used in/(generated from) financing activities</b> | <b>224,769</b>   | <b>(695,802)</b> | <b>(100,392)</b> | <b>(127,790)</b> |
| <b>Movement in cash and cash equivalents</b>                        | <b>(7,628)</b>   | <b>6,087</b>     | <b>(3,508)</b>   | <b>(37,277)</b>  |
| <b>Cash and cash equivalents at start of year</b>                   | <b>4,283</b>     | <b>(3,345)</b>   | <b>2,742</b>     | <b>(766)</b>     |
| <b>Cash and cash equivalents at end of year</b>                     | <b>(3,345)</b>   | <b>2,742</b>     | <b>(766)</b>     | <b>(38,043)</b>  |

### International Fender Providers Ltd

| Statement of Cash Flows   | 31/12/2017A        | 31/12/2018A        | 31/12/2019A        | 31/12/2020F        |
|---|--------------------|--------------------|--------------------|--------------------|
|   | €                  | €                  | €                  | €                  |
| <b>Cash flows from operations</b>                                   | <b>1,073,250</b>   | <b>(11,106)</b>    | <b>223,387</b>     | <b>422,738</b>     |
| Interest paid   | (90,904)           | (108,170)          | (110,175)          | (135,568)          |
| Taxation paid/(refund)  | (223,818)          | (58,005)           | (86,987)           | 78,255             |
| <b>Net cash flows generated from/(used in) operating activities</b> | <b>758,528</b>     | <b>(177,281)</b>   | <b>26,225</b>      | <b>365,425</b>     |
| <b>Cash flows from investing activities</b>                         |                    |                    |                    |                    |
| Acquisition of property, plant and equipment                        | (59,237)           | (11,422)           | (1,564)            | -                  |
| Proceeds from disposal of property, plant and equipment             | -                  | 8,500              | 8,987              | -                  |
| Acquisition and disposals of financial assets                       | (335,806)          | (347,366)          | (984,534)          | -                  |
| <b>Net cash flows used in investing activities</b>                  | <b>(395,043)</b>   | <b>(350,288)</b>   | <b>(977,111)</b>   | <b>-</b>           |
| <b>Cash flows from financing activities</b>                         |                    |                    |                    |                    |
| Movement in bank loan   | -                  | -                  | 913,952            | (114,430)          |
| Movement in other borrowings  | -                  | 412,146            | 168,738            | -                  |
| <b>Net cash flows generated from financing activities</b>           | <b>-</b>           | <b>412,146</b>     | <b>1,082,690</b>   | <b>(114,430)</b>   |
| <b>Movement in cash and cash equivalents</b>                        | <b>363,485</b>     | <b>(115,423)</b>   | <b>131,804</b>     | <b>250,995</b>     |
| <b>Cash and cash equivalents at start of year</b>                   | <b>(2,397,260)</b> | <b>(2,033,775)</b> | <b>(2,149,198)</b> | <b>(2,017,394)</b> |
| <b>Cash and cash equivalents at end of year</b>                     | <b>(2,033,775)</b> | <b>(2,149,198)</b> | <b>(2,017,394)</b> | <b>(1,766,399)</b> |

IFP International Fender Providers Ltd

| Statement of Cash Flows   | 31/12/2017A      | 31/12/2018A     | 31/12/2019A      | 31/12/2020F    |
|---|------------------|-----------------|------------------|----------------|
|   | €                | €               | €                | €              |
| Cash flows from operations  | 221,170          | 171,870         | (11,585)         | 90,603         |
| Taxation paid   | -                | -               | -                | (2,241)        |
| <b>Net cash flows used in/(generated from) operating activities</b> | <b>221,170</b>   | <b>171,870</b>  | <b>(11,585)</b>  | <b>88,362</b>  |
| <b>Cash flows from investing activities</b>                         |                  |                 |                  |                |
| Acquisition of property, plant and equipment                        | (170,193)        | (26,430)        | -                | -              |
| Loans granted   | -                | -               | (174,748)        | -              |
| <b>Net cash flows used in investing activities</b>                  | <b>(170,193)</b> | <b>(26,430)</b> | <b>(174,748)</b> | <b>-</b>       |
| <b>Cash flows from financing activities</b>                         |                  |                 |                  |                |
| Unrealised exchange gain / (loss)                                   | (1,201)          | (1,809)         | 7,541            | -              |
| <b>Net cash flows generated from/(used in) financing activities</b> | <b>(1,201)</b>   | <b>(1,809)</b>  | <b>7,541</b>     | <b>-</b>       |
| <b>Movement in cash and cash equivalents</b>                        | <b>49,776</b>    | <b>143,631</b>  | <b>(178,792)</b> | <b>88,362</b>  |
| <b>Cash and cash equivalents at start of year</b>                   | <b>18,689</b>    | <b>68,465</b>   | <b>212,096</b>   | <b>33,304</b>  |
| <b>Cash and cash equivalents at end of year</b>                     | <b>68,465</b>    | <b>212,096</b>  | <b>33,304</b>    | <b>121,666</b> |

## 2.7 Endo Group's Income Statement

| Income Statement                               | 31/12/2019A  | 31/12/2020F  |
|--|--------------|--------------|
|  | €000s        | €000s        |
| Revenue  | 5,545        | 9,666        |
| Cost of sales                                  | (2,927)      | (5,639)      |
| <b>Gross profit</b>                            | <b>2,618</b> | <b>4,027</b> |
| Administrative expenses                        | (492)        | (557)        |
| Other operating income                         | 108          | -            |
| <b>EBITDA</b>                                  | <b>2,234</b> | <b>3,470</b> |
| Depreciation                                   | (1,226)      | (1,393)      |
| <b>EBIT</b>                                    | <b>1,008</b> | <b>2,077</b> |
| Movement in revaluation of investment property | 2,237        | -            |
| Finance costs                                  | (662)        | (767)        |
| <b>Profit before tax</b>                       | <b>2,583</b> | <b>1,310</b> |
| Taxation                                       | (330)        | (165)        |
| <b>Profit after tax</b>                        | <b>2,253</b> | <b>1,145</b> |

| Revenue by each Subsidiary | 2019A        | 2020F        | % inc.<br>2020/2019 | 2019A              | 2020F       |
|----------------------------|--------------|--------------|---------------------|--------------------|-------------|
|                            | €000s        | €000s        |                     | % of Total Revenue |             |
| Endo One                   | 295          | 313          | 6.1%                | 5.3%               | 3.2%        |
| Endo Two                   | 2,577        | 4,470        | 73.5%               | 46.5%              | 46.2%       |
| Endo Three                 | -            | 833          | 100.0%              | 0.0%               | 8.6%        |
| Intership Management Ltd   | 635          | 633          | -0.3%               | 11.5%              | 6.5%        |
| Endo Properties            | 192          | 131          | -31.6%              | 3.5%               | 1.4%        |
| IFP Malta                  | 1,536        | 2,971        | 93.5%               | 27.7%              | 30.7%       |
| IFP Cyprus                 | 311          | 315          | 1.3%                | 5.6%               | 3.3%        |
|                            | <b>5,545</b> | <b>9,666</b> | <b>74.3%</b>        | <b>100%</b>        | <b>100%</b> |

| Ratio Analysis  | 31/12/2019A | 31/12/2020F |
|---|-------------|-------------|
| <b>Profitability</b>                                      |             |             |
| Growth in Revenue (YoY Revenue Growth)                    | n/a         | 74.3%       |
| Gross Profit Margin (Gross Profit / Revenue)              | 47.2%       | 41.7%       |
| EBITDA Margin (EBITDA / Revenue)                          | 40.3%       | 35.9%       |
| Operating (EBIT) Margin (EBIT / Revenue)                  | 18.2%       | 21.5%       |
| Net Margin (Profit for the year / Revenue)                | 40.6%       | 11.8%       |
| Return on Common Equity (Net Income / Total Equity)       | 21.6%       | 10.0%       |
| Return on Assets (Net Income / Total Assets) <sup>6</sup> | 7.2%        | 3.6%        |

In FY19, the revenue of Endo Group mainly consisted of revenue generated by Endo Two (46.5%), IFP Malta (27.7%) and Intership Management Ltd (11.5%). The revenue of the latter is generated from the ship management services it provides to a company within Palm Group, which leases the Mumtaz vessel. Additionally, from FY20, this company will provide ship management services to Endo Sirocco once it is acquired.

As further explained in section 2.4, IFP Malta's contribution to the Group improved in FY19 following an increase in the number of ship-to-ship operations carried out during the year. IFP Malta is expected to maintain its current business, experiencing marginal year-on-year growth in revenue, except for the spike in operations registered during H1 2020 (as further explained above) with a contribution of circa €3.0m in FY20. Endo Two acquired Endo Breeze in May 2019 and concurrently chartered it to a third party for a three-year charter agreement at a daily charge of \$13,950. In FY19, Endo Two generated €2.6m in revenue which represents half-year performance generated from the charter of Endo Breeze. Consequently, in FY20 it is projected that Endo Two's revenue will almost double to €4.5m. Endo One charters Mumtaz to the related Group at a daily rate of \$1,000. It contributed €0.3m to the Group's revenue in FY19, and this is projected to remain constant over the life of the said vessel. Revenue in FY20 is projected to increase by 74.3% or €4.1m, mainly due to the full year performance of Endo Breeze in FY20,

<sup>6</sup> Change in ratio methodology when compared to last year's FAS

given that the vessel was acquired on 22 May 2019, in addition to the jump in revenue expected to be generated from IFP Malta. In fact, Endo two's revenue is expected to increase by €1.9m in FY20, with IFP Malta's revenue increasing by €1.4m. Additionally, FY20 revenue is expected to increase due to the acquisition of Endo Sirocco, whereby this is forecasted to generate €0.8m.

Revenue is projected on two assumptions being: the time charter rates and the utilisation rates. As described in further detail above, vessels are subject to a dry-docking process. An intermediate dry-docking takes place every 2 years, and a full dry-docking takes place once every 5 years. The dry-docking process which takes place every 2 years, will take approximately 2 weeks and the full dry-docking which takes place every 5 years takes around 4 weeks, which means that a particular vessel will be out of service for approximately 2 weeks and 4 weeks, respectively, in each case.

Mumtaz is chartered on a bareboat charter agreement with the company within the Palm Group. Therefore, utilisation rates are projected to be 100% for a ten-year period. In addition, the vessel shall be subject to full dry-docking in 2022 and intermediate dry-docking in 2020 and 2025, resulting in the utilisation rates to be reduced to 92% and 96%, respectively. The charter rate of Mumtaz is fixed at \$1,000 per day. Management explained that there is no open market in determining charter rates for Mumtaz considering the size of this vessel.

Endo Breeze is chartered on a three-year time charter agreement commencing from the date of acquisition till May 2022, at a fixed time chart rate of \$13,950 per day during this period. Therefore, utilisation rates are set at 100% for the first three years subject to intermediate dry-docking in 2021, where the utilisation rate will fall to 96%. Following the three-year period, the time charter rates are based on the average charter rates over the historical period 2010 to 2019 and the utilisation rates are based on industry practices. The vessels are chartered on an annual basis with a stipulated 90-day notice period prior to the termination of the time charter agreement. Management applied a prudent 45-day time lapse (i.e. 93% utilisation rate) which allows for negotiations between charterers has been taken into consideration, thus revenue will not be generated throughout this period. Endo Breeze will be subject to full dry-docking in 2024 and intermediate dry-docking in 2021 and 2027.

As further explained in section 1.4, the Endo Group is presently in advanced negotiations with another prospective seller in respect of a vessel having characteristics similar to Endo Sirocco as defined in the March 2019 Prospectus. This vessel is expected to commence operations as from mid-September and will be chartered on a time charter agreement with Palm Group. Therefore, utilisation rates are set at 100% for a ten-year period, subject to full dry-docking in 2024 and intermediate dry-docking in 2021 and 2027. The time charter rate for Endo Sirocco is based on the average charter rates over the historical period 2010 to 2019, with a fixed rate of \$8,709 per day.

The Endo Group EBITDA margin in FY19 stood at 40.3% and this is forecasted to fall to 35.9% in FY20, which mainly is related to the surge in operations expected to be carried out by IFP Malta during FY20. In FY19, the Group registered a net margin of 40.6%, this was mainly a result of a revaluation on the investment property owned by Endo Properties, which when excluded result in a net margin of 3.5%. As a result of the full-year operations of Endo Breeze and the commencement of Endo Sirocco during 2020, net margin in FY20 is expected to improve to 11.8%.

The direct costs of the vessel operating companies primarily consist of crewing and training expenses, equipment costs, lubricating oil costs, repairs and maintenance as well as other general expenses comprising travel expenses of superintendents, vessel communication, IT costs and flag registration. Direct costs also include the ship management fees charged by the external ship management company which is managing Endo Breeze. Direct costs of Endo Breeze have been projected based on estimates provided by the ship management company which is managing the vessel. In addition, all expenses are anticipated to increase in line with inflation which is projected at 1.7% per annum. Furthermore, the direct costs of IFP Malta and IFP Cyprus mainly consist of fendering expenses which include purchases of ancillary equipment required for the ship-to-ship operations as well as freight costs.

Administrative expenses mainly consist of insurances, licences and permits, accountancy fees, audit fees and other administrative costs. The projected increase in the administrative expenses for FY20 of 13.2% over FY19, is mainly due to an increase in brokerage fees that will be incurred on acquiring Endo Sirocco.

Depreciation is calculated on a straight-line method to allocate the cost of the assets to their residual values over their estimated useful life. The depreciation rates are: Property, plant and equipment – 10%; Fenders – 10%, Hoses – 25%, vessels 9/10% and Other Equipment – 10%.

Finance costs mainly consist of the interest cost which the Issuer incurs on the bonds in issue, where the coupon rate is set at 4.5%. Additionally, finance costs include interests incurred on bank loans facilities within the Endo Group, which as at FY19



stood at €1.6m, an overdraft facility of €2.1m and related parties loans of €0.6m. Interest coverage was 3.4x in FY19, and this is expected to improve to circa 4.5x in FY20.

#### Endo's Group Variance Analysis FY19

| Income Statement                               | 31/12/2019F  | 31/12/2019A  | Variance Analysis |
|--|--------------|--------------|-------------------|
|  | €000s        | €000s        | €000s             |
| Revenue  | 9,631        | 5,545        | (4,086)           |
| Cost of sales                                  | (4,471)      | (2,927)      | 1,544             |
| <b>Gross profit</b>                            | <b>5,160</b> | <b>2,618</b> | <b>(2,542)</b>    |
| Administrative expenses                        | (692)        | (492)        | 200               |
| Other operating income                         | -            | 108          | 108               |
| <b>EBITDA</b>                                  | <b>4,468</b> | <b>2,234</b> | <b>(2,234)</b>    |
| Depreciation                                   | (1,491)      | (1,226)      | 265               |
| <b>EBIT</b>                                    | <b>2,977</b> | <b>1,008</b> | <b>(1,969)</b>    |
| Movement in revaluation of investment property | -            | 2,237        | 2,237             |
| Finance costs                                  | (688)        | (662)        | 26                |
| <b>Profit before tax</b>                       | <b>2,289</b> | <b>2,583</b> | <b>294</b>        |
| Taxation                                       | (155)        | (330)        | (175)             |
| <b>Profit after tax</b>                        | <b>2,134</b> | <b>2,253</b> | <b>119</b>        |

As communicated by Endo Finance plc through company announcement dated 24 April 2020, the variance from forecast was mainly as a result of lower revenue streams and lower operating costs when compared to the previously published forecast financial information in the March 19 Bonds FAS. This reduction is mainly attributed to the fact that whilst the forecast assumed that operations for all Endo Group companies would start on 1 January 2019, in reality not all companies were operational by that date. In particular, proceeds from the €13.5m March19 Bonds issued by the company were only available on 1 April 2019; subsequently, Endo Two acquired Endo Breeze on 22 May 2019, whereas the acquisition of Vessels 3 was delayed for reasons beyond Endo Group's control.

Endo's actual revenue during FY19 decreased by 42.4% or €4.1m when compared to forecasts. As explained above, the delay in the acquisition of Endo Sirocco resulted in projected revenue to fall by €2.5m, while the delay of circa five months for the acquisition and subsequent lease of Endo Breeze, resulted in a loss of €1.5m in projected revenue.

Cost of sales and administrative expenses decreased as a direct result of the above-mentioned delay in starting the operations for the above-mentioned vessels. Cost of sales for Endo Two was reduced by approximately €0.7m, while cost of sales for Endo Three was reduced by €1.1m being that there were no direct costs involved since Endo Sirocco has not yet been acquired.

Administrative expenses decreased in line with the delay mentioned above. Correspondingly, the depreciation charge also decreased given that it had to be adjusted accordingly for the delay in the acquisition of the above two mentioned vessels.

During FY19, the Group recognised €2.2m as movement in revaluation of investment property. As further explained in section 1.3, the ultimate beneficial owners of the Group transferred properties having a market value of €3.0m from Palm Group to Endo Properties. The book value of these properties was €0.8m, with the difference in values of €2.2m representing the movement in revaluation. This was not reflected in the projections, thus the difference when compared to the actual results of FY19. This transaction also affected the income tax, as the Group had to recognise deferred tax on the aforementioned properties revaluation.

## 2.8 Endo Group's Statement of Financial Position

| Statement of Financial Position     | 31/12/2019A   | 31/12/2020F   |
|-------------------------------------|---------------|---------------|
|                                     | €000s         | €000s         |
| <b>Assets</b>                       |               |               |
| <b>Non-current assets</b>           |               |               |
| Intangible assets                   | 3             | 3             |
| Investment property                 | 4,800         | 4,800         |
| Property, plant and equipment       | 18,375        | 19,091        |
| Loans and receivables               | 3,658         | 3,657         |
|                                     | <b>26,836</b> | <b>27,551</b> |
| <b>Current assets</b>               |               |               |
| Trade and other receivables         | 1,481         | 1,573         |
| Current tax recoverable             | 32            | -             |
| Cash and cash equivalents           | 3,103         | 3,082         |
|                                     | <b>4,616</b>  | <b>4,655</b>  |
| <b>Total assets</b>                 | <b>31,452</b> | <b>32,206</b> |
| <b>Equity and liabilities</b>       |               |               |
| <b>Capital and reserves</b>         |               |               |
| Share capital                       | 1,820         | 2,583         |
| Retained earnings                   | 6,640         | 2,691         |
| Exchange rate reserve               | (6)           | (19)          |
| Revaluation reserve                 | 1,997         | 7,127         |
| <b>Total equity</b>                 | <b>10,451</b> | <b>12,382</b> |
| <b>Non-current liabilities</b>      |               |               |
| Debt securities in issue            | 13,200        | 13,260        |
| Long-term borrowings                | 1,993         | 1,742         |
| Deferred tax                        | 902           | 902           |
|                                     | <b>16,095</b> | <b>15,904</b> |
| <b>Current liabilities</b>          |               |               |
| Trade payables                      | 2,597         | 1,419         |
| Debt securities in issue            | 30            | -             |
| Current tax payable                 | -             | 131           |
| Short-term borrowings               | 2,279         | 2,370         |
|                                     | <b>4,906</b>  | <b>3,920</b>  |
| <b>Total liabilities</b>            | <b>21,001</b> | <b>19,824</b> |
| <b>Total equity and liabilities</b> | <b>31,452</b> | <b>32,206</b> |

| Ratio Analysis  | 31/12/2019A | 31/12/2020F |
|---|-------------|-------------|
| <b>Financial Strength</b>                                     |             |             |
| Gearing 1 (Net Debt / Net Debt and Total Equity) <sup>7</sup> | 57.9%       | 53.6%       |
| Gearing 2 (Total Liabilities / Total Assets)                  | 66.8%       | 61.6%       |
| Net Debt / EBITDA   | 6.4x        | 4.1x        |
| Current Ratio (Current Assets / Current Liabilities)          | 0.9x        | 1.2x        |
| Interest Coverage (EBITDA / Cash interest paid)               | 3.4x        | 4.5x        |

In FY19, total non-current assets stood at €26.8m. In the March 19 Bonds FAS, it was previously expected to amount to €16.8m. The difference mainly relates to the reclassification of Marsa warehouse (€7.2m) as non-current asset rather than 'held for

<sup>7</sup> Change in ratio methodology when compared to last year's FAS

sale' due to the cancellation of the said sale. Additionally, in November 2019, the ultimate beneficial owners of the Group transferred properties having a market value of €3.0m from Palm Group to Endo Properties. This is further explained in section 1.3. Furthermore, loans granted to related parties increased to €3.7m, where previously this was expected to remain at €2.4m.

Cash and cash equivalents was projected at €1.7m in the March 19 Bonds FAS, however due to the delay in acquiring Endo Sirocco, the cash balance is currently at €3.1m. Total liabilities are mainly in line with projections, except for circa €4m, due to an increase in borrowings and trade payables.

Going forward, Endo Group's assets will mainly consist of property, plant and equipment (PPE) and investment property. PPE reflects the value of the vessels owned or to be acquired by the Endo Group, in addition to the value of part of the Marsa warehouse as part of it is rented to related parties. Investment property represents the property owned by Endo Properties (only of portion of the Marsa warehouse is included due to accounting consolidation adjustments). Non-currents assets will increase to €27.6m in FY20 following the acquisition of Endo Sirocco, partially set off by the depreciation charge on the PPE.

Endo's Group share capital will increase to €2.6m from the current share capital of €1.8m, due to the capitalisation of a loan for the acquisition of a number of properties from the related Palm Group, as discussed in detail in section 1.3 of this Analysis. The revaluation reserve reflects the revaluation adjustments on the Marsa warehouse which, as previously mentioned, is classified as PPE.

Current liabilities primarily consist of trade payables and short-term borrowings arising from the operational activity of the Endo Group. In FY19, non-current liabilities predominantly consisted of the €13.5m March 2019 Bonds. In FY20, non-current liabilities are expected to remain stable at €15.9m (FY19: €16.1m), with current liabilities forecasted at €3.9m (FY19: €4.9m).

In FY19, the Endo Group's gearing (Net Debt / Net Debt and Total Equity) stood at 57.9% and this is expected to decrease to 53.6% in FY20 due to the anticipated positive performance in FY20. This leverage is projected to continue decreasing year on year as retained earnings accumulate. This is further substantiated with management's decision not to distribute any dividends from IFP Malta and Endo Properties during the maturity of the bonds, as further described in the March 2019 Prospectus.

## 2.9 Endo Group's Statement of Cash Flows

| Cash Flows Statement  | 31/12/2019A     | 31/12/2020F    |
|---|-----------------|----------------|
|   | €000s           | €000s          |
| Cash flows from operations  | 2,135           | 3,014          |
| Income tax refund/(paid)  | (562)           | 32             |
| Interest paid   | (122)           | (767)          |
| <b>Net cash flows generated from operating activities</b>             | <b>1,451</b>    | <b>2,279</b>   |
| <b>Cash flows from investing activities</b>                           |                 |                |
| Acquisition of property, plant and equipment                          | (11,355)        | (2,079)        |
| Acquisition of intangible assets                                      | (4)             | -              |
| Movement in loans to related parties                                  | (1,470)         | -              |
| <b>Net cash flows used in investing activities</b>                    | <b>(12,829)</b> | <b>(2,079)</b> |
| <b>Cash flows from financing activities</b>                           |                 |                |
| Debt securities in issue  | 13,500          | -              |
| Movement in loans from related parties                                | (189)           | 34             |
| Movement in bank loans  | 801             | (242)          |
| <b>Net cash flows generated from / (used in) financing activities</b> | <b>14,112</b>   | <b>(208)</b>   |
| <b>Movement in cash and cash equivalents</b>                          | <b>2,734</b>    | <b>(8)</b>     |
| Cash and cash equivalents at start of year                            | (1,684)         | 1,051          |
| Effects of exchange rate changes on cash and cash equivalents         | 1               | (12)           |
| <b>Cash and cash equivalents at end of year</b>                       | <b>1,051</b>    | <b>1,031</b>   |

| Ratio Analysis                                    | 31/12/2019A | 31/12/2020F |
|---|-------------|-------------|
| <b>Cash Flow</b>                                  |             |             |
| Free Cash Flow (Net cash from operations - Capex) | (9,904)     | 200         |

Endo's Group cash flow performance in FY19 was in line with the March 19 Bonds FAS projections, except for, the acquisition of Endo Sirocco, which was delayed as further explained above. Additionally, due to delays in the March 19 Bonds, which were originally planned to be issued by the end of 2018, but were actually issued early in 2019, resulted in the €13.5m bond proceeds being recognised in FY19, rather than FY18 as previously projected.

The Endo Group is projecting a positive cash flow generated from operating activities of €2.3m in FY20, reflecting an 57.1% improvement from FY19. Cash flows used in investing activities represent the acquisition of the vessels that occurred during FY19 and the acquisition of Endo Sirocco which is expected to occur during this financial year. In FY19, cash flows from financing activities mainly reflect the €13.5m March 2019 Bonds. In FY20, cash flows from financing activities are expected to be minimal, except for the repayment of €0.2m in bank loans. Based on the considerations discussed above, the Group expects its cash reserves to remain stable, resulting in a closing cash balance of €1.0m.

## Part 3 - Key Market and Competitor Data

### 3.1 General Market Conditions

As at the date of this Analysis, Malta has the largest ship registry in Europe, and the sixth largest world-wide. Notwithstanding this, only a handful of shipping companies are beneficially owned, financed, managed and commercially operated in and through Malta. The operational and commercial knowledge required to successfully manage tanker vessel fleets in Malta has increased and the Directors, in line with trends in other countries over recent years, have identified the bond market as the adequate tool for the financing of the purchasing of vessels.

The world tanker fleet presently consists of approximately 4,800 vessels, about 2,000 crude tankers (average Deadweight tonnage (DWT) being 200,000) and 2,800 product tankers (average DWT being 57,000). The new building order book is about 9% to 10% of the existing fleet, with more crude capacity on order than product tankers. Net of scrapping, the past year has given a net fleet capacity growth of about 5%, however analysts have projected that over the next 5 to 10 years the net growth will be less, especially in the product tanker sector. This is due to increased scrapping, which is coupled with more moderate order books on product tankers. Against this is a projected fleet demand of 3% to 5%. With respect to product tankers, this is partly based on general economic growth but also on longer ton-per-mile voyages as trade patterns are changing.

The tanker market is traditionally cyclical, the most recent peak years being 2006 to 2008 and prior to that, the mid-1990's. Currently, the freight market is in a down cycle (albeit experiencing a mini-spike in 2015 and 2016), with low freight rates and depressed asset prices.

The projection for 2020 onwards is a significant increase in tanker freight market followed by increased asset prices. Hence, oil companies and larger trading houses are now also locking in tonnage to hedge their freight cost forward. This point in the cycle is traditionally the point at which a second-hand tonnage is purchased which becomes available as larger owners also take advantage of relatively low new-building costs to renew their fleets. These second-hand tankers have an additional 10 to 15 years of commercial trading. Additionally, "scrap-metal" prices are supporting about 50% of the asset value on a typical medium-sized 15-year-old tanker, reducing the asset price risk.

The freight and hence asset price fluctuations in the tanker market generally increase with tonnage size, where the largest vessels fluctuate the most, and prices in the small-tanker market fluctuate the least.

#### COVID-19 Pandemic

According to research and feedback from major industry players and ship brokers, the tanker shipping market has been one of the few industries that has, so far, been positively affected by the COVID-19 pandemic and the drastic fall in oil price<sup>8</sup>. Initial indications with respect to clean product supply show that consumption has not yet been affected by the COVID-19 outbreak.

During a COVID-19 Webinar<sup>9</sup>, Adrian Tolson said that, the current oversupply of crude oil and other fuel products led by Saudi Arabia and the other members of the Organization of Petroleum Exporting Countries, has been exacerbated by severely diminished demand brought on by the COVID-19 outbreak. This and a lack of onshore storage capacity to accommodate the excess oil products has caused tanker rates to rise astronomically. Consequently, the tanker industry is well positioned to capitalise on the market conditions created by COVID-19. Tolson is a director at Blue Communications Ltd, which is a leading global business in communications consultancy.

<sup>8</sup> Intermodal Research and Valuations – Weekly market report – Week 14, Tuesday 7 April 2020

<sup>9</sup> [www.blue-comms.com](http://www.blue-comms.com) – Blue Insight Webinar, 29 April, COVID-19 meets IMO2020

### 3.2 Time Charter Market

The time charter rates for the vessels owned or will be owned by the Endo Tankers Sub-Group are based on the average charter rates over the historical period 2010 to 2019. Mumtaz is chartered on a bareboat charter agreement where the charter rate is fixed in the agreement with the company within the related Palm Group. In addition, there is no open market in determining charter rates for Mumtaz considering the size of this vessel.

The figures below show the time charter rates recorded during the past ten years for the MR oil tanker Endo Breeze and Endo Sirocco.

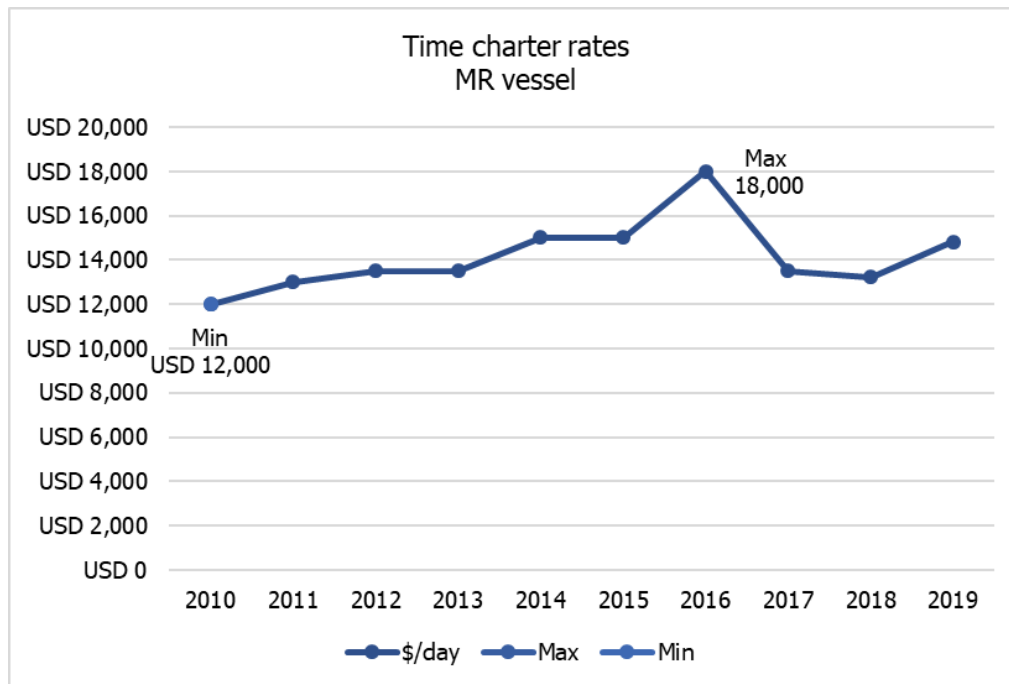


Figure 1: MR vessel (Endo Breeze) historical time charter rates (Source: Maersk Brokers)

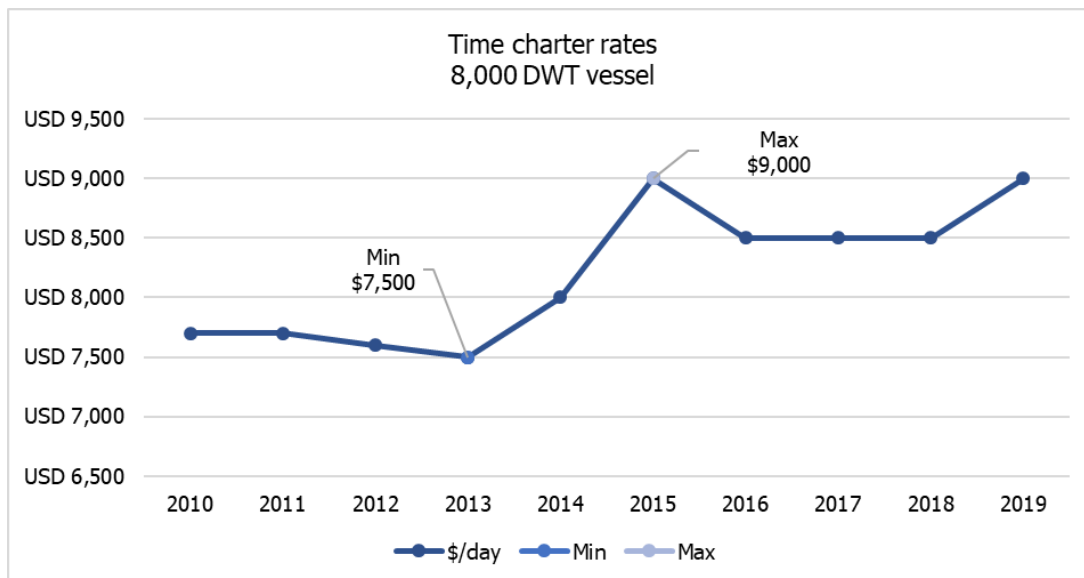


Figure 2: Endo Sirocco (historical time charter rates (Source: Maersk Brokers)

Time charter rates have experienced a sharp decline following the 2009 crisis and subsequent decline in the oil price; following which they have steadily increased, although at a slow rate, except for a mini-spike in 2015. The maximum time charter rate per day for the MR vessel was of \$18,000, whereas the minimum was of \$12,000, in 2019 the rate exceeded the \$14,000 mark. In respect of Endo Sirocco, the maximum time charter rate per day was of \$9,000, whereas the minimum was of \$7,500, in 2019 the rate reached \$9,000.

### 3.3 Comparative Analysis

The purpose of the below table is to compare the debt issuance of the Group to other debt instruments. One must note that given the material differences in profiles and industries, the risks associated with the Group's business and that of other issuers is therefore also different.

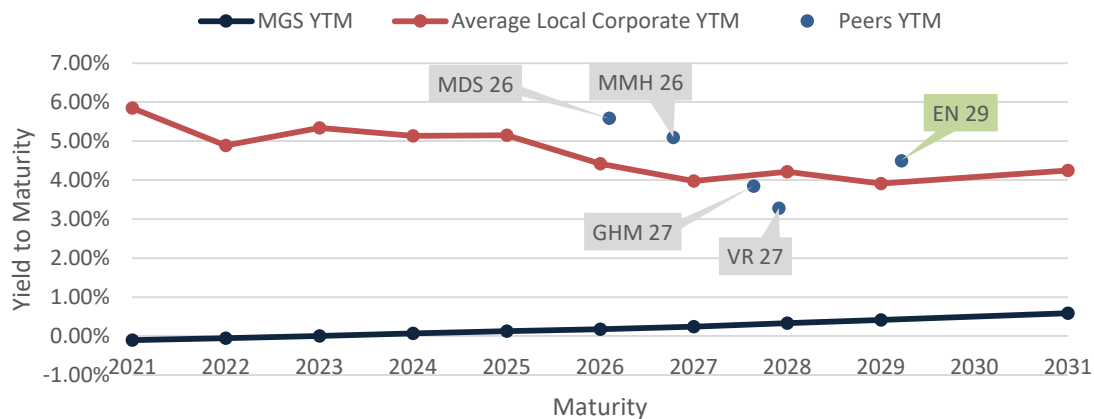
| Security   | Nom Value | Yield to Maturity | Interest coverage (EBITDA) | Total Assets | Total Equity | Total Liabilities / Total Assets | Net Debt / Net Debt and Total Equity | Net Debt / EBITDA | Current Ratio | Return on Common Equity | Net Margin | Revenue Growth (YoY) | Last Closing Price * |
|--|-----------|-------------------|----------------------------|--------------|--------------|----------------------------------|--------------------------------------|-------------------|---------------|-------------------------|------------|----------------------|----------------------|
|  | €000's    | (%)               | (times)                    | (€'millions) | (€'millions) | (%)                              | (%)                                  | (times)           | (times)       | (%)                     | (%)        | (%)                  |                      |
| 6% Medserv plc Sec. & Grntd € Notes 2020-2023 S1 T1          | 20,000    | 6.23%             | 3.6x                       | 154.7        | 14.1         | 90.9%                            | 85.8%                                | 6.8x              | 1.5x          | -20.3%                  | -4.8%      | 109.4%               | 99.37                |
| 5.3% Mariner Finance plc Unsecured € 2024                    | 35,000    | 3.87%             | 4.0x                       | 95.3         | 47.1         | 50.6%                            | 48.8%                                | 5.2x              | 0.5x          | 10.7%                   | 29.5%      | 0.8%                 | 105.00               |
| 4.5% Medserv plc Unsecured € 2026                            | 21,982    | 5.59%             | 3.6x                       | 154.7        | 14.1         | 90.9%                            | 85.8%                                | 6.8x              | 1.5x          | -20.3%                  | -4.8%      | 109.4%               | 95.00                |
| 4.8% Mediterranean Maritime Hub Finance plc Unsecured € 2026 | 15,000    | 4.99%             | 2.5x                       | 36.8         | 4.4          | 88.1%                            | 82.8%                                | 8.2x              | 0.7x          | 14.0%                   | 3.3%       | 19.9%                | 99.00                |
| 4.5% Grand Harbour Marina plc Unsecured € 2027               | 15,000    | 3.84%             | 2.5x                       | 28.5         | 3.5          | 87.6%                            | 82.6%                                | 9.8x              | 1.7x          | 6.5%                    | 5.4%       | -12.9%               | 104.00               |
| 3.75% Virtu Finance plc Unsecured € 2027                     | 25,000    | 3.20%             | 6.0x                       | 202.1        | 82.1         | 59.4%                            | 50.7%                                | 3.9x              | 1.0x          | 14.9%                   | 29.6%      | 31.0%                | 103.50               |
| 4.5% Endo Finance plc € Unsecured Bonds 2029 *               | 13,500    | 4.50%             | 3.4x                       | 31.5         | 10.5         | 66.8%                            | 57.9%                                | 6.4x              | 0.9x          | 21.6%                   | 40.6%      | n/a                  | 100.00               |
| Average**  | 21,997    | 4.62%             | 3.7x                       | 112.0        | 27.5         | 77.9%                            | 72.8%                                | 6.8x              | 1.1x          | 0.9%                    | 9.7%       | 42.9%                |                      |

Source: Latest available audited financial statements

\* Last closing price as at 28/08/2020

\*\* Average figures do not capture the financial analysis of the Group

## Yield Curve Analysis



Source: Malta Stock Exchange, Central Bank of Malta, and Calamatta Cuschieri Workings

The above graph illustrates the average yearly yield of all local issuers as well as the corresponding yield of MGSs (Y-axis) vs the maturity of both Issuers and MGSs (X-axis), in their respective maturity bucket, to which the spread premiums can be noted.

The graph plots the entire MGS yield curve, thus taking into consideration the yield of comparable issuers. The graph illustrates on a stand-alone basis, the yield of comparable issuers having a maturity between 6-9 years (Peers YTM).

The Endo Group is principally involved in the shipping industry, more specifically the tanker industry. The corporates identified are all involved in the maritime industry (except for MedServ plc which is mainly involved in the oil and gas industry), however they are not directly involved in the tanker industry. Based on this, the best comparable to the Issuer's 2029 bond is Mariner Finance plc 2024, however there is still a significant difference between the operations of these two issuers and their respective maturity.

As at 28 August 2020, the average spread over the Malta Government Stocks (MGS) for comparable issuers with maturity range of 6-9 years was 408 basis points. The 4.5% Endo Finance plc 2029 bond is currently trading at a YTM of 4.50%, meaning a spread of 398 basis points over the equivalent MGS. This means that this bond is trading at a marginal discount of 10 basis points in comparison to its peers.



## Part 4 - Glossary and Definitions

| Income Statement                          |  |
|---|--|
| Revenue                                   | Total revenue generated by the Group/Company from its principal business activities during the financial year.   |
| EBITDA                                    | EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. It reflects the Group's/Company's earnings purely from operations.   |
| Operating Income (EBIT)                   | EBIT is an abbreviation for earnings before interest and tax.  |
| Depreciation and Amortisation             | An accounting charge to compensate for the decrease in the monetary value of an asset over time and the eventual cost to replace the asset once fully depreciated.   |
| Net Finance Costs                         | The interest accrued on debt obligations less any interest earned on cash bank balances and from intra-group companies on any loan advances.   |
| Net Income                                | The profit made by the Group/Company during the financial year net of any income taxes incurred.   |
| Profitability Ratios                      |  |
| Growth in Revenue (YoY)                   | This represents the growth in revenue when compared with previous financial year.  |
| EBITDA Margin                             | EBITDA as a percentage of total revenue.   |
| Operating (EBIT) Margin                   | Operating margin is the EBIT as a percentage of total revenue.   |
| Net Margin                                | Net income expressed as a percentage of total revenue.   |
| Return on Common Equity                   | Return on common equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing the net income by the average common equity (average equity of two years financial performance). |
| Return on Assets                          | Return on assets (ROA) is computed by dividing net income by the average total assets (average assets of two years financial performance).   |
| Cash Flow Statement                       |  |
| Cash Flow from Operating Activities (CFO) | Cash generated from the principal revenue producing activities of the Group/Company.   |
| Cash Flow from Investing Activities       | Cash generated from the activities dealing with the acquisition and disposal of long-term assets and other investments of the Group/Company.   |
| Cash Flow from Financing Activities       | Cash generated from the activities that result in change in share capital and borrowings of the Group/Company.   |
| Capex                                     | Represents the capital expenditure incurred by the Group/Company in a financial year.  |
| Free Cash Flows (FCF)                     | The amount of cash the Group/Company has after it has met its financial obligations. It is calculated by taking Cash Flow from Operating Activities less the Capex of the same financial year.   |
| Balance Sheet                             |  |
| Total Assets                              | What the Group/Company owns which can be further classified into Non-Current Assets and Current Assets.  |
| Non-Current Assets                        | Assets, full value of which will not be realised within the forthcoming accounting year  |
| Current Assets                            | Assets which are realisable within one year from the statement of financial position date.   |
| Cash and Cash Equivalents                 | Cash and cash equivalents are Group/Company assets that are either cash or can be converted into cash immediately.   |
| Total Equity                              | Total Equity is calculated as total assets less liabilities, representing the capital owned by the shareholders, retained earnings, and any reserves.  |
| Total Liabilities                         | What the Group/Company owes which can be further classified into Non-Current Liabilities and Current Liabilities.  |
| Non-Current Liabilities                   | Obligations which are due after more than one financial year.  |
| Total Debt                                | All interest bearing debt obligations inclusive of long and short-term debt.   |

|                                  |   |
|----------------------------------|---|
| Net Debt                         | Total debt of a Group/Company less any cash and cash equivalents.   |
| Current Liabilities              | Obligations which are due within one financial year.  |
| <b>Financial Strength Ratios</b> |   |
| Current Ratio                    | The Current ratio (also known as the Liquidity Ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares current assets to current liabilities. |
| Quick Ratio (Acid Test Ratio)    | The quick ratio measures a Group's/Company's ability to meet its short-term obligations with its most liquid assets. It compares current assets (less inventory) to current liabilities.  |
| Interest Coverage Ratio          | The interest coverage ratio is calculated by dividing EBITDA of one period by cash interest paid of the same period.  |
| Gearing Ratio                    | The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance total assets.  |
| Gearing Ratio Level 1            | Is calculated by dividing Net Debt by Net Debt and Total Equity.  |
| Gearing Ratio Level 2            | Is calculated by dividing Total Liabilities by Total Assets.  |
| Net Debt / EBITDA                | The Net Debt / EBITDA ratio measures the ability of the Group/Company to refinance its debt by looking at the EBITDA.   |
| <b>Other Definitions</b>         |   |
| Yield to Maturity (YTM)          | YTM is the rate of return expected on a bond which is held till maturity. It is essentially the internal rate of return on a bond and it equates the present value of bond future cash flows to its current market price.           |