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

28 June 2023

Dear Board Members,

In accordance with your instructions, and in line with the requirements of the MFSA Listing 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) and 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 ending 31 December 2020, 2021, and 2022 has been extracted from the audited financial statements of the Issuer and the Guarantors.

b) The forecast data for the financial year ending 31 December 2023 has been provided by management.

c) Our commentary on the Issuer and Guarantors' results and financial position has been based on the explanations provided by management.

d) The ratios quoted in the Analysis 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 websites of the companies concerned or financial statements filed with the Registrar of Companies.

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,

Patrick Mangion
Head of Capital Markets

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# FINANCIAL ANALYSIS
# SUMMARY 2023

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

**28 June 2023**

**Prepared by Calamatta Cuschieri Investment Services Limited**

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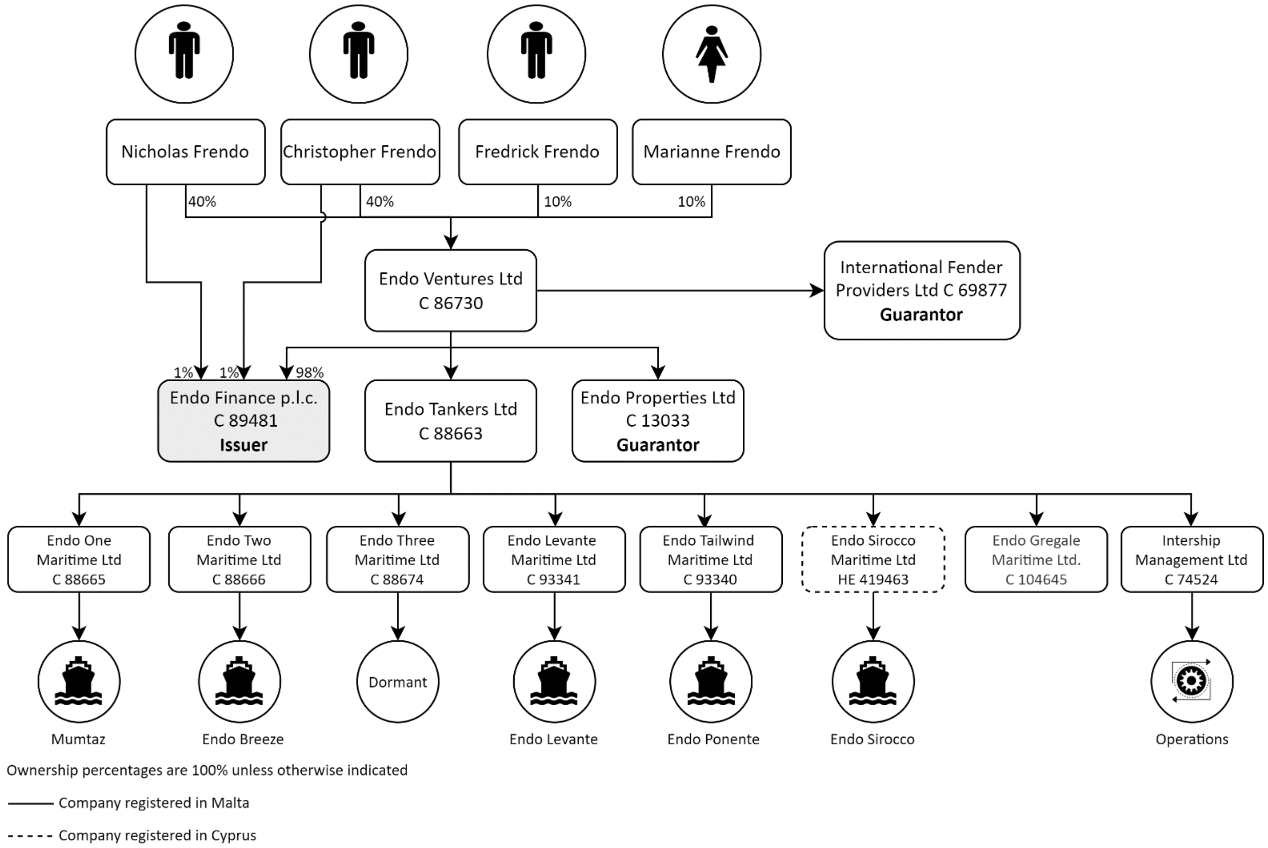
# Part 1 Information about the Group

## 1.1 The Group's Key Activities and Structure

The Group structure is as follows:




The "**Endo Group**" (or "**Group**") of companies consists of Endo Ventures Ltd being the "**Parent**" company, the Issuer, the Guarantors, and Endo Tankers Ltd, which includes its subsidiaries Endo One Maritime Ltd, Endo Two Maritime Ltd, Endo Three Maritime Ltd, Endo Levante Maritime Ltd (previously Endo Headwind Maritime Ltd), Endo Tailwind Maritime Ltd, Endo Sirocco Maritime Ltd, Endo Gregale 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 is the parent company of "**Endo Tankers Ltd**". Endo Tankers Ltd is a Sub Group of the Endo Group and it 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**"), Endo Levante Maritime Ltd, Endo Tailwind Maritime Ltd, Endo Sirocco Maritime Ltd, Endo Gregale Maritime Ltd and Intership Management Ltd are all wholly owned subsidiaries of Endo Tankers.

The Issuer, Endo Finance plc, company registration number C 89481, is a public 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. The Issuer, which was set up and established to act as a finance vehicle, has as of 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 of the listed bond of the Issuer are 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, Cyprus, Laconia, and Ceuta. 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.

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 each100% 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 of property.

IFP International Fender Providers Ltd ("**IFP Cyprus**"), a former wholly owned subsidiary of IFP Malta, was a private limited liability company incorporated and registered in Cyprus on 26 October 2015, with company registration number HE 348221. As of 1st January 2021, IFP Malta acquired IFP Cyprus through a cross border merger and it succeeded to all the rights, assets, obligations, and liabilities of IFP Cyprus from the date of the merger. The merger did not have an effect on the rights of the bondholders.

Endo One, which was established to acquire the vessel "Mumtaz" with a deadweight tonnage (DWT) of 599, has entered into a time charter[1] agreement with International Fuel Suppliers Ltd. As of January 1, 2023, the vessel "Mumtaz" is being chartered to International Fender Providers Ltd (IFP Malta) on a time charter basis.

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 of the Issuer dated 6 March 2019. It took delivery of this marine vessel ("Endo Breeze") on 22 May 2019. However, on 30th December 2022, Endo Two Maritime Ltd sold the vessel Endo Breeze to a third party for a consideration of $14.1m, generating a gain on disposal of $3m. Thus, Endo Two Maritime Ltd is currently non-trading as of January 1, 2023, following the sale of the vessel "Endo Breeze" on December 30, 2022.

Endo Three was incorporated in order to acquire a vessel, being a coastal 5,000 to 8,000 DWT oil tanker to be used for the transportation of petroleum products and for bunkering operations. It took delivery of this maritime vessel ("Endo Sirocco") on 9 September 2020.Following a Group corporate restructuring exercise, Endo Three has transferred ownership of Endo Sirocco to a newly incorporated Cypriot entity Endo Sirocco Maritime Ltd, which is wholly owned by Endo Tankers Ltd. Consequent to the aforementioned sale and transfer of the vessel, Endo Sirocco was deregistered from the Malta flag on 14 April 2021 and registered under the Cyprus flag on the same date. This transaction did not impact the security held by the bondholders. All collateral rights associated with the vessel, which was previously owned by Endo Three, have been fully reinstated following the transfer of the vessel to Endo Sirocco Maritime Limited. As a consequence of these changes, Endo Three has become dormant and is currently not engaged in any operational activities.

Endo Levante Maritime Ltd (previously Endo Headwind Maritime Ltd), was incorporated on 24 September 2019 under the Merchant Shipping Act. Through this company, the Group acquired Endo Levante, and which was chartered to third parties on a time charter basis. The acquisition of this vessel was purchased together with a two-year boat charter

[1] A time charter is a type of charter arrangement where the owner of the vessel leases it to the charterer for a specified period, typically for a few months to several years. In a time charter, the owner retains ownership and control of the vessel while transferring operational control to the charterer. The charterer pays a regular charter hire fee to the owner for the use of the vessel during the agreed-upon period. The charterer is responsible for crew wages, fuel, and port expenses, while the owner typically covers the costs of vessel maintenance and insurance. The charterer operates the vessel within the terms of the charter agreement, but the owner retains ultimate responsibility for the vessel's seaworthiness and compliance with regulatory requirements.

agreement following which the ownership of Endo Levante will be wholly transferred to the Group.

Endo Tailwind Maritime Ltd, also a subsidiary of Endo Tankers, is another entity within the Group, was not engaged in trading activities in 2022. It is registered with company registration number C 93340. On June 8, 2023, Endo Tailwind Maritime Ltd acquired the vessel Endo Ponente, which was previously known as Mandume. It will be chartering its newly acquired vessel Endo Ponente to a 3rd party on time charter basis.

Endo Gregale Maritime Ltd (C 104645) has been incorporated on 25th May 2023 with Endo Tankers Ltd as its shareholder. It is established with the purpose of acquiring and operating maritime vessels in the oil tanker industry.

Intership Management Ltd, with company registration number C 74524, is a ship management company that 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 Mumtaz, Endo Sirocco and Endo Levante. 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 of the date of this Analysis, the board of directors of the Issuer is constituted by the following persons:

| Name | Office Designation |
|---|---|
| **Mr Christopher Frendo** | Executive Director |
| **Mr Nicholas Frendo** | Executive Director |
| **Mr Anthony Busuttil** | Independent Non-executive Director |
| **Mr Francis Gouder** | Independent Non-executive Director |
| **Ms Erica Scerri** | Independent Non-executive Director |

The Issuer is currently managed by a board of five directors who are responsible for its overall direction and management. 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's employees remained unchanged from FY21 and amounted to 2 employees during FY22.

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

**Board of Directors - Guarantor**

As of the date of this Analysis, the following persons constitute the board of directors of the Guarantors:

**IFP Malta:**

| Name | Office Designation |
|---|---|
| **Mr Christopher Frendo** | Executive Director, company secretary |
| **Mr Nicholas Frendo** | Executive director |

**Endo Properties:**

| Name | Office Designation |
|---|---|
| **Mr Christopher Frendo** | Executive Director |
| **Mr Nicholas Frendo** | Executive director, company secretary |

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. Both Guarantors are governed by the same two executive directors.

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

The Group is managed by Mr Christopher Frendo and Mr Nicholas Frendo, the same two executive directors governing both the Issuers and Guarantors. During 2022, the Group employed on average 12 persons (FY21: 12), 7 of which were in operations and 5 in administration. As from 2023 the Group's employees increased to 13 persons.

## 1.3 Major Assets owned by the Group

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.

**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[2] 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 Parent.

As from 1 November 2018 until the end of 2022, Mumtaz was being chartered on a bareboat charter entered into with International Fuel Suppliers Ltd ("**IFS**"), an entity forming part of the Palm Group. 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.

For clarity, 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. During FY22 Mumtaz was revalued by and independent party to $2.4m.

As from 1 January 2023, Mumtaz is being chartered on time charter agreement to International Fender Providers Ltd (IFP Malta), and is being used to carry out its ship-to-ship operations in Laconia Bay (Greece). The management of the vessel remained under the responsibility of Internship Management Ltd.

**Endo Two – Endo Breeze**

Endo Two, a subsidiary of the Group, acquired the vessel Endo Breeze in 2019. The Endo Breeze is a product/chemical tanker with a deadweight tonnage of 44,999 and a length of 176 meters. The vessel, originally delivered in 2003, is currently registered under the Malta Maritime Flag with the hull (IMO) number 9239977 and has a gross tonnage of 26,914.

After acquiring the vessel in May 2019 through the bond issue, Endo Two decided to strategically dispose of the Endo Breeze by the end of FY22. The Group successfully sold the vessel and received proceeds from the sale, which were subsequently returned to the trustees.

**Endo Three and Endo Scirocco Maritime - Endo Sirocco**

The third vessel, being Endo Sirocco, was acquired on 9 September 2020 by Endo Three. In 2021, the Group transferred the ownership of this vessel to Endo Sirocco Maritime Ltd and subsequently, registered Endo Sirocco under the Cypriot flag.

The coastal vessel Endo Sirocco, with hull (IMO) number 9118161, was built in 1997. It is a 4,967 DWT product/chemical tanker with a total length of 91m and a gross tonnage of 3,368. The acquisition was financed from the 2019 bond issue.

The time charter agreement to which Endo Sirocco has been subject to as from 15 October 2020 is entered into with International Fuel Suppliers Ltd, an entity forming part of the Palm Group, and in virtue of which agreement Endo Three (and subsequently Endo Sirocco Maritime Ltd as from 14 April 2021) has agreed to charter the vessel Endo Sirocco for a period extending to 15 October 2030. Endo Three (and subsequently Endo Sirocco Maritime Ltd as from 14 April 2021) has engaged Intership Management Ltd to manage Endo Sirocco 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 Endo Three (and subsequently to Endo Sirocco Maritime Ltd as of 14 April 2021). All direct

[2] A bareboat charter, also known as a demise charter or a charter by demise, is a contractual agreement where the charterer assumes complete control and responsibility for the vessel during the charter period. In a bareboat charter, the charterer effectively becomes the temporary owner of the vessel and is responsible for operating, managing, and maintaining it. The charterer typically bears all the operating costs, including crew wages, fuel, insurance, and repairs. In essence, the charterer operates the vessel as if they own it, assuming all the risks and rewards associated with its operation. The owner relinquishes control and has no involvement in the vessel's operation during the charter period.

costs in relation to this vessel are borne by Endo Sirocco Maritime Ltd as from 14 April 2021, given that Endo Sirocco is chartered under a time charter agreement. During FY22 Endo Sirocco was revalued by a third party to $3.2m.

**Endo Levante**

The Group acquired a vessel that has been renamed from Thames Fisher to Endo Levante. The chemical tanker with hull (IMO) number 9145011 was built in 1997. It is a 4,765 DWT product/chemical tanker with a total length of 91.4m and a gross tonnage 2,760. Endo Levante is being chartered to third party suppliers, and the Group has engaged Intership Management Ltd (its own ship management company) to manage the vessel, with the assistance of Columbia Shipmanagement Ltd. The management has taken a decision to put the vessel on sale and it is expected that by the end of the year the vessel will be sold.

**Endo Ponente**

On June 8, 2023, Endo Tailwind Maritime Ltd, a subsidiary of Endo Tankers, acquired the vessel Endo Ponente, which was previously known as Mandume. The vessel, which is a chemical tanker, is registered under the International Maritime Organization (IMO) number 9426506, under the Malta Maritime flag. The 99.9 m vessel was built in 2010 and has a gross tonnage of 4,776

Immediately upon acquisition, Endo Tailwind Maritime Ltd has chartered the vessel to a third party commodity trader on time charter basis, and will be sailing in international waters.

**IFP Malta**

As part of its operations as a ship-to-ship service provider, IFP Malta requires 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 7 sets of fenders and hoses, of which it acquired 2 sets from IFP Cyprus through the merger. Each set mainly consists of 4 or 5 primary fenders, 2 secondary fenders, and 4 hoses.

**Endo Properties**

Endo Properties owns 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* 500m$^2$ and three floors of office space and receded floor. As per the latest financial statements, this property is 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.

Additionally, Endo Properties owns other properties which amount to €3.0m. These properties were transferred by the ultimate beneficial owners of the Group in November 2019 and consist of; (i) an apartment situated in Sir George Borg Street, Sliema, (ii) an apartment situated in The Strand, Sliema, (iii) an apartment situated in Tower Road, Sliema, (iv) an apartment situated in Birzebbuga, and (v) an apartment situated in Ta' Xbiex. This transaction did not result in any cash outflows for Endo Properties as the liability was capitalised and exchanged for shares to the ultimate beneficiary owners of the Endo Group.

**Vessels owned by the Group**

The following table summarizes key data on the vessels owned by Endo Tankers Sub-Group:

| Company | Endo One | Endo Two (sold in FY22) | Endo Sirocco Maritime | Endo Levante Maritime Ltd (previously Endo Headwind Ltd) | Endo Ponente |
|---|---|---|---|---|---|
| **Vessel Name** | Mumtaz | Breeze | Endo Scirocco | Endo Levante | Endo Ponente |
| **Vessel Size Class** | Bunker | Medium Range | Chemical Tanker | Chemical Tanker | Chemical Tanker |
| **Dead Weight Tonnage (Metric Tons)** | 599 | 44,999 | 4,967 | 4,765 | 4,776 |
| **Length (meters)** | 45 | 176 | 91 | 91.4 | 99.9 |
| **Years from Build (as of 2022)** | 20 | 19 | 25 | 25 | 12 |
| **Additional Useful Life (from 2022)** | 15 | 7 | 10 | 10 | 18 |
| **Certified by approved the Classification Society** | Yes | Yes | Yes | Yes | Yes |
| **Classification Society** | Bureau Veritas SA | DNV GL | Bureau Veritas SA | Bureau Veritas SA | Bureau Veritas SA |

The vessels Mumtaz, Endo Sirocco, and Endo Levante underwent a revaluation process conducted by an independent ship broker, who was responsible for assessing their current value. Following industry practices observed in similar-sized vessels, the management made the decision to also update the useful life of these vessels. As per the revised assessment, Mumtaz has an estimated remaining useful life of 15 years from the end of 2022, while Sirocco and Levante have an estimated remaining useful life of 10 years from the end of 2022. These adjustments in the useful life of the vessels take into account their current condition and align with industry standards and practices.

Additionally, the useful life of the Group's vessels averaging 25-35 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. The smaller vessels typically have a longer useful life.

The Group's management has also disclosed that they are about to acquire a new vessel however no additional information about the purchase has been made public to date.

## 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. Endo Two successfully acquired Endo Breeze 2019 and subsequently disposed of it at the end of 2022. Additionally, Endo Three successfully acquired Endo Sirocco on 9 September 2020, which was subsequently transferred to Endo Sirocco Maritime Ltd on 14 April 2021. Endo Sirocco is currently leased on a time charter agreement with an entity forming part of Palm Group for a period of 10 years. Endo Levante, is leased on a time charter basis to a third party. Mumtaz is now being chartered on a time charter basis to IFP. This arrangement signifies a new charter agreement between Endo and IFP for the vessel Mumtaz. Additionally, the newly acquired vessel, Endo Ponente, will be chartered on a time charter basis to third parties

During the year under review, Mumtaz, Endo Sirocco and Endo Levante all underwent their scheduled drydocking, costing around $0.2m, $0.9m and $1m respectively.

On the financing side, in addition to the existing listed bonds and the bank loan from Izola bank, the Group has issued €4,800,000 of unlisted notes. These unlisted notes carry an interest rate of 6% and are redeemable at par in 2027. The issuance of these notes represents another avenue of financing for the Group, providing additional capital for its operations and investments. These will be further discussed in part 2 of the analysis.

## 1.5 Conflict in Ukraine

The Group is carefully monitoring the situation in Ukraine. The Group does not foresee any specific event directly related to the operations, however the possible impacts are still being evaluated.

## Part 2 Historical Performance and Forecasts

The Issuer's historical financial information for the years ended 31 December 2020 to 31 December 2022, in addition to the financial forecast for the year ending 31 December 2023, are set out below in sections 2.1 to 2.3 of this Analysis.

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 2020 to 31 December 2022 and their respective projections are set out in sections 2.4 to 2.6. The Group's financial performance review is set out in sections 2.7 to 2.9. The forecast data for the current financial year 2023 has been provided by management.

The projected financial information relates to events in the future and are based on assumptions which the Group believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.

### 2.1 Issuer's Income Statement

| Income statement for the year ended 31 December | 2020A | 2021A | 2022A | 2023F |
|---|---|---|---|---|
| | **€000s** | **€000s** | **€000s** | **€000s** |
| Finance income | 745 | 726 | 905 | 1,259 |
| Finance costs | (612) | (608) | (755) | (1,104) |
| **Net finance income** | **133** | **118** | **150** | **155** |
| Administrative expenses | (90) | (87) | (112) | (118) |
| **Profit before tax** | **43** | **31** | **38** | **37** |
| Income tax | (31) | (28) | (37) | (30) |
| **Profit for the year** | **12** | **3** | **1** | **7** |

| Ratio Analysis[3] | 2020A | 2021A | 2022A | 2023F |
|---|---|---|---|---|
| Gross Margin (Net finance income / Finance income) | 17.9% | 16.3% | 16.6% | 12.3% |
| Net Margin (Profit for the year / Finance income) | 1.6% | 0.4% | 0.1% | 0.6% |

As the Issuer is a finance company its performance predominantly captures the finance income earned on the net proceeds of the bond granted as a loan to other companies within the Group. Endo Finance has generated €905k in finance income for the period ended 31 December 2022, €179k higher than a year prior. During this period, the Issuer incurred €755k in finance costs and €112k in administrative expenses, which resulted in the Issuer generating a small profit similar to prior years.

The projected revenue is expected to be higher, at €1,259k. As a result, the finance costs are also anticipated to rise to €1,104k due to the higher debt levels associated with the unlisted notes mentioned in section 1.4.

Administrative expenses, as well as income taxes, are projected to be at very similar levels in FY23 when compared to FY22. The bottom line is projected to show a minimal profit figure, similarly to previous years. Consequently, no major change is expected in the profitability ratios of the Issuer.

[3] Ratio Analysis may not agree to prior FASs due to a change in the calculation methodology or due to rounding differences variance

## 2.2 Issuer's Statement of Financial Position

| Statement of Financial Position as at 31 December | 2020A | 2021A | 2022A | 2023F |
|---|---|---|---|---|
| | €000s | €000s | €000s | €000s |
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Financial assets | 13,324 | 13,324 | 17,251 | 21,588 |
| Intangible assets | 5 | 7 | 6 | 5 |
| **Total non-current assets** | **13,329** | **13,331** | **17,257** | **21,593** |
| | | | | |
| **Current assets** | | | | |
| Loans to related parties | - | - | 255 | 288 |
| Trade and other receivables | 699 | 705 | 779 | 789 |
| Cash and cash equivalents | 1 | 3 | 4,697 | 23 |
| **Total current assets** | **700** | **708** | **5,731** | **1,100** |
| | | | | |
| **Total assets** | **14,029** | **14,039** | **22,988** | **22,693** |
| | | | | |
| **Equity and liabilities** | | | | |
| **Capital and reserves** | | | | |
| Share capital | 250 | 250 | 250 | 250 |
| Retained earnings | 22 | 25 | 26 | 26 |
| Profit for the year | - | - | - | 7 |
| **Total equity** | **272** | **275** | **276** | **283** |
| | | | | |
| **Non-current liabilities** | | | | |
| Debt securities in issue | 13,260 | 13,290 | 17,975 | 18,034 |
| Borrowings | - | - | 3,887 | 3,470 |
| **Total non-current liabilities** | **13,260** | **13,290** | **21,862** | **21,504** |
| | | | | |
| **Current liabilities** | | | | |
| Borrowings | - | - | 280 | 363 |
| Trade payables | 464 | 473 | 565 | 540 |
| Current tax payable | 33 | 1 | 4 | 2 |
| **Total current liabilities** | **497** | **474** | **849** | **905** |
| | | | | |
| **Total liabilities** | **13,757** | **13,764** | **22,711** | **22,409** |
| | | | | |
| **Total equity & liabilities** | **14,029** | **14,039** | **22,987** | **22,693** |

The Issuer's assets in FY22, similarly to prior years, mainly consisted of loans advanced to its fellow subsidiaries as well as cash and cash equivalents and trade and other receivables.

Cash and cash equivalents amounted to €4.7m and they related to the proceeds received from the 2022 unsecured note issue.

Trade and other receivables were €0.8m in FY22 and related to loans owed by related parties. These loans are unsecured, bear no interest and are repayable within one year.

The major amounts in liabilities comprised of the €18m debt securities (FY21: €13.3m) as well as bank loans of 3.9m.

They are split as follows: €13.3m relates to the bond issue of € 13,500,000 4.5% 2029 bonds, while €4.7m relates to the bond issue of 4,800,000 6% 2027 unlisted notes. The bond issue costs are being amortised over the lifetime of the bond by €35k annually, increasing the *'Debt securities in issue*' line item each year by that amount.

Current liabilities mainly consist of trade payables (565k) and borrowings (280k), with the former primarily representing the accrual for interest due on the outstanding bond issue as of 31 December 2022 while the latter referring to a bank loan that is due within one year.

In FY23, the Issuer anticipates that its total assets and liabilities will not undergo significant changes. However, there will be a shift in the composition of assets.

In the upcoming period, financial assets related to loans to related parties are projected to increase from €17.3m to €21.6m. This increase in loans to related parties is primarily attributed to the funds collected through unlisted notes in November 2022, which were not utilized in 2022 but are expected to be utilized in 2023. As a result, cash and cash equivalents are expected to decrease to an immaterial amount, as the proceeds from the 2022 bond issue will be advanced as loans to related parties in the subsequent period.

### 2.3 Issuer's Statement of Cash Flows

| Statement of Cash Flows for the year ended 31 December | 2020A | 2021A | 2022A | 2023F |
|---|---|---|---|---|
| | €000s | €000s | €000s | €000s |
| **Cash flows from operating activities** | | | | |
| Cash flows from operations | (128) | (53) | (207) | (93) |
| Interest paid | (612) | (608) | (754) | (1,104) |
| Taxation paid | (27) | (60) | (34) | (32) |
| **Net cash generated from / (used in) operating activities** | **(767)** | **(721)** | **(995)** | **(1,229)** |
| | | | | |
| **Cash flows from investing activities** | | | | |
| Acquisition of intangible assets | (2) | (3) | - | - |
| Interest received on loans to related parties | 745 | 726 | 905 | 1,259 |
| Movement in loans to related parties | (1,370) | - | - | (4,369) |
| Movement in bank loans | - | - | (4,182) | - |
| **Net cash generated from / (used in) investing activities** | **(627)** | **723** | **(3,277)** | **(3,110)** |
| | | | | |
| **Cash flows from financing activities** | | | | |
| Proceeds from the issue of debt securities | - | - | 4,800 | - |
| Movement in bank loans | - | - | 4,167 | (335) |
| **Net cash generated from / (used in) financing activities** | **-** | **-** | **8,966** | **(335)** |
| | | | | |
| **Net movement in cash and cash equivalents** | **(1,394)** | **2** | **4,694** | **(4,674)** |
| Cash and cash equivalents at the beginning of the year | 1,395 | 1 | 3 | 4,697 |
| **Cash and cash equivalents at the end of the year** | **1** | **3** | **4,697** | **23** |

In FY22 the Issuer utilised €1m in operating activities, primarily attributed to the interest paid on the bonds, amounting to €0.7m.

Cash used in investing activities represent €4.2m funds advanced to related parties that was partially offset by the €0.9m interest received from Endo Group companies on the loans granted to them.

Additionally, the Issuer had a €4.8m cash inflow from the debt securities issued in FY22 as well as a €4.2m cash inflow from a bank loan. The bank loan is secured by a special hypothec over property in Marsa. It bears interest at 6.175% per annum. The loan is to be repaid in 12 years through monthly instalments of € 44k, inclusive of interest.

Overall, Endo Finance had a €4.7m positive cash movement in FY22 and ended the year a cash level of €4.7m.

In FY23, the Issuer's cash flow from operations is expected to be negative €1.2m due to the projected negative cash flows from operating activities before tax and interest payments as well as the increasing amount of projected cash interest paid.

Cash flow from investing activities is projected to generate a large cash outflow as well. This outflow will represent loan payments to related parties with the projected amount of €4.4m that will be partially offset by the €1.3m interest received from Endo Group companies on the loans granted to them. As we observe an increase in the projected loan amounts year over year, the interest received from the Group companies is also expected to increase in line with this trend. Therefore, the cash flow from investing activities in FY23 is projected to reflect a substantial outflow.

The Issuer is expected to generate cash outflow from financing activities of €0.3m in FY23 relating to the repayment of existing bank loans.

The net cash outflow of €4.7m cash in 2023 reflects the utilisation of the debt security issued in 2022.

### 2.4 Guarantors' Income Statement

Endo Properties Ltd

| Income Statement for the year ended 31 December | 2020A | 2021A | 2022A | 2023F |
|---|---|---|---|---|
| | €000s | €000s | €000s | €000s |
| Revenue | 396 | 138 | 137 | 130 |
| Administrative expenses | (282) | (31) | (47) | (42) |
| **EBITDA** | **113** | **106** | **90** | **88** |
| Depreciation | (2) | (2) | (2) | (2) |
| **EBIT** | **112** | **104** | **88** | **85** |
| Movement in revaluation of investment property | - | - | 200 | - |
| Finance costs | (30) | (34) | (40) | (27) |
| **Profit before tax** | **81** | **70** | **248** | **58** |
| Taxation | (23) | (17) | (27) | (14) |
| **Profit after tax** | **59** | **53** | **221** | **45** |

| Ratio Analysis[4] | 2020A | 2021A | 2022A | 2023F |
|---|---|---|---|---|
| EBITDA Margin (EBITDA / Revenue) | 28.7% | 77.1% | 65.7% | 67.4% |
| Operating (EBIT) Margin (EBIT / Revenue) | 28.2% | 75.7% | 64.2% | 65.7% |
| Net Margin (Profit for the year / Revenue) | 14.8% | 38.5% | 161.3% | 34.3% |

Endo Properties Ltd generates 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. Endo Properties also rents out two of its apartments to third parties.

In FY22, the company generated a revenue of €0.1m, which remained unchanged compared to the previous year (FY21: €0.1m). Administrative expenses and depreciation were also similar to the previous year. However, the notable difference between the two financial years is the recognition of a revaluation gain in the profit and loss account.

When the investment properties were revalued at year-end, the company recorded a revaluation gain in the profit and loss account. This means that the profit and loss account was debited with the revaluation gain amount

Per the company's financial statements, the valuations for all investment properties held by the company were obtained at year end based on an independent architect's revaluations between March 2022 and December 2022.

None of the depreciation, finance costs, as well as taxation figures, deviated significantly in FY22 compared to the previous year. Despite this, the revaluation gain had a positive impact on the financial performance of Endo Properties. As a result, the profit after tax for FY22 increased to €0.2m, surpassing the figures reported in FY21.

In FY22, Endo Properties maintained similar levels of EBITDA and operating margins compared to previous years. However, the net margin showed a significant increase in FY22 compared to the previous year. This substantial improvement in net margin can be attributed to the inclusion of the revaluation gain discussed earlier.

In FY23, Endo Properties anticipates that revenue and key items in the income statement will remain relatively stable, similar to the levels seen in FY21. Since no revaluation gain has been projected for FY23, the financial ratios are expected to deviate only marginally from those of FY21.

[4] Ratio Analysis may not agree to prior FASs due to a change in the calculation methodology or due to rounding differences variance

International Fender Providers Ltd

| Income Statement for the year ended 31 December | 2020A | 2021A | 2022A | 2023F |
|---|---|---|---|---|
| | **€000s** | **€000s** | **€000s** | **€000s** |
| Revenue | 3,815 | 3,397 | 3,037 | 3,578 |
| Cost of sales (exc. depreciation) | (3,157) | (2,916) | (2,440) | (2,881) |
| **Gross profit** | **658** | **481** | **597** | **697** |
| Other income | 15 | 1 | 18 | 3 |
| Administrative expenses | (237) | (181) | (277) | (276) |
| **EBITDA** | **436** | **302** | **338** | **424** |
| Depreciation | (174) | (100) | (108) | (141) |
| **EBIT** | **262** | **202** | **230** | **283** |
| Finance costs | (109) | (93) | (130) | (143) |
| **Profit before tax** | **153** | **108** | **100** | **140** |
| Taxation | (18) | (38) | (35) | (49) |
| **Profit after tax** | **135** | **70** | **65** | **91** |

| Ratio Analysis[5] | 2020A | 2021A | 2022A | 2023F |
|---|---|---|---|---|
| Gross Profit Margin (Gross Profit / Revenue) | 17.2% | 14.2% | 19.7% | 19.5% |
| EBITDA Margin (EBITDA / Revenue) | 11.4% | 8.9% | 11.1% | 11.8% |
| Operating (EBIT) Margin (EBIT / Revenue) | 6.9% | 5.9% | 7.6% | 7.9% |
| Net Margin (Profit for the year / Revenue) | 3.5% | 2.1% | 2.1% | 2.5% |

IFP Malta is one of the two Guarantors and is engaged in the service of transferring cargo between ship-to-ship operations, in addition to, hiring fenders and hoses.

As of 1 January 2021, IFP Malta and IFP Cyprus and all rights, assets obligations, and liabilities of IFP Cyprus have been transferred to IFP Malta. From 1 January 2021, the transactions of IFP Cyprus were treated for tax and accounting purposes as being those of IFP Malta.

IFP Malta had a relatively stable performance year-on-year with a smaller but noticeable decrease in its revenue from €3.4m to €3.0m in FY22. Cost of Sales followed a similar trend and decreased from €2.9m to €2.4m

Administrative expenses were slightly higher at €0.3m in FY22 year (FY21: €0.2m). This increase can be primarily attributed to the higher unrealized difference on exchange, amounting to €67k.

In FY22, IFP Malta experienced slightly higher finance costs due to increased interest expenses paid on bank overdrafts, as well as interest on a new loan from Endo Finance to purchase new equipment. However, despite the higher finance costs, and the reduction in revenue the company was able to generate a profit which is mostly in line to the previous year. This can be attributed to a reduction in cost of sales during FY22.

In FY23, the gross revenue of IFP Malta is expected to be around €3.6m. This increase in revenue when compared to FY22 primarily driven by increased operations, particularly during the first half of the year compared to the corresponding period in 2022.

In line with the increase in revenues, the cost of sales is also projected to increase in FY23.

Profit before tax, tax expense, and profit after tax, in line with the top line figures, is projected to increase in FY23.

[5] Ratio Analysis may not agree to prior FASs due to a change in the calculation methodology or due to rounding differences variance

## 2.5 Guarantors' Statement of Financial Position

### Endo Properties Ltd

| Statement of Financial Position as at 31 December | 2020A | 2021A | 2022A | 2023F |
|---|---|---|---|---|
| | €000s | €000s | €000s | €000s |
| **Assets** | | | | |
| Investment property | 10,200 | 10,200 | 10,400 | 10,400 |
| Property, plant and equipment | 162 | 162 | 160 | 158 |
| Long-term receivables | - | 8 | 8 | - |
| **Total non-current assets** | **10,362** | **10,371** | **10,568** | **10,558** |
| | | | | |
| Trade and other receivables | 42 | 7 | 43 | 63 |
| Cash at the bank and in hand | 2 | 13 | 3 | 7 |
| Current tax recoverable | 9 | - | 6 | 5 |
| **Total current assets** | **54** | **20** | **53** | **75** |
| | | | | |
| **Total assets** | **10,416** | **10,391** | **10,621** | **10,633** |
| | | | | |
| **Equity and liabilities** | | | | |
| **Capital and reserves** | | | | |
| Called up issued share capital | 765 | 765 | 765 | 765 |
| Revaluation reserve | 7,127 | 7,127 | 7,327 | 7,327 |
| Retained earnings | 451 | 503 | 525 | 569 |
| **Total equity** | **8,343** | **8,396** | **8,617** | **8,662** |
| | | | | |
| **Non-current liabilities** | | | | |
| Long-term borrowings | 563 | 470 | 492 | 454 |
| Trade and other payables | 440 | 471 | 537 | 553 |
| Deferred taxation | 881 | 884 | 902 | 902 |
| **Total non-current liabilities** | **1,884** | **1,826** | **1,931** | **1,910** |
| | | | | |
| **Current liabilities** | | | | |
| Short term borrowings | 121 | 129 | 32 | 36 |
| Trade and other payables | 67 | 28 | 40 | 26 |
| Current tax payable | - | 11 | - | - |
| **Total current liabilities** | **188** | **169** | **72** | **62** |
| | | | | |
| **Total liabilities** | **2,072** | **1,995** | **2,004** | **1,972** |
| | | | | |
| **Total equity and liabilities** | **10,416** | **10,391** | **10,621** | **10,633** |

In FY22, the total assets of Endo Properties remained relatively stable at €10.6m, with a slight increase from the previous year's total of €10.4m. These assets primarily consist of investment property and property, plant, and equipment. Overall, both the assets and liabilities of Endo Properties showed stability and did not experience significant changes compared to FY21.

In FY21, the investment property component of non-current assets was carried at a fair value of €10.2m. However, in FY22, as previously mentioned, the fair value of the investment property was revalued based on a valuation carried out by an independent, qualified architect between March 2022 and December 2022. As a result of the revaluation, the carrying amount of one of the properties increased by €0.2m. Therefore, in FY22, the investment property is carried at a fair value of €10.4m. On the other hand, the carrying amount of property, plant, and equipment remained relatively stable in FY22.

Similarly, shareholders' equity also increased by €0.2m as the revaluation of the investment property was recorded in Shareholder's equity. Retained earnings moved in an immaterial manner, reflecting the €21k profit the company earned in the previous year excluding the €0.2m movement of the revaluation that was reclassified from retained earnings to the revaluation reserve.

Total non-current liabilities slightly increased, due to the slightly higher amount of long-term borrowings and trade payables.

In FY23, the Group does not project any material change in the asset, equity, and liability structure of Endo Properties.

International Fender Providers Ltd

| Statement of Financial Position as at 31 December | 2020A | 2021A | 2022A | 2023F |
|---|---|---|---|---|
| | **€000s** | **€000s** | **€000s** | **€000s** |
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 443 | 477 | 922 | 915 |
| Long-term receivables | 3,048 | 3,246 | 3,159 | 3,159 |
| Deferred tax asset | 2 | 1 | - | - |
| **Total non-current assets** | **3,492** | **3,724** | **4,081** | **4,074** |
| | | | | |
| **Current assets** | | | | |
| Trade and other receivables | 664 | 405 | 553 | 556 |
| Current tax recoverable | 0 | - | 28 | - |
| Cash at the bank and in hand | 17 | 34 | 99 | 90 |
| **Total current assets** | **682** | **439** | **680** | **646** |
| | | | | |
| **Total assets** | **4,173** | **4,163** | **4,761** | **4,720** |
| | | | | |
| **Equity and liabilities** | | | | |
| Share capital | 16 | 16 | 16 | 16 |
| Retained earnings | 1,054 | 1,124 | 1,188 | 1,279 |
| **Total equity** | **1,070** | **1,140** | **1,204** | **1,295** |
| | | | | |
| **Non-current liabilities** | | | | |
| Long-term borrowings | 700 | 575 | 860 | 696 |
| Deferred tax liability | | | 11 | 12 |
| **Total non-current liabilities** | **700** | **575** | **871** | **708** |
| | | | | |
| **Current liabilities** | | | | |
| Trade and other payables | 733 | 1,679 | 722 | 935 |
| Short-term borrowings | 1,667 | 767 | 1,963 | 1,770 |
| Current tax liability | 4 | 3 | - | 11 |
| **Total current liabilities** | **2,404** | **2,449** | **2,685** | **2,717** |
| | | | | |
| **Total liabilities** | **3,103** | **3,024** | **3,556** | **3,425** |
| **Total equity and liabilities** | **4,173** | **4,164** | **4,761** | **4,720** |

The asset and liability structure of IFP Malta largely remained the same although there are some notable movements year-on-year.

The value of total assets of IFP Malta increased from €4.2m to €4.7m in FY22. Similarly, the value of total liabilities increased from €3m to €3.6m in FY22.

The most notable difference was the increase in non-current assets and more specifically property, plant and equipment that increased from €0.5m to €0.9m. This increase is mostly attributable to an increase in the value of fenders (€0.3m) and to some extent the increase in the value of hoses (€0.1m).

Current assets increased slightly as IFP reported €0.1m higher current trade and other receivables in FY22.

Shareholder's equity has remained largely unchanged, only reflecting the immaterial net income in retained earnings.

Within non-current liabilities, long-term borrowings increased to €0.9m in FY22 from €0.6m mainly due to loans with a related party that have increased by €0.4m in FY22.

In the current liabilities of the company, there has been a slight increase from €2.5m to €2.7m. However, the composition of these liabilities has changed. Trade and other payables decreased from €1.7m to €0.7m, mostly indicating a decrease in outstanding payments to related parties. On the other hand, short-term borrowings increased from €0.8m to €2m, suggesting an increase in the company's borrowings for short-term financing needs.

The main reason for this increase in short-term borrowings is the substantial increase in bank overdrafts from €0.6m to €1.8m. Bank overdrafts are a form of short-term borrowing where the company withdraws more funds from its bank account than it currently has, resulting in a negative balance. This increase in bank overdrafts indicates that the company has been relying more on this form of financing to cover its short-term cash flow requirements.

The bank overdrafts were used to finance the substantial decrease in working capital as further discussed in section 2.6 about the cash flow of IFP.

In FY23, no material changes are projected in the assets, the equity, and the liabilities positions of IFP Malta.

## 2.6 Guarantors' Statement of Cash Flows

### Endo Properties Ltd

| Statement of Cash Flows for the year ended 31 December | 2020A | 2021A | 2022A | 2023F |
|---|---|---|---|---|
| | €000s | €000s | €000s | €000s |
| Cash flows from operations | (914) | 103 | 65 | 62 |
| Interest paid | (30) | (34) | (40) | (27) |
| Taxation paid | (36) | 6 | (26) | (13) |
| **Net cash flows generated from/(used in) operating activities** | **(980)** | **75** | **(1)** | **22** |
| | | | | |
| **Cash flows from investing activities** | | | | |
| Acquisition of property, plant, and equipment | - | (2) | - | - |
| Advances to the ultimate beneficial owner | - | (8) | - | - |
| **Net cash flows generated from/used in investing activities** | **-** | **(11)** | **-** | **-** |
| | | | | |
| **Cash flows from financing activities** | | | | |
| Movement in related party loans | 1,061 | 31 | 66 | 16 |
| Repayments of Loans to related party | - | - | (12) | (34) |
| Movement in the ultimate beneficial owner | (30) | - | - | - |
| Movement in bank loan | (48) | (85) | (63) | - |
| **Net cash flows generated from/used in financing activities** | **983** | **(54)** | **(9)** | **(18)** |
| | | | | |
| **Movement in cash and cash equivalents** | **3** | **11** | **(10)** | **4** |
| Cash and cash equivalents at the start of the year | (1) | 2 | 13 | 3 |
| **Cash and cash equivalents at end of the year** | **2** | **13** | **3** | **7** |

In FY22, Endo Properties used €1k in operating activities, a decrease from a year prior (FY21: €73k cash inflow).

The company had very immaterial investing cash flow movement in FY22.

Cash used in financing activities was also minor, only 9k, and could largely be attributed to the advances from related parties that was offset by repayments of bank loans and related party loans.

Movement in cash was immaterial and at the end of the year, Endo Properties had €3k of cash and cash equivalents at FY22 end.

In FY23, no major moves are expected in cash flow from operations. No cash flow is projected from investing activities. Within financing activities, the cash inflow from related party loans is projected to be offset by the cash outflow due to the repayment of loans to related parties.

International Fender Providers Ltd

| Statement of Cash Flows for the year ended 31 December | 2020A | 2021A | 2022A | 2023F |
|---|---|---|---|---|
| | €000s | €000s | €000s | €000s |
| Cash flows from operating activities | | | | |
| Cash flows from operations | 222 | 1,720 | (749) | 634 |
| Interest paid | (109) | (93) | (127) | (143) |
| Taxation paid/(refund) | 7 | (21) | (53) | (10) |
| **Net cash flows generated from / (used in) operating activities** | **120** | **1,605** | **(929)** | **482** |
| | | | | |
| Cash flows from investing activities | | | | |
| Acquisition of property, plant, and equipment | (35) | (135) | (554) | (134) |
| Proceeds from disposal of property, plant and equipment | 6 | - | - | - |
| Movement in related parties' loans | 692 | (198) | 87 | - |
| **Net cash flows generated from / (used in) investing activities** | **663** | **(333)** | **(467)** | **(134)** |
| | | | | |
| Cash flows from financing activities | | | | |
| Movements in bank loans | (102) | (118) | (119) | (126) |
| Movement in related parties' loans | (406) | - | - | (28) |
| Net advances from related parties | - | - | 434 | - |
| **Net cash flows generated from / (used in) financing activities** | **(508)** | **(118)** | **315** | **(154)** |
| | | | | |
| **Movement in cash and cash equivalents** | **276** | **1,154** | **(1,081)** | **194** |
| Effects of foreign exchange differences | 154 | (213) | (17) | - |
| **Net change in cash and cash equivalents** | **430** | **941** | **(1,098)** | **194** |
| Cash and cash equivalents at start of year | (1,984) | (1,554) | (613) | (1,712) |
| **Cash and cash equivalents at end of the year** | **(1,554)** | **(613)** | **(1,712)** | **(1,518)** |

In FY21, IFP Malta utilised €0.9m cash from operating activities, representing a significant decrease when compared to the prior year (€1.6m cash inflow). The main reason for the difference is the decrease in the working capital balances. In FY22 both changes in receivables and payables contributed to the lower cash flow from operations (an increase in receivables and a decrease in payables). Conversely, in FY22 the movement was reversed, as trade and other receivables increased while payables decreased, both contributing to an operating cash outflow.

Cash used in investing activities was €0.5m in FY22, mostly due to capital expenditures, more specifically on fenders and hoses, somewhat offset by a cash inflow from related party loans.

Cash flow from financing activities was a €0.3m cash inflow due to the net advances from related parties of €0.4m.

Thus overall, IFP utilised €1.1m cash in FY22 and had a negative cash balance of €1.7m at FY22 year end. This comprised of a €1.8m bank overdraft and an offsetting €0.1m cash holding in the statement of financial position.

In FY23, IFP Malta anticipates a positive cash flow from operations, with a projected amount of €0.6m. This suggests that the company expects to generate cash from its core business activities, such as the provision of services or sale of goods. Even after accounting for interest and taxes, IFP Malta forecasts a net positive cash flow from operations of €0.5m. This indicates that the company expects to generate sufficient cash from its operational activities to cover its interest expenses and tax obligations, and still have a positive net cash flow.

Small investing and financing cash outflows are projected due to the acquisition of property, plant and equipment and repayments of bank loans respectively.

Thus overall, a *circa* €0.2m increase is projected in the cash levels of IFP Malta in FY23 and the company is projected to end the year with a €1.5m negative cash balance.

## 2.7 Group's Income Statement

| Income Statement for the year ended 31 December | 2020A | 2021A | 2022A | 2023F |
|---|---|---|---|---|
| | €000s | €000s | €000s | €000s |
| Revenue | 9,820 | 10,905 | 12,518 | 10,344 |
| Cost of sales (exc. depreciation) | (6,146) | (6,544) | (7,347) | (5,880) |
| **Gross profit** | **3,674** | **4,361** | **5,171** | **4,463** |
| Administrative expenses | (975) | (951) | (1,388) | (1,096) |
| Other operating income | 305 | 16 | 2,925 | 991 |
| **EBITDA** | **3,004** | **3,426** | **6,709** | **4,358** |
| Depreciation | (1,306) | (1,645) | (2,553) | (1,441) |
| **EBIT** | **1,698** | **1,780** | **4,155** | **2,917** |
| Movement in revaluation of investment property | - | - | 200 | - |
| Finance income | - | - | 88 | 166 |
| Finance costs | (751) | (734) | (907) | (1,224) |
| **Profit before tax** | **947** | **1,046** | **3,536** | **1,859** |
| Taxation | (90) | (87) | (53) | (99) |
| **Profit after tax** | **857** | **959** | **3,483** | **1,760** |

| Ratio Analysis[6] | 2020A | 2021A | 2022A | 2023F |
|---|---|---|---|---|
| *Profitability* | | | | |
| Growth in Revenue (YoY Revenue Growth) | 77.1% | 11.1% | 14.8% | -17.4% |
| Gross Profit Margin (Gross Profit / Revenue) | 37.4% | 40.0% | 41.3% | 43.2% |
| EBITDA Margin (EBITDA / Revenue) | 30.6% | 31.4% | 53.6% | 42.1% |
| Operating (EBIT) Margin (EBIT / Revenue) | 17.3% | 16.3% | 33.2% | 28.2% |
| Net Margin (Profit for the year / Revenue) | 8.7% | 8.8% | 27.8% | 17.0% |
| Return on Common Equity (Net Income / Total Equity) | 7.8% | 8.0% | 22.6% | 9.5% |
| Return on Assets (Net Income / Total Assets) | 2.8% | 3.1% | 8.7% | 3.7% |

In FY22, revenue of Endo Group showed a notable, 15% increase year-on-year with a €12.5m top line in FY22 (FY21: €10.9m). Both the bareboat charter and the time charter revenue streams increased in FY22, the former from €0.3m to €1.2m and the latter from €6.4m to €7.5m.

The increase in time charter revenue can be attributed to the full utilisation of Endo Breeze throughout the year, whereas in 2021, the vessel was idle for a number of days due to drydocking. Additionally, the chartering of Endo Levante contributed to the growth in time charter revenue.

On the other hand, the increase in bareboat charter revenue was a result of various factors. Mumtaz experienced higher bareboat charter rates, leading to additional revenue. Furthermore, Endo Levante, which was also chartered, generated additional revenue through voyage charters in 2022, including revenue that is included in the bareboat charter category.

Additionally, fendering revenue decreased from €3.3m to €3m in FY22. This decline was primarily due to a reduction in ship-to-ship operations in Malta throughout the year. However, with the establishment of a new base in Laconia, Greece during the second half of the year, IFP Malta was able to increase its operations and offset the reduction experienced in Malta.

The Group's revenues mainly consisted of revenue generated by Endo Two: 36.4% (FY21: 34.2%), IFP Malta: 24.3% (FY21: 31.2%), Endo Sirocco: 21.3% (FY21: 24.6%), Endo Levante Maritime Ltd 9.3% and Intership Management Ltd 5.1% (FY21: 5.8%). The revenue of the latter company is generated from the ship management services it provides to a company within Palm Group which leases the vessels Mumtaz and Endo Sirocco. A further detailed explanation of the Group's performance is found below and the variance analysis between the actual and projections for FY22 is discussed in detail in section 2.7.1.

[6] Ratio Analysis may not agree to prior FASs, due to a change in the calculation methodology or due to rounding differences variance

The direct costs or cost of sales of the vessel operating companies primarily consist of crewing and training expenses, equipment costs, repairs, and maintenance as well as other general expenses comprising travel expenses of the crew, 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. Furthermore, the direct costs of IFP Malta mainly consist of fendering expenses which include purchases of ancillary equipment an services required for the ship-to-ship operations as well as freight costs. Cost of sales excluding depreciation in FY22 amounted to €7.4m and increased in line with the higher revenues generated during the calendar year.

In FY22, administrative expenses, which include insurance costs, traveling expenses, and legal and professional fees, witnessed a substantial increase from €1m to €1.4m. These specific categories contributed significantly to the overall rise in administrative expenses during the fiscal year.

FY22 witnessed a substantial increase in other income, reaching €2.9m. This notable growth can be attributed to the recorded sale of Endo Breeze, which contributed to the significant increase in other operating income.

Consequently, Earnings before interest, tax, depreciation and amortisation (EBITDA) substantially increased as it amounted to €6.7m in FY22 (FY21: €3.4m).

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 expenses for FY22 experienced a notable increase from €1.6m in the previous year to €2.6m. This increase can be primarily attributed to higher depreciation of vessels due to additional drydocking expenses incurred during the year, compared to the previous period as well as the higher depreciation expense due to the upward revaluation of the vessels.

In FY22, the EBIT (Earnings Before Interest and Taxes) of the Endo Group significantly rose to €4.2m, compared to €1.8 m in FY21. This substantial increase can be attributed to the rise in other operating income resulting from the sale of Endo Breeze.

The Group also had a revaluation gain of €0.2m from the revaluation of a property. This gain was also discussed in sections 2.4 and 2.5.

Finance costs mainly consist of the interest costs that the Issuer incurs on the bonds currently in issue as well as the interest on bank loans and bank overdraft.

Finance costs increased to €0.9m (FY21: €0.7m), mostly due to an increase on the interest of bank loans as well as a €0.1m bank overdraft cost last year.

Due to the aforementioned sale of Endo Breeze, the profit after tax for the year amounted to €3.4m, representing a substantial increase compared to the prior year. However, when excluding the one-off item of €2.8m from the sale, the profit after tax generated from continuing operations was slightly lower in FY22 (€0.7m) compared to FY21 (€1m).

Regarding the profitability of the Group, Endo's EBITDA Margin in FY22 improved significantly, reaching 53.6% compared to the FY21 figure of 31.4%. This indicates a higher level of profitability year-on-year. Similarly, both the EBIT margin and the Net margin showed improvements compared to the previous year. However, it is important to note that the sale of Endo Breeze has influenced these ratios, leading to an upward skew. As a result, the explanatory power of these ratios may be somewhat limited as they do not solely represent the Group's ongoing cash flow generating capability.

In FY23, the Group expects somewhat lower revenues when compared to last year. The lower projected revenue is due to the following factors:  mainly due to the absence of revenue from Endo Breeze, which will not be fully offset by the newly acquired vessel Ponente and another vessel expected to be acquired later in 2023. Although these new revenue streams are projected to eventually surpass the revenue generated by Endo Breeze, their impact in 2023 will probably be limited as the vessels will not be in operation for the full year.

In line with lower revenues, cost of sales is also projected to be lower at around €5.9m.

Furthermore, administrative expenses are projected to decrease in FY23. This reduction is partly attributed to certain costs that were previously classified as administrative expenses in 2022 being reclassified as cost of sales. Additionally, there were some one-off costs incurred in 2022 that are not expected to recur in the following year. The Group is also projecting a substantial other operating income figure of €1m for FY23. This includes the expected gain from the sale of Endo Levante.

Finance costs are projected to increase to €1.2m in FY23 from €0.9m in the previous year. This increase is primarily attributed to the inclusion of the cost associated with the unlisted notes for the full calendar year. It should be noted that these notes were issued in November 2022, and their impact on finance costs will be realized for the first time in FY23.

In FY23, the projected EBITDA Margin is expected to be lower than the current year, at 42.1%, although it remains higher than the FY21 level. The variations are primarily influenced by the inclusion of one-off revenue items recorded in other operating income. However, if we exclude the projected €1m in FY23, the EBITDA margin would be similar to the levels observed in FY21. It is important to consider these adjustments to obtain a more accurate understanding of the ongoing operational performance of the Group.

Similarly, the EBIT margin and the Net Margin for FY23 are also affected by the inclusion of other operating income, which skews the ratios upward. Excluding the impact of other operating income, these ratios would be at similar levels to FY21. Therefore, it is important to consider the one-off nature of these income items in order to gain a clearer understanding of the underlying profitability of the Group in FY23.

### 2.7.1 Group's Variance Analysis

| Income statement | 2022F | 2022A | Variance |
|---|---|---|---|
| | €000s | €000s | €000s |
| Revenue | 11,822 | 12,518 | 696 |
| Cost of sales | (6,656) | (7,347) | (691) |
| **Gross profit** | **5,166** | **5,171** | **5** |
| Administrative expenses | (653) | (1,388) | (735) |
| Other income | - | 2,925 | 2,925 |
| **EBITDA** | **4,513** | **6,709** | **2,196** |
| Depreciation | (2,065) | (2,553) | (488) |
| **EBIT** | **2,448** | **4,155** | **1,707** |
| Movement in revaluation of investment property | - | 200 | 200 |
| Finance costs | (764) | (819) | (55) |
| **Profit before tax** | **1,684** | **3,536** | **1,852** |
| Tax expense | (98) | (53) | 45 |
| **Net income** | **1,586** | **3,483** | **1,897** |

The Group's revenue for FY22 was projected to reach €11.8m but the actual revenue exceeded expectations, reaching €12.5m. This represents a positive variance of €696k or a 5.9% positive variance. The higher revenue was driven by two main factors. Firstly, there was an increase in IFP operations during the second half of the year, which generated additional revenue of €250k. Secondly, charter revenue from Mumtaz, Endo Breeze, and Endo Levante also contributed to the overall revenue growth.

Consequently, the cost of sales for FY22 was also higher than forecasted. The projected cost of sales was €6.7m but the actual figure amounted to €7.4m, resulting in a negative variance of €700k or a 10.3% higher value. This increase in direct costs was primarily driven by higher expenses associated with Endo Levante and Endo Breeze.

Gross profit for FY22 was basically in line with the forecasted amount at €5.2m. The increase in cost of sales offset most of the revenue growth achieved during the year.

Administrative expenses for FY22 exceeded the forecasted amount significantly. The forecasted administrative expenses were €653k but the actual expenses amounted to €1.4m, resulting in a negative variance of €735k or a 112.5% increase. The notable increase in administrative expenses can be attributed to several factors, including higher Intership Management admin costs, increased legal and professional fees, realized difference on exchange, and higher Endo Levante admin costs.

The Group generated other operating income of €2.9m in FY22, primarily from the sale of the vessel Endo Breeze however this was not forecasted previously as the opportunity to sell the vessel arose later during the year.

EBITDA for FY22 surpassed the forecasted amount significantly. The forecasted EBITDA was €4.5m, while the actual EBITDA reached €6.7m, resulting in a positive variance of €2.2 m or a 48.7% increase. This improvement in EBITDA can be attributed to the higher revenue and effective cost management.

The movement in the revaluation of investment property for FY22 resulted in a variance of €200k. The actual movement in property valuation amounted to €200k, indicating an increase compared to the forecasted amount. This positive variance reflects the favourable revaluation of the investment properties held by the company, further enhancing its asset value.

Depreciation for FY22 showed a negative variance as well. The forecasted depreciation expense was projected at €2.1m, while the actual depreciation incurred amounted to €2.6m, resulting in a negative variance of €488k or an 23.6% increase. The higher depreciation expense can be attributed to the revaluation of vessels Mumtaz, Endo Sirocco and Endo Levante that occurred in 2022. Moreover, there was an increase in capitalised drydocking costs which contributed to the increase in depreciation.

Moving on to EBIT, FY22 outperformed the forecasts significantly. The forecasted EBIT was projected at €2.4m, while the actual EBIT reached €4.2m, resulting in a positive variance of €1.7m or a remarkable 69.7% positive variance.

Finance costs for FY22 were slightly higher than anticipated. The forecasted finance costs were €764k, but the actual finance costs incurred amounted to €819k, resulting in a negative variance of €55k or a 7.2% increase. The difference in finance costs was mainly driven by the interest on the unlisted notes, which was not initially forecasted.

Profit before tax for FY22 exceeded expectations significantly. The forecasted profit before tax was €1.7m, while the actual profit before tax reached €3.5m, resulting in a variance of €1.9m or a remarkable 110.0% positive difference. This notable improvement in profitability can be attributed to the higher revenue, effective cost management, and the positive impact of the disposal of Endo Breeze.

Taxation for FY22 also showed a negative variance. The forecasted taxation was projected at €98k, but the actual taxation incurred amounted to €53k, resulting in a variance of €45k or a 45.9% lower value.

Consequently, the profit after tax for FY22 surpassed the forecasted amount significantly. The forecasted profit after tax was €1.6m, while the actual profit after tax reached €3.5m, resulting in a positive variance of €1.9m or a substantial 119.6% positive change.

## 2.8 Group's Statement of Financial Position

| Statement of Financial Position as at 31 December | 2020A | 2021A | 2022A | 2023F |
|---|---|---|---|---|
| | €000s | €000s | €000s | €000s |
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Intangible assets | 5 | 7 | 6 | 5 |
| Investment property | 4,800 | 4,800 | 4,800 | 4,800 |
| Property, plant and equipment | 18,879 | 19,256 | 14,912 | 29,851 |
| Loans and receivables | 3,048 | 3,254 | 6,191 | 6,172 |
| **Total non-current assets** | **26,732** | **27,317** | **25,909** | **40,828** |
| | | | | |
| **Current assets** | | | | |
| Inventory | - | 240 | 26 | - |
| Trade and other receivables | 1,431 | 3,511 | 4,308 | 3,669 |
| Current tax recoverable | - | - | 30 | 1 |
| Cash and cash equivalents | 2,639 | 897 | 18,268 | 2,207 |
| **Total current assets** | **4,070** | **4,647** | **22,632** | **5,877** |
| | | | | |
| **Total assets** | **30,802** | **31,965** | **48,541** | **46,706** |
| | | | | |
| **Equity and liabilities** | | | | |
| **Capital and reserves** | | | | |
| Share capital | 2,583 | 2,583 | 2,583 | 2,583 |
| Retained earnings | 7,396 | 8,056 | 11,009 | 12,489 |
| Exchange rate reserve | (410) | (84) | 605 | 289 |
| Revaluation reserve | 1,997 | 1,997 | 4,039 | 3,498 |
| **Total equity** | **11,566** | **12,551** | **18,236** | **18,859** |
| | | | | |
| **Non-current liabilities** | | | | |
| Debt securities in issue | 13,260 | 13,290 | 17,975 | 18,035 |
| Long-term borrowings | 1,263 | 1,045 | 4,336 | 3,787 |
| Long-term payables | 471 | 471 | 337 | - |
| Deferred tax | 864 | 852 | 968 | 931 |
| **Total non-current liabilities** | **15,857** | **15,659** | **23,616** | **22,752** |
| | | | | |
| **Current liabilities** | | | | |
| Borrowings | 1,788 | 896 | 2,216 | 2,103 |
| Trade and other payables | 1,568 | 2,838 | 4,475 | 2,992 |
| Current tax payables | 22 | 22 | - | - |
| **Total current liabilities** | **3,378** | **3,755** | **6,691** | **5,095** |
| | | | | |
| **Total liabilities** | **19,235** | **19,414** | **30,307** | **27,847** |
| | | | | |
| **Total equity and liabilities** | **30,801** | **31,965** | **48,543** | **46,706** |

| Ratio Analysis[7] | 2020A | 2021A | 2022A | 2023F |
|---|---|---|---|---|
| | | | | |
| Gearing 1 (Net Debt / Net Debt and Total Equity) | 55.0% | 54.1% | 26.6% | 53.5% |
| Gearing 2 (Total Liabilities / Total Assets) | 62.4% | 60.7% | 62.4% | 59.6% |
| Gearing 3 (Net Debt / Total Equity) | 122.3% | 118.0% | 36.2% | 115.2% |
| Net Debt / EBITDA | 4.7x | 4.3x | 1.0x | 5.0x |
| Current Ratio (Current Assets / Current Liabilities) | 1.2x | 1.2x | 3.4x | 1.2x |
| Interest Coverage 1 (EBITDA / Cash interest paid) | 4.0x | 4.7x | 7.4x | 3.6x |
| Interest Coverage 2 (EBITDA / Finance costs) | 4.0x | 4.7x | 7.4x | 3.6x |

The total assets of the firm amounted to €48.5m in FY22, slightly up from €32m a year earlier.

In FY22, total non-current assets amounted to €25.9m (FY21: €27.3m). These mainly consisted of property, plant, and equipment (PPE), investment property, and receivables. PPE reflects the value of the vessels owned by the Endo Group, in addition to the value of part of the Marsa warehouse. Investment property represents the remaining properties owned by Endo Properties. The year-on-year decrease largely stems from the net decrease in the value of property, plant and equipment, notably vessels due to the sale of Endo Breeze, partially offset by the increase in the amounts owed by Group companies and the upward revaluations of Endo Sirocco ($3.2m) and Endo Mumtaz ($2.4m).

In FY22, total current assets amounted to €22.6m (FY21: €4.6m), which predominantly comprise cash reserves and trade and other receivables. The substantial growth in cash balances can be attributed to the proceeds from the sale of Endo Breeze, which contributed to the increase in the Group's cash reserves. This substantial increase in cash levels was not reflected in the previous document as the opportunity to sell the vessel arose later in the year. Current trade and receivables also increased by €0.8m year-on-year.

During FY22, Endo Group's total equity increased to €18.2m (FY21: €12.6m). Share capital remained unchanged, the material changes affected the retained earnings, the currency translation reserve and the revaluation reserve lines. Profit for the previous year was retained except for €0.5m, which was paid out as dividends. This €0.5m reduction was offset by a favourable currency movement with a value of €0.6m, and also an increase of €2m in the revaluation reserve due to the revaluation of vessels Endo Sirocco, Endo Levante and Mumtaz, resulting in the €5.7m growth in the shareholder's equity.

Total liabilities amounted to €30.3m in FY22 (FY21: €19.4m). These mainly consist of the €18m debt securities in issue, and €4.5m in trade and other payables.

Non-current liabilities in FY22 witnessed a significant increase of €8m compared to the previous year, primarily driven by the rise in debt securities in issue and in long term borrowings. The Group's outstanding bonds saw an increase with the inclusion of €4.8m unlisted notes, which were not included in the Group's projections for the previous year. This discrepancy between the projected and actual figures for debt securities highlights the notable difference between the projected and actual debt obligations of the Group in FY22.

Long-term borrowings have also materially increased from €1m to €4.3m due to a new bank loan from Izola bank.

Deferred tax liabilities, which primarily originated from property revaluations in previous years, are recorded at €1m. These liabilities can be utilized by the Group to offset future tax expenses and reduce its tax obligations.

Within current liabilities, there was an increase in short-term borrowings from €0.9m to €2.2m, indicating a rise in utilisation of the overdraft facility. Additionally, payables increased from €2.8m to €4.5m, primarily driven by a substantial increase in trade payables and accruals. This overall increase in current liabilities amounted to €3m, reflecting the higher financial obligations and outstanding payments that the Group is expected to settle in the short term.

The Group's financial strength improved in FY22, as reflected by various key ratios. The gearing ratio 1 (Net Debt / Net Debt and Total Equity) decreased significantly from 54.1% in FY21 to 26.6% in FY22. This indicates a lower proportion of net debt in relation to the combined value of net debt and total equity, signifying a stronger financial position. This

[7] Ratio Analysis may not agree to prior FASs, due to a change in the calculation methodology or due to rounding differences variance

decrease is mainly due to proceeds from the sale of Endo Breeze, which are to be reutilised for further investments as well as proceeds from 2022 debt security which was yet to be utilised.

Similarly, the Net Debt / EBITDA ratio improved from 4.2x in FY21 to 1x in FY22, although it should be noted that this ratio was influenced by the sale of Endo Breeze. Excluding this one-off item, the ratio would have been flat year-on-year.

Furthermore, the interest coverage ratio increased from 4.7x in FY21 to 7.4x in FY22, indicating an enhanced ability to cover interest expenses with operating profits.

Overall, these ratios suggest that the Group maintained a healthy financial position in FY22, with a lower level of net debt, improved debt coverage, and increased financial strength as reflected by the higher total equity and total assets.

In FY23, the Group expects a slight reduction in the overall value of its assets, which is forecasted to be €46.7m compared to €48.5m in FY22. This decrease is mainly attributed to the reduction in current assets, offset by the substantial growth in non-current assets.

The significant increase in non-current assets is primarily driven by the higher value of property, plant, and equipment, specifically due to the acquisition of the new vessel Endo Ponente and another vessel to be acquired during 2023. However, this growth in non-current assets is expected to be counterbalanced by a decrease in cash levels resulting from the utilization of cash for the vessel purchase.

Total equity is expected to increase by €0.6m in FY23, primarily driven by the projected profit for the year, which will be recorded in retained earnings. However, the revaluation reserve is anticipated to decrease due to the expected sale of Endo Levante, leading to a reversal of a portion of the revaluation reserve related to that asset. Despite this reduction, the overall increase in shareholders' equity from €18.2m to €18.9m reflects the Group's improved financial position and its ability to generate profits, highlighting its strength and growth.

In FY23, the Group anticipates a decrease in total liabilities, which are forecasted to amount to €27.8m compared to €30.3m in the previous year. This reduction is primarily attributed to the lower projected levels of trade and other payables, reflecting a projected improvement in the management of outstanding obligations. Additionally, there is a slight decrease in the expected amount of borrowings, further contributing to the decline in total liabilities.

In FY23, the financial strength of Endo Group is expected to remain stable, similar to the levels observed in FY22 and FY21. The gearing ratios are projected to be comparable to the previous year, indicating a consistent capital structure. However, the interest coverage ratio is forecasted to be slightly lower at 3.6x, reflecting the increase in finance costs. While this ratio still demonstrates a healthy position, it represents a decline from the previous year. Additionally, due to the substantial reduction in cash levels, the Net Debt / EBITDA ratio is expected to increase to 5x in FY23, due to the utilisation of proceeds from the sale of Endo Breeze and from the debt security. Although this ratio appears worse compared to the previous year, it is not significantly different from the 4.3x observed in FY21. Overall, while there are slight variations in certain ratios, the financial strength of the Group remains solid.

## 2.9 Group's Statement of Cash Flows

| Statement of Cash Flows for the year ended 31 December | 2020A | 2021A | 2022A | 2023F |
|---|---|---|---|---|
| | **€000s** | **€000s** | **€000s** | **€000s** |
| Cash flows from operating activities | | | | |
| Cash flows from operations | 2,026 | 2,825 | 6,160 | 2,366 |
| Income tax refund/(paid) | (74) | (99) | (132) | (70) |
| Interest paid | (751) | (734) | (907) | (1,224) |
| **Net cash flows generated from / (used in) operating activities** | **1,201** | **1,991** | **5,121** | **1,072** |
| | | | | |
| Cash flows from investing activities | | | | |
| Acquisition of property, plant and equipment | (1,811) | (1,991) | (5,112) | (19,128) |
| Acquisition of intangible assets | (2) | (3) | - | - |
| Movement in loans to related parties | 610 | (206) | (2,937) | 19 |
| Capitalisation of bond issue costs | - | - | (150) | - |
| Proceeds from disposal of property, plant and equipment | 6 | - | 12,111 | 3,355 |
| **Net cash flows generated from / (used in) investing activities** | **(1,197)** | **(2,201)** | **3,911** | **(15,754)** |
| | | | | |
| Cash flows from financing activities | | | | |
| Debt securities in issue | - | - | 4,800 | - |
| Movement in loans from related parties | 105 | 1 | (471) | - |
| Movement in bank loans | (150) | (203) | 3,449 | (459) |
| Dividends paid | (80) | (200) | (600) | (400) |
| **Net cash flows generated from/ (used in) financing activities** | **(125)** | **(402)** | **7,178** | **(859)** |
| | | | | |
| **Movement in cash and cash equivalents** | **(121)** | **(612)** | **16,210** | **(15,542)** |
| Cash and cash equivalents at the start of the year | 1,051 | 1,084 | 249 | 16,458 |
| Effects of exchange rate changes on cash and cash equivalents | 154 | (223) | (2) | (316) |
| **Cash and cash equivalents at end of the year** | **1,084** | **249** | **16,457** | **601** |

| Ratio Analysis[8] | 2020A | 2021A | 2022A | 2023F |
|---|---|---|---|---|
| *Cash Flow* | **€000s** | **€000s** | **€000s** | **€000s** |
| Free Cash Flow (CFO prior to the payment of interest - Capex) | 141 | 735 | 916 | (16,832) |

During FY22, the Group's net cash flows from operating activities, including interest payments, totalled €5.1m, reflecting an increase compared to the previous year's figure of €2m. The higher cash flows were primarily driven by the day-to-day operations of the business in FY22. Although interest and tax payments were slightly higher compared to the previous year, the overall increase in net cash flows from operating activities highlights the improved cash generation capability of the Group during the year.

The actual operating cash flow for FY22 amounted to €5.1m, surpassing the previously projected value by €3.5m. This positive variance can be attributed to higher-than-anticipated cash flow generated from the Group's operations during the year. The improved performance in operational activities resulted in a stronger inflow of cash, exceeding the initial projections. Additionally, the interest paid was somewhat lower in comparison, as the interest

[8] Ratio Analysis may not agree to prior FASs due to a change in the calculation methodology or due to rounding differences variance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expense of the €4.8m unlisted notes was not included in the projection.

In FY22, cash flow from investing activities was positive at €3.9m, primarily due to the receipt of $14.1m in proceeds from the sale of Endo Breeze. However, this positive cash flow was partially offset by cash outflows of €2.2m for the acquisition of Endo Levante and €2.1m for drydocking expenses related to property, plant, and equipment.

The actual cash flow from investing activities in FY22, which included the sale of Endo Breeze and drydocking expenses, differed significantly from the previously projected figures. These unforeseen events resulted in a material variance between the projected and actual cash flows from investing activities in the previous year.

Cash from financing activities in FY22 showed a cash inflow of €7.2m, primarily driven by the proceeds received from the issuance of €4.8m unlisted notes and a €4.9m bank loan from Izola bank. However, this positive inflow was partially offset by an increase in dividend payments, which rose from €0.2m to €0.6m in FY22.

The Group's projections for cash flow from financing activities in FY22 differed significantly from the actual figures. The projections indicated a slight cash outflow, primarily due to a smaller bank loan and the absence of unlisted notes in the forecast. However, the actual cash inflow from financing activities exceeded expectations, driven by the proceeds from the unlisted notes and the higher amount of bank loan.

The Endo Group is projecting a positive cash flow generated from operating activities of €1.1m in FY23, reflecting a substantial decrease from FY22. This decrease is primarily attributed to the forecasted reduction in working capital, mainly trade and other payables, which is expected to decrease by €1.1m. In FY22, the movement in working capital contributed to the high cash flows from operations of €6.2m. However, in FY23, the reduction in working capital is expected to result in a decrease of €3.3m in cash from operations, changing from a positive €2.1m to a negative €1.1m. Additionally, higher forecasted interest payments are also contributing to the lower cash flow from operations figure.

Within investing activities, the Group expects to incur €19.2m in capital expenditure during FY23, which mainly reflects the addition of Endo Ponente, and another vessel to be acquired later on during the year, to its fleet of vessels.

In FY23, cash flows from financing activities are expected to result in a total outflow of €0.9m. This is primarily driven by the projected dividend payment of €0.4m and a forecasted reduction in bank loans of €0.5m.

Based on the considerations discussed above, the Group expects its cash reserves decrease to €0.6m by the end of FY23, following a €0.6m negative expected impact of exchange rates.

# Part 3 Key Market and Competitor Data

## 3.1 General Market Conditions[9]

**The global tanker market**

The world merchant fleet as per Equasis report in 2023, consists of approximately 118,928 vessels for a total Gross Tonnage (in 1000 gt) of 1,479,783 Of this fleet, 4.64% or 5,517 ships are container ships, while 12.02% or 14,309 ships are oil and chemical tankers. Container ships cover a Gross Tonnage (in 1000 gt) of 265,892 (17.97%), while chemical tankers cover a Gross Tonnage (in 1000 gt) of 375,220 (15.36%).

Analysts however predict that over the next 5 to 10 years the net growth will be less, especially in the product tanker sector. This is primarily due to increased scrapping, which is coupled with more moderate order books on product tankers.

In terms of market size, the global chemical tanker market is expected to grow from 26.4b in FY22 to 33.4b in FY28, with a CAGR of 4.9%. The reasons behind the expected increase are shale gas production and the increased demand for LNG due to geopolitical concerns. Additionally, the projected spike in demand for vegetable fats and oils is also predicted to drive the expansion of the global chemical tanker market.

**The tanker market in Malta**

As of the date of this Analysis, Malta has the largest ship registry in Europe and the eighth largest worldwide. As of March 2021, Malta had about 85m gross tonnages in its merchant navy, with almost 3,000 vessels flying its flag. 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.

**Global tanker cost developments**

Supply chain disruptions and the impacts of COVID-19 have brought the shipping container costs to all-time highs, with a similar situation being seen in tanker shipping industry.

Logistics supply constraints, along with an increase in demand for consumer goods and e-commerce pushed container spot freight rates to five times their pre-pandemic levels in 2021, reaching a historical peak in early 2022 and sharply increasing consumer prices. The rates have dropped since mid-2022 but they remain high for oil and natural gas tanker cargo due to the ongoing energy crisis. Dry bulk freight rates increased due to the war in Ukraine and related economic measures, as well as the prolonged COVID-19 pandemic and supply chain disruptions.[10]

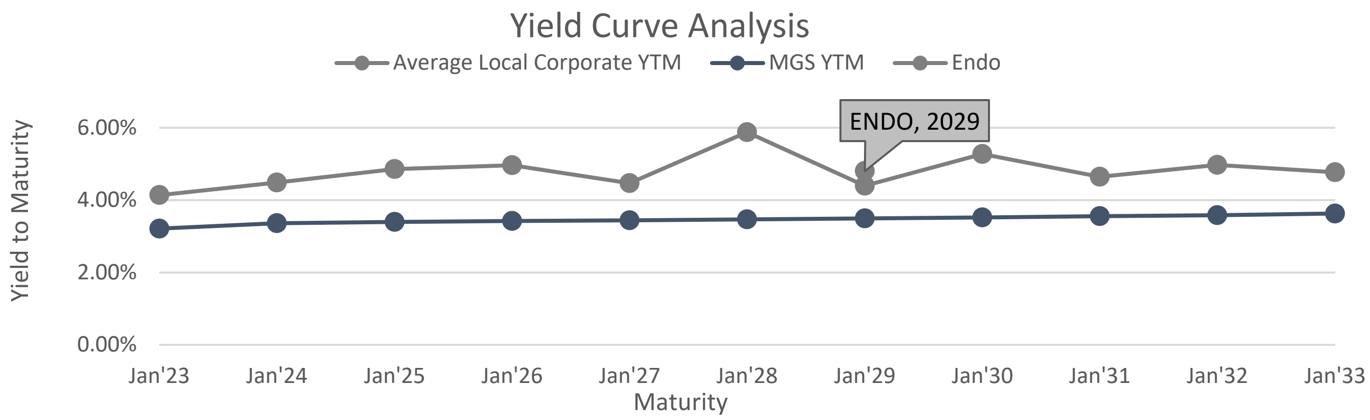
The product tanker market strengthened significantly after the onset of the Russia-Ukraine conflict in early 2022, and has since experienced very firm conditions. product tanker spot earnings series averaged USD 38,053/day across full year 2022, the highest annual average on record stretching back 25 years, and directly following on from the lowest level on record of USD 7,092/day in 2021 – a year where markets continued to experience pressure from enduring impacts on global oil demand and seaborne oil trade due to the Covid-19 pandemic.[11]

[9]https://www.ener8.com/merchant-fleet-infographic-2023/
[10]https://safety4sea.com/unctad-review-of-maritime-transport-2022/
[11]https://annualreport2022.hafniabw.com/1-2-hafnia-a-year-in-review/2022-market-summary/

## 3.2 Comparative Analysis

| Security | Nom Value €000's | Yield to Maturity (%) | Interest coverage (EBITDA) (times) | Total Assets (€'millions) | Total Equity (€'millions) | Total Liabilities / Total Assets (%) | Net Debt / Net Debt and Total Equity (%) | Net Debt / EBITDA (times) | Current Ratio (times) | Return on Common Equity (%) | Net Margin (%) | Revenue Growth (YoY) (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 5.3% Mariner Finance plc Unsecured € 2024 | 17,684 | 5.28% | 4.8x | 128.3 | 62.3 | 51.4% | 49.9% | 5.9x | 2.6x | 9.9% | 29.3% | 32.3% |
| 4.5% MedservRegis plc Unsecured € 2026 | 21,982 | 6.47% | 2.2x | 151.7 | 60.4 | 60.2% | 47.0% | 6.1x | 2.1x | 0.9% | 0.8% | 123.7% |
| 5.75% MedservRegis plc Unsecured USD 2026 | 9,148 | 7.89% | 2.2x | 151.7 | 60.4 | 60.2% | 47.0% | 6.1x | 2.1x | 0.9% | 0.8% | 123.7% |
| 4.8% Mediterranean Maritime Hub Finance plc Unsecured € 2026 | 15,000 | 5.29% | 0.9x | 37.3 | 2.3 | 93.9% | 89.6% | 14.1x | 0.8x | -69.2% | -10.4% | 22.4% |
| 4.5% Grand Harbour Marina plc Unsecured € 2027 | 15,000 | 4.76% | 1.6x | 28.7 | 4.4 | 84.5% | 79.3% | 10.6x | 2.2x | 47.3% | 39.9% | 7.6% |
| 3.75% Virtu Finance plc Unsecured € 2027 | 25,000 | 4.50% | (1.8)x | 198.7 | 80.3 | 59.6% | 44.2% | (12.2)x | 0.7x | -7.9% | -24.2% | 0.0% |
| 4.5% Endo Finance plc Unsecured € 2029 | 13,500 | 4.80% | 7.4x | 48.5 | 18.2 | 62.4% | 25.6% | 0.9x | 3.4x | 22.6% | 27.8% | 14.8% |
| 5% MedservRegis plc Secured € 2029 | 13,000 | 4.99% | 2.2x | 151.7 | 60.4 | 60.2% | 47.0% | 6.1x | 2.1x | 0.9% | 0.8% | 123.7% |
| 6.25% GPH Malta Finance plc Unsecured € 2030 | 18,144 | 5.79% | 0.2x | 811.9 | 50.4 | 93.8% | 90.8% | 71.2x | 1.2x | -88.4% | -110.5% | N/A |
| 5% Mariner Finance plc Unsecured € 2032 | 36,930 | 4.73% | 4.8x | 128.3 | 62.3 | 51.4% | 49.9% | 5.9x | 2.6x | 9.9% | 29.3% | 32.3% |
| | *Average | 5.52% | | | | | | | | | | |

*Source: Latest available audited financial statements.*
*Last price as at 26/06/2023*
**Average figures do not capture the financial analysis of the Issuer*




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

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 illustrates on a stand-alone basis, the Issuer's existing yields of its outstanding bonds.

As of 26 June 2023, the average spread over the Malta Government Stocks (MGS) for corporates with a maturity range of 1-9 (2024-2032) years was 202 basis points. The 4. 5% Endo Finance plc Bonds 2029 are currently trading at a YTM of 480 basis points, meaning a spread of 130 basis points over the equivalent MGS. This means that this bond is trading at a discount of 72 basis points in comparison to the market.

## Part 4 Glossary and Definitions

| *Income Statement* | |
|---|---|
| **Revenue** | Total revenue generated by the Group/Company from its principal business activities during the financial year. |
| **Costs** | Costs are expenses incurred by the Group/Company in the production of its revenue. |
| **EBITDA** | EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. It reflects the Group's/Company's earnings purely from operations. |
| **EBIT (Operating Profit)** | 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. |
| **Profit After Taxation** | 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. |
| **Gross Profit Margin** | Gross profit as a percentage of total revenue. |
| **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 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 less any interest incurred on debt. |
| **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 de 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. |
| **Inventory** | Inventory is the term for the goods available for sale and raw materials used to produce goods available for sale. |

| | |
|---|---|
| **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 de further classified into Non-Current Liabilities and Current Liabilities. |
| **Non-Current Liabilities** | Obligations which are due after more than one financial year. |
| **Current Liabilities** | Obligations which are due within 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. |

| *Financial Strength Ratios* | |
|---|---|
| **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. |
| **Gearing Ratio Level 3** | Is calculated by dividing Net Debt by Total Equity. |
| **Net Debt / EBITDA** | The Net Debt / EBITDA ratio measures the ability of the Group/Company to refinance its debt by looking at the EBITDA. |

| *Other Definitions* | |
|---|---|
| **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. |

Calamatta Cuschieri

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