
Financial Analysis Summary

22 May 2018

Issuer

Mariner Finance p.l.c.
(C31514)



WEALTH MANAGEMENT • CORPORATE BROKING

The Directors
Mariner Finance p.l.c.
44, Main Street
St. Julian's STJ 1018

22 May 2018

Dear Sirs

Mariner Finance p.l.c. Financial Analysis Summary

In accordance with your instructions, and in line with the requirements of the Listing Authority Policies, we have compiled the 2018 Financial Analysis Summary ("**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 Mariner Finance p.l.c. (the "**Group**" or the "**Company**"). The data is derived from various sources or is based on our own computations as follows:

- (a) Historical financial data for the three years ended 31 December 2015 to 31 December 2017 has been extracted from the audited financial statements of the Issuer for the three years in question.
- (b) The forecast data for the year ending 31 December 2018 has been provided by management.
- (c) Our commentary on the results of the Group and on its financial position is based on the explanations provided by management.
- (d) The ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions set out in Part 4 of the Analysis.
- (e) Relevant financial data in respect of the companies included in Part 3 has been extracted from public sources such as websites of the companies concerned, financial statements filed with the Registrar of Companies or websites providing financial data.

The Analysis is meant to assist investors in the Company'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 Company and should not be interpreted as a recommendation to invest in any of the Company'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 Company's securities.

Yours faithfully,



Evan Mohnani
Head – Corporate Finance

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PART 1 – INFORMATION ABOUT THE COMPANY

1. KEY ACTIVITIES

The principal activity of the Mariner Finance p.l.c. (the “**Company**” or the “**Group**”) is to act as an investment company within the Group and to engage in the investment, development and operation of sea terminals, namely in Riga, Latvia. The Group is also involved in property development.

2. DIRECTORS AND KEY EMPLOYEES

The Company is managed by a Board consisting of seven directors entrusted with its overall direction and management.

Board of Directors

Marin Hili	Chairman and Chief Executive Officer
Edward Hili	Director
Michela Borg	Director
Kevin Saliba	Director and Company Secretary
Lawrence Zammit	Independent Non-Executive Director
Nicholas Bianco	Independent Non-Executive Director
Anthony Busuttil	Independent Non-Executive Director

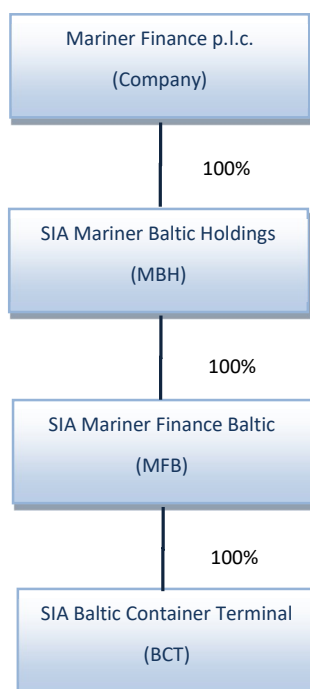
The Chief Executive Officer is responsible for the day-to-day management of the Group. In the execution of the strategic direction, investment and management oversight of the Group, he is assisted by members of senior management of the operating Group companies having the appropriate experience and knowledge required in particular cases arising from time to time. The aforesaid senior management as well as their principle roles are included hereunder:

Gerard Sammut	Finance (BCT and EQR)
Aldis Zieds	Managing Director (BCT)
Dzintars Vigulis	Operations (BCT)
Dimitri Kiseljev	Information Technology (BCT)

3. MARINER GROUP

3.1 Organisational Structure

As the holding company of the Group, the Company is ultimately dependent upon the operations and performance of the Group's operating company. The organisational structure of the Group is illustrated in the diagram hereunder:



SIA Mariner Baltic Holdings (“MBH”) is a private limited liability company incorporated and registered in Latvia. It has an authorised and issued share capital of €2,800 divided into 2,800 ordinary shares of €1.00, fully paid up. The company was incorporated on 16 April 2014 principally to act as a holding company. In March 2018, SIA Equinor Riga (“EQR”) was merged into MBH. Accordingly, the principal activities of MBH as of the date of merger is the operation and management of the commercial and office building in Latvia referred to in section 4.1 of this report.

SIA Mariner Finance Baltic (“MFB”) is a private limited liability company incorporated and registered in Latvia. It has an authorised and issued share capital of the euro equivalent of €25,000,000 divided into 25,000,000 ordinary shares of €1 per share, fully paid up. The company was set up on 28 February 2013 principally to act as the immediate parent company of BCT and to provide financing to its subsidiary company.

A brief overview of the principal operating companies of the Group, **SIA Mariner Baltic Holdings (“MBH”)** and **SIA Baltic Container Terminal (“BCT”)**, is provided in section 4 below.

4. GROUP OPERATING COMPANIES

4.1 SIA Mariner Baltic Holdings

4.1.1 Introduction

MBH owns and operates a commercial and office building located in Merkela Street, Riga, Latvia, consisting of a five storey building having *circa* 3,880m² of rentable space. Prior to the merger described in section 3.1 above, the afore-mentioned property was owned and operated by EQR.

MBH has a lease agreement with McDonald's Latvia for an area measuring 626m². The lease expires in 2031 and rent receivable is based on a percentage of net annual sales. The remaining area is leased to nine other tenants for use as office space or commercial activity. Each of the aforesaid lease agreements specifies a fixed rental charge per square metre and the contractual period ranges from three to ten years.



Commercial & office building – Merkela Street, Riga, Latvia

The property is situated at a major intersection in the central part of Riga, within the main retail and commercial area of the city. In terms of a local grading system, the building is classified as Class B commercial/office space. An appraisal of the property was undertaken in January 2017 by a third party independent consultant, who valued the said property at €5.1 million.

4.1.2 Office market overview in Riga¹

By the end of 2017, total space of Class A and Class B office premises in Riga amounted to approx. 632,600m² (2016: 609,200m²). Speculative space dominates with 430,300m² or 67% (2016: 67%), while built-to-suit office buildings account for 202,300m² or 32% (2016: 33%). The construction pipeline consists of fourteen speculative office buildings under development in Riga with 154,400m², most of which is scheduled to be commissioned between 2018 and 2019.

During 2017, leasing activity remained reasonably active. The combined take-up of Class A and B professional premises reached approximately 17,800m² excluding renewals.

During 2017, the prime headline rent in Class A professional office buildings remained stable, though in Class B1 the lower bounds slightly increased. As of January 2018, the total vacancy rate for both speculative and BTS projects in Class A buildings sharply decreased to 1.6% compared to 4.1% in the same period in the previous year. At the same time in Class B office premises vacancy increased to 5.5%, compared to 4.6% observed previously.

4.1.3 Operational performance

Set out below are highlights of EQR's operating performance for the years 2015 to 2017, and MBH's operating performance for the forecast year 2018:

Income Statement for the year ended 31 December	2015	2016	2017	2018
	Actual €'000	Restated €'000	Actual €'000	Forecast €'000
Revenue (rents and other services)	400	376	377	408
Net operating expenses	(204)	(198)	(203)	(218)
EBITDA	196	178	174	190
Depreciation & amortisation	(72)	-	-	-
Other operating income/(expenses)	-	(76)	103	-
Profit before tax	124	102	277	190
Taxation	(30)	(17)	444	(35)
Profit after tax	94	85	721	155

Note: 2018 financial information on MBH relates solely to the operation of the property in Latvia and excludes related party transactions which are eliminated on consolidation

Key Accounting Ratios	FY2015	FY2016	FY2017	FY2018
Operating profit margin (EBITDA/revenue)	49%	47%	46%	47%
Net profit margin (Profit after tax/revenue)	24%	23%	191%	38%

Source: Charts Investment Management Service Limited

¹ Real Estate Market Overview 2018 (Colliers International)

In **FY2015**, EQR generated revenue of €400,448, a decrease of €2,540 when compared to the previous year's income of €402,988. Total revenue comprises rental income of €298,260 (FY2014: 304,672) and service charges of €102,188 (FY2014: €98,316). Overall, the company registered a profit for the year of €93,690 (FY2014: €203,786).

In **FY2016**, revenue amounted to €375,610, a reduction of €24,838 when compared to the prior year. A further analysis of revenue shows that rental income decreased from €298,260 in FY2015 to €282,956 (-5%), and service charges were lower by €9,534 from €102,188 in FY2015 to €92,654 in FY2016. During 2017, the company changed its accounting policy related to recognition of investment property at fair value in accordance with group accounting policy. As such, the change in accounting policy was applied retrospectively. The restated FY2016 amounts include the reversal of depreciation amounting to €72,000, a decrease in fair value of investment property amounting to €76,000 and a decrease in deferred tax of €11,400. Overall, profit for the year amounted to €85,200 (FY2015: €94,000).

In **FY2017**, EQR's revenue increased by €1,302 (+0.3%) y-o-y from €375,610 in FY2016 to €376,912. An EBITDA of *circa* €174,000 was generated in FY2017, a marginal decrease of €4,000 when compared to *circa* €178,000 in FY2016. The operating profit margin was 46%. During the year, the company recorded a credit amount in relation to taxation of €444,095 as a result of amendments in corporate income tax law in Latvia. As a consequence, the company registered a profit after tax of €721,021 in FY2017 as compared to €85,200 in FY2016.

MBH (formerly EQR) is projecting revenue to increase in **FY2018** by €31,000 (+8.2%) from €377,000 in FY2017 to €408,000, and EBITDA is expected to increase by €16,000 (+9.2%) y-o-y to €190,000. No depreciation or other operating income/expenses has been forecasted for FY2018, whilst tax is budgeted at a charge of €35,000. For FY2018, the company is projecting to generate a profit after tax of €155,000 (FY2017: €721,000).

4.2 SIA Baltic Container Terminal

4.2.1 Introduction

BCT is a private limited liability company incorporated and registered in Latvia. The company was incorporated on 26 March 1996 and is principally engaged in the provision of port and related services at the port of Riga. BCT operates at the Riga Free Port No. 2 under a port concession license issued by the Riga Free Port Authority which expires in April 2047. Apart from the license, the company had entered into a real estate purchase agreement on 30 April 2003 whereby the Riga Free Port Authority sold to BCT, which acquired, full ownership of all yards within the boundaries of the BCT terminal (excluding the quay), together with all underlying communications, five warehouses having an aggregate total area of approximately 14,000m², parking and paved areas surrounding said warehouses, and covered rail ramps.



SIA Baltic Container Terminal

4.2.2 Market and competition

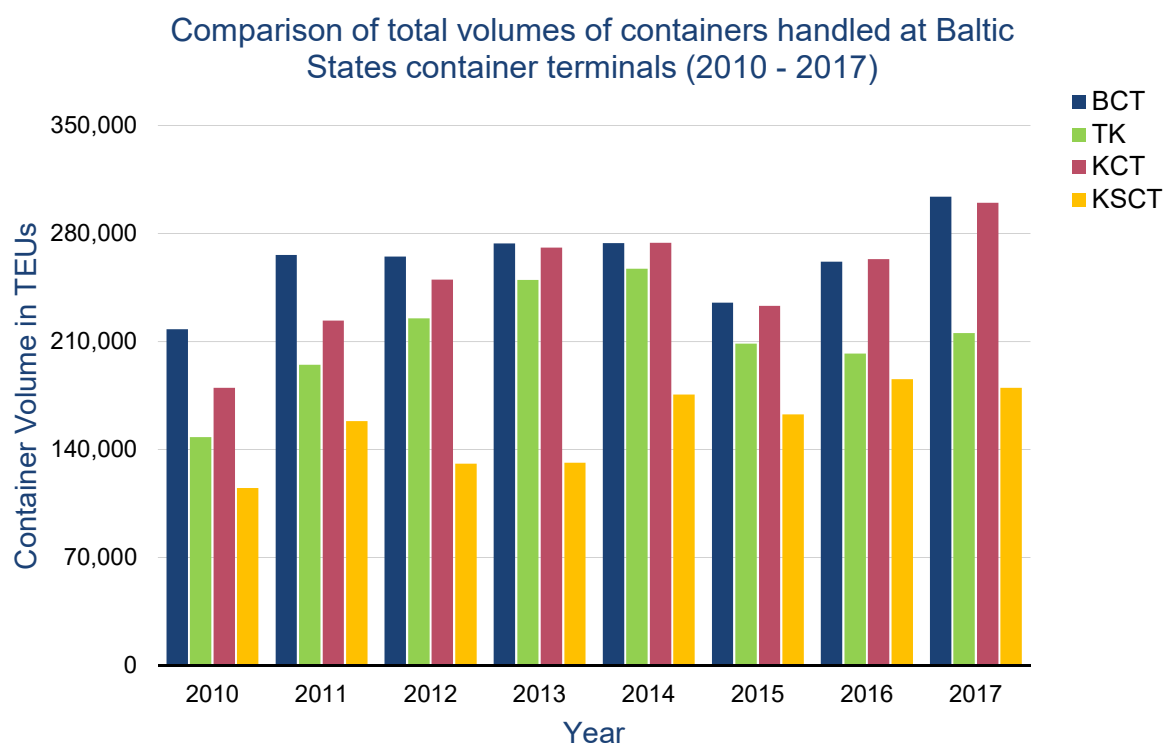
BCT is located at the mouth of the river Daugava which runs through the centre of Latvia's capital Riga. Its favourable geographical location and good, direct access via road and rail to its market hinterland make it strategically located to serve as a gateway to meet container traffic demand to and from the main industrial centres of Russia and other destinations including Moscow, Kaluga, Novgorod, St Petersburg, Minsk, Kiev, Vilnius, Tallinn, Almaty and Tashkent.

Latvia is a fast developing country located on the south-east coast of the Baltic Sea in the centre of the Baltic States (Lithuania, Latvia and Estonia). It represents the financial hub of the three nations and its favourable geopolitical environment provides excellent business opportunities for the four major growth markets bordering Latvia - Belarus, Estonia, Lithuania and Russia.

There are three main ports in Latvia - Venstpils, Riga and Liepaja - and these are mainly involved in transit cargo. The Freeport of Riga is by far the major container-handling port in Latvia. Moreover, BCT is the only specialised container terminal within the port. There are two other terminals - Riga Central Terminal (RCT) and Riga Universal Terminal (RUT) - which handle relatively small volumes of containerised cargo, though their main fields of activity are in the handling of general and bulk cargoes. As a specialised container terminal BCT is better equipped in terms of infrastructure, superstructure and workforce to efficiently and productively handle containers.

Although the RUT and RCT do constitute a form of competition, BCT's main competitors are other specialised container terminals which are located in the neighbouring Baltic States and other eastern Baltic countries. These include: Klaipeda Container Terminal (KCT) and Klaipeda Smelte Container Terminal (KSCT) in Klaipeda, Lithuania; Transiidikeskuse (formerly Muuga Container Terminal) (TK) in Tallinn, Estonia; the container terminals within the Port of St. Petersburg, Russia, and; Palokangas - EU Container Terminal and Mussalo Container Terminal within HaminaKotka Port, Finland.

KCT, KSCT and TK, located in the neighbouring Baltic States represent the most direct form of competition to BCT due to their similar geographical locations, hinterland markets, inland connections, geopolitical environment and general terminal facilities. Below is a comparison of BCT with its direct competitors for the financial years 2010 to 2017.



4.2.3 Principal activities

BCT commenced activities on 1 May 1996, subsequent to the restructuring of a state-owned company, Riga Trade Port. It operates over an area of *circa* 557,000m². The BCT terminal has an annual container handling capacity of *circa* 450,000 twenty-foot equivalent units (“TEUs”), and offers the following services:

- **Quay-side operations** – including the berthing of vessels for the loading and/or unloading of containerised cargo using three ship-to-shore quay cranes. The fourth ship-to-shore gantry crane has been operational from June 2015. Ro-ro vessels, which are ships designed to carry wheeled cargo such as automobiles, trucks and trailers (roll-on/roll-off), may also be serviced.
- **Yard operations** – the terminal has a container storage yard comprising a capacity of *circa* 20,000 TEUs. In addition, the yard has 500 reefer points, that is, electrical outlets for the storage of temperature-controlled containers.
- **Gate and rail operations** – including the transfer of containers between the container terminal and inland road and rail networks. BCT has direct access to both road and rail networks, and operates its own rail handling facility which can service up to 64 rail platforms simultaneously.
- **Warehousing** – the terminal has *circa* 20,400m² of covered warehousing space for the storage of general cargo. The warehouse facilities have direct access to the rail and road networks for

more efficient distribution of cargo. During the current financial year, BCT will be expanding its warehouse facilities by a further 11,000m².

- **Ancillary activities** – a wide range of value-added services are provided at the container terminal due to an optimised integrated logistics chain. Through a container freight station, the terminal offers the service of, amongst others, stuffing and stripping of containers (packing/unpacking). In addition, BCT also provides engineering services for the repair of damaged containers.

Of the activities outlined above, the principal business at BCT is quay-side operations (the loading and unloading of containers), which in 2017 represented 75% (2016: 74%) of total revenue generated by the company.

As an important node within the region's logistics network, BCT's clients include shipping lines, freight forwarders, third party logistics service providers, liner agents, inland carriers (such as road haulage companies), as well as end-customers. The container terminal services some of the world's largest shipping lines which call directly at the terminal as well as other shipping lines that use common feeder services. These include Maersk Line, Compagnie Maritime d'Affretement – Campagnie Generale Maritime (CMA-CGM) and Mediterranean Shipping Company (MSC), Unifeeder and Team Lines, as well as Evergreen, China Shipping Container Lines (CSCL), Nippon Yusen Kaisha (NYK) and Orient Overseas Container Line (OOCL). BCT has strong relationships with all the major shipping lines and their local representatives, and strives to maintain good relations with both existing and potential clients.

4.2.4 Operational performance

The following table sets out the highlights of BCT's operating performance for the years indicated therein.

SIA Baltic Container Terminal Income Statement				
for the year ended 31 December				
	2015	2016	2017	2018
	Actual	Actual	Actual	Forecast
	€'000	€'000	€'000	€'000
Revenue	14,924	15,156	16,838	17,255
Net operating expenses	(7,109)	(6,527)	(7,196)	(7,693)
EBITDA	7,815	8,629	9,642	9,562
Depreciation	(1,159)	(1,520)	(1,513)	(1,533)
Net interest income/(cost)	231	(407)	(420)	(393)
Profit before tax	6,887	6,702	7,709	7,636
Taxation	(117)	(201)	204	(269)
Profit after tax	6,770	6,501	7,913	7,367
Comprehensive income:				
Revaluation, net of deferred tax	21,189	-	-	-
Total comprehensive income	27,959	6,501	7,913	7,367

Key Accounting Ratios	FY2015	FY2016	FY2017	FY2018
Revenue growth (Revenue FY1/revenue FY0)	-12%	2%	11%	2%
Operating profit margin (EBITDA/revenue)	52%	57%	57%	55%
Net profit margin (Profit after tax/revenue)	45%	43%	47%	43%

Source: Charts Investment Management Service Limited

BCT handled 235,301 TEUs in **FY2015**, a decline of 14.3% when compared to FY2014. As a result, revenue decreased y-o-y by €2.0 million (or 12.0%) from €17.0 million in FY2014 to €14.9 million. The lower activity at the port was mainly due to the unstable geopolitical climate in Russia and depressed oil prices. Furthermore, the weakened Russian Rouble adversely affected volumes passing through the terminal, as import volumes were lower than export volumes. This caused an imbalance between imports and exports, resulting in a lack of empty containers available for exports.

Due to lower volumes handled in FY2015, net operating costs decreased by €1.4 million (or 16.0%) to €7.1 million. EBITDA for FY2015 was lower by €0.7 million from €8.5 million in FY2014 to €7.8 million. Further to an independent expert's valuation, the directors revalued the company's properties, comprising warehouses, administrative buildings, open areas for cargo storage and access roads leading to the railway, by €23.4 million. After accounting for the uplift of €21.1 million (revaluation of €23.4 million less deferred taxation), the comprehensive income for FY2015 amounted to €28.0 million (FY2014: €7.8 million).

In **FY2016**, BCT handled 261,709 TEUs as compared to 235,301 TEUs in 2015 (+11%), which however only resulted in a 2% increase in total revenue from €14.9 million in FY2015 to €15.2 million in FY2016. Notwithstanding, the company registered a y-o-y increase of €0.8 million (+10%) in EBITDA, mainly due to a decrease in administrative expenses (particularly, a y-o-y reduction in professional & legal fees). The geopolitical situation in the region and low oil prices persisted during FY2016 and therefore, transit import volumes remained low. On the other hand, export volumes from Latvia have increased in comparison to FY2015, and this mismatch between import and export volumes is driving a growing demand for imports of empty containers to address the increase in containerised export. The company reported a profit after tax in FY2016 of €6.5 million, being marginally lower when compared to the prior year (FY2015: €6.8 million).

In **FY2017**, BCT handled 303,864 TEUs as compared to 261,709 TEUs in 2016, an increase of 42,155 TEUs (+16.1%), which resulted in an increase in total revenue of €1.7 million (+11.1%) from €15.2 million in FY2016, to €16.8 million. The growth business was mainly attributed to an increase in economic activities in Latvia, driven by exports (particularly wood products and peat moss). Although all terminals operating in Latvia experienced an increase in volumes, BCT managed to increase market

share by 2%. In December 2017, BCT attracted a new client having its own vessel, which previously transported cargo via a common feeder. Management believes that volumes from this client should increase substantially in the short to medium term. Net operating expenses increased at a slighter level than revenue (+10.2%), resulting in EBITDA to increase by €1.0 million (+11.7%) compared to FY2016, to €9.6 million in FY2017. Depreciation and net interest cost in FY2017 remained constant when compared to FY2016 at €1.9 million. Due to changes in tax legislation in the reporting year, a release in deferred tax liability of €421,520 was accounted for, which resulted in a net tax credit of €293,757 (FY2016: tax expense of €200,335). Overall, the company registered a net profit of €7.9 million in FY2017, an increase of €1.4 million (+21.7%) when compared to the prior year (FY2016: €6.5 million).

As for **FY2018**, BCT is projected to generate €17.3 million in revenue, an increase of €0.4 million (+2.5%) when compared to FY2017. The economic performance of Latvia has improved in the last years and as such, management expects exports from Latvia to increase in FY2018 over FY2017, with no changes expected in both tariffs and costs. BCT will be increasing its warehouse facilities by a further 11,000m² during the current period, which will enable the company to generate additional revenue as from FY2019.

Net operating expenses are expected to amount to €7.7 million, an increase of €0.5 million (+6.9%) over FY2017's figure. EBITDA in FY2018 is expected to decrease marginally by €0.1 million y-o-y to €9.5 million. Profit for the year is projected to be lower when compared to a year earlier by €0.5 million, to €7.4 million, mainly due to the difference in taxation (from a credit of €204,000 in FY2017 to a forecasted charge of €269,000 in FY2018).

Variance analysis

SIA Baltic Container Terminal Income Statement for the year ended 31 December			
	2017 Actual €'000	2017 Forecast €'000	Variance €'000
Revenue	16,838	15,649	1,189
Net operating expenses	(7,196)	(6,796)	(400)
EBITDA	9,642	8,853	789
Depreciation	(1,513)	(1,545)	32
Net interest income/(cost)	(420)	(305)	(115)
Profit before tax	7,709	7,003	706
Taxation	204	(210)	414
Profit after tax	7,913	6,793	1,120

As presented in the above table, actual revenue generated by BCT was higher than forecasted at €16.8 million compared to the forecasted €15.6 million, an increase of €1.2 million (+7.6%). On the cost side, actual net operating expenses were also higher than projected by €400,000 (+5.9%), which positively impacted EBITDA by €0.8 million (+8.9%). After also taking into consideration movements in

depreciation, net interest costs and taxation, which were lower in aggregate than expected by an amount of €0.3 million, actual profit after tax was higher than projected by €1.1 million.

4.2.5 Operational performance (2008 – 2017)

As indicated in the table below, over the past 10 years, BCT's performance has been broadly stable (revenue grew at a CAGR of 1.2%, while profits increased at a CAGR of 3.3%). Volumes handled by BCT in the reviewed period increased from *circa* 207,000 TEUs in FY2008 to *circa* 304,000 TEUs in FY2017 (the peak year in terms of volume was the current year, FY2017, where 304,000 TEUs passed through the terminal).

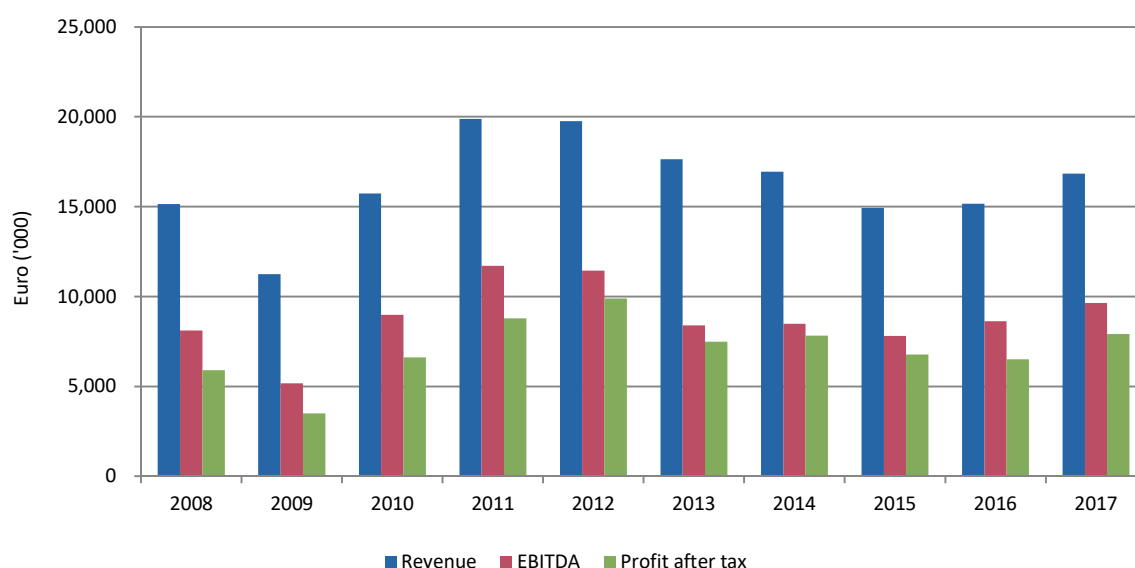
Competition has increased considerably in a decade, which resulted in lower revenue and EBITDA per TEU being generated by BCT. In FY2017, the terminal generated revenue and EBITDA per TEU of €55 and €32 respectively, as compared to €73 and €39 respectively in FY2008. In the best performing year (FY2011), the terminal generated revenue and EBITDA per TEU of €75 and €44 respectively. However, although impacted by increased competition, management has ensured that the company's EBITDA and profit margins are maintained through ongoing capital investment at the terminal (infrastructure, equipment, software, etc.) and implementation of operational efficiencies. As outlined hereunder, the lowest EBITDA and net profit margins were registered in FY2009 (46% and 31% respectively) due to the global economic crisis that negatively affected both the Latvian economy and BCT's business activities.

SIA Baltic Container Terminal for the year ended 31 December	2008 Actual €'000	2009 Actual €'000	2010 Actual €'000	2011 Actual €'000	2012 Actual €'000	2013 Actual €'000	2014 Actual €'000	2015 Actual €'000	2016 Actual €'000	2017 Actual €'000
Revenue	15,142	11,238	15,738	19,888	19,761	17,647	16,950	14,924	15,156	16,838
EBITDA	8,114	5,173	8,986	11,711	11,449	8,389	8,488	7,815	8,629	9,642
Profit for the year	5,911	3,504	6,612	8,783	9,884	7,495	7,818	6,770	6,501	7,913

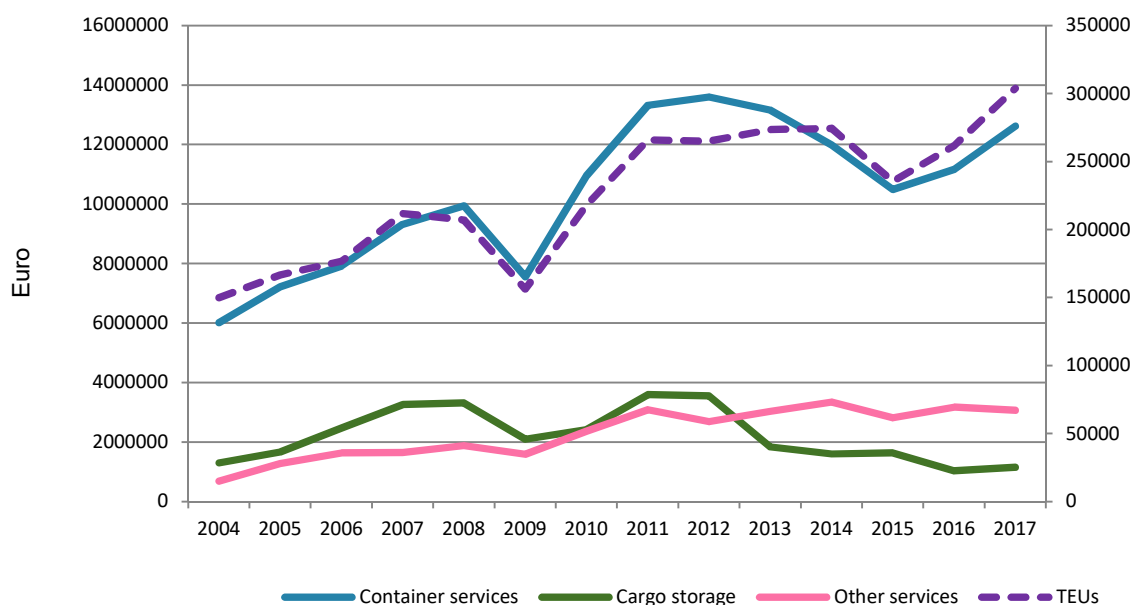
	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
TEUs ('000)	207	156	218	266	265	274	274	235	262	304
Revenue per TEU (€)	73	72	72	75	75	64	62	64	58	55
EBITDA per TEU (€)	39	33	41	44	43	31	31	33	33	32
TEUs growth (TEUs FY1/TEUs FY0)	-2%	-25%	40%	22%	0%	3%	0%	-14%	11%	16%
Revenue growth (Revenue FY1/revenue FY0)	7%	-26%	40%	26%	-1%	-11%	-4%	-12%	2%	11%
Operating profit margin (EBITDA/revenue)	54%	46%	57%	59%	58%	48%	50%	52%	57%	57%
Net profit margin (Profit after tax/revenue)	39%	31%	42%	44%	50%	42%	46%	45%	43%	47%

Source: Charts Investment Management Service Limited

BCT Operational Performance



BCT Revenue by Segment



As depicted in the above chart, BCT is principally involved in the handling of containers (loading and unloading). Furthermore, revenue generated from this activity (blue line) is largely correlated to the volume of containers that pass through the terminal (purple dashed line). Growth in container services at BCT has been constant over the ten-year period, except for the impact of the economic crisis in FY2009. Furthermore, in FY2015, the provision of container services declined by 14% principally due to the adverse effect of the geopolitical situation in Russia and the depressed price of oil, which recovered to some extent in the next two financial years (FY2016 and FY2017).

4.2.6 Optimisation of terminal operations

In order to maintain its competitive edge in the market, BCT's management reviews operation methodologies and performance on an on-going basis, monitors developments in the industry and ensures that it maintains excellent relations with its clients. Through this gathering of information, BCT is able to plan timely and strategic investments at the terminal to maintain its competitiveness.

It is expected that BCT will continue to optimise its operations by increasing productivity, further investing in equipment, technological processes and infrastructure, and enhancing its customer service to consolidate customer relationships.

5. BALTIC SEA REGION CONTAINER MARKET

The global major and minor shipping routes form a complex transportation network which links the worlds' ports and terminals. The latter are often classified into groups of ports/terminals - port systems - which serve as maritime/land interfaces to specific hinterland markets. The Baltic Sea Region is one such port system and is considered as one of the major European transport gateways.

The Baltic Sea Region (BSR) comprises eleven nations with 100 million inhabitants, eight of which are EU members. These include the Baltic states (Estonia, Latvia and Lithuania), the Nordic countries (Denmark, Iceland, Finland, Norway and Sweden), Northern Germany, Northern Poland and Russia's Northwestern region, including Kaliningrad. Individually, the constituent nations are diverse in terms of politics, geography, demography and economics. The region, however, is characterised by stable democracies, institutional structures favourable to business, proximity of markets, good infrastructure, high levels of education, strong industrial traditions and a shared history of co-operation and trade.

The BSR port system is versatile and multifunctional which features well-established large ports and a whole range of medium-sized and smaller ports, each with its individual characteristics in terms of hinterland markets served, cargo handled and unique location features. This exceptional blend of different port types and sizes combined with a vast economic hinterland shapes port significance and competition in the region.

PART 2 – GROUP PERFORMANCE REVIEW

The projected financial statements detailed below relate 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 projected and actual results may be material.

The following financial information is extracted from the consolidated financial statements of Mariner Finance p.l.c. (the “Group”) for the years ended 31 December 2015 to 31 December 2017. The financial information for the year ending 31 December 2018 has been provided by management.

Mariner Finance p.l.c. Income Statement for the year ended 31 December

	2015 Actual €'000	2016 Actual €'000	2017 Actual €'000	2018 Forecast €'000
Revenue	15,324	15,532	17,215	17,663
BCT	14,924	15,156	16,838	17,255
EQR (2015 - 2017); MBH (2018)	400	376	377	408
Net operating expenses	(7,463)	(6,934)	(7,552)	(8,048)
EBITDA	7,861	8,598	9,663	9,615
Depreciation & amortisation	(1,446)	(1,503)	(1,513)	(1,533)
Net finance costs	(2,252)	(2,022)	(2,187)	(2,233)
Profit before tax	4,163	5,073	5,963	5,849
Taxation	(193)	(287)	130	(340)
Profit after tax	3,970	4,786	6,093	5,509
Other Comprehensive income:				
Reversal of deferred tax on revaluation of property, plant and equipment upon change in tax law	-	-	2,227	-
Movements in available-for-sale financial assets	47	(228)	-	-
Revaluation, net of deferred tax	1,124	-	-	-
Total comprehensive income	5,141	4,558	8,320	5,509

Mariner Finance p.l.c. Balance Sheet				
as at 31 December				
	2015	2016	2017	2018
	Actual	Actual	Actual	Forecast
	€'000	€'000	€'000	€'000
ASSETS				
Non-current assets				
Intangible assets	13,853	13,923	13,897	13,817
Property, plant and equipment	35,396	35,570	34,447	42,273
Investment property	5,184	5,108	5,115	5,115
Available-for-sale investments	375	-	-	-
Loans and receivables	5,203	11,040	16,192	18,278
	<u>60,011</u>	<u>65,641</u>	<u>69,651</u>	<u>79,483</u>
Current assets				
Inventories	397	340	371	378
Trade and other receivables	5,678	2,694	3,365	3,295
Taxation	149	81	-	-
Cash and cash equivalents	1,434	3,361	3,701	4,728
	<u>7,658</u>	<u>6,476</u>	<u>7,437</u>	<u>8,401</u>
Total assets	<u>67,669</u>	<u>72,117</u>	<u>77,088</u>	<u>87,884</u>
EQUITY				
Equity and reserves				
Called up share capital	500	500	500	500
Other equity and reserves	9,453	9,225	11,452	11,452
Retained earnings	15,870	20,655	26,749	32,258
	<u>25,823</u>	<u>30,380</u>	<u>38,701</u>	<u>44,210</u>
LIABILITIES				
Non-current liabilities				
Bank loans	1,884	1,577	-	7,040
Bonds	34,408	34,464	34,522	34,583
Other non-current liabilities	3,224	3,052	65	77
	<u>39,516</u>	<u>39,093</u>	<u>34,587</u>	<u>41,700</u>
Current liabilities				
Bank loans	307	307	1,577	307
Other current liabilities	2,023	2,337	2,223	1,667
	<u>2,330</u>	<u>2,644</u>	<u>3,800</u>	<u>1,974</u>
	<u>41,846</u>	<u>41,737</u>	<u>38,387</u>	<u>43,674</u>
Total equity and liabilities	<u>67,669</u>	<u>72,117</u>	<u>77,088</u>	<u>87,884</u>

**Mariner Finance p.l.c. Cash Flow Statement
for the year ended 31 December**

	2015 Actual €'000	2016 Actual €'000	2017 Actual €'000	2018 Forecast €'000
Net cash from operating activities	6,440	6,211	6,009	6,622
Net cash from investing activities	(8,118)	(3,982)	(5,367)	(11,365)
Net cash from financing activities	950	(302)	(302)	5,770
Net movement in cash and cash equivalents	(728)	1,927	340	1,027
Cash and cash equivalents at beginning of year	2,162	1,434	3,361	3,701
Cash and cash equivalents at end of year	1,434	3,361	3,701	4,728

Key Accounting Ratios	FY2015	FY2016	FY2017	FY2018
Operating profit margin (<i>EBITDA/revenue</i>)	51%	55%	56%	54%
Interest cover (times) (<i>EBITDA/net finance cost</i>)	3.49	4.25	4.42	4.31
Net profit margin (<i>Profit after tax/revenue</i>)	26%	31%	35%	31%
Earnings per share (€) (<i>Profit after tax/number of shares</i>)	79.40	95.72	121.86	110.18
Return on equity (<i>Profit after tax/shareholders' equity</i>)	15%	16%	16%	12%
Return on capital employed (<i>Operating profit/total assets less current liabilities</i>)	12%	12%	13%	11%
Return on assets (<i>Profit after tax/total assets</i>)	6%	7%	8%	6%
Net assets per share (€) (<i>Net asset value/number of shares</i>)	516.46	607.60	774.02	884.20
Liquidity ratio (times) (<i>Current assets/current liabilities</i>)	3.29	2.45	1.96	4.26
Gearing ratio (<i>Net debt/net debt and shareholders' equity</i>)	58%	52%	46%	46%

Source: Charts Investment Management Service Limited

The historical results (FY2015 – FY2017) and forecasted figures (FY2018) principally relate to the operations of EQR and BCT, which are analysed in further detail in sections 4.1.3 and 4.2.4 respectively.

On a consolidated basis, the Group generated revenue of €17.2 million in FY2017, an increase of €1.7 million (+10.8%) when compared to FY2016. EBITDA was higher on a y-o-y basis by €1.1 million to €9.7 million (FY2016: €8.6 million), mainly due to revenue increasing at a higher rate than net operating expenses. After accounting for depreciation (€1.5 million) and net finance costs (€2.2 million), profit before tax amounted to €6.0 million in FY2017 (FY2016: €5.1 million). Total comprehensive income in FY2017 amounted to €8.3 million as compared to a net profit of €6.1 million, on account of a reversal of deferred tax on revaluation of property, plant and equipment due to changes in tax laws in Latvia.

With respect to FY2018, management is projecting a broadly similar performance when compared to FY2017. As such, revenue is expected to amount to €17.7 million (FY2017: €17.2 million) and profit before tax is forecasted at €5.8 million (FY2017: €6.0 million). Profit after tax in FY2018 is projected at €5.5 million, being €0.6 million less than FY2017 due to a tax charge of €0.3 million forecasted in FY2018 compared to a tax refund of €0.1 million in FY2017.

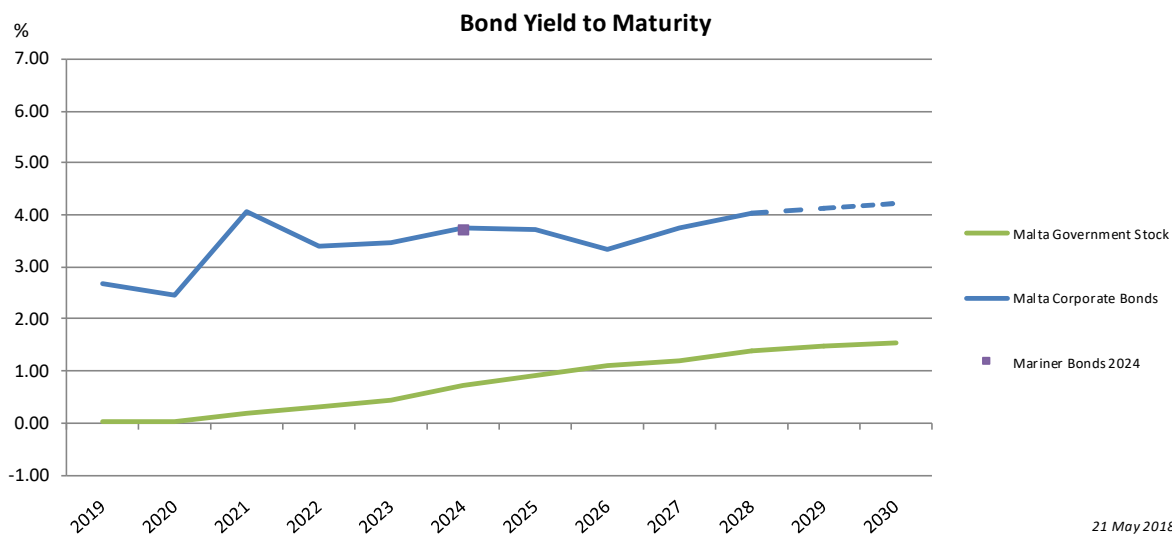
PART 3 – COMPARABLES

The table below compares the Group and its bond issue to other debt issuers listed on the Malta Stock Exchange and their respective debt securities. Although there are significant variances between the activities of the Group and other issuers (including different industries, principal markets, competition, capital requirements etc.), and material differences between the risks associated with the Group's business and that of other issuers, the comparative analysis provides an indication of the financial performance and strength of the Group.

Comparative Analysis	Nominal Value (€)	Yield to Maturity (%)	Interest Cover (times)	Total Assets (€'000)	Net Asset Value (€'000)	Gearing Ratio (%)
5.5% Pendergardens Dev. plc Secured € 2020 Series I	15,000,000	2.45	6.29	68,589	14,418	66.04
6% Pendergardens Dev. plc Secured € 2022 Series II	27,000,000	3.39	6.29	68,589	14,418	66.04
4.25% Gap Group plc Secured € 2023	40,000,000	3.47	2.61	56,906	6,696	85.08
5.3% United Finance Plc Unsecured € Bonds 2023	8,500,000	4.15	2.05	18,153	3,796	73.85
6% AX Investments Plc Unsecured € 2024	40,000,000	3.75	4.44	286,318	173,323	26.09
5.3% Mariner Finance plc Unsecured € 2024	35,000,000	3.46	4.42	77,088	38,701	45.62
5% Hal Mann Vella Group plc Secured Bonds € 2024	30,000,000	3.76	3.05	107,801	39,813	54.01
5.1% 1923 Investments plc Unsecured € 2024	36,000,000	4.40	1.79	118,490	33,711	56.83
4.5% Hili Properties plc Unsecured € 2025	37,000,000	3.71	1.26	135,879	38,358	69.11
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	3.70	2.59	1,765,072	901,595	40.43
4.0% International Hotel Invest. plc Secured € 2026	55,000,000	3.43	3.03	1,602,317	884,632	36.36
4.0% MIDI plc Secured € 2026	50,000,000	3.35	0.98	235,302	86,621	39.27
3.75% Premier Capital plc € Unsecured Bonds 2026	65,000,000	3.20	7.90	161,128	47,607	57.32
4.35% Hudson Malta plc Unsecured 2026	12,000,000	3.84	39.11	17,088	5,835	30.63
4.35% SD Finance plc € Unsecured Bonds 2027	65,000,000	3.74	5.46	217,599	65,698	47.74
4.0% Eden Finance plc Unsecured 2027	40,000,000	3.50	4.46	169,936	90,162	36.52
4% Stivala Group Finance plc Secured 2027	45,000,000	3.43	6.21	199,560	121,041	31.54

21 May '18

Source: Malta Stock Exchange, Audited Accounts of Listed Companies, Charts Investment Management Service Limited



To date, there are no corporate bonds which have a redemption date beyond 2027 and therefore a trend line has been plotted (denoted in the above chart by the dashed line). The Malta Government Stock yield curve has also been included since it is the benchmark risk-free rate for Malta.

PART 4 – EXPLANATORY DEFINITIONS

Income Statement	
Revenue	Total revenue generated by the Group from its business activities during the financial year, that is, the operations of BCT and MBH (formerly EQR).
Operating expenses	Operating expenses include the cost of terminal operations and management expenses in maintaining the investment property of MBH (formerly EQR).
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. EBITDA can be used to analyse and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.
Profit after tax	Profit after tax is the profit made by the Group during the financial year both from its operating as well as non-operating activities.
Profitability Ratios	
Operating profit margin	Operating profit margin is operating income or EBITDA as a percentage of total revenue.
Net profit margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.
Efficiency Ratios	
Return on equity	Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity.
Return on capital employed	Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed.
Return on Assets	Return on assets (ROA) is computed by dividing profit after tax by total assets.
Equity Ratios	
Earnings per share	Earnings per share (EPS) is the amount of earnings per outstanding share of a company's share capital. It is computed by dividing net income available to equity shareholders by total shares outstanding as at balance sheet date.
Cash Flow Statement	
Cash flow from operating activities	Cash generated from the principal revenue-producing activities of the Company.
Cash flow from investing activities	Cash generated from the activities dealing with the acquisition and disposal of long-term assets and other investments of the Company.

Cash flow from financing activities	Cash generated from the activities that result in change in share capital and borrowings of the Company.
Balance Sheet	
Non-current assets	Non-current asset are the Group's long-term investments, which full value will not be realised within the accounting year. Non-current assets are capitalised rather than expensed, meaning that the Group allocates the cost of the asset over the number of years for which the asset will be in use, instead of allocating the entire cost to the accounting year in which the asset was purchased. Such assets include intangible assets (goodwill on acquisition), investment properties, and property, plant & equipment.
Current assets	Current assets are all assets of the Company, which are realisable within one year from the balance sheet date. Such amounts include inventory, accounts receivable, cash and bank balances.
Current liabilities	All liabilities payable by the Company within a period of one year from the balance sheet date, and include accounts payable and short-term debt.
Net debt	Borrowings before unamortised issue costs less cash and cash equivalents.
Non-current liabilities	The Company's long-term financial obligations that are not due within the present accounting year. The Company's non-current liabilities include bank borrowings and bonds.
Total equity	Total equity includes share capital, reserves & other equity components, and retained earnings.
Financial Strength Ratios	
Liquidity ratio	The liquidity ratio (also known as current 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 a company's current assets to its current liabilities.
Interest cover	The interest coverage ratio is calculated by dividing a company's operating profit of one period by the company's interest expense of the same period.
Gearing ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a company's net debt by net debt plus shareholders' equity.