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# Mariner Finance p.l.c.

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2015 Financial Analysis  
Summary

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31 July 2015

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The Directors  
Mariner Finance p.l.c.  
Nineteen Twenty Three  
Valletta Road  
Marsa MRS 3000

31 July 2015

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 2015 Financial Analysis Summary 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 four years ended 31 December 2011 to 31 December 2014 has been extracted from the audited financial statements of each of the companies forming part of the Group for the four years in question (other than SIA Mariner Finance Baltic which was set up in 2013 and therefore historical financial data refers to FY2013 and FY2014 only; and SIA Mariner Baltic Holdings which was incorporated in FY2014 and as such historical financial data refers to FY2014).
- (b) The forecast data of the Group for the years ending 31 December 2015 and 31 December 2016 has been provided by management of the Company.
- (c) Our commentary on the results of the Group and on its financial position is based on the explanations provided by the Company.
- (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,



**Wilfred Mallia**  
Director

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# PART 1

## 1. COMPANY'S KEY ACTIVITIES

The principal activity of the Mariner Finance p.l.c. (the “Company”, “Issuer” 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 Issuer was incorporated on 30 May 2003 in advance of issuing a bond of €13 million at an annual interest rate of 5.75% and redeemable between 2008 and 2010. The bond was listed on the Official List of the Malta Stock Exchange. The net bond proceeds of the issue were on-lent to its then parent company, Mariner Srl (formerly Mariner SpA), to fund the acquisition of a shareholding in Terminal Intermodale Venezia S.p.A., a licensed operator of a seaport terminal in Venice Italy, and to fund the 100 per cent equity interest in SIA Baltic Container Terminal (“BCT”).

In November 2013, a corporate restructuring exercise took place whereby the Company was acquired by Mariner Capital Limited from Mariner Srl. Furthermore, in May 2014 the Company became the parent of the Group as set out in section 3 below.

In June 2014, the Company issued €35 million worth of bonds to the public. The proceeds raised have been utilised mainly to settle bank loans which had been raised to finance the acquisition of SIA Baltic Container Terminal and SIA Equinor Riga Limited during 2014.

## 2. DIRECTORS AND KEY EMPLOYEES

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

### Board of Directors

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

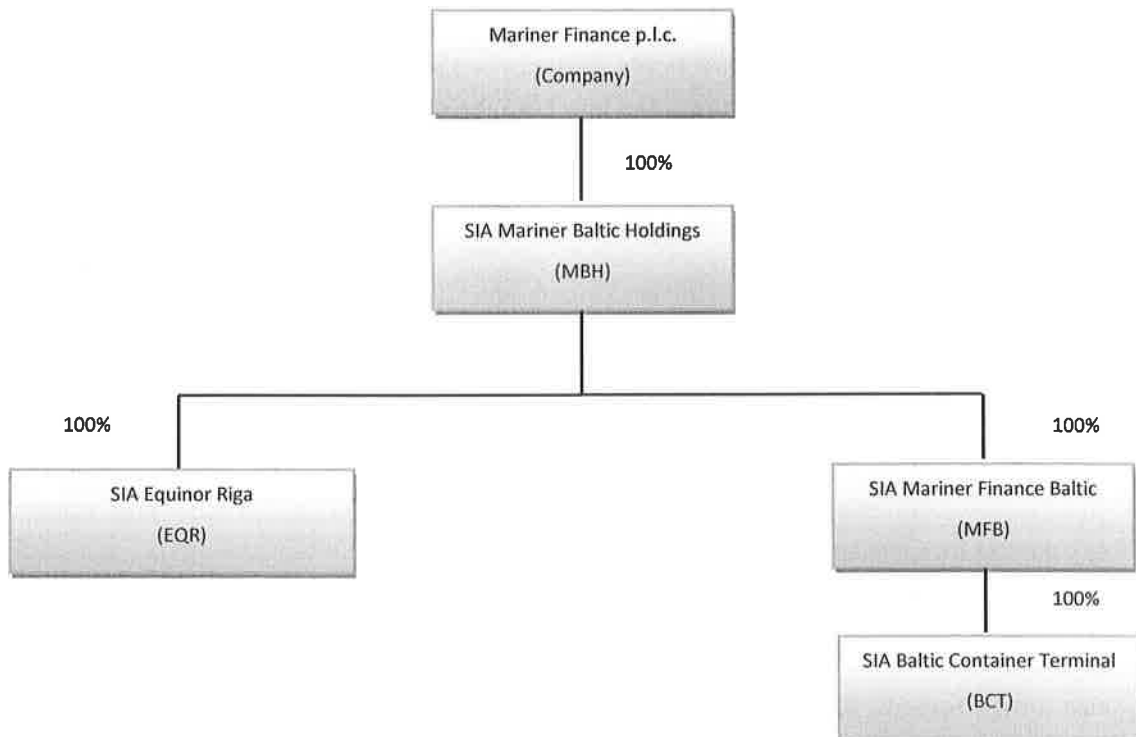
The Issuer is an investment company which does not require an elaborate management structure. Marin Hili has been appointed Chairman and Chief Executive of the Issuer. The Chief Executive Officer is responsible for the day-to-day management of the Group. In the execution of the strategic direction, investment 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.

**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 €40,001,195 divided into 281,130 ordinary shares of €142.29 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.

On 1 March 2013, the company acquired from Mariner SPA the 100% shareholding in BCT for €70 million. The terms of the purchase agreement include a cash consideration of €26 million, which was settled during the reporting period. The remaining balance of €44 million was settled through a set-off of debt balances with MFB’s ultimate parent company, Mariner Capital Limited. In 2013, MFB entered into a loan agreement with two Latvian credit institutions for an aggregate amount of €40 million which is repayable in April 2018. As at 31 December 2013, the balance from such facility amounted to €34.9 million.

A brief overview and primary business activities of each of the two operating companies of the Group, SIA Equinor Riga (“EQR”) and SIA Baltic Container Terminal (“BCT”), is provided in section 4 below.

On 1 January 2014, Latvia joined the Eurozone and the Latvian Lat was replaced with the Euro. The conversion to Euro was effected at the official exchange rate set by the Bank of Latvia - €1:Ls 0.702804. The audited historical financial statements of Group companies registered and operating in Latvia had been prepared in the home currency – Latvian Lats. For comparative purposes, such financial information has been translated into Euro, being the functional currency of the Issuer, at the said official conversion rate of €1:Ls 0.702804.

## 4. GROUP OPERATING COMPANIES

### 4.1 SIA EQUINOR RIGA

#### 4.1.1 Introduction

EQR is a private limited liability company incorporated and registered in Latvia on 6 June 1995. It has an issued share capital of €3,963,666 consisting of 283,119 ordinary shares of €14 each. The company owns and operates a commercial and office building located in Merkela Street, Riga, Latvia, consisting of a five storey building having *circa* 3,880m<sup>2</sup> of rentable space.

EQR has a 25-year lease to 2031 with McDonald’s Latvia for an area measuring 626m<sup>2</sup>. The rental income is based on a percentage of net annual sales of the lessor. 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 February 2014 by a third party independent consultant, who valued the said property at €5.1 million.

#### **4.1.2 Riga office market overview**

The office space rental market in Riga offers Class A, B and C lease space and consists of a total area of *circa* 500,000m<sup>2</sup> in 65 premises. Class A buildings make up approximately 20% of total rentable area and are primarily utilised for commercial banking purposes. Therefore, quality commercial space available to businesses (other than banking) is of a Class B standard.

Statistical data shows that the highest demand is for office space not exceeding 150m<sup>2</sup> and the top quality office space is generally taken up by companies that have a staff complement of at least 10 employees. On the other hand, Class C office space tends to be requested for by start-up companies or other organisations that have limited budgets and cannot afford Class A or B facilities.

As to rental prices, property owners typically prefer a low turnover of tenants and therefore tend to minimise increases in rental rates. The average rent payable for Class A space is €12 to €15 per square metre with an annual average rent increase of 7% to 8%. Class B rates average around €7 to €8 per square metre, with an annual increment of *circa* 5% to 7%.

### 4.1.3 Operational performance

Set out below are highlights of EQR's operating performance for the years indicated therein:

Income Statement (€ '000)	2016 Projection	2015 Projection	2014 Actual	2013 Actual	2012 Actual	2011 Actual
Revenue (rental income and other services)	434	430	403	375	345	289
Operating expenses	(194)	(194)	(102)	(90)	(84)	(62)
<b>EBITDA</b>	<b>241</b>	<b>237</b>	<b>301</b>	<b>285</b>	<b>261</b>	<b>227</b>
Depreciation	(73)	(73)	(72)	(72)	(72)	(72)
Net interest income	-	-	32	29	16	18
<b>Profit before tax</b>	<b>168</b>	<b>164</b>	<b>260</b>	<b>242</b>	<b>205</b>	<b>173</b>
Taxation	(34)	(33)	(56)	(52)	(40)	(40)
<b>Profit for the year</b>	<b>134</b>	<b>131</b>	<b>204</b>	<b>190</b>	<b>165</b>	<b>133</b>

The key accounting ratios are set out below:

	2016 Projection	2015 Projection	2014 Actual	2013 Actual	2012 Actual	2011 Actual
Revenue growth (Revenue FY1/Revenue FY0)	1%	7%	7%	9%	19%	n/a
EBITDA margin (EBITDA/revenue)	55%	55%	75%	76%	76%	79%
Net profit margin (Profit after tax/revenue)	31%	30%	51%	51%	48%	46%

Source: Charts Investment Management Service Limited

Revenue generated by EQR mainly relates to rental income and the provision of other ancillary services. In FY2013 income increased to €375,000 from €289,000 in FY2011 (equivalent to a compound annual growth rate of 14%) as a result of an increase in occupancy rate during this period from 71.2% to 100%. Profit for the year increased by 15% to €190,459 (FY2012: €164,697), reflecting the increase in tenancy following the signing of a new customer that will be operating a collective accommodation establishment.

Continued growth was recorded in FY2014, with a 7% (or €28,000) increase in rental income and other services when compared to the previous year. This revenue growth was mainly due to long time vacant premises being rented out, for a full year in FY2014. The EBITDA margin decreased marginally to 75% from previous years, largely the result of increased utility costs mainly from higher gas, electricity and water consumption. Overall, profit for the year increased by 7%, when compared to FY2013, to €204,000.

During FY2014 one of the tenants terminated the lease agreement prematurely, however management confirmed that they have negotiated a lease agreement with another client for a 10-year period starting from March 2015. As a result of yearly increments in rental rates and the new negotiated lease, total rental income is projected to increase by *circa* €27,000 to €430,000 reflective of a 7% annual growth.

EBITDA in FY2015 is expected to decrease by 21% (to €237,000) on the level reported in FY2014 as a result of an anticipated increase in administrative expenses due to the engagement of a professional security service company, increased financial advisory services as well as consultations on building management and maintenance issues. Profit for FY2015 is projected at *circa* €131,000 which is €73,000 lower than that reported in the prior year. It is projected that FY2016 results will be broadly similar to those of the preceding year (FY2015).

### ***Variance analysis***

Despite the growth registered in FY2014, EQR did not achieve the previously forecasted revenue, EBITDA and profit figures. Actual total rental income reported in FY2014 was 4% (or €16,000) lower than that previously forecasted for the year, while EBITDA was 6% (or €20,000) lower. The achieved profit figure for the year in FY2014 was around €140,000 lower than that anticipated partly due to lower interest income, which reduced significantly in FY2014.

<b>Income Statement (€ '000)</b>	<b>2014 Actual</b>	<b>2014 Forecast</b>	<b>Variance €'000s</b>
Revenue (rental income and other services)	403	419	(16)
Operating expenses	(102)	(98)	(4)
<b>EBITDA</b>	<b>301</b>	<b>321</b>	<b>(20)</b>
Depreciation	(72)	-	(72)
Net interest income	32	87	(55)
<b>Profit before tax</b>	<b>260</b>	<b>408</b>	<b>(148)</b>
Taxation	(56)	(64)	8
<b>Profit for the year</b>	<b>204</b>	<b>344</b>	<b>(140)</b>

Statement of financial position (€ '000)	2014 Actual	2013 Actual	2012 Actual	2011 Actual
<b>ASSETS</b>				
<b>Non-current assets</b>				
Land and buildings	1,730	1,676	1,705	1,733
Other fixed assets	155	198	237	280
Amounts due from related and affiliated companies	2,917	2,917	2,272	2,272
<b>Total non-current assets</b>	<b>4,801</b>	<b>4,791</b>	<b>4,214</b>	<b>4,285</b>
<b>Current assets</b>				
Trade and other receivables	40	37	39	53
Amounts due from related and affiliated companies	18	56	625	556
Cash and cash equivalents	177	115	24	31
<b>Total current assets</b>	<b>235</b>	<b>208</b>	<b>688</b>	<b>640</b>
<b>Total assets</b>	<b>5,036</b>	<b>4,999</b>	<b>4,902</b>	<b>4,925</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>	<b>4,896</b>	<b>3,321</b>	<b>3,130</b>	<b>2,966</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Loans from credit institution	-	-	61	194
Loans from related parties	-	1,330	1,330	1,093
Deferred tax liability and other creditors	83	88	90	96
<b>Total non-current liabilities</b>	<b>83</b>	<b>1,418</b>	<b>1,481</b>	<b>1,383</b>
<b>Current liabilities</b>				
Loans from credit institution	-	61	133	467
Other creditors	57	199	158	109
<b>Total current liabilities</b>	<b>57</b>	<b>260</b>	<b>291</b>	<b>576</b>
<b>Total liabilities</b>	<b>139</b>	<b>1,678</b>	<b>1,772</b>	<b>1,959</b>
<b>Total equity and liabilities</b>	<b>5,036</b>	<b>4,999</b>	<b>4,902</b>	<b>4,925</b>

The assets of the company primarily include property and building improvements amounting to an aggregate of €2 million, and receivables due from affiliated companies of €2.9 million. In line with an appraisal of the property dated 14 February 2014, the property has been revalued in FY2014 to €5.1 million. EQR fully settled its loan from related parties during the year, As a result, borrowings as at 31 December 2014 was reduced to €61,000.

## 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 14,000m<sup>2</sup>, 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.

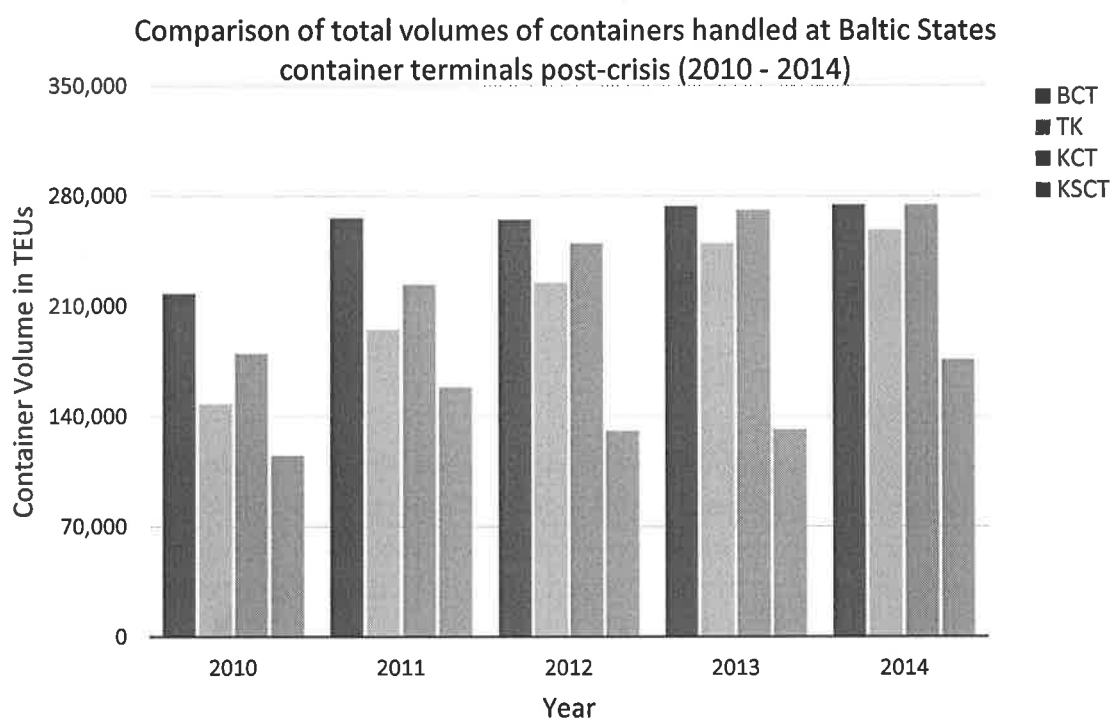
Latvia is a fast developing country located on the south-east coast of the Baltic Sea in the centre of the Baltic States (Lithuania, Latvia and Estonia). It represents the financial hub of the three nations and its favourable geopolitical environment provides excellent business opportunities for the 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 at over 98.5% in 2014. In turn, within the port, BCT is the only specialised container terminal and in 2014 handled approximately 71% of containers. 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 2014.



#### 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* 557,000m<sup>2</sup>. 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* 20,400m<sup>2</sup> 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. BCT aims to complete a new 10,000 m<sup>2</sup> warehouse in the near future.
- **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 main operation at BCT is the loading and unloading of containers, which in 2014 represented 71% (2013: 72%) of total revenue generated by the company.

#### 4.2.4 Operational performance

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

Income Statement (€'000)	FY2016 Projection	FY2015 Projection	FY2014 Actual	FY2013 Actual	FY2012 Actual	FY2011 Actual
Revenue	16,564	15,776	16,950	17,648	19,762	19,888
Operating expenses	(8,244)	(8,017)	(8,462)	(9,259)	(8,313)	(8,177)
EBITDA before extraordinary item	8,321	7,759	8,488	8,389	11,449	11,711
Gain on disposal of subsidiary	-	-	412	-	-	-
EBITDA after extraordinary item	8,321	7,759	8,901	8,389	11,449	11,711
Depreciation and amortisation	(1,447)	(1,376)	(1,187)	(1,113)	(1,301)	(1,440)
Net interest income	(98)	(66)	362	445	472	23
Profit before tax	6,776	6,316	8,076	7,721	10,620	10,294
Taxation	(236)	(197)	(258)	(226)	(736)	(1,511)
Profit for the year	6,539	6,120	7,818	7,495	9,884	8,783

The key accounting ratios are set out below:

	FY2016 Projection	FY2015 Projection	FY2014 Actual	FY2013 Actual	FY2012 Actual	FY2011 Actual
Revenue growth (Revenue (FY1)/Revenue FY0)	5%	-7%	-4%	-11%	-1%	n/a
EBITDA margin (EBITDA/revenue)	50%	49%	50%	48%	58%	59%
Net profit margin (Profit after tax/revenue)	39%	39%	46%	42%	50%	44%

Source: Charts Investment Management Service Limited

During the year ended 31 December 2012, BCT handled 265,054 TEUs and generated €19.8 million in revenue (equivalent to €75 per TEU). This result was broadly similar to that achieved in the prior year (FY2011: 266,161 TEU and €19.9 million in revenue). As to the number of ship calls, the terminal received 350 vessels in FY2012 which, although greater in number by 21%, had on average a lower TEU load when compared to FY2011.

FY2013 was a record year in terms of TEUs as the container terminal handled its highest volume of containers (273,650 TEUs). Despite this 3.2% increase, revenue declined by 10.7% to €17.6 million

(FY2012: €19.8 million). Consequently, profit for the year also decreased from €9.9 million to €7.5 million (24.2%). The primary reason for this decrease was due to the cessation of storage requirements of NATO reefers as troops in Afghanistan were withdrawn. This reduced revenue generated from cargo handling from €3.6 million in 2012 to €1.8 million in 2013. Moreover, BCT offers certain volume discounts in order to induce higher volumes, and during 2013 shipping lines took particular advantage of such discounts by passing increased volumes through the terminal. In FY2013, the effect of such discounted rates impacted revenues adversely by €0.4 million (2012: €0.09 million).

In FY2014, profit for the year increased by 4.3%, to €7.8 million, despite a 4% revenue decline reported in the year when compared to FY2013. The aforesaid decrease in revenue (*circa* €697,000) was largely due to a decrease in rates which were negotiated with clients in the prior year. FY2014 was the first full year whereby the full effect of reduced rates transpired in the annual turnover figure. BCT Management believes the declining rates have bottomed out and they do not foresee any further significant rate fluctuations. Notwithstanding the reduction in turnover in FY2014, BCT was effective in lowering operating costs, which decreased on a y-o-y basis by 8.6% (or €797,000). As a result EBITDA for the reviewed year increased by 1.2% to €8.5 million while EBITDA margin reached 50% (FY2013: 48%).

As highlighted in the table above, BCT divested itself of all ancillary non-port related investments by selling its shares in Equinor Riga and a property, netting a profit on sale of *circa* €412,000. This contributed towards the marked increase in profit for the year, at 4.3% (*circa* €323,000) when compared to FY2013.

Revenue in FY2015 is projected to decrease by 6.9% from €17.0 million in FY2014 to €15.8 million, mainly as a consequence of a drop in anticipated volumes (by -4.4% to 262,000 TEUs). The weakened Russian ruble is adversely affecting volumes passing through the terminal, as import volumes are lower than export volumes. This is causing an imbalance between imports and exports, resulting in a lack of empty containers available for exports. Management expects volumes in FY2016 to recover to FY2014 position (approx. 275,000 TEUs), and as such revenue and EBITDA should increase by 5% (to €16.6 million) and 7% (to €8.3 million) respectively.



### Variance analysis

BCT's profit for FY2014 exceeded the previously projected profit figure, of €7.6 million, by *circa* €197,000 primarily as a result of the gain on disposal of its subsidiary.

Income Statement (€'000)	FY2014 Actual	FY2014 Forecast	Variance €'000s
Revenue	16,950	17,608	(658)
Operating expenses	(8,462)	(9,031)	569
<b>EBITDA before extraordinary item</b>	<b>8,488</b>	<b>8,577</b>	<b>(89)</b>
Gain on disposal of subsidiary	412	-	412
<b>EBITDA after extraordinary item</b>	<b>8,901</b>	<b>8,577</b>	<b>324</b>
Depreciation and amortisation	(1,187)	(1,435)	248
Net interest income	362	717	(355)
<b>Profit before tax</b>	<b>8,076</b>	<b>7,859</b>	<b>217</b>
Taxation	(258)	(238)	(20)
<b>Profit for the year</b>	<b>7,818</b>	<b>7,621</b>	<b>197</b>

### 4.2.5 Revenue by segment

The revenue of the company can be categorised into three main revenue streams as follows:

- i. **Container services** – including loading and unloading of containers to and from ships, other container handling services, berthing and other vessel services;
- ii. **Cargo storage** – comprising primarily yard storage, with increasing capacity in warehouse storage; and
- iii. **Additional handling and other services** – provided through the integrated logistics chain including additional services, such as transferring containers from the terminal to inland networks via rail or trucks.

A segmental analysis of revenue by segment for the four financial years ended 31 December 2011 to 31 December 2014 is provided below:

Revenue by segment (€'000)	FY2014 Actual	FY2013 Actual	FY2012 Actual	FY2011 Actual
Container services	11,990	13,166	13,601	13,323
Cargo storage	1,609	1,836	3,556	3,594
Additional handling and other services	3,352	3,040	2,695	3,090
Discounts	-	(395)	(90)	(119)
<b>Total revenue</b>	<b>16,950</b>	<b>17,648</b>	<b>19,762</b>	<b>19,888</b>
<b>Annual container volumes handled (TEUs)</b>	<b>274,496</b>	<b>273,650</b>	<b>265,064</b>	<b>266,121</b>

	FY2014 Actual	FY2013 Actual	FY2012 Actual	FY2011 Actual
Revenue growth (Revenue FY1/Revenue FY0)	-4%	-11%	-1%	n/a
Growth in TEUs (TEUs FY1/TEUs FY0)	0.3%	3.2%	-0.4%	n/a
<b>% of total revenue:</b>				
Container services	71%	75%	69%	67%
Cargo storage	9%	10%	18%	18%
Additional handling and other services	20%	17%	14%	16%
Discounts	0%	-2%	-1%	-1%

Source: Charts Investment Management Service Limited

In FY2012, revenue generated from container services was relatively stable at €13.6 million (+2.1%) when compared to FY2011 (€13.3 million), and registered a 3% drop in the subsequent year (FY2013) to €13.2 million. The decrease in revenue was mainly the result of the company earning lower income per TEU, since in FY2013 the terminal handled a record 273,446 TEUs (+3%).

As to cargo storage, the company registered a sharp decline in FY2013 (-48%) primarily due to the cessation of storage of NATO reefers at the terminal as a result of a withdrawal of troops from Afghanistan. In FY2013, additional handling and other services recovered from the decline in FY2012 to €3 million (+13%), which is similar to revenue achieved in FY2011.

During FY2013, shipping lines took advantage of volume discounts by passing increased volume of containers through the terminal and which therefore resulted in an increase in discounts from €90,000 in FY2012 to €395,000 in FY2013.

In FY2014 revenue generated from container services represented 71% of total revenue for the year. Despite the constant increase in volumes handled by the terminal, results for FY2014 highlight the continued revenue decline in container services and cargo storage with total revenue in FY2014 decreasing by €0.7 million (4%) on FY2013 levels. This was largely the result of a €1.2 million drop in revenue from container services and a €0.2 million decline in cargo storage. Additional handling and other services, with a 10.2% increase in revenue for the year, together with the removal of discounts in FY2014, have partly offset the revenue drops in the other service lines. The above-mentioned decline in revenue resulted from an element of price competition between ports. Management expect rates to stabilise in FY2015 and anticipate a recovery in revenue as from FY2016.

#### 4.2.6 Revenue by customer

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 – Compagnie 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. A segmental analysis of revenue by customer for the three financial years ended 31 December 2011 to 31 December 2014 is provided below:

Revenue by customer (€'000)	FY2014 Actual	FY2013 Actual	FY2012 Actual	FY2011 Actual
TEUs ('000)	274	274	265	266
<b>Total Revenue</b>	<b>16,950</b>	<b>17,648</b>	<b>19,762</b>	<b>19,888</b>
Top three customers	10,030	10,356	10,030	11,306
Top five customers	12,298	13,383	12,622	14,110
Top ten customers	14,293	14,673	16,682	16,305
<b>% of total revenue:</b>				
Top three customers	59%	59%	51%	57%
Top five customers	73%	76%	64%	71%
Top ten customers	84%	83%	84%	82%

Revenue from the top three customers decreased marginally in FY2014, as compared to the previous year, but percentage of total turnover remained constant at 59%. There was a movement of -3% in the top five customers (from 76% to 73% of revenue), but revenue generated from the top ten customers was broadly stable at €14.3 million (84%).

It is observed that although movement in volume increased from 266,000 TEUs in FY2011 to 274,000 TEUs in FY2014 (+3%), income recorded for FY2014 was 15% lower than FY2011 revenue. During the financial years FY2013 and FY2014, customers took advantage of discounts or reduced rates (based on volume) which adversely affected revenue generated.

#### 4.2.7 Operational performance (2005 – 2014)

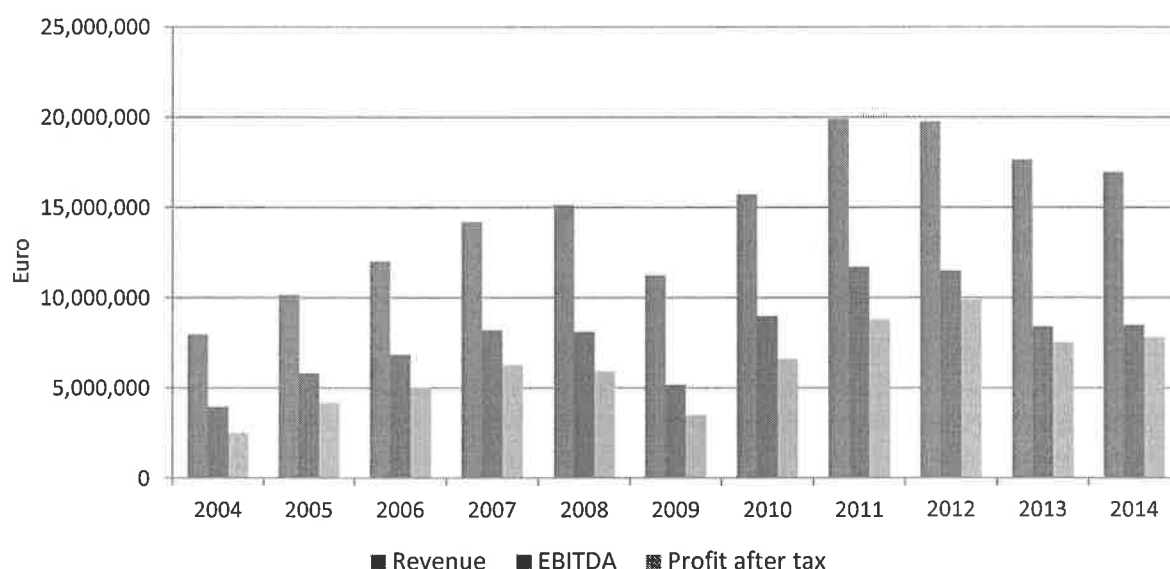
As detailed below, over the past 10 years, BCT has performed well and this is reflected both in revenue growth and yearly profits. During the period under review, revenue grew at a CAGR of 6%, increasing from €10.0 million in FY2005 to €17 million in FY2014, while profits increased at a CAGR of 7.2% from €4.1 million in FY2005 to €7.8 million in FY2014.

The significant increase in results is due to the ongoing investment undertaken in terms of equipment, infrastructure and facilities at the terminal to handle increased volumes. In fact, over the years, volume handled by BCT increased from *circa* 167,000 TEUs in FY2005 to *circa* 274,000 TEUs in FY2014. Furthermore, as the company managed to increase TEUs handled at the terminal over the years and consequently its income generation, management ensured that the company's EBITDA and profit margins were broadly maintained. 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.

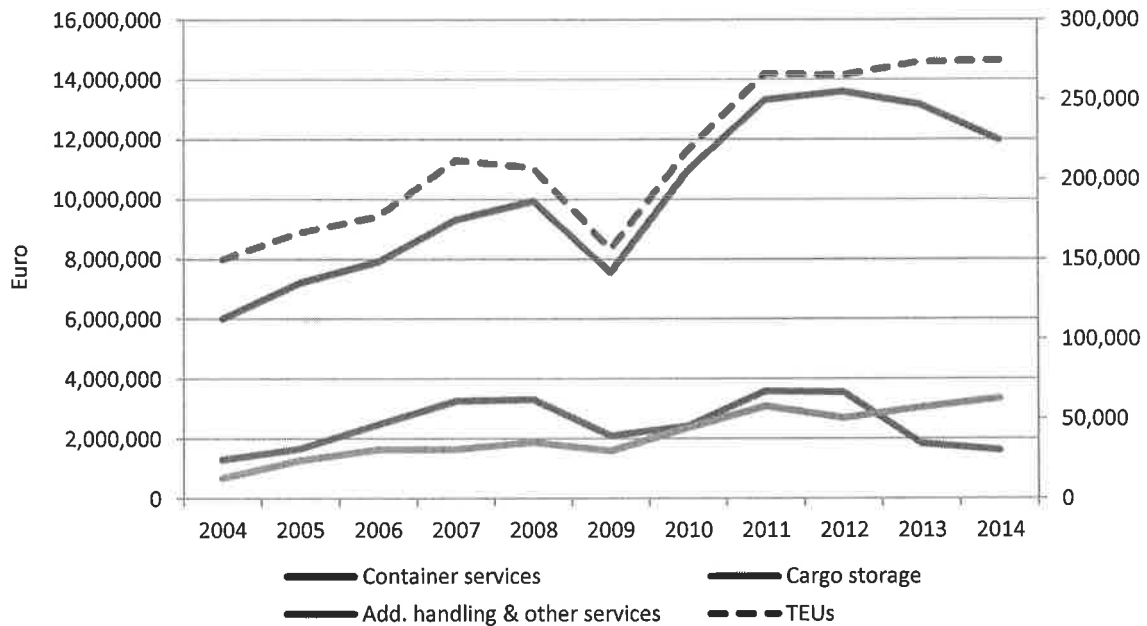
BCT (€'000)	2014 Actual	2013 Actual	2012 Actual	2011 Actual	2010 Actual	2009 Actual	2008 Actual	2007 Actual	2006 Actual	2005 Actual	2004 Actual
Revenue	16,950	17,648	19,762	19,888	15,738	11,239	15,142	14,202	12,025	10,158	7,971
Container services	11,990	13,166	13,601	13,323	10,953	7,556	9,946	9,315	7,924	7,217	6,021
Cargo storage	1,609	1,836	3,556	3,594	2,422	2,102	3,317	3,258	2,471	1,667	1,306
Other services	3,352	3,040	2,694	3,090	2,363	1,588	1,879	1,646	1,636	1,280	689
Discounts	-	(395)	(90)	(119)	-	(8)	-	(18)	(6)	(6)	(44)
EBITDA	8,488	8,389	11,449	11,711	8,986	5,173	8,114	8,197	6,844	5,817	3,936
Profit for the year	7,818	7,495	9,884	8,783	6,612	3,504	5,911	6,265	5,043	4,166	2,501

TEUs ('000)	274	274	265	266	218	156	207	212	177	167	150
Revenue growth (Revenue FY1/Revenue FY0)	-4%	-11%	-1%	26%	40%	-26%	7%	18%	18%	27%	n/a
TEUs growth (TEUs FY1/TEUs FY0)	0.3%	3%	-0.4%	22%	40%	-25%	-2%	20%	6%	11%	n/a
EBITDA margin (EBITDA/revenue)	50%	48%	58%	59%	57%	46%	54%	58%	57%	57%	49%
Net profit margin (Profit after tax/revenue)	46%	42%	50%	44%	42%	31%	39%	44%	42%	41%	31%

### 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 (red 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. On the positive side, the negative effect of the downturn was short and volumes immediately recovered to pre-crisis levels.

## 4.2.8 Financial position

Statement of financial position (€'000)	31 Dec'14 Actual	31 Dec'13 Actual	31 Dec'12 Actual	31 Dec'11 Actual
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	284	371	427	454
Property, plant and equipment	11,108	10,257	7,496	7,509
Investment in EQR	-	2,976	2,976	2,976
Investment property	-	82	82	82
Amounts due from related parties and other receivables	27,277	30,812	24,541	25,038
<b>Total non-current assets</b>	<b>38,669</b>	<b>44,497</b>	<b>35,522</b>	<b>36,059</b>
<b>Current assets</b>				
Inventory	400	387	415	392
Trade and other receivables	2,960	3,598	3,759	2,732
Amounts due from related parties	4,900	412	1,482	875
Cash and cash equivalents	1,843	1,001	4,571	3,275
<b>Total current assets</b>	<b>10,102</b>	<b>5,399</b>	<b>10,227</b>	<b>7,274</b>
<b>Total assets</b>	<b>48,771</b>	<b>49,896</b>	<b>45,749</b>	<b>43,333</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>	<b>32,075</b>	<b>37,498</b>	<b>32,503</b>	<b>29,619</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Loans from related parties	1,425	8,208	-	-
Loans from credit institution	1,270	-	7,288	8,210
Other loans	227	454	321	-
Other creditors	-	-	-	1,395
Derivatives	512	-	-	-
Deferred tax liability	516	558	547	463
<b>Total non-current liabilities</b>	<b>3,950</b>	<b>9,219</b>	<b>8,156</b>	<b>10,068</b>
<b>Current liabilities</b>				
Loans from related parties	4,337	139	113	-
Loans from credit institution	188	1	1,121	2,045
Other loans	228	227	19	-
Other creditors	754	1,100	2,542	1,601
Unpaid dividends	7,239	1,713	1,295	-
<b>Total current liabilities</b>	<b>12,746</b>	<b>3,180</b>	<b>5,090</b>	<b>3,646</b>
<b>Total liabilities</b>	<b>16,696</b>	<b>12,398</b>	<b>13,246</b>	<b>13,714</b>
<b>Total equity and liabilities</b>	<b>48,771</b>	<b>49,896</b>	<b>45,749</b>	<b>43,333</b>

Intangible assets mainly relate to the “SPARCS” software (the terminal operating system) provided by a company called NAVIS. This system is used to optimise yard storage, that is, to minimise cost of placement of containers and increase efficiency in space utilisation. It is also used to plan unloading and loading of containers from/to vessels. Furthermore, through the software the company maintains a record of all movements of containers. BCT’s customers are linked to this system which enables them to monitor the status of their respective containers with related historical records.

Property, plant and equipment comprise all equipment, yard structures and warehouses situated at the terminal operated by BCT. The land is public property and is leased from the Riga Freeport Authority. Since FY2001, BCT has invested in modernising the existing plant and equipment as well as expanding the fleet of cranes, reach stackers and other yard machinery.

The company also added two new warehouses which were completed during the years FY2009 to FY2013, and extended existing rail facilities. Following the completion of these warehouses, BCT increased available warehouse space to 20,400m<sup>2</sup>. Due to the increase in demand for modern warehousing space in the region, BCT plans to continue investing further in such storage facilities.

BCT’s capital expenditure on a cash basis for FY2011, FY2012, FY2013 and FY2014 was €1.8 million, €1.2 million, €3.9 million and €1.9 million respectively.

As to bank borrowings, in FY2013 BCT repaid in full the outstanding bank loan (loans from credit institutions). This transaction was financed through a new loan granted to BCT by its immediate parent MFB which matures in November 2015.

As of 19 September 2014, BCT entered into a triangular agreement with two Latvian credit institutions granting a joint loan in equal parts of €3.1 million. As at 31 December 2014, BCT had utilised €1.5 million.

Other loans at year end, decreased from €680,000 in FY2013 to €455,000 in FY2014. This loan was granted by a commercial company for the investment in a new warehouse for the storage of general freight. This loan matures on 31 December 2016, and is expected to continue to be off-set in FY2015 and FY2016 by rental income of €227,000 per annum until such loan has been settled.

#### **4.2.9 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. THE GLOBAL CONTAINER MARKET

### 5.1 INTRODUCTION

Container shipping was first introduced in the 1950s and since the late 1960s has become the most common method for transporting many industrial and consumer products by sea. As a result, containerised trades (being the transportation of cargo in standardised containers) and container port throughputs has seen an overall strong, continuous and almost uninterrupted growth. Container shipping is performed by container shipping companies that operate frequent scheduled or liner services, similar to a passenger airline, with pre-determined port calls, using a number of owned or chartered vessels of a particular size in each service to achieve an appropriate frequency and utilisation level.

Container shipping has a number of advantages, compared with other shipping methods, including:

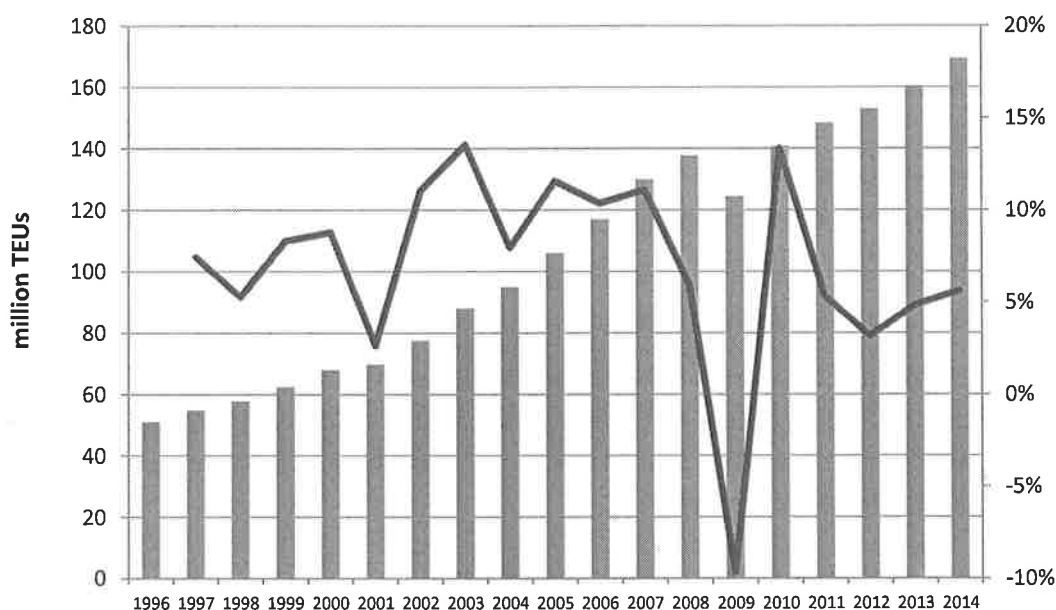
- **Less cargo handling** – containers provide a secure environment for cargo. The contents of a container, once loaded into the container, are not directly handled until they reach their final destination.
- **Efficient port turnaround** – with specialised cranes and other terminal equipment, container ships can be loaded and unloaded in significantly less time and at a lower cost than other cargo vessels.
- **Highly developed intermodal network** – onshore movement of containerised cargo, from point of origin, around container terminals, staging or storage areas and to final destinations, benefits from the physical integration of the container with other transportation equipment such as road chassis, railcars and other means of hauling the standard sized containers. A sophisticated port and intermodal industry has developed to support container transportation.
- **Reduced shipping time** – container ships can travel at speeds of up to 25 knots, even in rough seas, thereby transporting cargo over long distances in relatively short periods of time.

### 5.2 GROWTH IN GLOBAL CONTAINERISATION

Global containerised trade grew by 4.6% in 2013 taking total volumes to 160 million TEUs, up from 153 million TEUs in 2012 (see graph hereunder). In 2013, total containerised volumes carried across the major East-West trade lane (linking Asia, Europe and North America) increased by 4.3% in 2013, taking the total to 48.3 million TEUs or 30.2% of the global containerised trade.



Global containerised trade, 1996-2014 (millions of TEUs and % annual change)



Source: Based on Drewry Shipping Consultants, Container Market Annual review and Forecast 2008/2009, and Clarkson Research Services, Container Intelligence Monthly, various issues.

Key drivers that contributed to the growth in global container throughput over this period were sustained growth in global trade, increased global sourcing and manufacturing, a shift from transporting cargo in bulk to transporting cargo in containers and growth in transshipment volumes. This has resulted in the evolution of ever-expanding container ships as well as a shift toward the specialisation of ports and terminals.

Global containerised trade is expected to have grown by 5.6% in 2014, driven among other factors by improvements in mainline East-West trade. On the downside, some trends may be overshadowing the performance of the containerised trade industry. These include fuel consumption costs; ship delivery upscaling and related implications for smaller players that cannot benefit from economies of scale; delays in the Panama Canal expansion; regulatory developments and competition rules and controls; growing supply capacity with the wrong specification; and related implications for the “cascading” of ship capacity from mainlanes to smaller secondary lanes. This in turn can further pressurise rates and earnings and undermine profitability.

### 5.3 ORIGIN & DESTINATION (O&D) VS TRANSHIPMENT

The two main categories of container throughput are Origin & Destination (O&D), which is also often referred to as import and export, and transshipment. Every container shipped by sea is, by definition, an export container at the origination terminal and an import container at the destination terminal. A container that is transferred from one ship to another at some point during the journey is referred to as transhipped, which gives rise to transshipment throughput at an intermediate terminal somewhere between the load terminal and the discharge terminal.

## 5.4 HINTERLAND TRANSPORTATION

Container terminals are a crucial link in a logistics chain. They are nodes that connect with other inland transport modes such as motorways, railways, and inland waterway systems. Terminals have evolved from a cargo handling point to a distribution centre with physical infrastructure serving as transport hubs in the container supply chain. Hence, a container terminal has become an interface between the areas of production and consumption, attracting the attention of players in the shipping and transport related areas. Additionally, high quality inland transport links is a key element in the success of a container terminal.

## 5.5 CONTAINER TERMINAL MARKET

The container terminal market features high barriers to entry due to the high capital requirements necessary to build container terminal capacity, regulatory requirements and limited land availability. The construction of new ports or terminals is capital intensive and is highly dependent on the region and the type of construction required.

## 6. BALTIC SEA REGION CONTAINER MARKET

### 6.1 OVERVIEW

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.

The top ten Baltic container ports of 2014 were as follows:

Container throughput (TEUs)	2013	2014	Change
St Petersburg	2,514,440	2,374,876	-5.55%
Gdansk	1,177,623	1,212,054	2.92%
Gdynia	729,607	849,123	16.38%
Gothenburg	858,000	836,631	-2.49%
HaminaKotka	626,791	574,982	-8.27%
Klaipeda	402,747	450,428	11.84%
Aarhus	405,830	416,612	2.66%
Helsinki	406,000	401,000	-1.23%
<b>Riga</b>	<b>381,099</b>	<b>387,603</b>	<b>1.71%</b>
Kaliningrad	322,624	325,189	0.80%
<b>TOTAL</b>	<b>7,824,761</b>	<b>7,828,498</b>	<b>0.05%</b>

Source: Port Monitor

## 6.2 HISTORICAL DEVELOPMENT

In the 1990s, the Baltic ports witnessed a significant transition, mainly as a result of changes in the political environment. The BSR ports got embedded in the ever-changing economic and logistics systems and were confronted with changing port governance structures due to globalisation processes.

Through the expansion of the European Union to 27 member states, economic centres in East and Central Europe gained importance when compared to the traditional economic core of Europe. The increased participation of these regions in EU economic activities created opportunities for new transshipment centres and hinterland networks.

During the latter half of the 1990s, the 'Europe – Far East trade route' became the most important international trade route and the so-called China factor redirected focus of a number of ports and terminals towards the East. This implied a shift from the Atlantic Rim to the Suez Canal Route, thereby providing an opportunity for Baltic ports to participate in these trade flows.

At the same time, logistics service providers, shipping lines and terminal operators have gone through an unprecedented wave of consolidations. This has led to powerful global terminal networks, carrier groups, and third party logistics service providers to emerge. This process was further enhanced by vertical integration strategies of many market players contributing to the emergence of global carriers. As a result, European terminal operators and inland transport operators are increasingly dealing with large port clients that have more bargaining power than smaller ones.

On the other hand the European port system, including the Baltic ports, has been witnessing an inflow of global terminal operators since the mid-1990s. Global companies such as DP World from Dubai, PSA from Singapore and Hutchison Port Holdings from Hong Kong have entered the European container handling business. The entry of large terminal groups has been supported by the lowering of entry barriers as a consequence of more open and transparent procedures used by port authorities and government agencies in relation to the awarding of seaport concessions.

### 6.3 BSR CONTAINER DEMAND

In the last few years container terminal development in the BSR has been characterised by capacity growth and consequently competition has increased. Russia plays a very important role in the development of the Baltic container trade. It provides the main critical volume and size for the region and largely defines trends in Baltic container shipping. St Petersburg is Russia's, as well as the Baltic's, largest container port handling over 26% and 50% of all containerised cargo in the BSR and Russia respectively. The majority of Russian cargo is still transported as bulk cargo and therefore, there is a high containerisation potential for both Russia as well as the BSR.

From an EU perspective, member states are intensely promoting short-sea shipping in order to shift some volumes of cargo from motorways to the sea. The EU is therefore investing in the development of inland corridors, linking inland regions to more gateways to create more routing options and provide increased flexibility to shippers and logistic service providers.

The outlook for the BSR may be summarised as follows:

- Strong and sustained growth anticipated for the BSR to 2025;
- Increased number of direct calls and likely reduction in transshipment intensity;
- Increased competition for deep-water terminals by 2016;
- Terminals to become increasingly efficient with further services added to their offerings;
- Transit links to Central Europe will create opportunities and threats for BSR ports.

### 6.4 CONCLUSION

The above changes in the port environment have influenced the competitive perspective for container terminals in Europe, and in particular, have impacted the dynamic development of the Baltic ports and cargo flows. This has generated economic growth for the entire region and has increased the importance of the BSR amongst the global players in the sector. In the short term the market will continue to be served via transshipment in major European hubs. This scenario is expected to change in the medium to long term as direct calls of main line vessels to European ports, including Baltic ports, gradually increase partly displacing frequency of feeder vessels.

## PART 2

### 7. COMPANY PERFORMANCE REVIEW

The projected financial statements detailed below relate to events in the future and are based on assumptions which the Company 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.

In November 2013, a corporate restructuring exercise took place pursuant to which 49,999 ordinary shares of €10 each share in the Company were transferred from Mariner Srl (a company registered in Italy with registration number 07839180630) to Mariner Capital Limited (a company registered in Malta with registration number C 11890), and the remaining 1 ordinary share (having a nominal value of €10) was transferred from HCL Holdings Limited (a company registered in Malta with registration number C 15213) to Mr Marin Hili. A further corporate restructuring exercise was carried out in April 2014, whereby the Issuer became the parent company of the Mariner Group as set out in section 3.1 under the heading “Organisational structure”.

During June 2014, the company Mariner Finance p.l.c raised €35 million by issuing bonds to the public. The proceeds raised have been utilised mainly to settle bank loans which have been raised to finance acquisition for SIA Baltic Container Terminal and SIA Equinor Riga Limited during the year.

#### 7.1 FINANCIAL INFORMATION

The following financial information is extracted from the consolidated financial statements of Mariner Finance p.l.c. (the “Company”) for the year ended 31 December 2014. The financial information for the years ending 31 December 2015 and 31 December 2016 have been provided by Management.

Income Statement (€'000)	FY2016 Projection	FY2015 Projection	FY2014 Actual	FY2013 Actual
BCT	16,564	15,776	16,950	17,648
EQR	434	430	403	375
<b>Revenue</b>	<b>16,999</b>	<b>16,206</b>	<b>17,353</b>	<b>18,022</b>
Operating expenses	(8,564)	(8,340)	(8,222)	(9,452)
<b>EBITDA</b>	<b>8,435</b>	<b>7,865</b>	<b>9,132</b>	<b>8,570</b>
Depreciation and amortisation	(1,735)	(1,665)	(1,474)	(1,401)
Net interest expense	(1,926)	(1,895)	(2,160)	(110)
<b>Profit before tax</b>	<b>4,774</b>	<b>4,306</b>	<b>5,498</b>	<b>7,059</b>
Taxation	(304)	(265)	(330)	(261)
<b>Profit for the year</b>	<b>4,471</b>	<b>4,041</b>	<b>5,168</b>	<b>6,798</b>

The performance of the Group has been extracted from the audited financial statements for FY2014 which reflect the performance of the Group after all restructuring transactions were undertaken. The historical results and forecasted figures for FY2015 and FY2016 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 is expected to maintain the comfortable interest cover ratio of 4.2x achieved in FY2014 in FY2015, after which the interest cover is forecast to increase to 4.4x in FY2016. The net interest expense in FY2014 was €0.5 million higher, the result of a one-off loss on fair value of a derivative financial instrument. If this had not occurred, the interest cover for FY2014 would have been at 5.6 times.

It is to be highlighted that the projected revenue and profit figures presented above do not include any prospective new revenue streams. The key accounting ratios are set out below:

<b>Income Statement (€'000)</b>	<b>FY2016 Projection</b>	<b>FY2015 Projection</b>	<b>FY2014 Actual</b>	<b>FY2013 Actual</b>
Operating profit margin (EBITDA/revenue)	50%	49%	53%	48%
Interest cover (times) (EBITDA/net finance cost)	4.4	4.2	4.2	77.6
Net profit margin (Profit after tax/revenue)	26%	25%	30%	38%
Return on equity (Profit after tax/shareholders' equity)	15%	16%	25%	43%
Return on capital employed (Operating profit/total assets less current liabilities)	13%	12%	16%	18%
Return on assets (Profit after tax/total assets)	6%	6%	9%	12%

Source: Charts Investment Management Service Limited

Cash balance increased by *circa* €1 million to €2.1 million as at 31 December 2014. Based on the projections prepared by Management, year-end cash flows are projected to increase to *circa* €3.7 million in FY2015 and *circa* €6 million by FY2016.

<b>Cash Flows Statement (€'000)</b>	<b>FY2016 Projection</b>	<b>FY2015 Projection</b>	<b>FY2014 Actual</b>	<b>FY2013 Actual</b>
Cash flows from operating activities	8,020	7,970	7,753	8,718
Cash flows from investing activities	(3,320)	(5,542)	(7,385)	(34,815)
Cash flows from financing activities	(2,450)	(873)	638	27,214
<b>Net movement in cash and cash equivalents</b>	<b>2,250</b>	<b>1,556</b>	<b>1,005</b>	<b>1,117</b>
Opening cash balance	3,718	2,162	1,157	40
<b>Closing cash balance</b>	<b>5,968</b>	<b>3,718</b>	<b>2,162</b>	<b>1,157</b>

Net cash flows from operating activities principally relate to the operations of BCT and EQR, which are analysed in further detail in sections 4.1.3 and 4.2.4 respectively. Total net cash flows from operations has seen a decline in FY2014 as a result of lower revenue levels reported for BCT during the year as well as higher finance costs. Bond interest for the year amounted to €869,055 in FY2014 while interest on bank loans totalled €942,839.

As to financing activities, in 2014 the Group received bond receipts of €35 million, which was mainly utilised (*circa* €33.5 million) to repay a standing bank loan. The loan was raised in FY2013 to finance the acquisition by SIA Mariner Finance Baltic for the acquisition of SIA Baltic container Terminal and Sia Equinor Riga by Mariner Capital Limited, which amounted in a cash outflow of €26 million. During FY2014 the largest investing cash outflow pertained to amounts receivable from related parties of *circa* €5.4 million.

Statement of financial position (€'000)	31 Dec'16 Projection	31 Dec'15 Projection	31 Dec'14 Actual	31 Dec'13 Actual
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill	13,185	13,185	13,185	13,185
Intangible assets	397	565	284	371
Property, plant and equipment	33,209	33,257	31,462	30,899
Investment property	5,184	5,184	5,184	5,184
Available-for-sale investments	336	336	336	281
Loans and receivables	6,530	4,730	2,930	2,935
<b>Total non-current assets</b>	<b>58,841</b>	<b>57,256</b>	<b>53,379</b>	<b>52,854</b>
<b>Current assets</b>				
Inventory	449	408	400	387
Trade and other receivables	3,944	3,758	4,048	3,422
Taxation	215	166	45	765
Cash and cash equivalents	5,968	3,718	2,162	1,157
<b>Total current assets</b>	<b>10,576</b>	<b>8,050</b>	<b>6,655</b>	<b>5,731</b>
<b>Total assets</b>	<b>69,417</b>	<b>65,306</b>	<b>60,034</b>	<b>58,585</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>	<b>29,417</b>	<b>24,947</b>	<b>20,905</b>	<b>5,680</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Loans from credit institutions	1,942	2,267	1,270	30,606
Bonds	34,486	34,421	34,355	-
Related party balances	-	-	-	-
Other financial liabilities	905	970	827	16,004
Deferred tax liability	510	510	510	548
<b>Total non-current liabilities</b>	<b>37,843</b>	<b>38,168</b>	<b>36,963</b>	<b>47,157</b>
<b>Current liabilities</b>				
Loans from credit institutions	391	460	188	4,333
Trade and other payables	1,766	1,731	1,978	1,415
Taxation	-	-	-	-
<b>Total current liabilities</b>	<b>2,157</b>	<b>2,191</b>	<b>2,167</b>	<b>5,748</b>
<b>Total liabilities</b>	<b>40,000</b>	<b>40,359</b>	<b>39,129</b>	<b>52,905</b>
<b>Total equity and liabilities</b>	<b>69,417</b>	<b>65,306</b>	<b>60,034</b>	<b>58,585</b>

Goodwill represents goodwill on acquisition of BCT and EQR, and results from the excess consideration paid over the fair value of the net assets and liabilities.

All assets included in the balance sheet, other than investment property and financial instruments, are assets held by BCT, which are analysed in further detail in section 4.2.8. Investment property comprises EQR's property in Riga Latvia, the value of which corresponds to the value estimated by a third party expert pursuant to a valuation exercise undertaken in February 2014, the directors are of the opinion that the fair value of the property will not vary until FY2016. Financial instruments include available-for-sale investments held by Mariner Finance p.l.c. amounting to €335,820 (FY2013: €280,902).

The key accounting ratios are set out below:

	31 Dec'16 Projection	31 Dec'15 Projection	31 Dec'14 Actual	31 Dec'13 Actual
Gearing Ratio (%) (Net debt/net debt +shareholders' equity)	52%	58%	62%	90%
Liquidity ratio (times) (Current assets/ current liabilities)	4.90	3.67	3.07	1.00

Source: Charts Investment Management Service Limited

The gearing ratio (net debt/net debt + equity) demonstrates the degree to which the capital employed in a business is funded by external borrowings as compared to shareholders' funds. A company with high leverage tends to be more vulnerable when its business goes through a slowdown. At a leverage of 62% in FY2014, the Company's capital is funded to a higher degree from external debt as opposed to shareholders' funds. The Directors believe that the high leverage is appropriate for the Group in view of the substantial cash flows generated by BCT. As detailed in section 4.2.7 above, BCT has registered healthy operating profits in the past ten years, even during the economic crisis in FY2009. Furthermore, BCT's cash flows are expected to be supplemented in the near term by positive earnings from prospective new acquisitions.

Other than equity, the Group is principally financed through bank loans and corporate bonds, analysed as follows:

	31 Dec'16 Projection	31 Dec'15 Projection	31 Dec'14 Actual	31 Dec'13 Actual
Loans form credit institutions	2,333	2,727	1,458	34,939
Bonds	34,486	34,421	34,355	-

During FY2014 the proceeds of €35 million from the issue of 5.3% 2024 redeemable bonds were mostly used to settle outstanding bank loans of the Group. In FY2014 loans from credit institutions decreased significantly to €1.4 million but are projected to increase to €2.7 million in FY2015. The Group's bank loans bear interest at 2.7% per annum over 3 months EURIBOR and are secured by a commercial pledge over subsidiary company's assets.



## PART 3

### 8. COMPARABLES

The table below compares the Company and its proposed bond issue to other debt issuers listed on the Malta Stock Exchange and their respective debt securities. The list includes all issuers (excluding financial institutions) that have listed bonds maturing in the medium term (within nine to ten years), similar to the duration of the Company's bonds. Although there are significant variances between the activities of the Company and other issuers (including different industries, principal markets, competition, capital requirements etc), and material differences between the risks associated with the Company's business and that of other issuers, the comparative analysis provides an indication of the financial performance and strength of the Company.

Comparative Analysis	Nominal Value (€'000)	Yield to Maturity (%)	Interest Cover (times)	Total Assets (€'million)	Net Asset Value (€'million)	Gearing Ratio (%)
6.0% AXI plc 2024	40,000	4.16	2.80	188.38	102.17	65.05
6.0% IHG Holdings plc 2024	35,000	4.46	2.65	149.76	40.37	201.23
<b>5.3% Mariner Finance plc 2024</b>	<b>35,000</b>	<b>3.59</b>	<b>4.23</b>	<b>60.03</b>	<b>20.91</b>	<b>62.25</b>
5.0% Tumas Investments plc 2024	25,000	3.63	3.34	281.07	95.10	137.46
5.0% Hal Mann Vella plc 2024	30,000	3.53	0.51	77.29	30.14	55.04
5.1% PTL Holdings plc 2024	36,000	3.65	1.04	72.48	6.13	87.51
5.75% IHI plc 2025	45,000	4.23	2.21	1,012.04	594.81	50.31
5.1% 6PM Holdings plc 2025	13,000	5.10	10.3	9.12	4.12	36.63

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Source: Malta Stock Exchange, Charts Investment Management Service Limited

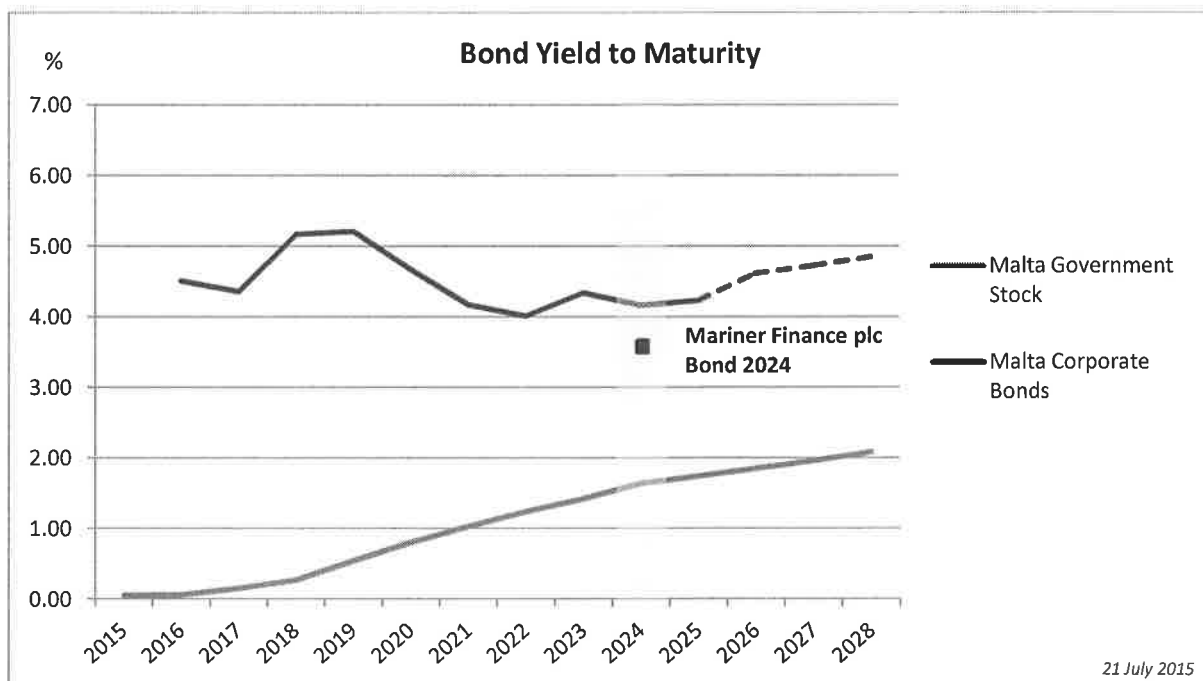
Annual Accounts: Tumas Group Company Ltd (YE 31/12/2013), International Hotel Investments plc (YE 31/12/2014), Island Hotels Group Holdings plc (YE 31/10/2014), AX Holdings Ltd (YE 31/10/2014), Mariner Finance plc (YE 31/12/2014), PTL Holdings plc (YE 31/12/14), Hal Mann Vella Group plc (YE 31/12/14), 6PM Holdings plc (YE 31/12/14)

The interest cover ratio determines the ability of a company to pay interest on its outstanding borrowings. For the financial year ended 31 December 2014, the Group's earnings before depreciation, interest and taxes was 4.23 times higher than net interest expenses for the year. This indicates that the Group is generating significantly higher earnings to service its outstanding and future debt.

The debt to equity ratio or gearing ratio demonstrates the degree to which the capital employed in a business is funded by external borrowings as compared to shareholders' funds. A company with high leverage tends to be more vulnerable when its business goes through a slowdown. At a gearing ratio of 62%, the Group's external net debt is higher than its shareholders' funds. The Directors believe

that based on BCT’s current operations and future expectations, the Group’s leverage is adequate for the business activities of the Group.

The chart below shows the yield to maturity of the Mariner Finance Bond as compared to other corporate bonds listed on the Malta Stock Exchange. The Malta Government Stock yield curve has also been included as the benchmark risk-free rate for Malta.



To date, there are no corporate bonds which have a redemption date beyond 2025 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. The premium over Malta Government Stock has been assumed at 277 basis points, which is the average premium for medium term corporate bonds. The Mariner Finance Bond is currently trading at 185 basis points above Malta Government Stock.

## PART 4

### 9. EXPLANATORY DEFINITIONS

<b>Income Statement</b>	
Revenue	Total revenue generated by the Group from its business activities during the financial year, that is, the operations of BCT and EQR
Operating expenses	Operating expenses include the cost of terminal operations and management expenses in maintaining the investment property of 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.
<b>Profitability Ratios</b>	
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.
<b>Efficiency Ratios</b>	
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.
<b>Equity Ratios</b>	
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.
<b>Cash Flow Statement</b>	
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.
<b>Balance Sheet</b>	
Non-current assets	Non-current assets 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.
<b>Financial Strength Ratios</b>	
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.