Company Announcement

Date of Announcement: 26th May 2021
Reference: MRF 64

The following is a company announcement issued by Mariner Finance p.l.c pursuant to the Listing Rules as issued by the Listing Authority in accordance with the provisions of the Financial Markets Act (Chapter 345 of the Laws of Malta) as they may be amended from time to time.

Quote

The Board of Directors of Mariner Finance p.l.c. wishes to inform the general public that the updated Financial Analysis Summary of the Company have been approved.

A copy of the signed Financial Analysis Summary is attached herewith and is also available for viewing on the Company's website www.mfplc.com.mt.

UNQUOTE

Kevin Saliba
Company Secretary

26th May 2021

Financial Analysis Summary

26 May 2021

Issuer

Mariner Finance p.l.c.

(C31514)

MZ INVESTMENT SERVICES

MZ INVESTMENT SERVICES

The Directors
Mariner Finance p.l.c.
37, Triq Censu Tabone
St. Julian's STJ 1018

26 May 2021

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 Financial Analysis Summary ("**Analysis**") set out in 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 2018 to 31 December 2020 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 2021 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.

MZ INVESTMENT SERVICES

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
Senior Financial Advisor

MZ Investment Services Ltd
63, St Rita Street,
Rabat RBT 1523,
Malta
Tel: 2145 3739

TABLE OF CONTENTS

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. Furthermore, the Company operates and rents to third parties owned real estate in Latvia.

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
Edward Hili	Chief Executive Officer
Michela Borg	Non-Executive Director
Kevin Saliba	Non-Executive Director and Company Secretary
Lawrence Zammit	Independent Non-Executive Director
Mark Vella	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	Chief Executive Officer (BCT[1] and MFB[2])
Aldis Zieds	Deputy Chairman (BCT)
Dimitri Kiseljev	Chief Operating Officer (BCT)
Dzintars Vigulis	Operations (BCT)

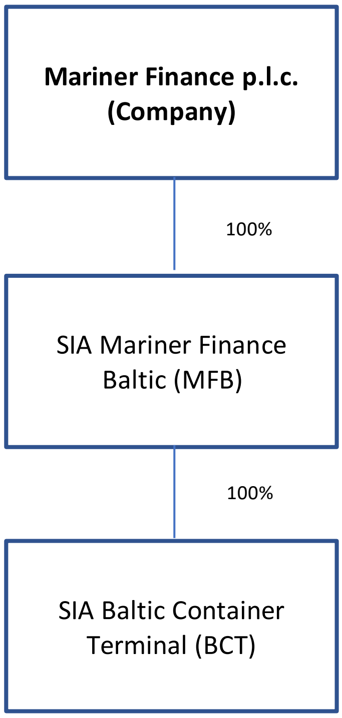
[1] SIA Baltic Container Terminal ("BCT").

[2] SIA Mariner Finance Baltic ("MFB").

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 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 **SIA Baltic Container Terminal ("BCT")** is provided in section 4 below.

3.2 Investment Property

3.2.1 Introduction

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^2 of rentable space. 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.

Based on an independent certified expert's valuation report dated 4 March 2021, the property is valued at €4,570,000, a decrease of €463,000 from last valuation report dated 31 December 2019. This decrease in fair value has been solely due to the COVID-19 pandemic which has led the independent expert to adjust the occupancy rates of the property.

The Company has a lease agreement with McDonald's Latvia for an area measuring 626m^2. 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

In addition to the above-mentioned building, the Company owns a parcel of land in Latvia valued at €82,000. The fair value has been determined based on independent certified expert's valuation dated 30 January 2018.

3.2.2 Commercial real estate market trends for the Baltic region[3]

The Covid-19 outbreak has had a major impact on economies around the globe, including the Baltic countries. After a strong year (2019), all Baltic economies contracted in 2020 due to the pandemic. Notwithstanding, there were several large real estate transactions during the year and new international players entered the market.

For the fifth year since 2015, total volume of commercial real estate investment in the Baltics in 2020 exceeded the EUR 1 billion mark, and matched the level achieved in 2019. Since March 2020, the office market has been hit by the Covid-19 pandemic, resulting in drastic restrictions and remote working, thus postponing a large amount of transactional activity since then. However, construction and project development continued throughout the year 2020 in the office segment. Moreover, the Vilnius office market recorded a historical increase in new supply and development pipeline remained strong despite changes in the market. In Latvia, the office leasing market saw the entry of several new international companies.

Retail enterprises have been amongst the most significantly affected by the pandemic due to waves of restrictions that considerably limited or completely halted retail activities, except for e-commerce. Those retailers who have managed to adjust to the changing demand, suffered less. Despite Covid-19, total retail turnover in Latvia managed a slight increase of 1.5% compared to 2019. The pandemic has significantly accelerated ongoing market changes, particularly with regard to development of e-commerce, omni-channel retail strategy and its supporting infrastructure, such as last mile logistics.

Warehouse and industrial property development were least affected by the pandemic. Almost none of the projects under construction or in planning phase were cancelled or postponed. Developers are confident about market prospects and are initiating construction of new speculative projects.

Hospitality industry was heavily impacted by the reduced travel activity due to the Covid-19 outbreak. An upsurge in cancellations, a decline in bookings, and rising unemployment have resulted across the sector. The tourism sector faces continuing uncertainty surrounding the timing of its recovery.

Overall, economic recovery in the coming years largely depends on economic stimulus programmes and diverse large-scale infrastructure investment projects.

Despite the impact of the COVID-19 pandemic on the commercial property sector as explained hereinabove, the occupancy level at the Company's property has remained unaffected at *circa* 96%.

[3] https://www.colliers.com/en-lv/research/2021-annual-real-estate-market-overview

4. SIA BALTIC CONTAINER TERMINAL

4.1 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. 48 under a port concession license issued by the Riga Free Port Authority which expires on 22 March 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, warehousing facilities, parking and paved areas surrounding said warehouses, and covered rail ramps.

SIA Baltic Container Terminal

4.2 Market and Competition

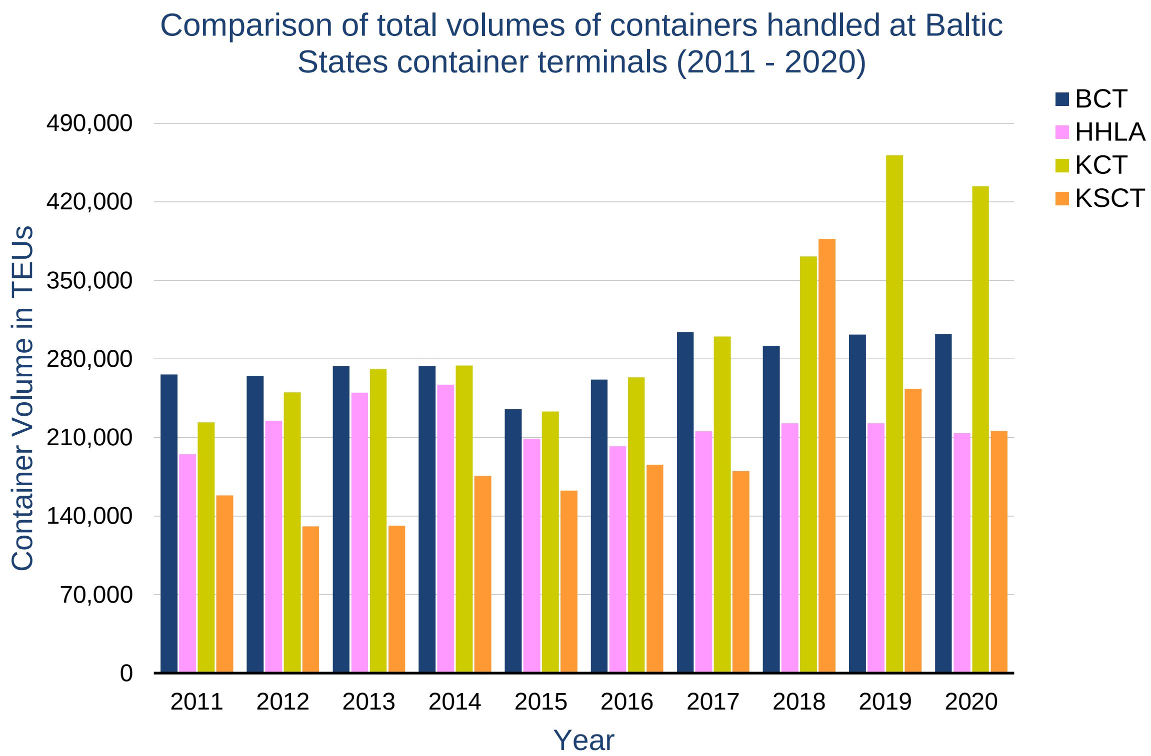
BCT is located at the mouth of the river Daugava which runs through the centre of Latvia's capital Riga. Its favourable geographical location and good, direct access via road and rail to its market hinterland make it strategically located to serve as a gateway to meet container traffic demand to and 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.

In addition to RCT and RUT, BCT's other competitors comprise 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; HHLA Muuga (formerly Transiidikeskuse) (HHLA) 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 HHLA, 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 2011 to 2020.



4.3 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^2. The BCT terminal has an annual container handling capacity of *circa* 450,000 TEUs[4], and offers the following services:

- **Quay-side operations** – including the berthing of vessels for the loading and/or unloading of containerised cargo using four ship-to-shore gantry cranes. A fifth ship-to-shore gantry crane was delivered during 2020. Quay operations are supported by a variety of yard and interface equipment which includes reach stackers, rail-mounted gantries as well as various tractors, trailers and forklifts.
- **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^2 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. In January 2020, BCT completed development of further warehouse facilities, thereby increasing capacity by an additional 11,000m^2.
- **Ancilliary 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 2020 represented 68% (2019: 69%) 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, Cosco Shipping Lines Co Ltd (COSCO), 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] TEU is the abbreviation for twenty-foot equivalent unit, a standard measure for a container for transporting goods, used to calculate how many containers a ship can carry, or a port can deal with.

4.4 Operational Performance

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

SIA Baltic Container Terminal Statement of Comprehensive Income for the year ended 31 December	2018 Actual €'000	2019 Actual €'000	2020 Actual €'000	2021 Forecast €'000
Revenue	16,475	16,614	15,832	15,770
Other operating income		131	232	176
Net operating expenses	(7,955)	(8,187)	(7,941)	(8,210)
EBITDA	**8,520**	**8,558**	**8,123**	**7,736**
Depreciation and amortisation	(1,481)	(1,579)	(2,058)	(2,288)
Gain on disposal of subsidiary	-	-	-	-
Net interest income/(cost)	193	1	(125)	(57)
Profit before tax	**7,232**	**6,980**	**5,940**	**5,391**
Taxation	-	(70)	(244)	(247)
Profit after tax	**7,232**	**6,910**	**5,696**	**5,144**
Comprehensive income:				
Revaluation, net of deferred tax	-	6,017	-	-
Total comprehensive income	**7,232**	**12,927**	**5,696**	**5,144**

SIA Baltic Container Terminal Earnings before interest, taxation, depreciation & amortisation (EBITDA) for the year ended 31 December	2018 Actual €'000	2019 Actual €'000	2020 Actual €'000	2021 Forecast €'000
EBITDA has been calculated as follows:				
Net profit before taxation	7,232	6,980	5,940	5,391
Adjustments:				
Interest and similar income	(327)	(287)	(275)	(279)
Interest and similar expense	134	286	400	336
Depreciation and amortisation	1,481	1,579	2,058	2,288
EBITDA	**8,520**	**8,558**	**8,123**	**7,736**

Key Accounting Ratios	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Forecast
Revenue growth *(Revenue FY1/revenue FY0)*	-2%	1%	-5%	0%
Operating profit margin *(EBITDA/revenue)*	52%	52%	51%	49%
Net profit margin *(Profit after tax/revenue)*	44%	42%	36%	33%

Source: MZ Investment Services Limited

In **FY2018**, BCT handled 292,206 TEUs, a decrease of 3.8% when compared to FY2017. As a result, revenue was marginally lower by €363,000 (-2.2%) when compared to a year earlier, from €16.8 million in FY2017 to €16.4 million. During the year, BCT initiated a development project to expand its warehouse facilities by a further 11,000m^2 to *circa* 31,400m^2.

Net operating costs increased by €759,000 (+10.5%) to €8.0 million, due to higher operational and administration costs (principally on account of higher utility costs), which increased by 7%. EBITDA for FY2018 was lower by €1.1 million from €9.6 million in FY2017 to €8.5 million, which is a reflection of the stable y-o-y revenue but higher y-o-y operating costs mentioned above. Profit after tax for FY2018 amounted to €7.2 million, a decrease of €681,000 when compared to the prior year (FY2017: €7.9 million).

During **FY2019**, BCT generated €16.6 million in revenue, a marginal increase of €139,000 (+0.8%) compared to the prior year (FY2018: €16.5 million). In terms of TEUs, the company handled 302,080 TEUs in FY2019, an increase of 3.3% over FY2018 (292,206 TEUs). Net operating expenses were fairly stable on a y-o-y basis and as such, EBITDA was broadly unchanged at €8.6 million (FY2018: €8.5 million) equivalent to an operating profit margin of 52% (FY2018: 52%).

Depreciation and amortisation increased from €1.5 million in FY2018 to €1.6 million in FY2019, principally on account of the adoption of IFRS 16 "leases". Profit after tax in FY2019 was lower by €0.3 million from FY2018 and amounted to €6.9 million. Accordingly, the net profit margin decreased by 2 percentage points from 44% in FY2018 to 42% in FY2019.

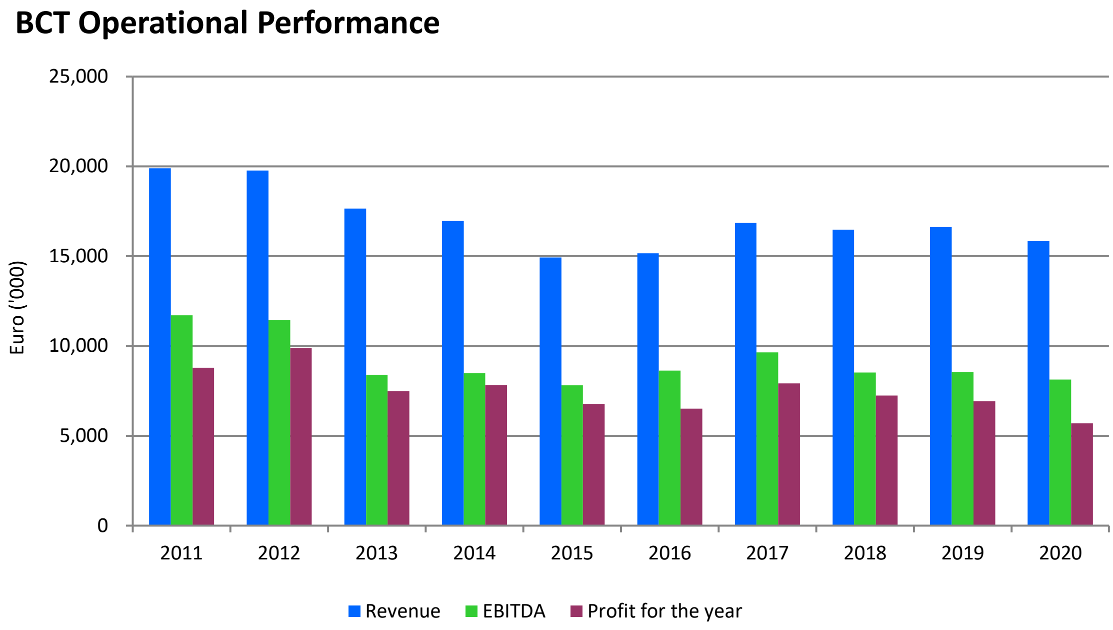
The company has revalued property, comprising warehouses complex, administrative buildings, open areas for cargo storage, access roads to railway and warehouse building completed in January 2020, to an estimated fair value of €39.6 million as of 31 December 2019. The fair value was determined based on the independent certified expert's valuation dated 3 February 2020. In terms of this valuation report, the fair value of the said property increased (net of deferred tax) by €6.0 million and has been accounted for in comprehensive income. In FY2019, total comprehensive income amounted to €12.9 million compared to €7.2 million in FY2018.

Notwithstanding the global economic downturn caused by the pandemic, the number of TEUs handled by BCT in **FY2020** was broadly equal to the volume handled in the prior year (302,403 TEUs compared to 302,080 TEUs in FY2019). Revenue for the year amounted to €15.8 million, a decrease of €782,000 or -5% compared to FY2019. The reduction in revenue is mainly attributable to COVID-19 related discounts afforded to clients. As a result, EBITDA declined from €8.6 million in FY2019 to €8.2 million, but operating profit margin was maintained at 52%.

Depreciation and amortisation charge was higher in FY2020 by €479,000 on account of an increase in property, plant and equipment. The company completed new warehouse facilities at the beginning of FY2020 and in July 2020 got delivery of a new gantry crane. Net profit achieved in FY2020 amounted to €5.7 million compared to €6.9 million in FY2019 (-18%).

In **FY2021**, management expects BCT to handle approximately the same volume of TEUs as in the prior year and therefore forecast revenue is estimated to amount to €15.8 million, which is unchanged compared to FY2020. EBITDA is projected to decrease by €0.4 million to €7.7 million (-5%, y-o-y), primarily due to higher net operating expenses which are expected to increase from €7.9 million in FY2020 to €8.2 million. Overall, total comprehensive income is projected to decrease by €0.6 million (-10%) from €5.7 million in FY2020 to €5.1 million.

4.5 10-Year Operational Performance (2011 – 2020)



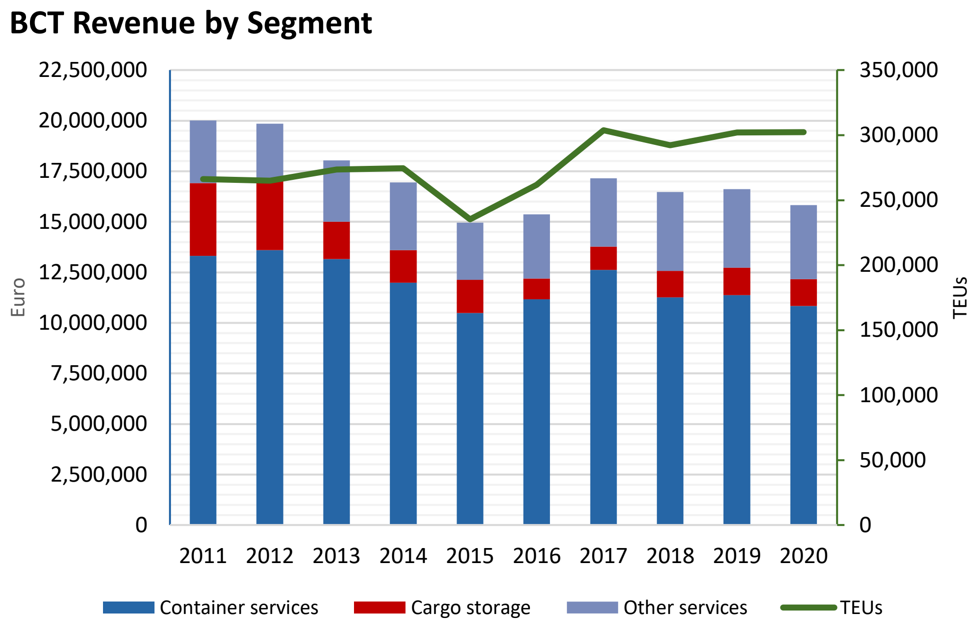
SIA Baltic Container Terminal for the year ended 31 December	2011 Actual €'000	2012 Actual €'000	2013 Actual €'000	2014 Actual €'000	2015 Actual €'000	2016 Actual €'000	2017 Actual €'000	2018 Actual €'000	2019 Actual €'000	2020 Actual €'000
Revenue	19,888	19,761	17,647	16,950	14,924	15,156	16,838	16,475	16,614	15,832
EBITDA	11,711	11,449	8,389	8,488	7,815	8,629	9,642	8,520	8,558	8,123
Profit for the year	8,783	9,884	7,495	7,818	6,770	6,501	7,913	7,232	6,910	5,696

	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Actual
TEUs ('000)	266	265	274	274	235	262	304	292	302	302
Container revenue per TEU (€)	75	75	64	62	64	58	55	56	55	52
EBITDA per TEU (€)	44	43	31	31	33	33	32	29	28	27
TEUs growth *(TEUs FY1/TEUs FY0)*	22%	0%	3%	0%	-14%	11%	16%	-4%	3%	0%
Revenue growth *(Revenue FY1/revenue FY0)*	26%	-1%	-11%	-4%	-12%	2%	11%	-2%	1%	-5%
Operating profit margin *(EBITDA/revenue)*	59%	58%	48%	50%	52%	57%	57%	52%	52%	51%
Net profit margin *(Profit after tax/revenue)*	44%	50%	42%	46%	45%	43%	47%	44%	42%	36%

Source: MZ Investment Services Limited

Over the past 10 years, BCT's performance has been fairly consistent on y-o-y basis, whereby average revenue and average EBITDA for the said period amounted to €17.0 million and €9.1 million respectively. Compared to the last published financial information, actual revenue (FY2020: €15.8 million) was lower than average by 6.9% mainly due to higher discounts afforded to clients, while actual EBITDA (FY2020: €8.2 million) was lower than average by 10.5%. Volumes handled by BCT in the reviewed period increased from *circa* 266,000 TEUs in FY2011 to *circa* 302,000 TEUs in FY2020 (the peak year in terms of volume was in FY2017 with 304,000 TEUs).

Competition has increased considerably in a decade, which resulted in lower revenue and EBITDA per TEU being generated by BCT. In FY2020, the terminal generated total revenue and EBITDA per TEU of €52 and €27 respectively, compared to €75 and €44 respectively in FY2011. Notwithstanding increased competition, management has undertaken various measures to ensure that the company's EBITDA and profit margins are safeguarded through ongoing capital investment at the terminal (infrastructure, equipment, software, etc.) and implementation of operational efficiencies.



The above chart depicts BCT's revenue by segment. The principal activity of BCT is the handling (loading and unloading) of containers (blue bar) and during the last 10 years represented *circa* 70% of total revenue. Volume of containers (TEUs) has progressively increased from 266,000 TEUs in 2011 to 302,000 TEUs in 2020 (+14%) while total revenue has decreased from €20.0 million in 2011 to €15.8 million (-21%). On a unit basis, BCT's revenue has declined from €75/TEU in 2011 to €52/TEU in 2020. Due to the competitive and price-sensitive nature of BCT's industry, the company is inclined to handle higher container volumes but generate less revenue per TEU.

The chart shows a decline in 2015 of 14% (y-o-y) in the number of TEUs handled by BCT. This adverse movement was principally due to the geopolitical situation in Russia at the time and the depressed price of oil.

4.6 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

6. FINANCIAL HIGHLIGHTS

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 2018 to 31 December 2020. The financial information for the year ending 31 December 2021 has been provided by management of the Company.

The projected financial statements 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.

Mariner Finance p.l.c. **Statement of Total Comprehensive Income** **for the year ended 31 December**	**2018** **Actual** **€'000**	**2019** **Actual** **€'000**	**2020** **Actual** **€'000**	**2021** **Forecast** **€'000**
Revenue	16,475	16,614	15,832	15,770
Rental income and other net operating income	556	588	604	453
Net operating expenses	(8,507)	(8,618)	(8,525)	(8,554)
EBITDA	**8,524**	**8,584**	**7,911**	**7,669**
Depreciation & amortisation	(1,481)	(1,579)	(2,058)	(2,288)
Loss on revaluation of investment property	-	-	(463)	-
Investment income	430	348	275	-
Net finance costs	(1,975)	(2,133)	(2,180)	(1,912)
Profit before tax	**5,498**	**5,220**	**3,485**	**3,469**
Taxation	(21)	(316)	(288)	(262)
Profit after tax	**5,477**	**4,904**	**3,197**	**3,207**
Other comprehensive income:				
Revaluation, net of deferred tax	-	6,017	-	-
Total comprehensive income	**5,477**	**10,921**	**3,197**	**3,207**

Mariner Finance p.l.c. **Earnings before interest, taxation, depreciation & amortisation (EBITDA)** **for the year ended 31 December**	**2018** **Actual** **€'000**	**2019** **Actual** **€'000**	**2020** **Actual** **€'000**	**2021** **Forecast** **€'000**
EBITDA has been calculated as follows:				
Operating profit	7,043	7,005	5,853	5,381
Adjustments:				
Depreciation and amortisation	1,481	1,579	2,058	2,288
EBITDA	**8,524**	**8,584**	**7,911**	**7,669**

Key Accounting Ratios	**FY2018** **Actual**	**FY2019** **Actual**	**FY2020** **Actual**	**FY2021** **Forecast**
Operating profit margin *(EBITDA/revenue)*	50%	50%	48%	47%
Interest cover (times) *(EBITDA/net finance cost)*	4.32	4.02	3.63	4.01
Net profit margin *(Profit after tax/revenue)*	32%	29%	19%	20%
Earnings per share (€) *(Profit after tax/number of shares)*	109.54	98.08	63.94	64.14
Return on equity *(Profit after tax/shareholders' equity)*	12%	10%	6%	6%
Return on capital employed *(EBITDA/total assets less current liabilities)*	11%	10%	9%	8%
Return on assets *(Profit after tax/total assets)*	7%	5%	3%	3%

Source: MZ Investment Services Limited

In **FY2018**, revenue generated from the operations of BCT amounted to €16.5 million compared to €16.8 million in FY2017 (-2.2% y-o-y). Furthermore, rental income from the Group's investment property (see section 3.2 above) and other net operating income was unchanged on a y-o-y basis and amounted to €0.6 million. Operating profit margin deteriorated by 4 percentage points to 50% in FY2018 due to lower revenues and higher operating expenses. The impact on EBITDA was of €0.9 million (-9.9% y-o-y), from €9.5 million in FY2017 to €8.5 million in FY2018.

Profit after tax in FY2018 amounted to €5.5 million, a decrease of €0.6 million (-10.1% y-o-y) from FY2017 (€6.1 million), mainly due to lower EBITDA which was partly mitigated by a reduction of €0.4 million in net finance costs. During the year, interest cover improved from 4.77 times in FY2017 to 5.52 times in FY2018, but net profit margin declined by 3 percentage points to 32% in FY2018.

In **FY2019**, revenue was broadly unchanged on a y-o-y basis as BCT generated €16.6 million in FY2019 compared to €16.5 million in FY2018, whilst rental and other income amounted to €0.6 million in FY2019 (FY2018: €0.6 million). Net operating expenses was also stable at €8.6 million and as such operating profit margin was unchanged at 50%.

Profit after tax in FY2019 amounted to €4.9 million, €0.6 million (-10.5%) lower when compared to FY2018 (€5.5 million), mainly due to €98,000 increase in depreciation & amortisation, €240,000 increase in net finance costs and €295,000 increase in taxation. The increase in depreciation & amortisation is on account of the adoption of IFRS 16 "leases". As a consequence, net profit margin declined from 32% in FY2018 to 29%.

The Group has revalued property, comprising warehouses complex, administrative buildings, open areas for cargo storage, access roads to railway and warehouse building completed in January 2020, to an estimated fair value of €39.6 million as of 31 December 2019. The fair value was determined based on the independent certified expert's valuation dated 3 February 2020. In terms of this valuation report, the fair value of the said property increased (net of deferred tax) by €6.0 million and has been accounted for in comprehensive income. In FY2019, total comprehensive income amounted to €10.9 million compared to €5.5 million in FY2018.

During **FY2020**, the global economy experienced the impact of the COVID-19 pandemic. Such on-going pandemic is unprecedented but its effect on the Group's business operations has been minimal. In fact, both container volumes handled and occupancy levels within the Group's principal activities were similar to those of the previous year despite the pandemic. The only financial impact resulting from the pandemic was in the form of COVID-19 related discounts given to the Group's clients.

During the review year, revenue decreased by €782,000 or -5%, from €16.6 million in FY2019 to €15.8 million and rental income generated from the property in Latvia amounted to €604,000 compared to €588,000 in the prior year. Net operating expenses also decreased but not to the same extent as revenue (by -1%) which thus resulted in a 8% decline in EBITDA to €7.9 million (FY2019: €8.6 million).

Depreciation and amortisation charge was higher in FY2020 on a comparable basis by €479,000 on account of new property, plant & equipment. Furthermore, the carrying value of the property in Latvia was reduced by €463,000. As such, profit after tax in FY2020 amounted to €3.2 million, a decrease of €1.7 million (-35%) compared to €4.9 million generated in the previous year.

The Group's revenue in **FY2021** is projected to remain broadly stable at €15.8 million, while EBITDA is expected to decrease marginally by €0.2 million to €7.7 million (FY2020: €7.9 million) mainly on account of a y-o-y decrease in rental income of €151,000. As such, operating profit margin is anticipated to decrease by 1 percentage point to 47%, while interest cover is expected to improve from 3.34 times in FY2020 to 4.01 times due to a projected decrease in net finance costs of €0.5 million to €1.9 million. After accounting for depreciation, net finance costs and taxation, profit after tax is projected to amount to €3.2 million which is in line with the profit achieved in the prior year.

Mariner Finance p.l.c. **Statement of Cash Flows** **for the year ended 31 December**	**2018** **Actual** **€'000**	**2019** **Actual** **€'000**	**2020** **Actual** **€'000**	**2021** **Forecast** **€'000**
Net cash from operating activities	7,464	5,600	6,160	4,431
Net cash from investing activities	(9,698)	(13,192)	(3,157)	(4,189)
Net cash from financing activities	(304)	7,044	(2,891)	(486)
Net movement in cash and cash equivalents	**(2,538)**	**(548)**	**112**	**(244)**
Cash and cash equivalents at beginning of year	3,701	1,163	615	727
Cash and cash equivalents at end of year	**1,163**	**615**	**727**	**483**

Net cash inflow from operating activities in FY2020 was higher on a comparable basis by €560,000 to €6.2 million (FY2019: €5.6 million), mainly on account of favourable movements in working capital.

Net cash outflow from investing activities amounted to €3.2 million in FY2020 compared to €13.2 million in FY2019. During the year, the Group's investment in property, plant and equipment amounted to €4.0 million (FY2019: €7.1 million), while net amounts advanced to parent company and related parties amounted to €3.8 million compared to €6.1 million in FY2019. On the other hand, the Group received proceeds from the sale and leaseback of a gantry crane amounting to €4.5 million.

Net cash used in financing activities amounted to €2.9 million compared to cash inflows of €7.0 million in the prior year. The Group utilised the above-mentioned proceeds from the sale and leaseback transaction to repay a bank loan used to finance the said crane. As such, net repayment of bank loans in FY2020 amounted to €2.8 million (FY2019: net drawdowns of €7.1 million).

Cash and cash equivalents as at 31 December 2020 amounted to €727,000 compared to €615,000 in FY2019.

In FY2021, net movement in cash and cash equivalents is projected to amount to -€244,000 compared to a positive balance of €112,000 in FY2020. The Group is projecting net cash from operating activities to amount to €4.4 million, being €1.8 million lower from the prior year. In terms of investing activities, the projected amount of €4.2 million shall principally comprise net amounts to parent company and related parties as no material capital expenditure is envisaged for the year. Net cash used in financing activities is expected to amount to €0.5 million compared to a cash outflow of €2.9 million in FY2020. Such amount includes lease liability payments and net repayment of bank loans.

Mariner Finance p.l.c. Statement of Financial Position as at 31 December	2018 Actual €'000	2019 Actual €'000	2020 Actual €'000	2021 Forecast €'000
ASSETS				
Non-current assets				
Intangible assets	13,863	13,800	13,746	13,704
Property, plant and equipment	37,102	48,737	44,996	43,357
Investment property	5,115	5,115	4,652	4,652
Right-of-use assets	-	2,538	8,265	7,958
Loans and receivables	22,464	20,583	23,796	28,004
	78,544	90,773	95,455	97,675
Current assets				
Loans receivable	-	-	750	431
Inventories	381	465	438	472
Trade and other receivables	3,135	3,397	2,980	3,772
Taxation	-	60	-	-
Cash and cash equivalents	1,163	615	727	483
	4,679	4,537	4,895	5,158
Total assets	**83,223**	**95,310**	**100,350**	**102,833**
EQUITY				
Equity and reserves				
Called up share capital	500	500	500	500
Other equity and reserves	11,452	17,470	17,470	17,470
Retained earnings	32,225	29,130	32,327	35,534
	44,177	**47,100**	**50,297**	**53,504**
LIABILITIES				
Non-current liabilities				
Bank loans	963	2,041	349	43
Bonds	34,583	34,648	34,717	34,789
Lease liability	-	2,535	6,304	5,658
Other non-current liabilities	54	274	341	489
	35,600	39,498	41,711	40,979
Current liabilities				
Bank loans	309	6,323	5,227	5,545
Lease Liability	-	49	697	697
Other current liabilities	3,137	2,340	2,418	2,108
	3,446	8,712	8,342	8,350
	39,046	**48,210**	**50,053**	**49,329**
Total equity and liabilities	**83,223**	**95,310**	**100,350**	**102,833**

Key Accounting Ratios	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Forecast
Gearing ratio *(Net debt/net debt and shareholders' equity)*	44%	49%	48%	46%
Gearing ratio 2 (times) *(Net debt/shareholders' equity)*	0.79	0.96	0.93	0.86
Net debt to EBITDA (years) *(Net debt/EBITDA)*	4.07	5.24	5.89	6.03
Net assets per share (€) *(Net asset value/number of shares)*	883.54	942.00	1,005.94	1,070.08
Liquidity ratio (times) *(Current assets/current liabilities)*	1.36	0.52	0.59	0.62

Source: MZ Investment Services Limited

Total assets as at 31 December 2020 amounted to €100.4 million, an increase of €5.1 million from a year earlier. The principal movements were in property, plant and equipment and right-of-use assets on account of additional assets (in aggregate, €2.0 million), and an increase in loans receivable from parent and other related parties of €3.2 million to €23.8 million. On the other hand, the fair value of investment property decreased from €5.1 million in FY2019 to €4.7 million. In FY2020, the Group on-lent €750,000 to its parent and other related parties.

Total liabilities as at 31 December 2020 increased by €1.8 million (y-o-y), from €48.2 million in FY2019 to €50.0 million. During the year, bank loans decreased y-o-y by €2.8 million to €5.6 million. In contrast, lease liabilities increased by €4.4 million to €7.0 million following the sale and leaseback transaction in connection with a container crane. The gearing ratio was broadly unchanged in FY2020 at 48% (FY2019: 49%). An alternative to assessing leverage is the net debt to EBITDA ratio, which weakened marginally from 5.24 years in FY2019 to 5.89 years in FY2020.

For the year ending 31 December 2021, the Group does not anticipate any major changes to its financial position. Total assets are projected to amount to €102.8 million (FY2020: €100.4 million) mainly on account of an increase in loans and receivables of €4.2 million. In current assets, loans receivable are expected to decrease from €750,000 in FY2020 to €431,000. Total liabilities are expected to remain broadly unchanged at €49.3 million, of which, an amount of €46.7 million includes debt securities, bank borrowings and lease liability (FY2020: €46.9 million). As such, the gearing ratio of the Group is anticipated to decrease y-o-y by 2 percentage points to 46%.

7. VARIANCE ANALYSIS

The following financial information relates to the variance analysis between the forecasted financial information for the year ended 31 December 2020 included in the prior year's Financial Analysis Summary dated 27 May 2020 and the audited consolidated financial statements for the year ended 31 December 2020.

Mariner Finance p.l.c. Statement of Total Comprehensive Income for the year ended 31 December 2020	**Actual €'000**	**Forecast €'000**	**Variance €'000**
Revenue	15,832	15,219	613
Rental income and other net operating income	604	417	187
Net operating expenses	(8,525)	(8,066)	(459)
EBITDA	**7,911**	**7,570**	**341**
Depreciation & amortisation	(2,058)	(2,201)	143
Loss on revaluation of investment property	(463)	-	(463)
Investment income	275	-	275
Finance costs	(2,180)	(1,888)	(292)
Profit before tax	**3,485**	**3,481**	**4**
Taxation	(288)	(233)	(55)
Profit after tax	**3,197**	**3,248**	**(51)**
Total comprehensive income	**3,197**	**3,248**	**(51)**

As presented in the above table, EBITDA generated by the Group in FY2020 was higher than projected by €341,000 million (+5%). This positive result was however fully absorbed by a fair value decrease of €463,000 relating to the Group's investment property in Latvia. Accordingly, the variance in total comprehensive income was an adverse difference of €51,000.

Mariner Finance p.l.c.
Statement of Financial Position
as at 31 December 2020

	Actual	Forecast	Variance
	€'000	**€'000**	**€'000**
ASSETS			
Non-current assets			
Intangible assets	13,746	13,731	15
Property, plant and equipment	44,996	50,757	(5,761)
Investment property	4,652	5,115	(463)
Right-of-use assets	8,265	2,445	5,820
Loans and receivables	23,796	23,139	657
	95,455	95,187	268
Current assets			
Inventories	438	488	(50)
Trade and other receivables	3,730	2,648	1,082
Taxation	-	-	-
Cash and cash equivalents	727	1,113	(386)
	4,895	4,249	646
Total assets	**100,350**	**99,436**	**914**
EQUITY			
Equity and reserves			
Called up share capital	500	500	-
Other equity and reserves	17,470	17,470	-
Retained earnings	32,327	32,378	(51)
	50,297	**50,348**	**(51)**
LIABILITIES			
Non-current liabilities			
Bank loans	349	7,743	(7,394)
Bonds	34,717	34,717	-
Lease liability	6,304	2,429	3,875
Other non-current liabilities	341	224	117
	41,711	45,113	(3,402)
Current liabilities			
Bank loans	5,227	1,864	3,363
Lease liability	697	49	648
Other current liabilities	2,418	2,062	356
	8,342	3,975	4,367
	50,053	**49,088**	**965**
Total equity and liabilities	**100,350**	**99,436**	**914**

Total assets were higher than expected by €914,000 mainly on account of higher loans receivable of €1.7 million which was partly offset by a property value impairment of €463,000 and an adverse variance in cash balances of €386,000.

In liabilities, bank loans were reduced by €4.0 million while lease liabilities increased by €4.5 million, primarily due to a sale and leaseback transaction entered into during FY2020.

Mariner Finance p.l.c.
Statement of Cash Flows
for the year ended 31 December 2020

	Actual €'000	Forecast €'000	Variance €'000
Net cash from operating activities	6,160	5,870	290
Net cash from investing activities	(3,157)	(6,615)	3,458
Net cash from financing activities	(2,891)	1,243	(4,134)
Net movement in cash and cash equivalents	**112**	**498**	**(386)**
Cash and cash equivalents at beginning of year	615	615	-
Cash and cash equivalents at end of year	**727**	**1,113**	**(386)**

Actual net movement in cash and cash equivalents was lower than projected by €386,000. During the year, the Group entered into a sale and leaseback transaction which is the main reason for the positive variance in investing activities of €3.5 million and the adverse movement in financial activities of €4.1 million.

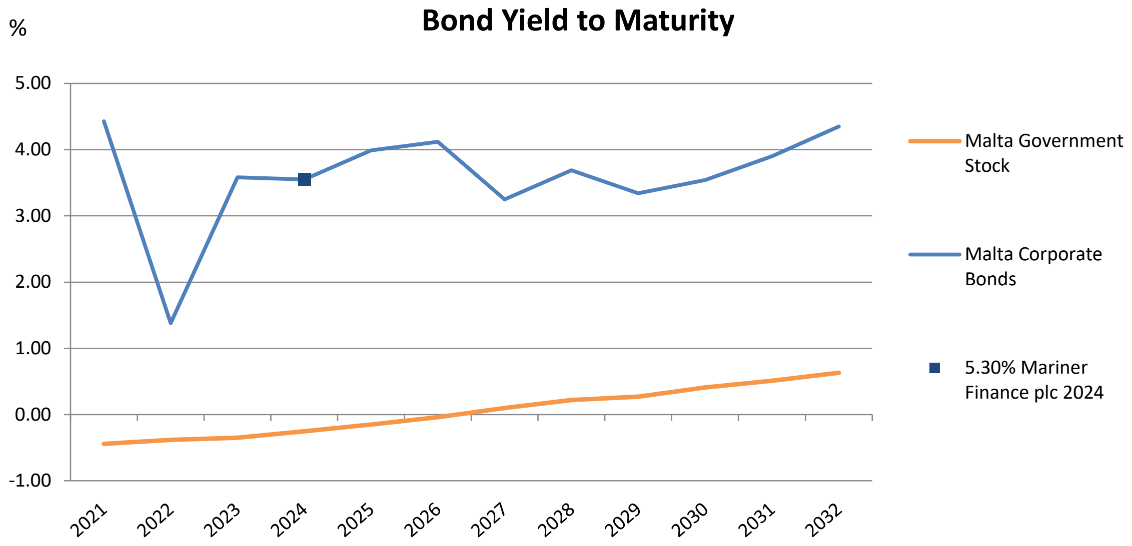
PART 3 – COMPARABLES

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** (%)
5.80% International Hotel Investments plc 2021	20,000,000	4.43	-0.61	1,544,099	773,176	41.87
3.65% GAP Group plc Secured € 2022	30,049,800	1.38	2.24	103,895	15,134	73.44
6.00% Pendergardens Developments plc Secured € 2022 Series	21,845,300	3.63	1.79	60,578	29,491	36.39
4.25% GAP Group plc Secured € 2023	19,247,300	2.50	2.24	103,895	15,134	73.44
5.30% United Finance Plc Unsecured € Bonds 2023	8,500,000	3.58	1.44	36,921	8,038	70.88
5.80% International Hotel Investments plc 2023	10,000,000	4.50	-0.61	1,544,099	773,176	41.87
6.00% AX Investments Plc € 2024	40,000,000	4.08	0.76	348,657	217,449	25.57
6.00% International Hotel Investments plc € 2024	35,000,000	4.37	-0.61	1,544,099	773,176	41.87
5.30% Mariner Finance plc Unsecured € 2024	**35,000,000**	**3.55**	**3.66**	**100,350**	**50,297**	**48.12**
5.00% Hal Mann Vella Group plc Secured € 2024	30,000,000	3.45	2.04	122,396	47,319	52.86
5.10% 1923 Investments plc Unsecured € 2024	36,000,000	4.59	3.09	135,492	45,574	27.66
4.25% Best Deal Properties Holding plc Secured € 2024	14,776,400	2.98	-	27,453	4,128	81.72
3.7% GAP Group plc Secured € 2023-2025 Series 1	21,000,000	2.76	2.24	103,895	15,134	73.44
5.75% International Hotel Investments plc Unsecured € 2025	45,000,000	4.91	-0.61	1,544,099	773,176	41.87
5.10% 6PM Holdings plc Unsecured € 2025	13,000,000	4.62	7.33	160,836	54,602	29.84
4.50% Hili Properties plc Unsecured € 2025	37,000,000	3.99	1.46	149,639	62,675	54.94
4.35% Hudson Malta plc Unsecured € 2026	12,000,000	4.12	3.16	43,383	5,522	81.61
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	3.90	-0.51	1,717,057	828,470	42.64
4.00% International Hotel Investments plc Secured € 2026	55,000,000	3.57	-0.61	1,544,099	773,176	41.87
3.75% Premier Capital plc Unsecured € 2026	65,000,000	3.10	7.39	278,759	53,003	75.22
4.00% International Hotel Investments plc Unsecured € 2026	60,000,000	3.60	-0.61	1,544,099	773,176	41.87
3.25% AX Group plc Unsec Bds 2026 Series I	15,000,000	2.66	0.76	348,657	217,449	25.57
4.35% SD Finance plc Unsecured € 2027	65,000,000	3.97	6.86	324,427	137,612	28.31
4.00% Eden Finance plc Unsecured € 2027	40,000,000	3.25	-0.50	190,466	108,369	31.32
4.00% Stivala Group Finance plc Secured € 2027	45,000,000	3.38	2.30	354,069	231,437	26.54
3.85% Hili Finance Company plc Unsecured € 2028	40,000,000	3.69	3.87	628,916	110,128	77.11
3.65% Stivala Group Finance plc Secured € 2029	15,000,000	3.34	2.30	354,069	231,437	26.54
3.80% Hili Finance Company plc Unsecured € 2029	80,000,000	3.73	3.87	628,916	110,128	77.11
3.75% AX Group plc Unsec Bds 2029 Series II	10,000,000	3.34	0.76	348,657	217,449	25.57

11-May-21

Source: Malta Stock Exchange, Audited Accounts of Listed Companies, MZ Investment Services Ltd



Source: Malta Stock Exchange, Central Bank of Malta, MZ Investment Services Ltd 11 May 2021

To date, there are no corporate bonds which have a redemption date beyond 2032. The Malta Government Stock yield curve has been included as it is the benchmark risk-free rate for Malta.

The Group's bonds are trading at a yield of 3.55%, which is at same level compared to other corporate bonds maturing in the same year. The premium over FY2024 Malta Government Stock is 380 basis points.

PART 4 – EXPLANATORY DEFINITIONS

Income Statement	
Revenue	Total revenue generated by the Group from its business activities during the financial year.
Operating expenses	Operating expenses include the cost of terminal operations and management expenses in maintaining the investment property.
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.
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.
Net debt to EBITDA	The net debt to EBITDA ratio is a measurement of leverage, calculated as a company's interest bearing liabilities minus cash or cash equivalents, divided by its EBITDA. This ratio shows how many years it would take for a company to pay back its debt if net debt and EBITDA are held constant.
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. Alternatively, the gearing ratio can be calculated by dividing a company's net debt by shareholders' equity.