
Financial Analysis Summary

31 May 2016

Issuer

Mariner Finance p.l.c.

(C31514)

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

31 May 2016

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 2016 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 three years ended 31 December 2013 to 31 December 2015 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 2016 has been provided by management.
- (c) Our commentary on the results of the Group and on its financial position is based on the explanations provided by management.
- (d) The ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions set out in Part 4 of the Analysis.
- (e) Relevant financial data in respect of the companies included in Part 3 has been extracted from public sources such as websites of the companies concerned, financial statements filed with the Registrar of Companies or websites providing financial data.

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

Yours faithfully,



Wilfred Mallia
Director

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PART 1 – INFORMATION ABOUT THE COMPANY

1. KEY ACTIVITIES

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

2. DIRECTORS AND KEY EMPLOYEES

The Company is managed by a Board consisting of 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

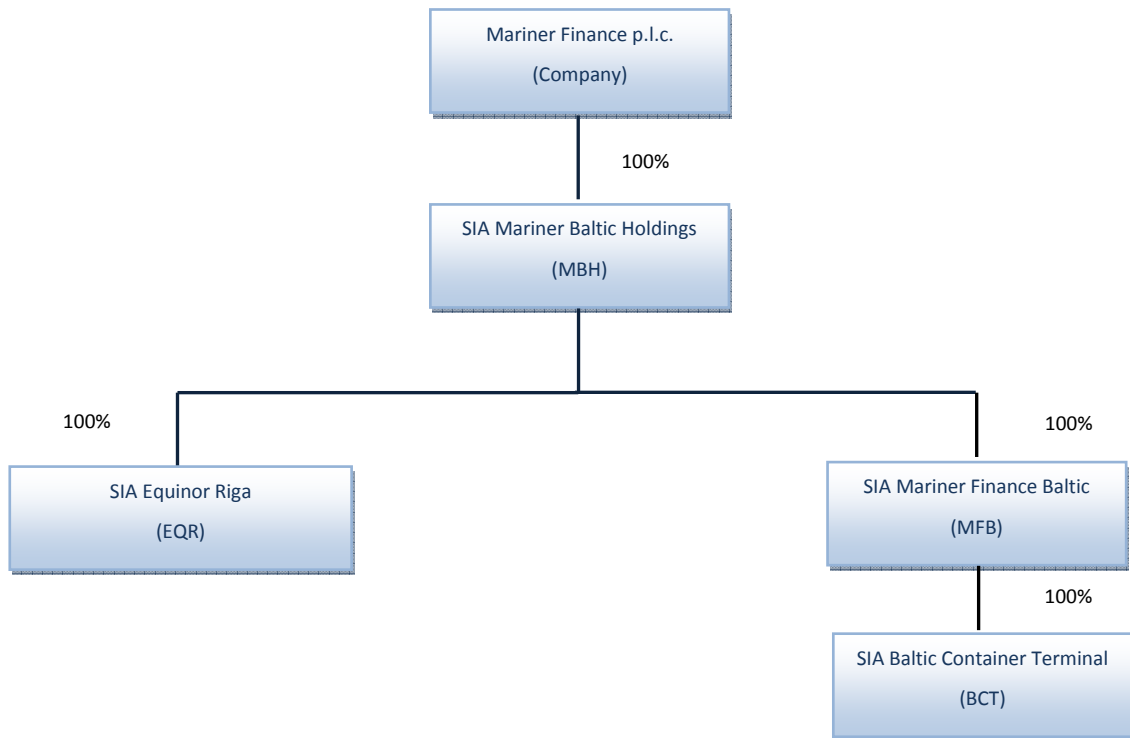
The Chief Executive Officer is responsible for the day-to-day management of the Group. In the execution of the strategic direction, investment and management oversight of the Group, he is assisted by members of senior management of the operating Group companies having the appropriate experience and knowledge 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 €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 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.

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* 3,880m² of rentable space.

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



Commercial & office building – Merkela Street, Riga, Latvia

The property is situated at a major intersection in the central part of Riga, within the main retail and commercial area of the city. In terms of a local grading system, the building is classified as Class B commercial/office space. An appraisal of the property was undertaken in February 2014 by a third party independent consultant, who valued the said property at €5.1 million.

4.1.2 Office market overview in Riga¹

By the end of 2015, total office space in Riga amounted to approx. 596,900m². Speculative space dominates with 405,300m² or 68%, while built-to-suit office buildings account for 191,600m² or 32%. Three new B class office buildings (*circa* 5,400m²) and one A class office property (*circa* 11,000m²) are expected to be commissioned in 2016, and another 10,000m² A class office building is due for commissioning to 2017.

Apart from buildings currently under construction, a number of developers announced their willingness to enter the market with new projects. In total, more than 140,000m² of professional office premises are at the planning stage and taking into account the lack of vacant space, it is anticipated that some of these projects will materialise over the next three to five years. Although the development pipeline in the near term is expected to grow, it still lags behind Tallinn and Vilnius.

During 2015, rent rate spreads for B1 and B2 class office premises remained at the 2014 level, while the upper bounds of A class rent rate spreads experienced an increase. As of January 2016, the total vacancy rate was of 5.7%, that is, on the same level as the previous year. It is expected that in 2016 rent rates and vacancy levels will remain stable.

4.1.3 Operational performance

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

SIA Equinor Riga Income Statement for the year ended 31 December				
	2013	2014	2015	2016
	Actual	Actual	Actual	Forecast
	€'000	€'000	€'000	€'000
Revenue (rents and other services)	375	403	400	396
Net operating expenses	(90)	(103)	(184)	(182)
EBITDA	285	300	216	214
Depreciation & amortisation	(72)	(72)	(72)	(73)
Net interest income	29	32	-	84
Profit before tax	242	260	144	225
Taxation	(52)	(56)	(50)	(52)
Profit after tax	190	204	94	173

¹ Real Estate Market Overview 2016 (Colliers International, Sorainen, KPMG)

Key Accounting Ratios	FY2013	FY2014	FY2015	FY2016
Operating profit margin (EBITDA/revenue)	76%	74%	54%	54%
Net profit margin (Profit after tax/revenue)	51%	51%	24%	44%

Source: Charts Investment Management Service Limited

In FY2015, EQR generated revenue of €400,448, a decrease of €2,540 when compared to the previous year's income of €402,988. Total revenue comprises rental income of €298,260 (FY2014: 304,672) and service charges of €102,188 (FY2014: €98,316). As of March 2015, the property was 98% occupied.

Operating expenses increased in FY2015 by €81,804 (or 80%) to €184,010 primarily due to an increase in consultancy fees and the recruitment of two security guards (in replacement of security services provided by third party).

Overall, the company registered a profit for the year of €93,690 (FY2014: €203,786). A similar performance is projected for FY2016.

4.2 SIA Baltic Container Terminal

4.2.1 Introduction

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



SIA Baltic Container Terminal

4.2.2 Market and competition

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

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

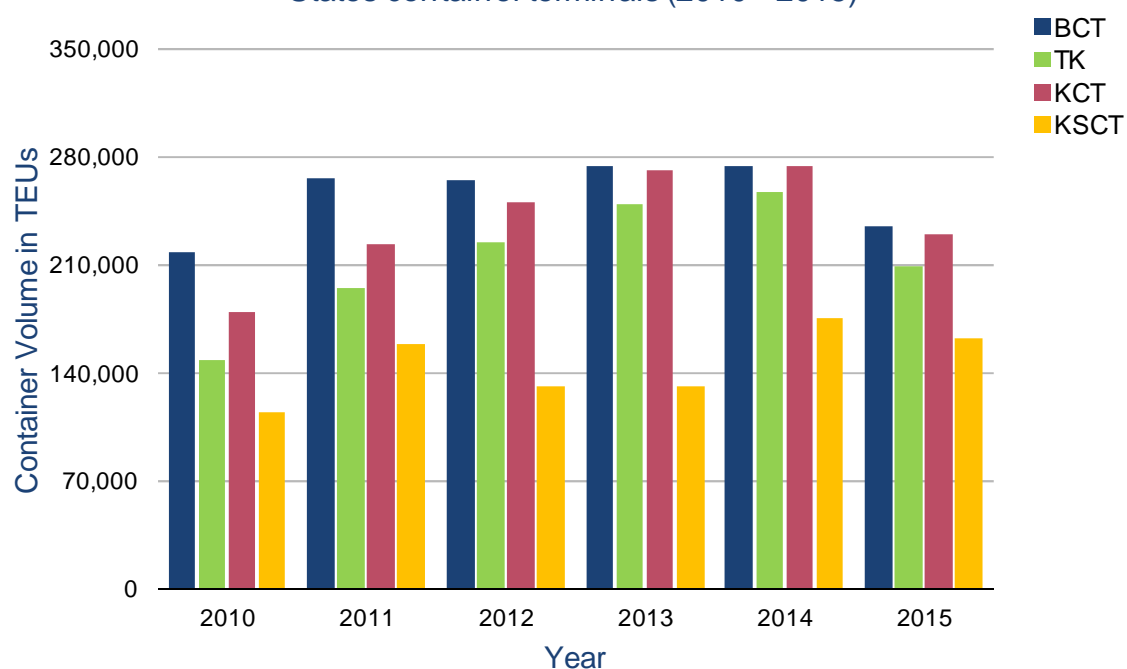
There are three main ports in Latvia - Venstpils, Riga and Liepaja - and these are mainly involved in transit cargo. The Freeport of Riga is by far the major container-handling port in Latvia. Moreover, BCT is the only specialised container terminal within the port. There are two other terminals - Riga

Central Terminal (RCT) and Riga Universal Terminal (RUT) - which handle relatively small volumes of containerised cargo, though their main fields of activity are in the handling of general and bulk cargoes. As a specialised container terminal BCT is better equipped in terms of infrastructure, superstructure and workforce to efficiently and productively handle containers.

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

KCT, KSCT and TK, located in the neighbouring Baltic States represent the most direct form of competition to BCT due to their similar geographical locations, hinterland markets, inland connections, geopolitical environment and general terminal facilities. Below is a comparison of BCT with its direct competitors for the financial years 2010 to 2015.

Comparison of total volumes of containers handled at Baltic States container terminals (2010 - 2015)



4.2.3 Principal activities

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

- **Quay-side operations** – including the berthing of vessels for the loading and/or unloading of containerised cargo using three ship-to-shore quay cranes. The fourth ship-to-shore gantry crane has been operational from June 2015. Ro-ro vessels, which are ships designed to carry wheeled cargo such as automobiles, trucks and trailers (roll-on/roll-off), may also be serviced.
- **Yard operations** – the terminal has a container storage yard comprising a capacity of *circa* 20,000 TEUs. In addition, the yard has 500 reefer points, that is, electrical outlets for the storage of temperature-controlled containers.
- **Gate and rail operations** – including the transfer of containers between the container terminal and inland road and rail networks. BCT has direct access to both road and rail networks, and operates its own rail handling facility which can service up to 64 rail platforms simultaneously.
- **Warehousing** – the terminal has *circa* 20,400m² of covered warehousing space for the storage of general cargo. The warehouse facilities have direct access to the rail and road networks for more efficient distribution of cargo. BCT aims to complete a new 10,000 m² 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 principal business at BCT is quay-side operations (the loading and unloading of containers), which in 2015 represented 70% (2014: 71%) of total revenue generated by the company.

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

4.2.4 Operational performance

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

SIA Baltic Container Terminal Income Statement for the year ended 31 December				
	2013	2014	2015	2016
	Actual	Actual	Actual	Forecast
	€'000	€'000	€'000	€'000
Revenue	17,648	16,950	14,924	15,168
Net operating expenses	(9,259)	(8,461)	(7,109)	(7,077)
EBITDA	8,389	8,489	7,815	8,091
Depreciation	(1,113)	(1,187)	(1,159)	(1,644)
Gain on disposal of subsidiary	-	412	-	-
Net interest income/(cost)	445	362	231	(460)
Profit before tax	7,721	8,076	6,887	5,987
Taxation	(226)	(258)	(117)	(218)
Profit after tax	7,495	7,818	6,770	5,769
Comprehensive income:				
Revaluation, net of deferred tax	-	-	21,189	-
Total comprehensive income	7,495	7,818	27,959	5,769

Key Accounting Ratios	FY2013	FY2014	FY2015	FY2016
Revenue growth (Revenue FY1/revenue FY0)	n/a	-4%	-12%	2%
Operating profit margin (EBITDA/revenue)	48%	50%	52%	53%
Net profit margin (Profit after tax/revenue)	42%	46%	45%	38%

Source: Charts Investment Management Service Limited

In **FY2014**, profit for the year increased by 4.3%, to €7.8 million, despite a 4.0% revenue decline reported in the year when compared to FY2013. The aforesaid decrease in revenue (circa €698,000) 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. 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 €798,000). As a result EBITDA for the reviewed year increased by 1.2% to €8.5 million while EBITDA margin reached 50% (FY2013: 48%).

BCT divested itself of all ancillary non-port related investments by selling its shares in Equinor Riga and a property in FY2014, 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.

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

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

As for **FY2016**, BCT expects tariffs and costs to remain stable at FY2015 levels. The geopolitical situation in the region and low oil prices are likely to persist at least in FY2016 and therefore, transit import volumes are expected to remain low. On the other hand, it is anticipated that export volumes from Latvia will increase in comparison to FY2015. As such, BCT is projected to generate €15.2 million in revenue, an increase of €0.2 million (+2%) when compared to the prior year. Profit after tax is expected to be lower in FY2016 by €1.0 million, from €6.8 million in FY2015 to €5.8 million, primarily as a result of higher depreciation charge and net finance cost.

Variance analysis

SIA Baltic Container Terminal Income Statement for the year ended 31 December			
	2015 Actual €'000	2015 Forecast €'000	Variance €'000
Revenue	14,924	15,776	(852)
Net operating expenses	(7,109)	(8,018)	909
EBITDA	7,815	7,758	57
Depreciation	(1,159)	(1,376)	217
Gain on disposal of subsidiary	-	-	-
Net interest income/(cost)	231	(66)	297
Profit before tax	6,887	6,316	571
Taxation	(117)	(196)	79
Profit after tax	6,770	6,120	650

As presented in the above table, BCT generated lower revenue in FY2015 than forecasted by €0.9 million due to less volume of TEUs handled during the year. This decrease in income was however mitigated by a reduction in operating costs of €0.9 million. Profit after tax was higher by €0.7 million as a consequence of lower than expected depreciation charge and higher net interest income.

4.2.5 Operational performance (2006 – 2015)

As indicated in the table 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 2.4%, increasing from €12.0 million in FY2006 to €14.9 million in FY2015, while profits increased at a CAGR of 3.3% from €5.0 million in FY2006 to €6.8 million in FY2015. Volumes handled by BCT in the reviewed period increased from *circa* 177,000 TEUs in FY2006 to *circa* 235,000 TEUs in FY2015 (the peak years in terms of volume were FY2013 and FY2014 when 274,000 TEUs in each of the said financial years passed through the terminal). In FY2015, volume decreased by 14% when compared to the prior year from 274,000 TEUs in FY2014 to 235,000 TEUs, principally due to the unstable geopolitical situation in Russia and the low oil prices.

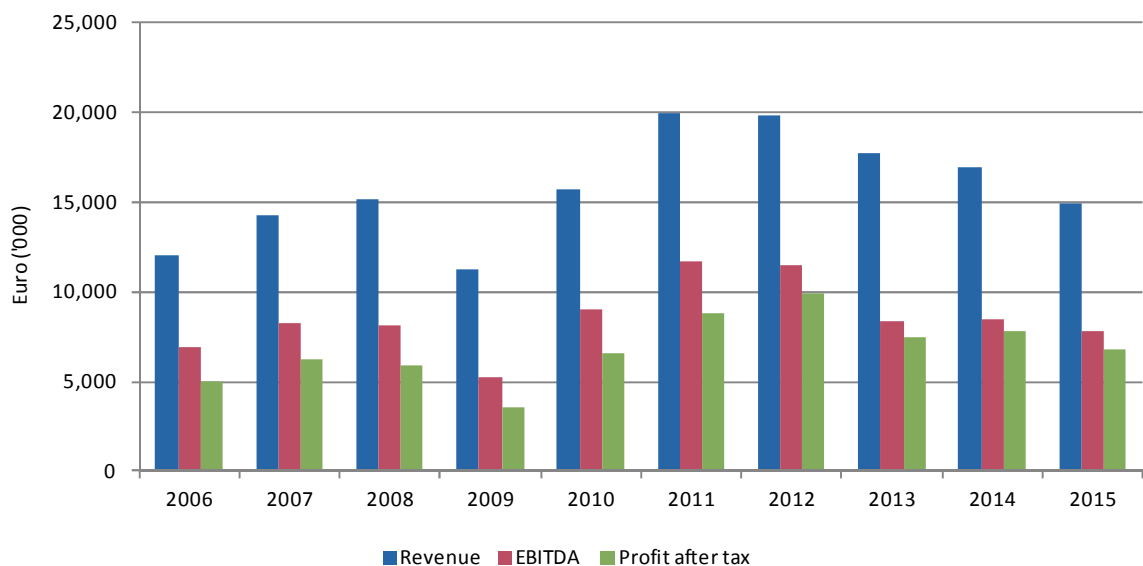
Competition has increased considerably in a decade, which resulted in lower revenue and EBITDA per TEU being generated by BCT. In FY2015, the terminal generated revenue and EBITDA per TEU of €64 and €33 respectively, as compared to €68 and €39 respectively in FY2006. In the best performing year (FY2011), the terminal generated revenue and EBITDA per TEU of €75 and €44 respectively. However, although impacted by increased competition, management has ensured that the company's EBITDA and profit margins are maintained through ongoing capital investment at the terminal (infrastructure, equipment, software, etc) and implementation of operational efficiencies. As outlined hereunder, the lowest EBITDA and net profit margins were registered in FY2009 (46% and 31% respectively) due to the global economic crisis that negatively affected both the Latvian economy and BCT's business activities.

SIA Baltic Container Terminal for the year ended 31 December										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Revenue	12,025	14,201	15,142	11,238	15,738	19,888	19,761	17,647	16,950	14,924
EBITDA	6,844	8,197	8,114	5,173	8,986	11,711	11,449	8,389	8,488	7,815
Profit for the year	5,043	6,265	5,911	3,504	6,612	8,783	9,884	7,495	7,818	6,770

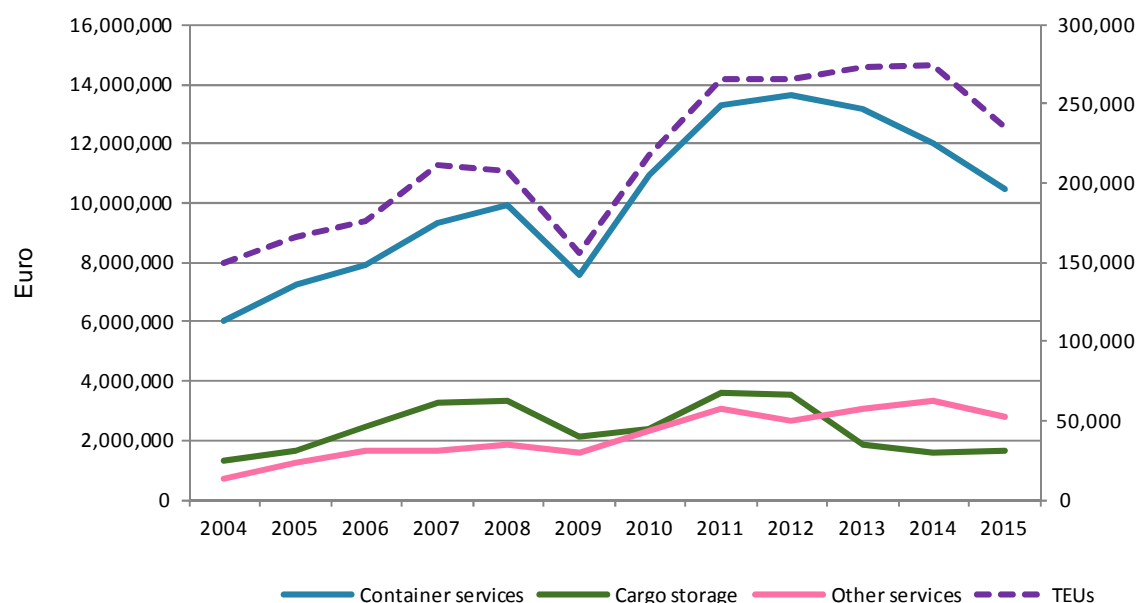
	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
TEUs ('000)	177	212	207	156	218	266	265	274	274	235
Revenue per TEU (€)	68	67	73	72	72	75	75	64	62	64
EBITDA per TEU (€)	39	39	39	33	41	44	43	31	31	33
TEUs growth (TEUs FY1/TEUs FY0)	n/a	20%	-2%	-25%	40%	22%	0%	3%	0%	-14%
Revenue growth (Revenue FY1/revenue FY0)	n/a	18%	7%	-26%	40%	26%	-1%	-11%	-4%	-12%
Operating profit margin (EBITDA/revenue)	57%	58%	54%	46%	57%	59%	58%	48%	50%	52%
Net profit margin (Profit after tax/revenue)	42%	44%	39%	31%	42%	44%	50%	42%	46%	45%

Source: Charts Investment Management Service Limited

BCT Operational Performance



BCT Revenue by Segment



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

4.2.6 Optimisation of terminal operations

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

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

5. INDUSTRY OVERVIEW

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. 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

In 2015, world container traffic comprised 687,309 thousand TEUs, according to Drewry. The compound average growth rate (CAGR) of world container traffic from 2005 to 2015 is estimated at 6% compared with a global real GDP CAGR of 2.4% for the same period, according to the World Bank. Key drivers that contributed to the growth in global container throughput over this period were 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. In 2015, world container traffic growth was lower than historical average representing only 1.1%, due to an overall slowdown in global economy.

5.3 Origin & Destination (O&D) vs transshipment

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

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 2015 were as follows:

Container Throughput (TEUs)

	2014	2015	Change
St Petersburg	2,375,070	1,715,139	-27.79%
Gdansk	1,212,054	1,091,202	-9.97%
Göteborg	836,631	820,000	-1.99%
Gdynia	849,123	694,796	-18.17%
HaminaKotka	574,982	555,377	-3.41%
Aarhus	424,044	441,000	4.00%
Helsinki	400,513	430,431	7.47%
Klaipeda	450,428	392,674	-12.82%
Riga	387,603	355,241	-8.35%
Rauma	275,678	260,716	-5.43%
Total	<u>7,786,126</u>	<u>6,756,576</u>	-13.22%

Source: Port Monitor

Global stagnation and regional distortion of external trade caused a significant decrease in container turnover within the Baltic maritime ports. As a result, total container traffic dropped by 12.5% and reached a level of 8.5 million TEUs. The major declines in turnover were observed in Russian and Estonian seaports. In contrast, moderate growth in turnover was only reached in Finland and Denmark.

Among the 10 largest container ports in the Baltic (see above table), the most significant decrease was observed in St Petersburg (-27.8%), followed by Gdynia (-18.2%) and Klaipeda (-12.8%). An increase in container turnover was achieved only in Aarhus (+4.0%) and Helsinki (+7.5%). Overall, total traffic registered by the Top 10 Baltic ports decreased by 1.03 million TEUs (-13.2%) from 7.79 million TEUs in 2014 to 6.76 million TEUs in 2015.

PART 2 – GROUP PERFORMANCE REVIEW

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

The following financial information is extracted from the consolidated financial statements of Mariner Finance p.l.c. (the “Group”) for the years ended 31 December 2013 to 31 December 2015. The financial information for the year ending 31 December 2016 has been provided by management.

Mariner Finance p.l.c. Income Statement for the year ended 31 December				
	2013	2014	2015	2016
	Actual	Actual	Actual	Forecast
	€'000	€'000	€'000	€'000
Revenue	18,023	17,353	15,324	15,564
BCT	17,648	16,950	14,924	15,168
EQR	375	403	400	396
Net operating expenses	<u>(9,453)</u>	<u>(8,221)</u>	<u>(7,463)</u>	<u>(7,469)</u>
EBITDA	8,570	9,132	7,861	8,095
Depreciation & amortisation	(1,401)	(1,474)	(1,446)	(1,717)
Net finance costs	<u>(110)</u>	<u>(2,160)</u>	<u>(2,252)</u>	<u>(2,126)</u>
Profit before tax	7,059	5,498	4,163	4,252
Taxation	<u>(261)</u>	<u>(330)</u>	<u>(193)</u>	<u>(262)</u>
Profit after tax	6,798	5,168	3,970	3,990
Comprehensive income:				
Net gain on available-for-sale financial assets	64	57	47	-
Revaluation, net of deferred tax	-	-	1,124	-
Total comprehensive income	<u>6,862</u>	<u>5,225</u>	<u>5,141</u>	<u>3,990</u>

**Mariner Finance p.l.c. Balance Sheet
as at 31 December**

	2013 Actual €'000	2014 Actual €'000	2015 Actual €'000	2016 Forecast €'000
ASSETS				
Non-current assets				
Intangible assets	13,556	13,469	13,853	13,889
Property, plant and equipment	30,899	31,462	35,396	34,773
Investment property	5,184	5,184	5,184	5,184
Available-for-sale investments	280	334	375	345
Loans and receivables	2,935	2,930	5,203	7,764
	<u>52,854</u>	<u>53,379</u>	<u>60,011</u>	<u>61,955</u>
Current assets				
Inventories	387	400	397	413
Trade and other receivables	3,422	4,048	5,678	5,755
Taxation	765	45	149	-
Cash and cash equivalents	1,157	2,162	1,434	2,762
	<u>5,731</u>	<u>6,655</u>	<u>7,658</u>	<u>8,930</u>
Total assets	<u>58,585</u>	<u>60,034</u>	<u>67,669</u>	<u>70,885</u>
EQUITY				
Equity and reserves				
Called up share capital	500	500	500	500
Other equity and reserves	(1,777)	8,281	9,453	9,453
Retained earnings	6,956	12,124	15,870	19,860
	<u>5,679</u>	<u>20,905</u>	<u>25,823</u>	<u>29,813</u>
LIABILITIES				
Non-current liabilities				
Bank loans	30,606	1,270	1,884	1,577
Bonds	-	34,355	34,408	34,455
Other non-current liabilities	16,552	1,337	3,224	3,075
	<u>47,158</u>	<u>36,962</u>	<u>39,516</u>	<u>39,107</u>
Current liabilities				
Bank loans	4,333	188	307	307
Other current liabilities	1,415	1,979	2,023	1,658
	<u>5,748</u>	<u>2,167</u>	<u>2,330</u>	<u>1,965</u>
Total equity and liabilities	<u>58,585</u>	<u>60,034</u>	<u>67,669</u>	<u>70,885</u>

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

	2013	2014	2015	2016
	Actual	Actual	Actual	Forecast
	€'000	€'000	€'000	€'000
Net cash from operating activities	8,718	7,753	6,440	5,770
Net cash from investing activities	(34,815)	(7,385)	(8,118)	(4,135)
Net cash from financing activities	27,214	637	950	(307)
Net movement in cash and cash equivalents	1,117	1,005	(728)	1,328
Cash and cash equivalents at beginning of year	40	1,157	2,162	1,434
Cash and cash equivalents at end of year	1,157	2,162	1,434	2,762

Key Accounting Ratios	FY2013	FY2014	FY2015	FY2016
Operating profit margin <i>(EBITDA/revenue)</i>	48%	53%	51%	52%
Interest cover (times) <i>(EBITDA/net finance cost)</i>	77.91	4.23	3.49	3.81
Net profit margin <i>(Profit after tax/revenue)</i>	38%	30%	26%	26%
Earnings per share (€) ¹ <i>(Profit after tax/number of shares)</i>	135.96	103.36	79.40	79.80
Return on equity <i>(Profit after tax/shareholders' equity)</i>	120%	25%	15%	13%
Return on capital employed <i>(Operating profit/total assets less current liabilities)</i>	16%	16%	12%	12%
Return on assets <i>(Profit after tax/total assets)</i>	12%	9%	6%	6%
Net assets per share (€) ¹ <i>(Net asset value/number of shares)</i>	113.58	418.10	516.46	596.26
Liquidity ratio (times) <i>(Current assets/current liabilities)</i>	1.00	3.07	3.29	4.54
Gearing ratio <i>(Net debt/net debt and shareholders' equity)</i>	86%	62%	58%	53%

¹ Based on the current number of shares in issue of Mariner Finance plc of 50,000 shares of €10 each.

Source: Charts Investment Management Service Limited

The historical results and forecasted figures for 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 generated revenue of €15.3 million in FY2015, a decrease of €2.0 million (-12%) when compared to FY2014. Similarly, EBITDA was also lower by €1.3 million from €9.1 million in FY2014 to €7.8 million in FY2015. After accounting for depreciation (€1.4 million) and net finance costs (€2.3 million), profit before tax amounted to €4.2 million in FY2015 (FY2014: €5.5 million).

With respect to FY2016, management is projecting a broadly similar performance when compared to FY2015. As such, revenue is expected to amount to €15.6 million and profit before tax is forecasted at €4.3 million.

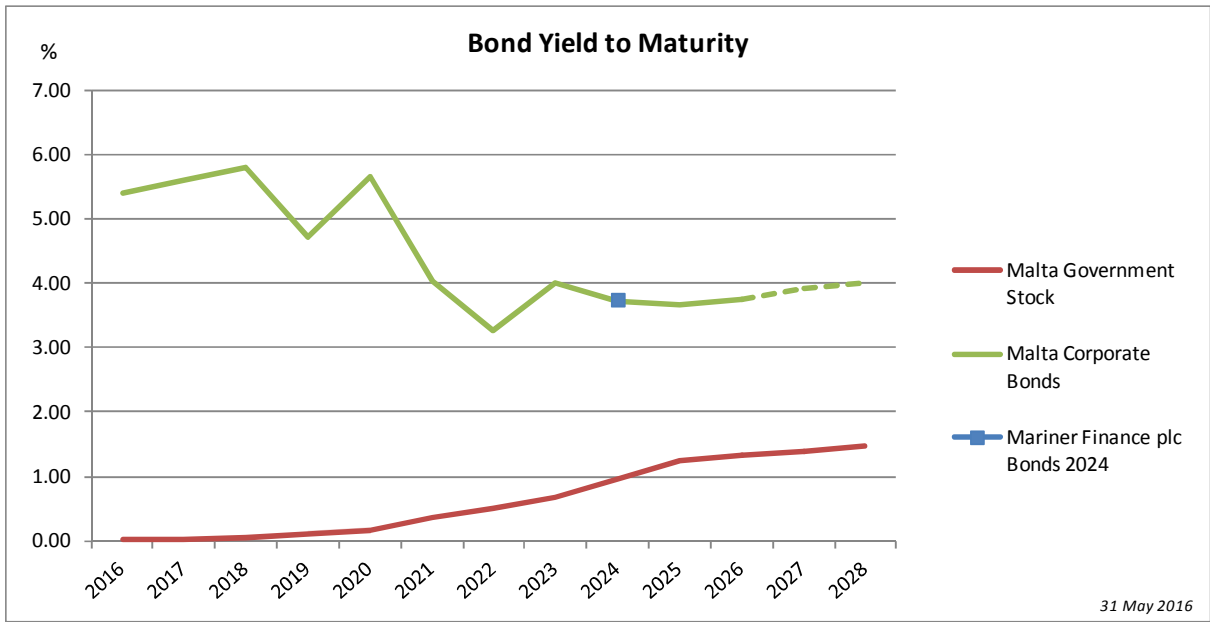
PART 3 - COMPARABLES

The table below compares the Group 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. 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 (%)
6.8% Premier Capital plc € Bond 2017-2020	24,641,000	5.59	4.58	72,208	17,739	64.59
6.6% Eden Finance plc 2017-2020	13,984,000	5.67	3.10	145,427	76,648	38.42
6% Pendergardens Dev. plc Secured € 2022 Series II	27,000,000	3.27	n/a	58,098	11,734	61.87
5.3% United Finance Plc Unsecured € Bonds 2023	8,500,000	3.80	1.75	17,107	2,731	78.28
6% AX Investments Plc € 2024	40,000,000	4.08	2.88	206,038	111,482	36.65
6% Island Hotels Group Holdings plc € 2024	35,000,000	3.78	0.58	145,140	54,053	53.19
5.3% Mariner Finance plc Unsecured € 2024	35,000,000	3.75	3.49	67,669	25,823	57.66
5% Hal Mann Vella Group plc Secured Bonds € 2024	30,000,000	3.73	0.05	81,842	31,150	55.46
5.1% PTL Holdings plc Unsecured € 2024	36,000,000	4.10	2.32	70,543	6,592	86.78
4.5% Hili Properties plc Unsecured € 2025	37,000,000	3.42	1.50	90,867	26,315	71.30
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	3.76	1.13	1,357,869	641,031	41.81

31 May'16

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



To date, there are no corporate bonds which have a redemption date beyond 2026 and therefore a trend line has been plotted (denoted in the above chart by the dashed line). The Malta Government Stock yield curve has also been included since it is the benchmark risk-free rate for Malta.

PART 4 – EXPLANATORY DEFINITIONS

Income Statement	
Revenue	Total revenue generated by the Group from its business activities during the financial year, that is, the operations of BCT and 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.
Profitability Ratios	
Operating profit margin	Operating profit margin is operating income or EBITDA as a percentage of total revenue.
Net profit margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.
Efficiency Ratios	
Return on equity	Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity.
Return on capital employed	Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed.
Return on Assets	Return on assets (ROA) is computed by dividing profit after tax by total assets.
Equity Ratios	
Earnings per share	Earnings per share (EPS) is the amount of earnings per outstanding share of a company's share capital. It is computed by dividing net income available to equity shareholders by total shares outstanding as at balance sheet date.
Cash Flow Statement	
Cash flow from operating activities	Cash generated from the principal revenue-producing activities of the Company.

Cash flow from investing activities	Cash generated from the activities dealing with the acquisition and disposal of long-term assets and other investments of the Company.
Cash flow from financing activities	Cash generated from the activities that result in change in share capital and borrowings of the Company.
Balance Sheet	
Non-current assets	Non-current asset are the Group's long-term investments, which full value will not be realised within the accounting year. Non-current assets are capitalised rather than expensed, meaning that the Group allocates the cost of the asset over the number of years for which the asset will be in use, instead of allocating the entire cost to the accounting year in which the asset was purchased. Such assets include intangible assets (goodwill on acquisition), investment properties, and property, plant & equipment.
Current assets	Current assets are all assets of the Company, which are realisable within one year from the balance sheet date. Such amounts include inventory, accounts receivable, cash and bank balances.
Current liabilities	All liabilities payable by the Company within a period of one year from the balance sheet date, and include accounts payable and short-term debt.
Net debt	Borrowings before unamortised issue costs less cash and cash equivalents.
Non-current liabilities	The Company's long-term financial obligations that are not due within the present accounting year. The Company's non-current liabilities include bank borrowings and bonds.
Total equity	Total equity includes share capital, reserves & other equity components, and retained earnings.
Financial Strength Ratios	
Liquidity ratio	The liquidity ratio (also known as current ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares a company's current assets to its current liabilities.
Interest cover	The interest coverage ratio is calculated by dividing a company's operating profit of one period by the company's interest expense of the same period.
Gearing ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a company's net debt by net debt plus shareholders' equity.