MARINER FINANCE PLC

Company Announcement

Date of Announcement: 28th June 2023
Reference: MRF 83

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

28th June 2023

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FINANCIAL ANALYSIS SUMMARY

28 June 2023

ISSUER

MARINER FINANCE P.L.C.

(C 31514)

Prepared by:

MZ INVESTMENTS

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

28 June 2023

Dear Board Members

Financial Analysis Summary

In accordance with your instructions, and in line with the requirements of the MFSA Listing 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 this Analysis is that of summarising key financial data appertaining to Mariner Finance p.l.c. (the "**Group**", "**Issuer**", or "**Mariner Finance**"). The data is derived from various sources or is based on our own computations as follows:

(a) Historical financial data for the most recent three financial years ended 31 December 2020, 31 December 2021, and 31 December 2022 has been extracted from the respective audited annual financial statements of the Issuer.

(b) The forecast information for the current financial year ending 31 December 2023 has been provided by the Group.

(c) Our commentary on the financial performance, cash flows, and financial position of Mariner Finance is based on explanations provided by the Issuer.

(d) The ratios quoted in this Analysis have been computed by us applying the definitions set out in Part 4 – 'Explanatory Definitions' of this report.

(e) Relevant financial data in respect of the companies included in Part 3 – 'Comparative Analysis' of this Analysis has been extracted from public sources such as websites of the companies concerned, financial statements filed with the Registrar of Companies, as well as other sources providing financial data.

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

Yours faithfully,

Evan Mohnani
Head Corporate Finance Services

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PART 1 – INFORMATION ABOUT THE GROUP

1. KEY ACTIVITIES

Mariner Finance is the ultimate holding, finance, and investment company of SIA Baltic Container Terminal (“**BCT**”) which, in turn, is engaged in the provision of port and related services in the port of Riga, Latvia, over which it holds a concession licence expiring in March 2047. The immediate parent company of BCT is SIA Mariner Finance Baltic (“**MFB**”) which also acts as a finance vehicle for BCT.

Apart from its investment in BCT through MFB, the Issuer also owns, operates, and leases the Merkela Property which is a five-storey commercial and office building having a gross floor area of *circa* 3,300 sqm located Merkela Street, Riga, Latvia.

2. DIRECTORS AND SENIOR MANAGEMENT TEAM

The Issuer is managed by a Board of Directors, composed of the following seven individuals, who are entrusted with the overall direction and management of the Group:

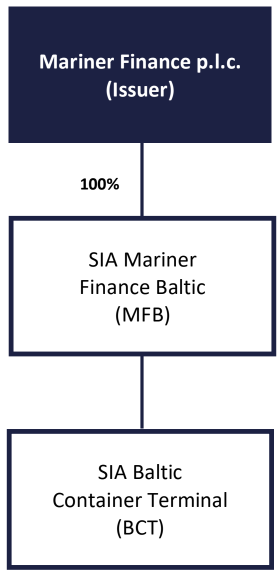
Marin Hili	Chairman
Edward Hili	Chief Executive Officer
Michela Borg	Non-Executive Director
Kevin Saliba	Non-Executive Director and Company Secretary
Ian Micallef	Non-Executive Director
Lawrence Zammit	Independent Non-Executive Director
Anthony Busuttil	Independent Non-Executive Director

The Chief Executive Officer is responsible for the day-to-day management of Mariner Finance. In the execution of the strategic direction, investment, and oversight of the Group, he is assisted by members of the Senior Management team who have extensive experience and knowhow in the field. The Senior Management team is composed of the following individuals:

Gerard Sammut	Chief Executive Officer (BCT and MFB)
Aldis Zieds	Chairman (BCT)
Dmitrijs Kiselevs	Chief Operating Officer and Information Technology Director (Group)
Dzintars Vigulis	Terminal Manager (BCT)

3. ORGANISATIONAL STRUCTURE

As the holding company of the Group, Mariner Finance is economically dependent on the operations and performance of its operating subsidiaries. The organisational structure of the Group is illustrated in the diagram below:



MFB is a private limited liability company which was incorporated and registered in Latvia on 28 February 2013. It has an authorised and issued share capital of the euro equivalent of €25 million, divided into 25 million ordinary shares of €1 per share which are fully paid up.

4. SIA BALTIC CONTAINER TERMINAL

BCT is a private limited liability company which was incorporated and registered in Latvia on 26 March 1996. It operates at the Riga Free Port No. 48 under a port concession license issued by the Riga Free Port Authority. Apart from this license, BCT owns all the yards within the boundaries of the BCT terminal (excluding the quay), together with all underlying communications, 32,000 sqm of warehousing facilities and surrounding parking and paved areas, as well as covered rail ramps.

The Freeport of Riga is a regional port that services cargo vessels operating in the Baltic region. BCT's infrastructure covers an area of *circa* 570,000 sqm strategically situated on an island at the mouth of the river Daugava (which runs through the centre of Latvia's capital, Riga, which is the largest city in the Baltic region) with favourable navigation all year round with no tide to influence its operations. The terminal enjoys optimum connectivity by rail and road to all major cities of the four countries that border Latvia: namely, Belarus, Estonia, Lithuania, and Russia.

BCT commenced its activities on 1 May 1996 following the restructuring of the state-owned company Riga Trade Port. It has an annual container handling capacity of around 450,000 Twenty-Foot Equivalent Units ("**TEUs**") and provides the following principal services:

i) **Quay-side operations** – the berthing of vessels for the loading/unloading of containerised cargo using five ship-to-shore gantry cranes. Quay operations are supported by a variety of yard and interface equipment which includes 8 reach stackers, 6 rail-mounted gantries, as well as various tractors, trailers, and forklifts. Quay-side operations are the core business of BCT as they typically represent over 60% of the company's revenues.

ii) **Yard operations** – the terminal has a container storage yard with a capacity of *circa* 20,000 TEUs. In addition, the yard has 500 reefer points which are electrical outlets for the storage of temperature-controlled containers.

iii) **Gate and rail operations** – comprise 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.

iv) **Warehousing** – the terminal has *circa* 20,400 sqm of covered warehousing space for the storage of general cargo. The warehouse facilities have direct access to the rail and road networks for a more efficient distribution of cargo. In January 2020, BCT extended its warehousing facilities by a further 11,000 sqm.

v) **Ancillary activities** – these comprise a wide range of value-added services that are provided at the container terminal through an optimised integrated logistics chain and a container freight station. In addition, BCT provides engineering services for the repair of damaged containers.

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, Mediterranean Shipping Company, Unifeeder, Cosco (including Orient Overseas Container Line), Evergreen, ONE and HMM. BCT has strong relationships with all major shipping lines and their local representatives and strives to maintain good relations with both existing and potential clients.

5. MERKELA PROPERTY

Mariner Finance owns, operates, and leases the Merkela Property which has a net rentable area of around 2,480 sqm and 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.

The carrying value of the Merkela Property stood at €4.47 million as at the end of 2022. The Issuer has a lease agreement with McDonald's Latvia for the lease of an area measuring 626 sqm. The lease expires in 2023 and rent receivable is based on a percentage of net annual sales. The remaining area is leased for the long-term up to 10 years to three other tenants for use as office space or commercial activity. Each of these lease agreements specifies a fixed rental charge per square metre that increases on a yearly basis in line with inflation. The average occupancy level of the Merkela Property in FY2022 stood at 63% (FY2021: 60%).

6. ECONOMIC AND SECTOR ANALYSIS

6.1 ECONOMIC ANALYSIS – LATVIA[1]

Latvia is located on the south-east coast of the Baltic Sea in the centre of the Baltic States – namely, Estonia, Latvia, and Lithuania. It represents the financial hub of the three nations and its favourable geopolitical environment provides excellent business opportunities for bordering countries and the EU at large.

Diplomatic relations with Russia have been disrupted since February 2022 following Russia's invasion of Ukraine and the subsequent sanctions enforced by the international community which effectively cut-off Russia from most Western production inputs.

Despite the challenging context, the European Commission in its most recent economic assessment noted that Latvia's economy is set to grow by 1.4% in 2023 compared to the growth of 2.8% recorded in 2022. However, as inflation is expected to subside to 9.3% and 1.7% in 2023 and 2024 respectively compared to 20.7% in 2022 (largely reflecting a decline in energy prices, construction materials, and a broad-based slowdown in other price categories), economic growth is anticipated to accelerate and reach 2.8% again in 2024.

The country's unemployment rate is projected to trend lower to 6.0% by 2024 compared to 6.9% in 2022. Furthermore, wage growth is anticipated to stay strong over the forecast period, notwithstanding the tail-end effect of high inflation supported by labour market tightness as well as minimum wage increases.

The general government deficit, as a percentage of GDP, is expected to drop to 3.8% in 2023 and fall further to 2.7% in 2024 from 7.0% and 4.4% in 2021 and 2022 respectively. The decline in government deficit is mostly due to the phasing out of COVID-19 related support measures, lower projected expenditure as a share of GDP, higher tax revenues, as well as lower projected fiscal measures which were introduced to cushion the impact of high energy prices. Overall, Latvia's debt-to-GDP ratio is expected to fall slightly below the 40% mark in 2023 before trending higher to 40.5% in 2024 compared to 40.8% in 2022.

[1] **Source:** European Commission – '*Spring 2023 Economic Forecast: an improved outlook amid persistent challenges*', 15 May 2023, available at: https://economy-finance.ec.europa.eu/economic-forecast-and-surveys/economic-forecasts/spring-2023-economic-forecast-improved-outlook-amid-persistent-challenges_en.

Key Economic Indicators	2022	2023	2024
Latvia			
Inflation *(%, year-on-year)*	20.70 [1]	9.30	1.70
Real GDP growth *(%, year-on-year)*	2.80	1.40	2.80
Unemployment (%)	6.90	6.30 [2]	6.00 [2]
General government balance *(% of GDP)*	(4.40)	(3.80)	(2.70)
Gross public debt *(% of GDP)*	40.80	39.70	40.50
Current account balance *(% of GDP)*	6.10	(3.40)	(2.70)
Euro area (20)			
Real GDP growth *(%, year-on-year)*	3.50	1.10	1.60
Inflation *(%, year-on-year)*	8.40	5.80	2.80
Unemployment (%)	6.80	6.80	6.70
General government balance *(% of GDP)*	(3.60)	(3.20)	(2.40)
Gross public debt *(% of GDP)*	93.20	90.80	89.90
Current account balance *(% of GDP)*	0.60	2.10	2.40
EU			
Real GDP growth *(%, year-on-year)*	3.50	1.00	1.70
Inflation *(%, year-on-year)*	9.20	6.70	3.10
Unemployment (%)	6.20	6.20	6.10
General government balance *(% of GDP)*	(3.40)	(3.10)	(2.40)
Gross public debt *(% of GDP)*	85.30	83.40	82.60
Current account balance *(% of GDP)*	0.50	2.00	2.30

[1] **Source:** *https://ec.europa.eu/eurostat/databrowser/view/prc_hicp_manr/default/table?lang=en*

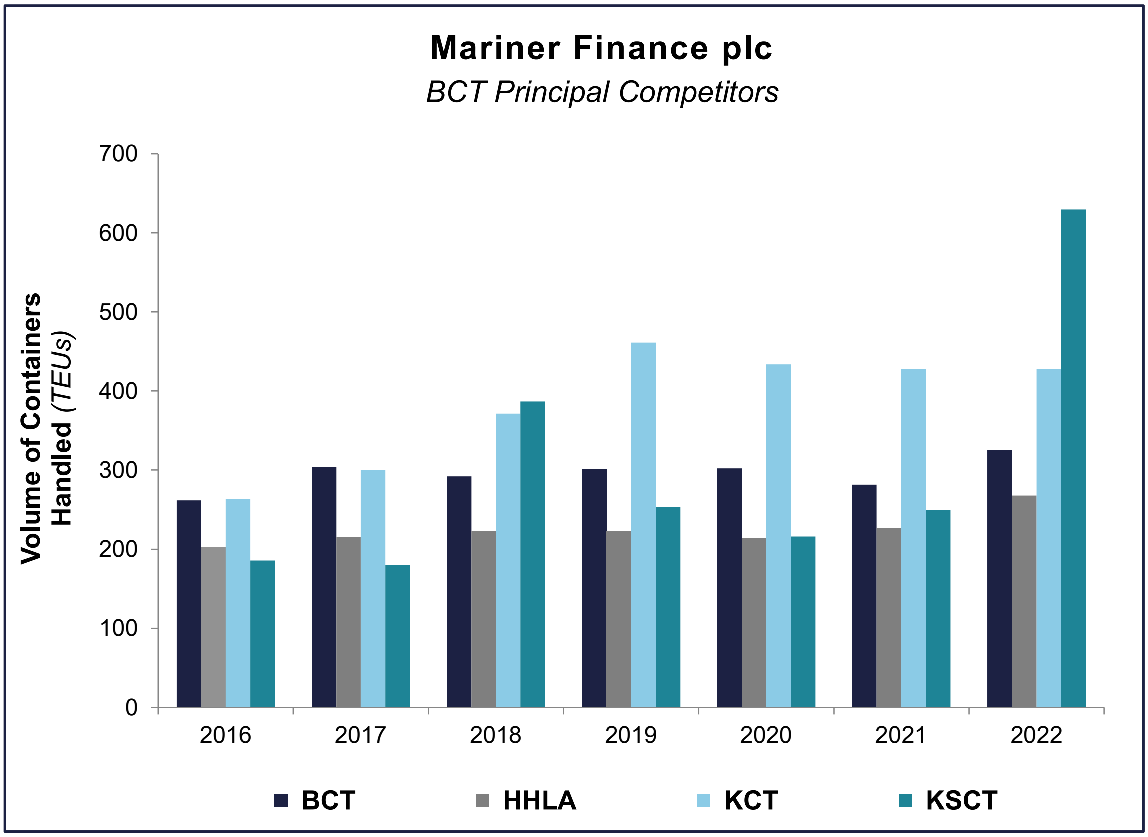
[2] **Source:** *https://www.lvpeak.lu.lv/en/events/lv-peak-economic-barometer/*

6.2 BCT'S COMPETITIVE LANDSCAPE

There are three main ports in Latvia – located in Liepaja, Riga, and Venstpils – and these are mainly involved in transit cargo. The Freeport of Riga is by far the largest container-handling port in the country. Moreover, BCT is the only specialised container terminal within the port as the two other terminals – namely Riga Central Terminal ("**RCT**") and Riga Universal Terminal ("**RUT**") – only handle a relatively small volume of containerised cargo as their main activity is the handling of general and bulk cargoes. As a result, BCT is considered as the only specialised container terminal within the Freeport of Riga as it is much better equipped than competitors in terms of technology, operating systems (including a state-of-the-art container-tracking system), infrastructure, superstructure, and workforce.

In addition to RCT and RUT, BCT's other competitors comprise specialised container terminals which are located in neighbouring countries. These include Klaipeda Container Terminal ("**KCT**") and Klaipeda Smelte Container Terminal ("**KSCT**") in Klaipeda, Lithuania; HHLA Muuga ("**HHLA**") in Tallinn, Estonia; Palokangas-EU Container Terminal and Mussalo Container Terminal within HaminaKotka Port, Finland; and container terminals within the Port of St. Petersburg, Russia.

KCT, KSCT and HHLA are considered as the most direct form of competition to BCT due to their similar geographical locations, hinterland markets, inland connections, geopolitical environment, and general terminal facilities. The chart below provides an illustration of the total volume of containers handled by BCT, HHLA, KCT, and KSCT during the period between 2016 and 2022.



PART 2 – GROUP PERFORMANCE REVIEW

7. FINANCIAL INFORMATION

The following historical financial information is extracted from the audited annual financial statements of the Issuer for the financial years ended 31 December 2020, 31 December 2021, and 31 December 2022.

The projected financial information for the current financial year ending 31 December 2023 has been provided by the Group and relates to events in the future based on assumptions which Mariner Finance believes to be reasonable. Accordingly, the actual outcome may be adversely affected by unforeseen situations and the variation between forecasts and actual results may be material.

SIA Baltic Container Terminal Key Performance Indicators for the financial year 31 December	**2020 Actual €'000**	**2021 Actual €'000**	**2022 Actual €'000**	**2023 Forecast €'000**
Container services	*10,836*	*9,621*	*11,862*	*11,696*
Cargo storage	*1,323*	*1,714*	*3,002*	*3,043*
Other services	*3,673*	*3,382*	*4,602*	*4,008*
Other income	*231*	*252*	*412*	*315*
Total Revenue	16,064	14,969	19,878	19,062
EBITDA	8,123	7,297	10,361	10,065
Operating Profit	6,065	5,097	8,203	7,923
Net profit	5,696	4,801	7,897	7,299
EBITDA margin *(%)*	50.57	48.75	52.12	52.80
Operating profit margin *(%)*	37.76	34.05	41.27	41.56
Net profit margin *(%)*	35.46	32.07	39.73	38.29
TEUs	302,402	281,568	325,456	314,090
Average no. of container moves per hour	26	24	21	21
Revenue per TEU *(€)*	53.12	53.16	61.08	60.69
EBITDA per TEU *(€)*	26.86	25.92	31.84	32.04
Operating profit per TEU *(€)*	20.06	18.10	25.20	25.23
Net profit per TEU *(€)*	18.84	17.05	24.26	23.24

Mariner Finance p.l.c. **Income Statement** **for the financial year 31 December**	**2020** **Actual** **€'000**	**2021** **Actual** **€'000**	**2022** **Actual** **€'000**	**2023** **Forecast** **€'000**
Total revenue	16,436	15,278	20,394	19,560
Net operating expenses	(8,525)	(8,030)	(9,953)	(9,404)
EBITDA	**7,911**	**7,248**	**10,441**	**10,156**
Depreciation and amortisation	(2,058)	(2,252)	(2,200)	(2,149)
Operating profit	**5,853**	**4,996**	**8,241**	**8,007**
Net finance costs	(2,368)	(2,097)	(2,210)	(2,200)
Profit before tax	**3,485**	**2,899**	**6,031**	**5,807**
Taxation	(288)	(267)	(330)	(305)
Net profit	**3,197**	**2,632**	**5,701**	**5,502**

Key Financial Ratios	**FY2020** **Actual**	**FY2021** **Actual**	**FY2022** **Actual**	**FY2023** **Forecast**
EBITDA margin (%) *(EBITDA / revenue)*	48.13	47.44	51.20	51.92
Operating profit margin (%) *(Operating profit / revenue)*	35.61	32.70	40.41	40.94
Net profit margin (%) *(Profit after tax / revenue)*	19.45	17.23	27.95	28.13
Return on equity (%) *(Profit after tax / average equity)*	6.56	5.10	9.89	8.85
Return on assets (%) *(Profit after tax / average assets)*	3.27	2.60	4.94	4.26
Return on invested capital (%) *(Operating profit / average equity and net debt)*	6.20	5.10	7.37	6.40
Interest cover (times) *(EBITDA / net finance costs)*	3.34	3.46	4.72	4.62

Income Statement

Despite the calamitous impact of the COVID-19 pandemic on the health of the global economy, in **FY2020** the Group's revenues only dropped by 3.71% to €16.44 million (FY2019: €17.07 million) as both container volumes handled by BCT and occupancy levels at the Merkela Property remained close to the levels recorded in the prior year. Indeed, the only material financial impact resulting from the pandemic was in the form of the COVID-19 related discounts given by BCT to its various clients as BCT handled 302,402 TEUs during the year compared to 302,080 TEUs in FY2019. On a standalone basis, BCT generated revenues of €16.06 million (FY2019: €16.75 million) and an EBITDA of €8.12 million (FY2019: €8.56 million).

Net operating expenses of the Group increased by a marginal 0.46% to €8.53 million (FY2019: €8.49 million), thus leading to an EBITDA of €7.91 million compared to €8.58 million in FY2019. In view of the sharper drop in revenues than costs, the EBITDA margin eased to 48.13% from 50.29% in the prior year.

Mariner Finance recorded higher depreciation and amortisation charges (+30.34% to €2.06 million) reflecting new investments undertaken by BCT for the purpose of extending its warehousing facilities and increase the number of gantry cranes at its port terminal. Furthermore, the carrying value of the Merkela Property was revised lower by €0.46 million. As such, the net profit for the year amounted to €3.20 million – a decrease of €1.71 million (or -34.81%) when compared to the €4.90 million figure reported in FY2019 – and translated into a return on equity of 6.56% and a return on assets of 3.27%.

In **FY2021**, the Group's revenues dropped by 7.05% to €15.28 million amid a noticeable shortage of containers in the first half of the year and the simultaneous sharp increase in freight and shipping prices following the major industry disruptions caused by the COVID-19 pandemic. During the year, the amount of TEUs handled by BCT dropped by almost 7% to 281,568 TEUs. Furthermore, BCT's key profit metrics trended lower amid tighter margins as well as a reduction in EBITDA, operating profit, and net profit per TEU.

After accounting for net operating expenses of €8.03 million and depreciation and amortisation charges of €2.25 million, Mariner Finance reported an operating profit of just under €5 million (FY2020: €5.85 million) which translated into an operating profit margin of 32.70% (FY2020: 35.61%) and a return on invested capital of 5.10% (FY2020: 6.20%). The interest cover improved to 3.46 times compared to 3.34 times in FY2020 as the 8.38% drop in EBITDA to €7.25 million was outweighed by the lower incidence of net finance costs which contracted to €2.10 million compared to €2.37 million in FY2020.

Overall, the Group posted a net profit of €2.63 million which translated into a return on equity of 5.10% and a return on assets of 2.60%.

In **FY2022**, the Group reported a strong rebound in business as total revenues surged by 33.49% to €20.39 million. BCT handled a record number of TEUs during the year (325,456 TEUs), a year-on-year increase of 15.59% and around 7% higher than the prior peak of circa 304,000 TEUs handled in FY2017.

Apart from the post COVID-19 pandemic recovery, the Russia-Ukraine conflict had a positive effect on volumes with containers previously passing through Russia being diverted through Riga. Coupled with the higher level of tariffs charged, revenue generated by BCT grew by 32.79% to €19.88 million (FY2021: €14.97 million) while the company also posted significantly stronger profitability when compared to the 2021 financial year.

Indeed, BCT generated an EBITDA of €10.36 million compared to €7.30 million in FY2021 and also reported a 64.49% increase in net profit to €7.90 million (FY2021: €4.80 million). On the other hand, due to increased congestion at its port terminal, the number of container moves per hour eased to 21 moves compared to 24 moves in FY2021 and 26 moves in FY2020.

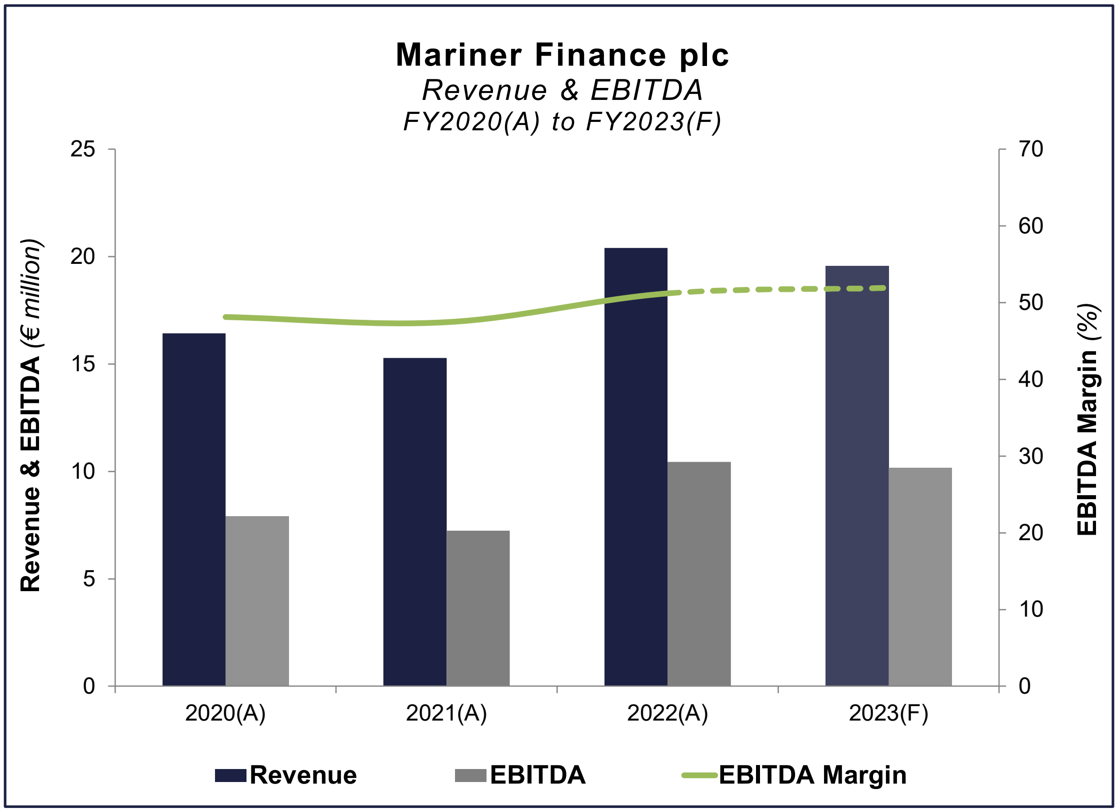
In view of the sharp increase in business, the Group's net operating expenses rose by nearly 24% to €9.95 million. Nonetheless, given the stronger growth in revenues, EBITDA grew by 44.05% to €10.44 million whilst the EBITDA margin improved to 51.20% (FY2021: 47.44%). The interest cover also strengthened materially to 4.72 times.

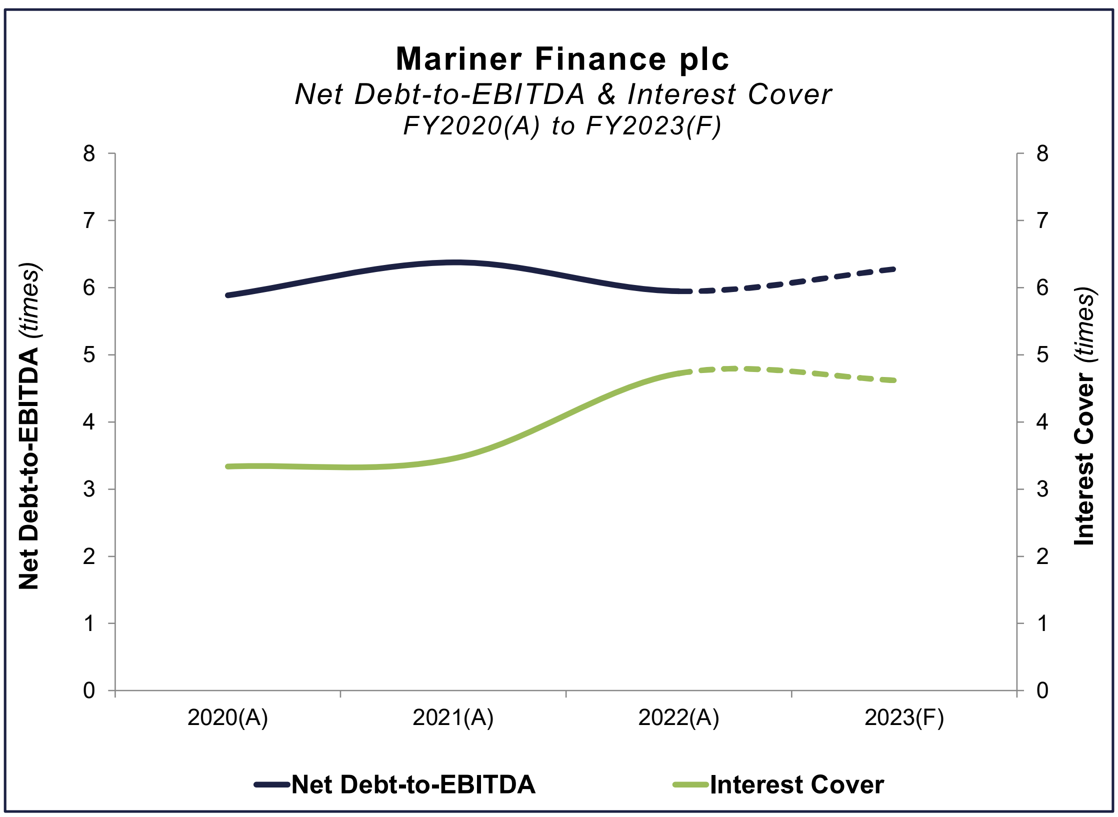
Depreciation and amortisation charges amounted to €2.2 million, thus leading to an operating profit of €8.24 million which translated into an operating profit margin of 40.41% and a return on invested capital of 7.37%. After accounting for net finance costs of €2.21 million and a tax charge of €0.33 million, Mariner Finance reported a net profit of €5.70 million which translated into a net profit margin of almost 28% (FY2021: 17.23%), a return on equity of 9.89%, and a return on assets of 4.94%.

For the projected year **FY2023**, the Group is now expecting a year-on-year drop in total revenues to €19.56 million (-4.09%) compared to the previous estimate of an increase in revenues to €21.78 million at the time of the issuance of the 5.00% unsecured bonds 2032 in Q4 2022 ("**2022 Bond Issue**"). The main reason for this downward revision in income is due to the Group's decision not to proceed with the acquisition of Sia Mariner Logistics ("**Mariner Logistics**"). In addition, Mariner Finance is expecting BCT to generate a marginally lower level of revenues amounting to €19.06 million compared to the previous projection of €19.16 million as although activity at BCT's port terminal is expected to remain strong, the Issuer is estimating a marginal decrease in the total volume of containers handled to 314,090 TEUs.

Net operating expenses are estimated to amount to €9.40 million (2022 Bond Issue forecast: €10.68 million), thus leading to a projected EBITDA of €10.16 million (2022 Bond Issue forecast: €11.10 million) which would translate into an EBITDA margin of 51.92%.

After accounting for depreciation and amortisation charges of €2.15 million, net finance costs of €2.20 million, and a tax charge of €0.31 million, Mariner Finance is projecting a net profit for the year of €5.50 million compared to the previous estimate of €5.25 million. This positive variance is related to the downward revision in the amount of net finance costs (-32.95%) and depreciation and amortisation charges (-7.61%) reflecting the lower level of projected debt as well as the Group's decision not to proceed with the acquisition of Mariner Logistics. Year-on-year, the net profit margin is anticipated to improve to 28.13% compared to 27.95% in FY2022. On the other hand, the return on equity and the return on assets are expected to ease to 8.85% and 4.26% respectively whilst the interest cover will remain well above the 4 times mark.


Mariner Finance plc
Revenue & EBITDA
FY2020(A) to FY2023(F)
Revenue & EBITDA (€ million)
EBITDA Margin (%)
25
20
15
10
5
0
70
60
50
40
30
20
10
0
2020(A)
2021(A)
2022(A)
2023(F)
Revenue
EBITDA
EBITDA Margin


Mariner Finance plc
Net Debt-to-EBITDA & Interest Cover
FY2020(A) to FY2023(F)
Net Debt-to-EBITDA (times)
Interest Cover (times)
8
7
6
5
4
3
2
1
0
2020(A)
2021(A)
2022(A)
2023(F)
Net Debt-to-EBITDA
Interest Cover

Mariner Finance p.l.c. Statement of Cash Flows for the financial year 31 December	2020 Actual €'000	2021 Actual €'000	2022 Actual €'000	2023 Forecast €'000
Net cash from / (used in) operating activities	6,160	4,432	7,843	9,071
Net cash from / (used in) investing activities	(7,677)	(4,009)	(4,565)	(5,269)
Net cash from / (used in) financing activities	1,629	(510)	(3,088)	(2,646)
Net movement in cash and cash equivalents	**112**	**(87)**	**190**	**1,156**
Cash and cash equivalents at beginning of year	615	727	640	830
Cash and cash equivalents at end of year	**727**	**640**	**830**	**1,986**
Capital expenditure	3,992	435	951	9,662
Free cash flow	**2,168**	**3,997**	**6,892**	**(591)**

Statement of Cash Flows

In **FY2020**, net cash from operating activities increased by 10.00% to €6.16 million (FY2019: €5.60 million), mainly on account of favourable movements in working capital. Furthermore, net cash outflows in relation to investing activities dropped to €7.68 million compared to €13.19 million in FY2019. During the year, capital expenditure amounted to €3.99 million (FY2019: €7.07 million) while net amounts advanced to the Group's parent company and related parties amounted to €3.78 million compared to €6.12 million in FY2019.

Net cash from financing activities amounted to €1.63 million compared to €7.04 million in the prior year. The Group used a net amount of €2.79 million for the settlement of a bank loan. On the other hand, the Group received proceeds from the sale and lease back of a gantry crane amounting to €4.52 million. Overall, cash and cash equivalents as at the end of FY2020 stood at €0.73 million compared to €0.62 million as at 31 December 2019.

In **FY2021**, net movement in cash and cash equivalents amounted to a negative €0.09 million compared to a positive movement of €0.11 million in FY2020. Net cash from operating activities contracted by 28.1% to €4.43 million reflecting the year-on-year decrease in container volumes handled by BCT. Similarly, net cash used in investing activities was lower on a comparable basis by almost 48% to €4.01 million and mainly comprised net amounts of €3.65 million advanced to the Group's parent company and a related party, as well as capital expenditure amounting to €0.44 million. Net cash used in financing activities amounted to €0.51 million. This amount included lease liability payments of €0.70 million and net drawdown of bank loans amounting to €0.19 million.

In **FY2022**, net cash from operating activities increased by €3.41 million to €7.84 million reflecting the significant growth in business. Cash outflows for investing activities amounted to €4.56 million and comprised net purchases of property, plant and equipment amounting to €0.95 million and net loans advanced to the Group's parent company amounting to €3.61 million.

Net cash used in financing activities amounted to €3.09 million on account of repayment of bank loans amounting to €2.39 million and lease obligations of €0.70 million. Overall, Mariner Finance ended the 2022 financial year with cash and cash equivalents of €0.83 million compared to €0.64 million as at 31 December 2021.

For **FY2023**, the Group is expecting to generate net cash inflows of €9.07 million from operating activities and projects to utilise €5.27 million for investing activities. In January 2023, the Group received net cash proceeds from the 2022 Bond Issue amounting to €18.34 million. During the forecast year, the amount of €9.66 million is expected to be used for capital expenditure purposes, whilst amounts on-lent to the Group's parent company is estimated to amount to €13.95 million.

Cash outflows relating to financing activities is projected to amount to €2.65 million and shall include cash inflows from net bank borrowings of €4.15 million and cash outflows of €6.80 million, consisting of lease obligations (€1.00 million) and dividend payments (€5.80 million).

Mariner Finance p.l.c. Statement of Financial Position as at 31 December	**2020 Actual €'000**	**2021 Actual €'000**	**2022 Actual €'000**	**2023 Forecast €'000**
ASSETS				
Non-current assets				
Intangible assets	13,746	13,703	13,661	13,631
Property, plant and equipment	44,996	43,569	46,320	54,191
Investment property	4,652	4,443	4,466	4,466
Right-of-use assets	8,265	7,938	7,611	7,285
Loans and receivables	23,796	27,970	31,850	44,712
	95,455	97,623	103,908	124,285
Current assets				
Loans receivable	750	414	422	420
Inventories	438	455	340	341
Trade and other receivables	2,980	3,216	22,814	3,008
Cash and cash equivalents	727	640	830	1,986
	4,895	4,725	24,406	5,755
Total assets	**100,350**	**102,348**	**128,314**	**130,040**
EQUITY				
Equity and reserves				
Called up share capital	500	500	500	500
Other equity and reserves	17,470	17,470	21,155	21,155
Retained earnings	32,327	34,960	40,660	40,365
	50,297	**52,930**	**62,315**	**62,020**
LIABILITIES				
Non-current liabilities				
Bank loans and other financial liabilities	349	42	65	6,911
Bonds	34,717	34,789	53,876	36,281
Lease liability	6,304	5,604	2,373	3,638
Other non-current liabilities	341	302	271	510
	41,711	40,737	56,585	47,340
Current liabilities				
Bank loans and other financial liabilities	5,227	5,721	3,375	678
Bonds	-	-	-	17,684
Lease Liability	697	700	3,231	732
Other current liabilities	2,418	2,260	2,808	1,586
	8,342	8,681	9,414	20,680
	50,053	**49,418**	**65,999**	**68,020**
Total equity and liabilities	**100,350**	**102,348**	**128,314**	**130,040**
Total debt	*47,294*	*46,856*	*62,920*	*65,924*
Net debt	*46,567*	*46,216*	*62,090*	*63,938*
Invested capital (total equity plus net debt)	*96,864*	*99,146*	*124,405*	*125,958*

Key Financial Ratios	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Forecast
Net debt-to-EBITDA (times) *(Net debt / EBITDA)*	5.89	6.38	5.95	6.30
Net debt-to-equity (times) *(Net debt / total equity)*	0.93	0.87	1.00	1.03
Net gearing (%) *(Net debt / net debt and total equity)*	48.07	46.61	49.91	50.76
Debt-to-asset (times) *(Total debt / total assets)*	0.47	0.46	0.49	0.51
Leverage (times) *(Total assets / total equity)*	2.00	1.93	2.06	2.10
Current ratio (times) *(Current assets / current liabilities)*	0.59	0.54	2.59	0.28

Statement of Financial Position

Total assets as at 31 December **2021** amounted to €102.35 million, an increase of €2.00 million from the previous corresponding date. The primary movements included an increase of €3.84 million in loans and receivables to €28.38 million (31 December 2020: €24.55 million) and a decrease of €1.43 million in property, plant and equipment ("**PPE**") to €43.57 million (31 December 2020: €45.00 million).

Total liabilities decreased by €0.64 million year-on-year to €49.42 million (31 December 2020: €50.05 million) mainly on account of a reduction of €0.70 million in lease liabilities to €6.30 million (31 December 2020: €7.00 million). On the other hand, total equity increased to €52.93 million (31 December 2020: €50.30 million) reflecting the net profit recorded for the year. In view of the marginal drop in net debt to €46.22 million and the expansion in the Group's equity base, the net gearing ratio and the net debt-to-equity ratio eased to 46.61% (31 December 2020: 48.07%) and 0.87 times (31 December 2020: 0.93 times) respectively. Conversely, the current ratio weakened from 0.59 times in FY2020 to 0.54 times.

During **FY2022**, the Group's asset base grew by 25.4% to €128.31 million on account of the higher amounts of: (i) current trade and other receivables (+€19.60 million to €22.81 million) reflecting the proceeds receivable from the 2022 Bond Issue. As at year end, said funds were held by the manager of the 2022 Bond Issue and transferred to the Group's bank account in January 2023; (ii) loans and receivables (+€3.89 million to €32.27 million); and (iii) PPE (+€2.75 million to €46.32 million), which includes an uplift of €3.69 million in the carrying value of the Group's property.

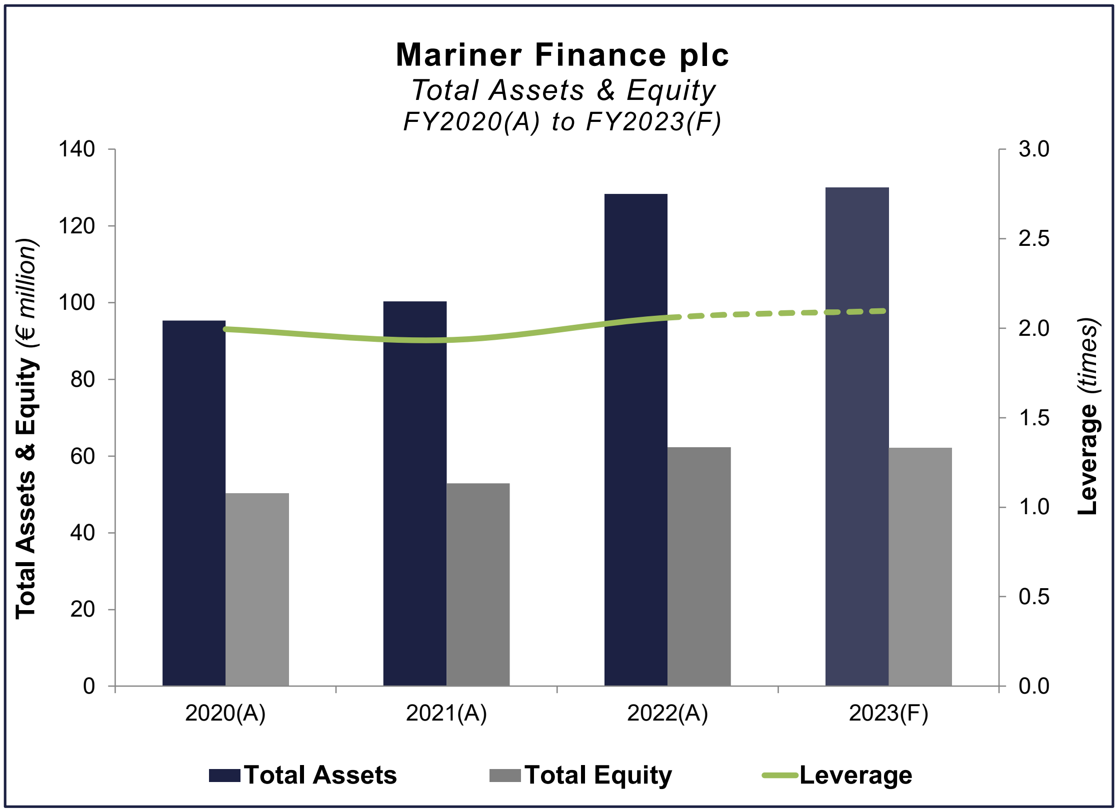
The Issuer's equity base expanded by 17.73% to €62.32 million on account of the increase in retained earnings (+€5.70 million to €40.66 million) and revaluation reserves (+€3.69 million to €13.05 million) which resulted in other equity and reserves to increase to €21.16 million. Total liabilities increased by €16.58 million as total debt rose to €62.92 million from €46.86 million as at the end of 2021. As such, the debt metrics of the Group deteriorated when compared to the 2021 financial year. Conversely, given the upsurge in EBITDA, the net debt-to-EBITDA multiple eased to 5.95 times compared to 6.38 times in FY2021. It is to be noted that in 2024, total outstanding bonds will decrease to €36.93 million following the repayment of €17.68 million of maturing bonds. Accordingly, the net gearing ratio should normalise to historical levels.

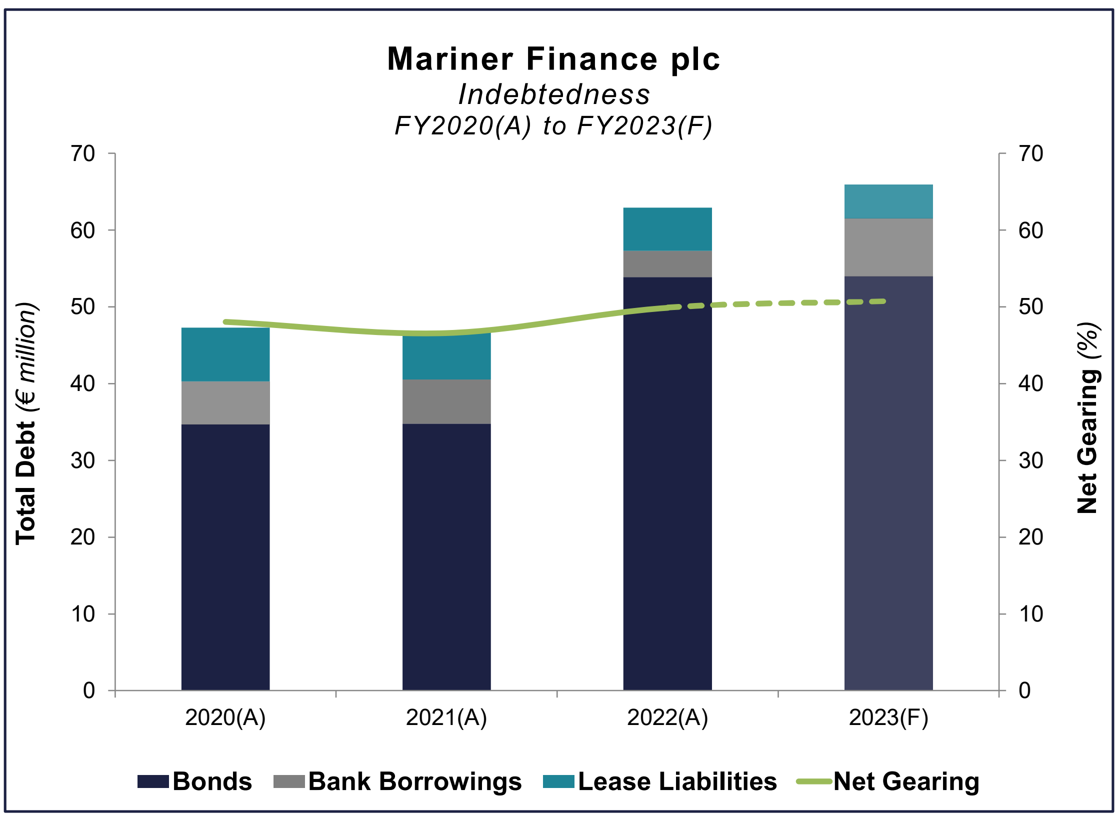
For **FY2023**, Mariner Finance is now expecting its total assets to increase by 1.35% to €130.04 million which, however, is lower than the 2022 Bond Issue estimate of €142.51 million. The principal variance in this respect is related to the Group's decision not to proceed with the acquisition of Mariner Logistics.

Likewise, although total liabilities are anticipated to increase by 3.06% year-on-year to €68.02 million (31 December 2022: €66.00 million), this is significantly lower than the 2022 Bond Issue projected figure of €87.36 million. The principal variance in this respect is related to the Group's decision not to proceed with the acquisition of Mariner Logistics which would have resulted in the Issuer consolidating the debt of Mariner Logistics. In fact, Mariner Finance is now anticipating its total debt to be at just under €66 million as at 31 December 2023 (+€3.00 million year-on-year) compared to the 2022 Bond Issue projection of €83.31 million.

The Group's equity is projected to remain unchanged when compared to the prior year as the Group expects to declare a dividend to shareholders of €5.80 million.

The Issuer is anticipating a minor deterioration in its net debt-to-EBITDA (6.30 times), net debt-to-equity (1.03 times), net gearing (50.76%), and debt-to-asset (0.51 times) ratios.


Mariner Finance plc
Total Assets & Equity
FY2020(A) to FY2023(F)
Total Assets & Equity (€ million)
Leverage (times)
140
120
100
80
60
40
20
0
3.0
2.5
2.0
1.5
1.0
0.5
0.0
2020(A)
2021(A)
2022(A)
2023(F)
Total Assets
Total Equity
Leverage


Mariner Finance plc
Indebtedness
FY2020(A) to FY2023(F)
Total Debt (€ million)
Net Gearing (%)
70
60
50
40
30
20
10
0
2020(A)
2021(A)
2022(A)
2023(F)
Bonds
Bank Borrowings
Lease Liabilities
Net Gearing

8. VARIANCE ANALYSIS

The following information relates to the variance analysis between the forecasts for the financial year ended 31 December 2022 included in the Analysis dated 21 November 2022 (the "**2022 FAS**"), and the audited annual financial statements for the financial year ended 31 December 2022.

Mariner Finance p.l.c. Income Statement for the financial year ended 31 December 2022	Actual €'000	Forecast €'000	Variance €'000
Total Revenue	20,394	18,060	2,334
Net operating expenses	(9,953)	(9,388)	(565)
EBITDA	**10,441**	**8,672**	**1,769**
Depreciation and amortisation	(2,200)	(2,183)	(17)
Operating profit	**8,241**	**6,489**	**1,752**
Net finance costs	(2,210)	(2,112)	(98)
Profit before tax	**6,031**	**4,377**	**1,654**
Taxation	(330)	(256)	(74)
Profit after tax	**5,701**	**4,121**	**1,580**

The profitability recorded by the Group in FY2022 was better-than-expected as total revenues exceeded forecasts by €2.33 million. For this reason, Mariner Finance generated a higher EBITDA (+€1.77 million) and reported stronger operating profit and net profit compared to the forecasts as provided in the 2022 FAS.

Mariner Finance p.l.c. Statement of Cash Flows for the financial year ended 31 December 2022	Actual €'000	Forecast €'000	Variance €'000
Net cash from / (used in) operating activities	7,843	6,780	1,063
Net cash from / (used in) investing activities	(4,565)	(3,084)	(1,481)
Net cash from / (used in) financing activities	(3,088)	(1,984)	(1,104)
Net movement in cash and cash equivalents	**190**	**1,712**	**(1,522)**
Cash and cash equivalents at beginning of year	640	640	-
Cash and cash equivalents at end of year	**830**	**2,352**	**(1,522)**
Capital expenditure	951	3,084	(2,133)
Free cash flow	**6,892**	**3,696**	**3,196**

In view of the stronger operational performance, the Group generated higher cash flows from operating activities. On the other hand, Mariner Finance used a higher amount of net cash in investing and financing activities which, in aggregate, amounted to €7.65 million compared to the previous estimate of an aggregate of €5.07 million.

As the higher outflows of net cash in investing and financing activities outweighed the stronger cash flow generated from operating activities, the Group ended the 2022 financial year with a lower amount of cash and cash equivalents than previously expected.

Mariner Finance p.l.c. **Statement of Financial Position** **as at 31 December 2022**	**Actual** **€'000**	**Forecast** **€'000**	**Variance** **€'000**	
ASSETS				
Non-current assets				
Intangible assets	13,661	13,661	-	
Property, plant and equipment	46,320	44,838	1,482	
Investment property	4,466	4,443	23	
Right-of-use assets	7,611	7,611	-	
Loans and receivables	31,850	28,271	3,579	**(1)**
	103,908	98,824	5,084	
Current assets				
Loans receivable	422	385	37	
Inventories	340	473	(133)	
Trade and other receivables	22,814	3,010	19,804	**(2)**
Cash and cash equivalents	830	2,352	(1,522)	
	24,406	6,220	18,186	
Total assets	**128,314**	**105,044**	**23,270**	
EQUITY				
Equity and reserves				
Called up share capital	500	500	-	
Other equity and reserves	21,155	17,470	3,685	
Retained earnings	40,660	35,746	4,914	
	62,315	**53,716**	**8,599**	**(3)**
LIABILITIES				
Non-current liabilities				
Bank loans and other financial liabilities	65	2,192	(2,127)	
Bonds	53,876	34,873	19,003	
Lease liability	2,373	4,795	(2,422)	
Other non-current liabilities	271	302	(31)	
	56,585	42,162	14,423	
Current liabilities				
Bank loans and other financial liabilities	3,375	5,730	(2,355)	
Bonds	-	-	-	
Lease liability	3,231	809	2,422	
Other current liabilities	2,808	2,627	181	
	9,414	9,166	248	
	65,999	**51,328**	**14,671**	
Total equity and liabilities	**128,314**	**105,044**	**23,270**	
Total debt	*62,920*	*48,399*	*14,521*	
Net debt	*62,090*	*46,047*	*16,043*	**(4)**
Invested capital (total equity plus net debt)	*124,405*	*99,763*	*24,642*	

The material variances between the actual and forecast Statement of Financial Position are as follows:

(1) *Non-current loans and receivables*: The Group advanced a higher amount of loans to related entities than previously anticipated.

(2) *Trade and other receivables*: The positive variance of €19.80 million mainly reflects the additional proceeds received from the 2022 Bond Issue. In the 2022 FAS, the amounts receivable from the 2022 Bond Issue were accounted for in FY2023.

(3) *Total equity*: The variance of €8.60 million is related to the higher level of profit reported by the Group, as well as the impact of the uplift in the fair value of land and buildings.

(4) *Net debt*: The variance of €16.04 million reflects the outcome of the 2022 Bond Issue which resulted in a temporary increase in total debt, as well as an adverse movement in cash balances of €1.52 million. In the 2022 FAS, the additional debt from the 2022 Bond Issue was accounted for in FY2023.

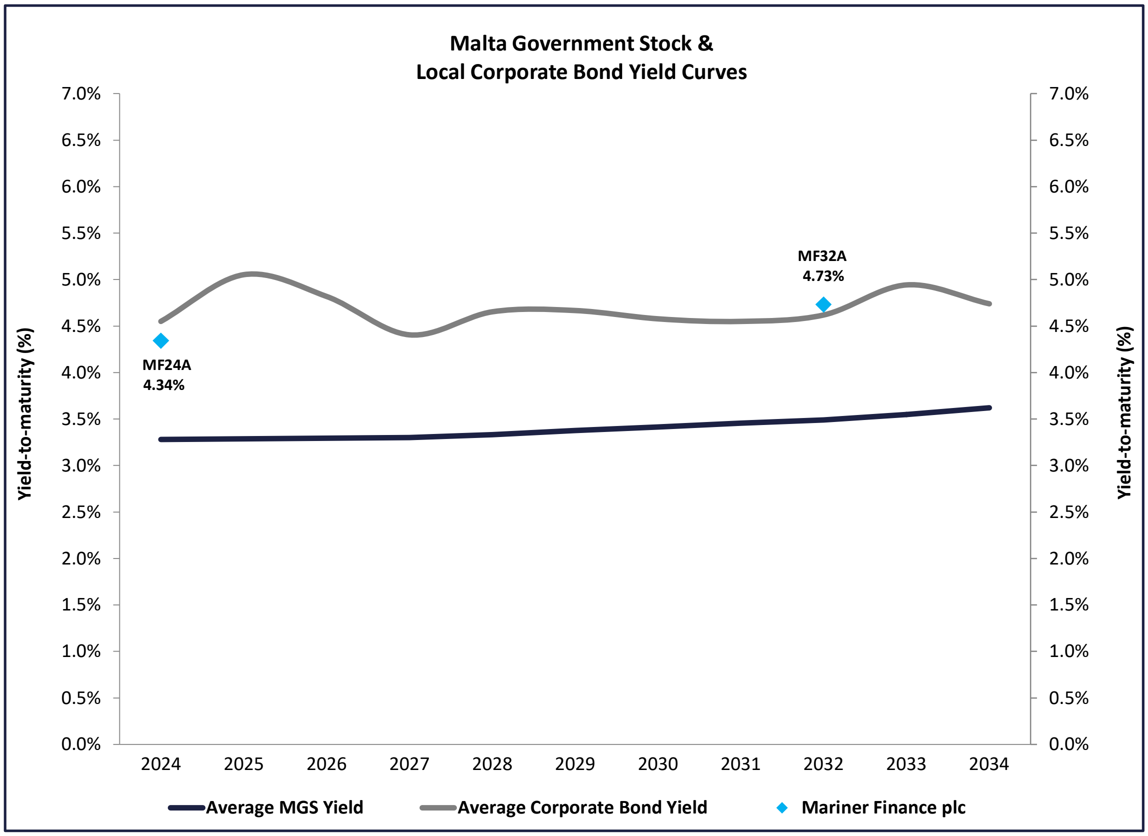
PART 3 – COMPARATIVE ANALYSIS

The table below provides a comparison between the Group and its bonds with other debt issuers listed on the Malta Stock Exchange and their respective debt securities. Although there are significant variances between the activities of Mariner Finance 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 serves as an indication of the financial performance and strength of the Group.

Comparative Analysis*	Amount Issued (€'000)	Yield-to-Maturity (%)	Interest Cover (times)	Net Debt-to-EBITDA (times)	Net Gearing (%)	Debt-to-Assets (times)
6.00% AX Investments plc Unsecured & Guaranteed 2024	40,000	5.92	1.75	14.74	30.01	0.28
6.00% International Hotel Investments plc Unsecured 2024	35,000	4.89	1.87	11.42	41.92	0.40
5.30% Mariner Finance plc Unsecured 2024	17,684	4.34	4.72	5.95	49.91	0.49
5.00% Hal Mann Vella Group plc Secured 2024	30,000	4.98	2.42	9.45	51.80	0.44
5.10% 1923 Investments plc Unsecured 2024	36,000	5.08	4.81	2.94	47.79	0.40
4.25% Best Deal Properties Holding plc Secured & Guaranteed 2024	6,465	2.55	13.29	4.71	63.61	0.65
5.75% International Hotel Investments plc Unsecured 2025	45,000	5.46	1.87	11.42	41.92	0.40
5.10% 6PM Holdings plc Unsecured 2025	13,000	5.09	10.95	0.38	11.16	0.17
4.50% Hili Properties plc Unsecured & Guaranteed 2025	37,000	4.90	1.80	12.53	45.87	0.46
3.70% Gap Group plc Secured & Guaranteed 2023/2025	16,618	4.97	33.21	4.85	56.20	0.69
4.35% Hudson Malta plc Unsecured & Guaranteed 2026	12,000	4.54	6.11	4.89	71.67	0.57
4.25% CPHCL Finance plc Unsecured & Guaranteed 2026	40,000	4.63	1.66	12.42	42.46	0.40
4.00% International Hotel Investments plc Secured 2026	55,000	3.66	1.87	11.42	41.92	0.40
5.00% Dizz Finance plc Unsecured & Guaranteed 2026	8,000	5.02	0.56	36.59	79.93	0.59
3.75% Premier Capital plc Unsecured 2026	65,000	4.38	11.25	2.09	61.67	0.56
4.00% International Hotel Investments plc Unsecured 2026	60,000	4.15	1.87	11.42	41.92	0.40
3.25% AX Group plc Unsecured 2026	15,000	3.55	1.75	14.74	30.01	0.28
3.90% Gap Group plc Secured & Guaranteed 2024/2026	21,000	4.05	33.21	4.85	56.20	0.69
4.00% Hili Finance Company plc Unsecured & Guaranteed 2027	50,000	4.29	4.64	4.84	69.79	0.63
4.35% SD Finance plc Unsecured & Guaranteed 2027	65,000	4.35	4.60	2.66	27.22	0.27
4.00% Eden Finance plc Unsecured & Guaranteed 2027	40,000	4.42	4.24	5.37	25.33	0.23
5.25% Mediterranean Investments Holding plc Unsecured & Guaranteed 2027	30,000	4.73	3.79	3.30	22.75	0.21
4.00% Stivala Group Finance plc Secured & Guaranteed 2027	45,000	4.25	4.84	5.58	28.97	0.26
4.75% Best Deal Properties Holding Plc Secured & Guaranteed 2025/2027	15,000	4.62	13.29	4.71	63.61	0.65
4.75% Gap Group plc Secured & Guaranteed 2025/2027	23,000	4.62	33.21	4.85	56.20	0.69
3.85% Hili Finance Company plc Unsecured & Guaranteed 2028	40,000	4.40	4.64	4.84	69.79	0.63
3.65% Stivala Group Finance plc Secured & Guaranteed 2029	15,000	4.50	4.84	5.58	28.97	0.26
3.80% Hili Finance Company plc Unsecured & Guaranteed 2029	80,000	5.96	4.64	4.84	69.79	0.63
3.75% AX Group plc Unsecured 2029	10,000	4.11	1.75	14.74	30.01	0.28
6.25% GPH Malta Finance plc Unsecured & Guaranteed 2030	18,144	5.79	1.56	11.27	94.67	0.83
3.65% International Hotel Investments plc Unsecured 2031	80,000	4.81	1.87	11.42	41.92	0.40
3.50% AX Real Estate plc Unsecured 2032	40,000	4.56	2.31	13.83	42.36	0.41
5.00% Mariner Finance plc Unsecured 2032	36,930	4.73	4.72	5.95	49.91	0.49
4.50% The Ona plc Secured & Guaranteed 2028/2034	16,000	4.74	32.26	9.77	64.11	0.59

As at 31 May 2023

Sources: Malta Stock Exchange
M.Z. Investment Services Limited
Most recent audited annual financial statements except for GPH Malta Finance plc (FY2022/2023 - forecast)



To date, there are no local corporate bonds which have a redemption date beyond 2034. The Malta Government Stock (“**MGS**”) yield curve has been included as it is widely considered as the benchmark ‘risk-free’ rate for Malta.

The 5.30% Mariner Finance plc unsecured bonds 2024 are currently trading at a yield-to-maturity (“**YTM**”) of 4.34% which is 21 basis points below the average YTM of other local corporate bonds maturing in the same year. The premium over the corresponding MGS yield of equivalent maturity is 106 basis points.

The 5.00% Mariner Finance plc unsecured bonds 2032 are currently trading at a YTM of 4.73% which is 11 basis points above the average YTM of other local corporate bonds maturing in the same year. The premium over the corresponding MGS yield of equivalent maturity is 124 basis points.

PART 4 – EXPLANATORY DEFINITIONS

Income Statement	
Revenue	Total income generated from business activities.
EBITDA	Earnings before interest, taxes, depreciation, and amortisation. It is a metric used for gauging a company's operating performance, excluding the impact of its capital structure, and is usually interpreted as a loose proxy for operating cash flow generation.
Operating profit	Profit from operating activities including movements in the fair value of investment property but excluding the share of results of associated undertakings, net finance costs, and taxation.
Profit after tax	Net profit generated from all business activities.

Industry Key Performance Indicators	
Average number of container moves per hour	Gauges the overall level of operating efficiency of a port terminal and shows how many containers are moved in an hour.
TEUs	It is the standard measure for a container transporting goods and is widely used to calculate how many containers a ship can carry, or a port can deal with. In other words, is a unit of measurement used to determine cargo capacity for container ships and terminals. This measurement is derived from the dimensions of a 20-feet standardised shipping container as standard containers can either be 20-feet or 40-foot in length.
Revenue per TEU	Calculated by dividing the amount of revenue generated by a port terminal by the total number of TEUs handled. A higher figure indicates that the port terminal is recording higher levels of income for every TEUs handled.
EBITDA per TEU	Calculated by dividing the EBITDA generated by a port terminal by the total number of TEUs handled. A higher figure indicates that the port terminal is generating higher levels of EBITDA for every TEUs handled.
Operating profit per TEU	Calculated by dividing the operating profit generated by a port terminal by the total number of TEUs handled. A higher figure indicates that the port terminal is generating higher levels of operating profit for every TEUs handled.
Net profit per TEU	Calculated by dividing the net profit generated by a port terminal by the total number of TEUs handled. A higher figure indicates that the port terminal is generating higher levels of net profit for every TEUs handled.

Profitability Ratios	
EBITDA margin	EBITDA as a percentage of revenue.
Operating profit margin	Adjusted operating profit as a percentage of total revenue.
Net profit margin	Profit after tax as a percentage of total revenue.
Return on equity	Measures the rate of return on the company's net assets and is computed by dividing the net profit by average equity.
Return on assets	Measures the rate of return on the company's assets and is computed by dividing the net profit by average assets.
Return on invested capital	Measures the rate of return from core operations and is computed by dividing operating profit by the average amount of equity and net debt.

Cash Flow Statement	
Net cash flow from / (used in) operating activities	The amount of cash generated (or consumed) from the normal conduct of business.
Cash flow from / (used in) investing activities	The amount of cash generated (or consumed) from activities related to the acquisition, disposal, and/or development of long-term assets and other investments.
Cash flow from / (used in) financing activities	The amount of cash generated (or consumed) that have an impact on the company's capital structure and thus result in changes to share capital and, or borrowings.

Statement of Financial Position	
Non-current assets	These represent long-term investments which full value will not be realised within the next twelve months. Such assets, which typically include property, plant, equipment, and investment property, are capitalised rather than expensed, meaning that a company amortises 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 acquired.
Current assets	All assets which could be realisable within a twelve-month period from the balance sheet date. Such amounts may include development stock, accounts receivable, cash and bank balances.
Non-current liabilities	Long-term financial obligations which are not due within the next twelve months, and typically include long-term borrowings and debt securities.
Current liabilities	Liabilities which fall due within the next twelve months from the balance sheet date, and typically include accounts payable and short-term debt.
Total equity	Represents the residual value of the business (assets minus liabilities) and typically includes the share capital, reserves, as well as retained earnings.

Financial Strength / Credit Ratios	
Interest cover	Measures the extent of how many times a company can pay its net finance costs from EBITDA.
Net debt-to-EBITDA	Measures how many years it will take a company to pay off its net interest-bearing liabilities (including lease liabilities) from its EBITDA generation capabilities, assuming that net debt and EBITDA are held constant.
Net debt-to-equity	Shows the proportion of net debt (including lease liabilities) to the amount of equity.
Net gearing	Shows the proportion of equity and net debt used to finance a company's business and is calculated by dividing a company's net debt by net debt plus equity.
Debt-to-asset	Shows the degree to which a company's assets are funded by debt and is calculated by dividing all interest-bearing liabilities by total assets.
Leverage	Shows how much equity a company is using to finance its assets.
Current ratio	Measures whether or not a company has enough resources to pay its short-term liabilities from its short-term assets.