

**LEVERATOR PLC INTERIM REPORT 1 JANUARY – 31 MARCH 2015****Business**

Leverator Plc's (Leverator) business consists of the issue of bonds and the grant of loans to CapMan Mezzanine IV L.P. mezzanine fund (CMM IV). Leverator's result is formed by the difference between interest received from CMM IV's loans and interest paid to bondholders. The issued bonds are listed on the Helsinki Exchanges (Nasdaq OMX Helsinki).

**Bonds**

Leverator has issued a serial loan with a fixed coupon interest of 8.162%. The bonds were issued in five tranches in accordance with the loan capital needed by CMM IV, and investors subscribed all five tranches according to their commitments. The final size of the bond totalled MEUR 192 on 18 June 2009. The final loan maturity is 21 June 2016. Leverator has a call option to repay the bonds or part thereof not earlier than 22 June 2009.

Leverator repaid 13.5%, equivalent of EUR 26,000,256, in accordance with the terms of the loan on 23 June 2014. The outstanding bond loan totalled EUR 70,313,856 on 31 March 2015.

**Issued tranches and Leverator's financial performance****Issued tranches** (trading code LEVJ816216)

Tranche	Issue date	Size of the tranche, MEUR	Date of listing	Subscription price, %
1st tranche	12 July 2004	8.0	13 July 2004	100.00
2nd tranche	5 June 2006	40.0	13 June 2006	99.137
3rd tranche	28 March 2007	48.0	13 April 2007	98.290
4th tranche	28 April 2009	36.0	5 May 2009	97.389
5th tranche	18 June 2009	60.0	25 June 2009	98.468

Leverator's turnover for the review period was EUR 0, because the Company's interest earnings and interest expenses are presented as financial items in the income statement. Leverator's operating loss was EUR 15,022 (EUR 17,306 for the review period 1 January – 31 March 2014) and financial income and expenses totalled EUR 43,946 (EUR 60,196). The result for the review period was EUR 23,139 (EUR 34,312).

**Leverator's solvency and risks**

The security for the bonds is Leverator's receivable from CMM IV. The security for this receivable to Leverator is CMM IV's mezzanine loan receivables from portfolio companies as well as associated options and portfolio company shares that are possibly subscribed on the basis of those options.

Leverator's solvency to pay the bonds' interest and principal is based on CMM IV's solvency to pay the loan receivable and interest to Leverator. CMM IV's solvency is dependent on its mezzanine loan receivables from portfolio companies and on the value of associated options or shares as well as on CMM IV's right to call the commitments and clawback of the Fund's Limited Partners. The most significant risks or uncertainty factors in Leverator's operations are that the portfolio companies would not be able to pay their debt to the fund, that the fund's Limited Partners would not fulfil their obligations in accordance with fund agreement or that the fund's solvency would be put at risk due to some other cause.

An examination of CMM IV's solvency to manage the loan receivable to Leverator is first carried out in order to determine Leverator's solvency.

#### CMM IV's solvency 31 March 2015

	MEUR
Outstanding balance to Leverator	70.3
CMM IV's mezzanine loans and associated options and shares:	
- acquisition cost*	39.8
- value appreciation*	-0,7
Net cash assets	
- bank deposits	1.5
- accumulated interest receivables**	0.5
- Leverator/accumulated interest	-1.6
Commitments at call from Limited Partners	10.0
Clawback at call	10.9
Total	<u>60,4</u>

\* Figures by CMM IV's management company, as reported or with a discount.

\*\* Excludes interest receivables that are outstanding or have accumulated that are not booked in the Fund's accounts because of the uncertainty whether they can be collected.

CMM IV's financial assets were €9.9 million below the total loan receivables of Leverator on 31 March 2015 and therefore the latter's receivable due from CMM IV presented below cannot be booked in full. CMM IV's financial assets exceeded the total loan receivables of Leverator by €7.0 million on 31 March 2014 and were below the total loan receivables by €6.6 million on 31 December 2014.

According to the management company the targeted exit valuations of CMM IV fund's mezzanine loans and associated options and shares are higher than their current valuation, and therefore the fund should be able to pay the loans back to Leverator Plc. However, in the current market conditions it is likely that reaching the targeted exit valuations requires extension of the loan terms and the holding period, which in turn means that the final loan payment will be postponed further than the loan's estimated maturity on 21 June 2016. Due to the requirement from the senior lenders, CMM IV has been required to partly convert its loans to portfolio companies into preferred shares and extend the loan terms of the remaining loans to portfolio companies beyond the maturity of the bond. CMM IV has requested Leverator's Board of Directors to initiate negotiations about the extension of the maturity of the loan to Leverator and the bond with an aim to postpone the final loan payments by two years i.e. no later than 21 June 2018. The extension requires approval from all bond holders. Negotiations in the beginning of the year regarding the extension of the bond did not result in universal approval. Due to the aforementioned reasons, it is necessary to extend the

maturity in order to repay the bond in full. Negotiations will therefore continue after the summer when further updates on the portfolio companies are available.

The values given above are reported by CMM IV's management company. The management company's assessment of the value appreciation of mezzanine loans and associated options and shares is based on reporting principles common to the private equity industry. These principles aim at take into account risk factors caused by the general economic environment. The amount of commitments and clawback that the fund has a right to call from the Fund's Limited Partners is based on CMM IV's fund agreement.

#### Leverator's solvency 31 March 2015

	MEUR
Balance of bonds at nominal value	70.3
Leverator's receivable from CMM IV at nominal value	70.3
Net cash assets	1.1
CMM IV's solvency deficit	-9,9
Total	<u>61,5</u>

At current value Leverator's solvency is below the balance of the bonds'.

Leverator's more detailed financial position is presented in the income statement, balance sheet, statement of changes in equity and cash flow statement in Appendix 1. There are no exceptional liabilities of Leverator or CMM IV in the knowledge of Leverator's Board of Directors that should be considered in the above calculations.

#### **Leverator's ownership**

The owners of Leverator Plc are CapMan Plc, Etera Mutual Pension Insurance Company, Foundation for Economic Education, Ilmarinen Mutual Pension Insurance Company, OP Life Assurance Company Ltd, Pharmacy Pension Fund, Mandatum Life Insurance Company Limited, Varma Mutual Pension Insurance Company and Yleisradio Pension Fund with equal holdings.

#### **Leverator's Board of Directors**

On 7 May 2015 the shareholders of Leverator Plc elected the following members to the Company's Board of Directors: Mr Tatu Hemmo, Mrs Nina Härkönen, Mr Staffan Jåfs, Mr Harri Lemmetti, Mr Olli Liitola, Mr Tommi Mäkelä, Mrs Katja Salovaara, Mr Jari Pussinen, and Mr Kyösti Ylikortes. The members elected Mr Tatu Hemmo as Chairman of the Board.

#### **Future outlook**

Developments in the general market environment in the next few years may continue to cause difficulties in the ability of fund's portfolio companies to pay interest on their mezzanine loans and repay principal to the fund in accordance with original loan terms. Restrictions in the portfolio companies' senior loan agreements may in certain cases prevent the companies from meeting their interest payments in accordance with the original loan terms during 2015. The aforementioned issues might, in turn, weaken the fund's ability to meet its debt to Leverator Plc in full, which would affect Leverator Plc's solvency. It is possible that the fund's solvency weakens further during 2015.

According to the management company the targeted exit valuations of CMM IV fund's mezzanine loans and associated options and shares are higher than their current valuation, and therefore the

fund should be able to pay the loans back to Leverator Plc. However, in the current market conditions it is likely that reaching the targeted exit valuations requires extension of the loan terms and the holding period, which in turn means that the final loan payment will be postponed further than the loan's estimated maturity on 21 June 2016. Due to the requirement from the senior lenders, CMM IV has been required to partly convert its loans to portfolio companies into preferred shares and extend the loan terms of the remaining loans to portfolio companies beyond the maturity of the bond. CMM IV has requested Leverator's Board of Directors to initiate negotiations about the extension of the maturity of the loan to Leverator and the bond with an aim to postpone the final loan payments by two years i.e. no later than 21 June 2018. The extension requires approval from all bond holders. Negotiations in the beginning of the year regarding the extension of the bond did not result in universal approval. Due to the aforementioned reasons, it is necessary to extend the maturity in order to repay the bond in full. Negotiations will therefore continue after the summer when further updates on the portfolio companies are available.

It is probable that Leverator Plc's interest earnings will cover its interest payable and other expenses in 2015.

Leverator Plc will publish its Interim Report 1 January–30 June 2015 on 6 August 2015

Helsinki 7 May 2015

LEVERATOR PLC

Board of Directors

**For further information, please contact:**

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APPENDIX 1. Income statement, balance sheet, statement of changes in equity and cash flow statement

The Interim Report 1 January–31 March 2015 has been prepared in compliance with International Financial Reporting Standards (IFRS) and the accounting principles applied are the same as in the financial statements for 2014. The information presented is unaudited.

**APPENDIX 1. Income Statement, Balance Sheet, Statement of Changes in Equity and Cash Flow Statement**

**LEVERATOR PLC**

**INCOME STATEMENT, IFRS**

EUR	1.1.- 31.3.2015	1.1.- 31.3.2014	1.1.-31.12.2014
<b>Turnover</b>	<b>0</b>	0	0
Personnel expenses	<b>0</b>	0	-26,400
Other operating expenses	<b>-15,022</b>	-17,306	-56,679
<b>Operating loss</b>	<b>-15,022</b>	-17,306	-83,079
Financial income and expenses	<b>43,946</b>	60,196	206,740
<b>Profit before taxes</b>	<b>28,924</b>	42,890	123,661
Income taxes	<b>-5,785</b>	-8,578	-25,350
<b>Profit for the review period</b>	<b>23,139</b>	34,312	98,311
<b>Total comprehensive income, IFRS</b>			
The company does not have items included in comprehensive income.			
<b>Earnings per share:</b>			
Earnings per share, €	<b>0.0225</b>	0.0334	0.0956

**LEVERATOR PLC****BALANCE SHEET, IFRS**

EUR	31/03/2015	31/03/2014	31/12/2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments			
Other investments	<b>70,313,856</b>	96,314,112	70,313,856
<b>Total non-current assets</b>	<b>70,313,856</b>	96,314,112	70,313,856
<b>Current assets</b>			
Current receivables	<b>1,666,388</b>	2,270,657	186,890
Cash and bank	<b>976,822</b>	869,004	998,426
<b>Total current assets</b>	<b>2,643,210</b>	3,139,661	1,185,316
<b>TOTAL ASSETS</b>	<b>72,957,066</b>	99,453,773	71,499,173
EUR	31/03/2015	31/03/2014	31/12/2014

**SHAREHOLDERS' EQUITY AND LIABILITIES****Shareholders' equity**

Share capital	<b>102,857</b>	102,857	102,857
Retained earnings	<b>938,984</b>	840,673	840,673
Profit for the review period year	<b>23,139</b>	34,312	98,311
<b>Total shareholders' equity</b>	<b>1,064,980</b>	977,843	1,041,841

**Liabilities**

Non-current liabilities	<b>70,313,856</b>	96,314,112	70,313,856
Current liabilities	<b>1,578,230</b>	2,161,818	143,475
<b>Total liabilities</b>	<b>71,892,086</b>	98,475,930	70,457,331

**TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES**

	<b>72,957,066</b>	99,453,773	71,499,173
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## LEVERATOR PLC

## STATEMENT OF CHANGES IN EQUITY, IFRS

	Share capital	Other reserves	Retained earnings	Total equity
<b>Equity on 31.12.2014</b>	102,857	0	938,984	1,041,841
Profit for the review period			23,139	23,139
<b>Equity on 31.3.2015</b>	102,857	0	962,123	1,064,980
	Share capital	Other reserves	Retained earnings	Total equity
<b>Equity on 31.12.2013</b>	102,857	0	840,673	943,530
Profit for the review period			98,311	98,311
<b>Equity on 31.12.2014</b>	102,857	0	938,984	1,041,841

## LEVERATOR PLC

## CASH FLOW STATEMENT, IFRS

EUR	1-3/2015	1-3/2014	1-12/2014
<b>Cash flow from operations</b>			
Operating profit	23,139	34,312	98,311
Other adjustments to operating profit	-44,743	-76,609	-219,551
Interest paid	0	0	-6,800,087
Interest received	0	0	7,008,453
<b>Cash flow from operations</b>	<b>-21,604</b>	<b>-42,297</b>	<b>87,126</b>
<b>Cash flow from investments</b>			
Change in long-term loan receivables	0	0	26,000,256
<b>Cash flow from investments</b>	<b>0</b>	<b>0</b>	<b>26,000,256</b>
<b>Financial cash flow</b>			
Change in long-term liabilities	0	0	-26,000,256
<b>Financial cash flow</b>	<b>0</b>	<b>0</b>	<b>-26,000,256</b>
<b>Change in cash funds</b>	<b>-21,604</b>	<b>-42,297</b>	<b>87,126</b>
Cash funds at start of the period	998,426	911,301	911,301
<b>Cash funds at end of the period</b>	<b>976,822</b>	<b>869,004</b>	<b>998,426</b>