

**LEVERATOR PLC HALF-YEAR FINANCIAL REPORT 1 JANUARY – 30 JUNE 2016****Business**

Leverator Plc's ("Leverator" or the "Issuer") business consists of the issue of bonds and the grant of loans to CapMan Mezzanine IV L.P. mezzanine fund ("CMM IV" or the "Fund"). 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 Helsinki).

**Bonds**

Leverator has issued a serial loan with a fixed coupon interest of 8.162% (the "Bonds"). 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 Bonds totalled MEUR 192 on 18 June 2009. The maturity of the Bonds was extended by two years and they mature on 21 June 2018. Leverator has a call option to repay the Bonds or part thereof not earlier than 22 June 2009.

The Bonds' outstanding principal totalled EUR 33,291,264 on 30 June 2016. Leverator repaid EUR 37,022,592 of the principal during the review period.

**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 Issuer's interest earnings and interest expenses are presented as financial items in the income statement. Leverator's operating loss was EUR 122,187 (EUR 31,210 for 1 Jan – 30 June 2015) and financial income and expenses totalled EUR 74,784 (EUR 87,892). The result for the review period was EUR -47,403 (EUR 45,346).

## 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 30 June 2016

	MEUR
Outstanding balance to Leverator	33.3
CMM IV's mezzanine loans and associated options and shares:	
- acquisition cost*	19.8
- value appreciation*	-11.9
Net cash assets	
- bank deposits	2.1
- Leverator/accumulated interest	-0.1
Commitments at call from Limited Partners	0.0
Clawback at call	6.0
Total	15.9

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

CMM IV's financial assets were MEUR 17.4 below the total loan receivables of Leverator on 30 June 2016 and therefore the latter's receivable due from CMM IV presented below cannot be booked in full. CMM IV's financial assets were MEUR 21.5 below the total loan receivables of Leverator on 31 March 2016 and MEUR 10.7 below on 30 June 2015.

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 original loan terms. Developments in the general market environment in the next few years may continue to cause difficulties for Fund portfolio companies to pay interest on their mezzanine loans and repay principal to the Fund in accordance with the revised loan terms. Restrictions in the portfolio companies' senior loan agreements may in certain cases prevent the companies from meeting their interest payments during 2016 despite revisions of the original loan terms. The aforementioned issues might, in turn, weaken the Fund's ability to meet its debt to Leverator Plc in full, which would affect Leverator's solvency. It is possible that CMM IV's solvency weakens further during 2016.

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

may potentially be able to pay back the loan to Leverator. Given the two-year extension to the Bond's maturity and the maturity of Leverator's loans to CMM IV, it is possible that the value of the Fund's portfolio by the time of the Bond's maturity in June 2018, in addition to commitments at call from Limited Partners, would be sufficient for the Fund to meet its obligations to Leverator in full. This outlook is highly uncertain.

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 30 June 2016

	MEUR
Balance of the Bonds at nominal value	33.3
Leverator's receivable from CMM IV at nominal value	33.3
Net cash assets	1.0
CMM IV's solvency deficit	<u>-17.4</u>
Total	16.9

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 4 May 2016 the shareholders of Leverator Plc elected the following members to the Company's Board of Directors: Mr Tatu Hemmo, Ms Nina Olander, Mr Staffan Jäfs, Mr Harri Lemmetti, Mr Olli Liitola, Mr Tommi Mäkelä, Mr Antti Palkén, Ms Katja Salovaara, and Mr Kyösti Ylikortes. The members elected Mr Tatu Hemmo as Chairman of the Board.

#### **Other significant events during the review period**

Leverator's bondholders approved on 20 January 2016 the proposal by the Board of Directors to extend the maturity of the Bonds by two years. The consent relating to this extension became effective on the conditions that Leverator (i) makes an additional redemption (outside Condition 6 (b) of the terms and conditions of the Bonds) in a total amount of MEUR 12.6 on 15 February 2016 to the relevant bondholders holding Bonds on such date, and (ii) deposits a consent fee of 2% of the outstanding principal amount after all redemptions made as at 21 June 2016 to an escrow account. Leverator has made the additional redemption of MEUR 12.6 and paid the consent fee of EUR

665,825 as per the agreement. The conditions for the extension of the Bonds' maturity have been fulfilled and the maturity of the Bond is 21 June 2018. The coupon of the Bonds and other terms remain the same.

### **Events after the end of the review period**

There were no significant events after the end of the review period.

### **Future outlook**

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 original loan terms. Developments in the general market environment in the next few years may continue to cause difficulties for Fund portfolio companies to pay interest on their mezzanine loans and repay principal to the Fund in accordance with the revised loan terms. Restrictions in the portfolio companies' senior loan agreements may in certain cases prevent the companies from meeting their interest payments during 2016 despite revisions of the original loan terms. The aforementioned issues might, in turn, weaken the Fund's ability to meet its debt to Leverator Plc in full, which would affect Leverator's solvency. It is possible that CMM IV's solvency weakens further during 2016.

According to the management company the targeted exit valuations of CMM IV's mezzanine loans and associated options and shares are higher than their current valuation, and therefore the Fund may potentially be able to pay back the loan to Leverator. Given the two-year extension to the Bond's maturity and the maturity of Leverator's loans to CMM IV, it is possible that the value of the Fund's portfolio by the time of the Bond's maturity in June 2018, in addition to commitments at call from Limited Partners, would be sufficient for the Fund to meet its obligations to Leverator in full. This outlook is highly uncertain.

It is probable that Leverator's interest earnings will cover its interest payable and other operating expenses in 2016.

Leverator Plc will publish its Interim Report 1 January–30 September 2016 on 3 November 2016.

Helsinki 11 August 2016

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 Half-year Financial Report 1 January–30 June 2016 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 2015. The information presented is unaudited.

**LEVERATOR PLC**

**INCOME STATEMENT,  
IFRS**

EUR	1.4.- 30.6.2016	1.1.- 30.6.2016	1.4.- 30.6.2015	1.1.- 30.6.2015	1.1.- 31.12.2015
<b>Turnover</b>	<b>0</b>	<b>0</b>	0	0	0
Personnel expenses	<b>0</b>	<b>0</b>	0	0	-28,800
Other operating expenses	<b>-38,857</b>	<b>-122,187</b>	-16,188	-31,210	-88,880
<b>Operating loss</b>	<b>-38,857</b>	<b>-122,187</b>	-16,188	-31,210	-117,680
Financial income and expenses	<b>34,776</b>	<b>74,784</b>	43,946	87,892	175,863
<b>Profit/loss before taxes</b>	<b>-4,081</b>	<b>-47,403</b>	27,758	56,682	58,184
Income taxes	<b>0</b>	<b>0</b>	-5,552	-11,336	-11,637
<b>Profit/loss for the financial year</b>	<b>-4,081</b>	<b>-47,403</b>	22,206	45,346	46,547
<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>-0.0040</b>	<b>-0.0461</b>	0.0216	0.0441	0.0453

## LEVERATOR PLC

## BALANCE SHEET, IFRS

EUR	30.6.2016	30.6.2015	31.12.2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Other investments	33,291,264	70,313,856	0
<b>Total non-current assets</b>	<b>33,291,264</b>	<b>70,313,856</b>	<b>0</b>
<b>Current assets</b>			
Other investments	0	0	70,313,856
Current receivables	121,871	188,718	184,606
Cash and bank	1,023,312	1,041,944	1,057,700
<b>Total current assets</b>	<b>1,145,183</b>	<b>1,230,662</b>	<b>71,556,162</b>
<b>TOTAL ASSETS</b>	<b>34,436,447</b>	<b>71,544,518</b>	<b>71,556,162</b>
EUR	30.6.2016	30.6.2015	31.12.2015

## SHAREHOLDERS' EQUITY AND LIABILITIES

<b>Shareholders' equity</b>			
Share capital	102,857	102,857	102,857
Retained earnings	985,531	938,984	938,984
Profit/loss for the review period	-47,403	45,346	46,547
<b>Total shareholders' equity</b>	<b>1,040,985</b>	<b>1,087,187</b>	<b>1,088,388</b>
<b>Liabilities</b>			
Non-current liabilities	33,291,264	70,313,856	0
Current liabilities	104,197	143,475	70,467,774
<b>Total liabilities</b>	<b>33,395,461</b>	<b>71,544,518</b>	<b>70,467,774</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>34,436,447</b>	<b>71,544,518</b>	<b>71,556,162</b>

## LEVERATOR PLC

## STATEMENT OF CHANGES IN EQUITY, IFRS

	Share capital	Other reserves	Retained earnings	Total equity
<b>Equity on 31.12.2015</b>	102,857	0	985,531	1,088,388
Loss for the period 1.1-30.6.2016			-47,403	-47,403
<b>Equity on 30.6.2016</b>	102,857	0	938,128	1,040,985

	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 period 1.1-30.6.2015			45,346	45,346
<b>Equity on 30.6.2015</b>	102,857	0	984,330	1,087,187

## LEVERATOR PLC

## CASH FLOW STATEMENT, IFRS

EUR	1-6/2016	1-6/2015	1-12/2015
<b>Cash flow from operations</b>			
Operating profit/loss	-47 403	45 346	46 547
Other adjustments to operating profit/loss	-63 852	-89 720	-163 057
Interest paid	-2 509 559	-2 869 508	-5 739 017
Interest received	2 586 426	2 957 401	5 914 802
<b>Cash flow from operations</b>	<b>-34 388</b>	<b>43 518</b>	<b>59 275</b>
<b>Cash flow from investments</b>			
Change in long-term loan receivables	37 022 592	0	0
Consent fee received	665 825	0	0
<b>Cash flow from investments</b>	<b>37 688 417</b>	<b>0</b>	<b>0</b>
<b>Financial cash flow</b>			
Change in long-term liabilities	-37 022 592	0	0
Consent fee paid	-665 825	0	0
<b>Financial cash flow</b>	<b>-37 688 417</b>	<b>0</b>	<b>0</b>
<b>Change in cash funds</b>	<b>-34 388</b>	<b>43 518</b>	<b>59 275</b>
Cash funds at start of the period	1 057 700	998 426	998 426
<b>Cash funds at end of the period</b>	<b>1 023 312</b>	<b>1 041 944</b>	<b>1 057 700</b>