Proposed Disposal and amendment and extension of Bank Facility

17 APRIL 2013

Overview

CPPGroup Plc ("CPP" or the "Group") today announces an agreement to sell its North American business (subject to approval by CPP's Shareholders and the satisfaction of other, customary closing conditions) to AMT Warranty Corp. (the "Disposal") for a total cash consideration of $40 million (approximately £26.1 million) and that it has agreed a further extension of its Existing Bank Facility on amended terms with its existing lenders (the "Amended Facility").

The Disposal and the Amended Facility are expected to provide a period of time up to 30 September 2013, for the Group to engage in further discussions with its existing lenders and the Group's major shareholder, Mr Hamish Macgregor Ogston CBE, with a view to refinancing the Amended Facility on a longer term basis and providing some additional working capital for the Group.

The Disposal is part of a series of related measures being pursued by the Board with a view to securing the future viability of the Group in the interests of all stakeholders. Notwithstanding these measures, the Group is likely to continue to face significant financial challenges in the short to medium term, especially given the pending redress programme, the need to refinance the Amended Facility prior to its expiry and the required repositioning of the Group's business model.

In the course of its strategic review, the Board has reached the conclusion, on the basis of the facts currently available, that the Disposal, in conjunction with the Amended Facility, represents the only viable means of enabling the Group to move forward.

The North American business

CPP's North American business, operated by CPPNA Holdings, Inc. ("CPP North America"), was established in 2003 through the acquisition of the enhancement services division of Metris Inc., a medium-sized credit card issuer based in the United States. Since then, the business has developed through focused product development and working with major organisations in the financial and retail sectors and provided 13.2 per cent of Group revenue as reported in the Group's audited consolidated financial statements for the year ended 31 December 2011. Products sold by CPP North America include identity protection and life assistance products under the brands IdentityProtector, PurchaseShield 360, Lifestyle Perks, Preferred Program and Sage 365.

CPP North America reported profit before taxation of £6.8 million for the year ended 31 December 2011 and £5.2 million for the six months ended 30 June 2012. At 30 June 2012, CPP North America had gross assets of £23.4 million.

Background to the Disposal and Amended Facility

Disposal

As a result of the impending maturity of the Existing Bank Facility, the phased payment of the penalty agreed with the Financial Conduct Authority ("FCA") (or, as the context may require, the Financial

Services Authority as predecessor entity thereto prior to 1 April 2013) in relation to historical failings, the associated costs relating to the FCA investigation, the significant uncertainty relating to the extent of the Group's liabilities in relation to customer redress, and the on-going costs in relation to implementing customer redress, the Directors determined that strengthening the Group's capital structure was essential.

Given the urgent requirement to raise financing, the limitations on the Group's ability to raise new finance as a result of the terms of the voluntary variations of permission (“VVOPs”) and the uncertainty over the Group's ability to secure funding from its Lenders or third parties on the maturity of the Existing Bank Facility, the Board initiated a strategic review of the Group to analyse which parts of the Group were potentially separable and saleable.

The Board concluded that, of those parts of the Group's business identified for potential disposal, CPP North America was likely to be attractive to potential purchasers and attract a valuation in a range that would assist the Group in repaying the Existing Bank Facility. The Board therefore launched a broad sale process for CPP North America, soliciting competing bids from a number of interested parties. Having determined during the course of this sale process that the value to be realised through the Disposal would not be sufficient to repay the Existing Bank Facility in full, the Board has explored a broad range of alternative financing and strategic options for the Group, including extending the current cash conservation and cost management exercise throughout the business, seeking to obtain additional equity financing, seeking to obtain new debt financing and the disposal of other assets of the Group. The Board’s active engagement with the Lenders and with other potential providers of debt or equity financing (including Mr Hamish Macgregor Ogston CBE) has culminated in the negotiations that have resulted in the Amended Facility.

It is proposed that £16.5 million of the expected net proceeds from the Disposal will be used to prepay part of the Amended Facility. The remaining net proceeds from the Disposal and the £25 million in funds available under the Amended Facility will be used to provide additional working capital. Following completion of the Disposal, the Group will no longer receive the revenue and profit generated by CPP North America and accordingly the Group’s total consolidated revenue and operating profit are expected to decline.

Given the size of the North American business relative to that of the Group, completion of the Disposal is conditional upon the approval of CPP's Shareholders. Shareholders' approval will be sought at a General Meeting, details of which will be included in the circular to be published by the Group in due course.

Amended Facility

On 16 April 2013 the Group and the Lenders entered into the Amended Facility Agreement to amend and extend certain terms of the Existing Bank Facility, including the extension of the term of the Existing Bank Facility until 30 September 2013.

As part of this extension, the majority of the net proceeds from the Disposal, totalling £16.5 million, must be used to prepay part of the Amended Facility. The remainder of the Amended Facility, totalling £25 million, has a final maturity date of 30 September 2013.

The Amended Facility was made available on the condition that the Group entered into the Disposal Agreement and if the Disposal does not complete by 31 May 2013 or another event of default occurs under the Amended Facility Agreement, the Amended Facility will become immediately repayable. The Amended Facility may also cease to be available if the Group fails to comply with its agreed covenants including, without limitation, certain covenants relating to cancellation rates and a covenant which requires the Group to maintain a minimum balance of £12 million in a blocked account that is secured in favour of the Lenders.

Potential Financing Arrangements and Possible Offer

The Group intends to engage in further discussions with the Lenders and Mr Hamish Macgregor Ogston CBE with a view to putting in place a funding plan for the Group following expiry of the Amended Facility (the ‘‘Potential Financing Arrangements’’). The quantum of the Potential Financing Arrangements is expected to exceed the £25 million of the Amended Facility. As yet, there has not been any agreement with the Lenders or Mr Hamish Macgregor Ogston CBE on the terms on which any funding under the Potential Financing Arrangements may be made available and there can be no certainty that any such future funding will be available or will be sufficient for the Group’s needs.

As a result of the difficult financial situation of the Group, CPP has explored a number of options and has been engaged for some time in discussions with the Lenders, Mr Hamish Macgregor Ogston CBE and others concerning the financing requirements of the Group. These discussions led to a request being made to the Lenders and Mr Hamish Macgregor Ogston CBE to consider whether they would be willing to provide a refinancing solution for the Group. In response to such request, Mr Hamish Macgregor Ogston CBE indicated that he would, subject to certain pre-conditions and limitations, be willing to participate with the Lenders, in the Potential Financing Arrangements.

Mr Hamish Macgregor Ogston CBE further indicated that his willingness to participate in the Potential Financing Arrangements would be subject to a number of pre-conditions which would need to be satisfied or waived by him.

For further information in relation to the Potential Financing Arrangements and a possible offer for the CPP Shares, please see the announcement released by the Group today pursuant to Rule 2.4 of the City Code on Takeovers and Mergers and the circular to be published and distributed to Shareholders in due course.

Paul Stobart, Chief Executive Officer, commented:

"The Board has given extensive consideration to a broad range of strategic and financing options and believes the proposed disposal of CPP North America to be in the best interests of CPP and its stakeholders. Together, the proposed disposal and amended facility are expected to assist in stabilising the business and allow the Board to engage in further discussions with our Lenders and the Group’s major shareholder with a view to securing the future viability of the Group.

“Whilst our performance continues to be affected by the on-going challenges of our operating environment, we are well advanced in implementing an extensive business transformation programme. These significant organisational changes, combined with the on-going demand we see for our products, are expected to provide the Group with a platform to move the business forward.”

Expected Timetable

The expected timetable for the principal events is set out below:

Announcement of the Disposal	17 April 2013
Latest time and date for receipt of Forms of Proxy from Shareholders	10am on 1 May 2013
General Meeting	10am on 3 May 2013
Expected date of Completion of the Disposal	on or before 7 May 2013
Longstop date for Completion of the Disposal	31 May 2013

Circular to shareholders

A circular containing further details on the Disposal and the Amended Facility and the notice of the General Meeting at which the resolution required to approve the Disposal will be proposed (the "Circular") will be sent to CPP's Shareholders in due course. A copy of the Circular, which should be read in conjunction with the full text of this announcement, will be available on the Group's website at www.cppgroupplc.com and via the National Storage Mechanism in due course.

Customer redress

The Group has acknowledged the past failings at its UK business in the period from January 2005 to March 2011 and has agreed to carry out a customer redress exercise in relation to direct sales (and subsequent renewals) of Card Protection and Identity Protection products since 14 January 2005 and to pay redress to customers where appropriate.

The Group has continued to have constructive discussions with the FCA and with certain of the Group's larger Business Partners, regarding the form, structure, details and timing of customer redress. These discussions include consideration of the use of a court-sanctioned solvent scheme of arrangement (the "Scheme") as a mechanism for providing such redress to some customers.

It is currently expected that the Scheme will provide a mechanism for reviewing claims and, where appropriate, paying redress and that under the terms of such a Scheme, the Group will only be responsible for redress paid under the Scheme to customers to whom it sold the products directly. The Scheme is highly innovative in terms of providing redress of this kind and on this scale to retail customers with contributions to the overall redress cost being made by multiple parties. At present, it is not certain that the Group will ultimately proceed with launching the Scheme. Assuming that the Scheme is launched on the basis contemplated by the Group's discussions with the FCA and certain of its larger Business Partners to date, the Directors currently expect it will become effective in the fourth quarter of 2013.

As announced on 15 November 2012, the Group's provision for customer redress and associated costs (which comprises anticipated compensation payable to customers through customer redress exercises, regulatory penalties, and other costs and professional fees associated with the customer redress exercise) had risen to £33.4 million (unaudited) as at that date. The Group announced in its pre-close statement dated 19 December 2012 that it expected to materially increase this provision in light of current estimates. The Board expects that the provision recognised in the Group's financial statements for the year ended 31 December 2012 for customer redress and associated costs will, when published, be £51.7 million (unaudited), of which £17.8 million has been used and £33.9 million remains to be used as at the date of this announcement. Whilst this reflects the Group's latest view on this matter, the Group continues to review the provision on an on-going basis.

Due to the timing of the Scheme it is likely that the total amount payable by the Group under the Scheme will not be finally determined until approximately the fourth quarter of 2014 at the earliest.

Based on consideration of a number of matters, factors and assumptions, the Board currently believes there is a reasonable prospect that the rate of responses leading to successful claims will be less than 25 per cent. of the aggregate overall population of potential claimants under the Scheme. There can be no certainty in relation to the rate of responses leading to a successful claim under the Scheme and it is possible that the rate of such responses may be materially higher or lower than currently anticipated.

In addition to the costs of the customer redress exercise and the final amount of any redress paid out, the Group's book of renewal business may experience a material degradation as a result of the cancellation or non-renewal of live policies arising from the FCA investigation and the customer redress exercise. Any such material degradation would have a significant adverse impact on the Group's revenue and profit going forward.

Current Trading and Prospects of the Continuing Group

As noted in CPP's pre-close announcement dated 19 December 2012, the Group continued to trade profitably on an underlying basis during 2012. As previously indicated, it is expected that the Group's revenue and underlying operating profit for the 2012 financial year as reported in its Annual Report and Accounts will (when published) show a decline, principally as a result of reduced new and renewal retail revenue streams in the UK.

Trading in the UK in the first three months of 2013 has continued to be impacted by lower revenue streams due to the Group's restricted ability to sell its full range of products. The loss of business due to the decision by certain of the Group's Business Partners not to renew certain contracts is expected, in combination with certain other factors affecting the Group's UK business such as increased costs relating to redress and the decline in UK revenues as a result of the restrictions under the VVOPs, to have a substantial adverse impact on the Group's business in 2013 and beyond.

In the Group's international operations, Latin America continues to grow revenue. Performance in Southern Europe continues to decline and although Asia Pacific has returned to revenue growth, as a consequence of challenging trading conditions this market is taking longer to develop than expected.

The current outlook for the Group reflects the significant challenges and uncertainties that the business is facing. The Group is considering the most appropriate approach to reduce its cost base to mitigate some of the adverse profit impact from lower revenue and in addition, redress-related costs.

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Notes to Editors

CPPGroup Plc (CPP) is an International Assistance business operating in the UK and overseas with more than 200 Business Partners worldwide. Via its Business Partners, CPP provides Life Assistance products to consumers, which includes annually renewed and packaged products that provide assistance and insurance across a wide range of market sectors designed to make everyday life easier to manage.

For more information on CPP visit www.cppgroupplc.com

AMT Warranty Corp. is a Delaware corporation and wholly owned subsidiary of AmTrust Financial Services, Inc., which is traded on the NASDAQ Global Select Market.

AmTrust Financial Services, Inc. underwrites and provides property and casualty insurance in the United States and internationally to niche customer groups. AmTrust Financial Services, Inc. product mix includes, primarily, workers' compensation, extended warranty and other commercial property/casualty insurance products. AMT Warranty Corp. through its wholly-owned subsidiaries, designs, develops, markets and acts as a third-party administrator for programmes for service contracts, limited warranties and replacement plans.

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Greenhill & Co. International LLP, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for CPPGroup Plc and no one else in connection with the Disposal and will not be responsible to anyone other than CPPGroup Plc for providing the protections afforded to clients of Greenhill & Co. International LLP or for providing advice in relation to the Disposal or any other matter referred to in this document.

This announcement includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "prepares", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. These forward-looking statements speak only as at the date of this announcement. Except as required by the Financial Conduct Authority, the Listing Rules, the Prospectus Rules, the Disclosure Rules and Transparency Rules, the London Stock Exchange, applicable law or relevant regulation, the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this announcement to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.