USI®

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PRESS RELEASE

30 July 2015

USI Group Holdings AG
Financial results for the year ended 31 March 2015

The Company is pleased to report its financial results for the year ended 31 March 2015.

Overall, FY 2015 has been a year of development on several fronts for your Company including the commencement of gold sales in Singapore, the acquisition of a net revenue interest in a coal mine in Indonesia and a significant debt refinancing in respect of the Group's German investment properties. In addition, the Company made significant progress on the substitution of land parcels in India, which we expect to provide development opportunities in the years ahead. There is a lot of work still to do on expanding each of your Company's existing trading businesses and it is our intention to commence timber trading during this financial year. I comment on each of our business activities below, after a discussion of the audited consolidated financial results for the year ended 31 March 2015 ("FY 2015").

Shareholders will recall that, on 16th September 2013, your Board announced that the Company had acquired all of the ordinary shares of Goldlink United Limited, a British Virgin Islands corporation ("Goldlink"), in exchange for 11,241,463 shares of USI with a nominal value of CHF 10.00 each, valued at CHF 20.00 each for purposes of the "reverse acquisition". The exchange ratio reflected a valuation of total net assets acquired through Goldlink of $242 million (CHF 225 million) based upon the opinions of independent, professional valuers.

Due to the requirements of International Financial Reporting Standards ("IFRS"), the presentation and format of the consolidated financial statements for the fifteen months ended 31 March 2014 ("FP 2014") reflected the impact of the "reverse acquisition". The practical effect of this treatment is that the comparative figures in the Income Statement for FP 2014 reflect the income of Goldlink from 1 January 2013 and the results of the former USI Group from 16 September 2013. The former USI Group's results prior to the reverse acquisition have been adjusted through reserves.

Financial results

Total revenue included in the consolidated results for FY 2015 was $47.9 million compared to $8.1 million for the first six months of FY 2015 and $59.3 million for FP 2014. Income for FY 2015 comprised gold trading income of $35.9 million (FP 2014 - $52.4 million) and rental income of $11.9 million (FP 2014 - $7.0 million). Gold trading volumes commenced in August 2014 and totalled $1.7 million and $34.2 million in the first and second halves of FY 2015 respectively. Other income in FY 2015 of $0.3 million primarily reflects income in respect of the Group's revenue interest in coal operations in Indonesia, which are described in more detail below.

The Company is reporting a net loss of $10.5 million for FY 2015 compared to a profit of $7.1 million for FP 2014 (which included income of $19.4 million in respect of negative goodwill resulting from the reverse acquisition). The net loss for FY 2015 is stated after a non-cash reduction in the fair value of investment properties of $3.1 million (FP 2014 – $6.0 million) and administrative expenses of $6.9 million (FP 2014 - $5.0 million). Finance costs for FY 2015 were stated at $14.6 million (FP 2014 - $7.0 million) and included movements in foreign exchange rates of $4.5 million (FP 2014 – nil). The Company completed a €96 million ($105 million) refinancing of the debt facilities secured against its investment properties in Germany (the "Leipzig Properties") at a blended interest rate of 4.82% per annum with a maturity date of €81 million on 31 March 2020 and €15 million on 31 July 2016.

Excluding non-cash items, the loss for FY 2015 equalled $2.0 million (FP 2014 - $3.5 million).

Total assets are reported at $189.4million at 31 March 2015 compared to $300.4 million at 31 March 2014. The principal reasons for the reduction in value include adverse foreign exchange movements and the sale of certain assets acquired in the reverse acquisition in exchange for 1.5 million of shares of the Company which are now held in treasury. Further details of that transaction are described below.

The Leipzig Properties were independently valued at $151.2 million at 31 March 2015 compared to $195.0 million at 31 March 2014. The decline in value comprises $3.1 million in respect of fair value adjustments and $40.7 million in respect of adverse movements in the US Dollar/Euro exchange rate. While there was a corresponding positive movement on the recognition of Euro denominated debt, there was a negative movement in respect of Swiss Franc denominated debt. Overall the net negative movement on the foreign exchange translation reserve during FY 2015 was $8.3 million.

Current assets at 31 March 2015 were $13.9 million compared to $71.9 million at 31 March 2014. The reduction is primarily the result of a reduction of trade debtors to $0.1 million at 31 March 2015 from $64.6 million twelve months earlier. There was a corresponding reduction in trade creditors from $50.2 million to $nil at 31 March 2015. Net current assets at 31 March 2015 were $4.1 million compared to net current liabilities of $132.5 million at 31 March 2014. The improvement was primarily due to the refinancing of debt facilities referred to above. Total long and short term borrowings were reported at $126.8 million at 31 March 2015 compared to $156.7 million at 31 March 2014. Short term borrowings were stated at $6.1 million at 31 March 2015 compared to $136.0 million at 31 March 2014.

As a result of the matters referred to above, total equity (excluding treasury shares and non-controlling interests) increased to $54.7 million at 31 March 2015 from $53.1 million at 31 March 2014. However, as mentioned below, transactions completed during FY 2015 resulted in increasing treasury shares to $19.4 million as at 31 March 2015. Total equity will increase once the Company places those shares in exchange for cash or other assets. Total equity will also increase once the Company is in a position to reflect the value of the investment in the land parcels in India, following receipt of all governmental approvals and other factors, described in more detail below.

Dividend

As a result of the development of the Company's activities during FY 2015 and in expectation of continued development in FY 2016, your Board is pleased to recommend that the Company recommence the payment of a dividend for the first time since 2004. The Board will recommend to shareholders the payment of a dividend from the Company's capital reserves at the rate of CHF 0.50 per share at the Annual General Meeting which will be held in Zurich on Tuesday, 15 September 2015. If approved, shareholders will be offered the opportunity to receive the dividend in cash or shares. The formal invitation to attend the Annual General Meeting will be issued in the next few weeks.

Current activities

The Group is engaged in the wholesale trading of gold bullion in Singapore. The business had been set to expand significantly in 2014 through collaborations with large gold manufacturers and importers in India. However, the Indian government imposed various restrictions on the import of gold into India in order to curb demand for foreign currency which had contributed to a diminution in the value of the Indian rupee. These measures included higher duties, increased costs of financing and limitations on amounts that could be imported into India based on a percentage of gold items exported. As a result, trading in gold was curtailed with official Indian gold imports falling dramatically. As a consequence of these Indian restrictions, the Group has focused on trading gold bullion solely within Singapore. Consolidated revenues from gold sales were reported at $35.9 million for FY 2015 with gold trading volumes commencing in August 2014.

Restrictions on Indian gold imports have been partially reduced since November, 2014 and they are widely expected to be lessened further. As a result, as these restrictions are removed, the Company expects to resume direct gold trading to India during FY 2017. The Group also expects to commence jewellery trading in Singapore this financial year.

The Group is financing working capital for its gold trading operations from proceeds of its convertible notes issue and is not reliant on bank financing.

Through the Goldlink acquisition, USI acquired certain development rights over 106.2 acres of land in Tamil Nadu, India, which independent appraisals have valued at over $175 million at the time and in subsequent independent appraisals as of 31 December 2014 and 31 March 2015 respectively. The value of these properties can only be reflected on the Company's balance sheet in accordance with IFRS once all applicable governmental approvals have been obtained and certain restrictions relating to loans to previous owners have been removed. While it was hoped that these restrictions would be removed during FY 2015, the delay has persisted. As a result, the Company has moved to substitute these properties with alternative properties, and in this context, announced in late May 2015 a conditional agreement to acquire 80 acres out of a possible 120 acres of land in proximity to the East Coast Road near Chennai. The Company is negotiating to acquire other parcels of land and it is hoped that the value of all the new properties will be reflected on the Company's balance sheet during the course of FY 2016.

Demand for residential and commercial development in India remains high and all parcels of land under review have been earmarked for residential and related commercial uses. Large contiguous land tracts near urban centres are increasingly difficult to obtain in India, particularly with new land acquisition legislation, which has increased the cost and time required to consummate land purchases. Since 2007, property values in India have risen on average by 9% p.a. and residential properties near Chennai have risen on average by 20% p.a. It is believed that development properties comprising parcels of land near major urban centres in India represent a very good long-term store of value for your Company.

On 18 December 2014, the Company announced that it had sold all of the non-Indian companies that it had acquired on September 16, 2013, which were not core to the Group's business, in exchange for 1.5 million of the Company's shares, and the assumption of $1.4 million of the Group's liabilities. The effect of the sale has been to reduce the number of subsidiaries in the USI Group and to increase the Company's treasury shares by 1.5 million. The total value of treasury shares held by the Company is stated at $19.4 million at 31 March 2015. Once the shares have been re-issued to new shareholders in exchange for cash or assets, the Company's total equity will be increased by $19.4 million.

Investment in Indonesia

During the course of the last year, your Company has been reviewing various investment opportunities in the coal and timber industries in Indonesia as exports of these commodities are in high demand in India and constitute (together with gold bullion) three of the five largest Indian imports.

Coal

On 2nd December 2014, your Board announced that one of its subsidiaries had agreed to make a working capital loan to an Indonesian company which owns a producing coal mine in Indonesia. That company has entered into an agreement to supply coal to an Indonesian subsidiary of a major international commodity trading company principally for export to India, which is one of the world's largest coal importers. Under the terms of the current working capital loan, which matures on 31 March 2018, USI will receive interest on the loan at a rate of 10% per annum and a mine service fee of $3 per metric tonne of coal sold.

From September 2014 to March 2015, the Indonesian company produced approximately 63,000 metric tonnes of coal and production is expected to grow significantly during the second half of FY 2016.

Timber

The Company is continuing due diligence and is negotiating various agreements with respect to the acquisition and processing of hardwood logs in Indonesian for export to India. The Group expects to commence the purchase of logs during in the second half of FY 2016, which will be cut and processed in Indonesia before being exported to India which is one of the world's largest importers of hardwood timber. It is expected that this activity will require minimal working capital in the short term.

Other activities

During May and August 2014, the Company sold all of its shareholding in Public Service Properties Investments Limited realising approximately $8.2 million, which was primarily used to repay short term borrowings of the Group.

The Leipzig Properties

The Leipzig Properties were constructed in 1995 and leased until 31 March 2020 to the Free State of Saxony (Covenant strength AAA), which has the right to extend the lease for an additional period of 5 years. Annual rent payable under the lease is currently €9.4 million and is subject to periodic escalations. In September 2014, the Group successfully completed a €96 million refinancing secured against the Leipzig Properties with the new debt consisting of senior, junior and subordinated tranches. The €50 million senior loan has been provided on an interest only basis at a fixed rate of 5% per annum, repayable in March 2020. The €31 million junior loan has been provided on a fully amortising basis over the same period with interest payable at a fixed rate of 3% per annum on the outstanding principal. The €15 million subordinated loan accrues interest on a compounding basis at 8% per annum. The Group has agreed to acquire the subordinated loan on or before 31 July 2016 at a premium of between 0% and 9% of the principal amount and accrued interest, depending on the time of repayment.

Rental income continues to be received from the Leipzig Properties without interruption in accordance with the terms of the lease: however, the Company's independent valuer reduced the value of the Leipzig Properties to €139.4 million at 31 March 2015 from €141.8 million at 31 March 2014, primarily to reflect the shortening of the unexpired lease term. The Company expects to begin negotiations for an extension of the lease with the Government of Saxony later this year.

Overall, your Company is pleased with its progress to date in spite of the setbacks in gold trading noted above and continued delays in bringing its real estate assets in India onto the Company's consolidated balance sheet. Efforts to build the gold business and the trading of other commodities will continue as will our efforts to substitute the Company's Indian properties.

Executive Management

As a result of increased responsibilities that I am assuming, I am pleased to confirm that I am resuming my role as an Executive Chairman with immediate effect and will also assume responsibility for investor relations and corporate communications.

Respectfully submitted,

USI Group Holdings AG
Dr. Volkert Klaucke (Chairman)
Approved by the Board: 30 July 2015

Full information concerning the Company's Board members and other matters are available from the Company's website at www.usigroupholdings.ch

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This document is available at the Company's registered office and at

https://www.usigroupholdings.ch/tools/news_tools.php?news=1

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