



PRESS RELEASE

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USI Group Holdings AG Interim Report 2010

The Company is pleased to report its financial results for the six months ended 30 June 2010.

Our results encompass the Company's 94.9% investment in four buildings in Leipzig, Germany leased to the Free State of Saxony (the "Properties") and a 20.07% investment in Public Service Properties Investments Limited ("PSPI"), a company listed on the AIM segment of the London Stock Exchange which invests in real estate in the UK, Germany, Switzerland and the US with an emphasis on the healthcare sector.

The 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 €8.9 million and is adjusted periodically to take account of inflation. The gross purchase price for the Properties was €71 million, which was principally financed by a €21 million senior debt facility from Royal Bank of Scotland plc – Niederlassung, Frankfurt ("RBS") which was concluded on 4 January 2008 based on a valuation for RBS of €82.4 million. At 30 June 2010, the Properties were valued for the Company by independent valuers at €84.5 million which was CHF 0.9 million higher than the valuation used at 31 December 2009.

In December 2008, RBS commissioned a valuation of the Properties which concluded that their gross market value was €158 million at that time even though all of the rental income had been received without interruption in accordance with the terms of the lease and all debt service covenants contained in the RBS facility had continued to be met in all respects. As a result, the Company found it necessary to raise additional equity and secure some second mortgage funding during 2009 in order to repay €14.6 million of the RBS facility and to restore the 70% loan to value ("LTV") ratio contained in the RBS facility agreement based on the lower valuation.

The Company reported in its 2009 Annual Report that RBS commissioned a further valuation of the Properties in December 2009 which resulted in an even lower value. As a result, RBS claimed that the Company was again not in compliance with the LTV covenant contained in the senior debt facility. The Company decided to suspend distributions to shareholders for the time being and appointed RBS in London to arrange a refinancing of the existing facility by 20 October 2010 when it expires by its terms. Since there can be no assurance that the refinancing will be completed by the target date the Company has sought to extend the maturity date for the present facility to 31 March 2011. As of this date, no agreement has been reached on the extension although discussions are continuing. Should such an agreement be reached, it is likely that fees for agreeing to the extension and an increase in interest rates would be payable to the syndicate and that surplus cash flow from the Properties, after debt service, may be needed to amortise the debt. The Directors plan to re-establish a distribution policy to shareholders once the terms of the extension and subsequent re-financing can be determined.

The Company continues to believe that the valuations commissioned by RBS are too low and that the replacement cost of the Properties on expiration of the lease would be in excess of €80 million.

The Company's other investment, PSPI, owns 39 care homes in the UK, 14 care homes in Germany, a clinic in Switzerland and a portfolio of properties leased to the US Postal Service in the US. PSPI's

gross and net assets at 30th June 2010 were reported at CHF 524 million and CHF 196 million, respectively. PSPI has announced an interim dividend of 2.5p per share compared to an interim dividend of 2.0p per share declared in 2009. PSPI issued new shares in April 2010 at 70p per share raising approximately CHF 39 million. The Company purchased 3.75 million of these new shares at a cost of CHF 4.3 million resulting in the Company's holding in PSPI being reduced from 25.16% to 20.07% of the enlarged capital base. Since the Company did not maintain its 25.16% holding in PSPI, the transaction is considered to be a partial disposal under International Financial Reporting Standards, resulting in a CHF 4.8 million non cash loss in the Company's income statement.

The Company's operating profit for the period ended 30 June 2010 was CHF 5.4 million (30 June 2009 – CHF 7.5 million). Its share of loss of associates was stated at 1.1 million (2009 – profit CHF 1.97 million). Finance expenses were stated at CHF 8.3 million (2009 – CHF 9.0). The net loss for the period reported by PSPI was primarily as a result of a 1.9% reduction in the value of its investment property portfolio. PSPI also reported that underlying earnings excluding non cash items were stated at approximately CHF 5.9 million.

If non cash items were excluded, the Company's net loss for the period would reduce to CHF 2.6 million.

Gross assets at 30 June 2010 were CHF 326.8 million compared to CHF 369.0 million at 31 December 2009. Investment property at 30 June 2010 totalled CHF 244.4 million (2009 – CHF 273.5 million) with the improvement in valuation of CHF0.9 million offset by a CHF 30.0 million adverse foreign exchange movement of the Euro against the Swiss Franc, neither of which are cash items. Investment in Associates was stated at CHF 39.4 million (2009– CHF 43.0 million) with the reduction again being a non cash item reflecting the partial disposal referred to above. Net leverage, which is represented by long and short term borrowings less cash, as a percentage of non-current assets was 69.9% (68.9% at 31 December 2009).

Both the Euro and Sterling depreciated against the Swiss Franc by approximately 12% and 1%, respectively, between the end of 2009 and 30 June 2010. The negative foreign exchange effect on the Company is primarily reflected through an increase of CHF 10 million in the deficit on translation reserves in the Company's equity statement. This adverse variance coupled with a net loss for the period of CHF 9.0 million, offset by an improvement in the deficit on the hedging reserve of CHF 2.5 million, resulted in a decrease of net assets from CHF 126.1 million at 31 December 2009 to CHF 109.7 million. The remaining deficit on the hedging reserve of CHF 2.5 million will reduce to nil by 20 October 2010 on expiration of the interest rate swap contract.

Details of the Company's Board members and other relevant information are available from the Company's website at www.usigroupholdings.ch.

USI Group Holdings AG

Dr. iur. V. Lanfranconi (Chairman)
Approved by the board: 24 September 2010

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2010 Interim Report

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

www.usigroupholdings.ch/?task=usi01

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