



USI GROUP HOLDINGS AG

INTERIM REPORT 2010

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COMPANY INFORMATION

DIRECTORS

Dr. iur. Victor Lanfranconi (Executive Chairman)
Dr. Robert Bider (Non-Executive)
Mr. Armin Hilti (Non-Executive)
Dr. Volkert Klaucke (Non-Executive)
Mr. William Vanderfelt (Non-Executive)
Mr. David Quint (Executive)
Dr. Doraiswamy Srinivas (Executive)

AUDITORS

PricewaterhouseCoopers AG
Birchstrasse 160
8050 Zurich
Switzerland

COMPANY SECRETARY

Dr. Doraiswamy Srinivas

MANAGER

RP&C International Ltd
31a St. James's Square
London
SW1Y 4JR
United Kingdom

REGISTRAR

SAG SIS Aktienregister AG
Baslerstrasse 100
Postfach
CH-4601 Olten
Switzerland

SOLICITORS

Bär & Karrer
Brandschenkestrasse 90
CH 8027 Zurich
Switzerland

REGISTERED OFFICE

Bahnhofstrasse 106
Postfach 1317
8021 Zurich
Switzerland

REGISTERED NUMBER

CH-020.3.922.903.6



CHAIRMAN'S STATEMENT

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

USI GROUP HOLDINGS AG
CONSOLIDATED INCOME STATEMENT (UNAUDITED)
FOR THE SIX MONTH PERIOD ENDING 30 JUNE 2010

| | Note | Period to 30 June 2010 CHF | Period to 30 June 2009 CHF |
|----------------------------------------------------------|------|----------------------------------|----------------------------------|
| Revenue | | 6,352,523 | 6,655,926 |
| Fair value gain on investment properties | 7 | 933,801 | 2,197,636 |
| Administrative expenses | 4 | (2,152,721) | (1,903,157) |
| Other expenses | | 63,669 | 7,101 |
| Net finance income | 5 | 185,748 | 520,477 |
| Operating profit | | 5,383,020 | 7,477,983 |
| Net Finance Costs | 6 | (8,342,015) | (8,957,710) |
| Loss on disposal of associate | 8 | (4,787,403) | - |
| Share of (loss) / profit of associates | 8 | (1,059,160) | 1,868,829 |
| (Loss) / Profit before income tax | | (8,805,558) | 389,102 |
| Income tax expense | | (210,264) | (351,622) |
| (Loss) / profit for the period | | (9,015,822) | 37,480 |
| Attributable to: | | | |
| Equity holders of the Company | | (9,015,822) | 37,480 |
| Basic (loss)/earnings per share (CHF per share) | 3 | (9.24) | 0.05 |
| | | (9.24) | 0.05 |
| Diluted (loss)/earnings per share (CHF per share) | 3 | (9.24) | 0.05 |
| | | (9.24) | 0.05 |

The notes on pages 9 to 18 form part of these financial statements.

USI GROUP HOLDINGS AG
CONSOLIDATED BALANCE SHEET (UNAUDITED)
FOR THE PERIOD ENDED 30 JUNE 2010

| | Note | 30 Jun 2010 CHF | 31 Dec 2009 CHF |
|-------------------------------------------------------|------|-----------------------|-----------------------|
| ASSETS | | | |
| Non current assets | | | |
| Investment property | 7 | 244,369,037 | 273,479,102 |
| Investments in associates | 8 | 39,375,396 | 42,973,682 |
| | | 283,744,433 | 316,452,784 |
| Current assets | | | |
| Receivables and prepayments | | 37,759,735 | 44,291,109 |
| Cash | | 5,274,518 | 8,279,390 |
| | | 43,034,253 | 52,570,499 |
| Total assets | | 326,778,686 | 369,023,283 |
| EQUITY | | | |
| Capital and reserves | | | |
| Share capital | 11 | 67,837,767 | 67,837,767 |
| Share premium | 11 | 11,617,985 | 11,617,985 |
| Treasury shares | | (1,100,055) | (1,144,164) |
| Translation reserve | | (35,211,757) | (25,226,134) |
| Retained earnings | | 69,035,890 | 78,051,712 |
| Cashflow hedging reserve | | (2,503,690) | (5,034,582) |
| Total Equity | | 109,676,140 | 126,102,584 |
| LIABILITIES | | | |
| Non current liabilities | | | |
| Borrowings | 9 | 31,325,343 | 32,889,802 |
| Derivative financial instruments - options | 10 | - | 3,127 |
| Deferred taxation | | 3,401,001 | 3,261,836 |
| Other financial liability | | 3,413,866 | 3,729,137 |
| | | 38,140,210 | 39,883,902 |
| Current liabilities | | | |
| Trade and other payables | | 1,919,743 | 58,556 |
| Borrowings | 9 | 172,130,155 | 193,442,602 |
| Accruals | | 2,215,978 | 3,778,457 |
| Derivative financial instruments - swaps and warrants | 10 | 2,696,460 | 5,757,182 |
| | | 178,962,336 | 203,036,797 |
| Total liabilities | | 217,102,546 | 242,920,699 |
| Total equity and liabilities | | 326,778,686 | 369,023,283 |

The notes on pages 9 to 18 form part of these financial statements.

USI GROUP HOLDINGS AG
CONSOLIDATED CASH FLOW (UNAUDITED)
FOR THE PERIOD ENDED 30 JUNE 2010

| | Period to 30 June 2010 CHF | Period to 30 June 2009 CHF |
|---------------------------------------------------------|-------------------------------------------|-------------------------------------------|
| Cash flow from operating activities | | |
| Cash generated / (used) by operations | 3,835,030 | 3,886,679 |
| Interest paid | (7,435,866) | (6,116,349) |
| Taxation paid | (60,856) | - |
| Net cash used by operating activities | (3,661,692) | (2,229,670) |
| Cash flow from investing activities | | |
| Dividends Received | 1,238,973 | 1,167,273 |
| Interest received | 84,531 | 275,629 |
| Net cash generated / (used in) investing activities | 1,323,504 | 1,442,902 |
| Cash flow from financing activities | | |
| Sale of treasury shares | 924,066 | 56,863 |
| Purchase of treasury shares | (879,957) | (620,350) |
| Repayment of borrowings | (801,218) | |
| Proceeds from borrowings | - | 14,307,885 |
| Net cash (used) / generated by financing activities | (757,109) | 13,744,398 |
| (Decrease)/Increase in cash and cash equivalents | (3,095,297) | 12,957,630 |
| Movement in cash and cash equivalents | | |
| At start of period | 8,279,390 | 12,797,029 |
| (Decrease)/Increase | (3,095,297) | 12,957,630 |
| Foreign currency translation adjustments | 90,425 | 299,636 |
| At end of period | 5,274,518 | 26,054,295 |

The notes on pages 9 to 18 form part of these financial statements.

USI GROUP HOLDINGS AG
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2010

| | Period Ended 30 June 2010 CHF (unaudited) | Period Ended 30 June 2009 CHF (unaudited) |
|--------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------|
| (Loss)/Profit for the period | (9,015,822) | 37,480 |
| Other comprehensive income | | |
| Cash flow hedges - net | 2,530,892 | (1,066,367) |
| Currency translation differences | (9,985,623) | 7,637,144 |
| Other comprehensive income for the period - net | (7,454,731) | 6,570,777 |
| Total comprehensive income for the period | (16,470,553) | 6,608,257 |
| Attributable to: | | |
| Equity holders of the Company | (16,470,553) | 6,608,257 |

The notes on pages 9 to 18 form part of these financial statements.

USI GROUP HOLDINGS AG
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDING 30 JUNE 2010

| | Share capital CHF | Share premium CHF | Retained earnings CHF | Cashflow hedging reserve CHF | Treasury shares CHF | Translation reserve CHF | Total Equity CHF |
|---------------------------------------|----------------------|----------------------|--------------------------|---------------------------------|------------------------|----------------------------|---------------------|
| Balance as of 1 January 2009 | 64,619,736 | 5,691,010 | 81,052,664 | (5,523,664) | (664,533) | (27,613,268) | 117,561,945 |
| Profit for the half-year | - | - | 37,480 | - | - | - | 37,480 |
| Other comprehensive income | | | | | | | |
| Foreign currency translation | - | - | - | - | - | 7,637,144 | 7,637,144 |
| Cash flow hedges - net | - | - | - | (1,066,367) | - | - | (1,066,367) |
| Total comprehensive income | - | - | 37,480 | (1,066,367) | - | 7,637,144 | 6,608,257 |
| Transactions with owners | | | | | | | |
| Purchase of own shares | - | - | - | - | (563,487) | - | (563,487) |
| Balance as of 30 June 2009 | 64,619,736 | 5,691,010 | 81,090,144 | (6,590,031) | (1,228,020) | (19,976,124) | 123,606,715 |
| Loss for the half-year | - | - | (3,038,432) | - | - | - | (3,038,432) |
| Other comprehensive income | | | | | | | |
| Foreign currency translation | - | - | - | - | - | (5,250,010) | (5,250,010) |
| Cash flow hedges - net | - | - | - | 1,555,449 | - | - | 1,555,449 |
| Total comprehensive income | - | - | (3,038,432) | 1,555,449 | - | (5,250,010) | (6,732,993) |
| Transactions with owners | | | | | | | |
| Net sale of own shares | - | - | - | - | 83,856 | - | 83,856 |
| Par value capital reduction | (7,396,986) | - | - | - | - | - | (7,396,986) |
| Issue of new shares | 10,615,017 | 6,344,342 | - | - | - | - | 16,959,359 |
| New issue costs | - | (417,367) | - | - | - | - | (417,367) |
| Balance as of 31 December 2009 | 67,837,767 | 11,617,985 | 78,051,712 | (5,034,582) | (1,144,164) | (25,226,134) | 126,102,584 |
| Loss for the half-year | - | - | (9,015,822) | - | - | - | (9,015,822) |
| Other comprehensive income | | | | | | | |
| Foreign currency translation | - | - | - | - | - | (9,985,623) | (9,985,623) |
| Cash flow hedges - net | - | - | - | 2,530,892 | - | - | 2,530,892 |
| Total comprehensive income | - | - | (9,015,822) | 2,530,892 | - | (9,985,623) | (16,470,553) |
| Transactions with owners | | | | | | | |
| Net sale of own shares | - | - | - | - | 44,109 | - | 44,109 |
| Balance as of 30 June 2010 | 67,837,767 | 11,617,985 | 69,035,890 | (2,503,690) | (1,100,055) | (35,211,757) | 109,676,140 |

Notes: The Cashflow hedging reserve at 30 June 2010 includes USIGH AG's share of the Cashflow hedging reserves of its associated companies.

The notes on pages 9 to 18 form part of these financial statements.

SELECTED EXPLANATORY NOTES TO THE CONSOLIDATED 2010 INTERIM FINANCIAL STATEMENTS (UNAUDITED)

1. GENERAL INFORMATION

USI Group Holdings AG, domiciled in Switzerland (registered office at Bahnhofstrasse 106, CH-8023, Zürich, Switzerland), is the ultimate parent company of the USI Group. USI Group Holdings AG and its international subsidiaries (together the Group), is an investment property Group with a portfolio in Germany. It is principally involved in leasing out real estate where the rental income is primarily generated directly or indirectly from governmental sources. In addition, the Group has an investment in an associate with a portfolio of properties in the UK, USA and Germany.

2. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these interim financial statements have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The unaudited consolidated financial statements of the Group have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board (IASB) and comply with the requirements of the SIX Swiss Exchange's (formerly SWX Swiss Exchange) Listing Rules and the Additional Rules for the Listing of Real Estate Companies. The consolidated financial statements are reported in Swiss Francs unless otherwise stated and are based on the interim accounts of the individual subsidiaries at 30 June 2010 which have been drawn up according to uniform Group accounting principles.

The 2010 interim report has been prepared in accordance with IAS 34 (Interim Financial Reporting).

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

As the Group has adopted IFRS 3 (revised), it is required to adopt IAS 27 (revised), 'consolidated and separate financial statements', at the same time. IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. There has been no impact of IFRS 3 (revised) or IAS 27 (revised) on the current period.

The following standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group:

IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009. This is not relevant to the Group, as it has not received any assets from customers.

'Additional exemptions for first-time adopters' (Amendment to IFRS 1) was issued in July 2009. The amendments are required to be applied for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing IFRS preparer.

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

SELECTED EXPLANATORY NOTES TO THE CONSOLIDATED 2010 INTERIM FINANCIAL STATEMENTS (UNAUDITED)

2. ACCOUNTING POLICIES (continued)

IFRS 9, 'Financial instruments', issued in December 2009. This addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess IFRS 9's full impact.

Revised IAS 24, 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised IAS 24 is required to be applied from 1 January 2011. Earlier application, in whole or in part, is permitted. The Group will assess the standard and any potential impact.

'Classification of rights issues' (Amendment to IAS 32), issued in October 2009. For rights issues offered for a fixed amount of foreign currency, current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to all the entity's existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment should be applied for annual periods beginning on or after 1 February 2010. Earlier application is permitted.

The results of subsidiary undertakings, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Group and they cease to be consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. All intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

The same accounting and valuation principles have been applied to these financial statements as to those that are described on pages 15 to 32 of the 2009 annual report of USI Group Holdings AG.

2.2 Foreign exchange rates

| | June spot 2010 CHF | Dec spot 2009 CHF | June spot 2009 CHF | June average 2010 CHF | Dec average 2009 CHF | June average 2009 CHF |
|------------|---------------------------------------|--------------------------------------|---------------------------------------|------------------------------------------|-----------------------------------------|------------------------------------------|
| GBP | 0.61170 | 0.60500 | 0.55780 | 0.60622 | 0.59064 | 0.59479 |
| USD | 0.92170 | 0.96360 | 0.92130 | 0.92500 | 0.92362 | 0.88676 |
| EUR | 0.75510 | 0.67230 | 0.65590 | 0.69608 | 0.66245 | 0.66435 |

SELECTED EXPLANATORY NOTES TO THE CONSOLIDATED 2010 INTERIM FINANCIAL STATEMENTS (UNAUDITED)

3. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the period.

| | As at 30 June 2010 CHF | As at 30 June 2009 CHF |
|--------------------------------------------------------|-------------------------------------------|-------------------------------------------|
| Net (loss) / profit attributable to shareholders | (9,015,822) | 37,480 |
| Weighted average number of ordinary shares outstanding | 975,781 | 821,338 |
| Basic (loss)/earnings per share (CHF per share) | (9.24) | 0.05 |

In January 2004, the Company issued CHF 7 million of 4% Senior Unsecured Pre-IPO Notes due in 2011. Each noteholder received warrants attached to the notes which may be exercised up to two years after a public offering of the Company's shares. The warrants entitle the noteholders to subscribe for the Company's shares at a discount to the public offering of shares between 5% - 20% depending on the timing of a public flotation of the Company's shares. As at 31 December 2009 CHF nil (2008- CHF nil) of 4% Senior Unsecured Pre-IPO Notes were outstanding. New warrants entitling the holders to 42,505 shares were issued at an exercise price of CHF 152.20 per share. These warrants may be cash settled by the Company up to the expiry date of 31 October 2010.

In July 2005, the Company approved a stock option plan for management. The plan allows for options of up to 6% of the issued number of shares to be awarded to management at an exercise price of CHF 161.91 per share. At 30 June 2010, no options had been awarded nor had conditional capital been created for this purpose.

In October 2006, the Company issued CHF 15 million of 3.5% subordinated Convertible Notes due in 2011 that are unconditionally and irrevocably guaranteed by, and convertible into registered shares of the Company.

Management has estimated that the maximum number of additional ordinary shares that could be issued at 30 June 2010 as 115,676 (2009 – 115,676). However due to the loss in the period these have an anti-dilutive effect and have not been considered in the calculation of diluted earnings per share.

4. ADMINISTRATIVE EXPENSES

| | Period to 30 June 2010 CHF | Period to 30 June 2009 CHF |
|------------------------------------------------|-------------------------------------------|-------------------------------------------|
| Professional fees and other costs | 426,342 | 473,390 |
| Audit fees | 85,219 | 66,526 |
| Property rent, maintenance and sundry expenses | 407,024 | 218,711 |
| Management Fees | 1,234,136 | 1,144,530 |
| | 2,152,721 | 1,903,157 |
| Period to 30 June | 2,152,721 | 1,903,157 |

5. NET FINANCE INCOME

| | Period to 30 June 2010 CHF | Period to 30 June 2009 CHF |
|-------------------------------------------------------------------------|-------------------------------------------|-------------------------------------------|
| Interest Income | 177,905 | 350,051 |
| Net Foreign Exchange Gains | - | 231,499 |
| Net gains / (losses) from fair value adjustment of options and warrants | 7,843 | (61,073) |
| | 185,748 | 520,477 |
| Period to 30 June | 185,748 | 520,477 |

SELECTED EXPLANATORY NOTES TO THE CONSOLIDATED 2010 INTERIM FINANCIAL STATEMENTS (UNAUDITED)

6. NET FINANCE COSTS

| | Period to 30 June 2010 CHF | Period to 30 June 2009 CHF |
|------------------------------------------------------------------------------------------------------------------|-------------------------------------------|-------------------------------------------|
| Interest on Notes | 1,041,415 | 533,490 |
| Interest on Mortgages | 4,559,763 | 6,057,025 |
| Net foreign exchange losses | 1,466,113 | - |
| Other interest and borrowing expenses (including amortisation of debt costs, waiver fee and swap breakage costs) | 1,274,724 | 2,367,195 |
| Period to 30 June | 8,342,015 | 8,957,710 |

7. INVESTMENT PROPERTY

| | 30 June 2010 CHF | 31 December 2009 CHF | 30 June 2009 CHF |
|-------------------------------------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
| Beginning of Period | 273,479,102 | 271,428,571 | 271,428,571 |
| Additions | - | - | - |
| Net gains on fair value adjustment | 933,801 | 2,203,940 | 2,197,636 |
| Net changes in fair value adjustments due to exchange differences | (30,043,866) | (153,409) | 6,690,915 |
| End of Period | 244,369,037 | 273,479,102 | 280,317,122 |

On 21 December 2007 the Group acquired a 94.9% interest in a partnership which owns 4 investment properties in Leipzig, Germany. These were acquired for a purchase price of €166 million which, in part, is funded by senior debt of €21 million (See Note 9).

Valuations of the investment properties were made as at 30 June 2010 by independent Property Consultants.

The valuation as at 30 June 2010 was conducted by Botta Management AG using the discounted cash flow method to calculate the market value using discount rates of 4.3% and 4.4%, which resulted in a gross capital valuations of €182.97 million and €184.51 million. The Company has used the higher valuation in preparation of this interim report.

Further information required in accordance with the SIX Swiss Exchange's Additional Rules for the Listing of Real Estate Companies can be found on pages 17 to 18. This information is part of the notes to the consolidated financial statements.

SELECTED EXPLANATORY NOTES TO THE CONSOLIDATED 2010 INTERIM FINANCIAL STATEMENTS (UNAUDITED)

8. INVESTMENTS IN ASSOCIATES

| | 30 June 2010 CHF | 31 December 2009 CHF | 30 June 2009 CHF |
|---------------------------|---------------------------------|-------------------------------------|---------------------------------|
| As at 1 January | 42,973,682 | 39,855,735 | 39,855,735 |
| Share of (losses)/profits | (1,059,160) | 2,533,881 | 1,868,829 |
| Exchange differences | (674,860) | 2,240,771 | 5,420,702 |
| Dividends received | (1,238,973) | (1,724,962) | (1,167,273) |
| Cash flow Hedging Reserve | (105,489) | 68,257 | 167,223 |
| Purchase of new shares | 4,267,599 | - | - |
| Loss on disposal | (4,787,403) | - | - |
| As at 30 June | <u>39,375,395</u> | <u>42,973,682</u> | <u>46,145,216</u> |

The Group's share of results of its associates and its share of the assets and liabilities are as follows:

| Name | Country of Incorporation | Assets CHF | Liabilities CHF | Revenues CHF | Profit CHF | % Interest Held CHF |
|--------------------------------------------------------|-----------------------------|---------------|--------------------|-----------------|---------------|---------------------------|
| Public Service Properties Investments Limited | British Virgin Islands | 105,248,398 | (65,873,003) | 3,631,175 | (1,059,160) | 20.07%* |

On 14 April 2010 Public Service Properties Investments Limited ("PSPIL") completed an open share offer which increased its share capital by 35,631,326 shares of £0.70 each. Of this total USI acquired 3,750,000 at a total cost of £2,625,000 (CHF 4,267,599). This diluted the Group's shareholding in PSPIL from 25.16% prior to the open offer to 20.07% of the newly enlarged share capital. As a result of this, the company has recognised an exceptional loss on this deemed disposal of CHF 4,787,403.

Impairment Test of Carrying Value

In accordance with IAS 36, "Impairment of Assets" a test has been performed to compare the recoverable amount with the carrying value to ensure that no impairment has occurred.

It has been assumed that any sale of PSPI would be performed at fair value. Consequently, all items on the balance sheet of PSPI as at 30 June 2010 have been compared on a line by line basis to their deemed fair value at the same date, less selling costs of 5%.

This has indicated that the recoverable amount of the holding in the associate exceeds its carrying value by CHF 2.9m and as such no impairment has occurred or been recognised in the financial statements.

Additionally a sensitivity analysis has been performed to ascertain the sensitivity of the value of the Group's holding in PSPI to fluctuations in the fair value of items on its balance sheet. This revealed that a 5% movement in the value of the Investment Properties held by PSPI would result in a CHF 6.2m movement in the fair value of the Group's holding. Were this to be a downwards movement this would result in a potential impairment of CHF 0.3m as at 30 June 2010.

9. BORROWINGS

The maturity of borrowings is as follows:

| | 30 June 2010 CHF | 31 December 2009 CHF |
|------------------------|-----------------------------|---------------------------------|
| Current borrowings | 172,130,155 | 193,442,602 |
| Between 1 and 2 years | 16,351,039 | - |
| Between 2 and 5 years | 14,974,304 | 32,889,802 |
| Over 5 years | - | - |
| Non-current borrowings | <u>31,325,343</u> | <u>32,889,802</u> |

SELECTED EXPLANATORY NOTES TO THE CONSOLIDATED 2010 INTERIM FINANCIAL STATEMENTS (UNAUDITED)

9. BORROWINGS (Continued)

The acquisition of the property in Leipzig was funded by the utilisation of €121 million of senior debt, with the balance being paid from existing cash resources of the Group. The senior debt runs for a three year term with a one year extension at the option of the borrower. Interest is payable quarterly at the Euribor rate plus a margin of 120 bps per annum. The senior debt is securitised by first ranking and fully enforceable land charges over the property acquired. The cost of arranging the financing totalled €3,343,786 and is being amortised over the initial term of the loan. On the same date an interest rate swap was executed for a principal sum to match that of the senior debt which fixed the interest rate payable over the 3 year term at 4.52% and provided a 100% hedge throughout its duration.

During 2009, the Group repaid €4.6 million of the above senior debt of €121 million. This was done in order to remedy the covenant breach for the period ending 31 December 2008 and bring the loan to value back within the 70% prescribed in the facility agreement.

As a result of the above repayment, the Group also terminated a proportionate amount of the interest rate swap associated with the borrowings. This resulted in a cash loss to the Group of CHF 978,942, based on the mark to market prices at the time of the transaction.

The borrowings in respect of the Leipzig properties have been included in current liabilities in both 2009 and 2010 as a result of the covenant breach.

Also included in current borrowings is a one year agreement for a €25,000,000 credit facility. The full amount was drawn down on 3 January 2008 and renewed on 3 January 2009 and again on 3 January 2010 for a further year. The average interest rate charged in 2010 was 0.94% (2009 – 1.09%) whilst the current interest rate is 0.88%.

Non current borrowings consists of CHF 15 million convertible bonds due in October 2011. The bonds have a principal amount of CHF 1,000, a cash coupon of 3.5%, a yield to maturity (including redemption premium) of 6.25% and a conversion price of CHF 175.26. The option has been treated as a derivative financial instrument and recognised at fair value as described in Note 10. Additionally, during 2009 the Group secured €1.5 million of second mortgage funding. These take the form of a number of loan notes to third parties. They are secured against the properties in Leipzig, Germany, run for a five year term to May 2014 and attract 7.0% interest and 2.0% fees over this period.

The Company has continued to meet all of its debt service covenants in respect of the borrowings and has met all other obligations from working capital resources. The bank has not declared an event of default, which would require the Company to repay all of the outstanding Senior Debt.

10. DERIVATIVE FINANCIAL INSTRUMENTS

| Non-current liabilities | 30 June 2010 | | 31 December 2009 | |
|---------------------------------------|---------------|--------------------|------------------|--------------------|
| | Assets CHF | Liabilities CHF | Assets CHF | Liabilities CHF |
| Option fair value | - | - | - | 3,127 |
| | | | | |
| Current liabilities | 30 June 2010 | | 31 December 2009 | |
| | Assets CHF | Liabilities CHF | Assets CHF | Liabilities CHF |
| Warrant fair value | - | - | - | 4,716 |
| Interest rate swaps – cashflow hedges | - | 2,696,460 | - | 5,752,466 |
| | - | 2,696,460 | - | 5,757,182 |

Interest rate swap

The notional principle amount of the interest rate swap at 30 June 2010 was €106.4million. The principle repayment and interest payment profile of the swap matches that of the mortgage referred to in Note 9. At 30 June 2010 the fixed rate of the interest rate swap was 4.52% plus a margin of 1.20%.

SELECTED EXPLANATORY NOTES TO THE CONSOLIDATED 2010 INTERIM FINANCIAL STATEMENTS (UNAUDITED)

11. SHARE CAPITAL

| | June 2010 CHF | June 2009 CHF |
|--------------------------------------------------------------------------------------------------------|------------------------------|------------------------------|
| Authorised: | | |
| Equity interests: 985,298 (2009: 831,122) Ordinary shares of Chf 68.85 (2009: 77.75) each | 67,837,767 | 64,619,736 |
| Allotted, called up and fully paid: | | |
| Equity interests: 985,298 (2009: 831,122) Ordinary shares of Chf 68.85 (2009: 77.75) each | 67,837,767 | 64,619,736 |

| | Number of shares | Ordinary shares CHF | Share premium CHF | Total CHF |
|-------------------------------------------------|-----------------------------|------------------------------------|----------------------------------|----------------------|
| At 31 December 2008 and 30 June 2009 | 831,122 | 64,619,736 | 5,691,010 | 70,310,746 |
| Par value capital reduction | - | (7,396,986) | - | (7,396,986) |
| Issue of new shares | 154,176 | 10,615,017 | 6,344,342 | 16,959,359 |
| New issue costs | - | - | (417,367) | (417,367) |
| At 31 December 2009 and 30 June 2010 | 985,298 | 67,837,767 | 11,617,985 | 79,455,752 |

Under the articles of association share capital may be increased by a maximum of CHF 23,139,177 through the issuance of up to 336,081 registered shares with a nominal value of CHF 68.85 each in respect of conditional capital for management, advisors, bondholders and creditors.

Under the articles of association, the board of directors may increase share capital in the amount of up to CHF 17,996,357 until 26 May 2011 through the issuance of up to 261,385 fully paid in additional registered shares with a nominal value of CHF 68.85 each.

Capital reduction and reinvestment

During 2009 a capital distribution of CHF 8.90 per share took place that reduced the share capital of USI Group Holdings AG from CHF 64,619,736 (831,122 with a nominal value of CHF 77.75 each) to CHF 57,222,750 (831,122 shares with a nominal value of CHF 68.85 each). Additionally a reinvestment of CHF 3,098,319 (45,001 shares at par value of CHF 68.85) took place with a subscription price of CHF 110.00 per share.

Rights Issue and Private Placement

On 29 September 2009, the Group completed a rights offering during which 59,695 new registered shares were validly subscribed at a subscription price of CHF 110.00 and a nominal value of CHF 68.85 each. This increased the share capital of the Group by CHF 4,110,001 (59,695 shares with a nominal value of CHF 68.85). 86,325 shares for which subscription rights were not duly exercised during the rights exercise period were offered in a private placement.

On 21 October 2009 the Group placed 49,480 registered shares under the private placement at a subscription price of CHF 110.00 per share and a nominal value of CHF 68.85 each. This increased the share capital of the Group by CHF 3,406,698 (49,480 shares with a nominal value of CHF 68.85).

There have been no movements in share capital in the period to 30 June 2010.

During the period to June 2010, the company purchased 7,500 of its own shares for CHF 879,957 and sold 7,898 for CHF 924,066, which are shown as treasury shares in the balance sheet. As at the 30 June 2010 the company held 9,517 shares (31 December 2009 – 9,915 shares).

SELECTED EXPLANATORY NOTES TO THE CONSOLIDATED 2010 INTERIM FINANCIAL STATEMENTS (UNAUDITED)

12. SUBSEQUENT EVENTS

There have been no significant events after the balance sheet date that require disclosure.

13. SEGMENT INFORMATION

| | Investments in Government Tenanted Property CHF | Investments in Associated Undertakings CHF | Central Corporate CHF | Total CHF |
|--------------------------------------|------------------------------------------------------------------------|---------------------------------------------------------------|--------------------------------------|----------------------|
| Six months ended 30 June 2010 | | | | |
| Revenue | 6,352,523 | - | - | 6,352,523 |
| Profit after tax | 869,311 | (5,846,563) | (4,038,570) | (9,015,822) |
| Six months ended 30 June 2009 | | | | |
| Revenue | 6,655,926 | - | - | 6,655,926 |
| Profit after tax | 1,550,791 | 1,868,829 | (3,382,140) | 37,480 |
| Total Assets | | | | |
| 30 June 2010 | 244,369,037 | 39,375,396 | 43,034,256 | 326,778,686 |
| 31 December 2009 | 273,479,102 | 42,973,682 | 52,570,499 | 369,023,283 |
| 30 June 2009 | 287,213,526 | 46,145,216 | 60,832,007 | 394,109,749 |

SELECTED EXPLANATORY NOTES TO THE CONSOLIDATED 2010 INTERIM FINANCIAL STATEMENTS (UNAUDITED)

13. OTHER INFORMATION

Property Details

| <i>Name, address</i> | <i>Owner¹</i> | <i>Ownership status²</i> | <i>Approximate Year of construction</i> | <i>Year of renovation</i> | <i>% of leased usable space</i> | <i>As % of Investment Properties Portfolio</i> | <i>Gross lettable area M³</i> |
|-------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-------------------------------------|-----------------------------------------|---------------------------|---------------------------------|------------------------------------------------|------------------------------------------|
| Germany Office Building - Behördenzentrum , Free State of Saxony, Schongauerstrasse 1-17, 04328, Leipzig, Germany. | USI Gbr | FH | 1995 | - | 100 | 100 | 50,707 |

1 USI Gbr = USI Verwaltungszentrum Leipzig GbR

2 FH = Freehold (100%)

3 Gross lettable area comprises 49,879 sqm of three office buildings plus 828 sqm single-storey facilities.

Significant Lessees of USI Group Owned Properties

| Name of Lessee | Location | Details of leased properties | Lease period expiry date | Aggregate annual lease payments | Percentage of total lease payments to the USI Group: |
|-----------------------------|------------------|--------------------------------------------------------------|---------------------------------|----------------------------------------------|-------------------------------------------------------------|
| Free State of Saxony | Leipzig, Germany | 3 four-storey office buildings and 1 single-storey building. | March 2020 | €8,938,728 (CHF 12,841,524 [*]) | 100.00% |

Equity Ownership of the Company and/or the USI Group in Real Estate Companies

Other than the subsidiaries disclosed above, the Company and/or the USI Group do not own equity interests in any other real estate companies.

^{*} Exchange rate based on EUR: CHF = 0.69608

Independent Appraisal Firms and Valuation Methods

The USI Group has commissioned Botta Management AG for the purpose of estimating the fair value of the real estate holdings owned by the USI Group.

Valuation method of Botta Management AG (“Botta”)

The valuation method of Botta is the discounted cash flow analysis. This method stems from the calculation of the capitalised income value of an undertaking. Thereby all future profits are converted into present cash value.

Capitalised Value of Property: With respect to the calculation of a property, all future estimated earnings and expenses (without interest on capital accounts and amortisation) are - as is the case when evaluating an undertaking - being collected. The difference between the respective earnings and expenses results in the cash flow. The cash flow can be positive or negative. This future cash flow is recalculated to the present value by using a cash equivalent factor. The later - expressed in years - this cash flow accrues, the worse the present value of such a cash flow is. Since properties represent very durable values, most properties still show after the examination period (normally 10 years) has expired a significant residual value. Thus, the residual value of the property has to be calculated at the end of the examination period. The residual value will then also be recalculated expressing the present cash value. The sum of all present cash values from the annual earnings and the cash value of the residual value results in the present capitalised income value of the property (DCF-value).

The sum of all cash values over a certain period of time and a possible residual value result in the capitalised income value of the undertaking.

13. OTHER INFORMATION (continued)

The following basic data needs to be defined when applying this method:

- i) Object: name of the property.
- ii) Initial year: determination of the point in time, on which the calculation will be conducted. Normally this will be the present year.
- iii) Examination period: same examination period as the duration of the lease – which means until 2020 . Over this period exact information relating to the future earnings and expenses can normally be given. After the expiration of the lease, a residual value will be calculated and will be discounted from the current value.
- iv) Discount factor: The discount factor is the interest rate by which future earnings are being discounted to the present value. Starting point for the determination of the interest rate is normally the actual sustainable interest rate for 10 year German Government Bonds. A risk premium is charged additionally. Thereby market risks relating to the property are accounted for. The risk premium varies for a normal customary property between 0.5% and 1.5%. Main factors are the location of the property with respect to the use and the risk of renting out. For purposes of valuing the Leipzig Property, a risk premium of 1.5% / 1.7% is applied. That is a very conservative assumption in view of the quality of the property. A discount factor of 4.3% was used for the valuation at 30 June 2010.
- v) Capitalisation factor, Calculation of Residual Value: With this interest rate the residual value of the property can be calculated. The capitalisation factor is - depending on the examination period and the condition of the property – 0.3% higher than the discount factor at 4.6%.
- vi) For the calculation of the annual amounts, the effective rental income is reduced by costs of the lessor such as insurance, real estate tax and maintenance. These were assumed to be at 3.4% of rental income.
- vii) General increase in renting costs: Thereby future general increase in prices with respect to earnings in connection with a property can be accounted for.
- viii) General increase in costs: Thereby future general increases in prices with respect to expenses in connection with a property can be accounted for.
- ix) Adjustment Amount: Here extraordinary expenses can be accommodated.

Market Value

With regard to the above, Botta are of the opinion that the Market Value of the subject property as at 30 June 2010 is **EUR 184,510,000** (in words: One Hundred Eighty Four Million, Five Hundred and Ten Thousand Euro).

Neither the Company nor any member of the USI Group has any relationship with this appraisal firm.