USI ®

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USI Group Holdings AG
Interim Report 2008

The Company is pleased to report its financial results for the six months ended 30 June 2008. Despite extremely challenging and volatile market conditions caused by the global credit crisis, the Company, with its high quality assets, long term indexed leases and modest leverage, has avoided the adverse impact on asset valuations which has affected other sectors of the property market.

Our results encompass the Company's first trading period since December, 2007 when it acquired 94.9% of a partnership which owns four buildings in Leipzig, Germany leased to the Free State of Saxony (the "Properties"). The Properties were constructed in 1995 and are 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 (CHF 14.3 million).

The purchase price for the Properties was €166 million (CHF 266.9 million), which was principally financed by a €121 million (CHF 194.6 million) senior debt facility from Royal Bank of Scotland plc – Niederlassung, Frankfurt ("RBS") which was concluded on 4 January 2008. The Properties were valued by an independent valuer at 30 June 2008 within a range of €182.4 million (CHF 293.3 million) and €193.0 million (CHF 310.3 million). The Company has valued the Properties at the lower end of this range which is substantially unchanged from the valuation used at 31 December 2007. Fair value gains of CHF 24.4 million were recognised in the results for the year ended 31 December 2007.

Total income for the period ended 30 June 2008 was CHF 10.3 million (30 June 2007 - CHF 4.8 million). Included in total income was rental income of CHF 7.2 million (2007 – nil), finance income of CHF 0.3 million (2007 – CHF 2.6 million), share of profit of associates of CHF 2.7 million (2007 – CHF 2.1 million) and net income from discontinued operation of CHF – nil (2007 – CHF 4.6 million). Included in finance income for the period were fair value gains of CHF 1.1 million (2007 – loss of CHF 1.4 million) representing fair value adjustments to options attached to convertible notes and warrants and net foreign exchange losses of CHF 1.8 million (2007 – gains CHF 3.0 million) which are all non cash items.

Total expenses for the period were CHF 10.1 million (2007 – CHF 2.6 million). Included in total expenses were administrative expenses of CHF 2.2 million (2007 – CHF 2.1 million) and finance expenses of CHF 7.9 million (2007 – CHF 0.5 million). Administrative expenses include management fees of CHF 1.4 million (2007 – CHF 1.6 million) and other professional and property related expenses of CHF 0.8 million (2007 – CHF 0.5 million). Finance expenses include mortgage interest of CHF 6.4 million (2007 – nil) of amortised borrowing expenses relating to the senior bank financing with RBS, which are being amortised over the term of the financing of CHF 1.0 million (2007- nil).

Excluding adjustments for foreign exchange items and the fair value of the options the Company's profit for the period would have been CHF 1.0 million (CHF 3.7 million). After including the non cash items referred to above, the Company reports a net profit of CHF 0.2 million for the first six months of 2008 compared to CHF 6.5 million for the same period in 2007.

Gross assets at 30 June 2008 were CHF 411.8 million (CHF 449.4 million at 31 December 2007). Investment property at 30 June 2008 totalled CHF 293.3 million (CHF 302.5 million – 2007). Investment in associates was CHF 55.2 million (CHF 59.1 million – 2007) and cash on hand was CHF 17.0 million (CHF 87.5 million - 2007). Leverage representing long term borrowings as a percentage of non-current assets was started at 58.8% at 30 June 2008. The Company has maintained its 25.16% investment in Public Service Properties Investments Limited ("PSPI") which is listed on the AIM market of the London Stock Exchange and is accounted for as an investment in associates. PSPI has announced that its gross and net assets at 30 June 2008 were £284.6 million (CHF 578.0 million) and £107.8 million (CHF 218.9 million), respectively.

Total Equity at 30 June 2008 equalled CHF 152.6 million compared to CHF 158.1 million at 31 December 2007. The reduction is largely due to foreign currency translation losses that have resulted in a negative translation reserve of CHF 10.3 million at 30 June 2008 compared to CHF 1.9 million at 31 December 2007. In addition, the cash flow hedging reserve increased to CHF 3.9 million at 30 June 2008 from CHF 0.9 million at 31 December 2007. The reserve movements which have been recognised are non cash items and the Company's main assets are supported by and hedged by cash flows and borrowings in the same currency. The Company continually monitors its foreign exchange exposure and will consider hedging as appropriate.

The Company made a further capital distribution to shareholders of CHF 8.90 per share in August 2008 representing a continued distribution of 6% on its initial public offering price in 2005. In conjunction with the capital distribution, the Company offered shareholders the right to subscribe for new shares at CHF 159 per share. This resulted in the issuance of 30,364 new shares, equal to 68% reinvestment by shareholders into new shares of the Company, and continued support for the Company's investment policy.

Full 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: 25 September 2008

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2008 Interim Report
The document is available at the Company's registered office and at www.usigroupholdings.ch

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