



PRESS RELEASE

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USI Group Holdings AG
Bahnhofstrasse 106,
Postfach 1317,
8021 Zürich,
Switzerland
T: + (41) 44 212 4004
F: + (41) 44 211 4638
info@usigroupholdings.ch
www.usigroupholdings.ch

USI GROUP HOLDINGS AG Annual Report 2008

The Company is pleased to report its financial results for the year ended 31 December 2008.

The Company's two principal assets are a 94.9% interest in a partnership which owns four buildings in Leipzig, Germany leased to the Free State of Saxony (the "Leipzig Properties") and a 25.16% equity holding in Public Service Properties Investments Limited ("PSPI") a property investment company listed on the Alternative Investment Market ("AIM") of the London Stock Exchange which primarily invests in property leased to specialist operators in the care home sector in the UK and Germany.

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 €9.9 million and is subject to periodic escalations. The purchase price for this acquisition was €166 million, which was principally financed by a €21 million senior debt facility lead by the Royal Bank of Scotland plc – Niederlassung, Frankfurt ("RBS") which was concluded on 4 January 2008. The RBS loan facility was based on a valuation of the Leipzig Properties of €82 million which was reaffirmed by independent valuers retained by the Company at 31 December 2008.

In December of 2008, RBS commissioned a separate valuation of the Leipzig Properties which concluded that their market value was €58 million at that time even though all rental income has been received without interruption in accordance with the terms of the lease and all debt service covenants contained in the RBS facility have continued to be met in all respects. Despite accepting the €82 million valuation earlier in 2008, the RBS syndicate notified the Company on 19 January 2009 that the loan to value ("LTV") ratio in the RBS loan facility had risen above 70%, the maximum permitted. The Company believes that the new RBS valuation is overly conservative and does not take sufficient account of the credit worthiness of the sovereign tenant, the stability of the cash flows, the replacement value of the Leipzig Properties or the potential rents that could be achieved on expiration of the lease, matters referred to in the note on Critical Estimates later in this report. Nevertheless, the Company entered into negotiations with the RBS syndicate and another private bank in order to secure second mortgage funding of at least €4.6 million to cure non-compliance with the LTV covenant by paying down a portion of the senior debt as well as a proportionate amount of the interest rate swap entered into with RBS. The Company expects that the second mortgage financing and negotiations with the RBS syndicate to cure non-compliance with the LTV covenant will be concluded shortly.

The Company is extremely happy with its investment in the Leipzig Properties and believes that they offer excellent long-term value for the Company's shareholders.

The Company's investment in PSPI has been held since that Company listed on AIM through an initial public offering ("IPO") in March 2007. Prior to that time, the Company owned 100% of

the assets held by PSPI. PSPI has continued to pay cash dividends, fully covered by cash earnings, at the rate of 4% of the IPO price. PSPI's net assets declined by less than 1% during 2008 despite difficult market conditions for all property companies. However, the Swiss Franc appreciated by 32% between the end of 2007 and the end of 2008 resulting in an adverse foreign exchange movement of CHF 19 million on the Company's investment in PSPI. This loss has been adjusted through the translation reserve in the Company's balance sheet.

Overall, the Company is reporting a loss of CHF 5.4 million for the year ended 31 December 2008 compared to a profit of CHF 21.0 million for the year ended 31 December 2007. However, these numbers reflect several non cash items which, if excluded, would have resulted in an adjusted loss for 2008 of CHF 2.02 million compared to a loss of CHF 2.08 million for 2007.

Gross assets at 31 December 2008 were CHF 365 million compared to CHF 449 million at the end of 2007. Investment properties at the end of 2008 totalled CHF 271 million compared to CHF 302 million at the end of 2007 primarily as a result of a 10% appreciation of the Swiss Franc against the Euro between year ends. Investment in associates was CHF 40 million at the end of 2008 compared to CHF 59 million at the end of 2007 due to the 32% appreciation of the Swiss Franc against sterling reported above. The adverse movement in foreign exchange on these items of approximately CHF 25 million has been reflected in the translation reserve in the Company's balance sheet.

Shareholders' funds at 31 December 2008 were CHF 117 million compared to CHF 158 million at 31 December 2007, after a capital distribution to shareholders was paid in August 2007 in the amount of CHF 8.90 per share. The Company offered shareholders the right to subscribe for new shares up to the amount of the capital distribution which resulted in the Company issuing 30,364 new shares at CHF 159 per share (nominal value CHF 77.65 per share), which equates to 68% of the capital distribution being reinvested into the shares of the Company. The Company will propose a further distribution to shareholders at the rate of CHF 8.90 per share at the Annual General Meeting to be held on 26 May 2009.

Our Company's objective is to focus on investment opportunities which offer predictability and sustainability of cash flow, preservation of capital and potential for further capital appreciation. We believe that this objective is particularly appropriate during these times when financial disruptions have affected all economies of the world. The Company is actively reviewing a number of investment opportunities in government tenanted properties in Continental Europe and elsewhere and Management is proposing an increase in authorised share capital at the forthcoming Annual General Meeting to support these potential acquisitions.

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: 28 April 2009

Further information:

Dr. D. Srinivas

Director and investor relations officer

Phone: +44 20 7766 7000

2008 Annual Report

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

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