USI

PRESS RELEASE

28 September 2012

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USI Group Holdings AG
Interim Report 2012

The Company is pleased to report its financial results for the six months ended 30 June 2012.

The Company's two principal assets at 30 June 2012 were 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 20.28% 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 €8.9 million and is subject to periodic escalations based on the movements of the German Consumer Price Index. Subject to confirmation from the tenant, effective 1st August 2012, the rent is expected to increase by 5.0% or €447,000 per annum in accordance with the terms of the lease. The purchase price for this acquisition was €166 million, which was principally financed by a €121 million senior debt facility (the "Facility") lead by the Royal Bank of Scotland plc – Niederlassung, Frankfurt ("RBS") which was concluded on 4 January 2008.

Shareholders will recall that the RBS syndicate (the "Syndicate") commissioned several valuations of the Leipzig Properties since 2008 following which the Syndicate claimed that the 70% loan to value ("LTV") ratio contained in the Facility had been breached. As a result, additional capital was raised and the principal amount of the Facility was reduced by €14.6 million. The loan was due for repayment on 20 October 2010 and despite numerous attempts by the Company's advisors and management since that date, the Company and its appointed refinancing agents were not able to obtain alternative financing. As a consequence, the Company negotiated several extensions with the Syndicate, the latest of which has now expired. In April of this year, USI announced that a tentative agreement had been reached with the Syndicate which would have allowed USI to refinance the Leipzig Properties in a manner that would have involved a reduction in the amount of the Facility; however, that agreement was overturned when a member of the Syndicate, with the largest participation in the Facility, sold its participation to a third party.

Since the time of the sale of the participation to the third party, USI has discussed the Facility on numerous occasions with it and remaining members of the Syndicate. On 11th September several of your Directors met with representatives of all Syndicate banks in London. The outcome of that meeting was an agreement, in principle, to enter into a standstill of enforcement rights under the Facility for an additional period of time subject to agreement among Syndicate members as to various points including interest rate, the formal length of the standstill, further injections of equity during the period of the standstill as well as certain technical issues. The Syndicate is currently discussing various points internally with a view to offering a formal standstill proposal to USI.

During the pendency of those discussions, the Syndicate has continued to require that there is a full cash sweep. Accordingly, all amounts derived from the lease of the Leipzig Properties must be used to pay interest under the Facility with any balance used to amortise principal. As of this date, the outstanding principal under the Facility is approximately €100 million.

The Company would stress that all rental income has been received from the Leipzig Properties without interruption in accordance with the terms of the lease. However, due to continued financial problems within the Eurozone the Company's independent valuer has further reduced the value of the Leipzig Properties to €151.8 million at 30 June 2012 from €159.7m at 31 December 2011. In spite of the decline in value brought about by financial uncertainties, the Company remains satisfied that the Leipzig Properties offer 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 in March 2007. It held 20.28% of the issued share capital of PSPI as at 30 June 2012, unchanged from 31 December 2011.

PSPI has reported a loss of £37 million (CHF 55 million) for the six month period ended 30 June 2012 after recognising fair value losses of £40 million (CHF 60 million) on its investment property portfolio. However, PSPI reported a 3.3% increase in adjusted earnings for the six months ended 30 June 2012 compared to the same period in 2011, after exclusion of non-cash and one off items. The Company has reflected a non-cash loss of CHF 11 million on Investment in Associates at 30 June 2012, representing the Company's share of the losses reported by PSPI.

On 4th July 2012, PSPI announced that it had entered into a conditional agreement to combine the majority of its UK property portfolio with the assets and business of the European Care Group, the Group's sole UK tenant, in a non-cash transaction. On 24th July, the shareholders of PSPI approved this transaction with an effective completion date of 25th July.

Esquire Realty Holdings Limited ("Esquire"), a wholly owned subsidiary of Esquire Group (Holdings) Limited and the holding company of the European Care Group, acquired four of PSPI's subsidiary companies in exchange for 20% of the ordinary share capital of Esquire ("Consideration Shares") and the issuance of a subordinated secured loan note instrument ("Loan Note") in Esquire in the principal amount of £2.8 million. The Board of PSPI has valued the Consideration Shares and the Loan Note at a nominal value of £1,000, reflecting the significant level of post-transaction debt of Esquire, which is presently greater than the independently assessed valuation of the Company. As a consequence, PSPI will recognise additional losses in the second half of 2012 of approximately £14 million. As a result, the Company believes that it is prudent to recognise a further impairment in its Investment in Associates of CHF 3.9 million in its results to 30 June 2012.

Overall, your Company is reporting a loss of CHF 26.1 million for the six months ended 30 June 2012 compared to a loss of CHF 1.0 million for the same period in 2011. These numbers reflect CHF 24.4 million of non-cash fair value losses in respect of the Leipzig Properties, the share of non-cash losses reported by PSPI and the additional impairment loss noted above. There are a number of other non-cash expense items included in the Company's results, however, which further reduce the cash loss for the six months to 30 June 2012. As a result of the net rental income on the Leipzig Properties being used to reduce the principal amount owed to the Syndicate, the Group continues to accrue management fees (which have remained unpaid since August 2010) as well as interest on the second mortgage note (which remains unpaid from April 2012).

As stated above, the Directors of your Company have written down the value of the Leipzig Properties in line with the view of its own independent external valuer. As a result of that write down and adjusting for foreign exchange losses, gross assets at 30 June 2012 were CHF 236.6 million compared to CHF 264.2 million at the end of 2011 and investment properties at 30 June 2012 totalled CHF 182.4 million compared to CHF 194.3 million at the end of 2011. Investment in Associates was carried at CHF 19.5 million at 30 June 2012 compared to CHF 33.6 million at the end of 2011.

Shareholders' funds at 30 June 2012 were CHF 41.0 million compared to CHF 66.8 million at 31 December 2011 representing a decrease of 39%. Shareholders' funds are stated net of the deficit on translation reserves which totalled CHF 42.2 million at 30 June 2012 compared to CHF 42.5 million at 31 December 2011. The deficit on translation reserves primarily reflects the strength of the Swiss Franc against the net equity invested in the Euro denominated Leipzig Properties and the Sterling denominated PSPI.

The Company's key objective in the short term is to conclude the standstill agreement for the Leipzig Properties as mentioned above. While discussions with the Syndicate have been advancing, USI has been negotiating with several groups regarding an injection of assets into USI and a change of strategic direction for our Company. These options are likely to involve raising additional equity over the short to medium term and potentially diversifying the geographical focus and nature of the Company's investments over the medium term. The USI Board recognises that with volatile capital markets, continuing crises in the Eurozone, constrained lending and liquidity and the resultant effect of these factors on economies throughout Europe, the Company must endeavour to be both careful and innovative in determining its future strategic direction.

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

USI Group Holdings AG
Dr. Volkert Klaucke (Chairman)
Approved by the board: 28 September 2012

Further information:

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2012 Interim Report
The document is available at the Company's registered office and at

www.usigroupholdings.ch/?task=usi01

SIX Swiss Exchange – symbol ISIN, security number 227.101, ISIN CH0002271010

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