PRESS RELEASE
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USI Group Holdings AG
Annual Report 2012

The Company is pleased to report its financial results for the year ended 31 December 2012.

The Company's two principal assets at 31st December 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 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

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 €9.4 million and is subject to periodic escalations. The purchase price for this acquisition was €166 million, which was principally financed by €121 million of senior debt facilities ("Facilities") provided by a syndicate led by the Royal Bank of Scotland plc – Niederlassung, Frankfurt (the "Syndicate") which was concluded on 4 January 2008.

The Facilities were due for repayment on 30 October 2010 and despite numerous attempts by the Company's advisors and management during 2010 and 2011, the Company and its appointed refinancing agents were not able to obtain alternative financing. As a consequence, the Company negotiated several extensions, the latest of which expired in July, 2012. In April of 2012, 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 Facilities; however, that agreement was stymied when a member of the Syndicate, with the largest participation in the Facilities, sold its participation to a third party.

Later in 2012, another member of the lending syndicate sold its participation to the same third party. Since that time, USI has discussed the Facilities on numerous occasions with the Syndicate culminating with a meeting last September with representatives of the remaining Syndicate members in London. The outcome of that meeting was an agreement, in principle, to enter into a standstill of enforcement rights under the Facilities 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.

Your Board is pleased to advise that it has now finalized terms of a Standstill Agreement (the "Standstill") relating to the Facilities which provides USI the opportunity until 31 December 2014 to complete a satisfactory refinancing. Pursuant to the terms of the Standstill and provided certain conditions continue to be met, the Syndicate has agreed not to demand repayment of the Facilities as a result of non-payment of principal or a breach of the loan to value covenant contained in the Facilities before 31 December 2014 (the "Standstill Period"). USI must reduce the amount owed under the Facilities by a minimum of €3 million by 31 December 2013 and by a further €1 million by 31 December 2014.

During the Standstill Period, the entire cash flow of the Leipzig Properties will continue to be applied first to interest, then to agreed costs and operating expenses, then to the restructuring fee and thereafter to a reduction of principal. As of this date, the principal outstanding on the Facilities is approximately €98.2 million. As previously announced, rent payable by the Free State of Saxony has increased by 5% to €9,386,112 p.a. effective December 2012.

The Board would stress that all rental income has been received from the Leipzig Properties without interruption in accordance with the terms of the lease. The Company's independent valuer slightly reduced the value of the Leipzig Properties to €151.54 million at 31 December 2012 from €151.8m at 30 June 2012; however the Board remains satisfied that the Leipzig Properties offer good long-term value for the Company's shareholders.

PSPI

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 31 December 2012, unchanged from 31 December 2011.

PSPI has reported a loss of £54 million (CHF 80 million) for the year ended 31 December 2012 after recognising fair value losses of £39 million (CHF 58 million) on its investment property portfolio. As a result, the Company has reflected a non-cash loss of CHF 16 million on Investment in Associates at 31 December 2012, representing the Company's share of the losses reported by PSPI and an additional impairment provision against the investment of CHF 2 million. PSPI's losses occurred as a result of the sale of the majority of its UK property portfolio, announced at the time of the Interim Report in September 2012, the sale of one Swiss and two German investment properties and the sale of subsidiaries owning 140 smaller investment properties in the US in December 2012. As a consequence of the sale transactions, PSPI has recognised losses on disposal of assets in 2012 of approximately £16 million (CHF 24 million) in addition to fair value losses on its investment property portfolio.

As part of these transactions, PSPI transferred or repaid £105 million (CHF 156 million) of debt and derivative costs between July 2012 and February 2013. PSPI also announced the refinancing of two debt facilities for its retained investment property portfolios of three and seven years, respectively. As a result of the disposals and debt refinancings, PSPI's consolidated leverage has reduced to 35.3% at the current date from 53.6% at the end of 2011. It would appear that the financial position at PSPI has stabilised and that it will produce positive income and cash flow during 2013.

Overall, your Company is reporting a loss of CHF 31 million for the twelve months ended 31 December 2012 compared to a loss of CHF 18 million for the same period in 2011. These numbers reflect CHF 10 million of non-cash fair value losses in respect of the Leipzig Properties and CHF 18 million for its share of non-cash losses reported by PSPI together with the impairment provision. There are a number of other non-cash expense items included in the Company's results, however, which brings the loss adjusted for non-cash items to CHF 2.6 million for the twelve months to 31 December 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 October 2011). I am pleased to report that RP&C International, the asset manager of the Company, has agreed to convert outstanding amounts owed to it into equity of the Company once requisite approvals have been obtained. Further details will be provided at a later date.

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 31 December 2012 were CHF 233 million compared to CHF264 million at the end of 2011 and investment properties at 31 December 2012 totalled CHF 183 million compared to CHF 194 million at the end of 2011. Investment in Associates was carried at CHF 15 million at 31 December 2012 compared to CHF 34 million at the end of 2011.

Shareholders' funds at 31 December 2012 were CHF 36 million compared to CHF 67 million at 31 December 2011 representing a decrease of 46%. Shareholders' funds are stated net of the deficit on translation reserves which totalled CHF 42 million at 31 December 2012, a similar level to the balance 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 has been 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 in exchange for USI shares which also will involve a change of strategic direction for our Company. One of these options is now far advanced and formal announcement will be made once a legally binding agreement has been concluded. As part of those efforts, the Company is likely to raise additional equity and to diversify the geographical focus and nature of the Company's investments. 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 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: 22 April 2013

Further information:

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2012 Annual Report

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

http://www.usigroupholdings.ch/?task=usi01&newsYear=2013

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