

PRIMARY HEALTH PROPERTIES PLC
A specialist provider of Primary Care accommodation for the NHS
Interim Management Statement

Primary Health Properties PLC (“**PHP**” or the “**Group**”), one of the UK's largest providers of modern primary healthcare facilities, today issues its Interim Management Statement for the period from 1 July 2008 to 17 November 2008.

Highlights

- Primary care property market continues to be underpinned by good fundamentals
- Rental growth continues
- Progressive dividend policy sustained – interim cash dividend of 8.25p per Ordinary Share
- Strong funding position – well positioned in current economic environment
- Management continue to be optimistic regarding the Group’s future growth prospects

The market

Tenant demand for modern primary care facilities remains high. The primary care market has the advantage of the Government acting as the ultimate payer/guarantor of the rent of the accommodation used for providing NHS services, which in PHP’s portfolio amounts to approximately 91% of the total rent roll. PHP also benefits from tight supply in the market and long lease lengths upon which it continues to achieve rental increases. The market is further underpinned by the Government’s multi-billion pound commitment over the medium term to renewing primary care stock and ensuring that primary care is delivered from modern purpose built accommodation that is fit for purpose.

Investment activity and future commitments

During the third quarter the Group took delivery of three completed fully let investment properties at Morrision, Sheerness and Belper.

Further, as announced on 4 November 2008, the Group entered into purchase and funding agreements for the acquisition of a new medical centre in Connah's Quay, Clwyd, North Wales, for approximately £9.6m. The building, which is scheduled for completion in February 2010, will be let for occupation by three GP Practices and the North East Wales NHS Trust.

Property valuation

Every six months the freehold, leasehold and development properties of the Group are independently valued at fair value by Lambert Smith Hampton, Chartered Surveyors and Valuers. The next valuation is due at 31 December 2008. Whilst yields have softened slightly there has not been the same impact as on other sectors of the property market.

Rental growth

Rental growth achieved on rent reviews concluded in 2008 averages 12% over the 3 year rent review cycle, an annualised rate approaching 4%.

Dividends

The Group remains dedicated to a strong, increasing dividend yield and as announced in the Group's half year report will pay an interim cash dividend of 8.25p per Ordinary Share on 20 November 2008 to shareholders on the Register of Members on 17 October 2008.

Borrowings and Banking facilities

Current Group borrowings total £210 million. At 17 November 2008, current aggregate facilities were £265m of which £255m was on a term basis and £10m was on overdraft. The term facilities are not due for renewal/repayment until 2013. The Board is satisfied that its funding position will allow the Group to benefit from further investment opportunities in the current market.

Interest rate hedging

PHP remains committed to keeping a relatively high level of cover against its variable interest rate borrowings. On 24 September 2008, the Group entered into a three year swap, with a deferred start, at a rate of 4.915%, covering £10m of principal debt. The Group's fixed rate cover of £193m included £88m of callable swaps which are reviewed on a quarterly basis. As at 17 November 2008, the callable swaps have not been called and remain in place until the next call date on 11 February 2009. As interest rates decline the Board believes that there will be opportunities to secure keener lending rates and it will actively pursue opportunities in this regard.

All swaps are taken out in order to mitigate exposure to interest rate risk, but under accounting rules only certain swaps qualify as "effective" hedges. The mark to market movement ("MTM") on these swaps is matched against the hedged liability in the Group's Balance Sheet. The MTM movement on other swaps is taken through the Group's income statement.

As at 30 June 2008, the Group's derivative portfolio was valued at £5.04m. At 30 September 2008, the valuation was a net liability of £2.8m reflecting the decline in longer term interest rates at that date.

This Interim Management Statement may contain forward looking statements. By their nature, forward looking statements involve risk and uncertainty because they relate to future events and circumstances.

These statements reflect the knowledge and information at the time of the release of this Interim Management Statement. Nothing in this Interim Management Statement should be construed as a profit forecast.

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