

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**” or the “**Company**”), one of the UK’s largest providers of modern primary healthcare facilities, today issues its Interim Management Statement for the period from 1 January 2009 to 28 April 2009.

Highlights

- Primary care property market continues to be underpinned by strong fundamentals
- Rental growth continues
- Progressive dividend policy sustained – interim cash dividend of 8.5p per Ordinary Share paid on 15 April 2009
- Strong funding position – well positioned in current economic environment, facilities not due for renewal until 2013
- Placing of 1,679,354 new ordinary shares raised £3.3m (net of expenses) for general working capital purposes
- The Company has successfully established in the High Court the need for an independent appointment in determining rent review disputes
- 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 and means that PHP has no rental voids within its portfolio. 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, future commitments and portfolio management

During the period, the Group took delivery of a £2.7m fully let investment medical centre property at Hugglescote, Leicestershire. As announced on 6 April 2009, the Group entered into purchase and funding agreements for the acquisition of a £6.6m new medical centre in Cowbridge, Vale of Glamorgan.

The Group has adequate existing committed facilities to cover all of the future deliveries included in its commitments as at 31 December 2008 and the new Cowbridge commitment. The Group regularly reviews its portfolio and is committed to owning a greater number of larger multi-practice medical centres where property management efficiencies can be realised. As interest rates have declined and property yields increased, the Board believes that there will be attractive acquisition opportunities over the coming months.

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 30 June 2009. On 27 February 2009, the Directors confirmed, on the basis of advice from Lambert Smith Hampton, that there had not been any material change to the valuation as at that date. The Directors believe that the long unexpired lease length across the portfolio, the excellence of the covenant, the achievement of continuing rental growth and lack of voids in the sector continue to underpin the valuation of PHP’s portfolio.

High Court Verdict

On 31 March 2009, the Group announced that in a landmark judgment in the High Court, it had made a successful challenge to the dispute resolution procedures to be followed when determining the level of rent to be reimbursed by the Department of Health for GP's leasehold premises. PHP hopes that if the judgment is properly acted upon by the NHS a fairer, more robust and more transparent system for reviewing rent will be implemented with the effect that, at least in some cases, the rent determined on appeal may be higher than would otherwise have been the case under the previous system. An improvement in the level of reimbursed rent should have positive revenue implications for PHP.

Rental growth

Rental growth achieved on rent reviews concluded in 2008 averages approximately 12% over the 3 year rent review cycle, an annualised rate approaching 4%. The Board is pleased to report that the actual rental growth rate achieved in the first quarter of 2009 has not been materially different from that experienced in 2008. The greater independence and transparency in determining rent review disputes as a result of the High Court decision is likely to improve both the process and rental growth prospects over time.

Dividend Policy

The Group's policy remains to pay an increasing dividend out of distributable profits. As disclosed in the Group's Annual Financial Report, the Group paid an interim cash dividend of 8.5p per Ordinary Share on 15 April 2009 to shareholders on the Register of Members on 13 March 2009.

Placing

As announced on 23 March 2009, the Group raised approximately £3.3 million, net of expenses, by way of a Placing of 1,679,354 new ordinary shares of 50 pence each at a price of 220 pence per Placing Share (the "Placing"). The Placing was taken up by institutional and other investors, including Nexus Group Holdings Ltd, the parent company of Nexus PHP Management Limited and J O Hambro Capital Management Limited who together are the Joint Managers of the Company ("Joint Managers") as well as several Directors of the Company and Directors of the Joint Managers. The Placing was underwritten by KBC Peel Hunt Ltd ("KBC"). The net proceeds of the Placing are being used for general working capital purposes.

Borrowings and Banking facilities

At 31 March 2009, Group borrowings totalled £203 million. As at 28 April 2009, 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 with the pricing and term of its existing facilities.

Interest rate hedging

PHP remains committed to keeping a relatively high level of cover against its variable interest rate borrowings. The Group's fixed rate cover of £193m included £88m of callable swaps which are reviewed on a quarterly basis. As at 28 April 2009, the callable swaps have not been called and remain in place until the next call date on 11 May 2009.

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, which still provide an economic hedge, is taken through the Group's income statement.

As at 31 December 2008, as a result of the unprecedented fall in interest rates during the year, the Group's derivative portfolio was valued at £(29m). At 31 March 2009, the valuation

was a net liability of £(26)m, reflecting the increase in longer term interest rates between the two dates.

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.

Apart from the information contained in this Interim Management Statement there have been no material events or transactions affecting the Group during the period.

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