

PRIMARY HEALTH PROPERTIES PLC

A specialist provider of Primary Care accommodation for the NHS

Interim Management Statement

Primary Health Properties PLC (“PHP”, 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 July 2009 to 18 November 2009.

Financial Highlights

- Successful firm placing and placing and open offer to raise £57.5m net of expenses
- Progressive dividend policy sustained – interim cash dividend of 8.5p per ordinary share to be paid on 20 November 2009
- Strong funding position – well positioned in current economic environment; existing facilities not due for renewal until 2013

Operational Highlights

- Primary care property market continues to be underpinned by strong fundamentals
- Continued stabilisation of yields in the market place
- Rental growth continues – the achieved increase in rent on those leases reviewed in the period to 18 November 2009 was a weighted average rate of 3.16% per annum

The market

The demand for modern primary care facilities remains high as NHS policy continues to move services out of secondary care into primary care. The market is underpinned by the Government's 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. Although Government spending overall is likely to be curtailed, the Company's view is that this will focus more resources on providing primary care solutions.

The primary care market has the advantage that the Government acts 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 as at 18 November 2009 with the balance almost exclusively to pharmacies. Market demand means that PHP has no rental voids within its portfolio. In addition PHP benefits from long lease lengths upon which it continues to achieve rental increases.

Investment activity, future commitments and portfolio management

During the period, the Group took delivery of the fully let 59,000 square foot Port Talbot Resource Centre, which is let to the Local Health Board, four GP practices and a pharmacy. As announced on 9 October 2009, the Group entered into purchase and funding agreements for the acquisition of a new £2.9m medical centre in Sheffield. The building will be let for occupation to a GP practice and a pharmacy and is expected to be completed in March 2010.

The Group has adequate bank facilities to cover all of the future deliveries included in its commitments as at 30 June 2009. The Group reviews its portfolio regularly and is committed to acquiring a greater number of the new larger multi-practice medical centres where property management efficiencies can be realised. The Group believes that there will be attractive acquisition opportunities over the coming months and currently the Group is working on the acquisition of a number of substantial fully let investment properties.

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 as at 31 December 2009. On 18 September 2009, the Directors confirmed, on the basis of advice from Lambert Smith Hampton, that there had not been any material change to the valuation prepared as at 30 June 2009. The Directors believe that the long unexpired lease length across the portfolio, the excellence of the tenant covenants, 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

Following the successful High Court result previously reported on 31 March 2009, the test case at Bourne was settled during the period with a 6.6% rental increase (approximately 2.2% per annum.) effective from 29 April 2004 rather than the nil increase originally proposed.

Rental growth

Although the process for agreeing rental increases in the period has been slower than the Group would have liked, the achieved increase in rent on those leases reviewed in the period to 18 November 2009 was a portfolio weighted average rate of 3.16% per annum.

Firm Placing and Placing and Open Offer

On 7 October 2009, PHP issued 26,086,956 new ordinary shares by way of a Firm Placing and Placing and Open Offer raising approximately £57.5m net of expenses. The net proceeds of the fundraising have been used to reduce the Group's net indebtedness in the short term.

The Group intends to make selected acquisitions of medical properties to expand its property portfolio which will be funded, in part, by redrawing on the Group's existing bank facilities.

Borrowings and Banking facilities

At 31 October 2009, following receipt of the net proceeds of the fundraising, Group borrowings totaled £172.9m. As at 18 November 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 Group 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 £183m as at 18 November 2009 included £88m of callable swaps which are reviewed on a quarterly basis. As at 11 November 2009, being the last call date, the callable swaps have not been called and remain in place. The next possible call date is on 11 February 2010.

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. The valuation has no impact on the Group's cash flow.

As at 30 June 2009, as a result of the unprecedented fall in interest rates during the previous year, and subsequent movements, the Group's derivative portfolio was valued at a liability of £(16.3)m. At 31 October 2009 (the latest practicable date), as a result of further falls in interest rates since 30 June 2009, the valuation was a net liability of £(21.7)m, reflecting the decrease in longer term interest rates between the two dates.

IPD Healthcare Index

Leading property investment analysts IPD have launched a new Healthcare Index, to which the Group contributes data, that identifies the strong relative performance of the Healthcare Sector during 2007 and 2008, when compared to the overall UK market. The Group believes that the creation of this annual index is an important step towards institutional recognition of the benefits of this sector.

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.

-Ends-

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