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**4 June 2006**

**Southern Cross Healthcare Group Limited  
("Southern Cross" or the "Company")**

**Southern Cross Announces Intention to Float**

Southern Cross, the UK's largest care home provider, today announces its intention to proceed with an initial public offering of ordinary shares (the "Shares") (the "Global Offer") and to apply to the Financial Services Authority for all of its Shares to be admitted to the Official List and to the London Stock Exchange for all of its Shares to be admitted to trading ("Admission"). Morgan Stanley and UBS Limited have been appointed joint financial advisers, sponsors, global coordinators, bookrunners and lead managers for the Global Offer.

Southern Cross is the largest UK provider of care home services for the elderly and a major provider of specialist services for people with physical and/or learning disabilities. The Company's care homes for the elderly operate under two distinct brands: Southern Cross Healthcare and Ashbourne Senior Living. Both brands provide a range of social and personal care services and nursing care services for elderly people with physical frailties and differing forms of dementia. The Company's specialist services operate under the Active Care Partnerships brand and provide long-term care services for people with physical and/or learning disabilities and for younger people with complex forms of challenging behaviour. As at 2 April 2006, the Company had a total of 578 homes and 28,748 available beds.

Southern Cross has been the leading consolidator in the industry in recent years and the Company now has a presence across the UK, with a 6% share of total beds available<sup>1</sup> in a market estimated to be worth approximately £11.7 billion per annum<sup>1</sup>. The Company provides care services for most of the local authorities in the UK which, together with the NHS, represent over 70% of the Company's revenues. Its care home portfolio is largely purpose-built with a high percentage of single occupancy rooms and rooms with ensuite bathrooms. Occupancy levels in its core elderly segment are consistently in excess of 90%.

The Company is focused on providing high quality care in well invested facilities; it seeks to be the home of choice in each local community in which it operates. The Company believes it is well placed to continue growing. Given the Company's size and financial strength, it has efficient access to capital from its lenders and landlords. As a result, the Company is able to grow its portfolio with limited investment from shareholders.

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1. Source: Laing & Buisson's Healthcare Market Review (2005-2006)

The Company has a clear strategy to deliver continued growth through:

- improving the performance of the existing care home portfolio through service enhancement, brand differentiation, investment and portfolio management;
- pursuing elderly care growth through acquisitions and organic development in attractive regions; and
- growing the Company's higher margin Active Care Partnerships specialist services business.

The Global Offer, which is expected to be priced by the end of June 2006, will be an institutional offer of existing and new Shares into the UK and certain other jurisdictions. Southern Cross intends to raise primary proceeds which will be used to reduce shareholder and third party indebtedness. It is also intended that existing Shares will be sold by current shareholders, including Blackstone, the private equity company which currently owns 88 per cent of the Company. The Directors believe that the Global Offer and Admission will further raise the Company's profile and assist in retaining and incentivising employees.

Commenting on today's announcement, Philip Scott, Chief Executive of Southern Cross, said:

"Residential care is the most appropriate and efficient way to care for the very dependent elderly and there is increasing demand in the UK today for 24 hour care services to meet the needs of an ageing dependent elderly population. Having led the much-needed consolidation of a fragmented market, Southern Cross now has a leading position in the UK care homes sector, with highly respected brands and many opportunities for sustainable growth in future years."

Bill Colvin, Non-Executive Chairman, added:

"Southern Cross will be the largest care home operator on the London exchange. It is an important company in its sector and provides an essential service to a large number of communities in the UK. The Company has a highly experienced management team with an excellent track record of growth in this sector and we look forward to welcoming new investors in our IPO."

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The securities mentioned herein have not been, and will not be, registered under the U.S. Securities Act of 1933 (the "Securities Act"), and may not be offered or sold in the United States (as such term is defined in Regulation S under the Securities Act) unless they are registered under the Securities Act or pursuant to an exemption from registration. No public offer of the Shares is being made in the United States.

The price and value of securities may go down as well as up. Persons needing advice should contact a professional adviser.

This announcement includes statements that are, or may be deemed to be, "forward looking statements". These forward looking statements can be identified by the use of forward looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will", or "should" or, in each case, their negative or other variations or comparable terminology. These forward looking statements include matters that are not historical facts and include statements regarding the Company's intentions, beliefs or current expectations concerning, among other things, the Company's results of operations, financial condition, liquidity, prospects, growth, strategies and the outlook on the care home industry.

By their nature, forward looking statements involve risk and uncertainty because they relate to future events and circumstances. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward looking statements including, without limitation, the factors to be described in the risk factors section of the Prospectus, and the factors to be described in the financial review and prospects section of the Prospectus.

Forward looking statements may and often do differ materially from actual results. Any forward looking statements in this announcement reflect the Company's view with respect to future events as at the date of this announcement and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Company's operations, results of operations, growth strategy and liquidity. Save as required by law or by the Listing Rules, Disclosure Rules or Prospectus Rules of the Financial Services Authority, the Company undertakes no obligation publicly to release the results of any revisions to any forward looking statements in this announcement that may occur due to any change in its expectations or to reflect events or circumstances after the date of this announcement.

Information in this announcement or any of the documents relating to the Global Offer cannot be relied upon as a guide to future performance.