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This announcement is an advertisement and not a prospectus and investors should not subscribe for or purchase any shares referred to in this announcement except on the basis of information in the prospectus expected to be published by Southern Cross Healthcare Group PLC today in connection with the admission of the ordinary shares in the capital of the Company to the Official List of the Financial Services Authority and to trading on the London Stock Exchange plc's (the "London Stock Exchange") main market for listed securities (the "Prospectus"). Copies of the Prospectus will be available from the Company's registered office.

07 July 2006

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

Southern Cross Announces IPO Pricing at 225 pence per share

Part I

Southern Cross, the UK's largest care home provider, today announces the pricing of its initial public offering (the "Offer" or the "IPO") on the London Stock Exchange at an offer price of 225 pence per share (the "Offer Price"). Based on the Offer Price, the Company will have a market capitalisation on admission of approximately £423 million.

Details of the Offer

- The Offer comprised a total of 88,888,889 million ordinary shares, consisting of 77,777,777 million new Shares (excluding exercise of the over-allotment arrangement) and 11,111,112 million existing Shares. At the price of 225 pence per share, the size of the Offer is, therefore, £200 million.
- The Company has raised gross proceeds of £175 million from the Offer which will be used to reduce shareholder and third party indebtedness and meet IPO-related costs.
- Existing Shares have been sold by funds advised by Blackstone, the private equity group (the "**Blackstone Shareholders**"), which prior to the IPO owned 88 per cent of Southern Cross, and by management and employees, raising net proceeds of £23 million.
- In addition, the Blackstone Shareholders have entered into an over-allotment arrangement with UBS Limited as Stabilising Manager in connection with the Offer which may result in the sale of up to 10 per cent of the total number of Shares comprised in the Offer at the Offer Price.
- The number of Shares in issue at admission will be 188,067,377 (the "**Shares**").
- On completion of the IPO (and assuming no exercise of the over-allotment arrangement), the Blackstone Shareholders will have a shareholding of approximately 48 per cent of the Company and Directors and certain senior employees will have a combined holding of approximately 4 per cent. The Company, the Blackstone Shareholders and certain employees are subject to lock-ups of various periods following admission.
- Conditional dealings on the London Stock Exchange will commence at 08:00 BST today, 7 July 2006 under the ticker symbol SCHE.
- Admission to the Official List of the Financial Services Authority and commencement of unconditional dealings are expected to take place at 08:00 BST on 12 July 2006.

Morgan Stanley and UBS Limited are acting as joint financial advisers, sponsors, global coordinators, bookrunners and lead managers for the Offer.

The contents of this announcement, which have been prepared by and are the sole responsibility of the Company, have been approved solely for the purposes of section 21(2) (b) of the Financial Services and Markets Act 2000 by Morgan Stanley & Co. International Limited of 25 Cabot Square, Canary Wharf, London, E14 4QA and UBS Limited of 1 Finsbury Avenue. London EC2M 2PP.

Morgan Stanley & Co. International Limited and UBS Limited are joint financial advisers and joint sponsors to the Company and Morgan Stanley Securities Limited and UBS Limited are joint global co-ordinators, joint bookrunners and joint lead managers to the Offer. For the purposes of this announcement, "Morgan Stanley" means Morgan Stanley & Co. International Limited in relation to its acting as joint financial adviser and joint sponsor and Morgan Stanley Securities Limited in relation to its acting as joint global co-ordinator, joint bookrunner and joint lead manager.

Morgan Stanley & Co. International Limited, Morgan Stanley Securities Limited and UBS Limited are acting exclusively for the Company and no one else in connection with the Offer. They will not regard any other person (whether or not a recipient of this announcement) as their respective clients and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients nor for giving advice in relation to the Offer, the contents of this announcement or any transaction or arrangement referred to herein.

This announcement and any related offer is directed only at persons in member states of the European Economic Area ("EEA") who are "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC) ("Qualified Investors"). In addition, in the United Kingdom, this announcement and any related offer is directed only at Qualified Investors (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order") or (ii) who fall within Article 49(2)(a) to (d) of the Order, and any other persons to whom it may otherwise lawfully be communicated (all of such persons together with Qualified Investors being referred to as "relevant persons"). This announcement must not be acted on or relied on (i) in the United Kingdom, by persons who are not relevant persons, and (ii) in any member state of the EEA other than the United Kingdom, by persons who are not Qualified Investors. Any person in the EEA who acquires the securities referenced herein in any offer (an "investor") or to whom any offer of the securities is made will be deemed to have represented and agreed that it is a Qualified Investor. Any investor will also be deemed to have represented and agreed that any securities acquired by it in the offer have not been acquired on behalf of persons in the EEA other than Qualified Investors or persons in the UK and other member states (where equivalent legislation exists) for whom the investor has authority to make decisions on a wholly discretionary basis, nor have the securities been acquired with a view to their offer or resale in the EEA to persons where this would result in a requirement for publication by the company, Morgan Stanley & Co. International Limited, Morgan Stanley Securities Limited, UBS Limited or any other manager of a prospectus pursuant to Article 3 of the Prospectus Directive. The Company, Morgan Stanley & Co. International Limited, Morgan Stanley Securities Limited, UBS Limited and their affiliates, and others will rely upon the truth and accuracy of the foregoing representations and agreements.

This announcement is not an offer of securities for sale into the United States or in any jurisdiction in which such an offer or solicitation is unlawful. The securities referenced herein have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act"), or under any relevant securities laws of any state or other jurisdiction of the United States and may not be offered, directly or indirectly, in the United States, absent registration or an applicable exemption from the registration requirements of the Securities Act and in compliance with state securities laws. There will be no public offer of securities in the United States, Australia, Canada or Japan and there will be no offering of securities in any country, territory or possession where to do so may contravene local securities laws or regulations. This announcement and any subsequent offer of securities may be restricted by law in certain jurisdictions and persons receiving this announcement or any subsequent offer should inform themselves about and observe any such restriction. Failure to comply with such restrictions may violate securities laws of any such jurisdiction.

This announcement does not constitute or form part of any offer of securities or any invitation to sell or issue securities or constitute an invitation or solicitation of any offer to purchase or subscribe for any securities of Southern Cross and any acquisition of or application for the Shares pursuant to the Offer should be made solely on the basis of the information contained in the Prospectus and any supplement or amendment thereto. The Prospectus contains certain detailed information about Southern Cross and its management, as well as financial information and other financial data.

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 Offer cannot be relied upon as a guide to future performance.

Part II

Appendix - Further Details of the Offer

Capitalised terms used but not defined herein shall have the meanings ascribed to them in the Prospectus.

Based on unaudited management accounts and on an IFRS basis, trading for the ten week period from 3 April 2006 to 11 June 2006 shows an average occupancy rate for the Group of 90.7%, Home EBITDAR before central costs margin of 32.2% and a Home EBITDAR before central costs to charge for rentals currently payable ratio of 1.66 times.

Percentage of enlarged issued ordinary share capital being offered in the Global Offer, assuming no exercise of the Over-allotment Arrangement: 47%.

Authorised share capital of the Company immediately following Admission:
300,000,000 / £3,000,000.

The New Shares represent 41% of the issued ordinary share capital of the Company, immediately following Admission.

Issued and fully paid share capital of the Company immediately following Admission:
188,067,377 / £1,880,674.

Estimated Net Proceeds received by the Selling Shareholders, assuming, respectively, no exercise of the Over-allotment Arrangement and full exercise of the Over-allotment Arrangement: £23m and £43m.

The Blackstone Shareholders and certain other Selling Shareholders will receive the proceeds from the repayment of the Deep Discount Bonds and the Management Loan Notes, respectively.

Amount of stock loan under the Over-allotment Arrangement: up to 8,888,889 Existing Shares.

The number of Shares to be sold by each Selling Shareholder is as follows, assuming no exercise of the Over-allotment Arrangement:

4,117,350 by Blackstone Capital Partners (Cayman) IV L.P.
213,825 by Blackstone Capital Partners (Cayman) IV A.L.P.
125,535 by Blackstone Family Investment Partnership (Cayman) IV L.P.
388,909 by Blackstone Real Estate Partners (Alberta) IV L.P.
67,510 by Blackstone Real Estate Holdings (Alberta) IV L.P.
137,019 by Blackstone Real Estate Partners (Alberta) IV F.L.P.
137,605 by Blackstone Real Estate Partners (Alberta) IV T.E.1 L.P.
250,171 by Blackstone Real Estate Partners (Alberta) IV TE.2 L.P.
222,931 by Blackstone Real Estate Partners (Alberta) IV TE.3-A L.P.
600,852 by Blackstone Real Estate Partners International I.E L.P.
503,295 by Blackstone Real Estate Partners International I.D L.P.
505,850 by Blackstone Real Estate Partners International I.D.2 L.P.
196,580 by Blackstone Real Estate Holdings International A L.P.
400,800 by William Colvin (Director)
793,440 by John Murphy (Director)
673,200 by Philip Scott (Director)
478,080 by Graham Sizer (Director)
27,600 by Gaynor Ashton (Employee)
27,600 by Christine Black (Employee)
28,560 by Len Clinton (Employee)
48,240 by Kamma Foulkes (Employee)
48,240 by Ellen Haines (Employee)
28,560 by Ann Heaps (Employee)
27,600 by Debbie Johnston (Employee)

48,240 by Janette Malham (Employee)
28,560 by Derek Roberts (Employee)
27,600 by Elizabeth Roscoe (Employee)
957,360 by Christopher Rutter (Employee)

Following the Global Offer, percentage ownership of the Company's issued Shares (reflecting percentage of rights to vote at general meetings of the Company) by Blackstone Shareholders, assuming, respectively, no exercise of the Over-allotment Arrangement and full exercise of the Over-allotment Arrangement: 48% and 43%.

Following the Global Offer, percentage ownership of the Company's issued Shares by the Directors and certain senior employees, each of whom is subject to a 12 month lock-up: 4%.

Following the Global Offer, percentage ownership of the Company's issued Shares by certain employees who are not Directors, for whom there is an exemption for sales up to 25% of their individual shareholdings on Admission: 0.3%.

Following Admission, percentage ownership of the Company's issued Shares held in public hands, assuming, respectively, no exercise of the Over-allotment Arrangement and full exercise of the Over-allotment Arrangement: 47% and 52%.

Following Admission, percentage dilution of Existing Shareholders: 41%.

Date of the extraordinary general meeting of the Company: 6 July 2006.

Date of New Senior Credit Agreement, containing a £60 million New Term Loan Facility which is intended to be drawn down in full at Admission, between the Company and certain members of the Group as borrowers, Barclays Capital, as arranger and bookrunner, Barclays Bank PLC, as agent, security agent and issuing bank, and a syndicate of financial institutions (including Barclays Capital) as lenders: 7 July 2006.

With respect to senior facilities provided for by the Existing Senior Credit Agreement entered into on 8 April 2005 between Southern Cross Bidco Limited and certain of its subsidiaries (as borrowers and guarantors), Barclays Capital (as arranger) and Barclays Bank PLC (as agent, security agent and issuing bank), £14 million remains available in respect of Facility D and £18 million remains available in respect of the Existing Revolving Facility, as at 11 June 2006.

Date of deed of termination, pursuant to a Shareholders' Agreement between the Company, certain senior employees of the Group and certain other persons and Blackstone Shareholders: 6 July 2006.

Date of Relationship Agreement entered into between Blackstone Shareholders and the Company: 7 July 2006.

Date of certain lock-up agreements between the Company, the Joint Global Co-ordinators and certain employees: 7 July 2006.

Restrictions pursuant to the Underwriting Agreement and certain lock-up agreements between the Company, the Joint Global Co-ordinators and certain employees shall not prohibit: a disposal by one senior employee (holding approximately 0.1% of the Shares at Admission) of up to 25% of his shareholding; a disposal by the Blackstone Shareholders of 68,888 Shares to the Non-Executive Directors immediately prior to Admission; and a disposal by three employees (holding an aggregate of 0.2% of the Shares at Admission) of up to 25% of their respective shareholdings.

Shares credited to CREST accounts: 12 July 2006.

Despatch of definitive share certificates (where applicable): 26 July 2006.

Stabilisation Period: from 7 July 2006 up to and including 6 August 2006.

Group earnings per share under UK GAAP for the year ended 27 March 2004 and the 52 weeks ended 27 March 2005 were 0.34 pence and 2.96 pence, respectively. Group loss per share for the 53 week ended 2 April 2006 was 8.01 pence.

Group earnings per share under IFRS for the 52 weeks ended 27 March 2005 were 1.96 pence. Group loss per share for the 53 week ended 2 April 2006 was 11.10 pence.

Immediately following Admission, the number of Shares and percentage of issued ordinary share capital held by the Directors is as follows:

1,202,400 / 0.6% William Colvin
1,851,840 / 1.0% John Murphy
2,019,120 / 1.1% Philip Scott(1)
1,434,000 / 0.8% Graham Sizer(1)
0 / 0.0% Joseph Baratta
22,222 / N/M Ray Miles
2,222 / N/M Baroness Morgan of Huyton
44,000 / N/M Christopher Fisher

(1) Includes shares held by a family member

Immediately following Admission and assuming no exercise of the Over-allotment Arrangement, the number of Shares and percentage of issued ordinary share capital held by persons (other than Directors) who directly or indirectly hold an interest in 3% or more of the Company's issued share capital, or will be so interested immediately following Admission, is as follows:

50,688,825 / 27.0% Blackstone Capital Partners (Cayman) IV L.P.
14,378,815 / 7.6% Blackstone Real Estate Associates IV L.P., ⁽¹⁾
21,568,223 / 11.5% Blackstone Real Estate Associates International L.P. ⁽²⁾

⁽¹⁾ These Shares are held by Blackstone Real Estate Partners (Alberta) IV L.P., Blackstone Real Estate Holdings (Alberta) IV L.P., Blackstone Real Estate Partners (Alberta) IV F.L.P., Blackstone Real Estate Partners (Alberta) IV T.E.1, Blackstone Real Estate Partners (Alberta) IV TE.2 L.P., Blackstone Real Estate Partners (Alberta) IV TE. 3-A L.P., each of which are controlled and managed by Blackstone Real Estate Associates IV L.P.

⁽²⁾ These Shares are held by Blackstone Real Estate Partners International I.E L.P., Blackstone Real Estate Partners International I.D L.P., Blackstone Real Estate Partners International I.D.2 L.P., Blackstone Real Estate Holdings International-A L.P., Blackstone Real Estate Holdings International-B L.P., each of which are controlled and managed by Blackstone Real Estate Associates International L.P.

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