Annual Results Presentation 2018

Leading the way in modern primary health properties.

Primary Health Properties PLC

31 January 2019

Agenda

- PHP at a glance
- Proposed merger with MedicX
- Financial results
- Property Portfolio
- Asset Management
- Funding
- Positive outlook
- Appendices

Primary Health Properties PLC at a glance

- ✓ FTSE 250, UK Real Estate Investment Trust (“REIT”)
- ✓ Leading investor in flexible, modern primary healthcare accommodation across UK and Ireland
- ✓ Leading portfolio of 313 properties valued at £1.5 billion
- ✓ 91% of income funded by government bodies (NHS or HSE)
- ✓ Strong capital base with a prudent balance of shareholder equity and debt finance
- ✓ 22 consecutive years of dividend growth; dividend covered by earnings
- ✓ Proceeds from £115m successful, over-subscribed equity issue selectively deployed acquiring eight assets and completing 16 asset management projects
- ✓ L4L rental growth of £1.3m (1.8%) accounting for approximately 60% of the revaluation surplus
- ✓ Proposed all share merger with MedicX announced on 24 January 2019

PHP Primary Health Properties

Proposed merger with MedicX

Compelling strategic, operational and financial rationale

Compelling strategic, operational and financial rationale

Stronger platform with increased scale and financial resources	✓ Enlarged Group portfolio: more than 470 properties, combined value of £2.3bn, annual rental income of over £120m ✓ Strengthened investment case from greater scale and improved rental growth prospects from asset management expertise of the combined teams ✓ The Directors expect that an enhanced presence will enable a deeper relationship with NHS and Department of Health in the UK and HSE in Ireland ✓ Favourable market dynamics – ageing and growing populations increasing demands on underinvested healthcare estate
Complementary portfolios with attractive characteristics	✓ The Directors believe the businesses are highly complementary: strategically, geographically, operationally and culturally ✓ Creates an attractive partner to provide significant financing and extensive experience in the primary healthcare sector ✓ Long WAULTs (PHP 13.1 years, MedicX 14.2 years) with over 90% of rents payable by or guaranteed by the NHS or HSE
Balance sheet strength providing flexibility for future development activity and underpinning sustainable dividend policy	✓ Strong balance sheet: pro-forma LTV of 48% with improved access to equity and debt markets ✓ Access to lower cost of debt funding expected over the medium term ✓ Strong and highly predictable cash flows supports further investment and dividends to shareholders
Operational and investment management synergies expected to create significant value for shareholders	✓ Cost efficiencies and economies of scale estimated at around £4.0m per annum (equivalent to an annual saving of 0.4 pence per share) including £3.0m of management fee savings in the first full year of operation, reducing to £3.5m from the sixth year following the effective date of the merger ✓ EPRA cost ratio expected to be the lowest in the UK REIT sector
Increased liquidity	✓ Greater liquidity in the secondary market offered by PHP's inclusion in the FTSE 250 ✓ High quality and more diverse shareholder register expected over time

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Benefits to PHP shareholders

The Board of PHP believes that a combination with MedicX represents a compelling opportunity to create a business capable of achieving significant strategic, operational and financial benefits

- ✓ Strengthened investment case from greater scale and improved rental growth prospects from asset management expertise of the combined teams
- ✓ Ability to combine large portfolios without incurring significant stamp duty land tax (c.£40m)

- ✓ Access to lower cost of debt funding expected over the medium term
- ✓ Expected to be the lowest EPRA cost ratio in the UK REIT sector

- ✓ Strong balance sheet with improved access to equity and debt markets
- ✓ Long weighted average debt maturity of over 8 years

- ✓ Lower external management fees (as a % of portfolio value)
- ✓ £3.0m of management fee savings in the first full year of operation
- ✓ Other head office, PLC synergies of £1.0m p.a. by the end of the first full year of operation

- ✓ Market capitalisation c. £1.3bn
- ✓ Broadening of the shareholder base
- ✓ Greater liquidity

- ✓ PHP shareholders end up with a larger % of the combined group based on June 2018 EPRA NAV
- ✓ Proven management team that has delivered 22 years of attractive returns

PHP Primary Health Properties

Financial results

Strong performance delivering earnings, net asset value and dividend growth

Key financial highlights

Performance	31 December 2018	31 December 2017	Change
Net rental income (£m)	76.4	71.3	+7.2%
EPRA earnings (£m)	36.8	31.0	+18.7%
Dividends paid (£m)	36.6	31.4	+16.6%
Dividend cover	101%	99%	+2.0%
Dividend per share (pence)	5.40p	5.25	+2.9%

Position	31 December 2018	31 December 2017	Change
Investment property (£bn)	1.50	1.36	+10.4%
EPRA NAV per share (pence)	105.1	100.7	+4.4%
Loan to value	44.8%	52.9%	-8.1%

Management	31 December 2018	31 December 2017	Change
Average cost of debt	3.90%	4.09%	-19bps
Growth on rent reviews	1.4% p.a.	1.1% p.a.	+0.3%
WAULT	13.1 years	13.2 years	-0.1 year

PHP Primary Health Properties

Income Statement

	31 December 2018 £m	31 December 2017 £m	Change %
Net rental income	76.4	71.3	+7.2%
Administrative expenses	(8.6)	(8.2)	
Performance incentive fee	(1.3)	(0.5)	
Operating profit before financing costs	66.5	62.6	+6.2%
Net financing costs	(29.7)	(31.6)	
EPRA earnings	36.8	31.0	+18.7%
Revaluation surplus and profit on sales	36.1	64.5	-44.0%
Fair value gain/(loss) on derivatives and convertible bond	1.4	(3.6)	
Profit before tax	74.3	91.9	-19.2%
EPRA earnings per share	5.2p	5.2p	unchanged
IFRS earnings per share	10.5p	15.3p	-31.4%

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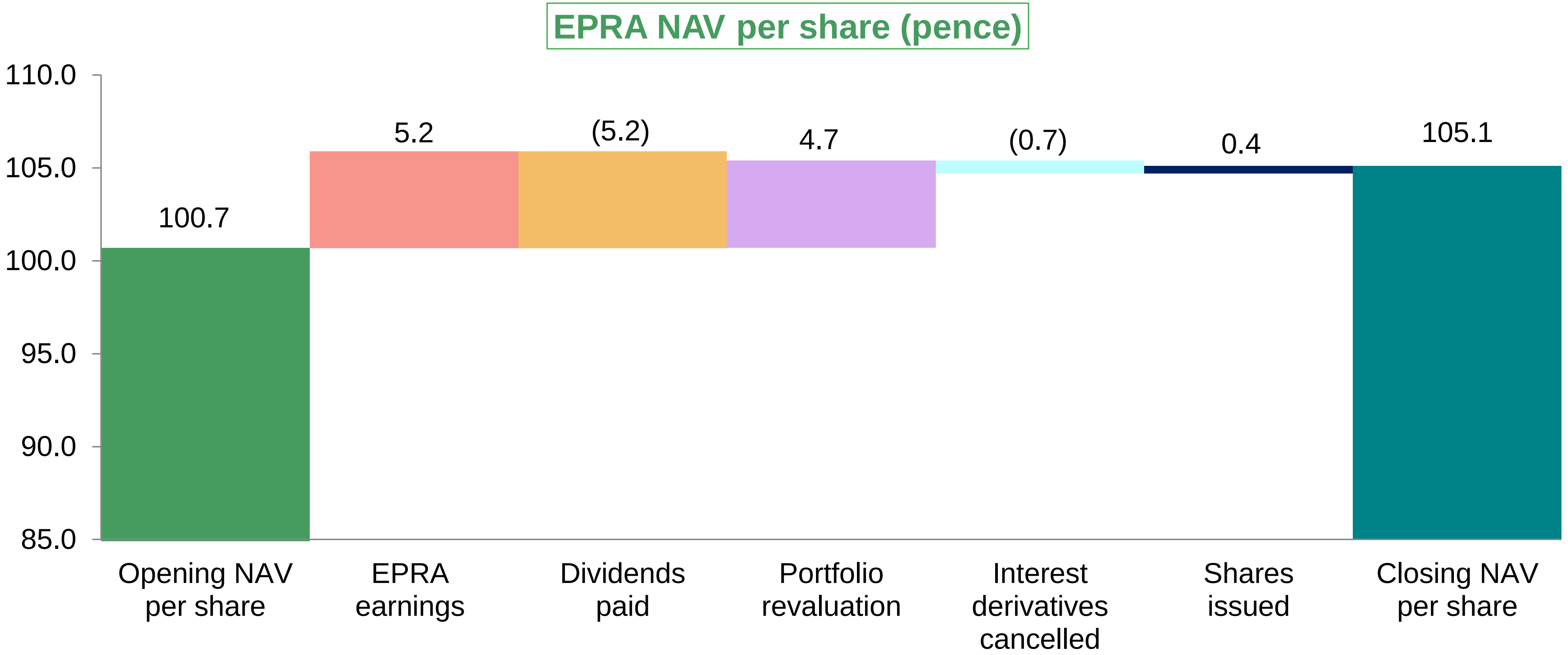
Balance Sheet Strengthened

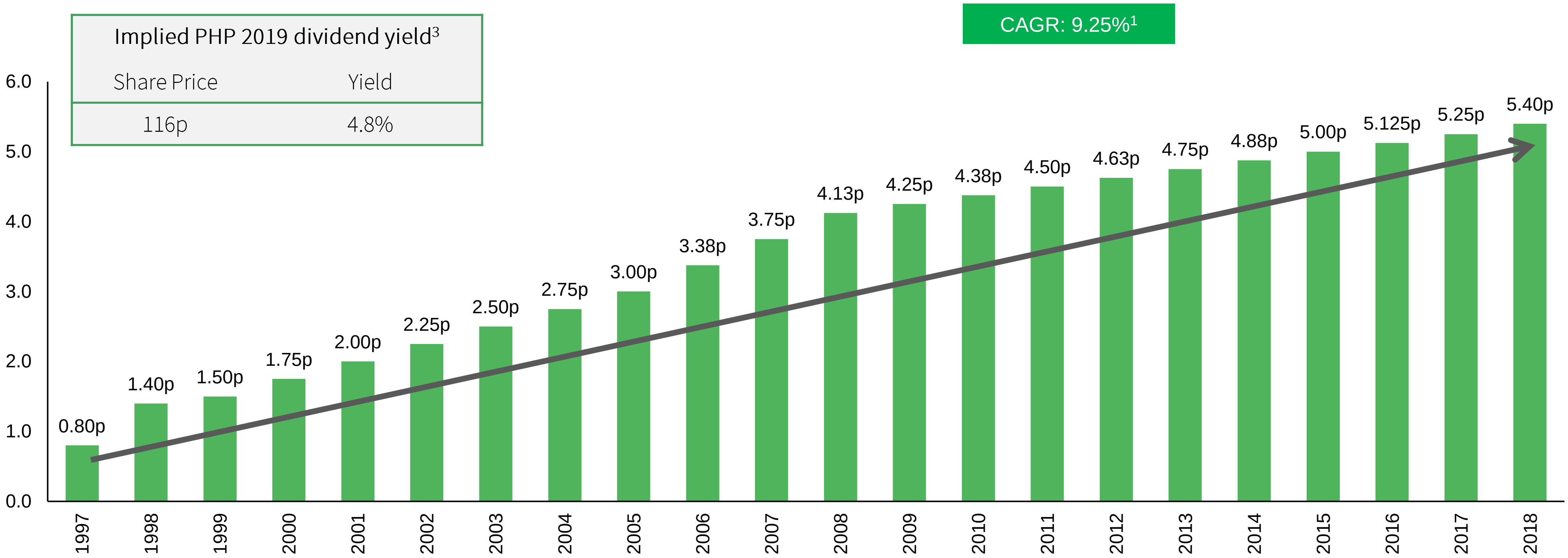


	2018	2017	Change
EPRA net assets	£809m	£624m	+29.6%
EPRA net asset value per share	105.1p	100.7p	+4.4%

Strong track record of dividend growth

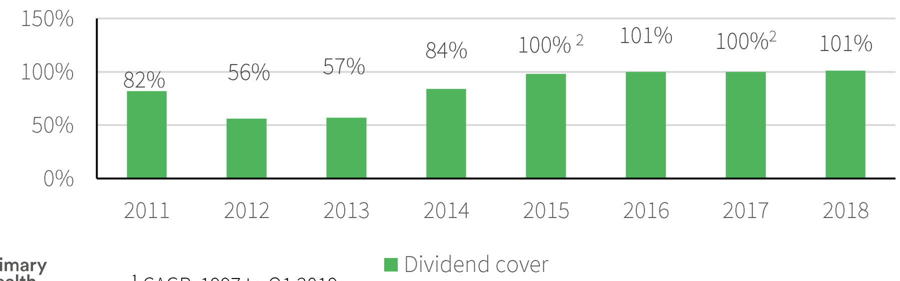
Historic dividend progression

Implied PHP 2019 dividend yield[3]	
Share Price	Yield
116p	4.8%



Dividend cover restored

Historic dividend cover



- ✓ 22nd successive year of dividend growth
- ✓ Dividend cover at 101% (104% excl. PIF)
- ✓ Total dividends paid increased by 16.6% in 2018
- ✓ Q1 2019 dividend 1.4p (equivalent to 5.6p annualised) a 3.7% increase and 23rd year of growth

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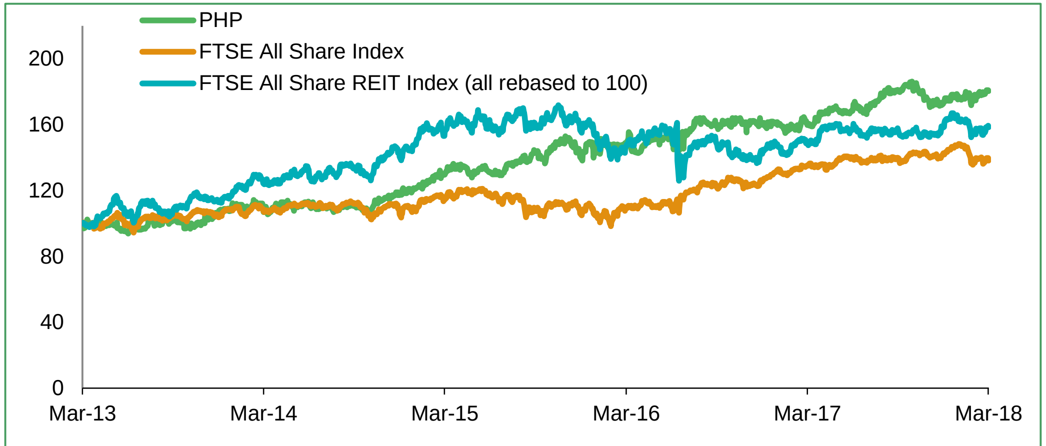
[1] CAGR: 1997 to Q1 2019
[2] 2017 dividend cover falls to 99% including the performance incentive fee (PIF) of £0.5m
[3] Based on Q1 2019 dividend of 1.4p declared per share and is illustrative only

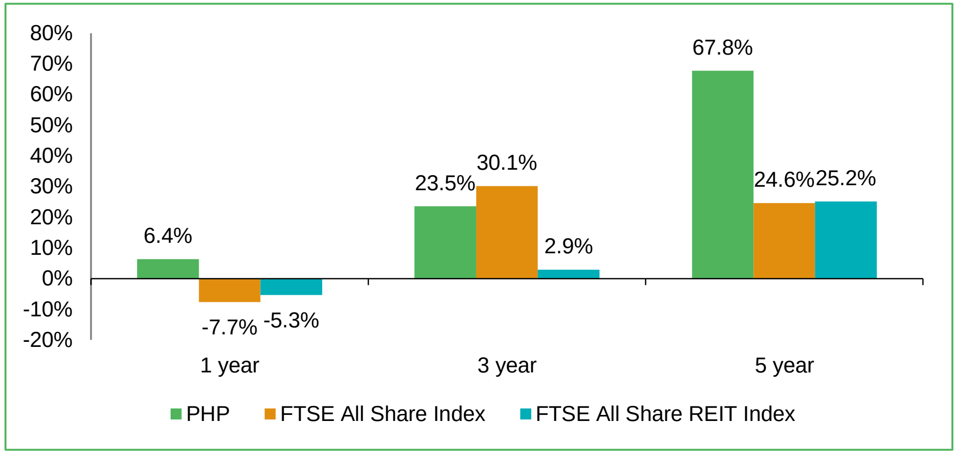
Strong track record of relative performance

- ✓ IRR over period since inception of 13.0%[1] (Average annual inflation (RPI) over period: 2.8%)
- ✓ Winner of the "Highest 10 Year Risk Adjusted Absolute Return" award by MSCI Investment Property Forum in March 2018

PHP 5 year relative TSR performance



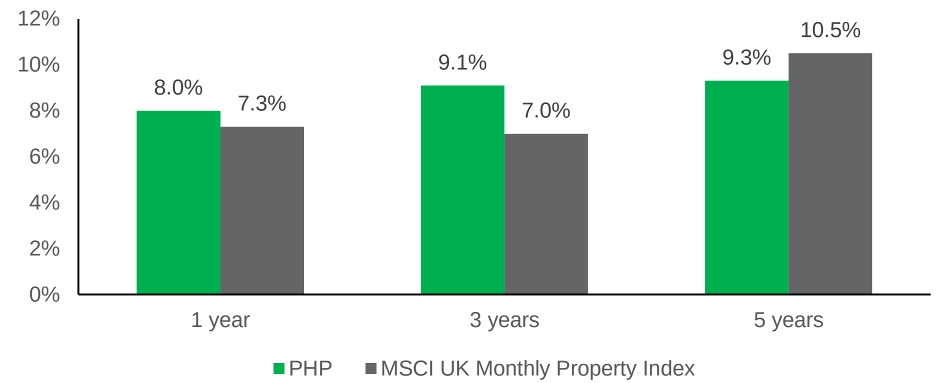
PHP TSR (absolute change) – 1yr / 3yr/ 5yr



CAGR total shareholder returns

	PHP	Assura	MedicX	EPRA UK
1 year	6.4%	(6.5%)	1.9%	(6.2%)
3 years	7.3%	6.0%	4.4%	0.4%
5 years	10.9%	12.4%	6.1%	4.2%
10 years	11.1%	7.9%	8.4%	11.6%
20 years	13.8%	-	-	6.1%

PHP TPR vs MSCI UK Monthly Property Index



Source: all data sourced from Thomson Reuters as at close 23 January 2019; IPD All Property Index sourced from Investment Property Databank

[1] IRR includes total dividends paid to 22 February 2019 of 78.75 pence and assumes the sale of the underlying ordinary shares at 115.8 pence, the closing mid market price as at 29 January 2019, having been issued at 25 pence (dividend and share issue price data adjusted where required to reflect four for one share sub-division in November 2015)

Our growing property portfolio

Investing the proceeds from the equity raise

Proceeds from £115m equity raise selectively deployed by acquiring eight properties and completing 16 asset management projects

UK

- Two assets acquired for £28m generating £1.2m p.a. of rental income
- Strong pipeline including £10m in legals and a further £80m in negotiation
- 16 asset management projects completed investing £4m and strong pipeline of 5 approved projects due to commence imminently and a further 36 projects being progressed avoiding future obsolescence and arresting WAULT decline
- Pipeline agreements with developers delivering forward funding transactions

Ireland

- Six assets acquired, including one forward funded development, for £77m (€87m) generating £4.7m (€5.3m) p.a. of rental income
- Strong pipeline including £20m (€22m) in legals and a further £80m (€89m) in negotiation
- Strong relationships developed with owners and developers to access pool of transaction potential

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Property portfolio

- Portfolio of 313 healthcare centres – valued at £1.5bn
- Average net initial yield 4.85% (2017: 4.91%)
- Average lot size increased to £4.8m (2017: £4.5m)
- 82% of portfolio valued at more than £3m
- Irish portfolio of 8 primary care centres – valued at €110m (including developments as complete)

Capital Value	Number	Value (£m)	%
> £10m	27	419	28%
£5m - £10m	61	420	28%
£3m - £5m	103	398	26%
£1m - £3m	121	263	18%
< £1m (incl. land £1.6m)	1	3	0%
Total	313	1,503	100%

Investment Acquisition

Celbridge Primary Care Centre, Co. Kildare Ireland

Tenants

Health Service Executive (HSE)
Centric Health Primary Care (5 GP's)
The Child & Family Agency (Irish Government)
Mangan Pharmacies Limited

Size	WAULT
3,500 sqm	23.9 years
Date purchased	**Number of GPs**
September 2018	5
Acquisition cost	**Rent review**
£11.6m (€13.0m)	Irish CPI

Investment Acquisition

Moredon Medical Centre, Swindon

Tenants

GP practice (5 GPs)
Lloyds Pharmacy

Size	WAULT
1,446 sqm	27.5 years
Date purchased	Number of GPs
June 2018	5
Acquisition cost	Rent review
£6.1m	OMV AND RPI

Development delivery

Bray Primary Care Centre, Ireland

Tenants
Health Service Executive (HSE)
GP practice (5 doctors)
Pharmacy
Coffee shop

Size
4,800sqm

Completion date
Autumn 2019

Development Cost
£20.0m (€22.5m)

WAULT
24.8 years

Rent Reviews
Irish CPI

Primary Health Properties

Asset management activities adding value

High quality recurring income....

Key characteristics of the portfolio

Average lease length of 13.1 years	99.8% Occupancy	Strong tenant covenant – 91% of rent roll paid directly/indirectly by the Government	The majority of leases have effectively upward only rent reviews	31% of portfolio on fixed or indexed uplifts. 69% OMV review, typically every three years

...these characteristics result in highly visible cash flows and stable valuation yields

- Contracted rent roll of £79.4m p.a.
- L4L rental growth of £1.3m p.a. or 1.8% from rent reviews and asset management projects completed in 2018 accounting for approximately 60% of revaluation surplus in the year
- Rate of rental growth expected to improve in future years
- Rental growth driven by development activity, inflation and specification creep
- Asset management projects arrest WAULT decline - 13.1 years (2017: 13.2 years)

Long leases with growth potential

Effectively upward only rent roll

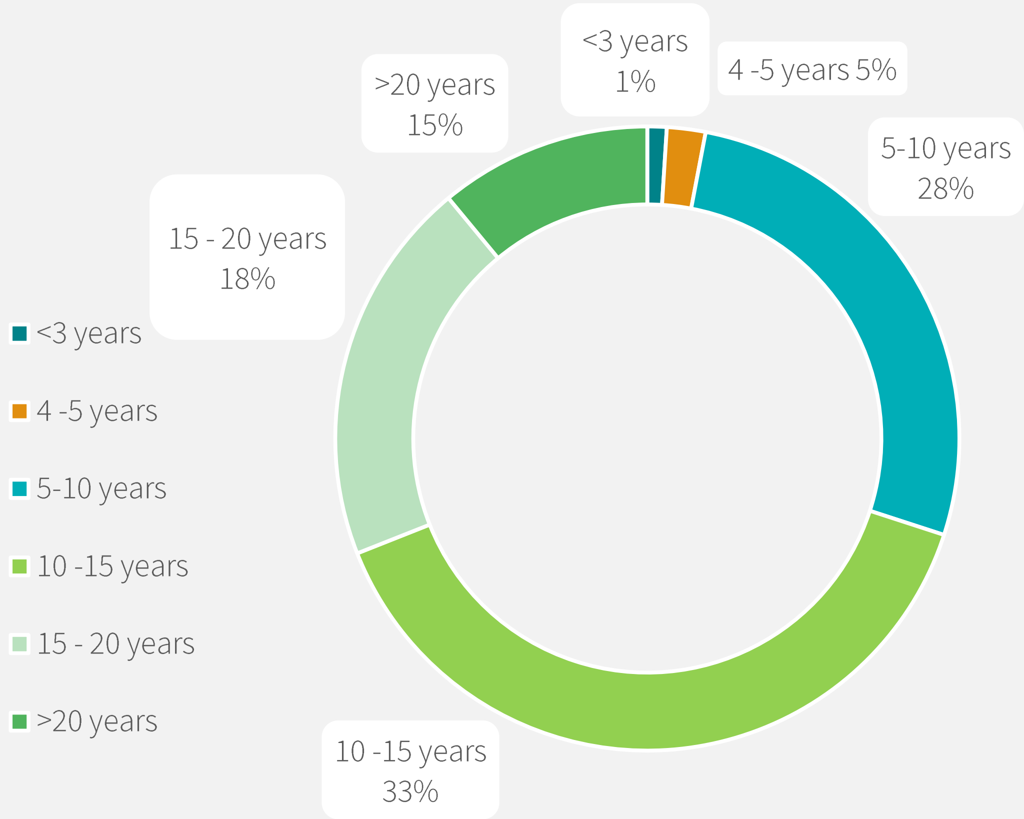
Total weighted average rental growth 1.4%

- 8% on fixed uplift (ave. 2.6% p.a.)
- 23% index linked (ave. 2.7% p.a.)
- 69% reviewed to open market (ave. 0.4%)

Drivers of rental growth

- Increased development activity
- Building cost inflation
- Reducing the NHS carbon footprint
- Specification creep
- Building regulations
- Replacement cost

Analysis of leases unexpired by rent roll – WAULT 13.1 years



Asset Management Project

Fell Tower Medical Centre, Gateshead

Refurbishment of the large multi-purpose room on the lower ground floor to create 5 consulting rooms and new patient waiting area. Total capex. £0.2m. New 25 year lease on the whole property. 5 week programme completed in August 2018.

Fell Tower Medical Centre

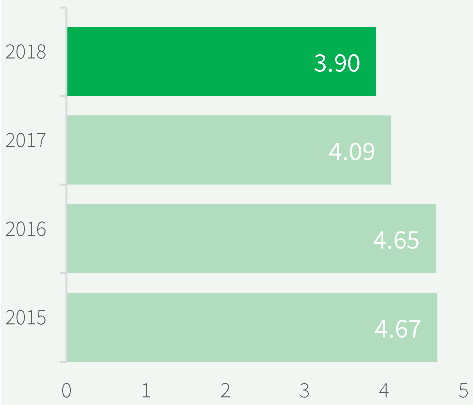
Proposed Alterations

Funding, diversity and longevity

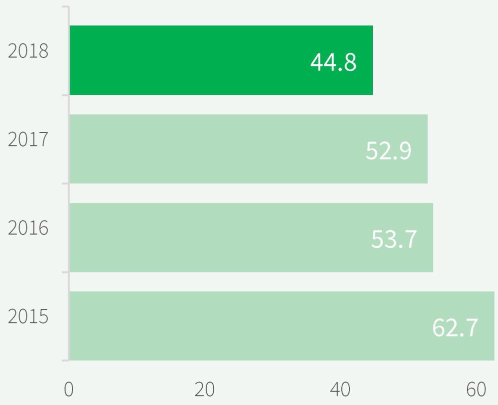
Delivering financial management

- Low marginal cost of debt 2.6%
- 98% of debt fixed or hedged
- 2.5% €51m private placement loan note issued with a weighted average maturity of 10.4 years
- £40m (£46m incl. PPE) convertible bonds converted saving £2.0m p.a.
- Repayment of £75m retail bond (July 2019) and conversion of remaining convertible bonds (May 2019) will save £2.8m p.a. and result in the weighted average cost of debt falling further in 2019
- £70m 4.76% SWAP cancelled for £5.0m (equivalent to 0.7p per share) cancelled for two years, saving £2.5m p.a.
- £30.6m revolving credit facility signed with Santander further diversifying the number of lending banks

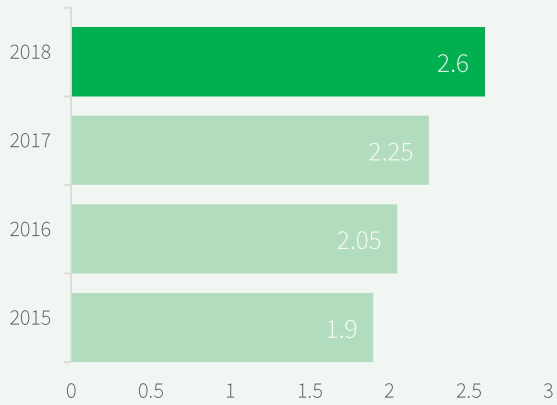
Cost of debt (%)



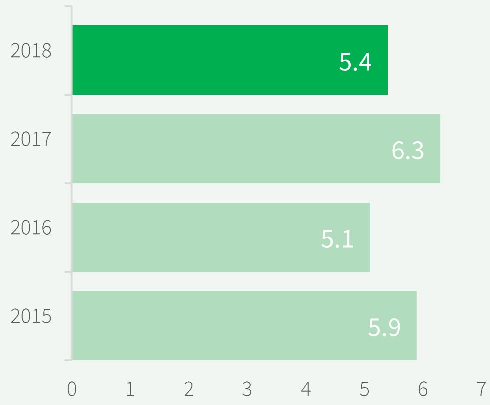
Loan to value ratio (%)



Interest cover ratio

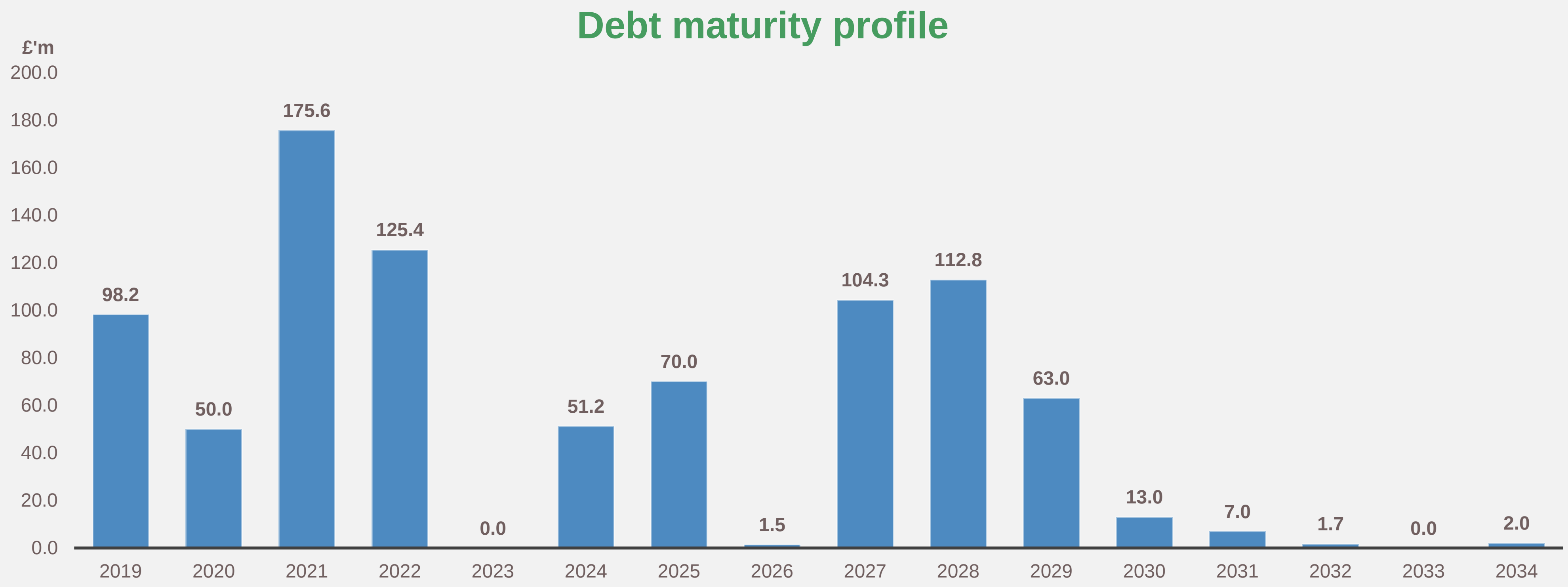


Debt maturity (years)



Debt Maturity

- Weighted maturity period increased to: 5.4 years (2017: 6.3 years) rising to 6.0 years excluding the retail and convertible bond
- 2019: £75m retail bond @ 5.38%, £23.2m convertible bond @ 4.25% (a further £6.2m converted ppe)
- 2020: £50m HSBC
- Positive discussions with institutional lenders to secure additional, longer term secured debt facilities



Positive Outlook

Stronger platform with increased scale and resources

Compelling strategic, operational and financial rationale for the merger	✓ Highly complementary portfolios, the combined business will present a stronger platform with greater scale and financial resources ✓ Combination expected to create significant value for both MedicX and PHP shareholders ✓ Operational and investment management synergies leading to a reduced EPRA cost ratio, as well as medium term financing savings
Low risk, long-term, non-cyclical market	✓ Continued disciplined-approach to acquisitions and asset management initiatives avoiding asset obsolescence ✓ Increased opportunities in the UK and Ireland ✓ Majority of rents in both jurisdictions funded by government for long lease terms
Strong, high quality and growing cash flows	✓ Positive yield gap between acquisition yield and funding costs ✓ Effectively upward-only or indexed rent reviews with improving outlook ✓ Simple and transparent cost structure enhancing earnings
Adding value and reducing costs	✓ Continued organic rental growth from rent reviews and asset management projects ✓ Proactive approach to refinancing to access lower cost of funds over the medium term ✓ EPRA cost ratio expected to be the lowest in the UK REIT sector ✓ Underlying investment characteristics make the enlarged group attractive to investors
Sector demand factors dictate continued development of healthcare premises	✓ Healthcare demand increasing due to ageing and growing population ✓ Unwavering political support in UK and Ireland and promotion of integrated care ✓ Historic underinvestment in primary care estate - in need of replacement and modernisation
Stable, increasing returns	✓ Growing shareholder return through dividend increase and capital appreciation ✓ Progressive dividend policy covered by improved earnings outlook ✓ Strong yield characteristics, low volatility

Appendices

MedicX transaction structure & timetable

Transaction structure

- MedicX shareholders to receive 0.77 PHP shares for every MedicX share held
- All share merger to be effected by means of a Scheme of Arrangement by MedicX
- Based on PHP's closing share price on 23 January 2019 of 115.2p the merger values MedicX shares at 88.7p or a 14.3% premium to MedicX's closing share price on the same date of 77.6p and a 8.5% premium to MedicX's last reported EPRA NAV as at 30 September 2018
- In addition, MedicX shareholders will be entitled to receive and retain the MedicX quarterly dividend in respect of the period October to December 2018 having a record date of the earlier of a) the ordinary course MedicX record date; and b) the date for calculating entitlements under the Scheme
- Existing MedicX shareholders will own approximately 30% of the Enlarged Group
- 442.9m MedicX shares currently in issue (excluding treasury shares which will be cancelled at completion) resulting in approximately 341m new shares in PHP being issued valuing the whole of MedicX at £392.9m
- Total PHP shares in issue will increase to c.1.1bn upon completion
- Pro-forma market capitalisation of the Enlarged Group in excess of £1bn at PHP's closing share price of 115.2p (as at 23 January 2019)
- The merger constitutes a Class 1 transaction for PHP requiring shareholder approval

Illustrative timetable

- 24 January – Rule 2.7 announcement of the proposed merger
- Early February – PHP Class 1 circular & Prospectus and MedicX Scheme Document posted to respective shareholders
- Early March – Shareholder meetings of both PHP and MedicX
- Mid to late March – closing of the transaction

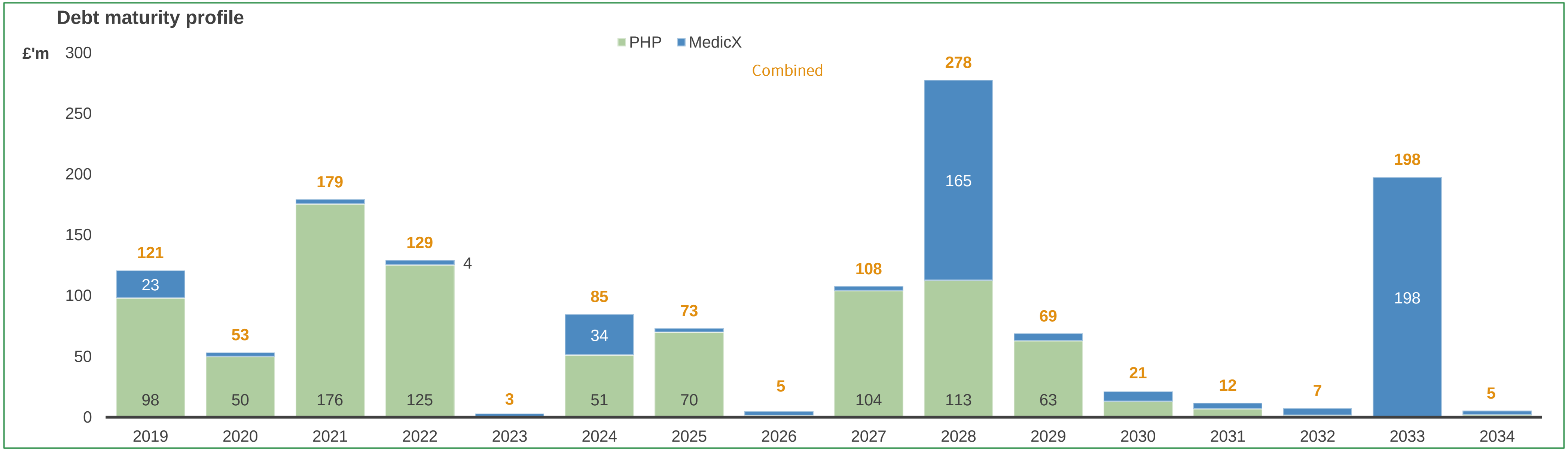
Complementary property portfolios with attractive characteristics

	PHP[1]	MedicX[1]	Pro-forma
Total number of properties	313	166	479
Including properties in Ireland	8	5	13
Investment portfolio value (£bn)	1.5	0.8	2.3
Contracted rent roll (£m)	79	44	123
Net initial yield (NIY)	4.85%	4.85%	4.85%
Average lot size (£m)	4.8	4.8	4.8
Average WAULT (years)	13.1	14.2	13.5
Occupancy	99.8%	99.0%[2]	99.5%
Government backed rent	91%	90%	91%

[1]Source: PHP data as at 31 December 2018 full year results; MedicX data as at 30 September 2018 full year results.
[2]As at 31 March 2018.

Debt summary

- ✓ Financing policies unchanged – with broad range of lending partners and 97% of debt fixed or hedged
- ✓ Total debt facilities £1.3bn[1]
- ✓ Drawn net debt £1.1bn[1]
- ✓ Undrawn net debt of £220m (£202m after capital commitments)[1]
- ✓ Group pro-forma LTV 47.8% or 46.9% excluding convertible bonds[1]
- ✓ Average cost of debt 4.0%[1]
- ✓ Long weighted average debt maturity of over 8 years
- ✓ MTM values of fixed rate debt and derivatives £69m or 6.2p per share (PHP £42m, MedicX £27m)[1]



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[1]Source: PHP data as at 31 December 2018 full year results; MedicX data as at 30 September 2018 full year results.

Management and revised fee structure

Board of directors and management

- ✓ Helen Mahy and Laure Duhot of the MedicX Board are expected to join the board of the enlarged group at completion, with Nick Wiles and Geraldine Kennel stepping down. Helen Mahy is expected to be the Senior Independent Director and Deputy Chairman of the enlarged group
- ✓ All relevant employees of Octopus Healthcare to be offered roles at the Nexus Group, with effect from completion. Transfer of experienced Octopus employees will help to minimise potential integration risk and business disruption

Transitional services agreement (“TSA”)

- ✓ Octopus Healthcare has entered into a transitional services agreement with MedicX and Nexus to provide for an orderly handover to Nexus
- ✓ Under the terms of the TSA, Nexus has undertaken to comply with TUPE obligations
- ✓ MedicX’s investment management agreement with Octopus Healthcare will be terminated
- ✓ Octopus Healthcare will be entitled to a contractual termination payment of approximately £10m

Principal amendments to existing advisory agreement with Nexus[1]

- ✓ Combined asset portfolio will benefit from lower external management fees (as a % of portfolio value)
- ✓ PHP’s current marginal property fee is 0.275% which will apply to future acquisitions until the portfolio, excluding MedicX as below, reaches £1.75bn at which point the fee scale will fall to 0.250% and then 0.225% above £2.0bn and 0.200% above £2.25bn
- ✓ The amendments described below are conditional on completion and PHP shareholder approval
- ✓ Nexus will charge a property management fee at 0.225% on the whole MedicX portfolio at acquisition for a period of 5 years, after which PHP’s marginal property fee scale will apply
- ✓ Nexus will also contribute £2.5m to PHP, payable over 5 years (£0.5m p.a.), to partly compensate MedicX for the termination payment in relation to the existing MedicX IMA
- ✓ This equates to a total management fee saving of £3.0m[2] p.a. as compared to the current combined standalone fees payable by each company
- ✓ Nexus’s rolling two year notice period commences three years from completion

PHP Primary Health Properties

[1]Note: Under a separate deed, PHP will also indemnify Nexus up to £3.75m in relation to potential employment liabilities arising from the termination of the MedicX IMA.
[2]Note: this includes £0.8m of additional property management fee savings.

Nexus's revised fee base

- MedicX portfolio at acquisition (£808m[1]) charged at a flat rate of 0.225% p.a. or £1.8m p.a.
- This equates to a total management fee saving of £3.0m p.a. in the first full year of operation as compared to the current combined standalone fees payable by each company
- No change to the Performance Incentive Fee ("PIF") arrangements
- PHP's incremental fee rates for advisory fee applicable to existing portfolio excluding MedicX

Gross asset value	Fee rate
First £250m	0.500%
Between £250m and £500m	0.475%
Between £500m and £750m	0.400%
Between £750m and £1bn	0.375%
Between £1bn and £1.25bn	0.325%
Between £1.25bn and £1.5bn	0.300%
Between £1.5bn and £1.75bn	0.275%
Between £1.75bn and £2.0bn	0.250%
Between £2.0bn and £2.25bn (plus MedicX portfolio £808m[1])	0.225%
Above £2.25bn	0.200%

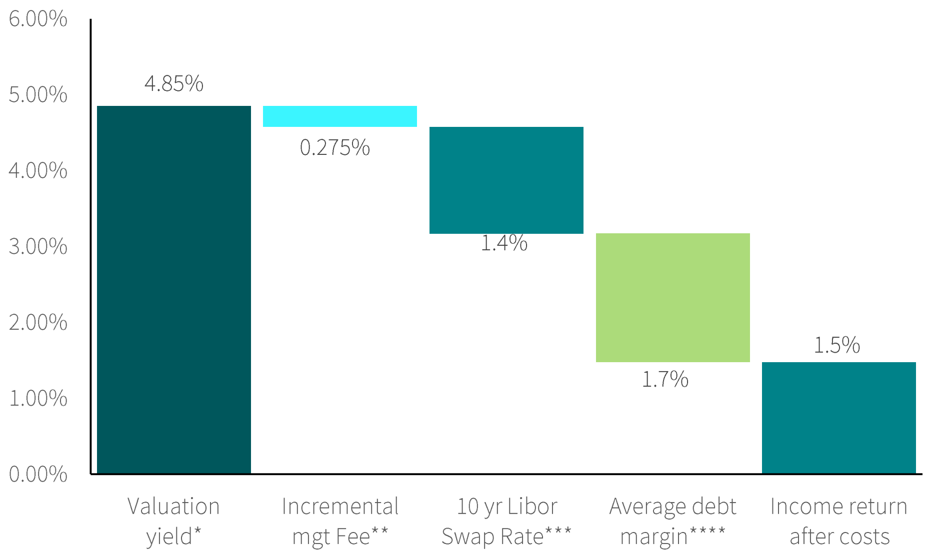
(1) MedicX data as at 30 September 2018 full year results.

PHP Primary Health Properties

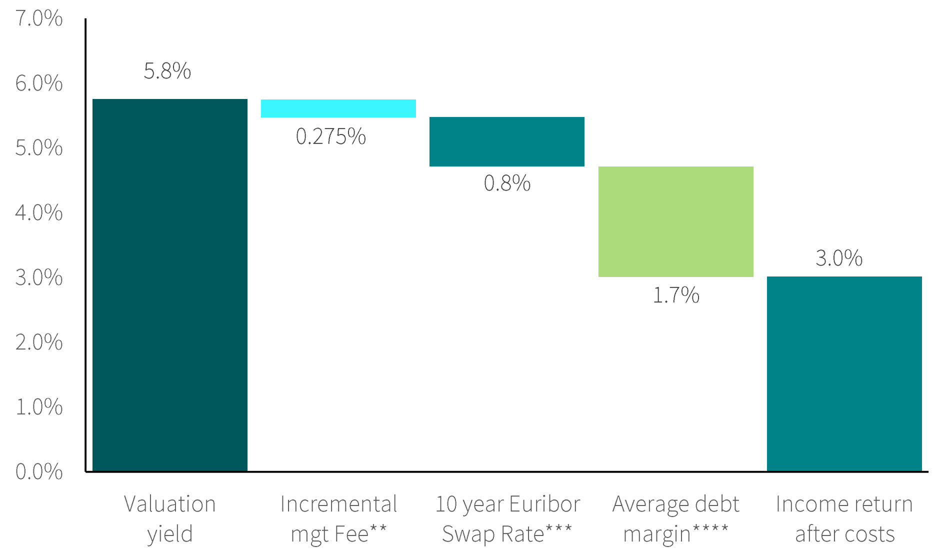
Positive Yield Gap

Illustrative yield gap on property investment

1. Net margin over funding cost – UK Acquisitions



2. Net margin over funding cost – Ireland



* PHP portfolio valuation yield 31 December 2018 (used as proxy for market purchases)
*** Sourced from JC Rathbone – 31 December 2018
**** Company incremental margin on debt facilities

Spread of Funding Sources

	Secured Facilities												Unsecured facilities[1]	
Provider	HSBC	Lloyds	Barclay / AIB	RBS	Aviva	Secured bond	Secured bond	Aviva	Aviva	Santander	Euro PP	Aviva	Convert. bond	Retail bond
Tenor	Bullet	Bullet	Bullet	Bullet	Bullet	Bullet	Bullet	Bullet	Bullet	Bullet	Bullet	Amort'n	Bullet	Bullet
Expiry	July-2020	Dec-2021	Jan-2021	Mar-2022	Dec-2022	Dec-2025	Mar-2027	Nov-2028	Aug-2029	Jul-2021	Dec 2028-2030	Jan-2032	May-2019	Jul-2019
Facility	£50m	£30m	£115m	£100m	£25m	£70m	£100m	£75m	£113m	£31m	£46m (€51m)	£23m	£17m	£75m
Drawn	£nil	£nil	£55m	£65m	£25m	£70m	£100m	£75m	£113m	£9m	£46m (€51m)	£23m	£17m	£75m
Collateral[2]	£57m	£58m	£220m	£224m	£44m	£131m	£183m	£137m	£198m	£64m	£77m	£46m	-	-
Passing Rent	£3m	£3m	£11m	£11m	£3m	£7m	£10m	£7m	£10m	£3m	£4m (€5m)	£3m	-	-
LTV Max	55%	65%	60%	55%	70%	74%	70%	70%	70%	65%	70%	70%	-	-
LTV actual	n/a	n/a	25%	30%	37%	54%	55%	55%	57%	14%	59%	50%	-	-
ICR Min	1.4x	1.75x	1.5x	1.5x	1.6x	1.15x	1.15x	1.6x	1.2x	1.75x	1.15x	1.6x	-	-
ICR actual	n/a	n/a	5.5x	5.7x	2.6x	3.4x	3.3x	3.2x	1.9x	7.2x	3.4x	1.12x	-	-

1. Excludes unsecured £5m overdraft facility
2. Includes only assets mortgaged to the applicable facility

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