Full Year Results – year ended 31 December 2014

Investing in the future of integrated healthcare

Primary Health Properties PLC (PHP.L)
A dedicated healthcare REIT
www.phpgroup.co.uk

Company overview

Primary Health Properties PLC (“PHP”) is a UK Real Estate Investment Trust (“REIT”) with a successful track record of investing in the healthcare real estate sector in the UK since its formation in 1995. PHP works with General Practitioner groups and the UK National Health Service to develop and retain purpose built healthcare facilities that are predominantly leased, directly or indirectly, on long term contracts to the UK Government.

PHP funds its investment through a prudent mix of shareholder equity and debt in order to generate a leveraged return to its investors. Shareholders returns are delivered through a combination of a progressive dividend and share price growth. PHP has grown its dividend for 18 successive years.

AGENDA

Review of the year
Financial Results
Portfolio
Funding
Experienced Management
Outlook

Primary Health Properties PLC
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A year of growth

- Growth in income
  - Net rental income increased by 42.5% to £59.3m (2013: £41.6m)
  - Average annualised uplift on rent reviews completed 1.8% (2013: 2.2%)
  - Annualised rent roll increased by 5.7% to £60.9m (2013: £57.6m)
- Growth in earnings
  - Profit before taxation increased by 83% to £36.9m (2013: £20.2m)
  - EPRS earnings per share increased by 116% to 16.4p (2013: 7.6p)
- Growth in dividend
  - Total dividend paid increased by 2.6% to 19.5p per share (2013: 19.0p)
  - Dividend cover rises to 84% (2013: 57%)
  - 10.0p per share payable on 1 April 2015, record date 27 February 2015

A year of growth

- Portfolio growth
  - Gross assets increased by 9.0% to £1.03bn (2013: £941.6m)
  - Valuation surplus of £29.2m (2013: £2.3m), like-for-like growth of 3.2%
  - Net portfolio initial valuation yield 5.52% (2013: 5.65%)
  - Including development properties portfolio now £1.04bn
- Shareholder value
  - EPRA NAV per share increased by 6.3% to 319p (2013: 300p)
  - Total EPRA shareholder return(1) of 12.8%

(1) EPRA return calculated as increase in NAV plus dividends paid as a percentage of opening NAV per share

A year of cost reduction

- Reducing debt costs
  - Fully refinanced £178m debt acquired with PPP portfolio, rate reduced by 100bps
  - Unsecured Convertible Bond issued in May 2014
    - £82.5m, five year bond, coupon 4.25%, conversion price 390p per share
  - 24% of debt now on an unsecured basis
  - £235m of bank facilities restructured in August with lending margins reduced by an average of 55bps
- Reduced management costs
  - Provision of property advisory and administrative services consolidated
  - Total Expense Ratio reduced to 69bps (2013: 88bps)

Delivering on strategic objectives

- Shareholder returns increased
  - Progressive dividend policy maintained, cover increased to 84% (2013: 57%)
  - Total EPRA shareholder return 12.8% (2013: 4.6%)
- Continued portfolio growth
  - Portfolio now 265 assets, £43m acquired in 2014, £2.4m rent
  - Strong acquisition pipeline in solicitors hands or terms agreed
- Effective and efficient management
  - Eight projects completed in 2014
    - £4.4m capex; £0.3m p.a. income added; average 16 years additional lease term
  - Management cost rates reduced with full year impact in 2015
- Diversified, long term funding
  - £500m refinanced or restructured in 2014
  - Wider spread of debt providers
  - Average facility duration extended to 6.2 years

FINANCIAL RESULTS

Primary Health Properties PLC
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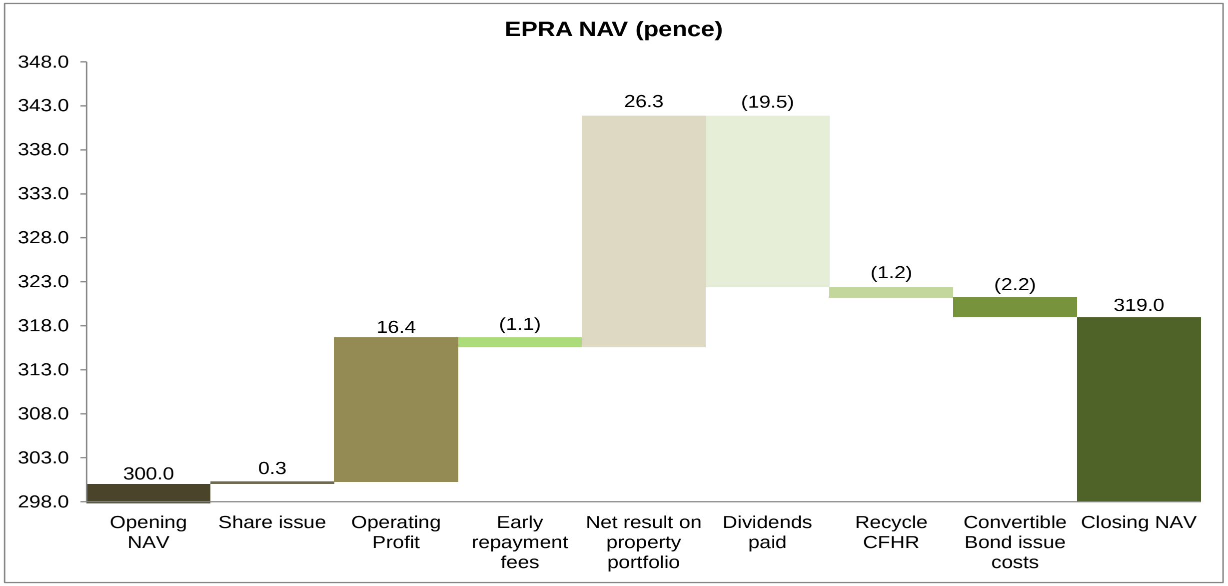
Results in brief

	2014 £m	2013 £m
Net rental income	**59.3**	**41.6**
Administrative expenses	(6.8)	(6.1)
Operating profit before revaluation gain and financing	**52.5**	**35.5**
Net financing costs	(34.3)	(26.0)
Non-recurring operating costs[1]	-	(2.7)
EPRA earnings	**18.2**	**6.8**
Net result on property portfolio	29.2	2.3
Profit on sale of finance lease	-	0.6
Early loan repayment fee	(1.2)	(0.9)
Fair value (loss)/gain on interest rate derivatives	(2.4)	11.4
Fair value (loss)/gain on convertible bond	(4.5)	-
Non-recurring: convertible bond issue costs	(2.4)	-
Profit before tax	**36.9**	**20.2**
EPRA earnings per share	**16.4p**	**7.6p**

(1) Payment of contractual services agreement termination payment

Balance Sheet

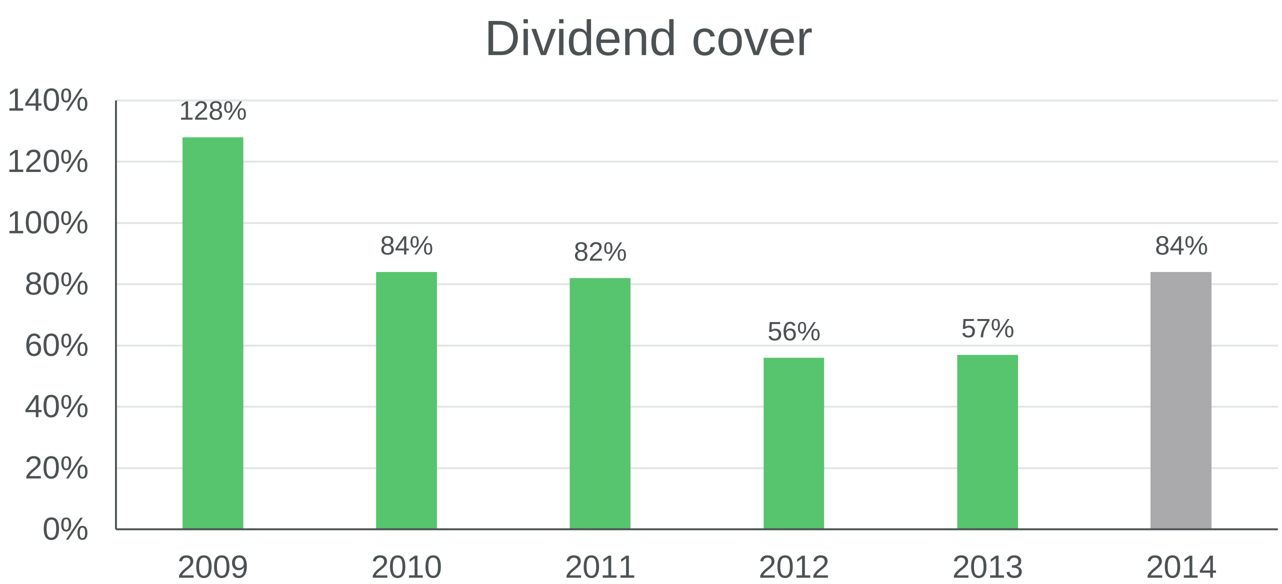
	31 December 2014	31 December 2013
EPRA Net Assets	£354.6m	£330.9m
EPRA net asset value per share	319.0p	300.0p
Property portfolio[(1)]	£1,026.3m	£941.6m
Net Debt	£658.1m	£579.7m
LTV	64.1%	61.6%
Future minimum lease payments receivable[(2)]	£885m	£867m



(1) Book value i.e. net of development property commitments to be paid (£11.2 m)
(2) Completed assets only. Does not reflect any uplift on review

Dividend growth, increased cover

- 18th successive year of dividend growth
  - 19.5p per share paid in 2014, a 2.6% increase over total paid in 2013 (19.0p)
- Significant increase in dividend cover to 84% (2013: 57%)
- First interim dividend declared for 2015 – 10.0p per share[1]



[1] – record date 27 February 2015, payment date 1 April 2015

Relative performance

- PHP total FTSE shareholder return[1] for 1, 3 and 5 years compared to indices

	1 year	3 years	5 years
Primary Health Properties	10.9%	12.6%	14.0%
FTSE All-Share Real Estate Index	23.7%	31.1%	17.7%
FTSE All-Share Index	1.2%	12.4%	10.4%

Source: Bloomberg

- PHP annualised total property compared to IPD All Property benchmark for 1, 3 and 5 years

	1 year	3 years	5 years
Primary Health Properties	8.9%	7.1%	8.3%
IPD All Property Index	18.6%	7.3%	8.0%

Source: IPD

(1) Total FTSE return is movement in share price in period plus dividends paid as percentage of opening price

PORTFOLIO

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Property portfolio

- 265 healthcare centres – 260 completed and owned, 5 under development
- Portfolio value (incl. commitments) – £1.04bn – net initial yield 5.52%
- Average lot size - £3.9m; average age of buildings – 9 years
- Annual contracted rent roll - £60.9m(1); 99.8% occupancy rate
- Average unexpired lease term – 15.3 years

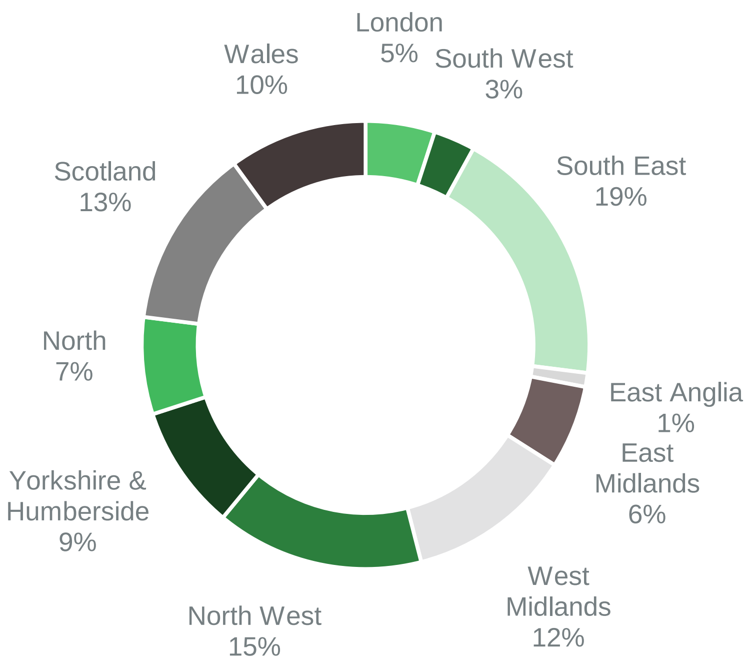
Capital value	No. of assets	Value (£'m)	% of portfolio
£10m +	13	198.8	19.2%
£5 - £10m	39	260.9	25.1%
£3 - £5m	77	290.4	28.0%
£1 - £3m	133	284.2	27.4%
£0 - £1m	3	2.7	0.3%
Total	**265**	**1,037.0**	**100.0%**

(1) Including development properties

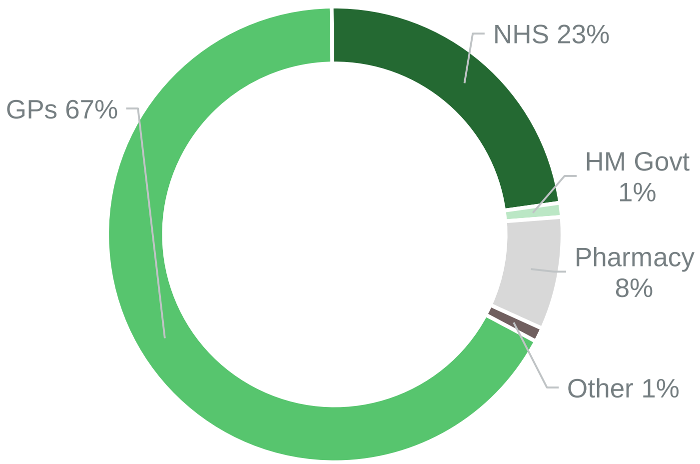
Portfolio analysis by rent

- 260 completed assets spread across the UK
- 91% of rental income directly or indirectly from UK Government

Wide geographical spread



Strong rental covenant



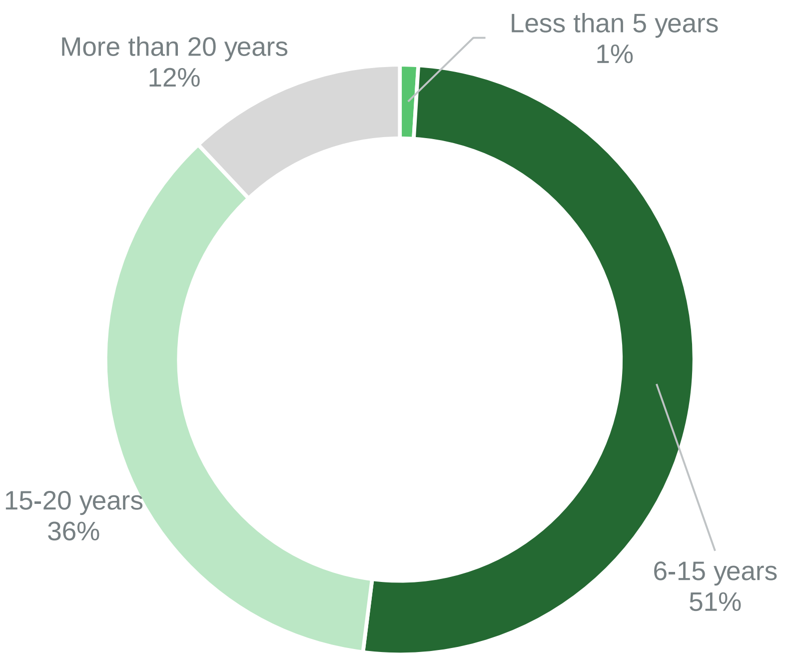
Long leases with growth potential[1]

- 48% of rent with more than 15 years remaining
- 135 reviews completed in 2014 generated additional rent of £0.6m per annum
- Average increase 1.8% p.a. (2013: 2.2%)
- Effectively upward only rent roll[2]
  - 4% on fixed uplift (ave. 2.75% p.a.)
  - 19% index linked (ave. floor 2% p.a.)
  - 77% reviewed to open market

Drivers of Rental Growth

- Reducing the NHS carbon footprint
- Specification creep
- Building regulations
- Replacement cost
- Building cost

Analysis of leases unexpired by rent roll



(1) Data for completed properties only
(2) Rental agreements have upward and downward provisions however a review can only be instigated by the landlord.

Investment acquisition

Hume Street Medical Centre, Kidderminster

- **Tenants:** 2 GP Practices and pharmacy
- **Date acquired:** August 2014
- **Date built:** October 2012
- **NIA:** 2,387 m²
- **Acquisition Cost:** £11.0m
- **Patient list size:** 25,493

Development commitment - 2014

The Fountains Health Centre, Chester

- **Tenants:** 4 GP Practices and pharmacy
- **Date committed:** February 2014
- **Expected completion:** March 2015
- **NIA:** 5,754 m²
- **Total Cost:** £18.5m
- **Patient list size:** 24,235

Development Delivery - 2014

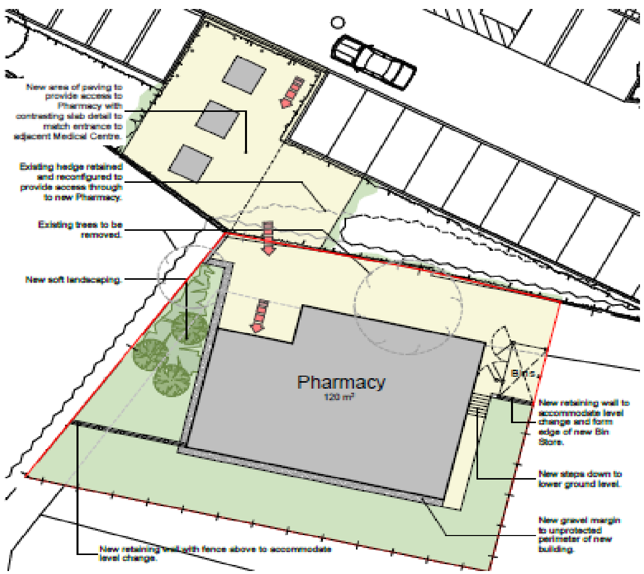
Lion Medical Centre, Stourbridge

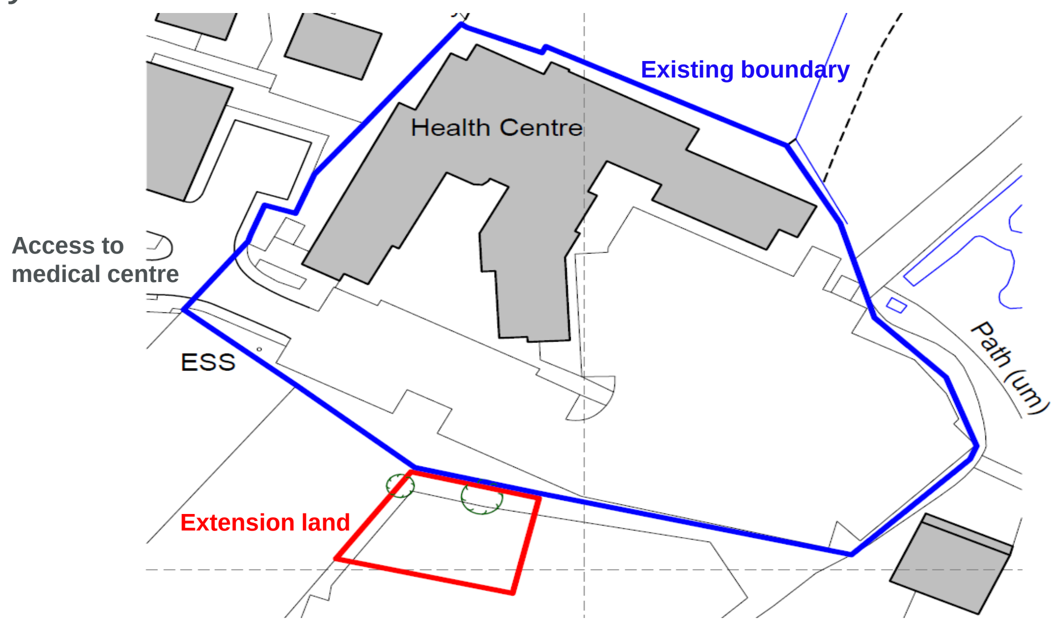
- **Tenants:** GP Practice and Pharmacy
- **Constructed:** March 2014
- **NIA:** 2,600 m²
- **Value:** £9.4m
- **Patient list size:** 29,500

Asset Management Projects

Cowbridge, Cardiff – On site January 2015, completion due May 2015

A development project at the Cowbridge Medical Centre, near Cardiff in South Wales to construct a 120 sqm pharmacy unit pre-let to Lloyds Pharmacy for a 17 year term from completion. The project has required the purchase of a parcel of land adjoining the existing medical centre and the relocation of a pharmacy licence. The project will cost a total of £0.5m and generate a cash yield of 7%.

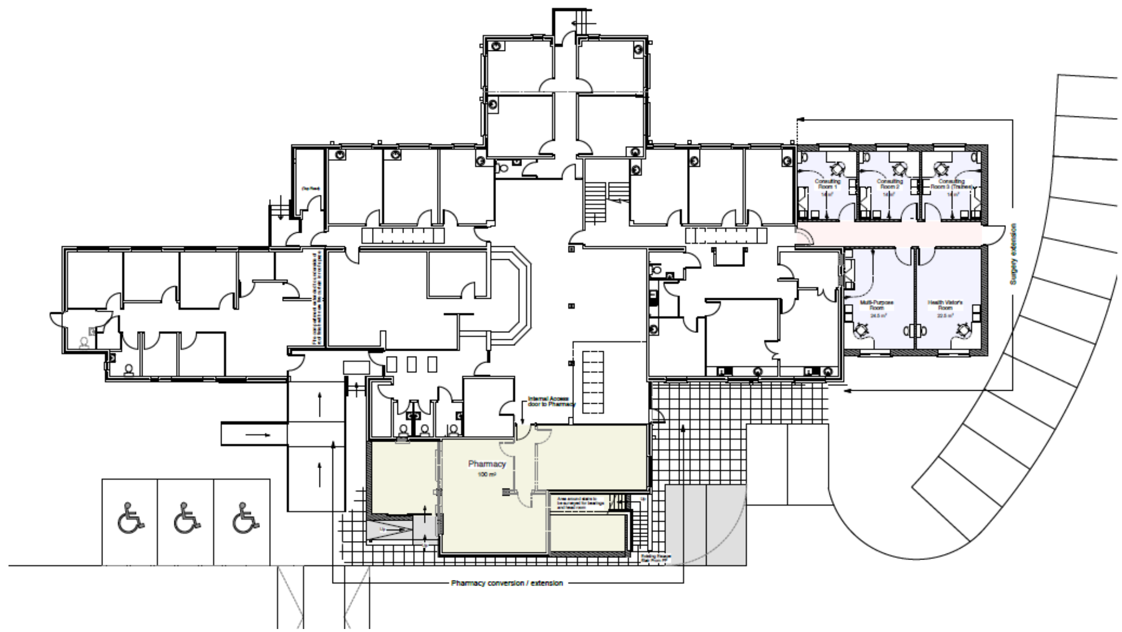




Asset Management Project

Hornchurch, Essex – On site October 2013, completion October 2014

Extension of a medical centre housing a GP practice and dental unit and the creation of a new pharmacy. Providing new 5 consulting rooms for the GPs and dentist to provide expanded services for the local community. New 25 year lease entered into upon completion (old leases had 12 years remaining). Capital invested £0.6m, cash yield 6%.



FUNDING

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Secure Long Term Funding

	2014 £m	2013 £m
Total debt facilities		
Secured	**628.9**	589.0
Unsecured	**157.5**	75.0
	786.4	664.0
Average maturity of debt facilities	**6.2 years**	5.8 years
Net debt		
Drawn debt	**670.1**	589.0
Cash on deposit	**(12.0)**	(9.3)
	658.1	579.7
Total collateral	**1,026.2**	941.6
Group Loan to Value ratio	**64.1%**	61.6%
Development commitments – cost to complete[1]	**11.2**	17.1

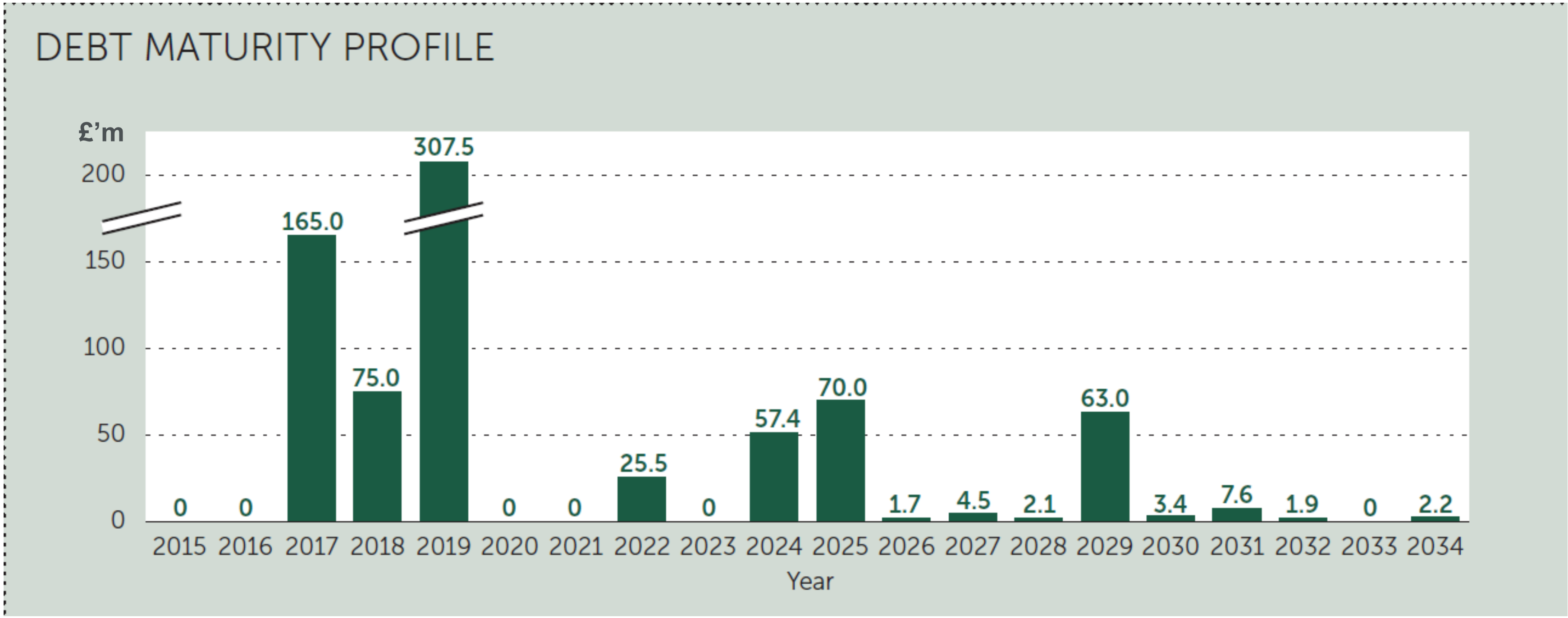
(1) Not reflected in total collateral balance

Funding activity

- Debt assumed with PPP acquisition refinanced to lock in lower fixed rates:
  - New £50m, ten year and £63m, fifteen year facilities with Aviva
  - Interest rate reduced by an overall 100 bps
- New five year £50m revolving debt facility completed with HSBC:
  - Initial margin of 200 bps
  - £15m tranche to match forward funding commitments
- £82.5m, unsecured convertible bond 2019 issued in May 2014
- Further restructuring completed August 2014:
  - Extended facility terms for £235m of bank debt
  - Secured additional £30m headroom for 5 year term
  - Average margin reduction of 55 bps locked in
- Composition of debt portfolio significantly changed with 24% drawn on an unsecured basis

Maturity of Debt

- Weighted maturity period at 31 December 2014 – 6.2 years (2013: 5.8 years)
- Discussions commenced to extend Club facility due to mature in 2017



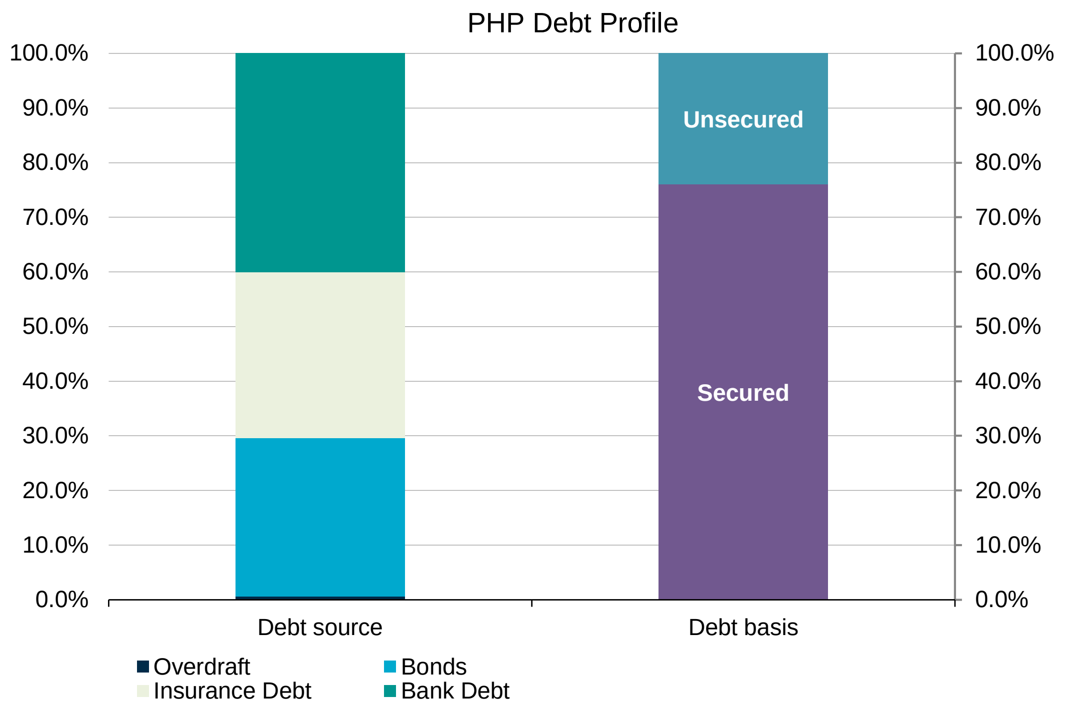
Spread of Funding Sources

	Secured Facilities								Unsecured facilities[1]	
Provider	Club[2]	HSBC	Barclays	Aviva	Aviva	Secured Bond	Aviva	Aviva	Retail Bond	Convertible Bond
Tenor	Bullet	Bullet	Bullet	Bullet	Bullet	Bullet	Amortising	Amortising	Bullet	Bullet
Expiry	Aug-17	Apr-19	Aug-19	Nov-18	Dec-22	Dec-25	Oct-29	Jan-32	Jul-19	May-19
Facility	£165m	£50m	£100m	£75m	£25m	£70m	£113m	£25m	£75m	£83m
Drawn	£124m	£22m	£59m	£71m	£25m	£70m	£113m	£25m	£75m	£83m
Collateral[2]	£287m	£49m	£144m	£111m	£38m	£112m	£171m	£42m	-	-
Passing Rent	£17m	£3m	£8m	£7m	£2m	£7m	£10m	£2m	-	-
LTV Max	55%	55%	60%	65%	70%	67%	75%	100%	-	-
LTV actual	43%	44%	41%	64%	67%	62%	66%	61%	-	-
ICR Min	1.4x	1.4x	1.5x	1.4x	1.1x	1.4x	1.0x	1.0x	-	-
ICR actual	1.7x	5.2x	7.2x	2.2x	2.4x	3.4x	1.7x	1.6x	-	-

(1) Excludes overdraft
(2) Club – Royal Bank of Scotland and Santander
(3) Includes only assets mortgaged to the applicable facility

Borrowing Facilities

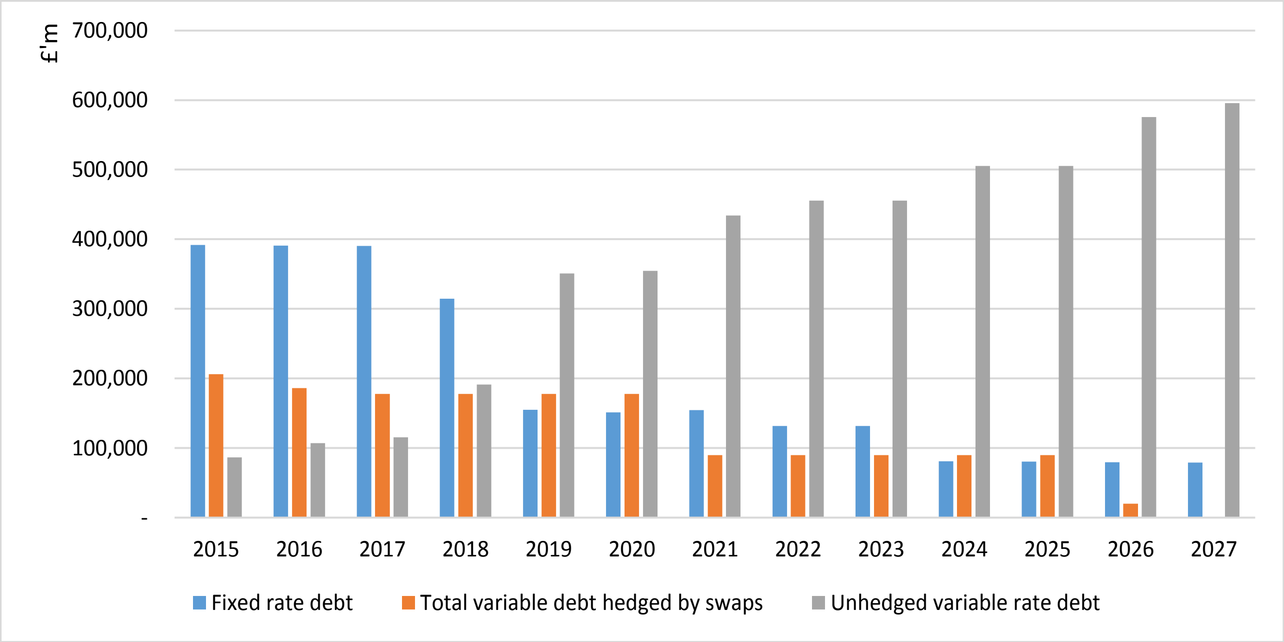
- Total facilities available to PHP - £786.4m[(1)]
- Available headroom - £116.7m (after development commitments)
- 24% of net debt on an unsecured basis – Retail Bond and Convertible Bond



(1) Includes £5m overdraft
(2) Weighted average maturity date

Interest rate protection

- Long term interest rate protection
  - 87% of debt as at 31 December 2014 fixed or hedged
  - Incremental debt to fund new acquisitions able to access historic low rates
  - Hedge portfolio matched to term of variable rate facilities



EXPERIENCED MANAGEMENT

Primary Health Properties PLC
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Board of Directors

- Alun Jones, Chairman
- Harry Hyman, Managing Director(1)
- Phil Holland, Finance Director(1)
- Steven Owen, Non-Executive Director and Senior Independent Director
- Jamie Hambro, Non-Executive Director
- William Hemmings, Non-Executive Director
- Mark Creedy, Non-Executive Director
- Dr. Ian Rutter, Non-Executive Director

(1) Adviser representative

Advisers and fee base

- Nexus provide all advisory services from 1 May 2014
- Enhances service quality and information management
- Reduced Group's overhead costs
  - Average fee rate for services of advisers[(1)] reduced to 55 bps (2013: 71 bps)
  - Including overheads, Total Expense Ratio reduced to 69 bps (2013: 88bps)
- Scope for further reductions
  - Admin fees on fixed basis upwards/downwards RPI adjustment (cap at +/- 5%)
- Incremental fee rates reduced from 1 May 2014 for gross assets above £1bn

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%
Above £1.25bn	0.300%

(1) JOHCM provided administrative and company secretarial services for periods to 30 April 2014

OUTLOOK

Primary Health Properties PLC
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Healthcare property demand drivers

Cross party political support

- Main political parties state support for NHS, strong focus for General Election
  - Continued ring fence of NHS budget
  - Increased numbers of GPs
  - Longer GP opening hours

NHS England 5 year plan (October 14)

- NHS to invest more in primary care
- Greater emphasis on out of hospital care
- Greater integration of health and social care

Immediate funding boost (November 14)

- Additional frontline funding - £2bn for 2015/6
- £250m p.a. for 4 years to improve GP premises

Demographic drivers of demand

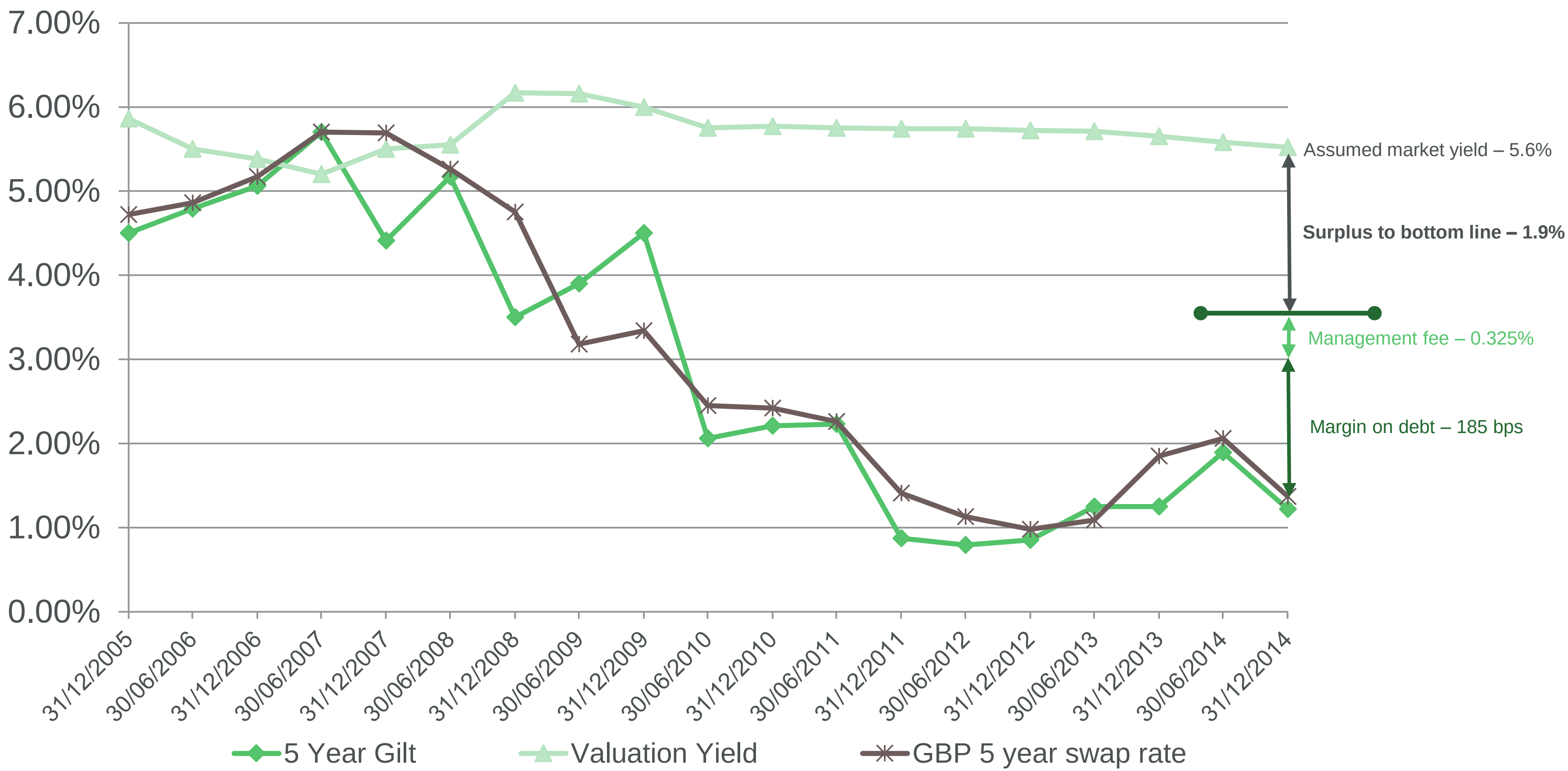
- UK population to rise by 10% in 15 years
- %'age older than 70 to rise by 45%
- Number of consultations with GPs has been increasing at 2.2% per annum(1)
  - Estimated 340m visits per year (1)

Inadequate Supply

- In recent survey of GPs(2):
  - 70% of GPs stated their premises not suitable for desired range of services
  - 40% said current premises could not be enhanced in order to meet future needs

(1) NHS Analytical Service
(2) British Medical Association GVA Grimley: Overview of the UK Primary Care Property Sector October 2010

Acquisitions contribute due to yield gap



Investment Case

- Low risk, long term, non-cyclical market
  - 99.8% occupancy rate; WAULT - 15.3 years
- Strong, visible and growing cash flows
  - 91% of rents funded by UK Government
  - Effectively upward-only rent reviews
  - Positive yield gap between acquisition yield and funding costs
- Well funded, proven business model
  - Prudent mix of debt and equity; demonstrable access to debt capital markets
  - Reduced advisory cost structure enhances earnings
- PHP well positioned to lead the next phase of healthcare premises development
  - Healthcare demand increasing due to changing demographics
  - Unwavering political support for NHS and promotion of integrated care
- Stable, increasing shareholder returns
  - Enhanced returns through income and capital value growth
  - Progressive dividend policy

Contact details

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December 2014