Primary Health Properties

Interim Results

Six Months Ending 30 June 2017

Primary Health Properties PLC (PHP.L)

A dedicated healthcare REIT

www.phpgroup.co.uk

Primary Health Properties

Agenda

Introduction
Financial results
Strong sector fundamentals
Positive outlook
Appendices

Primary Health Properties PLC at a glance

- UK Real Estate Investment Trust ("REIT")
- Leading investor in flexible, modern primary healthcare accommodation
- Portfolio of over 303 properties valued at £1.3 billion
- Properties located across the UK and in the Republic of Ireland
- 91% of income funded by government bodies (NHS or HSE)
- Strong capital base with a prudent balance of shareholder equity and debt finance
- 21 consecutive years of dividend growth; dividend covered by earnings
- Strong pipeline of acquisition opportunities in both territories

Key financial highlights

Performance	Six months ended 30 June 2017	Six months ended 30 June 2016	Change
Net rental income (£m)	34.8	32.2	8.1%
EPRA earnings (£m)	15.4	12.6	22.2%
EPRA earnings per share (pence)	2.6	2.4	8.3%
Dividend per share (pence)	2.62	2.5625	2.2%
Position	**30 June 2017**	**31 December 2016**	**Change**
Investment property (£bn)	1.27	1.22	3.7%
EPRA NAV per share (pence)	96.1	91.1	5.5%
Loan to value	53.0%	53.7%	-0.7%
Management	**Six months ended 30 June 2017**	**Year ended 31 December 2016**	**Change**
Average cost of debt[1]	4.26%	4.65%	-0.39%
Growth on rent review	1.6% p.a.	0.9% p.a.	+0.7%
EPRA cost ratio	11.9%	11.5%	+0.4%

1. Including impact of post period end swap cancellation.

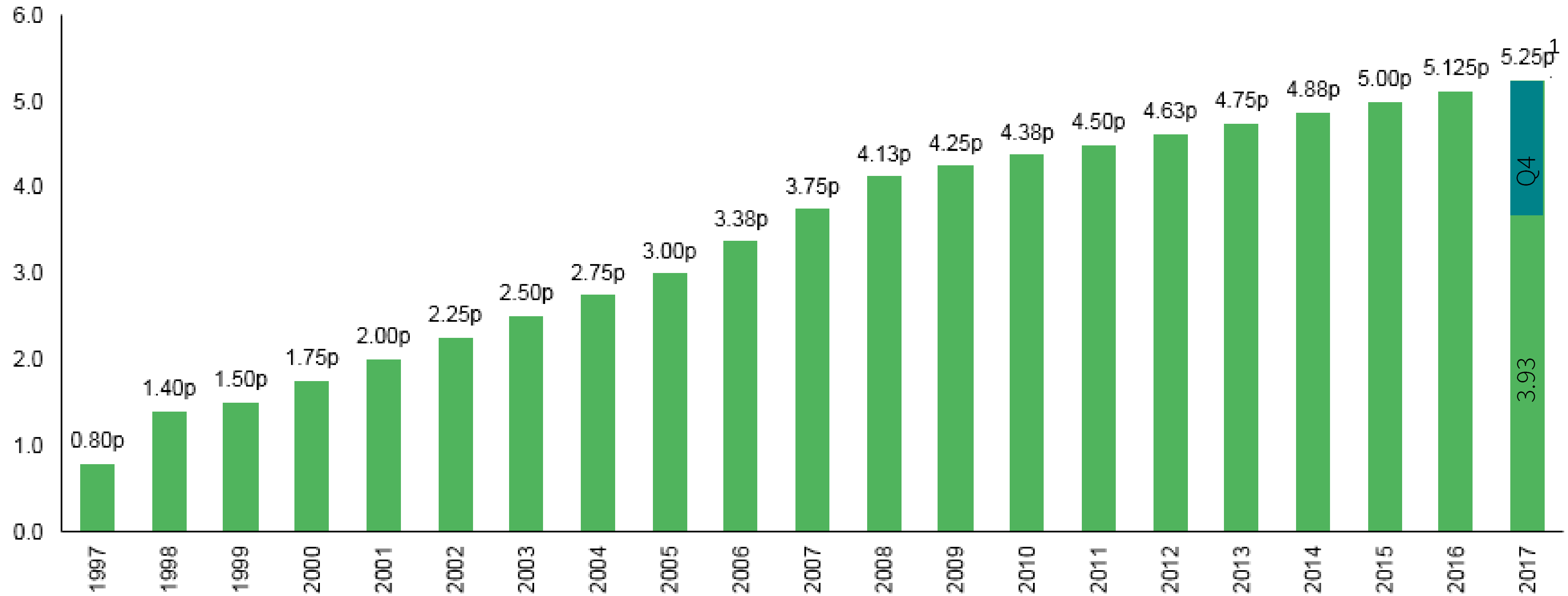
Primary Health Properties

Delivering progressive returns

Income Statement

	30 June 2017 £m	30 June 2016 £m
Net rental income	34.8	32.2
Administrative expenses	(3.9)	(3.5)
Operating profit before revaluation gain and financing	30.9	28.7
Net financing costs	(15.5)	(16.1)
EPRA earnings	**15.4**	**12.6**
Net result on property portfolio	29.9	15.5
Fair value gain/(loss) on interest rate derivatives	0.4	(4.5)
Fair value (loss)/gain on convertible bond	(1.4)	1.9
Profit before tax	44.3	25.5
EPRA earnings per share	**2.6p**	**2.4p**
IFRS earnings per share	7.4p	4.9p

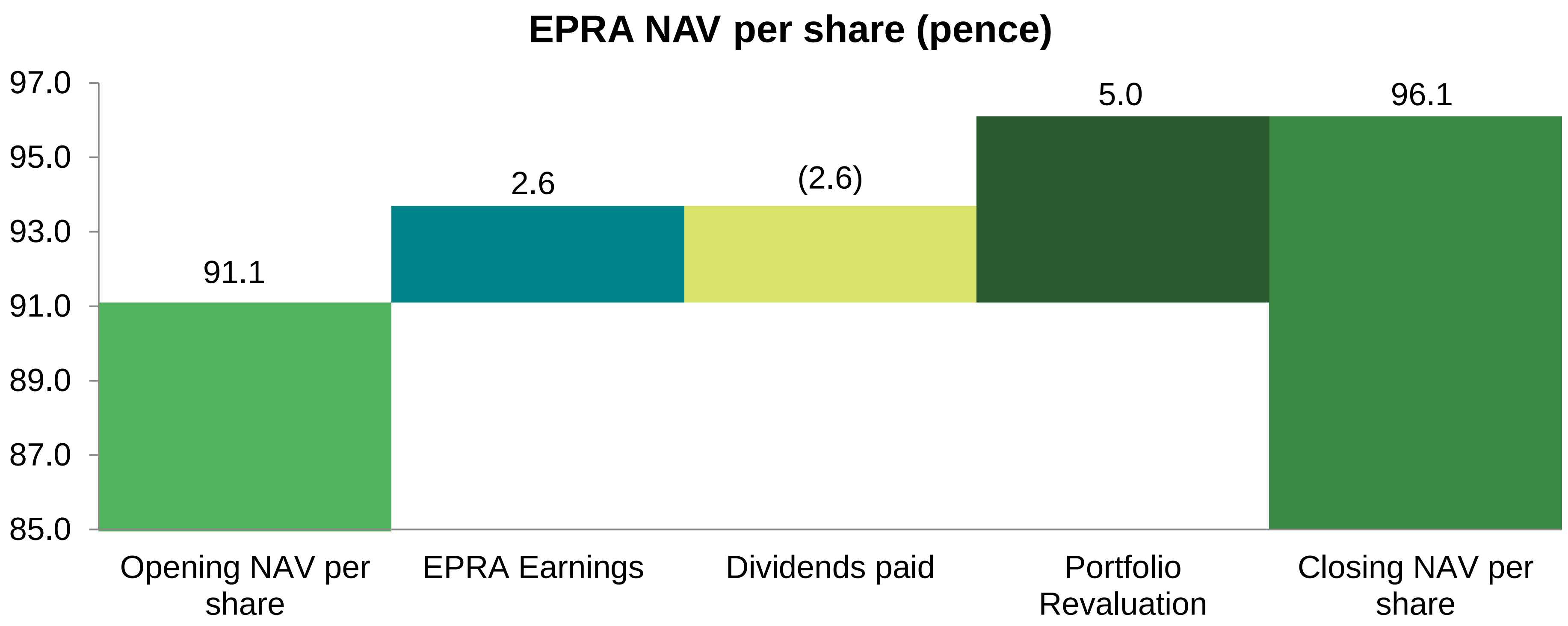
Progressive dividend policy – 21st Successive year of dividend growth



Returns	Six months to 30 June 2017	Six months to 30 June 2016	One year to 31 December 2016
Total property return	5.3%	4.2%	7.9%
Total NAV return	8.4%	6.0%	9.7%
Total shareholder return	4.4%	0.5%	8.2%
FTSE EPRA UK REIT Index – total return	5.0%	-11.8%	-6.0%

1. 3.93p distributed or declared, equivalent to 5.25p on an annualised basis.

Balance sheet strengthened



	30 June 2017	31 Dec 2016	Change
EPRA Net Assets	£575m	£545m	+5.5%
EPRA Net Asset Value per share	96.1p	91.1p	+5.5%
£20m/4.76% swap cancelled post period end for £6.2m, equivalent to 1p per share.			

Primary Health Properties

Growing property portfolio

Property Portfolio

- Portfolio of 303 healthcare centres – 301 completed, 2 under development
- Disciplined approach to acquisitions
- 4 properties acquired in H1 2017 for £18.6 m (excl. purchase costs)
- Annual contracted rent roll: £69.3m[1]; 99.7% occupancy rate
- 3 properties acquired PPE for £35.5m (excl. purchase costs) adding a further £1.7m to contracted net roll.
- Portfolio value (incl. development): £1.27bn – average net initial yield 5.04%
- Average lot size: £4.2m;
- Average unexpired lease term – 13.3 years

Capital value	Number	Value	%
£10m +	18	275.6	21.8%
£5 - £10m	50	332.9	26.3%
£3 - £5m	93	358.1	28.3%
£1 - £3m	136	297.1	23.4%
£0 - £1m	3	2.2	0.2%
Total	300	1,265.9	100.0%

1) Including development asset as complete

Investment Acquisition

Carrigaline, County Cork, Ireland

- Tenants: HSE, GP practice and Pharmacy
- Date acquired: March 2017; completion due August 2017.
- WAULT: 25 years
- Size: 2,900m^2
- Acquisition Cost: £6.4m (€7.5m)
- Patient list size: c. 20,000

Development delivery

Swindon, Town Centre, Wiltshire

- Tenants: NHS, GP's x2
- Date completed: May 2017
- WAULT: 20 years
- Size: 2,454m^2
- Development Cost: £10m
- Patient list size: c 20,000

Primary Health Properties

Effective and efficient management

Strong management contributes to income growth

- Portfolio 99.7% occupied
- Rental growth on reviews expected to increase
- Average of 1.6% per annum achieved on reviews completed in H1 2017 (0.9% in FY16)
- 25% of PHP portfolio benefits from RPI or fixed, upwards only reviews
- Four asset management projects committed in H1 2017
  - Investment £1.3m, re-gearing leases back to 20 years
  - Seven further projects approved by NHS. Investment £3.6m, securing £0.2m additional rent and re-gearing leases back to 19 years.
  - Eight ETTF funded projects have received approval and being progressed

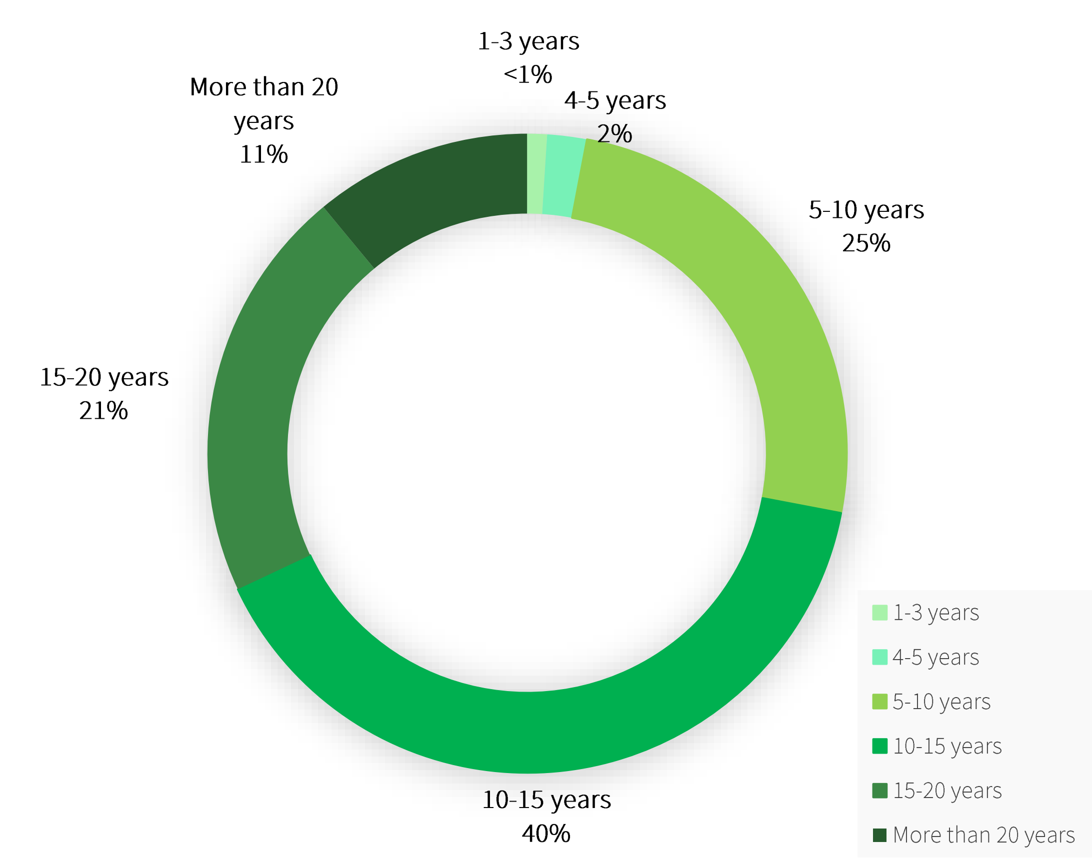
Long leases with growth potential[1]

- Effectively upward only rent roll
- Total weighted average rental growth 1.6%
  - 6% on fixed uplift (ave. 4.6% p.a.)
  - 19% index linked (ave. 3.0% p.a.)
  - 75% reviewed to open market (ave 0.3%)

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



1 Data for completed properties only
2 Rental agreements have upward and downward review provisions, but can only be instigated by landlord

Asset Management Project

Woolston Lodge Surgery, Woolston – completion due January 2018

110 sqm extension provides an additional 3 consulting rooms, administration space and pharmacy to facilitate a merger of 3 practices at the centre, serving 15,000 patients. Lease re-geared back to 24 years; Capex: £0.65m.

Asset Management Project

Belmont Surgery, Uxbridge – completion September 2017

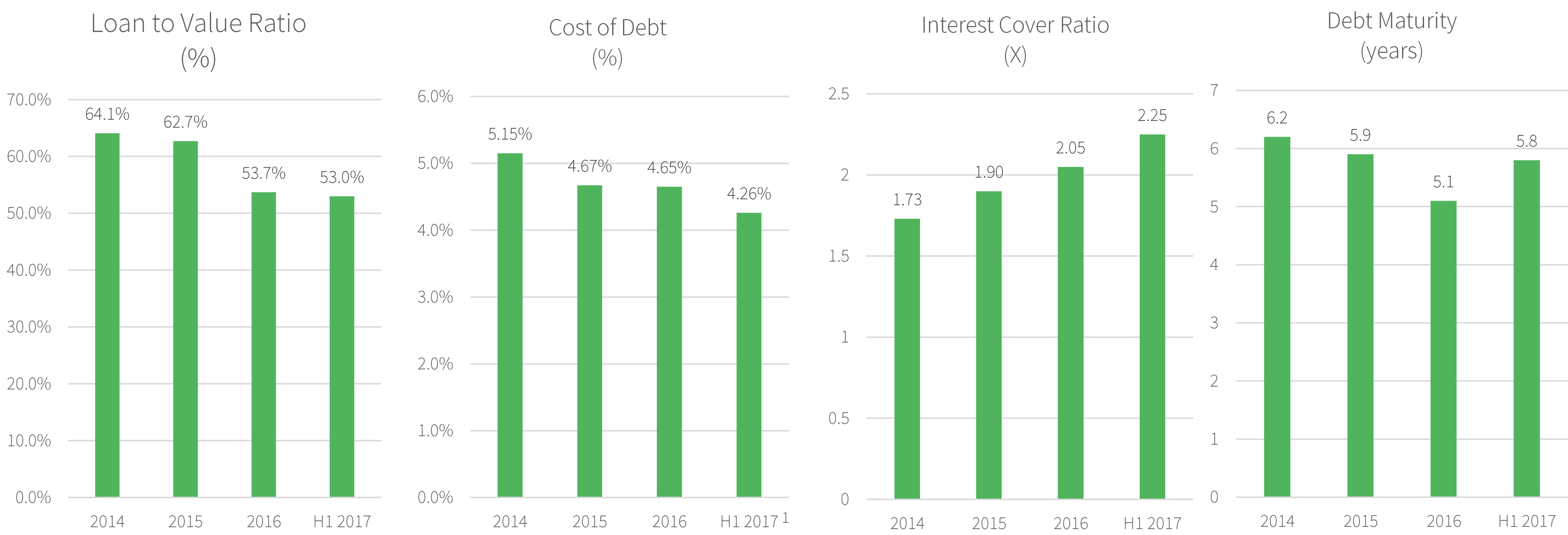
Internal refurbishment of an existing medical centre, modernising to current NHS standards. Lease re-geared back to 20 years; Capex: £0.25m.

Primary Health Properties

Funding diversity and longevity

Delivering Financial Management

- £100m 10 year private debt placement at 2.83%
- £50m RBS facility, option to increase to £100m
- Marginal cost of debt 2.3%
- £20m 4.76% SWAP cancelled for £6.2m (equivalent to 1p per share), saving £0.8 interest p.a.



1. Including impact of £20m swap cancelled post period end.

Secure Long Term Funding

	30 June 2017	31 December 2016
Total debt facilities		
Secured	£626.6m	£592.0m
Unsecured	£157.5m	£157.5m
	£784.1m	£749.5m
Average maturity of debt facilities	5.8 years	5.1 years
Net debt		
Drawn debt	£678.8m	£660.8m
Cash on deposit	(£8.1m)	(£5.1m)
	£670.7m	£655.7m
Total collateral	£1.27bn	£1.22bn
Group Loan to Value ratio	53.0%	53.7%
Development and asset management commitments – costs to complete	£8.8m	£3.3m

Maturity of debt extended

- Weighted maturity period increased to: 5.8 years (31 December 2016: 5.1 years)
- New £100m 2.83%/ 10 year secured bond issued, PHP's first transaction in PP market
- New £50 RBS 4 year facility, with an option to extend term by one year and increase loan to £100m
- Positive discussions with institutional lenders to secure additional, longer term secured debt facilities

Prudent debt management to benefit H2 2017 onwards

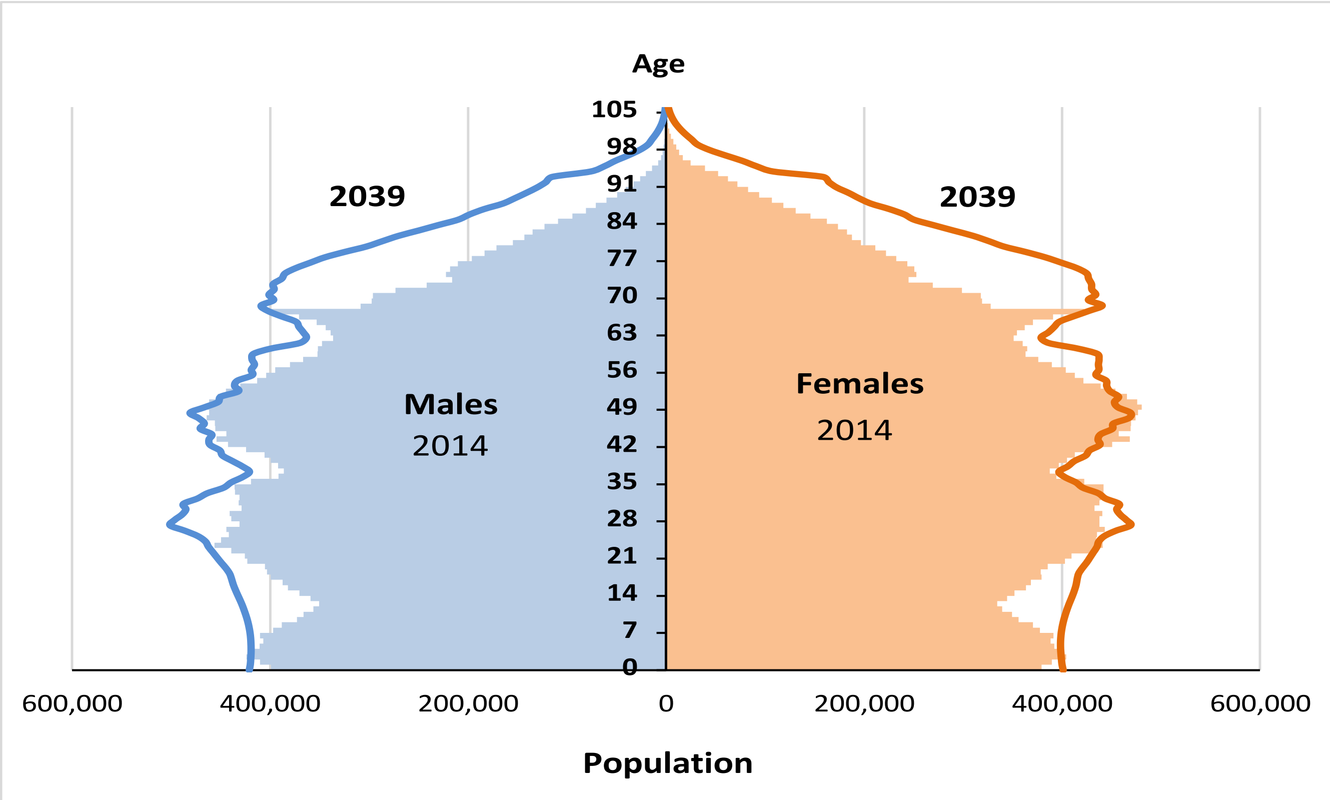
- Cost Of Debt
  - Reduced by 39bp to 4.26% (31 December 2016: 4.65%)
- Interest rate management
  - £20m/ 4.76% fixed interest rate swap, maturing July 2027, cancelled
  - One off cost of £6.2m, equivalent to 1p per share, discount to MtM
  - Reduces groups average cost of debt by 13bp, saving £0.8m interest p.a.

Primary Health Properties

Supportive market

Market fundamentals remain strong

- Growing and ageing population, declining health
- Demands on health service increase and budgets come under severe pressure
- Kings Fund study shows that GP appointments in England grow by 10% in 2 years



Source: Office for National Statistics

Positive Long Term Demand Drivers in the UK

Government commitment

- Government targets 24/7 access to GP services by 2020
  - Over 1.3 million GP visits per day[1]
  - Additional funding of £10bn per annum[2]
  - Primary care spend to rise 4% to 5% per annum
  - Conservative party pledged an extra £10bn to NHS and support of Naylor Report.

NHS England GP Forward View

- Published April 2016, to increase GP budget by 25%
- To recruit 5,000 more GPS over 5 years
- Commitment to out of hours care, developing clinical hubs and urgent care services

Environment & Technology Transformation Fund

- £900m pool for investment in primary care premises
- Opportunity for PHP to deploy capital into existing and newly procured assets

Demographic drivers of demand

- UK population to grow by 12% to 71 million by 2035
  - 11.4 million currently aged over 65
  - To rise by 10% over next 15 years
- Increasing incidence of chronic disease
  - Projected to affect 2.9 million by 2018

Inadequate **Supply**

- 50% of primary care premises more than 30 years old[3]
- In recent survey of GPs[4]:
  - 67% of GPs stated their premises too small to deliver extra/additional services
  - 62% of GPs stated their premises too small to provide vital training and education
  - 53% said current premises had seen no investment or refurbishment in the last 10 years
  - Naylor Report highlights importance of primary care premises, creating affordable and efficient estates.
  - NHS FYFV next steps (March 2017) highlights the efficiency of primary care.

[1] NHS Analytical Service
[2] November 2015 Spending Review
[3] Savills/EC Harris
[4] British Medical Association

Opportunities in the Republic of Ireland

Government support

- DoHI aim to implement "single-tier health service"
- Health Service Executive, executive agency of DoHI, majority occupier in new centres
- Healthcare budget saw further increase in 2016, up 7% (€880m) on the 2015 budget

Demographic drivers of demand

- Population of 4.6 million, projected to rise to 5.2 million by 2031[1]
- Population ageing and increasing incidence of chronic disease[2]
- DoHI further widened access to primary care; now free for over 70's and under 12's

Opportunity for PHP

- Large, modern, integrated primary care centres built or being constructed
- HSE typically represent 60% to 75% of income for 20 – 25 year lease terms
- Remaining space let to GPs, pharmacy and associated healthcare users
- 5 yearly rent reviews linked to CPI
- Two acquisitions completed
- Strong pipeline of rent producing and development assets

Risk	Mitigating factor
Underlying rental covenant	HSE/Irish Government typically represents 60%-75% of rent roll
Leases linked to CPI – upwards/downwards	Irish economy fastest growth rate in Europe (7% y-o-y Q3Y15)
Tax structure outside of REIT	Use of tax structure removes potential tax leakage as for REIT
Investment and cash flows denominated in Euro	Asset and liability matched using Euro denominated debt
Availability of finance following financial crisis	Appetite to lend is good; discussions ongoing with lenders
Pricing of investments to reflect risk	Attractive yields; lower cost of funding; yield spread greater compared to UK

[1] Source: Central Statistics Office Ireland
[2] Health Service Executive Corporate Plan 2015-2017

Further initiatives to support primary care

NHS focuses on primary care

- NHS England publishes GP Forward View and reaffirms commitment to GP services, NHS FYFV Next Steps.
  - GP budget to increase by 25% in five years to 2021
  - Targets set for recruitment and urgent care reform
- Naylor Report
  - £10bn required to update NHS estate.
  - Use of private sector capital to help meet funding gap
- Estates and Technology Transformation Fund (“ETTF”) makes first wave of awards
  - More than 600 projects receive backing from £900m fund
  - 200 new build primary care schemes sanctioned by ETTF
- Strategic Transformation Plans (“STP”) developed for 44 areas in England
  - Emphasise importance of primary care and the GP to future care models

Irish government commitment

- Irish healthcare services face similar pressures to that in the UK
- Department of Health published its three year strategy in December 2016
  - Stressed that foundations for effective integrated, effective care services will be comprehensive primary care system
  - Objective to offer a single tier health service to Irish population
  - HSE budget increased to €14.6bn for 2017 (2016: €12.9bn)

Primary Health Properties

Outlook

Positive yield gap

Market conditions provide attractive yield spread

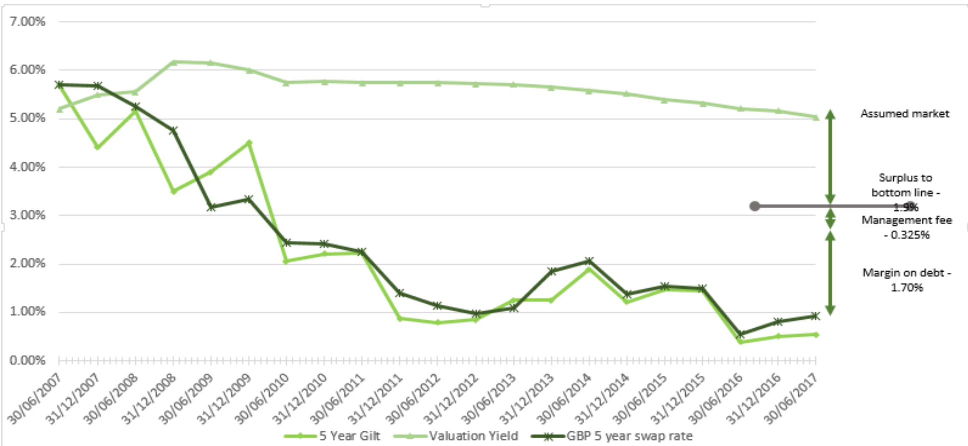
1 Earnings growth from operational actions

- Positive yield gap on acquisitions in UK and ROI
- Asset management contribution
- Rental growth from reviews
- Management fee reductions

2 Active management of funding

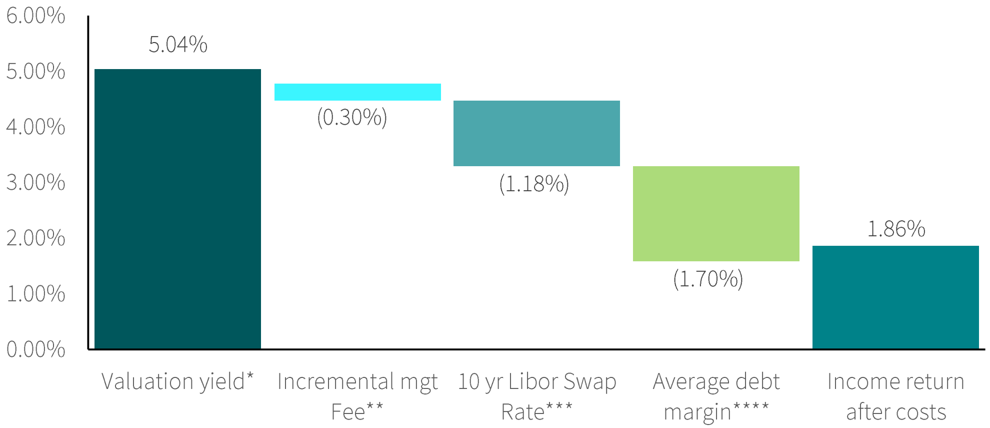
- Driving down the cost of debt
- Widening sources of debt and providers
- Maintaining appropriate leverage given portfolio characteristics

Attractive market conditions for PHP

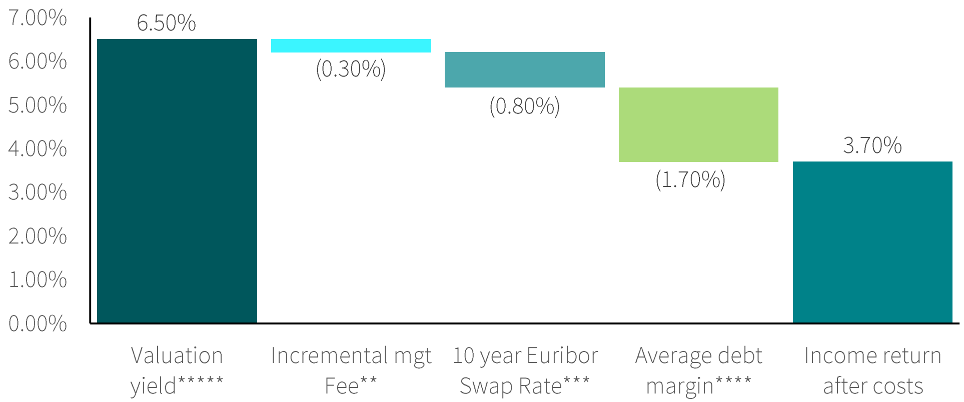


Illustrative yield gap on property investment

1. Net margin over funding cost – UK Acquisitions



2. Net margin over funding cost – Republic of Ireland



Source: Company data, JC Rathbone, Debt Management Office

Primary Health Properties

* PHP portfolio valuation yield 30 June 2017 (used as proxy for market purchases)
** Per management contract
*** Sourced from JC Rathbone – 21 July 2017
**** Company incremental margin on debt facilities
***** Based on pipeline transactions

Strong pipeline of opportunities

- UK market
  - Three properties acquired in July 2017 for a total of £35.5 million, £1.7m additional rent
  - Well established links to GP owner occupiers leading to opportunities
  - Pipeline agreements with developers delivering forward funding transactions
  - ETTF sanctions 200 new build schemes as development activity increases slowly
- Republic of Ireland
  - Strong relationships developed with owners and developers to access pool of transaction potential
  - Partnering with local operators to identify opportunities and secure transactions
- Strong pipeline being progressed both in the UK and Ireland.

Positive Outlook

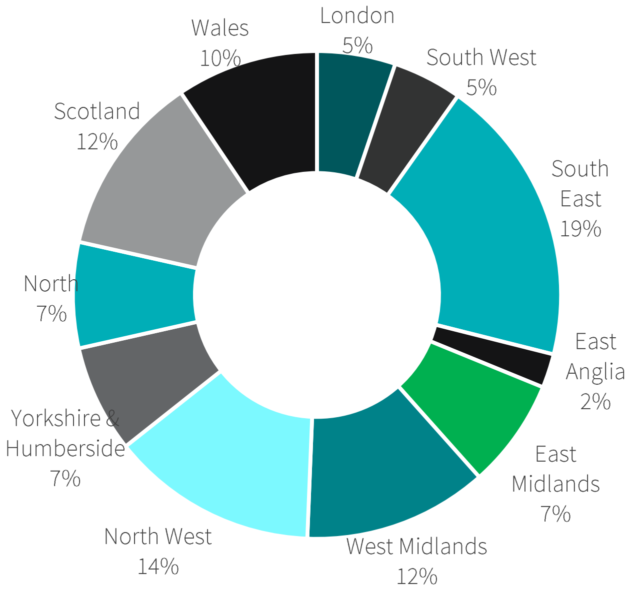
Low risk, long term, non-cyclical market	➢ Development opportunities emerging in UK ➢ Opportunities in Ireland, priced very attractively ➢ Majority of rents in both jurisdictions funded by government for long lease terms
Strong, high quality and growing cash flows	➢ Positive yield gap between acquisition yield and funding costs ➢ Effectively upward-only or indexed rent reviews ➢ Simple cost structure enhance earnings
Efficient management and reducing cost of funds	➢ EPRA cost ratio amongst the lowest in the sector ➢ Average cost of debt reduced and interest rate swaps cancelled ➢ Underlying investment characteristics make PHP attractive to investors
Sector demand factors dictate continued development of healthcare premises	➢ Healthcare demand increasing due to ageing population ➢ Unwavering political support in UK and Ireland and promotion of integrated care ➢ Primary care estate is ageing and in need of replacement
Stable, increasing returns	➢ Growing shareholder return through dividend increase and capital appreciation ➢ Dividend fully covered by earnings ➢ Strong yield characteristics, low volatility

Appendix

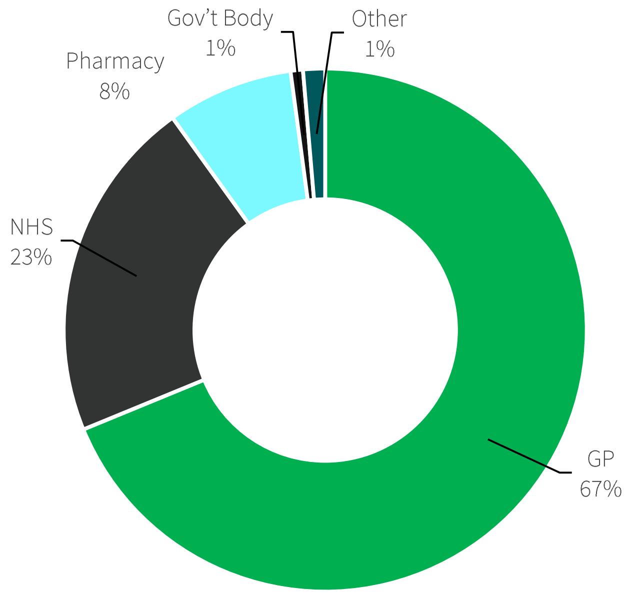
Portfolio Analysis by Rent

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

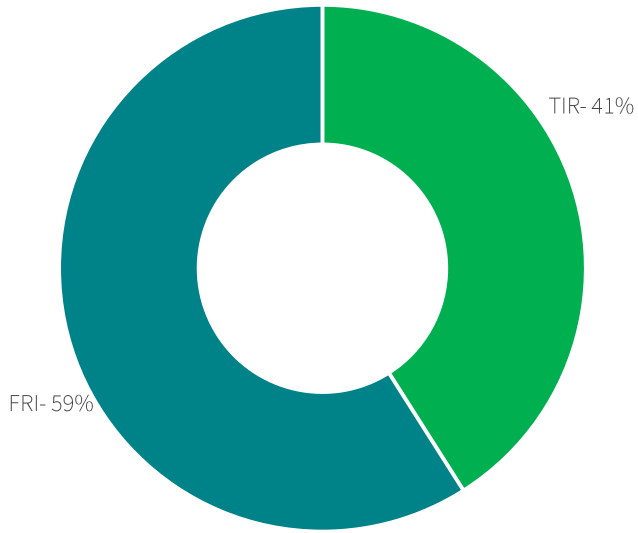
Wide geographical spread



Strong rental covenant



Lease repair obligations



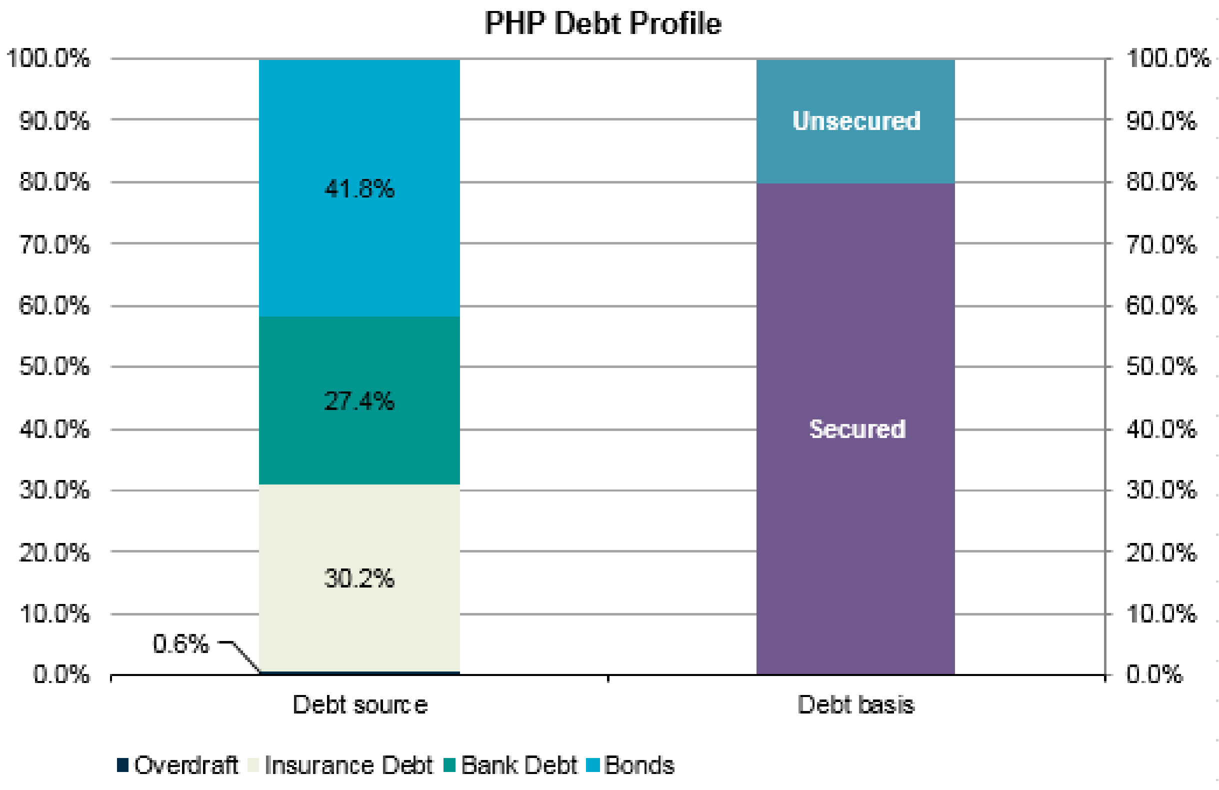
Spread of Funding Sources

	Secured Facilities									Unsecured facilities[1]	
Provider	Aviva	HSBC	Barclays/ AIB	RBS	Aviva	Secured Bond	Secured Bond	Aviva	Aviva	Convertable Bond	Retail Bond
Tenor	Bullet	Bullet	Bullet	Bullet	Bullet	Bullet	Bullet	Amortising	Amortising	Bullet	Bullet
Expiry	Nov-18	Jul-20	Jan-21	Mar-21	Dec-22	Dec-25	Mar-27	Aug-29	Jan-32	May-19	Jul-19
Facility	£75m	£50m	£115m	£50m	£25m	£70m	£100m	£113m	£24m	£83m	£75m
Drawn	£75m	£10m	£55m	£50m	£25m	£70m	£100m	£113m	£24m	£83m	£75m
Collateral[2]	£129m	£53m	£207m	£151m	£41m	£124m	£171m	£188m	£44m	-	-
Passing Rent	£7m	£3m	£11m	£8m	£2.1m	£6.7m	£9m	£10m	£2m	-	-
LTV Max	60%	55%	60%	51%	70%	74%	65%	75%	n/a	-	-
LTV actual	58%	18%	27%	33%	62%	57%	58%	60%	53%	-	-
ICR Min	1.4x	1.4x	1.5x	1.5x	1.1x	1.4x	1.5x	1.0x	1.0x	-	-
ICR actual	2.4x	13.1x	9.1x	8.4x	2.4x	3.8x	3.3x	1.7x	1.7x	-	-

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

Borrowing Facility

- Total facilities available to PHP: £784.1m[(1)]
- Available headroom: £96.5m (after development and asset management commitments)
- 20% of net debt on an unsecured basis –Convertible Bond and Retail Bond



1. Includes £5m overdraft

Advisors and fee base

- Enhances service quality and information management
  - Revised terms to property advisory agreement with lower fee increments.
  - Fee payable for amounts above £1.5bn reduced to 0.275%, above £1.75bn reduced to 0.25%
- Incremental fee rates for advisory fee

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%
Above £1.75bn	0.250%

Contact Details

Harry Hyman	Richard Howell
Managing Director	Finance Director
harry.hyman@nexusgroup.co.uk	richard.howell@nexusgroup.co.uk

Disclaimer

IMPORTANT NOTICE

This presentation and the information contained within it is strictly private and confidential and may not be distributed in any way to any other person without the consent of Primary Health Properties Plc (“PHP”). The information contained in this presentation has been extracted largely from the Financial Statements for periods ended 30 June 2017 and earlier. The information in this presentation is being supplied to you by PHP solely for your information and may not be reproduced or redistributed in whole or in part to any other person.

This presentation contains certain “forward-looking” statements and past performance information. Past performance is not a reliable indicator of future performance. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Actual outcomes and results may differ materially from any outcomes or results expressed or implied by such forward-looking statements. Any forward-looking statements made by or on behalf of PHP speak only as of the date they are made and no representation or warranty is given in relation to them, or any other information in this presentation, including as to their completeness or accuracy or the basis on which they were prepared. PHP does not undertake to update forward-looking statements to reflect any changes in PHP’s expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

The distribution of this presentation in jurisdictions other than the UK may be restricted by law and therefore any persons who are subject to the laws of any jurisdiction other than the UK should inform themselves about, and observe, any applicable requirements. This presentation has been prepared for the purpose of complying with English law and the information disclosed may not be the same as that which would have been disclosed if this presentation had been prepared in accordance with the laws of jurisdictions outside the UK.

All opinions expressed in this presentation are subject to change without notice and may differ from opinions expressed elsewhere.

July 2017