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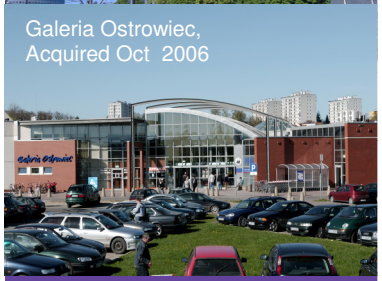
First Property Group plc

Preliminary Results

For the twelve months to 31 March 2010

Ben Habib – Chief Executive
George Digby – Finance Director



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Group Structure

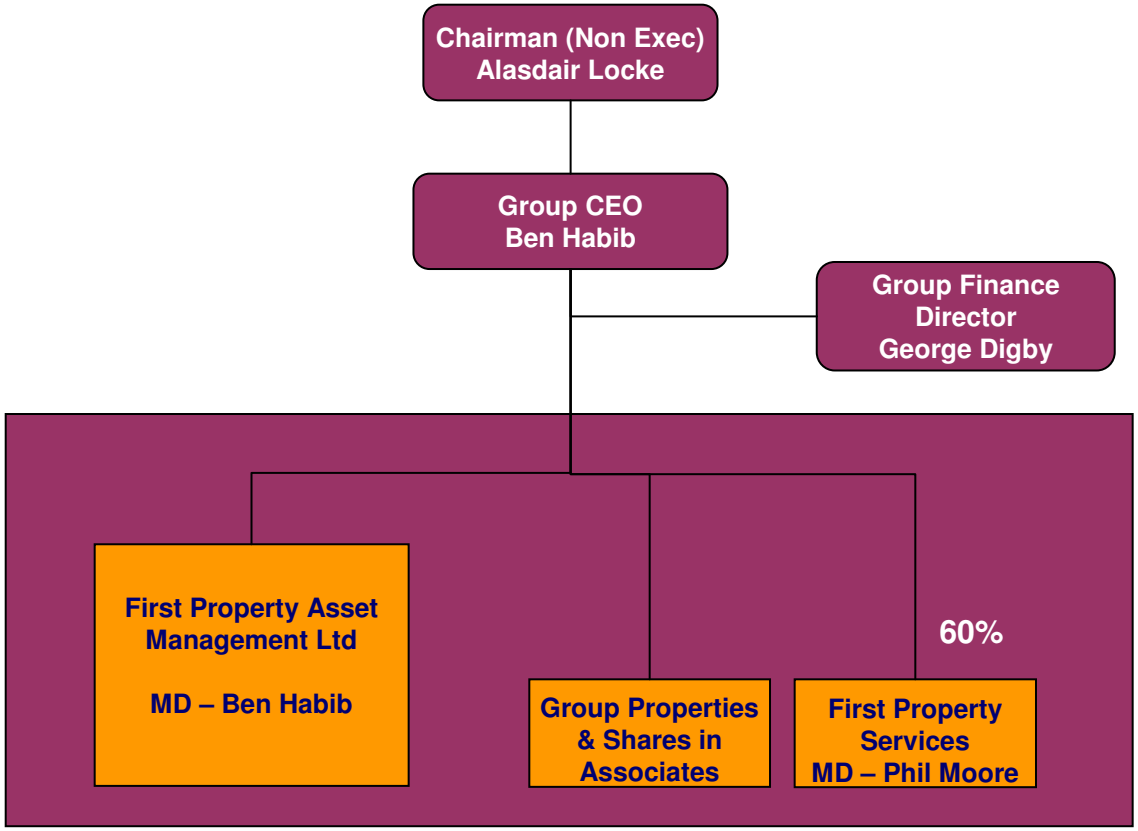
BUSINESS DESCRIPTION

First Property Group plc is a commercial property fund manager with operations in the United Kingdom and Central Europe.

The principal business model of First Property Group can be summarised as follows:

- raise third party funds to invest in income producing commercial property;
- co-invest in these funds;
- earn fees for the management of these funds. Fees earned are a function of the value of assets under management as well as the performance of the funds;
- earn a return on its own capital invested in these funds.

It also has a 60% shareholding in a mechanical & electrical (M&E) installation and maintenance
contractor, First Property Services Limited.



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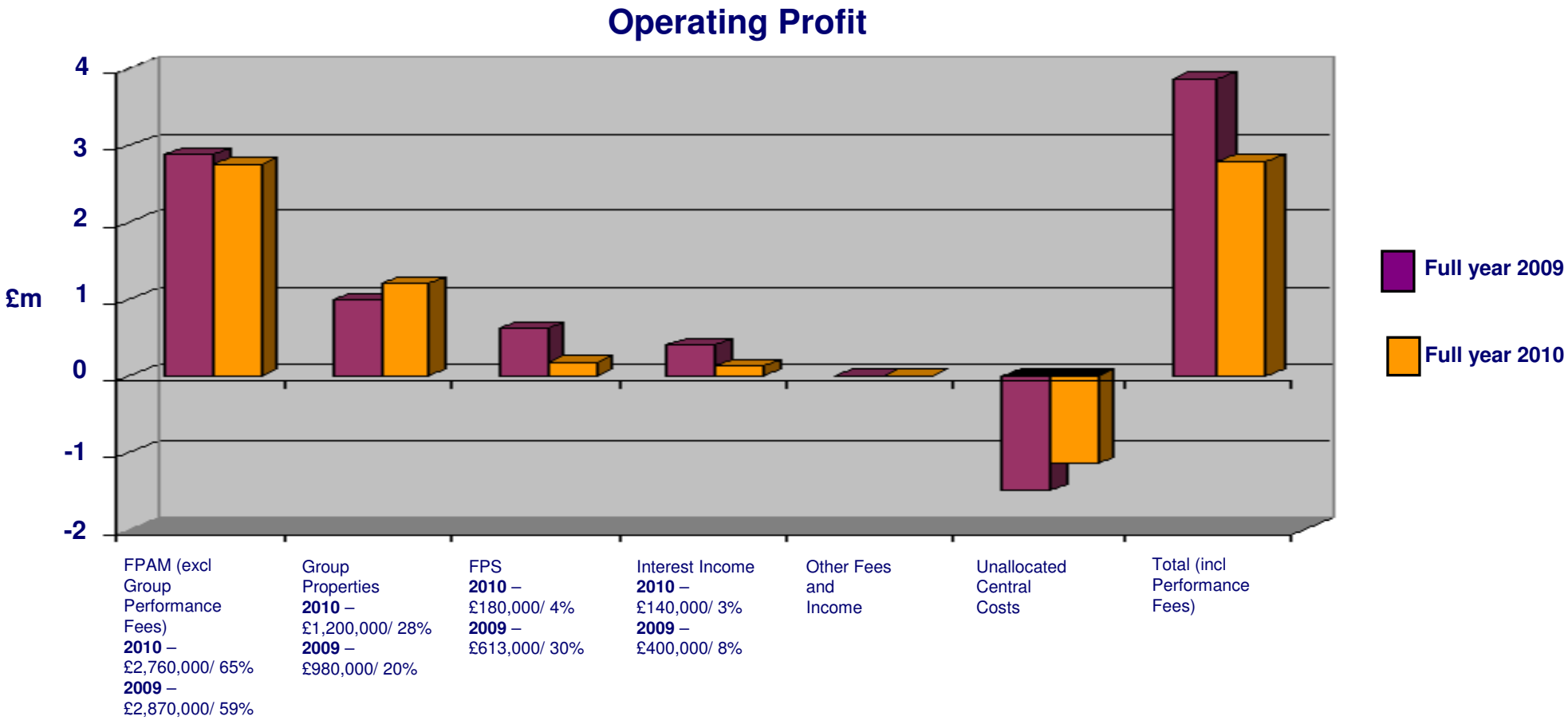
Preliminary Results – Operating Profit



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Preliminary Results - Financial Highlights

- Revenue during the period amounted to £10.38 million (2009: £11.23 million), yielding a decreased profit on ordinary activities before taxation of £2.79 million (2009: £3.86 million).
- Assets under management (AUM) of £300 million (31 March 2009 - £310 million), a level which has remained broadly unchanged since 2007. The value of our assets under management are subject to changes in the Euro / GBP exchange rate as 90% of our assets are denominated in Euros. The value of assets under management of £300 million at 31 March 2010 was based on a Euro/ £ exchange rate of 1.12.
- The asset value of existing portfolios declined by 14% during the year, of which 3% was due to adverse movements in the Euro / GBP FX rate, and 11% was due to asset value reductions. Overall AUM was bolstered by five acquisitions totalling £40 million.
- Diluted earnings per ordinary share were 1.97 pence (2009: 2.74 pence).
- Second interim dividend of 0.72 pence per share (2009: final dividend was 0.70 pence per share).
- The Group ended the period with net assets of £15.4 million (2009: £13.48 million) which includes its cash balance of £10.1 million (2009: £10.1 million).

Creditable performance & substantial cash pile

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Preliminary Results - Operational Highlights

- The Company retained its ranking as the best performing fund manager versus the IPD CEE Benchmark, now for the four year period to 31 December 2009. It is also the best performing fund manager versus the IPD Polish Benchmark over the same period.

- Diversification of institutional client base with the launch of a new £106 million UK fund on 5 February 2010.

- UK Pension Property Portfolio LP acquired two properties with a value of just over £10 million during the period and has subsequently acquired a further two properties for an additional £11 million, and has an additional five properties under offer with a value of some £20 million.

- Within its Group properties, Fprop acquired control of the management company responsible for its office building in Warsaw's CBD (Blue Tower), in which the Group owns a 28% stake, and in which previously no single shareholder had control. This will enable significant cost savings in the management of the building, and a consequent uplift in asset value.

- The Group appointed Mr. Peter Moon, previously Chief Investment Officer of Universities Superannuation Scheme, as a non-executive director. Mr Moon formally joined the Board on 1 May 2010.

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Preliminary Results - Segmental Performance

	Unaudited Year to 31 March 2010	Percentage change from 31 March 2009	Audited Year to 31 March 2009
Operating profit (see segmental analysis below)	**£2.97m**	-17%	£3.57m
Interest income	£0.14m	-65%	£0.40m
Profit on ordinary activities before tax	**£2.79m**	-27%	£3.86m
Net profit for period	**£2.31m**	-28%	£3.22m
Net assets	£15.4m	+15%	£13.48m
Cash and cash equivalents	£10.1m	-	£10.1m
Diluted earnings per share	1.97p	-28%	2.74p
Interim dividend per share	0.31p	+3%	0.30p
Second interim/final dividend per share	0.72p	+3%	0.70p
Operating profit by segment:			
Operating profit from property fund management (excluding performance fees)	£2.76m	-4%	£2.87m
AUM	£300m	-3%	£310m
Operating profit from Group Properties	£1.20m	+22%	£0.98m
Operating profit from First Property Services	£0.18m	-70%	£0.61m
Unallocated central overheads	£(1.03)m	-31%	£(1.49)m

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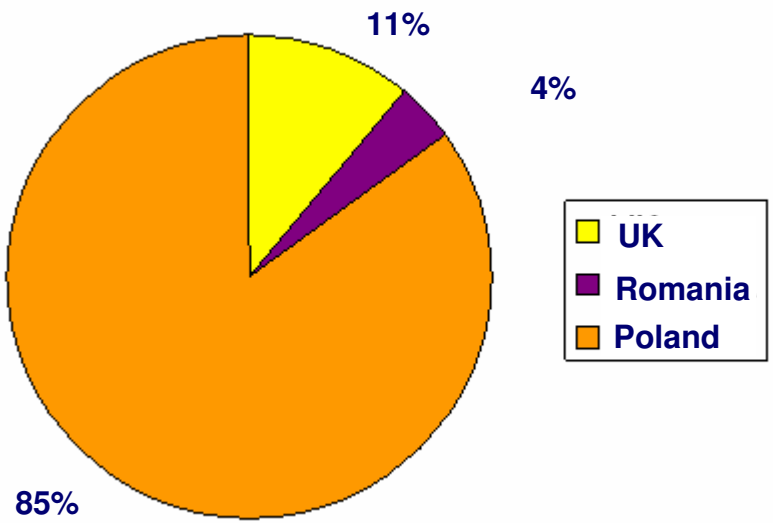
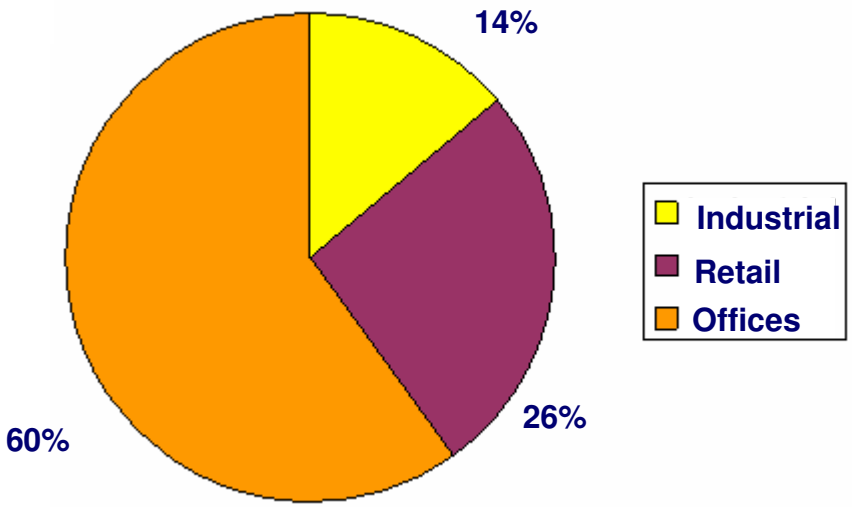
First Property Asset Management Ltd

- Five funds under management as at 31 March 2010 with a total value of £300 million.
- Geographical split of funds expected to shift further in favour of the UK over the coming months.

Geographical Split by Value



Sector Split By Value



Weightings to UK and Retail expected to increase in 2010/11

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First Property Asset Management Ltd – Cont.

- Performance remains good:
  - Ranked #1 versus IPD CEE Benchmark and IPD Polish Benchmark over the 4 year period to 31 December 2009. This marks the full period that FPAM has been invested in CEE, following its decision to exit UK commercial property in 2005.
  - On a like for like basis, the portfolio generated rental income of £23.6 million for the year to 31 March 2010 versus rental income of £21.6 million in 2009, a 9.26% increase over the prior year. In Euro terms the rental increase was 2.70% (€26.6 million in 2010 versus €25.9 million in 2009).
  - Annualised pre-tax return on equity being earned from existing assets under management on behalf of clients in CEE is running at in excess of 20% per annum.

- Continued strategic emphasis to grow fund management division:
  - New UK commercial property investment fund launched February 2010 with cash commitment of £106 million.
  - 4 properties acquired on behalf of this fund thus far with a total value of some £21 million and a further 5 properties with a total value £20 million under offer and in legals.
  - New CEE (Polish) fund - investors have not yet been identified for a blind pool fund but they have been identified for single asset funds.

Good fund performance should lead to increased AUM

Polish economy and market

- Poland was the only economy in the 27 member European Union to avoid recession in 2009 according to the IMF. It is now the 6th largest economy in Europe and the 19th largest in the World.
- Poland recorded GDP growth of 1.8% in 2009 and is forecast to grow by 2.75% in 2010 according to the IMF. (Polish Central Bank predicts GDP growth of 3.1% for 2010).
- The value of commercial properties in Poland has dropped by some 20% since its peak level in 2008 but has now appeared to stabilise with greater turnover and liquidity in the Polish investment market.
- In yield terms, commercial property valuations in Poland are some 30% below Western Europe. Given the lower rents prevalent in Poland, the capital valuation gap implied by this yield differential is large. For example, prime offices in Warsaw's CBD are valued some 80% cheaper than prime London offices (source: CBRE).
- The PLN/ Euro exchange rate appears to have stabilised within a range of PLN/ Euro 3.80 - 4.20, following a period of weakness in H1 2009 when it weakened, at its worst, to PLN/ Euro 4.95. Most rents in Poland are Euro denominated and FX stability is important for the sustainability of rents (Euro strengthening is equivalent to a rent hike).
- As global growth returns, Poland's economy is well placed to benefit, which should lead to an increase in rents, with a commensurate increase in the value of properties.
- Tenant and investor demand is returning.

UK economy and market

- Investor demand for well let commercial property has returned and pricing has bounced off the lows reached in early to mid 2009, particularly at the prime end and in some cases back to pre-credit crunch levels.
- The combined policy response by western Central Banks of pumping extra liquidity into the financial system has enabled lending banks to delay foreclosure of non performing loans. One of the consequences of this has been a corresponding lack of commercial properties for sale, which in turn has helped to buoy pricing.
- Meanwhile low interest rates have led to an increase in investor demand for real estate, in order to achieve higher returns than cash.
- Values appear to have now stabilised but we are monitoring the market for signs of weakness.
- The paradox is that the occupier market (with the exception of London) is likely to remain relatively weak.
- Fprop is in buying mode for its new UK Property Portfolio LP and the situation described above requires particularly judicious buying decisions. The investment focus is on properties which are let on long leases to credit worthy tenants (the sort of assets which have appreciated in value in recent months).

Weak occupier market but price falls have created buying opportunities

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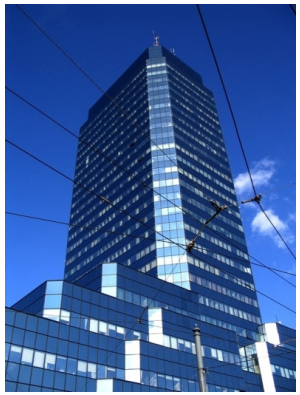
Group Properties

- Two properties owned directly:

  1. Class C office building, Mokotow, Warsaw
     - Acquired Nov 2007 for PLN 11.5 million (£2.6 million)
     - Net rental income - PLN 1.4 million (£290,000) pa
     - Yield & ROE – 12% in local FX
     - PP for change of use to residential granted Jan 2010 but Fprop is appealing one condition of the consent.

  2. Class B office building (Blue Tower), Warsaw (CBD)
     - Acquired 28% interest Dec 2008 for USD 13 million (£8.5 million at time of purchase)
     - Net rental income - USD 1.25 million (£868,000) pa
     - Debt – USD loan of 10.6 million (£6.9 million at time of purchase)
     - Yield - 9.6%
     - ROE – 34%
     - Acquired control of the management company in Nov 2009 for c.£302,000 in which previously no single shareholder had control. We expect to increase our earnings by at least £150,000 pa, once we have reduced costs as a result of having control.



- The book cost of these 2 properties is £11,365,000 (2009: £11,130,000). Adjusting for debt held against them the NAV is £4,336,000 (2009: £3,678,000). It is Group policy to hold assets at the lower of book or asset value. IFRS requires the FX component to be marked to market, hence the variation between reporting periods.

- Current valuation of these 2 properties is estimated to be in the region of £12.5 million.

2 high yielding properties with capital value growth prospects

Group Properties (cont)

- In addition to the 2 properties held directly, the Group also owns stakes in 2 of FPAM's 5 funds.
- IFRS requires earnings from these shareholdings to be reported at PLC level as "share of associates". We refer to them within Group Properties because we regard earnings from co-investments in FPAM funds to rank the same as earnings from properties held directly.
  - Fund 5 — 41% shareholding
    Book Value (IFRS) = £424,000 (2009: £349,000)
    Valuation (30.11.09) = £1,077,000 (2009: £808,000)
    ROE = 18%
  - Fund 6 — 41% shareholding
    Book Value (IFRS) = £247,000 (2009: £202,000)
    Valuation (30.4.09) = £322,000 (2009: £310,000)
    ROE = 23%
- The two funds in aggregate are held at £671,000 (2009: £551,000) according to IFRS accounting standards.
- The net asset value of Fprop's interest in these two funds is £1,398,000 (2009: £1,118,000) on the basis of external valuations carried out on 30.4.09 and 30.11.09.
- Revenue earned during the period by Group Properties was £2,573,000 (2009: £1,202,000) which generated an operating profit of £1,208,000 (2009: £984,000).

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First Property Services Ltd (60% interest)

- First Property Services Ltd is a mechanical & electrical (M&E) contractor which specialises in the installation and maintenance of air cooling and heating systems.
- The Group acquired its 60% stake in 2006. Its Book Value is £213,000 (2009: £199,000), calculated by reference to net asset value of the company less the minority (40%) interest. Wherever possible profits are paid out via dividends, thereby reducing any increase in the carrying value of this subsidiary as profits are accrued. The Group is not involved in the day to day management of the business but is required to consolidate its earnings according to IFRS (shareholdings >50%).
- It earned revenues during the period of £3.88 million (2009: £5.36 million) and an operating profit of £183,000 (2009: £613,000).
- Recurring revenues from maintenance contracts has been steady at some £500,000 per annum. Maintenance clients include Tiger Aspects and Freshwater Group.
- New installation sales make up the bulk of FPS earnings and are more variable. They are linked to the macro economic environment. This is the segment which has experienced a drop in sales, and therefore profits. This market remains difficult and management forecasts continued pressure on sales and profits.

Specialist business with blue chip clients

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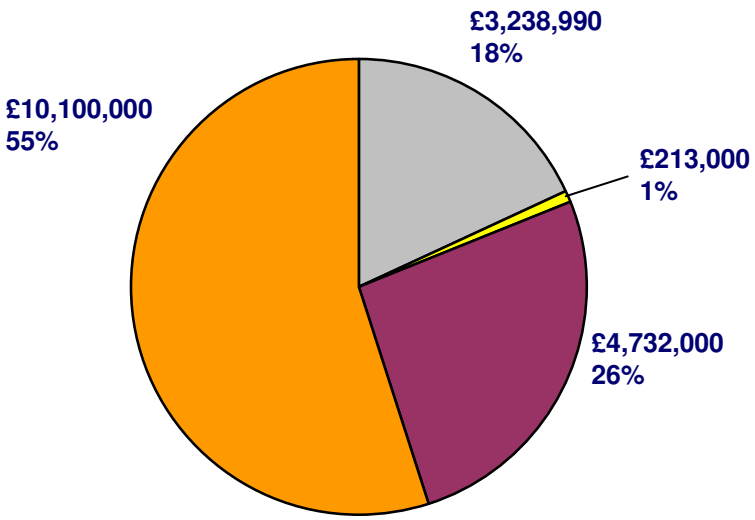
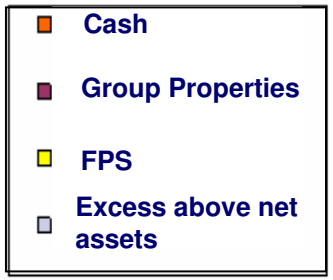
Value Attribution of component parts at 17p

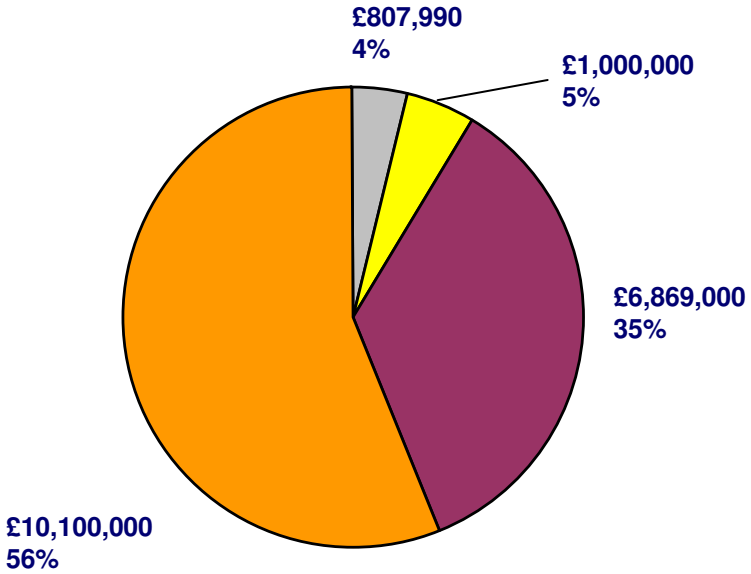
Shares in issue at 9 June 2010 = 109,770,527 (excluding 3,830,588 shares held in Treasury)
Market Cap at 17p = £18,660,990

Market Cap less net assets at cost





Market Cap less net assets at market value



Outlook

- Fprop has navigated the credit crunch well thus far. It remains a secure and growing business capable of delivering excellent returns to its clients and shareholders.
- Strong balance sheet and a stable earnings platform of recurring revenues.
- AUM should rise by £100 million as the new UK fund is invested over the next 12 – 24 months.
- AUM should also grow as asset values recover.
- Fprop remains cautious but intends to deploy its cash by further co-investment alongside its clients in FPAM's funds.

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Appendices

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- Management Team p.19-22
- Fund Performance p.23-25
- Contact Details p.26

Wallenroda, Lublin
Acquired Jan 2006

Blue Tower, Warsaw
Acquired Dec 2008

Market Statistics

- Number of shares in issue (9.6.10): 109,770,527
- Number of shares held in treasury: 3,830,588 (av cost 16.1p)
- Diluted EPS for the year: 1.97p (2009: 2.74p)
- Share price: 17.00p
- Market capitalisation: £18,660,990
- Major shareholders:

Benyamin Naeem Habib (Chief Executive Officer)	16,700,000	15.21%
J C Kottler	14,746,783	13.43%
Universities Superannuation Scheme Limited	9,550,000	8.7%
Alasdair Locke (Non Executive Chairman)	8,571,990	7.81%
Philippe Investment Mgt	4,869,436	4.44%
NFU Mutual Ins Soc Ltd	3,750,000	3.42%

PLC Management Team – Non Exec

Non-executive Chairman, Alasdair Locke, MA (Oxon)

Alasdair is the outgoing Executive Chairman of Abbot Group, an oil services company which he founded in 1992 and which was listed on the London Stock Exchange between 1995 and 2008. It was acquired in 2008 for £906 million by Turbo Alpha Ltd, a company controlled by US private equity fund, First Reserve Corporation. Alasdair sold his remaining interest in the Group in 2009 and has now stepped down altogether.

Alasdair's early career started at Citigroup in 1974, where he stayed for 8 years, specialising in shipping and oil. He is also Chairman of Mecom Group PLC, and Chairman of Argenta Holdings PLC, an unlisted holding company trading in Lloyds of London. He was voted Scottish Entrepreneur of the year in 1999.

Independent Non Executive, Peter Moon

Peter is the outgoing Chief Investment Officer of Universities Superannuation Scheme (USS), following his retirement in 2009.

His background is steeped in the UK investment management industry. Aside from his 17 year tenure at USS, he was a member of the National Association of Pension Funds (NAPF) Investment Committee between 1990-1995, and more recently an Adviser to Lincolnshire County Council, Middlesbrough Council and London Pension Fund Authority. Earlier roles included investment management positions with British Airways Pensions, National Provident, Slater Walker and Central Board of Finance Church of England.

He is also a Director of The Scottish American Investment Company PLC.

PLC Management Team - Exec

Chief Executive, Ben Habib, MA (Cantab)

Ben founded Fprop in 2000 and has been its Chief Executive since that date.

He has 16 years experience in the property sector. Prior to establishing the Group he operated in a private capacity as a property developer and investor. Between 1994 and 2000 he was involved in over 70 transactions (developments and investments) totalling in excess of £100 million and spanning the breadth of the UK.

Ben has a strong financial background, having been FD of PWS Holdings plc (an LSE listed Lloyds reinsurance broker) for five years in the early 1990s' and an investment banker in corporate finance with Shearson Lehman Bros in the late 1980s'.

He is currently a member of the Governing Body of Rugby School.

Finance Director, George Digby, BA (Hons), ACA, IMC

George joined Fprop in 2003, following a five year period of running a private accountancy consultancy business. Between 1989 and 1998 he was FD of Fired Earth plc, overseeing its listing on the London Stock Exchange, a tripling of its turnover, and a doubling of its pre-tax profits. He qualified with Price Waterhouse in 1981, followed by positions with Collins Publishers and Nikon UK Ltd.

At Fprop he has overseen a rapid expansion of the fund management division, particularly from 2005, including the development of its Polish operations. He now oversees the financial accounting and reporting for 33 separate Group and underlying fund companies, incorporated both in UK and Europe.

He is a member of the Institute of Chartered Accountants in England and Wales, having qualified with Price Waterhouse in 1981, and is a holder of the IMC certificate.

FPAM Management Team

Property Director - Martin Pryce, BSc, MRICS, IMC

Martin joined Fprop in 2001, following its acquisition of Propertytrade plc, a commercial property portal of which he was MD. He has 27 years of experience in chartered surveying, including being a partner at Donaldsons Chartered Surveyors until 2000, where he specialised in retail commercial property.

Managing Director, First Property Poland - Przemyslaw Kiszka, MA, CFA

Przemek joined the Group in 2006 to manage its Polish subsidiary, First Property Poland Sp. z o.o., which now employs 18 staff. His key responsibility is asset management, which involves enhancing the value of assets by renegotiating lease terms, and streamlining property operating costs and tax structures. He is also responsible for acquisitions, liaising with lending banks, and mitigation of risk exposures with derivatives instruments. Prior to joining First Property he was the senior analyst for a Polish private equity fund and corporate analyst for an open investment fund (Invesco TFI).

Director, FJB Capital Advisers - Jeremy Barkes, BA (Hons)

Following 10 years in equity sales with JP Morgan and KBC Peel Hunt, latterly specialising in real estate, Jeremy joined the Group in February 2009 to raise equity for investment by FPAM, as well as on behalf of 3rd parties. He operates under the trading name FJB Capital Advisers.

Compliance Officer, Fund Operator, Company Secretary – Jill Holmes, AAT

Jill joined Fprop in 2009 to oversee the Compliance and HR operations for the Group, and to be Company Secretary for the Group's subsidiary and underlying fund companies. She joined from Ogier, a leading global operator and fiduciary services organization, where she headed up the UK new business operations team and where she handled the client take on and launch of a number of UK and offshore funds ranging from Real Estate and Infrastructure to Private Equity. She has a strong financial and regulatory background, having been the Senior Financial and Regulatory Accountant for Thomas Miller & Co until 2007.

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Our Team on the Ground

The Group has a policy of managing its property portfolio in-house, as much as possible.

It employs:

- 9 staff in the UK
- 18 staff in Poland

Full in-house fund & asset management capabilities

Fund Performance

- Fund 1, 2, & 3 (all UK commercial) launched between 2002 & 2003, dissolved between 2006 & 2007: IRR earned from properties respectively of 52%, 73% & 54%.
- Fund 4 (UK offices) launched in 2004 on behalf of a HNW: earning some 9% return of equity per annum from rent alone. The fund is not revalued on an annual basis and First Property does not have full discretion over its management.
- Fund 5 (UK & CEE commercial) launched in 2004: if properties held by the fund had been sold at their value at 31 March 2010, the annualised IRR earned by the fund would have been some 14%.
- Fund 6 (UK & CEE commercial) launched in 2004: if properties held by the fund had been sold at their value at 31 March 2010, the annualised IRR earned by the fund would have been some 18%.

Returns to fund investors have been consistently good

Fund Performance (cont)

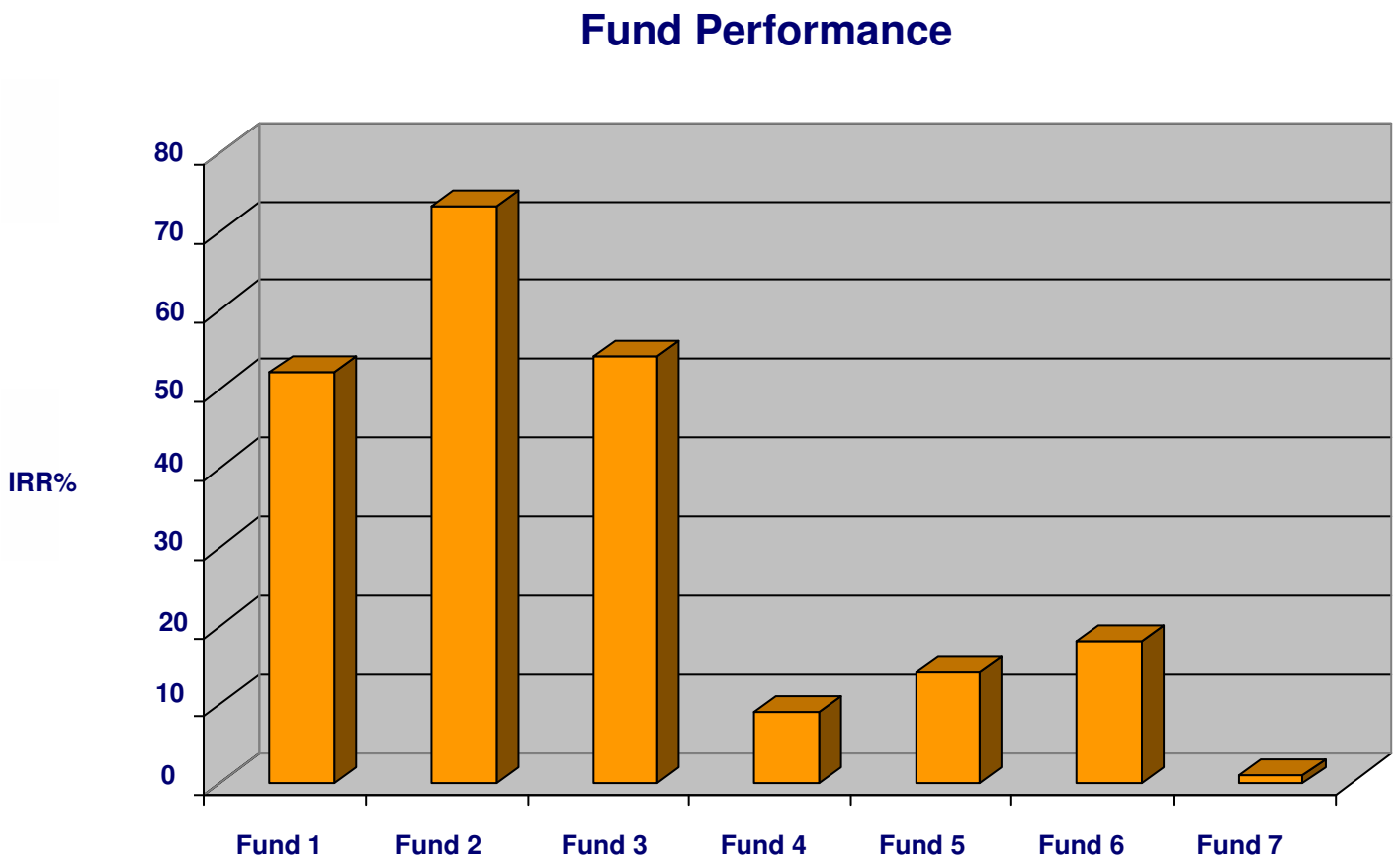
- Fund 7 (UK & CEE commercial, the USS fund) launched in 2005: if properties held by the fund had been sold at their value at 31 March 2010, the annualised IRR earned by the fund would have been some 1%. This fund is the principal source of our #1 ranking vs IPD CEE & IPD Polish Benchmark over the 4 year period ended 31 December 2009. It is worth noting that the rental income has been steady; it is the capital values which have been impacted, magnified by the gearing.

- Fund 8 (UK Property Portfolio LP) launched February 2010: it is too early to assess performance.

- FPAM managed funds ranked No.1 vs IPD CEE Benchmark and No.1 vs IPD Polish Benchmark over the 4 year period to 31 December 2009, despite being a new entrant to the CEE property investment market in Q4 2005.

Returns to fund investors have consistently been good

Funds Performance (cont)



Fprop plc

Advisers and Contact Details

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