



Fprop plc

Preliminary Results, 11 June 2012

First Property Group plc

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

The performance of its funds under management ranked No.1 versus the Investment Property Databank (IPD) CEE universe for the three, four, five and six years to 31 December 2008, 2009, 2010 & 2011.

➤ **The business model of First Property Group is to:**

- 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.

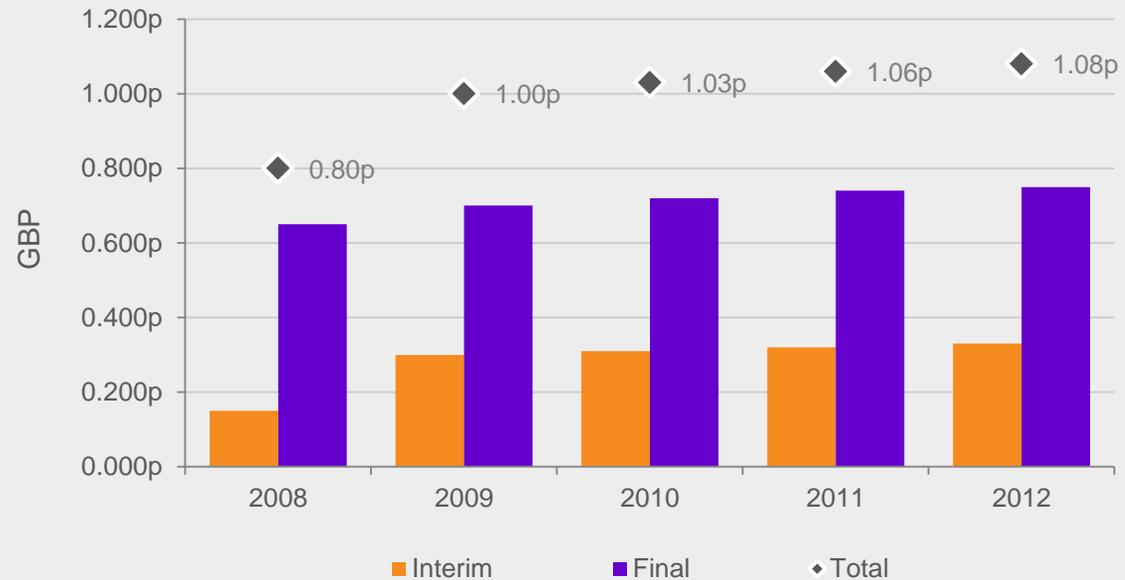
✓ **FPAM ranked No.1 vs IPD CEE universe over 3, 4, 5 & 6 years to 31 Dec 2008, 2009, 2010 & 2011**



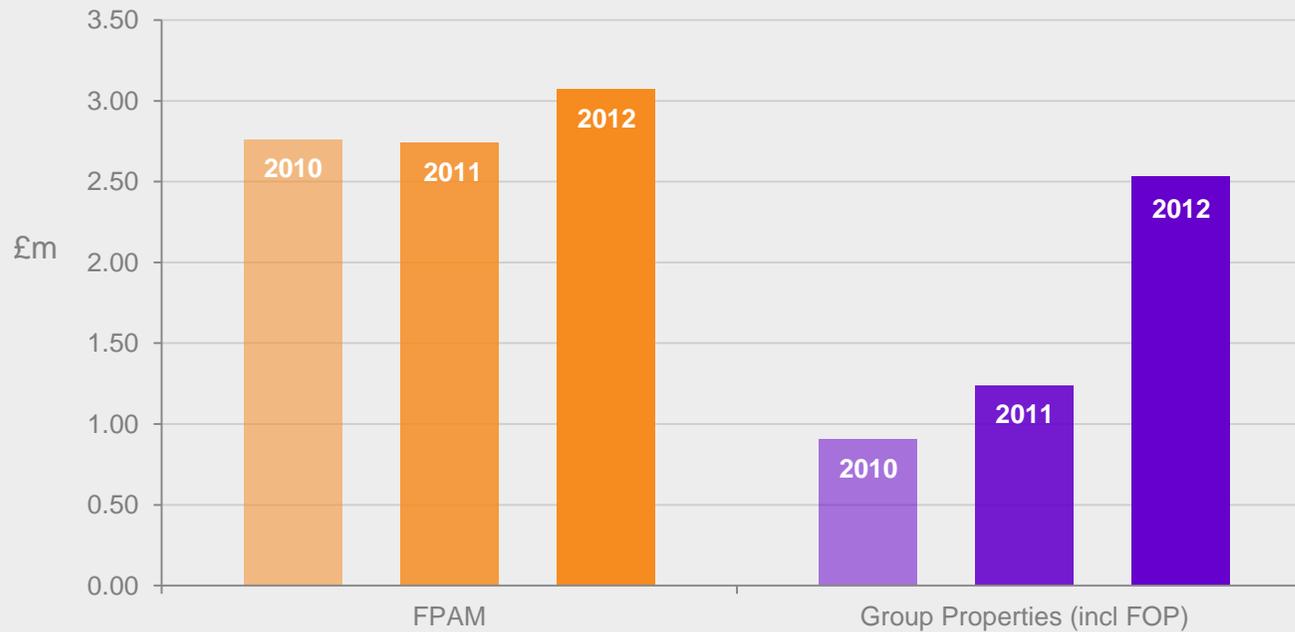
	Year to 31-Mar-2012 (Unaudited)	Year to 31-Mar-2011 (Audited)	Percentage change
Profit before tax - continuing operations	£3.97m	£2.95m	+35%
Diluted earnings per share (continuing operations)	2.73p	1.90p	+44%
Total Dividend	1.08p	1.06p	+2%
Profit before tax by segment:			
Profit before tax from property fund management (FPAM)	£3.07m	£2.74m	+12%
Profit before tax from total Group Properties (incl FOP)	£2.54m	£1.24m	+105%
Net assets	£17.36m	£16.57m	+5%
Assets under management	£365m	£366m	-
Poland	70%	75%	
UK	27%	22%	
Romania	3%	3%	

Board recommends increased dividend for year of 1.08p (2011: 1.06p).

XD	22-Aug-2012
Record Date	24-Aug-2012
Payment Date	21-Sep-2012



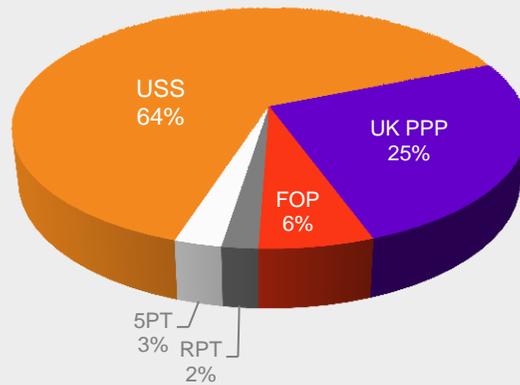
In monetary terms (2010–12):



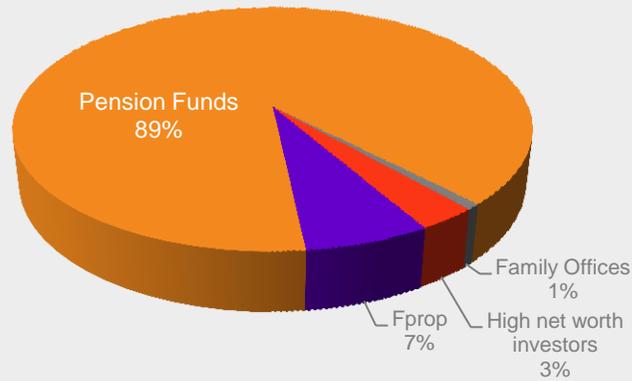
- Although headline assets under management remained broadly unchanged year on year there was underlying movement in funds with assets in the UK increasing to 27% of total assets under management whilst a weakening Euro versus Sterling resulted in a 6% reduction in assets in Poland to 70% of total assets under management;
- Material increased contribution to earnings from Group Properties, resulting from a full year's contribution from properties acquired by Fprop Opportunities plc (FOP) in 2010;
- UK PPP fund, established in February 2010, 90% invested with £93.5 million under management at year end;
- In receipt of expressions of interest to invest in a new UK fund to pursue the same higher yielding investment strategy as UK PPP;
- Funds under management once again rated by Investment Property Databank (IPD) as the best performing versus the IPD Central & Eastern European (CEE) universe, now for the six years to 31 December 2011.

Fund	Established	Termination Date (unless extended)	Assets under Management at 31-Mar-2012
SAM Property Company Ltd (SAM)	Aug-2004	Rolling	Not subject to recent revaluation
Regional Property Trading (RPT)	Aug-2004	Aug 2012	£7.0 million
5 th Property Trading (5PT)	Dec-2004	Dec 2014	£9.2 million
USS Fprop Managed Property Portfolio LP	Aug-2005	Aug 2015	£233.1 million
UK Pension Property Portfolio LP (UK PPP LP)	Feb-2010	Feb 2017	£93.5 million
Fprop Opportunities plc (FOP)	Oct-2010	Oct 2020	£22.2 million
Total			£365 million

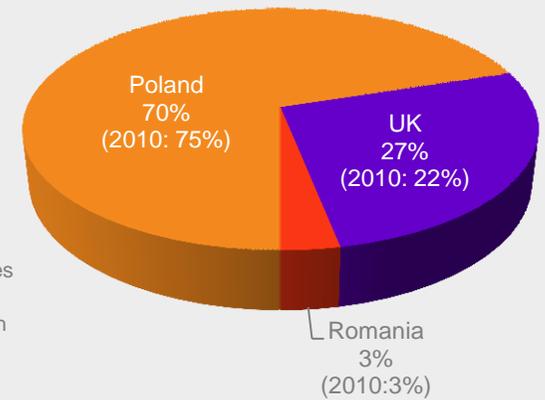
By fund:

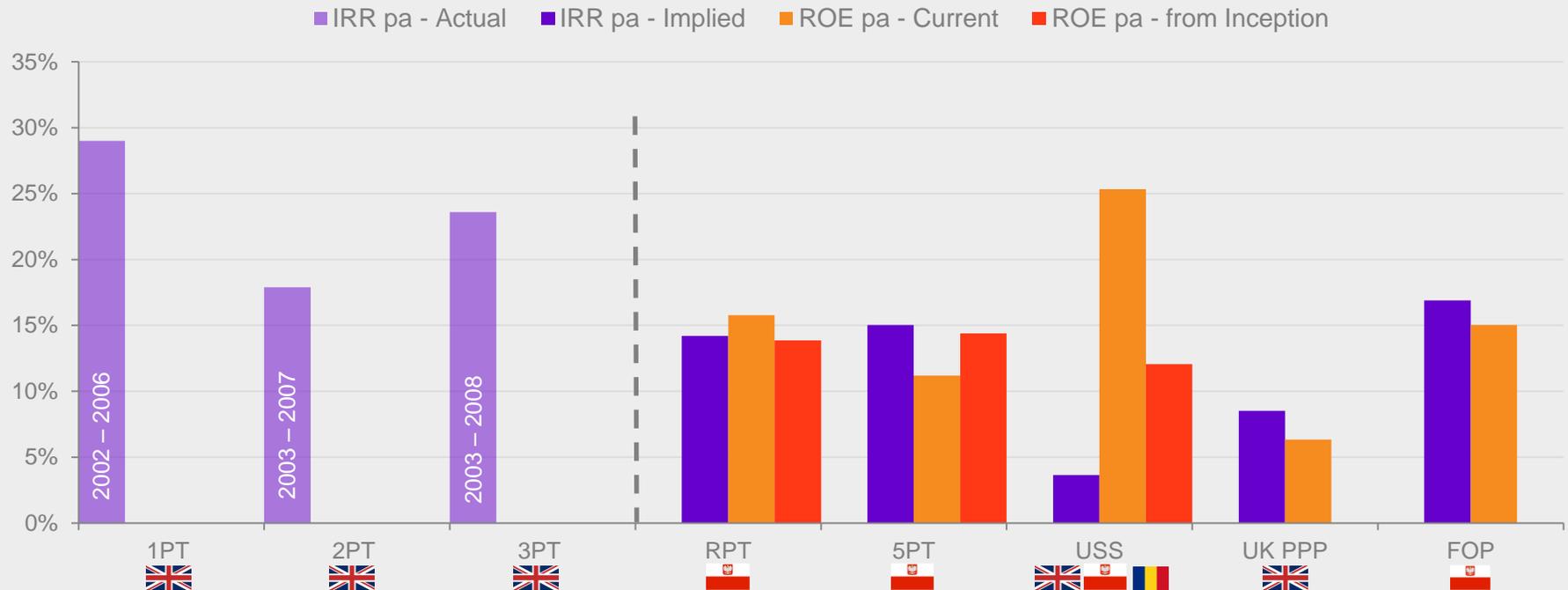


By investor category:



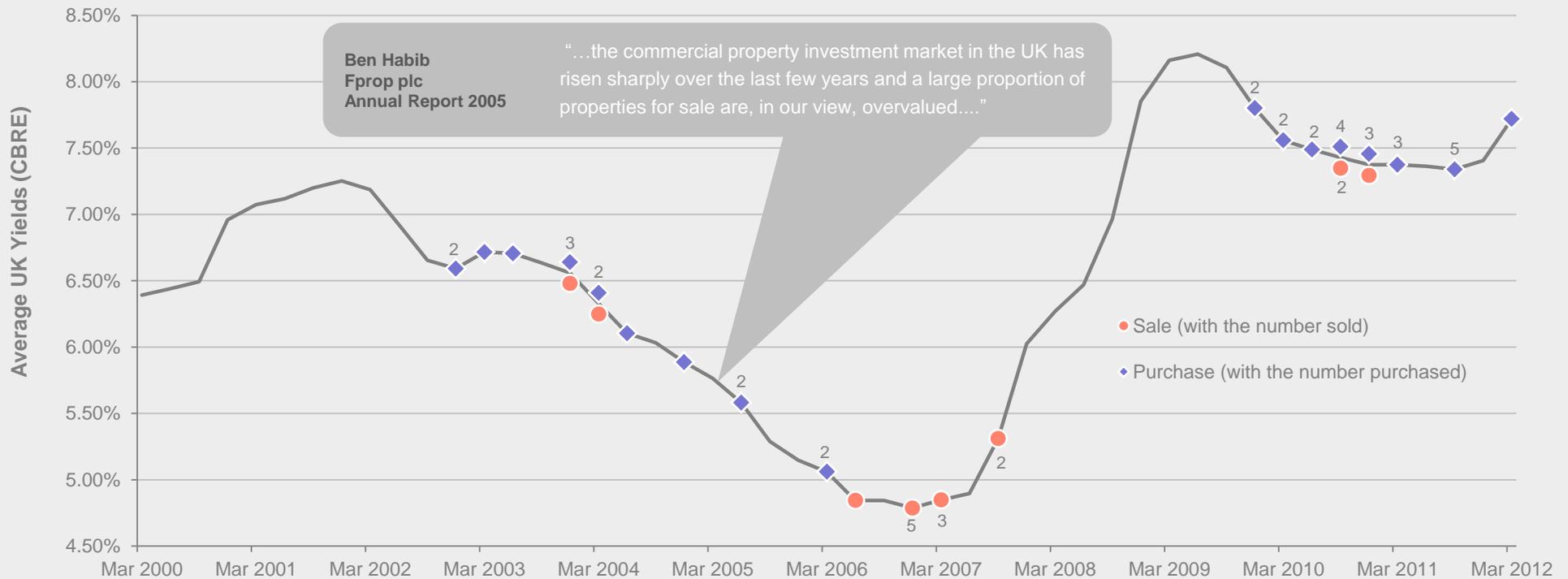
By geography:



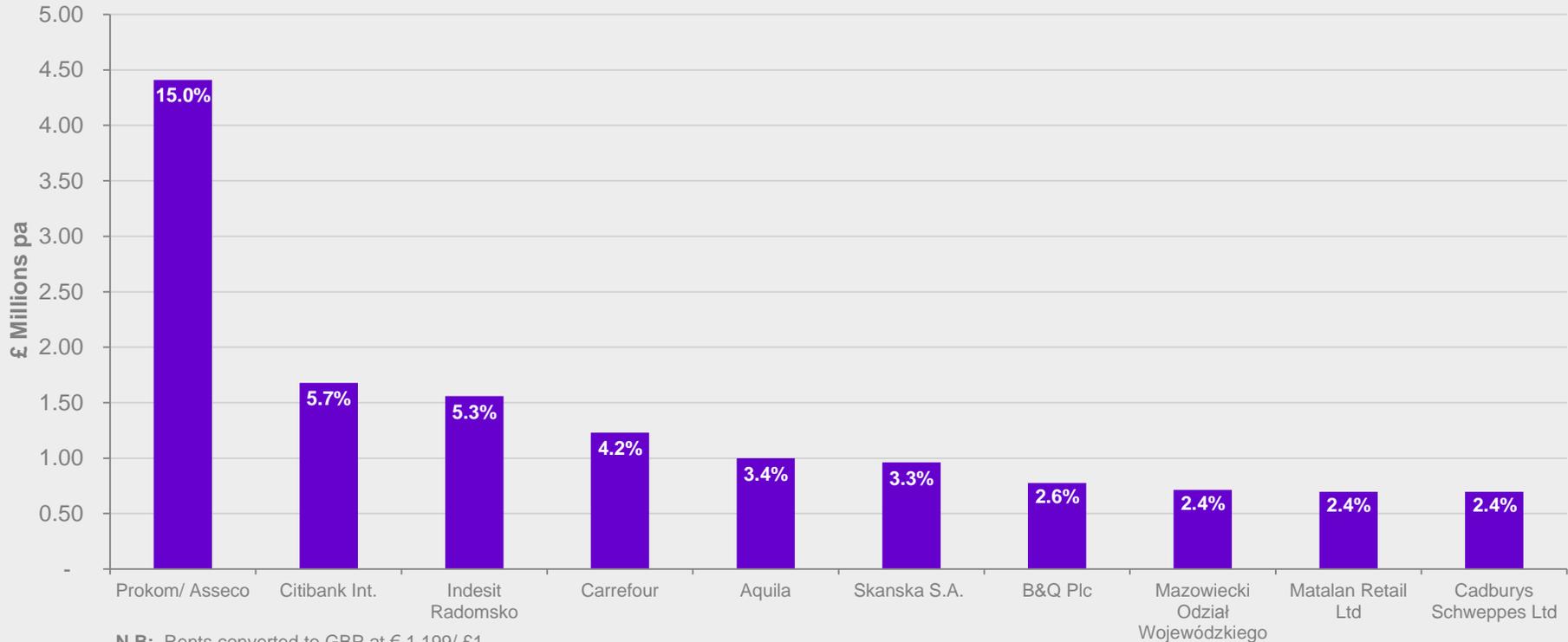


- All implied IRR calculations use 31-Mar-2012 NAVs.
- Annualised ROEs from inception are calculated using average pre-tax INCOME returns over each fund's life ÷ by ORIGINAL shareholders' capital employed (time weighted).
- Current ROE is calculated using the FY 2012 pre-tax income ÷ by original shareholders' capital employed.

- Strategic decision taken in 2005 to sell UK properties, executed by 2007. Subsequent reinvestment of client funds into Poland.
- Returned to UK property investment in 2009.



N.B: Where no number is provided only one property was transacted.
Average UK yields are the average of prime and secondary office and retail yields (source = CBRE).



N.B: Rents converted to GBP at € 1.199/ £1.

The percentages show rental income as a percentage of the total rental income of all properties managed by FPAM excluding directly held properties and FOP (which is majority owned by the Group and accounted for within Group Properties).

Group Properties comprises two properties owned directly by the Group and co-investments in four of the six funds managed by FPAM.

Directly Held Properties:

Property Name	Purchase date	Book cost	Bank loan	Valuation at 31-Mar-2012	Net Rent	Contribution to pre-tax profit
Bacha St, Mokotow, Warsaw	Nov-2007	PLN 11.7m (£2.4m)	Nil	PLN 11.8m (£2.4m)	£344,000	£243,000
Blue Tower, Central Business District, Warsaw	Dec-2008	US\$ 12.9m (£8.3m)	US\$10.6m (£6.6m)	US\$ 19.7m (£12.3m)	£1,292,000	£831,000
Total		£10.7 m	£6.6m	£14.7m (Net £8.1m)	£1.64m	£1.07m

Co-investments:

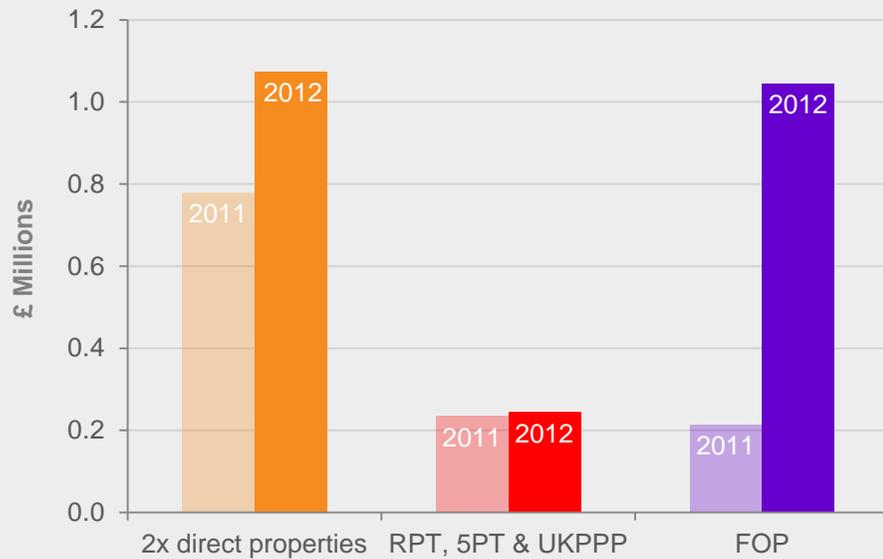
Fund	Plc shareholding 31-Mar-2012	Book value of Fprop's share	Market Value 31-Mar-2012	Group's share of pre-tax profit
Interest in associates				
5 th Property Trading (5PT)	37.8%	£594,000	£1,165,000	£141,000
Regional Property Trading (RPT)	28.6%	£213,000	£239,000	£41,000
Share of results in associates				£182,000
Investments				
UK Pension Property Portfolio LP (UK PPP LP)	0.9%	£903,000	£906,000	£63,000*
Consolidated undertaking				
Fprop Opportunities plc (FOP)	84.1%	£6,600,000**	£8,500,000	£1,030,000***
Total		£8.3 m	£10.8 m	£1.3 m

* Represents dividend received .

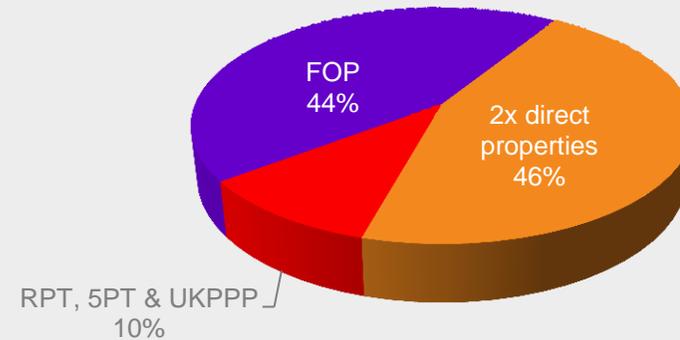
** Original book cost was £7 million, initially comprised 99% (£6.93 million) of non-interest bearing shareholder loan. By 31-Mar-2012 there had been 4 loan repayments of which the Group's share was £374,245 in aggregate.

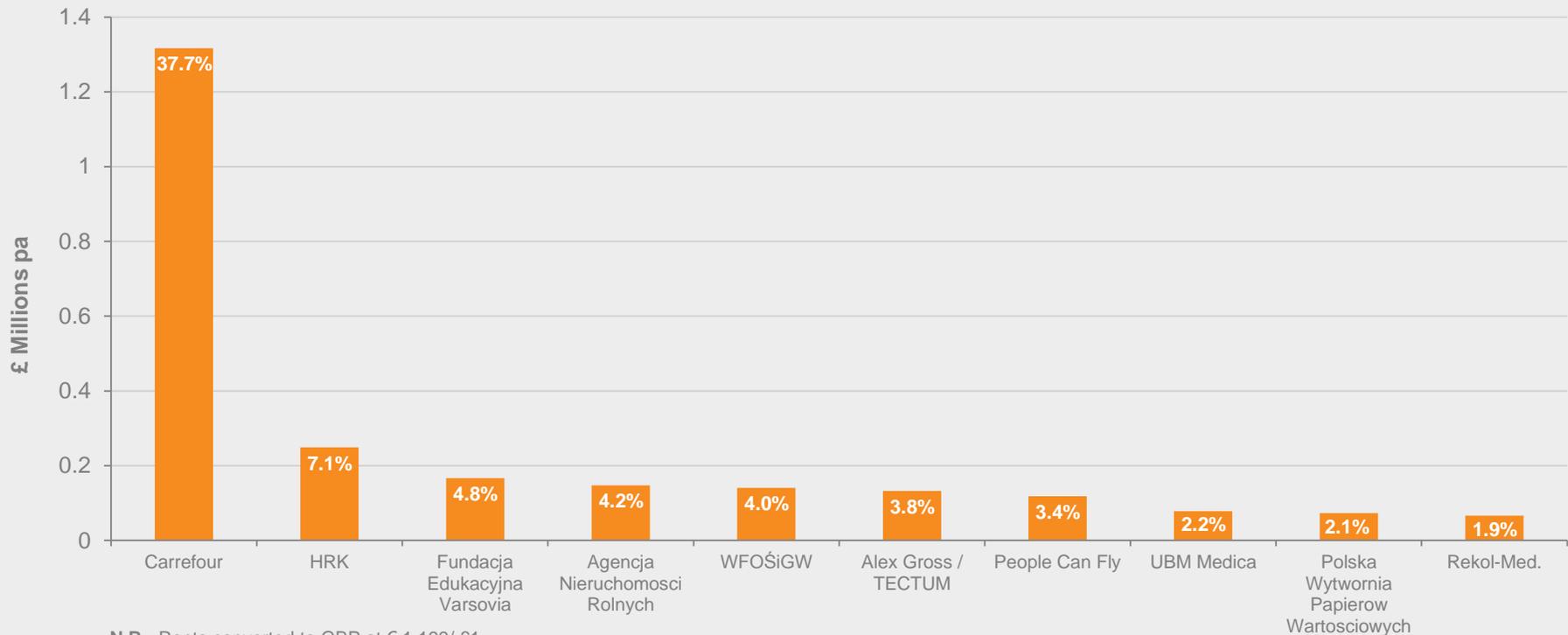
*** After non-controlling interest.

In monetary terms:



In percentage terms:





N.B: Rents converted to GBP at € 1.199/ £1.
The percentages show rental income as a percentage of the total rental income associated with Fprop's 2x direct properties and its controlling interest in FOP.

General:

- The fund raising market remains challenging. However, the two funds we have been marketing, our new UK fund and FOP, have both been well received by potential investors.
- As mentioned at the time of our interim results, we are considering launching a retail bond in order to assist the Group with seeding new funds under management. We intend to conduct a feasibility study for such a bond shortly.
- We are delighted to report that we have appointed Laure Duhot as a non-executive director of First Property Asset Management Ltd, in order to benefit from her experience in fund raising for real estate. Laure is Director of Strategic Capital Markets at Grainger plc and until recently was Head of Equity Raising for Pradera and sat on its executive board.

UK Sterling Income Fund (FSIF)

- We are in the process of determining a suitable fund structure for our new UK fund, Fprop Sterling Income Fund. We intend to firm up demand for it once this structure is in place.

Fprop Opportunities plc (FOP)

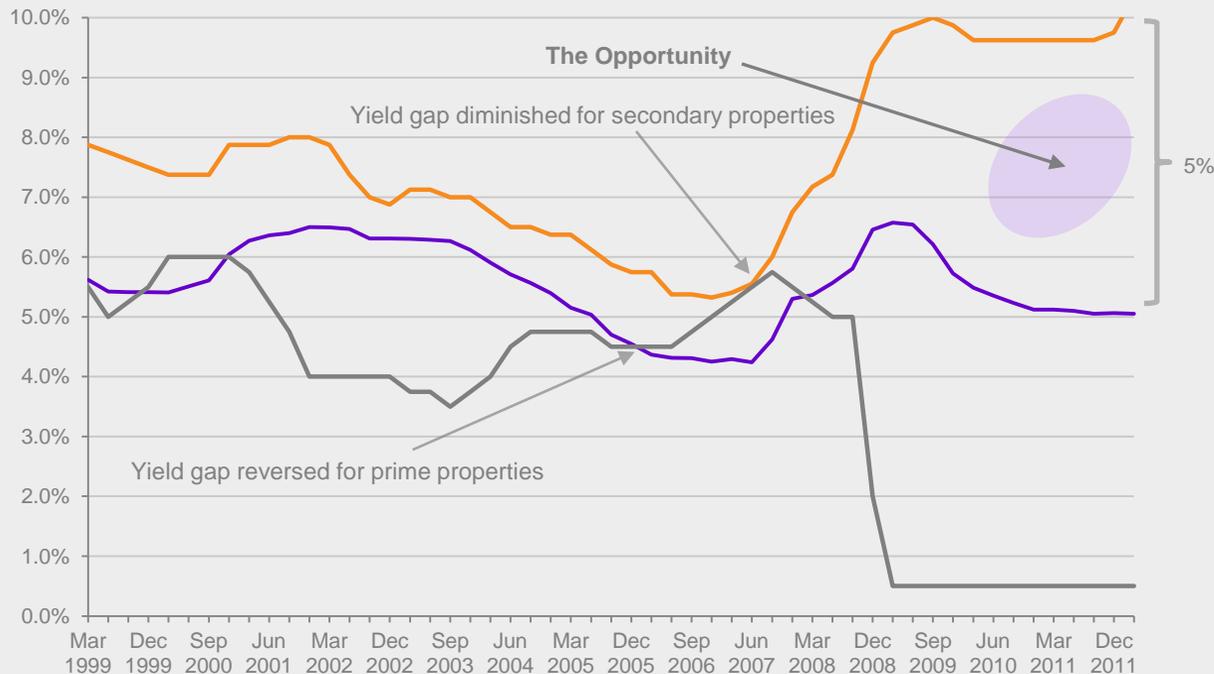
- We are in receipt of expressions of interest to invest in FOP on an asset by asset basis.
- The eurozone troubles last and this year have made us particularly cautious at the moment but we are exploring some interesting investments. If we should proceed with these, we would be confident in our ability to raise the the required funding.
- In any event, FOP is currently only half invested.

Review of Market Environment:

- The Polish Zloty or PLN has weakened against the Euro since the middle of last year, from a level of circa PLN 4/€1 to PLN 4.30/€1. This increases pressure on tenants who typically pay their rent in Euros.
- We have not yet experienced any such stress in our portfolios and, as shareholders may recall, our portfolios stood the test of a weakening PLN in 2009 very well, when it reached a low of PLN 4.95/€1. At its current level we do not therefore think the PLN is likely to adversely impact property values.
- Poland's GDP growth in 2011 was 4.3%. This rate of growth is expected to slow this year to 3% (source: IMF) but such a rate would still leave Poland at close to, if not at, the top of all EU member countries.
- This factor, coupled with Poland's faster rate of economic growth and the higher yields available in its investment property market, should result in Polish commercial property continuing to deliver attractive rates of return.

Review of Market Environment:

- The outlook for the UK economy is poor.
- The UK's GDP contracted by 0.3% in both the last quarter of 2011 and the first quarter of 2012, putting the country back into recession.
- Property values declined by 0.7% in the first quarter of 2012 (according to IPD) and we expect the tone of the market to remain weak;
- We do not, however, expect a collapse in prices.
- Contrary to most investor interest, we are wary of investing in central London because generally values are too high and yields too low to make it attractive. We can, relatively safely, earn yields of one and a half to twice those available on London property by investing in the regions, where property values have not recovered in the way that they have in London.
- The UK economy re-entering recession is of little consequence to our UK investment strategy which has been predicated on a protracted recessionary environment.
- We have been typically acquiring well located regional retail warehouses with a strong emphasis on discount retailers, good covenants and long leases. We particularly favour properties which have been recently let and where rents have been set at a low level. This emphasis will continue.



Graph as at 31 March 2012
Source: CBRE

- Secondary property has not re-priced to the same extent as prime. It is still largely trading at trough levels;
- Prime yields are, in many cases, close to or back to 2007 levels;
- It is possible to buy well located properties occupied by financially sound tenants on long leases at net initial yields of 6.5% and higher.

— Average Secondary Yields
— Average Prime Yields
— Bank Base Rate

FPAM:

- Our underlying funds are well positioned for continued good performance.
- The fund raising market is still challenging but we expect that our good track record, coupled with general investor demand for income, will result in new client wins (and therefore growth in assets under management).

Foreign Exchange:

- A substantial proportion of our income is earned in Euros and should the € / £ rate remain at current levels, or weaken, our earnings in Sterling would be adversely affected. It is too early to judge the effect of this, if any, on Group earnings in the current year.

Group Properties:

- We expect continued material contribution to earnings from our two directly held properties and our co-investments in FPAM's funds;
- The Group has some £9.98m of cash at its disposal (incl £4.76m within FOP).

LSE (AIM) Symbol	FPO.L	
Share price	16.5p	
Market Cap	£18.4 million	
Dividend yield	6.5% pa (annualised)	1.08p (subject to shareholder approval)
PER (undiluted)	5.7x (annualised)	EPS 2.88p (2011:2.02p)
PER (diluted)	6.0x (annualised)	EPS 2.73p (2011:1.90p)

	2012	2011	% change
Issued & Fully Paid	114,851,115	114,601,115	+0.2%
Issued (excl Treasury)	111,098,580	110,796,501	+0.3%
Shares held in Treasury	3,752,535	3,804,614	-1.4%
Outstanding share options over Ordinary shares	7,500,000	7,790,000	-3.1%
Average strike price of outstanding share options	15.72p	14.34p	+9.6%

Shareholders > 3% at 31-Mar-2012

	No of shares	% held (of issued and fully paid)
Ben Habib (Chief Executive Officer)	16,700,000	14.5%
J C Kottler Esq	15,006,783	13.1%
Universities Superannuation Scheme Limited	9,550,000	8.3%
Alasdair Locke (Non-Executive Chairman)	8,571,990	7.5%
NFU Mutual Insurance Society Ltd	4,250,000	3.7%
<i>First Property Group Plc Treasury</i>	3,781,304	3.3%
Total	57,860,077	50.4%

Non-Executive Chairman — Alasdair Locke, MA (Oxon)

Alasdair is the former executive Chairman of Abbot Group plc, an oil services company which he founded in 1992. It was listed on the London Stock Exchange from 1995 until its sale in 2008 for £906 million to Turbo Alpha Ltd, a company controlled by a US private equity fund. He sold his remaining interest in the Group and stepped down altogether in 2009. His early career started in investment banking at Citigroup in 1974, where he specialised in shipping and oil.

Alasdair is also Chairman of Argenta Holdings plc, an unlisted holding company which trades in Lloyds of London.



Independent Non-Executive Director — Peter Moon

Peter retired as Chief Investment Officer of Universities Superannuation Scheme (USS) in 2009 following a career 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 and London Pension Authority. Earlier roles included investment management positions with British Airways Pensions, National Provident, Slater Walker and Central Board of Finance Church of England.

Additional directorships include Scottish American Investment Company plc (Independent NED) and Arden Partners plc (Independent NED).



Group Chief Executive & FPAM Chief Investment Officer — Ben Habib, MA (Cantab)

Ben founded First Property Group plc in 2000. He is responsible for all aspects of the operations of Fprop and its fund management business.

Prior to setting up Fprop, Ben was Managing Director of a private property development company, JKL Property Ltd, from 1994 - 2000, in which he held a 30% interest, prior to which he was Finance Director of PWS Holdings plc, a FTSE 350 Lloyd's reinsurance broker. He started his career in corporate finance in 1987 at Shearson Lehman Brothers. He was educated at Rugby School and Cambridge University.



Group Finance Director & Finance Director — George Digby, BA (Hons), ACA, IMC

George joined Fprop in 2003 and has overseen the rapid expansion of the fund management division during this period, including the development of the operation in Poland, involving in total 34 separate companies to date. Prior to Fprop, George spent 10 years as FD of Fired Earth plc until its MBO in 1998, during which period he oversaw 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. After Fired Earth he set up and ran a successful accounting consultancy for five years.



George brings broad financial experience to the Group. He is a member of the Institute of Chartered Accountants in England and Wales and is a holder of the IMC certificate.

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Extra Slides

Our investment strategy is governed by:

- The recognition that property investment is comparatively illiquid. This illiquidity can only be compensated with any degree of certainty by rental income - achieving **liquidity through income**. In any case, over the long term **it is income and not capital value movements which largely determine total returns** (see IPD analysis of returns p.33).
- **The pursuit of capital preservation before the pursuit of high returns.** Over the long term, capital is more likely to be protected if investments yield a high income because **income cushions possible capital value reductions**.
- A **fundamental** approach to investing (as opposed to momentum investing). Consensus may chase a particular investment theme but it does not justify the theme.
- **Flexibility in the light of market changes** – see next page as evidence of our adherence to this. We continue to act dynamically.
- **An active approach to asset management (where possible)**, in order to drive income and in turn boost capital values by hands-on property management, relying as much as is possible on internal resources.

The recognition of the need for high sustainable income returns has resulted in First Property achieving a market leading track record.

We recognise the need to continually monitor macro and micro changes in our markets and to adapt our asset management approach accordingly, exemplified by:

- **Our decision to largely exit the UK commercial property market in 2005** following the increase of UK property values and the resultant low income yields available. This change very largely protected the Group and its clients from the subsequent collapse in UK commercial property values (some 50% reduction in value took place between 2007 and 2009).
- **Our decision to choose Poland as our principal geographic area of focus in 2005.** Poland and its commercial property market has been one of the best performers in Europe. On a like-for-like basis our Polish portfolio's income is higher now than it was in 2007.
- **Our decision in June 2008 to change our policy of lease renewal.** In mid-2008, in order to protect rental income before the credit crunch hit Poland, 20% of our tenants (by income) were approached to extend their leases early. Many of these leases were successfully extended (at the same time as increasing rents: +3% across the portfolio). When the credit crunch hit Poland, the portfolio was in a strong position.
- **Our return to the UK in 2009** after property prices had dropped by some 50%. We remain bearish on the UK economy but we believe there is scope to earn relatively high rates of return in certain specific classes of commercial property.
- **Our bearish view on prime London property,** adopted in 2010. This is in stark contrast to the then and current market sentiment. The London market continues to gain in value but it is our view that it is in bubble territory and that at some point this bubble will burst.

Bloomberg TV – Ben Habib discusses outlook for commercial property in 2012 (Dec-2011)

www.bloomberg.com/video/82576408/



Fprop Opportunities plc – Presentation (Dec-2010)

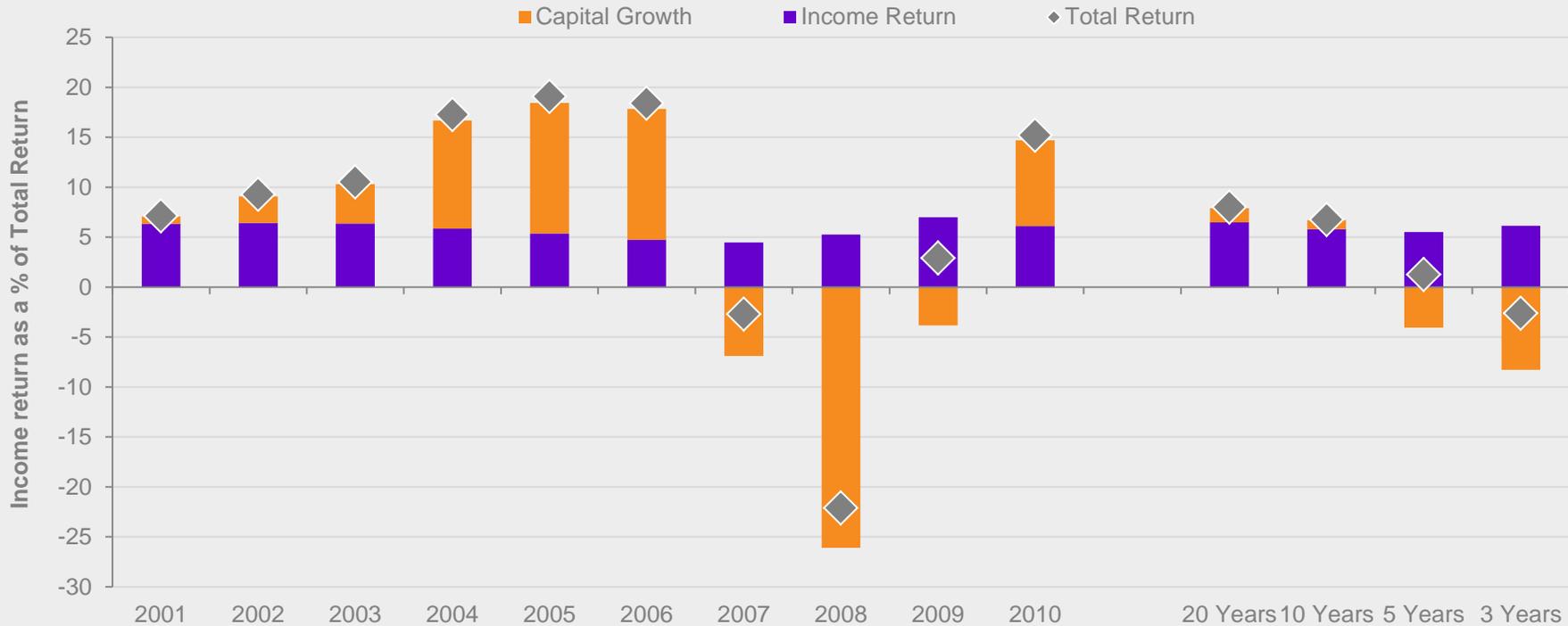
www.fprop.com/videos/top-promotional-video



UK Commercial investment property - a minefield (Mar-2011)

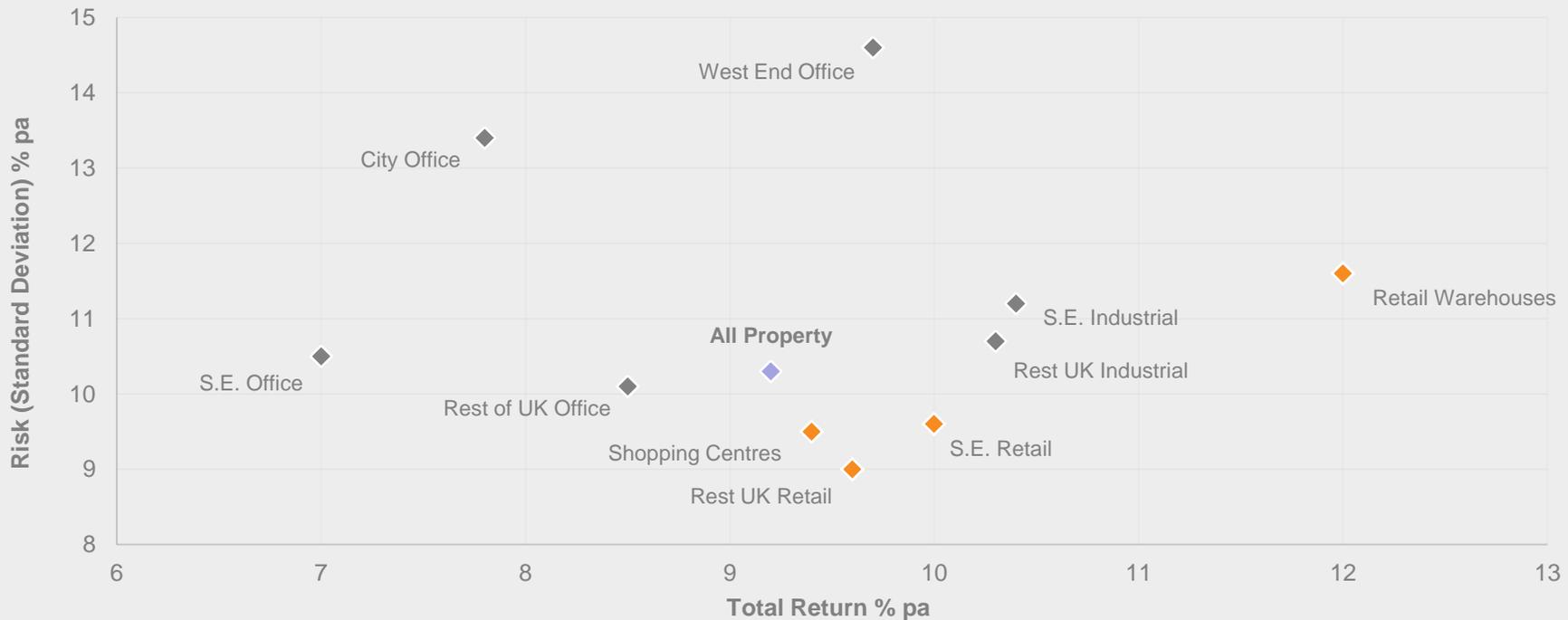
<http://www.fprop.com/videos/uk-cip-full>

Click on the picture to watch each video



Source: Investment Property Databank (IPD) All Property UK Universe

Over the longer term income is the main driver of investment returns



Source: Investment Property Databank (IPD) All Property UK Universe

Since 1981 UK retail has generated the best risk adjusted returns, offices the worst