



Preliminary Results

for the year ended 31 March 2016

First Property Group plc

9 June 2016



FPAM funds rank No.1 versus MSCI's Investment Property Databank (IPD) Central & Eastern European (CEE) Benchmark for the ten years from the commencement of its operations in Poland in 2005 to 31 December 2015, and for the annualised periods from 2005 to the end of each of the years between 31 December 2008 and 31 December 2015.

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

Its earnings are derived from:

➤ **Fund management:**

Via its FCA regulated and AIFMD approved subsidiary, First Property Asset Management Ltd (FPAM), which earns fees from investing for third parties in property:

- Management fees are levied by reference to the value of properties under management;
- Performance fees are levied where appropriate, usually payable upon realisation of profits above an agreed hurdle.

➤ **Group Properties:**

Principal investments by the Group to earn a return on its own capital, either directly or in partnership with third parties.

- **A fundamental approach to investing** (sentiment may chase a theme but does not justify the theme). **Thinking from first principles.**
- **Sustainable income is a priority:**
 - The yield at purchase of any property investment must ALWAYS exceed debt service costs;
 - We assess investments with an emphasis on ROE as opposed to IRR (because IRR's require an exit price assumption);
 - Over the long term it is income and not capital value movements which largely determine total returns;
 - Sustainable high income streams can sustain leverage and thereby enable total equity returns to be boosted;
 - Capital is better protected if investments yield a high income, preferably from a low (reversionary) rent level.
- **Property is illiquid** – but this illiquidity can be mitigated by rental income – liquidity through income.
- **An active approach to asset management (where possible):**
 - Largely exited the UK commercial property market in 2005, re-entered in 2009. We act dynamically.
 - Reversed asset management policy of waiting until lease expiry to renew leases following onset of the credit crunch in 2008.
 - Recommended development activity in the UK in May 2013 in response to the introduction of Permitted Development Rights and the boosting of demand for residential property with the “Help to Buy” scheme.
- **Flexibility in the light of market changes.**
- **We target higher yielding properties with sustainable income streams, enabling us to boost returns by applying leverage.**

	Unaudited year to 31 Mar-2016	Audited year to 31 Mar-2015	Percentage change	Notes
Income Statement:				
Revenue	£21.96m	£18.52m	+18.6%	
Statutory profit before tax	£7.35m	£8.08m	-9.0%	
Non-recurring income	£1.29m	£3.99m		Mainly related to Fprop PDR
Diluted earnings per share	4.28p	6.93p	-38.2%	One off deferred tax credit of £992,000 in 2015
Total Dividend per share	1.50p	1.35p	+11.1%	
Average €/£ rate	1.363	1.285	-6.1%	Impact of weaker EUR vs GBP during the year resulted in PBT being c£671,000 lower than if translated at last year's rate
Balance Sheet at year end:				
Net assets	£34.09m	£31.02m	+9.9%	
Net assets per share	27.75p	26.30p	+5.5%	
Adjusted net assets per share	43.01p	35.75p	+20.3%	Calculated according to EPRA triple net valuation methodology, which includes adjustments for fair values of i) financial instruments, ii) debt, and iii) deferred taxes.
Cash Balances	£8.98m	£12.24m	-26.6%	Proforma: £14.13m <i>if</i> €6.5m (£5.15m) loan to Fprop Romanian Supermarkets Ltd (repaid after year-end) was included
Period-end €/£ rate used	1.261	1.382	+8.8%	

	Unaudited year to 31-Mar-2016	Audited year to 31-Mar-2015	Percentage change	Notes
Group Property Portfolio at year end: (excluding the Group's non-controlling interest in six FPAM managed funds)				
Book Value	£134.53m	£126.90m	+6.0%	
Market Value	£156.92m	£142.04m	+10.5%	
Gross Debt (non-recourse to Group)	£114.82m	£107.78m	+6.5%	
LTV%	73.17%	75.88%		
Total assets under management:	£353m	£327m	+8.0%	Despite major fund expiry
Poland	51%	65%		
United Kingdom	44%	33%		
Romania	5%	2%		

- Total AUM up 8% to £353m, despite major fund expiry;
- UK PPP fund life extended by 5 years to Feb-2022;
- 2 new investment companies established (which invested some €35m in Poland and Romania);
- Good cash generation – Group cash balances would have increased by some 15.4% to £14.13 million had the loan of €6.5 million (£5.15 million) made to Fprop Romanian Supermarkets Ltd been included. This loan was repaid after the year-end;
- Improved earnings visibility: 94.8% of revenue now of a recurring nature (2015: 81.8%);
- Total annualised fund management fees of £1.68m at the year-end (2015: £1.35m), with a weighted average unexpired fund management contract term of 6 years, 6 months (2015: 2 years, 10 months);

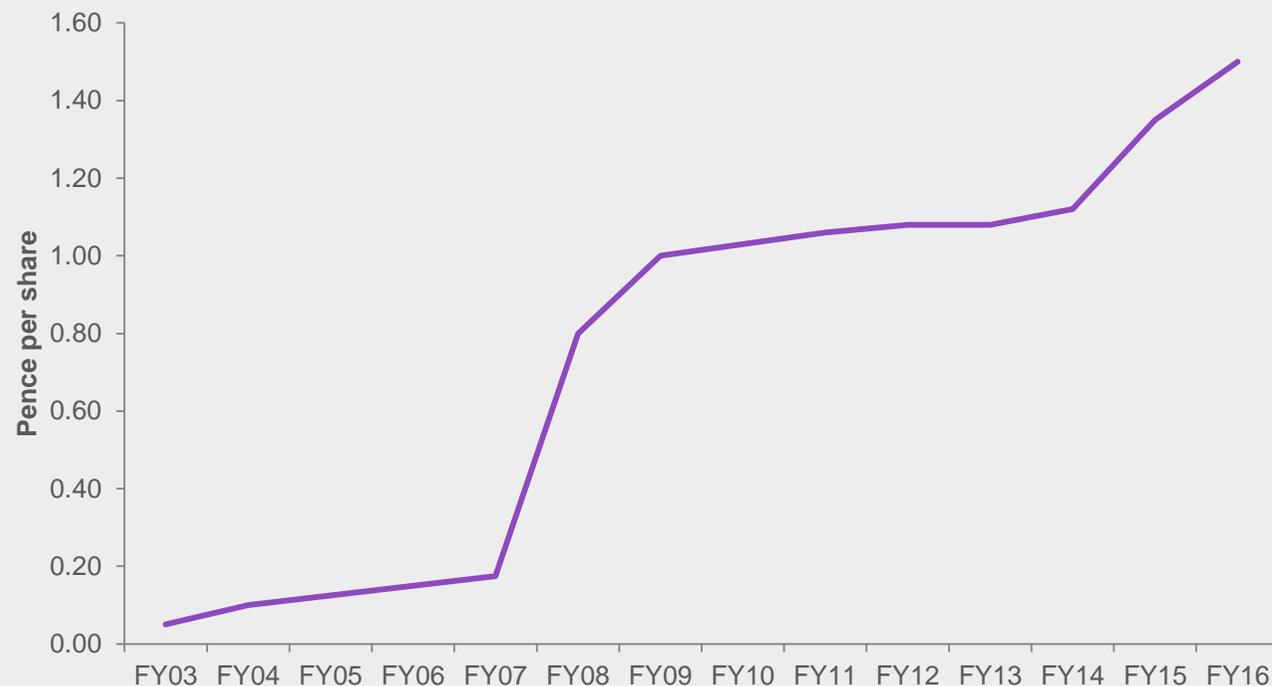
- Final dividend increased to 1.115p per share (2015: 1p per share), an increase of 11.5%;
- Funds under management once again ranked No.1 vs MSCI's Investment Property Databank (IPD) Central & Eastern Europe (CEE) Benchmark:
 - for the ten years from 2005 to 31 Dec-2015; and
 - for the annualised periods from 2005 to the end of each of the years between 31 Dec-2008 and 31 Dec-2015.

Commenting on the results, Ben Habib, Chief Executive of First Property Group, said:

“The Group is trading well across the board and the number and value of assets under management is increasing.

In the financial year just ended the Group benefitted from a full year of contributions from the investments made by it and Fprop Opportunities plc in the previous financial year, all of which have yielded income at or above our expectations at the time of their purchase and are, without exception, valued at levels exceeding their acquisition prices. The recurring nature of these earnings should enable us to build on the impressive increase in adjusted net assets, which together with dividend payments has averaged 21% per annum since 1 April 2008, the onset of the credit crunch.

The markets in which we operate are generally buoyant and offer interesting investment opportunities which we hope to capitalise on in due course.”



Final dividend:

1.115p (2015: 1.00p) = +11.5%

Total dividend for year to Mar-2016:

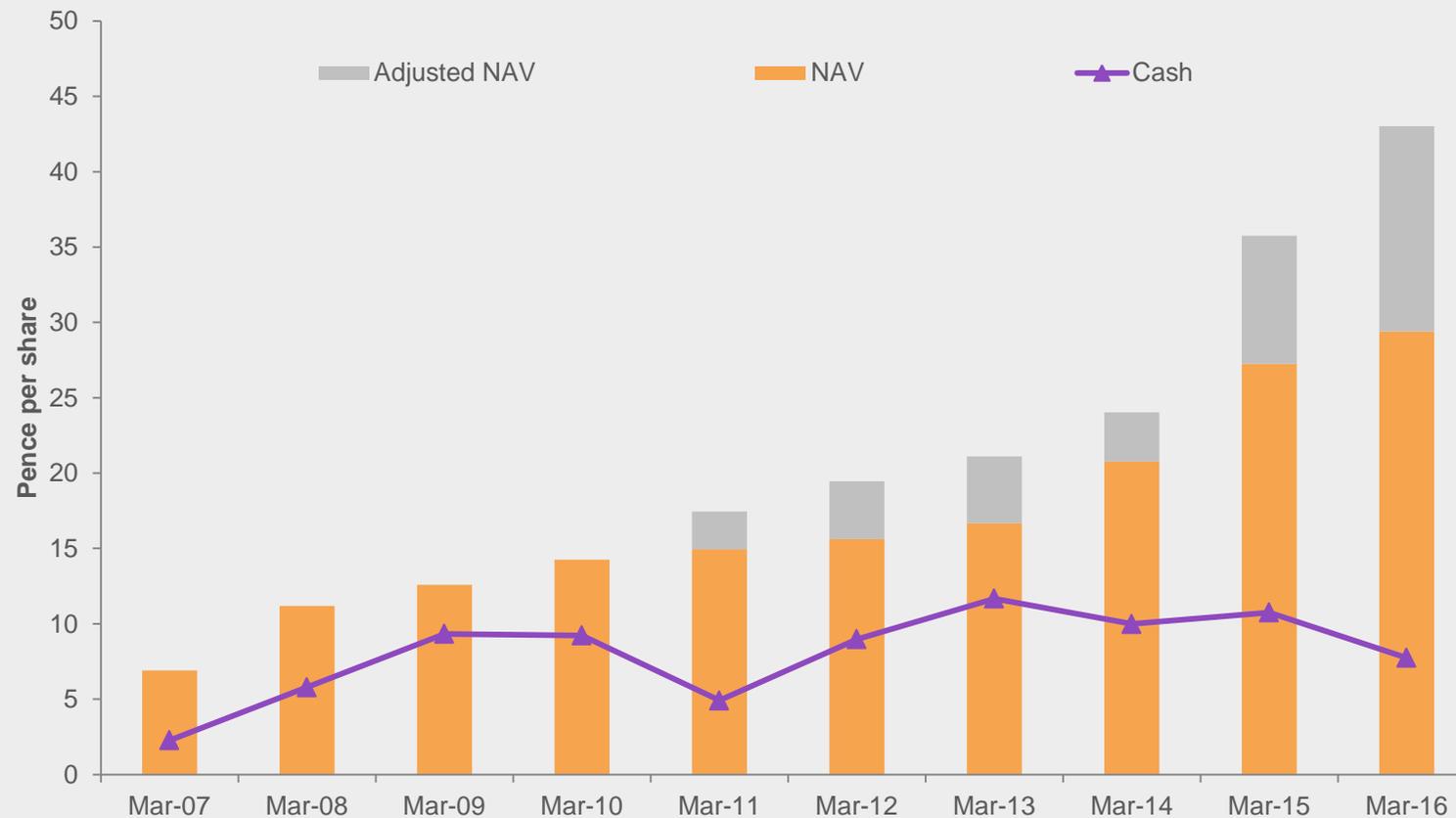
1.50p (2015: 1.35p) = +11.1%

Ex-Dividend	1 Sep-16
Record Date	2 Sep-16
Payment Date	30 Sep-16

DIVIDEND POLICY

Progressive, aligned to the free cash generation of the Group.

- Dividend has been **MAINTAINED** or **INCREASED** every year since dividend payments commenced in 2003.



Adjusted NAV = in line with European Public Real Estate Association methodology, which includes fair values of:

- (i) financial instruments;
- (ii) debt;
- (iii) deferred taxes.

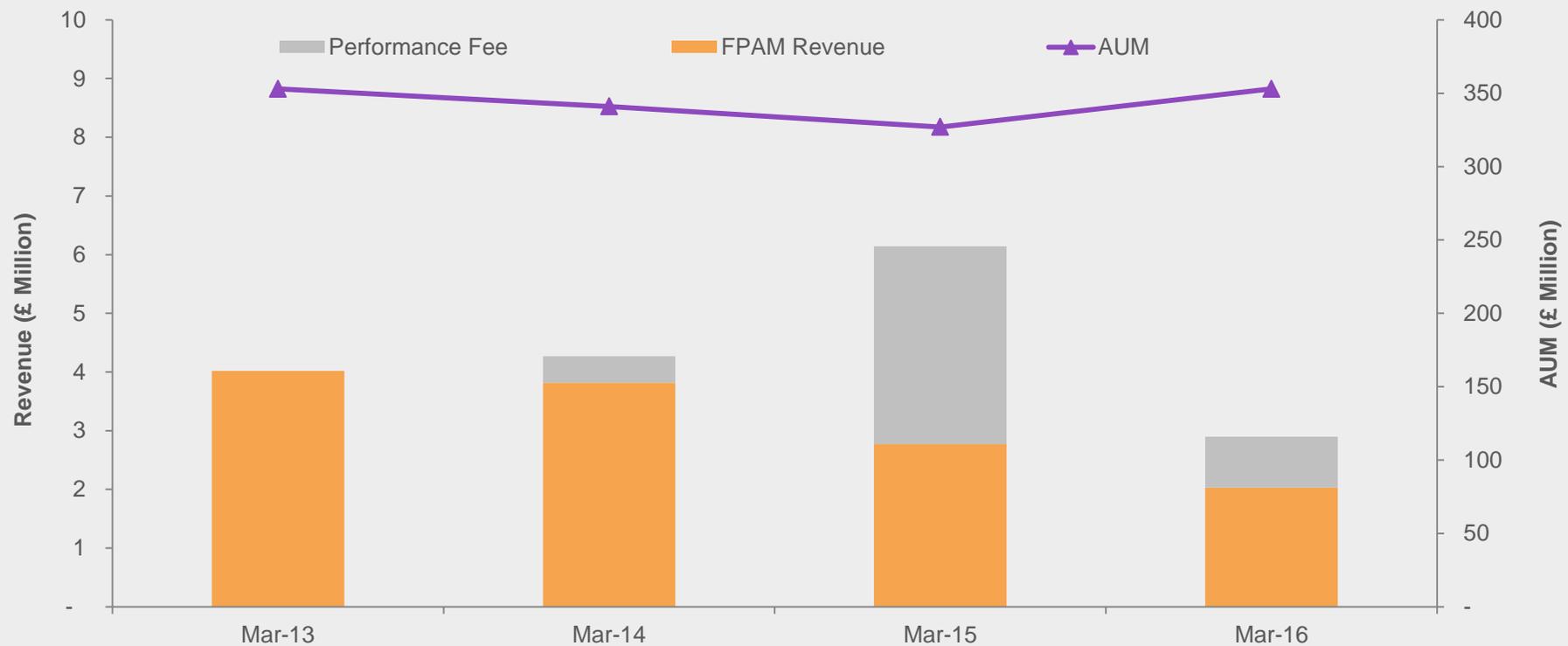
External valuers

CBRE, BNP Paribas, Polish Properties Sp. z o.o.



Fund Management (FPAM):

Contributed profit before tax and unallocated central overheads of **£1.38 million** (2015: £4.44 million), representing 14% (2015: 40%) of Group profit before tax and unallocated central overheads.



Segmental Analysis – Fund Management (FPAM)

Reconciliation of movement in funds under management

	Funds managed for third parties (including funds in which the Group is a minority shareholder)				Group Properties (including FOP)		TOTALS	
	UK £m.	CEE £m.	Total £m.	No. of prop's	All CEE £m.	No. of prop's	AUM £m.	No. of prop's
As at 1 April 2015	108.3	76.8	185.1	44	142.0	11	327.1	55
Purchases	49.1	-	49.1	10	-	-	49.1	10
Sales	(3.6)	-	(3.6)	(1)	-	-	(3.6)	(1)
New fund mandates	-	26.9	26.9	10	-	-	26.9	10
Expiring fund mandate	-	(62.9)	(62.9)	(13)	-	-	(62.9)	(13)
Property Depreciation	-	-	-	-	(1.5)	-	(1.5)	-
Property Revaluation	0.9	(0.6)	0.3	-	2.8	-	3.1	-
FX Revaluation	-	1.3	1.3	-	13.6	-	14.9	-
As at 31 March 2016	154.7	41.5	196.2	50	156.9	11	353.1	61

Weighted average unexpired fund management contract term of 6 years, 6 months (2015: 2 years, 2 months).

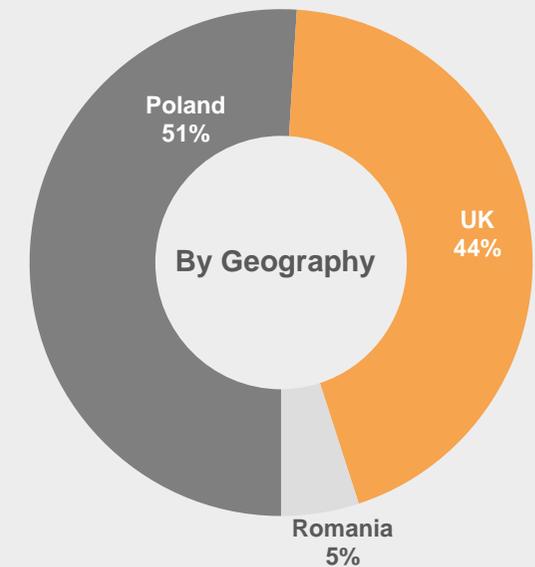
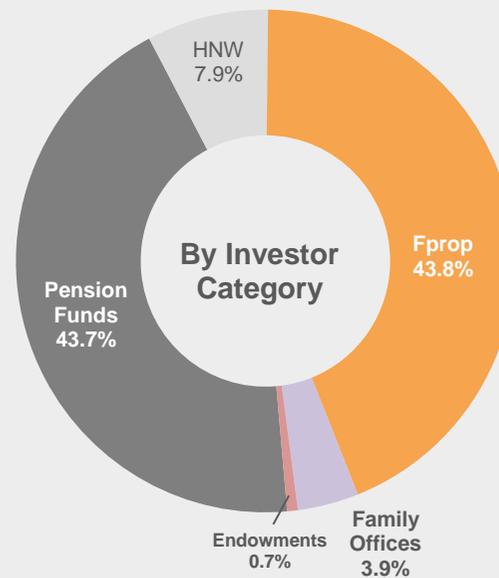
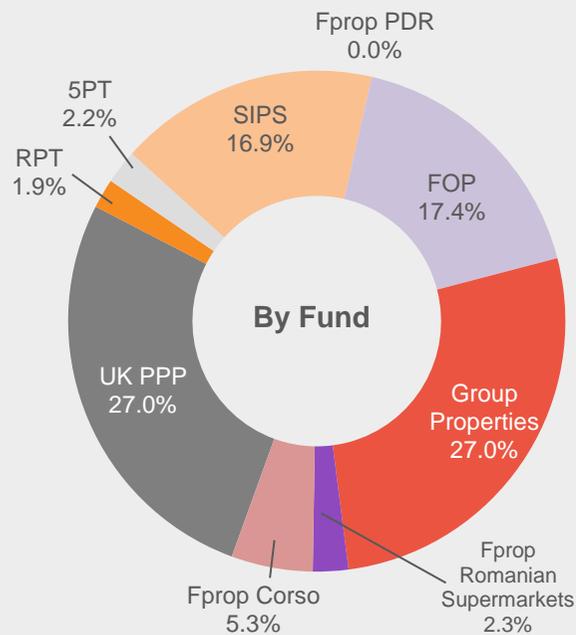
Segmental Analysis – Fund Management (FPAM)

Funds under management at 31 March 2016

Fund		Country of investment	Fund expiry	Commitment	AUM 31 Mar-2016	% of total AUM	AUM 31 Mar-2015
1.	SAM Property Company Ltd (SAM)	UK	Rolling	Fully invested	*	*	*
2.	Regional Property Trading (RPT)	Poland	Aug 2020	Fully invested	6.83m	1.9%	6.21m
3.	5 th Property Trading (5PT)	Poland	Dec 2017	Fully invested	7.77m	2.2%	7.68m
4.	UK Pension Property Portfolio LP (UK PPP)	UK	Feb 2022	Fully invested	94.93m	27.0%	94.35m
5.	Fprop PDR LP (PDR)	UK	May 2018	£42 m	Nil	-	3.61m
6.	SIPS Property Nominee Ltd (SIPS)	UK	Jan 2025	£125 m	59.80m	16.9%	10.33m
7.	NEW – Fprop Romanian Supermarkets Ltd (FRS)	Romania	Jan 2026	Fully invested	8.17m	2.3%	Nil
8.	NEW – Fprop Galeria Corso Ltd (FGC)	Poland	Mar 2026	Fully invested	18.68m	5.3%	Nil
9.	EXPIRING – USS contract	Poland	Aug-2015		Nil	-	62.9m
				Sub total	£196.18m	55.6%	185.08m
1.	Fprop Opportunities plc (FOP)	Poland	Oct-2020	Fully invested	61.46m	17.4%	54.44m
2.	6x Group Properties	Poland & Romania	n/a	n/a	95.47m	27.0%	87.6m
				Sub total	£156.93m	44.4%	142.04m
	Total				£353.11m	100%	327.12m

Segmental Analysis – Fund Management (FPAM)

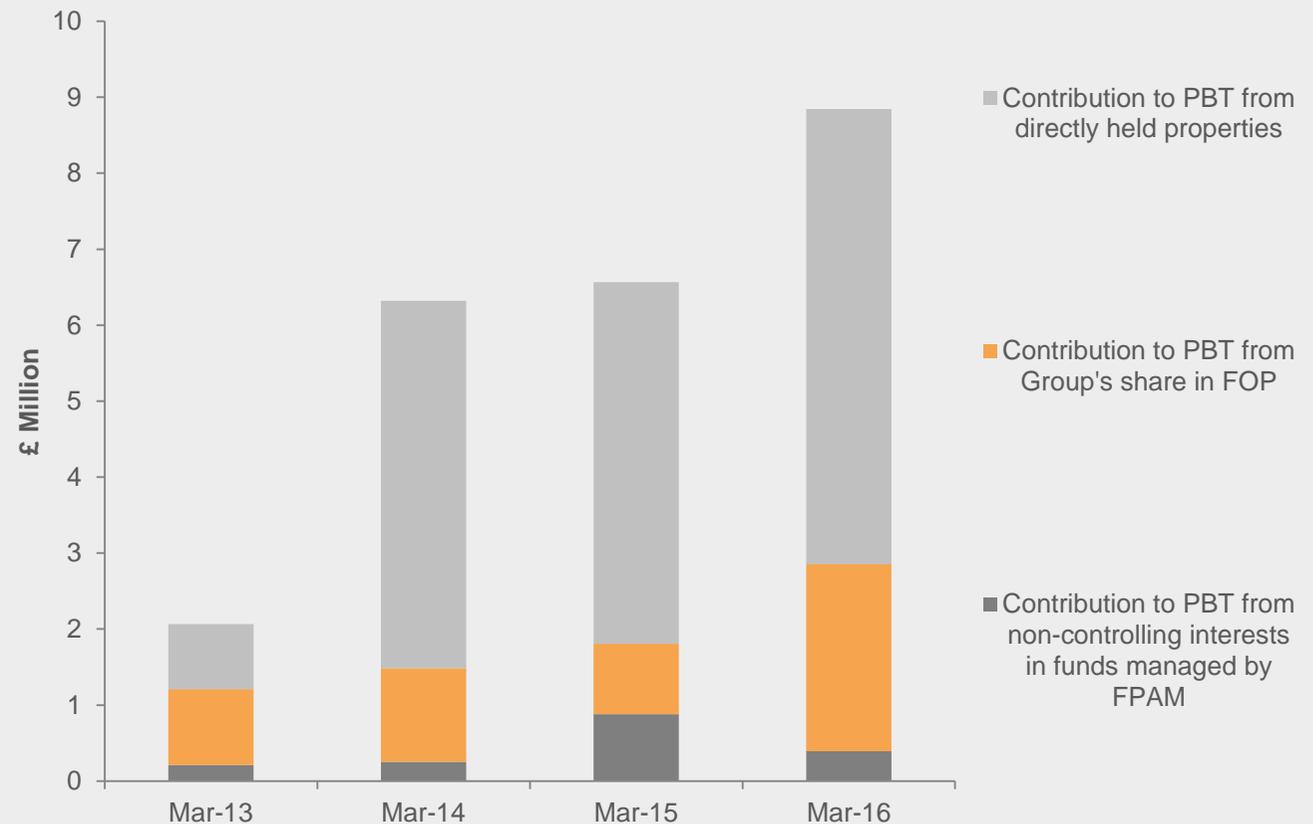
Breakdown of AUM (incl Group Properties)



- Assets under management (AUM) calculated by reference to independent third party valuations.
- Includes £156.92m of investments (at market value) held directly by the Group and FOP.

Group Properties:

- Contributed £8.85m (2015: £6.57m) to PBT & unallocated central overheads;
- Represents **87%** (2015: 60%) of Group PBT & unallocated central overheads.



Segmental Analysis – Group Properties composition

Directly owned properties at 31 Mar-2016

Property	No. of properties	Book value	Market value	Contribution to Group PBT to 31 Mar-2016	Contribution to Group PBT to 31 Mar-2015
Poland	3	74.6m	86.9m	5.7m	2.7m
Romania	3	5.5m	8.5m	0.9m	0.6m
FOP (Poland – consolidated undertaking)	5	54.4m	61.5m	3.3m	1.5m
Total	11	£134.5m	£156.9m	£9.9m	£4.86m

Fund	% owned by First Property Group	Book value of First Property's share in fund	Current market value of holdings	Group's share of pre-tax profits earned by fund 31 March 2016	Group's share of pre-tax profits earned by fund 31 March 2015
Interest in associates:					
5 th Property Trading (5PT)	37.8%	563,000	923,000	121,000	153,000
Regional Property Trading (RPT)	28.6%	159,000	219,000	20,000	32,000
Fprop Romanian Supermarkets Ltd	24.1%	737,000	802,000	12,000	Nil
Fprop Galeria Corso Ltd	28.2%	1,585,000	1,607,000	17,000	Nil
Share of results in associates		£3,044,000	£3,551,000	£170,000	£185,000
Investments:					
UK Pension Property Portfolio (UK PPP)	0.9%	900,000	900,000	60,000	64,000
Fprop PDR LP	4.9%	13,000	13,000	163,000	630,000
Sub total		£913,000	£913,000	£223,000	£694,000
Total		£3,957,000	£4,464,000	£393,000	£879,000

NB: It is the Group's accounting policy to hold its direct properties and shares in associates at the lower of cost or valuation.

Segmental Analysis – Group Properties

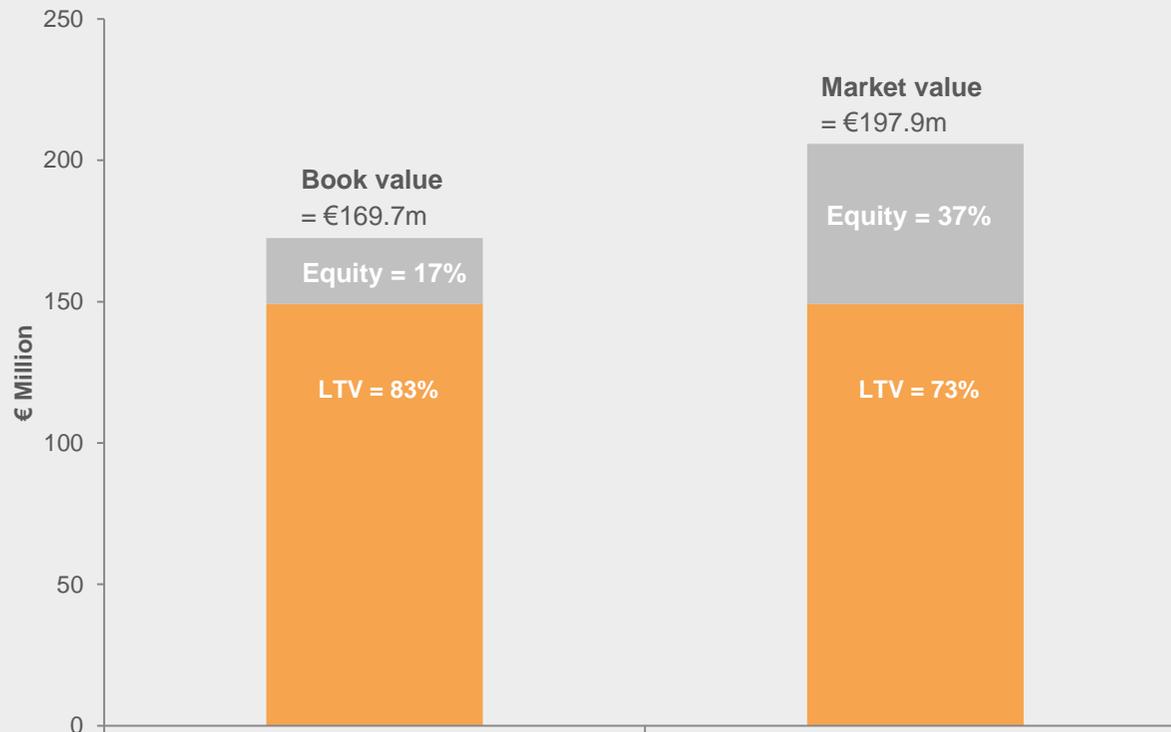
Cash flows from eleven directly held properties:

	Year to 31 March 2016	Year to 31 March 2015
	€m.	€m.
Net operating income (NOI)	19.74	11.08
Interest expense on bank loans / finance	(3.59)	(2.70)
NOI after interest expense	16.15	8.38
Current tax	(1.25)	(0.56)
Debt amortisation	(7.11)	(4.14)
Capital expenditure	(1.94)	(0.71)
Free cash	5.85	2.97
Gross asset value	€197.92m	€196.33
Average yield on market value	9.97%	5.64%*
Bank loans / finance leases outstanding	€144.82m	€148.97m
I TV	73.17%	75.88%
WAULT	4 yrs. 1 mth	4 yrs. 9mths
WAUDT	5 yrs. 2 mths	
Weighted average borrowing cost	2.96%	3.10%
Vacancy rate	2.4%	4.1%

* reflects partial contributions to NOI from six large acquisitions not held for the full year.

Segmental Analysis – Group Properties

Eleven properties owned directly by the Group and FOP



- Properties are held in separate non-cross collateralised SPV's which are non-recourse to the Group.
- Interest rates:
 - Current weighted average borrowing cost = c2.96% (2015: 3.10%) per annum;
 - Group exposure to interest rate rises is mitigated by selective use of interest rate caps and fixes.
- Valuation:
 - Yield vs market value = c10%
 - Yield vs book value = c12%
- Period end €/ £ rate = 1.261

Segmental Analysis – Group Properties

Eleven directly owned properties – top 10 tenants

	Tenant	Sector	%
1	Asseco S.A.	Technology	27.5
2	Citibank International PLC	Finance	11.6
3	Carrefour	Food Retail	7.9
4	Aquila	Logistics	6.3
5	Skanska S.A.	Construction	6.1
6	Tesco (Polska) sp z o.o.	Food Retail	3.4
7	Operator Logistyczny Paliw Płynnych	Energy	3.0
8	Narodowego Funduszu Zdrowia	Healthcare	2.8
9	Bank Zachodni WBK SA	Finance	2.1
10	HRK	Business Services	1.9
% of rental income attributable to top 10 tenants			72.6%

- Weighted Average Unexpired Lease Term (WAULT) = 4 yrs, 1 mth (2015: 4 yrs, 9 mths);
- Occupancy ratio = 97.6% (2015: 95.9%).

➤ **GDP growth:**

- 2016: 3.9% (F)
- 2017: 3.5% (F)

➤ **Commercial Property:**

- Rent levels for office property in Warsaw and other main cities have generally softened over the past couple of years, as the pace of new development has increased;
- Capital values for prime property have increased;
- Capital values for good secondary property remain largely unchanged from their credit crunch lows, and yield c2-3% more than equivalent property in Western Europe;
- Banking sector is well capitalised and keen to lend against property at record low interest rates;
- Transaction volumes in 2016 are expected to exceed the €4 billion recorded in 2015, which was the second highest year on record in Poland and the highest since the onset of the credit crunch.

➤ **GDP growth:**

- 2016: 4.2% (F);
- 2017: 3.7% (F);
- Wages growing, private consumption accelerating (aided by VAT cuts);
- Anti-corruption measures working;
- Conducive economic and political environment for property investment.

➤ **Commercial Property:**

- Rent levels generally sustainable, subject to location;
- Vacancy rates variable, including between sub markets of the same asset class;
- Transaction data in the investment market is thin but rising;
- General mismatch between buyer and seller expectations persists, having been prevalent throughout the credit crunch;
- Banking market is improving;
- Commercial property investment volumes in 2016 are expected to exceed those of 2015.

➤ **GDP growth:**

- Expected to grow at just over 2% for next few years.
- Held back by continued fiscal tightening in order to eliminate budget deficit.

➤ **Commercial Property**

- Occupier Market:
 - Tenant demand growing;
 - Tenant default rates declining;
 - Leading to increased industrial and office rents, particularly in South East.
- Investment Market:
 - Transaction volumes have declined in recent months;
 - We believe there is little room for further yield compression and expect future gains from rental growth;
 - Requires active asset management to add value.

FPAM

- Fund management fee income, excluding performance fees, is currently being earned at the rate of **£1.68m per annum**. We expect this to increase from:
 - **SIPS** (minimum £125 million UK investment mandate) – we have invested £88m to date (Jun-2016).
 - **New funds.**

Group Properties

- Contributed **£8.85m** to Group profit before central overheads and tax in FY2016;
- All of it is of a recurring nature;
- We retain >£14 million in cash with which to make fund investments, ideally in conjunction with third parties.

Appendices

	No of shares	% held (of issued and fully paid)
Ben Habib (Chief Executive Officer)	16,700,000	14.4%
New Pistoia Income Ltd	15,000,000	12.9%
J C Kottler Esq	12,206,783	10.5%
Universities Superannuation Scheme Limited	9,550,000	8.2%
Alasdair Locke (Non-Executive Chairman)	8,571,990	7.4%
Total	62,028,773	53.4%

LSE (AIM) Symbol	FPO.L	
Share price	45p	
Market Cap	£52 million	
Dividend	FY2016	FY2015
Interim	0.385p	0.35p
Final	1.115p	1p
Total for year	1.50p	1.35p
EPS (undiluted)	4.37p	7.21p
EPS (diluted)	4.28p	6.93p

	FY 2016	FY 2015
Issued & Fully Paid	116,601,115	114,851,115
Issued (excl Treasury)	115,967,111	113,792,541
Shares held in Treasury	634,004	1,058,574
Outstanding share options over Ordinary shares	2,700,000	4,450,000
Average strike price of outstanding share options	14.65p	16.26p

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

Alasdair began his career in banking. In 1982, he established a Singapore-based business providing finance for and investing in shipping and offshore oil service companies, which was subsequently acquired by Henry Ansbacher & Co Ltd.

On his return to the UK, he established Abbot Group plc in 1990, which he took public in 1995. Upon its sale to private equity in 2008, Abbot Group was one of the leading oil drilling, engineering and contracting businesses in the world, with approximately 8,000 employees in over 20 countries and an annual turnover of c. US\$1.8 billion. The equity value of the disposal was in excess of £900 million.

Alasdair maintains a wide portfolio of business interests, including insurance, retailing and petroleum. He is also Chairman of Argenta Holdings plc, an unlisted holding company which trades in Lloyds of London, Non-Executive Chairman of Hardy Oil & Gas plc, and a Non-Executive Director of Ceramic Fuel Cells Limited (AIM / ASX: CFU).



Independent Non-Executive Director — Peter Moon, BSc (Econ)

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 from 1990-1995, and adviser to Lincolnshire County Council, Middlesbrough Borough Council and the London Pension Authority. Earlier roles included Chief Investment Officer with British Airways Pensions and investment management positions at National Provident Institution, Slater Walker and the Central Board of Finance of the Church of England.

Peter is also non-executive chairman of Scottish American Investment Company plc and Bell Potter (UK) Limited and the senior non-executive director at Gresham House plc. He is a former non-executive director of MBNA Europe and former non-executive chairman of Arden Partners plc.



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. He started his career in corporate finance at Shearson Lehman Bros. He moved in 1989 to PWS Holdings plc, a FTSE 350 Lloyd's reinsurance broker, to be its Group Finance Director. He was educated at Rugby School and Cambridge University.



Group Chief Financial Officer & Company Secretary — George Digby, BA (Hons), ACA

George joined Fprop in 2003 and has overseen the rapid expansion of the fund management division during this period, including the development of operations in Poland. 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.



Fund performance at 31 March 2016:



- Implied IRR calculations use NAVs at 31-Mar-2016, and are since inception, with the exception of USS & PDR (to 31-Mar-15).
- ROE's since inception are calculated using average pre-tax income per FY ÷ original shareholders' equity employed.
- ROE's for 2015/16 FY are calculated using pre-tax income for FY period ÷ by opening equity (NAV at 31-Mar-2015).
- USS performance to 31-Mar-15



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Best Property Fund Manager 2016 - Winner

alternative
investmentawards
two thousand & fifteen
winner



Shortlisted:





At purchase:

- Rents c25% below market and denominated in mixture of €, \$ & PLN;
- Weighted average unexpired lease term (WAULT) c.2 years;
- Subject to high service charge (c.1.5x market) levied by tied management company (Corp Sp. z o.o.).

Business Plan:

- Income – increase rents and reduce operating costs;
- Capital – increase value by:
 - extending leases;
 - incrementally acquiring the balance of both building / Corp SA.

Execution:

- Dec-2009 – gained control of Corp Sp. z o.o. - enabling us to substantially cut costs but retain resultant savings for shareholders in Corp Sp. z o.o.;
- By end 2010 – increased Net Operating Income (NOI) by 20%, extended leases and simplified their FX denomination;
- Dec-2013 - increased our shareholding in building to 48% / in Corp Sp. z o.o. to 90%.



At first purchase for USS (Aug-2007):

- NOI = €2.6 million pa.;
- Let at average rent of c€8-10m² per month;
- WAULT = < 1 year
- Total return: €4.5m (IRR = infinite because equity refinanced out of deal within 3 months of purchase.)

At second purchase for Group Properties (Dec-2014):

- NOI = €4.5m pa. (+71% from first purchase in 2007)
- Let at average rent of €16-18m² per month;

Business Plan (in 2007 & 2014):

- Income – increase rents and reduce operating costs;
- Capital – increase value by:
 - extending leases;
 - acquiring balance of building not already owned by us;
 - obtaining planning consent to develop the site.

Execution:

- **2008** -
 - extended lease to Citi by 10 years and doubled their rent;
 - re-financed original loan to extract ALL equity invested.
- **2007-14** - increased NOI by 71% from €2.6m pa to €4.5m pa.
- **2016** – holding for high ROE

- GDP growth:
 - Since 2009: >20% (cumulative). Highest in OECD. Only euro zone country NOT to enter recession in 2009
 - 2015: 3.5%
 - 2016: 3.9% (F)

- GDP per capita:
 - 1995: 43% of the average of EU countries
 - 2000: 48%
 - 2008: 56%
 - 2012: 67%

- EU Cohesion Policy (transfer payments from richer EU nations for infrastructure development, etc):
 - 2007-13: €67.3 billion
 - 2014-20: €77.6 billion or €106bn incl CAP

- FDI – 2014: €172bn (2013: €160bn);
- Big population (39 million), balanced economy (60% of GDP internally generated);
- Low level of debt – national debt limited by Constitution to <55% of GDP;
- Healthy banking market.

Economic growth provides the backdrop for rental growth, which leads to capital growth.

COMMERCIAL PROPERTY MARKET:

- Opaque – creates opportunity;
- Occupier Market:
 - Tenant demand is generally robust - because of continued GDP growth;
 - But is insufficient in some sectors (eg. Warsaw non-CBD offices) to match pending supply.
- Investment Market:
 - Recovery well under way at prime end but capital values in broad market (where we focus) still down c20% since 2009;
 - Prime yields c50%+ higher / prime rents c60%+ lower than in Western Europe despite greater rental growth prospects - magnifying capital value differences.
- Development:
 - Less constrained than in more mature markets;
 - Has resumed following temporary halt during credit crunch (in particular office development in Warsaw);
 - Leads to variable vacancy rates (Warsaw offices currently at c14%, industrial down at 5%).
- Liquidity - dominated by foreign investors who focus on larger lot sizes.

COMMERCIAL PROPERTY FINANCE:

- Debt:
 - Readily available, enabling income returns on equity from rent alone >mid-high teens per annum;
 - Favourable terms for smaller loans against commercial property;
 - Larger loans require syndication and are generally subject to more demanding terms.
- Interest rates:
 - EUR base rate = 0.00% pa (deposit rate -0.04% pa);
 - PLN reference rate = 1.5% pa;
- FX:
 - Largely transacts in EUR despite corporate earnings being predominantly in PLN.

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