



Preliminary Results

for the year ended 31 March 2017

First Property Group plc

8 June 2017



FPAM funds rank No.1 versus MSCI's Central & Eastern European (CEE) Benchmark for the eleven years from the commencement of its operations in Poland in 2005 to December 2016, and for the periods from 2005 to 31 December 2008 and each of the years thereafter. In addition, FPAM's UK Pension Property Portfolio (UK PPP) was awarded best "Small Specialist Fund" by MSCI at its UK Property Investment Awards 2017. FPAM was also one of ten fund managers, out of a pool of 95, to be awarded a Data Quality Award by MSCI.

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First Property Group plc is an award winning property fund manager and investor with operations in the United Kingdom and Central Europe. Around one third of the shares in the Company are owned by management and their families.

- Its focus is on higher yielding commercial property with sustainable cash flows;
- The company is flexible and takes an active approach to asset management;
- It has an excellent track record.



IPD® Measured Fund



FPAM funds rank **No.1** versus MSCI's Central & Eastern European (CEE) Benchmark for the eleven years from the commencement of its operations in Poland in 2005, and for the annualised periods from 2005 to the end of each of the years from 31 December 2008. In addition, FPAM's UK Pension Property Portfolio (UK PPP) was awarded best "**Small Specialist Fund**" by MSCI at its UK Property Investment Awards 2017. FPAM was also one of ten fund managers, out of a pool of 95, to be awarded a **Data Quality Award** by MSCI.

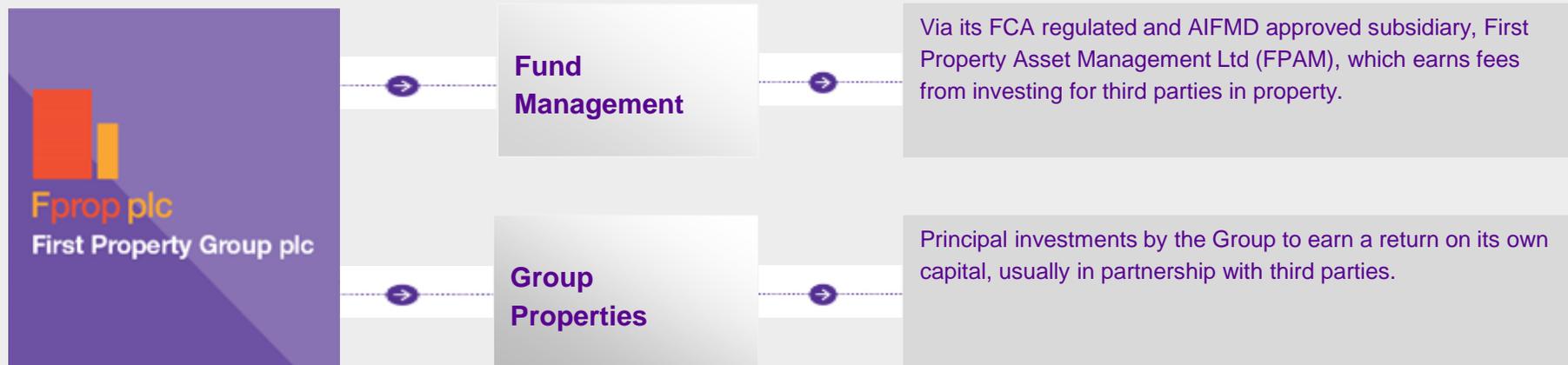
- **Sustainable income is a priority:**
 - The yield at purchase of any property investment must ALWAYS exceed debt service costs;
 - We assess investments with an emphasis on ROE as opposed to IRR (because IRR's require an exit price assumption);
 - Over the long term it is income and not capital value 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).**
- **Flexibility in the light of market changes.**

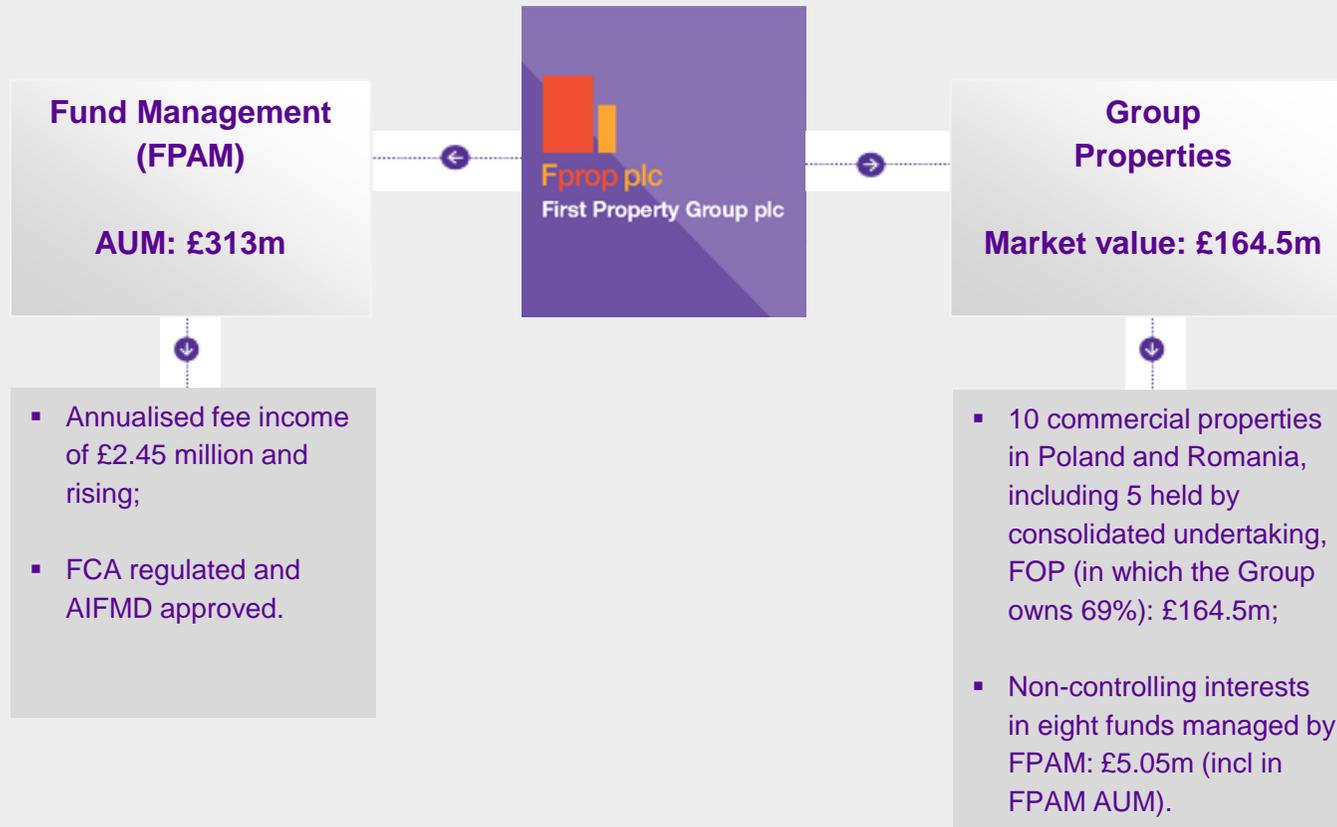
We target higher yielding properties with sustainable income streams, enabling us to boost returns by applying leverage.

- **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.

We target higher yielding properties with sustainable income streams, enabling us to boost returns by applying leverage.

The Company operates via two divisions:





Preliminary Results - Highlights

Financial Highlights:

- Profit before tax up 24% to a record £9.14 million;
- Total assets under management up 35% to £477 million (2016: £353 million), third party assets under management up 60% to £313 million;
- Annualised fund management fee income at year-end up 46% to £2.45 million (2016: £1.68 million) and rising;
- Group cash balances increased to £15.95 million (2016: £8.98 million);
- Final dividend increased by 3.1% to 1.15 pence per share (2016: 1.115 pence per share).

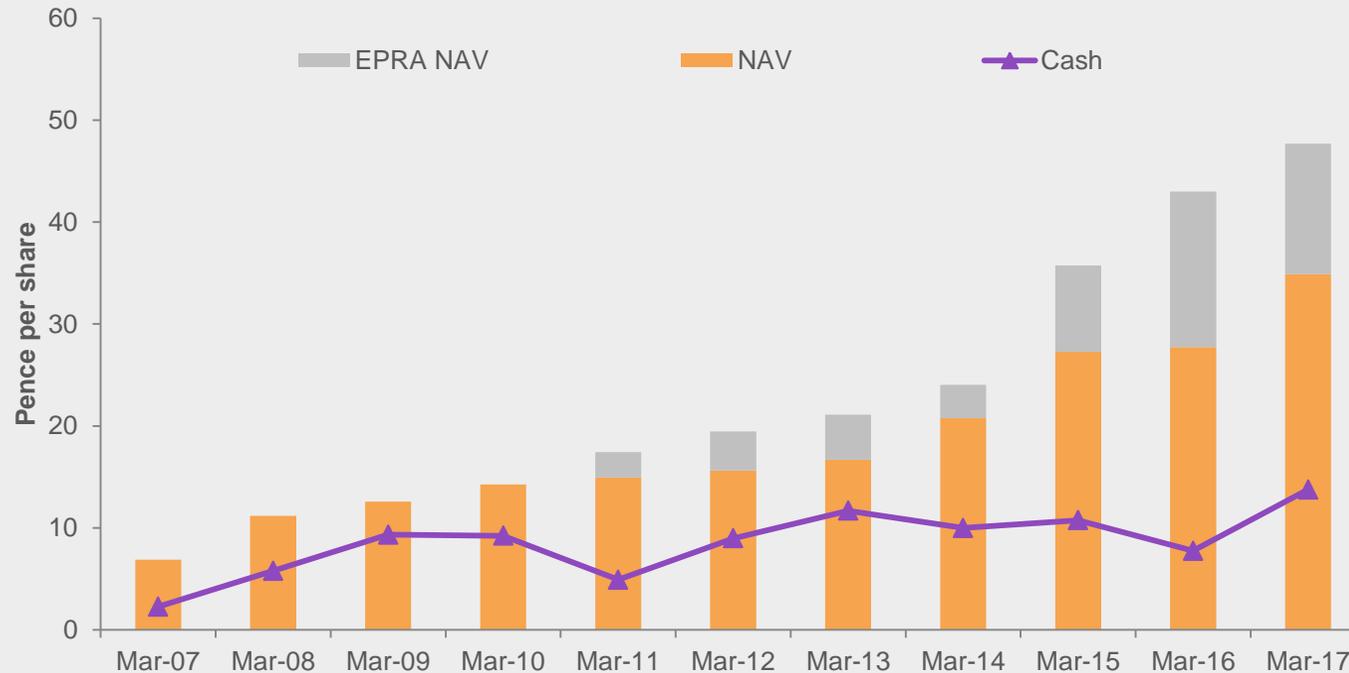
Operational Highlights:

- Ranked No.1 versus MSCI's Central & Eastern Europe (CEE) Benchmark over the eleven years to 31 December 2016;
- UK Pension Property Portfolio LP ranked "Best Small Specialist Fund" at the MSCI/IPF Awards over the three years to 31 December 2016;
- Two new funds established (with aggregate equity commitments of £21 million) and the Shipbuilding Industries Pension Scheme (SIPS) fund enlarged from £125 million to £170 million.

	Unaudited year to 31 March 2017	Audited year to 31 March 2016	Percentage change
Income Statement:			
Revenue	£23.66m	£21.96m	+7.7%
Statutory profit before tax	£9.14m	£7.35m	+24.4%
Diluted earnings per share	6.61p	4.28p	+54.4%
Total dividend per share	1.55p	1.50p	+3.3%
Average £/€ rate used	0.841	0.733	+14.7%
Balance Sheet at year end:			
Net assets	£43.43m	£34.09m	+27.4%
Net assets per share	34.84p	27.75p	+25.5%
Adjusted net assets per share*	£47.64p	43.01p	+10.8%
Cash Balances	£15.95m	£8.98m	+77.6%
Year end €/£ rate	0.855	0.793	+7.8%

*Calculated according to EPRA triple net valuation methodology, which includes adjustments for fair values of i) financial instruments, ii) debt, and iii) deferred taxes.

	Unaudited year to 31 March 2017	Audited year to 31 March 2016	Percentage change
Group Direct Property Portfolio at year end: (excludes the Group's non-controlling interests in six other FPAM managed funds)			
Book value	£143.52m	£134.53m	+6.7%
Market value	£164.48m	£156.92m	+4.8%
Gross debt (non-recourse to Group)	£117.54m	£114.82m	+2.4%
LTV%	71.46%	73.17%	-1.7%
Total Assets Under Management:	£477m	£353m	
Poland	45.4%	51.5%	
Romania	3.2%	4.7%	
United Kingdom	51.4%	43.8%	



Adjusted NAV = in line with European Public Real Estate Association (EPRA) methodology, which includes fair values of: financial instruments; debt; deferred taxes.

External valuers

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

Total Return to shareholders, based on adjusted net assets, has been 24.9% per annum over the last five years (since 1 April 2012).



Proposed Final dividend:

1.15p
(2016: 1.115p)
+3.1%

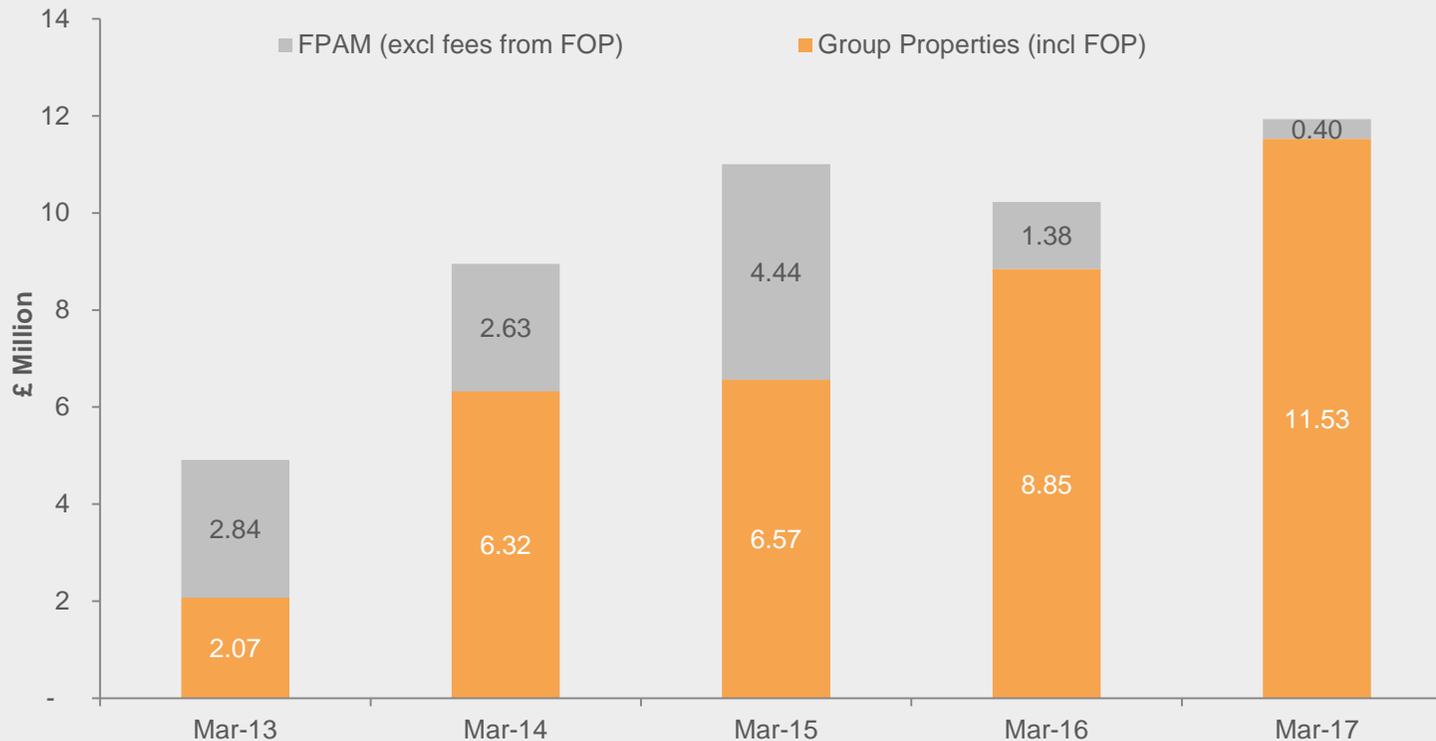
Total dividend for year to Mar-2017:

1.55p
(2016: 1.50p)
+3.3%

Ex div date: 31 Aug
Record date: 1 Sep
Payment date: 29 Sep

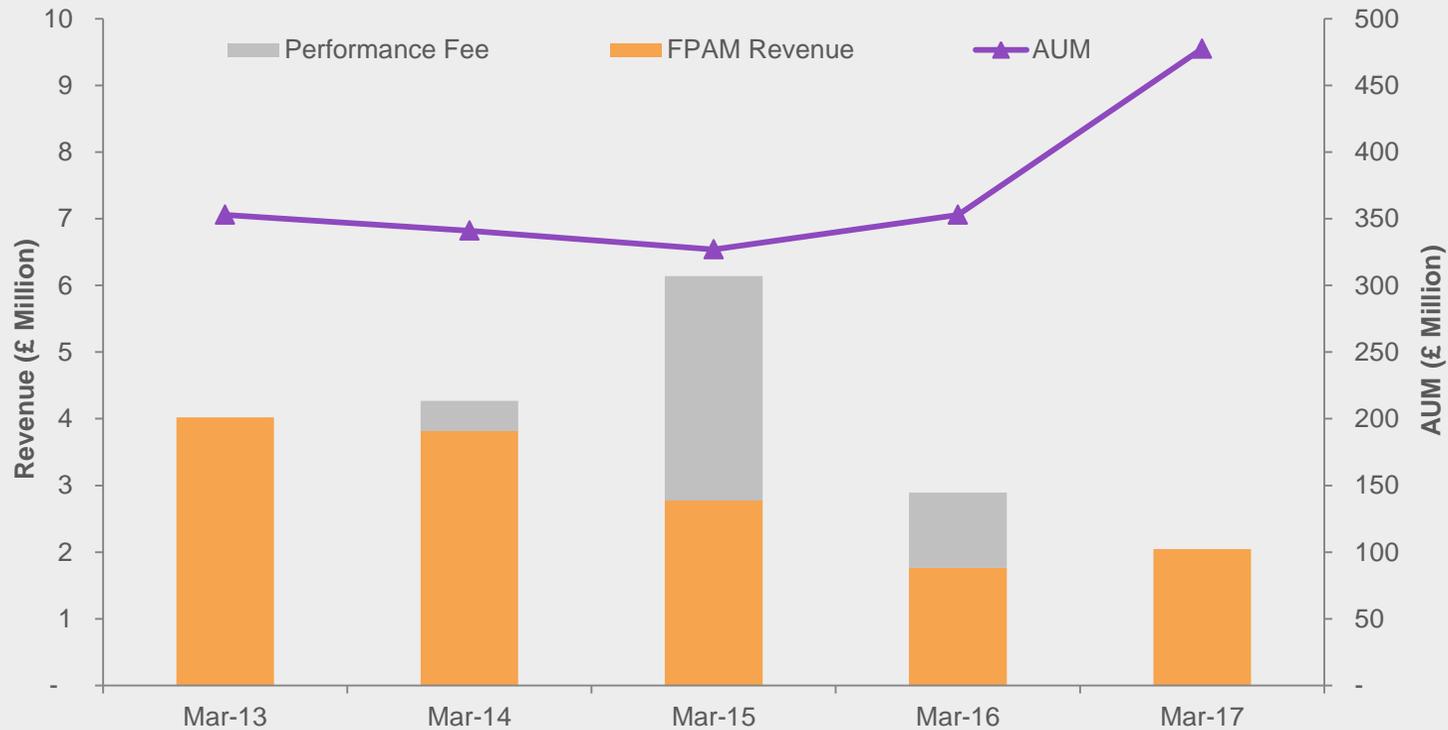
The total proposed dividend for the year of £1.8 million in aggregate, will be the fourth consecutive year of dividend growth.

Segmental Analysis

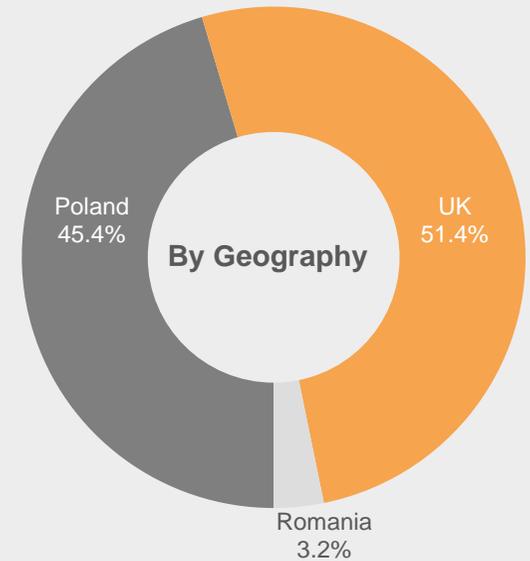
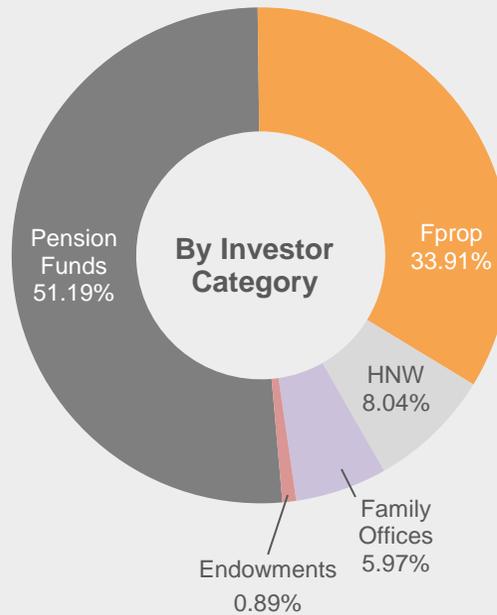
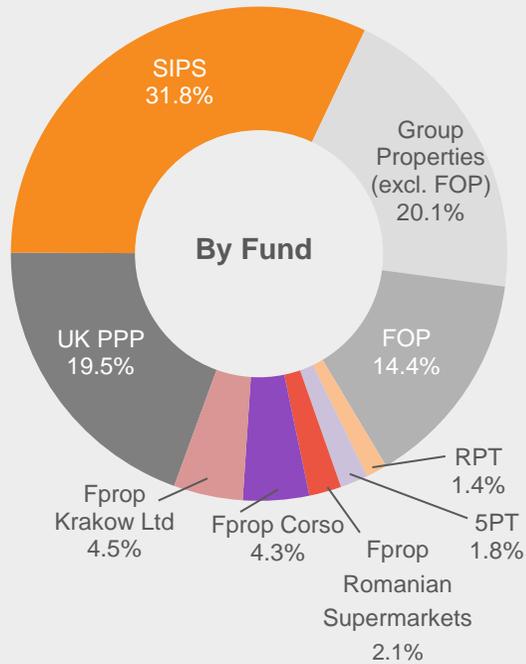


- Group Properties** – increase primarily due to EUR strengthening vs GBP, but also due to full year contribution from FRS and FGC.
- FPAM** – decline due to absence of performance fees. **But** underlying fund management fee revenue rising: at year-end £2.45 million annualised (2016: £1.68 million annualised).





- **AUM** set to continue to rise as we invest undrawn cash commitments;
- **Underlying fund management fee income** set to grow with AUM;





Group Properties

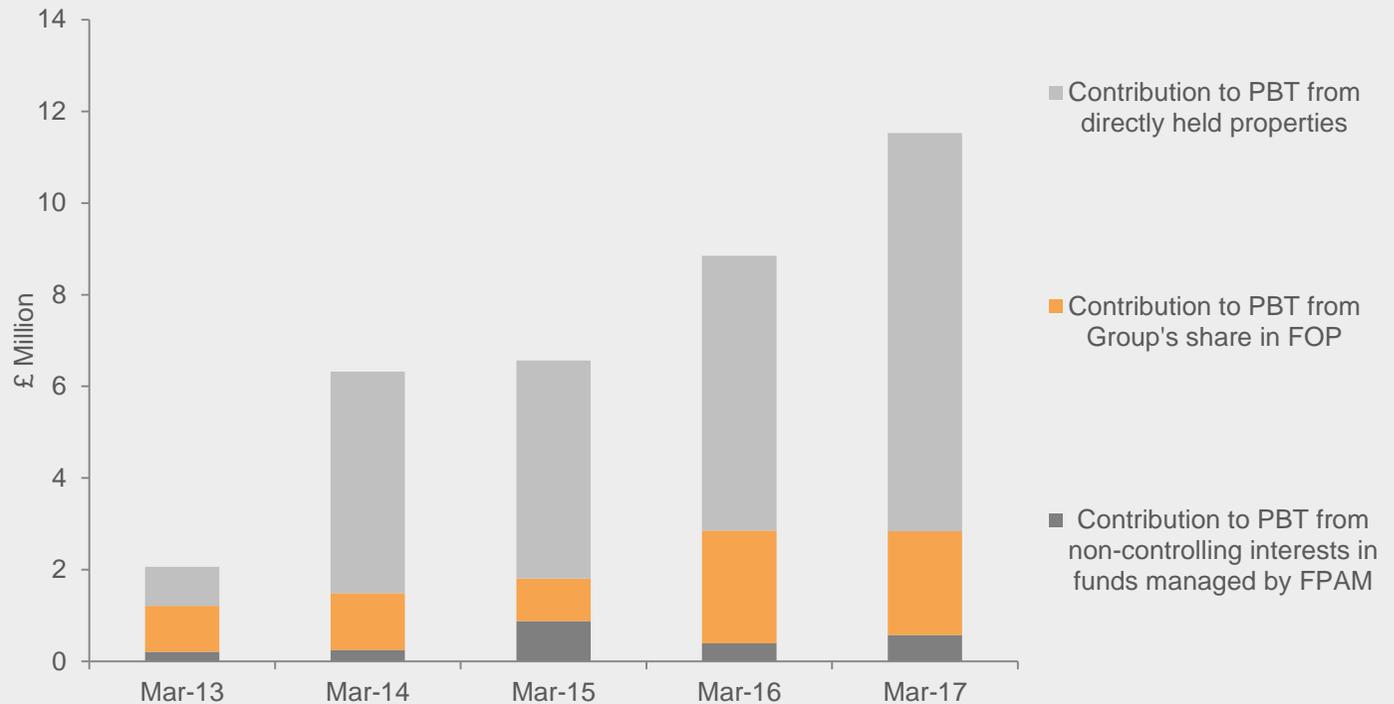
Principal investments by the Group, to earn a return on its own capital, usually in partnership with third parties.

1. Ten commercial properties in Poland and Romania, including five held by FOP (in which the Group is currently the majority shareholder):
 - Book value £143.5m;
 - Market value £164.5m.
2. Non-controlling interests in eight of the eleven funds managed by FPAM:
 - Book value £4.13m;
 - Market value £5.05m.
3. Combined:
 - Total book value = £147.6m;
 - Total market value = £169.5m.

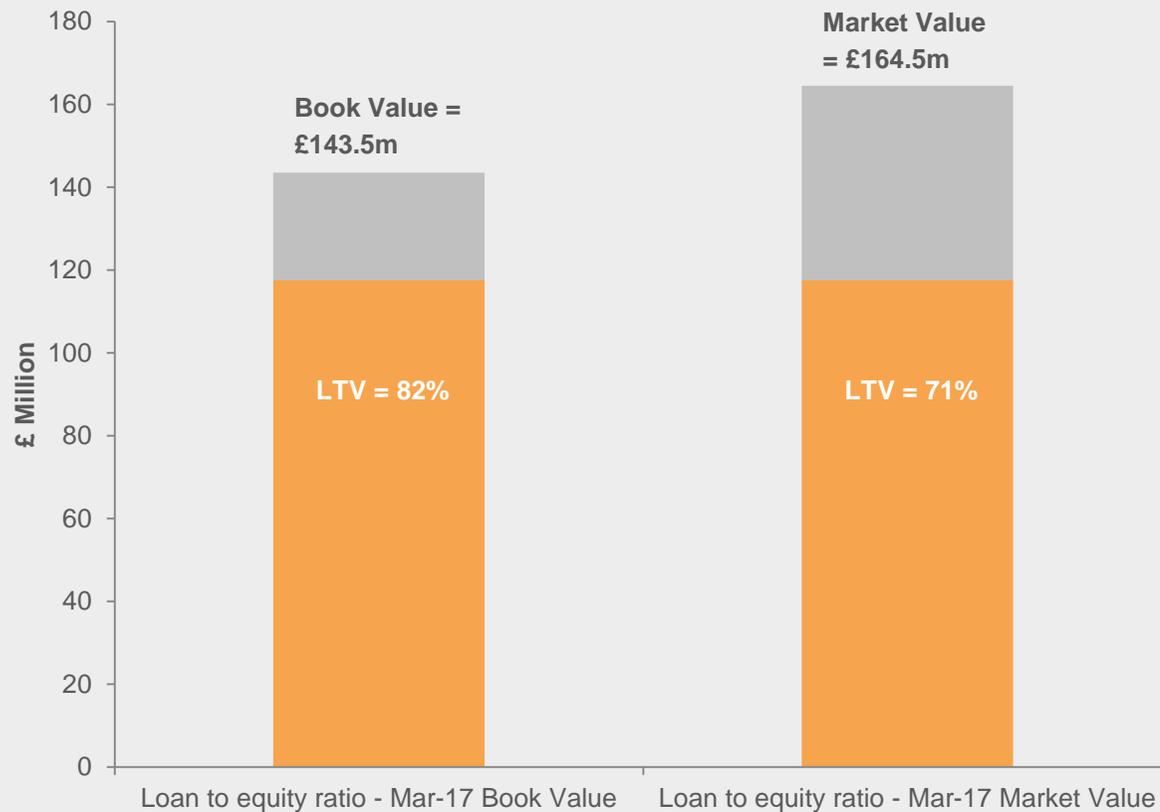
96.6%
(2016: 86%)
of profit before tax and unallocated central overheads.

Group Properties:

- Contributed £11.53m (2016: £8.85m) to PBT and unallocated central overheads;
- Represents **96.6%** (2016: 86.5%) of Group PBT and unallocated central overheads.



	Year to 31 March 2017 €m.	Year to 31 March 2016 €m.
Net operating income (NOI)	19.47	19.74
Interest expense on bank loans / finance leases	(3.42)	(3.59)
NOI after interest expense	16.05	16.15
Current tax	(1.40)	(1.25)
Debt amortisation	(7.20)	(7.11)
Capital expenditure	(2.47)	(1.94)
Free cash	4.98	5.85
Market value of properties	€192.29	€197.92m
Average yield on market value	9.45%	9.97%
Bank loans / finance leases outstanding	€137.41	€144.82
Loan to value (LTV)	71.46%	73.17%
Weighted average unexpired lease term (WAULT)	3yrs, 7 mths	4 yrs 1 mths
Vacancy rate	2.2%	2.4%



- Properties are held in separate non-cross collateralised SPV's which are non-recourse to the Group;
- Interest rates:
 - Current weighted average borrowing cost = c2.35% (2016: 2.47%) p.a.;
 - Group exposure to interest rate rises is mitigated by selective use of interest rate caps and fixes. At year-end 39% was fixed.
- Valuation:
 - Yield vs market value = c9.5%
 - Yield vs book value = c11.5%
- Period end € / £ rate = 0.855

	Tenant	Sector	%
1	Asseco S.A.	Technology	29.3%
2	Citibank Europe Plc	Finance	12.3%
3	Carrefour	Food Retail	8.4%
4	Skanska S.A.	Construction	6.1%
5	Tesco (Polska) sp z o.o.	Food Retail	3.6%
6	Mazowiecki Oddział Wojewódzkiego NFZ	Food Retail	3.0%
7	Aquila	Logistics	2.9%
8	First Property Poland	Property	2.4%
9	HRK	Recruitment	2.2%
10	Bank Zachodni WBK SA	Finance	2.2%
% of rental income attributable to top 10 tenants			72.24%

- Weighted Average Unexpired Lease Term (WAULT) = 3 yrs, 7 mths (2016: 4 yrs, 1 mths);
- Occupancy ratio = 97.8% (2016: 97.6%).

Markets

➤ GDP Growth:

- 2017: 3.2% (F)
- 2018: 3.4% (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, yielding around one third more than equivalent property in Western Europe;
- Transaction volumes rising (2016 >€4 billion);
- Government plans to introduce REIT legislation in Poland - should lead to increased domestic demand for commercial property in due course.

➤ Debt market:

- Senior loan margin = c2.5% over EURIBOR;
- Banking sector is well capitalised and prepared to lend against property at record low interest rates.



➤ GDP Growth:

- 2017: 4.2% (F)
- 2018: >4% (F)

➤ Commercial Property:

- Occupier and investor demand picking up from a relatively low level;
- New development beginning to pick up, but take-up rate matching this increased supply for now;
- Still a mismatch between buyer and seller pricing expectations, mainly due to higher debt finance costs and amortisation rates prevalent in Romania.

➤ Debt market:

- Senior loan margin = 4-4.5% over EURIBOR;
- Margins beginning to reduce, which should boost investment demand for commercial property in due course.



➤ **GDP Growth:**

- 2017: c1.5% (F)
- 2018: c1.5% (F)

➤ **Commercial Property:**

- Commercial property values fell in the second half of 2016, in particular for properties with shorter leases, or requiring asset management, or those located in Scotland, due to heightened political fears;
- Values have now stabilised but there are signs they may increase in due course as a result of the healthy occupier market and loose monetary policy.

➤ **Debt market:**

- Senior loan margin = c2.5% over LIBOR.



Outlook

- In-built earnings growth from additional fund management commitments, once invested;
- The assets we own and manage are performing well, as are the economies in which we operate. We expect continued earnings growth;
- The contribution to earnings from Group Properties has increased substantially in recent years as a result of us taking advantage of opportunities for which we had no fund management mandates. Going forward, we expect the relative contribution from fund management to rise. The synergies between these two activities further balance the business;
- We are confident that our strong balance sheet (cash: £16m), operational gearing and experienced team will continue to drive the Group's growth and look forward to taking advantage of the in-built opportunities available to us.

1. Expertise:

- Experienced, nimble management team;
- Excellent investment track record: 24.9% p.a. growth in net assets plus dividends between Apr-2012 and Apr-2017;
- Ranked No.1 vs MSCI's Central & Eastern European Benchmark.

2. Reliable earnings:

- Diversified income streams from investment returns and fund management fees;
- Very nearly ALL profits are of a recurring nature;
- Cash generative with a strong balance sheet;
- Progressive dividend policy. Currently over four times covered by earnings.

3. Growth:

- In-built growth in net assets from high return on equity invested;
- All fund management clients have had good experiences - should lead to more fund management contracts;
- £15m of cash available for future deals;
- Operationally geared – can take on new business without material increases in overheads.

4. Geographically diversified:

- Operations in UK, Poland and Romania;
- All three countries performing well economically and amongst the highest growth areas in Europe;
- Mix of jurisdictions provides a natural hedge for Brexit volatility.

Appendix

Appendix – Fund Management (FPAM)

Funds under management at 31 March 2017

Fund	Country of Investment	Fund expiry	AUM 31-Mar-17	% of total AUM
SAM & DHOW	UK	Rolling	*	*
RPT	Poland	Aug 2020	£6.88m	1.44%
5PT	Poland	Dec 2022	£8.46m	1.77%
UK PPP	UK	Feb 2022	£93.13m	19.50%
PDR	UK	May 2018	- (commitment of £42m)	-
SIPS	UK	Jan 2025	£152.15m (commitment of £170m)	31.87%
FRS	Romania	Jan 2026	£10.08m	2.11%
FGC	Poland	Jan 2026	£20.66m	4.33%
NEW – SPEC OPPS	UK	Mar 2027	(commitment up to £15m)	-
NEW - FKR	Poland	Mar 2027	£21.64m	4.53%
Sub Total			£313.0m	65.55%
FOP	Poland	Oct-2020	£68.52m	14.35%
Group Properties	Poland & Romania	n/a	£95.96m	20.10%
Sub Total			£164.48m	34.45%
Total		6.42 yrs	£477.48m	100%

*Not subject to recent valuation

Appendix – 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 2016	154.7	41.5	196.2	50	156.9	11	353.1	61
Purchases	96.2	-	96.2	12	-	-	96.2	12
Sales	-	-	-	-	(3.4)	(1)	(3.4)	(1)
New fund mandates	-	21.6	21.6	1	-	-	21.6	1
Expiring fund mandate	-	-	-	-	-	-	-	-
Property Depreciation	-	-	-	-	(1.9)	-	(1.9)	-
Property Revaluation	(5.6)	1.4	(4.2)	-	1.1	-	(3.1)	-
FX Revaluation	-	3.2	3.2	-	11.8	-	15.0	-
As at 31 Mar 2017	245.3	67.7	313.0	63	164.5	10	477.5	73

Property	No. of properties	Book value (£)	Market value (£)	Contribution to Group PBT before unallocated overheads – year to 31 Mar-17 (£)	Contribution to Group PBT before unallocated overheads – year to 31 Mar-16 (£)
Poland	3	79.2m	90.7m	6.0m	5.7m
Romania	2	4.2m	5.3m	0.9m	0.9m
FOP (consolidated undertaking)	5	60.1m	68.5m	3.4m	3.3m
Total	10	£143.5m	£164.5m	£10.3m	£9.9m

Appendix – Group Properties composition

Non-controlling interests in funds and joint ventures managed by FPAM at 31-Mar-2017

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-Mar-17	Group's share of pre-tax profits earned by fund 31-Mar-16
Interest in associates:					
5 th Property Trading (5PT)	37.8%	£608,000	£1,058,000	£129,000	£121,000
Regional Property Trading (RPT)	28.6%	£192,000	£233,000	£45,000	£20,000
Fprop Romanian Supermarkets Ltd (FRS)	24.1%	£750,000	£1,030,000	£125,000	£12,000
Fprop Galeria Corso Ltd (FGC)	28.2%	£1,678,000	£1,827,000	£220,000	£17,000
Fprop UK Special Opportunities					
Fprop Krakow Ltd (FKR)	18.1%	£1,119,000	£1,119,000	-	-
Sub Total		£4,347,000	£5,267,000	£519,000	£170,000
Investments:					
UK Pension Property Portfolio (UK PPP)	0.9%	£884,000	£884,000	£60,000	£60,000
Fprop PDR LP (PDR)	4.9%	£13,000	£13,000	-	£163,000
Sub total		£897,000	£897,000	£60,000	£223,000
Total		£5,244,000	£6,164,000	£579,000	£393,000

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

	No of shares	% held (of issued and fully paid)
Ben Habib (Chief Executive Officer)	16,700,000	14.4%
New Pistoia Income Ltd	15,090,000	13.0%
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	62,118,773	53.5%

LSE (AIM) Symbol	FPO.L	
Share price	54p	
Market Cap	£62 million	
Dividend	FY2017	FY2016
Interim	0.40p	0.385p
Final	1.15p	1.115p
Total for year	1.55p	1.50p
EPS (undiluted)	6.75p	4.37p
EPS (diluted)	6.61p	4.28p

	FY 2017	FY 2016
Issued & Fully Paid	116,601,115	116,601,115
Issued (excl Treasury)	115,992,699	115,967,111
Shares held in Treasury	608,416	634,004
Outstanding share options over Ordinary shares	2,700,000	2,700,000
Average strike price of outstanding share options	14.65p	14.65p

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 cUS\$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 and Non-Executive Chairman of Hardy Oil & Gas plc.



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 and a non-executive director of JPMorgan Asian Investment Trust 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 and is CEO of First Property Group plc, an award winning commercial property fund manager with operations in the United Kingdom and Central Europe.

Prior to setting up First Property, Ben was Managing Director of a private property development company, JKL Property Ltd, from 1994 - 2000. He started his career in corporate finance in 1987 at Shearson Lehman Brothers. He moved in 1989 to PWS Holdings plc, a FTSE 350 Lloyds reinsurance broker, to be its Finance Director.

He was educated at Rugby School and Cambridge University.



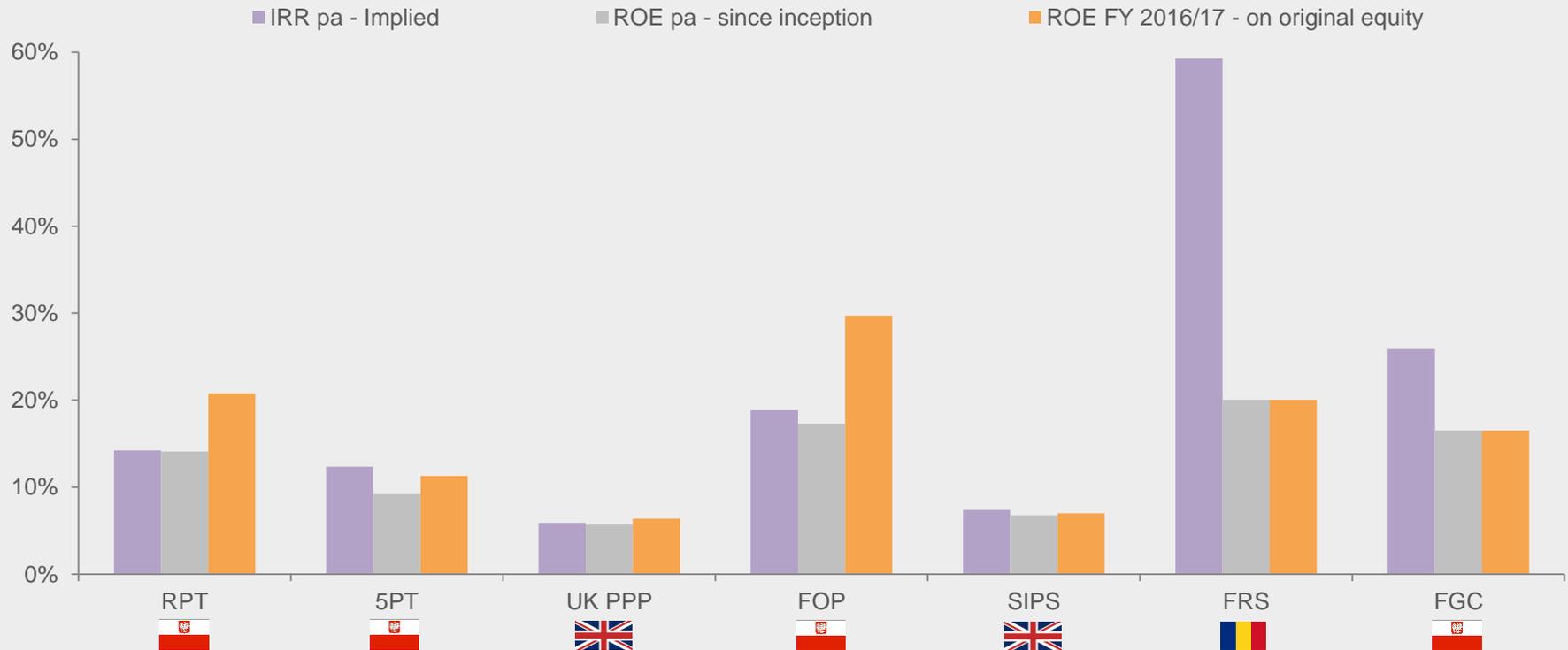
Group Chief Financial Officer & Company Secretary — George Digby, BA (Hons), ACA

George joined Fprop in 2003 following a five year period of running a private accountancy consultancy. 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 the Polish operations. He now oversees the financial accounting and reporting for 41 separate Group and underlying fund companies, incorporated both in the UK and Europe.







- Implied IRR calculations use NAVs as at 31-Mar-2017.
- ROE's since inception are calculated using average pre-tax income per FY ÷ original shareholders' equity employed.
- ROE's for 2016/17 FY are calculated using annualised pre-tax income for FY period ÷ by original equity employed.
- Implied IRR's for Fprop Romanian Supermarkets (FRS) and Fprop Galeria Corso (FGC) only 1 year after purchase.
- Exclusions: 2 x NEW FUND – Fprop UK Special Opportunities LP (est Jan-17) and Fprop Krakow Ltd (est Mar-17).

IPD® Measured Fund



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UK Property Investment Awards
WINNER 2017

wealth.finance2016
alternative investment awards



alternative investment awards
two thousand & fifteen
winner

Shortlisted:



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