



Preliminary Results

for the financial year ended 31 March 2019

First Property Group plc

6 June 2019

Company Description	3	Markets	29-32
Investment Approach	4-5	Investment Markets – Poland	30
Group Structure	6	Investment Markets – Romania	31
		Investment Markets – United Kingdom	32
Preliminary Results	7	Outlook - Why invest in Fprop plc?	33
Financial Performance Summary	8-12		
NAV growth	13	APPENDIX	34-45
Dividend	14	Funds under management	35
		Group Properties	37
Segmental Analysis	15-28	Shareholders >3%	39
Profit before Tax by segment	16	Share Statistics	40
		Plc Management Team	41
<u>Fund Management:</u>	<u>17-20</u>	FPAM Track Record	43
Revenue and AUM	18	Awards	45
AUM Breakdown	19		
		Disclaimer	46
<u>Group Properties:</u>	<u>21-28</u>		
Summary	21		
Contributors to Profit before tax	22		
Loan terms	23		
CH8 & Gdynia	24		
Associates and Investments	25		
Tenant Exposure	26		
Breakdown of Value	27		
Value by Asset Type and Geography	28		

First Property Group plc (AIM: FPO) 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. It has grown its adjusted net assets, together with dividends paid, by some 24% on an annualised basis since 2006.

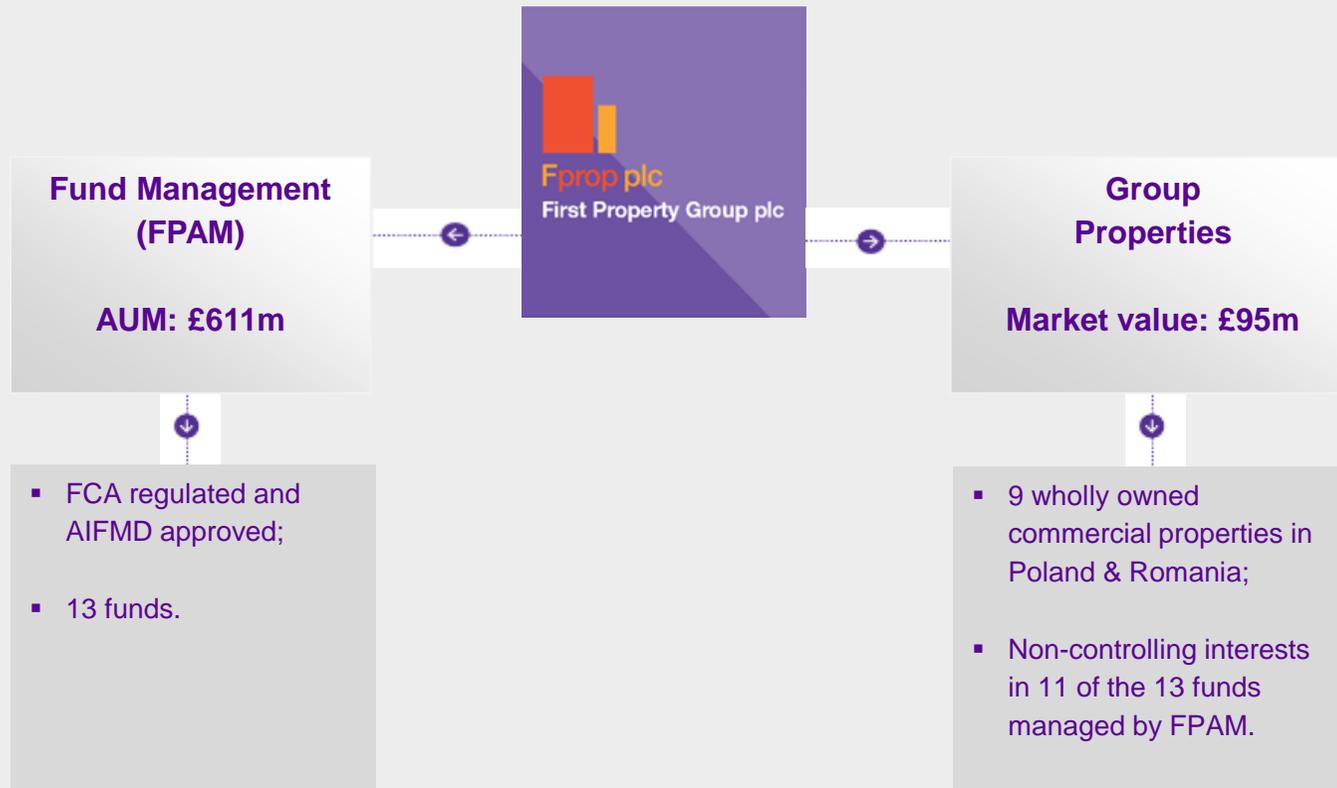
- The Group's focus is on higher yielding commercial property with sustainable cash flows;
- The company is flexible and takes an active approach to asset management;
- It has an excellent track record.

➤ **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.

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

- **Property is illiquid** – but this illiquidity can be mitigated by rental income – liquidity through income;
- **Flexibility in the light of market changes;**
- **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.



Preliminary Results - Highlights

	Unaudited year to 31 March 2019	Audited to 31 March 2018	Percentage change
Income Statement:			
Statutory profit before tax	£8.31m	£9.23m	-9.97%
Diluted earnings per share	4.85p	5.70p	-14.91%
Total dividend per share	1.66	1.60p	+3.75%
Average £/€ rate used	0.881	0.881	

Balance Sheet at year end:			
Net debt	£56.94m	£102.31m	-44.35%
Gearing ratio at market value	50.44%	65.40%	
Gearing ratio at book value	59.09%	71.82%	
Net assets per share	41.46p	40.29p	+2.90%
Adjusted net assets per share (EPRA basis)	57.48p	53.07p	+8.31%
Cash Balances	£9.74m	£15.32m	-36.42%
Year end £/€ rate	0.862	0.877	

	Unaudited year to 31 March 2019	Audited year to 31 March 2018	Percentage change
Nine Wholly Owned Properties at year end:			
Book value	£82.14m	£84.10m*	-2.33%
Market value	£94.61m	£96.88m*	-2.34%
Gross debt (non-recourse to Group)	£66.68m	£68.16m*	-2.17%
LTV% at book value	81.18%	81.04%*	
LTV% at market value	70.43%	70.35%*	
Weighted average unexpired lease term	2.75 yrs	3.75 yrs	
Total Assets Under Management:	£706m	£626m	+12.78%
United Kingdom	58.9%	62.3%	
Poland	38.9%	35.8%	
Romania	2.2%	1.9%	
Weighted average unexpired fund life	5.75 yrs	6.41yrs	

* Excludes FOP for 2018 comparative purposes

Operational Highlights:

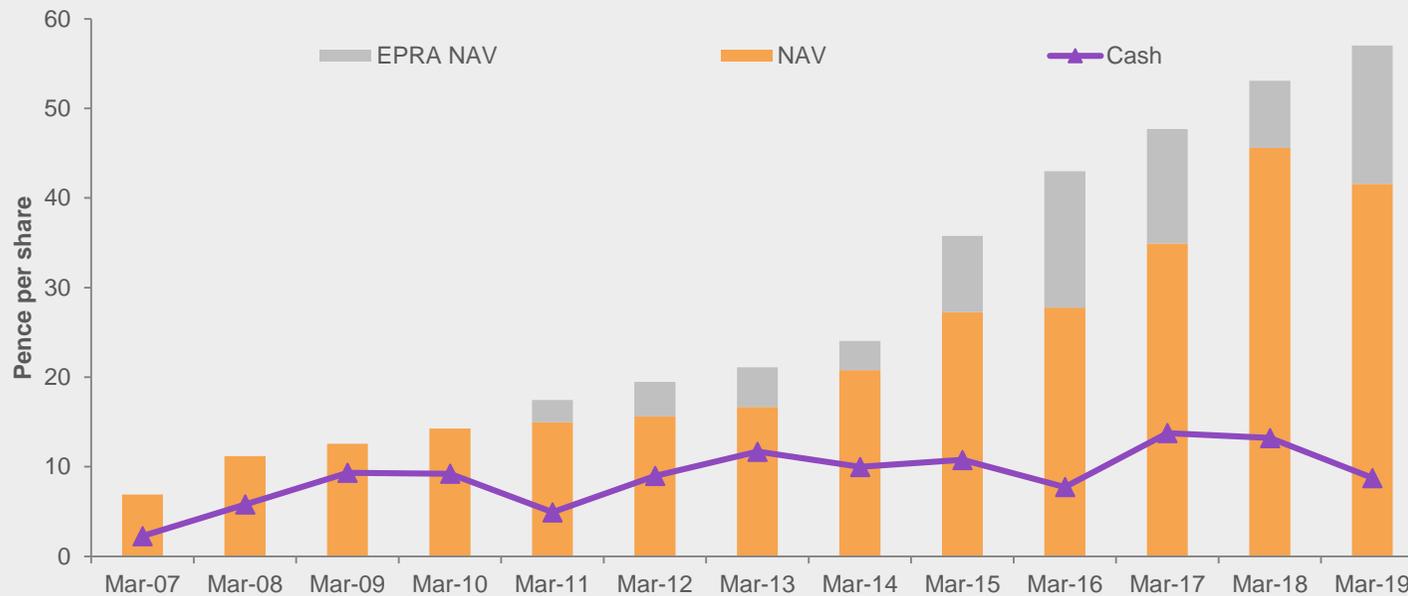
- Sales of shares in FOP reducing the Group's interest in it to 40% and prompting its deconsolidation;
- Re-leasing of two thirds of the 10,000 m² office space vacated in Chałubińskiego 8 (CH8, previously known as Oxford Tower) in February 2018;
- Establishment of two new funds: Fprop Phoenix Ltd and Fprop Cluj Ltd;
- Total assets under management up 12.8% to £706 million (2018: £626 million);
- Third party assets under management up 34.5% to £611 million (2018: £454 million).

Financial Highlights:

- Group's profit before tax reduced by 10% to £8.31 million (2018: £9.23 million), mainly due to the reduction in income resulting from the vacancy in CH8;
- Net contribution to profit before tax from non-recurring items of £2.78 million (2018: £1.32 million);
- Threefold increase in contribution to profit before tax from the fund management division of £3.03 million (2018: £1.00 million);
- Adjusted NAV per share increased by 8.31% to 57.48 pence (2018: 53.07 pence);
- Final dividend increased by 3.39% to 1.22 pence per share (2018: 1.18 pence per share);
- Total dividend for the year increased by 3.75% to 1.66 pence per share (2018: 1.60 pence per share).

Financial Highlights (continued):

- Main effects of deconsolidation of FOP:
 - Turnover of the Group post 12 October 2018 reduced by £4.12 million;
 - Group profit before tax post 12 October 2018 reduced by £1.17 million;
 - Book cost of Group Properties reduced by £63.91 million;
 - Borrowings reduced by £49.12 million;
 - Group cash balances reduced by £2.03 million.

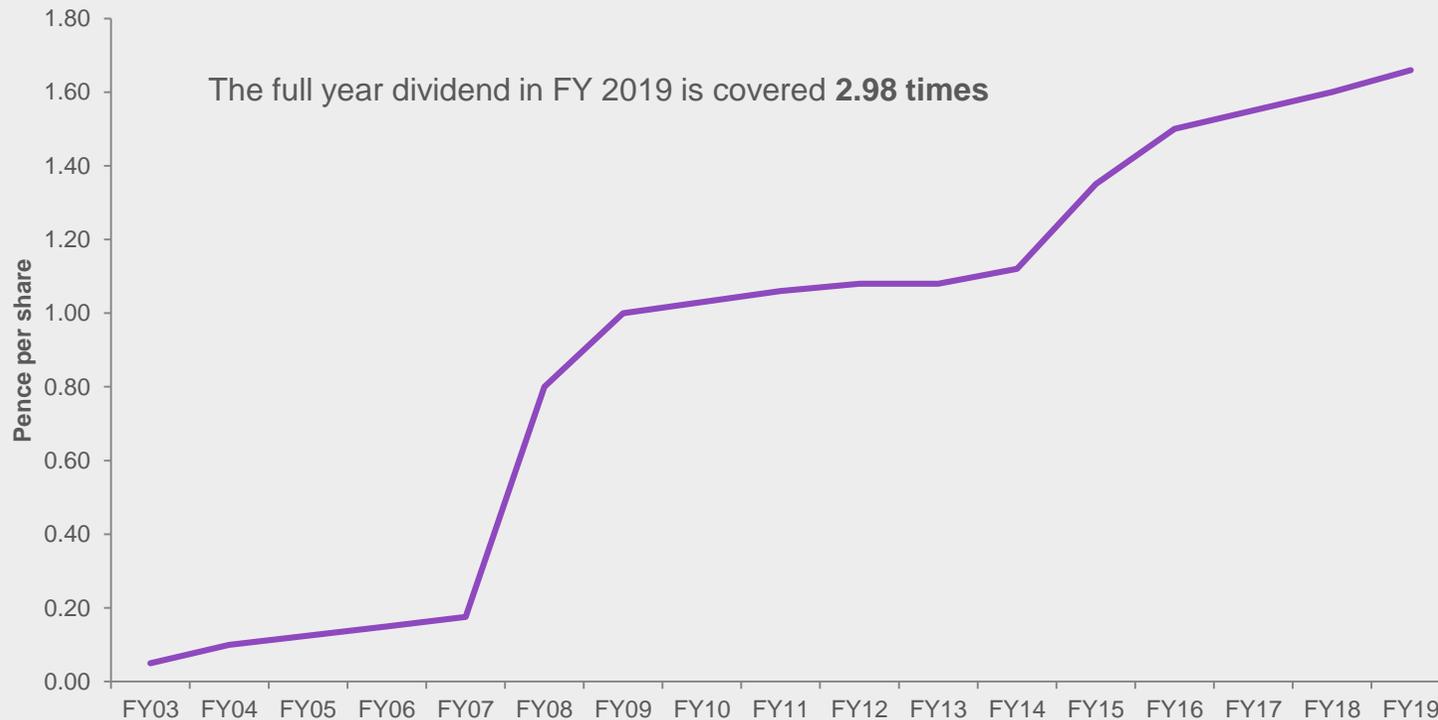


- NAV per share at book value: 41.46p
- EPRA NAV per share: 57.48p
- Cash per share: 8.75p

External valuers:

- CBRE;
- BNP Paribas;
- Polish Properties Sp. z o.o.

Adjusted NAV calculated as per European Public Real Estate Association (EPRA) methodology, which includes fair values of: financial instruments; debt; deferred taxes.



Proposed Final dividend:

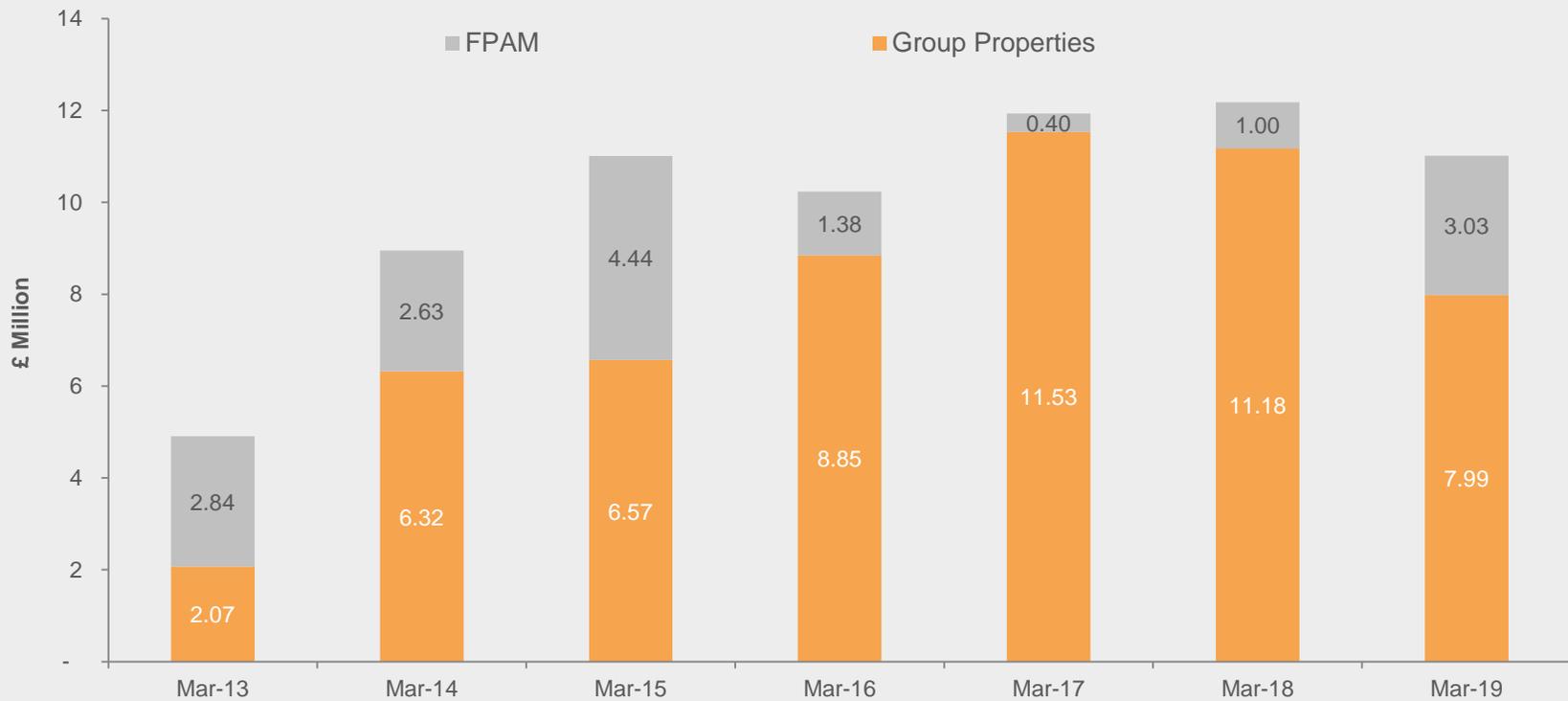
1.22p (2018: 1.18p)
+3.4%

Ex div date: 22 Aug
Record date: 23 Aug
Payment date: 27 Sep

Total dividend for year to Mar-2019:

1.66p (2018: 1.60p)
+3.8%

Segmental Analysis

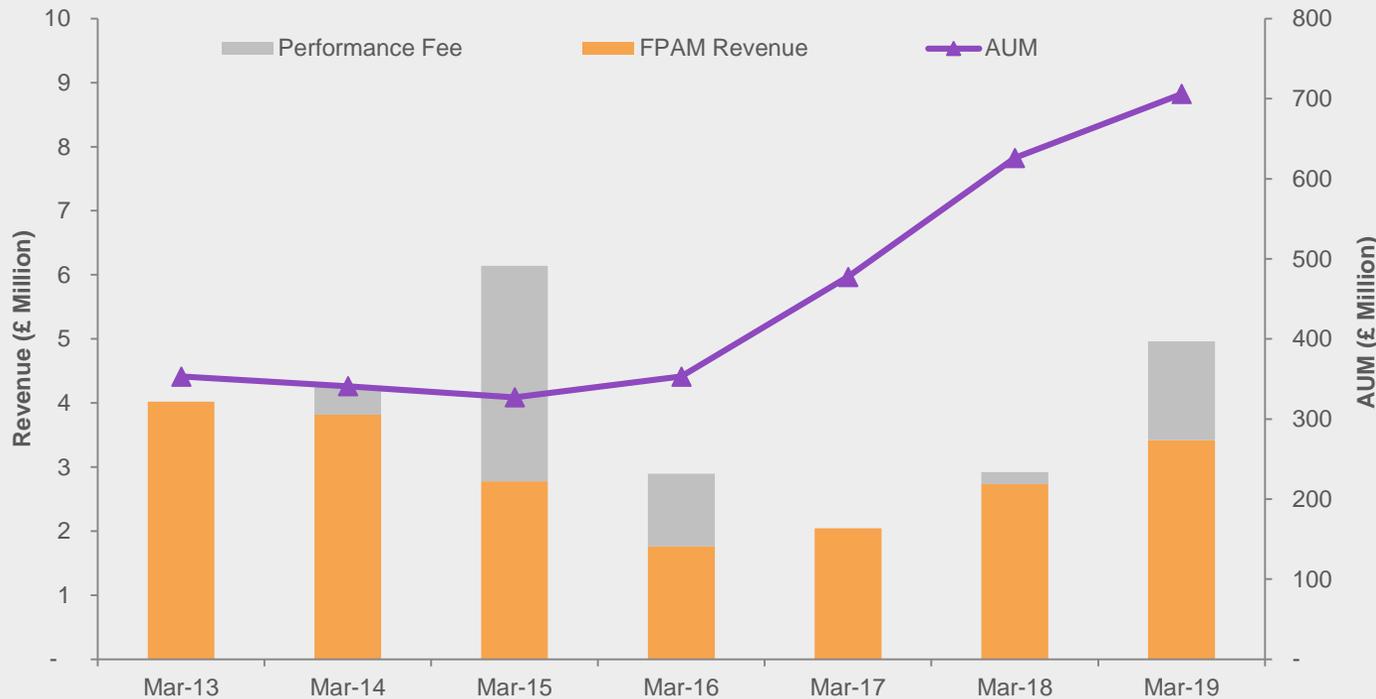


Fund Management

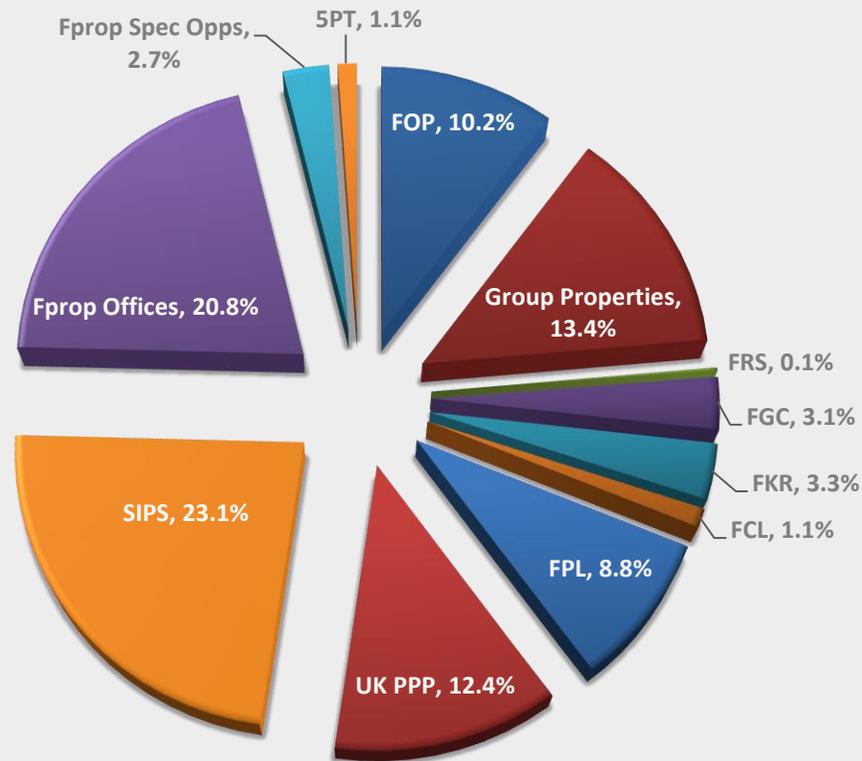
- **Contribution to PBT***
£3.03 million
(2018: £1.00 million)
- **36% of PBT***
(2018: 11%)

* = prior to deduction of unallocated central overheads.

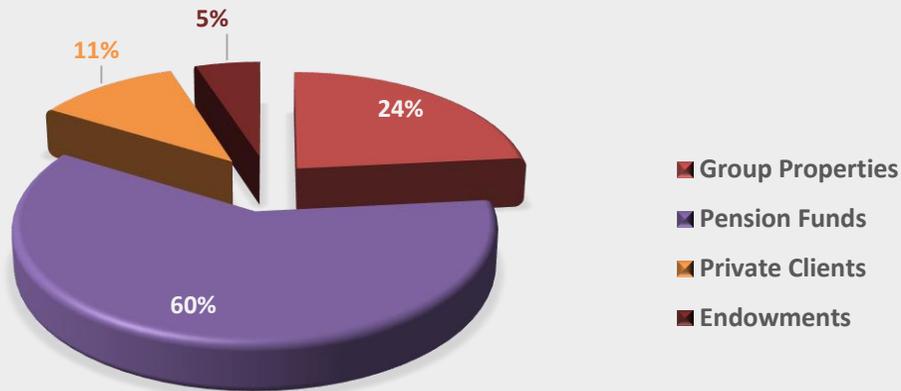
- Third party AUM: £611 million;
- Thirteen funds invested across UK, Poland & Romania;
- Annualised fee income at year end £4.3 million INCLUDING Fprop Offices LP (2018: £2.60 million);
- In-built growth from continued investment;
- Excellent investment track record;
- FCA regulated and AIFMD approved.



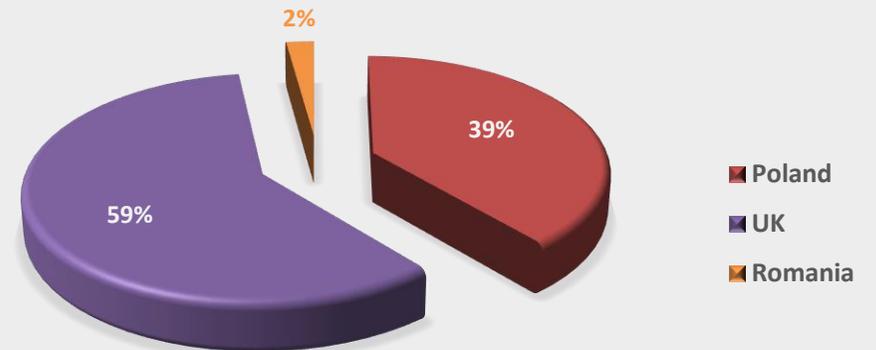
- **AUM** set to continue to rise;
- Annualised fee income at year end (excl perf fees) = **£3.34 million** (2018: £2.60 million);
- Annualised payment entitlements from Fprop Offices = **£950,000** (2018: Nil);
- **TOTAL = £4.3 million.**



BY INVESTOR CATEGORY



BY GEOGRAPHY



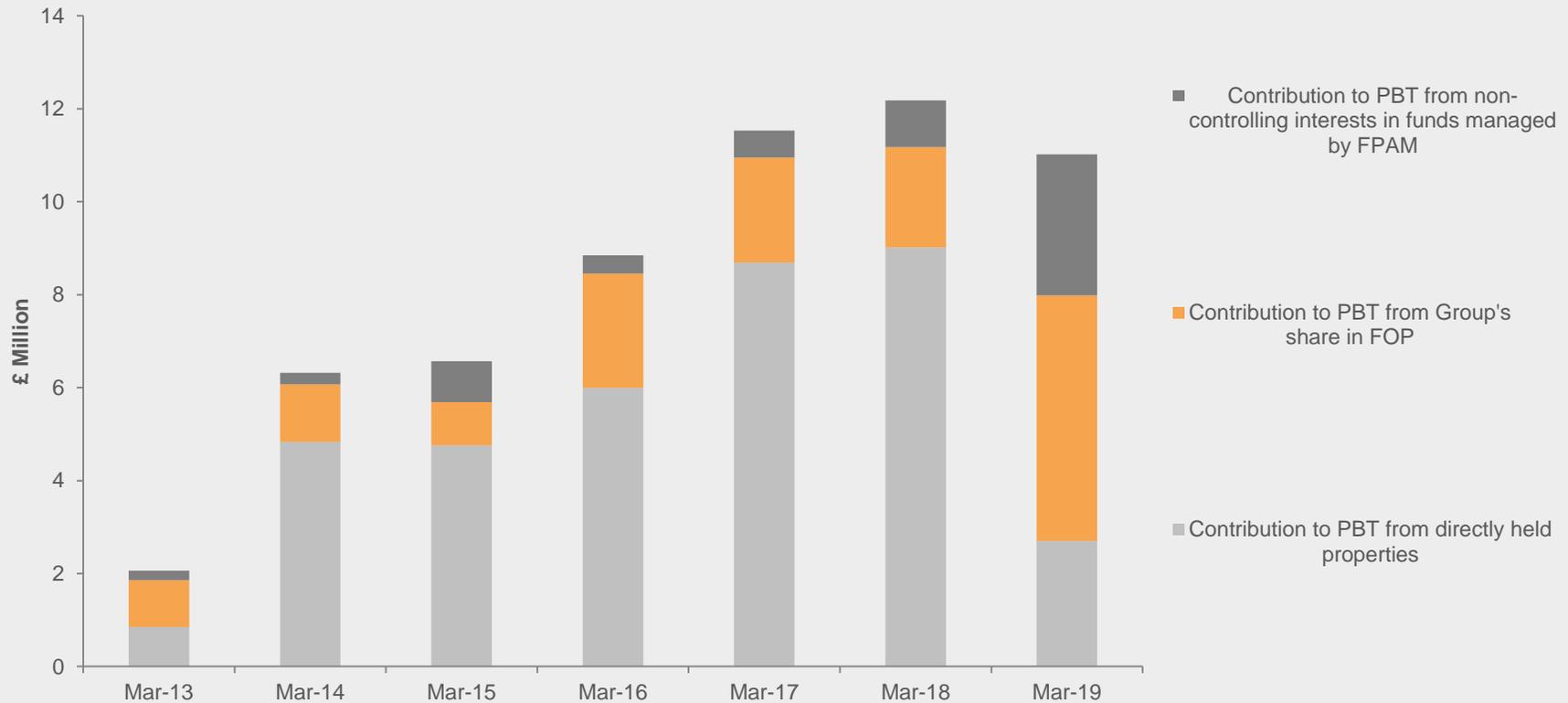
Group Properties

➤ **£7.99m to PBT***
(2018: £11.18m)

➤ **72.5% of PBT***
(2018: 91.8%)

* = prior to deduction of unallocated central overheads.

- 9 wholly owned commercial properties in Poland & Romania:
 - Book value £82.14 million (gross)
 - Market value £94.61 million (gross)
- Non-controlling interests in 11 of the 13 funds managed by FPAM:
 - Book value £20.59 million
 - Market value £29.51 million
- Combined:
 - Total book value = £102.73 million
 - Total market value = £124.12 million



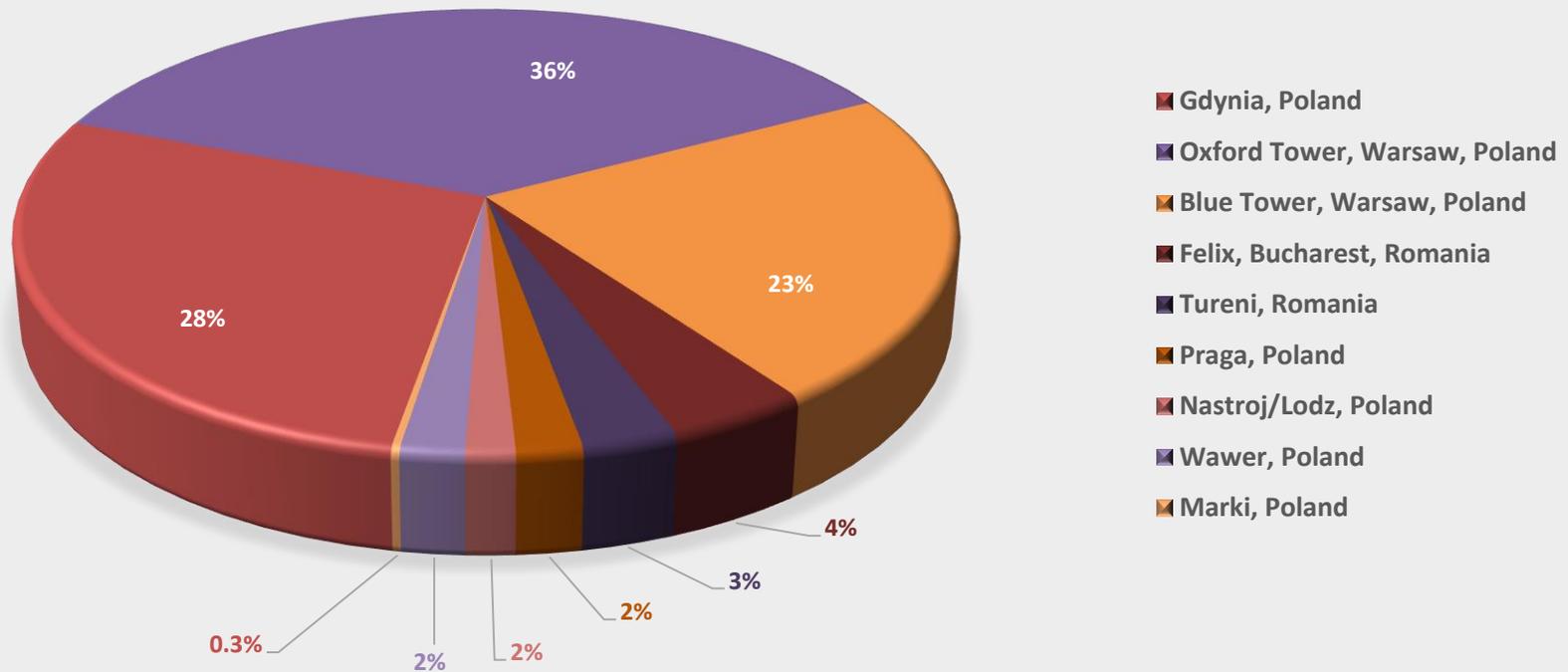
- Properties and their corresponding bank loans are held in separate non-cross collateralised SPV's which are non-recourse to the Group;
- Finance Costs:
 - £2.18 million (2018: £3.06 million). Reduction due to deconsolidation of FOP's £49.1 million loan;
 - Current weighted average borrowing cost = 2.15% (2018: 2.34%) per annum;
 - A 1% increase in the interest rate payable would increase annual interest by £485,000 per annum (2018: £610,000);
 - Group exposure to interest rate rises is mitigated by selective use of interest rate caps and fixes. At period-end 47% was fixed.
- Valuation of 9 wholly owned properties: Yield vs book value = c11.8%, Yield vs market value = c10.2%.

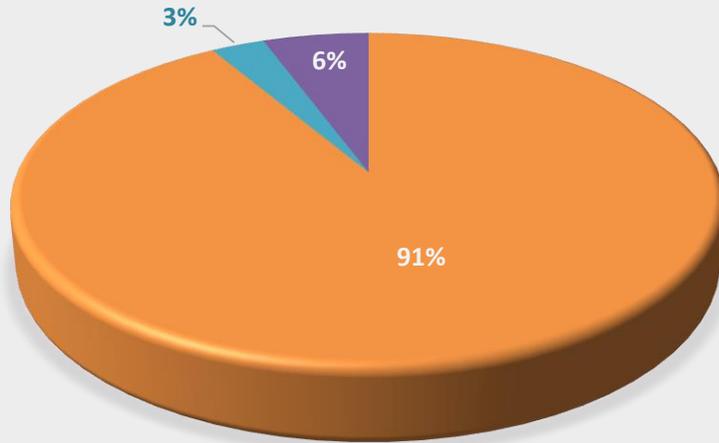
- **Chałubińskiego 8 (CH8, previously known as Oxford Tower), Poland**
- February 2018 - Citi vacated some 10,000 m² of office space, resulting in the net operating income reducing by €2.89 million;
- March 2019 - some 7,000 m² of this space had been re-leased, the benefits of which should be experienced in the current and next year.
- **Office building in Gdynia, Poland**
- Prior years (since acquisition in 2013) – we have been depreciating the holding value by £1.74 million (€1.97 million) per annum, to take account of its over rented nature;
- FY 2019 – amount of depreciation increased to £3.02 million (€3.50 million) in view of its shortening lease length. We do not anticipate applying this extra rate of depreciation in future periods.

- **Associates and Investments (minority shareholdings in 11 of FPAM's 13 funds):**
- Contributed £1.60 million (2018: £0.95 million) to Group profit before tax prior to the deduction of unallocated central overheads;
- 68% increase mainly attributable to Fprop Phoenix Ltd which contributed £1.05 million (2018: nil);
- Represents 23% of the total contribution by Group properties (2018: 9%).
- **Regional Property Trading Ltd (RPT) and E&S Estates Ltd (E&S):**
- 1 August 2018 - the Group acquired full ownership of RPT and 77% of E&S, which jointly own four properties in Poland, at a cost of £527,000, prompting their consolidation into the accounts of the Group.

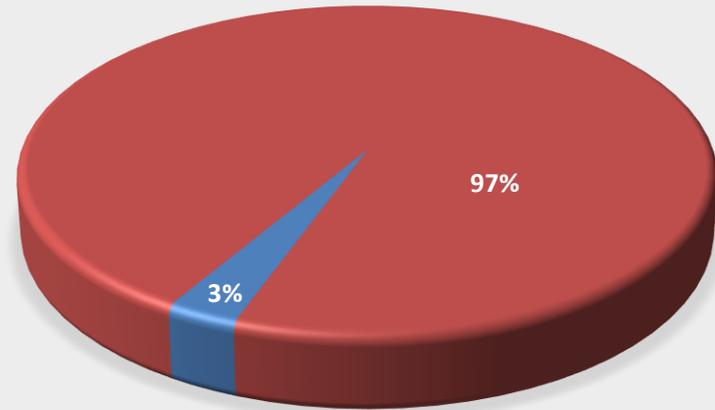
	Tenant	Sector	%
1	Asseco S.A.	Technology	44
2	Mazowiecki Oddział Wojewódzkiego Narodowego Funduszu Zdrowia	Insurance	13
3	First Property Poland Sp. z o.o.	Financial Services	13
4	Miasto Stołeczne Warszawa	Government Agency	4
5	First Property Poland / Urząd Miasta	Government Agency	4
6	HRK	HR	3
7	Mapei Polska Sp. z o.o.	Chemical Products	2
8	First Property Poland Sp.z o.o. / Zarządca Rozliczeń S.A.	Renewable Energy	1
9	Vulpoi & Toader Management SRL	Financial Services	1
10	Krajowy Ośrodek Wsparcia Rolnictwa	National Agricultural Support Centre	1
% of rental income attributable to top 10 tenants			86%

- Weighted Average Unexpired Lease Term (WAULT) = 2yrs 9mths, (2018: 3yrs 9mths);
- Occupancy ratio = 79.45%





Office Industrial Retail



Romania Poland

Markets

➤ **GDP Growth - continues to exceed that of most other EU nations**

- 2018: 5.1%
- 2019: 4.2% (F);
- Inflation: c2.2% per annum;
- Government debt remains low by international standards at c54% of GDP.



➤ **Commercial Property:**

- Transaction volumes reached €7.2 billion in 2018, an all time high;
- Prime office and retail yields are sub 6% per annum but the yields available on good secondary property, of the sort we favour, remain attractive at around $\geq 7.5\%$ per annum.

➤ **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:

- 2018: >4.1%
- 2019: >3.3% (F)
- Wage led private consumption growth continues to be the key driver.



➤ Commercial Property:

- Transaction volumes in 2018 €0.9 billion (2017: €1 billion), of which c40% was invested in Bucharest.

➤ Debt market:

- Senior loan margin = 3.5-4% over EURIBOR;
- Margins beginning to reduce, which should boost investment demand for commercial property in due course.

➤ GDP Growth:

- c1.8% on annualised basis

➤ Commercial Property:

- Total return from all commercial property in 2018: 6.3%;
- Total return from offices: 7.9%
- Total return from all retail: -1.8% (first negative year since 2012);
- Fprop favoured sectors:
 - Offices - where the supply of older (and cheaper to rent) stock is diminishing. This, coupled with a growing economy, is leading to rental growth;
 - Retail warehousing - where rents are cheaper than on the high street and parking is easier for customers.

➤ Debt market:

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



1. Expertise:

- Experienced, nimble management team;
- Excellent investment track record: 24% p.a. growth in net assets plus dividends since 2006.

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;
- In-built growth in AUM - should rise to c£800 million on current commitments;
- All fund management clients have had good experiences;
- c£10m 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

Fund	Country of Investment	Fund expiry	AUM 31 Mar-2019	% of total AUM
SAM & DHOW	UK	Rolling	*	*
5PT	Poland	Dec 2022	7.9	1.12%
UK PPP	UK	Feb 2022	87.22	12.36%
OFFICES	UK	Jun 2024	146.60	20.77%
SIPS	UK	Jan 2025	163.13	23.12%
FOP**	Poland	Oct 2025	71.84	10.18%
FRS	Romania	Jan 2026	1.01	0.14%
FGC	Poland	Mar 2026	21.59	3.06%
SPEC OPSS	UK	Jan 2027	19.00	2.69%
FKR	Poland	Mar 2027	23.00	3.26%
FCL	Romania	Jun 2028	7.67	1.09%
FPL	Poland	Jun 2028	62.11	8.80%
Sub Total			611.07	86.59%
RPT & EAS***	Poland	Aug 2020	5.34	0.76%
Nine Wholly Owned Properties	Poland & Romania	n/a	89.27	12.65%
Sub Total			£94.61m	13.41%
Total			£705.68m	100%

*Not subject to recent valuation;

**With effect from 12 October 2018 FOP is accounted for as an associate;

***With effect from 1 August 2018 RPT and E&S were transferred to Group Properties.

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 31 Mar-2018	389.90	64.46	454.36	68	171.34	10	625.70	78
Purchases								
- Existing funds	32.04	-	32.04	2	-	-	32.04	2
- New funds	-	69.78	69.78	5	-	-	69.78	5
Property Sales	-	(5.57)	(5.57)	(5)	-	-	(5.57)	(5)
Transfer to Group properties	-	(5.31)	(5.31)	(4)	5.31	4	-	-
Transfer from Group properties	-	74.46	74.46	5	(74.46)	(5)	-	-
Capital expenditure	0.87	0.95	1.82	-	1.54	-	3.36	-
Property Depreciation	-	(0.38)	(0.38)	-	(5.17)	-	(5.55)	-
Property Revaluation	(6.86)	(0.41)	(7.27)	-	(1.12)	-	(8.39)	-
FX Revaluation	-	(2.86)	(2.86)	-	(2.83)	-	(5.69)	-
As at 31 Mar-2019	415.95	195.12	611.07	71	94.61	9	705.68	80

Property	No. of properties	Book value	Market value	Contribution to Group profit before tax – year to 31 Mar-2019	Contribution to Group profit before tax - year to 31 March 2018
Poland	3	£72.85m	£82.59m	£2.3m	£6.9m
Romania	2	£4.04m	£6.75m	£0.2m	£0.6m
RPT/E&S (Poland)	4	£5.25m	£5.34m	(£0.1m)	**
FOP (Poland)	*	*	*	£2.2m	£3.4m
Total	9	£82.14m	£94.68m	£4.6m	£10.9m

* With effect from 12 October 2018 FOP was transferred from Group Properties to being accounted for as an associate;

**With effect from 1 August 2018 RPT and E&S were transferred to Group Properties.

Non-controlling interests in funds managed by FPAM

Fund	% owned by First Property Group	Book value of First Property's share in fund	Current market value of holdings	Group's share of post-tax profits/(losses) earned by fund 31 March 2019	Group's share of post-tax profits earned by fund 31 March 2018
Interests in associates:					
5 th Property Trading (5PT)	37.2%	£980,000	£1,098,000	£54,000	£113,000
RPT / EAS*	28.6%*	*	*	(£9,000)	(£93,000)
Fprop Romanian Supermarkets (FRS)	24.1%	£150,000	£247,000	£116,000	£539,000
Fprop Galeria Corso Ltd (FGC)	28.2%	£2,089,000	£2,350,000	£302,000	£270,000
Fprop Krakow Ltd (FKR)	28.1%	£1,308,000	£1,791,000	£156,000	£121,000
Fprop Cluj	17.4%	£458,000	£458,000	£17,000	-
Fprop Phoenix	23.4%	£2,049,000	£10,006,000	£1,051,000	-
FOP	40.0%	£10,020,000	£10,020,000	(£87,000)	-
Sub Total		£17,054,000	£25,970,000	£1,600,000	£950,000
Investments:					
UK Pension Property Portfolio (UK PPP)	0.9%	£828,000	£828,000	£59,000	£63,000
Fprop UK Special Opportunities	4.0%	£777,000	£777,000	45,000	-
Fprop Offices	1.6%	£1,934,000	£1,934,000	169,000	-
Sub total		£3,539,000	£3,539,000	£273,000	£63,000
Total		£20,593,000	£29,509,000	£1,873,000	£1,013,000

*With effect from 1 August 2018 RPT and E&S were consolidated into Group Properties;

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)	14,450,000	13.0%
J C Kottler Esq	9,664,283	8.7%
Alasdair Locke (Non-Executive Chairman)	8,571,990	7.7%
New Pistoia Income Ltd	7,507,500	6.7%
Quaero Capital Funds (Lux)	6,353,581	5.7%
Total	51,947,454	43.9%

LSE (AIM) Symbol	FPO.L	
Share price	51.5p	
Market Cap	£57 million	
Dividend	FY2019	FY2018
Interim	0.44p	0.42p
Final	1.22p	1.18p
Total for year	1.66p	1.60p
EPS (undiluted)	4.95p	5.82p
EPS (diluted)	4.85p	5.70p

	FY 2019	FY 2018
Issued & Fully Paid	116,601,115	116,601,115
Issued (excl Treasury)	111,354,001	116,016,546
Shares held in Treasury	5,247,114	584,569
Outstanding share options over Ordinary shares	2,610,000	2,700,000
Average strike price of outstanding share options	14.58p	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.

Alasdair maintains a wide portfolio of business interests including insurance, retailing and petroleum. He is also Non-Executive Chairman of Hardy Oil & Gas plc. He was designated Scotland Overall and Master Entrepreneur Of The Year in 1999 and received the International Business Achievement Award from the Scottish Business Achievement Award Trust in 2007.



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 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.



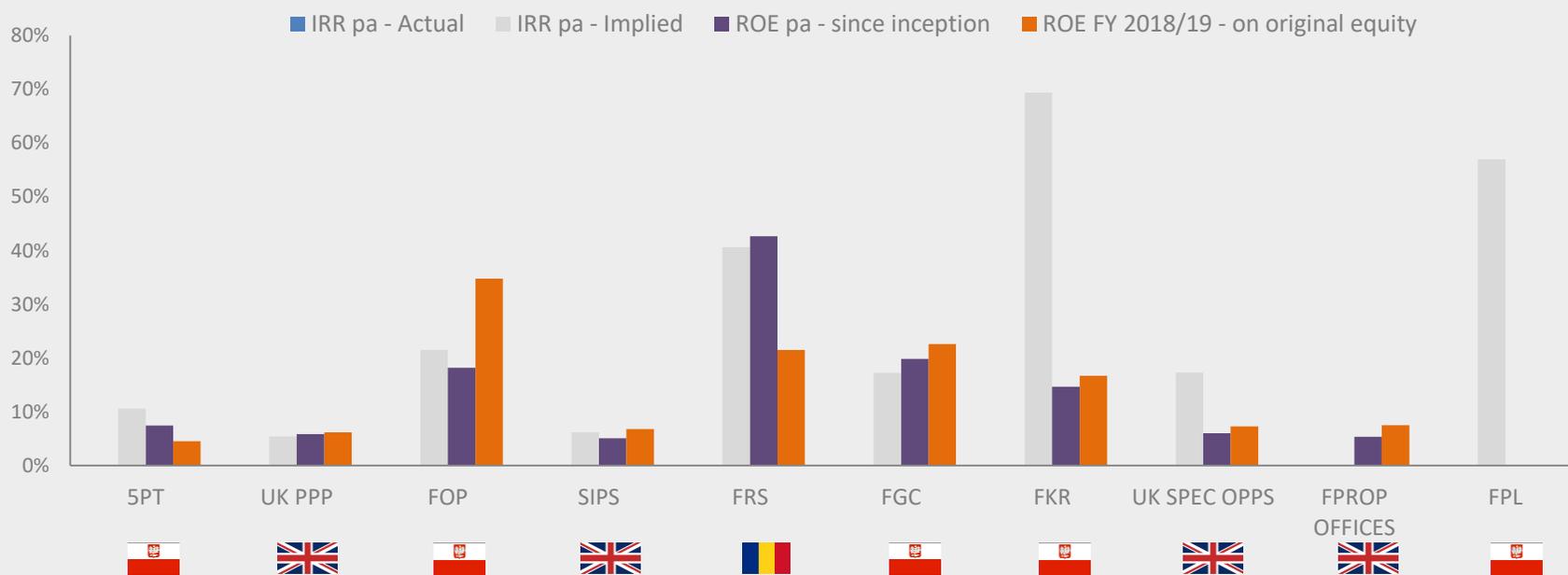
Group Chief Financial Officer & Company Secretary — George Digby, BA (Hons), ACA

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's: assumed sale price = NAVs as at 31-Mar-2019;
- ROE's since inception: calculated using average pre-tax income per FY / original equity employed;
- ROE's for 2018/19 FY: calculated using annualised pre-tax income for FY period / by original equity employed.

IPD® Measured Fund



FPAM funds rank **No.1 vs MSCI's Central & Eastern European (CEE) Benchmark** for the twelve years from the commencement of its operations in Poland in 2005, and for the periods from 2005 to 31 December 2008, and to the end of each of the years thereafter. In addition, FPAM's UK Pension Property Portfolio (UK PPP) was awarded **best "Small Specialist Fund"** by MSCI/IPF 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.



UK Property
Investment Awards
WINNER 2017

wealth:finance2016
alternative investment
awards



alternative
investment awards
two thousand & fifteen
winner

Shortlisted:



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