



Interim Results

for the six months ended 30 September 2018

First Property Group plc

22 November 2018



FPAM funds rank No.1 versus MSCI's Central & Eastern European (CEE) Benchmark for the thirteen years from the commencement of its operations in Poland in 2005 to December 2017, 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 (AIM: FPO) is an award winning property fund manager and investor with offices in London, Warsaw and Bucharest. It has grown its adjusted net assets, together with dividends paid, by some 28% per annum since 2006.

- 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.

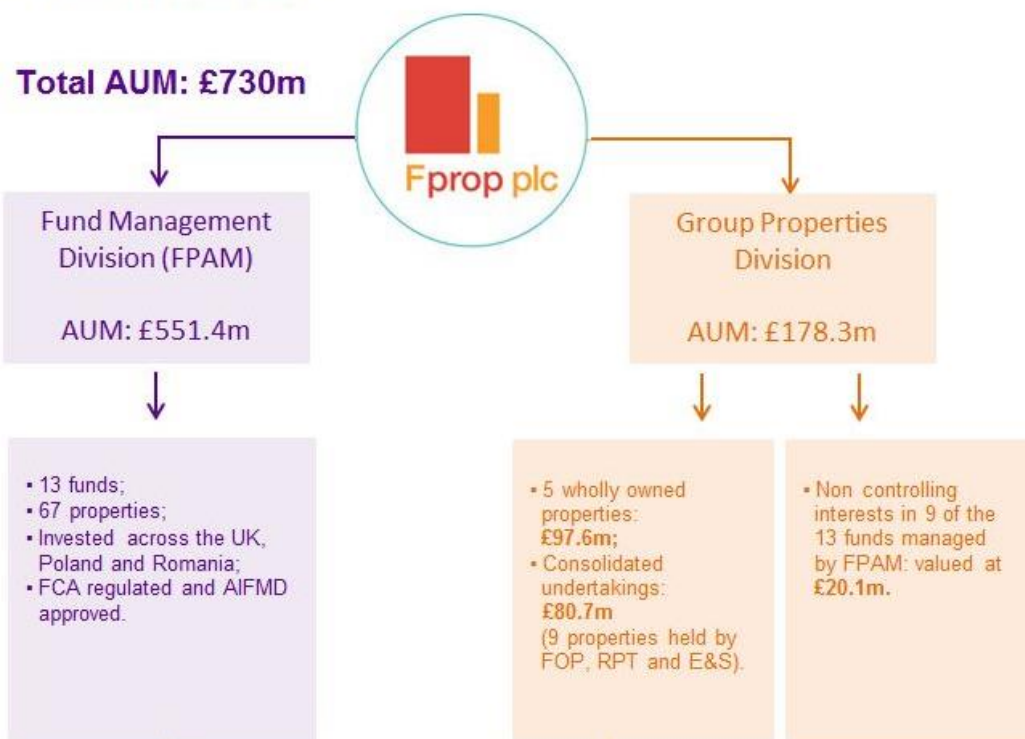
➤ **Sustainable income is a priority:**

- 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):**
 - **2005:** Largely exited the UK commercial property market. Re-entered it in 2009. We act dynamically;
 - **2008:** Reversed asset management policy of waiting until lease expiry to renew leases following onset of the credit crunch;
 - **2013:** Recommenced development activity in the UK in response to the introduction of Permitted Development Rights (PDR) and the boosting of demand for residential property with “Help to Buy”.
 - **2016:** Targeted larger lot sizes in the UK following bifurcation of the commercial property market in the wake of the Brexit vote, resulting from institutional investors becoming less active.

As at 30 September 2018



After the period end, following further share sales, the Group's share in FOP reduced to 44.3% which permits its deconsolidation from the accounts of the Group. With effect from 12 October 2018 the Group will account for its remaining share of the profits of FOP as an Associate.

Interim Results - Highlights

	Unaudited 6 months to 30 September 2018	Unaudited 6 months to 30 September 2017	Percentage change	Audited Year to 31 March 2018
Income Statement:				
Revenue	£11.16m	£12.09m	-7.69%	£25.46m
Statutory profit before tax	£3.82m	£4.98m	-23.29%	£9.23m
Diluted earnings per share	1.69p	2.84p	-40.49%	5.70p
Dividend per share	0.44p	0.42p	+4.76%	1.60p
Average £/€ rate used	0.886	0.881	+0.57%	0.881
Balance Sheet at period end:				
Net assets per share	39.39p	35.68p	+10.40%	40.29p
Adjusted net assets per share (EPRA basis)	62.21p	51.25p	+21.39%	53.07p
Cash Balances	£10.01m	£10.00m	+0.10%	£15.32m
Period end £/€ rate	0.891	0.881	+1.14%	0.877

	Unaudited six months to 30 September 2018	Unaudited six months to 30 September 2017	Percentage change	Audited Year to 31 March 2018
Group Direct Property Portfolio at period end:				
Group Properties held at Book value	£152.4m	£146.3m	+4.17%	£147.8m
Group Properties held at Market value	£178.3m	£171.9m	+3.72%	£171.3m
Gross debt (non-recourse to Group)	£120.8m	£117.8m	+2.55%	£117.6m
LTV%	67.76%	68.53%		68.65%
Associates and Investments at Market value	£20.1m	£9.1m	120.88%	£10.3m
Total Assets Under Management:	£730m	£554m	31.8%	£626m
United Kingdom	58.0%	57.0%		62.3%
Poland	39.9%	40.8%		35.8%
Romania	2.1%	2.2%		1.9%

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

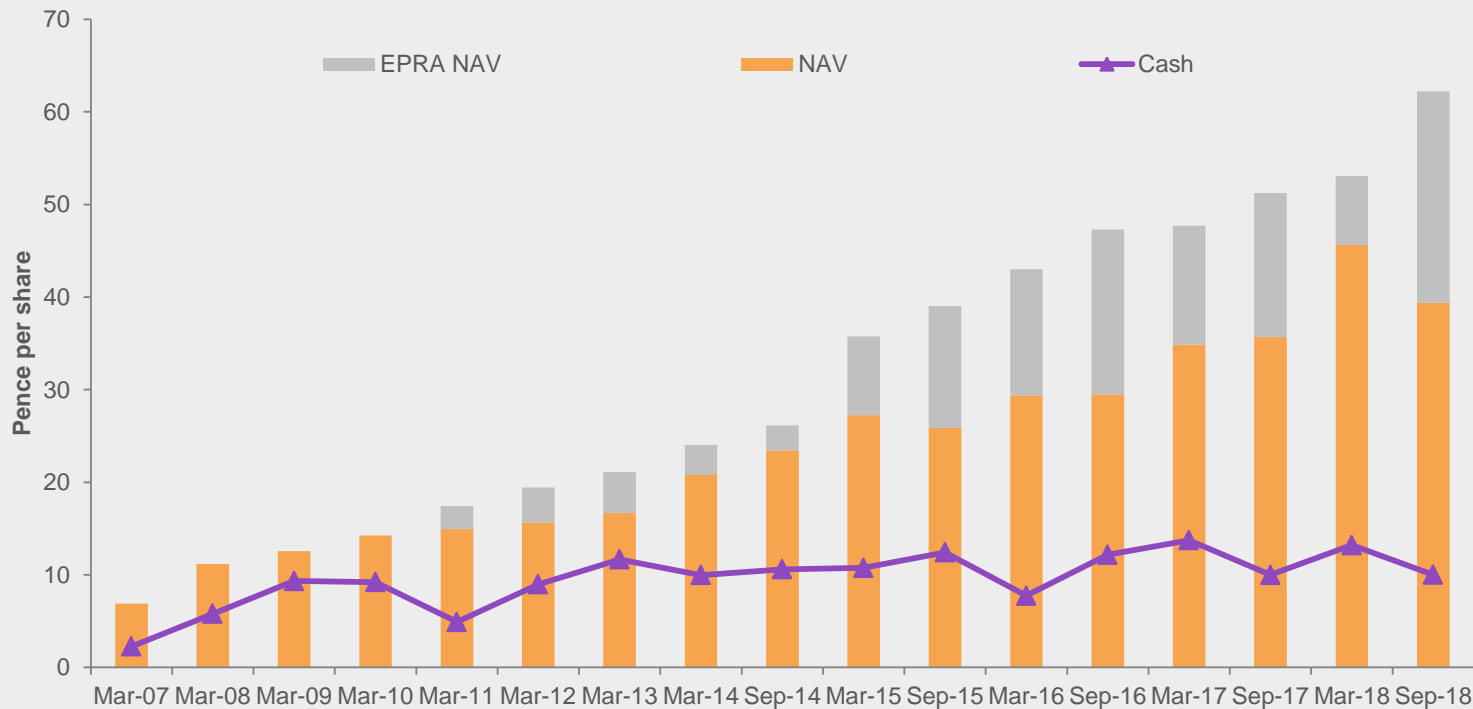
“This has been a good six months for First Property.

The reduction in profit before tax should only be temporary and is due virtually entirely to the expiry of Citi Group’s lease at one of our two towers in Warsaw, CH8 (previously known as Oxford Tower), as previously flagged. We expect this vacant space to be leased in the near future.

Third party funds under management increased by 44% from the prior year and the Group’s adjusted net assets per share increased by 21% over the same period.

We are particularly excited by the investments we are acquiring on behalf of Fprop Offices in the UK and the prospects of Eximius Park in Krakow, both of which should result in material contributions to group profits in due course.

We look forward to delivering continued growth and increasing levels of profitability for our clients and shareholders.”

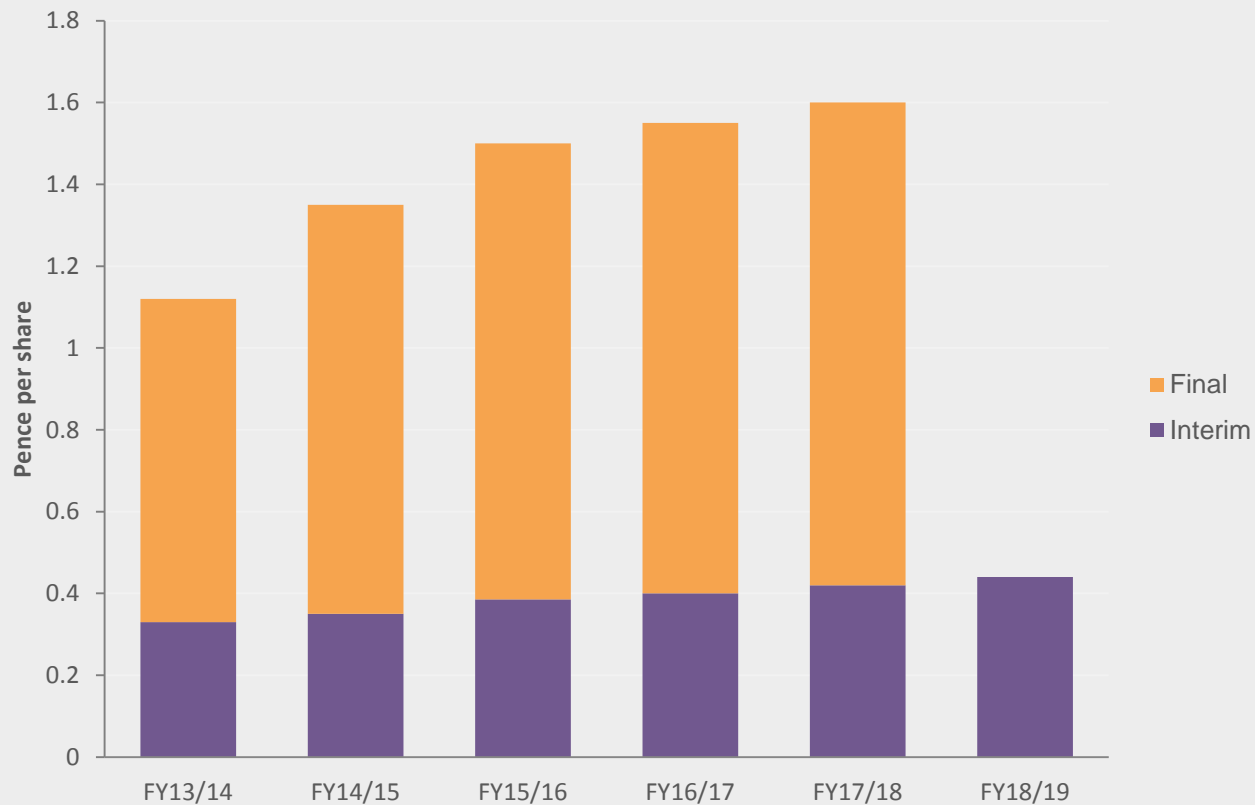


- Adjusted NAV: 62.21p;
- Adjusted NAV growth, together with dividends paid: 28% per annum since 2006.

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.



Interim dividend:

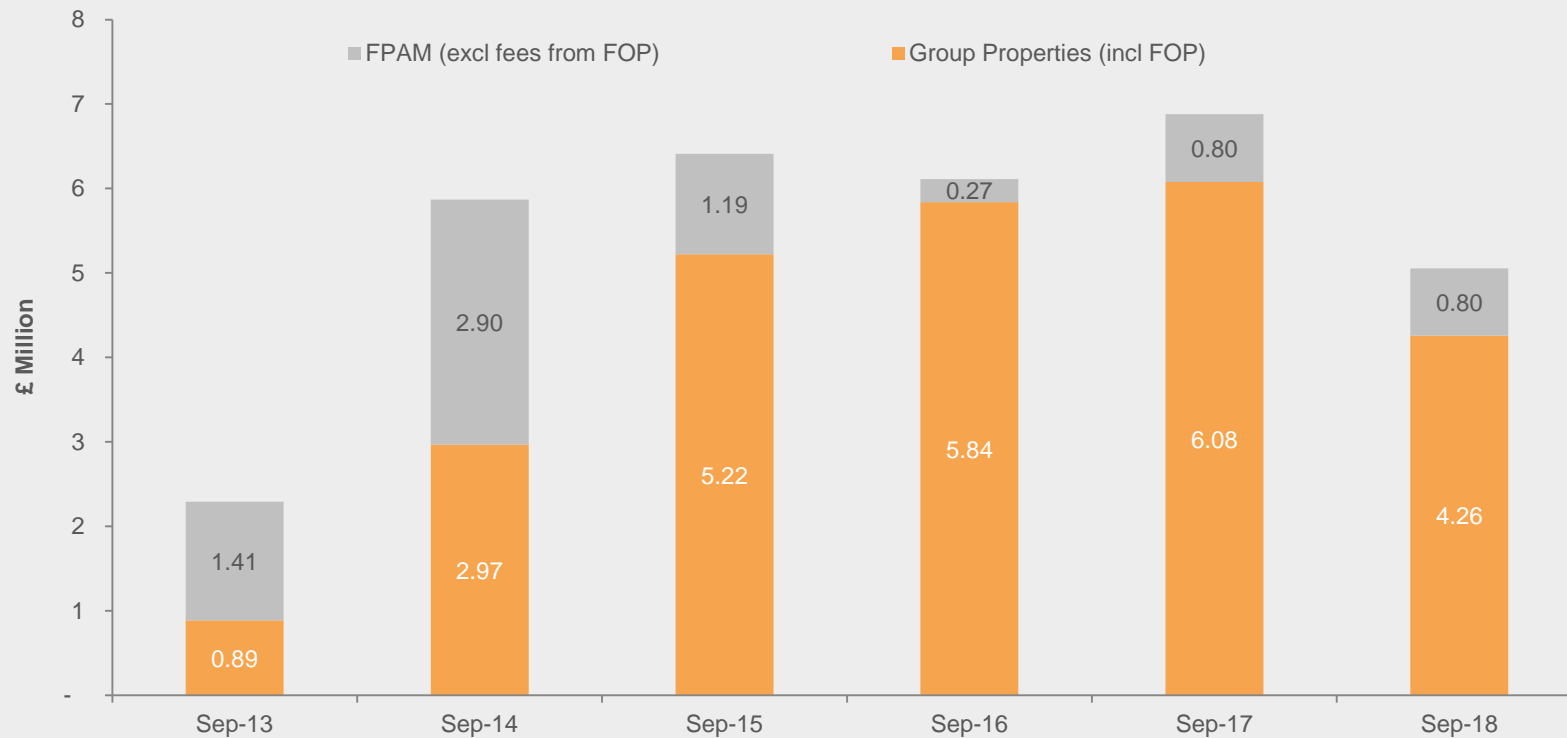
0.44p (2017: 0.42p)
+4.8%

Ex div date: 29 Nov
Record date: 30 Nov
Payment date: 28 Dec

Total dividend for year to Mar-2018:

1.60p (2017: 1.55p)
+3.2%

Segmental Analysis



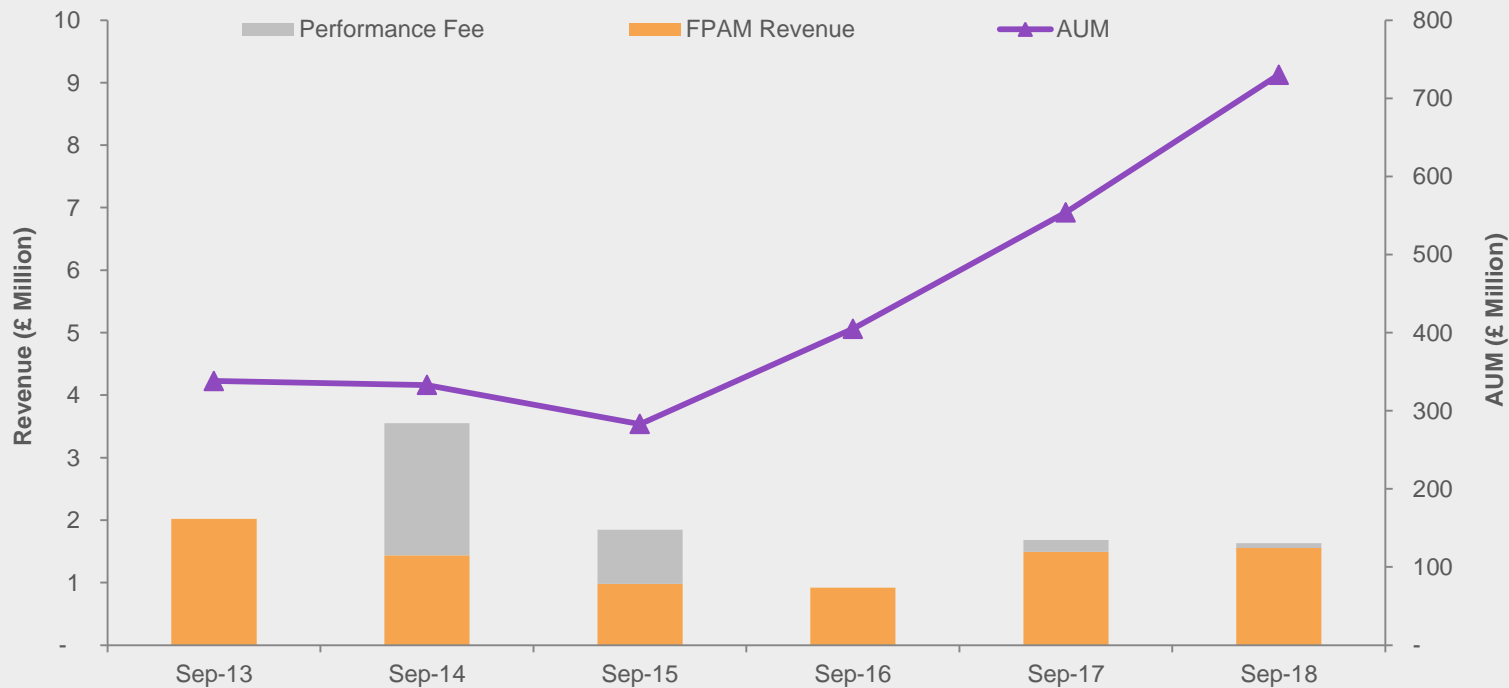
Fund Management

➤ **Segment PBT: £798,000***
(2017: £804,000)

➤ **15.8% of Group PBT***

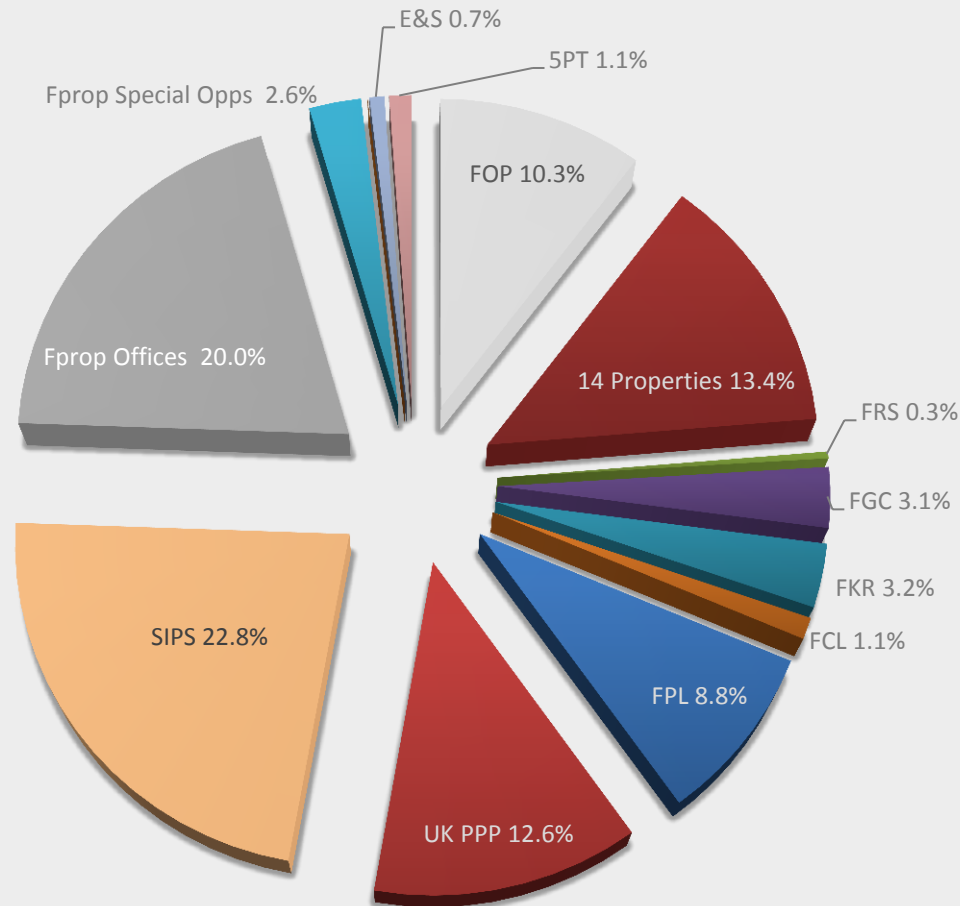
* = prior to deduction of unallocated central overheads.

- AUM: £730m;
- Third party AUM: £551m;
- 13 funds invested across UK, Poland & Romania;
- Annualised fee income of £2.90 million (2017: £2.64 million).
- In-built growth from continued investment;
- Excellent investment track record;
- FCA regulated and AIFMD approved.



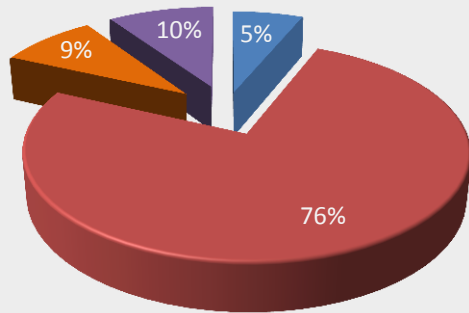
- **AUM** set to continue to rise;
- Underlying annualised fee income (excl perf fees) = £2.90m (2017: £2.64m);
- Weighted average fund management contract term = 6.30 years (2017: 6.08 years);
- >100 clients.

By Fund

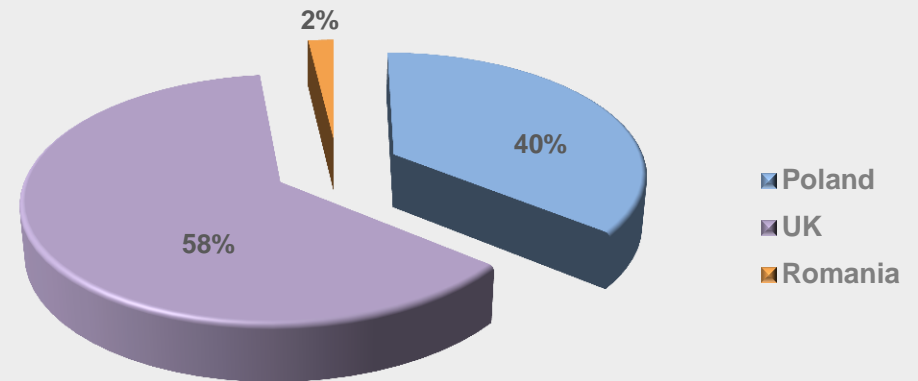


By Investor Category

■ Fprop
 ■ Pension Funds
 ■ Private Clients
 ■ Endowments



By Geography



Group Properties

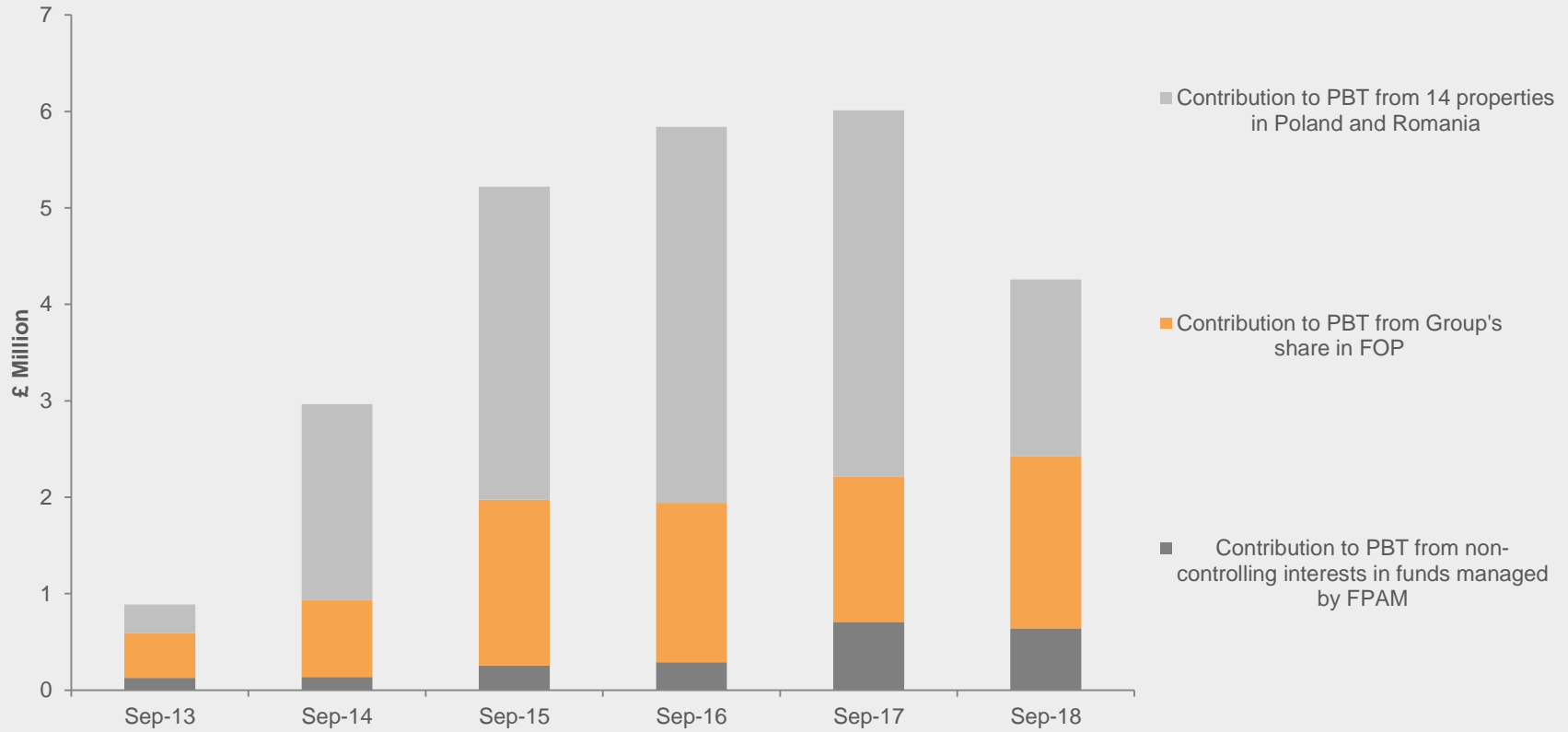
➤ **Segment PBT: £4.26m***
(2017: £6.08m)

➤ **84.2% of PBT***

* = prior to deduction of unallocated central overheads.

- ❑ 14 commercial properties in Poland & Romania, including 5 held by FOP and 4 held jointly by RPT and E&S:
 - Book value: £152.4m
 - Market value: £178.3m
- ❑ Non-controlling interests in 9 of the 13 funds managed by FPAM:
 - Book value £9.5m
 - Market value £20.1m

Group Properties contributions to Profit before tax (prior to deduction of unallocated central overheads)

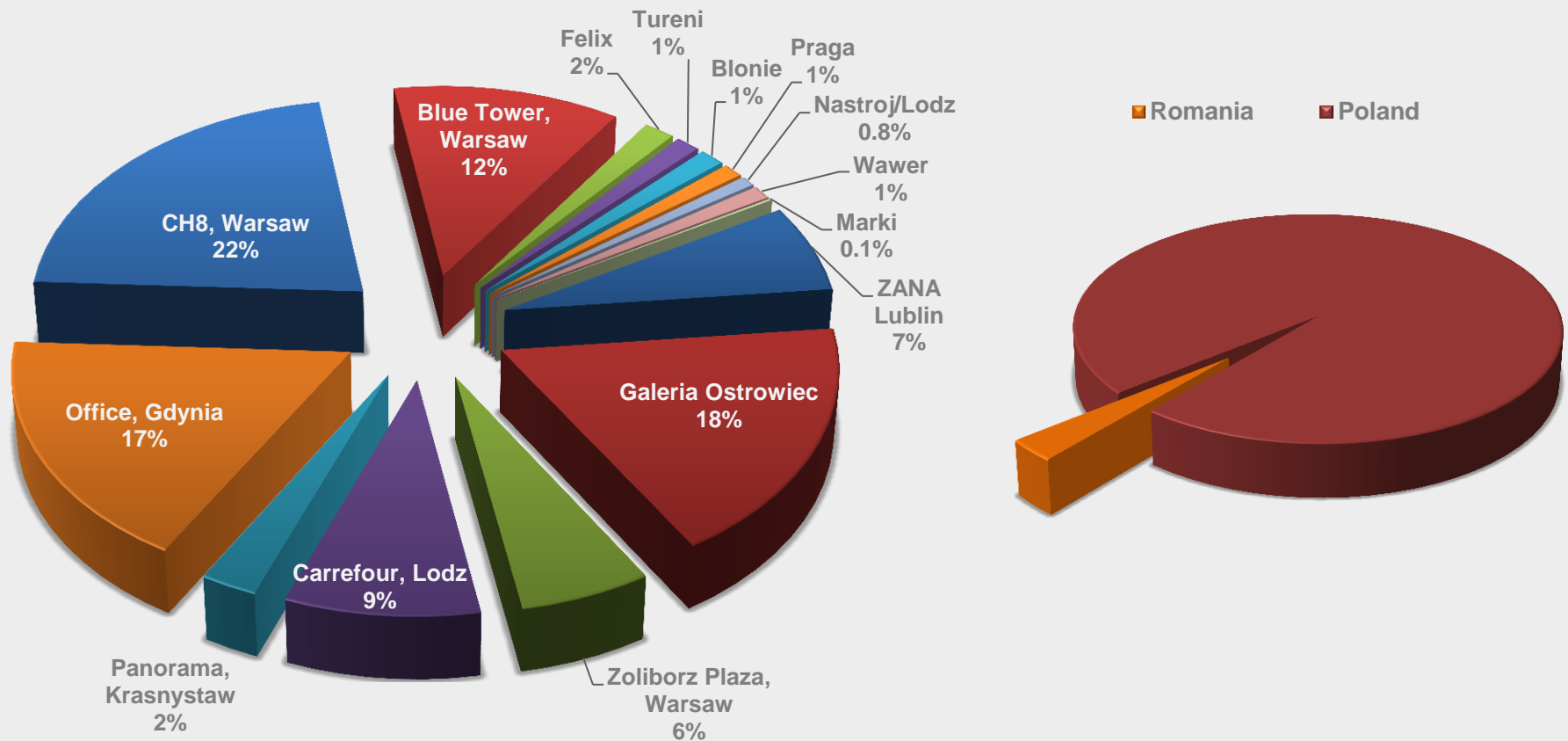


	Six months to 30 Sept 2018 €m	Six months to 30 Sept 2017 €m
Net operating income (NOI)	€7.91m	€9.41m
Interest expense on bank loans / finance leases	(€1.58m)	(€1.59m)
NOI after interest expense	€6.33m	€7.82m
Current tax	(€0.36m)	(€0.71m)
Debt amortisation	(€3.95m)	(€3.66m)
Capital expenditure	(€0.66m)	(€2.10m)
Free cash	€1.36m	€1.35m
Market value of properties	€200.15m	€195.08m
Average yield on market value	7.9%	9.6%
Bank loans / finance leases outstanding	€135.62m	€133.74m
Loan to value (LTV)	€67.8%	68.6%
Weighted average unexpired lease term (WAULT)	2.73 yrs	3.13 yrs
Vacancy rate	15.8%	1.5%

- Properties held in separate non-cross collateralised SPV's which are non-recourse to the Group;
- Interest rates:
 - Current weighted average borrowing cost = c2.83% (2017: 2.46%) per annum;
 - A 1% increase in the rate payable would increase the annual interest rate bill by £650,000 per annum (2017: £563,000);
 - Group exposure to interest rate rises mitigated by selective use of interest rate caps and fixes. At period-end some 40% of loans (by value) was fixed.
- Valuation:
 - Yield vs market value = c7.9% (2017: c9.6%)
 - Yield vs book value = c9.3% (2017: c11.2%)

	Tenant	Sector	%
1	Asseco S.A.	Technology	32.4
2	Carrefour	Food Retail	9.7
3	Skanska S.A.	Construction	6.7
4	Tesco (Polska) sp z o.o.	Food Retail	3.9
5	Narodowego Funduszu Zdrowia	Healthcare	3.4
6	Santander (BZ WBK SA)	Bank	2.4
7	First Property Poland	Financial Services	2.3
8	HRK	HR	2.1
9	Miasto Stołeczne Warszawa	Government Agency	2.0
10	LPP	Fashion	1.5
% of rental income attributable to top 10 tenants			66.3%

- Weighted Average Unexpired Lease Term (WAULT) = 2 yrs 9mths, (2017: 3yrs 2mths);
- Occupancy ratio = 84.2%



Markets

➤ GDP Growth – again at forefront of EU member states

- 2018: >5% (F);
- 2019: >4% (F);
- Inflation: >2.5% per annum;
- Government debt remains low by international standards at c54% of GDP.



➤ Commercial Property:

- Investor demand for commercial property remains high. Volumes are expected to climb to €6 billion in 2018, a new record.
- Rental growth has been more elusive in recent years due to the volume of new development, but there are signs that this may be changing in some sub sectors, such as offices in Warsaw, due to high take up levels.
- Capital values for good secondary property remain attractive, yielding around one third more than equivalent property in Western Europe at around 7-9% 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: >7% (F) – fastest in EU
- 2019/20: >3.5% per annum (F)

➤ Commercial Property:

- Investor demand for commercial property continues to improve but volumes remain slim. Around €1 billion of commercial property is expected to transact in 2018, as it did in 2017, but volume is expected to be more concentrated in the second half of this year.
- The occupier market is picking up too, as the economy continues to expand but, as in Poland, rental growth remains elusive given the scale of new development.

➤ 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:

- 2018: c1.8% (F)
- 2019: c1.6% (F)



➤ Commercial Property:

- The Bank of England's decision to raise the base rate by 0.25% to 0.75% in August has had limited impact on the commercial property market so far and nor do we expect it to given the Bank's continued loose monetary policy.
- We remain bullish about the prospects of the UK commercial property market and particularly Fprop Offices LP which is currently in the process of investing its capital commitments.

➤ Debt market:

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

1. Expertise:

- Experienced, nimble management team;
- Excellent investment track record: 28% p.a. growth in net assets (incl dividends paid) since 2006;
- 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;
- In-built growth in AUM;
- All fund management clients have had good experiences;
- £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 30 Sep-2018	% of total AUM	AUM 30 Sep-2017
SAM & DHOW	UK	Rolling	*	*	*
RPT & E&S	Poland	Aug 2020	**	**	7.1
5PT	Poland	Dec 2022	8.2	1.1%	8.7
UKPPP	UK	Feb 2022	92.0	12.6%	93.3
SIPS	UK	Jan 2025	166.3	22.8%	156.1
FRS	Romania	Sept 2025	2.5	0.3%	6.7
FGC	Poland	Aug 2024	22.2	3.1%	21.2
FKR	Poland	Apr 2024	23.4	3.2%	22.3
SPEC OPSS	UK	Jan 2027	19.1	2.6%	15.4
OFFICES	UK	Jun 2024	145.8	20.0%	51.1
FPL	Poland	Jun 2028	64.0	8.8%	-
FCL	Romania	Jun 2028	7.9	1.1%	-
Sub Total			551.4	75.6%	381.9
FOP	Poland	Oct 2025	75.3	10.3%	73.9
RPT/E&S	Poland	Aug 2020	5.4	0.7%	**
Wholly owned	Poland & Romania	n/a	97.6	13.4%	98.0
Sub Total			£178.3m	24.4%	171.9
Total			£729.7m	100%	553.8

*Not subject to recent valuation

**With effect from 1 August 2018 the joint venture between RPT/E&S was consolidated into the accounts of the Group

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 2018	389.9	64.5	454.4	68	171.3	10	625.7	78
Purchases	31.8	-	31.8	2	-	-	31.8	2
New funds mandates	-	72.1	72.1	5	-	-	72.1	5
Property sales	-	(4.3)	(4.3)	(4)	-	-	(4.3)	(4)
Transfer to Group Properties	-	(5.4)	(5.4)	(4)	5.4	4	-	-
Capital Expenditure	-	-	-	-	0.6	-	0.6	-
Property depreciation	-	-	-	-	(1.2)	-	(1.2)	-
Property revaluation	1.4	0.4	1.8	-	(0.3)	-	1.5	-
FX revaluation	-	1.0	1.0	-	2.5	-	3.5	-
As at 30 Sep 2018	423.1	128.3	551.4	67	178.3	14	729.7	81

14 wholly owned / consolidated properties

Property	No. of properties	Book value	Market value	Contribution to Group profit before tax period to 30 Sept 2018*	Contribution to Group profit before tax period to 30 Sept 2017*
Poland	3	£78.9m	£92.3m	£1.96m	£3.46m
Romania	2	£4.2m	£5.3m	£0.08m	£0.46m
FOP (Poland)	5	£63.9m	£75.3m	£2.19m	£1.90m
RPT/E&S (Poland)	4	£5.4m	£5.4m	£0.01m	-
Total	14	£152.4	£178.3m	£4.24m	£5.82m

*Prior to the deduction of unallocated central overheads.

Non-controlling interests in funds managed by FPAM

Fund	% owned by First Property Group	Book value of First Property's share in fund (£'000.)	Current market value of holdings (£'000.)	Group's share of pre-tax profits/(losses) earned by fund 30 Sept 2018 (£'000.)	Group's share of pre-tax profits earned by fund 30 Sept 2017 (£'000.)
Interests in Associates:					
5 th Property Trading (5PT)	37.8%	£884	£988	£25	£56
RPT / E&S	-	-	-	(£9)*	£27
Fprop Romanian Supermarkets (FRS)	24.1%	£393	£393	£275	£482
Fprop Galeria Corso Ltd (FGC)	28.2%	£2,040	£2,365	£168	£134
Fprop Krakow Ltd (FKR)	18.1%	£1,279	£1,765	£85	£41
Fprop Phoenix Ltd (FPL)	23.4%	£939	£10,556	(£59)	-
Fprop Cluj Ltd (FCL)	17.4%	£458	£462	(£2)	-
Sub Total		£5,993	£16,529	£483	£740
Investments:					
UK Pension Property Portfolio (UK PPP)	0.9%	£887	£887	£29	£33
Fprop UK Special Opportunities	4.8%	£773	£773	£20	-
Fprop Offices	1.6%	£1,883	£1,883	108	-
Sub total		£3,543	£3,543	£157	£33
Total		£9,536	£20,072	£640	£773

* Representing the Group's share of the loss from its associate share in RPT/E&S prior to its consolidation into the Group's accounts on 1 August 2018.

LSE (AIM) Symbol	FPO.L	
Share price	50p	
Market Cap	£55 million	
Dividend	FY 2019	FY 2018
Interim	0.44p	0.42p
Final	-	1.18p
Total for year	-	1.60p
EPS (undiluted)	1.73p	2.90p
EPS (diluted)	1.69p	2.84p

	HY 2018	HY 2017
Issued & Fully Paid	116,601,115	116,601,115
Issued (excl Treasury)	111,253,003	116,004,464
Shares held in Treasury	5,348,112	596,651
Outstanding share options over Ordinary shares	2,700,000	2,700,000
Average strike price of outstanding share options	14.65p	14.65p

	No of shares	% held (of issued and fully paid)
Ben Habib (Chief Executive Officer)	16,850,000	15.1%
New Pistoia Income Ltd	15,582,500	14.0%
J C Kottler Esq	9,664,283	8.7%
Alasdair Locke (Non-Executive Chairman)	8,571,990	7.7%
Quaero Capital	4,775,000	4.3%
Total	55,443,773	49.8%

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 chairman of Scottish American Investment Company plc and Bell Potter (UK) Limited and a director of JPMorgan Asian Investment Trust plc. He is a former non-executive director of Gresham House plc, MBNA Europe and former non-executive chairman of Arden Partners plc.

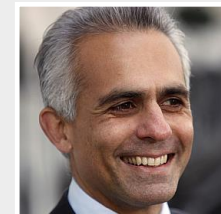


Group Chief Executive & FPAM Chief Investment Officer — Ben Habib, MA (Cantab)

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.



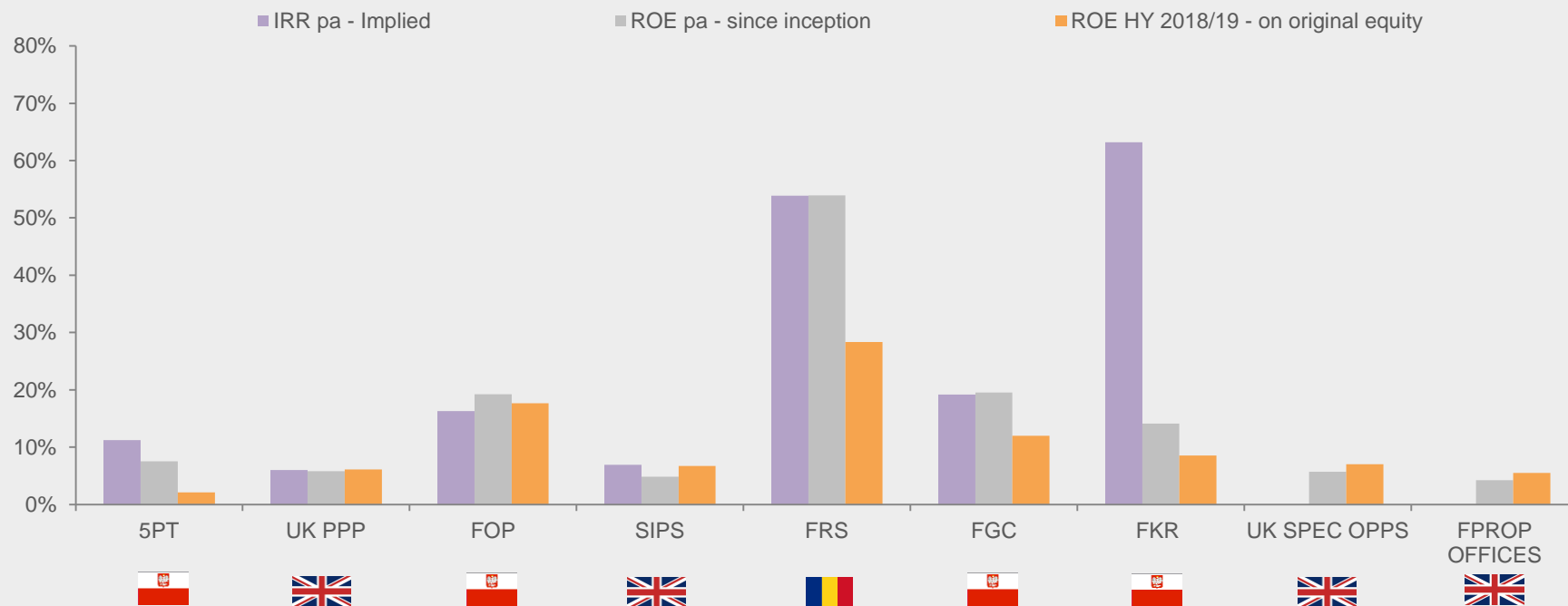
Group Chief Financial Officer & Company Secretary — George Digby, BA (Hons), ACA

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 over 50 separate Group and underlying fund companies, incorporated both in the UK and Europe.







- Implied IRR's: assumed sale price = NAVs as at 30-Sep-2018;
- ROE's since inception: calculated using average pre-tax income per FY / original equity employed;
- ROE's for 2018/19 HY: calculated using annualised pre-tax income for FY period / by original equity employed;
- FPL and FCL not yet included as too early in each fund's life.

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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