



Preliminary Results

for the financial year ended 31 March 2018

First Property Group plc

8 June 2018



IPD® Measured Fund



FPAM funds rank No.1 versus MSCI's Central & Eastern European (CEE) Benchmark for the twelve 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 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 26% 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.

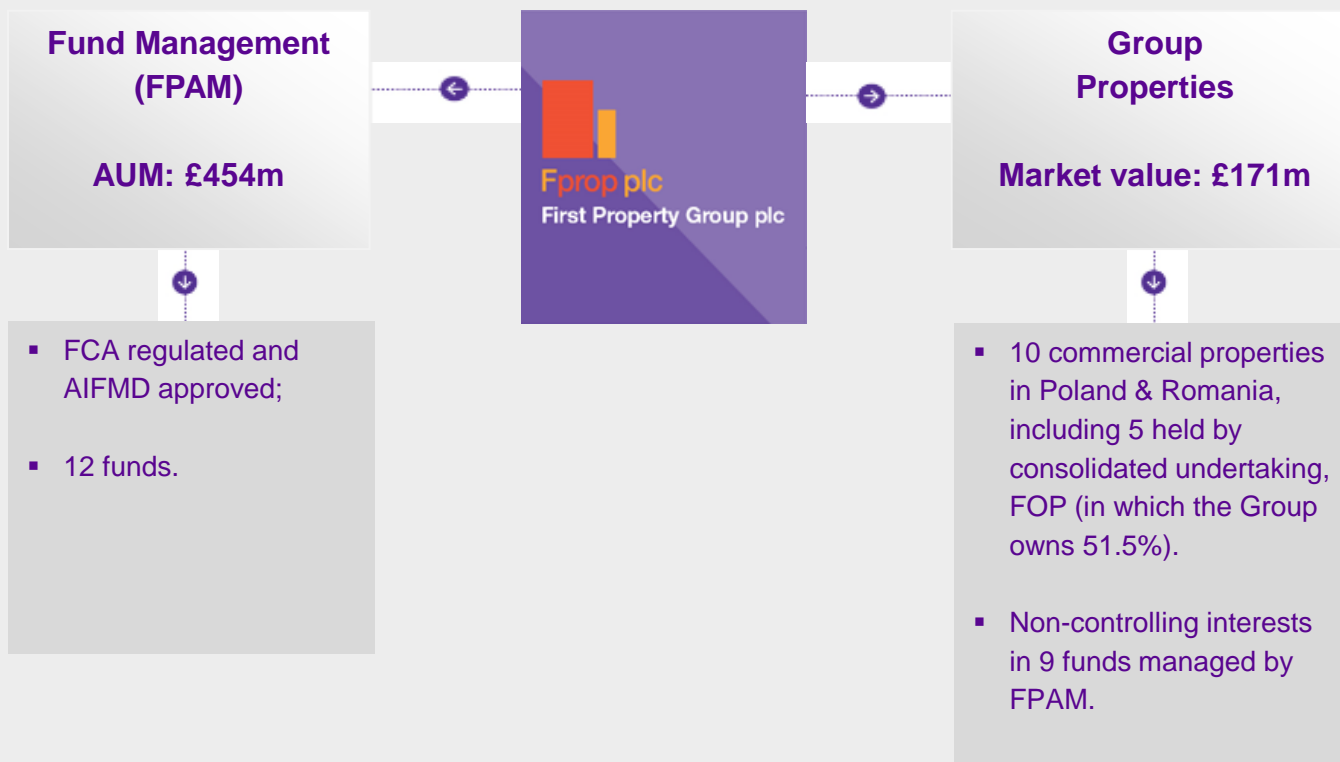
➤ **Sustainable income is a priority:**

- 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;
 - Recommenced 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.

The Company operates via two divisions:



Preliminary Results - Highlights

Preliminary Results

Financial Performance Summary

	Unaudited year to 31 March 2018	Audited to 31 March 2017	Percentage change
Income Statement:			
Statutory profit before tax	£9.23m	£9.14m	+1.0%
Diluted earnings per share	5.70p	6.61p	-13.8%
Total dividend per share	1.60p	1.55p	+3.2%
Average £/€ rate used	0.881	0.841	+4.8%

Balance Sheet at year end:			
Net assets per share	40.29p	34.84p	+15.6%
Adjusted net assets per share (EPRA basis)	53.07p	47.64p	+11.4%
Cash Balances	£15.32m	£15.95m	-3.9%
Year end £/€ rate	0.877	0.855	+2.6%

	Unaudited year to 31 March 2018	Audited year to 31 March 2017	Percentage change
Group Direct Property Portfolio at year end:			
Book value	£147.80m	£143.52m	+3.0%
Market value	£171.34m	£164.48m	+4.2%
Gross debt (non-recourse to Group)	£117.62m	£117.54m	-%
LTV%	68.65%	71.46%	-3.9%
Total Assets Under Management:	£626m	£477m	+31.2%
United Kingdom	62.3%	51.4%	
Poland	35.8%	45.4%	
Romania	1.9%	3.2%	

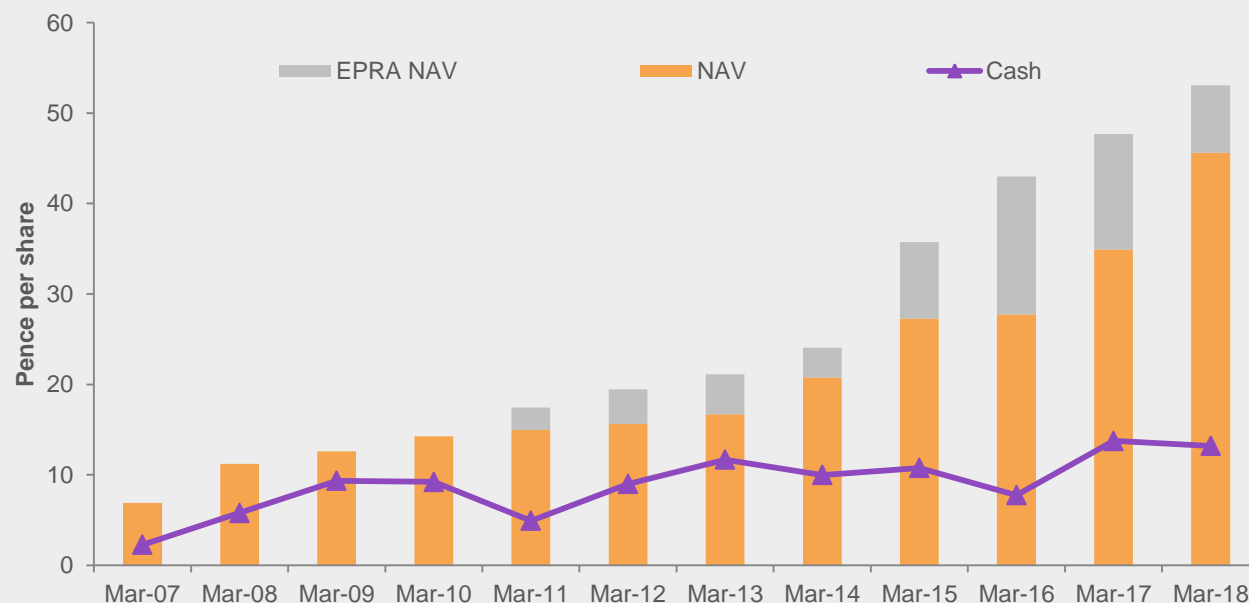
NB. Group Properties excludes the Group's non-controlling interests in nine other FPAM managed funds

Financial Highlights:

- Group's profit before tax of £9.23 million (2017: £9.14 million);
- Total assets under management up 31% to £626 million (2017: £477 million);
- Third party assets under management up 45% to £454 million (2017: £313 million);
- Adjusted NAV per share increased by 11% to 53.07 pence (2017: 47.64 pence);
- Final dividend increased by 2.6% to 1.18 pence per share (2017: 1.15 pence per share).

Operational Highlights:

- Investment performance ranked No.1 versus MSCI's Central & Eastern Europe (CEE) Benchmark over the twelve years to 31 December 2017.

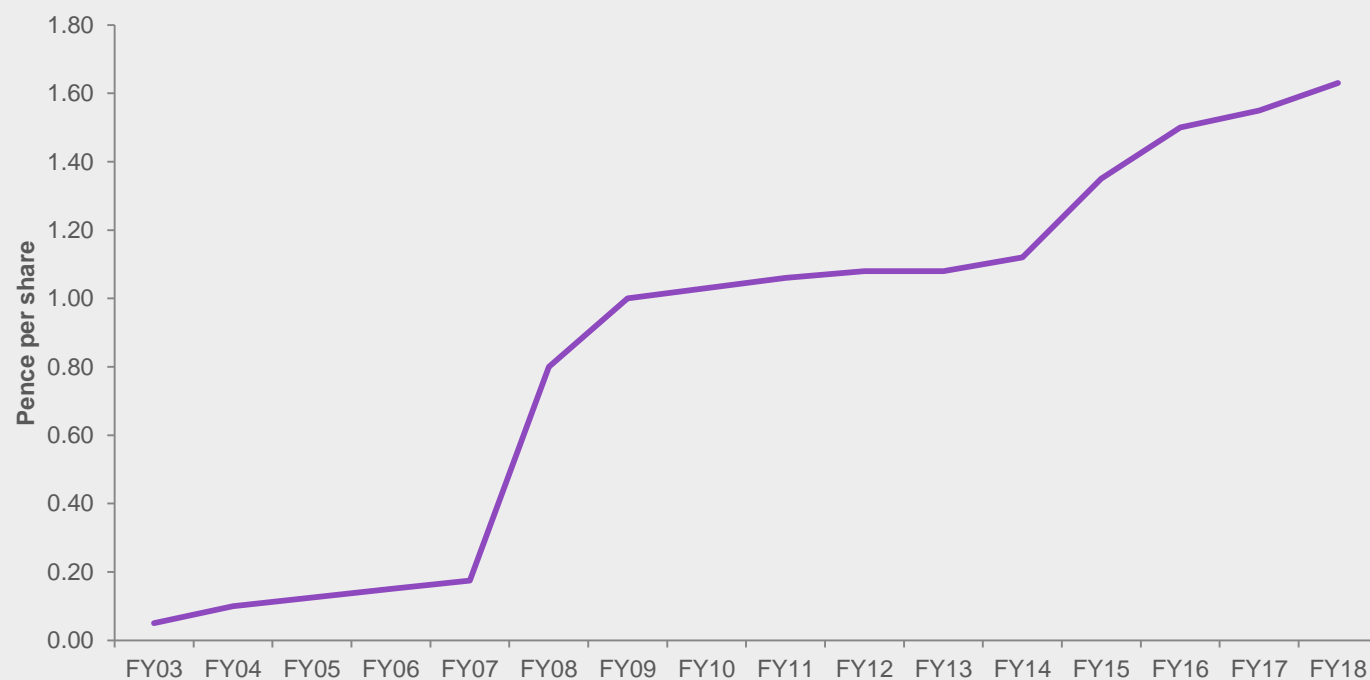


Adjusted NAV calculated as per European Public Real Estate Association (EPRA) methodology, which includes fair values of: financial instruments; debt; deferred taxes.

- Adjusted NAV: 53.07p;
- The annualised growth in adjusted net assets together with dividends paid to shareholders over the last five years equates to 25.3% per annum (2017: 24.7% per annum)

External valuers:

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



Proposed Final dividend:

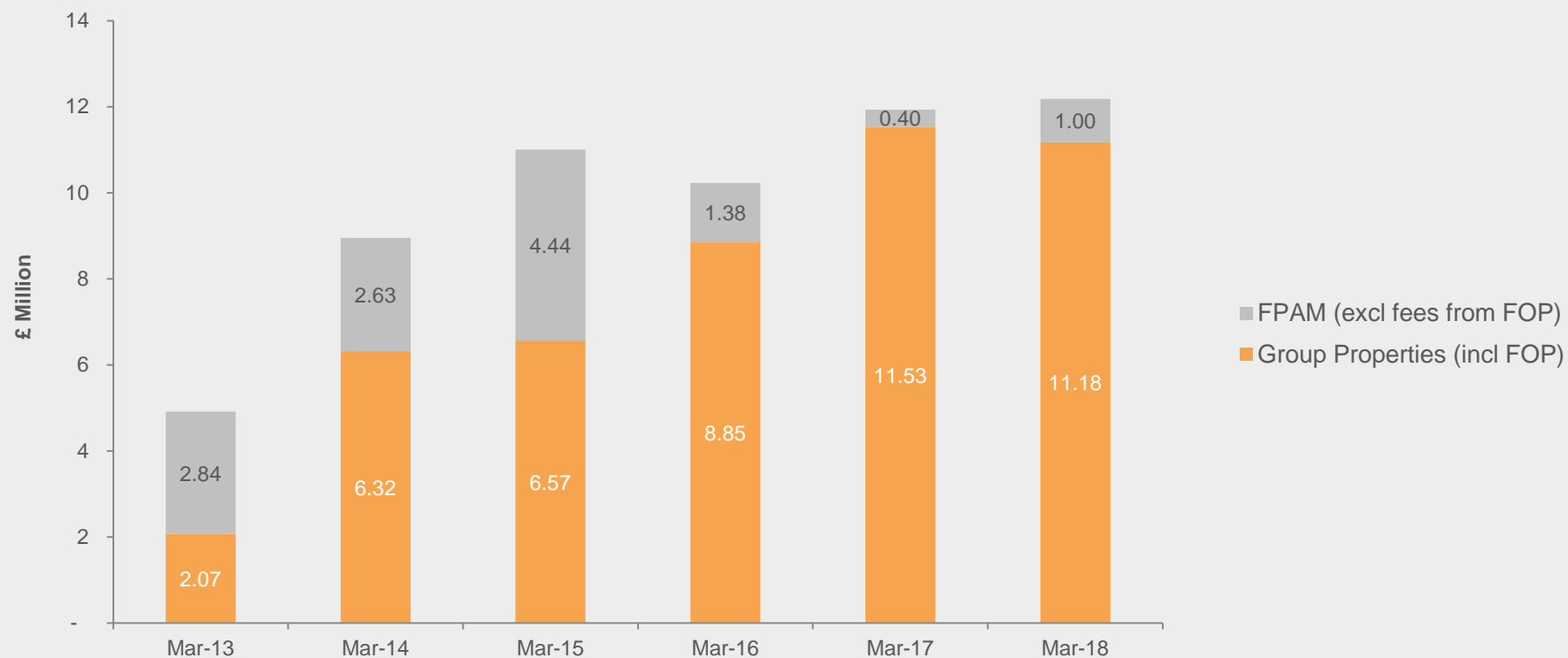
1.18p (2017: 1.15p)
+2.6%

Ex div date: 23 Aug
Record date: 24 Aug
Payment date: 28 Sep

Total dividend for year to Mar-2018:

1.60p (2017: 1.55p)
+3.2%

Segmental Analysis

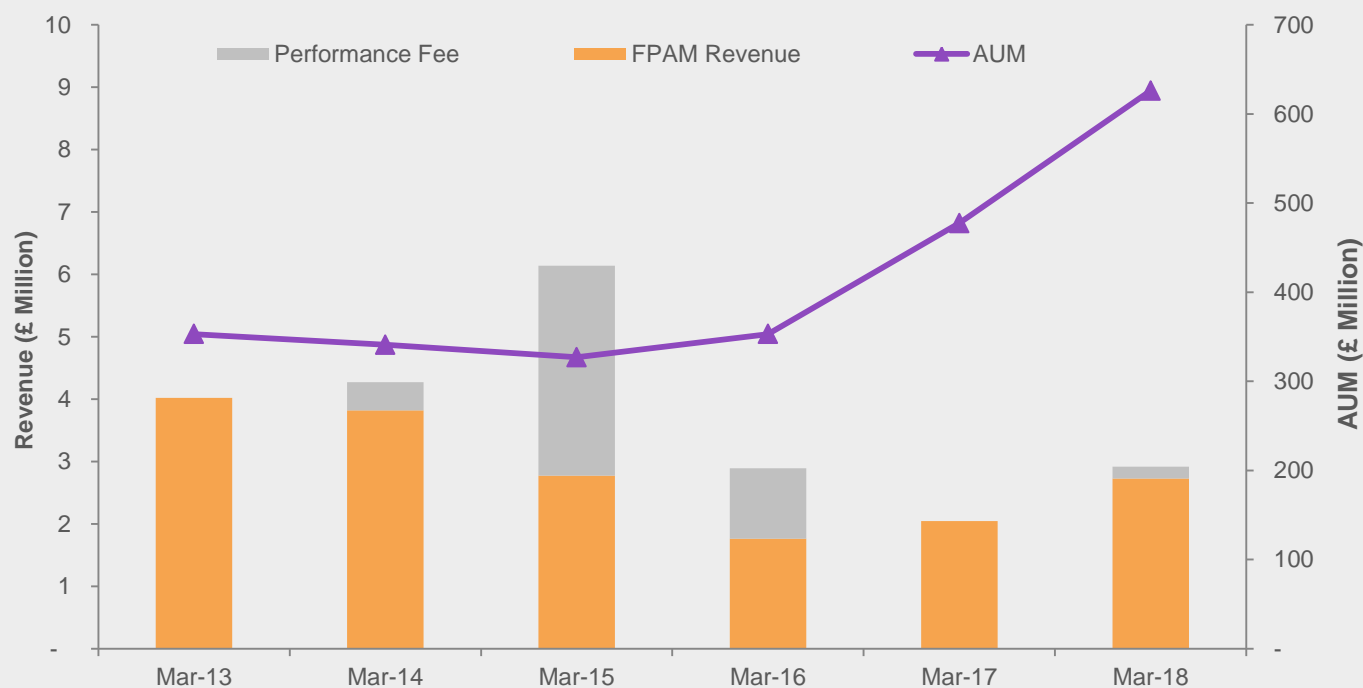


Fund Management

- £1,004,000 to PBT* (2017: £404,000)
- 8.2% of PBT* (2017: 3.4%)

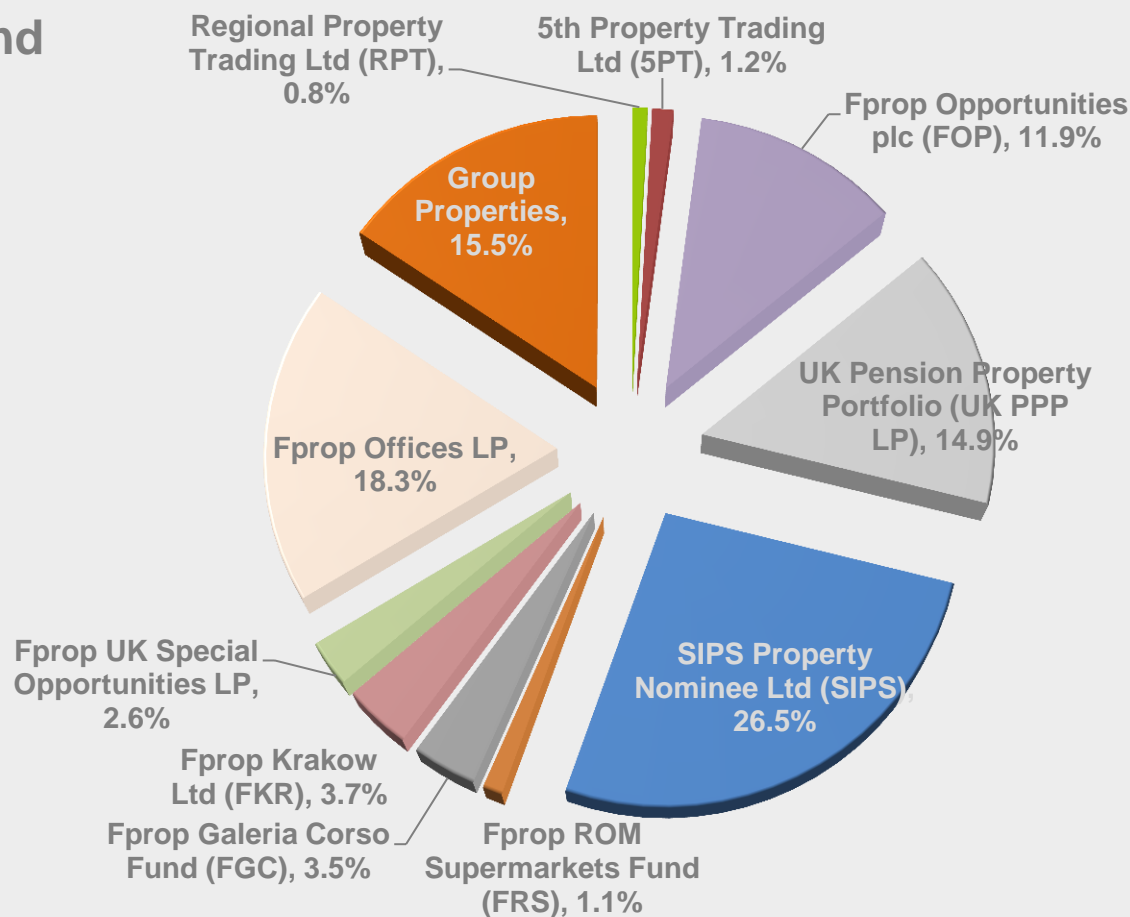
* = prior to deduction of unallocated central overheads.

- Third party AUM: £454m;
- Twelve funds invested across UK, Poland & Romania;
- Annualised fee income of £2.60 million (2017: £2.45 million). In-built growth from continued investment;
- Excellent investment track record;
- FCA regulated and AIFMD approved.

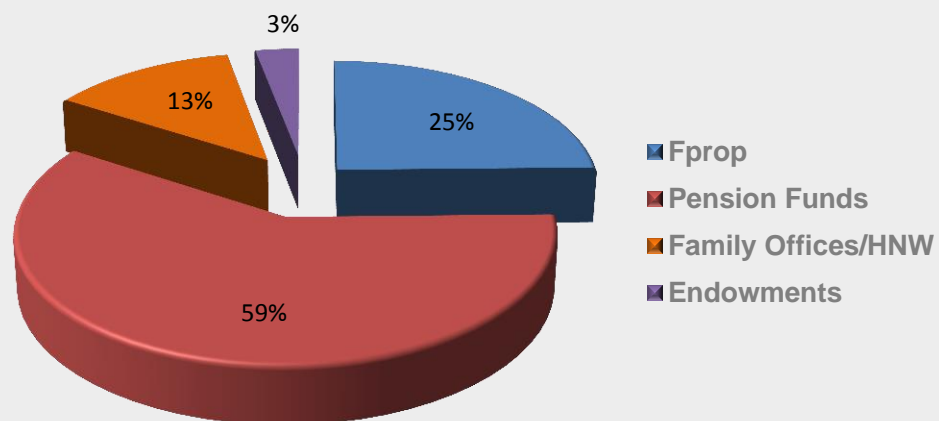


- **AUM** set to continue to rise;
- Underlying annualised fee income (excl perf fees) = £2.60m (2017: £2.45m).

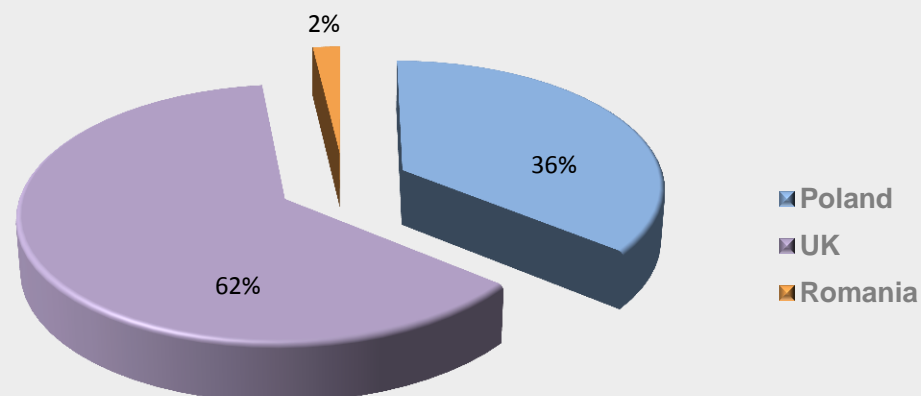
By Fund



By Investor Category



By Geography



Group Properties

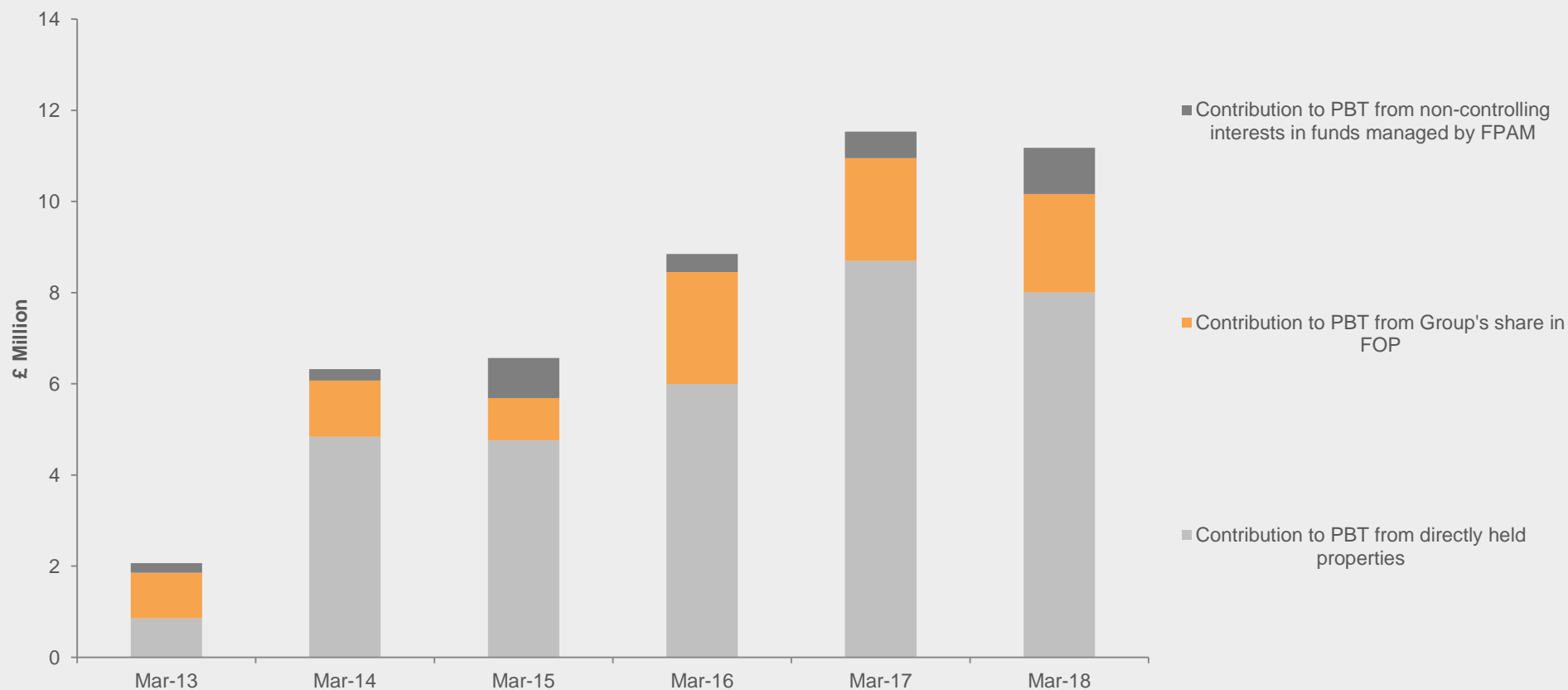
➤ **£11.18m to PBT***
(2017: £11.53m)

➤ **91.8% of PBT***
(2017: 96.6%)

* = prior to deduction of unallocated central overheads.

- 10 commercial properties in Poland & Romania, including 5 held by FOP :
 - Book value £147.8m gross / £30.2m net equity
 - Market value £171.3m gross / £53.7m net equity
- Non-controlling interests in 9 of the 12 funds managed by FPAM:
 - Book value £9.2m
 - Market value £10.3m
- Combined (10 directly held properties + 9 non-controlling interests):
 - Total book value = £157.0m
 - Total market value = £181.6m

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



Segmental Analysis

Group Properties Cash flows from the properties owned directly by the Group & FOP

	Year to 31 March 2018 €m.	Year to 31 March 2017 €m.
Net operating income (NOI)	18.77	19.47
Interest expense on bank loans / finance leases	(3.15)	(3.42)
NOI after interest expense	15.62	16.05
Current tax	(1.40)	(1.40)
Debt amortisation	(7.84)	(7.20)
Capital expenditure	(2.83)	(2.47)
Free cash	3.55	4.98
Market value of properties	195.43	192.29
Average yield on market value	9.60%	10.13%
Bank loans / finance leases outstanding	134.16	137.41
Loan to value (LTV)	68.65%	71.46%
Weighted average unexpired lease term (WAULT)	3yrs 9mths	3yrs 7mths
Vacancy rate	13.77%	2.18%

- Properties held in separate non-cross collateralised SPV's which are non-recourse to the Group;
- Interest rates:
 - Current weighted average borrowing cost = c2.34% (2017: 2.35%) per annum;
 - A 1% increase in the rate payable would increase the annual interest rate bill by £610,000 per annum (2017: £825,000);
 - Group exposure to interest rate rises mitigated by selective use of interest rate caps and fixes. At period-end 49% was fixed.
- Valuation:
 - Yield vs market value = c9.6%
 - Yield vs book value = c11.2%

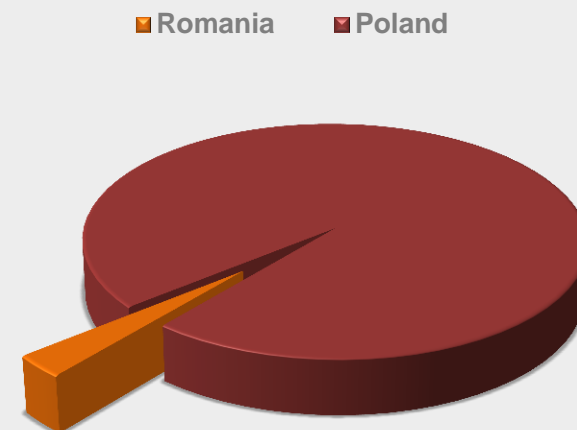
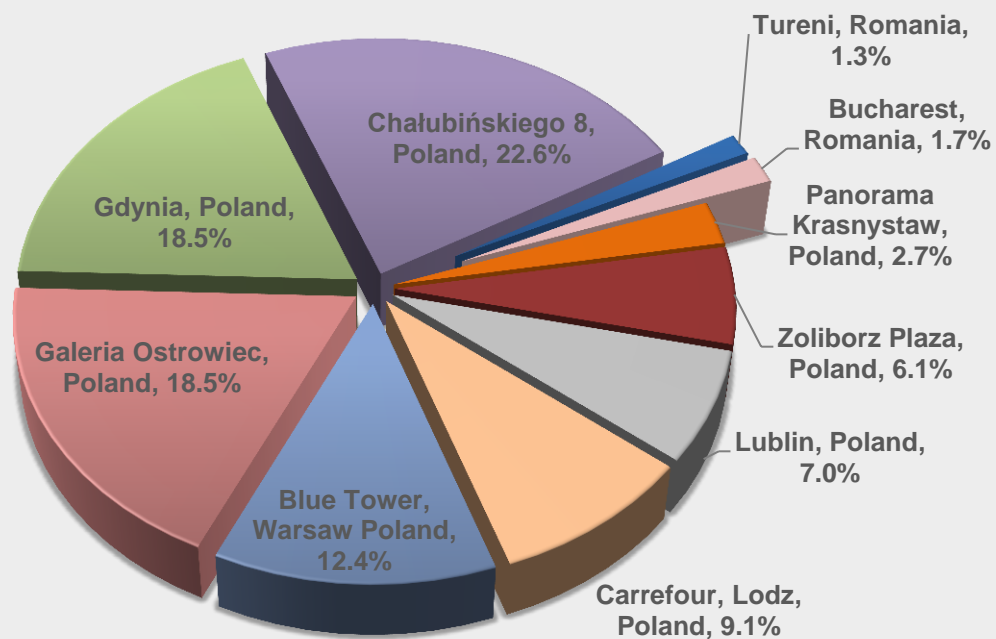
- The year on year reduction in net operating income, by €700,000 (or 3.6%), was caused by the sale of a warehouse in Ploesti, Romania and the lease expiry of a warehouse in Tureni, Romania. Around 40% of the vacant space at Tureni has been re-let.
- In February 2018 we obtained vacant possession of 10,000 m² in Chalubinskiego 8, Warsaw (previously known as Oxford Tower) following the expiry of a lease which previously generated some €3.00 million of income per annum. We have already re-let some 26% of this newly vacant space which, together with existing occupied space re-let, will generate some €1.21 million per annum, though this will not be payable until we have re-fitted out the space. As a result of this vacancy we expect the Group's earnings from this property to reduce in the year to 31 March 2019. There is also other tenant demand for the remaining space.

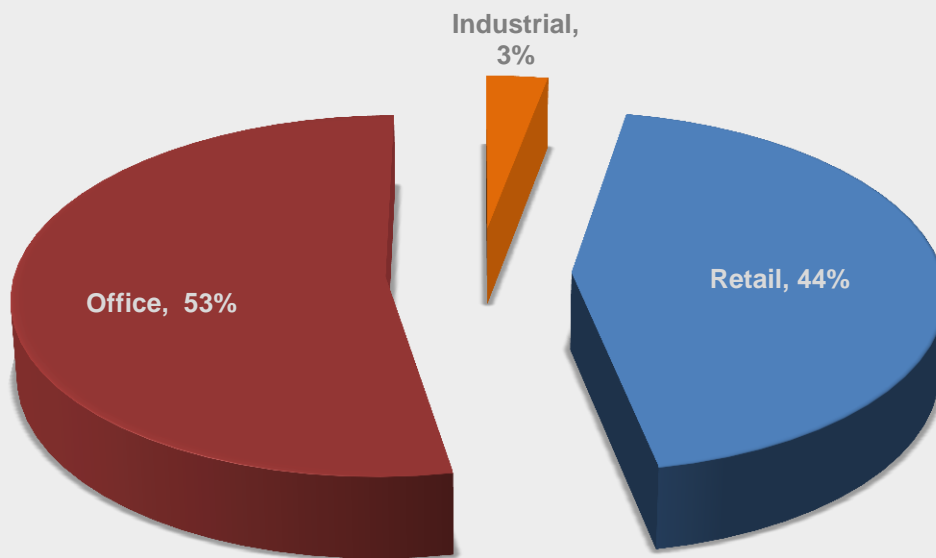
	Tenant	Sector	%
1	Asseco S.A.	Technology	29
2	First Property Poland Sp. z o.o.	Financial Services	10
3	Carrefour	Food Retail	8
4	Skanska S.A.	Construction	6
5	Tesco (Polska) sp z o.o.	Food Retail	4
6	Mazowiecki Oddział Wojewódzkiego Narodowego Funduszu Zdrowia	Insurance	3
7	Bank Zachodni WBK SA	Bank	2
8	Miasto Stołeczne Warszawa	Government Agency	2
9	HRK	HR	2
10	LPP	Fashion	1
% of rental income attributable to top 10 tenants			67%

- Weighted Average Unexpired Lease Term (WAULT) = 3 yrs 9mths, (2017: 3yrs 7mths);
- Occupancy ratio = 85.91%

Segmental Analysis

Group Properties Breakdown of Assets by Geography





Markets

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

- 2018: >3.8% (F);
- 2019: 3.1% (F);
- Inflation: c2.5% per annum;
- Government debt remains low by international standards at c54% of GDP.



➤ **Commercial Property:**

- GDP growth in Poland, which is forecast at 3.8% in 2018 and 3.1% in 2019, continues to exceed that of most other EU member states, as it has done since its entry into the EU.
- Investor demand for commercial property remains robust. Investment volumes in 2017 exceeded €5 billion, the highest since 2006. The yield for prime offices and retail properties is sub 6% per annum but the yields available on good secondary property, of the sort we favour, remain attractive at around 7.5% plus per annum.
- We continue to see opportunity in Poland's commercial property market despite the rhetoric of its populist government.

➤ **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: >4.5% (F)
- 2019: >4.0% (F)



➤ **Commercial Property:**

- Investor demand for commercial property is increasing but remains low. Transaction volumes in 2017 amounted to some €1 billion (2016: €0.9 billion), of which c40% was invested in Bucharest.
- In the secondary market a mismatch persists in pricing expectations between buyers and sellers, mainly due to the higher debt finance costs and amortisation rates prevalent in Romania. This has made making new investment a challenging task.

➤ **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: c1.2% (F)
- 2019: c1.6% (F)



➤ **Commercial Property:**

- Commercial property transactions in 2017 exceeded £65 billion, up 25% from £52 billion in 2016; the office sector accounted for 37% (£24 billion) of all investment whilst retail volumes declined to £11.5 billion and are forecast to remain under pressure this year. Retail warehouse volumes were virtually unchanged in 2017 at £2.8 billion, reflecting ongoing appetite for relatively stable long income, coupled with vacancy rates falling to their lowest level since 2007.
- Our favoured sector remains offices where the supply of older (and cheaper to rent) stock is diminishing. This, coupled with a growing economy, is leading to rental growth. We also favour 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: 26% p.a. growth in net assets plus dividends 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 - should rise to £750 million on current commitments;
- 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-2017	% of total AUM
SAM & DHOW	UK	Rolling	*	*
RPT & EAS	Poland	Aug 2020	5.31	0.85%
5PT	Poland	Dec 2022	7.63	1.22%
UKPPP	UK	Feb 2022	93.53	14.95%
PDR	UK	May 2018	-	-
SIPS	UK	Jan 2025	165.74	26.49%
FRS	Romania	Jan 2026	6.69	1.07%
FGC	Poland	Mar 2026	21.84	3.49%
SPEC OPPTS	UK	Jan 2027	16.28	2.60%
FKR	Poland	Mar 2027	22.99	3.67%
OFFICES	UK	Jun 2024	114.35	18.28%
Sub Total			454.36	72.62%
FOP	Poland	Oct-2025	74.46	11.90%
Group Properties	Poland & Romania	n/a	96.88	15.48%
Sub Total			£171.34m	27.38%
Total			£625.7m	100%

*Not subject to recent valuation

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-2017	245.3	67.7	313.0	63	164.5	10	477.5	73
Purchases		-						
- Existing funds	34.0	-	34.0	5	-	-	34.0	5
- New funds	114.4	-	114.4	4	-	-	114.4	4
Sales	(11.4)	-3.7	(15.1)	(4)	-	-	(15.1)	()
Capital Expenditure	0.2	-	0.2	-	2.6	-	2.8	-
Property Depreciation	-	-	-	-	(2.3)	-	(2.3)	-
Property Revaluation	7.4	(1.3)	6.1	-	4.5	-	10.6	-
FX Revaluation	-	1.8	1.8	-	2.0	-	3.8	-
As at 31 Mar-2018	389.9	64.5	454.4	68	171.3	10	625.7	78

Property	No. of properties	Book value	Market value	Contribution to Group profit before tax – year to 31 Mar-2018	Contribution to Group profit before tax - year to 31 March 2017
Poland	3	£79.9m	£91.7m	£6.9m	£6.0m
Romania	2	£4.2m	£5.1m	£0.6m	£0.9m
FOP (Poland)	5	£63.7m	£74.5m	£3.4m	£3.4m
Total	10	£147.8m	£171.3m	£10.9m	£10.3m

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 pre-tax profits/(losses) earned by fund 31 March 2018	Group's share of pre-tax profits earned by fund 31 March 2017
Interests in associates:					
5 th Property Trading (5PT)	37.8%	£721,000	£824,000	£113,000	£129,000
Regional Property Trading (RPT)	28.6%	£105,000	£105,000	£(87,000)	£45,000
E and S Estates (EAS)	27.0%	£116,000	£116,000	£(6,000)	-
Fprop Romanian Supermarkets (FRS)	24.1%	£624,000	£782,000	£539,000	£125,000
Fprop Galeria Corso Ltd (FGC)	28.2%	£1,920,000	£2,214,000	£270,000	£220,000
Fprop Krakow Ltd (FKR)	18.1%	£1,239,000	£1,695,000	£121,000	-
Sub Total		£4,725,000	£5,736,000	£950,000	£519,000
Investments:					
UK Pension Property Portfolio (UK PPP)	0.9%	£887,000	£887,000	£63,000	£60,000
Fprop PDR LP (PDR)	4.9%	£2,000	£2,000	-	-
Fprop UK Special Opportunities	4.0%	£768,000	£768,000	-	-
Fprop Offices	1.6%	£1,960,000	£1,960,000	-	-
KBP	-	£900,000	£900,000	-	-
Sub total		£4,517,000	£4,517,000	£63,000	£60,000
Total		£9,242,000	£10,253,000	£1,013,000	£579,000

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)	16,850,000	15.1%
New Pistoia Income Ltd	15,090,000	13.6%
J C Kottler Esq	9,664,283	8.7%
Alasdair Locke (Non-Executive Chairman)	8,571,990	7.7%
Total	50,176,273	45.1%

LSE (AIM) Symbol	FPO.L	
Share price	54p	
Market Cap	£60 million	
Dividend	FY2018	FY2017
Interim	0.42p	0.40p
Final	1.18p	1.15p
Total for year	1.60p	1.55p
EPS (undiluted)	5.82p	6.75p
EPS (diluted)	5.70p	6.61p

	FY 2018	FY 2017
Issued & Fully Paid	116,601,115	116,601,115
Issued (excl Treasury)	111,241,546	115,992,699
Shares held in Treasury	5,359,569	608,416
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.

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.

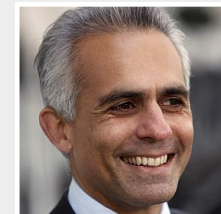


Group Chief Executive & FPAM Chief Investment Officer — Ben Habib, MA (Cantab)

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.

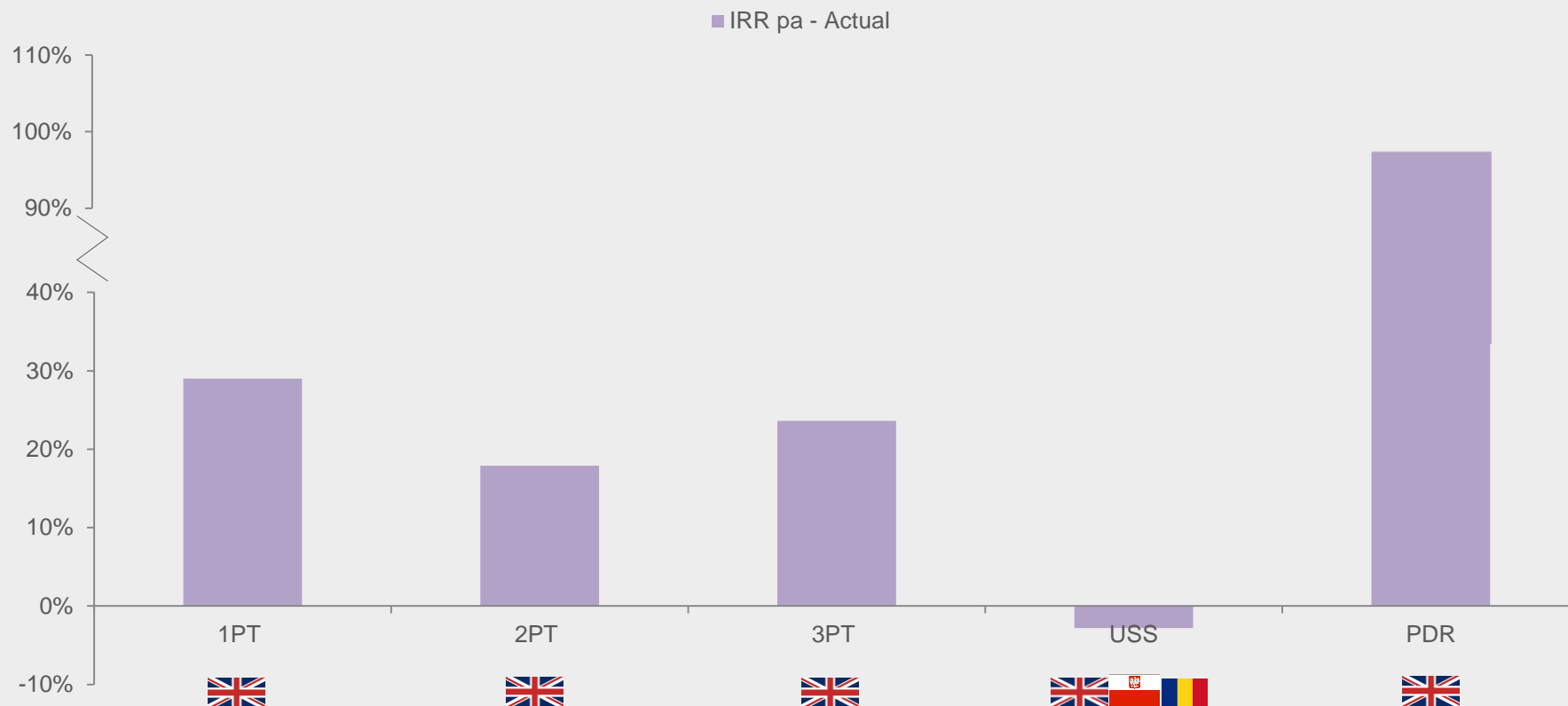


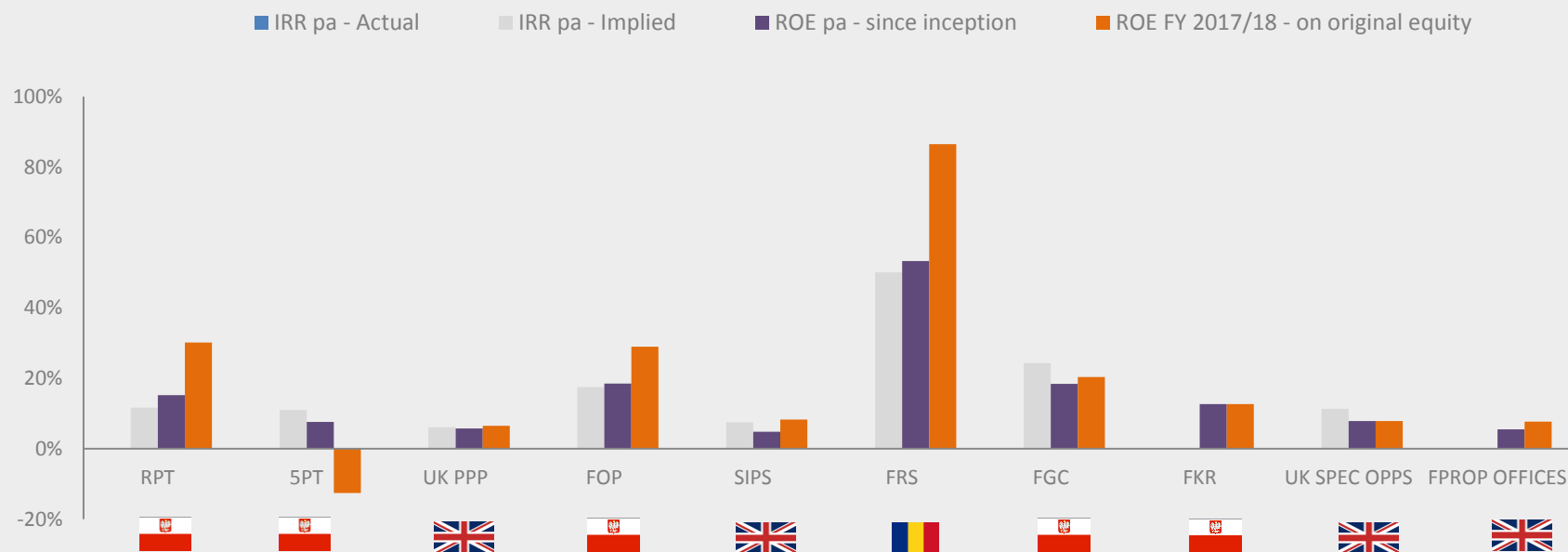
Group Chief Financial Officer & Company Secretary — George Digby, BA (Hons), ACA

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-2018;
- ROE's since inception: calculated using average pre-tax income per FY / original equity employed;
- ROE's for 2017/18 HY: calculated using annualised pre-tax income for FY period / by original equity employed.

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MSCI

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UK Property
Investment Awards
WINNER 2017

wealth finance 2016
alternative investment
awards



alternative
investment awards
two thousand & fifteen
winner

Shortlisted:



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