



Preliminary Results

5 June 2013

First Property Group plc



The performance of funds managed by First Property Group ranked No.1 vs IPD CEE universe over the three, four, five, six & seven years to 31 December 2008, 2009, 2010, 2011 & 2012

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First Property Group plc is a co-investing direct commercial property fund manager with operations in the United Kingdom and Central Europe.

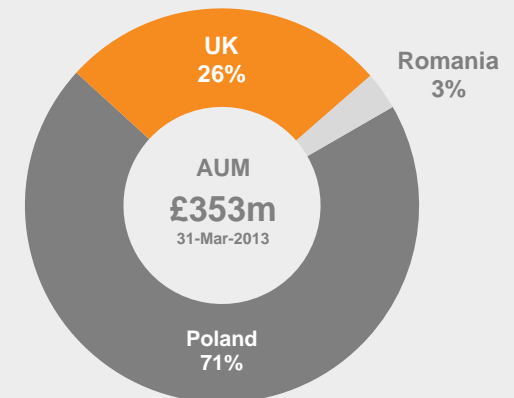
Its business model is to:

- Raise third party funds to invest in income producing commercial property;
- Co-invest in these funds and thereby earn a return on its own capital invested; and
- Earn fees for the management of these funds. Fees earned are a function of the value of assets under management as well as the performance of the funds.

At 31 March 2013 the Group had some £353 million of direct property assets under management, invested across six funds managed by its wholly owned subsidiary First Property Asset Management Ltd (FPAM).



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Highlights

- 5 Financial Highlights
- 6 Operational Highlights
- 7 Dividend

	Year to 31-Mar-2013 (Unaudited)	Year to 31-Mar-2012 (Audited)	Percentage change
Profit before tax	¹ £3.54m	² £3.97m	-10.8%
Diluted Earnings per share	2.18p	2.73p	-20.1%
Total Dividend	1.08p	1.08p	-
Profit before tax by segment:			
Profit before tax from property fund management (FPAM)	£2.84m	£3.07m	-7.5%
Profit before tax from total Group Properties (incl FOP)	£2.07m	£2.54m	-18.5%
Average €/£ used	1.226	1.161	-5.6%
Year- end €/£ used	1.183	1.200	+1.4%
Net Assets	£18.54m	£17.36m	+6.8%
Cash Balances	£12.98m	£9.98m	+30.1%
Assets Under management	£353m	£365m	-3.3%
Poland	71%	70%	
UK	26%	27%	
Romania	3%	3%	

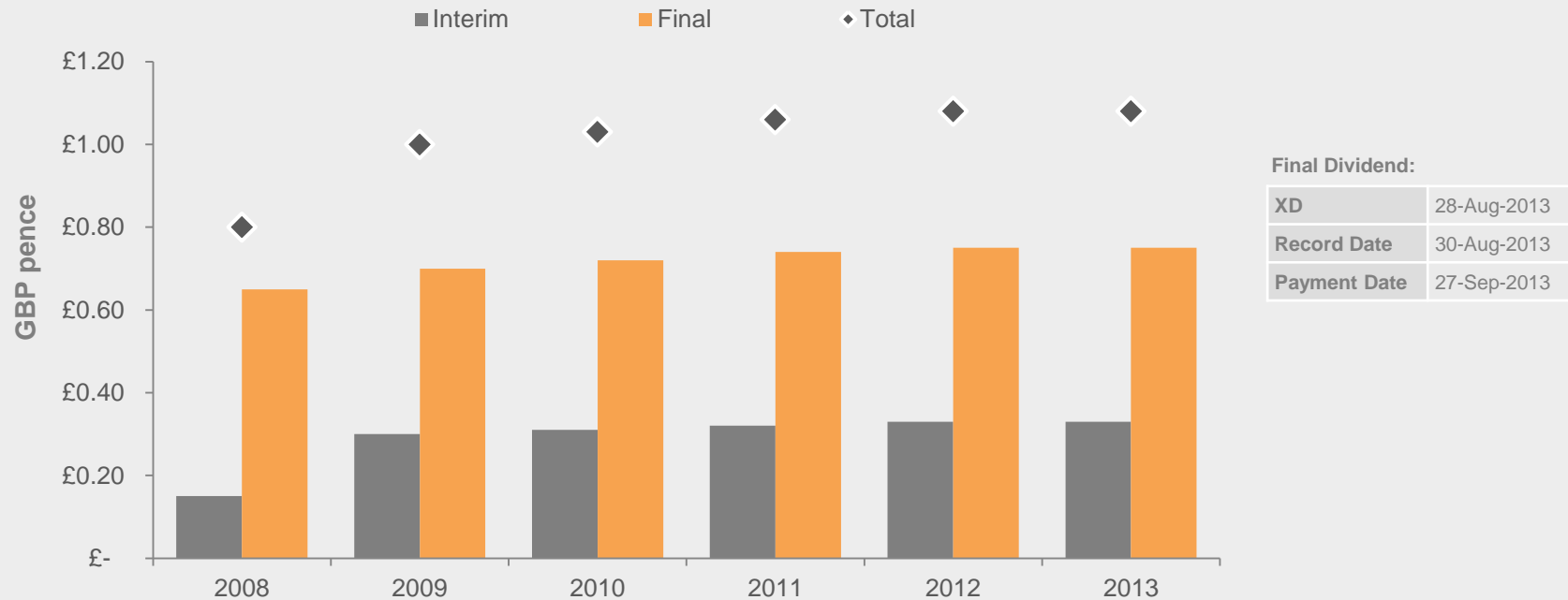
Notes:

1. Impact of foreign currency translation on profit before tax: £228,000 decrease.
2. Profit before tax in 2012 benefitted from a one-off foreign currency exchange gain of £213,000.

Operational Highlights:

- Assets under management reduced by 3.3%.
- One property acquired by funds: £4 million.
- No properties sold by funds.
- One property sold by Group: £2.3 million.
- Best performing versus Investment Property Databank (IPD) Central & Eastern European (CEE) universe for the 7 years to end 2012.

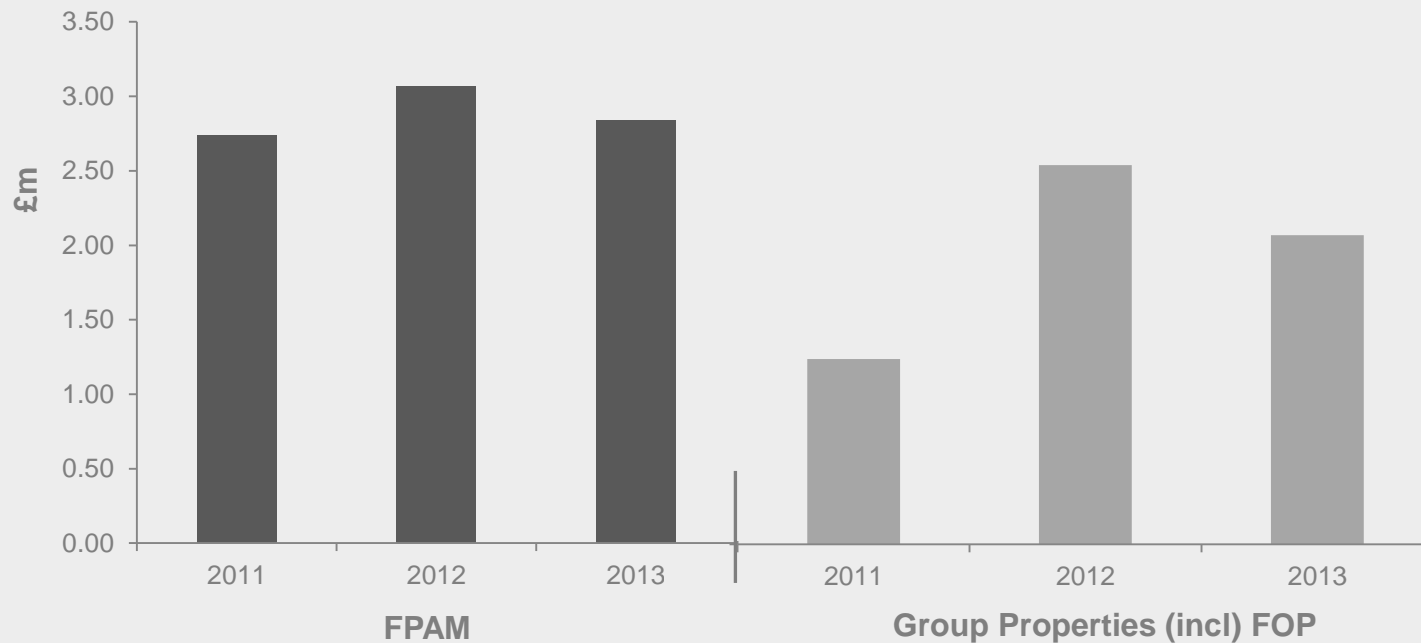
The Board recommends maintaining the Final Dividend at 0.75p
 Equates to a Total Dividend for the year of 1.08p (2012: 1.08p).



Segmental Analysis

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Profit before Tax by Segment (2011-2013)

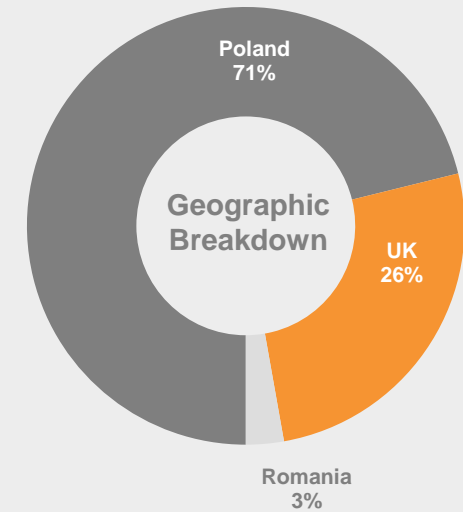
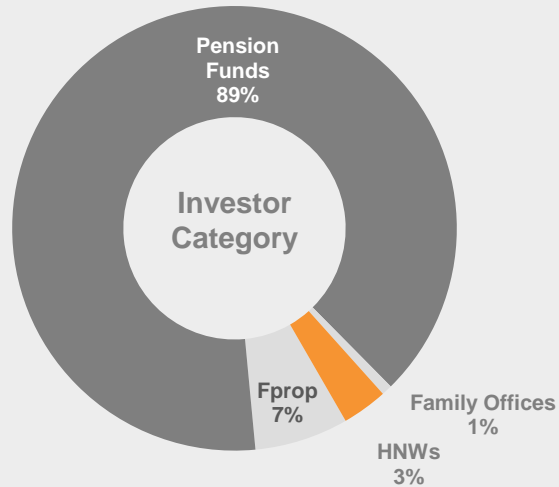
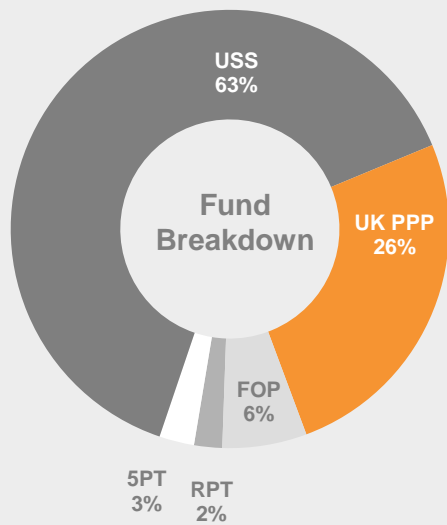


Assets under Management (AUM)

at 31 March 2013:

Fund	Established	Termination Date (unless extended)	AUM 31-Mar-2013	Geography
SAM Property Company Ltd (SAM)	Aug-2004	Rolling	Not subject to revaluation	UK
Regional Property Trading (RPT)	Aug-2004	Aug 2015	£7.3 million	Poland
5 th Property Trading (5PT)	Dec-2004	Dec 2014	£9.1 million	Poland
USS Fprop Managed Property Portfolio LP (USS)	Aug-2005	Aug 2015	£224.3 million	CEE & UK
UK Pension Property Portfolio LP (UK PPP)	Feb-2010	Feb 2017	£90.3 million	UK
Fprop Opportunities plc (FOP)	Oct-2010	Oct 2020	£22.0 million	Poland
Total			£353.0 million	

AUM Breakdown:
by Fund, Investor Category and Geography:



Group Properties

➤ Comprises:

1. 28% interest in office building, Blue Tower, located in Warsaw's CBD; and,
2. Co-investments in four of the six funds managed by FPAM (see table on following page).

➤ Blue Tower:

- Acquired Dec-2008 for £8.3m. Now valued at £12.9m.
- Contributed £962,000 over period equating to an ROE of 48% p.a.
- Intention to acquire a greater interest in the building should the opportunity arise.

Group Properties (cont.)

Co-investments in funds managed by FPAM as at 31 March 2013:

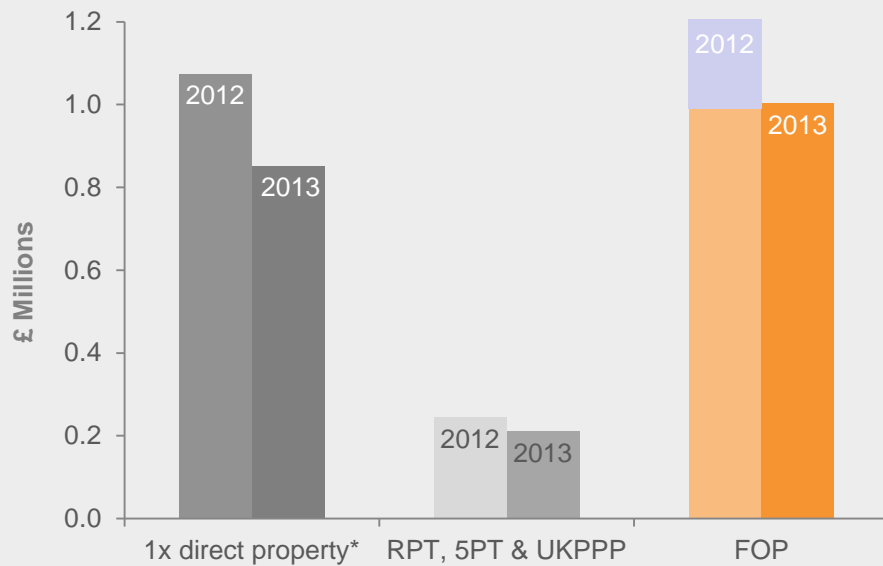
Fund	Group's shareholding	Book value of Group's Share	Market Value of Group's share	Group's share of Pre-tax Profit	Return on Equity Invested ³
Interest in associates:					
5 th Property Trading (5PT)	37.8%	£686,000	£1.2m	£104,000	8.5%
Regional Property Trading (RPT)	28.6%	£237,000	£273,000	£41,000	15.6%
Share of Results in Associates				£145,000	
Investments:					
UK Pension Property Portfolio (UK PPP)	0.9%	£856,000	£856,000	¹ £58,000	6.4%
Other Quoted Investment	n/a	£36,000	£36,000	n/a	n/a
Consolidated undertaking:					
Fprop Opportunities plc (FOP)	84.1%	£6.3m	£8.7m	² £840,000	12.1%
Total		£8.1m	£11.1m	£1.0m	

¹ Represents dividend received.

² After non-controlling interest.

³ Pre-tax income return divided by the amount of equity invested.

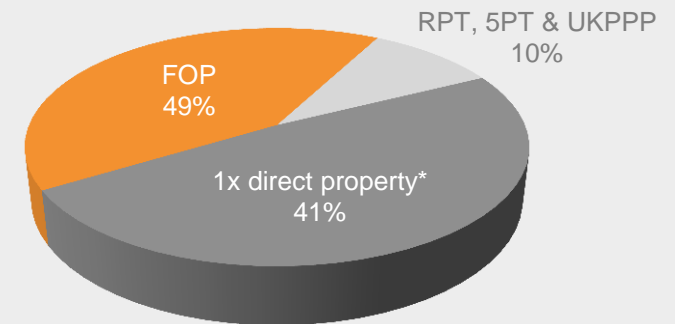
In monetary terms:

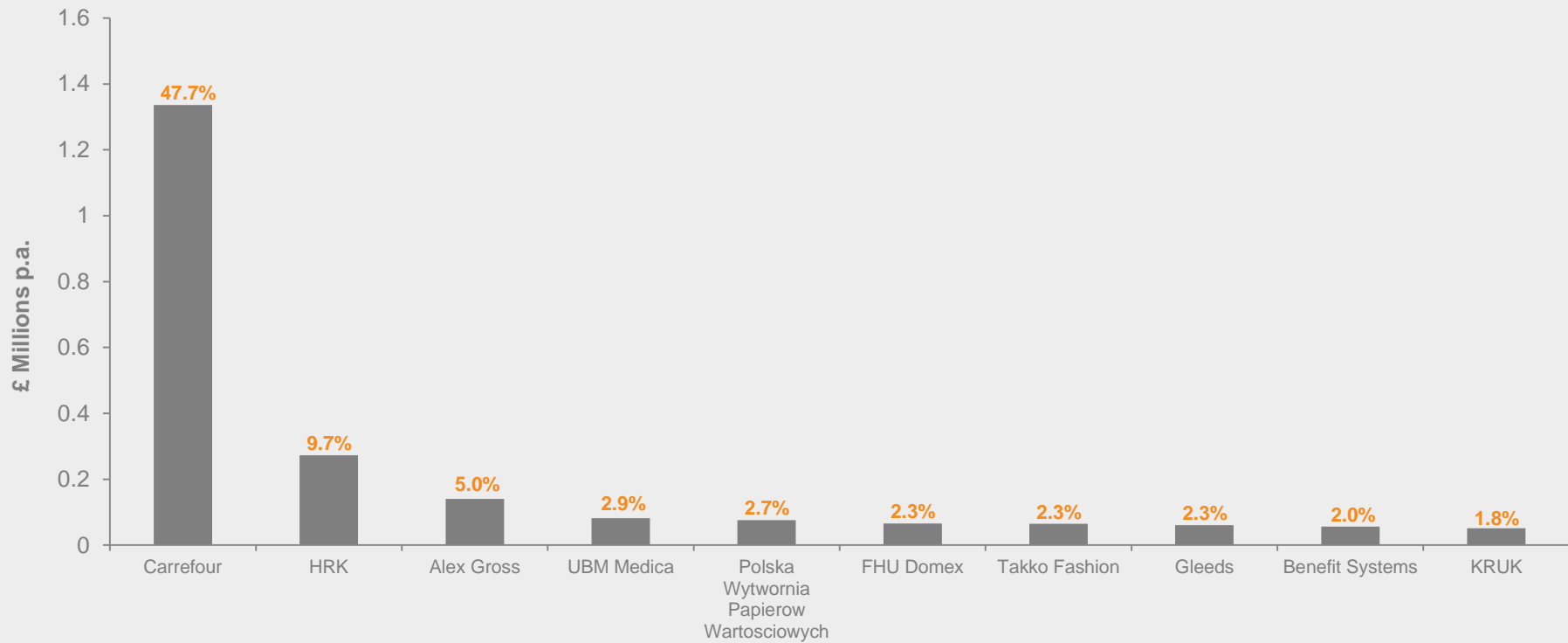


Lilac bar shows increase in PBT on FOP's 2012 earnings from a one-off FX gain of £213,000.

* Reduced to 1x direct property following sale on 7 Sep 2012 of office building in Mokotow (which contributed £207,000 to pre-tax profit during the period).

In percentage terms:





N.B: Where applicable rents converted to GBP at €1.1825/ £1.

The percentages show rental income as a percentage of the total rental income of the Group's one directly held property (Blue Tower) and properties in FOP (where the fund is majority owned by the Group and accounted for within Group Properties).

Outlook

- 17 Fund Raising
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The market for fund raising remains challenging.

Poland

- Raised additional £3.71 million for FOP since the year end. FOP now has some £8.5 million of cash.

UK

- We are seeking investors interested in our UK PPP investment strategy - which is returning an ROE of some 6.4% p.a. without the use of gearing.

Economy:

- GDP growth:
 - 2012: 2%.
 - Forecast to slow to circa 1.2% this year.
 - Forecast to increase in 2014.
- Polish interest rates to remain low – currently 3%.

Commercial Property Market:

- €2.6 billion turnover in Polish commercial property investment market in 2012.
- Bulk of turnover comprises large property transactions.
- Investors target prime investment property.
- Gap between prime and secondary property remains large.
- Increased lending appetite.

Economy::

- GDP growth in 2012: 0.2%.
- Signs of a pick up in the UK but very early days.
- Nature of economy remains recessionary.

Commercial Property Market:

- Turnover in the UK commercial property investment market in 2012 was £40.8 billion versus £37.8 billion in 2011. Of this, some £22.8 billion comprised investments in Central London.
- Gap between Central London and the rest of the UK remains large.
- Investors beginning to look outside London.
- Increased lending appetite.

We have some £12 million of cash which we intend to use to seed new funds and invest in high yielding properties

Poland

- USS contract expires in 2015. Will not be renewed.
- We are confident that the investment of the Group's cash balances will go a long way towards mitigating any reduction in fee income.

UK

- Seeking new investors to pursue same investment strategy as UK PPP.

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Appendix 1

- 23 Shareholders >3% at 31-Mar-2013
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	No of shares	% held (of issued and fully paid)
Ben Habib (Chief Executive Officer)	16,700,000	14.5%
J C Kottler Esq	15,006,783	13.1%
Universities Superannuation Scheme Limited	9,550,000	8.3%
Alasdair Locke (Non-Executive Chairman)	8,571,990	7.5%
Whitehall Associated S.A.	4,850,000	4.2%
<i>First Property Group Plc Treasury</i>	3,697,360	3.2%
Total	58,376,133	50.8%

LSE (AIM) Symbol	FPO.L	
Share price	19.0p	
Market Cap	£21.1 million	
Dividend yield	5.7% p.a.	1.08p (subject to shareholder approval)
PER (undiluted)	8.2x	EPS 2.31p (2012: 2.88p)
PER (diluted)	8.7x	EPS 2.18p (2012:2.73p)

	2013	2012	% change
Issued & Fully Paid	114,851,115	114,851,115	0%
Issued (excl Treasury)	111,153,755	111,098,580	+0.05%
Shares held in Treasury	3,697,360	3,752,535	-1.47%
Outstanding share options over Ordinary shares	7,500,000	7,500,000	0%
Average strike price of outstanding share options	15.72p	15.72p	0%

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

Alasdair is the former executive Chairman of Abbot Group plc, an oil services company which he founded in 1992. It was listed on the London Stock Exchange from 1995 until its sale in 2008 for £906 million to Turbo Alpha Ltd, a company controlled by a US private equity fund. He sold his remaining interest in the Group and stepped down altogether in 2009. His early career started in investment banking at Citigroup in 1974, where he specialised in shipping and oil. Alasdair is also Chairman of Argenta Holdings plc, an unlisted holding company which trades in Lloyds of London, and a Non-Executive Director of Ceramic Fuel Cells Limited (AIM / ASX: CFU).



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

Peter retired as Chief Investment Officer of Universities Superannuation Scheme (USS) in 2009 following a career steeped in the UK investment management industry. Aside from his 17 year tenure at USS, he was a member of the National Association of Pension Funds (NAPF) Investment Committee between 1990-1995, and more recently an adviser to Lincolnshire County Council and London Pension Authority. Earlier roles included investment management positions with British Airways Pensions, National Provident, Slater Walker and Central Board of Finance Church of England. Additional directorships include Scottish American Investment Company plc (Independent NED) and Arden Partners plc (Non-Executive Chairman).



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

Ben founded First Property Group plc in 2000. He is responsible for all aspects of the operations of Fprop and its fund management business. Prior to setting up Fprop, Ben was Managing Director of a private property development company, JKL Property Ltd, from 1994 - 2000, in which he held a 30% interest, prior to which he was Finance Director of PWS Holdings plc, a FTSE 350 Lloyd's reinsurance broker. He started his career in corporate finance in 1987 at Shearson Lehman Brothers. He was educated at Rugby School and Cambridge University.



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

George joined Fprop in 2003 and has overseen the rapid expansion of the fund management division during this period, including the development of the operation in Poland. Prior to Fprop, George spent 10 years as FD of Fired Earth plc until its MBO in 1998, during which period he oversaw its listing on the London Stock Exchange, a tripling of its turnover and a doubling of its pre-tax profits. He qualified with Price Waterhouse in 1981, followed by positions with Collins Publishers and Nikon UK Ltd. After Fired Earth he set up and ran a successful accounting consultancy for five years. George brings broad financial experience to the Group. He is a member of the Institute of Chartered Accountants in England and Wales.

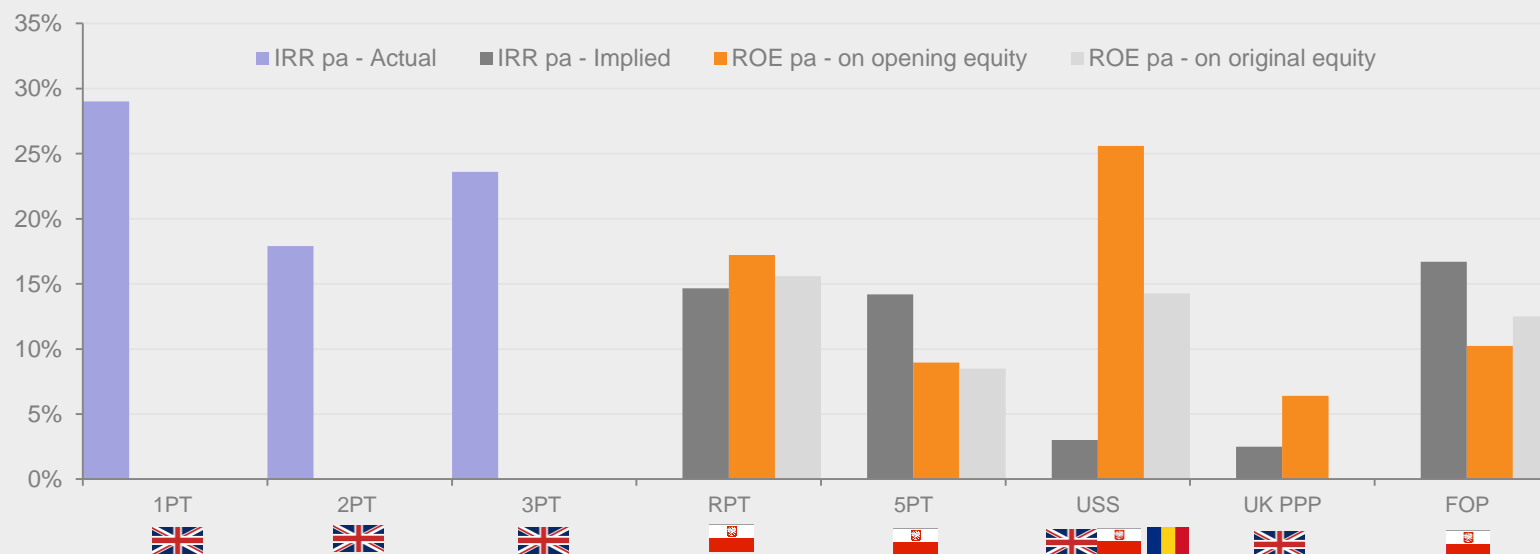


Appendix 2

27	FPAM Track Record
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Fund performance at 31 March 2013:

- FPAM's three historic funds (all of which were invested in UK commercial property) generated a weighted average IRR of 23.0% p.a. net of fees.
- FPAM's five discretionary active funds (with inception dates ranging from 2004-10) are generating ROEs on original equity invested of between 6.4% p.a. (unleveraged) and 25.6% p.a. (leveraged) net of fees, as at 31-Mar-13.



- All implied IRR calculations use NAVs at 31-03-2013, and are since inception.
- Annualised ROE's on original equity are calculated using 2012/3 pre-tax income ÷ original shareholders' equity employed.
- Annualised current ROE's are calculated using 2012/3 pre-tax income ÷ by opening equity (NAV at 31-Mar-2013).

Our Investment Approach:

- **Sustainable income is a priority.**
- **Property is illiquid:**
 - This illiquidity can be mitigated by rental income – liquidity through income.
 - Over the long term it is income and not capital value movements which largely determine total returns (IPD: income contributed 94% of total returns over the 10 years to 31-Dec-2013 and 73% over the 30 years to 31-Dec-2013).
- **Capital preservation:**
 - Capital is better protected if investments yield a high income. Income cushions possible capital value reductions.
- **A fundamental approach to investing:**
 - Consensus may chase a particular investment theme but that does not justify the theme.
- **Flexibility in the light of market changes:**
 - Exited the UK commercial property market in 2005, re-entered in 2009. We act dynamically.
- **An active approach to asset management (where possible):**
 - Drive income and in turn capital values by hands-on property management, relying as much as is possible on internal resources.
- **Thinking from first principles.**

We credit our recognition of the importance of high sustainable income returns as the key reason for our market leading track record.

We recognise the need to continually monitor macro and micro changes in our markets and to adapt our asset management approach accordingly, exemplified by:

- **Our decision to largely exit the UK commercial property market in 2005** following the increase of UK property values and the resultant low income yields available. This change very largely protected the Group and its clients from the subsequent collapse in UK commercial property values (some 50% reduction in value took place between 2007 and 2009).
- **Our decision to choose Poland as our principal geographic area of focus in 2005.** Poland and its commercial property market has been one of the best performers in Europe. On a like-for-like basis our Polish portfolio's income is higher now than it was in 2007.
- **Our decision in June 2008 to change our policy of lease renewal.** In mid-2008, in order to protect rental income before the credit crunch hit Poland, 20% of our tenants (by income) were approached to extend their leases early. Many of these leases were successfully extended (at the same time as increasing rents: +3% across the portfolio). When the credit crunch hit Poland, the portfolio was in a strong position.
- **Our return to the UK in 2009** after property prices had dropped by some 50%. We remain bearish on the UK economy but we believe there is scope to earn relatively high rates of return in certain specific classes of commercial property.
- **Our bearish view on prime London property**, adopted in 2010. This is in contrast to the then and current market sentiment. The London market continues to gain in value but it is our view that it is in bubble territory and that at some point this bubble will burst.
- **Our decision to cease buying property in Poland when phase 2 of the credit crunch began and the financing market, upon which the property market relies, deteriorated.** The supply of bank debt denominated in Euros outside of the core countries of the Eurozone, including Poland, became constrained. FPAM adjusted its pricing expectations downwards but vendors are always slow to follow suit.

Bloomberg TV – Ben Habib discusses outlook for commercial property in 2012 (Dec-2011)

www.bloomberg.com/video/82576408/



Fprop Opportunities plc
– Presentation
(Dec-2010)

www.fprop.com/videos/Top-promotional-video

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