



Fprop plc

**Interim Results, 29 November 2011**

First Property Group plc

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First Property Group plc is a 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;
- 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; and
- Earn a return on its own capital invested in these funds.

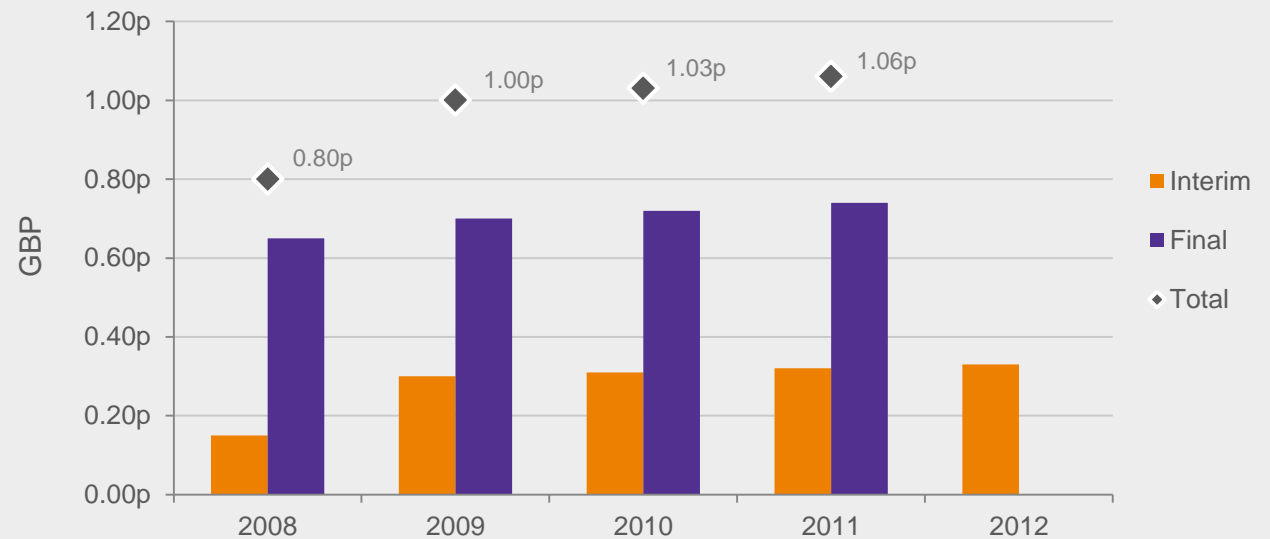
- ✓ FPAM managed funds ranked No.1 versus Investment Property Databank (IPD) Central & Eastern Europe (CEE) Benchmark over the three, four & five years to 31 December 2008, 2009 & 2010.
- ✓ FPAM managed funds ranked No.1 versus IPD Polish Benchmark over the four & five years to 31 December 2009 & 2010.



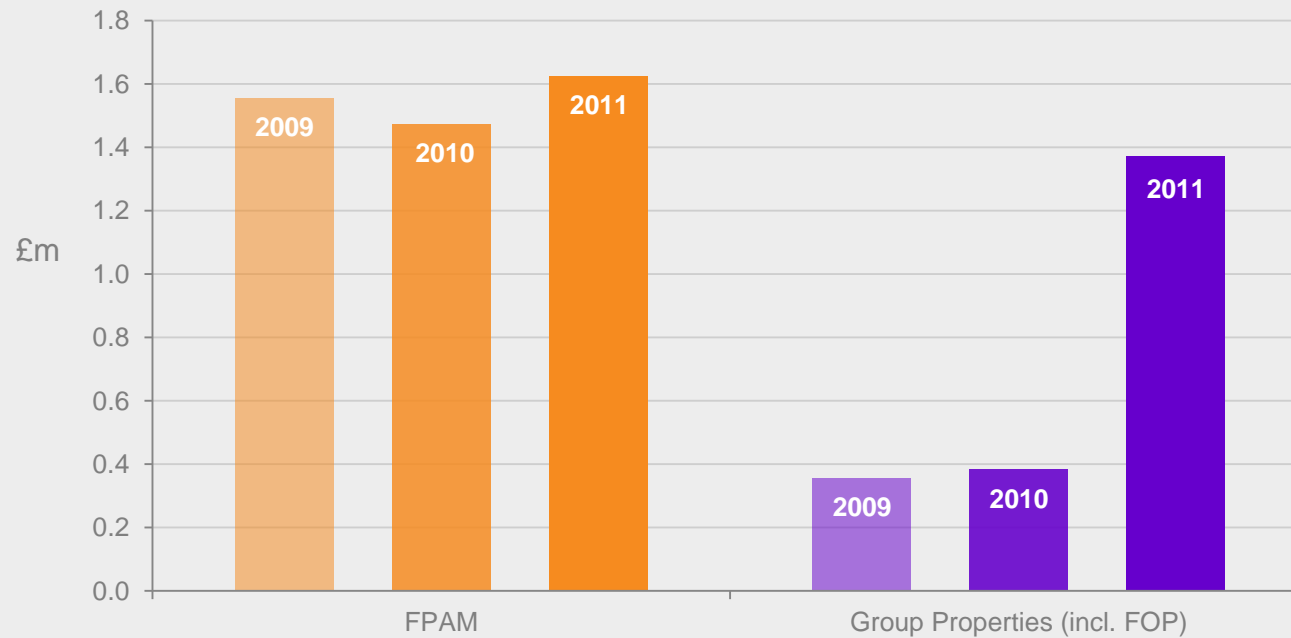
	Six months to 30-Sep-2011 (Unaudited)	Six months to 30-Sep-2010 (Unaudited)	Percentage change
Profit before tax (continuing operations)	£2.54m	£1.42m	+79%
Assets under management (AUM)	£374m	£315m	+19%
Net Assets	£16.79m	£15.70m	+7%
Diluted earnings per share (continuing operations)	1.61p	0.98p	+64%
Interim dividend per share	0.33p	0.32p	+3%
<b>Profit before tax by segment:</b>			
Profit before tax from property fund management (FPAM)	£1.62m	£1.47m	+10%
Profit before tax from total Group Properties	£1.37m	£0.38m	+261%

Board recommends increased Interim dividend of 0.33p (2010: 0.32p).

XD	7 Dec 2011
Record Date	9 Dec 2011
Payment Date	29 Dec 2011



In monetary terms (2009–11):



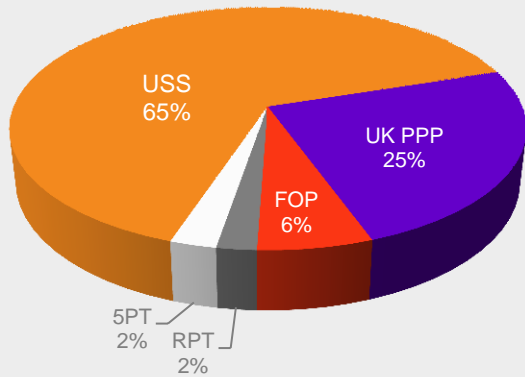
- The value of assets under management increased by 19% to £374 million (2010: £315 million).
- The UK fund we established in February 2010, UK PPP LP, is now close to being fully invested, having made property purchases of some £91.6 million<sup>(1)</sup>, representing 87% of its £106 million of committed capital. It is earning an annualised un-gearred rate of return on equity of 6.4%.
- Fprop Opportunities plc (FOP), the Polish focused fund we established in October 2010, has acquired €26.4 million (£22.7 million equivalent) of property and earned a total (income and capital) annualised rate of return on equity of 13.4% during the period. Progress is being made in raising new capital for this fund.
- Fund raising has begun for a new UK fund, designed to mimic UK PPP LP, and to deliver an un-gearred and defensive annual dividend return of over 6%.

<sup>(1)</sup> Purchase costs plus acquisition costs. The valuation at 30 Sep 2011 was £91.4m.

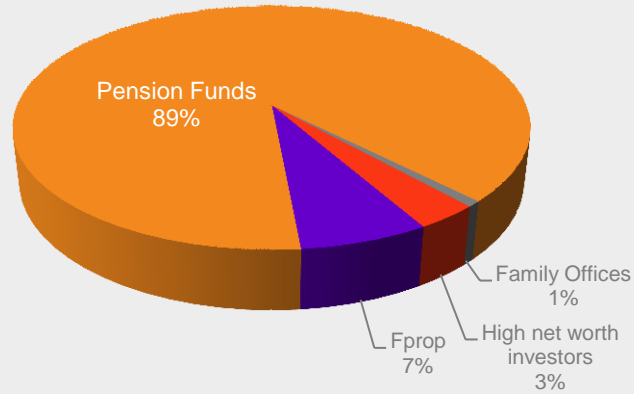
Fund	Established	Termination Date (unless extended)	Assets under Management at 30-Sep-2011
SAM Property Company Ltd	2004	Rolling	Not subject to recent revaluation
Regional Property Trading (RPT)	2004	Aug 2012	£7.9 million
5 <sup>th</sup> Property Trading (5PT)	2004	Dec 2014	£9.2 million
USS Fprop Managed Property Portfolio LP	2005	Aug 2015	£242.7 million
UK Pension Property Portfolio LP (UK PPP LP)	2010	Feb 2017	£91.4 million
Fprop Opportunities plc (FOP)	2010	Oct 2020	£22.7 million
<b>Total</b>			<b>£374 million</b>



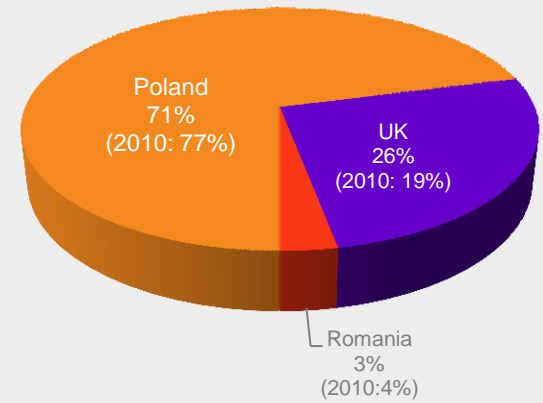
By fund:

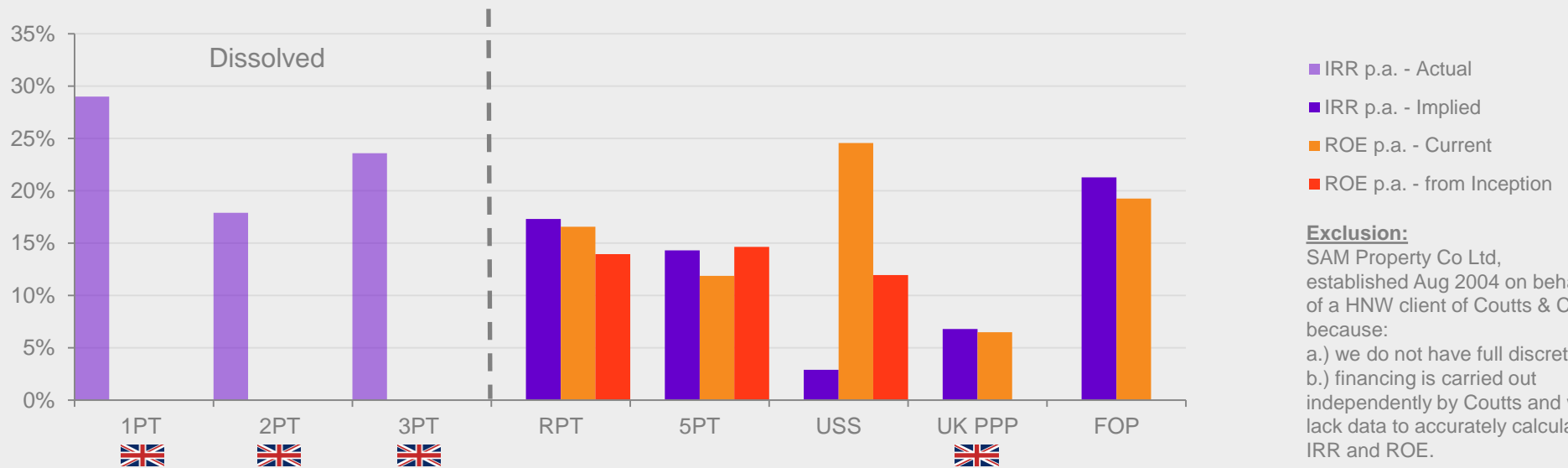


By investor category:



By geography:



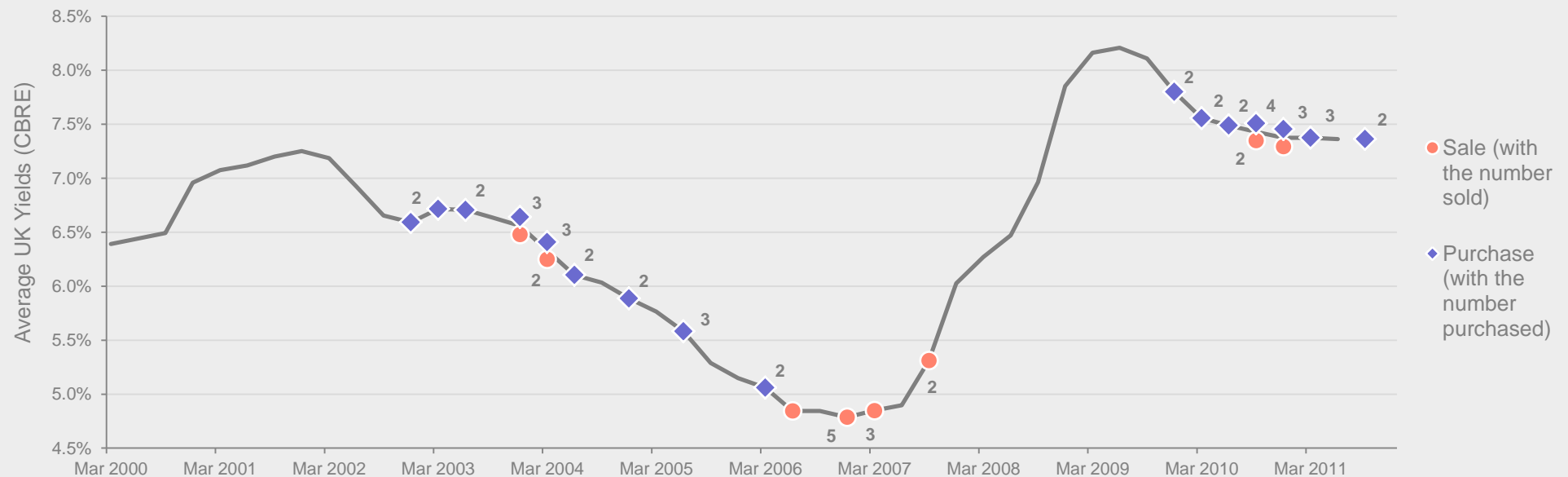


**Exclusion:**  
 SAM Property Co Ltd, established Aug 2004 on behalf of a HNW client of Coutts & Co, because:  
 a.) we do not have full discretion,  
 b.) financing is carried out independently by Coutts and we lack data to accurately calculate IRR and ROE.

- All implied IRR calculations use 30 Sep 2011 NAVs but the valuation frequency varies by fund – USS & UK PPP are valued quarterly; FOP is valued half-yearly; RPT & 5PT are valued annually and therefore use 31 Mar 2011 valuations.
- Annualised ROE's from inception are calculated using average pre-tax INCOME returns over each fund's life ÷ by ORIGINAL shareholders' capital employed (time weighted).
- Current ROE is calculated using annualised 12 month pre-tax income from 1 Apr 2011 ÷ by original shareholders' capital employed.

Years Fprop invested in UK commercial property	10 years
Aggregate quantum invested in UK	£133m
Weighted average IRR p.a. of 1PT, 2PT, 3PT (net of fees)	22.96%
Annualised ROE of UK PPP (net of fees) at 30 June 2011	6.5%

- Strategic decision in 2005 to sell UK properties, executed by 2007.
- Subsequent reinvestment of client funds into Poland.
- Returned to UK property investment in 2009.



**N.B:** Where no number is provided only one property was transacted  
Average UK yields are the average of prime and secondary office and retail yields (source = CBRE).

## Interims 2011 - Segmental Analysis

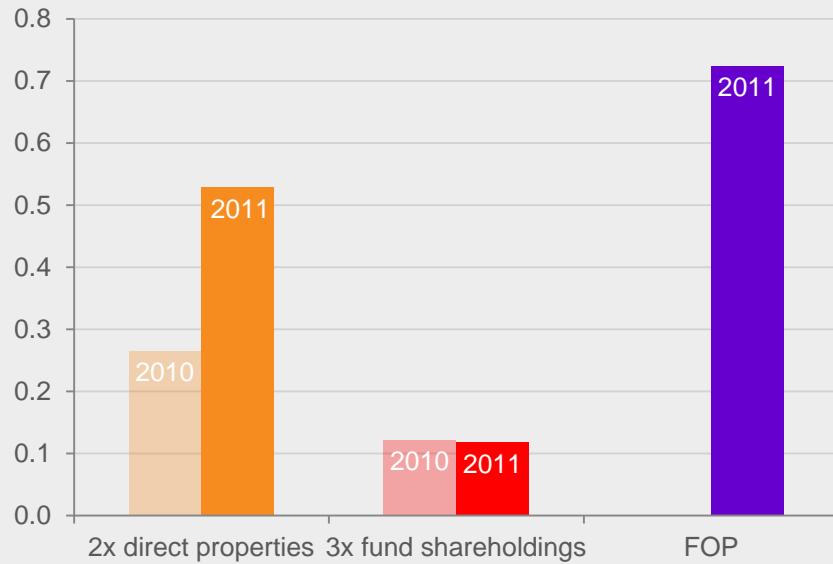
### Group Properties – Indirectly held assets

Fund	Plc shareholding 30-Sep-2011	Book Value (IFRS) 30-Sep-2011	Market Value 30-Sep-2011	Earnings to 30-Sep-2011
Regional Property Trading (RPT)	28.6%	£193,000	£328,000	£97,000
5 <sup>th</sup> Property Trading (5PT)	37.8%	£528,000	£1,106,000	
UK Pension Property Portfolio LP (UK PPP LP)	0.9%	£874,000	£884,000	£21,000
Fprop Opportunities plc (FOP)	84.1%	£6,830,000*	£8,276,000*	£724,000
<b>Total</b>		£8,425,000	<b>£10,594,000</b>	<b>£842,000</b>

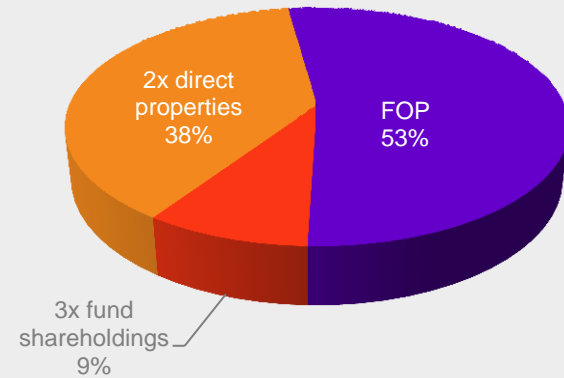
\* Original book cost was £7 million, which comprised £6.93 million (99%) non-interest bearing shareholder loan. There have been two loan repayments to date (31 May and 31 Aug) of which First Property Group's share was £172,478 in aggregate.

Property Name	Purchase date	Purchase price	Bank loan	Valuation at 31-Mar-2011	Contribution to pre-tax profit
Bacha St, Mokotow, Warsaw	Nov 2007	PLN 11.7 m (£2.3m)	Nil	PLN 12.8 m (£2.8 m)	£132,000
Blue Tower, Central Business District, Warsaw	Dec 2008	US\$ 12.9m (£8.5 m)	US\$10.6 m (£6.8 m)	US\$ 18.4 m (£11.5 m)	£397,000
<b>Total</b>		<b>£10.8 million (Net £4.2 million)</b>	<b>£6.8 million</b>	<b>£14.3 million (Net £7.7 million)</b>	<b>£529,000</b>

In monetary terms:



In percentage terms:



## General:

- Raising blind pools is still challenging.
- Competition not only from proposed new funds, but also from existing property funds, shares in which are changing hands at discounts to net asset value.

## Fprop Opportunities plc (FOP)

- Investor appetite for Polish commercial real estate increased during the year, but has subsequently waned again following escalation of investor concerns about the Eurozone in recent months.
- We have expressions of interest to invest in FOP. But discussions are not yet finalised.
- There is greater demand to JV on an asset by asset basis than there is to commit to a blind pool. We remain flexible.

## UK Sterling Income Fund (FSIF)

- Competitive market.
- We are at an early stage in our fund raising process.

### Economy:

- Poland's GDP growth continues at one of the fastest rates in Europe . During 1H 2011 it grew by some 4.3% and is forecast to have grown by 3.8% for FY 2011<sup>(1)</sup>.
- Global slowdown and fiscal tightening beginning to bite - growth is forecast to slow to 3.0% in 2012, and 3.4% in 2013<sup>(2)</sup>.
- FX – since Aug 2011 the PLN has weakened by some 10% against the Euro (from 4:1 to 4.4:1) which equates to an effective rent hike for most tenants (because Polish property is mostly transacted in Euros). We believe tenants in our portfolio should be able to bear this; in 2009, following the collapse of Lehman Brothers, the FX rate fell to close to PLN 5:1 Euro.

<sup>(1)</sup> & <sup>(2)</sup> Source: IMF

### Commercial property market:

- €1.8 billion of property transacted during Q1-3 2011 (likely to slow in Q4 due to Euro-crisis).
- Opportunities to buy good properties at 8%+ yields exist and tenant demand remains resilient.

### Our strategy:

- To target secure long term income streams let at sustainable rental levels;
- Primary focus on retail assets which are dominant in their catchment area, due to rising consumer incomes.

Poland remains the EU's 7<sup>th</sup> largest economy and is among Europe's fastest growing



## Economy:

- The UK economy remains weak and vulnerable. We expect this to continue for several years.

## Commercial Property Markets:

- Disconnect between occupational and investment markets persists;
- Investor demand is focused on prime properties, in particular in central London, which appears to us to be back in bubble territory;
- The spread between the yields at which prime and secondary property transacts is at a multi-year high – see slide on next page.

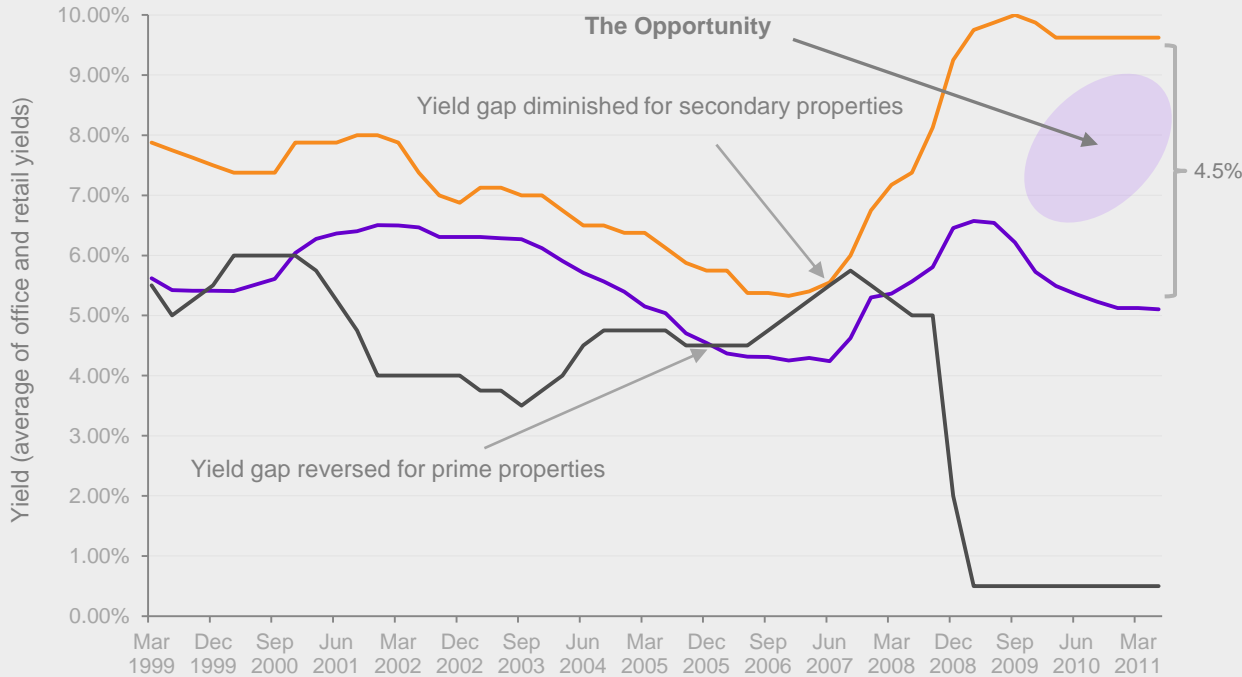
## Our strategy:

- To continue to invest in higher yielding, well located (but not prime) properties with sustainable income streams;
- To target secure long term income streams let at sustainable rental levels, ideally new leases granted in or after 2009.



Fprop plc

# Investment Markets UK: Commercial Property Yields & Interest Rates



Source: CBRE, Bank of England

- Secondary property has not re-priced to the same extent as prime. It is still largely trading at trough levels.
- Prime yields are, in many cases, close to or back to 2007 levels.
- It is possible to buy well located properties occupied by financially sound tenants on long leases at net initial yields of 6.5% and higher.

— Average Secondary Yields  
 — Average Prime Yields  
 — Bank Base Rate

### FPAM:

- AUM (and therefore FPAM fee income) is expected to grow due to:
  - Continued investment of FOP;
  - New subscriptions into FOP;
  - Investment of remaining £13 million for UK PPP LP;
  - Proposed new UK fund.

### Group Properties:

- Earnings from Group Properties expected to grow due to:
  - Shareholdings in our funds continuing to perform well, particularly FOP in which we have invested £7 million;
  - Further asset management gains from Blue Tower.

LSE (AIM) Symbol	FPO.L	
Share price	16p	
Market Cap	£17,771,000	
Dividend yield	6.7% pa (annualised)	0.33p (subject to shareholder approval)
PER (undiluted)	4.71x (annualised)	EPS 1.70p
PER (diluted)	4.97x (annualised)	EPS 1.61p

	2011	2010	% change
Issued & Fully Paid	114,851,115	110,444,390	+3.99%
Issued (excl Treasury)	111,069,811	106,613,802	+4.18%
Shares held in Treasury	3,781,304	3,830,588	-1.29%
Outstanding share options over Ordinary shares	7,540,000	8,900,000	-15.28%
Average strike price of outstanding share options	15.72p	14.38p	+9.32%

	No of shares	% held (of issued and fully paid)
Benjamin Habib (Chief Executive Officer)	16,700,000	14.5%
J C Kottler Esq	14,806,783	12.9%
Universities Superannuation Scheme Limited	9,550,000	8.3%
Alasdair Locke (Non-Executive Chairman)	8,571,990	7.5%
NFU Mutual Insurance Society Ltd	4,250,000	3.7%
<i>First Property Group Plc Treasury</i>	3,781,304	3.3%
<b>Total</b>	<b>57,660,077</b>	<b>50.2%</b>

### **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.



### **Independent Non-Executive Director — Peter Moon**

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 (Independent NED).





## Appendices

### Plc Management Team – Executives

#### **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. Subject to the terms and conditions of any given fund's corporate governance, he is amongst other things responsible for property selection, pricing, due diligence (legal, commercial and technical), negotiating property purchases, financing the purchases, and the subsequent asset management of the properties and sales strategy. He is very closely involved in all aspects of the 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 Finance Director & Finance Director — George Digby, BA (Hons), ACA, IMC**

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, involving in total 34 separate companies to date. 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. Aged 55 George brings broad financial experience to the Group. He is a member of the Institute of Chartered Accountants in England and Wales and is a holder of the IMC certificate.





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