



Fprop plc

Interim Results, 30 November 2010

First Property Group plc

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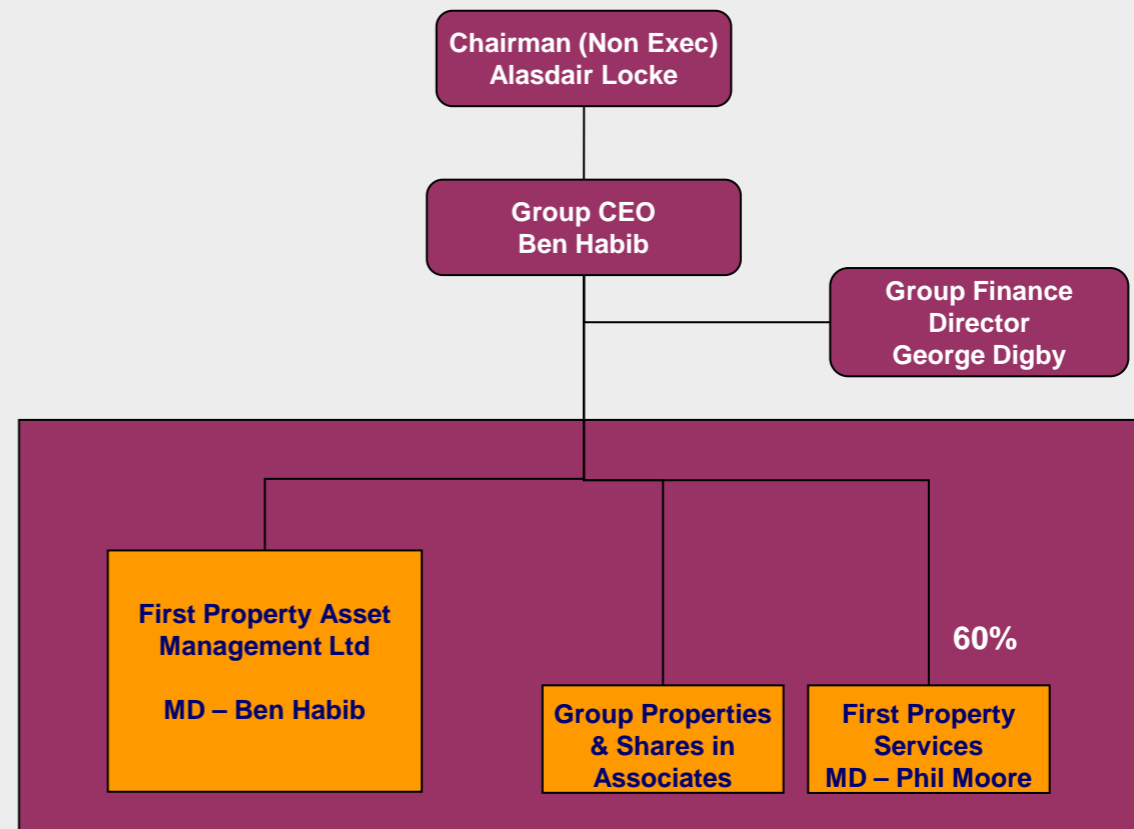
Business Description

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

The business model of First Property Group is:

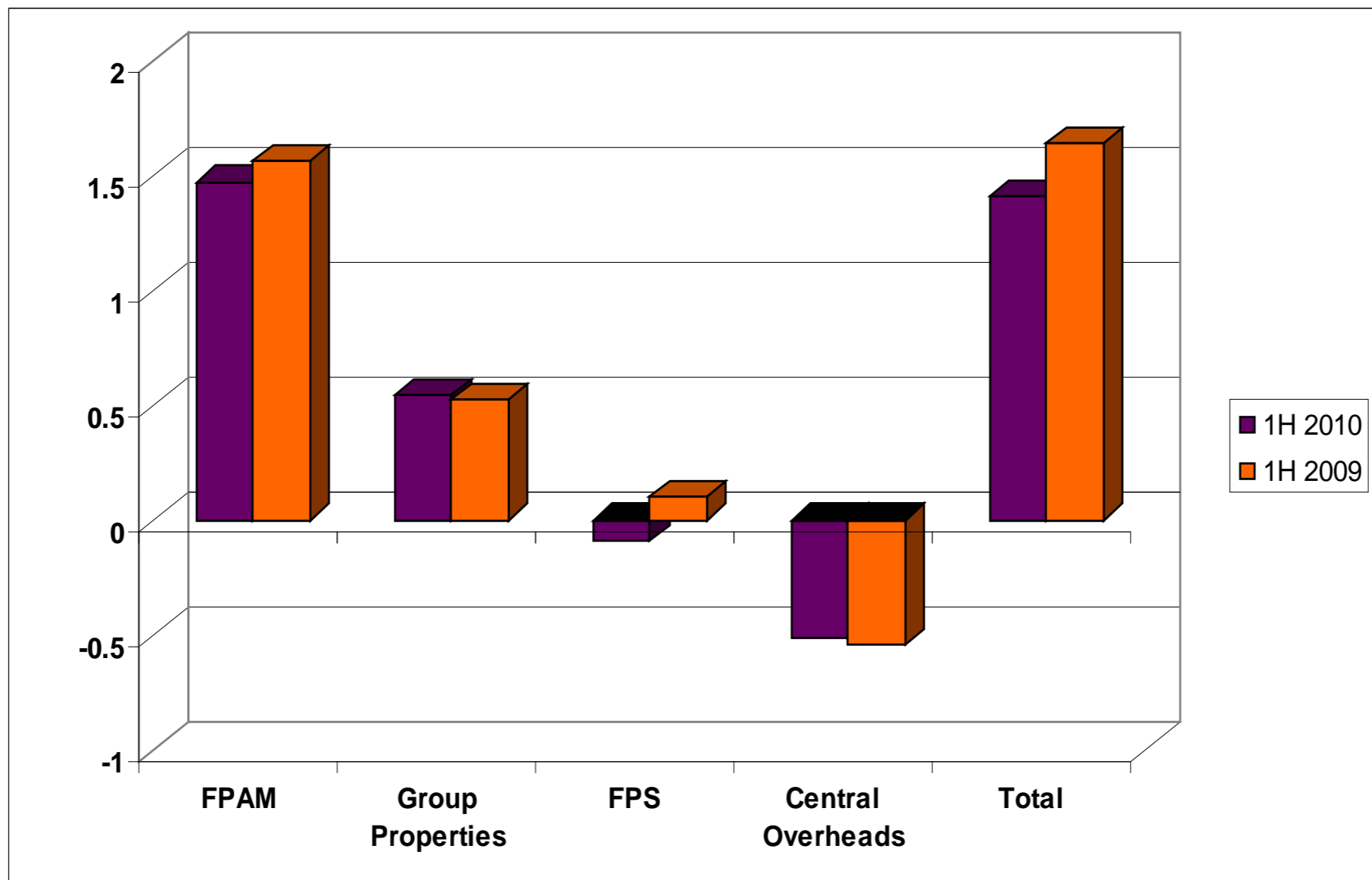
- To raise third party funds to invest in income producing commercial property;
- To co-invest in these funds;
- To earn fees for the management of these funds. Fees earned are a function of the value of assets under management as well as the performance of the funds;
- To earn a return on its own capital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

It also has a 60% shareholding in a mechanical & electrical (M&E) installation and maintenance contractor, First Property Services Limited.



Holding company structure comprised principally of FPAM

	Unaudited 6 months to 30 Sep 2010	Percentage change from 30 Sep 2009	Audited 6 months to 30 Sep 2009	Audited year to 31 March 2010
Profit on ordinary activities before tax	£1.32m	-15.4%	£1.56m	£2.79m
Net profit for period	£1.12m	-8.0%	£1.22m	£2.31m
AUM	£315m	+6.4%	£296m	£300m
Net assets	£15.5m	+8.8%	£14.24m	£15.4m
Cash and cash equivalents	£10.18m	+7.6%	£9.46m	£10.13m
Diluted earnings per share	0.98p	-7.5%	1.06p	1.97p
Interim dividend per share	0.32p	+3%	0.31p	0.72p (2 nd Interim)
Operating profit by segment:				
Operating profit from property fund management (excluding performance fees)	£1.47m	-5.7%	£1.56m	£2.75m
Operating profit from Group Properties	£0.54m	+3.8%	£0.52m	£1.20m
Operating profit from First Property Services	£(0.09)m	-190%	£0.10m	£0.18m
Unallocated central overheads	£(0.51)m	-5.6%	£(0.54)m	£(1.17)m



FPAM contribution steady at 75%, now expected to grow

Financial

- AUM = £315 million (1H 2009: £296 million), of which £59 million is property located in UK, remainder in CEE.
- £54 million now invested (30 Nov 2010) in new UK commercial property fund (Fund 8) and a further £23.5 million under offer. This figure is expected to rise above £100 million over the next 12 months.
- \$5.21 million valuation uplift for Blue Tower, an office block in Warsaw's CBD (one of 2 properties held directly on Group balance sheet), and in which the Group has a 28% interest. Purchased for \$12.89 million in Dec 2008, it has recently been valued by Jones Lang LaSalle at \$18.1 million. This gain is not reflected in the accounts.
- €20 million maiden investment in FOP (Fund 9), after period end - a Carrefour Hypermarket in Lodz, Poland, generating an ROE of some 30%.

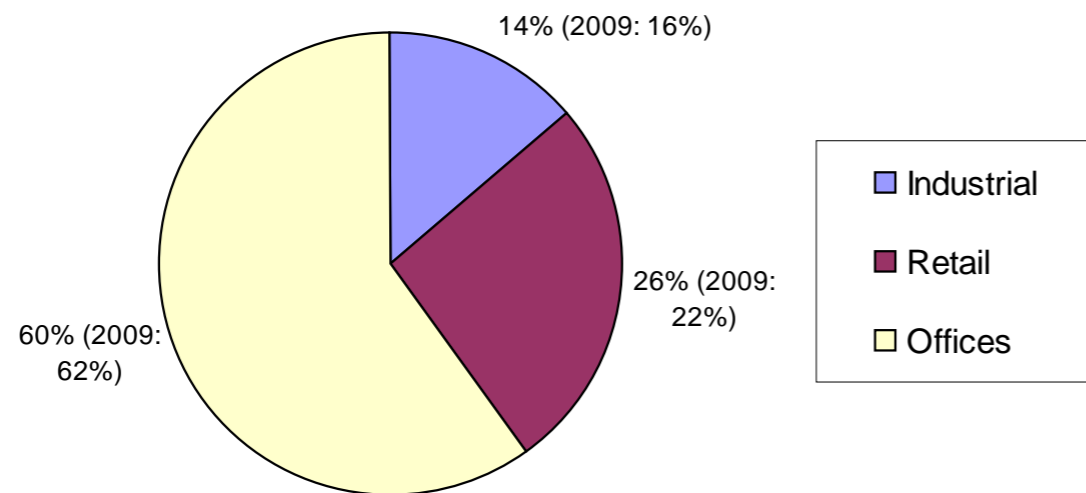
Operational

- £7 million of Group cash invested (after the period end) in new pan European opportunity fund, Fprop Opportunities plc (FOP), launched Oct 2010.
- FOP intends to raise £100 million of equity and will focus initially on Poland.
- FPAM retains No.1 fund performance ranking vs IPD CEE Benchmark and IPD Polish Benchmark for the 4 years to 31 Dec 2009.

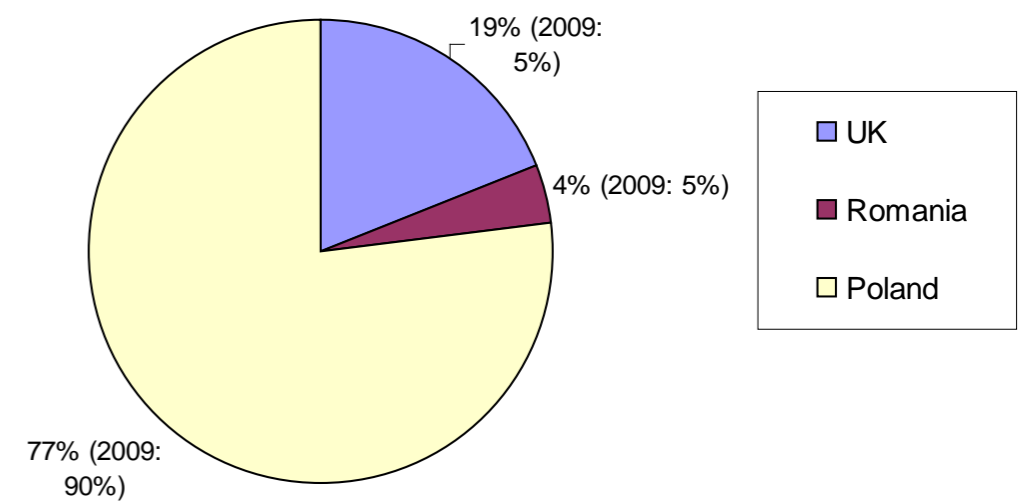
Focus is on growth of FPAM

Highlights specified on previous page in Group highlights

Asset Class, Interims 2010



Geography, Interims 2010



5 funds under management (AUM £315 million) at 30 Sep 2010

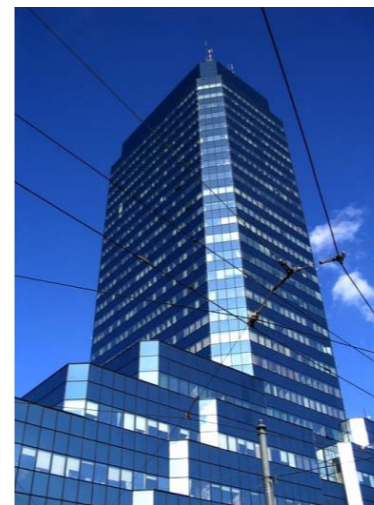
Bacha St - Class C Office Building, Mokotow, Warsaw

- Acquired Nov 2007 for PLN 11.7 million (£2.34 million at purchase).
- Unleveraged.
- Net rental income – PLN 1.5 million (£300,000) pa. vs PLN 1.2 million (£240,000) at purchase.
- ROE – 13%
- Current valuation – PLN 14.0 million (£3.0 million)
- Business Plan – Run for income then sell for development (PP for change of use to residential granted Jan 2010).



Blue Tower - Class B Office Building, Warsaw's CBD

- Acquired 28% interest Dec 2008 for \$12.89 million (£8.5 million at of purchase).
- Valuation - \$18.1 million (Oct 2010, by JLL) – not reflected in accounts.
- Debt (non recourse to Group) - \$10.6 million (£6.9 million at purchase).
- Net rental income - \$1,477,601 pa. vs. \$1,086,122 at purchase.
- ROE = 48%
- Business Plan
 - Continue to improve NOI by pushing up rents and reducing costs via control of building management company (acquired Nov 2009) and in which previously no single shareholder had control.
 - Exploit control of management company to consolidate ownership of rest of building



- Operating profit from these 2 properties of £528,000 (2009: £454,000).
- NAV of these 2 properties = £7.8 million, using directors estimate of value for Mokotow and JLL valuation for Blue Tower.
- Net book cost of these two properties is £3.9 million.
- Group policy to hold assets at the lower of book or asset value.
- IFRS requires FX component to be marked to market, hence variation between reporting periods.
- Future purchases on behalf of Group to be held within FOP.

Opportunistic purchases generating high ROE's



Segmental Performance – Group Properties Co-investments

Regional Property Trading (est. June 2005)

Shareholding	34% (share of associates)
Book value (IFRS)	£215,000
Valuation	£270,000
ROE	23.5%

5th Property Trading (est. Dec 2006)

Shareholding	38% share of associates)
Book value (IFRS)	£459,000
Valuation (30.9.10)	£1,051,000
ROE	16.5%

UK Pension Property Portfolio LP (est. Feb 2010)

Shareholding	0.943%
Book value (IFRS)	£423,000
Valuation	£423,000
ROE	6.0%

- Operating profit from these 3 shareholdings of £943,000 (2009: £391,000)
- Our share in these 3 funds is held at £1,097,000 (IFRS).
- NAV of our share in these 3 funds is £1,744,000 on the basis of most recent valuations.

Fprop Opportunities plc

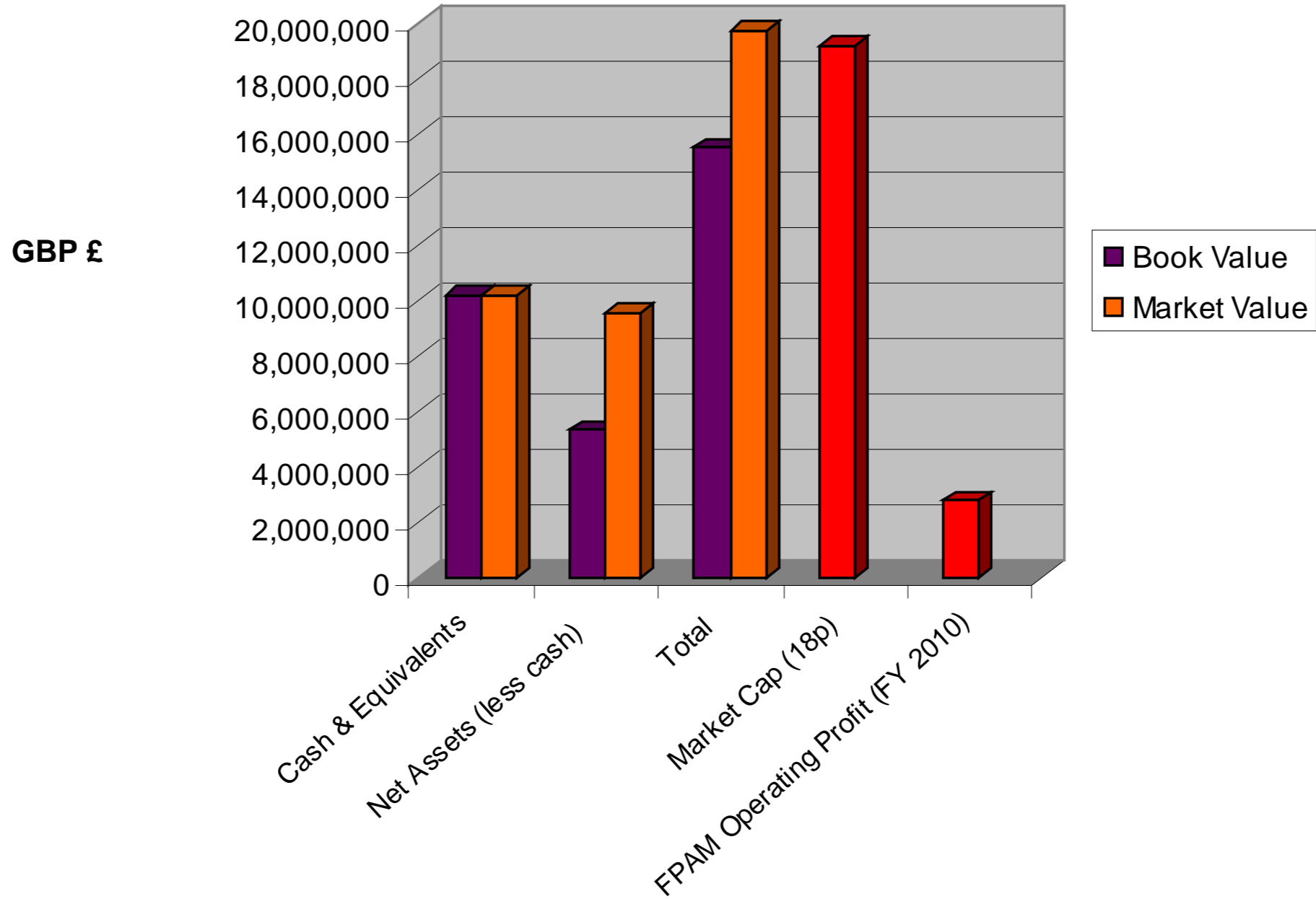
Established after the period end (Oct 2010)

Shareholding	100% (share of associates)
Book value (IFRS)	£7,000,000
Valuation	£7,000,000

Alignment of interests with investors

- First Property Services Limited is a mechanical & electrical (M&E) maintenance contractor, in which the Group acquired a 60% shareholding in 2006.
- Book Value (Sep 10) = £172,000 calculated by reference to its NAV less the minority (40%) interest.
- Wherever possible profits are distributed via dividends, thereby reducing any increase in the carrying value of this subsidiary as profits are accrued.
- The Group is not involved in the day to day management of the business.
- IFRS requires FPS earnings to be consolidated in to Group earnings given the Group's majority shareholding.
- Revenue during the period of £1,136,000 (2009: £1,915,000).
- Operating loss of -£93,000 (2009: £104,000).
- Expectation that FPS will break even for full year.
- Recurring revenues from maintenance contracts have been steady at some £500,000 per annum.
- New installation sales make up the bulk of FPS earnings and are more variable. It is this segment which has experienced a drop in sales and therefore profits. This market remains difficult.

(Expected to be) trough earnings



Share price reflects net assets only

- AUM (and therefore FPAM fee income) expected to continue to grow as a result of:
 - Continued investment of UK PPP LP from current £54 million to £106 million (plus possibility of the introduction of gearing subject to unanimous shareholder approval)
 - Investment of initial £9 million of equity in FOP, expected to be increased by third party subscriptions.
 - Valuation uplifts, in property values and from long term appreciation of PLN vs. GBP.
- Earnings from Group Properties expected to continue to grow as a result of:
 - Shareholdings in our co-investments continuing to perform well, in particular as we ramp up investment in FOP.
 - Blue Tower – ROE expected to rise from 48% to in 60%'s due to completion of bulk of restructuring costs now behind us, following acquisition of controlling interest in management company.
 - Bacha – running for ROE (13%) but expected to sell at some point which would crystallise a capital gain.
- FPS – outlook uncertain but carried value is low (£172,000) and no inter company loans or other outstanding liabilities.

FOP expected to drive earnings growth

POLAND

- Only country in 27 member EU area to escape recession in 2009 (GDP grew by 1.8%).
- For 2010 GDP forecast to grow by 3.4% (EC) and tipped to top 4% in 2011.
- Occupier demand has remained robust throughout credit crunch.
- Investor demand dropped in 2009 due to commercial property market's reliance on foreign capital, now beginning to pick up. Capital values still down some 20% from 2007/8 high's.
- Yields in Poland some 25-40% higher than in UK whilst rents are substantially lower. When combined, the capital value differential is substantial (CBRE – in 2009 valuation gap of 77% between prime offices in London vs. equivalent in Warsaw's CBD).
- Polish rents tend to include indexation at CPI as standard.
- PLN/Euro has stabilised within range of 3.8 – 4.2 (most rents are denominated in Euro).

UNITED KINGDOM

- Economic recovery underway but occupier demand still weak in most areas.
- Investor demand has rebounded strongly and prime yields now sub 5%.

**Stronger economic growth in Poland
expected to drive rent increases faster than in UK**

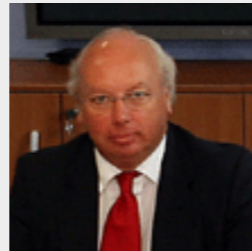


Share Statistics, 30 Sep 2010

Number of shares in issue	109,770,527
Number of shares held in treasury	3,830,588
Interim Dividend	0.32p
Share Price	17.5p
Market Capitalisation	£19.21 million

Benyamin Habib (Chief Executive Officer)	16,700,000	15.21%
J C Kottler	14,746,783	13.43%
Universities Superannuation Scheme Limited	9,550,000	8.7%
Alasdair Locke (Non Executive Chairman)	8,571,990	7.81%
NFU Mutual Ins Soc Ltd	3,750,000	3.42%

Alasdair Locke, MA (Oxon)
Non Executive Chairman



Outgoing Executive Chairman of Abbot Group, an oil services company which he founded in 1992 and which was listed on LSE between 1995 – 2008. It was acquired in 2008 for £906 million by Turbo Alpha Ltd, a company controlled by US private equity fund, First Reserve Corporation. Alasdair sold his remaining interest in the Group in 2009 and has now stepped down altogether.

Alasdair's early career started at Citigroup in 1974, where he stayed for 8 years, specialising in shipping and oil. He is also Chairman of Mecom Group PLC, and Chairman of Argenta Holdings PLC, an unlisted holding company trading in Lloyds of London. He was voted Scottish entrepreneur of the year 1999.

Peter Moon
Independent Non Executive Director



Peter is the outgoing Chief Investment Officer of Universities Superannuation Scheme (USS), following his retirement in 2009.

His background is 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, Middlesbrough 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.

He is also a Director of The Scottish American Company PLC.

Experience

**Ben Habib, MA (Cantab)
Chief Executive Officer**

Ben founded Fprop in 2000 and has been Chief Executive since that date.



He has 17 years experience in the property sector. Prior to establishing the Group he operated in a private capacity as a property developer and investor. Between 1994 – 2000 he was involved in over 70 transactions (developments and investments) totalling in excess of £100 million and spanning the breadth of the UK.

Ben has a strong financial background, having been FD of PWC Holdings PLC (LSE listed Lloyds reinsurance broker) for 5 years in the early 1990's and an investment banker in corporate finance with Shearson Lehman Bros in the late 1980's.

**George Digby, BA (Hons), ACA, IMC
Group Finance Director**

George joined Fprop in 2003 following a 5 year period running a private accountancy business. Between 1989-1998 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 George has overseen a rapid expansion of the fund management division, particularly from 2005, including the development of its Polish operations. He now oversees the financial accounting and reporting for 33 separate Group and underlying fund companies, incorporated both in UK and Europe.

He is a member of the Institute of Chartered Accountants in England & Wales and is a holder of the IMC Certificate.



FPAM Management Team

Martin Pryce **Property Director**

Martin joined Fprop in 2001 following its acquisition of Propertytrade plc, a commercial property portal of which he was MD. He has 27 years of experience in chartered surveying having been a partner at Donaldsons Chartered Surveyors until 2000.

Martin is a member of the Royal Institution of Chartered Surveyors (RICS) and is responsible for the asset management, sale and purchase of properties held by the funds managed by Fprop.



Jeremy Barkes **Director, FJB Capital Advisers**

Following 10 years in equity sales with JP Morgan and KBC Peel Hunt, latterly specialising in real estate, Jeremy joined the Group in 2009 to raise equity for investment by FPAM, as well as on behalf of third parties. He operates under the trading name FJB Capital Advisers.



Przemyslaw Kiszka, CFA **Managing Director, First Property Poland Sp. z o.o.**

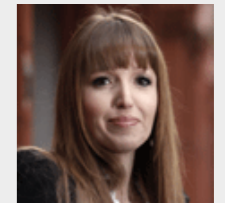
Przemek joined the Group in 2006 to manage its Polish subsidiary which now employs 18 staff. His key responsibilities are asset management, acquisitions, liaising with lending banks, and mitigation of risk exposures with derivative instruments.

He graduated in 2001 from Warsaw School of Economics and holds a Masters degree in Finance & Banking. He is CFA Chartered since 2007.



Jill Holmes **Deputy Compliance Officer, Fund Administrator, HR Manager, Company Secretary to Group subsidiary & underlying companies.**

Jill joined Fprop from Ogier, a leading global operator and fiduciary services organization, where she headed up the new UK business operations team and where she handled the client take on and launch of a number of UK and offshore funds ranging from Real Estate and Infrastructure to Private Equity.



Management in depth

Funds 1, 2 & 3 (all UK commercial)

- Established between 2002 – 2003
- Dissolved between 2006 – 2007
- IRR earned from properties respectively 52%, 73% & 54%.
- Net IRR to fund shareholders of 29%, 17% & 17%

Fund 4 (UK offices)

- Established 2004
- Earning some 9% ROE from rent alone
- Not revalued annually
- Fprop does not have full discretion over its management

Fund 5 (CEE commercial)

- Established 2004
- Earning an ROE of 23.5%, at 30 Sep 2010
- Implied IRR, if properties sold at 30 Sep 2010, of 18.4%

Fund 6 (CEE commercial)

- Established 2005
- Earning an ROE of 16.5%, at 30 Sep 2010
- Implied IRR, if properties sold at 30 Sep 2010, of 15.4%

Fund 7 (UK & CEE commercial)

- Established 2005
- Earning ROE of 20.2%
- Implied IRR, if properties sold at 30 Sep 2010, of 0.85%

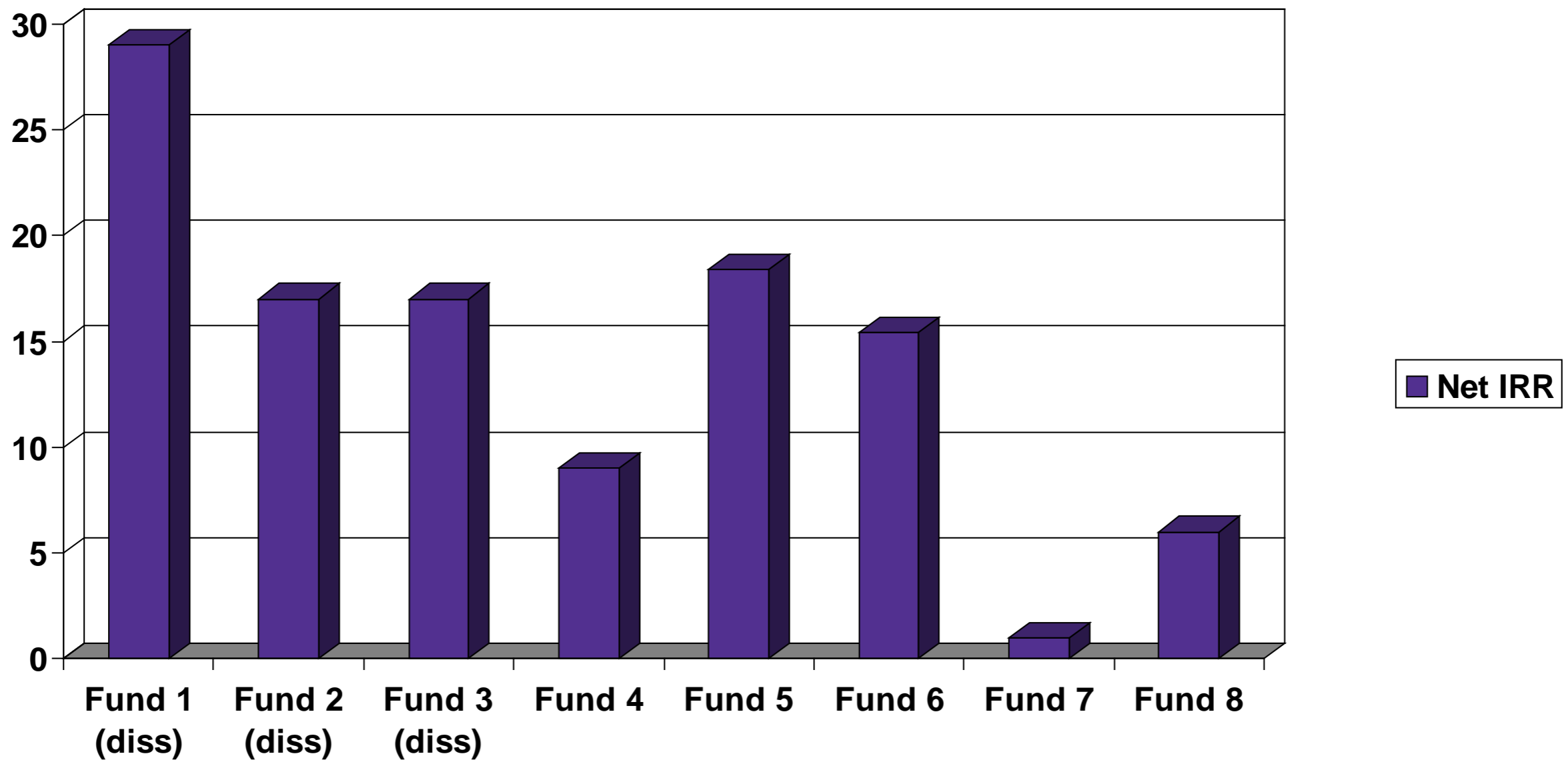
Fund 8 (UK commercial)

- Established Feb 2010 on behalf of 3 pension funds
- Earning ROE of 6.0%

Fund 9 (pan European commercial, FOP)

- Established Oct 2010 with £7 million of Group cash

Positive absolute returns across ALL funds, despite credit crunch



Positive absolute returns across ALL funds, despite credit crunch



Contact Details & Advisers

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