



Interim Results

(for the six months ended 30 Sep 2013)

First Property Group plc

27 Nov 2013



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

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

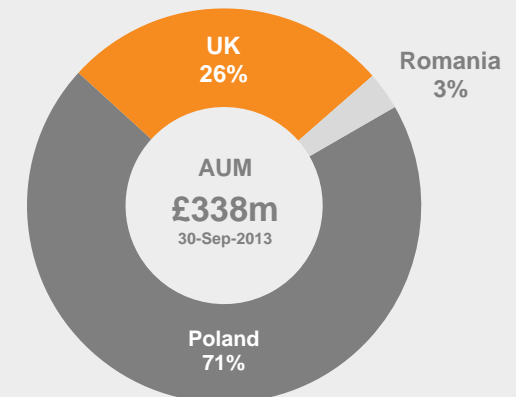
Its business model is to:

- 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 30 Sep 2013 the Group had some £338 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
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	Six months to 30-Sep-2013 (Unaudited)	Six months to 30-Sep-2012 (Unaudited)	Percentage change	Audited Year to 31-Mar-13 (Audited)
Profit before tax	¹ £1.91m	£2.21m	-13.6%	£3.54m
Diluted Earnings per share	1.27p	1.46p	-13.0%	2.18p
Total Dividend	0.33p	0.33p	-	1.08p
Profit before tax by segment:				
Profit before tax from property fund management (FPAM)	£1.41m	£1.46m	-3.4%	£2.84m
Profit before tax from total Group Properties (incl FOP)	£0.89m	£1.17m	-23.9%	£2.07m
Average €/£ in the period	1.171	1.249	+6.2%	1.226
Period end €/£	1.196	1.255	+4.7%	1.183
Net Assets	£19.45m	£17.84m	+9.0%	£18.54m
Cash Balances	£10.60m	£11.77m	-10.0%	£12.98m
Gross Debt	£25.11m	£23.80m	+5.5%	£24.88m
Assets Under management	² £338m	£347m	-2.6%	£353m
Poland	71%	69%		71%
UK	26%	28%		26%
Romania	3%	3%		3%

Notes:

1. Impact of foreign currency translation on profit before tax: £112,000 increase at September 2012 average rates.
2. Impact of foreign currency translation on assets under management: £5.0 million decrease since March 2013.

The decrease in profit before tax reflects the lost income and profit on sale from the disposal of the Group's own property in Mokotow, Warsaw on 6 September 2012, amounting to £255,000 in total.

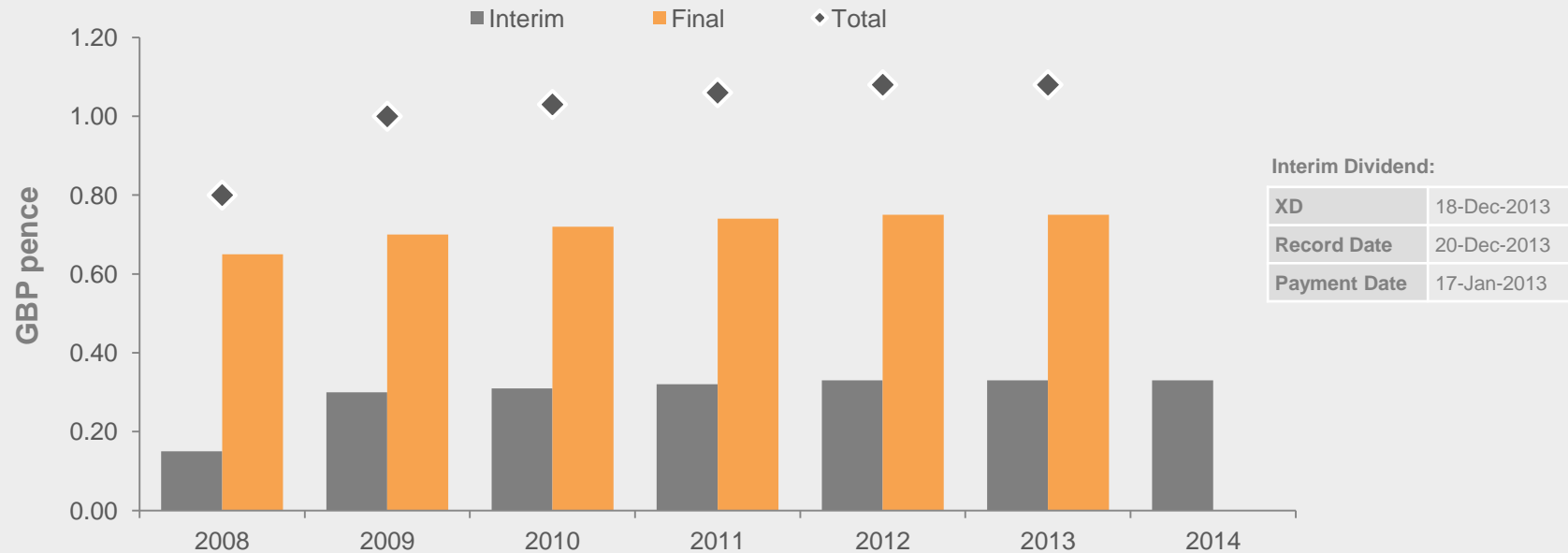
Operational Highlights:

- FPAM:
 - Poland – annualised pre-tax income return on equity invested in FPAM's funds under management = 26.1% (2012: 21.1%)
 - UK – annualised pre-tax income return on equity invested in FPAM's funds under management = 6.3% (2012: 6.5%) - ungeared.
- Group Properties:
 - Acquisition of 2x office properties in Bracknell and Woking for a total consideration of £3.4 million. Subsequent grant of planning consent for their conversion to residential use, materially enhancing their value (yet to be realised).

Current Developments:

- Establishment of five year partnership with a global investment firm to invest £12 million of equity (with intention of increasing to £40 million) in offices in the UK with view to convert these to residential use. Group to co-invest 5% or up to £2m in this partnership.
- Increased interest in Blue Tower by 19.7% from 28.5% to 48.2% and increased shareholding in management company which controls it, CORP S.A. from 68% to 90%. Blended forecast pre-tax return on equity expected to be some 38% p.a. or £1.3 million p.a..

The Board recommends maintaining the Interim Dividend at 0.33p



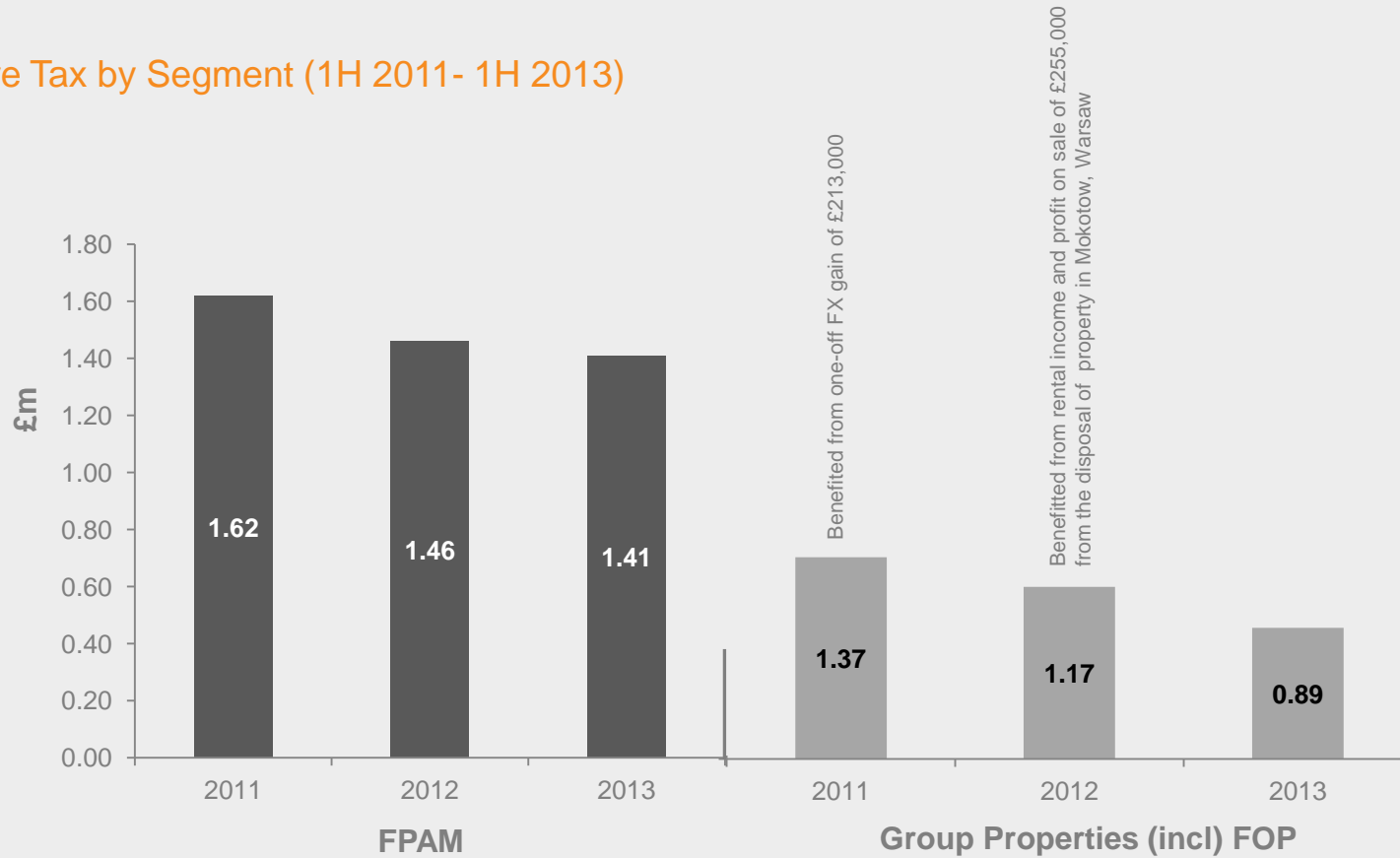
Interim Dividend:

XD	18-Dec-2013
Record Date	20-Dec-2013
Payment Date	17-Jan-2013

Segmental Analysis

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Profit before Tax by Segment (1H 2011- 1H 2013)



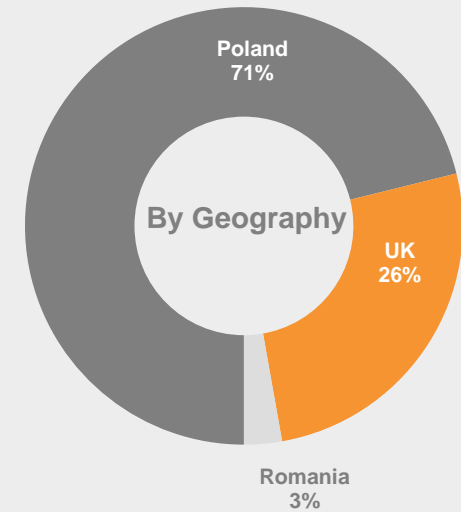
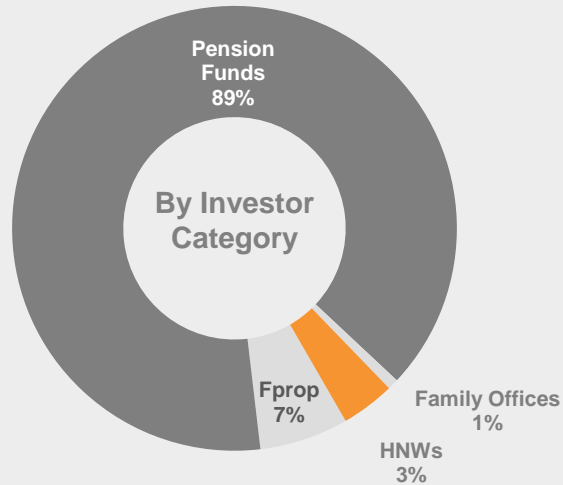
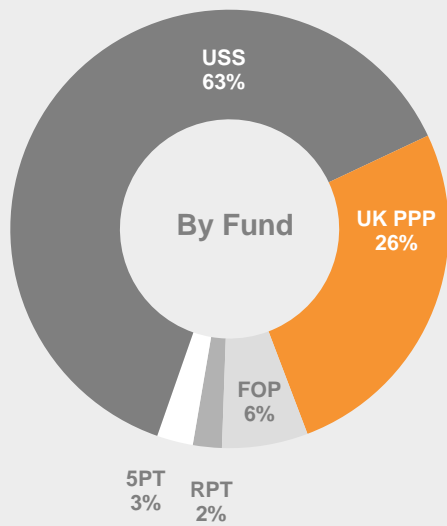
Assets under Management (AUM)

at 30 September 2013:

Fund	Established	Termination Date (unless extended)	AUM 30-Sep-2013	% total assets under management
SAM Property Company Ltd (SAM)	Aug-2004	Rolling		Not subject to revaluation
Regional Property Trading (RPT)	Aug-2004	Aug 2015	£7.2 million	2.1%
5 th Property Trading (5PT)	Dec-2004	Dec 2014	£9.0 million	2.7%
USS Fprop Managed Property Portfolio LP (USS)	Aug-2005	Aug 2015	£211.5 million	62.7%
UK Pension Property Portfolio LP (UK PPP)	Feb-2010	Feb 2017	¹ £88.5 million	26.2%
Fprop Opportunities plc (FOP)	Oct-2010	Oct 2020	² £21.4 million	6.3%
Total			£337.6 million	100%
Fprop PDR LP (PDR)	Oct-2013	May-2018	£12m committed at first close	0%

¹ Excludes £6 million of undrawn but committed cash

² Excludes £8.51 million of un-invested cash



Group Properties

➤ **Comprises:**

1. 3x directly held properties:
 - a. Poland: Blue Tower (28% interest), office building located in Warsaw's CBD;
 - b. UK: 2x office properties in Woking & Bracknell.
2. Co-investments in four of the six funds managed by FPAM (see table on following page).

➤ **Blue Tower:**

- Acquired 28.5% interest Dec-2008 for £8.3m. Now valued at £12.9m.
- Acquired further 19.7% interest Nov-2013, increasing total interest from 28.5% to 48.2%.
- Contributed £566,000 (pre-tax) during period (prior to deduction of unallocated central overhead costs) equating to annualised pre-tax ROE of 49%.
- Blended forecast pre-tax ROE expected to be 38% p.a., or some £1.3 million p.a.

➤ **2x office properties in Woking & Bracknell:**

- Acquired July 2013 for total consideration of £3.4 million.
- Subsequent grant of planning consent for their conversion to residential use, materially enhancing their value.

Group Properties (cont.)

Co-investments in funds managed by FPAM as at 30 September 2013:

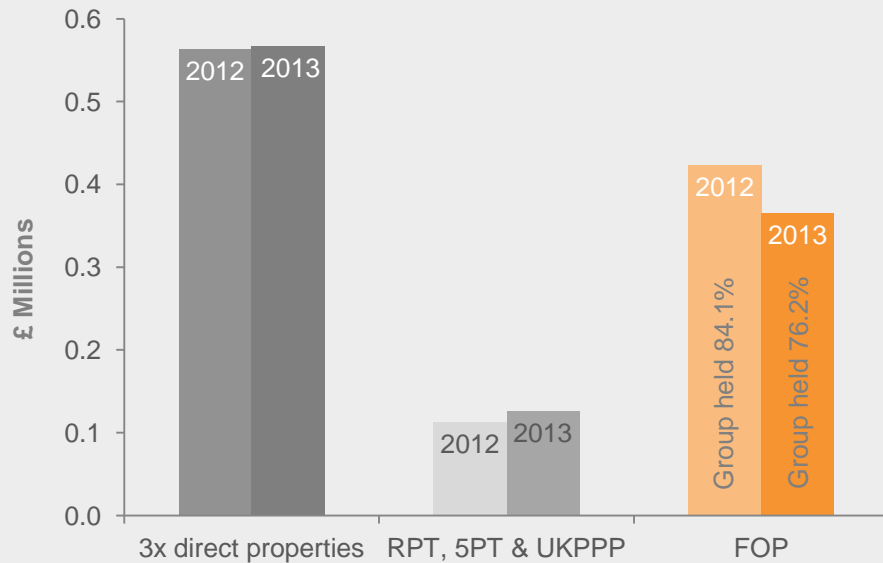
Fund	Group's shareholding	Book value of Group's Share	Market Value of Group's share	Group's share of earnings	Return on Equity Invested ¹
Investments:					
UK Pension Property Portfolio (UK PPP)	0.9%	£870,000	£870,000	² £30,300	6.3%
Interest in associates:					
5 th Property Trading (5PT)	37.8%	£763,000	£1.18m	£76,000	13.2%
Regional Property Trading (RPT)	28.6%	£231,000	£264,000	£20,000	16.4%
Share of Results in Associates				£96,000	
Consolidated undertaking:					
Fprop Opportunities plc (FOP)	76.2%	£8.1m	£10.51m	³ £355,000	8.1%
Total		£9.97m	£12.82m	£481,300	n/a

¹ Pre-tax income return divided by the amount of equity invested

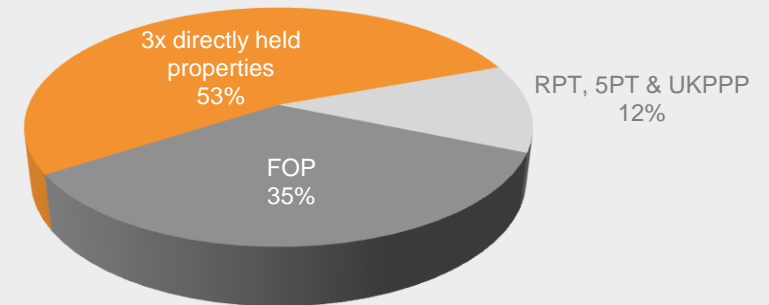
² Represents dividend received

³ After deducting non-controlling interest

In monetary terms:



In percentage terms:



Outlook

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Poland:

- 30 April 2013 – Fprop Opportunities plc (FOP) raised £3.71 million, including an investment of £2 million by the Group.

UK:

- 24 Oct 2013 - established new partnership to invest £12 million (with intention to increase to £40 million) to acquire office blocks in the UK with a view to convert these to residential use. Group to co-invest 5% of sums raised, up to a maximum of £2 million.
- UK PPP – seeking additional investors for this investment strategy but now with the use of gearing. Precedent fund is paying a dividend of some 6.3% p.a. without the use of gearing.

Economy:

- GDP growth:
 - 2012: 1.9% (actual)
 - 2013E: 1.3% (IMF)
 - 2014E: 2.4% (IMF)

Commercial Property Market:

- Turnover:
 - 2005 (peak): €5.2 billion
 - 2012: €2.6 billion
 - 2013E: €3 billion, dominated by German and pan European opportunity funds
- Demand still mainly limited to large prime offices in Warsaw's CBD & large prime shopping centres in Warsaw and other major cities.
- Low liquidity for higher yielding commercial property of lot sizes sub €50 million (which we typically favour).

Economy:

- GDP growth
 - 2012: 0.2% (actual)
 - 2013E: 1.4% (OBR collated)
 - 2014E: 2.2% (OBR collated)

Property Market:

- Demand has spread out to the regions.
- Values for good secondary property now rising.
- Lending market improving – reduced margins and increased loan to value limits, mainly for prime and good secondary property.
- Occupier market not recovering at same pace as investor market.
- Residential values rising, boosted by the Government’s “Help to Buy” scheme.

We have some £11 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.
- Investment of the Group's cash balances should go a long way towards mitigating any reduction in fee income.
 - 7 Nov 2013 – additional investment of €1.7 million to increase our interest in Blue Tower is forecast to contribute pre-tax earnings of €460,000 p.a. (£380,000) prior to the deduction of unallocated central overheads.

UK

- One off capital gain expected from sale of 2x office properties in Bracknell & Woking;
- Fprop PDR LP - no ongoing management fees, only a share of profits from realisations, so expect time lag before it makes a material contribution to earnings.

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Appendix 1

- 22 Shareholders >3% at 30-Sep-2013
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	No of shares	% held (of issued and fully paid)
Ben Habib (Chief Executive Officer)	16,700,000	15.02%
J C Kottler Esq	15,006,783	13.49%
Universities Superannuation Scheme Limited	9,550,000	8.59%
Alasdair Locke (Non-Executive Chairman)	8,571,990	7.71%
Whitehall Associated S.A.	17,815,000	17.03%
Total	57,643,773	51.84%

¹ At 11 Nov 2013 Whitehall Associated held 5,505,000 shares (4.95%) following share sales executed on 24 Oct, 4 Nov & 11 Nov 2013.

LSE (AIM) Symbol	FPO.L	
Share price	25p	
Market Cap	£27.8 million	
Dividend yield	4.3%	0.33p (subject to shareholder approval)
PER (undiluted)	11.8x	EPS 1.34p (2012: 1.54p)
PER (diluted)	12.6x	EPS 1.27p (2012: 1.46p)

	2013	2012	% change
Issued & Fully Paid	114,851,115	114,851,115	-
Issued (excl Treasury)	111,180,025	111,127,947	+0.05%
Shares held in Treasury	3,671,090	3,723,168	-1.4%
Outstanding share options over Ordinary shares	7,500,000	7,500,000	-
Average strike price of outstanding share options	15.72p	15.72p	-

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).



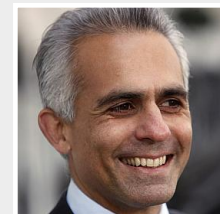
Independent Non-Executive Director — Peter Moon, BSc (Econ)

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.

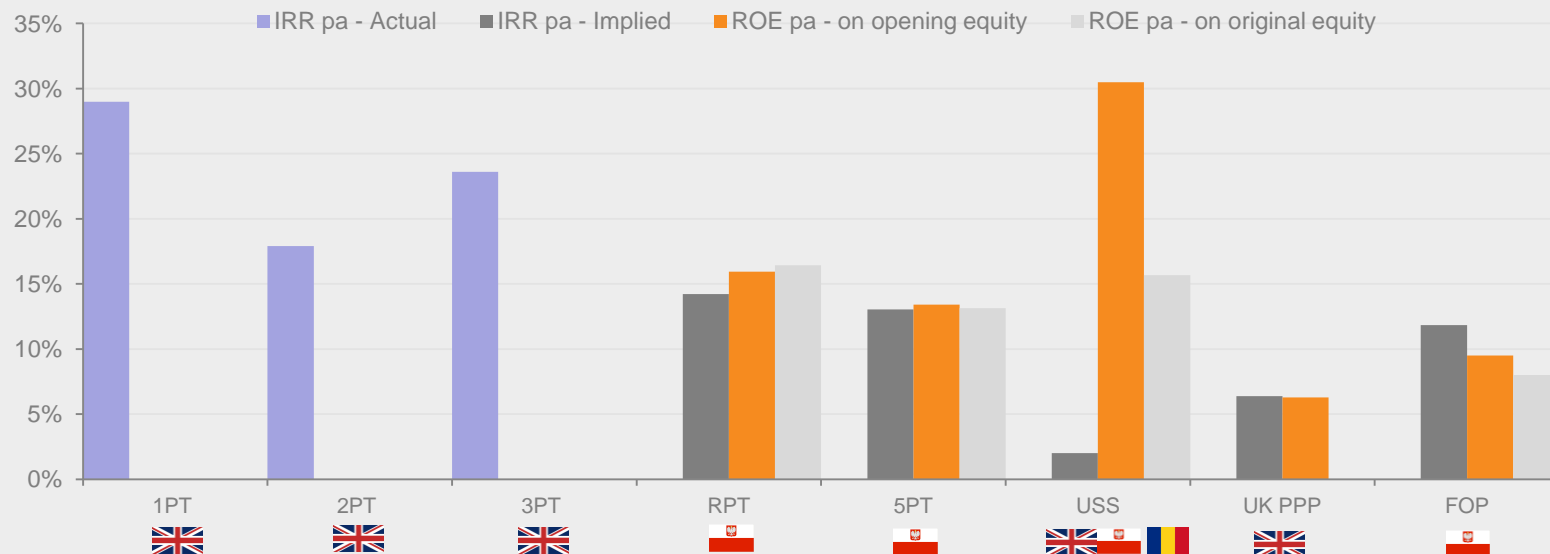


Appendix 2

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- 27-28 Investment Philosophy and Approach

Fund performance at 30 September 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 6.3% p.a. (unleveraged) and 30.5% p.a. (leveraged) net of fees, as at 30 September 2013.



- All implied IRR calculations use NAVs at 30-09-2013, and are since inception.
- All ROE's on original equity are calculated using annualised 2013/14 pre-tax income ÷ original shareholders' equity employed.
- All ROE's on opening equity are calculated using annualised 2013/14 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.
 - Recommenced development activity in the UK in May 2013 in response to government legislation relaxing the planning regime.
- **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 decision when phase 2 of the credit crunch began (2H 2011) and the financing market - upon which the property market relies - deteriorated, to implement a policy of only buying property in Poland high yielding enough to virtually allow us to earn our target returns from rental income alone.** Liquidity remains thin (except for very prime properties of large lot sizes) hence our policy to obtain liquidity from income.
- **Our return to development activity in the UK following relaxation of planning laws, effective 30 May 2013 and a boosting of demand as a result of "Help to Buy".**

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