

First Property Group plc

Final Results

For the year ended 31 March 2009

Ben Habib – Chief Executive
George Digby – Finance Director



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- 4 funds under management at 31 March 2009 : £310 million
- Geographical split by value:
 - Poland 88%
 - Romania 7%
 - UK 5%
- Sector split by value:
 - Offices 68%
 - Retail 22%
 - Industrial 10%
- Over 70% of leases by value expire after end 2012.
- Fees earned during the year of £4.57 million (2008: £8.34 million), including £589,000 (2008: £5.65 million) of performance fees.
- Fees currently running at £4.16 million per annum (excluding any performance fees).
- Recently acquired a new warehouse let to Indesit in Radomsko Poland for a value of £20 million, on behalf of Fund 7 (USS).
- £40 million of equity remaining to be invested on behalf of Fund 7 (USS), some of which is earmarked for the UK.
- Group assets owned on behalf of clients in CEE outperformed the IPD Benchmark for that region over the year to 31 December 2008 by some 4.1% (Fprop funds earned an un-gearred total return of 4.9% vs. the benchmark IPD value of 0.8%).
- IPD CEE Benchmark data as at year end 2008 ranks Fprop fund performance # 1 over the past 3 years. This period is the full period since the Group first invested there.
- Expect 2009 to be a more testing year for funds managed on behalf of clients.

- 2 office properties owned by the Company:

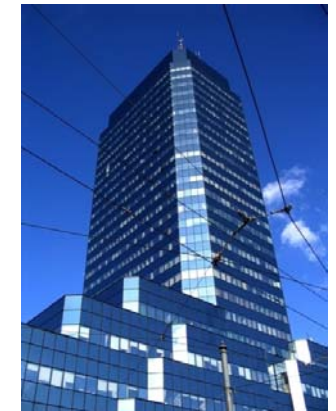
Property 1: Located in the Mokotow district of Warsaw

- Acquired in December 2007
- Price : PLN 11.5 million (£2.3 million)
- Net rental income : PLN 1.3 million (£260,000) pa
- Yield : 11.3%
- No debt



Property 2: Located in the CBD of Warsaw

- Acquired in December 2008
- Price : USD 12.5 million (£7.8 million)
- Net rental income : USD 1.2 million (£750,000) pa
- Yield : 9.6%
- Debt : USD 10.60 million (£6.63 million)
- ROE : 28% per annum



- The aim with both properties is to increase their rents and then sell when the investment markets improve. On property 1 we also will seek to gain planning consent for residential re-development.
- Revenues earned during the year of £1.2 million (2008: 2.1 million) and an operating profit of £841,000 (2208:£771,000).
- Valued on the balance sheet at cost.

- First Property Services is in the business of installing and maintaining air cooling/heating systems.
- 60% owned by the Group.
- Clients including the BBC, Canary Wharf, Credit Swiss, Moody's and Coutts.
- Revenues during the year of £5.35 million (2008: £4.94 million) and a pre-tax profit of £613,000 (2008: £737,000).
- Heavy City dependency but trading well.
- No Group loans to FPS.

- Poland fared particularly well in 2008, ending that year with GDP growth of 4.8%, a low budget deficit of some 2% of GDP and a low current account deficit of some 4%.
- Flight of capital from CEE in late 2008/early 2009.
- Consequential reduction in the value of CEE currencies including the Polish Zloty (PLN).
- Rents are typically denominated in Euro. A weakening PLN has a direct adverse consequence for rents and therefore the property market.
- The PLN has regained some of its losses.
- Yields on Polish commercial property investments have increased i.e. values have fallen and they are expected to fall further during 2009.
- The extent of the fall in values will be determined by the depth and length of the weakness in Poland's economy.
- Remarkably the Polish economy is forecast to grow a small amount this year.
- Debt levels in Poland at a Government, consumer and business level are relatively low by comparison to other European countries.
- EU membership coupled with Poland's sound economic fundamentals ought to position Poland well for a recovery once Global trade begins to pick up again.

- The UK economy has and is going through a sharp contraction and debt levels are high both at a Government and consumer level.
- Yields on commercial property have increased substantially over the last 2 years, with a total reduction in value of some 40%.
- There are signs that some buying activity is returning to the property investment market.
- Rents will remain under pressure for the next few years but the yield adjustment has been substantial enough to make opportunistic acquisitions of investment property an attractive proposition again.
- It is quite possible that the UK market may slide again, particularly if the macro-economic picture should materially deteriorate further.

- Profit on ordinary activities before performance fees and taxation of £3.27 million (2008: £2.92 million).
- Diluted earnings per share of 2.74p (2008: 3.81p).
- Increased dividend for the year of 1 pence per share (2008: 0.8 pence per share).
- The Group ended the year with net assets of over £13.6 million (2008: £12 million) and a cash balance of £10 million. Interest income earned from this was £0.4 million (2008: £0.2 million). Interest income for 2010 is expected to be significantly reduced.
- Secure cashflow base with contracted earnings until 2015 running at £4 million per annum.

- Actively extended tenant leases and increased rents so that over 70% of the leases in the portfolio (by value) now expire after the end of 2012 and rent on the portfolio increased by some 3% during 2008.
- Recently completed purchase of a new warehouse, let to Indesit, in Radomsko, Poland, at a value of some €22 million (£20 million), on behalf of Fund 7 (USS). A number of other property purchases also under consideration; this will result in partial drawdown of unused £40m of equity still to be invested on behalf of USS.
- Recruited 2 full time executives specialising in the debt and the equity markets respectively, to assist with growing the funds under management for First Property Asset Management, and to earn fees for raising money on behalf of 3rd parties - Jeremy Barkes, our equity specialist, operates through First Property Asset Management Limited, under the trading name FJB Capital Advisers.
- Planning launch of a new fund aimed at UK commercial investment properties.
- Subscribed to IPD who have confirmed Fprop fund performance in CEE is ranked # 1 over the past 3 years versus the benchmark of other IPD subscribers. This period is also the full period of our investment in CEE.

Segment Information	Year to 31 March 2008	Year to 31 March 2009
Revenue (£m)		
Prop. Fund Mgt	8.34	4.57
Prop. Trading	2.11	1.20
Property facilities management	4.94	5.35
Other fees and income	0.18	0.1
Total Sales	15.57	11.22
Operating Profits (£m)		
Prop. Fund Mgt	5.74	2.85
Prop. Trading	0.77	0.84
Property facilities management	0.74	0.61
Other fees and income	0.27	0.44
Unallocated central costs	(1.23)	(0.88)
Total Pre-Tax Profits (£m)	6.29	3.86
Diluted EPS (p)	3.81	2.74
DPS (p)	0.8	1.00

- Despite the Global economic environment, Fprop remains a secure and growing business capable of delivering excellent returns to its clients and shareholders.
- We do expect some reduction in values of the properties (and possibly the Euro) currently managed by the Group, with a consequential reduction in fee income but our earnings are secure.
- With £10 million of our own cash and £40 million of equity remaining to be invested on behalf of clients, the Group is in a strong financial position, although the cash is not generating any meaningful revenue.
- We remain cautious but we will take advantage of attractively priced property where we believe the rental streams to be secure.
- We have excellent property expertise within the Group, including the ability to raise our own funds as needed.
- We are planning the launch of a new fund aimed at UK commercial investment properties.

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- Our Team on the Ground
- Fund Performance
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- **Number of shares in issue:** **108.2 million**
- **Number of shares held in treasury:** **3.43 million**
- **Diluted EPS:** **2.74p**
- **Share price:** **15.25p**
- **Market capitalisation:** **£16.5 million**
- **Major shareholders:**

Benyamin Naeem Habib	15,500,000	14.33%
J C Kottler	14,471,783	13.38%
Universities Superannuation Scheme Limited	8,825,000	8.16%
Alasdair James Locke	8,571,990	7.92%
Philippe Investment Mgt	7,893,200	7.30%
NFU Mutual Ins Soc Ltd	3,750,000	3.47%
R S Duckworth	3,478,580	3.22%



Non-executive Chairman, Alasdair Locke, MA (Oxon)

Alasdair is also Executive Chairman of Abbot Group plc, a company providing wide ranging services to the oils services industry. He was voted Scottish Entrepreneur of the Year in 1999.

Chief Executive, Ben Habib, MA (Cantab)

- Ben is the Chief Executive and founder of Fprop; he has 15 years experience in the property sector having previously worked in a private capacity as a developer and investor. Ben has a strong financial background, having been FD of PWS (a reinsurance broking company listed on the LSE) and before that in corporate finance at Shearson Lehman Brothers. Aside from Fprop, he sits on the board of governors of Rugby School.



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

Prior to joining Fprop in 2003, George ran his own private consultancy for five years. He boasts an enviable financial track record, having worked as FD for ten years for Fired Earth plc, overseeing its listing of the LSE, a tripling of its turnover and a doubling of its pre-tax profits.





Property Director, Martin Pryce, B.Sc, MRICS, IMC

Having been Managing Director of Propertytrade plc, a commercial property portal, Martin joined the Fprop team in 2001, following its acquisition by Fprop. He brings with him a solid background in chartered surveying, having been a partner at Donaldsons Chartered Surveyors until 2000, specialising in retail property.



Managing Director of First Property Poland, Przemyslaw Kiszka, MA, CFA

He has been with First Property for three years and involved in transactions of combined value exceeding €200m. His key responsibilities are asset management and liaising with lending banks as well as mitigation of risk exposures with derivatives instruments. Prior to joining First Property he was the senior analyst for a private equity and a corporate analyst for an open investment fund (Invesco TFI).



Head of Debt: Chris Nichols

After leaving a City law practice where Chris specialised in commercial property, he worked for a number of financial institutions working on a range of debt related instruments from the acquisition of non-investment grade CMBS bonds. To the origination of senior debt secured over commercial property throughout Europe. Chris joined the Group in October 2008.



FJB Capital Advisers; MD, Jeremy Barkes

Following 10 years in equity sales, latterly specialising in real estate, Jeremy joined the Group in February 2009 to raise equity for investment by FPAM, as well as on behalf of 3rd parties.



Facilities Management (First Property Services): MD, Phil Moore, ONC, HNC

Phil was Managing Director of Direction Group for seven years before joining Fprop in 2006, following the acquisition of his business by Fprop. Prior to this, he was Director of Rosser and Russell Building Services.

The Group has a policy of managing its property portfolio in-house, as much as possible.

It employs:

- 8 staff in the UK in fund management and property trading.
- 18 staff in Poland in fund management and property trading
- 18 staff in facilities management.



- Fund 1 (UK commercial) launched in 2002 and dissolved in 2006: IRR earned from properties of 52%.
- Fund 2 (UK commercial) launched in 2002 and dissolved in 2007: IRR earned from properties of 73%.
- Fund 3 (UK commercial) launched in 2003 and dissolved in 2007: IRR earned from properties of 54%.
- Fund 4 (UK offices) launched in 2004 on behalf of a HNW and still running: earning some 9% return of equity per annum from rent alone. The fund is not revalued on an annual basis and First Property does not have full discretion over its management.
- Fund 5 (UK & CEE commercial) launched in 2004 and still running: If properties held by the fund had been sold at their value at 31 March 2009, the annualised IRR earned by the fund would have been some 12%. [The fund earned a pre-tax profit (excluding notional capital gains/ losses on property held) return on equity of some 11% for the year to 31 March 2009.]

- Fund 6 (UK & CEE commercial) launched in 2004 and still running: If properties held by the fund had been sold at their value at 31 March 2009, the annualised IRR earned by the fund would have been some 19%. [The fund earned a pre-tax profit (excluding notional capital gains/ losses on property held) return on equity of some 9% for the year to 31 March 2009.]
- Fund 7 (UK & CEE commercial, the USS fund) launched in 2005 and still running: If properties held by the fund had been sold at their value at 31 March 2009, the annualised IRR earned by the fund would have been some 21%. [The fund earned a pre-tax profit (excluding notional capital gains/ losses on property held) return on equity of some 6% for the year to 31 March 2009.]
- Fprop funds under management in CEE outperformed the IPD Benchmark for that region during 2008 by 4.1% (funds earned an un-gearred total return of 4.9% vs. the benchmark value of 0.8%).
- Despite being a new entrant to the CEE property investment market in Q4 2005, Fprop funds under management in CEE ranked # 1 in terms of performance over the 3 years 2006, 2007 and 2008, versus the IPD CEE Benchmark.

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