



# Interim Results

for the half year ended 30 September 2017

First Property Group plc

23 November 2017



FPAM funds rank No.1 versus MSCI's Central & Eastern European (CEE) Benchmark for the eleven years from the commencement of its operations in Poland in 2005 to December 2016, and for the periods from 2005 to 31 December 2008 and each of the years thereafter. In addition, FPAM's UK Pension Property Portfolio (UK PPP) was awarded best "Small Specialist Fund" by MSCI at its UK Property Investment Awards 2017. FPAM was also one of ten fund managers, out of a pool of 95, to be awarded a Data Quality Award by MSCI.

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**First Property Group plc (AIM: FPO)** is an award winning property fund manager and investor with operations in the United Kingdom and Central Europe. Around one third of the shares in the Company are owned by management and their families.

- Its focus is on higher yielding commercial property with sustainable cash flows;
- The company is flexible and takes an active approach to asset management;
- It has an excellent track record.



UK Property  
Investment Awards  
**WINNER 2017**

IPD® Measured Fund



FPAM funds rank **No.1** versus MSCI's Central & Eastern European (CEE) Benchmark for the eleven years from the commencement of its operations in Poland in 2005, and for the annualised periods from 2005 to the end of each of the years from 31 December 2008. In addition, FPAM's UK Pension Property Portfolio (UK PPP) was awarded best "**Small Specialist Fund**" by MSCI at its UK Property Investment Awards 2017. FPAM was also one of ten fund managers, out of a pool of 95, to be awarded a **Data Quality Award** by MSCI.

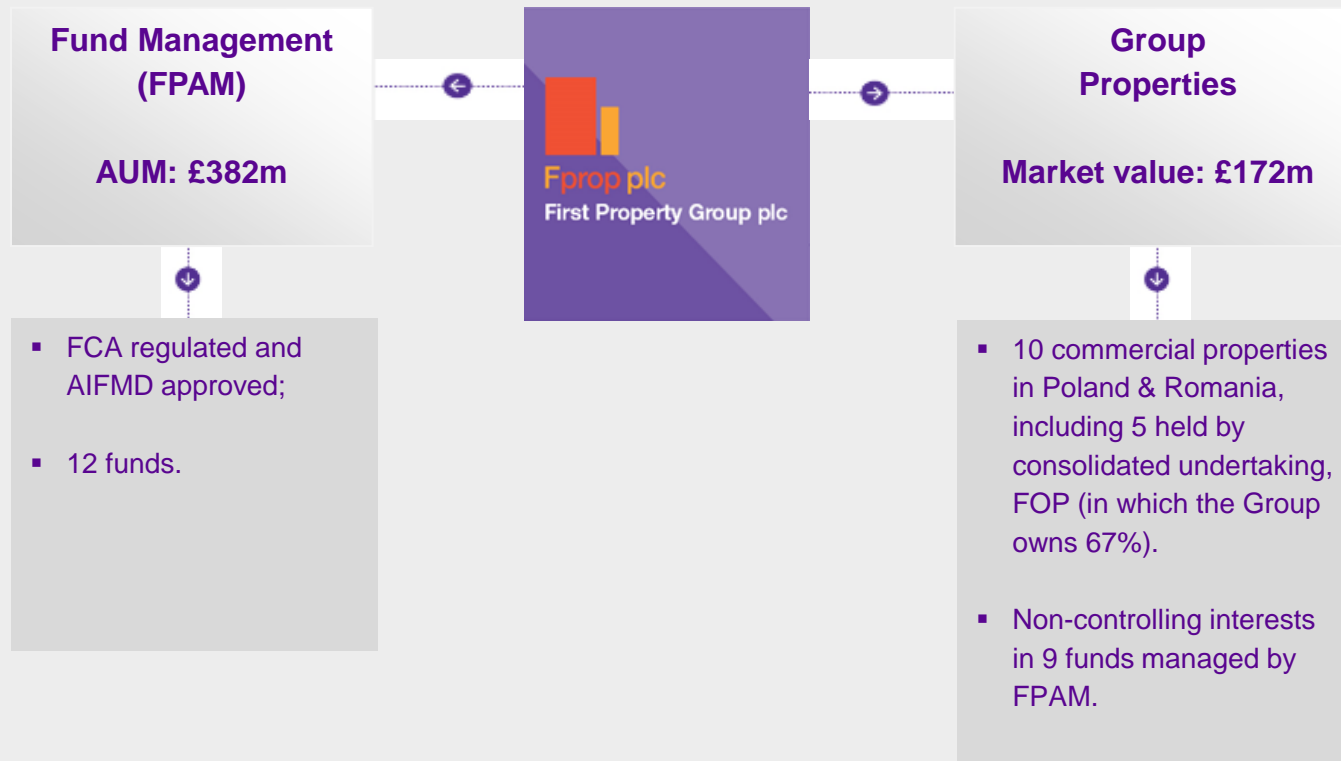
➤ **Sustainable income is a priority:**

- The yield at purchase of any property investment must ALWAYS exceed debt service costs;
- We assess investments with an emphasis on ROE as opposed to IRR (because IRR's require an exit price assumption);
- Over the long term it is income and not capital value movements which largely determine total returns;
- Sustainable high income streams can sustain leverage and thereby enable total equity returns to be boosted;
- Capital is better protected if investments yield a high income, preferably from a low (reversionary) rent level.

**We target higher yielding properties with sustainable income streams, enabling us to boost returns by applying leverage.**

- **Property is illiquid** – but this illiquidity can be mitigated by rental income – liquidity through income;
- **Flexibility in the light of market changes;**
- **An active approach to asset management (where possible):**
  - Largely exited the UK commercial property market in 2005, re-entered in 2009. We act dynamically;
  - Reversed asset management policy of waiting until lease expiry to renew leases following onset of the credit crunch in 2008;
  - Recommenced development activity in the UK in May 2013 in response to the introduction of Permitted Development Rights and the boosting of demand for residential property with the “Help to Buy” scheme.

The Company operates via two divisions:



# Interim Results - Highlights

	Unaudited six months to 30 September 2017	Unaudited six months to 30 September 2016	Percentage change	Audited year to 31 March 2017
<b>Income Statement:</b>				
Revenue	£12.09m	£11.12m	+8.7%	£23.66m
Statutory profit before tax	£4.98m	£4.47m	+11.4%	£9.14m
Diluted earnings per share	2.84p	2.40p	+18.3%	6.61p
Total dividend per share	0.42p	0.40p	+5.0%	1.55p
Average £/€ rate used	0.881	0.822	+7.2%	0.841
<b>Balance Sheet at year end:</b>				
Net assets per share	35.68p	29.50p	*+21.0%	34.84p
Adjusted net assets per share*	51.25p	45.86p	+11.8%	47.46p
Cash Balances	£10.00m	£14.12m	-29.2%	£15.95m
Year end £/€ rate	0.881	0.865	+1.8%	0.855

\* Calculated according to EPRA triple net valuation methodology, which includes adjustments for fair values of i) financial instruments, ii) debt, and iii.) deferred taxes.



	Unaudited six months to 30 September 2017	Unaudited six months to 30 September 2016	Percentage change	Audited year to 31 March 2017
<b>Group Direct Property Portfolio at year end:</b>				
Book value	£146.3m	£144.3m	+1.4%	£143.5m
Market value	£171.9m	£170.3m	+0.9%	£164.5m
Gross debt (non-recourse to Group)	£117.8m	£122.0m	-3.4%	£117.5m
LTV%	68.6%	71.6%		71.5%
<b>Total Assets Under Management:</b>	<b>£554m</b>	<b>£405m</b>	<b>+36.8%</b>	<b>£477m</b>
Poland	40.8%	48.6%		45.4%
Romania	2.2%	4.8%		3.2%
United Kingdom	57.0%	46.6%		51.4%

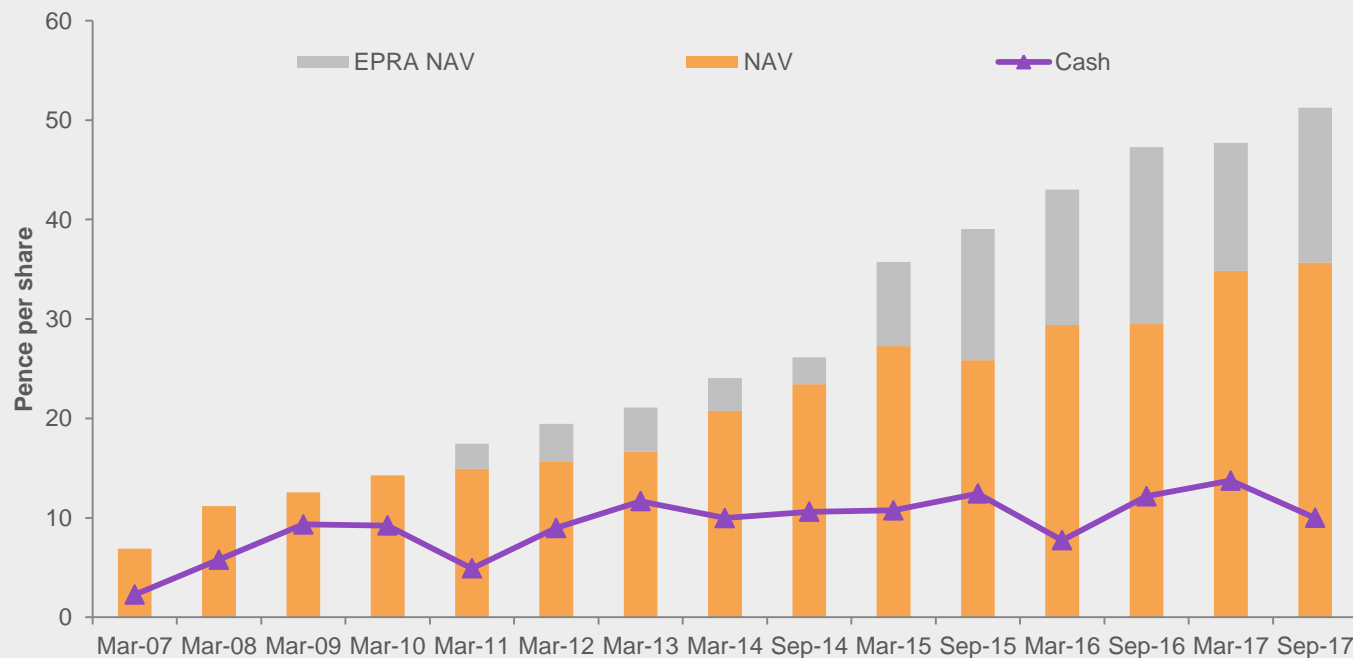
**NB. Group Properties excludes the Group's non-controlling interests in six other FPAM managed funds**

## Financial Highlights:

- Profit before tax up 11% to £4.98million;
- Contribution by Group Properties: £6.08 million (2016: £5.84 million) prior to deduction of unallocated central overheads and tax;
- Fund management fee income up 42% to £1.49 million (2016: £0.92 million).
- Interim dividend increased by 5% to 0.42 pence per share (2016: 0.40 pence per share);
- Cash reduced to £10.00 million (2016: £14.12 million) due to investments and capital expenditure of £5.14 million;
- Adjusted NAV per share up 12% to 51.25 pence per share (2016: 45.86 pence per share);
- Growth in adjusted NAV, together with dividends paid, since 2006 has equated to 26% per annum on an annualised basis.

## Operational Highlights:

- Total assets under management up 37% to £554 million (2016: £405 million);
- Third party assets under management up 63% to £382 million (2016: £235 million);
- Weighted average unexpired fund management contract term: 6.08 years (2016: 6.42 years);
- New fund management contract, Fprop Offices LP: £182 million in equity (of which £51 million has been invested so far) for investment in office properties in England.

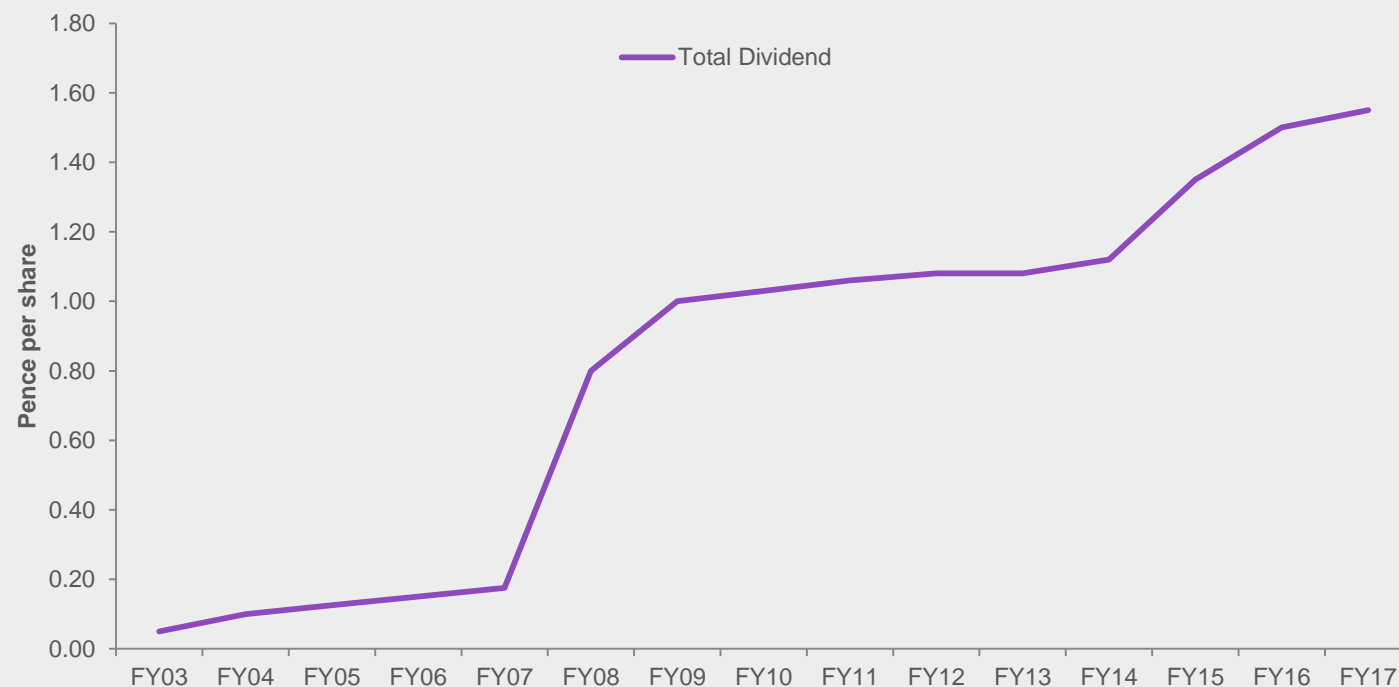


Adjusted NAV calculated as per European Public Real Estate Association (EPRA) methodology, which includes fair values of: financial instruments; debt; deferred taxes.

- **Adjusted NAV:**  
**51.25p;**
- **Adjusted NAV growth, together with dividends paid:**  
**26% on an annualised basis since 2006.**

#### External valuers:

- CBRE;
- BNP Paribas;
- Polish Properties Sp. z o.o.



**Proposed Interim dividend:**

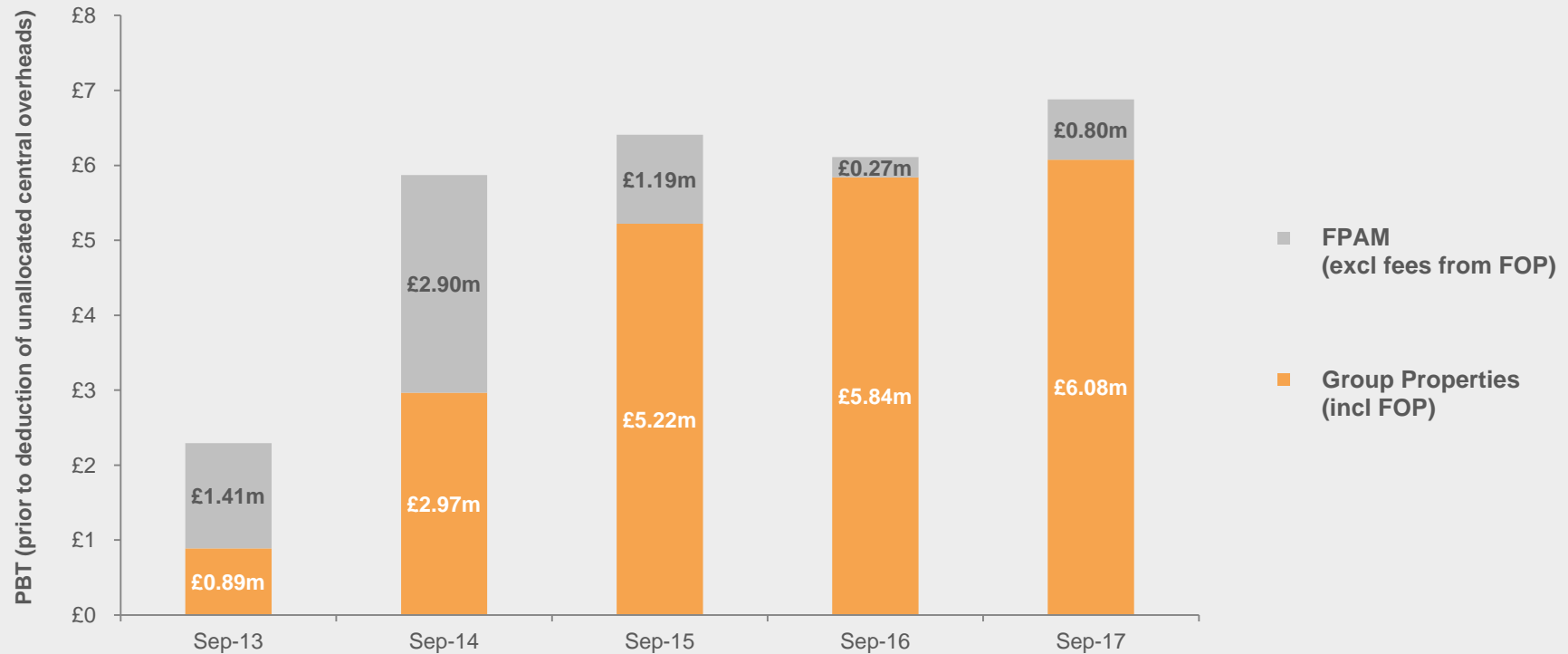
0.42p (2016: 0.40p)  
+5.0%

**Ex div date:** 30 Nov  
**Record date:** 1 Dec  
**Payment date:** 29 Dec

**Total dividend for year to Mar-2017:**

1.55p (2016: 1.50p)  
+3.3%

# Segmental Analysis



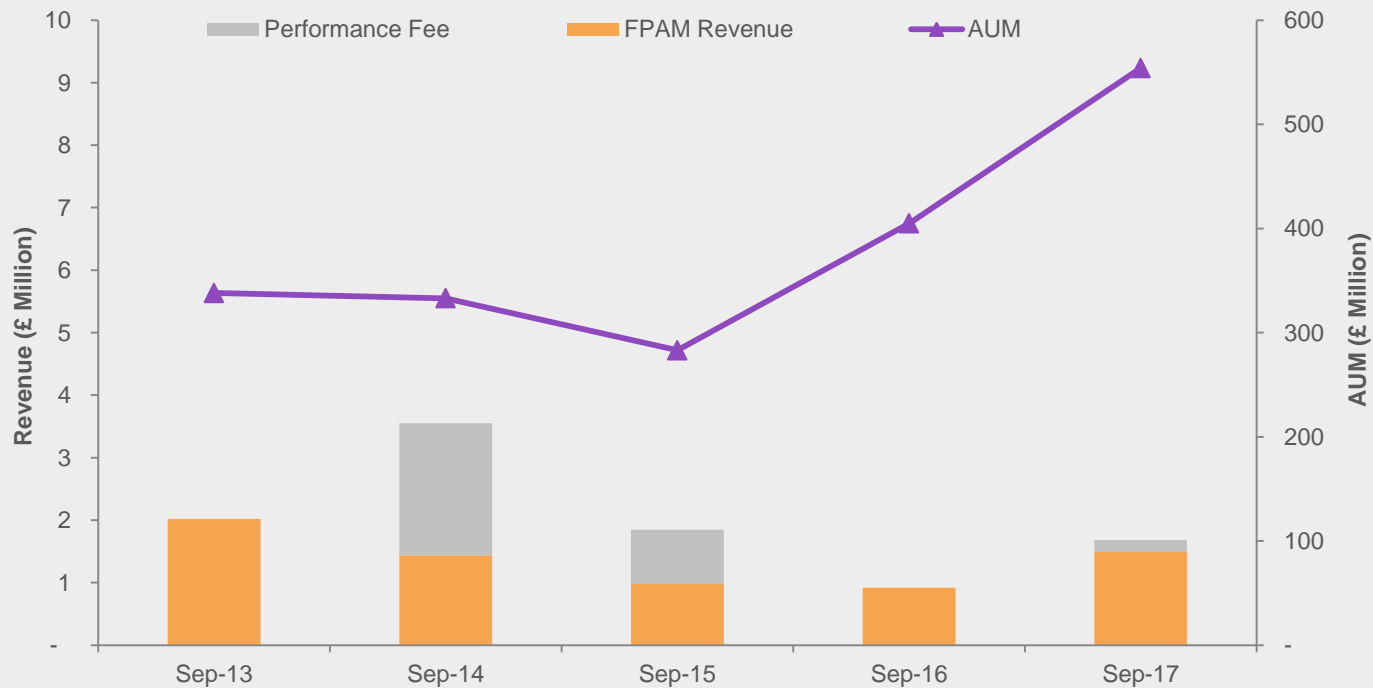
### Fund Management

- **£804,000 to PBT\***  
**(2016: £273,000)**
- **11.7% of PBT\***  
**(2016: 4.5%)**

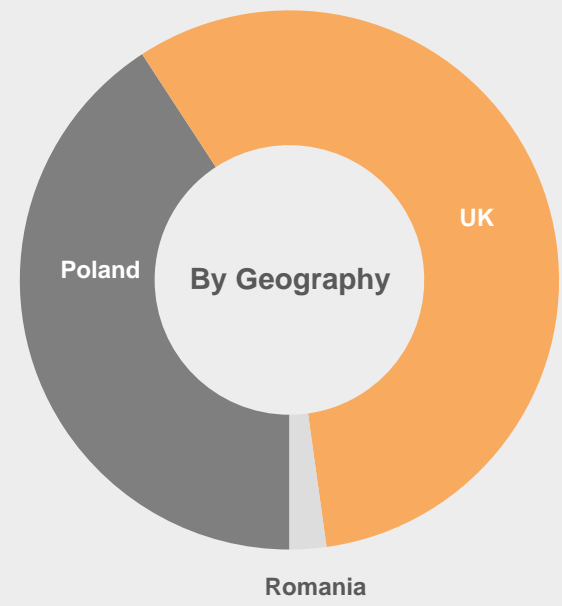
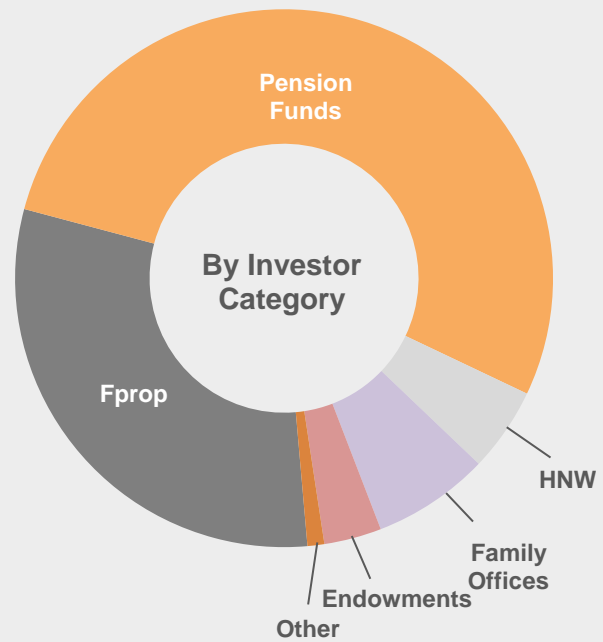
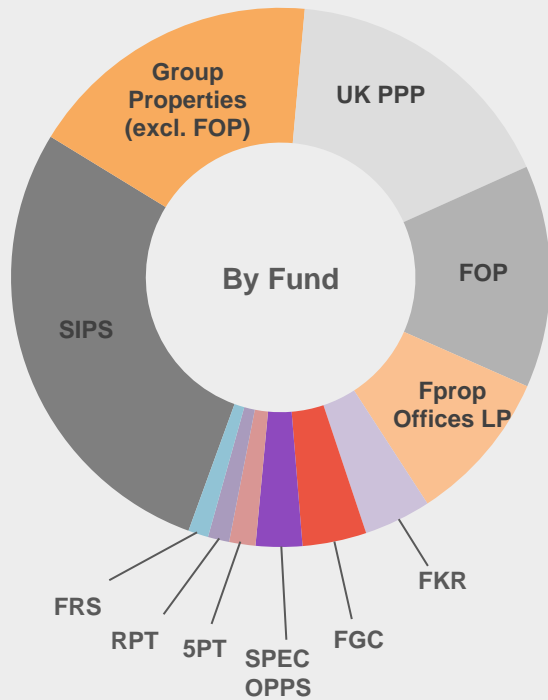
\* = prior to deduction of unallocated central overheads.

- Third party AUM: £382m;
- Uninvested equity commitments: £140m = in-built growth;
- 12 funds;
- UK, Poland & Romania;
- Excellent track record;
- FCA regulated and AIFMD approved.





- **AUM** set to continue to rise;
- Underlying annualised fee income (excl perf fees) = £2.64m (2016: £1.90m).



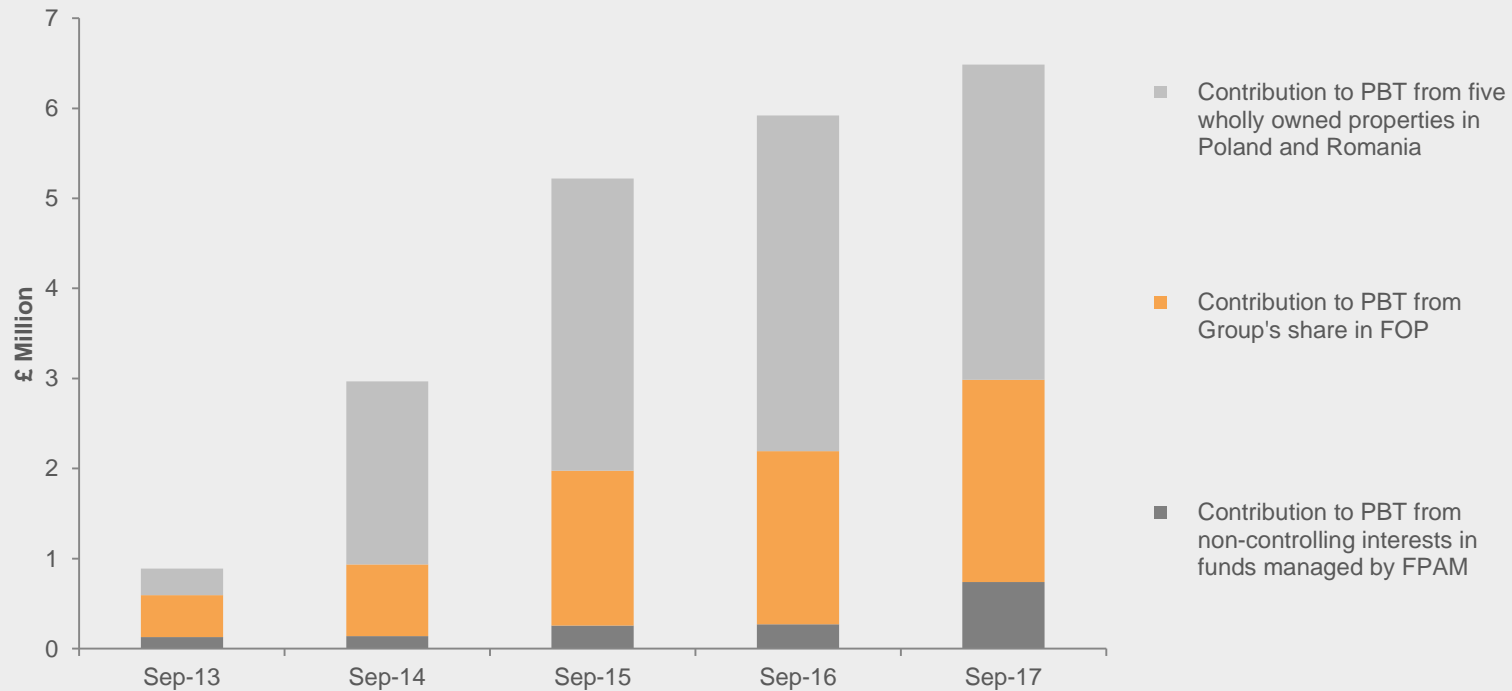
### Group Properties

➤ **£6.08m to PBT\***  
**(2016: £5.84m)**

➤ **88.3% of PBT\***  
**(2016: 95.5%)**

\* = prior to deduction of unallocated central overheads.

- 10 commercial properties in Poland & Romania, including 5 held by FOP :
  - Book value £146.3m gross / 28.5m net
  - Market value £171.9m gross / 54.1m net
- Non-controlling interests in 9 of the 12 funds managed by FPAM:
  - Book value £7.7m
  - Market value £9.1m
- Combined:
  - Total book value = **£36.2m**
  - Total market value = **£63.2m**



	Six months to 30 September 2017 €m.	Six months to 30 September 2016 €m.
Net operating income (NOI)	9.41	9.66
Interest expense on bank loans / finance leases	(1.59)	(1.67)
<b>NOI after interest expense</b>	<b>7.82</b>	<b>7.99</b>
Current tax	(0.71)	(0.61)
Debt amortisation	(3.66)	(3.60)
Capital expenditure	(2.10)	(0.46)
<b>Free cash</b>	<b>1.35</b>	<b>3.32</b>
Market value of properties	€195.08m	€196.87m
Average yield on market value	9.6%	9.8%
Bank loans / finance leases outstanding	€133.74	€141.00
Loan to value (LTV)	68.6%	71.6%
Weighted average unexpired lease term (WAULT)	3.13 yrs	3.73 yrs
Vacancy rate	1.5%	1.8%

**NB. Group Properties reduced from 11 to 10 following the sale of a warehouse in Ploesti, Romania, in March 2017.**

- Properties held in separate non-cross collateralised SPV's which are non-recourse to the Group;
- Interest rates:
  - Current weighted average borrowing cost = c2.46% (2016: 2.59%) per annum;
  - Group exposure to interest rate rises mitigated by selective use of interest rate caps and fixes. At period-end 40% was fixed.
- Valuation:
  - Yield vs market value = c9.5%
  - Yield vs book value = c11.5%

	Tenant	Sector	%
1	Asseco S.A.	Technology	29.36%
2	Citibank Europe Plc	Bank	12.32%
3	Carrefour	Food Retail	8.38%
4	Skanska S.A.	Construction	6.11%
5	Tesco (Polska) sp z o.o.	Food Retail	3.56%
6	Mazowiecki Oddział Wojewódzkiego Narodowego Funduszu Zdrowia	Insurance	3.02%
7	First Property Poland	Financial Services	2.29%
8	Bank Zachodni WBK SA	Bank	2.17%
9	Aquila	Logistics	2.16%
10	HRK	HR	1.95%
<b>% of rental income attributable to top 10 tenants</b>			<b>71.31%</b>

- Weighted Average Unexpired Lease Term (WAULT) = 3.13 yrs, (2016: 3.73yrs);
- Occupancy ratio = 97.8% (2016: 97.6%).

# Markets



### ➤ **GDP Growth - continues to exceed that of most other EU nations**

- 2017: >4% (F);
- 2018: 3.4% (F);
- Inflation: c2% per annum;
- Government debt remains low by international standards at c54% of GDP.



### ➤ **Commercial Property:**

- Rent levels for office property have generally softened over the past couple of years, as the pace of new development has increased;
- Capital values for prime property have increased;
- Capital values for good secondary property yield around one third more than equivalent property in Western Europe at 7-9% per annum;
- Transaction volumes rising (2016 >€4 billion).

### ➤ **Debt market:**

- Senior loan margin = c2.5% over EURIBOR;
- Banking sector is well capitalised and prepared to lend against property at record low interest rates.

### ➤ GDP Growth:

- 2017: >5% (F) [3Q = 8.8% yoy!]
- 2018: >4% (F)

### ➤ Commercial Property:

- Occupier and investor demand picking up from a relatively low level;
- New development beginning to pick up, but take-up rate matching this increased supply for now;
- Still a mismatch between buyer and seller pricing expectations, mainly due to higher debt finance costs and amortisation rates prevalent in Romania.

### ➤ Debt market:

- Senior loan margin = 3.5-4% over EURIBOR;
- Margins beginning to reduce, which should boost investment demand for commercial property in due course.



### ➤ GDP Growth:

- 2017: c1.5% (F)
- 2018: c1.5% (F)

### ➤ Commercial Property:

- 0.25% interest rate rise should have little impact on the commercial property market given the Bank's continued loose monetary policy program, and the continued limited availability of bank debt;
- The buying window for commercial property which we identified last year following the UK's referendum on its membership of the EU remains open for specific kinds of property, in particular the larger institutional lot sizes;
- We remain bullish.

### ➤ Debt market:

- Senior loan margin = c2.5% over LIBOR.



### 1. Expertise:

- Experienced, nimble management team;
- Excellent investment track record: 26% p.a. growth in net assets plus dividends since 2006;
- Ranked No.1 vs MSCI's Central & Eastern European Benchmark.

### 2. Reliable earnings:

- Diversified income streams from investment returns and fund management fees;
- Very nearly ALL profits are of a recurring nature;
- Cash generative with a strong balance sheet;
- Progressive dividend policy. Currently over four times covered by earnings.

### 3. Growth:

- In-built growth in net assets from high return on equity invested;
- In-built growth in AUM - should rise to £750 million on current commitments;
- All fund management clients have had good experiences;
- £10m of cash available for future deals;
- Operationally geared – can take on new business without material increases in overheads.

### 4. Geographically diversified:

- Operations in UK, Poland and Romania;
- All three countries performing well economically and amongst the highest growth areas in Europe;
- Mix of jurisdictions provides a natural hedge for Brexit volatility.

# Appendix

Fund	Country of Investment	Fund expiry	AUM 30 Sep-2017	% of total AUM
<b>SAM &amp; DHOW</b>	UK	Rolling	*	*
RPT	Poland	Aug 2020	£7.1m	1.3%
5PT	Poland	Dec 2022	£8.7m	1.6%
UK PPP	UK	Feb 2022	£93.3m	16.9%
PDR	UK	May 2018	-	-
SIPS	UK	Jan 2025	£156.1m	28.2%
FRS	Romania	Sep 2025	£6.7m	1.2%
FGC	Poland	Aug 2024	£21.2m	3.8%
FKR	Poland	Apr 2024	£22.3m	4.0%
SPEC OPPTS	UK	Jan 2027	£15.4m	2.8%
OFFICES	UK	Jun 2024	£51.1m (commitment of £182m)	9.2%
<b>Sub Total</b>			<b>£381.9m</b>	<b>69.0%</b>
FOP	Poland	Oct-2025	£73.9m	13.3%
Group Properties	Poland & Romania	n/a	£98.0m	17.7%
<b>Sub Total</b>			<b>£171.9m</b>	<b>31.0%</b>
<b>Total</b>		<b>6.08 yrs</b>	<b>£553.8m</b>	<b>100%</b>

\*Not subject to recent valuation

## Reconciliation of movement in funds under management

	Funds managed for third parties (including funds in which the Group is a minority shareholder)				Group Properties (including FOP)		Totals	
	UK £m.	CEE £m.	Total £m.	No. of prop's	All CEE £m.	No. of prop's	AUM £m.	No. of prop's
<b>As at 1 Apr-2017</b>	<b>245.3</b>	<b>67.7</b>	<b>313.0</b>	<b>63</b>	<b>164.5</b>	<b>10</b>	<b>477.5</b>	<b>73</b>
Purchases	15.4	-	15.4	3	-	-	15.4	3
Sales	-	(3.7)	(3.7)	(3)	-	-	(3.7)	(3)
New fund mandates	51.1	-	51.1	3	-	-	51.1	3
Capital Expenditure	-	-	-	-	1.8	-	1.8	-
Property Depreciation	-	-	-	-	(1.1)	-	(1.1)	-
Property Revaluation	4.1	-	4.1	-	1.6	-	5.7	-
FX Revaluation	-	2.0	2.0	-	5.1	-	7.1	-
<b>As at 30 Sep-2017</b>	<b>315.9</b>	<b>66.0</b>	<b>381.9</b>	<b>66</b>	<b>171.9</b>	<b>10</b>	<b>553.8</b>	<b>76</b>

Property	No. of properties	Book value	Market value	Contribution to Group PBT before unallocated overheads – six months to 30 Sep-2017	Contribution to Group PBT before unallocated overheads – six months to 30 Sep-2016
Poland	3	£79.6m	£92.5m	£3.46m	£3.15m
Romania	2	£4.2m	£5.5m	£0.46m	£0.58m
FOP (consolidated undertaking)	5	£62.5m	£73.9m	£1.90m	£1.92m
<b>Total</b>	<b>10</b>	<b>£146.3m</b>	<b>£171.9m</b>	<b>£5.82m</b>	<b>£5.65m</b>



## Non-controlling interests in funds managed by FPAM

Fund	% owned by First Property Group	Book value of First Property's share in fund	Current market value of holdings	Group's share of pre-tax profits earned by fund 30 Sep-2017	Group's share of pre-tax profits earned by fund 30 Sep-2016
<b>Interests in associates:</b>					
5 <sup>th</sup> Property Trading (5PT)	37.8%	£664,000	£1,151,000	£56,000	£61,000
Regional Property Trading (RPT)	28.6%	£218,000	£270,000	£27,000	£26,000
Fprop Romanian Supermarkets Ltd (FRS)	24.1%	£649,000	£803,000	£482,000	£83,000
Fprop Galeria Corso Ltd (FGC)	28.2%	£1,784,000	£1,987,000	£134,000	£101,000
Fprop Krakow Ltd (FKR)	18.1%	£1,160,000	£1,598,000	£41,000	-
<b>Sub Total</b>		<b>£4,475,000</b>	<b>£5,809,000</b>	<b>£740,000</b>	<b>£271,000</b>
<b>Investments:</b>					
UK Pension Property Portfolio (UK PPP)	0.9%	£884,000	£884,000	£33,000	£18,000
Fprop PDR LP (PDR)	5.0%	£13,000	£13,000	-	-
Fprop UK Special Opportunities	4.8%	£760,000	£760,000	-	-
Fprop Offices	1.6%	£908,000	£908,000	-	-
Other		£693,000	£693,000	-	-
<b>Sub total</b>		<b>£3,258,000</b>	<b>£3,258,000</b>	<b>£33,000</b>	<b>£18,000</b>
<b>Total</b>		<b>£7,733,000</b>	<b>£9,067,000</b>	<b>£773,000</b>	<b>£289,000</b>

NB: It is the Group's accounting policy to hold its direct properties and shares in associates at the lower of cost or valuation.

	No of shares	% held (of issued and fully paid)
Ben Habib (Chief Executive Officer)	16,700,000	14.4%
New Pistoia Income Ltd	15,090,000	13.0%
J C Kottler Esq	12,206,783	10.5%
Universities Superannuation Scheme Limited	9,550,000	8.2%
Alasdair Locke (Non-Executive Chairman)	8,571,990	7.4%
<b>Total</b>	<b>62,118,773</b>	<b>53.5%</b>

<b>LSE (AIM) Symbol</b>	FPO.L	
<b>Share price</b>	52p	
<b>Market Cap</b>	£60.6 million	
<b>Dividend</b>	<b>HY2018</b>	<b>FY2017</b>
<b>Interim</b>	0.42p	0.40p
<b>Final</b>	-	1.15p
<b>Total for year</b>	-	1.55p
<b>EPS (undiluted)</b>	2.90p	6.75p
<b>EPS (diluted)</b>	2.84p	6.61p

	<b>HY 2017</b>	<b>HY 2016</b>
<b>Issued &amp; Fully Paid</b>	116,601,115	116,601,115
<b>Issued (excl Treasury)</b>	116,004,464	115,980,040
<b>Shares held in Treasury</b>	596,651	621,075
<b>Outstanding share options over Ordinary shares</b>	2,700,000	2,700,000
<b>Average strike price of outstanding share options</b>	14.65p	14.65p

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

Alasdair began his career in banking. In 1982 he established a Singapore-based business providing finance for and investing in shipping and offshore oil service companies which was subsequently acquired by Henry Ansbacher & Co Ltd.

On his return to the UK he established Abbot Group plc in 1990, which he took public in 1995. Upon its sale to private equity in 2008 Abbot Group was one of the leading oil drilling, engineering and contracting businesses in the world, with approximately 8,000 employees in over 20 countries and an annual turnover of cUS\$1.8 billion. The equity value of the disposal was in excess of £900 million.

Alasdair maintains a wide portfolio of business interests including insurance, retailing and petroleum. He is also Chairman of Argenta Holdings plc, an unlisted holding company which trades in Lloyds of London and Non-Executive Chairman of Hardy Oil & Gas plc.



### **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 from 1990-1995, and adviser to Lincolnshire County Council, Middlesbrough Borough Council and the London Pension Authority. Earlier roles included Chief Investment Officer with British Airways Pensions and investment management positions at National Provident Institution, Slater Walker and the Central Board of Finance of the Church of England.

Peter is also non-executive chairman of Scottish American Investment Company plc and Bell Potter (UK) Limited and the senior non-executive director at Gresham House plc and a non-executive director of JPMorgan Asian Investment Trust plc. He is a former non-executive director of MBNA Europe and former non-executive chairman of Arden Partners plc.



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

Ben founded and is CEO of First Property Group plc, an award winning commercial property fund manager with operations in the United Kingdom and Central Europe.

Prior to setting up First Property, Ben was Managing Director of a private property development company, JKL Property Ltd, from 1994 - 2000. He started his career in corporate finance in 1987 at Shearson Lehman Brothers. He moved in 1989 to PWS Holdings plc, a FTSE 350 Lloyds reinsurance broker, to be its Finance Director.

He was educated at Rugby School and Cambridge University.



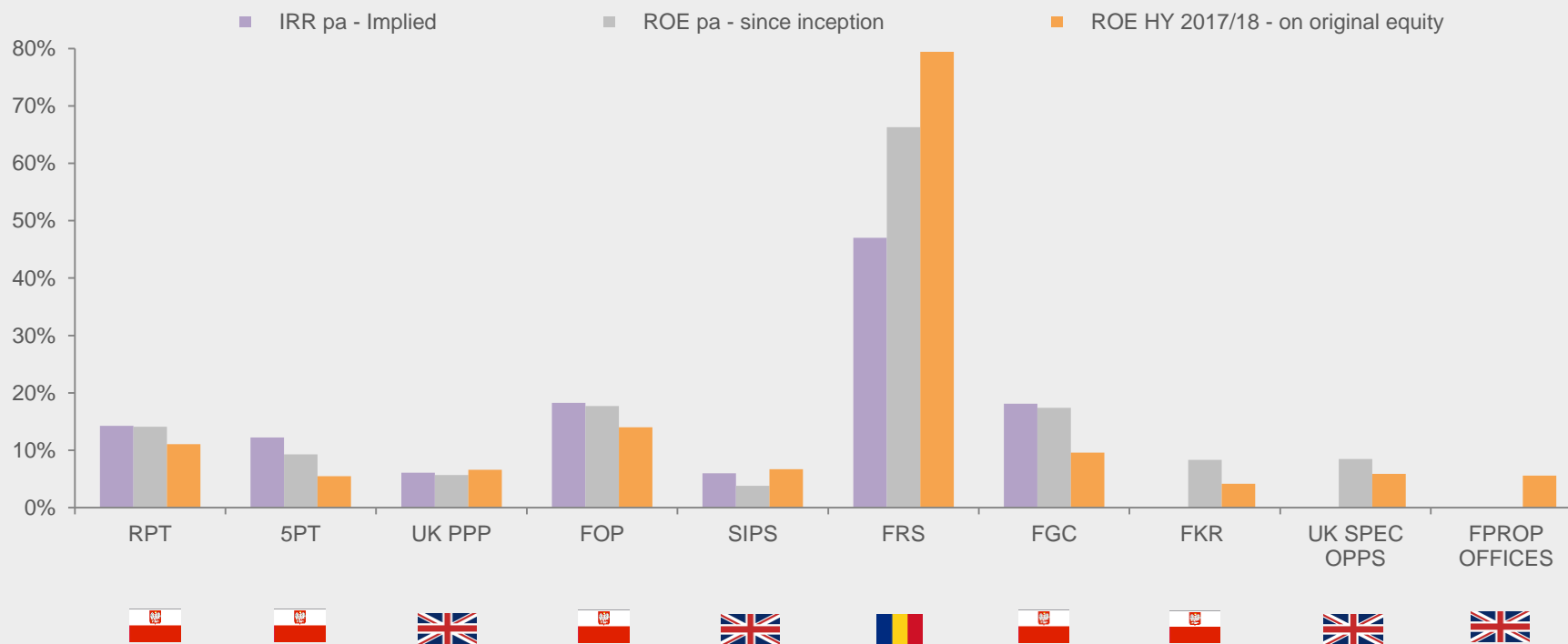
#### **Group Chief Financial Officer & Company Secretary — George Digby, BA (Hons), ACA**

George joined Fprop in 2003 following a five year period of running a private accountancy consultancy. Between 1989 and 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 he has overseen a rapid expansion of the fund management division, particularly from 2005, including the development of the Polish operations. He now oversees the financial accounting and reporting for 41 separate Group and underlying fund companies, incorporated both in the UK and Europe.







- Implied IRR's: assumed sale price = NAVs as at 30-Sep-2017;
- ROE's since inception: calculated using average pre-tax income per FY / original equity employed;
- ROE's for 2017/18 HY: calculated using annualised pre-tax income for FY period / by original equity employed.

IPD® Measured Fund



FPAM funds rank **No.1 vs MSCI's Central & Eastern European (CEE) Benchmark** for the eleven years from the commencement of its operations in Poland in 2005, and for the periods from 2005 to 31 December 2008, and to the end of each of the years thereafter. In addition, FPAM's UK Pension Property Portfolio (UK PPP) was awarded **best "Small Specialist Fund"** by MSCI/IPF at its UK Property Investment Awards 2017. FPAM was also one of ten fund managers, out of a pool of 95, to be awarded a **Data Quality Award** by MSCI.



UK Property  
Investment Awards  
**WINNER 2017**

wealth:finance2016  
alternative investment  
awards



alternative  
investment awards  
two thousand & fifteen  
winner

Shortlisted:





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