



ASX AND MEDIA RELEASE

15 October 2008

**FKP PLACES 5% STAKE WITH STOCKLAND &
ANNOUNCES CAPITAL RAISING**

FKP Property Group (FKP) announced today that it has secured a range of initiatives to strengthen its capital position and deliver on its strategy.

These initiatives include the establishment of a relationship with Stockland Corporation Limited (Stockland), together with a placement and entitlement offer.

FKP will also conduct a strategic review of operations to deliver value to security holders over the long term.

Strategic placement

FKP has signed a Subscription Agreement with Stockland for a placement of FKP stapled securities.

Under this agreement, Stockland will invest a stake of 5% in FKP for total consideration of approximately \$28 million, at a price of \$2.00 per stapled security. The issue price represents a 33% premium to FKP's closing price as at 10 October 2008.

Peter Brown, Managing Director and Chief Executive Officer of FKP, said: "This partnership with Stockland reflects the underlying value of FKP and the quality of our assets and businesses. FKP and Stockland have made a strong commitment to work together and we welcome them as a major investor in FKP."

Matthew Quinn, Stockland Managing Director, confirmed: "We are delighted with our investment in FKP, which we think will provide a number of partnering opportunities and transactions for both groups. FKP's business has a number of similarities with Stockland's and we look forward to exploring ways our groups can work together."

In recognition of Stockland's significant holding and commitment, it has been agreed that Denis Hickey, Chief Executive Officer, Stockland Residential Property will be appointed to the FKP Board.

Intention to conduct entitlement offer

FKP also announced today an intention to conduct an accelerated non-renounceable entitlement offer seeking to raise up to \$150 million. Under the entitlement offer, FKP will issue five new securities for every 14 securities held on the Record Date at a fixed price of \$1.50, which will result in the issue of up to approximately 100 million securities.

Under the entitlement offer, Mulpha Australia Limited, FKP's largest security holder, and Stockland have committed to subscribe for 35 million and 34 million securities respectively (including their pro rata entitlements), such that the minimum funds raised under the entitlement offer will be \$104 million. The number of securities allocated to Mulpha and Stockland may be scaled back from their total commitment, subject to the level of subscriptions received from other FKP security holders.

Combined, the placement and entitlement offer will raise a minimum of \$132 million for FKP. These funds will be used to strengthen the balance sheet, reducing pro forma gearing as at 30 June 2008, to approximately 35%.

This places FKP in a strong position in light of the current volatility in debt and equity markets worldwide. The funds raised will also assist in funding FKP's committed development pipeline including developments such as 133 Breakfast Creek Road, Newstead (Energen Building) SL8 and Village Square, Browns Plains in Queensland and Shearwater in Victoria.

FKP expects the entitlement offer will be launched in the week commencing Monday 20 October 2008, with further details to be provided at that time.

Strategic Review

FKP will conduct a strategic review of FKP's business including exploring further opportunities with Stockland, particularly in relation to FKP's retirement assets. Under the Subscription Agreement, FKP has granted Stockland a first right to acquire and a two month period of exclusivity in relation to a purchase of FKP's retirement assets with the aim of both parties exploring and working towards a potential transaction involving a re-structure or de-merger of FKP's retirement business.

In light of the strategic review and the potential for the recycling of income-producing assets, FKP believes it is no longer appropriate to maintain specific profit guidance for the financial year ending 30 June 2009.

FKP has also reviewed its distribution policy in light of the current capital markets environment and believes it is prudent to retain the majority of cash earnings to retire debt and fund working capital requirements. For the interim distribution for the period to 31 December 2008 FKP will distribute 100% of taxable earnings from the FKP Property Trust but will pay no dividend from FKP Limited.

Summary

FKP has today announced a number of initiatives that it believes will enhance FKP's longer term growth strategy through a period of unprecedented market volatility. The agreements reached today also reflect the strength of FKP's strategic partnerships and its land and development pipeline.

For further information:

Katherine O'Regan, General Manager, Corporate Communications (m) 0419 411 801
Shalome Mielewska, Investor Relations Manager, (m) 0404 811 847

FKP Property Group

With more than 30 years experience in the Australian property industry, FKP Property Group (FKP) is one of Australia's leading diversified property and investment companies. FKP successfully operates an integrated business model which includes retirement, property investment and funds management, land development, property development (incorporating residential, retail, industrial and commercial) and construction across Australia and New Zealand. FKP is an ASX top 200 company.

Issued by FKP Limited ABN 28010729950 www.fkp.com.au

SUMMARY OF FURTHER OF TERMS AGREED

Strategic placement

- ▶ The placement securities will be issued prior to the Record Date, such that SGP is entitled to participate in the entitlement offer for their 5%
- ▶ Stockland will not acquire more than 15% of FKP's securities over the next 3 months without the approval of the FKP Board
- ▶ Stockland will not sell any FKP securities until the earlier of a re-structure of FKP's retirement assets and 6 months from the placement
- ▶ Stockland commits to a phased sell-down in the event Stockland wishes to reduce its holding in FKP beyond this time

Entitlement offer

- ▶ If Stockland's holding in FKP (following completion of the placement and entitlement offer) is less than 10%, FKP undertakes to conduct a further placement of securities to SGP at \$2.00 per security, such that Stockland's total holding increases to 10%

Strategic review of retirement assets

- ▶ If Stockland puts forward a proposal (during the exclusivity period) in relation to FKP's retirement assets that is deemed by an independent expert to be fair and reasonable to FKP security holders (excluding SGP), the FKP Board have undertaken to put such a proposal to FKP security holders for their consideration
- ▶ In certain circumstances, if this transaction is not approved by security holders, a break fee of up to \$8 million will be payable to Stockland.