



ASX / MEDIA RELEASE

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FOCUS ON RESIDENTIAL DELIVERS PROFIT ON TARGET

FKP Property Group (FKP) today announced an underlying profit after tax of \$54.6m for the half year to December 2010, up 14% on the prior corresponding period (pcp). FKP also reaffirmed its FY11 guidance of 10-15 per cent growth in underlying profit.

FINANCIAL HIGHLIGHTS

- Statutory Profit After Tax \$54.6m
- Underlying earnings per security 4.7c
- Distribution per security 1.4c
- Net Tangible Assets per security \$1.24¹
- Gearing 29%

Chief Executive Officer and Managing Director Peter Brown said the profit result was driven by strong performances in residential communities, in particular the Saltwater Coast estate in Melbourne, and continued growth in cash generation from retirement villages.

“Being national and diversified allows FKP to produce sustainable long term earnings growth,” Mr Brown said.

“FKP is driving returns from the key performing areas within the residential portfolio, while also being well placed to capitalise on an upswing in demand in the commercial market and maintaining a balance of trading and recurring income.”

BUSINESS HIGHLIGHTS

Residential Communities

Masterplanned communities were a strong generator of profits in the 1H11 period and will continue to be a reliable source of trading income in the second half. Along with the Saltwater Coast estate, which has performed exceptionally in a good market, the Peregian Springs and Ridges at Peregian Springs estates have also performed well in a tougher Sunshine Coast market.

¹ Attributable to Stapled Security Holders, excluding other non-controlling interests

Residential Communities realised impressive growth in average lot prices sold at the Saltwater Coast Estate², Peregian Springs estate and Ridges at Peregian Springs. In 1H11 average sale prices at Saltwater Coast were up 15 per cent on pcp, while at Peregian Springs and Ridges prices were up 8.4 per cent on pcp.

The Rochedale Estates in Brisbane was launched in the first half with sales in the past few months reflecting high demand. Weather delays are expected to push settlements out to FY12 but these will be offset by the increased sales volumes and prices at Saltwater Coast.

Construction has also started on the first stages of the new Mulgoa Rise masterplanned community in Western Sydney, which is being developed by FKP through its Norwest Land joint venture with Mulpha Australia.

Apartments

The successful A2 residential development at Rosebery in NSW was settled and delivered targeted earnings in the first half. A2 is the second stage of a two stage development and consists of 52 apartments.

Construction is progressing on the Aerial apartments at Camberwell in Melbourne, which has achieved strong sales, with over 70 per cent of the project sold as at December 31. The LUXE apartments, which overlook The Domain and Sydney CBD, launched just before Christmas and sales are progressing well, while at The Milton in Brisbane, January sales were affected by the floods. Over 25 per cent of The Milton has sold and it remains on target for construction to commence later this calendar year.

The remodelled Mill apartment project at Albion, in inner city Brisbane, is in the planning phase and will launch soon. Also in the pipeline is the residential component of the Gasworks urban renewal precinct, which will deliver 900 apartments in a staged manner in line with demand.

FKP remains confident ongoing favourable supply and demand fundamentals in the market will drive growth in residential prices and volume. FKP is in a strong position to capitalise on these improving conditions with a pipeline of 1,700 apartments to be rolled out over the next six years.

Retirement

Following record cash generation in FY10 and continued solid results in the first six months to 31 December, FKP remains positive in its outlook for FY11. The contribution from the Retirement business is expected to be 10 per cent higher than pcp, which is below our previous guidance of 20 per cent.

While market conditions in the Retirement sector have been affected by residential sentiment in Queensland and the floods, stronger sales performances in the other States are expected to more than offset the impact.

² Based on unconditional sales, as settlements commenced in 2H10

The value of the retirement assets continues to grow through the roll out of the development pipeline including an additional 35 new units by June 2011, an ongoing unit buyback and refurbishment program and the standardisation of resident contracts.

Commercial and Industrial

FKP is well placed to capitalise on the upswing in demand for commercial property through the development of two large business precincts in Sydney and Brisbane and strategic office investments along the east coast of Australia.

In Brisbane the Gasworks urban renewal precinct will deliver 60,000sqm of office space and 20,000sqm of retail. Sixty six per cent of the retail space and one third of the commercial space is already allocated to identified tenants. The precinct has Council approval for its masterplan and mixed use Towers A and E.

The Circa business park at Norwest in Sydney is designed to deliver over 300,000sqm of commercial and retail built product, and its delivery is to be staged in line with the return of business demand. The precinct recently recorded an 8,000 square metre commercial land sale.

Maximising the value of our office assets continues to be a key focus of the Commercial and Industrial team and the next major project being undertaken is the repositioning of the Vero Tower in Chatswood. The strategy of asset recycling in the FKP Property Trust has more recently seen the successful disposal of the refurbished 17-19 Bridge Street and Indooroopilly Junction Shopping Centre. FKP continues to look at strategic asset disposal opportunities over the medium term.

Funds Management and Investments

Perth residential investment Port Bouvard made its first contribution to FKP earnings in 1H11 as a result of settlements at the Oceanique development.

The strategy to return liquidity to investors through the divestment of assets which have maximised their value in the Core Plus and Core Plus Two funds continues to be implemented. There is continued engagement with wholesale investors to achieve an optimum platform for the management of the Retirement Villages Group.

CAPITAL MANAGEMENT

- Gearing steady at 29%
- Average debt maturity extended from 1.6 to 2.5 years

FKP is further strengthening its capital position through the refinancing of its Retirement facility. Following the successful completion of a \$125 million convertible bond issue, FKP will pay down \$100 million from the facility and extend the remaining \$275 million loan by three years. The convertible bond issuance together with a project financing facility for the Aerial development has reduced reliance on senior debt. Both The Milton and LUXE apartment projects will also be developed using project finance.

FKP is currently hedged at 90 per cent with \$215 million of new interest rate hedges entered into in the first half. The average cost of borrowing is 6.11 per cent³ post the convertible bond issue and there are undrawn credit lines of \$220 million.

Under its new distribution policy FKP distributions for the 1H11 period were 1.4 cents up from 0.5c in the pcp.

STRATEGY AND OUTLOOK

The FKP strategy is underpinned by a balance of recurring income and trading income. Over the medium term this will be maintained by a focus on Residential Communities, unique apartment offerings, a Retirement portfolio which continues to grow in value and a commercial pipeline that is able to be unlocked in line with demand.

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FKP

FKP is a leading Australian property and investment group. Our strategy of diversification and integration has enabled us to build a comprehensive property portfolio that capitalises on our proven expertise in development, construction, land subdivision, retirement village ownership and management, property investment and asset management. Over more than thirty years our portfolio has grown to include mixed-use, land, retail, residential, retirement, industrial and commercial assets that define how hundreds of thousands of people live, work, retire and invest.

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³ Excludes margins and line fees¹