Managing Director’s remarks

Stockland Annual General Meetings | Tuesday 28 October 2014

Good afternoon ladies and gentlemen.

For me, that video illustrates many of the things that make me so proud to work at Stockland. The places we are creating, the outcomes for our customers and communities, and the high level of engagement of our team, give me great confidence in the future of the Group. Our solid financial result for the last financial year is clear evidence that our approach is hitting the mark.

Our retail tenant satisfaction scores are at an all-time high with tenants ranking us equal first on service and satisfaction. Across our portfolio of 63 Retirement villages our average resident’s satisfaction is an exceptional 8.5 out of 10 and our residential customers rated satisfaction with their experience at around 80 per cent. We also achieved a record employee engagement score of 85 per cent reflecting our employees’ belief in the direction of the business and our goals. This is higher than Australian and global high performing company norms.

Not long after I joined Stockland in 2013, we set a clear long-term objective; to consistently deliver earnings per security growth and total risk adjusted securityholder returns above the sector average. We are delivering on this objective by focusing on three strategic priorities: growing our assets and customer base, capital strength and operational excellence.

Our approach is underscored by a strong focus on our customers, disciplined allocation of capital, and a concentrated effort to leverage our capabilities across our diverse portfolio. In FY14 we grew profits in all our core business areas, reduced our overheads and further strengthened our capital position. We are now well positioned to continue delivering sustainable profit growth into the future.

During the 2014 financial year we acquired a 19.9 per cent strategic stake in Australand, reflecting our desire to accelerate our growth in medium density residential development and logistics and business parks. We were disciplined in our approach and view of value, and as a result, in August, we agreed to sell our Australand securities to Fraser Centrepoint Limited, resulting in a capital profit of around $80 million. We are now prudently reinvesting some of this profit in our growth strategy. In particular, we will accelerate our expansion into medium density residential and mixed use development, grow our Logistics and Business Park capabilities, invest in our communities and our people, and accelerate planned system and process enhancements.

Capital partnering remains a focus for us and in FY14 we established three new capital partnerships. Since then, I am pleased to report we have established an important new partnership with AMP Capital on Stockland Townsville shopping centre. The $228.7 million sale of a 50 per cent stake will enable us to reinvest capital into other accretive opportunities in our portfolio.

Last week, we successfully priced the first green bond issued by an Australian corporate. The EUR300 million green bond demonstrates both our ability to access a range of debt markets and our ongoing commitment to sustainability.

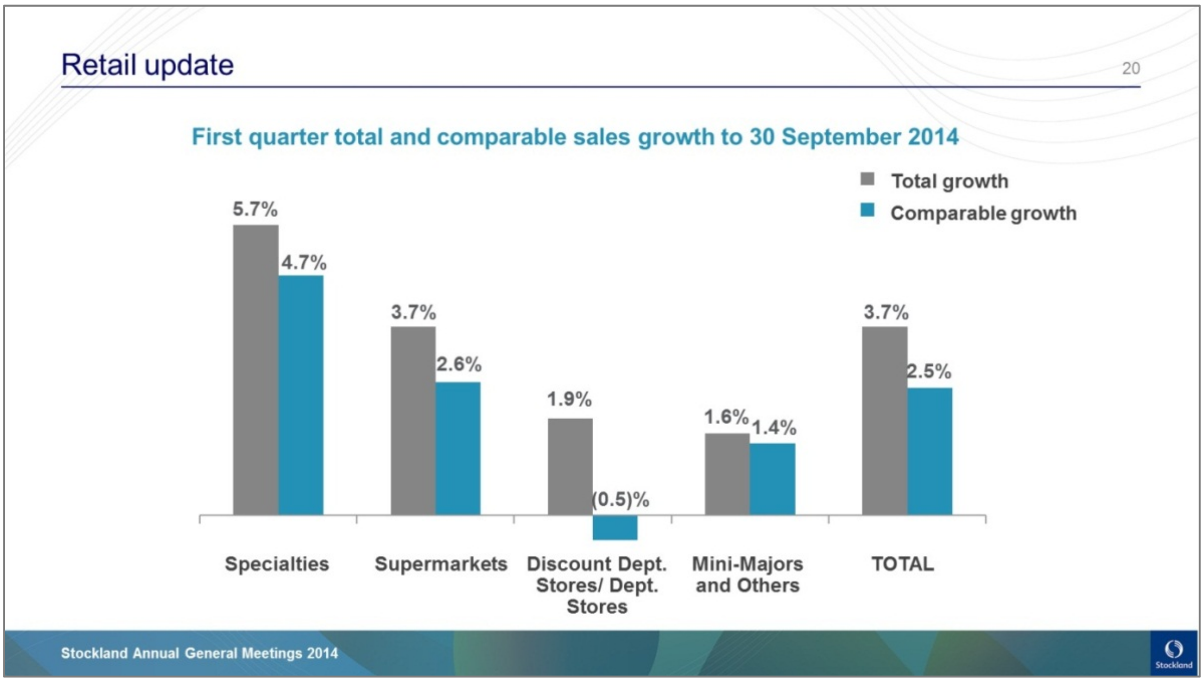
Turning now to the performance of our operating businesses. We are making good progress growing our assets and customer base and driving operational excellence in our core portfolios. Our Commercial Property business, which accounts for around 70% of our assets, achieved a solid result in the 2014 financial year with funds from operations, or FFO, up 5% to $542 million, and operating profit growth on the previous year of 3% to $497 million.

In our Retail portfolio FFO was up 9.9% on the prior year, reflecting a strong contribution from recently redeveloped centres, a focus on leasing, and our ability to meet changing market conditions. Comparable FFO, which measures like-for-like centres, was up 3.9%.

The first stage of our Stockland Hervey Bay redevelopment, on the Queensland Fraser Coast, opened in July with an overwhelming response from local shoppers.

Our redevelopments at Wetherill Park in Sydney and Baldivis in Perth, and the second stage of Hervey Bay, are progressing well. Overall we have around $460 million of redevelopments underway and $700 million of redevelopments in our next wave of commencements, all of which are expected to deliver incremental internal rates of return of 12-14% and 7-8% stabilised FFO yields.

We have recently announced plans to commence our next two redevelopments at Point Cook in Victoria and Glasshouse in the Sydney CBD. Fashion brand H&M will open their flagship Sydney CBD store at Glasshouse after we complete our redevelopment in 2015. We also recently acquired a 50% stake in Sugarland Shopping Town in Bundaberg for $59.25 million on a 7.5% cap rate. This further strengthens our presence to strong trading shopping centres on the East Coast.



Although retail conditions remained somewhat mixed in FY14, sales gradually improved throughout the year. In the first quarter of FY15 we have seen strong sales across most categories with 4.7% comparable growth in speciality sales. This is supported by strong performance in food catering and retail services as we continue to emphasise value and convenience in our centres and remained focused on creating market leading or differentiated regional centres.

During the 2014 financial year, we made significant progress establishing Logistics and Business Parks as a core business by growing our portfolio by over $270 million. We optimised the performance of the existing portfolio through active leasing, re-leasing over a third of the portfolio while pursuing growth through acquisition and development, resulting in a year on year improvement in FFO of 6.9%.

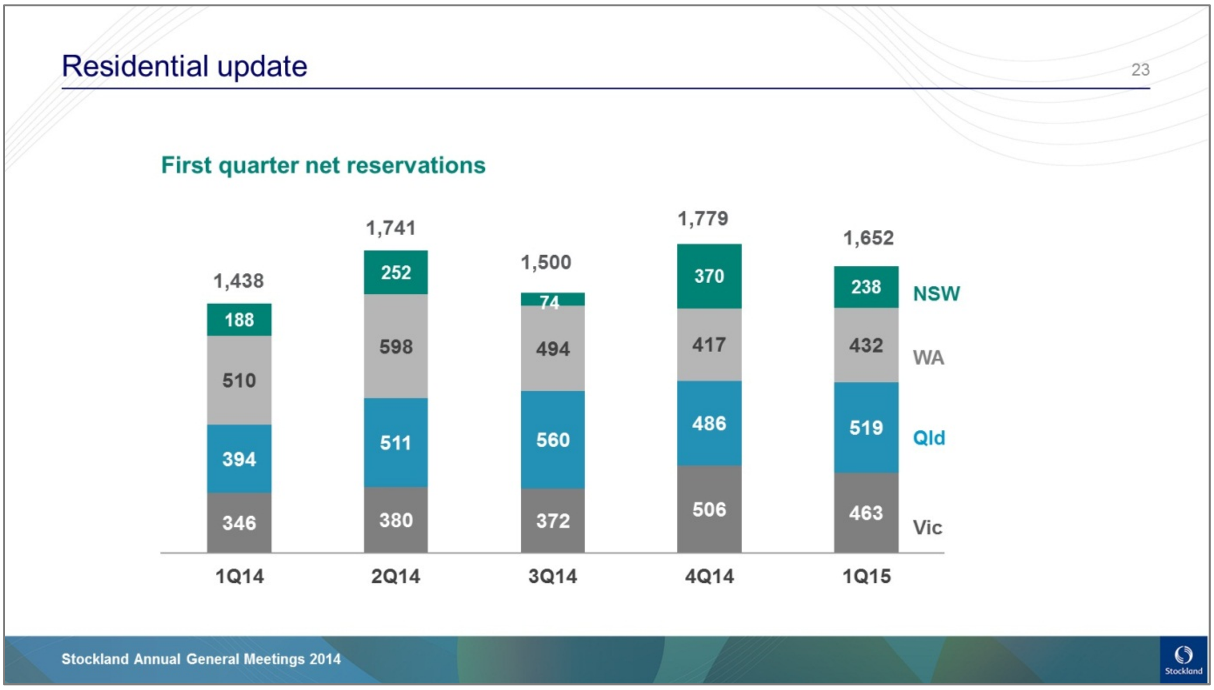
During the first quarter of FY15 we continued to reposition the portfolio with a further 84,000sqm of leasing activity in the period. Our occupancy remains stable at 96.4%.

In our Office portfolio FY14 FFO was 16.5% lower than the prior year reflecting our tactical down weighting through $200 million in asset sales, as well as persistent soft market conditions. We are now seeing improving fundamentals in the Sydney CBD flowing through to leasing success at 135 King St and the Piccadilly complex. In the first quarter there has been a slight improvement in portfolio occupancy to 92.9%. We will continue to focus on optimising the returns from the portfolio while being tactical in our exposure to this sector.

Pleasingly the first quarter, has generally reflected improving or stable conditions in rents, incentives and occupancy. Overall we are progressing well toward our full year target 2-3% comparable income growth for Commercial Property. This is underpinned by improved Retail metrics and leasing progress in Office and Logistics and Business Parks.

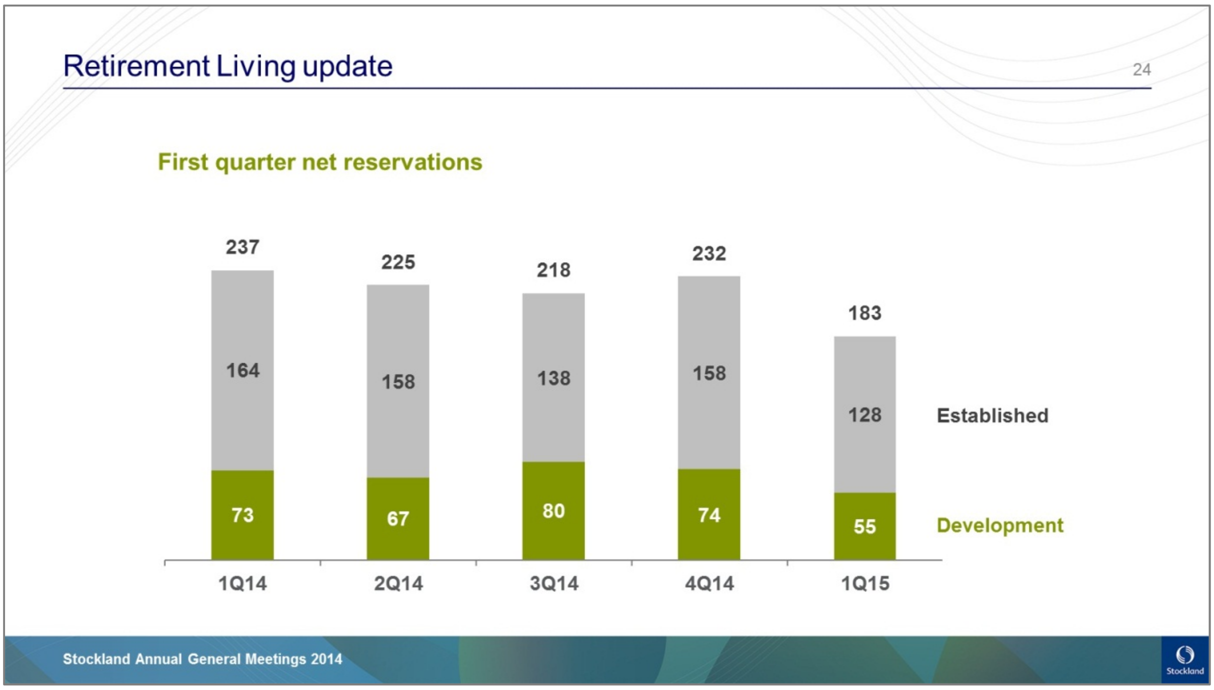
As I'm sure you are aware, our Residential business grew strongly in FY14. Operating profit was up 57.2% on the prior year, with core projects performing well, capitalising on strong market conditions. Our new projects are experiencing very good demand and are contributing to substantial improvements in our margins and volumes. In addition to Willowdale in Sydney and Calleya in Perth, Elara, in Sydney's north west, has now also launched and will contribute its first settlements this year. The masterplan on the screen demonstrates the scale and thoughtful masterplanning of this new community.

As part of our growth strategy we acquired 2,300 lots adjoining our successful residential projects with expected returns at or above our hurdle rates. We also made good progress establishing our strategy to reach new customers with medium density products and completed homes and this will see us commence work on 550 new homes in FY15.



This business is continuing to perform strongly this year with 1,652 net deposits for the first quarter – the strongest result for that period in four years. The Sydney market remains strong with strong demand for our Elara and Willowdale communities. South East Queensland is showing good signs of a recovery and the Melbourne market is currently steady with high levels of activity. However, vacant land sales are continuing to moderate in Western Australian. We are on track to settle at the top end of our 5,000 to 6,000 through the cycle range assuming current residential market conditions continue.

Our Retirement Living business achieved strong comparable operating profit growth in FY14, up 13.8% on the prior year. Our Retirement Living business has achieved solid year on year profit growth for the past four years. We have consistently high resident satisfaction in our existing villages and an active development pipeline for future growth. This ensures we are well placed to continue to grow this business organically, particularly as the number of older Australians increases.



Retirement Living deposits were lower in the first quarter of FY15, reflecting a later start to the sales campaign compared to the prior year and one less week in the reporting period. The business remains on track to achieve our forecast for the full year with a skew to the second half.

On the screen you can see our $160 million Cardinal Freeman redevelopment in the established suburb of Ashfield in Sydney. This is our first redevelopment of an existing retirement living village and it is progressing very well. The completed village will feature 240 new independent living apartments in four and five storey apartment buildings, together with onsite aged care provided through our new partnership with Opal Aged Care.

Hopefully my update today has demonstrated that we are diligently implementing our strategy to grow our business and I am very confident that, with this approach, we are well placed to meet our target underlying earnings per share growth of 6 – 7.5% for FY15 assuming there is no material change in market conditions, and 4 – 6% through the cycle.

I look forward to updating you on our progress at our half year results in February.