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ASX/Media Release

STOCKLAND ANNOUNCES HALF-YEAR RESULTS AND CONFIRMS FULL YEAR GUIDANCE

Stockland today reported lower results for the half year to 31 December 2011 compared with the previous corresponding period, due to difficult property market and economic conditions. The group expects a stronger second half and confirms its full year guidance.

Statutory Profit was down 28% to $307.6 million, impacted by $85 million unrealised loss on mark to market on vanilla financial hedges, which will not be realised if held to maturity.

Underlying Profit was $350.8 million, down 8% on 1H11 and Underlying Earnings per Security was 14.9 cents, down 7%. Stockland's Distribution per Security was up 2% to 12.0 cents, reflecting half of Stockland's expected full year distribution.

Key metrics

- Statutory Profit $307.6 million (largely due to unrealised mark to market loss on vanilla financial hedges)
- Statutory Earnings per Security 13.1 cents
- Underlying Profit[1] $350.8 million
- Underlying Earnings per Security 14.9 cents
- Distribution per Security 12.0 cents
- Gearing (Net Debt / Total Tangible assets) 23%

Stockland Managing Director Matthew Quinn said: "Economic conditions were very tough at the start of FY12 resulting in poor consumer sentiment, reduced discretionary spending and weaker demand for Sydney CBD office space which affected our result.

"Despite these challenging conditions, our Retail business proved resilient with earnings growth of 6% on the previous corresponding period. We also achieved a material reduction in overheads across our business.

"In our Residential business our strategy of reducing lot sizes to improve affordability saw us increase revenue from single lot sales by 4%, but we experienced a fall in superlot sales due to contract settlements being skewed to the second half.

"We have seen Residential sales pick up in the last four months, particularly from first home buyers who are very attracted to our affordable product."

Office earnings were lower than last year primarily due to asset sales and weak demand in the Sydney CBD.

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[1] Underlying Profit is a non-IFRS measure that is determined to present, in the opinion of the Directors, the ongoing operating activities of Stockland in a way that appropriately reflects its underlying performance. Underlying Profit excludes items such as unrealised fair value gains/(losses), unrealised provision gains/(losses) and adjustments arising from the effect of revaluing assets/liabilities (such as derivatives, financial instruments and investment property). Other Underlying Profit adjustments are made for realised transactions occurring infrequently and those that are outside the course of Stockland's core ongoing business activities.
Underlying Profit is also the basis on which distributions are determined. The reconciliation between Statutory Profit and Underlying Profit has not been audited or reviewed by KPMG. However, KPMG has undertaken procedures to confirm the consistency of Stockland's books and records to the financial information which was used by the Directors in determining the Underlying Profit.

Despite the drop in first half EPS, Stockland reaffirmed that FY12 EPS is expected to be the same as FY11 before taking into account accretion from the buyback and assuming current residential conditions continue. This demonstrates the strength of the business in difficult times with its scale and earnings mix – 75% annuity assets and 25% trading assets – providing both resilience and future growth potential.

"Our Residential business is well positioned with 2,488 contracts on hand at 31 December 2011 (equivalent to approximately $530 million of revenue), compared to 2,288 at 30 June 2011," Mr Quinn said.

"Deposits and leads are tracking well with both showing two quarters of consecutive growth – a trend that continued in January with deposits for the month higher than the average for the past twelve months.

"In Commercial Property our reweighting strategy has continued with a total of $795 million disposals in 1H12, including $730 million Office assets at an average three per cent premium to book value. Proceeds have been used to re-invest in higher returning, less volatile Retail assets, fund the Security buyback and maintain low debt."

OPERATING RESULTS

Commercial Property

Retail Profit (Net Operating Income): $152 million

- Actual Net Income growth 6.0%; Comparable Net Income growth of 2.3%
- Sales growth outperformed the market with comparable moving annual turnover growth of 3.5%
- High portfolio occupancy of 99.6%
- Return on Cost from assets not under development[2]: 10.0%

The outperformance of our Retail centres in challenging conditions demonstrates the effectiveness of our focus on providing day-to-day convenience and affordability in good locations. Two-thirds of our Retail centres are in growing regional areas.

The investment in our $2.4 billion Retail development pipeline continues to bear fruit with three recently completed developments – Rockhampton, Merrylands (Stage 3) and North Shore – contributing significantly to the 1H12 result. Major developments at Shellharbour, Merrylands (final stage) and Townsville are well underway.

Office and Industrial Profit (Net Operating Income): $80 million in Office; $38 million in Industrial

- Office NOI down due to asset sales and weak demand, Industrial NOI steady
- Portfolio occupancy of 94% in Office; 99% in Industrial
- Return on Cost from assets not under refurbishment[2]: Office 7.0%; Industrial 8.3%

Reweighting of our Commercial Property portfolio towards Retail continued to progress well with proceeds from sales funding investment in the three active Retail redevelopments.

Even though we are progressively selling office and industrial buildings, we continue to focus on optimising the performance of our remaining assets. We recently announced that we will outsource day-to-day property management, while retaining internal control of strategic

[2] AIFRS NOI divided by cost plus additions; excludes Retail development assets and disposals

asset management, to provide improved efficiencies and support our focus on growing our core businesses.

Residential Communities

EBIT $115 million, Operating Profit (incl. interest in COGS) $90 million

- Retail lot sales up 4% on 1H11
- EBIT Margin 27% - in the middle of our 25-30% target band
- Market share in our active corridors 28%; nearest competitor 5%
- Rolling 12 month Return on Net Funds Employed 16% (pre-interest)[3]

We continue to achieve competitive advantage with our focus on delivering innovative affordable products and our ability to create thriving communities through the early delivery of facilities and infrastructure.

Our geographic diversity provides resilience and growth opportunities with nine new Residential Communities projects launching in FY12, which will expand our market reach and underpin our growth in the second half of the year and beyond.

Retirement Living

Operating Profit (incl. interest in trading profit) $23 million

- Operating Profit impacted by lower DMF accrual due to nil price growth
- Achieving good synergies from Aevum with combined 20% overhead reduction
- 100 new units and 230 established units settled; 319 reservations on hand

Customer demand remains strong, demonstrated by the high level of reservations on hand and we are on track to sell a record number of new units in FY12.

Retirement Living is a long-term investment for our business and provides an important platform for future growth. We expect demand will grow strongly over the next 10 years enabling us to capitalise on our capability in this area and synergies with our other businesses.

While further industry consolidation is likely, it is not an immediate imperative given our strong organic growth plans. Our principal focus is lifting the cash returns from this business through development of new product, economies of scale and as village maturity increases.

We are targeting an 8% cash return on cash invested within five years through organic growth or sooner if attractive acquisitions become available on value accretive terms.

Other businesses: UK and Apartments

UK: Operating Profit $17 million, Apartments: Operating Profit $2 million

We made good progress with the exit of these businesses in 1H12 with the sale of some UK assets ahead of schedule. The cash released from the wind down of these businesses is being channelled into growing our core businesses. No further profit contribution is expected from UK and Apartments.

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[3] EBIT for the year ended 31 December 2011 / Average NFE for past 12 months excluding capitalised interest

FINANCIAL MANAGEMENT

- Gearing: Net Debt / Total Tangible assets 23% (net of cash on deposit)
- Weighted average debt maturity six years
- Diverse sources of funding (only 11% of debt is bank-funded)

We maintained our conservative balance sheet, with low gearing, long-dated debt and good liquidity, keeping us well positioned as credit markets tighten.

Cash flow in 1H12 was impacted by a range of factors including a lower contribution from Residential compared to 1H11 and significant investment in growth. This is expected to reverse in the second half as Residential sales increase and acquisition activity slows down.

Buyback

In August 2011 our security price fell to a level which in the Board's view did not reflect the underlying value of our business and our strong capital position. After gaining better visibility on our disposal program, we announced an on-market buyback of up to 5% of issued Stockland securities.

So far we have bought back 66.6 million securities at an average price of $2.95 (2.8% of issued capital). The total FY12 accretion from the buyback completed to date is 1%. While we remain focused on achieving long-term sustainable growth, we will continue to buy back securities if accretive to shareholder returns.

OUTLOOK

In commenting on the outlook, Mr Quinn said: "Conditions will remain challenging with credit markets tightening, the Australian economy under pressure and tough property markets.

"Stockland is well-capitalised with a strong balance sheet and there are good opportunities for revenue growth in the second half and beyond, particularly in our Retail and Residential businesses.

"Our strategic focus on affordable products for the mass market segment and reweighting our recurring income portfolio from Office and Industrial assets to higher yielding and less volatile Retail assets, provide resilience and opportunities for future growth.

"Assuming current residential conditions continue we expect full year EPS to be the same as FY11 before accretion resulting from the buyback."

Stockland's 1H12 results presentation will be webcast via *www.stockland.com.au* on Thursday 9 February 2012 at 11.30am (AEDST).

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