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# ASX/Media Release

## STOCKLAND STRATEGY REVIEW AND GROUP UPDATE
## Refined strategy sets pathway to stronger future returns

**Strategy review key outcomes**

- Strong diversified Australian-focused REIT with a commitment to improving return on assets and generating steady earnings growth
- Continue focus on growing Retail through intense asset management and accretive redevelopment pipeline
- Retain Industrial exposure and grow over time
- Tactical exposure to Office, optimise value of assets pre capital recycling
- Optimise performance of Residential and Retirement Living portfolios
- Reduce costs by further 10% pre-inflation (following 10% reduction in past year)
- Maintain strong balance sheet

**Group update**

- Third quarter performance in line with expectations
- FY13 EPS guidance 25% below FY12 including restructuring provision
- Expect to maintain 24 cent distribution in FY14, assuming no material decline in market conditions

Stockland Managing Director and CEO Mark Steinert today announced the outcomes of a comprehensive strategic review, outlining how the group intends to improve returns for investors as a diversified, stapled Australian REIT.

Mr Steinert said: "We have a clear objective to deliver EPS growth and total risk-adjusted shareholder returns above the sector average. We will strive to generate reliable earnings, while steadily increasing return on assets, earnings per share and distributions over time.

"We will achieve this through the agile allocation of capital within a disciplined risk/return framework, driving returns from our existing assets and tightly controlling costs."

Stockland will remain a broadly diversified property group, leveraging its core asset and development strengths in shopping centres, residential and retirement living, while retaining and, over time, increasing exposure to industrial property as a core capability. The group will be tactical in its exposure to office assets, optimising the value of its current portfolio and progressively down weighting.

Mr Steinert identified five immediate business priorities:

- Improve profitability of the Residential business
- Improve Retirement Living return on assets
- Grow Commercial Property through development and acquisition
- Reduce overheads and improve organisational efficiency
- Strengthen the Corporation through capital reallocation

Capital management and cost reduction are key areas of focus. Stockland remains committed to maintaining its strong balance sheet with gearing of 20-30%, and diversified sources of funding. This includes pursuing additional capital partnering opportunities where this will improve the group's risk-return profile. Stockland will also strengthen the Corporation by seeking securityholder approval to reallocate ~$500 million of capital from the Trust to the Corporation.

Having achieved a significant reduction in gross overheads over the past year, Stockland is now targeting an additional 10% reduction over the next year through further centralisation of group functions including Human Resources, Finance and Marketing, and ongoing process improvements.

In addition to these initiatives, each business area also has clear areas of focus:

Retail

- Continue to execute strategy of being a leader in regional areas and having a clear point of difference in metropolitan areas
- Pursue more capital partnering to avoid over-exposure to some assets and contribute partial funding for accretive $1.5 billion development pipeline with 7-8% pre-AIFRS yields and 13-14% incremental IRRs

Industrial

- Add value to existing assets where appropriate
- Increase exposure over time to take advantage of expected future demand for logistics/ warehousing

Office

- Retain tactical exposure and add value to existing assets where appropriate, down weighting over time

Residential

- Improve returns by:
  - Reshaping the portfolio (accelerate launch of new projects that improve geographic diversity, accelerate completion of poor performing projects, right-size the land bank)
  - Reducing time to market
  - Reducing the cost base (through project management, procurement and structure initiatives)
  - Expanding our customer reach with medium density offering (eg. as demonstrated with the terrace home Bower series at our Bells Reach community in Queensland)

Retirement Living

- Continue initiatives to drive demand and resident satisfaction in our villages
- Improve return on assets by:
  - Reducing costs
  - Scaling-up development

**Group update**

“Our business performed in line with our expectations in the third quarter of FY13 with Retail sales growing, leasing in our Industrial and Office portfolios progressing well and solid reservations in Retirement Living. Residential lot volumes improved recently, however margins remain under pressure due to mix, market conditions and the capitalised interest policy application change,” Mr Steinert said.

“We reached two particularly pleasing milestones in the quarter. The rezoning of our land at East Leppington in NSW was an important step to ensure this key project is on track to achieve first settlements in FY14. We also commenced the $115 million accretive redevelopment of our shopping centre at Hervey Bay in Queensland, with a 7.5% pre-AIFRS yield and 13.8% incremental IRR from the commencement of construction."

Progress has been made in releasing capital from Residential projects earmarked for wholesale disposal with one site sold and a number under negotiation.

Further, we have identified an additional $49 million impairment on previously impaired Residential projects, reflecting further analysis and, in some instances, divestment negotiations. A material amount of this additional impairment relates to a court appeal, where we have assumed the worst outcome. No additional material impairments are expected unless trading conditions deteriorate significantly.

Stockland expects FY13 full year EPS to be 25% below FY12. This is at the lower end of guidance after now taking into account the impact of its restructure provision. FY13 distribution will be 24 cents per security.

"We also expect to maintain our 24 cent distribution in FY14, assuming no material decline in trading conditions. This decision recognises that our business remains in transition and we have a clear strategy to achieve stronger future returns through consistent application of a disciplined, risk-focused capital allocation framework combined with agile execution," Mr Steinert said.

Stockland's third quarter investor briefing will be webcast via www.stockland.com.au on Monday 13 May 2013 at 9.00am (AEST).


| For media enquiries | | For investor enquiries | |
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