



Stockland

## Chairman's remarks

Stockland Annual General Meetings | Tuesday 28 October 2014

I am pleased to present this report on your Company's progress in FY 14.

This year we reported strong profit growth, with underlying earnings growing by 12.2% to \$555 million and underlying earnings per security up 7.1% on FY13.

Statutory profit was \$527 million, significantly higher than last year.

These results reflect the good progress we have made under Mark Steinert's leadership with all three of our major businesses—Commercial, Residential and Retirement Living—contributing positively to our improved results. The Group has now established a solid platform for future growth, supported by a considered strategy and an executive team focused on delivering sustainable returns for securityholders.

Our results were buoyed by improved profits from our Residential business where we achieved a 12.5% increase in lot sales and ended the year with a record number of contracts in hand. Our Retail business also achieved solid gains with the settling in of major developments at Shellharbour and Townsville, and completion of the first stage of our Hervey Bay redevelopment. We made good progress towards growing our Logistics and Business Parks division and further improved operating results in our Retirement Living division. Mark Steinert will provide a more detailed report on our business operations shortly.

As promised, distribution per security was 24 cents. I am pleased that in FY14 our distributions were fully covered by our earnings rather than slightly above as they were last year. In FY15 we expect to maintain our distribution at 24 cents per

security and to make further progress towards our target payout ratio which is the higher of 100 per cent of Trust Taxable income or 75–85 per cent of underlying earnings.

I thank securityholders who participated in our distribution reinvestment plan which operated for both the first and second half distributions in FY14. We had solid uptake from investors, generating over \$160 million of capital that will help fund our future developments.

This year-end we have significantly streamlined and simplified our financial report and our directors report to make our financials more easily understandable and accessible to non-professional investors. I invite you to let us know what you think of our simplified format. The approach we have taken is a first for the property sector.

During the year we welcomed our new Chief Financial Officer, Tiernan O'Rourke, to the Executive Committee and in August 2014 welcomed Katherine Grace, our newly appointed Group Counsel and Company Secretary, and Darren Rehn, Chief Investment Officer, to the executive team. I would like to express our thanks to Phillip Hepburn, our Company Secretary for the past 13 years, for his dedicated service.

Tom Pockett, formerly the long-serving Chief Financial Officer of Woolworths Limited, joined our Board in September this year. Tom brings to the Board his deep experience as a senior finance executive, as well as extensive experience in the retailing sector, supply chain logistics, and property developments and management. Tom's appointment is before this meeting for endorsement and the Board has also recommended the re-election of Peter Scott as a director at this meeting.

With Tom's arrival we have taken the opportunity to refresh our Board Committee membership. After seven years as chair of our Human Resources Committee, Peter Scott has stepped down from that role and will replace Carolyn Hewson as chair of our Risk Committee. Carolyn in turn will chair our Human Resources Committee. Duncan Boyle joins the HR Committee and Tom Pockett joins the Audit and Risk Committees.

I would like to thank all our board committee members for their dedicated service over the past year. I would also like to thank all my colleagues on the Board for their commitment over the past year, including the significant amount of time all directors commit attending site visits, special board meetings and engaging with our management team in many ways over and above their normal board responsibilities.

As securityholders will know, we at Stockland have a strong commitment to delivering sustainable business outcomes for all of our stakeholders. Both our employees and the Board take great pride in working for a group that looks beyond short term profits to take account of the broader community and environmental impacts of our business. Our achievements were recognised by several awards this year, including being named one of the Global 100 Most Sustainable Corporations in the World at the World Economic Forum in Davos in 2014, for the fifth consecutive year.

I now turn to executive remuneration. Reflecting our continued prudent approach to executive remuneration, no increases were made to fixed pay for the Managing Director or our Senior Executives in 2014 and there was no increase in the fees paid to Non-Executive Directors.

I will have more to say on our remuneration policies a little later in the meeting.

Looking ahead, the Board is confident that Stockland is well-positioned to create sustainable earnings growth into 2015. We have a clear strategy, a strong team of executives and employees, and a strong pipeline of value-creating projects. Many of the improvements we have made in our operations, our cost structure and Our asset portfolio repositioning will continue to pay dividends in FY15.

In closing, I would like to thank, on behalf of all securityholders, all Stockland employees for a year of dedication and achievement, and to thank our shareholders for their support during the past year.