Appendix 4D – Half Year Report

Stockland Consolidated Group

For the half year ended 31 December 2013

Stapling arrangement

Stockland was established for the purpose of facilitating a joint quotation of Stockland Corporation Limited (ABN 43 000 181 733) and its controlled entities ("the Corporation"), and Stockland Trust (ARSN 092 897 348) and its controlled entities ("the Trust") on the Australian Stock Exchange. Stockland Trust Management Limited (ABN 86 001 900 741) is the Responsible Entity of Stockland Trust.

The Interim Financial Report has been prepared based upon a business combination of the parent entity, Stockland Corporation Limited, and Stockland Trust and their controlled entities, in accordance with AASB 3 "Business Combinations".

Details of reporting periods	
Current:	31 December 2013
Previous corresponding:	31 December 2012

Results for announcement to the market

				$M
Revenue and other income[1]	**Up**	**5.5%**	**to**	**966.5**
Statutory profit after income tax expense attributable to securityholders of Stockland	**Up**	**303%**	**to**	**298.1**
Underlying Profit after income tax benefit[2]	**Up**	**4.8%**	**to**	**267.2**

Distributions	**Amount per Ordinary Stapled Security**	**Total distribution payable**	**Franked amount per Security**
Interim distribution (31 December 2013)	12.0¢	$276.7 M	-¢
Final distribution (30 June 2013)	12.0¢	$277.4 M	-¢

Record date for determining entitlements to the distribution	5.00pm, 31 December 2013
Distribution payment date	28 February 2014

The Dividend and Distribution Reinvestment Plan is operational for this distribution.[3]

[1] Refer to page 7 for the reconciliation of revenue and other income

[2] Refer page 4 of the Stockland Consolidated Group Interim Financial Report for the reconciliation between Underlying Profit and Statutory Profit.

[3] The last date for the receipt of an election notice for participation in the Distribution Reinvestment Plan was 10 January 2014. The discount rate applied will be 1.5%. Securities issued will rank equally with other securities for the final distribution.

STOCKLAND ANNOUNCES HALF-YEAR RESULTS

Key points

- Underlying Profit $267 million, up 5% on 1H13
- Statutory Profit $298 million
- Good progress executing strategy: allocating capital within a disciplined risk/return framework and driving returns from our assets while tightly controlling costs
- Residential Operating Profit up 39% reflecting strategic focus and market improvement
- On track to achieve upper end of guidance, and have tightened this to 5-6% EPS growth in FY14, assuming no material decline in market conditions

Stockland delivered an Underlying Profit of $267 million for the half year to 31 December 2013, an increase of 5% on the previous corresponding period. The result was underpinned by a significant improvement in the performance of its Residential business, which was up 39% on 1H13.

Statutory profit for the half was $298 million and Statutory earnings per security (EPS) was 12.9 cents.

Underlying earnings per security was 11.6 cents, the same as 1H13 and up 7.4% on 2H13, noting the full effect of impairments and more conservative future assumptions implemented during 2H13. Distribution for the half was steady at 12.0 cents per security.

Funds from operations (FFO) per security was in line with underlying EPS at 11.7 cents and up 4.5% on 1H13. FFO is a measure of operating performance based on the Property Council of Australia guidelines.

Stockland Managing Director and CEO Mark Steinert said: “This is a good result that demonstrates the progress we are making in improving our operational performance.

“The strategy we began implementing in May last year has ensured that we are focused on allocating capital to assets that deliver the best risk-adjusted returns. We have maintained our strong balance sheet and actively managed our assets and projects to improve their profitability.

“The operating environment during the half was mixed, with challenges in retail and office markets balanced by a significant improvement in residential. Pleasingly Retail, our largest business, continued to prove resilient with our shopping centres achieving a solid result for the period despite soft conditions. Our Residential business capitalised on the improved housing market with a substantial uplift in sales.

“I’m particularly pleased that at the same time as driving improvements in our returns, we have been recognised once again for our commitment to sustainable business practices with our naming in the Corporate Knights Global 100 most sustainable companies. This follows being named the most sustainable property company in the world in the 2013-14 Dow Jones Sustainability Index.

“These achievements reflect our commitment to operate in a way that creates shared value for Stockland, our investors and the community, which in turn will help ensure our long-term success.”

FINANCIAL MANAGEMENT

Gearing: 24.0%
Weighted average debt maturity: 5.7 years

Chief Financial Officer Tiernan O'Rourke said the group had maintained its strong balance sheet with a continued focus on active capital management.

"We have a strong foundation from which to grow our business," Mr O'Rourke said. "Through recent debt issues and closing swaps we have tightly managed our average cost of debt in a narrow range while at the same time increasing the average maturity. Our recent USPP issuance in February 2014 further extends the weighted average debt maturity to over six years. We also reinstated the dividend reinvestment plan to help fund our accretive development pipeline. This was well supported by investors with a 28% take up.

"At 24.0% gearing remains comfortably within our 20-30% target range and we have retained our A-/stable credit rating."

COMMERCIAL PROPERTY

Retail Net Operating Income* (NOI)[1]*: $174 million,
Funds from Operations (FFO)[2]: $184 million

Retail delivered a solid result in a challenging environment with NOI up 9% on 1H13 and Comparable NOI growth of 2.6%. Stockland continued to achieve rental growth on both lease renewals and new leases.

Recently completed centres at Townsville, Shellharbour and Merrylands performed particularly strongly, confirming the effectiveness of Stockland's Retail growth strategy. The next wave of redevelopments is well progressed with Hervey Bay in Queensland, Wetherill Park in Sydney and Baldivis in Perth underway.

Although the retail environment has remained soft, there were signs of improvement in retail sales growth in the second quarter.

Industrial NOI: $31 million, FFO:$35 million

The renewed focus on the Industrial business has meant that this business is now well positioned for future growth. Good progress has been made on a number of strategic initiatives including appointing key management, the completion of one acquisition and identification and planning of opportunities for redevelopment within the existing portfolio.

While NOI was 3% lower than 1H13 due to vacancies, continued leasing (176,268 sqm leased in the half) and refurbishment focus resulted in an increase in weighted average lease expiry and puts the business on track to achieve NOI growth in FY14.

Office NOI: $53 million, FFO:$62 million

Stockland improved weighted average lease expiry across the Office portfolio and increased comparable NOI by 1.6% in a challenging market. Leases were executed on 38,364 sqm during

[1] Net Operating Income is based on Underlying Profit
[2] Funds from Operations (FFO) is determined with reference to the PCA guidelines

1H14. The team continued to execute its tactical approach to office with the disposal of 78 Waterloo Rd and entry into a joint venture arrangement on Optus Centre, both at Macquarie Park, resulting in an improved lease profile and yield. A strategic partnership was also achieved with Investa at 135 King St and Glasshouse, Sydney.

RESIDENTIAL

EBIT: $120 million, Operating Profit: $39 million

Residential Operating Profit was up 39% on 1H13 reflecting efficiency improvements, the reshaping of the residential portfolio and improvement in the residential market. The business is well placed for the second half with 2,872 contracts on hand at the end of December 2013, over 900 more than June 2013.

Volumes and margins were both stronger in the half, although operating profit continues to be impacted by the large number of low margin and impaired lots sold during the period.

Stockland's new Willowdale community in south west Sydney performed particularly strongly and will deliver its first settlements in 2H14, demonstrating the quality of the new projects coming to market. Other key new projects are also progressing well with Calleya in WA launched, Marsden Park in NSW set to commence in 2H14 and the recently acquired Craigieburn site adjacent to Highlands in Victoria on track to launch in FY15.

The medium density strategy is also well progressed with a focus on delivering opportunities within the existing land portfolio. The first project consisting of 71 townhouses will commence at Stockland's highly successful community Highlands in Victoria in 2H14.

RETIREMENT LIVING

Operating Profit: $17 million

The Retirement Living business performed well in the first half with Operating Profit up 42% on 1H13. Established unit settlements were strong, reflecting improvements in efficiency and capability. Development settlements in the first half were impacted by the timing of development completions which are skewed to the second half.

The business remains focused on organic growth with a strong development pipeline. There are currently new stages under development at five successful villages with additional stages set to commence in 2H14.

OUTLOOK

Mr Steinert said while the business was well positioned, the group remained conservative in its outlook for FY14 due to continuing uncertain economic conditions.

"We have made good progress reshaping our business over the last 12 months and this has been reflected in our result for 1H14. We are confident we can continue to implement our strategy to deliver reliable and growing returns for our securityholders.

"It is however, important to note that economic indicators have been mixed, creating some uncertainty about what we should expect from the market in the second half.

"We also continue to work through impaired projects in our Residential business and optimising assets in our Industrial portfolio as we position these businesses for stronger future growth. In the short to medium term this will constrain our earnings.

"In the second half we expect a positive seasonal skew in Residential and Retirement Living earnings, underpinning a stronger second half EPS.

"We are confident we are on track to achieve the upper end of our guidance, and have therefore tightened this to 5-6% EPS growth in FY14, assuming there is no material decline in market conditions."

Stockland's first half FY14 results presentation will be webcast via www.stockland.com.au on Wednesday 12 February 2014 at 11.30am (AEDST).

KEY METRICS

	1H14	1H13	Change
Statutory Profit/(Loss)	$298m	$(147)m	nm
Statutory Earnings per Security	12.9 cents	(6.7) cents	nm
Underlying Profit[1]	$267m	$255m	4.8% ▲
Underlying Earnings per Security	11.6 cents	11.6 cents	-
Distribution per Security	12.0 cents	12.0 cents	-
Funds from Operations (FFO)[2]	$269m	$247m	9.0% ▲
FFO per Security	11.7 cents	11.2 cents	4.5% ▲
Net Tangible Assets per Security	$3.52	$3.49	0.9% ▲
Gearing (D/TTA)	24.0%	27.6%	▼
Return on Equity[3]	5.7%[4]	6.0%	▼

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 is the basis on which distributions are determined. Refer to Statutory Accounts for the complete definition
2. FFO is determined with reference to the PCA guidelines
3. Return on Equity is a measure that accumulates individual business Return on Assets and incorporates the cash interest paid and average drawn debt for the period. Comparative is based on FY13.

RATIOS

	31 December 2013	31 December 2012
(a) Profit/(loss) before tax attributable to securityholders of Stockland/revenue and other income[2]	**32.8%**	(21.9%)
Underlying Profit[1] before tax attributable to securityholders of Stockland/revenue and other income[2]	**27.2%**	27.5%
(b) Profit/(loss) after tax attributable to securityholders of Stockland/issued capital	**3.6%**	(1.8%)
Underlying Profit[1] after tax attributable to securityholders of Stockland/issued capital	**3.2%**	3.2%
(c) Net Tangible Assets ("NTA") per security		
NTA backing per security	**$3.52**	$3.49

1 Refer page 4 of Stockland Consolidated Group Interim Report for reconciliation between Underlying Profit and Statutory profit.

2 Revenue and other income as set out on page 7 excluding net gain from fair value adjustment of investment properties (Commercial Property) and Existing Retirement Living resident obligations fair value movement.

RECONCILIATION OF REVENUE AND OTHER INCOME

Revenue and Other Income – as extracted from the Consolidated Statement of Comprehensive Income

	31 December 2013 $M	31 December 2012 $M
Property development sales	**475.1**	411.1
Rent from investment properties	**339.8**	335.0
Deferred Management Fees from Retirement Living	**35.4**	23.8
Dividend and distribution income	**0.9**	0.5
Other revenue	**33.3**	21.5
Total revenue	**884.5**	791.9
Interest income from other parties	**4.2**	3.8
Net gain from fair value adjustments:		
- Commercial Property	**45.2**	45.6
- Retirement Living settled development margin	**7.7**	8.8
Existing Retirement Living resident obligations fair value movement	**7.9**	45.5
Share of profits of investments accounted for using the equity method[1]	**17.0**	20.4
Net gain on sale of non-current assets[2]	**-**	-
Total revenue and other income	**966.5**	916.0

1 The prior period excludes a fair value loss on investment properties within investments accounted for using the equity method of $11.1m. In the current period the fair value adjustment is $nil.

2 Sale of non-current assets resulted in losses for the half years ended 31 December 2013 and 31 December 2012 and are therefore not included in the calculation of revenue and other income.

ASSOCIATES AND JOINT VENTURE ENTITIES

	Ownership interest		Share of net profit	
	31 December 2013 %	31 December 2012 %	**31 December 2013 $M**	**31 December 2012 $M**
Investments in associates				
Macquarie Park Trust	**31.0**	31.0	**5.1**	**4.3**
Tyburn Stockland No.2 LP[2]	**30.0**	30.0	**-**	**-**
Tyburn Stockland No.3 LP[2]	**30.0**	30.0	**-**	**-**
CReAM Trust and subsidiary limited partnerships[3]	**10.0**	10.0	**-**	**-**
			5.1	**4.3**
Investments in joint venture entities				
SDOT Sub Trust No.1	**50.0**	50.0	**6.7**	**9.2**
The King Trust	**50.0**	50.0	**2.1**	**(7.4)**
Willeri Drive Trust	**50.0**	50.0	**2.2**	**2.2**
Stockland Ormeau Trust[1]	**50.0**	50.0	**0.4**	**0.1**
Eagle Street Pier Pty Limited	**50.0**	50.0	**0.5**	**0.7**
Compam Property Management Pty Limited	**50.0**	50.0	**-**	**-**
Subiaco Joint Venture	**33.3**	33.3	**-**	**-**
Stockland Ventures Limited	**50.0**	50.0	**-**	**-**
			11.9	**5.0**
			17.0	**9.3**

1 Stockland Ormeau Trust is a Residential related joint venture entity. All other Australian located joint ventures are Commercial Property related.

2 As at 31 December 2013, this investment is in liquidation.

3 Stockland has significant influence over the operating decisions of these associates due to a combination of its role as asset manager, presence on advisory committees and participation in general partner meetings. Equity accounting has ceased as the carrying value is $Nil.

COMPLIANCE STATEMENT

- The Interim Financial Report is a general purpose financial report which has been drawn up for the purposes of fulfilling the requirements of the Australian Securities Exchange and Corporations Act 2001. The Interim Financial Report has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001.
- This report presents fairly the matters disclosed.
- This report is based on the reviewed Interim Financial Report.
- Stockland has a formally constituted Audit Committee.

Mark Steinert
Managing Director

Dated at Sydney, 12 February 2014