133 Castlereagh Street
Sydney NSW 2000

T 02 9035 2000
F 02 8988 2000

www.stockland.com.au

Stockland

11 February 2015

ASX/Media Release

STOCKLAND DELIVERS STRONG HALF-YEAR RESULTS

Key points

- Underlying Profit of $290 million, up 8.5% on 1H14
- Statutory Profit of $462 million, up 55.1%
- Underlying earnings per security (EPS) of 12.4 cents, up 6.9%
- Funds from operations (FFO)[1] per security up 12.0% on 1H14 to 13.1 cents
- Good progress implementing strategy: growing asset returns and customer base, driving operational excellence, and maintaining capital strength
- Profit growth in all businesses, with Residential operating profit up 72.8% on 1H14
- On track to achieve FY15 EPS growth of 6.75 – 7.5 per cent above FY14, assuming no material decline in market conditions

Stockland has achieved an underlying profit of $290 million for the half year to 31 December 2014, an increase of 8.5% on the previous corresponding period. The result was underpinned by growth in all businesses and a particularly strong contribution from the Group's Residential business, which was up 72.8% on 1H14. Retirement Living achieved operating profit growth of 5.8% on 1H14. Commercial Property comparable operating profit was up 4.7%.

Statutory profit for the half was $462 million and statutory EPS was 19.8 cents. Return on Equity increased 140 basis points to 9.6%, excluding workout assets.

Underlying EPS was 12.4 cents, which is a 6.9% increase on 1H14. Distribution for the half year was stable at 12.0 cents per security, representing an improved payout ratio, down to 97% of underlying earnings.

Stockland Managing Director and CEO, Mark Steinert, said: "We continue to achieve profitable growth across all our core portfolios through the active implementation of our strategy and supportive market conditions. During the half we focused on our core strategic priorities of growing asset returns and customer base; capital strength; and operational excellence. This included the launch of 10 new projects, four strategic acquisitions, significant progress extending our customer reach with the introduction of new medium density and completed home products, and the launch of our refreshed brand. I'm pleased to report that all business units delivered solid growth in earnings and are well placed to achieve continued growth.

"Our Residential business was a standout performer in the first half, with substantially increased sales across a number of the markets in which we operate. Our business has benefitted from both improved market conditions, and the strategies we've implemented to increase speed to market as well as broadening our customer target markets.

"Our Commercial Property business remains a key driver of our Group's success. On a comparable basis we achieved operating profit growth of 4.7% across the portfolio, with 3.3% in Retail, 5.7% in Logistics and Business Parks and 7.8% in Office, reflecting our strong focus on property fundamentals.

1 FFO is a measure of operating performance based on the Property Council of Australia guidelines.

"We have continued to invest in our Retail business with good progress on our three major shopping centre developments. We also announced two new projects at Point Cook in Melbourne, and Glasshouse in the Sydney CBD. Our shopping centres recorded improvements in retail sales over this period, with strong comparable growth in the December quarter, despite subdued consumer sentiment.

"Our Logistics and Business Parks portfolio is showing the benefits of increased focus and investment over the past year, with 21.9% profit growth on 1H14. We continue to make selective acquisitions and redevelopments where returns exceed our hurdle rates, progressing us towards our target strategic weighting.

"Our Retirement Living business has also continued to grow, with new development underway at nine villages, supporting a 6.6% increase in new unit settlements in 1H15 compared to 1H14.

"Sustainability remains a key focus for Stockland, providing long term benefits to our customers and the communities in which we operate, as well as enhanced operational efficiencies. We were proud to be rated as one of the most sustainable real estate companies in the world by the Dow Jones Sustainability World Index 2014/2015, for the eighth consecutive year," Mr Steinert said.

FINANCIAL MANAGEMENT

Gearing: 22.1%
Weighted average debt maturity: 5.6 years

Chief Financial Officer Tiernan O'Rourke said the Group had maintained its strong balance sheet and A-/Stable credit rating with gearing at 22.1%, well within its target range of 20 – 30%, while also improving interest cover.

"During the half we sold our Australand holding resulting in a gross capital profit of circa $80m. We will reinvest some of these funds into growth opportunities as well as further process and system enhancements.

"We have maintained our active approach to debt, becoming the first Australian corporate to link sustainability with its funding strategy by issuing the first Australian green bond during the half. We have also terminated an interest rate swap at a cost of $44 million, which will result in a lower weighted average cost of debt by circa 30bps in future years," Mr O'Rourke said.

"Our Dividend Reinvestment Plan remains active with a take up rate of 20%."

COMMERCIAL PROPERTY

Retail Net Operating Income* (NOI)[1]*: $174 million,
Funds from Operations (FFO)[2]: $188 million

Retail delivered a solid result with total NOI consistent with the 1H14 result, impacted by capital transactions and redevelopment activity. Comparable NOI growth was 3.3%, while comparable FFO grew by 4.5%. Stockland maintained its high Retail occupancy levels, and achieved average rental growth of 2.9% on new and renewed leases. In addition, 91% of specialty leases have fixed 4-5% annual reviews.

[1] Net Operating Income is post-IFRS
[2] FFO is as per PCA guidelines

The recently opened redevelopment of Stockland Hervey Bay was well received with the new Kmart achieving record sales for a regional store opening. Significant redevelopments of Stockland Baldivis in Perth and Stockland Wetherill Park in western Sydney remain on schedule for completion in FY15 and FY16 respectively. Further developments have been announced for the Point Cook centre in Melbourne, and Glasshouse in Sydney's Pitt St Mall, which will be transformed with the inclusion of flagship H&M and Zara Home stores.

During 1H15, we made further progress in our capital partnering program with the sale of a 50 per cent stake in the Townsville Shopping Centre to AMP Capital Shopping Centre Fund. We recycled capital into new, accretive opportunities, including the acquisition of a 50 per cent interest in Sugarland Shoppingtown Bundaberg, on the Central Coast of Queensland.

Commercial Property CEO, John Schroder, said: "Retail sales within our portfolio have materially improved thanks to our redeveloped centres and active remixing approach in our existing centres with a strategic focus on food and services. Comparable specialty stores achieved annual growth of 3.5%, with strong growth in the December quarter at 4.5%. Outperforming categories included food catering and fast casual dining, communication technology and retail services."

Logistics and Business Parks NOI: $57 million, FFO: $63 million

NOI growth of 21.9% from Stockland's Logistics and Business Parks assets reflects the Group's focus on growing its portfolio through acquisition and development and optimising the performance of existing assets through active leasing. The portfolio achieved average rental growth on leasing activity of 3.6% in the half, with occupancy at 95.6%.

Mr Schroder said: "We have internalised the leasing, asset and property management of our logistics assets to maximise efficiencies and operational performance. We've continued to selectively acquire assets that meet our return criteria, including a well located South Sydney facility, and a greenfield development site at Warwick Farm in South West Sydney.

"We have made significant progress in improving the performance and income security of this portfolio since announcing in FY13 our strategy to grow the business."

Office NOI: $33 million, FFO: $39 million

Office NOI was 13.3% lower than in 1H14 reflecting asset sales and joint venturing in prior periods. NOI growth on a comparable basis was strong at 7.8%, due to leasing success in all Sydney markets. While the leasing environment remains challenging, particularly in Brisbane and Perth, portfolio occupancy has improved to 94.3%. Weighted average lease expiry is stable on the previous half at 4.5 years.

RESIDENTIAL

EBIT: $128 million, Operating Profit: $67 million

Residential operating profit increased by a substantial 72.8% on 1H14, reflecting improved market conditions, and successful strategies to broaden market reach and increase efficiency.

Volumes and operating margin were both stronger in the half, with 2,747 lot settlements, reflecting a 21.9% increase on 1H14. Contracts on hand at the start of January totalled 3,732, an increase of 547 lots over the June 2014 level. Stockland's Residential business remains on track to achieve FY15 settlements at the upper end of its' through the cycle target range of 5,000 – 6,000 lots.

Stockland's newest communities: Willowdale in south west Sydney; Elara in north west Sydney; and Calleya in south east Perth, ramped up to full production in the first half and all performed strongly, with successive stages at the communities selling out on the first day of each release.

Residential CEO, Andrew Whitson, said: "We have made important progress in activating a greater proportion of our portfolio to enhance return on capital, with the recent launch of The Grove in Melbourne and Cloverton, our largest project in Victoria, due to commence sales next month. We also commenced trading at our three recent land consolidations at Highlands West, Newhaven and Whiteman Edge.

"Our Completed Homes program and medium density developments are progressing well, with deposits in both achieved last half. By the end of FY15 we will have commenced construction on 280 completed homes and 270 townhouses. These initiatives are broadening our market reach to support our strategy to grow our customer base.

"We have continued to selectively re-stock our portfolio in our target growth corridors, including acquisition of a townhouse site in Ivanhoe, Melbourne; consolidation land at our highly successful Elara project in Sydney; a new community on capital efficient terms at Clyde North in Melbourne; and a trading project at the Isles of Newport, Brisbane. Each of these projects is expected to generate returns exceeding our hurdle rates, and contribute to further margin improvement over time."

RETIREMENT LIVING

Operating Profit: $16 million

The Retirement Living business performed well in the first half with operating profit up 5.8% on 1H14, driven by improved margins in our established portfolio, ongoing improvements in efficiency and an increase in development settlements.

The business remains focused on organic growth with a strong development pipeline. Development is currently underway at nine villages across four states.

Retirement Living CEO, Stephen Bull, said: "We continue our focus on profitable growth through development, improved efficiency and expanding our customer appeal through a continuum of care offering. Our improved unit turnover process is starting to pay dividends, with renovation costs reduced by 20% and downtime by 50% over the past eighteen months. Our continuum of care strategy is progressing well with plans for new aged care facilities in several villages through our relationship with aged care specialist, Opal.

"We are actively managing our portfolio to optimise returns, with the sale of two villages in February 2015. We will recycle this capital into our accretive development pipeline."

OUTLOOK

Mr Steinert said that market indicators remain mixed with both business and consumers cautious around economic conditions.

"While consumer confidence and employment growth are likely to remain constrained, we expect population growth and interest rates to remain generally supportive of residential markets for some time. We are confident that Stockland is well positioned to produce sustainable returns for securityholders across our portfolio.

"Our strategy is unchanged. We remain focused on improving returns from our core asset base, maintaining our strong balance sheet position, building on operational efficiency gains, and selectively considering new investment opportunities. We've made good progress in each of our core businesses, and commenced the June half with strong momentum in our Residential and Retirement Living businesses.

"We are on track to achieve the upper end of our guidance range, and have therefore tightened this to 6.75 – 7.5% EPS growth in FY15, assuming no material decline in market conditions. We expect the full year distribution to be maintained at 24.0 cents per security."

Stockland's 1H15 results presentation will be webcast via www.stockland.com.au on Wednesday 11 February 2015 at 11.30am (AEDST).

KEY METRICS

	1H15	1H14	Change
Statutory Profit	$462m	$298m	55.1%▲
Statutory Earnings per security	19.8 cents	12.9 cents	53.5%▲
Underlying Profit[1]	$290m	$267m	8.5%▲
Underlying Earnings per security	12.4 cents	11.6 cents	6.9%▲
Distribution per security	12.0 cents	12.0 cents	-
Funds from Operations (FFO)[2]	$307m	$269m	14.5%▲
FFO per Security	13.1 cents	11.7 cents	12.0%▲
Net Tangible Assets per security	$3.60	$3.52	2.3%▲
Gearing (D/TTA)	22.1%	24.0%	
Return on Equity[3]	9.6%	8.2%	

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 Interim Financial Report for the complete definition
2. Funds from Operations (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 12 month period. Excludes workout and other.

Stockland

Stockland (ASX: SGP) was founded in 1952 and has grown to become Australia's largest diversified property group – owning, developing and managing a large portfolio of shopping centres, residential communities, logistic centres, business parks, office assets and retirement living villages. Stockland is rated as one of the most sustainable real estate companies in the world by the Dow Jones Sustainability World Index (DJSI). Stockland is also an Employer of Choice for Gender Equality, as recognised by the Workplace Gender Equality Agency.

For media enquiries

Michelle Taylor
General Manager -
Stakeholder Relations
Stockland

T +61 (0)2 9035 2786
M +61 (0)400 356 692

Greg Spears
Senior Manager -
Media Relations
Stockland

T +61 (0)2 9035 3263
M +61 (0)406 315 014

For investor enquiries

Antoinette Plater
Senior Manager -
Investor Relations
Stockland

T +61 (0)2 9035 3148
M +61 (0)429 621 742

Tim Mitchell
Senior Analyst -
Investor Relations
Stockland

T +61 (0)2 9035 2467
M +61 (0)478 308 513

Stockland Corporation Ltd ACN 000 181 733 Stockland Trust Management Ltd ACN 001 900 741
AFSL 241190 As Responsible Entity for Stockland Trust ARSN 092 897 348.