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ASX/Media Release

STOCKLAND ANNOUNCES FY13 RESULTS

Key points

- As previously indicated, FY13 was a difficult year with profit impacted by challenging residential market conditions and portfolio transition.
- Financial position remains strong, reflected in A-/stable credit rating and gearing reduced to 22.7%.
- Executing clear strategy to deliver stronger future returns through agile allocation of capital within a disciplined risk/return framework, driving returns from existing and development assets and tightly controlling costs.
- Steady improvement in earnings expected from FY14 with new Retail, Residential and Retirement Living projects contributing and as benefits of cost reduction initiatives and Industrial lettings are realised.
- Expect to maintain distribution at 24 cents per security in FY14, assuming no material decline in market conditions. Targeting earnings per security of 4-6% above FY13.

Stockland today reported its results for the year ended 30 June 2013. Underlying Profit[1] was $494.8 million, down 27% on the previous corresponding period, reflecting soft conditions in the new housing market, the impact of asset sales, and the previously reported change in approach to capitalised interest.

Statutory Profit was $104.6 million, down 79%, largely due to a previously disclosed $355 million impairment in the value of the Residential book.

Underlying EPS was 22.4 cents, down 24% from FY12. Stockland's full year distribution was 24 cents per security.

Stockland Managing Director and CEO Mark Steinert said FY13 was a trough year for Stockland.

"This has been a challenging year and we have responded with a number of important strategic decisions that position our business for stronger future returns," Mr Steinert said.

"We significantly restructured the business to reduce costs and improve core processes and skill sharing. We reviewed our residential landbank to create a clear classification of 'core' and 'workout' projects, and also maintained our strong balance sheet and A-/stable credit rating.

"Importantly, we outlined a clear strategy to optimise securityholder returns within an acceptable level of risk through the cycle. This includes setting target asset weighting ranges that reflect our strengths and which will deliver the right balance of income and growth.

"We have a refreshed senior management team in place and are determined to execute our strategy with a disciplined focus that will deliver reliable profit and EPS growth over time."

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 the Statutory Accounts for the complete definition.

OPERATING RESULTS

Commercial Property

Total Operating Profit: $482 million

The Commercial Property portfolio continued to deliver a solid and reliable stream of recurring income for the Group. Although the overall result was lower than the previous year, this was due mainly to having fewer assets generating income, having sold around $1.5 billion of non-core assets over the previous two years to reinvest in the accretive share buyback and retail redevelopments.

Retail Net Operating Income*[2] (NOI)*: $324 million

Despite subdued market conditions, the Retail business achieved solid sales growth. NOI increased 5%, reflecting the contribution of newly redeveloped centres and demonstrating the resilient nature of the assets in our portfolio. Comparable NOI, which measures like for like assets, was up 2.6% (3.0% pre-IFRS[3]). Occupancy remains high at 99.4%.

In FY13 Stockland made important progress on its Retail redevelopment pipeline with the official openings of our centres at Merrylands in NSW and Townsville in Queensland in late 2012 and the opening of Myer at Stockland Shellharbour in NSW in May 2013. Work commenced on a $116 million redevelopment at Hervey Bay in March 2013 with an expected 7.5% pre-IFRS[3] stabilised yield and ~13.5% incremental IRR.

Group Executive and CEO Commercial Property John Schroder said: "Our ability to deliver this result in a challenging market demonstrates the strong leasing and development capability we have built over many years, our proactive approach to remixing in centres as conditions change, and our deep commitment to excellent customer service.

"We have a strong redevelopment pipeline with a further 14 projects identified, representing $1.5 billion of investment, with an average incremental IRR[4] of 12-14% planned over the next five to six years."

Office Net Operating Income*[2]*: $119 million

By tightly managing its office assets Stockland lifted comparable NOI 1.8% from FY12 or 6.6% pre-IFRS[3]. Occupancy increased to 96% and Weighted Average Lease Expiry was also higher at 4.6 years. Total NOI was down 16% compared to FY12 reflecting the business strategy of divesting non-core office assets that do not meet our risk/return hurdles.

Mr Schroder said: "As we announced in May, we will retain a tactical exposure to Office although we will continue to lower our total weighting. We have clearly made good progress optimising the performance of our assets and will continue to focus on this to maximise returns from our portfolio. We will also explore value-creating opportunities in our portfolio."

Industrial Net Operating Income[2]: $63 million

Industrial NOI decreased 18% from FY12 (comparable NOI down 10.9%) mainly due to FY12 asset sales and FY13 lease expiries. Leases were executed on 288,000 sqm of space during the year positioning the portfolio well for the future. As a result, Weighted Average Lease Expiry increased to 3.3 years (from 2.7 years in FY12). NOI is expected to grow in FY14.

Mr Schroder said: "We are committed to growing our industrial portfolio over time and improving the performance of our assets. We have recently appointed a new General

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[2] Post-IFRS. All NOI is post-IFRS unless otherwise specified.
[3] Pre-IFRS NOI is consistent with Property Council White Paper guidelines for disclosing FFO.
[4] Unlevered 10 year IRR on incremental development from completion.

Manager Industrial and are assessing growth opportunities both within our existing portfolio and externally."

Residential

EBIT: $182 million, Operating Profit: $60 million

As previously flagged, the performance of the Residential business in FY13 was significantly impacted by market softness which affected both volume and prices. The profit also reflected the shift in sales mix with a lower proportion coming from higher margin projects in Victoria, and the previously reported change in our approach to interest capitalisation.

Group Executive and CEO Residential Andrew Whitson said: "We have actively managed through the cycle, reducing finished goods by 50%, ensuring a good mix of affordable products and accelerating the sale of impaired lots to release capital for reinvestment.

"In May we outlined a plan to make our portfolio more resilient and profitable in the future and we are putting this plan into action. While looking to accelerate the work out of impaired projects, we are also focused on bringing new higher margin projects to market such as East Leppington (Willowdale) in NSW and Banjup in WA.

"We have restructured our business to improve efficiency and identified opportunities to leverage the Group Project Management and Procurement capabilities to reduce costs and improve outcomes on projects. We are also identifying projects in our portfolio where we can increase revenue and broaden our market reach by expanding our medium density offering."

Retirement Living

EBIT: $45 million, Operating Profit: $38 million

The Retirement Living business continues to deliver against its strategy with a solid result despite the soft residential market. Operating Profit was up 6% on FY12 and return on assets rose from 4.2% to 4.5% year on year thanks to a record number of settlements.

Group Executive and CEO Retirement Living Stephen Bull said: "We have a clear strategy to grow returns in our Retirement Living business by improving scale and efficiency. We have set a target return on assets of 8.0% by FY18 and are focused on progressing towards 6.5% by FY15.

"We have a strong development pipeline, we are driving referrals for more cost-effective sales, and we are improving the efficiency of processes such as reducing the time it takes to refurbish and sell vacant homes. Our resident satisfaction ratings are consistently high and we continue to use the feedback we receive to improve our offering."

FINANCIAL MANAGEMENT

Gearing: 22.7%
Weighted average debt maturity: 5.4 years

Stockland CFO Tim Foster said the Group had maintained its strong focus on prudent balance sheet management and retained its A-/stable credit rating. Gearing was down to 22.7% at 30 June 2013 following effective cash management in difficult trading conditions and a $400 million equity raising in May. The equity placement replaced the proposed underwritten Distribution Reinvestment Plan.

"As part of our ongoing commitment to active capital management we will maintain balanced and diverse funding sources and continue to review our level of fixed interest hedging in line with our policy, given our current high level of hedging," Mr Foster said.

"In FY13 we reduced our overheads through a focus on structure and procurement practices and this will deliver further savings in FY14. For example, we have reduced headcount by around 9% through the centralisation of some functions and delayering across the Group."

Mr Foster also reconfirmed that the Group would seek securityholder approval to reallocate ~$500 million of capital from the Trust to the Corporation at the AGM. While overall the Group's capital position remains strong, following the Residential impairment provision, it is necessary to move capital from the Trust to the Corporation to better position the Corporation for future growth.

OUTLOOK

Although global economic conditions have improved over the last six months, there is still considerable uncertainty and volatility.

In Australia business confidence remains low and consumer spending is relatively soft as households continue to deleverage. We expect consumer sentiment will remain relatively subdued, however we do anticipate continued moderate economic growth. While the housing market is showing clear signs of improvement, the recovery is likely to be modest and uneven.

Mr Steinert said he expected steady improvement in Stockland's earnings from FY14 largely as a result of new Retail, Residential and Retirement Living projects beginning to contribute, recent Industrial letting, rental growth and as benefits of cost reduction initiatives come through.

However, improvement in Residential earnings will likely be constrained as Stockland continues to work through a number of impaired and low margin projects. It will also take some time to see the full benefits of the Group's new strategic priorities, particularly in Industrial and medium density housing development.

"Our decision to hold our distribution at 24 cents per share, despite being outside our target payout ratio, demonstrates our confidence that earnings should continue to improve from FY14," Mr Steinert said.

Stockland is targeting FY14 earnings per share of 4-6% above FY13, assuming no material decline in market conditions.

Stockland's FY13 results presentation will be webcast via www.stockland.com.au on Tuesday 13 August 2013 at 11.30am (AEST).

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KEY METRICS

	FY13	FY12	
Statutory Profit	$104.6m	$487.0m	▼ 79%
Statutory Earnings per Security	4.7 cents	21.1 cents	▼ 78%
Underlying Profit[1]	$494.8m[2]	$676.1m	▼ 27%
Underlying Earnings per Security	22.4 cents	29.3 cents	▼ 24%
Distribution per Security	24.0 cents	24.0 cents	-
Net Tangible Assets per Security	$3.50	$3.68	▼ 5%
Gearing (D/TTA)	22.7%	25.8%	▼
Return on Equity[3]	6.0%	8.2%	▼

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2. The basis for determining the capitalised interest release to the income statement for the Residential Business has been amended from previous periods due to a change in application of accounting policy. This change has been applied prospectively from 1 July 2012 impacting FY13 by $34m. FY12 has not been adjusted, however, if the policy had been applied in the previous period, interest in cost of goods sold would have been $29m higher
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