Stockland Merrylands, NSW

Stockland

1H12 Results Presentation

9 February 2012

Overview of 1H12

1H12 results impacted by difficult property market and economic conditions

Good NOI growth from Retail – Commercial Property returns will improve further as we reweight from Office and Industrial to quality Retail

Lower Residential 1H12 profit, but outperforming broader market, forward indicators positive and expect significantly higher profit in 2H12

Strategy of delivering affordable products paying off – Residential 2Q12 deposits up 7% on previous quarter; Retail specialty shops comparable MAT + 4.3%

FY12 EPS expected to be the same as FY11 (before buyback accretion) assuming current Residential conditions continue

Reasonable 1H12 result, improvement expected in 2H12

Businesses performed reasonably well in challenging market conditions

- Our Retail portfolio performed strongly as new developments came online
- Lower Office NOI due to asset sales and weak demand in Sydney CBD
- Higher Residential retail lot sales, but superlot[1] settlements down
- Tightly managing costs, material reduction in total overheads

Difficult conditions expected to continue and we are responding accordingly

- Financial strength - low gearing and long debt maturity
- Earnings resilience - sustainable rents, low vacancies and affordable products
- Investment in future growth - reweighting from Office assets to higher returning Retail assets
- Development of capital efficient Residential and Retirement Living projects

Good momentum for 2H12

- Significantly higher Residential earnings expected in 2H12:
  - Well positioned with 2,488 contracts on hand (~$530m of revenue) and lead indicators strong
- Retail expected to further benefit from new developments with comparable NOI growth 3.5 – 4% for FY12
- Retirement Living reservations on hand up 30% on pcp and cash returns improving

1. For example school, commercial and medium density sites

Summary 1H12 results

	1H12		1H11
Statutory Profit *Statutory Profit impacted by $85m unrealised mark to market loss on financial hedges*	$307.6m	▼ 28%	$425.1m
Statutory Earnings per Security	13.1c	▼ 27%	17.9c
Underlying Profit[1]	$350.8m	▼ 8%	$380.3m
Underlying Earnings per Security[1]	14.9 cents	▼ 7%	16.0 cents
Distribution per Security	12.0 cents	▲ 2%	11.8 cents
NTA per Security	$3.69	▲ 2%	$3.63
Gearing (Debt[2]/TTA)	23%		20%

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 excludes items such as unrealised fair value gains/(losses), unrealised provision gains/(losses) and adjustments arising from the effect of revaluing assets/liabilities (such as derivatives, financial instruments and investment property). Other Underlying Profit adjustments are made for realised transactions occurring infrequently and those that are outside the course of Stockland's core ongoing business activities. Underlying Profit is also the basis on which distributions are determined. The reconciliation between Statutory Profit and Underlying Profit has not been audited or reviewed by KPMG. However, KPMG have undertaken procedures to confirm the consistency of Stockland's books and records to the financial information which was used by the Directors in determining the Underlying Profit.
2. Represents debt less cash on hand

Profit summary

	1H12	1H11	Change	Commentary
Retail	152	143	▲ 6%	New developments, 2% comparable NOI growth
Office	80	94	▼ 15%	Asset sales, (2%) comparable NOI growth
Industrial	38	38	-	1% comparable NOI growth
CP Overheads and Trading	(12)	(12)	-	
Total Commercial Property	258	263	▼ 2%	
Residential Communities	90	101	▼ 11%	Lower superlot sales and profit timing from new projects
Retirement Living	23	23	-	Flat result due to reduced DMF accrued
UK and Apartments	19	31	▼ 39%	Last period of profit contribution
Interest, tax and other[1]	(13)	(8)	▲ 63%	Higher interest expense
Unallocated corporate overheads	(26)	(30)	▼ 13%	Big focus on efficiency and cost savings
Underlying Profit	**351**	**380**	▼ **8%**	
Commercial Property revaluations	74	43		Largely from NOI growth
Unrealised MTM of hedges	(85)	5		Will not be realised if held to maturity
Other[2]	(32)	(3)		Includes unrealised fair value movement on FKP stake ($27m)
Statutory Profit	**308**	**425**	▼ **28%**	

1. Includes strategic stakes
2. Consists of profit / (loss) on sale of Commercial Property assets, Aevum integration costs and unrealised profit / (loss) on FKP holding

Capital management strategy balances growth with capital returns

<u>Conservative balance sheet</u>

- S&P A- / Stable credit rating
- Diverse funding sources – low bank debt
- Weighted average debt maturity 6 years:
  - Early refinancing of UK debt ($295m)
  - No major refinancing until May 2013
- ~$700m of undrawn facilities

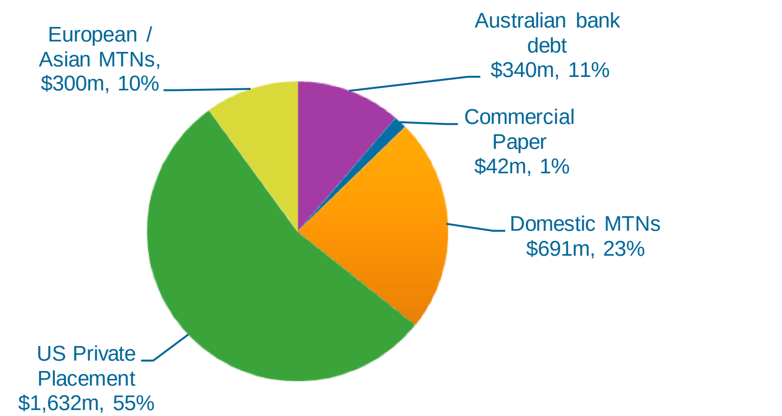
<u>Disciplined approach to maximise returns</u>

- Acquired ~$200m of shares under buyback scheme (average price $2.95 per share):
  - FY12 EPS accretion ~1% from shares bought to date
- Since FY09, reinvested over $1b of Office sale proceeds into higher returning, less volatile Retail assets
- Buying Residential land on capital efficient terms e.g. Marsden Park and East Leppington
- Will continue buyback if accretive

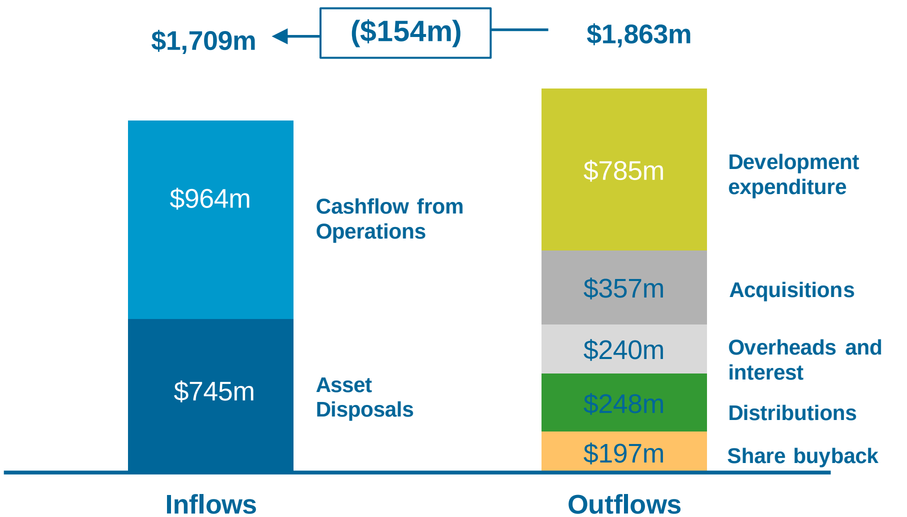
<u>Expect to be cash flow positive in FY12</u>

- Higher residential income and less acquisitions in 2H12

Diverse debt sources



Net cash outflow in 1H12 expected to reverse in 2H12



Stockland

Commercial Property

67% of Total Assets

Retail returns demonstrate resilience of our portfolio

- Retail NOI growth 6%:
  - Comparable Retail NOI growth reasonable at 2.3%
  - Expect FY12 comparable growth of 3.5 - 4% driven by new developments and tenant re-mixing
- Office comparable NOI growth down due to vacancy in Sydney CBD
- Industrial comparable NOI expected to improve, but lease terms getting shorter
- Overheads down following cost efficiency drive and lower headcount
- Expect FY12 trading income around $5m

Commercial Property	1H12	1H11	Change	Comp growth
Net operating income:				
- Retail	152	143	▲ 6%	▲ 2.3%
- Office	80	94	▼ 15%	▼ 2.1%
- Industrial	38	38	-	▲ 1.1%
Net operating income (NOI)	**$270m**	**$275m**	▼ 2%	▲ 0.8%
Trading and fees	1	5		
Net operating costs[1]	(13)	(17)	▼ 24%	▼ 25%
Operating Profit	**$258m**	**$263m**	▼ 2%	

1. Net of recoveries and costs capitalised to development projects

Retail sales growth outperforming the broader market

- Total comparable MAT up 3.5%:
  - Higher than ABS retail sales data
- Two thirds of rent comes from specialty shops:
  - Specialty comparable MAT up 4.3% vs ABS 0.2%
- Centres are well located, offering value and convenience:
  - Two-thirds in strong, growing regional markets
  - Retail mix based on non-discretionary spend (food and services)
- High specialty sales psm and low occupancy costs:
  - Average sales psm $8,695psm, occupancy cost 14%
  - Increases tenant retention and underpins sustainability of rents

Solid retail sales growth		
	SGP Comparable MAT growth	ABS Absolute MAT growth[1]
Specialty shops	▲ 4.3%	▲ 0.2%
Supermarkets	▲ 4.5%	▲ 4.2%
Discount Department Stores	▼ 0.8%	n/a
Other[2]	▲ 3.6%	n/a
Total comparable MAT growth (12 months to Dec 11)	**▲ 3.5%**	**▲ 2.4%[3]**

1. ABS data independently verified by Macroplan Dimasi
2. Includes mini-majors and cinemas
3. ABS Comparable MAT growth is the total growth for all categories

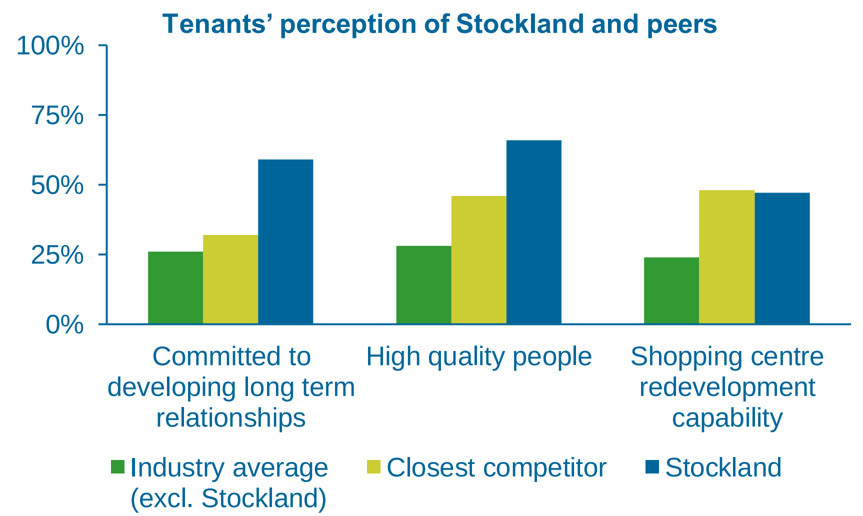
Strong tenant relationships the key to sustainable growth

- Landlord and tenant relationship has never been more important:
  - Retailer sales and margins under pressure
  - Rents are a big component of their cost base
  - Stockland rents are affordable and sustainable
- Retaining tenants generates stronger rental growth than leasing vacant shops:
  - Lease renewals generated 6.1% growth
  - New leases showed decline (concentrated in 3 centres[2])
  - New leases require incentives as new tenants are capital constrained
- Retailer relationship / satisfaction metrics ahead of our peers

Renewals are critical for income growth

	Transactions	Area (sqm)	Rental growth	Incentive
Lease renewals	102	11,568	6.1%	0%
New leases	91	13,630	(5.9%)	8%
Total portfolio	**193**	**25,198**	**0.6%**	**3.7%**

Focus on retailer relationships to drive retention[1]



1. Directional Insights – 2011 Retail Tenant Customer Satisfaction Survey; Due to differences in sample size for each landlord the scores are indicative
2. Cairns (Qld),The Pines (Vic), Bull Creek (WA)

Reweighting to Retail to capture stronger, less volatile returns

Through the cycle, Retail assets perform better than Office

- Higher returns (Stockland 1H12 Retail Return on Cost 10%; Office 7%)
- Less non-recoverable maintenance capital
- Less incentives
- Lower volatility

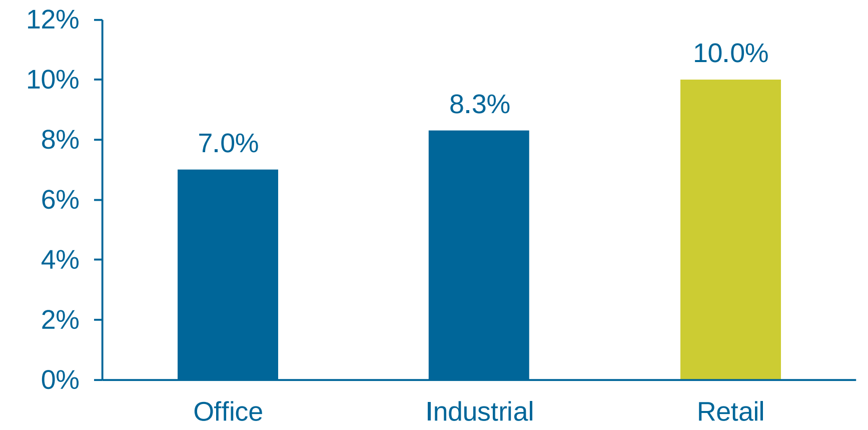
Office is highly commoditised

- Delivering acceptable returns relies on buying and selling at optimum times
- Unlike Retail, pre-lease space for new buildings often leaves empty space in old ones

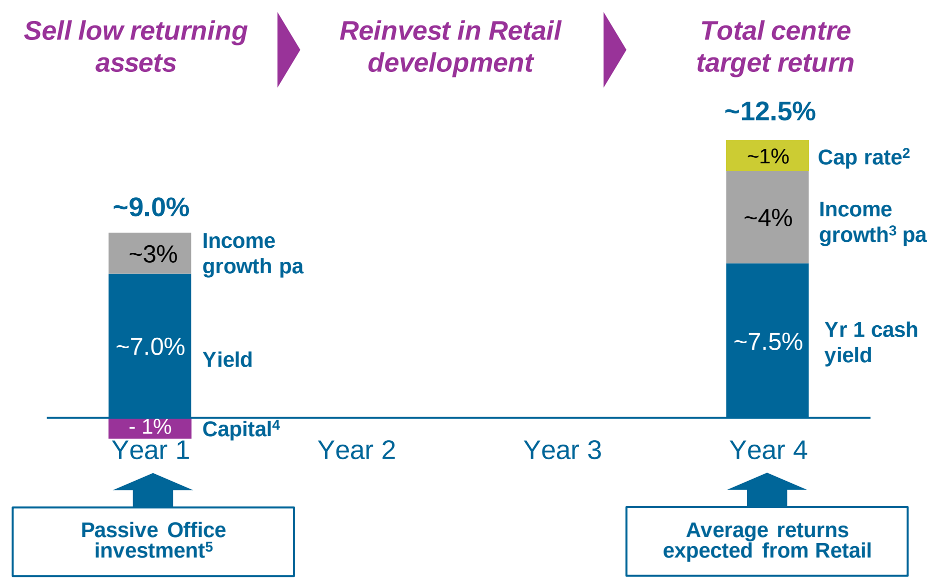
Reweighting creates short term NOI gap

- Sale proceeds reinvested in redevelopment of existing Retail centres
- Time lag of 2-3 years from asset sale to centre opening
- It's the right strategic call to lift medium term returns

1H12 Return on Cost from stable assets[1]



Reinvesting for higher returns takes time



1. AIFRS NOI divided by cost plus additions; excludes retail development assets and disposals
2. Cap rate compression achieved through quality enhancement
3. Income growth secured through specialty shop lease terms with fixed increases
4. Upgrade and leasing capital unrecoverable from tenants
5. Stockland Research: Based on $2.6b of market sales over $100m in CY11

Creating leading Retail assets in their trade area

Good progress with orderly reweighting

- Retail will contribute ~65%[2] of Commercial Property NOI by FY14 as developments complete
- Will be even higher with further asset sales
- Targeting $400m pa of asset sales to fund redevelopment spend

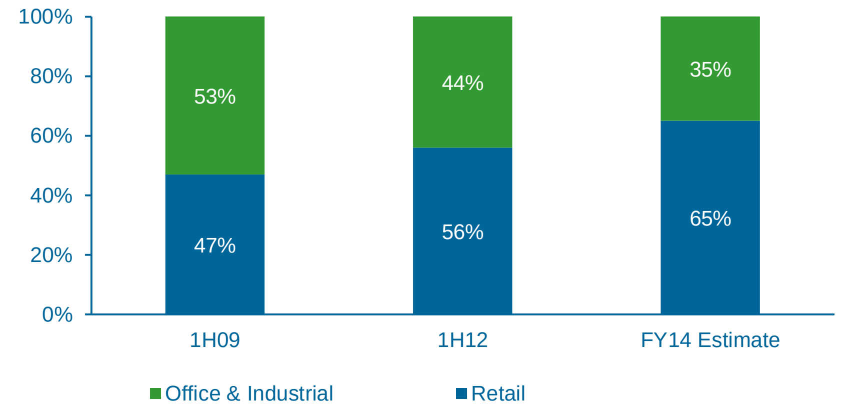
Higher FY12 asset sales to fund share buyback

- $795m of assets sold in 1H12
- Including $730m of Office:
  - Average premium to book value: 3%
  - Average NOI yield on sale[1]: 7%
- Expect ~$100m asset sales in 2H12

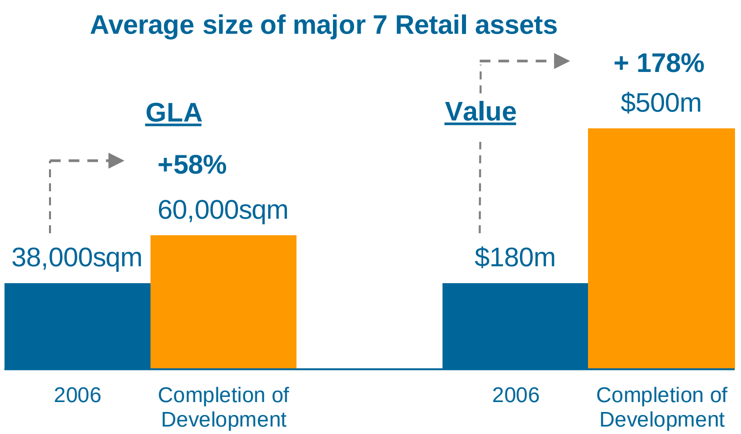
Creating significant centres in high growth areas

- Redeveloping Retail assets with strong trading history
- To create leading assets in their trade area

Commercial Property NOI weighting towards retail[2]



Retail assets becoming leaders in their trade area[3]



1. FY12 NOI / Sales Price
2. Assumes $100m of further Office or Industrial asset sales in 2H12 and completion of Merrylands, Townsville and Shellharbour
3. Rockhampton, Merrylands, Townsville, Shellharbour, Wetherilll Park, Green Hills, Gladstone at completion

Major retail developments delivering strong returns

Completed project performing well

- Rockhampton (completed mid 2010) expected to achieve 7% comparable FY12 NOI growth

Three major developments on track

- Opened Townsville (Stage 1), Merrylands (Stage 3B) and progressing well at Shellharbour

Good progress with future developments

- Secured 5 development approvals in 1H12 – Green Hills, Wetherill Park, Hervey Bay; future projects Baldivis and Jimboomba
- Wetherill Park and Hervey Bay nearly "shovel ready"
- We are testing the retailer mix and market size at Green Hills

Proven internal capability

- Design
- Development management
- Project leasing
- Project management

Retail development pipeline

	Est. total cost ($m)	Completion		Est. fully leased year 1 yield (%)	Est. total return[1] (%)	Trade area	
		Date	Est Value ($m)			Popn. ('000)	SGP market position[2]
Completed							
Rockhampton	118	FY11	340	8%	14%	155	1
Under Construction							
Merrylands	395	FY13	485	6.5%	10.5%	280	2
Townsville	175	FY13	385	6.5%	11.5%	225	1
Shellharbour	330	FY14	680	7.6%	12.5%	210	1
	900						
Projects expected to commence in the next 2 years							
Wetherill Park	125	FY15	575	7.8%	13%	260	1
Hervey Bay	110	FY15	190	7.5%	11.5%	100	1
Gladstone	125	FY15	275	7.5%	12.5%	65	1
Green Hills	340	FY16	715	7.5%	13%	250	1
	700						
TOTAL	**1,718**						

1. Unleveraged 10 year IRR for existing asset and incremental development from completion
2. Location IQ; Irbis; Pitney Bowes; Quantium Group

Centres less exposed to discretionary spending and online shopping

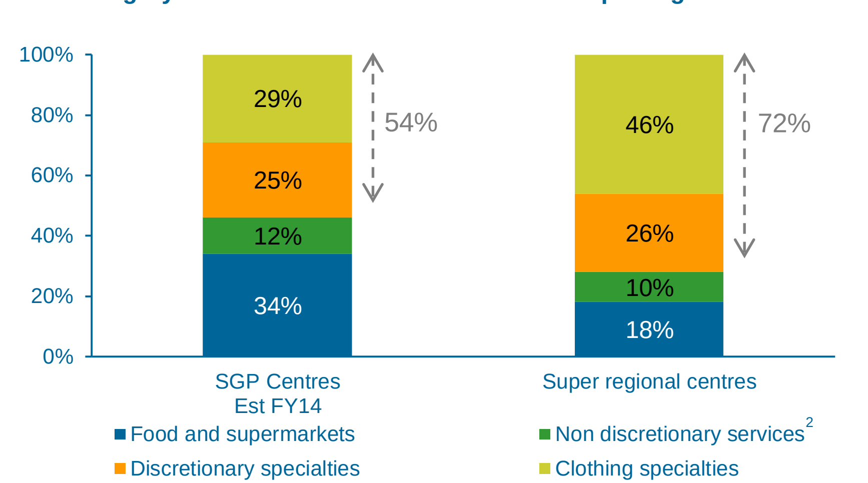
Less exposed to discretionary spending

- Our existing centres and future developments are designed for resilience:
  - Strong "destinational" focus
  - Increasing proportion of food, leisure, retail services and entertainment
  - Focus on value and affordability
  - Maximum ~250 specialty shops

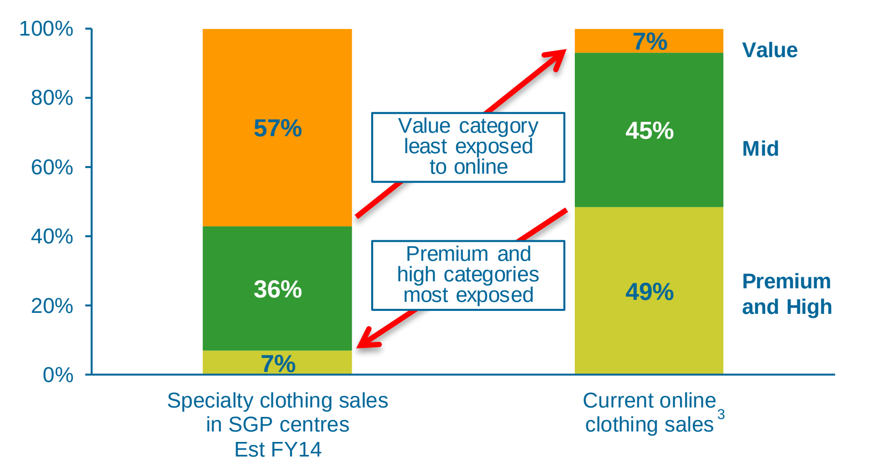
Less exposed to online shopping

- Online impact on certain categories quite predictable:
  - Music, books – high impact
  - Fresh food, personal care – low impact
- Online clothing biggest threat to bricks and mortar retailing, but Stockland centres less vulnerable with strong focus on value clothing category

Stockland centres are less exposed to discretionary sales



Stockland clothing categories less exposed to online



1. Macroplan Dimasi
2. Non discretionary services include banks, medical
3. The Quantium Group

Continue to optimise performance of Office and Industrial

Good portfolio occupancy and low rent at risk

- Office occupancy 94% (96% excluding space under refurbishment):
  - Majority of vacancy is in Sydney CBD
- Industrial occupancy 99%
- Total rent at risk in 2H12/FY13 ~1% of total Commercial Property rent

Remaining portfolio is weighted towards large assets in major markets

- Prime assets with long weighted average lease expiries make up ~2/3 of Office portfolio
- Preparing assets for sale through asset management, leasing and minor refurbishments

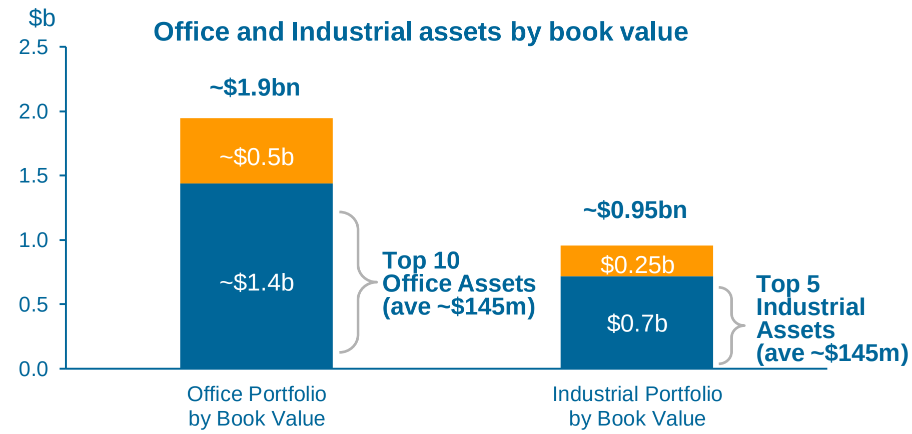
Improving operational efficiencies

- Outsourced day to day management (~$2m pa cost saving from FY13)
- Retain control of strategic asset management

Low Office and Industrial rent at risk[1]

	Office		Industrial		Total	
	2H12 $m	FY13 $m	2H12 $m	FY13 $m	2H12 $m	FY13 $m
Vacant space/leases expiring	6.3	8.8	1.9	15.4	8.2	24.2
Likely renewals/ new leases	(2.5)	(6.5)	(1.6)	(11.6)	(4.1)	(18.1)
Rent at risk	**$3.8m**	**$2.3m**	**$0.3m**	**$3.8m**	**$4.1m**	**$6.1m**

Portfolio concentrated in large quality assets



1. Based on market rent and excludes assets held for sale, assumes gross effective rent on fully leased basis. Non cumulative

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Residential Communities

23% of Total Assets

Higher Residential Communities profit expected in 2H12

1H12 Performance and earnings visibility

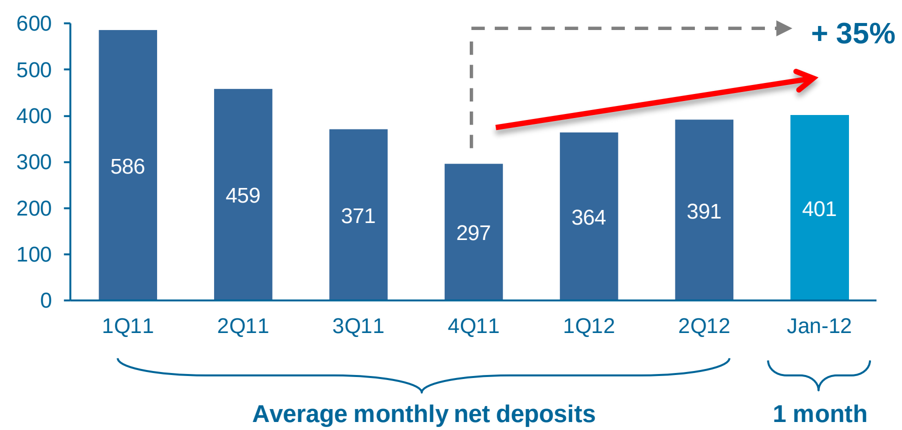
- 1H12 profit lower, mainly due to timing of superlots
- Expect stronger second half:
  - High profit visibility from 2,488 contracts on hand (~$530m revenue)
  - 8 new projects settling in 2H12
  - Sales momentum building
  - ~50% of 2H12 superlots under contract

High Return on Net Funds Employed (RONFE)

- Rolling 12 month pre interest RONFE 16%

Residential Communities	1H12	1H11	
Lots settled	2,209	2,195	▲ 1%
Revenue - Retail	$419m	$404m	▲ 4%
- Superlots[1]	$11m	$42m	▼ 74%
EBIT (before interest in COGS)	$115m	$129m	▼ 11%
Operating Profit (incl. interest in COGS)[2]	$90m	$101m	▼ 11%
Rolling 12 month RONFE (pre interest)	16%	20%	▼ 4%

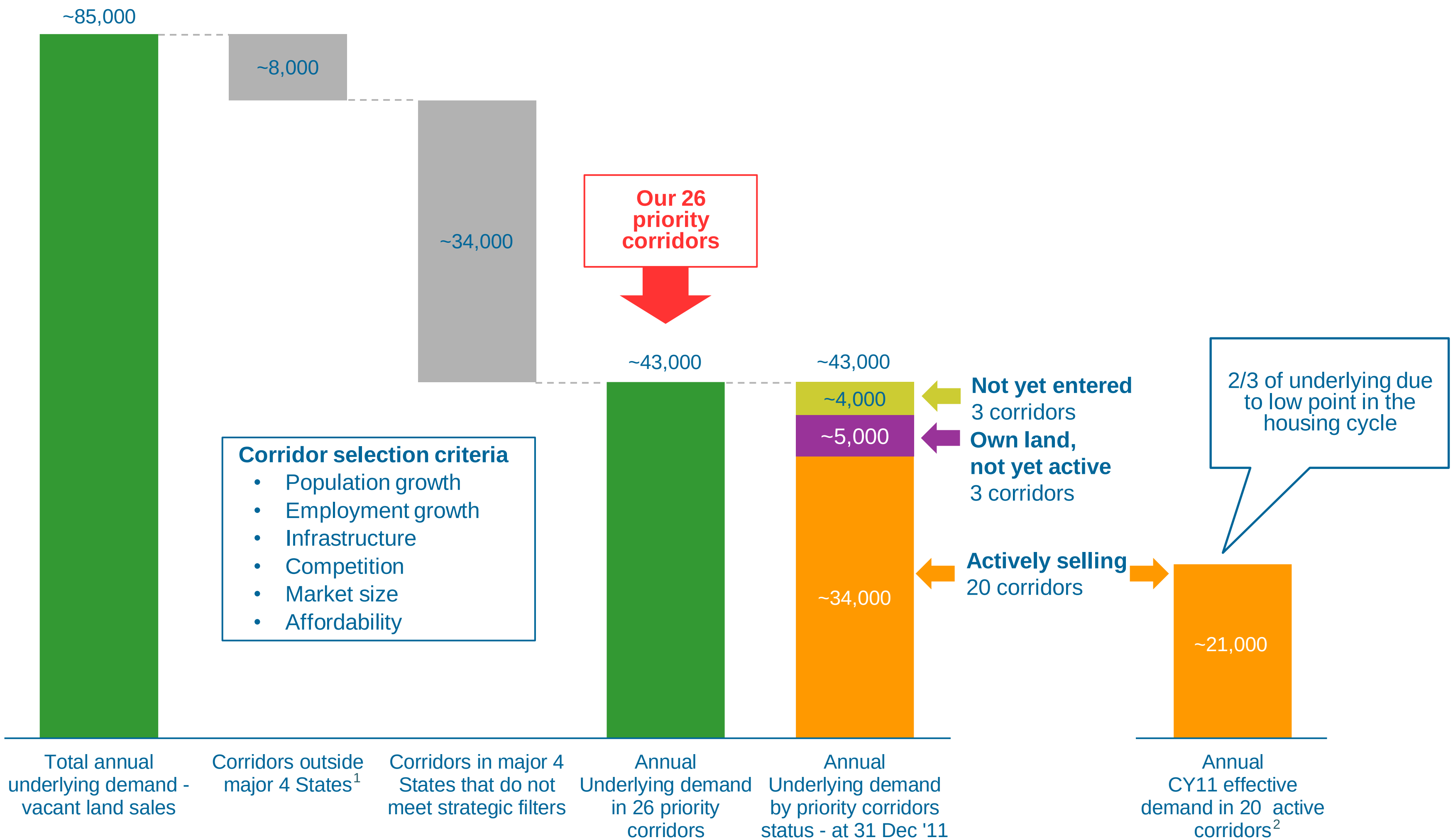
Improvement in Net deposits in last 6 months



1. 29 superlot settlements 1H11, 11 superlot settlements 1H12
2. Pre-tax

Residential land sales at ~two thirds underlying demand in 2011

Underlying demand for vacant land sales and actual 2011 demand



1. Major four states: Queensland, New South Wales, Victoria, Western Australia
2. Charter Keck Cramer: Gross sales (i.e. before cancellations of ~15%); annual sales in corridors entered at different periods throughout CY11 (market share is calculated using active corridor sales reported quarterly)

Market conditions improving for affordable product

Polarisation in market segments

- Top end of market still under pressure
- Stockland affordable product segment much stronger
- Similar theme to Retail:
  - Our customer segment is proving more resilient

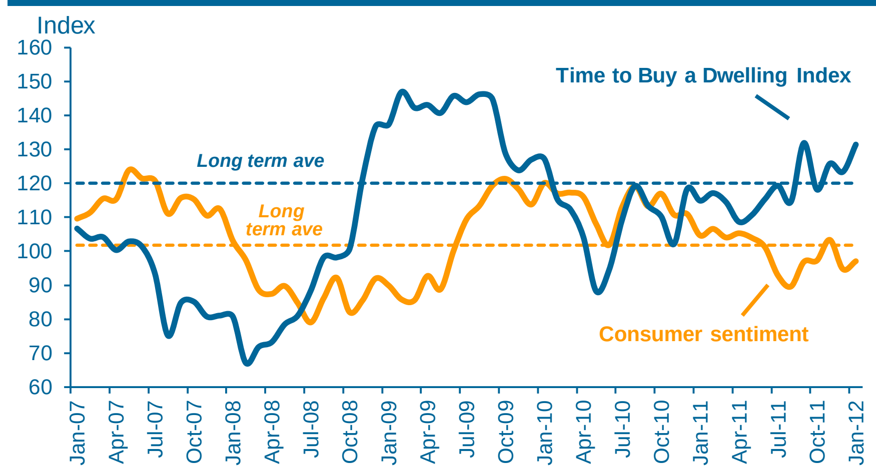
Encouraging market indicators

- Time to Buy a Dwelling index improving
- Falling interest rates
- Established house prices flattening out
- Strong rental market:
  - Low vacancies and high rental growth

Market conditions improving for SGP affordable product

State	1H12 market conditions for SGP product	2H12 outlook for SGP product	Commentary
NSW			Strong market for affordable product
Vic			Market well off peak, but stabilising at reasonable levels
Qld			2011 was a very poor year, conditions improving
WA			Poor market conditions despite resource boom. Activity levels improving

Time to buy dwelling index improving[1]



 1. Westpac – Melbourne Institute Survey of Consumer Sentiment

Customer leads provide strong indicator for future revenue

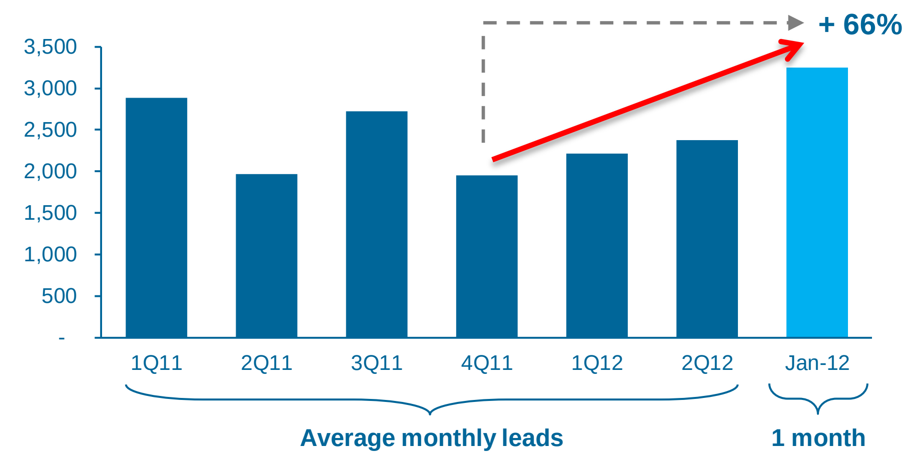
Customer leads support 2H12 outlook

- Sustained improvement in leads since mid 2011:
  - Reflects growing appeal for affordable products with strong sustainability credentials
- Normally a good predictor of profit:
  - 10 - 20% of leads convert to deposits
  - 80 - 90% of deposits convert to settlements

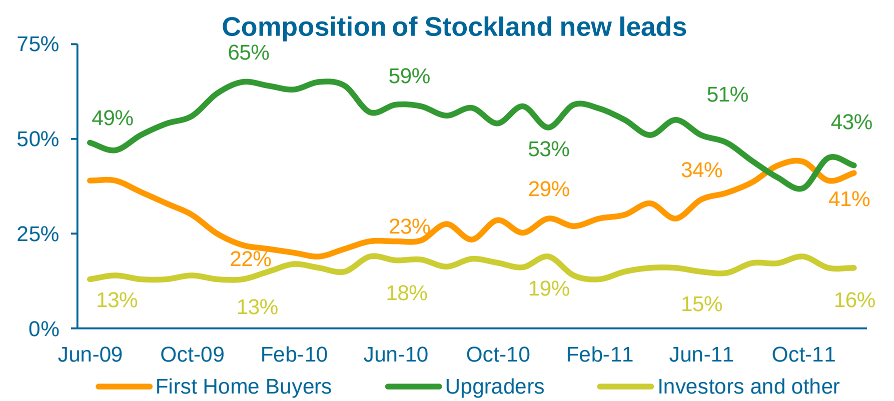
First Home Buyers are re-emerging

- Currently over 40% of leads
- Driven by higher rents and lower interest rates
- A good forward indicator of strengthening upgrader market

Customer lead volumes improving



First Home Buyers re-emerging



Innovative affordable product underpins strong market share

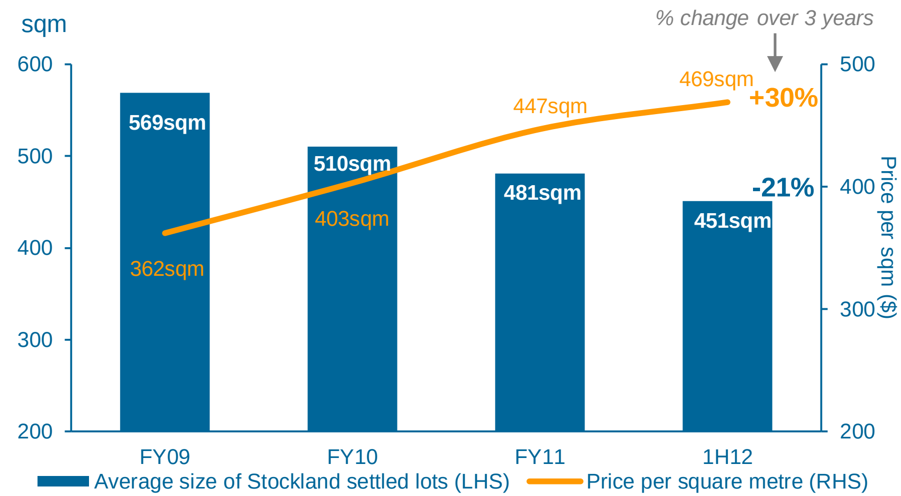
Delivering affordable solutions

- Buyers increasingly value conscious:
  - Stockland house and land packages from under $350,000 in all states (vs $424,000 median house price[1])
- Continued reduction in lot sizes to meet customer needs
- 250sqm product trialled successfully

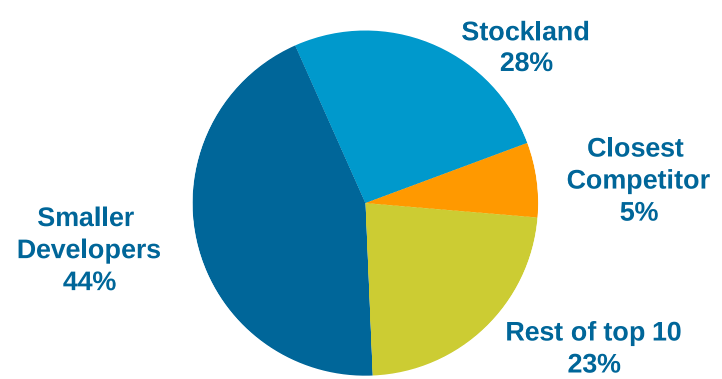
Leveraging market leadership

- Market share above 25% target:
  - Growing market share for new projects
- Strong balance sheet:
  - Enables fast track of community infrastructure and amenity
  - Improves sales rates
- Strong internal capability:
  - Proprietary customer insight tools
  - Innovative product development
  - Trusted partner working with Government

Smaller lots enhance price per square metre



Market leader in active corridors[2]



1. APM: Median house price in NSW, Vic, Qld and WA for the September 2011 quarter
2. Charter Keck Cramer, Research4, Stockland Research. Proportion of vacant land sales in all of Stockland's active corridors where deposits were taken in 2011

Average lot price and margins holding up, despite lower lot sizes

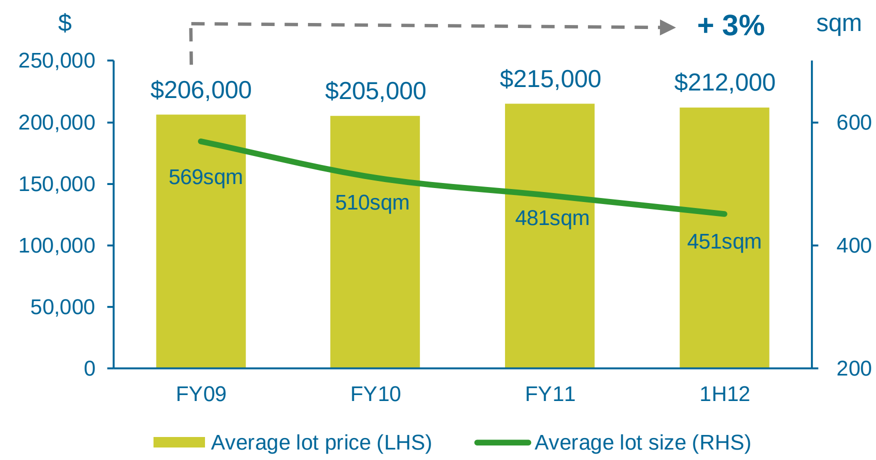
Steady margins

- Average prices holding up despite decline in established house prices
- Margins within target range:
  - Expect margins to remain steady
- Focus on cost control:
  - In-house project management expertise
  - Detailed value management capability
- Speed to market reduces capitalised interest:
  - Experienced planning and approvals teams

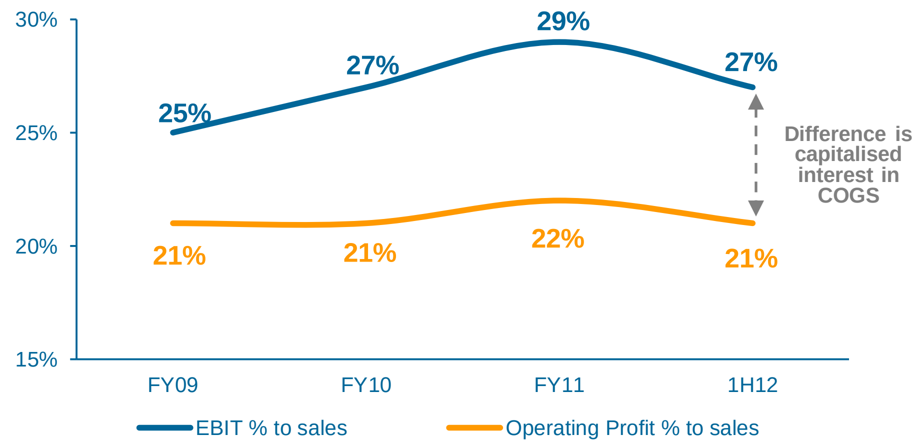
No impairment

- Projects reviewed quarterly to assess recoverability:
  - Inventory held at lower of cost and net realisable value
  - Conservative assumptions in project feasibilities

Maintaining affordable lot prices



Steady Operating and EBIT margins



Focus on capital efficient growth

Large and diverse land bank

- Large masterplanned communities commencing within two years:
  - East Leppington (NSW), Lockerbie (Vic), Caloundra South (Qld) and Marsden Park (NSW)
- Land bank provides 95% coverage of three year revenue targets

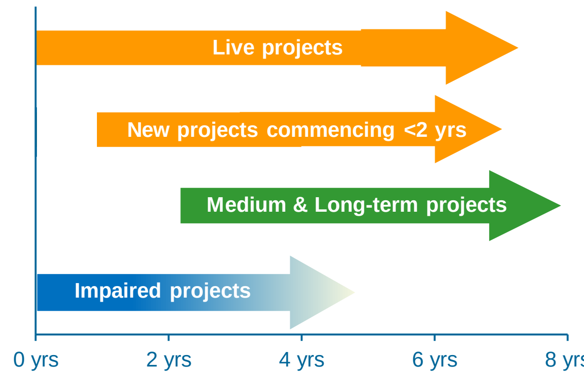
Acquiring land on capital efficient terms

- Marsden Park (NSW)
  - Secured ~2,300 lots, initial cash outlay $5m
- East Leppington (NSW)
  - Secured ~2,800 lots on capital deferred terms

Return on Net Funds Employed (RONFE)

- 16% pre interest RONFE in 1H12 (rolling 12 months)
- RONFE to improve as new projects come on line

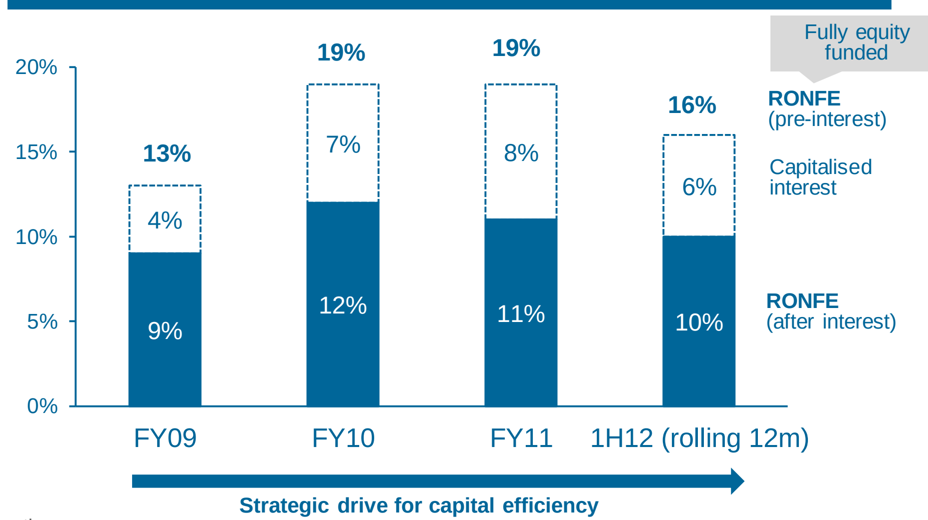
Funds mainly employed in live and impending projects



	Number of Lots	Net Funds Employed[1]
Live projects	25,700	1.4
New projects commencing <2 yrs	15,400	0.5
Medium & Long-term projects	48,100	0.4[2]
Impaired projects	1,800	0.2[3]
	91,000	$2.5b

~75% of NFE

Strong Return on Net Funds Employed[4] (RONFE)



1. Based on net funds employed as at 31 December 2011
2. $0.2bn is Caloundra
3. $0.2bn gross impairment provision
4. EBIT and Operating profit for past 12 months / Average pre and post interest NFE for past 12 months

Stockland

Retirement Living

9% of
Total Assets

Retirement Living Operating Profit flat but cash metrics growing

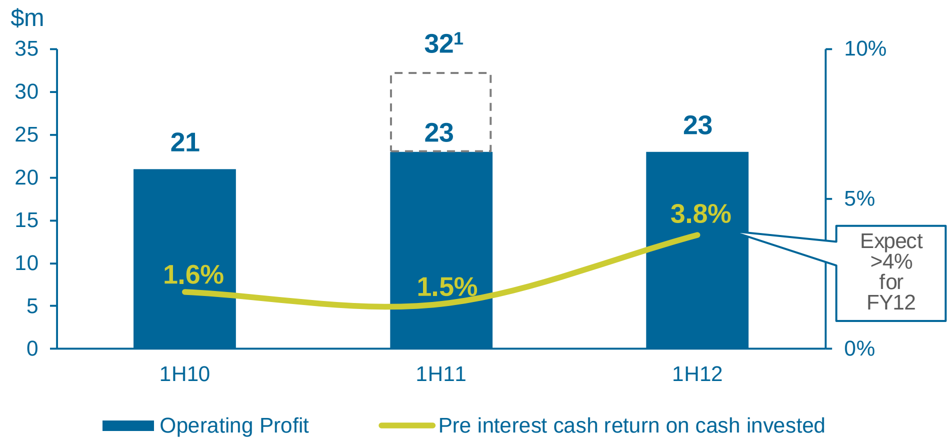
Customer demand robust but prices flat due to broader residential market conditions

- Operating profit impacted by nil price growth in 1H12 compared to 2% in 1H11, resulting in $16m less DMF accrued
- Focussed on cash returns:
  - Expect FY12 pre interest cash on cash return >4%
  - Targeting 8% within 5 years
  - Driven by higher development profits, village maturity and economies of scale

Potential for growth through industry consolidation

- First right of refusal over FKP's assets and 15% shareholding
- Our key focus is organic growth of cash returns
- Consolidation only if accretive to cash returns

Operating profit and cash metrics



Economies of scale being achieved

	1H12	1H11 – Pre Aevum	
Independent Living Units	7,800	3,900	▲100%
Cash receipts[2]	$109m	$51m	▲114%
Overheads	$20m	$15m	▲33%
Cash profit[3]	$16m	$2m	▲700%

Doubled portfolio and only increased overheads by 33%

1. 1H11 pro forma for Aevum and Stockland (i.e. full six months for both portfolios combined)
2. Total receipts from incoming residents at established villages and new developments
3. Cash return excludes Accrued DMF – calculated as Operating Profit less Accrued DMF plus Turnover Cash

Established portfolio has strong reservations on hand

Expect to settle more units in 2H12

- ~80% of FY12 forecast already settled or reserved
- Improved cash flow from unit turnovers:
  - Aevum contract mix and portfolio maturity
  - Enhanced sales and marketing capability

Drive to increase occupancy

- Applying Stockland asset management expertise
- Each 1% improvement in occupancy generates ~$5m of cash flow

Established settlement volumes skewed to 2H12

	1H12	1H11[1]	
Established settlements	230	249	▼ 8%
-Average re-sale price	$312k	$301k	▲ 4%
-Turnover cash per unit	$88k	$68k	▲ 29%
-Turnover cash margin	28%	23%	▲ 5%
Reservations on hand	190	147	▲ 29%
Occupancy[2]	93%	94%	▼ 1%

1. 1H11 pro forma for Aevum and Stockland (i.e. full six months for both portfolios combined)
2. Decreased occupancy on FY11 represents ~75 additional units, however there are 115 more reservations than at FY11 and occupancy will increase upon settlement

Future growth underpinned by large development pipeline

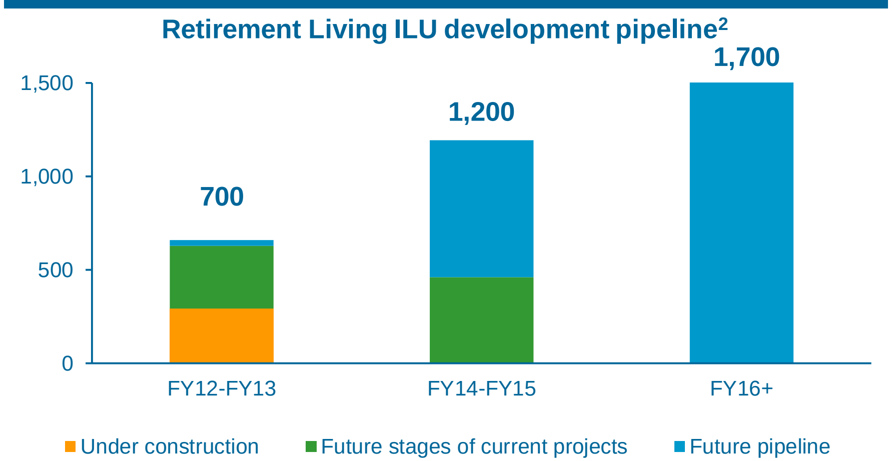
Strong organic growth through development

- Pipeline on track to settle >250 units in FY12:
  - Production going well - 10 projects in 4 states
  - Price per unit up and margins down due to product and project mix
- Leveraging Residential and Retail capability:
  - Speed to market through masterplanning, approvals and procurement
  - Sales and marketing – leverage nearby Residential and Retail presence
- Expect to achieve economies of scale:
  - Aim for ~600 pa run rate by FY14/15
  - With minimal additional overhead

Development settlement volumes skewed to 2H12[1]

	1H12	1H11	
New unit settlements	100	76	▲ 32%
- Average price	$377k	$344k	▲ 10%
- Average margin	16%	18%	▼ 2%
Reservations on hand	129	82	▲ 57%
Net Funds Employed (development only)	$242m	$174m	

Pipeline capacity to increase settlements



1. 1H11 pro forma for Aevum and Stockland (i.e. full six months for both portfolios combined)
2. Timing subject to market conditions

Stockland

Other businesses

1% of
Total Assets

Other businesses - orderly wind down on track

Apartments

- All but one site under contract and due to settle over the next two to three years
- No further profit expected

UK 1H12 Operating Profit higher than expected

- Sold three profitable projects ahead of expectations
- Exit on track to be completed in 2012
- No further profit contribution

Apartment wind down nearly complete

	1H12	1H11
Operating profit	$2m	$32m
Net Funds Employed	$94m	$308m
1H12 cash flow	$91m	-

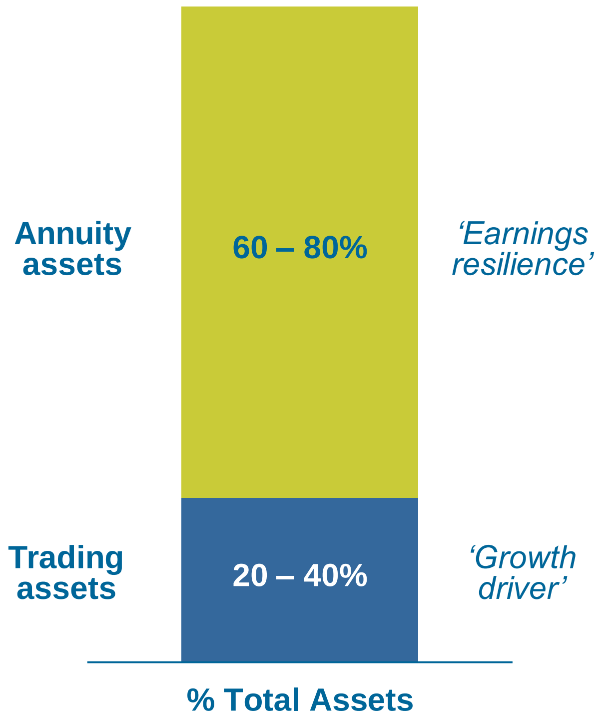
UK exit on track for 2012 completion

	1H12	1H11
Operating profit	$17m	($1m)
Net Funds Employed	$95m	$163m
1H12 cash flow	$81m	-

Summary and outlook

Business model provides earnings resilience and growth potential

Strategic Asset weighting



Currently:

~75% Annuity assets,
~25% Trading assets

How we build resilience

- Focus on the broad "mass market" customer segment
- Deliver needs based, affordable products
- Solid backbone of recurring rental income
- Large, capital efficient residential land bank
- Strong balance sheet and liquidity
- Global leader in sustainability

How we deliver growth

- Concentrate in strong population growth corridors
- Leverage market leadership in Residential Communities
- Develop "fortress" Retail centres and actively manage assets
- Capture growth of ageing demographic
- Leverage economies of scale, synergies and tightly control costs
- Growth in core businesses fully self-funded

Summary

Market conditions remain challenging with credit markets tight, the Australian economy under pressure and tough property markets

Strategic focus on short term resilience and future growth:

- **Affordable products for the mass market segment**
- **Reweighting recurring income from Office and Industrial to higher return and lower volatility Retail**
- **Strong balance sheet and capital efficiency**

Key indicators ahead of broader market:

- **2Q12 Residential deposits up 7% on previous quarter**
- **Retail specialty shops comparable MAT + 4.3%**

FY12 EPS expected to be the same as FY11 (before buyback accretion) assuming current Residential conditions continue