



AGM 2010

Chairman's address

I am pleased to report that Stockland delivered solid results for the 2010 financial year.

We consolidated our position across all key operating businesses, with a clear focus on our three key areas of strategic growth—Residential, Retirement Living and Retail.

The result of these efforts was a 10 per cent increase in our underlying profit to \$692 million. This reflects solid performances across most of our businesses and a particularly strong result for our Residential business which achieved record lot sales in FY10.

Our statutory profit was \$478 million, well above last year's statutory loss of \$1.8 billion.

Let me take a moment to explain why we report our underlying profit as our key measure of business performance.

Underlying profit measures our profit from operations and is, in the Board's view, the best way to measure our performance from year to year. This has been our consistent approach to reporting our results to securityholders for many years and accords with the recommendations of the Financial Securities Institute of Australia and the Australian Institute of Company Directors. It aims to help investors understand the real performance of our company. The difference between our underlying profit and our statutory accounting profit is fully detailed in our financial reports.

Our underlying earnings per security in FY10 was 29.1 cents, down 20 per cent on last year due almost entirely to the higher number of shares on issue following our capital raising in FY09. Total distributions for the year were 21.8 cents per security, resulting in a total payout of \$520 million.

This payout reflects the Board's policy to pay to securityholders a high proportion of our earnings each year, while retaining a portion to fund future growth. This year, and going forward, we will pay out the greater of 75 per cent of our underlying profit or 100 per cent of our trust taxable income.

Your Board recognises that our capital raisings in FY09 have reduced distributions per security and that this is disappointing for many securityholders. We are confident, however, that this action both buttressed our company against the risks posed by the extreme global economic uncertainty at that time, and positioned us to capitalise on growth opportunities that arise while maintaining low levels of debt. One such opportunity was the acquisition of retirement village operator Aevum of which we now hold over 78 percent and for which our offer closes on 29 October, unless extended.

This acquisition nearly doubles the size of our Retirement Living business, giving us the scale and national presence we need to be a leading player in this market.

Ladies and Gentlemen, those of you who have heard me speak before will know that one area I believe will have a significant impact on our business's long-term success is our focus on corporate responsibility and sustainability. We continue to embed sustainability principles and practices into our every-day business operations. Our sustainability commitment spans the environmental qualities of our developments and assets, the quality of community facilities and

experience we seek to foster in our residential and retirement living projects, and the way we engage with the communities where we operate. We are increasingly convinced that there will in future be a direct relationship between our sustainability credentials and our company's bottom line performance. Importantly, our commitment to sustainable practices will help us make the right investment decisions now to ensure our business prospers in future years.

Pleasingly, once again this year our group achieved wide domestic and international recognition in sustainability, as did many of our individual projects. In particular I note a significant improvement in our Dow Jones Sustainability Index where Stockland was ranked second in the global real estate sector. Last year we were also named Ethical Investor Sustainable Company of the Year and projects such as our South Beach Estate and 2 Victoria Ave, both in Western Australia, received sustainability awards.

I would like to turn now to the Board and management matters.

I thank my Board colleagues for their commitment and high level of engagement and enthusiasm throughout the year. In particular I would like to make special mention of the significant contribution made by our Deputy Chairman Nick Greiner during his 18 years on the Board. Nick retires this meeting and I will move a motion of appreciation for Nick's contribution later in our proceedings.

We were delighted to welcome our newest director Carol Schwartz in July. Ms Schwartz has extensive property and retailing experience and is already proving a valuable addition to our Board. We look forward to her future contribution.

Following these changes to the Board, we have taken the opportunity to review our Board committees and their composition to ensure we have the right focus and can benefit from the expertise of each of our directors. We have now created a new Risk Committee to provide a sharper focus on this important area at Board level and to integrate aspects of risk management formerly overseen by various other board committees including our Audit Committee, Human Resources Committee and Treasury Committee. I believe that creating a Board Risk Management Committee reflects emerging best practise in corporate governance and I am pleased that Carolyn Hewson has agreed to chair this new committee.

I would like to thank the outgoing chairs of our Board Committees for their contribution over recent years including Nick Greiner for chairing our Corporate Responsibility and Sustainability Committee (he will be succeeded by Duncan Boyle), Terry Williamson for chairing the Treasury Committee and Peter Scott for his chairmanship of Stockland Capital Partners (he will be succeeded by Barry Neil).

On behalf of shareholders I would like to thank Matthew Quinn, who this month celebrates 10 years as our Managing Director. Matthew has led our company with great success through a decade of significant growth, and through the very challenging market conditions of recent years. He has done so with focus, vision and a high level of integrity which is, of course, a hallmark of our approach to business.

I also thank his executive colleagues and all of our employees for their strong contribution and many achievements during the past year.

There has been much public focus on governance issues recently and your Board has closely monitored developments in this area. We aim to be leaders in good corporate governance and I

am pleased to note that our practices are well in line with best practice and often reflect early adoption of new guidelines. In particular I would like to mention our strong commitment to gender diversity.

Stockland has for many years had a policy of actively encouraging gender diversity at all levels in the organisation. Our Managing Director has personally led this group-wide commitment within the company. Not only have the last two appointments to the Board been women, but several years ago we set targets to increase the proportion of women in management to 35 percent. In FY10 we exceeded this goal, and we have now set a new five-year target of 40 percent.

Finally, I would like to look to the year ahead.

While the Australian economy continues to outperform other developed nations, we remain cautiously optimistic about the year ahead. Positive domestic signs including improvements in employment and consumer confidence are tempered by concerns about interest rates, a high Australian dollar, weak economic conditions in the USA and Europe and ongoing financial market fragility. With the right policy settings from government and the Reserve Bank, however, we believe that Australia is well-placed to outperform other developed economies.

I am confident, that our operating businesses are in a strong competitive position. Our disciplined approach to balance sheet management and our skilled and committed team ensure we are well placed to deliver superior returns into the future.

Thank you.