



Highlands, Vic



Macquarie Australia Conference 2012, Sydney

FY12 Group performance update

We are on track to achieve FY12 revised EPS guidance of 30.5 cents

- Retail NOI comparable growth expected to be 3.5 – 4%¹
- Residential Communities leads remain strong, but customers cautious and conversion rates lower
- Retirement Living on track to achieve forecast, and cash returns growing quickly
- Significant progress on non-core asset sales – ~\$970m to date in FY12
- Active share buy-back – acquired ~7% at average of \$3.02

We will recognise some impairments in FY12

- Five “lifestyle” residential projects will be impaired by \$48m (~2% of total inventory book value)
- UK market conditions have delayed our exit until 2013, requiring a \$15m impairment
 - Residual value down to \$80m

Change of Retirement Living accounting to closely align with cash flow

We are simplifying Retirement Living accounting

- Historically earnings were a combination of cash and accrual/accounting adjustments
- Going forward, underlying profit will be closely aligned with cash flows
- Very clear, simple and no subjectivity

At year end, two measures of EPS will be reported (existing and new)

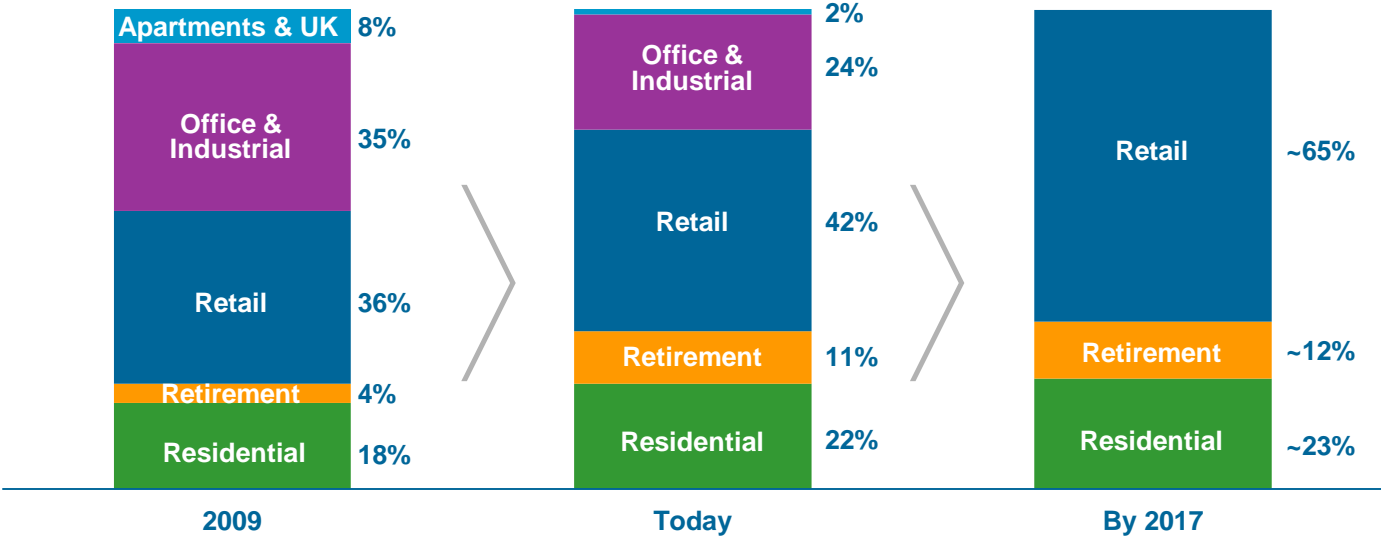
- Under the existing measure we are on track to achieve revised FY12 EPS guidance of 30.5 cents
- Under the new measure guidance reduces to 29.8 cents, but earnings quality improves
- Retirement Living expected to hit its original profit target – this is not a downgrade
- After FY12 EPS will only be reported on the new measure

Importantly, we are lifting our payout ratio to reflect higher quality Underlying Profit under the new methodology

- Payout increases to greater of 75% - 85% of Underlying Profit and Trust Taxable Income
- FY12 payout ratio will be around 80%

We are focused on executing our strategy and increasing returns

Asset mix over time



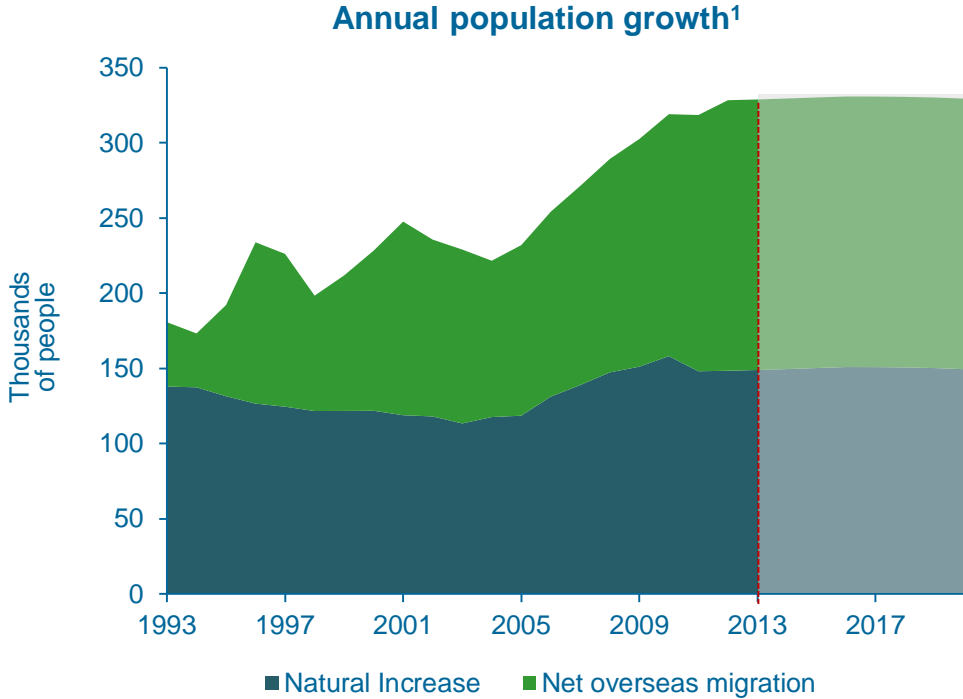
Focus on Retail, Residential and Retirement Living

- These businesses are a natural fit and we have competitive advantage

Aim to achieve market leadership in each business through careful investment and focused execution

- Measured by market share, brand recognition and ROA

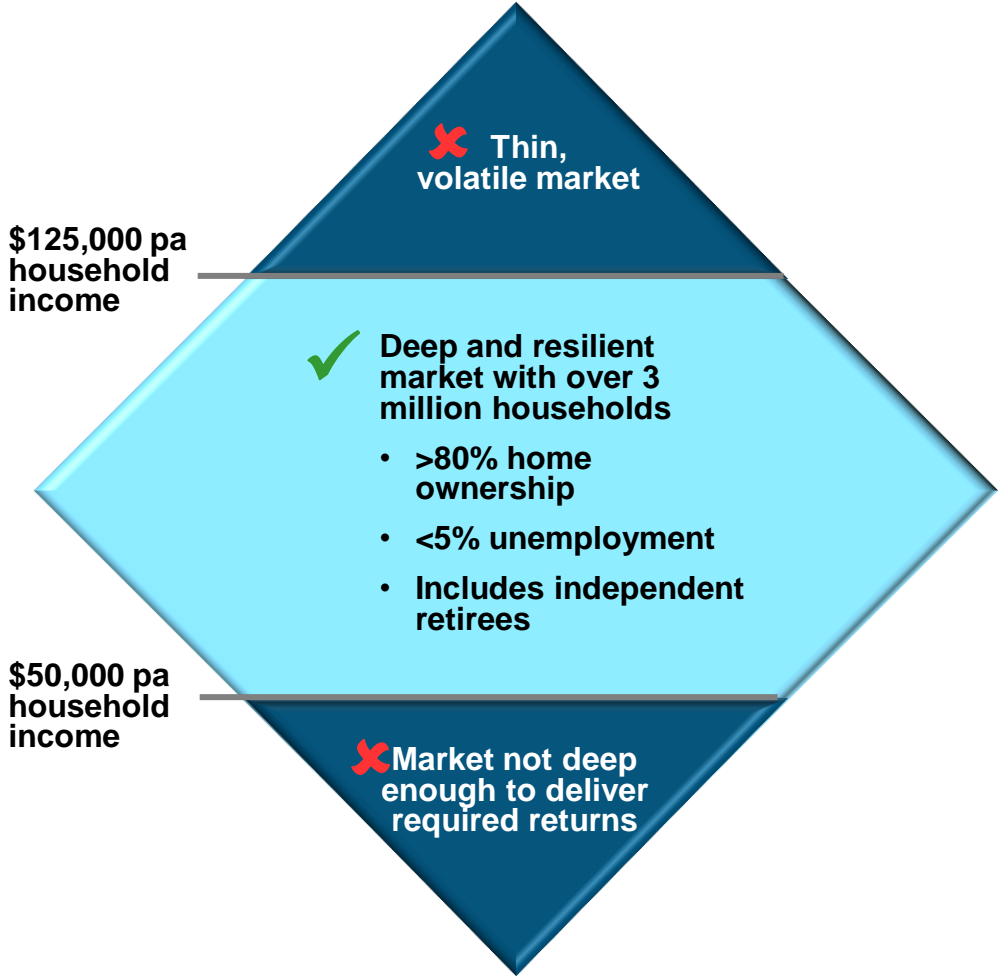
Our strategy is built on population growth – it’s a safe bet



Bipartisan political support for population growth of **330,000 people p.a.** requiring:

- **160,000 new dwellings** (100,000 detached homes)
- **>500,000 sqm new retail floor space**
- **Up to 5,000 retirement homes** (growing as the population ages)

We provide affordable products for the mass market



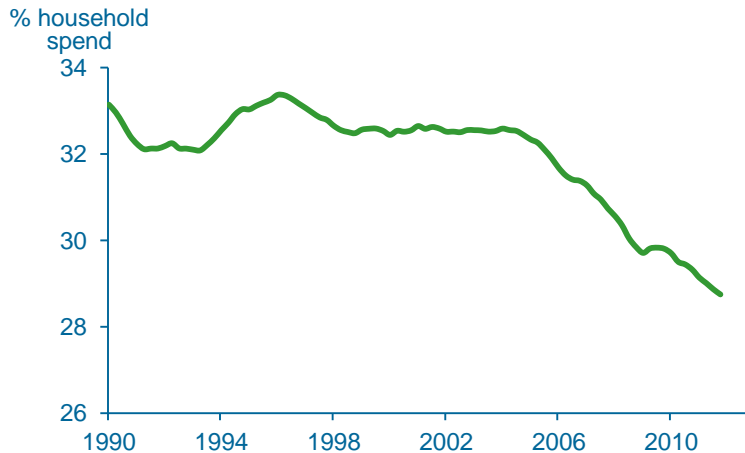
- > All businesses target the same customer demographic
- > Focus on corridors with high population growth
- > Tailor products to specific local markets
- > Deliver value, affordability and convenience

We are responding to the structural changes in retail

Spending habits are changing

- Discretionary spending is declining
- Online retailing is growing
 - Music and books are leaking to online
 - Food and services are lower risk
 - Clothing is the big “swing factor” for retail landlords

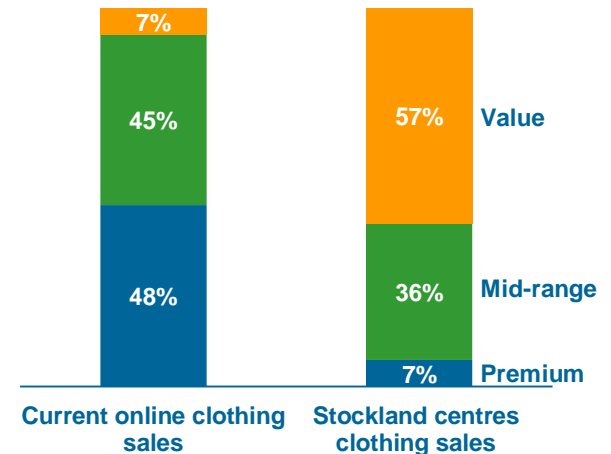
Discretionary spending declining



Continued focus on value and convenience

- Our centres are heavily weighted towards food and services
- Specialty retailers are predominantly “value” focused
- We are investing to ensure we are the “first choice” for retailers and shoppers

High end clothing sales most at risk from online



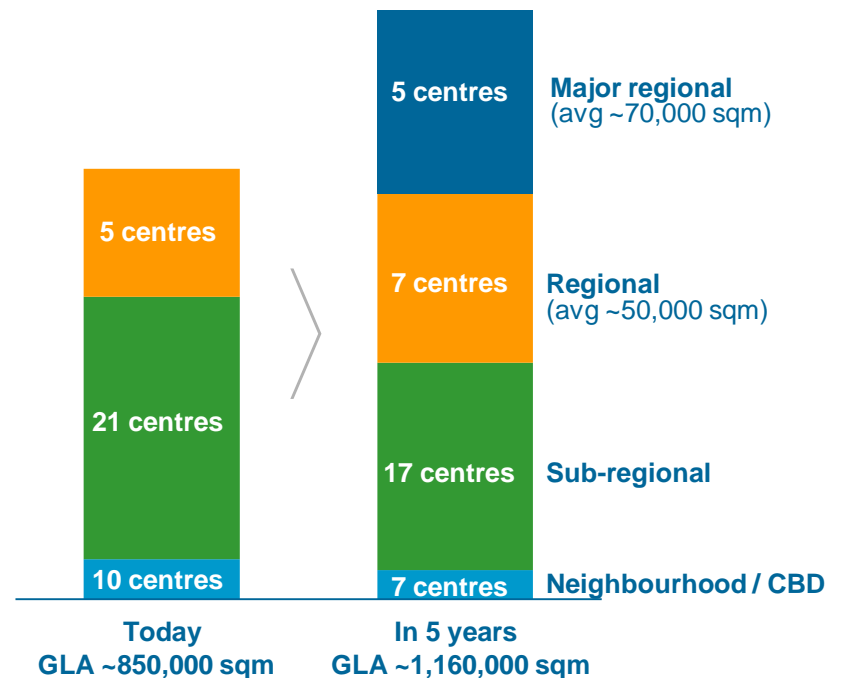
We are developing our retail centres for resilience and growth

Investing to create leading centres in growing trade areas

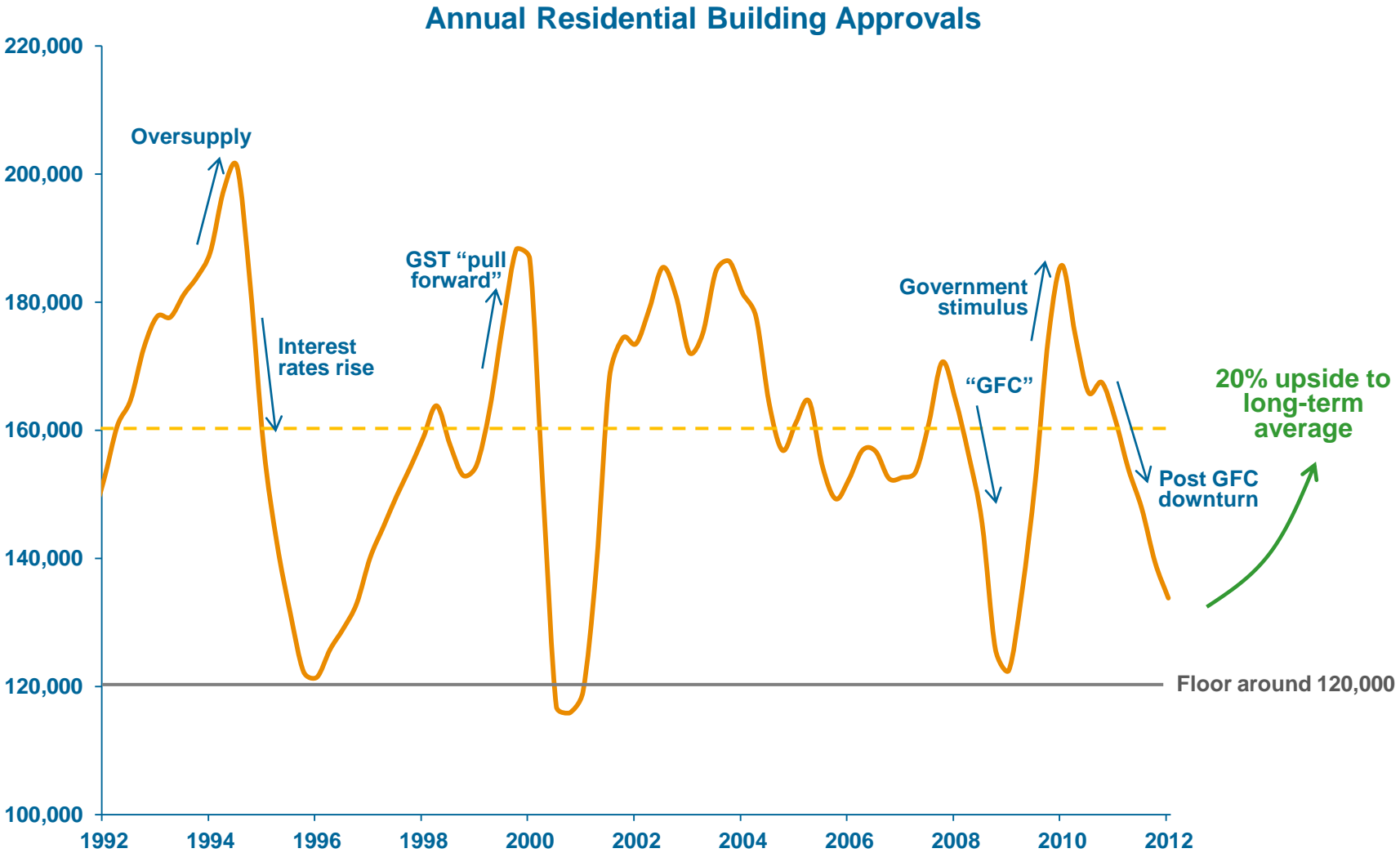
- Development capex ~\$2bn over 5 years
- Average 14% incremental IRR
- Increasing market share to be number 1 in trade area, or number 2 with strong point of difference
- Centre size will be appropriate for each trade area, at this stage maximum ~75,000 sqm and ~250 specialty stores

Strategy will continue well beyond FY17

Moving up the retail hierarchy¹



The market for new housing is nearing a cyclical low



The yield curve points to a more positive outlook

Sentiment towards home buying follows interest rates

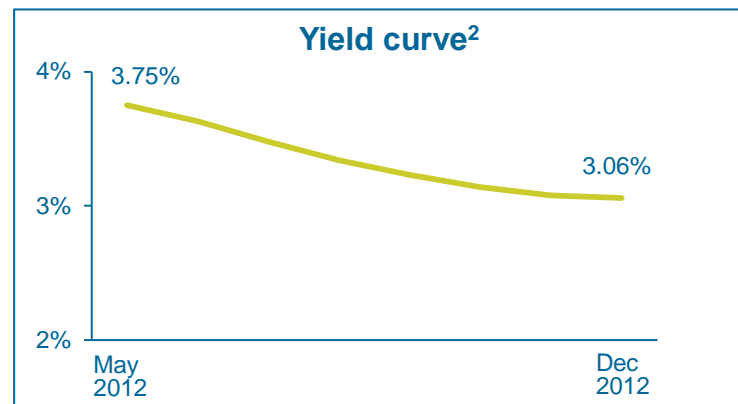
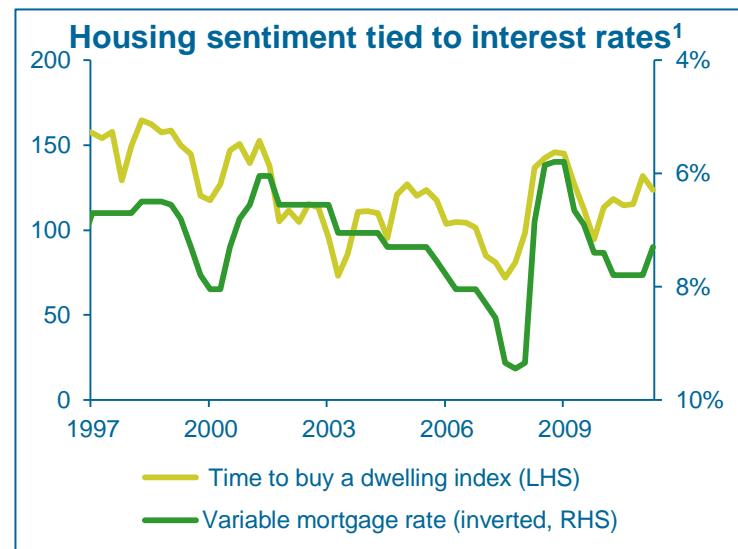
- The mood can change quickly

The market is pricing in significant rate cuts

- Futures pricing suggests a 100 bps rate cut by December 2012
- Banks' fixed rates indicate they are anticipating rate cuts

Expect to see increase in residential demand if rates are cut

- Assumes banks follow RBA moves
- 50 bps likely to make a difference
- 100 bps would have a big impact



Mortgage rates
(best on offer from big 4 banks)

Standard variable	7.31%
1 yr fixed	6.19%
3 yr fixed	5.99%

Our affordable products are attracting value-conscious buyers

~\$200k is the affordability threshold for residential lots

- Need to reduce lot sizes to capture sales and maintain margins

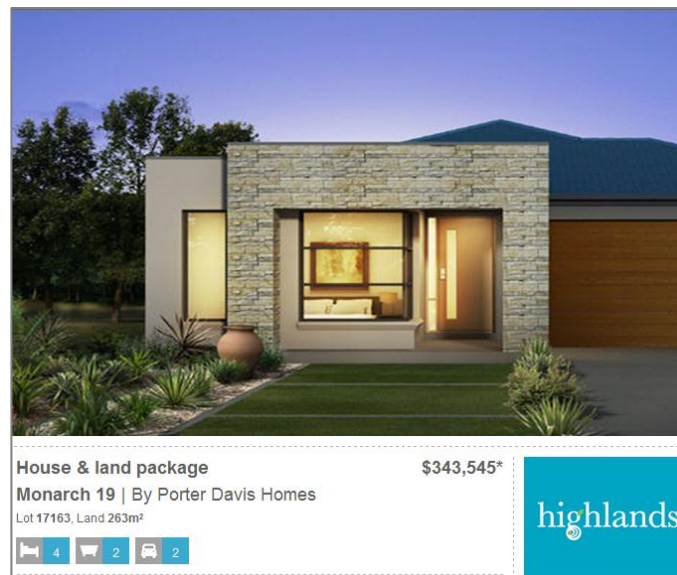
Our product strategy is a clear differentiator

- Delivering innovative products that meet customer needs

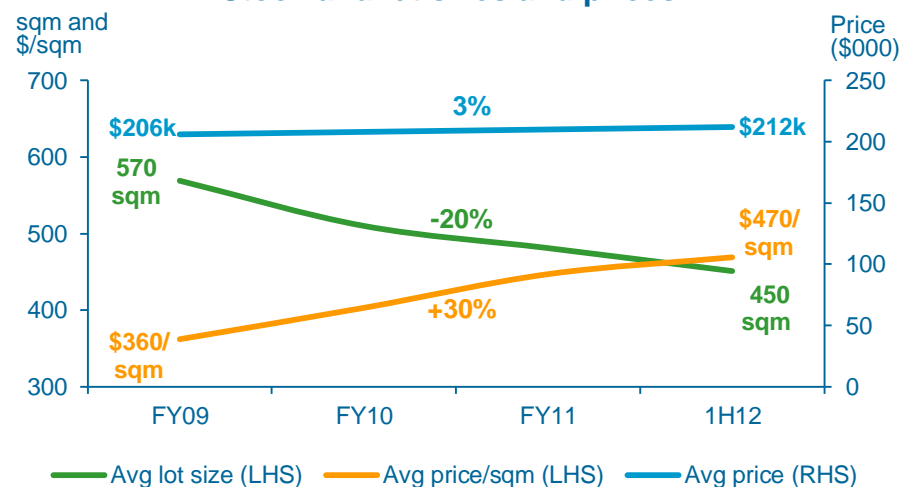
Smaller products enhance price per sqm

- Resilient margins even when house prices are under pressure

Despite being at a low point in the cycle, Residential Communities is expected to settle >5,000 lots in FY12

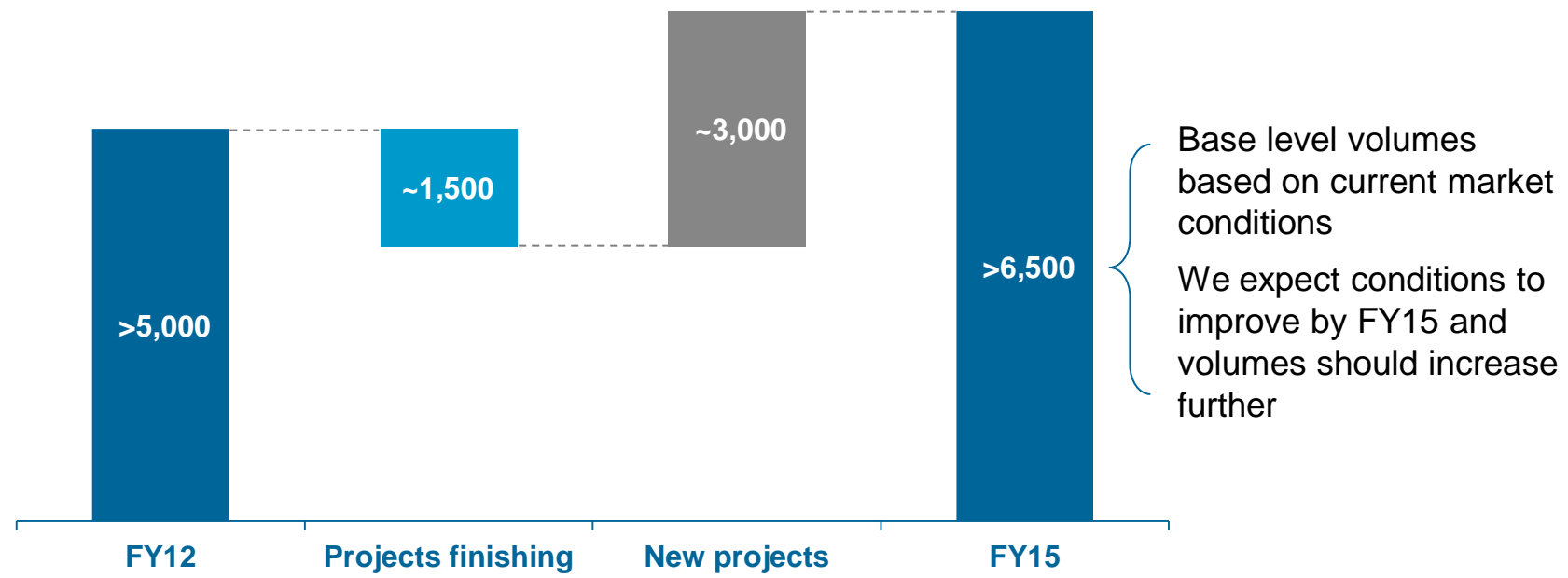


Stockland lot sizes and prices



Our existing land bank will deliver a big volume increase by FY15

Expected annual lot sales from existing land bank



Retirement Living underpinned by attractive industry fundamentals

Compelling demand drivers

- Expect demand for new developments of circa \$35b over the next 20 years
- Industry will struggle to meet demand, given fragmented structure

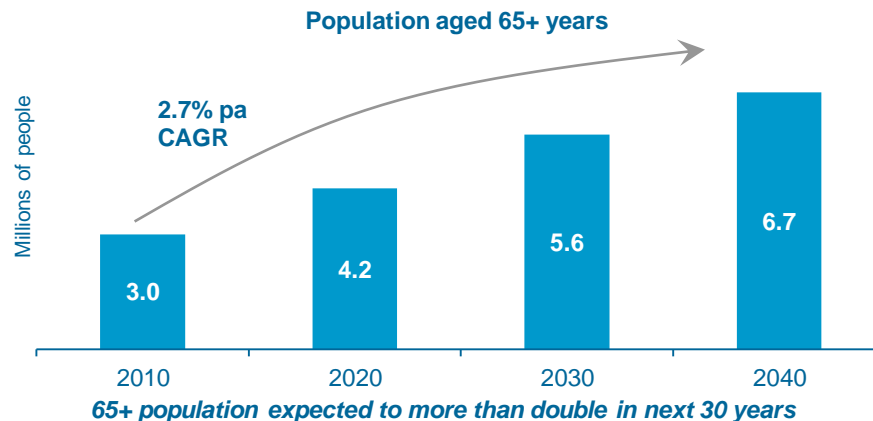
Attractive long-run investment returns

- 12.5% IRR on mature assets
- 20% return on marginal development expenditure

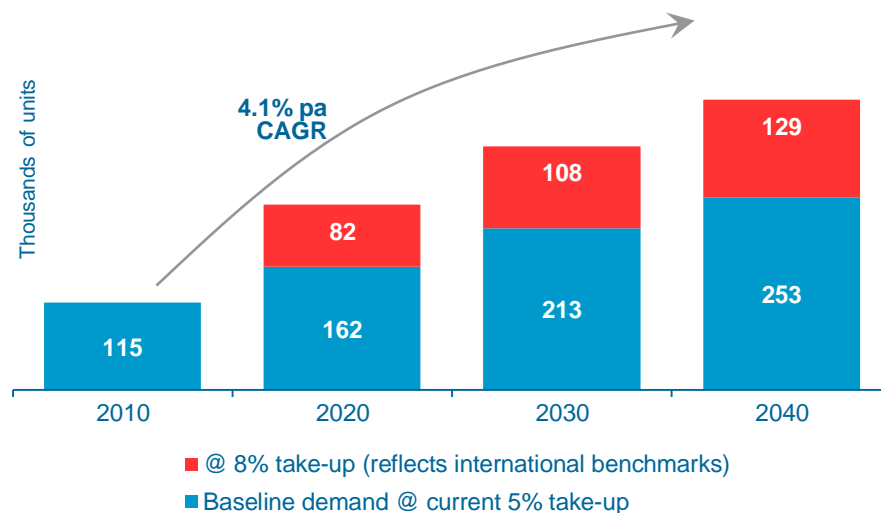
Stockland villages are appealing to residents

- Annual residents' survey shows 88% of residents are satisfied or extremely satisfied with village life
- 56% of residents have referred at least one person to a Stockland village
- 30% of sales are the result of a referral

Growth of >65 year old demographic is an opportunity



Expect large increase in retirement village demand



Retirement Living has strong growth prospects

Cash returns will continue to grow

- Strong customer demand for retirement living products
- ROA expected to grow through operational efficiency and increased development volumes

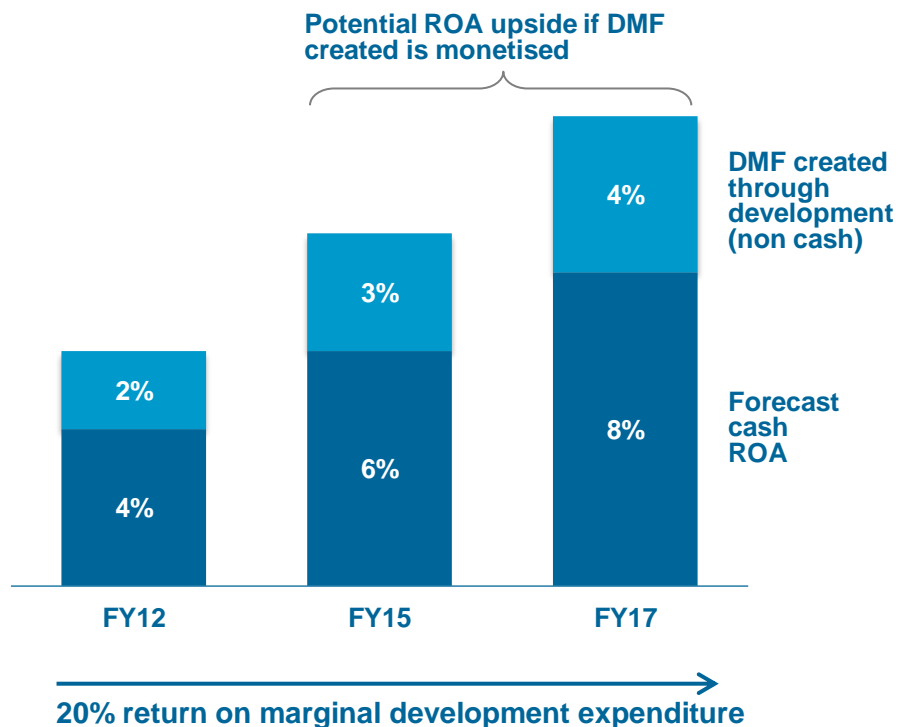
Significant future DMF created through development

- Present value of income streams from future resident turnover – nil cost to create and excluded from underlying profit
- We currently retain these assets and the future revenue stream is strong but long-dated

Potential ROA upside

- We are investigating monetising DMF created to deliver greater ROA

Retirement Living returns growing quickly



Delivering our strategy through strong financial discipline

- EPS growth:** Average 5-6% per annum through the cycle
- ROE:** Focusing on cash returns on cash invested
Will disclose FY12 actuals in August
- Earnings mix:** 60-80% recurring, 20-40% trading
Delivering earnings resilience and growth potential
- Gearing:** 20 – 30% (Debt/TTA)
Maintaining balance sheet strength
- Credit rating:** S&P A-/stable
Providing access to long term and diverse debt sources
- Payout ratio:** 75 – 85% of Underlying Profit¹
Providing flexibility to deliver consistent and sustainable DPS growth

We have several accretive investment options

Redeveloping Retail centres

- Investing \$400m pa in retail development
- Average incremental IRR 14%

Buying Residential land

- Opportunistically investing in our growth corridors
- Buying on capital efficient terms where possible
- Incremental IRR 20%

Developing Retirement villages

- ~\$250m of incremental devex required to reach scale in developing new villages
- Incremental IRR 20%

Returning capital to shareholders

- Share buyback
- Flexible distribution policy

Pay down debt

- Maintain low and long-dated debt

Through asset sales, we can afford all options that meet our return hurdles

We continue to drive operational efficiencies

Focus on reducing overheads across all businesses and support functions

Generating economies of scale from growth

- Example: Retirement Living

Cross-business synergies

- Example: Project management

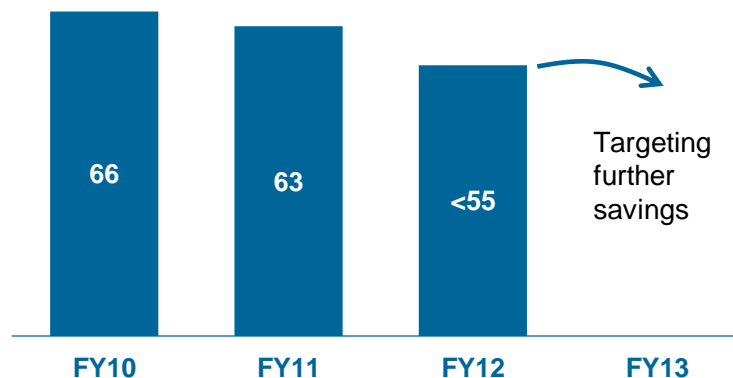
Centralising functions which are not customer facing

- Example: IT

Outsourcing activities where no longer cost efficient in-house

- Example: Office and Industrial property management

Unallocated Group overheads (\$m)¹



Outlook and summary

- We have a clear strategy with a path to be a market leader in each of our core businesses
- We have a pool of non-core assets that will be progressively sold to fund growth at higher returns and return capital to shareholders
- There is plenty of upside in our residential inventory, but some non-core “lifestyle” projects require impairment
- FY12 has been a challenging year but we are on track to meet revised guidance
- FY13 earnings growth will be influenced by interest rate movements and the speed of the residential market recovery
- Our prospects in FY14/15 are very positive and will build on our continued investment in our core businesses

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