Creating sustainable communities

HALF YEAR REVIEW
31 December 2017

Stockland

Green Hills

THE HUNTER'S PREMIER RETAIL DESTINATION

We have accelerated the next stage of our $414 million redevelopment with the grand opening of Stockland Green Hills now only weeks away. The March 22 grand opening will unveil a new section of the mall, taking Stockland Green Hills closer to becoming the premier retail, entertainment and casual dining destination for the Hunter and Newcastle region.

The centre's expansion has brought retailers, services and jobs to the Hunter region in New South Wales. Stockland Green Hills will more than double in size and feature David Jones, Target, ten mini-majors and over 230 specialty stores. The centre will become an entertainment destination, with a new 700-seat dining precinct and HOYTS Lux cinema when completed.

Green Hills is targeting a 5 Star Green Star 'Australian Excellence' rating and will install a significant 1,850kW solar photovoltaic system reducing the centre's peak energy demand by more than 40 per cent.

The project also sparked a partnership between our construction partner Brookfield Multiplex, Maitland Council, local employers and community groups to open the Stockland Green Hills Connectivity Centre, linking job seekers with employment opportunities created by the project. To date the Connectivity Centre has successfully placed over 140 job seekers.

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KEY DATES

30 June 2018
Record date

23 August 2018
Full year result announcement

24 October 2018
Annual General Meeting

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GradConnection TOP100 EMPLOYER 2018 FINANCIAL REVIEW

Letter from our Chairman and Managing Director and CEO

Dear Securityholders

We are pleased to deliver a solid result for the half year ended 31 December 2017 (1H18), reflecting the benefits of our diversified business model.

Our continued focus on community creation and leveraging our diverse sector capability is delivering some of the most liveable, affordable and connected communities in Australia and consistent, growing returns for our securityholders.

For the half year, we generated funds from operations (FFO) of $436 million, an increase of 18.2 per cent on the previous corresponding period.

Our statutory profit was $684 million, slightly down on the previous period, mainly due to lower finance income relative to the prior period.

As indicated previously, the distribution for the half year is 13.0 cents per security, supporting our target full year distribution of 26.5 cents per security, assuming no material change in market conditions.

Our strategy to broaden our customer reach, grow asset returns, improve operational efficiency and maintain capital strength is driving sustainable profit growth, in an environment that has presented challenging conditions for some of our operating sectors.

GROWING ASSET RETURNS AND OUR CUSTOMER BASE

We have made considerable progress reshaping the business over the last five years placing a greater focus on the deep Melbourne and Sydney markets, with particular emphasis on transport and infrastructure corridors. As a result, our Residential business delivered another half year of exceptionally strong returns and settlements.

Our land bank now totals over 85,000 future housing lots nationally and we maintain our focus on delivering some of the most affordable, liveable and desirable new communities in Australia.

Our Logistics and Business Parks business has also made great progress, delivering strong results and 99 per cent occupancy rate. The value of our Logistics and Business Parks business has risen around $600 million over the past four years from $1.5 billion to $2.1 billion, and now represents 14 per cent of total Group asset value. We are on track to continue to grow this segment of the Group with $176 million of construction underway and an additional $590 million development pipeline.

The retail environment remains subdued however we have maintained high occupancy in our Retail Town Centre business with an intense focus on upgrading and remixing our centres in line with customer preferences.

We continue to reposition our Retail Town Centre portfolio and have developed and remixed strong performing centres such as Wetherill Park, Sydney and Green Hills stage 1 and 2 in Maitland, New South Wales. Our repositioning of our portfolio continues at 20 centres across the country with a focus on services, casual dining, health and entertainment.

Close to 90 per cent of our Retail Town Centre portfolio comprises centres that lead their catchment area or are mixed use, CBD, or community neighbourhood centres.

We will continue to focus on the creation of dynamic, high quality retail town centres through our $530 million development pipeline. As announced in August 2017, we are aiming to divest $300 million of retail town centres over the next 12 to 18 months, of which approximately $70 million has completed to date.

Our Retirement Living business continues to be supported by the fundamentals of an ageing population. However, sales at both existing villages and new developments over the half have been affected by the increased media attention on the sector, which has influenced customer confidence. Sales over the period were also affected by lower volumes of new development stock due to project timing.

In response to customer preferences we have increased our focus on services, facilities and health and wellbeing. We are proud of our commitment to resident satisfaction and our ability to achieve consistently high levels of satisfaction at our Retirement Living villages across Australia.

CAPITAL STRENGTH

Over the half, we have sustained disciplined capital management and strong underlying cash flows.

We have continued to actively manage our debt program, which has seen us improve our weighted average cost of debt for the period, now down to 5.3 per cent from 5.5 per cent in FY17. Our A-/stable credit rating from Standard & Poor's and A3 credit rating from Moody's were retained and demonstrate the strength of our balance sheet.

We have suspended the distribution reinvestment plan (DRP) for the period, as the DRP price of $4.03 is at a discount to our current net tangible assets of $4.18. The Group has sufficient capital to maintain current development and investment activity and remain within our target gearing range.

OPERATIONAL EXCELLENCE

We remain extremely proud of our leadership and commitment to sustainability. This year we will set a new standard for solar energy in Australian property as we commence the rollout of our $23.5 million solar initiative across 10 of our retail town centres. The initiative will generate strong shared value for both our investors and our communities.

We also continue to invest in technology and innovation, which is critical to maintaining a competitive cost structure, and responding to global trends and the changing preferences of our customers.

OUTLOOK

With a strong balance sheet, good earnings visibility and robust, growing development pipelines, we are well placed to respond to the needs of Australia's growing population.

We expect economic conditions to remain relatively favourable with the economic fundamentals, here in Australia and abroad, remaining positive and interest rates at historically low levels.

Assuming no material change in market conditions, we remain on track to achieve our target FFO growth per security of 5.0 – 6.5 per cent for the full year.

For more detailed insights on our half year performance and outlook we encourage you to visit our investor centre *stockland.com.au/investor-centre*

TOM POCKETT
CHAIRMAN

MARK STEINERT
MANAGING DIRECTOR AND CEO

FUNDS FROM OPERATIONS ($M)	FUNDS FROM OPERATIONS PER SECURITY (¢)	STATUTORY PROFIT ($M)	STATUTORY EARNINGS PER SECURITY (¢)	DISTRIBUTION PER SECURITY (¢)	NET TANGIBLE ASSETS PER SECURITY ($)
$436m	18.0¢	$684m	28.3¢	13.0¢	$4.18
↑18.2%	↑16.9%	↓2.6%	↓3.4%	↑3.2%	↑4.5%
1H17 369	1H17 15.4	1H17 702	1H17 29.3	1H17 12.6	1H17 4.00