

Appendix 4D – Half Year Report
Stockland Consolidated Group
For the half year ended 31 December 2015

Stapling arrangement

Stockland was established for the purpose of facilitating a joint quotation of Stockland Corporation Limited (ABN 43 000 181 733) and its controlled entities (“the Corporation”), and Stockland Trust (ARSN 092 897 348) and its controlled entities (“the Trust”) on the Australian Stock Exchange. Stockland Trust Management Limited (ABN 86 001 900 741) is the Responsible Entity of Stockland Trust.

The Interim Financial Report has been prepared based upon a business combination of the parent entity, Stockland Corporation Limited and its controlled entities, and Stockland Trust and their controlled entities, in accordance with AASB 3 “Business Combinations”.

Details of reporting periods

Current:	31 December 2015
Previous corresponding:	31 December 2014

Results for announcement to the market

Revenue and other income¹	Up	19.2%	to	\$M 1,581
Statutory profit after income tax expense attributable to securityholders of Stockland	Up	50.6%	to	696
Underlying Profit after income tax expense²	Up	8.1%	to	313
Distributions	Amount per Ordinary Stapled Security	Total distribution payable	Franked amount per Security	
Interim distribution	12.2¢	\$290 M	-¢	
Previous corresponding period	12.0¢	\$282 M	-¢	
Record date for determining entitlements to the distribution	5.00pm, 31 December 2015			
Distribution payment date	29 February 2016			
The Dividend and Distribution Reinvestment Plan is operational for this distribution. ³				

¹ Refer to page 9 for the reconciliation of revenue and other income

² Refer page 5 of the Stockland Consolidated Group Interim Financial Report for the reconciliation between Underlying Profit and Statutory Profit.

³ The last date for the receipt of an election notice for participation in the Distribution Reinvestment Plan was 8 January 2016. The discount rate applied will be 1%. Securities issued will rank equally with other securities for the final distribution.



10 February 2016

133 Castlereagh Street
Sydney NSW 2000
www.stockland.com

T 02 9035 2000
F 02 8988 2552

For media enquiries

Greg Spears

Senior Manager
Media Relations
Stockland
T +61 (0)2 9035 3263
M +61 (0)406 315 014

Michelle Taylor

General Manager
Stakeholder Relations
Stockland
T +61 (0)2 9035 2786
M +61 (0)400 356 692

For investor enquiries

Antoinette Plater

Senior Manager
Investor Relations
Stockland
T +61 (0)2 9035 3148
M +61 (0)429 621 742

STOCKLAND DELIVERS STRONG 1H16 RESULTS

Key points

- Statutory Profit of \$696 million, up 50.6% on 1H15
- Funds from Operations (FFO)¹ of \$342 million, up 11.3%
- FFO per security of 14.5 cents, up 9.9%
- Underlying Profit of \$313 million, up 8.1%
- Underlying earnings per security (EPS) of 13.2 cents, up 6.7%
- Successful implementation of strategy: growing asset returns and customer base, delivering operational excellence and capital strength
- Tightened FY16 guidance for EPS growth to 6.5 - 7.5% above FY15 and FFO per security growth to 9 - 10%, assuming no material decline in market conditions

Stockland has achieved strong growth for the half year to 31 December 2015, with underlying profit up 8.1% on the previous corresponding period to \$313 million. The result was underpinned by continued growth in all businesses, including a solid contribution from Residential, which delivered operating profit growth of 45.5% on 1H15. Commercial Property operating profit was up 3.8% and Retirement Living achieved operating profit growth of 9.2% on 1H15.

Statutory profit for the half was \$696 million and statutory EPS was 29.4 cents. Return on equity increased 70 basis points to 10.3%, excluding workout assets.

FFO per security was 14.5 cents with growth at 9.9%. Underlying EPS was 13.2 cents, which is a 6.7% increase on 1H15. Distribution for the half year will be 12.2 cents per security, supporting our target full year distribution of 24.5 cents per security.

Stockland Managing Director and CEO, Mark Steinert, said: "This strong result demonstrates that our focus on the disciplined implementation of our strategy is working. We have maintained our balance sheet strength and continued to improve our operational effectiveness. We continue to grow asset returns through active asset management and project commencements and we're growing our customer base with more diverse products across all asset classes.

¹ FFO has been determined with reference to the Property Council of Australia's voluntary disclosure guidelines to help investors and analysts compare Australian real estate organisations. FFO is calculated by adding back tenant incentive amortisation and non-cash tax benefit/expense to underlying profit and deducting straight line rent from underlying profit.

“In our Residential business we capitalised on favourable market conditions in Sydney and Melbourne, ending the half with a record number of contracts on hand. We’ve activated a high proportion of our residential land bank and we have sufficient depth to our projects in high demand corridors to underpin future organic growth.

“Our Commercial Property business delivered solid growth in recurring income. We achieved comparable FFO growth of 4.5% and comparable underlying profit growth of 3.3% across the portfolio. Total retail sales exceeded \$6.6 billion in 2015.

“In Retirement Living, we continue to make good progress growing return on assets and we are on track at the half way mark of our five year plan. Operating profit was up 9.2% on the prior corresponding period and we ended the half with record reservations on hand. Development continues to underpin our growth with 470 homes now under construction or ready for sale.

“Stockland continues to demonstrate leadership in sustainability, diversity and employee engagement, providing long term benefits to our customers, the communities in which we operate and our shareholders,” Mr Steinert said.

Stockland has been recognised by the S&P Dow Jones Sustainability Index (DJSI) as the global real estate sector leader for 2015-16, and the Regional Sector Leader for Listed, Australian, Diversified Property Companies in the 2015 GRESB Report.

FINANCIAL MANAGEMENT

Gearing: 23.1%

Weighted average debt maturity: 5.7 years

Chief Financial Officer, Tiernan O’Rourke, said the Group had maintained its strong balance sheet and A-/Stable credit rating with gearing at 23.1%, well within its target range of 20 - 30%. During the first half, Stockland continued to lower its weighted average cost of debt.

“During the half we terminated high cost interest rate swaps at a cost of \$119 million, funded from gains on asset sales, which will result in a lower weighted average cost of debt in future years,” Mr O’Rourke said.

Stockland's Dividend Reinvestment Plan remained active for 1H16, achieving a take-up rate of 20%.

“We have made significant progress on improving the Group’s systems capabilities, including the commitment to implement SAP as our core enterprise resource planning system, with deployment to take place during the next two years. The deployment is subject to the completion of an appropriate implementation plan.”

COMMERCIAL PROPERTY

Retail Funds from Operations (FFO)¹: \$197 million

Retail Net Operating Income (NOI)²: \$183 million

In Retail, comparable FFO was up 3.3% and comparable underlying NOI increased by 3.5% on 1H15. This result was supported by high stable retail occupancy levels of 99.5% and blended average rental growth on lease renewals and new leases of 2.6% in the stable portfolio. Within the portfolio, 94% of specialty shop leases have fixed 4-5% annual rent increases. The sustainability of Stockland's stable rental growth is underpinned by below average specialty occupancy costs of 14.6% and specialty sales of \$9,042 per square metre, exceeding Urbis averages.

Commercial Property CEO, John Schroder, said: "We continued to achieve stronger sales growth across our portfolio. Comparable speciality shop MAT grew by 4.1%, with the strongest specialty categories being: communication and technology up 20.9%; retail services up 6.6%; homewares up 5.2% and fast casual dining and food catering up 4.7% on an MAT basis."

"We also saw a resurgence in department stores and discount department stores with sales growing 1.9% for the half and the pace picking up with 2.1% growth in the December quarter. Apparel sales MAT per square metre also improved, growing 5% during the year, a direct reflection of remixing to more productive fashion retailers."

In the retail projects pipeline, the second stage of the \$228 million redevelopment and expansion of Stockland Wetherill Park in western Sydney officially opened on 10 December, three months ahead of schedule. The centre recorded more than 721,000 unique customer visits in December alone, representing a 42 per cent increase on the corresponding trading period of the previous year. The entire redevelopment will be completed by June 2016 and returns are expected to be above our hurdle rates.

"In the first half, we completed three major retail redevelopments on or ahead of schedule and feasibility at Baldivis in WA; Glasshouse in the Sydney CBD, now occupied by H&M and Zara Home; and Point Cook in Melbourne," said Mr Schroder.

"Our next major project is now underway with the \$372 million redevelopment and expansion of Stockland Green Hills in the Lower Hunter Valley, due for completion in 2018. Stockland Green Hills is the best performing centre of its size in Australia for specialty MAT per square metre³. We will create a leading lifestyle and leisure precinct, and have already executed agreements for lease with David Jones, Target, JB Hi-Fi Home and Dan Murphy's.

¹ FFO has been determined with reference to the Property Council of Australia's voluntary disclosure guidelines to help investors and analysts compare Australian real estate organisations. FFO is calculated by adding back tenant incentive amortisation and non-cash tax benefit/expense to underlying profit and deducting straight line rent from underlying profit.

² Net Operating Income is post-IFRS

³ Shopping Centre News 2015 little Guns Survey: Stockland Green Hills recorded specialty MAT per square metre of \$14,275

“Across our retail projects we’re targeting incremental IRRs of 11-14% and stabilised yields of 7-8%.”

Logistics and Business Parks FFO: \$66 million, NOI: \$60 million

Logistics and Business Parks achieved comparable FFO growth of 3.8% relative to 1H15. Comparable underlying NOI grew by 0.3% in 1H16, with the relatively low figure due to non-cash IFRS adjustments from prior leasing activity.

Stockland continues to grow the portfolio through acquisition and development with its ownership interests now valued at more than \$1.8 billion. Average rental growth of 2.2% was achieved on total lease deals in the half, with occupancy at 94.6% and a portfolio WALE of 4.5 years.

Mr Schroder said: “We made good progress on our development pipeline during the first half, with the commencement of works at Ingleburn in Sydney and Oakleigh in Melbourne. We’ve also continued to achieve positive leasing results, with 233,000 square metres of leases executed or underway.”

Office FFO: \$36 million, NOI: \$29 million

Office comparable FFO was up 11.1% and comparable underlying NOI was up 8.6% on 1H15. The strong result reflects improved occupancy at 95.4%, following good leasing momentum in the Sydney market where the majority of Stockland’s office assets are now held.

RESIDENTIAL

Operating Profit: \$98 million

Residential operating profit increased by 45.5% on 1H15, as a result of Stockland’s growth strategy and supportive conditions in key markets. Core ROA was 18% for 1H16.

Volumes and operating profit margin were both stronger in the half, with 2,771 lots settled, marginally higher than 1H15. Contracts on hand at the start of January 2016 totalled 4,109, an increase of 377 over January 2015. Stockland’s Residential business is tracking marginally above the top end of its target through the cycle settlements range of 5,000 - 6,000 lots, allowing for some production constraints on recently commenced projects.

Residential CEO, Andrew Whitson, said: “Our significant increase in operating profit margin to 14.9%, reflected a number of factors including selling a higher proportion of superlots, selling more higher margin lots and achieving stronger than expected price growth in Sydney and Melbourne projects.

“We are well positioned for the second half with the market expected to remain solid in Sydney, Melbourne and south east Queensland, more than offsetting the continued weakening in Perth.

“During the first half we made significant progress reshaping our landbank, with more than 80% of our Residential capital employed in projects either actively selling or under development. This includes two of our largest ever projects: Aura on the Sunshine Coast and Cloverton in Melbourne.

“We will also launch four additional projects in 2H16 at Schofields and Macarthur Gardens in Sydney and Newport and Pallara in Brisbane, which will continue to reshape our portfolio and drive further ROA improvements. We’ve made good progress on our strategy to broaden our customer reach with seven medium density developments now underway across four states.

“We are also progressing well with our apartments strategy with an initial focus on opportunities at existing assets in our portfolio. We are documenting DAs for new apartment projects at Merrylands Court in Sydney and Toowong in Brisbane and have an interest in two other projects in Brisbane, which are under construction and largely derisked.”

RETIREMENT LIVING

Operating Profit: \$18 million

The Retirement Living business performed well in the first half with operating profit up 9.2% on 1H15. It remains on track to deliver return on asset targets, driven by improved volumes in our established portfolio, developments and ongoing improvements in efficiency. The business had a record number of reservations on hand at the end of the December half.

Retirement Living CEO, Stephen Bull, said: “Retirement Living operating profit will be strongly skewed to the second half, due to the timing of development completions and the normal seasonality of sales in this asset class. The June half will see the first settlements from Willowdale and The Residences, Cardinal Freeman, in Sydney’s inner west.

“We’re focused on organic growth and currently have development projects underway at ten villages across five states. By appropriately scaling and resourcing our in-house development capabilities, we will continue to effectively manage peaks in production, enhancing the quality of our villages and maintaining our speed to market on all opportunities.

“We continue to explore opportunities to reshape the portfolio via selective asset sales, potential capital partnerships and site acquisitions and we will remain very disciplined in our approach.

“Our strategy to increasingly offer a continuum of care, enabling more residents to age in place has been well received and we now have five sites within our portfolio that are either under contract or agreed for sale to Opal Aged Care.”

OUTLOOK

Mr Steinert said: "While there is clearly some uncertainty about the economic outlook, conditions should remain generally supportive with sustained low interest rates and modest economic growth.

"We are well placed to continue growing returns from our core asset base, further supported by a very active development pipeline across key asset classes.

"We are on track to achieve our guidance range, and have tightened this to 6.5 – 7.5% EPS growth in FY16, with FFO growth at 9 - 10%, and we are targeting a full year distribution of 24.5 cents per security, assuming no material decline in market conditions."

Stockland's 1H16 results presentation will be webcast via www.stockland.com.au on Wednesday 10 February 2015 at 11.30am (AEDST).

KEY METRICS

	1H16	1H15	Change
Statutory Profit	\$696m	\$462m	50.6%▲
Statutory Earnings per security	29.4 cents	19.8 cents	48.9%▲
Funds from Operations (FFO) ²	\$342m	\$307m	11.3%▲
FFO per Security	14.5 cents	13.1 cents	9.9%▲
Underlying Profit ¹	\$313m	\$290m	8.1%▲
Underlying Earnings per security	13.2 cents	12.4 cents	6.7%▲
Distribution per security	12.2 cents	12.0 cents	1.6%▲
Net Tangible Assets per security	\$3.87	\$3.60	7.5%▲
Gearing (D/TTA)	23.1%	22.1%	
Return on Equity ³	10.3%	9.6%	

1. Underlying Profit is a non-IFRS measure that is determined to present, in the opinion of the Directors and Management, 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 Annual Financial Report for the complete definition
2. FFO has been determined with reference to the Property Council of Australia's voluntary disclosure guidelines to help investors and analysts compare Australian real estate organisations. FFO is calculated by adding back tenant incentive amortisation and non-cash tax benefit/expense to underlying profit and deducting straight line rent from underlying profit.
3. Return on Equity accumulates individual business Return on Assets and incorporates the cash interest paid and average drawn debt for the 12 month period. Excludes workout and other.

RATIOS	31 December 2015	31 December 2014
(a) Profit/(loss) before tax attributable to securityholders of Stockland/revenue and other income	45.0%	36.4%
Underlying Profit¹ before tax attributable to securityholders of Stockland/revenue and other income	19.9%	21.2%
(b) Profit/(loss) after tax attributable to securityholders of Stockland/issued capital	8.1%	5.4%
Underlying Profit¹ after tax attributable to securityholders of Stockland/issued capital	3.6%	3.4%
(c) Net Tangible Assets (“NTA”) per security	\$3.87	\$3.60

¹ Refer page 5 of Stockland Consolidated Group Interim Financial Report for the reconciliation between Underlying Profit and Statutory profit.

RECONCILIATION OF REVENUE AND OTHER INCOME

Revenue and Other Income – as extracted from the Consolidated Statement of Comprehensive Income

	31 December 2015 \$M	31 December 2014 \$M
Property development sales	650	600
Rent from investment properties	362	347
Deferred Management Fees from Retirement Living	39	36
Dividend and distribution income	4	3
Other revenue	10	13
Total revenue	1,065	999
Finance income	3	5
Net gain in fair value of investment properties:		
- Commercial Property	382	133
- Retirement Living	48	47
Retirement Living settled development margin	9	8
Share of profits of equity-accounted investments ¹	67	61
Net gain in fair value of other financial assets	7	73
Total revenue and other income	1,581	1,326

¹ The current period includes fair value gain on investment properties within investments accounted for using the equity method of \$51 million (31 December 2014: \$37 million).

ASSOCIATES AND JOINT VENTURE ENTITIES

	Interest		Share of net profit	
	31 December 2015 %	31 December 2014 %	31 December 2015 \$M	31 December 2014 \$M
Investments in associates				
CReAM Trust and subsidiary limited partnerships ¹	-	10.0	-	-
Investments in joint ventures				
The King Trust	50.0	50.0	38	27
Macquarie Park Trust	51.0	51.0	23	18
Sugarland Shopping Centre Trust	50.0	50.0	3	1
Willeri Drive Trust	50.0	50.0	2	5
Stockland Ormeau Trust ²	100.0	50.0	1	1
SDOT Sub Trust No.1 ³	50.0	50.0	-	8
Eagle Street Pier Pty Limited ³	50.0	50.0	-	1
Compam Property Management Pty Limited	50.0	50.0	-	-
Riverton Forum Pty Ltd	50.0	50.0	-	-
Brisbane Casino Towers	50.0⁴	-	-	-
			67	61
			67	61

1 As at 31 December 2015, the CReAM Trust has been terminated.

2 On 22 December 2015, Stockland Ormeau Trust became a wholly-owned subsidiary, following Stockland's acquisition of the remaining 50% ownership in the trust.

3 At 30 June 2015, Stockland reclassified these joint venture entities as assets held for sale and therefore ceased equity accounting these investments. The properties that were held by these entities were disposed on 30 September 2015.

4 Percentage relates to Stockland's share of net profits from this joint arrangement. Refer to Section E1 of the financial statements for further details.

COMPLIANCE STATEMENT

- The Interim Financial Report is a general purpose financial report which has been drawn up for the purposes of fulfilling the requirements of the Australian Securities Exchange and Corporations Act 2001. The Interim Financial Report has been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board and the Corporations Act 2001.
- This report presents fairly the matters disclosed.
- This report is based on the reviewed Interim Financial Report.
- Stockland has a formally constituted Audit Committee.



Mark Steinert
Managing Director

Dated at Sydney, 10 February 2016