Half Year **Review 2016**

31 DECEMBER 2015

Stockland

STOCKLAND WETHERILL PARK – LEADING LIFESTYLE AND LEISURE PRECINCT

The $228 million redevelopment and expansion of Stockland Wetherill Park in western Sydney showcases our retail strategy, with the remixing of the centre to reflect customers' growing interest in fresh food, casual dining and services.

The first stage opened in March 2015, with a refurbished 12-screen Hoyts cinema supported by an expanded restaurant, entertainment and leisure precinct, as well as a mix of retailers aligned to the needs of the trade area.

The second stage officially opened in December, three months ahead of schedule. The centre recorded more than 721,000 unique customer visits in December alone, representing a 42% increase on the corresponding trading period of the previous year.

The centre now features 210 retailers and has more than doubled its fresh food and casual dining offerings with over 20% of the retail mix now focused on food. To complement this focus we opened New South Wales' first Jamie Oliver's Ministry of Food which conducts hands-on classes to inspire, educate and empower the community to cook fresh and healthy food.

In another first for our Retail portfolio, the redevelopment was awarded a 5 Star Green Star – Retail Centre Design rating, representing 'Australian Excellence' in environmentally sustainable building practices. The rating acknowledges the incorporation of sustainable design and management across the project.

Stockland Wetherill Park has expanded by 15,000 to 70,000 square metres gross lettable area and is now a major regional shopping centre. The project is expected to deliver an incremental internal rate of return of about 15% and stabilised incremental Funds from Operations yield of 7.3%.

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KEY DATES

30 June 2016
Record date

17 August 2016
Full year result announcement

26 October 2016
Annual General Meeting

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Delivering ***sustainable growth***

GRAHAM BRADLEY AM
Chairman

MARK STEINERT
Managing Director & CEO

Dear Securityholders

We are very pleased to report that Stockland achieved a strong profit result in first half 2015/16. Our good result was underpinned by continued profit growth in all our businesses, particularly our Residential business.

Our underlying profit[1] for the half was $313 million, up 8.1 per cent compared to the same period last year, and our statutory profit rose strongly to $696 million.

The good result demonstrates that disciplined implementation of our strategy is working well. We maintained our balance sheet strength and continued to improve our operational effectiveness. We continued to grow returns through active asset management and project commencements, and to grow our customer base across all asset classes.

As foreshadowed, our distribution for the half is 12.2 cents per security. We have confirmed our target full year distribution of 24.5 cents per security[2].

GOOD RETURNS ACROSS ALL BUSINESSES

Residential operating profit increased by 45 per cent compared to the same period last year as we continued to capitalise on favourable market conditions, particularly in Sydney and Melbourne.

We have now activated a high proportion of our residential land bank with the launch of two of our largest projects ever: Aura on the Sunshine Coast and Cloverton in Melbourne. Our strategy to broaden our customer reach is progressing well with seven medium density developments now underway across four states.

Our Residential business is well positioned for the second half, with a record number of contracts in hand and four new residential communities ready to launch in Sydney and Brisbane. We expect the market to remain solid in Sydney, Melbourne and south east Queensland, more than offsetting weakness in Perth.

Our Commercial Property business delivered solid growth in recurring income: on a comparable basis Funds from Operations were up 4.5 per cent across the portfolio, up 3.3 per cent in Retail, 3.8 per cent in Logistics and Business Parks and 11.1 per cent in Office.

Our strong Retail result was supported by high occupancy levels as we continue to achieve stronger sales growth across the portfolio. Comparable specialty shop moving annual turnover grew by 4.1 per cent.

In December we opened the second stage of our $228 million redevelopment of Stockland Wetherill Park in western Sydney. We also completed three major retail redevelopments on or ahead of schedule at Baldivis in WA, Glasshouse in the Sydney CBD, and Point Cook in Melbourne. Our next major project–the $372 million redevelopment and expansion of Stockland Green Hills in the Lower Hunter Valley–is now under way.

We made good progress on our Logistics and Business Parks development pipeline during the first half with project commencements at Ingleburn in Sydney and Oakleigh in Melbourne. We also continued to achieve positive leasing results, with 182,000 square metres leased.

Our Retirement Living business is on track for full year profit growth driven by improved volumes in our established portfolio, developments and ongoing improvements in efficiency. We ended the half with record reservations in hand.

We currently have development projects under way at ten villages across five states and we continue to explore opportunities to reshape our portfolio by selective asset sales, co-investments and site acquisitions.

CAPITAL STRENGTH

We have maintained the strength of our balance sheet and A-/Stable credit rating with gearing at 23.1 per cent, well within our target range of 20 – 30 per cent.

We also lowered our weighted average cost of debt during the half and terminated high cost interest rate swaps at a cost of $119 million, funded from gains on asset sales. This will result in a lower weighted average cost of debt in future years.

OPERATIONAL EXCELLENCE

We have made good progress on improving our systems capabilities, including our commitment to implement SAP as our core enterprise resource planning system. Deployment is planned to take place over the next two years, subject to completion of implementation plans.

Stockland continues to demonstrate leadership in sustainability, diversity and employee engagement, providing long term benefits to our customers, our people, the communities in which we operate and our securityholders. In September we were recognised by the S&P Dow Jones Sustainability Index (DJSI) as the global real estate sector leader for 2015-16.

OUTLOOK

While there is clearly uncertainty about the global economic outlook, domestic conditions remain generally supportive. We expect sustained low interest rates and modest economic growth in the year ahead.

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

We are on track to achieve our underlying earnings per security guidance, and have tightened the range to 6.5 – 7.5 per cent growth in FY16. We expect FFO to grow at 9 – 10 per cent, and we are targeting a full year distribution of 24.5 cents per security, assuming no material decline in market conditions.

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

STATUTORY PROFIT ($M)	STATUTORY EARNINGS PER SECURITY (¢)	FUNDS FROM OPERATIONS ($M)	FUNDS FROM OPERATIONS PER SECURITY (¢)	UNDERLYING PROFIT[1] ($M)	UNDERLYING EARNINGS PER SECURITY (¢)	DISTRIBUTION PER SECURITY (¢)
$696m	29.4¢	$342m	14.5¢	$313m	13.2¢	12.2¢
↑ 50.6%	↑ 48.9%	↑ 11.3%	↑ 9.9%	↑ 8.1%	↑ 6.7%	↑ 1.6%
1H15 462	1H15 19.8	1H15 307	1H15 13.1	1H15 290	1H15 12.4	1H15 12.0

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 is the basis on which distributions are determined. Refer to the Interim Financial Report for the complete definition.

2 Assuming no material change in market conditions.