Stockland

FY11 Results Presentation - 10 August 2011

Agenda

FY11 Results and key achievements

Our response to current market conditions and other challenges

Strategy and Outlook

Agenda

FY11 Results and key achievements

Upgraded earnings growth delivered despite weaker market conditions

	FY11		FY10
Statutory Profit	**$754.6m**	▲ 57.7%	$478.4m
Underlying Profit[1]	**$752.4m**	▲ 8.7%	$692.3m
Underlying Earnings per Security[1]	**31.6 cents**	▲ 8.6%	29.1 cents
Distribution per Security	**23.7 cents**	▲ 8.7%	21.8 cents
NTA per Security	**$3.65**	▲1.7%	$3.59
Gearing	**22%**		18%

Underlying Profit reflects statutory profit as adjusted in order to present a figure which reflects the Directors' assessment of the result for the ongoing business activities of Stockland, in accordance with the AICD/Finsia principles for reporting Underlying Profit

FY11 - key achievements

Residential

- ✓ Significant progress in wind down of Apartments business - circa $350m net cash inflow in FY11 for reinvestment in Communities
- ✓ 27,000 future Communities lots secured on capital efficient terms, total 90,000 lots now owned or controlled
- ✓ Market share growth in existing corridors and enhanced geographic diversity
- ✓ Nine new projects to be launched in FY12

Retirement Living

- ✓ Scalable national platform established with Aevum fully integrated
- ✓ 10 developments underway in 4 states
- ✓ Acquired three further established villages with accretive cash yield

Commercial Property

- ✓ Reweighting into Retail with circa $490m invested in development and acquisitions
- ✓ Delivering on strategy to create retail centres which act as a social and community hub - more resilient to market downturn and online threat
- ✓ Funded partly by $308m of asset sales, and a further $73m under contract

Financial Management

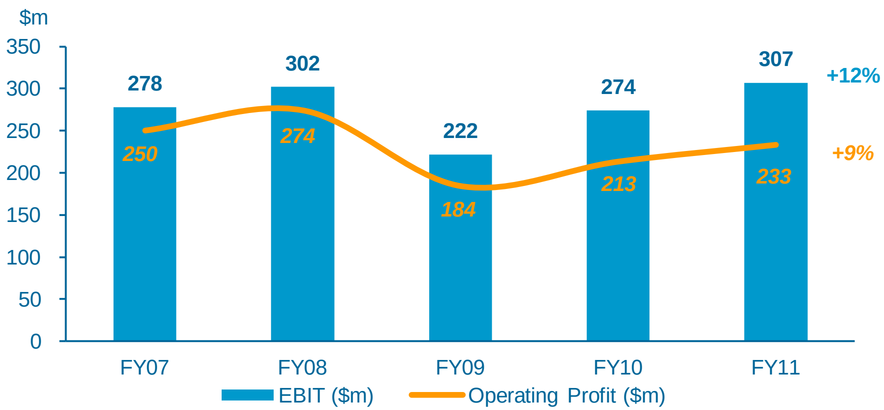
- ✓ Fully-funding growth internally - no current need for new equity or significant new debt
- ✓ Low gearing (22% Debt/TTA) and long-dated debt (average 5.9 years)
- ✓ Prudent cost management

Strategic Weightings

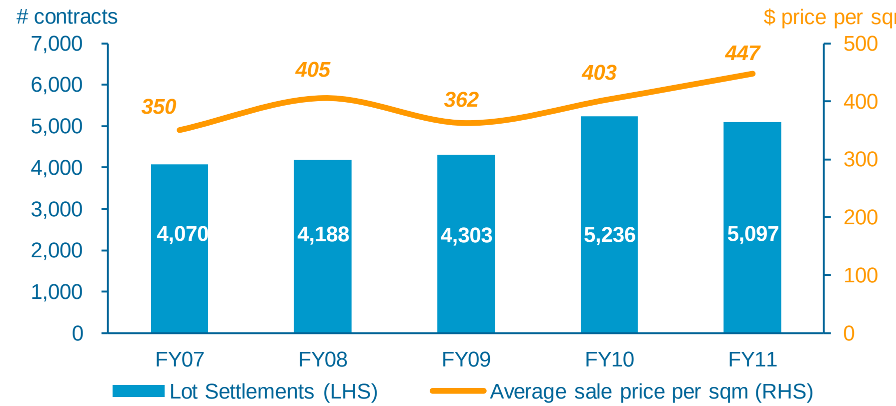
- ✓ Asset and profit growth across both recurring and trading businesses
- ✓ FY11 Operating Profit split: 71% recurring/29% trading

FY11 Results and key metrics - Residential Communities

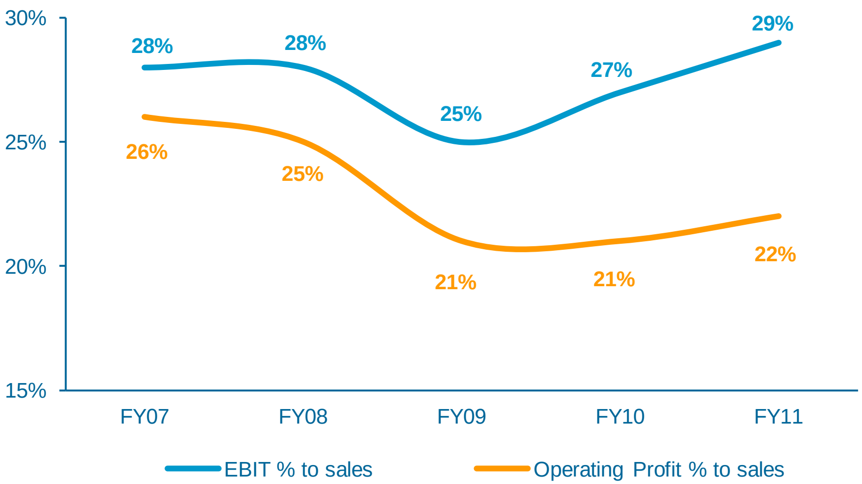
Strong profit growth post global financial crisis



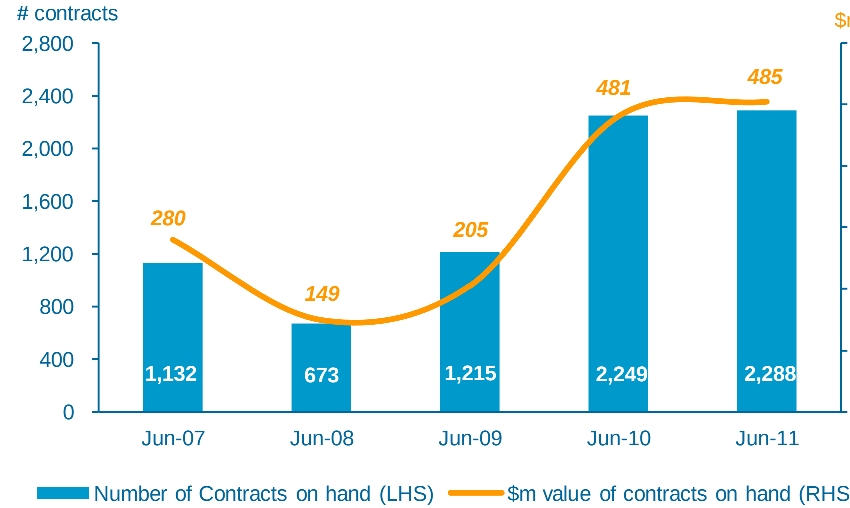
FY11 settlement volumes slightly down, but price per sqm significantly up



Improving margins through price growth and cost efficiencies



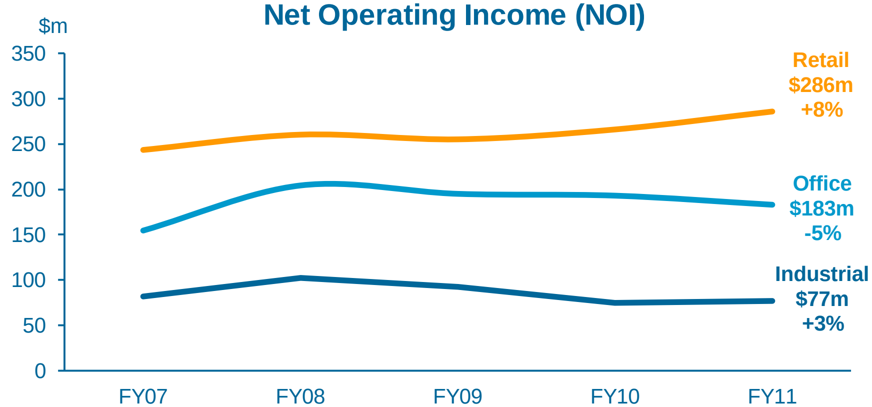
Record contracts on hand to settle in FY12



FY11 Results and key metrics - Commercial Property

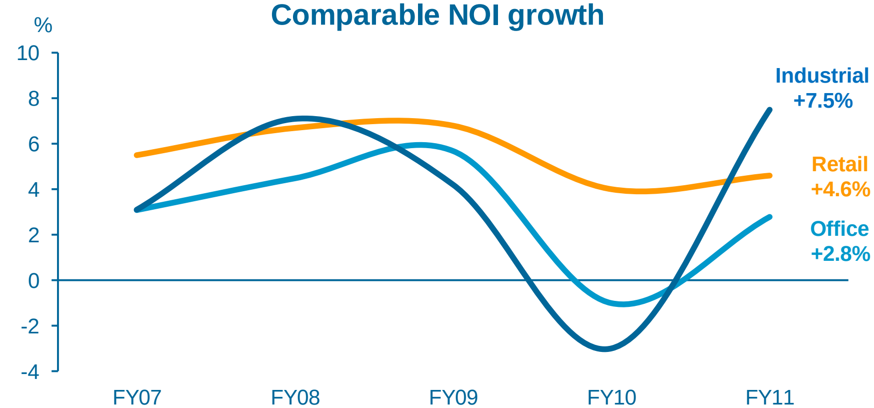
Strong growth in Retail NOI, Office NOI down due to asset sales

Net Operating Income (NOI)



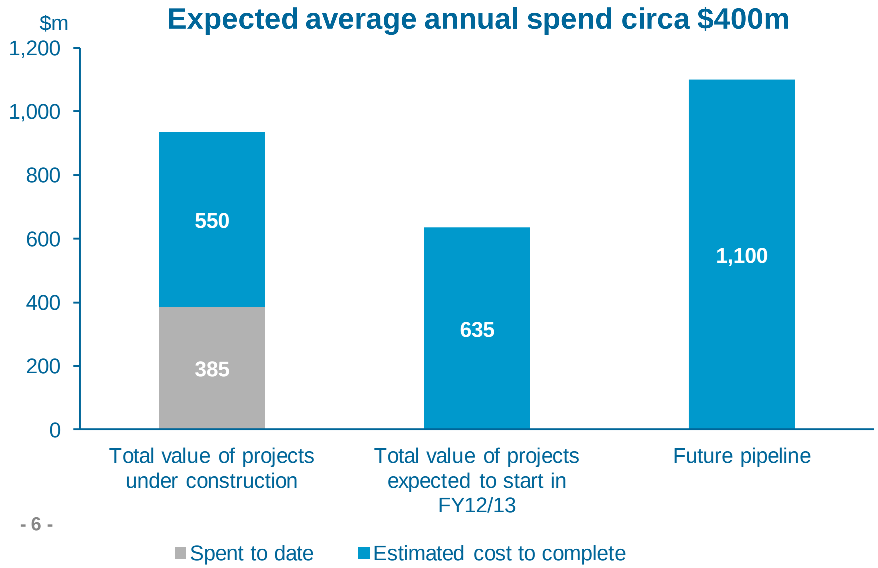
Strong and consistent Retail comparable growth; Office & Industrial improving but more volatile

Comparable NOI growth



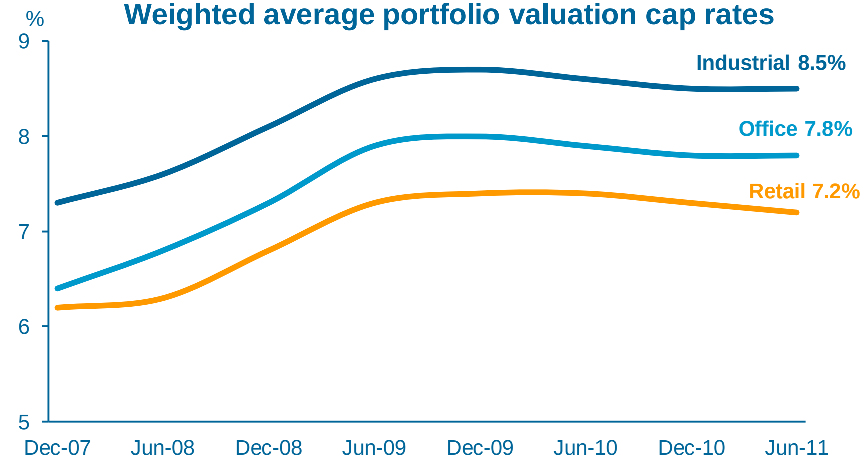
Retail development pipeline to be delivered in stages to manage cash flow and delivery risk

Expected average annual spend circa $400m



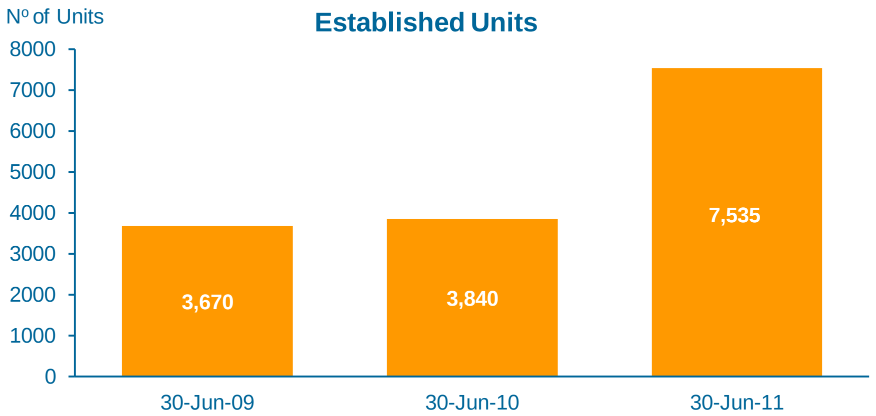
Cap rates slowly firming

Weighted average portfolio valuation cap rates

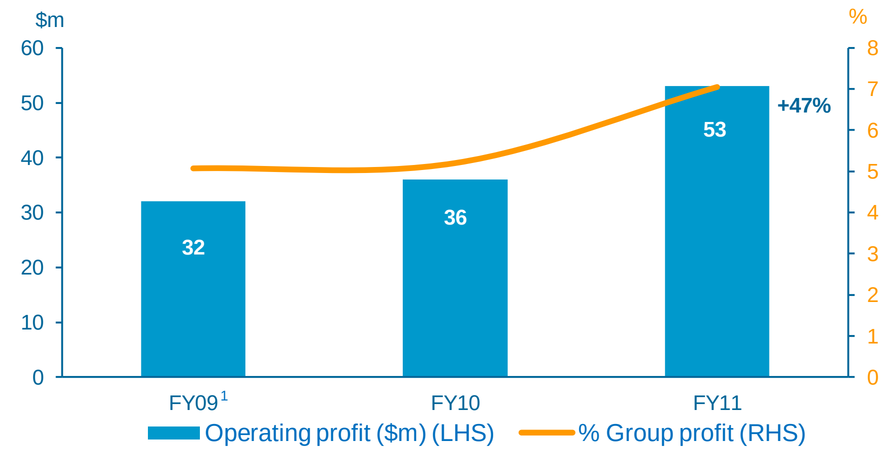


FY11 Results and key metrics - Retirement Living

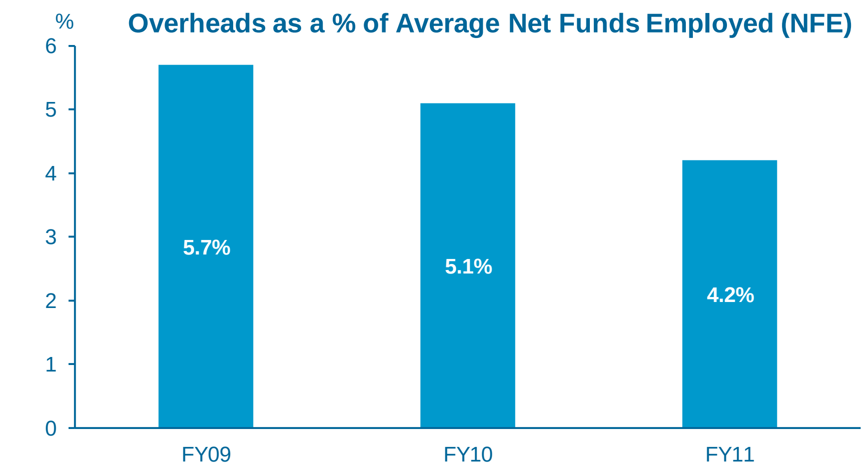
Aevum acquisition was business transformational



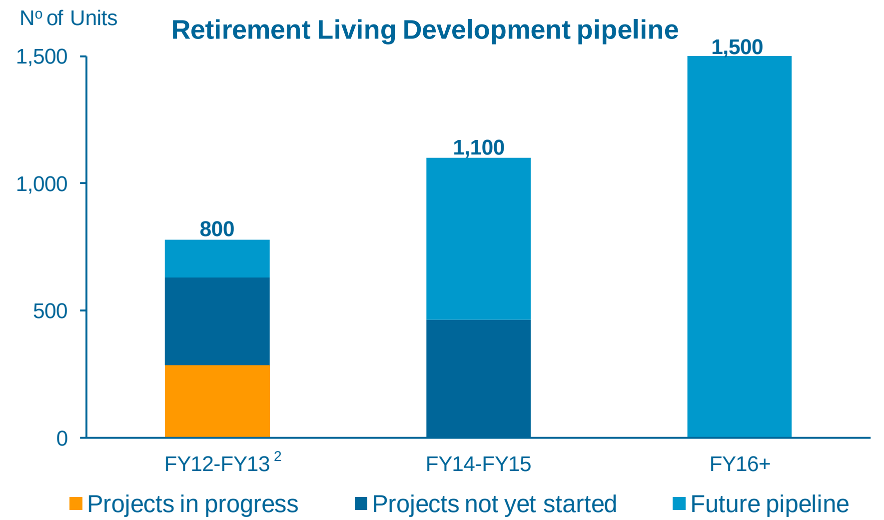
Retirement Living is now making a meaningful profit contribution



Achieving significant economies of scale



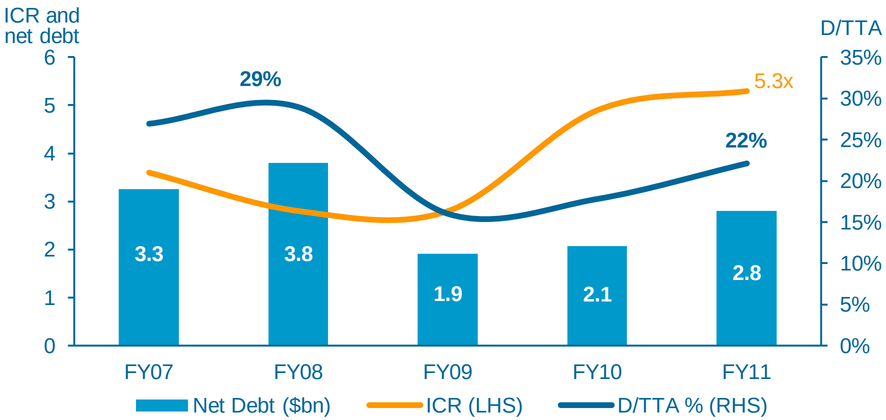
Development pipeline will deliver cash profits and further cost efficiencies



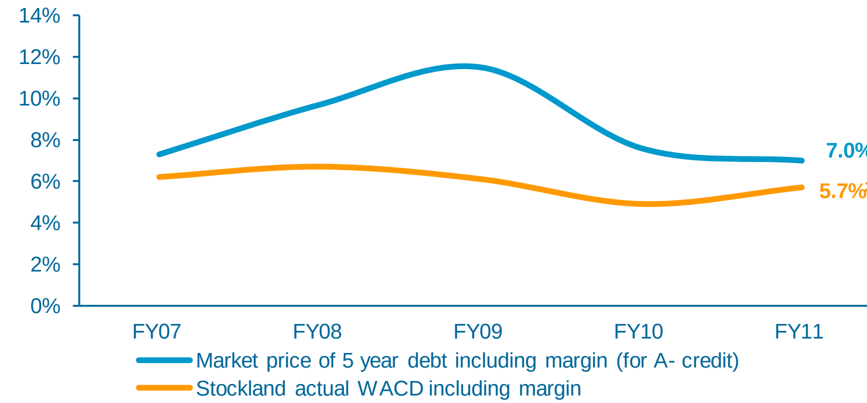
1. FY09 has been restated to reflect changes arising from AASB140
2. Timing subject to market conditions

FY11 Results and key metrics - financial management

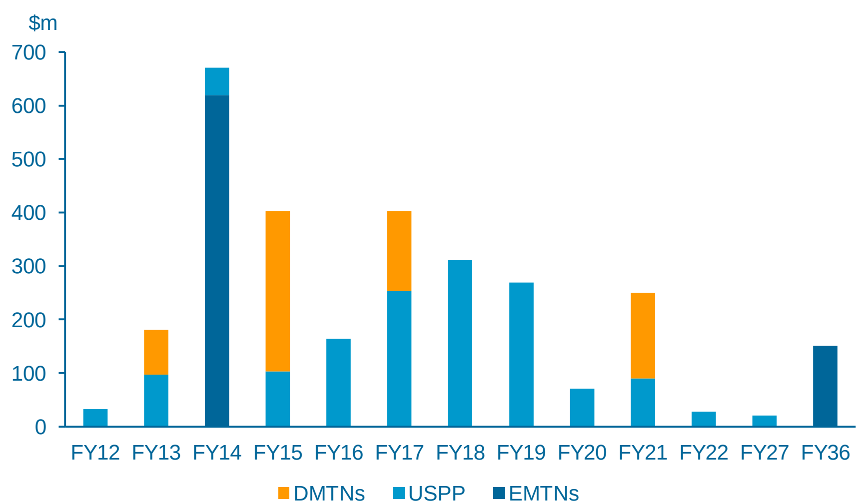
Maintaining conservative gearing in response to global credit concerns[1]



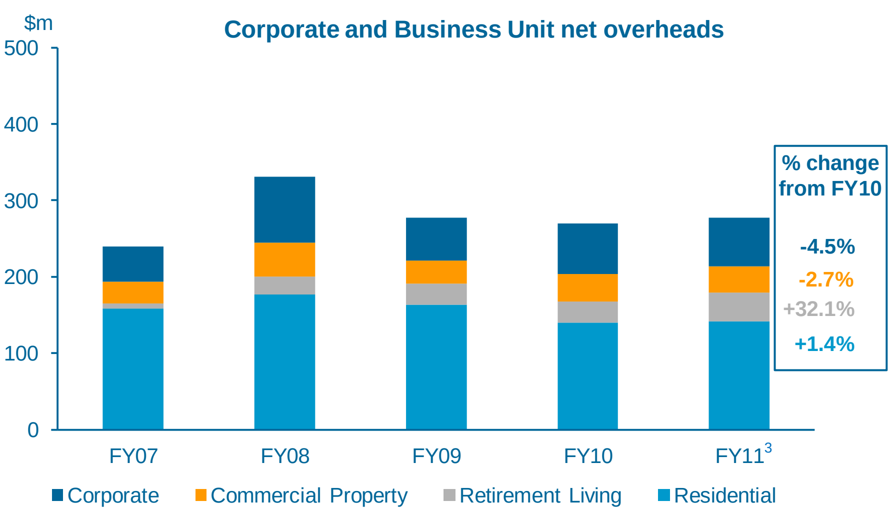
Low average interest cost through active debt management and hedging



A- rating provides access to global debt markets achieving long-dated debt maturity profile[1]



Prudent Cost Management



1. Excludes offset of $0.2b cash on deposit
2. Excludes cost of hedge restructuring
3. Excludes Aged Care

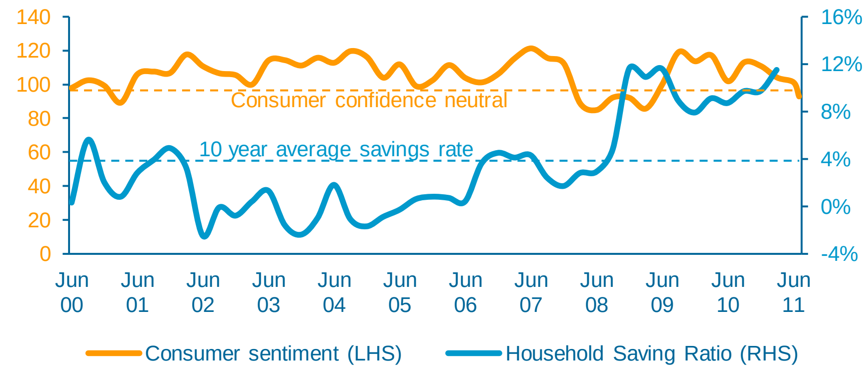
Agenda

Our response to current market conditions and other challenges

Consumer confidence and household savings

Consumer confidence is weak - households are saving more

- Households were naturally cautious post global financial crisis
- This caution has been amplified by global market uncertainty and rising cost of living (interest rates, food prices, utility bills)
- Monetary policy has been tightened due to the mining boom, putting further pressure on the majority of households that don’t feel a direct benefit



Our thoughts and actions in response

- Greater household saving is good for the economy in the long-term, but it’s challenging for consumer segments while it happens
- It will level out as confidence returns and consumer spending should revert to a sustainable trend (population growth plus inflation)
- Australia’s long-term economic outlook is positive based on its extensive resources and proximity to Asia, but conditions are likely to remain weak throughout FY12
- Our response is to continue to focus on the basics:
  - Deliver the right products and services desired by our value-conscious customers
  - Manage working capital and costs tightly
  - Keep our debt low and long-dated

Housing market - currently weak but it's a cycle, not structural

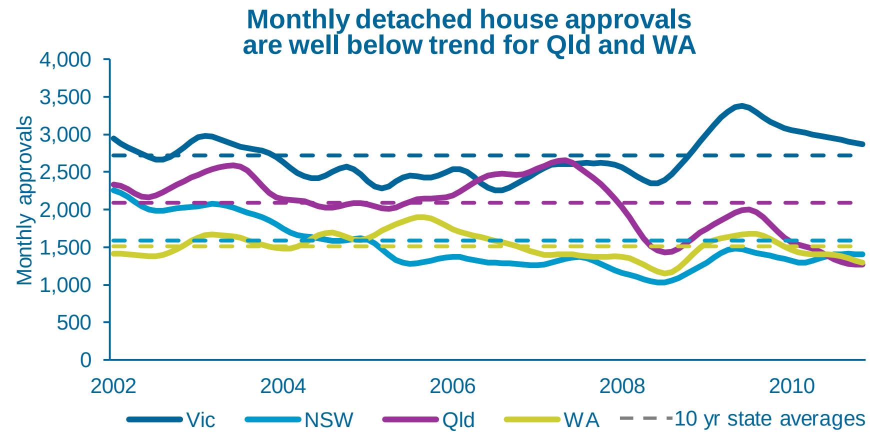
The short-term issue - weak market conditions

Market conditions

- The housing market has softened during 2011
- In our view, it is a cycle not a structural correction and pent up demand should emerge in 2012

Our response

- Focus on the basics - product, price, customer service
- Maintain affordability and price/value advantage against our biggest competitor, the established market
- Minimise working capital and develop projects in smaller stages



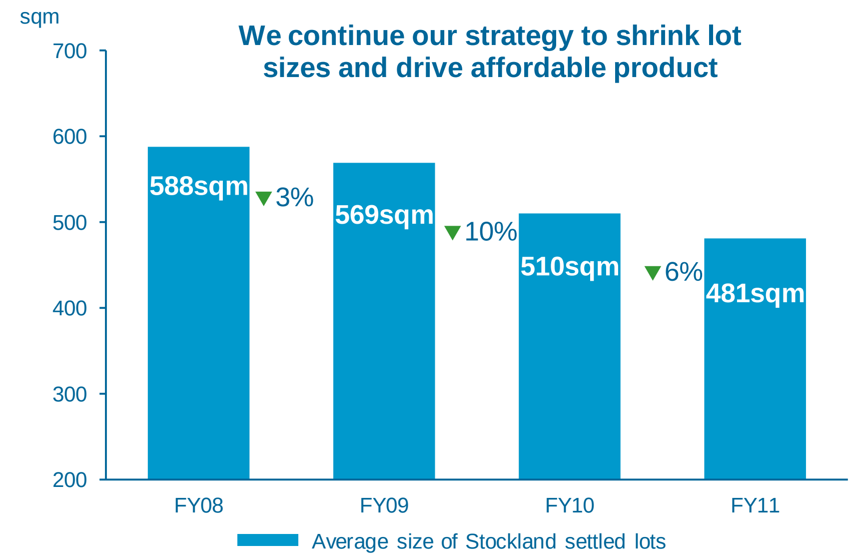
The long-term issue - housing affordability

Housing affordability

- One of the biggest challenges faced by Australian residents, present and future
- It is embedded through a structural supply/demand imbalance and is unlikely to change in the short-term
- State governments are being more proactive in freeing up supply, but this will take some time to flow through

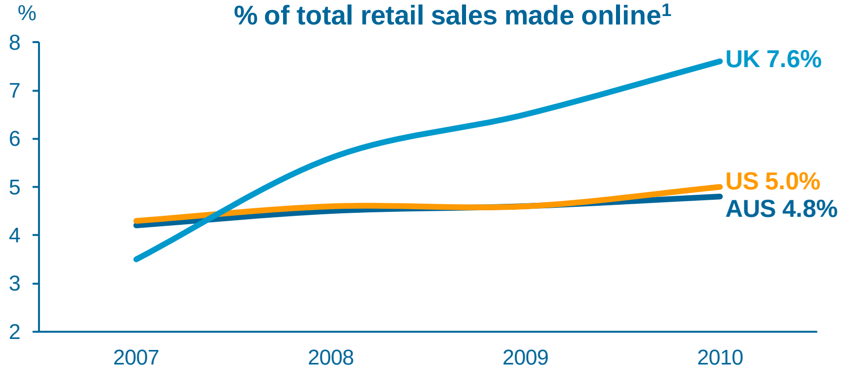
Our response

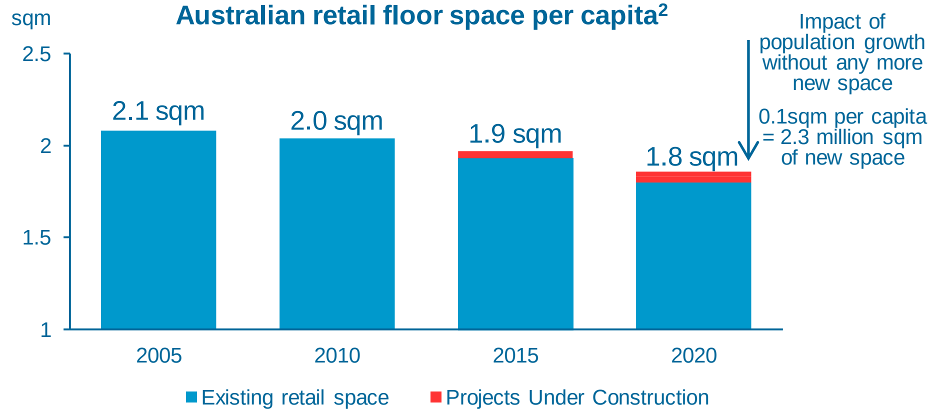
- Product innovation is our competitive advantage - smaller lots, more efficient housing, lower price points
- This is a long-term strategy, not just a response to current market conditions



Impact of online retailing on traditional bricks and mortar

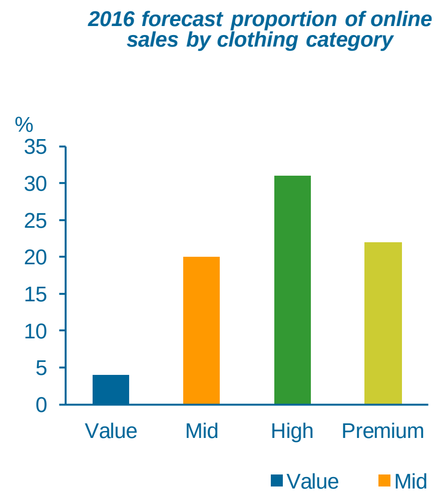
Online is a threat to traditional shopping but building less new space provides a natural 'shock absorber'

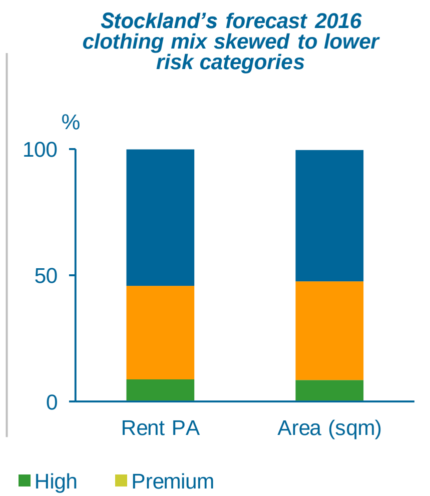




Our retail development strategy is designed to address the risk of increased online shopping

- Flexible development plans and retail mix
- Not overbuilding, e.g. Shellharbour will have total of 220 specialty shops
- Focus on day-to-day value and convenience
- Increasing proportion of food, leisure, retail services and entertainment
- Many centres are in regional areas and become the natural social hub of the community
- Our decisions are based on extensive research in partnership with Quantium[3]





Source: The Quantium Group[3]

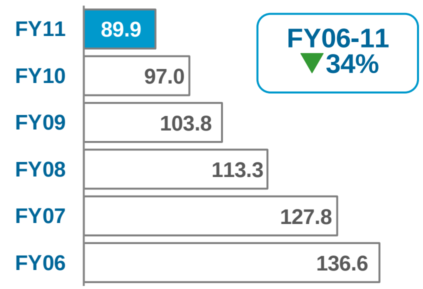
1. National statistical agencies, Michael Baker Independent Retail Consulting and Morgan Stanley.
2. Michael Baker Independent Retail Consulting, Stockland estimates
3. Refer to disclaimer page 18

Carbon price - we are well prepared; minimal initial impact

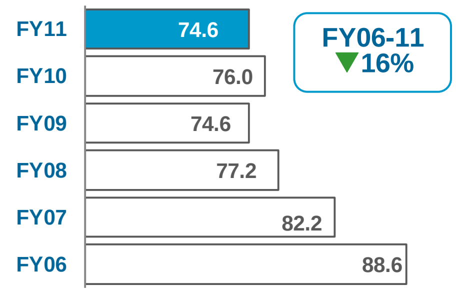
Carbon emissions performance

- We are not liable to purchase carbon credits
- Our current GHG emissions total 166,000 tonnes[1], mainly from electricity usage in Commercial Property buildings
- We reduced our GHG intensity by 34% for Office and 16% for Retail between FY06 and FY11
- Targeting a further 7% reduction in GHG intensity for Office and 20% for Retail by FY14

Office GHG Intensity[2]



Retail GHG Intensity[2]



Anticipated impact of a carbon price

Operational impact

- We expect the carbon tax to add a maximum of $4m p.a[3] in electricity and gas costs from FY13
- Approximately 50% can be passed onto tenants

Development impact

- Retail: Modelling of pipeline indicates average increase of 0.4%[4] in retail development costs
- Residential: Additional cost of new house and land circa $2,500[4] (virtually all from the house component), 0.6% of average project home cost
  - No material margin impact to SGP
  - New houses are more energy efficient than older houses; typical energy savings for a new home versus a similarly sized home built before 1995 are approximately $800p.a.[5] (three year payback)
- Additional home building costs likely to be passed on to consumers over two-three years, similar to GST experience
- Retirement Living: Estimated additional cost per unit circa $1,800[4], 0.6% of average unit cost

1. Scope 1 27,000 tCO2-e, Scope 2 139,000 tCO2-e
2. $kgCO_2$-e/m^2
3. Assumes 100% pass on of carbon credit costs by our utility suppliers
4. Source: Energetics: Refer to disclaimer page 18
5. IPART Household Survey 2006 - Energy use for four person household occupancy, BASIX

Agenda

Strategy and Outlook

Vision, strategy and competitive advantages

Our Vision

- To be a trusted partner with government to deliver vibrant and sustainable communities, retail centres and social hubs
- To deliver our customers 'a better way to live'
- To be Australia's preeminent greenfield community developer

Our Strategy

- Create market leading capabilities for the development and management of residential communities, retirement villages and retail centres across Australia
- Where possible, to bring all three businesses together in major projects under the one brand
- Work with government for the provision of early infrastructure (transport, education, jobs) to embed community well-being

Our Competitive Advantages

- Faster speed to market by building trust with key approval authorities and other stakeholders
- Higher Residential and Retirement Living sales rates and prices by putting infrastructure on the ground ahead of our competitors (seeing is believing for our customers)
- Higher occupancy in our retail centres through our retailer engagement strategy, focus on day-to-day convenience and by not over-building
- Greater asset buying power by using our strong capital position to give vendors financial certainty

How do we measure success?

Target financial outcomes

- 60%-80% of group earnings from recurring rents and deferred management fees
- 20%-40% of group earnings from development profits
- High visibility of future development profits by controlling an extensive land bank with efficient use of capital
- Average 5%-6% through the cycle EPS growth from a combination of sustainable rental growth and higher growth development profits
- Funded by conservative balance sheet with gearing (D/TTA) <25% while global credit markets remain volatile

Target non-financial outcomes

- High employee engagement and low employee turnover
- High customer satisfaction ratings
- Global leadership in sustainability

FY12 guidance and key assumptions

Earnings outlook

- FY12 EPS expected to be around the same as FY11

Key assumptions we are making

- No further rises in interest rates in the short-term
- No material flow-on impact to the underlying Australian economy from recent global market volatility
- Customer confidence and residential buying activity to steadily improve in FY12

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Slide 12: Independent research by the Quantium group using Market Blueprint data. De-identified transactional data for over 2 million customers. Data re-weighted using Census; bias-free and population representative. Includes credit card, debit card, BPay and PayPal transactions. Over 1.5 million transactions per day; 1 billion plus in aggregate.25,000 retailers across a broad range of Stockland relevant categories. Includes transactions from Jan 2010 to Feb 2011 inclusive.

Slide 13: Energetics: This information is of a general nature only and has not taken into account Stockland’s objectives or particular financial situation. This information should not be relied upon for making any investment decision and no warranty is given to its accuracy.