Results built on creating communities

SHAREHOLDER REVIEW
30 June 2016

Stockland

Our vision is to be a great Australian real estate company that makes a valuable contribution to our communities and our country.

PAGE 02
"We have achieved strong results across all of our key metrics in FY16 and we are confident that our strategy set in 2013 is working."
Letter from the Managing Director and CEO

PAGE 05
Our Residential business settled a record 6,135 lots in FY16 and launched five major communities across Queensland, and in Sydney and Melbourne.

PAGE 07
The Stockland Green Hills Connectivity Centre is linking young people to jobs and training in construction and retail.

2016

Our results in review

I am very pleased to report that Stockland has continued to deliver good value for securityholders with another strong profit performance in FY16.

GRAHAM BRADLEY AM
CHAIRMAN

UNDERLYING PROFIT ($M)

$660m

FY16	660
FY15	608
FY14	555
FY13	495
FY12	676

Underlying profit was $660 million, up 8.5% on FY15.

STATUTORY PROFIT ($M)

$889m

FY16	889
FY15	903
FY14	527
FY13	105
FY12	487

Statutory profit was marginally down on the prior year, primarily due to a number of unrealised fair value items, including the mark to market movement of Stockland's debt and derivatives as well as the realised gain of $73 million in the prior year from the sale of Stockland's investment in Australand.

FUNDS FROM OPERATIONS ($M)

$740m

FY16	740
FY15	657
FY14	573
FY13	472

Funds from operations (FFO) was $740 million, up 12.5% on FY15. *FFO will replace underlying profit as Stockland's primary performance measure from FY17, in line with our peers in the Australian Real Estate Investment Trust sector. FFO is considered to be the most meaningful measure of underlying and recurring earnings, as referenced in the Property Council of Australia voluntary disclosure guidelines.*

NET TANGIBLE ASSETS PER SECURITY ($)

$3.82

FY16	3.82
FY15	3.68
FY14	3.53
FY13	3.50
FY12	3.68

Our net tangible assets per security has increased to $3.82, representing our total assets minus liabilities and intangible assets.

UNDERLYING EARNINGS PER SECURITY (¢)

27.8¢

FY16	27.8
FY15	25.9
FY14	24.0
FY13	22.4
FY12	29.3

Underlying earnings per security (EPS) was 27.8 cents, up 7.3% on FY15.

DISTRIBUTION PER SECURITY (¢)

24.5¢

FY16	24.5
FY15	24.0
FY14	24.0
FY13	24.0
FY12	24.0

The distribution payable for the year ended 30 June 2016 is 24.5 cents per stapled security, up 0.5 cents on FY15 and reflecting a payout ratio of 88% of underlying EPS and 79% of FFO. *From FY17 our distribution policy will be based on FFO and will reflect a payout ratio of 75–85%.*

FFO PER SECURITY (¢)

31.1¢

FY16	31.1
FY15	28.0
FY14	24.8
FY13	21.3

FFO per security was 31.1 cents, up 11.1%.

From the Chairman

Dear Securityholders,

I am very pleased to report that Stockland has continued to deliver good value for securityholders with another strong profit performance in FY16.

STRONG PERFORMANCE

Funds from operations grew by 12.5% to $740 million and underlying profit rose 8.5% on FY15, to $660 million. Funds from operations per security grew 11.1% on the prior year, exceeding the target growth range of 9–10%. Underlying earnings per security rose by 7.3%, at the top end of the target range of 6.5–7.5%. Statutory profit was $889 million.

These excellent results show the progress we have made over the last three years in our disciplined pursuit of sustainable growth.

All three of our core businesses are realising the benefits of our strategy, underpinned by our strong balance sheet and our focus on operational excellence. Progress includes more than $681 million of retail property developments underway, seven medium density residential projects launched across four states, the launch of our unique Retire Your Way selling proposition, and several new greenfield developments that demonstrate our ability to create outstanding masterplanned communities.

We also achieved international recognition for our sustainability leadership, being named the 2015–2016 Global Real Estate Industry Leader in the Dow Jones Sustainability Index, and we retained our Employer of Choice for Gender Equality citation from Australia's Workplace Gender Equality Agency.

DISTRIBUTION

As forecast, our full year distribution was 24.5 cents per security, representing a payout ratio of 88% of underlying profit.

Looking ahead, from FY17 funds from operations will replace underlying profit as our primary reporting measure, recognising the importance of this measure in enabling comparison across the Australian property industry.[1] Accordingly, our distribution policy from FY17 will be the higher of 100% of Trust taxable income or 75–85% of funds from operations. This is equivalent to our current distribution policy to pay the higher of 100% of Trust taxable income or 80–90% of underlying profit.

In recognition of our consistent profit growth over the last three years, we are targeting to increase distributions to 25.5 cents per security in FY17, assuming there is no material change in market conditions.

GOVERNANCE

Following more than 10 years of service, director Peter Scott retired from the Stockland Board in August 2016. With his engineering and construction background and his broad business management experience, Peter has brought many insights to us and contributed enormously throughout his time on the Board. I thank Peter sincerely for his long and dedicated service.

> *All three of our core businesses are realising the benefits of our strategy, underpinned by our strong balance sheet and our focus on operational excellence.*

As part of the Board renewal process, we were delighted to welcome Stephen Newton to the Board in June 2016. Stephen is a highly experienced director with an extensive career history in the property and investment sectors. His deep experience across real estate development, property management and infrastructure investment makes him an excellent addition to our team and we look forward to his contribution. Stephen will offer himself for election by securityholders at the 2016 Annual General Meeting (AGM).

As announced in August 2016, I will conclude my current term as a director at the AGM on 26 October 2016 after 11 years as Chairman. I am delighted that my Board colleague Tom Pockett has been elected to succeed me. Tom joined the Board in September 2014 and has served with distinction as a director and as Chair of our Audit Committee and as a member of our Risk and Sustainability Committees.

CONCLUSION

I would like to thank my Board colleagues and Stockland's talented employees for their continued dedication in supporting our many achievements over the past year. The strong fundamentals we have established over the last three years will allow Stockland to sustain solid growth in the year ahead.

In closing, I thank all securityholders for their support during my term on the Board. It has been my great privilege to serve as your Chairman over the past 11 years. I am proud of our many accomplishments, our team, and our corporate values. I am confident that my successor will continue to build upon these foundations.

GRAHAM BRADLEY AM
CHAIRMAN

From the Managing Director and CEO

Dear Securityholders,

This has been a year of strong and sustained performance for Stockland as we continue our disciplined approach to growing asset returns and our customer base, improving our capital strength, and delivering operational excellence.

We have achieved strong results across all of our key metrics in FY16 and I am very pleased that our Commercial Property, Residential and Retirement Living businesses have each made significant contributions to the performance of the Group. This demonstrates that our strategy set in 2013 is working and we are succeeding in positioning our business to capitalise on good market conditions.

Our focus remains squarely on implementing our strategy to deliver sustainable growth and creating inspiring places where people want to live, work, shop, and invest. Our aim is to continue to improve our customer experience and take advantage of new opportunities so that our business is more stable and resilient for the long term.

GROW ASSET RETURNS AND CUSTOMER BASE

Commercial Property accounts for around 70% of our assets and remains a key profit driver, delivering comparable growth in funds from operations of 4.5% across the portfolio, with 3.7% in Retail, 3.7% in Logistics and Business Parks, and 9.9% in Office.

Our Retail portfolio performed well, with high occupancy, positive leasing spreads and continued sales growth, with total Moving Annual Turnover up 4.6%, driven by 6.0% growth in specialty retail.

We have also made good progress on major redevelopments, completing Harrisdale in Perth and the remodelling of our Pitt Street Mall asset in the Sydney CBD. Wetherill Park in Sydney has achieved practical completion over the majority of stages and is trading well. We have also commenced our $372 million Green Hills redevelopment in New South Wales and progressed a number of small but important projects, including casual dining precincts at Rockhampton in Queensland and Shellharbour in New South Wales. All of these projects have been very well received by customers. Stockland has a future retail development pipeline of $1.0 billion and is targeting stabilised funds from operations yields of 7–8% from this activity.

> *We have achieved strong results across all of our key metrics in FY16 and we are confident that our strategy set in 2013 is working.*

The good performance in our Logistics and Business Parks portfolio reflected our active asset management, disciplined acquisition strategy and good progress on our $467 million development pipeline. We executed leases on more than 25% of our portfolio in FY16 and also acquired three new sites in Sydney and Melbourne.

In Office we continue to focus on optimising returns from the portfolio while managing our exposure tactically. The bulk of our assets are located in the improving Sydney market where our assets are fully occupied.

Our **Residential** business settled a record 6,135 lots in FY16 and achieved significant operating profit growth of 38.8% as well as a lift in return on assets to 19.6% on the core portfolio.

This strong result reflected our repositioning of this business over the last three years to enhance our community creation capabilities and capitalise on supportive market conditions. We have activated a high proportion of our Residential portfolio in key growth corridors and more than 90% of our net funds employed are in projects that are actively selling, up from 60% in FY13. We also broadened our market reach with the introduction of medium density homes and completed homes within a number of our communities, and we are now exploring mixed use apartment opportunities at Merrylands in Sydney.

Our **Retirement Living** business operating profit was up 19.7% on FY15, reflecting strong sales and active management. Cash return on assets also increased by 50 basis points to 5.8%, reflecting our continuing focus on operational efficiencies and growing our development pipeline.

In FY16 we sold more than 1,000 retirement living homes and apartments, which is a record number of settlements, including the first apartments at Cardinal Freeman in Sydney. We also launched a new village within our Willowdale community in Sydney and we continued to reshape our portfolio, embedding eight South Australian villages acquired in FY15 and selling five relatively small, low return on asset villages in Western Australia in July 2016.

CAPITAL STRENGTH

We have maintained our strong balance sheet and A-/stable credit rating, supporting investment in the future growth of our business.

Our disciplined capital management has seen us improve our weighted average cost of debt and increase our average debt maturity. Gearing at the end of FY16 was 23.8%, at the lower end of our 20–30% target range, due to disciplined capital management, the strong and increasing velocity of operating cash flows and growth in the value of our investment portfolio.

OPERATIONAL EXCELLENCE

Our people remain highly engaged, delivering great outcomes and contributing to a range of initiatives that improve the way we work. Our new Stockland Support Centre, established in June 2015 to outsource some finance and IT functions, is progressing well and providing more flexible and scalable support for our in-house teams.

We have also made significant progress improving our Group system capabilities, including the commitment to implement SAP and Salesforce as core systems, with deployment to take place during the next two years.

Stockland has also maintained its leadership in sustainable operations. We have continued our commitment to engage effectively and improve the liveability, convenience and efficiency of our communities and commercial operations, and to continue to reduce our impact on the environment, particularly energy and water efficiency. Recognising these efforts, we were proud to be named the 2015–16 Global Real Estate Industry Leader in the Dow Jones Sustainability Index, the third time we have received this outstanding acknowledgement.

Stockland has been a signatory to the United Nations Global Compact since 2015, and we remain committed to its principles and to promoting the Global Compact where we operate. I am pleased to confirm our continued support of this important initiative.

OUTLOOK

The low interest rate, moderate population growth environment in Australia is supportive of economic growth and we have set our business on a course that provides us with a positive outlook for FY17, despite considerable uncertainty in macroeconomic conditions.

Assuming no material change in market conditions, our commercial properties are expected to maintain moderate growth in returns and our retail centres remain highly productive. Expected residential lot settlements and retirement living net reservations also remain buoyant for the year ahead.

I am confident in the strategy we are executing and that Stockland is well placed to generate profitable business growth in FY17 and beyond. We have forecast growth in funds from operations per security of 5–7% and distribution growth of 4.1% in FY17, assuming no material change in market conditions.

MARK STEINERT
MANAGING DIRECTOR AND CEO

Read more about our FY16 achievements on pages 4-7.

1 Funds from operations (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.

About Stockland

Stockland is one of the largest diversified property groups in Australia with more than $15.8 billion of real estate assets. We own, manage and develop shopping centres, logistics centres and business parks, office assets, residential communities, and retirement living villages.

Founded in 1952, today Stockland leverages its diversified model to help create thriving communities where people live, shop and work. Our vision is to be a great Australian real estate company that makes a valuable contribution to our communities and our country.

This vision is underpinned by our purpose – "we believe there is a better way to live" – and is brought to life by our 1,500 employees who are guided by Stockland's values of Community, Accountability, Respect, and Excellence (CARE).

Our primary objective is to deliver earnings per security growth and total risk-adjusted securityholder returns above the Australian Real Estate Investment Trust index average, by creating quality communities and property assets and delivering great customer experiences.

To optimise value to securityholders we are structured as a stapled security: a combination of a unit in Stockland Trust and a share in Stockland Corporation that are together traded as one security on the Australian Securities Exchange. This stapled structure allows Stockland to efficiently undertake property investment, property management and property development activities to create sustainable risk/reward outcomes.

OUR STRATEGY

We focus on three strategic priorities:

- Growing asset returns and our customer base
  Driving returns in our core businesses
- Operational excellence
  Improving the way we operate across the Group to drive efficiencies and effectiveness
- Capital strength
  Actively managing our balance sheet to maintain diverse funding sources and an efficient cost of capital

Read about our integrated sustainability strategy on page 6.

42 Shopping Centres

27 Logistic Centres & Business Parks

56 Residential Communities

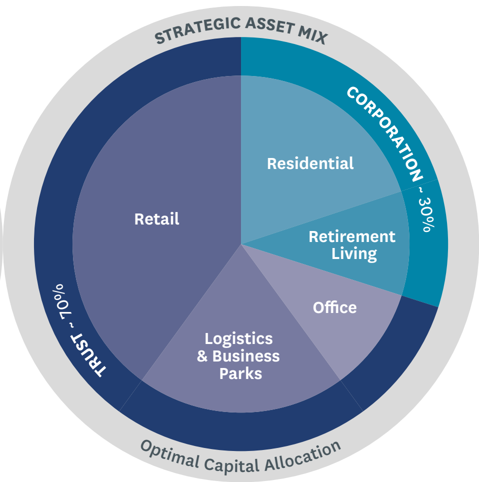
70 Retirement Living Villages

9 Office Buildings

OUR PURPOSE
We believe there is a better way to live

OUR VALUES
Community
Accountability
Respect
Excellence

OUR VISION
To be a great Australian real estate company that makes a valuable contribution to our communities and our country



Responding to challenges and opportunities

Stockland adopts a rigorous approach to understanding and proactively managing the risks faced in its business.

We recognise that making business decisions that involve calculated risks, and managing these risks within sensible tolerances, is fundamental to creating long-term value for securityholders and meeting commitments to our employees, tenants, customers, business partners, consultants and the communities in which we do business. More information on Stockland's risk management policy is available at *www.stockland.com.au/about-stockland/corporate-governance*.

Various risks could impact our business, and the nature and potential impact of these risks change over time. These include, but are not limited to:

SHORT TERM – STRATEGY EXECUTION

Risk	Response and opportunities
Increased competition and changing market conditions impact our opportunities for growth	Continue to: · maintain a diversified business model at scale in each sector · focus on retaining a strong balance sheet with appropriate gearing · use diverse funding sources · concentrate on efficiency and cost management · maintain a prudent approach to provisioning · replenish our land and asset pipeline · maintain discipline and agility in our investment decision making · use a rigorous whole of business approach informed by detailed research to drive our capital allocation process
Delays or changes to the delivery of infrastructure and amenities affect customer satisfaction	Continue to: · use our proprietary Liveability Index research to understand priorities of residents in our communities and drive property management and development decisions · focus on stakeholder engagement plans for all projects that minimise obstacles to infrastructure and amenity delivery and provide appropriate communication with all stakeholders about these matters · improve our project delivery through supply chain management
Housing affordability is increasingly challenging in Australia	Stockland's Residential business is influenced by the dynamics of the Australian residential market. Housing affordability remains of key concern for Australians as the price of housing and rental properties continues to increase. We will continue to: · seek opportunities to provide market leading sustainable communities and a broader mix of value for money housing options including house and land packages, completed housing, medium density and apartments · balance the demand from home owners and investors so that our residential communities remain attractive to future buyers · engage with government to seek effective solutions on land supply issues
Systems enhancements affect business process efficiency	As part of our continued investment in the efficiency of our operations, we have made significant progress on improving the Group's systems capabilities including the commitment to implement SAP and Salesforce as core systems. With deployment to take place during the next two years, we will continue to maintain two-way engagement with employees across the business to enable a smooth transition
Regulatory changes impact our business and customers	Continue to: · engage with industry and government on policy areas including taxation and planning reform · develop in areas where governments support growth · focus on good practice to remain well positioned in the market

LONGER TERM – CHANGING MARKETPLACE

Risk	Response and opportunities
Community resilience to evolving security and safety risks	Continue to: · train our employees and increase their risk awareness · undertake regular scenario testing · engage with peers and across industry · invest in asset upgrades
Capital market volatility impacts our ability to access suitable capital	Stockland's long-term growth is dependent on our ability to access capital at the appropriate time and cost even as capital markets fluctuate in response to domestic and global economic shifts. So that we are able to continue to access sufficient capital to fund growth, we will continue to: · focus on retaining a strong balance sheet at appropriate levels of gearing · maintain diverse funding sources · maintain our prudent capital management policies
Ability to develop products that meet anticipated future customer and societal demands	Continue to: · foster a culture of innovation where we remain flexible, and identify and take advantage of opportunities to leverage movements in stakeholder preferences · evolve our market leading product innovation and deepen our customer insights using our proprietary Liveability Index research and platforms such as Stockland Exchange (our online research community) and Quantium (which provides de-identified customer transactional data to inform how we view markets and opportunities) · focus on creating sustainable and liveable communities and assets · enhance our design excellence, providing greater functionality and value for money
Digital disruption affects customer behaviour and transforms the market	Continue to: · identify, develop and integrate technical enhancements across our business, including online residential and retirement living engagement opportunities · support Stockland retail centres as thriving community hubs by delivering quality services and community spaces that are e-enabled · promote employee innovation and collaboration through Ideas@Stockland to further enable us to take advantage of new opportunities

Grow asset returns and customer base

Driving returns in our core businesses

FY16 PROGRESS

Commercial Property

- 4.5% growth in comparable FFO in our Commercial Property portfolio
- $681 million Retail development under construction and a pipeline of $1.0 billion
- $400 million Logistics and Business Parks future development pipeline

Residential

- A record 6,135 settlements and 4,567 contracts on hand in our Residential business
- Improvement in return on assets on our core Residential portfolio to 19.6%, excluding impaired projects
- Over 90% of Residential capital employed in projects actively selling
- Broadening our customer reach in Residential, with seven medium density projects launched across four states

Retirement Living

- A record 1,013 Retirement Living settlements
- 19.7% increase in Retirement Living operating profit
- Launched our unique selling proposition Retire Your Way

Retail

FUNDS FROM OPERATIONS (FFO)

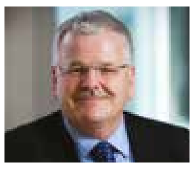
$402m ↑6.1% Comparable FFO ↑ 3.7%

NET OPERATING INCOME (NOI)

$371m ↑5.8% Comparable NOI ↑ 3.2%

RETAILER SATISFACTION

76%



John Schroder
Group Executive and CEO, Commercial Property

Stockland's Retail portfolio performed well in FY16, with high occupancy and positive leasing spreads.

The Retail portfolio recorded 3.7% growth in comparable FFO and continued sales growth, with total Moving Annual Turnover up 4.6%, driven by 6.0% growth in specialty retail. The best performing categories continued to be communication and technology, retail services, food catering and fast casual dining.

Some areas of specialty retail, such as apparel, slowed in the June quarter due to unseasonably warm weather. Comparable growth in supermarket sales has been impacted by strong competition in pricing.

While the number of retailer closures in the last six months has been slightly elevated and retail trade at some centres has moderated, we have continued to produce sales growth and our centres are highly productive. Comparable specialty sales per square metre is 9.8% above the Urbis average.

We have made good progress on major redevelopment projects. We opened Stage 3 of the $228 million Wetherill Park redevelopment in Sydney, which is trading well. We completed construction of the $51 million Harrisdale neighbourhood centre, which is a key part of our Newhaven community development in Perth, and opened the remodelled Pitt Street Mall asset in the Sydney CBD, incorporating flagship H&M and Zara Home stores.

We also commenced the $372 million redevelopment of Green Hills in New South Wales, which will be anchored by David Jones, JB Hi-Fi Home and a new Harris Scarfe department store, and is targeting an accretive FFO yield of 7.0% and IRR of 12.6%.

During FY16, we also commenced and completed a number of relatively small but important projects, creating new casual dining precincts at Rockhampton in Queensland and Shellharbour in New South Wales, and undertaking anchor retailer redevelopment and remixing activities at Point Cook in Melbourne and Cairns in Queensland.

STRATEGIC PRIORITIES

The Retail business maintains its focus on creating market leading centres, redeveloping its most productive assets to create community and entertainment hubs and maximise trade area share. We have $681 million of retail development under construction and a future pipeline of $1.0 billion, targeting incremental internal rates of return (IRR) of 11–14%[1] and stabilised FFO yields of 7–8% from this activity.

Stockland's retail mix continues to evolve, underpinned by supermarkets, mini majors, food catering and fast casual dining and speciality food and retail services. The business will continue to focus on tailoring its offering to each specific trade area, cultivating retailer relationships and long-term sustainable rent, and investing in industry research and technology to adapt to an evolving retail landscape.

$681M RETAIL DEVELOPMENT UNDER CONSTRUCTION AND $1.0 BILLION PIPELINE

Under construction	Total spend ($m)	Stabilised yield (%)[2]	Incremental IRR (%)[1]
Wetherill Park	228	7.3	15.0
Harrisdale	51	7.8	11.2
Green Hills	372	7.0	12.6
Kensington	30	7.0	7.8
Total	**681**		

1 Forecast unlevered 10 year IRR on incremental development from completion.
2 FFO incremental yield.

Logistics & Business Parks

FUNDS FROM OPERATIONS (FFO)

$132m ↑0.5% Comparable FFO ↑ 3.7%

NET OPERATING INCOME (NOI)

$119m ↓1.3% Comparable NOI ↑ 1.0%

Our Logistics and Business Parks portfolio delivered good profit growth, with comparable FFO up 3.7%, reflecting positive leasing momentum.

We have been very active in our asset management, executing leases on more than 300,000 square metres in FY16, representing more than 25% of our Logistics and Business Parks portfolio.

We have been disciplined in our acquisition strategy, buying three new assets including Wonderland Drive in Sydney on an 8.0% initial FFO yield, Mulgrave in Melbourne on a 7.1% initial FFO yield and a development site at Erskine Park in Sydney. We are also making good progress on our development pipeline, with more than $67 million worth of accretive projects underway and a further development pipeline of $400 million, also targeting IRRs of 11–14%* and stabilised FFO yields of 7–8%. Our Logistics and Business Parks business is well positioned to achieve solid growth and deliver consistent returns.

*Unlevered 10 year IRR on incremental development from completion.

STRATEGIC PRIORITIES

Our focus is on growing a quality portfolio of logistics centres and business parks. We will leverage our existing assets and land, strong tenant relationships and asset management skills to become a scale player in this market.

LOGISTICS AND BUSINESS PARKS $67M UNDERWAY AND $400M DEVELOPMENT PIPELINE

	Completed	Active development	Planning underway	Future wave
NSW	Erskine Park	Ingleburn (Stage 1) Waterside (Land subdivision)	Ingleburn (Stage 2) Yennora (Build 3 and 8A) Warwick Farm	Ingleburn (Stage 3) Yennora (Build 1 and 2)
VIC	Oakleigh (Stage 1)	Oakleigh (Stage 2)	Brooklyn (A and C)	Altona DC
QLD		Yatala		Willawong (previously Pallara)[1]
SA				Port Adelaide DC
WA		Balcatta (Land subdivision)		

Development type
Greenfield Brownfield

1 Asset developed on acquired land as part of Residential Community activity.

Office

FUNDS FROM OPERATIONS (FFO)

$68m ↓13.0% Comparable FFO ↑ 9.9%

NET OPERATING INCOME (NOI)

$53m ↓17.0% Comparable NOI ↑ 5.9%

Comparable Office FFO increased 9.9%, reflecting the strength of the Sydney market where the bulk of our assets are located. We also completed the sale of Waterfront Place and Eagle Street Pier in Brisbane in October 2015, reducing net income from our Office portfolio.

Our exposure to the office sector remains tactical, reflecting our view on the state of the market. The majority of our portfolio is located in the improving Sydney market, with our assets in this market currently fully occupied. The Perth and Australian Capital Territory markets remain very challenging.

STRATEGIC PRIORITIES

In Office we continue to focus on optimising returns from the portfolio while managing our exposure tactically. We intend to retain the majority of our residual Office portfolio whilst we maximise returns and highest and best use over time. Joint-ventures (or part sales) will also be considered as appropriate.

Residential

Our Residential business settled a record 6,135 lots in FY16, achieved significant operating profit growth of 38.8% and lifted return on assets ('ROA') to 19.6% on the core portfolio.

OPERATING PROFIT

$230m ↑38.8%

RESIDENT NATIONAL LIVEABILITY INDEX SCORE

84%

Andrew Whitson
Group Executive and CEO, Residential

This strong performance is a direct result of our strategy to activate the highest possible proportion of our Residential portfolio. More than 90% of our net funds employed are in projects that are actively selling, up from 60% in FY13.

The results also reflect our repositioning of the business over the last three years to enhance our community creation capabilities and capitalise on supportive market conditions in key growth corridors as well as the positive impact of new projects, efficiency improvements and our broader product range.

We launched five major projects in FY16 including Aura, Pallara and Newport in Queensland, Altrove in Sydney, and Cloverton in Melbourne.

We have also broadened our market reach with the introduction of medium density homes and completed homes within a number of our communities. We settled 110 completed homes and 74 medium density homes in FY16. We are now exploring mixed use apartment opportunities within our portfolio, including at our Sydney asset at Merrylands, adjacent to our regional shopping centre.

We continue to focus on affordability and community creation within our Residential business; over 75% of our buyers were owner occupiers in FY16.

We commenced FY17 with 4,567 residential contracts on hand, a record for the Group.

STRATEGIC PRIORITIES

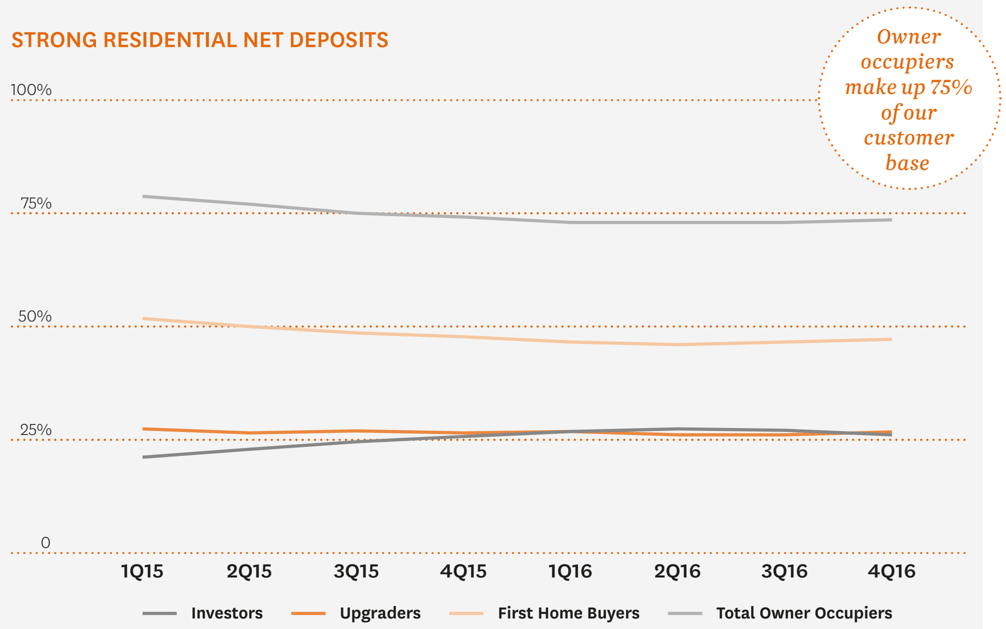
Our Residential business is making good progress on its plans to make the portfolio more resilient and profitable in the future by continuing to focus on:

1 Reshaping the portfolio – actively manage the portfolio to improve returns and achieve and maintain an optimal pipeline with a preference to acquire land on capital efficient terms. We continue to make good progress in activating our land through the launch of new projects and working through low margin and impaired stock.

2 Improving efficiency – continue to manage costs. Project management has been embedded into the business and is driving significant cost savings.

3 Delivering revenue growth – increase revenue by creating a better community value proposition that drives high customer referrals, and broaden market reach through a medium density/built form offering.

STRONG RESIDENTIAL NET DEPOSITS



Retirement Living

Operating profit in the Retirement Living business was up 19.7% on FY15, reflecting strong sales, active management and improved efficiency.

OPERATING PROFIT

$57m ↑19.7%

VILLAGE RESIDENT SATISFACTION

90%

Stephen Bull
Group Executive and CEO, Retirement Living

Retirement Living sold more than 1,000 homes and apartments in FY16, which is a record number of settlements. We also lifted our cash ROA by 50 basis points in the last 12 months to 5.8%, reflecting our continued focus on operational efficiencies and growing our development pipeline. Our development margin was 16.8% in FY16, which is at the top end of our target range.

We completed and sold the first 57 apartments in two buildings at Cardinal Freeman The Residences in Sydney, with the next building of 40 apartments due for completion in the second half of FY17. We also launched a new village within our Willowdale community in Sydney in the second half of FY16.

We have continued to reshape our business, embedding the eight new South Australian villages acquired in FY15 into our portfolio, and selling five relatively small, low ROA villages in Western Australia in July 2016. We will continue to recycle capital, drive our development pipeline, which currently comprises 400 homes under development, and grow profits and returns.

STRATEGIC PRIORITIES

The business remains focused on being a preferred operator and developer of retirement living villages. The business has a clear strategy to continue to improve its return on assets by:

1 Actively managing the portfolio;

2 Growing development volumes; and

3 Differentiating the customer experience through access to a range of resident care and other services.

STRONG RETIREMENT LIVING DEVELOPMENT PIPELINE

Construction timeframe		Future settlements	FY17	FY18	FY19	FY20	FY21+
Completed (FY16)	Arilla, Vic		●				
	Somerton Park, SA		●				
	Golden Ponds, NSW		●				
	Sub-total	**10**					
Current development projects	Selandra Rise, Vic		●				
	Highlands, Vic		●	●			
	Lightsview, SA		●	●	●	●	
	Mernda, Vic		●	●	●	●	
	Cardinal Freeman The Residences, NSW		●		●	●	
	Affinity, WA		●	●	●	●	●
	Willowdale, NSW		●	●	●	●	●
	Sub-total	**910**					
To start within 18 months	Elara, NSW			●	●		
	Somerton Park, SA			●	●		
	Oceanside, Qld			●	●	●	
	Calleya, WA			●	●	●	●
	Altrove, NSW				●	●	●
	Newport, Qld				●	●	●
	Sub-total	**715**					
Masterplanning/ future projects	The Grove, Vic					●	●
	Aura, Qld						●
	Cloverton, Vic						●
	Sub-total	**750**					
Redevelopments	Proposed brownfield redevelopments		●	●	●	●	●
	Sub-total	**780**					
Total units yet to be released	**Total**	**3,165**					

Capital strength

Actively managing our balance sheet

FY16 PROGRESS

- ✓ Maintained A-/stable credit rating for over ten years and gearing remains within our target range
- ✓ Extended pro forma weighted average debt maturity from 5.3 to 5.9 years
- ✓ Reduced average FY16 cost of debt by 40bp to 5.8%
- ✓ Maintained diversification of our funding sources
- ✓ Significant improvement in operating cash flows, from $401 million to $787 million

We have maintained a strong balance sheet and A-/stable credit rating in FY16, supporting investment in the future growth of the business. Gearing at the end of FY16 was 23.8%, at the lower end of our 20–30% target range, due to disciplined capital management, strong operating cash flows and growth in the value of our investment portfolio.

Our active debt management program has seen us improve our weighted average cost of debt and, partly as a result of our post year-end US Private Placement, increase our average weighted debt maturity to 5.9 years on a pro forma basis.

We continue to focus on prudent balance sheet management, continuing to utilise diverse funding sources throughout the year. The fixed/hedged ratio has increased to 96% at 30 June 2016 (2015: 72%) as we continue to take advantage of low fixed interest rates. The weighted average cost of debt for the year ended 30 June 2016 has decreased to 5.8% (2015: 6.2%) following the termination of three swaps during the first half, funded from gains on asset sales.

Interest cover has increased to 4.5:1 (2015: 4.0:1) due to stronger earnings across the business.

In FY16 operating cash flows were up significantly on the prior year, primarily as a result of improved trading revenues across the business combined with a disciplined approach to residential development spend and lower land acquisitions in Residential during the year.

OUR BALANCE SHEET

$ million, unless otherwise stated	June 2016	June 2015	Change
Cash	**208**	170	22.4% ↑
Real estate assets[1]			
· Commercial Property	**9,706**	8,942	8.5% ↑
· Residential	**2,517**	2,552	1.4% ↓
· Retirement Living	**3,589**	3,335	7.6% ↑
· Other	–	7	nm
Other assets	**922**	723	26.6% ↑
Total assets	**16,942**	15,729	
Interest bearing loans and borrowings	**3,800**	3,283	15.7% ↑
Resident loan obligations	**2,427**	2,211	9.8% ↑
Other liabilities	**1,461**	1,448	0.9% ↑
Total liabilities	**7,688**	6,942	
Net assets/total equity	**9,254**	8,787	
Net tangible assets per security	**$3.82**	$3.68	3.8% ↑
Gearing (net debt/total tangible assets)	**23.8%**	23.4%	

1 Includes non-current assets held for sale, inventory, investment properties, equity-accounted investments and certain other assets.

CASH FLOWS

$ million	FY16	FY15	Change %
Operating cash flows	**787**	401	96.3% ↑
Investing cash flows	**(508)**	184	nm
Financing cash flows	**(241)**	(646)	62.7% ↓
Net change in cash and cash equivalents	**38**	(61)	37.7% ↑
Cash at the end of the period	**208**	170	22.4% ↑

Our sustainability strategy

Our sustainability strategy integrates with our business strategy and priorities, providing a better way to deliver shared value for all stakeholders.

We have three core sustainability priorities:

- Shape Thriving Communities
- Optimise and Innovate
- Enrich Our Value Chain

Each sustainability priority is pursued through action in several focus areas, illustrated in our sustainability strategy diagram below.

We explore our sustainability priorities and focus areas throughout this report and highlight our recent progress in three case studies (see right).

Read more about our sustainability approach and progress in our 2016 Annual Review and Sustainability Reporting, available on our website ***stockland.com.au.***

Shape thriving communities

Our goal is to shape communities that thrive now and into the future, by facilitating healthier living, promoting community connection and providing lifelong learning opportunities.

We have close working relationships with a variety of community organisations that help deliver social infrastructure and programs in and around our properties and communities. Our project and asset teams and state office employees can draw on a suite of partnerships for advice, resourcing and implementation support. These partners all align to Stockland's community focus areas of health and wellbeing, education and community connection.

COMMUNITY PARTNERSHIPS

In FY16 we expanded our partner suite and now have 15 community organisations that we regularly work with across Australia. We also increased our community development activities, implementing a total of 561 initiatives across our business units and investing more than $4.05 million in financial support. The total value of Stockland's community investment in FY16 was more than $10.42 million, including the $4.0 million transfer by Stockland to the Stockland CARE Foundation.

Amongst our new partners, in March 2016 we announced our new three year partnership with Bowls Australia, designed to boost the health, wellbeing and connectedness of more than 11,000 residents living in our retirement living villages across the country.

Regular physical activity for retirees has been shown to be the key to maintaining good health and vitality, and one of the most effective ways to improve emotional wellbeing.

561

Community development initiatives implemented in FY16 with our 15 community partners nationally

11,000

Retirement living residents with access to Bowls Australia activities through our three year partnership

$4.05m

Value of Stockland's investment in community development in FY16

Recent research from the Australian Bureau of Statistics, however, shows people aged 65 and over have the lowest participation rate in physical activity nationally, at 47%, as well as the lowest rate of involvement in organised sport, at 17%.

At Stockland, we encourage our retirement living residents to get involved, keep fit, stay connected and be a part of something they can enjoy in a group. Regular social and competitive lawn bowls, coaching clinics, and free health and wellbeing seminars are just some of the ways that the Bowls Australia partnership will continue to support our residents. A framework to benchmark resident participation has also been established with Bowls Australia and this will be used to create a meaningful participation and engagement target in FY17.

STOCKLAND CARE FOUNDATION

Stockland CARE Foundation has made a real impact in its first full year of operation, contributing much needed funds in the areas of health, wellbeing and education and also boosting volunteering and giving among our employees, business partners and the broader community.

In addition to the $200,000 donated by the CARE Foundation Trust in FY16, Stockland and its employees, customers and residents donated over $100,000 and more than 2,200 hours of support to chosen charity partners, Redkite and Touched by Olivia Foundation (TBO). Through these efforts 72 families who have children or young people with cancer gained access to Redkite's suite of programs in FY16, and four inclusive playspaces and four social enterprise cafés based in our communities were added to TBO's expanding national network.

Operational excellence

Improving the way we operate across the business to drive efficiency and effectiveness

FY16 PROGRESS

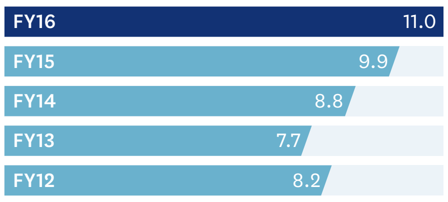
- ✓ Recognised as Global Real Estate Industry Leader in the Dow Jones Sustainability Index for 2015–16
- ✓ Strong employee engagement of 83%
- ✓ Retained our Employer of Choice for Gender Equality WGEA citation
- ✓ Embedded Flexibility@Stockland
- ✓ Established Stockland Support Centre offshore team
- ✓ Improved ROE from 9.9% to 11.0%
- ✓ Significant progress improving Group system capabilities

During the year we made significant progress on improving the Group's IT systems capabilities, as we began the largest investment in our systems in Stockland's history through the Core Systems Program. This program aims to reduce the number of legacy systems we use around our business to simplify and streamline our activities, reduce costs, and take advantage of rapid developments in technology to improve customer outcomes.

As part of the feasibility phase of the program this year, we have committed to implement SAP as our core enterprise resource planning system and Salesforce as our customer relationship management system. Deployment will take place during the next two years and we will maintain two-way engagement with employees across the business about the program and system implementations to enable a smooth transition.

RETURN ON EQUITY (ROE)

11.0%



Return on equity (excluding Residential workout projects) was 11.0%, up 1.1% on FY15.

This year we also embedded the Stockland Support Centre (SSC), an outsourced offshore team that provides support to Stockland employees across a range of business activities. We decided to establish the SSC permanently in June 2015, after an initial six month pilot proved successful in providing more flexible and scalable support for our in-house teams and achieving the estimated benefits in the business case. Since then, we have transitioned a number of finance and IT activities to the team.

Our people remain highly engaged, delivering exceptional outcomes and contributing to a range of initiatives that improve the way we work. Stockland launched a company-wide innovation program called Ideas@Stockland in August 2015 to encourage and foster the commercialisation of innovation. Of the more than 100 new ideas submitted since, nine ideas have been chosen to be developed and resourced, and six are progressing towards working pilots. In addition, 20 employees have received training on leading innovation methodologies and tools. These Innovation Champions are now assisting other teams with further ideation or innovation initiatives.

Sustainability remains a key focus for Stockland. We have continued our commitment to engage effectively and improve the liveability, convenience and efficiency of our communities and commercial operations, and to continue to reduce our impact on the environment, particularly by improving energy and water efficiency.

Recognising these efforts, we were proud to be named the 2015–16 Global Real Estate Industry Leader in the Dow Jones Sustainability Index, the third time we have received this outstanding acknowledgement. It is also the ninth consecutive year that we have been listed in the Index.

We were also awarded 2015 Australian Diversified Property Sector Leader on the Global Real Estate Sustainability Benchmark (GRESB) and retained our Employer of Choice for Gender Equality citation with Australia's Workplace Gender Equality Agency.

Optimise and innovate

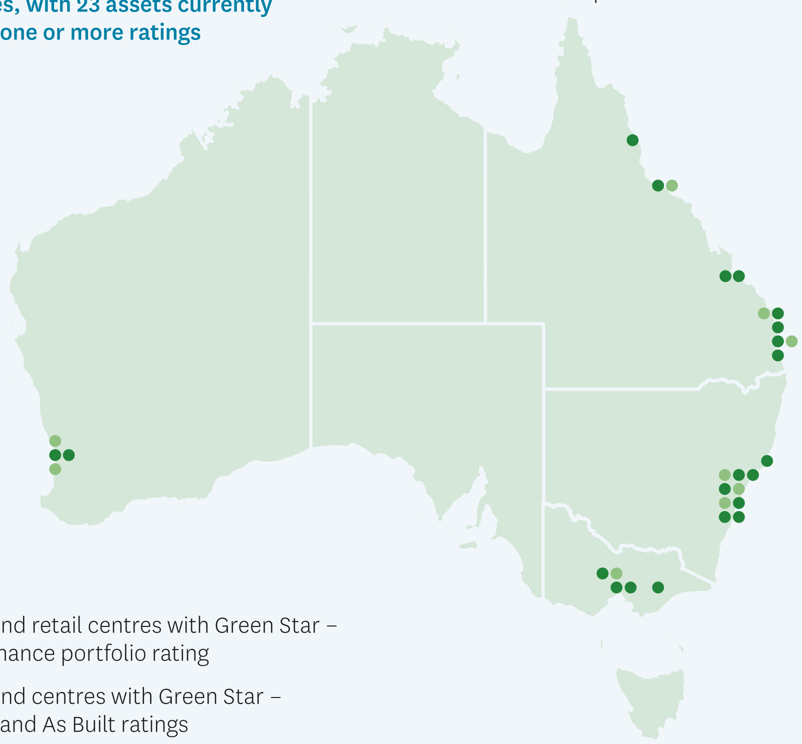
At Stockland, we are always looking for smarter and more efficient ways to develop and operate our assets.

We are committed to creating resilient assets and communities that can flourish with adaptive and responsive design. Our customers want to run their homes and businesses cost effectively, but also appreciate a connection to the natural environment.

Asset ratings and certifications, such as the Green Building Council of Australia's Green Star and the National Australian Built Environment Rating System (NABERS), are a key means of measuring the quality and performance of our properties and communities, and driving sustainability improvements over time.

*Read more about our Green Star and other ratings at **stockland.com.au.***

Stockland has Australia's largest number of Green Star rated retail properties, with 23 assets currently awarded one or more ratings



- Stockland retail centres with Green Star – Performance portfolio rating
- Stockland centres with Green Star – Design and As Built ratings

AUSTRALIA'S FIRST RETAIL PORTFOLIO GREEN STAR RATING

Stockland has the largest number of Green Star rated retail properties in Australia, as verified by the Green Building Council of Australia. In FY16 we continued to extend our retail ratings and certifications, with a key target to secure a Green Star – Performance portfolio rating for our retail centres. This is a new Green Star tool requiring an existing energy rating from NABERS.

In an Australian first, in June 2016 we achieved a Green Star – Performance portfolio rating for 22 of our metropolitan and regional retail centres, receiving an average 3 Star rating, which is considered 'Good Practice'. Stockland's innovations such as climate adaptation and resilience, inclusive playspaces, electric vehicle charging stations and use of cool roof materials rated particularly well.

We will now continue working with our retailers and the community to improve the sustainability management and performance of our retail centres and capitalise on savings we achieve through operational efficiencies to invest in bringing the next wave of new technologies to life.

In FY16 alone our investment in numerous energy efficient measures has resulted in projected energy savings of approximately 1,718,000kWh annually, which is equivalent to removing 255 passenger vehicles driven for one year. These efforts add to our achievements since FY06, which have seen us reduce electricity usage by 30% per square metre, resulting in a $30 million savings from avoided bills within our Retail operations.

Enrich our value chain

As one of Australia's leading sustainable property companies, we aim to enhance the value we create through positive relationships with our employees, suppliers and other key partners in the community.

By working together, we are able to address key environmental, social and governance risks and opportunities and achieve more sustainable outcomes for all.

SUPPORTING ENDURING EMPLOYMENT AND ECONOMIC DEVELOPMENT

The Stockland Green Hills Connectivity Centre, launched in June 2016, is one example of how we are working with our business and community stakeholders in this way.

The $372 million redevelopment of Stockland Green Hills in the New South Wales Hunter Valley is expected to be complete by April 2018. The centre will more than double in size and will feature the first new format David Jones department store in the region, and around 225 specialty shops with a vibrant new dining and entertainment precinct. The redevelopment will generate more than 1,350 direct jobs during construction and over 1,250 permanent, full time jobs in retail and hospitality once completed.

Recognising that unemployment is a major issue for local youth, Stockland joined with construction partner, Brookfield Multiplex and undertook extensive stakeholder discussions about what kind of assistance would be of most enduring value.

The resulting Stockland Green Hills Connectivity Centre is a whole-of-community response. For the first time in the Hunter region, jobactive providers, led by youth not-for-profit yourtown, along with Maitland City Council, local employers and community groups, have come together to support and assist those most disadvantaged by unemployment, linking them to job opportunities generated by the Green Hills redevelopment.

Importantly, the Connectivity Centre is focused on finding jobs today as well as creating the pathways and training so that people will be job ready for years to come. The centre provides a space for candidate screening, training and job-matching to support employment in construction and retail jobs. It also hosts programs designed to instil vocational skills, build confidence and provide exposure to business culture and mentoring.

The Connectivity Centre is located next to the Stockland Green Hills construction site at 4 Molly Morgan Drive and is staffed by yourtown, five days a week. The centre has been built by Stockland and Brookfield Multiplex with site sub-contractors donating the fit out. Additional funding has been secured from the NSW Department of Industry for resourcing the centre. As at 30 June 2016, more than 200 expressions of interest had been received from people seeking employment across a range of fields and 34 referrals had been made to contractors with vacancies.

200
Expressions of interest from people seeking jobs in the Connectivity Centre's first month of operation

1,350+
Jobs during construction at Stockland Green Hills

1,250+
Permanent, full time jobs in retail and hospitality once completed

Governance and remuneration

OUR BOARD OF DIRECTORS

The Board takes its governance responsibilities very seriously and believes it has the necessary mix of experience and skills to oversee the high standard of corporate governance, integrity and accountability required of a professional and ethical organisation. The Board believes that Stockland's governance accords fully with the principles and recommendations of the ASX Corporate Governance Council as summarised on our website.

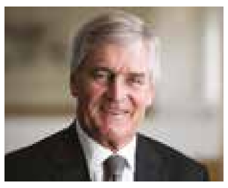
Graham Bradley
Chairman (Non-executive)

Mark Steinert
Managing Director and CEO

Carol Schwartz
Non-executive

Peter Scott
Non-executive

Carolyn Hewson
Non-executive



Barry Neil
Non-executive

Tom Pockett
Non-executive

Nora Scheinkestel
Non-executive

New Board Director Stephen Newton

Mr Newton is a highly experienced director with an extensive career history in the property and investment sectors.

As required by the Stockland Constitution, Stephen will offer himself for election by securityholders at the 2016 Annual General Meeting on 26 October 2016.

OUR GROUP EXECUTIVES

Mark Steinert
Managing Director and CEO

Stephen Bull
Group Executive and CEO, Retirement Living

Katherine Grace
General Counsel and Company Secretary

Tiernan O'Rourke
Chief Financial Officer

Darren Rehn
Group Executive and Chief Investment Officer

Michael Rosmarin
Chief Operating Officer

John Schroder
Group Executive and CEO, Commercial Property

Simon Shakesheff
Group Executive, Strategy and Stakeholder Relations

Andrew Whitson
Group Executive and CEO, Residential

GO ELECTRONIC FOR CONVENIENCE AND SPEED

Did you know you can opt to receive all or part of your securityholder communication electronically? You can change your communication preferences at any time by logging into www.investorcentre.com/ecomms or by contacting Computershare on 1800 804 985.

The Stockland Board uses a Corporate Balanced Scorecard to set financial and non-financial Key Performance Indicators that are aligned to overall business strategy. The key financial performance measures over the last five years are set out below.

Read more about our remuneration practices in our Remuneration Report in the FY16 Financial Report available on our website.

KEY FINANCIAL PERFORMANCE MEASURES

	FY12	FY13	FY14	FY15	FY16
Underlying profit[1] ($M)	676	495	555	608	**660**
FFO[2] ($M)	N/A	472	573	657	**740**
Statutory profit ($M)	487	105	527	903	**889**
Security price as at 30 June ($)	3.08	3.48	3.88	4.10	**4.71**
Distributions/dividends per security (cents)	24.0	24.0	24.0	24.0	**24.5**
Underlying EPS (cents)	29.3	22.4	24.0	25.9	**27.8**
FFO per security (cents)	N/A	21.3	24.8	28.0	**31.1**
Statutory EPS (cents)	21.1	4.7	22.8	38.5	**37.4**
Stockland TSR – 1 year (%)	0.5	17.5	20.5	12.3	**16.4**
A-REIT 200 TSR (excluding SGP) – 1 year (%)	9.9	24.8	11.3	24.2	**21.1**

1 Underlying profit is the performance measure used in determining remuneration. The reconciliation of underlying profit to statutory profit is provided in section (B2b) to the financial statements of the Financial Report and on page 9 of the Operating and Financial Review.

2 FFO will replace underlying profit as Stockland's primary reporting measure from FY17. This change recognises the importance of FFO in managing our business and the use of FFO as a comparable performance measurement tool in the Australian property industry. The reconciliation of FFO to statutory profit is provided on page 9 of the Operating and Financial Review.

EXECUTIVE REMUNERATION OUTCOMES

The table below outlines the cash remuneration that was received in relation to FY16 which includes Fixed Pay and the non-deferred portion of any FY16 short term incentives (STI). The table also includes the value of Deferred STI awards from FY14 and FY15 which vested during FY16 and long term incentives (LTI) awards from FY14 which vested during FY16.

		Fixed Pay[1] $	STI awarded and received as cash $	Total cash payments in relation to financial year $	Previous years' Deferred STI which was realised[2] $	Previous years' LTI which was realised $	Awards which lapsed or were forfeited[3] $
Executive Director							
Mark Steinert	**2016**	**1,500,000**	**750,000[4]**	**2,250,000**	**1,177,557**	**1,077,413**	**2,154,825**
Managing Director and CEO	2015	1,500,000	750,000[4]	2,250,000	590,486	–	2,164,800
Senior Executives							
Stephen Bull	**2016**	**700,000**	**420,000**	**1,120,000**	**273,481**	**280,245**	**560,490**
Group Executive and CEO, Retirement Living	2015	650,000	390,000	1,040,000	132,267	–	358,570
Katherine Grace[5]	**2016**	**500,000**	**266,667**	**766,667**	**93,743**	–	–
General Counsel and Company Secretary	2015	430,138	229,407	659,545	–	–	–
Tiernan O'Rourke	**2016**	**850,000**	**453,333**	**1,303,333**	**295,845**	**367,380**	**734,760**
Chief Financial Officer	2015	850,000	453,333	1,303,333	96,552	–	–
Darren Rehn[6]	**2016**	**750,000**	**450,000**	**1,200,000**	**560,777**	**268,470**	**536,940**
Group Executive and Chief Investment Officer	2015	700,000	420,000	1,120,000	306,802	–	–
Michael Rosmarin	**2016**	**600,000**	**320,000**	**920,000**	**226,673**	**259,050**	**518,100**
Chief Operating Officer	2015	600,000	320,000	920,000	139,913	–	953,250
John Schroder	**2016**	**1,050,000**	**630,000**	**1,680,000**	**440,988**	**453,338**	**906,675**
Group Executive and CEO, Commercial Property	2015	1,050,000	630,000	1,680,000	278,574	–	1,783,500
Simon Shakesheff	**2016**	**600,000**	**320,000**	**920,000**	**303,795**	**237,855**	**475,710**
Group Executive, Strategy and Stakeholder Relations	2015	600,000	320,000	920,000	301,294	–	–
Andrew Whitson	**2016**	**750,000**	**450,000**	**1,200,000**	**400,571**	**302,618**	**605,235**
Group Executive and CEO, Residential	2015	700,000	420,000	1,120,000	190,446	–	351,329

1 Fixed Pay includes salary, superannuation and salary sacrificed items.

2 This represents the value of all prior years' deferred STI which vested during FY16 using the 30 June 2016 closing security price of $4.71. No LTI vested during FY15 or in FY14.

3 The value shown represents the value of any previous years' equity awards which lapsed or were forfeited during the financial year. The FY15 values are based on the closing 30 June 2016 security price of $4.71 (FY15: $4.10).

4 For Mark Steinert this is 50% (two-thirds for Senior Executives) of his STI awards. The remaining 50% of his STI (one-third for Senior Executives) was deferred in Stockland securities which vest over two years following the performance year, 50% after year 1 and 50% after year 2 subject to continued employment.

5 Katherine Grace commenced employment on 21 August 2014.

6 Darren Rehn was appointed to the Executive Committee on 13 August 2014 with his remuneration arrangements effective from 1 July 2014.

SECURITY INFORMATION AND KEY DATES

26 October 2016
Annual General Meeting

The Westin Sydney
1 Martin Place, Sydney
NSW 2000 at 2.30pm

On or about 15 December 2016
Announcement of estimated dividend/distribution

31 December 2016
Record date

22 February 2017
Half-year result announcement

On or about 20 June 2017
Announcement of estimated dividend/distribution

30 June 2017
Record date

16 August 2017
Full-year result announcement

YOUR SECURITYHOLDING

If you would like to update your personal details or change the way you receive communications from Stockland, please contact Computershare on 1800 804 985.

CONTACT DETAILS

Head office
Level 25
133 Castlereagh Street
Sydney NSW 2000

Toll free 1800 251 813
T (61 2) 9035 2000

Corporation/ Responsible Entity
Stockland Corporation
ACN 000 181 733

Stockland Trust Management Limited
ACN 001 900 741
AFSL 241190

www.stockland.com.au

Stockland