1H17 Results Presentation

RESULTS BUILT ON SUSTAINABLE COMMUNITIES

31 December 2016

Cardinal Freeman The Residences, Sydney

Stockland
it's your place

Agenda

Strategy delivering sustainable, strong results

Community creation focus delivers growth across whole business

- Growth in FFO per security of 6.2% reflecting consistent implementation of our strategy
- Continued improvement across all business units
- ROE[1] grows to 11.0%
- Maintained strong balance sheet

	1H17	1H16	Change
Statutory Profit	$702m	$696m	0.7%▲
Funds from Operations (FFO)[2]	$369m	$342m	7.8%▲
Statutory Earnings per security	29.3 cents	29.4 cents	0.3%▼
FFO per security	15.4 cents	14.5 cents	6.2%▲
Distribution per security	12.6 cents	12.2 cents	3.3%▲
Net Tangible Assets per security	$4.00	$3.87	3.4%▲
Gearing (D/TTA)	23.9%	23.1%	
Return on Equity	11.0%	10.3%	

1. Return on Equity accumulates individual business Return on Assets and incorporates cash interest paid and average drawn debt for the 12 month period. Excludes residential communities workout projects
2. Funds from Operations (FFO) is determined with reference to the PCA guidelines

1H17 Achievements

Grow Asset Returns and Customer Base

Commercial Property

3.7%
Growth in comparable FFO

Strong leasing in L&BP

Improved occupancy to 96.1%

$228m Wetherill Park development
15.8% IRR[1]

$442m Retail development under construction

#1 High customer satisfaction[2]

Residential Communities

OVER 5800 contracts on hand

Record level of pre-sales

15-16% FY17 operating profit margin

High customer satisfaction[3] 84.0%

Retirement Living

Cash ROA improved to 6.4%

Improved margins by ~200 bps

High customer satisfaction[4] 85.0%

1. Incremental IRR
2. Retail tenant satisfaction TenSAT score produced by Monash University
3. Stockland National Liveability Index score
4. Stockland Residents' Voice Survey: average overall happiness with their village

1H17 Achievements

Operational Excellence and Capital Strength

Global Sector and Regional Sector Leader- Retail/Office

GRESB
Sector Leader 2016

CDP A LIST 2016 CLIMATE

Leading global climate performance[1]

Salesforce launched in Residential

salesforce

Third consecutive year

WGEA Employer of Choice for Gender Equality

SAP

HR Success Factors launched

Maintained S&P credit rating

A-

For over ten years

#1 two years in a row, market leader for ten years

ROBECOSAM Sustainability Award Industry Leader 2016

DJSI #1 Global

1. Leading sustainable ratings agency, formerly known as Carbon Disclosure Project

Group Finance

Tiernan O’Rourke

Newhaven Robot Park, Perth

Growth in FFO across all business units

Delivering high quality results

- Residential Communities well positioned for the full year, earnings growth skewed to 2H17
- Unallocated corporate overheads trending lower for FY17
- Non-cash tax expense/benefit excluded from FFO as per PCA guidelines

Funds from Operations

$m	1H17	1H16	Change %	Comp. Growth %
Retail	207	197	5.2%	3.5%▲
Logistics & Business Parks	72	66	8.7%	2.9%▲
Office	34	36	(6.6%)	6.6%▲
Trading profit	5	-	nm	
Commercial Property net overhead costs	(6)	(8)		
Total Commercial Property	**312**	**291**	7.3%	3.7%▲
Residential Communities	100	98	1.4%	
Retirement Living	26	18	43.8%	
Unallocated corporate overheads	(29)	(27)	5.8%	
Net Interest	(40)	(38)	6.3%	
Total Group	**369**	**342**	**7.8%**	
FFO per security (cents)	15.4	14.5	6.2%	

All figures are rounded to nearest million, unless otherwise stated. Percentages are calculated based on the figures rounded to one decimal place throughout this presentation

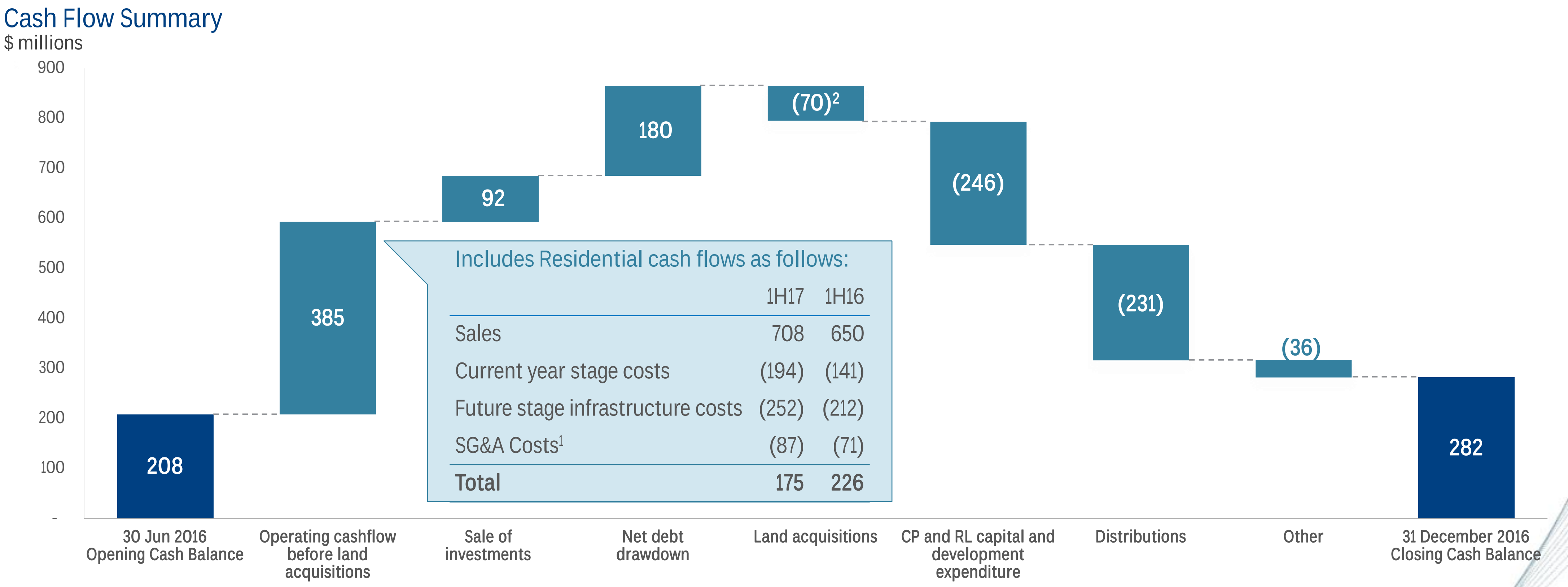
FFO to Statutory Profit Reconciliation

- 47% of commercial properties by value were independently revalued in 1H17
- Favourable movement in marked to market of interest rate derivatives
- Increased tax benefit from prior period adjustment

$m	1H17	1H16	Change %
Funds From Operations (FFO)	**369**	**342**	**7.8%▲**
Adjust for:			
Amortisation of lease incentives and lease fees	(35)	(33)	
Straight-line rent	3	6	
Commercial Property revaluations[1]	196	433	
Net change in fair value of Retirement Living investment properties	24	1	
Marked to market gain/(loss) on financial instruments	126	(45)	
Net gain on other financial assets	-	7	
Net loss on sale of other non-current assets	(2)	-	
Tax benefit/(expense)	21	(15)	
Statutory Profit	**702**	**696**	**0.7%▲**

1. 1H16 includes stapling adjustment related to owner-occupied space of $7m

Strong operating cash flows



Includes Residential cash flows as follows:

	1H17	1H16
Sales	708	650
Current year stage costs	(194)	(141)
Future stage infrastructure costs	(252)	(212)
SG&A Costs[1]	(87)	(71)
Total	**175**	**226**

1. Includes variable sales commissions and marketing costs
2. 40% relates to payments on capital efficient terms

Maintaining a strong balance sheet

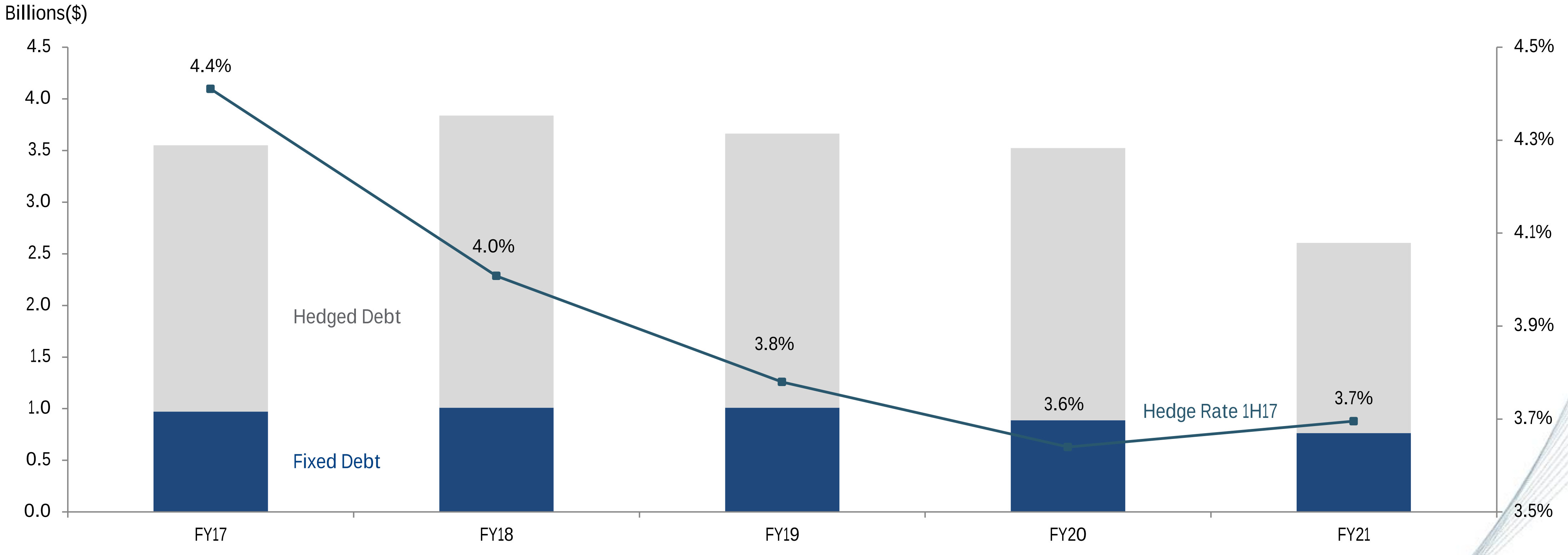
- A-/Stable metrics maintained for over 10 years
- Expect FY17 average cost of debt ~ 5.5%, based on an average fixed hedge ratio of 90% for the period
- Distribution of $71m from our BGP investment received post period end

Key debt metrics	1H17	1H16
S&P rating	A-/Stable	A-/Stable
Drawn debt[1]	$3.7b	$3.4b
Cash on deposit	$0.3b	$0.3b
Available undrawn committed debt facilities	$0.8b	$0.8b
Gearing (net debt/total tangible assets)[2]	23.9%	23.1%
Interest cover	4.7:1	4.2:1
Weighted average debt maturity	5.9 yrs	5.7 yrs
Debt fixed/hedged as at period end	96%	82%
Weighted average cost of debt (WACD) for period[3]	5.6%	6.1%
Weighted average cost of debt at period end[3]	5.5%	5.4%

1. Excludes bank guarantees of $0.2b, drawn debt in equity accounted joint venture and cash on deposit of $0.3b
2. Debt = Interest bearing debt ($3,656m) – Cash $282m
   TTA = Total assets $14,390m – Cash ($282m)
3. Bank guarantee and insurance bond fees are excluded from this calculation

Good visibility of future cost of debt

Forward hedge rates[1] positively impact Group WACD



1. Excludes fees and margins

Commercial Property

John Schroder

Stockland Shellharbour, NSW

Commercial Property: Solid recurrent earnings

Sustainable profit growth

- Comparable FFO growth of 3.7% with solid results across all sectors

Retail sales stable

- Total MAT up 2.7%, driven by 2.5% growth in specialties
- Comparable specialty sales of $9,025 per square metre[1] ▲ 2.0%, and exceeds Urbis sub-regional average by 7.7%
- 25% of retail assets recently developed or currently under development, excluded from stable portfolio
- NSW and Vic specialty stores comparable sales up 2.5%; lower total reflects declines in WA, and some locations in Qld

	Asset values ($m)	FFO (comparable change)	WALE (years)	Occupancy[2] (stable assets)	Weighted average cap rate	ROA
Retail	6,961	3.5% ▲	6.8	99.5%	6.0%	8.2%
L&BP	1,998	2.9% ▲	4.6	96.1%	7.2%	8.1%
Office	749	6.6% ▲	3.7	93.5%	6.7%	9.0%
Total	**9,708**	**3.7% ▲**			**6.3%**	**8.2%**

Key categories: Comparable specialty sales

Fast casual dining/food catering	6.6%	▲
Retail services	7.8%	▲
Communication & technology	3.6%	▲
Apparel	0.7%	▲
Homewares[4]	32.6%	▼

Sales by Category[3]	Total MAT Growth%	Comparable MAT Growth%
Total Turnover	**2.7%**	**0.4%**
Specialties	2.5%	0.8%
Supermarkets	2.4%	-0.1%
DDS/DS	-1.0%	-1.1%
Mini-Majors and Other	7.0%	2.5%

+1.8% excluding impact of Dick Smith closures

1. Sales per sqm adjusted for moving lettable area (MLA). MLA reflects comparable sales per sqm adjusted for total number of days the store has traded in the full year, if trading for less than two years
2. Retail occupancy based on area, Office and Logistics & Business Parks occupancy based on income
3. Sales data includes all Stockland managed retail assets – including Unlisted Property Fund and joint venture assets
4. Homewares impacted by closure of Dick Smith stores

Retail: Accretive development pipeline

Retail development activity progressing well

- $279m completed:
  - Wetherill Park, Sydney, showing strong results
- $442m under construction:
  - $412m Green Hills, NSW, with completion mid 2018, anchored by David Jones and Hoyts
- Completed centre enhancements improving customer experience and delivering on retail trends:
  - Rockhampton, Qld, dining precinct: centre traffic up ~6% and food catering MAT up over 30%,
  - Shellharbour, NSW, dining precinct: centre traffic up ~2% and food catering MAT up ~8%

Completed	Total spend ($m)	Stabilised yield[1]	Incremental IRR[2]
Wetherill Park (Sydney)	228	7.3%	**15.8%**
Harrisdale (Perth)	51	7.8%	**11.2%**
Total	279		

Under construction	Total spend ($m)	Total income leased	Stabilised yield[1]	Incremental IRR[2]
Green Hills (NSW)	412	52%	7.0%	**11.9%**
Bundaberg (Qld)	30	96%	7.1%	**7.8%**
Total	442			

Future development pipeline of $1b includes $330m greenfield projects from our masterplanned communities

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

Stockland Wetherill Park: A leading lifestyle, food, fashion and leisure centre

- Three extensions since 1983 completion
- Customer demand for a redevelopment based on fresh food, cafes, restaurants, mini-majors, theatre, lifestyle, health and services
- 5 Star Green Star Design rating and a significant 925 kw PV solar plant
- Completed centre, 70,000 sqm, fully leased and trading strongly:
  - First full year of trading: MAT $354m, up 29%; traffic 7.7m up 18%
  - Specialty shops at $9,533 psm and growing strongly
- Retailer demand for more space, future development potential of 30,000sqm

	Construction commencement	On completion
IRR[1]	~14.8%	~15.8%
FFO Yield[2]	7.3%	7.3%
Valuation	$645-$665m	$740m

Stockland Wetherill Park, Sydney

1. Incremental IRR
2. Incremental FFO yield

Retail: Continuing to achieve positive leasing spreads

Strong leasing momentum continues

- Maintained high occupancy and positive leasing spreads
- WALE increased to 6.8 years[1]

Rental growth reflects:

- Remixing strategy to higher quality tenants and emerging categories with strategic capital incentive spend
- Higher incentives driven by conversion of uses to food, dining, medical and services
- Growth achieved across all states

94% of specialty leases have fixed 4-5% annual reviews

Key operating metrics		1H17	1H16
Occupancy[2]		99.5%	99.5%
Specialty retail leasing activity[3]			
Tenant retention		60%	61%
Average rental growth on total lease deals[4]		2.7%	2.6%
Total lease deals[5]		372	403
Specialty occupancy cost ratio		15.1%	14.6%
Renewals:	Number	120	170
	Area (sqm)	18,732	26,685
	Rental growth[4]	2.7%	3.1%
New Leases:	Number	114	119
	Area (sqm)	14,128	11,309
	Rental growth[4]	2.6%	1.7%
	Incentives: Months[6]	11.9	8.4
	As % of rent over lease term[7]	15.1%	12.1%

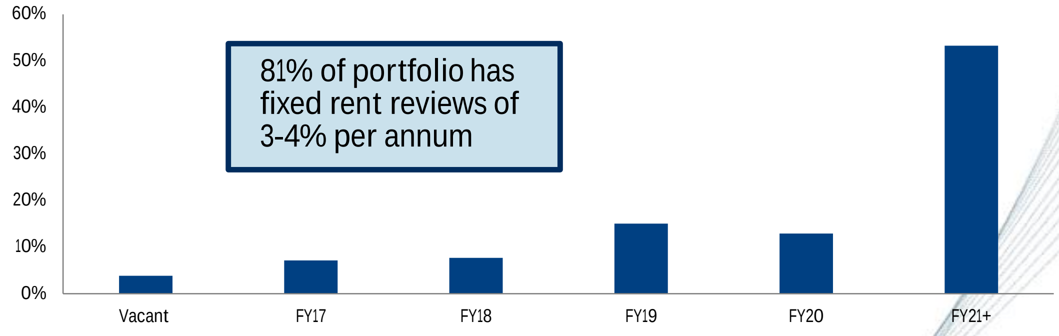
1. Assumes all leases terminate at earlier of expiry/option date
2. Occupancy reflects stable assets, differs from Property Portfolio which includes all assets
3. Excludes Unlisted Property Fund assets. Metrics relate to stable assets unless otherwise stated
4. Rental growth on an annualised basis
5. Includes project and unstable centre leases
6. Represents the cash contribution made towards the retailer's fit outs, expressed in equivalent months of net rent
7. Incentive capital as a percentage of total rent over the primary lease term only

Logistics & Business Parks: improved occupancy

- Over 310,000 sqm of leasing activity, 23% of the portfolio
  - Boral Sydney HQ, 5,000 sqm new lease at Triniti, Sydney
  - Erskine Park, Sydney, 11,700 sqm new development, 10.8 year lease to Pact Group
  - Ingleburn, Sydney, 29,000 sqm new development, fully leased to Next Logistics and T.I.F.S.
- Development momentum:
  - Oakleigh, Melbourne, 8,200 sqm stage two, completion 2H17, good enquiry
  - $400m development pipeline
  - Six DAs approved and three submitted, total ~170,000 sqm

Logistics & Business Parks	1H17	1H16
Leasing activity executed	160,000 sqm	182,000 sqm
Leasing activity under HOA[1]	152,000 sqm	51,000 sqm
Average rental growth on total lease deals	(2.5%)[2]	2.2%
Portfolio occupancy[3]	96.1%	94.6%
Portfolio WALE[3]	4.6 yrs	4.5 yrs

Logistics & Business Parks lease expiry profile[3]



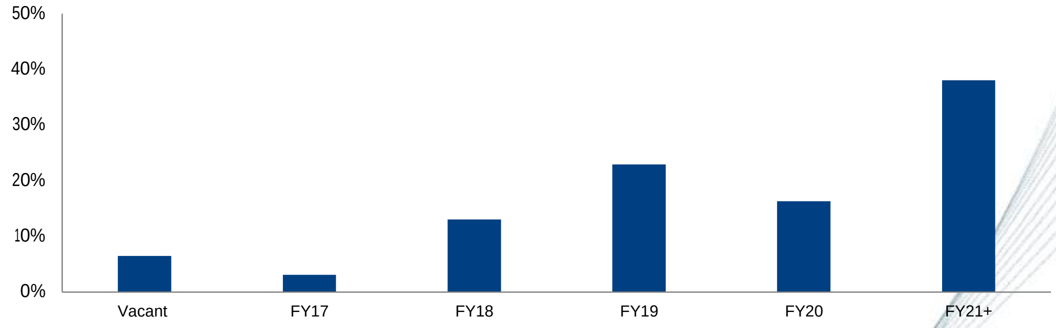
1. As at 31 December
2. 2.9% premium to valuation rents, negative reversion concentrated in western Melbourne
3. By income

Office: Optimising returns

- 76% of portfolio in high performing Sydney office market where our assets are fully occupied
- Investigating development opportunities in Sydney portfolio
- Perth and ACT markets remain challenging, incentives still rising
- 2H17 to be impacted by vacancy at Durack Centre, Perth, WA
- Sale of Garden Square, Qld, settled August 2016

Office	1H17	1H16
Leasing activity executed	2,900 sqm	6,800 sqm
Leasing activity under HOA[1]	2,100 sqm	6,800 sqm
Average rental growth on total lease deals	1.5%	6.5%
Portfolio occupancy[2]	93.5%	95.4%
Portfolio WALE[2]	3.7 yrs	4.1 yrs

Office Lease Expiry Profile[2]



1. As at 31 December
2. By income

Residential

Andrew Whitson

Minta Farm, Melbourne

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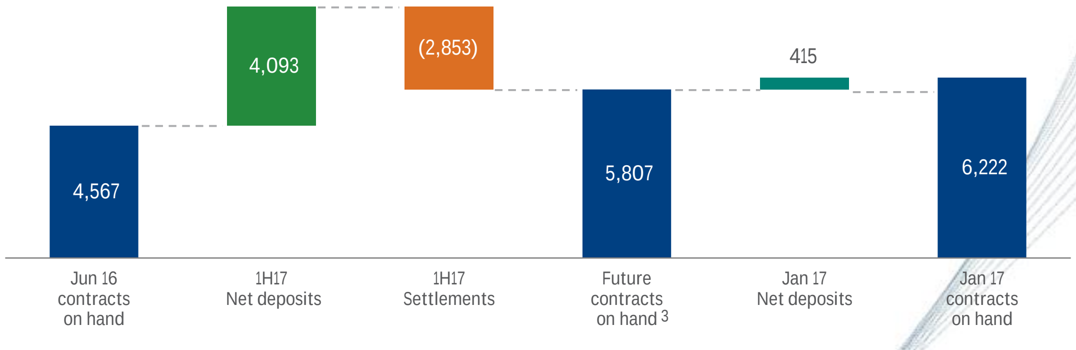
Residential: Strongly positioned for growth

Continuing growth in ROA, driven by implementation of our strategy and positive market conditions

- Record level of presales provides high visibility of earnings
- Benefitting from continued strong eastern seaboard price growth
- Disciplined restocking in key metropolitan growth corridors
  - Minta Farm, Melbourne, 1,700 residential lots
- Some settlements pulled forward from 2H17, marginally reducing previously anticipated 2H17 skew

Residential	1H17	1H16	Change
Lots settled	2,853	2,771	3.0% ▲
Revenue – Retail	$647m	$596m	8.5% ▲
– Superlots[1]	$61m	$61m	0.5% ▲
EBIT (before interest in COGS)	$176m	$157m	11.5% ▲
EBIT margin	24.8%	24.0%	▲
Operating Profit	$100m	$98m	1.4% ▲
Operating Profit margin	14.1%	14.9%	▼
ROA – total portfolio	11.6%	12.9%	▼
ROA – core portfolio[2]	19.2%	18.0%	▲

Residential sales



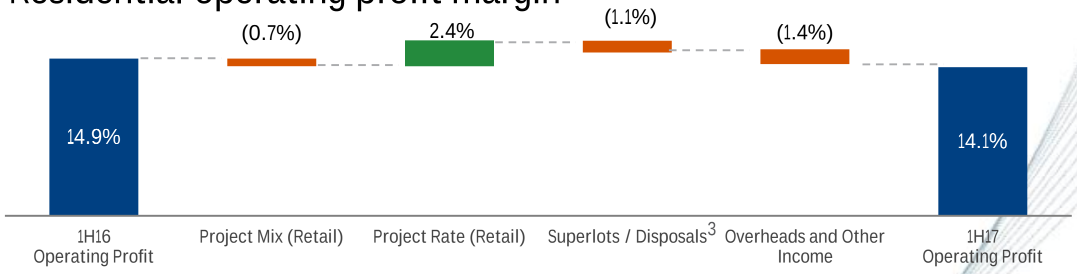
1. 22 superlot settlements in 1H17; 16 superlot settlements in 1H16. 1H17 includes the disposal of impaired project Wallarah (NSW) and the second tranche of revenue from the disposal of Bahrs Scrub (Qld)
2. Core excludes impaired projects
3. Of the 5,807 contracts on hand as at December 31, 2016, 3,635 are due to settle in FY17 and 2,172 are due to settle in FY18

Residential: Operating profit margin targeted to remain above 15% for the short to medium term

- On track for operating profit margin of 15-16% for FY17
- Project mix lower in 1H17 due to fewer settlements in NSW
- Project rate boosted by performance above forecast in several projects in Vic and Qld nearing completion
- Superlot impact reflects disposal of impaired projects
- Overheads include upfront sales and marketing costs of built form
  - On track for settlement of ~300 town homes in FY17, delivering first profits from this business in 2H17

Residential	Core	Workout[1]	Total
Lots settled	2,686	167	2,853
Revenue	$628m	$80m	$708m
Revenue	*89%*	*11%*	*100%*
EBIT	$144m	$32m	$176m
EBIT margin	*22.9%*	*40.0%*	*24.8%*
Operating Profit	**$100m**	**-**	**$100m**
Operating Profit margin	***15.8%***	***-***	***14.1%***
Remaining lots	93%	7%	100%
Number of projects[2]	42	11	53
ROA	19.2%	(23.4%)	11.6%

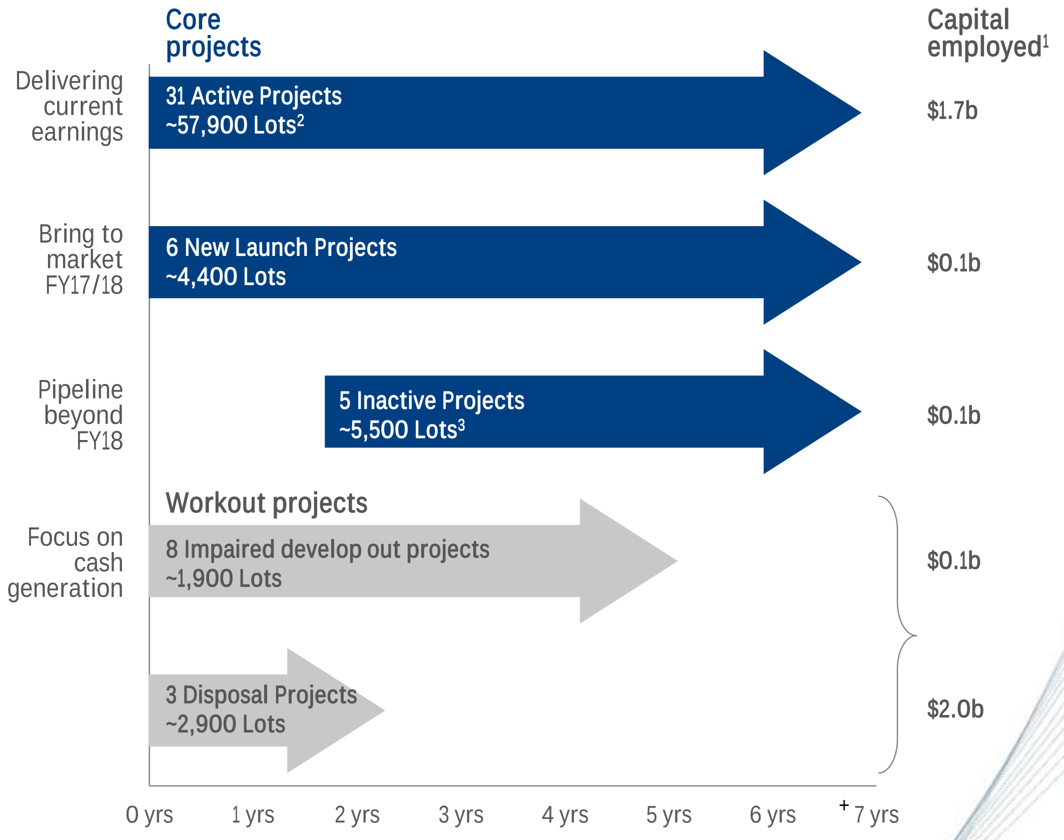
Residential operating profit margin



1. Includes all impaired projects
2. Excludes four active projects that are 99% complete
3. 22 superlot settlements in 1H17; 16 superlot settlements in 1H16. 1H17 includes the disposal of impaired project Wallarah (NSW) and the second tranche of revenue from the disposal of Bahrs Scrub (Qld)

Residential: Growing assets and customers

- Maintaining over 90% of funds employed in projects actively selling
- Strong customer demand for our new launch projects
  - Newport, Brisbane
  - Pallara, Brisbane
  - Foreshore (Coomera),Qld
- Strong sales at our largest ever masterplanned communities, Aura, Qld, and Cloverton, Melbourne, over 600 sales at each since launch
- Reduction in impaired projects with the sale of Wallarah, NSW, and Bahrs Scrub, Qld
- Continuing to see strong demand from Owner Occupiers, representing around 75% of our buyers



1. Based on net funds employed as at 31 December 2016
2. Excludes Elara (NSW) acquisition of ~1,500 lots in June 2016 pending settlement
3. Excludes Minta Farm (VIC) acquisition of ~1,700 lots in December pending settlement

Residential: Market overview

1H17 Stockland summary

State	1H17 settlement volumes (% change over 1H16)	Comments on our settlements in 1H17
NSW	(51%) ▼	Strong 2H skew from key projects, Willowdale and Elara.
Vic	28% ▲	Favourable market conditions benefitting active projects including FY16 launch projects, The Grove and Cloverton.
Qld	34% ▲	Increased settlements in projects across Brisbane and Gold Coast. Notably strong performance at Aura and Newport.
WA	(18%) ▼	Softer WA market in line with expectations.

12 month market outlook

State	Vacant land sales volumes	Vacant land prices	Comments on market outlook
NSW	↔	↑	Volumes reached a decade high in 2016 and annual price growth running at 13%. Available stock is still not sufficient to satisfy demand. Price growth and sales volumes are expected to moderate as affordability is tested.
Vic	↔	↑	Sales volumes remain close to historic highs, up 18% annually, supporting strong price growth of 16%. Available stock is falling and will continue to support strong price growth as population growth remains elevated.
Qld	↑	↑	Improved interstate migration is supporting sales volumes close to decade highs. Annual price growth strengthening and relative affordability will continue to support the market through 2017.
WA	↔	↔	Weak short term economic outlook expected to keep sales volumes close to the current low point of the cycle. Recent stabilisation in prices points to limited downside through 2017, assisted by an increase in FHB grants.

Retirement Living

Stephen Bull

Cardinal Freeman The Residences, Sydney

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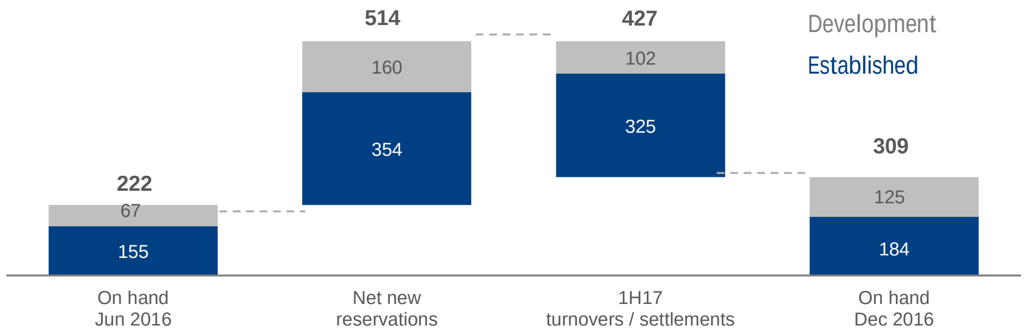
Retirement Living: Customer focus delivering results

- Continued improvement in operating profit and ROA
- Improved margins by ~200bp
- Increased profit skew in 1H17 due to timing of superlot and asset sales
- Development settlements reflect timing of projects

Net reservations



Total Portfolio	1H17	1H16	Change
EBIT	$28m	$20m	36.0% ▲
Operating Profit	$26m	$18m	43.8% ▲
Occupancy	94.6%	93.9%	▲
Cash ROA	6.4%	5.2%	▲

Established Portfolio	1H17	1H16	Change
Established settlements (units)	325	317	2.5% ▲
Withheld settlements (units)	9	5	80.0% ▲
Total sales volumes (units)	**334**	**322**	3.7% ▲
Average re-sale price	$325k	$325k	-
Turnover cash margin	26.9%	25.0%	▲
Reservations on hand	184	168	9.5% ▲

Development Portfolio	1H17	1H16	Change
Average price per unit	$449k	$427k	5.0% ▲
Average margin – excludes DMF	18.0%	15.9%	▲
Development settlements	102	126	(19.0%) ▼
Reservations on hand	125	150	(16.7%) ▼

Retirement Living: Building on success

Broadening customer reach

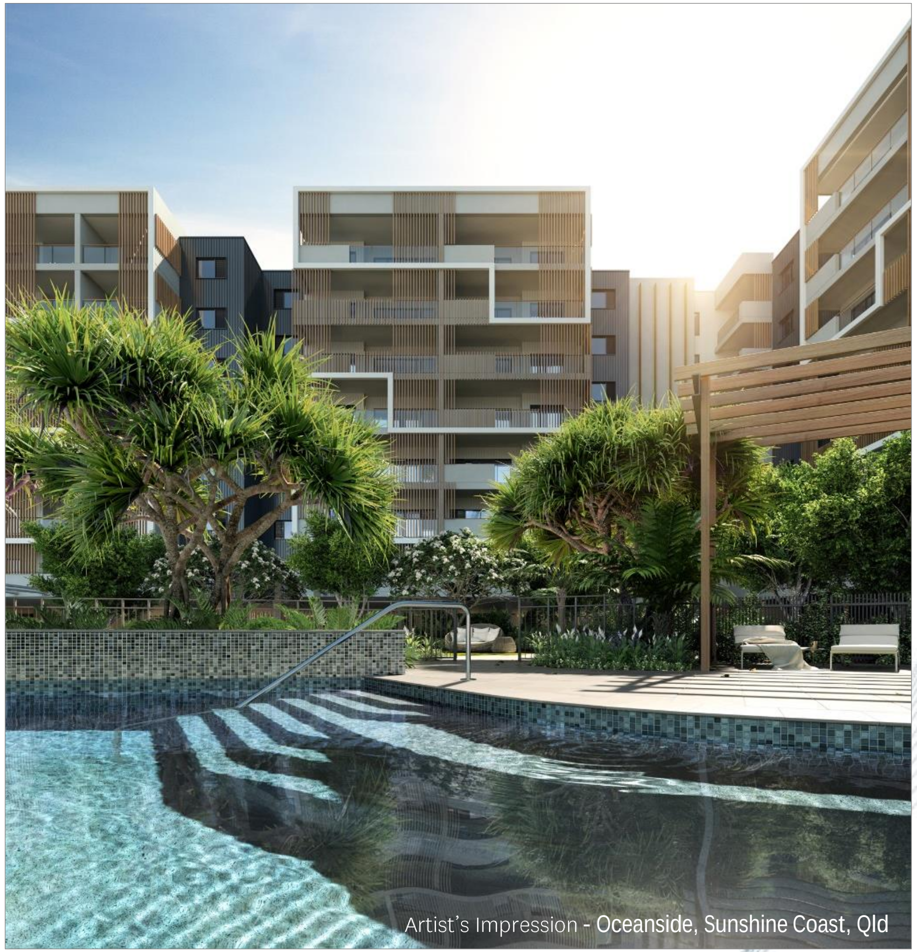
- Developing Seniors apartments, Cardinal Freeman, Sydney, Oceanside, Qld
- Progressing repositioning of middle ring villages including Oak Grange, Melbourne
- Non DMF Seniors Living, Aspire at Elara, Sydney

Providing additional customer amenities

- Continuum of Care: four sites operated by Opal Aged Care, a further four in planning, and 20 existing sites with other operators
- Medical centres: first at Highlands, Melbourne
- Benefits Plus: over 4,500 customers, increased 11% in 2016

Reshaping Portfolio through capital recycling

- Completed sale of five small, low ROA villages in WA in July 2016


Artist's Impression - Oceanside, Sunshine Coast, Qld

Outlook

Mark Steinert

Willowdale Regional Park, Sydney

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FY17 outlook

- Guidance for FY17 FFO per security growth tightened to 6-7%, assuming no material change in market conditions. Underpinned by:
  - Settlements above 6,000 residential lots, with a settlement and profit skew to 2H17, reflecting project timing
  - Residential margins at 15-16% in FY17 and targeted to remain above 15% for the short to medium term, assuming favourable market conditions continue
  - Comparable Retail FFO growth of 3-4%
  - Further improvement in Retirement Living returns as we continue to focus on operational efficiencies and our development pipeline
- FY17 DPS targeted at 25.5 cents[1], within FFO target range of 75-85%
- Portfolio remains well positioned for sustainable long term growth and value creation

Our Purpose: We believe there is a better way to live

1. Assuming no material change in market conditions

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Stockland Corporation Limited
ACN 000 181 733

Stockland Trust Management Limited
ACN 001 900 741; AFSL 241190

As responsible entity for Stockland Trust
ARSN 092 897 348

25th Floor
133 Castlereagh Street
SYDNEY NSW 2000

Stockland