Thriving through diversity

SHAREHOLDER REVIEW
30 June 2017

Stockland

Our strategically diverse portfolio allows us to continue to create thriving communities for the future while delivering sustained growth for today.

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STRATEGY
We continue to see the benefits of our disciplined approach to implementing our strategy.

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RECORD SALES
Positive market conditions have resulted in record sales for our Residential and Retirement Living businesses.

PAGE 07

GLOBAL LEADERSHIP
We remain focused on sustainability and have retained our global sustainability leadership position.

Our results in review

2017

Stockland delivered a strong result across our diversified portfolio – a direct outcome of the disciplined and consistent implementation of our strategy across the three business units.

—

TOM POCKETT
CHAIRMAN

DISTRIBUTION PER SECURITY (¢)

25.5¢

FY17	25.5
FY16	24.5
FY15	24.0
FY14	24.0
FY13	24.0

The distribution payable for the full year ended 30 June 2017 is 25.5 cents per ordinary stapled security. Our distribution policy is to pay the higher of 100% of Trust taxable income or 75–85% of FFO.

STATUTORY PROFIT ($M)

$1,195m

FY17	1,195
FY16	889
FY15	903
FY14	527
FY13	105

Our statutory profit increase was underpinned by the strong FFO performance and growth in our business. Statutory profit includes significant fair value adjustments. The largest component comprised increased valuations from our Commercial Property portfolio, driven by continued capitalisation rate compression and income growth.

FUNDS FROM OPERATIONS (FFO) ($M)

$802m

FY17	802
FY16	740
FY15	657
FY14	573
FY13	472

FFO has replaced underlying profit as our primary reporting measure. FFO has been determined with reference to the Property Council of Australia's guidelines. It excludes adjustments such as unrealised fair value gains/losses, realised transactions occurring infrequently and those that are outside the course of our core ongoing business activities.

RETURN ON EQUITY

11.4%

Return on equity increased to 11.4% from 11.0% in FY16

Return on equity is a measure that combines individual business unit return on assets and adjusts for cash interest paid and the average debt for the period. This excludes our workout assets.

NET TANGIBLE ASSETS (NTA) PER SECURITY ($)

$4.04

FY17	4.04
FY16	3.82
FY15	3.68
FY14	3.53
FY13	3.50

Our NTA per security increased by 5.8% to $4.04, reflecting income growth and an average 20 basis points tightening in capitalisation rates on our Commercial Property portfolio.

FFO PER SECURITY (¢)

33.4¢

FY17	33.4
FY16	31.1
FY15	28.0
FY14	24.8
FY13	21.3

FFO per security was 33.4 cents, up 7.4% on FY16.

Our suite of reports is available on the Stockland website including our comprehensive Financial Report, Property Portfolio and Sustainability Reporting.

www.stockland.com.au/corporate-reporting

From the Chairman

Dear Securityholders,

It was a great honour to be invited by my fellow board directors to become Chairman last October.

I am pleased to report that Stockland delivered a strong result across our diversified portfolio for the 2017 financial year. This outcome is a result of the disciplined and consistent implementation of our strategy.

STRENGTH THROUGH DIVERSITY

Funds from operations (FFO) grew by 8.5% to $802 million and FFO per security grew 7.4% on the prior year. This was slightly above our previous guidance range for the year. Statutory profit was $1,195 million, up 34.4%.

In our **Commercial Property** business, our Retail Town Centres are the largest component of our portfolio. We delivered 3.5% comparable FFO growth, and continued to remix our assets to reflect changing customer trends.

Within the financial year we made good progress on our Commercial Property development pipeline. The first stage opening of our $412 million Stockland Green Hills shopping centre redevelopment in Maitland, NSW, was well received by locals, and our customers in Ballarat eagerly anticipate the opening of our $37 million redevelopment of Stockland Wendouree.

Our focus on delivering diverse and affordable housing options for all Australians, coupled with positive market conditions, resulted in record Residential and Retirement Living sales.

Our Logistics and Business Parks portfolio achieved strong comparable FFO growth with positive leasing results. Recent industrial redevelopments in Sydney and Melbourne were completed on budget and fully leased.

Our focus on delivering diverse and affordable housing options for all Australians, coupled with positive market conditions, resulted in record Residential and Retirement Living sales.

Profitability of our **Residential** business improved strongly, at 17.4% growth on the previous year. A record 6,604 lots were settled in the financial year, with 75% of sales to owner occupiers and more than 50% of net deposits coming from first home buyers.

We have made a number of strategic land acquisitions over the past 12 months to significantly restock our portfolio, acquiring 9,900 lots. The majority of these are in the high-performing Melbourne market. Our landbank now totals over 80,000 future housing lots nationally.

Our focus remains on owner occupiers and first home buyers, placing us in a preferred position for residential lending trends and government growth initiatives.

Our **Retirement Living** development pipeline is also proceeding well and we remain committed to providing high quality retirement living options for our residents. We delivered our Urban Development Institute of Australia (UDIA) award winning apartments at Cardinal Freeman The Residences in Sydney's inner-west; our vertical village at Birtinya, Sunshine Coast is making good progress; and planning is underway at a number of brownfield projects.

DISTRIBUTION

As forecast, our full year distribution was 25.5 cents per security, representing a payout ratio of 77% of funds from operations.

We saw a good take-up of our distribution reinvestment plan with over 20% of securities participating, providing funds for our accretive development pipeline.

We are targeting to increase distributions by 4% to 26.5 cents per security in FY18, assuming there is no material change in market conditions.

GOVERNANCE

The expectations being placed on companies continue to evolve and the Board closely monitors and engages with these changing expectations, which go to the heart of our ability to deliver long term value.

The Board is committed to an open and transparent relationship with stakeholders. We believe we have the right mix of skills and experience to oversee a high standard of governance, integrity and accountability.

In July we were delighted to welcome Andrew Stevens to the Board. Andrew is a highly regarded director with extensive expertise in the technology sector and significant commercial experience. He has strengthened the breadth and depth of knowledge and leadership capabilities on our Board and we look forward to his contribution.

As required by the Stockland Constitution, Andrew will offer himself for election by securityholders at the 2017 Annual General Meeting on 25 October 2017.

STRONG CULTURE

The Board recognises and promotes the importance of a strong culture and the shared benefits that this can bring to employees and securityholders.

Our employees have all contributed to the strong result for the year. It is also pleasing that we maintained a high employee engagement score of 82%, with 95% of respondents saying they are willing to work above and beyond what is required to help Stockland succeed. Our safety and employee turnover metrics improved and we were recognised by the Workplace Gender Equity Agency (WGEA) as an Employer of Choice for Gender Equality. Our focus on sustainability remains, with many key achievements during the year including Aura, our largest masterplanned community, achieving the highest ever Green Star Communities Rating – World Leadership – of any greenfield community in Australia.

CONCLUSION

Thank you to my Board colleagues and our employees for their continued enthusiasm and dedication to delivering exceptional outcomes. The Board and I are confident we have the right management and strategy in place and look forward to discussing these results with you at our Annual General Meeting in October.

TOM POCKETT
CHAIRMAN

From the Managing Director and CEO

Dear Securityholders,

We've delivered another positive performance this financial year across our diversified business, by reinforcing our position as the leading creator of communities in Australia, strategically repositioning our assets, and restocking the portfolio.

We continue to see the benefits of our disciplined approach to implementing our strategy – to grow our asset returns and improve customer experiences, deliver operational excellence, and improve our capital strength.

GROW OUR 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 3.4% across the portfolio, with 3.5% in Retail, 3.6% in Logistics and Business Parks, and 2.3% in Office.

In a challenging environment our retail business delivered positive income growth, maintained high occupancy and continued to focus on remixing our portfolio in line with our customer needs and trade area dynamics.

Specialty store sales productivity grew 1.9% to $9,072 per square metre, which exceeds the Urbis sub-regional average by 8.3%.

Our Logistics and Business Parks business had an outstanding year. Occupancy increased to 99% and the portfolio now represents 15% of our total assets.

The Sydney office portfolio also performed well this year, where the majority of our assets are located. The Perth and Canberra markets remain challenging, but we are seeing positive leasing momentum at our properties.

Our **Residential** business settled a record 6,604 lots, up 7.6% on FY16, achieved significant operating profit (FFO) growth of 17.4%, and lifted return on assets to 20.8% on the core portfolio. Importantly, strategic metropolitan acquisitions with strong transport links added around 9,900 lots to inventory during the period. We commence FY18 with record pre-sales of 5,811 lots.

We have continued to expand our medium density business, with 213 homes settled this year and close to 600 currently under construction. Medium density development is a key growth driver for our residential business as we extend our focus on community creation into the important "missing middle" of our major capital cities.

Our leadership in housing affordability initiatives, and commitment to delivering a range of options for first home buyers and families, places us in a preferred position for residential lending trends and government growth initiatives.

Our **Retirement Living** business also delivered its fourth consecutive year of double-digit growth. Operating profit was up 11.1% on FY16, reflecting strong sales, active management of our portfolio and improved margins.

Our developments are progressing well and we are broadening our customer reach through our new non-deferred management fee communities for over 55s, called 'Aspire', with two projects under way.

We take pride in our retirement living business, and we are committed to open, transparent and respectful relationships with our residents. Every year, we run independent surveys of residents to better understand their satisfaction levels with our service. Last year, more than 6,800 residents responded to this survey, and rated their overall satisfaction with Stockland as 8.4 out of 10.

CAPITAL STRENGTH

Our focus on maintaining a strong balance sheet has underpinned this solid result and sets a good platform for future growth.

Gearing at the end of FY17 was 22.7%, at the lower end of our 20-30% target range, due to disciplined capital management and operating cash flows.

We retained an A-/stable credit rating from Standard and Poor's and also obtained a new comparable A3 rating from Moody's in August 2017. This confirms the strength of our balance sheet and provides access to a broader range of debt markets, positioning the business well to continue to grow in the future.

Our strong balance sheet has underpinned this solid result and sets a good platform for future growth.

OPERATIONAL EXCELLENCE

We continue to progress implementation of new systems, including Salesforce and SAP, which will improve efficiencies across our business.

We have also introduced new digital technology in our assets including virtual masterplans at some of our new communities. We will continue to look at ways to introduce technology to enhance our customers' experience across our assets.

Once again, we were recognised as a global leader for our sustainability credentials and we remain committed to excellence in this space.

OUTLOOK

In the year ahead we expect positive economic conditions to continue, and interest rates to remain fairly stable. We commence the financial year well placed to meet our goals of sustainable profit growth on a through the cycle basis, with strong occupancy and pre-sales.

While lending conditions to investors and foreign buyers are tightening, owner occupiers remain our core focus and represent 75% of our net residential sales, with less than 3% of total buyers requiring Foreign Investment Review Board approval.

We expect FY18 FFO growth to be slightly lower than FY17 primarily due to non-Sydney office let-up assumptions, higher Commercial Property outgoings, particularly electricity prices, and lower Retirement Living development profit reflecting project timing.

Our disciplined approach to acquisitions and our focus on creating the most liveable and connected communities and their town centres set us up well for the future.

Assuming no material change in market conditions, we are targeting growth in FFO per security of 5.0-6.5% in FY18, with growth skewed to the first half due to timing of residential settlements, with distribution per security growth targeted at 4%, representing 26.5 cents per security.

MARK STEINERT
MANAGING DIRECTOR AND CEO

About Stockland

Stockland is one of the largest diversified property groups in Australia with more than $16.6 billion of real estate assets. As Australia's largest community creator 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 a diversified model to help create thriving communities with dynamic town centres 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.

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, traded together as one security on the Australian Securities Exchange. This stapled structure allows us to efficiently undertake property investment, property management and property development activities to create sustainable risk/reward outcomes.

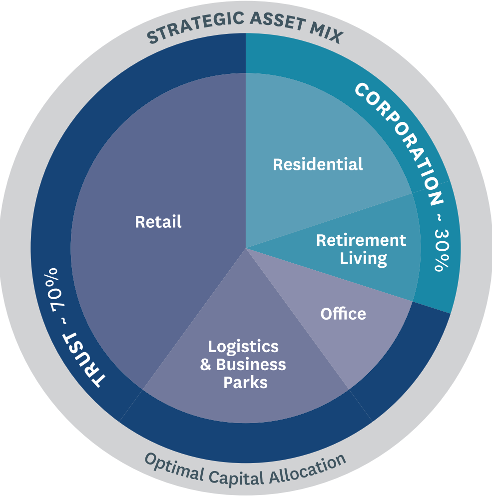
We focus on three strategic priorities:

- **Grow 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, compliance, sustainability and employee engagement
- **Capital strength** – Actively managing our balance sheet to maintain diverse funding sources and an efficient cost of capital

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



Five year indicative asset mix

41 RETAIL TOWN CENTRES

27 LOGISTICS AND BUSINESS PARKS

8 OFFICE BUILDINGS

56 RESIDENTIAL COMMUNITIES

65 RETIREMENT LIVING VILLAGES

Responding to challenges and opportunities

We adopt a rigorous approach to understanding and proactively managing the risks faced in the business. We recognise that making business decisions involving 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.

There are various risks that could impact our business. The nature and potential impact of these risks change over time. They include, but are not limited to:

SHORT TERM – STRATEGY EXECUTION

Risk	Our response
Increased competition and changing market conditions impact our opportunities for growth	We continue to: · maintain a diversified business model at scale in each sector and replenish our land and asset pipeline · reinvest in our assets to meet changing customer needs · focus on retaining a strong balance sheet with appropriate gearing, and use diverse funding sources · concentrate on efficiency and cost management · maintain a prudent approach to provisioning · maintain discipline and agility in our investment decision-making · use a rigorous approach informed by detailed research to drive our capital allocation process
Systems enhancements affect business process efficiency	We have made significant progress on improving the Group's systems capabilities including the successful implementation of Salesforce and SAP SuccessFactors modules. Deployment of further systems capabilities will continue during next year. We continue two-way engagement with employees to enable a smooth transition.
Housing affordability is increasingly challenging in Australia	Our Residential business is influenced by the dynamics of the Australian housing market. Housing affordability remains of key concern for Australians as the price of housing and rental properties continues to increase. We believe a suite of measures is required to unlock housing supply and address affordability. These include early planning and delivery of infrastructure and simplified development controls to enable housing diversity. We will also continue to: · partner with government and industry to drive solutions · provide a broader mix of value-for-money housing options including house and land packages, completed housing, medium density and apartments · balance the demand from homeowners and investors so that our residential communities remain attractive to future buyers
Extreme weather, security risks and price shocks impact business continuity and community resilience	We continue to: · train our employees and increase their risk awareness · undertake regular scenario testing · engage with peers and across industries · invest in asset upgrades and adapt community design to improve resilience · assess and implement wholesale energy strategies and renewable energy installations
Change within the retail sector impacts rental growth	The retail landscape is constantly evolving. Within the last 10 years the sector has seen a convergence of technical advances, in particular e-commerce, changes in underlying consumer behaviour, and the entry of new, international retailers. We have been proactive and have pre-empted many of the changes. We continue to: · focus on experiential retail, services, food catering · redevelop our assets to create diverse, walkable town centres that form the social hub of the community · Leverage deep customer insights and analytics to inform our tenant remixing
Regulatory changes impact our business and customers	We 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 and prepared for potential regulatory changes

LONGER TERM – CHANGING MARKETPLACE

Risk	Our response
Ability to develop products that meet anticipated future customer and societal demands	We 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, Stockland Exchange (our online research community), Quantium (which provides data-driven customer insights to inform how we view markets and opportunities) and other data sources · focus on creating sustainable and liveable communities and assets, resilient to changes in climate · enhance our design excellence, providing greater functionality and value-for-money that meet the demands of Australia's changing demographics, including an ageing population and more socially conscious Millennials
Our ability to harness opportunities arising from digital disruption	We 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
Capital market volatility impacts our ability to access suitable capital	Our 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. Variable economic activity and changing capitalisation rates may impact the valuation of our assets. So that we are able to continue to raise sufficient capital to fund growth, we will continue to: · focus on retaining a strong balance sheet at appropriate levels of gearing · maintain and increase access to diverse funding sources · maintain our prudent capital management policies
Ability to adapt our operating model to meet the changing nature of the workforce	Physical and organisational boundaries are becoming increasingly blurred as new technology enables greater workplace flexibility, including when and where employees work and encouraging creative and adaptive teamwork. This year we successfully deployed Office365, Salesforce and SAP SuccessFactors to improve collaboration and flexible working. We will continue to: · encourage flexible work practices supported by our new collaboration platforms · train our senior leaders to be more agile and resilient through programs such as our Stockland Leadership Experience
Increasing expectation on corporates	Community expectations on the social and behavioural operations of a "good corporate" are changing. Corporates are increasingly expected to work in partnership with the community and government on societal issues. We are well placed to meet these expectations and have a strong reputation for sustainability leadership and community development.

*More information on Stockland's risk management policy is available at **stockland.com.au/about-stockland/corporate-governance***

Grow our asset returns and customer base

Driving returns in our core businesses

COMMERCIAL PROPERTY:
- Retail town centres
- Logistics and Business Parks
- Office

FUNDS FROM OPERATION (FFO)

↑3.4%
growth in comparable FFO across our Commercial Property portfolio

RETURN ON ASSETS

8.1%

CUSTOMER SATISFACTION

75%
Retail tenant satisfaction TenSAT score produced by Monash University

89%
Logistics and Business Parks tenant satisfaction

OCCUPANCY (STABLE)

99.5%
across Retail portfolio

99%
across Logistics and Business Parks portfolio

RESIDENTIAL

OPERATING PROFIT

↑17.4%

OPERATING PROFIT MARGIN

15.3%

RETURN ON ASSETS (CORE)

20.8%

RESIDENT LIVEABILITY

83%
Stockland Liveability Survey

RETIREMENT LIVING

OPERATING PROFIT

↑11.1%

CASH RETURN ON ASSETS

6.2%

RESIDENT SATISFACTION

84%

Retail town centres

FUNDS FROM OPERATIONS

$419m ↑4.1%

Comparable FFO ↑ 3.5%

John Schroder
Group Executive and CEO, Commercial Property

Our shopping centres are the heart of communities they serve, and are the town centres of the future.

In a challenging environment, we have delivered positive FFO growth of 4.1%, maintained high occupancy, and we continued to focus on remixing our portfolio, in line with our customer needs and trade area dynamics.

Nationally, retail sales have been impacted by low wages growth, some retailer closures in the past year, and mixed results from major tenants. While trading at some of our centres has been variable, we have seen an improvement in sales growth in the second half and particularly in the final quarter. Specialty store sales productivity grew 1.9% to $9,072 per square metre, which exceeds the Urbis sub-regional average of $8,273 per square metre by 8.3%.

We continue to see growth in lifestyle and entertainment tenancies, particularly larger format operators such as JB Hi-Fi, Hoyts and Harris Scarfe, and we've recently confirmed that H&M will open new stores at our Townsville and Rockhampton centres. Growth in specialty retail sales of 9.7% in retail services and 5.3% in casual dining and food catering over FY17, reflects the success of our remixing strategy.

We also continue to look at ways to introduce technology to enhance our customers' experience across our centres.

Momentum continued in the delivery of the retail development pipeline, with the $412 million transformation of Stockland Green Hills at East Maitland progressing on schedule, and a $37 million redevelopment under way at Stockland Wendouree in Ballarat.

RETAIL STRATEGIC PRIORITIES

The Retail business maintains its focus on creating market-leading town centres, redeveloping its most productive assets to create community and entertainment hubs, and maximising trade area market share. We have a future pipeline of $1 billion, targeting incremental IRRs of 9%+ and stabilised FFO yields of 7%+ from this activity.

Our retail mix continues to evolve, underpinned by supermarkets, mini majors, food catering, fast casual dining, speciality food, theatre, targeted apparel, health and retail services.

We will continue to focus on tailoring our 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.

RETAIL TOWN CENTRE DEVELOPMENT PIPELINE

UNDER CONSTRUCTION

Green Hills NSW
$412m
7% stabilised yield
~11.9% incremental IRR

Wendouree Vic
$37m
7.2% stabilised yield
~13.7% incremental IRR

NEXT WAVE

Glendale NSW
Shellharbour Bunnings NSW
Baringa Qld
Glendale NSW
Caloundra Qld

Targeting incremental IRRs of 9%+[1] and stabilised FFO yields of 7%+

1 Unlevered 10-year IRR on incremental development from completion.

Logistics and Business Parks

FUNDS FROM OPERATIONS

$143m ↑8.3%

Comparable FFO ↑ 3.6%

Our Logistics and Business Parks business had an outstanding year. Occupancy increased to 99%, following a period of active leasing and renewals, and the portfolio now represents 15% of our total assets.

LOGISTICS AND BUSINESS PARKS DEVELOPMENT PIPELINE

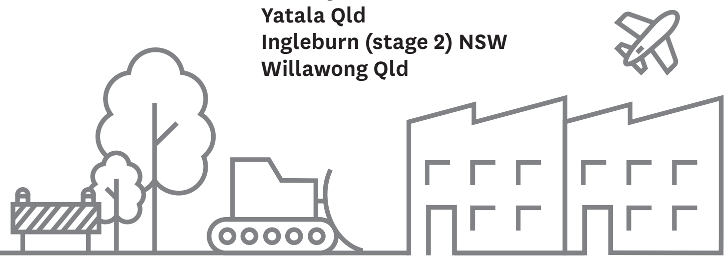
UNDER CONSTRUCTION

Coopers Paddock, Warwick Farm NSW
Waterside NSW
Yennora NSW

PLANNING UNDERWAY

Macquarie Technology Park NSW
Brooklyn Vic
Yatala Qld
Ingleburn (stage 2) NSW
Willawong Qld

● **Greenfield**
● Brownfield



Targeting incremental IRRs of 9%+ (Greenfield) and incremental FFO yields of 7%+

We achieved strong comparable FFO growth of 3.6% with positive leasing results, particularly in the Sydney market.

Our development pipeline is also progressing well, with recent redevelopments at Ingleburn (Sydney), Erskine Park (Sydney) and Oakleigh (Melbourne) all completed on budget and fully leased. A $77 million development project under way at Warwick Farm (Sydney) is majority pre-leased to Daikin for a 10-year term. The future pipeline also looks very positive.

LOGISTICS AND BUSINESS PARKS STRATEGIC PRIORITIES

Our focus is on growing and developing a market-leading 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.

Office

FUNDS FROM OPERATIONS

$59m ↓13.2%[2]

Comparable FFO ↑ 2.3%

2 Lower due to sale of Waterfront Place and Eagle Street Pier, Brisbane in FY15.

The majority of our Office assets are located in Sydney, where the portfolio performed well this year.

Total FFO growth was lower due to the sale of Waterfront Place and Eagle Street Pier, Brisbane, in FY15. The Perth and Canberra markets remain challenging, but we are seeing positive leasing momentum at our assets. Several of our Sydney properties also have development opportunities.

OFFICE STRATEGIC PRIORITIES

In Office we continue to focus on optimising returns. We intend to retain the majority of our residual office portfolio (strongly weighted to Sydney) whilst we maximise returns and assess development opportunities over time. Joint ventures (or part sales) will also be considered as appropriate.

Residential

OPERATING PROFIT

$270m ↑17.4%

Andrew Whitson
Group Executive and CEO, Residential

Our Residential business delivered another year of double-digit operating profit (FFO) growth of 17.4%, and a net operating profit margin of 16.6% on the core portfolio. We settled a record 6,604 lots in FY17, and we commence FY18 with record pre-sales.

We made a number of strategic land acquisitions over the past 12 months to significantly restock our portfolio, acquiring 9,900 lots. The majority of these are in the high-performing Melbourne market. Our landbank now totals over 80,000 future housing lots nationally.

We have continued to expand our medium density business, with 213 homes settled this year, close to 600 currently under construction, and pipeline of over 2,800 across Australia. Medium density development is a key growth driver for our Residential business as we extend our focus on community creation in the important "missing middle" of our major capital cities.

We continue to deliver some of the most liveable and desirable new communities in Australia. Our leadership in housing affordability and commitment to delivering a range of options for first home buyers and families, places us in a preferred position for residential lending trends and government growth initiatives.

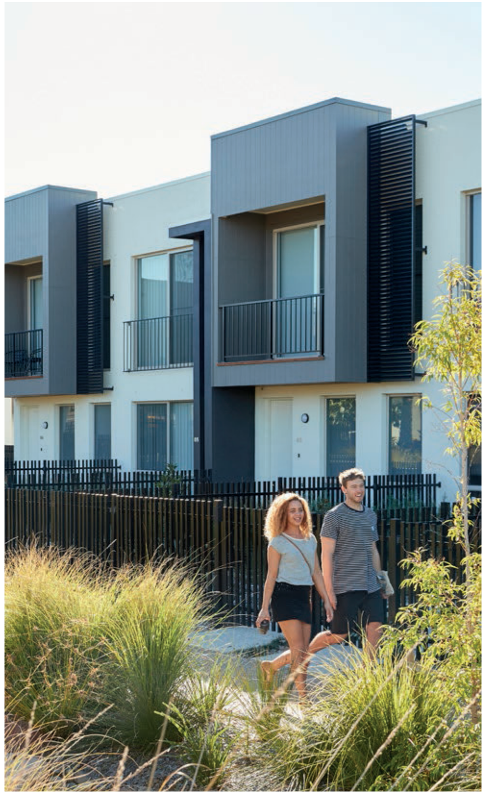
During the year the Residential business reviewed its application of whole of life (WOL) accounting to ensure ongoing consistency across our portfolio, ahead of our change in systems, specifically in relation to the allocation of costs and treatment of superlots consistently with retail lots. There was no net impact to our WOL profitability and no material change to FFO in FY17.

We regularly review our approach to managing project cost contingencies and potential revenue upside as part of our WOL accounting within the Residential business. This ensures effective risk management to support our business performance through the business cycle. The cost contingency and revenue review resulted in no incremental FFO in FY17.

RESIDENTIAL STRATEGIC PRIORITIES

The 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. **Broaden our market reach** – 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.
3. **Improving efficiency** – Continue to manage costs. Project management has been embedded into the business and is driving significant cost savings.



LEADING IN HOUSING CHOICE AND AFFORDABILITY

RESIDENTIAL: BROADENING CUSTOMER CHOICE

75%
75 per cent of customers are owner occupiers

50
Launched *50 homes in 50 days* – First Home Buyer initiative in Queensland

100
Launched *100 homes in 100 days* – First Home Buyer initiative in Sydney

200
Launched *200 homes in 100 days* – First Home Buyer initiative in Melbourne

2,800+
Medium density sites across our portfolio

Retirement Living

OPERATING PROFIT

$63m ↑11.1%

Stephen Bull
Group Executive and CEO, Retirement Living

Operating profit (FFO) in Retirement Living was up 11.1% on FY16, reflecting strong sales, active management of our portfolio and improved margins. Reservations on hand reflect the availability of stock in key markets. Cash ROA increased to 6.2%, from 5.8% in FY16.

This is the fourth consecutive year of double-digit operating profit growth for our business, driven by our focus on resident satisfaction underpinned by a customer-centric culture.

Our development pipeline is proceeding well, with the delivery of our UDIA award-winning apartments at Cardinal Freeman The Residences in Sydney's inner-west. We are also making good progress on our new vertical village at Birtinya, in the heart of the Sunshine Coast's new health hub.

RETIREMENT LIVING DEVELOPMENT PIPELINE

UNDER CONSTRUCTION

Lightsview SA
Somerton Park SA
Mernda Vic
Cardinal Freeman The Residences NSW
Affinity WA
Willowdale NSW
Birtinya (formerly Oceanside) Qld
Gillin Park Vic
Aspire at Elara NSW
Aspire at Calleya WA

TO START WITHIN NEXT 18 MONTHS

Newport Qld
Somerton Park SA

We continue to invest in new projects, with planning under way on a number of brownfield redevelopments at existing villages.

Development margins were high this year at 19.1% due to project delivery mix, but will normalise in FY18 to around 15-17%.

We are further extending our reputation for quality villages and broadening our customer reach through our new, non-deferred management fee communities for over-55s, called 'Aspire'. We have two projects currently under way, at our Elara residential community in Sydney and Calleya in Perth, and the initiative will be rolled out at other locations in our portfolio over the coming years.

We understand there is a lot of focus on the sector at the moment. We take pride in our Retirement Living business, and we are committed to open, transparent and respectful relationships with our residents. Every year we engage independent consultants to assess resident satisfaction. Last year, more than 6,800 residents participated in the survey, and rated their overall satisfaction with Stockland as 8.4 out of 10.

RETIREMENT LIVING STRATEGIC PRIORITIES

The business remains focused on being a preferred operator and developer of Retirement Living villages by creating high quality retirement villages in Australia. 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.

Capital strength

Actively managing our balance sheet to maintain diverse funding sources and an efficient cost of capital

FY17 PROGRESS

- Maintained S&P A-/stable credit rating for over 10 years and new equivalent Moody's credit rating of A3 (received in August 2017)
- 22.7% gearing remains within our target range of 20-30%
- Reduced average cost of debt to 5.5% for FY17
- Increased our access to diverse funding sources

Tiernan O'Rourke
Chief Financial Officer

Our focus on maintaining a strong balance sheet has underpinned this solid result and sets a good platform for future growth.

A commitment to actively managing our debt program has seen us improve our weighted average cost of debt, which has fallen from 5.8% in FY16 to 5.4% in FY17, and increased our weighted average debt maturity.

Gearing at the end of FY17 was 22.7%, at the lower end of our 20-30% target range, due to disciplined capital management and strong operating cash flows.

We retained an A-/stable credit rating from Standard and Poor's (S&P) and in August 2017, also obtained a second rating from Moody's of A3. This confirms the strength of our balance sheet and provides access to a broader range of debt markets, positioning the business well to continue to grow in the future.

BALANCE SHEET

($M)	FY17	FY16	Change %
Cash	**238**	208	14% ↑
Real estate assets[1]			
· Commercial Property	**10,255**	9,706	6% ↑
· Residential	**2,483**	2,517	1% ↓
· Retirement Living	**3,848**	3,589	7% ↑
Other assets	**701**	922	24% ↓
Total assets	**17,945**	16,942	
Interest bearing loans and borrowings	**3,529**	3,800	7% ↓
Retirement Living resident obligations	**2,629**	2,427	8% ↑
Other liabilities	**1,410**	1,461	3% ↓
Total liabilities	**7,568**	7,688	
Net assets/total equity	**9,927**	9,254	

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

The Commercial Property investment portfolio has increased by $549 million to $10,255 million primarily due to net valuation uplift across all three asset classes (up $264 million including equity-accounted joint venture investments) and capital and development expenditure of $333 million.

Residential assets, which represent mainly land under development, decreased slightly to $2,483 million at 30 June 2017. Strong settlement volumes in FY17 (up 8% on prior period) and the sale of some previously impaired land and capital efficient restocking led to a reduction in inventory, while a disciplined approach to development expenditure throughout the year ensured that production did not exceed sales.

We retained an A-/stable credit rating from Standard and Poor's and in August 2017, also obtained a second rating from Moody's of A3.

The value of the Retirement Living assets, net of resident loan obligations, was $1,219 million, an increase of $57 million from June 2016. This primarily reflects capital expenditure on the development pipeline including the redevelopment of Cardinal Freeman The Residences, Sydney, and fair value uplift on the Retirement Living property portfolio, partly offset by an increase in resident loan obligations created on first sales of development units.

Our sustainability strategy

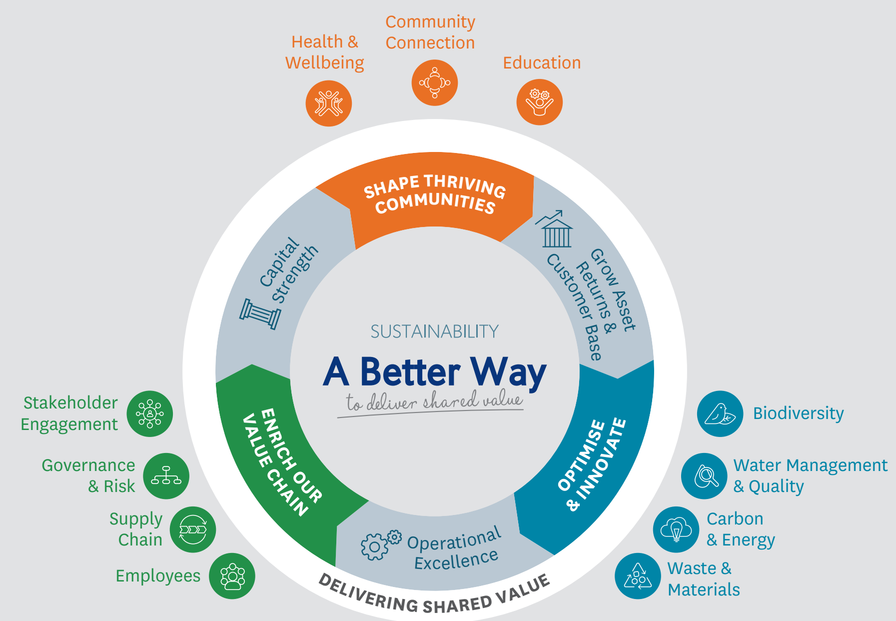
Our sustainability strategy integrates with our business strategy and priorities, providing a better way to deliver shared value for all stakeholders.

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. FY17 marks the end of our three-year targets. To enable continuous improvement we have set new targets for FY18-20.



Read more about our sustainability strategy and target at ***www.stockland.com.au/sustainability***

DELIVERING SHARED VALUE

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.

In FY17, we invested $6 million through our community development, community investment programs and the Stockland CARE Foundation. Over the year we delivered 640 community development initiatives across our assets.

We continued to focus on community partnerships to help deliver health and wellbeing, education and community connection benefits across our assets. Some of the community benefits from our partnerships include:

- **Live Life Get Active** – Across 20 of our communities more than 5,000 people participated in our free outdoor activity camps to promote fitter, healthier and happier communities. Collectively participants reported losing 2,695 kilograms.
- **National Theatre for Children** – More than 23,000 students in Melbourne, Sydney, Brisbane and Perth enjoyed live National Theatre for Children productions focused on environmental preservation, protection, rehabilitation and stewardship within our residential communities.
- **Jamie's Ministry of Food** – More than 3,600 people participated in our community based five- and seven-week cooking programs that teach individuals the basics of how to prepare simple, healthy, fresh and affordable meals. At our Stockland Wetherill Park kitchen 45% of attendees were concession card holders.

We also received strong local interest in the Stockland Community Grants Program for a second year. We awarded more than $300,000 of community grants to 320 local community organisations in FY17.

The Stockland CARE Foundation increased its activities in FY17 raising over $370,000. These funds have provided an additional 94 families with access to RedKite's services for kids with cancer, and contributed to three new play spaces in our residential and retail communities delivered in partnership with Touched by Olivia.

STOCKLAND LIVEABILITY INDEX

Based on in-depth, customer-driven research, the Stockland Liveability Index indicates home buyers are buying into a lifestyle shaped by the people, facilities, activities and environment around them.

We have identified four guiding principles for liveable communities:

Connected **Healthy** **Smart** **Affordable**

Our Index gives us a transparent method of project planning, monitoring community lifecycles, place-making and collaboration with government and stakeholders.

2017 LIVEABILITY RESULTS

2,500
responses

40
communities

83%
Liveability Score

Our community residents told us:

63%
do more exercise

63%
feel safer

75%
feel like they are part of the community

Learn more about our Liveability Index at *www.stockland.com.au/liveability*

Operational excellence

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

FY17 PROGRESS

- Improved return on equity (excluding workout assets) from 11.0% to 11.4%
- Successful implementation of Salesforce and SAP SuccessFactors modules with further SAP systems deployment in FY18
- Lowest safety LTIFR rate in six years at 1.8
- Maintained high employee engagement of 82% – seven points above the Australian norm
- Retained our sustainability global leader credentials
- WGEA Employer of Choice for Gender Equality citation three years in a row

Our proactive focus on operational excellence means we are always looking for better ways to work and deliver improved outcomes for our customers and ultimately our securityholders.

Our people remain highly engaged. In 2017, we achieved an employee engagement score of 82 per cent, which remains above the Australian National Norm (ANN) of 75 per cent.

- 91 per cent of respondents say that they believe strongly in the goals and objectives of Stockland
- 95 per cent of respondents indicate they are willing to work beyond what is required to help Stockland succeed.

We achieved strong engagement results across the areas of: sustainability, diversity and inclusion, leadership, and health and safety. Our areas for improvement are focused on system and process, and innovation.

During the year we made significant progress on improving the Group's IT systems' capabilities, in particular the roll out of our Core Systems Program. The Program represents the largest investment in our systems in Stockland's history and supports our business strategy by delivering business tools that empower employees to work more efficiently. This involves reducing 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.

In FY17, we rolled out our new SuccessFactors Performance Module across the business, and Salesforce customer relationship management tool in our Residential and Retirement Living businesses. The remainder of the Human Resources and Finance modules are scheduled for FY18.

Our Collaboration project is also under way with the rollout of Office 365. This will enable the business and our partners to create, store and share content securely, anywhere, anytime, using Office 365 technology. The project is already delivering improved document management protocols and accessibility, and supporting flexible work practices.

In a constantly evolving modern workplace it is also important that we enhance the capabilities of our senior leaders. In October 2016 we completed the development of the Stockland Leadership Experience for senior leaders and delivered the program to our first cohort of leaders. The Program is designed with our purpose at its core, and focuses on improving customer-led innovation, and inclusive leadership and collaboration to enhance people and enterprise leadership capability.

In FY17, we improved our safety performance with a total of five lost time injuries with an associated Lost Time Injury Frequency Rate (LTIFR) of 1.8. This represents the lowest figure we have achieved in the last six years. The result can be attributed to various remedial activities implemented progressively throughout the year, including training, injury management, and focus on reducing incident reporting times.

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

GLOBAL LEADERSHIP IN SUSTAINABILITY

WORLD DOW JONES SUSTAINABILITY INDEX

MEMBER OF
Dow Jones
Sustainability Indices
In Collaboration with RobecoSAM

2016–17 Global Real Estate Industry Leader; 4th year listed as global leader

GLOBAL REAL ESTATE SUSTAINABILITY BENCHMARK

GRESB
Sector Leader 2016

Global Sector Leader for Diversified – Office/Retail sector

CDP RECOGNITION

CDP
A LIST
2016
CLIMATE

Position on the Climate A list for leading global climate performance

Optimise and innovate

We are always looking for smarter and more efficient ways to develop and operate our assets.

The increasing cost of energy, particularly electricity, poses a challenge for the property industry and for all Australians. Coupled with our commitment to reduce our carbon emissions, improving the energy efficiency of our assets and communities not only improves the cost of operations and living but also provides improved environmental outcomes.

We have had a strong focus on energy efficiency since FY06 and as efficiency management opportunities are exhausted we look to alternative energy to increase our efficiency. Our approach to alternative energy is focused predominantly on solar PV and we actively assess the most appropriate locations to roll out solar across the portfolio that meet our return on investment hurdle. Following the successful installation of 2.26 MW of solar PV we will install a further 12.3 MW of solar PV projects in our Retail portfolio in operating centres and in developments from FY18-FY20.

REDUCTION IN ELECTRICITY INTENSITY SINCE FY06 (kWh/m²)

↓35%
Retail portfolio

↓51%
Office and Business Park portfolio

$78m+
saved

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. Below is a mapped summary of Green Star portfolio and NABERS rating portfolio averages.

PORTFOLIO SUSTAINABILITY RATINGS

3.98
NABERS Energy Retail portfolio average*

3.20
NABERS Water Retail portfolio average*

4.74
NABERS Energy Office and Business Parks portfolio average*

3.98
NABERS Water Office and Business Parks portfolio average*

22
Green Star Performance rated Retail assets

24
Green Star Design, Communities & As Built rated assets

* Includes assets eligible for a rating

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.

Our FY17 employee engagement results continue to reiterate diversity and inclusion as a key driver for engagement and retention. The Diversity and Inclusion Index from our 2017 Our Voice survey has remained steady at 86 per cent, above the Australian National Norm.

To expand the reach of Diversity and Inclusion through our business, we have established Employee Advocacy Groups under the diversity pillars of: Gender Equity; Parents and Carers; Wellbeing, LGBTI+ and Cultural Inclusion; and Disability and Flexibility. Some achievements of the Groups included:

EMPLOYEE FLEXIBLE WORK OPTIONS

70%
employees now work flexibly

DIVERSITY

45.9%
women in management

SAFETY

1.8
corporate LTIFR, down from 4.0 in FY16

INDIGENOUS PROCUREMENT

$3.2m+
procured from 31 First Nation suppliers (FY14-17)

ENABLING ENDURING EMPLOYMENT

74
job placements at Green Hills Connectivity Centre

- Updates to the Parents and Carers policy introducing greater flexibility in the timing of leave for non-primary carers and ability to choose from an additional two weeks paid leave, superannuation paid on unpaid leave, or a lump sum payment of $3,000,
- Establishing Mates in Construction training on workplace suicide. Our Stockland Green Hills development became our first accredited site with 192 employees participating in suicide awareness training, and
- The launch our second Reconciliation Action Plan (RAP), acknowledging the achievements of our FY14-17 RAP in procuring over $3.2 million from 31 First Nation suppliers, sponsoring four scholarships for Indigenous students, and adding cultural awareness training to our Learning Management System.

We continued to partner with our principal contractor at our Stockland Green Hills development to deliver enduring local employment through the Green Hills Connectivity Centre. Over the last year, the Centre placed 74 people into employment in construction, retail, and administration positions and provided post-placement support to 19 employers to ensure placement retention.

Governance and remuneration

OUR BOARD OF DIRECTORS

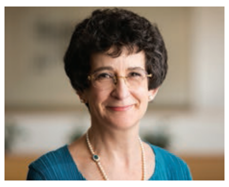
The Board takes its governance responsibilities very seriously and believes it has the necessary mix of experience and skills to oversee the high standard of corporate governance, integrity and accountability required of a professional and ethical organisation. The Board believes that Stockland's governance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

Tom Pockett
Chairman (non-executive)

Carolyn Hewson
Non-executive

Barry Neil
Non-executive

Stephen Newton
Non-executive



Nora Scheinkestel
Non-executive

Carol Schwartz
Non-executive

Mark Steinert
Managing Director and CEO

Andrew Stevens
Non-executive

New Board Director Andrew Stevens

Mr Stevens joined the Board in July 2017. He is a highly regarded director with extensive expertise in the technology sector and significant commercial experience.

As required by the Stockland Constitution, Andrew will offer himself for election by securityholders at the 2017 Annual General Meeting on 25 October 2017.

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

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 scorecard covers business and financial performance, customer, stakeholder and sustainability performance, people management and operational excellence and risk management. The key financial performance measures are listed below. Our full Remuneration Report is available in our Financial Report online *www.stockland.com.au/corporate-reporting*

KEY FINANCIAL PERFORMANCE MEASURES

	FY13	FY14	FY15	FY16	FY17
Underlying profit[1] ($M)	495	555	608	660	**696**
FFO[2] ($M)	472	573	657	740	**802**
Statutory profit ($M)	105	527	903	889	**1,195**
Security price as at 30 June[3] ($)	3.48	3.88	4.10	4.71	**4.38**
Distributions/dividends per security (cents)	24.0	24.0	24.0	24.5	**25.5**
Underlying EPS (cents)	22.4	24.0	25.9	27.8	**29.0**
FFO per security (cents)	21.3	24.8	28.0	31.1	**33.4**
Statutory EPS (cents)	4.7	22.8	38.5	37.4	**49.8**
Stockland TSR – 1 year (%)	17.5	20.5	12.3	16.4	**7.1**
A-REIT 200 TSR (excluding SGP) – 1 year (%)	24.8	11.3	24.2	21.1	**(6.7)**

1 Underlying Profit was the performance measure used in determining the EPS component of LTI remuneration for periods up to and including 30 June 2016. Performance against this benchmark is set out in section 3.4.
2 FFO replaced 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 11 of the Operating and Financial Review.
3 FY12 closing security price was $3.08.

EXECUTIVE REMUNERATION OUTCOMES

Following the continued strong financial and operational performance delivered by the executive team in FY17 the aggregate Short-term Incentive (STI) awarded to our Senior Executives was higher than in the previous year. The table below outlines the cash which includes: Fixed Pay and the non-deferred portion of any FY17 STI; the value of Deferred STI (DSTI) awards from FY15 and FY16 which vested during FY17, and Long-term Incentive awards from FY15 which vested during FY17.

		Fixed Pay[1] $	STI awarded and received as cash $	Total cash payments in relation to financial year $	Previous years' DSTI which were realised[3] $	Previous years' LTI which were realised[3] $	Awards which lapsed or were forfeited[4] $
Executive Director							
Mark Steinert *Managing Director and CEO*	**2017**	**1,500,000**	**750,000[2]**	**2,250,000**	**1,080,721**	**1,889,970**	**1,776,090**
	2016	1,500,000	750,000[2]	2,250,000	1,177,557	1,077,413	2,154,825
Senior Executives							
Stephen Bull *Group Executive and CEO, Retirement Living*	**2017**	**700,000**	**420,000**	**1,120,000**	**307,708**	**491,655**	**462,090**
	2016	700,000	420,000	1,120,000	273,481	280,245	560,490
Katherine Grace *General Counsel and Company Secretary*	**2017**	**550,000**	**293,333**	**843,333**	**176,426**	**178,485**	**356,970**
	2016	500,000	266,667	766,667	93,743	–	–
Tiernan O'Rourke *Chief Financial Officer*	**2017**	**875,000**	**466,667**	**1,341,667**	**323,700**	**643,860**	**604,440**
	2016	850,000	453,333	1,303,333	295,845	367,380	734,760
Darren Rehn *Group Executive and Chief Investment Officer*	**2017**	**750,000**	**450,000**	**1,200,000**	**362,664**	**499,320**	**499,320**
	2016	750,000	450,000	1,200,000	560,777	268,470	536,940
Michael Rosmarin *Chief Operating Officer*	**2017**	**600,000**	**320,000**	**920,000**	**214,235**	**454,425**	**427,050**
	2016	600,000	320,000	920,000	226,673	259,050	518,100
John Schroder *Group Executive and CEO, Commercial Property*	**2017**	**1,050,000**	**630,000**	**1,680,000**	**430,664**	**794,970**	**746,790**
	2016	1,050,000	630,000	1,680,000	440,988	453,338	906,675
Simon Shakesheff *Group Executive, Strategy and Stakeholder Relations*	**2017**	**600,000**	**320,000**	**920,000**	**244,763**	**434,715**	**427,050**
	2016	600,000	320,000	920,000	303,795	237,855	475,710
Andrew Whitson *Group Executive and CEO, Residential*	**2017**	**750,000**	**450,000**	**1,200,000**	**362,664**	**531,075**	**499,320**
	2016	750,000	450,000	1,200,000	400,571	302,618	605,235

1 Fixed Pay includes salary, superannuation and salary sacrificed items.
2 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 vests over two years following the performance year, 50% after year 1 and 50% after year 2 subject to continued employment.
3 This represents the value of all prior years' deferred STI and LTI which vested during FY17 using the 30 June 2017 closing security price of $4.38.
4 The value shown represents the value of any previous years' equity awards which lapsed or were forfeited during the financial year. The FY17 values are based on the closing 30 June 2017 security price of $4.38 (FY16: $4.71).

SECURITYHOLDER INFORMATION AND KEY DATES

25 October 2017
Annual General Meeting

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

29 December 2017
Record date

21 February 2018
Half-year results announcement

29 June 2018
Record date

23 August 2018
Full-year results announcement

Your securityholding

If you would like information on your securityholding, would like to update your details or change your communication preferences to online please contact:

Computershare
Freecall: 1800 804 985
Telephone: (61 3) 9415 4000
stockland@computershare.com.au

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Stockland