Chairman's remarks

Stockland Annual General Meetings | Tuesday 28 October 2014

I am pleased to present this report on your Company's progress in FY 14.

This year we reported strong profit growth, with underlying earnings growing by 12.2% to $555 million and underlying earnings per security up 7.1% on FY13. Statutory profit was $527 million, significantly higher than last year.

These results reflect the good progress we have made under Mark Steinert's leadership with all three of our major businesses–Commercial, Residential and Retirement Living–contributing positively to our improved results. The Group has now established a solid platform for future growth, supported by a considered strategy and an executive team focused on delivering sustainable returns for securityholders.

Our results were buoyed by improved profits from our Residential business where we achieved a 12.5% increase in lot sales and ended the year with a record number of contracts in hand. Our Retail business also achieved solid gains with the settling in of major developments at Shellharbour and Townsville, and completion of the first stage of our Hervey Bay redevelopment. We made good progress towards growing our Logistics and Business Parks division and further improved operating results in our Retirement Living division. Mark Steinert will provide a more detailed report on our business operations shortly.

As promised, distribution per security was 24 cents. I am pleased that in FY14 our distributions were fully covered by our earnings rather than slightly above as they were last year. In FY15 we expect to maintain our distribution at 24 cents per security and to make further progress towards our target payout ratio which is the higher of 100 per cent of Trust Taxable income or 75–85 per cent of underlying earnings.

I thank securityholders who participated in our distribution reinvestment plan which operated for both the first and second half distributions in FY14. We had solid uptake from investors, generating over $160 million of capital that will help fund our future developments.

This year-end we have significantly streamlined and simplified our financial report and our directors report to make our financials more easily understandable and accessible to non-professional investors. I invite you to let us know what you think of our simplified format. The approach we have taken is a first for the property sector.

During the year we welcomed our new Chief Financial Officer, Tiernan O'Rourke, to the Executive Committee and in August 2014 welcomed Katherine Grace, our newly appointed Group Counsel and Company Secretary, and Darren Rehn, Chief Investment Officer, to the executive team. I would like to express our thanks to Phillip Hepburn, our Company Secretary for the past 13 years, for his dedicated service.

Tom Pockett, formerly the long-serving Chief Financial Officer of Woolworths Limited, joined our Board in September this year. Tom brings to the Board his deep experience as a senior finance executive, as well as extensive experience in the retailing sector, supply chain logistics, and property developments and management. Tom's appointment is before this meeting for endorsement and the Board has also recommended the re-election of Peter Scott as a director at this meeting.

With Tom's arrival we have taken the opportunity to refresh our Board Committee membership. After seven years as chair of our Human Resources Committee, Peter Scott has stepped down from that role and will replace Carolyn Hewson as chair of our Risk Committee. Carolyn in turn will chair our Human Resources Committee. Duncan Boyle joins the HR Committee and Tom Pockett joins the Audit and Risk Committees.

I would like to thank all our board committee members for their dedicated service over the past year. I would also like to thank all my colleagues on the Board for their commitment over the past year, including the significant amount of time all directors commit attending site visits, special board meetings and engaging with our management team in many ways over and above their normal board responsibilities.

As securityholders will know, we at Stockland have a strong commitment to delivering sustainable business outcomes for all of our stakeholders. Both our employees and the Board take great pride in working for a group that looks beyond short term profits to take account of the broader community and environmental impacts of our business. Our achievements were recognised by several awards this year, including being named one of the Global 100 Most Sustainable Corporations in the World at the World Economic Forum in Davos in 2014, for the fifth consecutive year.

I now turn to executive remuneration. Reflecting our continued prudent approach to executive remuneration, no increases were made to fixed pay for the Managing Director or our Senior Executives in 2014 and there was no increase in the fees paid to Non-Executive Directors.

I will have more to say on our remuneration policies a little later in the meeting.

Looking ahead, the Board is confident that Stockland is well-positioned to create sustainable earnings growth into 2015. We have a clear strategy, a strong team of executives and employees, and a strong pipeline of value-creating projects. Many of the improvements we have made in our operations, our cost structure and 0ur asset portfolio repositioning will continue to pay dividends in FY15.

In closing, I would like to thank, on behalf of all securityholders, all Stockland employees for a year of dedication and achievement, and to thank our shareholders for their support during the past year.

Managing Director's remarks

Stockland Annual General Meetings | Tuesday 28 October 2014

Good afternoon ladies and gentlemen.

For me, that video illustrates many of the things that make me so proud to work at Stockland. The places we are creating, the outcomes for our customers and communities, and the high level of engagement of our team, give me great confidence in the future of the Group. Our solid financial result for the last financial year is clear evidence that our approach is hitting the mark.

Our retail tenant satisfaction scores are at an all-time high with tenants ranking us equal first on service and satisfaction. Across our portfolio of 63 Retirement villages our average resident's satisfaction is an exceptional 8.5 out of 10 and our residential customers rated satisfaction with their experience at around 80 per cent. We also achieved a record employee engagement score of 85 per cent reflecting our employees' belief in the direction of the business and our goals. This is higher than Australian and global high performing company norms.

Not long after I joined Stockland in 2013, we set a clear long-term objective; to consistently deliver earnings per security growth and total risk adjusted securityholder returns above the sector average. We are delivering on this objective by focusing on three strategic priorities: growing our assets and customer base, capital strength and operational excellence.

Our approach is underscored by a strong focus on our customers, disciplined allocation of capital, and a concentrated effort to leverage our capabilities across our diverse portfolio. In FY14 we grew profits in all our core business areas, reduced our overheads and further strengthened our capital position. We are now well positioned to continue delivering sustainable profit growth into the future.

During the 2014 financial year we acquired a 19.9 per cent strategic stake in Australand, reflecting our desire to accelerate our growth in medium density residential development and logistics and business parks. We were disciplined in our approach and view of value, and as a result, in August, we agreed to sell our Australand securities to Fraser Centrepoint Limited, resulting in a capital profit of around $80 million. We are now prudently reinvesting some of this profit in our growth strategy. In particular, we will accelerate our expansion into medium density residential and mixed use development, grow our Logistics and Business Park capabilities, invest in our communities and our people, and accelerate planned system and process enhancements.

Capital partnering remains a focus for us and in FY14 we established three new capital partnerships. Since then, I am pleased to report we have established an important new partnership with AMP Capital on Stockland Townsville shopping centre. The $228.7 million sale of a 50 per cent stake will enable us to reinvest capital into other accretive opportunities in our portfolio.

Last week, we successfully priced the first green bond issued by an Australian corporate. The EUR300 million green bond demonstrates both our ability to access a range of debt markets and our ongoing commitment to sustainability.

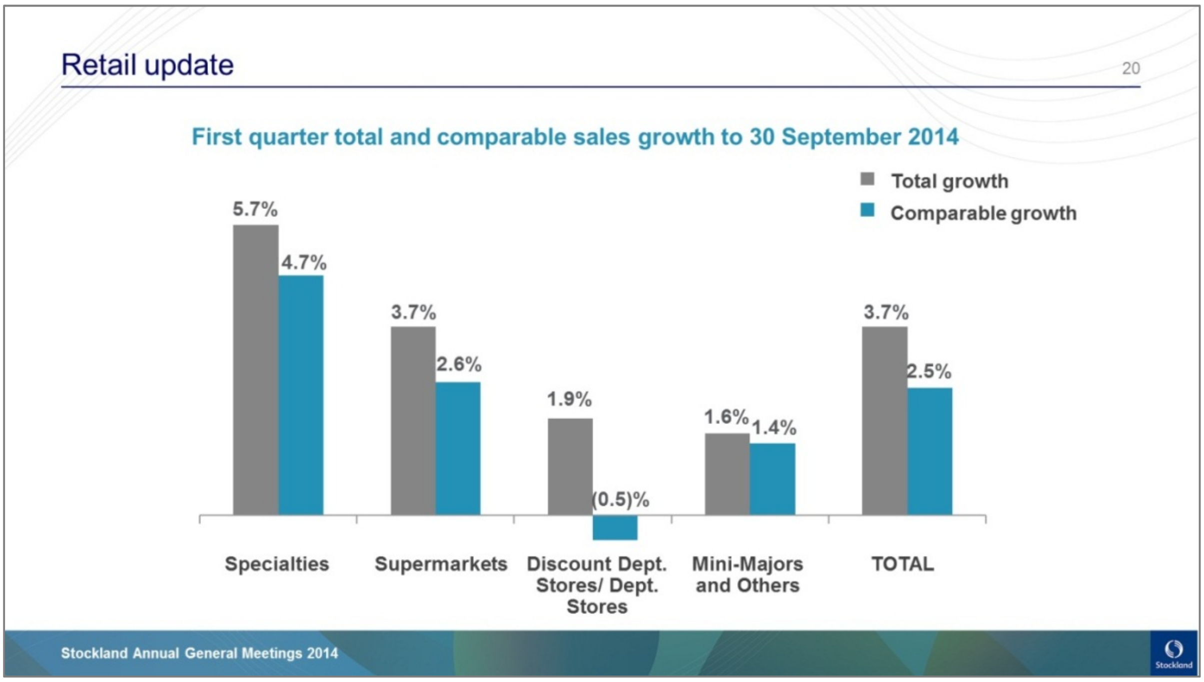
Turning now to the performance of our operating businesses. We are making good progress growing our assets and customer base and driving operational excellence in our core portfolios. Our Commercial Property business, which accounts for around 70% of our assets, achieved a solid result in the 2014 financial year with funds from operations, or FFO, up 5% to $542 million, and operating profit growth on the previous year of 3% to $497 million.

In our Retail portfolio FFO was up 9.9% on the prior year, reflecting a strong contribution from recently redeveloped centres, a focus on leasing, and our ability to meet changing market conditions. Comparable FFO, which measures like-for-like centres, was up 3.9%.

The first stage of our Stockland Hervey Bay redevelopment, on the Queensland Fraser Coast, opened in July with an overwhelming response from local shoppers.

Our redevelopments at Wetherill Park in Sydney and Baldivis in Perth, and the second stage of Hervey Bay, are progressing well. Overall we have around $460 million of redevelopments underway and $700 million of redevelopments in our next wave of commencements, all of which are expected to deliver incremental internal rates of return of 12-14% and 7-8% stabilised FFO yields.

We have recently announced plans to commence our next two redevelopments at Point Cook in Victoria and Glasshouse in the Sydney CBD. Fashion brand H&M will open their flagship Sydney CBD store at Glasshouse after we complete our redevelopment in 2015. We also recently acquired a 50% stake in Sugarland Shopping Town in Bundaberg for $59.25 million on a 7.5% cap rate. This further strengthens our presence to strong trading shopping centres on the East Coast.



Although retail conditions remained somewhat mixed in FY14, sales gradually improved throughout the year. In the first quarter of FY15 we have seen strong sales across most categories with 4.7% comparable growth in speciality sales. This is supported by strong performance in food catering and retail services as we continue to emphasise value and convenience in our centres and remained focused on creating market leading or differentiated regional centres.

During the 2014 financial year, we made significant progress establishing Logistics and Business Parks as a core business by growing our portfolio by over $270 million. We optimised the performance of the existing portfolio through active leasing, re-leasing over a third of the portfolio while pursuing growth through acquisition and development, resulting in a year on year improvement in FFO of 6.9%.

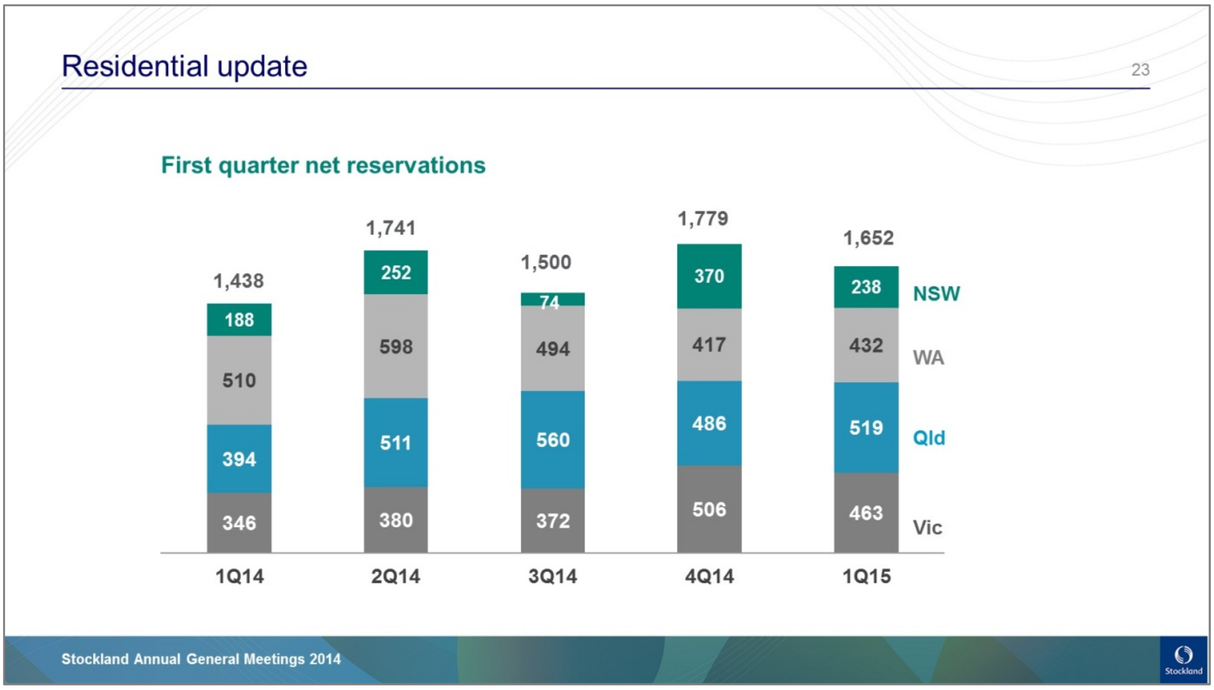
During the first quarter of FY15 we continued to reposition the portfolio with a further 84,000sqm of leasing activity in the period. Our occupancy remains stable at 96.4%.

In our Office portfolio FY14 FFO was 16.5% lower than the prior year reflecting our tactical down weighting through $200 million in asset sales, as well as persistent soft market conditions. We are now seeing improving fundamentals in the Sydney CBD flowing through to leasing success at 135 King St and the Piccadilly complex. In the first quarter there has been a slight improvement in portfolio occupancy to 92.9%. We will continue to focus on optimising the returns from the portfolio while being tactical in our exposure to this sector.

Pleasingly the first quarter, has generally reflected improving or stable conditions in rents, incentives and occupancy. Overall we are progressing well toward our full year target 2-3% comparable income growth for Commercial Property. This is underpinned by improved Retail metrics and leasing progress in Office and Logistics and Business Parks.

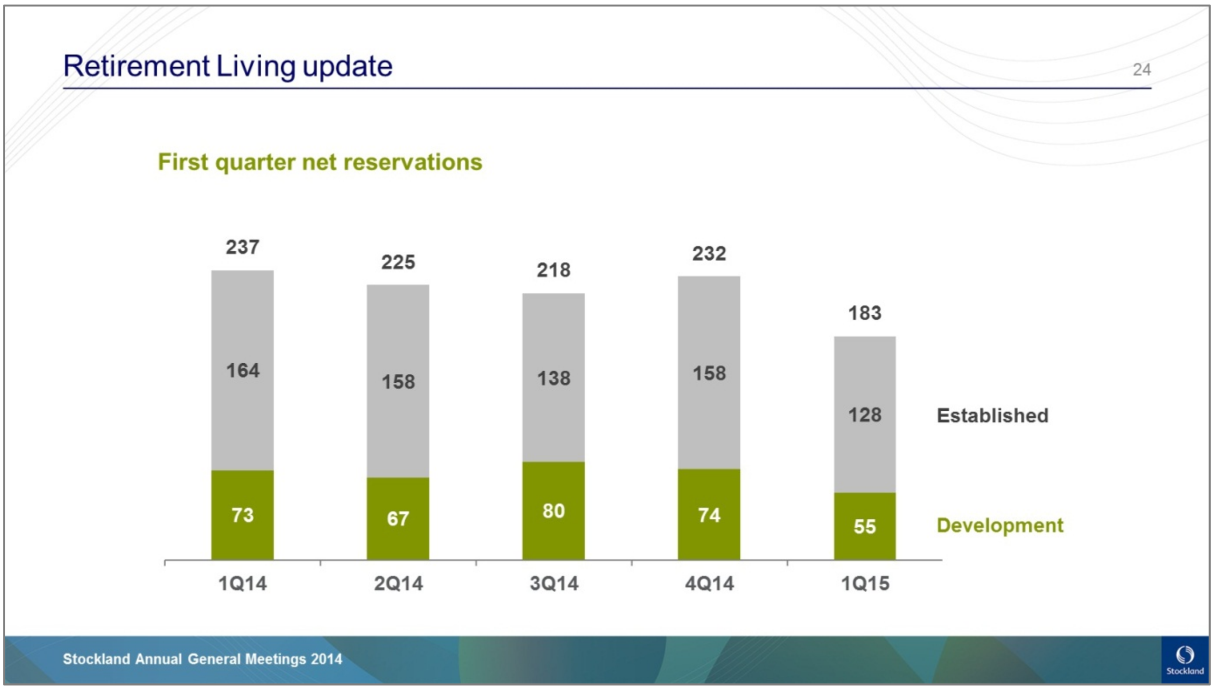
As I’m sure you are aware, our Residential business grew strongly in FY14. Operating profit was up 57.2% on the prior year, with core projects performing well, capitalising on strong market conditions. Our new projects are experiencing very good demand and are contributing to substantial improvements in our margins and volumes. In addition to Willowdale in Sydney and Calleya in Perth, Elara, in Sydney’s north west, has now also launched and will contribute its first settlements this year. The masterplan on the screen demonstrates the scale and thoughtful masterplanning of this new community.

As part of our growth strategy we acquired 2,300 lots adjoining our successful residential projects with expected returns at or above our hurdle rates. We also made good progress establishing our strategy to reach new customers with medium density products and completed homes and this will see us commence work on 550 new homes in FY15.



This business is continuing to perform strongly this year with 1,652 net deposits for the first quarter – the strongest result for that period in four years. The Sydney market remains strong with strong demand for our Elara and Willowdale communities. South East Queensland is showing good signs of a recovery and the Melbourne market is currently steady with high levels of activity. However, vacant land sales are continuing to moderate in Western Australian. We are on track to settle at the top end of our 5,000 to 6,000 through the cycle range assuming current residential market conditions continue.

Our Retirement Living business achieved strong comparable operating profit growth in FY14, up 13.8% on the prior year. Our Retirement Living business has achieved solid year on year profit growth for the past four years. We have consistently high resident satisfaction in our existing villages and an active development pipeline for future growth. This ensures we are well placed to continue to grow this business organically, particularly as the number of older Australians increases.



Retirement Living deposits were lower in the first quarter of FY15, reflecting a later start to the sales campaign compared to the prior year and one less week in the reporting period. The business remains on track to achieve our forecast for the full year with a skew to the second half.

On the screen you can see our $160 million Cardinal Freeman redevelopment in the established suburb of Ashfield in Sydney. This is our first redevelopment of an existing retirement living village and it is progressing very well. The completed village will feature 240 new independent living apartments in four and five storey apartment buildings, together with onsite aged care provided through our new partnership with Opal Aged Care.

Hopefully my update today has demonstrated that we are diligently implementing our strategy to grow our business and I am very confident that, with this approach, we are well placed to meet our target underlying earnings per share growth of 6 – 7.5% for FY15 assuming there is no material change in market conditions, and 4 – 6% through the cycle.

I look forward to updating you on our progress at our half year results in February.

Chairman's remuneration remarks

Stockland Annual General Meetings | Tuesday 28 October 2014

The next item for consideration is the resolution to approve the 2014 Remuneration Report which is contained in the Directors Report.

As securityholders will know, this is an advisory, non-binding resolution, but your Board takes into consideration the views of our investors on the important subject of executive remuneration policy.

Last year around 99 per cent of votes cast supported Stockland's Remuneration Report. This year, we have made no material changes to our executive remuneration policies. All of the new senior executives appointed to our Executive Committee in FY14 have commenced on lower base salaries than their predecessors. Also, there were no changes to base directors fees during FY14, and none are planned in FY15, making this the third year in which base fees for directors have remained unchanged. During FY14 we did, however, make a couple of modest increases to the committee fees paid to the hardworking members and chairs of our Human Resources and Risk Committees, in line with market benchmarks, reflecting the increased workload of those board committees.

Aggregate group-wide short term incentive awards were higher in FY14, reflecting our higher profit performance and the achievement of both financial and non-financial goals by executives and employees throughout our business. In total, the bonus pool for the whole company increased from $21.5 million to $27.4 million, an increase of $5.9 million. This total bonus pool remained below the self-imposed cap we set two years ago that total bonuses would not exceed 5.0 per cent of Underlying Earnings. I note that during FY14 Stockland's total securityholder return, including distributions paid and increase in stock price for the group, was 20.5 per cent.

Following new policies adopted in 2012, a material proportion of annual short-term incentive awards to senior executives are made in the form of Stockland securities which do not immediately vest but are retained and vest over a two-year period, and will be forfeited if those executives resign. To illustrate, in the case of our managing director who was in FY14 awarded 110 per cent of target bonus (versus a maximum 125 per cent), more than half of that award will be in the form of securities with deferred vesting.

In FY14, no vesting occurred under our Long-Term Incentive Plan for grants made in FY12 because, over the three years from FY12–FY14, neither the earnings per share hurdle (which governs 50 percent of the awards) nor our total securityholder return hurdle (which also governs 50 percent) were achieved, despite our total shareholder return over these three years being almost 40 percent. It is now several years since any benefits vested under our long-term incentive plan largely due to the company's fall in profitability in the FY12-13 period. I remind securityholders that any awards that may be made under these long-term incentives plans vest over three and four year periods, and we on the Board sincerely hope that these awards will resume in future years as the company's earnings and relative performance improve.

In respect of the FY15 grants under our Long-Term Incentive Plan, we have set compound annual earnings per security target for at vesting at the minimum level of 4.5 per cent. For full vesting, our earnings must grow at a compound annual rate of 6.25 per cent, or over 19 per cent over the next three years.

Ladies and gentlemen, I believe that our remuneration policies at Stockland are well-designed to attract talented executives, to retain their commitment and motivation, and to ensure that their compensation is sensibly aligned with the value being created for our securityholders. I believe our remuneration policies have demonstrated this alignment over a good many years and accordingly I commend the Remuneration Report to you.

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