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1H21 RESULT REFLECTS BENEFITS OF DIVERSIFIED STRATEGY

Financial results for the six months ended 31 December 2020 (1H21)

- Funds from operations (**FFO**) of \$386 million, up 0.4% on 1H20
- FFO per security of 16.2 cents, up 0.6% on 1H20
- Statutory profit of \$350 million (1H20: \$504 million)
- Adjusted funds from operations (**AFFO**) per security of 14.1 cents, down 0.7% on 1H20
- Distribution per security (**DPS**) of 11.3 cents, up 6.6% on 2H20, fully covered by operating cashflows
- Net operating cashflows of \$493 million reflect strong Residential settlements and improved rental collections
- Gearing of 24.2%, improved from 25.4% at 30 June 2020
- Net tangible assets (**NTA**) of \$3.78 per security, up 0.3% from 30 June 2020
- Commercial Property rent collection now 90% of net billings at 31 January 2021

1H21 overview

Stockland (ASX:SGP) has today released its results for the half year to 31 December 2020.

Managing Director and Chief Executive Officer, Mark Steinert, said: "I am pleased to announce a strong half year result which reflects the effectiveness of Stockland's long-term diversified strategy. This result is underpinned by strong Residential settlements, improved retailer trading, strong rent collection, and resilience in Workplace, Logistics and Retirement Living.

"We continue to successfully deliver on our strategic priorities divesting non-core assets, increasing our capital allocation to Workplace and Logistics, and restocking our Residential landbank. This is repositioning the Group to deliver more consistent, above-sector average total returns and drive value for our stakeholders.

"Despite the continued impact of COVID-19, our 1H21 operating profit has exceeded that of the prior corresponding period, a period not impacted by the global pandemic. FFO was up 0.4% to \$386 million and FFO per security grew to 16.2 cents, 0.6% stronger than the first half of FY20," said Mr Steinert.

Statutory net profit of \$350 million includes net positive Commercial Property valuations and external revaluations of the entire Retail Town Centre portfolio. This result demonstrates the quality of our diversified core assets, the positive impact of our remixing strategy across our investment property portfolio and our commitment to maintaining a stakeholder-centric business model.

Across the Retail Town Centre portfolio, 100% of properties were externally valued, realising a 1.7% devaluation of \$104 million. In the Logistics portfolio 67%¹ of properties were externally valued, realising a 5.5% increment of \$157 million. And in the Workplace portfolio, 70%¹ of properties were externally valued, realising a 2.7% decrement of \$28 million.

Stockland

Stockland (ASX:SGP) was founded in 1952 and has grown to become one of Australia's largest diversified property groups – owning, developing and managing a large portfolio of retail town centres, residential communities, workplace and logistic assets and retirement living villages. Stockland is consistently rated as one of the most sustainable real estate companies in the world by the Dow Jones Sustainability World Index (DJSI). Stockland is also an Employer of Choice for Gender Equality, as recognised by the Workplace Gender Equality Agency.

We have continued to actively reweight the Commercial Property portfolio to balance our exposure between Retail, Workplace and Logistics asset classes to maximise risk adjusted returns and improve longer term income growth. During the half, \$402 million of non-core retail property divestments were settled² and Traralgon (VIC) was contracted to sell for \$85 million in line with book value. Consistent with our strategy, we are reinvesting the disposal proceeds into our \$5.9 billion³ Workplace and Logistics development pipeline. During the period \$185 million was reinvested back into investment properties at expected returns in line with our hurdle rates. This increased our weighting in Workplace and Logistics to 31% of portfolio asset value, from 28% at 30 June 2020. This reinvestment strategy is adding to the resilience of our recurring income.

Our Residential business performed strongly, with over 3,800 sales, representing the strongest half in over four years, in part supported by increased production and the bring forward of stage releases to capitalise on strong demand. Residential settlements of 3,101, up 43.7% on 1H20, reflect our agile response to market movements, customer preference for masterplanned communities and demand driven by government stimulus. We have over 4,800 contracts on hand at 31 January 2021 and are on track to achieve over 6,000 settlements in FY21.

In Retirement Living, the increase in demand has driven established sales 6.3% higher than the last period. Traditional development settlements were down 31.2% as our development focus shifts away from deferred management fee (DMF) based villages to Land Lease Community developments. FFO of \$36 million was more than double the result from last period, mainly due to the recognition of DMF from the sale of four non-core villages.

In August 2020, we implemented an end-to-end enterprise platform, Core, leveraging SAP and Salesforce. Aligned to our strategy, we continue to drive digital and data initiatives to support customer centric innovation and operational excellence. Enhanced web experiences in Communities has resulted in a 16% increase in customer engagement, 30% additional website traffic and an increase in lead conversions of 83%.

Proactive pandemic response

Our proactive response to the pandemic continued in 1H21, with the health and safety of our employees, customers, tenants, and contractors remaining a key priority. We are pleased to report that there have been minimal COVID-19 health-related issues across our business. We have engaged in a transparent and timely manner with health authorities to maintain the confidence of our stakeholders and to safely operate our retail assets, residential sales offices, logistics and workplace properties and retirement villages.

In 2020, we took several measures to reduce operational and overhead costs to minimise the negative impact of COVID-19 on our profitability. As this impact eases, we continue to balance prudent cost control with the focus on delivering operational activities and strategic priorities.

Capital management

Our balance sheet is supported by the retention of our investment grade credit ratings of A-/A3 with stable outlook from S&P and Moody's respectively.

At 31 December 2020, gearing improved to 24.2%, well within our target range of 20% to 30%, demonstrating prudent capital management and our strong cash generating development business. We maintain a disciplined approach to our balance sheet, including a strong focus on cash flows, diversification of debt sources and high levels of liquidity, and we continue to source lower cost debt.

At period end, we had no material debt maturing through to June 2021 and our weighted average debt maturity was 5.6 years. Strong liquidity of \$1.9 billion was maintained, providing funding certainty and the confidence to pursue restocking and growth opportunities that emerge. While we remain comfortable with our current level of liquidity, we will actively manage our capital position as short and long term debt matures and the economy stabilises. In the half year we made \$104 million of land acquisition payments, 88% of which were on capital efficient terms aligning the payment for the land closer to its delivery to the end customer. This capital efficiency allows us to fund development activities from cash flows as well as fully fund our distributions.

We have reported strong operating cashflow and capital management metrics, including free cashflow, covenant headroom and a reduction in our weighted average cost of debt to 3.7% per annum for 1H21.

Chief Financial Officer, Tiernan O'Rourke, said: "As a result of delivering on our strategic priorities and the actions undertaken during the pandemic including the acceleration of Residential production and release levels, and a focus on Commercial Property rental collection, we have reported strong operating cashflow and capital management metrics all of which will support future opportunities."

Mindful of the importance of distributions to many of our securityholders, and supported by improvement in our balance sheet strength, we have declared a 1H21 distribution per security of 11.3 cents, up 6.6% on the second half distribution in FY20 and fully covered by operating cash flow. For the full year, we expect the distribution to be in line with our target payout ratio of 75% to 85% of FFO.

We have continued to take a prudent approach in our consideration of the impact of the ongoing COVID-19 pandemic and providing tenant support under the Federal Government's Commercial Code of Conduct implemented through state legislation (**Code**). The first half saw a very positive change in rental cash collections. By 31 January 2021, we had collected 90% of the net billings issued during the half, compared to 61% at 30 June 2020. Abatements provided for tenants have more than halved from \$29 million to \$11 million and our credit loss provisioning as a percentage of billings has fallen to 3% compared to 16% at 30 June 2020. This improving trend has continued into 2021, particularly in retail as trading activity returns close to pre-COVID-19 levels. Further to this, a growing return-to-work trend is reinvigorating our Workplace assets.

The Commercial Property rental negotiations with tenants affected by the COVID-19 pandemic are almost complete, with unresolved arrangements relating to less than 5% of monthly billings. Noting the expected credit loss (**ECL**) booked in 1H21, Stockland still intends to enforce its legal rights to rent collection under its lease agreements.

Diversified business model providing resilience

Commercial Property – Retail Town Centres

- FFO \$185 million, comparable growth down 9.9%
- Portfolio total moving annual turnover (**MAT**) decline of 0.6%
- 322 leasing deals executed in 1H21, 114 of which represent new tenant relationships
- Specialty occupancy cost ratio moderately increased to 16.0%⁴
- Net devaluations of 1.7% or \$104 million reflects stabilising valuations following the adjustment made in 2020 due to market conditions impacted by COVID-19 and negative rent reversions of 7.8%
- 39% portfolio weighting at 31 December 2020, target weighting remains at 33%
- Traralgon (VIC) contracted to sell for \$85 million in line with 31 December 2020 book value

While we have seen significant improvement in market conditions, including a return to close to pre-pandemic store opening and foot traffic levels, some of our rental income, attributable to a small number of retail small to medium enterprises (**SMEs**) remains under pressure. We are proactively seeking to resolve these outstanding challenges and work with tenants to support them to operate sustainable businesses.

Group Executive and CEO Commercial Property, Louise Mason, said: "During 1H21 we continued to execute our strategy selling \$402 million² non-core retail assets in line with 30 June 2020 valuations lifting the quality of our portfolio. Our exposure to retail has reduced to 39% of our total portfolio weighting."

Commercial Property – Workplace and Logistics

- Logistics FFO \$81 million, comparable growth of 1.3%
- Workplace FFO \$30 million, comparable growth of 1.0%
- Net revaluations up \$129 million from 30 June 2020
- Logistics leasing demand remains strong, completing 182,019 square metres
- \$0.5 billion Logistics development completions expected in FY21 to FY22
- Acquired or contracted to acquire strategic Logistics sites valued at over \$200 million
- \$5.9 billion³ Workplace and Logistics development pipeline on the eastern seaboard
- 31% portfolio weighting (28% at 30 June 2020)

The Workplace and Logistics key operating and financial metrics demonstrate the strength and quality of the portfolio with valuations largely unaffected by COVID-19.

Our existing Workplace assets are well-located, provide competitive rents and the weighted average lease expiry of 2.8 years reflects the optionality to develop. They also have strong rental collection and low outstanding debt levels, both of which are close to pre-pandemic levels.

The Logistics portfolio had a high occupancy of 96.3% and a weighted average lease expiry of 4.8 years (by income) at 31 December 2020 as the sector benefited from rapid growth in e-commerce.

In December 2020, a capital partnership⁵ was established with JP Morgan Asset Management to invest in more than \$1 billion⁶ of logistics assets on the eastern seaboard over the next three years. Stockland will operate and manage the assets and will receive fees for these services.

During the period we completed strategic Workplace and Logistics site acquisitions including Walker Street, North Sydney (NSW), two Logistics fund-through agreements to acquire developments at Truganina and Cranbourne West in Victoria, and Logistics development sites at Leppington (NSW) and Willawong (QLD).

Ms Mason said: "We are reinvesting the proceeds from non-core Retail Town Centre disposals into our \$3.3 billion³ development pipeline comprising 220 hectares of land, which will deliver returns above our internal hurdle rates and growth to our Logistics portfolio over an eight year period.

"Planning has commenced on our \$2.6 billion³ Workplace projects, providing flexibility to incorporate design elements reflecting changes to the post COVID-19 workplace. A Stage 1 planning proposal was lodged for Piccadilly, Sydney (NSW) in August 2020 and a Development Application was lodged for Walker Street, North Sydney (NSW) in January 2021. These approvals are accretive to the value of our Workplace portfolio and we will continue to carefully assess market conditions, seek pre-commitments and aim to have capital partners in place before commencing new developments," said Ms Mason.

Residential Communities

- FFO \$136 million, up 1.8%; operating profit margin 17.4%
- 3,101 lots settled, up 43.7%, including 201 townhomes representing 6.5% of settlements
- 4,809 contracts on hand at 31 January 2021 with ~3,000 lots expected to settle in 2H21
- 3,835 net sales up 53.5%, the strongest result in four years
- Strategic restocking on capital efficient terms; \$560m for five new acquisitions⁷ adding ~9,200 lots to our future pipeline along the eastern seaboard
- Established a strategic capital partnership at Katalia⁸ (VIC)
- 22% portfolio weighting at 31 December 2020

Our Residential business delivered FFO of \$136 million, up 1.8% despite the 1H20 result including the revenue contribution from the capital partnering transaction of Aura (QLD).

Group Executive and CEO Communities, Andrew Whitson, said: "We remain Australia's leading developer of residential masterplanned communities and maintained our market share, at over three times our nearest competitor. Shifting customer preferences and a desire to live in affordable, connected, and lower density communities aligned with our strengths.

"We capitalised on the strength of the residential market and settled 3,101 lots, a 43.7% increase on the prior corresponding period. This has been driven by our extensive network of activated projects, inventory available for sale, and a range of sought-after product types at a variety of price points," said Mr Whitson.

Settlement volumes were skewed in the first half to Queensland, Victoria and Western Australia, and the average operating profit margin remained stable at 17.4%. Sales activity was equally strong with 3,835 deposits, over 53% higher than the previous corresponding period, and January sales and enquiry was strong demonstrating the strength of underlying demand which we expect to continue post HomeBuilder.

Supportive market conditions including low interest rates, good credit availability, government stimulus measures, and limited land supply will collectively support buyer confidence, drive sales momentum, and price growth over 2021.

While COVID19-related government stimulus measures will come to an end, we believe this upcycle is likely to continue for some time aided by the roll out of vaccines across the globe, supportive economic metrics, a

recommencement of global travel and international migration, and currently around 255,000 (net) Australians who have returned during the pandemic.

Mr Whitson said: "Our landbank has now grown to over 81,000 lots, geographically spread in key growth corridors with an 86% skew to the eastern seaboard. Our business is uniquely positioned to capitalise on the market recovery given our pipeline of active projects, our scale, and the strength of our brand in masterplanned communities.

"Strong sales results, including over 4,800 contracts on hand and low default rates are expected to drive settlements to over 6,000 lots in FY21," said Mr Whitson.

Retirement Living

- FFO \$36 million compares to \$17m in 1H20, reflecting higher established sales and accrued DMF release associated with non-core village disposals
- A fair valuation decrement of \$40 million in the Retirement Living investment property portfolio was predominantly due to a reduction in growth rates
- 6.3% growth of established contracts on hand driven by increased demand
- 386 settlements, up 3.6%
- Commenced construction at Minta (VIC), our second Land Lease Community
- Land Lease Communities development pipeline has grown over 25% to approximately 3,000 lots
- 8% portfolio weighting at 31 December 2020

Mr Whitson said: "Our Retirement Living customers continue to place increased value on support and wellbeing that village living provides. This has driven an improvement in established sales in 1H21 of 6.3% compared to 1H20. We expect sales to increase over time, supported by customer preferences and the continued growth in this demographic.

"We have made good progress on the two key pillars of our growth strategy. We are actively improving returns from our established portfolio by unlocking efficiencies in sales and marketing, selling non-core villages, and refreshing our customer value proposition. This has translated into strong customer enquiry and higher sales rates.

"The scaling up of our Land Lease Communities business continues to gain momentum, with a dedicated team now in place and construction commencing at our first two communities in Queensland and Victoria. We have increased our pipeline by over 25% to more than 3,000 new home sites, which now represents the third largest pipeline in the land lease sector.

"Stockland continues to remain open to the capital partnership of its Retirement Living business, with institutional interest in the sector increasing," said Mr Whitson.

Sustainability

During the period, Stockland was once again recognised by the Dow Jones Sustainability Index (**DJSI**) as a global leader in real estate, achieving one of the highest scores. We were also recognised by other leading global sustainable investment indices and benchmarks including The Global ESG Benchmark for Real Assets (GRESB) and MSCI.

Our consistent achievement of top rankings over an extended period demonstrates our ability to evolve our approach to environment, social, governance, and emerging issues in a rapidly changing world.

We have tackled systemic risk such as COVID-19 and climate change head on and continue to focus on our global leadership position in sustainability. We have also focused on long standing societal challenges such as social exclusion, inequality, and modern slavery.

We recently committed to a portfolio wide 2028 net zero emissions target and revised our Sustainability strategy with meaningful three year targets as part of a 10 year plan. Our revised 2030 Sustainability strategy will continue to focus on delivering business outcomes that drive long-term, shared value, including our focus on climate change and the transition to a low-carbon economy.

As investors focus on the efficacy of Environmental, Social and Governance (ESG) strategies, the expectation on public companies to adhere to sustainability best practice across all these three measures

will continue to intensify. We are proud to be a recognised global sustainability leader and believe this focus, and the market recognition for it, is pivotal to delivering long-term, durable benefits for all Stockland stakeholders.

Governance and leadership

In November 2020, we announced Laurence Brindle's appointment to the Board. His appointment is part of our ongoing Board succession program which focuses on complementing and strengthening the Board's experience and expertise. Laurence will offer himself for election by securityholders at the 2021 Annual General Meetings.

In June 2020, Managing Director and Chief Executive Officer, Mark Steinert, announced his decision to retire. The Board appointed Tarun Gupta as Stockland's next Managing Director and Chief Executive Officer in November 2020 and Tarun will join Stockland on 1 June 2021.

Tarun has deep commercial experience and a proven track record in leading and managing large property operations, including communities development, retirement living, commercial property and investment management. He is highly regarded in the industry and has a strong reputation among property investors having held a wide range of senior roles during his 26 years at Lendlease, including, most recently, as the Group Chief Financial Officer.

Stockland Chairman, Tom Pockett said "While Mark will remain in his position until Tarun commences, this will be his last report to investors. As Managing Director and Chief Executive Officer Mark has overseen the development of Australia's leading residential business, reshaped and expanded our Workplace and Logistics portfolio and significantly repositioned our Retail Town Centre business and reduced costs. Mark has fostered a strong executive team, advanced our development and digital capabilities and solidified Stockland's position as a diverse employer of choice and a global leader in sustainability. We wish him well for the future and thank him for his commitment to Stockland."

FY21 outlook

We have seen signs of recovery across Australia over the last six months although conditions remain volatile with intermittent outbreaks of community transmission. Business and consumer confidence is improving slowly, and growth opportunities are emerging which Stockland is well-positioned to pursue, especially in the restocking of the Communities landbank.

We are committed to the continued execution of our strategy and we have confidence in the management and governance structures we have in place to respond to the current challenges while balancing this with the long term interests of our securityholders and the community.

Due to gaining more certainty around our business performance and market conditions, guidance is re-established. We are targeting 2H21 FFO per security in the range of 16.3 cents to 16.9 cents, compared to the 2H20 FFO result of 18.6 cents per security. This will result in FFO per security for FY21 of between 32.5 cents to 33.1 cents. This includes an expectation that the Communities business will deliver over 6,000 Residential settlements for the full year at an average margin of approximately 19% and that we will maintain recent rent collection trends in Commercial Property.

The distribution for the full year is expected to be within our target payout ratio of 75% to 85% of FFO, albeit at the lower end of the range. All forward-looking statements are subject to the continuation of positive trends in rental collection and residential settlements and no material change in market conditions; including the level of COVID-19 transmission, the impact of restrictions including state border closures and other impacts from COVID-19 on the economy, the broader community and business performance.

Summary

Mr Steinert said: "Stockland has a strong foundation to create value through its diversified business strategy. We are committed to positioning the business for the future and remain focused on our purpose, 'we believe there is a better way to live'.

"I am incredibly proud of how the team and business has performed since the onset of the global pandemic. This is my last report as Managing Director and Chief Executive Officer as I hand the reigns over to Tarun Gupta. I am confident the business is in good shape and that the team is well positioned to deliver our strategy given the quality of our portfolio, our capabilities in sustainable development, technology and digital innovation and the quality of our people.

"I would like to thank investors, the Board and management for their support during my time as Managing Director and Chief Executive Officer and wish the organisation well in the future," said Mr Steinert.

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1. By value.
 2. Settlement of The Pines occurred post balance date on 8 January 2021.
 3. Expected incremental development spend, excluding land cost and subject to planning approvals at 25 February 2021.
 4. Occupancy cost reflects those tenants with active leases of 12 months or more and rental abatements.
 5. A special purpose vehicle managed by JP Morgan Asset Management.
 6. Subject to the special purpose vehicle obtaining FIRB approval.
 7. Includes acquisitions and exchange of contracts subject to planning and other approvals and one acquisition subject to finalisation of due diligence.
 8. Subject to FIRB approval

ENDS

This announcement is authorised for release to the market by Ms Katherine Grace, Stockland's Company Secretary.

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