ASX ANNOUNCEMENT

6 August 2014

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The Manager
Australian Securities Exchange

Results for Year Ended 30 June 2014

ALE Property Group (ASX:LEP), the largest listed owner of Australian pubs, is pleased to announce its results for the year ended 30 June 2014, which included an increased distribution to securityholders that exceeded guidance.

ALE's Chairman, Peter Warne, said the performance of ALE in the past year demonstrated the inherent quality of the properties and their lease arrangements as well as management's skill and commitment to maximising returns for ALE's securityholders. "Our pubs enjoyed a healthy increase in value and we locked in lower credit margins and base interest rates during the year," Mr Warne said. "We expect that future market rent increases will reflect the underlying value in ALE properties and continue to deliver strong returns to our securityholders."

Key Points

- FY14 distributable profit of $31.2 million or 15.96 cents per security (cps)
- FY14 distributions of 16.45 cps
    - exceeded guidance of at least 16.35 cps
    - includes final distribution of 8.25 cps to be paid on 5 Sept 2014
    - expected to be 96.43% tax deferred and 3.57% CGT concessional
    - fully funded out of current and prior year accumulated distributable profits
- FY15 distribution guidance of at least 16.45 cps plus CPI
- $335 million AMTN refinancing ensures capital position remains strong
    - maturity dates now diversified over next three, six and nine years
    - lower base interest rates fixed and simplified hedging for 8.8 years
    - savings from all up interest rate of 4.35% p.a. that is fixed until FY18
- Statutory valuation of 86 properties increased by 5.14% to $821.68 million
- Independent (DCF) valuations assumed a 10% rent increase, mostly in 2018
- Continued to outperform other AREITs over the short and longer term
- ALE named "AREIT of the Year" by PIR in November 2013.

Results for Year Ending 30 June 2014

A summary of the results is provided in the table below:

Year Ended ($ Millions)	**June 2014**	June 2013	Change
Property income	**54.7**	53.3	1.4
Interest income	**2.2**	2.8	(0.6)
Borrowing expense	**(19.0)**	(17.8)	(1.2)
Management expense	**(4.6)**	(4.3)	(0.3)
Land tax expense	**(2.1)**	(2.3)	0.2
Distributable Profit	**31.2**	31.7	(0.5)
Funds From Operations (FFO)	**31.2**	31.7	(0.5)
Securities on Issue (Millions)	**195.7**	194.2	1.5
Distributable Profit (cps)	**15.96**	16.32	(0.36)
Distribution per security (cps)	**16.45**	16.00	0.45

Note: Distributable profit excludes non cash accounting items.

Accounting Result

ALE's operating profit after tax of $37.2 million for the year to 30 June 2014 includes non-cash adjustments for the increase in the value of the properties and a reduction in the interest rate derivatives' fair values. The profit also includes other non-cash items including amortisation of pre-paid financing costs and CIB accumulating indexation. A full reconciliation of accounting profit to distributable profit has been provided in the Directors' Report.[1]

Distributable Profit

There were several significant influences on distributable profit during the year to June 2014.

Property income increased given the annual CPI based rental escalations. Given the completion of the refinancing, the borrowing expenses were higher after including a one off CMBS prepayment cost. While management expenses were slightly higher than the prior year, ALE's management expense ratio remains one of the lowest in the AREIT sector. All the above factors led to ALE delivering a distributable profit of $31.2 million.

The full year distribution of 16.45 cents per security is expected to be 96.43% tax deferred and 3.57% CGT concessional.

Statutory Property Valuations

As announced to the ASX on 25 July 2014, the valuation of ALE's 86 properties was formally reassessed to be $821.68 million at 30 June 2014, an increase of $40.18 million over the year. ALE's reassessment of the carrying value of its properties was based upon independent valuations of 31 properties by CBRE, Urbis and Colliers. ALE's weighted average capitalisation rate reduced from 6.59% to 6.42%.

It was particularly noteworthy that each of the independent valuers this year again assumed that a 10% increase in the near term market rent reviews (mostly 2018) would apply to each of the 31 properties and included that in the discounted cash flow based valuations undertaken.

Directors' valuations of the remaining 55 properties (also independently valued over the previous two years) are supported by advice from the valuers that it is reasonable to apply the same percentage movement in the weighted average capitalisation rates, on a state by state basis, that the valuers determined would apply to the 31 properties they independently valued at 30 June 2014.

All independent and Directors' valuations of the individual properties exclude any premium or discount that may be obtained from a valuation on a portfolio basis.

ALE's Unique and Favourable Lease Arrangements

In arriving at their assessments, all of the valuers paid due regard to the strength of ALE's unique and favourable lease arrangements. The particular terms of the lease that were noted as positive and unique included:

- Essentially triple net leases – for 83 of the 86 properties;
- Long term leases - weighted average lease expiry profile of around 14 years;
- Near term market rent reviews – next in 2018 for 79 of the 86 properties.

  The significant amounts of capital expenditure that ALH has funded at the properties and the positive impact that this expenditure is expected to continue to have on ALH's operating profitability at the properties was noted. The discounted cash flow based analysis by the valuers for all 31 of the properties assessed at June 2014 assumed a 10% increase for the near term market rent reviews. The actual outcome will be a matter for the valuers to assess at the time of the market rent reviews;

- Strong assignment protections – in the event of any ALE approved assignments, ALE will continue to enjoy the benefit of an effective guarantee from ALH of any new tenant's obligations for the remaining lease term of around 14 years, as ALH is not released on assignment; and
- Strong operating profit protections – subject to regulatory changes and requirements, ALH has provided undertakings that they will not reduce the number of gaming entitlements below 90% of the current numbers across ALE's properties.

The valuers finally noted that other ALH leases available to investors in the pub property market may not have the benefit of all the above positive attributes.

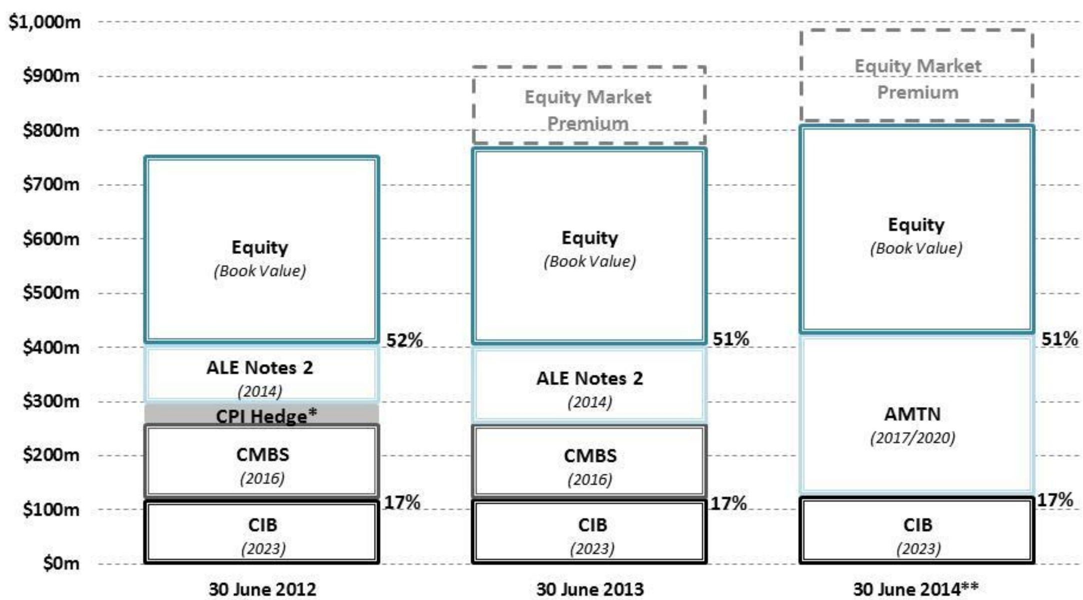
We again bring to stapled securityholders' attention the portfolio valuation analysis announced by ALE in November 2013. The full paper is recommended reading and may be accessed by visiting ALE's website, www.alegroup.com.au.

Capital Management

This past year was very active on the capital management front.

In May 2014, ALE was awarded an investment grade credit rating of Baa2 by international credit ratings agency Moody's. This investment grade rating confirmed the credit quality of the Group and enabled it to access a wide range of international debt capital markets. Very shortly afterwards, ALE completed a successful $335 million refinancing of the CMBS and ALE Notes 2 with an inaugural issue of Australian Medium Term Notes (AMTN). Shortly thereafter, ALE restructured and simplified its interest rate hedging arrangements, which also locked in low long term base interest rates.

The chart below shows the deliberate and constructive steps taken by ALE in recent years to simplify its capital structure. ALE now has just two fixed rate debt instruments, the Capital Indexed Bonds (CIB) and the AMTN. The average term has been extended from 4.3 to 6.5 years with a diversity of maturity dates in around three, six and nine years' time.



- Equity Market Premium represents the difference between the market capitalisation (or security price) based value and book value of ALE
- Covenant gearing percentage levels at both the secured and total net debt levels are indicated above

* CPI Hedge accumulated indexation. ** After ALE Notes 2 redemption (expected August 2014)

This refinancing outcome was the result of a multi-year project that included a comprehensive information process with Moody's, negotiation of full legal documentation for multiple debt markets, and road shows to more than 40 debt investors in Australia, Asia and the US. Several debt alternatives were examined, including syndicated bank debt in the domestic and Asian markets, domestic and offshore CMBS, US private placements and a range of debt products in the European markets.

The notable features and achievements of the recent AMTN issue by ALE included:

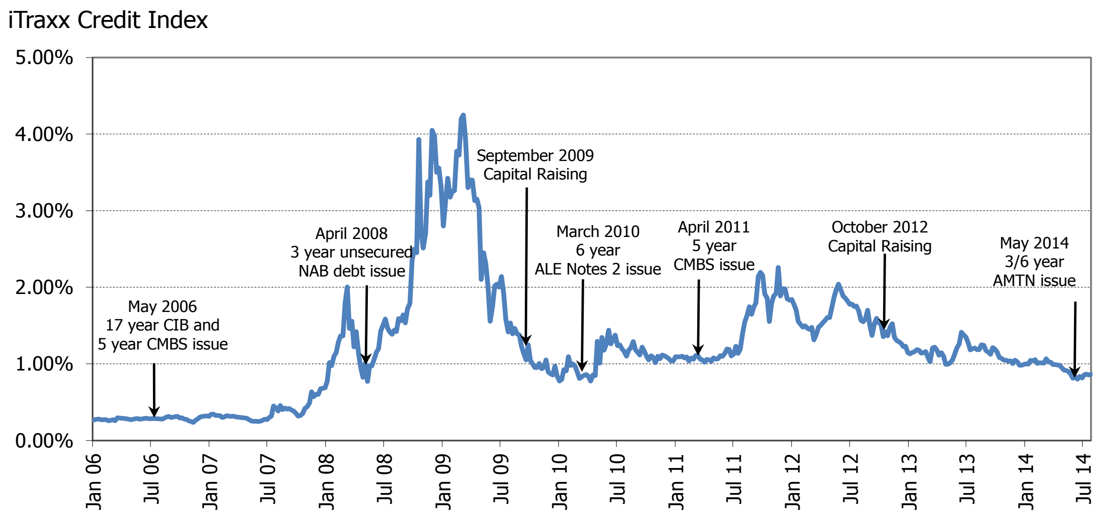
- Largest AMTN issue by an AREIT since 2011;
- For Baa2 / BBB rated issuers, the AMTN issue was both the:
    - second largest ever inaugural issue by an AREIT;
    - lowest ever credit margin for an unsecured issue with a six year or longer term;
- Only dual tranche AMTN issue by an Australian corporate issuer in 2014;
- Significant demand (around $650 million) from around 40 investors was scaled to deliver a very competitive outcome;
- Allocations were made to quality Australian and Asian fixed interest investors, many of whom had participated in a range of ALE debt issues since 2003;
- Unique market terms including buy back rights for ALE; and
- Well supported by joint lead managers, UBS and Citi.

The annual interest expense savings realised from the AMTN refinancing will largely replace the now fully amortised hedging benefits that have previously reduced interest expenses. The savings also compared favourably to the $1.7 million of costs relating to the repayment of the CMBS two years before their scheduled maturity date.

In addition, management worked with a range of bank counterparties to devise and then execute a complete restructure and simplification of the group's interest rate hedging arrangements. While this resulted in upfront break costs, these largely equated to the present value of base interest rate savings ALE will benefit from over the next six years. The refinancing and hedge restructure also delivered the benefit of releasing around $22 million of cash that was held as collateral.

Finally, the AMTN issue includes a number of market standard covenants. ALE currently enjoys significant headroom to all of them. The value of ALE's properties would need to fall in value by around 14% or $115 million before the nearest covenant is met.

Australia's Itraax Index provides a relative measure of the price of credit or margin at which Australian corporates may borrow. As the chart below illustrates, ALE's AMTN issue was completed at a time that aligns with what were probably the most favourable conditions in the credit markets at any time in the last seven years.



In summary, the key benefits arising from the AMTN refinancing and hedge restructure include:

- maturity dates now diversified over next three, six and nine years
- simplified debt structure now includes just two types of fixed rate bonds
- lower base interest rates and simplified hedging arrangements for 8.8 years
- savings from all up interest rate of 4.35% p.a. that is fixed until FY18.

ALE now has a low cost and simplified capital structure with a diverse maturity profile.

ALE's Performance

The value of ALE securityholders' $1.00 investment at the time of ALE's listing nearly 11 years ago, with reinvested distributions, grew to $7.93[2] by 30 June 2014. This has delivered a total securityholder return of 21.5% p.a. over that period.

Total returns over the past one, three and five years to 30 June 2014 were 15.1%, 22.6% and 18.2% p.a. respectively. Each of these return performances compares very favourably with both the Australian real estate investment trust sector and the wider equity markets.

Distribution Payment and DRP

The distribution per stapled security of 8.25 cents will be paid on 5 September 2014 to stapled securityholders on ALE's register as at 5.00pm on 26 June 2014. The full year distributions are expected to be 96.43% tax deferred and 3.57% CGT concessional.

ALE announced on 19 June 2014 that the Distribution Reinvestment Plan (DRP) has been suspended until further notice. The suspension reflected ALE's strengthened capital and debt position following the successful $335m AMTN refinancing. The decision will be regularly reviewed having regard to ALE's potential future capital needs and ALE will notify the market and securityholders if there is a move to reinstate the DRP.

Board and Management

ALE has for a considerable time benefited from a high quality Board made up of directors with significant relevant experience and a broad mix of property, legal, capital markets and governance skills. The Board seeks to comply with ASX best practice governance guidelines.

The Board's renewal programme, as we have previously outlined, is progressing well. The first step was to appoint Pippa Downes as an additional non-executive director in November 2013. The renewal process seeks to ensure experience and institutional knowledge is maintained.

ALE's experienced senior management team maintains a consistent focus on adding value and reducing risk for securityholders. The internal management model avoids external performance fees and maximises returns to securityholders.

FY15 Outlook

During the period ALE's properties demonstrated their quality by increasing in value. Cyclically low base interest rates and credit margins are now locked in at low levels for the long term. Interest expenses are now fixed at an all up cash rate of 4.35% p.a. until FY18 when around 23% of ALE's total debt is due for maturity.

ALE has a positive outlook for future market rent increases based on the independent valuers' assumption of a 10% increase in 2018. As the market was advised in November 2013, a portfolio value analysis that includes the 2028 open market rent reviews provides a range of value outcomes that may exceed the statutory valuations provided by the valuers.

In a market where low interest rates and strong equity prices prevail, ALE will continue to review acquisitions that align with our disciplined strategy and meet our criteria.

The Board's FY15 distribution guidance of at least 16.45 cents per security plus CPI will be updated again at ALE's AGM on 6 November 2014. It is expected that the FY15 distribution will be at least 75% tax deferred.

The significant interest expense savings realised from the AMTN refinancing will largely replace the now fully amortised hedging benefits that reduced interest expenses over recent years.

All guidance assumes the existing portfolio, hedging and capital structure continues.

- Ends -

Further Notes

1. ALE has a policy of only paying distributions subject to the minimum requirement to distribute taxable income of the trust under the Trust Deed. Distributable Profit is a non-IFRS measure that shows how free cash flow is calculated by ALE. Distributable Profit excludes items such as unrealised fair value (increments)/decrements arising from the effect of revaluing derivatives and investment property, non-cash expenses and non-cash financing costs. The reconciliation between Operating Profit before Tax and Distributable Profit has not been audited or reviewed by KPMG. AMTN covenant gearing = (Net Finance Debt – Cash) / (Total Assets – Cash – Deferred Tax Assets). This ratio is considered, in the opinion of the Directors, most relevant to securityholders as it is the debt covenant that is most relevant for assessing the headroom available.
2. Accumulated value includes security price of $2.90 at 30 June 2014 plus reinvestment of all distributions and renunciation payments since ALE's 2003 listing. Total returns are sourced from UBS.

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