ASX ANNOUNCEMENT
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The Manager
Australian Stock Exchange

ALE Property Group (ALE)
Results for Half Year Ended 31 December 2012

Highlights

- Distributable profit[1] of $15.8 million (8.18 cents per security) in line with guidance
- Half year distribution guidance of 8.00 cents per security delivered
- Half year distribution is expected to be around 36.6% tax deferred
- Revenue from properties of $26.4 million, up 2.9% on prior period
- Statutory net loss after tax of $3.7 million
- Full year distribution guidance of at least 16.00 cents per security reaffirmed and expected to be around 36.6% tax deferred
- 87 properties' value assessed at $784.6 million, up 1.7% from $771.5 million at 30 June 2012
- Net Assets per security (excluding derivatives) decreased to $1.91 from $2.24 at 30 June 2012
- Net Gearing[2] is 50.8%, down from 51.9%. This is below pro-forma gearing of 57% estimated at time of capital raising in October 2012 and provides significant debt covenant headroom
- Hedging arrangements simplified and long term rates locked in at the low end of cycle
- 2003 investment of $1.00 in ALE's stapled securities has a current accumulated value[3] of $6.05.

Result for Six Month Period Ending 31 December 2012

ALE today announced a distributable profit of $15.8 million for the six months to 31 December 2012 and confirmed the distribution of 8.00 cents per security.

A summary of the Distributable Profit results versus the comparative half year are shown in the table below:

Half Year Ended	**December 2012 $m**	December 2011 $m	Change $m
Revenue from Properties	**26.4**	25.7	0.7
Other Revenue	**1.7**	2.6	(0.9)
Borrowing Expense	**(9.4)**	(11.6)	(2.2)
Management Expense	**(1.8)**	(2.0)	(0.1)
Land Tax Expense	**(1.1)**	(1.1)	-
Distributable Profit[1]	**15.8**	13.7	2.1
Distributable Profit (per security)	**8.18 c**	8.60 c	(0.42) c
Distributed Payment (per security)	**8.00 c**	8.00 c	-

Note: Differences occur due to rounding.

Accounting Result

ALE's operating loss after tax of $3.7 million for the six months to 31 December 2012 includes non-cash adjustments for the increase in the properties and reduction in the interest rate derivatives fair values. The loss also includes other non-cash items including amortisation of pre-paid financing costs, CIB and CPI Hedge accumulating indexation. A full reconciliation of accounting profit to distributable profit has been provided in the Directors' Report.[1]

Distribution Payment and DRP

The distribution per stapled security of 8.00 cents will be paid on 5 March 2013 to stapled securityholders on ALE's register as at 5.00pm on 3 January 2013. The first half distribution is expected to be 36.6% tax deferred.

For the half year ending 31 December 2012, participation by securityholders in ALE's Distribution Reinvestment Plan (DRP) stood at approximately 9.9% of the current stapled securities on issue. The DRP will raise approximately $1.5 million in new equity.

Australian Leisure and Entertainment Property Management Limited ABN 45 105 275 278
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Capital Management and Refinancing

ALE's strengthened capital management position has been maintained over the six months to 31 December 2012. ALE's reduced net debt at around $385 million equates to a net gearing ratio[2] of 50.8% and has an average remaining debt maturity of 5.8 years. The first maturity for ALE Notes 2 is in August 2014 and may be extended by one or two years.

At this level of gearing ALE continues to enjoy significant headroom to the ALE Notes 2 debt covenant. ALE's average capitalisation rate would need to expand by 220 basis points to 8.78% before that covenant is met. The covenant only restricts further borrowings and distributions above the greater of taxable profit and distributable profit.

ALE's net assets per security, (excluding unrealised derivative movements), has reduced from $2.24 to $1.91 during the half year. This movement includes property revaluations, realised derivative losses and an increased number of securities on issue.

Property Revaluations and Rent Increases

In November 2012, the substantial majority of ALE's properties' gross rents were reviewed to State based CPI producing an average 1.82% increase in rent.

Independent valuers, Urbis, expressed the view that it would be reasonable for the Directors of ALE to maintain the capitalisation rates adopted as at 30 June 2012 for 84 properties and that the valuations should be increased by an amount representing the increase in rental income during the half year. The other three properties that have double net leases should increase in cap rate by a weighted average 0.2%. Reflecting the independent valuer's opinion, property values increased by $13.1 million over the half year to $784.6 million. The average value of each property is now $9.0 million.

At 30 June 2012 ALE's independent valuers, Urbis, valued a representative sample of 31 properties and the directors valued the remaining 56 properties based upon independent advice from Urbis.

Simplified Hedging Arrangements

ALE completed the simplification of its interest rate hedging arrangements by replacing the CPI hedging with new nominal hedging.

ALE has entered into new hedging arrangements on the following terms:

- $291m face value to match current levels of net nominal debt
- Hedged at a base interest rate of 3.83% p.a.
- Term of around 10 years maturing November 2022
- No bank rights to break.

The simplification of the hedging arrangements also provides an enhanced risk position for both financiers and stapled securityholders. Not only are distributions and interest cover protected from any future increases in interest rates, hedging liabilities will no longer increase in line with the future levels of inflation.

CPI Hedge Termination

As anticipated, the CPI hedge was terminated on 6 December 2012 and ALE paid a termination amount of $83.5 million. The hedge counterparty issued formal legal proceedings against ALE claiming an additional amount. The dispute has now been finalised at $105.9 million, an amount that is $7.2 million less than the hedging bank's claim. Final settlement is to be made on 28 February 2013 from existing surplus cash.

Distribution Guidance

The Board's full year FY13 distribution guidance of at least 16.0 cents per security has been reaffirmed. The guidance includes full impacts of hedging restructure and associated capital raisings completed in October and December 2012.

FY13 first half and full year distribution expected to be 36.6% tax deferred and future years' tax deferred component expected be higher due to hedge restructure.

ALE's continuing objective is to grow distributable profit by at least CPI until the next refinancing. The hedging restructure has enhanced this outlook.

The distribution guidance includes benefit from in the money counter hedges (totalling around $20m) which will be amortised between FY13 and FY15. A reduced gearing position provides the opportunity to maintain a stable distribution profile past the FY15 amortisation of counter hedge benefits.

All guidance assumes the existing portfolio, hedging and capital structure continues unchanged from the current position.

Outlook

During FY13 ALE's property assets demonstrated their high quality by continuing to increase in value. The current historically high margin between capitalisation rates and long term real interest rates of around 6% are expected to contract back towards historic margin levels of around 4%.

The sale of ALE's Ferny Grove Hotel, Brisbane, to the Queensland Government was completed in September 2012 at capitalisation rate of 5.95% demonstrating that ALE's properties' market values remain strong.

The long term and simplified interest rate hedging recently completed at the lower end of the cycle is expected to provide significant ongoing benefits to securityholders.

ALE's acquisition strategy and criteria remains consistent with past announcements.

ALE's Performance

Since listing in 2003, ALE has outperformed all other A-REITs in the ASX/S&P 300, delivering a compound annual total return of 21.6% p.a.[*]

From an initial $1.00 investment at listing to March 2013, distributions to investors will have totalled more than $2.21 per security.

The $1.00 investment in 2003 has a current accumulated value of $6.05 [3].

- Ends -

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Further Notes

1. ALE has a policy of only paying distributions from free cashflow, 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 cashflow is calculated by ALE and hence how distributions are determined. 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.
2. Net gearing = (Net Finance Debt – Cash) / (Total Assets – Cash – Derivatives Assets) as per ALE Notes 2 covenant. 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. The ratio on this occasion also includes the final amount required to settle the CPI hedge dispute.
3. Accumulated value is includes security price of $2.40 at 31 December 2012 plus reinvestment of all distributions and 2009 renunciation payment.