ASX ANNOUNCEMENT

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The Manager
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ALE Increases Distributions to Securityholders

ALE Property Group (ASX: LEP), the owner of Australia's largest portfolio of freehold pub properties, increased distributions by 2.00% for the year to 30 June 2017 and forecasts an increase in FY18 distributions.

Highlights

- Distributable profit of $29.1 million
- Net profit after tax of $130.0 million includes increments to investment property and derivative values
- Full year distribution of 20.40 cents per security
  - increase of 2.00% on previous year
  - 100% tax deferred
  - funded from current year distributable profits and capital (cash reserves)
- Weighted average capitalisation rate reduced from 5.53% to 5.14%
- Directors' valuation of 86 properties increased by 9.10% to $1,080.2 million
- Capital position remains strong
  - debt maturity dates diversified across next 6.4 years
  - all up cash interest rate currently fixed at 4.26% p.a.
  - base interest rates hedged for next 8.4 years on 100% of debt
  - gearing of 42.7% provides significant debt covenant headroom
- Distribution guidance restores gearing to target range in medium term
  - aim to increase annual distributions by at least CPI
  - expect FY18 distribution to be 100% tax deferred
  - consideration will be given to enhanced distribution profile or other capital management initiatives to achieve target range following completion of 2018 market rent review
- 2003 investment of $1.00 in ALE has a current accumulated value of $14.72 or an annual total return of 21.8% p.a.

Results for Year Ending 30 June 2017

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

Millions	June 17	June 16	Change
Revenue from Properties	**$57.0**	$56.2	$0.8
Other revenue	**$1.3**	$1.1	$0.2
Borrowing expense	**($21.8)**	($20.7)	($1.1)
Management expense	**($5.2)**	($4.9)	($0.3)
Land tax expense	**($2.2)**	($2.1)	($0.1)
Distributable Profit [1]	**$29.1**	$29.6	($0.5)
Distributable Profit (cps)	**14.87c**	15.11c	(0.24c)
Distribution (cps)	**20.40c**	20.00c	0.40c

The difference between the distribution and distributable profit for the period was paid from capital and existing cash reserves. Distributable profit excludes non-cash accounting items.

Distributable Profit

A number of factors contributed to a distributable profit of $29.1 million for the year to 30 June 2017.

Property income increased due to the annual CPI based rental escalations. Borrowing expenses increased due to an increase in borrowings and some non-recurring items relating to the refinancing completed in March 2017. Management expenses were higher but ALE's management expense ratio remains one of the lowest in the AREIT sector.

The distribution of 20.40 cents per security will be 100% tax deferred.

Accounting Result

ALE's reported net profit after tax (NPAT) of $130.0 million for the year to 30 June 2017 includes non-cash adjustments for the increments to the value of the properties and interest rate derivatives. The NPAT 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]

Statutory Property Valuations

During FY17 property revenue from ALE's 86 properties grew by 1.5% on the previous corresponding period (pcp) to $57.0 million. This increase in property revenue was driven by the annual CPI rent increases across the portfolio.

The statutory valuations of ALE's properties increased by 9.1% to $1,080.2 million at 30 June 2017. This was based upon independent valuations of a representative sample of 33 of ALE's properties conducted by CBRE and Herron Todd White. Consistent with the increase in valuations, ALE's weighted average capitalisation rate reduced from 5.53% to 5.14%.

Directors' valuations of the remaining 53 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 like-for-like basis, that they determined would apply to the 33 properties they valued at June 2017.

The property valuations were also positively impacted by the annual CPI based increases in rent. The land tax expense for the Queensland portfolio was substantially unchanged.

The valuers applied both traditional capitalisation rate and discounted cash flow (DCF) methods in determining the valuations.

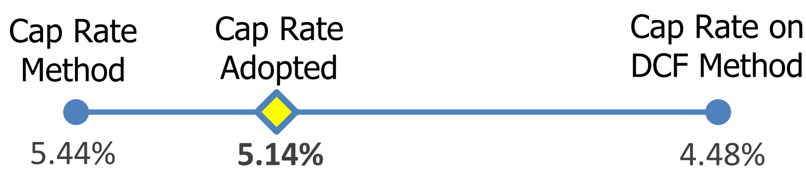
In applying the DCF method to the representative sample of 33 properties, the valuers made an independent assessment of the tenant's current level of EBITDAR and also adopted industry standard market rental ratios. The valuers also used a range of assumptions they deemed appropriate for each of the properties. The weighted averages of these assumptions were as follows:

- Tenant's EBITDAR Growth Rate: 1.0% p.a.
- 2028 Terminal Capitalisation Rate: 6.9%
- 11 Year Discount Rate: 7.3% p.a.

ALE noted in particular that the valuers' assumed EBITDAR growth rate of 1.0% represents a declining EBITDAR in real terms, which is significantly lower than the rates that have been historically achieved by the tenant. It was also noted that ALE's average capitalisation rates during each of the last 10 years have been materially lower than the terminal capitalisation rate of 6.9% assumed by the valuers.

Based upon the above assessments and assumptions made for the 33 properties, the valuers' DCF valuations were equivalent to a weighted average capitalisation rate of 4.48%. This compares to a rate of 5.14% which was derived using a combination of the DCF and capitalisation rate methods.

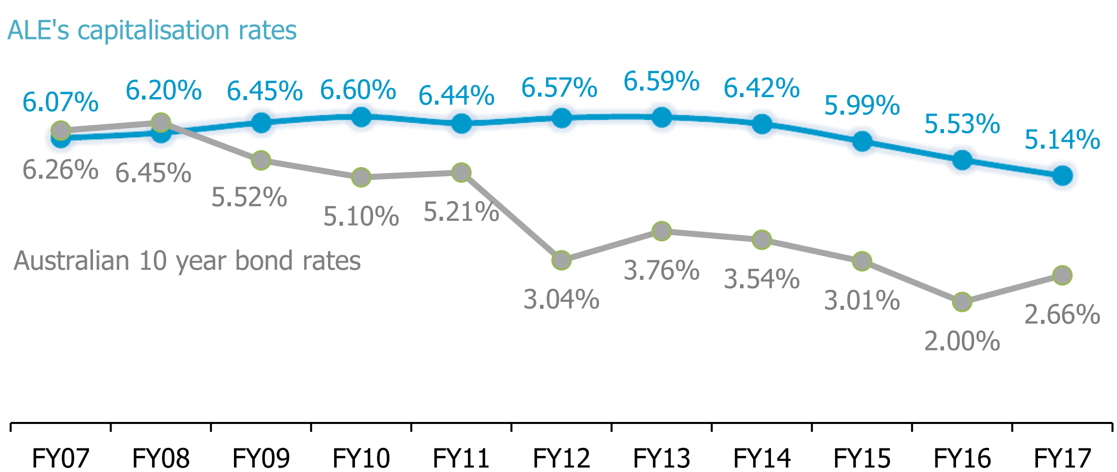
The statutory valuation results reflect the combination of these methods but, as indicated below, continue to place significant emphasis upon the capitalisation rate method:



Capitalisation Rates and Bond Rates

Over past ten years ALE's capitalisation rates have reduced by around 1.0%. This is relatively modest when compared to a 3.6% reduction in long term Australian government bond rates over the same period.

The chart below shows that, while the spread remains high, movements in ALE's average capitalisation rates are currently being driven by factors beyond movements in bond rates:



Market Rent Reviews and Lease Extensions

Rents are expected to take a small step increase towards market levels at November 2018 as the market rent reviews for each property are capped and collared within 10% of the 2017 rent. Rents are expected to take a much larger step increase at 2028 as the rent for each property is able to fully revert to market levels. Individual hotels' outlook, their EBITDAR results in the years leading up to reviews and market rent parameters will be important to market rent review outcomes.

Of the 86 properties ALE owns, four properties had rent increases of 10% agreed and will be reviewed again in around 11 years. The significant majority (74) of the properties are subject to standard triple net leases with market rent review dates in November 2018 and 2028. A further five have different review dates. Finally, three of the properties are subject to non-standard leases.

This table provides additional information in respect of a recent lease extension at the Balmoral Hotel, the types of leases and forthcoming market rent reviews:

Hotel	Next Rent Review Date	Rent* ($m)	Next Renewal Date	Renewal Term (Years)	Lease Type, Review and Renewal Details **
Anglers Arms, QLD	Jun 2017	0.62	Jun 2028	10	Standard lease. 10% increase already agreed
Balmoral, WA	Feb 2018	0.48	Feb 2023	5	2018 renewal agreed by ALH. CPI increase to apply
Berwick, VIC	Jun 2018	1.20	Jun 2028	10	Standard lease
Camp Hill, QLD	Nov 2018	0.29	Nov 2028	10	Standard lease. 10% increase already agreed
Gepps Cross, SA	Nov 2018	0.29	Nov 2028	10	Standard lease. 10% increase already agreed
74 Hotels	Nov 2018	49.01	Nov 2028	10	74 Standard leases
Pelican Waters, QLD	Dec 2018	0.50	Dec 2028	10	Standard lease
Four Mile Creek, QLD	Jun 2019	0.46	Jun 2029	10	Standard lease. 10% increase already agreed
Noosa Reef, QLD	Jun 2019	0.70	Jun 2029	10	Standard lease
Brass Monkey, WA	Jun 2020	0.58	Jun 2020	5	Review with minimum ratchet and maximum open
Pritchard's, NSW	Sep 2020	1.68	Sep 2020	5	Increase to maximum of 3% or 7% of Turnover
Burleigh Heads, QLD	Nov 2023	0.77	Nov 2033	10	Standard lease
Narrabeen Sands, NSW	Jun 2024	0.80	Jun 2034	10	Standard lease
Total Rent		**57.38**			

* June 2017 rent amounts before deducting land tax for QLD properties.
** Standard leases review to market between Jun 2018 and Jun 2024 and may increase or decrease by 10% from preceding year's rent with the first of four 10 year options for ALH to renew between 2028 and 2034. The 3 non-standard leases are Balmoral, Brass Monkey and Pritchard's.

Property Developments by ALH

ALE and ALH have worked together closely to agree a range of developments at a number of ALE properties in recent years. These developments are expected to enhance business returns for ALH and positively underpin ALE's future market rent and property values.

Four more recent examples include:

- Anglers Arms Hotel, Gold Coast – the hotel was reopened in June 2017 following a complete reconstruction of the hotel and the addition of a new Dan Murphy's

- Gepps Cross Hotel, Adelaide – ALH created Adelaide's first Coopers Alehouse in May 2016 following a substantial reconstruction of the hotel. An approval was recently obtained to add a large format liquor barn

- Reactivated Accommodation – 428 rooms are currently offered across 24 of ALE's properties following a significant reactivation of accommodation in recent years. This includes a large number of renovated and reopened rooms. ALH currently operates around 1,900 rooms nationally, of mostly three or four star short stay accommodation

- Young & Jackson Hotel, Melbourne – a major metro rail project (circa $6 billion) is being undertaken by the Victorian government using a PPP. It will significantly add to CBD passenger rail capacity. A new CBD South metro station will surround the hotel, with station access from both Flinders and Swanston Streets. A significant addition to pedestrian traffic is expected once the project becomes operational in 2026. ALE has a continuing dialogue with Cross Yarra Partnership (preferred tenderer) and MMRA.

Capital Management

In March 2017 ALE completed a $150 million Australian Medium Term Note (AMTN) issue with a term of around 5.5 years. At a 1.50% credit margin and an all up rate of 4.00% this was a competitively priced outcome and reduced ALE's all up cash interest rate from 4.35% to 4.26% p.a.

The proceeds were used to redeem the existing $110 million AMTN on 20 May 2017, meet the costs of the new issue, fund the costs of amending ALE's hedging and provide additional working capital.

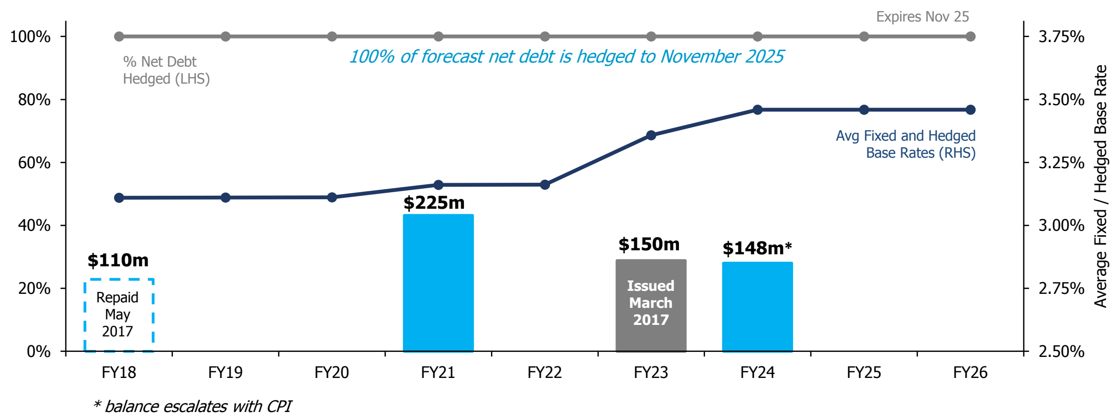
A strong response was received from a wide range of domestic and international institutional investors, a number of whom have participated in ALE's various debt issues since 2003. The competitive cost of the refinancing is testament to the market's positive view of ALE's business outlook and capital structure.

In keeping with ALE's proactive policy of reducing refinancing risk and increasing the certainty of future distributions, forward start interest rate hedging on 100% of ALE's net debt to November 2025 was previously put in place.

As the new AMTN issue was a fixed rate instrument, ALE removed a corresponding amount of the existing forward start hedging over the term to August 2022 at a cost of $7.2 million. This cost is similar to the benefit arising from the reduction in ALE's base interest expense over the next 5.5 years.

The chart below demonstrates the stability of ALE's debt capital structure. ALE has two types of fixed rate debt instruments, Capital Indexed Bonds (CIB) and Australian Medium Term Notes (AMTN).

Debt Maturities and Hedging Profile



ALE's debt capital structure is currently characterised by the following positive features:

- Debt structure with two types of fixed rate bonds
- Investment grade credit rating of Baa2 (stable)
- Maturity dates that are diversified over the next six years
- 100% of net debt hedged at low rates over the next eight years
- All up cash interest rate of 4.26% p.a. fixed until August 2020 maturity
- Lower gearing remains below target range at 42.7% (44.9% at June 2016).

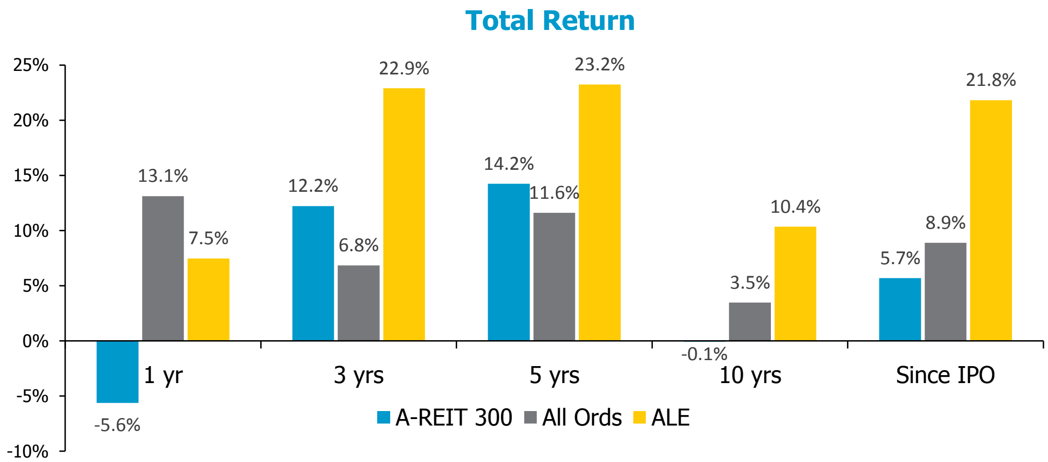
Finally, the 2017 AMTN issue includes a number of market standard debt covenants. ALE currently enjoys significant headroom to all of them. The total value of ALE's properties would need to fall in value by around 29% or $315 million before meeting the nearest covenant.

ALE's Performance

The value of an ALE securityholder's $1.00 investment at the time of the ASX listing nearly 14 years ago, with reinvested distributions, grew to $14.72[2] as at 30 June 2017.

Over the past one, three, five, 10 and 14 years to 30 June 2017, ALE has delivered total returns that have outperformed the S&P/ASX 300 AREIT index. Over the past three, five, 10 and 14 years to 30 June 2017, ALE has delivered total returns that have outperformed the S&P/ASX All Ordinaries Index.

As indicated by the chart below, ALE has outperformed other major indices:



1. Total return is the annual compound return (IRR) for the period shown
2. Includes equity market price of $4.67 as at 30 June 2017 and reinvestment of distributions and 2009 renunciation payment
3. ALE, All Ordinaries Accumulation Index and UBS S&P REIT 300 Index data sourced from ASX, UBS and ALE

Distribution Payment and DRP

The final distribution for the six months to 30 June 2017 of 10.25 cents per stapled security will be paid on 5 September 2017 to securityholders on ALE's register as at 5.00pm on 29 June 2017.

This payment will result in distributions for the full year to 30 June 2017 totalling 20.40 cents per stapled security, representing a 2.0% increase over the previous corresponding period (pcp). The full year distributions will be 100% tax deferred.

ALE's DRP was suspended in 2014 until further notice. This decision is regularly reviewed, having regard to ALE's potential future capital needs. ALE will notify the market and securityholders if a decision to reinstate the DRP is made.

Governance

Consistent with ALE's continuing program of Board renewal, over the past four years ALE has appointed Pippa Downes, Paul Say and Nancy Milne to the Board.

In November 2016 Rob Mactier was appointed to the Board as a non-executive director. As foreshadowed on his appointment to the Board, Rob succeeded Peter Warne as Chairman in May 2017.

In addition to ALE, Rob is currently Chairman of ASX listed WPP AUNZ Limited and acts as a consultant to the investment bank UBS AG. He previously served for ten years as a non-executive Director of NASDAQ listed Melco Resorts and Entertainment Limited.

Peter was ALE's founding Chairman and retired from the Board after nearly 14 years. ALE's Board acknowledges Peter's outstanding Chairmanship and leadership over that time, a period that has seen ALE significantly outperform all sectors of the market in the generation of equity value. The Board thanks Peter for his service and wishes him well, noting his significant responsibilities with a range of other large Australian corporate and financial organisations.

FY18 Outlook

Over the past 14 years ALH has funded and constructed at least 30,000 square metres of additional buildings on ALE's properties. More than 90% of the one square kilometre (approximately) of land owned by ALE is located in Australian capitals and major cities. ALE and ALH continue to explore opportunities to work together on redevelopment of underutilised properties for mutual benefit.

Preparations for the November 2018 rent reviews are well underway. Individual hotels' outlook, the EBITDAR results in the years leading up to reviews and market rent parameters will be important to outcomes. Processes commence June 2018 with results announced November 2018 for 74 properties (assuming no independent determinations are required). On current EBITDAR results, ALE is on strong grounds for a positive outcome to the 2018 rent reviews (which are each capped and collared at 10%). We look forward to the completion of the process.

ALE continues to assess potential pub property acquisitions and disposals that align with our disciplined strategy and meet our previously announced investment criteria.

For FY18, ALE's Board has affirmed guidance that we expect that the distributions will continue to grow at least in line with CPI and we expect them to be 100% tax deferred.

Given the quality of the properties and their future market rent prospects, ALE will give consideration to moving gearing back to a medium term target range of 50% and 55% following the completion of the 2018 market rent reviews. ALE will consider an enhanced distribution profile or other capital management initiatives to achieve this outcome.

- Ends -

Further Notes

1. ALE has a policy of paying distributions which are 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 $4.67 at 30 June 2017 plus reinvestment of all distributions and renunciation payments since ALE's 2003 listing.

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