ASX ANNOUNCEMENT

13 February 2019

Announcement No. 02/19
The Manager
Australian Securities Exchange

Half Year Results to 31 December 2018

ALE Property Group (ASX: LEP), the owner of Australia's largest portfolio of freehold pub properties, announced distributable profit of $14.0 million and distribution of 10.45 cents per security for the half year to 31 December 2018.

Highlights:

- Distribution of 10.45 cents per security, up 1.00% on the previous corresponding period (pcp), and 79.45% tax deferred
- Distributable profit of $14.0 million, down from $14.6 million on pcp due to one-off rent review costs and higher land tax costs
- Net profit after tax of $5.6 million reflects the absence of any increase in property values in the current period and higher derivative value movements
- Directors' valuation of 86 properties remained unchanged at $1,136.3 million
- Resulting average property yield increased from 4.98% to 5.19% as passing net rents increased and property values remained unchanged
- Independent valuers view of values, capitalisation rates and rents for both pub and quality leased properties remains largely unchanged
- Capital structure remains strong with net gearing at historical low of 41.6%
- Future distributions and capital management policy to be reviewed following completion of 2018 rent review
- 2003 IPO investment in ALE of $1.00 has accumulated value at 31 December 2018 of $16.32 or a total return of 20.3% p.a.
- Outperformed AREIT 300 Index for all periods including 1, 3, 5, 10 and 15 years since IPO
- ALE was ranked first of 43 AREITs in the FY18 BDO survey, marking a fourth consecutive year in the top three places.

Results for Half Year Ending 31 December 2018

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

$ Millions	Dec 18	Dec 17	Change
Revenue from Properties	**$29.7**	$28.9	$0.8
Other revenue	**$0.4**	$0.5	($0.1)
Borrowing expense	**$11.1**	$11.1	-
Management expense	**$3.5**	$2.6	($0.9)
Land tax expense	**$1.5**	$1.2	($0.3)
Distributable Profit [1]	**$14.0**	$14.6	($0.6)
Distributable Profit (cps)	**7.16c**	7.48c	(0.32c)
Distribution (cps)	**10.45c**	10.35c	0.10c

Rounding differences may arise

The difference between the distribution and distributable profit per security for the period was paid from capital and existing cash reserves. Distributable profit excludes non-cash accounting items. The following factors resulted in a lower distributable profit of $14.0 million for the half year:

- Increased costs associated with the rent review preparations;
- Increased land tax from an increase in the Queensland land tax rate; and
- Partly offset by an increase in rental income by 2.8% due to a November 2017 CPI rent review of 1.9% and a 10% increase in November 2018 for 34 properties as part of the first major rent review.

The distribution of 10.45 cents per security will be 79.45% tax deferred.

Accounting Result

ALE's reported net profit after tax (NPAT) of $5.6 million for the six months to 31 December 2018 is lower than previous years, reflecting the absence of any increase in property values in the current period. In previous years, the CPI rent increases have provided increases in the value of the properties in line with CPI.

NPAT differs from Distributable Profit due the impact of non-cash adjustments for movements in the value of the properties and interest rate derivatives, and items such as 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]

2018 Rent Review

During the period the first major rent review commenced on 79 of our 86 investment properties.

In summary, a 10% rent increase has been agreed with ALH on 34 properties, resulting in ALE's passing net rent increasing to $58.97 million, up 4.26% from 30 June 2018.

ALE expects the determination process for the remaining 45 properties will conclude during the next financial year, where the passing rent for those individual properties may increase or decrease by up to 10%.

Of the remaining seven properties in ALE's portfolio, four properties have later review dates, including two that have received CPI increases in the current period, and three properties have non-standard leases.

The following table provides additional information around the types of leases and status of the rent reviews:

Hotel	Next Rent Review Date	Rent* ($m)	Next Renewal Date	Renewal Term (Years)	Lease Type, Review and Renewal Details **
Berwick, VIC	Jun 2018	1.20	Jun 2028	10	Standard lease. In progress
42 Hotels	Nov 2018	28.45	Nov 2028	10	42 standard leases. In progress
Pelican Waters, QLD	Dec 2018	0.50	Dec 2028	10	Standard lease. In progress
Four Mile Creek, QLD	Dec 2018	0.46	Dec 2028	10	Standard lease. Minimum ratchet and maximum 10%. In progress
Noosa Reef, QLD	Jun 2019	0.72	Jun 2029	10	Standard lease
Brass Monkey, WA	Jun 2020	0.59	Jun 2020	5	Review with minimum ratchet and maximum open
Pritchard's, NSW	Sep 2020	1.78	Sep 2020	10	Increase at fixed 3%
Balmoral, WA	Feb 2023	0.51	Feb 2023	5	2018 renewal agreed by ALH. CPI increase to apply
Burleigh Heads, QLD	Nov 2023	0.80	Nov 2033	10	Standard lease
Narrabeen Sands, NSW	Jun 2024	0.82	Jun 2034	10	Standard lease
Anglers Arms, QLD	Nov 2028	0.64	Nov 2028	10	Standard lease. Increase of 10% occurred June 2017
34 Hotels	Nov 2028	24.40	Nov 2028	10	34 standard leases. Increase of 10% agreed
Total Rent		**60.87**			

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

Statutory Property Valuations

As the rent review process has not been finalised, the Directors received advice from the independent valuers that:

- the 10% rent increase for 34 properties was anticipated by the valuers at June 2018;
- the valuers' expectations of rents for the other properties have not altered since they were valued at June 2018;
- the demand for investment properties leased to high grade tenants remains strong;
- pub property values, pub rents and underlying capitalisation rates for comparable properties remain substantially unchanged; and
- it was not unreasonable for the Directors to adopt the same individual property values that prevailed at June 2018.

Therefore, the Directors have elected to keep property values unchanged as at 31 December 2018. As the property values remained unchanged but rent increased by 10% on 34 properties the resulting weighted average property yield increased from 4.98% to 5.19%.

When assessing statutory valuations at June 2018 the valuers applied both traditional capitalisation rate and discounted cash flow (DCF) based valuation methods. The weighted average adopted property yield reflect a combination of these methods but continues to place significant emphasis upon the traditional capitalisation rate approach.

The Board has not had the individual properties revalued independently as at 31 December 2018.

Capital Management

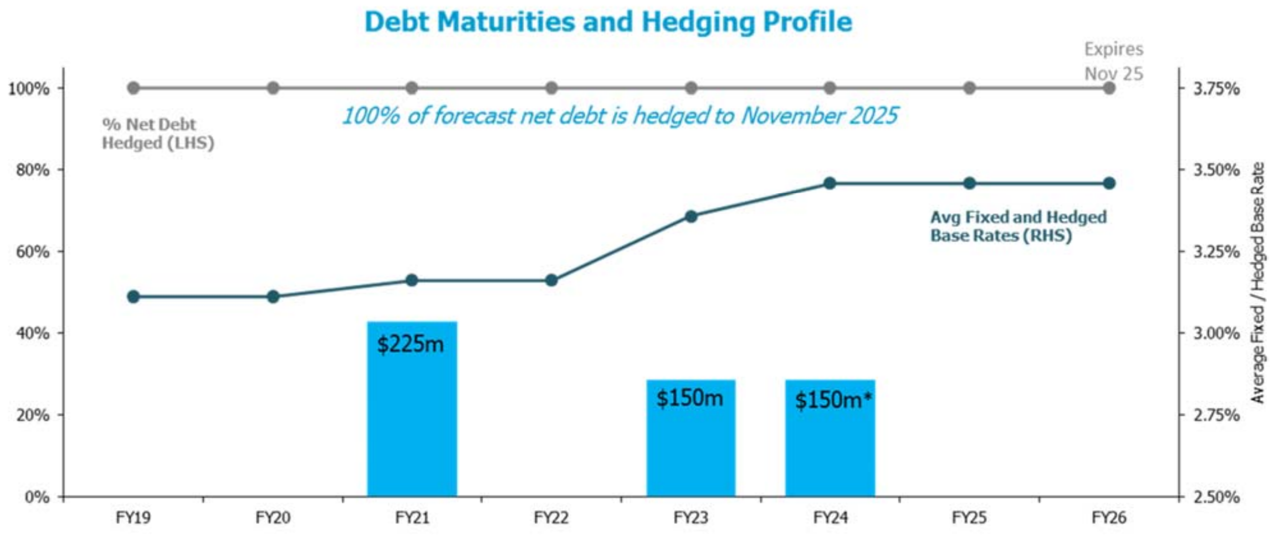
ALE's capital position remains strong. In keeping with ALE's proactive policy of reducing refinancing risk and increasing the certainty of future distributions, forward start interest rate hedging on 100% of ALE's net debt to November 2025 remains in place.

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

- Investment grade credit rating of Baa2 (stable)
- Next debt maturity in August 2020
- Debt maturities diversified over the next 4.9 years

- 100% of forecast net debt hedged over the next 6.9 years
- All up cash interest rate of 4.26% fixed until August 2020
- Net gearing at historical low of 41.6%
- Interest cover ratio above covenant levels at 2.6 times.

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).



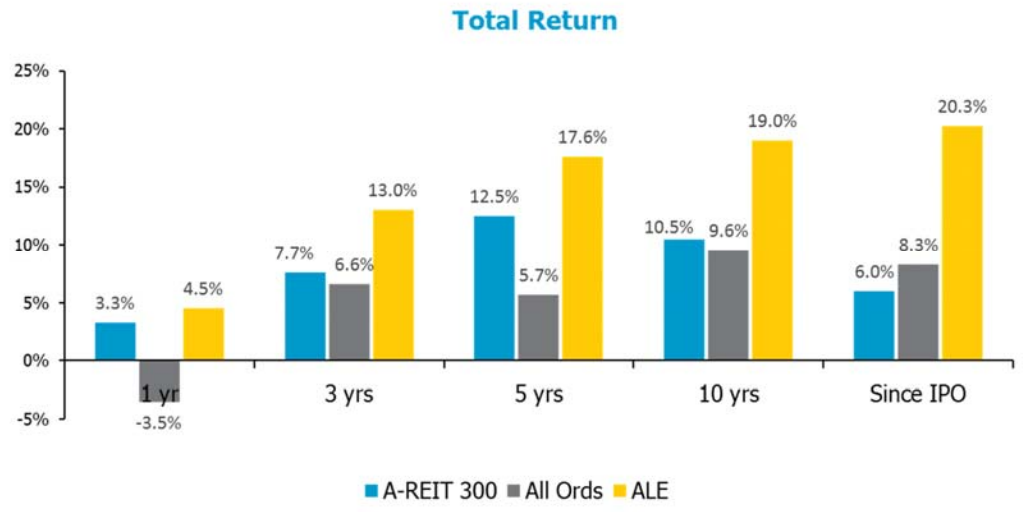
** balance escalates with CPI*

ALE's debt facilities include a number of market standard covenants. ALE currently enjoys significant headroom to all of them. The total value of ALE's properties would need to fall in value by almost a third (around $350 million) before breaching the nearest covenant.

ALE's Performance

A $1.00 investment in ALE at the time of the ASX listing nearly 15 years ago, with reinvested distributions, would have an accumulated value of $16.32 as at 31 December 2018. This is equivalent to 20.3% p.a. total return.

As indicated by the chart below, over the past one, three, five, 10 and 15 years to 31 December 2018, ALE has delivered total returns that have outperformed both the S&P/ASX 300 AREIT index and the S&P/ASX All Ordinaries Index.



1. Total return is the annual compound return (IRR) for the period shown
2. Includes equity market price of $4.87 as at 31 December 2018 and reinvestment of distributions and 2009 renunciation payment

ALE, All Ordinaries Accumulation Index and UBS S&P REIT 300 Index data sourced from ASX, UBS and ALE

Distribution Payment

The distribution of 10.45 cents per stapled security will be paid on 5 March 2019 to holders on ALE's register as at 5.00pm on 31 December 2018. The half year distribution will be 79.45% tax deferred.

FY19 Outlook

The November 2018 rent reviews are currently in progress. Increases of 10% have been agreed for 34 properties and 45 are subject to an independent determination process. Given the large number of properties involved, it is expected that the rent determination will be made during the next financial year.

As previously advised, following the completion of the rent review process, the Board will review distributions and capital management policy. The Board will take into account the results of the rent review, prevailing property and capital market conditions and importantly the preferences of a wide range of securityholders.

All of the above guidance assumes the existing property holdings, capital structure and hedging remains unchanged.

- 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 $4.87 at 31 December 2018 plus reinvestment of all distributions and renunciation payments since ALE's 2003 listing.

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