ASX ANNOUNCEMENT

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The Manager
Australian Securities Exchange

Results for Half Year Ended 31 December 2014

Highlights

- Distributable profit for the half year of $14.4 million
- Half year distribution guidance of 8.40 cents per security
  - increase of 2.44% on previous December half year
  - in line with full year guidance of 16.45 cps (FY14) plus at least CPI
  - funded out of current and prior year accumulated distributable profits
- Distribution for the year expected to be 100% tax deferred
  - exceeded guidance of at least 75%
- Capital position remains strong
  - debt maturity dates diversified across next nine years
  - all up interest rate of 4.35% p.a. is fixed until next debt maturity in August 2017
  - base interest rates hedged at low levels for around eight years
  - gearing reduced from 51.7% to 51.2% and provides significant headroom
- Property valuations increased by 2.0% to $837.9 million
- ALE continues to outperform all benchmarks. 2003 investment of $1.00 in ALE's stapled securities has a current accumulated value of $9.42[2]
- Morningstar upgrades ALE's stewardship rating to exemplary.

Result for Six Month Period Ending 31 December 2014

ALE today announced a distributable profit of $14.4 million for the six months to 31 December 2014 and confirmed the distribution of 8.40 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 2014 $m**	December 2013 $m	Change $m
Revenue from Properties	**27.4**	**26.9**	0.5
Other Revenue	**1.2**	**1.0**	0.2
Borrowing Expense	**(11.1)**	**(8.2)**	(2.9)
Management Expense	**(2.2)**	**(2.2)**	-
Land Tax Expense	**(1.1)**	**(1.1)**	-
Distributable Profit	**14.4**	**16.5**	(2.1)
Funds From Operations	**14.4**	**16.5**	(2.1)
Distributable Profit (per security)	**7.37c**	**8.43c**	(1.06c)
Distribution (per security)	**8.40c**	**8.20c**	0.20c

Notes:

Differences occur due to rounding

Securities on issue were 195.7 million during both periods

Distributable profit excludes non cash accounting items [1]

Accounting Result

ALE's operating profit after tax of $21.8 million for the six months to 31 December 2014 includes non-cash adjustments for the increase in the properties and 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 a small number of factors that influenced the distributable profit outcome during the half year.

Property income increased as a result of CPI adjustments to rent. Borrowing expense increased due to the expiry of counter hedges and the full redemption of ALE Notes 2 around three months after the refinancing. Interest income, management expenses and land tax were largely unchanged. These factors led to ALE delivering a lower distributable profit that was consistent with expectations after expiry of the counter hedges and completion of the AMTN issue in May 2014.

Distribution Payment and DRP

The distribution per stapled security of 8.40 cents will be paid on 5 March 2015 to stapled securityholders on ALE's register as at 5.00pm on 31 December 2014. The first half distribution is expected to be 100% tax deferred.

ALE's Distribution Reinvestment Plan (DRP) remains suspended. ALE will give ongoing consideration to the operation of the DRP having regard to ALE's potential future capital needs.

Statutory Property Revaluations

In November 2014, the substantial majority of ALE's properties' gross rents were reviewed to State based CPI producing an average 2.20% increase in rent.

Independent valuers, CBRE, Urbis and Colliers, expressed the view that it would be reasonable for the Directors of ALE to maintain the capitalisation rates adopted as at 30 June 2014 for 85 properties and that the valuations should be increased by an amount representing the increase in rental income during the half year. All capitalisation rates remained unchanged except for the rate applying to the New Brighton Hotel, Manly which increased to 6.5% during the period. The directors' valuations reflected the independent valuers' opinion and increased by $16.2 million over the half year to $837.9 million. The average value of each property is now $9.7 million.

It is notable that independent valuations of ALE's properties have seen the average capitalisation rates remain very stable over an extended period of time.

Since FY06 the average capitalisation rates has varied between 6.07% and 6.57% (currently 6.44%). This contrasts with a fall in the Australian Government 10 year bond rate from 5.79% to 2.44% p.a. over the same period.

ALE's cap rates have been significantly more stable than all other prime commercial property sectors. This is a testament to ALE's high quality properties and leasing arrangements.

Portfolio Value Analysis

The June 2014 independent valuations included a discounted cash flow analysis which for each of the properties assumed a 10% increase in 2018. However, the valuers used capitalisation rates as their primary valuation methodology which attributes little if any value to the open market rent reviews which will be determined in 2028 for most of the leases. If these open market rent reviews were taken into account, the underlying property valuations may change.

Furthermore, ALE currently considers that a portfolio purchaser may be prepared to pay a premium for the whole or a significant part of ALE's portfolio given the value inherent in both the unique leasing arrangements and the valuers' positive outlook for market rent.

In November 2013 ALE released an analysis of a range of portfolio values so that investors may better understand the potential value arising from the present under rented position of ALE's properties. A copy of this analysis is available on ALE's website in the ASX Announcements section and is recommended reading for investors.

Capital Management

ALE's capital management strategy remains focussed on reducing refinancing risk while delivering consistent growth in distributions.

ALE's current capital management activities have and will continue to focus on maintaining:

- simplified capital structure
- appropriate level of gearing
- long term and cost effective funding
- diversified debt maturity profile
- long term and 100% fixed / hedged base interest rate profile
- presence in liquid and flexible debt capital markets

Following the significant refinancing in May 2014, ALE's capital position remains strong for reasons including:

- debt maturity dates diversified evenly across next nine years
- all up interest rate of 4.35% p.a. is fixed until next debt maturity in Aug 2017
- base interest rates hedged at low levels for around eight years
- gearing reduced from 51.7% to 51.2% and provides significant headroom

ALE's normalised interest expense for the half year ending December 2014 is around $10.1m after removing the impact of the (now redeemed) ALE Notes 2 interest expense to 20 August 2014. This normalised expense also includes the full impact of around $3.5m of ongoing half yearly savings from the completion of the refinancing in May 2014.

ALE's net assets per security increased from $1.93 to $1.96 during the half year. This movement largely reflects property and derivative revaluations.

Distribution Guidance and Outlook

The Board's full year FY15 distribution guidance of at least 16.45 cents per security plus at least CPI has been reaffirmed.

FY15 distribution is expected to be 100% tax deferred.

ALE's continuing objective is to grow distributions by at least CPI.

This guidance is also subject to ALE's continuing consultations with securityholders around future gearing levels. Options under consideration include capital distributions and returns, security buybacks and debt funded property acquisitions.

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

ALE's Equity Performance

According to UBS, during the year to 31 December 2014 ALE delivered an annual total return of 30.2% p.a. compared to the ASX/S&P AREIT 300 index at 26.8% p.a. total return.

Since listing in 2003, ALE has outperformed all other AREITs in the ASX/S&P 300, delivering a compound annual total return of 22.3% p.a.

From an initial $1.00 investment at listing to March 2015, distributions to investors will have totalled more than $2.53 per security.

The $1.00 investment in 2003 had an accumulated value as at 31 December 2014 of $9.42 [2].

- Ends -

Further Notes

1. ALE has a policy of paying distributions subject only to an amount not less than the 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 $3.36 at 31 December 2014 plus reinvestment of all distributions and renunciation payments since ALE's 2003 listing. Total returns are sourced from UBS.

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