ASX ANNOUNCEMENT

4 August 2016

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The Manager
Australian Securities Exchange

Results for Year Ended 30 June 2016

ALE Property Group (ASX: LEP), the owner of Australia's largest portfolio of freehold pub properties, is pleased to announce its results for the year ended 30 June 2016, which included increased distributions to securityholders in line with guidance.

Key Highlights

- FY16 distributable profit of $29.6 million
- FY16 distribution of 20.00 cps
  - increase of 18.7% on previous corresponding period
  - in line with guidance and 100% tax deferred
  - 92.2% funded from current and accumulated distributable profits
- Statutory property valuations increased by 10.0% to $990.5m
- Weighted average capitalisation rate reduced from 5.99% to 5.53%
- Property revenue of $56.2m, up $1.0m on previous corresponding period
- DCF value of 31 property sample equivalent to capitalisation rate of 4.79%
- ALH's profitability for FY15 was up 4.1% across 320+ pub operations
- Sound capital position - gearing below medium target range of 50% to 55%
  - debt maturity dates diversified evenly across the next seven years
  - base interest rate hedging extended at low levels to around nine years
  - all up cash interest rate of 4.35% p.a. fixed until August 2017 maturity
  - gearing reduced from 48.0% to 44.9% provides significant headroom
- FY17 guidance increases distributions by at least CPI
- FY17 distribution expected to be 100% tax deferred
- ALE continued to outperform other AREITs over the short and longer term
- 2003 investment of $1.00 in ALE has a current accumulated value of $13.70.

Results for Year Ending 30 June 2016

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

Year Ended ($ Millions)	**June 2016**	June 2015	Change
Revenue from Properties	**56.2**	55.2	1.0
Other Revenue	**1.1**	1.8	(0.7)
Borrowing Expense	**(20.7)**	(21.4)	0.7
Management Expense	**(4.9)**	(4.5)	(0.4)
Land Tax Expense	**(2.1)**	(2.1)	-
Distributable Profit	**29.6**	29.1	0.5
Securities on Issue (Millions)	**195.7**	195.7	-
Distributable Profit (cps)	**15.11**	14.85	0.26
Distribution per Security (cps)	**20.00**	16.85	3.15

The distribution was paid from current year profits, prior year accumulated profits (3.33 cps) and capital (1.56 cps). Distributable profit[1] excludes non-cash accounting items.

Distributable Profit

ALE delivered a distributable profit of $29.6 million for the year to June 2016. There were several significant influences on this outcome. Property income increased given the annual CPI based rental escalations. Borrowing expenses were lower due to the reduced credit margins from 2014 refinancing having their full impact. Management expenses were higher than the prior year due to a number of items including the response to Caledonia’s indicative proposal. ALE’s management expense ratio remains one of the lowest in the AREIT sector.

The full year distribution of 20.00 cents per security will be 100% tax deferred.

Accounting Profit

ALE’s operating profit after tax of $91.2 million for the year to 30 June 2016 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]

Statutory Property Valuations

As announced to the ASX on 14 June 2016, the statutory valuations of ALE's 86 properties increased by 10.0% to $990.5 million during the year. This was based upon independent valuations of a representative sample of 31 properties by CBRE and Herron Todd White. In line with the increase in valuations, ALE's weighted average capitalisation rate reduced from 5.99% to 5.53%.

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 like for like basis, that they determined would apply to the 31 properties they independently valued at 30 June 2016.

All independent and Directors' valuations excluded any portfolio premium or discount. Additionally, the valuers indicated that an investor's view of market rent prospects and value may be positively influenced by full disclosure of the tenant's operating profitability at each of the properties (currently not publicly available).

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

The valuers applied both traditional capitalisation rate and discounted cash flow (DCF) methods in determining this year's valuations. The above statutory valuation results reflect a combination of these methods but continue to place significant emphasis upon the traditional capitalisation rate method.

In applying the DCF method to the representative sample of 31 properties, the valuers made their own 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 individual properties.

The weighted averages of these assumptions were as follows:

- Tenant's EBITDAR Growth Rate: 1.2% p.a.
- 2028 Terminal Capitalisation Rate: 7.0%
- 13 Year Discount Rate: 7.9% p.a.

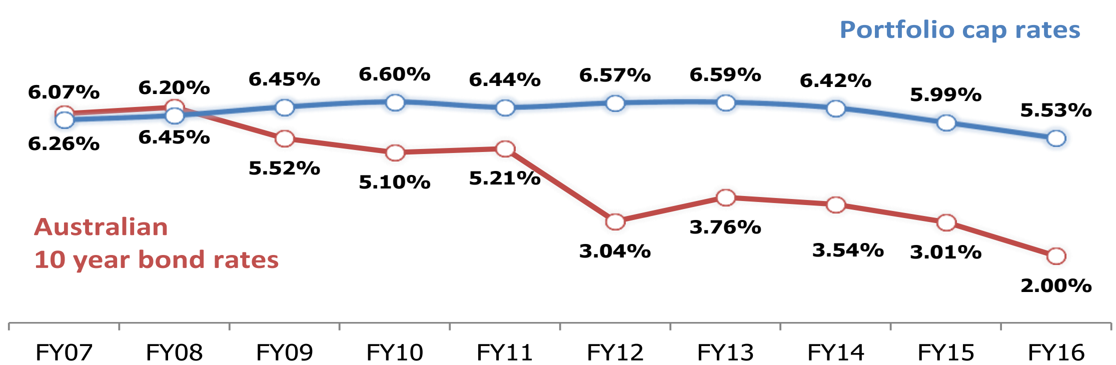
Based upon the above assessments and assumptions for the 31 properties, the valuers' DCF valuations were equivalent to a weighted average capitalisation rate of 4.79%. This compares to a rate of around 5.53% which was derived using a combination of the DCF and capitalisation rate methods.

ALE noted in particular that the valuer's assumed EBITDAR growth rate of 1.2% was 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 7.0% assumed by the valuers.

Over and above the management of the existing portfolio, ALE continued to evaluate a wide range of both small and large scale investment opportunities with the appropriate level of discipline required in the current market.

Capitalisation Rates and Bond Rates

Over past ten years ALE's capitalisation rates have reduced by 0.5%. This is relatively modest when compared to a 4.30% reduction in long term Australian government bond rates over the same period. The chart below shows that the current spread between ALE's capitalisation rates and bond rates of around 3.5% is at one of the highest levels in 10 years:



Property Developments by ALH

ALE and ALH have worked together constructively to agree a range of developments at a number of the properties during the year. These developments are expected to enhance business values for ALH and property values for ALE. Three examples include:

- Crows Nest Hotel, Sydney – ALH has invested around $8 million to completely refurbish the hotel which reopens in August 2016. The new facilities include five new function spaces across two floors

- Gepps Cross Hotel, Adelaide – ALH has invested around $6 million to substantially reconstruct the hotel which reopened in May 2016. ALH joined forces with Coopers Brewing to create Adelaide's first Coopers Alehouse

- Anglers Arms Hotel, Gold Coast - ALH is investing $8 million to completely reconstruct the hotel with a reopening expected in mid 2017. The new facilities will include a new hotel and Dan Murphy's.

Development Opportunities

Buildings occupy around 25% of the land owned by ALE. ALE has an increasing engagement with ALH with the objective of identifying opportunities to monetise and develop underutilised areas of land. Opportunities exist for ALH to utilise a larger part of the land for a range of uses.

Subject to council approvals, ALE and ALH may proceed with a range of significant developments under the existing leases or agree other mutually beneficial arrangements. The value of this opportunity is excluded from current statutory valuations and the current value of any under renting at the properties

In addition to a large number of refurbishments across the portfolio, over the past 13 years ALH has funded and constructed around 30,000 square metres of additional buildings on ALE's properties.

ALE's Unique and Favourable Lease Arrangements

ALE reminds investors of the strength of the properties unique and favourable lease arrangements. The particular terms of the leases that are notable include:

- Essentially triple net leases - for 83 of the 86 properties;
- Long term leases - weighted average lease expiry of around 12 years to November 2028;
- Near term market rent reviews - next in 2018 for 79 of the 86 properties, each capped and collared at 10%;
- Capital expenditure - the significant amounts of capital expenditure that ALH has funded and the positive impact that investment is expected to continue to have on ALH's operating profitability and ALE's market rent prospects at the properties;
- Change of control protections – a change in more than 20% of the ownership of ALH requires ALE's consent based on its reasonable opinion that ALH will continue to have the financial capacity, business skills, other resources and authorisations to enable it to conduct the permitted operating uses profitably and perform all of its the lease obligations (an exception applies if ALH becomes an ASX listed entity);
- Assignment protections - following ALE approved assignments, ALE continues to enjoy the benefit of an effective guarantee from ALH of any new tenant's obligations for the remaining lease term of around 12 years, as ALH is not released on assignment; and
- Operating profit protections - subject to regulatory changes and requirements, ALH has agreed that it will not reduce the number of gaming entitlements below 90% of the current numbers across ALE's properties.

It is notable that other ALH leases available to investors in the pub property market may not have the benefit of all the above positive terms.

Capital Management

ALE's capital position remains sound. This was evidenced by a steady reduction in gearing during the year and the maintenance of an investment grade credit rating. Gearing is now at an historic low of less than 45%.

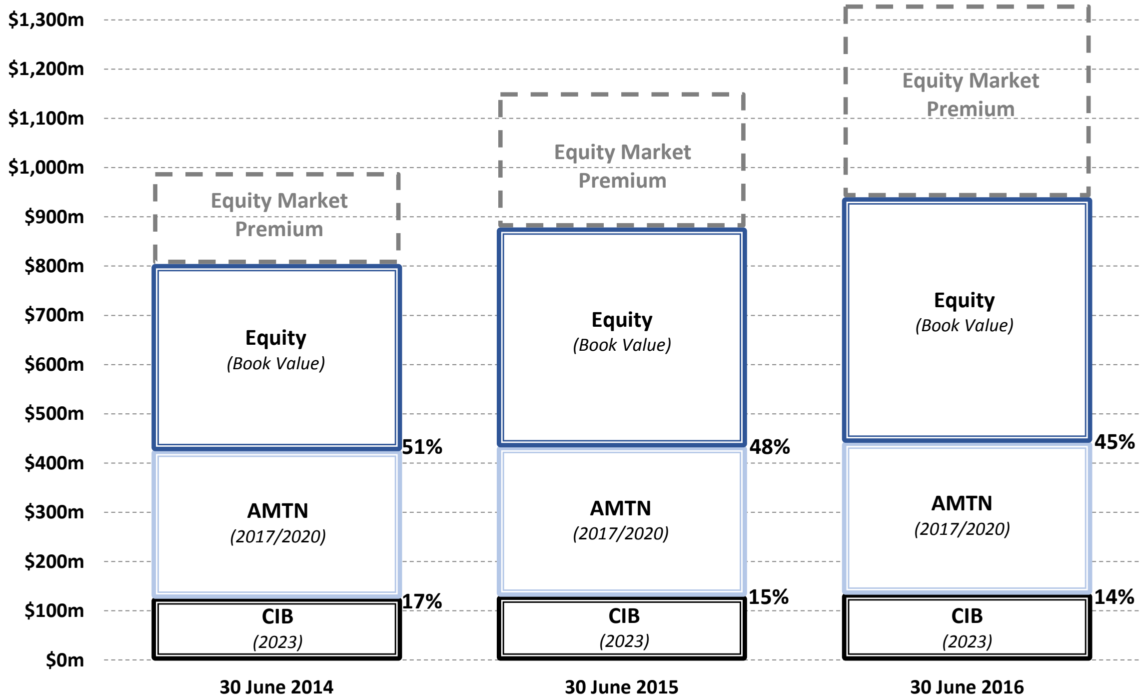
ALE's next debt maturity of $110 million will occur in August 2017. ALE is already prepared for this refinancing with a range of options available to it. Key debt market participants have continued to provide ALE with positive encouragement to issue in both the domestic and offshore capital markets. Activities during the year included a number of presentations to capital market participants throughout Australia, Asia and New Zealand. Meetings were also held with major US Private Placement debt investors in January this year.

In keeping with ALE's proactive policy of reducing refinancing risk and increasing the certainty of future distributions, interest rate hedging on 100% of ALE's net debt was extended by three years to November 2025.

ALE's debt capital structure continues to be 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 seven years
- 100% of net debt hedged at low rates – extended to nine years
- All up cash interest rate of 4.35% p.a. fixed until August 2017 maturity
- Lower gearing remains below target range at 44.9%[2] (48.0% at June 2015)

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), with debt maturities are diversified across the next one, four and seven years.



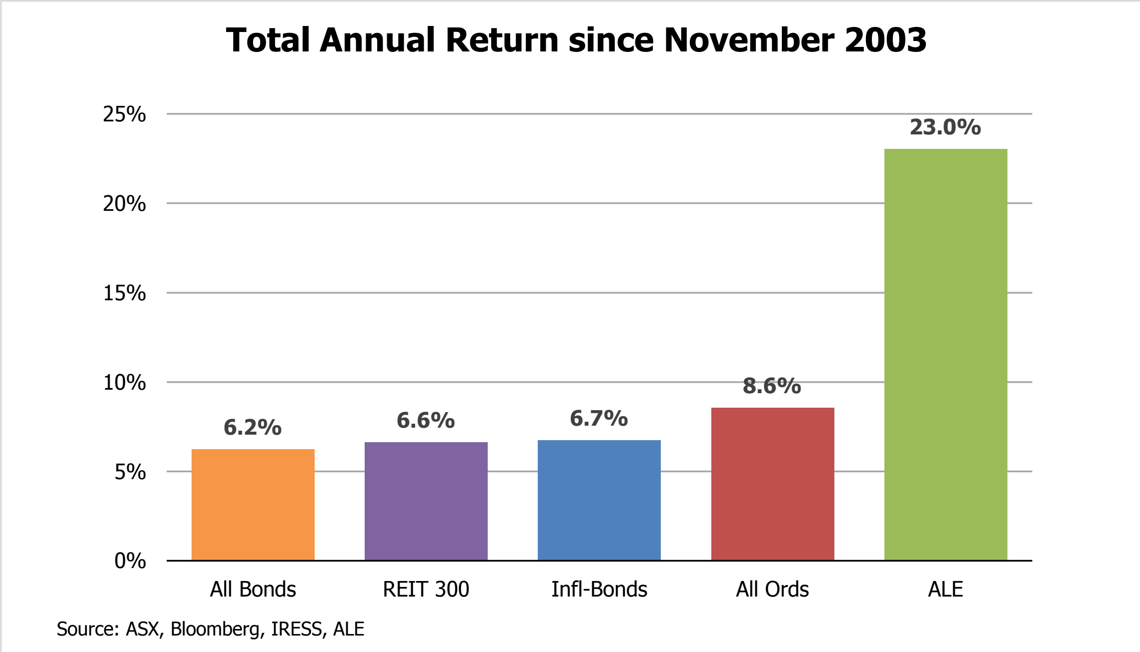
- Equity Market Premium is the difference between the equity market capitalisation based value and book value
- Covenant gearing references the book value of the properties
- June 2014 debt amounts assume redemption of ALE Notes 2

The chart demonstrates both the steady reduction in gearing and the increasing premium that the market is implicitly placing on the total value of the properties over and above their book or statutory value.

Finally, the AMTN issue includes 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 around 25% or $250 million before the nearest covenant is met.

ALE's Performance

The value of ALE securityholders' $1.00 investment at the time of ALE's listing nearly 13 years ago, with reinvested distributions, grew to $13.70[3] as at 30 June 2016. As indicated by the chart below, ALE has outperformed a number of different investment classes including AREITs in delivering a total securityholder return of 23.0% p.a. over that period.



1. Includes ALE's equity market price of $4.55 as at 30 June 2016 and reinvestment of distributions and 2009 renunciation payment
2. All Ordinaries Accumulation Index
3. BAIC0 Index - Australian credit inflation-linked securities
4. UBS S&P AREIT 300 Index
5. BAMST0 Index- composite of the Composite Bond, Inflation and Credit FRN indices

ALE's total returns over the past one, three and five years to 30 June 2016 were 29.5%, 25.7% and 26.1% p.a. respectively. The group's market capitalisation also increased by around 23% to $891 million during the year.

FY16 Distribution and DRP

The distribution for the six months to 30 June 2016 of 10.10 cents per stapled security will be paid on 5 September 2016 to securityholders on ALE's register as at 5.00pm on 28 June 2016. The full year distributions will be 100% tax deferred.

ALE announced on 19 June 2014 that the Distribution Reinvestment Plan (DRP) had been suspended until further notice. The suspension reflected ALE's strengthened capital and debt position. 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.

Indicative Proposal Withdrawn

As advised at last year's Annual General Meeting, in October 2015 ALE received an unsolicited, indicative, incomplete and non-binding Proposal from Caledonia (Private) Investments Pty Ltd to acquire up to 100% of ALE's stapled securities at a price of $3.95 per security.

ALE advised Caledonia that it did not consider the proposal was in the best interests of all securityholders and that it would not progress the Proposal. Caledonia withdrew its Proposal in November 2015 and discussions with ALE's Board in relation to the Proposal ceased.

Governance

Over the past three years ALE has appointed Pippa Downes, Paul Say and Nancy Milne to the Board.

In October 2015 one of the founding Directors Helen Wright retired from the Board after 12 years of distinguished service. We thank Helen for her wise counsel and commitment to ALE and wish her well in her future endeavours.

A search is currently underway for a new Chairman to succeed Peter Warne. Peter has been Chairman of ALE since the group's inception and ASX listing in 2003.

Michael Clarke replaced Brendan Howell as Company Secretary from 30 June 2016. After nearly 13 years of loyal service we wish Brendan well and thank him for his contribution. Michael has over 30 years of financial experience and has been ALE's Finance Manager for the past 10 years.

FY17 Outlook

ALE continues to anticipate a positive outlook for future market rent increases based on the significant under renting currently inherent in the portfolio. This view has been reinforced by the valuers' partial use of the DCF methodology in determining the June 2016 valuations. The valuers advise that the DCF method will receive greater emphasis as the market rent review dates draw closer.

ALE is increasingly engaging with ALH in identifying opportunities to monetise or develop underutilised parts of around 970,000 square metres (approximately) of total land area to further to enhance portfolio returns. The market will be informed when any agreements are reached.

At ALE's 2015 Annual General Meeting the Board provided distribution guidance of 20.00 cents per security for FY16 with the objective of maintaining the level of gearing over time. Accordingly, it is expected that the level of distributions in future years will be maintained and continue to grow at least in line with increases in the CPI.

In addition, the Board advised that it was seeking to move gearing back to the target range of 50% and 55% over time and would consider additional distributions, following completion of the 2018 rent reviews, to achieve that outcome.

In a market where lower interest rates and strong equity prices prevail, ALE will continue to assess potential disposals and acquisitions that align with both our disciplined capital management strategy and previously announced investment criteria. Even if these opportunities are not available, ALE will continue to work constructively with ALH to ensure that the existing portfolio of properties strong profitability levels are maintained and potentially enhanced through further development.

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.

2. AMTN covenant gearing = (Net Finance Debt – Cash) / (Total Assets – Cash). Derivatives values, deferred tax assets and unamortised borrowing costs are excluded. 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.

3. Accumulated value includes security price of $4.55 at 30 June 2016 plus reinvestment of all distributions and renunciation payments since ALE's 2003 listing. Total returns are sourced from UBS.

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