ASX ANNOUNCEMENT

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Results for Year Ended 30 June 2013

ALE Property Group (**ALE**) (ASX: LEP) today announced its financial results for the year ended 30 June 2013 and provided an updated outlook ALE.

Key Points

- FY13 distributable profit of 16.32 cps exceeded guidance by 2.0%
- FY13 distribution is 16.00 cps and is expected to be 34.76% tax deferred
- Property valuations increased by 1.9%
- Positive outlook for future market rent reviews is further enhanced by recent ALH funded improvements at ALE's properties and Victorian gaming changes
- Launch of Property Compendium - ALE owns the equivalent of ONE SQUARE KILOMETRE of freehold land across the 87 properties
- Average 22% [2] building to land utilisation may provide further upside for ALE
- Completion of comprehensive capital structure review. FY13 highlights are:
  - locked in low long term interest rates and simplified hedging
  - successfully completed $107m debt and equity capital raisings
  - average debt funding maturity remains long at 5.2 years
  - net covenant gearing reduced to 50.9% (FY12: 51.9%)
- Market capitalisation has increased by around 50% to more than $500 million
- FY14 distribution guidance of 16.00 cents per security increased by CPI
- ALE continues to outperform other A-REITs over the short and longer term.

Results for Year Ending 30 June 2013

A summary of FY13 results is provided in the table below:

Year Ended	**June 2013 $m**	June 2012 $m	Change $m
Property income	**53.3**	51.9	1.4
Interest income	**2.8**	3.8	(1.0)
Borrowing expense	**(17.8)**	(22.9)	5.1
Management expense	**(4.3)**	(3.7)	(0.6)
Land tax expense	**(2.3)**	(2.4)	0.1
Distributable Profit	**31.7**	26.7	5.0
Funds From Operations (FFO)	**31.7**	26.7	5.0
Stapled Securities on Issue	**194.2m**	159.9m	34.3m
Distributable Profit (cps)	**16.32**	16.79	(3.24)
Distribution per security (cps)	**16.00**	16.00	-

Note: Distributable profit excludes non-cash accounting items.

Accounting Result

ALE's operating profit after tax of $14.9 million for the year to 30 June 2013 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 several significant influences on distributable profit during the year to June 2013.

While property income increased, the most notable influence on distributable profit was a decrease in borrowing expense. As expected, borrowing expense decreased by around 22% on the prior year as a result of the hedging restructure completed in December 2012. Management expense was in line with the prior year after taking into account a significant recovery of legal costs in 2012. All the above factors led to ALE delivering a distributable profit ahead of guidance.

The distribution is expected to be 34.76% tax deferred.

Statutory Property Valuations

The latest property valuations demonstrate the high quality of ALE's portfolio. They reflect the tenant's strength and to some extent the unique leasing arrangements. The focus on quality and yield in property and wider markets remains as economic and market volatility continues.

The independent valuations conducted by Urbis and CBRE in June 2013 assessed the total individual property values at $786.0 million, a 1.9% increase, mostly reflecting the CPI rent increases.

The June 2013 independent valuations included a discounted cash flow analysis which for each of the properties contemplated a 10% increase in 2018. However the valuations attributed 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 to be considered in this valuation approach, the underlying property valuations may change.

The valuers noted that while long term interest rates and shorter term investment borrowing rates were materially lower, there was little transactional evidence to support a reduction in capitalisation rates. They also noted that a range of positive influences on future market rent were yet to be fully captured by the valuations.

Furthermore, ALE currently considers that a portfolio purchaser may be prepared to pay a premium for the value inherent in both the unique leasing arrangements and the positive outlook for market rent held by the valuers.

ALH - Tenant of ALE's Properties

ALH is the tenant for all 87 of ALE's Properties.

From data lodged with ASX and ASIC, we understand that ALH is performing well. ALH is Australia's largest and most profitable pub operator. ALH has delivered earnings growth significantly higher than CPI over the past decade.

ALH now operates more than 320 licensed venues and over 460 retail liquor outlets, including BWS and Dan Murphy's. For the year ending 30 June 2012, ALH reported earnings (EBITDAR) of $538.4 million, an increase of around 7% on the prior period.

In summary, the lease terms not only protect ALE as landlord but also capture benefits arising from ALH taking steps to make its operations at ALE's properties even more profitable. Subject to valuation principles and market conditions at the time, this should have a positive impact on market rent reviews in 2018 and beyond.

ALH has funded material amounts of capital improvements at ALE's properties including the addition of 20 Dan Murphy's stores and a large number of refurbishments. It is expected that this capital expenditure and the recent Victorian gaming regulation changes should be positive influences on the growth in ALH's EBITDAR at ALE's properties. Any further ALH development of ALE's properties may also enhance ALH's profitability.

As the 2018 review is just over five years away and the 2028 review is growing closer, it is timely to again remind ALE's securityholders of the opportunity those reviews may provide.

Capital Management

ALE's market capitalisation increased by around 50% to more than $500 million this year. This resulted from $72 million of capital raisings through a placement, SPP and DRP as well as a $107 million increase due to security price increases.

ALE's funding structure continues to be characterised by a diverse range of funding instruments with maturity dates averaging 5.2 years. The next scheduled maturity is the ALE Notes 2 in August 2014. ALE is entitled to elect to extend the maturity date by one or two years by paying additional redemption premiums.

At 30 June 2013, net covenant gearing[4] was down 1.0% to 50.9%. ALE continues to maintain appropriate headroom to all debt covenants equivalent to an average 25% fall in property values.

ALE has consistently sought to protect investors from interest rate risk and continues to have long term hedging in place to achieve this objective.

ALE undertook a detailed review of its hedging arrangements. The outcome of that review included a termination of the existing CPI Hedge at the break date and entry into a simpler and lower cost nominal hedge for a term of 10 years.

The interest rate for the new hedge was set at a low 3.83% p.a. close to the lowest level available since 1908 when the long term bond market was first established in Australia.

With the new nominal hedge there is no escalated amount payable. Finally, the bank counterparty is unable to exercise any discretionary rights to break the hedge before the end of the 10 year term.

At 30 June 2013, interest rates had moved to higher levels and accordingly the new hedge was around $8 million in the money.

ALE's Performance

According to UBS, during FY13 ALE delivered an annual total return of 33.2% p.a. compared to the ASX/S&P A-REIT 300 index at 24.0% p.a. total return.

Over the nearly 10 years since listing in 2003, ALE has outperformed all other A-REITs in the ASX/S&P 300, delivering a compound annual total return of 22.5% p.a. [3]

From an initial $1.00 investment at listing to September 2013, distributions to investors will have totalled more than $2.29 per security. The $1.00 investment in 2003 has a current accumulated value of $7.08.[3]

ALE Property Compendium

The latest ALE property compendium was released today. For the first time and for ease of use, it is also available on the following dedicated website:

www.aleproperties.com.au

The compendium includes aerial and ground photos with key metrics for each of ALE's 87 properties. ALE owns around 958,000 square metres of freehold land across 87 properties. This is equivalent to 10.3 million square feet, nearly ONE SQUARE KILOMETRE or equivalent to the Core Sydney CBD [2].

An average 22%[2] building to land utilisation at ALE's properties may provide an opportunity for further development by ALH and additional future earnings for ALH and market rent growth for ALE.

Distribution Payment and DRP

The distribution per stapled security of 8.00 cents will be paid on 5 September 2013 to stapled securityholders on ALE's register as at 5.00pm on 28 June 2013. The full year distribution is expected to be 34.76% tax deferred.

For the half year ending 30 June 2013, participation by securityholders in ALE's Distribution Reinvestment Plan (DRP) stood at approximately 25.4% of the current stapled securities on issue. The DRP will raise approximately $3.9 million in new equity.

FY14 Outlook

ALE has continued to preserve the quality of the existing property portfolio and is now exploring the opportunity to further diversify its funding sources.

In FY14 and beyond, our objective is to grow distributions from 16.0 cents per security in FY13 by CPI until the next refinancing. This guidance assumes an unchanged portfolio, hedging and capital structure.

Future years' tax deferred components are expected to be higher than in FY13 due to additional tax deductions generated by the hedge restructure. ALE's distribution guidance includes benefits from in-the-money counter hedges which will be fully amortised by around the time of the next refinancing.

A materially reduced gearing position provides the opportunity to maintain a stable distribution profile past the full amortisation of the counter hedge benefits.

As the credit markets have improved, ALE is already focussed on taking advantage of opportunities to complete a debt refinancing at lower ongoing costs, longer tenor or both. Specifically, in the coming year we will review opportunities to refinance 2016 debt maturities early if this is valuable for securityholders.

- Ends -

Further Notes

1. ALE has a policy of only paying distributions from free cash flow, 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 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.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.
2. The Sydney Core CBD is bound by Macquarie, Alfred, Sussex and Park Streets. Utilisation percentages are approximate only and exclude Dan Murphy's and other additions made by ALH
3. Accumulated value includes security price of $2.74 at 2 July 2013 plus reinvestment of all distributions to September 2013 and 2009 renunciation payment. Total returns are sourced from UBS.
4. ALE Notes 2 Covenant Net Gearing = (Net Finance Debt - Cash) / (Total Assets - Cash - Derivatives)

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