

ASX ANNOUNCEMENT

4 August 2016

Announcement No. 09/16

**The Manager
Corporate Announcement Office
Australian Securities Exchange**

ANNUAL REVIEW, ANNUAL REPORT AND PROPERTY COMPENDIUM 2016

Please find attached a copy of the ALE Property Group (ALE) Annual Review 2016.

ALE's Annual Report was released today.

ALE will mail the Annual Review to securityholders unless they have elected not to receive one.

The Annual Review, Annual Report and Compendium may be viewed at the following websites:

www.aleproperty2016.reportonline.com.au

www.aleproperties.com.au

- Ends -

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ANNUAL REVIEW 2016

QUALITY

INCOME | GROWTH | OPPORTUNITIES



2016 Chairman's and Managing Director's Message

ALE delivered a superior performance during the 2016 financial year. The Group's achievements included increasing property valuations and an enhanced capital position. These achievements saw ALE increase distributions, reduce gearing and deliver returns to securityholders that again outperformed the AREIT index by a material margin.



Peter Warne
Chairman



Andrew Wilkinson
Managing Director



SEE THE FULL YEAR IN REVIEW
aleproperty2016.reportonline.com.au

QUALITY RESULTS

There were a number of highlights for ALE during the year to June 2016. First, the assessed value of the properties increased by 10% to around \$1 billion. There was also a 19% increase in distributions to 20 cents per security. Importantly, the distributions were 100% tax deferred.

ALE'S PROPERTIES AND FINANCIAL PERFORMANCE

ALE's triple net leased properties recorded rental income of \$56.6 million and the Group delivered a distributable profit of \$29.6 million for the year.

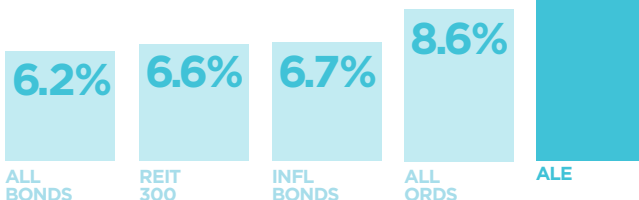
Following assessments by independent valuers CBRE and Herron Todd White, the average capitalisation rate on ALE's properties reduced from 5.99% to 5.53%. Over the past 10 years ALE's capitalisation rates have reduced by around 0.5%. This is relatively modest when compared to a 4.3% reduction in Australian long term government bond rates over the same period.

The valuers adopted a comprehensive range of methods in determining this year's valuations. The positive value of the prospects for future market rent reviews in 2018 and 2028 has been measured, albeit to a limited extent, through the application of a discounted cash flow method. The valuers advise that this method will receive greater emphasis as the market rent review dates draw closer.

ALH, as the tenant at each of the properties, continues to perform strongly and has again this year committed development expenditure across the portfolio. ALE continues to work constructively with ALH to further protect and enhance the value of ALE's portfolio and ALH's business.

TOTAL ANNUAL RETURN SINCE NOVEMBER 2003

Source:
ASX, Bloomberg, IRESS, ALE



A \$1.00 investment in ALE 13 years ago, with reinvested distributions, grew to \$13.70 as at 30 June 2016. ALE has consistently outperformed a number of different investment classes.

CAPITAL STRUCTURE

ALE's capital position remains sound. This was evidenced by a steady reduction in gearing 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.

ALE's debt maturities are spread across the next seven years and the average hedging term on 100% of the net debt was extended during FY16 to around nine years.

The Group's market capitalisation increased by around 23% to \$891 million and ALE's total returns continued to outperform the AREIT index this year by a material margin.

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 it. 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 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.

LOOKING FORWARD

As previously advised, following consultation with a large number of securityholders, ALE increased the level of distributions during 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.

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

We again thank ALE's securityholders for their continuing support during the past financial year and look forward to your attendance at ALE's Annual General Meeting at 10am on Tuesday, 25 October 2016 at the Sydney Sofitel Wentworth.

THREE LAYERS OF VALUE



- ALE owns around one square kilometre of land
- More than 90% of that land is located in Australian capitals and major cities
- Average 25% of the land is utilised by buildings
- Exploring opportunities for ALE and ALH to work together for mutual benefit
- Potential for rental growth at market rent review dates
 - 2018: may increase or reduce by up to 10%
 - 2028: may increase or reduce by an unlimited amount
- Material capital expenditure by ALH over the past 13 years
 - Tenant's operating EBITDAR enhanced by capital expenditure
 - Higher EBITDAR positively enhances market rent review prospects
- 100% of properties leased to ALH
- Long term triple net leases with average lease term of 12 years
- ALH – Australia's largest pub operator

DISTRIBUTION ↑19%

20cps

PROPERTY VALUES ↑10%

\$990m

AVE LEASE TERM ↓1 YR

12yrs

NET GEARING ↓3%

45%

ALL UP DEBT INTEREST RATE

4.35%

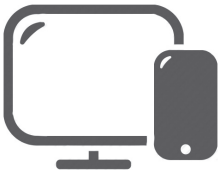
AVE DEBT TERM ↓1 YR

4yrs

AVE HEDGING TERM ↑2 YRS

9yrs

Note: Amounts are rounded.
Please see other results
materials for more details.



SEE THE FULL
YEAR IN REVIEW
aleproperty2016.reportonline.com.au

REVIEW OUR
PROPERTIES ONLINE
aleproperties.com.au

VISIT US
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alegroup.com.au

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