

ASX ANNOUNCEMENT

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

ANNUAL REVIEW, ANNUAL REPORT AND PROPERTY COMPENDIUM 2017

Please find attached a copy of the ALE Property Group (ALE) Annual Review 2017.

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

ALE's Annual Report was released on 8th August 2017.

ALE Property Group released the following 2017 reporting materials:

- FY17 Annual Review aleproperty2017.reportonline.com.au
- FY17 Annual Report aleproperty2017.reportonline.com.au
- FY17 Property Compendium aleproperties.com.au

ALE's website contains all the results materials alegroup.com.au

ALE's website also two includes new videos

- FY17 results highlights including Q&A with both ALE's Chairman and Managing Director
- Tour above and through the Crows Nest Hotel, Sydney, NSW

- Ends -

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VALUE

INCOME

GROWTH

OPPORTUNITIES

CROWS NEST HOTEL SYDNEY

“The Crowie” has long been an institution on the lower North Shore of Sydney. In 2016 an \$8m investment was made to completely refurbish the hotel. The new facilities now feature five new function spaces across two floors. The hotel is performing very strongly for ALH. This provides positive prospects for ALE’s securityholders through rental increases at future market rent review dates.



VISIT OUR 2017 ANNUAL REVIEW WEBSITE
FOR MORE INFORMATION
aleproperty2017.reportonline.com.au



YEAR IN REVIEW

CHAIRMAN'S AND MANAGING DIRECTOR'S Q&A

"It is an honour to succeed Peter Warne as Chairman of ALE. On behalf of my fellow Directors, I acknowledge and thank Peter for his outstanding service and leadership as Chairman since ALE listed on the Australian Securities Exchange (ASX) in 2003.

Over those nearly 14 years, the accumulated value of a securityholder's original \$1.00 investment, with reinvested distributions, had grown to \$14.72 at 30 June 2017. Peter oversaw ALE's market capitalisation growth from \$91 million to more than \$900 million today, delivering a total return of around 22% per annum. This is testament to Peter, the Board and management team and a good relationship with a strongly performing tenant."

Robert Mactier

Rob, please tell us about your background and other corporate responsibilities?

I have a background of more than 30 years in investment banking providing capital markets and M&A advice to corporate clients.

In addition to ALE, I am currently Chairman of ASX listed WPP AUNZ Limited and act as a consultant to the investment bank UBS AG. I previously served for ten years as a non-executive Director of NASDAQ listed Melco Resorts and Entertainment Limited.

Rob, your impressions of ALE since joining the Board and being appointed Chairman?

I was attracted to the invitation to join ALE as I considered that it had been both well governed and managed since the IPO in 2003, with a single minded focus on the generation of value for the benefit of its securityholders.

I pay tribute to Peter's outstanding Chairmanship over the 14 years since listing, a period that has seen ALE significantly outperform all sectors of the market.

Looking ahead, I believe that ALE has an opportunity to further enhance and expand its relationship with ALH to the mutual benefit of landlord and tenant.

Andrew, what were the highlights of ALE's FY17 results?

FY17 was another good year. In line with guidance, distributions increased by 2.0% to 20.40 cents per security and again they were 100% tax deferred.

The properties' valuations increased materially which made a substantial contribution to the decline in ALE's gearing to a record low.

ALE also completed a successful debt refinancing at a very competitive interest rate.



“We are very grateful for the significant financial and commercial wisdom that Peter contributed during his time with ALE. The management team is looking forward to working closely with Rob and the rest of the Board in seeking to continue to deliver value to ALE’s securityholders.”

Andrew Wilkinson

Andrew, what is driving the valuations of the properties higher?

Quality properties in the current market are being purchased at lower capitalisation rates. In addition, the independent valuers are increasingly using Discounted Cash Flow (DCF) methodology to assess the value of ALE’s properties. The DCF approach goes some way towards including the impact of the future market rent reviews, in 2018 and particularly the open reviews in 2028.

There is also recognition of the core strategic importance to ALH’s operations of ALE’s properties and the options ALH has to renew the leases for up to 40 years beyond the initial lease terms. ALE’s properties have been operating as pubs in their current locations for more than 60 years on average.

The 9.1% increase in valuations during the year to \$1,080 million and an average capitalisation rate of 5.14% saw ALE’s gearing decline to 42.7%, well below the medium term target of 50 to 55%. This target has regard to the difference between the current rents and their anticipated future market levels.

Andrew, what were the highlights from the refinancing last year?

ALE completed an issue of \$150m of Australian corporate bonds in March 2017 with a term of around 5.5 years.

At a 1.50% credit margin and an all up rate of 4.00%, this was a very competitively priced outcome and reduced ALE’s weighted average cost of debt to 4.26% p.a.

ALE now has debt maturities spread over the next six years and base interest rates are 100% fixed or hedged for around the next eight years. ALE’s debt capital position remains sound.

Andrew, how have returns to ALE’s securityholders compared to other investments over the past 14 years?

Over the past one, three, five, 10 and 14 years to 30 June 2017, ALE has delivered total returns that have outperformed the S&P/ASX 300 AREIT index. Over the past three, five, 10 and 14 years to 30 June 2017, ALE has delivered total returns that have outperformed the S&P/ASX All Ordinaries Index.

Over and above those total returns, a significant portion of ALE’s distributions have been tax deferred.

Rob, what is the outlook for ALE?

ALE’s single minded focus on the quality of our portfolio and the enhancement of securityholder value provides a solid foundation for a positive outlook. ALE is well advanced in preparations for the November 2018 market rent review and we look forward to the completion of that process. ALE’s Board continues to affirm previous guidance that the FY18 distributions will continue to grow at least in line with increases in the CPI and we expect them to be 100% tax deferred.

ALE will also continue to work constructively with ALH in exploring the potential to further enhance ALH’s existing strong operating profitability through new developments or better site utilisation.



Robert Mactier
Chairman



Andrew Wilkinson
Managing Director

VALUE

ALE's Board encourages securityholders to consider all aspects of the portfolio's value. There are three distinct layers of value inherent in ALE's properties:

1

INCOME

- 100% of ALE's 86 properties are leased to ALH, Australia's largest pub operator
- Long term triple net leases with an average lease term of 11.3 years plus four 10 year options for ALH to renew
- Properties of core strategic operating importance to ALH
- Properties have operated in current locations as pubs for more than 60 years on average
- ALH is 75% owned by Woolworths and 25% by the Bruce Mathieson Group
- Woolworths is Australia's largest liquor retailer

2

GROWTH

- Rents are expected to take a small step increase towards market levels at November 2018 as the market rent reviews for each property are capped and collared within 10% of the 2017 rent
- Rents on four properties have already been agreed at a fixed 10% increase and will be reviewed again in around 11 years
- Individual hotels' outlook, their EBITDAR results in the years leading up to reviews and market rent parameters will be important to outcomes
- Rents are expected to take a much larger step increase at 2028 as the rent for each property is able to fully revert to market levels

3

OPPORTUNITIES

- ALE's properties have a significant land value component
- More than 90% of the -1 square kilometre of land owned by ALE is located in Australian capitals and major cities
- ALE and ALH continue to explore opportunities to work together on redevelopment of underutilised properties for mutual benefit
- Alternate use opportunities exist at some properties in the longer term

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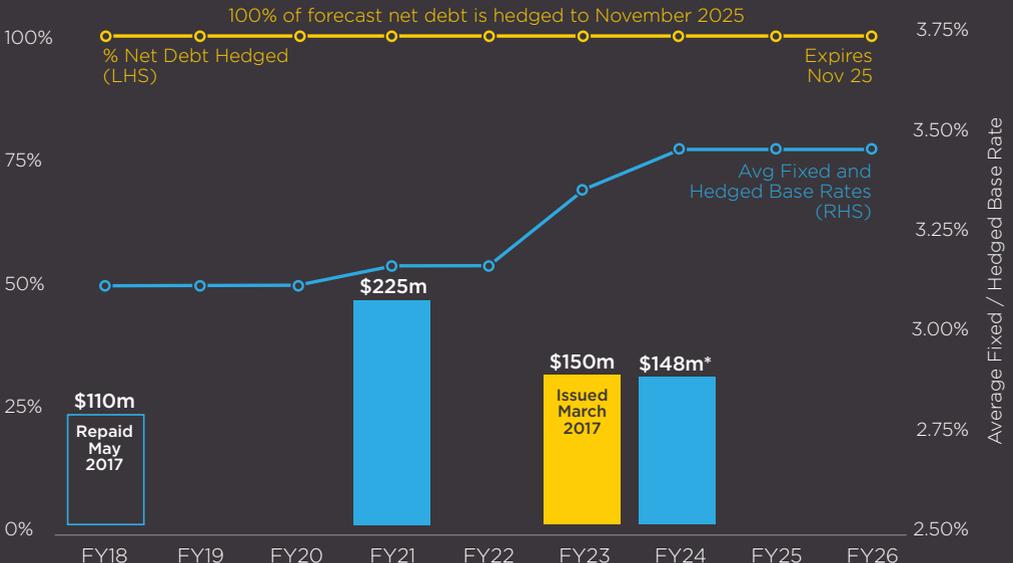
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RESULTS

HIGHLIGHTS



DEBT CAPITAL



* balance escalates with CPI