ANNUAL
REVIEW
2018

15 YEARS OF ADDING

VALUE

CURRENT INCOME

FUTURE INCOME

LONG TERM VALUE

ALE PROPERTY GROUP

AUSTRALIA'S LARGEST PUB LANDLORD

The current value of ALE's 86 pub properties stands at more than $1.1 billion making the Group Australia's largest pub landlord.

For more information visit our 2018 Annual Review website:
aleproperty2018.reportonline.com.au

"We look forward to continuing to work with ALH to make substantial improvements to ALE's properties for our mutual benefit."

GEPPS CROSS HOTEL, ADELAIDE SA

June 2018 Value	Acquisition Cap Rate	June 2018 Cap Rate
$8.2m	9.9%	3.7%

VALUE

THERE ARE THREE DISTINCT LAYERS OF VALUE INHERENT IN ALE'S PROPERTIES

ONE CURRENT INCOME

- 100% of the properties are leased to ALH, Australia's largest pub operator
- Long term triple net leases (83 of 86 properties)
- Properties have operated in current locations as pubs for more than 60 years on average

TWO FUTURE INCOME

- Rents are expected to increase at market rent reviews in 2018 and 2028

THREE LONG TERM VALUE

- 95 hectares of land
- 90%+ of the properties are located in capital or major cities
- Strategically important sites for ALH
- ALE and ALH continue to explore development opportunities together for mutual benefit
- Mixed and alternate use opportunities exist in the longer term

ALE's Board encourages securityholders to consider all aspects of the portfolio's value.

MIAMI TAVERN, GOLD COAST QLD

RESULTS

HIGHLIGHTS

During the year ALE's strong results were evident across the property portfolio, capital management matters and equity performance.

Statutory property values

$1,136.3m

Average cap rate
4.98%

Average lease term
10.3 years

Rental income growth
1.9%

Gearing
41.6%

Average debt maturity
3.7 years

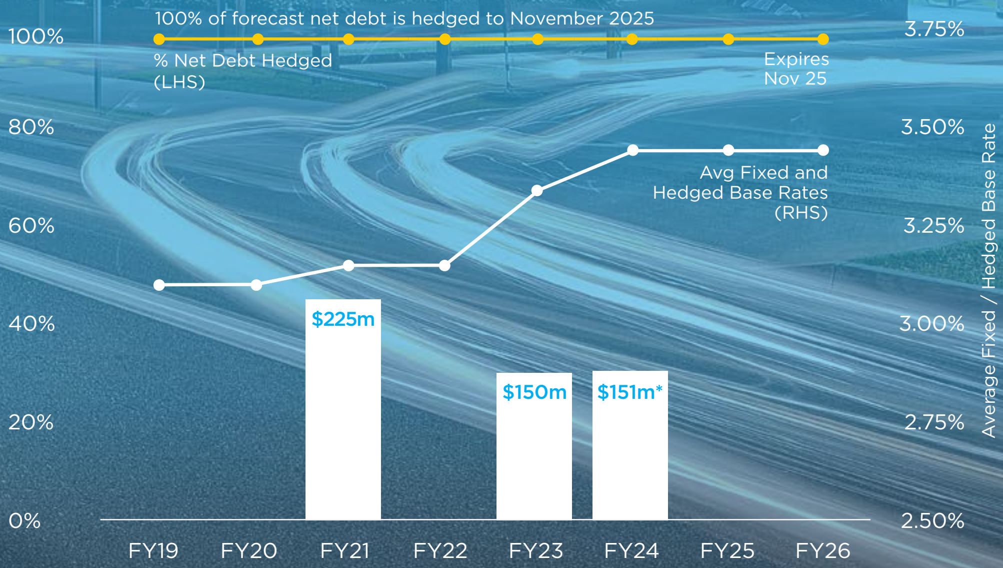
Hedge maturity
7.4 years

All up cash interest rate
4.26%

Distribution
20.8 cps

Tax deferred
100%

DEBT MATURITIES AND HEDGING PROFILE



* Balance escalates with CPI

YEAR IN REVIEW

CHAIRMAN'S AND MANAGING DIRECTOR'S Q&A

"We maintained our core strategy of ensuring that we preserve, enhance and extract maximum value for our securityholders from our existing portfolio."

Robert Mactier

Rob, we welcome your overall reflections on the past year

In my first full year as Chairman I am pleased to report to securityholders that:

- it was another solid year with ALE's distribution in line with the Board's guidance;
- we maintained our core strategy of ensuring that we preserve, enhance and extract maximum value for our securityholders from our existing portfolio; and
- we worked constructively with ALH to bring to fruition a number of significant capital expenditure projects (most notably new Dan Murphy's at the Gepps Cross and Miami Hotels).

Andrew, what were the highlights of ALE's FY18 results?

ALE delivered positive outcomes across all key financial metrics. First, distributable profit was in line with guidance. The Board accordingly declared distributions totalling 20.80 cents per security, 100% tax deferred. This represents a 2.0% increase on the prior year.

The properties' valuations increased again during the year, while gearing declined to a low of 41.6%.

Over the past year the total return for securityholders was 24.5% and over the 15 years since ALE's original ASX listing the return has been 22.0% p.a.

> "The total value of ALE's properties increased by 5.0% to around $1,136 million during the year. The current values reflect both the strong demand for quality pub properties like ALE's and an increased recognition of the expected positive prospects for rental growth from market rent reviews in 2018 and 2028."
>
> Andrew Wilkinson

Andrew, how have the values of the properties moved during the year?

The past year has reinforced the view that high quality properties continue to be sought after.

In line with this market trend, ALE's 86 properties were assessed at around $1,136 million at the year's end, representing a 5.0% increase. The outcome was driven by two factors:

- a general tightening in capitalisation rates driven by a general scarcity of comparable high quality pub properties; and
- the valuers continue to take into account the impact of rental increases that are expected from this year's rent review and more significantly in 2028 when the properties will receive full market rent reviews.

We remain confident that the property values are underpinned by quality locations and the strategic importance of those properties to the underlying business of ALH as is evidenced by the extent of the development and refurbishment works undertaken by ALH. It is also notable that there is a lack of commercially viable alternative capital city locations from which a pub business may operate. For these reasons, we remain very confident in the long-term lease renewal prospects for our properties.

Andrew, what is the process for the review of the rentals for the properties later this year?

A market rent review for 80 of the 86 properties will proceed during the second half of 2018, with individual rent increases or decreases of up to 10%. Two properties have already been agreed at an increase of 10%. A further three properties have review dates in later years and the final three properties are subject to non-standard leases.

Whilst the rent review process has commenced, it is too early to know the timing or the quantum of the rent review outcomes. The outcomes will be subject to commercial negotiation and/or formal determination.

Rob, what is the outlook for ALE?

ALE's investors have received 100% tax deferred distributions for many years due to the progressive recovery of carried forward tax losses. While those losses have now been fully recovered, ongoing deductions are expected to result in the FY19 distribution being at least 50% tax deferred.

ALE has committed extensive time and resources to ensuring that it is well positioned for the rent review process. As previously foreshadowed, the difference between passing and market rents across the portfolio is not uniform. ALE is confident of a positive result across the properties under review but we do not necessarily expect that all of the properties will achieve the maximum 10% rental uplift.

ALE also holds the view that the current market rent review process is a positive indicator for the more significant uncapped or open market rent review in 2028, which will be an opportunity to realise the full value of rents at open market levels.

As previously flagged, following the completion of the rent review process, the Board will review distributions and capital management policy. The Board will take into account the results of the rent review, prevailing property and capital market conditions and, importantly, the preferences of a wide range of securityholders.

Robert Mactier	**Andrew Wilkinson**
Chairman	Managing Director

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