ALE Property Group
June 2014 Full Year Results – *6 August 2014*

Hamilton Hotel, Hamilton, Brisbane, QLD

Australian Leisure and Entertainment Property Management Limited ABN 45 105 275 278
Australian Leisure and Entertainment Property Trust ARSN 106 063 049

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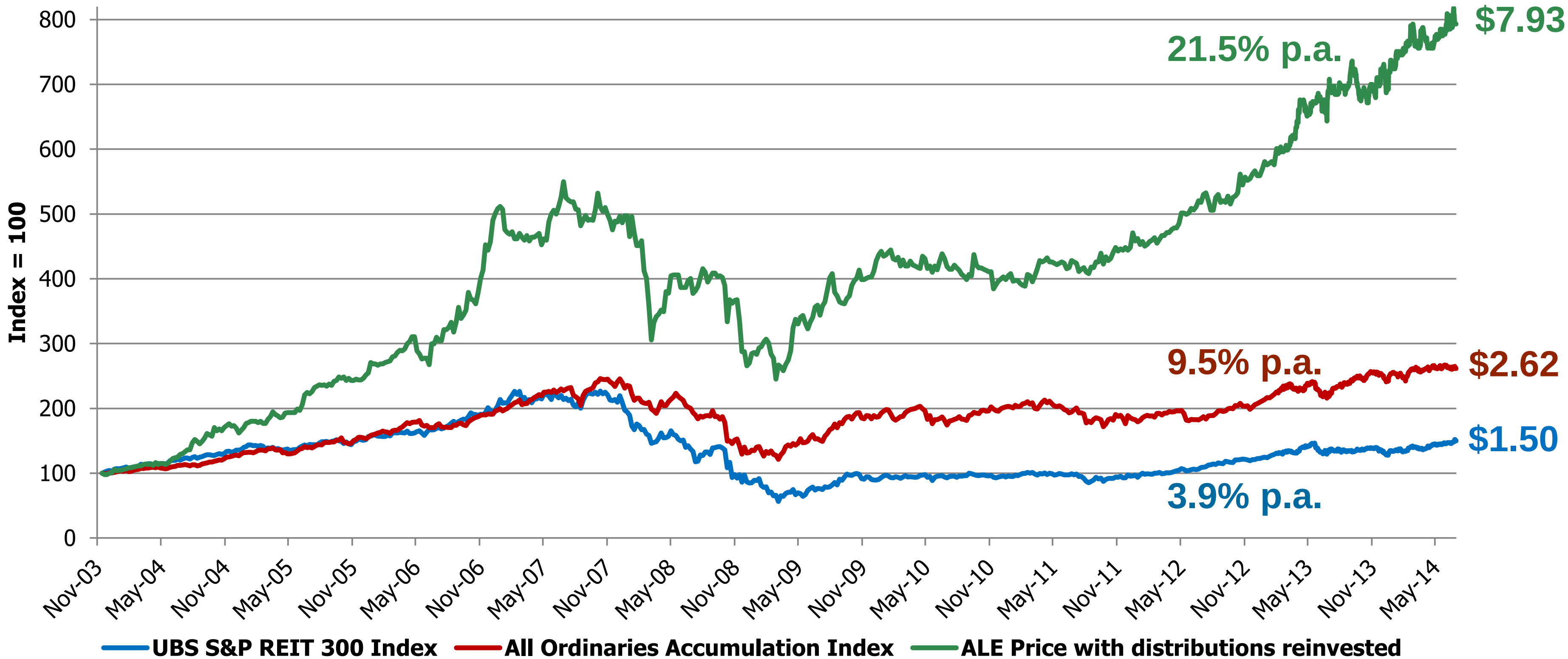
ALE Property Group
Growing Securityholder Value – Consistently

- **High quality properties**
- **Low risk capital structure**
- **Growing, long term and secure rental income**
- **Positive prospects for market rent review upside**
- **Highly experienced and well credentialed Board**
- **Experienced management team**
- **One of lowest management expense ratios in AREIT sector**
- **Consistent strategy to grow distributions and securityholder value**

10+ Years of Equity Performance

$7.93 of Accumulated Value

Relative Value Performance - Since IPO



Sources: ASX, IRESS , ALE

ALE : $1.00 invested in 2003. $7.93 of accumulated market value[1]

1. Includes equity market price as at 30 June 2014 and reinvestment of distributions and 2009 renunciation payment

Financial Highlights
Full Year to 30 June 2014

- FY14 distributable profit of $31.2m or 15.96 cps
- FY14 distribution of 16.45 cps
  - exceeded guidance of at least 16.35 cps
  - 96.43% tax deferred and 3.57% CGT concessional
  - fully funded out of current and prior year accumulated distributable profits
- $335m AMTN refinancing and hedge restructure ensures strong capital position
  - maturity dates now diversified over next three, six and nine years
  - simplified debt structure includes just two types of fixed rate bonds
  - lower base interest rates fixed and simplified hedging for 8.8 years
  - savings from all up interest rate of 4.35% p.a. that is fixed until FY18.
- ALE named “AREIT of the Year” by PIR in November 2013

Property Highlights
Full Year to 30 June 2014

- Property revenue of $54.69m, up $1.4m vs pcp
- 86 properties' statutory valuations increased by 5.14% to $821.68m due to
  - CPI rental growth of 2.25%
  - average capitalisation rate reduced from 6.59% to 6.42%
  - QLD land tax reductions
- All independent (DCF) valuations assumed a 10% capped increase in 2018 rent
- Weighted average lease expiry of around 14.3 years
- Portfolio value includes future market rent reviews arising from enhanced ALH profit
  - significant capital expenditure by ALH at the properties
  - Victorian gaming changes continue to provide materially positive impact
  - potential for further valuation uplift from 2028 open market rent review

FY14 Results
Net Profit (IFRS) and Distributable Profit

Year ending 30 June ($m)	**2014**	2013
Total Revenue (Rental income)	**54.2**	53.1
Total Other Income (Interest income and property revaluations)	**42.9**	18.6
Total Expenses (Cash and non-cash expenses and derivative revaluations)	**(54.9)**	(56.2)
Income Tax Expense (Non-cash)	**(5.0)**	(0.6)
Net Profit After Income Tax (IFRS)	**37.2**	14.9
Add Back: Non-cash fair value increments to investment properties	**(40.2)**	(15.1)
Non-cash fair value decrements to derivatives	**21.2**	25.5
Realised (profit) on property sale (Partial sale of Wilsonton)	**-**	(0.5)
Employee share based payments	**0.3**	0.1
Non-cash finance costs	**7.7**	6.2
Non-cash income tax expense	**5.0**	0.6
Distributable Profit	**31.2**	31.7

ALE has a policy of only paying distributions 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. It is also equivalent to Funds from Operations (FFO). Non IFRS measures within this presentation have not been audited or reviewed in accordance with Australian auditing standards by ALE's auditor, KPMG.

FY14 Results
Distributable Profit

Millions	FY14	FY13	Comments
Revenue from Properties	**$54.7**	$53.3	➢ CPI based rent increase and other income
Other Revenue	**$2.2**	$2.8	➢ Reduced average cash balances and deposit rates
Borrowing expense	**$19.0**	$17.8	➢ Includes expected one off CMBS prepayment cost of $1.7m
Management expense	**$4.6**	$4.3	➢ Remains one of lowest expense ratios in AREIT sector
Land tax expense	**$2.1**	$2.3	➢ Land tax for QLD properties only. Successful objections
Distributable Profit [1]	**$31.2**	$31.7	➢ In line with expectations after one off prepayment cost
Funds From Operations (FFO)	**$31.2**	$31.7	➢ Equal to distributable profit
Securities on Issue	**195.7**	194.2	➢ Increase from September 2013 DRP. Now suspended
Distributable Profit (cps)	**15.96c**	16.32c	➢ In line with expectations after one off prepayment cost
Distribution (cps)	**16.45c**	16.00c	➢ Exceeded guidance of 16.35c. Additional 0.49c paid from prior period accumulated distributable profits

1. Distributable Profit excludes non-cash accounting items – see full reconciliation to IFRS Net Profit

ALE's Properties

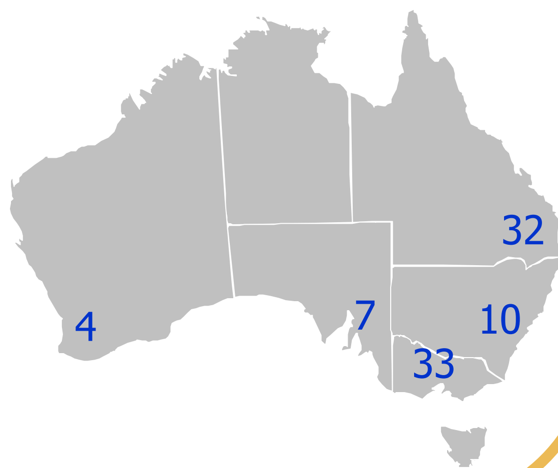
High Quality, Well Located and Significant Development Potential

Burvale Hotel, Melbourne, VIC

High Quality Property Portfolio
Summary of Portfolio and Leasing Arrangements

- ALE (ASX:LEP) is the largest freehold owner of pubs in Australia
- Owns 86 pub freehold properties across the mainland capital cities
- Long term favourable lease structure provides security of income growth
  - 25 year initial term with average 14.3 years remaining
  - 83 properties on triple-net[1] leases
  - four options for ALH to extend lease by up to 40 years
- Favourable rental outlook backed by ALH's capital expenditure
- 100% leased to ALH who is
  - Australia's leading pub operator
  - 75% owned by Woolworths Limited
  - owner of licences and certain development rights

ALE's 86 Pubs in Australia



1. Three of the 86 properties are on double-net leases

High Quality Property Portfolio
Consistent Strategy Driving Growth in Securityholder Returns

- ALE has a strong understanding of the commercial pub property market, the industry's leasing arrangements and the drivers and risks to valuation
- Based on this capability, ALE has implemented a disciplined and consistent approach to both small and larger scale acquisition and disposal opportunities
- ALE actively reviews opportunities which meet its portfolio criteria:
  - quality tenant covenant with diverse locations and sustainable profitability
  - long term leases with an indexed rental structure, where the outgoings and development risks are assumed by the tenant
  - smaller value properties that are attractive to a range of investors
  - properties that will remain strategically important to the tenant's core operations
- Over the past ten years ALE has acquired $100m of properties at an average cap. rate of 7.2% and sold $137m of properties at an average cap. rate of 6.1%

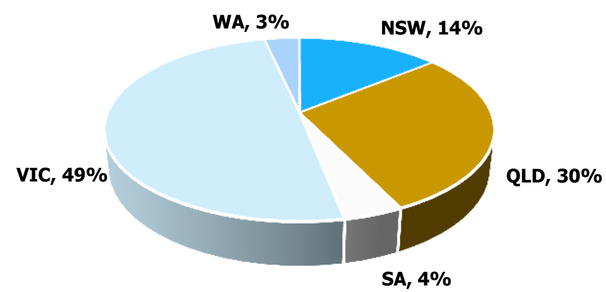
High Quality Property Portfolio - Valuations
30 June 2014 Valuations

- <u>Valuations increased 5.14% over the year</u>
- Cap. rate reduced from 6.59% to 6.42% – within range of 6.1% and 6.6% since 2006
- Valuations substantially exclude significant capital expenditure by ALH
- Diversity of property values across the portfolio ranging from $2.1m to $21.2m with an average of $9.6m. Value range is liquid through the cycle and highly marketable to investors.

Portfolio breakdown by geography (as at June 2014)

	Number of properties	Value ($m)	Average Value ($m)	WACR
NSW	10	113.9	11.4	6.56%
QLD	32	241.0	7.5	6.33%
SA	7	33.6	4.7	6.52%
VIC	33	406.0	12.3	6.41%
WA	4	27.3	6.8	6.75%
Total	**86**	**821.7**	**9.6**	**6.42%**

Geographic Diversity By Value



WACR: Weighted Average Cap Rate

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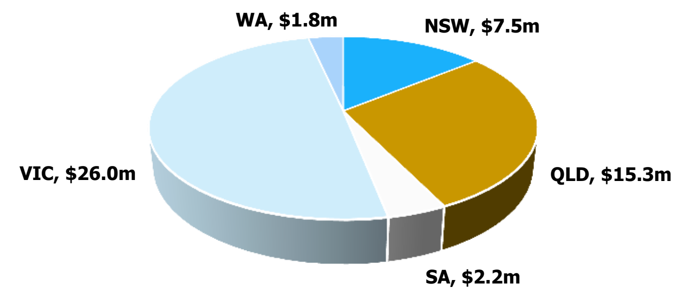
Quality Property Portfolio - Rent
Favourable Outlook for Rental Income

- FY14 rental income increased to $54.7 million following annual CPI increase of 2.25%
- Weighted average lease expiry of 14.3 years
- Stable and predictable revenues across a diverse portfolio of properties with no single property concentration risk

Geographic Diversity by Net Rental Income



- Significant development capex by ALH across portfolio - not yet reflected in rent
  - all FY14 independent valuations assumed a 10% increase for 2018 capped rent review
  - further uncapped market rent review in 2028 provides further rent upside
  - average 25% building to land utilisation (approx.) provides market rent upside through development opportunities undertaken by ALH

ALE PROPERTY GROUP

Case Study – Property Redevelopment by ALH
Hamilton Hotel, Hamilton, Brisbane, QLD

2003

2014

- Located between Airport and CBD on Brisbane River, near Breakfast Creek Hotel
- Acquired for $6.6m in 2003 at cap rate of 7.0%
- ALH spent ~ $13m in 2009 to reconstruct hotel and add Dan Murphy's
- Hotel EBITDAR for ALH is now significantly higher than it was before development
- Valued at June 2014 at $9.6m at cap rate of 6.01% (limited recognition of capex)
- Market rent reviews due in 2018 (10% collar) and 2028 (open)

ALE Property Group
Capital Management

Young & Jackson Hotel, Melbourne CBD, VIC

Capital Management
Strategic Objectives Met

- **ALE's capital management strategy is focussed on reducing refinancing risk, while delivering consistent growth in distributions**
- During FY14 ALE met its objectives through a debt refinancing which:
  - simplified the capital structure even further
  - transacted at one of the low points in the credit market since 2007
  - retained long term and cost effective CIBs
  - diversified and extended the debt maturity profile
  - established a presence in a more liquid and flexible debt capital market
  - reduced the credit margins materially over the next six years
  - maintained a long term and 100% fixed / hedged base interest rate profile

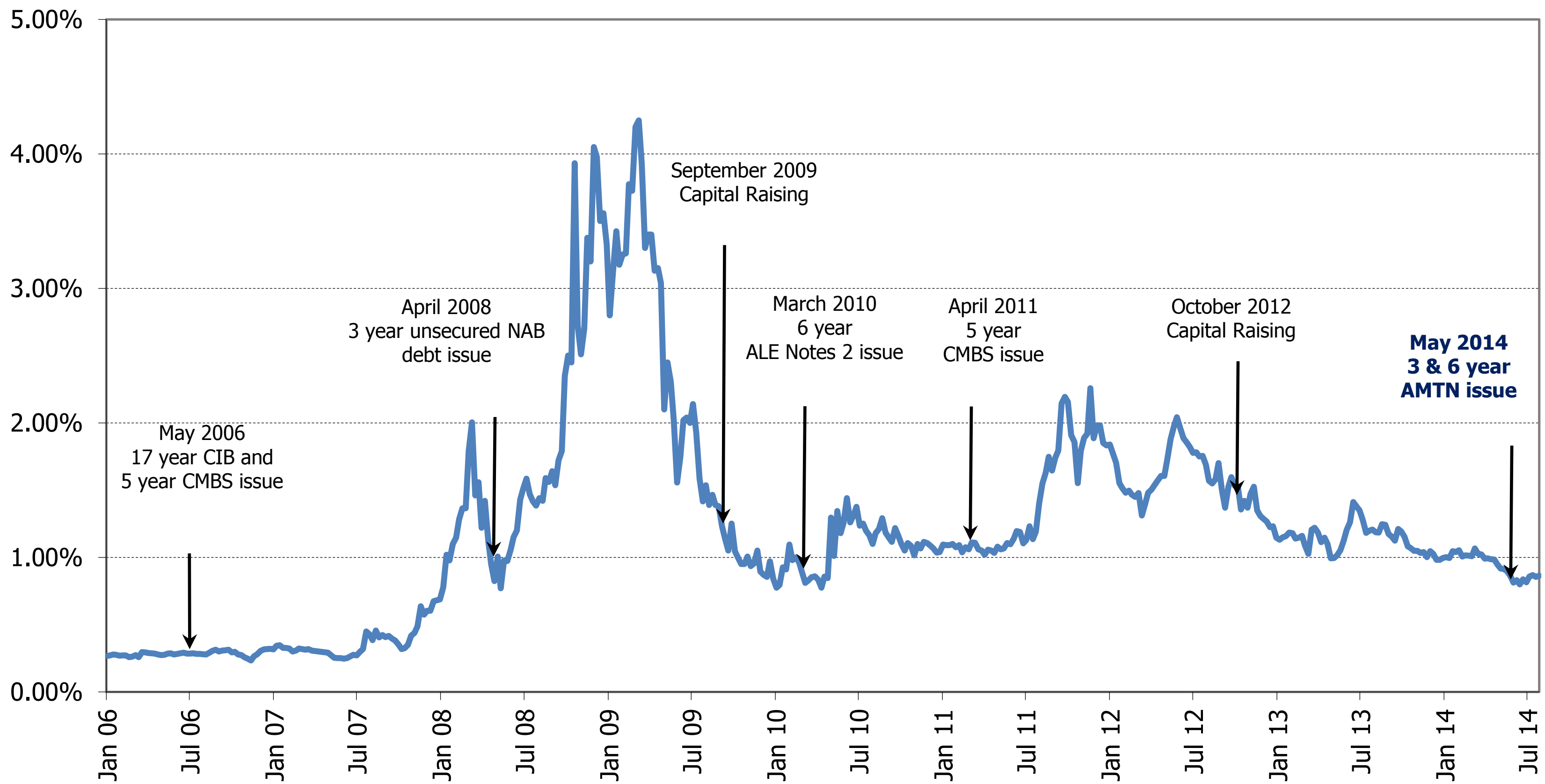
Capital Management
Investment Grade Rating and Refinancing

- Investment grade credit rating of Baa2 assigned by Moody's to ALE DPT
- Significant refinancing was completed on 29 May 2014
- Issue of $335m of Australian Medium Term Notes (AMTN) included:
  - 3.25 year notes of $110m at 1.30% margin
  - 6.25 year notes of $225m at 1.50% margin
- Proceeds progressively applied to full repayment of existing facilities:
  - $160m of CMBS (completed 20 June 2014)
  - $165m of ALE Notes 2 (bought back on market/to be completed 20 August 2014)
  - restructure and termination of associated interest rate hedging facilities
- Base interest rates on 100% of ALE's net debt are fixed/hedged for average 8.8 years

Capital Management

AMTN executed at one of the low points in the credit market since 2007

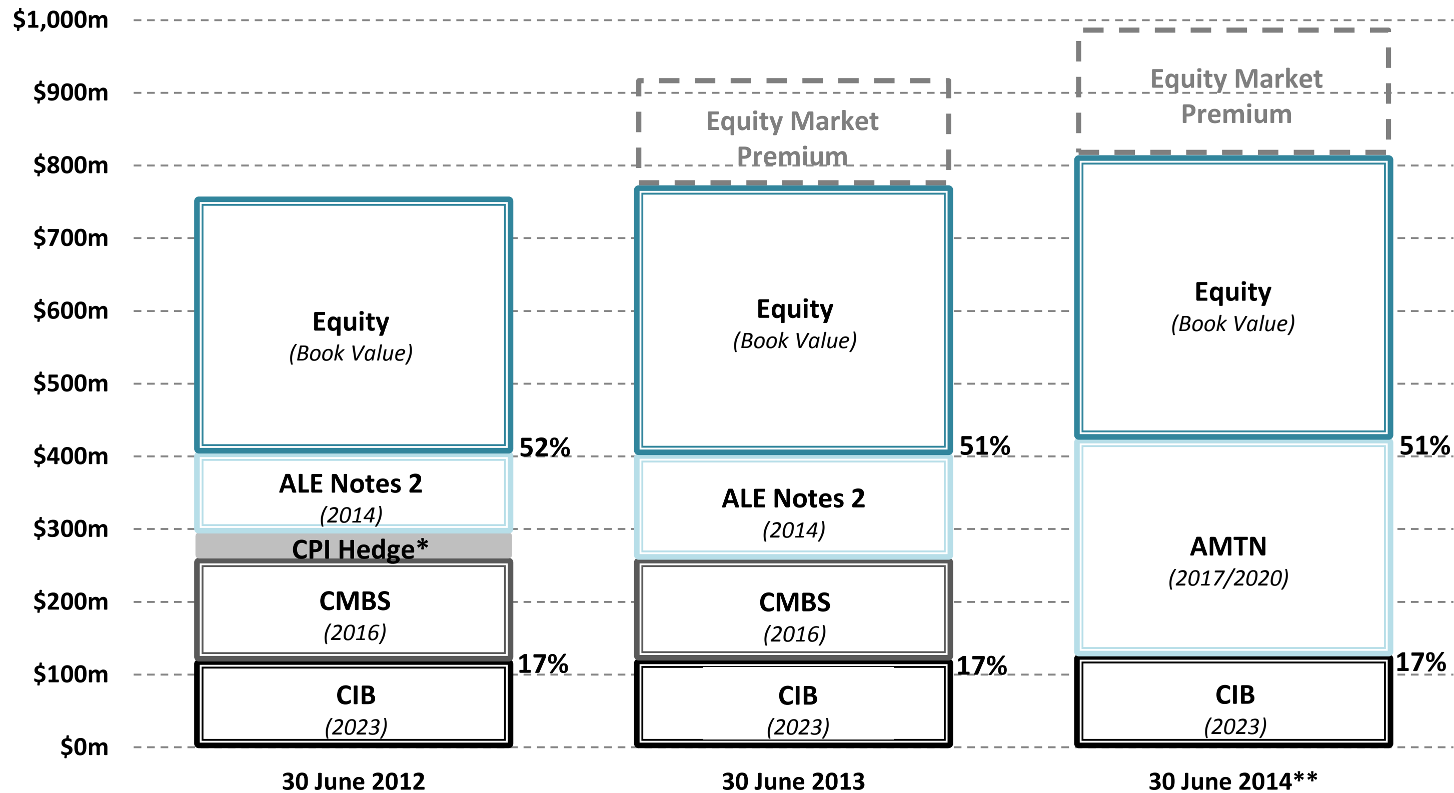
iTraxx Credit Index



Source: ALE and Bloomberg

Capital Management
Capital Structure

ALE's capital structure has become increasingly simple



- Equity Market Premium represents the difference between the market capitalisation based value and book value of ALE
- Covenant gearing percentage levels at both the secured and total net debt levels are indicated above

* CPI Hedge accumulated indexation. ** After ALE Notes 2 redemption (expected August 2014)

Capital Management
June 2014 Capital Structure

Debt Facility	Issue Rating	Amount ($M)	Base Rate	Issue Margin	All Up Fixed Rate	Scheduled Maturity	Remaining Term (Years)
AMTN (Unsecured)	Baa2	**$110**	2.95%	1.30%	4.25%	Aug 2017	3.2
AMTN (Unsecured)	Baa2	**$225**	3.50%	1.50%	5.00%	Aug 2020	6.2
CIB (Secured)	AAA / Aaa	**$141**	3.20%	0.20%	3.40%*	Nov 2023	9.4
Total and Averages		**$476**	**3.28%**	**1.07%**	**4.35%**		**6.5**
(Cash) on Deposit		($47)					
Total Net Debt		**$429**					

* Base Rate for CIB is a real rate. The balance of the CIB escalates at CPI

- Above amounts exclude $102.6m of remaining ALE Notes 2 and the cash to be used to fund redemption on 20 August 2014
- Fixed rate and interest rate hedging facilities provide a weighted average hedging term of 8.8 years
- Net debt is fully fixed / hedged to November 2022. The fixed rates apply until the AMTN maturity dates, after which the base interest rates are hedged at 3.83% p.a. Overall hedging values are currently $3.9m in the money
- Cash balance above includes $8.39m held in debt reserve as security for the CIB, $16.1m for September 2014 distribution and $2.0m reserve for AFSL regulatory requirements

Capital Management
New Capital Structure's Benefits

Key benefits arising from the AMTN refinancing and hedge restructure include:

- maturity dates now diversified over next three, six and nine years
- simplified debt structure includes just two types of fixed rate bonds
- lower base interest rates fixed and simplified hedging for 8.8 years
- savings from all up interest rate of 4.35% p.a. that is fixed until FY18.

<u>ALE has a lower cost and simplified capital structure with a diversified maturity profile.</u>

Board and Management

Stamford Hotel, Melbourne, VIC

Board and Management

Stable and Experienced Board and Management

- High quality Board composition with significant relevant experience
  - broad mix of property, legal, capital markets and governance skills
  - seeks to comply with ASX best practice governance guidelines
- Board's gradual renewal programme progressing
  - Pippa Downes appointed as non executive director in November 2013
  - renewal process ensures experience and institutional knowledge maintained
- ALE's experienced senior management team
  - consistent focus is on adding value and reducing risk for securityholders
  - internal management model avoids external performance fees and maximises returns to securityholders

FY15 Outlook

The Breakfast Creek Hotel, Brisbane, QLD

FY15 Outlook
Discipline Provides Certainty with Upside

- During the period ALE's properties demonstrated their quality by increasing in value
- Lower base interest rates and credit margins locked in for the long term
- Interest expenses fixed at all up cash rate of 4.35% until FY18 when around 23% of total debt matures
- Positive outlook for future market rent increases
  - 2018 - independent valuers are assuming 10% increases
  - 2028 - portfolio value analysis provides a range of outcomes
- ALE continues to review acquisitions that meet disciplined strategy and criteria

FY15 Outlook
Distribution Guidance

ALE aims to grow distributions by at least CPI

- FY15 distribution guidance of at least 16.45 cps (FY14) plus CPI
- More detailed guidance to be provided at AGM to be held on 6 November 2014
- FY15 distribution is expected to be at least 75% tax deferred
- Significant savings realised from the AMTN refinancing will largely replace the now fully amortised hedging benefits that reduced interest expenses over recent years
- All guidance assumes the existing portfolio, hedging and capital structure continues

ALE's Investment Proposition

- **High quality asset portfolio** with broad geographic and valuation diversification
- **Triple net leases** to tenant that is **75% owned by Woolworths** Limited
- **Long average lease term** of 14.3 years, with annual CPI increases and options provides **secure and stable income and capital growth**
- Portfolio **under rented** according to independent valuers and a range of indicators provides **10% rent upside potential at 2018 rent review**
- **Low risk capital structure** with average debt maturity of 6.5 years and average hedging maturity of 8.8 years
- **Expected distribution yield of at least 5.7%**[1] for FY15

1. Based upon security price of $2.90 as at 30 June 2014 and FY15 distribution guidance of at least 16.45 cents per security plus assumed CPI of 2.5%

Attachments

Stamford Hotel, Melbourne, VIC

About ALE

ALE & ALH: A Quality and Sustainable Pub Landlord and Tenant Arrangement

- Locations with a long term history of pub operation
- Capital city located properties with low building to land utilisation
- Investment grade tenant with strong commitment to pub operations
- Profitable tenant with capacity and willingness to fund capital expenditure
- Rents that are below market rent levels driven by operator's strong profit profile
- Uncapped rent increases for both annual inflation indexed and market reviews
- Strong assignment and gaming transfer protections for landlord
- Triple net lease structure encourages property improvements by tenant
- Cross defaulting leases that maximise tenant compliance across the portfolio

AUSTRALIAN LEISURE & HOSPITALITY GROUP

BWS

Dan Murphy's
LOWEST LIQUOR PRICE GUARANTEE

10+ Years of Equity Performance
Consistently Outperforming all Benchmarks

Total Returns to 30 June 2014 (p.a.)	ALE	A-REITs	All Ords.
➢ One year	15.1%	11.1%	17.3%
➢ Three years	22.6%	15.2%	9.9%
➢ Five years	18.2%	14.3%	11.0%
➢ Ten + years since 2003 ASX listing	21.5%	3.9%	9.5%

Source: UBS

ALE's Longer Term Performance

- Investment at 2003 ASX listing — **$1.00** (= $91m)
- Total cash distributions and payments to date — **$2.45** (= $276m)
- Accumulated market value to 30 June 2014 — **$7.93** (= 793%)
- Market capitalisation growth since 2003 — **$91m to $577m**
- Tax preferred component of distributions to date — **$1.92** (= $234m)

1. Accumulated market value includes reinvestment of distributions and renunciation payments since ALE's 2003 listing
2. Distributions include all distributions paid and declared to September 2014
3. Total returns include both distributions and security price movements to 30 June 2014
4. AREITs returns include S&P/ASX 300 Property Accumulation Index
5. All Ords. returns include S&P/ASX 300 Accumulation Index

June 2014 Full Year Results
Key Metrics

As at	30 June 2014	30 June 2013	Change
86 properties valuation	**$821.7m**	$781.5m	5.1%
AMTN gearing[1]	**51.7%**	50.9%	0.8%
Net assets	**$377.3m**	$368.4m	2.4%
Net assets per security	**$1.93**	$1.90	1.6%
Price as premium to NTA[2]	**52.9%**	40.5%	12.4%
Market Capitalisation[2]	**$577.3m**	$518.3m	11.4%

1. AMTN gearing = (Total Borrowings – Cash) / (Total Assets – Cash – Deferred Tax Assets). Derivatives values are excluded. This covenant ratio is considered, in the opinion of the Directors, most relevant to securityholders as it is the debt covenant that has the least headroom available.
2. Based upon security price of $2.90 as at 30 June 2014 and $2.67 as at 30 June 2013

Capital Management
AMTN Refinancing – Notable Features

- Largest AMTN issue by an AREIT since 2011
- For Baa2 / BBB rated issuers, the AMTN was the
  - second largest ever inaugural issue by an AREIT
  - lowest ever credit margin for an unsecured issue with a 6+ year term
- Now trades in secondary markets in line with higher rated issuers
- Only dual tranche AMTN by an Australian corporate issuer in year to May 2014
- Significant demand (around $650m) from around 40 investors was scaled to deliver a very competitive outcome
- Allocations made to quality Australian and Asian fixed interest investors, many of whom have participated in a range of ALE debt issues since 2003
- Unique market terms including buy back rights for ALE
- UBS and Citi acted as joint lead managers.

Capital Management
Covenant Headroom

- Substantial headroom to all debt covenants continues to apply
- Covenant gearing at 51.7% (FY13 50.9%) is in target range of 50-55%
- Headroom to AMTN gearing covenant of 60.0% equates to:
    - 103 bps expansion in average cap rate (from 6.42% to 7.45%) or
    - 13.8% or $115m reduction in property values
    - average cap rates have moved within range of 6.07% and 6.60% since 2006
- Interest cover ratio at 2.48 times compares to AMTN covenant at 1.50 times
    - 100% of net debt hedged until FY23 and next debt maturity is $110m in FY18

Capital Management
Distribution Reinvestment Plan Update and Hedging Restructure

- DRP been suspended until further notice (announced 19 June 2014)
  - suspension reflected ALE's strengthened capital and debt position following the successful $335m AMTN refinancing
  - decision will be regularly reviewed having regard to ALE's future capital needs
- Hedging restructure completed at cash cost of around $27.2m:
  - base interest rates reduced from 3.83% to between 2.95% and 3.50% for six years to August 2020 at cost of $6.6m
  - CMBS hedging to 2020 to terminated at cost of $20.6m (FY13 liability: $18.8m)
  - termination costs largely represent present value of future interest expense savings over the next six years
  - hedging restructure and refinancing released $22m of cash collateral to ALE

About ALE
Market Rent Outlook

- ALE is unable to provide forecasts of future ALH EBITDAR growth and corresponding market rent
- Rent reviewed to market at 2018 (10% cap / collar), at 2028 and on ALH electing to extend, each 10 years to 2058 (open)
- Independent valuers advise that market rent for pub properties in Australia is usually set at between 35% and 45% of the pub operator's EBITDAR
- Capital expenditure by ALH, ALH's operating capability and 2012 Victorian gaming reforms are materially increasing ALH's EBITDAR. This is all positive for future market rent reviews

About ALE
Portfolio Valuation Outlook

- Statutory valuations by CBRE/Urbis adopt comparable property capitalisation rates and 10 year discounted cash flow (DCF) methodologies
- All June 2014 independent DCF valuations assumed that a 10% increase in rent would occur in 2018. They included little if any value arising from the 2028 open market rent reviews. If these open reviews are included then the property valuations may change
- ALE currently considers that a portfolio purchaser may be prepared to pay a premium for the portfolio given the value inherent in both the unique leasing arrangements and the independent valuers' positive outlook for market rent
- See separate announcement made on 12 November 2013 for more information

About ALH
A Strong and Performing Tenant

- In November 2004 Woolworths / Mathieson JV acquired ALH for $1.33 billion
- ALH now operates more than 320 licensed venues and over 460 retail liquor outlets across Australia, including BWS and Dan Murphy's
- For FY13 the ALH Group reported EBITDAR of $697m, up 29.5% pcp and includes impacts of Victorian gaming restructure and acquisitions
- Woolworths operates more than 1,500 retail liquor outlets across Australia with liquor sales for the year to 30 June 2013 of $7.2 billion
- ALH is Australia's leading pub operator on any measure

AUSTRALIAN LEISURE & HOSPITALITY GROUP

BWS

Dan Murphy's
LOWEST LIQUOR PRICE GUARANTEE

About ALE
Research Analyst Coverage of ALE

The following equity research analysts currently cover ALE's stapled securities:

➢ Paul Checchin & Rob Freeman	Macquarie Securities
➢ Scott Molloy	JP Morgan Securities
➢ Fiona Buchanan & Scott Murdoch	Morgans (CIMB)
➢ Adrian Atkins	Morningstar
➢ Jason Prowd & Jon Mills	Intelligent Investor

ASX codes for ALE's listed stapled securities: LEP

Disclaimer