ALE Property Group
December 2014 Half Year Results – *5 February 2015*

The Breakfast Creek Hotel, Brisbane, QLD

New: Follow ALE Property on:

ALE PROPERTY GROUP

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

Contents

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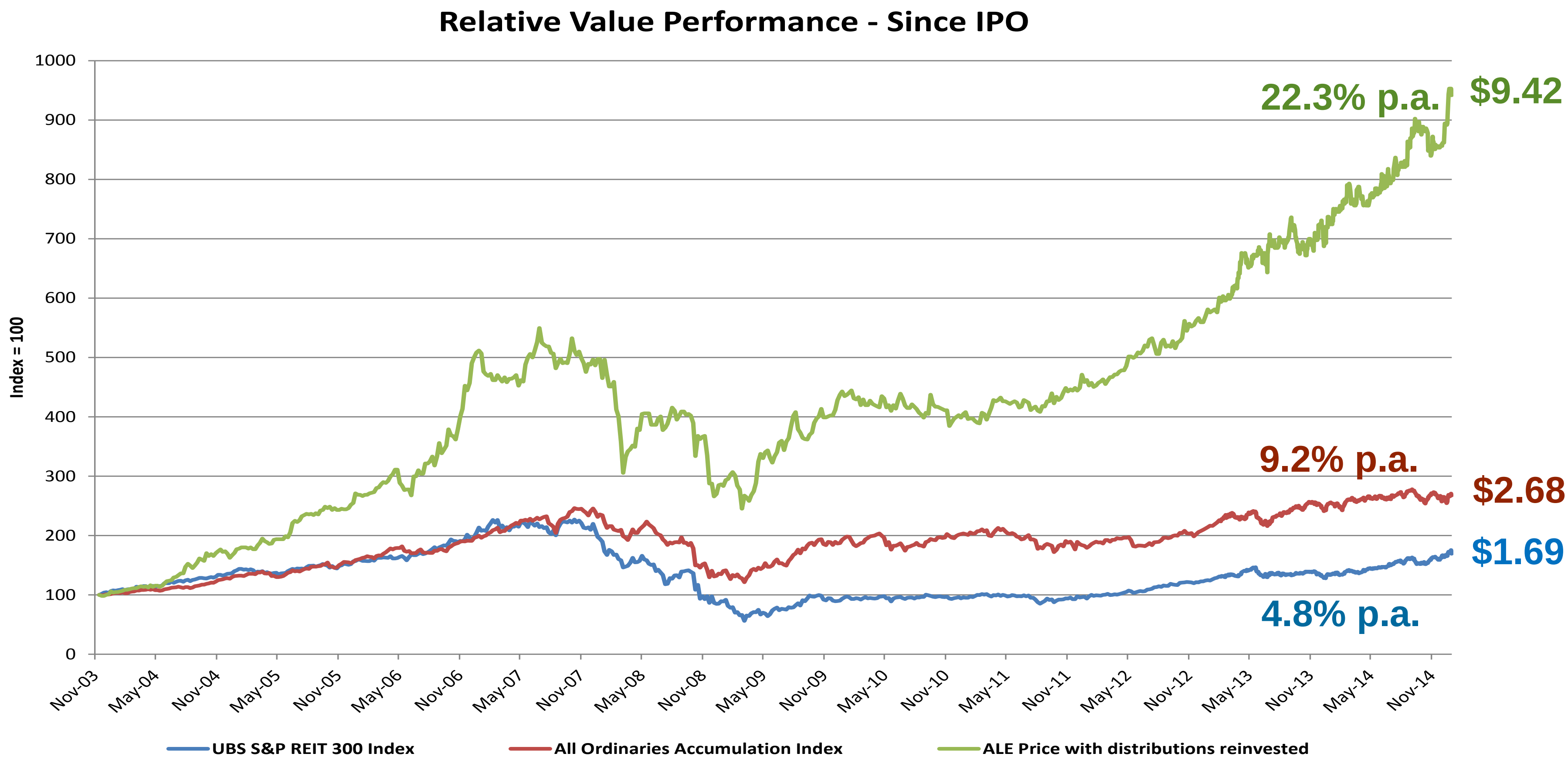
ALE Property Group
Growing Securityholder Value – Consistently

- **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 the lowest management expense ratios in the AREIT sector**
- **Consistent strategy to grow distributions and securityholder value**

11 Years of Equity Performance
$9.42 of Accumulated Value



Sources: ASX, IRESS , ALE

ALE : $1.00 invested in 2003. $9.42 of accumulated market value[1]

1. Includes equity market price of $3.36 as at 31 December 2014 and reinvestment of distributions and 2009 renunciation payment

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Financial Highlights
Half Year to 31 December 2014

- Distributable profit of $14.4m for the half year

- Distribution for the half year of 8.40 cps
  - increase of 2.44% on previous December half year
  - in line with full year guidance of 16.45 cps (FY14) plus at least CPI
  - fully funded out of current and prior year accumulated distributable profits

- Distributions for the year expected to be 100% tax deferred
  - exceeded guidance of at least 75%

- Capital position remains strong
  - debt maturity dates diversified evenly across next nine years
  - all up interest rate of 4.35% p.a. is fixed until next debt maturity in August 2017
  - base interest rates hedged at low levels for around eight years
  - gearing reduced from 51.7% to 51.2% and provides significant headroom

- 2003 investment of $1.00 in ALE has a current accumulated value of $9.42

Property Highlights
Half Year to 31 December 2014

- Property revenue of $27.4m, up $0.5m vs pcp (driven by CPI rent review)

- Property valuations increased by $16.2m or 2.0% to $837.9m due to rental growth

- Portfolio value includes future market rent reviews arising from enhanced ALH profit
  - significant capital expenditure by ALH at the properties
  - all June 2014 independent valuations assumed a 10% increase in rent in 2018
  - ALH's FY14 EBITDAR increased 6.6% across all 320+ pub operations
  - potential for further valuation uplift from 2028 open market rent review

- Weighted average lease term remaining of around 14 years

- Morningstar upgrades ALE's stewardship rating to exemplary

December 2014 Half Year Results
Net Profit (IFRS) and Distributable Profit

Half Year ending 31 December 2014	$m
Total Revenue	28.6
Total Other Income (Fair value increments to investment properties)	16.2
Total Expenses (Cash expenses and fair value decrements to derivatives)	(23.0)
Income Tax Expense	(0.0)
Net Profit after income tax (IFRS)	**21.8**
Add Back: Fair value increments to investment properties	(16.2)
Fair value decrements to derivatives	6.7
Employee share based payments	0.1
Non-cash finance costs	1.9
Income tax expense	0.0
Distributable Profit	**14.4**

ALE has a policy of paying distributions subject only to an amount not less than the 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. Rounding differences may arise in the above table.

December 2014 Half Year Results
Distributable Profit

Half Year Ended	31 Dec 2014 $M	31 Dec 2013 $M	Comments
Revenue from Properties	**$27.4**	$26.9	➢ Based on annual November CPI based rent increases
Other Revenue	**$1.2**	$1.0	➢ Interest income on cash balances
Borrowing Expense	**$11.1**	$8.2	➢ Refinancing reduced half yearly interest by $3.5m ($7.0m p.a.) ➢ Normalised interest expense is $10.1m. See page 28
Management Expense	**$2.2**	$2.2	➢ One of lowest expense ratios in sector
Land Tax Expense	**$1.1**	$1.1	➢ Land tax for QLD properties only
Distributable Profit	**$14.4**	$16.5	
Distributable Profit (cps)	**7.37c**	8.43c	
Distribution (cps)	**8.40c**	8.20c	➢ In line with guidance. 1.03 cps paid from 5.33 cps of accumulated undistributed profits from prior periods ➢ See guidance for further comments

1. Distributable Profit excludes non-cash accounting items – see full reconciliation to IFRS Net Profit. Rounding differences may arise
2. 195.7 million securities were on issue during both the periods above.

ALE Property Group
Properties

Burvale Hotel, Melbourne, VIC

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Australian Leisure and Entertainment Property Management Limited ABN 45 105 275 278
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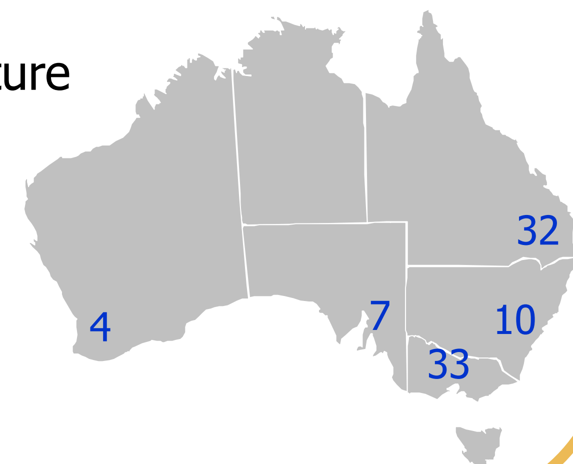
High Quality Property Portfolio
Summary of Portfolio and Leasing Arrangements

- ALE (ASX:LEP) is the largest owner of freehold pubs in Australia
- Owns 86 pub freehold properties across the mainland capital cities
- Long term favourable lease structure provides security of income growth
  - weighted average lease term remaining of around 14 years
  - 83 properties on triple-net[1] leases
  - four options for ALH to extend leases by up to 40 years
- 100% occupancy / 0% vacancy
- Favourable market 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 11 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%

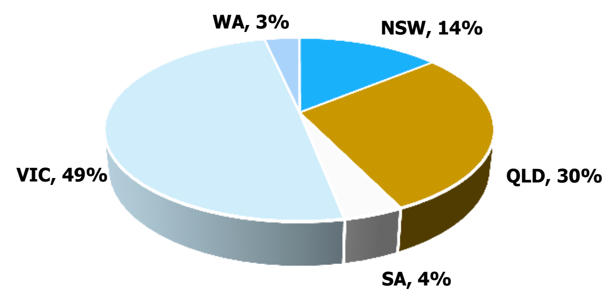
High Quality Property Portfolio - Valuations
31 December 2014 Valuations

- Property valuations increased by $16.2m or 2.0% over the half year
- Cap. rate currently 6.44% – has remained in the stable 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 $2.2m to $21.6m with an average of $9.7m. This value range of properties is liquid through the cycle and highly marketable

Portfolio breakdown by geography (as at December 2014)

	Number of properties	Value ($m)	Average Value ($m)	WACR
NSW	10	114.1	11.4	6.69%
QLD	32	247.7	7.7	6.33%
SA	7	34.4	4.9	6.52%
VIC	33	413.9	12.5	6.41%
WA	4	27.9	7.0	6.75%
Total	**86**	**837.9**	**9.7**	**6.44%**

Geographic Diversity By Value



WACR: Weighted Average Cap Rate. Rounding differences may arise.

High Quality Property Portfolio - Valuations

Consistent value growth and cap. rate stability throughout economic cycles

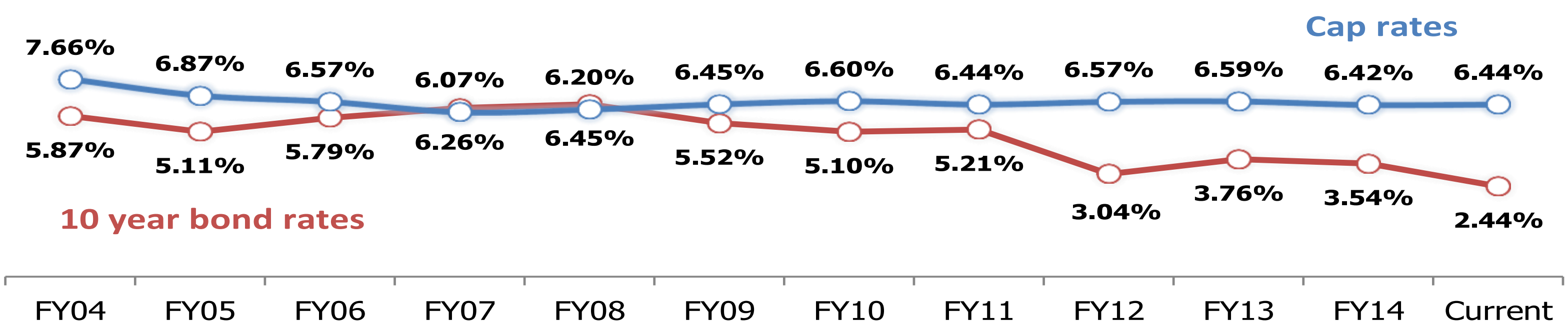
- ALE's properties have demonstrated consistent value growth through volatile economic cycles with rent increases driven by higher levels of CPI

- ALE's properties have also demonstrated very stable capitalisation rates for a decade and throughout a period of unprecedented volatility in investment markets

- ALE's capitalisation rates have demonstrated more stability than other prime commercial property sectors which is a testament to ALE's high quality properties and leasing arrangements

- Current levels of long term bond rates are a positive influence on capitalisation rate stability

ALE's Stable Capitalisation Rates / Falling Government Bond Rates



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Case Study
Burvale Hotel, Nunawading, Melbourne

- Total land area at the Burvale Hotel is 45,280sm
- May be compared to the Melbourne Cricket Ground (MCG) with stands and playing surface area of around 50,000sm
- Hotel and Dan Murphy's buildings currently utilise around 17% of the total site area
- Located on the major intersection of Springvale Road and Burwood Highway, 30 mins drive from Melbourne CBD
- Property enjoys extremely high exposure with intersection carrying an estimated 100,000 vehicles per day (Source: Urbis)

Boundaries are approximate

Burvale Hotel, Melbourne
(China Bar property, bounded by yellow line, is not owned by ALE)

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Case Study
Burvale Hotel, Nunawading, Melbourne

- Purchased in 2003 for $9.71m at cap rate of 8.46%
- Subject to a lease to ALH until 2028 and then four options for ALH to extend by up to 40 years
- Future value is expected to be a function of venue profitability while ever the lease is in place
- Dan Murphy's added in 2008 with all capital expenditure funded by ALH
- Dan Murphy's addition further enhanced property's already significantly under rented position
- ALE's statutory value at 31 December 2014 of $16.83m is based on a cap rate of 6.47%
- VIC Revenue Office assessed land value at $12.23m at December 2013 (ALH pays land tax)
- Recent sale transaction in close proximity to Hotel
  - China Bar restaurant located on opposite corner (see previous page)
  - sold in December 2014 for $8.80m at a cap. rate of around 4.0%
  - any value comparisons between the properties may require a range of adjustments, including the differences in the land areas and the terms of any leases that are in place

ALE Property Group
Capital Management

Young & Jackson Hotel, Melbourne CBD, VIC

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Capital Management
Strategic Objectives Met

- **ALE's capital management priorities continue to be reducing refinancing risk while also delivering consistent growth in distributions**
- ALE's current capital management activities have and will continue to focus on maintaining:
  - simplified capital structure
  - appropriate level of gearing
  - long term and cost effective funding
  - diversified debt maturity profile
  - long term and 100% fixed / hedged base interest rate profile
  - presence in liquid and flexible debt capital markets

Capital Management
Capital Structure at 31 December 2014

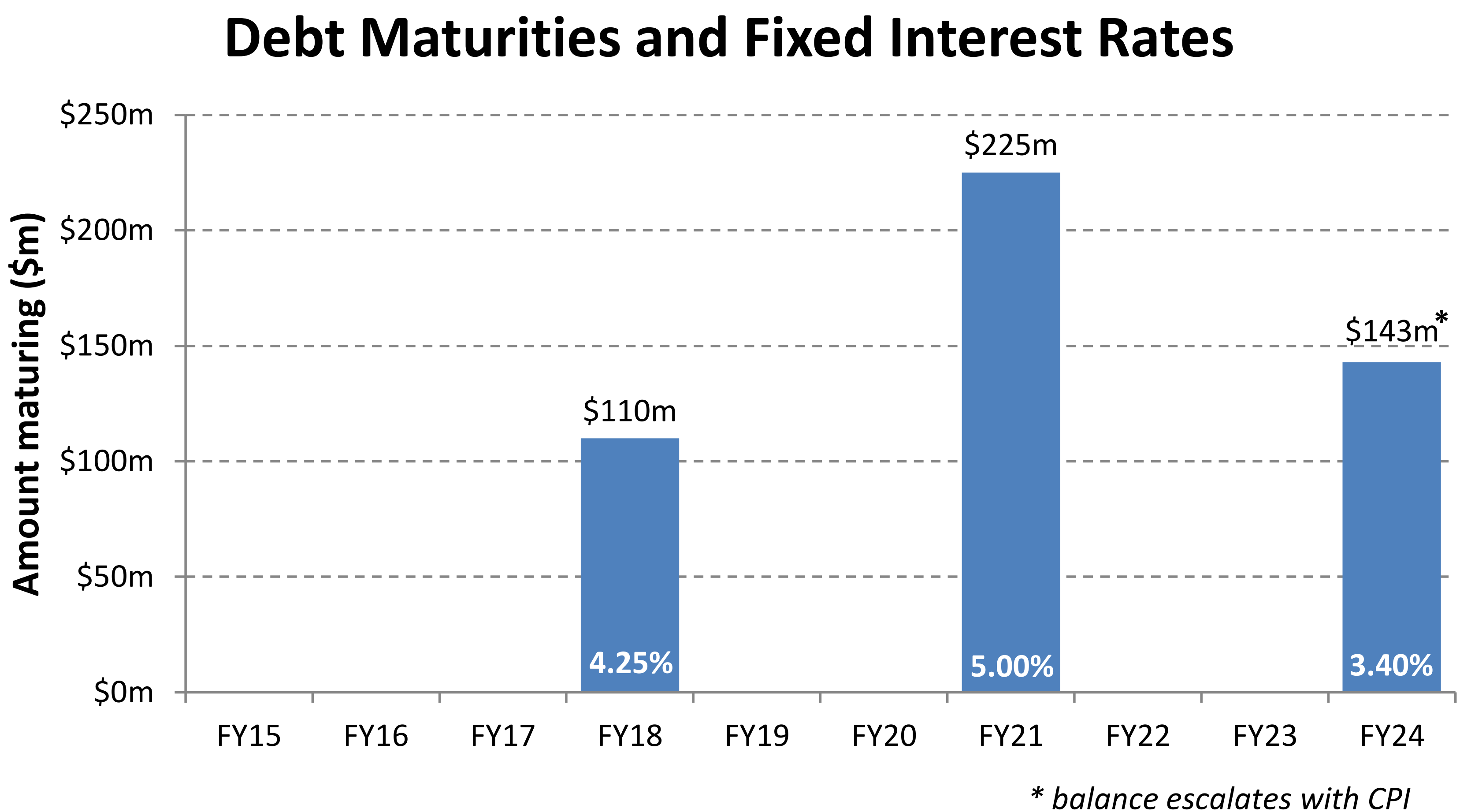
Debt Facility	Issue Rating	Dec 14 Amount ($M)	Base Rate	Issue Margin	All Up Fixed Rate	Scheduled Maturity	Remaining Term (Years)
AMTN (Unsecured)	Baa2	**$110**	2.95%	1.30%	4.25%	Aug 2017	2.7
AMTN (Unsecured)	Baa2	**$225**	3.50%	1.50%	5.00%	Aug 2020	5.7
CIB (Secured)	AAA / Aaa	**$143**	3.20%	0.20%	3.40%*	Nov 2023	8.9
Total and Averages		**$477**	**3.28%**	**1.07%**	**4.35%**		**6.0**
(Cash) on Deposit		($46)					
Total Net Debt		**$432**					

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

- Fixed rate and interest rate hedging facilities provide a weighted average hedging term of 8.3 years
- Net debt is fully fixed / hedged to November 2022. The fixed rates above apply until the AMTN maturity dates, after which the base interest rates are hedged at 3.83% p.a. Overall hedging values were $2.6m out of the money on 31 December 2014
- Hedge on $30m average cash balance reduces the interest expense (around $0.3m in half year to 31 December 2014)
- Cash balance above includes $8.4m held in debt reserve as security for the CIB, $16.4m for March 2015 distribution and $2.0m reserve for AFSL regulatory requirements

Capital Management

Diversified Debt Maturities, Weighted Average Fixed Rate 4.35% to FY17



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FY15 Outlook and Strategy

The Breakfast Creek Hotel, Brisbane, QLD

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FY15 Outlook

Distribution Guidance - ALE aims to grow distributions by at least CPI

- FY15 distribution guidance
  - 16.45 cps (FY14) plus at least CPI
  - expected to be 100% tax deferred
  - fully funded out of current and prior year accumulated distributable profits
- All guidance assumes the existing portfolio, hedging and capital structure continues
- Guidance is also subject to ALE's continuing consultations with larger and smaller securityholders around future gearing levels
  - gearing may fall materially if property revaluations are positively impacted by future CPI based rent increases and any uplift (of up to 10%) from the 2018 market rent reviews
  - ALE could either maintain or allow gearing to fall over the next four to five years
  - options may include capital distributions and returns, security buybacks and debt funded property acquisitions

FY15 Outlook
Quality and Discipline Provides Certainty with Upside

- Low base interest rates and credit margins locked in for the long term
- Interest expenses fixed at all up cash rate of 4.35% p.a. until Aug 2017 when only 23% of total debt is due for refinancing
- Base interest rates 100% hedged until November 2022 (around 8 years)
- 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

* See separate announcement made on 12 November 2013 for more information

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 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 provide **potential 10% rent upside at 2018 market rent review**
- **Low risk capital structure** with average debt funding maturity of around 6 years and average hedging maturity of 8 years
- **Expected distribution yield of at least 5.0%**[1] for FY15

1. Based upon security price of $3.36 as at 31 December 2014 and FY15 distribution guidance of at least 16.45 cents per security plus assumed CPI of 2.5% and subject to other factors provided in guidance.

Attachments

Stamford Hotel, Melbourne, VIC

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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

11 Years of Equity Performance
Consistently outperforming all benchmarks

Total Returns to 31 December 2014 (p.a.)	ALE	A-REITs	All Ords.
➢ One year	30.2%	26.8%	5.3%
➢ Three years	26.8%	21.8%	14.7%
➢ Five years	16.7%	12.0%	6.5%
➢ 11 years since 2003 ASX listing	22.3%	4.8%	9.2%

Source: UBS

ALE's Longer Term Performance

➢ Investment at 2003 ASX listing	**$1.00** (= $91m)
➢ Total distributions and payments so far	**$2.53** (= $292m)
➢ Tax preferred component of distributions to date	**$2.01** (= $250m)
➢ Accumulated market value to 31 December	**$9.42** (= 842%)
➢ Market capitalisation growth since 2003	**$91m to $657m**

1. Accumulated market value includes reinvestment of distributions since 2003 listing
2. Distributions are all distributions paid and declared to March 2015
3. Total returns include both distributions and security price movements to 31 December 2014
4. AREITs returns include S&P/ASX 300 Property Accumulation Index
5. All Ords. returns include S&P/ASX 300 Accumulation Index

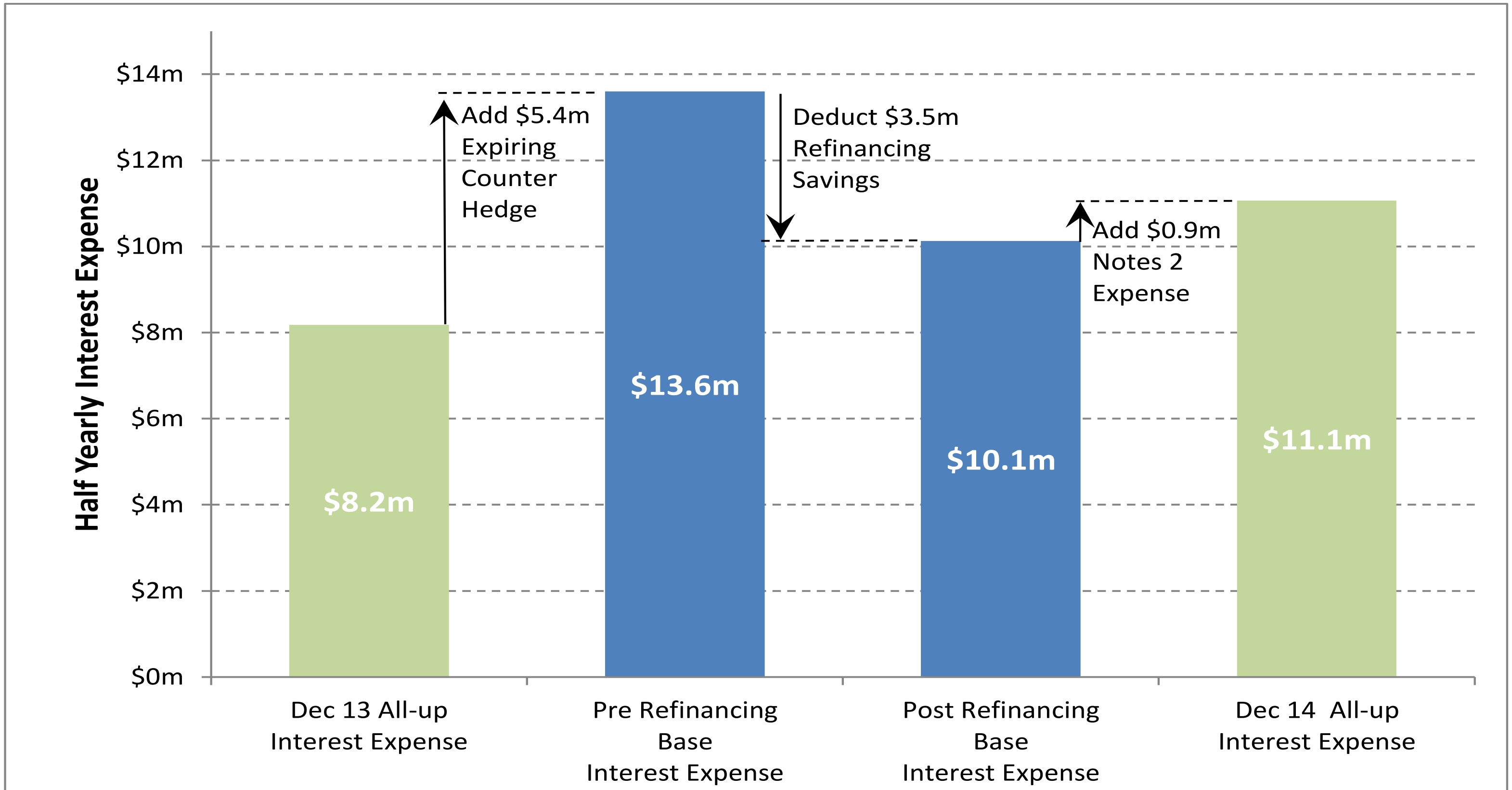
31 December 2014 Half Year Results
Key Metrics

As at	31 December 2014	30 June 2014	Change
86 properties valuation	**$837.9m**	$821.7m	2.0%
AMTN gearing[1]	**51.2%**	51.7%	0.5%
Net assets	**$382.7m**	$377.3m	1.4%
Net assets per security	**$1.96**	$1.93	1.5%
Price as premium to NTA[2]	**71.4%**	50.3%	21.7%
Market Capitalisation[2]	**$657.6m**	$577.3m	13.9%

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 $3.36 as at 31 December 2014 and $2.90 as at 30 June 2014

Capital Management
Interest Expense Reconciliation

As a result of May 2014 refinancing, base or normalised ongoing half yearly interest expense has reduced by $3.5m (or $7.0m p.a.)



Capital Management
Covenant Headroom

- Substantial headroom to all debt covenants continues to apply
- Covenant gearing at 51.2% (reduced from 51.7% at June 2014) is in target range of 50-55%
- Headroom (at December 2014) to AMTN gearing covenant of 60.0% equates to:
  - 110 bps expansion in average cap rate (from 6.44% to 7.54%) or
  - 14.6% or $122m reduction in property values
  - average cap rates have moved within range of 6.07% and 6.60% since 2006
  - headroom provides some capacity to add to AMTN issuance
- AMTN gearing covenant of 60% relates to distribution stopper and 65% to default
- Interest cover ratio (at December 2014) of 2.50 times compares to AMTN covenant at 1.50 times
  - 100% of net debt hedged until Nov 2022 and next debt maturity is $110m in Aug 2017

Properties
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 a pub operator's EBITDAR
- Capital expenditure by ALH, ALH's operating capability and Victorian gaming reforms have materially increased ALH's EBITDAR. This is all positive for future market rent reviews

Properties
Portfolio Valuation Outlook

- Statutory valuations by CBRE/Urbis/Colliers adopt comparable property capitalisation rates and 10 year discounted cash flow (DCF) methodologies
- All CBRE/Urbis/Colliers June 2014 valuations assumed that a 10% increase in market rent would occur in 2018. The valuers used cap. rates as their primary valuation methodology which attributes little if any value arising from the 2028 open market rent reviews. If these open reviews were taken into account, then the property valuations may change
- ALE currently considers that a portfolio purchaser may be prepared to pay a premium for the whole or a significant part of ALE's 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

- Nov 2004 Woolworths / Mathieson JV acquired ALH - 135 licensed venues 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 FY14 the ALH Group reported EBITDAR of $743m, up 6.6% on FY13
- Woolworths operates more than 1,400 retail liquor outlets across Australia with liquor sales for the year to 30 June 2014 of $7.4 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:

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

ASX codes for ALE's listed stapled securities: LEP

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