ALE Property Group

12th Annual General Meeting – *27 October 2015*

Crows Nest Hotel, Crows Nest, Sydney, NSW

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

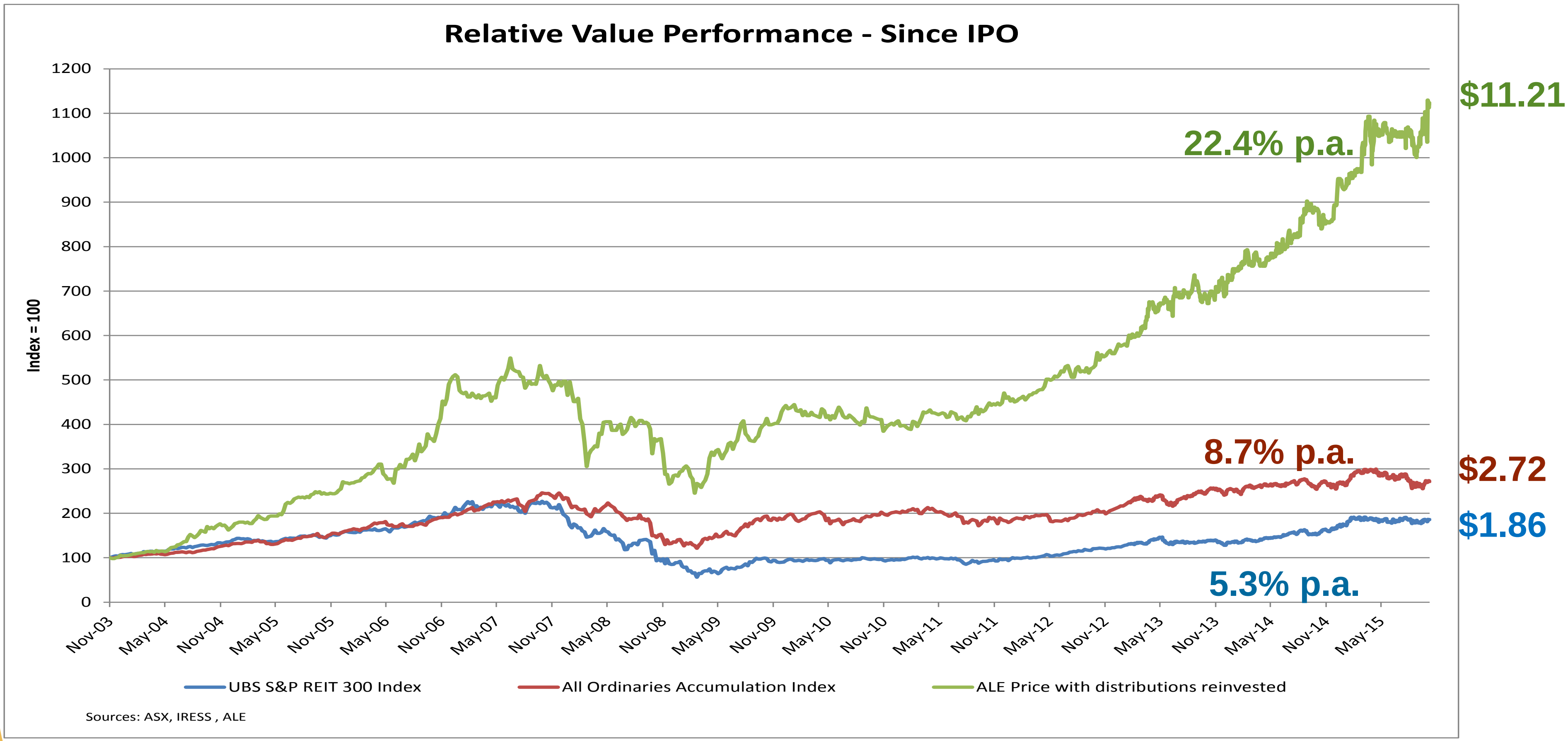
Contents

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 credentialled Board**
- **Experienced management team**
- **One of lowest management expense ratios in AREIT sector**
- **Consistent delivery of distribution growth and securityholder value**

ALE's 12 Years of Equity Performance

$11.21 of Accumulated Value (as at 21 October 2015)



ALE : $1.00 invested in 2003. $11.21 of accumulated market value[1]

1. Includes equity market price of **$3.91** as at 21 October 2015 and reinvestment of distributions and 2009 renunciation payment

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Financial Highlights
Full Year to 30 June 2015

- FY15 distributable profit of $29.1m
- FY15 distribution of 16.85 cps, 100% tax deferred
- Accounting profit of $99.4m (up $62.2m) driven by higher property valuations
- Capital position remains strong
  - debt maturities diversified across next eight years
  - all up interest rate fixed at 4.35% p.a. until August 2017
  - base interest rates hedged at low levels for around seven years
  - net gearing moved from 51.7% to 48.0% enables uplift in distribution profile
- 2003 investment of $1.00 in ALE has a current accumulated value of $11.21

Property Highlights
Full Year to 30 June 2015

- Property revenue of $55.2m, up $1.0m vs pcp
- 86 properties' statutory valuations increased by 9.59% ($78.9m) to $900.5m due to
  - CPI rental growth of 2.24%
  - average capitalisation rate reduced from 6.42% to 5.99%
  - QLD land tax remained substantially unchanged
  - recent rent restructure enhances the risk profile of the 2018 market rent review
- Statutory valuations are not expected to fully reflect market rent prospects until closer to 2028
- Portfolio value reflects future market rent reviews arising from enhanced ALH profit
  - significant capital expenditure by ALH at the properties
  - 2012 Victorian gaming changes continue to provide materially positive impact
  - potential for further valuation uplift from 2028 open market rent review

FY15 Results
Distributable Profit

Millions	FY15	FY14	Comments
Revenue from Properties	**$55.2**	$54.7	➢ CPI based increase (excludes Shepparton, sold in FY14)
Other Revenue	**$1.8**	$2.2	➢ Reduced average cash balances and deposit rates
Borrowing expense	**$21.4**	$19.0	➢ Refinancing reduced interest expense by $7.0m p.a. ➢ Counter hedging benefits of $7.7m fully amortised in FY14 ➢ Other additional expenses are one off items
Management expense	**$4.5**	$4.6	➢ Remains one of lowest expense ratios in AREIT sector
Land tax expense	**$2.1**	$2.1	➢ Land tax for QLD properties only. Successful objections
Distributable Profit [1]	**$29.1**	$31.2	
Funds From Operations (FFO) [2]	**$29.1**	$31.2	➢ Equal to distributable profit
Securities on Issue	**195.7**	195.7	➢ DRP suspended in June 2014
Distributable Profit (cps)	**14.85c**	15.96c	
Distribution (cps)	**16.85c**	16.45c	➢ In line with guidance. Additional 2.00c paid from 5.34c of prior period accumulated distributable profits

1. Distributable Profit excludes non-cash accounting items – see full reconciliation to IFRS Net Profit
2. FFO: Distributable profit which excludes CIB accumulating interest expense (differs from PCA definition)

ALE's Properties

High Quality, Well Located and Significant Development Potential

Burvale Hotel, Melbourne, VIC

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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 continuously applies a disciplined and consistent approach to both small and larger scale acquisition and disposal opportunities
- ALE actively reviews acquisition 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 12 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%

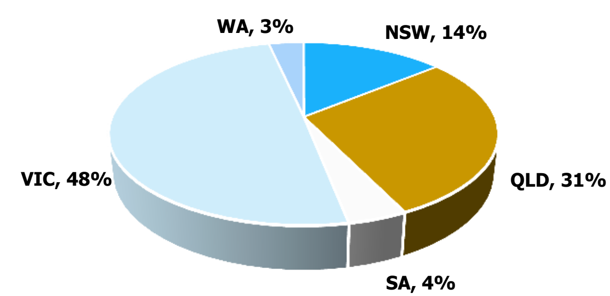
High Quality Property Portfolio - Valuations
30 June 2015 Valuations

- Valuations increased 9.59% during the year
- Cap. rate reduced from 6.42% to 5.99% – compares to range of 6.07% and 6.59% since 2006
- Valuations substantially ignore positive market rent prospects. Significant capital expenditure by ALH and other factors are positive for ALH's EBITDAR and ALE's market rent
- Diversity of property values across the portfolio ranging from \$2.4m to \$24.9m with an average of \$10.5m. Value range is liquid through the cycle and currently highly liquid

Portfolio breakdown by geography (as at June 2015)

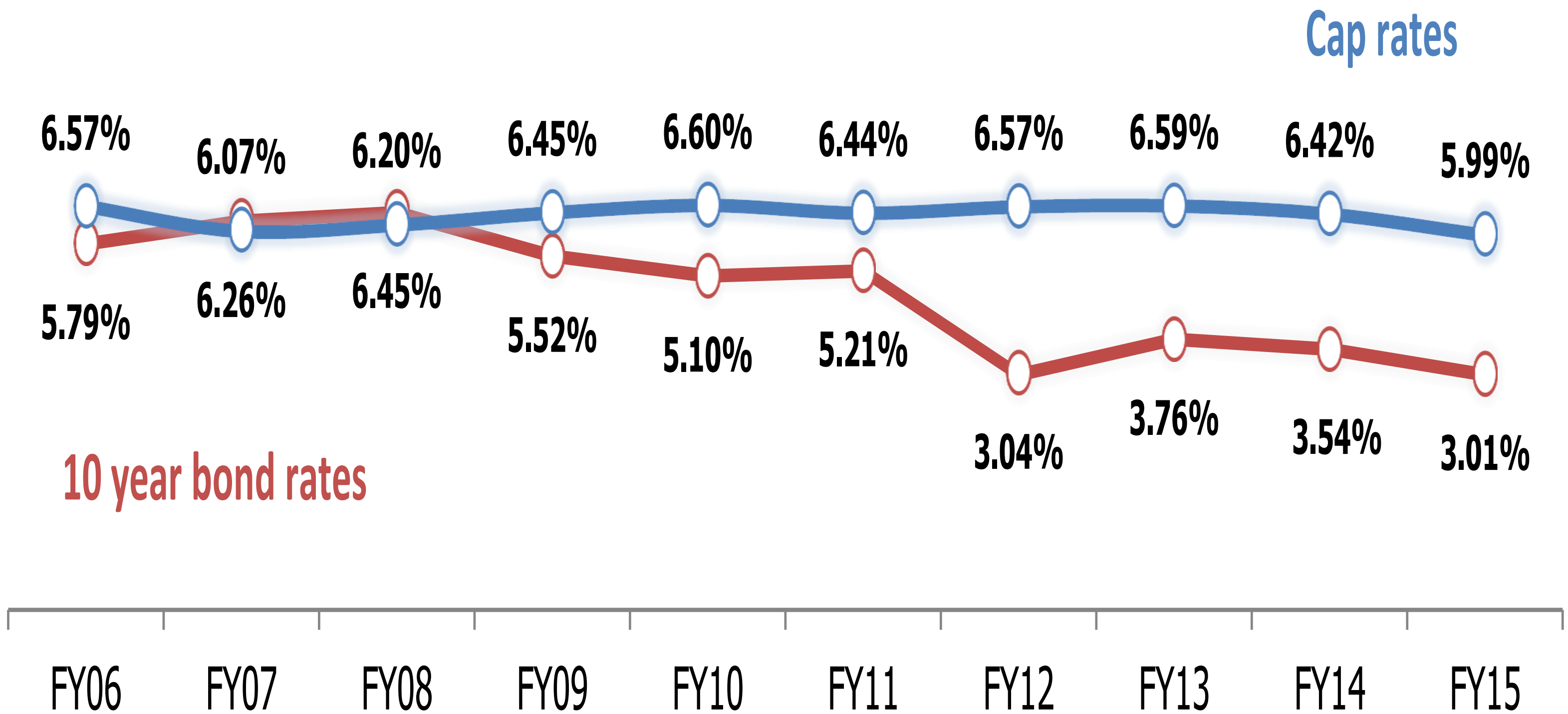
	Properties	Value (\$m)	Av. Value (\$m)	WACR
NSW	10	129.2	12.9	5.64%
QLD	32	275.6	8.6	6.05%
SA	7	32.5	4.7	6.18%
VIC	33	435.2	13.2	6.02%
WA	4	27.9	7.0	6.59%
Total	**86**	**900.5**	**10.5**	**5.99%**

Geographic Diversity



WACR: Weighted Average Cap Rate

ALE's Property Portfolio
A Material Difference Between Bond and Cap Rate Movements



Over the past 10 years bond rates have fallen around 2.8% compared to ALE's cap rates which have fallen around 0.6%

Note: ALE's weighted average cap rate is based on independent and extrapolated Directors' valuations

Case Study – Property Redevelopment by ALH
Crows Nest Hotel, Crows Nest, Sydney, NSW

- Located five minutes drive north of Sydney's Harbour Bridge
- Acquired for $8.7m in 2003 at 7.7% cap rate
- ALH has commenced spending around $8m to substantially refurbish the hotel
- EBITDAR for ALH and future market rent for ALE are expected to benefit significantly
- Valued June 2015 at $16.2m on 5.57% cap rate (limited recognition of market rent outlook)
- Market rent reviews apply in 2018 (10% cap and collar) and 2028 (open)

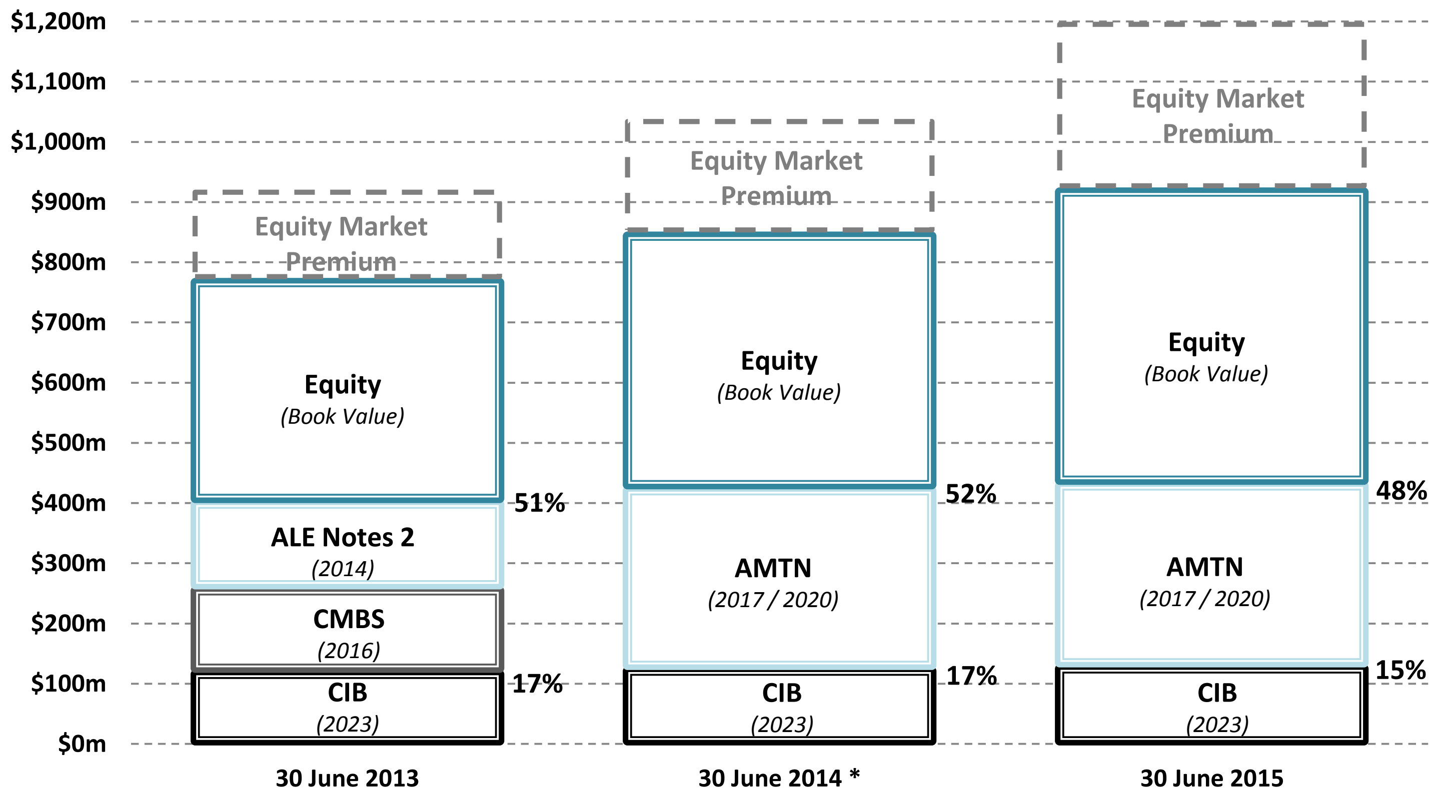
ALE Property Group
Capital Management

Young & Jackson Hotel, Melbourne VIC

Capital Management
A Strong Debt Capital Structure

- ALE's capital management strategy continues to focus on
  - managing all aspects of refinancing risk
  - delivering consistent growth in distributions
- ALE's debt capital structure is currently characterised by the following positive features
  - a simplified debt structure with just two types of fixed rate bonds
  - an investment grade credit rating of Baa2 (Moody's)
  - gearing ratio moved during FY15 from 51.7% to 48.0%
  - maturity dates spread across the next 8 years
  - low base interest rates fully hedged for around 7 years
  - total interest rate of 4.35% p.a. that is fixed until the next refinancing in FY18

Equity market premium only partially recognises the properties' portfolio value



- 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

* After ALE Notes 2 redemption in August 2014

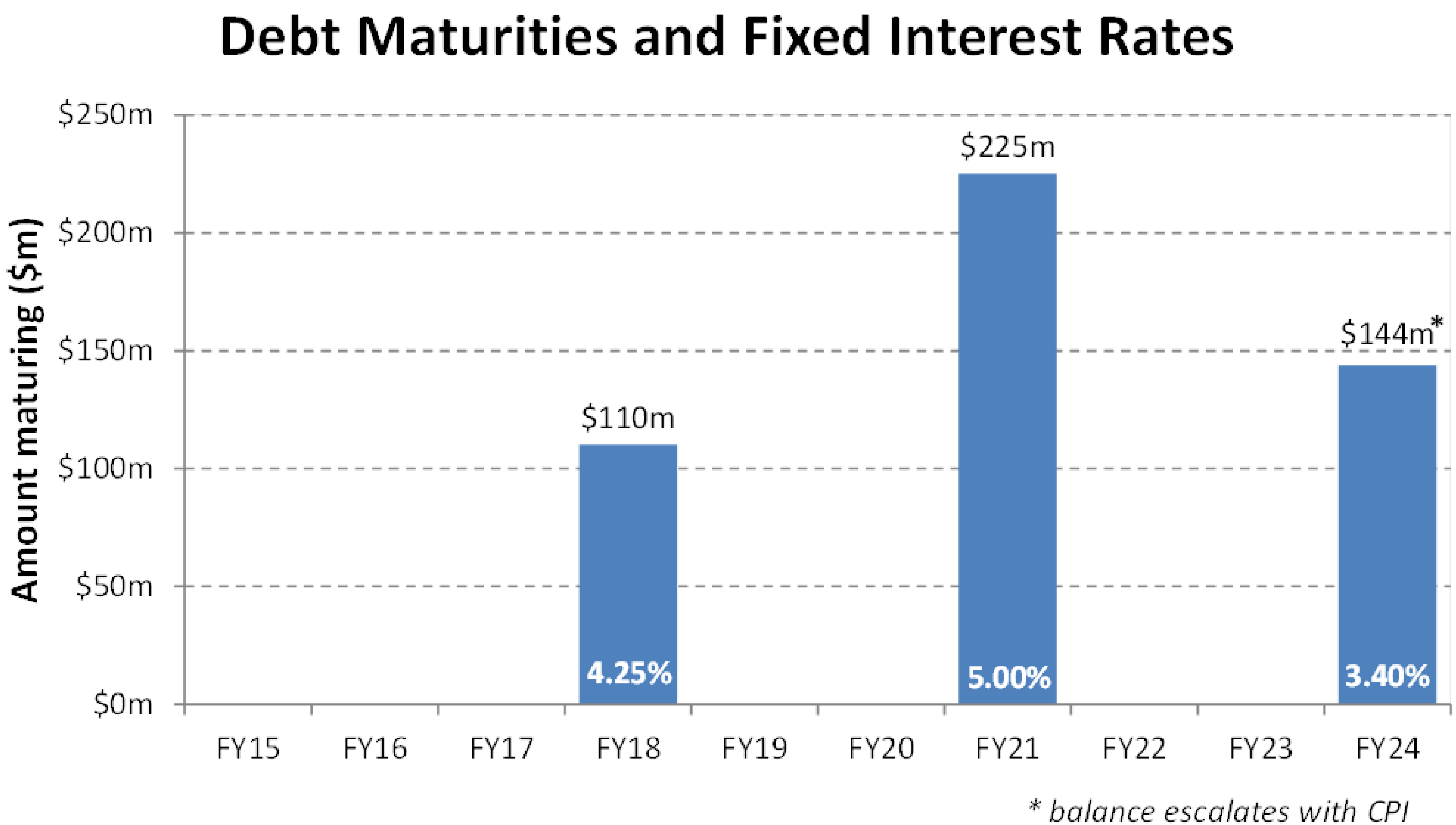
Capital Management

June 2015 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	2.2
AMTN (Unsecured)	Baa2	**$225**	3.50%	1.50%	5.00%	Aug 2020	5.2
CIB (Secured)	AAA / Aaa	**$144**	3.20%	0.20%	3.40%	Nov 2023	8.4
Total and Averages		**$479**	**3.28%**	**1.07%**	**4.35%**		**5.5**
(Cash) on Deposit		($45)					
Total Net Debt		**$434**					

- Base Rate for CIB is a real rate. The balance of the CIB escalates at CPI
- Debt amounts are gross. They exclude reductions for any unamortised borrowing costs
- The fixed rates apply until the AMTN maturity dates, after which the base interest rates are hedged at 3.83% p.a. on ALE's net AMTN debt until November 2022.
- Fixed rate and forward start hedging facilities provide a weighted average total hedging term of 7.8 years on 100% of net debt
- Hedging facilities were $1.1m out of the money as at 30 June 2015
- Cash balance above includes $8.39m held in debt reserve as security for the CIB, $16.5m for September 2015 distribution and $2.0m reserve for AFSL regulatory requirements

Capital Management
Diversified Debt Maturities, Weighted Average Fixed Rate 4.35% to FY18



FY16 Outlook

The Breakfast Creek Hotel, Brisbane, QLD

FY16 Outlook
Discipline Provides Certainty with Upside

- A strong demand continues to exist for quality properties with long term leases to quality tenants
- ALE's low base interest rates and credit margins are locked in for the long term
- Current expectation is for portfolio's rents to increase at the November 2018 rent review
  - increases for each property are capped and collared at 10% around 2017 rent
  - EBITDAR levels for each property in the years leading up to 2018 will be an important factor
  - recent restructure enhances the risk profile of the capped and collared 2018 review
- Continuing positive outlook for significant market rent increase in 2028
- Average 25% building to land utilisation (approx.) provides further market rent upside through any future development undertaken by ALH
- ALE continues to review acquisitions that meet disciplined strategy and criteria

FY16 Outlook
Distribution Guidance

- The Board has previously advised that it was considering various capital management options to maintain appropriate levels of gearing. At 30 June 2015 gearing moved below target to 48.0%
- Following consultation with larger and smaller securityholders, the Board has decided to restore gearing to the target range of 50-55% by:
  - **increasing the FY16 distribution to at least 20.00 cps**
    - up from FY15 distribution of 16.85 cps
    - the capital return component* will be funded from available cash balances
    - expected to be 100% tax deferred
  - increasing subsequent annual distributions by CPI; and
  - making a single capital return payment following the conclusion of the 2018 rent review
- ALE continues to assess opportunities to further grow distributions and securityholder value

* around 18 cps is to be funded from current and accumulated distributable profit

All guidance assumes the existing portfolio, hedging and capital structure continue

ALE's Investment Proposition

- **High quality property portfolio** with broad geographic and valuation diversification
- **Triple net leases** to tenant that is 75% owned by Woolworths Limited
- **Long lease terms** averaging around 13 years, with annual CPI increases and options provides **secure and stable income and capital growth**
- According to independent valuers, the portfolio is **substantially under rented** which provides **potential upside at the 2018 and 2028 market rent reviews**
- **Low risk capital structure** with diverse maturity dates across the next 8 years and average hedging maturity of around 7 years
- **Expected distribution yield of at least 5.1%[1]** for FY16

1. Based upon a security price of $3.91 as at 21 October 2015 and FY16 distribution of at least 20.00 cps comprising both distributable profit and capital return

ALE Property Group - Annual General Meeting

Stamford Hotel, Melbourne, VIC

About ALH
A Strong and Performing Tenant

- ALH operates around 330 licensed venues and 550 retail liquor outlets across Australia,
- ALE owns 86 properties or 26% of the licensed venues that ALH operates
- For FY15 ALH Group reported
  - Revenue of $3,949m, up 2.6% pcp
  - EBITDAR of $773m, up 4.1% pcp (includes higher Victorian gaming taxes)
- For FY15 Woolworths reported
  - Liquor sales of around $7.7 billion (or 18% of combined Food and Liquor sales)
- Woolworths operates more than 1,500 retail liquor outlets across Australia
- ALH is Australia's leading pub operator on any measure

AUSTRALIAN LEISURE & HOSPITALITY GROUP

BWS

Dan Murphy's
LOWEST LIQUOR PRICE GUARANTEE

About ALE and ALH
Quality and Sustainable Pub Landlord and Tenant Arrangement

- Locations with a long term history of pub operation
- Capital city located properties with low average building to land utilisation
- Investment grade tenant with strong commitment to pub operations
- Profitable tenant with capacity and track record of funding 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 2028 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

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BWS

Dan Murphy's
LOWEST LIQUOR PRICE GUARANTEE

About ALE
Summary of Lease Terms

- Rent and term structure
  - triple net leases*
  - fixed dollar rental (not turnover based) increasing annually by State based CPI
  - rent does not decrease with negative CPI movements (adjusted for future positive CPI)
  - average initial lease terms remaining of around 13 years
  - four options for ALH to extend leases by up to a further 40 years

- Fair market rent reviews
  - rents can increase or decrease by 10% at November 2018**
  - open review in 2028 and at each 10 yearly extension date

* Three of the 86 properties are on double-net leases and QLD land tax is not recovered

** 8 properties have reviews to market in the years preceding and following 2018

High Quality Property Portfolio
Rent Restructure

- On 17 July 2015 ALE announced a rent restructure for a small part of its portfolio
  - Net passing rent to ALE remains unchanged
  - Five properties' rent increases by $1.1m
  - Eight properties' rent decreases by $1.1m
  - All other terms of the leases remain unchanged
- Rent restructure improves the profitability of eight properties, while the other five properties remain significantly under rented
- CBRE advised that the overall impact of the restructure is positive to ALE's statutory valuations
- ALE considers that the restructure enhances the risk profile of the capped and collared 2018 market rent review

About ALE
Market Rent Outlook

- ALE's property rents were set in 2003 and have increased annually by CPI
- Since 2003 ALH's EBITDAR at ALE's properties has grown at a materially greater rate than CPI
- Capital expenditure by ALH, ALH's operating capability and 2012 Victorian gaming reforms continue to add to ALH's EBITDAR growth
- All the above factors have a positive influence on the outlook for future market rent reviews
- ALE is unable to provide long term forecasts of future ALH EBITDAR growth and corresponding market rent

About ALE
Portfolio Valuation Outlook

- June 2015 statutory valuations by CBRE adopts the capitalisation of income rate as the predominant method for valuing individual properties
- June 2015 valuations attribute limited value to the 2028 open market rent reviews. If these open reviews are included and a discount cash flow methodology more fully adopted then the property valuations may change
- CBRE advised that the valuations exclude any premium or discount that may be obtained from a valuation on a portfolio basis
- CBRE advised that full access to the tenant's operating profitability (which is currently not publicly available) would be expected to have a positive influence on the valuations
- ALE currently considers that a portfolio purchaser should be prepared to pay a premium for the portfolio given the value inherent in the unique leasing arrangements, the significant capital expenditure on the properties by ALH and CBRE's positive outlook for market rent
- **See Portfolio Value announcement made 12 November 2013 for more information**

About ALE
Experience and Diversity

- **Board of Directors**
  - Board of Directors have extensive experience covering property, finance, risk management, compliance and capital management
  - Board renewal and transfer of institutional knowledge is now well advanced

Peter Warne
Chairman & Non-Executive Director
- Appointed as Chairman and a non-executive director in September 2003.
- 30+ years experience

Andrew Wilkinson
Managing Director & CEO
- Appointed Managing Director in November 2004 and CEO in November 2003
- 30+ years experience

Helen Wright
Non-Executive Director
- Appointed as a non- executive director in September 2003
- 30+ years experience

James McNally
Executive Director
- Appointed as an executive director in June 2003
- 20+ years experience

Pippa Downes
Non-Executive Director
- Appointed as a non-executive director in November 2013
- 20+ years experience

Paul Say
Non-Executive Director
- Appointed as a non-executive director in September 2014
- 30+ years experience

Nancy Milne
Non-Executive Director
- Appointed as a non-executive director in February 2015
- 30+ years experience

- **Senior Management Team**
  - Experienced and stable management team

Andrew Wilkinson
Managing Director & CEO
- Appointed Managing Director in November 2004 and CEO in November 2003
- 30+ years experience

Andrew Slade
Capital Manager
- Andrew joined ALE in July 2005
- 25+ years experience in investment banking and structured finance

Don Shipway
Asset Manager
- Don joined ALE in September 2010
- 12+ years experience in the corporate real estate sector

Michael Clarke
Finance Manager and Assistant Company Secretary
- Michael joined ALE in October 2006
- 27+ years experience in accounting, taxation and financial management

Brendan Howell
Company Secretary and Compliance Officer
- Brendan joined ALE in September 2003
- 21+ years experience in funds management and compliance

About ALE
Stable and Experienced Board and Management

- High quality Board composition with significant relevant experience
  - broad mix of property, legal, capital markets and governance skills
  - aim to comply with ASX best practice governance guidelines
- Board's gradual renewal programme continues
  - Nancy Milne appointed as non executive director in February 2015
  - 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

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