ALE Property Group
FY13 Results Presentation – *30 July 2013*

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

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Convenient access to ALE's FY13 results…and useful too

- Results Centre on ALE's website
- Mobile device compatible
- USB containing all FY13 results and property materials:
  - Results Presentation
  - Video interview with Managing Director
  - Annual Review PDF + link to Review website
  - Property Compendium PDF + link to www.aleproperties.com.au
  - Annual Report including audited accounts

Key Points

- FY13 distributable profit of 16.32 cps exceeded guidance by 2.0%
- FY13 distributions of 16.00 cps, expected to be 34.76% tax deferred
- Property valuations increased by 1.9% to $786.0m due to rental growth
- ALE completed its comprehensive capital structure review. Key outcomes:
    - locked in low long term interest rates and simplified hedging
    - successfully completed $107m debt and equity capital raisings
    - average debt funding maturity remains long at 5.2 years
    - net covenant gearing reduced to 50.9% (FY12: 51.9%)
    - net assets per security of $1.90
- Positive outlook for future market rent reviews is further enhanced by
    - recent ALH capital expenditure at ALE's properties
    - Victorian gaming changes
- 2003 investment of $1.00 in ALE has a current accumulated value of $7.08

FY13 Results
Net Profit (IFRS) and Distributable Profit

Year ending 30 June ($m)	**2013**	2012
Total Revenue (Rental income)	**53.1**	51.9
Total Other Income (Interest income and property revaluations)	**18.6**	17.5
Total Expenses (Operating, non-cash and derivative revaluations)	**(56.2)**	(89.6)
Income Tax Expense (Non-cash)	**(0.6)**	3.1
Net Profit / (Loss) after income tax (IFRS)	**14.9**	(17.1)
Add Back: Non-cash fair value increments to investment properties	**(15.1)**	(13.7)
Non-cash fair value decrements to derivatives	**25.5**	46.8
Realised (profit) on property sale (Partial sale of Wilsonton)	**(0.5)**	-
Employee share based payments	**0.1**	0.1
Non-cash finance costs	**6.2**	13.7
Non-cash income tax expense	**0.6**	(3.1)
Distributable Profit	**31.7**	26.7

ALE has a policy of only paying distributions from free cash flow, 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 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. Non IFRS measures within this presentation have not been audited or reviewed in accordance with Australian auditing standards by ALE's auditor, KPMG.

FY13 Results
Distributable Profit

	FY13 (M)	FY12 (M)		Comments
Property income	**$53.3**	$51.9		➢ Average CPI based rent increase
Interest income	**$2.8**	$3.8		➢ Reduced average cash balances and deposit rates
Borrowing expense	**$17.8**	$22.9		➢ Hedge restructure and lower hedged interest rates
Management expense	**$4.3**	$3.7		➢ Remains one of lowest expense ratios in A-REIT sector. FY12 included $0.6m legal cost recovery
Land tax expense	**$2.3**	$2.4		➢ Land tax for QLD properties only
Distributable Profit [1]	**$31.7**	$26.7		➢ 2% above guidance
Funds From Operations (FFO)	**$31.7**	$26.7		➢ Equal to distributable profit
Securities on Issue	**194.2**	159.0		➢ Placement and SPP in late 2012
Distributable Profit (cps)	**16.32c**	16.79c		➢ 2% above guidance
Distribution (cps)	**16.00c**	16.00c		➢ In line with guidance

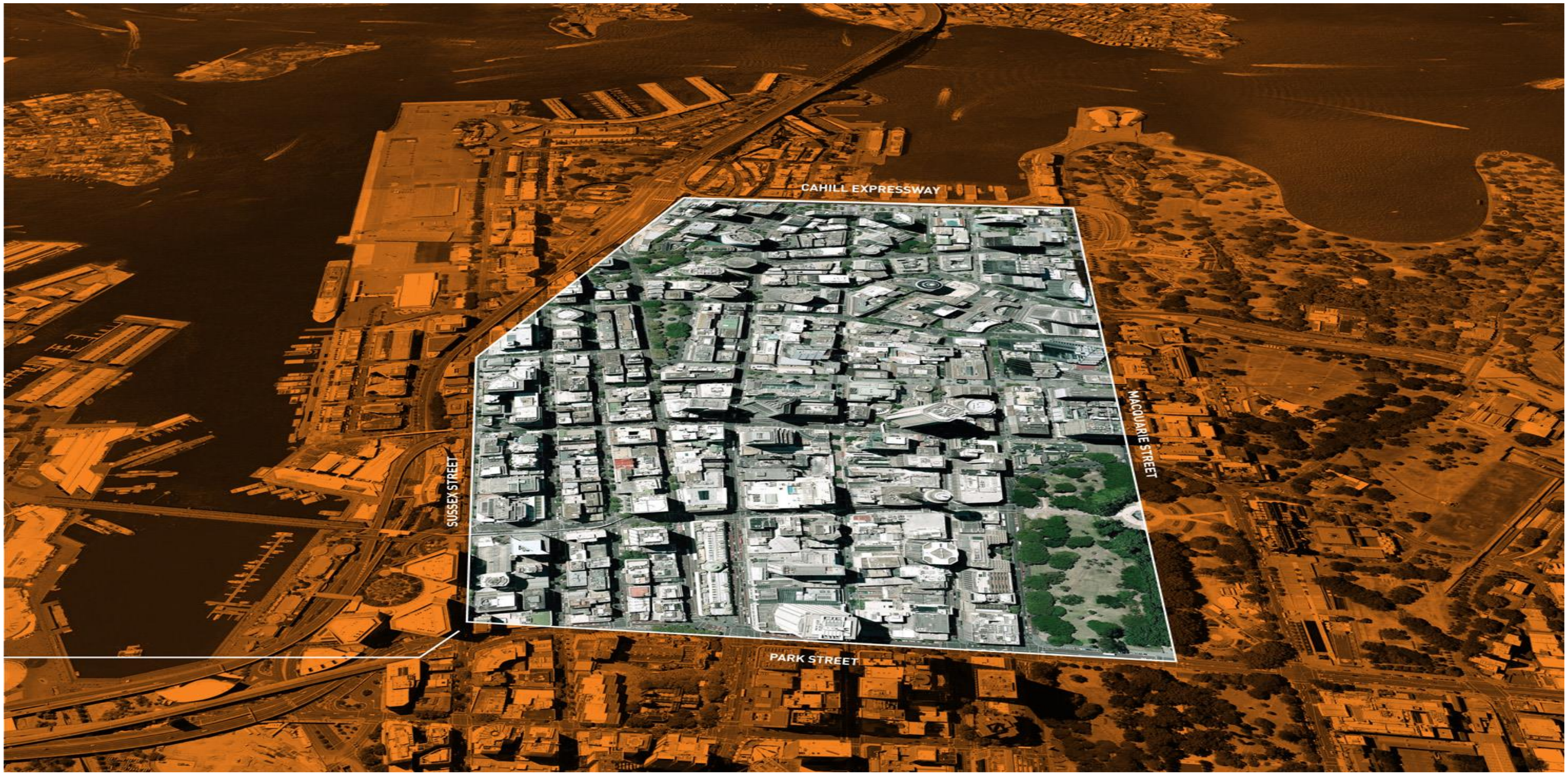
1. Distributable Profit excludes non-cash accounting items – see full reconciliation to IFRS Net Profit

June 2013 Full Year Results
Key Metrics

As at	30 June 2013	30 June 2012	Change
87 properties valuation	**$786.0m**	$771.5m	1.9%
Statutory gearing[1]	**57.4%**	63.1%	(5.7%)
Covenant gearing[2]	**50.9%**	51.9%	(1.0%)
Net assets	**$368.4m**	$312.5m	17.9%
Net assets per security	**$1.90**	$1.95	(2.6%)
Price as premium / (discount) to NTA[3]	**40.5%**	(4.5%)	45.0%
Market Capitalisation[3]	**$518.3m**	$340.3m	52.3%

1. Statutory gearing = Total Statutory Liabilities / Total Statutory Assets
2. Covenant gearing = (Net Finance Debt – Cash) / (Total Assets – Cash – Derivatives Assets) as per ALE Notes 2 covenant. This ratio is considered, in the opinion of the Directors, most relevant to security holders as it is the debt covenant that has the least headroom available
3. Based upon security price of $2.67 as at 30 June 2013 and $2.14 as at 30 June 2012

Properties
Nearly ONE SQUARE KILOMETRE of Land!



Source: Google Maps

ALE's 87 properties include a total of 958,071m^2 of land, which is equivalent to the Core Sydney CBD

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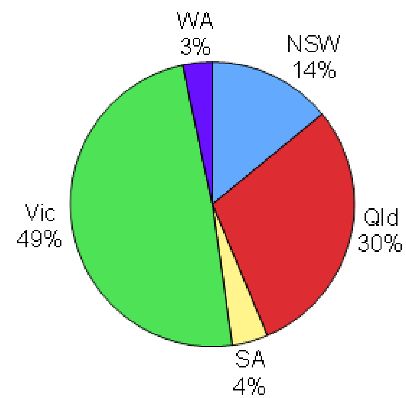
Properties
June 2013 Valuations

- Valuations increased 1.9% incorporating November 2012 CPI rental increase of 1.8%
- Cap. rate of 6.59% – remains in the stable range of between 6.1% and 6.6% since 2006
- Valuations substantially exclude significant capital expenditure by ALH over past six years
- All June 2013 independent valuations (DCF) assumed a rent increase of 10% for 2018 review
- Weighted average lease expiry of around 15.3 years

Portfolio breakdown by geography (as at June 2013)

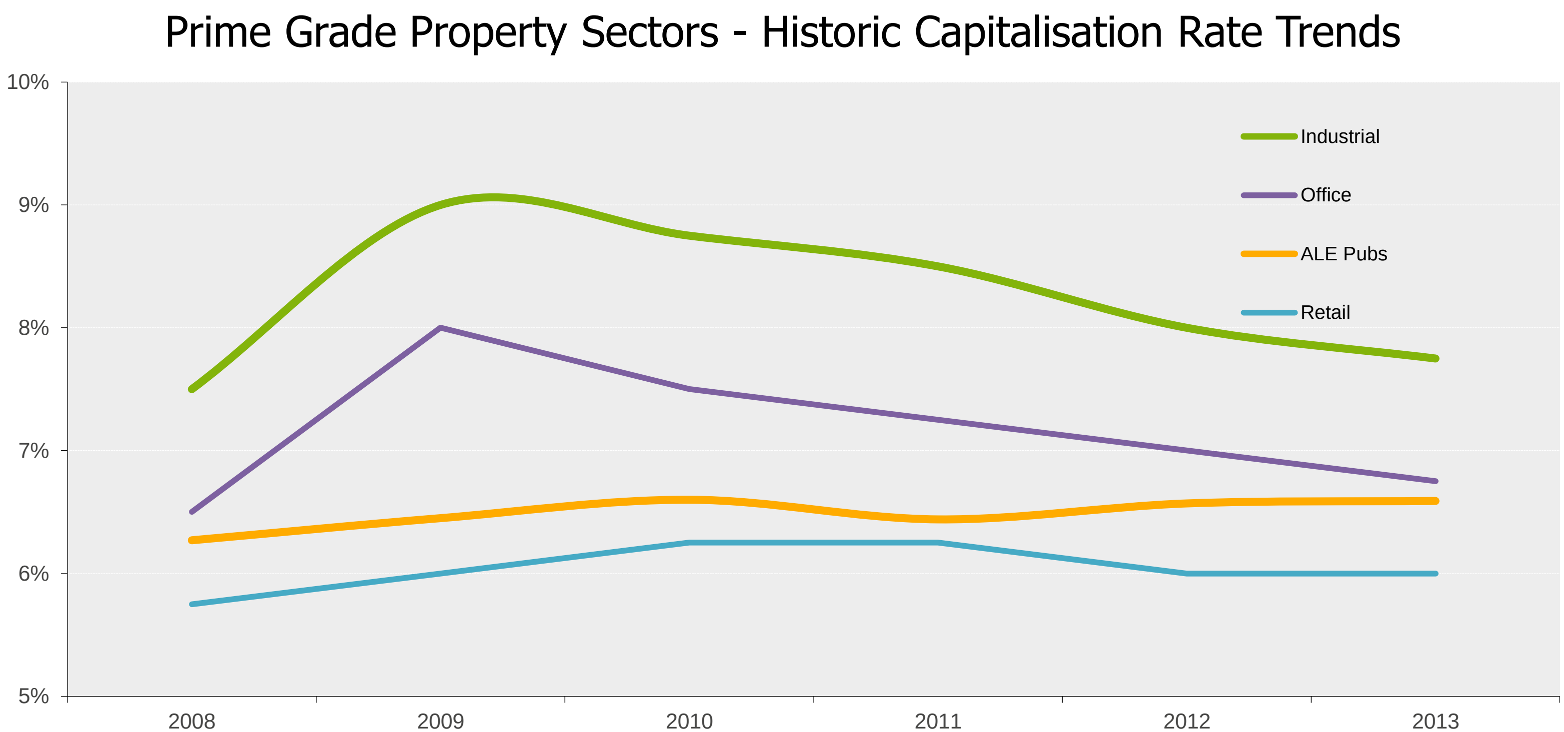
	Number of Properties	Value ($m)	Average Value ($m)	WACR
VIC	34	384.4	11.3	6.68%
QLD	32	232.6	7.3	6.38%
NSW	10	110.6	11.1	6.60%
SA	7	32.1	4.6	6.71%
WA	4	26.3	6.6	6.83%
Total	**87**	**786.0**	**9.0**	**6.59%**

Portfolio Breakdown by Value



WACR: Weighted average capitalisation rate

Properties
June 2013 Valuations



Source: ALE and Urbis

Note: ALE's weighted average capitalisation rates are based on independent and Directors' valuations.

ALE's property capitalisation rates have been less volatile and are yet to follow the more recent compression trend in other sectors. A lack of recent and directly comparable evidence is one contributing factor

Properties
June 2013 Valuations

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 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 Victorian gaming reforms are materially increasing ALH's EBITDAR. This is all positive for future market rent reviews
- Statutory valuations by CBRE/Urbis adopt comparable property capitalisation rates and 10 year discounted cash flow (DCF) methodologies
- All CBRE/Urbis June 2013 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

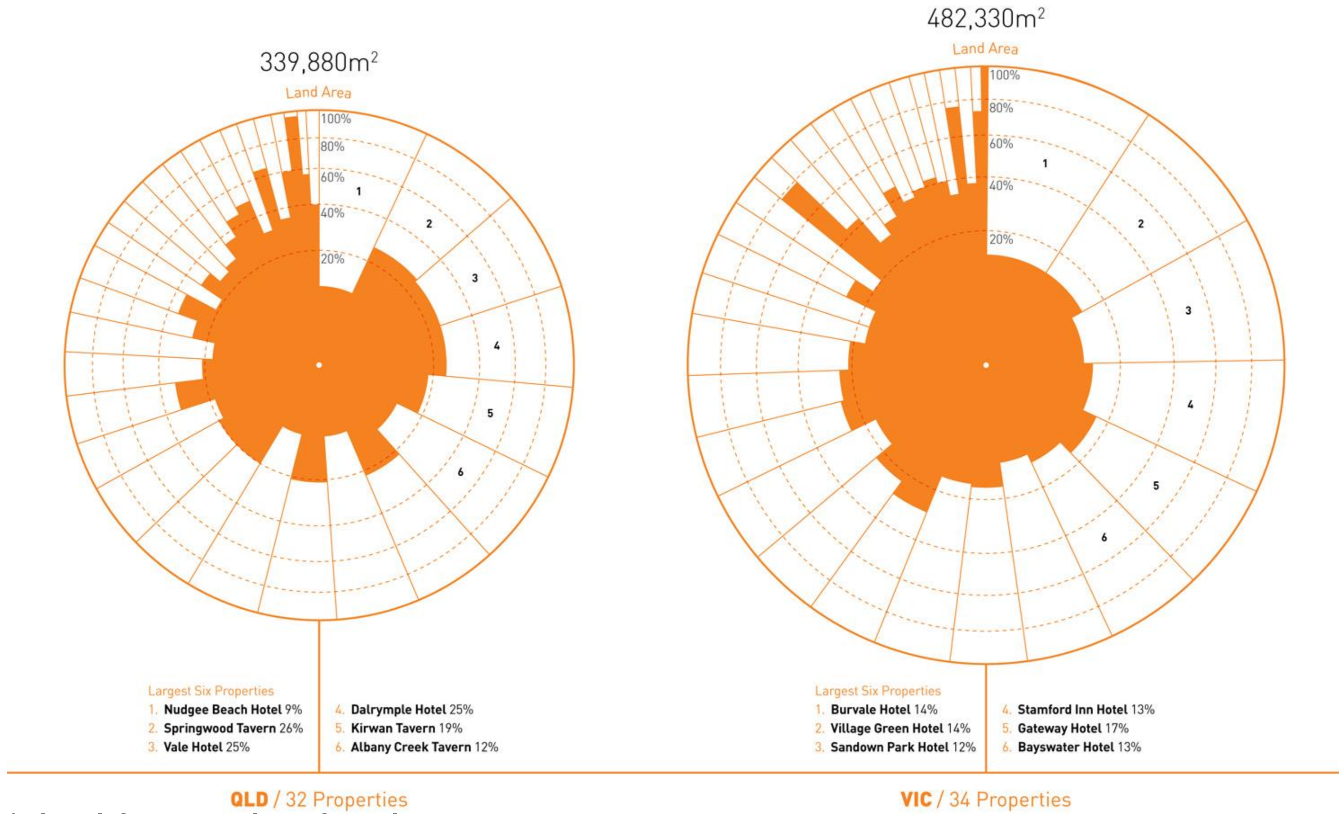
Properties
ALE's 2013 Property Compendium

ALE's 2013 Property Compendium launched today at **www.aleproperties.com.au**

- 87 properties - aerial and selected ground level photos
- 210,615m^2 of pub and retail liquor building area (around 22% of the land area)
- 958,071m^2 of freehold land which is equivalent to one of the following:
  - nearly ONE SQUARE KILOMETRE
  - more than half of the Melbourne CBD *
  - the entire Core Sydney CBD *
- More than 10,000 car spaces

* Melbourne CBD is bounded by Spring, Flinders, Spencer and LaTrobe Streets
Core Sydney CBD is bounded by Cahill Expressway, Macquarie, Park and Sussex Streets
All areas and car spaces are approximations only

Properties
22% Building to Land Utilisation



Average 22%* building to land utilisation at ALE's properties may provide opportunities for further development by ALH and additional future earnings for ALH and market rent growth for ALE

* Utilisation percentage is approximate only and excludes Dan Murphy's and other additions made by ALH

Capital Management
Current Capital Structure

Debt Facilities

Facility	Amount ($M) June 2013	Amount ($M) June 2012	Scheduled Maturity	Maturity Term (Years) at June 2013	Base Rate[3]	Credit Margin
CIB (Tranche AA)	**$138**	$135	November 2023	10.4	3.20%	**0.20%**
CMBS (Tranches AB and B)	**$160**	$160	May 2016	2.9	3.83%	**2.34%**
Total Secured Debt	**$298**	$295		6.4		
CPI Hedge Escalation	**-**	$36	Hedge terminated			
ALE Notes 2	**$165**	$125	August 2016 [1]	3.1	3.83%	**4.00%**
(Cash) On Deposit [2]	**($55)**	($44)				
Total Net Debt Facilities	**$408**	$413	**Weighted Averages**	**5.2**		**2.29%**

Focus is on the opportunity for any interest savings and other benefits from a refinancing of the 2016 debt maturities

1. ALE has the option to extend ALE Notes 2 maturity from August 2014 by one or two years to August 2016
2. Includes amounts in debt reserve and hedging security accounts.
3. Base Rate for CIB is a Real Rate as balance escalates at CPI. Net interest payable benefits from in the money counter hedging arrangements.

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Capital Management
Net Gearing Position

- Current net covenant gearing of 50.9% (reduced from 51.9% at June 2012)
- Substantial headroom to debt covenants continues to apply
- Current headroom to ALE Notes 2 covenant:
  - 218 bps expansion in cap. rates (from 6.59% to 8.77%) or
  - 25% reduction in property values would increase gearing to 67.5% covenant
  - covenant only restricts further borrowings and distributions above the greater of either taxable profit and distributable profit
- Future gearing outcomes are expected to be lower as new hedging arrangements do not create any CPI indexed liabilities

Capital Management

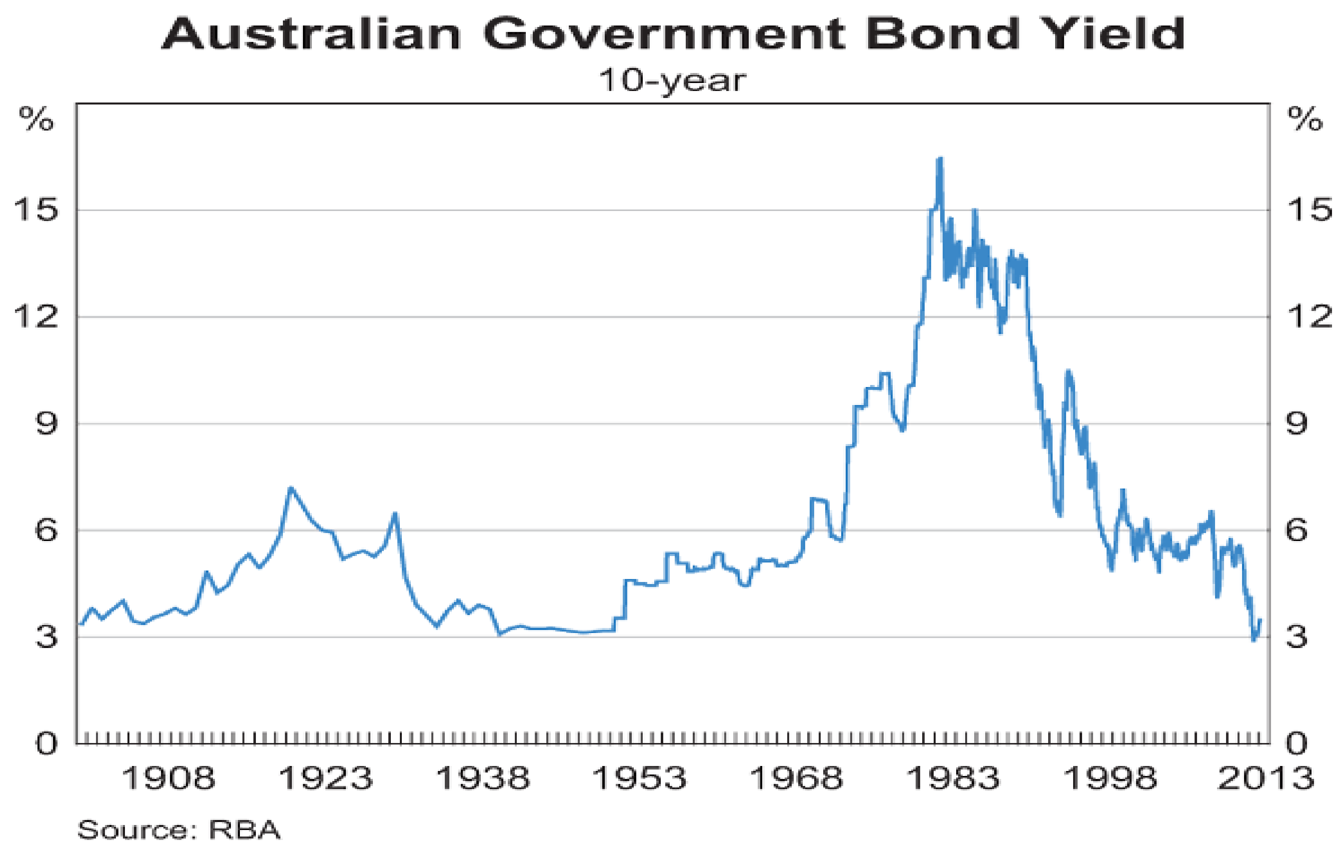
Successful Capital Raising Supported Hedging Restructure

- Total capital of $107m raised between October and December 2012, comprising
  - $40m equity from placement to institutions and sophisticated retail investors
  - $27m equity from SPP with 57.5% of all holders participating
  - $40m debt from additional ALE Notes 2 issue
- Capital raisings were well supported with significant oversubscriptions
- Net covenant gearing at 50.9% is now well below 57% anticipated at time of placement due to subsequent revaluation of properties, higher SPP participation and lower CPI hedge termination amount

Capital Management
Hedging Arrangements Simplified at Low End of Cycle

- Net debt now fully hedged with low nominal fixed interest rates
- New hedging put in place in December 2012 with the following key terms
  - $291m face value fully hedges current levels of net nominal debt
  - 10 year term maturing November 2022
  - Hedged at a base interest rate of 3.83% p.a.
  - Captures lower end of the interest rate cycle (100+ year lows)
  - No bank rights to break
- New hedge is $8m in the money as at 30 June 2013 due to interest rate increases
- Existing nominal counter hedges remain in place until 2020 and in the money value is fully amortised by the expected time of refinancing
- ALE's weighted average term of hedging remains long at 9.7 years
- Net outcome: lower interest expenses deliver long term securityholder value benefits

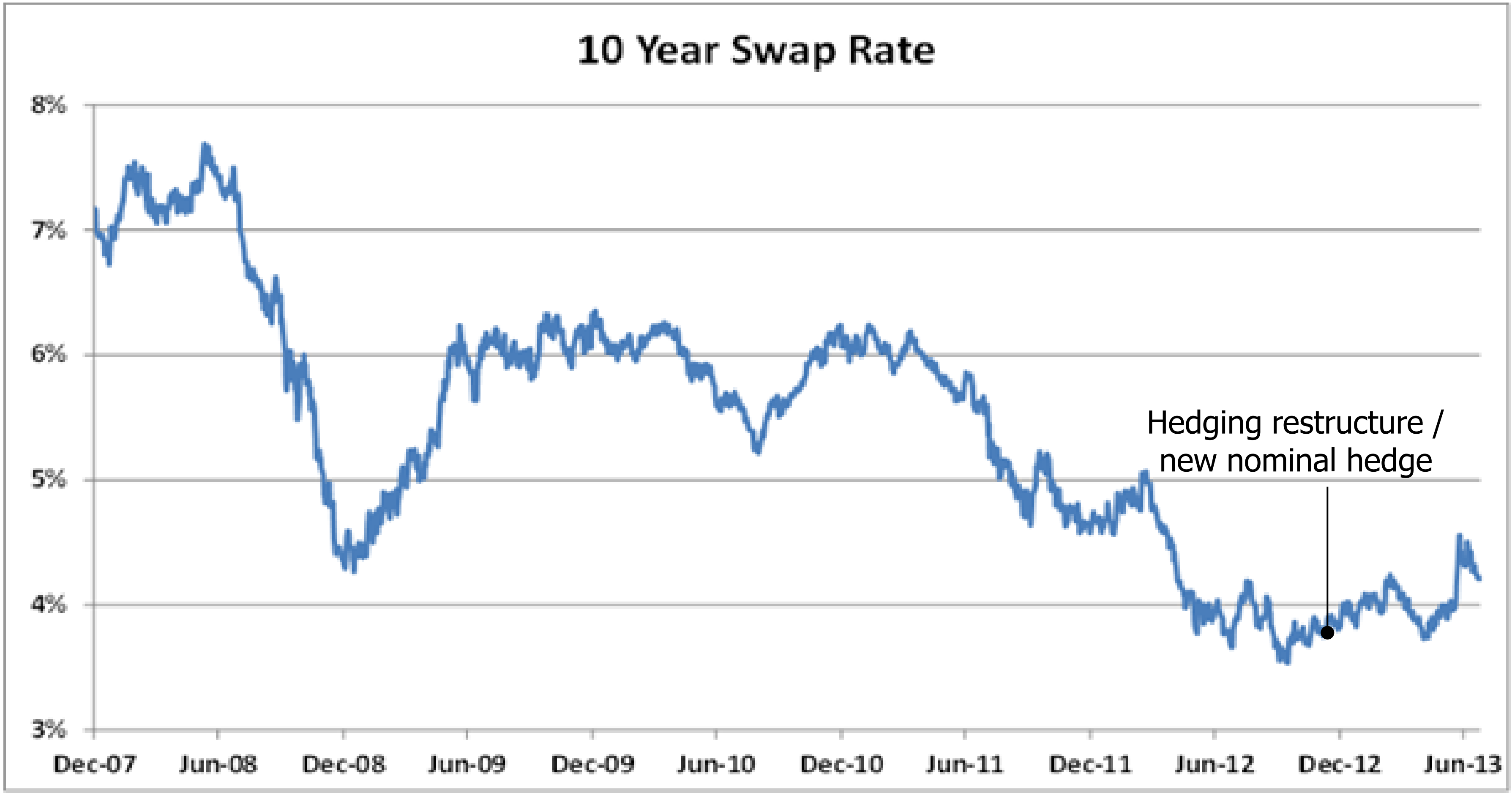
Capital Management
Lower Rates Prompted Hedging Restructure



Long Term Interest Rates Locked In At Low End Of Cycle

Capital Management

Lower Rates Locked In Through Hedging Restructure



Long Term Interest Rates Locked In At Low End Of Cycle

Capital Management
Hedging Restructure – Enhancing Securityholder Value

- ✓ Locked in long term interest rates at near 100+ year lows
- ✓ Duration of nominal rate hedging maintained
- ✓ Removes any gearing or refinancing risks associated with future CPI inflated hedge liabilities
- ✓ CPI hedging delivered additional distributions over five years and even more in terms of the reinvested value of those distributions
- ✓ Simplifies the hedging arrangements

FY14 Outlook and Strategy
Lower Interest Rates Remain the Key Driver

- During FY13 ALE's properties demonstrated their high quality by increasing in value
- Current margin of around 5.5% between ALE capitalisation rates and government real interest rates remain above long term industry average of around 4%
- Cyclically low interest rates locked in for the long term from simplified hedging is expected to provide significant ongoing value to securityholders
- Positive outlook for market rent increases, as recognised by the independent valuers of the properties
- ALE will continue to review acquisition opportunities that meet our strict strategy and criteria (see Attachments)

FY14 Outlook and Strategy
Distribution Guidance

ALE aims to grow distributions by CPI
each financial year until the next refinancing

- FY14 distribution guidance of 16.00 cents per security increased by CPI. Further guidance will be provided during the year
- Tax deferred component is expected to increase in future years due to hedge restructure deductions
- Notwithstanding debt maturity profile, the Board is already focussed on a range of refinancing options given the lower credit margins currently available
- Distribution guidance includes benefits from in the money counter hedges that will be fully amortised by the expected date of next refinancing
- Materially reduced gearing position provides opportunity to maintain stable through cycle distribution profile beyond amortisation of counter hedge benefits

All guidance assumes an unchanged portfolio, hedging and capital structure

ALE's Attractive Investment Proposition

- High quality tenant **75% owned by Woolworths** Limited
- Weighted average **triple net lease**
- Remaining average term of **15.3 years plus options**
- **Next market rent review in 2018** (10% cap & collar)
- Portfolio **under rented** according to independent valuers and a range of indicators
- Weighted **average debt maturity of 5.2 years**
- **Distribution yield of around 6.1%[1]** for FY14

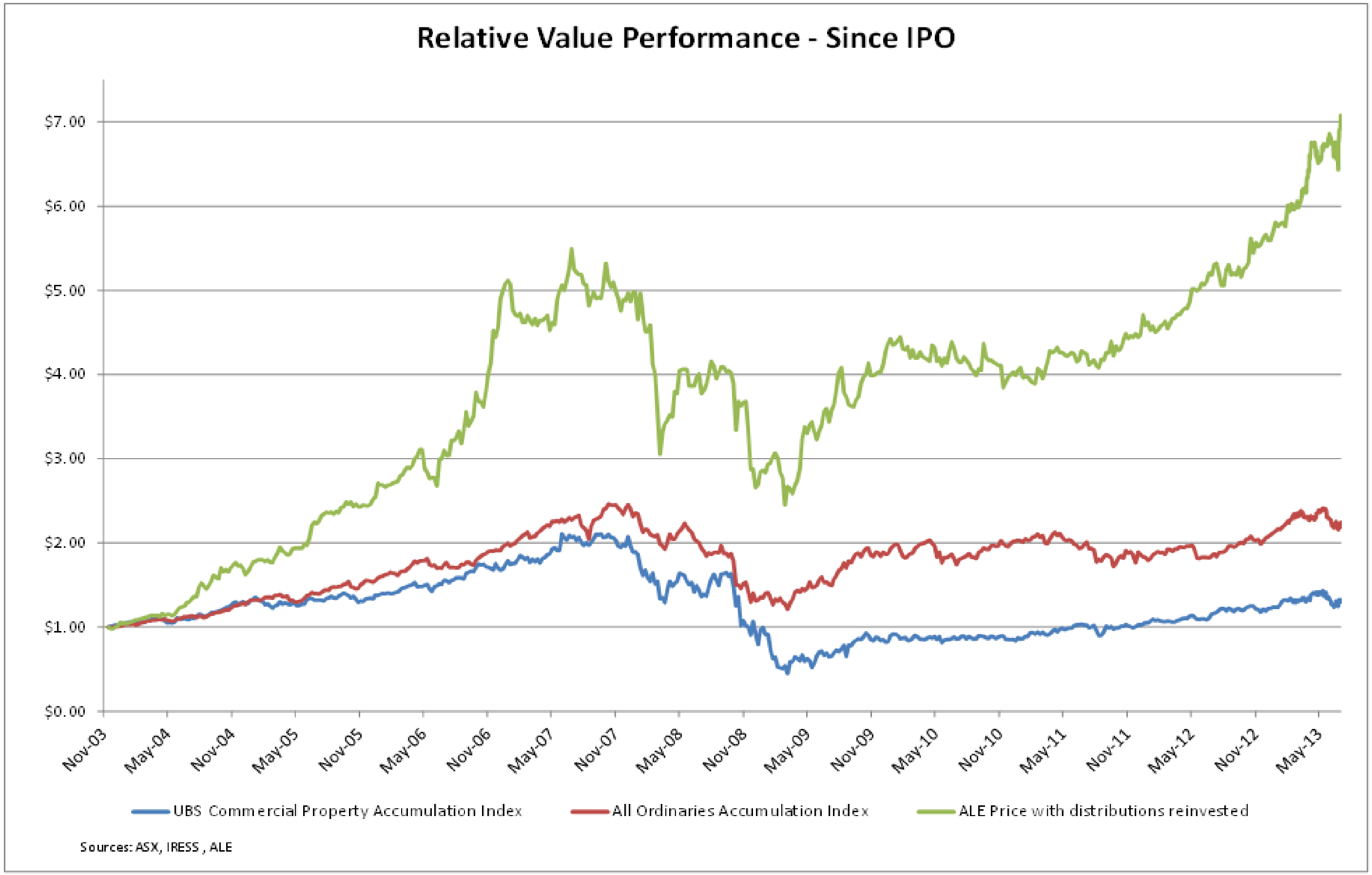
1. Based on closing security price of $2.67 as at 30 June 2013 and guidance distribution of 16.0 cps plus CPI for FY14

A Decade of Performance
$7.08 of Accumulated Value

Capital management has added significant accumulated value for securityholders

Based upon $1.00 investment at 2003 IPO, reinvestment of all distributions paid/declared to September 2013 including payment for renouncing Sep 2009 rights and a closing security price of $2.74 on 2 July 2013.

A Decade of Performance
$7.08 of accumulated value



ALE : $1.00 invested in 2003. $7.08 of accumulated market value[1]

1. Includes market value as at 2 July 2013 and reinvestment of distributions and 2009 renunciation payment

A Decade of Performance
Outperforming all benchmarks

ALE continues to outperform against all benchmarks

Total Returns to 30 June 2013 (p.a.)	**ALE**	A-REITs	All Ords.
➢ One year	**33.2%**	24.0%	21.9%
➢ Three years	**17.6%**	13.4%	13.4%
➢ Five years	**11.3%**	0.3%	2.7%
➢ Ten years since 2003 ASX listing	**<u>22.5%</u>**	1.7%	6.5%

Source: UBS

ALE's Longer Term Performance

➢ Investment at 2003 ASX listing	**$1.00**
➢ Total distributions and payments so far	**$2.29**
➢ Tax deferred distributions so far	**$1.59**
➢ Accumulated market value	**$7.08**
➢ Market capitalisation growth since 2003	**$91m to $532m**

1. Based on 2 July 2013 closing security price of $2.74
2. Accumulated market value and market capitalisation includes security price of $2.74 at 2 July 2013 plus reinvestment of distributions since 2003 listing
3. Distributions include payment for renouncing Sep 2009 rights (half of $0.41) and all other distributions paid and declared to September 2013
4. Total returns include both distributions and security price movements

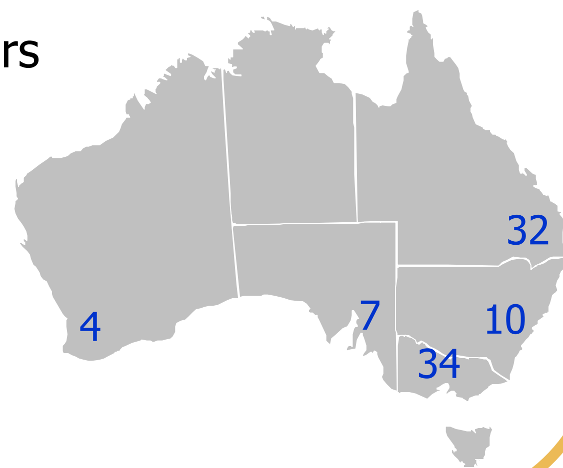
Attachments

Young & Jackson Hotel, CBD Melbourne, VIC

About ALE
Summary of Portfolio and Leasing Arrangements

- ALE (ASX:LEP) is the largest freehold owner of pubs in Australia
- Established in 2003 with properties acquired from Foster's
- Currently owns 87 pub freehold properties
- High quality portfolio across the mainland capital cities
  - All on long-term triple-net[1] leases
  - 25 year initial term with average 15.3 years remaining
  - Four options for lessee to extend lease by up to 40 years
- 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 87 Pubs in Australia



1. Three of the 87 properties are on double-net leases

About ALE
Property Leasing Structure - Unique Characteristics and Outlook

- Portfolio enjoys 100% occupancy
- Tenant continues to exhibit outstanding growth and strong credit quality
  - ALE's properties are integral to ALH's operations (~30% of ALH's pubs are owned by ALE)
  - Expanded facilities with rollout of Dan Murphy's (currently 20 on ALE's land with others underway)
  - ALH EBITDAR growth has materially exceeded CPI since takeover by Woolworths / Mathieson
- Strong lease terms, strong ALH profit performance and a positive market rental outlook
  - Essentially triple net leases with favourable development, cross-default, assignment and funding security provisions
  - Positive outlook for market rent increases (2018 and 2028) given ALH profitability
    - Significant capital expenditure has all been financed by ALH to date
    - Victorian gaming restructure from August 2012. Gaming restructure delivers to ALH a significantly larger share of net gaming machine revenue
    - Further development opportunities exist for ALH to drive further earnings growth

About ALE
Acquisition and Divestment Strategy

- Disciplined and consistent approach
- Over the past ten years ALE has:
  - acquired 11 properties for $100m at an average cap. rate of 7.2%
  - sold 23 properties for $132m at an average cap. rate of 6.1%
  - sold all properties at significant premium to acquisition cost
- Acquisition criteria continue to include:
  - 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 (including pubs) that will remain strategically important to the tenant's core operations

Research Analyst Coverage of ALE

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

- Paul Checchin & Rob Freeman – Macquarie Securities
- Rob Stanton & Scott Molloy – JP Morgan Securities
- Adrian Atkins – Morningstar
- James Carlisle & Jason Prowd – Intelligent Investor

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
  - ALE's properties are integral to ALH operations
  - ALH is the owner of licences and certain development rights
- For FY12 the ALH Group reported EBITDAR of $538.4m, up 7% pcp
- For year to 30 June 2013, Woolworths hotels division sales growth of 19.7% includes impacts of Victorian gaming restructure and recent acquisitions
- Woolworths operates more than 1,300 retail liquor outlets across Australia with 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 BEER WINE SPIRITS

Dan Murphy's

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