ALE Property Group
December 2012 Half Year Results – *13 February 2013*

New Brighton Hotel, Manly Beach, 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

Highlights
Half Year to 31 December 2012

- Distributable profit of 8.18 cps and distribution guidance of 8.00 cps delivered
- Property valuations increased by 1.7% to $784.6m due to income growth
- Hedging arrangements simplified and long term rates locked in at low end of cycle
- Debt and equity raising of $107m completed
- Net covenant gearing reduced from 51.9% to 50.8%
- CPI hedge dispute now settled with $7.2m compromise to the amount claimed
- Positive outlook for market rent increases as under renting expands further due to ALH capital expenditure and Victorian gaming changes
- Full year FY13 distribution guidance of at least 16.00 cps reaffirmed
- 2003 investment of $1.00 in ALE has a current accumulated value of $6.05

Attractive Investment Proposition

- **High quality tenant 75% owned by Woolworths** Limited
- Weighted average **triple net lease** term of **15.8 years plus options**
- **CPI growth in rent with next market rent review in 2018**
- Portfolio **significantly under rented** securing future earning and capital position
- **Valuations supported by sales** evidence and independent valuations
- Weighted **average debt maturity of 5.8 years**
- **Distribution yield of at least 6.8%[1]** for FY13 as at 31 December 2012
- 1. Based on closing security price of $2.34 as at 31 December 2012 and guidance of at least 16.0 cps for FY13

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December 2012 Half Year Results
Net Profit (IFRS) and Distributable Profit

Half Year ending 31 December 2012	$m
Total Revenue	28.0
Total Other Income	13.3
Total Expenses	(45.3)
Income Tax Benefit	0.3
Net Loss after income tax (IFRS)	**(3.7)**
Add Back: Fair value increments to investment properties	(13.1)
Fair value decrements to derivatives	29.7
Employee share based payments	0.1
Non-cash finance costs	3.2
Income tax benefit	(0.3)
Distributable Profit	**15.8**

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. The reconciliation between Operating Profit before Tax and Distributable Profit has not been audited or reviewed by KPMG.

December 2012 Half Year Results
Distributable Profit

Half-Year Ended	31 Dec 2012 $M	31 Dec 2011 $M		Comments
Revenue from Properties	**$26.4**	$25.7		➢ Average CPI based rent increase of 2.7%
Other Revenue	**$1.7**	$2.6		➢ Reduced average cash balances and deposit rates
Borrowing Expense	**$9.4**	$11.6		➢ Hedge restructure and lower base interest rates
Management Expense	**$1.8**	$2.0		➢ One of lowest expense ratios in A-REIT sector
Land Tax Expense	**$1.1**	$1.1		➢ Land tax for QLD properties only
Distributable Profit	**$15.8**	$13.7		➢ In line with guidance
Securities on Issue	**193.6**	159.0		➢ Placement and SPP
Distributable Profit (cps)	**8.18c**	8.60c		➢ In line with guidance
Distribution (cps)	**8.00c**	8.00c		➢ In line with guidance

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

December 2012 Half Year Results
Key Metrics

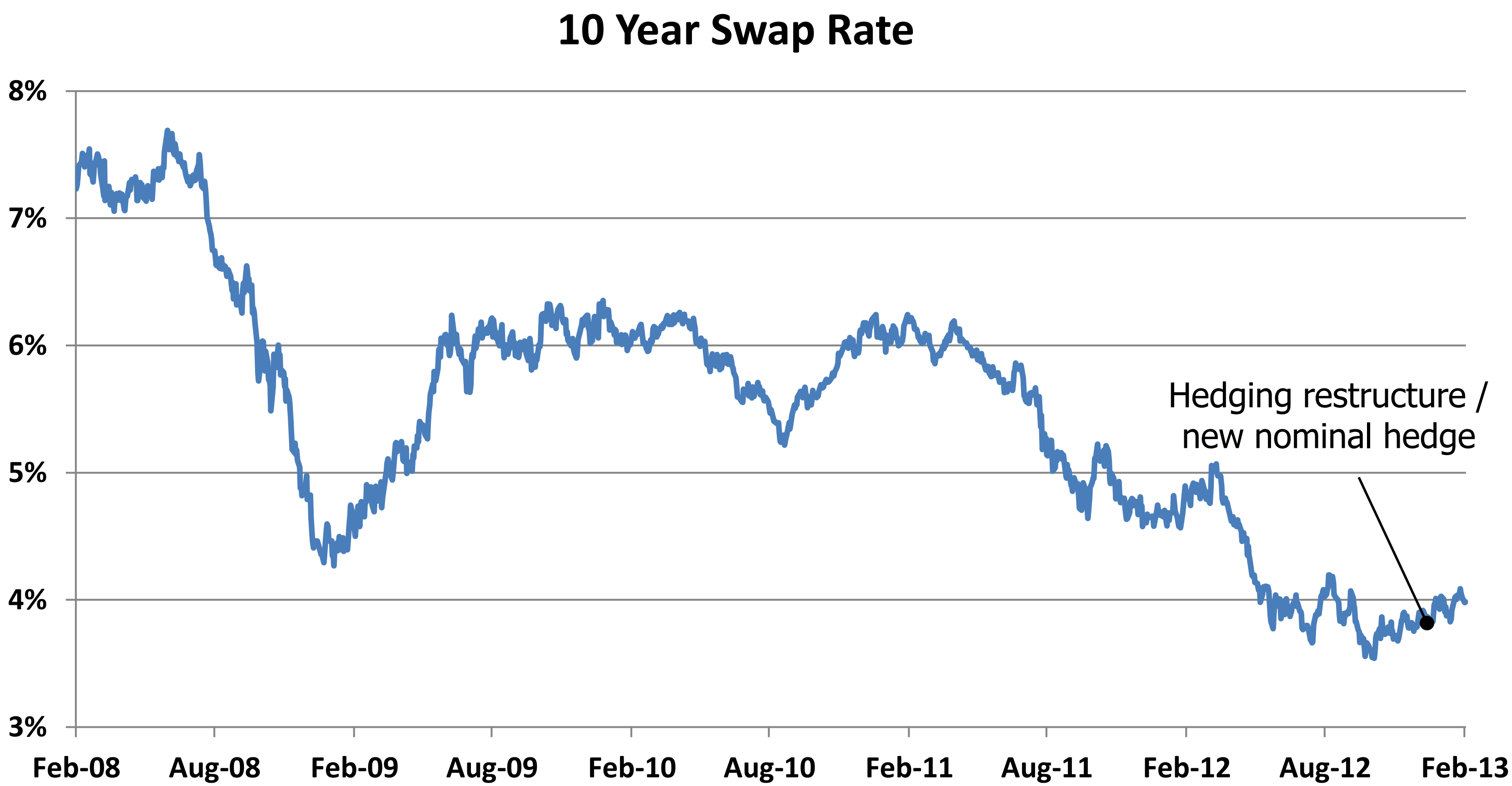
As at	31 Dec 2012	30 June 2012	Change
87 properties valuation	**$784.6m**	$771.5m	1.7%
Net gearing IFRS	**58.8%**	63.1%	(4.3%)
Net gearing[1]	**50.8%**	51.9%	(1.1%)
Net assets IFRS	**$363.5m**	$312.5m	14.0%
Net assets per security IFRS	**$1.88**	$1.95	(3.6%)
Net assets (excluding derivatives)[2]	**$369.6m**	$358.2m	3.2%
Net assets per security (NTA)	**$1.91**	$2.24	(14.7%)
Price as premium / (discount) to NTA	**22.5%**	4.7%	17.8%

1. Net 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. The ratio on this occasion also includes the final amount required to settle CPI hedge dispute. See page 12 for further details
2. Net assets excludes derivative assets and liabilities as they are considered to be timing differences if the hedge runs full term
3. Security Price was $2.34 as at 31 December 2012 and $2.14 as at 30 June 2012

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
- Funding initiatives well supported with significant oversubscriptions
- Net covenant gearing 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
Lower Rates Prompted Hedging Restructure



Long Term Interest Rates Locked In At Low End Of Cycle

Capital Management
Hedging Arrangements Simplified

- 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
  - No bank rights to break
- Existing nominal (counter) hedges remain in place until 2020 with a current positive value of approximately $20m to be substantially amortised by FY15
- CPI hedge dispute now finalised at $105.9m, an amount that is $7.2m less than hedging bank's claim. Final settlement to be made end of February 2013 from existing surplus cash balances
- Net outcome: lower interest expenses will deliver long term benefits

Capital Management
Current Capital Structure

Debt Facilities

Facility	Amount ($M) December 2012	Amount ($M) June 2012	Scheduled maturity	Maturity term (Years) December 2012
CIB (Tranche AA)	**$135**	$134	November 2023	10.9
CMBS (Tranches AB and B)	**$160**	$160	May 2016	3.4
Total Secured Debt	**$295**	$294		**6.8**
CPI Hedge Escalation	**-**	$36	Hedge terminated	
ALE Notes 2	**$165**	$125	August 2016 [1]	3.7
(Cash) On Deposit [2]	**($75)**	($44)		
Total Net Debt Facilities	**$385**	$412		**5.8**

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.

Capital Management
Net Gearing Position

- Net covenant gearing of 50.8% (reduced from 51.7% at June 2012)
- Substantial headroom to debt covenants continues to apply
- Current headroom to ALE Notes 2 covenant:
  - 220 bps expansion in cap. rates (from 6.58% to 8.78%) or
  - 25% reduction in property values
  - covenant only restricts further borrowings and distributions above the greater of either taxable profit and distributable profit
  - includes impact of final payment to settle CPI hedge dispute
- Future gearing outcomes to be lower as new hedging arrangements no longer escalate with CPI

Capital Management
Distribution Reinvestment Plan

- As previously announced, the DRP is in operation for March 2013 distribution
- DRP price of $2.31, being the weighted average price over 20 ASX trading days ending 1 February 2013. Discount reduced from 2.25% to 0%.
- DRP to be satisfied by the issue of securities with no scale back applied to holders electing to participate
- Participation reduced from 37.0% to 9.9% and will raise $1.5m of additional equity
- DRP provides convenience to participating Securityholders (around 17% by number)
- ALE will consider on-market purchases of securities having regard to ALE's potential future capital needs

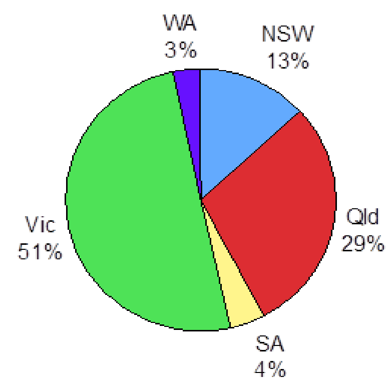
Properties
December 2012 Valuations

- Valuations increased 1.7% incorporating November 2012 CPI rental increase of 1.8%
- Independent valuer advised that average capitalisation rates should remain at 6.58%, in line with the rates that applied at June 2012
- Well located in capital cities with average value of $9.0 million
- Weighted average <u>lease expiry of around 15.8 years</u>

Portfolio breakdown by geography (as at December 2012)

	Number of properties	Value ($m)	Average Value ($m)	WACR
NSW	10	109.8	11.0	6.63%
QLD	32	230.2	7.2	6.40%
SA	7	32.4	4.6	6.64%
VIC	34	386.1	11.3	6.65%
WA	4	26.1	6.6	6.82%
Total	87	**784.6**	**9.0**	**6.58%**

Portfolio breakdown by value



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Properties

Leasing Structure - Unique Characteristics and Outlook

- ✓ Portfolio enjoys 100% occupancy
- ✓ Tenant continues to exhibit outstanding growth and strong credit quality
  - ALH is 75% owned by Woolworths
  - ALH is Australia’s largest and most profitable pub operator
  - 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 exceeded CPI since 2004 takeover by Woolworths / Mathieson
- ✓ Strong lease terms, strong ALH performance and a positive market rental outlook
  - Essentially triple net leases with favourable development, cross-default, assignment and funding security provisions
  - All capital expenditure financed by ALH to date – more than $250m over past five years
  - Positive outlook for market rent increases (mostly 2018 and 2028) given past capital expenditure, significant further development opportunities and Victorian gaming restructure from August 2012. Gaming restructure delivers to ALH a significantly larger share of net gaming machine revenue

FY13 Outlook and Strategy
Distribution Guidance

- FY13 distribution guidance of at least 16.00 cents per security affirmed and includes full impacts of hedging restructure and associated capital raisings completed in October and December 2012
- FY13 first-half and full year distribution expected to be 36.6% tax deferred. Future years' tax deferred component expected to be higher due to hedge restructure.
- Continuing objective is to grow distributable profit by at least CPI until the next refinancing in a number of years time. Hedge restructure enhances this outlook
- Distribution guidance includes benefits from in the money counter hedges (totalling around $20m) which will be amortised between FY13 and FY15
- Materially reduced gearing position provides opportunity to maintain stable distribution profile past FY15 amortisation of counter hedge benefits
- All guidance assumes the existing portfolio, hedging and capital structure continues

FY13 Outlook and Strategy
Lower Interest Rates Are Key Driver

- During FY13 ALE's property assets demonstrated their high quality by continuing to increase in value
- Current historically high margin between capitalisation rates and long term real interest rates of around 6% are expected to contract back towards historic margin levels of around 4%.
- Sale to QLD government of ALE's Ferny Grove Hotel, Brisbane was completed in September 2012 at capitalisation rate of 5.95%
- Long term and simplified interest rate hedging recently completed at lower end of the cycle is expected to provide significant ongoing benefits to Securityholders
- Acquisition strategy and criteria remains consistent (see Attachments)

Attachments

Stamford Hotel, Melbourne, VIC

About ALE
Acquisition and Divestment Strategy

- Disciplined and consistent approach
- Over the past nine 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

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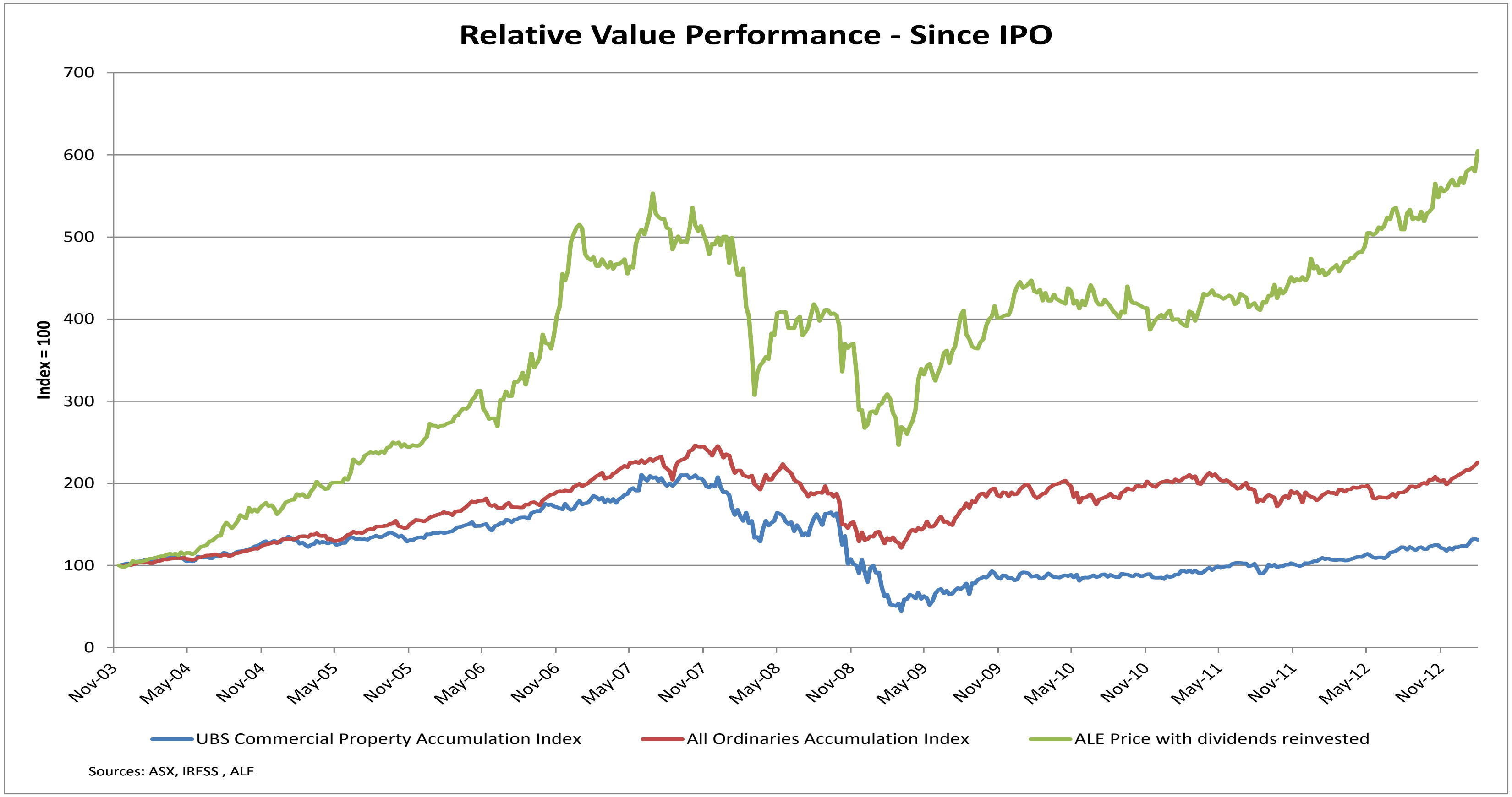
About ALE
Nine Years of Performance



ALE : $1.00 invested in 2003. $6.05 of accumulated market value[1]

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

Nine Years of Performance

ALE continues to outperform against many benchmarks

Total Returns to 31 January 2013 (p.a.)	ALE	A-REITs	All Ords.
➢ One year	26.9%	31.5%	19.6%
➢ Three years	10.5%	11.8%	6.7%
➢ Five years	5.9%	(5.0%)	1.5%
➢ Nine years since 2003 ASX listing	21.6%	3.0%	9.0%

Source: UBS

ALE's Longer Term Performance

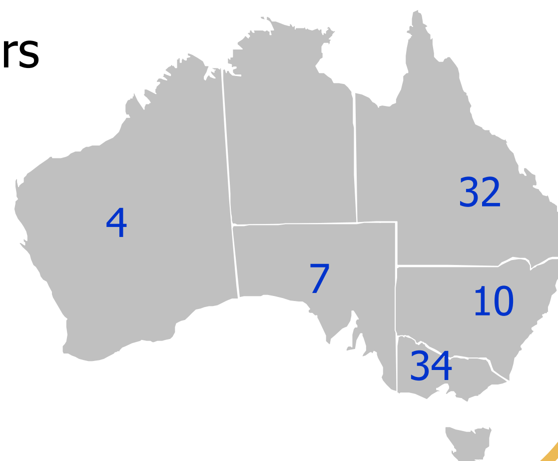
➢ Investment at 2003 ASX listing	$1.00
➢ Total distributions so far	$2.21
➢ Tax deferred distributions so far	$1.56
➢ Accumulated market value	$6.05
➢ Market capitalisation growth since 2003	$91m to $465m

1. Based on 1 February 2013 closing security price of $2.40
2. Distributions include payment for renouncing Sep 2009 rights and all other distributions paid and declared to March 2013
3. Accumulated market value includes security price of $2.40 at 1 February 2013 plus reinvestment of distributions since 2003 listing
4. Total return includes both distributions and security price movements

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 15.8 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 ALH
A Strong and Performing Tenant

- In November 2004 Woolworths / Mathieson JV acquired ALH for $1.33 billion
  - 75% owned by Woolworths and 25% owned by Bruce Mathieson
- ALH then acquired and successfully integrated MGW, BMG and Taverner
- 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 the 12 months ending 30 June 2012, the ALH Group reported EBITDAR of $538.4 million, an increase of 7% on pcp
- For the 6 months ending 31 December 2012, ALH Group reported sales of $759 million are up 9.0% pcp on a same store basis after Victorian gaming restructure and up 19.3% pcp after recent acquisitions
- Woolworths operates more than 1,300 retail liquor outlets across Australia
- ALH is Australia's leading pub operator

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