ALE PROPERTY GROUP

ANNUAL GENERAL MEETING 2013

CHAIRMAN'S ADDRESS

Good morning and welcome to you all.

I am Peter Warne, Chairman of the Board of ALE and I will chair today's Annual General Meeting which, by a fortunate accident of timing, is being held on the tenth anniversary of ALE's listing on ASX.

The Secretary has advised me that it is the appointed hour and that a quorum is present so I declare the Meeting open.

I would like introduce my fellow Directors.

In the room we have our management team. Andrew Slade our Capital Manager, Michael Clarke our Finance Manager and Don Shipway our Property Manager.

The proceedings today will be as follows.

I will make a brief introductory address after which our Managing Director, Andrew Wilkinson, will provide his report on the operations of ALE in FY13 and our immediate outlook.

I will then make some special remarks regarding the valuation of our property portfolio.

We will then move to the matters for decision by Securityholders as set out in the Notice of Meeting.

The Market

Before commenting specifically on ALE's performance in 2013, I would like to start with a few comments on developments in the international and local property and capital markets since last year's AGM.

Well what a difference a year makes.

Since we met here 12 months ago the US economy and its capital markets have continued to show signs of recovery with economic growth picking up, employment growing and unemployment falling. And that is despite confusion and turmoil at the political/government level. The ongoing low level of interest rates and quantitative easing continues to stimulate asset prices which in turn has raised business and consumer confidence which in turn has stimulated economic growth.

Investor confidence has returned with the US stock market at record levels and issuance volumes in debt markets increasing and credit spreads falling.

In Australia we have seen a bit more caution shown by investors with the ASX 200 index still well short of its record levels. Nevertheless it has still risen significantly over the last 12 months. Like the US, corporate debt issuance has also picked up and credit spreads have also declined.

Demand continues to increase, from both debt and equity investors, for securities with an attractive and secure yield and, particularly, for investments that can show sustained earnings growth.

In Australia, the A-REIT sector has been well sought after. The UBS Commercial Property Accumulation Index rose by 24.0 per cent as anticipated yields became increasingly attractive compared with bonds and other alternative investments.

We have seen significant capital raisings by AREITS, both from new and existing issuers, most of which have been in strong demand. We have also seen significant increased turnover in the direct property market and we beginning to see a pickup of corporate activity in the AREIT and property management sector.

While domestic and international investor demand for high quality, well-leased, prime commercial property (with development potential) in Australia remains very high, yields or capitalisation rates are yet to fall in line with lower bond yields and thus property prices (other than in the residential sector) are yet to see significant widespread increases.

The lower risk profile of quality commercial property investment also continues to enjoy increased support from both the commercial banking and debt capital markets.

In this environment, ALE's security price traded upwards over FY13 from $2.14 at 30 June 2012 to $2.67 at 30 June 2013. Since year-end ongoing confidence in ALE and its positive outlook have seen ALE's price continue to trade around that level.

ALE's Strategic Priorities

ALE's first ten years were characterised by clear and consistent strategic priorities that the Board has kept under continual review. These priorities will remain our focus into the next decade and beyond.

I have outlined ALE's priorities at previous Annual Meetings but they bear repetition as they all contribute to the achievement of our over-riding objective which is to maximise Securityholder value.

Our priorities are to:

- Deliver predictable distributions;
- Review our portfolio to ensure properties are well-maintained and, to the extent we are able, ensure value is maintained or enhanced;
- Maintain our costs below those of our peers;
- Ensure a sustainable capital management position;
- Tightly manage risk to preserve value for all stapled security holders;
- Undertake acquisitions or divestments where value accretive to do so; and
- Adopt and execute best practice in all regulatory and compliance matters to ensure all our obligations under the law, ASX rules and regulatory and lease obligations are met.

ALE's Capital Management

When we were here 12 months ago we had just completed a small equity and debt capital raising to fund the imminent termination of a CPI swap which had been in place for 5 years.

While that termination incurred a break cost due to interest rates having fallen over the five year period the CPI swap was replaced with a 10 year fixed interest rate swap at near record low levels which the board believes will protect ALE over coming years against any significant rise in interest rates. The

Board expects that the break cost associated with the restructure will be recovered over time by locking in the low interest cost.

Our capital structure has now been simplified and today is very straight forward consisting of a diverse source of medium to long-term funding instruments.

Looking forward Andrew and the team are currently exploring various alternative funding options which ALE may pursue to lower debt costs when it comes time for our next debt refinancing

Financial Results

I now turn to some brief comments on ALE's financial performance during the past financial year.

I am pleased to report that ALE delivered strong results for FY13 details of which Andrew will cover in his presentation.

Our positive outlook for future market rent reviews has been further enhanced by recent ALH-funded improvements at ALE's properties, ALH's strong operational expertise and changes to the Victorian gaming arrangements.

Since listing in 2003, ALE has consistently out-performed all other A-REITS in the index, delivering a compound annual total return of 21.9 per cent.

ALE has continued to outperform other A-REITs over the short and longer term and our operating expenses have remained at one of the lowest levels in the A-REIT sector.

The Board takes particular pleasure in the announcement last week that ALE has been named the Property Investment Research '2013 A-REIT of the Year', testifying to ALE's achievement in FY13 of an annual return of 33.2 per cent compared to the ASX/S&P Property 300 index at 24.0 per cent p.a. total return.

Corporate Governance

Again this year a significant number of Board, and Audit, Compliance and Risk Management Committee meetings were required. I again thank my Board and Committee colleagues for their dedication to the task.

As previously announced and in line with current corporate governance practice the Board has, through its Nominations Committee, continued to plan the process by which new directors will be identified, selected and appointed to your Board and existing Board members retire. This is an important part of the process of Board renewal.

As you are aware, the existing Board was appointed when ALE was first listed in 2003. Each of the existing Board members has now had ten years' service. It is generally considered best practice that directors be appointed for no more than 10 to 12 years.

Therefore over the next few years we will be looking for opportunities for each of us to retire and be replaced in an orderly manner so as to maintain an appropriate amount of experience and institutional knowledge on the Board at all times. As each appropriate new director is identified an announcement will be made to the market and appropriate Securityholder approvals sought at subsequent meetings.

We have been in the process of identifying and selecting appropriate candidates over recent months and expect to announce our initial appointment of a further Director to the Board in the very near term.

This year James McNally retires by rotation and offers himself for re-election with the unanimous support of the Board. James has been a very effective Director since his appointment in 2003 and, subject to your vote, we look forward to his continued contribution.

ALE has a small but effective management team and accordingly it is essential that Board and Management have a sound working relationship. I am pleased to say that all members of Andrew's team have worked hard to successfully complete this year's program of work.

On behalf of the Board, I extend my thanks to the management team for their dedication and commitment.

I would also like to again express thanks to David Lawler, the independent member of the Audit, Compliance and Risk Management Committee, and Graeme MacLaren, the independent director for our financing subsidiary, for the skill, experience and diligence they each bring to their roles.

Outlook

The Board's distribution guidance for the 2014 financial year is at least 16.0 cents per security with target growth in excess of CPI until our next refinancing.

As you would expect the Board will continue to closely monitor all developments in the capital, credit and property markets.

ALE continues to enjoy a wide range of excellent relationships with financiers and advisers.

In closing, may I again thank my fellow members of ALE's Board, Andrew, and all his management team for their dedication and hard work, particularly in relation to the successful completion of the capital raising and hedging restructure which finished a complex four-year program of repositioning ALE's capital structure to deliver improved Securityholder value benefits into our next decade.

I would also like to thank you, ALE's stapled Securityholders for your continuing support this past year and throughout our ten years as a listed entity.

Your long-standing support for ALE is a great asset and very much valued by the Board.

Peter Warne

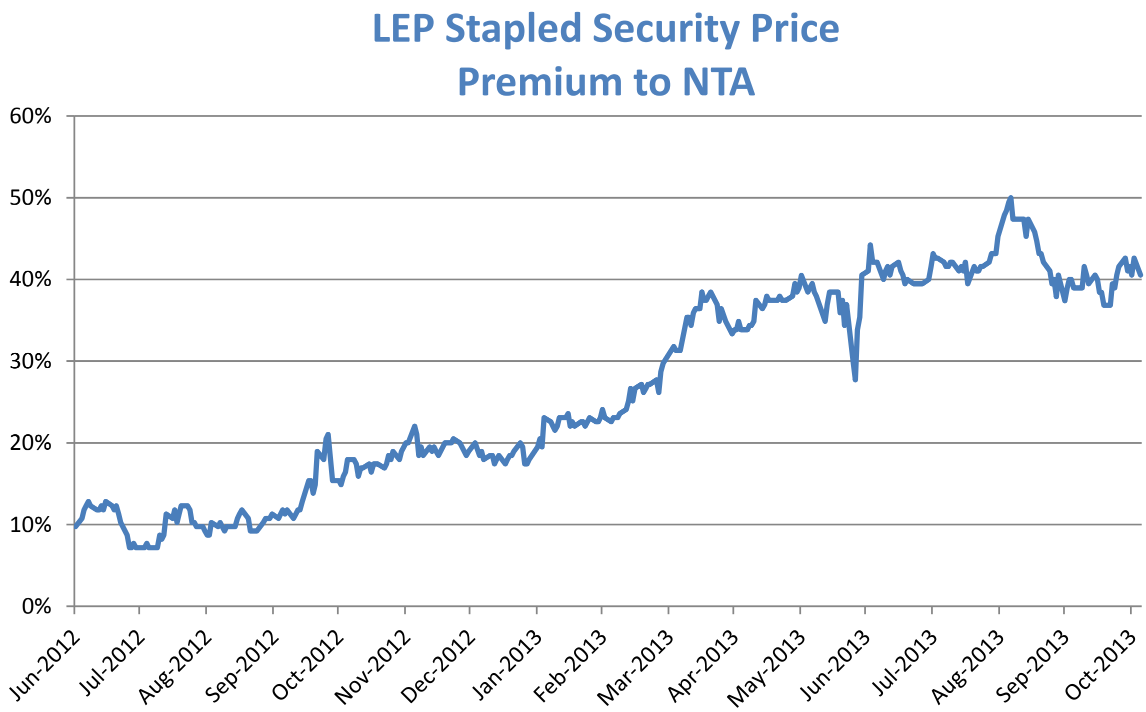
Chairman

ALE's Property Portfolio Valuation

As it is our 10th Anniversary of commencement I would like to make a few comments regarding the valuation of ALE's properties.

Our investors often ask about the underlying value of ALE's property portfolio, in particular given the increasing difference between the LEP stapled security trading price and the Net Tangible Asset backing (NTA) which has developed over the last 12 months or so.

The chart below shows that LEP securities have for some time been trading at a substantial premium to NTA.



One of the reasons that ALE's security price has been strong along with most other securities producing very reliable income streams, has been the current low levels of interest rates. As we all know investors have been seeking yield.

However, the significant difference between the stated NTA and the market price has now existed for a prolonged period so it is reasonable for investors to believe that as the value of the securities is much higher than the stated NTA, then that fact should be now be being recognised in the NTA and the value of the underlying assets in the Group.

Obviously, the major factor in the calculation NTA is the property portfolio valuation, which ALE Directors assess each 6 months for each property, based upon independent valuations undertaken for a representative sample of one third of the properties each year. Various professional valuation firms (most recently CBRE and Urbis) have over the years provided consistent valuation results across the portfolio, which have in turn been adopted by the Directors and signed off by ALE's auditors

Independent valuations are assessed using industry standard methods, including a discounted cash flow (DCF) method looking ahead 10 years. However, it should be borne in mind that the valuers are required to value each property separately (ie not a whole of portfolio valuation which may provide a different outcome) on the basis of their estimate of the price which would, after a reasonable marketing period, be agreed between a willing but unforced buyer and a willing but unforced seller.

Of course, this is an inherently difficult exercise and probably impossible to do with great precision. Each property is different, the market is not totally liquid without many similar transactions happening every day as occurs in the sharemarket and individual transactions are quite lumpy in size with the result that the number of individual buyers at any time can be quite small. Nevertheless, the valuers use their professional judgment and experience guided by whatever comparable sales data is actually available.

However, after this is all said and done, it is probably fair to say that most valuers err on the side of conservatism. This has been evidenced by the fact that when ALE has sold properties it has realised prices in excess of the then most recent statutory valuations.

ALE's Unique Leases – 2028 Market Review

ALE's quality portfolio has a number of unique features, not least of which include a high quality tenant, ALH, long term, triple net leases, underutilised sites and well located properties.

Again it is important to emphasise the value of our long term, triple net leases and what that means to the value of our properties. The long term of our leases and the quality of our tenant means we have a very low risk of our properties being vacant for any period or having to release them at lower rents or provide incentives. The triple net nature means we have very few costs of administering our properties. All rates, insurances, land tax (except in Queensland), maintenance and capital expenditure is the responsibility of our tenant and we have no need of property agents to let up or collect rent from our properties. These are all notable differences to most other property investments in either the office, retail or industrial sectors as well as the residential sector. It makes our properties extraordinarily high quality investments.

One additional feature which bears highlighting is that the rental payments increase over time with CPI, with a (10% collared) market review in 2018 and an open market review in 2028.

In calculating the DCF valuation for the June 2013 accounts, ALE's valuers assessed that upon review in 2018 the rent would increase by 10% (capped) for all 29 properties valued.

Looking forward to the open market review in 2028, it is difficult to project the results of such a review, let alone the impact of such a review on property values at that time, given it is such a long way into the future (15 years).

It is not standard market practice for valuers to explicitly take into account market rent reviews so far into the future. At the same, it is unrealistic for traditional valuation methods to attempt to reliably allow for that 2028 market review in today's valuations. Consequently, it is our understanding that the current statutory valuations attribute little if any value to the open market rent reviews which will be determined in 2028 for most of our leases.

However, it is likely that many investors see this future 2028 upside potential and that at least some have built that into their price expectations for LEP stapled securities.

This is probably another reason that the traded price of ALE's securities has been well in excess of the statutory NTA for an extended period.
In trying to allow for a market rent review 15 years into the future it would be normal to do this by undertaking a 15 year DCF calculation by estimating all the cashflows from the properties out to 2028, adding an estimate of the market value of the properties at that time and then discounting each of those cashflows back to today's date.

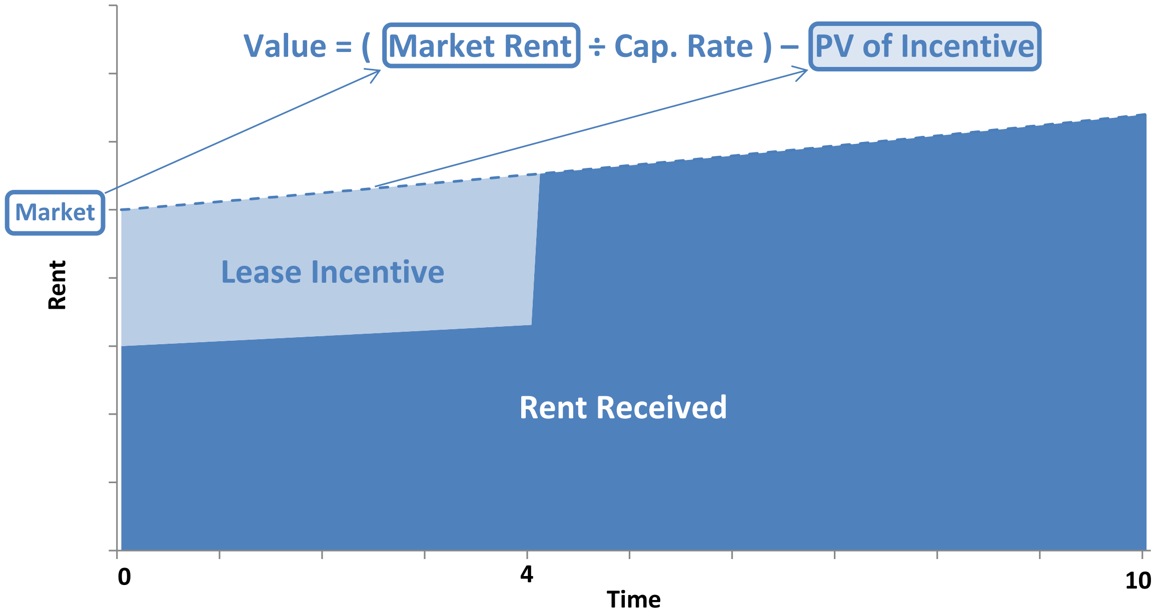
However, there is a large number of assumptions which would need to be made to complete this calculation including the final property value in 2028, the earnings growth of our tenant's business over the period to 2028, how rents may be determined in 2028, the rate of CPI growth over the period and the discount rate to be applied to calculate a net present value. Determining a reasonable estimate for each of these variables could lead to great debate and throw the results of the calculation in to question. Relatively small changes to some of these variables could change the results significantly.

An Alternate Valuation Method

An alternate method of valuing the portfolio today would be to assess the value as if the properties were leased at current market rental rates and then deduct an amount for the value of the under-renting. The under-renting being the amount by which the rent received is below market until the full open review in 2028.

The main assumptions required for this method are about the current levels of market rent and current market capitalisation rates. It also requires assumptions regarding expected CPI growth over the period to 2028 and a discount rate. However, the final results are not very sensitive to these latter assumptions.

This is much the same way as how an office building with a lease incentive would be valued, although an office building would generally have a much shorter incentive. This incentive valuation method is shown in the chart below:



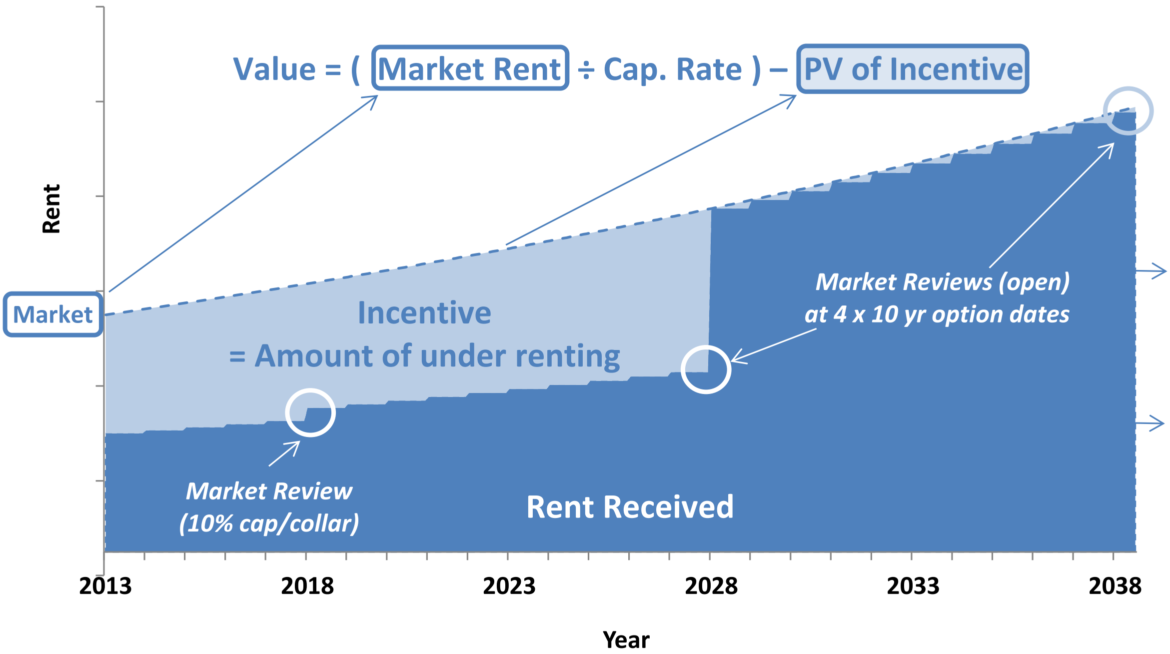
Current Market Rent

As noted previously, independent valuers advise that market rent for pub properties in Australia is currently set at between 35% and 45% of the pub operator's EBITDAR. Given that the rent for ALE's portfolio was set below market at IPO in 2003, and that since that time the pub operator's EBITDAR has grown at a rate substantially greater than CPI, whereas the rent payable has grown at only CPI, it follows that the current rent being received by ALE is well below what would likely be assessed as market rent if it were to be assessed today.

Alternate Valuation - Range

Using the logic above, an alternate valuation can be estimated, by:

- starting with an estimate of current market rent;
- applying a capitalisation rate to that rent to obtain a market value as if the properties were rented at market today, with rent growing at CPI; and
- reducing that value by the incentive amount, being the present value of the amount by which the rent received is below market until the full open review in 2028.



Using this method the range of alternate values is shown below, based upon various assumptions of initial capitalisation rate:

Alternate Valuation Methodology (market valuation less incentive)

*Market Rent Capitalisation Rate **	*Valuation Net of Incentive ($ Million)*	*Implied Net Assets Per Security*
5.5%	*1,350*	*$4.85*
6.0%	*1,200*	*$4.05*
6.5%	*1,050*	*$3.35*
7.0%	*950*	*$2.75*
7.5%	*850*	*$2.25*
8.0%	*750*	*$1.80*

** Cap. rate applicable to the portfolio's rent, as if the leases were set to market rent levels today*

Interpreting the Results

We can make the following observations:

- The most critical decision in interpreting the results of this methodology is the selection of the appropriate Initial Capitalisation Rate.
- The average capitalisation rate used by our valuers at 30 June 2013 was approximately 6.5%. This implies a valuation using this method of about $1,050 million which goes on to imply a per security NTA of about $3.35.
- Long term investment research shows that core property investment returns average around 8%-9% pa. If investors were seeking a total return of 8%-9% this would be equivalent to a property with an initial yield (cap rate) of 5.5% - 6.5% and an expectation of growth of say 2.5% pa (which is the middle of the RBA's target range for inflation.)

This implies a valuation of around $1,200 to $1,350 million or an NTA of around $4.05 to $4.85 per ALE security.

The current market price of around $2.65 implies a valuation of around $930 million which works back to a current market capitalisation rate of around 7.1%.

ALE’s statutory valuation as at 30 June of $786 million implies a market capitalisation rate of around 7.75% which is of course well above the cap rates used.

Of course, as we have regularly seen the market traded price can and has varied significantly from the stated NTA.

The Board is not making any representations as to the actual market value of our property portfolio or the market value of our traded securities. We have not actually tested the market to see what values would actually be attainable and we are not intending to so.

We have presented this methodology of a whole of portfolio valuation, recognising the market rent review in 2028, and these results as a way explaining how some investors may think about valuing ALE’s property portfolio. It shows that there is considerable value identified using this method which is not identified by the conventional approach and this valuation difference may be another factor contribution to the significant and ongoing difference between the current statutory NTA and the current traded price of ALE's securities.

I would again reiterate that the valuations produced by this method are particularly sensitive to the starting point which is the current market rent which is in turn driven by the profitability of the operations and the 35% to 45% to EBITDAR benchmark. If either of these inputs vary significantly up or down in the future it will have a significant positive or negative impact on the value produced.

We are not intending to use this methodology for statutory valuation purposes unless, of course, it becomes clear to us that there were buyers who were prepared to purchase our properties on this basis.