

ALE Property Group Annual General Meeting – 4 November 2009



The Breakfast Creek Hotel, Brisbane, QLD

Contents

1	Highlights
2	Six Year Summary
3	FY09 Results Snapshot
4	Capital Management
5	FY10 Outlook and Strategy

Highlights

- DPS growth of 16.3%
- Distributions paid were in accordance with Board guidance
- Valuations were stable
- Profitability of venues continued to exhibit strong growth
- Extended hedging from 7 to 14 years over 100% of debt
- Sold assets at significant average premium to book values
- \$105m capital raising well supported by existing investors
- No near term debt maturities (first is in May 2011)
- Significant headroom to debt covenants was maintained
- Tax preferred distribution outcome for investors

Six Year Summary

Key Metrics

30 June	04	05	06	07	08	09
Distributable Profit per Security ¹	4.30¢	12.89¢	16.06¢	32.13¢	33.41¢	38.64¢
Cumulative Distributions	7.50¢	20.35¢	36.35¢	68.85¢	102.45¢	132.45¢
Property Values ²	\$576.7m	\$651.5m	\$717.6m	\$791.2m	\$842.4m	\$832.6m
Net Assets per Security ²	\$1.41	\$2.17	\$2.64	\$3.37	\$3.08	\$3.08

- **Trackrecord of increasing distributable profit, significant distributions and stable property and net asset values**
- **Above distributions excludes payments to (Sep 09 capital raising) renouncing securityholders**

1. Distributable Profit adds back non-cash accounting items including fair value adjustments

2. Based on completed property values + any development properties at cost. 2009 values include June 2009 sales

Six Year Summary

Key equity performance metrics

- Distributions paid to Aug 09 (compared to \$1.00 IPO issue) \$1.3245
- Growth in market capitalisation * \$90.8m to \$330m
- Total securityholder return ** 32.1% p.a.
- Accumulated value at Nov 09 *** \$4.33

Best performing A-REIT over past five years !

* Based on 3 November 2009 closing security price of \$2.18

** Annual compounded return for the 6 years ending 31 October 2009

*** Trading price plus reinvested distributions

Six Year Summary

Record of property acquisitions and sales

- ALE was established in 2003 with 105 properties it acquired for \$535 million at an average cap. rate of 8.25%
- Over the past six years ALE has
 - acquired 11 properties for \$97 million at an average cap. rate of 7.2%
 - sold 17 properties for \$88 million at an average cap. rate of 6.0%
- ALE today owns 93 properties valued \$763.6 million¹ at an average cap. rate of 6.5%
- ALE's transaction record compares very favourably with many other Australian listed and unlisted commercial property trusts and companies

1. Based upon 30 June 2009 valuations. All above amounts and cap. rates are approximate

FY09 Results Snapshot

- Distributable Profit of \$33.6 million (38.64 cps)
 - 16.3% increase over FY08 result
 - 10% increase on Board guidance
- Strong growth in property income and steady valuations
 - rental increase of 6.8% over FY08 result
 - average cap rate of 6.45%
- Total FY09 distribution paid to securityholders of \$26.2 million (30.00 cps)
 - consistent with Board guidance
 - 58.2% tax deferred, 24.4% CGT concession and 17.4% discounted capital gain (in other words 82.6% was tax advantaged)

FY09 Results Snapshot

	FY09 (\$m)	FY08 (\$m)	Comments
Revenue	57.4	53.3	➤ Property revenue driven by avg CPI of 5%
Borrowing expense	18.3	27.1	➤ CPI hedges reduced expense by \$9.7 million
Management expense	3.5	2.9	➤ One of the lowest MER in A-REIT sector
Land tax expense	2.0	1.6	➤ Revaluations of properties in the Queensland
Distributable value gains	-	7.2	➤ Distributions now funded from free cash flow
Distributable Profit¹	33.6	28.9	➤ 16.3% increase
Distributable Profit (cps)	38.64 cents	33.41 cents	
Distributions (cps)	30.00 cents	33.60 cents	➤ Consistent with Board guidance

1. Excludes non-cash accounting items

Capital Management

Capital structure as at June 2009

- ALE has entered into long term interest rate hedges which expire in 2023¹
 - FY09 fixed real average interest rate of 3.14% p.a. (net of counter swaps)
 - balance of hedge increases in line with CPI

Debt facilities as at 30 June 2009

Facility	Amount	Scheduled maturity	Maturity term (years)	Hedge term (years)	Interest rate arrangement
CIB	\$139 million	November 2023	14.2	14.2	Fixed real rate
CMBS	\$245 million	May 2011	1.7	14.2 ¹	Floating nominal rate – hedged
Bank facility	\$55 million	May 2011	1.7	13.7 ¹	Floating nominal rate – hedged
ALE Notes	\$152 million ²	September 2011	2.1	13.7 ¹	Fixed nominal rate - hedged
CPI hedge escalation	\$21 million				
Total / weighted average	\$607 million³		4.6 years	14.0 years	

1. Subject to rights of review or extension in December 2012 and May 2013

2. Includes amortisation of face value premium payable on redemption of ALE Notes

3. Shown net of circa \$6 million in capitalised costs

Capital Management

Capital management strategy

- ALE is reducing gearing to around 50%¹ by adopting the following initiatives from August 2009 to June 2010:

✓	<ul style="list-style-type: none">➤ Approximately \$105 million capital raising comprising<ul style="list-style-type: none">➤ \$29 million institutional placement➤ \$76 million renounceable entitlement offer
✓	<ul style="list-style-type: none">➤ Divestment of a target \$120 million of properties
✓	<ul style="list-style-type: none">➤ Application of current liquidity to repay debt

- Provides flexibility to actively pursue refinancing of 2011 debt maturities

1. Net debt / Total assets less cash and derivative assets

Capital Management

Capital raising highlights

- 90% take up from existing retail securityholders including the allocation of additional New Securities
- \$7.3 million was paid to renouncing securityholders
- 100% of the applications for over subscriptions or 2.51 million securities were allocated at the retail bookbuild clearing price of the of \$1.91

1. New Securities will rank for distributions from the first half FY10

Capital Management

Successful execution of recent property sales

- Successfully sold 12 properties in June and October 2009
 - generated \$71 million of gross proceeds
 - 5.7% weighted average cap rate achieved
 - sale cap. rates compare favourably to June 2009 average book cap rate of 6.45%
 - 7.3% average premium to book value of hotels as at sale dates
 - lowest cap. rate was Sunnybank Hotel, Brisbane, QLD at 4.2%
 - details may be found at www.aleauction.com.au
 - all sold to individual private investors

- ALE is currently targeting a further \$80m of property sales by June 2010

Capital Management

Impact on gearing

- Aim is to reduce gearing from 68% to 50% by June 2010
- Today gearing is at around 55%
- Significant headroom to ALE's covenants, allowing for
 - 1.5% movement in cap. rates (from 6.5%² to 8.0%); or
 - 18.5% reduction in property values
- Impact of cap. rate movements
 - 0.50% movement - gearing would move by around 4%

1. Net debt / Total assets less cash and derivative assets

2. Recalculated weighted average cap. rate post assumed asset sales

3. Payment of 2H09 distribution and reduction of debt balance with excess cash and June 2009 asset sale proceeds

Capital Management

Outcomes of the capital raising

- Capital raising has produced some positive outcomes:
 - market capitalisation of around \$330m
 - ranks as the 18th largest A-REIT (of 66 in the sector)
 - market trading liquidity (average)
 - before capital raising – less than 100,000 per day
 - after capital raising – more than 450,000 per day
 - institutional representation increased to more than 40% and has continued to increase since

Capital Management

Other matters

- Possible index inclusion
 - there are currently 26 A-REITs in the S&P / ASX A-REIT 300 index
 - some A-REITs in the index have a market capitalisation as low as \$100m and six are smaller than ALE
 - if ALE is included in the index this may have a positive impact upon both liquidity and market capitalisation
- Distribution Reinvestment Plan
 - offered in June 2008
 - participation in June and December 2008 averaged around 18%
 - June 2009 DRP participation was lower as many elected to withdraw to invest in the capital raising at \$1.50
 - Board's intention is that DRP continues for the convenience of holders

FY10 Outlook and Strategy

Recent CPI result

November 2009 rent review

- 1.16% weighted average CPI increase (state based) for the year to September 09
- Brisbane CPI was 1.93%
- Melbourne CPI was 0.61%
- \$0.6m p.a. increase in net* rental income
- estimated increase in property values of around \$9m

* Net of QLD land tax increase

- Low CPI result reduces total debt interest expenses

FY10 Outlook and Strategy

Distributable profit outlook

- Board forecasts of Distributable Profit for FY10₁:
 - 24.0 cents per security (forecast) / 22.1 cents per security (annualised²)

- The ALE Board's objective is to distribute up to 100% of the Distributable Profit having regard to:
 - level of fees and credit margins applicable to refinancing
 - security structure applicable to the funding and hedging arrangements
 - quantum and nature of hedging arrangements agreed upon as part of the refinancing
 - profile of \$12 million (PV) of locked in counter swap benefits over period to FY14

- FY10 distribution is expected to be substantially taxable as a result of the property sales. FY11 is expected reintroduce a tax deferred component

- Further detailed guidance to be provided as the refinancing plans progress to a more advanced stage

1. Key forecast assumptions:

a) Circa \$120 million of property sales at book value during FY10

b) Borrowings reduced by \$186 million and cash held on deposit of \$80 million by August 2010

2. Annualised Distributable Profit assumes net proceeds from FY10 property sales and equity raising are both applied to debt repayment on 1 July 2009

FY10 Outlook and Strategy Summary

- Outlook remains positive despite challenges for both the property and financing markets
- ALE has outperformed 'through the cycle' and is recognised as [Australia's best performing ASX listed REIT over the last 5 years¹](#)
- Capital Management Initiatives have further strengthened the balance sheet and provide flexibility to refinance
- At June 2010 ALE is expected to have:
 - gearing of approximately 50%
 - significant covenant gearing headroom of 1.5%
 - interest cover of approximately of 3.8x²

1. Source: UBS as at 30 June 2009

2. Based on ALE's calculation for the forecast period of FY10 following the Capital Management Initiatives

Annual General Meeting 2009



New Brighton Hotel, Manly, NSW

4 November 2009

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