

ALE Property Group

Annual General Meeting – 30 October 2012



The Breakfast Creek Hotel, Brisbane, QLD

ALE Property Group

Level 10, 6 O'Connell Street, Sydney NSW 2000

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This information contained herein is current as at the date of this presentation.

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Highlights for FY12

- FY12 distributable profit of 16.79 cps exceeded guidance by 4.9%
- FY12 distribution of 16.00 cps. 100% tax deferred
- Property Book: 136 football fields of freehold land across 87 properties
- Rent continued to grow in line with CPI
- Property valuations increased by 1.7% vs. prior corresponding period
- Vale Hotel matter successfully finalised
- Positive outlook for market rent increases (mostly 2018 and 2028)
- Average debt funding term remains long at 5.9 years
- ALE continues to outperform other A-REITs over both the short and longer term
- Post FY12 hedging review and capital raising successfully completed

FY12 Results

Distributable Profit

	FY12 (M)	FY11 (M)	Comments
Property rent	\$51.9	\$50.2	➤ CPI rent increase of 3.47% in November 2011
Interest income	\$3.8	\$7.3	➤ FY11 interest income included higher cash balances held for ALE Notes redemption in Sept 2011. Rates lower too.
Debt buyback discounts	\$0.0	\$0.2	➤ No discounted debt available to buyback during FY12
Borrowing expense	\$22.9	\$20.1	➤ As per guidance, includes full year impact of higher credit margins on all secured and unsecured debt
Management expense	\$3.7	\$4.0	➤ MER ² carefully managed at 0.35% of gross assets, one of the lowest ratios in the A-REIT sector
Land tax expense	\$2.4	\$2.4	➤ Stable land value outlook. Applies to QLD only
Distributable Profit ¹	\$26.7	\$31.2	➤ FY12 was 4.9% above guidance
Distributions	\$25.6	\$31.0	➤ In line with guidance. FY12 payout ratio of 96% of distributable profit
Distributions	16.00c	19.75c	➤ Per stapled security

1. Distributable Profit excludes non-cash accounting items

2. Management Expense Ratio

FY12 Results

Key Metrics

As at	30 June 2012	30 June 2011	Change
Property valuations	\$771.5m	\$758.3m	1.7%
Net covenant gearing ¹	51.9%	51.7%	0.2%
Net assets (excluding derivatives) ²	\$358.2m	\$350.3m	2.3%
Net assets per security ²	\$2.24	\$2.22	0.9%
Price as (discount) to NTA ³	(4.5%)	(13.5%)	9.0%

1. Net covenant gearing = (Net Finance Debt – Cash) / (Total Assets – Cash – Derivatives Assets) as per ALE Notes 2. 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

2. Net assets excl. derivatives (ie accounting timing difference if hedging held to maturity)

3. Security Price was \$2.14 as at 30 June 2012 and \$1.92 as at 30 June 2011

Properties



2010



2012

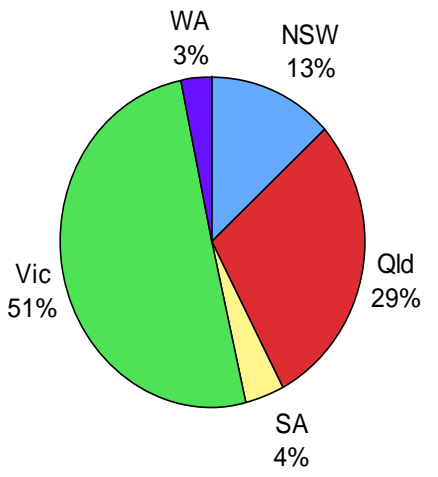
Properties

Property Valuations as at 30 June 2012

- Valuations benefited from 3.47% CPI based rental increase at November 2011
- Cap rate of 6.57% has remained in the range of 6.1% to 6.6% since 2006
- Valuations up by an average of 1.7% or \$13.3m over FY12 with cap rate adjustments to larger VIC properties
- Valuation upside following 2018 market rent review is expected to capture \$250m of capex by ALH over past five years
- Portfolio characterised by capital city locations, average value of \$8.9m
- Weighted average lease expiry of 16.3 years
- November 2012 CPI rent review of 1.82% is expected to support net asset value growth in the current stable cap rate environment
- Unique lease and security arrangements

Properties

Portfolio Breakdown by Geography (as at June 2012)

	Number of properties	Value (m)	Average Value (m)	Weighted Cap Rate	Portfolio diversification by value
NSW	10	\$108.1	\$10.8	6.59%	 <p>A pie chart illustrating the portfolio diversification by value. The chart is divided into five segments: Victoria (Vic) at 51% (green), Queensland (Qld) at 29% (red), New South Wales (NSW) at 13% (blue), South Australia (SA) at 4% (yellow), and Western Australia (WA) at 3% (purple).</p>
QLD	32	\$226.0	\$7.1	6.40%	
SA	7	\$31.8	\$4.5	6.65%	
VIC	34	\$379.6	\$11.2	6.65%	
WA	4	\$26.1	\$6.5	6.75%	
Total	87	\$771.5	\$8.9	6.57%	

Properties

Vale Hotel Matter

- ALH's 2007 application to subdivide land at the Vale Hotel in Mulgrave, Melbourne has been subject to various Court processes relating to interpretation of the lease
- On 15 December 2011 Victorian Court of Appeal dismissed the appeal by ALH against the earlier decision in favour of ALE and awarded costs to ALE
- Judgment is final and confirms that
 - ***the hotel's earnings can be taken into account in determining market rent***
 - ALH cannot require a subdivision and transfer of ALE's property unless development and use details are provided and approved by ALE
 - valuations made under the Lease are to be made by a jointly appointed Valuer
- With clarity of lease interpretation, ALE looks forward to continuing its support of ALH's development of ALE's properties
- New Brighton Hotel, Manly reconstruction is just one recent example of ALE and ALH working together on developments outside the requirements of the existing lease agreements

Properties

Leasing Structure - Unique Characteristics

- ✓ Portfolio enjoys 100% occupancy
- ✓ Tenant continues to exhibit outstanding growth and strong credit quality
 - ALH is 75% owned by Woolworths and 25% by Bruce Mathieson Group
 - ALH is Australia's largest and most profitable pub operator (over 300 pubs and 460 retail outlets)
 - ALE's properties are integral to ALH's operations (~30% of ALH's pubs are owned by ALE)
 - Properties continue to expand with rollout of Dan Murphy's (currently 20 on ALE's land)
 - 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 developments financed by ALH to date – more than \$250m over past five years
 - Positive outlook for market rent increases (mostly 2018 and 2028) given significant development and Victorian gaming restructure from August 2012

Capital Management

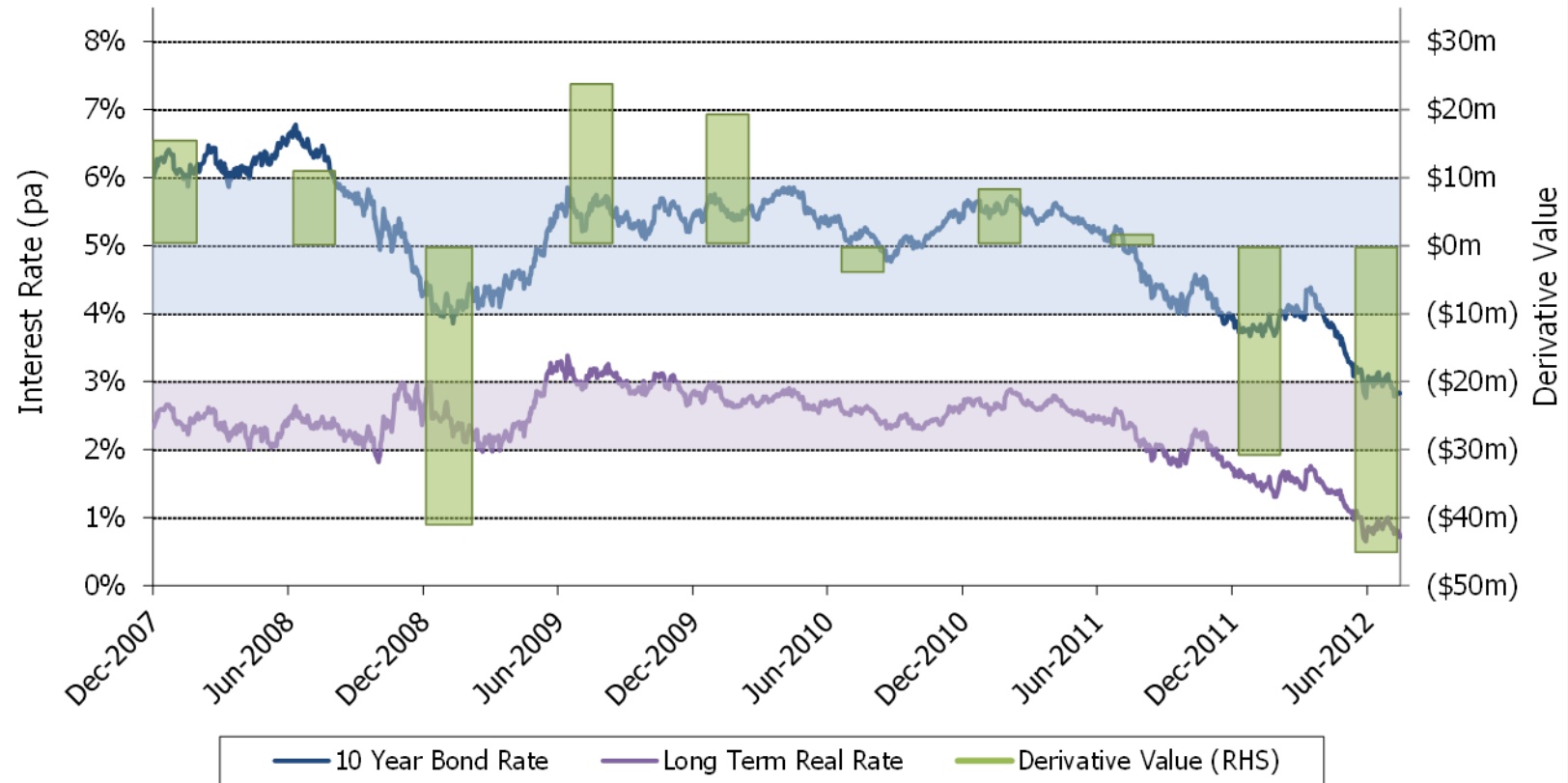


Note that site boundaries are approximate

Burvale Hotel, Melbourne, VIC

Capital Management

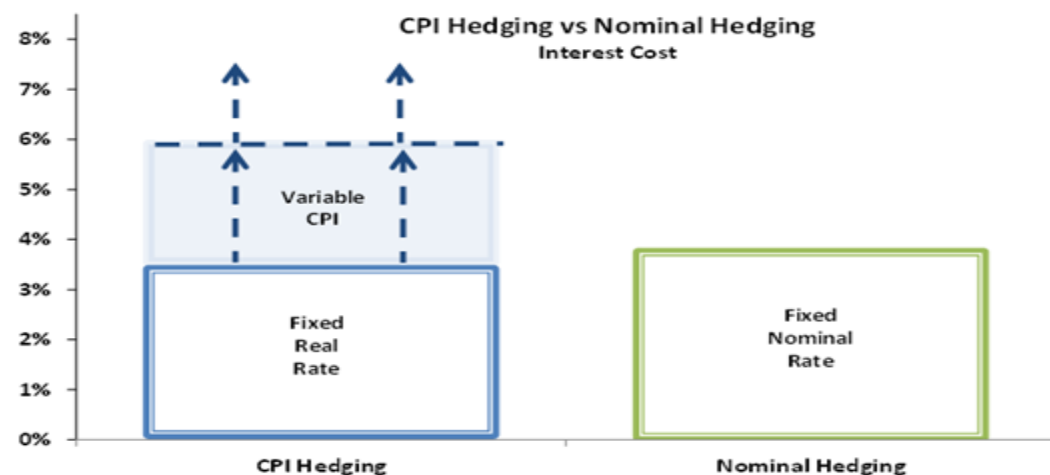
Interest Rates and Derivative Value History



Capital Management

Hedging Review

- ALE's continuing hedging strategy is to efficiently protect investors and financiers from interest rate volatility
- Movements in long term interest and inflation rates prompted a detailed review of hedging arrangements
- ALE will make a break payment on the existing CPI hedge on or before 6 December 2012 and implement a simpler and more cost effective nominal hedging arrangement:



- Protects financiers from escalated future hedge liabilities and delivers higher distributable profit growth to securityholders
- Captures current historic low interest rates and substantially offsets break payment

Capital Management

Capital Raising Highlights

- Protects value for existing investors participating in placement by ensuring at least pro-rata allocations. SPP provides additional opportunity to participate
- Funding certainty facilitates timely hedge restructure
 - \$40m Notes 2 placement at \$101.50 per security completed 24 October 2012
 - \$40m underwritten equity placement at \$2.13 per security completed 25 October 2012
 - new Stapled Securities and ALE Notes 2 are expected to be issued on 1 November 2012
- Capital raising well supported by existing institutions and sophisticated individual investors
- Lower legal and advisory costs than alternative rights based issue structures
- Equity discount minimised for non-participating securityholders
 - 8.7% discount to five day VWAP of \$2.34
 - significant premium to post transaction net asset values
- Proceeds from SPP will provide ALE with additional liquidity

Capital Management

Security Purchase Plan (SPP)

- To provide retail investors with the option to participate in the capital raising, eligible securityholders in Australia and New Zealand have the opportunity to purchase new securities up to a value of \$15,000
- New securities issued under the SPP will be issued at the lower of
 - Equity Placement price of \$2.13; and
 - 2.25% discount to the five day VWAP prior to the close of the SPP offer period
- Total amount raised may be subject to a cap at the discretion of the ALE Board
- Further details regarding the SPP will be lodged with ASX and sent to eligible securityholders

Event	Date
Security Purchase Plan	
Record date to determine right to participate in SPP	7.00pm, Wednesday 24 October 2012
Expected open of SPP	Friday 2 November 2012
Expected close of SPP	Monday 26 November 2012

Note: All dates are indicative only and subject to change at the discretion of ALE. All times are references to Australian Eastern Daylight Time (AEDT)
Further details regarding the SPP will be lodged with ASX and sent to eligible Stapled Securityholders

Capital Management

Hedge Restructure and Capital Raising

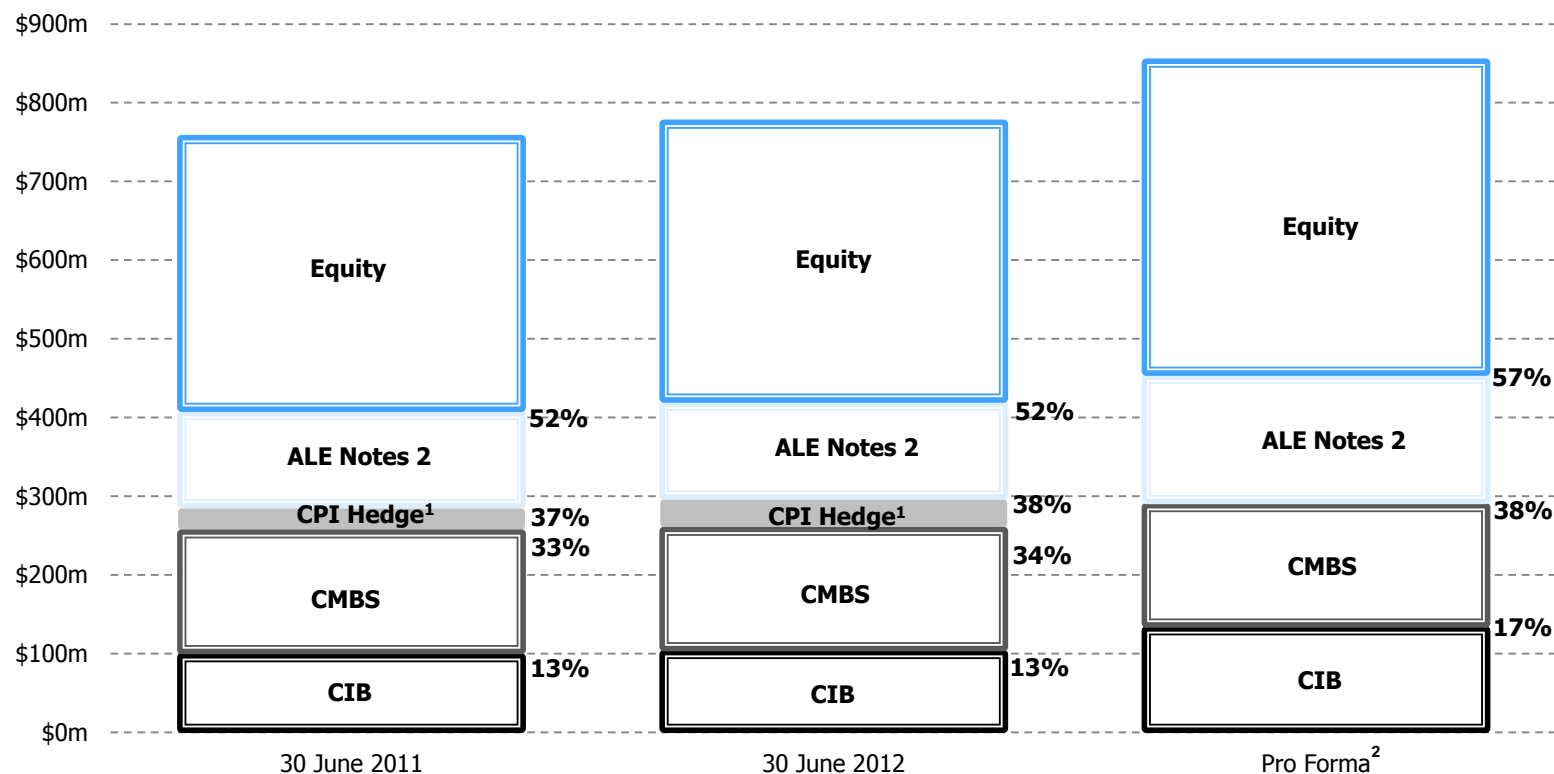
Financing Liabilities

Amounts (\$m)	June 2012	Adj.	Pro forma ⁴	Comments
CIB	135		135	Balance indexes by CPI. Scheduled maturity November 2023
CMBS	160		160	Scheduled maturity May 2016
Secured bank debt facility	–		–	Standby bank debt facility expected to be cancelled
(Cash) on deposit ¹	(44)	35	(9)	Use of cash and cash collateral
CPI hedge escalation	36	(36)	–	CPI hedge to be fully terminated
CPI hedge market value	45	(45)	–	CPI hedge to be fully terminated
Net other derivative liabilities ²	0		0	Counter hedge restructure to release asset value up to FY15
ALE Notes 2	125	40	165	\$40m of ALE Notes 2 funding sourced. Scheduled maturity August 2014 ⁵
Total Net Debt	457	(6)	451	Net debt remains largely unchanged. Average term 5+ years
Covenant Net Gearing³	51.9%		56.9%	Maintains significant headroom to all covenants

1. Includes \$38.4m in debt security reserve accounts at 30 June 2012
2. Net other derivative liabilities comprise a \$23.4m liability offset by a \$23.2m asset for nominal swaps and counter swaps
3. Covenant Net Gearing = (Net Finance Debt – Cash) / (Total Assets – Cash – Derivatives Assets) as per ALE Notes 2
4. Pro forma for the full impact of the Capital Raising and refinancing of CPI hedge at assumed break payment of \$112m plus other transaction costs of \$3m. Excludes SPP which is not underwritten
5. ALE has the right to extend maturity of ALE Notes 2 by one or two years

Capital Management

New Capital Structure



1. CPI hedge refers to CPI hedge accumulated indexation
2. 30 June 2012 pro forma for the impact of the Capital Raising and CPI hedge restructure

Capital Management

Capital Raising and Hedge Restructure

- New Securities will rank equally with existing ALE Stapled Securities and will be fully entitled to the distribution for the period ending 31 December 2012
- New ALE Notes 2 Securities will rank equally with existing ALE Notes 2 securities and will be fully entitled to the interest payment for the quarter up to but not including 20 November 2012

Key benefits

- ✓ Funds the simplification of hedging arrangements
 - ALE is switching from CPI to nominal hedges at lower base interest rates
- ✓ Expected pro forma Covenant Net Gearing¹ of no more than 57% maintains significant continuing headroom to all covenants
 - Covenant headroom equates to **17%** reduction in property values; **or** expansion in average cap rates to **7.9%**
- ✓ Provides for stable distribution growth
 - Target distribution growth in excess of CPI until next refinancing²

FY13 Outlook



Note that site boundaries are approximate

Redland Bay Hotel, Brisbane, QLD

FY13 Outlook

Potential Valuation Upside

Income growth

- Annual CPI rent review of 1.82% was determined in conjunction with release of ABS inflation data on 24 October 2012 (effective November 2012)
- Before any movement in cap rates, the 1.82% CPI rental escalation is expected to increase ALE's property values by \$13.7m and NAV per ALE Stapled Security by approximately \$0.07¹ after the imminent review

Cap rate compression

- At 30 June 2012, 87 properties were valued at an average cap rate of 6.57%
 - represented approximately 6% margin over long term real interest rates
- Further falls in rates since June 2012 have expanded this margin further, providing an opportunity for future contraction in cap rates

Ferny Grove Hotel

- Ferny Grove Hotel in Brisbane's outer suburbs – resumption process with the Queensland Government was finalised on 10 September 2012 at premium to book value and cap rate of 5.95%

FY13 Outlook

Certainty and Increased Growth

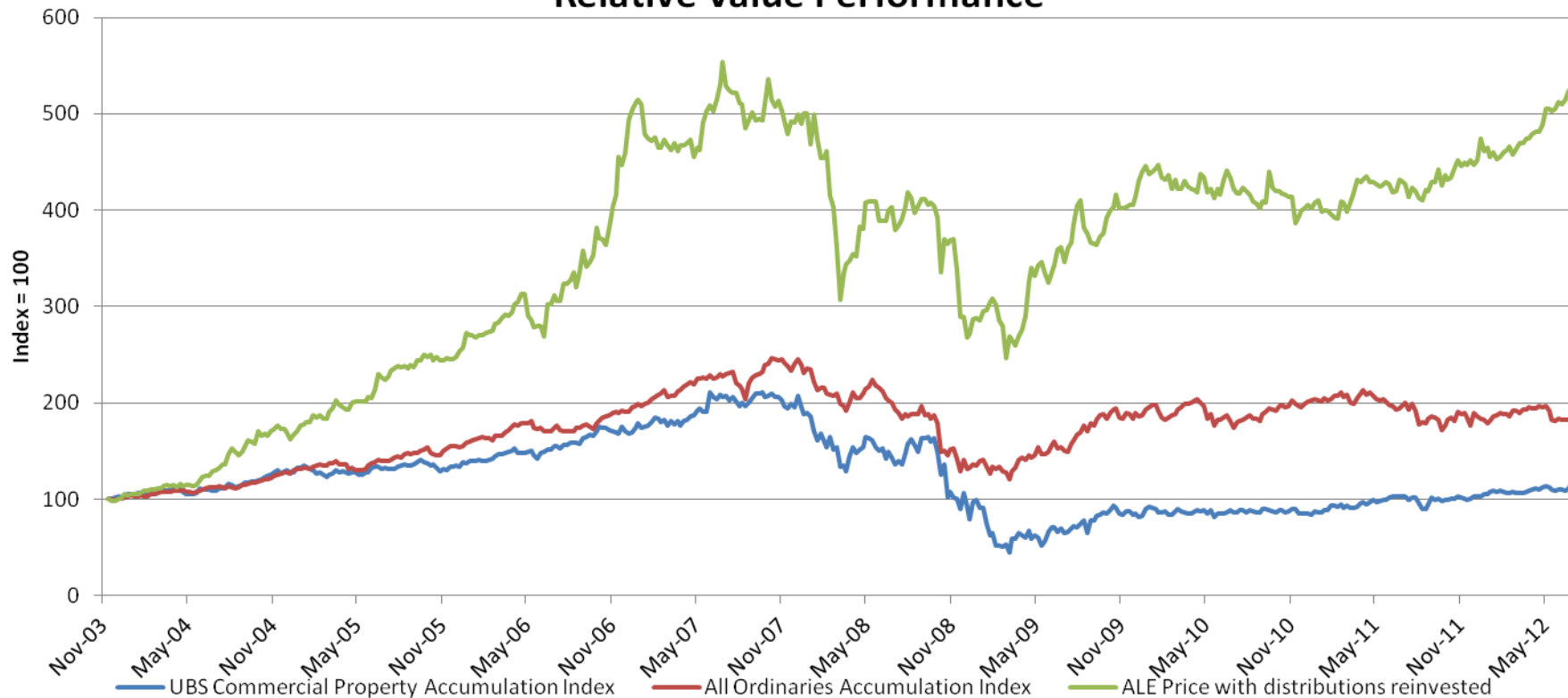
- Outlook remains positive with robust property fundamentals and a strongly performing, high credit quality tenant
- Capital management initiatives that ALE has announced will
 - simplify ALE's hedging arrangements
 - strengthen the balance sheet for future growth
 - capture historic low base rates
 - provide for stable distribution growth
- FY13 distribution guidance of **at least 16.0 cents** per ALE Stapled Security¹
 - represents a yield of at least 7.5% on Equity Placement Price of \$2.13
 - policy of fully funding distributions from free cash flow is maintained with target distribution growth in excess of CPI until the next refinancing²
 - anticipated future capital value growth is expected to support a financing structure able to maintain distribution growth thereafter

1. Guidance is based on the current portfolio, appropriate gearing levels and the existing capital structure. It will remain subject to ongoing review having regard to future market rent review prospects and the relative strength of the credit markets. Guidance is not a forecast and should not be relied upon as an assurance that distributions will be made at the level indicated. Future distributions are subject to many risks and uncertainties

2. ALE Notes 2 maturity date is August 2014, subject to extension by ALE for one or two years. CMBS maturity date is May 2016

Nine Years of Performance To 30 June 2012

Relative Value Performance



Sources: ASX, UBS, IRESS, ALE

Accumulated Value for: A-REITs \$1.15, All Ords \$1.84, ALE \$5.21.

Questions



Stamford Hotel, Rowville, Melbourne