

ASX AREIT Roadshow – Keeping it simple and secure

October 2008



Boundary Hotel, Melbourne, VIC

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Highlights for FY 08

- **Distributable profit increased by 4.1%** to 33.60 cps (FY07 32.30 cps)
- Distribution represents **100% of distributable profit**
- Distribution is **100% tax deferred** (FY 07 100%)
- On market **buyback of 5.8%** of stapled securities completed
- **Portfolio value increased by 6.5%** to \$842.4m (FY 07 \$791.2m)
- **Four ALH leased pub properties acquired** for \$53.3m
- Interest rate **hedging extended to 15.1 years** (FY 07 7.0 years)
- **Future distributions expected to be fully covered by free cash flow**

Asset Overview

ALE has a unique group of assets:

- strong tenant (ALH – 75% owned by Woolworths)
- long term leases (average minimum of 20 years)
- triple net lease structure
- CPI indexed rent
- capital city locations
- five years of tenant profit growth
- defensive / counter cyclical industry

Risk Management Overview

Over the past five years ALE has consciously avoided:

- taking development risks
- establishing a funds management business (and cost base)
- expanding offshore

At the same time ALE has:

- reduced its gearing by around 20%
- extended financing and hedging maturities
- consistently managed its capital and risk position
- acquired assets selectively and value accretively
- managed costs to a MER % that is lower than all its peers
- ensured future distributions are fully funded from free cash flow

Results Since IPO - Key Metrics

12 November 03 listing to 30 June 08 Highlights

- Growth in Market Capitalisation * \$90.8m to \$235m
- Distributions Paid to August 08
(compared to \$1.00 IPO issue) \$1.0245
- Total Security Holder Return ** 21.8% p.a.
(compared to LPT 300 of -2.5%)

* Based on current security price of \$2.70

** 3 years ending 30 June 2008

Property Portfolio - Valuation Results

At June 2008

- independent valuation of one-third representative sample
- average cap. rate increased from 6.07% to 6.20%
- 100% of the properties were revalued based on independent advice from DTZ
- valuer identified positive influences including
 - high quality tenant
 - long term CPI indexed rent
 - smaller value properties (average \$8m)
- capitalisation rate of 6.20% provides a margin over Aust. Government long term **real** interest rates of around 4.0%

Property Portfolio - Asset Scorecard

Focus on quality and risk management (as at August 2008)

- geographic diversification: 105 pubs in 5 states of Australia
- strong tenant: ALH 75% owned by Woolworths
- WAV lease term: 20+ years
- WAV options term: four options of 10 years
- lease structure: triple net
- rent increases : CPI (state based)
- market rent increases: collared at 10% in 2018
open review in 2028
- rent as % of pub earnings: compares favourably to market
- land tax exposure: QLD only
- development exposure: zero

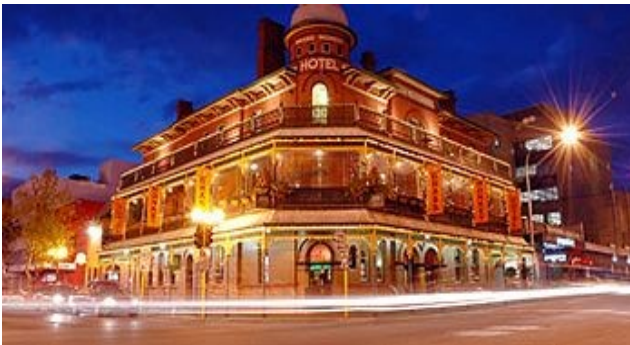
Property Portfolio – Focus on Quality Acquisitions



Pritchard's Hotel, Mt. Pritchard, NSW



Balmoral Hotel, Perth, WA



The Brass Monkey, Perth, WA



Boundary Hotel, Melbourne, VIC

Acquisitions totalling \$53.3 million - all on long term indexed leases to ALH

Property Portfolio - Leasehold Additions

ALH continues to fund a number of leasehold additions

- structural additions
- structural replacements
- Dan Murphy additions (below)



Stamford Hotel, Rowville, VIC



Pioneer Hotel, Penrith, NSW



Blacktown Inn, Blacktown, NSW

Property Portfolio – Impacts on Cap. Rates

Since June 2008

- low volumes of transactions
- capital constraints for larger property transactions
- long term swap (base) interest rates have fallen from around 8% to 6% p.a.
- risk free real interest rates have fallen to 2.0-2.5% p.a.
- CPI has increased: 12 months to September 08 expected between 4.5% and 5.0% (to be announced 22 Oct)
- Australian property has become 20-30% cheaper for offshore investors

Some fundamentals are supportive for commercial property values !

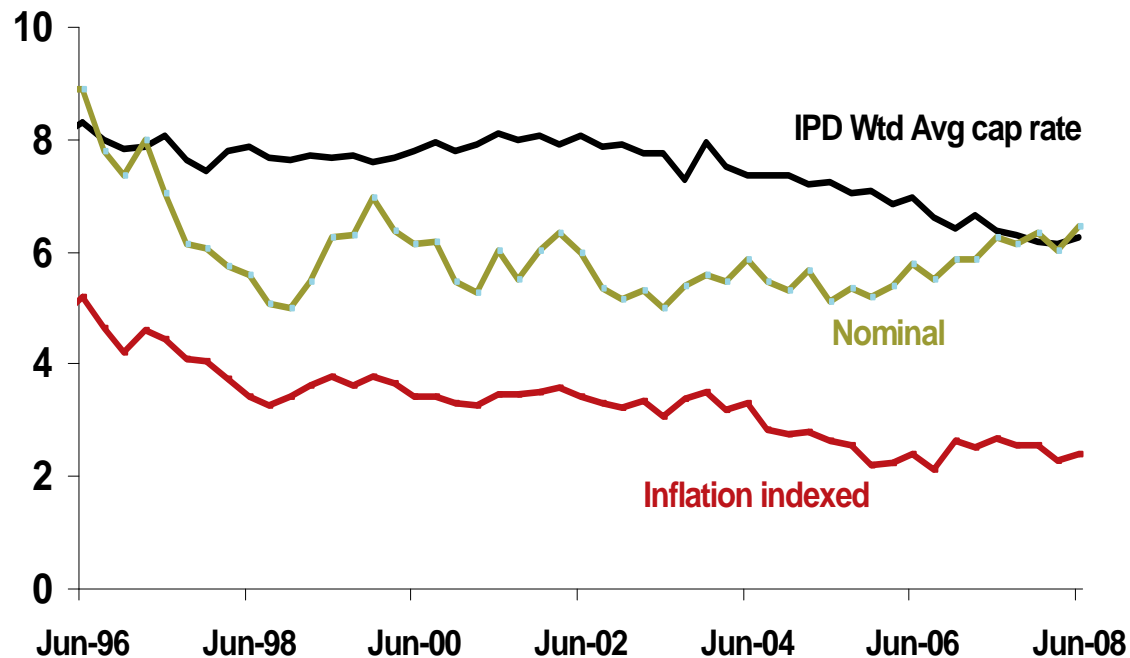
Property Portfolio – Cap. Rate Benchmark

What is the right benchmark for a cap. rate?

- yields (or cap. rates) are real rates ... they should be compared with real benchmarks such as real bond rates
- obvious benchmark for comparison is government issued capital inflation indexed bond (CIB) yields
- IIB are now available in many countries and for a reasonable historical time period:
Australia (1985); New Zealand (1996); UK (1981); US (1997); Euro (2001); South Africa (2000); Japan (2004)
- US\$1.5 trillion of IIB globally: 5.8% of global bond markets (appx.)

Property Portfolio – Correlation to Real Bond Rates

IPD Composite Cap Rate vs Bond Yields: Australia



- IPD Cap. Rate correlation June 1969 to June 2008 vs:
 - Nominal: + 25.2%
 - CIB: + 76.9%

- IPD Cap. Rate correlation June 2003 to June 2008 vs:
 - Nominal: - 75.1%
 - CIB: + 69.4%

Source: David Rees, JLL

Cap. Rates and Real Bond Rates are correlated and the margin between them is currently at the long term average of circa. 4%

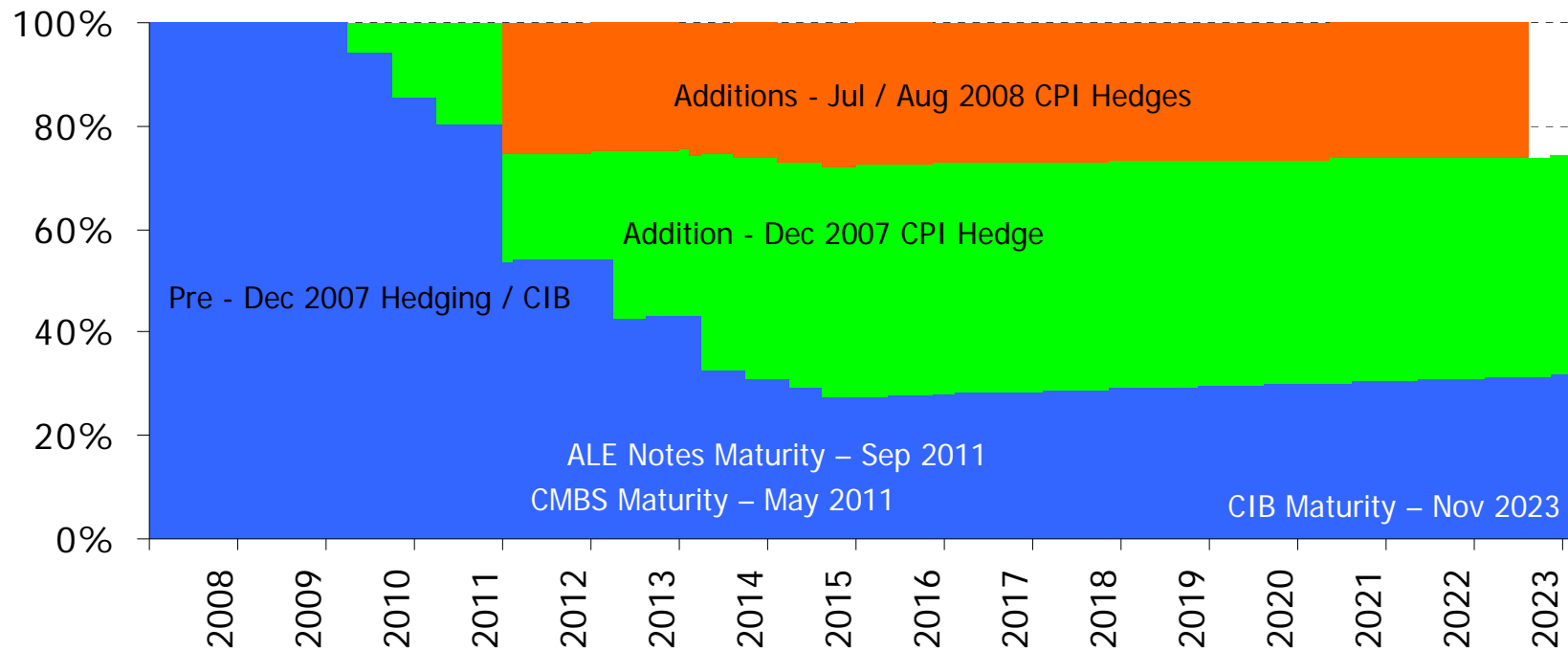
Risk Management - Liability Scorecard

Focus on quality and risk management (as at August 2008)

- WAV debt maturity term: 5.7 years
- earliest debt maturity: May 2011 (in 2.8 years)
- WAV hedging term: 15.1 years (WAV 5.1 yrs for LPTs)
- earliest 100% hedge maturity: May 2023 (in 14.9 years)
- gearing: 69.8% (reduced from 88% at IPO)
- WAV interest rate: 3.10% p.a. (FY 09 all up rate)
- property value headroom: 15% decrease in property values
1.2% increase in capitalisation rates
- interest cover headroom: 70% decrease in ALH's EBITDAR
33% decrease in ALE rental income

Risk Management - Hedging

As at August 2008 – WAV hedging term of **15.1 years**



ALE is 100% hedged until May 2023

Risk Management - Capital Structure

- \$47m of unsecured property is currently held
- \$13m of cash on deposit is surplus to ongoing requirements
- FY 09 free cash flow to exceeds FY 08 final distribution
- no maintenance capital expenditure anticipated
- no material funding impacts from capital market volatility
- diversity of funding sources and banking relationships

Risk Management – NTA and Gearing Outlook

ALE not directly exposed in near term to changes in:

- property development outlook
- property sales income or lease renewals
- maintenance capital expenditure
- property funds management revenues
- nominal and real interest rates
- residential property prices
- pub turnover or profitability
- land tax values in States other than QLD
- foreign exchange rates
- property values in other countries
- availability of debt drawings to fund future distributions

FY 08 Outlook and Strategy - Conclusion

- **Foundations: solid**
 - long term leases – certainty of rental income
 - inflation indexation – strong likelihood of rental growth
 - long term interest rate hedging – certainty of interest costs

- **Strategy: enhance value**
 - target low risk property (pub & non-pub assets)
 - accretive acquisitions
 - ongoing capital and risk management

- **Outlook: secure and growing**
 - distributions fully funded by free cash flow
 - free cash flow is secure and growing
 - relative certainty of distribution growth

FY 09 Outlook and Strategy - Conclusion

- continue to pursue a strategy that is working
- FY 09 guidance to be provided at 12 Nov 2008 AGM
- expect distributions to be 100% tax deferred for FY 09 and FY 10 and at least 75% tax deferred for FY 11 and FY 12³
- FY 08 distribution represents a yield of around **12.5%**²

1. cps is cents per security
2. based on current security price of \$2.70
3. based on current assets, gearing, interest and CPI rates continuing at current levels

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