

ALE Property Group

24 March 2010



The Breakfast Creek Hotel, Brisbane, QLD

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Prospectus

A public offer of ALE Notes 2 will be made by ALE in a Prospectus under Part 6D.2 of the Corporations Act. A Prospectus was lodged with the Australian Securities and Investments Commission on 24 March 2010. A replacement Prospectus with the margin determined under the Bookbuild will be lodged on or about 31 March 2010. This document is not a Prospectus under Australian law and does not constitute an invitation to subscribe for or buy any securities or an offer for subscription or purchase of any securities or a solicitation to engage in or refrain from engaging in any transaction. A copy of the Prospectus is available at www.alegroup.com.au. Potential investors should consider the Prospectus in deciding whether to acquire ALE Notes 2. Applications for ALE Notes 2 may only be made using the Application Form attached to or accompanying the Prospectus.

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Diagrams

Diagrams used in the presentation are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this presentation.

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Offer summary

Summary and rationale

- ALE Property Group (ASX: LEP) ("ALE") is seeking to raise approximately \$100 million from an issue of ALE Notes 2
- ALE Notes 2 are new unsecured notes issued by ALE Property Management Limited as responsible entity of ALE Property Trust
- Initial Interest Rate of approximately 8.40%– 8.60% per annum and four year term¹
- ALE Notes 2 form an important element of ALE's existing capital management program
- Proceeds from the Offer of ALE Notes 2 will be used to refinance existing debt and ultimately repay, in part, the existing ALE Notes that mature in September 2011

Offer details

- The Offer will comprise an Institutional Offer, a Broker Firm Offer, an ALE Stapled Securityholder Offer, an ALE Notes Reinvestment Offer and a General Offer
- The Margin will be determined via a Bookbuild on Wednesday 31 March 2010
- Offer opens 1 April 2010 and closes on 21 April 2010 for ALE Stapled Securityholder Offer, ALE Notes Reinvestment Offer and the General Offer and on 27 April 2010 for Broker Firm Offer and Institutional Offer
- ALE Notes 2 will be listed on the ASX and are expected to commence trading on a deferred settlement basis on 30 April 2010
- Minimum investment of \$5,000 (50 ALE Notes 2)

Key features of ALE Notes 2

ALE Notes 2	<ul style="list-style-type: none"> Unsecured debt securities of ALE Property Trust
Offer Size	<ul style="list-style-type: none"> Approximately \$100 million
Interest	<ul style="list-style-type: none"> Cumulative, floating rate interest payments payable quarterly in arrears Interest Rate - 3 month Bank Bill Swap Rate + Margin Indicative Margin range of 4.00% - 4.20%, the final margin to be set under the Bookbuild Based on the 3 Month Bank Bill Swap Rate at 24 March 2010, the initial interest rate would be between approximately 8.40% and 8.60%
Maturity Date	<ul style="list-style-type: none"> ALE Notes 2 have an initial maturity date of 20 August 2014 (4 years from First Interest Payment Date) At its election, ALE Property Management Limited may extend the term of ALE Notes 2 for a further one or two years
Redemption	<ul style="list-style-type: none"> ALE Notes 2 are Redeemable by ALE on the relevant Maturity Date for: <ul style="list-style-type: none"> \$100 on 20 August 2014 (4 years from First Interest Payment Date) \$101 after 20 August 2014 and on any Interest Payment Date on or before 20 August 2015 (5 years) \$102 after 20 August 2015 and on any Interest Payment Date on or before 20 August 2016 (6 years) ALE Notes 2 must be redeemed no later than 20 August 2016
Key Investor Protections	<ul style="list-style-type: none"> Distribution stopper - if any interest and / or Redemption Value has not been paid when due, an Event of Default is subsisting or if there is a breach of the Gearing Covenant of 67.5% that has not been remedied, a Distribution Stopper on ALE Stapled Securities will apply Higher Rate - amounts not paid when due will accrue interest at the Higher Rate of 2.0% above the prevailing Interest Rate Redemption - rights for Holders to require Redemption in limited circumstances e.g. sale of all or substantially all assets, delisting, change of control
Ranking	<ul style="list-style-type: none"> ALE Notes 2 rank at least equally with ALE Property Trust's other unsecured and unsubordinated debt obligations Holders of ALE Notes 2 will, in most circumstances, be entitled to receive payments of interest in priority to the holders of existing ALE Notes Due to ALE's structure, claims of ALE Notes 2 are in effect subordinated to payments to creditors of ALE Direct Property Trust

ALE Property Group

- ALE (ASX: LEP) is Australia's largest freehold owner of pubs and was established in 2003
- ALE currently owns 89 properties and seeks to
 - Deliver stable and growing rental income
 - Minimise development / capital expenditure risk
 - Make prudent and value accretive acquisitions
- The ALE portfolio consists of high-quality freehold pubs across mainland Australia
 - Properties subject to long-term triple-net leases¹
 - ALH is responsible for all of the outgoings including insurance, land tax, maintenance and repairs in respect of the hotels
 - 25 year leases with around an average 19 years remaining
 - Four options for tenant to extend lease by 10 years
- ALE pubs are leased to, and operated by, ALH and its controlled entities (ALH) – a leading Australian operator of pubs, liquor outlets, and electronic gaming

ALE Pubs in Australia²



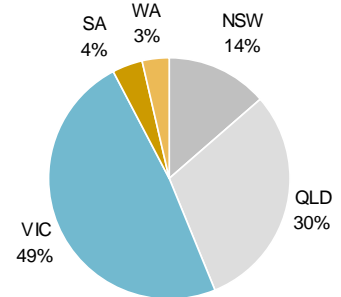
ALH – the tenant

- A leading Australian pub operator offering a diverse array of hospitality experiences including bars, bistros, restaurants, cafes, retail liquor, accommodation, nightclubs, electronic gaming and wagering
- Currently operate 286 licensed venues and 476 retail liquor outlets across Australia
- Owned by Woolworths (75%) and companies associated with the Bruce Mathieson Group (25%)
 - Acquired in 2004 for \$1.4 billion
 - Woolworths is rated **A3 / A-** by Moody's and S&P respectively
- For the 12 months ending 30 June 2009, ALH reported **sales of \$2.708 billion**
- ALH owns all plant, furniture, equipment, gaming and liquor licences as well as goodwill associated with each pub in ALE portfolio. Further, ALH bears all risks associated with the development of these pubs

Diverse portfolio

- Security of income across large and geographically diverse portfolio
- Assets are predominantly located in key metropolitan locations
- Strength of portfolio and ALE management reflected in sale Capitalisation Rates
 - ALE has sold \$101 million of property since mid-2009 at a weighted average 3.8% premium to book value and a 55.3% premium to historical cost
 - Set the Australian freehold investment hotel record with sale of Sunnybank Hotel at Capitalisation Rate of 4.19%
 - Average sales Capitalisation Rate of 5.98% vs June and December average carrying value Capitalisation Rate of 6.48%

Portfolio breakdown by geography (as at February 2010)

	Number of properties	Value (\$m)	Average Value (\$m)	WACR	Portfolio diversification by value
NSW	10	101.2	10.1	6.61%	
QLD	34	225.2	6.6	6.26%	
SA	7	32.0	4.6	6.19%	
VIC	34	356.9	10.5	6.61%	
WA	4	25.9	6.5	6.31%	
Total / weighted average	89	741.2	8.5	6.48%	

Unique portfolio attributes

- Portfolio enjoys 100% occupancy
- Single tenant continues to exhibit strong growth in sales, profit and market share and exhibits strong credit quality
 - ALH is 75% owned by Woolworths
 - ALE's properties are integral to ALH operations
 - Properties continue to expand with Dan Murphy rollouts
- Strong lease terms
 - 87 of the 89 hotels in the portfolio are subject to long-term Triple-Net Leases¹
 - ALE has no obligation to fund development of the pubs
 - Developments financed by ALH are treated as leasehold improvements
 - Developments financed by ALE are recovered through rental increases
 - ALE is kept whole for any developments
 - Remaining weighted average lease term of nearly 19 years plus four 10 year options for ALH to extend²
 - Rent increases annually in line with state-based CPI
 - 87 of the pubs have leases that benefit from cross default provisions meaning that if ALH defaults on any one lease, all 87 leases are in default

H1 FY10 results and capital management update

- Strong underlying portfolio performance and on-going focus on sound capital management

Result highlights

- 5.8% increase in Distributable Profit to \$18.1 million (pcp: \$17.1 million)
- Distribution of 12.00 cps - in line with guidance
- Property valuations stable as at 31 December 2009
 - No change in Capitalisation Rates
 - CPI based rental increases

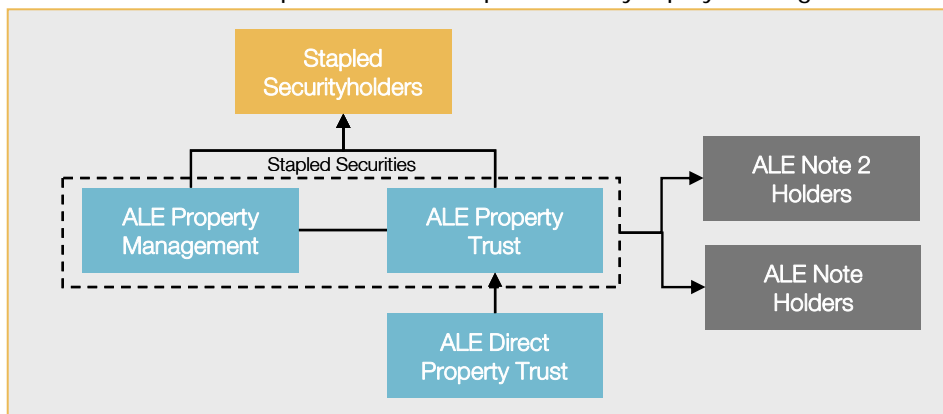
Capital management initiatives

- ALE has delivered on its capital management initiatives announced in 2009
 - Successfully raised \$105 million via placement and renounceable rights issue which was strongly supported by existing investors
 - \$101 million of asset sales at average Capitalisation Rate of 5.98% (compared with December average carrying value Capitalisation Rate of 6.48%)
- Successfully bought back \$94.9 million of debt securities at a weighted average discount of 6.8% to face value
- **Reduced gearing from approximately 68% to ~53.5% (on a pro forma basis)**

Capital structure

Offer rationale and Notes funding arrangements

- ALE has been exploring various alternatives in relation to refinancing the debt which falls due in 2011 in order to ensure an optimal capital structure
 - \$221 million of debt facilities maturing in May 2011 and \$148.9 million of existing ALE Notes maturing in September 2011
- Following the issue of ALE Notes 2, ALE expects to have approximately \$150 million of cash on balance sheet that may be used to buy back or pay down debt¹
- ALE continues active discussions with potential financiers and rating agencies and intends refinance its debt in advance of the maturity dates
 - As a result of the success of ALE's capital management initiatives in significantly reducing gearing, ALE does not perceive any difficulties in refinancing the maturing debt facilities
- Current market capitalisation of Stapled Security equity ranking behind ALE Notes 2 is \$337.1 million²



1. In addition, ALE will hold approximately \$60 million in cash as collateral against the CIB
2. Based on a Stapled Security price of \$2.20

Capital structure

Pro forma capital structure post Offer (as at 31 December 2009)

Facility	Amounts Million	Scheduled maturity	Maturity term (years)	Hedge term (years)	Interest rate arrangement
CIB	\$125.5	November 2023	13.8	13.8	Fixed real rate
CMBS	\$166.0	May 2011	1.3	13.8 ¹	Floating nominal rate – hedged
NAB Bank facility	\$55.0	May 2011	1.3	13.3 ¹	Floating nominal rate – hedged
CPI hedge escalation	\$20.3	Dec 2022 & May 2023 ¹			
ALE Notes 2	\$100.0	August 2014	4.0	13.3 ¹	Floating nominal rate
ALE Notes	\$148.9	September 2011	1.7	13.3 ¹	Fixed nominal rate - hedged
Cash On Deposit	(\$212.5)				On term deposits
Total	\$403.2				
Market capitalisation of equity	\$337.1²				

ALE Notes 2 terms

Issuer	ALE Property Management as the responsible entity for ALE Property Trust
Face Value	\$100
Instrument	Unsecured notes
Credit Rating	Due to recent regulatory and licensing changes (specific licensing and consents required) credit ratings will not be assigned
Term	4 years (with option for ALE to extend for a further 1 or 2 years)
Ranking	ALE Notes 2 rank at least equally with ALE Property Trust's other unsecured and unsubordinated debt obligations, except those that are required by law to be preferred. Holders of ALE Notes 2 will, in most circumstances, be entitled to receive payments of interest in priority to the holders of ALE Notes. Due to ALE's structure, claims of ALE Notes 2 are in effect subordinated to payments to creditors of ALE Direct Property Trust
Interest	<ul style="list-style-type: none"> – Cumulative, floating rate interest payments – Payable quarterly in arrears
Margin at Issue / Interest Rate	<ul style="list-style-type: none"> – 4.00% - 4.20% Margin set by the Bookbuild over 3 Month Bank Bill Swap Rate – Estimated Interest Rate for the first Interest Period: approximately 8.40% – 8.60% per annum (floating based on the 3 Month Bank Bill Swap Rate of 4.3783% as at 24 March 2010)
ALE Early Redemption Right	<ul style="list-style-type: none"> – At any time for Tax Event, if less than 30% of the original issue size remains on issue, if there is a change of control of ALE. – Ability to Redeem all of the ALE Notes 2 on any quarterly Interest Payment Date after 4 year anniversary of First Interest Payment Date
Holder Early Redemption Right	Rights for Holders to require Redemption in limited circumstances e.g. sale of all assets, delisting, change of control
Option to Extend	ALE may extend the date on which the ALE Notes 2 will mature by one or two years.

ALE Notes 2 terms

Redemption Amount per ALE Note	<ul style="list-style-type: none"> – ALE Notes 2 are Redeemable by the Responsible Entity on the relevant Maturity Date for: <ul style="list-style-type: none"> – \$100 up to and including 20 August 2014 (the 4th anniversary of the First Interest Payment Date) – \$101 after 20 August 2014 and on or before 20 August 2015 – \$102 after 20 August 2015 and on or before 20 August 2016
Investor Protections	<ul style="list-style-type: none"> – Distribution Stop - no distribution may be paid on ALE Stapled Securities if any interest and/or Redemption Value has not been paid when due, while an Event of Default is subsisting, or while there is a breach of the Gearing Covenant (see below) that has not been remedied – Higher Rate - any unpaid amounts will accrue interest at the Higher Rate – If ALE Property Management Limited increases Finance Debt or reduces number of Stapled Securities on issue, or pays any Special Distribution, which results in Gearing exceeding 67.5%, the Interest Rate will be increased to the Higher Rate and distributions will not be paid to Stapled Securityholders until the breach is remedied – An Event of Default includes the occurrence of any of the following: <ul style="list-style-type: none"> – ALE Property Management Limited fails to pay any amount payable by it under any ALE Notes 2 within three Business Days after the due date; – An Insolvency Event occurs in respect of ALE Property Management Limited; and – It is, or becomes, unlawful for ALE Property Management Limited to perform any of their payment obligations under the ALE Notes 2; – If any Event of Default occurs and is continuing, the Trustee may declare the Redemption Value to be due and payable or may declare that ALE Property Management Limited is not able to pay distributions to Stapled Securityholders
Higher Rate	2% above the prevailing Interest Rate
Guarantee	None
Voting Rights	As Notes are debt instruments, they will have no voting rights at general meetings of ALE Property Trust

Key risks

- There are risks associated with an investment in ALE Notes 2, as well as risks associated with an investment in ALE generally which include, but are not limited to:
 - Fluctuations in the market price of ALE Notes 2
 - The market for ALE Notes 2 may be less liquid than for ALE Stapled Securities
 - The Interest Rate will fluctuate over time
 - In the event that ALE Direct Property Trust becomes insolvent, due to the structure of ALE, payments to holders of ALE Notes 2 will be made after payment in full of all amounts due and payable in respect of Finance Debt, and to trade and other creditors, of ALE Direct Property Trust
 - Risk associated with having a single tenant
 - Risks relating to refinancing existing debt
 - The value of pubs owned by ALE may fall
- In addition, there are risks associated with the current uncertain and volatile global economic conditions
- Refer to Section 5 of the Prospectus for further details

Offer structure

Institutional Offer	Institutional Investors who have been invited by the Lead Manager to bid for ALE Notes 2 through the Bookbuild Certain institutional investors have committed to the Lead Manager to apply for at least \$[x] million in aggregate of ALE Notes 2
Broker Firm Offer	Open to all Australian & New Zealand resident clients of a Syndicate Broker who apply for a firm Allocation from that Syndicate Broker
ALE Stapled Securityholder Offer	Open to all ALE Stapled Securityholders as at 7.00pm on 19 March 2010 shown on the Register to have an address in Australia or New Zealand
ALE Notes Reinvestment Offer	Open to all Australian & New Zealand resident holders of existing ALE Notes, who may apply to have their existing ALE Notes bought back at \$102.50 each and for the proceeds to be used for an application for ALE Notes 2
General Offer	Open to all Australian & New Zealand residents
Priority allocation under the ALE Stapled Securityholder Offer	ALE Stapled Securityholders and existing ALE Notes holders who submit a valid application under the ALE Stapled Securityholder Offer and ALE Notes Reinvestment Offer will receive an allocation of ALE Notes 2 in priority to applicants under the General Offer

Timetable

Summary of key dates¹

Lodgement of Prospectus with ASIC	24 March 2010
Bookbuild to determine the Margin	31 March 2010
Announcement of the Margin and lodgement of the Replacement Prospectus with ASIC	1 April 2010
Offer opens	1 April 2010
Closing Date for ALE Stapled Securityholder Offer, ALE Notes Reinvestment Offer and General Offer	5.00pm AEST, 21 April 2010
Closing Date for Broker Firm Offer	5.00pm AEST, 27 April 2010
Issue of ALE Notes 2	30 April 2010
ALE Notes 2 expected to commence trading on ASX on a deferred settlement basis	30 April 2010
Holding Statements despatched	by 4 May 2010
ALE Notes 2 expected to commence trading on ASX on a normal basis	5 May 2010
First Interest Payment Date	20 August 2010
Interest Payment Dates	each 20 November, 20 February, 20 May and 20 August from First Interest Payment Date until Redeemed
Initial Maturity Date	20 August 2014
First Extended Maturity Date (if applicable)	20 August 2015
Second Extended Maturity Date (if applicable)	20 August 2016

1. All dates and times are indicative only. The Responsible Entity, in consultation with the Lead Manager, reserves the right to close the Offer early, extend the Offer, not proceed with the Offer or accept or reject any Applications (including late Applications) in whole or in part

Contacts

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