

Macquarie Leisure Trust Group

Comprising

Macquarie Leisure Trust

(Manager: Macquarie Leisure Management Limited ABN 36 079 630 676, AFS Licence No. 247010) and

Macquarie Leisure Operations Limited

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Internalisation and repositioning Macquarie Leisure Trust Group for growth

Macquarie Leisure Trust Group (ASX: MLE) (“MLE”) today advised that it has reached agreement with Macquarie Group (“Macquarie”) to internalise the management of MLE, subject to security holder approval (“Proposal”).

The Proposal is part of a package of measures designed to enhance alignment between investors and management and to reposition MLE for the next phase of growth.

The Proposal involves the acquisition of all of the issued equity of Macquarie Leisure Management Limited (“MLML” or the “Manager”) by Macquarie Leisure Operations Limited (“MLOL”). MLML is the responsible entity of Macquarie Leisure Trust.

Employment terms have been agreed with Greg Shaw, MLE Chief Executive Officer, and Richard Johnson, MLE Chief Financial Officer. The remaining MLE management team, who are currently employees of Macquarie, are expected to become employees of MLOL under the Proposal.

An equity raising (“Equity Raising”) is being undertaken whereby \$41.7 million will be raised by way of an underwritten placement to institutional investors (“Placement”). Retail investors will be given the opportunity to participate through a security purchase plan (“SPP”).

In addition to the debt reduction resulting from the Placement, MLE has secured \$30 million in completed and contracted AMF Bowling sale and leaseback transactions to reduce gearing. It has completed debt extensions and renegotiation of banking covenants to incorporate MLOL’s non-US earnings, creating significant incremental covenant headroom.

Commenting on the Proposal, Chairman and Independent Director¹ of MLE, Mr Neil Balnaves, said:

“MLE has consistently outperformed its peers since its corporate structure was amended to a stapled security structure in 2003, and has outperformed its benchmark index. The Proposal, together with the Equity Raising and capital management initiatives, will further strengthen MLE’s balance sheet and create additional capacity to pursue organic portfolio expansion to enhance future earnings”.

Internalisation Proposal

MLOL and Macquarie have executed binding documents containing the key commercial terms of the Proposal.

¹ The independence of directors is assessed annually in accordance with Macquarie Leisure's published criteria which are available at http://www.macquarie.com.au/au/property/acrobat/mle_corporate_governance.pdf

Under the Proposal, the consideration payable by MLE to Macquarie is \$17 million cash, which incorporates:

- Payment for all of the issued securities of MLML;
- Macquarie waiving its entitlement, as the current owner of the Manager, to any performance fees for the year ending 30 June 2009 and from 1 July 2009 to completion;
- Facilitation of a smooth transfer of staff and services; and
- Macquarie satisfying various reimbursable costs for the year ending 30 June 2009 on behalf of MLOL.

MLE security holders will be asked to consider and approve the Proposal at a general meeting expected to occur in August. The approval threshold for the vote is 50% of security holders who vote at the meeting.

The Proposal has been negotiated on behalf of MLE by its Independent Directors. The Independent Directors voluntarily commissioned an Independent Expert, Lonergan Edwards & Associates, to assess the Proposal. The Independent Expert determined the Proposal to be fair and reasonable and in the best interests of security holders. A full copy of the Independent Expert's Report has been released to the ASX and will be included in the Notice of Meeting and Explanatory Memorandum that will be sent to MLE security holders prior to the general meeting.

Further details of the terms of the Proposal will also be included in the Explanatory Memorandum.

MLE will be rebranded following security holder approval, including a change of company name.

Commenting further on the Proposal, Mr Balnaves said:

"The Independent Directors believe the Proposal is in the best interests of security holders and each of the Independent Directors recommends that security holders vote in favour of the Proposal and will vote the MLE securities they own or control in favour of the Proposal.

"The Proposal represents an important step in the evolution of MLE. It will provide MLE security holders with a number of benefits including improved alignment of interests between security holders and management.

"The Independent Directors acknowledge the significant contribution made by Macquarie to MLE since its listing in 1998, both as manager and adviser, and the co-operation which will be provided by Macquarie during the transfer of staff and services".

Macquarie Group has indicated that it will refrain from voting the securities it beneficially holds in MLE in respect of the Proposal.

Greg Shaw, Chief Executive Officer of MLE, added:

"Since its inception as a traditional property trust with essentially passive investments in leisure assets, MLE has evolved into a portfolio of operating businesses with acquisitions such as AMF Bowling Centres and Goodlife Health Clubs.

"The next phase of MLE will see management continue to focus on operational performance, while looking to take advantage of an industry which is experiencing some fragmentation as a result of the current economic environment and debt markets".

Equity Raising

The Equity Raising comprises a \$41.7 million underwritten Placement and a SPP for retail investors. Proceeds will be used to fund the consideration payable under the Proposal, strengthen MLE's balance sheet and position MLE for portfolio expansion. As a result of the Placement and proceeds of asset sales, both completed and contracted to settle before 30 June 2009, MLE's gearing is expected

to reduce to 33.4%² on a pro-forma basis. In the event that security holder approval for the Proposal is not obtained, proceeds will be used to reduce debt and pro-forma gearing will reduce to 30.9%.

Macquarie Capital Advisers and RBS are joint lead managers and joint underwriters to the Placement.

MLE is seeking to raise up to approximately \$18.3 million via an offer to eligible security holders of up to \$15,000 of securities through the SPP. The SPP is not underwritten. Further details of the SPP will be provided in due course.

Capital management and trading update

MLE has made significant progress in pursuing various capital management initiatives over the past six months:

- Progressing over \$63 million in asset sales, including over \$30 million in completed or contracted AMF sale and leaseback contracts since February 2009 at or above book value and a further \$33 million of asset sales underway;
- Bank covenant definitions have been amended to incorporate MLOL's non-US earnings to create significant incremental headroom, without any change to the covenant hurdle rates and without a step-up in margins;
- Extension of \$50 million of debt facilities to September 2010; and
- Establishment of a new US\$10 million debt facility to support Main Event operations.

As a result of these initiatives, the Equity Raising and the Proposal, pro-forma net Australian debt is anticipated to be below \$225 million³ at 30 June 2009 and MLE will have increased flexibility to pursue organic growth opportunities.

As part of the announcement, MLE confirms that it remains on track to meet market earnings expectations for the year to 30 June 2009. Mr Shaw noted "the Group's focus on affordable leisure segments with broad market appeal has helped ensure the resilience of the business despite challenging market conditions".

The Independent Directors are being advised on the Proposal and Equity Raising by Rothschild Australia and Greenwich Legal.

Neil Balnaves
Chairman

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² Gearing is defined as consolidated gross debt to consolidated gross debt plus consolidated equity. Pro-forma gearing is based on unaudited management accounts for 11 months to 31 May 2009, forecast for 1 month to 30 June 09 and 31 December 2008 property valuations. Valuations for 30 June 2009 have not commenced and may be lower than those as at 31 December 2008. The pro-forma has been adjusted to reflect full year impact of institutional placement of \$41.7 million, internalisation payment and associated costs. It excludes further contracted and uncontracted asset sales of \$53 million and any funds raised under the Security Purchase Plan.

³ Pro-forma net Australian debt is based on unaudited management accounts for 31 May 2009, forecast for 1 month to 30 June 09. The pro-forma has been adjusted to reflect full year impact of institutional placement of \$41.7 million, internalisation payment and associated costs. It excludes further contracted and uncontracted asset sales of \$53 million and any funds raised under the Security Purchase Plan.