ASX ANNOUNCEMENT

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The Manager
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ALE'S PERSPECTIVE ON VALUATIONS

Highlights

- ALE's portfolio of properties has become increasingly under rented over the past 10 years as our tenant's (ALH's) earnings at the properties have consistently grown at a rate significantly greater than the annual CPI increases under the lease agreements
- Investors in ALE's stapled securities are increasingly making enquiries about the current premium between the property values implied by the security price and the statutory property valuations
- An approach to valuation that recognises the under renting may provide a framework within which to explain and reconcile the current premium
- ALE intends to continue to reflect the independent valuers' assessments of the individual properties in its statutory valuations.

Growth in ALH's Earnings at ALE's Properties

ALE's investors have in recent times made more regular enquiry with respect to how the rent received by ALE for its 87 properties compares with market based rent levels. In other words, how under rented the portfolio may be.

As has been previously advised, the extent of the under renting that has emerged over a number of years now represents a very material amount. The major reason for this outcome is that ALH's operating earnings at ALE's properties, which drive market based rents, have grown at a significantly greater rate than the annual CPI increases under the lease agreements.

The next market rent reviews for most of ALE's properties are in 2018 and are 10% capped and collared. They are followed by open or uncapped market rent reviews in 2028 and each 10 year anniversary until 2058. Accordingly, any under renting will be eliminated when all properties revert to market rent levels at each of the open review dates.

In our ASX announcement dated 30 July 2013, we noted that independent valuers advise that market rent for pub properties is normally set in the range of 35% to 45% of the EBITDAR for the relevant property. It is notable that in the 2003 ALH prospectus it was disclosed that property rents were originally set at an amount of less than 35% of ALH's then EBITDAR.

Since that time, the drivers for ALH's earnings growth at ALE properties have included, among other factors:

- increasing efficiency in the operation of the hotel businesses;

- earnings improvements arising from significant capital expenditure by ALH (including the addition of 20 Dan Murphy's stores); and

- positive influences from recent changes to Victorian gaming regulations. Specifically, we note that ALH's 75% shareholder, Woolworths Limited, has publicly stated that the increase in ALH's EBITDAR arising from the August 2012 Victorian gaming reforms is around $100 million per annum for its entire portfolio of Victorian hotels. ALE currently owns 34 of the hotels operated by ALH in that state.

For all the above reasons, ALE believes that the weighted average ratio of rent to ALH's EBITDAR at ALE's 87 properties is currently significantly below the market range of 35% to 45%.

Statutory Valuations

The major factor in the derivation of ALE's Net Tangible Assets (NTA) is the valuation of ALE's 87 individual properties, which the Board regularly assesses with input from various professional valuation firms, currently CBRE and Urbis. The results are also reviewed by ALE's auditors, KPMG.

Independent valuers' assessments apply industry standard methods and currently include a discounted cash flow covering a term of 10 years to June 2023. Consequently, the valuations attribute little if any value to the open market rent reviews which will be determined in 2028 for most of the leases.

Furthermore, the valuers are required to value each property separately and not on a whole of portfolio basis. This may provide a different valuation outcome.

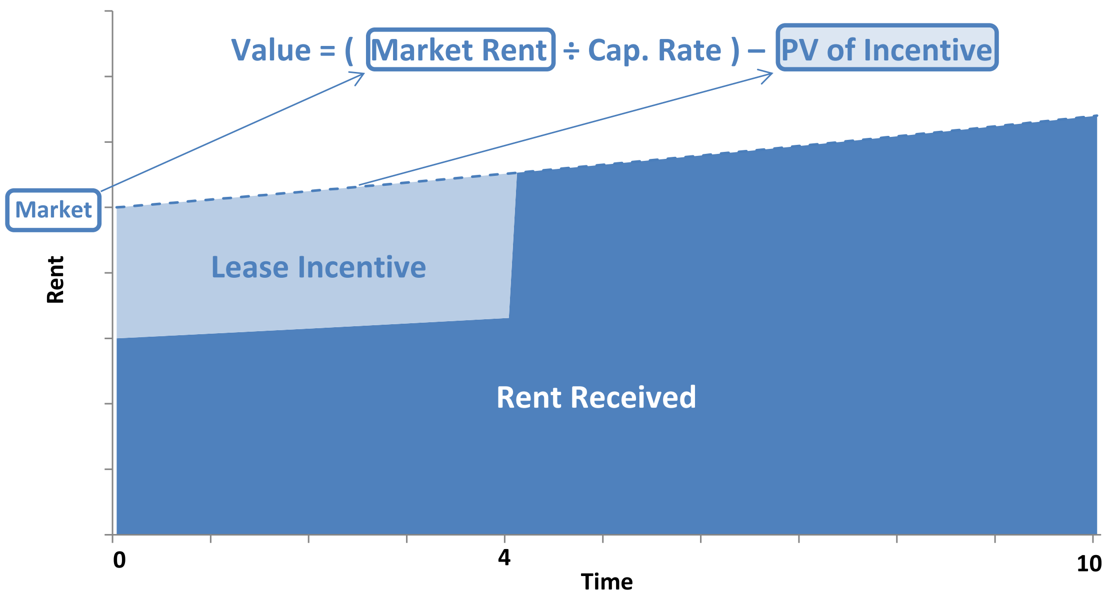
A Market Rent and Lease Incentive Approach to Valuation

One method that may be applied to valuing ALE's property portfolio today is to assess value in terms of its two components:

- the value of the property portfolio as if the portfolio's leases were set today at current market rent levels; *less*

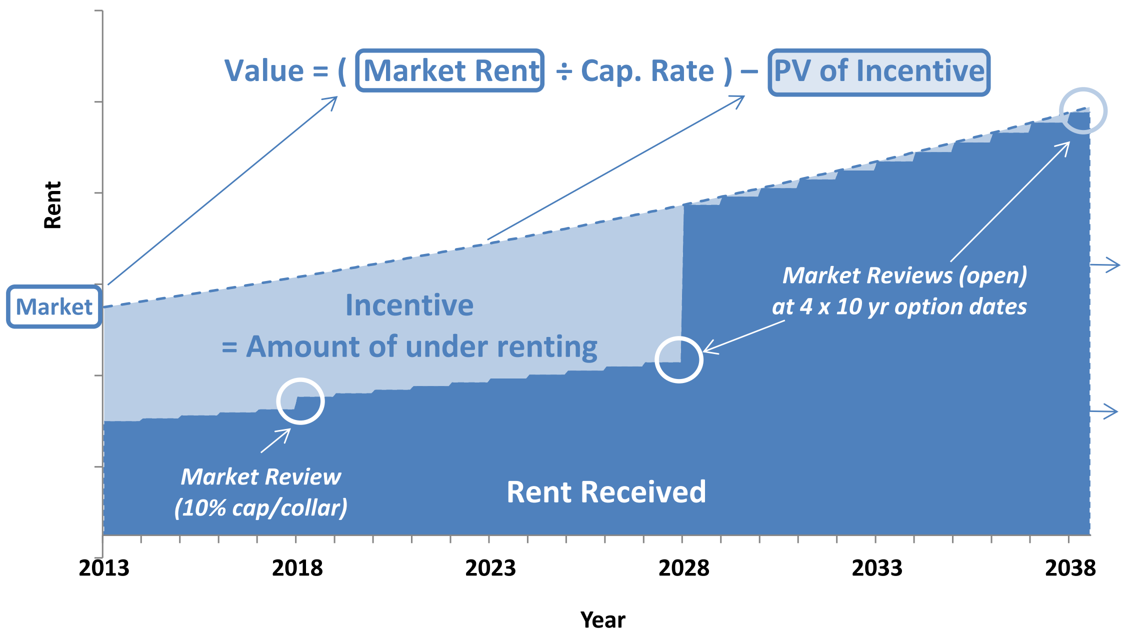
- the present value of the incentive inherent in the current lease arrangements.

This valuation methodology is often applied to other forms of commercial real estate, including office buildings with significant lease incentives, albeit shorter than 15 years. This method is shown in the chart below:



In ALE's case, the incentive would equate to the present value of the under renting over the next 15 years until the open market rent review in 2028. The under renting is the amount by which the contracted rent falls below the applicable market rent in each of those 15 years.

The incentive built into ALE's leasing arrangement may be demonstrated in the following chart:



The most material assumptions required to determine a valuation based on market rent net of incentive are the current levels of market rent and the capitalisation rates applicable to those market rents. Other valuation assumptions include to the level of CPI growth over the period to 2028 and an appropriate discount rate however, these are less material to the overall valuation results.

Different investors will have a range of short and longer term total return requirements from their investments in commercial property. In ALE's case it is expected that most investors will take into account the long term triple net nature of the leases and have a view as to the contribution that CPI will make to their total return requirement.

The table below shows a range of portfolio valuations at different cap. rates that result from the application of a current market rental and incentive method:

Market Rent Capitalisation Rate *	Valuation Net of Incentive ($ Million)	Implied Net Assets Per Security
5.5%	1,350	$4.85
6.0%	1,200	$4.05
6.5%	1,050	$3.35
7.0%	950	$2.75
7.5%	850	$2.25
8.0%	750	$1.80

* Cap. rate applicable to the portfolio's current market rent, as if the leases were set to market rent levels today.

ALE's current statutory valuations of around $800m correlate with a market rent based cap. rate of around 7.75%, while ALE's current stapled security price of around $2.65 implies a valuation that equates to a market rent based cap. rate of around 7.1%.

Interpreting the Value Range Results

The above analysis is indicative only and is necessarily dependent upon the assumptions made. In the future different assumptions, including future levels of ALH's EBTDAR and the market rental ratios to EBITDAR, may be applicable. Any changes to these assumptions may have a materially positive or negative impact upon the range of value results indicated above.

ALE is not making any statement about what the property values or ALE stapled security price should be and acknowledge that is a matter for participants in the market to form their own views on the inherent risks and returns.

ALE's Ongoing Approach to Statutory Valuations

The above analysis of the portfolio's valuation may provide investors with a framework to understand the current premium in the security price. Notwithstanding the above range of portfolio valuations, ALE's Board currently intends to continue to rely upon independent assessments of its individual properties from external valuers to determine the statutory valuations.

It is currently anticipated that as the market rent reviews in 2018 draw closer, the independent valuations provided to ALE will gradually become more influenced by the open market rent review entitlements in 2028.

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