ASX ANNOUNCEMENT

7 December 2012

Announcement No. 32/12
The Manager
Australian Securities Exchange

ALE LOCKS IN LOW INTEREST RATES AND REAFFIRMS FY13 GUIDANCE

Highlights

- Hedging arrangements simplified
- Net debt fully hedged with nominal fixed interest rates
- Locks in low long term base interest rate of 3.83% p.a.
- Reaffirms FY13 distribution guidance of at least 16.0 cents per security
- Distributable profit growth prospects enhanced
- CPI Hedge now fully terminated
- CPI Hedge bank counterparty has claimed that an additional amount is payable.

Simplified Hedging Arrangements

ALE Property Group (ASX Code LEP) previously advised on 25 October 2012 that it was planning to simplify its interest rate hedging arrangements by entering into new nominal hedging and terminating the existing CPI Hedging. This process is now complete.

ALE has entered into new hedging arrangements on the following terms:

- $291m face value to match current levels of net nominal debt
- Hedged at a base interest rate of 3.83% p.a.
- Term of around 10 years maturing November 2022
- No bank rights to break.

The simplification of the hedging arrangements also provides an enhanced risk position for both financiers and stapled security holders. Not only are distributions and interest cover protected from any future increases in interest rates, hedging liabilities will no longer increase in line with the future levels of inflation.

Locks In Low Long Term Interest Rates

As the following chart demonstrates, long term interest rates are at close to their lowest levels in many years. The new hedging arrangements lock in these levels.

Distributable Profit Growth Outlook

Under the previous CPI Hedging arrangements the outlook for distributable profit growth was limited to the growth in CPI only.

With the move to nominal fixed rate hedging, ALE reaffirms FY13 distribution guidance of at least 16.0 cents per security growing by at least the growth in CPI until the next refinancing date.

CPI Hedge Termination

As foreshadowed in previous announcements, the existing CPI hedge has now been terminated.

ALE has paid a termination amount of $83.5 million to the bank counterparty for the hedge's CPI escalation amount and the mark to market amount. The mark to market amount was calculated independently and recognises that both unutilised credit and capital charges at current market levels, relating to the 11 years of the hedge term following the break date, are not payable. This is consistent with ALE's experience of normal practice with other hedge counterparties.

The bank counterparty has claimed that an additional amount of $29.7 million is payable in respect of the close out to the CPI hedge, notwithstanding that it no longer has a credit or capital exposure to the hedge transaction. ALE refutes the bank counterparty's claim and will take all appropriate steps to strongly defend its position. As part of the capital raising ALE made allowance for a payment of up to $112 million and accordingly holds adequate cash reserves.

- Ends -

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