ALE PROPERTY GROUP

ASX ANNOUNCEMENT

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Successful Refinancing and Hedge Restructure

Highlights

- CMBS refinancing completed and settled
- $62.4m of ALE Notes 2 bought back, balance to be redeemed in August 2014
- Hedging arrangements restructured and simplified
- Future interest expenses are now highly predictable

Successful Refinancing

ALE Property Group (ASX: LEP) announced on 29 May 2014 the pricing of a successful Australian Medium Term Note (AMTN) refinancing.

Following that announcement $162.4 million of CMBS redemption payments were made on 20 June 2014 including principal, accrued interest and prepayment costs. As a consequence of the full CMBS redemption, $12.2 million of cash collateral was also released.

In addition, $62.4 million face value of ALE Notes 2 were bought back on market with the remaining $102.6 million expected to be redeemed on 20 August 2014.

Hedging Restructured and Simplified

As previously advised, the $335 million AMTN comprised fixed rate bonds of:

- $110 million at a fixed coupon rate of 4.25% and a term of 3.25 years. The rate includes a credit margin of 1.30%; and
- $225 million at a fixed coupon rate of 5.00% and a term of 6.25 years. The rate includes a credit margin of 1.50%.

Excluding the credit margins on these AMTNs of 1.30% and 1.50%, the new low base interest rates equate to 2.95% p.a. and 3.50% p.a. respectively.

As ALE already had interest rate hedges in place, those existing hedges for the above amounts and terms have been terminated. As the new AMTN base interest rates applicable are lower than 3.83% p.a. ALE has terminated those hedge contracts at a cost of $6.8 million. This termination payment is approximately equivalent to the present value of the base interest rate savings ALE will enjoy over the next six years.

In addition, ALE had existing offsetting hedging and counter hedging arrangements with a maturity date of May 2020. These hedges were also terminated at market value on 30 June 2014 at a cost of $20.3 million. The net hedging liability increased during the year for two reasons. Firstly, as expected, the counter hedge asset fully amortised and secondly, the hedge liability had increased due to the lower interest rates applying at the time of termination. Again, the termination payment is approximately equivalent to the present value of the base interest rate savings ALE will enjoy over the next six years.

ALE's remaining hedging at 30 June 2014 is expected to be valued at around $3.9 million in the money. This will be confirmed with the release of ALE's full year audited accounts on or around 6 August 2014.

Finally, $10 million of cash security previously provided to a hedging counterparty was released to ALE following the restructure.

Future Interest Expense Highly Predictable

Until August 2017 all base interest rates and credit margins on 100% of ALE's net debt are fixed at a weighted average coupon rate of 4.35% p.a.

From August 2017 to November 2022 the base rates remain fixed or hedged with a reset to market of the credit margins on the two maturing AMTN being the only variable components of interest expense.

As a result of the refinancing and hedging restructure, ALE's future interest expenses are now highly predictable.

- Ends -

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