ASX ANNOUNCEMENT
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The Manager
Australian Stock Exchange

Mark to Market Reduction in Accounting Value of Interest Rate Hedges
No Impact on Forecast Distributions or Debt Facilities

Highlights

- Falling interest rates are expected to reduce the mark to market accounting value of ALE's long term interest rate hedges as at 31 December 2008 by around $52 million
- Adjustments to the accounting values of hedges are unrealised and are expected to fully unwind over the term of the hedges
- **Free cash flow, distribution guidance and debt covenants are unaffected**
- No impact on debt facilities as debt covenants specifically exclude any negative impacts of hedge value reductions
- ALE reaffirms both its free cash flow expectations for FY09 of at least 35 cents per security and its distribution guidance of at least 30 cents per security

Hedge Valuations

ALE has in place approximately $468 million of interest rate hedges with a weighted average term of around 14.7 years. The purpose of the hedging is to enable ALE to reduce the risks of fluctuating interest rates on free cash flows. ALE's intention remains one of maintaining this long term hedging position. The hedge value adjustments are effectively timing differences which unwind over the full term of the interest rate hedges.

At 30 June 2008, 15 year swap rates were around 7.25% per annum. As at 31 December 2008, 15 year swap rates had declined to around 4.15% per annum. As a consequence of this significant reduction in the long term swap rates, the mark to market accounting value of the hedges as at 31 December 2008 is expected to reduce by around $52 million. The final 31 December 2008 value of the hedges will be confirmed following independent review by ALE's auditors in late February 2009.

The anticipated reduction in the mark to market accounting value of ALE's interest rate hedges as at 31 December 2008 **has no impact on ALE's debt facilities, free cash flow and distribution guidance** for the following reasons:

- All of ALE's debt covenants specifically exclude any negative changes in the mark to market value of hedges – meaning that this adjustment has no impact on ALE debt covenants or debt facilities

- The accounting value adjustments on interest rate hedges do not become a cash outflow unless the hedging is unwound early.

- Given that there is no impact on expected free cash flow from this accounting adjustment, ALE reaffirms its expectation for FY09 free cash flow of at least 35 cents per security. ALE also reaffirms the distribution declaration of 15 cents per security for the half year and guidance at least 30 cents per security for full year FY09.

Impact on Net Assets

Any accounting expense, whether it be a cash outflow or a non-cash accounting item, has a negative impact on ALE's Net Assets. The current period reduction in the value of the hedges will be recorded as an accounting expense and is expected to reduce ALE's stated Net Assets by around 60 cents per security. Again, the final Net Assets position will be confirmed following independent review by ALE's auditors in late February 2009.

To assist investors' understanding, ALE will provide Net Assets information both including and excluding this accounting item in its half year and full year accounts.

Andrew Wilkinson, Managing Director of ALE said, **"The impact of recent and significant falls in long term interest rates is expected to result in ALE reducing the mark to market value of its 15 year interest rate hedges by approximately $52 million in its accounts. It is important to recognise that this has no impact on ALE's free cash flow, debt covenants or distribution guidance of at least 30 cents per security for FY09".**

ALE expects to release the half year FY09 result to the ASX on 25 February 2009.

- Ends -

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