

ASX Announcement

27 August, 2014

The Manager
Australian Securities Exchange Limited
Corporate Announcement Office
Level 4, 20 Bridge St
Sydney NSW 2000

Hotel Property Investments (ASX Code: HPI) **Financial results for the year ended 30 June 2014**

1. Full Year Results To 30 June 2014

Hotel Property Investments (**HPI**) today lodged its annual report and confirms its distribution of 8.8 cents per stapled security to security holders for the year ended 30 June 2014, to be paid on 18 September 2014.

The financial statements lodged today include income and expenditure for the HPI Group for the year ended 30 June 2014 however security holders should note that the group was substantially restructured on 9 December 2014 (immediately prior to HPI's admission to the ASX) including establishment of new loan agreements and novation of assets and assignment of liabilities not associated with the continuing business of HPI.

2. Key Metrics

Profit after tax: Profit after tax for the year ended 30 June 2014 was **\$59.3** million compared with **\$39.3** million in the previous corresponding period.

For the period following the restructuring and HPI's admission to the ASX profit after tax was \$21.6 million compared to the Prospectus and Product Disclosure Statement ("PDS") forecast of \$10.8 million. The favourable variance was due to the fair value gain on investment properties of \$13.3 million, the fair value loss on hedging instruments of \$3.2 million, financing cost savings of \$0.2 million and the impact of an additional 9 trading days in the period due to the ASX listing occurring earlier than expected of \$0.5 million.

Portfolio Valuation: The HPI portfolio has been valued by directors at \$496.7 million, up from \$481.5 million at 31 December 2013. Director's valuations have been determined by reference to the net rental income and market capitalisation rates ("cap rates").

To assist in their determination of market cap rates directors sought feedback from Urbis and CBRE regarding the properties they had previously independently valued and each provided their view that cap rates had not deteriorated since their previous valuations, and in some instances may have improved marginally although not materially. In accordance with HPI's policy the

directors consequently held cap rates constant at the level of their previous independent valuation.

Cash: cash on hand was \$3.3 million at 30 June 2014

Loans and Gearing: Drawn loans were \$224.1 million and Gearing was 44.3%.

Weighted Average Lease Expiry: WALE is 8.5 years as at 30 June 2014

Occupancy: The portfolio was 100% leased as at 30 June 2014

Net Assets per Security: \$1.96 as at 30 June 2014

Distributions: HPI will pay a distribution of 8.8 cents per stapled security on 18 September 2014 for the period 10 December 2013 to 30 June 2014. This compares to the PDS forecast of 8.2 cents.

3. Distribution Guidance and Outlook

HPI's Distribution Policy is to pay distributions on a half yearly basis.

The HPI PDS provided a forecast FY15 distribution of 15.9 cents per stapled security. The directors see no reason at this time to amend this outlook statement.

4. Hedging

HPI has a policy of hedging not less than 50% of its debt facilities. HPI previously announced it had put in place hedging for approximately 50% of its loans for the period up to 30th June 2015 on terms no less favourable than those forecast in HPI's Prospectus. HPI has subsequently hedged approximately 60% of its loans for the remainder of the loan term ending December 2018.

End.

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