

ASX Announcement

12 May, 2015

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

Hotel Property Investments (ASX Code: HPI)

Market Update and Distribution Guidance

Syndicated Loan Facility

HPI has increased its loan facility limit to \$270m by entering into a new 5 year, \$10 million loan. Additionally Hotel Property Investments (HPI) has agreed a 20 basis point reduction in the interest rate margin on its existing \$260 million loan facility, bringing the interest margin down to 1.4%.

Interest Rate Swap Cancellation

HPI has reduced its interest rate swap cover from 100% to approximately 46.3% of its aggregate loan facility limit by canceling a portion of its swap position. The impact of the cancellation will be that HPI reverts to variable interest rates for \$135m of its loan balance for the period 1 July 2015 to 9 December 2018. The cancellation will have a negative impact on statutory profit for FY15 year but is expected to have a positive impact on securityholder distributions in FY16, FY17 and FY18. The cost of canceling the swap was \$7.1 million.

Statutory Profit Guidance for FY15

HPI expects its statutory Profit for the period (before any fair value gain or loss on investment property or further mark-to-market movements in the remaining hedges) to be between \$18 and \$20 million, which includes the \$7.1 million cost of canceling the swap.

Distribution Guidance for FY15

HPI is pleased to update its distribution guidance for the half year ending 30 June 2015 to 8.4 cents (from 8.2 cents). This will bring the full year distribution to 16.3 cents per stapled security. The improvement is due substantially to lower financing costs and lower Repairs & Maintenance and Maintenance Capex costs.

Distribution Guidance for FY16

Guidance for the year ending 30 June 2016 is approximately 17.7 cents per stapled security.

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