

ASX Announcement

25 February 2016

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 half year ended 31 December 2015

Hotel Property Investments (HPI) today lodged its interim financial report and announced a 13.9% increase in interim distribution to 9.0 cents per security for the half year ended 31 December 2015.

1. Highlights of the Half Year

- **Statutory Profit:** \$30.2 million (2014: \$7.3 million)
- **Interim Distribution:** 9.0 cents per security interim distribution (2014: 7.9 cents), an increase of 13.9%
- **Distribution Guidance for full year:** FY16 total distribution guidance of 18.2 cents (2015: 16.3 cents)
- **Property Portfolio:** valued at \$580.1 million including a fair value gain of \$16.3m (2014: \$2.1 million)

2. Profit after tax and Distributable Earnings

Profit after Tax for the half year ended 31 December 2015 was \$30.2 million. Operating revenues and expenses included rental income from investment properties of \$21.8 million, property cost recoveries of \$2.3 million, management fees and other trust costs of \$1.8 million, and financing costs of \$5.2 million. Additionally there was a fair value gain on investment property of \$16.3 million.

Adjusting profit after tax for fair value adjustments, amortisation of derivatives and other minor items, Distributable Earnings of the HPI Group were \$13.6 million and Adjusted Funds from Operations ("AFFO") were \$13.3 million. The HPI Group intends to distribute 100% of its AFFO for the full year.

3. Portfolio Valuation

The investment property portfolio has been valued at \$580.1 million compared to \$563.5 million at 30 June 2015, including a fair value gain of \$16.3 million

At 31 December 2015 independent valuations were obtained for fifteen investment properties. Capitalisation ("Cap") Rates contracted by an average 41 basis points for these properties, largely driving the increase in valuation. In accordance with the HPI Group's established valuation policy, Directors Valuations were applied for the remaining properties, and in accordance with that policy Cap Rates were maintained constant at their previous independent valuation levels.

4. Key Metrics

- **Average cap rate:** 7.28%
- **Cash on Hand:** \$2.0 million
- **Loans Drawn:** \$247.1 million
- **Gearing:** 42.1%
- **WALE:** 7.4 years
- **Occupancy:** 100% leased as at 31 December 2015
- **Net Assets per Security:** \$2.18

End.

Contact:

David Charles

Fund Manager and Company Secretary

Hotel Property Investments Limited

03 9038 1774

Website: www.hpitrust.com.au