HOTEL PROPERTY INVESTMENTS

The Cleveland Sands Tavern, Cleveland, Brisbane

Interim Results Briefing – December 2016

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Our Focus

1. Discipline
   - Maintaining Internal Rate of Return (“IRR”)
   - Not drawn to “top of market” deals
   - Portfolio optimisation
   - Management of capital
   - Moderate gearing
2. Efficiency
   - Optimise value in each property
   - Management Expense Ratio (“MER”)
   - Financing structure and terms
   - Appropriate capital management
3. Shareholder Returns
   - Balance of Return on Equity (“ROE”) and gearing
   - Minimising operating costs
   - Strong focus on asset values and market conditions
   - Total Shareholder Return and cash distributions

Highlights

As at 31 December 2016

1. Statutory Profit $71.2 million (2015: $30.2 million) including fair value gain on property of $56 million
2. Adjusted funds from operations (AFFO) of $14.2 million (2015: $13.3 million) after maintenance capex of $0.5m
3. Interim Distribution from trading operations ↑ 7.8% to 9.7 cents (2015: 9.0 cents), plus a capital distribution of 12.5 cents for a total interim distribution of 22.2 cents per security
4. Final Distribution guidance of 9.9 cents (2015: 9.2 cents) for a total full year distribution from trading operations of 19.6 cents, and 32.1 cents in aggregate
5. Property portfolio independently valued at $644.8 million including a fair value gain of $56.0m (2015: $16.3 million)
6. Average cap rate 6.5% (June 2016: 7.3%)

Achievements

6 months ended 31 December 2016

1. Internalisation of management completed including staff, IT systems, office relocation and all AFSL compliance matters
2. Established Common Terms Deed borrowing platform
   - Extended weighted average tenor to 4.2 years at 31 December
   - Created flexibility to introduce diverse debt sources and further extend tenor
3. Disciplined acquisition IRR hurdles in an exuberant market
4. Divested the Payneham Tavern at a sale yield not previously seen for a South Australian freehold pub
5. Undertook full portfolio revaluation in conjunction with the loan refinancing which saw strong valuation uplift and cap rate compression
6. Strong and prudent capital management through the cycle

Key Metrics

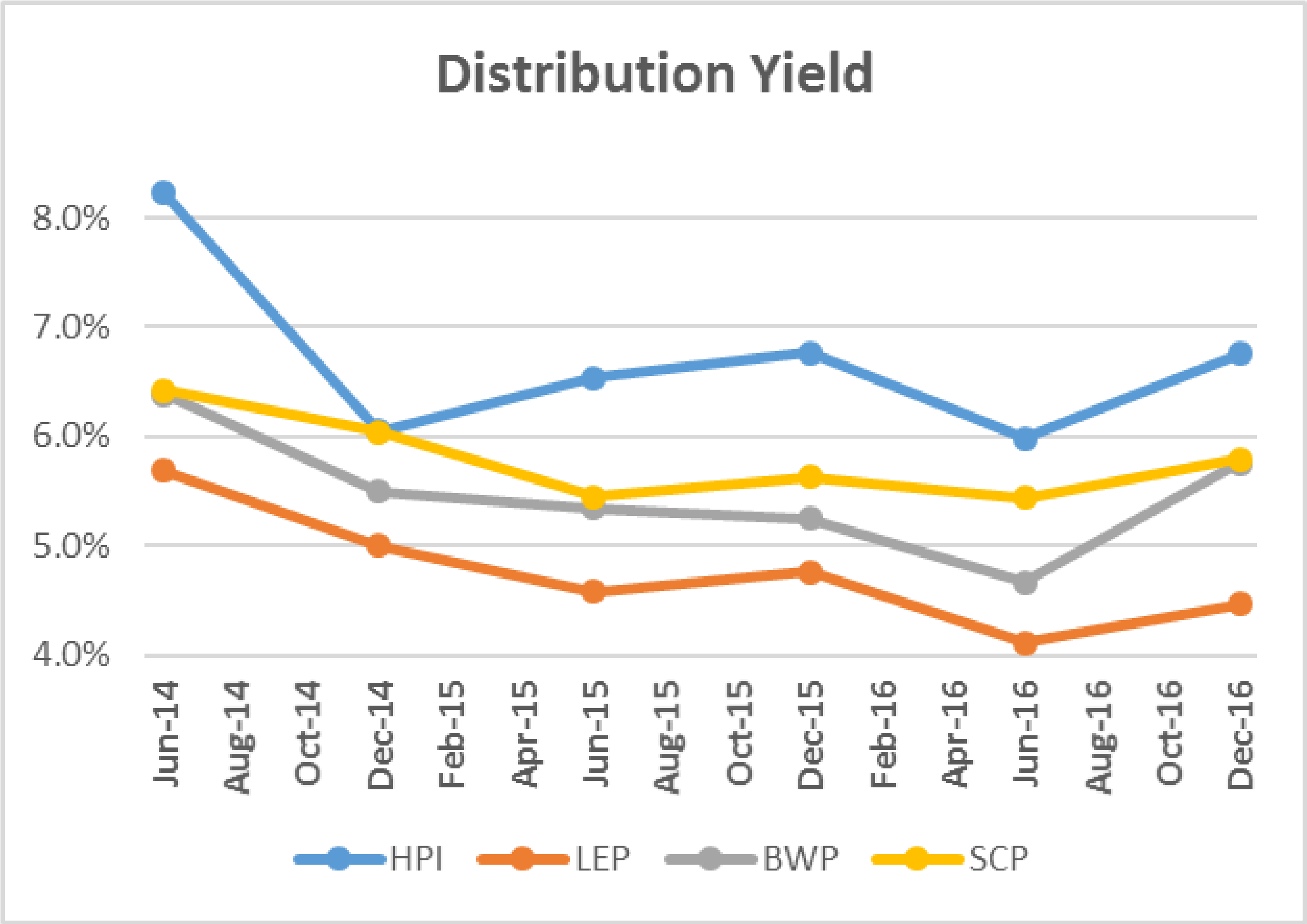
As at 31 December 2016

Key Metrics	**31-Dec-16**	**30-Jun-16**
Investment Property (incl Asset held for sale)	$644.8 m	$596.6 m
Number Of Pubs	43	44
Loans Drawn	$243.3 m	$246.6 m
Cash On Hand	$6.3 m	$2.3 m
Gearing	36.6%	40.9%
WACR	6.5%	7.3%
WALE (years)	6.8	7.0
Average Length of Option Period (years)	24.5	24.3
Occupancy	100%	100%
Net Assets per security	$2.56	$2.28

Outlook and strategic agenda

1. Active Portfolio Management
   - Take advantage of exuberance in the market by opportunistically realising selected assets
   - Maintain acquisition discipline and IRR hurdles
2. Potential to optimise returns through capital management
3. Focus on diversifying lenders and extending loan tenor
4. Leverage internalisation of Management and RE
   - Build additional skills and capabilities within the HPI team
   - Opportunity to reduce costs and improve MER
5. 50% of the portfolio to be independently valued in December each year

Distribution Yield 6.8%+



Compares favourably with other A-REITS with Wesfarmers or Woolworths tenants

Yields based on announced distributions and period end share prices.

HPI and LEP, distributions exclude estimated capital return

Investment Proposition

- Owner of large scale gaming venues leased to Coles & ALH
- Premium hotel assets whose underlying value grows with gaming
- Secure income underpinned by long term leases
- Distributions underpinned by contracted rental increases
- Investment property portfolio value growing as cap rates tighten and rentals grow
- Additional value associated with land value, development potential and strategic value of liquor and gaming licences
- Tenant’s business is a contingent asset which reverts to the landlord at the end of the lease
- Low risk capital structure with balance sheet flexibility
- Active portfolio management to drive further security holder value
- Attractive risk-return profile for a Wesfarmers bond-like security (A- rating)
- Experienced Board and management

Al Fresco dining refurbishment, The Cleveland Sands Tavern, Cleveland, Brisbane

Appendix 1 - Financials

Net Profit for the 6 months ended 31 December 2016

Consolidated Income Statement

P&L in $ millions	31-Dec-16	31-Dec-15
Income		
Net rental income (excl. straight line lease adj)	**22.3**	**21.8**
Operating expenses		
Non-recoverable property expenses	-1.2	-1.3
Management fees	-0.9	-0.8
Trust expenses	-0.7	-1.0
Total expenses	**-2.9**	**-3.2**
Operating profit	**19.4**	**18.6**
P&L on Disposal of Assets	1.5	0.0
Fair value adj and realised loss on hedging	-0.3	0.4
Fair value gain on investment property	56.0	16.3
EBIT	**76.6**	**35.4**
Net interest expense	-5.4	-5.2
Net profit before tax	**71.2**	**30.2**
Tax	0.0	0.0
Net Profit after tax	**71.2**	**30.2**

Minor addition differences are due to rounding to $M's

Distributions for the 6 months ended 31 Dec 2016

Consolidated Distribution Statements

Distributions in $ millions	31-Dec-16	31-Dec-15
Statutory NPAT for the period	71.2	30.2
Amortisation adjustment	0.7	0.1
Fair Value and P&L on Asset Disposal adjustments	-57.2	-16.8
Distributable earnings	**14.7**	**13.6**
Maintenance capex	-0.5	-0.3
AFFO (Adj Funds From Ops)	14.2	13.3
Stapled Securities at end of period	146.1	146.1
AFFO per stapled security (cents)	**9.7**	**9.1**
Capital distribution per stapled security (cents)	**12.5**	**0.0**
Distribution declared per stapled security (cents)	**22.2**	**9.0**

[1] HPI intends to pay 100% of full year AFFO as distributions for FY17

Minor addition differences are due to rounding to $M's

Balance sheet at 31 December 2016

Consolidated Balance Sheet

Balance Sheet in $ millions	**31-Dec-16**	**30-Jun-16**
Current Assets		
Cash	6.3	2.3
Other current assets	1.7	9.0
Total Current Assets	8.0	11.3
Non Current Assets		
Investment property / Property held for sale	645.0	588.4
Other non current assets	0.2	0.2
Total Non Current Assets	645.2	588.6
Total Assets	**653.2**	**599.8**
Liabilities		
Current Liabilities		
Payables, Accruals, Other current liabilities [1]	36.5	16.5
Non Current Liabilities		
Borrowings [2]	242.0	246.0
Other non current liabilities	1.3	4.0
Total Liabilities	**279.8**	**266.4**
Net Assets	**373.5**	**333.4**

[1] Current Liabilities includes Provision for Distribution, including the 12.5 cents capital distribution

[2] Borrowings shown on balance sheet are drawn borrowings less $1.3 million (Jun-16: $0.66 million) of capitalised loan establishment fees

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