



COMMERCIAL
REIT



8 April 2019

OUE Commercial REIT

Proposed Merger with OUE Hospitality Trust

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Section 1 Overview

Section 2 Key benefits of the Proposed Merger

Section 3 Approvals required

Section 4 Indicative timeline

Section 5 Conclusion



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1. Overview



Proposed Merger by way of a Trust Scheme



Merger by way of a Trust Scheme

Enlarged REIT⁽¹⁾:



One of the largest diversified S-REITs⁽²⁾, potentially leading to positive re-rating



Increased growth potential arising from enhanced scale and flexibility



Enhanced portfolio diversification with greater resilience

Notes:

- (1) Defined as the enlarged OUE C-REIT, with OUE H-Trust as a sub-trust of OUE C-REIT, following the completion of the Proposed Merger.
(2) Based on total assets as at 31 Dec 2018.

Scheme Consideration shall be satisfied by:

1

Cash Consideration: S\$0.04075 in cash per Stapled Security

and

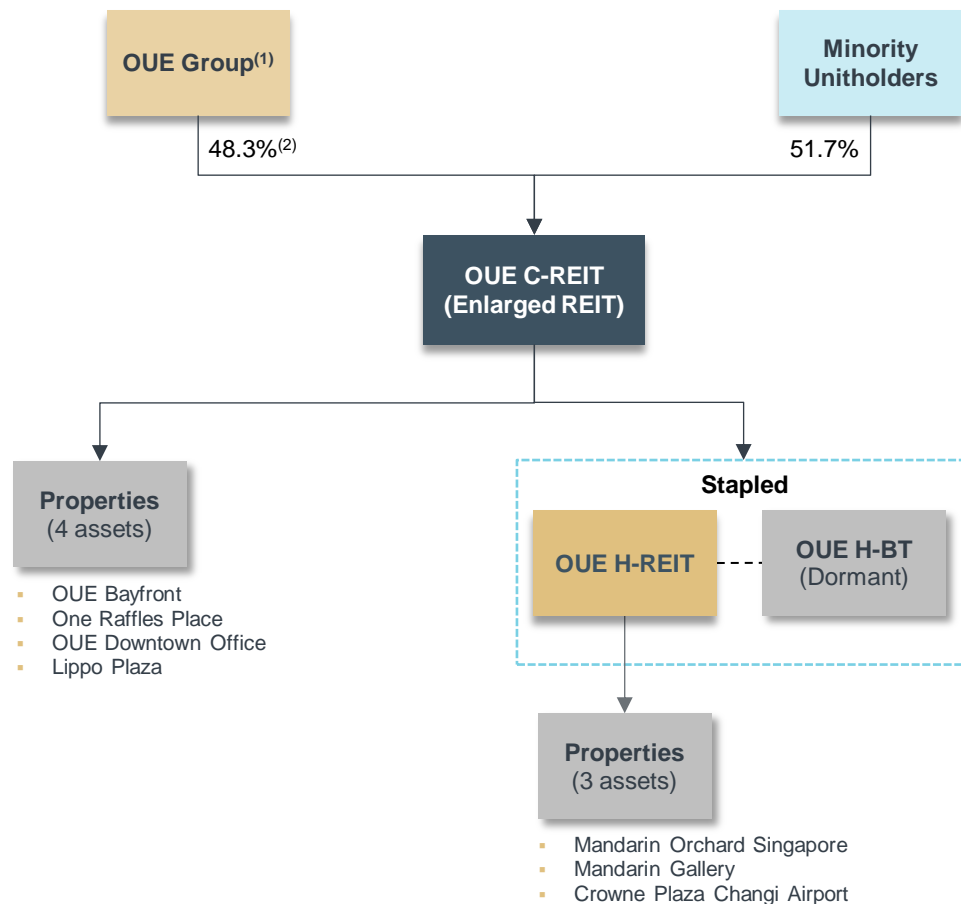
2

Consideration Units: 1.3583 new OUE C-REIT Units per Stapled Security

Other information:

- Unitholders of OUE C-REIT (“Unitholders”) and Stapled Securityholders of OUE H-Trust (“Stapled Securityholders”) shall be entitled to receive and retain any permitted distributions declared by the respective managers in respect of the period from 1 Jan 2019 up to the day immediately before the date on which Trust Scheme becomes effective
- The aggregate Cash Consideration to be paid to each Stapled Securityholder shall be rounded to the nearest S\$0.01
- The number of Consideration Units which each Stapled Securityholder will be entitled to pursuant to the Trust Scheme will be rounded down to the nearest whole number, and fractional entitlements shall be disregarded in the calculation of the aggregate Consideration Units to be issued to any Stapled Securityholder pursuant to the Trust Scheme

Structure post-Merger



- ✓ **One of the largest diversified S-REITs**
 - Owns 7 properties across Singapore and China with total assets of S\$6.8 billion
 - 2.2 million sq ft of commercial net lettable area and 1,640 hotel rooms

- ✓ **Alignment of interest between Unitholders, OUE Limited (Sponsor) and REIT manager**
 - Minorities represent ~52% of Enlarged REIT
 - Existing OUE C-REIT fee structure retained⁽³⁾

- ✓ **Exposure across commercial (office & retail) and hospitality sectors**

Post-Merger assuming completion of the Proposed Merger and the Trust Scheme.

Notes:

(1) Refers to OUE Limited and its related corporations.

(2) Illustrative pro forma unitholding structure (inclusive of the interests held by OUE Limited, OUE Realty Pte. Ltd. and Golden Concord Asia Limited) based on latest available information as at 8 Apr 2019. Based on the Scheme Consideration of S\$0.04075 in cash per Stapled Security and 1.3583 Consideration Units to be allotted and issued per Stapled Security. Under the OUE C-REIT Trust Deed, the OUE C-REIT Manager is entitled to receive an acquisition fee of 0.75% of the underlying value of the assets of OUE H-Trust. The OUE C-REIT Manager has voluntarily waived 50% of its acquisition fee entitlement.

(3) Enlarged REIT performance fee to be calculated based on 25% per annum of the difference in DPU (as defined in the OUE C-REIT Trust Deed) in a financial year with the DPU in the preceding full financial year (calculated before accounting for the performance fee but after accounting for the base fee in each financial year) multiplied by the weighted average number of Units in issue for such financial year. The performance fee is payable if the DPU in any financial year exceeds the DPU in the preceding financial year, notwithstanding that the DPU in the financial year in which the performance fee is payable may be less than the DPU in the financial year prior to any preceding financial year.

2. Key benefits of the Proposed Merger



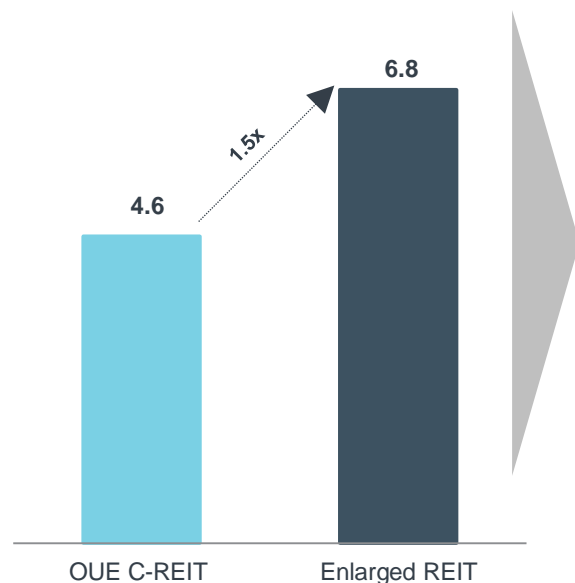
Key benefits of the Proposed Merger

- 1 Creation of one of the largest diversified S-REITs
- 2 Larger capital base and broadened investment mandate provide flexibility to drive growth
- 3 DPU accretive to Unitholders
- 4 Enhanced portfolio diversification with greater resilience

What does the Proposed Merger give Unitholders?

1.5x growth in total assets⁽¹⁾

(S\$ billion)



1 Achieve scale

✓ One of the **largest diversified S-REITs**, with increased relevance

✓ **>2x increase in free float**, potentially driving positive re-rating and index inclusion

2 Drive growth

✓ Increased **funding capacity** of up to **S\$1,024 million⁽²⁾**

✓ Enhanced ability to undertake **value accretive acquisitions** and **asset enhancement initiatives (AEI)**

✓ **Broadened investment mandate** and flexibility to grow portfolio

✓ **Organic growth potential** from exposure to healthy commercial and hospitality real estate fundamentals

Source: Company filings.

Notes:

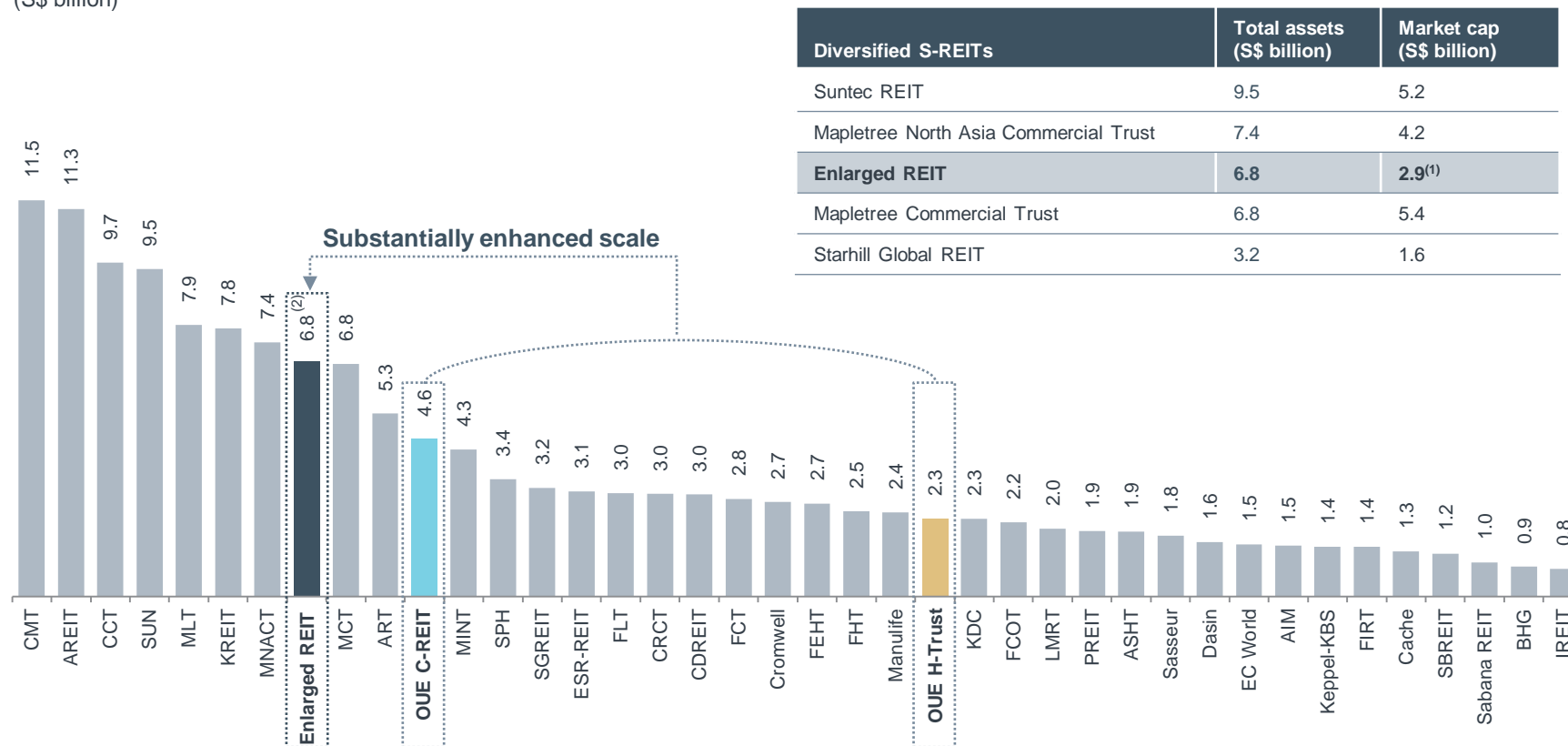
(1) As at 31 Dec 2018.

(2) For illustration only – assuming that (a) the general unit issue mandate is approved by unitholders of the Enlarged REIT at an Annual General Meeting of the Enlarged REIT following the Proposed Merger, based on enlarged number of OUE C-REIT units in issue of approximately 5,362 million following the Proposed Merger and issue price of S\$0.57 per OUE C-REIT unit; and (b) the Enlarged REIT raises S\$611 million via equity fundraising following the Proposed Merger and maintains a pro forma aggregate leverage as described in the OUE C-REIT Manager Announcement.

Creation of one of the largest diversified S-REITs

Total assets

(S\$ billion)



Source: Company filings, Bloomberg as at 5 Apr 2019.

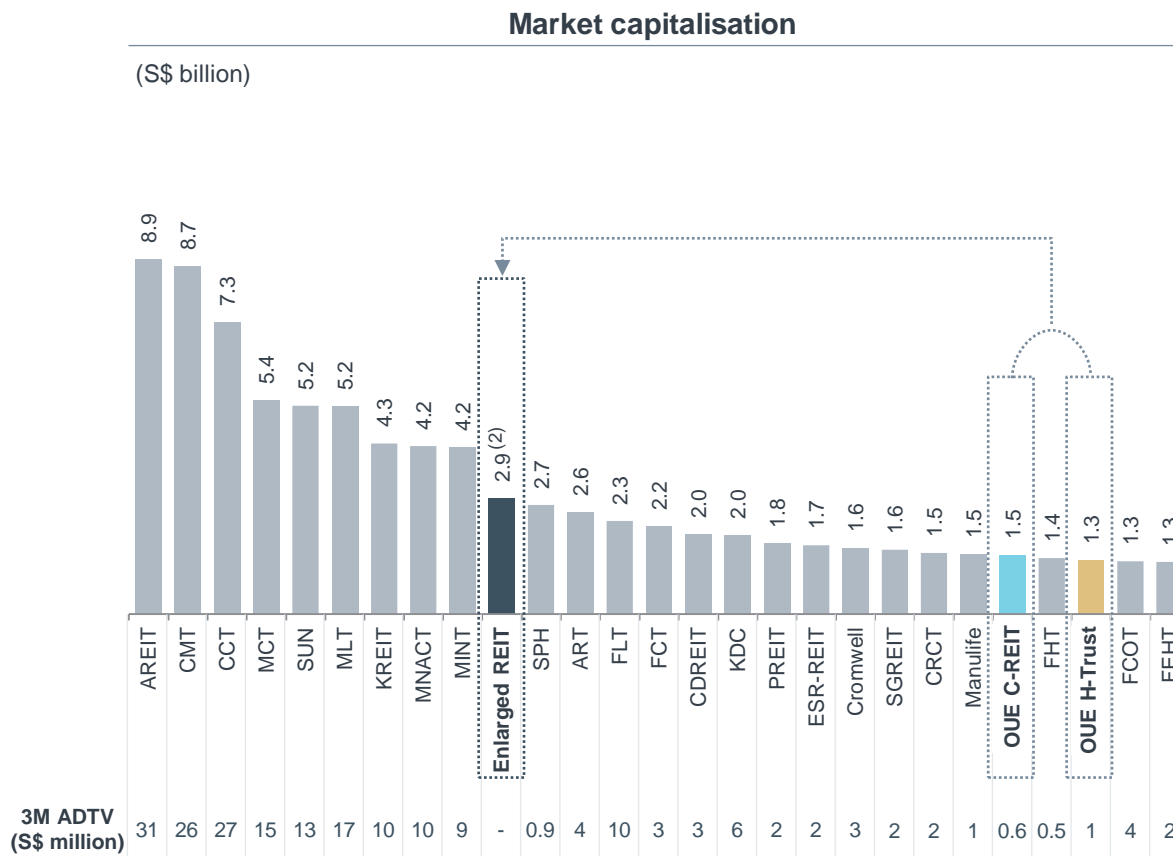
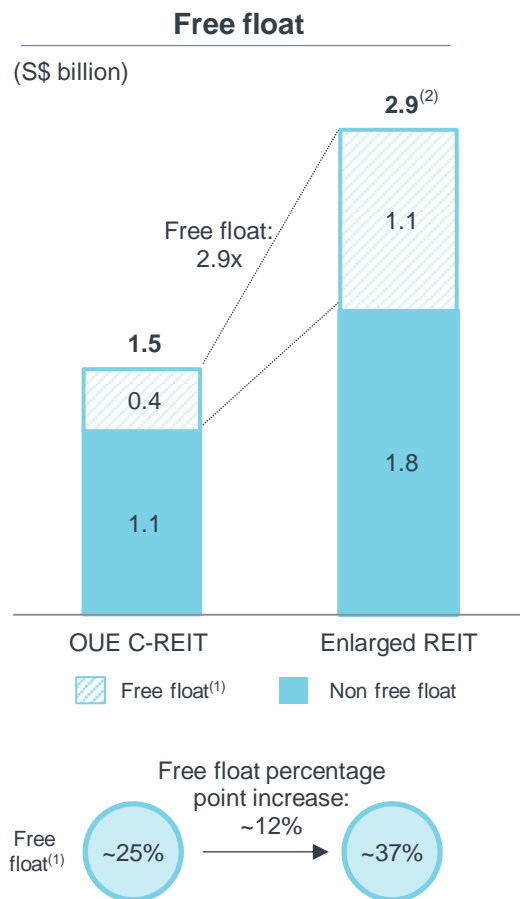
Notes: Chart above only includes REITs with primary listing on the SGX-ST and total assets of at least S\$0.8 billion as at 31 Dec 2018.

(1) Illustrative market capitalisation of Enlarged REIT calculated as the sum of (a) the market capitalisation of OUE C-REIT of S\$1.5 billion as at 5 Apr 2019; (b) the portion of the Scheme Consideration to be satisfied in Units; and (c) the value of the acquisition fee to be issued in Units, as described in the OUE C-REIT Manager Announcement made on the date of the Joint Announcement.

(2) Any discrepancies between the listed amounts and the totals thereof are due to rounding.

Potential positive re-rating and wider investor base as a result of enhanced scale

Larger market capitalisation and free float drive higher trading liquidity and potential index inclusion



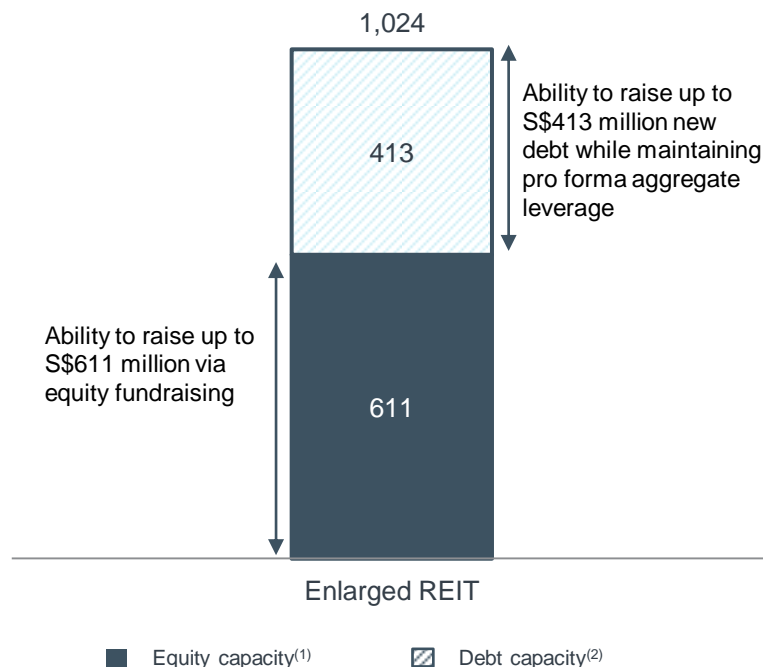
Source: Bloomberg as at 5 Apr 2019.

Notes: Chart above only includes REITs with primary listing on the SGX-ST and have a market capitalisation of at least S\$1.3 billion as at 5 Apr 2019. 3M ADTV refers to 3-month Average Daily Traded Value.
(1) Excludes the stakes held by OUE Group, OUE C-REIT Manager, OUE H-Trust Managers, directors and chief executive officers of OUE C-REIT Manager and OUE H-Trust Managers and their respective associates, and substantial Unitholders and substantial Stapled Securityholders.

(2) Illustrative market capitalisation of Enlarged REIT calculated as the sum of (a) the market capitalisation of OUE C-REIT of S\$1.5 billion as at 5 Apr 2019; (b) the portion of the Scheme Consideration to be satisfied in Units; and (c) the value of the acquisition fee to be issued in Units, as described in the OUE C-REIT Manager Announcement made on the date of the Joint Announcement. Any discrepancies between the listed amounts and the totals thereof are due to rounding.

Enlarged ability to raise funds

(S\$ million)



✓ Enlarged capital base

✓ Enhanced ability to seize potential investment opportunities (greater speed and flexibility)




✓ Greater ability to undertake AEI

Enhanced flexibility and ability for Enlarged REIT to drive long-term growth

For illustration only – Not forward looking projections.

Notes:

- (1) Assuming that the general unit issue mandate is approved by unitholders of the Enlarged REIT at an Annual General Meeting of the Enlarged REIT following the Proposed Merger, based on enlarged number of OUE C-REIT units in issue of approximately 5,362 million following the Proposed Merger and issue price of S\$0.57 per OUE C-REIT unit.
- (2) For illustration only – Assuming the Enlarged REIT raises S\$611 million via equity fundraising following the Proposed Merger and maintains a pro forma aggregate leverage as described in the OUE C-REIT Manager Announcement.

	OUE C-REIT	+	OUE H-Trust	=	Enlarged REIT
 Commercial (office or retail)	✓		✓		✓
 Hospitality			✓		✓
 Integrated developments ⁽¹⁾					✓

✓ Provides the Enlarged REIT greater flexibility to acquire integrated developments to grow the portfolio

✓ Flexibility to pursue overseas acquisitions while remaining Singapore centric

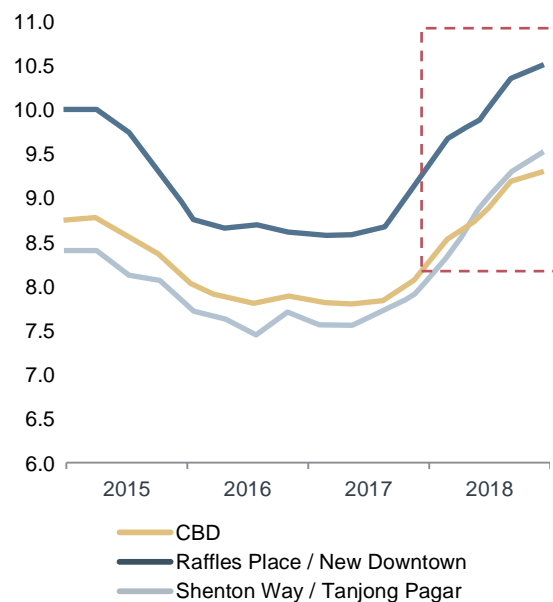
Note:

(1) Integrated developments including a combination of the office, retail and/or hospitality asset classes.

Attractive Singapore commercial and hospitality real estate fundamentals

Office: Rising rental rates

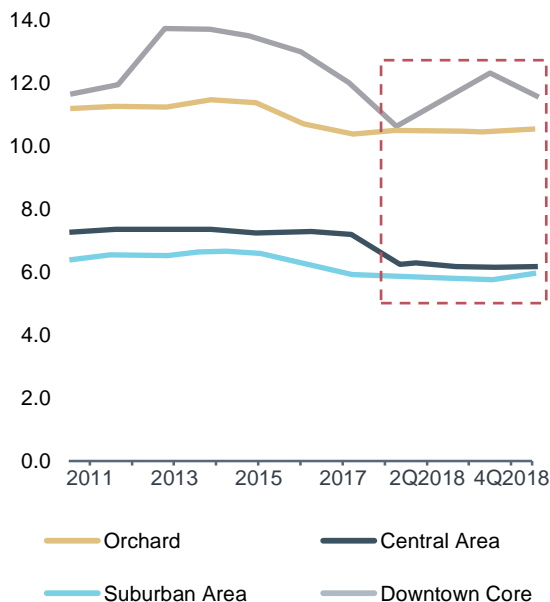
(Gross rents | S\$ psf per month)



- Overall Singapore office market outlook for 2019 is promising, as both the occupancy rate and rental rates continue to rise amid healthy economic and business fundamentals

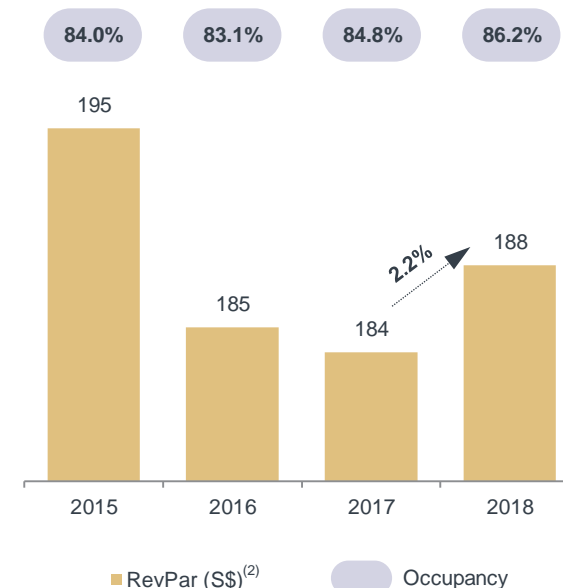
Retail: Rents to remain stable

(Gross rents | S\$ psf per month)



- 2018 actual tourist arrivals increased 6.2% year-on-year⁽¹⁾
- Going forward, prime retail rents in Orchard are expected to stay resilient on the back of growing tourism arrivals and limited prime retail space

Hospitality: Start of recovery



- Positive outlook driven by limited hotel room supply coupled with upcoming Singapore tourism developments and initiatives

Source: Colliers International Research Singapore, Cushman & Wakefield, Singapore Tourism Board.

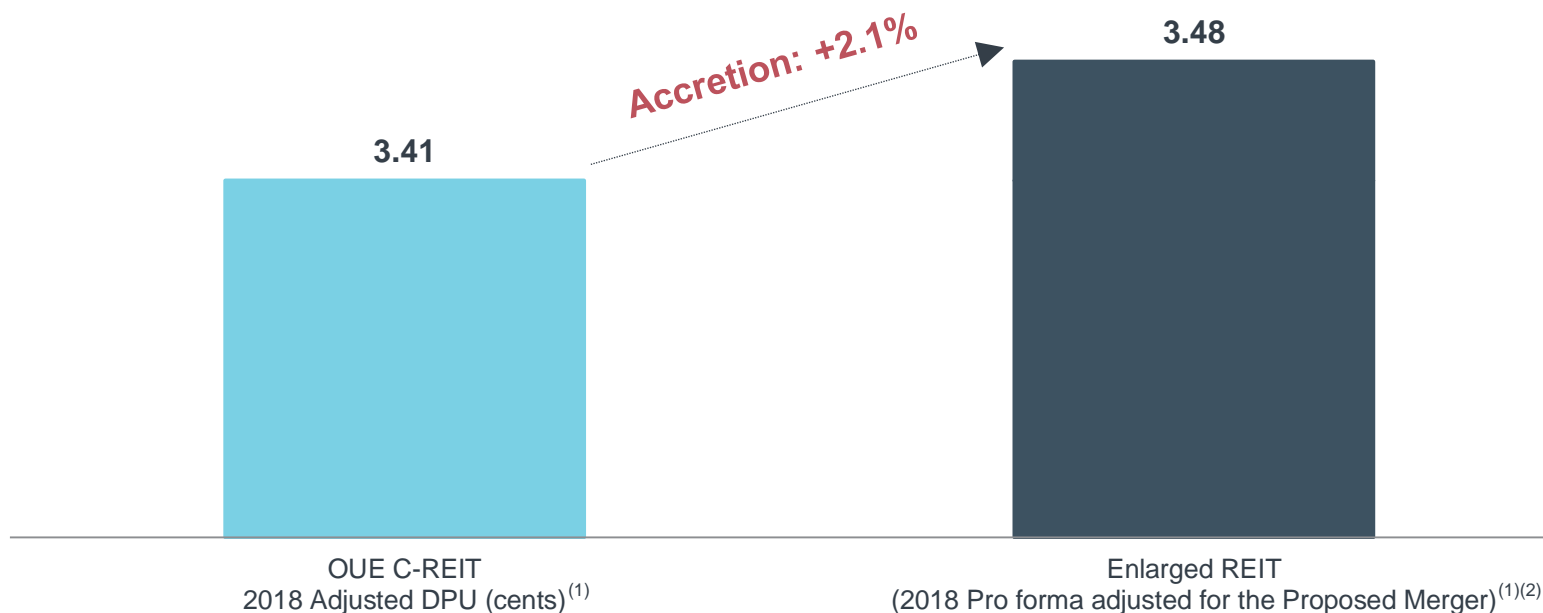
Notes:

(1) Singapore Tourism Board, International Visitor Arrivals, 13 Feb 2019.

(2) RevPAR refers to Revenue per Available Room.

DPU accretive on a historical pro forma basis to Unitholders

(Singapore cents)



For illustration only – Not forward looking projections.

Notes:

- (1) DPU before and after the Proposed Merger adjusted to reflect the following assuming OUE Downtown Office was acquired on 1 Jan 2018: (i) 1,288,438,981 new Units issued in relation to the renounceable rights issue; (ii) 11,947,368 new Units issued as acquisition fee payable to the OUE C-REIT Manager in relation to the acquisition of OUE Downtown Office; (iii) 4,973,684 new Units assumed as payment of the OUE C-REIT Manager's base management fee at 0.3% of the value of the Deposited Property (as defined in the Trust Deed) per annum for the period from 1 Jan 2018 to 31 Dec 2018 for OUE Downtown Office (paid 100% in new Units); (iv) Adjusted to assume full year contribution from OUE Downtown Office.
- (2) Assuming OUE H-Trust's management fee structure is replaced with the fee structure in the OUE C-REIT Trust Deed; Incremental interest costs and related financing costs associated with the debt drawdown on 1 Jan 2018 to fund the 5% of the Illustrative Scheme Consideration in cash of S\$73.9 million; Increase in Units due to the following: (i) 11,569,966 new Units issued as payment of the base management fee associated with the Proposed Merger 100% in new Units; (ii) 14,592,105 new Units issued at an issue price of S\$0.57 per Unit as acquisition fee payable to the OUE C-REIT Manager in relation to the Proposed Merger; (iii) 2,463,859,741 new Units issued at an issue price of S\$0.57 per Consideration Unit. The Scheme Consideration payable for each Stapled Security (inclusive of the Cash Consideration) implies a gross exchange ratio of 1.430x.

The Enlarged REIT will be truly diversified, underpinned by a portfolio of marquee assets



7 Properties

3 Asset classes

Total assets **+48%**⁽¹⁾

s\$6.8billion⁽²⁾

Gross revenue **+74%**⁽¹⁾

s\$306million⁽³⁾

Net property income **+82%**⁽¹⁾

s\$251million⁽³⁾

1.9million⁽⁴⁾ Prime office space
Sq ft

1,640 Rooms
Portfolio of upscale hotels

Prime retail space along Orchard Road **+178%**⁽¹⁾ and core CBD

306k⁽⁴⁾
Sq ft

Source: Company filings.

Notes: CBD refers to Central Business District.

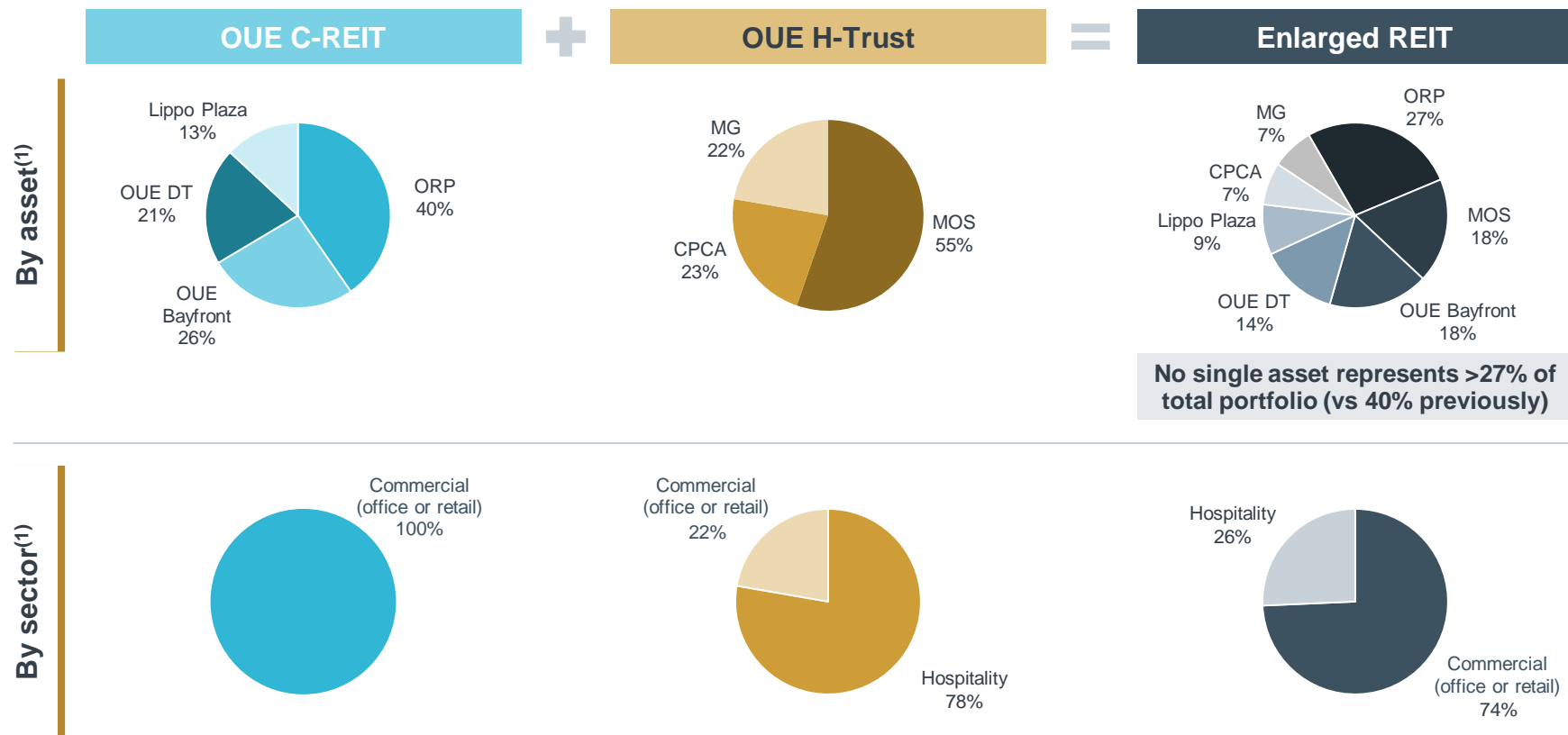
(1) Relative to OUE C-REIT standalone before the Proposed Merger.

(2) As at 31 Dec 2018.

(3) Based on reported FY2018 financials.

(4) Attributable net lettable area.

Well-diversified portfolio with reduced concentration risk associated with exposure to any single real estate asset class

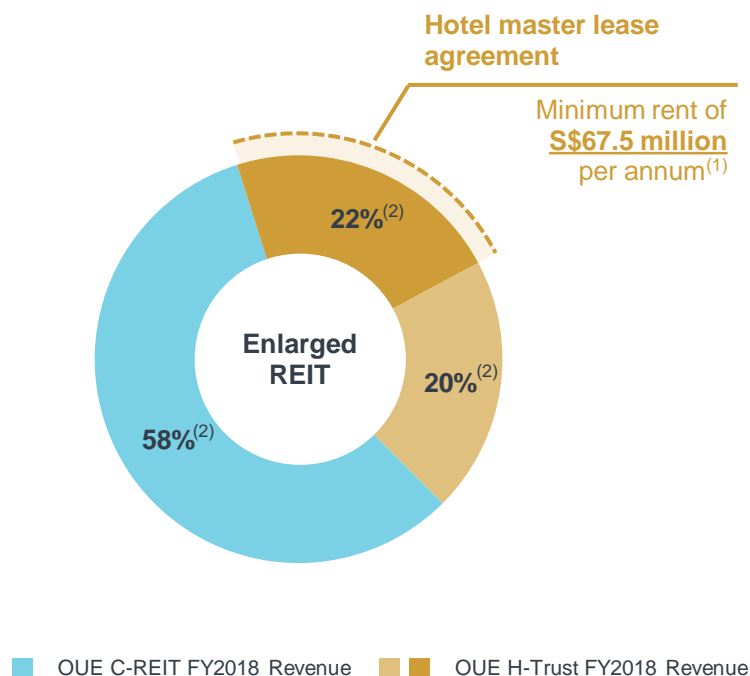


Source: Company filings.

Note: ORP refers to One Raffles Place; OUE DT refers to OUE Downtown Office; MOS refers to Mandarin Orchard Singapore; MG refers to Mandarin Gallery; CPCA refers to Crowne Plaza Changi Airport.

(1) Based on valuations as at 31 Dec 2018.

Stable income stream with downside protection



Hotel master lease agreement structures

- ✓ Long-dated master lease agreements with remaining term of c.9 years
 - Options for a further 10 - 15 years on the same terms and conditions
- ✓ The rental payment under the master lease agreements comprises:
 - Minimum rent component – provides downside protection
 - Variable rent component – upside potential

	Mandarin Orchard Singapore	Crowne Plaza Changi Airport
Operator	Meritus Hotels & Resorts	InterContinental Hotels Group
Master lessee	QUE Limited	QUE Airport Hotel Pte. Ltd.
Tenure of master lease	First term to expire in Jul 2028	First term to expire in May 2028
Option to extend ⁽³⁾	Additional 15-year term	Additional two consecutive 5-year terms

For illustration only – Not forward looking projections.

Source: Company filings.

Notes:

(1) Mandarin Orchard Singapore and Crowne Plaza Changi Airport's master lease agreement are subject to a minimum rent of S\$45.0 million and S\$22.5 million per annum respectively, totaling S\$67.5 million.

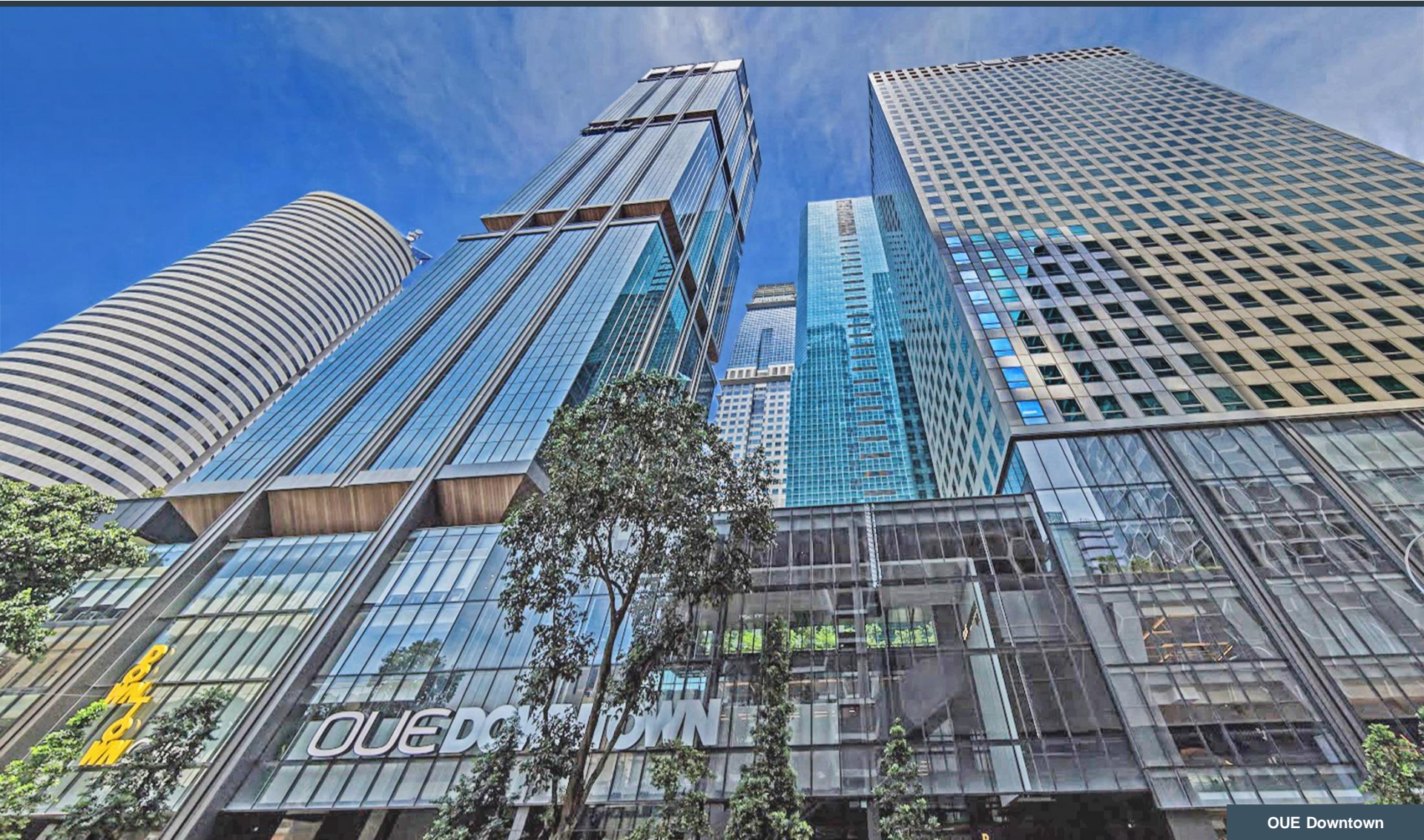
(2) Computed based on QUE C-REIT and QUE H-Trust FY2018 revenue.

(3) QUE Limited and QUE Airport Hotel Pte. Ltd. have the discretion to extend the master lease agreement on the same terms and conditions for Mandarin Orchard Singapore and Crowne Plaza Changi Airport respectively.



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3. Approvals required



Unitholder approvals required for OUE C-REIT

Unitholder approvals required	Requirements
Proposed Merger (Ordinary Resolution)	<ul style="list-style-type: none"> ■ More than 50% of the total number of votes cast⁽¹⁾ ■ OUE Limited and its associates will abstain from voting
Proposed issuance of the Consideration Units (Ordinary Resolution)	<ul style="list-style-type: none"> ■ More than 50% of the total number of votes cast⁽¹⁾ ■ OUE Limited and its associates will abstain from voting

The above two Ordinary Resolutions are inter-conditional

Note:
(1) Based on Units held by OUE C-REIT Unitholders present and voting either in person or by proxy at the Extraordinary General Meeting ("EGM") of OUE C-REIT.

Stapled Securityholder approvals required for OUE H-Trust

Stapled Securityholder approvals required	Requirements
Amendment of the OUE H-Trust trust deeds ("Trust Deeds Amendments Resolution")	<ul style="list-style-type: none"> ■ Not less than 75% of total votes cast⁽¹⁾
Approval for the Trust Scheme ("Trust Scheme Resolution")	<ul style="list-style-type: none"> ■ More than 50% in number of the Stapled Securityholders, representing at least 75% in value of the Stapled Securities held by the Stapled Securityholders present and voting either in person or by proxy ■ The OUE C-REIT Trustee (acting in the capacity as trustee of OUE C-REIT), the OUE C-REIT Manager and its concert parties, as well as common substantial Unitholders / Stapled Securityholders will abstain from voting on the Trust Scheme
Court approval	<ul style="list-style-type: none"> ■ The Trust Scheme will require the order of Court for (1) the convening of the Trust Scheme Meeting and (2) the sanction/approval of the Trust Scheme (if approved at the Trust Scheme Meeting)

Trust Deeds Amendments Resolution is not conditional on the Trust Scheme Resolution being passed but the Trust Scheme Resolution is contingent upon approval of the Trust Deeds Amendments Resolution

Note:

(1) Based on the Stapled Securities held by the Stapled Securityholders present and voting either in person or by proxy cast for and against the resolution at the EGM of the Stapled Securityholders to be convened immediately prior to the Trust Scheme Meeting.



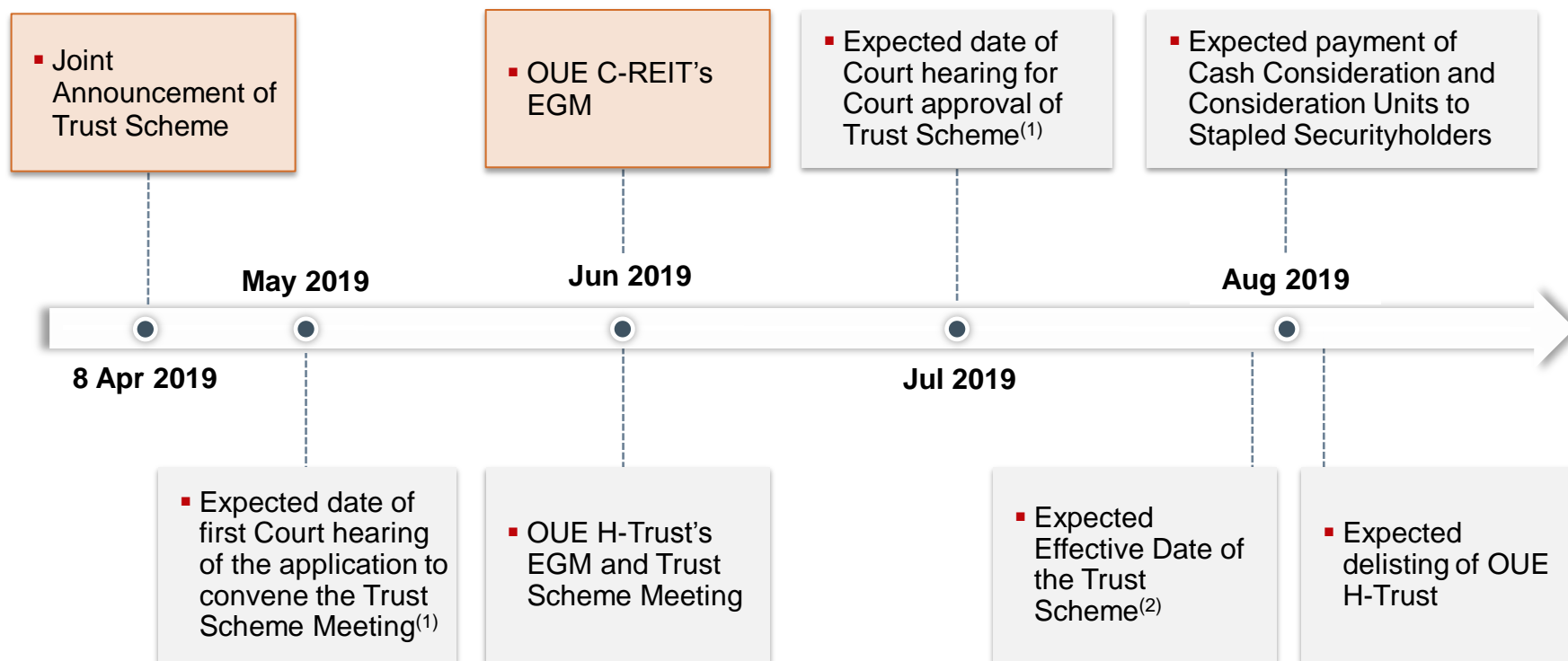
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4. Indicative timeline



Lippo Plaza

Indicative timeline



The timeline above is indicative only and subject to change. Please refer to future SGXNET announcement(s) by OUE C-REIT Manager and/or OUE H-Trust Manager for the exact dates of these events.

Notes:

- (1) The dates of the Court hearings of the application to (a) convene the Trust Scheme Meeting and (b) approve the Trust Scheme will depend on the dates that are allocated by the Court.
- (2) The Trust Scheme will become effective upon the lodgement of the order of the Trust Scheme Court Order with the MAS or the notification to the MAS of the grant of the Trust Scheme Court Order, as the case may be, which shall be effected by the C-REIT Trustee within 10 Business Days from the date the last Scheme Condition as set out in paragraphs (a), (b), (c), (d), (e) and (f) of Schedule 2 to the joint announcement of the Proposed Merger dated 8 April 2019 has been satisfied or waived, as the case may be, in accordance with the terms of the Implementation Agreement.



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5. Conclusion



Mandarin Orchard
Singapore

Creation of one of the largest diversified S-REITs with improved relevance and greater resilience



1

Creation of one of the largest diversified S-REITs⁽¹⁾

- 7 Properties
- 3 asset classes
- **S\$6.8 billion** of total assets⁽²⁾ (1.5x)

2

Increased growth potential arising from enhanced scale and flexibility

- **S\$2.9 billion** market capitalisation⁽³⁾ (+95.8%)
- **S\$1.1 billion** free float market capitalisation⁽⁴⁾ (2.9x)
- **S\$1,024 million** funding capacity⁽⁵⁾

3

Greater resilience

- **Minimum rent of S\$67.5 million** per annum from long-dated hotel master leases
- **<27%** of single asset exposure (from 40%)

While delivering a DPU accretion of +2.1%

Notes:

(1) Based on total assets as at 31 Dec 2018.

(2) As at 31 Dec 2018.

(3) Illustrative market capitalisation of Enlarged REIT calculated as the sum of (a) the market capitalisation of OUE C-REIT of S\$1.5 billion as at 5 Apr 2019; (b) the portion of the Scheme Consideration to be satisfied in Units; and (c) the value of the acquisition fee to be issued in Units, as described in the OUE C-REIT Manager Announcement made on the date of the Joint Announcement.

(4) Excludes the stakes held by OUE Group, OUE C-REIT Manager, OUE H-Trust Managers, directors and chief executive officers of OUE C-REIT Manager and OUE H-Trust Managers and their respective associates, and substantial Unitholders and substantial Stapled Securityholders.

(5) For illustration only – assuming that (a) the general unit issue mandate is approved by unitholders of the Enlarged REIT at an Annual General Meeting of the Enlarged REIT following the Proposed Merger, based on enlarged number of OUE C-REIT units in issue of approximately 5,362 million following the Proposed Merger and issue price of S\$0.57 per OUE C-REIT Unit; and (b) the Enlarged REIT raises S\$611 million via equity fundraising following the Proposed Merger and maintains a pro forma aggregate leverage as described in the OUE C-REIT Manager Announcement.

Creation of one of the largest diversified S-REITs...



Total assets
S\$6.8 billion



Potential positive re-rating and wider investor base as a result of enhanced scale

...with improved relevance and...

... greater resilience....

Improved quality earnings with downside protection

Minimum rent
(22%)⁽¹⁾



DPU accretion: **+2.1 %** ⁽²⁾

...while delivering a DPU accretive transaction

Notes:

- (1) Computed based on OUE C-REIT and OUE H-Trust FY2018 revenue. Mandarin Orchard Singapore and Crowne Plaza Changi Airport's master lease agreement are subject to a minimum rent of S\$45.0 million and S\$22.5 million per annum respectively, totaling S\$67.5 million.
- (2) DPU accretive on a historical pro forma basis to OUE C-REIT Unitholders.



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Thank you



Crowne Plaza
Changi Airport

Primary Investor Contact

Citigroup Global Markets Singapore Pte. Ltd.

Investment Banking

Telephone: +65 6657 1959

Credit Suisse (Singapore) Limited

Investment Banking & Capital Markets

Telephone: +65 6212 2000

Oversea-Chinese Banking Corporation Limited

Global Investment Banking

Telephone: +65 6530 4825

Media Contact

Newgate Communications

Terence Foo

Email: terence.foo@newgatecomms.com.sg

Telephone: +65 6532 0606