

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the report of Keppel Philippines Properties, Inc. ("KPPI") and its subsidiaries (the "Group") for the year ended 31 December 2022.

Financial Performance

The Group posted a higher net income amounting to P542.2 million for the year 2022 as compared to the reported net income of P525.7 million in 2021. The improved net income was mainly attributed to the increase in rental income generated by its associated company, SM Keppel Land, Inc. ("SMKL"), from which KPPI derives management consultancy and franchise fees.

The performance of the Group translated into an income per share of P1.85 in 2022, as compared to an income per share of P1.79 in 2021.

Market review and outlook

The gross domestic product ("GDP") of the Philippines grew 7.6% in 2022¹. The Asian Development Bank forecasted that the Philippine economy would grow by 6.0% in 2023 in consideration of monetary policy tightening and increasing inflation².

The Philippine economy has shown strong underlying growth momentum and resilience in 2022 which is expected to continue in 2023, with GDP growth converging towards its longer-term growth rate of about 6%². The 2022 growth was driven by robust private consumption and investment, and by sustained public infrastructure spending. Other contributors including rising employment, tourism recovery, expanding production and retail sales, and public investment are expected to fuel growth in 2023 and the following years.

Business review

KPPI, through SMKL, has a mixed-use project (the "Property").

The retail component of the Property, the Podium Mall, has a net leasable area of 49,721 square metres.

The office segment of the Property, The Podium West Tower, is a 42-storey Grade A office development. It has a net leasable area of 89,335 square metres of premium office space and meets the demand from multinational corporations and knowledge process outsourcing companies.

On 27 March 2023, KPPI, together with Opon-KE Properties, Inc. announced that the companies will be divesting 50% of the issued capital stocks ("Sale Shares") of SMKL to BDO Unibank, Inc., which holds the remaining 50% of the issued capital stock of SMKL (the "Divestment").

¹ Philippine Statistics Authority, National Accounts Reference No. 2023-38, dated 26 January 2023

² Asian Development Outlook, December 2022

The consideration was arrived at on a willing-buyer, willing-seller basis, taking into account, among others, the agreed value of the Property.

Completion of the Divestment is subject to the satisfaction of conditions precedent (including but not limited to the obtaining of the requisite regulatory approvals and shareholder's approval of KPPI and OKEP), and is expected to take place by the first half of 2023. Following completion, SMKL will cease to be an associated company of KPPI.

The Divestment is in line with Keppel's asset monetisation plans to unlock capital which can be channelled towards other opportunities. KPPI will conduct strategic reviews and explore possible avenues to maximise shareholder value.

Corporate Governance

KPPI is committed to ethical business practices, corporate disclosure, transparency, integrity and accountability. For 2022, I am pleased to inform you that KPPI has adhered to and complied with all the provisions in the Manual on Corporate Governance of the Securities and Exchange Commission and the Philippine Stock Exchange.

With the timely reporting of financial and non-financial information, KPPI provides its stakeholders with a clear and balanced assessment of its operations, strategies, business plans and prospects.

KPPI strives to continuously improve its management practices, policies and procedures based on best practices in good corporate governance. It also evaluates the potential risks the company may be exposed to and implements measures in response to changes in the business environment. We have put in place a system of internal controls to safeguard the interests of our stakeholders and maximise long-term shareholder value.

Acknowledgment

On behalf of the Board of Directors, I would like to thank our shareholders, business partners, clients and customers for their continued support and confidence in KPPI.

My appreciation goes to our Directors for their wise counsel and guidance. In addition, I would also like to thank KPPI's management and staff for their dedication and hard work throughout the year.

Sincerely,
Tan Kuang Liang
Chairman
8 May 2023