

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I would like to present the report of Keppel Philippines Properties, Inc. ("KPPI") for the year ended 31 December 2019.

Financial Performance

Overall, KPPI and Subsidiaries (the "Group") posted a net loss of P48.1 million for FY2019 compared to P42.4 million net income in 2018. The Group's associated companies contributed profits amounting to P9.9 million in 2019, a decrease of P93.6 million from P103.5 million in 2018 due to lower net fair value gain recognized on its investment properties and higher interest expenses.

The performance of the Group translated into a loss per share of P0.16 in 2019, as compared to an income per share of P0.14 in 2018.

Market review and outlook

The Philippine economy grew at a slower pace in 2019, at 5.9% per annum from 6.2% in 2018. Construction, manufacturing, trade and repair of vehicles, as well as personal household goods remained as the main growth drivers for the year.

The Philippine economy and property market are facing significant challenges in 2020 due to the adverse impact of the COVID-19 pandemic, with the Asian Development Bank (ADB) projecting the Philippines' economy to shrink by 3.8% in 2020.

The retail sector continues to see a slowdown in demand and rental growth due to reduced retail spending by consumers, as well as government restrictions on mall operating hours and non-essential activities. However, economic analysts remain optimistic that the retail sector will slowly recover in 2021 once market conditions improve.

The office sector is also experiencing a slowdown in leasing activities and higher vacancies as a result of work stoppages in offices. Rental rates are expected to drop for the remainder of the year, but a recovery is expected in 2021 once economic conditions improve.

The ADB expects a recovery to 6.5% gross domestic product growth for the Philippines in 2021, supported by public infrastructure spending and anticipated recovery in consumer and business confidence.

Business review

KPPI, through one of its associated companies, has a mixed-use development project, The Podium Complex, in Metro Manila.

The retail component of The Podium Complex, The Podium Mall, has a leasable area of approximately 50,000 square meters.

The office segment of The Podium Complex, The Podium West Tower, is a 42-storey Grade A office development which was completed in September 2019. It offers a net leasable area of over 89,000 square metres of premium office space and meets the demand from multinational corporations and knowledge process outsourcing companies.

KPPI is a part of Keppel Land, a company that provides innovative real estate solutions for sustainable urbanisation. In line with Keppel Land's commitment to sustainability, KPPI creates properties that harmonise with the environment. Both The Podium West Tower and The Podium Mall have been pre-certified Green Mark Gold by the Building and Construction Authority of Singapore. Both the tower and retail mall have also been conferred the LEED Gold Mark (Core & Shell) pre-certification by the United States Green Building Council.

KPPI is well-positioned to seize opportunities in the Manila property market and will continue to strengthen its business and asset portfolio in a balanced manner.

Corporate Governance

KPPI is committed to ethical business practices, corporate disclosure, transparency, integrity and accountability. For 2019, 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.

We expect 2020 to be another challenging year, but I am confident that KPPI will be able to ride through the challenges with the continued support from all our stakeholders.

Sincerely,
Ng Ooi Hooi
Chairman
13 August 2020