

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") and its subsidiaries (the "Group") for the year ended 31 December 2020.

Financial Performance

2020 was a challenging year, with many businesses hit hard by the COVID-19 pandemic and its ensuing disruptions. For businesses in the Philippines, this was compounded by natural disasters that occurred in the year, such as the eruption of Taal volcano in January, and the devastating typhoons in the fourth quarter.

Amid the challenging environment, the Group reported a net loss of P87.5 million in 2020, compared to a net loss of P48.1 million in 2019. This is mainly attributed to the Group's share in net loss of associated companies amounting to P50.0 million in 2020, compared to a share in net income of P9.9 million in 2019.

The retail segment of KPPI's associate was impacted by the COVID-19 pandemic, as most parts of its mall were closed for the duration of the enhanced community quarantine, with the exception of essential services such as supermarkets, drugstores and banks. Following the Philippine government's mandate and in support of its tenants, KPPI's associate granted rental waivers and discounts to retail tenants, resulting in a significant decline in the associate's rental income, which contributed to KPPI's share in net loss of its associates.

The performance of the Group translated into a loss per share of P0.30 in 2020, as compared to a loss per share of P0.16 in 2019.

Market review and outlook

Against the backdrop of the COVID-19 pandemic, the Philippine gross domestic product (GDP) shrank 9.5% in 2020, the country's first annual contraction since 1998¹. For the quarter ending March 2021, the Philippines continued to register a decline in its GDP by 4.2%, mainly contributed by declines in the Construction (-24.2%), Real Estate and Ownership of Dwellings (-13.2%), as well as other services (-38%) sectors².

Nonetheless, in April 2021, the Asian Development Bank (ADB) forecasted that the Philippine economy will grow by 4.5% in 2021 and 5.5% in 2022³. However, this would largely depend on substantial progress in the country's vaccination rollout to help restore consumer and business confidence. Risks to growth prospects continue given the uncertainties over how the pandemic will unfold globally and domestically.

¹ Philippine Statistics Authority, National Accounts Reference No. 2021-51, dated 28 January 2021

² Philippine Statistics Authority, National Accounts Reference No. 2021-190, dated 11 May 2021

³ Asian Development Outlook 2021

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 net 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 offering a net leasable area of over 89,000 square meters 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 delivers innovative and multi-faceted urban space solutions that enrich people and communities. 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, and conferred the LEED Gold Mark (Core & Shell) pre-certification by the United States Green Building Council.

Corporate Governance

KPPI is committed to ethical business practices, corporate disclosure, transparency, integrity and accountability. For 2020, 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.

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 2021 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
29 June 2021