PhilRatings
PHILIPPINE RATING SERVICES CORPORATION

September 30, 2022

ATTY. EMILIO B. AQUINO
Chairperson
Securities and Exchange Commission (SEC)
SEC Head Office, 17th flr., 7907 Makati Avenue
Barangay Bel-Air, Makati City, 1227

Dear Chairman Aquino:

We are pleased to inform you that Philippine Rating Services Corporation (PhilRatings) has assigned an Issue Credit Rating of **PRS Aa plus**, with a **Stable Outlook**, for Citicore Energy REIT Corp.'s (CREIT) proposed P3.0 billion Green Bond issuance, with an oversubscription option of up to P1.5 billion.

Obligations rated **PRS Aa** are of high quality and are subject to very low credit risk. The obligor's capacity to meet its financial commitment on the obligation is very strong. The **"plus"** further qualifies the assigned rating.

On the other hand, an Outlook is an indication as to the possible direction of any rating change within a one-year period and serves as a further refinement to the assigned credit rating for the guidance of investors, regulators and the general public. A **Stable Outlook** means that the rating is likely to be maintained or to remain unchanged in the next 12 months.

PhilRatings also assigned an Issuer Credit Rating of **PRS Aa plus (corp.)**, with a **Stable Outlook**, to CREIT. An Issuer Credit Rating is an opinion on the overall creditworthiness of the company, evaluating its ability to meet all its financial obligations within a time horizon of one year. A company rated **PRS Aa (corp.)** differs from the highest rated corporates only to a small degree, and has a strong capacity to meet its financial commitments relative to that of other Philippine corporates. The **"plus"** further qualifies the assigned rating.

The assigned credit ratings and corresponding Outlook took into account CREIT's: (i) unique portfolio of renewable energy Real Estate Investment Trust (REIT) assets that enjoy stable full occupancy from lessees with cycle-resilient operations; (ii) reputable Sponsors; (iii) strong profitability with high margins; and (iv) sound financial position and significant flexibility for expansion.

Enclosed is our credit rating report and press release on CREIT's assigned ratings. We have also included our ratio computations based on the standards of the SEC. PhilRatings shall continue to monitor developments in relation to CREIT, and update your office of any corresponding change in our ratings.

Thank you for allowing us to be of continued service to the Commission in its objective to develop the Philippine capital market.

Very truly yours,

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ANGELICA B. VILORIA
Chairperson, Rating Committee and President

cc: **ATTY. EMMANUEL Y. ARTIZA**
Office of the General Accountant

MR. VICENTE GRACIANO P. FELIZMENIO, JR.
Director, Markets and Securities Regulation Department

PhilRatings
PHILIPPINE RATING SERVICES CORPORATION

ISSUE & ISSUER CREDIT RATING REPORT

CITICORE ENERGY REIT CORP. (CREIT)

Date: September 30, 2022

Analysts: Aline Lei A. Abon
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ISSUE CREDIT RATING

Proposed Bond Issuance			
Format	**Amount**	**Tenor**	**Assigned Rating and Outlook**
Association of Southeast Asian Nations (ASEAN) Green Bonds	P3.0 billion, with an oversubscription option of up to P1.5 billion	5 years	PRS Aa plus Stable Outlook
Total: Up to P4.5 billion			

Use of Proceeds: Proceeds will be used to fund the acquisition of solar rooftop assets from CREIT's Sponsor and parcels of land located in Tuy, Batangas.

Analysts' Note: CREIT received the highest "dark green" rating in a sustainability-linked assessment carried out by Norwegian firm CICERO Shades of Green (CICERO Green).[1] CREIT is the first Southeast Asian company to be graded as dark green in a company assessment.[2]

Obligations rated **PRS Aa** are of high quality and are subject to very low credit risk. The obligor's capacity to meet its financial commitment on the obligation is very strong. The **"plus"** further qualifies the assigned rating.

An Outlook is an indication as to the possible direction of any rating change within a one-year period and serves as a further refinement to the assigned credit rating for the guidance of investors, regulators and the general public. A **Stable Outlook** is assigned when a rating is likely to be maintained or to remain unchanged in the next 12 months.

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[1] CICERO Green is a subsidiary of climate research institute CICERO, which is reportedly Norway's foremost institute for interdisciplinary climate research. "Dark green" is allocated to projects and solutions that correspond to the long-term vision of a low carbon and climate resilient future.

[2] https://mb.com.ph/2022/01/05/citicore-reit-firm-scores-highest-rating-in-sustainability-assessment/

ISSUER CREDIT RATING

Assigned Rating: PRS Aa plus (corp.)
Assigned Outlook: Stable Outlook

An Issuer Credit Rating is an opinion on the general and overall creditworthiness of the issuer, evaluating its ability to meet all its financial obligations within a time horizon of one year. A company rated **PRS Aa (corp.)** differs from the highest rated corporates only to a small degree, and has a strong capacity to meet its financial commitments relative to that of other Philippine corporates. The **"plus"** further qualifies the assigned rating.

A **Stable Outlook**, on the other hand, means that the rating is likely to be maintained or to remain unchanged in the next 12 months.

RATING RATIONALE

1. Unique portfolio of renewable energy REIT assets that enjoy stable full occupancy from lessees with cycle-resilient operations

   CREIT is the first and only energy-focused Real Estate Investment Trust (REIT) in the Philippines. It is particularly focused on the renewable energy space, which is poised for growth given the continuously growing demand for electricity and the government's push to expand the country's renewable energy capacity.

   CREIT's property portfolio currently consists of a Company-owned solar power plant and six land assets (three freehold and three leasehold) which are leased to solar power plant operators. PhilRatings noted that these operators have a relatively short operating history, although they have exhibited a good track record in terms of operating and maintaining their respective solar power plants in the past five years. They have also displayed resiliency amidst the peak of the COVID-19 pandemic.

   At present, all the lessees are likewise members of the Citicore Group, as these are the ones that currently satisfy CREIT's investment criteria. They have nevertheless secured long-term offtake agreements (covering 95% of total installed capacity) with the government and various established entities, supporting revenue stability moving forward. If in the future, CREIT is able to tap lessees from outside the Group, such will lead to further diversification in its client base.

   Lease rental rates are made up of a guaranteed annual base rental rate (independent of the performance of the lessee's power plant) and a variable rental rate that allows the Company to benefit from improved performance on the part of its lessees. Lease expirations also range from 2039 to 2046, well beyond the maturity of the proposed bonds in 2027. Given its unique business model, CREIT's properties have an occupancy rate of 100% and offer a steady stream of revenues. Moreover, such scenario is seen to continue over the long-term, considering the nature of the lease agreements.

2. Reputable Sponsors

CREIT serves as the commercial REIT platform of the Citicore Group. Its Sponsors are Citicore Renewable Energy Corporation (CREC) and the latter's wholly-owned indirect subsidiary, Citicore Solar Tarlac 1, Inc. (Citicore Tarlac 1). As of end-June 2022, CREIT is 47.63%-owned by CREC and 14.04%-owned by Citicore Tarlac 1. The ultimate parent company of the Sponsors is Citicore Holdings Investment, Inc. (CHII), the parent company of Megawide Construction Corporation (Megawide). Megawide is one of the country's largest construction and infrastructure conglomerates, with consolidated assets of P85.0 billion as of end-2021. Since 2008, Megawide has completed over 85 projects, with a total contract value amounting to P142.0 billion as of end-September 2021. PhilRatings assigned an Issue Credit Rating of PRS Aa, with a Stable Outlook, to Megawide's proposed bond issue of P3.0 billion, with an oversubscription option of up to P1.0 billion.

The Citicore Group boasts of a proven, albeit relatively short, track record in constructing, operating and maintaining solar power plants. As of end-June 2022, the Group was the second largest solar power generator in the Philippines, with a total combined installed capacity of 205 MW_{DC}. CREIT thus benefits from the Citicore Group's and its Sponsors': (a) established reputation; (b) relationships with key players in the Philippine renewable energy and real estate industries; (c) understanding of the domestic market; and (d) experience in developing and managing properties.

3. Strong profitability with high margins

Historical financial statements of CREIT showed stable revenues even prior to its designation as a REIT. Revenues from the sale of electricity from its sole power plant, Clark Solar Power Plant, was relatively flat, averaging P262.1 million since 2017 and amounting to P269.1 million in 2020. Nonetheless, net income was on an upward trend supported by reduced operating expenses and finance costs. The commercial operations of the Clark Solar Power Plant commenced in 2016 and CREIT was able to record a profit by 2018. From a net loss of P3.1 million in 2017, CREIT posted a net income of P13.4 million in 2018. Net income continued to grow and amounted to P104.1 million in 2020.

In 2021, CREIT began its transition to becoming a REIT company. CREIT started to recognize leasing income from two Leased Properties (Armenia and Dalayap Properties) on the same year. Total revenues consisted of revenues from the sale of electricity and two months of rental income. Such amounted to P352.3 million in 2021, up by 30.9% from P269.1 million in the prior year. Net income posted a significant growth of 117%, from P104.1 million in 2020 to P225.9 million in 2021. Net profit margin improved from -1.1% in 2017 to 64.1% in 2021. Return on average assets (ROAA) likewise grew from -0.13% in 2017 to 12.2% in 2021 driven by the sustained growth in net income.

In the first half of 2022 (1H2022), net income recorded a sharp growth of 573.5% year-on-year (YoY) to P601.1 million in 1H2022, in line with the commencement of lease contracts for all seven Leased Properties at the start of 2022. Net income was P601.1 million in 1H2022, higher by P511.9 million than

P89.3 million in 1H2021. Net profit margin substantially increased to 90.6% compared to 68.3% in the same period of 2021.

4. Sound financial position and significant flexibility for expansion

CREIT entered into a long-term loan facility agreement to finance the construction of the Clark Solar Power Plant. The entire facility amounting to P1.35 billion was drawn in 2016 with a term of 12 years maturing in December 2028. This stood as the only debt of the Company since 2017. In 2021, the Company entered into several transactions collectively called the REIT Formation Transactions[3]. Part of the REIT Formation Transactions was the assignment of the Company's outstanding loan to the Parent Company and Sponsor, CREC, with a principal balance of P1.0 billion and corresponding interest. The loan was reclassified as a related party account and subsequently derecognized. As of end-2021, CREIT was unlevered after it assigned its outstanding debt. With zero debt balance, the Company will have room to acquire debt of up to 35%[4] of deposited property. Once the Company gets the Issuer Credit Rating, its aggregate leverage level may reach up to 70% of its deposited property to support expansion of its green portfolio.

On February 22, 2022, CREIT publicly listed with the Philippine Stock Exchange (PSE), offering 1,047,272,000 new common shares priced at P2.55 per share as Primary Offer Shares. The initial public offering (IPO) significantly increased shareholders' equity, as well as cash for the period. Cash and cash equivalents stood at P312.9 million as of June 30, 2022, up by more than six times from P49.0 million as of end-2021. Total assets jumped by 150.0% to P4.8 billion attributed to the acquisition of the other Leased Properties classified as investment properties. As of June 30, 2022, investment properties amounted to P2.9 billion, up by 917.4% from P288.0 million as of end-2021.

CREIT's parent company, CREC, also offered 1,134,547,000 of existing shares in CREIT as Secondary Offer Shares, with an Overallotment Option of up to 327,273,000 shares, during the IPO. Such transaction was recorded in the books of CREC as the selling shareholder. Gross proceeds of both the primary and secondary offers (including the overallotment option) amounted to P6.4 billion. As of June 30, 2022, the remaining balance of the proceeds totaled P3.8 billion which will be used by CREC to fund

[3] The Property-for-Share Swap (in relation to the acquisition of the Armenia Property), acquisition of Leasehold Rights (refers to several arrangements including a deed of assignment, lease agreement and sublease agreements with respect to its acquisition of the leasehold rights over the Toledo, Silay and Dalayap Properties), transfer of Service Contract to CREC (refers to the assignment of the Solar Energy Service Contract to CREC, making the latter the operator of the Clark Solar Power Plant), assignment of outstanding bank loan to CREC, and the conversion of the advances of CREC (refers to the increase in authorized stock capital stock, part of which is CREC's additional subscription of 2,400,000,000 Shares as consideration for the assignment of its advances to CREIT), are collectively referred to as the REIT Formation Transactions. The foregoing transactions were done on different dates within 2021.

[4] RA No. 9856 - Section 8.10 Aggregate Leverage Limit: "The total borrowings and deferred payments of a REIT should not exceed thirty-five percent (35%) of its deposited property: Provided, however, that the total borrowings and deferred payments of a REIT that has a publicly disclosed investment grade credit rating by a duly accredited or internationally recognized rating agency may exceed thirty-five percent (35%) but not more than seventy percent (70%) of its deposited property."

the development and construction of solar and hydro plants in key regions in Luzon. The Reinvestment Plan identified 10 renewable energy projects that will be invested into by CREC and in turn can possibly be infused into CREIT.

BUSINESS REVIEW

COMPANY PROFILE

CREIT is a REIT focused on owning and investing in income-generating renewable energy real estate properties in the Philippines. Formerly named Enfinity Philippines Renewable Resources, Inc. (EPRRI), the Company was registered with the Securities and Exchange Commission (SEC) on July 15, 2010. It was originally engaged in power generation, prior to changing its primary purpose to that of a REIT. The Company was registered with the Board of Investments (BOI) on October 16, 2015 as a renewable energy developer of solar energy resources. Its 22.33-megawatt (MW) Clark Solar Power Project was subsequently commissioned on March 12, 2016. On May 25, 2021, the Company's shareholders approved the change in its name from EPPRI to CREIT, along with the amendment in its primary purpose. These amendments were approved by the SEC on October 12, 2021.

CREIT, which is the country's first energy-focused REIT, had its IPO on February 22, 2022. CREIT serves as the commercial REIT platform of the Citicore Group, the same Group behind construction and infrastructure conglomerate Megawide. As of end-June 2022, CREIT is 47.63% and 14.04%-owned by its Sponsors, CREC and Citicore Tarlac 1, respectively. Public ownership stood at 38.33%. Management explained that they opted to convert the Company into a REIT as the Sponsor had a robust pipeline of projects for development, and they saw this move as an efficient way to recycle capital.

A REIT is a type of investment instrument that gains rental income and gives returns to its investors in the form of dividends. Individual investors can access profits from a portfolio of real estate without the need to directly own, operate or finance such. This provides the opportunity for smaller investors to more easily enter and exit the real estate market, earning dividends at lesser costs. According to the revised Implementing Rules and Regulations (IRR) of Republic Act No. 9856, or the Real Estate Investment Trust Act of 2009, some of the unique features of a REIT are as follows:

- Minimum public ownership of a REIT must be at least one-third (33%) of the outstanding capital stock.
- The REIT Law requires a REIT to distribute annual dividends of at least 90% of its distributable income[5]. The Company may declare either cash, property or stock dividends.
- At least 75% of the deposited property[6] must be invested in, or consist of, income-generating real estate which is held for the purpose of generating a regular stream of income.

[5] Net income as adjusted for unrealized gains and losses/expenses and impairments losses, and other items in accordance with internationally accepted accounting standards. Distributable income excludes proceeds from the sale of the REIT's assets that are re-invested in the REIT within one year from the date of sale.

[6] The total value of the REIT's assets, reflecting the fair market value of the total assets held by the REIT.

- Total borrowing and deferred payments of a REIT should not exceed 35% of its deposited property. The REIT, however, may exceed this limit to a maximum of 70%, when it has a publicly disclosed investment grade credit rating by a duly accredited or internationally recognized rating agency.
- Any proceeds realized by the Sponsor/Promoter from the sale of REIT shares and any money raised from the sale of its real estate to the REIT shall be reinvested in the Philippines within one year from the date of receipt of proceeds or money. Pursuant to this, the listing rules require the submission of a Reinvestment Plan to be filed with the SEC.

CREIT highlighted the following investment benefits for its shareholders:

- an investment opportunity with a stable yield
- opportunities for gross revenue and net operating income growth
- high-quality income-generating renewable energy real estate properties supported by a strong and growing demand for electricity in the Philippines
- appreciation of land values
- strong support from the Sponsors
- experienced management with incentive to grow the Company's gross revenue and net operating income
- distribution of at least 90% of the Company's distributable income, in accordance with the provisions of the REIT law

Management

CREIT’s Board of Directors handles the overall management and supervision of the Company by setting its goals, strategies and policies, as well as regularly monitoring their implementation and effectiveness. Its executive officers and management team support the Board by preparing appropriate information and documents regarding the Company’s business operations, financial condition and results of operations.

Edgar B. Saavedra has been the Chairman of the Board of CREIT since December 2018. He is also the Chairman of CREC and its parent company, Citicore Power, Inc. (CPI). Mr. Saavedra is one of the co-founders of Megawide where he serves as the Chairman, President and Chief Executive Officer (CEO). Mr. Saavedra has more than 20 years of engineering experience. He received his Bachelor’s degree in Engineering from De La Salle University. After obtaining his license as a Civil Engineer, he pursued special studies in Foundation Formworks in Germany, through the Philippine Institute of Civil Engineers.

Oliver Y. Tan has likewise served as the President and CEO of CREIT since December 2018. He is also a Director, Vice Chairman of the Finance Committee and Member of the Executive Committee and Audit and Compliance Committee of Megawide. Mr. Tan concurrently serves as a Director of various companies under the Citicore Group. Mr. Tan holds a degree in Business Administration from the Philippine School of Business Administration.

According to CREIT, its senior management team consists of experienced professionals with an average of over 10 years of accumulated experience in the Philippine real estate and renewable energy industries.

SIGNIFICANT PARTIES

Table 1. Significant Parties to a REIT

Entity	Definition *Source: Revised IRR of the Philippine REIT Act of 2009*	CREIT
A. Sponsor/Promoter	Any person who, acting alone or in conjunction with one or more persons, directly or indirectly, contributes cash or property in establishing a REIT	Citicore Renewable Energy Corporation (CREC) and Citicore Solar Tarlac 1, Inc. (Citicore Tarlac 1)
B. Fund Manager	The person engaged by the REIT to perform functions including (but not limited to): (1) Implementing the investment strategies of the REIT and objectively evaluating the desired investments (2) Overseeing and coordinating activities such as property acquisition, leasing, operational and financial reporting, appraisals, audits, market review, refinancing and asset disposition plans (3) Performing all functions necessary and incidental to asset management	Citicore Fund Managers, Inc. (CFMI)
C. Property Manager	A professional administrator of real properties who is engaged by the REIT to manage all aspects of the real estate owned by the REIT. It shall provide management services defined under the IRR and the REIT Plan, including (but not limited to): (1) Planning the tenant mix and identifying potential tenants (2) Formulating and implementing leasing strategies (3) Enforcing tenancy conditions (4) Performing tenancy administration work, such as negotiating with tenants on renewal of lease (5) Administration of routine management services, including security control, fire precautions and emergency management (6) Maintenance and management of physical structures/real properties	Citicore Property Managers, Inc. (CPMI)
D. Property Valuer/ Appraiser	An independent entity, duly accredited by the SEC, who is engaged by the REIT to value its real estate	Cuervo Appraisers, Inc. (CAI)

A. <u>Sponsors – CREC and Citicore Tarlac 1</u>

The Sponsors of CREIT are CREC and the latter's wholly-owned indirect subsidiary, Citicore Tarlac 1. CREC was registered with the SEC on May 15, 2018 with a primary purpose of engaging in power generation under the Renewable Energy Law. On the other hand, Citicore Tarlac 1 was registered on November 11, 2013 with a primary purpose of generating, transmitting and/or distributing energy derived from solar power for lighting and power purposes and whole-selling the electric power to power corporations, public electric utilities, electric cooperatives and retail electricity suppliers. CREC owns all the outstanding common shares of Sikat Solar Holdco Inc., which in turn owns all the outstanding common shares of Citicore Tarlac 1. CREC acquired Citicore Tarlac 1, together with other operating renewable energy companies, in October 2018.

CREC is reportedly one of the leading vertically integrated renewable energy generation companies in the Philippines. It is engaged in the development of renewable energy plants, including large-scale solar power plants. It is also in the business of renewable energy asset development, engineering, procurement and construction, as well as asset management. The last one involves the operation and maintenance of solar power generation facilities, for which CREC deploys cloud-based real-time supervisory control and data acquisition systems.

CREC is a wholly-owned subsidiary of CPI, which was incorporated in 2015 and is engaged in the development of renewable energy sources for power generation. CPI is in turn a direct subsidiary of CHII, the parent company of Megawide. With its vertically integrated construction business, Megawide has built a reputation as one of the top companies in the Philippine construction sector. It has also diversified its business into a leading infrastructure company with interests in airport and landport operations. Megawide is now among the country's largest construction and infrastructure conglomerates, with consolidated assets of P85.0 billion and market capitalization of P10.5 billion as of end-2021. Since 2008, Megawide has completed over 85 projects, with a total contract value amounting to P142.0 billion as of end-September 2021. PhilRatings assigned an Issue Credit Rating of PRS Aa, with a Stable Outlook, to Megawide's proposed bond issue of P3.0 billion, with an oversubscription option of up to P1.0 billion.

The Citicore Group boasts of a proven, albeit relatively short, track record in constructing, operating and maintaining solar power plants. As of end-June 2022, the Group was the second largest solar power generator in the Philippines with a total combined installed capacity of 205 MW_{DC}.[7] As such, CREIT benefits from the Citicore Group's and its Sponsors': (a) established reputation; (b) relationships with key players in the Philippine renewable energy and real estate industries; (c) understanding of the domestic market; and (d) experience in developing and managing properties.

B. Fund Manager - CFMI

CFMI, CREIT's Fund Manager, is a wholly-owned subsidiary of CREC. It was incorporated on July 21, 2021, and its license application was approved by the SEC on January 18, 2022. CFMI has general power of management over the assets of CREIT, pursuant to the Fund Management Agreement dated July 26, 2021. The Fund Management Agreement, which is renewable every five years, defines the relationship between CREIT and CFMI. As Fund Manager, CFMI is responsible for implementing CREIT's investment strategies and managing the latter's assets and liabilities for the benefit of the Company's shareholders. CFMI will manage the assets of CREIT with a focus on generating steady revenues and, if appropriate, increasing the Company's assets over time to enhance returns for shareholders. CFMI will set the strategic direction of CREIT and will make recommendations

[7] As disclosed in the Company's Prospectus, based on data from the Department of Energy, Citicore trails behind AC Energy Corporation (ACEN) which has a total solar installed capacity of 362 MWDC as of June 2022. In terms of effective installed capacity, ACEN and Citicore have market shares of 25.1% and 14.2%, respectively.

to the Company's Board on the acquisition, divestment or enhancement of its assets in accordance with its investment strategy. CFMI will be the one to coordinate and carry out the research required for these purposes.

In exchange for its services, CFMI will receive equivalent to 0.5% of CREIT's guaranteed base lease, exclusive of value-added taxes. CFMI will also be entitled to: (a) an acquisition fee of 0.5% of the acquisition price of every acquisition made, exclusive of value-added taxes; and (b) a divestment fee of 0.5% of the sales price for every property divested by it on behalf of CREIT, exclusive of value-added taxes. The total amount of fees paid to CFMI shall not exceed 1% of the Net Asset Value of the properties under its management.

Management

Leonel G. Coronel is the Chairman of CFMI's Board of Directors, as well as an Independent Director of both CFMI and CREIT. Mr. Coronel is a seasoned banker with more than 50 years of experience in the banking industry. He is currently the Vice Chairman of the Philippine National Bank and has held directorship positions in various financial institutions such as DBP Daiwa Securities and RBB Microfinance Foundations. He was also a Director in other companies such as Software Ventures International Corporation, Philippine Business for Social Progress and Bankers Association of the Philippines. Furthermore, he was an Independent Director of Megawide from 2011 to 2020. Mr. Coronel holds a Bachelor of Arts, Major in Economics degree from Ateneo de Manila University.

Christopher A Nadayag is the President of CFMI. Mr. Nadayag has been engaged in finance and accounting for 15 years. He has been the Treasurer and Deputy Chief Financial Officer (CFO) of Megawide since 2018. He also served as the Assistant Vice President (AVP) for Controllership of CPI from 2017 to 2018. From 2006 to 2009, he was a Senior Auditor in Sycip Gorres Velayo & Co. Mr. Nadayag also has five years of experience in real estate and property development, serving as a Treasurer, Director and Chairman of the Audit Committee of PH1 World Developers, Inc. (formerly Myspace, Inc.). He concurrently holds directorship positions in other Citicore Group companies including CHII. Mr. Nadayag has a Bachelor of Science in Accounting degree from San Sebastian College.

The directors and executive officers of CFMI have an average of 16 years of experience in the areas of fund management, corporate finance, other relevant finance-related functions, property management and real estate development.

C. Property Manager - CPMI

CPMI, CREIT's Property Manager, was incorporated on August 4, 2021. It is likewise a wholly-owned subsidiary of CREC. Pursuant to the Property Management Agreement dated August 9, 2021 and which is renewable every five years, CPMI will handle the day-to-day property management functions of CREIT's properties. These functions include managing the execution of new leases and renewing or replacing expiring leases. CPMI will also oversee: (a) CREC's operation and maintenance of the Clark Solar Plant; (b) maintenance of the land premises underlying the properties; (c) formulation and implementation of policies and programs in respect of solar plant facility management, maintenance and optimization; (d) securing and administration of routine management services, including security control, fire precautions, communication systems and emergency management; and (e) plant operations maintenance. As Property Manager, CPMI is tasked with protecting and enhancing the assets of CREIT to deliver the desired revenues.

As stated in the Property Management Agreement, CPMI will receive an annual management fee equivalent to 1.5% of CREIT's guaranteed base lease. The management fee paid to CPMI, however, shall not exceed 1% of the Net Asset Value of the properties being managed.

Management

Atty. Jose M. Layug, Jr. is the Chairman of the Board of Directors of CPMI. He is an Independent Director of both CPMI and CREIT. Atty. Layug has been in the energy sector for more than 10 years, starting in 2010 when he joined the Department of Energy (DOE) as Undersecretary. He then served as the Chairman of the DOE's National Renewable Energy Board from 2016 to 2018. Atty. Layug has been the President of the Developers of Renewable Energy for Advancement, Inc. since 2019. He has also been a Senior Partner at Puno and Puno Law Offices since 2013 and a Dean at the University of Makati School of Law since 2018. Atty. Layug has a Masters of Law from Cornell University, as well as a Bachelor of Laws and a Bachelor of Science in Business Economics from the University of the Philippines.

Ms. Abigail Joan R. Cosico is the President of CPMI. She is also a Director and Treasurer of CFMI. In addition, she has been the Head of Investor Relations for Megawide and CPI since 2016. Before joining Megawide, Ms. Cosico spent 15 years with the JG Summit Holdings Group, of which 10 years was with Robinsons Land Corporation. She was also with the HSBC Trust Division from 1997 to 1999, gathering 2 years of experience in fixed income fund management. Ms. Cosico holds a Bachelor of Science in Management degree from the Ateneo de Manila University. She also has an MBA in Business Management, Major in Finance from the Asian Institute of Management.

Similar to that of CFMI, much of the leadership of CPMI have gained valuable experience in previous roles throughout the Citicore Group and in other companies in the real estate and renewable energy industries. The directors and executive officers of CPMI have an average of 16 years and an accumulated 130 years of experience in commercial real estate operations, leasing and property portfolio management.

D. Appraiser - CAI

The property valuer/appraiser is an independent party responsible for the preparation of the valuation report of the REIT's properties. CAI, CREIT's real estate appraiser, was registered with the SEC on July 11, 1980. It has been duly accredited by the SEC on January 5, 2021, with its accreditation valid until January 4, 2026. It has likewise been duly accredited by the PSE on January 5, 2021, with its accreditation valid until January 4, 2026. CAI has been in the appraisal business for the past 41 years. Some of its clients include the Security Bank Corporation, Malayan Insurance Co., Inc., Manila Water Company, Inc., Keppel Philippines Marine, Inc., Anchor Properties Corporation, San Miguel Foods, Inc., Ayala Land, Inc., Philippine Veterans Bank, Petron Corporation, Sycip Gorres Velayo & Co. and the National Grid Corporation of the Philippines.

PROPERTY PORTFOLIO

CREIT's principal strategy is to invest in income-generating renewable energy real estate properties that meet the following criteria:

- Primarily be the site of a renewable energy power plant focused on solar power plants (but not exclusively), but may include other renewable energy properties available in the market
- Located in underdeveloped areas where CREIT has completed and validated the availability of resources and the potential of such area for future township developments to drive long-term appreciating land values

The renewable energy property portfolio of CREIT consists of the following, which are collectively referred to as the "Leased Properties":

1. The Clark Solar Power Plant which has been leased to CREC and is located on a parcel of land over which CREIT has leasehold rights; and
2. Six (6) land assets leased to solar power plant operators
    a. Company-owned parcels of land (freehold land assets): Armenia Property, Bulacan Property and South Cotabato Property
    b. Parcels of land over which the Company has leasehold rights (leasehold land assets): Toledo Property, Silay Property and Dalayap Property

The Leased Properties are leased by CREIT to the following companies (collectively referred to as the "Lessees") which are likewise members of the Citicore Group: CREC, Citicore Tarlac 1, Citicore Solar Cebu, Inc. (Citicore Cebu), Citicore Solar Negros Occidental Inc. (Citicore Negros Occidental), Citicore Solar Tarlac 2, Inc. (Citicore Tarlac 2), Citicore Solar Bulacan, Inc. (Citicore Bulacan) and Citicore Solar South Cotabato, Inc. (Citicore South Cotabato). Citicore Tarlac 1, Citicore Tarlac 2, Citicore Bulacan and Citicore South Cotabato are wholly-owned indirect subsidiaries of CREC. Citicore Cebu and Citicore Negros Occidental are wholly-owned subsidiaries of CPI, the parent company of CREC. In the future, should CREIT be able to tap lessees from outside the Group, PhilRatings noted that such will lead to further diversification in its tenant base and reduce the Company's exposure to any possible negative developments within the Citicore Group moving forward.

The lease rental rates for the Leased Properties comprise of (a) a guaranteed annual base rental rate, payable on equal monthly installments, and (b) a variable rental rate equivalent to 50% of the incremental gross revenue earned by the Lessee in excess of the agreed base lease revenue for the current fiscal year. This structure assures CREIT of a guaranteed revenue equivalent to the base lease fee, while also allowing the Company to benefit from improved performance by its Lessees. PhilRatings also positively noted that lease expirations for all of CREIT's properties go after the maturity of the proposed bonds in 2027. Such contributes to the stability in revenues going forward.

Table 2 summarizes the key information relating to the Company's Leased Properties, which have an aggregate appraised value of P14.5 billion. Meanwhile, the solar power plants operated by the Lessees on the Leased Properties have a total combined installed capacity of 145 MWp_{DC}.

Table 2. Key Information on CREIT's Leased Properties

	Clark Solar Power Plant	Armenia Property	Toledo Property	Silay Property**	Dalayap Property	Bulacan Property***	South Cotabato Property***
Location	Clark Freeport Zone, Pampanga	Brgy. Armenia, Tarlac City	Brgy. Talavera, Toledo City, Cebu	Silay City, Negros Occidental	Brgy. Dalayap, Tarlac City	Brgy. Pasong Bangkal, San Ildefonso, Bulacan	Brgy. Centrala, Suralla, South Cotabato
Land area (sqm)	250,318	138,164	730,000	431,408	103,731	253,880	79,997
Right over property	Leased	Owned	Leased	Leased	Leased	Owned	Owned
Land lease expiry	September 2039	N/A	May 2041	October 2040	October 2040	N/A	N/A
Lessor of land (CREIT as lessee)	Clark Development Corporation	N/A	Leavenworth Development , Inc.	Claudio Lopez, Inc.	Ma. Paula Cecilia David & Juan Francisco David; and Benigno S. David & Vivencio M. Romero	N/A	N/A
Right of first refusal*	None	N/A	Yes	None	Yes	N/A	N/A
Solar power plant installed capacity (MWp_{DC})	22.325	8.84	60	25	7.55	15	6.23
Grid	Luzon	Luzon	Visayas	Visayas	Luzon	Luzon	Mindanao
Plant commissioning date	March 12, 2016	February 29, 2016	June 30, 2016	March 8, 2016	February 27, 2016	March 12, 2016	December 9, 2015
Feed-in-tariff (FIT)[8] eligibility	Yes	No	No	No	No	Yes	Yes

[8] A feed-in tariff (FIT) is a policy designed to support the development of renewable energy sources by providing a guaranteed, above-market price for producers. (Source: https://www.investopedia.com/terms/f/feed-in-tariff.asp)

Tenant (CREIT as lessor)/Operator of solar power plant	CREC	Citicore Tarlac 1	Citicore Cebu	Citicore Negros Occidental	Citicore Tarlac 2	Citicore Bulacan	Citicore South Cotabato
Commencement of the tenancy	November 1, 2021	November 1, 2021	January 1, 2022	January 1, 2022	November 1, 2021	January 1, 2022	January 1, 2022
Expiration of the tenancy	September 4, 2039	October 31, 2046	May 31, 2041	October 31, 2040	October 31, 2040	December 31, 2046	December 31, 2046
Type of income to CREIT	Property Lease	Land Lease	Land Lease	Land Lease	Land Lease	Land Lease	Land Lease
Appraised value as of October 31, 2021 (PHP millions)	3,102	687	3,777	2,885	470	2,484	1,068
Percentage of Total Appraised Value	21.4%	4.7%	26.1%	19.9%	3.2%	17.2%	7.4%
Leasing revenue in 1H2022 (PHP)	140,984,502	29,045,618	184,201,292	139,273,411	24,276,273	101,262,239	44,539,765
Revenue contribution in 1H2022	21.2%	4.4%	27.8%	21.0%	3.6%	15.3%	6.7%

**Pertains to right to purchase leasehold land*
***Silay Property currently has an agreement with Citicore Bataan, wherein the latter manages the solar plant with an installed capacity of 18 MWp$_{DC}$.*
****Bulacan Property and South Cotabato Property were acquired post-IPO.*

Customers

Given its unique business model, the Leased Properties—not including the Clark Solar Power Plant, as the Clark Property was occupied by the Company itself—have been 100% occupied by their respective Lessees since 2017. The Lessees in turn boast of long-term offtake agreements with established customers.

The Clark Solar Power Plant is a FIT-certified power plant, i.e., it has a guaranteed power purchase agreement with the government. Under the FIT regime, CREC sells the electricity generated by the Clark Solar Power Plant to the National Transmission Corporation (TransCo), a government owned and controlled corporation (GOCC), pursuant to a 20-year offtake contract commencing on March 16, 2016. The Bulacan Property and South Cotabato Property are sites utilized by likewise FIT-eligible solar power plants. Electricity generated by these solar plants are therefore similarly contracted to TransCo. On the other hand, the other Lessees sell the electricity generated by their respective solar power plants to contestable customers operating in various industries who have entered into offtake agreements with the Lessees.

CREIT reported that 95% or 137.8 MWp$_{DC}$ of the total installed capacity of the solar power plants located on the Leased Properties are contracted to TransCo and contestable customers across a diverse range of industries. Top customers include multinational companies such as Shell Energy Philippines, Inc.; members of large, diversified conglomerates such as SN Aboitiz Power-RES, Inc. (SNAP-RES) and FDC Retail Electricity Sales Corporation (FDCRES); industrial park operators such as the Authority of the Freeport Area of Bataan (AFAB); property management companies; food processing companies; and distribution utilities. The remaining 5% is sold by the Lessees under priority dispatch on the Wholesale Electricity Spot Market (WESM).

As of end-June 2022, offtake contracts with its Lessees' customers have a weighted average (by contracted capacity) term of 6.8 years. Out of the total contracted capacity, 24% will expire in 2023, 6% will expire in 2024, 7% will expire in 2025, and 63% will expire beyond 2025. CREIT further stated that many of its Lessees' customers have been clients of the Lessees since 2017.

__Solar Power Plant Operations__

Table 3 shows the availability rate[9] and performance ratio[10] of the solar power plants operated by the Lessees. As evidenced by their high historical availability rate, the solar power plants are assessed to be well-kept and well-maintained. To minimize unscheduled or unplanned internal outages, the operations teams of the Lessees reportedly conduct regular preventive and predictive maintenance on major equipment in their respective plants.

Table 3. Operating Statistics of the Solar Power Plants

	Clark Solar Power Plant	Armenia Property	Toledo Property	Silay Property	Dalayap Property	Bulacan Property	South Cotabato Property
Availability rate							
2017	99.8%	100.0%	99.6%	93.9%	100.0%	98.9%	96.5%
2018	99.5%	99.9%	97.7%	94.9%	100.0%	97.7%	96.0%
2019	99.1%	99.7%	91.6%	97.6%	99.6%	99.2%	95.1%
2020	99.2%	99.2%	99.3%	97.9%	99.3%	98.0%	98.1%
2021	99.7%	99.2%	97.5%	91.0%	99.1%	99.3%	98.3%
Performance ratio							
2017	78.1%	84.5%	79.2%	81.4%	83.1%	80.4%	73.4%
2018	76.0%	80.0%	78.3%	78.4%	78.2%	78.7%	77.5%
2019	76.0%	77.3%	76.4%	76.8%	78.9%	76.3%	75.8%
2020	76.5%	76.9%	75.9%	77.3%	77.7%	77.0%	76.0%
2021	77.3%	76.9%	76.1%	78.6%	78.4%	78.9%	78.9%

CREIT strategically selected the locations of its seven REIT assets as those with high solar irradiation of between 4.7 to 5.5 kWh/m^2/day based on the long-term historical irradiation data of the National Renewable Energy Laboratory (NREL), a national laboratory of the U.S. Department of Energy based in Texas. CREIT disclosed that

[9] Availability rate is the percentage of time that the solar power plant is available to provide energy to the grid. It is an indicator of reliability.

[10] Performance ratio is the ratio of actual output to the theoretically possible energy output of the solar power plant. The closer the performance ratio is to 100%, the more efficiently the plant is operating.

the Lessees also have systems in place to instantly detect the daily output and be able to calibrate and improve the output of their solar power plants, as the need arises, based on an expected performance ratio.

According to the NREL, the standard performance ratio for a newly built PV system averages at 77%, and over time, the performance of the system reduces due to annual degradation of PV panels. The Company's and its Lessees' solar plants have been operational for more than 6 years already, yet the plants consistently achieved above industry performance ratio due to the various plant optimization initiatives of the operators.

Although with a relatively short operating history, PhilRatings noted that the Lessees have generally exhibited a good track record in terms of operating and maintaining their respective solar power plants in the past five years.

Impact of COVID -19

The COVID-19 pandemic had minimal impact on the operations of the solar power plants on the Leased Properties. Given its portfolio of solar energy assets, the Lessees enjoy a priority dispatch and are less susceptible to changes in the demand for energy due to the pandemic and the quarantine measures. Overall, operations of solar power plants across the Philippines have been resilient amidst the COVID-19 pandemic. As such, while a 4.0% contraction in the country's power generation was recorded in 2020 during the peak of the pandemic, domestic solar power plants registered a 10.1% increase in their gross generation output. Due to the decline in economic activity, however, many contestable customers invoked force majeure, leading to an increase in the sale of energy to WESM at prices lower than contracted rates. This resulted in lower year-on-year average revenue for certain months in 2020. Energy demand have nevertheless recovered in 2021.

In relation to the lease rental payments to be paid to CREIT, the Company stated that the lease agreements only started in 2021 and 2022. Furthermore, CREIT was able to collect all lease payments due at the beginning of each month.

Given the uncertainty brought about by the pandemic, CREIT has nonetheless taken certain prudential actions, such as: (a) implementing cost-reduction and cash preservation strategies, including deferral of some non-essential and capital expenditure, maximizing credit terms provided by suppliers and creditors, and focusing on collection of outstanding receivables; (b) utilization of Bayanihan 1 and 2, in relation to the deferral of principal and interest payments of loans; (c) comprehensive and regular monitoring of the Company's liquidity position and cash flow; and (d) review of insurance coverage to protect against potential risk.

Insurance

The Lessees maintain comprehensive insurance policies which CREIT believes to be consistent with industry standards. These include business interruption insurance and insurance that cover improvements, furniture, equipment, supplies and all other properties within the leased premises against fire, lightning, food and/or other perils. The policies also cover acts of terrorism, sabotage, riots, strikes, civil commotion, malicious damage, rebellion, revolution, mutiny, war and counter insurgency. The amount of coverage under such policies is said to be enough to replace each solar power plant.

CREIT also has insurance policies for the Clark Solar Power Plant. The amount of coverage and scope of risks covered by such are seen to be consistent with that of other companies owning similar properties in the same geographical area.

A. Clark Solar Power Plant

The Clark Solar Power Plant is comprised of a solar power plant with an installed capacity of 22.3MWp_{DC} and other real properties located on a 250,318 square meter (sqm) parcel of land in the Clark Freeport Zone. The said land is leased by CREIT from the Clark Development Corporation. The Company's lease is for 25 years commencing on September 5, 2014. This is renewable upon mutual consent of the parties.

The Clark Solar Power Plant was commissioned on March 12, 2016. It was leased out by CREIT to CREC, one of the Company's Sponsors, for a period of 18 years, beginning on November 1, 2021 and expiring on September 4, 2039.

The Clark Solar Power Plant is qualified under the FIT II Program with Certificate of Compliance (COC) eligibility for FIT II rate from March 12, 2016 to March 11, 2036. Under the FIT regime, the offtaker of the Clark Solar Power Plant is TransCo. TransCo is the owner of the country's power transmission system that links power plants to the electric distribution utilities nationwide.

CREIT assigned the Board of Investments (BOI) registration in relation to the Clark Solar Power Plant to CREC. This registration entitles CREC to certain incentives such as a zero value-added tax (VAT) rating, income tax holiday for seven years until 2023 with a preferential rate thereafter and a tax exemption on carbon credits.

The Clark Property was valued at P3.1 billion based on the valuation reports prepared by CAI dated November 22, 2021 for the period ending October 31, 2021.

B. Armenia Property

The Armenia Property is located in Brgy. Armenia, Tarlac City. It is comprised of 11 parcels of land with a total area of 138,164 sqm. The Armenia Property is owned by CREIT. It was acquired by the Company from the Sponsors through a property-for-share swap.

CREIT leased out the Armenia Property to Citicore Tarlac 1, one of its Sponsors, for a period of 25 years commencing on January 1, 2022. Citicore Tarlac 1 operates a solar power plant with an installed capacity of 8.84MWp_{DC} on the Armenia Property. The said solar power plant was commissioned on February 29, 2016. Electricity generated by this power plant are sold to contestable customers operating in various industries.

The Armenia Property was valued at P687.2 million based on the valuation reports issued by CAI dated November 22, 2021 for the period ending October 31, 2021.

C. Toledo Property

The Toledo Property refers to a 730,000 sqm land located in Brgy. Talavera, Toledo City, Cebu over which CREIT has leasehold rights. CREIT owns the leasehold rights over the Toledo Property pursuant to a Deed of Assignment whereby Citicore Cebu transferred all its rights and obligation with respect to the said property to the Company. The lessor of the Toledo Property is Leavenworth Realty Development, Inc., which holds the usufructuary rights to the property. CREIT's leasehold rights are for a remaining term of 19 years, expiring on May 31, 2041 and renewable upon mutual agreement of the parties. CREIT has a right to match any bona fide offer from a third party to purchase the property from the landowner.

The Toledo Property was leased out by CREIT to Citicore Cebu for a period of 19 years, commencing on January 1, 2022 and expiring on May 31, 2041. Citicore Cebu in turn operates a solar power plant with an installed capacity of $60MWp_{DC}$ on the Toledo Property. This power plant was commissioned on June 30, 2016, and electricity generated by such are sold to contestable customers belonging to different industries.

The Toledo Property has an appraised value of P3.8 billion based on the valuation reports issued by CAI dated November 22, 2021 for the period ending October 31, 2021.

D. Silay Property

The Silay Property refers to a 431,408 sqm land located in Silay City, Negros Occidental. CREIT owns leasehold rights over the Silay Property pursuant to a lease agreement between the Company as lessee and Claudio Lopez, Inc. as lessor. The lease has a term of 19 years expiring on October 31, 2040. The lease can be extended for another five years unless earlier terminated by either party at least six months prior to the end of the original term.

The Silay Property was leased out by the Company to Citicore Negros Occidental for a period of 18 years, beginning on January 1, 2022 and ending on October 31, 2040. Citicore Negros Occidental operates a solar power plant with an installed capacity of $25MWp_{DC}$ on the Silay Property. This power plant was commissioned on March 8, 2016. The rights of Citicore Negros Occidental as a lessee of the Silay Property were subject of an unregistered mortgage in favor of the Landbank of the Philippines (LBP), with the debt intended to be prepaid prior to the Listing Date. In the event of default by Citicore Negros Occidental, LBP will be able to exercise step-in-rights in place of the lessee. According to CREIT's management, the said debt has been settled accordingly.

Electricity generated by Citicore Negros Occidental's solar power plant are sold to contestable customers from various industries.

The Silay Property was valued at P2.9 billion based on the valuation reports prepared by CAI dated November 22, 2021 for the period ending October 31, 2021.

E. Dalayap Property

The Dalayap Property is located in Brgy. Dalayap, Tarlac City. It is made up of parcels of land with a combined area of 103,731 sqm. CREIT owns the leasehold rights over the Dalayap Property pursuant to a lease agreement entered into with Ma. Paula Cecilia David and Juan Francisco David, and a sublease agreement with Benigno S. David and Vivencio M. Romero, Jr. The lease and sublease agreements have initial terms of 19 years, expiring on October 31, 2040. These are renewable for another 25 years subject to the consent of the lessor. CREIT also has the right of first refusal to purchase the said parcels of land in the event the lessor or sublessor decide to sell their properties.

CREIT leased out the Dalayap Property to Citicore Tarlac 2 for a period of 19 years, commencing on November 1, 2021. Citicore Tarlac 2 in turn operates a solar power plant with an installed capacity of 7.55MWp$_{DC}$ on the Dalayap Property. Citicore Tarlac 2's solar power plant was commissioned on February 27, 2016. Electricity generated by this power plant are sold to contestable customers operating in various industries.

The Dalayap Property was valued at P470.3 million based on the valuation reports released by CAI dated November 22, 2021 for the period ending October 31, 2021.

F. Bulacan Property

The Bulacan Property covers several parcels of land in Brgy. Pasong Bangkal, San Ildefonso, Bulacan with an aggregate area of 253,880 sqm. It is located within 30 to 40 kilometers from the planned central business district (CBD) township development in the area and the future New Manila International Airport. The Bulacan Property is the site of Citicore Bulacan's 15MWp$_{DC}$ solar power plant that was commissioned on March 12, 2016. The said solar power plant was certified as an eligible project under the FIT System, and thus has 100% of its capacity contracted to GOCC TransCo.

In 2022, CREIT entered into a Deed of Absolute Sale with Citicore Bulacan for the acquisition of the Bulacan Property for P1.8 billion. Following the acquisition, CREIT leased out the Bulacan Property to Citicore Bulacan for a period of 25 years, ending on December 31, 2046. Citcore Bulacan continues to operate its solar power plant on the Bulacan Property.

The Bulacan Property was valued at P2.5 billion based on the valuation reports issued by CAI dated November 22, 2021 for the period ending October 31, 2021.

G. South Cotabato Property

The South Cotabato Property is a 79,997 sqm parcel of land located in Brgy. Centrala, Surallah, South Cotabato. It is the site of Citicore South Cotabato's 6.23MWp$_{DC}$ FIT-eligible solar power plant that was commissioned on December 9, 2015. Given its qualification under the FIT Program, electricity sold by Citicore South Cotabato's solar power plant is sold to TransCo.

In 2022 CREIT entered into a Deed of Absolute Sale with Citicore South Cotabato for the acquisition of the South Cotabato Property for P753 million. Upon completion of the acquisition, CREIT and Citicore South Cotabato executed a lease agreement for a term of 25 years, expiring on December 31, 2046. As such, Citicore South Cotabato continues to operate its 6.23MWp$_{DC}$ solar power plant on the South Cotabato Property.

The South Cotabato Property was valued at P1.1 billion based on the valuation reports prepared by CAI dated November 22, 2021 for the period ending October 31, 2021.

H. Properties to be Acquired

CREIT is looking to issue Green Bonds of P3.0 billion, with an oversubscription option of up to P1.5 billion, to fund the acquisition of solar rooftop assets from its Sponsor and parcels of land in Tuy, Batangas. The Company aims to eventually grow its renewable energy capacity to 780 MWp$_{DC}$ by 2025, a fivefold increase from its current capacity of 145 MWp$_{DC}$. Listed in Table 4 are the projects of CREC, the Sponsor, that can potentially be infused into the Company, and which will enable it to reach its target capacity of 780 MWp$_{DC}$.

Aside from the projects in Table 4 which are the ones in the relatively advanced stage, CREC is also developing other solar power plants under its five-year roadmap of 1.5GW$_{DC}$ capacity by 2025. The Sponsor's pipeline of projects will serve as the primary source of new assets for infusion into CREIT.

Table 4. Prospective Pipeline

Project Name	Capacity (MWp$_{DC}$)	Investment Type	Status	Completion Date
AFAB Solar Rooftop Phase 1	6.5	Solar Rooftop PV System	Completed	2022
Arayat-Mexico Solar Farm Phase 1	72.0	Land + Solar Farm	Completed	2022
Arayat-Mexico Solar Farm Phase 2	44.0	Land + Solar Farm	Pre-development	2023
Zambales Solar Farm	65.0	Land + Solar Farm	Pre-development	2023
Batangas Solar Farm "A"	90.0	Land + Solar Farm	Pre-development	2023
Batangas Solar Farm "B"	40.0	Land + Solar Farm	Pre-development	2023
Pangasinan Solar Farm	91.0	Land + Solar Farm	Site Selection	2023
Laguna Solar Farm	78.0	Land + Solar Farm	Site Selection	2023
Bulacan Solar Farm	130.0	Land + Solar Farm	Site Selection	2023
Isabela Run-of-River Hydro	20.0	Run-of-River Hydro	Construction	2023

LEGAL ISSUES

Alleged Anti-Dummy Law Violation[11]

In October 2021, the Department of Justice (DOJ) indicted top officials of GMR Megawide Cebu Airport Corporation (GMCAC) for allegedly violating the Anti-Dummy Law. These officials include the following directors of CREIT: Mr. Edgar B. Saavedra (Chairman of CREIT), Mr. Oliver Y. Tan (President and CEO), Mr. Manuel Louie B. Ferrer (Director) and Mr. Jez G. Dela Cruz (Treasurer).

The case stemmed from a complaint filed by Atty. Larry Iguidez, Jr. with the National Bureau of Investigation (NBI) in September 2020, claiming that foreigners were controlling GMCAC and operating the Mactan-Cebu International Airport (MCIA). According to the Department of Justice (DOJ), GMCAC is considered a public utility corporation and its management, control and operation should be reserved for Filipino citizens. Megawide maintained that its officials did not violate any law.

The Megawide respondents also filed a motion to quash the case, citing the Republic Act No. 11659 or the Amended Public Service Act which was recently signed into law on March 21, 2022. The amended law excludes airports from the definition of a public utility, which means they are no longer subject to the 40% foreign ownership cap.

On June 27, 2022, Megawide received from the Regional Trial Court of Lapu-Lapu City in Cebu the Omnibus Order dated June 14, 2022 dismissing the criminal case. The dismissal of the case was necessitated by the enactment of the amended Public Service Act.[12] The prosecutor, however, has filed a Motion for Reconsideration. On July 6, 2022, the respondents received an Order setting a hearing on the Public Prosecutor's Omnibus Motion for Inhibition with Motion for Reconsideration. The Megawide respondents, through counsel, filed its Opposition to the Public Prosecutor's Omnibus Motion on July 21, 2022.

In a recent development, the DOJ issued a Resolution dated August 8, 2022, which granted the respondents' Petition for Review and ordered the withdrawal of the information against the respondents on the basis of the Amended Public Service Act. PhilRatings shall continue to monitor developments in relation to this case.

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[11] The Anti-Dummy Law is a criminal statute that penalizes individuals who violate foreign equity restrictions and evade nationalization laws in regulated districts. It prohibits dummy or using a proxy arrangement to accomplish a transaction not allowed under Philippine laws.

[12] https://www.bworldonline.com/corporate/2022/06/29/458099/megawide-anti-dummy-case-vs-officials-dismissed-due-to-amended-psa/

ECONOMY AND INDUSTRY

ECONOMY[13]

On April 7, 2022, the Philippine Statistics Authority (PSA) reported that the Philippine economy grew slightly faster in 2021 than it initially reported. Gross Domestic Product (GDP) went up by 5.7% in 2021, marginally higher than the 5.6% initially reported on January 27, 2022. Also, the record economic decline due to the pandemic in 2020 was revised to 9.5%, a little slower than the 9.6% contraction initially reported. Economic growth for 4Q2021 accelerated to 7.8%, from the preliminary estimate of 7.7%. This was also a turnaround from the 8.2% contraction recorded in 4Q2020.

The Philippine economy kept its growth momentum in 1Q2022, as it expanded by 8.2%. The latest expansion was a reversal from the 3.8% contraction in the same period in 2021, and outpaced the 7.8% growth recorded in 4Q2021. Apart from base effects, analysts credit the further reopening of the economy, along with election spending, as factors that supported the economy's growth. Many areas (including Metro Manila) were already under the least restrictive Alert Level 1 by end-March 2022; as of report writing date, most of the country is already under this Alert Level.

In 2Q2022, however, GDP grew at a slower pace of 7.4% amid accelerating inflation. In particular, weak agricultural production and easing growth in manufacturing were the main drivers for the slowdown, according to Economic Planning Secretary Arsenio Balisacan. Nonetheless, he noted that it was the second fastest GDP growth in Asia so far for 2Q2022.

Taking into account the quickening inflation and external headwinds, the government further lowered its GDP growth forecast for 2022 to 6.5-7.5%. In July 2022, the Development Budget Coordination Committee (DBCC) announced that inflation for this year will likely average within 4.5-5.5%, exceeding the government's 2-4% inflation target. Such is on account of the uptick in food and fuel prices due in part to Russia's continued invasion of Ukraine. For 2023 to 2028, the government has set a GDP growth target of 6.5-8%, higher than the previously set target of 6-7% for 2023 to 2025. According to Finance Secretary Benjamin Diokno, the latest growth forecasts for 2022 and 2023 are the highest among all the ASEAN+3 countries.[14]

[13] Sources:
https://www.bworldonline.com/top-stories/2022/04/08/441189/philippines-2021-gdp-growth-upgraded-to-5-7/
https://www.cnnphilippines.com/business/2022/5/12/Q1-2022-GDP.html
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https://www.imf.org/en/News/Articles/2022/09/26/pr22322-mf-staff-completes-2022-article-iv-mission-to-the-philippines
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https://www.philstar.com/business/2022/09/27/2212608/world-bank-upgrades-philippine-growth-projection-consumption-rebounds-region

[14] ASEAN+3 countries consist of ASEAN Member States, the People's Republic of China, Japan and the Republic of Korea.

As of report writing date, Philippine GDP growth forecasts of think tanks for 2022 are as follows: Moody's Analytics, 6.8%; International Monetary Fund (IMF), 6.5%; Asian Development Bank (ADB), 6.5%; and World Bank, 6.5%.

Philippine Elections[15]

On May 25, 2022, Ferdinand "Bongbong" Marcos, Jr., the son of the late Philippine President Ferdinand Marcos, was officially proclaimed as the country's next President. President Marcos Jr., who assumed office on June 30, 2022, has presented himself as a candidate who would continue former President Rodrigo Duterte's key policies. These include the war on drugs and the Build, Build, Build infrastructure drive. Marcos Jr. is also expected to maintain Duterte's pro-China stance, while recognizing the Philippines' alliance with the United States of America.

Analysts have taken note of President Marcos Jr.'s selection of competent economic managers for key positions in his administration. According to analysts, the appointments of Bangko Sentral ng Pilipinas (BSP) Governor Benjamin Diokno and Monetary Board (MB) Member Felipe Medalla as the next Secretary of Finance and BSP Governor, respectively, are giving indications that similar to his predecessor, President Marcos Jr. will leave the management of the economy to competent technocrats. Prior to his appointment as BSP Governor, Mr. Diokno was Budget Secretary from 2016 to 2019 under President Rodrigo Duterte. Mr. Medalla was Socioeconomic Planning Secretary under President Joseph Estrada. Recent appointments also include Arsenio Balisacan as Secretary of the National Economic and Development Authority (NEDA), a post which he previously held under President Benigno Aquino III. The Marcos Jr. administration also have Alfredo Pascual, former President of the University of the Philippines (UP) System, as Secretary of the Department of Trade and Industry (DTI).

In addition, President Marcos Jr. has nominated Raphael Lotilla as the next DOE chief. Mr. Lotilla was the Energy Secretary from 2005 to 2007, during the term of former President Gloria Macapagal Arroyo. Prior to that, he was the President and CEO of the Power Sector Assets and Liability Management Corporation (PSALM). In 1996, he served as Deputy Director General of the NEDA, where he supported measures promoting clean technologies and sustainable livelihoods. He is also one of the executives behind Republic Act 9136 or the Electric Power Industry Reform Act of 2001 (EPIRA). Mr. Lotilla was named an Independent Director of Aboitiz Power Corporation—one of the country's leading providers of renewable energy—and ACE Enexor, Inc.—a company engaged in the

[15] https://newsinfo.inquirer.net/1626002/bongbong-marcos-nominates-raphael-lotilla-as-doe-chief
https://www.philstar.com/headlines/2022/07/11/2191799/arroyo-admins-lotilla-returns-head-department-energy
https://powerphilippines.com/raphael-lotilla-is-the-new-doe-chief/
https://mb.com.ph/2022/07/11/palace-clarifies-lotillas-fate-as-energy-chief-still-up-in-the-air/
https://businessmirror.com.ph/2022/07/11/as-comebacking-doe-chieflotilla-faces-many-challenges/
https://mb.com.ph/2022/07/12/escudero-gatchalian-welcome-lotilla-as-new-doe-chief%EF%BF%BC/
https://manilastandard.net/business/power-technology/314243880/lotilla-resigns-as-aboitizpower-director-after-his-appointment-as-doe-secretary.html
https://www.pna.gov.ph/articles/1179738
https://mb.com.ph/2022/07/25/business-thumbs-up-to-marcos-sona/
https://www.cnnphilippines.com/business/2022/9/7/Marcos-secures-investment-pledges-Indonesia-Singapore.html

business of oil and gas exploration and production. Shortly after his appointment as DOE Secretary, Mr. Lotilla resigned as Independent Director of Aboitiz Power Corporation.

Mr. Lotilla is viewed as someone who is very knowledgeable about the energy sector, as well as well-qualified to address the various issues in the sector. The National Association of Electricity Consumers for Reforms (NASECORE), a consumer advocacy group, however, urged President Marcos Jr. to recall the appointment of Mr. Lotilla and Energy Regulatory Commission (ERC) Chairperson Monalisa Dimalanta. Both officials came from the energy arm of the Aboitiz Group, and NASECORE fears that the said power firm will be given undue advantage.[16]

On July 25, 2022, President Ferdinand Marcos Jr. delivered his first State of the Nation Address (SONA). In his speech that lasted for an hour and 14 minutes, President Marcos Jr. expounded on the top priorities of his government: economic recovery, COVID-19 pandemic response, return to face-to-face classes for students, and food security. He also tackled the legislative priorities for his administration. Sentiments from the business community regarding the President's SONA were generally positive.

From September 4 to 7, 2022, President Marcos Jr. had his first inaugural visits to Indonesia and Singapore. According to the President, his state visits delivered investments amounting to $14.36 billion or P804.78 billion. These are from the bilateral deals, as well as from letters of intent and agreements signed by 22 investors from these two countries. The investment pledges cover the following sectors: renewable energy, data centers, e-commerce, broadband technology, startups, government housing, and agriculture.

[16] https://www.cnnphilippines.com/news/2022/9/6/Consumer-group-recall-DOE-ERC-officials-.html

INDUSTRY[17]

Power Demand

The Philippines' total peak demand for electricity increased by 4.9%, from 15,282 MW in 2020 to 16,036 MW in 2021. This was higher than the pre-pandemic peak demand which was at 15,581 MW. The Luzon grid accounted for 72.6% of total peak demand, with 11,640 MW. This was followed by Visayas and Mindanao, with shares of 14.0% (2,252MW) and 13.4% (2,144 MW), respectively.

Installed and Dependable Generating Capacity

The country's total installed generating capacity increased by 2.4%, from 26,250 MW in 2020 to 26,882 MW in 2021. A total of 632 MW were added to the country's supply base in 2021. Of the additions, 725 MW were coal-fired, 298 MW were solar and 42 MW were biomass. These additions were partially offset by a 390 MW reduction in oil-based plants, 27 MW in hydro and 16 MW in wind. In terms of dependable capacity, the Philippines had 23,855 MW in 2021, up by 1.9% from 23,410 MW in 2020.

Coal-fired power plants remained the country's major source of electricity, accounting for 43.4% of the total installed capacity. This was followed by renewable energy at 29.4%, oil-based at 14.3% and natural gas at 12.8%.

Power Generation

In 2021, the country's gross power generation reached 106,115 gigawatt hours (GWh), a 4.3% increase compared to 101,756 GWh in 2020. The 2021 figure is also the all-time high since 1991.

Even with the government's efforts in promoting the development and utilization of renewable energy, coal remained as the major source of power generation in the country, with an increased share of 58.5% in 2021. In comparison, total generation share of renewable energy was at 22.4%.

Table 5. Power Generation by Source (in GWh)

	2020	% of Total	2021	% of Total	Annual Growth
Coal	58,176	57%	62,052	58%	7%
Oil Based	2,474	2%	1,616	2%	-35%
Natural Gas	19,497	19%	18,675	18%	-4%
Renewables	21,609	21%	23,771	22%	10%
Total Generation	101,756	100%	106,114	100%	4%

[17] Department of Energy (DOE)

Power Consumption

Electricity consumption of the residential and commercial sectors both registered an uptick of around 2.0% in 2021. On the other hand, after suffering a decline in the previous year, electricity consumption of the industrial sector increased by 8.0%. Despite the growth, electricity consumption of the commercial and industrial sectors in 2021 were still below 2019 pre-pandemic levels.

Table 6. Power Consumption by Sector (in GWh)

	2020	% of Total	2021	% of Total	Annual Growth
Residential	34,292	34%	34,981	33%	2%
Commercial	20,727	20%	21,119	20%	2%
Industrial	25,566	25%	27,623	26%	8%
Others	2,658	3%	4,903	5%	84%
Utilities Own Use	8,771	9%	7,521	7%	-14%
System Losses	9,742	10%	9,968	9%	2%
Total Consumption	101,756	100%	106,115	100%	4%

Moratorium On New Coal Power Plants

In October 2020, Energy Secretary Alfonso Cusi announced that the country will no longer accept new proposals for coal-based power projects. The move is part of the country's transition from fuel-based technology utilization to cleaner energy sources to ensure more sustainable growth, moving forward. The moratorium, however, would not affect projects that have already been endorsed or have secured the needed permits. The ban on new coal power plants will take effect until such time that the country will be needing additional baseload power.

Moving forward, a more flexible and diversified power supply mix is expected if no new coal projects are approved. Fitch Solutions estimated that coal would have dominated the mix by 60.2% in 2029, without changes to the power mix.

International energy think tank Ember noted that although coal generation is increasing in most countries in Asia, the proportion of electricity from coal is falling (e.g., China and India). This, however, was not the case for the Philippines. The share of coal to the country's energy mix continued to increase despite the moratorium. Ember reported that the Philippines had an 8% increase in power generated using coal and also ranked 15th in terms of coal's share in power generation.[18]

Mindanao-Visayas Interconnection Project (MVIP)

The physical integration of Mindanao to the broader Luzon-Visayas grids has been an enduring objective of the DOE and the NGCP. Such objective gave birth to NGCP's MVIP, and which the ERC approved in July 2017. On

[18] https://powerphilippines.com/think-tank-coal-in-ph-energy-mix-increased-despite-moratorium/

October 19, 2018, NGCP simultaneously broke ground on the project's cable terminal stations in the Municipality of Santander, Cebu, Dapitan City, and Zamboanga del Norte. These cable terminal stations serve as the landing points of the two 92-km submarine cables which will carry around 450 MW of power from Visayas to Mindanao, and vice versa. The completion and full commercial operations of the MVIP is expected to commence in December 2022.[19]

Solar Power[20]

Republic Act No. 9513 also called Renewable Energy Act of 2008 was approved in December 2008. The Act aims to accelerate, promote, and encourage the exploration and development of renewable energy resources in the country. Included in the Act was the implementation of the FIT System which determined a fixed tariff to be paid to electricity produced from each type of emerging renewable energy such as wind, solar, ocean, run-of-river hydropower and biomass power plants within the territory of the Philippines. Furthermore, priority connection to the grid, as well as priority purchase, payment for and transmission of renewable energy electricity will be given by grid system operators.

A good number of solar projects were approved under the Renewable Energy Act of 2008, as of end-December 2021, second to the number of hydropower projects. Solar power had the highest potential capacity among renewable energy sources and the second largest installed capacity in the group as seen in Table 7.

Table 7. Projects under the Renewable Energy Act of 2008 (as of December 31, 2021)

Resources	No. of Projects		Potential Capacity (MW)		Installed Capacity (MW)		Potential Capacity %	Installed Capacity %
	Commercial	Own-Use	Commercial	Own-Use	Commercial	Own-Use		
Hydropower	414	2	12,113	2	1,107	-	25.2%	19.8%
Ocean Energy	8	-	24	-	-	-	0.1%	-
Geothermal	37	-	883	-	1,928	-	1.8%	34.5%
Wind	108	1	14,822	1	443	0	30.8%	7.9%
Solar*	267	40	19,992	10	1,311	7	41.6%	23.6%
Biomass	61	21	219	3	614	175	0.5%	14.1%
Sub-total	**895**	**64**	**48,053**	**16**	**5,403**	**182**	**100.0%**	**100.0%**
TOTAL		**959**		**48,069**		**5,584**		

**Capacity is in MW_p*

Despite the minimal share of solar power in the overall power generation in the Philippines, government continues to advocate for the expansion of the sector. The DOE updated the Philippine Energy Plan (PEP) for

[19] https://mb.com.ph/2022/02/16/p52-b-vismin-interconnection-to-add-300-mw-to-luzon-in-june/
[20] Sources: https://www.doe.gov.ph/pep?withshield=1
https://www.officialgazette.gov.ph/2008/12/16/republic-act-no-9513/
https://asianinsiders.com/unlocking-solar-power-a-growing-business-in-the-philippines/
Renewable Energy Country Attractiveness Index (RECAI) 59th Edition Full Report (May 2022)
https://erc.gov.ph/ContentPage/82733
https://manilastandard.net/business/power-technology/314237383/doe-declares-green-energy-auction-of-2000-mw-a-success.html

2020 to 2040 in October 2021. The PEP reiterates the goal of the direct towards clean energy. The government is aiming to achieve 35% share of RE generation by 2030 and 50% by 2040. Of the target renewable energy base, 10% of such will be from solar power.

Because of the visible push of the government towards renewable energy development, Ernst & Young (EY) Global Limited acknowledged the country's potential in the renewable energy sector. EY's Renewable Energy Country Attractiveness Index (RECAI) ranks the top 40 markets in the world on the attractiveness of their renewable energy investment and deployment opportunities. The Philippines ranked 28th out of 40 renewable energy markets in its 59th edition released in May 2022.

One of the factors that positively contributed to the index of the Philippines was the Green Energy Auction Program (GEAP) of the DOE involving the auction of 2GW of renewables capacity. The government targeted to add 1.4GW of solar, wind, hydro and biomass projects on the island of Luzon; 400MW of biomass, solar and wind power in the Visayas region; and 200MW of hydro, biomass and solar capacity on the island of Mindanao. The identified capacities were then auctioned off to suppliers for a determined price. The DOE defined the Green Energy Auction Reserve (GEAR) price as the maximum price offers for each of the renewable energy sources. The GEAR prices set by the Commission are lower or within the range of the recent Power Supply Agreements (PSA) for newly constructed plants or plants that are ongoing construction, taking into consideration the approved rates and the escalation/adjustment provisions of these PSAs. The GEAR prices are fixed for the whole life of the project.

Over the weekend of June 17, 2022, the auction for the 2GW of renewables capacity was done by the DOE through an electronic bidding platform. Of the total capacity, the DOE auctioned 900 MW solar capacity for Luzon, 260 MW for Visayas and 100 MW for Mindanao. There were 24 bidders that participated in the auction; eight companies bid for solar, eight for wind, seven for run-of-river hydropower, and one for biomass capacity. The delivery commencement of the auctioned capacity will be from December 2022 to December 2025. The DOE plans to hold the GEAP every year.

FINANCIAL REVIEW

Analysts' Note: PhilRatings' calculation methods for certain financial metrics may differ from what the Company uses.

ENFINITY PHILIPPINES RENEWABLE RESOURCES, INC. (to be renamed as CITICORE ENERGY REIT CORP.)

EPRRI was incorporated on July 15, 2010 primarily to explore, develop, and utilize renewable resources such as sun and wind. Since 2017, the main business of EPRRI was the operation of its 22.33 MW Clark Solar Power Project in Clark Pampanga. It was in March 2016 that the Clark Solar Power Plant started its commercial operations and was entitled to the FIT rate per kilowatt hour of energy output for a period of 20 years. TransCo is the regulating body of all the FIT-rate eligible energy providers. In accordance with the Renewable Energy Payment Agreement, the Company is entitled to apply interest on the amount collectible from TransCo if the amount due is not paid after one billing period.

Table 8 shows the financial highlights of EPRRI from 2017 to 2020.

Table 8. EPRRI Financial Highlights

(prior to its designation as a REIT company and prior to the completion of the REIT Formation Transactions)

(In Thousands Php)	2017	2018	2019	2020
Cash and Cash Equivalents	185,648	86,794	47,065	71,737
Property, Plant and Equipment	1,732,250	1,508,466	1,449,497	1,390,337
Total Assets	2,296,318	1,681,424	1,687,114	1,781,242
Total Debt	1,615,678	1,216,014	1,095,256	1,036,256
Total Liabilities	1,928,315	1,300,004	1,226,124	1,216,137
Retained Earnings (Deficit)	(171,998)	(158,581)	(79,010)	25,105
Total Equity	368,002	381,419	460,990	565,105
Revenues	270,772	260,381	248,011	269,077
Operating Expenses	(52,821)	(47,121)	(3,387)	(7,988)
Finance Costs	(106,505)	(87,622)	(68,727)	(64,054)
Net Income (Loss)	(3,065)	13,416	79,571	104,115
Net Cash Flows from Operating Activities	(51,479)	170,275	150,451	119,589
Net Cash Flows from Investing Activities	(206)	(38)	(176)	-
Net Cash Flows from Financing Activities	(307,275)	(269,924)	(190,005)	(94,916)
Net Increase (Decrease) in Cash Equivalents	(358,961)	(99,687)	(39,730)	24,673
Net Profit Margin (%)	(1.13)	5.15	32.08	38.69
Return on Average Equity (%)	(0.83)	3.58	18.89	20.29
Return on Average Assets (%)	(0.13)	0.67	4.72	6.00
EBITDA Interest Coverage (x)	1.65	1.66	3.02	3.56
Current Ratio (x)	1.00	0.84	0.94	1.36
Debt to Equity (x)	4.39	3.19	2.38	1.83
Liabilities to Equity (x)	5.24	3.41	2.66	2.15
Asset to Equity (x)	6.24	4.41	3.66	3.15
Solvency Ratio (x)	1.19	1.29	1.38	1.46

From 2017 to 2020, revenues from the Clark Solar Power Plant were relatively stable at an average of P262.1 million and amounted to P269.1 million in 2020. On the other hand, cost of services declined recording a CAGR of -6.6% from P116.2 million in 2017 to P94.6 million in 2020. As a result, gross profit margin increased from 57.1% in 2017 to 64.8% in 2020. Net income was also on an upward trend supported by lowered operating expenses and finance costs. The Company recovered from a net loss of P3.1 million in 2017 to a net income of P104.1 million in 2020. Net profit margin improved from -1.1% to 38.7%.

Total assets amounted to P1.8 billion as of end-2020. Of the total, 78.1% or P1.4 billion consisted of its Property, Plant and Equipment; solar plant, computer equipment, and substation and transmission lines. EPRRI entered into a long-term loan facility agreement to finance the construction of the Clark Solar Power Plant. The entire facility amounting to P1.35 billion was drawn in 2016 with a term of 12 years maturing in December 2028. The Company likewise leases the land where the Clark Solar Power Plant was constructed. The lease was signed in 2014 and will be valid for 25 years. After the adoption of the PFRS 16 on Leases effective on January 1, 2019, EPRRI recognized corresponding lease liabilities and right-of-use assets.

Total debt stood at P1.0 billion as of end-2020. Bulk of total debt was long-term (87.8% of the total) and averaged 85.5% of total debt since 2017. DE ratio gradually improved since 2017 as a result of principal repayments coupled with equity growth. Retained earnings deficit amounting to P172.0 million in 2017 was reduced annually after net income retentions. As of end-2020, the Company recognized retained earnings of P25.1 million. As a result of the foregoing, DE ratio was 1.8x as of end-2020, down from 4.4x in 2017.

CITICORE ENERGY REIT CORP. (CREIT)

Pro Forma Condensed Financial Statements

The REIT Plan included the Pro Forma Condensed Financial Statements[21], which were prepared based on the assumption that the Clark Solar Power Plant, Armenia Property, Toledo Property, Silay Property and Dalayap Property were already part of CREIT for the period prior to the REIT Formation Transactions. The objective of the pro forma condensed financial information is to show the effects of certain transactions on the historical financial information of the Company had these occurred at an earlier date. It is to be noted that the pro forma financial information does not signify what the result of operations and financial position of the Company would actually have been had the REIT Formation Transactions in fact occurred in the period it was presented. The pro forma adjustments were based on available information and certain assumptions that CREIT saw reasonable under the circumstances.

The financial statements to be discussed in the following sections cover the periods ending December 31, 2017 to December 31, 2020.

[21] The Pro Forma Financial Statements presented in the REIT Plan was part of the IPO Prospectus of CREIT. This did not yet include the Bulacan and South Cotabato Properties and excluded the impact of the recent CREIT approval as a REIT Company, including any funds raised from that offering.

Table 9. Highlights of CREIT Pro Forma Condensed Financial Statements

(In Thousands Php)	2017	2018	2019	2020
Cash and Cash Equivalents	665,462	654,603	1,021,281	1,228,248
Property, Plant and Equipment	1,732,250	1,508,466	1,449,497	1,390,337
Total Assets	3,857,575	3,847,495	4,226,587	4,574,101
Total Debt	635,719	236,056	115,297	56,297
Total Liabilities	1,847,699	1,358,602	1,240,797	1,037,223
Retained Earnings	632,865	1,111,882	1,608,780	2,159,868
Total Equity	2,009,876	2,488,893	2,985,790	3,536,879
Rental Income	893,916	893,916	893,916	893,916
Operating Expenses	(2,424)	(4,177)	(5,117)	(7,899)
Finance Costs	(124,334)	(104,812)	(82,684)	(77,112)
Net Income	445,376	479,017	496,897	551,088
Net Cash Flows from Operating Activities	239,891	281,851	564,590	322,408
Net Cash Flows from Investing Activities	(206)	(38)	(176)	-
Net Cash Flows from Financing Activities	(318,547)	(293,505)	(197,736)	(115,441)
Net Increase (Decrease) in Cash Equivalents	(78,862)	(11,691)	366,678	206,967
Net Profit Margin (%)	49.82	53.59	55.59	61.65
Return on Average Equity (%)	22.16	21.30	18.15	16.90
Return on Average Assets (%)	11.55	12.43	12.31	12.52
EBITDA Interest Coverage (x)	7.16	8.43	10.75	11.49
Current Ratio (x)	2.77	7.28	6.58	11.03
Debt to Equity (x)	0.32	0.09	0.04	0.02
Liabilities to Equity (x)	0.92	0.55	0.42	0.29
Asset to Equity (x)	1.92	1.55	1.42	1.29
Solvency Ratio (x)	2.09	2.83	3.41	4.41

<u>Profitability</u>

2017 to 2020

Part of the pro forma adjustments was to derecognize revenues and expenses related to the sale of electricity from Clark Solar Power Plant reflecting the transfer of its Service Contract to CREC. In 2017 to 2020, pro forma revenues were only for the rental income from the five Leased Properties previously identified, as well as the corresponding costs and expenses.

Rental income was recognized on a straight-line basis by using the total lease receivable including escalation rates divided by the lease term, hence, there was no change in the amount since 2017. The receivable amounts were assumed collected based on the terms of the lease agreements. From 2017 to 2020, total rental income amounted to P893.9 million each year. While rental income posted no movement, cost of services dropped beginning in 2019. Cost of services mainly included depreciation of the solar plant and amortization of right-of-use assets. The decline was attributed to lower depreciation due to the net effect of the change in the estimated useful life of the transmission lines and solar panel modules of the Clark Solar Power Plant. Cost of services averaged P85.9 million in 2017 and 2018 before declining to P68.7 million in 2019 and 2020. As a result of the foregoing, gross profit margins improved from average of 90.4% in 2017 and 2018, to 92.3% in 2019 and 2020.

Operating expenses increased from P2.4 million in 2017 to P7.9 million in 2020 mainly due to higher local business taxes which amount to a percentage of gross receipts for each taxable year. On the other hand, net other charges posted a declining trend as finance costs lowered with the reduction of loan balances through principal repayments. In 2020, CREIT also benefited from the government mandated grace period for all loans without incurring any additional interest, penalties, fees and other charges pursuant to the Bayanihan Act. Because of such, finance costs gradually dropped from P124.3 million in 2017 to P77.1 million in 2020.

Considering the above mentioned, net income increased by a CAGR of 7.4%, from P445.4 million in 2017 to P551.1 million in 2020. This translated to a higher net profit margin of 61.7% in 2020, up from 49.8% in 2017. As of end-2020, ROAA grew to 12.5x (11.6x in 2017) and EBITDA interest coverage ratio likewise expanded to 11.5x (7.2x in 2017) for the period.

Cash Flow and Liquidity

2017 to 2020

Net cash from operations were consistently increasing from 2017 to 2020 mainly from operating income growth. Net cash from operations was P239.9 million in 2017 and expanded to P322.4 million in 2020. Net cash used for investing activities stemmed from purchases of vehicles and computer software. In 2020, there were no additional purchases relating to the aforementioned, while minimal expenditures amounting to P206 thousand, P38 thousand, and P176 thousand were made in 2017, 2018 and 2019, respectively.

Net cash used in financing activities were primarily due to payments of debt and lease liabilities. In 2017 and 2018, significant payments were made in relation to loans from shareholders including interest payments. As a result, loans from shareholders were completely paid off in 2018. Cash outflow from financing activities amounted to P318.5 million and P293.5 million in 2017 and 2018, respectively. Payments for loans to local banks were also made by the Company since 2017. Bulk of payments made in 2019 and 2020 were to outstanding loans to local banks and lease liabilities. Net cash used in financing activities were P197.7 million and P115.4 million in 2019 and 2020, respectively.

Due to the foregoing, cash and cash equivalents increased by 84.6% from P665.5 million as of end-2017 to P1.2 billion as of end-2020. Current ratio was more than adequate at 11.0x as of end-2020, up from 2.8x as of end-2017.

Capital Structure

2017 to 2020

Total assets expanded at a CAGR of 5.8% from P3.9 billion in 2017 to P4.6 billion in 2020. Growth in total assets was mainly driven by the increase in cash and cash equivalents coupled by the higher trade receivables due to larger contractual lease revenues.

Total liabilities notably declined from P1.8 billion in 2017 to P1.0 billion in 2020. Such decline in total liabilities was largely attributed to annual principal repayments of loans and payments of lease liabilities. Total interest-bearing loans amounting to P635.7 million in 2017 was reduced by 91.1% to P56.3 million in 2020. Since 2019, all outstanding loans payable were current and expected to be settled in the short-term. Similarly, lease liabilities also declined albeit by a smaller degree. Lease liabilities totaled P233.5 million in 2017 and dropped by 3.4% to P225.5 million in 2020.

Shareholders' equity climbed up by a CAGR of 20.7% from P2.0 billion in 2017 to P3.5 billion in 2020. Retained earnings drove the increase in total equity which expanded more than three times from P632.9 million in 2017 to P2.2 billion in 2020. Net income retention drove the annual increase in retained earnings.

DE ratio was conservative and peaked at 0.3x in 2017. Such gradually improved further to 0.02x in 2020. Total debt to capitalization ratio was likewise minimal at 1.6% in 2020, down from 24.0% in 2017.

Historical Financial Statements

In 2021, CREIT had two sources of income; revenues from the sale of electricity and rental income from the leasing activities. This was before the Company completed all its REIT Formation Transactions. Beginning 2022, upon completion of such, the revenues of the Company will solely come from rental income.

CREIT will sublease the leasehold land assets (Toledo Property, Silay Property and the Dalayap Property) and the Clark Solar Power Plant back to the related parties, and lease the freehold land (Armenia Property) to a related party. The lease contracts for Armenia, and Dalayap Properties commenced on November 1, 2021 while the Toledo, and Silay Properties commenced on January 1, 2022. On the other hand, commencement of the lease contract for the Clark Solar Power Plant was moved to January 1, 2022 (originally November 1, 2021), following the approval of the Department of Energy (DOE) on the assignment of the Service Contract to CREC on December 25, 2021.

In 2022, the Company used the proceeds from its IPO to acquire a parcel of land in Bulacan and then leased it out to a related party commencing on January 1, 2022. Another parcel of land was acquired by CREIT located in South Cotabato. The revenues of CREIT in 1H2022 were made up of rental income from its seven Leased Properties – Clark Solar Power Plant and Armenia, Toledo, Silay, Dalayap, Bulacan and South Cotabato Properties.

Table 10. CREIT Historical Financial Statements Highlights

(In Thousands Php)	**2020**	**2021**	**1Q2021**	**1Q2022**	**1H2021**	**1H2022**
Cash and Cash Equivalents	71,737	49,014		1,061,429		312,884
Property, Plant and Equipment	1,390,337	1,331,185		1,316,400		1,301,619
Total Assets	1,781,242	1,908,821		4,754,436		4,772,469
Total Debt	1,036,256	-		-		-
Total Liabilities	1,216,137	280,775		488,494		493,688
Retained Earnings	25,105	250,985		322,192		335,031
Total Equity	565,105	1,628,046		4,265,943		4,278,781
Sale of Electricity	269,077	334,519	58,226	-	130,727	-
Rental Income	-	17,774	-	331,792	-	663,583
Operating Expenses	(7,988)	(56,973)	(1,059)	(8,080)	(6,395)	(8,758)
Finance Costs	(64,054)	(29,439)	(15,638)	(4,383)	(26,982)	(7,720)
Net Income	104,115	225,880	23,518	300,299	89,200	601,137
Net Cash Flows from Operating Activities	119,589	86,267	14,874	432,619	44,531	708,216
Net Cash Flows from Investing Activities	-	-	-	(1,752,795)	-	(2,507,919)
Net Cash Flows from Financing Activities	(94,916)	(108,990)	(46,663)	2,332,590	(71,060)	2,063,572
Net Increase (Decrease) in Cash Equivalents	24,673	(22,723)	(31,790)	1,012,415	(26,531)	263,869
Net Profit Margin (%)	38.69	64.12	40.39	90.51	68.23	90.59
EBITDA Interest Coverage (x)	3.56	9.61	3.48	73.10	4.50	83.27
Return on Average Equity (%)	20.29	20.60		31.22		33.82
Return on Average Assets (%)	6.00	12.24		28.38		30.50
Current Ratio (x)	1.36	1.33		5.79		3.30
Debt to Equity (x)	1.83	-		-		-
Liabilities to Equity (x)	2.15	0.17		0.11		0.12
Asset to Equity (x)	3.15	1.17		1.11		1.12
Solvency Ratio (x)	1.46	6.80		9.73		9.67

Profitability

2020 vs. 2021

Total revenues amounted to P352.3 million in 2021, up by 30.9% from P269.1 million in the prior year. Revenues from the sale of electricity climbed by 24.3%, from P269.1 million in 2020 to P334.5 million in 2021 due to the approved FIT-rate adjustments for eligible energy providers. CREIT also recognized rental income equivalent to two months of rent from two of its Leased Properties – Armenia and Dalayap. Rental income from November to December 2021 was P17.8 million.

Cost of services mainly pertained to the depreciation of the Clark Solar Power Plant. Cost of services, however, declined by 21.6% to P74.2 million as a result of the reversal of retirement benefit obligation and the recalibration of the accrual of taxes and licenses with actual tax payments. Due to the jump in total revenues coupled by the decrease in costs, gross profit margin grew to 78.9% in 2021 from 64.8% in 2020.

Operating expenses materially expanded by more than seven times from P8.0 million in 2020 to P57.0 million in 2021 due to the expenses related to IPO of the Company. For purposes of recognition, the IPO costs relating to the secondary shares were recorded in the profit or loss while the amount allocated for the primary shares were deducted against APIC. The IPO costs recognized as part of operating expenses amounted to P46.4 million which consisted of taxes and licenses, professional fees and outside services.

Finance costs totaled P29.4 million, lower by 54.0% from prior year owing to the decrease in loan balance due the assignment of CREIT's outstanding loan to Parent Company, CREC. By the end of 2021, CREIT was unlevered and finance costs were mainly related to lease liabilities.

Other income, on the other hand, hiked by more than 15 times to P26.0 million from P1.7 million in 2020. The jump was due to the gain recognized on the compromise settlement of due to government agencies amounting to P25.2 million. The liability was in relation to the local property taxes of the Clark Solar Power Plant that the Company settled as part of its transition to becoming a REIT company. CREIT took the conservative approach and recognized tax liabilities for Clark Solar Power Plant that was greater than the actual amount settled with the local government agencies.

The foregoing resulted in income before taxes of P217.7 million in 2021, more than double the P104.1 million in the previous year. Excluding the extraordinary gain, income before taxes would still record material growth of 84.9% or higher by P88.4 million than last year. In addition, income tax benefit of P8.2 million was recorded by the Company primarily due to the recognition of net operating loss carry-over (NOLCO) [22] on lease segment.

As a result, net income posted a significant growth of 117% from P104.1 million in 2020 to P225.9 million in 2021. Net profit margin increased to 64.1% from 38.7%. ROAA likewise grew from 6.0% in 2020 to 12.2% for the period driven by the sizeable growth in net income.

1Q2021 vs. 1Q2022

Net income recorded a sharp growth of 1176.9% in the first quarter of 2022 compared to the same period of 2021 backed by the commencement of lease contracts beginning at the start of the year. Net income was P300.3 million

[22] "Net operating loss" means the excess of allowable deductions over the gross income of the business in a taxable year. The net operating loss carry-over (NOLCO) of the renewable energy developer during the first 3 years from the start of commercial operation will be carried over as a deduction from gross income for the next seven (7) consecutive taxable years immediately following the year of such loss. Republic Act (RA) 11494 or the Bayanihan to Recover as One Act extended the allowable NOLCO period to the next five consecutive taxable years following the years of the loss for losses incurred during taxable years 2020 and 2021.
Sources: REIT Plan - Key Elements of the Electricity Sector Legal Framework (The Renewable Energy Act 2008)
https://www.manilatimes.net/2021/10/21/business/top-business/availment-of-nolco-deduction/1819138

in 1Q2022, higher by P276.8 million than P23.5 million in 1Q2021. Net profit margin substantially increased to 90.5% compared to 40.4% in the same period of 2021. ROAA went up further to 30.5%.

Rental income from the six Leased Properties were recognized beginning in January 2022 while there was nil for the same period of 2021. Total revenues expanded by 469.8% to P331.8 million attributed purely to rental income. Revenues in 1Q2021 were solely from the sale of electricity which amounted to P58.2 million.

Net increase of 8.7% in cost of services was because of the recognized property and fund management fee partially offset by the transfer of operations and maintenance activities related to the assignment of the operations of the Clark Solar Power Plant to CREC. Gross profit expanded by 677.9% to P312.1 million from P40.1 million in 1Q2021 due to the pronounced increase in revenues.

Finance costs dropped by 72% compared to 1Q2021 as the Company's outstanding loans were assumed by CREC in May 2021. Finance costs for 1Q2022 were related to long term lease contract amounting to P4.4 million. The decline in finance costs further contributed to net income expansion.

Cash Flow and Liquidity

2020 vs. 2021

Net cash flow from operating activities remained positive since 2020 and was the main source of funding for the Company. Higher bottom line supported a 20.8% growth in net cash from operations before working capital adjustments. Negative adjustments to cash were on larger payments to trade liabilities as well as higher trade and other receivables from the long-term collection schedule of FIT adjustment for the period. Net cash from operations amounted to P86.3 million in 2021.

CREIT did not use cash for investing activities in 2020 and 2021. The investment property in 2021 was acquired through its property-for-share swap relating to the Armenia property and such was considered as a non-cash transaction.

Generated cash was mainly used for the principal and interest payments of loans and lease liabilities. In 2021, share issuance costs of P35.0 million in relation to the public listing of the Company added to the net cash used for financing activities for the period. Net cash used in financing activities totaled P109.0 million in 2021, higher than the P94.9 million spent in 2020.

As a result of the foregoing, cash and cash equivalents stood at P49.0 million as of end-2021. Such was lower by 31.7% than P71.7 million as of end-2020. Nonetheless, current ratio was relatively flat at 1.3x in 2021 as the drop in current assets was coupled by the decline in current liabilities.

1Q2021 vs. 1Q2022

Net cash from operations substantially grew to P432.6 million as of end-March 2022 compared to P14.9 million in the same period of 2021, supported by the material increase in earnings. Substantial amount of cash from financing activities was provided by the net proceeds of P2.6 billion from the issuance of shares after its public listing in February 2022. Net cash provided by financing activities was P2.3 billion after the dividend payment of P229.1 million and interest and principal payments to lease liabilities of P5.0 million.

The largest use of cash for the pe"Iod 'as for investing activities that totaled P1.8 billion pertaining to the acquisition of the Bulacan Property.

As of end-March 2022, cash and cash equivalents increased more than 21 times primarily due to the proceeds from CREIT's public listing and sale of shares. Cash and cash equivalents soared to P1.1 billion from P49.0 million as of end-2021. Current assets rose with the increase in cash and cash equivalents which translated to a current ratio of 5.8x as of end-March 2022.

Capital Structure

2020 vs. 2021

Total assets as of December 31, 2021 stood at P1.9 billion, higher by 7.2% from P1.8 billion as of end-2020. Of the total assets, 69.7% was accounted by the property, plant and equipment which is comprised of the Clark Solar Power Plant. In 2021, Investment properties were recognized amounting to P288.0 million which comprised of the Armenia and Dalayap Properties.

Total loans payable of P1.0 billion took bulk of P1.2 billion total liabilities as of end-2020. In May 2021, CREC assumed the Company's outstanding loan with a principal balance of P1.0 billion and corresponding interest through a loans assignment agreement. As a result of the assignment, CREIT became indebted to CREC for the same amount. The loan was reclassified as a related party account and a portion of the amount (P602.5 million) was subsequently converted into additional shares in CREIT. In addition, CREC and CREIT also agreed to offset all related party receivables and payables resulting in a net payable to CREC of P124.7 million. There was no gain or loss on the conversion of the loan and the foregoing related transactions were considered as non-cash transactions. After CREC assumed the loan, total liabilities decreased by 76.9% to P280.8 million as of end-2021. The largest component of total liabilities in 2021 was the Due to related party of P124.7 million.

In 2021, the Board of Directors (BOD) and shareholders approved the increase in the authorized share capital of the Company from P540 million to P3.8 billion which is composed of 15,360,000,000 shares at P0.25 par value per share. As previously mentioned, P602.5 million of the amount payable to CREC was converted into additional shares equivalent to 2,400,000,000 common shares in the Company. In addition, property-for-share swap agreements were also completed in 2021 for parcels of land located in Armenia, Tarlac City. CREC and Citicore Solar Tarlac entered into subscription agreements with CREIT for 19,461,142 and 918,720,864 common shares of the Company for total considerations of P4.8 million and P229.7 million, respectively. As a result of the foregoing, shareholders' equity jumped to P1.6 billion as of December 31, 2021, 188.1% higher from P565 million as of end-2020.

As of end-2021, CREIT was unlevered after it paid off all of its outstanding debt. Liabilities to equity ratio declined to 0.2x as of end-2021 from 2.2x in end-2020, backed by the hike in shareholders' equity coupled by significantly reduced liabilities. Solvency ratio was strong at 6.8x for the period, growing from 1.5x as of end-2020 with quick assets' continued growth as liabilities declined.

2021 vs. 1Q2022

On February 22, 2022, CREIT publicly listed with the PSE and recognized additional share capital amounting to P261.8 million. The Company listed 1,047,272,000 new common shares priced at P2.55 per share, with a par value of P0.25 per share, as Primary Offer Shares. Net APIC arising from the transaction was P2.3 billion, less the transaction costs attributable to primary shares of P103.9 million. After the IPO, shareholders' equity peaked at P4.3 billion as of March 31, 2022, up by a total of P2.6 billion from end-2021.

On the same date, Parent Company CREC offered 1,134,547,000 existing shares in CREIT as Secondary Offer Shares with an Overallotment Option of up to 327,273,000 shares. Such transaction was recorded in the books of CREC as the selling shareholder. Gross proceeds of both the primary and secondary (including the overallotment option) offers amounted to P6.4 billion. As of March 31, 2022, the remaining balance of the proceeds was P5.2 billion which will be used by CREC to fund the development and construction of renewable energy solar and hydro plants in key regions in Luzon.

Total assets also significantly increased by 149.1% with the proceeds from the IPO and acquisition of investment properties. The latter amounted to P2.2 billion as of March 31, 2022, up by 652.8% from P288 million as of end-2021.

Lease liabilities were the largest obligation of CREIT arising from its leased properties. Total liabilities grew by 74% with the increase in lease liabilities and stood at P488.5 million as of March 31, 2022 from P280.8 million as of end-2021.

Liabilities to equity ratio further declined to 0.1x for the period with the larger increase in shareholders' equity. Significant growth in total assets then drove solvency ratio to increase to 9.7x as of end-March 2022. Dividend payments amounting to P229.1 million was made during the period. Dividend payments will be made quarterly moving forward.

Financial Flexibility

CREIT is a publicly listed company and the option of selling shares may be a source of funding should the need arise. The Company had a market capitalization of P14.8 billion as of September 23, 2022.

With zero debt balance as of June 30, 2022, the Company will have room to acquire debt of up to 35% of deposited property. Once the Company gets the Issuer Credit Rating, its aggregate leverage level may reach up to 70% of its deposited property to support future expansion.

As of June 30, 2022, CREIT used approximately 38% of the net proceeds from its IPO. The remaining P3.8 billion of the P6.1 billion net proceeds will be used for the Company's expansion plans.

Update 1H2022

Net income posted a steep increase compared to the same period in 2021. Net income was at P601.1 million, up by 573.5% from P89.3 million in 1H2021. This was driven by rental income as five remaining lease agreements commenced at the start of the year. Resulting net profit margin improved to 90.6% compared to 68.3% in 1H2021. Gross profit likewise expanded by 533.2% which translated to a gross profit margin of 92.8%, higher than 74.4% in the same period of 2021.

Finance costs were lower by 71.4% to P7.7 million from P27.0 million in 1H2021, comprising mainly of finance costs related to long-term lease contracts. CREIT remained unlevered as of end-June 2022, after CREC assumed CREIT's outstanding loans payable for additional shares in the Company in May 2021.

As of end-June 2022, investment properties stood at P2.9 billion, up by more than 9 times since end-2021. CREIT was aggressively infusing properties as it builds up its leasing portfolio. Such boosted the growth in total assets by 150% to P4.8 billion, from P1.9 billion as of end-2021. Total liabilities remained minimal at P493.7 million, albeit higher by 75.8% from P280.8 million as of end-2021. On the other hand, shareholders' equity peaked at P4.3 billion, increasing due to retained earnings in the second quarter. The foregoing translated to a solvency ratio of 9.7x, improving from 6.8x in 2021, with the continued growth in total assets. The larger growth in shareholders' equity brought liabilities to equity ratio lower to 0.1x from 0.2x as of end-2021.

Cash flows were stable and remained positive for the period. Net cash from operations amounted to P708.2 million backed by the higher earnings in 1H2022. Proceeds from the IPO boosted cash from financing activities which totaled P2.7 billion. The generated cash was then used primarily for the acquisition of and expenditures on investment properties. Net cash used in investing activities totaled P2.5 billion for the period. The net effect on cash and cash equivalents was an increase of P263.9 million. Cash and cash equivalents stood at P312.9 million as of end-June 2022. Current ratio was more than adequate at 3.3x, improving from 1.3x as of end-2021, due to the increase in current assets coupled by the drop in current liabilities.

Current trade and other receivables declined to P2.3 million, from P41.9 million as of end-2021, due to the collection of receivables from Transco in relation to the sale of electricity in the fourth quarter of 2021. The remaining balance of trade receivables were the arrears on FIT rate adjustments that are expected to be collected within the year. On the other hand, noncurrent trade and other receivables increased by 76.3% to P151.6 million, in relation to the collectible lease revenues which will be recovered upon billing based on the contractual lease schedule.

FINANCIAL PROJECTIONS

Based on the financial projections, the proposed bond issuance of up to P3.0 billion, with an oversubscription option of up to P1.5 billion will be allotted for the acquisition of selected new properties. The additional properties are expected to support revenue growth throughout the projected period. The estimated increase in revenues will be coupled with elevated, yet manageable costs and expenses. This will result in healthy net income throughout the term of the bonds. Based on the Company's performance as of 1H2022, it is in a good position to reach its targets for the year.

Adequate liquidity is seen to be maintained with good cash flow generation. CREIT will have ample funding for its planned acquisitions given the proceeds of the projected bond issuance and remaining proceeds from its IPO. Capital structure will also be relatively conservative considering the issuance of bonds. CREIT will be well positioned to settle the proposed bonds upon maturity through a mix of internally generated cash and capital raising activities.

Backed by good profitability, CREIT intends to distribute dividends higher than the minimum REIT Law requirement of 90% dividend payout based on distributable income. Management will be flexible in adjusting dividend payout depending on prevailing conditions for the period.

According to the Reinvestment Plan, the remaining proceeds from the IPO will be used by CREC to fund ongoing and future investments within one year from the receipt thereof. The Reinvestment Plan identified 10 renewable energy projects that CREC will invest in and in turn, be acquired by or infused into CREIT. The audited use of the proceeds is still in the process of being completed and given regulatory requirements, CREIT will be obligated to report on the progress of the Reinvestment Plan.

CREIT's Proposed Green Bonds Receive High Credit Rating

Philippine Rating Services Corporation (PhilRatings) assigned an Issue Credit Rating of **PRS Aa plus**, with a **Stable Outlook**, for Citicore Energy REIT Corp.'s (CREIT) proposed P3.0 billion Green Bond issuance, with an oversubscription option of up to P1.5 billion. CREIT, the commercial Real Estate Investment Trust (REIT) platform of the Citicore Group, is the first and only energy-focused REIT in the Philippines.

Obligations rated PRS Aa are of high quality and are subject to very low credit risk. The obligor's capacity to meet its financial commitment on the obligation is very strong. The "plus" further qualifies the assigned rating. A Stable Outlook, on other hand, indicates that the rating is likely to be maintained or to remain unchanged in the next 12 months.

PhilRatings also assigned an Issuer Credit Rating of **PRS Aa plus (corp.)**, with a **Stable Outlook**, to CREIT. An Issuer Credit Rating is an opinion on the general and overall creditworthiness of the company, evaluating its ability to meet all its financial obligations within a time horizon of one year. A company rated PRS Aa (corp.) differs from the highest rated corporates only to a small degree, and has a strong capacity to meet its financial commitments relative to that of other Philippine corporates. The "plus" further qualifies the assigned rating.

The ratings and corresponding Outlook take into account CREIT's: (i) unique portfolio of renewable energy REIT assets that enjoy stable full occupancy from lessees with cycle-resilient operations; (ii) reputable Sponsors; (iii) strong profitability with high margins; and (iv) sound financial position and significant flexibility for expansion.

PhilRatings' ratings are based on available information and projections at the time that the rating review was performed. PhilRatings shall continuously monitor developments relating to CREIT, and may change the ratings at any time, should circumstances warrant a change.

CREIT is particularly focused on the renewable energy space, which is poised for growth given the continuously growing demand for electricity and the government's push to expand the country's renewable energy capacity. Its property portfolio currently consists of a solar power plant and six land assets which are leased to solar power plant operators. Although these operators have a relatively short operating history, the companies have exhibited a good track record in terms of operating and maintaining their respective solar power plants in the past six years. They have also displayed resiliency amidst the peak of the COVID-19 pandemic.

At present, all the lessees are likewise members of the Citicore Group. They have nevertheless secured long-term offtake agreements (covering 95% of total installed capacity) with the government and various established entities, supporting revenue stability moving forward. If in the future, CREIT is able to tap lessees from outside the Group, such will lead to further diversification in its client base.

With its unique business model, CREIT's properties have an occupancy rate of 100% and offer a steady stream of revenues. Such is also seen to continue over the long-term, as lease expirations range from 2039 to 2046.

The Sponsors of CREIT are Citicore Renewable Energy Corporation (CREC) and the latter's wholly-owned indirect subsidiary, Citicore Solar Tarlac 1, Inc. (Citicore Tarlac 1). CREC is a sister company of construction and infrastructure conglomerate Megawide Construction Corporation (Megawide). The Citicore

Group boasts of a proven track record in constructing, operating and maintaining solar power plants. As of end-June 2022, the Group was the second largest solar power generator in the Philippines, with a total combined installed capacity of 205 MW_{DC}. CREIT benefits from the Citicore Group's and its Sponsors': (i) established reputation; (ii) strong relationships with key players in the Philippine renewable energy and real estate industries; (iii) critical understanding of the domestic market; and (iv) established experience in developing and managing properties.

Prior to its transition to a REIT company, PhilRatings noted that CREIT had stable revenues from the sale of electricity from its sole power plant, the Clark Solar Power Plant, which started commercial operations in 2016. Net income grew steadily supported by reduced operating costs and expenses. Net income totaled P104.1 million for full-year 2020 following a sustained upward trend since 2017.

In 2021, the Company began its transition to becoming a REIT and started to recognize leasing income on the same year. Total revenues amounted to P352.3 million in 2021, up by 30.9% from P269.1 million in the prior year. Net income posted a significant growth of 117% to P225.9 million in 2021. Net profit margin was 64.1% in 2021 and the return on average assets (ROAA) was 12.3% driven by the sustained growth in net income.

High profitability continued in the first half of 2022 (1H2022). Net income recorded a sharp growth of 573.5% year-on-year (YoY) to P601.1 million in 1H2022, in line with the commencement of lease contracts for all seven properties at the start of 2022. Net profit margin for the period substantially increased to 90.6%.

As of end-June 2022, CREIT was unlevered after it assigned its outstanding debt to its Parent Company and Sponsor, CREC, in May 2021. This was part of the transactions entered into by the Company as it transitioned to a REIT. With zero debt balance and an investment grade credit rating, CREIT will have room to acquire debt of up to 70%[1] of its deposited property to support future expansion.

[1] RA No. 9856 - Section 8.10 Aggregate Leverage Limit: "The total borrowings and deferred payments of a REIT should not exceed thirty-five percent (35%) of its deposited property: Provided, however, that the total borrowings and deferred payments of a REIT that has a publicly disclosed investment grade credit rating by a duly accredited or internationally recognized rating agency may exceed thirty-five percent (35%) but not more than seventy percent (70%) of its deposited property."

Citicore Energy REIT Corp.
(Formerly Enfinity Philippines Renewable Resources Inc.)
Statements of Financial Position
(in Thousands PHP)

	2017 Audited	2018 Audited	2019 Audited	2020 Audited	2021 Audited	1Q2022 Unaudited	1H2022 Unaudited
ASSETS							
Current Assets							
Cash and cash equivalents	185,648	86,794	47,065	71,737	49,014	1,061,429	312,884
Trade and other receivables, net	239,802	63,454	128,630	258,905	41,893	3,073	2,299
Prepayments and other current assets	138,003	12,599	11,443	11,601	54,208	31,618	23,749
	563,453	**162,848**	**187,138**	**342,244**	**145,115**	**1,096,120**	**338,932**
Noncurrent Assets							
Trade and other receivables, net of current portion	-	-	-	-	85,982	116,720	151,598
Property, plant and equipment	1,732,250	1,508,466	1,449,497	1,390,337	1,331,185	1,316,400	1,301,619
Investment properties, net	-	-	-	-	288,013	2,168,108	2,930,348
Right-of-use asset, net	-	-	41,811	39,685	37,559	37,028	36,492
Deferred income tax assets, net	-	-	-	-	8,200	8,200	8,200
Other noncurrent assets	614	10,110	8,668	8,975	12,766	11,860	5,279
	1,732,865	**1,518,576**	**1,499,976**	**1,438,998**	**1,763,706**	**3,658,317**	**4,433,537**
TOTAL ASSETS	**2,296,318**	**1,681,424**	**1,687,114**	**1,781,242**	**1,908,821**	**4,754,436**	**4,772,469**
LIABILITIES AND STOCKHOLDERS' EQUITY							
Current Liabilities							
Trade payables and other liabilities	162,978	73,484	78,380	125,610	51,397	50,818	56,694
Due to related party	-	-	-	-	56,145	136,314	43,061
Loans payable	398,813	120,749	120,914	126,446	-	-	-
Lease liabilities	-	-	21	294	1,263	2,170	2,881
Income tax payable	72	-	-	-	-	-	-
	561,863	**194,234**	**199,314**	**252,351**	**108,806**	**189,302**	**102,636**
Noncurrent Liabilities							
Loans payable, net of current portion	1,216,865	1,095,265	974,342	909,810	-	-	
Security deposits and deferred rent income	-	-	-	-	-	-	95,119
Lease liabilities, net of current portion	-	-	51,410	51,061	103,133	230,355	227,096
Due to related party, net of current party	-	-	-	-	68,522	68,522	68,522
Retirement benefit obligation and other liabilities	149,588	10,506	1,057	2,916	315	315	315
	1,366,453	**1,105,771**	**1,026,809**	**963,786**	**171,969**	**299,192**	**391,052**
	1,928,315	**1,300,004**	**1,226,124**	**1,216,137**	**280,775**	**488,494**	**493,688**
Stockholders' Equity							
Share capital	540,000	540,000	540,000	540,000	1,374,546	1,636,364	1,636,364
Additional paid-in capital	-	-	-	-	2,465	2,307,336	2,307,336
Other comprehensive income	-	-	-	-	51	51	51
Retained earnings	(171,998)	(158,581)	(79,010)	25,105	250,985	322,192	335,031
	368,002	**381,419**	**460,990**	**565,105**	**1,628,046**	**4,265,943**	**4,278,781**
TOTAL LIABILITIES AND EQUITY	**2,296,318**	**1,681,423**	**1,687,114**	**1,781,242**	**1,908,821**	**4,754,436**	**4,772,469**

Citicore Energy REIT Corp.

(Formerly Enfinity Philippines Renewable Resources Inc.)

Statements of Total Comprehensive Income

(in Thousands PHP)

	2017 Audited	2018 Audited	2019 Audited	2020 Audited	2021 Audited	1Q2021 Unaudited	1Q2022 Unaudited	1H2021 Unaudited	1H2022 Unaudited
REVENUES									
Sale of electricity	270,772	260,381	248,011	269,077	334,519	58,226	-	130,727	-
Rental income	-	-	-	-	17,774	-	331,792	-	663,583
	270,772	260,381	248,011	269,077	352,293	58,226	331,792	130,727	663,583
Cost of Services	(116,231)	(139,352)	(98,376)	(94,624)	(74,208)	(18,101)	(19,680)	(33,456)	(47,621)
Gross profit	**154,541**	**121,029**	**149,635**	**174,453**	**278,085**	**40,125**	**312,112**	**97,270**	**615,962**
Operating expenses	(52,821)	(47,121)	(3,387)	(7,988)	(56,973)	(1,059)	(8,080)	(6,395)	(8,758)
Income from operations	**101,719**	**73,908**	**146,248**	**166,465**	**221,113**	**39,066**	**304,032**	**90,875**	**607,204**
Finance costs	(106,505)	(87,622)	(68,727)	(64,054)	(29,439)	(15,638)	(4,383)	(26,982)	(7,720)
Other income, net	1,792	27,130	2,050	1,704	26,006	90	680	25,307	1,653
Income before income tax	**(2,993)**	**13,416**	**79,571**	**104,115**	**217,680**	**23,518**	**300,329**	**89,200**	**601,137**
Income tax benefit (expense)	(72)	-	-	-	8,200	0	(30)	51	-
NET INCOME	**(3,065)**	**13,416**	**79,571**	**104,115**	**225,880**	**23,518**	**300,299**	**89,251**	**601,137**

Citicore Energy REIT Corp.

(Formerly Enfinity Philippines Renewable Resources Inc.)

Statements of Cash Flows

(in Thousands PHP)

	2017 Audited	2018 Audited	2019 Audited	2020 Audited	2021 Audited	1Q2021 Unaudited	1Q2022 Unaudited	1H2021 Unaudited	1H2022 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES									
Income before income tax	(2,993)	13,416	79,571	104,115	217,680	23,518	300,299	89,200	601,137
Adjustments for:									
Depreciation and amortization	73,645	71,880	61,271	61,285	61,751	15,321	16,375	30,643	35,684
Finance costs	108,567	87,622	68,727	64,054	29,439	15,638	4,383	26,982	7,720
Unrealized foreign exchange losses (gains), net	4,192	(3,906)	60	11	55	-	394	2	85
Reversal of provision for asset retirement obligation	(245)	-	-	(1,057)	-	-	-		
Provision for doubtful account of accounts receivable	-	4,248	-	1,944	-	-	-		
Interest income	(6,580)	(11,653)	(2,110)	(662)	(277)	(91)	(1,074)	(108)	(2,047)
Retirement benefit (income) expense and other income	-	(11,570)	-	2,916	(2,550)	-	-	(2,707)	
Gain on compromise settlement of due to gov't agencies	-	-	-	-	(25,201)	-	-	(25,201)	
Operating income before working capital changes	**176,587**	**150,036**	**207,519**	**232,606**	**280,897**	**54,387**	**320,377**	**118,810**	**642,578**
Changes in working capital:									
Trade and other receivables	(104,533)	176,450	(65,176)	(132,219)	(166,432)	(1,649)	8,082	(43,171)	(24,429)
Prepayments and other current assets	(424)	121,797	1,126	(158)	(6,943)	(1,545)	22,590	(3,378)	(5,205)
Other non-current assets	27	(2,915)	(308)	(307)	(3,791)	(0)	906	(137)	7,486
Due from related party	(27,323)	(227,040)	-	-	-	(26,585)	80,169	-	(13,084)
Trade payables and other liabilities	(97,276)	(55,810)	5,180	19,005	(17,742)	(9,825)	(579)	(27,700)	798
Security deposits	-	-	-	-	-	-	-	-	99,618
Cash generated from (used in) operations	**(52,942)**	**162,518**	**148,340**	**118,926**	**85,990**	**14,783**	**431,544**	**44,423**	**707,763**
Interest received	1,463	8,616	2,110	662	277	91	1,074	108	453
Interest paid	(73,269)	-	-	-	-	-	-	-	-
Interest taxes paid	(0)	(858)	-	-	-	-	-	-	-
Net cash flows provided by operating activities	**(124,749)**	**170,275**	**150,451**	**119,589**	**86,267**	**14,874**	**432,619**	**44,531**	**708,216**
CASH FLOWS FROM INVESTING ACTIVITIES									
Acquisitions of and expenditure for Investment property	(206)	(38)	(176)	-	-	-	(1,752,795)	-	(2,507,919)
Net cash flows used in investing activities	**(206)**	**(38)**	**(176)**	**-**	**-**	**-**	**(1,752,795)**	**-**	**(2,507,919)**
CASH FLOWS FROM FINANCING ACTIVITIES									
Dividend payment	-	-	-	-	-	-	(229,091)	-	(517,091)
Principal payment of lease liabilities	-	-	(235)	(88)	(955)	-	(625)	(502)	(17,888)
Interest payment on lease liabilities	-	-	(3,687)	(4,026)	(4,465)	(1,147)	(4,383)	(2,008)	(3,802)
Principal payment of loans from a bank	(18,074)	(69,338)	(63,356)	(29,438)	(36,941)	(14,492)	-	(31,612)	-
Interest payment on loans from a bank	-	(122,727)	(122,727)	(61,364)	(31,612)	(31,025)	-	(36,941)	-
Payment of share issuance costs	-	-	-	-	(35,018)	-	-	-	(68,191)
Proceeds from issuance of shares	-	-	-	-	-	-	2,566,689	-	2,670,544
Payments of loan from a shareholder	(256,221)	(77,858)	-	-	-	-	-	-	-
Collection of subscriprion receivable	40,289	-	-	-	-	-	-	-	-
Net cash flows provided by (used in) financing activities	**(234,006)**	**(269,924)**	**(190,005)**	**(94,916)**	**(108,990)**	**(46,663)**	**2,332,590**	**(71,062)**	**2,063,572**
Effect of exchange rate changes on cash and cash equivalents	617	833	-	-	-	-	-	-	-
NET INCREASE (DECREASE) IN CASH	**(358,344)**	**(98,854)**	**(39,730)**	**24,673**	**(22,723)**	**(31,790)**	**1,012,415**	**(26,531)**	**263,869**
CASH AT BEGINNING OF YEAR	**543,992**	**185,648**	**86,795**	**47,065**	**71,738**	**71,737**	**49,014**	**71,737**	**49,014**
CASH AT END OF YEAR	**185,648**	**86,795**	**47,065**	**71,738**	**49,015**	**39,948**	**1,061,429**	**45,207**	**312,884**

Citicore Energy REIT Corp.
(Formerly Enfinity Philippines Renewable Resources Inc.)

Auditor: Isla Lipana & Co.
Year Ending December 31

(Amounts In Thousand Pesos)	2017	2018	2019	2020	2021	1Q2022	1H2022
INCOME STATEMENT STATISTICS							
Revenue Analysis							
Total Revenues	270,772	260,381	248,011	269,077	352,293	331,792	663,583
Operating Income	101,719	73,908	146,248	166,465	221,113	304,032	607,204
EBITDA	175,364	145,788	207,519	227,751	282,864	320,407	642,888
Net Income	(3,065)	13,416	79,571	104,115	225,880	300,299	601,137
% to Total Revenues							
Operating Income	38%	28%	59%	62%	63%	92%	92%
EBITDA	65%	56%	84%	85%	80%	97%	97%
Net Income	-1%	5%	32%	39%	64%	91%	91%
Interest Coverage Analysis							
EBITDA Interest Coverage (x)	1.62	1.66	3.02	3.56	9.61	73.10	83.27
Return on Assets and Capitalization*							
Return on Average Assets (%)	-0.13	0.67	4.72	6.00	12.24	28.38	30.50
Return on Average Equity (%)	-0.83	3.58	18.89	20.29	20.60	31.22	33.82
BALANCE SHEET ANALYSIS							
Asset Composition and Capitalization							
Cash	185,648	86,794	47,065	71,737	49,014	1,061,429	312,884
Receivables (Current Portion)	239,802	63,454	128,630	258,905	41,893	3,073	2,299
Property, Plant and Equipment	1,732,250	1,508,466	1,449,497	1,390,337	1,331,185	1,316,400	1,301,619
Investment Properties	-	-	-	-	288,013	2,168,108	2,930,348
Total Assets	2,296,318	1,681,424	1,687,114	1,781,242	1,908,821	4,754,436	4,772,469
% to Total Assets							
Cash	8%	5%	3%	4%	3%	22%	7%
Receivables (Current Portion)	10%	4%	8%	15%	2%	0%	0%
Property, Plant and Equipment	75%	90%	86%	78%	70%	28%	27%
Investment Properties	0%	0%	0%	0%	15%	46%	61%
Capitalization							
Total Debt (Interest-bearing)	1,615,678	1,216,014	1,095,256	1,036,256	-	-	-
Stockholders' Equity	368,002	381,419	460,990	565,105	1,628,046	4,265,943	4,278,781
Total Capitalization	1,983,680	1,597,433	1,556,246	1,601,361	1,628,046	4,265,943	4,278,781
% Capitalization							
Total Debt (Interest-bearing)	81%	76%	70%	65%	0%	0%	0%
Stockholders' Equity	19%	24%	30%	35%	100%	100%	100%
RATIOS							
Current Ratio (x)	1.00	0.84	0.94	1.36	1.33	5.79	3.30
Acid-test Ratio (x)	1.00	0.84	0.94	1.36	1.33	5.79	3.30
Interest-bearing Debt to Equity Ratio (x)	4.39	3.19	2.38	1.83	-	-	-
Asset to Equity Ratio (x)	6.24	4.41	3.66	3.15	1.17	1.11	1.12
Solvency Ratio (x)	1.19	1.29	1.38	1.46	6.80	9.73	9.67

**Interim figures were annualized*

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A. Current Ratio (SEC Required Ratio - Minimum of 1.20x)

$$\frac{\text{Current Assets}}{\text{Current Liabilities}}$$

2019	=	0.94	
2020	=	1.36	
2021	=	1.33	
3-Year Average	=	1.21	PASSED
1H2022	=	3.30	

B. Acid-test Ratio (SEC Required Ratio - Minimum of 0.50x)

$$\frac{\text{Quick Assets}}{\text{Current Liabilities}}$$

2019	=	0.94	
2020	=	1.36	
2021	=	1.33	
3-Year Average	=	1.21	PASSED
1H2022	=	3.30	

C. Debt to Equity Ratio (SEC Required Ratio - Maximum of 2.50x)

$$\frac{\text{Total Liabilities}}{\text{Stockholders' Equity}}$$

2019	=	2.66	
2020	=	2.15	
2021	=	0.17	
3-Year Average	=	1.66	PASSED
1H2022	=	0.12	

D. Net Profit Margin (SEC Required Ratio - Minimum of 3%)

$$\frac{\text{Net Income}}{\text{Total Revenues}} \times 100$$

2019	=	32.08	
2020	=	38.69	
2021	=	64.12	
3-Year Average	=	44.96	PASSED
1H2022	=	90.59	

E. Return on Equity (SEC Required Ratio - Minimum of 8%)*

$$\frac{\text{Net Income}}{\text{Stockholders' Equity}} \times 100$$

2019	=	17.26	
2020	=	18.42	
2021	=	13.87	
3-Year Average	=	16.52	PASSED
1H2022	=	24.64	

F. Interest Service Coverage (SEC Required Ratio - Minimum of 1.20x)

$$\frac{\text{Pretax Income + Interest Expense}}{\text{Interest Expense}}$$

2019	=	2.16	
2020	=	2.63	
2021	=	8.39	
3-Year Average	=	4.39	PASSED
1H2022	=	78.86	

G. Solvency Ratio (SEC Required Ratio - Minimum of 1.01x)

$$\frac{\text{Total Assets}}{\text{Total Liabilities}}$$

2019	=	1.38	
2020	=	1.46	
2021	=	6.80	
3-Year Average	=	3.21	PASSED
1H2022	=	9.67	

H. Recomputed Debt to Equity Ratio

$$\frac{\text{Total Liabilities + Amount of Bonds Applied for}}{\text{Stockholders' Equity}}$$

1H2022	=	1.17

**Interim figures were annualized*