

June 10, 2025

SECURITIES AND EXCHANGE COMMISSION

7907 Makati Avenue
Salcedo Village
Barangay Bel-Air
Makati City

Attention : **Director Oliver O. Leonardo Jr.**
Markets and Securities and Regulation Department

Re : Preliminary Information Statement

Gentlemen :

In connection with the Annual Stockholders' Meeting ("ASM") of Dagupan Electric Corporation ("DECORP" or the "Company") on July 16, 2025, and in compliance with SRC Rule 20, we are submitting the Preliminary Information Statement.

The Preliminary Information Statement contains the following attachments:

1. Notice of Agenda of the Annual Stockholders' Meeting with details and rationale of each agenda item;
2. Qualifications of the Board of Directors and Officers;
3. Management Report containing the Business Development and Business of the Company;
4. Management Discussion and Analysis;
5. Proof of Notice of the 2024 ASM, Minutes of the 2024 ASM, and the list of Stockholders who attended the 2024 ASM;
6. Audited Financial Statements for the year ended 2024;
7. Independent Directors' Certification; and
8. Certification that no director or officer of the Company is connected with any government agency or instrumentalities.

Very truly yours,

Rene L. Llames
President and CEO

COVER SHEET

S.E.C. Registration Number

(Company's Full Name)

(Business Address; No. Street City / Town / Province)

Fiscal Year

To be accomplished by SEC Personnel concerned

Cashier

Remarks = Pls. use black ink for scanning purposes

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[LETTER HEAD]

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO ALL STOCKHOLDERS

Dagupan Electric Corporation (DECORP)

NOTICE IS HEREBY GIVEN that the Annual Stockholders' Meeting of DAGUPAN ELECTRIC CORPORATION ("DECORP" or the "Corporation") will be conducted virtually on 16 July 2025 (Wednesday) at 2:00 PM, at which the following matters shall be taken up:

- I. Call to Order;
- II. Proof of Notice of Meeting;
- III. Certification of Quorum
- IV. Approval of the Minutes of the Annual Stockholders' Meeting held on 26 July 2024;
- V. Presentation of the President's Report;
- VI. Approval of the Amendments to the Articles of Incorporation and By-laws
- VII. Ratification of the Audited Financial Statements for the year ended 31 December 2024
- VIII. Election of the Members of the Board of Directors, including two (2) Independent Directors, to serve for 2025-2026;
- IX. Appointment of the External Auditor;
- X. Other Matters; and
- XI. Adjournment

We have elected to conduct the meeting remotely for practical reasons and to implement redundant safety measures considering lingering health risks. Stockholders may attend and participate in the meeting only by remote communication, voting in absentia and/or appointing the Chairman of the meeting as their proxy. The procedure and requirements for registration for attending via remote communication and voting in absentia shall be explained in a subsequent email communication.

Only Stockholders of Record as of 5:00 pm of 31 March 2025 shall be entitled to vote at this meeting. Votes cast remotely or *in absentia* should be received by the Corporation on or before 9 July 2025.

Stockholders who wish to vote by proxy shall submit the same on or before 9 July 2025 to the Office of the Corporate Secretary, through Atty. Erwin Mark A. Gavino or Ms. Lilian D. Saralde, located at Veria I Building, 62 West Avenue, Quezon City, Metro Manila, or by email to corpsec@decorp.com.ph. A subsequent email shall be transmitted regarding Proxy Forms. A proxy submitted by a corporation should be accompanied by a Corporate Secretary's certificate quoting the board resolution designating a corporate officer to execute the proxy. In addition to the above requirement for corporations, a proxy form given by a broker or custodian bank in respect of shares of stock carried by such broker or custodian bank for the account of the beneficial owner must be accompanied by a certificate under oath stating that the broker or custodian bank has obtained the written consent of the account holder.

PLEASE NOTE THAT THE CORPORATION IS NOT SOLICITING PROXIES

The nomination and election of the members of the Board of Directors should be in accordance with the nomination forms, procedures and requirements adopted by the Board of Directors. Any stockholder may obtain the required nomination form from, and must submit his nominations to, the Corporate Secretary at Veria I Building, 62 West Avenue, Quezon City, Metro Manila, not later than 2 July 2025.

All nominations shall be in writing duly signed by the nominating stockholders or their duly authorized (in writing) representatives, with the written acceptance and conformity of their nominee. The nomination must indicate whether the nominees are intended to be independent directors. Further, all nominations should include (i) the curriculum vitae of the nominee, (ii) a statement that the nominee has all the qualifications and none of the disqualifications, (iii) information on the relationship of the nominee to the stockholder submitting the nomination, and (iv) all relevant information about the nominee's qualifications, such as the nominee's age, educational attainment, full disclosure of work and/or business experience and/or affiliations. The directors and independent directors shall be elected from among DECORP's stockholders. All nominees for directors and independent directors must possess the minimum requirements/qualifications and none of the disqualifications prescribed by the Securities and Exchange Commission and in DECORP's By Laws and Manual on Corporate Governance.

This Notice and the Corporation's Information Statement, Management Report, and 2024 Audited Financial Statements will be made available in the company website at <https://www.dagupanelectric.com> no later than 25 June 2025

This Notice of the Annual Stockholders' Meeting, the Agenda, and other documents in connection with this Meeting will be transmitted via electronic mail to the Stockholders of record, and this Notice will also be posted in the company website at <https://www.dagupanelectric.com>.

Further, this Notice of the Annual Stockholders' Meeting shall also be published in the business section of two (2) newspaper of general circulation in print and online format for two consecutive days.

Pursuant to SEC Memorandum Circular No. 6, Series of 2020, please be informed that there will be a visual and audio recording of the meeting.

Please be guided accordingly.

ERWIN MARK A. GAVINO
Corporate Secretary

PROXY

The undersigned stockholder of **DAGUPAN ELECTRIC CORPORATION** (the “Company”) hereby appoints _____ or in his /her absence, the Chairman of the meeting, as attorney-in-fact and proxy, to represent and vote all shares registered in the stockholder’s name at the annual meeting of stockholders of the Company on 16 July 2025 and at any of the adjournments thereof for the purpose of acting on the following matters:

1. Approval of Minutes of the 26 July 2024
Stockholders Meeting

☐ For ☐ Against ☐ Abstain

Independent Directors:

2. Approval of the Amendment of Article
THIRD of the Articles of Incorporation

☐ For ☐ Against ☐ Abstain

Geromin T. Nepomuceno Jr. _____

Ranulfo M. Ocampo _____

3. Approval of the Amendment of Article
II, Paragraph 3 of the By-Laws

☐ For ☐ Against ☐ Abstain

6. Appointment of Diaz Murillo Dalupan
and Company as External Auditor

☐ For ☐ Against ☐ Abstain

4. Approval and ratification of the 2024
Audited Financial Statements

☐ For ☐ Against ☐ Abstain

7. At his discretion, the proxy named above
is authorized to vote upon such other
matters as may properly be raised at the
meeting

☐ Yes ☐ No

5. Election of Directors

☐ Distribute all my votes equally among
the seven (7) nominees:

☐ Abstain

☐ Allocate my votes for each nominee
as follows:

| Nominee | Number of Votes |
|----------------------------------|--------------------|
| Angelique Maxime L. Llames-James | _____ |
| Rene Bernard L. Llames | _____ |
| Deon Peter James | _____ |
| Cynthia Irene L. Llames | _____ |
| Jose Maria A. Abaya | _____ |

PRINTED NAME OF STOCKHOLDER

SIGNATURE OF
STOCKHOLDER/AUTHORIZED
SIGNATORY

Date

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

GENERAL INSTRUCTIONS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
☒ Preliminary Information Statement
☐ Definitive Information Statement
2. Name of Registrant as specified in its charter: **DAGUPAN ELECTRIC CORPORATION**
3. **DAGUPAN CITY, PANGASINAN, PHILIPPINES**
 Province, country or other jurisdiction of incorporation or organization
4. SEC Identification Number: **18890**
5. BIR Tax Identification Code: **000-202-524-000**
6. **AB FERNANDEZ ST., DAGUPAN CITY, PANGASINAN, PHILIPPINES** **2400**
 Address of principal office Postal Code
7. Registrant's telephone number, including area code: **(632) 8374 3039**
8. **Date: JULY 16, 2024; Time: 2:00 PM; Place of Meeting: MEETING WILL BE CONDUCTED VIRTUALLY USING GOOGLE MEET PLATFORM**
 Date, time and place of the meeting of security holders
9. Approximate date on which the Information Statement is first to be sent or given to security holders: **June 25, 2025**
10. In case of Proxy Solicitations: **9 July 2025**
11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each ClassNumber of Shares of Common Stock
Outstanding or Amount of Debt Outstanding**COMMON SHARES****14,662,000**

12. Are any or all of registrant's securities listed in a Stock Exchange?

Yes _____ No ✓

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

NOT APPLICABLE

PART I. INFORMATION REQUIRED IN INFORMATION STATEMENT**A. General Information****Item 1. Date, Time, and Place of Meeting of Shareholders**

Date of Meeting : 16 July 2025

Time of Meeting : 2:00 PM

Place of Meeting : Virtually from the Corporation's Office at AB Fernandez West,
Dagupan City

Complete Mailing Address:

Dagupan Electric Corporation
Veria I Building, 62 West Avenue
Quezon City

The Information Statement shall be sent to security holders on or before June 25, 2025. This Information Statement and the Management Report shall also be uploaded to the Company website for downloading by interested parties.

- a) On 17 February 2025, the Corporation informed the Securities and Exchange Commission (SEC) via the filing of the requisite Form 17-C of the resolution made by the Board of Directors of the Corporation during the meeting held on 12 February 2025 approving the postponement of the schedule of the Annual Stockholders' Meeting to 26 July 2025.

The postponement of the Annual Stockholders' Meeting was approved by the Board of Directors of the Corporation due to the need for more time for the Corporation to prepare the required submissions with the SEC leading up to the Annual Stockholders' Meeting.

- b) The Corporation shall be using an alternative mode of distributing copies via publication of the Notice of Meeting and posting on the Corporation's website of the Information Statement, Management Report, and such other documents in connection with the holding of the Annual Stockholders' Meeting.

Item 2. Dissenters' Right of Appraisal

There are no matters or proposed corporate actions included in the Agenda of the 2025 Annual Stockholders' Meeting (2025 ASM) that may give rise to a possible exercise by security holders of their appraisal rights as provided under Title X of Republic Act (RA) No. 11232, or the Revised Corporation Code of the Philippines

Generally, the stockholders of the company have the right to dissent and demand payment of the fair value of the shares in the following instances:

- (a) In case an amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- (b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in this Code;
- (c) In case of merger or consolidation; and
- (d) In case of investment of corporate funds for any purpose other than the primary purpose of the corporation

The dissenting stockholder who votes against a proposed corporate action may exercise the right of appraisal by making a written demand on the corporation for the payment of the fair value of shares held within thirty (30) days from the date on which the vote was taken. Failure to make the demand within such period shall be deemed a waiver of the appraisal right.

If the proposed corporate action is implemented, the corporation shall pay the stockholder, upon surrender of the certificate or certificates of stock representing the stockholders' shares, the fair value thereof as of the day before the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If, within sixty (60) days from the approval of the corporate action by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation, and the third by the two (2) thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made. No payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment.

Item 3. Interest of Certain Persons or Opposition to Matters to be Acted Upon

The directors and executive officers do not have any substantial interest, direct or indirect, in any matter to be acted upon in the stockholders' meeting, other than election to office.

The registrant has not received any written information from any of the directors that intends to oppose any action to be taken by the registrant at the meeting.

B. Control and Compensation Information

Item 4. Voting Securities and Principal Holders Thereof

a.) Class of Voting Shares as of 31 March 31 2025:

| Nationality | Class of Voting Shares | Number of Shares | Percentage |
|-------------|------------------------|------------------|------------|
|-------------|------------------------|------------------|------------|

| | | | |
|--------------------------------------|--------|------------|---------|
| Filipino | Common | 13,858,708 | 94.52% |
| Non-Filipino | Common | 803,292 | 5.48% |
| Total No. of Shares Entitled to Vote | | 14,662,000 | 100.00% |

Every stockholder shall be entitled to one (1) vote for each share of stock held as of the established record date.

b.) Record Date

All common stockholders of record as of 31 March 2025 are entitled to notice of and to vote at DECORP's 2025 ASM.

c.) Election of Directors and Cumulative Voting Rights

As of 31 March 2025, the total number of shares outstanding and entitled to vote in the annual stockholders' meeting is 14,662,000 common shares. Each share is entitled to (1) one vote in accordance with the By-laws of the Company.

The record date for purposes of determining the stockholders entitled to notice of and to vote at the annual stockholders' meeting is 31 March 2025.

A stockholder may vote such number of shares for as many persons as there are directors to be elected. He may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares, or he may distribute them on the same principle among as many candidates as he shall see fit: *Provided*, That the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company multiplied by the whole number of directors to be elected. The stockholder must be a stockholder of record as of 31 March 2025 in order that he may exercise cumulative voting rights. There are no conditions precedent to the exercise of the stockholders' cumulative voting right.

d.) Security Ownership of Certain Record and Beneficial Ownership and Management

The security ownership of certain records and beneficial owners of more than 5% of the voting shares as of 31 March 2025:

| Title of Class of Shares | Name and address of Record Owner and Relationship with Issuer | Name and Beneficial Owner and Relationship with Record Owner | Citizenship | No. of Shares Held | Percent of Class |
|--------------------------|--|--|-------------------|--------------------|------------------|
| Common | Rene Bernard L. Llames ¹ 103 Mother Ignacia Ave., Quezon City Stockholder | Same as the record owner | Filipino /Foreign | 3,606,006 | 24.59% |
| Common | Cynthia Irene L. Llames 103 Mother Ignacia Ave., Quezon City Stockholder | Same as the record owner | Filipino | 3,606,004 | 24.59% |
| Common | Angelique Maxime L. Llames-James 103 Mother Ignacia Ave., Quezon City Stockholder | Same as the record owner | Filipino | 3,606,003 | 24.59% |
| Common | Deon Peter James 103 Mother Ignacia Ave., Quezon City Stockholder | Same as the record owner | Foreign | 803.292 | 5.48% |

¹ A dual citizen by birth

The securities owned beneficially, directly or indirectly, by directors and executive officers:

| Title of Class of Shares | Name of Owners and Position | No. of Shares and Nature of Ownership (Direct and/or Indirect) | Citizenship | Percent of Class |
|---------------------------------|--|---|--------------------|-------------------------|
| Common | Angelique Maxime L. Llames-James Chairperson of the Board | 3,606,003 Direct | Filipino | 24.59% |
| Common | Rene Bernard L. Llames ¹ President and CEO | 3,606,006 Direct | Filipino / Foreign | 24.59% |
| Common | Cynthia Irene L. Llames Treasurer | 3,606,004 Direct | Filipino | 24.59% |
| Common | Deon Peter James Director | 803,292 Direct | Foreign | 5.48% |
| Common | Jose Maria A. Abaya Director | 378,310 Direct | Filipino | 2.58% |
| Common | Ranulfo M. Ocampo Independent Director | 84,071 Direct | Filipino | 0.57% |
| Common | Geromin T. Nepomuceno Jr. Independent Director | 1 Direct | Filipino | 0% |

¹ A dual citizen by birth

As of 31 March 2025, the securities owned beneficially by the nominees for election to the Board of Directors (“BOD”) are as follows:

| Title of Class of Shares | Name of Owners and Position | No. of Shares and Nature of Ownership (Direct and/or Indirect) | Citizenship | Percent of Class |
|---------------------------------|--|---|--------------------|-------------------------|
| Common | Angelique Maxime L. Llames-James | 3,606,003 Direct | Filipino | 24.59% |
| Common | Rene Bernard L. Llames ¹ President and CEO | 3,606,006 Direct | Filipino / Foreign | 24.59% |
| Common | Cynthia Irene L. Llames Treasurer | 3,606,004 Direct | Filipino | 24.59% |
| Common | Deon Peter James Director | 803,292 Direct | Foreign | 5.48% |
| Common | Jose Maria A. Abaya Director | 378,310 Direct | Filipino | 2.58% |
| Common | Ranulfo M. Ocampo Independent Director | 84,071 Direct | Filipino | 0.57% |
| Common | Geromin T. Nepomuceno Jr. Independent Director | 1 Direct | Filipino | 0% |

¹ A dual citizen by birth

1. Voting Trust Holders of Five Percent (5%) or More of Common Equity

There are no voting trust holders in respect of more than five percent (5%) of the Company’s voting shares.

2. Changes in Control

There are no arrangements that may result in change in control of the Company during the period covered by this report.

Item 5. Directors, Executive Officers, and Key Officers

The following are the incumbent Directors, nominees for election as directors, and Executive Officers of DECORP and their respective age, citizenship, current positions, periods of service and business experiences during the past five (5) years:

Directors

ANGELIQUE MAXIME L. LLAMES-JAMES

Filipino, 54 years old
Chairperson, Board of Directors
Director since 1996

Membership in the Board of Non-Listed Companies

- Veria Realty, Inc., Chairperson and President
- Veria Holdings Corporation, Director
- DECORP Solar Inc., Director

Ms. Angelique Maxime L. Llames-James has served as the Chairperson of the Board of Dagupan Electric Corporation since 2022. When she joined the Company in 1996, she was elected as a member of the Board of Directors and appointed as Assistant to the President until 2022. In 2023, in addition to being the Chairperson, she also became the Vice President of the Company.

As a Board Member and Assistant to the President from 1996 to 2022, she was among those who oversee and direct the business operations, set policies, and approve business decisions.

RENE BERNARD L. LLAMES

Filipino/American, 64 years old
Director since 2022
President and Chief Executive Officer (CEO)

Membership in the Board of Non-Listed Companies

- Veria Realty, Inc., Treasurer
- Veria Holdings Corporation, Director
- DECORP Solar Inc., Director

Mr. Rene Bernard L. Llames, with a Ph.D. in Electrical Engineering, has served as a member of the Board of Directors of the Company since 2002. In addition to being a director, he was also the Treasurer of the Company until he was elected as its CEO in 2021 and later became the President and CEO in 2022. Mr. Llames has also acted as the Management Information System ("MIS") Manager of the Company since 2002.

DEON PETER JAMES

South African, 65 years old
Director since 2004

Membership in the Board of Non-Listed Companies and other Organizations

- Veria Holdings Corporation, Director
- DECORP Solar Inc., Director
- Private Electric Power Operators Association, Director

- Cagayan Electric Power and Light Corporation, Director

Mr. Deon James, a Mechanical Engineer by profession, is a member of the Board of Directors of the Company. He has been serving as a director since 2004. As a member of the Board of the Company, he among other directors, is responsible for the governance, oversight, and major decision-making, representing the interests of the shareholders and stakeholders.

Mr. James worked for an electric utility company in South Africa as Generation Power Station Engineering Manager and Distribution Regional Engineering Manager from 1994 to 2003.

Mr. James became a director of the Philippine Electricity Market Corporation (“PEMC”) from 2004 to 2019.

CYNTHIA IRENE L. LLAMES

Filipino, 58 years old

Treasurer

Director since 2002

Membership in the Board of Non-Listed Companies and other Organizations

- Veria Realty, Inc., Corporate Secretary
- Veria Holdings Corporation, Director

Ms. Cynthia Irene L. Llames, an Electrical Engineer by profession, is the Treasurer of the Company. She was elected to the position of Treasurer in 2022. She joined the Company in 1987 as Purchasing Specialist handling the requirements of the MIS Department. In 2002, she was appointed as Corporate Secretary of the Company until 2021.

GEROMIN T. NEPOMUCENO, JR.

Filipino, 69 years old

Independent Director

Membership in the Board of Non-Listed Companies and other Organizations

- Angeles Industrial Park, Inc., Chairman
- Crismin Reaty Corporation, Chairman
- M.S.N Foods Inc., Chairman
- Angeles Ice Plant, Inc., President
- Clark Electric Distribution Corp., Director
- Angeles Power, Inc., Director and Treasurer
- Raslag Corp., Vice-Chairman and Treasurer
- TGN Realty, Inc., Director and Treasurer
- Teresa Waterworks, Inc., Director and Treasurer
- J Ten Equities, Inc., Director and Treasurer
- Holy Angel University, Trustee
- JDN Sons, Inc., Director
- Wespan Development Corporation, Director

Geromin “Gerry” T. Nepomuceno, Jr. was recently elected as an independent director in DECORP. Gerry is a graduate of Bachelor of Science in Mechanical Engineering from De La Salle University and is a licensed mechanical engineer. He holds a Master’s Degree in Business Management from the Asian Institute of Management.

He has been the Chairman of the Board of Angeles Electric Corporation (“AEC”), a distribution utility recently registered with the SEC, since December 2019. He has vast experience in the electric power industry having been the President of AEC from 2001 to 2019, and the Treasurer and Director of Angeles Power, Inc. from 1993 up to the present. Gerry is an active member of the Executive Committee of the Board of Trustees of Holy Angel University where he became the interim President from 2014 to 2015.

JOSE MARIA A. ABAYA

Filipino, 52 years old
Director

Membership in the Board of Non-Listed Companies and other Organizations

- Olongapo Electricity Distribution Company, Director and President
- Cepalco Energy Services, Chairman
- Mindanao Energy Systems, Inc., Director
- Bubunawan Power Company, Inc., Director
- Minergy Power Corporaiton, Director

Mr. Jose Maria A. Abaya has been a member of the Board of Directors of the Company since 2015.

Mr. Abaya has served as Director for Cagayan Electric Power & Light Company, Inc. since July 2010, and was elected as the Chairman of the Board in October 2020. He has also been serving as Director and President of Olongapo Electricity Distribution Company, Inc. since September 2012, as Chairman of Cepalco Energy Services since July 2015, as Director of Mindanao Energy Systems, Inc. since May 2008, as Director of Bubunawan Power Company, Inc. since January 2011, and Minergy Power Corporation since May 2013.

ATTY. RANULFO M. OCAMPO

Filipino, 64 years old
Independent Director

Atty. Ranulfo M. Ocampo, a practicing lawyer, is a member of the Board of Director of DECORP. He has been a Director since 2015. He is an independent director of the Company.

Atty. Ocampo has been the President of the Private Electric Power Operators Association since 2006. He also became a member of the National Renewable Energy Board representing the private electric distribution utilities from December 2010 to June 2016.

Executive Officers and Other Key Personnel

ERWIN MARK A. GAVINO

Filipino, 55 years old
Corporate Secretary

Atty. Erwin A. Gavino is the Corporate Secretary of the Company. He was appointed as Corporate Secretary in 2022. He is also the legal consultant of the Company since 2004.

Atty. Gavino is a practicing lawyer and is the Managing Partner of Divino & Gavino Law Offices. He is also a member of the Board of Directors of companies engaged in varied business lines, including: Spiderhook Capital Inc., Spiderhook Corporate Governance Inc., Metro Kitchens Innovations, Inc., and Altus Capital Corporation.

RANDY F. CASTILAN

Filipino, 50 years old
Chief Operating Officer (COO)

Randy Castilan has been the COO of the Company in 2024. He joined the Company in 2001 as Legal Associate and became the Human Resources Manager in 2015 until 2024.

As the COO, Mr. Castilan is primarily responsible for overseeing the reliable and efficient distribution of electricity to customers.

JOSEPH F. CARINO

Filipino, 52 years old
Network Operations Manager

Mr. Joseph F. Carino, a registered Electrical Engineer, has been the Network Operations Manager of the Company since 2019. He joined the Company in 1997 as Cadet Engineer. In 2008, he became the Planning and Design Section Head of the Company until he was promoted to Network Operations Manager in 2019.

As the Network Operations Manager, he oversees the safe and reliable operation of the electric distribution network, including substations, transformers, power lines, and related infrastructure.

GEMMA M. RECEL

Filipino, 49 years old
Retail Services Manager

Ms. Gemma M. Recel has been the Retail Services Manager of the Company since January 2023. She joined the Company in 1999 as an accounting assistant. From 2005 to 2022, she held a variety of supervisory positions, serving as the Section Supervisor for the Controls and Standards Section, Application and Customer Assistance Section, Data Management Section, and the Customer Accounting Section.

As the Retail Service Manager, she oversees the efficient operations of the retail business segment, which include customer acquisition, customer management, metering service provision, power supply and service provision, account management, and receivables management.

LILIAN D. SARALDE

Filipino, 52 years old
Finance Manager and Compliance Officer

Ms. Lilian D. Saralde, a Certified Public Accountant, has been the Finance Manager of the Company since March 2004. She joined the Company in 2004 as Accounting Supervisor and in the same year became the Finance Manager. She is also the Regulatory Compliance Officer and WESM Compliance Officer since 2008 and 2021, respectively.

Ms. Saralde, as Finance Manager, oversees the Company's financial operations, including budgeting, financial planning, and regulatory compliance.

ROCHELLE B. BAUTISTA

Filipino, 37 years old
Human Resources Manager

Rochelle B. Bautista has been recently appointed as the Human Resources Manager. She joined the Company in May 2017 as Human Resources Officer, where she supervised recruitment, learning and development, and organizational development.

Ms. Bautista, as Human Resource Manager, oversees the workforce planning, recruitment, development, and retention strategies.

EMMANUEL V. CABARIO

Filipino, 44 years old
Logistics Manager

Emmanuel V. Cabario, a Registered Electrical Engineer, has been recently appointed as the Logistics Manager. He joined the Company in 2005, starting as a Line Inspector. He progressed to a Cadet Engineer then later on the Construction Section Engineer. In 2017, he became the Health, Environment, Safety, Security, and Quality Section Head until he was appointed as Logistics Manager.

As Logistics Manager, Mr. Cabario, oversees the company's Material Supply Chain management, encompassing procurement, delivery, warehousing, and stocks management.

Term of Office

Pursuant to the Company's Amended By-Laws, the directors are elected at the annual meeting of the stockholders for a term of one year and shall serve until the election and acceptance of their duly qualified successors. Any vacancies may be filled by the remaining members of the Board of Directors by a majority vote constituting a quorum, and the Director or Directors so chosen shall serve for the unexpired term.

Nominees

The candidates for directors for the ensuing year are:

1. Angelique Maxime L. Llames-James
2. Rene Bernard L. Llames
3. Cynthia Irene L. Llames
4. Deon Peter James
5. Jose Maria A. Abaya
6. Geromin T. Nepomuceno Jr.
7. Ranulfo M. Ocampo

The nominees for independent directors are as follows:

| Name of Nominee | Relationship | Date of First Appointment |
|---------------------------|---------------------|----------------------------------|
| Ranulfo M. Ocampo | None | 2015 |
| Geromin T. Nepomuceno Jr. | None | December 21, 2023 |

Nomination of Atty. Ranulfo M. Ocampo for a tenth term as Independent Director

Atty. Ranulfo M. Ocampo has served nine terms as Independent Director of the Corporation. However, Atty. Ocampo informed the Corporation of his willingness to serve for an additional term. During the regular meeting of the Board held on 14 May 2025, the Board of Directors resolved to accept Atty. Ocampo as a nominee for Independent Director for an additional term in consideration of his unique and specialized expertise, having several decades of experience in the distribution utility industry, his proven independence, his invaluable contributions to both governance and the strategic development of the Corporation, and the critical need for continuity at this time for the Corporation which has now become a registered issuer of securities — especially within the complex and public-interest context of a public utility corporation. These considerations collectively constitute compelling meritorious justifications for his continued service. Atty. Ocampo provides unique value to the Corporation's performance and governance, particularly as a public utility. His willingness to serve another term at this critical time is in line with the Corporation's commitment to corporate governance best practices, allowing the Corporation time to properly establish a strong nomination process and proactive succession planning for future independent directors.

Attendance of Directors in Board and Committee Meetings

All the members of the Board of Directors attended all the meetings of the Board of Directors in 2024 held on: 12 February 2024, 07 May 2024, 26 July 2024, 01 August 2024, 15 October 2024, and 07 November 2024.

The Committees of the Corporation did not conduct meetings in year 2024.

Significant Employees

The Company considers the contribution of every employee important to the fulfillment of its goals.

Family Relationships

The Company's Chairperson, Angelique Maxime L. Llames-James, President and CEO, Rene L. Llames, and Treasurer, Ms. Cynthia Irene L. Llames are brothers and sisters.

The Company's Director, Deon Peter James, is related to the Chairperson, Ms. Angelique Maxime L. Llames-James, by virtue of marriage.

Aside from the foregoing, there are no other family relationships between other directors, executive officers, or other persons nominated or chosen by the Company to become directors or executive officers.

a.) *Involvement of the Directors and Officers in Certain Legal Proceedings*

To the knowledge and information of the Company, none of its directors or its executive officers have been involved in any of the following during the past five (5) years:

- i. Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer at the time of the bankruptcy or within two years prior to that time;
- ii. Any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- iii. Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his/her involvement in any type of business, securities, commodities or banking activities; and
- iv. Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

Certain Relationships and Related Transactions

Except with respect to the Related Party Transactions as discussed in Note 16 to the Audited Financial Statements as at December 31, 2024 and 2023 and for each of the three (3) years in the period ended December 31, 2024, there was no transaction during the last three (3) years involving DECORP in which any of its directors or executive officers, any nominee for election as director, or security holder owning more than 10% of DECORP's total outstanding shares and members of their immediate family had a material interest

b.) Parent Company

- i. List all parents of the registrant showing the basis of control and as to each parent, the percentage of voting securities owned or other basis of control by its immediate parent, if any.

Not applicable.

- ii. Resignation or Refusal to Stand for Re-election by Members of the Board of Directors
No director has resigned or declined to stand for re-election to the Board since the date of the Company's last ASM because of disagreement with the Company on matters relating to its operations, policies, and practices.

Item 6. Compensation of Directors and Executive Officers

The summary of the annual compensation of directors and executive officers for the past two (2) years and the estimated compensation for the year 2025.

| Name and Position | Year Covered | Salary | Bonus | Other Annual Compensation |
|---|---------------------|---------------|--------------|----------------------------------|
| Angelique Maxime L. Llames-James Chairperson of the Board and Vice President | 2023 | 3,600,000 | 988,800 | 36,600 |
| | 2024 | 4,250,000 | 1,126,000 | 47,600 |
| | 2025 | 4,441,250 | 1,176,670 | 49,742 |
| | 2023 | 3,600,000 | 951,000 | 14,850 |

| | | | | |
|---|------|-----------|-----------|--------|
| Rene Bernard L. Llames President and CEO | 2024 | 4,250,000 | 1,126,000 | 16,200 |
| | 2025 | 4,441,250 | 1,176,670 | 16,929 |
| Cynthia Irene L. Llames Treasurer | 2023 | 900,000 | 150,000 | 35,400 |
| | 2024 | 1,192,500 | 195,000 | 44,750 |
| | 2025 | 1,246,163 | 203,775 | 46,764 |
| Deon Peter James Director | 2023 | 2,700,000 | 741,600 | 16,200 |
| | 2024 | 3,187,500 | 844,500 | 16,200 |
| | 2025 | 3,330,938 | 882,503 | 16,929 |

The corporate officers of the Company, as identified in its Amended By-Laws approved by the Securities and Exchange Commission (SEC) on 12 September 2012, are as follows: the President, the Vice-President, the Treasurer, and the Chief Executive Officer.

Compensation of Directors

Standard Arrangements

The directors receive a per diem of Fifteen Thousand Pesos (₱15,000.00) for each meeting attended.

Pursuant to the Company's Manual on Corporate Governance, which was approved by the Company on 02 October 2023, the Company shall have three (3) committees namely, the Corporate Governance Committee, Board Risk Oversight Committee, and Audit Committee. The Committee chairpersons and committee members shall be entitled to a per diem of Ten Thousand Pesos (₱10,000.00) for each meeting attended.

No other compensation, in any form, is paid to the directors for the services they provide as directors of the Company.

The total per diems received by each director for the years 2023 and 2024 are shown below:

| Name | Position | 2023 | 2024 |
|----------------------------------|--------------------------|-------------|-------------|
| Angelique Maxime L. Llames-James | Chairperson of the Board | 45,000 | 45,000 |
| Rene L. Llames | Director | 45,000 | 45,000 |
| Cynthia Irene L. Llames | Director | 45,000 | 45,000 |
| Deon Peter James | Director | 45,000 | 45,000 |
| Jose Maria A. Abaya | Director | 45,000 | 45,000 |
| Ranulfo M. Ocampo | Independent Director | 45,000 | 45,000 |
| Geromin T. Nepomuceno Jr. | Independent Director | | 45,000 |

Employment Contracts and Termination of Employment and Change-in-Control Arrangement

There is no compensatory plan or arrangement between the Company and any executive officers in case of resignation or any other termination of employment or from a change in the management or control of the Company.

Warrants and Options Outstanding

To date, the Company has not granted any stock options to its directors or officers

Item 7. Independent Public Accountant

The accounting firm of Diaz Murillo Dalupan and Company (DMD) has been DECORP's Independent Accountant for the last 23 years. Mr. Alexes B. Abella is DECORP's audit partner beginning the audit of the 2023 financial statements. DMD is being recommended for re-appointment as external auditor for the current year.

Based on the representations of DMD, they comply with Paragraph (3)(b)(ix) of Part I of the Revised Securities Regulation Code Rule 68 on long association of personnel (including partner rotation) with an audit client as prescribed in the Code of Ethics for Professional Accountants in the Philippines as adopted by the Board of Accountancy and the Philippine Regulatory Commission and such other standards as maybe adopted by the Commission.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure
There are no changes in and disagreements with accountants on accounting and financial disclosure

The External Auditors

The shareholders of DECORP have reappointed DMD as its external auditors for the year ended December 31, 2024 during the annual stockholders' meeting on 26 July 2024. The signing partner of DMD for DECORP is Mr. Alexes B. Abella.

The aggregate fees, exclusive of out-of-pocket expenses and value added tax (VAT), billed by DMD for the audit of the Company's financial statements for 2024 with comparative figures for 2023 and 2022 are as follows:

| | 2022 | 2023 | 2024 |
|--|---------|---------|---------|
| Audit of Financial Statements, Annual Report in accordance with the requirements of the Business Separation and Unbundling Plan of the ERC, and Universal Charge Report as required by PSALM | 455,000 | 465,000 | 500,000 |

Except for the abovementioned services, the independent auditors provided no other type of services to the Company.

Describe disagreements, if there were any, with the former accountant on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to the satisfaction of the former accountant, would have caused it to make reference to the subject matter of the disagreement(s) in connection with this report.

Not applicable

If there were any disagreements as described above, the registrant shall request the former accountant to furnish the registrant with a letter addressed to the Commission stating whether it agrees with the statements made by the registrant and, if not, stating the respects in which it does not agree. The registrant shall file the former accountant's letter as an exhibit to the report or registration statement containing this disclosure

Not applicable

DMD representatives are not expected to be present during the ASM. However, should representatives of DMD attend, they shall have an opportunity to make a statement and respond thereafter to appropriate questions that may arise during the stockholders' meeting.

Item 8. Compensation Plans

There are no actions to be taken up in the meeting with respect to any compensation plan.

C. Issuance and Exchange of Securities

Item 9. Authorization or Issuance of Securities Other than for Exchange

There are no matters or actions to be acted upon in the Meeting with respect to authorization or issuance of any securities.

Item 10. Modification or Exchange of Securities

There are no matters or actions to be acted upon in the meeting with respect to the issuance or authorization for the issuance of one class of securities in exchange for outstanding securities of another class

Item 11. Financial and Other Information

There are no matters or actions to be acted upon in the meeting with respect to the authorization or issuance of securities other than for exchange and modification or exchange of securities.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

There are no matters or actions to be acted upon in the meeting with respect to any transaction involving (i) merger or consolidation of DECORP into or with any other person or of any other person into or with DECORP (ii) acquisition by DECORP or any of its security holders of securities of another person, (iii) acquisition by DECORP of any other business or of the asset thereof, (iv) sale or other transfer of all or any substantial part of the assets of DECORP or (v) liquidation or dissolution of DECORP.

Item 13. Acquisition or Disposition of Property

There are no matters or actions to be acted upon in the meeting with respect to any acquisition or disposition of any property requiring the approval of stockholders.

Item 14. Restatement of Accounts

There are no matters or actions to be acted upon in the meeting with respect to any restatement of any asset, capital, or surplus account of DECORP.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

The approval of the following will be considered and acted upon at the meeting:

1. Minutes of the Annual Stockholders' Meeting held on 26 July 2024

- Approval of the Minutes of the Annual Stockholders' Meeting held on 26 July 2024 - In compliance with SEC MC 11-2024, the draft of the Minutes of the 26 July 2024 Meeting were signed and posted in the Company website after the 26 July 2024 Meeting. Upon approval by the Stockholders of the Minutes, the approved Minutes of the Meeting held on 26 July 2024 shall be signed and posted in the Company

website within five business days from the approval of the stockholders at the 16 July 2025 Meeting.

- Presentation of the President's Report
 - Approval of the Amendment to the Articles of the Incorporation
 - Ratification of the Audited Financial Statements for the year ended 31 December 2023
 - Election of the Members of the Board of Directors, including two (2) Independent Directors, to serve 2024-2025
 - Appointment of the External Auditor
2. Presentation of the President's Report
 3. Approval of the Amendments to the Articles of Incorporation and By-laws
 4. Ratification of the Audited Financial Statements for the year ended 31 December 2024
 5. Election of the Members of the Board of Directors, including two (2) Independent Directors, to serve 2025-2026
 6. Appointment of External Auditor

Appended to this Information Statement as Annex D is the aforementioned Minutes of the Annual Stockholders' Meeting of the Company held on 26 July 2025, which reflect the proceedings during the meeting in accordance with Section 49 of the Revised Corporation Code. The list of stockholders who attended said meeting is incorporated in the minutes.

Item 16. Matters not required to be submitted

There are no matters or actions to be acted upon in the meeting that will not require the vote of the stockholders as of the record date.

Item 17. Amendment of Charter, By-Laws or Other Documents

The amendment to Article II, paragraph 3, of the Corporation's By-laws, as resolved during the Regular Meeting of the Board of Directors held on 14 May 2025, shall be submitted to the stockholders for their approval at the upcoming stockholders' meeting.

The table below discusses the proposed amendment:

| Original Provision | Amended Provision | Rationale |
|--|---|---|
| 3. <u>Notice of Meeting</u> written or printed for every regular or special meeting of the stockholders shall be prepared and mailed to the registered post office address of each stockholder not less than five days prior to the date set for such meeting, and if for a special notice of any regular meeting shall invalidate such meeting or any proceeding thereat, and any failure or irregularity of notice of any special meeting at which all of the shareholders are present or represented and voting without protest, shall invalidate such meeting or any proceeding thereat. No publication of notice of meeting in the public newspaper shall be required | 3. <u>Notice of Meetings</u> written or printed for every regular or special meeting of the stockholders shall be prepared and sent to each stockholder <u>by electronic mail, courier, regular mail, or personal delivery</u> , not less than <u>twenty one</u> days prior to the date set for such meeting, and if for a special meeting, such notice shall state the object or objects of the same. No failure or irregularity of notice of any regular meeting shall invalidate such meeting or any proceeding thereat, and any failure or irregularity of notice of any special meeting at which all of the shareholders are present or represented and voting without protest, shall invalidate such meeting or any proceeding thereat. | To enable the Company to comply with SEC Memorandum Circular No. 3, Series of 2020, mandating that all SEC registered entities notify all stockholders/members of record in writing of regular meetings at least twenty-one calendar days prior to the date of the meeting. This amendment is also intended to expand and take advantage of alternative and |

| | | |
|--|--|-------------------------------------|
| | | modern modes of service of notices. |
|--|--|-------------------------------------|

The correction to Article Third of the Corporation's Articles of Incorporation, as resolved in the 14 May 2025 Regular Board Meeting, shall be submitted to the stockholders for their approval at the upcoming stockholders' meeting.

| Original Provision | Amended Provision | Rationale |
|--|--|--|
| THIRD: That the place where the principal office of the Corporation is to be established or located at A.B. FERNANDEZ ST., DAGUPAN CITY, PROVINCE OF PANGASINAN (As Amended on 2 October 2000 and further Amended on 11 November 2006) | THIRD: That the place where the principal office of the Corporation is to be established or located at A.B. FERNANDEZ WEST, POBLACION OESTE , DAGUPAN CITY, PROVINCE OF PANGASINAN (As Amended on 2 October 2000 and Amended on 11 November 2006) | To ensure the accuracy of the location and to include the Barangay of the principal office of the Corporation in its Articles of Incorporation |

Item 18. Other Proposed Action

There are no other proposed actions to be acted upon in the meeting that will require the vote of the stockholders as of the record date.

Item 19. Voting Procedures

(a) Vote required for approval.

The approval of the Minutes of the 2024 Annual Meeting, the approval of the audited financial statements for the year ended 2024, the election of the Directors, and the appointment of the external auditor for 2025, shall be decided by a majority vote of the stockholders present in person or by proxy and entitled to vote thereat, a quorum being present.

The amendment of Article THIRD of the Articles of Incorporation of the Corporation and the amendment of Article II Paragraph 3 of the Corporation's By-laws shall be decided by a 2/3 majority vote of the outstanding capital stock present in person or by proxy and entitled to vote thereat, a quorum being present. A stockholder voting electronically *in absentia* shall be deemed present for purposes of quorum.

In the election of the members of the Board of Directors, the candidates garnering the seven (7) highest number of votes shall be declared elected as directors of the Company to serve as such for the year 2025-2026.

(b) Method by which votes will be counted.

A stockholder may vote by appointing the Company's Chairman as proxy. After validation, the stockholder will receive an email with instructions regarding the ballot. The ballots submitted shall then be counted by the Corporate Secretary. The results of the voting shall be announced during the meeting.

Item 20. Participation of Stockholders by Remote Communication

Stockholders may attend and participate in the meeting only by remote communication, voting *in absentia* and/or appointing the Chairman of the meeting as their proxy.

Prior to the meeting, the Company will send email instructions to stockholders who have successfully registered, which shall be sent to the email address of the stockholder indicated in the registration form, on how they can attend the meeting through remote communication and have access to the livestream of the meeting.

Only those stockholders who successfully registered in the stockholder registration system, together with the stockholders who voted *in absentia* or by proxy, will be included in determining the existence of a quorum.

Stockholders may send any questions and/or comments relating to the agenda on or before 9 July 2025 to corpsec@decorp.com.ph. Questions or comments received on or before 9 July 2025 may be responded to during the meeting. Any questions not answered during the meeting may be answered *via* email.

Stockholders who register and participate in the meeting are hereby deemed to have given their consent to the collection, use, storing, disclosure, transfer, sharing and general processing of their personal data by the Corporation, and by any other relevant third party for the purpose of voting for the Annual Stockholders' Meeting and for all other purposes for which the stockholder can cast his/her/its vote as a stockholder of the Company.

PART II. INFORMATION REQUIRED IN A PROXY FORM

The Proxy Form shall include the following matters:

- Approval of the Minutes of the 2024 Annual Meeting
- Ratification of the 2024 Audited Financial Statements
- Election of Directors
- Appointment of the external auditor
- Ratification of the Resolution of the Board of Directors to amend Article THIRD of the Articles of Incorporation of the Corporation
- Ratification of the Resolution of the Board of Directors to amend Article II Paragraph 3 of the By-laws of the Corporation

PART III. SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of San Juan on _____.

By:

ERWIN MARK A. GAVINO
Corporate Secretary

MANAGEMENT REPORT

1. Financial Statements

The Company's Audited Financial Statements and Supplementary Information as of and for the year ended 31 December 2024 and the Unaudited Interim Financial Statements as of and for the period ended 31 March 2025 are attached as Annexes C and B, respectively.

2. Management's Discussion and Analysis

The discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the Company's Audited Financial Statements as of and for the year ended 31 December 2024, attached as Annex C, and the Unaudited Interim Financial Statements as of and for the period ended 31 March 2025, attached as Annex B.

The Management's Discussion and Analysis (MDA) for the comparative years 2024 and 2023, and 2023 and 2022, are provided in the Company's SEC Form 17-A, 2024 Annual Report, under Item No. 6. While the MDA as of and for the period ended 31 March 2025 is discussed in the Company's SEC Form 17-Q, Quarterly Report, under Item 2. The MDA as of and for the year ended 31 December 2024 and as of and for the period ended 31 March 2025 are attached hereto as Annexes A and B, respectively

A. Key Performance Indicators (KPIs)

The following are the relevant key performance indicators of the Company as of and for the period ended 31 December 2024, 2023, 2022, and for the interim period ended 31 March 2025:

| | March 31 | December 31 | | |
|---|----------|-------------|---------|---------|
| | 2025 | 2024 | 2023 | 2022 |
| Return on Equity <i>(Net Profit divided by Total Equity) x 100</i> | 0.4% | 7% | 8% | 8% |
| Return on Assets <i>(Net Profit divided by Average Assets) x 100</i> | 0.3% | 6% | 6% | 6% |
| Debt to Equity Ratio <i>Total Liabilities divided by Total Equity</i> | 0.30 | 0.30 | 0.39 | 0.29 |
| Current Ratio <i>Total Current Assets divided by Total Current Liabilities</i> | 4.29 | 4.30 | 2.55 | 4.42 |
| Average Collection Period | 57 days | 50 days | 57 days | 50 days |

| | | | | |
|--|--|--|--|--|
| <i>Average Accounts Receivable divided by Average Sales per day (Sale of Electricity divided 365 days)</i> | | | | |
|--|--|--|--|--|

The above KPIs are included in the Company's SEC Form 17-A, Annual Report as of and for the year ended 31 December 2024 and the Company's SEC Form 17-Q, Quarterly Report for the interim period ended 31 March 2025.

B. Key Variable and Other Qualitative and Quantitative Factors

The liquidity risks discussed below were included in the Company's SEC Form 17-A, Annual Report as of and for the year ended 31 December 2024 and the Company's SEC Form 17-Q, Quarterly Report for the interim period ended 31 March 2025.

Liquidity Risks

The Company considers the following elements to constitute a risk to its capacity to fulfill its commitments when they become due: a typhoon or other occurrence that would constitute a force majeure, non-payment or delays in the payment by its customers, and unexpected economic disruption.

The Company monitors and maintains a level of funds deemed adequate by management to finance the Company's operations and mitigate the effects of cash flows. Any excess funds are placed with reputable banks to generate interest income. As of 31 December 2024, the Company's financial liabilities have contractual maturities as follows:

| | Due within one year | Due beyond one year |
|---------------------|----------------------------|----------------------------|
| Trade payables | ₱ 249,274,778 | ₱ - |
| Other payables* | 163,790,780 | |
| Customers' deposits | 240,763,052 | 337,846,798 |
| | ₱ 653,828,610 | ₱ 337,846,798 |

**Excluding statutory payables and other liabilities to government agencies amounting to ₱49,643,725 in 2024 and ₱72,875,864 in 2023*

As of 31 March 2025, the Company's financial liabilities have contractual maturities as follows:

| | Due within one year | Due beyond one year |
|---------------------|----------------------------|----------------------------|
| Trade payables | ₱ 290,550,238 | ₱ - |
| Other payables* | 130,097,124 | |
| Customers' deposits | 240,763,052 | 337,024,731 |
| | ₱ 661,410,415 | ₱ 334,722,270 |

**Excluding statutory payables and other liabilities to government agencies amounting to ₱32,908,499 as at 31 March 2025 and ₱42,580,380 as at 31 March 2024*

Other Qualitative and Quantitative Factors

The Company does not foresee that it will have any cashflow or liquidity problems within the next twelve (12) months from the date of this report.

The Company is not aware of any event that will trigger direct or contingent financial obligations that are material to the Company, including default or acceleration of any obligations.

The Company does not have any off-balance sheet transactions, arrangements, obligations, including contingent obligations, and other relationships with unconsolidated entities or other persons created during the relevant period.

The Company is not in default or breach of any note, loan, lease, or other indebtedness or financing arrangement requiring it to make payments.

The Company is not aware of any trends, events, or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales, revenues, income from continuing operations.

The Company does not have any significant elements of income or loss that did not arise from its continuing operations.

The Company does not have any seasonal aspects that had a material effect on the financial conditions or results of operations.

3. Description of the Business

The Company is a domestic corporation duly organized under and by virtue of the laws of the Philippines. It is a private electric distribution utility holding a congressional franchise under R.A. 9969 to construct, operate, and maintain a distribution system for the conveyance of electric power to the end-users in the City of Dagupan, the Municipalities of Calasiao, Sta. Barbara, San Fabian, San Jacinto, and Manaoag, and Barangays Bolingit and Cruz in the City of San Carlos, all in the province of Pangasinan, for a period of twenty-five (25) years from February 2010. A Certificate of Public Convenience and Necessity (CPCN) was issued by the ERC to the Company on 21 June 2011 for the operation of electric service within its franchise areas.

The Company has an authorized capital stock of One Billion Five Hundred Million Pesos (₱ 1,500,000,000.00), divided into 15,000,000 common shares with a par value of One Hundred Pesos (₱ 100.00).

On December 27, 2023, the SEC rendered effective the Company's application for the registration of Fourteen Million Six Hundred Sixty-Two Thousand (14,662,000) common shares, of which Two Million Two Hundred Thousand (2,200,000) shares were issued and offered for sale to the public by way of an initial public offering at an offer price of Five Hundred Thirty-Three Pesos (₱ 533.00) per share. As of February 2, 2024, the Two Million Two Hundred Thousand (2,200,000) common shares offered to the public were fully subscribed and paid.

The Company has a franchise area of 349.33 km² or 6.5% of total Pangasinan land area and currently services five (5) consumer classes consisting of: Residential, General Retail, General Power, Bulk Power, and Street Lights.

As of 31 March 2025, the Company provides the electricity requirements of around 143,429 end-users within its franchise areas.

The Company is not dependent on any one or group of customers for at least 20% of its distribution revenues. The loss of a single customer or a few customers will not have a material adverse effect on DECORP.

The Company has three (3) power suppliers, namely GNPower Mariveles Energy Center Ltd. Co. (“GMEC”), Energy Development Corporation (“EDC”), and OneManaoagSolar Corporation (“OMSC”) (formerly Sun Asia Energy, Inc.). Below are the details of DECORP’s power supply contracts:

| Supplier | Contracted Capacity | Duration of Contract |
|-----------------|----------------------------|---------------------------------------|
| GMEC | 30 MW | 26 February 2014 – 25 February 2029 |
| EDC | 20 MW | 26 December 2022 – 25 December 2032 |
| OMSC | 20 MW | 26 September 2022 – 25 September 2047 |

The Company is dependent on the above-named suppliers for its supply of electric power because it can only procure from other suppliers once approved by the ERC.

The Company also procures its electricity from the Wholesale Electricity Spot Market (“WESM”) where it has been a direct member since 26 November 2009.

The Company has an existing contract with the NGCP for transmission and metering services to expire on 25 July 2026. The Company is dependent on NGCP for its transmission and metering services because it is the sole provider thereof.

The Company is not limited or dependent with any other supplier of materials and services.

The Company has a related party transaction, specifically a Lease Agreement with Veria Realty, Inc., an entity under a common ownership with some shareholders of the Company for the lease of office spaces. The total rental fee is ₱1,034,352 for the three-month ended 31 March 2025.

The related party transactions as of and for the year ended 31 December 2024 are disclosed in Note 16 of the 2024 Audited Financial Statements, while the balance as of and for the period ended 31 March 2025 is presented in Note 16 of the Unaudited Interim Financial Statements

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATION

The following discussion and analysis of the financial position and results of operations of Dagupan Electric Corporation (DÉCORP) should be read in conjunction with the audited financial statements as at December 31, 2024 and 2023 and for the years ended December 31, 2024, 2023, and 2022. The financial statements have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS) Accounting Standards. The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations which have been approved by the Financial and Sustainability reporting Standards Council (FSRSC).

The financial information appearing in this report and in the accompanying audited financial statements is presented in Philippine Peso. All values are rounded to the nearest million pesos except earnings per share.

Financial Highlights and Key Performance Indicators

(Amounts in million, except earnings per share and operational data)

Condensed Statements of Financial Position

| | As at December 31 | | Increase (Decrease) | |
|---------------------------|-------------------|-----------|---------------------|------|
| | 2024 | 2023 | Amount | % |
| Total assets | ₱7,325.51 | ₱5,849.65 | ₱1,475.86 | 25 |
| Current assets | 3,180.98 | 1,739.78 | 1,441.20 | 83 |
| Cash and cash equivalents | 2,179.84 | 886.89 | 1,292.95 | 145 |
| Non-current liabilities | 942.80 | 947.37 | -4.57 | -0.4 |
| Current liabilities | 740.35 | 682.42 | 57.93 | 8 |
| Total liabilities | 1,683.15 | 1,629.79 | 53.36 | 3 |

Condensed Statements of Income

| | For the Years Ended December 31 | | | % Change | |
|-------------------------------|---------------------------------|-----------|-----------|------------------|------------------|
| | 2024 | 2023 | 2022 | 2024 vs. 2023 | 2023 vs. 2022 |
| Revenues | ₱4,207.21 | ₱4,044.64 | ₱4,678.35 | 4 | -13 |
| Operating expenses | 3,753.56 | 3,571.87 | 4,367.24 | 5 | -18 |
| Other income, net of expenses | 66.11 | 41.83 | 33.80 | 58 | 23 |
| Income before income tax | 519.75 | 514.59 | 344.92 | 1 | 49 |
| Net income | 375.69 | 372.04 | 241.40 | 0.9 | 54 |
| Earnings per share (EPS) | 25.62 | 29.85 | 19.37 | -14 | 54 |

Condensed Statements of Cash Flows

| | For the Years Ended December 31 | | | % Change | |
|---|---------------------------------|-----------|---------|------------------|------------------|
| | 2024 | 2023 | 2022 | 2024 vs. 2023 | 2023 vs. 2022 |
| Net cash provided by operating activities | ₱508.74 | ₱796.86 | ₱327.20 | -36 | 144 |
| Net cash provided by (used in) investing activities | -239.57 | -131.93 | 140.01 | 82 | -194 |
| Net cash provided (used in) financing activities | 1,023.77 | -1,600.00 | - | -164 | |

Operational Data

| | For the Years Ended December 31 | | | % Change | |
|-----------------------------|---------------------------------|---------|---------|---------------|---------------|
| | 2024 | 2023 | 2022 | 2024 vs. 2023 | 2023 vs. 2022 |
| Number of customers | | | | | |
| Residential | 128,241 | 125,181 | 122,754 | 2 | 3 |
| Commercial | 13,331 | 12,925 | 12,604 | 3 | 3 |
| Industrial | 36 | 33 | 30 | 9 | 13 |
| Streetlight | 53 | 55 | 57 | -4 | -4 |
| Electricity Sales (in GWh) | 492 | 444 | 417 | 11 | 6 |
| System Loss (in percentage) | | | | | |

Key Performance Indicators

| | | For the Years Ended December 31 | | |
|-------------------|---|---------------------------------|------|------|
| | | 2024 | 2023 | 2022 |
| Debt to equity | Total liabilities / Total equity | .30 | .39 | .29 |
| Current ratio | Current assets/Current Liabilities | 4.30 | 2.55 | 4.42 |
| Net profit margin | (Net income / Revenues) x 100 | 9% | 9% | 8% |
| Return on equity | (Net income / Average shareholders' equity) x 100 | 7% | 8% | 8% |
| Return on assets | (Net income / Average total assets) x 100 | 6% | 6% | 6% |

2024 compared with 2023

Results of Operations

The results of operations for the years ended December 31, 2024 and 2023 are discussed below:

Condensed Statements of Income

| | For the Years Ended December 31 | | Increase (Decrease) | |
|-------------------------------|---------------------------------|-----------|---------------------|-----|
| | 2024 | 2023 | Amount | % |
| Revenues | ₱4,207.21 | ₱4,044.64 | 163 | 4 |
| Operating expenses | 3,753.56 | 3,571.87 | 182 | 5 |
| Other income, net of expenses | 66.11 | 41.83 | 24 | 57 |
| Income before income tax | 519.75 | 514.59 | 5 | 49 |
| Net income | 375.69 | 372.04 | 4 | 1 |
| Earnings per share (EPS) | 25.62 | 29.85 | -4 | -13 |

Revenues

Revenues of DECORP consist of: 1. pass-through charges or generation, transmission, system loss, and other related revenues; 2. distribution wheeling charges, which include distribution, supply, and metering; and 3. other charges such as service reconnection and pole attachment rental.

Revenues in 2024 were at ₱4,207.21 million, which is ₱162.57 million or 4% higher than in 2023, due to higher distributed energy and higher pass-through transmission charges. The details of the revenues are as follows:

| | 2024 | | 2023 | | Increase (Decrease) | |
|----------------------------|-----------|-----|-----------|-----|------------------------|----|
| | Amount | % | Amount | % | Amount | % |
| Generation | ₱2,595.45 | 62 | ₱2,643.33 | 65 | -47.88 | -2 |
| Transmission | 379.93 | 9 | 290.93 | 7 | 89 | 31 |
| System Loss | 228.42 | 5 | 214.37 | 5 | 14.05 | 7 |
| Distribution | 929.55 | 22 | 836.74 | 21 | 92.81 | 11 |
| Other pass-through charges | 36.64 | 1 | 33.59 | 1 | 3.05 | 9 |
| Other revenues | 37.21 | 1 | 25.68 | 1 | 11.53 | 45 |
| Total | ₱4,207.21 | 100 | ₱4,044.64 | 100 | ₱162.56 | 4 |

The generation charge, which accounted for 62% of the total revenues of DECORP, dropped by 2%. The cost of producing electricity decreased as a result of the improvement in the supply situation in Luzon and the decline in global coal prices, leading to lower cost of power sourced from the Wholesale Electricity Spot Market (WESM) and GNPowder Mariveles, a coal-fired power plant generation company.

The transmission charge, which was 9% of the total revenues, increased by 31% due to higher ancillary service charges from additional capacity sourced by the National Grid Corporation of the Philippines (NGCP).

DECORP's average retail rate was ₱9.57 per kwh and ₱10.15 per kWh in 2024 and 2023, respectively. The decline in selling rate was due to lower generation charges that negated the increase in transmission and other charges.

The following is a summary of customer volume and electricity sales categorized by customer type for the years ending December 31, 2024 and 2023:

| | No. of Customers | | Electricity Sales (in GWh) | | % Change | |
|---------------|------------------|---------|-------------------------------|------|------------------|-------------------|
| Customer Type | 2024 | 2023 | 2024 | 2023 | No. of Customers | Electricity Sales |
| Residential | 128,241 | 125,181 | 260 | 230 | 2 | 13 |
| Commercial | 13,331 | 12,925 | 149 | 139 | 3 | 7 |

| | | | | | | |
|--------------|---------|---------|-----|-----|----|----|
| Industrial | 36 | 33 | 78 | 71 | 9 | 9 |
| Streetlights | 53 | 55 | 4 | 4 | -4 | - |
| Total | 141,661 | 138,194 | 492 | 443 | 3 | 11 |

DECORP's energy sales reached 492 GWh in 2024, reflecting an 11% increase from the 443 GWh recorded in 2023.

The residential customer segment accounted for the largest share of DECORP's energy sales mix, at 53%, followed by the commercial and industrial segments at 30% and 16%, respectively, while the streetlights made up the remaining 1%.

The energy consumption of the residential segment grew by 13%, or from 230 GWh in 2023 to 260 GWh in 2024. This rise is attributed to the extended use of cooling systems by residential customers, driven by the El Niño phenomenon that lasted until mid-2024. This phenomenon resulted in a warmer-than-average season, especially in Northern Luzon, making it the warmest year on record.

Electricity sales in the commercial segment were 149 GWh, reflecting a 7% increase from the 139 GWh in 2023. The growth was attributable to additional retail stores and office facilities, supported by the resurgence of on-site operations within educational institutions, dining establishments, and various other commercial domains.

The industrial segment's sales went up by 9%, from 71 GWh in 2022 to 78 GWh in 2023, due to additional customers, which includes a home improvement construction supply and retailer, a grocery and retail warehouse, and schools.

Costs and Expenses

The costs and expenses of DECORP for the year ended December 31, 2024 amounted to ₱3,753.56 million in 2024, an increase of 5% or ₱181.69 million from ₱3,571.87 million in 2023. The costs and expenses are detailed in the table below:

| | 2024 | | 2023 | | Increase (Decrease) | |
|---|------------------|------------|------------------|------------|------------------------|----------|
| | Amount | % | Amount | % | Amount | % |
| Purchased power | ₱3,165.23 | 84.3 | ₱3,076.63 | 86 | 88.60 | 3 |
| Depreciation | 207.25 | 6 | 201.06 | 6 | 6.19 | 3 |
| Salaries, wages, and employee benefits | 167.62 | 4 | 157.56 | 4.4 | 10.06 | 6 |
| Taxes other than income tax | 67.77 | 2 | 23.95 | 0.6 | 43.82 | 183 |
| Outside services | 44.67 | 1.2 | 35.23 | 0.9 | 9.44 | 27 |
| Repairs and maintenance | 18.62 | 0.4 | 17.86 | 0.5 | 0.76 | 4 |
| Others | 82.40 | 2.1 | 59.58 | 1.6 | 22.82 | 38 |
| Total | ₱3,753.56 | 100 | ₱3,571.87 | 100 | 181.69 | 5 |

The cost of purchased power went up by 3% or ₱88.60 million from ₱3,076.63 million in 2023 to ₱3,165.23 million in 2024, in line with the fluctuations in the pass-through revenues. The increase was due to higher volume purchased and transmission charges partially mitigated by the decline in the average generation cost.

Depreciation was ₱207.25 million in 2024, higher by ₱6.19 million or 3% from the ₱201.06 million in 2023. This change is attributable to the completed projects during the year.

Taxes other than income tax increased by 183%, equivalent to ₱43.82 million, due to the change in the method of recognizing real property and local franchise taxes, where charges are considered revenues and payments or remittances were recorded as expenses.

The expenses for outside services were higher by 27%, equivalent to ₱9.44 million, mainly due to the increase in the volume and the associated costs related to both bill distribution and meter readings, including maintenance work on the line distribution network carried out by third-party contractors.

The increase in repairs and maintenance expenses can be attributed to the higher in-house maintenance requirements within the distribution network, particularly in areas associated with the recently acquired distribution assets in San Fabian previously managed by another distribution utility. It also includes higher software maintenance

Other expenses consist of professional fees, office supplies, rent, training, and other expenses.

Statements of Financial Position

| | December 31 | | Increase (Decrease) | |
|--------------------------------------|---------------|---------------|------------------------|-----------|
| | 2024 | 2023 | Amount | % |
| ASSETS | | | | |
| Noncurrent Assets | | | | |
| Utility plant and equipment | ₱3,879 | ₱3,847 | ₱32 | 1 |
| Other property and equipment | 86 | 85 | 1 | 1 |
| FVOCI | 152 | 152 | - | - |
| Deferred tax assets | 28 | 26 | 2 | 8 |
| | 4,145 | 4,110 | 35 | 1 |
| Current Assets | | | | |
| Cash and cash equivalents | 2,180 | 887 | 1,293 | 146 |
| Trade and other receivables | 635 | 518 | 116 | 22 |
| Financial assets at FVPL | 184 | 175 | 9 | 5 |
| Inventories | 116 | 83 | 34 | 41 |
| Prepayments and other current assets | 66 | 77 | -11 | -14 |
| | 3,181 | 1,740 | 1,441 | 83 |
| TOTAL ASSETS | ₱7,326 | ₱5,850 | ₱1,476 | 25 |

EQUITY AND LIABILITIES**EQUITY**

| | | | | |
|--|--------------|--------------|--------------|-----------|
| Capital stock | ₱1,466 | ₱1,246 | ₱220 | 18 |
| Additional paid-in capital | 1,142 | 189 | 953 | 504 |
| Revaluation reserve | 1,481 | 1,550 | -69 | -4 |
| Remeasurement gain (loss) on retirement benefits | 3 | 3 | - | |
| Retained earnings | | | | |
| Appropriated | | 400 | -400 | -100 |
| Unappropriated | 1,551 | 832 | 719 | 86 |
| | 5,642 | 4,220 | 1,422 | 34 |

LIABILITIES

| | | | | |
|-------------------------------------|---------------|---------------|---------------|------------|
| Current liabilities | | | | |
| Trade and other payables | 703 | 636 | 67 | 11 |
| Dividends payable | - | - | - | - |
| Income tax payable | 37 | 46 | -9 | -20 |
| | 740 | 682 | 58 | 8 |
| Noncurrent liabilities | | | | |
| Customers' deposit | 338 | 335 | 3 | 1 |
| Deferred tax liabilities | 519 | 539 | -21 | -4 |
| Retirement benefits obligation | 86 | 73 | 13 | 18 |
| | 943 | 947 | -5 | 0.5 |
| TOTAL EQUITY AND LIABILITIES | ₱7,326 | ₱5,850 | ₱1,476 | 25 |

Changes in Financial Position

Utility plant and equipment and others closed at ₱3,965 million in 2024, a net increase of 1% or ₱33 million from ₱3,932 million in 2023. The capital expenditures amounted to ₱239.88 million for the expansion of distribution assets and the upgrade and rehabilitation of the existing electrical facilities, including the purchase of service vehicles and trucks to support the operation of DECORP. The additional expenditures were offset by the depreciation of ₱207.25 million

Cash and cash equivalents went up by 146% or ₱1,293 million from ₱887 million in 2023 to ₱2,180 million in 2024. The growth was due to the additional ₱635 million derived from DECORP's operational activities and ₱1,024 million from its financing activities, which include the proceeds from DECORP's initial public offering approved by the Securities and Exchange Commission (SEC) on December 27, 2023. The proceeds will be used for capital projects and investment of the Company detailed in its Prospectus dated 22 December 2023, pages 23 to 32, attached in this report as Exhibit A-1

The year-end trade and other receivables primarily reflect the December billing cycle. The increase in receivables was attributable to the higher retail rate in December 2024 compared to December 2023.

The capital stock increased by 18%, or ₱220 million from ₱1,246 million in 2023 to ₱1,466 million in 2024. The additional paid-in capital also went up by 504%, or ₱953 million from ₱189 million in 2023 to ₱1,142 million in 2024. The increase in capital stock was due to the shares issued to the public by way of an initial public offering, in which the SEC rendered the

application of registration of shares effective on December 27, 2023. The excess of the proceeds from the issuance of shares over the par value was credited to additional paid-in capital.

2023 compared with 2022

Results of Operations

The results of operations for the years ended December 31, 2023 and 2022 are discussed below:

Condensed Statements of Income

| | For the Years Ended December 31 | | Increase (Decrease) | |
|-------------------------------|--|-------------|--------------------------------|----------|
| | 2023 | 2022 | Amount | % |
| Revenues | ₱4,045 | ₱4,678 | -633 | -13 |
| Operating expenses | 3,572 | 4,367 | -795 | -18 |
| Other income, net of expenses | 42 | 34 | 8 | 23 |
| Income before income tax | 515 | 345 | 170 | 49 |
| Net income | 372 | 241 | 131 | 54 |
| Earnings per share (EPS) | 29.85 | 19.37 | 10.48 | 54 |

Revenues

Revenues in 2023 went down by 13% or ₱633 million from the ₱4,678 million in 2022 to ₱4,045 million in 2023. The decrease was due to the lower costs of energy and transmission services, which outweighed the increase in the volume of energy distributed. The following are the details of revenues:

| | 2023 | | 2022 | | Increase (Decrease) | |
|----------------------------|---------------|------------|---------------|------------|--------------------------------|------------|
| | Amount | % | Amount | % | Amount | % |
| Generation | ₱2,643 | 65 | ₱3,188 | 68 | -₱645 | -20 |
| Transmission | 291 | 7 | 394 | 8 | -103 | -26 |
| System Loss | 214 | 5 | 263 | 6 | -49 | -18 |
| Distribution | 837 | 21 | 793 | 17 | 44 | 6 |
| Other pass-through charges | 34 | 1 | 8 | 0.1 | 25 | 302 |
| Other revenues | 26 | 1 | 32 | 0.7 | -6 | -20 |
| Total | ₱4,045 | 100 | ₱4,678 | 100 | -₱633 | -13 |

In 2023, the Company's generation revenues, which accounted for 65% of its total revenues, went down by 20%. The addition of geothermal and solar power plants in DECORP's power suppliers' portfolio during a period marked by high global coal prices and supply constraints notably mitigated its generation charge.

The transmission revenues, accounting for 7% of the total revenues, also decreased by 26%. The reduction in the cost of transmission services was due to the lower ancillary service charges of NGCP.

DECORP's average retail rate was ₱10.15 per kWh and ₱12.57 per kWh in 2023 and 2022, respectively. The decline in selling rate was due to lower generation and transmission charges, which offset the increase in the volume of energy distributed.

The customer volume and energy sales for the years ended December 31, 2023 and 2022 are as follows:

| Customer Type | No. of Customers | | Electricity Sales (in GWh) | | % Change | |
|----------------------|-------------------------|-------------|-----------------------------------|-------------|-------------------------|--------------------------|
| | 2023 | 2022 | 2023 | 2022 | No. of Customers | Electricity Sales |
| Residential | 125,181 | 122,754 | 230 | 220 | 2 | 4.5 |
| Commercial | 12,925 | 12,604 | 139 | 129 | 3 | 7.8 |
| Industrial | 33 | 30 | 71 | 64 | 10 | 11 |
| Streetlights | 55 | 57 | 4 | 4 | -4 | - |
| Total | 138,194 | 135,445 | 444 | 417 | 2 | 6.5 |

The Company's energy sales rose to 444 GWh in 2023, a 6.5% increase from 417 GWh in 2022.

In 2023, the energy sales mix slightly shifted. The residential segment contributed 52% to total sales, down from 53% in 2022. The commercial segment remained steady at 31%, while sales to the industrial segment increased from 15% to 16%. Streetlights accounted for 1% of the total energy sales.

Sales to residential customers closed at 230 GWh in 2023, a 4.5% increase from the 220 GWh in 2022. The increase is attributable to a higher volume of customers in addition to more frequent use of cooling systems in households as a result of the El Niño phenomenon.

Sales to the commercial segment had a notable increase of 7.8%, rising from 129 GWh in 2022 to 139 GWh in 2023. This growth was largely driven by increased demand in the real estate and educational sectors, as schools and other businesses resumed face-to-face classes and onsite activities.

The energy consumption within the industrial segment rose by 11% as the volume of customers under this group also increased by 10%

Costs and Expenses

The costs and expenses of DECORP for the year ended December 31, 2023 amounted to ₱3,751.87 million in 2023, a decrease of 18% or ₱795.37 million from ₱4,367.24 million in 2022. The costs and expenses are detailed in the table below:

| | 2023 | | 2022 | | Increase (Decrease) | |
|---|------------------|------------|-----------------|------------|--------------------------------|------------|
| | Amount | % | Amount | % | Amount | % |
| Purchased power | ₱3,076.63 | 86 | 3,865.89 | 89 | -789.26 | -20 |
| Depreciation | 201.06 | 6 | 185.36 | 4 | 15.70 | 8.5 |
| Salaries, wages, and employee benefits | 157.56 | 4.4 | 153.08 | 3.5 | 4.48 | 2.9 |
| Taxes other than income tax | 23.95 | 0.6 | 52.44 | 1.2 | -28.5 | 54 |
| Outside services | 35.23 | 0.9 | 35.93 | 0.8 | -.70 | -1.9 |
| Repairs and maintenance | 17.86 | 0.5 | 16.81 | 0.4 | 1.05 | 6 |
| Others | 59.58 | 1.6 | 57.73 | 1.3 | 1.85 | 3 |
| Total | ₱3,571.87 | 100 | 4,367.24 | 100 | -795.37 | -18 |

The cost of power decreased by 20%, equivalent to ₱789.26 million, bringing the total down from ₱3,865.89 million in 2023 to ₱3,076.63 million in 2022. The decline aligns with the fluctuation in the pass-through revenues, particularly in generation charges. The lower average generation costs and transmission services offset the increase in the volume of purchased energy.

Depreciation was higher by 8.5%, or ₱15.70 million, from the ₱185.36 million in 2022 to ₱201.06 million in 2023, due to the completed projects during the year

Taxes other than income tax include payments for registration fees, regulatory supervision fees, licenses, business permits, local franchise taxes, real property taxes, and other related taxes paid to the national and local governments except income tax. This account decreased by ₱28.5 million, or 54%, due to the timing of real property tax recognition. A payment of this tax intended for 2023 was recognized as an expense at the time it was paid in 2022.

Outside Services comprise payments to third-party contractors for the issuance of billing statements and notices, bill collection, meter reading, meter connection, disconnection, security services, tree trimming, and distribution line maintenance. This account decreased by ₱0.70 million or 2% due to the reduction in services availed for disconnection of delinquent accounts.

The costs of repairs and maintenance were higher by ₱1.05 million, or 6%, due to the higher maintenance costs of technological upgrades and infrastructure improvements.

Other expenses consist of professional fees, office supplies, rent, training, and other expenses.

Statements of Financial Position

| | December 31 | | Increase (Decrease) | |
|--|---------------|--------------|------------------------|------------|
| | 2023 | 2022 | Amount | % |
| ASSETS | | | | |
| Noncurrent Assets | | | | |
| Utility plant and equipment | ₱3,847 | ₱3,813 | ₱34 | 1 |
| Other property and equipment | 85 | 93 | -8 | -8 |
| FVOCI | 152 | 152 | - | - |
| Deferred tax assets | 26 | 24 | 2 | 8 |
| | 4,110 | 4,082 | 28 | 0.7 |
| Current Assets | | | | |
| Cash and cash equivalents | 887 | 1,822 | -935 | -51 |
| Trade and other receivables | 518 | 755 | -237 | -31 |
| Financial assets at FVPL | 175 | 270 | -95 | -35 |
| Inventories | 83 | 97 | -14 | -14 |
| Prepayments and other current assets | 77 | 58 | 19 | 33 |
| | 1,740 | 3,002 | -1,262 | -42 |
| TOTAL ASSETS | ₱5,850 | 7,084 | -₱1,234 | -17 |
| EQUITY AND LIABILITIES | | | | |
| EQUITY | | | | |
| Capital stock | ₱1,246 | ₱1,246 | | |
| Additional paid-in capital | 189 | 189 | | |
| Revaluation reserve | 1,550 | 1,619 | -69 | -4 |
| Remeasurement gain (loss) on retirement benefits | 3 | -6 | 9 | -150 |
| Retained earnings | | | | |
| Appropriated | 400 | 400 | - | - |
| Unappropriated | 832 | 1,968 | -1,136 | -58 |
| | 4,220 | 5,416 | 1,422 | -22 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Trade and other payables | 636 | 701 | -65 | -9 |
| Dividends payable | - | - | - | - |
| Income tax payable | 46 | - | 46 | - |
| | 682 | 701 | -19 | -3 |
| Noncurrent liabilities | | | | |
| Customers' deposit | 335 | 334 | 1 | 0.3 |
| Deferred tax liabilities | 539 | 561 | -22 | -4 |
| Retirement benefits obligation | 73 | 73 | - | - |
| | 947 | 967 | -20 | -2 |
| TOTAL EQUITY AND LIABILITIES | ₱5,850 | 7,084 | -₱1,234 | -17 |

Utility, plant and equipment was higher by 1%, or an equivalent net amount of ₱34 million, from ₱3,813 million in 2022 to ₱3,813 million in 2023, taking into account depreciation. The

capital investment in 2023 was ₱214 million, which was used for the continuous expansion of the distribution assets to accommodate the growth in customers, construction of 69 kV lines, and various land and building improvements.

Cash and cash equivalents decreased by ₱935 million or 51%, attributable to the net cash provided by the operating activities of the Company amounting to ₱797 million, reduced by its investment activities amounting to ₱132 million and payment of dividends amounting to ₱1.6 billion.

Trade and other receivables decreased by ₱237 million or 31% compared to the 31 December 2022 balance. The decline attributed to the significant reduction in the cost of generation charge, which accounts for 60% of the receivables billed to customers.

Prepayments and other current assets increased by ₱19 million or 33% due to the payment of real property tax intended for 2023 in 2022.

On June 16, 2023, the Company approved the declaration of cash dividends amounting to ₱1,600 million to stockholders of record as of June 15, 2023, payable on various dates until September 29, 2023. As of December 31, 2023, the Company paid in full the cash dividends amounting to ₱1,600 million.

The unappropriated retained earnings decreased by ₱1,136 million or 58% due to the declaration and payment of cash dividends.

The total non-current liabilities decreased by ₱19.9 million or 2.07%, which can be attributed to the reduction in deferred tax liabilities related to the realized revaluation of appraisal increase through depreciation.

LEGAL PROCEEDINGS

Within the past five (5) years, there has been no bankruptcy petition filed by or against any business of which any of the foregoing named directors or executive officers have been a general partner or executive officer at the time of the bankruptcy or within two (2) years prior to that time.

None of the foregoing directors or executive officers have been convicted by final judgment in any criminal proceeding nor involved in any pending criminal proceeding, whether domestic or foreign in the past five (5) years up to the latest date.

None of the foregoing directors or executive officers have been subject to any order, judgment, or decree by any domestic or foreign court of competent jurisdiction, permanently or temporarily barring, suspending, or otherwise limiting his involvement in any type of business, securities, commodities, or banking activities in the past five (5) years up to the latest date.

None of the foregoing directors or executive officers have been found by a domestic or foreign court or tribunal of competent jurisdiction in a civil action, domestic or foreign Exchange, or other market or self-regulatory organization to have violated a securities or commodities law or regulation in the past five (5) years up to the latest date.

MARKET INFORMATION

Market Price of and Dividends on Issuer's Common Equity and Related Stockholders' Matters

A. Market Price of and Dividends on Issuer's Common Equity and Related Stockholders' Matters

1) Market Information

a) Principal Market

The shares of the Company are not traded in any stock exchange.

2) Holders

As of 31 March 2025, the Company has a total of Fourteen Million Six Hundred Sixty-Two Thousand (14,662,000) issued and outstanding common shares divided among fifty-five stockholders.

The following are the top twenty (20) stockholders of the Company

| | Stockholder | Nationality | Number of Shares | % to Total Outstanding Shares |
|-----|-------------------------------------|-----------------------------------|------------------|-------------------------------|
| 1. | Rene Bernard L. Llames | Filipino/ Foreign ¹ | 3,606,006 | 24.59 |
| 2. | Angelique Maxime L. Lllames-James | Filipino | 3,606,003 | 24.59 |
| 3. | Cynthia Irene L. Llames | Filipino | 3,606,004 | 24.59 |
| 4. | Deon Peter James | Foreign | 803,292 | 5.48 |
| 5. | PentaCapital Holdings, Inc. | Filipino | 400,000 | 2.73 |
| 6. | Vivencio M. Romero Jr. | Filipino | 378,310 | 2.58 |
| 7. | Jose Maria A. Abaya | Filipino | 378,310 | 2.58 |
| 8. | PentaCapital Management Corporation | Filipino | 360,000 | 2.46 |
| 9. | ME-KA Corporation | Filipino | 229,000 | 1.56 |
| 10. | ETM Incorporated | Filipino | 215,000 | 1.47 |
| 11. | Ranulfo M. Ocampo | Filipino | 84,071 | 0.57 |
| 12. | Sterwyn Paul B. De Guzman | Filipino | 50,000 | 0.34 |
| 13. | Russel P. Dela Cruz | Filipino | 50,000 | 0.34 |
| 14. | Randy J. Legaspi | Filipino | 50,000 | 0.34 |
| 15. | Randy F. Castilan | Filipino | 50,000 | 0.34 |
| 16. | Miriam G. San Pedro | Filipino | 50,000 | 0.34 |
| 17. | Gemma M. Recel | Filipino | 50,000 | 0.34 |
| 18. | Emmanuel V. Cabario | Filipino | 50,000 | 0.34 |
| 19. | Christopher Grajo | Filipino | 50,000 | 0.34 |
| 20. | Benjomer D. Galang | Filipino | 50,000 | 0.34 |

¹A dual citizen by birth

3) Dividends

On 29 September 2023, the Company adopted a dividend policy pursuant to which stockholders may be entitled to receive, upon declaration by the Company's Board of Directors, dividends equivalent to approximately thirty to fifty percent (30 – 50%) of the prior year's net income after tax, primarily in cash, based on the Company's net income after tax, subject to the availability of the unrestricted retained earnings and except: (i) when justified by definite corporate expansion projects or programs approved by the Board of Directors; (ii) when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without their consent, and such consent has not yet been secured; or (iii) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation such as when there is a need for special reserve for probable contingencies.

However, the Board of Directors, in its discretion, may decide to declare dividends to be payable in properties or shares.

The Company will conduct a periodic review of the available unrestricted balance of retained earnings for purposes of earmarking surplus profit for future capital expenditures or for distributing the same as special cash or stock dividends.

The Board of Directors may, at any time, modify the dividend policy or declare special dividends, depending on capital expenditure plans and/or any terms of financing facilities entered into to fund current and future operations and projects.

Under the Revised Corporation Code, the Company may not make any distribution of dividends other than out of its unrestricted retained earnings.

The Board of Directors will review the amount of dividends periodically in light of the following factors:

1. The Company's earnings, cash flow, return on equity and retained earnings;
2. The Company's results and financial condition at the end of the year in respect of which the dividend is to be paid and its expected financial performance;
3. The Company's projected levels of capital expenditures and other investment programs;
4. Restrictions on payments of dividends that may be imposed on it by any future financing arrangements and current or prospective debt service requirements; and
5. Such other factors as the Board of Directors deems appropriate.

The declaration of dividends shall also take into account the need to maintain a level of capitalization that is commercially sound and sufficient to ensure that the Company can operate on a stand-alone basis.

a) Dividends Declared

The Company's Board of Directors approved the declaration of cash dividends in 2024 and 2023, as shown below:

| Year | Rate Per Share | Record Date | Payment Date |
|------|----------------|-------------------|---|
| 2024 | ₱ 11.94 | December 31, 2023 | September 2, 2024 |
| 2023 | ₱ 128.39 | June 15, 2023 | June 30, 2023, July 31, 2023, August 30, 2023, and September 30, 2023 |

b) Appropriated Retained Earnings

On 20 December 2023, the BOD approved the reversal of Four Hundred Million Pesos (₱ 400,000,000.00) appropriation for 2023 projects and approved the appropriation of Four Hundred Million (₱ 400,000,000.00) for 2024 projects.

On 4 December 2024, the BOD approved the reversal of ₱400,000,000 appropriated for capital expenditures from 2023 unrestricted retained earnings

4. Sale of Unregistered or Exempt Transactions

The Company has no recent sale of unregistered or exempt securities from 2022 to 31 March 2025

B. Description of the Issuer's Security

The Company has an authorized capital stock of One Billion Five Hundred Million Pesos (₱1,500,000,000.00) divided into Fifteen Million (15,000,000) common shares with a par value of One Hundred Pesos (₱100.00) each. Out of its total authorized capital stock, One Billion Four Hundred Sixty-Six Million Two Hundred Thousand Pesos (₱1,466,200,000) divided into Fourteen Million Six Hundred Sixty Two Thousand (14,662,000) common shares with a par value of one hundred pesos (₱100.00) each are presently issued and outstanding. The issued share capital of the Company is fully paid-up and is not being traded in any exchange. The Company's shares have not been previously offered to the public. No shares are subject to outstanding options or warrants to purchase.

The Company has no debt securities, stock options, securities subject to redemption or call, warrants and other securities other than the common shares described above.

CORPORATE GOVERNANCE

The Company has always been dedicated in upholding a sound corporate governance even before adopting its Manual on Corporate Governance (the “Manual”).

The Company, with the intention of strengthening its corporate governance standards to be comparable with or exceed the leading standards adopted the Manual on 02 October 2023 in compliance with SEC Memorandum Circular No. 24, Series of 2019.

Board Composition

The Board consists of seven (7) members, each elected by the common stockholders during the Annual Stockholders’ Meeting (ASM). The Board members hold office for one (1) year until their successors are duly elected and qualified in accordance with the amended by-laws of the Company. The Company’s Board is a combination of executive and non-executive that are possessed with qualifications and stature that enable them to effectively participate in the deliberations of the Board.

The Board includes two (2) independent directors selected based on the independence criteria as set forth under the SEC’s revised Securities Regulation Code and implementing rules and regulations, and the Company’s Manual of Corporate Governance (MCG).

Board Committees

The Board, to enhance its effectiveness in fulfilling its oversight responsibilities and aid in ensuring compliance with the principles of good corporate governance, shall establish and maintain the following board committees: 1.) the Corporate Governance Committee; 2.) the Board Risk Oversight Committee; and 3.) the Audit Committee

As of 31 March 2025, the Board has yet to appoint the members of the above Committees.

Board Assessment

The Board shall conduct an annual assessment of its performance, including the performance of the Chairman, individual members and committees. The Corporate Governance Committee shall oversee the assessment/evaluation process.

Every three (3) years, as far as practicable, the assessment may be supported by an external facilitator. The external facilitator can be any independent third party such as, but not limited to, a consulting firm, academic institution or professional organization appointed by the Board.

The Board assessment system shall provide a criteria and process to determine the performance of the Board, individual directors and committees. The system shall allow for a feedback mechanism from shareholders.

Compliance Measures

The Compliance Officer plays a pivotal role in ensuring that the Company adheres to all applicable laws and regulations, and that it operates within its boundaries while upholding the highest ethical standards. Duties and responsibilities are as follows:

1. Design, implement, and oversee the Company's compliance programs and policies to ensure adherence to all relevant laws and regulations.
2. Conduct regular risk assessments to identify potential compliance risks and develop strategies to mitigate them.
3. Stay updated on changes in laws, regulations, and industry standards that could impact the Company's operations.
4. Prepare and present compliance reports to the Board and report on compliance issues, investigations, and corrective actions taken.
5. Conduct or oversee internal investigations into alleged compliance violations, including fraud, misconduct, or breaches of policies and procedures.
6. Coordinate with external auditors and regulatory authorities during compliance audits and inspections.
7. Oversee and promote the Company's code of conduct and ethics policies.
8. Foster a culture of compliance within the Company and promote ethical behavior and accountability at all levels.

Deviation from Corporate Governance Practices

The Company is still in the process of establishing policies and procedures required under its Corporate Governance Manual, nonetheless, there are no major deviations noted.

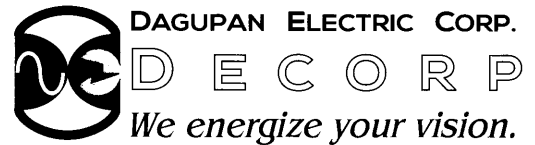
Improvement of Corporate Governance Practices

The Company has continually worked to improve its corporate governance system so that it complies with the national regulatory agencies and best practices.

The Board sees corporate governance as a crucial component of the Company's corporate identity. The Company is thus committed to a process of continual improvement, guided by best practices and the evolving needs of shareholders and stakeholders. Governance practices will continue to contribute to the long-term success and sustainability of the Company.

The Board remains dedicated to upholding a culture of accountability, ethical conduct, and responsible leadership.

ANNEX A



SEC FORM 17-A 2024 ANNUAL REPORT

A copy of the SEC Form 17-A Report for the Year Ended 31 December 2024 (SEC Form 17-A 2024 Annual Report) of Dagupan Electric Corporation will be provided without charge to any person upon written request addressed to:

ATTY. ERWIN MARK A. GAVINO
THE OFFICE OF THE CORPORATE SECRETARY
Dagupan Electric Corporation
Veria I Building, 62 West Avenue
Quezon City

The SEC Form 17-A 2024 Annual Report will also be posted at Dagupan Electric Corporation's website at <https://www.dagupanelectric.com>.

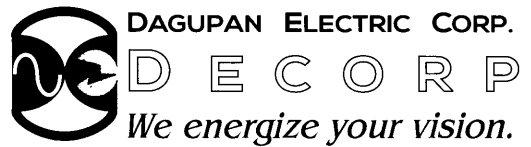
After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete, and correct. This report is signed in the City of San Juan on 10 June 2025.

DAGUPAN ELECTRIC CORPORATION

By:

ERWIN MARK A. GAVINO
Corporate Secretary

ANNEX B



SEC FORM 17-Q REPORT

A copy of the SEC Form 17-Q Report for the quarter ending 31 March 2025 (SEC Form 17-Q 2025 Q1 Report) of Dagupan Electric Corporation will be provided without charge to any person upon written request addressed to:

ATTY. ERWIN MARK A. GAVINO
THE OFFICE OF THE CORPORATE SECRETARY
Dagupan Electric Corporation
Veria I Building, 62 West Avenue
Quezon City

The SEC Form 17-Q 2025 Q1 Report will also be posted at Dagupan Electric Corporation's website at <https://www.dagupanelectric.com>.

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete, and correct. This report is signed in the City of San Juan on 10 June 2025.

DAGUPAN ELECTRIC CORPORATION

By:

ERWIN MARK A. GAVINO
Corporate Secretary



SECURITIES AND EXCHANGE COMMISSION

THE SEC HEADQUARTERS 7907 Makati Avenue, Salcedo Village, Bel-Air, Makati City
1209 Trunk Line No:02-5322-7696 Email Us:www.sec.gov.ph/imessagemo@sec.gov.ph



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Industry Classification: E40100

Company Type: Stock Corporation

Document Information

Document ID: OST10415202583175015

Document Type: Financial Statement

Document Code: FS

Period Covered: December 31, 2024

Submission Type: Annual

Remarks: None

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COVER SHEET

for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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Department requiring the report

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Secondary License Type, If Applicable

| | | | |
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| S | E | C | |
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COMPANY INFORMATION

Company's email Address

decorp@decorp.com.ph

Company's Telephone Number

632-374-2314

Mobile Number

0928-506-6639

No. of Stockholders

55

Annual Meeting (Month/Day)

3rd Tuesday of April

Fiscal Year (Month/Day)

12/31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

RENE L. LLAMES

Email Address

NA

Telephone Number/s

632-374-2314

Mobile Number

NA

CONTACT PERSON'S ADDRESS

3/F VERIA 1 BUILDING, 62 WEST AVENUE, QUEZON CITY 1104

Note 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

DAGUPAN ELECTRIC CORPORATION
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

- Notarized Statement of Management's Responsibility for Financial Statements
- Report of Independent Auditors
- Statement of Financial Position as at December 31, 2024 (With Comparative Figures as at December 31, 2023)
- Statement of Comprehensive Income for the Year Ended December 31, 2024 (With Comparative Figures for the Years Ended December 31, 2023 and 2022)
- Statement of Changes in Equity for the Year Ended December 31, 2024 (With Comparative Figures for the Years Ended December 31, 2023 and 2022)
- Statement of Cash Flows for the Year Ended December 31, 2024 (With Comparative Figures for the Years Ended December 31, 2023 and 2022)
- Notes to Financial Statements
- Supplementary Schedules
 - Report of Independent Auditors on Supplementary Schedules
 - Schedule A. Financial Assets
 - Schedule B. Amounts Receivable From Directors, Officers, Employees Related Parties and Principal Stockholders (Other than Related Parties)
 - Schedule C. Amounts Receivable From Related Parties which are Eliminated during the Consolidation of Financial Statements
 - Schedule D. Long-term Debt
 - Schedule E. Indebtedness to Related Parties*
 - Schedule F. Guarantees of Securities of Other Issuers*
 - Schedule G. Capital Stock
 - Schedule H. Reconciliation of Retained Earnings Available for Dividend Declaration
 - Schedule I. Financial Soundness Indicators

**These schedules have been omitted because they are not applicable*

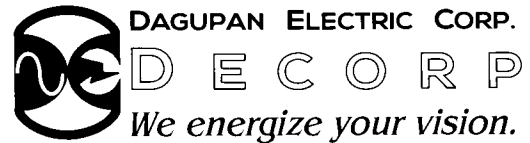
Dagupan Electric Corporation

Financial Statements

December 31, 2024, 2023 and 2022

and

Independent Auditors' Report



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

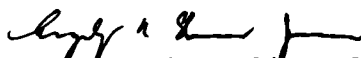
The Management of **Dagupan Electric Corporation** (the Company) is responsible for the preparation and fair presentation of the financial statements which comprise the statements of financial position as at December 31, 2024 and 2023, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years ended December 31, 2024, 2023 and 2022 and notes to financial statements, including the schedules attached therein, in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

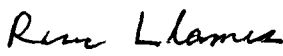
In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.


The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

Diaz Murillo Dalupan and Company, the independent auditors, appointed by the stockholders, have audited the financial statements of the Company in accordance with Philippine Standards on Auditing (PSA), and in their reports to the stockholders, have expressed its opinion on the fairness of presentation upon completion of such audit.


Angelique Maxime L. Llamas-James
Chairperson


Rene L. Llamas
President and CEO


Lilian D. Saralde
Finance Manager

Signed this 14th day of April 2025

SUBSCRIBED AND SWORN TO BEFORE ME
APR 15 2025 AT QUEZON CITY


ATTY. ROSALINDA ADRIANO-MONTENEGRO
NOTARY PUBLIC

My Commission expires on Dec. 31, 2025

Admin. Matter No. NP-067 (2024-2025)

PTB No. 171170-01/02/2025-Q.C.

BP OR No. 393268-01/05/2024-Q.C.

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212 Acre Bldg. 137 Malakas St. Brgy. Central, Quezon City

Independent Auditors' Report

The Board of Directors and Stockholders
DAGUPAN ELECTRIC CORPORATION
AB Fernandez St., Dagupan City
Province of Pangasinan

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Dagupan Electric Corporation** (the Company) which comprise the statements of financial position as at December 31, 2024 and 2023, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2024, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Dagupan Electric Corporation** as at December 31, 2024 and 2023, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2024 in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with The Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Global Reach, Global Quality

Head Office : 7th Floor, Don Jacinto Building, De la Rosa corner Salcedo Sts., Legaspi Village, Makati City 1229 Philippines • Phone: +63(2) 8894 5892 / 8844 9421 / Fax: +63(2) 8818 1872
Cebu Office : Unit 504 Cebu Holdings Building, Cebu Business Park, Mabolo, Cebu City 6000 Philippines • Phone: +63(32) 415 8108 - 10 / Fax: +63(32) 232 8029
Davao Office : 3rd Floor Building B Plaza De Luisa, Ramon Magsaysay Avenue, Davao City 8000 Philippines • Phone/Fax: +63(82) 222 6636
Palawan Office : 2F MRC Building, Pineda Road, Brgy. San Pedro, Puerto Princesa City, Palawan 5300 Philippines • Phone +63(48) 716 1580
Website : www.dmdcpa.com.ph

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Report on the supplementary information required under Revenue Regulation 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 28 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management of **Dagupan Electric Corporation**. The information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Diaz Murillo Dalupan and Company

Tax Identification No. 003-294-822

BOA/PRC No. 0234, effective until June 23, 2026

BIR Accreditation No. 08-001911-000-2025, effective until March 11, 2028



Alexes B. Abella

Partner

CPA Certificate No. 96749

Tax Identification No. 201-766-994

PTR No. 10478582, January 9, 2025, Makati City

BIR Accreditation No. 08-001911-004-2025, effective until March 11, 2028

April 14, 2025

DAGUPAN ELECTRIC CORPORATION
Statements of Financial Position

| | December 31 | |
|---|-----------------------|----------------|
| | 2024 | 2023 |
| ASSETS | | |
| Noncurrent Assets | | |
| Utility plant and equipment - note 4 | ₱3,878,693,425 | ₱3,846,754,440 |
| Other property and equipment - note 5 | 85,820,987 | 85,133,271 |
| Financial asset at fair value through other comprehensive income (FVOCI) - note 6 | 152,000,000 | 152,000,000 |
| Deferred tax assets - note 21 | 28,005,805 | 25,974,360 |
| | 4,144,520,217 | 4,109,862,071 |
| Current Assets | | |
| Cash and cash equivalents - note 7 | 2,179,835,214 | 886,889,217 |
| Trade and other receivables (net) - note 8 | 634,507,090 | 518,273,759 |
| Financial assets at fair value through profit or loss (FVPL) - note 9 | 184,270,387 | 175,202,414 |
| Inventories - note 10 | 116,360,969 | 82,676,821 |
| Prepayments and other current assets - note 11 | 66,010,338 | 76,741,108 |
| | 3,180,983,998 | 1,739,783,319 |
| TOTAL ASSETS | ₱7,325,504,215 | ₱5,849,645,390 |
| EQUITY AND LIABILITIES | | |
| Equity | | |
| Capital stock - note 15 | ₱1,466,200,000 | ₱1,246,200,000 |
| Additional paid-in capital - note 15 | 1,141,724,320 | 189,124,320 |
| Revaluation reserve - notes 4 and 5 | 1,480,510,625 | 1,549,621,291 |
| Remeasurement gain on retirement benefits - note 18 | 2,962,764 | 2,962,764 |
| Retained earnings - note 14 | | |
| Appropriated | - | 400,000,000 |
| Unappropriated | 1,550,957,608 | 831,949,018 |
| | 5,642,355,317 | 4,219,857,393 |
| Current Liabilities | | |
| Trade and other payables - note 12 | 703,472,335 | 636,270,081 |
| Income tax payable | 36,880,605 | 46,152,716 |
| | 740,352,940 | 682,422,797 |
| Noncurrent Liabilities | | |
| Customers' deposits - note 13 | 337,846,798 | 334,924,529 |
| Deferred tax liability - note 21 | 518,688,596 | 539,458,491 |
| Retirement benefits obligation - note 18 | 86,260,564 | 72,982,180 |
| | 942,795,958 | 947,365,200 |
| TOTAL EQUITY AND LIABILITIES | ₱7,325,504,215 | ₱5,849,645,390 |

(The accompanying notes are an integral part of these financial statements.)

DAGUPAN ELECTRIC CORPORATION
Statements of Comprehensive Income

| | Years Ended December 31 | | |
|---|-------------------------|-----------------------|-----------------------|
| | 2024 | 2023 | 2022 |
| REVENUES - note 17 | ₱4,207,205,636 | ₱4,044,639,397 | ₱4,678,351,420 |
| OPERATING EXPENSES | | | |
| Purchased power - note 22 | 3,165,229,972 | 3,076,631,467 | 3,865,894,454 |
| Operations and maintenance - note 19 | 313,306,750 | 270,232,453 | 263,544,470 |
| Depreciation - notes 4 and 5 | 207,254,971 | 201,061,732 | 185,360,524 |
| Taxes other than income tax | 67,767,335 | 23,948,304 | 52,440,862 |
| | 3,753,559,028 | 3,571,873,956 | 4,367,240,310 |
| INCOME FROM OPERATIONS | 453,646,608 | 472,765,441 | 311,111,110 |
| OTHER INCOME (CHARGES) - note 20 | 66,107,568 | 41,829,226 | 33,804,680 |
| INCOME BEFORE INCOME TAX | 519,754,176 | 514,594,667 | 344,915,790 |
| PROVISION FOR INCOME TAX - note 21 | 144,064,178 | 142,551,266 | 103,511,859 |
| NET INCOME | 375,689,998 | 372,043,401 | 241,403,931 |
| OTHER COMPREHENSIVE INCOME | | | |
| <i>Not to be reclassified to profit or loss in the subsequent periods</i> | | | |
| Remeasurement loss on retirement benefits, net of tax - note 18 | - | 8,833,111 | - |
| TOTAL COMPREHENSIVE INCOME | ₱375,689,998 | ₱380,876,512 | ₱241,403,931 |
| Earnings Per Share - note 23 | ₱25.62 | ₱29.85 | ₱19.37 |

(The accompanying notes are an integral part of these financial statements.)

DAGUPAN ELECTRIC CORPORATION
Statements of Changes in Equity

| | Capital Stock | Additional Paid-in Capital | Revaluation Reserve | Gain (Loss) on Retirement Benefits | Appropriated Retained Earnings | Unappropriated Retained Earnings | Total Equity |
|--|----------------|----------------------------|---------------------|------------------------------------|--------------------------------|----------------------------------|-----------------|
| | - note 15 | in Capital | - notes 4 and 5 | - note 18 | - note 14 | - note 14 | |
| Balance at January 1, 2022 | P1,246,200,000 | P189,124,320 | P1,688,423,618 | (P5,870,347) | P- | P2,033,431,917 | P5,151,309,508 |
| Net income | - | - | - | - | - | 241,403,931 | 241,403,931 |
| Depreciation on appraisal increase transferred to unappropriated retained earnings | - | - | (92,922,215) | - | - | 92,922,215 | - |
| Income tax effect on the revaluation increment charged to operations through additional depreciation charges | - | - | 23,230,554 | - | - | - | 23,230,554 |
| Appropriation of retained earnings | - | - | - | - | 400,000,000 | (400,000,000) | - |
| Balance at December 31, 2022 | P1,246,200,000 | P189,124,320 | P1,618,731,957 | (P5,870,347) | 400,000,000 | P1,967,758,063 | P5,415,943,993 |
| Balance at January 1, 2023 | P1,246,200,000 | P189,124,320 | P1,618,731,957 | (P5,870,347) | P400,000,000 | P1,967,758,063 | P5,415,943,993 |
| Net income | - | - | - | - | - | 372,043,401 | 372,043,401 |
| Depreciation on appraisal increase transferred to unappropriated retained earnings | - | - | (92,147,554) | - | - | 92,147,554 | - |
| Income tax effect on the revaluation increment charged to operations through additional depreciation charges | - | - | 23,036,888 | - | - | - | 23,036,888 |
| Remeasurement gain on retirement benefits, net of tax | - | - | - | 8,833,111 | - | - | 8,833,111 |
| Transfer to unappropriated retained earnings | - | - | - | - | (400,000,000) | 400,000,000 | - |
| Appropriation of retained earnings | - | - | - | - | 400,000,000 | (400,000,000) | - |
| Transaction with owners of the Company | - | - | - | - | - | - | - |
| Cash dividend declared | - | - | - | - | - | (1,600,000,000) | (1,600,000,000) |
| Balance at December 31, 2023 | P1,246,200,000 | P189,124,320 | P1,549,621,291 | P2,962,764 | P400,000,000 | P831,949,018 | P4,219,857,393 |
| Balance at January 1, 2024 | P1,246,200,000 | P189,124,320 | P1,549,621,291 | P2,962,764 | P400,000,000 | P831,949,018 | P4,219,857,393 |
| Net income | - | - | - | - | - | 375,689,998 | 375,689,998 |
| Depreciation on appraisal increase transferred to unappropriated retained earnings | - | - | (92,147,554) | - | - | 92,147,554 | - |
| Income tax effect on the revaluation increment charged to operations through additional depreciation charges | - | - | 23,036,888 | - | - | - | 23,036,888 |
| Transfer to unappropriated retained earnings | - | - | - | - | (400,000,000) | 400,000,000 | - |
| Transaction with owners of the Company | - | - | - | - | - | - | - |
| Issuance of capital stock through public offering | 220,000,000 | 952,600,000 | - | - | - | - | 1,172,600,000 |
| Cash dividend declared | - | - | - | - | - | (148,828,962) | (148,828,962) |
| Balance at December 31, 2024 | P1,466,200,000 | P1,141,724,320 | P1,480,510,625 | P2,962,764 | P- | P1,550,957,608 | P5,642,355,317 |

(The accompanying notes are an integral part of these financial statements.)

DAGUPAN ELECTRIC CORPORATION
Statements of Cash Flows

| | Years Ended December 31 | | |
|---|--------------------------------|------------------------|-----------------------|
| | 2024 | 2023 | 2022 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Income before income tax | ₱519,754,176 | ₱514,594,669 | ₱344,915,790 |
| Adjustments for: | | | |
| Depreciation - notes 4 and 5 | 207,254,971 | 201,061,732 | 185,360,524 |
| Franchise tax | 24,907,976 | 4,026,762 | 1,965,902 |
| Retirement benefit expense - note 18 | 15,918,363 | 12,386,259 | 14,188,982 |
| Provision for ECL - note 8 | 2,631,403 | - | 13,584,985 |
| Interest expense - note 13 | 163,563 | 169,492 | 166,596 |
| Interest income - note 7 | (54,440,663) | (39,968,988) | (33,902,159) |
| Fair value (gain) loss on financial assets at FVPL - note 9 | (9,067,973) | - | 2,486,014 |
| Gain on sale of transportation equipment - note 5 | (312,500) | - | (56,384) |
| Operating income before working capital changes | 706,809,316 | 692,269,926 | 528,710,250 |
| Decrease (increase) in: | | | |
| Trade and other receivables | (118,864,734) | 236,643,889 | (233,474,821) |
| Inventories | (33,684,148) | 14,294,600 | (15,554,285) |
| Prepayments and other current assets | 10,730,770 | (19,114,350) | 9,981,888 |
| Increase (decrease) in: | | | |
| Trade and other payables | 67,202,254 | (64,923,368) | 115,845,636 |
| Customers' deposits | 2,922,269 | 1,121,578 | (1,496,624) |
| Cash generated from operations | 635,115,727 | 860,292,275 | 404,012,044 |
| Interest received - note 7 | 54,440,663 | 39,968,988 | 33,902,159 |
| Contributions to retirement plan - note 18 | (2,639,979) | (328,528) | - |
| Franchise tax paid - note 12 | (24,907,976) | (4,026,762) | (1,965,902) |
| Income tax paid | (153,100,741) | (98,879,505) | (108,583,495) |
| Interest paid - note 13 | (163,563) | (169,492) | (166,596) |
| Net cash provided by operating activities | 508,744,131 | 796,856,976 | 327,198,210 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of property and equipment - notes 4 and 5 | (239,881,672) | (226,935,231) | (140,065,078) |
| Proceeds from disposal of financial assets at FVPL - note 9 | - | 95,000,000 | - |
| Proceeds from sale of transportation equipment - note 5 | 312,500 | - | 56,384 |
| Net cash used in investing activities | (239,569,172) | (131,935,231) | (140,008,694) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issuance of shares - note 15 | 1,172,600,000 | - | - |
| Cash dividend paid - note 14 | (148,828,962) | (1,600,000,000) | - |
| Net cash provided by (used in) investing activities | 1,023,771,038 | (1,600,000,000) | - |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 1,292,945,997 | (935,078,255) | 187,189,516 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 886,889,217 | 1,821,967,472 | 1,634,777,956 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR - note 7 | ₱2,179,835,214 | ₱886,889,217 | ₱1,821,967,472 |

(The accompanying notes are an integral part of these financial statements)

DAGUPAN ELECTRIC CORPORATION

Notes to Financial Statements

As at and for the Years Ended December 31, 2024, 2023 and 2022

1. CORPORATE INFORMATION

Dagupan Electric Corporation (the Company) was incorporated in the Philippines on May 30, 1961. On May 20, 2008, the Securities and Exchange Commission (SEC) approved the amendment of the Articles of Incorporation of the Company extending its corporate life for another 50 years from May 20, 2011. The Company is majority owned by a group of Filipino individuals.

The Company is engaged in the distribution of electricity and is granted with a legislative franchise to operate and service certain areas in the province of Pangasinan by virtue of Republic Act (R.A.) No. 9969, enacted by the Congress of the Philippines on February 6, 2010, entitled "An Act Amending R.A. No. 3221, Granting a Franchise to Dagupan Electric Corporation to Construct, Operate and Maintain a Distribution System for the Conveyance of Electric Power to the End-Users in the City of Dagupan, the Municipalities of Calasiao, Sta. Barbara, San Fabian, San Jacinto and Manaoag, and Barangays Bolingit and Cruz in the City of San Carlos, all in the Province of Pangasinan, and Renewing/ Extending the Term of the Franchise to Another Twenty-Five (25) Years from the Date of the Approval of this Act". The act became effective on February 27, 2010.

Pursuant to Section 43(t) of R.A. 9136 and Rule 3, Section 4(m) of the IRR, the Company offered and sold to the public 15% of its common shares following the SEC's approval of the Company's registration of its shares for public offering on December 27, 2023 (see Note 27).

The Company is subject to the regulations and rate-making policies of the Energy Regulatory Commission (ERC).

The registered principal address of the Company is AB Fernandez St., Dagupan City, Province of Pangasinan. The accompanying financial statements were approved and authorized for issue by the Board of Directors (BOD) on April 14, 2025.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The material accounting policies that have been used in the preparation of these financial statements are summarized below. The policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of Compliance

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards. The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations which have been approved by the Financial and Sustainability Reporting Standards Council (FSRSC) and adopted by SEC.

Basis of Preparation

The financial statements have been prepared on a historical cost basis except for utility, plant and equipment and other property and equipment which are stated at revalued amount and financial assets at fair value through profit or loss (FVPL) and financial assets at fair value through other comprehensive income (FVOCI).

The financial statements are presented in Philippine peso (₱), the Company's functional currency. All amounts are rounded to the nearest peso except when otherwise indicated.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial years except for the amended PFRS below which is mandatorily effective for annual periods beginning on or after January 1, 2024.

PAS 1 (Amendments) Classification of Liabilities as Current or Noncurrent. The narrow-scope amendments to PAS 1, *Presentation of Financial Statements* clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what PAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. The amendments are effective for annual periods beginning on or after January 1, 2024, with earlier application permitted.

The amendments do not have a material impact on the financial statements of the Company.

New accounting standards and amendments to existing standards effective subsequent to January 1, 2024

Standards issued but not yet effective up to the date of the Company's financial statements are listed below. These amendments to standards issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

PAS 21 (Amendments) The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability. The amendment specifies that a currency is exchangeable when an entity can exchange that currency for another currency through markets or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose while a currency is not exchangeable into other currency if an entity can only obtain an insignificant amount of the other currency. When a currency is not exchangeable, an entity estimates the spot exchange rate as the rate that would have applied to an orderly transaction between market participants at the measurement date and that would faithfully reflect the economic conditions. The amendment requires the disclosure of additional information when a currency is not exchangeable. The amendment is effective for annual periods beginning on or after January 1, 2025, with earlier application permitted.

PFRS 18, Presentation and Disclosure in Financial Statements. This standard supersedes *PAS 1, Presentation of Financial Statements*, and sets out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income, and expenses. The standard requires an entity to clearly identify the financial statements, which must be distinguished from other information in the same published document, as well as each primary financial statements, and the notes to the financial statements. In addition, the following information must be displayed prominently and repeated as necessary:

- the name of the reporting entity and any change in the name
- whether the financial statements are a group of entities or an individual entity
- information about the reporting period
- the presentation currency (as defined by *PAS 21, The Effects of Changes in Foreign Exchange Rates*)
- the level of rounding used (e.g., thousands, millions).

Retrospective application of the standard is mandatory for annual reporting periods starting from January 1, 2027 onwards, but earlier application is permitted.

PFRS 18 supersedes PAS 1, carrying forward many of the requirements in PAS 1 unchanged and complementing them with new requirements with movements on certain paragraphs into PAS 8 and PFRS 7. Furthermore, there were minor amendments to PAS 7 and PAS 33 earnings per share. The new standard introduces new requirements to:

- present specified categories and defined subtotals in the statements of profit or loss
- provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements
- improve aggregation and disaggregation.

The amendment is effective for annual periods beginning on or after January 1, 2027, with earlier application permitted. The amendments to PAS 7 and PAS 33, as well as the revised PAS 8 and PFRS 7, become effective when an entity applies PFRS 18. The Management anticipates that the application of these amendments may have an impact on the Company's financial statements in future periods.

Amendments to the Classification and Measurement of Financial Instruments (Amendments to PFRS 9 and PFRS 7). The amendments address matters identified during the post-implementation review of the classification and measurement requirements of *PFRS 9, Financial Instruments*.

The amendments include:

- a) derecognition of financial liability settled through electronic transfer - The amendments to the application guidance of PFRS 9 permit an entity to deem a financial liability (or part of it) that will be settled in cash using an electronic payment system to be discharged before the settlement date if specified criteria are met. An entity that elects to apply the derecognition option would be required to apply it to all settlements made through the same electronic payment system.

- b) classification of financial assets - The amendments provide guidance on how an entity can assess whether contractual cash flows of a financial asset are consistent with a basic lending arrangement, enhance the description of the term 'non-recourse', and clarify the characteristics of contractually linked instruments that distinguish them from other transactions.
- c) disclosures - The requirements in PFRS 7 are amended for disclosures that an entity provides in respect of investments in equity instruments designated at fair value through other comprehensive income. The amendments also require the disclosure of contractual terms that could change the timing or amount of contractual cash flows on the occurrence (or non-occurrence) of a contingent event that does not relate directly to changes in basic lending risks and costs.

The amendments also include amendments to *PFRS 19, Subsidiaries without Public Accountability: Disclosures*, which limit the disclosure requirements for qualifying subsidiaries.

The amendments are effective for reporting periods beginning on or after January 1, 2026, with earlier application permitted.

The Company continues to assess the impact of the above new, amended, and improved accounting standards and interpretations that are effective subsequent to January 1, 2024, on its financial statements in the period of initial application.

Additional disclosures required by these amendments will be included in the financial statements when these amendments are adopted.

Utility Plant and Equipment and Other Property and Equipment

The Company's utility plant and equipment and other property and equipment (fixed assets) are initially measured at cost. The initial cost comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to profit or loss in the period when the costs are incurred. Land is stated at cost less any impairment in value.

Subsequently, fixed assets are carried at revalued amounts which are the fair values at the date of revaluation, as determined by independent appraisers, less subsequent accumulated depreciation and any accumulated impairment losses. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The appraisal was performed by an independent firm of appraisers and the significant assumptions used by the appraiser are disclosed in Notes 4 and 5.

If the assets' carrying amount is increased as a result of a revaluation, the increase is recognized in other comprehensive income and accumulated in equity under the heading "Revaluation reserve". However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.

If the assets' carrying amount is decreased as a result of a revaluation, the decrease shall be recognized in profit or loss. However, the decrease shall be recognized in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset. The decrease recognized in other comprehensive income reduces the amount accumulated in equity under the heading "Revaluation reserve". Annually, an amount from the revaluation reserve is transferred to retained earnings for the depreciation relating to the revaluation. Revaluations are performed to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

Depreciation is computed on a straight-line method over the following estimated useful lives:

| | Number of Years |
|--------------------------------|-----------------|
| Utility plant and equipment: | |
| Buildings and improvements | 30 |
| Distribution | 25-45 |
| Tools and equipment | 10 |
| Other property and equipment: | |
| Office furniture and equipment | 5-10 |
| Transportation equipment | 5-10 |

Construction in progress represents properties under construction and is stated at cost. This includes the cost of construction, applicable borrowing cost and other direct costs. The account is not depreciated until such time that the assets are completed and available for use. A fixed asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The depreciation method, residual values and estimated useful lives of utility plant and equipment and other property and equipment are reviewed and adjusted, if appropriate, at each reporting date.

An item of utility plant and equipment and other property and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising on the retirement and disposal of an item of utility plant and equipment and other property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period of retirement or disposal. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Impairment of Non-financial Assets

The Company assesses the utility plant and equipment and other property and equipment at each reporting date whether there is an indication that the asset may be impaired. All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less cost to sell, and value in use, based on an internal evaluation of discounted cash flow. Impairment loss is charged to the assets in the cash-generating unit.

All fixed assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

Financial Instruments

a. Initial recognition, measurement and classification of financial instruments

The Company recognizes financial assets and financial liabilities in the statements of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place are recognized on the settlement date.

With the exception of trade receivables that do not contain a significant financing component, financial assets and financial liabilities are recognized initially at fair value including transaction costs, except for those financial assets and liabilities at FVPL where the transaction costs are charged to expense in the period incurred. Trade receivables that do not contain a significant financing component are recognized initially at their transaction price. The Company classifies its financial assets as subsequently measured at amortized cost, FVOCI and FVPL.

The classification of debt instruments at amortized cost or at FVOCI depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing the financial assets. The Company's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Company's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, debt instruments may be designated at FVPL on initial recognition if doing so eliminates or significantly reduces the measurement or recognition inconsistency and produce more relevant information.

Upon initial recognition, the Company may make an irrevocable election to present in other comprehensive income changes in the fair value of an equity investment that is not held for trading. The classification is determined on an instrument-by-instrument basis.

The Company classifies its financial liabilities as subsequently measured at amortized cost using the effective interest method or at FVPL.

Financial Assets at Amortized Cost

Financial assets are measured at amortized when both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, financial assets at amortized cost are subsequently measured using the effective interest method less allowance for impairment. Gains and losses are recognized in the statements of comprehensive income when the financial assets at amortized cost are derecognized, modified or impaired. These financial assets are included in current assets if maturity is within 12 months from the end of reporting period. Otherwise, these are classified as noncurrent assets.

The Company's financial assets at amortized cost comprise cash and cash equivalents, trade and other receivables and security deposits under prepayments and other current assets (see Notes 7, 8 and 11).

Trade receivables are amounts due from the Company's customers for the power supplied to the customers and other related services performed in the ordinary course of business.

Financial Assets at FVPL

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, debt instruments may be designated at FVPL on initial recognition if doing so eliminates or significantly reduces the measurement or recognition inconsistency and produce more relevant information. Financial assets at FVPL are carried in the statements of financial position at fair value with net changes in fair value recognized in the profit or loss.

As at December 31, 2024 and 2023, the financial assets at FVPL include unit investment trust funds and mutual funds that are not considered equity instruments designated at FVOCI and do not meet the amortized cost criteria (see Note 9).

Equity Instruments Designated at FVOCI

Upon initial recognition, the Company may make an irrevocable election to present in other comprehensive income changes in the fair value of an equity instrument that is not held for trading. The classification is determined on an instrument-by-instrument basis.

When the equity instrument is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is not subsequently reclassified to profit or loss, but is transferred to retained earnings. Equity instruments designated at FVOCI are not subject to impairment assessment. These financial assets are classified as noncurrent assets.

As at December 31, 2024 and 2023, the Company's equity instruments at FVOCI consist of investment in unquoted equity shares of a private company (see Note 6).

b. Determination of Fair Value

The Company classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value of an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The Company's financial assets at FVPL, which consist of unit investment trust funds and mutual funds and financial assets at FVOCI, are measured at fair value. Fair value disclosures are presented in Note 26.

"Day 1" Difference

When the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the statements of comprehensive income unless it qualifies for recognition as some other type of asset or liability. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statements of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference amount.

Financial Liabilities at Amortized Cost

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading, or designated as at FVPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Financial liabilities at amortized cost include trade and other payables (except statutory payables) and customers' deposits (see Notes 12 and 13).

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Other payables include non-trade payable and accrued expenses.

Customers' deposits are recognized upon receipt from customers and are measured at fair value of the consideration received. This is composed of bill, pole attachment and cost of line extension (COLE) deposit that serves as guarantee of customers. The customers' deposits are measured subsequently at amortized cost after the initial recognition. The customers' deposits are derecognized upon return to customers in accordance with regulations and contracts entered by the parties. Customers' deposits are classified as current liabilities if return to customers is due within one year or less; otherwise, these are presented as noncurrent liabilities.

c. Impairment of Financial Assets

The Company recognizes allowance for estimated credit losses (ECL) for all debt instruments that are measured at amortized cost or at FVOCI and trade and other receivables. ECLs are a probability-weighted estimate of credit losses over the expected life of the financial asset.

Credit losses are the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Company assesses at each end of the reporting period whether the credit risk on a financial asset has increased significantly since initial recognition. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is measured at an amount equal to the lifetime ECLs. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, a loss allowance is measured at an amount equal to 12-month ECLs. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting period.

For trade receivables, the Company applies a simplified approach in calculating ECLs. The Company recognizes a loss allowance based on lifetime ECLs at the end of each reporting period. The ECLs on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment, including time value of money where appropriate.

When the credit risk on financial instruments for which lifetime ECLs have been recognized subsequently improves, and the requirement for recognizing lifetime ECLs is no longer met, the loss allowance is measured at an amount equal to 12-month ECL at the current reporting period, except for assets for which simplified approach was used.

The Company recognizes impairment loss (reversals) in profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

Significant Increase in Credit Risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the end of reporting period with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g., the extent to which the fair value of a financial asset has been less than its amortized cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;

- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the end of reporting period. A financial instrument is determined to have low credit risk if:

- the financial instrument has a low risk of default;
- the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts. The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of Default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired Financial Assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lenders of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower concessions that the lenders would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off Policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner.

Financial assets written-off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

d. Derecognition

Financial Asset

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset and has entered into a "pass-through" arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liability

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such as exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts recognized in profit or loss.

e. Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Inventories

Inventories, which consist of materials and supplies, are initially measured at cost and subsequently stated at the lower of cost and net realizable value (NRV). Costs incurred in bringing materials and supplies to their present location and condition are determined on the first-in first-out method. NRV is the current replacement cost of the asset.

When the inventories are sold, the carrying amount of inventories is recognized as an expense in which the related revenue is recognized.

Prepayments and Other Current Assets

Prepayments are expenses paid in advance and recorded as asset before they are utilized. Prepayments are apportioned over the period covered by the payment and charged to the appropriate account in profit or loss when incurred. Prepayments that are expected to be realized for not more than 12 months after the end of the reporting period are classified as current asset; otherwise, these are classified as other noncurrent asset.

Other current assets represent advanced payment for the purchase of transmission lines and rental deposits. This is recognized in the statements of financial position upon payment and is measured at cost.

Input value added tax (VAT) is stated at cost less any impairment in value. Input VAT is the indirect tax paid by the Company on the local purchase of goods or services from a VAT-registered person. Input VAT is deducted from the output VAT in arriving at the VAT due and payable. When the output tax exceeds the input tax, the difference is recognized as a current liability in the statements of financial position. When the input tax exceeds the output tax, the excess is carried over to the next reporting period and is recognized as an asset presented as Input VAT in the statements of financial position. Allowance for unrecoverable input VAT, if any, is maintained by the Company at a level considered adequate to provide for potential uncollectible portion of the claims.

Equity

(a) Capital stock

Capital stock is measured at par value for all shares issued. Incremental costs directly attributable to the issuance of new shares or options are shown in equity as deduction from the proceeds, net of tax. The excess of proceeds from the issuance of shares over the par value is credited to additional paid-in capital.

(b) Additional paid-in capital

Additional paid-in capital is the result of the Company's declaration of property dividend out of treasury shares and the excess of the offer price over par value of the shares issued to the public by way of an initial public offering, in which the SEC rendered the application for registration of shares effective December 27, 2023.

(c) Retained earnings

Retained earnings represent accumulated earnings of the Company less dividends declared. Dividend is recognized as liability and deducted from retained earnings when declared and approved by BOD while stock dividend is deducted from retained earnings when approved by the BOD.

Revenue Recognition

Revenue is measured based on consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or as an agent. The Company concluded that it is acting as principal in its revenue arrangements. The Company recognizes revenue from the following sources:

Revenue from sale of electricity

Revenue is recognized upon supply of power to the customers and is stated at amount invoiced to customers, inclusive of pass-through components, and net of VAT, discounts and/or rebates. In addition, the following specific recognition criteria must be met before revenue is recognized:

- Power has been distributed to customers whose consumptions are measured by Company approved metering devices.
- Revenue estimation based on the average of historical consumption on cases of failure to read measuring devices due to unforeseen events and other valid causes.
- Recognition coincides with the period of the power bill issued to customers.

The Uniform Filing Requirements (UFR) on the rate unbundling released by the ERC on October 30, 2001 specified the following bill components: generation charge, transmission charge, system loss charge, distribution charge, supply charge, metering charge and interclass and lifeline subsidies. National value added tax and local franchise taxes, universal charges and Feed-in Tariff Allowance (FIT-All) are also separately indicated in the customers' billing statements. VAT and local franchise taxes (which are billed and collected merely on behalf of the national and local government), universal charges and FIT-All [which are billed and collected merely on behalf of Power Sector Assets and Liabilities Management Corporation (PSALM) and National Transmission Corporation (TransCo), respectively] do not form part of the Company's revenues. The Company's revenues are adjusted for over/under recoveries of pass-through charges.

Pole rental income

Rental income is accounted for on a straight-line basis over the lease term.

Interest income

Interest income is recognized as the interest accrues taking into account the effective yield of the asset.

Other income

Other income is recognized when earned.

Expense Recognition

Expenses are recognized in the statements of comprehensive income on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statements of financial position as an asset.

Leases

Company as lessee

The Company entered into operating lease arrangements on its office space. The leases do not transfer to the Company substantially all the risks and benefits of ownership of the assets. Lease payments are recognized in profit or loss on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Company as lessor

The Company leased out its poles under operating lease agreements. Under the lease agreements, the Company does not transfer substantially all the risk and benefits of ownership of the assets. Rental income from the lease is recognized in profit or loss on a straight-line basis over the lease term.

Direct cost incurred in negotiating an operating lease is added to the carrying amount of the leased asset and is recognized over the lease term on the same basis as rental income. Contingent rent is recognized as revenue in the period earned.

Related Party Relationships and Transactions

A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely the legal form.

Current and Deferred Income Tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

The carrying amount of deferred tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each financial reporting date and are recognized to the extent that it has become probable that future taxable income will allow all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Retirement Benefits

Short-term employee benefits

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period that are expected to be settled wholly before 12 months after the end of the reporting period. Short-term benefits given by the Company to its employees include salaries and wages, fringe benefits, 13th month pay, Social Security System (SSS), Philhealth and Home Development Mutual Fund (HDMF) contribution.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Retirement benefits obligation

Pension benefits are provided to employees through a defined benefit plan. The retirement plan is generally funded through payments to a trustee bank determined by periodic actuarial calculations. Typically, defined benefit plans define an amount of retirement benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan asset, if any.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. The defined benefit cost comprises of the service cost, net interest on the defined benefit liability or asset and the rereasurement of net defined benefit liability or asset. Service cost which includes current service cost, past service cost and gains or losses on non-routine settlements is recognized as expense in profit or loss. Past service cost is recognized when plan amendment or curtailment occurs. Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurement comprising actuarial gains and losses and return on plan asset (excluding net interest on defined benefit liability) is recognized immediately in other comprehensive income in the period in which they arise. Remeasurement is not reclassified to profit or loss in subsequent periods. Remeasurement recognized in other comprehensive income account. The difference between the interest income component of net interest and the actual return on plan asset is recognized in other comprehensive income.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets or if no maturity, the expected period until the settlement of the related obligation. The Company's right to be reimbursed of some or all of the expenditures required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to either: (a) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (b) providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to present value.

Provisions and Contingencies

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. When the Company expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount can be estimated reliably. The expense relating to any provision is presented in the statements of comprehensive income, net of any reimbursement.

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements.

Earnings Per Share

Basic earnings per share is calculated by dividing the profit for the year attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the year, after considering the retroactive effect of stock dividend, if any.

Events after the Reporting Date

Post year-end events that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the financial statements when material.

3. MATERIAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the financial statements in compliance with PFRS Accounting Standards requires Management to make estimates and assumptions that affect the amounts reported in the financial statements. The estimates and assumptions used in the financial statements are based upon Management's evaluation of relevant facts and circumstances at the end of the reporting period. Actual results could differ materially from such estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Material Accounting Judgments

Business Model Assessment

Classification and measurement of financial assets depend on the results of the business model and solely for payments of principal and interest test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance is measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

The Company monitors financial assets measured at amortized cost that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes are required during the years presented.

Customers' Deposits

In applying PFRS 9 on customers' deposits, the Company has made a judgment that the timing and related amounts of future cash flows relating to such deposits cannot reasonably and reliably be estimated for purposes of alternative valuation techniques in establishing their fair values.

Key Sources of Estimation Uncertainty

Assessment for ECL on trade and other receivables

The Company recognizes a loss allowance based on lifetime ECLs at the end of each reporting period. The ECLs on these financial assets are estimated using a provision matrix based on the credit risk profile of its customers and historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment, including time value of money where appropriate. All terminated accounts, net of the related customers' deposits, are provided full allowance.

Allowance for impairment losses on trade and other receivables amounted to ₱14,515,757 and ₱14,229,987 as at December 31, 2024 and 2023, respectively. The carrying amount of trade and other receivables amounted to ₱634,507,090 and ₱518,273,759 as at December 31, 2024 and 2023, respectively (see Note 8).

NRV of Inventories

Inventories consist of material and supplies used in the power distribution and service segments. The cost of inventories is written down whenever the NRV of inventories becomes lower than the cost due to damage, physical deterioration, obsolescence, and change in price levels or other causes. The lower of cost or NRV of inventories is reviewed on a periodic basis. Inventories identified to be obsolete and unusable are written off and charged as expenses in the statements of comprehensive income.

The carrying amount of inventories amounted to ₱116,360,969 and ₱82,676,821 as at December 31, 2024 and 2023, respectively (see Note 10).

Estimating useful lives of fixed assets

The useful life of each of the assets included in the Company's utility plant and equipment and other property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal and other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of utility plant and equipment and other property and equipment would increase recorded operating expenses and decrease the carrying value of utility plant and equipment and other property and equipment.

Utility plant and equipment, net of accumulated depreciation of ₱2,360,581,456 and ₱2,173,215,470, amounted to ₱3,878,693,425 and ₱3,846,754,440 as at December 31, 2024 and 2023, respectively (see Note 4).

Other property and equipment, net of accumulated depreciation of ₱281,644,033 and ₱263,638,084, amounted to ₱85,820,987 and ₱85,133,271 as at December 31, 2024 and 2023, respectively (see Note 5).

Determining fair value of fixed assets

The fair value of the fixed assets was determined by an independent firm of appraisers. In conducting the appraisal, the independent firm of appraiser used different methods and approaches in determining the fair value of fixed assets, which are disclosed in Note 4.

The fair value of utility plant and equipment amounted to ₱3,878,693,425 and ₱3,846,754,440 as at December 31, 2024 and 2023, respectively (see Note 4).

The fair value of other property and equipment amounted to ₱85,820,987 and ₱85,133,271 as at December 31, 2024 and 2023, respectively (see Note 5).

Impairment of non-financial assets

PFRS Accounting Standards requires that an impairment review be performed when certain impairment indicators are present. Determining the fair value of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Management has determined that there are no events or circumstances that may indicate that the carrying amounts of the assets are not recoverable as at December 31, 2024 and 2023.

Determining fair value of financial assets at FVPL

The financial assets at FVPL of the Company are composed of unit investment trust funds and investment in mutual funds, which are carried at fair value. This requires judgment and estimates. The fair value of these financial assets was determined based on net asset value per share as published by various unit investment trust fund and mutual fund companies. The inputs are obtained from observable market data and are based on quotes obtained from counterparties.

The fair value of the financial assets at FVPL amounted to ₱184,270,387 and ₱175,202,414 as at December 31, 2024 and 2023, respectively (see Note 9).

Revenue recognition

The Company's revenue recognition policies require the use of estimates and assumptions that may affect the reported amounts of revenues and receivables. The Company recognizes revenues based on actual electricity delivered to customers. Estimates are made on cases where there is failure to measure consumption due to unforeseen events. The measurement is based on the average historical load profiles of affected customers. The timing of recognition corresponds to the billing period disclosed in the power bill issued to customers. Management believes that such use of estimates will not result in material adjustments to revenue in future periods.

Revenue amounted to ₱4,207,205,636, ₱4,044,639,397 and ₱4,678,351,420 in 2024, 2023 and 2022, respectively (see Note 17).

Retirement benefits obligation

The determination of the Company's retirement benefits obligation and cost of pension and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 18 and include, among others, discount rates and salary increase rate. In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with consideration to maturities corresponding to the expected duration of the defined benefits obligation. The assumptions are sensitive to changes due to complex valuation and its long-term nature. All assumptions are reviewed at each reporting date.

Retirement benefits obligation amounted to ₱86,260,564 and ₱72,982,180 as at December 31, 2024 and 2023, respectively (see Note 18).

4. UTILITY PLANT AND EQUIPMENT

The reconciliation of this account is as follows:

| December 31, 2024 | | | | | | |
|---|---------------------|---------------------|----------|----------------------------|--------------------------|-------------|
| | Amount in thousands | | | | | |
| | Distribution | Tools and equipment | Land | Buildings and improvements | Construction in progress | Total |
| Cost | | | | | | |
| Net carrying amount, January 1, 2024 | ₱1,585,655 | ₱8,544 | ₱56,203 | ₱55,492 | ₱49,976 | ₱1,755,870 |
| Additions | 156,750 | 1,433 | 25,800 | 849 | 34,473 | 219,305 |
| Depreciation | (93,518) | (1,696) | - | (4,314) | - | (99,528) |
| Reclassification | - | - | - | 1,081 | (1,081) | - |
| Net carrying amount, December 31, 2024 | 1,648,887 | 8,281 | 82,003 | 53,108 | 83,368 | 1,875,647 |
| Appraisal increase (decrease in value) | | | | | | |
| Net carrying amount, January 1, 2024 | 1,667,041 | (5,872) | 411,893 | 17,822 | - | 2,090,884 |
| Depreciation | (87,256) | - | - | (582) | - | (87,838) |
| Net carrying amount, December 31, 2024 | 1,579,785 | (5,872) | 411,893 | 17,240 | - | 2,003,046 |
| | ₱3,228,672 | ₱2,409 | ₱493,896 | ₱70,348 | ₱83,368 | ₱3,878,693 |
| Cost | ₱2,944,439 | ₱38,078 | ₱82,003 | ₱104,473 | ₱83,368 | ₱3,252,361 |
| Accumulated depreciation | (1,295,552) | (29,797) | - | (51,365) | - | (1,376,714) |
| Net carrying amount, December 31, 2024 | 1,648,887 | 8,281 | 82,003 | 53,108 | ₱83,368 | 1,875,647 |
| Appraisal increase (decrease in value) | 2,523,246 | (2,020) | 411,893 | 47,749 | - | 2,980,868 |
| Accumulated depreciation | (943,461) | (3,852) | - | (30,509) | - | (977,822) |
| Net carrying amount, December 31, 2024 | 1,579,785 | (5,872) | 411,893 | 17,240 | - | 2,003,046 |
| | ₱3,228,672 | ₱2,409 | ₱493,896 | ₱70,348 | ₱83,368 | ₱3,878,693 |
| December 31, 2023 | | | | | | |
| | Amount in thousands | | | | | |
| | Distribution | Tools and equipment | Land | Buildings and improvements | Construction in progress | Total |
| Cost | | | | | | |
| Net carrying amount, January 1, 2023 | ₱1,512,916 | ₱7,362 | ₱56,203 | ₱48,307 | ₱9,666 | ₱1,634,454 |
| Additions | 155,456 | 2,708 | - | 9 | 56,630 | 214,803 |
| Depreciation | (87,953) | (1,526) | - | (3,908) | - | (93,387) |
| Reclassification | 5,236 | - | - | 11,084 | (16,320) | - |
| Net carrying amount, December 31, 2023 | 1,585,655 | 8,544 | 56,203 | 55,492 | 49,976 | 1,755,870 |
| Appraisal increase (decrease in value) | | | | | | |
| Net carrying amount, January 1, 2023 | 1,754,297 | (5,872) | 411,893 | 18,404 | - | 2,178,722 |
| Depreciation | (87,256) | - | - | (582) | - | (87,838) |
| Net carrying amount, December 31, 2023 | 1,667,041 | (5,872) | 411,893 | 17,822 | - | 2,090,884 |
| | ₱3,252,696 | ₱2,672 | ₱468,096 | ₱73,314 | ₱49,976 | ₱3,846,754 |
| Cost | ₱2,787,689 | ₱36,645 | ₱56,203 | ₱102,543 | ₱49,976 | ₱3,033,056 |
| Accumulated depreciation | (1,202,034) | (28,101) | - | (47,051) | - | (1,277,186) |
| Net carrying amount, December 31, 2023 | 1,585,655 | 8,544 | 56,203 | 55,492 | 49,976 | 1,755,870 |
| Appraisal increase (decrease in value) | 2,523,246 | (2,020) | 411,893 | 47,749 | - | 2,980,868 |
| Accumulated depreciation | (856,205) | (3,852) | - | (29,927) | - | (889,984) |
| Net carrying amount, December 31, 2023 | 1,667,041 | (5,872) | 411,893 | 17,822 | - | 2,090,884 |
| | ₱3,252,696 | ₱2,672 | ₱468,096 | ₱73,314 | ₱49,976 | ₱3,846,754 |

The carrying amount that would have been recognized had the fixed assets been carried under cost model is as follows:

| | Amount in thousands | | | | | Total |
|--------------------------|---------------------|---------------------|----------------|----------------------------|--------------------------|-------------------|
| | Distribution | Tools and equipment | Land | Buildings and improvements | Construction in progress | |
| December 31, 2024 | ₱1,648,888 | ₱8,280 | ₱82,003 | ₱53,108 | ₱83,368 | ₱1,875,647 |
| December 31, 2023 | ₱1,585,656 | ₱8,543 | ₱56,203 | ₱55,492 | ₱49,976 | ₱1,755,870 |

Depreciation on utility, plant and equipment charged to operating expenses amounted to ₱187,365,986 in 2024, ₱181,225,656 in 2023 and ₱165,400,841 in 2022 (including depreciation on appraisal increase of ₱87,838,259 in 2024, ₱87,838,259 in 2023 and ₱88,612,920 in 2022).

The Company estimates the useful life of its substation equipment based on the period of which the asset is expected to be available for use as determined by the Company's internal technical evaluation based on their experience with similar assets.

Re-appraisal of utility plant and equipment and other property and equipment

On December 31, 2021, the Company had its utility plant and equipment and other property and equipment re-appraised by an independent firm of appraiser accredited by the SEC. The valuation was performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2nd Edition, 2018).

The result of the revaluation of assets was adjusted to appraisal increase. The net carrying amount of utility plant and equipment and other property and equipment was revalued at ₱3,946,345,600 as of December 31, 2021.

The fair value of the utility plant and equipment and other property and equipment is categorized at Level 2 for which the fair value measurement is observable. The following are methods and approaches used by independent appraisers in measuring the utility plant and equipment and other property and equipment:

- The value of the land was arrived at using the Market Approach. This is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.
- The values of the buildings and other land improvements (which includes distribution, tools and equipment, buildings and improvements, transportation equipment and office furniture and equipment) located in the Company's main office in Barangay Oeste, Dagupan City, Pangasinan were arrived at using Cost Approach. This is a comparative approach to the value of property or another asset that considers as a substitute for the purchase of a given property, the possibility of constructing another property that is a replica of, or equivalent to, the original or one that could furnish equal utility with no undue cost resulting from delay. It is based on the reproduction or replacement cost of the subject property or asset, less total (accrued) depreciation, plus the value of the land to which an estimate of entrepreneurial incentive or developer's profit/loss is commonly added.

- c. The values of the buildings and other land improvements (which includes distribution, tools and equipment, buildings and improvements, transportation equipment and office furniture and equipment) located in the Calasiao Substation, San Jacinto Substation, Sta. Barbara Pole Yard were arrived at using Depreciated Replacement Cost. This is an application of the cost approach used in assessing the value of specialized assets for financial reporting purposes, which direct market evidence is limited or unavailable. It is used when there is insufficient market data to arrive at market value by means of market-based evidence. It is based on the principle of substitution. The method is based on the same theoretical transaction between traditional informed parties as the market value concept.

There are no utility plant and equipment held as collateral for liabilities as at December 31, 2024 and 2023. These assets are free from any liens and encumbrances.

5. OTHER PROPERTY AND EQUIPMENT

The reconciliation of this account is as follows:

December 31, 2024

| | Transportation equipment | Office furniture and equipment | Total |
|---|-----------------------------|--------------------------------------|--------------------|
| Cost | | | |
| Net carrying amount, January 1, 2024 | ₱59,428,863 | ₱19,085,252 | ₱78,514,115 |
| Additions | 16,404,421 | 4,172,281 | 20,576,702 |
| Depreciation | (10,483,330) | (5,096,360) | (15,579,690) |
| Net carrying amount, December 31, 2024 | 65,349,954 | 18,161,173 | 83,511,127 |
| Appraisal Increase (decrease in value) | | | |
| Net carrying amount, January 1, 2024 | 11,636,496 | (5,017,340) | 6,619,156 |
| Depreciation | (4,309,296) | - | (4,309,296) |
| Net carrying amount, December 31, 2024 | 7,327,200 | (5,017,340) | 2,309,860 |
| | ₱72,677,154 | ₱13,143,833 | ₱85,820,987 |
| Cost | 228,339,925 | 94,652,490 | 322,992,415 |
| Accumulated depreciation | (162,989,971) | (76,491,317) | (239,481,288) |
| Net carrying amount, December 31, 2024 | 65,349,954 | 18,161,173 | 83,511,127 |
| Appraisal increase | 37,799,778 | 5,488,926 | 43,288,704 |
| Accumulated depreciation | (30,472,578) | (10,506,266) | (40,978,844) |
| Net carrying amount, December 31, 2024 | 7,327,200 | (5,017,340) | 2,309,860 |
| | ₱72,677,154 | ₱13,143,833 | ₱85,820,987 |

December 31, 2023

| | Transportation equipment | Office furniture and equipment | Total |
|---|-----------------------------|-----------------------------------|---------------|
| Cost | | | |
| Net carrying amount, January 1, 2023 | ₱62,810,360 | ₱19,099,518 | ₱81,909,878 |
| Additions | 7,141,075 | 4,989,942 | 12,131,017 |
| Depreciation | (10,522,572) | (5,004,208) | (15,526,780) |
| Net carrying amount, December 31, 2023 | 59,428,863 | 19,085,252 | 78,514,115 |
| Appraisal Increase (decrease in value) | | | |
| Net carrying amount, January 1, 2023 | 15,945,792 | (5,017,340) | 10,928,452 |
| Depreciation | (4,309,296) | - | (4,309,296) |
| Net carrying amount, December 31, 2023 | 11,636,496 | (5,017,340) | 6,619,156 |
| | ₱71,065,359 | ₱14,067,912 | ₱85,133,271 |
| Cost | ₱213,818,540 | ₱90,480,209 | ₱304,298,749 |
| Accumulated depreciation | (154,389,677) | (71,394,957) | (225,784,634) |
| Net carrying amount, December 31, 2023 | 59,428,863 | 19,085,252 | 78,514,115 |
| Appraisal increase | 37,799,778 | 5,488,926 | 43,288,704 |
| Accumulated depreciation | (26,163,282) | (10,506,266) | (36,669,548) |
| Net carrying amount, December 31, 2023 | 11,636,496 | (5,017,340) | 6,619,156 |
| | ₱71,065,359 | ₱14,067,912 | ₱85,133,271 |

The carrying amount that would have been recognized had the fixed assets been carried under cost model is as follows:

| | Transportation equipment | Office furniture and equipment | Total |
|--------------------------|-----------------------------|--------------------------------------|--------------------|
| December 31, 2024 | ₱65,349,954 | ₱18,161,173 | ₱83,511,127 |
| December 31, 2023 | ₱59,428,863 | ₱19,085,252 | ₱78,514,115 |

Depreciation on other property and equipment charged to operating expenses amounted to ₱19,888,986 in 2024, ₱19,836,076 in 2023 and ₱19,959,683 in 2022.

In 2024, the Company sold fully depreciated transportation equipment for proceeds of ₱312,500. The gain on sale of ₱312,500 is presented under "Other income (charges)" in the statements of comprehensive income (see Note 20).

There are no other property and equipment held as collateral for liabilities as at December 31, 2024 and 2023. These assets are free from any liens and encumbrances.

6. FINANCIAL ASSET AT FVOCI

This account consists of an investment in Tarlac Electric Inc., which registered its common shares with the SEC in compliance with the EPIRA and whose shares are not traded in any Stock Exchange. The acquisition cost of the shares amounted to ₱152,000,000.

This investment was classified under FVOCI as the Management considers this investment to be strategic in nature and intends to hold this investment for the foreseeable future.

As of December 31, 2024, the Company had no intention to dispose of the financial asset at FVOCI. The Company's investment is measured at a fair value equal to its carrying amount, which is based on the observable data that the investee is generating continuous income and has a stable financial position.

7. CASH AND CASH EQUIVALENTS

This account consists of:

| | 2024 | 2023 |
|---------------------|-----------------------|--------------|
| Cash on hand | ₱837,000 | ₱842,000 |
| Cash in banks | 975,517,861 | 886,047,217 |
| Short-term deposits | 1,203,480,353 | - |
| | ₱2,179,835,214 | ₱886,889,217 |

Cash in banks earn interest at prevailing bank deposit rates. Short-term deposits are made for a period of one to three months and earn interest income ranging from 0.75% to 1.50% per annum in 2024 depending on the prevailing condition in the local market.

Interest income earned on cash and cash equivalents amounted to ₱54,440,663 in 2024, ₱39,968,988 in 2023, ₱33,902,159 in 2022 and is included in "Interest income" presented under "Other income (charges)" account in the statements of comprehensive income (see Note 20).

There are no restrictions in the use of cash and cash equivalents and these are available for general use.

8. TRADE AND OTHER RECEIVABLES (NET)

This account consists of:

| | 2024 | 2023 |
|---|---------------------|--------------|
| Trade receivables | ₱586,356,765 | ₱472,277,350 |
| Other receivables | 62,666,082 | 60,226,396 |
| | 649,022,847 | 532,503,746 |
| Allowance for ECLs on trade receivables | (14,515,757) | (14,229,987) |
| | ₱634,507,090 | ₱518,273,759 |

Trade receivables

Trade receivables are due ten days after presentation of the bill. The Company's trade receivables are non-interest bearing and are secured by bill deposits amounting to ₱507,826,592 and ₱487,823,320 as at December 31, 2024 and 2023, respectively (see Notes 12 and 13).

Trade receivables from sale of electricity consist of:

| | 2024 | 2023 |
|--------------------|---------------------|--------------|
| Residential retail | ₱314,808,990 | ₱299,238,230 |
| General retail | 104,769,342 | 48,924,837 |
| Bulk power | 55,082,791 | 33,759,977 |
| General power | 53,781,344 | 14,749,861 |
| Universal charges | 10,970,591 | 19,698,570 |
| Street lights | 7,719,625 | 4,213,974 |
| FIT-All | 3,695,903 | 919,212 |
| Others | 35,528,179 | 50,772,689 |
| | ₱586,356,765 | ₱472,277,350 |

Residential

This is applicable to captive customer retail service for residential purposes of a permanent nature to individual private dwellings and to individually metered apartments.

General retail

General retail consists of customers with contracted capacity of equal to or less than 40kW, served typically at secondary lines (1-phase or 3-phase). This type of service is for non-residential purpose and is mostly composed of small-medium businesses.

General power

This is applicable to captive customer retail service for non-residential purposes used for general power, heating, and lighting in industrial, manufacturing, processing, machining, cold storage, water supply, and supermalls; at secondary voltage with contracted capacity greater than 40kW.

Bulk power

Bulk power refers to a customer connected and drawing power from the primary lines at 13.8 kV. These customers install, operate and maintain their own distribution transformers. This type of service is used for general power, heating, space cooling and lighting in industrial, manufacturing, processing, machining, cold storage, water and supply and super malls, with demands equal to greater than 250 kW.

Street lights

Street lights consist of roadway lighting service where existing facilities have adequate capacity and suitable voltage.

Universal charges

Universal charges are non-bypassable charge mandated under section 34 of R.A. No. 9136 otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA) imposed on electricity customers for the following purposes: a) missionary electrification; b) environmental charge for watershed rehabilitation and management; and c) payment for stranded debts and stranded contract costs.

Once collected, these charges are remitted to PSALM, which administers the fund from universal charges in accordance with the intended purposes (see Note 12).

FIT-All

Pursuant to the energy development policy mandated by the Renewable Energy Act of 2008, R.A. No. 9513 and outlined in more detail in the FIT Rules, ERC Resolution No. 16, Series of 2010 (As Amended), a qualified renewable energy developer who elects to participate in the FIT System shall be eligible to a FIT, which is a guaranteed payment on a fixed rate per kilowatt-hour for electricity generated from emerging renewable energy technologies such as wind, solar, biomass and run-of-river hydropower actually delivered to the transmission and/or distribution network.

Should the payment of FIT to eligible renewable energy plants require a differential above the prevailing cost recovery rate, a uniform charge called FIT-All will be determined by the TransCo. The FIT-All shall be billed and collected by the transmission and/or distribution utility from the consumers connected to their respective systems. Collections shall be remitted monthly to TransCo, being the fund administrator, governed by ERC Resolution No. 24, Series of 2013, Guidelines on the Collection of FIT-All and the Disbursement of the FIT-All Fund (see Note 12).

Others

Others include charges for VAT on generation, transmission, system loss and distribution and other pass-through charges.

The details and movement in the allowance for ECLs on trade receivables follow:

| | 2024 | 2023 |
|------------------------------|--------------------|-------------|
| Balance at beginning of year | ₱14,229,987 | ₱18,520,027 |
| Provision for ECLs – note 19 | 2,631,403 | - |
| Write-off | (2,345,633) | (4,290,040) |
| Balance at end of year | ₱14,515,757 | ₱14,229,987 |

The Company applies the simplified approach in measuring ECLs which uses a lifetime expected loss allowance for all trade and other receivables. The Company has written-off all trade and other receivables of more than one year past due since historical experience has indicated that these receivables are generally not recoverable.

Provision for ECLs amounted to ₱2,631,403 in 2024, nil in 2023 and ₱13,584,985 in 2022 and is presented under “Operations and maintenance” account in the statements of comprehensive income (see Note 19).

ERC Order on Luzon Wholesale Electricity Spot Market (WESM) prices for November and December 2013 Supply Months

The ERC, in its Order dated March 3, 2014 in ERC Case No. 2014-021MC, voided the WESM prices during the period of October 26, 2013 to December 25, 2013 and ordered the imposition of regulated prices. The market participants (collectively called Movants) filed a Motion for Reconsideration (MR), which was denied by ERC on October 15, 2014. In the said Order, Philippine Electricity Market Corporation (PEMC) was directed to calculate and revise WESM bills for distribution utilities in Luzon for November and December 2013 supply months. Accordingly, the Company received from PEMC billing adjustments for refund to its customers amounting to ₱167,408,890, of which ₱5,810,294 is still outstanding as of December 31, 2024 and 2023.

The amount still for refund to customers was ₱8,990,752 and ₱8,994,895 as of December 31, 2024 and 2023, respectively.

Other receivables

Other receivables include generation charge refund, accrued interest, accrued rent income from electric property, and receivables from employees.

Receivables are not held as collateral and are free from any liens and encumbrances.

9. FINANCIAL ASSETS AT FVPL

This account consists of unit investment trust funds and mutual funds.

The movements in financial assets at FVPL for the years ended December 31 are as follow:

| | 2024 | 2023 |
|---|--------------|--------------|
| Cost | | |
| Balance at beginning of year | ₱181,638,774 | ₱276,638,774 |
| Disposal | - | (95,000,000) |
| Balance at end of year | 181,638,774 | 181,638,774 |
| Cumulative net unrealized loss in fair value: | | |
| Balance at beginning of year | (6,436,360) | (6,436,360) |
| Fair value adjustment | 9,067,973 | - |
| Balance at end of year | 2,631,613 | (6,436,360) |
| | ₱184,270,387 | ₱175,202,414 |

The inputs on fair value are obtained from observable market data and are based on quotes obtained from counterparties. The fair value was based on net asset value per share as published by various unit investment trust fund and mutual fund companies.

Fair value gain (loss) amounted to ₱9,067,973, nil and (₱2,486,014) in 2024, 2023 and 2022, respectively, and is presented under "Other income (charges)" account in the statements of comprehensive income (see Note 20).

The unit investment trust funds and mutual funds are invested in fixed income, bond and balanced funds as at December 31, 2024 and 2023.

10. INVENTORIES

This account consists of materials and supplies for power distribution and service. As at December 31, 2024 and 2023, there are no inventories pledged or held as collateral.

11. PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of:

| | 2024 | 2023 |
|---------------------|--------------------|--------------------|
| Prepayments: | | |
| VAT | P45,276,929 | P55,649,790 |
| Real property tax | 12,623,402 | 12,623,402 |
| Insurance | 1,563,347 | 1,980,031 |
| Advances to TransCo | 5,858,942 | 5,858,942 |
| Others | 687,718 | 628,943 |
| | P66,010,338 | P76,741,108 |

Prepaid VAT pertain to creditable input VAT. Prepaid insurance consists of vehicle insurance, annual health premium and fire/lighting and earthquake insurance.

Others pertain to rental deposits.

Sale of sub-transmission lines/assets of TransCo

On February 10, 2012, the Company and TransCo filed a joint application docketed as ERC Case No. 2012-021 RC for the approval of the sale of various sub-transmission lines/assets of TransCo to the Company. On August 11, 2014, the ERC approved the application with modification, limiting the sale only to those assets located within the franchise area of the Company. On November 6, 2014, the Company paid for the assets amounting to P5,858,942 in compliance with the Decision. However, on November 21, 2014, National Grid Corporation of the Philippines (NGCP) filed a Motion for Reconsideration (MR), holding the transfer of assets until ERC resolve the matter. As such, the payment to TransCo has been treated as advance settlement, and is included under "Prepayment and other current assets" account in the statements of financial position. The application is still pending with the ERC as at December 31, 2024.

12. TRADE AND OTHER PAYABLES

This account consists of:

| | 2024 | 2023 |
|---|---------------------|--------------|
| Trade payables | ₱249,274,778 | ₱243,545,883 |
| Customers' deposits (current portion) – note 13 | 240,763,052 | 218,879,163 |
| Accrued expenses and other current liabilities | 118,644,342 | 71,715,397 |
| Output VAT | 42,580,380 | 67,355,685 |
| Universal charges payable | 25,748,003 | 19,958,991 |
| FIT-All payable | 10,161,233 | 146,534 |
| WESM regulated prices payable | 8,990,752 | 8,994,895 |
| Accrued taxes | 1,079,671 | 1,051,778 |
| Others | 6,230,124 | 4,621,755 |
| | ₱703,472,335 | ₱636,270,081 |

Trade payables and output VAT

Trade payable represents the Company's liabilities to GNPowder Mariveles Energy Center Ltd. Co., (GMEC), One Manaoagsolar Corporation (OMSC), Energy Development Corporation (EDC), and various power producers that participate in the Wholesale Electricity Market (WESM) operated by the Independent Electricity Market Operator (IEMOP) for purchased power, and NGCP for electric transmission services. The output VAT represents VAT to be collected on generation and transmission in accordance with ERC Resolution No. 20, Series of 2005, which prescribed the Guidelines Implementing the Recovery of VAT and Other Provisions of R.A. No. 9337 affecting the Electric Power Industry.

Customers' deposits

The customers' deposits (current portion) consist of bill deposits (see Note 13).

Universal charges payable

Universal charges payable represents passed-on charges that were collected from customers. These are remitted to PSALM, which administers the fund from universal charges in accordance with the intended purposes (see Note 8).

Accrued expenses, other current liabilities and other payables

Accrued expenses and other current liabilities consist of payables to suppliers other than power suppliers and accrual of recurring expenses like electricity and water bill. Accrued taxes consist of energy and franchise taxes payable.

Other payables of ₱6,230,124 and ₱4,621,755 as at December 31, 2024 and 2023, respectively, consist mainly of expanded withholding tax, withholding tax – compensation, National Home Mortgage Finance Corporation (NHMFC), SSS, Philhealth and Pag-ibig.

Trade and other payables except for customers' deposits are due within 30 days from the date of billing and do not bear interest.

FIT-All payable

FIT-All payable represents passed-on and billed charges to customers on a monthly basis. Once collected from customers, these charges are remitted to TransCo, which is the designated FIT administrator (see Note 8).

WESM regulated prices payable

WESM regulated prices payable represents the outstanding amount for refund to the Company's customers who were affected by the ERC's regulation of WESM prices for the November and December 2013 supply months (see Note 8).

13. CUSTOMERS' DEPOSITS

This account consists of:

| | 2024 | 2023 |
|--------------------------|---------------------|--------------|
| Bill deposits | ₱267,063,540 | ₱268,944,157 |
| COLE deposits | 57,526,252 | 56,477,458 |
| Pole attachment deposits | 13,257,006 | 9,502,914 |
| | ₱337,846,798 | ₱334,924,529 |

Bill deposits secure payment of the monthly bills for electricity consumption and are equivalent to the estimated bill for one month of service, while meter deposits cover 50% of the cost of the metering equipment. COLE deposit is the cost of additional line to provide electricity in a specific location exceeding the limit of 20 meters from poles, while pole attachment deposits are deposits by third parties using the Company's poles to provide service to their customers.

On June 17, 2004 and October 27, 2004, the ERC issued the Magna Carta for Residential Electricity Consumers and the Guidelines to Implement its Articles 7, 8, 14 and 28 respectively, and on January 18, 2006 issued the Distribution Services and Open Access Rules (DSOAR). The foregoing rules include provisions on handling of customer deposits. It provides that residential and non-residential customers must pay or submit a bill deposit to guarantee payment of bills equivalent to their estimated monthly billing. The amount of deposit shall be adjusted after one year to approximate the actual average monthly bills.

A customer, who has paid his electric bills on or before its due date for three consecutive years, may now demand for the full refund of the bill deposit prior to the termination of his service; otherwise, bill deposits shall be refunded within one month from the termination of service, provided all bills have been paid. Further, these regulations exempt payment of meter deposits, but in case of loss and/or damage to the electric meter due to the fault of the customer, the latter shall bear the full replacement cost of the meter. The existing meter deposit of residential customers shall be refunded in accordance with the Guidelines to Implement Articles 7, 8, 14 and 28 of the Magna Carta. While for non-residential customers, DSOAR requires Distribution Utilities to submit a proposal to the ERC on the methodology and timeline for the refund of meter deposits within ninety (90) days following its effectivity.

Magna Carta and DSOAR also provide that distribution utilities shall pay interest on bill and meter deposits. Interest on bill deposits shall be equivalent to the interest incorporated in the calculation of their weighted average cost of capital (WACC); otherwise, it shall earn a rate equivalent to the prevailing interest for savings deposit as approved by the Bangko Sentral ng Pilipinas (BSP). Interest rate used on bill deposit was 0.10% for each year in 2021 and 2020. Interest for meter deposit shall be at 6% for contracts of service entered into prior to the effectivity of ERB Resolution No. 95-21 issued on August 3, 1995, and 10% thereafter.

On June 4, 2008, the ERC issued Resolution No. 8, Series of 2008, "A Resolution Adopting the Rules to Govern the Refund of Meter Deposits to Residential and Non-Residential Customers". These rules provide the parameters for the refund of meter deposits and related interest thereon. Interest on meter deposit paid prior to the effectivity of ERB Resolution No. 95-21 shall earn 6% per annum. While payments made after the effectivity of ERB Resolution No. 95-21 until the day prior to the effectivity of Magna Carta or DSOAR shall earn an interest of 10% per annum.

Meter deposits paid from the effectivity of Magna Carta or DSOAR until the day prior to the start of the refund will be entitled to an interest of six per cent (6%) per annum.

Bill deposits of ₱240,763,052 and ₱218,879,163 as at December 31, 2024 and 2023, respectively, are included in the current portion of Customers' deposits under the "Trade and other payables" account in the statements of financial position (see Note 12).

Interests on bill deposits amounted to ₱163,563, ₱169,492, and ₱166,596 for the years ended December 31, 2024, 2023 and 2022, respectively, and is presented under "Other income (charges)" account in the statements of comprehensive income (see Note 20).

14. **RETAINED EARNINGS**

The BOD approved the reversal and appropriation of the following:

2024

- a) Reversal of ₱400,000,000 appropriated for capital expenditures from 2023 unrestricted retained earnings.

2023

- b) Reversal of ₱400,000,000 appropriated for capital expenditures from 2022 unrestricted retained earnings.
- c) Appropriation of ₱400,000,000 for the following capital expenditures in 2024: a.) expansion of distribution lines to accommodate the continuous growth of electrical loads due to additional customers and increasing demand, b.) Rehabilitation of existing lines, which covers replacement and relocation of poles, rerouting of primary and secondary lines, and reconfiguration of pole top assemblies, c.) Improvement of the grounding/earthing and insulation coordination, d.) Construction of 20/25 MVA, 69kV sub-transmission line from Balingueo, Sta. Barbara, Pangasinan to San Miguel, Calasiao, f.) Advanced Distribution Management System Project, g.) Construction of buildings, and g.) Improvement of customer service facilities.

2022

- d) On December 15, 2022, appropriation of ₱400,000,000 for the following capital expenditures in 2023 and 2024: a) expansion of distribution lines to accommodate the continuous growth of electrical loads due to additional customers and increasing demand; b) rehabilitation of existing lines, which covers replacement and relocation of poles, rerouting of primary and secondary lines, and reconfiguration of pole top assemblies; c) improvement of the grounding/earthing and insulation coordination; d) construction of 20/25 MVA, 69kV/13.8kV substation in Santa Barbara, Pangasinan; e) expansion of primary lines from Sta. Barbara Substation to Minien East, Sta. Barbara; f) construction of a control tower building extension; and g) improvement of customer service facilities.

Cash Dividend

On May 29, 2024, the BOD approved the declaration of cash dividend equivalent to 40% of the previous year's net income, or ₱11.94 per share, to stockholders of record as of December 31, 2023. Cash dividend was paid in September 2024.

On June 16, 2023, the BOD approved the declaration of cash dividend in the amount of ₱1,600,000,000 to stockholders of record as of June 15, 2023 which have been paid on various dates up to September 29, 2023.

15. CAPITAL STOCK

The details of capital stock are as follow:

| | 2024 | 2023 |
|--|-----------------------|----------------|
| Authorized – ₱100 par value per share, 15,000,000 shares | ₱1,500,000,000 | ₱1,500,000,000 |
| Common shares issued, fully paid and outstanding | | |
| – 14,662,000 shares in 2024 and 12,462,000 shares in 2023: | | |
| Balance at beginning of year | ₱1,246,200,000 | ₱1,246,200,000 |
| Initial public offering of shares | 220,000,000 | - |
| Balance at end of year | ₱1,466,200,000 | ₱1,246,200,000 |

On December 27, 2023, the SEC rendered effective the Company's application for the registration of fourteen million six hundred sixty-two thousand (14,662,000) common shares, of which two million two hundred thousand (2,200,000) shares were issued and offered for sale to the public by way of an initial public offering at an offer price of five hundred thirty-three Pesos (₱533) per share. As of February 2, 2024, the two million two hundred thousand (2,200,000) common shares offered to the public were fully subscribed and paid. The excess of the offer price over the par value amounting to ₱952,600,000 is presented as "Additional paid-in capital" in the statements of financial position.

16. RELATED PARTY TRANSACTIONS

In the normal course of business, the Company has transactions with a related party.

Lease Agreement

The Company has a lease agreement with Veria Realty Inc., a company owned by the Company's major stockholders. The lease is for a period of one year subject to renewal. The monthly rental is ₱313,440 in 2024, ₱298,515 in 2023, and ₱294,305 in 2022 and payable at the end of each month. Total rent expense charged to operations amounted to ₱4,246,800 in 2024, ₱4,320,079 in 2023 and ₱4,459,553 in 2022 and is included as part of "Rent expense" under "Operations and maintenance" in the statements of comprehensive income (see Note 19).

Compensation of Key Management Personnel

Compensation paid to key management personnel consists of the following:

| | 2024 | 2023 | 2022 |
|------------------------------|--------------------|-------------|-------------|
| Salaries | ₱16,331,500 | ₱17,810,793 | ₱16,276,548 |
| Short-term employee benefits | 36,665 | 39,986 | 125,459 |
| | ₱16,368,165 | ₱17,850,779 | ₱16,402,007 |

There are no long-term benefits paid during the year.

17. REVENUES

This account consists of:

| | 2024 | 2023 | 2022 |
|-------------------|-----------------------|----------------|----------------|
| Electric revenues | ₱4,169,997,151 | ₱4,018,957,505 | ₱4,646,302,458 |
| Other revenues | 37,208,485 | 25,681,892 | 32,048,962 |
| | ₱4,207,205,636 | ₱4,044,639,397 | ₱4,678,351,420 |

In compliance with Section 36 of R.A. No. 9136, the Company is required to unbundle its billing charges to customers. For the years ended December 31, the details of electric revenues follow:

| | 2024 | 2023 | 2022 |
|----------------------------------|-----------------------|----------------|----------------|
| Generation revenue | ₱2,595,448,118 | ₱2,643,334,894 | ₱3,188,064,268 |
| Distribution revenue | 734,808,953 | 662,223,695 | 625,767,804 |
| Transmission revenue | 379,927,761 | 290,925,053 | 394,312,308 |
| System loss revenue | 228,422,129 | 214,368,016 | 263,027,905 |
| Supply revenue | 114,330,546 | 101,684,531 | 97,324,681 |
| Metering charge | 80,409,364 | 72,844,745 | 69,456,741 |
| Local franchise tax | 23,671,649 | 22,448,068 | 8,602,412 |
| Real property tax recovery | 10,571,460 | 10,295,547 | 41,393 |
| Lifeline charge (discount) | 2,497,581 | 913,433 | (45,168) |
| Senior citizen charge (discount) | (13,408) | (6,722) | (70,909) |
| Other discount | (77,002) | (73,755) | (178,977) |
| | ₱4,169,997,151 | ₱4,018,957,505 | ₱4,646,302,458 |

Applications for Confirmation of Over/Under-recoveries of Pass-through Charges

On April 20, 2011, the Company filed an application docketed as ERC Case No. 2011-013 CF, "In the Matter of the Application for the Approval of the Calculations for the Automatic Cost Adjustment and True Up Mechanisms for the a) Generation Rate, b) Transmission Rate, c) System Loss Rate, d.) Lifeline Subsidy Rate; and e) Interclass Cross Subsidy Rate, Under ERC Resolution No. 16, Series of 2009, As Amended." On March 10, 2014, the ERC issued its Decision on this application, directing the Company to refund to its customers the over recoveries amounting to ₱203,934,745 and collect from its customers the Lifeline Subsidy under recovery amounting to ₱18,588,112, covering the period from April 2004 to December 2010.

On March 31, 2014, the Company filed a MR on the above Decision for the approval of the amounts originally proposed by the Company or provide computation as to how the supposed over recoveries were arrived at. The amount of over and under recoveries is not yet certain since it is dependent on the resolution of the MR. As at December 31, 2024, the Company is still awaiting the resolution of said MR.

On April 1, 2014, the Company filed an application docketed as ERC Case No. 2014-052 CF, "In the Matter of the Application for the Approval of the Calculations for the Automatic Cost Adjustment and True Up Mechanisms for the a) Generation Rate, b) Transmission Rate, c) System Loss Rate, d.) Lifeline Subsidy Rate; and e) Senior Citizen Discount, Under ERC Resolution No. 16, Series of 2009, As Amended". The Company filed an application for the confirmation of total under recovery of ₱151,783,598 covering the years 2011 to 2013. As at December 31, 2024, the Company is still awaiting the decision of the ERC.

On March 31, 2017, the Company filed an application docketed as ERC Case No. 2017-052 CF, "In the Matter of the Application for the Approval of the Calculations for the Automatic Cost Adjustment and True Up Mechanisms for the a) Generation Rate, b) Transmission Rate, c) System Loss Rate, d.) Lifeline Subsidy Rate; and e) Senior Citizen Subsidy Rate, Under ERC Resolution No. 16, Series of 2009, As Amended, for the Period 2014 to 2016". The Company filed application for the confirmation of total over recovery of ₱30,114,229 covering the years 2014 to 2016. As at December 31, 2024, the Company is still awaiting the decision of the ERC.

On August 28, 2020, the Company filed an application docketed as ERC Case No. 2020-014 CF, "In the Matter of the Application for the Approval of the Calculations for the Automatic Cost Adjustment and True Up Mechanisms for the a) Generation Rate, b) Transmission Rate, c) System Loss Rate, d.) Lifeline Subsidy Rate; and e) Senior Citizen Subsidy Rate, Under ERC Resolution No. 16, Series of 2009, As Amended, for the Period 2017 to 2019". The Company filed application for the confirmation of total under recovery of ₱48,360,882. As at December 31, 2024, the Company is still awaiting the decision of the ERC.

On May 17, 2023, the Company filed an application docketed as ERC Case No. 2023-029 CF, "In the Matter of the Application for the Approval of the Calculations for the Automatic Cost Adjustment and True-Up Mechanisms for the a) Generation Rate, b) Transmission Rate, c) System Loss Rate, d) Lifeline Subsidy Rate, and e) Senior Citizen Subsidy Rate, Under ERC Resolution No. 16, Series of 2009, As Amended, and g) Local Franchise Tax, Under ERC Resolution No. 2, Series of 2021 for the Period 2020 to 2022." The Company filed the application for the confirmation of an over-all total under recovery of ₱73,564,161. As at December 31, 2024, the Company is still awaiting the decision of the ERC.

Performance-Based Rate Making (PBR)

The Company entered the PBR regime in 2007. The PBR is an internationally accepted rate setting methodology adopted by the ERC to replace the Return on Rate Base (RORB) for both transmission and distribution businesses as mandated by the EPIRA. It provides electric utilities with adequate and efficient capital and operating expenditures to meet growing electricity demand through timely rate adjustments.

Maximum Average Price (MAP)

On March 31, 2014, the Company filed an application docketed as ERC Case No. 2014-027 RC for approval of the Translation into Distribution Rates of Different Customer Classes for the Fourth Regulatory Year of the ERC-Approved Annual Revenue Requirement for DECORP (the Company) Under the PBR for the Regulatory Period 2011-2015. On February 9, 2015, the ERC issued its Decision on this case, giving the Company the option to implement a MAP of ₱2.4472/kWh or its proposal of ₱1.7918/kWh for the Regulatory year 2015. The Company implemented the latter rate.

Given the need by the Company to undertake capital projects in order to address the load growth, network non-growth, network control/ safety metering as well as renewal, replacement and refurbishment of existing distribution assets, the Company filed an application on November 20, 2018 docketed as ERC Case No. 2018-110 RC for approval of its capital projects for the regulatory years 2016 to 2019.

| Projects | 2016 | 2017 | 2018 | 2019 |
|-----------------|---------------------|---------------------|---------------------|---------------------|
| Network | ₱44,356,785 | ₱51,065,110 | ₱32,497,857 | ₱31,175,406 |
| Other network | 59,217,708 | 66,189,452 | 83,182,536 | 82,930,907 |
| Non-network | 10,274,675 | 40,018,541 | 57,819,750 | 32,361,518 |
| | ₱113,849,168 | ₱157,273,103 | ₱173,500,143 | ₱146,467,831 |

The proposed capital expenditures will not have a direct impact on the current rates of the Company until approved by the ERC.

On March 28, 2022, the Company filed an application docketed as ERC Case No. 2022-020 RC, “In the Matter of the Application for Approval of the Annual Revenue Requirement and Performance Incentive Scheme in Accordance with the Provisions of the Rules for Setting Distribution Wheeling Rates (RDWR)” covering the Fifth Regulatory Period from July 1, 2022 to June 30, 2026.

On August 25, 2022, the Company filed an application docketed as ERC Case No. 2022-057 RC, “In the Matter of the Application for: A) Confirmation of True-Up Calculations of the Actual Weighted Average Tariff vis-à-vis ERC-Approved Maximum Average Rate for the Lapsed Regulatory Years; and B) Approval of the Final Refund/Collect Scheme to Account for the Lapsed Regulatory Years”. The Company filed the application for the confirmation of an over-all under recovery of ₱22,557,035 for the period July 1, 2015 to June 30, 2022. As at December 31, 2024, the Company is still awaiting the decision of the ERC.

On February 10, 2024, the Company filed an Urgent Omnibus Motion to Withdraw its application docketed as ERC Case No. 2022-020 RC, "In the Matter of the Application for Approval of the Annual Revenue Requirement and Performance Incentive Scheme in Accordance with the Provisions of the Rules for Setting Distribution Wheeling Rates (RDWR)" covering the Fifth Regulatory Period from July 1, 2022 to June 30, 2026.

Other revenues

Other revenues include rent income from electric property and sale of electric materials and accessories (see Note 22).

18. EMPLOYEE BENEFITS

The Company maintains a funded, non-contributory defined benefit retirement plan covering all its regular and full-time employees. The fund is administered by a trustee bank authorized to invest the fund as it deems proper. Under the plan, the employees are entitled to retirement benefits ranging from one hundred percent (100%) to one hundred fifty percent (150%) of the Plan Salary for every year of Credited Service on attainment of a retirement age of 60 or 35 years of service, whichever is earlier. The latest actuarial valuation report was on December 31, 2023.

The retirement benefits obligation recognized in the statements of financial position is as follows:

| | 2024 | 2023 |
|-----------------------------|---------------------|--------------|
| Present value of obligation | ₱129,839,462 | ₱113,921,099 |
| Fair value of plan assets | (43,578,898) | (40,938,919) |
| | ₱86,260,564 | ₱72,982,180 |

The retirement benefits expense recognized in the statements of comprehensive income included under "Operations and maintenance" (see Note 19) is as follows:

| | 2024 | 2023 | 2022 |
|----------------------|--------------------|-------------|-------------|
| Current service cost | ₱8,855,255 | ₱8,433,576 | ₱8,126,095 |
| Net interest cost | | | |
| Interest cost | 7,063,108 | 6,790,463 | 6,149,124 |
| Interest income | - | (2,837,780) | (86,237) |
| | 7,063,108 | 3,952,683 | 6,062,887 |
| | ₱15,918,363 | ₱12,386,259 | ₱14,188,982 |

As at December 31, 2024 and 2023, the cumulative remeasurement gain on retirement benefits presented in the statements of financial position amounted to ₱2,962,764.

The movements in the retirement benefits obligation recognized in the statements of financial position are as follow:

| | 2024 | 2023 |
|------------------------------|--------------------|--------------|
| Balance at beginning of year | ₱72,982,180 | ₱72,701,660 |
| Retirement benefits expense | 15,918,363 | 12,386,259 |
| Contributions paid | (2,639,979) | (328,258) |
| Remeasurement gain | - | (11,777,481) |
| Balance at end of year | ₱86,260,564 | ₱72,982,180 |

The movements in the present value of the retirement benefits obligation are as follow:

| | 2024 | 2023 |
|--|---------------------|--------------|
| Present value of obligation, January 1 | ₱113,921,099 | ₱127,876,727 |
| Current service cost | 8,855,255 | 8,433,576 |
| Interest cost | 7,063,108 | 6,790,463 |
| Benefits paid | - | (19,294,505) |
| Actuarial gain | - | (9,885,162) |
| Present value of obligation, December 31 | ₱129,839,462 | ₱113,921,099 |

The movement in the fair value of plan assets is presented below:

| | 2024 | 2023 |
|---|--------------------|--------------|
| Fair value of plan assets, January 1 | ₱40,938,919 | ₱55,175,067 |
| Interest income included in net interest cost | - | 2,837,780 |
| Benefits paid | - | (19,294,505) |
| Contributions | 2,639,979 | 328,258 |
| Actuarial gain | - | 1,892,319 |
| Fair value of plan assets, December 31 | ₱43,578,898 | ₱40,938,919 |

The following actuarial assumptions were used to determine retirement benefits obligation:

| | 2024 | 2023 |
|---------------------------|--------------|-------|
| Discount rate | 6.20% | 6.20% |
| Expected salary increases | 5.00% | 5.00% |

The fair value and carrying amount of plan assets is as follows:

| | 2024 | 2023 |
|---------------------------------------|--------------------|-------------|
| Investment in government securities | ₱36,616,461 | ₱36,616,461 |
| Corporate stocks | 3,174,813 | 3,174,813 |
| Other securities and debt instruments | 2,649,626 | 9,647 |
| Deposit in banks | 1,154,257 | 1,154,257 |
| Trust fee and other payables | (16,259) | (16,259) |
| | ₱43,578,898 | ₱40,938,919 |

The fair value of plan assets consists of:

- Investment in government securities which consists of fixed rate treasury notes and retail treasury bonds;

- Corporate stocks which consist primarily of stocks listed in Philippine Stock Exchange (PSE);
- Deposit in banks which consists of savings deposit and certificate of time deposits; and
- Other securities and debt instruments which consist primarily of investment in corporate bonds.

The Company's plan assets are administered by a trustee bank, which is responsible for the general administration of retirement plan including the management of the fund. The trustee bank does not currently employ any asset-liability matching.

Risk Arising from the Retirement Plan

The defined benefit plan is underfunded by ₱86,260,564 and ₱72,982,180 as at December 31, 2024 and 2023, respectively. While there is no minimum required funding, the amount without fund may expose the Company to cash flow risk for ten years when a significant number of employees are expected to retire.

Credit Risk

The plan assets exposure to credit risk arises from its investments in financial assets which comprise of investment in government securities, corporate stocks, deposit in banks and other securities and debt instruments. The maximum credit risk exposure is equivalent to the carrying amount of financial instruments. The credit risk arises from possible default of the issuer of the financial assets.

The credit risk is minimized by ensuring that the exposure to the various financial assets as recommended by the trustee bank.

Share Price Risk

The plan assets exposure to share price risk arises from corporate stocks which are traded at PSE. The share price risk results from the volatility of the share prices in the PSE.

The share price risk is minimized by ensuring that investments in shares of stock are limited only to blue chip companies or companies with good fair values. The trustee bank ensures that the equity investments are invested in mix of various equity to reduce exposure to industry or sector-related risk.

Maturity Profile of Undiscounted Benefit Payments

The maturity analysis on the Company's undiscounted benefit payments are as follow:

| <u>December 31, 2024</u> | | | | | |
|--------------------------|-----------------|------------------|-------------------|-------------------|-------------------|
| | 1 to 5 Years | 6 to 10 Years | 11 to 15 Years | 16 to 20 Years | 21 to 40 Years |
| Normal Retirement | ₱32,890,879 | ₱82,249,328 | ₱95,248,808 | ₱94,111,734 | ₱337,541,950 |

| <u>December 31, 2023</u> | | | | | |
|--------------------------|-----------------|-----------------|------------------|-------------------|-------------------|
| | 1 to 4 Years | 5 to 8 Years | 9 to 12 Years | 13 to 16 Years | 17 to 20 Years |
| Normal Retirement | ₱25,593,937 | ₱93,904,229 | ₱95,248,808 | ₱94,111,734 | ₱337,541,950 |

Discount Rate Sensitivity

The following illustrates the sensitivity to a reasonably possible change in each key assumption, with all other variables held constant, of the Company's retirement benefits obligation. A +/-1% increase or decrease is used when reporting this risk internally to key management personnel and represents management's assessment of the reasonably possible change in discount rate and salary increase.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

The weighted average duration of the defined benefit obligation is 16.9 years and 15.7 years in 2024 and 2023, respectively.

The impact on the Company's retirement benefits obligation as at December 31, 2024 and 2023 which affects the Company's cash flow is as follows:

December 31, 2024

| | Increase (decrease) | Present value of obligation | Increase (decrease) in retirement benefits obligation |
|-----------------|------------------------|-----------------------------|--|
| Discount rate | +1% | ₱128,700,251 | (₱1,139,211) |
| | -1% | 130,978,673 | 1,139,211 |
| Salary increase | +1% | 130,724,987 | 885,525 |
| | -1% | 128,953,937 | (885,525) |

December 31, 2023

| | Increase (decrease) | Present value of obligation | Increase (decrease) in retirement benefits obligation |
|-----------------|------------------------|-----------------------------|--|
| Discount rate | +1% | ₱102,481,940 | (₱11,439,159) |
| | -1% | 127,265,879 | 13,344,780 |
| Salary increase | +1% | 127,293,104 | 13,372,005 |
| | -1% | 102,258,021 | (11,663,078) |

The Company is not required to pre-fund the future defined benefits payable under the retirement plan before they become due. Hence, the amount and timing of contributions to the retirement fund are at the Company's discretion. However, in the event a benefit claim arises and the retirement fund is insufficient to pay the claim, the shortfall will then be due and payable from the Company to the retirement fund.

19. OPERATIONS AND MAINTENANCE

This account consists of:

| | 2024 | 2023 | 2022 |
|---------------------------------------|---------------------|--------------|--------------|
| Salaries and wages | ₱151,704,541 | ₱145,169,837 | ₱138,891,362 |
| Outside services | 44,670,550 | 35,234,915 | 35,933,396 |
| Professional fees | 36,767,098 | 20,369,203 | 4,788,323 |
| Repairs and maintenance | 18,623,474 | 17,861,102 | 16,807,588 |
| Retirement benefits expense – note 18 | 15,918,363 | 12,386,259 | 14,188,982 |
| Office supplies | 8,817,427 | 5,553,907 | 5,164,069 |
| Telephone and water | 7,733,941 | 8,074,840 | 9,617,284 |
| Transportation | 6,173,473 | 7,049,142 | 8,331,565 |
| Electric materials | 5,176,836 | 2,153,574 | 3,442,550 |
| Rent – notes 16 and 22 | 4,246,800 | 4,320,079 | 4,459,553 |
| Company activities | 2,933,413 | 3,697,490 | 2,327,017 |
| Provision for ECLs – note 8 | 2,631,403 | - | 13,584,985 |
| Insurance | 2,422,878 | 3,216,894 | 1,473,060 |
| Training and seminars | 1,129,924 | 1,090,877 | 864,563 |
| Donations | 562,540 | 442,814 | 365,412 |
| Association and membership fees | 264,635 | 250,399 | 234,064 |
| Advertising and promotion | 51,783 | 240,897 | 826,127 |
| Others | 3,477,671 | 3,120,224 | 2,244,570 |
| | ₱313,306,750 | ₱270,232,453 | ₱263,544,470 |

Others pertain mainly to expenses related to uniform, subscriptions, injuries and damages.

20. OTHER INCOME (CHARGES)

This account consists of:

| | 2024 | 2023 | 2022 |
|---|--------------------|-------------|-------------|
| Interest income – note 7 | ₱54,440,663 | ₱39,968,988 | ₱33,902,159 |
| Fair value gain (loss) on financial assets at FVPL – note 9 | 9,067,973 | - | (2,486,014) |
| Interest expense – note 13 | (163,563) | (169,492) | (166,596) |
| Others: | | | |
| Bank charges | (527,978) | (419,852) | (583,275) |
| Gain on foreign exchange | 5,101 | 291,126 | - |
| Gain on sale of equipment – note 5 | 312,500 | - | 56,384 |
| Miscellaneous income | 2,972,872 | 2,158,456 | 3,082,022 |
| | ₱66,107,568 | ₱41,829,226 | ₱33,804,680 |

Miscellaneous income consists of deductions on other payables upon settlement, equipment rental and other fees.

21. INCOME TAXES

Provision for income tax consists of:

| | 2024 | 2023 | 2022 |
|----------|---------------------|--------------|--------------|
| Current | ₱143,828,630 | ₱145,360,747 | ₱107,263,579 |
| Deferred | 235,548 | (2,809,481) | (3,751,720) |
| | ₱144,064,178 | ₱142,551,266 | ₱103,511,859 |

The components of the Company's deferred tax assets and liability are as follow:

| | 2024 | 2023 |
|--|---------------------|--------------|
| Deferred tax assets: | | |
| Retirement benefits obligation | ₱23,292,900 | ₱19,973,304 |
| Allowance for ECLs on receivables | 3,628,939 | 4,630,006 |
| Unamortized past service cost | 1,083,966 | 1,371,050 |
| | ₱28,005,805 | ₱25,974,360 |
| Deferred tax liability: | | |
| Revaluation increment | ₱514,775,908 | ₱537,812,797 |
| Unrealized fair value gain on financial assets at FVPL | 2,266,994 | - |
| Remeasurement gain on retirement benefits | 1,645,694 | 1,645,694 |
| | ₱518,688,596 | ₱539,458,491 |

The reconciliation of provision for income tax computed at the statutory tax rates to provision for income tax as shown in the statements of comprehensive income is summarized as follows:

| | 2024 | 2023 | 2022 |
|--|---------------------|--------------|--------------|
| Income before income tax | ₱519,754,176 | ₱514,594,667 | ₱344,915,790 |
| Income tax computed at 25% | 129,938,544 | 128,648,666 | 86,228,947 |
| Add (deduct) tax effects of: | | | |
| Depreciation on appraisal increase | 23,036,889 | 23,036,889 | 23,230,554 |
| Nondeductible expenses | 4,658,020 | 815,585 | 2,486,249 |
| Nondeductible portion of interest | 40,891 | 42,373 | 41,649 |
| Interest income subjected to final tax | (13,610,166) | (9,992,247) | (8,475,540) |
| | ₱144,064,178 | ₱142,551,266 | ₱103,511,859 |

22. AGREEMENTS

The details of purchased power are as follow:

| | 2024 | 2023 | 2022 |
|--------------------|-----------------------|----------------|----------------|
| Generation cost | | | |
| GMCP | ₱1,207,031,595 | ₱1,321,828,366 | ₱1,706,863,047 |
| WESM | 807,687,101 | 652,048,665 | 1,242,287,792 |
| EDC | 570,034,780 | 617,127,520 | - |
| OMSC | 174,855,414 | 172,453,389 | 31,746,395 |
| SNAP | - | - | 397,302,756 |
| PSALM | - | - | 80,626,666 |
| Transmission cost: | | | |
| NGCP | 405,621,082 | 313,173,527 | 407,067,798 |
| | ₱3,165,229,972 | ₱3,076,631,467 | ₱3,865,894,454 |

Electricity Supply Agreement between the Company and Sun Asia Energy, Inc. (SEI), with the latter assigning their rights to the ESA to Onemanaoag Solar Corporation (OMS)

On January 14, 2016, the Company entered into a contract with SEI, wherein the Company committed to purchase clean power generated by SEI's solar power plant project that would be embedded into Company's franchise area.

On July 14, 2016, the Company and SEI filed a Joint Application to the ERC for the approval of their Electricity Supply Agreement (ESA). The application was docketed as ERC Case No. 2016-154 RC and was approved with modification by the Commission in its Decision dated December 19, 2017.

Through an Assignment Agreement dated July 13, 2018, SEI assigned all of its rights, titles, and interest in and to the ESA, among others, in favor of Onemanaoagsolar Corporation. A manifestation was filed by the SEI informing ERC of the said assignment.

On November 29, 2022 and March 10, 2023, ERC granted OMS Provisional Authority to Operate (PAO) for Phases 1 and 2 of their embedded solar power plant projects, respectively. Thereafter, the supply commencement date became effective in accordance with the ESA.

Power Supply Agreement with Energy Development Corporation (EDC)

On February 21, 2022, the Company entered into a 10-year contract with EDC, wherein the Company agreed to purchase 20 MW (10 MW base load and 10 MW load following) of its power requirement from EDC.

On November 7, 2022, the Company and EDC filed a Joint Application to the ERC for the approval of their Power Supply Agreement. The application was docketed as ERC Case No. 2022-082 RC and was provisionally approved by the ERC through the issuance of a Resolution dated December 20, 2022. EDC commenced the supply of electricity to the Company on December 26, 2022.

Renewable Power Supply Agreement with SNAP

On December 20, 2011, the Company entered into a contract with SNAP wherein the Company agreed to purchase electric power from the latter, which became effective from October 26, 2012 until October 25, 2022.

Recovery of the 2012 Generation Rate Adjustment Mechanism (GRAM) and Incremental Currency Exchange Rate Adjustment (ICERA) Deferred Accounting Adjustment (DAA)

On October 19, 2017, ERC ordered the implementation of the 10th to 17th GRAM and 15th to 16th ICERA wherein PSALM and NPC are mandated by the Commission to collect from its consumers the unbilled adjustment for the period of 60 months starting August 2017. This unbilled adjustment is net of bills issued by NPC/PSALM for July 2012 which have remained outstanding and unpaid to date as a result of the deferment order dated August 10, 2012.

On December 18, 2017, ERC again ordered deferment of the implementation of the 10th to 17th GRAM and 15th to 16th ICERA to January 2018. Total billings paid by the Company for each year in 2024, 2023 and 2022 amounted to nil, nil and ₱80,626,666, respectively, and included as part of the purchased power.

Purchased Power Supply Agreement (PPSA) for Distribution Utility Buyers (the “Original PPSA”)

The Company and GNPowder Ltd. Co. (GNPC) entered into:

- (a) the “Original PPSA” in July 2006 wherein GNPC agreed to build, own and operate an electric power generation facility for the purpose of supplying its customers with environmentally clean electric power which commenced in 2010. Further, GNPC agreed to supply and sell, while the Company agreed to receive and purchase the product;
- (b) a Memorandum of Agreement (the “MOA”) in July 2006, setting out the conditions for the effectiveness of the PPSA; and
- (c) a Commercial Protocol Agreement No. 1 (the “Commercial Protocol Agreement”) in 2007 (the Original PPSA, as amended, modified and supplemented by the MOA and Commercial Protocol Agreement, the “PPSA”) for the purchase and sale of the product that commenced in 2010/2011.

Amendment to Original PPSA

Pursuant to Project Assignment Agreement dated June 11, 2008, GNPC transferred the rights, obligations, benefits, assets, liabilities and interest in the Original PPSA to GMCP.

On February 9, 2009, the Company and GMCP amended the Original PPSA termination date to be 180 months, unless extended pursuant to Section 2.4 or 2.5, from the date specified in the Commencement Date Notice as set forth in Schedule 1 or December 31, 2012, if the GMCP had not provided the Company with the Commencement Date Notice by December 31, 2012, or such later date as the parties agreed in writing.

WESM Direct Membership

The Company became a direct member of the WESM effective November 26, 2009 upon completion of the requirements of PEMC, the autonomous group market operator of WESM. This membership gives the Company the privilege to purchase directly from the market.

Transmission Service Agreement with NGCP

The Company entered the Contract with NGCP wherein the latter would provide the necessary transmission services to the Company, provided that the Company shall pay the applicable charges for such services and remain liable for any unpaid amounts despite the termination of the agreement.

Service Agreement with TransCo

The Company entered into service agreement with the TransCo. Under the agreement, TransCo shall provide transmission services to the Company effective June 26, 2006, and shall continue to be in full force and effect until terminated in accordance with the Provision of Open Access Transmission Service which governs the TransCo's provision of transmission services to qualified grid users.

On December 1, 2008, the franchise to operate and maintain the physical assets of TransCo for 50 years was granted to NGCP by virtue of R.A. No. 9511, An Act Granting NGCP a Franchise to Engage in the Business of Conveying or Transmitting Electricity through High Voltage Back-bone System of Interconnected Transmission Lines, Substations and Related Facilities and for other purposes. With the affectivity of R.A. No. 9511, transmission services to the Company have been are provided by NGCP since December 2008.

Lease Agreements

Company as lessee

The Company entered into various lease agreements for the lease of its administrative office in Quezon City and field offices in various towns of Pangasinan. The lease agreements are for a period of one year subject to renewal, and the monthly total rental is ₱353,900 for 2024, ₱360,007 for 2023, and ₱371,629 for 2022.

Total rent expense amounted to ₱4,246,800 for 2024, ₱4,320,079 for 2023 and ₱4,459,553 for 2022 (see Note 19).

Company as lessor

The Company entered into various lease agreements to lease out its electric poles in various towns of Pangasinan. The lease agreements are for a period of one year subject to renewal and rental rate of ₱270 to ₱340 per pole.

Total rental income amounted to ₱32,047,368 in 2024, ₱23,528,318 in 2023 and ₱28,616,552 in 2022, respectively, and is included in the "Other revenues" account under the "Revenues" section in the statements of comprehensive income (see note 17).

23. EARNINGS PER SHARE

Earnings per share are computed as follows:

| | 2024 | 2023 | 2022 |
|--------------------------------|---------------------|--------------|--------------|
| Net income | ₱375,689,998 | ₱372,043,401 | ₱241,403,931 |
| Divided by: Shares outstanding | 14,662,000 | 12,462,000 | 12,462,000 |
| | ₱25.62 | ₱29.85 | ₱19.37 |

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's financial instruments include cash and cash equivalents, trade and other receivables, rental deposit, trade and other payables, customers' deposits and dividend payable which are used for working capital management purposes and operations. The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The Company is exposed to a variety of financial risk which results from both its operating and investing activities. The Company's risk management is in close cooperation with the BOD, and focuses on actively securing the Company's short-to medium-term cash flows by minimizing the exposure to financial markets.

Interest rate risk

Investment in financial instruments renders the Company subject to interest rate risks. These include the risks arising from changes in interest rates. The primary source of the Company's interest rate risk relates to cash and other assets which are invested at various banks earning an average interest rate of 2.50% and 4.50% per annum in 2024 and 2023, respectively. If the interest rate had been 0.5% higher/lower, the net income after tax would increase/decrease by ₱8,171,243 in 2024, ₱3,322,677 in 2023 and ₱7,854,960 in 2022.

Credit risk

Credit risk is the risk that the Company will incur a loss from customers or counterparties that fail to discharge their contractual obligations. The Company manages credit risk by setting limits on the amount of risk the Company is willing to accept from counterparties and by monitoring exposures in relation to such limits.

Credit risk exposure

The table below shows the maximum exposure to credit risk of the Company as at:

| December 31, 2024 | | | | | |
|------------------------------------|-----|--------------------------|-----------------------|----------------|---------------------|
| | | Basis of recognizing ECL | Gross carrying amount | Loss allowance | Net carrying amount |
| Cash in banks and cash equivalents | (a) | Lifetime ECL | ₱2,178,998,214 | ₱- | ₱2,178,998,214 |
| Trade receivables | (b) | | 586,356,765 | 14,515,757 | 571,841,008 |
| Other receivables | (b) | | 62,666,082 | - | 62,666,082 |
| Rental deposits | (c) | | 687,718 | - | 687,718 |
| | | | ₱2,828,708,779 | ₱14,515,757 | ₱2,814,193,022 |

| December 31, 2023 | | | | | |
|-------------------|-----|--------------------------|-----------------------|----------------|---------------------|
| | | Basis of recognizing ECL | Gross carrying amount | Loss allowance | Net carrying amount |
| Cash in banks | (a) | Lifetime ECL | ₱886,047,217 | ₱- | ₱886,047,217 |
| Trade receivables | (b) | | 472,277,350 | 14,229,987 | 458,047,363 |
| Other receivables | (b) | | 60,226,396 | - | 60,226,396 |
| Rental deposits | (c) | | 628,943 | - | 628,943 |
| | | | ₱1,419,179,906 | ₱14,229,987 | ₱1,404,949,919 |

- (a) Cash in banks and cash equivalents are assessed to have low credit risk at each reporting period. Cash in banks and cash equivalents are held by reputable banking institutions.
- (b) For trade and other receivables, the Company has applied the simplified approach to measure the loss allowance at lifetime ECLs. The Company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.
- (c) Rental deposits are assessed to have low credit risk at each reporting period since these are held by related parties.

The Company does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Trade and other receivables

The Company applies the simplified approach to measuring ECL which uses a lifetime ECLs for all trade receivables. The loss allowance for trade receivables as at December 31 is determined as follows:

December 31, 2024

| | Current | Number of days past due | | | Total |
|------------------------|--------------|-------------------------|--------------|------------|--------------|
| | | 0 to 30 days | 31-60 days | > 90 days | |
| ECL rate | 10% | 5% | 2% | 1% | |
| Gross carrying amount: | | | | | |
| Trade receivables | ₱354,095,734 | ₱36,595,442 | ₱186,473,364 | ₱9,192,225 | ₱586,356,765 |
| Other receivables | 62,666,082 | - | - | - | 62,666,082 |
| | 416,761,816 | 36,595,442 | 186,473,364 | 9,192,225 | 649,022,847 |
| Lifetime ECL | ₱3,540,957 | ₱731,909 | ₱9,323,668 | ₱919,223 | ₱14,515,757 |

December 31, 2023

| | Current | Number of days past due | | | Total |
|------------------------|--------------|-------------------------|-------------|-------------|--------------|
| | | 0 to 30 days | 31-60 days | > 90 days | |
| ECL rate | 4% | 5% | 10% | 12% | |
| Gross carrying amount: | | | | | |
| Trade receivables | ₱275,888,696 | ₱128,949,146 | ₱25,283,938 | ₱42,155,570 | ₱472,277,350 |
| Other receivables | 35,182,254 | 16,444,029 | 3,224,293 | 5,375,820 | 60,226,396 |
| | 311,070,950 | 145,393,175 | 28,508,231 | 47,531,390 | 532,503,746 |
| Lifetime ECL | ₱8,312,684 | ₱3,885,312 | ₱761,820 | ₱1,270,171 | ₱14,229,987 |

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The following table sets out the credit quality of financial assets by category (gross of allowance) of the Company:

December 31, 2024

| | Neither Past Due Nor Impaired | | | Past due but not impaired | Past due and individually impaired | Total |
|------------------------------------|-------------------------------|--------------|-----------|---------------------------|------------------------------------|----------------|
| | High Grade | Medium Grade | Low Grade | | | |
| Cash in banks and cash equivalents | P2,178,998,214 | P- | P- | P- | P- | P2,178,998,214 |
| Trade receivables | 571,841,008 | - | - | - | 14,515,757 | 586,356,765 |
| Other receivables | 62,666,082 | - | - | - | - | 62,666,082 |
| Rental deposits | 687,718 | - | - | - | - | 687,718 |
| | P2,814,193,022 | P- | P- | P- | P14,515,757 | P2,828,708,779 |

December 31, 2023

| | Neither Past Due Nor Impaired | | | Past due but not impaired | Past due and individually impaired | Total |
|-------------------|-------------------------------|--------------|-----------|---------------------------|------------------------------------|----------------|
| | High Grade | Medium Grade | Low Grade | | | |
| Cash in banks | P886,047,217 | P- | P- | P- | P- | P886,047,217 |
| Trade receivables | 458,047,363 | - | - | - | 14,229,987 | 472,277,350 |
| Other receivables | 60,226,396 | - | - | - | - | 60,226,396 |
| Rental deposits | 628,943 | - | - | - | - | 628,943 |
| | P1,404,949,919 | P- | P- | P- | P14,229,987 | P1,419,179,906 |

The credit ratings of the financial assets of the Company are determined as follows:

High grade

High grade financial assets consist of cash and cash equivalents which are deposited in large universal and commercial banks. Trade receivables consist of current month's billing expected to be collected within ten (10) days from billing. Other receivables include receivables from PEMC for Luzon WESM Prices for November and December 2013 ordered to be refunded by ERC.

Medium grade

Medium grade financial assets include trade receivables that are expected to be collected within 30 days after billing.

Low grade

Low grade financial assets include trade receivables that are expected to be collected within 60 days after billing.

The Company's customers consist mainly of third parties with good credit rating. None of the financial assets that are fully performing has been renegotiated in 2024 and 2023.

Liquidity risk

The Company monitors and maintains a level of funds deemed adequate by management to finance the Company's operations and mitigate the effects of cash flows. Any excess funds are placed with reputable banks to generate interest income. As at December 31, 2024 and 2023, the financial liabilities have contractual maturities as follow:

| | December 31, 2024 | | December 31, 2023 | |
|---------------------|---------------------|---------------------|---------------------|---------------------|
| | Due within one year | Due beyond one year | Due within one year | Due beyond one year |
| Trade payables | ₱249,274,778 | ₱- | ₱243,545,883 | ₱- |
| Other payables* | 163,790,780 | - | 100,969,171 | - |
| Customers' deposits | 240,763,052 | 337,846,798 | 218,879,163 | 334,924,529 |
| | ₱653,828,610 | ₱337,846,798 | ₱563,394,217 | ₱334,924,529 |

*Excluding statutory payables and other liabilities to government agencies amounting to ₱49,643,725 in 2024 and ₱72,875,864 in 2023.

Share price risk

Share price risk is the risk that fair value of financial assets at FVPL decreases as the result of change in fair value of investments.

The Company's exposure to share price risk relates primarily to the Company's financial assets at FVPL. The Company intends to hold these investments indefinitely in response to liquidity requirements or changes in market conditions.

The following table demonstrates the sensitivity to a reasonable change in share price, with all other variables held constant, of the Company's income before income tax. The Company determines +/-10% as reasonably possible change in share price. The detail follows:

| | 2024 | 2023 |
|------------------------|---------------------|--------------|
| Change in share price: | | |
| +10% | ₱18,427,039 | ₱17,520,241 |
| -10% | (18,427,039) | (17,520,241) |

25. CAPITAL RISK OBJECTIVE AND MANAGEMENT

The Company's objectives when managing capital are:

- To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other shareholders; and
- To provide an adequate return to stockholders by pricing products and services commensurately with the level of risk.

Consistent with others in the industry, the Company monitors its capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including customer's deposits, and trade and other payables as shown in the statements of financial position) less cash and cash equivalents. Total capital is calculated as Equity as shown in the statements of financial position plus net debt.

As at December 31, the Company's ratios are as follow:

| | 2024 | 2023 |
|--|-----------------|----------------|
| Trade and other payables and customers' deposits | ₱1,041,319,133 | ₱971,194,610 |
| Less: cash and cash equivalents | 2,179,835,214 | 886,889,217 |
| Net (cash) debt (a) | (1,138,516,081) | 84,305,393 |
| Total equity | 5,642,355,317 | 4,219,857,393 |
| Total capital (b) | ₱4,503,839,236 | ₱4,304,162,786 |
| Gearing ratio (a/b) | (25%) | 2% |

26. FAIR VALUE INFORMATION

Assets measured at fair value

The following is the information on the Company's assets measured at fair value at the end of each reporting period:

| | 2024 | 2023 | Fair value hierarchy | Valuation techniques |
|------------------------------|----------------|----------------|----------------------|--|
| Financial assets at FVPL | ₱184,270,387 | ₱175,202,413 | Level 1 | Net asset value per share as published by various unit investment trust fund and mutual fund companies |
| Financial assets at FVOCI | 152,000,000 | 152,000,000 | Level 1 | Market bid quotes |
| Utility, plant and equipment | 3,878,693,425 | 3,846,754,440 | Level 2 | Depreciated replacement cost, cost approach and sales comparison approach |
| Other property and equipment | 85,820,987 | 85,133,271 | Level 2 | Depreciated replacement cost and cost approach |
| | ₱4,300,784,799 | ₱4,259,090,124 | | |

Financial assets and liabilities measured at amortized cost for which fair value is disclosed

The Company's financial assets and liabilities which are not measured at fair value but for which fair value is disclosed include cash and cash equivalents, trade and other receivables, rental deposits and trade and other payables. Management considers that the carrying amounts of these financial assets and liabilities approximate their fair value due to their short-term duration.

The carrying amounts of bill deposits approximate their fair values as bill deposits are interest-bearing.

27. OTHER MATTERS

EPIRA of 2001

R.A. No. 9136, otherwise known as the EPIRA Act (Act) of 2001 was signed into law on June 8, 2001. The covering Implementing Rules and Regulations (IRR) have already been deliberated upon and approved by the Joint Congressional Power Commission. The Act provides for, among others, the significant changes in the power sector, such as the (a) unbundling of the generation, transmission and distribution sectors; (b) privatization of National Power Corporation (NPC)'s generation, transmission, and other disposable assets, including independent power producers or IPP contracts, (c) creation of ERC to regulate the electric power industry; (d) creation of a wholesale electricity spot market within one year; (e) open and nondiscriminatory access to transmission and distribution systems; and, (f) mandated rate reduction and lifeline rate for marginalized end-users. The price will have regulated elements for transmission and distribution, and competitive components for the electrical energy itself and for ancillary or support services.

The law requires public listing of not less than 15% of common shares of generation and distribution companies within five (5) years from the effectivity of the Act. It provides cross ownership restrictions between transmission and generation companies and between transmission and distribution companies, and a cap that no distribution utility is allowed to source bilateral power supply contracts more than fifty percent of its total demand from an associated firm engaged in generation except for contracts entered into prior to the effectivity of the Act. Specifically relating to distribution utilities, the Act provides for the unbundling of electricity tariff rates and the determination of stranded costs and its recovery through universal charge.

On June 27, 2017, the ERC issued Resolution No. 10, Series of 2017, "A Resolution Extending the Compliance Period Under Resolution No. 9, Series of 2011, for Generation Companies and DU, which are not Publicly Listed to Offer and Sell to the Public a Portion of Not Less Than Fifteen Percent (15%) of their Common Shares of Stocks, Pursuant to Section 43(t) of R.A. No. 9136 and Rule 3, Section 4(m) of its IRR". In this resolution, ERC allowed an extension of one (1) year or until the resolution of the petition, whichever is earlier, for generation companies and distribution utilities to offer and sell to the public a portion of not less than fifteen percent (15%) of their common shares of stocks.

On December 7, 2018, the ERC per ERC Case No. 2015-006 RM had set the continuation of the public consultation on the "Petition to Amend ERC Resolution No.9, Series of 2011, Allowing Registration of Shares at the SEC as a Mode of Public Offering". The ERC invited the SEC to discuss securities rules and regulations on public offering and public listings of generation companies and distribution utilities.

On June 4, 2019, the ERC issued Resolution No. 4, Series of 2019, "A Resolution Amending Resolution No. 9, Series of 2011 Requiring Generation Companies and Distribution Utilities Which are not Publicly Listed to Offer and Sell to the Public a Portion of Not Less than Fifteen Percent (15%) of Their Common Shares of Stock Pursuant to Section 43 (t) of R.A. No. 9136 and Rule 3, Section 4 (m) of its IRR." The resolution amended Section 2.3 of Article II to include offering of common shares of stocks for sale to the public in accordance with the 2016 IRR of Securities Regulation Code as a mode of public offering: (i) publication in any newspaper, magazine or printed reading material which is distribute within the Philippines; (ii) presentation in any public or commercial place; (iii) advertisement or announcement on radio, television, telephone, electric communications, information communication technology or any other forms of communications; or (iv) distribution and/or making available flyers, brochures or any offering material in a public or commercial place or to prospective purchasers through the portal system, information communication technology and other means of information distribution.

In compliance with the above resolution, the Company applied for registration of its public offering of 15% or 2,200,000 of its common shares with the SEC. The registration of the Company's shares was rendered effective by the SEC on December 27, 2023 under SEC MSRD Order No. 72, Series of 2023, in which the public offering was scheduled from January 8, 2024 to January 12, 2024.

28. SUPPLEMENTARY INFORMATION REQUIRED UNDER REVENUE REGULATION (RR) NO. 15-2010

Presented below are the detailed information on taxes, duties and license fees paid or accrued by the Company during the taxable year December 31, 2024. On December 28, 2010, the BIR issued RR No.15-2010, which amended certain provisions of RR No. 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements and income tax returns. Section 2 of RR No. 21-2002 was further amended to include in the Notes to Financial Statements information on taxes, duties and license fees paid or accrued during the year in addition to what is mandated by PFRS Accounting Standards.

- a. Details of output VAT during the year are as follow:

| Particulars | Vatable |
|-------------------------------------|----------------------|
| Output tax declared during the year | ₱119,935,704 |
| Output VAT tax base | 1,000,444,664 |

- b. Details of input VAT during the year are as follow:

| | |
|---|------------|
| Beginning of year | P- |
| Add: Input tax deferred on capital goods exceeding P1million | |
| from previous period | 21,018,780 |
| Domestic purchase of goods other than capital goods | 33,222,091 |
| Domestic purchase of services | 10,725,517 |
| Less: Input tax on capital goods exceeding P1million deferred | |
| for the succeeding period | 9,472,952 |
| Input tax on sale to government closed to expense | 248,508 |
| Claimed against output tax | 55,244,928 |
| Balance at end of year | P- |

- c. The schedule of taxes and licenses follows:

| | |
|---------------------------------------|-------------|
| Local taxes: | |
| Franchise tax | P24,907,976 |
| Real property taxes | 12,649,427 |
| Business permit | 440,000 |
| Internal revenue taxes: | |
| Deficiency taxes and interest | 11,996,409 |
| Documentary stamp tax | 11,785 |
| Others: | |
| Registration fees with: | |
| ERC | 14,750,843 |
| National Telecommunication Commission | 176,065 |
| Motor vehicle registration fees | 171,196 |
| Miscellaneous | 2,663,634 |
| | P67,767,335 |

- d. There Company has paid documentary stamp tax in 2024 amounting to P11,785.

- e. The amount of withholding taxes follows:

| | |
|----------------------------------|-------------|
| Tax on compensation and benefits | P11,672,743 |
| Expanded withholding taxes | 54,527,921 |
| | P66,200,664 |

- f. The Company has paid deficiency taxes, penalty and interest in 2024 amounting to P11,996,409.

- g. The Company has no tax cases under preliminary investigation and/or prosecution in courts or bodies outside the BIR.

* * *

Statement Required by Rule 68, Part I, Section 5,
Securities Regulation Code (SRC).
As Revised on August 19, 2019

The Board of Directors and Stockholders
DAGUPAN ELECTRIC CORPORATION
AB Fernandez St., Dagupan City
Province of Pangasinan

We have audited the accompanying financial statements of **Dagupan Electric Corporation** (the Company) as at and for the year ended December 31, 2024, on which we have rendered the attached report dated April 14, 2025. The supplementary information shown in the Reconciliation of Retained Earnings Available for Dividend Declaration and Schedule of Financial Soundness Indicators and Schedules, as additional components required by Rule 68, Part I, Section 5 of the Securities Regulation Code, is presented for purposes of filing with the Securities and Exchange Commission and is not a required part of the basic financial statements. Such information is the responsibility of management and has been subjected to auditing procedures applied in the audit of basic financial statements. In our opinion, the information has been prepared in accordance with Rule 68 of the Securities Regulation Code.

Diaz Murillo Dalupan and Company

Tax Identification No. 003-294-822

BOA/PRC No. 0234, effective until June 23, 2026

BIR Accreditation No. 08-001911-000-2025, effective until March 11, 2028



Alexes B. Abella

Partner

CPA Certificate No. 96749

Tax Identification No. 201-766-994

PTR No. 10478582, January 9, 2025, Makati City

BIR Accreditation No. 08-001911-004-2025, effective until March 11, 2028

April 14, 2025

Global Reach, Global Quality

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Davao Office : 3rd Floor Building B Plaza De Luisa, Ramon Magsaysay Avenue, Davao City 8000 Philippines • Phone/Fax: +63(82) 222 6636
Palawan Office : 2F MRC Building, Pineda Road, Brgy. San Pedro, Puerto Princesa City, Palawan 5300 Philippines • Phone +63(48) 716 1580
Website : www.dmdcpa.com.ph

Dagupan Electric Corporation
Revised SRC Rule 68
Annex 68-J
Schedule A – Financial Assets
December 31, 2024

| | No of Shares of Principal Amount of Bonds and Notes | Amount Shown in the Statements of Financial Position | Value Based on Market Quotation at Statement of Condition Date | Income Received and Accrued |
|--|--|---|---|--|
| Financial assets at fair value through other comprehensive income (FVOCI) | | | | |
| | | | | |
| Equity Securities | | | | |
| Tarlac Electric Inc. | 400,000 | 152,000,000 | 152,000,000 | 5,336,000 |
| | | | | |
| Total -FVOCI | | 152,000,000 | 152,000,000 | 5,336,000 |
| | | | | |
| Financial assets at fair value through profit or loss (FVPL) | | | | |
| | | | | |
| Debt Securities | | | | |
| Petron Corporation | | 98,680,726 | 98,680,725.67 | -2,289,274 |
| Aboitiz Equity Ventures | | 17,830,000 | 17,830,000 | 352,119 |
| BPI -PHILAM | | 29,155,665 | 29,155,665 | 6,875,611 |
| | | | | |
| Equity Securities | | | | |
| BPI -PHILAM | | 8,207,843 | 8,207,843 | 1,329,113 |
| | | | | |
| Other equity and debt securities | | | | |
| Sun Life Asset Management Co., Inc. | | 17,992,996 | 17,992,996 | 846,977 |
| Landbank of the Philippines | | 4,581,464 | 4,581,464 | |
| BPI -PHILAM | | 7,821,693 | 7,821,693 | 2,305,547 |
| | | | | |
| Total -FVPL | | 184,270,387 | 184,270,387 | 9,420,093 |
| | | | | |
| Cash and Cash Equivalents | | 2,179,835,209 | 886,889,217 | 48,752,540 |
| | | | | |
| Trade and Other Receivables | | 634,507,090 | 634,507,090 | |
| | | | | |

Dagupan Electric Corporation

Revised SRC Rule 68

Annex 68-J

Schedule B – Amounts Receivables from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)

December 31, 2024

| Name and Designation of Debtor | Balance at Beginning of Year | Additions | Deductions | | Ending Balance | | Balance at the End of the Year |
|--------------------------------|------------------------------|-----------|-------------------|---------------------|----------------|-------------|--------------------------------|
| | | | Amounts Collected | Amounts Written-off | Current | Non-Current | |

Receivables from directors, officers, employees, related parties, and principal stockholders are within the ordinary course of the company

Dagupan Electric Corporation
Revised SRC Rule 68
Annex 68-J

Schedule C – Amounts Receivables from Related Parties which are Eliminated during the Consolidation
of Financial Statements
December 31, 2024

| Name and Designation of Debtor | Balance at Beginning of Year | Additions | Deductions | | Ending Balance | | Balance at the End of the Year |
|--------------------------------|------------------------------|-----------|------------------------|---------------------|----------------|-------------|--------------------------------|
| | | | Amounts Collected/Paid | Amounts Written-off | Current | Non-Current | |

Not Applicable

Dagupan Electric Corporation
Revised SRC Rule 68
Annex 68-J
Schedule D – Long Term Debt
December 31, 2024

| Type of Obligation | Amount Shown Under Caption "Current Portion of Long Long-term Debt" in Related Statement of Financial Position | Amount Shown Under Caption "Long-term Debt" in related Statement of Financial Condition |
|---------------------------|---|--|
|---------------------------|---|--|

The Company has no long-term loans

Dagupan Electric Corporation
Revised SRC Rule 68
Annex 68-J
Schedule G – Capital Stock
December 31, 2024

| Title of Issue | Number of Shares Authorized | Outstanding as Shown Under the Related Statement of Condition Caption | Number of Shares Reserved for Options, Warrants, Conversion and Other Rights | Number of Shares Held by | | |
|----------------|-----------------------------|---|--|--------------------------|------------------------------------|-----------|
| | | | | Related Parties | Directors, Officers, and Employees | Others |
| Common Stock | 15,000,000 | 14,662,000 | | | 12,534,690 | 2,127,310 |

Dagupan Electric Corporation
AB Fernandez St., Dagupan City, Province of Pangasinan
Schedule H - Reconciliation of Retained Earnings Available for Dividend Declaration
For the Year Ended December 31, 2024

| Items | Amount |
|--|-----------------------|
| Unappropriated Retained Earnings, beginning of year | ₱774,983,956 |
| Add: Category A: Items that are directly credited to Unappropriated Retained Earnings | |
| Reversal of Retained Earnings Appropriations | 400,000,000 |
| Effect of restatements or prior-period adjustments | - |
| | 400,000,000 |
| Less: Category B: Items that are directly debited to Unappropriated Retained Earnings | |
| Dividend declaration during the year | 148,828,962 |
| Retained Earnings appropriated during the year | - |
| Effect of restatements or prior-period adjustments | - |
| | 148,828,962 |
| Unappropriated Retained Earnings, as adjusted | 1,026,154,994 |
| Add: Net income for the current year | 375,689,998 |
| Less: Category C.1: Unrealized income recognized in the profit or loss during the year (net of tax) | |
| Unrealized fair value adjustment of financial assets at fair value through profit or loss (FVPL) | 6,800,980 |
| | 6,800,980 |
| Add: Category C.2: Unrealized income recognized in the profit or loss in prior year but realized during the year (net of tax) | |
| Realized foreign exchange gain, except those attributable to cash | - |
| Realized fair value adjustment of financial assets at FVPL | - |
| | - |
| Add: Category C.3: Unrealized income recognized in the profit or loss in prior year but reversed during the year (net of tax) | |
| Reversal of fair value adjustment of financial assets at FVPL | - |
| Reversal of previously recorded fair value gain of investment property | - |
| | - |
| Adjusted Net Income | 368,889,018 |
| Add: Category D: Non-actual losses recognized in profit or loss during the year (net of tax) | |
| Depreciation on revaluation increment (net of tax) | 69,110,666 |
| | 69,110,666 |
| Add/Less: Category E: Adjustments related to relief granted by SEC | - |
| Add/Less: Category F: Other items that should be excluded from the determination of the amount available for dividends distribution | |
| Net movement of deferred tax asset not considered in the reconciling items under the previous categories | 2,031,445 |
| Adjustment due to deviation from PFRS | - |
| | 2,031,445 |
| Total Retained Earnings, End, Available for Dividend Declaration | ₱1,466,186,123 |

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Dagupan Electric Corporation

As of December 31, 2024

| Ratio | Formula | 2024 | 2023 | 2022 |
|----------------------------------|--|------|------|------|
| Current Ratio | Current Assets / Current Liabilities | 4.30 | 2.55 | 4.42 |
| Acid Test Ratio | (Cash and Cash Equivalents + Marketable Securities + Accounts Receivable) / Current Liabilities | 4.05 | 2.32 | 4.17 |
| Solvency Ratio | (Net Profit After Tax + Non-Cash Expenses) / Liabilities | 0.35 | 0.35 | 0.35 |
| Debt-to-Equity Ratio | Total Liabilities / Total Equity | 0.30 | 0.39 | 0.29 |
| Asset-to-Equity Ratio | Total Assets / Total Equity | 1.3 | 1.39 | 1.29 |
| Interest Rate Coverage Ratio* | Earnings Before Interests and Taxes / Interest Expense | N/A | N/A | N/A |
| Return on Equity | (Net Income / Average Shareholders' Equity) x 100 | 7% | 8% | 8% |
| Return on Assets | (Net Income / Average Total Assets) x 100 | 6% | 6% | 6% |
| Net Profit Margin | (Net Income / Revenues) x 100 | 9% | 9% | 8% |
| Net Sales Growth | [(Net sales of Current Period - Net Sales of Previous Period) / Net Sales of Previous Period] x 100 | 4% | -14% | 20% |
| Net income percentage | [(Net income of current period - Net income of previous period) / Net income of previous period] x 100 | 1% | 54% | -22% |
| Increase in shareholders' equity | [(Shareholders' equity of current period - Shareholders' equity of previous period) / Shareholders' equity of previous period] x 100 | 34% | -22% | 8% |

* The Company does not have any loan

**Supplemental Written Statement to
Accompany Independent Auditors' Report**

The Board of Directors and Stockholders
DAGUPAN ELECTRIC CORPORATION
AB Fernandez St., Dagupan City
Province of Pangasinan

We have audited the financial statements of **Dagupan Electric Corporation** as at and for the year ended December 31, 2024, on which we have rendered the attached report dated April 14, 2025.

In compliance with SRC Rule 68, we are stating that the Company has fifty-three (53) stockholders owning one hundred (100) shares or more each.

Diaz Murillo Dalupan and Company
Tax Identification No. 003-294-822
BOA/PRC No. 0234, effective until June 23, 2026
BIR Accreditation No. 08-001911-000-2025, effective until March 11, 2028



Alexis B. Abella

Partner

CPA Certificate No. 96749
Tax Identification No. 201-766-994
PTR No. 10478582, January 9, 2025, Makati City
BIR Accreditation No. 08-001911-004-2025, effective until March 11, 2028

April 14, 2025

Global Reach, Global Quality

Head Office : 7th Floor, Don Jacinto Building, De la Rosa corner Salcedo Sts., Legaspi Village, Makati City 1229 Philippines • Phone: +63(2) 8894 5892 / 8844 9421 / Fax: +63(2) 8818 1872
Cebu Office : Unit 504 Cebu Holdings Building, Cebu Business Park, Mabolo, Cebu City 6000 Philippines • Phone: +63(32) 415 8108 - 10 / Fax: +63(32) 232 8029
Davao Office : 3rd Floor Building B Plaza De Luisa, Ramon Magsaysay Avenue, Davao City 8000 Philippines • Phone/Fax: +63(82) 222 6636
Palawan Office : 2F MRC Building, Pineda Road, Brgy. San Pedro, Puerto Princesa City, Palawan 5300 Philippines • Phone +63(48) 716 1580
Website : www.dmdcpa.com.ph

**DAGUPAN ELECTRIC CORPORATION
MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING OF DAGUPAN
ELECTRIC CORPORATION**

Conducted by Videoconference (Google Meet)
26 July 2024 at 2:00 p.m.

1. OPENING CEREMONIES

The Corporate Secretary, Atty. Erwin Mark A. Gavino, welcomed all the directors and stockholders present at the meeting. He informed the attendees that an audio and video recording was being made of the meeting.

Thereafter, he requested everyone to turn on their videos in order to take a photo of the attendees of the meeting.

2. CALL TO ORDER

The Chairperson of the Board, Mrs. Angelique Maxime L. James, called the meeting to order and presided over the same at 2.00 p.m.

Mrs. James welcomed all the stockholders joining the live webcast of the proceedings and those participating in the meeting through the voting system or by proxy.

Present at the meeting as presenters were:

Mrs. Angelique Maxime Llames-James (Chairperson)
Mr. Rene Bernard L. Llames (President and Director)
Mr. Erwin Mark A. Gavino (Corporate Secretary)

Also acknowledged as present were the following members of the Board of Directors:

Mr. Deon Peter James
Mrs. Cynthia Irene L. Llames
Mr. Jose Maria A. Abaya
Atty. Ranulfo M. Ocampo
Mr. Geromin T. Nepomuceno Jr.

3. PROOF OF NOTICE OF MEETING

Mrs. James inquired whether the stockholders had been duly notified of the meeting. The Corporate Secretary, Atty. Gavino, confirmed that in accordance with Securities and Exchange Commission's (SEC) Notice dated 23 February 2024, the notice of the meeting was published in the print and online business sections of the *Daily Tribune* and *Malaya Business Insight* on 4 and 5 July 2024, and 4 and 8 July 2024, respectively. Affidavits attesting to the fact of service are on record.

Moreover, copies of the Information Statement and the Audited Financial Statements were posted on the Company's website and duly disclosed to the Securities and Exchange Commission.

4. DETERMINATION OF QUORUM

Mrs. James then asked for the determination of a quorum. Atty. Gavino certified that as of the record date of 31 March 2024, there were 14,662,000 common shares. Stockholders owning 13,539,616 shares, representing 92.34% of the total outstanding shares, were present. Atty. Gavino confirmed that a valid quorum existed for the transaction of business and the approval of agenda.

5. RULES OF CONDUCT OF THE MEETING AND VOTING PROCEDURES

Mrs. James explained that the Company endeavored to provide stockholders with full participation despite the virtual format.

Atty. Gavino then outlined the rules of conduct and voting procedures as set forth in the Information Statement, highlighting the following:

- a. Stockholders who successfully registered under the shareholder registration system were provided the instructions to access the digital voting ballot as well as the access to attend the virtual meeting.
- b. The deadline for registration and for the submission of the digital voting ballot was on 22 July 2024;
- c. The Office of the Corporate Secretary tabulated the digital votes cast as well as *via* proxy;
- d. The results of the voting will be reported after each item is taken up during this meeting;
- e. The stockholders were also given up to 22 July 2024, to submit any questions or comments they may have on the Agenda matters.
- f. The entire proceedings were being visually and audio recorded.

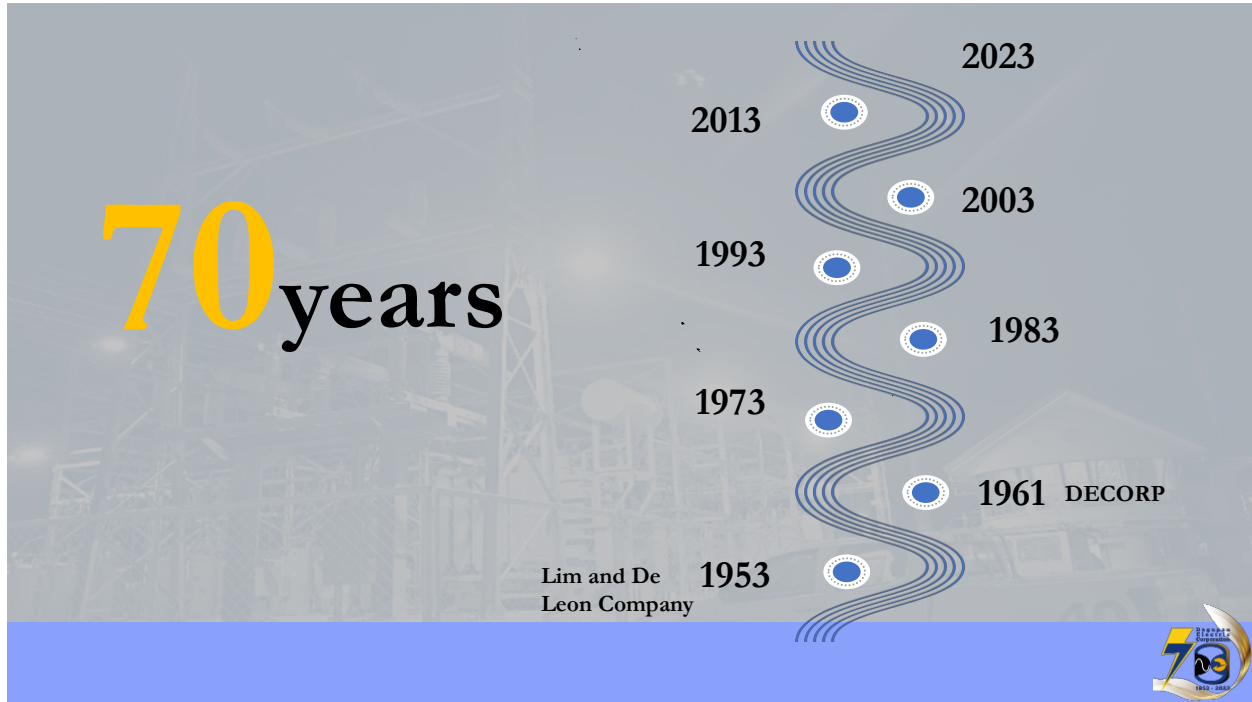
6. APPROVAL OF THE MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING ON 22 AUGUST 2023

Mrs. James proceeded to the approval of the Minutes of the Annual Stockholders' Meeting held on 22 August 2023. She asked the Corporate Secretary whether copies of the Minutes of the last annual stockholders' meeting were distributed or made available to all stockholders.

Atty. Gavino confirmed that an electronic copy of the Minutes was made available on the Company's website and was attached to the Information Statement. He reported that shareholders owning 13,539,616 shares, or 92.34% of the total voting shares represented, voted in favor of the approval. Thus, the Minutes of the Annual Stockholders' Meeting held on August 22, 2023 were approved by the shareholders.

7. PRESENTATION OF THE PRESIDENT’S REPORT

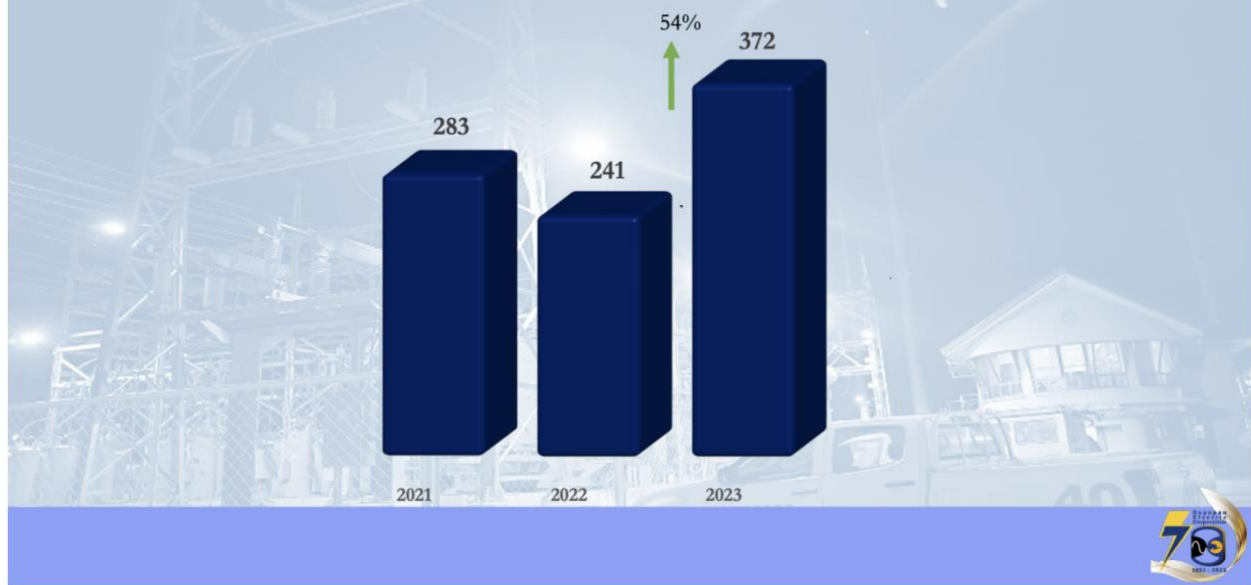
Mrs. James introduced **Mr. Rene Bernard L. Llames**, the President, to present the President’s Report to the Shareholders. Mr. Llames then delivered his report, as follows:



President Llames began by noting that in 2023, Dagupan Electric Corporation (DECORP) celebrated 70 years of service, evolving from its former name, Lim and De Leon Company. He highlighted the Company's success in meeting operational efficiency standards through innovation.

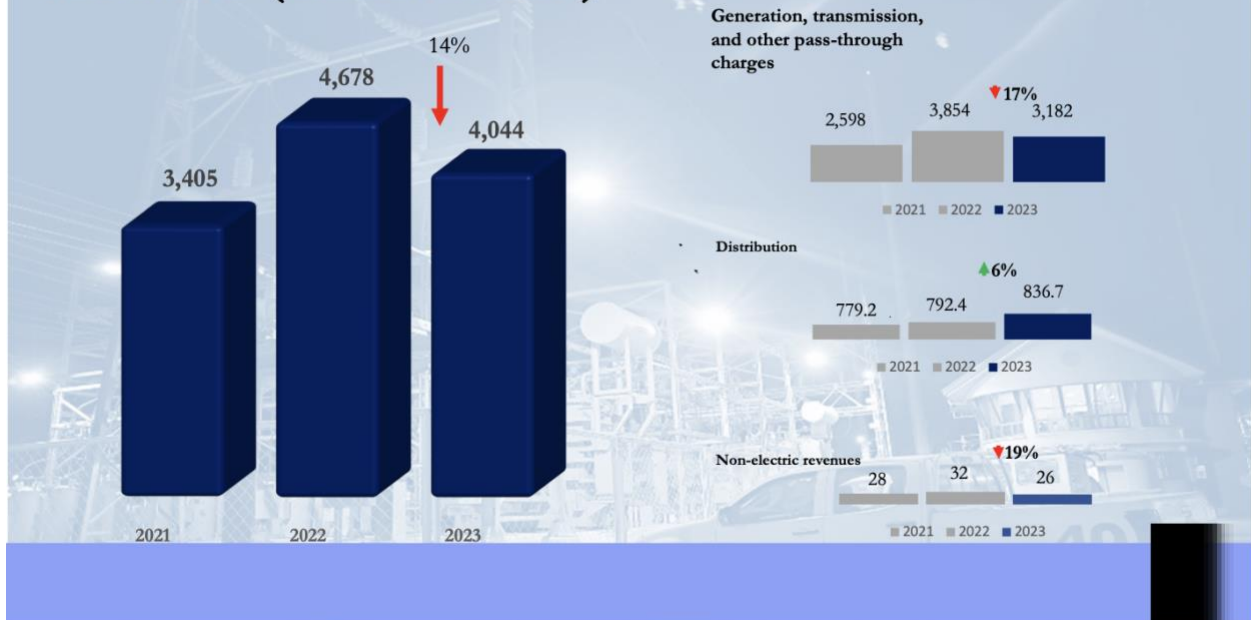
He was pleased to report that DECORP had fully recovered from the effects of the COVID-19 pandemic in 2023, attributing this to the Company's resilience and adaptability.

Net Income (Million Pesos)

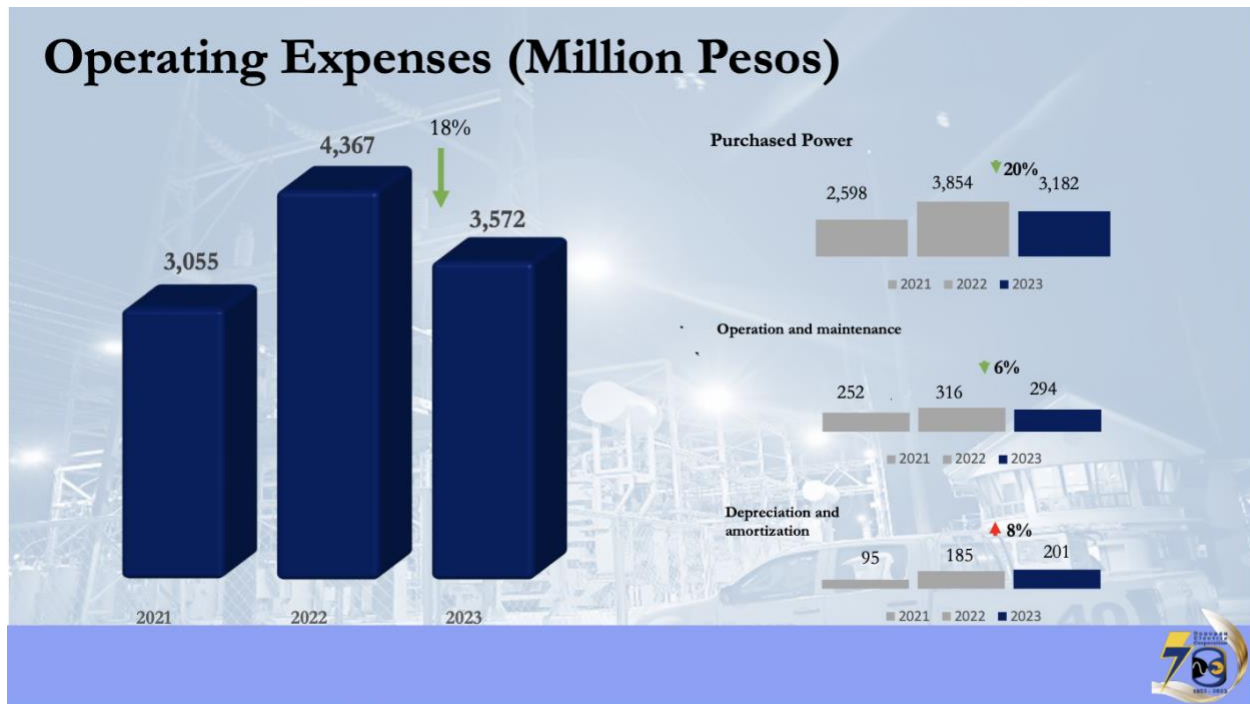


Mr. Llamas then reported that DECORP achieved a record high net income of ₱372 million over a three-year span, overcoming changing market trends and evolving regulations, this despite the drop in gross revenues from ₱4,678 million to ₱4,044 million, or by 14% from 2022.

Revenues (Million Pesos)



Gross revenues experienced a 14% drop from ₱4,678 million in 2022 to ₱4,044 million in 2023.

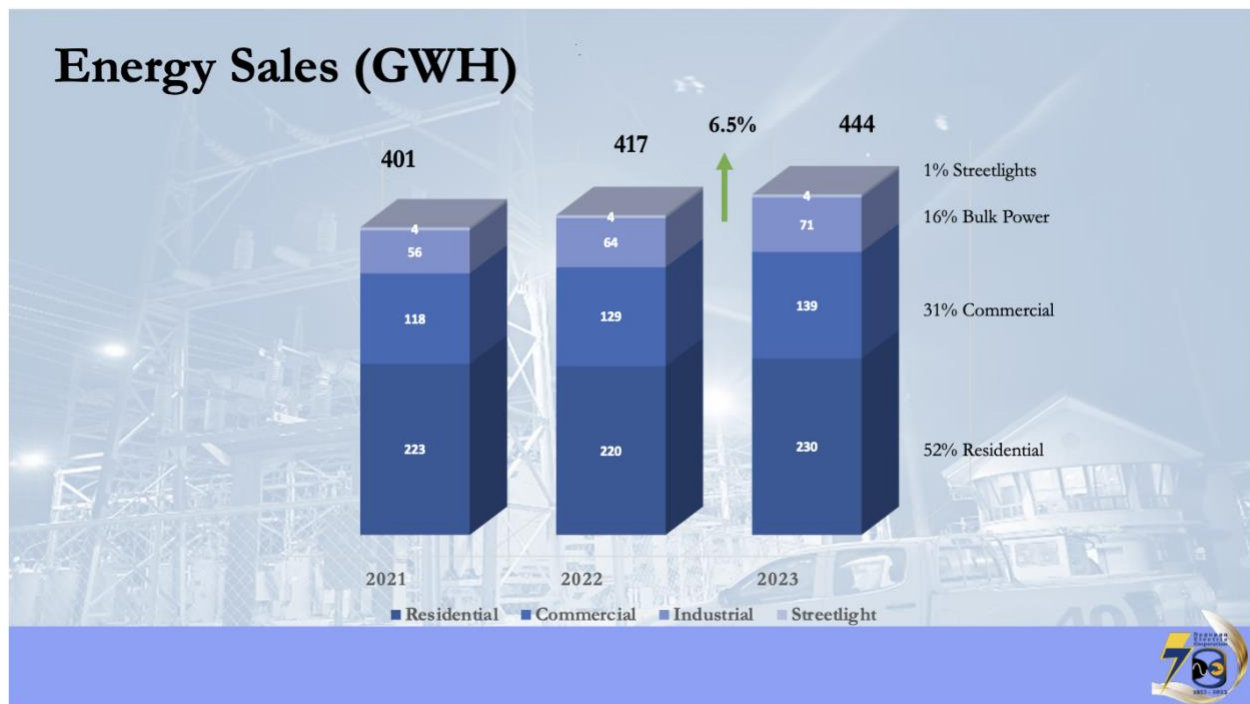


He further explained that the decline in gross revenues resulted in reduction of operating expenses. There was an 18% reduction, from ₱4,367 million to ₱3,572 million.

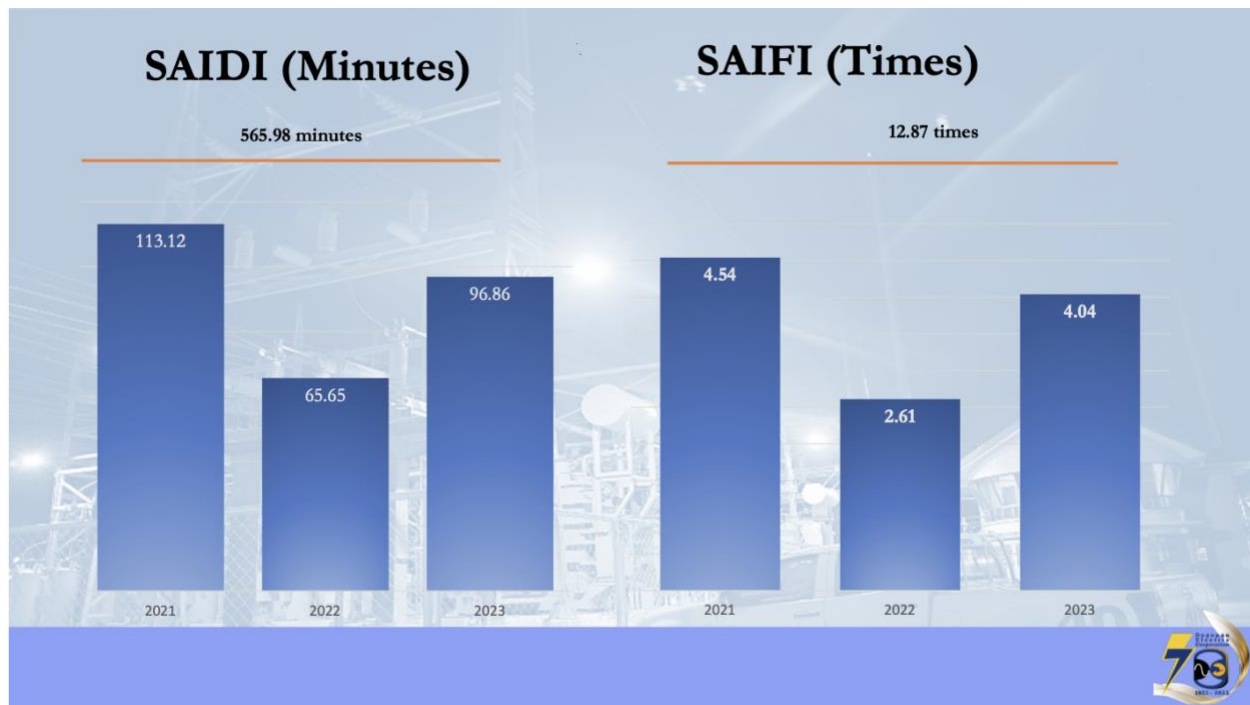


He then announced that despite rising fuel prices, DECORP secured a contract with a renewable energy supplier, reducing purchased power costs from an average of ₱7.93 per kWh to ₱6.15 per kWh.

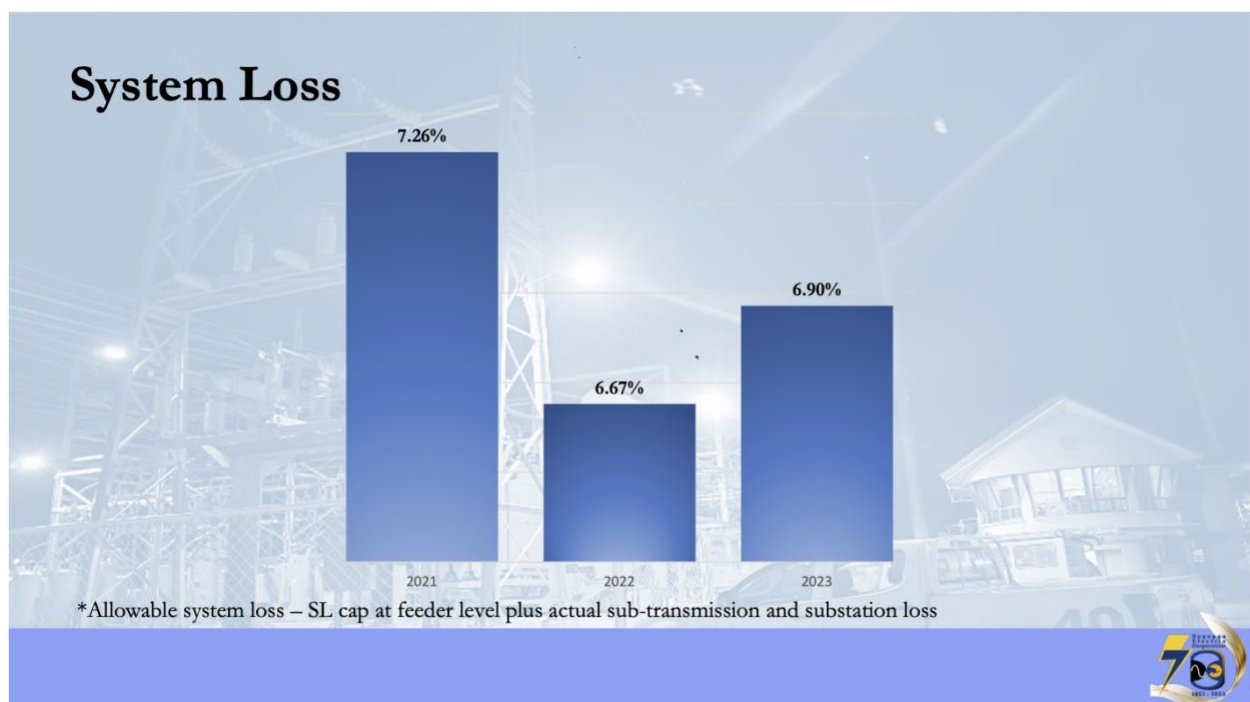
He explained that the decrease in the costs of energy led to a decrease in the average selling rate from ₱12.57 per kWh to ₱10.15 per kWh, enhancing competitiveness and increasing profit margin.



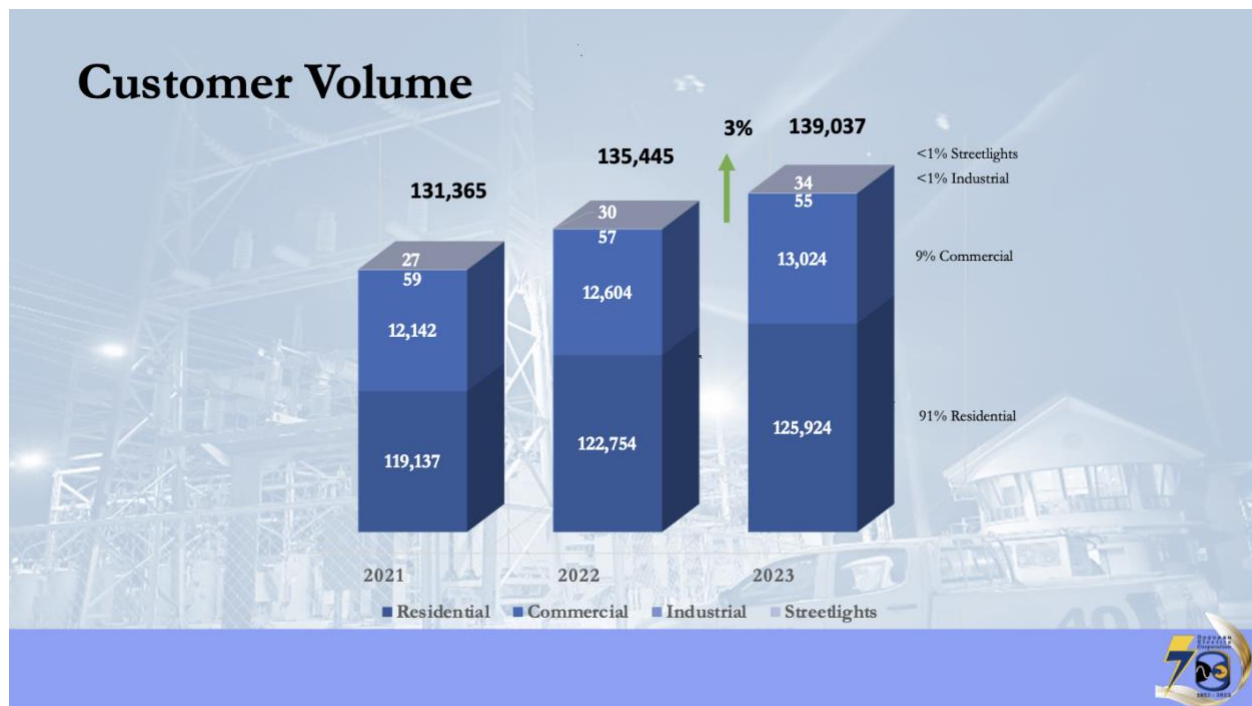
Further, Mr. Llames explained that energy sales reached a record high increase of 6.5%, from 417 GWH to 444 GWH, driven by increased energy needs for commercial businesses post-pandemic and steady residential consumption.



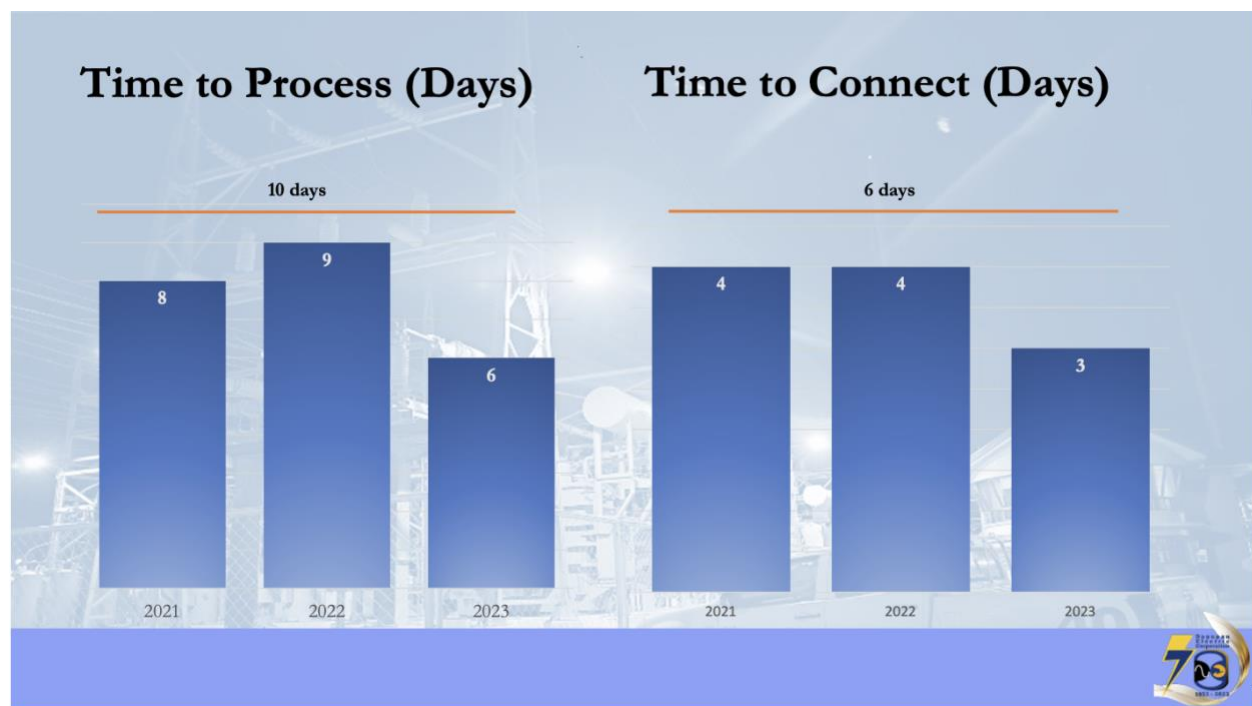
Mr. Llamas then informed the attendees that the Company's sales are supported by its reliable performance, having a System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) well below regulatory standards (565.98 minutes and 12.87 times, respectively).



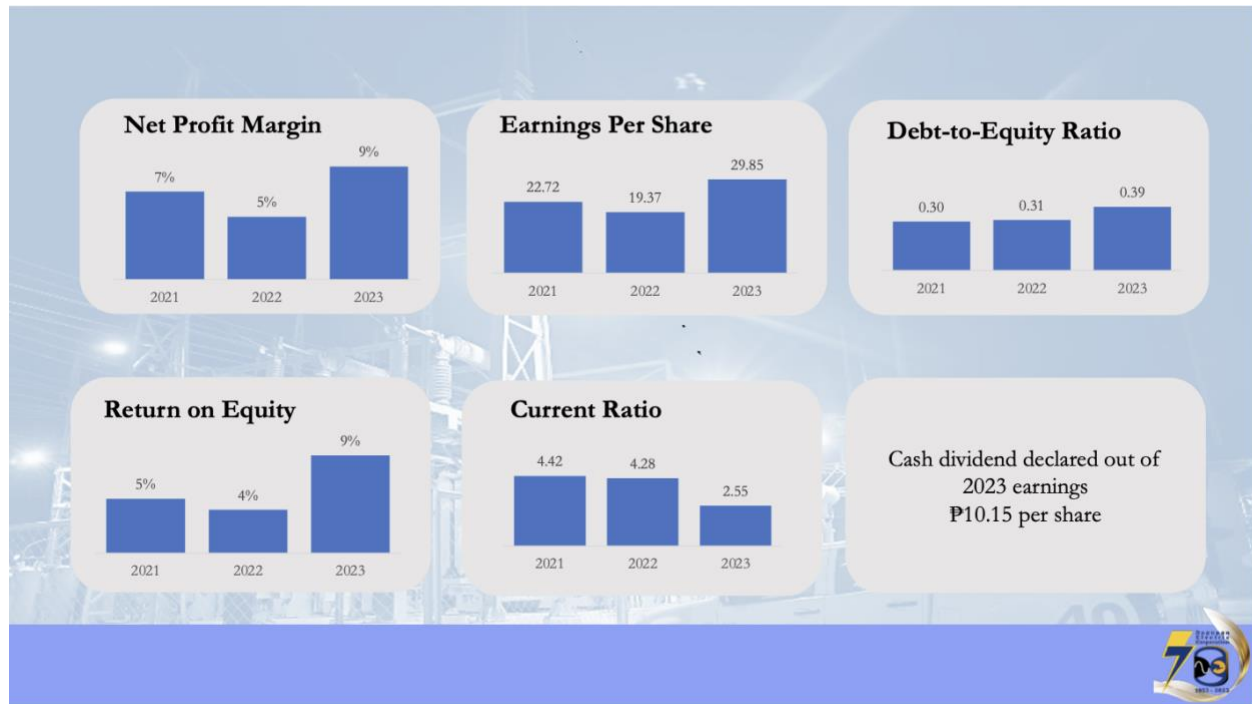
He then said that the system loss was maintained within the regulatory cap.



He reported that DECORP serves a total of **139,037 customers**, with 91% residential, 9% commercial, and less than 1% industrial and streetlights, maintaining a consistent yearly growth rate of 3%



He further told the attendees that to ensure that revenues from the customers are optimized, DECORP continuously enhance the processing and connection of customer applications. Customer application processing time decreased from eight days to six days, and customer connections improved from four days to three days.



Mr. Llamas then reported that the profit margin increased from 7% to 12%, indicating effective cost management. With other charges and taxes taken into account, net profit is 9%, resulting in a return on equity of 9%. The earnings per share (EPS) also increased from ₱19.37 to ₱29.85. The company's liquidity holds up well even after its current ratio decreased from 4.28 to 2.55. The solvency of the company remains firm with a debt-to-equity ratio of 0.38.

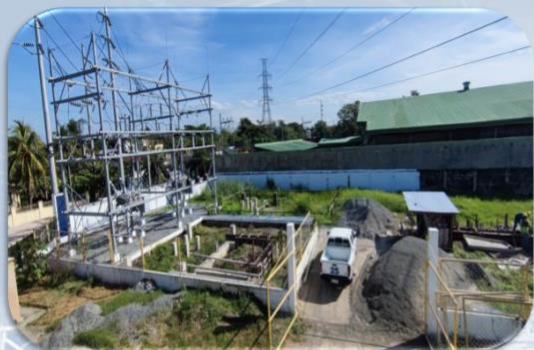
The company declared a cash dividend equivalent to 40% of its earnings in 2023, or ₱10.15 per share.



He further said that ₱226 million was allocated in 2023 for capital expenditures (CAPEX) to enhance service delivery and resource distribution.

90% of this amount was used for distribution infrastructure expansion and rehabilitation, including the construction of a 20/25 MVA 69/13.8KV substation in Sta. Barbara, rehabilitation of facilities serving former LUELCO customers, relocation and rehabilitation projects for DPWH road works, and replacement of distribution transformers.

The remaining CAPEX was utilized for non-network projects such as process improvements, staff training, and technology upgrades to enhance service efficiency and customer satisfaction.



Construction of a 20/25 MVA
69/13.8kV substation in Sta.
Barbara, Pangasinan



SF2023-004MAJ-1
SF-UD1
LIPIT TOMEENG, SF
after

Rehabilitation of the distribution
facilities serving customers turned
over by LUELCO



Relocation and rehabilitation of distribution facilities
aligned with the DPWH's road widening and elevation
projects



Various projects for the
replacement of distribution
transformers





Service entrance set up training for electricians



Pilot testing for AMI capable meters



President Llamas concluded by expressing confidence in the team's dedication to ensure continued growth and achievement in 2024, thanking shareholders for their unwavering support and trust.

President Llamas concluded by expressing confidence in the team's dedication to ensure continued growth and achievement in 2024, thanking shareholders for their unwavering support and trust.

8. APPROVAL OF THE AMENDMENT OF ARTICLE II OF THE BY LAWS

The Chairperson, Mrs. James, moved to the approval of the amendment of Article II of the By-Laws of the Corporation. Atty Gavino stated that on 29 May 2024, the Board of Directors passed the following resolution, which was presented for stockholder approval:

“RESOLVED, as it is hereby resolved that Article II of the By Laws be amended to read as follows:

ARTICLE II

1. The annual meeting of the stockholders of the Company shall be held at the principal office of the Company at Dagupan City, Philippines, on the **Third Wednesday of July** in each year at the hour of 10:00 A.M.” (As amended on 29 May 2024)"

The Corporate Secretary reported that shareholders owning **13,539,616 shares**, or **92.34%** of the total outstanding shares, voted to approve the foregoing resolution.”

Atty. Gavino announced that Shareholders owning 13,539,616 shares, or 92.34% of the total outstanding shares, have voted to approve the foregoing resolution. He thereafter announced that the resolution for the amendment of the By Laws has been approved.

9. RATIFICATION OF THE 2023 AUDITED FINANCIAL STATEMENTS

Mrs. James proceeded to the ratification of the 2023 Audited Financial Statements (AFS). She asked Atty Gavino if the stockholders were furnished with a copy of the 2023 AFS.

Atty. Gavino confirmed that an electronic copy of the 2023 Audited Financial Statements was available on the Company’s website and attached to the Information Statement. He reported that shareholders owning 13,539,616 shares, or 92.34% of the total outstanding shares, voted to approve the ratification.

10. ELECTION OF THE MEMBERS OF THE BOARD OF DIRECTORS FOR 2024-2025

Mrs. James opened the floor for the election of the seven (7) members of the Board of Directors for the ensuing year. She asked Atty. Gavino if there were nominations for the Board for the year 2024-2025.

Atty. Gavino then presented the final list of nominated and pre-qualified candidates, as follows:

MR. RENE BERNARD L. LLAMES
MRS. ANGELIQUE MAXIME L. LLAMES-JAMES
MR. DEON PETER JAMES
MRS. CYNTHIA IRENE L. LLAMES
MR. JOSE MARIA A. ABAYA
ATTY. RANULFO M. OCAMPO
MR. GEROMIN T. NEPOMUCENO JR.

Atty. Gavino also reported that Atty. Ranulfo Ocampo and Mr. Geromin T. Nepomuceno Jr. were nominated as Independent Directors. All nominees had provided their consent. No other nominations were submitted during the nomination period.

Atty Gavino thereafter certified that shareholders owning 13,539,616 shares, or 92.34% of the total voting shares represented, voted to elect the seven (7) nominees as Directors for 2024-2025.

Mrs. James congratulated the newly elected Directors and expressed anticipation for their contributions to the Company's continuous growth and success.

11. APPOINTMENT OF EXTERNAL AUDITOR

Mrs. James moved to the appointment of the Company's External Auditor. She stated that Company Management endorsed the re-appointment of the accounting firm of Diaz Murillo Dalupan and Company (DMD) as external auditor for the Company for the year 2024.

Atty. Gavino reported that shareholders owning 13,539,616 shares, or 92.34% of the total voting shares represented, voted in favor of the re-appointment. Thus, the re-appointment of Diaz Murillo Dalupan and Company (DMD) as external auditor for the Company for the year 2024 was unanimously approved.

12. OTHER MATTERS

Mrs. James inquired if there were any other matters on the agenda. Atty. Gavino confirmed there were none.

Mrs. James then opened the floor for questions and comments from stockholders, to which Atty. Gavino reported that no questions were received within the announced deadline. However,

stockholders were advised that they could also email questions and comments on the Agenda matters to corpsec@decorp.com.ph.

13. ADJOURNMENT

There being no further business for discussion, Mrs. James declared the meeting adjourned. She then extended gratitude on behalf of the Board of Directors and Management for attending the meeting and for the continuing trust and confidence in the Company and its Management.

CERTIFIED CORRECT BY:



ERWIN MARK A. GAVINO
Corporate Secretary

ATTESTED BY:



ANGELIQUE MAXIME L. JAMES
Chairperson

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **RANULFO M. OCAMPO**, Filipino, of legal age and a resident of 221 Riverside Drive, Provident Village, Marikina City, having been duly sworn to in accordance with law do hereby declare that:

- 1. I am a nominee for independent director of **DAGUPAN ELECTRIC CORPORATION** and have been its independent director since 2015.
- 2. I am affiliated with the following companies or organizations:

| Company/Organization | Position/Relationship | Period of Service |
|--|-----------------------|----------------------------|
| Private Electric Power Operators Association | President | 2006 to present |
| National Renewable Energy Board | Member | December 2010 to June 2016 |

- 3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **DAGUPAN ELECTRIC CORPORATION**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
- 4. I am not related to any director, officer, or substantial shareholder of **DAGUPAN ELECTRIC CORPORATION**, or any of its related companies.
- 5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
- 6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
- 8. I shall inform the Corporate Secretary of **DAGUPAN ELECTRIC CORPORATION** of any changes in the abovementioned information within five days from its occurrence.

Done, this 4th day of July 2024, at Pasig City.


RANULFO M. OCAMPO
Affiant

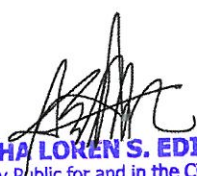
SUBSCRIBED AND SWORN to before me this _____ day of **JUN 10 2025** affiant personally appeared before me and exhibited to me his Driver's License No. 10-77-011473 valid until 12 June 2033.

Doc. No. 322;

Page No. 68;

Book No. II;

Series of 2025.


AGATHA LOREN S. EDILLOR
Notary Public for and in the City of
Pasig and in the
Municipality of Pateros, Metro Manila
Until 31 December 2025
PTR No. 3940305; 01/03/2025; Pasig City
IBP No. 498478; 01/05/2025; RSM
Appointment No. 274 [2024-2025]
Roll No. 98547
MCLE Compliance:
Admitted to the Philippine Bar on 22 December 2023
5501 OMM-CITRA Bldg., San Miguel Avenue
Ortigas Center, 1605 Pasig City

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF TRANSPORTATION
LAND TRANSPORTATION OFFICE



DRIVER'S LICENSE

Last Name. First Name. Middle Name

OCAMPO, RANULFO MORSE

| | | | | |
|-------------|-----|---------------|-------------|-----------|
| Nationality | Sex | Date of Birth | Weight (kg) | Height(m) |
| PHL | M | 1959/06/12 | 87 | 1.80 |

Address

**221 RIVERSIDE PROVIDENT VILL MARIKINA
CITY**

| | | |
|----------------------|-------------------|-------------|
| License No. | Expiration Date | Agency Code |
| N10-77-011473 | 2033/06/12 | N22 |

| | |
|------------|--------------|
| Blood Type | Eyes Color |
| G+ | BROWN |

| | |
|---------------------|-------------|
| DL Codes | Conditions |
| A,A1,B,B1,B2 | NONE |

[Signature]
ATTY. VIGOR D. MENDOZA #
Assistant Secretary



2023/12/19

N10-77-011473 OCAMPO, RANULFO MORSE

[Signature]
Signature of Licensee

III ORGAN DONATION:

I WILL DONATE ANY ORGAN

IV. IN CASE OF EMERGENCY NOTIFY:

NAME: OCAMPO MA TERESA C

ADDRESS: 221 PROVIDENT VILL MARIKINA CITY

TEL. NO.: 6617866

LTO DRIVERS

USE LTO DRIVERS

LICENSE LTO

DRIVER LICENSE

I. DL CODES

- A MOTORCYCLE
- A1 TRICYCLE
- B UP TO 5000 KGS GVW/8 SEATS
- B1 UP TO 5000 KGS GVW/9 OR MORE SEATS
- B2 GOODS 3500 KGS GVW
- C GOODS > 3500 KGS GVW
- D BUS > 5000 KGS GVW/9 OR MORE SEATS
- BE TRAILERS 3500 KGS
- CE ARTICULATED C > 3500 KGS COMBINED GVW

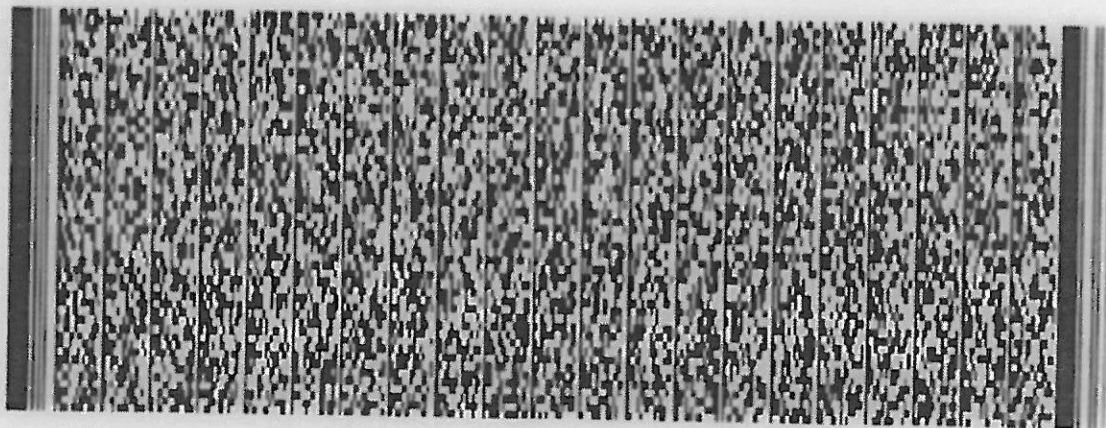
L1,L2,L3-NP-MT/AT
L4,L5,L6,L7-NP-MT/AT
M1-NP-MT/AT
M2-NP-MT/AT
N1-NP-MT/AT

II. CONDITIONS:

1. WEAR CORRECTIVE LENSES
2. DRIVE ONLY W/SPECIAL EQPT FOR UPPER/LOWER LIMBS
3. DRIVE CUSTOMIZED MOTOR VEHICLE ONLY
4. DAYLIGHT DRIVING ONLY
5. HEARING AID REQUIRED

Serial Number

361412885



CERTIFICATION OF INDEPENDENT DIRECTOR

I, **GEROMIN T. NEPOMUCENO JR.**, Filipino, of legal age and a resident of 13 St. Joseph St. Villa Teresa Subdivision, having been duly sworn to in accordance with law do hereby declare that:

- 1. I am a nominee for Independent Director of DAGUPAN ELECTRIC CORPORATION, and have been its independent director since 21 December 2023.
- 2. I am affiliated with the following companies or organizations:

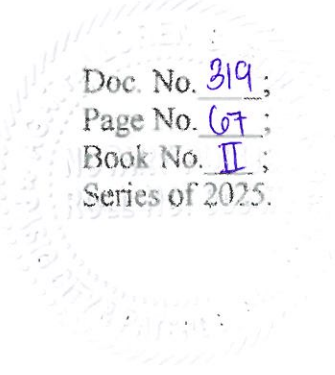
| Company/Organization | Position/Relationship | Period of Service |
|-----------------------------------|--|-------------------|
| Angeles Industrial Park, Inc. | Chairman | 1996 to present |
| Crismin Realty Corporation | Chairman | 2001 to present |
| M.S.N Foods Inc. | Chairman | 1996 to present |
| Angeles Ice Plant, Inc. | President | 1980 to present |
| Raslag Corp | Director (Vice Chairman) and Treasurer | 2013 to present |
| Angeles Electric Corporation | Chairman | 2020 to present |
| Clark Electric Distribution Corp. | Director | 2004 to present |
| Angeles Power, Inc. | Director and Treasurer | 1993 to present |
| TGN Realty, Inc. | Director and Treasurer | 1989 to present |
| Teresa Waterworks, Inc. | Director and Treasurer | 1989 to present |
| J Ten Equities, Inc. | Director and Treasurer | 2001 to present |
| Holy Angel University | Trustee | 2006 to present |
| JDN Sons, Inc. | Director | 1989 to present |
| Wespan Development Corporation | Director | 2003 to present |
| Borealis Corporation | Director | 2003 to present |

- 3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of DAGUPAN ELECTRIC CORPORATION, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
- 4. I am not related to any director, officer, or substantial shareholder of DAGUPAN ELECTRIC CORPORATION, or any of its related companies.
- 5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
- 6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
- 7. I shall inform the Corporate Secretary of DAGUPAN ELECTRIC CORPORATION of any changes in the abovementioned information within five days from its occurrence.


Done, this JUN 09 2025 day of _____, at PASIG CITY


GEROMIN T. NEPOMUCENO JR.
Affiant

SUBSCRIBED AND SWORN to before me this JUN 09 2025 day of JUN, affiant
personally appeared before me and exhibited to me his/her TIN 103-500-026 issued at
PASIG CITY on



Doc. No. 319;
Page No. 67;
Book No. II;
Series of 2025.


AGATHA LOREN S. EDILLOR
Notary Public for and in the City of
Pasig and in the
Municipality of Pateros, Metro Manila
Until 31 December 2025
PTR No. 3040305; 01/03/2025; Pasig City
IBP No. 498478; 01/05/2025; RSM
Appointment No. 274 [2024-2025]
Roll No. 90547
MCLE Compliance:
Admitted to the Philippine Bar on 22 December 2023
5501 OMM-CITRA Bldg., San Miguel Avenue
Ortigas Center, 1605 Pasig City

REPUBLIC OF THE PHILIPPINES)
PASIG CITY) S.S.

CERTIFICATE OF
NO DIRECTORS IN GOVERNMENT

I, **ERWIN MARK A. GAVINO**, of legal age, Filipino, and with office address at Suite 501, One Magnificent Mile (OMM-CITRA) Building, San Miguel Avenue, Ortigas Center, Pasig City, being duly sworn in accordance with law depose and state that:


- 1. I am the Corporate Secretary of **Dagupan Electric Corporation** (hereinafter, "Corporation"), a corporation duly organized and existing under Philippine laws with principal address at AB Fernandez Street, Dagupan City, Pangasinan 2400.
- 2. As the Corporate Secretary, I am the custodian of the corporate records of the Corporation.
- 3. I hereby certify that no member of the Board of Directors of the Corporation, and no Officers of the Corporation are connected with any government agency or instrumentality.
- 4. I further certify that the foregoing Certification is in accordance with the records of the Corporation.

IN WITNESS WHEREOF, I have hereunto set my hands this
JUN 09 2025 at PASIG CITY.


ERWIN MARK A. GAVINO
Corporate Secretary

SUBSCRIBED AND SWORN to before me this JUN 09 2025
in Pasig City, affiant exhibiting to me his Passport ID No. P2303713C valid until 08 November 2032, a competent evidence of his identity bearing his photograph and signature in accordance with A.M. No. 02-8-13-SC dated 06 July 2004.

Doc. No. 320 ;
Page No. 167 ;
Book No. II ;
Series of 2025.


AGATHA LOREN S. EDILLOR
Notary Public for and in the City of
Pasig and in the
Municipality of Pateros, Metro Manila
Until 31 December 2025
PTR No. 3040305; 01/03/2025; Pasig City
IBP No. 498478; 01/05/2025; RSM
Appointment No. 274 [2024-2025]
Roll No. 90547
MCLE Compliance No: VIII - 0022953
Valid until: 14 April 2028
5501 OMM-CITRA Bldg., San Miguel Avenue
Ortigas Center, 1605 Pasig City

REPUBLIC OF THE PHILIPPINES)
PASIG CITY) S.S.

**LIST OF ACTS OF THE BOARD OF DIRECTORS
OF DAGUPAN ELECTRIC CORPORATION**

I, **ERWIN MARK A. GAVINO**, Filipino, of legal age, and with office address at 501 OMM Citra Building, San Miguel Avenue, Ortigas Center, Pasig City, after having been duly sworn to in accordance with law, hereby depose and state:

1. I am the duly elected Corporate Secretary of **DAGUPAN ELECTRIC CORPORATION** (hereinafter, the “Corporation”), a corporation duly organized and existing under Philippine laws and with address at principal office address at AB Fernandez West, Dagupan City.

2. As Corporate Secretary, I am the official custodian of the records of the Corporation. I hereby certify that the following are the acts of the Board of Directors of the Corporation in year 2024 to date:

A. On 7 May 2024, the Board of Directors approved the following resolution to authorize and appoint its representative to attend the Annual Stockholders’ Meeting (ASM) of Tarlac Electric Inc. (TEI):

“**RESOLVED**, as it is hereby resolved, that **DEON JAMES**, Board Director of DECORP or failing him, its President, **RENE L. LLAMES**, be and are hereby severally authorized to participate as an authorized representative of DECORP at the Annual Stockholders’ Meeting (ASM) of Tarlac Electric Inc. (TEI), of which DECORP is a stockholder, to be held on June 28, 2024, or at any adjournment thereof at any later date.

“**RESOLVED FURTHER**, that the authorized representative appointed under the foregoing resolution can exercise his right to attend or appoint a proxy for the said ASM and the right to speak and/or vote at the said ASM or at any adjournment thereof.”

B. On 29 May 2024, the Board of Directors approved the following resolution for the Amendment of Article II of the By Laws:

“**RESOLVED, AS IT IS HEREBY RESOLVED**, that the Corporation shall amend Article II of the By Laws to read as follows:

ARTICLE II

The annual meeting of the stockholders of the Company shall be held at the principal office of the Company at Dagupan City, Philippines, on the Third Wednesday of July in each year at the hour of 10:00 o'clock A.M.” (As amended on 29 May 2024)”

C. On 29 May 2024, the Board of Directors approved the postponement of the 2024 Annual Stockholders Meeting to 26 July 2024.

D. On 29 May 2024, the Board of Directors approved the disbursement of a cash dividend equivalent to forty percent (40%) of the Corporation’s net income in year 2023, or ₱11.94 per share, to shareholders of the Corporation as of 31 December 2023.

E. On 26 July 2024, the Board of Directors appointed the officers of the Corporation for 2024-2025, as follows:

| | |
|-------------------------------|-------------------------------|
| Mrs. Angelique Llames-James - | Chairperson |
| Mr. Rene Bernard L. Llames - | President |
| Ms. Cynthia Irene L. Llames - | Treasurer |
| Mr. Erwin Mark A. Gavino - | Corporate Secretary |
| Ms. Lilian D. Saralde - | Assistant Corporate Secretary |

F. On 01 August 2024, the Board issued the following resolution to authorize its EVOSS account holders in connection with the implementation of the EVOSS Online Platform pursuant to Republic Act 11234 or the “Energy Virtual One-Stop Shop Act” (EVOSS Act). Thereafter, upon motion duly seconded, the following Resolution was unanimously adopted and approved by the Board:

“**RESOLVED**, as it is hereby resolved, that Dagupan Electric Corporation (the “Corporation”) authorizes the following as its EVOSS account holders in connection with the implementation of the EVOSS Online Platform pursuant to Republic Act 11234 or the “Energy Virtual One-Stop Shop Act” (EVOSS Act):

| <u>Name</u> | <u>Designation</u> | <u>Email Address</u> |
|-------------------|---------------------------------|----------------------|
| Lilian D. Saralde | Finance Manager | lds@decorp.com.ph |
| Joseph F. Cariño | Network Operations Manager -OIC | jfc@decorp.com.ph |

RESOLVED FURTHER, that the Board of Directors of the Corporation hereby ratifies, confirms, adopts, and approves any and all acts that the aforesaid authorized representatives may have executed or performed pursuant to or in connection with the above provided authority and to implement and give effect to the above-mentioned transactions;

RESOLVED FINALLY, that the foregoing resolution shall remain valid and subsisting until and unless subsequently modified, revoked, rescinded or superseded by the Board of Directors of the Corporation.”

G. On 25 September 2024, the Board issued the following resolution to renew its contract with the Corporation’s healthcare provider:

“RESOLVED, that the Board of Directors of Dagupan Electric Corporation authorize, as it is hereby authorizes the Chief Operating Officer, **RANDY F. CASTILAN**, to sign and execute on behalf of Dagupan Electric Corporation the agreement to renew the Healthcare Service with Intellicare.

“RESOLVED FURTHER, to grant the Chief Operating Officer, **RANDY F. CASTILAN**, full power and authority to do and perform all and every act requisite or necessary to carry into effect the foregoing authorities.”

“RESOLVED FINALLY, that the foregoing resolutions shall remain valid and subsisting until and unless subsequently modified, revoked, rescinded, or superseded by the Board of Directors of the Corporation.

H. On 25 September 2024, the Board issued the following resolution to authorize its representative for the participation of the Corporation with the Philippine Renewable Energy Market (PREM):

“RESOLVED, that the Board of Directors of the Corporation has authorized, with full power and authority, the Chief Operating Officer (COO) of the Corporation, **RANDY F. CASTILAN**, to sign, execute, and cause the submission of all documents relating to the participation of the Corporation with the Philippine Renewable Energy Market (PREM) and to do any and all acts and deeds as may be deemed necessary or desirable in order to accomplish the above-mentioned membership.

RESOLVED FURTHER, that in connection with the foregoing, the Corporation appoints its COO, **RANDY F. CASTILAN**, as the main contact person for all PREM communications, correspondences, and follow-ups.”

I. On 25 September 2024, the Board of Directors issued the following resolution to authorize the sale of one motor vehicle:

“**RESOLVED**, as it is hereby resolved, that the Board of Directors of the Corporation, approves the sale of its vehicle as described below:

Year/Make : 1988 Nissan Truck
Plate No. : ACG 201
Engine No. : NE6-004364
Chassis No. : CPB12M-15571
Color : White

RESOLVED FURTHER, that **RANDY F. CASTILAN**, Chief Operating Officer, is hereby authorized to sell, convey, and transfer “AS IS, WHERE IS” the abovementioned vehicle to any party interested, at the reasonable price; sign for the Corporation any and all documents pertaining to such sale, conveyance, and transfer; and perform other acts which are necessary under the circumstances.

J. On 25 September 2024, the Board issued the following resolution to apply with the Bureau of Internal Revenue (BIR) for a permit to use loose leaf book of accounts/invoices/receipts and other accounting records:

“**RESOLVED**, that the Board of Directors of **Dagupan Electric Corporation** authorize, as it is hereby authorizes the Corporation’s Finance Manager, **LILIAN D. SARALDE**, and Senior Accounting Assistant, **SYLVIA C. ESGUERRA**, to sign, execute, and cause the submission of all documents relating to its application with the Bureau of Internal Revenue (BIR) for a permit to use loose leaf book of accounts/invoices/receipts and other accounting records.

RESOLVED FURTHER, to grant the Account Executive/Messenger **JHOMER H. MARCAIDA** of **INTERTECH FORMS MANUFACTURING CORPORATION** to process, sign, submit, and transact with the BIR for an Authority to Print (ATP) for principal invoices and secondary receipts. This approval shall be without prejudice to the company’s right to withdraw the authorization at any time upon prior notice to **INTERTECH FORMS MANUFACTURING CORPORATION** and the BIR should it deemed necessary.

K. On 15 October 2024, the Board issued the following resolution to sell one of its motor vehicles:

“**RESOLVED**, as it is hereby resolved, that the Board of Directors of the Corporation, approves the sale of its vehicle as described below:

2014 Volkswagen Tiguan with plate number ARA 1189, engine number CLJ252728, and chassis number WVGZZZ5NZEW547367, white.

“RESOLVED FURTHER, that RENE LLAMES, President and CEO, is hereby authorized to sell, convey, and transfer “AS IS, WHERE IS” the aforementioned vehicle to any party interested, at the reasonable price; sign for the Corporation any and all documents pertaining to such sale, conveyance, and transfer; and perform other acts which are necessary under the circumstances.

L. On 15 October 2024, the Board issued the following resolution to execute subscription agreements with PLDT INC., Globe Telecom Inc., and Innove Communication Inc.:

“RESOLVED, that DECORP be authorized to enter, renew, and execute a mobile/postpaid corporate subscription agreement with PLDT INC., Globe Telecom Inc., and Innove Communication Inc.

“RESOLVED, FURTHER, to grant the Retail Services Manager, **GEMMA M. RECEL**, full power and authority to execute, sign, deliver, and perform for and in behalf of the Corporation the abovementioned subscription agreements.”

“RESOLVED FINALLY, that the foregoing authority shall continue in full force and effect until revoked by the Board of Directors in a resolution duly-certified by the Corporate Secretary.”

M. On 07 November 2024, the Board of Directors appointed Atty. Ranulfo Ocampo as Chairman of the Corporate Governance Committee and Mr. Deon Peter James and Mr. Geromin T. Nepomuceno Jr. as committee members. The the Board of Directors also appointed as Chairman of the Audit Committee and appointed Mr. Deon Peter James and Atty. Ranulfo Ocampo as committee members.

N. On 12 February 2025, the Board of Directors approved the following resolution:

“RESOLVED, AS IT IS HEREBY RESOLVED, that the Corporation shall invest up to the amount of P350,000,000.00 in common shares of stock of a new stock corporation to be named DECORP Renewables Inc. which will be incorporated with the Securities and Exchange Commission, and the President of the Corporation, Rene Bernard L. Llames, is authorized to sign, execute and deliver the subscription agreement and any and all other documents and things as may be necessary to carry into effect the foregoing.”

O. On 12 February 2025, the Board of Directors approved the following resolution:

“RESOLVED, AS IT IS HEREBY RESOLVED, that DAGUPAN ELECTRIC CORPORATION (The “Corporation”) shall sell its 400,000 shares of Tarlac Electric Inc. to VERIA Holdings Corporation at P380.00 per share, or for a total of P152M”

RESOLVED FURTHER, that the President of the Corporation, Rene Bernard L. Llames, shall be authorized to sign, execute and deliver the Deed of Assignment, and any other documents and things as may be necessary or desirable to accomplish the foregoing purpose.”

P. On 12 February 2025, the Board of Directors issued the following resolution to postpone the 2025 Annual shareholders Meeting of the Corporation:

“**RESOLVED AS IT IS HEREBY RESOLVED**, the Corporation shall hold its annual shareholders meeting on the Third Wednesday of July (July 16, 2024) instead of third Tuesday of April as provided in the By Laws.”

Q. On 14 May 2025, the Board of Directors approved the creation of the Board Risk Oversight Committee, and appointed Mr. Jose Maria A. Abaya as acting Chairman of the Committee, and appointed Mr. Rene Bernard L. Llames and Mr. Geromin Nepomuceno Jr. as members of the Committee.

R. On 14 May 2025, the Board of Directors issued the following resolution for the declaration of dividends:

“**RESOLVED, AS IT IS HEREBY RESOLVED**, that the Corporation shall disburse a cash dividend of forty percent (40%) of the net income from fiscal year 2024, amounting to P10.06 per share, or a total of P147,555,607.20, payable to all stockholders of record of the Corporation as of December 31, 2024.

RESOLVED FURTHER, that the management of the Corporation are hereby authorized to take all necessary actions to effectuate the disbursement of the dividends in accordance with applicable laws and regulations.”

S. On 14 May 2025, the Board of Directors issued the following resolution for the amendment of Article II, Paragraph 3 of the Corporation’s By Laws:

“**RESOLVED AS IT IS HEREBY RESOLVED**, that Article II, paragraph 3 of the By laws of the Corporation shall be amended to read as follows:

3. Notice of Meetings written or printed for every regular or special meeting of the stockholders shall be prepared and sent to each stockholder **by electronic mail, courier, regular mail, or personal delivery**, not less than **twenty one** days prior to the date set for such meeting, and if for a special meeting, such notice shall state the object or objects of the same. No failure or irregularity of notice of any regular meeting shall invalidate such meeting or any proceeding thereat, and any failure or irregularity of notice of any special meeting at which all of the shareholders are present or represented and voting without protest, shall

invalidate such meeting or any proceeding thereat. No publication of notice of meeting in the public newspapers shall be required. (As amended on 14 May 2025)”

- T. On 14 May 2025, the Board of Directors issued the following resolution for the amendment of ARTICLE THIRD of the Articles of Incorporation of the Corporation:

“RESOLVED AS IT IS HEREBY RESOLVED, that Article THIRD of the Articles of Incorporation of the Corporation shall be amended to read as follows:

“THIRD: That the place where the principal office of the Corporation is to be established or located at A.B. FERNANDEZ ST., DAGUPAN CITY, PROVINCE OF PANGASINAN. (As amended on 2 October 2000 and further amended on 11 November 2006, and further amended on 14 May 2025)”

- U. On 14 May 2025, the Board of Directors issued the following resolution:

“RESOLVED, AS IT IS HEREBY RESOLVED, that the Corporation authorizes **DEON JAMES**, Board Director of DECORP, or failing him, **RENE L. LLAMES**, its President, to participate as an authorized representative of DECORP at the Annual Stockholders’ Meeting (ASM) of Tarlac Electric Inc. (TEI), of which DECORP is a stockholder, to be held on 27 June 2025, or at any adjournment thereof at any later date.

“RESOLVED FINALLY, that the authorized representative appointed under the foregoing resolution can exercise his right to attend or appoint a proxy for the said ASM and the right to speak and/or vote at the said ASM or at any adjournment thereof.”

- V. On 14 May 2025, the Board of Directors issued the following resolution:

“RESOLVED, that the Corporation hereby authorizes its Chief Operating Officer (COO), **RANDY F. CASTILAN**, to represent the Corporation and act on its behalf in all matters relating to its submissions required for compliance with the Philippine Distribution Code and the Philippine Grid Code. Such authority shall include, but not limited to, the power to sign, make, execute, and deliver all documents, and to perform all other acts necessary, appropriate, or incidental to carry into effect the purpose of this resolution;


RESOLVED FINALLY, that the foregoing resolution shall remain valid and subsisting until and unless subsequently modified, revoked, rescinded, or superseded by the Board of Directors of the Corporation.”

IN WITNESS WHEREOF, I have hereunto set my hands this
JUN 09 2025 at PASIG CITY.


ERWIN MARK A. GAVINO
Corporate Secretary

SUBSCRIBED AND SWORN to before me this JUN 09 2025
in Pasig City, affiant exhibiting to me his Passport ID No. P2303713C valid until 08
November 2032, a competent evidence of his identity bearing his photograph and
signature in accordance with A.M. No. 02-8-13-SC dated 06 July 2004.

Doc. No. 318;
Page No. 67;
Book No. II;
Series of 2025.


AGATHA LOREN S. EDILLOR
Notary Public for and in the City of
Pasig and in the
Municipality of Pateros, Metro Manila
Until 31 December 2025
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