

COVER SHEET

for

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

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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Form Type

17	-	A	
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Department requiring the report

S	E	C
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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's email Address

decorp@decorp.com.ph
--

Company's Telephone Number

(632) 8374 3040

Mobile Number

9285066639

No. of Stockholders

55

Annual Meeting (Month / Day)

Every 3rd Tuesday of April

Fiscal Year (Month / Day)

31-Dec

CONTACT PERSON INFORMATION

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

Name of Contact Person

Lilian D. Saralde

Email Address

lds@decorp.com.ph
--

Telephone Number/s

(632) 8374 3040

Mobile Number

9285066639

CONTACT PERSON'S ADDRESS

VERIA I Bldg., 62 West Avenue, Quezon City
--

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.



DECLARATION OF AUTHENTICITY

SECURITIES AND EXCHANGE COMMISSION

7907 Makati Avenue, Salcedo Village
Bel-Air, Makati City, 1209

I, LILIAN D. SARALDE, designated as Finance Manager and Compliance Officer of Dagupan Electric Corporation, with contact number (632) 8374 3040, and office address at Veria I Building, 62 West Avenue, Quezon City, do hereby certify the authenticity of the attached SEC Form 17-A Annual Report with attached audited financial statements for the years ended December 31, 2025, 2024, and 2023.

A handwritten signature in black ink, appearing to read "L. Saralde", is written over the printed name.

LILIAN D. SARALDE
Finance Manager and Compliance Officer

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, *AS AMENDED*

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **31 DECEMBER 2025**
2. SEC Identification Number **18890** 3. BIR Tax Identification No. **000-202-524-000**
4. Exact name of issuer as specified in its charter **DAGUPAN ELECTRIC CORPORATION**
5. **DAGUPAN CITY, PANGASINAN, PHILS.** 6. (SEC Use Only)
Province, Country or other jurisdiction of Industry Classification Code:
incorporation or organization
7. **AB FERNANDEZ ST., DAGUPAN CITY, PANGASINAN, PHILS.** **2400**
Address of principal office Postal Code
8. **(632) 8374 3039**
Issuer's telephone number, including area code
9. **NOT APPLICABLE**
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
<u>COMMON SHARES</u>	<u>14,662,000</u>

11. Are any or all of these securities listed on a Stock Exchange.

Yes [] No []

If yes, state the name of such stock exchange and the classes of securities listed therein:

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and [SRC Rule 17.1](#) thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes []

No []

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [] No []

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

**APPLICABLE ONLY TO ISSUERS INVOLVED IN
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS
DURING THE PRECEDING FIVE YEARS:**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes [] No [] **NOT APPLICABLE**

DAGUPAN ELECTRIC CORPORATION
Amended SEC Form 17 -A

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PART 1. BUSINESS AND GENERAL INFORMATION

ITEM 1. BUSINESS

A. Description of Business

1. Business Development

Dagupan Electric Corporation (DECORP or 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 DECORP on 21 June 2011 for the operation of electric service within its franchise areas.

DECORP 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 DECORP'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.

As of December 31, 2025, DECORP provides the electricity requirements of around 146,052 end-users within its franchise areas.

2. Business

a. Description of the Company

i. Principal Services

The Company's primary business is to construct, operate, 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.

ii. Distribution

The Company's distribution system is composed of four (4) substations: Calasiao Substation, San Jacinto Substation, San Fabian Substation, and Dagupan Substation. These substations are monitored and controlled with a modern Supervisory Control and Data Acquisition ("SCADA"). All substations are designed with two (2) power transformers that are configured for the N-1 reliability scheme. All feeders are also compliant with the N-1 redundancy criterion and are equipped with Automatic Voltage Regulators ("AVR"), overcurrent protection devices such as Automatic Circuit Reclosers ("ACR") and Circuit Breakers ("CB"). DECORP substations are also equipped with microprocessor-based digital Protective Relays for control and monitoring.

DECORP has a total substation capacity of 181 MVA detailed below:

Substation	No. of Feeders Connected	Power Transformer	Total Capacity (MVA)
Calasiao	14	20/27/33 MVA – 2 units	66
San Jacinto	7	15/20 MVA – 2 units	40
San Fabian	4	20/25 MVA – 1 unit	25
Dagupan	8	20/25 MVA – 2 units	50
Total	33		181

The circuit lengths of the lines in the distribution system are shown in the table:

Circuit Description	Unit	2023	2024	2025
Subtransmission	Km	211.38	211.38	211.38
Primary Lines	Km	1,790.68	1,822.95	1,842.38
Secondary Lines	Km	2,847.72	2,908.24	2,970.44

iii. Percentage of foreign sales

The Company does not derive any income from foreign sales.

iv. State of any-publicly announced new product or service

The Company has no publicly announced products or services in any stage of development aside from the services described above.

v. Competition

The Company, being the sole franchise grantee within the covered franchise areas, has a natural monopoly over power distribution in a portion of Pangasinan province, covering 349.33 km², equivalent to 6.5% of the total land area in the province.

Despite the promulgation of the Retail Competition and Open Access ("RCOA") framework, its impact on the operational activities of distribution utilities has been negligible. RCOA allows contestable customers the freedom to choose their electricity supplier. However, the responsibility for transmitting electricity to these contestable

customers remains with distribution utilities, such as DECORP. As of December 31 2025, the Company is servicing four (4) contestable customers.

Distribution utilities continue to be responsible for providing retail services to both captive and contestable customers.

The Company is also the sole Metering Service Provider (“MSP”) for the retail market until such time that the ERC determines that the provision of metering services at the retail level is competitive.

The Company’s exclusive rights extend to operating a distribution system in the City of Dagupan, the Municipalities of Calasiao, Sta. Barbara, San Fabian, San Jacinto, and Manaoag, as well as Barangays Bolingit and Cruz in the City of San Carlos. This exclusive franchise status precludes the likelihood of competitors or other distribution utilities entering the designated franchise area during the franchise's duration.

Nevertheless, DECORP remains steadfast in its commitment to delivering high-quality, efficient, and reliable service to its customers. The Company is dedicated to complying with all regulatory requirements and providing any necessary reports or submissions as mandated by government authorities and their agencies. DECORP will continue to fulfill its role and responsibilities as a distribution utility until the expiration of its franchise.

vi. Suppliers

Power Supply Contracts

DECORP sources the electricity it distributes from the following power suppliers:

Supplier	Contracted Capacity	Duration of Contract
GNPower Mariveles Energy Center Ltd. Co. (GMEC)	30 MW	February 26, 2014 to February 25, 2029
Energy Development Corporation (EDC)	20 MW	December 26, 2022 to December 25, 2032
OneManaoag Solar Corporation (OMSC)	20 MW	September 26, 2022 to September 25, 2047

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

DECORP relies on the aforementioned suppliers for its electric power supply, as it can only procure from other suppliers once approved by the ERC.

Transmission and Metering Supply Contracts

DECORP's current contract with the National Grid Corporation of the Philippines (NGCP) for transmission and metering services will expire on July 25, 2026. As NGCP

is the sole provider of these essential services, DECORP depends on their continued provision to ensure the reliable operation of our infrastructure.

Supplies of Materials and Services

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

vii. Customers

The Company's franchise area covers 349.33 km², which accounts for 6.5% of Pangasinan's total land area. The Company is committed to meeting the diverse needs of consumers within this region, and it currently serves residential, commercial, industrial, and streetlight customers.

The Company's customer base is primarily residential, accounting for 91% of its customers and 56% of its revenues. This customer classification applies to retail services provided to individual persons or households within their dwelling or primary place of residence, which typically includes houses, apartments, and condominiums.

Commercial customers, representing 9% of the Company's customer base, generate 31% of its revenues. This group includes non-residential customers served at secondary lines, mainly small to medium businesses, as well as those served at secondary voltage like manufacturing plants, water supply facilities, and malls with a contracted capacity of 40kW or more.

Industrial customers, constituting 0.02% of the Company's customer base while contributing 12% of its revenues, also fall under the non-residential category as they draw power from the primary lines. This segment typically includes manufacturing facilities, cold storage, and supermalls with demands equal to or exceeding 250kW.

Streetlights accounts for 0.03% of DECORP's consumer base and contributes 0.01% of its revenues. This group includes roadway lighting service where existing facilities have adequate capacity and suitable voltage.

As of December 31, 2025, DECORP has reached a total of 146,052 customers with energy sales of 503 GWh. The following is the detailed breakdown by customer segment:

	No. of Customers	Energy Sales (GWh)	%	Revenues (In Millions)	%
Residential	132,182	267	53	2,197	56
Commercial	13,785	154	31	1,208	31
Industrial	36	77	15	481	12
Streetlights	49	4	1	39	1
Total	146,052	503	100	3,925	100

The Company's revenues consist of the following components: 1. Generation, transmission, and system loss, categorized as pass-through charges; 2. Distribution charges, which include distribution, supply, and metering; and 3. Additional charges related to its services.

Pass-through charges are revenue-neutral to the Company. The ERC establishes limits for these charges, and any overage or shortage triggers an adjustment to ensure the correct recovery. Furthermore, the ERC reviews these charges every three years to identify any over- or under-recoveries. With ERC approval, DECORP then either refunds these over-recoveries to customers or collects any under-recoveries from them.

Distribution charges of the Company are based on the latest approved rates of the ERC, determined using the Performance-Based Regulation ("PBR") rate setting methodology. In 2022, the Company filed its application for the approval of its Annual Revenue Requirements ("ARR") under PBR, which will be the basis of its distribution rates for the regulatory years 2023 to 2026. On February 10, 2024, the Company filed an Urgent Omnibus Motion to Withdraw its application for the approval of its ARR under PBR. The Company uses the distribution rates authorized by the ERC for the last regulatory year of the third regulatory period under PBR while it waits for the ERC to make a decision regarding its ARR application.

viii. Dependence on a single or few a few customers

The Company is not dependent on any one of the 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.

ix. Related Party Transactions

The Company has a lease agreement with Veria Realty, Inc, a company owned by DECORP's major stockholders, for the rent of office spaces in the amount ₱4,377,001 in 2025, ₱4,246,800 in 2024, and ₱4,320,079 in 2023. This transaction was disclosed under Note 16 of the December 31, 2025 Audited Financial Statements.

There is no outstanding balance related to the above transactions as of December 31, 2025.

x. Patents, Trademarks, Copyrights, Licenses, Franchises, Concessions and Royalty Agreements

The Company was granted a legislative franchise for a period of twenty-five (25) years from February 2010 to provide the electricity requirements of its customers in accordance with Republic Act No. 9969 otherwise known as, "An Act Amending Republic Act 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 Company does not own any patent, trademark, copyright, franchise (other than the legislative franchise mentioned above), concession and royalty agreement.

xi. Regulatory Approvals

The filing of rate-related cases, compliance filing, capital expenditures, and for other matters as may be required by ERC must be done in accordance with the Rules of Practice as promulgated by ERC. The applicant is required to submit all documentary requirements and undergo a pre-filing requirement, comply with publication and other requirements prior to its formal filing. Once filed, the application shall then be scheduled for an expository and judicial hearing.

Below is the list of applications with ERC pending approval:

ERC Case No.	Title	Date Applied
2012-021 RC	In the Matter of the Application for the Sale of Various Sub-transmission Lines/Assets of TRANSCO to DECORP	February 10, 2012
2014-052 CF	In the Matter of the Application for the Approval of the Calculation 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 Rates, Under ERC Resolution No. 16, Series of 2009 As Amended, for the Period 2011 to 2013	April 1, 2014
2017-052 CF	In the Matter of the Application for the Approval of the Calculation 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 Rates, Under ERC Resolution No. 16, Series of 2009 As Amended, for the Period 2014 to 2016	March 21, 2017
2018-110 RC	In the Matter of the Application for the Approval of Capital Projects for the RY 2016 to 2019	November 20, 2018
2020-014 CF	In the Matter of the Application for the Approval of the Calculation 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 Rates, Under	August 8, 2020

	ERC Resolution No. 16, Series of 2009 as Amended, for the Period 2017 to 2019	
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	August 25, 2022
2022-20 RC	In the Matter of the Application for the Approval of the Annual Revenue Requirement and Performance Incentive Scheme in Accordance with the Provisions of the Rules for Setting Distribution Wheeling Rates (RDWR)	March 28, 2022
2022-082 RC	In the Matter of the Application for Approval for Approval of the Power Supply Agreement between Energy Development Corporation and Dagupan Electric Corporation and Dagupan Electric Corporation with Prayer for Provisional Authority and Motion for Confidential Treatment of Information	November 23, 2022
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 f) Real Property Tax, and g) Local Franchise Tax Under ERC Resolution No. 2, Series of 2021 for the Period 2020 to 2022	May 17, 2023
2024-123RC	In the Matter of the Application for the Approval of Capital Projects for RY 2020 to 2022	October 2, 2024

xii. Effect of existing or probable government regulations on the business

The Company operates in a highly regulated sector and is subject to the laws and regulations set in place, which are designed to guarantee that the general public can continue to enjoy reliable and reasonably priced electricity.

The passage of the EPIRA has paved the way for new reforms aimed at privatizing and deregulating certain aspects of the power industry.

Under the said law, the distribution of electricity to end-users shall be a regulated business requiring a national franchise. The distribution of electric power to all end-users may be undertaken by private distribution utilities, cooperatives, local

government units presently undertaking this function, and other duly authorized entities, subject to regulation by the ERC.

On February 26, 2021, the ERC under Resolution No. 12, Series of 2020, extended the scope of Retail Competition and Open Access (RCOA) to include electricity end-users with an average monthly demand of five hundred kilowatts (500 KW). The coverage of RCOA will be gradually expanded to the household level as mandated under Section 131 of the EPIRA. The initial implementation of RCOA covered electricity end-users with a demand of one megawatt (1MW) and above making them eligible to migrate to other Retail Electricity Suppliers (RES).

As of December 31, 2024, the Company has four (4) customers who have switched to the contestable market and seven (7) qualified customers who have remained as captive customers.

On August 19, 2021, ERC has promulgated ERC Resolution No. 8, Series of 2021 entitled "Rules for the Green Energy Option Program (GEOP). The program encourages end-users to choose renewable energy resources. Said program maybe availed by an end-user with an average peak demand of one hundred kilowatts (100KW) and above for the past twelve months; 2) those newly connected end-user whose estimated average monthly peak demand of three hundred kilowatts (300kW) and above for the next twelve (12) months based on load profiling, and 3) those newly connected end-users with an average peak demand of one hundred kilowatts (100 kW) and above for three (3) consecutive months.

As of December 31, 2025, the Company has one hundred three (103) customers who are qualified to join GEOP, of which, one (1) has already switched to an RE Supplier under GEOP and one has signified its interest to join the program.

The continuous migration of eligible consumers to RCOA and GEOP will likely result in additional stranded contracted capacity. However, with the consistent growth in the Company's energy sales, any displaced capacity resulting from the migration of contestable customers to RCOA and GEOP maybe absorbed by the growth in the energy sales of its remaining captive market.

To further expand the base of end-users having the ability to choose their suppliers of electricity. ERC has promulgated ERC Resolution No. 4, Series of 2020, entitled "Rules for the Electric Retail Aggregation of the electricity requirements of End-users, whose monthly average peak demand is at least 500kW and are located within a Continuous Area is effective beginning 28 December 2022.

As of December 31, 2025, no customer has signified their interest to join the Electric Retail Aggregation Program.

The Company intends to manage this risk by renegotiating its contracted capacity with its suppliers and consulting with ERC to prevent any dispute that may result from

the renegotiation, offer the excess capacity to RES or sell the excess capacity to the WESM in accordance with the pertinent rules and regulations.

Below are other relevant resolutions promulgated by ERC in 2025 which may impact the Company.

Resolution Number	Title	Overview
Resolution No. 06, Series of 2025	A Resolution Adopting the Guidelines on the Collection of the Green Energy Auction Allowance (GEA-ALL) and the Disbursement of the GEA-ALL Fund	<p>In compliance with ERC Resolution No. 06, Series of 2025, the Green Energy Auction Allowance (GEA-All), a fixed charge amounting to PhP0.0371/kWh, will be included in the electricity bill of all customers starting January 2026 billing. GEA-All will be used to fund renewable energy projects like solar, wind, and hydro in the Philippines. It supports the Green Energy Auction Program (GEAP), a government program where renewable energy projects are selected through competitive bidding to ensure the lowest possible cost for customers. The GEA-All rate is subject to change upon approval of the ERC.</p> <p>This is a pass-through charge collected by Distribution Utilities, such as Meralco, Retail Electricity Suppliers (RES), and National Grid Corporation of the Philippines (NGCP) to be remitted to the National Transmission Corporation (TransCo). Meralco does not earn from this charge.</p>
Resolution NO. 11, Series of 2025	A resolution adopting the institutionalization and strengthening of frontline customer services in all distribution utilities (DUs), microgrid system providers (MGSPs), and retail suppliers (RS)	The resolution aims to improve the quality, accessibility, responsiveness, and accountability of customer service provided by electricity service providers. It reinforces consumer protection by requiring electric utilities and suppliers to adopt more organized and efficient systems for handling customer concerns, complaints, and service requests.
Resolution No. 15, Series of 2025	A Resolution Amending ERC Resolution No. 6, Series of 2019,	Energy Regulatory Commission (ERC) Resolution No. 15, Series of 2025 is an amendment to the earlier net-metering framework established under ERC

	Entitled "A Resolution Adopting the Amendments to the Rules Enabling the Net-Metering Program for Renewable Energy"	Resolution No. 6, Series of 2019. It updates the rules governing the Philippines' Net-Metering Program for Renewable Energy, which allows electricity consumers who generate their own power—typically through rooftop solar systems—to export excess electricity to the distribution grid in exchange for bill credits.
Resolution No. 20, Series of 2025	A Resolution Adopting the Amended Rules to Govern the Implementation of Advanced Metering Infrastructure (AMI) by Distribution Utilities and ERC-Authorized Entities	This Resolution adopts amended rules governing the implementation of Advanced Metering Infrastructure (AMI) by Distribution Utilities and ERC-authorized entities to enhance monitoring, efficiency, and transparency in electricity usage and management.
Resolution No. 23, Series of 2025	A Resolution Directing All Private Distribution Utilities to File their Respective AWAT Applications for the Lapsed Period	This Resolution directs all private Distribution Utilities to submit their Applications for Approval of Weighted Average Tariff (AWAT) for any lapsed periods to ensure regulatory compliance and proper tariff adjustments.
Resolution No. 22, Series of 2025	A Resolution Lowering the Eligibility Threshold for Retail Competition and Open Access (RCOA) and Retail Aggregation Program (RAP)	This Resolution lowers the eligibility threshold for participation in the Retail Competition and Open Access (RCOA) and Retail Aggregation Program (RAP) to allow more consumers and entities to engage in competitive electricity markets.
Resolution No. 24, Series of 2025	A Resolution Adopting the Rationalized Rules for Setting the Distribution Wheeling Rates (RRDWR) for Privately-Owned Distribution Utilities Under Performance-Based Regulation (PBR)	This Resolution adopts the Rationalized Rules for setting Distribution Wheeling Rates (RRDWR) for privately-owned Distribution Utilities under Performance-Based Regulation, aiming to ensure fair, transparent, and efficient pricing of electricity distribution services.
Resolution No. 25, Series of 2025	A Resolution Adopting the Applicable Load Billing Determinant in	This Resolution adopts the applicable load billing determinant to be used in computing Ancillary Service (AS) charges, ensuring

	the Computation of Ancillary Service (AS) Charges	accurate and consistent billing for services that support the reliability of the power system.
Resolution No. 28, Series of 2025	A Resolution Approving the Adjustments to the Feed in Tariff (FIT) for 2021 to 2025	This Resolution approves the adjustments to the Feed-in Tariff (FIT) rates for 2021 to 2025, providing updated compensation for renewable energy producers to promote continued investment in clean energy.

The Company is also covered by the following DOE issuances in 2025:

DOE Circular Number	Title	Overview
DC2025-03-004	“Providing the Revised Guidelines for the Green Energy Auction Program in the Philippines.”	This Circular Memo provides revised Guidelines for the Green Energy Auction Program (GEAP) through the Department Circular (DC) No. DC 2021-11-0036.
DC2025-04-0008	Promulgating The Revised Rules Governing the Processing and Evaluation of Direct Connection Application of Industrial, Commercial, and Other Electricity End-Users	The Revised DCC Rules set the general rules and procedures to guide End-users and all other concerned stakeholders, such as the Distribution Utility (DU) and the Transmission Network Provider (TNP), in facilitating their application for Direct Connection or the renewal of such arrangement.
DC2025-08-0011	Adopting further amendments to the Wholesale Electricity Spot Market (WESM) Rules and various WESM Market Manuals on the Interruptible Load Program implementation	The circular reinforces the ILP as a practical tool for maintaining grid stability, particularly during peak demand periods or unexpected supply constraints. By improving the rules and aligning market manuals, DC2025-08-0011 enhances the reliability of the electricity system while promoting fair and accurate treatment of participants in the wholesale electricity market.
DC2025-10-0019	Framework for the integration of	This framework outlines the integration of nuclear energy into the Philippines’

	Nuclear Energy in the Country's Generation Mix to implement a clean energy scenario under the Philippine Energy Plan 2023-2050.	generation mix to support a clean energy scenario under the Philippine Energy Plan 2023–2050, promoting energy security and low-carbon power development.
DC2025-09-0018	Supplemental Policy to the Net Metering Program Integrating Renewable Energy Certificate Trading and Multi-Site and Aggregate Net-Metering to Enhance Participant Benefits and Market Access	This supplemental policy enhances the Net-Metering Program by integrating Renewable Energy Certificate (REC) trading and allowing multisite and aggregate net-metering, aiming to increase participant benefits and improve market access for renewable energy generators.
DC2025-10-0022	Prescribing Policies to Enhance the Procurement of Power Supply by Distribution Utilities for the Captive Market, Amending and Supplementing for this Purpose Department Circular No. DC2023-06-0021	This Resolution prescribes policies to improve how Distribution Utilities procure power for their captive markets, amending and supplementing Department Circular No. DC2023-06-0021 to ensure more efficient, transparent, and cost-effective power supply arrangements.
DC2025-12-0029	Department Circular No. DC2025-12-0029, entitled "Adopting the Open and Competitive Selection Process in the Award of Renewable Energy Service Contracts, and Creating the Review and Evaluation Committee."	Department Circular No. DC2025-12-0029 establishes an open and competitive selection process for awarding Renewable Energy Service Contracts and creates a Review and Evaluation Committee to ensure transparency, fairness, and efficiency in the contract award process.

xiii. Research and Development

The Company has no research and development department, nor has it been involved in any research and development activity. This is due to the fact that changes in the electric distribution industry have been relatively slow compared to other industries. The current infrastructures and systems have generally been sufficient to meet the growing market's demand for safe and efficient distribution of power. Hence, there has been no need for research and development up to present.

This is still true even with the emergence of technology and the government's implementation of a national smart grid policy framework for the Philippine electric power industry and roadmap for distribution utilities due to the sufficiency of the available products and technologies in the market.

xiv. Costs and effects of compliance with environmental laws

DECORP's substations and offices have been categorized as Category D projects under the Department of Environment and Natural Resources ("DENR") 2020 Coverage Screening Guidelines and Standardized Requirements in the Philippine Environmental Impact Statement system. This classification indicates that the establishments are not expected to have a significant impact on the environment, which is a positive assessment in terms of environmental impact. The Company has secured Certificate of Non-Coverage which means that the projects are not required to undergo a full Environmental Impact Assessment process due to its minimal or non-significant environmental impact.

Compliance with RA No. 6969, also known as the Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990, is essential for ensuring the responsible handling of toxic substances and hazardous waste. DECORP, which operates equipment with insulating oil that may contain hazardous materials, has registered its generated suspected hazardous wastes for each of its establishments. DENR is also notified on a quarterly basis regarding the quantity and types of suspected hazardous wastes being generated. This information helps regulatory authorities monitor and manage the handling, transportation, treatment, and disposal of these potentially harmful substances. It ensures transparency and accountability in the management of hazardous wastes, helping to protect the environment.

For the testing, treatment and disposal of the hazardous wastes, DECORP secured the services of National Resources Development Corporation and CRL Environmental Corporation. EMB Memorandum Circular Series No. 2015-007: Technical Guidance on Polychlorinated Biphenyls ("PCB") Management requires that all PCBs shall be treated, decontaminated, and disposed of in an environmentally sound manner consistent with the requirements of RA No. 6969 DAO 2004-01: Chemical Control Order for PCBs and other relevant environmental laws before a PCB-free declaration can be attained. The treatment and decontamination process shall only be performed by DENR-EMB accredited Treatment, Storage and Disposal facilities.

The Company has been issued Permits to Operate which indicates that the generators have met the necessary regulatory requirements outlined in RA No. 8749, otherwise known as the Philippine Clean Air Act of 1999. This legislation aims to control and reduce air pollution by regulating emissions from various sources, including industrial generators. The permit is typically issued with specific conditions and emission limits that the generators must adhere to. These limits are in place to ensure that the emissions from the generators meet the National Emission Standards for Source Specific Air Pollutants as outlined in the Clean Air Act.

xv. Employees and Labor Relations

As at December 31, 2025, DECORP has a total of 217 regular employees consisting of 10 employees in the managerial and executive positions, 23 at the supervisory level, and 184 in the rank-in-file roles.

The employees of the Company neither have formed nor do they belong to a labor union.

In addition to the benefits as mandated by the law, the Company provides its employees with additional benefits:

- Annual mid-year bonus equivalent to 100% of monthly basic salary;
- A performance bonus that ranges from 50% to 150% of monthly basic salary;
- Annual vacation leaves of fifteen (15) days for employees with service period of more than three (3) years. For employees with less than three (3) years of service, they shall enjoy twelve (12) days of vacation leaves per year;
- Annual sick leave of nine (9) days where any unused sick leaves are converted and paid to cash;
- Annual medical allowance, including optical benefits;
- Monthly rice subsidy;
- Hospitalization benefits via Health Maintenance Organization (HMO) including 50% of one enrolled dependent; and
- Accident insurance coverage of Four Hundred Thousand Pesos (₱400,000.00)

xvi. Risks Related to the Company and its Industry

The Company identified the following risks:

Regulatory and Policy Risks

As a regulated entity, DECORP is obligated to provide open and nondiscriminatory access to its distribution system to all end-users within its franchise

area. The company is likewise mandated to supply electricity to its captive market in the least-cost manner, subject to the collection of retail rates duly approved by the ERC. In carrying out its operations, DECORP must secure prior approval from the ERC before implementing any planned capital expenditure projects. Consequently, the company faces significant risks associated with bureaucratic processes and potential regulatory delays. Nevertheless, it is important to recognize that the ERC's rules and guidelines are consistently intended to balance the interests of both consumers and investors. In addition, changes in state or local regulations and policies may materially affect the company's operations, pricing structures, and investment plans. For example:

Aspect	Risk
Open and nondiscriminatory access of the distribution system	<p>The mandatory migration of contestable customers to the retail market under the rules on Retail Competition and Open Access can create vulnerability to the Company due to some legal issues and a lack of public acceptance. This could result in uncertainties in power supply contracts and problems in the development of the distribution system to grant access to contestable customers.</p> <p>The requirement for regulatory approvals to initiate planned capital expenditures could lead to delays in the implementation of the projects necessary to provide electric distribution services to any end-users within the franchise areas.</p>
Distribution wheeling charges and connection charges	<p>A delay in the issuance of the rules on setting the distribution wheeling rates for privately owned electricity distribution utilities may limit the Company's ability to adjust rates, which may affect its revenue stream and profitability.</p>
Supply electricity in the least cost manner	<p>Existing policies requiring participants such as the Company to source a fraction of its requirements from renewable energy without regard to its existing supply contracts may increase the cost of providing electricity to its end-users.</p> <p>The ambiguities or uncertainties in certain provisions of the guidelines for the procurement of assets and services may risk the Company's ability to comply with the rules and result in unnecessary investment.</p>

DECORP is committed to mitigating these risks by diligently adhering to the relevant ERC rules and regulations. The Company will proactively provide all requisite documents and reports to expedite the approval process for its capital expenditure projects, thereby minimizing any avoidable delays.

Financial Risks on Capital Intensity

Electric distribution utilities require significant capital investments for infrastructure maintenance, upgrades, and expansions, exposing the Company to financial risks if funding sources are constrained.

DECORP is committed to enhancing its service offerings to meet not only the demands of its current customer base but also the evolving requirements of potential customers. The Company is consistently developing expansion strategies to enhance its planning and load growth studies. While pursuing this strategy may enable DECORP to serve a larger customer base, it also exposes the Company to various risks and challenges.

One potential risk is that the expansion may yield lower growth or profitability than initially projected, and there is no guarantee that new business endeavors will achieve the desired level of profitability, if at all. Additionally, acquiring new assets and implementing projects may necessitate specific management skills, procedures, and systems, which may not be successfully deployed in a timely manner or at all. The success or failure in executing these strategies and managing associated risks could significantly impact the Company's business, financial health, and operational results.

DECORP is dedicated to bolstering the capabilities of its employees, both at the managerial and staff levels, as well as actively investing in market research. These measures are aimed at aligning the company's expansion strategies with market demands and ensuring a more successful execution of its growth initiatives.

Cashflow Risks

Non-payment or delays in payments by customers can indeed have a notable impact on DECORP's operations and financial stability. As an electric distribution utility, the Company relies on timely payments from its customer base to cover its operating expenses, ensure its working capital needs are met, and meet maturing obligations.

The critical nature of electricity as a basic necessity often works in DECORP's favor, as customers tend to prioritize paying their electricity bills to avoid the inconvenience of disconnection.

However, it is crucial for DECORP to acknowledge and proactively manage the risk associated with non-payment or payment delays to maintain financial health. DECORP commits to robust billing and collection systems that facilitate prompt and efficient payment processing. Clear and transparent communication channels with customers will be maintained, providing advance notice of payment due dates and potential consequences of non-payment. DECORP commits to continuously monitor its accounts receivables and establish mechanisms to address delinquent accounts promptly, which may include collection efforts or disconnection procedures as a last resort.

Operational Risks on Infrastructure Failures and Human Error

Aging infrastructure, equipment malfunctions, and natural disasters pose significant risks to the reliability of power distribution services, ultimately impacting customer satisfaction. As power utilities in the Philippines grapple with aging power grids and equipment, the vulnerabilities become evident. Aging infrastructure and equipment are more susceptible to breakdowns and failures, resulting in power outages that inconvenience customers and undermine trust in the utility provider. Moreover, natural disasters, such as typhoons, earthquakes, and volcanic eruptions are frequent occurrences in the Philippines. These calamities can inflict severe damage on power infrastructure, leading to widespread outages and creating safety hazards for both utility personnel and the public. In addition to these external risks, human errors during maintenance, repairs, or equipment installations can also contribute to accidents, outages, and safety hazards. These mistakes can arise from a lack of adequate training, poor communication, or lapses in supervision.

DECORP commits to implementing a proactive maintenance schedule and robust disaster preparedness and response plans. Comprehensive training programs, strict supervision, and quality control measures will also be employed to identify and rectify potential errors before they result in accidents or outages. DECORP will establish clear lines of communication and reporting incidents, near misses, and safety concerns to foster a culture of transparency that encourages prompt reporting and facilitates swift issue resolution and risk mitigation.

Technological Risks Grid Modernization Challenges and Integration

While the transition to a smart grid and the integration of new technologies in the power distribution sector bring about significant advancements, they also introduce a host of challenges and risks. The adoption of smart grid technologies, including advanced metering infrastructure and real-time data analytics, can lead to complexities in system management. Potential technical glitches and system failures may occur, which could disrupt power distribution and impact the quality of service.

Moreover, the integration of various systems and technologies can create operational challenges, including compatibility issues, data interoperability concerns, and uncertainties regarding the long-term performance, longevity, and safety of the infrastructure. These challenges necessitate a proactive approach to risk mitigation to ensure the successful implementation and sustained reliability of the smart grid. DECORP commits to the implementation of robust cybersecurity measures to safeguard future smart grid infrastructure from cyberattacks and data breaches. Testing and quality assurance protocols will also be established to identify and rectify technical glitches before they disrupt operations. Interoperability standards and protocols will be adhered to by the Company to facilitate seamless integration along with observation of monitoring and maintenance programs to assess the performance, longevity, and safety of the infrastructure, allowing for timely upgrades and replacements as needed.

Legal and Liability Risks

The Company may encounter various legal challenges that pose potential risks,

including contract disputes, environmental violations, safety incidents, and regulatory compliance issues. Contract disputes can arise from disagreements with partners, suppliers, or clients, potentially leading to legal proceedings that could disrupt business operations and financial stability. Environmental violations may result from noncompliance with environmental regulations, potentially resulting in fines, penalties, and reputational damage. Safety incidents, whether at the workplace or in service

performance, can lead to personal injuries, property damage, and associated liability claims. Furthermore, regulatory compliance challenges may stem from changes in laws and regulations that require costly adjustments or create legal uncertainties for DECORP. The consequences of these legal challenges can include substantial financial liabilities and reputational risk, necessitating a proactive approach to risk mitigation. DECORP commits to engage a robust legal and compliance team to closely monitor regulatory changes, address compliance concerns, and provide guidance on other contractual matters. The Company will also prioritize safety and environmental stewardship by investing in employee training and equipment maintenance to reduce the likelihood of safety incidents and environmental violations. Effective contract management practices will also be observed to help prevent disputes and provide a strong legal foundation.

ITEM 2. PROPERTIES

Real Estate (Land, Plant, and Building)

The following real properties are duly registered under the Company's name, as evidenced by the Transfer Certificates of Title ("TCT") listed below:

	TCT No. / Tax Declaration No.	Location	Land Area	Liens/ Mortgages /Encumbrance, if any	Use of Property
1	62155	Dagupan	1,483 sqm	None	Being used for office and substation
2	62156	Dagupan	1,483 sqm	None	Being used for office and substation
3	029-2020000 127	Dagupan	145 sqm	None	Being used for office and substation
4	198945	Calasiao	7,285 sqm	None	Being used for office and substation
5	198946	Calasiao	7,285 sqm	None	Being used for office and substation
6	198947	Calasiao	1,569 sqm	None	Being used for office and substation
7	235392	Calasiao	1,087 sqm 228 sqm	None	Being used for office and substation

8	026-2020001 613	Calasiao	1,974 sqm	None	Being used for office and substation
9	026-2020001 614	Calasiao	1,973 sqm	None	Being used for office and substation
10	026-2020001 615	Calasiao	1,973 sqm	None	Being used for office and substation
11	026-2019000 976	Calasiao	637 sqm	None	Being used for office and substation
12	218368	Sta. Barbara	1,000 sqm	None	Being used for office and pole yard
13	218369	Sta. Barbara	1,339 sqm	None	Being used for office and pole yard
14	218370	Sta. Barbara	1,672 sqm	None	Being used for office and pole yard
15	218371	Sta. Barbara	2,436 sqm	None	Being used for office and pole yard
16	222449	Sta. Barbara	6,533 sqm	None	Being used for office and pole yard
17	026-2018006 642	San Fabian	420 sqm	None	Being used for substation
18	026-2018006 643	San Fabian	584.75 sqm	None	Being used for substation
19	026-2018006 644	San Fabian	584.75 sqm	None	Being used for substation
20	026-2018006 645	San Fabian	584.75 sqm	None	Being used for substation
21	026-2018006 646	San Fabian	584.75 sqm	None	Being used for substation
22	222801	San Jacinto	4,570 sqm	None	Being used for substation

Below are the buildings and warehouses owned by the Company:

	Description	Location	Floor Area	Liens/ Mortgages /Encumbrance, if any	Use of Property
1	VFL Building	Brgy. 1, Dagupan City	830 sq. m.	None	Being used as office
2	ANL Building	Brgy. 1, Dagupan City	850 sq. m.	None	Being used as office and meter shop
3	Workshop	Brgy. 1, Dagupan City	35 sq. m.	None	Being used as workshop

4	Control Building	Brgy. 1, Dagupan City	70 sq. m.	None	Being used for substation
6	Parking Shed	Brgy. 1, Dagupan City	220 sq. m.	None	Being used for service vehicles
7	LCL Building	Brgy. San Miguel, Calasiao	588 sq. m.	None	Being used as office
8	Control Building	Brgy. San Miguel, Calasiao	220 sq. m.	None	Substation
9	Warehouse	Brgy. San Miguel, Calasiao	966 sq.m.	None	Substation
10	Guardhouse 1	Brgy. San Miguel, Calasiao	7 sq. m.	None	Substation
11	Guardhouse 2	Brgy. San Miguel, Calasiao	8 sq.m.	None	Substation
12	Oil Storage Facility	Brgy. San Miguel, Calasiao	68 sq. m.	None	Substation
13	Motorpool	Brgy. San Miguel, Calasiao	310 sq. m.	None	Substation
14	Commercial Building	Brgy. San Miguel, Calasiao	45 sq. m.	None	Collection Office
15	Commercial Building	Brgy. Maningding, Sta. Barbara	30 sq. m.	None	Collection Office
16	Linemen's Shed	Brgy. Maningding, Sta. Barbara	27 sq. m.	None	For the linemen following their fieldwork
17	Guard Locker Room	Brgy. Maningding, Sta. Barbara	10 sq. m.	None	For the security guards
18	Control House	Brgy. Casibong, San Jacinto	120 sq. m.	None	Substation
19	Control House	Brgy. Tempra Guillig, San Fabian	45 sq. m.	None	Substation

The Company owns the following vehicles:

	Description	Qty	Use of Property
1	Utility Truck with Boom Basket	7	Service vehicle
2	Utility Truck with Hydraulic Boom	4	Service vehicle
3	Utility Truck	7	Service vehicle
4	Truck with Digger Derrick	1	Service vehicle
5	Cable Puller	1	Service vehicle
6	Mobile Meter Lab	1	Service vehicle
7	Rough Terrain Crane	1	Service vehicle
8	Service Vehicle	62	Service vehicle

The Company also owns equipment and other properties such as power transformers and other substation equipment, sub-transmission and distribution lines including pole and attachments, distribution transformers, meters, and other metering equipment installed within the Company's franchise areas.

ITEM 3. LEGAL PROCEEDINGS

As of the date of this report, there are no legal disputes affecting the Company or any of its properties, whether material or immaterial.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There is no matter submitted to the vote of security holders, through solicitation of proxies or otherwise, from the time the Registration Statement was approved until the end of the fourth quarter of the fiscal year covered by this report

PART II. OPERATIONAL AND FINANCIAL PERFORMANCE

ITEM 5. MARKET FOR ISSUERS' 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 December 31, 2025, the Company has a total of 54 stockholders

Top 20 Stockholders

	Stockholders	Nationality	Number of Shares	%
1.	Rene Bernard L. Llames	Filipino 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	Non-Filipino	803,292	5.48
5.	DGC Holding Corporation	Filipino	760,000	5.18
6.	Vivencio M. Romero Jr.	Filipino	378,310	2.58
7.	Jose Maria A. Abaya	Filipino	378,310	2.58
8.	ME-KA Corporation	Filipino	229,000	1.56
9.	ETM Incorporated	Filipino	215,000	1.47
10.	Ranulfo M. Ocampo	Filipino	84,071	.57
11.	Sterwyn Paul B. De Guzman	Filipino	50,000	.34
12.	Russel P. Dela Cruz	Filipino	50,000	.34
13.	Randy J. Legaspi	Filipino	50,000	.34
14.	Randy F. Castilan	Filipino	50,000	.34
15.	Miriam G. San Pedro	Filipino	50,000	.34
16.	Gemma M. Recel	Filipino	50,000	.34
17.	Emmanuel V. Cabario	Filipino	50,000	.34
18.	Christopher Grajo	Filipino	50,000	.34
19.	Benjomer D. Galang	Filipino	50,000	.34
20.	Cipriano D. Launico III	Filipino	39,600	.30
	Sub-total		14,155,596	96.55
	Other Stockholders		506,404	3.45
	Total Shares		14,662,000	100
	Issued and Outstanding		14,662,000	100

3. Dividends

The following cash dividends were declared by the Company's Board of Directors for the years ended December 31, 2025, 2024 and 2023:

Year	Rate Per Share	Record Date	Payment Date
2025	₱10.06	December 31, 2024	July 30, 2025
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

4. Sale of Unregistered or Exempt Transactions

None

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following discussion and analysis of the consolidated financial position and results of operations of Dagupan Electric Corporation (DÉCORP) and its subsidiary, should be read in conjunction with the audited financial statements as at December 31, 2025 and 2024 and for the years ended December 31, 2025, 2024, and 2023. 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)	
	2025	2024	Amount	%
Total assets	₱7,482.28	₱7,325.51	₱156.77	2
Current assets	3,317.77	3,180.98	136.79	4
Cash and cash equivalents	2,496.43	2,179.84	316.59	15
Equity attributable to equity holders of the parent company	5,867.49	5,642.36	225.13	4
Non-current liabilities	934.17	942.80	-8.63	-1
Current liabilities	680.67	740.35	-59.68	-8
Total liabilities	1,614.83	1,683.15	-68.32	-4

Condensed Statements of Income

	For the Years Ended December 31			% Change	
	2025	2024	2023	2025 vs. 2024	2024 vs. 2023
	Revenues	₱3,969.57	₱4,207.21	₱4,044.64	-6
Operating expenses	3,562.48	3,753.56	3,571.87	-5	5
Other income, net of expenses	71.45	66.11	41.83	8	58
Income before income tax	478.54	519.75	514.59	-8	1
Net income	349.57	375.69	372.04	-7	1
Net income attributable to equity holders of the parent	349.59				
Earnings per share (EPS)	23.84	25.62	29.85	-7	-14

Condensed Statements of Cash Flows

	For the Years Ended December 31			% Change	
	2025	2024	2023	2025 vs. 2024	2024 vs. 2023
	Net cash provided by operating activities	₱572.52	₱508.74	₱796.86	13
Net cash provided by (used in) investing activities	-108.43	-239.57	-131.93	-54	82
Net cash provided (used in) financing activities	147.50	1,023.77	-1,600.00	-85	-164

Operational Data

	For the Years Ended December 31			% Change	
	2025	2024	2023	2025 vs. 2024	2024 vs. 2023
	Number of customers				
Residential	132,182	128,241	125,181	3	2
Commercial	13,785	13,331	12,925	3	3
Industrial	36	36	33		9
Streetlight	49	53	55	-8	-4
Electricity Sales (in GWh)	503	492	444	2	11
System Loss (in percentage)	6.83	6.95	6.77		

Key Performance Indicators

		For the Years Ended December 31		
		2025	2024	2023
Debt to equity	Total liabilities / Total equity	0.28	0.30	0.39
Current ratio	Current assets/Current Liabilities	4.87	4.30	2.55
Net profit margin	(Net income / Revenues) x 100	9%	9%	9%
Return on equity	(Net income / Average shareholders' equity) x 100	6%	7%	8%
Return on assets	(Net income / Average total assets) x 100	5%	6%	6%

2025 compared with 2024

Results of Operations

The consolidated results of operations of DECORP and its subsidiary for the years ended December 31, 2025 and 2024 are discussed below:

Condensed Statements of Income

	For the Years Ended December 31		Increase (Decrease)	
	2025	2024	Amount	%
Revenues	₱3,969.57	₱4,207.21	-237.64	-6
Operating expenses	3,562.48	3,753.56	-191.08	-5
Other income, net of expenses	71.45	66.11	5.34	8
Income before income tax	478.54	519.75	-41.21	-8
Net income	349.56	375.69	-26.13	-7
Earnings per share (EPS)	23.84	25.62	-1.78	-7

Revenues

For the year ended December 31, 2025, revenues amounted to ₱3,969.57 million, 6% lower or ₱237.50 million lower than 2024 level.

	2025		2024		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Generation	₱2,258.09	57	₱2,595.45	62	-337.36	-13
Transmission	508.46	13	379.93	9	128.53	34
System Loss	214.34	5	228.42	5	-14.08	-6
Distribution	947.18	24	929.55	22	17.63	2
Other pass-through charges	-3.21		36.64	1	-39.85	-109

Other revenues	44.84	1	37.21	1	7.63	21
Total	₱3,969.57	100	₱4,207.21	100	-₱237.50	-6

Pass-through revenues consisting of generation, transmission, system loss, and other related revenues, which are revenue neutral to the Company, comprised 75% of the total revenues, decreased by 8%, or ₱262.76 million. The decrease in pass-through revenues mainly due to the reduction in the cost of producing power in 2025.

Distribution-related revenues increased by 2%, equivalent to ₱17.63 million, compared to the previous reporting period. This growth was primarily driven by an increase in kilowatt-hour (kWh) sales, indicating higher electricity consumption and sustained demand from consumers within the distribution area.

The following is a summary of customer volume and electricity sales categorized by customer type for the years ending December 31, 2025 and 2024:

Customer Type	No. of Customers		Electricity Sales (in GWh)		% Change	
	2025	2024	2025	2024	No. of Customers	Electricity Sales
Residential	132,182	128,241	267	260	3	2
Commercial	13,785	13,331	153	149	3	2
Industrial	36	36	78	78	0	0
Streetlights	49	53	4	4	-7	0
Total	146,052	141,661	502	492	3	2

DECORP's energy sales reached 502 GWh in 2025, reflecting a 2% increase from the 492 GWh recorded in 2024.

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 2%, or from 260 GWh in 2024 to 267 GWh in 2025. This rise is attributed to the continued use of cooling systems by residential customers during the warm and dry conditions experienced in 2025. The increase was driven by the sustained use of cooling systems among residential customers amid persistently warm weather conditions in 2025. Despite the conclusion of the El Niño phenomenon earlier in the year, above-average temperatures, particularly in Northern Luzon, continued to contribute to higher electricity consumption.

Electricity sales in the commercial segment were 153 GWh, reflecting a 2% increase from the 149 GWh in 2024. 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.

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:

	2025		2024		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Purchased power	₱3,003.36	84.3	₱3,165.23	84.3	-161.87	-5.1
Depreciation	208.48	5.9	207.25	5.5	1.23	.59
Salaries, wages, and employee benefits	174.79	4.9	167.62	4.5	7.17	4.3
Taxes other than income tax	54.21	1.5	67.77	1.8	13.56	20
Outside services	52.19	1.5	44.67	1.2	7.52	16
Repairs and maintenance	18.14	0.5	18.62	0.5	0.48	2.6
Others	51.31	1.4	82.40	2.2	31.09	38
Total	₱3,562.48	100	₱3,753.56	100	191.08	5

The cost of purchased power went down by 5.1% or ₱161.87 million from ₱3,165.23 million in 2024 to ₱3,003.36 million in 2025, in line with the fluctuations in the pass-through revenues. The decrease in pass-through revenues mainly due to the reduction in the cost of producing power in 2025.

Depreciation was ₱208.48 million in 2025, higher by ₱1.23 million or .59% from the ₱207.25 million in 2024. This change is attributable to additional capital assets during the year.

Taxes other than income tax increased by 20%, equivalent to ₱13.56 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 16%, equivalent to ₱7.52 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)	
	2025	2024	Amount	%
ASSETS				
Noncurrent Assets				
Utility plant and equipment	₱3,903	₱3,879	₱24	0.6
Other property and equipment	78	86	-8	-9
FVOCI	152	152	-	-
Deferred tax assets	31	28	3	11
	4,164	4,145	19	2
Current Assets				
Cash and cash equivalents	2,496	2,180	316	14
Trade and other receivables	615	635	-20	-3
Financial assets at FVPL	67	184	-117	64
Inventories	103	116	-13	11
Prepayments and other current assets	35	66	-31	-47
	3,318	3,181	137	45
TOTAL ASSETS	₱7,482	₱7,326	₱156	47
EQUITY AND LIABILITIES				
EQUITY				
Capital stock	₱1,466	₱1,466	₱0	0
Additional paid-in capital	1,142	1,142	0	0
Revaluation reserve	1,411	1,481	-70	-5
Remeasurement gain (loss) on retirement benefits	3	3	-	
Retained earnings				
Appropriated				
Unappropriated	1,845	1,551	294	19
Equity attributable to equity holders of the Parent Company	5,868			
Non-controlling interests	(.39)			
	5,867	5,642	225	4
LIABILITIES				
Current liabilities				
Trade and other payables	665	703	-38	5
Dividends payable	-	-	-	-
Income tax payable	25	37	-12	-32
	680	740	60	8
Noncurrent liabilities				
Customers' deposit	340	338	2	1
Deferred tax liabilities	493	519	-26	-4
Retirement benefits obligation	101	86	15	18
	934	943	-9	0.5

TOTAL EQUITY AND LIABILITIES	₱7,482	₱7,326	₱156	25
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Changes in Financial Position

Utility plant and equipment rose from ₱3,879 million in 2025 to ₱3,903 million in 2024, an increase of 0.6% or ₱24 million. In contrast, other property and equipment decreased from ₱86 million to ₱78 million, a decline of 9%, which may reflect normal depreciation and asset disposals. The capital expenditures were incurred for the expansion of distribution assets and the upgrade and rehabilitation of existing electrical facilities to support the operations of DECORP. These additional expenditures were partially offset by depreciation amounting to ₱208.48 million.

Cash and cash equivalents went up by 14% or ₱316 million from 2,180 million in 2024 to ₱2,496 million in 2025. The growth was due to the additional ₱653 million derived from DECORP's operational activities.

The year-end trade and other receivables primarily reflect the December billing cycle. The decrease in receivables was attributable to the lower retail rate in December 2025 compared to December 2024.

The capital stock remained unchanged at ₱1,466 million, indicating no new share issuance during the period. Similarly, additional paid-in capital stayed constant at ₱1,142 million, further confirming that there were no capital restructuring activities in 2025. A negative balance of .39 million was attributed to non-controlling interest, reducing the total equity to around ₱5,867 million.

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:

Customer Type	No. of Customers		Electricity Sales (in GWh)		% Change	
	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 2022 to ₱3,076.63 million in 2023. 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
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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.

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 December 31, 2025, the Company's financial liabilities have contractual maturities as follows:

As of December 31, 2025		
	Due within one year	Due beyond one year
Trade payables	₱251,278.35	₱ -
Other payables	366,948,399	-
Customers' deposits	184,354,840	337,846,798
	₱653,828,610	₱337,846,798

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.

ITEM 7. FINANCIAL STATEMENTS

The Audited Financial Statements of the Company as of and for the year ended December 31, 2025 and the schedules listed in the accompanying index to Supplementary Schedules are filed as part of this report (see Exhibit A-9)

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The audited financial statements (AFS) of the Company, for the years ended December 31, 2025 and 2024 have been audited by Diaz Murillo Dalupan and Company.

The Company has had no disagreements with its independent or external auditor on any matter of accounting principles or practices, financial statements disclosure, or auditing scope or procedure from the periods ending December 31, 2025 and 2024

PART III. CONTROL AND COMPENSATION INFORMATION

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS

A. DIRECTORS, EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL

1. DIRECTORS AND EXECUTIVE OFFICERS

The overall management and supervision of the Company is undertaken by its Board of Directors. The Board of Directors is empowered to direct, manage, supervise the affairs of the Company. As of December 31, 2025, the names of the incumbent Directors and Executive officers of DECORP and their respective ages, citizenship, current positions, periods of service and business experiences for the past five (5) years are as follows

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/American¹, 65 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

¹ *A dual citizen by birth*

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, 59 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, 70 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, 65 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, 56 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 Regulatory 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, 38 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, 45 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.

1. 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 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.

2. INVOLVEMENT IN CERTAIN 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.

3. Resignation of Directors

To date, no director has resigned or declined to stand for re-election for the Board due to any disagreement with the Company relative to the Company's operations, policies, and practices.

ITEM 10. EXECUTIVE COMPENSATION

COMPENSATION

Name and Position	Year Covered	Salary	Bonus	Other Annual Compensation
Angelique Maxime L. Llamas-James, Chairperson and Vice President	2023	3,300,000	500,000	61,278
	2024	3,600,000	988,800	36,600
	2025	4,250,000	1,126,000	47,600
Rene L. Llamas President and CEO	2023	3,582,118	738,000	43,678
	2024	3,600,000	951,000	14,850
	2025	4,250,000	1,126,000	16,200
Cynthia Irene L. Llamas Treasurer	2023	825,000	125,000	53,878
	2024	900,000	150,000	35,400
	2025	1,192,500	195,000	44,750
All other officers as a group	2023	14,246,289	2,958,749	551,008
	2024	13,689,392	2,993,436	654,513
	2025	14,388,556	3,224,327	790,957

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 2024 and 2025 are shown below:

Name	Position	2024	2025
Angelique Maxime L. Llames-James	Chairperson and Vice President	45,000	60,000
Rene L. Llames	President and CEO	45,000	60,000
Cynthia Irene L. Llames	Treasurer	45,000	60,000
Deon Peter James	Director	45,000	60,000
Jose Maria A. Abaya	Director	45,000	30,000
Ranulfo M. Ocampo	Independent Director	45,000	40,000
Geromin T. Nepomuceno Jr.	Independent Director	45,000	30,000

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

On December 27, 2023, the SEC approved the registration of the Company's 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 that was concluded in February 2024. The Company's holders of its sole class of common equity increased to 55 after the completion of the public offering.

The table below shows the security ownership of more than 5% of the Company's voting shares as of December 31, 2025:

Name of Record Owner, Address, and Relationship with the Issuer	Type of Share	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	Percent of Total Issued and Outstanding Shares
Rene Bernard L. Llames , 103 Mother Ignacia Ave. Quezon City, President and CEO	Common	Rene Bernard L. Llames - record owner	Filipino/ American	3,606,006	24.59%

Cynthia Irene L. Llames , 103 Mother Ignacia Ave. Quezon City, Treasurer and Director	Common	Cynthia Irene L. Llames - record owner	Filipino	3,606,004	24.59%
Angelique Maxime L. Llames-James , 103 Mother Ignacia Ave. Quezon City, Chairperson and Director	Common	Angelique Maxime L. Llames-James - record owner	Filipino	3,606,003	24.59%
Deon Peter James , 103 Mother Ignacia Ave. Quezon City, Director	Common	Deon Peter James - record owner	South African	803,292	5.48%
Total				11,621,305	79.25%

SECURITY OWNERSHIP OF MANAGEMENT

As of December 31, 2025, the securities owned beneficially, directly or indirectly, by directors and executive officers of DECORP are as follows:

Name of Beneficial Owner	Type of Share Held	Number of Shares and Nature of Beneficial Ownership	Citizenship	Percent of Class
Rene Bernard L. Llames	Common	3,606,006 shares; direct ownership	Filipino	24.59%
Cynthia Irene L. Llames	Common	3,606,004 shares; direct ownership	Filipino	24.59%
Angelique Maxime L. Llames-James	Common	3,606,003 shares; direct ownership	Filipino	24.59%
Deon Peter James	Common	803,292 shares; direct ownership	Filipino	5.48%
Jose Maria A. Abaya	Common	378,310 shares; direct ownership	Filipino	2.58%

Ranulfo M. Ocampo	Common	84,071 shares; direct ownership	Filipino	0.57%
Geromin T. Nepomuceno Jr.	Common	1 share; direct ownership	Filipino	0%
Randy F. Castilan	Common	50,000 shares; direct ownership	Filipino	0.34%

VOTING TRUST

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

CHANGE IN CONTROL ARRANGEMENTS

There are no contracts, agreements, or arrangements with respect to the issued and outstanding shares which will result in a change in the control of the Company.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Except with respect to the Related Party Transactions as discussed in Note 16 to the audited financial statements as at December 31, 2025 and 2024 and for each of the three (3) years in the period ended December 31, 2025, there was no transaction during the last three years involving DECORP in which any of its directors or executive officers, any nominee for election as director, or security holder owning 10% or more of DECORP's total outstanding shares and members of their immediate family had a material interest.

PART IV. CORPORATE GOVERNANCE

ITEM 13. 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 December 31, 2024, 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.

PART V. EXHIBITS AND SCHEDULES

ITEM 14. EXHIBITS AND REPORTS ON SEC FORM 17-C

A. EXHIBITS

	Particulars	Reference
1	Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession	NA
2	Instruments Defining the Rights of Security Holders, Including Indentures	NA
3	Voting Trust Agreement	NA
4	Annual Report to Security Holders, Form 17-Q or Quarterly Report to Security Holders	See Index to Exhibit "A"
5	Letter re: Change in Certifying Accountant	NA
6	Letter re: Change in Accounting Principles	NA
7	Report Furnished to Security Holders	NA
8	Subsidiaries of the Registrant	NA
9	Published Report Regarding Matters Submitted to Vote of Security Holders	NA
10	Consents of Experts and Independent Counsel	NA
11	Power of Attorney	NA
12	Additional Exhibits	NA

B. REPORTS ON SEC FORM 17-C

The Company filed the following reports on SEC Form 17-C in 2025

Date of Report	Description	Reference
19 May 2025	The amendment of Article II, paragraph 3 the Corporation's By Laws regarding the preparation and sending to each stockholder the written or printed Notice of Meetings for every regular or special meeting 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.	Exhibit "B-1"
19 May 2025	The Corporation has resolved to amend the article THIRD of its Articles of Incorporation 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.	Exhibit "B-2"
19 May 2025	Establishment of the Board Risk Oversight Committee, in addition to the Corporate Governance Committee, and the Internal Audit Committee. The Corporation resolved that each committee shall be chaired exclusively by an independent director, and no independent director shall concurrently chair two or more committees.	Exhibit "B-3"
19 May 2025	The Corporation shall declare that a cash dividend of forty percent (40%) of the net income from the fiscal year 2024, amounting to P10.06 per share, or a total of P147,555,607.20, payable by the end of July 2025 to all stockholders of record of the Corporation as of December 31, 2024.	Exhibit "B-4"
9 June 2025	Advisory about the issuance of Certificate of Incorporation of DECORP Renewables Inc. with Company Registration Number 2025060203931-15, wherein Dagupan Electric Corporation subscribed to 3,470,000 common shares of stock, with a par value of P100.00 per share, and with a fully paid-up subscription in the amount of P347,000,000.00.	Exhibit "B-5"

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of QUEZON CITY on MAY 15 2026 20__.

By:


ANGELIQUE MAXIME L. LLAMES-JAMES
 Chairperson of the Board


RENE BERNARD L. LLAMES
 President and CEO



CYNTHIA IRENE L. LLAMES
 Treasurer


LILIAN D. SARALDE
 Finance Manager

SUBSCRIBED AND SWORN to before me this day of MAY 15 2026 20__
 affiant(s) exhibiting to me the following documents

NAMES	COMPETENT EVIDENCE OF IDENTITY	VALID UNTIL	PLACE OF ISSUE
Angelique Maxime L. Llames-James	Driver's License No. N02-91-162837	30 June 2032	Quezon City
Rene Bernard L. Llames	Driver's License No. X01-05-002065	28 July 2032	Quezon City
Cynthia Irene L. Llames	UMID No. CRN-0111-3759385-8		Quezon City
Lilian D. Saralde	Driver's License No. N25-12-005017	12 March 2032	Quezon City

Doc. No. 064
 Page No. 014
 Book No. 443
 Series of 116


ATTY. BRYAN SPEKAS
 NOTARY PUBLIC FOR QUEZON CITY
 ADM. MATTER NO. NP-171 VALID UNTIL DEC. 31, 2026
 ROLL OF ATTORNEY NO. 66393/TIN 289-467 753
 IBP NO. 576803 DEC. 31, 2030, QUEZON CITY
 MCLE NO. VIII-0013054, VALID UNTIL 14/APR/2028
 PTR NO. 10438E01, JANUARY 5, 2026. MARIKINA CITY
 603 EDSA DIAMOND FINANCE, CUBAO, Q.C.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of PASIG CITY on 15 MAY 2026 20__.

By:


ERWIN MARK A. GAVINO
 Corporate Secretary

SUBSCRIBED AND SWORN to before me this 15 MAY 2026 day of _____ 20__
 affiant(s) exhibiting to me the following documents

NAMES	COMPETENT EVIDENCE OF IDENTITY	VALID UNTIL	PLACE OF ISSUE
Erwin Mark A. Gavino	PP No. P2303713C	08 Nov. 2032	DFA Manila

Notary Public

Doc. No. 385 ;
 Page No. 78 ;
 Book No. XL ;
 Series of 2026 ;


ATTY. ROMEO MANUEL JOSHUA B. MOVIDO
 Notary Public for Pasig City
 Suite 07 Unit G06 West Tower, Tektite Towers
 Exchange Road, Pasig City
 Roll of Attorney No. 66667
 Appointment No. 116 (2025-2026) valid until 31 December 2026
 IBP Member No. 539938 Pasig/ 28 February 2026
 PTR No. 3039044; 09 Jan. 2026; Pasig City
 MCLE Compliance No. VIII-002777; valid until 14 April 2028

**DAGUPAN ELECTRIC CORPORATION
INDEX TO EXHIBIT A**

Date of Report	Type of Report	Reference
15 May 2025	SEC 17-L for the quarter ended March 30, 2025	Exhibit "A-1"
17 May 2025	SEC 17-L for the year ended December 2023	Exhibit "A-2"
15 August 2025	SEC 17-L for the quarter ended June 30, 2025	Exhibit "A-3"
15 November 2025	SEC 17-L for the quarter ended September 30, 2025	Exhibit "A-4"
22 May 2025	SEC Form 17-Q for the Quarterly Financial Report as of and for the quarter ended March 31, 2025	Exhibit "A-5"
30 August 2025	SEC Form 17-Q for the Quarterly Financial Report as of and for the quarter ended June 30, 2025	Exhibit "A-6"
21 November 2025	SEC Form 17-Q for the Quarterly Financial Report as of and for the quarter ended September 30, 2025	Exhibit "A-7"
30 April 2025	SEC Form 17-C for the Annual Progress Report on the Application of Offering Proceeds for the year ended December 31, 2025	Exhibit "A-8"
15 April 2025	Audited Financial Statements with supplementary information required by the SEC as of and for the ended 31 December 2025	Exhibit "A-9"

**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



The following document has been received:

Receiving: RICHMOND CARLOS AGTARAP

Receipt Date and Time: May 13, 2025 04:31:57 PM

Company Information

SEC Registration No.: 0000018890

Company Name: DAGUPAN ELECTRIC CORP.

Industry Classification: E40100

Company Type: Stock Corporation

Document Information

Document ID: OST10513202583316998

Document Type: Notice of Inability to File AR or QR

Document Code: SEC_Form_17-L

Period Covered: May 13, 2025

Submission Type: As needed

Remarks: None

Acceptance of this document is subject to review of forms and contents

COVER SHEET

for

NOTIFICATION OF INABILITY TO FILE OR ANY PORTION OF SEC FORM 17-A OR 17-Q

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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Form Type

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Department requiring the report

S	E	C		
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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's email Address

decorp@decorp.com.ph

Company's Telephone Number

(632) 8374 3034

Mobile Number

9285066639

No. of Stockholders

55

Annual Meeting (Month / Day)

Every 3rd Tuesday of April

Fiscal Year (Month / Day)

31-Dec

CONTACT PERSON INFORMATION

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

Name of Contact Person

Lilian D. Saralde

Email Address

lds@decorp.com.ph

Telephone Number/s

(632) 8374 3039

Mobile Number

9285066639

CONTACT PERSON'S ADDRESS

VERIA I Bldg., 62 West Avenue, Quezon City

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.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-L

NOTIFICATION OF INABILITY TO FILE ALL OR ANY PORTION OF SEC FORM 17-A OR 17-Q

Check One:

Form 17-A [] Form 17-Q [✓]

Period-Ended Date of required filing **March 31, 2025**

Date of this report **May 15, 2025**

Nothing in this Form shall be construed to imply that the Commission has verified any information contained herein.

If this notification relates to a portion or portions of the filing checked above, identify the item(s) to which the notification relates: **SEC FORM 17-Q**

1. SEC Identification Number **18890** 2. BIR Tax Identification No. **000-202-524**

3. **DAGUPAN ELECTRIC CORPORATION**
Exact name of issuer as specified in its charter

4. **DAGUPAN CITY, PANGASINAN, PHILIPPINES**
Province, country or other jurisdiction of incorporation

5. Industry Classification Code: (SEC Use Only)

6. **AB FERNANDEZ ST., DAGUPAN CITY** **2400**
Address of principal office Postal Code

7. **(632) 83743039**
Issuer's telephone number, including area code

8. **NOT APPLICABLE**
Former name, former address, and former fiscal year, if changed since last report.

9. Are any of the issuer's securities listed on a Stock Exchange?

Yes [] No [✓]

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

.....

Part I - Representations

If the subject report could not be filed without unreasonable effort or expense and the issuer seeks relief pursuant to SRC Rule 17-1, the following should be completed. (Check box if appropriate)

(a) The reasons described in reasonable detail in Part II of this Form could not be estimated without unreasonable effort or expense. []

(b) The subject annual report on SEC Form 17-A, or portion thereof, will be filed on or before the fifteenth calendar day following the prescribed due date; or the subject quarterly report on SEC Form 17-Q, or portion thereof, will be filed on or before the fifth day following the prescribed due date. [✓]

(c) The accountant's statement or other exhibit required by paragraph 3 of SRC Rule 17-1 has been attached if applicable. []

Part II - Narrative

State below in reasonable detail the reasons why SEC Form 17-A or SEC Form 17-Q, or portion thereof, could not be filed within the prescribed period. (Attach additional sheets if needed)

The request to file the 17-Q beyond the prescribed period is to allow us sufficient time to complete the report for the first quarter of 2025.

Part III - Other Information

(a) Name, address and telephone number, including area code, and position/title of person to contact in regard to this notification

Lilian D. Saralde
Compliance Officer
Veria I Building, 62 West Avenue, Quezon City
Tel No. (632) 8374 3039

(b) Have all other periodic reports required under Section 17 of the Code and under Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months, or for such shorter period that the issuer was required to file such report(s), been filed? If the answer is no, identify the report(s).

Yes [✓] No [] Reports:

(c) Is it anticipated that any significant change in results of operations from the corresponding period for the last fiscal year will be reflected by the earnings statements to be included in the subject report or portion thereof?

Yes [] No [✓]

If so, attach an explanation of the anticipated change, both narratively and quantitatively, and, if appropriate, state the reasons why a reasonable estimate of the results cannot be made.

SIGNATURE

Pursuant to the requirements of the SRC Rule 17-1, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DAGUPAN ELECTRIC CORPORATION

Registrant's full name as contained in charter



RENE L. LLAMES

President and CEO

Date: May 13, 2025

**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/lmessagemo@sec.gov.ph



The following document has been received:

Receiving: Ma. Theresa Mabuyo

Receipt Date and Time: April 14, 2025 03:47:53 PM

Company Information

SEC Registration No.: 0000018890

Company Name: DAGUPAN ELECTRIC CORPORATION

Industry Classification: E40100

Company Type: Stock Corporation

Document Information

Document ID: OST10414202583169349

Document Type: Notice of Inability to File AR or QR

Document Code: SEC_Form_17-L

Period Covered: December 31, 2024

Submission Type: As needed

Remarks: None

Acceptance of this document is subject to review of forms and contents



Lilian Saralde <lds@decorp.com.ph>

MSRD_Dagupan Electric Corporation_SEC Form 17-A and SEC Form 17-L_17May2024

2 messages

Lilian Saralde <lds@decorp.com.ph>

Fri, May 17, 2024 at 3:12 PM

To: ictdsubmission@sec.gov.ph, MSRD Submission <msrdsubmission@sec.gov.ph>

Securities and Exchange Commission

Submitting the following reports:

SEC Form 17 A (2023 Annual Report) of Dagupan Electric Corporation

SEC Form 17 L

Regards,

Lilian Saralde
Dagupan Electric Corporation (DECORP)
Tel No. (632) 8374 3040

 SEC FORM 17-A 2023.pdf

3 attachments

 **SEC FORM 17-L-2023.pdf**
1919K

 **sec-form-17-a-Exhibit A-1-Final Prospectus dated 22 December 2023.pdf**
1595K

 **sec-form-17-a-Exhibit A-2-DECORP-AFS-2023.pdf**
2642K

ICTD Submission <ictdsubmission+canned.response@sec.gov.ph>

Fri, May 17, 2024 at 3:13 PM

To: lds@decorp.com.ph

Thank you for reaching out to ictdsubmission@sec.gov.ph!

Your submission is subject for Verification and Review of the Quality of the Attached Document only for Secondary Reports. The Official Copy of the submitted document/report with Barcode Page (Confirmation Receipt) will be made available after 7 working days via order through the SEC Express at <https://secexpress.ph/>. For further clarifications, please call (02) 8737-8888.

----- NOTICE TO
COMPANIES -----

Please be informed of the reports that shall be filed only through
ictdsubmission@sec.gov.ph.

Pursuant to SEC MC Circular No. 3 s 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in PORTABLE DOCUMENT FORMAT (pdf) through email at ictdsubmission@sec.gov.ph such as the following SECONDARY REPORTS:

1. 17-A 6. ICA-QR 11. IHAR 16. 39-AR 21. Monthly Reports
2. 17-C 7. 23-A 12. AMLA-CF 17. 36-AR 22. Quarterly Reports
3. 17-L 8. 23-B 13. NPM 18. PNFS 23. Letters
4. 17-Q 9. GIS-G 14. NPAM 19. MCG 24. OPC (Alternate Nominee)
5. ICASR 10. 52-AR 15. BP-FCLC 20. S10/SEC-NTCE-EXEMPT

Further, effective 01 July 2023, the following reports shall be submitted through <https://efast.sec.gov.ph/user/login>.

1. FORM MC 18 7. Completion Report
2. FORM 1 - MC 19 8. Certificate-SEC Form MCG- 2009
3. FORM 2- MC 19 9. Certificate-SEC Form MCG- 2002, 2020 ETC.
4. ACGR 10. Certification of Attendance in Corporate Governance
5. I-ACGR 11. Secretary's Certificate Meeting of Board Directors (Appointment)
6. MRPT

Please be informed that the submission of the abovementioned eleven (11) reports through the ictdsubmission@sec.gov.ph shall no longer be accepted. For further information, please access this link Notice for guidance on the filing of reports:

Likewise, the following reports shall be filed through the Electronic Filing and Submission Tool (eFAST) at <https://efast.sec.gov.ph/user/login> :

1. AFS 7. IHFS 13. SSF
2. GIS 8. LCFS 14. AFS with Affidavit of No Operation
3. BDFS 9. LCIF 15. AFS with NSPO Form 1,2, and 3
4. FCFS 10. OPC_AO 16. AFS with NSPO Form 1,2,3 and 4,5,6
5. FCIF 11. PHFS 17. FS - Parent
6. GFFS 12. SFFS 18. FS – Consolidated

For the submission and processing of compliance in the filing of Memorandum Circular No. 28 Series of 2020, please visit this link – <https://apps010.sec.gov.ph/>

For your information and guidance.

Thank you.

Part I - Representations

If the subject report could not be filed without unreasonable effort or expense and the issuer seeks relief pursuant to SRC Rule 17-1, the following should be completed. (Check box if appropriate)

(a) The reasons described in reasonable detail in Part II of this Form could not be estimated without unreasonable effort or expense.

(b) The subject annual report on SEC Form 17-A, or portion thereof, will be filed on or before the fifteenth calendar day following the prescribed due date; or the subject quarterly report on SEC Form 17-Q, or portion thereof, will be filed on or before the fifth day following the prescribed due date.

(c) The accountant's statement or other exhibit required by paragraph 3 of SRC Rule 17-1 has been attached if applicable.

Part II - Narrative

State below in reasonable detail the reasons why SEC Form 17-A or SEC Form 17-Q, or portion thereof, could not be filed within the prescribed period. (Attach additional sheets if needed)

Considering that the audit of the financial statements and related disclosures for the year ending December 31, 2023 was completed on April 30, 2024, the Company was unable to submit SEC Form 17-A within the prescribed period. Furthermore, we need sufficient time to prepare this report after the audit was finished.

Part III - Other Information

(a) Name, address and telephone number, including area code, and position/title of person to contact in regard to this notification

Lilian D. Saralde
Compliance Officer
Dagupan Electric Corporation
Veria I Building, 62 West Avenue, Quezon City
Tel No. (632) 8374 3039

(b) Have all other periodic reports required under Section 17 of the Code and under Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months, or for such shorter period that the issuer was required to file such report(s), been filed? If the answer is no, identify the report(s).

Yes No Reports: _____

(c) Is it anticipated that any significant change in results of operations from the corresponding period for the last fiscal year will be reflected by the earnings statements to be included in the subject report or portion thereof?

Yes No

If so, attach an explanation of the anticipated change, both narratively and quantitatively, and, if appropriate, state the reasons why a reasonable estimate of the results cannot be made.

SIGNATURE

Pursuant to the requirements of the SRC Rule 17-1, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DAGUPAN ELECTRIC CORPORATION

Registrant's full name as contained in charter



RENE L. LLAMES

President and CEO

Date: May 17, 2024

**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



The following document has been received:

Receiving: DONNA ENCARNADO

Receipt Date and Time: August 13, 2025 06:50:30 PM

Company Information

SEC Registration No.: 0000018890

Company Name: DAGUPAN ELECTRIC CORPORATION

Industry Classification: E40100

Company Type: Stock Corporation

Document Information

Document ID: OST10813202583656826

Document Type: Notice of Inability to File AR or QR

Document Code: SEC_Form_17-L

Period Covered: June 30, 2025

Submission Type: As needed

Remarks: None

Acceptance of this document is subject to review of forms and contents

COVER SHEET

for

NOTIFICATION OF INABILITY TO FILE OR ANY PORTION OF SEC FORM 17-A OR 17-Q

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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Form Type

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Department requiring the report

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Secondary License Type, if Applicable

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COMPANY INFORMATION

Company's email Address

decorp@decorp.com.ph

Company's Telephone Number

(632) 8374 3034

Mobile Number

9285066639

No. of Stockholders

54

Annual Meeting (Month / Day)

Every 3rd Tuesday of April

Fiscal Year (Month / Day)

31-Dec

CONTACT PERSON INFORMATION

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

Name of Contact Person

Lilian D. Saralde

Email Address

lds@decorp.com.ph

Telephone Number/s

(632) 8374 3039

Mobile Number

9285066639

CONTACT PERSON'S ADDRESS

VERIA I Bldg., 62 West Avenue, Quezon City

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.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-L

NOTIFICATION OF INABILITY TO FILE ALL OR ANY PORTION OF SEC FORM 17-A OR 17-Q

Check One:

Form 17-A [] Form 17-Q [✓]

Period-Ended Date of required filing June 30, 2025

Date of this report August 13, 2025

Nothing in this Form shall be construed to imply that the Commission has verified any information contained herein.

If this notification relates to a portion or portions of the filing checked above, identify the item(s) to which the notification relates: SEC FORM 17-Q

1. SEC Identification Number 18890 2. BIR Tax Identification No. 000-202-524

3. DAGUPAN ELECTRIC CORPORATION Exact name of issuer as specified in its charter

4. DAGUPAN CITY, PANGASINAN, PHILIPPINES Province, country or other jurisdiction of incorporation

5. Industry Classification Code: [] (SEC Use Only)

6. AB FERNANDEZ ST., DAGUPAN CITY 2400 Address of principal office Postal Code

7. (632) 83743039 Issuer's telephone number, including area code

8. NOT APPLICABLE Former name, former address, and former fiscal year, if changed since last report.

9. Are any of the issuer's securities listed on a Stock Exchange?

Yes [] No [✓]

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

.....

Part I - Representations

If the subject report could not be filed without unreasonable effort or expense and the issuer seeks relief pursuant to SRC Rule 17-1, the following should be completed. (Check box if appropriate)

(a) The reasons described in reasonable detail in Part II of this Form could not be estimated without unreasonable effort or expense. []

(b) The subject annual report on SEC Form 17-A, or portion thereof, will be filed on or before the fifteenth calendar day following the prescribed due date; or the subject quarterly report on SEC Form 17-Q, or portion thereof, will be filed on or before the fifth day following the prescribed due date. [✓]

(c) The accountant's statement or other exhibit required by paragraph 3 of SRC Rule 17-1 has been attached if applicable. []

Part II - Narrative

State below in reasonable detail the reasons why SEC Form 17-A or SEC Form 17-Q, or portion thereof, could not be filed within the prescribed period. (Attach additional sheets if needed)

The request to file the 17-Q beyond the prescribed period is to allow us sufficient time to complete the report for the second quarter of 2025.

Part III - Other Information

(a) Name, address and telephone number, including area code, and position/title of person to contact in regard to this notification

Lilian D. Saralde
Compliance Officer
Veria I Building, 62 West Avenue, Quezon City
Tel No. (632) 8374 3039

(b) Have all other periodic reports required under Section 17 of the Code and under Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months, or for such shorter period that the issuer was required to file such report(s), been filed? If the answer is no, identify the report(s).

Yes [✓] No [] Reports:

(c) Is it anticipated that any significant change in results of operations from the corresponding period for the last fiscal year will be reflected by the earnings statements to be included in the subject report or portion thereof?

Yes [] No [✓]

If so, attach an explanation of the anticipated change, both narratively and quantitatively, and, if appropriate, state the reasons why a reasonable estimate of the results cannot be made.

SIGNATURE

Pursuant to the requirements of the SRC Rule 17-1, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DAGUPAN ELECTRIC CORPORATION

Registrant's full name as contained in charter

Rene Llames
RENE L. LLAMES
President and CEO

Date: August 13, 2025

**SECURITIES AND EXCHANGE COMMISSION**

Secretariat Building, PICC Complex, Roxas Boulevard, Pasay City, 1307 Metro Manila Philippines

Tel: (632) 818-0921 Fax: (632) 818-5293 Email: mis@sec.gov.ph



The following document has been received:

Receiving: DONNA ENCARNADO

Receipt Date and Time: November 07, 2025 11:16:22 AM

Company Information

SEC Registration No.: 0000018890

Company Name: DAGUPAN ELECTRIC CORPORATION

Industry Classification: E40100

Company Type: Stock Corporation

Document Information

Document ID: OST11107202583811455

Document Type: Notice of Inability to File AR or QR

Document Code: SEC_Form_17-L

Period Covered: September 30, 2025

Submission Type: As needed

Remarks: None

Acceptance of this document is subject to review of forms and contents

COVER SHEET

for

NOTIFICATION OF INABILITY TO FILE OR ANY PORTION OF SEC FORM 17-A OR 17-Q

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

S	E	C		
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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's email Address

decorp@decorp.com.ph

Company's Telephone Number

(632) 8374 3034

Mobile Number

9285066639

No. of Stockholders

54

Annual Meeting (Month / Day)

Every 3rd Tuesday of April

Fiscal Year (Month / Day)

31-Dec

CONTACT PERSON INFORMATION

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

Name of Contact Person

Lilian D. Saralde

Email Address

lds@decorp.com.ph

Telephone Number/s

(632) 8374 3039

Mobile Number

9285066639

CONTACT PERSON'S ADDRESS

VERIA I Bldg., 62 West Avenue, Quezon City

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.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-L

NOTIFICATION OF INABILITY TO FILE ALL OR ANY PORTION OF SEC FORM 17-A OR 17-Q

Check One:

Form 17-A [] Form 17-Q [✓]

Period-Ended Date of required filing September 30, 2025

Date of this report November 7, 2025

Nothing in this Form shall be construed to imply that the Commission has verified any information contained herein.

If this notification relates to a portion or portions of the filing checked above, identify the item(s) to which the notification relates: SEC FORM 17-Q

1. SEC Identification Number 18890 2. BIR Tax Identification No. 000-202-524

3. DAGUPAN ELECTRIC CORPORATION Exact name of issuer as specified in its charter

4. DAGUPAN CITY, PANGASINAN, PHILIPPINES Province, country or other jurisdiction of incorporation

5. Industry Classification Code: [] (SEC Use Only)

6. AB FERNANDEZ ST., DAGUPAN CITY 2400 Address of principal office Postal Code

7. (632) 83743039 Issuer's telephone number, including area code

8. NOT APPLICABLE Former name, former address, and former fiscal year, if changed since last report.

9. Are any of the issuer's securities listed on a Stock Exchange?

Yes [] No [✓]

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

.....

Part I - Representations

If the subject report could not be filed without unreasonable effort or expense and the issuer seeks relief pursuant to SRC Rule 17-1, the following should be completed. (Check box if appropriate)

(a) The reasons described in reasonable detail in Part II of this Form could not be estimated without unreasonable effort or expense. []

(b) The subject annual report on SEC Form 17-A, or portion thereof, will be filed on or before the fifteenth calendar day following the prescribed due date; or the subject quarterly report on SEC Form 17-Q, or portion thereof, will be filed on or before the fifth day following the prescribed due date. [✓]

(c) The accountant's statement or other exhibit required by paragraph 3 of SRC Rule 17-1 has been attached if applicable. []

Part II - Narrative

State below in reasonable detail the reasons why SEC Form 17-A or SEC Form 17-Q, or portion thereof, could not be filed within the prescribed period. (Attach additional sheets if needed)

The request to file the 17-Q beyond the prescribed period is to allow us sufficient time to complete the report for the third quarter of 2025.

Part III - Other Information

(a) Name, address and telephone number, including area code, and position/title of person to contact in regard to this notification

Lilian D. Saralde
Compliance Officer
Veria I Building, 62 West Avenue, Quezon City
Tel No. (632) 8374 3039

(b) Have all other periodic reports required under Section 17 of the Code and under Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months, or for such shorter period that the issuer was required to file such report(s), been filed? If the answer is no, identify the report(s).

Yes [✓] No [] Reports:

(c) Is it anticipated that any significant change in results of operations from the corresponding period for the last fiscal year will be reflected by the earnings statements to be included in the subject report or portion thereof?

Yes [] No [✓]

If so, attach an explanation of the anticipated change, both narratively and quantitatively, and, if appropriate, state the reasons why a reasonable estimate of the results cannot be made.

SIGNATURE

Pursuant to the requirements of the SRC Rule 17-1, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DAGUPAN ELECTRIC CORPORATION

Registrant's full name as contained in charter

Rene Llames

RENE L. LLAMES

President and CEO

Date: November 7, 2025

**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



The following document has been received:

Receiving: Ma. Theresa Mabuyo

Receipt Date and Time: May 20, 2025 03:32:50 PM

Company Information

SEC Registration No.: 0000018890

Company Name: DAGUPAN ELECTRIC CORP.

Industry Classification: E40100

Company Type: Stock Corporation

Document Information

Document ID: OST10520202583376256

Document Type: Quarterly Report

Document Code: SEC_Form_17-Q

Period Covered: March 31, 2025

Submission Type: Original Filing

Remarks: None

Acceptance of this document is subject to review of forms and contents

COVER SHEET

for

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(B) THEREUNDER

SEC Registration Number

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COMPANY NAME

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

A	B		F	E	R	N	A	N	D	E	Z		S	T		D	A	G	U	P	A	N		C	I	T	Y		
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Form Type

17	-	Q		
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Department requiring the report

S	E	C	
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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's email Address

decorp@decorp.com.ph

Company's Telephone Number

(632) 8374 3040

Mobile Number

9285066639

No. of Stockholders

55

Annual Meeting (Month / Day)

Every 3rd Tuesday of April

Fiscal Year (Month / Day)

31-Dec

CONTACT PERSON INFORMATION

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

Name of Contact Person

Lilian D. Saralde

Email Address

lds@decorp.com.ph

Telephone Number/s

(632) 8374 3040

Mobile Number

9285066639

CONTACT PERSON'S ADDRESS

VERIA I Bldg., 62 West Avenue, Quezon City

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.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended March 31, 2025
2. Commission identification number 18890 3. BIR Tax Identification No. 000-202-524

DAGUPAN ELECTRIC CORPORATION

4. Exact name of issuer as specified in its charter

DAGUPAN CITY, PANGASINAN, PHILIPPINES

5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: (SEC Use Only)

AB FERNANDEZ ST., DAGUPAN CITY

7. Address of issuer's principal office

2400
Postal Code

(632) 8374 3039

8. Issuer's telephone number, including area code

NOT APPLICABLE

9. Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
<u>COMMON SHARES</u>	<u>14,662,000</u>

11. Are any or all of the securities listed on a Stock Exchange?

Yes [] No []

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

NOT APPLICABLE

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [] No []

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [] No []

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The Unaudited Interim Condensed Financial Statements of Dagupan Electric Corporation ("DECORP" or the "Company") as of and for the period ended March 31, 2025 (with comparative figures as of December 31, 2024 and for the period ended March 31, 2024) and Unaudited Notes to the Interim Condensed Financial Statements are attached as Annex A.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The information required by Part III, Paragraph (A)(2)(b) of "Annex C", is attached as Annex B.

PART II--OTHER INFORMATION

The following other information are attached as Annex C

- a) Schedules required under Annex 68-J of the Revised Securities Regulation Code Rule 68
- b) SEC Form 17-L for SEC Form 17-Q as of and for the quarter ended March 31, 2025

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer

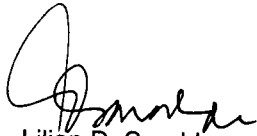
DAGUPAN ELECTRIC CORPORATION

Issuer

By:



Rene Bernard L. Llames
President and CEO



Lilian D. Saralde
Finance Manager and Compliance Officer

Date May 20, 2025

DAGUPAN ELECTRIC CORPORATION
UNAUDITED INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

	March 31, 2025 (Unaudited)	December 31 2024 (Audited)
ASSETS		
Noncurrent Assets		
Utility plant and equipment -note 4	3,892,567,556	3,878,693,425
Other property and equipment -note 5	81,991,002	85,820,987
FVOCI -note 6	152,000,000	152,000,000
Deferred tax assets -note 21	28,005,805	28,005,805
	4,154,564,363	4,144,520,217
Current Assets		
Cash and cash equivalents -note 7	2,368,887,566	2,179,835,209
Trade and other receivables -note 8	510,298,264	634,507,090
Financial assets at FVPL -note 9	184,270,386	184,270,386
Inventories -note 10	74,256,637	116,360,970
Prepayments and other current assets -note 11	59,818,910	66,010,239
	3,197,531,763	3,180,983,894
TOTAL ASSETS	7,352,096,126	7,325,504,111
EQUITY AND LIABILITIES		
Equity		
Capital stock -note 15	1,466,200,000	1,466,200,000
Additional paid-in capital	1,141,724,320	1,141,724,320
Revaluation reserve -notes 4 and 5	1,463,232,958	1,480,510,625
Remeasurement gain (loss) on retirement benefits -note 18	2,962,763	2,962,763
Retained earnings -note 14		
Appropriated	0	0
Unappropriated	1,596,104,429	1,550,957,603
	5,670,224,471	5,642,355,311
Current Liabilities		
Trade and other payables -note 12	694,318,914	703,472,335
Dividends payable	0.03	0.03
Income tax payable	51,338,072	36,880,505
	745,656,986	740,352,841
Noncurrent Liabilities		
Customers' deposit -note 13	337,024,731	337,846,798
Deferred tax liabilities -note 21	512,929,374	518,688,596
Retirement benefits obligation -note 18	86,260,564	86,260,564
	936,214,669	942,795,958
TOTAL EQUITY AND LIABILITIES	7,352,096,126	7,325,504,110

See accompanying Notes to Unaudited Interim Condensed Financial Statements

DAGUPAN ELECTRIC CORPORATION
UNAUDITED INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	Unaudited	
	For the Three Months Ended March 31	
	2025	2024
REVENUES -note 17	908,886,453	887,764,976
OPERATING EXPENSES		
Purchases power -note 21	712,390,959	684,536,796
Operating and maintenance -note 19	67,117,726	95,084,427
Depreciation	52,991,669	52,563,614
Taxes other than income tax	36,572,881	12,082,930
	869,073,235	844,267,767
INCOME FROM OPERATIONS	39,813,217	43,497,209
OTHER INCOME (CHARGES)	3,001,414	1,619,243
INCOME BEFORE INCOME TAX	42,814,631	45,116,452
PROVISION FOR INCOME TAX	20,704,694	17,040,581
NET INCOME	22,109,937	28,075,871
OTHER COMPREHENSIVE INCOME		
Not to be reclassified to profit or loss in the subsequent periods		
Remeasurement gain (loss) on retirement benefits, net of tax	-	
TOTAL COMPREHENSIVE INCOME	22,109,937	28,075,871
Earnings Per Share	1.51	1.91

See accompanying Notes to Unaudited Interim Condensed Financial Statements

DAGUPAN ELECTRIC CORPORATION
UNAUDITED INTERIM CONDENSED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024

	Capital Stock -note 15	Additional Paid-in Capital	Revaluation Reserve	Remeasurement Gain (Loss) on Retirement Benefits	Appropriated Retained Earnings	Unappropriated Retained Earnings	Total Equity
Balance at January 1, 2025	1,466,200,000	1,141,724,320	1,480,510,625	2,962,764	-	1,550,957,608	5,642,355,317
Net Income						22,109,937	22,109,937
Depreciation on appraisal increase transferred to unappropriated retained earnings			-23,036,889			23,036,889	-
Income tax effect on the revaluation increment charged to operations through additional depreciation charges			5,759,222				5,759,222
Remeasurement gain on retirement benefits , net of tax	0	0	-17,277,666	0	0	45,146,826	27,869,159
Balance at March 31, 2025	1,466,200,000	1,141,724,320	1,463,232,959	2,962,764	-	1,596,104,434	5,670,224,476
Balance at January 1, 2024	1,246,200,000	189,124,320	1,549,621,291	2,962,764	400,000,000	831,949,016	4,219,857,391
Net income						28,075,871	28,075,871
Depreciation on appraisal increase transferred to unappropriated retained earnings			-24,109,675			24,109,675	-
Income tax effect on the revaluation increment charged to operations through additional depreciation charges			6,027,419				6,027,419
Remeasurement gain on retirement benefits, net of tax							-
Transaction with owners							-
Cash dividends							-
Public offering	220,000,000	952,600,000					1,172,600,000
Transfer to unappropriated earnings							-
	220,000,000	952,600,000	-18,082,256	-	-	52,185,546	1,206,703,290
Balance at March 31, 2024	1,466,200,000	1,141,724,320	1,531,539,035	2,962,764	400,000,000	884,134,562	5,426,560,681

DAGUPAN ELECTRIC CORPORATION
UNAUDITED INTERIM CONDENSED STATEMENTS OF CASH FLOWS

	Unaudited	
	For the Three Months Ended March 31	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	42,814,631	45,116,452
Adjustment for:		
Depreciation -notes 4 and 5	52,991,669	52,563,614
Retirement benefit expense -note 18		
Provision for ECL -note 8		
Interest expense -note 13	30,764	
Fair value loss on financial assets at FVPL -note 9		
Interest income -note 7	-1,069,417	-1,063,803
Gain on sale of transportation equipment -note 5		
Operating income before working capital changes	94,767,648	96,616,263
Decrease (increase) in:		
Trade and other receivables	124,208,826	7,506,895
Inventories	42,104,333	5,217,873
Prepayments and other current assets	6,191,329	-18,509,819
Increase (decrease) in:		
Trade and other payables	-9,153,421	23,600,304
Dividends payable		
Customers' deposits	-822,067	-202,259
Cash generated from operations	257,296,647	114,229,257
Interest received -note 7	1,069,417	1,063,803
Income tax paid	-6,247,128	
Interest paid	-30,764	
Net cash provided by operating activities	252,088,173	115,293,060
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment -notes 4 and 5	-63,035,816	-35,559,770
Proceeds from financial assets at FVPL -note 9		
Acquisition of financial assets at FVOCI		
Proceeds from sale of transportation equipment -note 5		
Net cash used in investing activities	-63,035,816	-35,559,770
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of cash dividends		
Proceeds from public offering		1,172,600,000
Net cash used in financing activities	0	1,172,600,000
NET INCREASE IN CASH AND CASH EQUIVALENTS	189,052,357	1,252,333,290
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	2,179,835,209	886,889,217
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD -note 7	2,368,887,566	2,139,222,507

DAGUPAN ELECTRIC CORPORATION

Notes to Interim Condensed Financial Statements

For the Period Ended March 31, 2025 and 2024, and December 31, 2024

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of the Company’s financial statements for the year ended December 31, 2023 have been adopted in the preparation of the interim condensed financial statements. The policies have been consistently applied to all the periods presented, unless otherwise stated.

Statement of Compliance

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS) and Interpretations issued by the former Standing Interpretations Committee (SIC), the Philippine Interpretations Committee (PIC) and the International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by SEC.

Basis of Preparation

The interim condensed 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).

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, 2023.

PAS 1 and PFRS Practice Statement 2 (Amendments) Disclosure of Accounting Policies. The narrow-scope amendments PAS 1, *Presentation of Financial Statements* require entities to disclose material accounting policy information instead of significant accounting policies. The amendments also clarify the following: (1) accounting policy information may be material because of its nature, even if the related amounts are immaterial; (2) accounting policy is material if users of an entity's financial statements would need it to understand other material information in the statements; and (3) if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. Further, the amendments provide several paragraphs to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material. In addition, PFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of 'four-step materiality process' to accounting policy information in order to support the amendments to PAS 1. The amendments are applied prospectively. The amendments are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted. Once the entity applies the amendments to PAS 1, it is also permitted to apply the amendments to PFRS Practice Statement 2. The amendments do not have a material impact on the interim financial statements of the Company.

PAS 8 (Amendments) Definition of Accounting Estimates. The amendments to PAS 8, *Accounting Policies, Changes* focus entirely on accounting estimates and clarify the following:

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
- A change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

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

New accounting standards and amendments to existing standards effective subsequent to January 1, 2023

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 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 interim financial statements of the Company.

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, fair value through other comprehensive income (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, and trade and other receivables (see Notes 7 and 8). Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash depending on the immediate cash requirements of the Company and are subject to an insignificant risk of change in value.

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 March 31, 2025 and December 31, 2024, 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 March 31, 2025 and December 31, 2024, the Company's equity instruments at FVOCI consists 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, 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), dividend payable and customers' deposits (see Notes 12, 13 and 14).

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 of 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.

Creditable withholding taxes are stated at cost less any impairment in value. Creditable withholding tax is deducted from income tax payable on the same year the revenue is recognized.

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 dividends out of treasury shares. It also includes shares issued and offered for sale 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.

Foreign Currency Transactions

Transactions in foreign currencies are recorded in Philippine peso using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rate at the reporting date. All foreign exchange gains and losses are recognized in profit or loss.

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.

Rereasurement 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. Rereasurement is not reclassified to profit or loss in subsequent periods. Rereasurement 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 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 as at March 31, 2025 and December 31, 2024. The carrying amount of trade and other receivables amounted to ₱510,298,264 and ₱634,507,090 as at March 31, 2025 and December 31, 2024, 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 ₱74,256,637 and ₱116,360,970 as at March 31, 2025 and December 31, 2024, 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 ₱2,408,350,991 and ₱2,360,581,456, amounted to ₱3,892,567,556 and ₱3,878,693,425 as at March 31, 2025 and December 31, 2024, respectively (see Note 4).

Other property and equipment, net of accumulated depreciation of ₱286,844,156 and ₱281,644,033 amounted to ₱81,991,002 and ₱85,820,987 as at March 31, 2025 and December 31, 2024, 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 ₱3,892,567,556 and ₱3,878,693,425 as at March 31, 2025 and December 31, 2024, respectively (see Note 4).

The fair value of other property and equipment amounted to ₱81,991,002 and ₱85,820,987 as at March 31, 2025 and December 31, 2024, respectively (see Note 5).

Impairment of non-financial assets

PFRS 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 March 31, 2025 and December 31, 2024.

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 ₱184,270,386 as at March 31, 2025 and December 31, 2024 (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 ₱908,886,453 and ₱887,764,976 for the three-month ended March 31, 2025 and 2024, 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 as at March 31, 2025 and December 31, 2024, respectively (see Note 18).

4. UTILITY PLANT AND EQUIPMENT

The reconciliation of this account is as follows:

March 31, 2025

	Amount in thousands					Total
	Distribution	Tools and equipment	Land	Buildings and improvements	Construction in progress	
Cost						
Net carrying amount, January 1, 2025	₱ 1,648,887	₱ 8,281	₱82,003	₱53,108	₱83,368	₱ 1,875,647
Additions	51,433	2,196	-	472	7,542	61,643
Depreciation	(24,316)	(441)		(1,053)		(25,810)
Reclassification						
Net carrying amount, March 31, 2025	1,676,006	10,035	82,003	52,527	90,911	1,911,480

Appraisal increase (decrease in value)

Net carrying amount, January 1, 2025	1,579,785	(5,872)	411,893	17,240	2,003,046
Depreciation	(21,814)			(146)	(21,960)
Net carrying amount, March 31, 2025	1,557,971	(5,872)	411,893	17,094	1,981,086
	₱3,233,977	₱4,163	₱493,896	₱69,621	₱90,911
					₱3,892,556

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						
Net carrying amount, December 31, 2024	₱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

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

	Amount in thousands					
	Distribution	Tools and equipment	Land	Buildings and improvements	Construction in progress	Total
March 31, 2025	₱1,676,006	₱10,035	₱82,003	₱52,527	₱90,911	₱1,911,480
December 31, 2024	₱1,648,887	₱8,281	₱82,003	₱53,108	₱83,368	₱1,755,870

Depreciation on utility, plant and equipment for the three-month periods ended March 31, 2025 and 2024 charged to operating expenses amounted to ₱47,769,535 in 2025 and ₱46,434,722 in 2024 (including depreciation on appraisal increase of ₱21,959,565 and ₱21,955,027 for the three months period ended March 31, 2025 and 2024, respectively).

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 accumulated depreciation of appraisal increase except for land in which the resulting increase in value 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:

- a. 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.
- b. 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 March 31, 2025 and December 31, 2024. These assets are free from any liens and encumbrances.

5. OTHER PROPERTY AND EQUIPMENT

The reconciliation of this account is as follows:

March 31, 2025

	Transportation equipment	Office furniture and equipment	Total
Cost			
Net carrying amount, January 1, 2025	₱65,349,954	₱18,161,173	₱83,511,127
Additions	900,160	491,989	1,392,149
Depreciation	(2,754,035)	(1,390,775)	(4,144,810)
Net carrying amount, March 31, 2025	63,496,079	17,262,387	80,758,466
Appraisal Increase (decrease in value)			
Net carrying amount, January 1, 2025	7,327,200	(5,017,340)	2,309,860
Depreciation	(1,077,324)		(1,077,324)
Net carrying amount, March 31, 2025	6,249,876	(5,017,340)	1,232,536
	₱69,745,955	₱12,245,047	₱81,991,002
Cost			
Accumulated depreciation	(166,905,886)	(77,882,096)	(244,787,982)
Net carrying amount, March 31, 2025	63,496,079	17,262,387	80,758,466
Appraisal increase	37,799,778	5,488,926	43,288,704
Accumulated depreciation	(31,549,908)	(10,506,266)	(42,056,174)
Net carrying amount, March 31, 2025	6,249,871	(5,017,340)	1,232,530
	₱69,745,955	₱12,245,047	₱81,991,002

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	(10,483,331)	(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			
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

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
March 31, 2025	₱63,496,079	₱17,262,387	₱80,758,466
December 31, 2024	₱65,349,954	₱18,161,173	₱83,511,127

Depreciation on other property and equipment for the three months period ended March 31, 2025 and March 31, 2024 amounted to ₱5,222,134 and ₱6,128,892, respectively.

There are no other property and equipment held as collateral for liabilities as at March 31, 2024 and December 31, 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 Securities and Exchange Commission in compliance with the EPIRA and whose shares are not traded in any Exchange.

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 March 31, 2025, 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:

	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
Cash on hand	₱993,331	₱994,042
Cash in banks	1,054,413,882	975,360,814
Short-term deposits	1,313,480,353	1,203,480,353
Total	₱2,368,887,566	₱2,179,835,209

Cash in banks earn interest at prevailing bank deposit rates. Total interest earned on cash in banks, net of final tax, amounted to ₱1,069,417 and ₱1,063,803 for the three months ended March 31, 2025 and 2024, respectively, and is included in "Interest income" presented under "Other income (charges)" account in the statements of comprehensive income (see Note 20).

8. TRADE AND OTHER RECEIVABLES (NET)

This account consists of:

	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
Trade receivables	₱462,566,231	₱586,356,765
Other receivables	62,247,790	62,666,082
	524,814,021	649,022,847
Allowance for ECLs on trade receivables	14,515,757	14,515,757
	₱510,298,264	₱634,507,090

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 ₱512,438,377 and ₱507,826,592 as at March 31, 2025 and December 31, 2024, respectively.

Trade receivables from sale of electricity consist of:

	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
Residential retail	₱245,335,000	₱514,818,990
General retail	107,689,784	104,769,342
Bulk power	24,112,453	55,082,791
General power	48,607,883	53,781,344
Universal charges	9,347,767	10,970,591
Street lights	6,272,143	7,719,625
FIT-All	4,060,653	3,695,903
Others	17,140,548	35,528,179
	462,566,231	₱586,356,765

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 and other receivables follow:

	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
Balance at beginning of year	₱14,515,757	₱114,229,987
Provision for ECLs – note 19		2,631,403
Write-off		(2,345,633)
Balance at end of year	₱ 14,515,757	₱ 14,515,757

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.

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 March 31, 2025 and December 31, 2024.

The amount still for refund to customers was ₱8,989,934 and ₱8,990,752 as of March 31, 2025 December 31, 2024, 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 periods ended are as follow:

	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
Cost		
Balance at beginning of year	₱184,270,387	₱181,638,774
Disposal		-
Balance at end of period	184,270,387	181,638,774
Cumulative net unrealized loss in fair value:		
Balance at beginning of period		(6,436,360)
Fair value adjustment		9,067,973
Balance at end of period		2,631,613
	₱184,270,387	₱184,270,387

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.

The unit investment trust funds and mutual funds are invested in fixed income, bond and balanced funds as at March 31, 2025 and December 31, 2024.

10. INVENTORIES

This account consists of materials and supplies for power distribution and service segments. As at March 31, 2025 and December 31, 2024, there are no inventories pledged or held as collateral.

11. PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of:

	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
Prepaid tax		
VAT	39,137,595	₱45,276,929
Real Property Tax	9,462,768	12,623,402
Insurance	4,596,961	1,563,347
Advances to TransCo	5,858,942	5,858,942
Others		687,718
	₱59,818,909	₱66,010,338

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 ₱5,858,942 in compliance with the Decision. However, on November 21, 2014, National Grid Corporation of the Philippines (NGCP) filed a 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 March 31, 2025.

12. TRADE AND OTHER PAYABLES

This account consists of:

	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
Trade payables	287,587,475	₱249,274,778
Customers’ deposits (current portion) – note 13	247,386,126	240,763,052

Output VAT	37,198,483	42,580,380
Accrued expenses and other current liabilities	79,341,865	118,644,342
Universal charges payable	26,613,586	25,748,003
Accrued taxes	(10,150,725)	1,079,671
WESM regulated prices payable	8,989,934	8,990,752
FIT-All payable	11,246,533	10,161,233
Others	6,105,636	6,230,124
	694,318,913	703,472,335

Trade payables and output VAT

Trade payable represents the Company's liabilities to GNPowr Mariveles Energy Center Ltd. Co., (GMEC), One Manoaagsolar 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 amounting to ₱246,533,682 and ₱239,779,031 as at March 31, 2025 and December 31, 2024, respectively (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 ₱6,105,636 and ₱6,230,124 as at March 31, 2025 and December 31, 2024, 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:

	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
Bill deposits	₱265,904,696	₱267,063,540
COLE deposits	57,451,587	57,526,252
Pole attachment deposits	13,668,448	13,257,006
	₱337,024,731	₱337,846,798

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 ₱246,533,682 and ₱239,779,031 as at March 31, 2025 and December 31, 2024, 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 ₱30,764 and nil for the three months ended March 31, 2025 and 2024, respectively.

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 2024 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: 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) Appropriation of ₱400,000,000 for the following capital expenditures: 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 are payable on various dates up to September 29, 2023.

15. CAPITAL STOCK

The details of capital stock are as follow:

	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
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	1,246,200,000	1,246,200,000
Initial public offering shares	220,000,000	220,000,000
Outstanding	₱1,466,200,000	₱1,466,200,000

On December 27, 2023, the SEC rendered effective DECORP'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.

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 ₱344,784 in 2025 and ₱ 313,440 in 2024 and payable at the end of each month. Total rent expense charged to operations amounted to ₱1,034,352 and ₱940,320 for the three-month ended 31 March 2025 and 2024, respectively, 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:

	March 31, 2025 (Unaudited)	March 31, 2024 (Unaudited)
Salaries	₱5,339,450	₱3,871,500
Short-term employee benefits	58,560	47,785
	₱5,398,010	₱3,919,285

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

17. REVENUES

This account consists of:

	March 31, 2025 (Unaudited)	March 31, 2024 (Unaudited)
Electric revenues	₱902,509,651	₱885,638,620
Other revenues	6,376,801	2,126,349
	₱908,886,453	₱887,764,976

In compliance with Section 36 of R.A. No. 9136, the Company is required to unbundle its billing charges to customers. For the three months ended March 31, 2025 and 2024, the details of electric revenues are as follows:

	March 31, 2025 (Unaudited)	March 31, 2024 (Unaudited)
Generation revenue	₱528,237,320	₱535,966,111
Distribution revenue	166,206,172	161,851,946
Transmission revenue	105,574,061	89,748,398
System loss revenue	49,105,006	47,197,145
Supply revenue	26,536,684	24,723,049
Metering charge	19,040,475	17,921,245
Local franchise tax	5,510,268	3,595,960
Real property tax recovery	2,313,228	2,345,106
Lifeline charge (discount)	8,390	2,313,578
Senior citizen charge (discount)	(3,739)	(6,843)
Other discount	(18,212)	(17,075)
	₱902,509,651	₱885,638,620

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 31 March 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 31 March 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 31 March 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 31 March 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.

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.

On February 10, 2024, the Company filed an Urgent Omnibus Motion to Withdraw its application docketed as ERC Case No. 2022-020RC, “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 20).

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

	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
Present value of obligation	₱129,839,462	₱129,839,462
Fair value of plan assets	(43,578,898)	(43,578,898)
	₱86,260,564	₱86,260,564

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

As at March 31, 2025 and December 31, 2024, the cumulative rereasurement loss 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:

	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
Balance at beginning of period	₱86,260,564	₱72,982,180
Retirement benefits expense	-	15,918,363
Contributions paid	-	(2,639,979)
Remeasurement gain	-	-
Balance at end of period	₱86,260,564	₱86,260,564

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

	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
Present value of obligation, January 1	₱129,839,462	₱113,921,099
Current service cost	-	8,855,255
Interest cost	-	7,063,108
Benefits paid	-	-
Actuarial gain	-	-
Present value of obligation, December 31	₱129,839,462	₱129,839,462

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

	March 31, 2025	December 31, 2024
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	(Unaudited)	(Audited)
Fair value of plan assets, January 1	₱43,578,898	₱40,938,912
Interest income included in net interest cost	-	
Benefits paid	-	
Contributions	-	2,639,979
Actuarial gain	-	
Fair value of plan assets, December 31	₱43,578,898	₱43,578,898

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 as at March 31, 2025 and December 31, 2024, 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.

19. OPERATIONS AND MAINTENANCE

This account consists of:

	March 31, 2025 (Unaudited)	March 31, 2024 (Unaudited)
Salaries and wages	₱42,314,743	₱39,211,733
Outside services	7,425,358	7,630,490
Professional fees	564,000	34,358,258
Repairs and maintenance	3,714,823	4,243,696
Retirement benefits expense – note 18	-	-
Telephone and water	1,707,684	1,243,386
Transportation	1,251,122	1,284,497
Office supplies	1,337,652	868,799
Rent	1,162,071	1,061,700
Representation expense		
Insurance	526,872	575,276
Electric materials	1,768,755	669,706
Training and seminars	121,060	125,488
Donations	207,718	65,000
Association and membership fees	-	69,630
Advertising and promotion	-	-
Provision for ECLs – note 8	-	-
Others	5,015,868	3,676,768
	₱67,117,726	₱95,084,427

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

20. OTHER INCOME (CHARGES)

This account consists of:

	March 31, 2025 (Unaudited)	March 31, 2024 (Unaudited)
Interest income – note 7	₱1,069,417	₱1,063,802
Fair value loss on financial assets at FVPL – note 9		-
Interest expense – note 13-	(30,764)	-
Others:		
Bank charges		975
Gain on sale of equipment – note 5		
Gain on foreign exchange	(1,351)	2,000
Miscellaneous income	1,986,177	552,463
	₱3,001,414	₱1,619,240

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

21. AGREEMENTS

The details of purchased power are as follow:

	March 31, 2025 (Unaudited)	March 31, 2024 (Unaudited)
Generation cost		
GMCP	₱269,019,453	₱260,349,213
WESM	166,726,802	146,154,984
EDC	111,586,155	136,415,018
OMSC	44,855,143	48,354,209
Transmission cost:		
NGCP	120,203,405	93,263,372
	₱712,390,958	₱684,536,796

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.

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.

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 for the three-month ended March 31, 2025 and 2024 amounted to ₱4,607,678 and ₱1,456,643, respectively, and is included in the “Other revenues” account under the “Revenues” section in the statements of comprehensive income (see note 17).

22. 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.

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:

		March 31, 2025			
		Basis of recognizing ECL	Gross carrying amount	Loss allowance	Net carrying amount
Cash in banks and cash equivalents	(a)		₱2,368,887,566	₱-	₱2,368,887,566
Trade receivables	(b)	Lifetime ECL	462,566,231	14,515,757	448,050,474
Other receivables	(b)		62,247,790		62,247,790
Rental deposits	(c)		679,643		679,643
			₱2,894,381,230	₱14,515,757	₱2,879,865,473

December 31, 2024					
		Basis of recognizing ECL	Gross carrying amount	Loss allowance	Net carrying amount
Cash in banks and cash equivalents	(a)		₱2,178,998,214	₱-	₱2,178,998,214
Trade receivables	(b)	Lifetime ECL	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
			₱1,426,170,756	₱21,220,837	₱2,817,193,022

- (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:

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 March 31, 2025 and December 31, 2024 and 2022, the financial liabilities have contractual maturities as follow:

	March 31, 2025		December 31, 2024	
	Due within one year	Due beyond one year	Due within one year	Due beyond one year
Trade payables	₱290,550,239	₱-	₱249,274,778	₱-
Other payables*	130,097,124	-	163,790,780	-
Dividend payable	-	-	-	-
Customers' deposits	240,763,052	337,024,731	240,763,052	337,846,798
<i>E</i>	₱661,410,415	₱334,722,270	₱653,828,610	₱337,846,798

*Excluding statutory payables and other liabilities to government agencies amounting to ₱32,908,499 as at March

31, 2025 and ₱42,580,380 as at December 31, 2024.

23. 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 Securities and Exchange Commission (SEC). The registration of DECORP'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.

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**PART II: MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITIONS
AND RESULTS OF OPERATIONS**

The following discussions and analysis of financial position and results of operation of Dagupan Electric Corporation (“DECORP” or the “Company”) should be read in conjunction with the unaudited interim condensed financial statements as of and for the period ended March 31, 2025 with comparative figures as of December 31, 2024 and for the three months ended March 31, 2024.

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 interim condensed 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 Indicator

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

Condensed Statements of Financial Position

			Increase (Decrease)	
	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)	Amount	%
Total assets	₱7,352	₱7,326	₱27	.36
Current assets	3,198	3,180	17	0.52
Cash and cash equivalents	2,369	2,180	189	9
Non-current liabilities	936	943	-7	-0.70
Current liabilities	746	740	5	0.72
Total liabilities	1,682	1,683	1	-0.08

Condensed Statements of Income

	Unaudited		Increase (Decrease)	
	Three Months Ended March 31		Amount	%
	2025	2024		
Revenues	₱909	₱888	₱21	2
Costs and expenses	869	844	25	3
Other income, net of expenses	3	2	1	85
Income before income tax	43	45	-2	-5
Net income	22	28	6	-21
Earnings per share (EPS)	1.51	1.91	-.41	-21

Condensed Statements of Cash Flows

	Unaudited		Increase (Decrease)	
	Three Months Ended March 31			
	2025	2024	Amount	%
Net cash provided by (used in) operating activities	₱252	₱115	₱137	119
Net cash provided by (used in) investing activities	63	36	27	77
Net cash provided by (used in) financing activities	0	1,173	-1,173	-100

Operational Data

	Unaudited		Increase (Decrease)	
	Three Months Ended March 31			
	2025	2024	Amount	%
Number of Customers				
Residential	129,746	126,890	2,853	2
Commercial	13,603	13,200	403	3
Industrial	35	34	1	3
Streetlight	48	54	-6	-11
Electricity sales (MWh)	115,106	109,076	3,251	2
System loss (%)	7.10	6.85	-0.25	-4

Key Performance Indicators (“KPI”)

Financial KPI	Definition	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
Debt to equity	Total liabilities / Total equity	.30	.30
Current ratio	Current assets/Current Liabilities	4.29	4.30

		Unaudited	
		March 31, 2025	December 31, 2024
Net profit margin	(Net income / Revenues) x 100	2%	3%
Return on equity	(Net income / Average shareholders' equity) x 100	0.4%	1%
Return on assets	(Net income / Average total assets) x 100	0.08%	0.4%

2025 compared with 2024

Results of Operations

The results of operations for the three months ended March 31, 2025 and 2024 are discussed below:

Condensed Statements of Income

	Unaudited		Increase (Decrease)	
	Three Months Ended March 31		Amount	%
	2025	2024		
Revenues	₱909	₱888	₱21	2
Costs and expenses	869	844	25	3
Other income, net of expenses	3	2	1	85
Income before income tax	43	45	-2	-5
Net income	22	28	6	-21
Earnings per share (EPS)	1.51	1.91	-.41	-21

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 of DECORP for the first quarter of 2025 were ₱909 million, which was ₱21 million or 2% higher in the same period in 2024 due to a higher volume of electricity distributed and a higher pass-through transmission charge.

	2025		2024		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Generation	₱528	58	₱536	60	8	-1
Transmission	106	12	90	10	16	18
System Loss	49	5	47	5	2	4
Distribution	212	23	204	23	7	4
Other pass-through charges	7.8	0.8	8.2	0.9	-0.42	-5
Other revenues	6	0.7	2	0.2	4	200
Total	₱909	100	₱888	100	₱21	2

The generation charge, accounting for 58% of the total revenues, for the first quarter of 2025 dropped by 1% compared to the same period of the previous year. The decrease in the cost of producing electricity was driven by a sharp decline in Wholesale Electricity Spot Market (WESM) prices, which effectively balanced out the impact of increased fuel prices and the weaker peso.

The transmission charge, which was 10% of the total revenues, went up by 16% due to higher ancillary service charges from additional capacity sourced by the National Grid Corporation (NGCP) from new Ancillary Service Procurement Agreements (“ASPAs”) and the reserve market.

DECORP’s average retail rate was ₱8.89 per kWh and ₱9.15 per kWh in the first quarter of 2025 and 2024, respectively. The decline in the retail rate was due to lower generation

charges and compliance with ERC Resolution No. 18, Series of 2024, “A Resolution Directing Distribution Utilities to Refund All Collected and Unutilized Regulatory Reset Experts Cost and Cease Any Future Collection Thereof,”

The following summarizes the customer volume and the corresponding electricity consumption per customer type for the three months ended March 31, 2025 and 2024:

Customer Type	No. of Customers		Electricity Sales (in MWh)		% Change	
	2025	2024	2025	2024	No. of Customers	Electricity Sales
Residential	129,743	126,890	59,905	55,605	2.25	8
Commercial	13,603	13,200	36,704	34,301	3.05	7
Industrial	35	34	17,413	18,070	2.94	-4
Streetlights	48	54	1,084	1,100	-11	-1
Total	143,429	140,178	115,106	109,075	2.32	6

The energy sales of DECORP totaled 115,106 MWh for the quarter ending March 31, 2025, reflecting a 6% increase from 109,075 MWh for the quarter ending March 31, 2024.

The energy sales in the residential segment, which accounted for 52% of DECORP’s energy sales mix, increased by 8%, or from 55,605 MWh in 2024 to 59,905 MWh in 2025. The increase in energy consumption during the first quarter of 2025 was attributed to the growth in the customer base.

The commercial segment’s sales went up to 36,704 MWh in 2025, or a 7% increase from the 34,301 MWh in 2024. The increase in energy consumption reflected both the expanding customer base and the surge of investment in the Ilocos Region, of which Pangasinan accounted for the majority of these investments, particularly within the micro, small, and medium-sized industries.

Electricity sales in the industrial segment closed the period with 17,413 MWh, or a 4% decrease from the 18,070 MWh in the first quarter of 2024.

Costs and Expenses

The costs and expenses of DEORP for the three months ended March 31, 2025 amounted to ₱869 million, an increase of 3% or ₱25 million from the ₱844 million in the same period in 2024. The following are the details of the costs and expenses:

	Unaudited					
	For the Three Months Ended March 31					
	2025		2024		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Purchased power	₱712	82	₱684	81	28	4

Depreciation	53	6	53	6	0.43	1
Salaries, wages, and employee benefits	42	5	39	5	3	8
Taxes other than income tax	37	4	12	1	24	203
Outside services	7	1	8	1	-0.21	-3
Repairs and maintenance	4	0	4	1	-0.53	-12
Others	14	2	44	5	-30	-69
Total	₱869	100	₱844	100	25	3

The cost of purchased power went up by 3% or ₱28 million from ₱684 million in the first quarter of 2024 to ₱712 million in the same period in 2025, 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.

Salaries, wages, and employee benefits reached ₱42 million in 2025, higher by ₱3 million or 8% than the previous year. The increase was due to the additional manpower and the annual employee merit adjustments.

The increased taxes other than income tax were due to the payment of deficiency taxes resulting from the Bureau of Internal Revenue's (BIR) review of the Company's tax obligations for the taxable year 2021.

The costs related to the initial public offering of the Company were included in other costs and expenses of the previous year, resulting in lower other costs and expenses for the quarter ending March 31, 2025.

Interim Statements of Financial Position

	March 31 2025 (Unaudited)	December 31 2024 (Audited)	Increase (Decrease)	
			Amount	%
ASSETS				
Noncurrent Assets				
Utility plant and equipment	₱3,892	₱3,878	₱14	0.36
Other property and equipment	82	86	-4	-4
FVOCI	152	152	0	0
Deferred tax assets	28	28	0	0
Current Assets				
Cash and cash equivalents	2,369	2,180	189	9%
Trade and other receivables	510	635	-124	-20
Financial assets at FVPL	184	184	0	0
Inventories	74	116	-42	-36
Prepayments and other current assets	60	66	-6	-9

TOTAL ASSETS	₱7,352	₱7,326	₱27	0.36
EQUITY AND LIABILITIES				
EQUITY				
Capital stock	₱1,466	₱1,466	₱0	0
Additional paid-in capital	1,142	1,142	0	0
Revaluation reserve	1,463	1,480	-17	-1
Remeasurement gain (loss) on retirement benefits	3	3	0	0
Retained earnings				
Appropriated				
Unappropriated	1,596	1,551	45	3
	5,670	5,642	1,422	34
LIABILITIES				
Current liabilities				
Trade and other payables	694	703	-9	-1
Dividends payable	0	0	0	0
Income tax payable	51	37	14	39
	746	741	5	0.72
Noncurrent liabilities				
Customers' deposit	337	338	-0.82	-0.24
Deferred tax liabilities	513	519	-6	-1
Retirement benefits obligation	86	86	0	0
	936	943	-7	-0.70
TOTAL EQUITY AND LIABILITIES	₱7,352	₱7,326	₱27	0.36

Changes in Financial Position

Utility plant and equipment and others closed at ₱3,892 million as at March 31, 2025, a net increase of 0.36% or ₱14 million from ₱3,878 million as at December 31, 2024. The capital expenditures amounted to ₱63 million for the expansion of distribution assets and the upgrade and rehabilitation of the existing electrical facilities. The additional expenditures were offset by the depreciation of ₱53 million.

Cash and cash equivalents grew to ₱2,369 million as at March 31, 2025 from ₱2,180 million as at December 31, 2024. The growth of ₱189 million attributed to the ₱252 million generated from DECORP's operational activities, partially offset by the ₱63 million utilized for financing activities during the period.

The trade and other receivables primarily reflect the March 2025 billing cycle. The reduction in receivables reflect the lower retail in March 2025 compared to December 2024.

2024 compared with 2023

	Unaudited	
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	Three Months Ended March 31		Increase (Decrease)	
	2024	2023	Amount	%
Revenues	₱888	₱1,034	-₱146	-14
Costs and expenses	844	892	-48	-5
Other income, net of expenses	2	4	2	50
Income before income tax	45	146	-101	-58
Net income	17	41	-24	-58
Earnings per share (EPS)	1.16	3.29	-2.13	-65

Revenues

The sale of electricity and other revenues amounted to ₱888 million for the three-month period ended March 31, 2024, which was ₱146 million or 14% lower than the ₱1,034 million sales for the three-month period ended March 31, 2023. The details of the revenues are as follows:

	For the Three Months Ended March 31				Increase (Decrease)	
	2024		2023		Amount	%
	Amount	%	Amount	%		
Generation	₱536	60	₱704	68	-168	-24
Transmission	90	10	88	9	2	2
System Loss	47	5	56	5	-9	-16
Distribution	204	23	178	17	26	15
Other pass-through charges	8.2	0.9	6	0.6	2.2	36
Other revenues	2	0.2	2	0.2	0	0
Total	₱888	100	₱1,034	100	-146	-14

The generation revenues for the period ended March 31, 2024, accounting for 60% of the total revenues, went down by 24% from the same period of the previous year. The decrease was attributed to the significant decline in fuel costs.

DECORP's average retail rate was ₱9.15 per kWh and ₱12.28 in the first quarter of 2024 and 2023, respectively. The reduction in the average retail rate was due to the lower generation charges during this period.

The following summarizes the customer volume and the corresponding electricity consumption per customer type for the three months ended March 31, 2024 and 2023:

Customer Type	No. of Customers		Electricity Sales (in MWh)		% Change	
	2024	2023	2024	2023	No. of Customers	Electricity Sales
Residential	126,890	123,942	55,605	46,575	2.4	19
Commercial	13,200	13,182	34,301	30,325	0.1	13
Industrial	34	30	18,070	15,671	13	15
Streetlights	54	57	1,100	1,100	-5	0

Total	140,178	136,797	109,075	93,671	2.32	16
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Costs and Expenses

The costs and expenses of DECORP for the three months ended March 31, 2024 amounted to ₱844 million, a decrease of 5% or ₱48 million from the ₱892 million in the same period in 2023. The following are the details of the costs and expenses:

	Unaudited					
	For the Three Months Ended March 31					
	2024		2023		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Purchased power	₱684	81	₱779	87	-95	-12
Depreciation	53	6	50	6	3	6
Salaries, wages, and employee benefits	39	5	39	4	1	25
Taxes other than income tax	12	1	4	0.4	8	200
Outside services	8	1	6	0.7	2	33
Repairs and maintenance	4	1	3	0.3	1	33
Others	44	5	11	1	33	300
Total	₱844	100	892	100	25	3

Purchased power

The Company has three (3) bilateral contracts with the following generators to supply its electricity requirements: 1.) GNPower Mariveles Energy Center, Ltd. Co. (GMEC), a coal-fired power plant; 2) One Manaoag Solar Corporation (OMSC), a solar power plant; and 3.) Energy Development Corporation (EDC), a geothermal power plant. The Company also purchased electricity from the Wholesale Electricity Spot Market (WESM) for its requirements that could not be supplied by their generators. Payments made to the National Grid Corporation of the Philippines (NGCP) for transmission services are also included in this account.

The significant reduction in the costs of electricity supplied by GMCP, due to the decline in fuel costs, resulted in a 12% or ₱94 million reduction in this account.

Salaries and wages

This account consists of salaries and benefits provided to the employees of the Company. For the three-month period ended 31 March 2024 and 2023, the salaries and wages amounted to ₱39.2 million and ₱38.8 million, respectively.

Outside services

This account consists of payments to service providers for distribution of statement of accounts and disconnection notices, withdrawal of meters of delinquent customers, distribution line expansions and revamps, security services, and janitorial services. For the three-month period ended 31 March 2024 and 2023, outside service amounted to ₱7.6 million and ₱6.1 million, respectively.

Professional fees

This account consists of payments for legal services, financial advisory services, actuarial valuation of retirement fund, and audit of financial statements. The payment for legal and financial advisory services for the registration of the Company's common shares with the SEC leading to the initial public offering of its common shares significantly increased the professional fees.

Taxes other than income tax

This account consists of payments of national and local government taxes. The increase was due to the payment of documentary stamp tax for the issuance of common shares related to the shares sold by way of initial public offering. It also includes the monthly amortization of payment of local franchise and real property taxes for the year 2024.

Interim Statements of Financial Position

	March 31	December 31	Increase (Decrease)	
	2024 (Unaudited)	2023 (Audited)	Amount	%
ASSETS				
Noncurrent Assets				
Utility plant and equipment	₱3,835	₱3,846	-₱11	0.3
Other property and equipment	79	85	-6	-7
FVOCI	152	152	0	0
Deferred tax assets	26	26	0	0
	4,093	4,110	-17	-0.4
Current Assets				
Cash and cash equivalents	2,139	887	1,252	141
Trade and other receivables	511	518	-7	-1
Financial assets at FVPL	175	175	0	0
Inventories	77	83	-6	7
Prepayments and other current assets	95	77	18	23
	2,997	1,740	1,257	72
TOTAL ASSETS	₱7,089	₱5,849	₱1,240	21
EQUITY AND LIABILITIES				
EQUITY				
Capital stock	₱1,466	₱1,246	₱220	18
Additional paid-in capital	1,142	189	953	504
Revaluation reserve	1,532	1,550	-18	-1
Remeasurement gain (loss) on retirement benefits	3	3	0	0
Retained earnings				
Appropriated	400	400	0	0

Unappropriated	884	832	52	6
	5,427	4,220	1,207	28
LIABILITIES				
Current liabilities				
Trade and other payables	660	636	24	4
Dividends payable	0	0	0	0
Income tax payable	63	46	17	37
	723	682	41	6
Noncurrent liabilities				
Customers' deposit	335	335	0	0
Deferred tax liabilities	533	539	-6	-1
Retirement benefits obligation	73	73	0	0
	941	947	-6	0.6
TOTAL EQUITY AND LIABILITIES	7,091	5,850	1,241	21

Changes in Financial Position

Utility Plant and Equipment

The Company invested ₱35 million on capital expenditures for the three-month period ending 31 March 2024 for the continuous extension of the distribution assets to accommodate the growth of customers and their electricity consumption. The total Utility Plant and Equipment, despite the investment, decreased by ₱ 11 million or 30%, due to the higher cost of depreciation than capital expenditures.

Other Property and Equipment

This Other Property and Equipment as of March 31, 2024, likewise decreased by ₱5.6 million or 7% due to depreciation.

Cash and Cash Equivalents

The Company's Cash and Cash Equivalent account increased by ₱1.3 billion or 141%. The increase was primarily due to the receipt of the proceeds from the initial public offering of the Company that was held from January 8 to 12, 2024 following the SEC's approval of the Company's registration of its shares on December 27, 2023. The proceeds shall be used solely in accordance with the purpose stated in the use of the proceeds of the public offering.

Prepayments and Other Current Assets

The Prepayments and Other Current Assets increased by ₱18 million or 24% due to the annual payments of property insurance, real property tax, and local franchise tax for the year 2024. This account is amortized monthly to recognize the expense portion in its applicable period.

Trade and Other Payables

The Trade and Other Payables increased by 4% from ₱636 million as at December 31, 2023 to ₱660 million as of March 31, 2024. This account includes the cost of power that the Company purchased from its generators under a bilateral agreement, the costs of energy drawn from the

Wholesale Electricity Market (WESM), and payments for transmission services provided by the National Grid Corporation of the Philippines (NGCP). The increase in this account was due to the higher cost of accrual of expenses from these generators and transmission service providers.

Capital Stock and Additional Paid-In Capital

The increase in capital stock and additional paid-in capital by ₱220 million and ₱953 million, respectively, for the period ending March 31, 2024, resulted from the sale of 2,200,000 common shares of DECORP through an initial public offering. The SEC rendered the sale effective

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 31 March 2025 and 31 December 2024, the financial liabilities have contractual maturities as follow:

	March 31, 2025		December 31, 2024	
	Due within one year	Due beyond one year	Due within one year	Due beyond one year
Trade payables	₱290,550,239	₱-	₱249,274,778	₱-
Other payables*	130,097,124	-	163,790,780	-
Dividend payable	-	-	-	-
Customers' deposits	240,763,052	337,024,731	240,763,052	337,846,798
	₱661,410,415	₱334,722,270	₱653,828,610	₱337,846,798

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 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 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.

DAGUPAN ELECTRIC CORPORATION
SUPPLEMENTARY INFORMATION
MARCH 31, 2025
(UNAUDITED)

Schedule	Content	Page No
	Schedules Required under Annex 68-J of the Revised Securities Regulation Code Rule 68	1
A	Financial Assets	
B	Amounts Receivable from Directors, Officers, Employees Related Parties and Principal Stockholders (Other than Related Parties)	2
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	*
D	Long-term Debt	3
E	Indebtedness to Related Parties	4
F	Guarantees of Securities of Other Issuers	**
G	Capital Stock	5
	Other Required Information	
	Reconciliation of Retained Earnings Available for Dividend Declaration	***
	Map Showing the Relationship Between the Company and its Related Parties	
	Supplemental Schedule of Financial Soundness Indicators	
	Aging of Accounts Receivable	

* *The Company does not prepare any consolidated financial statements*

** *The Company does not have guarantees of securities of other issuers*

*** *The Company does not belong to a group of companies*

Dagupan Electric Corporation
Revised SRC Rule 68
Annex 68-J
Schedule A – Financial Assets
March 31, 2025
Unaudited

	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	
Total -FVOCI		152,000,000	152,000,000	
Financial assets at fair value through profit or loss (FVPL)				
Debt Securities				
Petron Corporation		98,680,726	98,680,726	
Aboitiz Equity Ventures		17,830,000	17,830,000	
BPI -PHILAM		29,155,665	29,155,665	
Equity Securities				
BPI -PHILAM		8,207,843	8,207,843	-
Other equity and debt securities				
Sun Life Asset Management Co., Inc.		17,992,996	17,992,996	
Landbank of the Philippines		4,581,464	4,581,464	
BPI -PHILAM		7,821,693	7,821,693	
Total -FVPL		184,270,387	184,270,387	
Cash and Cash Equivalent s		2,368,887,566	2,368,887,566	1,069,417
Trade and Other Receivables		510,298,264	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)

March 31, 2025

(Unaudited)

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

March 31, 2025

(Unaudited)

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
March 31, 2025
(Unaudited)

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
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The Company has no long-term loans

Dagupan Electric Corporation

Revised SRC Rule 68

Annex 68-J

Schedule G – Capital Stock

March 31, 2025

(Unaudited)

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			12,863,000	1,799,000

Dagupan Electric Corporation
AB Fernandez St., Dagupan City, Province of Pangasinan
Schedule H - Reconciliation of Retained Earnings Available for Dividend Declaration
As of March 31, 2025
(Unaudited)

Items	Amount
Unappropriated Retained Earnings, as adjusted to available for dividend	
distribution, beginning of the period	1,466,186,123
Add: Net income during the period closed to retained earnings	22,109,937
Less: Non-actual/unrealized income net of tax	
Fair value gain (loss) on financial assets at FVPL	
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	17,277,667
Net income actually earned during the period	39,387,604
Less:	
Effect of prior period adjustments	
Cash dividend declaration during the period	-
Stock dividend declaration during the period	
Appropriation of retained earnings during the period	
Reversal of appropriation	
	39,387,604
Total Retained Earnings, End, Available for Dividend Declaration	1,505,573,727

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Dagupan Electric Corporation

For the Period Ended March 31, 2025 and 2024

(Unaudited)

Ratio	Formula	2025	2024
Current Ratio	Current Assets / Current Liabilities	4.29	4.15
Acid Test Ratio	(Cash and Cash Equivalents + Marketable Securities + Accounts Receivable) / Current Liabilities	4.11	3.91
Solvency Ratio	(Net Profit After Tax + Non-Cash Expenses) / Liabilities	0.04	0.05
Debt-to-Equity Ratio	Total Liabilities / Total Equity	0.3	0.31
Asset-to-Equity Ratio	Total Assets / Total Equity	1.3	1.31
Interest Rate Coverage Ratio*	Earnings Before Interests and Taxes / Interest Expense	N/A	N/A
Return on Equity	(Net Income / Average Shareholders' Equity) x 100	0.39%	1%
Return on Assets	(Net Income / Average Total Assets) x 100	0.30%	0.4%
Net Profit Margin	(Net Income / Revenues) x 100	2%	3%
Net Sales Growth	[(Net sales of Current Period - Net Sales of Previous Period) / Net Sales of Previous Period] x 100	2%	-14%
Net income percentage	[(Net income of current period - Net income of previous period) / Net income of previous period] x 100	-21%	-73%
Increase in shareholders' equity	[(Shareholders' equity of current period - Shareholders' equity of previous period) / Shareholders' equity of previous period] x 100	0.49%	29%

* The Company has no loans

DAGUPAN ELECTRIC CORPORATION
Aging of Accounts Receivable
March 31, 2025
(Unaudited)

No. of Days Outstanding	Amount
Current	327,681,579
0-30 days	28,773,395
31-60 days	146,615,846
>90 days	7,227,444
Total	510,298,264



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/lmessagemo@sec.gov.ph



The following document has been received:

Receiving: RICHMOND CARLOS AGTARAP

Receipt Date and Time: May 13, 2025 04:31:57 PM

Company Information

SEC Registration No.: 0000018890

Company Name: DAGUPAN ELECTRIC CORP.

Industry Classification: E40100

Company Type: Stock Corporation

Document Information

Document ID: OST10513202583316998

Document Type: Notice of Inability to File AR or QR

Document Code: SEC_Form_17-L

Period Covered: May 13, 2025

Submission Type: As needed

Remarks: None

Acceptance of this document is subject to review of forms and contents

COVER SHEET

for

NOTIFICATION OF INABILITY TO FILE OR ANY PORTION OF SEC FORM 17-A OR 17-Q

SEC Registration Number

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COMPANY NAME

D	A	G	U	P	A	N		E	L	E	C	T	R	I	C		C	O	R	P	O	R	A	T	I	O	N	
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PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

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Form Type

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Department requiring the report

S	E	C		
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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's email Address

decorp@decorp.com.ph

Company's Telephone Number

(632) 8374 3034

Mobile Number

9285066639

No. of Stockholders

55

Annual Meeting (Month / Day)

Every 3rd Tuesday of April

Fiscal Year (Month / Day)

31-Dec

CONTACT PERSON INFORMATION

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

Name of Contact Person

Lilian D. Saralde

Email Address

lds@decorp.com.ph

Telephone Number/s

(632) 8374 3039

Mobile Number

9285066639

CONTACT PERSON'S ADDRESS

VERIA I Bldg., 62 West Avenue, Quezon City
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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.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-L

NOTIFICATION OF INABILITY TO FILE ALL OR ANY PORTION OF SEC FORM 17-A OR 17-Q

Check One:

Form 17-A [] Form 17-Q [✓]

Period-Ended Date of required filing **March 31, 2025**

Date of this report **May 15, 2025**

Nothing in this Form shall be construed to imply that the Commission has verified any information contained herein.

If this notification relates to a portion or portions of the filing checked above, identify the item(s) to which the notification relates: **SEC FORM 17-Q**

1. SEC Identification Number **18890** 2. BIR Tax Identification No. **000-202-524**

3. **DAGUPAN ELECTRIC CORPORATION**
Exact name of issuer as specified in its charter

4. **DAGUPAN CITY, PANGASINAN, PHILIPPINES**
Province, country or other jurisdiction of incorporation

5. Industry Classification Code: [] (SEC Use Only)

6. **AB FERNANDEZ ST., DAGUPAN CITY** **2400**
Address of principal office Postal Code

7. **(632) 83743039**
Issuer's telephone number, including area code

8. **NOT APPLICABLE**
Former name, former address, and former fiscal year, if changed since last report.

9. Are any of the issuer's securities listed on a Stock Exchange?

Yes [] No [✓]

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

.....

Part I - Representations

If the subject report could not be filed without unreasonable effort or expense and the issuer seeks relief pursuant to SRC Rule 17-1, the following should be completed. (Check box if appropriate)

(a) The reasons described in reasonable detail in Part II of this Form could not be estimated without unreasonable effort or expense. []

(b) The subject annual report on SEC Form 17-A, or portion thereof, will be filed on or before the fifteenth calendar day following the prescribed due date; or the subject quarterly report on SEC Form 17-Q, or portion thereof, will be filed on or before the fifth day following the prescribed due date. [✓]

(c) The accountant's statement or other exhibit required by paragraph 3 of SRC Rule 17-1 has been attached if applicable. []

Part II - Narrative

State below in reasonable detail the reasons why SEC Form 17-A or SEC Form 17-Q, or portion thereof, could not be filed within the prescribed period. (Attach additional sheets if needed)

The request to file the 17-Q beyond the prescribed period is to allow us sufficient time to complete the report for the first quarter of 2025.

Part III - Other Information

(a) Name, address and telephone number, including area code, and position/title of person to contact in regard to this notification

Lilian D. Saralde
Compliance Officer
Veria I Building, 62 West Avenue, Quezon City
Tel No. (632) 8374 3039

(b) Have all other periodic reports required under Section 17 of the Code and under Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months, or for such shorter period that the issuer was required to file such report(s), been filed? If the answer is no, identify the report(s).

Yes [✓] No [] Reports:

(c) Is it anticipated that any significant change in results of operations from the corresponding period for the last fiscal year will be reflected by the earnings statements to be included in the subject report or portion thereof?

Yes [] No [✓]

If so, attach an explanation of the anticipated change, both narratively and quantitatively, and, if appropriate, state the reasons why a reasonable estimate of the results cannot be made.

SIGNATURE

Pursuant to the requirements of the SRC Rule 17-1, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DAGUPAN ELECTRIC CORPORATION

Registrant's full name as contained in charter

René Llames

RENE L. LLAMES

President and CEO

Date: May 13, 2025



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/lmessagemo@sec.gov.ph

EXHIBIT-A6



The following document has been received:

Receiving: RICHMOND CARLOS AGTARAP

Receipt Date and Time: August 20, 2025 02:24:28 PM

Company Information

SEC Registration No.: 0000018890

Company Name: DAGUPAN ELECTRIC CORPORATION

Industry Classification: E40100

Company Type: Stock Corporation

Document Information

Document ID: OST10820202583667285

Document Type: Quarterly Report

Document Code: SEC_Form_17-Q

Period Covered: June 30, 2025

Submission Type: Original Filing

Remarks: None

Acceptance of this document is subject to review of forms and contents

COVER SHEET

for

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(B) THEREUNDER

SEC Registration Number

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COMPANY NAME

D	A	G	U	P	A	N		E	L	E	C	T	R	I	C		C	O	R	P	O	R	A	T	I	O	N		
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PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

A	B		F	E	R	N	A	N	D	E	Z		S	T		D	A	G	U	P	A	N		C	I	T	Y		
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Form Type

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Department requiring the report

S	E	C	
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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's email Address

decorp@decorp.com.ph

Company's Telephone Number

(632) 8374 3040

Mobile Number

9285066639

No. of Stockholders

54

Annual Meeting (Month / Day)

Every 3rd Tuesday of April

Fiscal Year (Month / Day)

31-Dec

CONTACT PERSON INFORMATION

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

Name of Contact Person

Lilian D. Saralde

Email Address

lds@decorp.com.ph

Telephone Number/s

(632) 8374 3040

Mobile Number

9285066639

CONTACT PERSON'S ADDRESS

VERIA I Bldg., 62 West Avenue, Quezon City

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.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended June 30, 2025
2. Commission identification number 18890 3. BIR Tax Identification No. 000-202-524

DAGUPAN ELECTRIC CORPORATION

4. Exact name of issuer as specified in its charter

DAGUPAN CITY, PANGASINAN, PHILIPPINES

5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: (SEC Use Only)

AB FERNANDEZ ST., DAGUPAN CITY

7. Address of issuer's principal office

2400
Postal Code

(632) 8374 3039

8. Issuer's telephone number, including area code

NOT APPLICABLE

9. Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class

Number of shares of common
stock outstanding and amount
of debt outstanding

COMMON SHARES

14,662,000

11. Are any or all of the securities listed on a Stock Exchange?

Yes [] No []

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

NOT APPLICABLE

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [] No []

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [] No []

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The Unaudited Interim Condensed Financial Statements of Dagupan Electric Corporation (“DECORP” or the “Company”) as of and for the period ended June 30, 2025 (with comparative figures as of December 31, 2024 and for the period ended June 30, 2024) and Unaudited Notes to the Interim Condensed Financial Statements are attached as Annex A.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The information required by Part III, Paragraph (A)(2)(b) of “Annex C”, is attached as Annex B.

PART II--OTHER INFORMATION

The following other information are attached as Annex C

- a) Schedules required under Annex 68-J of the Revised Securities Regulation Code Rule 68
- b) SEC Form 17-L for SEC Form 17-Q as of and for the quarter ended June 30, 2025

SIGNATURES


Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.


Issuer

DAGUPAN ELECTRIC CORPORATION

Issuer

By:


Rene Bernard L. Llames
President and CEO


Lilian D. Saralde
Finance Manager and Compliance Officer

Date: August 20, 2025

DAGUPAN ELECTRIC CORPORATION
UNAUDITED INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

	June 30, 2025 (Unaudited)	December 31 2024 (Audited)
ASSETS		
Noncurrent Assets		
Utility plant and equipment -note 4	3,929,254,133	3,878,693,425
Other property and equipment -note 5	79,674,330	85,820,987
FVOCI -note 6	152,000,000	152,000,000
Deferred tax assets -note 21	28,005,805	28,005,805
	4,188,934,269	4,144,520,217
Current Assets		
Cash and cash equivalents -note 7	2,396,772,468	2,179,835,209
Trade and other receivables -note 8	582,879,880	634,507,090
Financial assets at FVPL -note 9	184,270,386	184,270,386
Inventories -note 10	88,837,590	116,360,970
Prepayments and other current assets -note 11	57,923,067	66,010,239
	3,310,683,391	3,180,983,894
TOTAL ASSETS	7,499,617,660	7,325,504,111
EQUITY AND LIABILITIES		
Equity		
Capital stock -note 15	1,466,200,000	1,466,200,000
Additional paid-in capital	1,141,724,320	1,141,724,320
Revaluation reserve -notes 4 and 5	1,463,232,958	1,480,510,625
Remeasurement gain (loss) on retirement benefits -note 18	2,962,763	2,962,763
Retained earnings -note 14		
Appropriated	0	0
Unappropriated	1,581,556,756	1,550,957,603
	5,655,676,798	5,642,355,311
Current Liabilities		
Trade and other payables -note 12	715,391,798	703,472,335
Dividends payable	147,499,720	0.03
Income tax payable	43,871,590	36,880,505
	906,763,108	740,352,841
Noncurrent Liabilities		
Customers' deposit -note 13	337,987,817	337,846,798
Deferred tax liabilities -note 21	512,929,374	518,688,596
Retirement benefits obligation -note 18	86,260,564	86,260,564
	937,177,755	942,795,958
TOTAL EQUITY AND LIABILITIES	7,499,617,660	7,325,504,110

See accompanying Notes to Unaudited Interim Condensed Financial Statements

DAGUPAN ELECTRIC CORPORATION
UNAUDITED INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
For the Period Ended June 30, 2024 and 2023

	Unaudited		Unaudited	
	For the Six Months Ended		For the Quarter Ended	
	2025	2024	2025	2024
REVENUES -note 17	2,050,660,935	2,026,810,893	1,141,774,483	1,139,045,917
OPERATING EXPENSES				
Purchases power -note 21	1,532,395,792	1,658,129,204	820,004,833	973,592,408
Operating and maintenance -note 19	139,967,189	167,381,634	72,849,463	72,297,207
Depreciation	105,836,830	105,232,035	52,845,161	52,668,422
Taxes other than income tax	51,170,926	34,071,418	14,598,045	21,988,488
	1,829,370,738	1,964,814,291	960,297,503	1,120,546,524
INCOME FROM OPERATIONS	221,290,197	61,996,602	181,476,980	18,499,393
OTHER INCOME (CHARGES)	6,154,696	2,933,780	3,153,282	1,314,537
INCOME BEFORE INCOME TAX	227,444,893	64,930,382	184,630,261	19,813,930
PROVISION FOR INCOME TAX	72,382,909	30,808,168	51,678,215	13,767,587
NET INCOME	155,061,984	34,122,213	132,952,047	6,046,342
OTHER COMPREHENSIVE INCOME				
Not to be reclassified to profit or loss in the subsequent periods				
Remeasurement gain (loss) on retirement benefits, net of tax			-	
TOTAL COMPREHENSIVE INCOME	155,061,984	34,122,213	132,952,047	6,046,342
Earnings Per Share	10.58	2.33	9.07	0.41

See accompanying Notes to Unaudited Interim Condensed Financial Statements

DAGUPAN ELECTRIC CORPORATION
UNAUDITED INTERIM CONDENSED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED JUNE 30, 2025 AND 2024

	Capital Stock -note 15	Additional Paid-in Capital	Revaluation Reserve	Remeasurement Gain (Loss) on Retirement Benefits	Appropriated Retained Earnings	Unappropriated Retained Earnings	Total Equity
Balance at January 1, 2025	1,466,200,000	1,141,724,320	1,480,510,625	2,962,764	-	1,550,957,608	5,642,355,317
Net Income						155,061,984	155,061,984
Depreciation on appraisal increase transferred to unappropriated retained earnings			-23,036,889			23,036,889	-
Income tax effect on the revaluation increment charged to operations through additional depreciation charges			5,759,222				5,759,222
Remeasurement gain on retirement benefits , net of tax							
Transactions with owners							
Cash dividends						-147,499,720	-147,499,720
	0	0	-17,277,666	0	0	30,599,153	13,321,486
Balance at June 30, 2025	1,466,200,000	1,141,724,320	1,463,232,959	2,962,764	-	1,729,056,481	5,655,676,803
Balance at January 1, 2024	1,246,200,000	189,124,320	1,549,621,291	2,962,764	400,000,000	831,949,016	4,219,857,391
Net income						34,122,213	34,122,213
Depreciation on appraisal increase transferred to unappropriated retained earnings			-48,219,350			48,219,350	-
Income tax effect on the revaluation increment charged to operations through additional depreciation charges			12,054,837				12,054,837
Remeasurement gain on retirement benefits, net of tax							-
Transaction with owners							-
Cash dividends							-
Public offering	220,000,000	952,600,000					1,172,600,000
Transfer to unappropriated earnings							-
	220,000,000	952,600,000	-36,164,513	-	-	82,341,563	1,218,777,050
Balance at June,30 2024	1,466,200,000	1,141,724,320	1,513,456,778	2,962,764	400,000,000	914,290,579	5,438,634,441

See accompanying Notes to Unaudited Interim Condensed Financial Statements

DAGUPAN ELECTRIC CORPORATION
UNAUDITED INTERIM CONDENSED STATEMENTS OF CASH FLOWS

	Unaudited	
	For the Six Months Ended June 30	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	227,444,893	64,930,382
Adjustment for:		
Depreciation -notes 4 and 5	105,836,830	105,232,035
Retirement benefit expense -note 18		
Provision for ECL -note 8		
Interest expense -note 13	54,123	
Fair value loss on financial assets at FVPL -note 9		
Interest income -note 7	-2,047,068	-1,880,739
Gain on sale of transportation equipment -note 5		
Operating income before working capital changes	331,288,779	168,281,678
Decrease (increase) in:		
Trade and other receivables	51,627,210	-71,701,482
Inventories	27,523,379	-12,223,353
Prepayments and other current assets	8,087,172	-24,161,064
Increase (decrease) in:		
Trade and other payables	11,919,462	157,483,866
Dividends payable		
Customers' deposits	141,017	74,900
Cash generated from operations	430,587,019	217,754,545
Interest received -note 7	2,047,068	1,880,739
Income tax paid	-65,391,824	-30,808,168
Interest paid	-54,123	
Net cash provided by operating activities	367,188,141	188,827,116
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment -notes 4 and 5	-150,250,882	-96,968,672
Proceeds from financial assets at FVPL -note 9		
Acquisition of financial assets at FVOCI		
Proceeds from sale of transportation equipment -note 5		
Net cash used in investing activities	-150,250,882	-96,968,672
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of cash dividends		
Proceeds from public offering		1,172,600,000
Net cash used in financing activities	0	1,172,600,000
NET INCREASE IN CASH AND CASH EQUIVALENTS	216,937,259	1,264,458,444
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	2,179,835,209	886,889,217
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD -note 7	2,396,772,468	2,151,347,661

See accompanying Notes to Unaudited Interim Condensed Financial Statements

DAGUPAN ELECTRIC CORPORATION

Notes to Interim Condensed Financial Statements

For the Period Ended June 30, 2025 and December 31, 2024

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of the Company’s financial statements for the period ended June 30, 2025 have been adopted in the preparation of the interim condensed financial statements. The policies have been consistently applied to all the periods presented, unless otherwise stated.

Statement of Compliance

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS) and Interpretations issued by the former Standing Interpretations Committee (SIC), the Philippine Interpretations Committee (PIC) and the International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by SEC.

Basis of Preparation

The interim condensed 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).

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, 2023.

PAS 1 and PFRS Practice Statement 2 (Amendments) Disclosure of Accounting Policies. The narrow-scope amendments PAS 1, *Presentation of Financial Statements* require entities to disclose material accounting policy information instead of significant accounting policies. The amendments also clarify the following: (1) accounting policy information may be material because of its nature, even if the related amounts are immaterial; (2) accounting policy is material if users of an entity's financial statements would need it to understand other material information in the statements; and (3) if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. Further, the amendments provide several paragraphs to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material. In addition, PFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of 'four-step materiality process' to accounting policy information in order to support the amendments to PAS 1. The amendments are applied prospectively. The amendments are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted. Once the entity applies the amendments to PAS 1, it is also permitted to apply the amendments to PFRS Practice Statement 2. The amendments do not have a material impact on the interim financial statements of the Company.

PAS 8 (Amendments) Definition of Accounting Estimates. The amendments to PAS 8, *Accounting Policies, Changes* focus entirely on accounting estimates and clarify the following:

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
- A change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

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

New accounting standards and amendments to existing standards effective subsequent to January 1, 2023

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 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 interim financial statements of the Company.

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, fair value through other comprehensive income (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, and trade and other receivables (see Notes 7 and 8). Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash depending on the immediate cash requirements of the Company and are subject to an insignificant risk of change in value.

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 June 30, 2025 and December 31, 2024, 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 June 30, 2025 and December 31, 2024, the Company's equity instruments at FVOCI consists 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, 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), dividend payable and customers' deposits (see Notes 12, 13 and 14).

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 of 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.

Creditable withholding taxes are stated at cost less any impairment in value. Creditable withholding tax is deducted from income tax payable on the same year the revenue is recognized.

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 dividends out of treasury shares. It also includes shares issued and offered for sale 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.

Foreign Currency Transactions

Transactions in foreign currencies are recorded in Philippine peso using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rate at the reporting date. All foreign exchange gains and losses are recognized in profit or loss.

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 remeasurement 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 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 as at June 30, 2025 and December 31, 2024. The carrying amount of trade and other receivables amounted to ₱596,376,772 and ₱634,507,090 as at March 31, 2025 and December 31, 2024, 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 ₱88,837,590 and ₱116,360,970 as at June 30, 2025 and December 31, 2024, 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 ₱2,456,053,297 and ₱2,360,581,456, amounted to ₱3,929,254,133 and ₱3,878,693,425 as at June 30, 2025 and December 31, 2024, respectively (see Note 4).

Other property and equipment, net of accumulated depreciation of ₱291,987,005 and ₱281,644,033 amounted to ₱79,674,330 and ₱85,820,987 as at June 30, 2025 and December 31, 2024, 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 ₱3,929,254,133 and ₱3,878,693,425 as at June 30, 2025 and December 31, 2024, respectively (see Note 4).

The fair value of other property and equipment amounted to ₱79,674,330 and ₱85,820,987 as at June 30, 2025 and December 31, 2024, respectively (see Note 5).

Impairment of non-financial assets

PFRS 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 March 31, 2025 and December 31, 2024.

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 ₱184,270,386 as at June 30, 2025 and December 31, 2024 (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 ₱2,050,660,935 and ₱2,026,810,893 for the six months ended June 30, 2025 and 2024, 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 as at June 30, 2025 and December 31, 2024, respectively (see Note 18).

4. UTILITY PLANT AND EQUIPMENT

The reconciliation of this account is as follows:

June 30, 2025

	Amount in thousands					Total
	Distribution	Tools and equipment	Land	Buildings and improvements	Construction in progress	
Cost						
Net carrying amount, January 1, 2025	₱1,649,233	₱7,936	₱82,003	₱53,108	₱83,368	₱1,875,647
Additions	102,900	1,979	-	472	40,682	146,033
Depreciation	(48,586)	(851)		(2,117)		(51,554)
Reclassification						
Net carrying amount, June 30, 2025	1,703,547	9,065	82,003	51,463	124,050	1,970,126

Appraisal increase (decrease in

<u>value)</u>						
Net carrying amount, January 1, 2025	1,579,785	(5,872)	411,893	17,240		2,003,046
Depreciation	(43,628)			(291)		(43,919)
Net carrying amount, March 31, 2025	1,536,157	(5,872)	411,893	16,949		1,959,127
	₱3,239,704	₱3,193	₱493,896	₱68,412	₱124,050	₱3,929,254

December 31, 2024

	Amount in thousands					
	Distribution	Tools and equipment	Land	Buildings and improvements	Construction in progress	Total
<u>Cost</u>						
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
<u>Appraisal increase (decrease in value)</u>						
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
<u>Cost</u>						
Net carrying amount, December 31, 2024	₱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

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

	Amount in thousands					
	Distribution	Tools and equipment	Land	Buildings and improvements	Construction in progress	Total
June 30, 2025	₱1,703,547	₱9,065	₱82,003	₱51,463	₱124,050	₱1,970,128
December 31, 2024	₱1,648,887	₱8,281	₱82,003	₱53,108	₱83,368	₱1,755,870

Depreciation on utility, plant and equipment for the six-month periods ended June 30, 2025 and 2024 charged to operating expenses amounted to ₱94,352,081 in 2025 and ₱92,223,169 in 2024 (including depreciation on appraisal increase of ₱43,919,129 and ₱43,910,054 for the six months period ended June 30, 2025 and 2024, respectively).

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 accumulated depreciation of appraisal increase except for land in which the resulting increase in value 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:

- a. 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.
- b. 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 March 31, 2025 and December 31, 2024. These assets are free from any liens and encumbrances.

5. OTHER PROPERTY AND EQUIPMENT

The reconciliation of this account is as follows:

March 31, 2025

Transportation	Office furniture
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	equipment	and equipment	Total
Cost			
Net carrying amount, January 1, 2025	₱65,349,954	₱18,161,173	₱83,511,127
Additions	900,161	3,318,173	4,262,127
Depreciation	(5,423,556)	(2,786,786)	(8,210,342)
Net carrying amount, June 30, 2025	60,826,559	18,692,560	79,519,118
Appraisal Increase (decrease in value)			
Net carrying amount, January 1, 2025	7,327,200	(5,017,340)	2,309,860
Depreciation	(2,154,648)		(2,154,648)
Net carrying amount, June 30, 2025	5,172,552	(5,017,340)	155,212
	₱65,999,110	₱13,675,220	₱79,674,330
Cost			
Accumulated depreciation	(169,575,406)	(79,278,106)	(248,853,513)
Net carrying amount, June 30, 2025	60,826,559	18,692,560	79,519,118
Appraisal increase	37,799,778	5,488,926	43,288,704
Accumulated depreciation	(32,627,226)	(10,506,266)	(43,133,492)
Net carrying amount, June 30, 2025	5,172,552	(5,017,340)	155,212
	₱65,999,110	₱13,675,220	₱79,674,330

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	(10,483,331)	(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			
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

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
June 30, 2025	₱60,826,559	₱18,692,560	₱79,519,119
December 31, 2024	₱65,349,954	₱18,161,173	₱83,511,127

Depreciation on other property and equipment for the six months period ended June 30, 2025

and 2024 amounted to ₱11,186,637 and ₱13,008,866, respectively.

There are no other property and equipment held as collateral for liabilities as at June 30, 2025 and December 31, 2024. 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 Securities and Exchange Commission in compliance with the EPIRA and whose shares are not traded in any Exchange.

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 June 30, 2025, 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:

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Cash on hand	₱984,843	₱994,042
Cash in banks	1,082,307,272	975,360,814
Short-term deposits	1,313,480,353	1,203,480,353
Total	₱2,396,772,468	₱2,179,835,209

Cash in banks earn interest at prevailing bank deposit rates. Total interest earned on cash in banks, net of final tax, amounted to ₱2,047,068 and ₱1,880,739 for the six months ended June 30, 2025 and 2024, respectively, and is included in "Interest income" presented under "Other income (charges)" account in the statements of comprehensive income (see Note 20).

8. TRADE AND OTHER RECEIVABLES (NET)

This account consists of:

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Trade receivables	₱540,587,901	₱586,356,765
Other receivables	56,807,736	62,666,082
	597,395,637	649,022,847
Allowance for ECLs on trade receivables	14,515,757	14,515,757
	₱582,879,880	₱634,507,090

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 ₱540,587,901 and ₱586,356,765 as at June 30, 2025 and December 31, 2024, respectively.

Trade receivables from sale of electricity consist of:

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Residential retail	₱300,054,317	₱314,818,990
General retail	127,732,535	104,769,342
Bulk power	9,013,015	55,082,791
General power	57,660,787	53,781,344
Universal charges	11,297,207	10,970,591
Street lights	6,825,894	7,719,625
FIT-All	5,550,090	3,695,903
Others	22,454,055	35,528,179
	₱540,587,901	₱586,356,765

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 and other receivables follow:

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Balance at beginning of year	₱14,515,757	₱114,229,987
Provision for ECLs – note 19		2,631,403
Write-off		(2,345,633)
Balance at end of year	₱ 14,515,757	₱ 14,515,757

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.

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 March 31, 2025 and December 31, 2024.

The amount still for refund to customers was ₱8,988,427 and ₱8,990,752 as of June 30, 2025 and December 31, 2024, 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 periods ended are as follow:

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Cost		
Balance at beginning of year	₱184,270,387	₱181,638,774
Disposal		-
Balance at end of period	184,270,387	181,638,774
Cumulative net unrealized loss in fair value:		
Balance at beginning of period		(6,436,360)
Fair value adjustment		9,067,973
Balance at end of period		2,631,613
	₱184,270,387	₱184,270,387

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.

The unit investment trust funds and mutual funds are invested in fixed income, bond and balanced funds as at June 30, 2025 and December 31, 2024.

10. INVENTORIES

This account consists of materials and supplies for power distribution and service segments. As at June 30, 2025 and December 31, 2024, there are no inventories pledged or held as collateral.

11. PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of:

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Prepaid tax		
VAT	41,745,993	₱45,276,929
Real Property Tax	6,302,135	12,623,402
Insurance	3,253,254	1,563,347
Advances to TransCo	5,858,942	5,858,942
Others	762,743	687,718
	₱57,923,067	₱66,010,338

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 ₱5,858,942 in compliance with the Decision. However, on November 21, 2014, National Grid Corporation of the Philippines (NGCP) filed a 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 June 30, 2025.

12. TRADE AND OTHER PAYABLES

This account consists of:

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Trade payables	281,404,771	₱249,274,778
Customers’ deposits (current portion) – note 13	201,055,371	240,763,052
Output VAT	45,391,364	42,580,380
Accrued expenses and other current liabilities	133,653,271	118,644,342
Universal charges payable	30,235,942	25,748,003
Accrued taxes	1,427,091	1,079,671
WESM regulated prices payable	8,988,429	8,990,752
FIT-All payable	8,257,638	10,161,233
Others	4,954,562	6,230,124

	715,368,439	703,472,335
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Trade payables and output VAT

Trade payable represents the Company's liabilities to GNPowr 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 amounting to ₱200,255,340 and ₱239,779,031 as at June 30, 2025 and December 31, 2024, respectively (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 tax payable.

Other payables of ₱4,954,562 and ₱6,230,124 as at June 30, 2025 and December 31, 2024, 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:

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Bill deposits	₱265,314,019	₱267,063,540
COLE deposits	58,936,840	57,526,252
Pole attachment deposits	13,736,958	13,257,006
	₱337,987,817	₱337,846,798

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 ₱200,255,340 and ₱239,779,031 as at June 30, 2025 and December 31, 2024, 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 ₱54,123 and nil for the six months ended June 30, 2025 and 2024, respectively.

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 2024 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: 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) Appropriation of ₱400,000,000 for the following capital expenditures: 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 14, 2025, the BOD approved the declaration of cash dividend equivalent to 40% of the previous year's net income, amounting to ₱10.06 per share, to stockholders of record as of December 31, 2024. Cash dividend will be paid by the end of July 2025.

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 are payable on various dates up to September 29, 2023.

15. CAPITAL STOCK

The details of capital stock are as follow:

	June 30, 2025	December 31, 2024
	(Unaudited)	(Audited)
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	1,246,200,000	1,246,200,000
Initial public offering shares	220,000,000	220,000,000
Outstanding	₱1,466,200,000	₱1,466,200,000

On December 27, 2023, the SEC rendered effective DECORP'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.

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 ₱344,784 in 2025 and ₱ 313,440 in 2024 and payable at the end of each month. Total rent expense charged to operations amounted to ₱2,223,627 and ₱2,123,400 for the six months ended June 30, 2025 and 2024, respectively, 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:

	June 30, 2025 (Unaudited)	June 30, 2024 (Unaudited)
Salaries	₱1,274,490	₱1,220,000
Short-term employee benefits	15,990	16,095
	₱1,290,480	₱1,236,095

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

17. REVENUES

This account consists of:

	June 30, 2025 (Unaudited)	June 30, 2024 (Unaudited)
Electric revenues	₱2,040,252,387	₱2,011,816,143
Other revenues	10,408,548	14,994,750
	₱2,050,660,935	₱2,026,810,893

In compliance with Section 36 of R.A. No. 9136, the Company is required to unbundle its billing charges to customers. For the three months ended March 31, 2025 and 2024, the details of electric revenues are as follows:

	June 30, 2025 (Unaudited)	June 30, 2024 (Unaudited)
Generation revenue	₱1,209,860,514	₱1,245,925,747
Distribution revenue	373,053,128	368,828,144
Transmission revenue	227,612,390	172,930,201
System loss revenue	111,237,355	107,898,465
Supply revenue	59,428,538	57,700,621
Metering charge	41,640,370	40,440,873
Local franchise tax	12,437,813	10,475,287
Real property tax recovery	4,987,004	5,313,370
Lifeline charge (discount)	39,419	2,347,458
Senior citizen charge (discount)	(4,711)	(6,138)
Other discount	(39,434)	(37,885)
	₱2,040,252,386	₱2,011,816,143

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 June 30, 2025, 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 June 30, 2025, 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 June 30, 2025, 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 June 30, 2025, 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.

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.

On February 10, 2024, the Company filed an Urgent Omnibus Motion to Withdraw its application docketed as ERC Case No. 2022-020RC, “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 20).

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

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Present value of obligation	₱129,839,462	₱129,839,462
Fair value of plan assets	(43,578,898)	(43,578,898)
	₱86,260,564	₱86,260,564

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

As at June 30, 2025 and December 31, 2024, the cumulative remeasurement loss 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:

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Balance at beginning of period	₱86,260,564	₱72,982,180
Retirement benefits expense	-	15,918,363
Contributions paid	-	(2,639,979)
Remeasurement gain	-	-
Balance at end of period	₱86,260,564	₱86,260,564

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

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Present value of obligation, January 1	₱129,839,462	₱113,921,099
Current service cost	-	8,855,255
Interest cost	-	7,063,108
Benefits paid	-	-
Actuarial gain	-	-
Present value of obligation, December 31	₱129,839,462	₱129,839,462

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

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
--	--	--

Fair value of plan assets, January 1	₱43,578,898	₱40,938,912
Interest income included in net interest cost	-	
Benefits paid	-	
Contributions	-	2,639,979
Actuarial gain	-	
Fair value of plan assets, December 31	₱43,578,898	₱43,578,898

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 as at March 31, 2025 and December 31, 2024, 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.

19. OPERATIONS AND MAINTENANCE

This account consists of:

	June 30, 2025 (Unaudited)	June 30, 2024 (Unaudited)
Salaries and wages	₱81,711,489	₱76,060,155
Outside services	20,705,088	20,257,092
Professional fees	1,338,000	36,562,636
Repairs and maintenance	7,736,642	9,364,048
Retirement benefits expense – note 18		
Electricity, telephone and water	3,890,134	3,401,129
Transportation	2,631,532	2,840,522
Office supplies	4,007,184	3,495,419
Rent	2,223,627	2,123,400
Representation expense	1,170,595	1,183,133
Insurance	1,071,412	1,193,042
Electric materials	3,007,270	1,438,933
Training and seminars	507,215	389,664
Donations	287,868	272,750
Association and membership fees	134,033	135,955
Advertising and promotion		
Provision for ECLs – note 8		
Others	9,545,101	8,663,755
	₱139,967,189	₱167,381,634

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

20. OTHER INCOME (CHARGES)

This account consists of:

	June 30, 2025 (Unaudited)	June 30, 2024 (Unaudited)
Interest income – note 7	₱2,047,068	₱1,880,739
Fair value loss on financial assets at FVPL – note 9		
Interest expense – note 13-	(54,123)	-
Others:		
Bank charges	(29,080)	(2,250)
Gain on sale of equipment – note 5		
Gain on foreign exchange	(19,198)	6,629
Miscellaneous income	4,210,028	1,048,662
	₱6,154,695	₱2,933,780

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

21. AGREEMENTS

The details of purchased power are as follow:

	June 30, 2025 (Unaudited)	June 30, 2024 (Unaudited)
Generation cost		
GMCP	₱546,038,366	₱596,005,110
WESM	410,223,528	468,560,664
EDC	241,987,891	304,426,268
OMSC	92,638,639	114,222,157
Transmission cost:		
NGCP	241,507,366	174,915,004
	₱1,532,395,791	₱1,658,129,204

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.

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.

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 for the six months ended June 30, 2025 and 2024 amounted to ₱7,400,909.80 and ₱12,099,174, respectively, and is included in the “Other revenues” account under the “Revenues” section in the statements of comprehensive income (see note 17).

22. 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.

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:

		June 30, 2025			
		Basis of recognizing ECL	Gross carrying amount	Loss allowance	Net carrying amount
Cash in banks and cash equivalents	(a)		₱2,396,772,468	₱-	₱2,396,772,468
Trade receivables	(b)	Lifetime ECL	540,587,901	14,515,757	526,072,144
Other receivables	(b)		56,807,736		56,807,736
Rental deposits	(c)		679,643		679,643
			₱2,994,847,748	₱14,515,757	₱2,980,331,991

December 31, 2024				
	Basis of recognizing ECL	Gross carrying amount	Loss allowance	Net carrying amount
Cash in banks and cash equivalents	(a)	₱2,178,998,214	₱-	₱2,178,998,214
Trade receivables	(b) Lifetime ECL	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
		₱1,426,170,756	₱21,220,837	₱2,817,193,022

- (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 June 30 and December 31 is determined as follows:

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 June 30, 2025 and December 31, 2024, the financial liabilities have contractual maturities as follow:

	June 30, 2025		December 31, 2024	
	Due within one year	Due beyond one year	Due within one year	Due beyond one year
Trade payables	₱290,550,239	₱-	₱249,274,778	₱-
Other payables*	103,566,171	-	163,790,780	-
Dividend payable	-	-	-	-
Customers' deposits	240,763,052	265,314,019	240,763,052	337,846,798
<i>E</i>	₱634,879,462	₱265,314,019	₱653,828,610	₱337,846,798

*Excluding statutory payables and other liabilities to government agencies amounting to ₱26,530,953 as at June 30, 2025 and ₱42,580,380 as at December 31, 2024.

23. OTHER MATTERSEPIRA 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 Securities and Exchange Commission (SEC). The registration of DECORP'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.

* * *

**PART II: MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITIONS AND RESULTS OF OPERATIONS**

The following discussions and analysis of financial position and results of operation of Dagupan Electric Corporation (“DECORP” or the “Company”) should be read in conjunction with the unaudited interim condensed financial statements as of and for the period ended June 30, 2025 with comparative figures as of December 31, 2024 and for the six months ended June 30, 2024.

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 interim condensed 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 Indicator

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

Condensed Statements of Financial Position

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)	Increase (Decrease)	
			Amount	%
Total assets	₱7,450	₱7,326	₱124	1.7
Current assets	3,311	3,180	131	4
Cash and cash equivalents	2,397	2,180	217	10
Non-current liabilities	937	943	-6	-0.60
Current liabilities	759	740	19	2.5
Total liabilities	₱1,696	₱1,683	₱13	0.7

Condensed Statements of Income

	Unaudited		Increase (Decrease)	
	Six Months Ended June 30		Amount	%
	2025	2024		
Revenues	₱2,051	₱2,026	₱25	1.2
Costs and expenses	1,829	1,964	-136	-7
Other income, net of expenses	6	3	3	100
Income before income tax	228	65	163	251
Net income	₱155	₱34	121	356
Earnings per share (EPS)	₱10.58	₱2.33	8.25	354

Condensed Statements of Cash Flows

	Unaudited		Increase (Decrease)	
	Six Months Ended June 30			
	2025	2024	Amount	%
Net cash provided by (used in) operating activities	₱367	₱189	₱178	94
Net cash provided by (used in) investing activities	(150)	(97)	53	54
Net cash provided by (used in) financing activities	0	1,173	-1,173	-100

Operational Data

	Unaudited		Increase (Decrease)	
	Six Months Ended June 30			
	2025	2024	Amount	%
Number of Customers				
Residential	130,958	127,540	3,418	2.7
Commercial	13,623	13,221	402	3
Industrial	35	35	-	-
Streetlight	48	53	-5	-9
Electricity sales (MWh)	252,803	247,135	5,668	2.3
System loss (%)	6.94	7.29	-0.35	-4.8

Key Performance Indicators (“KPI”)

Financial KPI	Definition	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Debt to equity	Total liabilities / Total equity	0.29	0.30
Current ratio	Current assets/Current Liabilities	4.36	4.30

		Unaudited	
		June 30, 2025	December 31, 2024
Net profit margin	(Net income / Revenues) x 100	8%	3%
Return on equity	(Net income / Average shareholders' equity) x 100	3%	1%
Return on assets	(Net income / Average total assets) x 100	2%	0.4%

2025 compared with 2024

Results of Operations

The results of operations for the six months ended June 30, 2025 and 2024 are discussed below:

Condensed Statements of Income

	Unaudited		Increase (Decrease)	
	Six Months Ended June 30		Amount	%
	2025	2024		
Revenues	₱2,051	₱2,026	₱25	1.2
Costs and expenses	1,829	1,964	-136	-7
Other income, net of expenses	6	3	3	100
Income before income tax	228	65	163	251
Net income	₱155	₱34	121	356
Earnings per share (EPS)	₱10.58	₱2.33	8.25	354

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 of DECORP for the six months ended June 2025 were ₱2,051 million, which was ₱25 million or 1.2% higher in the same period in 2024 due to a higher volume of electricity distributed and a higher pass-through transmission charge.

	2025		2024		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Generation	₱1,209	59	₱1,246	62	-37	-3
Transmission	228	11	173	9	55	32
System Loss	111	5	108	5	3	3
Distribution	474	23	467	23	7	1.5
Other pass-through charges	18	0.9	18	0.9	-	-
Other revenues	10	0.5	15	0.7	-5	-33
Total	₱2,051	100	₱2,026	100	₱25	1.2

The generation charge, accounting for 59% of the total revenues, for the period ended June 30, 2025 dropped by 3% compared to the same period of the previous year. The decrease in the cost of producing electricity was driven by a sharp decline in Wholesale Electricity Spot Market (WESM) prices, which effectively balanced out the impact of increased fuel prices and the weaker peso.

The transmission charge, which was 11% of the total revenues, went up by 32% due to higher ancillary service charges from additional capacity sourced by the National Grid Corporation (NGCP) from new Ancillary Service Procurement Agreements (“ASPAs”) and the reserve market.

DECORP’s average retail rate was ₱9.14 per kWh and ₱9.19 per kWh for the period ended June 2025 and 2024, respectively. The decline in the retail rate was due to lower

generation charges and compliance with ERC Resolution No. 18, Series of 2024, “A Resolution Directing Distribution Utilities to Refund All Collected and Unutilized Regulatory Reset Experts Cost and Cease Any Future Collection Thereof,”

The following summarizes the customer volume and the corresponding electricity consumption per customer type for the six months ended June 30, 2025 and 2024:

Customer Type	No. of Customers		Electricity Sales (in MWh)		% Change	
	2025	2024	2025	2024	No. of Customers	Electricity Sales
Residential	130,958	127,540	135,410	131,517	2.68	3
Commercial	13,623	13,221	77,161	74,608	3.04	3
Industrial	35	35	38,047	38,799	-	-2
Streetlights	48	53	2,185	2,211	-9	-1
Total	144,664	140,849	252,803	247,135	2.7	2

The energy sales of DECORP totaled 252,803 MWh for the period ending June 30, 2025, reflecting a 2% increase from 247,135 MWh for the period ending June 30, 2024.

The energy sales in the residential segment, which accounted for 54% of DECORP’s energy sales mix, increased by 3%, or from 131,517 MWh in 2024 to 135.410 MWh in 2025. The increase in energy consumption during the six months ending 2025 was attributed to the growth in the customer base.

The commercial segment’s sales went up to 77,161 MWh in 2025, or a 3% increase from the 74,608 MWh in 2024. The increase in energy consumption reflected both the expanding customer base and the surge of investment in the Ilocos Region, of which Pangasinan accounted for the majority of these investments, particularly within the micro, small, and medium-sized industries.

Electricity sales in the industrial segment closed the period with 38,047 MWh, or a 2% decrease from the 38,799 MWh in the six months period ending 2024.

Costs and Expenses

The costs and expenses of DEORP for the six months ended June 30, 2025 amounted to ₱869 million, an increase of 3% or ₱25 million from the ₱844 million in the same period in 2024. The following are the details of the costs and expenses:

	Unaudited					
	For the Six Months Ended June 30					
	2025		2024		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Purchased power	₱1,532	84	₱1,658	84.4	-126	-8

Depreciation	106	6	105	5.3	1	1
Salaries, wages, and employee benefits	82	5	76	4	6	8
Taxes other than income tax	51	3	34	1.7	17	50
Outside services	21	1	20	1	1	5
Repairs and maintenance	8	0.3	5	0.2	3	60
Others	15	0.7	67	3.4	-52	-78
Total	₱1,829	100	₱1,965	100	-136	-7

The cost of purchased power went down by 8% or ₱126 million from ₱1,658 million in the six months period ending 2024 to ₱1,532 million in the same period in 2025, in line with the fluctuations in the pass-through revenues. The decrease was due to lower WESM prices.

Salaries, wages, and employee benefits reached ₱82 million in 2025, higher by ₱6 million or 8% than the previous year. The increase was due to the additional manpower and the annual employee merit adjustments.

The increased taxes other than income tax were due to the payment of deficiency taxes resulting from the Bureau of Internal Revenue's (BIR) review of the Company's tax obligations for the taxable year 2021.

The costs related to the initial public offering of the Company were included in other costs and expenses of the previous year, resulting in lower other costs and expenses for the period ending June 30, 2025.

Interim Statements of Financial Position

	June 30	December 31	Increase (Decrease)	
	2025 (Unaudited)	2024 (Audited)	Amount	%
ASSETS				
Noncurrent Assets				
Utility plant and equipment	₱3,929	₱3,878	₱51	1.36
Other property and equipment	80	86	-6	-7
FVOCI	152	152	0	0
Deferred tax assets	28	28	0	0
Current Assets				
Cash and cash equivalents	2,397	2,180	217	10
Trade and other receivables	583	635	-52	-8
Financial assets at FVPL	185	184	0	0
Inventories	89	116	-28	-23
Prepayments and other current assets	58	66	-8	-12

TOTAL ASSETS	₱7,500	₱7,326	₱174	2.4
EQUITY AND LIABILITIES				
EQUITY				
Capital stock	₱1,466	₱1,466	₱0	0
Additional paid-in capital	1,142	1,142	0	0
Revaluation reserve	1,463	1,480	-17	-1
Remeasurement gain (loss) on retirement benefits	3	3	0	0
Retained earnings				
Appropriated				
Unappropriated	1,582	1,551	31	2
	5,656	5,642	14	0.2
LIABILITIES				
Current liabilities				
Trade and other payables	715	703	12	2
Dividends payable	147	0	147	100
Income tax payable	44	37	7	19
	907	741	19	3
Noncurrent liabilities				
Customers' deposit	338	338	-0.82	-0.24
Deferred tax liabilities	513	519	-6	-1
Retirement benefits obligation	86	86	0	0
	937	943	-6	-0.6
TOTAL EQUITY AND LIABILITIES	₱7,500	₱7,326	₱174	2.4

Changes in Financial Position

Utility plant and equipment and others closed at ₱3,929 million as at June 30, 2025, a net increase of 1% or ₱51 million from ₱3,878 million as at December 31, 2024. The capital expenditures amounted to ₱150 million for the expansion of distribution assets and the upgrade and rehabilitation of the existing electrical facilities.

Cash and cash equivalents grew to ₱2,397 million as at June 30, 2025 from ₱2,180 million as at December 31, 2024. The growth of ₱217 million attributed to the ₱367 million generated from DECORP's operational activities, partially offset by the ₱15 million utilized for financing activities during the period.

The trade and other receivables primarily reflect the June 2025 billing cycle. The reduction in receivables reflect the lower retail in March 2025 compared to December 2024.

2024 compared with 2023

	Unaudited		Increase (Decrease)	
	Six Months Ended June 30			
	2024	2023	Amount	%
Revenues	₱2,027	₱2,184	-₱157	-7
Costs and expenses	1,965	1,891	74	4
Other income, net of expenses	3	26	-23	88
Income before income tax	65	319	-254	-80
Net income	34	238	-204	-86
Earnings per share (EPS)	2.32	19.10	-16.78	-88

Revenues

The sale of electricity and other revenues amounted to ₱2,026 million for the six-month period ended June 30, 2024, which was ₱157 million or 7% lower than the ₱2,184 million sales for the six-month period ended June 30, 2023. The details of the revenues are as follows:

	For the Six Months Ended June 30				Increase (Decrease)	
	2024		2023			
	Amount	%	Amount	%	Amount	%
Generation	₱1,246	62	₱1,475	68	-168	-24
Transmission	173	9	168	9	2	2
System Loss	108	5	118	5	-9	-16
Distribution	467	23	401	17	26	15
Other pass-through charges	18	0.9	18	0.6	2.2	36
Other revenues	15	0.7	4	0.2	0	0
Total	₱2,026	100	₱2,184	100	-146	-14

The generation revenues for the period ended March 31, 2024, accounting for 60% of the total revenues, went down by 24% from the same period of the previous year. The decrease was attributed to the significant decline in fuel costs.

DECORP's average retail rate was ₱9.19 per kWh and ₱11.44 in the six months ended 2024 and 2023, respectively. The reduction in the average retail rate was due to the lower generation charges during this period.

The following summarizes the customer volume and the corresponding electricity consumption per customer type for the three months ended June 30, 2024 and 2023:

Customer Type	No. of Customers		Electricity Sales (in MWh)		% Change	
	2024	2023	2024	2023	No. of Customers	Electricity Sales
Residential	127,540	124,578	131,516	109,271	2.4	20
Commercial	13,221	12,840	74,608	67,389	2.9	10

Industrial	35	31	38,799	33,657	13	15
Streetlights	53	56	2,211	2,223	-5	0.5
Total	140,849	137,505	247,135	212,540	2.4	16

Costs and Expenses

The costs and expenses of DECORP for the six months ended June 30, 2024 amounted to ₱1,964 million, an increase of 4% or ₱73 million from the ₱1,891 million in the same period in 2023. The following are the details of the costs and expenses:

	Unaudited					
	For the Six Months Ended June 30					
	2024		2023		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Purchased power	₱1,658	84.4	₱1,653	87	5	0.3
Depreciation	105	5.3	100	5.3	5	5
Salaries, wages, and employee benefits	76	4	75	4	1	1
Taxes other than income tax	34	1.7	5	0.3	29	580
Outside services	20	1	16	0.8	4	25
Repairs and maintenance	5	0.2	8	0.4	-3	-0.4
Others	67	3.4	34	2	33	97
Total	₱1,964	100	1,891	100	73	4

Purchased power

The Company has three (3) bilateral contracts with the following generators to supply its electricity requirements: 1.) GNPowder Mariveles Energy Center, Ltd. Co. (GMEC), a coal-fired power plant; 2) One Manaoag Solar Corporation (OMSC), a solar power plant; and 3.) Energy Development Corporation (EDC), a geothermal power plant. The Company also purchased electricity from the Wholesale Electricity Spot Market (WESM) for its requirements that could not be supplied by their generators. Payments made to the National Grid Corporation of the Philippines (NGCP) for transmission services are also included in this account.

Salaries and wages

This account consists of salaries and benefits provided to the employees of the Company. For the six-month period ended June 30 2024 and 2023, the salaries and wages amounted to ₱76 million and ₱75 million, respectively.

Outside services

This account consists of payments to service providers for distribution of statement of accounts and disconnection notices, withdrawal of meters of delinquent customers, distribution line expansions and revamps, security services, and janitorial services. For the six-month period ended June 30 2024 and 2023, outside service amounted to ₱20 million and ₱16 million, respectively.

Taxes other than income tax

This account consists of payments of national and local government taxes. The increase was due to the payment of documentary stamp tax for the issuance of common shares related to the shares sold by way of initial public offering. It also includes the monthly amortization of payment of local franchise and real property taxes for the year 2024.

Others

This account includes payments for legal services, financial advisory services, actuarial valuation of retirement fund, and audit of financial statements. The payment for legal and financial advisory services for the registration of the Company's common shares with the SEC leading to the initial public offering of its common shares significantly increased the professional fees include in this account.

Interim Statements of Financial Position

	June 30	December 31	Increase (Decrease)	
	2024 (Unaudited)	2023 (Audited)	Amount	%
ASSETS				
Noncurrent Assets				
Utility plant and equipment	₱3,849	₱3,846	₱3	.07
Other property and equipment	74	85	-11	-13
FVOCI	152	152	0	0
Deferred tax assets	26	26	0	0
	4,101	4,110	-9	-0.2
Current Assets				
Cash and cash equivalents	2,151	887	1,264	142
Trade and other receivables	590	518	72	14
Financial assets at FVPL	175	175	0	0
Inventories	95	83	12	14
Prepayments and other current assets	100	77	23	30
	3,112	1,740	1,372	79
TOTAL ASSETS	₱7,214	₱5,849	₱1,365	23
EQUITY AND LIABILITIES				
EQUITY				
Capital stock	₱1,466	₱1,246	₱220	18
Additional paid-in capital	1,142	189	953	504
Revaluation reserve	1,532	1,550	-18	-1
Remeasurement gain (loss) on retirement benefits	3	3	0	0
Retained earnings				
Appropriated	400	400	0	0
Unappropriated	914	832	82	10

	5,427	4,220	1,207	28
LIABILITIES				
Current liabilities				
Trade and other payables	826	636	190	30
Dividends payable	0	0	0	0
Income tax payable	14	46	-32	70
	723	682	41	6
Noncurrent liabilities				
Customers' deposit	335	335	0	0
Deferred tax liabilities	527	539	-12	-2
Retirement benefits obligation	73	73	0	0
	935	947	-12	-1.2
TOTAL EQUITY AND LIABILITIES	7,214	5,850	1,364	23

Changes in Financial Position

Utility Plant and Equipment

The Company invested ₱97 million on capital expenditures for the six-month period ending June 30, 2024 for the continuous extension of the distribution assets to accommodate the growth of customers and their electricity consumption. The total Utility Plant and Equipment. The total Utility Plant and Equipment, considering the additional investment and depreciation, increase by ₱2.6 million or 0.07%

Other Property and Equipment

This account as of June 30, 2024, likewise decreased by ₱10.8 million or 13% due to depreciation.

Cash and Cash Equivalents

The Company's Cash and Cash Equivalent account increased by ₱1.3 billion or 143%. The increase was primarily due to the receipt of the proceeds from the initial public offering of the Company that was held from January 8 to 12, 2024 following the SEC's approval of the Company's registration of its shares on December 27, 2023. The proceeds shall be used solely in accordance with the purpose stated in the use of the proceeds of the public offering.

Prepayments and Other Current Assets

The Prepayments and Other Current Assets increased by ₱24 million or 31% due to the annual payments of property insurance, real property tax, and local franchise tax for the year 2024. This account is amortized monthly to recognize the expense portion in its applicable period.

Trade and Other Payables

The Trade and Other Payables increased by 30% from ₱636 million as at December 31, 2023 to ₱826 million as of June 30, 2024. This account includes the cost of power that the Company purchased from its generators under a bilateral agreement, the costs of energy drawn from the Wholesale Electricity Market (WESM), and payments for transmission services provided by the

National Grid Corporation of the Philippines (NGCP). The increase in this account can be attributed to the increase in the Company's power requirements

Capital Stock and Additional Paid-In Capital

The increase in capital stock and additional paid-in capital by ₱220 million and ₱953 million, respectively, for the period ending June 30, 2024, resulted from the sale of 2,200,000 common shares of DECORP through an initial public offering.

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 of June 30, 2025 and 31 December 2024, the financial liabilities have contractual maturities as follow:

	June 30, 2025		December 31, 2024	
	Due within one year	Due beyond one year	Due within one year	Due beyond one year
Trade payables	₱290,550,239	₱-	₱249,274,778	₱-
Other payables*	103,566,171	-	163,790,780	-
Dividend payable	-	-	-	-
Customers' deposits	240,763,052	265,314,019	240,763,052	337,846,798
	₱634,879,462	₱265,314,019	₱653,828,610	₱337,846,798

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 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 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.

DAGUPAN ELECTRIC CORPORATION
SUPPLEMENTARY INFORMATION
June 30, 2025
(UNAUDITED)

Schedule	Content	Page No
	Schedules Required under Annex 68-J of the Revised Securities Regulation Code Rule 68	1
A	Financial Assets	
B	Amounts Receivable from Directors, Officers, Employees Related Parties and Principal Stockholders (Other than Related Parties)	2
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	*
D	Long-term Debt	3
E	Indebtedness to Related Parties	4
F	Guarantees of Securities of Other Issuers	**
G	Capital Stock	5
	Other Required Information	
	Reconciliation of Retained Earnings Available for Dividend Declaration	***
	Map Showing the Relationship Between the Company and its Related Parties	
	Supplemental Schedule of Financial Soundness Indicators	
	Aging of Accounts Receivable	

* *The Company does not prepare any consolidated financial statements*

** *The Company does not have guarantees of securities of other issuers*

*** *The Company does not belong to a group of companies*

Dagupan Electric Corporation
Revised SRC Rule 68
Annex 68-J
Schedule A – Financial Assets
June 30, 2025
Unaudited

	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	
Total -FVOCI		152,000,000	152,000,000	
Financial assets at fair value through profit or loss (FVPL)				
Debt Securities				
Petron Corporation		98,680,726	98,680,726	
Aboitiz Equity Ventures		17,830,000	17,830,000	
BPI -PHILAM		29,155,665	29,155,665	
Equity Securities				
BPI -PHILAM		8,207,843	8,207,843	-
Other equity and debt securities				
Sun Life Asset Management Co., Inc.		17,992,996	17,992,996	
Landbank of the Philippines		4,581,464	4,581,464	
BPI -PHILAM		7,821,693	7,821,693	
Total -FVPL		184,270,387	184,270,387	
Cash and Cash Equivalent s		2,396,772,468	2,396,772,468	2,047,068
Trade and Other Receivables		582,879,880	582,879,880	

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)

June 30, 2025

(Unaudited)

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

June 30, 2025

(Unaudited)

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
June 30, 2025
(Unaudited)

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

June 30, 2025

(Unaudited)

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			12,863,000	1,799,000

Dagupan Electric Corporation
AB Fernandez St., Dagupan City, Province of Pangasinan
Schedule H - Reconciliation of Retained Earnings Available for Dividend Declaration
As of June 30, 2025
(Unaudited)

Items	Amount
Unappropriated Retained Earnings, as adjusted to available for dividend	
distribution, beginning of the period	1,466,186,123
Add: Net income during the period closed to retained earnings	155,061,984
Less: Non-actual/unrealized income net of tax	
Fair value gain (loss) on financial assets at FVPL	
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	17,277,667
Net income actually earned during the period	172,339,651
Less:	
Effect of prior period adjustments	
Cash dividend declaration during the period	147,499,720
Stock dividend declaration during the period	
Appropriation of retained earnings during the period	
Reversal of appropriation	
	24,839,931
Total Retained Earnings, End, Available for Dividend Declaration	1,491,026,054

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Dagupan Electric Corporation

For the Period Ended June 30, 2025 and 2024

(Unaudited)

Ratio	Formula
Current Ratio	Current Assets / Current Liabilities
Acid Test Ratio	(Cash and Cash Equivalents + Marketable Securities + Accounts Receivable) / Current Liabilities
Solvency Ratio	(Net Profit After Tax + Non-Cash Expenses) / Liabilities
Debt-to-Equity Ratio	Total Liabilities / Total Equity
Asset-to-Equity Ratio	Total Assets / Total Equity
Interest Rate Coverage Ratio*	Earnings Before Interests and Taxes / Interest Expense
Return on Equity	(Net Income / Average Shareholders' Equity) x 100
Return on Assets	(Net Income / Average Total Assets) x 100
Net Profit Margin	(Net Income / Revenues) x 100
Net Sales Growth	[(Net sales of Current Period - Net Sales of Previous Period) / Net Sales of Previous Period] x 100
Net income percentage	[(Net income of current period - Net income of previous period) / Net income of previous period] x 100
Increase in shareholders' equity	[(Shareholders' equity of current period - Shareholders' equity of previous period) / Shareholders' equity of previous period] x 100

* The Company has no loans

2025	2024
3.65	3.71
3.49	3.47
0.14	0.08
0.33	0.33
1.33	1.33
N/A	N/A
3%	1%
2%	1.0%
8%	2%
1%	-7%
354%	-86%
-0.26%	29%

DAGUPAN ELECTRIC CORPORATION
Aging of Accounts Receivable
June 30 2025
(Unaudited)

No. of Days Outstanding	Amount
Current	347,131,686
0-30 days	30,481,289
31-60 days	155,318,484
>90 days	7,656,442
Total	540,587,901



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



The following document has been received:

Receiving: DONNA ENCARNADO

Receipt Date and Time: August 13, 2025 06:50:30 PM

Company Information

SEC Registration No.: 0000018890

Company Name: DAGUPAN ELECTRIC CORPORATION

Industry Classification: E40100

Company Type: Stock Corporation

Document Information

Document ID: OST10813202583656826

Document Type: Notice of Inability to File AR or QR

Document Code: SEC_Form_17-L

Period Covered: June 30, 2025

Submission Type: As needed

Remarks: None

Acceptance of this document is subject to review of forms and contents

COVER SHEET

for

NOTIFICATION OF INABILITY TO FILE OR ANY PORTION OF SEC FORM 17-A OR 17-Q

SEC Registration Number

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COMPANY NAME

D	A	G	U	P	A	N	E	L	E	C	T	R	I	C	C	O	R	P	O	R	A	T	I	O	N
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PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

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Form Type

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Department requiring the report

S	E	C		
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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's email Address

decorp@decorp.com.ph

Company's Telephone Number

(632) 8374 3034

Mobile Number

9285066639

No. of Stockholders

54

Annual Meeting (Month / Day)

Every 3rd Tuesday of April

Fiscal Year (Month / Day)

31-Dec

CONTACT PERSON INFORMATION

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

Name of Contact Person

Lilian D. Saralde

Email Address

lds@decorp.com.ph

Telephone Number/s

(632) 8374 3039

Mobile Number

9285066639

CONTACT PERSON'S ADDRESS

VERIA I Bldg., 62 West Avenue, Quezon City

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.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-L

NOTIFICATION OF INABILITY TO FILE ALL OR ANY PORTION OF SEC FORM 17-A OR 17-Q

Check One:

Form 17-A [] Form 17-Q [✓]

Period-Ended Date of required filing June 30, 2025

Date of this report August 13, 2025

Nothing in this Form shall be construed to imply that the Commission has verified any information contained herein.

If this notification relates to a portion or portions of the filing checked above, identify the item(s) to which the notification relates: SEC FORM 17-Q

1. SEC Identification Number 18890 2. BIR Tax Identification No. 000-202-524

3. DAGUPAN ELECTRIC CORPORATION
Exact name of issuer as specified in its charter

4. DAGUPAN CITY, PANGASINAN, PHILIPPINES
Province, country or other jurisdiction of incorporation

5. Industry Classification Code: [] (SEC Use Only)

6. AB FERNANDEZ ST., DAGUPAN CITY 2400
Address of principal office Postal Code

7. (632) 83743039
Issuer's telephone number, including area code

8. NOT APPLICABLE
Former name, former address, and former fiscal year, if changed since last report.

9. Are any of the issuer's securities listed on a Stock Exchange?

Yes [] No [✓]

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

.....

Part I - Representations

If the subject report could not be filed without unreasonable effort or expense and the issuer seeks relief pursuant to SRC Rule 17-1, the following should be completed. (Check box if appropriate)

(a) The reasons described in reasonable detail in Part II of this Form could not be estimated without unreasonable effort or expense. []

(b) The subject annual report on SEC Form 17-A, or portion thereof, will be filed on or before the fifteenth calendar day following the prescribed due date; or the subject quarterly report on SEC Form 17-Q, or portion thereof, will be filed on or before the fifth day following the prescribed due date. [✓]

(c) The accountant's statement or other exhibit required by paragraph 3 of SRC Rule 17-1 has been attached if applicable. []

Part II - Narrative

State below in reasonable detail the reasons why SEC Form 17-A or SEC Form 17-Q, or portion thereof, could not be filed within the prescribed period. (Attach additional sheets if needed)

The request to file the 17-Q beyond the prescribed period is to allow us sufficient time to complete the report for the second quarter of 2025.

Part III - Other Information

(a) Name, address and telephone number, including area code, and position/title of person to contact in regard to this notification

Lilian D. Saralde
Compliance Officer
Veria I Building, 62 West Avenue, Quezon City
Tel No. (632) 8374 3039

(b) Have all other periodic reports required under Section 17 of the Code and under Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months, or for such shorter period that the issuer was required to file such report(s), been filed? If the answer is no, identify the report(s).

Yes [✓] No [] Reports:

(c) Is it anticipated that any significant change in results of operations from the corresponding period for the last fiscal year will be reflected by the earnings statements to be included in the subject report or portion thereof?

Yes [] No [✓]

If so, attach an explanation of the anticipated change, both narratively and quantitatively, and, if appropriate, state the reasons why a reasonable estimate of the results cannot be made.

SIGNATURE

Pursuant to the requirements of the SRC Rule 17-1, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DAGUPAN ELECTRIC CORPORATION

Registrant's full name as contained in charter

Rene Llames
RENE L. LLAMES
President and CEO

Date: August 13, 2025

**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/lmessagemo@sec.gov.ph



The following document has been received:

Receiving: DONNA ENCARNADO

Receipt Date and Time: November 20, 2025 05:20:40 PM

Company Information

SEC Registration No.: 0000018890

Company Name: DAGUPAN ELECTRIC CORPORATION

Industry Classification: E40100

Company Type: Stock Corporation

Document Information

Document ID: OST11120202583824542

Document Type: Quarterly Report

Document Code: SEC_Form_17-Q

Period Covered: September 30, 2025

Submission Type: Original Filing

Remarks: None

Acceptance of this document is subject to review of forms and contents

COVER SHEET

for

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(B) THEREUNDER

SEC Registration Number

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COMPANY NAME

D	A	G	U	P	A	N		E	L	E	C	T	R	I	C		C	O	R	P	O	R	A	T	I	O	N		
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PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

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Form Type

17	-	Q		
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Department requiring the report

S	E	C	
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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's email Address

decorp@decorp.com.ph

Company's Telephone Number

(632) 8374 3040

Mobile Number

9285066639

No. of Stockholders

54

Annual Meeting (Month / Day)

Every 3rd Tuesday of April

Fiscal Year (Month / Day)

31-Dec

CONTACT PERSON INFORMATION

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

Name of Contact Person

Lilian D. Saralde

Email Address

lds@decorp.com.ph

Telephone Number/s

(632) 8374 3040

Mobile Number

9285066639

CONTACT PERSON'S ADDRESS

VERIA I Bldg., 62 West Avenue, Quezon City

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.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended September 30, 2025
2. Commission identification number 18890 3. BIR Tax Identification No. 000-202-524

DAGUPAN ELECTRIC CORPORATION

4. Exact name of issuer as specified in its charter

DAGUPAN CITY, PANGASINAN, PHILIPPINES

5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: (SEC Use Only)

AB FERNANDEZ ST., DAGUPAN CITY

7. Address of issuer's principal office

2400
Postal Code

(632) 8374 3039

8. Issuer's telephone number, including area code

NOT APPLICABLE

9. Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class

Number of shares of common
stock outstanding and amount
of debt outstanding

COMMON SHARES

14,662,000

11. Are any or all of the securities listed on a Stock Exchange?

Yes [] No []

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

NOT APPLICABLE

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [] No []

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [] No []

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The Unaudited Interim Condensed Financial Statements of Dagupan Electric Corporation (“DECORP” or the “Company”) as of and for the period ended September 30, 2025 (with comparative figures as of December 31, 2024 and for the period ended September 30, 2024) and Unaudited Notes to the Interim Condensed Financial Statements are attached as Annex A.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The information required by Part III, Paragraph (A)(2)(b) of “Annex C”, is attached as Annex B.

PART II--OTHER INFORMATION

The following other information are attached as Annex C

- a) Schedules required under Annex 68-J of the Revised Securities Regulation Code Rule 68
- b) SEC Form 17-L for SEC Form 17-Q as of and for the quarter ended September 30, 2025

SIGNATURES


Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer

DAGUPAN ELECTRIC CORPORATION

Issuer

By:


Rene Bernard L. Llames
President and CEO


Lillian D. Saralde
Finance Manager and Compliance Officer

Date: November 20, 2025

DAGUPAN ELECTRIC CORPORATION
UNAUDITED INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

	September 30, 2025 (Unaudited)	December 31 2024 (Audited)
ASSETS		
Noncurrent Assets		
Utility plant and equipment -note 4	3,906,445,864	3,878,693,425
Other property and equipment -note 5	75,878,914	85,820,987
FVOCI -note 6	152,000,000	152,000,000
Deferred tax assets -note 21	28,005,805	28,005,805
	4,162,330,584	4,144,520,217
Current Assets		
Cash and cash equivalents -note 7	2,353,898,791	2,179,835,209
Trade and other receivables -note 8	582,910,090	634,507,090
Financial assets at FVPL -note 9	166,440,386	184,270,386
Inventories -note 10	110,997,271	116,360,970
Prepayments and other current assets -note 11	47,041,544	66,010,239
	3,261,288,082	3,180,983,894
TOTAL ASSETS	7,423,618,666	7,325,504,111
EQUITY AND LIABILITIES		
Equity		
Capital stock -note 15	1,466,200,000	1,466,200,000
Additional paid-in capital	1,141,724,320	1,141,724,320
Revaluation reserve -notes 4 and 5	1,463,232,958	1,480,510,625
Remeasurement gain (loss) on retirement benefits -note 18	2,962,763	2,962,763
Retained earnings -note 14		
Appropriated	0	0
Unappropriated	1,688,266,440	1,550,957,603
	5,762,386,482	5,642,355,311
Current Liabilities		
Trade and other payables -note 12	688,483,284	703,472,335
Dividends payable	40	0.03
Income tax payable	35,494,535	36,880,505
	723,977,859	740,352,841
Noncurrent Liabilities		
Customers' deposit -note 13	338,064,388	337,846,798
Deferred tax liabilities -note 21	512,929,374	518,688,596
Retirement benefits obligation -note 18	86,260,564	86,260,565
	937,254,326	942,795,959
TOTAL EQUITY AND LIABILITIES	7,423,618,666	7,325,504,111

See accompanying Notes to Unaudited Interim Condensed Financial Statements

DAGUPAN ELECTRIC CORPORATION
UNAUDITED INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
For the Period Ended September 30, 2025 and 2024

	Unaudited		Unaudited	
	For the Nine Months Ended		For the Quarter Ended	
	2025	2024	2025	2024
REVENUES -note 17	3,053,437,204	3,203,667,011	1,002,776,269	1,176,856,118
OPERATING EXPENSES				
Purchases power -note 21	2,255,771,317	2,403,014,160	723,375,525	795,405,541
Operating and maintenance -note 19	203,402,387	228,157,944	63,435,197	62,248,953
Depreciation	151,455,229	158,537,122	45,618,399	53,303,885
Taxes other than income tax	84,734,443	58,136,468	33,563,517	42,840,305
	2,695,363,376	2,847,845,694	865,992,638	953,798,684
INCOME FROM OPERATIONS	358,073,828	355,821,317	136,783,631	223,057,434
OTHER INCOME (CHARGES)	13,213,307	8,916,978	7,058,611	5,983,198
INCOME BEFORE INCOME TAX	371,287,135	364,738,295	143,842,242	229,040,632
PROVISION FOR INCOME TAX	109,515,467	74,207,553	37,132,558	40,975,557
NET INCOME	261,771,668	290,530,742	106,709,684	188,065,075
OTHER COMPREHENSIVE INCOME				
Not to be reclassified to profit or loss in the subsequent periods				
Remeasurement gain (loss) on retirement benefits, net of tax			-	
TOTAL COMPREHENSIVE INCOME	261,771,668	290,530,742	106,709,684	188,065,075
Earnings Per Share	17.85	19.82	7.28	12.83

See accompanying Notes to Unaudited Interim Condensed Financial Statements

DAGUPAN ELECTRIC CORPORATION
UNAUDITED INTERIM CONDENSED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED SEPTEMBER 30, 2025 AND 2024

	Capital Stock -note 15	Additional Paid-in Capital	Revaluation Reserve	Remeasurement Gain (Loss) on Retirement Benefits	Appropriated Retained Earnings	Unappropriated Retained Earnings	Total Equity
Balance at January 1, 2025	1,466,200,000	1,141,724,320	1,480,510,625	2,962,764	-	1,550,957,608	5,642,355,317
Net Income						261,771,668	261,771,668
Depreciation on appraisal increase transferred to unappropriated retained earnings			-23,036,889			23,036,889	-
Income tax effect on the revaluation increment charged to operations through additional depreciation charges			5,759,217				5,759,217
Remeasurement gain on retirement benefits , net of tax							
Transactions with owners							
Cash dividends						-147,499,720	-147,499,720
	0	0	-17,277,672	0	0	137,308,837	120,031,165
Balance at September 30, 2025	1,466,200,000	1,141,724,320	1,463,232,953	2,962,764	-	1,688,266,445	5,762,386,482
Balance at January 1, 2024	1,246,200,000	189,124,320	1,549,621,291	2,962,764	400,000,000	831,949,016	4,219,857,391
Net income						290,530,756	290,530,756
Depreciation on appraisal increase transferred to unappropriated retained earnings			-72,296,114			72,296,114	-
Income tax effect on the revaluation increment charged to operations through additional depreciation charges			18,074,028				18,074,028
Remeasurement gain on retirement benefits, net of tax							-
Transaction with owners							-
Cash dividends						-148,828,961	(148,828,961.00)
Public offering	220,000,000	952,600,000					1,172,600,000
Transfer to unappropriated earnings							-
	220,000,000	952,600,000	-54,222,086	-	-	213,997,909	1,332,375,823
Balance at September,30 2024	1,466,200,000	1,141,724,320	1,495,399,205	2,962,764	400,000,000	1,045,946,925	5,552,233,214

See accompanying Notes to Unaudited Interim Condensed Financial Statements

DAGUPAN ELECTRIC CORPORATION
UNAUDITED INTERIM CONDENSED STATEMENTS OF CASH FLOWS

	Unaudited	
	For the Nine Months Ended September 30	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	371,287,135	364,738,309
Adjustment for:		
Depreciation -notes 4 and 5	151,455,229	158,537,122
Retirement benefit expense -note 18		
Provision for ECL -note 8		
Interest expense -note 13	54,123	
Fair value loss on financial assets at FVPL -note 9		
Interest income -note 7	-8,161,145	-7,341,639
Gain on sale of transportation equipment -note 5		
Operating income before working capital changes	514,635,342	515,933,792
Decrease (increase) in:		
Trade and other receivables	51,597,000	-77,188,357
Inventories	5,363,698	-50,013,830
Prepayments and other current assets	18,968,695	-423,285
Increase (decrease) in:		
Trade and other payables	-14,989,052	31,156,587
Dividends payable		
Customers' deposits	217,588	1,314,955
Cash generated from operations	575,793,271	420,779,862
Interest received -note 7	8,161,145	7,341,639
Income tax paid	-110,901,437	-93,188,127
Interest paid	-54,123	
Net cash provided by operating activities	472,998,856	334,933,374
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment -notes 4 and 5	-169,265,596	-153,403,397
Proceeds from financial assets at FVPL -note 9	17,830,000	
Acquisition of financial assets at FVOCI		
Proceeds from sale of transportation equipment -note 5		
Net cash used in investing activities	-151,435,596	-153,403,397
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of cash dividends	-147,499,679	-148,828,961
Proceeds from public offering		1,172,600,000
Net cash used in financing activities	-147,499,679	1,023,771,039
NET INCREASE IN CASH AND CASH EQUIVALENTS	174,063,582	1,205,301,016
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	2,179,835,209	886,889,217
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD -note 7	2,353,898,791	2,092,190,233

See accompanying Notes to Unaudited Interim Condensed Financial Statements

DAGUPAN ELECTRIC CORPORATION

Notes to Interim Condensed Financial Statements

For the Period Ended September 30, 2025 and December 31, 2024

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of the Company’s financial statements for the period ended September 30, 2025 have been adopted in the preparation of the interim condensed financial statements. The policies have been consistently applied to all the periods presented, unless otherwise stated.

Statement of Compliance

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS) and Interpretations issued by the former Standing Interpretations Committee (SIC), the Philippine Interpretations Committee (PIC) and the International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by SEC.

Basis of Preparation

The interim condensed 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).

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, 2023.

PAS 1 and PFRS Practice Statement 2 (Amendments) Disclosure of Accounting Policies. The narrow-scope amendments PAS 1, *Presentation of Financial Statements* require entities to disclose material accounting policy information instead of significant accounting policies. The amendments also clarify the following: (1) accounting policy information may be material because of its nature, even if the related amounts are immaterial; (2) accounting policy is material if users of an entity's financial statements would need it to understand other material information in the statements; and (3) if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. Further, the amendments provide several paragraphs to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material. In addition, PFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of 'four-step materiality process' to accounting policy information in order to support the amendments to PAS 1. The amendments are applied prospectively. The amendments are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted. Once the entity applies the amendments to PAS 1, it is also permitted to apply the amendments to PFRS Practice Statement 2. The amendments do not have a material impact on the interim financial statements of the Company.

PAS 8 (Amendments) Definition of Accounting Estimates. The amendments to PAS 8, *Accounting Policies, Changes* focus entirely on accounting estimates and clarify the following:

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
- A change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

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

New accounting standards and amendments to existing standards effective subsequent to January 1, 2023

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 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 interim financial statements of the Company.

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, fair value through other comprehensive income (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, and trade

and other receivables (see Notes 7 and 8). Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash depending on the immediate cash requirements of the Company and are subject to an insignificant risk of change in value.

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 September 30, 2025 and December 31, 2024, 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 September 30, 2025 and December 31, 2024, the Company's equity instruments at FVOCI consists 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, 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), dividend payable and customers' deposits (see Notes 12, 13 and 14).

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 of 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.

Creditable withholding taxes are stated at cost less any impairment in value. Creditable withholding tax is deducted from income tax payable on the same year the revenue is recognized.

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 dividends out of treasury shares. It also includes shares issued and offered for sale 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.

Foreign Currency Transactions

Transactions in foreign currencies are recorded in Philippine peso using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rate at the reporting date. All foreign exchange gains and losses are recognized in profit or loss.

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 remeasurement 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 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 as at September 30, 2025 and December 31, 2024. The carrying amount of trade and other receivables amounted to ₱582,910,090 and ₱634,507,090 as at September 30, 2025 and December 31, 2024, 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 ₱110,997,271 and ₱116,360,970 as at September 30, 2025 and December 31, 2024, 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 ₱2,496,434,086 and ₱2,360,581,456, amounted to ₱3,906,445,864 and ₱3,878,693,425 as at September 30, 2025 and December 31, 2024, respectively (see Note 4).

Other property and equipment, net of accumulated depreciation of ₱297,224,616 and ₱281,644,033 amounted to ₱79,674,330 and ₱85,820,987 as at September 30, 2025 and December 31, 2024, 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 ₱3,906,445,864 and ₱3,929,254,133 as at September 30, 2025 and December 31, 2024, respectively (see Note 4).

The fair value of other property and equipment amounted to ₱75,878,914 and ₱79,671,330 as at September 30, 2025 and December 31, 2024, respectively (see Note 5).

Impairment of non-financial assets

PFRS 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 September 30, 2025 and December 31, 2024.

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 ₱166,440,386 and ₱184,270,386 as at September 30, 2025 and December 31, 2024 (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 ₱3,053,437,204 and ₱3,203,667,011 for the nine months ended September 30, 2025 and 2024, 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 as at September 30, 2025 and December 31, 2024, respectively (see Note 18).

4. UTILITY PLANT AND EQUIPMENT

The reconciliation of this account is as follows:

September 30, 2025

	Amount in thousands					Total
	Distribution	Tools and equipment	Land	Buildings and improvements	Construction in progress	
<u>Cost</u>						
Net carrying amount, January 1, 2025	₱1,648,887	₱8,281	₱82,003	₱53,108	₱83,368	₱1,875,647
Additions	108,792	1,979	-	472	47,595	158,838
Depreciation	(65,510)	(1,283)		(3,180)		(69,974)
Reclassification						
Net carrying amount, September 30, 2025	1,692,169	8,977	82,003	50,400	130,963	1,964,512
<u>Appraisal increase (decrease in value)</u>						
Net carrying amount, January 1, 2025	1,579,785	(5,872)	411,893	17,240		2,003,046
Depreciation	(65,442)			(437)		(65,879)
Net carrying amount, September	1,514,343	(5,872)	411,893	16,803		1,937,167

30, 2025

₱3,206,512 ₱3,105 ₱493,896 ₱67,203 ₱130,963 ₱3,901,679

December 31, 2024

	Amount in thousands					
	Distribution	Tools and equipment	Land	Buildings and improvements	Construction in progress	Total
<u>Cost</u>						
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
<u>Appraisal increase (decrease in value)</u>						
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
<u>Cost</u>						
Net carrying amount, December 31, 2024	₱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

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

	Amount in thousands					
	Distribution	Tools and equipment	Land	Buildings and improvements	Construction in progress	Total
September 30, 2025	₱1,692,169	₱8,977	₱82,003	₱50,400	₱130,963	₱1,964,512
December 31, 2024	₱1,648,887	₱8,281	₱82,003	₱53,108	₱83,368	₱1,755,870

Depreciation on utility, plant and equipment for the nine-month period ended September 30, 2025 and 2024 charged to operating expenses amounted to ₱135,852,630 in 2025 and ₱138,783,806 in 2024 (including depreciation on appraisal increase of ₱65,878,694 and ₱72,918,725 for the nine months period ended September 30, 2025 and 2024, respectively).

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 accumulated depreciation of appraisal increase except for land in which the resulting increase in value 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:

- a. 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.
- b. 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 March 31, 2025 and December 31, 2024. These assets are free from any liens and encumbrances.

5. OTHER PROPERTY AND EQUIPMENT

The reconciliation of this account is as follows:

September 30, 2025

	Transportation equipment	Office furniture and equipment	Total
<u>Cost</u>			
Net carrying amount, January 1, 2025	₱65,349,954	₱18,161,173	₱83,511,127

Additions	900,161	4,760,366	5,660,527
Depreciation	(8,087,344)	(4,265,606)	(12,352,950)
Net carrying amount, September 30, 2025	58,162,771	18,655,933	76,818,704
<u>Appraisal Increase (decrease in value)</u>			
Net carrying amount, January 1, 2025	7,327,200	(5,017,340)	2,309,860
Depreciation	(3,231,972)		(3,231,972)
Net carrying amount, September 30, 2025	4,095,228	(5,017,340)	-922,112
	₱62,257,999	₱13,638,593	₱75,896,592
Cost	₱230,401,965	₱99,412,859	₱329,814,824
Accumulated depreciation	(172,239,194)	(80,756,926)	(252,996,120)
Net carrying amount, September 30, 2025	58,162,771	18,655,933	79,519,119
Appraisal increase	37,799,778	5,488,926	43,288,704
Accumulated depreciation	(33,704,555)	(10,506,266)	(43,133,492)
Net carrying amount, September 30, 2025	4,095,223	(5,017,340)	(922,117)
	₱62,257,994	₱13,638,593	₱75,896,592

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	(10,483,331)	(5,096,360)	(15,579,690)
Net carrying amount, December 31, 2024	65,349,954	18,161,173	83,511,127
<u>Appraisal Increase (decrease in value)</u>			
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

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
September 30, 2025	₱58,162,771	₱18,655,953	₱79,519,119
December 31, 2024	₱65,349,954	₱18,161,173	₱83,511,127

Depreciation on other property and equipment for the nine months period ended September 30, 2025 and 2024 amounted to ₱15,602,599 and ₱19,753,315, respectively.

There are no other property and equipment held as collateral for liabilities as at September 30, 2025 and December 31, 2024. 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 Securities and Exchange Commission in compliance with the EPIRA and whose shares are not traded in any Exchange.

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 September 30, 2025, 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:

	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Cash on hand	₱818,603	₱994,042
Cash in banks	1,039,599,835	975,360,814
Short-term deposits	1,313,480,353	1,203,480,353
Total	₱2,353,898,791	₱2,179,835,209

Cash in banks earn interest at prevailing bank deposit rates. Total interest earned on cash in banks, net of final tax, amounted to ₱3,037,145 and ₱7,341,639 for the nine months ended September 30, 2025 and 2024, respectively, and is included in "Interest income" presented under "Other income (charges)" account in the statements of comprehensive income (see Note 20).

8. TRADE AND OTHER RECEIVABLES (NET)

This account consists of:

	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Trade receivables	₱538,059,185	₱586,356,765
Other receivables	59,366,661	62,666,082
	597,425,846	649,022,847
Allowance for ECLs on trade receivables	14,515,757	14,515,757
	₱582,910,090	₱634,507,090

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 ₱471,839,314 and ₱586,356,765 as at September 30, 2025 and December 31, 2024, respectively.

Trade receivables from sale of electricity consist of:

	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Residential retail	₱289,780,782	₱314,818,990
General retail	97,387,795	104,769,342
Bulk power	49,574,512	55,082,791
General power	57,334,825	53,781,344
Universal charges	10,741,680	10,970,591
Street lights	7,506,310	7,719,625
FIT-All	3,511,108	3,695,903
Others	22,222,173	35,528,179
	₱538,059,185	₱586,356,765

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 and other receivables follow:

	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Balance at beginning of year	₱14,515,757	₱114,229,987
Provision for ECLs – note 19		2,631,403
Write-off		(2,345,633)
Balance at end of year	₱ 14,515,757	₱ 14,515,757

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.

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 September 30, 2025 and December 31, 2024.

The amount still for refund to customers was ₱8,987,989 and ₱8,990,752 as of September 30, 2025 December 31, 2024, 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 periods ended are as follow:

	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Cost		
Balance at beginning of year	₱184,270,387	₱181,638,774
Disposal	17,830,000	-
Balance at end of period	166,440,386	181,638,774
Cumulative net unrealized loss in fair value:		
Balance at beginning of period		(6,436,360)
Fair value adjustment		9,067,973
Balance at end of period		2,631,613
	₱166,440,386	₱184,270,387

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.

The unit investment trust funds and mutual funds are invested in fixed income, bond and balanced funds as at September 30, 2025 and December 31, 2024.

10. INVENTORIES

This account consists of materials and supplies for power distribution and service segments. As at September 30, 2025 and December 31, 2024, there are no inventories pledged or held as collateral.

11. PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of:

	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Prepaid tax		
VAT	₱35,553,576	₱45,276,929
Real Property Tax	3,141,502	12,623,402
Insurance	1,724,782	1,563,347
Advances to TransCo	5,858,942	5,858,942
Others	762,743	687,718
	₱47,041,544	₱66,010,338

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 ₱5,858,942 in compliance with the Decision. However, on November 21, 2014, National Grid Corporation of the Philippines (NGCP) filed a 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 September 30, 2025.

12. TRADE AND OTHER PAYABLES

This account consists of:

	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Trade payables	249,777,498	₱249,274,778
Customers’ deposits (current portion) – note 13	207,589,641	240,763,052
Output VAT	43,414,451	42,580,380
Accrued expenses and other current liabilities	134,687,284	118,644,342
Universal charges payable	28,357,872	25,748,003

Accrued taxes	1,110,598	1,079,671
WESM regulated prices payable	8,987,989	8,990,752
FIT-All payable	7,482,888	10,161,233
Others	7,075,062	6,230,124
	688,483,283	703,472,335

Trade payables and output VAT

Trade payable represents the Company's liabilities to GNPower 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 amounting to ₱207,589,641 and ₱239,779,031 as at September 30, 2025 and December 31, 2024, respectively (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 tax payable.

Other payables of ₱7,075,062 and ₱6,230,124 as at September 30, 2025 and December 31, 2024, 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:

	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Bill deposits	₱265,008,985	₱267,063,540
COLE deposits	58,838,619	57,526,252
Pole attachment deposits	14,216,783	13,257,006
	₱338,064,388	₱337,846,798

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 ₱207,589,641 and ₱239,779,031 as at September 30, 2025 and December 31, 2024, 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 ₱54,123 and nil for the nine months ended September 30, 2025 and 2024, respectively.

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 2024 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: 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) Appropriation of ₱400,000,000 for the following capital expenditures: 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 14, 2025, the BOD approved the declaration of cash dividend equivalent to 40% of the previous year's net income, amounting to ₱10.06 per share, to stockholders of record as of December 31, 2024. Cash dividend will be paid by the end of July 2025.

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 are payable on various dates up to September 29, 2023.

15. CAPITAL STOCK

The details of capital stock are as follow:

	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
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	1,246,200,000	1,246,200,000
Initial public offering shares	220,000,000	220,000,000
Outstanding	₱1,466,200,000	₱1,466,200,000

On December 27, 2023, the SEC rendered effective DECORP'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.

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 ₱344,784 in 2025 and ₱ 313,440 in 2024 and payable at the end of each month. Total rent expense charged to operations amounted to ₱3,307,682 and ₱2,910,960 for the nine months ended September 30, 2025 and 2024, respectively, 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:

	September 30, 2025 (Unaudited)	September 30, 2024 (Unaudited)
Salaries	₱1,274,490	₱1,220,000
Short-term employee benefits	15,990	16,095
	₱1,290,480	₱1,236,095

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

17. REVENUES

This account consists of:

	September 30, 2025 (Unaudited)	September 30, 2024 (Unaudited)
Electric revenues	₱3,034,652,103	₱3,184,288,591
Other revenues	18,785,101	19,378,420
	₱3,053,437,204	₱3,203,667,011

In compliance with Section 36 of R.A. No. 9136, the Company is required to unbundle its billing charges to customers. For the three months ended March 31, 2025 and 2024, the details of electric revenues are as follows:

	September 30, 2025 (Unaudited)	September 30, 2024 (Unaudited)
Generation revenue	₱1,779,918,548	₱2,011,368,072
Distribution revenue	558,395,446	556,473,218
Transmission revenue	355,734,247	285,135,134
System loss revenue	164,399,433	174,871,568
Supply revenue	88,313,398	86,934,398
Metering charge	62,044,822	60,920,145
Local franchise tax	18,481,582.57	
Real property tax recovery	7,392,409	6,335,118
Lifeline charge (discount)	37,454	2,320,024
Senior citizen charge (discount)	(5,622)	(11,017)
Other discount	(59,615)	(58,069)
	₱3,034,652,103	₱3,184,288,591

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 September 30, 2025, 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 September 30, 2025, 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 September 30, 2025, 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 September 30, 2025, 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.

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.

On February 10, 2024, the Company filed an Urgent Omnibus Motion to Withdraw its application docketed as ERC Case No. 2022-020RC, “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 20).

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

	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Present value of obligation	₱86,260,564	₱129,839,462
Fair value of plan assets		(43,578,898)
	₱86,260,564	₱86,260,564

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

As at September 30, 2025 and December 31, 2024, the cumulative remeasurement loss 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:

	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Balance at beginning of period	₱86,260,564	₱72,982,180
Retirement benefits expense	-	15,918,363
Contributions paid	-	(2,639,979)
Remeasurement gain	-	-
Balance at end of period	₱86,260,564	₱86,260,564

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

	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Present value of obligation, January 1	₱129,839,462	₱113,921,099
Current service cost	-	8,855,255
Interest cost	-	7,063,108
Benefits paid	-	-
Actuarial gain	-	-
Present value of obligation, December 31	₱129,839,462	₱129,839,462

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

	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Fair value of plan assets, January 1	₱43,578,898	₱40,938,912
Interest income included in net interest cost	-	
Benefits paid	-	
Contributions	-	2,639,979
Actuarial gain	-	
Fair value of plan assets, December 31	₱43,578,898	₱43,578,898

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 as at September 30, 2025 and December 31, 2024, 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.

19. OPERATIONS AND MAINTENANCE

This account consists of:

	September 30, 2025 (Unaudited)	September 30, 2024 (Unaudited)
Salaries and wages	₱116,707,208	₱111,335,821
Outside services	32,292,332	30,459,397
Professional fees	2,116,444	34,989,321
Repairs and maintenance	11,415,322	13,261,121
Retirement benefits expense – note 18	-	2,174,100
Electricity, telephone and water	5,897,548	5,610,760
Transportation	4,133,983	4,391,229
Office supplies	7,401,001	4,537,483
Rent	3,307,682	3,185,100
Representation expense	-	-
Insurance	1,687,278	1,757,697
Electric materials	4,345,157	3,635,845
Training and seminars	706,590	882,872
Donations		
Association and membership fees	201,049	199,780
Advertising and promotion	131,090	51,784
Provision for ECLs – note 8		
Others	13,059,702	11,685,639
	₱203,402,387	₱228,157,949

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

20. OTHER INCOME (CHARGES)

This account consists of:

	September 30, 2025 (Unaudited)	September 30, 2024 (Unaudited)
Interest income – note 7	₱8,161,145	₱7,341,639
Fair value loss on financial assets at FVPL – note 9		
Interest expense – note 13-	(54,123)	-
Others:		
Bank charges	(212,621)	(483,904)
Gain on sale of equipment – note 5		
Gain on foreign exchange	(1,970)	1,304
Miscellaneous income	5,320,876	2,057,953
	₱13,213,307	₱8,916,992

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

21. AGREEMENTS

The details of purchased power are as follow:

	September 30, 2025 (Unaudited)	September 30, 2024 (Unaudited)
Generation cost		
GMCP	₱833,914,543	₱905,879,198
WESM	560,259,521	620,465,995
EDC	350,805,512	449,477,728
OMSC	128,422,039	129,955,314
Transmission cost:		
NGCP	382,369,701	290,632,609
	₱2,255,771,317	₱2,403,014,160

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.

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.

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 for the nine months ended September 30, 2025 and 2024 amounted to ₱14,441,256 and ₱15,758,494, respectively, and is included in the “Other revenues” account under the “Revenues” section in the statements of comprehensive income (see note 17).

22. 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.

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:

September 30, 2025			
Basis of recognizing	Gross carrying amount	Loss allowance	Net carrying amount

ECL					
Cash in banks and cash equivalents	(a)		₱2,353,898,791	₱-	₱2,353,898,791
Trade receivables	(b)	Lifetime ECL	538,059,185	14,515,757	523,543,428
Other receivables	(b)		59,366,661		59,366,661
Rental deposits	(c)		679,643		679,643
			₱2,952,004,280	₱14,515,757	₱2,937,488,523

December 31, 2024					
		Basis of recognizing ECL	Gross carrying amount	Loss allowance	Net carrying amount
Cash in banks and cash equivalents	(a)		₱2,178,998,214	₱-	₱2,178,998,214
Trade receivables	(b)	Lifetime ECL	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
			₱1,426,170,756	₱21,220,837	₱2,817,193,022

- (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 September 30 and December 31 is determined as follows:

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 September 30, 2025 and December 31, 2024, the financial liabilities have contractual maturities as follow:

	September 30, 2025		December 31, 2024	
	Due within one year	Due beyond one year	Due within one year	Due beyond one year
Trade payables	₱249,777,498	₱-	₱243,545,883	₱-
Other payables*	182,211,659	-	100,969,171	-
Dividend payable	-	-	-	-
Customers' deposits	207,589,641	338,064,388	218,879,163	334,924,529
<i>E</i>	₱639,578,798	₱338,064,388	₱653,828,610	₱334,924,529

*Excluding statutory payables and other liabilities to government agencies amounting to ₱48,904,485 as at September 30, 2025 and ₱42,580,380 as at December 31, 2024.

23. 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 Securities and Exchange Commission (SEC). The registration of DECORP’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.

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**PART II: MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITIONS AND RESULTS OF OPERATIONS**

The following discussions and analysis of financial position and results of operation of Dagupan Electric Corporation (“DECORP” or the “Company”) should be read in conjunction with the unaudited interim condensed financial statements as of and for the period ended September 30, 2025 with comparative figures as of December 31, 2024 and for the nine months ended September 30, 2024.

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 interim condensed 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 Indicator

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

Condensed Statements of Financial Position

			Increase (Decrease)	
	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)	Amount	%
Total assets	₱7,423	₱7,326	₱97	1.3
Current assets	3,261	3,180	81	2.5
Cash and cash equivalents	2,354	2,180	174	8
Non-current liabilities	937	943	-6	-0.6
Current liabilities	723	740	-17	-2.3
Total liabilities	₱1,661	₱1,683	-₱22	-1.3

Condensed Statements of Income

	Unaudited		Increase (Decrease)	
	Nine Months Ended September 30		Amount	%
	2025	2024		
Revenues	₱3,053	₱3,204	-₱151	-4.7
Costs and expenses	2,695	2,848	-153	-5.4
Other income, net of expenses	13	9	4	44
Income before income tax	371	365	6	1.6
Net income	₱262	₱290	-28	-9.7
Earnings per share (EPS)	₱17.85	₱19.82	-1.97	-9.9

Condensed Statements of Cash Flows

	Unaudited		Increase (Decrease)	
	Nine Months Ended September 30		Amount	%
	2025	2024		
Net cash provided by (used in) operating activities	₱473	₱335	₱138	41
Net cash provided by (used in) investing activities	(151)	(153)	2	-1.3
Net cash provided by (used in) financing activities	(147)	1,023	-1,170	-1.14

Operational Data

	Unaudited		Increase (Decrease)	
	Nine Months Ended September 30		Amount	%
	2025	2024		
Number of Customers				
Residential	131,713	128,241	3,472	2.7
Commercial	13,719	13,331	388	2.9
Industrial	35	36	-1	2.8
Streetlight	49	53	-4	-7.5
Electricity sales (MWh)	376,789	372,618	4,171	1.1
System loss (%)	6.93	6.90	0.03	0.4

Key Performance Indicators (“KPI”)

Financial KPI	Definition	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Debt to equity	Total liabilities / Total equity	0.29	0.30
Current ratio	Current assets/Current Liabilities	4.50	4.30

		Unaudited	
		September 30, 2025	December 31, 2024
Net profit margin	(Net income / Revenues) x 100	9%	3%
Return on equity	(Net income / Average shareholders' equity) x 100	5%	1%
Return on assets	(Net income / Average total assets) x 100	4%	0.4%

2025 compared with 2024

Results of Operations

The results of operations for the nine months ended September 30, 2025 and 2024 are discussed below:

Condensed Statements of Income

	Unaudited		Increase (Decrease)	
	Nine Months Ended September 30		Amount	%
	2025	2024		
Revenues	₱3,053	₱3,204	-₱151	-4.7
Costs and expenses	2,695	2,848	-153	-5.4
Other income, net of expenses	13	9	4	44
Income before income tax	371	365	6	1.6
Net income	₱262	₱290	-28	-9.7
Earnings per share (EPS)	₱17.85	₱19.82	-1.97	9.9

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 of DECORP for the nine months ended September 30, 2025 were ₱3,053 million, which was ₱151 million or 4.7% lower in the same period in 2024 due to lower pass-through generation charge.

	2025		2024		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Generation	₱1,780	58	₱2,011	62	-231	-11
Transmission	356	12	285	9	71	25
System Loss	165	5	175	5	-10	-6
Distribution	708	23	704	22	7	1.5
Other pass-through charges	25	0.8	10	0.3	15	150
Other revenues	19	0.5	19	0.7	-	-
Total	₱3,053	100	₱3,204	100	-₱151	-4.7

The generation charge, accounting for 58% of the total revenues, for the period ended September 30, 2025 dropped by 11% compared to the same period of the previous year. The decrease in the cost of producing electricity was driven by a sharp decline in Wholesale Electricity Spot Market (WESM) prices, which effectively balanced out the impact of increased fuel prices and the weaker peso.

The transmission charge, which was 12% of the total revenues, went up by 25% due to higher ancillary service charges from additional capacity sourced by the National Grid Corporation (NGCP) from new Ancillary Service Procurement Agreements (“ASPAs”) and the reserve market.

DECORP's average retail rate was ₱9.14 per kWh and ₱9.19 per kWh for the period ended September 2025 and 2024, respectively. The decline in the retail rate was due to lower generation charges and compliance with ERC Resolution No. 18, Series of 2024, "A Resolution Directing Distribution Utilities to Refund All Collected and Unutilized Regulatory Reset Experts Cost and Cease Any Future Collection Thereof,"

The following summarizes the customer volume and the corresponding electricity consumption per customer type for the six months ended September 30, 2025 and 2024:

Customer Type	No. of Customers		Electricity Sales (in MWh)		% Change	
	2025	2024	2025	2024	No. of Customers	Electricity Sales
Residential	131,713	128,241	201,036	198,162	2.71	1.5
Commercial	13,719	13,331	115,424	112,163	2.91	2.91
Industrial	35	36	57,049	58,973	-2.8	-3.3
Streetlights	49	53	3,279	3,320	-8	-1
Total	145,516	141,661	376,789	372,618	2.7	1

The energy sales of DECORP totaled 376,789 MWh for the period ending September 30, 2025, reflecting a 1.5% increase from 372,618 MWh for the period ending September 30, 2024.

The energy sales in the residential segment, which accounted for 54% of DECORP's energy sales mix, increased by 1.5%, or from 372,618 MWh in 2024 to 376,789 MWh in 2025. The increase in energy consumption during the nine months ending 2025 was attributed to the growth in the customer base.

The commercial segment's sales went up to 115,424 MWh in 2025, or a 2.91% increase from the 112,163 MWh in 2024. The increase in energy consumption reflected both the expanding customer base and the surge of investment in the Ilocos Region, of which Pangasinan accounted for the majority of these investments, particularly within the micro, small, and medium-sized industries.

Electricity sales in the industrial segment closed the period with 57,049 MWh, or a 3.3% decrease from the 58,973 MWh in the nine months period ending 2024.

Costs and Expenses

The costs and expenses of DEORP for the nine months ended September 30, 2025 amounted to ₱2,695 million, a decrease of 5% or ₱153 million from the ₱2,848 million in the same period in 2024. The following are the details of the costs and expenses:

	Unaudited		
	For the Nine Months Ended September 30		
	2025	2024	Increase (Decrease)

	Amount	%	Amount	%	Amount	%
Purchased power	₱2,256	84	₱2,403	84	-147	-6
Depreciation	151	6	158	6	-7	-4
Salaries, wages, and employee benefits	117	4	111	4	6	5
Taxes other than income tax	85	3	58	2	27	47
Outside services	32	1	30	1	2	6
Repairs and maintenance	11	0.4	13	0.4	-3	-23
Others	43	1.6	75	2.6	-32	-43
Total	₱2,695	100	₱2,848	100	-153	-5

The cost of purchased power went down by 6% or ₱147 million from ₱2,403 million in the nine months period ending 2024 to ₱2,256 million in the same period in 2025, in line with the fluctuations in the pass-through revenues. The decrease was due to lower WESM prices.

Salaries, wages, and employee benefits reached ₱117 million in 2025, higher by ₱6 million or 5% than the previous year. The increase was due to the additional manpower and the annual employee merit adjustments.

The increased taxes other than income tax were due to the payment of deficiency taxes resulting from the Bureau of Internal Revenue's (BIR) review of the Company's tax obligations for the taxable year 2021.

The costs related to the initial public offering of the Company were included in other costs and expenses of the previous year, resulting in lower other costs and expenses for the period ending September 30, 2025.

Interim Statements of Financial Position

	September	December	Increase (Decrease)	
	30	31		
	2025	2024	Amount	%
	(Unaudited)	(Audited)		
ASSETS				
Noncurrent Assets				
Utility plant and equipment	₱3,906	₱3,878	₱28	0.7
Other property and equipment	76	86	-10	-12
FVOCI	152	152	0	0
Deferred tax assets	28	28	0	0
Current Assets				
Cash and cash equivalents	2,354	2,180	174	8
Trade and other receivables	583	635	-52	-8
Financial assets at FVPL	166	184	-18	-10
Inventories	111	116	-5	-4

Prepayments and other current assets	47	66	-19	-29
TOTAL ASSETS	₱7,424	₱7,326	₱98	1.3
EQUITY AND LIABILITIES				
EQUITY				
Capital stock	₱1,466	₱1,466	₱0	0
Additional paid-in capital	1,142	1,142	0	0
Revaluation reserve	1,463	1,480	-17	-1
Remeasurement gain (loss) on retirement benefits	3	3	0	0
Retained earnings				
Appropriated				
Unappropriated	1,688	1,551	137	9
	5,762	5,642	120	2
LIABILITIES				
Current liabilities				
Trade and other payables	688	703	-15	-2
Dividends payable	40	0	40	100
Income tax payable	35	37	-2	-5
	724	741	-17	-2
Noncurrent liabilities				
Customers' deposit	338	338	-	-
Deferred tax liabilities	513	519	-6	-1
Retirement benefits obligation	86	86	-	-
	937	943	-6	-0.6
TOTAL EQUITY AND LIABILITIES	₱7,424	₱7,326	₱98	1.3

Changes in Financial Position

Utility plant and equipment and others closed at ₱3,906 million as at September 30, 2025, a net increase of 0.7% or ₱28 million from ₱3,878 million as at December 31, 2024. The capital expenditures amounted to ₱169 million for the expansion of distribution assets and the upgrade and rehabilitation of the existing electrical facilities.

Cash and cash equivalents increased to ₱2,354 million as at September 30, 2025 from ₱2,180 million as at December 31, 2024. The growth of ₱174 million attributed to the ₱473 million generated from DECORP's operational activities, partially offset by the ₱148 million utilized for financing activities during the period.

The trade and other receivables primarily reflect the September 2025 billing cycle. The reduction in receivables reflect the lower retail in September 2025 compared to December 2024.

2024 compared with 2023

	Unaudited		Increase (Decrease)	
	Nine Months Ended September 30		Amount	%
	2024	2023		
Revenues	₱3,204	₱3,084	₱120	3.8
Costs and expenses	2,848	2,739	109	4
Other income, net of expenses	9	38	-29	-76
Income before income tax	365	383	-18	-4.7
Net income	290	308	-18	-6
Earnings per share (EPS)	19.82	21.01	-1.19	-6

Revenues

The sale of electricity and other revenues amounted to ₱3,204 million for the nine-month period ended September 30, 2024, which was ₱120 million or 4% lower than the ₱3,084 million sales for the nine-month period ended September 30, 2023. The details of the revenues are as follows:

	For the Nine Months Ended September 30				Increase (Decrease)	
	2024		2023		Amount	%
	Amount	%	Amount	%		
Generation	₱2,011	62	₱2,049	66	-38	-1.8
Transmission	285	9	216	7	69	32
System Loss	175	5	164	5	11	7
Distribution	704	22	617	20	87	14
Other pass-through charges	10	0.3	25	0.8	-15	36
Other revenues	19	0.5	13	0.4	6	46
Total	₱3,204	100	₱3,084	100	120	3.9

The generation revenues for the period ended September 30, 2024, accounting for 62% of the total revenues, went down by 38% from the same period of the previous year. The decrease was attributed to the significant decline in fuel costs.

DECORP's average retail rate was ₱9.19 per kWh and ₱11.44 in the nine months ended 2024 and 2023, respectively. The reduction in the average retail rate was due to the lower generation charges during this period.

The following summarizes the customer volume and the corresponding electricity consumption per customer type for the nine months ended September 30, 2024 and 2023:

Customer Type	No. of Customers		Electricity Sales (in MWh)		% Change	
	2024	2023	2024	2023	No. of Customers	Electricity Sales
Residential	128,241	125,181	198,162	169,013	2.4	17
Commercial	13,331	12,925	112,163	102,363	3	9.5
Industrial	36	33	58,973	51,828	9	13.8
Streetlights	53	55	3,320	3,342	-4	-0.7
Total	141,661	138,194	372,618	326,546	2.5	14

Costs and Expenses

The costs and expenses of DECORP for the nine months ended September 30, 2024 amounted to ₱1,964 million, an increase of 4% or ₱73 million from the ₱1,891 million in the same period in 2024. The following are the details of the costs and expenses:

	Unaudited					
	For the Nine Months Ended September 30					
	2024		2023		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Purchased power	₱2,403	84.4	₱2,378	87	25	1
Depreciation	159	5.3	150	5.3	9	6
Salaries, wages, and employee benefits	111	4	107	4	4	4
Taxes other than income tax	58	1.7	22	0.3	36	64
Outside services	30	1	25	0.8	5	20
Repairs and maintenance	13	0.2	12	0.4	1	8
Others	74	3.4	34	2	33	218
Total	₱2,848	100	2,739	100	109	4

Purchased power

The Company has three (3) bilateral contracts with the following generators to supply its electricity requirements: 1.) GNPower Mariveles Energy Center, Ltd. Co. (GMEC), a coal-fired power plant; 2) One Mandoag Solar Corporation (OMSC), a solar power plant; and 3.) Energy Development Corporation (EDC), a geothermal power plant. The Company also purchased electricity from the Wholesale Electricity Spot Market (WESM) for its requirements that could not be supplied by their generators. Payments made to the National Grid Corporation of the Philippines (NGCP) for transmission services are also included in this account.

Salaries and wages

This account consists of salaries and benefits provided to the employees of the Company. For the nine-month period ended September 30 2024 and 2023, the salaries and wages amounted to ₱111 million and ₱107 million, respectively.

Outside services

This account consists of payments to service providers for distribution of statement of accounts and disconnection notices, withdrawal of meters of delinquent customers, distribution line expansions and revamps, security services, and janitorial services. For the nine-month period ended September 30 2024 and 2023, outside service amounted to ₱30 million and ₱25 million, respectively.

Taxes other than income tax

This account consists of payments of national and local government taxes. The increase was due to the payment of documentary stamp tax for the issuance of common shares related to the shares sold by way of initial public offering. It also includes the monthly amortization of payment of local franchise and real property taxes for the period ended December 31, 2024.

Others

This account includes payments for legal services, financial advisory services, actuarial valuation of retirement fund, and audit of financial statements. The payment for legal and financial advisory services for the registration of the Company's common shares with the SEC leading to the initial public offering of its common shares significantly increased the professional fees include in this account.

Interim Statements of Financial Position

	September 30	December 31	Increase (Decrease)	
	2024 (Unaudited)	2023 (Audited)	Amount	%
ASSETS				
Noncurrent Assets				
Utility plant and equipment	₱3,849	₱3,846	₱3	.07
Other property and equipment	78	85	-7	-8
FVOCI	152	152	0	0
Deferred tax assets	26	26	0	0
	4,101	4,110	-9	-0.2
Current Assets				
Cash and cash equivalents	2,092	887	1,205	136
Trade and other receivables	595	518	77	15
Financial assets at FVPL	175	175	0	0
Inventories	133	83	50	60
Prepayments and other current assets	100	77	23	30
	3,112	1,740	1,372	79
TOTAL ASSETS	₱7,214	₱5,849	₱1,365	23
EQUITY AND LIABILITIES				
EQUITY				
Capital stock	₱1,466	₱1,246	₱220	18
Additional paid-in capital	1,142	189	953	504
Revaluation reserve	1,495,	1,550	-55	-3

Remeasurement gain (loss) on retirement benefits	3	3	0	0
Retained earnings				
Appropriated	400	400	0	0
Unappropriated	1,046	832	214	26
	5,552	4,220	1,332	32
LIABILITIES				
Current liabilities				
Trade and other payables	667	636	31	4.8
Dividends payable	0	0	0	0
Income tax payable	27	46	-19	-41
	695	682	13	1.9
Noncurrent liabilities				
Customers' deposit	336	335	0	0
Deferred tax liabilities	521	539	-18	-3
Retirement benefits obligation	73	73	0	0
	931	947	-16	-1.7
TOTAL EQUITY AND LIABILITIES	7,177	5,850	1,327	23

Changes in Financial Position

Utility Plant and Equipment

The Company invested ₱153 million on capital expenditures for the nine-month period ending September 30, 2024 for the continuous extension of the distribution assets to accommodate the growth of customers and their electricity consumption. The total Utility Plant and Equipment, considering the additional investment and depreciation, increase by ₱3 million or 0.07%

Other Property and Equipment

This account as of September 30, 2024, likewise decreased by ₱7 million or 8% due to depreciation.

Cash and Cash Equivalents

The Company's Cash and Cash Equivalent account increased by ₱1.2 billion or 136%. The increase was primarily due to the receipt of the proceeds from the initial public offering of the Company that was held from January 8 to 12, 2024 following the SEC's approval of the Company's registration of its shares on December 27, 2023. The proceeds shall be used solely in accordance with the purpose stated in the use of the proceeds of the public offering.

Prepayments and Other Current Assets

The Prepayments and Other Current Assets increased by ₱23 million or 30% due to the annual payments of property insurance, real property tax, and local franchise tax for the year 2024. This account is amortized monthly to recognize the expense portion in its applicable period.

Trade and Other Payables

The Trade and Other Payables increased by 4.8% from ₱636 million as at December 31, 2023 to ₱637 million as of September 30, 2024. This account includes the cost of power that the Company purchased from its generators under a bilateral agreement, the costs of energy drawn from the Wholesale Electricity Market (WESM), and payments for transmission services provided by the National Grid Corporation of the Philippines (NGCP). The increase in this account can be attributed to the increase in the Company's power requirements

Capital Stock and Additional Paid-In Capital

The increase in capital stock and additional paid-in capital by ₱220 million and ₱953 million, respectively, for the period ending September 30, 2024, resulted from the sale of 2,200,000 common shares of DECORP through an initial public offering.

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 of September 30, 2025 and 31 December 2024, the financial liabilities have contractual maturities as follow:

	September 30, 2025		December 31, 2024	
	Due within one year	Due beyond one year	Due within one year	Due beyond one year
Trade payables	₱249,777,498	₱-	₱243,545,883	₱-
Other payables*	182,211,659	-	100,969,171	-
Dividend payable	-	-	-	-
Customers' deposits	207,589,641	338,064,388	218,879,163	334,924,529
	₱639,578,798	₱338,064,388	₱653,828,610	₱334,924,529

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 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 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.

DAGUPAN ELECTRIC CORPORATION
SUPPLEMENTARY INFORMATION
September 30, 2025
(UNAUDITED)

Schedule	Content	Page No
	Schedules Required under Annex 68-J of the Revised Securities Regulation Code Rule 68	1
A	Financial Assets	
B	Amounts Receivable from Directors, Officers, Employees Related Parties and Principal Stockholders (Other than Related Parties)	2
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	*
D	Long-term Debt	3
E	Indebtedness to Related Parties	4
F	Guarantees of Securities of Other Issuers	**
G	Capital Stock	5
	Other Required Information	
	Reconciliation of Retained Earnings Available for Dividend Declaration	***
	Map Showing the Relationship Between the Company and its Related Parties	
	Supplemental Schedule of Financial Soundness Indicators	
	Aging of Accounts Receivable	

* *The Company does not prepare any consolidated financial statements*

** *The Company does not have guarantees of securities of other issuers*

*** *The Company does not belong to a group of companies*

Dagupan Electric Corporation
Revised SRC Rule 68
Annex 68-J
Schedule A – Financial Assets
September 30, 2025
Unaudited

	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	
Total -FVOCI		152,000,000	152,000,000	
Financial assets at fair value through profit or loss (FVPL)				
Debt Securities				
Petron Corporation		98,680,726	98,680,726	
BPI -PHILAM		29,155,665	29,155,665	
Equity Securities				
BPI -PHILAM		8,207,843	8,207,843	-
Other equity and debt securities				
Sun Life Asset Management Co., Inc.		17,992,996	17,992,996	
Landbank of the Philippines		4,581,464	4,581,464	
BPI -PHILAM		7,821,693	7,821,693	
Total -FVPL		166,440,386	166,440,386	
Cash and Cash Equivalent s		2,353,898,791	2,353,898,791	8,161,145
Trade and Other Receivables		582,910,090	582,910,090	

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)

September 30, 2025

(Unaudited)

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

September 30, 2025

(Unaudited)

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
September 30, 2025
(Unaudited)

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
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The Company has no long-term loans

Dagupan Electric Corporation
 Revised SRC Rule 68
 Annex 68-J
 Schedule G – Capital Stock
 September 30, 2025
 (Unaudited)

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			12,863,000	1,799,000

Dagupan Electric Corporation
AB Fernandez St., Dagupan City, Province of Pangasinan
Schedule H - Reconciliation of Retained Earnings Available for Dividend Declaration
As of September 30, 2025
(Unaudited)

Items	Amount
Unappropriated Retained Earnings, as adjusted to available for dividend	
distribution, beginning of the period	1,466,186,123
Add: Net income during the period closed to retained earnings	261,771,668
Less: Non-actual/unrealized income net of tax	
Fair value gain (loss) on financial assets at FVPL	
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	17,277,667
Net income actually earned during the period	279,049,335
Less:	
Effect of prior period adjustments	
Cash dividend declaration during the period	147,499,720
Stock dividend declaration during the period	
Appropriation of retained earnings during the period	
Reversal of appropriation	
	131,549,615
Total Retained Earnings, End, Available for Dividend Declaration	1,597,735,738

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Dagupan Electric Corporation

For the Period Ended September 30, 2025 and 2024
(Unaudited)

Ratio	Formula
Current Ratio	Current Assets / Current Liabilities
Acid Test Ratio	(Cash and Cash Equivalents + Marketable Securities + Accounts Receivable) / Current Liabilities
Solvency Ratio	(Net Profit After Tax + Non-Cash Expenses) / Liabilities
Debt-to-Equity Ratio	Total Liabilities / Total Equity
Asset-to-Equity Ratio	Total Assets / Total Equity
Interest Rate Coverage Ratio*	Earnings Before Interests and Taxes / Interest Expense
Return on Equity	(Net Income / Average Shareholders' Equity) x 100
Return on Assets	(Net Income / Average Total Assets) x 100
Net Profit Margin	(Net Income / Revenues) x 100
Net Sales Growth	[(Net sales of Current Period - Net Sales of Previous Period) / Net Sales of Previous Period] x 100
Net income percentage	[(Net income of current period - Net income of previous period) / Net income of previous period] x 100
Increase in shareholders' equity	[(Shareholders' equity of current period - Shareholders' equity of previous period) / Shareholders' equity of previous period] x 100

* The Company has no loans

2025	2024
3.65	3.71
3.49	3.47
0.14	0.08
0.33	0.33
1.33	1.33
N/A	N/A
3%	1%
2%	1.0%
8%	2%
1%	-7%
354%	-86%
-0.26%	29%

DAGUPAN ELECTRIC CORPORATION
Aging of Accounts Receivable
September 30 2025
(Unaudited)

No. of Days Outstanding	Amount
Current	346,087,246
0-30 days	30,247,424
31-60 days	154,126,816
>90 days	7,597,698
Total	538,059,185



SECURITIES AND EXCHANGE COMMISSION

Secretariat Building, PICC Complex, Roxas Boulevard, Pasay City, 1307 Metro Manila Philippines

Tel: (632) 818-0921 Fax: (632) 818-5293 Email: mis@sec.gov.ph



The following document has been received:

Receiving: DONNA ENCARNADO

Receipt Date and Time: November 07, 2025 11:16:22 AM

Company Information

SEC Registration No.: 0000018890

Company Name: DAGUPAN ELECTRIC CORPORATION

Industry Classification: E40100

Company Type: Stock Corporation

Document Information

Document ID: OST11107202583811455

Document Type: Notice of Inability to File AR or QR

Document Code: SEC_Form_17-L

Period Covered: September 30, 2025

Submission Type: As needed

Remarks: None

Acceptance of this document is subject to review of forms and contents

COVER SHEET

for

NOTIFICATION OF INABILITY TO FILE OR ANY PORTION OF SEC FORM 17-A OR 17-Q

SEC Registration Number

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COMPANY NAME

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

A	B	F	E	R	N	A	N	D	E	Z	S	T	D	A	G	U	P	A	N	C	I	T	Y
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Form Type

17	-	L		
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Department requiring the report

S	E	C	
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Secondary License Type, if Applicable

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COMPANY INFORMATION

Company's email Address

decorp@decorp.com.ph

Company's Telephone Number

(632) 8374 3034

Mobile Number

9285066639

No. of Stockholders

54

Annual Meeting (Month / Day)

Every 3rd Tuesday of April

Fiscal Year (Month / Day)

31-Dec

CONTACT PERSON INFORMATION

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

Name of Contact Person

Lilian D. Saralde

Email Address

lds@decorp.com.ph

Telephone Number/s

(632) 8374 3039

Mobile Number

9285066639

CONTACT PERSON'S ADDRESS

VERIA I Bldg., 62 West Avenue, Quezon City

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.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-L

NOTIFICATION OF INABILITY TO FILE ALL OR ANY PORTION OF SEC FORM 17-A OR 17-Q

Check One:

Form 17-A [] Form 17-Q [✓]

Period-Ended Date of required filing September 30, 2025

Date of this report November 7, 2025

Nothing in this Form shall be construed to imply that the Commission has verified any information contained herein.

If this notification relates to a portion or portions of the filing checked above, identify the item(s) to which the notification relates: SEC FORM 17-Q

1. SEC Identification Number 18890 2. BIR Tax Identification No. 000-202-524

3. DAGUPAN ELECTRIC CORPORATION Exact name of issuer as specified in its charter

4. DAGUPAN CITY, PANGASINAN, PHILIPPINES Province, country or other jurisdiction of incorporation

5. Industry Classification Code: [] (SEC Use Only)

6. AB FERNANDEZ ST., DAGUPAN CITY 2400 Address of principal office Postal Code

7. (632) 83743039 Issuer's telephone number, including area code

8. NOT APPLICABLE Former name, former address, and former fiscal year, if changed since last report.

9. Are any of the issuer's securities listed on a Stock Exchange?

Yes [] No [✓]

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

.....

Part I - Representations

If the subject report could not be filed without unreasonable effort or expense and the issuer seeks relief pursuant to SRC Rule 17-1, the following should be completed. (Check box if appropriate)

(a) The reasons described in reasonable detail in Part II of this Form could not be estimated without unreasonable effort or expense. []

(b) The subject annual report on SEC Form 17-A, or portion thereof, will be filed on or before the fifteenth calendar day following the prescribed due date; or the subject quarterly report on SEC Form 17-Q, or portion thereof, will be filed on or before the fifth day following the prescribed due date. [✓]

(c) The accountant's statement or other exhibit required by paragraph 3 of SRC Rule 17-1 has been attached if applicable. []

Part II - Narrative

State below in reasonable detail the reasons why SEC Form 17-A or SEC Form 17-Q, or portion thereof, could not be filed within the prescribed period. (Attach additional sheets if needed)

The request to file the 17-Q beyond the prescribed period is to allow us sufficient time to complete the report for the third quarter of 2025.

Part III - Other Information

(a) Name, address and telephone number, including area code, and position/title of person to contact in regard to this notification

Lilian D. Saralde
Compliance Officer
Veria I Building, 62 West Avenue, Quezon City
Tel No. (632) 8374 3039

(b) Have all other periodic reports required under Section 17 of the Code and under Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months, or for such shorter period that the issuer was required to file such report(s), been filed? If the answer is no, identify the report(s).

Yes [✓] No [] Reports:

(c) Is it anticipated that any significant change in results of operations from the corresponding period for the last fiscal year will be reflected by the earnings statements to be included in the subject report or portion thereof?

Yes [] No [✓]

If so, attach an explanation of the anticipated change, both narratively and quantitatively, and, if appropriate, state the reasons why a reasonable estimate of the results cannot be made.

SIGNATURE

Pursuant to the requirements of the SRC Rule 17-1, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DAGUPAN ELECTRIC CORPORATION

Registrant's full name as contained in charter

Rene Llames

RENE L. LLAMES

President and CEO

Date: November 7, 2025

**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/lmessagemo@sec.gov.ph



The following document has been received:

Receiving: DONNA ENCARNADO

Receipt Date and Time: April 24, 2026 02:02:09 PM

Company Information

SEC Registration No.: 0000018890

Company Name: DAGUPAN ELECTRIC CORPORATION

Industry Classification: E40100

Company Type: Stock Corporation

Document Information

Document ID: OST104242026811261777

Document Type: Current Report

Document Code: SEC_Form_17-C

Period Covered: April 24, 2026

Submission Type: Original Filing

Remarks: None

Acceptance of this document is subject to review of forms and contents

April 30, 2025

SECURITIES AND EXCHANGE COMMISSION

Secretarial Building, PICC Complex
Roxas Boulevard, Pasay City

Attention: **Hon. Vicente Graciano P. Felizmenio Jr.**
Director

Re: Dagupan Electric Corporation
Annual Progress Report on the Application of Public Offer Proceeds with
Certification by the Company's External Auditors

Gentlemen:

In compliance with the disclosure requirements of the Securities and Exchange Commission,
please find the following:

1. Annual Progress Report on the Application of Proceeds from the Public Offer of Dagupan Electric Corporation as of and for the period ended December 31, 2024; and
2. Report of Independent Auditors on Factual Findings

Very truly yours,

Dagupan Electric Corporation

Rene L. Llames
President and CEO

April 30, 2025

SECURITIES AND EXCHANGE COMMISSION

Secretarial Building, PICC Complex
Roxas Boulevard, Pasay City

Attention: **Hon. Vicente Graciano P. Felizmenio Jr.**
Director

Re: Dagupan Electric Corporation
Annual Progress Report on the Application of Public Offer Proceeds with
Certification by the Company's External Auditors

Gentlemen:

In connection with the Public Offer of Dagupan Electric Corporation (DECORP) approved on December 27, 2023, we submit herewith our report on the application of the offering proceeds. The details of the disbursements as of and for the period ended December 31, 2024 are as follows:

Gross Proceeds from the Public Offering (2,200,000 shares at ₱533.00 per share)	₱1,172,600,000
Less: Public Offer Related Expenses	
Underwriting fee	2,500,000
Legal fee	10,000,000
Value added and gross receipts Tax	1,415,000
Documentary stamp tax	2,200,000
SEC registration fee	1,167,200
Audit fee	770,000
Publication costs	71,240
Printing costs	20,000
	<u>18,143,440</u>
Net Offer Proceeds	₱1,154,456,560
Less: Disbursements	
Costs incurred for the period ended December 31, 2024	310,637,640
Balance of the Offer Proceeds as of December 31, 2024	₱843,818,920

The summary of the breakdown and application of the Offering Proceeds as of December 31, 2024:

	Allocation of Proceeds Per Prospectus	Allocation Based on Actual Net Proceeds	Application of Offering Proceeds for the Period Ended December 31, 2024	Balance of Offering Proceeds as of December 31, 2024
Capital expenditures	₱800,000,000	₱800,000,000	310,637,640	489,362,360
Investment in renewable energy	354,416,098	354,456,560	-	354,456,560
Total	1,154,416,098	1,154,456,560	310,637,640	843,818,920

Capital Expenditures

A total of ₱800 million was allocated by the company from the net offer proceeds to finance its capital expenditures over a period of three (3) years. This allocation was made to ensure that the company is able to provide continuous and reliable services to its customers. The company has already begun working on a few of the projects by utilizing the funds that it has generated internally.

As of December 31, 2024, ₱310.64 million from the Offer Proceeds allocated for capital expenditures has been utilized. The following are the details of the disbursements:

	Allocation of Proceeds Per Prospectus	Allocation Based on Actual Net Proceeds	Application of Offering Proceeds for the Period Ended December 31, 2024	Balance of Offering Proceeds as of December 31, 2024
1 Advanced distribution management system and related communication infrastructure	₱155,000,000	0	₱4,729,528	₱150,270,472
2 Construction of 20/25 MVA, 69 kV/13.8kV substation in Sta. Barbara, Pangasinan	142,000,000		71,641,086	70,358,914

3	Primary line extension, rehabilitation and upgrades	11,000,000	11,000,000	-
4	Line extension, rehabilitation, and upgrades	148,200,000	80,180,130	68,019,870
5	Purchase and installation of meters and metering equipment	91,000,000	41,850,903	49,149,097
6	Purchase and installation of distribution transformers	68,000,000	27,492,420	40,507,580
7	Rehabilitation of acquired LUELCO distribution lines	21,000,000	16,801,206	4,198,794
8	Information system equipment	18,000,000	4,074,753	13,925,247
9	System integration and customer interface improvement	15,000,000	7,069,396	7,930,604
10	Additional service vehicles and trucks	61,000,000	16,953,464	44,046,536
11	Rehabilitation of Labrador-Binmaley-Calasiao 69 kV subtransmission line	1,500,000	92,755	1,407,245
12	Primary line rehabilitation from Saguid Bahley to Nibaliw Vidal, San Fabian	1,200,000	410,690	789,310
13	Purchase and installation of service drops to replace old annealed	22,000,000	9,876,952	12,123,048

	and undersized service drops			
14	Purchase and installation of grounding and earthing equipment to improve lower ground resistance	1,800,000	777,001	1,022,999
15	Purchase and installation of equipment to improve insulation-coordination of distribution lines to withstand lightning strikes, high humidity, and contaminants	13,000,000	225,272	12,461,936
16	Replacement of street lightings from mercury to high-pressure sodium	19,000,000	6,538,064	12,461,936
17	Tools and equipment	5,000,000	5,000,000	-
18	Buildings and ground improvements	5,200,000	5,200,000	-
19	Communication and office furniture and equipment	1,100,000	724,020	375,980
	Total	₱800,000,000	₱310,637,640	₱489,362,360

Investment in Renewable Energy

Allocation of Proceeds per Prospectus	₱354,416,098
Application of Offering Proceeds for the Period Ended December 31, 2024	-
Balance of Offering Proceeds as of December 31, 2024	₱354,416,098

Dear **DAGUPAN ELECTRIC CORPORATION**,

Greetings!

This serves as a temporary receipt of your submission, subject to verification of the form and the quality of the image of the submitted report.

SEC Registration No: 0000018890

Company Name: DAGUPAN ELECTRIC CORPORATION

Document Code: AFS

A separate email will be sent as proof of review and/or final acceptance.

Thank you.

SECURITIES AND EXCHANGE COMMISSION
SEC Headquarters, [7907 Makati Avenue](#),
Salcedo Village, Barangay Bel-Air, Makati City,
1209, Metro Manila, Philippines

REMINDER:

TO ALL FILERS OF REPORTS IN THE e-FAST

Please strictly follow the instructions stated in the form. Filings not in accordance with the prescribed template for the following reports will be automatically reverted by the system to the filer: 1. General Information Sheet (GIS-Stock); 2. General Information Sheet (GIS-Non-stock); 3. General Information Sheet (GIS- Foreign stock & non-stock); 4. Broker Dealer Financial Statements (BDFS); 5. Financing Company Financial Statements (FCFS); 6. Investment Houses Financial Statements (IHFS); 7. Publicly – Held Company Financial Statement; 8. General Form for Financial Statements; 9. Financing Companies Interim Financial Statements (FCIF); 10. Lending Companies Interim Financial Statements (LCIF).

Per Section 18 of SEC Memorandum Circular No. 3 series of 2021, the reckoning date of receipt of reports is the date the report was initially submitted to the eFAST, if the filed report is compliant with the existing requirements. A report, which was reverted or rejected, is considered not filed or not received. A notification will be sent to the filer, stating the reason for the report's rejection in the remarks box.

THIS IS AN AUTOMATED MESSAGE - PLEASE DO NOT REPLY DIRECTLY TO THIS EMAIL



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Upload Date	Document Type	File Name	File Size (MB)	Page Count	PDF file?
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May 15, 2026 8:26:36 AM	OTHER	EAFS000202524OTHTY122025.pdf	4.456858	18	✓
May 15, 2026 8:26:37 AM	ITR	EAFS000202524ITRTY122025.pdf	2.764168	6	✓

[← Back](#)

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

D	A	G	U	P	A	N	E	L	E	C	T	R	I	C	C	O	R	P	O	R	A	T	I	O	N

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

A	.	B	.	F	E	R	N	A	N	D	E	Z	S	T	.	D	A	G	U	P	A	N			
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Form Type

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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

S	E	C	
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COMPANY INFORMATION

<p style="text-align: center; font-size: small;">Company's email Address</p> <div style="border: 1px solid black; padding: 2px; text-align: center;">decorp@decorp.com.ph</div>	<p style="text-align: center; font-size: small;">Company's Telephone Number</p> <div style="border: 1px solid black; padding: 2px; text-align: center;">632-374-2314</div>	<p style="text-align: center; font-size: small;">Mobile Number</p> <div style="border: 1px solid black; padding: 2px; text-align: center;">0928-506-6639</div>
<p style="text-align: center; font-size: small;">No. of Stockholders</p> <div style="border: 1px solid black; padding: 2px; text-align: center;">54</div>	<p style="text-align: center; font-size: small;">Annual Meeting (Month/Day)</p> <div style="border: 1px solid black; padding: 2px; text-align: center;">3rd Tuesday of April</div>	<p style="text-align: center; font-size: small;">Fiscal Year (Month/Day)</p> <div style="border: 1px solid black; padding: 2px; text-align: center;">12/31</div>

CONTACT PERSON INFORMATION

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

<p style="text-align: center; font-size: small;">Name of Contact Person</p> <div style="border: 1px solid black; padding: 2px; text-align: center;">RENE L. LLAMES</div>	<p style="text-align: center; font-size: small;">Email Address</p> <div style="border: 1px solid black; padding: 2px; text-align: center;">NA</div>	<p style="text-align: center; font-size: small;">Telephone Number/s</p> <div style="border: 1px solid black; padding: 2px; text-align: center;">632-374-2314</div>	<p style="text-align: center; font-size: small;">Mobile Number</p> <div style="border: 1px solid black; padding: 2px; text-align: center;">NA</div>
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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 and a
Subsidiary***

*Financial Statements
December 31, 2025, 2024 and 2023*

and

Independent Auditors' Report

DAGUPAN ELECTRIC CORPORATION
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

- Notarized Statement of Management’s Responsibility for Consolidated Financial Statements
- Report of Independent Auditors
- Consolidated Statement of Financial Position as at December 31, 2025 (With Comparative Figures as at December 31, 2024)
- Consolidated Statement of Comprehensive Income for the Year Ended December 31, 2025 (With Comparative Figures for the Years Ended December 31, 2024 and 2023)
- Consolidated Statement of Changes in Equity for the Year Ended December 31, 2025 (With Comparative Figures for the Years Ended December 31, 2024 and 2023)
- Consolidated Statement of Cash Flows for the Year Ended December 31, 2025 (With Comparative Figures for the Years Ended December 31, 2024 and 2023)
- Notes to Consolidated Financial Statements
- Report of Independent Auditors on Supplementary Schedules
- 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
- Supplementary Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration
- Supplementary Schedule on Financial Soundness Indicators
- Supplementary Schedule of External Auditor Fee – Related Information

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



**STATEMENT OF MANAGEMENT’S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS**

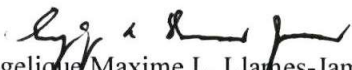
The management of **Dagupan Electric Corporation** (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements which comprise the consolidated statements of financial position as at December 31, 2025 and 2024, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2025, 2024, and 2023 and notes to consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

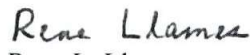
In preparing the consolidated financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the 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 consolidated 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 consolidated 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


Lillian D. Saralde
Finance Manager

Signed this May 14, 2026

**SUBSCRIBED AND SWORN TO BEFORE ME
THIS MAY 14 2026 AT QUEZON CITY**


ATTY. BRIAN G. PEKAS
NOTARY PUBLIC FOR QUEZON CITY
ADM. MATTER NO. NP-171 VALID UNTIL DEC. 31, 2026
ROLL OF ATTORNEY NO. 66393/TIN 289-467-753
IBP NO. 37680, DECEMBER 16, 2025, QUEZON CITY
MCLC NO. VIII-0013054, VALID UNTIL 14/APR/2028
PTR NO. 10438501, JANUARY 5, 2026, MARIKINA CITY
603 EDSA DIAMOND FINANCE, CUBAO, Q.C.

Doc. No. 054
Page No. 012
Address: 62 West Avenue, Dagupan City 2400, Pangasinan, Philippines
Book No. 2751
Series of 7204

Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of **Dagupan Electric Corporation** (the "Parent Company") and its subsidiary (collectively referred to as the "Group") which comprise the consolidated statements of financial position as at December 31, 2025 and 2024, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2025, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2025 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 Consolidated Financial Statements* section of our report. We are independent of the Group 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 consolidated financial statements of public interest entities 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 Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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 6029
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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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.

Diaz Murillo Dalupan and Company

Tax Identification No. 003-294-822

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

SEC Accreditation No. 0234-SEC, Group A, issued on March 17, 2022, and valid for five years covering the audit of 2021 to 2025 financial statements

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

SEC Accreditation No. 96749, Group A, issued on August 12, 2021, and valid for five years covering the audit of 2021 to 2025 financial statements

PTR No. 10771459, January 11, 2026, Makati City

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

May 14, 2026

DAGUPAN ELECTRIC CORPORATION AND A SUBSIDIARY
Consolidated Statements of Financial Position

	December 31		
	2025	2024	2023 (As Restated - Note 21)
ASSETS			
Noncurrent Assets			
Utility plant and equipment - note 4	₱3,903,272,803	₱3,878,693,425	₱3,846,754,440
Other property and equipment - note 5	77,701,463	85,820,987	85,133,271
Financial asset at fair value through other comprehensive income (FVOCI) - note 6	152,000,000	152,000,000	152,000,000
Deferred tax assets - note 21	31,533,386	28,005,805	25,974,360
	4,164,507,652	4,144,520,217	4,109,862,071
Current Assets			
Cash and cash equivalents - note 7	2,496,427,452	2,179,835,214	886,889,217
Trade and other receivables (net) - note 8	610,407,131	634,507,090	518,273,759
Financial assets at fair value through profit or loss (FVPL) - note 9	67,293,451	184,270,387	175,202,414
Inventories - note 10	103,447,214	116,360,969	82,676,821
Prepayments and other current assets - note 11	35,818,193	66,010,338	76,741,108
	3,313,393,441	3,180,983,998	1,739,783,319
TOTAL ASSETS	₱7,477,901,093	₱7,325,504,215	₱5,849,645,390
EQUITY AND LIABILITIES			
Equity			
Capital stock - note 15	₱1,466,200,000	₱1,466,200,000	₱1,246,200,000
Additional paid-in capital - note 15	1,141,724,320	1,141,724,320	189,124,320
Revaluation reserve - notes 4 and 5	1,427,084,216	1,496,194,882	1,565,305,548
Remeasurement gain on retirement benefits - note 18	2,962,764	2,962,764	2,962,764
Retained earnings - note 14	1,845,200,562	1,550,957,608	1,231,949,018
Equity attributable to equity holders of the Parent Company	5,883,171,862	5,658,039,574	4,235,541,650
Non-controlling interests	(38,687)	-	-
	5,883,133,175	5,658,039,574	4,235,541,650
Current Liabilities			
Trade and other payables - note 12	651,186,918	703,472,335	636,270,081
Income tax payable	25,099,678	36,880,605	46,152,716
	676,286,596	740,352,940	682,422,797
Noncurrent Liabilities			
Customers' deposits - note 13	339,701,607	337,846,798	334,924,529
Deferred tax liability - note 21	477,700,457	503,004,339	523,774,234
Retirement benefits obligation - note 18	101,079,258	86,260,564	72,982,180
	918,481,322	927,111,701	931,680,943
TOTAL EQUITY AND LIABILITIES	₱7,477,901,093	₱7,325,504,215	₱5,849,645,390

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

DAGUPAN ELECTRIC CORPORATION AND A SUBSIDIARY
Consolidated Statements of Comprehensive Income

	Years Ended December 31		
	2025	2024	2023
REVENUES - note 17	₱3,969,568,366	₱4,207,205,636	₱4,044,639,397
OPERATING EXPENSES			
Purchased power - note 22	3,003,361,857	3,165,229,972	3,076,631,467
Operations and maintenance - note 19	296,434,975	313,306,750	270,232,453
Depreciation - notes 4 and 5	208,482,629	207,254,971	201,061,732
Taxes other than income tax - note 19	54,205,193	67,767,335	23,948,304
	3,562,484,654	3,753,559,028	3,571,873,956
INCOME FROM OPERATIONS	407,083,712	453,646,608	472,765,441
OTHER INCOME (Net) - note 20	71,451,863	66,107,568	41,829,226
INCOME BEFORE INCOME TAX	478,535,575	519,754,176	514,594,667
PROVISION FOR INCOME TAX - note 21	128,979,137	144,064,178	142,551,266
NET INCOME	349,556,438	375,689,998	372,043,401
OTHER COMPREHENSIVE INCOME			
<i>Not to be reclassified to profit or loss in the subsequent periods</i>			
Remeasurement gain on retirement benefits, net of tax - note 18	-	-	8,833,111
TOTAL COMPREHENSIVE INCOME	₱349,556,438	₱375,689,998	₱380,876,512
Total Comprehensive Income Attributable to:			
Equity holders of the Parent Company	₱349,595,125	₱-	₱-
Non-controlling interest	(38,687)	-	-
	₱349,556,438	₱-	₱-
Earnings Per Share Attributable to			
Equity Holders of the Parent Company - note 23	₱23.84	₱25.62	₱29.85

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

DAGUPAN ELECTRIC CORPORATION AND A SUBSIDIARY
Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2025, 2024 and 2023

	Equity Attributable to Equity Holders of the Parent Company							Non-controlling Interests	Total Equity
	Capital Stock - note 15	Additional Paid-in Capital	Revaluation Reserve - notes 4 and 5	Remeasurement Gain (Loss) on Retirement Benefits - note 18	Appropriated Retained Earnings - note 14	Unappropriated Retained Earnings	Equity Attributable to Equity Holders of the Parent Company		
Balance at January 1, 2023, as previously stated	₱1,246,200,000	₱189,124,320	₱1,618,731,957	(₱5,870,347)	₱400,000,000	₱1,967,758,063	₱5,415,943,993	₱-	₱5,415,943,993
Prior period adjustment - note 21	-	-	15,684,257	-	-	-	15,684,257	-	15,684,257
Balance at January 1, 2023, as restated	1,246,200,000	189,124,320	1,634,416,214	(5,870,347)	400,000,000	1,967,758,063	5,431,628,250	-	5,431,628,250
Comprehensive income:									
Net income	-	-	-	-	-	372,043,401	372,043,401	-	372,043,401
Other comprehensive income, net of tax	-	-	-	8,833,111	-	-	8,833,111	-	8,833,111
Total comprehensive income for the year	-	-	-	8,833,111	-	372,043,401	380,876,512	-	380,876,512
Transaction with owners of the Parent Company:									
Cash dividend declared	-	-	-	-	-	(1,600,000,000)	(1,600,000,000)	-	(1,600,000,000)
Others:									
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	-	23,036,888
Transfer to unappropriated retained earnings	-	-	-	-	(400,000,000)	400,000,000	-	-	-
Appropriation of retained earnings	-	-	-	-	400,000,000	(400,000,000)	-	-	-
Total others	-	-	(69,110,666)	-	-	92,147,554	23,036,888	-	23,036,888
Balance at December 31, 2023	₱1,246,200,000	₱189,124,320	₱1,565,305,548	₱2,962,764	₱400,000,000	₱831,949,018	₱4,235,541,650	₱-	₱4,235,541,650
Balance at January 1, 2024	₱1,246,200,000	₱189,124,320	₱1,565,305,548	₱2,962,764	₱400,000,000	₱831,949,018	₱4,235,541,650	₱-	₱4,235,541,650
Comprehensive income:									
Net income	-	-	-	-	-	375,689,998	375,689,998	-	375,689,998
Transactions with owners of the Parent Company:									
Issuance of capital stock through public offering	220,000,000	952,600,000	-	-	-	-	1,172,600,000	-	1,172,600,000
Cash dividend declared	-	-	-	-	-	(148,828,962)	(148,828,962)	-	(148,828,962)
Total transaction with owners of the Parent Company	220,000,000	952,600,000	-	-	-	(148,828,962)	1,023,771,038	-	1,023,771,038
Others:									
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	-	23,036,888
Transfer to unappropriated retained earnings	-	-	-	-	(400,000,000)	400,000,000	-	-	-
Total others	-	-	(69,110,666)	-	(400,000,000)	492,147,554	23,036,888	-	23,036,888
Balance at December 31, 2024	₱1,466,200,000	₱1,141,724,320	₱1,496,194,882	₱2,962,764	₱-	₱1,550,957,608	₱5,658,039,574	₱-	₱5,658,039,574

DAGUPAN ELECTRIC CORPORATION AND A SUBSIDIARY
Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2025, 2024 and 2023

	Equity Attributable to Equity Holders of the Parent Company								Non-controlling Interests	Total Equity
	Capital Stock - note 15	Additional Paid-in Capital	Revaluation Reserve - notes 4 and 5	Remeasurement Gain (Loss) on Retirement Benefits - note 18	Appropriated Retained Earnings - note 14	Unappropriated Retained Earnings	Equity Attributable to Equity Holders of the Parent Company			
Balance at January 1, 2025	₱1,466,200,000	₱1,141,724,320	₱1,496,194,882	₱2,962,764	₱-	₱1,550,957,608	₱5,658,039,574	₱-	₱5,658,039,574	
Comprehensive income:										
Net income (loss)	-	-	-	-	-	349,595,125	349,595,125	(38,687)	349,556,438	
Transaction with owners of the Parent Company:										
Cash dividend declared	-	-	-	-	-	(147,499,725)	(147,499,725)	-	(147,499,725)	
Others:										
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	-	23,036,888	
Total others	-	-	(69,110,666)	-	-	92,147,554	23,036,888	-	23,036,888	
Balance at December 31, 2025	₱1,466,200,000	₱1,141,724,320	₱1,427,084,216	₱2,962,764	₱-	₱1,845,200,562	₱5,883,171,862	(₱38,687)	₱5,883,133,175	

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

DAGUPAN ELECTRIC CORPORATION AND A SUBSIDIARY
Consolidated Statements of Cash Flows

	Years Ended December 31		
	2025	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱478,535,575	₱519,754,176	₱514,594,669
Adjustments for:			
Depreciation - notes 4 and 5	208,482,629	207,254,971	201,061,732
Retirement benefit expense - note 18	14,818,694	15,918,363	12,386,259
Provision for ECL - note 8	1,644,623	2,631,403	-
Unrealized fair value (gain) loss on financial assets at FVPL - note 9	466,210	(9,067,973)	-
Realized fair value gain on financial assets at FVPL - note 9	(2,933,624)	-	-
Interest expense - note 13	158,158	163,563	169,492
Interest income - notes 7 and 9	(57,413,696)	(49,104,663)	(34,336,988)
Dividend income - note 6	(5,124,000)	(5,336,000)	(5,632,000)
Franchise tax	-	24,907,976	4,026,762
Gain on sale of transportation equipment - note 5	-	(312,500)	-
Operating income before working capital changes	638,634,569	706,809,316	692,269,926
Decrease (increase) in:			
Trade and other receivables	22,455,336	(118,864,734)	236,643,889
Inventories	12,913,755	(33,684,148)	14,294,600
Prepayments and other current assets	30,192,145	10,730,770	(19,114,350)
Increase (decrease) in:			
Trade and other payables	(52,285,417)	67,202,254	(64,923,368)
Customers' deposits	1,854,809	2,922,269	1,121,578
Cash generated from operations	653,765,197	635,115,727	860,292,275
Interest and dividend received - notes 6, 7 and 9	62,537,696	54,440,663	39,968,988
Contributions to retirement plan - note 18	-	(2,639,979)	(328,528)
Franchise tax paid - note 12	-	(24,907,976)	(4,026,762)
Income tax paid	(146,554,639)	(153,100,741)	(98,879,505)
Interest paid - note 13	(158,158)	(163,563)	(169,492)
Net cash provided by operating activities	569,590,096	508,744,131	796,856,976
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment - notes 4 and 5	(224,942,483)	(239,881,672)	(226,935,231)
Proceeds from disposal of financial assets at FVPL - note 9	119,444,350	-	95,000,000
Proceeds from sale of transportation equipment - note 5	-	312,500	-
Net cash used in investing activities	(105,498,133)	(239,569,172)	(131,935,231)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares - note 15	-	1,172,600,000	-
Cash dividend paid - note 14	(147,499,725)	(148,828,962)	(1,600,000,000)
Net cash provided by (used in) investing activities	(147,499,725)	1,023,771,038	(1,600,000,000)
NET INCREASE (DECREASE)			
IN CASH AND CASH EQUIVALENTS	316,592,238	1,292,945,997	(935,078,255)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,179,835,214	886,889,217	1,821,967,472
CASH AND CASH EQUIVALENTS AT END OF YEAR - note 7	₱2,496,427,452	₱2,179,835,214	₱886,889,217

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

DAGUPAN ELECTRIC CORPORATION
Notes to Consolidated Financial Statements

As at and for the Years Ended December 31, 2025, 2024 and 2023

1. CORPORATE INFORMATION

Dagupan Electric Corporation (the “Parent 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 Parent Company extending its corporate life for another 50 years from May 20, 2011. The Parent Company is majority owned by a group of Filipino individuals.

The Parent Company is engaged in the distribution of electricity and is granted with a legislative franchise to operate and provide service in 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.

As a distribution utility, the Parent Company is subject to the regulations and rate-making policies of the Energy Regulatory Commission (ERC). Billings of the Parent Company to customers are itemized or “unbundled” into a number of bill components that reflect the various activities and costs incurred in electricity distribution. The adjustment to each bill component is governed by mechanisms promulgated and enforced by the ERC (see Note 17).

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

The registered principal address of the Parent Company is AB Fernandez St., Dagupan City, Province of Pangasinan.

Consolidated Subsidiary

The consolidated financial statements include the accounts of the Parent Company and DECORP Renewables Inc. (the “Subsidiary”), collectively referred to as “the Group”.

DECORP Renewables Inc., a 99.14%-owned subsidiary of the Parent Company was incorporated on June 4, 2025 to develop, operate and manage renewable energy projects that generate sustainable power from renewable sources such as but not limited to solar, wind, hydro, and biomass, with the aim of reducing carbon emissions, advancing energy efficiency, and promoting environmental sustainability. Its registered principal address is Room 201, Veria I Building, 62 West Avenue, West Triangle, Quezon City.

The consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on May 14, 2026.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary. Control is achieved when the Group has (a) power over the investee, (b) is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. The Group reassesses whether or not it controls an investee, if facts and circumstances indicate that there are changes to one or more of these three elements of control.

When the Group has less than a majority of the voting or similar rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including (a) the contractual arrangement with the other vote holders of the investee (b) rights arising from other contractual arrangements; and (c) the Group's voting rights and potential voting rights.

The Subsidiary is consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continues to be consolidated until the date when such control ceases. Assets, liabilities, income and expenses of the Subsidiary are included in the consolidated financial statements from the date the Parent Company gains control until the date when the Parent Company ceases to control the Subsidiary.

Profit or loss and each component of other comprehensive income are attributable to equity holders of the Parent of the Group and to non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The financial statements of the Subsidiary are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. All intergroup balances and transactions including intercompany profits and losses are eliminated in full in the consolidation.

Non-controlling interest represents the portion of profit or loss and net assets not owned by the Parent Company and are presented in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from equity attributable to equity holders of the Parent Company. The non-controlling stockholder's share in losses of the subsidiary is limited to the investment made. Any additional losses are for the account of the Parent Company.

If the Parent Company loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interests and other components of equity while any resultant gain or loss is recognized in profit or loss.

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, 2025.

Lack of Exchangeability (Amendments to PAS 21). The amendment introduces requirements to assess when a currency is exchangeable into another currency and when it is not. The amendment requires an entity to estimate the spot exchange rate when it concludes that a currency is not exchangeable into another currency. The amendment is effective for annual periods beginning on or after January 1, 2025, with earlier application permitted. The amendment does not have a material impact on the consolidated financial statements.

New accounting standards and amendments to existing standards effective subsequent to January 1, 2025

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

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.

Annual Improvements to PFRS Accounting Standards – Volume 11

- *Hedge accounting by a first-time adopter (Amendment to PFRS 1 First-time Adoption of International Financial Reporting Standards)*. The amendment addresses a potential confusion arising from an inconsistency in wording between paragraph B6 of PFRS 1 and requirements for hedge accounting in PFRS 9 Financial Instruments.
- *Gain or loss on derecognition (Amendment to PFRS 7 Financial Instruments: Disclosures)*. The amendment addresses a potential confusion in paragraph B38 of PFRS 7 arising from an obsolete reference to a paragraph that was deleted from the standard when PFRS 13 Fair Value Measurement was issued.
- *Disclosure of deferred difference between fair value and transaction price (Amendment to PFRS 7 Financial Instruments: Implementation Guidance)*. The amendment addresses an inconsistency between paragraph 28 of PFRS 7 and its accompanying implementation guidance that arose when a consequential amendment resulting from the issuance of PFRS 13 was made to paragraph 28, but not to the corresponding paragraph in the implementation guidance.
- *Introduction and credit risk disclosures (Amendment to PFRS 7 Financial Instruments: Implementation Guidance)*. The amendment addresses a potential confusion by clarifying in paragraph IG1 that the guidance does not necessarily illustrate all the requirements in the referenced paragraphs of PFRS 7 and by simplifying some explanations.

- *Lessee derecognition of lease liabilities (Amendment to PFRS 9 Financial Instruments)*. The amendment addresses a potential lack of clarity in the application of the requirements in PFRS 9 to account for an extinguishment of a lessee's lease liability that arises because paragraph 2.1(b)(ii) of PFRS 9 includes a cross-reference to paragraph 3.3.1, but not also to paragraph 3.3.3 of PFRS 9.
- *Transaction price (Amendment to PFRS 9 Financial Instruments)*. The amendment addresses a potential confusion arising from a reference in Appendix A to PFRS 9 to the definition of 'transaction price' in PFRS 15 Revenue from Contracts with Customers while term 'transaction price' is used in particular paragraphs of PFRS 9 with a meaning that is not necessarily consistent with the definition of that term in PFRS 15.
- *Determination of a 'de facto agent' (Amendment to PFRS 10 Consolidated Financial Statements)*. The amendment addresses a potential confusion arising from an inconsistency between paragraphs B73 and B74 of PFRS 10 related to an investor determining whether another party is acting on its behalf by aligning the language in both paragraphs.
- *Cost method (Amendment to PAS 7 Statement of Cash Flows)*. The amendment addresses a potential confusion in applying paragraph 37 of PAS 7 that arises from the use of the term 'cost method' that is no longer defined in PFRS Accounting Standards.

The amendments and improvements are effective for annual periods beginning on or after January 1, 2026, with earlier application permitted. The Group is still in the process of assessing the impact of the amendments and improvements.

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 statement, 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 consolidated financial statements in future periods.

The Group continues to assess the impact of the above new, amended, and improved accounting standards and interpretations that are effective subsequent to January 1, 2025, on its consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

Material Accounting Policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are as follows:

Utility Plant and Equipment and Other Property and Equipment

The Group'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. The Group engages an independent appraiser to perform revaluation of its utility plant and equipment and other property and equipment every five years, or earlier if there were circumstances that would affect the valuation of the fixed assets significantly.

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 Group 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 Group recognizes financial assets and financial liabilities in the consolidated 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 Group 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 Group's business model for managing the financial assets. The Group'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 Group'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 Group 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 Group 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 consolidated 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 Group'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 Group'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 consolidated statements of financial position at fair value with net changes in fair value recognized in the profit or loss.

As at December 31, 2025 and 2024, 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 Group 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, 2025 and 2024, the Group'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 Group 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 Group'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 Group 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 Group 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 Group 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 Group 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 Group 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 Group applies a simplified approach in calculating ECLs. The Group 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 Group'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 a simplified approach was used.

The Group 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 Group 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 Group 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 Group'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 Group'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 Group 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 Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group 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 Group 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 Group 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 Group 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 Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group 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 Group 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 Group'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 Group 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 Group 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 Group 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 Group'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 Group 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 consolidated 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 Group 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 consolidated 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 consolidated statements of financial position. Allowance for unrecoverable input VAT, if any, is maintained by the Group 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 Parent 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 Group 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 Group expects to be entitled in exchange for those goods and services. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or as an agent. The Group concluded that it is acting as principal in its revenue arrangements. The Group 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 the Parent 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 Parent Company's revenues. The Parent 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 consolidated 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 consolidated statements of financial position as an asset.

Leases

Group as lessee

The Group entered into operating lease arrangements on its office space. The leases do not transfer to the Group 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.

Group as lessor

The Group leased out its poles under operating lease agreements. Under the lease agreements, the Group 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 consolidated 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 Group 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 Group to its employees include salaries and wages, fringe benefits, 13th month pay, Social Security System (SSS), Philhealth and Home Development Mutual Fund (HDMF) contributions.

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 remeasurement 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 Group, nor can they be paid directly to the Group. 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 Group'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 Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group 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 Group 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 Group 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 Group 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 Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the consolidated financial statements when material.

3. MATERIAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the consolidated financial statements in compliance with PFRS Accounting Standards requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. The estimates and assumptions used in the consolidated 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 Group 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 Group 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 Group'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 Group 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 Group 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 as at December 31, 2025 and 2024. The carrying amount of trade and other receivables amounted to ₱610,407,131 and ₱634,507,090 as at December 31, 2025 and 2024, 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 consolidated statements of comprehensive income.

The carrying amount of inventories amounted to ₱103,447,214 and ₱116,360,969 as at December 31, 2025 and 2024, respectively (see Note 10).

Estimating useful lives of fixed assets

The useful life of each of the assets included in the Group'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 ₱2,548,067,891 and ₱2,360,581,456, amounted to ₱3,903,272,803 and ₱3,878,693,425 as at December 31, 2025 and 2024, respectively (see Note 4).

Other property and equipment, net of accumulated depreciation of ₱302,640,227 and ₱281,644,033, amounted to ₱77,701,463 and ₱85,820,987 as at December 31, 2025 and 2024, 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 ₱3,903,272,803 and ₱3,878,693,425 as at December 31, 2025 and 2024, respectively (see Note 4).

The fair value of other property and equipment amounted to ₱77,701,463 and ₱85,820,987 as at December 31, 2025 and 2024, 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 consolidated 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, 2025 and 2024.

Determining fair value of financial assets at FVPL

The financial assets at FVPL of the Group 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 ₱67,293,451 and ₱184,270,387 as at December 31, 2025 and 2024, respectively (see Note 9).

Revenue recognition

The Group's revenue recognition policies require the use of estimates and assumptions that may affect the reported amounts of revenues and receivables. The Group 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 ₱3,969,568,366, ₱4,207,205,636, and ₱4,044,639,397 in 2025, 2024 and 2023, respectively (see Note 17).

Retirement benefits obligation

The determination of the Group'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 ₱101,079,258 and ₱86,260,564 as at December 31, 2025 and 2024, respectively (see Note 18).

4. UTILITY PLANT AND EQUIPMENT

The reconciliation of this account is as follows:

December 31, 2025

	Amount in thousands					
	Distribution	Tools and equipment	Land	Buildings and improvements	Construction in progress	Total
Cost						
Net carrying amount, January 1, 2025	₱1,648,887	₱8,281	₱82,003	₱53,108	₱83,368	₱1,875,647
Additions	141,225	2,320	-	472	68,049	212,066
Depreciation	(93,586)	(1,818)	-	(4,244)	-	(99,648)
Net carrying amount, December 31, 2025	1,696,526	8,783	82,003	49,336	151,417	1,988,065
Appraisal increase (decrease in value)						
Net carrying amount, January 1, 2025	1,579,785	(5,872)	411,893	17,240	-	2,003,046
Depreciation	(87,256)	-	-	(582)	-	(87,838)
Net carrying amount, December 31, 2025	1,492,529	(5,872)	411,893	16,658	-	1,915,208
	₱3,189,055	₱2,911	₱493,896	₱65,994	₱151,417	₱3,903,273
Cost						
Accumulated depreciation	(1,389,138)	(31,615)	-	(55,609)	-	(1,476,362)
Net carrying amount, December 31, 2025	1,696,526	8,783	82,003	49,336	151,417	1,988,065
Appraisal increase (decrease in value)						
Accumulated depreciation	(1,030,717)	(3,852)	-	(31,091)	-	(1,065,660)
Net carrying amount, December 31, 2025	1,492,529	(5,872)	411,893	16,658	-	1,915,208
	₱3,189,055	₱2,911	₱493,896	₱65,994	₱151,417	₱3,903,273

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						
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)						
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

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, 2025	₱1,696,526	₱8,783	₱82,003	₱49,336	₱151,417	₱1,988,065
December 31, 2024	₱1,648,888	₱8,280	₱82,003	₱53,108	₱83,368	₱1,875,647

Depreciation on utility, plant and equipment charged to operating expenses amounted to ₱187,486,435 in 2025, ₱187,365,986 in 2024, and ₱181,225,656 in 2023 (including depreciation on appraisal increase of ₱87,255,956 in 2025, ₱87,838,259 in 2024, and ₱87,838,259 in 2023).

Construction in progress represents substation and sub transmission equipment that are under construction.

The Group 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 Group'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 Group 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:

- a. 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.
- b. 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 Parent 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, 2025 and 2024. These assets are free from any liens and encumbrances.

5. OTHER PROPERTY AND EQUIPMENT

The reconciliation of this account is as follows:

December 31, 2025

	Transportation equipment	Office furniture and equipment	Total
Cost			
Net carrying amount, January 1, 2025	₱65,349,954	₱18,161,173	₱83,511,127
Additions	7,286,857	5,589,813	12,876,670
Depreciation	(10,933,810)	(5,753,088)	(16,686,898)
Net carrying amount, December 31, 2025	61,703,001	17,997,898	79,700,899
Appraisal Increase (decrease in value)			
Net carrying amount, January 1, 2025	7,327,200	(5,017,340)	2,309,860
Depreciation	(4,309,296)	-	(4,309,296)
Net carrying amount, December 31, 2025	3,017,904	(5,017,340)	(1,999,436)
	₱64,720,905	₱12,980,558	₱77,701,463
Cost			
Accumulated depreciation	(173,923,781)	(82,244,405)	(256,168,186)
Net carrying amount, December 31, 2025	61,703,001	17,997,898	79,700,899
Appraisal increase	37,799,778	5,488,926	43,288,704
Accumulated depreciation	(34,781,874)	(10,506,266)	(45,288,140)
Net carrying amount, December 31, 2025	3,017,904	(5,017,340)	(1,999,436)
	₱64,720,905	₱12,980,558	₱77,701,463

December 31, 2024

	Transportation equipment	Office furniture and equipment	Total
<u>Cost</u>			
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
<u>Appraisal Increase (decrease in value)</u>			
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

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, 2025	₱61,703,001	₱17,997,898	₱79,700,899
December 31, 2024	₱65,349,954	₱18,161,173	₱83,511,127

Depreciation on other property and equipment charged to operating expenses amounted to ₱20,996,194 in 2025, ₱19,888,986 in 2024, and ₱19,836,076 in 2023 (including depreciation on appraisal increase of ₱4,309,296 for each year in 2025, 2024, and 2023).

In 2024, the Group 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, 2025 and 2024. 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 at December 31, 2025, the Group had no intention to dispose of the financial asset at FVOCI. The Group'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.

The Group received a dividend of ₱5,124,000 in 2025, ₱5,336,000 in 2024 and ₱5,632,000 in 2023 (see Note 20).

7. CASH AND CASH EQUIVALENTS

This account consists of:

	2025	2024
Cash on hand	₱737,000	₱837,000
Cash in banks	1,128,157,930	975,517,861
Short-term deposits	1,367,532,522	1,203,480,353
	₱2,496,427,452	₱2,179,835,214

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 0.5% to 5.50% per annum in 2025 and 2024 depending on the prevailing condition in the local market.

Interest income earned on cash and cash equivalents amounted to ₱56,944,404 in 2025, ₱48,752,544 in 2024, and ₱34,336,988 in 2023 and is included in "Interest income" presented under "Other income (charges)" account in the consolidated statements of comprehensive income (see Note 20).

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

8. TRADE AND OTHER RECEIVABLES (NET)

This account consists of:

	2025	2024
Trade receivables	₱605,052,565	₱586,356,765
Other receivables	19,870,323	62,666,082
	624,922,888	649,022,847
Allowance for ECLs on trade receivables	(14,515,757)	(14,515,757)
	₱610,407,131	₱634,507,090

Trade receivables

Trade receivables are due ten days after presentation of the bill. The Group's trade receivables are non-interest bearing and are substantially secured by bill deposits amounting to ₱448,106,987 and ₱507,826,592 as at December 31, 2025 and 2024, respectively (see Notes 12 and 13).

Trade receivables from sale of electricity consist of:

	2025	2024
Residential retail	₱312,574,840	₱314,808,990
General retail	98,889,283	104,769,342
Bulk power	59,360,202	55,082,791
General power	54,864,730	53,781,344
Universal charges	21,125,112	10,970,591
FIT-All	11,474,035	3,695,903
Street lights	9,863,865	7,719,625
Pass-through charges on real property and local franchise taxes	1,027,220	-
Others	35,873,278	35,528,179
	₱605,052,565	₱586,356,765

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 purposes 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 250kW.

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).

Real property and franchise taxes

Pursuant to ERC Resolution No. 2, Series of 2021 and ERC Resolution No. 9, Series of 2026, distribution utilities are allowed to recover from customers real property, local franchise and business taxes paid to the Local Government Unit. In 2024 and prior years, payment of such taxes were included as part of the Group's operating expenses and the related recovery from customers as part of its revenues. On August 21, 2024, the BIR issued Revenue Memorandum Circular No. 116-2024 clarifying the tax treatment of government mandated charges. Such taxes and other government mandated charges shall not be subject to VAT and creditable withholding on VAT and income; accordingly, these should not form part of the Group's revenues and expenses since these are merely pass-through charges to be recovered from the customers.

Others

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

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

	2025	2024
Balance at beginning of year	₱14,515,757	₱14,229,987
Provision for ECLs – note 19	1,644,623	2,631,403
Write-off	(1,644,623)	(2,345,633)
Balance at end of year	₱14,515,757	₱14,515,757

The Group applies the simplified approach in measuring ECLs which uses a lifetime expected loss allowance for all trade and other receivables. The Group 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 ₱1,644,623 in 2025, ₱2,631,403 in 2024, and nil in 2023 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 Group 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, 2025 and 2024.

The amount still for refund to customers was ₱8,985,045 and ₱8,990,752 as of December 31, 2025 and 2024, 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:

	2025	2024
Cost:		
Balance at beginning of year	₱181,638,774	₱181,638,774
Disposal	(113,577,102)	-
Balance at end of year	68,061,672	181,638,774
Cumulative net unrealized gain (loss) in fair value:		
Balance at beginning of year	2,631,613	(6,436,360)
Disposal	(2,933,624)	-
Unrealized fair value gain (loss)	(466,210)	9,067,973
Balance at end of year	(768,221)	2,631,613
	₱67,293,451	₱184,270,387

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.

In 2025, the Group disposed financial assets at FVPL with carrying amount of ₱116,510,726 for proceeds of ₱119,444,350 resulting in Realized fair value gain of ₱2,933,624 and is presented under “Other income (charges)” account in the consolidated statements of comprehensive income (see Note 20).

Unrealized fair value gain (loss) amounted to (₱466,210), ₱9,067,973, and nil in 2025, 2024 and 2023, respectively, and is presented under “Other income (charges)” account in the consolidated statements of comprehensive income (see Note 20).

Interest income earned on financial assets at FVPL amounted to ₱469,292, ₱352,119 and nil in 2025, 2024 and 2023, respectively and is presented under “Other income (charges)” account in the consolidated 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, 2025 and 2024.

10. INVENTORIES

This account consists of materials and supplies for power distribution and service. As at December 31, 2025 and 2024, there are no inventories pledged or held as collateral. No item of inventory has been written off for the years ended December 31, 2025 and 2024.

11. PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of:

	2025	2024
Prepayments:		
VAT	₱15,583,492	₱45,276,929
Real property tax	12,648,495	12,623,402
Insurance	964,521	1,563,347
Advances to TransCo	5,858,942	5,858,942
Others	762,743	687,718
	₱35,818,193	₱66,010,338

Prepaid VAT pertains 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 Parent 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 Parent 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 Parent Company. On November 6, 2014, the Parent Company paid for the assets amounting to ₱5,858,942 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 parent company statements of financial position. The application is still pending with the ERC as at December 31, 2025.

12. TRADE AND OTHER PAYABLES

This account consists of:

	2025	2024
Trade payables	₱251,278,350	₱249,274,778
Customers’ deposits (current portion) – note 13	184,354,840	240,763,052
Accrued expenses and other current liabilities	122,199,909	118,644,342
Output VAT	32,960,129	42,580,380
Universal charges payable	29,487,010	25,748,003
FIT-All payable	19,801,371	10,161,233
WESM regulated prices payable	8,985,045	8,990,752
Accrued taxes	922,376	1,079,671
Others	1,197,888	6,230,124
	₱651,186,918	₱703,472,335

Trade payables and output VAT

Trade payable represents the Group's liabilities to GNPowder Mariveles Energy Center Ltd. Co., (GMEC), One Manoaogsolar 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 tax, local franchise tax, real property tax, expanded withholding tax, and withholding tax on compensation.

Other payables consist of remittances to 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 Group'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:

	2025	2024
Bill deposits	₱263,752,147	₱267,063,540
COLE deposits	60,664,166	57,526,252
Pole attachment deposits	15,285,294	13,257,006
	₱339,701,607	₱337,846,798

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 Group'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.

Under ERC Resolution No. 03, Series of 2026, the ERC introduces amendments to the Magna Carta. With respect to bill deposits, the rules were updated to introduce automatic bill deposit refunds for a) consumers who qualify for a 100% lifeline discount and (b) customers who have made timely payments for two consecutive years. New applicants may also pay required bill deposits in full or three monthly installments and DUs may waive or provide alternatives to bill deposits. In addition, under its Advisory dated January 31, 2026, the ERC directed all DUs to submit detailed information regarding its bill deposits within thirty (30) days, or until March 1, 2026.

Bill deposits of ₱184,354,840 and ₱240,763,052 as at December 31, 2025 and 2024, respectively, are included in the current portion of Customers' deposits under the "Trade and other payables" account in the consolidated statements of financial position (see Note 12). Interests on bill deposits amounted to ₱158,158, ₱163,563, and ₱169,492 for the years ended December 31, 2025, 2024 and 2023, respectively, and is presented under "Other income (charges)" account in the consolidated 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 14, 2025, the BOD approved the declaration of cash dividend in the amount of ₱147,499,725 or ₱10.06 per share, to stockholders of record as of December 31, 2024. Cash dividend was paid in July 2025.

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:

	2025	2024
Authorized – ₱100 par value per share, 15,000,000 shares	₱1,500,000,000	₱1,500,000,000
Common shares issued and outstanding – 14,662,000 shares in 2025 and 2024:		
Balance at beginning of year	₱1,466,200,000	₱1,246,200,000
Initial public offering of shares	-	220,000,000
Balance at end of year	₱1,466,200,000	₱1,466,200,000

On December 27, 2023, the SEC rendered effective the Parent 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 consolidated statements of financial position.

16. RELATED PARTY TRANSACTIONS

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

Lease Agreement

The Group has a lease agreement with Veria Realty Inc., a company owned by the Group's major stockholders. The lease is for a period of one year subject to renewal. The monthly rent is ₱364,750 in 2025, ₱313,440 in 2024, and ₱298,515 in 2023 and payable at the end of each month. Total rent charged to operations amounted to ₱4,377,001 in 2025, ₱4,246,800 in 2024, and ₱4,320,079 in 2023 and is included as part of "Rent" under "Operations and maintenance" in the consolidated statements of comprehensive income (see Note 19).

Compensation of Key Management Personnel

Compensation paid to key management personnel consists of the following:

	2025	2024	2023
Salaries	₱17,455,855	₱16,331,500	₱17,810,793
Short-term employee benefits	6,521,394	6,520,295	39,986
	₱23,977,249	₱22,851,795	₱17,850,779

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

17. REVENUES

This account consists of:

	2025	2024	2023
Electric revenues	₱3,924,729,330	₱4,169,997,151	₱4,018,957,505
Other revenues	44,839,036	37,208,485	25,681,892
	₱3,969,568,366	₱4,207,205,636	₱4,044,639,397

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

	2025	2024	2023
Generation revenue	₱2,258,011,051	₱2,595,448,118	₱2,643,334,894
Distribution revenue	746,953,319	734,808,953	662,223,695
Transmission revenue	508,461,666	379,927,761	290,925,053
System loss revenue	214,342,486	228,422,129	214,368,016
Supply revenue	117,554,403	114,330,546	101,684,531
Metering charge	82,675,790	80,409,364	72,844,745
Senior citizen charge (discount)	24,636	(13,408)	(6,722)
Local franchise tax – note 8	-	23,671,649	22,448,068
Real property tax recovery – note 8	-	10,571,460	10,295,547
Lifeline charge (discount)	(3,214,604)	2,497,581	913,433
Other discount	(79,417)	(77,002)	(73,755)
	₱3,924,729,330	₱4,169,997,151	₱4,018,957,505

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

On April 20, 2011, the Parent 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 Parent 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 Parent Company filed a MR on the above Decision for the approval of the amounts originally proposed by the Parent 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, 2025, the Parent Company is still awaiting the resolution of said MR.

On April 1, 2014, the Parent 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 Parent 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, 2025, the Parent Company is still awaiting the decision of the ERC.

On March 31, 2017, the Parent 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 Parent Company filed application for the confirmation of total over recovery of ₱30,114,229 covering the years 2014 to 2016. As at December 31, 2025, the Parent Company is still awaiting the decision of the ERC.

On August 28, 2020, the Parent 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 Parent Company filed application for the confirmation of total under recovery of ₱48,360,882. As at December 31, 2025, the Parent Company is still awaiting the decision of the ERC.

On May 17, 2023, the Parent 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 Parent Company filed the application for the confirmation of an overall total under recovery of ₱73,564,161. As at December 31, 2025, the Parent Company is still awaiting the decision of the ERC.

Performance-Based Rate Making (PBR)

The Parent 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 Parent 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 the Parent Company under the PBR for the Regulatory Period 2011-2015. On February 9, 2015, the ERC issued its Decision on this case, giving the Parent Company the option to implement a MAP of ₱2.4472/kWh or its proposal of ₱1.7918/kWh for the Regulatory year 2015. The Parent Company implemented the latter rate.

Given the need by the Parent 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 Parent 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 Parent Company until approved by the ERC.

On March 28, 2022, the Parent 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 Parent 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 Parent 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, 2025, the Parent Company is still awaiting the decision of the ERC.

On February 10, 2024, the Parent 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.

Under ERC Resolution No. 23, Series of 2025, entitled, “A Resolution Directing All Private Distribution Utilities (PDUs) to File their respective AWAT Applications for the Lapsed Period”, the ERC resolved to adopt a confirmation and true-up process in determining the rates of the PDUs to address the lapsed period for their respective Entry Groups and defined the lapsed period for each Entry Group. The ERC then directed all PDUs to file an application for the confirmation of their AWAT as against their last approved rates, within sixty (60) calendar days from the effectivity of the Resolution. However, in ERC Resolution No. 1, Series of 2025, the ERC clarified the timeline for the filing of the AWAT and directed all PDUs to file, within one hundred twenty (120) days from the effectivity of the AWAT Resolution on November 22, 2025, or until March 22, 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 Group 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:

	2025	2024
Present value of obligation	₱147,447,204	₱129,839,462
Fair value of plan assets	(46,367,946)	(43,578,898)
	₱101,079,258	₱86,260,564

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

	2025	2024	2023
Current service cost	₱9,298,017	₱8,855,255	₱8,433,576
Net interest cost			
Interest cost	8,309,725	7,063,108	6,790,463
Interest income	(2,789,048)	-	(2,837,780)
	5,520,677	7,063,108	3,952,683
	₱14,818,694	₱15,918,363	₱12,386,259

As at December 31, 2025 and 2024, the cumulative remeasurement gain on retirement benefits presented in the consolidated statements of financial position amounted to ₱2,962,764.

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

	2025	2024
Balance at beginning of year	₱86,260,564	₱72,982,180
Retirement benefits expense	14,818,694	15,918,363
Contributions paid	-	(2,639,979)
Remeasurement gain	-	-
Balance at end of year	₱101,079,258	₱86,260,564

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

	2025	2024
Present value of obligation, January 1	₱129,839,462	₱113,921,099
Current service cost	9,298,017	8,855,255
Interest cost	8,309,725	7,063,108
Present value of obligation, December 31	₱147,447,204	₱129,839,462

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

	2025	2024
Fair value of plan assets, January 1	₱43,578,898	₱40,938,919
Interest income included in net interest cost	2,789,048	-
Contributions	-	2,639,979
Fair value of plan assets, December 31	₱46,367,946	₱43,578,898

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

	2025	2024
Discount rate	6.40%	6.20%
Expected salary increases	5.00%	5.00%

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

	2025	2024
Investment in government securities	₱36,616,461	₱36,616,461
Deposit in banks	3,943,305	1,154,257
Corporate stocks	3,174,813	3,174,813
Other securities and debt instruments	2,649,626	2,649,626
Trust fee and other payables	(16,259)	(16,259)
	₱46,367,946	₱43,578,898

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;
- 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 Group'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 ₱101,079,258 and ₱86,260,564 as at December 31, 2025 and 2024, respectively. While there is no minimum required funding, the amount without fund may expose the Group 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 Group's undiscounted benefit payments are as follow:

<u>December 31, 2025</u>	1 to 5 Years	6 to 10 Years	11 to 15 Years	16 to 20 Years	21 to 40 Years
Normal Retirement	₱34,901,949	₱82,249,328	₱95,248,808	₱94,111,734	₱337,541,950
<u>December 31, 2024</u>	1 to 4 Years	5 to 8 Years	9 to 12 Years	13 to 16 Years	17 to 20 Years
Normal Retirement	₱32,890,879	₱82,249,328	₱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 Group'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 2025 and 2024, respectively.

The impact on the Group's retirement benefits obligation as at December 31, 2025 and 2024 which affects the Group's cash flow, is as follows:

December 31, 2025

	Increase (decrease)	Present value of obligation	Increase (decrease) in retirement benefits obligation
Discount rate	+1%	₱146,148,809	(₱1,298,395)
	-1%	148,745,598	1,298,395
Salary increase	+1%	148,377,006	929,802
	-1%	146,517,402	(929,802)

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)

The Group 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 Group'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 Group to the retirement fund.

19. OPERATIONS AND MAINTENANCE

This account consists of:

	2025	2024	2023
Salaries and wages	₱159,969,797	₱151,704,541	₱145,169,837
Outside services	52,190,536	44,670,550	35,234,915
Repairs and maintenance	18,136,828	18,623,474	17,861,102
Retirement benefits expense – note 18	14,818,694	15,918,363	12,386,259
Office supplies	7,852,375	8,817,427	5,553,907
Telephone and water	7,828,162	7,733,941	8,074,840
Electric materials	6,121,714	5,176,836	2,153,574
Transportation	5,999,876	6,173,473	7,049,142
Professional fees	4,762,633	36,767,098	20,369,203
Rent – notes 16 and 22	4,377,001	4,246,800	4,320,079
Group activities	2,674,627	2,933,413	3,697,490
Insurance	2,069,881	2,422,878	3,216,894
Training and seminars	1,756,618	1,129,924	1,090,877
Provision for ECLs – note 8	1,644,623	2,631,403	-
Donations	644,273	562,540	442,814
Association and membership fees	268,065	264,635	250,399
Advertising and promotion	164,590	51,783	240,897
Others	5,154,682	3,477,671	3,120,224
	₱296,434,975	₱313,306,750	₱270,232,453

Professional fees in 2024 and 2023 include fees incurred related to the initial public offering of the Parent Company's shares.

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

Taxes other than income tax

This account consists of national and local taxes and other fees and licenses paid to the regulatory agencies:

	2025	2024	2023
ERC supervision and regulation fees	₱30,884,349	₱14,750,843	₱14,647,693
Deficiency taxes and interest	18,005,910	14,660,043	3,427,203
Documentary stamp tax	3,688,999	11,785	7,318
SEC registration and verification	1,001,250	-	1,179,142
Business permit and local licenses	382,386	440,000	339,704
Registration fees with NTC*	132,124	176,065	80,888
Motor vehicle registration fees	102,600	171,196	228,502
SEC legal research fee	7,575	-	-
Franchise tax – note 8	-	24,907,976	4,026,762
Real property tax – note 8	-	12,649,427	11,092
	₱54,205,193	₱67,767,335	₱23,948,304

* National Telecommunication Commission

20. OTHER INCOME (CHARGES)

This account consists of:

	2025	2024	2023
Interest income – notes 7 and 9	₱57,413,696	₱49,104,663	₱34,336,988
Dividend income – note 6	5,124,000	5,336,000	5,632,000
Realized fair value gain on financial assets at FVPL – note 9	2,933,624	-	-
Unrealized fair value gain (loss) on financial assets at FVPL – note 9	(466,210)	9,067,973	-
Interest expense – note 13	(158,158)	(163,563)	(169,492)
Others:			
Bank charges	(290,851)	(527,978)	(419,852)
Gain on foreign exchange	7,027	5,101	291,126
Gain on sale of equipment – note 5	-	312,500	-
Miscellaneous income	6,888,735	2,972,872	2,158,456
	₱71,451,863	₱66,107,568	₱41,829,226

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

21. INCOME TAXES

Provision for income tax consists of:

	2025	2024	2023
Current	₱134,773,711	₱143,828,630	₱145,360,747
Deferred	(5,794,574)	235,548	(2,809,481)
	₱128,979,137	₱144,064,178	₱142,551,266

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

	2025	2024	2023
Income before income tax	₱478,535,575	₱519,754,176	₱514,594,667
Income tax computed at 25%	119,633,894	129,938,544	128,648,666
Add (deduct) tax effects of:			
Depreciation on appraisal increase	23,036,889	23,036,889	23,036,889
Nondeductible expenses	1,506,449	4,658,020	815,585
Net operating loss carryover	1,128,374	-	-
Nondeductible portion of interest	39,539	40,891	42,373
Interest income subjected to final tax	(16,366,008)	(13,610,166)	(9,992,247)
	₱128,979,137	₱144,064,178	₱142,551,266

The components of the Group's deferred tax assets and liability are as follows:

	2025	2024 (As Restated)
Deferred tax assets:		
Retirement benefits obligation	₱26,915,508	₱23,292,900
Allowance for ECLs on receivables	3,628,939	3,628,939
Unamortized past service cost	796,883	1,083,966
Unrealized fair value loss on financial assets at FVPL	192,056	-
	₱31,533,386	₱28,005,805
Deferred tax liability:		
Revaluation increment	₱475,694,739	₱498,731,627
Remeasurement gain on retirement benefits	2,005,718	2,005,718
Unrealized fair value gain on financial assets at FVPL	-	2,266,994
	₱477,700,457	₱503,004,339

Prior period adjustment

The opening balances of Deferred tax liability and Revaluation reserve were adjusted to correct the effect of the change in tax rate from 30% to 25% on the 2021 beginning balance of Revaluation reserve, pursuant to PIC Q&A 2020-07 Accounting for the Changes in Income Tax Rates under the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act.

The effects of the adjustments in the 2023 and 2024 consolidated financial statements are as follows:

	January 1, 2023		
	As previously reported	Increase (decrease)	As restated
<i>Consolidated statements of financial position</i>			
Deferred tax liability	₱560,849,685	(₱15,684,257)	₱545,165,428
Revaluation reserve	1,618,731,957	15,684,257	1,634,416,214
	December 31, 2023		
	As previously reported	Increase (decrease)	As restated
<i>Consolidated statements of financial position</i>			
Deferred tax liability	₱539,458,491	(₱15,684,257)	₱523,774,234
Revaluation reserve	1,549,621,291	15,684,257	1,565,305,548
	December 31, 2024		
	As previously reported	Increase (decrease)	As restated
<i>Consolidated statements of financial position</i>			
Deferred tax liability	₱518,688,596	(₱15,684,257)	₱503,004,339
Revaluation reserve	1,480,510,625	15,684,257	1,496,194,882

22. AGREEMENTS

The details of purchased power are as follows:

	2025	2024	2023
Generation cost			
GMCP	₱1,117,042,130	₱1,207,031,595	₱1,321,828,366
WESM	729,885,586	807,687,101	652,048,665
EDC	462,651,884	570,034,780	617,127,520
OMSC	166,852,415	174,855,414	172,453,389
Transmission cost:			
NGCP	526,929,842	405,621,082	313,173,527
	₱3,003,361,857	₱3,165,229,972	₱3,076,631,467

Electricity Supply Agreement between the Parent 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 Parent Company entered into a contract with SEI, wherein the Parent Company committed to purchase clean power generated by SEI's solar power plant project that would be embedded into the Parent Company's franchise area.

On July 14, 2016, the Parent Company and SEI filed a Joint Application to the ERC for the approval of their 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 Parent Company entered into a 10-year contract with EDC, wherein the Parent 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 Parent 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 Parent Company on December 26, 2022.

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

The Parent Company and GNPower 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 Parent 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 Parent 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 Parent Company with the Commencement Date Notice by December 31, 2012, or such later date as the parties agreed in writing.

WESM Direct Membership

The Parent 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 Parent Company the privilege to purchase directly from the market.

Transmission Service Agreement with NGCP

The Parent Company entered the Contract with NGCP wherein the latter would provide the necessary transmission services to the Parent Company, provided that the Parent 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 Parent Company entered into service agreement with the TransCo. Under the agreement, TransCo shall provide transmission services to the Parent 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 Parent Company have been are provided by NGCP since December 2008.

Lease Agreements

Group as lessee

The Group 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 ₱364,750 for 2025, ₱353,900 for 2024, and ₱360,007 for 2023. Total rent expense amounted to ₱4,377,001 for 2025, ₱4,246,800 for 2024, and ₱4,320,079 for 2023 (see Note 19).

Group as lessor

The Group 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 ₱38,718,634 in 2025, ₱32,047,368 in 2024, and ₱23,528,318 in 2023, 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:

	2025	2024	2023
Net income	₱349,556,438	₱375,689,998	₱372,043,401
Divided by: Shares outstanding	14,662,000	14,662,000	12,462,000
	₱23.84	₱25.62	₱29.85

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The 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 Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The Group is exposed to a variety of financial risk which results from both its operating and investing activities. The Group’s risk management is in close cooperation with the BOD, and focuses on actively securing the Group’s short-to medium-term cash flows by minimizing the exposure to financial markets.

Interest rate risk

Investment in financial instruments renders the Group subject to interest rate risks. These include the risks arising from changes in interest rates. The primary source of the Group's interest rate risk relates to cash and other assets which are invested at various banks earning an average interest rate of 0.5% to 5.50% per annum in 2025 and 2024. If the interest rate had been 0.5% higher/lower, the net income after tax would increase/decrease by ₱9,601,326 in 2025, ₱8,171,243 in 2024, and ₱3,322,677 in 2023.

Credit risk

Credit risk is the risk that the Group will incur a loss from customers or counterparties that fail to discharge their contractual obligations. The Group manages credit risk by setting limits on the amount of risk the Group 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 Group as at:

		December 31, 2025			
		Basis of recognizing ECL	Gross carrying amount	Loss allowance	Net carrying amount
Cash in banks and cash equivalents	(a)		₱2,495,690,452	₱-	₱2,495,690,452
Trade receivables	(b)	Lifetime ECL	605,052,565	14,515,757	590,536,808
Other receivables	(b)		19,870,323	-	19,870,323
Rental deposits	(c)		762,743	-	762,743
			₱3,121,376,083	₱14,515,757	₱3,106,860,326
		December 31, 2024			
		Basis of recognizing ECL	Gross carrying amount	Loss allowance	Net carrying amount
Cash in banks	(a)		₱2,178,998,214	₱-	₱2,178,998,214
Trade receivables	(b)	Lifetime ECL	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

- (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 Group has applied the simplified approach to measure the loss allowance at lifetime ECLs. The Group 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 Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Trade and other receivables

The Group 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, 2025

	Current	Number of days past due			Total
		0 to 30 days	31-60 days	> 90 days	
ECL rate	2%	2%	2%	2%	
Gross carrying amount:					
Trade receivables	₱362,135,153	₱145,215,771	₱56,960,828	₱40,740,813	₱605,052,565
Other receivables	19,870,323	-	-	-	19,870,323
	382,005,476	145,215,771	56,960,828	40,740,813	624,922,888
Lifetime ECL	₱8,912,522	₱3,349,608	₱1,313,882	₱939,745	₱14,515,757

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

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

December 31, 2025

	Neither Past Due Nor Impaired					Total
	High Grade	Medium Grade	Low Grade	Past due but not impaired	Past due and individually impaired	
Cash in banks and cash equivalents	₱2,495,690,452	₱-	₱-	₱-	₱-	₱2,495,690,452
Trade receivables	590,536,808	-	-	-	14,515,757	605,052,565
Other receivables	19,870,323	-	-	-	-	19,870,323
Rental deposits	762,743	-	-	-	-	762,743
	₱3,106,860,326	₱-	₱-	₱-	₱14,515,757	₱3,121,376,083

December 31, 2024

	Neither Past Due Nor Impaired					Total
	High Grade	Medium Grade	Low Grade	Past due but not impaired	Past due and individually impaired	
Cash in banks	₱2,178,998,214	₱-	₱-	₱-	₱-	₱2,178,998,214
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
	₱2,814,193,022	₱-	₱-	₱-	₱14,515,757	₱2,828,708,779

The credit ratings of the financial assets of the Group 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 Group's customers consist mainly of third parties with good credit rating. None of the financial assets that are fully performing has been renegotiated in 2025 and 2024.

Liquidity risk

The Group monitors and maintains a level of funds deemed adequate by management to finance the Group'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, 2025 and 2024, the financial liabilities have contractual maturities as follow:

	December 31, 2025		December 31, 2024	
	Due within one year	Due beyond one year	Due within one year	Due beyond one year
Trade payables	₱251,278,350	₱-	₱249,274,778	₱-
Other payables*	180,783,116	-	163,790,780	-
Customers' deposits	184,354,840	339,701,607	240,763,052	337,846,798
	₱616,416,306	₱339,701,607	₱653,828,610	₱337,846,798

*Excluding statutory payables and other liabilities to government agencies amounting to ₱39,150,270 in 2025 and ₱49,643,725 in 2024.

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 Group's exposure to share price risk relates primarily to the Group's financial assets at FVPL. The Group 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 Group's income before income tax. The Group determines +/-10% as reasonably possible change in share price. The detail follows:

	2025	2024
Change in share price:		
+10%	₱6,775,966	₱18,427,039
-10%	(6,775,966)	(18,427,039)

25. CAPITAL RISK OBJECTIVE AND MANAGEMENT

The Group'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 Group 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 Group's ratios are as follows:

	2025	2024
Trade and other payables and customers' deposits	₱990,888,525	₱1,041,319,133
Less: cash and cash equivalents	2,496,427,452	2,179,835,214
Net (cash) debt (a)	(1,505,538,927)	(1,138,516,081)
Total equity	5,883,133,175	5,658,039,574
Total capital (b)	₱4,377,594,248	₱4,519,523,493
Gearing ratio (a/b)	(34%)	(25%)

26. FAIR VALUE INFORMATION

Assets measured at fair value

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

	2025	2024	Fair value hierarchy	Valuation techniques
Financial assets at FVPL	₱67,293,451	₱184,270,387	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	3,903,272,803	3,878,693,425	Level 2	Depreciated replacement cost, cost approach and sales comparison approach
Other property and equipment	77,701,463	85,820,987	Level 2	Depreciated replacement cost and cost approach
	₱4,200,267,717	₱4,300,784,799		

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

The Group'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 MATTERSEPIRA 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 Parent 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 Parent 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 made on January 8, 2024 to January 12, 2024.

* * *



Diaz Murillo
Dalupan and Company



WE ARE AN INDEPENDENT MEMBER OF
THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK

**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 AND A SUBSIDIARY
AB Fernandez St., Dagupan City
Province of Pangasinan

We have audited the accompanying consolidated financial statements of **Dagupan Electric Corporation and a Subsidiary** (the Group) as at December 31, 2025 and for each of the three years in the period ended December 31, 2025, on which we have rendered the attached report dated May 14, 2026. The supplementary information shown in the “Reconciliation of Retained Earnings Available for Dividend Declaration”, “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 consolidated financial statements. Such information is the responsibility of the Group’s management and has been subjected to auditing procedures applied in the audit of basic consolidated 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

SEC Accreditation No. 0234-SEC, Group A, issued on March 17, 2022, and valid for five years covering the audit of 2021 to 2025 financial statements

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

SEC Accreditation No. 96749, Group A, issued on August 12, 2021, and valid for five years covering the audit of 2021 to 2025 financial statements

PTR No. 10771459, January 11, 2026, Makati City

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

May 14, 2026

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, Mabo'o, 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 and a Subsidiary

Revised SRC Rule 68

Annex 68-J

Schedule A – Financial Assets

December 31, 2025

	No of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statements of Financial Position	Value Based on Market Quotation at End of Reporting Period	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	5,124,000
Total - FVOCI		152,000,000	152,000,000	5,124,000
Financial assets at fair value through profit or loss (FVPL)				
Debt Securities				
Petron Corporation*	not applicable	-	-	2,933,624
Aboitiz Equity Ventures*	not applicable	-	-	469,292
BPI - PHILAM	33,750,000	28,819,750	28,819,750	(335,915)
Equity Securities				
BPI - PHILAM	12,500,000	8,082,917	8,082,917	(124,926)
Other equity and debt securities				
Sun Life Asset Management Co., Inc.	5,148,800	17,680,464	17,680,464	(312,532)
Landbank of the Philippines	1,867,228	5,078,531	5,078,531	497,067
BPI - PHILAM	12,500,000	7,631,789	7,631,789	(189,904)
Total - FVPL		67,293,451	67,293,451	7,591,414
Cash in Banks and Cash Equivalents	not applicable	2,495,690,452	2,495,690,452	56,944,404
Trade and Other Receivables	not applicable	610,407,131	610,407,131	-

*Disposed in 2025

Dagupan Electric Corporation and a Subsidiary

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, 2025

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 and a Subsidiary

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, 2025

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 and a Subsidiary

Revised SRC Rule 68

Annex 68-J

Schedule D – Long Term Debt

December 31, 2025

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 and a Subsidiary

Revised SRC Rule 68

Annex 68-J

Schedule G – Capital Stock

December 31, 2025

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, 2025

Items	Amount	
Unappropriated Retained Earnings, beginning of year, as adjusted		₱1,466,186,123
Add: Category A: Items that are directly credited to Unappropriated Retained Earnings		
Reversal of Retained Earnings Appropriations	-	
Effect of restatements or prior-period adjustments	-	-
Less: Category B: Items that are directly debited to Unappropriated Retained Earnings		
Dividend declaration during the year	147,499,725	
Retained Earnings appropriated during the year	-	
Effect of restatements or prior-period adjustments	-	147,499,725
Unappropriated Retained Earnings, as adjusted		1,318,686,398
Add: Net income for the current year		354,069,935
Less: Category C.1: Unrealized income (loss) 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)	(349,658)	(349,658)
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	2,200,218	2,200,218
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		356,619,811
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	3,335,525	
Adjustment due to deviation from PFRS	-	3,335,525
Total Retained Earnings, End, Available for Dividend Declaration		₱1,747,752,400

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Dagupan Electric Corporation and a Subsidiary

As at December 31, 2025, 2024 and 2023

Ratio	Formula	2025	2024	2023
Current Ratio	Current Assets / Current Liabilities	4.90	4.30	2.55
Acid Test Ratio	(Cash and Cash Equivalents + Marketable Securities + Accounts Receivable) / Current Liabilities	4.69	4.05	2.32
Solvency Ratio	(Net Profit After Tax + Non-Cash Expenses) / Liabilities	0.36	0.36	0.35
Debt-to-Equity Ratio	Total Liabilities / Total Equity	0.27	0.29	0.39
Asset-to-Equity Ratio	Total Assets / Total Equity	1.27	1.29	1.39
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	6%	8%	8%
Return on Assets	(Net Income / Average Total Assets) x 100	5%	6%	6%
Net Profit Margin	(Net Income / Revenues) x 100	9%	9%	9%
Net Sales Growth	[(Net sales of Current Period - Net Sales of Previous Period) / Net Sales of Previous Period] x 100	-6%	4%	-14%
Net income percentage	[(Net income of current period - Net income of previous period) / Net income of previous period] x 100	-7%	1%	54%
Increase in shareholders' equity	[(Shareholders' equity of current period - Shareholders' equity of previous period) / Shareholders' equity of previous period] x 100	4%	34%	-22%

* The Group does not have any loan

DAGUPAN ELECTRIC CORPORATION AND A SUBSIDIARY
SUPPLEMENTARY SCHEDULE OF EXTERNAL AUDITOR
FEE-RELATED INFORMATION
For the Years Ended December 31, 2025 and 2024

	2025	2024
Total Audit Fees	₱495,000	₱480,000
Non-audit service fees:		
Other assurance services	-	-
Tax services	-	-
All other services*	-	100,000
Total Non-audit Fees	-	100,000
Total Audit and Non-audit Fees	₱495,000	₱580,000

**Agreed-upon procedure related to the application of proceeds from public offering*



Diaz Murillo
Dalupan and Company



WE ARE AN INDEPENDENT MEMBER OF
THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK

**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, 2025, on which we have rendered the attached report dated May 14, 2026.

In compliance with SRC Rule 68, we are stating that the Company has fifty-two (52) 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

SEC Accreditation No. 0234-SEC, Group A, issued on March 17, 2022, and valid for five years covering the audit of 2021 to 2025 financial statements

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

Atexes B. Abella

Partner

CPA Certificate No. 96749

Tax Identification No. 201-766-994

SEC Accreditation No. 96749, Group A, issued on August 12, 2021, and valid for five years covering the audit of 2021 to 2025 financial statements

PTR No. 10771459, January 11, 2026, Makati City

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

May 14, 2026

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

COVER SHEET

1 8 8 9 0 S.E.C. Registration Number

D A G U P A N E L E C T R I C C O R P O R A T I O N (Company's Full Name)

A . B . F E R N A N D E Z S T . D A G U P A N C I T Y , P A N G A S I N A N (Business Address; No. Street City / Town / Province)

c/oAtty. Erwin Mark A. Gavino Contact Person

+632 83743039 +632 83743040 Company Telephone Number

Month Fiscal Year Day

1 7 C FORM TYPE

Month Annual Meeting Day

Secondary License Type; If Applicable

M S R D Dept. Requiring this Doc.

Amended Articles Number / Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. May 19, 2025
.....
Date of Report (Date of earliest event reported)
2. SEC Identification Number ..18890..... 3. BIR Tax Identification No. .000-202-524-000
4. ..DAGUPAN ELECTRIC CORPORATION.....
Exact name of issuer as specified in its charter
5. ...PANGASINAN, PHILIPPINES..... 6. (SEC Use Only)
- Province, country or other jurisdiction of incorporation Industry Classification Code:
7. .AB FERNANDEZ STREET, DAGUPAN CITY, PROVINCE OF PANGASINAN. ..2400.....
Address of principal office Postal Code
8.+632 83743039...+632 83743040.....
Issuer's telephone number, including area code
9.
.....N/A.....
Former name or former address, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA
- | Title of Each Class | Number of Shares of Common Stock
Outstanding and Amount of Debt Outstanding |
|---------------------|--|
|COMMON |14,662,000..... |
11. Indicate the item numbers reported herein:ITEM NO. 9 OTHER EVENTS.....

Item 9. Other Events

We advise that at the Special Meeting of the Board of Directors of DAGUPAN ELECTRIC CORPORATION (the "Corporation") held on May 14, 2025, at 10:00 a.m., the Board of Directors of the Corporation approved the following resolution:

1. The Corporation has resolved to amend Article II, paragraph 3 of its By Laws to read:

"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)."

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

..DAGUPAN ELECTRIC CORPORATION...
Issuer

.....MAY 19, 2025.....
Date



ERWIN MARK A. GAVINO / Corporate Secretary

.....
Signature and Title*

* Print name and title of the signing officer under the signature.

COVER SHEET

1 8 8 9 0 S.E.C. Registration Number

D A G U P A N E L E C T R I C C O R P O R A T I O N (Company's Full Name)

A . B . F E R N A N D E Z S T . D A G U P A N C I T Y , P A N G A S I N A N (Business Address; No. Street City / Town / Province)

c/o Atty. Erwin Mark A. Gavino Contact Person

+632 83743039 +632 83743040 Company Telephone Number

Month Fiscal Year Day FORM TYPE 1 7 C Month Day Annual Meeting

Secondary License Type; If Applicable

M S R D Dept. Requiring this Doc. Amended Articles Number / Section

Total No. of Stockholders Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number LCU

Document I.D. Cashier

STAMPS

Remarks = Pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. May 19, 2025
.....
Date of Report (Date of earliest event reported)
2. SEC Identification Number ..18890..... 3. BIR Tax Identification No. .000-202-524-000
4. ..DAGUPAN ELECTRIC CORPORATION.....
Exact name of issuer as specified in its charter
5. ...PANGASINAN, PHILIPPINES..... 6. (SEC Use Only)
- Province, country or other jurisdiction of incorporation Industry Classification Code:
7. .AB FERNANDEZ STREET, DAGUPAN CITY, PROVINCE OF PANGASINAN. ..2400.....
Address of principal office Postal Code
8.+632 83743039...+632 83743040.....
Issuer's telephone number, including area code
9.
.....N/A.....
Former name or former address, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA
- | Title of Each Class | Number of Shares of Common Stock
Outstanding and Amount of Debt Outstanding |
|---------------------|--|
|COMMON |14,662,000..... |
11. Indicate the item numbers reported herein:ITEM NO. 9 OTHER EVENTS.....

Item 9. Other Events

We advise that at the Special Meeting of the Board of Directors of DAGUPAN ELECTRIC CORPORATION (the "Corporation") held on May 14, 2025, at 10:00 a.m., the Board of Directors of the Corporation approved the following resolution:

1. The Corporation has resolved to amend the article THIRD of its Articles of Incorporation to read:

"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 further amended on 11 November 2006, and further amended on 14 May 2025)"

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

..DAGUPAN ELECTRIC CORPORATION...
Issuer

.....MAY 19, 2025.....
Date



ERWIN MARK A. GAVINO / Corporate Secretary

.....
Signature and Title*

* Print name and title of the signing officer under the signature.

COVER SHEET

1 8 8 9 0 S.E.C. Registration Number

D A G U P A N E L E C T R I C C O R P O R A T I O N (Company's Full Name)

A . B . F E R N A N D E Z S T . D A G U P A N C I T Y , P A N G A S I N A N (Business Address; No. Street City / Town / Province)

c/o Atty. Erwin Mark A. Gavino Contact Person

+632 83743039 +632 83743040 Company Telephone Number

Month Fiscal Year Day FORM TYPE 1 7 C Month Annual Meeting Day

Secondary License Type; If Applicable

M S R D Dept. Requiring this Doc. Amended Articles Number / Section

Total No. of Stockholders Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number LCU

Document I.D. Cashier

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. May 19, 2025
.....
Date of Report (Date of earliest event reported)
2. SEC Identification Number ..18890..... 3. BIR Tax Identification No. .000-202-524-000
4. ..DAGUPAN ELECTRIC CORPORATION.....
Exact name of issuer as specified in its charter
5. ...PANGASINAN, PHILIPPINES..... 6. (SEC Use Only)
- Province, country or other jurisdiction of incorporation Industry Classification Code:
7. .AB FERNANDEZ STREET, DAGUPAN CITY, PROVINCE OF PANGASINAN. ..2400.....
Address of principal office Postal Code
8.+632 83743039...+632 83743040.....
Issuer's telephone number, including area code
9.
.....N/A.....
Former name or former address, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA
- | Title of Each Class | Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding |
|---------------------|---|
|COMMON |14,662,000..... |
11. Indicate the item numbers reported herein:ITEM NO. 9 OTHER EVENTS.....

Item 9. Other Events

We advise that at the Special Meeting of the Board of Directors of DAGUPAN ELECTRIC CORPORATION (the "Corporation") held on May 14, 2025, at 10:00 a.m., the Board of Directors of the Corporation approved the following:

1. The Corporation established the Board Risk Oversight Committee, in addition to the Corporate Governance Committee, and the Internal Audit Committee.

The Corporation resolved that each committee shall be chaired exclusively by an independent director, and no independent director shall concurrently chair two or more committees.

The composition of each committee is formally designated as follows:

- Internal Audit Committee: Mr. Geromin T. Nepomuceno Jr. as Chairperson, with Atty. Ranulfo M. Ocampo and Mr. Deon Peter James serving as members.
- Corporate Governance Committee: Atty. Ranulfo M. Ocampo as Chairperson, with Mr. Geromin T. Nepomuceno Jr. and Mr. Deon Peter James serving as members.
- Board Risk Oversight Committee: Mr. Jose Maria A. Abaya as the Acting Chairperson pending formal qualification and Board appointment of a permanent Chairperson. Its members shall be Mr. Rene Bernard L. Llames and Mr. Geromin T. Nepomuceno.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

..DAGUPAN ELECTRIC CORPORATION...
Issuer

.....MAY 19, 2025.....
Date


ERWIN MARK A. GAVINO / Corporate Secretary
.....
Signature and Title*

* Print name and title of the signing officer under the signature.

COVER SHEET

1 8 8 9 0 S.E.C. Registration Number

D A G U P A N E L E C T R I C C O R P O R A T I O N (Company's Full Name)

A . B . F E R N A N D E Z S T . D A G U P A N C I T Y , P A N G A S I N A N (Business Address; No. Street City / Town / Province)

c/o Atty. Erwin Mark A. Gavino Contact Person

+632 83743039 +632 83743040 Company Telephone Number

Month Fiscal Year Day

1 7 C FORM TYPE

Month Annual Meeting Day

Secondary License Type; If Applicable

M S R D Dept. Requiring this Doc.

Amended Articles Number / Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. May 19, 2025
.....
Date of Report (Date of earliest event reported)
2. SEC Identification Number ..18890..... 3. BIR Tax Identification No. .000-202-524-000
4. ..DAGUPAN ELECTRIC CORPORATION.....
Exact name of issuer as specified in its charter
5. ...PANGASINAN, PHILIPPINES..... 6. (SEC Use Only)
- Province, country or other jurisdiction of incorporation Industry Classification Code:
7. .AB FERNANDEZ STREET, DAGUPAN CITY, PROVINCE OF PANGASINAN. ..2400.....
Address of principal office Postal Code
8.+632 83743039...+632 83743040.....
Issuer's telephone number, including area code
9.
.....N/A.....
Former name or former address, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA
- | Title of Each Class | Number of Shares of Common Stock
Outstanding and Amount of Debt Outstanding |
|---------------------|--|
|COMMON |14,662,000..... |
11. Indicate the item numbers reported herein:ITEM NO. 9 OTHER EVENTS.....

Item 9. Other Events

We advise that at the Special Meeting of the Board of Directors of DAGUPAN ELECTRIC CORPORATION (the "Corporation") held on May 14, 2025, at 10:00 a.m., the Board of Directors of the Corporation approved the following:

1. The Corporation shall declare that a cash dividend of forty percent (40%) of the net income from the fiscal year 2024, amounting to P10.06 per share, or a total of P147,555,607.20, payable by the end of July 2025 to all stockholders of record of the Corporation as of December 31, 2024. Company management is further authorized to take all necessary actions to effectuate the payment of said dividends in accordance with applicable laws and regulations.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

..DAGUPAN ELECTRIC CORPORATION...
Issuer

.....MAY 19, 2025.....
Date



ERWIN MARK A. GAVINO / Corporate Secretary

.....
Signature and Title*

* Print name and title of the signing officer under the signature.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. June 9, 2025
.....
Date of Report (Date of earliest event reported)
2. SEC Identification Number ..18890..... 3. BIR Tax Identification No. .000-202-524-000
4. ..DAGUPAN ELECTRIC CORPORATION.....
Exact name of issuer as specified in its charter
5. ...PANGASINAN, PHILIPPINES..... 6. (SEC Use Only)
- Province, country or other jurisdiction of incorporation Industry Classification Code:
7. .AB FERNANDEZ STREET, DAGUPAN CITY, PROVINCE OF PANGASINAN. ..2400.....
Address of principal office Postal Code
8.+632 83743039...+632 83743040.....
Issuer's telephone number, including area code
9.
.....N/A.....
Former name or former address, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA
- | Title of Each Class | Number of Shares of Common Stock
Outstanding and Amount of Debt Outstanding |
|---------------------|--|
|COMMON |14,662,000..... |
11. Indicate the item numbers reported herein:ITEM NO. 9 OTHER EVENTS.....

Item 9. Other Events

We advise that on 04 June 2025, the Securities and Exchange Commission issued the Certificate of Incorporation of DECORP Renewables Inc. with Company Registration Number 2025060203931-15, wherein Dagupan Electric Corporation subscribed to 3,470,000 common shares of stock, with a par value of P100.00 per share, and with a fully paid-up subscription in the amount of P347,000,000.00.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

..DAGUPAN ELECTRIC CORPORATION...
Issuer

.....JUNE 9, 2025.....
Date



ERWIN MARK A. GAVINO / Corporate Secretary

.....
Signature and Title*

* Print name and title of the signing officer under the signature.