



SECURITIES AND EXCHANGE COMMISSION

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Receiving: DONNA ENCARNADO

Receipt Date and Time: November 13, 2025 02:36:43 PM

Company Information

SEC Registration No.: 0000023874

Company Name: TARLAC ELECTRIC INC.

Industry Classification: E40100

Company Type: Stock Corporation

Document Information

Document ID: OST11113202583816955

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

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

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corporate@teiph.com

(045) 606 - 1834

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Every 4th Friday of June

12 / 31

FLORIZA D. FORLALES

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Note: In case of death, resignation or cessation of office of the officer designated as contact person, such 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.

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 30 September 2025
2. Commission identification number 23874.
3. BIR Tax Identification No 004-070-881
4. Exact name of issuer as specified in its charter TARLAC ELECTRIC INC.
5. Province, country or other jurisdiction of incorporation or organization Philippines
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office Postal Code
MABINI ST., TARLAC CITY, TARLAC, PHILIPPINES 2300
8. Issuer's telephone number, including area code (045) 606-1834
9. Former name, former address and former fiscal year, if changed since last report Not Applicable
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 stock as of 30 September 2021

Common Shares

5,750,000

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 []

[Handwritten signature]

PART I: FINANCIAL INFORMATION

Item 1. Financial Statements.

The Unaudited Interim Condensed Financial Statements of Tarlac Electric Inc. ("TEI" 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 Selected Notes to the Interim Condensed Financial Statements are attached hereto 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", are attached hereto as **Annex "B"** and **Annex "D"**

PART II: OTHER INFORMATION

The following other information are attached hereto as **Annex "C"**:

- (a) Schedules Required under Annex 68-J of the Revised Securities Regulation Code Rule 68.
- (b) Supplemental Schedule of Financial Soundness Indicators.



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.

TARLAC ELECTRIC INC.

Issuer

By:



VITUS M. ROMERO

President and General Manager



FLORIZA D. FORLALES

Compliance Officer

Date: 12 November 2025

TARLAC ELECTRIC INC.
INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2025 AND DECEMBER 31, 2024
(Amounts in Philippine Pesos)
(UNAUDITED)

	Notes	2025	2024
<u>ASSETS</u>			
NON-CURRENT ASSETS			
Property and equipment – net	7	P 2,789,382,612	P 2,548,816,913
Deferred tax assets – net		30,742,042	41,095,543
Retirement benefit fund – net		1,061,753	1,061,753
Other non-current assets – net	8	<u>178,103,563</u>	<u>156,922,246</u>
Total Non-current Assets		<u>2,999,289,970</u>	<u>2,747,896,455</u>
CURRENT ASSETS			
Cash and cash equivalents	9	269,979,026	271,084,566
Trade and other receivables - net	10	502,091,786	589,107,230
Other current assets	11	<u>246,210,396</u>	<u>213,672,849</u>
Total Current Assets		<u>1,018,281,208</u>	<u>1,073,864,645</u>
TOTAL ASSETS		<u>P 4,017,571,178</u>	<u>P 3,821,761,100</u>
<u>LIABILITIES AND EQUITY</u>			
NON-CURRENT LIABILITIES			
Refundable deposits		P 480,686,018	P 475,094,612
Advances from customers	14	264,271,761	183,934,744
Accrued expenses	16	45,076,151	45,076,151
Lease liabilities-non-current	7.2	<u>3,198,145</u>	<u>2,516,918</u>
Total Non-current Liabilities		<u>793,232,075</u>	<u>706,622,425</u>
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	12	133,053,288	100,844,186
Trade payables	15	365,988,048	356,096,196
Accrued expenses and other payables	16	331,680,206	377,479,055
Provisions	24	85,011,339	133,512,276
Lease liabilities	7.2	2,305,324	2,177,026
Income tax payable		<u>10,605,333</u>	<u>9,857,208</u>
Total Current Liabilities		<u>928,643,538</u>	<u>979,965,947</u>
Total Liabilities		<u>1,721,875,613</u>	<u>1,686,588,372</u>
EQUITY			
Capital stock	17.2	575,000,000	575,000,000
Additional paid-in capital		469,660,705	469,660,705
Revaluation reserves	17.3	(11,821,621)	(11,821,621)
Retained earnings		<u>1,262,856,481</u>	<u>1,102,333,644</u>
Total Equity		<u>2,295,695,565</u>	<u>2,135,172,728</u>
TOTAL LIABILITIES AND EQUITY		<u>P 4,017,571,178</u>	<u>P 3,821,761,100</u>

See Selected Notes to Interim Condensed Financial Statements.

TARLAC ELECTRIC INC.
INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED SEPTEMBER 30, 2025 AND 2024
(Amounts in Philippine Pesos)
(UNAUDITED)

	Notes	Year-to-Date		For the Quarter	
		2025	2024	2025	2024
SALE OF ELECTRICITY	18	P 3,128,502,840	P 3,161,347,365	P 1,006,118,611	P 1,137,652,570
COST OF ELECTRICITY SOLD	19	<u>2,517,781,367</u>	<u>2,616,828,513</u>	<u>816,663,747</u>	<u>843,681,271</u>
GROSS PROFIT		610,721,473	544,518,852	189,454,864	293,971,299
OTHER OPERATING EXPENSES					
General and administrative	19	333,599,283	333,805,280	118,850,087	117,436,053
Impairment losses		<u>7,068,556</u>	<u>5,985,061</u>	<u>106,541</u>	<u>(3,741,903)</u>
		<u>340,667,839</u>	<u>339,790,341</u>	<u>118,956,628</u>	<u>113,694,150</u>
OPERATING PROFIT		<u>270,053,634</u>	<u>204,728,511</u>	<u>70,498,236</u>	<u>180,277,149</u>
OTHER INCOME (CHARGES)					
Provisions		48,500,937	67,837,227	(1,087,507)	(49,279,016)
Finance costs – net		(4,925,915)	(4,162,357)	(2,077,829)	(462,822)
Gain (loss) on disposal of property and equipment		<u>1,730,867</u>	<u>3,415,404</u>	<u>666,337</u>	<u>339,846</u>
		<u>45,305,889</u>	<u>67,090,274</u>	<u>(2,498,999)</u>	<u>(49,401,992)</u>
PROFIT BEFORE TAX		315,359,523	271,818,785	67,999,237	130,875,157
TAX EXPENSE		<u>81,179,186</u>	<u>73,499,201</u>	<u>38,355,823</u>	<u>32,718,390</u>
NET PROFIT		<u>234,180,337</u>	<u>198,319,584</u>	<u>29,643,414</u>	<u>98,156,767</u>
OTHER COMPREHENSIVE INCOME					
Item that will not be reclassified subsequently to profit or loss					
Remeasurements on post-employment defined benefit plan		-	-	-	-
Tax income		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME		<u>P 234,180,337</u>	<u>P 198,319,584</u>	<u>P 29,643,414</u>	<u>P 98,156,767</u>
EARNINGS PER SHARE					
Basic and Diluted	23	<u>P 40.73</u>	<u>P 34.49</u>	<u>P 5.16</u>	<u>P 17.07</u>

See Selected Notes to Interim Condensed Financial Statements.

TARLAC ELECTRIC, INC.
INTERIM CONDENSED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED SEPTEMBER 30, 2025 AND 2024
(Amounts in Philippine Pesos)
(UNAUDITED)

	Capital Stock (see Note 17)		Additional Paid-in Capital		Revaluation Reserves (see Notes 17)	Retained Earnings (see Note 17)								
						Appropriated	Unappropriated	Total	Total Equity					
Balance at January 1, 2025	P	575,000,000	P	469,660,705	(P	11,821,621)	P	300,000,000	P	802,333,644	P	1,102,333,644	2,135,172,728	
Issuance of shares		-		-									-	
Reversal of appropriation		-		-		-	-	-		-			-	
Cash dividends declaration							(73,657,500)	(73,657,500)	(73,657,500)	-	
Appropriation for the year						-	-	-		-			-	
Total comprehensive income for period		<u>-</u>		<u>-</u>		<u>-</u>	<u>-</u>	<u>234,180,337</u>		<u>234,180,337</u>		<u>234,180,337</u>	<u>234,180,337</u>	
Balance at September 30, 2025	P	<u>575,000,000</u>	P	<u>469,660,705</u>	(P	<u>11,821,621</u>)	P	<u>300,000,000</u>	P	<u>962,856,481</u>	P	<u>1,262,856,481</u>	P	<u>2,295,695,565</u>
Balance at January 1, 2024	P	575,000,000	P	469,660,705	(P	15,170,474)	P	280,000,000	P	653,434,128	P	933,434,128	P	1,962,924,359
Issuance of shares		-		-									-	
Reversal of appropriation		-		-		-				-			-	
Cash dividends declaration							(76,705,000)	(76,705,000)	(76,705,000)	-	
Appropriation for the year										-			-	
Total comprehensive income for the period		<u>-</u>		<u>-</u>		<u>-</u>	<u>-</u>	<u>198,319,584</u>		<u>198,319,584</u>		<u>198,319,584</u>	<u>198,319,584</u>	
Balance at September 30, 2024	P	<u>575,000,000</u>	P	<u>469,660,705</u>	(P	<u>15,170,474</u>)	P	<u>280,000,000</u>	P	<u>775,048,712</u>	P	<u>1,055,048,712</u>	P	<u>2,084,538,943</u>

See Selected Notes to Interim Condensed Financial Statements.

TARLAC ELECTRIC, INC.
INTERIM CONDENSED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED SEPTEMBER 30, 2025 AND 2024
(Amounts in Philippine Pesos)
(UNAUDITED)

	Notes	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		P 315,359,523	P 271,818,785
Adjustments for:			
Depreciation and amortization	7, 8	164,453,643	130,483,483
Impairment losses on trade receivables	10	7,068,556	5,985,061
Interest expense		5,807,200	5,046,698
Interest income		(338,990)	(342,475)
(Gain) loss on disposal of property and equipment		(1,730,867)	(3,415,404)
Gain on recovery of previously written-off receivables	10	(542,296)	(541,866)
Operating profit before working capital changes		490,076,769	409,034,282
Decrease (increase) in trade receivables		80,489,184	(37,272,817)
Decrease (increase) in other current assets		(71,697,119)	(62,765,933)
Increase in trade payables		4,966,407	48,796,253
Increase (decrease) in accrued expenses and other payables		(45,798,849)	(42,139,584)
Increase (decrease) in provisions		(48,500,937)	(67,837,227)
Increase in refundable deposits		5,462,023	52,601,014
Increase (decrease) in advances from customers		80,337,017	16,860,825
Cash generated from operations		495,334,495	317,276,813
Interest received		338,990	342,475
Cash paid for taxes		(70,077,560)	(57,180,646)
Net Cash From Operating Activities		425,595,925	260,438,642
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment	7	(344,599,691)	(232,059,203)
Proceeds from disposal of property and equipment	7	1,730,867	3,415,404
Additions to computer software	8	(39,603,190)	(14,362,875)
Net Cash Used in Investing Activities		(382,472,014)	(243,006,674)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of interest-bearing loans and borrowings	12	90,000,000	220,000,000
Dividends paid	17	(68,732,055)	(71,575,770)
Repayments of interest-bearing loans and borrowings	12	(57,790,898)	(169,248,414)
Interest paid		(5,434,311)	(4,578,858)
Repayment of lease liability	7	(2,272,187)	(2,169,132)
Net Cash From (Used in) Financing Activities		(44,229,451)	(27,572,174)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,105,540)	(10,140,206)
CASH AND CASH EQUIVALENTS			
AT BEGINNING OF PERIOD		271,084,566	254,467,364
CASH AND CASH EQUIVALENTS AT END OF PERIOD		P 269,979,026	P 244,327,158

See Selected Notes to Interim Condensed Financial Statements.

TARLAC ELECTRIC INC.
SELECTED NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS
SEPTEMBER 30, 2025 AND 2024 AND DECEMBER 31, 2024
(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

Corporate Information

Tarlac Electric Inc. (the Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on October 8, 1963. The Company has renewed its legislative franchise to install, operate and maintain an electric light, heat and power system, and to produce, buy and sell electricity in Tarlac City, Tarlac for a period of 25 years, by virtue of Republic Act (R.A.) No. 10795, which was signed into law on May 10, 2016 and took effect on October 18, 2016, i.e., 15 days after its publication on October 3, 2016.

As a power distribution utility firm, the Company is subject to the rules and regulations promulgated by the Energy Regulatory Commission (ERC). The ERC principally establishes and enforces a methodology for setting distribution wheeling rates and retail rates for the captive market of distribution utilities (see Note 22.1).

The registered office of the Company, which is also its principal place of business, is located at Mabini Street, Tarlac City, Tarlac.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim condensed financial statements have been prepared in accordance with the accounting policies adopted by the Company in its recent annual financial statements for the year ended December 31, 2024.

The policies have been consistently applied to all periods presented, unless otherwise stated.

2.1 Basis of Preparation of Interim Condensed Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The interim condensed financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy.

The interim condensed financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Interim Condensed Financial Statements

The interim condensed financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Company presents all items of income, expense and other comprehensive income or loss in a single statement of comprehensive income.

The Company presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

These interim condensed financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the interim condensed financial statements of the Company are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's interim condensed financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the interim condensed financial statements and related notes. Judgments and estimates 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. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Company's accounting policies, management has made the judgments below and in the succeeding pages, apart from those involving estimation, which have the most significant effect on the amounts recognized in the interim condensed financial statements.

(a) Determination of Lease Term of Contracts with Renewal and Termination Options

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

For leases of payment centers, the factors that are normally the most relevant are (a) if there are significant penalties should the Company pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Company is reasonably certain to extend and not to terminate the lease contract.

Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised or not exercised or the Company becomes obliged to exercise or not exercise it. In assessing the enforceability of the option, an entity should consider whether the lessor can refuse to agree to a request from the lessee to extend the lease. Accordingly, if the lessee has the right to extend or terminate the lease, there are enforceable rights and obligations beyond the initial non-cancellable period and thus, the parties to the lease would be required to consider those optional periods in their assessment of the lease term.

(b) Determination of Timing of Satisfaction of Performance Obligations

The Company determines that its revenues from sale and distribution of electricity are recognized over time. The Company applies the practical expedient to recognize revenue at the amount to which it has a right to invoice, which corresponds directly to the value of services rendered to date to the customers i.e., generally when the customers have acknowledged the Company's right to invoice.

(c) Determination of Expected Credit Loss (ECL) on Trade Receivables

The Company uses a provision matrix to calculate ECL for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is based on the Company's historical observed default rates. The Company's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions).

(d) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Disclosures on relevant provisions and contingencies are presented in Note 24.

3.2 Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are presented below and in the succeeding pages.

(a) Determination of Appropriate Discount Rate in Measuring Lease Liabilities

The Company measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Company's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset, and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(b) *Estimation of Allowance for ECL*

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 4.2(b).

(c) *Estimation of Useful Lives of Property and Equipment and Computer Software*

The Company estimates the useful lives of property and equipment and computer software based on the prescribed periods by the ERC and based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and computer software are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of the assets.

Management assessed that as of September 30, 2025 and December 31, 2024, there is no change in estimated useful lives of those assets during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

The carrying amounts of property and equipment and computer software are analyzed in Notes 7 and 8, respectively.

(d) *Determination of Net Realizable Value of Supplies Inventories*

In determining the net realizable value of supplies inventories, management takes into account the most reliable evidence available at the dates the estimates are made. The Company's core business is continuously subject to rapid technology changes which may cause inventory obsolescence. Moreover, future realization of the carrying amounts of inventories as presented in Note 11 is affected by price changes in different market segments of various spare parts and maintenance inventories. Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Company's inventories within the next financial reporting period.

Based on management's assessment as of September 30, 2025 and December 31, 2024, the net realizable value of the supplies inventories is higher than its cost.

(e) *Determination of Realizable Amount of Deferred Tax Assets*

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the deferred tax assets recognized as of September 30, 2025 and December 31, 2024 will be fully utilized in the coming years.

(f) *Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to

assumptions about future operating results and the determination of a suitable discount rate. Though management believes that the assumptions used in the estimation of fair values are appropriate and reasonable, significant changes in those 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.

No impairment losses were recognized on the Company's non-financial assets for the periods ended September 30, 2025 and December 31, 2024.

(g) Valuation of Retirement Benefit Fund

The determination of the Company's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, expected return on plan assets and salary rate increase.

A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the retirement benefit fund in the next reporting period.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks which result from both its operating and financing activities. The Company's risk management is coordinated with its BOD and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial markets.

The Company does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed to are presented below and in the succeeding pages.

4.1 Market Risk

(a) Foreign Currency Risk

The Company has no significant exposure to foreign currency risk as most transactions are denominated in Philippine pesos, its functional currency.

(b) Interest Rate Risk

The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. The Company has no significant exposure to interest rate risk since most of its interest-bearing financial assets and financial liabilities are at fixed rates or are noninterest-bearing.

4.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Company. The Company is exposed to this risk for various financial instruments arising from selling services to customers and placing deposits with banks.

The Company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. In addition, for a significant proportion of sales, bill deposits are received to mitigate credit risk.

The maximum credit risk exposure of financial assets and contract assets is the carrying amount of the financial assets as shown in the interim condensed statements of financial position as summarized below.

	Notes		September 30, 2025 (Unaudited)		December 31, 2024 (Audited)
Cash and cash equivalents	9	P	269,979,026	P	271,084,566
Trade receivables	10		552,128,624		632,075,512
Refundable deposits	11		4,107,430		3,723,462
Receivable from retirement fund	11		2,628,277		478,773
		P	828,843,357	P	907,362,313

The Company's management considers that all the above financial assets that are not impaired for each of the reporting dates are of good credit quality.

The Company's credit risks are mitigated by securing refundable deposits or other credit enhancements as described below and in succeeding pages.

(a) Cash and Cash Equivalents

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 for every depositor per banking institution.

(b) Trade Receivables

The Company applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets). The expected loss rates are based on the payment profiles of sales over a period of 36 months before September 30, 2025 and December 31, 2024, and the corresponding historical credit losses experienced within such period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Due to the effects brought by the novel strain of coronavirus (COVID-19), the Philippine government implemented certain measures to protect the health and welfare of the Philippine community. Included in these measures the enactment of R.A. No. 11469 and the subsequent R.A. No. 11494 (see Note 1.2). Incorporated in the provisions of these acts is the deferment of the payment of electric bills for thirty days and allowing such bills to be paid on a three-month, staggered basis. The Company also implemented schemes to ease the impact of Wholesale Electricity Spot Market (WESM) and coal and fuel spike price to its customers by

deferring portion of its generation cost. These factors generally increase the collection period of the Company, however, there is no significant change in credit risk for trade receivables as these amounts are largely covered by refundable deposits in the event of non-payment.

The Company has P50.0 million and P43.00 million allowance for impairment as at September 30, 2025 and December 31, 2024, respectively (see Note 10). The Company recognized ECL only on receivables over one year or more beyond the due date as receivables before these periods are historically collectible. The Company also considered other credit enhancements (i.e., refundable deposits) in assessing the ECL to be recognized. On that basis, the loss allowance as of September 30, 2025 and December 31, 2024 was determined based on months past due, as follows:

	0 - 90 Days	91 - 180 Days	181 - 360 Days	Over 360 days	TOTAL
September 30, 2025					
<i>Expected credit loss rate</i>	0.68%	9.63%	74.71%	79.03%	
Trade Receivables	483,329,631	13,863,431	7,795,196	50,084,216	555,072,474
Loss on allowance	3,295,544	1,335,035	5,823,430	39,582,829	50,036,838
December 31, 2024					
<i>Expected credit loss rate</i>	0.51%	7.30%	81.28%	56.38%	
Trade Receivables	549,934,943	15,700,107	6,152,313	60,288,149	632,075,512
Loss on allowance	2,829,992	1,146,439	5,000,771	33,991,080	42,968,282

A reconciliation of the allowance for impairment of at the beginning and end of reporting periods is shown below.

	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Balance at beginning of period	42,968,282	42,968,282
Additional ECL	7,068,556	-
Reversal of ECL	-	-
Balance at end of period	50,036,838	42,968,282

Trade receivables are usually due within 30 days and bear 2% surcharge per month for unpaid bills after due date. All trade receivables are subject to credit risk exposure.

The Company's credit exposure is mitigated by securing bill deposits from customers which are deducted from the unpaid bills before any impairment losses are recognized.

4.3 Liquidity Risk

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The Company maintains cash to meet its liquidity requirements for up to 90-day periods.

As of September 30, 2025, the Company's financial liabilities have contractual maturities which are presented below.

		Current		Non-current	
		Within 6 Months	6-12 Months	1 to 5 years	Later than 5 years
Trade Payables	P	365,988,048	-	-	-
Accrued Expenses and other Payables		235,046,326	-	45,076,151	-
Interest- bearing loans and borrowings		131,811,032	1,242,256	-	-
Advances from Customers		96,633,880	-	264,271,761	-
Lease Liability		1,555,722	749,601	3,198,146	-
Refundable Deposits		-	-	-	480,686,018
	P	831,035,008	1,991,857	312,546,058	480,686,018

This compares to the maturity of the Company's financial liabilities as of December 31, 2024 as presented below.

		Current		Non-current	
		Within 6 Months	6-12 Months	1 to 5 years	Later than 5 years
Trade Payables	P	356,096,196	-	-	-
Accrued Expenses and other Payables		205,841,900	-	45,076,151	-
Interest- bearing loans and borrowings		102,198,527	-	-	-
Advances from Customers		122,419,154	-	183,934,744	-
Lease Liability		1,220,791	1,220,791	2,729,396	-
Refundable Deposits		-	-	-	475,332,159
	P	787,776,568	1,220,791	231,740,291	475,332,159

The contractual maturities above reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting periods.

5. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

5.1 *Carrying Amounts and Fair Values of Financial Assets and Financial Liabilities*

For the Company's financial assets and financial liabilities as of September 30, 2025 and December 31, 2024, management determined that the carrying amounts of these financial instruments are equal to or approximate their fair values (i.e., financial assets or liabilities are interest-bearing or effect of discounting is immaterial); hence, no further comparison between the carrying amounts and fair values is presented.

A description of the Company's risk management objectives and policies for financial instruments is provided in Note 4.

5.2 *Offsetting of Financial Assets and Financial Liabilities*

The interest-bearing loans and borrowings with net amounts presented in the interim condensed statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements as presented as follows:

	Gross Amounts recognized in the statement of financial position	Related amounts not set-off in the statement of financial position	Net amount
September 30, 2025			
Interest-bearing loans and borrowings	P <u>130,000,000</u>	P <u>(84,830,370)</u>	P <u>45,169,630</u>
December 31, 2024			
Interest-bearing loans and borrowings	P <u>100,844,186</u>	P <u>(93,263,781)</u>	P <u>7,580,405</u>

For financial liabilities (i.e., interest-bearing loans and borrowings and their corresponding deposits) subject to enforceable master netting agreements or similar arrangements, each agreement between the Company and counterparties allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement (i.e., interest-bearing loans and borrowings which can be offset against any cash in banks maintained with the lender bank) will have the option to settle all such amounts on a net basis in the event of default of the other party.

6. FAIR VALUE MEASUREMENT AND DISCLOSURES

6.1 *Fair Value Hierarchy*

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value.

The levels within the fair value hierarchy are presented below.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, 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.

6.2 *Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed*

Management considers that the hierarchy of fair values of financial assets and financial liabilities measured at amortized cost, as disclosed in Note 6.1, at Level 3 (except for cash and cash equivalents which is at Level 1).

The Company has no financial assets and financial liabilities measured at fair value as of September 30, 2025 and December 31, 2024. There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments during these periods.

7. PROPERTY AND EQUIPMENT

The carrying amount of this account is composed of the following:

	Notes		September 30, 2025 (Unaudited)		December 31, 2024 (Audited)
Property and equipment	7.1	P	2,784,221,701	P	2,544,447,147
Right -of-use assets	7.2		5,160,911		4,369,766
		P	<u>2,789,382,612</u>	P	<u>2,548,816,913</u>

As of September 30, 2025 and December 31, 2024, no impairment losses were recognized in for the Company's property and equipment and right-of-use assets.

7.1 Carrying Values of Property and Equipment

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of the reporting periods are shown below.

	Sub-Transmission and Distribution Equipment	Other Machineries and Equipment	Buildings, Fixtures and Improvements	Land	Substation Equipment	Construction in Progress	Total
September 30, 2025							
Cost or Valuation	2,475,825,704	570,587,954	532,535,617	180,035,643	551,044,143	269,380,767	4,579,409,828
Accumulated Depreciation and amortization	(1,165,257,091)	(345,751,496)	(65,122,078)	-	(219,057,462)	-	(1,795,188,127)
Net carrying amount	<u>1,310,568,613</u>	<u>224,836,458</u>	<u>467,413,539</u>	<u>180,035,643</u>	<u>331,986,681</u>	<u>269,380,767</u>	<u>2,784,221,701</u>
December 31, 2024							
Cost or Valuation	2,298,938,524	511,746,639	454,450,765	180,035,643	440,482,939	308,584,166	4,194,238,676
Accumulated Depreciation and amortization	(1,111,442,066)	(291,172,054)	(56,338,849)	-	(190,838,560)	-	(1,649,791,529)
Net carrying amount	<u>1,187,496,458</u>	<u>220,574,585</u>	<u>398,111,916</u>	<u>180,035,643</u>	<u>249,644,379</u>	<u>308,584,166</u>	<u>2,544,447,147</u>

A reconciliation of the carrying amounts of property and equipment at the beginning and end of the reporting periods is shown below.

	<i>Sub-Transmission and Distribution Equipment</i>	<i>Other Machineries and Equipment</i>	<i>Buildings, Fixtures and Improvements</i>	Land	<i>Substation Equipment</i>	<i>Construction in Progress</i>	Total
Balance at January 1, 2025							
net of accumulated depreciation and amortization	1,187,496,458	220,574,585	398,111,916	180,035,643	249,644,379	308,584,166	2,544,447,147
Additions	152,525,602	41,873,219	36,549,216	-	3,705,856	109,945,798	344,599,691
Reclassifications	24,361,578	16,968,095	41,890,289	-	106,855,348	(149,149,197)	40,926,113
Depreciation and amortization charges for the year	(53,815,025)	(54,579,441)	(9,137,882)	-	(28,218,902)	-	(145,751,250)
Balance at September 30, 2025							
net of accumulated depreciation and amortization	1,310,568,613	224,836,458	467,413,539	180,035,643	331,986,681	269,380,767	2,784,221,701

<i>(Amounts in PHP)</i>	Land	Sub-transmission and Distribution Equipment	Buildings, Fixtures and Improvements	Substation Equipment	Other Machineries and Equipment	Construction In Progress	Total
Balance at January 1, 2024,							
net of accumulated depreciation and impairment	180,035,643	1,086,202,912	361,269,379	206,807,013	254,492,513	274,041,722	2,362,849,182
Additions	-	196,083,089	9,829,860	55,645,932	33,968,171	75,498,606	371,025,658
Reclassifications	-	(30,296,453)	39,854,071	897,091	-	(40,956,162)	(30,501,453)
Depreciation charges for the year	-	(64,493,090)	(12,841,394)	(13,705,657)	(67,886,099)	-	(158,926,240)
Balance at December 31, 2024,							
net of accumulated depreciation and impairment	180,035,643	1,187,496,458	398,111,916	249,644,379	220,574,585	308,584,166	2,544,447,147

The amount of depreciation and amortization for the nine months ended September 30 is allocated and presented in the interim condensed statements of comprehensive income under the following accounts (see Note 19).

	2025 (Unaudited)	2024 (Unaudited)
Cost of electricity sold	P 75,920,226	P 49,565,443
General and administrative expenses	88,533,417	80,918,040
	P 164,453,643	P 130,483,483

The Company's land is carried at its deemed cost upon the Company's transition to PFRS (see Note 17.3).

As of September 30, 2025 and December 31, 2024, fully depreciated and amortized assets amounting to P630,842,394 and P610,785,519 respectively, are still being used in operations.

7.2 *Right-of-use Assets and Lease Liabilities*

The Company has leases for certain payment centers that has a remaining lease terms of one to two years. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the interim condensed statements of financial position as part of Property and Equipment account (for the right-of-use asset) and Lease liabilities account.

The carrying amount of the Company's right-of-use assets as at September 30, 2025 and December 31, 2024 and the movement during the period as shown below.

	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Balance at beginning of the period	P 4,369,766	P 6,328,828
Additions	-	726,117
Amortization expense (see Note 19)	(2,047,061)	(2,685,179)
Balance at end of period	P 2,322,705	P 4,369,766

The movements in the lease liabilities recognized in the interim condensed statements of financial position are as follows:

	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Balance at beginning of the period	P 4,693,944	P 6,479,955
Additions	2,838,206	726,117
Interest expense	243,506	409,216
Repayment of lease liabilities	(2,272,187)	(2,921,344)
Balance at end of period	P 5,503,469	P 4,693,944

Lease liabilities are presented in the interim condensed statements of financial position as follows:

	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Current	P 2,305,324	P 2,177,026
Non-current	3,198,145	2,516,918
	P 5,503,469	P 4,693,944

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities at September 30, 2025 is as follows:

	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>3 to 4 years</u>	<u>Total</u>
Lease payments	P 3,137,910	P 2,238,029	P 565,562	P 0	P 5,941,501
Interest Expense	(301,641)	(116,696)	(19,695)	0	(438,032)
	<u>P 2,836,269</u>	<u>P 2,121,333</u>	<u>P 545,867</u>	<u>P 0</u>	<u>P 5,503,469</u>

This compares to the undiscounted maturity analysis of lease liabilities as at December 31, 2024 as follows:

	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>3 to 4 years</u>	<u>4 to 5 years</u>	<u>Total</u>
Lease payments	P 2,441,582	P 1,465,685	P 867,817	P 395,893	-	P 5,170,977
Interest Expense	(264,556)	(140,731)	(61,655)	(10,091)	-	(477,033)
	<u>P 2,177,026</u>	<u>P 1,324,954</u>	<u>P 806,162</u>	<u>P 385,802</u>	<u>-</u>	<u>P 4,693,944</u>

The total cash outflow in respect of leases amounted to P2,272,187 and P2,169,132 in 2025 and 2024, respectively. The Company has elected not to recognize a lease liability for short-term leases or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

The expenses relating to short-term leases and low-value assets for the periods ended September 30 are presented as Rent and are allocated on the following accounts (see Note 19).

	<u>2025 (Unaudited)</u>	<u>2024 (Unaudited)</u>
Cost of electricity sold	P 18,920,622	P 20,870,286
General and administrative expenses	<u>374,379</u>	<u>667,154</u>
	<u>P 19,295,001</u>	<u>P 21,537,440</u>

8. OTHER NON-CURRENT ASSETS

This account is composed of the following:

	<u>September 30, 2025 (Unaudited)</u>	<u>December 31, 2024 (Audited)</u>
Advances to supplier	P 95,000,000	P 95,000,000
Computer software – net	83,026,540	60,078,682
Deferred input value added tax (VAT) – net	51,623	1,818,164
Others	<u>25,400</u>	<u>25,400</u>
Balance at end of period	<u>P 178,103,563</u>	<u>P 156,922,246</u>

A reconciliation of the carrying amount of computer software at the beginning and end of 2025 and 2024 is shown below.

	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Balance at beginning of the period, net of accumulated amortization	P 60,078,682	P 64,601,816
Additions	39,603,189	14,362,875
Amortization charges for the period	<u>(16,655,331)</u>	<u>(18,886,009)</u>
Balance at end of period net of accumulated amortization	<u><u>P 83,026,540</u></u>	<u><u>P 60,078,682</u></u>

Amortization of the computer software is included as part of Depreciation and amortization under General and Administrative Expenses account in the interim condensed statements of comprehensive income (see Note 19).

9. CASH AND CASH EQUIVALENTS

This account is composed of the following:

	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Cash on hand	P 15,529,866	P 29,271,460
Cash in banks	242,609,853	229,995,539
Short-term placements	<u>11,839,307</u>	<u>11,817,567</u>
	<u><u>P 269,979,026</u></u>	<u><u>P 271,084,566</u></u>

Cash on hand consists of undeposited collections, petty cash and emergency funds as of September 30, 2025 and December 31, 2024.

Cash in banks generally earn interest based on daily bank deposit rates. Short-term placements are made for a period ranging from 30 to 34 days and earn annual effective interests of 0.25% in 2025 and 2024.

10. TRADE RECEIVABLES

This account is composed of the following:

	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Current:		
Trade receivables	P 551,562,167	P 631,493,366
Allowance for impairment	(50,036,838)	(42,968,282)
	<u>501,525,329</u>	<u>588,525,084</u>
Accrued receivables	<u>566,457</u>	<u>582,146</u>
	<u>P 502,091,786</u>	<u>P 589,107,230</u>

All of the Company's trade receivables have been reviewed for indications of impairment. Certain trade receivables, which are mostly due from residential and small commercial customers, were found to be impaired. Moreso, based on the management's assessment, as the result of the calculated ECL, the allowance for impairment of receivables recognized as of September 30, 2025 and December 31, 2024 was deemed adequate [see Note 4.2(b)].

As of September 30, 2025 and December 31, 2024, trade receivables also include pass-through receivables related to output VAT, universal charges, feed-in-tariff allowance (FIT-ALL) and other receivables from customers, which are to be subsequently remitted to the Company's suppliers (see Note 16). Pass-through charges pertaining to generation and transmission charges are billed to customers covering the estimated cost of the purchased power.

Accrued receivables pertain to amounts to be collected from customers pertaining to the Deferred Accounting Adjustment related to GRAM and ICERA [see Note 24.2(i)]. The outstanding balance arising from this transaction represents the present value of the future collections from customers.

11. OTHER CURRENT ASSETS

This account is composed of the following:

	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Supplies inventories	P 138,179,636	P 163,068,062
Deferred input VAT	2,870,817	5,864,427
Restricted fund	3,331,689	3,331,415
Refundable deposits	4,107,430	3,723,462
Receivable from retirement fund	2,628,277	478,773
Creditable withholding tax	40,217	-
Other prepayments and assets	<u>95,052,330</u>	<u>37,206,710</u>
	<u>P 246,210,396</u>	<u>P 213,672,849</u>

Receivable from retirement fund pertains to reimbursable disbursements made by the Company for the retirement benefits of its retiring employees.

Other prepayments include receivables from employees and deposits on various suppliers.

12. INTEREST-BEARING LOANS AND BORROWINGS

The movements in interest-bearing loans and borrowings are shown below.

	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Balance at beginning of period	P 100,844,186	P 80,723,370
Additions	90,000,000	190,000,000
Repayments	(57,790,898)	(169,879,184)
Balance at the end of period	<u>P 133,053,288</u>	<u>P 100,844,186</u>
Current	133,053,288	100,844,186
Non-current	-	-
	<u>P 133,053,288</u>	<u>P 100,844,186</u>

Bank loans represent secured and unsecured loans and mortgage payable from local commercial banks.

The important features and details of the loans are as follow:

- The Company had outstanding unsecured short-term loans from other local banks amounting to P130,000,000 and P100,000,000 as of September 30, 2025 and December 31, 2024. These are payable within three to six months. These loans bear annual interest rates ranging from 4.75% to 7.13%.
- The company also entered into finance mortgage, which have an outstanding balance of P3,053,288 and P844,186 as of September 30, 2025 and December 31, 2024.

Total interest expense on interest-bearing loans and borrowings amounted to P5,434,311 and P4,578,858 in September 30, 2025 and 2024 and these are shown as part of Finance costs account under Other Charges section of the interim condensed statements of comprehensive income.

13. REFUNDABLE DEPOSITS

Refundable deposits are obtained at the inception of service contract based on the estimated electricity for one month consumption of the customer. Refundable deposits can either be refunded at the end of the service contract of the customer or applied to unpaid electric bills. These refundable deposits are interest-bearing and earns interest rates based on the rates mandated by the ERC.

Refundable deposits, inclusive of accrued interest, amounted to P480,686,018 and P475,094,612 as of September 30, 2025 and December 31, 2024, respectively.

14. ADVANCES FROM CUSTOMERS

Advances from customers represent the amount of advances from customers to cover the necessary expenditures relative to its connection. The said advances are refundable in accordance with the provision of the Distribution Services and Open Access Rules (DSOAR) as promulgated by the ERC. Advances from customers totaling P264,271,761 as of September 30, 2025 and P183,934,744 as of December 31, 2024, represent the amount estimated by management that will be refunded to customers in more than one year based on the expected achievement of the required distribution revenue per location. Advances from customers that are expected to be refunded within one year are included as part of Accrued Expenses and Other Payables in the interim condensed statements of financial position (see Note 16).

15. TRADE PAYABLES

Trade payables are usually due within 15 to 60 days and do not bear any interest.

Trade payables include outstanding liabilities for the purchase of electricity from GNPowder Mariveles Energy Center Ltd. Co. (GMEC) and National Grid Corporation of the Philippines (NGCP) as of September 30, 2025 and December 31, 2024. A prompt payment discount of 3% on capacity fee is given if the power bill is paid 10 days upon receipt of the power bill of GMEC. The said discount is credited on the subsequent bill (see Note 19).

Trade payables also include outstanding liabilities of P17,009,357 and P21,686,974 as of September 30, 2025 and December 31, 2024, respectively, to Tarlac Power Corporation (TPC) for the purchase of electricity (see Notes 19 and 21.1).

16. ACCRUED EXPENSES AND OTHER PAYABLES

This account consists of:

	Notes	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Current:			
Non-trade accounts payable	P	131,135,636	P 125,092,043
Advance from customers	14	96,633,471	122,417,709
Accrued power bill		39,517,560	43,665,774
Accrued expenses		32,891,218	46,844,954
Franchise tax payable		25,809,506	34,672,765
Pass-on VAT Payable	10	5,692,815	4,785,810
		<u>331,680,206</u>	<u>377,479,055</u>
Non-current:			
Accrued expenses		45,076,151	45,076,151
		<u>45,076,151</u>	<u>45,076,151</u>
		P <u>376,756,357</u>	P <u>422,555,206</u>

Accrued expenses include payables related to billing adjustments on purchased electricity, withholding tax, expanded withholding tax, final tax, fringe payable, and payable to SSS and Home Development Mutual Fund.

Non-trade accounts payables of the Company pertain to payables to Power Sector Assets and Liabilities Management (PSALM) Corporation and to National Transmission Corporation (NTC). Those pertaining to PSALM are the Universal Charges composed of missionary electrification charges and stranded contract costs of distribution utilities. The payable to NTC refers to FIT-ALL charges.

Franchise tax payable pertains to the tax imposed by the Local Government Unit for the franchise grantees of electric utilities.

Pass-on VAT payable pertains to the pass-through VAT payable to supplier but pending collection from customers.

17. EQUITY

17.1 Capital Management Objectives, Policies and Procedures

The Company's capital management objectives are discussed below.

- To provide an adequate return to shareholders; and,
- To ensure the Company's ability to continue as a going concern.

The Company monitors capital on the basis of the carrying amount of equity as presented on the face of the interim condensed statements of financial position.

The Company sets the amount of capital in proportion to its overall financing structure, i.e., equity and total liabilities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics underlying its business. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The debt-to-equity ratio of the Company is presented below.

	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Total liabilities	P 1,721,875,613	P 1,686,588,372
Total equity	2,295,695,565	2,135,172,728
Debt-to-equity ratio	0.75: 1.00	0.79 : 1.00

Other than the aforementioned ratios in Note 12 which the Company is expected to maintain, there are no other externally imposed capital requirements.

17.2 Capital Stock

Capital stock consists of the following:

	Shares		Amount	
	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Common shares				
P100 par value				
Authorized – 10,000,000 shares				
Issued:				
Balance at beginning of the period	5,750,000	5,750,000	P 575,000,000	P 575,000,000
Effect of change in authorized capital stock (ACS)	-	-	-	-
Issued shares for the period	-	-	-	-
Balance at the end of the period	5,750,000	5,750,000	P 575,000,000	P 575,000,000

On November 15, 2019, the BOD approved the change in the Company's ACS from P1,000,000,000 divided into 200,000 Class A common shares with a par value of P1,000 per share and 8,000,000 Class B common shares with a par value of P100 per share to

P1,000,000,000 divided into 10,000,000 common shares with a par value of P100 per share herein each Class A common share is converted to 10 new Class B common shares. The application for amendment in the Company's articles of incorporation relating to this was subsequently filed with the SEC in February 2020 and was approved in July 2020.

On November 15, 2020, the Company applied for the registration of its 5,750,000 common shares with the SEC which was approved on June 28, 2021.

On June 28, 2021, the Company, by way of a primary offering, sold 1,750,000 of its common stock (Offer Share) at an offer price of P380.0 per Offer Share. As a result, the Company recognized additional paid-in capital amounting to P469.6 million, arising from the excess of subscription price over par value related to the issuance of the Offer Share. Transaction costs from the issuance amounting to P22.4 million was charged against the additional paid in capital relating to this issuance.

As of September 30, 2025 and December 31, 2024 the Company has forty-eight (48) stockholders owning 100 or more shares each of the Company's capital stock.

17.3 Revaluation Reserves

No changes in the components and reconciliation of items of revaluation reserves presented in the interim condensed statements of financial position at their aggregate amounts under Revaluation Reserves account as of September 30, 2025 and December 31, 2024, as shown below:

	Land	Retirement Benefit	Total
Balance as of January 1, 2025	P 10,140,678	(P 21,962,299)	(P 11,821,621)
Other comprehensive loss before tax	-	-	-
Tax income	-	-	-
Other comprehensive loss after tax	-	-	-
Balance as of September 30, 2025	P 10,140,678	(P 21,962,299)	(P 11,821,621)

	<u>Land</u>	<u>Retirement Benefit Fund</u>	<u>Total</u>
Balance as of January 1, 2024	<u>P 10,140,678</u>	<u>(P 25,311,152)</u>	<u>(P 15,170,474)</u>
Other comprehensive income before tax	-	4,465,137	4,465,137
Tax expense	<u>-</u>	<u>(1,116,284)</u>	<u>(1,116,284)</u>
Other comprehensive income after tax	<u>-</u>	<u>3,348,853</u>	<u>3,348,853</u>
Balance as of December 31, 2024	<u>P 10,140,678</u>	<u>(P 21,962,299)</u>	<u>(P 11,821,621)</u>

17.4 Retained Earnings

(a) Dividend Declaration

The BOD approved the declaration of cash dividends in 2025, 2024, 2023 and 2022 as shown below.

<u>Date of Declaration</u>	<u>Record Date</u>	<u>Dividend per Share</u>	<u>Total</u>
<u>2025</u>			
May 16, 2025	May 16, 2025	P 12.81	<u>P 73,657,500</u>
<u>2024</u>			
May 17, 2024	May 17, 2024	P 13.34	<u>P 76,705,000</u>
<u>2023</u>			
September 15, 2023	December 01, 2023	P 14.08	<u>P 80,960,000</u>
<u>2022</u>			
October 22, 2022	November 15, 2022	P 9.79	<u>P 56,292,500</u>

(b) Appropriated Retained Earnings

On December 16, 2022, the BOD approved a new appropriation of P350,000,000 for planned acquisitions and related construction of property and equipment for 2023. This appropriation was reversed by the BOD in December 2023.

On December 15, 2023, the BOD approved a new appropriation of P280,000,000 for planned acquisitions and related construction of property and equipment for 2024. This appropriation was reversed by the BOD in December 2024.

On December 20, 2024, The BOD approved a new appropriation of P300,000,000 planned acquisitions and related construction of property and equipment for 2025.

18. REVENUES FROM SALE OF ELECTRICITY

Revenues from sale of electricity for the nine months ended September 30, 2025 and 2024 consists of:

	2025 (Unaudited)	2024 (Unaudited)
Generation	P 1,760,212,703	P 1,909,302,246
Distribution	544,088,501	536,523,454
Transmission	396,482,266	285,626,365
System loss	154,571,202	163,245,651
Supply	119,826,068	115,303,859
Metering	112,982,291	108,846,524
Others	40,339,809	42,499,266
	P 3,128,502,840	P3,161,347,365

The Company has only one reportable segment which pertains to distribution of electricity.

Further, the Company has only one geographical segment as all of its operations are based in Tarlac City.

The Company's customers are composed mainly of Residential, Small Commercial, Secondary, Primary, 69 KV and Streetlights customers.

19. COST AND OPERATING EXPENSES BY NATURE

Presented below are the details of cost and operating expenses by nature for the period ended September 30.

	Notes	2025 (Unaudited)	2024 (Unaudited)
Net purchased power		P 2,260,862,642	P 2,399,575,951
Depreciation and amortization	7, 8	164,453,643	130,483,483
Salaries and employee benefits	20.1	128,000,851	124,263,140
Outside services		103,887,164	93,482,671
Repairs and maintenance		47,259,153	33,876,763
Taxes and licenses		33,574,909	31,581,700
Security Services		19,000,734	16,527,511
Rent	7.2, 21.3	19,295,001	21,537,440
Utilities		17,073,337	18,204,836
Professional fees		11,291,143	6,934,102
Impairment losses		7,068,556	5,985,061
Insurance		6,805,069	5,515,648
Office supplies		3,654,263	3,481,344
Transportation and travel		2,855,852	2,674,524
Representation		2,066,664	1,421,588
Others		31,300,225	61,073,092
		P 2,858,449,206	P 2,956,618,854

These expenses are classified in the interim condensed statements of comprehensive income as follows:

	2025 (Unaudited)	2024 (Unaudited)
Cost of electricity sold	P 2,517,781,367	P 2,616,828,513
Other operating expenses	340,667,839	339,790,341
	P 2,858,449,206	P 2,956,618,854

Cost of electricity sold comprises of:

	Notes	2025 (Unaudited)	2024 (Unaudited)
Purchased power from:			
GMEC	15	P 1,268,747,807	P 1,488,281,080
Independent Electricity Market		443,344,782	445,686,721
NGCP	15	424,789,237	309,873,276
TPC	15,21.1	129,107,735	166,218,589
Others		13,364,442	9,982,208
		2,279,354,003	2,420,041,874
Prompt payment discount	15	(18,491,360)	(20,465,922)
		2,260,862,643	2,399,575,952
Outside services		86,410,984	77,930,227
Depreciation and amortization	7	75,920,226	49,565,443
Salaries and employee benefits	20.1	44,692,075	43,741,319
Repairs and maintenance		30,974,817	25,145,286
Rent	7.2, 21.3	18,920,622	20,870,286
		P 2,517,781,367	P 2,616,828,513

20. EMPLOYEE BENEFITS

20.1 Salaries and Employee Benefits Expense

Expenses recognized for employee benefits are presented below.

	Notes	2025 (Unaudited)	2024 (Unaudited)
Short-term employee benefits		P 128,000,851	P 124,263,140
Post-employment defined benefit		-	-
		P 128,000,851	P 124,263,140

The amount of salaries and employee benefits is allocated and presented in the interim condensed statements of comprehensive income under the following accounts (see Note 19).

	2025 (Unaudited)	2024 (Unaudited)
Cost of electricity sold	P 44,692,075	P 43,741,319
General and administrative expenses	83,308,776	80,521,821
	<u>P 128,000,851</u>	<u>P 124,263,140</u>

21. RELATED PARTY TRANSACTIONS

The Company's related parties include related parties under common ownership, and the Company's key management and officers and retirement benefit fund.

A summary of the Company's transactions with its related parties for the nine months ended September 30, 2025 and 2024 is presented below:

Related Party Category	Notes	Amount of Transactions		Outstanding Balance	
		2025 (Unaudited)	2024 (Unaudited)	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Related Parties Under Common Ownership:					
Purchase of electricity energy	21.1	P 127,109,116	P 163,795,948	P 17,009,357	P 21,686,974
Purchase of supplies inventories	21.2	5,504,464	23,022,629	-	1,662,321
Lease of transportation equipment	21.3	18,920,622	17,740,286	970,704	945,880
Key Management Personnel					
Compensation	21.4	13,513,912	15,841,734	-	-
Officers/Shareholders					
Rental agreement	21.6	225,000	225,000	-	-
Consultancy		3,150,000	-	-	-

21.1 Purchase of Electric Energy

In the normal course of business, the Company purchases power from TPC, a related party under common ownership, under a Power Purchase Agreement (PPA) for a period of 10 years from January 1, 1998, subject to review every three years. On April 11, 2011, the ERC approved the extension and amendment of the PPA. The amended PPA is for a period of 15 years commencing on April 11, 2011. The rate is considered at arm's length as the PPA is approved by the ERC. Purchases are presented as part of Cost of Electricity Sold in the interim condensed statements of comprehensive income (see Note 19). Outstanding liabilities, which are unsecured, noninterest-bearing and payable in cash within 30 days are included as part of Trade Payables account in the interim condensed statements of financial position (see Note 15).

21.2 Purchase of Supplies Inventories

The Company purchases spare parts and maintenance inventory from related parties under common ownership. Outstanding liabilities as of September 30, 2025 and December 31, 2024, which are noninterest-bearing unsecured and payable in a term of 30 days, are included as part of Trade Payables account in the interim condensed statements of financial position (see Note 15).

21.3 Lease of Transportation Equipment

The Company has existing lease agreements with certain related parties under common ownership covering certain transportation equipment for a period of one year, subject to renewal on an annual basis.

Total rent expense from the lease agreements is presented as part of Rent under General and Administrative Expenses in the interim condensed statements of comprehensive income (see Note 19). Outstanding liabilities, which are noninterest-bearing, unsecured and payable in a term of 30 days, are included as part of Trade Payables account in the interim condensed statements of financial position (see Note 15).

21.4 Key Management Personnel Compensation

The compensation of key management personnel relating to short term employee benefits amounted to P13.5 million and P15.8 million for the periods ended September 30, 2025 and 2024.

21.5 Continuing Suretyship Agreement

Certain stockholders act as a surety in favor of certain banks for its revolving credit line for the Company's working capital requirements (see Note 12). The loans remain outstanding as at September 30, 2025 and December 31, 2024.

21.6 Other Transaction with Shareholders

The Company has other transactions with its shareholders pertaining to consultancy services and rental of office space. The transactions pertaining to the consultancy services and rentals are presented as part of Professional fees and Rent under General and Administrative Expenses account, respectively, in the interim condensed statements of comprehensive income (see Note 19). The outstanding balances as of September 30, 2025 and December 31, 2024, were unsecured, noninterest-bearing and payable every quarter and every 10th of the month for the professional fees and rent expense, respectively. These are presented as part of Accrued Expenses and Other Payables account in the interim condensed statements of financial position (see Note 16).

22. ELECTRIC POWER INDUSTRY REFORM ACT (EPIRA)

On September 8, 2001, R.A. No. 9136 also known as EPIRA Law of 2001, was approved for the purpose of restructuring the electric power industry. Discussed below are the significant provisions of R.A. No. 9136.

22.1 Functions and Powers of the ERC with Respect to Distribution Utilities

The following are the functions and powers of the ERC with respect to distribution utilities:

- (a) The ERC shall establish and enforce a methodology for setting transmission and distribution wheeling rates and retail rates for the captive market of distribution utilities, taking into account all relevant considerations, including the efficiency or inefficiency of the regulated entities;
- (b) Review and approve any changes on the terms and conditions of service of any distribution utility;
- (c) Monitor and take measures in accordance with R.A. No. 9136 to penalize abuse of market power, cartelization, and anti-competitive or discriminatory behavior by any electric power industry participant;
- (d) Monitor the activities in the generation and supply of the electric power industry with the end in view of promoting free market competition and ensuring that the allocation or pass through of bulk purchase cost by distributors is transparent, non-discriminatory and that any existing subsidies shall be divided pro-rata among all retail suppliers; and,
- (e) Perform such other regulatory functions as are appropriate and necessary in order to ensure the successful restructuring and modernization of the electric power industry.

22.2 De-monopolization and Shareholding Dispersal

Unless the distribution utility or the company holding the shares or its controlling stockholders are already listed in the Philippine Stock Exchange, Section 28 of R.A. No. 9136 provides that holdings of persons, natural or juridical, including directors, officers, stockholders and related interests, in a distribution utility and their respective holding companies shall not exceed 25% of the voting shares of stock.

22.3 Performance-Based Regulation (PBR)

The Company entered PBR at the third entry point, as originally described in Annex B of ERC Resolution No. 12-02 Series of 2004 “*Adopting a Methodology for Setting Distribution Wheeling Rates*,” dated December 10, 2004, and later amended by the ERC to make provision for four entry points. ERC issued the Final Determination as contained in its decision for the approval of the Company’s application for its Annual Revenue Requirement and Performance Incentive Scheme for the Second Regulatory Period on March 8, 2010. Second Regulatory Period commenced on July 1, 2010 and terminated on June 30, 2014.

In December 2021, ERC promulgated ERC Resolution No. 10, Series of 2021 also known as the “*Modified Rules for Setting Distribution Wheeling Rates*”. This resolution, as amended by ERC Resolution No. 17, Series of 2024, outlines the framework for the distribution rate filing of

private distribution utilities under Group A. In August 2025, the Energy Regulatory Commission (ERC) released for public comment the draft Rationalized Rules for Setting Distribution Wheeling Rates (RRDWR). On October 16, 2025, the ERC announced through a press release that the RRDWR had been approved. However, the corresponding resolution formalizing its issuance and promulgation has yet to be released.

23. EARNINGS PER SHARE

Earnings per share were computed as follows:

		2025 (Unaudited)		2024 (Unaudited)
Net profit for the period	P	234,180,337	P	198,319,584
Divided by the weighted average Number of outstanding common shares		5,750,000		5,750,000
Earnings per share	P	40.73	P	34.49

There are no dilutive potential common shares at the end of each reporting period. The weighted average number of outstanding common shares was retrospectively adjusted for the stock split as a result of the increase in ACS (see Note 17.2).

24. COMMITMENTS AND CONTINGENCIES

The breakdown of the Company's provisions are as follows:

		Power Cost Over (Under) Recoveries (Note 24.1)		DWSA (Note 24.2)		Total
Balance at January 1, 2025	P	123,686,538	P	9,825,738	P	133,512,276
Provisions		-		-		-
Reversal of provisions		(48,500,937)		-		(48,500,937)
Balance at September 30, 2025	P	75,185,601	P	9,825,738	P	85,011,339
Balance at January 1, 2024	P	176,732,011	P	9,825,738	P	186,557,749
Provisions		-		-		-
Reversal of provisions		(53,045,473)		-		(53,045,473)
Balance at December 31, 2024	P	123,686,538	P	9,825,738	P	133,512,276

24.1 Over/Under Recoveries on Generation and Transmission Costs

ERC Resolution No. 14, Series of 2022, "A Resolution Adopting the Revised Rules Governing the Automatic Cost Adjustment and True-Up Mechanisms and Corresponding Confirmation Process for Distribution Utilities", took effect on January 3, 2023, fifteen (15) days after its publication of December 19, 2022 which repealed or modified all issuances by the Energy Regulatory Commission (ERC) not consistent therewith. Accordingly, Article 5 of the Resolution requires distribution utilities to adjust its prices on the succeeding billing period at any point the accumulated over and under recoveries exceed +/- 10% of the total non-network revenues for the preceding

three (3) billing period in order to reduce the same to within +/-3%. Also, Article 4 of the Resolution still requires distribution utilities to file with ERC the calculated cumulative over or under-recoveries every three (3) years.

As ordered by the ERC on December 5, 2019, it authorized the Company to collect the amount of P43,038,355 from its customers and refund the amount of P80,551,774 to its customers, relative to its consolidated applications for the period January 2011 to December 2013 and for the period January 2014 to December 2016, respectively, subject to the final evaluation of its applications by the ERC. The Company completed the collection and refund of the said under and over recoveries in July 2021. In addition, the ERC issued its Order dated January 28, 2021, authorizing the Company to implement its consolidated applications for the period January 2017 to December 2019 filed in August 2020 subject to the evaluation by the ERC. The Company filed for a Motion for Reconsideration before the ERC to defer the implementation and extend the period of refund/recovery. The Company started to implement the said order in August 2021 and was completed in August 2022. As of September 30, 2025, the ERC has not yet issued its final decision on these cases.

On May 22, 2023, the Company filed with ERC its application for the confirmation of its true-up calculation of automatic pass-through costs period from January 2020 to December 2022 docketed as ERC Case No. 2023-033CF amounting to a net under recovery of P94,070,171.83. Also, in the same application, TEI proposes to consolidate the balance of the three (3) previous true-up applications. Accordingly, TEI seeks the confirmation of its calculated consolidated net under-recoveries of P119,998,556.47. As of September 30, 2025, the ERC has not yet rendered its decision on this case.

The Company recognized provisions for probable net over recoveries on power cost and other pass-through charges. Said provisions shall be reversed once the Company refunded the same to the customers based on the approved refund scheme of the ERC or adjusted accordingly as computed based on the relevant issuances of ERC. The Company recognized a reversal of portion of its provisions amounting to P48,500,937.00 for the period ended September 30, 2025 and P53,045,473.00 for the year ended December 31, 2024.

24.2 Legal Claims

(i) Additional Charges of Power Sector Assets and Liabilities Management Corporation (PSALM)

In a petition for dispute resolution against the PSALM et al. filed before the ERC, the Company sought to nullify the DWSA charges being billed by PSALM to the Company. In an order issued by ERC on September 2010, the Commission directed the parties to observe the status quo until such time the Commission has finally resolved the instant petition.

On October 1, 2019, ERC issued an order to deny the petition filed by the Company on the DWSA charges being billed by PSALM. However, the Company submitted a motion for reconsideration to ERC on December 9, 2019. As of September 30, 2025, ERC is yet to decide on the motion for reconsideration submitted by the Company. The Company recognized provisions amounting to P9,825,738 in relation to this case.

On another matter, the ERC issued in various cases an order authorizing the PSALM to implement the 10th to 17th Generation Rate Adjustment Mechanism (GRAM) and the

15th-16th Incremental Currency Exchange Rate Adjustment (ICERA) Deferred Accounting Adjustment. This order would allow PSALM to collect additional amounts from the Company over a period of 60 months as collections are made from end customers. Based on the recovery scheme, PSALM shall be collecting the DAA balance from the Company for 60 months starting January 2018. In 2023, these adjustments were applied to the billings to customers and remitted to PSALM. The outstanding provisions related to claims of PSALM has been fully settled in January 2023. However, PSALM's recovery scheme also includes certain amounts allegedly part of the 10th to 17th GRAM and 15th to 16th ICERA-DAA, which are scheduled for payment over the same 60-month period. These amounts, however, are not covered by the ERC's issued order. The Company has sought clarification regarding these amounts from ERC, but ERC has yet to issue its response. As of September 30, 2025, pending the ERC's confirmation, these particular amounts remain unsettled.

The outstanding payables to PSALM from the above transactions are presented as part of Non-Trade Payables under Trade and Other Payables account in the interim condensed statements of financial position.

On the other hand, the outstanding receivables from customers in relation to the DAA as discussed above, are presented as Accrued receivables under Trade and Other Receivables account in the interim condensed statements of financial position (see Note 10).

(ii) *Energy Supply Contract (ESC) between San Miguel Energy Corporation (SMEC) and the Company*

On another matter, ERC rendered a decision on ERC Case No. 2011-081 in August 2015, making the provisional authority granted to the Company and SMEC on July 18, 2011 permanent, to which SMEC filed a motion for clarification and reconsideration. In May 2018, the ERC issued an order resolving SMEC's motion for clarification and reconsideration, wherein the Company and SMEC were directed to comply with the submission of their proposed recovery scheme for the difference between the final approved rates and the provisionally implemented rates.

On March 13, 2019, the Company and SMEC filed a motion for approval on their proposed recovery scheme before the ERC. However, the ERC did not issue an approval yet on the filed recovery scheme. Nonetheless, the Company accrued the related revenue and cost from the proposed recovery scheme based on the difference between the final approved rates and provisionally implemented rates amounting to P68.1 million in 2019.

24.3 Franchise Extension

By virtue of R.A. No. 10795 granting extension of the Company's franchise for another 25 years (see Note 1), the Company is required to meet certain reportorial and operational obligations in relation to the Company's operation of its electric distribution system.

Section 15, Dispersal of Ownership, of R.A. No. 10795 provides that the grantee should offer at least thirty percent (30%) of its outstanding capital stock or a higher percentage to Filipino citizens, as well as Section 43 (t) of R.A. 9136, otherwise known as the EPIRA, which requires distribution utilities to offer and sell to the public a portion of no less than fifteen percent (15%) of its common shares (the "public offering requirement"). With the SEC's approval of

the Company's Registration Statement on June 28, 2021 and the subsequent offering, the Company is now deemed to have duly complied with the public offering requirement under its franchise and the EPIRA.

24.4 Others

There are other commitments and contingencies that arise in the normal course of operations that are not reflected in the accompanying interim condensed financial statements. As of September 30, 2025 and December 31, 2024, management is of the opinion that losses, if any, arising from these commitments and contingencies will not have a material effect on the Company's interim condensed financial statements.

25. SEASONAL OR CYCLICALITY OF OPERATIONS

The energy sector's production is widely based on consumer demand. Since the Philippines is a tropical country, the Company's revenues tend to increase during the dry months of March to July. Profits of the Company tend to increase again normally during the last four months of the year, which is the holiday season due to large foot traffic in malls and other establishments and the overall increase in activity in the mentioned months.

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

The following discussions should be read in conjunction with the Unaudited Condensed Interim Financial Statements of Tarlac Electric Inc. ("TEI" or the "Company") as of and for the period ended 30 September 2025 (with comparative figures as of 31 December 2024 and for the period ended 30 September 2024).

DISCUSSION ON CHANGES IN FINANCIAL POSITION

For the Nine (9) Month Period Ended 30 September 2025 and Period Ended 31 December 2024

As of 30 September 2025, Total Assets amounted to around ₱4 billion, consisting of Non-Current Assets of ₱3 billion and Current Assets of ₱1 billion, whereas as of 31 December 2024, Total Assets amounted to around ₱3.8 billion consisting of Non-Current Assets of ₱2.7 billion and Current Assets of ₱1.1 billion.

The table below presents a comparison of the Company's Non-Current Assets as of 30 September 2025 and 31 December 2024:

Non-Current Assets	2025 (in thousands)	2024 (in thousands)	Inc/(Dec)	%
Property and equipment – net	2,789,383.00	2,548,817.00	240,566.00	9.44%
Deferred tax assets – net	30,742.00	41,096.00	-10,354.00	-25.19%
Retirement benefit fund – net	1,062.00	1,062.00	0.00	0.00%
Other non-current assets – net	178,103.00	156,921.00	21,182.00	13.50%
TOTAL	2,999,920.00	2,747,896.00	251,394.00	9.15%

The increase in the total Non-Current Assets of 9.23% was primarily due to the increase in Property and Equipment of around ₱241 million. The increase in property and equipment resulted from the completed and on-going construction of TEI's capital expenditure projects such as, but not limited, to the construction of new substation, as well as the upgrading and rehabilitation of existing substations including substation equipment, the extension, upgrading, and rehabilitation of the Company's sub-transmission, primary, and secondary lines, purchase and installation of meters and distribution transformers, acquisition of transportation equipment, and purchase of tools and equipment, furniture and fixtures, information technology and communication equipment. Furthermore, the decrease in deferred tax assets is primarily due to the reversal of provisions, while the increase in other non-current assets mainly attributable in computer software.

The table below presents a comparison of the Company's Current Assets as of 30 September 2025 and 31 December 2024:

Current Assets	2025 (in thousands)	2024 (in thousands)	Inc/(Dec)	%
Cash and Cash Equivalents	269,979.00	271,085.00	-1,106.00	-0.41%
Trade and other receivables - net	502,092.00	589,107.00	-87,015.00	-14.77%
Other current assets	246,210.00	213,673.00	32,537.00	15.23%
TOTAL	1,018,281.00	1,073,865.00	-55,584.00	-5.18%

The Company's Current Assets declined compared to the previous year by ₱55.6 million or 5.18%. The minimal decrease in Cash and Cash Equivalents of 0.41% was attributable to the net cash used in investing activities, primarily on property and equipment, as well as the net cash used in financing activities, mitigated by the net cash provided by Company's operating activities. On the other hand, the improvement in the Company's collection efficiency during the period contributed to the decrease in Trade and Other Receivables by ₱87 million. Meanwhile, Other Current Assets increased by around ₱32.5 million mainly due to the increase in advances to suppliers and other prepayments.

TEI's Total Liabilities amounted to around ₱1.7 billion consisting of Non-Current Liabilities of ₱793 million and Current Liabilities of ₱929 million. As of 31 December 2024 Total Liabilities also amounted to around ₱1.7 billion consisting of Non-Current Liabilities of ₱707 million and Current Liabilities of ₱980 million.

The table below shows the comparison of the Company's Non-Current Liabilities as of 30 September 2025 and 31 December 2024:

Non-Current Liabilities	2025 (in thousands)	2024 (in thousands)	Inc/(Dec)	%
Refundable deposits	480,686.00	475,094.00	5,592.00	1.18%
Advances from customers	264,272.00	183,935.00	80,337.00	43.68%
Accrued expenses	45,076.00	45,076.00	0.00	0.00%
Lease liabilities-non-current	3,198.00	2,517.00	681.00	27.06%
TOTAL	793,232.00	706,622.00	86,610.00	12.26%

TEI's Total Non-Current Liabilities increased by 12.26% or by around ₱87 million. The increase was primarily due to the increase in Refundable Deposits of around ₱6 million, increase in Advances from Customers of ₱80 million and increase in Lease Liabilities of around ₱681 thousand.

The table below presents the comparison of the Company's Current Liabilities as of 30 September 2025 and of 31 December 2024:

Current Liabilities	2025 (in thousands)	2024 (in thousands)	Inc/(Dec)	%
Interest-bearing loans and borrowings	133,053.00	100,844.00	32,209.00	31.94%
Trade payables	365,988.00	356,096.00	9,892.00	2.78%
Accrued expenses and other payables	331,682.00	377,480.00	-45,798.00	-12.13%
Provisions	85,011.00	133,512.00	-48,501.00	-36.33%
Lease liabilities	2,305.00	2,177.00	128.00	5.88%
Income tax payable	10,605.00	9,857.00	748.00	7.59%
TOTAL	928,644.00	979,966.00	-51,322.00	-5.24%

The Company's Current Liabilities had decreased by around ₱51 million. The decrease was brought by the decrease in Accrued Expenses and Other Payables of ₱46 million, decrease in Provisions of ₱49 million, mitigated by the increase in Interest-bearing Loans and Borrowings of ₱32 million, increase in Trade Payables of ₱10 million and by a minimal increase in Income Tax Payable of ₱748 thousand and Lease Liabilities of ₱128 thousand.

Total Equity increased by around ₱161 million. The increase was primarily due to the Company's result of operations for the period ended 30 September 2025, net of the cash dividends declared in May 2025.

On 16 May 2025, the Company's Board of Directors (BOD) approved the declaration of cash dividends of ₱12.81 per share to stockholders on record as of 31 May 2025.

On 17 May 2024, the Company's Board of Directors (BOD) approved the declaration of cash dividends of ₱13.34 per share to stockholders on record as of 31 May 2024.

On 20 December 2024, the BOD approved the reversal of the appropriations for 2024 projects amounting to ₱280 million and the appropriations for 2025 projects of ₱300 million.

On 07 July 2020, the Securities and Exchange Commission approved the conversion of the Company's 200,000 Class A common shares with par value of ₱1,000.00 per share to 2,000,000 common shares with par value of ₱100.00 per share, thereby increasing its issued and outstanding capital stock to 4,000,000 common shares.

On 28 June 2021, the Securities and Exchange Commission (SEC) approved the Company's Registration Statement of 5,750,000 common shares, out of which, 1,750,000 common shares will be issued and offered for sale to the general public by way of primary offering at an initial price of ₱380 per share pursuant to Sections 8 and 12 of the Securities Regulation Code.

DISCUSSION ON RESULTS OF OPERATIONS

For the Period Ended 30 September 2025 and 2024

Revenues

The Company generates its revenues primarily from (1) Generation, Transmission and System Loss, which are pass-through charges; (2) Distribution Charges consisting of Distribution, Supply, and Metering Charges; and (3) other charges related to its services.

Pass-through Charges are revenue-neutral to the Company. The ERC evaluates these pass-through charges every three (3) years for any over or under recoveries. Upon the ERC's approval, the over or under-recoveries are either refunded to or collected from TEI's customers.

The distribution charges currently applied by the Company are based on the last approved rates for Regulatory Year 2014 under the Performance-Based Regulation (PBR) framework. In August 2016, TEI adopted a preferential rate scheme, granting discounts on distribution charges to its customers pursuant to ERC Resolution No. 23, Series of 2007, otherwise known as the *'Resolution Adopting the Policy that the Grant of Preferential Rates to Qualified Customers shall be Considered as Management Prerogatives.'*

On 15 August 2025, the Company's BOD approved the recall of the preferential rate scheme and the implementation of the approved rates effective October 2025 billing subject to certain conditions. One of the conditions set forth is the confirmation by the ERC that both the implementation and subsequent recall are within the prerogative of management. On 27 August 2025, ERC confirms, in its letter, that the implementation of the preferential rates is a management prerogative which does not require prior approval from ERC and TEI may or may not continue the preferential rate scheme, provided that customers are adequately informed of the change and TEI continues to comply with all applicable regulatory and reportorial requirements. With this, TEI's preferential rate will be recalled effective October 2025 billing period and the approved rates for RY 2014 will be implemented accordingly. Furthermore, it is important to note that no other changes to the distribution charges may be implemented by the Company without prior approval from the ERC.

The Company distributes electricity to six (6) customer classes, namely: (1) Residential; (2) Small Commercial; (3) Secondary; (4) Primary; (5) 69KV; and (6) Streetlights. Primary and 69KV customers include contestable customers who have already switched to the Competitive Retail Electricity Market (CREM), Green Energy Option Program (GEOP) and Retail Aggregation Program (RAP).

Total Revenue for the period ended 30 September 2025 and 2024 are as follows:

Revenue	September 2025	%	September 2024	%	% Inc/Dec
	(in thousands)		(in thousands)		
Generation	1,760,212.00	56.26%	1,909,302.00	60.40%	-7.81%
Distribution	544,089.00	17.39%	536,523.00	16.97%	1.41%
Transmission	396,482.00	12.67%	285,626.00	9.03%	38.81%
System loss	154,571.00	4.94%	163,246.00	5.16%	-5.31%
Supply	119,826.00	3.83%	115,304.00	3.65%	3.92%
Metering	112,982.00	3.61%	108,847.00	3.44%	3.80%
Other Income	40,340.00	1.29%	42,499.00	1.34%	-5.08%
TOTAL	3,128,502.00	100.00%	3,161,347.00	100.00%	-1.04%

The sale of electricity had decreased by 1.04% for the nine (9) month period ended 30 September 2025, compared to the same period in 2024. The decrease is primarily attributed to lower generation rates.

Generation Revenue had decreased by 7.81%. The decrease was mainly due to lower generation rates. Transmission Revenue had increased by 38.81%, primarily due to higher Transmission and Ancillary Service Charges. Also, System Loss had decreased by 5.31%. System Loss rate per customer class is computed based on the generation and transmission rates during the same period.

The increase in distribution, supply and metering revenue resulted primarily from the increase in energy sales, demand and number of customers during the period.

The table below summarizes the energy sales per customer class for the period ended 30 September 2025 and 2024, as well as the customer count as of 30 September 2025 and 2024:

Customer Class	Energy Sales in MWh			No. of Customers		
	2025	2024	% Inc/(Dec)	2025	2024	% Inc/(Dec)
Residential	166,772	162,374	2.71%	92,843	90,208	2.92%
Small Commercial	47,044	43,070	9.23%	5,699	5,504	3.54%
Secondary	42,452	43,087	-1.47%	272	267	1.87%
Primary	132,352	136,057	-2.72%	66	65	1.54%
69 KV	17,767	16,453	7.99%	2	2	0.00%
Streetlights	1,542	1,518	1.58%	25	25	0.00%
Total	407,929	402,559	1.33%	98,907	96,071	2.95%

As of 30 September 2025, the Company's total energy sales had increased by 1.33% from 402,559MWh in 2024 to 407,929MWh in 2025, while the Company's total number of customers had increased by 2.95% or a total of 2,836 customers.

Costs and Expenses

The consolidated costs and expenses for the nine (9) month period ended 30 September 2025 amounted to around ₱2.86 billion, which is lower by ₱100 million compared to the consolidated costs and expenses of around ₱2.96 billion in 2024. The table below shows the breakdown of consolidated costs and expenses.

Particulars	2025		2024		%
	in Thousands		In Thousands		Inc/(Dec)
Net purchased power	₱2,260,863.00	79.09%	₱2,399,576.00	81.16%	-5.78%
Depreciation and amortization	164,454.00	5.75%	130,483.00	4.41%	26.03%
Salaries and employee benefits	128,001.00	4.48%	124,263.00	4.20%	3.01%
Outside services	103,887.00	3.63%	93,483.00	3.16%	11.13%
Repairs and maintenance	47,259.00	1.65%	33,877.00	1.15%	39.50%
Taxes and licenses	33,575.00	1.17%	31,582.00	1.07%	6.31%
Rent	19,295.00	0.68%	21,537.00	0.73%	-10.41%
Security Services	19,001.00	0.66%	16,528.00	0.56%	14.96%
Utilities	17,073.00	0.60%	18,205.00	0.62%	-6.22%
Professional fees	11,291.00	0.40%	6,934.00	0.23%	62.84%
Impairment losses	7,069.00	0.25%	5,985.00	0.20%	18.11%
Insurance	6,805.00	0.24%	5,516.00	0.19%	23.37%
Office supplies	3,654.00	0.13%	3,481.00	0.12%	4.97%
Transportation and travel	2,856.00	0.10%	2,675.00	0.09%	6.77%
Representation	2,067.00	0.07%	1,422.00	0.05%	45.36%
Others	31,302.00	1.10%	61,072.00	2.07%	-48.75%
TOTAL	₱2,858,452.00	100.00%	₱2,956,619.00	100.00%	-3.32%

The net purchased power, consisting of generation and transmission costs net of any applicable discounts, accounted for 79.09% of the total costs and expenses for the nine (9) months ended 30 September 2025, and 81.16% of the total costs and expenses in 2024. The electricity distributed by the Company is purchased through its Power Supply Agreement (PSA) duly approved by the ERC, whereas any imbalance was purchased from the WESM. Despite higher transmission cost during the period, the net purchased power cost was still lower by 5.78% compared to 2024, primarily due to lower generation cost.

Depreciation and Amortization Expense amounting to around ₱164 million had increased by 26.03% compared to the same period last year. The increase was primarily due to the depreciation and amortization of the Company's existing SCADA System under Substation Equipment, as well as the depreciation of the Company's distribution network assets such as, distribution lines, poles, distribution transformers, and metering equipment, and other non-network assets like transportation, communication and other equipment installed and/or acquired during the period.

Salaries and Employee Benefits amounting to around ₱128 million had a minimal increase of 3.01% due to the net effect of the salary increase during the period and salaries of newly hired employees over the salaries of resigned employees.

Outside Services amounting to around ₱104 million had increased by 11.13%. The increase was primarily due to the additional services contracted during the period and increase in contract rates.

Repairs & Maintenance Expense amounting to around ₱47 million had increased by 39.50% compared to 2024. The increase was due to higher maintenance expenses incurred for the Company's primary and secondary lines, as well as the reinstallation of refilled cylinders for the fire suppression system during the period.

Taxes and licenses which amounted to ₱34 million is higher by 6.31% compared to the previous year. The increase was primarily due to additional radio station licenses and increase in real property taxes.

Rent Expense amounting to ₱19 million had decreased by 10.41% compared to 2024 primarily due to the termination of contract for certain equipment.

Security Services amounting to around ₱19 million had increased by 14.96% compared to 2024. The increase was a result of the implementation of DOLE Wage Order RBIII-25, and the mandated increase in PhilHealth and HDMF premiums.

Utilities consisting of electricity, water and communication amounting to approximately ₱17 million had a minimal decrease of 6.22% due to lower communication expenses during the period.

Professional Fees had increased by 62.84%. The increase pertains to the additional consultancy agreements entered by the Company with industry experts in 2025.

Impairment losses amounting to around ₱7 million had increased by 18.11%. Impairment losses pertain to the provisions recognized relative to the impairment of the Company's Trade Accounts Receivable.

Insurance Expense amounting to ₱6.8 million had increased by 23.37% compared to 2024. The increase was primarily due to the additional Fire and Perils and Machinery Breakdown coverage of Power Transformer and Substation Equipment. Also, the Company had secured a contractor's all risk insurance to cover the on-going construction of its Maliwalo Substation.

Other expenses consisting of office supplies, transportation and travel, representation and other necessary operating expenses accounted for 1.40% of the total costs and expenses for the nine (9) month period ended 30 September 2025 had decreased by 41.91%. The amount was higher in 2024 due to the payment of deficiency taxes and related interest for taxable year 2019 amounting to around ₱20 million.

The Company's Cost of Electricity Sold which amounted to ₱2.5 billion for the nine (9)-month period ended 30 September 2025 is 3.79% lower compared to 2024. The details of costs and expenses are shown in the following table:

Particulars	<i>in Thousands</i>	
	2025	2024
Purchased Power	₱2,260,863.00	₱2,399,576.00
Outsourced Services	86,411.00	77,930.00
Depreciation Expense	75,920.00	49,565.00
Salaries and Employee Benefits	44,692.00	43,741.00
Rental Expense	18,921.00	20,870.00
Repairs and Maintenance	30,975.00	25,145.00
Total	₱2,517,782.00	₱2,616,827.00

KEY PERFORMANCE INDICATORS

The relevant key performance indicators of the Company are shown in the following table:

	30 September 2025	31 December 2024
Return on Equity		
<i>Net Profit divided by Total Equity</i>	0.11	0.12
Return on Assets		
<i>Net Profit divided by Average Assets</i>	0.06	0.06
Debt to Equity Ratio		
<i>Total Liabilities divided by Total Equity</i>	0.75	0.79
Current Ratio		
<i>Total Current Assets divided by Total Current Liabilities</i>	1.10	1.10
Average Collection Period		
<i>Average Current Trade and Other Receivables divided by Average Sales (Annualized) per day (Sale of Electricity divided by no. of days (365 days if one whole year))</i>	48 days	50 days

LIQUIDITY RISKS

The Company considers the following items to pose a risk on its ability to meet its obligations as they fall due: close of business due to pandemic, labor strike, typhoon or any force majeure event, and non-payment or delays in payment by its customers.

The Company manages its liquidity risks by carefully monitoring scheduled debt servicing payments as well as cash outflows due in a day-to-day business. Liquidity needs are monitored periodically, on a day-to-day, week-to-week basis, as well as on the basis of a rolling 30-day projection.

As of 30 September 2025, the Company's financial liabilities have contractual maturities as shown below:

		Current		Non-current	
		Within 6 Months	6-12 Months	1 to 5 years	Later than 5 years
Trade Payables	P	365,988,048	-	-	-
Accrued Expenses and other Payables		235,046,328	-	45,076,151.00	
Interest- bearing loans and borrowings		131,811,032	1,242,256	-	
Advances from Customers		96,633,880		264,271,761	
Lease Liability		1,555,722	749,601	3,198,146	
Refundable Deposits					480,686,018
	P	831,035,088	1,991,857	312,546,058	480,686,018

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 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.

The Company does not have any material commitments for capital expenditures other than those described under the *Annex "D"* of this report.

COMMITMENTS AND CONTINGENCIES

The breakdown of the Company's provisions are as follows:

		Power Cost Over (Under) Recoveries (Note 24.1)		DWSA (Note 24.2)		Total
Balance at January 1, 2025	P	123,686,538	P	9,825,738	P	133,512,276
Provisions				-		-
Reversal of provisions		<u>(48,500,937)</u>		<u>-</u>		<u>(48,500,937)</u>
Balance at September 30, 2025						
	<u>P</u>	<u>75,185,601</u>		<u>P 9,825,738</u>		<u>P 85,011,339</u>
Balance at January 1, 2024	P	176,732,011	P	9,825,738	P	186,557,549
Provisions		-		-		-
Reversal of provisions		<u>(53,045,473)</u>		<u>-</u>		<u>(53,045,473)</u>
Balance at December 31, 2024						
	<u>P</u>	<u>123,686,538</u>		<u>P 9,825,738</u>		<u>P 133,512,276</u>

TARLAC ELECTRIC INC.
LIST OF SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2025
(UNAUDITED)

Schedule	Content	Page No.
<i>Schedules Required under Annex 68-J of the Revised Securities Regulation Code Rule 68</i>		
A	Financial Assets	1
	Financial Assets at Fair Value Through Profit or Loss	
	Financial Assets at Fair Value Through Other Comprehensive Income	
	Financial Assets at Amortized Cost	
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	*
E	Indebtedness to Related Parties	4
F	Guarantees of Securities of Other Issuers	**
G	Capital Stock	5
<i>Other Required Information</i>		
	Reconciliation of Retained Earnings Available for Dividend Declaration	6
	Map Showing the Relationship Between the Company and its Related Parties	***
	Supplemental Schedule of Financial Soundness Indicators	7
*	<i>The Company does not prepare any consolidated financial statements</i>	
**	<i>The Company does not have guarantees of securities of other issuers</i>	
***	<i>The Company does not belong to a group of companies</i>	

TARLAC ELECTRIC INC.
Schedule A

Financial Assets - Fair Value Through Profit or Loss, Fair Value Through Other Comprehensive Income and Amortized Cost
SEPTEMBER 30, 2025
(UNAUDITED)

Name of Issuing Entity and Accosiation of Each Issue	Number of Shares or Principal Amount of Bonds or Notes	Amount Shown in the Statement of Financial Position as of Reporting Period	Value Based on Market Quotation at End of Reporting Period	Income Received and Accrues
<i>Fair Value Through Profit or Loss (FVTPL)</i>				
	N/A	N/A	N/A	N/A
<i>Fair Value Through Other Comprehensive Income (FVTOCI)</i>				
	N/A	N/A	N/A	N/A
<i>Financial Assets at Amortized Cost</i>				
Cash and cash equivalent		269,979,026.00	269,979,026.00	338,990.00
Trade and other receivables - net		552,128,624.00	552,128,624.00	
Refundable deposits		4,107,430.00	4,107,430.00	
Others		2,628,277.00	2,628,277.00	
Total		828,843,357.00	828,843,357.00	338,990.00

TARLAC ELECTRIC INC.

Schedule B

Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

SEPTEMBER 30, 2025

(UNAUDITED)

Name	Balances at Beginning of the Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Written Off	Current	Non-Current	
Receivable from Employees	712,423.00	1,340,209.00	1,878,797.00				173,835.00

Note:

The total amount is included as part of Other prepayments under the Other Current Assets account in the interim condensed statement of financial position

TARLAC ELECTRIC INC.
Schedule E
Indebtedness to Related Parties
SEPTEMBER 30, 2025
(UNAUDITED)

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
Tarlac Power Corporation*	21,686,974	17,009,357
Meka Corporation*	560,680	508,464
ETM Incorporated*	2,047,521	462,240

Supplementary information on Indebtedness to Related Parties

* *The total amount is presented as part of Trade Payables in the interim condensed statement of financial position*

TARLAC ELECTRIC INC.
Schedule G
Capital Stock
SEPTEMBER 30, 2025
(UNAUDITED)

Title of Issue	Number of Shares Authorized	Outstanding as Shown Under the Related Interim Condensed Statement of	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held By		
				Related Parties	Directors, Officers and Employees	Others
Common Shares - P100 par value	10,000,000	5,750,000	-	3,384,170	728,580	1,637,250.00

TARLAC ELECTRIC INC.
Reconciliation of Retained Earnings Available for Dividend Declaration
SEPTEMBER 30, 2025
(UNAUDITED)

Unappropriated Retained Earnings of the Company at Beginning of Year	802,333,644.00
Prior Periods' Outstanding Reconciling Item	
Deferred tax income	<u>39,396,155.00</u>
Unappropriated Retained Earnings Available for	
Dividend Declaration at Beginning of Year, as Adjusted	841,729,799.00
Net Profit of the Company Realized During the Period	
Net Profit per interim condensed financial statements	234,180,337.00
Non-actual/unrealized income	
Deferred tax income from deferred tax assets recognized in the profit or loss during the year	10,353,501.00
Other Transaction During the Period	
Cash dividend declaration	(73,657,500.00)
Reversal of appropriated retained earnings	-
Appropriation of retained earnings	<u>-</u>
Unappropriated Retained Earnings Available for	
Dividend Declaration as of Report Date	<u><u>1,012,606,137.00</u></u>

TARLAC ELECTRIC INC.
Supplemental Schedule of Financial Soundness Indicators
SEPTEMBER 30, 2025 AND DECEMBER 31, 2024
(UNAUDITED)

Ratio	Formula		2025	Formula		2024
Current Ratio	Total Current Assets divided by Total Current Liabilities		1.10	Total Current Assets divided by Total Current Liabilities		1.10
	Total Current Assets	1,018,281,208		Total Current Assets	1,073,864,645	
	Divided by: Total Current Liabilities	928,643,538		Divided by: Total Current Liabilities	979,965,947	
	Current Ratio	1.10		Current Ratio	1.10	
Acid Test Ratio	Quick assets (Total Current Assets less Other Current Assets) divided by Total Current Liabilities		0.83	Quick assets (Total Current Assets less Other Current Assets) divided by Total Current Liabilities		0.88
	Total Current Assets	1,018,281,208		Total Current Assets	1,073,864,645	
	Less: Other Current Assets	246,210,396		Less: Other Current Assets	213,672,849	
	Quick Assets	772,070,812		Quick Assets	860,191,796	
	Divided by: Total Current Liabilities	928,643,538		Divided by: Total Current Liabilities	979,965,947	
	Acid Test Ratio	0.83		Acid Test Ratio	0.88	
Solvency Ratio	Total Assets divided by Total Liabilities		2.33	Total Assets divided by Total Liabilities		2.27
	Total Assets	4,017,571,178		Total Assets	3,821,761,100	
	Divided by: Total Liabilities	1,721,875,613		Divided by: Total Liabilities	1,686,588,372	
	Solvency Ratio	2.33		Solvency Ratio	2.27	
Debt-to-Equity Ratio	Total Liabilities divided by Total Equity		0.75	Total Liabilities divided by Total Equity		0.79
	Total Liabilities	1,721,875,613		Total Liabilities	1,686,588,372	
	Divided by: Total Equity	2,295,695,565		Divided by: Total Equity	2,135,172,728	
	Debt-to-Equity Ratio	0.75		Debt-to-Equity Ratio	0.79	
Assets-to-Equity Ratio	Total Assets divided by Total Equity		1.75	Total Assets divided by Total Equity		1.79
	Total Assets	4,017,571,178		Total Assets	3,821,761,100	
	Divided by: Total Equity	2,295,695,565		Divided by: Total Equity	2,135,172,728	
	Assets-to-Equity Ratio	1.75		Assets-to-Equity Ratio	1.79	
Interest Rate Coverage Ratio	Earnings before interest and taxes (EBIT) divided by Interest expense		58.78	Earnings before interest and taxes (EBIT) divided by Interest expense		55.26
	EBIT	319,435,857		EBIT	337,275,139	
	Divided by: Interest Expense	5,434,311		Divided by: Interest Expense	6,102,881	
	Interest Rate Coverage Ratio	58.78		Interest Rate Coverage Ratio	55.26	
Return on Equity	Net Profit divided by Total Equity		0.11	Net Profit divided by Total Equity		0.12
	Net Profit	234,180,337		Net Profit	245,604,516	
	Divided by: Average Total Equity	2,215,434,147		Divided by: Average Total Equity	2,049,048,544	
	Return on Equity	0.11		Return on Equity	0.12	
Return on Assets	Net Profit divided by Total Assets		0.06	Net Profit divided by Total Assets		0.06
	Net Profit	234,180,337		Net Profit	245,604,516	
	Divided by: Total Assets	4,017,571,178		Divided by: Total Assets	3,821,761,100	
	Return on Assets	0.06		Return on Assets	0.06	
Net Profit Margin	Net Profit divided by Total Revenue		0.07	Net Profit divided by Total Revenue		0.06
	Net Profit	234,180,337		Net Profit	245,604,516	
	Divided by: Total Revenue	3,128,502,840		Divided by: Total Revenue	4,218,647,857	
	Net Profit Margin	0.07		Net Profit Margin	0.06	

Planned CAPEX Program Details

ANNEX "D"

Type	Category	Name	Description	Project Benefit	Impact if not Implemented	Target Completion Date	Project Cost, PhP	Quantity (ckm, MVA, MW, MVA, MW)
Safety	Substation: Uprating	Construction of new LIP Substation Switchgear and Control House to Replace the Old Structure	This project includes the replacement of the old switchgear panel model at LIP Substation, replacement and relocation of control house, and re-routing of feeder power cables.	This project will address building safety concerns, particularly on the building foundation which was found to be weak. LIP substation building structure is now about 22 years old. This will give way to converting LIP Substation to main switch-bay substation type for a more flexible and reliable system. Also, since LIP SS is a switching substation, restructuring is found more favorable. This will also include the replacement of existing switchgear which is necessary to retire outdated equipment.	The safety of TEI personnel on duty along with all of the company's equipment and materials present inside switchgear house will be at risk due to the weak integrity of the old switchgear house foundation.	June-25	74,358,621	
Capacity	Substation: Additional	Proposed San Vicente SS with 25/33 MVA Transformer at Brgy. San Vicente	The general scope of work of this project is construction of New San Vicente Substation with 25/33 MVA, 69/13.8 kV, O/AFA Transformer and accessories, with building structures. This project also includes around 1.5 km of 69 kV sub-transmission line extension using 795MCM ACSR conductor.	The proposed San Vicente Substation with 25/33 MVA transformer will address the following crucial concerns in the Poblacion and Northern area of Tarlac City: (1) It will relieve the critically loaded Pangnaniban Substation, which currently serves Poblacion and Northern areas. At present, Pangnaniban Substation is loaded by 81.52%. (2) It will satisfy N-1 reliability in the area. The existing set-up will breach the 70% limit on adjacent transformer capacity criteria by 2017.	The Pangab ban S/S will be subjected to higher loads in the future in which the S/S might not be able to cater for all of its demand. TEI will not satisfy the N-1 reliability criteria in the area as the 70% limit on adjacent transformer capacity criteria will be breached.	June-25	205,420,491	33
Non-network Projects	Non-network Assets	Acquisition of Furniture for Mabini Office (Customer Area)	This project involves the acquisition of new furniture to be used at the customer area of Tarlac Electric Inc.'s new building, located at Mabini St., Tarlac City.	To ensure the cleanliness and well-maintained environment to provide welcoming, comfortable, and environment that will increase customer satisfaction and improve the customer experience	The quality and efficiency of customer service will not improved.	June-25	610,423	
Capacity	Substation: Uprating	Upgrading of Maliwalo Substation	Additional 25/33 MVA, 69/13.8 kV, O/AFA power transformer and accessories including extension of 7.5 km underbuilt primary lines, and rehabilitation of old Maliwalo substation switchgear and control house.	The 10-MVA power transformer at Maliwalo Substation is expected to be overloaded due to the increasing number of commercial and agricultural businesses in the Maliwalo and Matalaib area. TEI finds it necessary to have an additional transformer with a capacity 25/33MVA to meet the capacity requirement for its 10-year planning horizon.	The 10-MVA Transformer at Maliwalo Substation will be overloaded.	September 2025	233,000,000	33
Non-network Projects	Non-network Assets	Acquisition of Furniture for Mabini Office (Others)	This project involves the acquisition of new furniture to be used at the new building of Tarlac Electric Inc., which will serve as its main office, located at Mabini St., Tarlac City.	New furniture improves the functionality and features of the working environment which provides comfort among employees that can increase productivity. This can also contribute to a positive work environment that can boost employee morale and satisfaction	The quality and efficiency of customer service will not improved.	June 2025	4,448,490	
Power Quality	Other Network Assets	Installation of Harmonic Filter at San Rafael Office	Acquisition of AccuSine Harmonic Filter including circuit breaker and current transformers.	To mitigate the safety concerns and power quality parameters that are exceeding the limits. This project will provide safety for the personnel working at San Rafael Office and this will solve the problems which causes unwanted tripping and shorter life for equipment. Also, this project will help in compliance with the Philippine Distribution Code and will also encourage the industrial customers to comply with the power quality standards for their own safety.	The power quality problems in San Rafael office will not be mitigated. This will also cause a violation in the Philippine Distribution Code.	September 2025	508,929	
Safety	Other Network Assets	Distribution Transformer (DT) Replacement and Proper Disposal for DENR Safety Compliance Batch 1 and Batch 2	Proper disposal and replacement of 15-250 kVA Polychlorinated Biphenyls (PCB) Distribution Transformers per DENR Administrative Order No. 01, Series of 2014.	The replacement of various sizes of distribution transformers is to comply with DENR safety requirement on the use of oil in the distribution system (all facilities that are using oil must be PCB-free).	The PCB contaminated distribution transformers will not be disposed properly and will not provide safety in the community which could be a non-compliance to DENR's requirement.	Testing -December 2025 Disposal- December 2026	104,573,590	
Safety	Distribution Facilities: Replacement and Rehabilitation	Relocation of Poles and Upgrading of Primary Lines Due to DPWH Road Widening Project	This project includes the installation of additional poles, relocation of poles, reconfiguration of poles, and upgrading of lines from Brgy. Tibag to Brgy. Care Tarlac City due to DPWH road widening project.	The primary line poles caused obstruction at the road which was a threat in the safety of road users. It was also necessary to upgrade the lines to serve the growth in the area and to reduce the system loss.	Poles that are not relocated will be considered as road hazards and a big threat to the safety of road users. While not upgrading the primary lines will result to customer dissatisfaction as the demand continues to grow, and system losses will grow larger as well.	December 2025	6,644,918	3
Reliability	Resiliency: System Reliability / Flexibility	Installation of 69kV Disconnect Switches and Fault Indicators	Installation of Disconnect Switches and Fault Indicators in specified locations in the 69kV system	To improve reliability in the 69kV sub transmission system	The improvement of the reliability of the 69kV sub transmission system will be negatively affected.	June 2026	4,192,825	
Safety	Resiliency: System Reliability / Flexibility	Installation of Lightning Protection of Distribution Lines at Pangnaniban Feeder 2 (PANGSCRUZ)	Installation of 6.67 km of Overhead Ground Wire (shield wire) and Line Lightning Protection Devices (Smart Arrester (20z) in the overhead power distribution lines of Pangnaniban Substation Feeder 2 (PANGSCRUZ)	To prevent any possible danger, damages and/or outages due to the frequent occurrence of lightning in the area	The probability of damages of line equipment, and outages due to lightning will not be lessen.	June 2026	7,025,509	
Reliability	Resiliency: System Reliability / Flexibility	Installation of Additional Fault Detection Devices and Automated Feeder Switches	Installation of fault indicators and automated feeder switches such as reclosers, motorized disconnect switches, and disconnect switches in practical locations of the 13.8 kV primary line distribution system	To increase the reliability of the system through automated switching and fault detection to restore service, thereby reducing the number of customers affected by prolonged outages. It is also important in preparation for Company's thrust to shift from conventional to SMART grid system.	There will be no reliability improvement or reduction of number of customers affected by prolonged outages.	September 2026	23,299,802	
Non-network Projects	Non-network Assets	Acquisition of Furniture for SCADA and Additional Mobile Cabinets at Mabini Office	This project involves the acquisition of new furniture to be used for the SCADA operations and additional mobile cabinets at the Mabini Office located at Mabini St., Tarlac City.	The acquisition of new furniture and mobile cabinets for the SCADA operations at the Mabini Office will enhance employee comfort, improve workspace organization, optimize space utilization, and support the evolving needs of the SCADA system, ultimately boosting productivity and operational efficiency.	If the project is not implemented, the SCADA control room will continue to lack essential furniture, resulting in poor organization, decreased employee comfort, and lower operational efficiency, which could hinder SCADA operations.	February 2025	502,975	

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ANNEX "D"

Type	Category	Name	Description	Project Benefit	Impact if not Implemented	Target Completion Date	Project Cost, PHP	Quantity (ckm, MVA, MVAr, MW)
Non-network Projects	Non-network Assets	Acquisition of Testing Equipment	Acquisition of the following equipment: One (1) Unit of Omicron CT Analyzer; One (1) Unit of Omicron Votano 100 for Potential Transformer Testing Equipment; one (1) Unit of Vanguard TRF-250 for Transformer Turns Ratio Analyzer; and one (1) Unit of Fluke 1625-2 Geo for Earth Ground tester	Acquiring testing equipment for current and potential transformers, along with a transformer turns ratio analyzer and Earth Ground Tester, is essential for addressing billing complaints, ensuring transformer accuracy, and maintaining safety by verifying grounding system functionality.	Failure to implement this project will result in longer duration of resolution for billing complaints, inaccurate transformer readings, compromised safety due to unverified grounding systems, and continued reliance on outdated equipment, compromising operational efficiency and personnel safety.	June 2025	7,393,625	
Non-network Projects	Non-network Assets	Acquisition of Power Quality Analyzer and Surveying Equipment	Procurement of one (1) unit of Fluke-1777 Power Quality Analyzer and four (4) units of Trimble Catalyst DA1 Digital Antenna Set	Implementing this project will improve power quality testing accuracy, enhance GIS functionality, and support more effective decision-making and operational improvements.	If this project is not pursued, TEI risks compromised power quality testing accuracy, which would result in non-compliance with the Philippine Distribution Code. Additionally, the lack of accurate GIS functionality may hinder effective decision-making and operational improvements.	June 2025	1,605,964	
Non-network Projects	Non-network Assets	Upgrading of Network Security	The project involves upgrading the network security infrastructure, including the deployment of Cisco Firepower Management Center and Threat Defense, Cisco Umbrella, core switches, Nexus for the OT network, Cisco Unified Communications Manager with IP phones, various switches for business offices, a firewall for WIMAX, a Smart-1 HA appliance for the San Rafael office, and an IT network refresh.	TEI must implement this project to address critical vulnerabilities, enhance cybersecurity, ensure reliable communication systems, and align with the Department of Energy's Smart Distribution Utility Roadmap and NIST Cybersecurity Framework, safeguarding operational stability, data integrity, and infrastructure resilience.	Failure to implement this project will leave TEI vulnerable to cyber threats, operational inefficiencies, communication disruptions, and infrastructure failures, compromising security, reliability, and alignment with industry standards and regulatory roadmaps.	December 2025	46,726,206	
Non-network Projects	Non-network Assets	Purchase of an Industrial Printer and Enveloping Machine for Customer Billing Invoice Requirements	This project involves the purchase of an industrial printer replacement unit and an enveloping machine for Talaric Electric Inc.'s (TEI) Billing Invoice requirements.	The purchase of the equipment for TEI's Billing Section aims to ensure the timely and efficient processing of the company's customer billing invoice requirements.	It will lead to higher operating costs, delays in invoice processing, reduced efficiency, and potential customer dissatisfaction.	December 2025	8,040,000	
Non-network Projects	Non-network Assets	Upgrading of Data Management and Storage	Upgrading the storage infrastructure using the Hitachi VSP E590 system and deploying a three-year Veeam Data Platform Foundation Universal Subscription License with enterprise features.	The Data Management and Storage Solution is a system for efficiently storing, organizing, protecting, and retrieving large volumes of data within an organization.	TEI will continue to operate without an adequate disaster recovery backup, risking significant data loss and extended downtime in the event of a system failure or disaster. The lack of redundancy could lead to major operational disruptions, loss of critical business data, and damage to TEI's reputation. Additionally, the existing storage solution will not be able to support future data growth, potentially hindering TEI's ability to efficiently manage and protect its data in the long term.	December 2025	6,516,321	
Non-network Projects	Non-network Assets	Acquisition and Installation of additional Air-Conditioning Units	Acquisition and installation of four (4) additional STR (17.3 KW TC / 17.3 KW SC) STULZ Compact Series Mini-Space EC Air-Cooled Down-Blast Type Model CCD181A Outdoor Precision Air-Conditioning Units for the Mabini Data Server Room.	The additional units are needed to help maintain the optimal temperature in the server room.	TEI may face equipment failures, overheating, and unexpected downtime due to insufficient cooling.	September 2025	9,821,429	
Non-network Projects	Non-network Assets	Acquisition of Service Vehicles	Purchase of three (3) Service Vehicles for the replacement of fully depreciated vehicles by 2025 to 2026 and the Purchase of seven (7) Additional Service Vehicles	The proposed acquisition of ten replacement and seven additional service vehicles, including specialized equipment like a crane-mounted truck and Aichi Digger Derrick trucks, will enhance operational efficiency, reduce maintenance costs, improve safety, and ensure reliable and timely service delivery by addressing aging vehicles.	If the acquisition is not implemented, the company will face prolonged downtime, escalating maintenance costs, diminished operational efficiency, and heightened safety risks due to the continued use of aging vehicles and equipment.	April 2026	58,740,942	
Safety	Other Network Assets	Replacement of Rotten Poles	Replacement of 504 units of rotten creosoted primary and secondary poles within TEI franchise area.	The company recognizes the importance of improving safety and reducing disruptions arising from the deterioration of these poles.	If the project is not implemented, safety risks and disruptions from the deteriorating poles will increase, affecting operations.	June 2026	6,990,137	
Capacity	Subtransmission Facilities: Replacement and Rehabilitation	Subtransmission Line Upgrading Project	Upgrading the 69kV subtransmission lines from 795 MCM ACSR conductor to 410 MCM STACIR to accommodate the growing demand within the franchise area and to address the deteriorating condition of the conductor, particularly TEI Line 1 which has been in operation for over 30 years and shows evident signs of wear and tear.	The company finds this project necessary to accommodate the growing demand within its franchise area and ensure compliance with the N-1 Reliability criteria for subtransmission lines.	If the project is not implemented, the company may struggle to meet the growing demand within its franchise area and compromise the N-1 reliability criteria for subtransmission lines, potentially leading to system instability and power outages.	June 2026	152,461,583	21
Capacity	Other Network Assets	Primary Distribution Line Requirements RY2025 and RY2026	Extension and Upgrading of Medium Voltage Primary Distribution Lines within the franchise area of TEI	This project is necessary to accommodate the growing demand within the franchise area.	Without these upgrades, there could be power outages, affecting the efficiency and reliability of electricity supply. The company would be unable to meet the growing demand, leading to customer dissatisfaction and inefficiency, which could jeopardize its long-term sustainability and reliability.	June 2026	78,417,489	
Capacity	Other Network Assets	Distribution Transformer Requirements RY2025 and RY2026	Installation and Upgrading of Distribution Transformers within the franchise area of TEI	This project is necessary to accommodate the growing demand within the franchise area.	There will be not enough capacity of the power requirement.	June 2026	64,333,428	
Capacity	Other Network Assets	Secondary Distribution Line Projects RY2025 and RY2026	Extension and Upgrading of Secondary Distribution Lines within the franchise area of TEI	This project is necessary to accommodate the growing demand within the franchise area.	There will be not enough capacity of the power requirement.	June 2026	28,204,549	
Capacity	Other Network Assets	Service Drop Requirements RY2025 and RY2026	Extension and Upgrading of Service Drop Wires within the franchise area of TEI	This project is necessary to accommodate the growing demand within the franchise area.	There will be not enough capacity of the power requirement.	June 2026	22,999,577	
Capacity	Other Network Assets	Various Metering Requirements RY2025 and RY2026	Installation of various billing meters, distribution transformer check-meters, including current and potential transformers, and metering module.	This project is necessary to accommodate the growing demand within the franchise area.	There will be not enough capacity of the power requirement.	June 2026	224,857,662	
Efficiency	Other Network Assets	Acquisition of Three-Phase Power Transformer Tester	Acquisition of new Megger TRAX 280 Transformer & Substation Test System to. This test equipment will be used for the electrical testing of TEI power transformers in all substations by the maintenance team of the Substation Operation and Maintenance Department.	This project is necessary to enhance transformer monitoring with real-time, detailed data. This also allows for proactive maintenance, better control over schedules, and reduction in the risk of costly repairs and downtime.	Failing to implement this project could lead to inefficient transformer monitoring, increased maintenance costs, unexpected downtime, and a higher risk of costly failures due to the lack of real-time, detailed data and proactive maintenance.	December 2026	6,469,866	
Reliability	Other Network Assets	Purchasing and Installation of Additional Recloser	Purchasing and installation of 12-additional reclosers and accessories within the company's franchise area.	This helps improve reliability, reduces outages, and limits downtime by keeping most of the network energized even if a part experiences a fault. It also enhances safety and reduces the need for manual resets, making the distribution system more efficient and dependable.	Without the implementation of this project, the system may experience increased outages, prolonged downtime, reduced reliability, elevated safety risks, and a failure to align with the Department of Energy's roadmap for achieving a Smart Distribution Utility.	June 2026	15,316,440	

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ANNEX "D"

Type	Category	Name	Description	Project Benefit	Impact if not Implemented	Target Completion Date	Project Cost, PHP	Quantity (ckm, MVA, MVAr, MW)
Non-network Projects	Smart Grid	Upgrading to Advanced Distribution Management System (ADMS)	Installation, testing and commissioning of advanced distribution management system and substation automation system in all TEI substations.	Upgrading of TEI's substation network infrastructure from just data acquisition to control and management to advanced distribution management system will help the control room and substation operating personnel to monitor and control the substation. This will provide automated outage restoration and optimization of distribution system performance. Also, the project is in line with the Department of Energy's roadmap to a Smart Distribution Utility	There will be no improvement in outage restoration and optimization of distribution system performance	June 2026	90,723,073	
Capacity	Substation: Additional	Construction of 25/33 MVA Cresendo Substation and Extension of its 69kV Subtransmission line	Construction of new substation switchgear and control house, including the installation of 25/33 MVA, 69/13.8 kV, ONAN/ONAF power transformer and accessories.	TEI finds it necessary to have an additional substation including a transformer with a capacity of 25/33MVA to meet the capacity requirement for its 10-year planning horizon.	There will be not enough capacity of the power requirement	December 2026	374,687,381	33
Reliability	Other Network Assets	Purchasing and Installation of Additional Recloser	Purchasing and installation of 13-additional reclosers and accessories within the company's franchise area	This helps improve reliability, reduces outages, and limits downtime by keeping most of the network energized even if a part experiences a fault. It also enhances safety and reduces the need for manual resets, making the distribution system more efficient and dependable	Without the implementation of this project, the system may experience increased outages, prolonged downtime, reduced reliability, elevated safety risks, and a failure to align with the Department of Energy's roadmap for achieving a Smart Distribution Utility.	June 2027	17,000,000	
Non-network Projects	Non-network Assets	Acquisition of Lot	Acquisition of a 60,632-sqm property at Barangay Sulzo, Tarlac City	The early acquisition of the property allows the company to strategically expand its infrastructure, including a switching station, offices, meter laboratory, and warehouse, ensuring efficient energy demand management, reliable service, and long-term operational and financial sustainability	Failure to acquire the property will hinder the company's ability to expand its infrastructure, potentially delaying the development of critical facilities and exposing the company to rising real estate prices, ultimately impacting operational efficiency and long-term sustainability	December 2027	212,212,000	
Capacity	Subtransmission Facilities: Replacement and Rehabilitation	Upgrading of Subtransmission Line from Siesta Junction to TSU Junction to 795 MCM	Upgrading of 1.1 ckm 69kV sub-transmission line from Siesta Junction up to TSU	This project will ensure sustained capacity, reduce the risk of failure, and enhance operational safety, supporting continuous and reliable service	Failure to replace the deteriorating 336 MCM sub-transmission line from Siesta to TSU could lead to reduced capacity, an increased risk of failure, and potential hazards, compromising continuous operation and safety	December 2027	6,000,000	1
Reliability	Distribution Facilities: Replacement and Rehabilitation	Construction of Switchgear for TPC Substation	Construction of six (6) bays medium voltage switchgear for TPC Substation	This project is a proactive measure to ensure the seamless transition and continued reliability of the substation's operation. As the current switchgear is owned and operated by Tarlac Power Corp (TPC), the expiration of their contract in 2026 presents a critical risk to the stability of operation. By constructing a new switchgear facility under the ownership of the distribution utility, the project will mitigate operational risk.	The switchgear of TPC SS is housed at Tarlac Power Corporation (IPP) which unfortunately expires its operation by 2026. With this, a new switchgear house needs to be constructed at new location	December 2027	114,000,000	
Efficiency	Subtransmission Facilities: Replacement and Rehabilitation	Upgrading of Subtransmission Line from Metro Junction to Panganiban Substation	Upgrading of 0.42 ckm 69kV subtransmission line from Metro Junction to Panganiban Substation using 795 MCM ACSR	This project aims to standardize the 69kV subtransmission line of inter-substation to enhance the efficiency of distribution network.	Failure to implement this project will result in inefficiencies within the distribution network, hindering the standardization of the 69kV subtransmission line and limiting overall system performance.	December 2027	3,000,000	0
Non-network Projects	Non-network Assets	Acquisition of Lot	Acquisition of lot for additional substation near north east portion of franchise area	The early acquisition of the property allows the company to strategically expand its infrastructure, including a switching station, offices, meter laboratory, and warehouse, ensuring efficient energy demand management, reliable service, and long-term operational and financial sustainability	Failure to acquire the property will hinder the company's ability to expand its infrastructure, potentially delaying the development of critical facilities and exposing the company to rising real estate prices, ultimately impacting operational efficiency and long-term sustainability	December 2027	10,000,000	
Non-network Projects	Non-network Assets	Construction of Meterlab Warehouse	The project involves the construction of a new Meterlab Testing and Warehouse facility. This facility will be designed to accommodate advanced testing equipment and ample storage space for various materials and products. The warehouse will be equipped with state-of-the-art technology to ensure efficient inventory management and streamlined operations.	The new facility will provide ample space, the warehouse will accommodate a larger inventory, reducing the risk of stockout and enabling better chain management. The new facility will support future growth and expansion, allowing the company to scale its operation as needed	Existing storage limitations could lead to stockouts, inefficiency in inventory management and potential delays in fulfilling customer orders.	January 2028	15,000,000	
Non-network Projects	Non-network Assets	Meter Testing System	The project aims to upgrade the existing meter testing system to a more advanced and automated solution. This upgrade will involve the implementation of state-of-the-art testing equipment and software to ensure accurate and efficient testing of utility meters. The new system will include features such as automated data collection and enhanced reporting capabilities.	The upgraded system will provide more precise measurements, reducing errors and ensuring that meters are calibrated correctly. Automation will streamline the testing process, reducing the time and labor required for manual testing.	It will not improve operational efficiency.	June 2028	12,000,000	
Reliability	Smart Grid	Purchasing and Installation of Additional Recloser	Purchasing and installation of 5-additional reclosers and accessories within the company's franchise area	This helps improve reliability, reduces outages, and limits downtime by keeping most of the network energized even if a part experiences a fault. It also enhances safety and reduces the need for manual resets, making the distribution system more efficient and dependable	Without the implementation of this project, the system may experience increased outages, prolonged downtime, reduced reliability, elevated safety risks, and a failure to align with the Department of Energy's roadmap for achieving a Smart Distribution Utility.	June 2028	7,000,000	
Reliability	Smart Grid	Purchasing and Installation of Additional Sectionalizers	Purchasing and installation of 9 sectionalizers and accessories within the company's franchise area	This helps improve reliability, reduces outages, and limits downtime by keeping most of the network energized even if a part experiences a fault. It also enhances safety and reduces the need for manual resets, making the distribution system more efficient and dependable	Without the implementation of this project, the system may experience increased outages, prolonged downtime, reduced reliability, elevated safety risks, and a failure to align with the Department of Energy's roadmap for achieving a Smart Distribution Utility.	June 2028	10,000,000	
Capacity	Substation: Additional	Construction of additional 33 MVA Substation	Installation of additional 25/33 MVA, 69/13.8 kV, ONAN/ONAF power transformer and accessories including construction of new substation switchgear and control house to accommodate the load from north east portion of franchise area	To serve customer power requirements from load growth and expected spot loads. The load growth within the area is expected to rise significantly in the coming years, driven by the upcoming construction of Victoria Industrial Park in Baculong, Victoria. Additionally, this project aligns with the DPWH's circumferential road project, which will facilitate the seamless extension of the line to meet the N-1 reliability criteria.	Failure to implement this project will hinder the ability to meet growing customer power requirements, delay alignment with the DPWH's circumferential road project, and limit the capacity to support future load growth, compromising reliability and service.	December 2028	313,000,000	33

Planned CAPEX Program Details

ANNEX "D"

Type	Category	Name	Description	Project Benefit	Impact if not Implemented	Target Completion Date	Project Cost, PHP	Quantity (ckm, MVA, MVAR, MW)
Capacity	Subtransmission Facilities: Acquisition and Expansion	Extension of 795 MCM Subtransmission line from Sto. Cristo going to proposed additional Substation	Extension of 69kV Subtransmission Line from Sto. Cristo to proposed additional Substation using 795 MCM Conductor	This project aims to meet growing customer power requirements driven by load growth in the north east portion, while aligning with the DPWH's circumferential road project to ensure a reliable power supply and compliance with N-1 reliability standards.	Failure to implement this project will hinder the ability to meet growing customer power requirements, delay alignment with the DPWH's circumferential road project, and limit the capacity to support future load growth, compromising reliability and service.	December 2028	35,000,000	
Capacity	Substation: Upgrading	Upgrading of San Rafael Substation	Upgrading of power transformer in San Rafael Substation to 25/33 MVA	TEI finds it necessary to upgrade San Rafael Substation power transformer with a capacity of 25/33MVA to meet the capacity requirement for its 10-year planning horizon.	There will be not enough capacity of the power requirement	December 2028	58,000,000	33
Capacity	Substation: Additional	Construction of new Cresendo II Substation with 33 MVA Power Transformer and extension of sub-transmission lines to Ayala II SS Phase II at Brgy. Central	Construction of new substation switchgear and control house, including the installation of 25/33 MVA, 69/13.8 kV, ONAN/ONAF power transformer and accessories.	TEI finds it necessary to have an additional substation including a transformer with a capacity of 25/33MVA to meet the capacity requirement for its 10-year planning horizon.	There will be not enough capacity of the power requirement	December 2028	336,000,000	33
Reliability	Smart Grid	Purchasing and Installation of Additional Recloser	Purchasing and installation of 5-additional reclosers and accessories within the company's franchise area	This helps improve reliability, reduces outages, and limits downtime by keeping most of the network energized even if a part experiences a fault. It also enhances safety and reduces the need for manual resets, making the distribution system more efficient and dependable	Without the implementation of this project, the system may experience increased outages, prolonged downtime, reduced reliability, elevated safety risks, and a failure to align with the Department of Energy's roadmap for achieving a Smart Distribution Utility.	June 2029	10,000,000	
Reliability	Smart Grid	Purchasing and Installation of Additional Sectionalizers	Purchasing and installation of 11-additional sectionalizers and accessories within the company's franchise area	This helps improve reliability, reduces outages, and limits downtime by keeping most of the network energized even if a part experiences a fault. It also enhances safety and reduces the need for manual resets, making the distribution system more efficient and dependable	Without the implementation of this project, the system may experience increased outages, prolonged downtime, reduced reliability, elevated safety risks, and a failure to align with the Department of Energy's roadmap for achieving a Smart Distribution Utility.	June 2029	14,000,000	
Capacity	Subtransmission Facilities: Replacement and Rehabilitation	Upgrading of TEI Line 3 to 410 STACIR	Upgrading of 9.25 ckm 69kV subtransmission TEI Line 3	To serve customer power requirement. This will also allow the N-1 Reliability criteria for subtransmission line	Failure to implement this project will prevent the company from meeting customer power requirements and achieving the N-1 reliability criteria for the subtransmission line, compromising system stability and service reliability	December 2029	91,000,000	9
Capacity	Substation: Additional	Construction Of additional 25/33 MVA(Transformer No 2) Cresendo I Substation	Installation of additional 25/33 MVA, 69/13.8 kV, ONAN/ONAF power transformer and accessories.	TEI finds it necessary to have an additional substation including a transformer with a capacity of 25/33MVA to meet the capacity requirement for its 10-year planning horizon.	There will be not enough capacity of the power requirement	December 2029	111,000,000	33
Reliability	Smart Grid	Purchasing and Installation of Additional Sectionalizers	Purchasing and installation of 23-additional sectionalizers and accessories within the company's franchise area	This helps improve reliability, reduces outages, and limits downtime by keeping most of the network energized even if a part experiences a fault. It also enhances safety and reduces the need for manual resets, making the distribution system more efficient and dependable	Without the implementation of this project, the system may experience increased outages, prolonged downtime, reduced reliability, elevated safety risks, and a failure to align with the Department of Energy's roadmap for achieving a Smart Distribution Utility.	June 2030	30,000,000	
Capacity	Substation: Additional	Construction of Suizo Switching Substation	Installation of High Voltage Suizo Switching Substation	This project is a strategic initiative to enhance the reliability and stability of power supply.	If the project is not implemented, the reliability and stability of the power supply may be compromised, increasing the risk of disruptions and affecting overall service quality	December 2030	105,000,000	
Capacity	Substation: Additional	Construction of San Francisco Switching Substation	Installation of High Voltage San Francisco Switching Substation	This project is a strategic initiative to enhance the reliability and stability of power supply.	If the project is not implemented, the reliability and stability of the power supply may be compromised, increasing the risk of disruptions and affecting overall service quality	December 2030	105,000,000	
Capacity	Substation: Additional	Construction of 33MVA Armenia SS	Installation of additional 25/33 MVA, 69/13.8 kV, ONAN/ONAF power transformer and accessories including construction of new substation switchgear and control house.	To serve customer power requirement. This will also allow the N-1 reliability criteria among neighboring substations	Failure to implement this project will hinder the ability to meet customer power requirements and prevent the achievement of N-1 reliability criteria among neighboring substations, compromising system stability and service continuity	December 2030	300,000,000	33
Capacity	Subtransmission Facilities: Acquisition and Expansion	Extension of 795 MCM subtransmission line from San Francisco to Armenia SS	Extension of 69kV subtransmission line from San Francisco Substation to Armenia Substation	To serve customer power requirement. This will also allow the N-1 reliability for subtransmission line	Failure to implement this project will hinder the ability to meet customer power requirements and prevent the achievement of N-1 reliability criteria, compromising system stability and service continuity	December 2030	45,500,000	
Other CAPEX	Smart Grid	Upgrading of Panganiban Substation to Smart Substation	Upgrading the traditional Panganiban Substation to smart substation.	To modernize the traditional substation with smart technology that includes automation, advanced monitoring, and control systems, providing the essential infrastructure for SDUR by 2040	If the project is not implemented, the substation will remain outdated, lacking the automation, advanced monitoring, and control systems necessary to support the Smart Distribution Utility Roadmap (SDUR) by 2040, hindering modernization and efficiency goals.	December 2031	300,000,000	
Capacity	Substation: Additional	Construction Of additional 25/33 MVA(Transformer No 2) Cresendo II Substation	Installation of additional 25/33 MVA, 69/13.8 kV, ONAN/ONAF power transformer and accessories.	TEI finds it necessary to have an additional substation including a transformer with a capacity of 25/33MVA to meet the capacity requirement for its 10-year planning horizon.	There will be not enough capacity of the power requirement	December 2032	120,000,000	33
Capacity	Subtransmission Facilities: Acquisition and Expansion	Extension of Subtransmission line from NGCP II Substation to TPC SS	Extension of 69kV subtransmission line from NGCP II Substation to TPC Substation	To serve customer power requirement. This will also allow the N-1 reliability for subtransmission line	Failure to implement this project will hinder the ability to meet customer power requirements and prevent the achievement of N-1 reliability criteria, compromising system stability and service continuity	December 2034	51,000,000	