



SECURITIES AND EXCHANGE COMMISSION

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Company Type: Stock Corporation

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

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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 June 2026
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
<u>Common Shares</u>	<u>5,750,000</u>

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

Yes [] No [☒]

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

Not Applicable

12. Indicate by check mark whether the registrant:

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

Yes [☒] No []

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

Yes [☒] No []

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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 June 30, 2026 (with comparative figures as of December 31, 2025 and for the period ended June 30, 2025) 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
- (c) SEC Form 17-L filed on 10 August 2026 and Receiving copy of submitted SEC Form 17-L for the quarter ended June 2026



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:



VITO M. ROMERO
President and General Manager



FLORIZA D. FORLALES
Compliance Officer

Date: 18 August 2026

TARLAC ELECTRIC INC.
INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2026 AND DECEMBER 31, 2025
(Amounts in Philippine Pesos)
(UNAUDITED)

	Notes	2026	2025
<u>ASSETS</u>			
NON-CURRENT ASSETS			
Property and equipment – net	7	P 2,931,264,262	P 2,818,955,912
Deferred tax assets – net		33,351,628	32,370,601
Other non-current assets – net	8	<u>334,482,256</u>	<u>264,160,031</u>
Total Non-current Assets		<u>3,299,098,146</u>	<u>3,115,486,544</u>
CURRENT ASSETS			
Cash and cash equivalents	9	167,997,942	216,686,365
Trade and other receivables - net	10	791,971,211	589,279,915
Other current assets	11	<u>209,880,065</u>	<u>241,797,069</u>
Total Current Assets		<u>1,169,849,218</u>	<u>1,047,763,349</u>
TOTAL ASSETS		<u>P 4,468,947,364</u>	<u>P 4,163,249,893</u>
<u>LIABILITIES AND EQUITY</u>			
NON-CURRENT LIABILITIES			
Refundable deposits		P 464,877,337	P 471,382,912
Advances from customers	14	248,765,401	264,491,370
Accrued expenses	16	39,681,207	69,731,974
Lease liabilities-non-current	7	878,925	2,081,517
Retirement benefit obligation- net		<u>26,476,594</u>	<u>26,476,594</u>
Total Non-current Liabilities		<u>780,679,464</u>	<u>834,164,367</u>
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	12	354,709,468	152,155,914
Trade payables	15	496,974,947	329,529,537
Accrued expenses and other payables	16	388,519,970	354,100,143
Provisions	24	58,510,773	58,510,773
Lease liabilities	7.2	2,507,085	2,728,518
Dividends payable	17.4 (a)	-	-
Income tax payable		<u>12,533,334</u>	<u>29,411,341</u>
Total Current Liabilities		<u>1,313,755,577</u>	<u>926,436,226</u>
Total Liabilities		<u>2,094,435,041</u>	<u>1,760,600,593</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	(28,144,303)	(28,144,303)
Retained earnings		<u>1,357,995,921</u>	<u>1,386,132,898</u>
Total Equity		<u>2,374,512,323</u>	<u>2,402,649,300</u>
TOTAL LIABILITIES AND EQUITY		<u>P 4,468,947,364</u>	<u>P 4,163,249,893</u>

See Selected Notes to Interim Condensed Financial Statements.

TARLAC ELECTRIC INC.
INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED JUNE 30, 2026 AND 2025
(Amounts in Philippine Pesos)
(UNAUDITED)

		Year-to-Date		For the Quarter	
	Notes	2026	2025	2026	2025
SALE OF ELECTRICITY	18	P 2,403,692,058	P 2,122,384,228	P 1,401,733,795	P 1,171,250,937
COST OF ELECTRICITY SOLD	19	2,039,618,480	1,701,117,619	1,193,800,394	890,775,734
GROSS PROFIT		364,073,578	421,266,609	207,933,401	280,475,203
OTHER OPERATING EXPENSES					
General and administrative	19	248,506,651	214,749,198	127,723,539	121,451,008
Impairment losses		3,936,717	6,962,015	3,146,377	3,336,292
		252,443,368	221,711,213	130,869,917	124,787,300
OPERATING PROFIT		111,630,210	199,555,396	77,063,484	155,687,903
OTHER INCOME (CHARGES)					
Provisions		-	49,588,445	-	49,588,445
Finance costs – net		(3,452,808)	(2,848,086)	(1,999,089)	(1,587,095)
Gain (loss) on disposal of property and equipment		1,052,893	1,064,531	510,470	12,018
		(2,399,915)	47,804,890	(1,488,619)	48,013,368
PROFIT BEFORE TAX		109,230,295	247,360,286	75,574,865	203,701,271
TAX EXPENSE		29,957,272	64,179,375	18,893,719	51,399,926
NET PROFIT		79,273,023	183,180,911	56,681,146	152,301,345
OTHER COMPREHENSIVE INCOME					
Item that will not be reclassified subsequently to profit or loss					
Remeasurements on post-employment defined benefit plan		-	-	-	-
Tax income		-	-	-	-
		-	-	-	-
TOTAL COMPREHENSIVE INCOME		P 79,273,023	P 183,180,911	P 56,681,146	P 152,301,345
EARNINGS PER SHARE					
Basic and Diluted	23	P 13.79	P 31.86	P 9.86	P 26.49

See Selected Notes to Interim Condensed Financial Statements.

TARLAC ELECTRIC, INC.
INTERIM CONDENSED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED JUNE 30, 2026 AND 2025
(Amounts in Philippine Pesos)
(UNAUDITED)

	Capital Stock (see Note 17)		Additional Paid-in Capital		Revaluation Reserves (see Notes 17)	Retained Earnings (see Note 17)			Total Equity
						Appropriated	Unappropriated	Total	
Balance at January 1, 2026	P	575,000,000	P	469,660,705	(P 28,144,303)	P 370,000,000	P 1,016,132,898	P 1,386,132,898	2,402,649,300
Issuance of shares		-		-					-
Reversal of appropriation		-		-	-	-	-	-	-
Cash dividends declaration							(107,410,000)	(107,410,000)	(107,410,000)
Appropriation for the year						-	-	-	-
Total comprehensive income for period		-		-	-	-	79,273,023	79,273,023	79,273,023
Balance at June 30, 2026	P	575,000,000	P	469,660,705	(P 28,144,303)	P 370,000,000	P 987,995,921	P 1,357,995,921	P 2,374,512,323
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	P 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 the period		-		-	-	-	183,180,911	183,180,911	183,180,911
Balance at June 30, 2025	P	575,000,000	P	469,660,705	(P 11,821,621)	P 300,000,000	P 911,857,055	P 1,211,857,055	P 2,244,696,139

See Selected Notes to Interim Condensed Financial Statements.

TARLAC ELECTRIC, INC.
INTERIM CONDENSED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED JUNE 30, 2026 AND 2025
(Amounts in Philippine Pesos)
(UNAUDITED)

	<u>Notes</u>	<u>2026</u>	<u>2025</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		P 109,230,295	P 247,360,286
Adjustments for:			
Depreciation and amortization	7, 8	128,704,673	106,985,359
Impairment losses on trade receivables	19	3,936,717	6,962,015
Interest expense		4,162,978	3,425,676
Interest income		(490,663)	(214,340)
(Gain) loss on disposal of property and equipment		(1,052,893)	(1,064,531)
Gain on recovery of previously written-off receivables	10	(219,507)	(363,250)
Operating profit before working capital changes		244,271,600	363,091,215
Decrease (increase) in trade receivables		(206,408,506)	(9,936,398)
Decrease (increase) in other current assets		(15,082,996)	(50,580,086)
Increase in trade payables		167,445,410	30,119,483
Increase (decrease) in accrued expenses and other payables		4,369,060	(37,131,323)
Increase (decrease) in provisions		-	(49,588,445)
Increase in refundable deposits		(6,598,765)	16,338,222
Increase (decrease) in advances from customers		(15,725,969)	9,444,785
Cash generated from operations		172,269,834	271,757,453
Interest received		490,663	214,340
Cash paid for taxes		(47,816,306)	(28,821,917)
Net Cash From Operating Activities		<u>124,944,191</u>	<u>243,149,876</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment	7	(227,940,964)	(254,370,354)
Repayment of lease liability	7	-	-
Proceeds from disposal of property and equipment	7	1,052,893	1,064,531
Additions to computer software	8	(36,394,284)	(24,671,084)
Net Cash Used in Investing Activities		(263,282,355)	(277,976,907)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of interest-bearing loans and borrowings	12	295,026,800	70,000,000
Dividends paid	17	(107,410,000)	(68,732,055)
Repayments of interest-bearing loans and borrowings	12	(92,473,246)	(844,186)
Interest paid		(3,918,714)	(3,197,531)
Repayment of lease liability	7	(1,575,099)	(1,504,423)
Net Cash From (Used in) Financing Activities		<u>89,649,741</u>	(4,278,195)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(48,688,423)	(39,105,226)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		<u>216,686,365</u>	<u>271,084,566</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u>P 167,997,942</u>	<u>P 231,979,340</u>

See Selected Notes to Interim Condensed Financial Statements.

TARLAC ELECTRIC INC.
SELECTED NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025 AND DECEMBER 31, 2025
(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, 2025.

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 at the beginning of the preceding period when it applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items that have 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 on the succeeding page, 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 whether 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 sales 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 terms 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 June 30, 2026 and December 31, 2025, 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 on 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 June 30, 2026, and December 31, 2025, 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 assets to be utilized. Management assessed that the deferred tax assets recognized as of June 30, 2026, and December 31, 2025, 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 June 30, 2026, and December 31, 2025.

(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 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 non-interest 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	June 30, 2026 (Unaudited)	December 31, 2025 (Audited)
Cash and cash equivalents	9	₱ 167,997,942	₱ 216,686,365
Trade receivables	10	854,902,510	648,274,497
Refundable deposits	11	4,222,690	3,922,741
Receivable from retirement funds	11	2,885,327	4,884,222
		₱ 1,030,008,469	₱ 873,767,825

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 the succeeding page.

(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 ₱1,000,000 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 June 30, 2026, and December 31, 2025, 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 is 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 around P62.9 million and P58.9 million allowance for impairment as at June 30, 2026, and December 31, 2025, 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 June 30, 2026, and December 31, 2025, was determined based on months past due, as follows:

	0 - 90 Days	91 - 180 Days	181 - 360 Days	Over 360 days	TOTAL
June 30, 2026					
<i>Expected credit loss rate</i>	4.44%	52.94%	97.72%	26.24%	
Trade Receivables	737,992,663	16,024,851	7,066,331	56,299,751	817,383,596
Loss on allowance	32,770,036	8,483,400	6,905,442	14,772,420	62,931,298
December 31, 2025					
<i>Expected credit loss rate</i>	1.38%	12.24%	98.03 %	56.78%	
Trade Receivables	550,414,782	15,494,900	6,603,857	75,760,958	648,274,497
Loss on allowance	7,610,017	1,896,421	6,473,466	43,014,678	58,994,582

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

	June 30, 2026 (Unaudited)	December 31, 2025 (Audited)
Balance at beginning of period	58,994,582	42,968,282
Additional ECL	3,936,717	16,026,300
Reversal of ECL	-	-
Balance at end of period	62,931,299	58,994,582

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 June 30, 2026, 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	₱ 496,974,947	-	-	-
Accrued Expenses and other Payables	272,767,627		39,681,207	
Interest- bearing loans and borrowings	354,225,327	484,141		
Advances from Customers	110,901,881		248,765,401	
Lease Liability	1,304,492	1,202,593	878,925	
Refundable Deposits	4,850,462			464,877,337
	₱ 1,241,024,736	1,686,734	289,325,533	464,877,337

This compares to the maturity of the Company's financial liabilities as of December 31, 2025, as presented below.

	Current		Non-current	
	Within 6 Months	6-12 Months	1 to 5 years	Later than 5 years
Trade Payables	₱ 329,529,537	-	-	-
Accrued Expenses and other Payables	176,775,198	-	69,731,974	-
Interest- bearing loans and borrowings	153,119,464	-	-	-
Advances from Customers	116,015,192		264,491,370	-
Lease Liability	1,490,372	1,490,372	2,173,208	-
Refundable Deposits	-	-	-	471,618,603
	₱ 776,929,763	1,490,372	336,396,552	471,618,603

The contractual maturities above reflect the gross cash flow, 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 June 30, 2026 and December 31, 2025, 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 below:

	Gross Amounts recognized in the statement of financial position	Related amounts not set-off in the statement of financial position	Net amount
June 30, 2026			
Interest-bearing loans and borrowings	<u>₱ 354,709,468</u>	<u>(₱ 37,357,192)</u>	<u>₱ 317,352,276</u>
December 31, 2025			
Interest-bearing loans and borrowings	<u>₱ 152,155,914</u>	<u>(₱ 42,856,215)</u>	<u>₱ 109,299,699</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 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 are at Level 1).

The Company has no financial assets and financial liabilities measured at fair value as of June 30, 2026, and December 31, 2025. 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	June 30, 2026 (Unaudited)	December 31, 2025 (Audited)
Property and equipment	7.1	₱ 2,928,220,482	₱ 2,814,500,712
Right -of-use assets	7.2	3,043,780	4,455,200
		₱ <u>2,931,264,262</u>	₱ <u>2,818,955,912</u>

As of June 30, 2026, and December 31, 2025, no impairment losses were recognized 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
June 30, 2026	2,632,269,085	609,988,707	654,343,387	180,035,643	647,462,943	160,027,330	4,884,127,095
Cost or Valuation	-	-	-	-	-	-	-
Accumulated Depreciation and amortization	(1,253,594,253)	(405,546,549)	(77,233,817)	-	(219,531,994)	-	(1,955,906,613)
Net carrying amount	1,378,674,832	204,442,158	577,109,570	180,035,643	427,930,949	160,027,330	2,928,220,482
December 31, 2025							
Cost or Valuation	2,517,056,165	579,425,565	532,304,434	180,035,643	549,385,257	297,964,485	4,656,171,549
Accumulated Depreciation and amortization	(1,199,027,534)	(365,000,417)	(68,649,669)	-	(208,993,217)	-	(1,841,670,837)
Net carrying amount	1,318,028,631	214,425,148	463,654,765	180,035,643	340,392,040	297,964,485	2,814,500,712

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

	Sub- Transmission and Distribution Equipment	Other Machineries and Equipment	Buildings, Fixtures and Improvements	Land	Substation Equipment	Construction in Progress	Total
Balance at January 1, 2026							
net of accumulated depreciation and amortization	1,318,028,631	214,425,148	463,654,765	180,035,643	340,392,040	297,964,485	2,814,500,712
Additions	86,123,493	28,107,784	10,188,806	-	-	87,804,872	212,224,955
Reclassifications	29,089,427	2,455,357	111,850,148	-	98,077,687	(225,742,027)	15,730,592
Depreciation and amortization charges for the year	(54,566,719)	(40,546,131)	(8,584,149)	-	(10,538,778)	-	(114,235,777)
Balance at June 30, 2026							
net of accumulated depreciation and amortization	1,378,674,832	204,442,158	577,109,570	180,035,643	427,930,949	160,027,330	2,928,220,482

<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, 2025, net of accumulated depreciation	180,035,643	1,187,496,458	398,111,916	249,644,379	220,574,585	308,584,166	2,544,447,147
Additions	-	235,325,995	36,636,725	3,705,856	50,710,831	138,529,515	464,908,922
Write off	-	-	-	(478,414)	-	-	(478,414)
Reclassifications	-	(14,909,247)	41,890,290	106,855,347	16,968,095	(149,149,196)	1,655,289
Depreciation charges for the year	-	(89,884,575)	(12,984,166)	(19,335,128)	(73,828,363)	-	(196,032,232)
Balance at December 31, 2025, net of accumulated depreciation	180,035,643	1,318,028,631	463,654,765	340,392,040	214,425,148	297,964,485	2,814,500,712

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

	2026 (Unaudited)	2025 (Unaudited)
Cost of electricity sold	₱ 61,215,840	₱ 49,180,222
General and administrative expenses	67,503,416	57,805,136
	₱ 128,719,256	₱ 106,985,358

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

As of June 30, 2026, and December 31, 2025, fully depreciated and amortized assets amounting to ₱653,578,360 and ₱629,339,369 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 of June 30, 2026, and December 31, 2025, and the movement during the period are as follows:

	June 30, 2026 (Unaudited)	December 31, 2025 (Audited)
Balance at beginning of the period	₱ 4,455,200	₱ 4,369,766
Additions	-	2,838,205
Amortization expense (see Note 19)	(1,411,420)	(2,752,771)
Balance at end of period	₱ 3,043,780	₱ 4,455,200

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

	June 30, 2026 (Unaudited)	December 31, 2025 (Audited)
Balance at beginning of the period	P 4,810,035	P 4,693,944
Additions	-	2,838,205
Interest expense	151,073	337,622
Repayment of lease liabilities	(1,575,099)	(3,059,736)
Balance at end of period	<u>P 3,386,009</u>	<u>P 4,810,035</u>

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

	June 30, 2026 (Unaudited)	December 31, 2025 (Audited)
Current	P 2,507,085	P 2,728,518
Non-current	<u>878,924</u>	<u>2,081,517</u>
	<u>P 3,386,009</u>	<u>P 4,810,035</u>

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities as of June 30, 2026 is as follows:

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	Total
Lease payments	P 2,666,409	P 855,888	P 56,556	-	P 3,578,853
Interest Expense	(159,324)	(33,155)	(365)	-	(192,844)
	<u>P 2,507,485</u>	<u>P 822,733</u>	<u>P 56,191</u>	<u>-</u>	<u>P 3,386,009</u>

This compares to the undiscounted maturity analysis of lease liabilities as of December 31, 2025 as follows:

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Total
Lease payments	P 2,980,744	P 1,777,316	P 395,892	-	-	P 5,153,952
Interest Expense	(252,226)	(81,600)	(10,091)	-	-	(343,917)
	<u>P 2,728,518</u>	<u>P 1,695,716</u>	<u>P 385,801</u>	<u>-</u>	<u>-</u>	<u>P 4,810,035</u>

The total cash outflow in respect of leases amounted to ₱787,549 and ₱752,212 in 2026 and 2025, 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 period ended June 30 are presented as Rent and are allocated on the following accounts (see Note 19).

	2026 (Unaudited)	2025 (Unaudited)
Cost of electricity sold	₱ 15,749,880	₱ 11,660,463
General and administrative expenses	381,136	242,000
	<u>₱ 16,131,016</u>	<u>₱ 11,902,463</u>

8. OTHER NON-CURRENT ASSETS

This account is composed of the following:

	June 30, 2026 (Unaudited)	December 31, 2025 (Audited)
Advances to supplier	₱ 202,000,000	₱ 155,000,000
Computer software – net	132,456,856	109,134,631
Others	25,400	25,400
Balance at end of period	<u>₱ 334,482,256</u>	<u>₱ 264,160,031</u>

A reconciliation of the carrying amount of computer software at the beginning and end of 2026 and 2025 are shown below.

	June 30, 2026 (Unaudited)	December 31, 2025 (Audited)
Balance at beginning of the period, net of accumulated amortization	₱ 109,134,631	₱ 60,078,682
Additions	36,394,284	71,181,911
Amortization charges for the period	<u>(13,072,059)</u>	<u>(22,125,962)</u>
Balance at end of period net of accumulated amortization	<u>₱ 132,456,856</u>	<u>₱ 109,134,631</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:

	June 30, 2026 (Unaudited)	December 31, 2025 (Audited)
Cash on hand	₱ 15,303,332	₱ 47,938,306
Cash in banks	140,847,408	156,906,778
Short-term placements	11,847,202	11,841,281
	<u>₱ 167,997,942</u>	<u>₱ 216,686,365</u>

Cash on hand consists of undeposited collections, petty cash and emergency funds as of June 30, 2026, and December 31, 2025.

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 2026 and 2025.

10. TRADE RECEIVABLES

This account is composed of the following:

	June 30, 2026 (Unaudited)	December 31, 2025 (Audited)
Current:		
Trade receivables	₱ 854,358,631	₱ 647,726,586
Allowance for impairment	(62,931,299)	(58,994,582)
	<u>791,427,332</u>	<u>588,732,004</u>
Accrued receivables	543,879	547,911
	<u>₱ 791,971,211</u>	<u>₱ 589,279,915</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 June 30, 2026, and December 31, 2025, was deemed adequate [see Note 4.2(b)].

As of June 30, 2026, and December 31, 2025, trade receivables also include pass-through receivables related to output VAT, universal charges, feed-in-tariff allowance (FIT-ALL), green energy auction allowance (GEA-ALL), Lifeline Subsidy/Discount 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 future collections from customers.

11. OTHER CURRENT ASSETS

This account is composed of the following:

	June 30, 2026 (Unaudited)	December 31, 2025 (Audited)
Supplies inventories	₱ 169,996,260	₱ 194,270,740
Refundable deposits	4,222,690	3,922,741
Restricted fund	3,334,255	3,333,122
Receivable from retirement fund	2,885,327	4,884,222
Deferred input VAT	336,860	1,818,163
Creditable withholding tax	77,512	-
Other prepayments and assets	29,027,161	33,568,081
	₱ 209,880,065	₱ 241,797,069

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.

	June 30, 2026 (Unaudited)	December 31, 2025 (Audited)
Balance at beginning of period	₱ 152,155,914	₱ 100,844,186
Additions	295,026,800	90,000,000
Repayments	(92,473,246)	(38,688,272)
Balance at the end of period	₱ 354,709,468	₱ 152,155,914
Current	354,709,468	152,155,914
Non-current	-	-
	₱ 354,709,468	₱ 152,155,914

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

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

- The Company had outstanding unsecured short-term loans from other local banks amounting to ₱352,800,000 and ₱150,000,000 as of June 30, 2026, and December 31, 2025. These are payable within three to six months. These loans bear annual interest rates ranging from 4.85% to 5.875%.
- The company also entered into finance mortgage, which has an outstanding balance of ₱1,909,468 and ₱2,155,914 as of June 30, 2026, and December 31, 2025.

Total interest expense on interest-bearing loans and borrowings amounted to ₱3,918,715 and ₱1,408,454 on June 30, 2026, and 2025 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 earn interest rates based on the rates mandated by the ERC.

Refundable deposits, inclusive of accrued interest, amounted to ₱469,727,799 and ₱471,382,912 as of June 30, 2026, and December 31, 2025, respectively.

14. ADVANCES FROM CUSTOMERS

Advances from customers represent the amount of advances from customers to cover the necessary expenditure 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 ₱248,765,401 as of June 30, 2026, and ₱264,491,370 as of December 31, 2025, 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 June 30, 2026, and December 31, 2025. 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 to Tarlac Power Corporation (TPC) for the purchase of electricity of ₱9,798,172 as of December 31, 2025 and no outstanding liability as of June 30, 2026. (see Notes 19 and 21.1).

16. ACCRUED EXPENSES AND OTHER PAYABLES

This account consists of:

	Notes	June 30, 2026 (Unaudited)	December 31, 2025 (Audited)
Current:			
Advance from customers	14	₱ 110,901,472	₱ 116,014,783
Non-trade accounts payable		104,052,910	94,713,297
Accrued expenses		72,350,140	45,234,938
Accrued power bill		57,120,548	47,330,154
Franchise tax payable		19,861,334	35,011,489
Pass-on VAT Payable	10	19,383,104	15,795,482
Refundable Deposits		4,850,462	-
		<u>388,519,970</u>	<u>354,100,143</u>
Non-current:			
Accrued expenses		-	30,050,767
Non-trade accounts payable		39,681,207	39,681,207
		<u>39,681,207</u>	<u>69,731,974</u>
		<u>₱ 428,201,177</u>	<u>₱ 423,832,117</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.

	June 30, 2026 (Unaudited)	December 31, 2025 (Audited)
Total liabilities	₱ 2,094,435,041	₱ 1,760,600,593
Total equity	2,374,512,323	2,402,649,300
Debt-to-equity ratio	0.88: 1.00	0.73 : 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	
	June 30, 2026 (Unaudited)	December 31, 2025 (Audited)	June 30, 2026 (Unaudited)	December 31, 2025 (Audited)
Common shares				
P100 par value				
Authorized – 10,000,000 shares				
Issued:				
Balance at beginning of the period	₱ 5,750,000	₱ 5,750,000	₱ 575,000,000	₱ 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	₱ 575,000,000	₱ 575,000,000

On November 15, 2019, the BOD approved the change in the Company's ACS from ₱1,000,000,000 divided into 200,000 Class A common shares with a par value of ₱1,000 per share and 8,000,000 Class B common shares with a par value of ₱100 per share to

₱1,000,000,000 divided into 10,000,000 common shares with a par value of ₱100 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 ₱380.0 per Offer Share. As a result, the Company recognized additional paid-in capital amounting to ₱469.6 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 ₱22.4 million were charged against the additional paid in capital relating to this issuance.

As of June 30, 2026, and December 31, 2025, 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 June 30, 2026, and December 31, 2025, as shown below and in the succeeding page:

	<u>Land</u>	<u>Retirement Benefit</u>	<u>Total</u>
Balance as of January 1, 2026	<u>₱ 10,140,678</u>	<u>(₱ 38,284,981)</u>	<u>(₱ 28,144,303)</u>
Other comprehensive loss before tax	-	-	-
Tax income	-	-	-
Other comprehensive loss after tax	-	-	-
Balance as of June 30, 2026	<u>₱ 10,140,678</u>	<u>(₱ 38,284,981)</u>	<u>(₱ 28,144,303)</u>

	Land	Retirement Benefit Fund	Total
Balance as of January 1, 2025	<u>₱ 10,140,678</u>	<u>(₱ 21,962,299)</u>	<u>(₱ 11,821,621)</u>
Other comprehensive loss before tax	-	(21,763,576)	(21,763,576)
Tax income	-	5,440,894	5,440,894
Other comprehensive income after tax	-	(16,322,682)	(16,322,682)
Balance as of December 31, 2025	<u>₱ 10,140,678</u>	<u>(₱ 38,284,981)</u>	<u>(₱ 28,144,303)</u>

17.4 Retained Earnings

(a) Dividend Declaration

The BOD approved the declaration of cash dividends in 2026, 2025 and 2024 as shown below.

Date of Declaration	Record Date	Dividend per Share	Total
<u>2026</u>			
17 April 2026	30 April 2026	₱ 18.68	₱ <u>107,410,000</u>
<u>2025</u>			
16 May 2025	31 May 2025	₱ 12.81	₱ <u>73,657,500</u>
<u>2024</u>			
17 May 2024	31 May 2024	₱ 13.34	₱ <u>76,705,000</u>

(b) Appropriated Retained Earnings

On December 16, 2022, the BOD approved a new appropriation of ₱350,000,000 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 ₱280,000,000 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 ₱300,000,000 planned acquisitions and related construction of property and equipment for 2025.

On December 19, 2025, the BOD approved a new appropriation of ₱370,000,000 planned acquisitions and related construction of property and equipment for 2026.

18. REVENUES FROM SALE OF ELECTRICITY

Revenues from sales of electricity for the six months ended June 30, 2026, and 2025 consists of:

	2026 (Unaudited)	2025 (Unaudited)
Generation	₱ 1,267,580,550	₱ 1,208,113,620
Distribution	466,277,554	363,916,704
Transmission	368,137,951	256,694,111
System loss	114,990,221	107,332,359
Supply	83,296,872	80,948,032
Metering	78,514,012	76,124,702
Others	24,894,898	29,254,700
	₱ 2,403,692,058	₱ 2,122,384,228

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 June 30.

	Notes	2026 (Unaudited)	2025 (Unaudited)
Net purchased power		₱ 1,848,752,933	₱ 1,533,010,443
Depreciation and amortization	7, 8	128,719,256	106,985,358
Salaries and employee benefits	20.1	91,190,474	86,891,185
Outside services		64,878,916	68,614,416
Repairs and maintenance		32,034,312	25,558,587
Taxes and licenses		26,288,008	24,418,691
Rent	7.2, 21.3	16,131,016	11,902,463
Security Services		14,106,960	12,441,150
Utilities		12,713,370	11,506,896
Professional fees		7,049,035	5,429,180
Insurance		5,128,780	5,072,720
Impairment losses		3,936,717	6,962,015
Directors' Fees		3,090,000	2,780,000
Office supplies		2,881,521	2,407,216
Transportation and travel		2,464,966	1,820,284
Representation		1,072,218	1,520,858
Others		31,623,366	15,507,370
		₱ 2,292,061,848	₱ 1,922,828,832

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

		2026 (Unaudited)		2025 (Unaudited)
Cost of electricity sold	₱	2,039,618,480	₱	1,701,117,620
Other operating expenses		252,443,368		221,711,212
	₱	<u>2,292,061,848</u>	₱	<u>1,922,828,832</u>

Cost of electricity sold comprises of:

	Notes	2026 (Unaudited)	2025 (Unaudited)
Purchased power from:			
GMEC	15	₱ 910,593,560	₱ 825,115,287
Independent Electricity Market		448,998,324	351,891,818
NGCP	15	405,441,338	266,866,857
TPC	15,21.1	42,871,406	92,784,310
Trustpower		39,718,644	-
Others		13,715,298	8,543,070
		<u>1,861,338,570</u>	<u>1,545,201,342</u>
Prompt payment discount	15	<u>(12,585,637)</u>	<u>(12,190,899)</u>
		1,848,752,933	1,533,010,443
Outside services		52,335,349	57,169,706
Depreciation and amortization	7	61,215,840	49,180,222
Salaries and employee benefits	20.1	34,749,495	31,740,016
Repairs and maintenance		26,814,983	18,356,770
Rent	7.2, 21.3	15,749,880	11,660,463
		<u>₱ 2,039,618,480</u>	<u>₱ 1,701,117,620</u>

20. EMPLOYEE BENEFITS

20.1 Salaries and Employee Benefits Expense

Expenses recognized for employee benefits are presented below.

	Notes	2026 (Unaudited)	2025 (Unaudited)
Short-term employee benefits		₱ 91,190,474	₱ 86,891,185
Post-employment defined benefit		-	-
		<u>₱ 91,190,474</u>	<u>₱ 86,891,185</u>

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).

		2026 (Unaudited)		2025 (Unaudited)
Cost of electricity sold	₱	34,749,495	₱	31,740,016
General and administrative expenses		56,440,979		55,151,169
	₱	91,190,474	₱	86,891,185

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 six months ended June 30, 2026, and 2025 is presented below:

Related Party Category	Notes	Amount of Transactions		Outstanding Balance	
		2026 (Unaudited)	2025 (Unaudited)	June 30, 2026 (Unaudited)	December 31, 2025 (Audited)
Related Parties Under Common Ownership:					
Purchase of electricity energy	21.1	₱ 42,239,195	₱ 91,464,374	₱ -	₱ 9,798,172
Purchase of supplies inventories	21.2	-	3,093,750	-	-
Lease of transportation equipment	21.3	15,749,880	11,660,463	-	808,920
Key Management Personnel					
Compensation	21.4	10,604,972	9,976,102	-	-
Officers/Shareholders					
Rental agreement	21.6	150,000	150,000	-	-
Director's Fee		2,250,000	2,100,000	-	-

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 was effective for a period of 15 years and expired in April 2026. 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 June 30, 2026, and December 31, 2025, 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 ₱10.6 million and ₱10 million for the periods ended June 30, 2026, and 2025.

21.5 Continuing Suretyship Agreement

The Company's 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 of June 30, 2026, and December 31, 2025.

21.6 Other Transaction with Shareholders

The Company has other transactions with its shareholders pertaining to rental of office space and director's fees. The transactions pertaining to rentals are presented as part of Rent under General and Administrative Expenses account in the interim condensed statements of comprehensive income (see Note 19) while director's fees (previously reported under Professional Fees in June 2025 quarterly financial reports) are likewise presented under General and Administrative Expense.

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 in 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 01, 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.

On October 16, 2025, ERC released ERC resolution No. 24, Series of 2025, entitled “*A Resolution Adopting the Rationalized Rules for Setting the Distribution Wheeling Rates (RRDWR) for Privately-Owned Distribution Utilities Under Performance-Based Regulation (PBR)*”. This resolution prescribes the rules governing rate resets applicable to all entity groups. The Company is classified under Group C and is required to apply its first regulatory period under the RDW covering the regulatory years (RY) 2027 to 2031 on or before October 2026.

22.4 Recall of Implemented preferential rate scheme

On August 15, 2025, the Company’s BOD approved the recall of the preferential rate scheme and the implementation of the approved rates effective on the October 2025 billings, subject to certain conditions. One of the conditions set forth is confirmation by the ERC that both the implementation and subsequent recall are within the prerogative of management. On August 27, 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 the Company may or may not continue the preferential rate scheme, provided that customers are adequately informed of the change and the Company continues to comply with all applicable regulatory and reportorial requirements. With this, the Company’s preferential rate scheme was recalled, and the approved rates of RY 2014 was implemented accordingly.

23. EARNINGS PER SHARE

Earnings per share were computed as follows:

	2026		2025
	(Unaudited)		(Unaudited)
Net profit for the period	₱ 79,273,023	₱	183,180,911
Divided by the weighted average			
Number of outstanding common shares	5,750,000		5,750,000
Earnings per share	₱ 13.79	₱	31.86

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 is as follows:

		Power Cost Over (Under) Recoveries (Note 24.1)		DWSA (Note 24.2)		Total
Balance at January 1, 2026	₱	48,685,035	₱	9,825,738	₱	58,510,773
Provisions		-		-		-
Reversal of provisions		-		-		-
Balance at June 30, 2026	₱	48,685,035	₱	9,825,738	₱	58,510,773
Balance at January 1, 2025	₱	123,686,538	₱	9,825,738	₱	133,512,276
Provisions		-		-		-
Reversal of provisions		(75,001,503)		-		(75,001,503)
Balance at December 31, 2025	₱	48,685,035	₱	9,825,738	₱	58,510,773

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 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 years.

On December 5, 2019, ERC issued its order authorizing the Company to collect the amount of ₱43,038,355 from its customers, and refund the amount of ₱80,551,774, in connection with the Company's consolidated applications covering the periods January 2011 to December 2013 and January 2014 to December 2016, subject to ERC's final evaluation. The Company completed the collection and refund of the said under and over recoveries in July 2021. In addition, on January 28, 2021, the ERC issued an Order authorizing the Company to implement its consolidated applications for the period January 2017 to December 2019 filed in August 2020, subject to ERC's evaluation. The Company subsequently filed a Motion for Reconsideration before the ERC to defer implementation and extend the refund/recovery period. Implementation of the Order commenced in August 2021 and was completed in August 2022. As of December 31, 2025, the ERC has not yet issued its final decision on these cases.

Moreover, on May 22, 2023, the Company filed with the ERC an application for the confirmation of its true-up calculation of automatic pass-through costs for the period January 2020 to December 2022. The application, docketed as ERC Case No. 2023-033CF, reflected a net under-recovery amounting to ₱94,070,172.

Also, in the same application, TEI proposes to consolidate the unresolved three previous true-up applications. Accordingly, TEI seeks for the confirmation of its calculated consolidated net under-recoveries of ₱119,998,556. As of December 31, 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. No provision was recognized for the period ended June 30, 2026, whereas a reversal of portion of its provisions amounting to ₱75,001,503.00 was recognized for the year ended December 31, 2025.

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 December 31, 2025, ERC is yet to decide on the motion for reconsideration submitted by the Company. The company recognized provisions amounting to ₱9,825,738 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. As of December 31, 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 Sual Power Inc. (SPI), formerly San Miguel Energy Corporation (SMEC) and the Company*

ERC rendered a decision on ERC Case No. 2011-081 in August 2015, making the provisional authority granted to the Company and SPI on July 18, 2011 permanent, to which SPI filed a motion for clarification and reconsideration. In May 2018, the ERC issued an order resolving SPI's motion for clarification and reconsideration, wherein the Company and SPI 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 SPI filed a motion for approval on their proposed recovery scheme before the ERC. 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 ₱68,687,468.00 in 2019. The related accruals amounting ₱60,101,535 is presented as current liabilities, as part of the Accrued expense and other payables in the statements of financial positions (see Note 16).

On March 17, 2026, the ERC issued an Order approving the Joint Motion for Approval of Recovery Scheme filed by the Company and SPI. The order authorizes SPI to recover from the Company ₱68,687,468 and allows the Company to recover the corresponding rate differential from its customers over a twelve-month period starting July 2026.

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 Purchase Agreements

In 2022, the Company entered into an agreement for purchase of parcels of land from Ayala Land, Inc. (ALI). However, the purchase is only supported by a contract to sell but the parties agreed to transfer the possession of the lot to the Company. The purpose of the transfer is to allow the Company to construct, operate, and maintain the substation. Until the full payment of all amounts due, and while the construction of the structures on the lot is ongoing, the Company agrees that it shall not sell, assign, mortgage or encumber its rights and interest over such structures without the prior written consent of ALI (see Note 7).

In 2024, the Company entered into a Contract to Sell with a third party for the purchase of certain land. The contract price is noninterest-bearing and payable in installments until 2027. As of December 31, 2025, legal title and control over the property have not yet been transferred to the Company (see Note 8).

In 2025, the Company entered into a Power Supply Agreement (PSA) with Trustpower Corporation for the supply of 10 MW of renewable energy over a period of ten (10) contract years, equivalent to one hundred twenty (120) billing months, commencing from the date of ERC approval. On March 26, 2026, ERC issued its Final Authority approving the PSA under ERC Case No. 2026-001 RC. Consequently, Trustpower Corporation commenced power delivery on March 28, 2026.

In January 2026, the Company entered into a PSA with Sual Power Inc. (SPI). The PSA has a term of fifteen (15) years, equivalent to one hundred eighty (180) billing periods, commencing on December 26, 2026 or upon approval by ERC, whichever occurs later, provided that the agreement shall in no event extend beyond December 25, 2041. On 18 June 2026, ERC granted a provisional authority to implement the PSA under ERC Case No. 2026-048 RC.

On 17 April 2026, TEI entered into a Renewable Energy Supply Agreement (RESA) with Sto. Niño Solar Power Corporation (SNSPC), a related party under common ownership, for the supply of 9.55 MW of renewable energy. The agreement has a term of twenty (20) years, commencing on December 26, 2026. The RESA has been filed with ERC for approval and is currently docketed as ERC Case No. 2026-081 RC. As of the reporting date, ERC approval remains pending.

24.5 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 June 30, 2026 and December 31, 2025, 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 June 2026 (with comparative figures as of 31 December 2025 and for the period ended 30 June 2025).

DISCUSSION ON CHANGES IN FINANCIAL POSITION

For the Six (6) Month Period Ended 30 June 2026 and Period Ended 31 December 2025

As of 30 June 2026, Total Assets amounted to around ₱4.4 billion, consisting of Non-Current Assets of ₱3.3 billion and Current Assets of ₱1.1 billion, whereas as of 31 December 2025, Total Assets amounted to around ₱4.1 billion consisting of Non-Current Assets of ₱3.1 billion and Current Assets of ₱1 billion.

The table below presents a comparison of the Company's Non-Current Assets as of 30 June 2026 and 31 December 2025:

Non-Current Assets	2026 (in thousands)	2025 (in thousands)	Inc/(Dec)	%
Property and equipment – net	2,931,264.00	2,818,956.00	112,308.00	3.98%
Deferred tax assets – net	33,352.00	32,371.00	981.00	3.03%
Other non-current assets – net	334,482.00	264,160.00	70,322.00	26.62%
TOTAL	3,299,098.00	3,115,487.00	183,611.00	5.89%

The increase in the total Non-Current Assets of 5.89% was primarily due to the increase in Property and Equipment of around ₱112.3 million which resulted from the completed and on-going construction of TEI's capital expenditure projects such as, but not limited to, the construction of new substations, extension, upgrading, and rehabilitation of the Company's sub-transmission, primary, and secondary lines, purchase and installation of meters, distribution transformers and poles and fixtures, and acquisition of information technology and communication equipment, transportation equipment, as well as furniture and fixtures.

The increase in Other Non-Current Assets of ₱70 million was primarily attributable to the advance payment for the acquisition of Suizo Lot. The Suizo lot is planned to be utilized for the Company's switching substation, business center, warehouse, meter laboratory and Retail Group Services office. The increase was likewise driven by the increase in computer software supporting the Company's utility operations and distribution management systems, as well as its cybersecurity requirements.

The table below presents a comparison of the Company's Current Assets as of 30 June 2026 and 31 December 2025:

Current Assets	2026 (in thousands)	2025 (in thousands)	Inc/(Dec)	%
Cash and Cash Equivalents	167,998.00	216,686.00	-48,688.00	-22.47%
Trade and other receivables - net	791,971.00	589,280.00	202,691.00	34.40%
Other current assets	209,880.00	241,797.00	-31,917.00	-13.20%
TOTAL	1,169,849.00	1,047,763.00	122,086.00	11.65%

The Company's Current Assets increased by approximately ₱122.1 million, or 11.65%, compared to the previous year. This growth was primarily driven by a 34.40% increase in Trade and Other Receivables, attributable to lower collection efficiency resulting from the ERC's non-disconnection and staggered payment directives. As a consequence, Cash and Cash Equivalents declined by 22.47%. The decrease was mainly due to net cash used in investing activities, particularly capital expenditure for property and equipment, as well as the buildup of receivables. Nevertheless, the decline was partially offset by net cash inflows from financing and operating activities. Meanwhile, Other Current Assets decreased by approximately ₱31.9 million, primarily due to lower advances to suppliers and reduced prepayments.

As of 30 June 2026, TEI's Total Liabilities amounted to around ₱2.1 billion consisting of Non-Current Liabilities of ₱780.7 million and Current Liabilities of ₱1.3 billion. As of 31 December 2025 Total Liabilities amounted to around ₱1.8 billion consisting of Non-Current Liabilities of ₱834.2 million and Current Liabilities of ₱926.4 million.

The table below shows the comparison of the Company's Non-Current Liabilities as of 30 June 2026 and 31 December 2025:

Non-Current Liabilities	2026 (in thousands)	2025 (in thousands)	Inc/(Dec)	%
Refundable deposits	464,877.00	471,383.00	-6,506.00	-1.38%
Advances from customers	248,765.00	264,491.00	-15,726.00	-5.95%
Accrued expenses	39,681.00	69,732.00	-30,051.00	-43.09%
Lease liabilities-non-current	879.00	2,082.00	-1,203.00	-57.80%
Retirement benefit obligation-net	26,477.00	26,477.00	0.00	0
TOTAL	780,679.00	834,165.00	-53,486.00	-6.41%

TEI's Total Non-Current Liabilities decreased by 6.41% or by ₱53.5 million. The decrease was primarily due to the decrease in Accrued Expenses by ₱30.0 million, which was primarily attributable to the reclassification of non-current portion of payable to Sual Power Inc. (SPI), formerly San Miguel Energy Corp. (SMEC), to current liabilities following the Order approving the Joint Motion for the Approval of Recovery Scheme filed by the Company and SPI. The Order authorized SPI to recover ₱68.70 million from the Company and, correspondingly, allowed the Company to recover the related rate differential from its customers over a

twelve-month period commencing July 2026. The decrease in Total Non-Current Liabilities was likewise attributed to reductions in Advances from Customers of ₱15.7 million, Refundable Deposits of ₱6.5 million, and Lease Liabilities of ₱1.2 million.

The table below presents the comparison of the Company's Current Liabilities as of 30 June 2026 and of 31 December 2025:

Current Liabilities	2026 (in thousands)	2025 (in thousands)	Inc/(Dec)	%
Interest-bearing loans and borrowings	354,709.00	152,156.00	202,553.00	133.12%
Trade payables	496,975.00	329,530.00	167,445.00	50.81%
Accrued expenses and other payables	388,520.00	354,100.00	34,420.00	9.72%
Provisions	58,511.00	58,511.00	0.00	0%
Lease liabilities	2,507.00	2,729.00	-222.00	-8.13%
Income tax payable	12,533.00	29,411.00	-16,878.00	-57.39%
TOTAL	1,313,755.00	926,437.00	387,318.00	41.81%

The Company's Current Liabilities increased by ₱387.3 million during the year, primarily driven by a ₱202.6 million increase in interest-bearing loans and borrowings. The additional borrowings were utilized to finance and support its working capital requirements, particularly in light of reduced collection efficiency during the period. The increase in Current Liabilities was further attributable to a ₱167.4 million rise in Trade Payables and a ₱34.4 million increase in Accrued Expenses and Other Payables. These increases were partially offset by decreases in Income Tax Payable of approximately ₱16.9 million and Lease Liabilities of ₱0.2 million.

Total Equity decreased by around ₱28.1 million for the period ended 30 June 2026. The decrease was primarily attributable to the declaration of cash dividends amounting to ₱107.4 million, which exceeded the net income recognized during the period, hence led to an overall reduction in retained earnings and total equity.

On 17 April 2026, the Company's Board of Directors (BOD) approved the declaration of cash dividends of ₱18.7 per share to stockholders on record as of 31 December 2025.

On 16 May 2025, the Company's Board of Directors (BOD) approved the declaration of cash dividends of ₱12.8 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 ₱13.3 per share to stockholders on record as of 31 May 2024.

On 19 December 2025, the BOD approved the reversal of the appropriations for 2025 projects amounting to ₱300.0 million and the appropriations for 2026 projects of ₱370.0 million.

On 20 December 2024, the BOD approved the reversal of the appropriations for 2024 projects amounting to ₱280.0 million and the appropriations for 2025 projects of ₱300.0 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 ₱380.0 per share pursuant to Sections 8 and 12 of the Securities Regulation Code.

For the Period Ended 30 June 2026 and 2025

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 corresponding pass-through charges, including any resulting over- or under-recoveries, are calculated in accordance with ERC Resolution No. 14, Series of 2023. These charges are subject to periodic evaluation by the ERC every three (3) years to determine the existence and extent of any over- or under-recoveries. Upon ERC approval, any approved over-recoveries are refunded to customers, while approved under-recoveries are recovered through future billings to TEI's customers.

The Company's current distribution charges are based on the last approved rates for Regulatory Year (RY) 2014 under the Performance-Based Regulation (PBR) framework. In August 2016, TEI implemented a preferential rate scheme that provided distribution charges lower than the approved rates, 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 a Management Prerogative."

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 was recalled effective October 2025 billing period and the approved rates for RY 2014 were 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), Distributed Energy Resources (DER) and Retail Aggregation Program (RAP).

Total Revenue for the period ended 30 June 2026 and 2025 are as follows:

Revenue	June 2026 (in thousands)	%	June 2025 (in thousands)	%	% Inc/Dec
Generation	1,267,580.00	52.73%	1,208,113.00	56.92%	4.92%
Distribution	466,278.00	19.40%	363,917.00	17.15%	28.13%
Transmission	368,138.00	15.32%	256,694.00	12.09%	43.42%
System loss	114,990.00	4.78%	107,332.00	5.06%	7.13%
Supply	83,297.00	3.47%	80,948.00	3.81%	2.90%
Metering	78,514.00	3.27%	76,125.00	3.59%	3.14%
Other Income	24,895.00	1.04%	29,255.00	1.38%	-14.90%
TOTAL	2,403,692.00	100.00%	2,122,384.00	100.00%	13.25%

The sale of electricity had increased by 13.25% for the six (6) month period ended 30 June 2026, compared to the same period in 2025. The increase is primarily attributed to a higher transmission rate and the recall of the Company's preferential rates scheme for distribution charge.

Generation Revenue increased by 4.92%, primarily due to increase in generation rates arising from increased in power supply costs during the period.

Distribution Revenue increased by 28.13% during the period. The increase was primarily attributable to the recall of the Company's preferential rate scheme, which resulted in the implementation of the approved distribution charges. In addition, a minimal increase in kWh sales of 3.31% further contributed to the overall growth in distribution revenue.

Transmission Revenue had increased by 43.42%, primarily due to higher Transmission and Ancillary Service Charges. These movements also contributed to the increase in system loss rates which in turn resulted in higher system loss revenue for the period. System Loss rate per customer class is computed based on the generation and transmission rates during the same period.

Supply and metering revenue has a minimal increased resulted from the increase in energy sales and number of customers during the period.

The table below summarizes the energy sales per customer class for the period ended 30 June 2026 and 2025, as well as the customer count as of 30 June 2026 and 2025:

Customer Class	Energy Sales in MWh			No. of Customers		
	2026	2025	% Inc/(Dec)	2026	2025	% Inc/(Dec)
Residential	116,898	113,273	3.20%	95,005	92,184	3.06%
Small Commercial	31,845	31,338	1.62%	5,817	5,621	3.49%
Secondary	30,044	28,043	7.14%	276	270	2.22%
Primary	90,111	86,689	3.95%	69	65	6.15%
69 KV	12,625	12,967	2.64%	2	2	0.00%
Streetlights	897	1,051	-14.65%	25	25	0.00%
Total	282,420	273,361	3.31%	101,194	98,167	3.08%

For the period ended 30 June 2026, the Company's total energy sales had increased by 3.31% compared to the same period of 2025, while the Company's total number of customers had increased by 3.08% or a total of 3,027 customers.

Costs and Expenses

The consolidated costs and expenses for the six (6) month period ended 30 June 2026 amounted to ₱2.3 billion, which is higher by around ₱370 million compared to the consolidated costs and expenses of around ₱1.9 billion in 2025. The table below shows the breakdown of consolidated costs and expenses.

Particulars	2026		2025		%
	in Thousands		In Thousands		Inc/(Dec)
Net purchased power	₱1,848,753.00	80.66%	₱1,533,010.00	79.73%	20.60%
Depreciation and amortization	128,719.00	5.62%	106,985.00	5.56%	20.31%
Salaries and employee benefits	91,190.00	3.98%	86,891.00	4.52%	4.95%
Outside services	64,879.00	2.83%	68,615.00	3.57%	-5.44%
Repairs and maintenance	32,034.00	1.40%	25,559.00	1.33%	25.33%
Taxes and licenses	26,288.00	1.15%	24,419.00	1.27%	7.65%
Rent	16,131.00	0.70%	11,903.00	0.62%	35.53%
Security Services	14,107.00	0.61%	12,441.00	0.65%	13.39%
Utilities	12,713.00	0.55%	11,507.00	0.60%	10.48%
Professional fees	7,049.00	0.31%	5,429.00	0.28%	29.84%
Insurance	5,129.00	0.22%	5,073.00	0.26%	1.10%
Impairment losses	3,937.00	0.17%	6,962.00	0.36%	-43.45%
Directors’ Fees ¹	3,090.00	0.13%	2,780.00	0.14%	11.15%
Office supplies	2,882.00	0.13%	2,407.00	0.13%	19.73%
Transportation and travel	2,465.00	0.11%	1,820.00	0.09%	35.44%
Representation	1,072.00	0.05%	1,521.00	0.08%	-29.52%
Others	31,623.00	1.38%	15,507.00	0.81%	103.93%
TOTAL	₱2,292,061.00	100.00%	₱1,922,829.00	100.00%	19.20%

NOTE: A PORTION OF THE PROFESSIONAL FEES IN 2025 HAS BEEN PRESENTED AS DIRECTORS' FEES IN THIS REPORT.

¹ The amount was reported under Professional Fees in the SEC Form 17-Q for the quarter ended 31 March 2025.

The net purchased power, consisting of generation and transmission costs net of any applicable discounts, accounted for 80.66% of the total costs and expenses for the six (6) months ended 30 June 2026, and 79.73% of the total costs and expenses in 2025. The electricity distributed by the Company is purchased through its Power Supply Agreement (PSA) duly approved by the ERC and from exported energy of its net-metering customers, whereas any imbalance was purchased from the WESM. The net purchased power cost increased by 20.60% compared to 2025, primarily due to higher generation cost and ancillary charges.

Depreciation and amortization amounted to ₱128.7 million was higher by 20.31% compared to the previous year. The increase was primarily driven by the revision in the estimated useful life of digital meters, from 25 years to 15 years, and further reduced to 10 years effective November 2025, following the issuance of the Regulatory Asset Base Roll Forward Handbook in October 2025.

Salaries and Employee Benefits amounting to around ₱91.2 million had an increase of 4.95% 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 ₱64.9 million had a minimal decreased of 5.44%. The decrease was primarily due to the decrease in volume of certain services during the period.

Repairs & Maintenance Expense amounting to around ₱32.0 million had increased by 25.33% compared to 2025. The increase was due to higher maintenance expenses incurred for the Company's primary and secondary lines, as well as the maintenance supplies for substations.

Taxes and licenses which amounted to ₱26.3 million is higher by 7.65% compared to the previous year. The increase was attributable to the amount accrued for the local franchise tax resulting from the increase in revenues subject to local franchise tax during the period.

Rent Expense amounting to ₱16.1 million had increased by 35.53% compared to 2025 primarily due to the additional lease contract for certain equipment.

Security Services amounting to around ₱14.1 million had increased by 13.39% compared to 2025. The increase was a result of the implementation of DOLE Wage Order RBIII-25 and an increase in the number of security personnel.

Utilities consisting of electricity, water and communication amounting to approximately ₱12.7 million had an increase of 10.48% due to higher cost of electricity used during the period.

Professional Fees increased by 29.84% during the year. The increase was primarily attributable to additional consultancy engagements with industry experts, including environmental compliance and engineering design review services, as well as higher legal and professional fees incurred in connection with the Company's regulatory applications before the ERC.

Office Supplies had increased by 19.73%. primarily due to increased purchases of office supplies to support the Company's operational requirements.

Directors' Fees had increased by 11.15%, primarily due to the additional member of the Company's Board of Directors.

Impairment losses amounting to around ₱3.9 million had decreased by 43.45%. The decrease was primarily due to the reduction in expected credit loss during the period.

Transportation Expense amounting to around ₱2.5 million had increased by 35.44% compared to 2025, mainly attributable to the increase in fuel prices.

Other expenses consisting of insurance expense, representation and other necessary operating expenses accounted for 1.65% of the total costs and expenses for the six (6) month period ended 30 June 2026 had increased by 75.51%. The amount was higher in 2026 due to the payment of deficiency taxes and related interest for taxable year 2022 amounting to ₱14.

The Company's Cost of Electricity Sold which amounted to ₱2.0 billion for the six (6)-month period ended 30 June 2026 is 19.90% higher compared to 2025. The details of costs and expenses are shown in the following table:

Particulars	<i>in Thousands</i>	
	2026	2025
Purchased Power	₱1,848,753.00	₱1,533,010.00
Outsourced Services	52,335.00	57,170.00
Depreciation Expense	61,216.00	49,180.00
Salaries and Employee Benefits	34,749.00	31,740.00
Rental Expense	15,750.00	11,660.00
Repairs and Maintenance	26,815.00	18,357.00
Total	₱2,039,618.00	₱1,701,117.00

KEY PERFORMANCE INDICATORS

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

	30 June 2026	31 December 2025
Return on Equity		
<i>Net Profit divided by Total Equity</i>	0.03	0.16
Return on Assets		
<i>Net Profit divided by Average Assets</i>	0.02	0.09
Debt to Equity Ratio		
<i>Total Liabilities divided by Total Equity</i>	0.88	0.73
Current Ratio		
<i>Total Current Assets divided by Total Current Liabilities</i>	0.89	1.13
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>	52 days	51 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 June 2026, 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	₱ 496,974,947		-	-
Accrued Expenses and other Payables	272,767,627	-	39,681,207	-
Interest- bearing loans and borrowings	354,225,327	484,141	-	-
Advances from Customers	110,901,881		248,765,401	-
Lease Liability	1,304,492	1,202,593	878,925	-
Refundable Deposits	4,850,462	-	-	464,877,377
	₱ 1,241,024,736	₱ 1,686,734	₱ 289,325,533	₱ 464,877,337

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, 2026	₱ 48,685,035	₱ 9,825,738	₱ 58,510,773
Provisions	-	-	-
Reversal of provisions	-	-	-
Balance at June 30 ,2026	₱ 48,685,035	₱ 9,825,738	₱ 58,510,773
Balance at January 1, 2025	₱ 123,686,538	₱ 9,825,738	₱ 133,512,276
Provisions	-	-	-
Reversal of provisions	(75,001,503)	-	(75,001,503)
Balance at December 31, 2025	₱ 48,685,035	₱ 9,825,738	₱ 58,510,773

TARLAC ELECTRIC INC.
LIST OF SUPPLEMENTARY INFORMATION
JUNE 30, 2026
(UNAUDITED)

Schedule	Content	Page No.
<i>Schedules Required under Annex 68-J of the Revised Securities Regulation Code Rule 68</i>		
A	Financial Assets Financial Assets at Fair Value Through Profit or Loss Financial Assets at Fair Value Through Other Comprehensive Income Financial Assets at Amortized Cost	1
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	Gurantees 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 quarantees 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
JUNE 30, 2026
(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
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Fair Value Through Profit or Loss (FVTPL)

	N/A	N/A	N/A	N/A
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Fair Value Through Other Comprehensive Income (FVTOCI)

	N/A	N/A	N/A	N/A
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Financial Assets at Amortized Cost

Cash and cash equivalent		167,997,942.00	167,997,942.00	490,663.00
Trade and other receivables - net		854,902,510.00	854,902,510.00	
Refundable deposits		4,222,690.00	4,222,690.00	
Others		2,885,327.00	2,885,327.00	
Total		1,030,008,469.00	1,030,008,469.00	490,663.00

TARLAC ELECTRIC INC.

Schedule B

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

JUNE 30, 2026

(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	990,343.00	947,297.00	1,091,436.00				846,204.00

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
JUNE 30, 2026
(UNAUDITED)

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
Tarlac Power Corporation*	9,798,172	0
Meka Corporation*	423,720	0
ETM Incorporated*	385,200	0

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
JUNE 30, 2026
(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
JUNE 30, 2026
(UNAUDITED)

Unappropriated Retained Earnings of the Company at Beginning of Year	1,016,132,898.00
Prior Periods' Outstanding Reconciling Item	
Deferred tax income	<u>30,438,971.00</u>
Unappropriated Retained Earnings Available for	
Dividend Declaration at Beginning of Year, as Adjusted	1,046,571,869.00
Net Profit of the Company Realized During the Period	
Net Profit per interim condensed financial statements	79,273,023.00
Non-actual/unrealized income	
Deferred tax income from deferred tax assets recognized in the profit or loss during the year	(981,027.00)
Other Transaction During the Period	
Cash dividend declaration	(107,410,000.00)
Reversal of appropriated retained earnings	-
Appropriation of retained earnings	<u>-</u>
Unappropriated Retained Earnings Available for	
Dividend Declaration as of June 30, 2026	<u><u>1,017,453,865.00</u></u>

TARLAC ELECTRIC INC.
Supplemental Schedule of Financial Soundness Indicators
JUNE 30, 2026 AND DECEMBER 31, 2025
(UNAUDITED)

Ratio	Formula		2026	Formula		2025
Current Ratio	Total Current Assets divided by Total Current Liabilities		0.89	Total Current Assets divided by Total Current Liabilities		1.13
	Total Current Assets	1,169,849,218		Total Current Assets	1,047,763,349	
	Divided by: Total Current Liabilities	1,313,755,577		Divided by: Total Current Liabilities	926,436,226	
	Current Ratio	0.89		Current Ratio	1.13	
Acid Test Ratio	Quick assets (Total Current Assets less Other Current Assets) divided by Total Current Liabilities		0.73	Quick assets (Total Current Assets less Other Current Assets) divided by Total Current Liabilities		0.87
	Total Current Assets	1,169,849,218		Total Current Assets	1,047,763,349	
	Less: Other Current Assets	209,880,065		Less: Other Current Assets	241,797,069	
	Quick Assets	959,969,153		Quick Assets	805,966,280	
	Divided by: Total Current Liabilities	1,313,755,577		Divided by: Total Current Liabilities	926,436,226	
	Acid Test Ratio	0.73		Acid Test Ratio	0.87	
Solvency Ratio	Total Assets divided by Total Liabilities		2.13	Total Assets divided by Total Liabilities		2.36
	Total Assets	4,468,947,364		Total Assets	4,163,249,893	
	Divided by: Total Liabilities	2,094,435,041		Divided by: Total Liabilities	1,760,600,593	
	Solvency Ratio	2.13		Solvency Ratio	2.36	
Debt-to-Equity Ratio	Total Liabilities divided by Total Equity		0.88	Total Liabilities divided by Total Equity		0.73
	Total Liabilities	2,094,435,041		Total Liabilities	1,760,600,593	
	Divided by: Total Equity	2,374,512,323		Divided by: Total Equity	2,402,649,300	
	Debt-to-Equity Ratio	0.88		Debt-to-Equity Ratio	0.73	
Assets-to-Equity Ratio	Total Assets divided by Total Equity		1.88	Total Assets divided by Total Equity		1.73
	Total Assets	4,468,947,364		Total Assets	4,163,249,893	
	Divided by: Total Equity	2,374,512,323		Divided by: Total Equity	2,402,649,300	
	Assets-to-Equity Ratio	1.88		Assets-to-Equity Ratio	1.73	
Interest Rate Coverage Ratio	Earnings before interest and taxes (EBIT) divided by Interest expense		28.61	Earnings before interest and taxes (EBIT) divided by Interest expense		71.10
	EBIT	112,120,873		EBIT	484,076,707	
	Divided by: Interest Expense	3,918,715		Divided by: Interest Expense	6,808,036	
	Interest Rate Coverage Ratio	28.61		Interest Rate Coverage Ratio	71.10	
Return on Equity	Net Profit divided by Total Equity		0.03	Net Profit divided by Total Equity		0.16
	Net Profit	79,273,023		Net Profit	357,456,754	
	Divided by: Average Total Equity	2,388,580,812		Divided by: Average Total Equity	2,268,911,014	
	Return on Equity	0.03		Return on Equity	0.16	
Return on Assets	Net Profit divided by Total Assets		0.02	Net Profit divided by Total Assets		0.09
	Net Profit	79,273,023		Net Profit	357,456,754	
	Divided by: Total Assets	4,468,947,364		Divided by: Total Assets	4,163,249,893	
	Return on Assets	0.02		Return on Assets	0.09	
Net Profit Margin	Net Profit divided by Total Revenue		0.03	Net Profit divided by Total Revenue		0.08
	Net Profit	79,273,023		Net Profit	357,456,754	
	Divided by: Total Revenue	2,403,692,058		Divided by: Total Revenue	4,243,751,318	
	Net Profit Margin	0.03		Net Profit Margin	0.08	



SECURITIES AND EXCHANGE COMMISSION

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



The following document has been received:

Receiving: DONNA ENCARNADO

Receipt Date and Time: August 10, 2026 01:26:17 PM

Company Information

SEC Registration No.: 0000023874

Company Name: TARLAC ELECTRIC INC.

Industry Classification: E40100

Company Type: Stock Corporation

Document Information

Document ID: OST108102026811775561

Document Type: NOTICE_OF_INABILITY_TO_FILE_AR_OR_QR

Document Code: SEC_Form_17-L

Period Covered: June 30, 2026

Submission Type: As needed

Remarks: None

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

COVER SHEET

for

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

S.E.C. Registration Number

0	0	0	0	0	0	2	3	8	7	4
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Company Name

[illegible]

Principal Office (No./Street/Barangay/City/Town/ Province)

[illegible]

Form Type

Department requiring the report

Secondary License Type, If Applicable

1	7	-	L
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S	E	C	
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COMPANY INFORMATION

Company's Email Address

corporate@teiph.com

Company's Telephone Number/s

(045) 606 - 1834

Mobile Number

--

No. of Stockholders

50

Annual Meeting
Month/Day

Every 4th Friday of June

Fiscal Year
Month/Day

12 / 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

FLORIZA D. FORLALES

Email Address

fforlaes@teiph.com

Telephone Number/s

(045)606-1834

Mobile Number

0920-951-0075

Contact Person's Address

Mabini St., Tarlac City, Tarlac

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-L

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

Check One:

Form 17-A [] Form 17-Q [✓]

Period-Ended Date of required filing: 30 June 2026

Date of this report: 14 August 2026

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

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

1. SEC Identification Number: 23874 2. BIR Tax Identification No.: 004-070-881

3. TARLAC ELECTRIC INC.
Exact name of issuer as specified in its charter

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

5. Industry Classification Code: (SEC Use Only)

6. MABINI ST., TARLAC CITY, TARLAC 2300
Address of principal office Postal Code

7. (045) 606-1834
Issuer's telephone number, including area code

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

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

Yes [] No [✓]

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

NOT APPLICABLE



Part I - Representations

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

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

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

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

Part II - Narrative

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

The Company may not be able to file its SEC Form 17-Q for the quarter ended 30 June 2026, within the prescribed period, as the preparation and finalization of the financial statements and required disclosures are still in progress and may not be completed by the 14 August 2026 reporting deadline.

Part III - Other Information

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

FLORIZA D. FORLALES
Compliance Officer
Tarlac Electric Inc.
Mabini St., Tarlac City 2300
Contact No: (045) 606-1834

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

Yes ☒ No ☐ Reports:

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

Yes ☐ No ☒

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

SIGNATURE

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

TARLAC ELECTRIC INC.

Registrant's full name as contained in charter

[REDACTED]

VITUS M. ROMERO

President and General Manager

Date: 10 August 2026

ANNEX "D"

Planned CAPEX Program Details

Type	Category	Name	Description	Project Benefit	Impact if not Implemented	Target Completion Date	Project Cost, PHP	Quantity (ckm, MVA, MVAR, 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 Panganiban Substation, which currently serves Poblacion and Northern areas. At present, Panganiban 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 Panganiban 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 Panganiban 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	

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)
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 Tarlac 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	

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)
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	