

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS OF
SYNERGY GRID & DEVELOPMENT PHILS., INC.**

NOTICE is hereby given that the Annual Meeting of the Stockholders of **SYNERGY GRID & DEVELOPMENT PHILS., INC.** (the “Corporation”) will be held on **16 October 2025 at 2:00 p.m.**, at the Corporation’s principal office through **videoconferencing**, as authorized by resolution of the Board of Directors on 06 August 2025, with the following agenda:

- I. Call to Order
- II. Proof of Notice of Meeting
- III. Certification of Notice and Quorum
- IV. Approval of the Minutes of the Previous Annual Stockholders’ Meeting held on 17 October 2024
- V. Ratification of the Corporate Acts of the Board of Directors and Management since 17 October 2024
- VI. Election of Directors for 2025-2026
- VII. Management Report and Presentation of the Audited Financial Statements of the Corporation for the Year Ended 31 December 2024
- VIII. Appointment of R.G. Manabat & Co. (an affiliate of KPMG) as External Auditor for 2025
- IX. Other Matters
- X. Adjournment

Minutes of the Corporation are accessible through the Corporation’s website (www.synergygrid.ph/v2).

Stockholders may participate in the annual meeting *via* remote communication and cast their votes electronically or *in absentia*, or by appointing the Chairman of the Meeting as proxy.

Only stockholders of record as of **26 September 2025** are entitled to vote at this meeting. Stockholders intending to attend the meeting by remote communication should notify the Corporation not later than **02 October 2025 at 2:00 p.m.** by e-mail to the Corporate Secretary at corporatesecretary@synergygrid.ph. Further details and procedure for attendance and participation in the meeting through remote communication are set forth in **Annex “A”**, which shall be made available to the public not later than **25 September 2025**, through the PSE Edge and the Corporation’s website.

Duly accomplished ballots, proxies, and copies of valid government IDs shall be submitted through any of the following:

1. By e-mail to the Corporate Secretary at corporatesecretary@synergygrid.ph; and
2. By ordinary mail to the Office of the Corporate Secretary as follows:

CHERYL S. SALDAÑA-DE LEON
SYNERGY GRID & DEVELOPMENT PHILS., INC.
c/o Suite 2801 Discovery Center
25 ADB Avenue, Ortigas Center, Pasig City

PLEASE NOTE THAT THE CORPORATION IS NOT SOLICITING PROXIES.

The deadline for submission of ballots and proxies is on **03 October 2025 at 2:00 p.m.** For corporations, ballots and proxies must be accompanied by the Corporate Secretary’s sworn certification stating the corporate officer’s authority to vote for and to represent the corporation in the meeting. Ballots and proxies need not be notarized.

Validation of ballots and proxies will be on **09 October 2025 at 5:00 p.m.** at the office of the Corporate Secretary at Suite 2801 Discovery Center, 25 ADB Avenue, Ortigas Center, Pasig City. For your convenience, samples of the proxy are available at the Corporation’s website.

Questions and comments to the Board of Directors and/or Management may be sent in advance of, or during, the meeting by email to the Corporate Secretary at corporatesecretary@synergygrid.ph.

Please refer to **Annex “B”** of the notice in the Definitive Information Statement, which shall be made available to the public not later than **25 September 2025**, through the PSE Edge and the Corporation’s website, for a brief discussion of and the rationale for the above agenda items. A visual and audio recording of the proceedings of the annual meeting shall be kept by the Corporation.

For the Board of Directors

A handwritten signature in black ink, appearing to read "Cheryl S. Saldaña-De Leon".

CHERYL S. SALDAÑA-DE LEON
Corporate Secretary

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:
- [] Preliminary Information Statement
- [✓] Definitive Information Statement
2. Name of Registrant as specified in its charter: SYNERGY GRID & DEVELOPMENT PHILS., INC. ("SGP" or the "Corporation")
3. Province, country or other jurisdiction of incorporation or organization: Republic of the Philippines
4. SEC Identification Number: 41376
5. BIR Tax Identification Code: 000-593-240
6. 16th Floor, Tycoon Center Bldg. Condominium Pearl Drive, Pasig City, Metro Manila
Address of principal office
- 1605
Postal Code
7. Registrant's telephone number, including area code: (632) 8584-3930
8. Date, time and place of the meeting of security holders: October 16, 2025; 2:00 p.m.; At the Principal Office of the Corporation located at 16th Floor, Tycoon Center Bldg. Condominium Pearl Drive, Pasig City, Metro Manila (through videoconferencing).
9. Approximate date on which the Information Statement is first to be sent or given to security holders: 25 September 2025.
10. In case of Proxy Solicitation: Not Applicable
11. Securities registered pursuant to Sections 8 and 12 of the Securities Regulations Code ("SRC") or Sections 4 and 8 of the Revised Securities Act (information on number of shares and amount of debt is applicable only to corporate registrants):
- | Title of Each Class | Number of Shares of Common Stock
Outstanding or Amount of Debt Outstanding
As of 31 August 2025 |
|---------------------|---|
| <u>Common</u> | 5,265,866,000 |
12. Are any or all of registrant's securities listed in a Stock Exchange?
- Yes ___X___ No _____
- If yes, disclose the name of such Stock Exchange and the class of securities listed therein:
Philippine Stock Exchange / common shares

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. **Date, time, and place of the annual meeting of the security holders ("Annual Meeting").**

Date: **16 October 2025**
 Time: **2:00 p.m.**
 Place: **Principal Office of the Corporation located at 16th Floor, Tycoon Center Bldg. Condominium Pearl Drive, Pasig City, Metro Manila (through videoconference)**

Corporation's Mailing Address: **16th Floor, Tycoon Center Bldg. Condominium Pearl Drive, Pasig City, Metro Manila**

The Company published its Notice of Annual Meeting of Stockholders in print and on-line in two (2) newspapers of general circulation, namely, The Philippine Star and Manila Bulletin, for two (2) consecutive days on 04 and 05 September 2025. The Affidavits of the publishers are attached as **Annexes "C" and "C-1"**.

The date on which the Information Statement is first to be sent or given to stockholders is on **25 September 2025**.

The Company complies with the requirements of Sec. 49 of the Revised Corporation Code of the Philippines (the **"Corporation Code"**) for this meeting:

At each regular meeting of stockholders or members, the board of directors or trustees shall endeavor to present to stockholders or members the following:	Compliance
a. The minutes of the most recent regular meeting which shall include, among others: i. A description of the voting and vote tabulation procedures used in the previous meeting; ii. A description of the opportunity given to stockholders or members to ask questions and a record of the questions asked and answers given; iii. The matters discussed and resolutions reached; iv. A record of the voting results for each agenda item; v. A list of the directors or trustees, officers, and stockholders or members who attended the meeting; and vi. Such other items that the Commission may require in the interest of good corporate governance and the protection of minority stockholders.	Please see Annex J of the Information Statement (Minutes of Annual Stockholders Meeting on 17 October 2024).
b. A members' list for non-stock corporations and, for stock corporations, material information on the current stockholders, and their voting rights;	Please see page 7 of the Information Statement.
c. A detailed, descriptive, balanced, and comprehensible assessment of the corporation's performance, which shall include information on any material change in the corporation's business, strategy, and other affairs;	Please see Annex D of the Information Statement (Management Report)

d. A financial report for the preceding year, which shall include financial statements duly signed and certified in accordance with this Code and the rules the Commission may prescribe, a statement on the adequacy of the corporation's internal controls or risk management systems, and a statement of all external audit and non-audit fees;	Please see Annex D of the Information Statement (Management Report)
e. An explanation of the dividend policy and the fact of payment of dividends or the reasons for nonpayment thereof;	Please see minutes dated 10 August 2021 in the website for the resolutions in relation to the dividend policy with prospective application. https://synergygrid.ph/v2/company.php#hide3
f. Director or trustee profiles which shall include, among others, their qualifications and relevant experience, length of service in the corporation, trainings, and continuing education attended, and their board representations in other corporations;	See page 9 of the Information Statement.
g. A director or trustee attendance report, indicating the attendance of each director or trustee at each of the meetings of the board and its committees and in regular or special stockholder meetings;	Please see minutes in the website reflecting attendance of the directors. https://synergygrid.ph/v2/company.php#hide3
h. Appraisals and performance reports for the board and the criteria and procedure for assessment;	Please see Manual on Corporate Governance and Committee Charter on Corporate Governance in the website. https://synergygrid.ph/v2/docs/corporate-governance/manual-on-corporate-governance/Manual%20on%20Corporate%20Governance%202017.pdf https://synergygrid.ph/v2/docs/corporate-governance/board-committee-charters/Committee%20Charter%20-%20Corporate%20Governance.pdf
i. A director or trustee compensation report prepared in accordance with this Code and the rules the Commission may prescribe;	Please see page 24 of the Information Statement.
j. Director disclosures on self-dealings and related party transactions; and/or	Please see page 18 and 22 of the Information Statement.
k. The profiles of directors nominated or seeking election or reelection.	Please see page 10 of the Information Statement.

Item 2. Dissenters' Right of Appraisal

Under Section 80 of the Corporation Code, a stockholder has the right to dissent and demand payment of the fair value of his shares in the following cases: (i) amendments to the Articles of Incorporation which have the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; (ii) sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets; (iii) merger or consolidation; and (iv) investment of

corporate funds for any purpose other than the primary purpose of the corporation.

In order for a stockholder to exercise his or its appraisal right, the stockholder must have voted against the above proposed corporate actions. Within thirty (30) days after the meeting when the vote was taken, the dissenting stockholder shall make a written demand on SGP for the payment of the fair market value of his shares. Failure to do so shall be deemed a waiver of the stockholder's appraisal right. The foregoing procedure is based on the provisions of Title X of the Corporation Code and SGP's 2017 Manual on Corporate Governance ("**Manual**").

The Corporation confirms that there is no item in the agenda of the Annual Meeting of the Stockholders that will trigger the right to exercise the right of appraisal of a dissenting stockholder.

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

None of the following persons have any substantial interest, direct or indirect, in any matter to be acted upon at the Annual Meeting other than their possible election to office and except as described in Item 5 and Item 12 below:

1. Directors or officers of the Corporation at any time since the beginning of the last fiscal year;
2. Nominees for election as directors of the Corporation; and
3. Associate of any of the foregoing persons.

No director of SGP has informed the registrant in writing that he intends to oppose any action to be taken by SGP at the Annual Meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a) The total number of shares issued and outstanding as of 31 August 2025 is 5,265,866,000. All issued and outstanding shares are common shares, with each share entitled to one vote. In respect of the Annual Meeting, all of the issued and outstanding shares have voting rights.

(b) The record date for purposes of determining the stockholders entitled to vote is at 5:00 p.m. on 26 September 2025. Stockholders are entitled to cumulative voting in the election of the members of the board of directors ("**Board**") as provided for in the Corporation Code.

(c) Under Section 23 of the Revised Corporation Code, a stockholder may vote such number of shares for as many persons as there are Directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of Directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit: Provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of SGP multiplied by the whole number of Directors to be elected: Provided, however, that no delinquent stock shall be voted.

There are no conditions precedent to the exercise of the stockholders' cumulative voting right.

(d) Security Ownership

(d) (i) Security Ownership of Certain Record and Beneficial Owners

The names, addresses, citizenship, number of shares held, and percentage of total ownership of persons (including any group) owning more than five (5%) percent of the outstanding voting shares of SGP as of 31 August 2025 are as follows:

<i>Class</i>	<i>Name and Address of Record Owner and Relationship with Issuer</i>	<i>Name of Beneficial Owner</i>	<i>Citizenship</i>	<i>No. of Shares*</i>	<i>Percentage of Class</i>
Common	Henry T. Sy, Jr. One Esplanade, Seaside cor. JW Diokno Blvd., SM Mall of Asia Complex, Pasay City, Philippines Stockholder, Director, and Chairman of the Board	Henry T. Sy, Jr.	Filipino	2,050,464,288 (R & B)	38.94%
Common	Robert G. Coyiuto, Jr. 201 Epifanio Delos Santos Avenue, Mandaluyong City, Philippines Stockholder, Director, and Vice-Chairman of the Board	Robert G. Coyiuto, Jr.	Filipino	2,050,268,450 (R & B)	38.94%
Common	PCD Nominee Corporation (Filipino) G/F MSE Bldg. Stockholder	PCD participants acting for themselves or for their customers	Filipino	713,169,723 (R & B)	13.54%
Common	PCD Nominee Corporation (Non-Filipino) G/F MSE Bldg. Stockholder	PCD participants acting for themselves or for their customers	Non-Filipino	386,096,389	7.33%

* Nature of ownership is indicated as (R) for record owner and (B) for beneficial owners.

The report attached as **Annex “D”** to this SEC Form 20-IS is the management report to the Corporation’s stockholders which is required under Rule 20 of the Implementing Rules and Regulations of the SRC (“**IRR of the SRC**”), as amended, to accompany this Securities and Exchange Commission (“**SEC**”) Form 20-IS (“**Management Report**”).

There are no beneficial owners or shareholders in the PCD Nominee (Filipino and Non-Filipino) owning at least five (5) percent of the beneficial ownership of the Corporation. Please see report attached as **Annex “E”**.

(d) (ii) Security Ownership of Management, as of 31 August 2025

<i>Title of Class</i>	<i>Name of Beneficial Owner</i>	<i>Amount and Nature of Beneficial Ownership</i>		<i>Citizenship</i>	<i>Percent of Class</i>
Common	Henry T. Sy, Jr. Director / Chairman of the Board	2,050,464,288	--Direct	Filipino	38.94%
Common	Robert G. Coyiuto, Jr. Director /Vice-Chairman of the Board	2,050,268,450	--Direct	Filipino	38.94%
Common	Paul P. Sagayo, Jr. Director / President	1	--Direct	Filipino	0.00%
Common	Vicente D. Gerochi IV Director	1	--Direct	Filipino	0.00%
Common	Jose Perpetuo M. Lotilla Independent Director	1	--Direct	Filipino	0.00%
Common	Luis Jose P. Ferrer Independent Director	1	--Direct	Filipino	0.00%
TOTAL		4,100,732,742			77.87%

(d) (iii) Voting Trust Holders of 5% or more

As of 31 August 2025, no person holds more than five percent (5%) of SGP's outstanding capital stock under a voting trust.

(d) (iv) Foreign Stockholdings

The foreign stockholders of the Corporation and their corresponding shareholdings as of 31 August 2025 are as follows:

SHAREHOLDERS	NATIONALITY	NO. OF SHARES
AWAD KENNETH RICHARD	AMERICAN	4,000
BIRMINGHAM T. J.	AMERICAN	4,000
DUMMERMUTH, WALTER (DECEASED)	SWISS	3,000
F.C. HAGEDORN & CO. INC.	AMERICAN	1,000
FOSTER FRANK	AMERICAN	3,000
H.E. BENNETT SECURITIES	CHINESE	1,000
JIANG RUIMU	CHINESE	130,500
KEARNY KEVIN PHILIP	AMERICAN	120,550
KLINGER JOHN	AMERICAN	2,000
LILAY JOSEPH	CHINESE	4,000
LUHMANN BERKLEY M.	AMERICAN	58,200
MANDRIAK ROGER	FOREIGN	8,600
MEARS MABEL E.	AMERICAN	10,000
METROPOLITAN INVESTMENT CORPORATION	AMERICAN	10,000
MITCHELL PETER	AMERICAN	2,000
MITCHELL WILLIAM E. &/OR MARGARET A. MITCHELL	AMERICAN	5,000
NASSR JUAN D.	MALAYSIAN	10,000
OH CHU KIONG	CHINESE	15,000
PCD NOMINEE CORPORATION (NON-FILIPINO)	FOREIGN	386,096,389
QUI BO	CHINESE	53,300
SCHOLEY GEORGE T.	AMERICAN	42,900
SCHOLEY GUY E.	AMERICAN	5,000
SCIPLE JAMES O.	AMERICAN	1,000
SHAGHAYEGH NIKAEIN	IRANIAN	1,370,000
UNITED ENGINEERS (MALAYSIA)BERHAD	MALAYSIAN	1,472,477
WANG QIAOHONG	CHINESE	465,200
WENG YUBAO	CHINESE	144,600
YAM SENG LAM	MALAYSIAN	1
ZHANG HUI	CHINESE	250,200
Total Foreign Shareholdings		390,292,917
Total Outstanding Capital Stocks		5,265,866,000
Percentage of Total Foreign Ownership		7.41%

(e) List of Top 20 Stockholders

The list of top 20 stockholders of the Corporation and their corresponding shareholdings as of 31 August 2025

are as follows:

No.	SHAREHOLDERS	NATIONALITY	RANK	HOLDINGS
1	Henry T. Sy, Jr.	Filipino	2,050,464,288	38.94%
2	Robert G. Coyiuto Jr.	Filipino	2,050,268,450	38.94%
3	PCD Nominee Corporation (Filipino)	Filipino	713,169,723	13.54%
4	PCD Nominee Corporation (Non-Filipino)	Foreign	386,096,389	7.33%
5	Syntrix Holdings, Inc.	Filipino	31,020,000	0.59%
6	Tansmart Holdings, Inc.	Filipino	13,000,000	0.25%
7	Sysmart Corporation	Filipino	10,641,200	0.20%
8	Carousel Holdings, Inc.	Filipino	1,758,300	0.03%
9	Samantha Louise A. Tan	Filipino	1,483,980	0.03%
10	United Engineers (Malaysia) Berhad	Malaysian	1,472,477	0.03%
11	Shaghayegh Nikaein	Iranian	1,370,000	0.03%
12	Malayco, Inc.	Filipino	1,077,520	0.02%
13	David Ian Ang Tan	Filipino	1,016,020	0.02%
14	Marmon Holdings, Inc.	Filipino	467,700	0.01%
15	Qiaohong Wang	Chinese	465,200	0.01%
16	Richard D. Uyan or Robert D. Uyan or Rodney D. Uyan	Filipino	350,000	0.01%
17	Hui Zhang	Chinese	250,200	0.00%
18	Yubao Weng	Chinese	144,600	0.00%
19	Ruimu Jiang	Chinese	130,500	0.00%
20	Kevin Philip Kearny	American	120,550	0.00%
	TOTAL		5,264,767,097	99.98%

(f) Change in Control

No change in control of the Corporation occurred since the beginning of its last fiscal year.

(g) Dividends

The discussion on dividend declaration of the Corporation may be found within **Annex “D.”**

Item 5. Directors and Executive Officers

(a) Members of the Board shall serve for a term of one (1) year and until their successors shall have been duly elected and qualified. The following are the incumbent Directors and executive officers of SGP:

<i>Name of Director/ Officer</i>	<i>Position</i>	<i>Date of Birth/ Age</i>	<i>Citizenship</i>	<i>Term of Office</i>	<i>Date of First Election to the Board/Office</i>
Henry T. Sy, Jr.	Chairman of the Board	23 December 1953 71	Filipino	14 years	5 November 2010
Robert G. Coyiuto, Jr.	Vice-Chairman of the Board	8 May 1951 74	Filipino	13 years	12 July 2012

Vicente D. Gerochi IV	Director	20 November 1967 57	Filipino	14 years	5 November 2010
Paul P. Sagayo, Jr.	President/Director	12 July 1966 59	Filipino	10 years	24 March 2015

<i>Name of Director/ Officer</i>	<i>Position</i>	<i>Date of Birth/ Age</i>	<i>Citizenship</i>	<i>Term of Office</i>	<i>Date of First Election to the Board/Office</i>
Jose Perpetuo M. Lotilla	Independent Director	3 June 1956 69	Filipino	5 years	20 December 2019
Luis Jose P. Ferrer	Independent Director	19 August 1957 68	Filipino	4 years	10 August 2021
Justice Lady P.Soriano	Chief Finance Officer and Investors Relations Officer	21 August 1971 54	Filipino	4 years	20 August 2021
Zurohayda Yoko M. Montierro	Audit and Risk Officer	17 August 1987 38	Filipino	4 years	10 August 2021
Cheryl S. Saldaña – de Leon	Corporate Secretary	20 May 1978 47	Filipino	4 years	10 August 2021
Andreanne Hannah B. Dimaandal	Assistant Corporate Secretary	12 April 1994 31	Filipino	3 years	20 October 2022
Pia Isabel O. Co	Compliance Officer	18 April 1988 37	Filipino	4 years	10 August 2021

Their respective business experiences during the past five years are discussed in Item 5 (b) below.

(b) The directors listed below were nominated and elected during the Corporation's annual stockholders' meeting held on 17 October 2024.

The directors serve for a term of one (1) year until the election and acceptance of their qualified successors.

The list below includes the directorships/officerships held by the Corporation's present directors in other corporations. Most of these directorships/officerships have been held by the Directors for the past five (5) years to the present.

<u>Director, Position in Corporation, Citizenship</u>	<u>Other Position/Directorship/Business Experience</u>
Henry T. Sy, Jr. <i>Director, Chairman of the Board</i> Filipino	Henry T. Sy, Jr. , 71, Filipino, is the Chairman of the Board of Directors of the Corporation since his first election on November 5, 2010. He is the Vice Chairman of SM Investments Corporation and the National Grid Corporation of the Philippines. He is also the Chairman and President of OneTaipan Holdings, Inc. and Monte Oro Grid Resources Corporation. In addition, Mr. Sy, Jr. is the Chairman and Chief Executive Officer of SM Development Corporation and SM Prime Holdings, Inc. He is mainly responsible for the real estate acquisitions and development activities of the SM Group which include the identification, evaluation, and negotiation for potential sites as well as the input of design ideas. He graduated with a Management degree from De La Salle University.
Robert G. Coyiuto, Jr. <i>Director</i>	Robert G. Coyiuto, Jr. , 74, Filipino, is the Vice Chairman of the Board of Directors of the Corporation since his election on July 12, 2012. He is the

<u>Director, Position in Corporation, Citizenship</u>	<u>Other Position/Directorship/Business Experience</u>
Filipino	Chairman of Prudential Guarantee & Assurance, Inc., PGA Sampo Japan Insurance, Inc. He is the Sole Importer and Distributor of Audi, Porsche, Lamborghini and Bentley. He is also the Chairman and President of Calaca High Power Corporation and Pacifica 21 Holdings, Inc. In addition, Mr. Coyiuto also holds the positions of Vice Chairman of the Board of Directors of National Grid Corporation of the Philippines and First Life Financial Co., Inc. He is the President, Chief Operating Officer and a Director of Oriental Petroleum & Minerals Corporation. He is a Nominee of R. Coyiuto Securities, Inc. He has a Bachelor of Science degree in Commerce from San Beda College.
Vicente D. Gerochi IV <i>Director</i> Filipino	Vicente D. Gerochi IV , 57, Filipino, is a member of the Board of Directors of the Corporation since his election on 05 November 2010. He is a Senior Partner at SyCip Salazar Hernandez & Gatmaitan Law Center and a member of the Firm's Executive Committee. He also serves as Director and Corporate Secretary of Becton Dickinson Phils., Inc.; Director of Land Registration Systems, Inc; and Corporate Secretary of Macquarie Infrastructure Advisory (Philippines) Inc., OMD Philippines, Inc. and Omnicom Media Group Philippines, Inc. He earned his Juris Doctor degree at the Ateneo de Manila University School of Law and his Master of Laws at Columbia University.
Paul P. Sagayo, Jr. <i>President, Director</i> Filipino	Paul P. Sagayo, Jr. , 59, Filipino is a member of the Board of Directors since his election on March 24, 2015. He now also serves as the President of the Corporation after his election on August 10, 2021. He is a Partner at Sagayo, Evangelista and Gregana Law Offices. He is also a member of the Board of Directors of the National Grid Corporation of the Philippines, Beneficial life Insurance Co., Inc. (BENLIFE), and FMF Development Corporation. In addition, he is a Director of Calaca High Power Corporation, Pacifica21 Holdings, Inc., and Frame L Development Inc. He is also the incumbent Assistant Corporate Secretary of ETC Realty Corporation and the Secretary of the Board of Trustees of Trinity University of Asia. He graduated with a Bachelor of Arts degree in Political Science from Trinity College of Quezon City and Bachelor of Laws in San Beda College of Law.
Jose Perpetuo M. Lotilla <i>Independent Director</i> Filipino	Jose Perpetuo M. Lotilla , 69, Filipino, has been an Independent Director of the Corporation since he was elected on December 20, 2019. He is also currently an Independent Director of the Security Bank Corporation, Philippine Commercial Capital Inc., Carabineros Development Inc., and Land Registration Services, Inc. In addition, he is Special Adviser to the Roman Catholic Diocese of San Jose de Buenavista Antique. He is a retired Senior Partner of Sycip Salazar Feliciano and Hernandez Law Offices where he has been involved in major Philippine investment and securities transactions in various capacities as counsel whether for the underwriter, the securities issuer, the financial advisers, the project owner, the financier, the foreign investor or the contractor. He also served as Undersecretary for Legal Affairs and Undersecretary in charge of Civil Aviation at the Department of Transportation and Communications for 4 years. In addition, he was alternate to the DOTC Secretary as Chairman of the Toll Regulatory Board,

<u>Director, Position in Corporation, Citizenship</u>	<u>Other Position/Directorship/Business Experience</u>
	the Manila International Airport Authority, the Mactan Cebu International Airport Authority, Civil Aviation Authority of the Philippines, Civil Aeronautics Board and Clark International Airport Corporation. He was also an Independent Director of Security Bank Corporation, SB Capital Investment Corporation and Security Finance, Inc. where he was involved in major mergers and acquisitions, banking, finance and securities and capital market transactions in the Philippines. He graduated with a Bachelor of Arts Degree in Economics from Ateneo de Manila University and earned his Bachelor of Laws degree from University of the Philippines College of Law.
Luis Jose P. Ferrer <i>Independent Director</i> Filipino	Luis Jose P. Ferrer , 68, Filipino, was elected as Independent Director of the Corporation on August 10, 2021. He is a Senior Counsel of Carag Zaballero Llamado & Abiera Law Offices. He is a Senior Lecturer at the University of the Philippines College of Law (currently On Leave) and a Lecturer of the Tax Department of the Philippine Judicial Academy. He is a retired Tax Partner and Head of Tax Services of SGV & Co., where he had extensive experience in taxation with specialization in handling tax controversy and tax advisory. He also served as Revenue Officer of the Bureau of Internal Revenue – National Office, Court Attorney of the Legal and Technical Services of the Court of Tax Appeals, and Legal Manager of the Office of the General Counsel at the National Power Corporation. He was formerly a member of the Tax Committee of the Philippine Chamber of Commerce and Industry. He is currently Chairman of the Board of Trustees of the Philippine Foundation of the Brotherhood of Christian Businessmen and Professionals. He earned his Bachelor of Science degree in Business Administration and Accountancy, as well as his Bachelor of Laws, from the University of the Philippines. He also worked with the Trust Department of the Republic Planters Bank while studying law at the UP College of Law. He also attended the Executive Program on Comparative Tax Policy and Administration of the Harvard Kennedy School in 2014.

(c) The directors listed below are new nominees for election as directors in the next annual stockholders' meeting scheduled on 16 October 2024. Upon election, they shall serve for a term of one (1) year until the election and acceptance of their qualified successors.

The list below includes the directorships/officerships held by the new nominees for directors of the Corporation for the past five (5) years to the present.

<u>Director, Position in Corporation, Citizenship</u>	<u>Other Position/Directorship/Business Experience</u>
Justice Lady P. Soriano <i>Chief Finance Officer and Investors Relations Officer, Nominated Director</i>	Justice Lady P. Soriano , 54, was elected as Chief Finance Officer and Investor Relations Officer on August 20, 2021. She was previously a consultant of the Corporation's subsidiary, Calaca High Power Corporation before being elected as officer of the Corporation. She was also a freelance investment banker for Aufait Inc. and Assistant Vice President of the Investment Banking Department of the Development Bank of the Philippines. She used to be the Manager of the Financial Assistance Management Center of Philippine Deposit Insurance Corporation (PDIC). She graduated with a Bachelor of Arts Degree in Economics from Ateneo de Manila University and earned her Masters in Finance from De La Salle University.

Daniel D. Ibasco <i>Nominated Independent Director</i>	Daniel D. Ibasco, 66, is the founder and currently the President of Fortman Cline Capital Markets, an investment advisory firm focused on providing advisory services to mid-to-large corporate clients and owner-managed businesses. He was previously head of Asian Capital Markets and Southeast Asian Investment Banking for Bear Stearns and Co. in Singapore and Hong Kong. Prior to Bear Stearns, he was a senior investment officer at Hambrecht and Quist. He received his Bachelor of Arts Degree in Economics and Bachelor of Science Degree in Accounting from De La Salle University and took his graduate studies at Harvard University.

Note: The directors of the Corporation are elected at the annual stockholders' meeting to hold office until the next annual meeting and until their respective successors have been elected and qualified.

(a) Election of Members of the Board

There will be an election of the members of the Board during the Annual Meeting. In accordance with SGP's Manual, the Corporate Governance Committee has pre-screened all candidates nominated to become a member of the Board in accordance with the following qualifications and disqualifications set forth in the Manual:

A. Qualifications:

In addition to the qualifications for membership in the Board provided for in the Revised Corporation Code, SRC and other relevant laws, the Board may provide for additional qualifications which include, among others, the following:

- (i) College education or equivalent academic degree;
- (ii) Practical understanding of the business of the corporation;
- (iii) Membership in good standing in relevant industry, business, or professional organizations; and
- (iv) Previous business experience.

B. Disqualifications:

- (i) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the SRC; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;
- (ii) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC, *Bangko Sentral ng Pilipinas* ("**BSP**") or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if such person is currently the subject of an order of the SEC, BSP or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Revised Corporation Code, SRC or any other law

administered by the SEC or BSP, or under any rule or regulation issued by the SEC or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

(iii) Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;

(iv) Any person who has been adjudged by final judgment or order of the SEC, BSP, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Revised Corporation Code, SRC or any other law administered by the SEC or BSP, or any of its rule, regulation or order;

(v) Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;

(vi) Any person judicially declared as insolvent;

(vii) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (i) to (v) above; and

(viii) Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Revised Corporation Code committed within five (5) years prior to the date of his election or appointment.

C. Grounds for Temporary Disqualification:

The Board may provide for the temporary disqualification of a director for any of the following reasons:

(i) Refusal to comply with the disclosure requirements of the SRC and the IRR of the SRC. The disqualification shall be in effect as long as the refusal persists;

(ii) Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any twelve-month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election;

(iii) Dismissal or termination for cause as director of any corporation covered by the Revised Corporation Code. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination;

(iv) If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceed two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with; and

(v) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

(vi) For any acts that would give rise or potentially give rise to conflict of interest to SGP, or if the director enters into dealings where he stands to acquire or gain financial advantage at the expense of SGP.

A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take

the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

The following are the nominees for Directors of SGP for 2025 to 2026:

1. Henry T. Sy, Jr.
2. Vicente D. Gerochi IV
3. Paul P. Sagayo, Jr.
4. Justice Lady P. Soriano
5. Jose Perpetuo M. Lotilla
6. Luis Jose P. Ferrer
7. Daniel D. Ibasco

Except for Henry T. Sy, the foregoing nominees were nominated by Henry T. Sy, Jr., who has no relationship with any of the nominees.

Henry T. Sy, Jr. was nominated by Vicente D. Gerochi IV, who has no relationship with Henry T. Sy, Jr.

The nominees for Independent Director of SGP for 2025 to 2026 are Jose Perpetuo M. Lotilla, Luis Jose P. Ferrer, and Daniel D. Ibasco. They were nominated by Henry T. Sy, Jr., who has no relationship with them.

In the election of Independent Directors, the following guidelines set forth in the Manual, Section 38 of the SRC, SEC Memorandum Circular No. 02-02 dated 05 April 2002, SEC Memorandum Circular No. 16-02 dated 28 November 2002, and SEC Memorandum Circular No. 09-09 dated 24 June 2009 must be considered:

- A. An "Independent Director" means a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director and includes, among others, any person who:
- (i) Is not a director or officer or substantial stockholder of SGP or of its related companies or any of its substantial stockholders (other than as an independent director of any of the foregoing);
 - (ii) Does not own more than two percent (2%) of the shares in SGP and/or its related companies or its substantial stockholders;
 - (iii) Is not related to any director, officer, or substantial stockholder of SGP, any of its related companies or any of its substantial stockholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother, or sister;
 - (iv) Is not acting as a nominee or representative of any director or substantial stockholder of SGP, and/or any of its related companies and/or any of its substantial stockholders;
 - (v) Has not been employed in any executive capacity by SGP, any of its related companies and/or by any of its substantial stockholders within the last two (2) years;
 - (vi) Is not retained, either personally or through his firm or any similar entity as professional adviser by SGP, any of its related companies or any of its substantial stockholders within the last two (2) years; or

- (vii) Has not engaged and does not engage in any transaction with SGP and/or with any of its related companies and/or with any of its substantial stockholders, whether by himself or with other persons or through a firm of which he is a partner and/or a company of which he is a director or substantial stockholder, other than transactions which are conducted at arm's length and are immaterial.

No person convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the SRC committed within five (5) years prior to the date of his election, shall qualify as an Independent Director.

B. When used in relation to SGP:

- (i) Related company means another company which is: (a) its holding company, (b) its subsidiary, or (c) a subsidiary of its holding company; and
- (ii) Substantial stockholder means any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.

C. An Independent Director shall have the following qualifications:

- (i) He shall have at least one (1) share of stock of SGP;
- (ii) He shall be at least a college graduate, or he shall have been engaged or exposed to the business of SGP for at least five (5) years;
- (iii) He shall possess integrity/probity; and
- (iv) He shall be assiduous.

D. An Independent Director shall likewise be disqualified during his tenure under the following instances or causes:

- (i) Any person who has been finally convicted by a competent judicial or administrative body of the following: (a) any crime involving the purchase or sale of securities, e.g., proprietary or non-proprietary membership certificate, commodity futures contract, or interest in a common trust fund, pre-need plan, pension plan or life plan; (b) any crime arising out of the person's conduct as an underwriter, broker, dealer, investment company, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, floor broker; and (c) any crime arising out of his relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;
- (ii) Any person who, by reason of any misconduct, after hearing or trial, is permanently or temporarily enjoined by order, judgment or decree of the SEC or any court or other administrative body of competent jurisdiction from: (a) acting as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer; futures commission merchant; commodity trading advisor, or a floor broker; (b) acting as a director or officer of a bank, quasi-bank, trust company, investment house, investment company or an affiliated person of any of them; (c) engaging in or continuing any conduct or practice in connection with any such activity or willfully violating laws governing securities, and banking activities. Such disqualification shall also apply when such person is currently subject to an effective order of the SEC or any court or other administrative body refusing,

revoking, or suspending any registration, license or permit issued under the Revised Corporation Code, SRC, or any other law administered by the SEC or BSP, or under any rule or regulation promulgated by the SEC or BSP, or otherwise restrained from engaging in any activity involving securities and banking. Such person is also disqualified when he is currently subject to an effective order of a self-regulatory organization suspending or expelling him from membership or participation or from associating with a member or participant of the organization;

- (iii) Any person finally convicted judicially or administratively of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false oath, perjury or other fraudulent act or transgressions;
- (iv) Any person finally found by the SEC or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the SRC, the Revised Corporation Code, or any other law administered by the SEC or BSP, or any rule, regulation or order of the SEC or BSP, or who has filed a materially false or misleading application, report or registration statement required by the SEC, or any rule, regulation or order of the SEC;
- (v) Any person judicially declared to be insolvent;
- (vi) Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations, or misconduct similar to any of the acts, violations or misconduct listed in paragraphs (i) to (v) hereof;
- (vii) Any affiliated person who is ineligible, by reason of paragraphs (i) to (v) hereof to serve or act in the capacities listed in those paragraphs;
- (viii) Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Revised Corporation Code, committed within five (5) years prior to the date of his election or appointment;
- (ix) He becomes an officer or employee of SGP where he is such member of the board of directors/trustees, or becomes any of the persons enumerated in item (i) to (viii) hereof;
- (x) His beneficial security ownership exceeds ten percent (10%) of the outstanding capital stock of SGP where he is such director;
- (xi) Fails, without any justifiable cause, to attend at least fifty percent (50%) of the total number of Board meetings during his incumbency unless such absences are due to grave illness or death of an immediate family; and
- (xii) Such other disqualifications which SGP's Manual provides.

Only the nominees for Independent Directors whose names appear in this Information Statement shall be eligible for election as Independent Director. No further nomination shall be entertained or allowed on the floor during the actual Annual Meeting.

The Chairman of the Annual Meeting shall inform all stockholders in attendance of the mandatory requirement of electing two Independent Directors. He shall ensure that two Independent Directors are elected during the Annual Meeting. Specific slots for Independent Directors shall not be filled by unqualified nominees. In case of failure of election for Independent Directors, the Chairman of the Annual Meeting shall call a separate election

during the same meeting to fill up the vacancy.

The conduct of the election of Directors, including the Independent Directors, shall be made in accordance with SGP's Amended By-Laws approved by the SEC on 06 October 2021.

Pursuant to SEC Memorandum Circular No. 05-17 dated 07 March 2017, the Independent Directors shall submit a certification, under oath, that they possess all the qualifications and none of the disqualifications provided for in the SRC and its implementing rules. The certification should also include, among others, disclosure of any pending criminal or administrative investigation or proceedings. Moreover, such certification shall be submitted together with the Corporation's Information Statement and before the election of the independent director.

The Certificates of Qualification of Atty. Jose Perpetuo M. Lotilla, Atty. Luis Jose P. Ferrer and Mr. Daniel D. Ibasco are attached as **Annexes "F," "G" and "H"**. The certification that no directors or officers are connected with any government agencies, or its instrumentalities is attached as **Annex "I"**.

(b) Other Significant Employees

The Corporation has no other significant employees expected to make a significant contribution to the business.

(c) Family Relationship

The directors, executive officers, or persons nominated or chosen by the Corporation to become directors or executive officers are not related up to the fourth civil degree either by consanguinity or affinity.

(d) Involvement in Certain Legal Proceedings

There has been no occurrence of any of the following events during the past five (5) years that are material to an evaluation of the ability or integrity of any director, person nominated to become a director, executive officer or control person of the Corporation:

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

With respect to the Corporations' subsidiary, the National Grid Corporation of the Philippines (NGCP), as of 30 June 2025, has a total of ninety-nine (99) real property tax (RPT), franchise and business tax cases pending before the Local Board of Assessment Appeals (LBAA), Central Board of Assessment Appeals (CBAA), Regional Trial Court (RTC), Municipal Trial Court in Cities (MTCC), the Court of Tax Appeals (CTA) and the Supreme Court, briefly described as follows:

Real Property Tax cases:

- a. thirty-seven (37) cases pertain to Petitions filed contesting the Notices of Assessment issued by the Provincial or City Assessors involving properties with an estimated tax due of PhP5.7 billion (2% of the total assessed value of properties);
- b. eleven (11) cases pertain to Petition filed contesting the tax billing issued by the Provincial or City Assessors involving properties with total tax due of PhP 1.5 billion; and
- c. thirty-eight (38) cases with Payment Under Protest contesting the Statements of Account or Billings issued by the Local Treasurers in the total amount of PhP43.506 million.

Franchise/Business Tax cases:

- a. twelve (12) cases with Payment Under Protest contesting the assessment for Franchise/Business Taxes and Fees issued by Local Treasurers in the total amount of PhP296 million.

Suspension of Pass-on of Franchise Tax:

On 15 August 2023, the Energy Regulatory Commission (ERC) promulgated Resolution No. 10, Series of 2023 (the "2023 ERC Resolution"), entitled "A Resolution Suspending the Inclusion of the National Franchise Tax of the National Grid Corporation of the Philippines (NGCP) in the Total Monthly Transmission Cost Billing of Distribution Utilities" citing Republic v. Manila Electric Company (MERALCO) and Maynilad Water Services, Inc. v. National Water and Resources Board, et al. (Maynilad).

In its Decision dated 11 April 2024 in NGCP's 4th Regulatory Period Revenue Application (ERC Case No. 2022-089RC), the ERC ruled that NGCP's Franchise Tax which is a direct tax imposed upon it by virtue of the NGCP Franchise Law, are direct liabilities of the NGCP and cannot be shifted or passed-on to its customers. NGCP filed its motion for reconsideration and is pending resolution.

Right of Way (ROW) Expropriation Cases:

- a. On 06 May 2016, NGCP filed a case against Social Security System (SSS), a government-owned and controlled corporation, for the acquisition of the site for the Pasay 230kV Substation Project. An Omnibus Motion to Withdraw Complaint and Provisional Deposit in the amount of PhP1.46 billion was filed with the Regional Trial Court of Pasay City (RTC Pasay) on 12 March 2020. However, the resolution was deferred since the records of the case were forwarded and still with the Supreme Court. Unfortunately, hearings of the court were suspended due to COVID-19 Pandemic at the start of March 2020.

On 22 January 2021, NGCP filed with the Supreme Court a Motion to Enforce the Court's Order to remand the records of the case to RTC Pasay. On 18 March 2021, NGCP's Motion to Enforce Court Order was granted by the Supreme Court. Consequently, the records were transmitted to RTC Pasay on 13 July 2021. The Omnibus Motion to Withdraw Complaint and Provisional Deposit was granted by the RTC Pasay after the hearing on 21 July 2021. NGCP filed a Partial Motion for Reconsideration regarding the interest on the provisional deposit which was denied by the said court in its Order dated 05 November 2021.

NGCP filed a Notice of Appeal on 10 December 2021. The provisional deposit's principal amount of PhP1.46 billion was withdrawn by NGCP on 22 December 2021. On 07 November 2022, NGCP received a Notice to File Brief dated 17 September 2022, from the Court of Appeals, requiring NGCP to file its Appellant's Brief within 45 days from receipt of the said Notice. On 22 December 2022, the Appellant's Brief praying for release of interest on the PhP1.46 billion principal amount of provisional deposit was filed. On 03 October 2024, NGCP received a copy of the Decision of the Court of Appeals dated 13 September 2024 denying the appeal. NGCP filed a Motion for Reconsideration on 18 October 2024. The Court of Appeals is yet to resolve the motion.

- b. As of 31 December 2024, the total number of expropriation cases filed/pending with the Courts, including Projects Under Construction (PUC) cases turned over to NGCP by the National Transmission Corporation (TRANSCO) 5,137 with the total estimated amount involved of PhP11.73 billion (based on provisional deposits).

Reclassification Cases

There are ten (10) reclassification cases filed before the ERC by various Applicants/Petitioners. While eight (8) of these cases were already approved through respective Decisions; RAAC/NCL, through the 4th RP DFD, recommended an independent valuation to determine the reasonable acquisition value of these assets.

Permit Fees

There are six (6) cases pending with the Supreme Court (which were consolidated and will be resolved in one decision) involving ERC's imposition of Fees in relation to approved various CAPEX projects. The issue involved is whether or not NGCP is liable to pay all types of fees taking into consideration the provisions of Republic Act (R.A.) No. 9511 which exempts NGCP from paying all other kinds of fees, taxes, and charges in consideration of its payment of the 3% Franchise Tax. The resolution of these cases may not have an impact on NGCP's revenue considering that the ERC considers Permit Fees as part of the capital expense in NGCP's Final Determination. NGCP has paid these permit fees under protest.

NGCP has already obtained favorable decisions from the Court of Appeals where the court declared NGCP exempt from payment of permit fees pursuant to its Franchise. These decisions are now subject of appeal by the ERC with the Supreme Court. There are also motions for reconsideration still pending with ERC where NGCP, upon obtaining approval of CAPEX applications, filed motions relative to the imposition of permit fees.

The ERC, on various dates, issued 19 Resolutions denying NGCP'S Motion for Reconsideration on several CAPEX and FME applications wherein NGCP prayed for the reversal of ERC's decisions imposing permit fees and directing payment of the same. Hence, on various dates, NGCP filed 19 Petitions before the Court of Appeals assailing the 19 Resolutions issued by the ERC, and they were docketed as CA GR SP Nos. 182314 to 182330, 182456 and 182457.

On 08 October 2024, NGCP received the Decision in one of the Petitions, CA G.R. No. 182328. In the Decision, the Court of Appeals, 9th Division granted NGCP's Petition for Review, reversing and setting aside ERC's Decision and Order directing NGCP to pay Permit Fees, and stating that NGCP is not liable to pay permit fees. The Office of the Solicitor General (OSG) filed a Motion for Reconsideration, and NGCP has already filed a Comment on the said Motion.

However, on 11 October 2024, the Court of Appeals 4th Division, in another case, CA GR. No. 182321, issued a decision dismissing the petition since the question raised by NGCP is purely a matter of law, and according to the said Division, should have been brought to the Supreme Court via a Rule 45 Petition instead of under Rule 43 to the Court of Appeals. On 23 April 2025, the Court of Appeals rendered a Resolution denying NGCP's Motion for Reconsideration. NGCP will be filing a Petition for Review on Certiorari with the Supreme Court to challenge this ruling.

On 04 December 2024, the Court of Appeals issued a Decision in GR No. 182456 granting NGCP's Petition and declaring NGCP exempt from payment of permit fees.

On 25 February 2025, the Court of Appeals issued a Decision in GR No. 182324 granting NGCP's Petition and declaring NGCP exempt from payment of permit fees. OSG filed a Motion for Reconsideration and NGCP filed a Comment thereto. The Motion is currently pending Resolution.

NGCP also filed a Motion for Consolidation for the nineteen 19 cases filed considering that these cases arise from similar set of facts and raise the same issue of law. Currently, GR Nos. 182314, 182315, 182316, 182317, 182318, 182319, 182320, 182322, 182323, 182324, 182325, and 182326 have been consolidated. NGCP is still awaiting for the Resolution for GR No. 182329 and 182330 on consolidation of the said cases. The Court of Appeals Division handling GR Nos. 182321 and 182328 already denied NGCP's Motion for Consolidation.

Supervision and Regulation Fees; Metering Authority Fees

Similar to Permit Fees, NGCP is being assessed by the ERC of Supervision and Regulation Fees in the amount of

P468.00 million annually and Metering Authority Fees in the amount of PhP15.00 million every three (3) years upon the renewal of NGCP's authority as the metering service provider. The Supervision and Regulation Fee is required to be paid on or before September 30th of each year with a penalty of fifty per centum in case of delinquency; Provided, further, that if the fees or any balance thereof are not paid within sixty days from the said date, the penalty shall be increased one per centum for each month of delinquency thereafter. On the other hand, the metering fee is being assessed by ERC based on the authority granted to NGCP as the WESM metering service provider.

The assessment is based on ERC Resolution No. 21, Series of 2007 entitled "A Resolution Approving the Revised Schedule of ERC Fees and Charges" which provides that supervision and regulatory fees are for annual reimbursement of the expenses incurred by the ERC in the supervision of electric utilities, transmission companies and/or in the regulation or fixing of their rates. Both the supervision and regulatory fee and metering authority assessment fee are computed at one peso for each one hundred pesos or fraction thereof, of the capital stock subscribed or paid.

NGCP is paying both Fees under protest on the ground that NGCP should be exempt from payment of these fees pursuant to Section 9 of R.A. No. 9511, which provides that NGCP's payment of 3% franchise tax shall be in lieu of, and expressly exempted from paying all other kinds of fees, taxes, and charges. The resolution of its protest may not have an impact on NGCP's revenue because the ERC considers the Supervision and Regulation Fees as part of the operating expense.

These legal issues are still pending before the Supreme Court for resolution.

Labor Cases

There are seventeen (17) labor cases pending before the Supreme Court, Court of Appeals, National Labor Relations Commission, and the Department of Labor and Employment filed either by (i) former NGCP employees against NGCP in different areas/regions for illegal dismissal, with prayer for reinstatement, and payment of backwages and damages or for other money claims; or (ii) by employees of service providers with service contracts with NGCP wherein NGCP was impleaded as co-defendant; (iii) project based employees whose engagements were terminated due to either expiration of their contract term or energization of the Project. The contingent liabilities arising from the labor cases are difficult to estimate considering that in most of the complaints, the specific amount claimed are not specified by the complainants and the award of backwages, if any, will accrue until the finality of judgment.

SIAC Case

On 14 February 2018, NGCP filed with the Singapore International Arbitration Centre ("SIAC") a Notice of Arbitration, docketed as SIAC Case No. ARB044/18/CHB, against Power Sector Assets & Liabilities Management Corporation (PSALM) and National Transmission Corporation (TRANSCO) pursuant to the Arbitration Clause in Section 16 of the Concession Agreement relative to the implementation and interpretation of the parties' Concession Agreement. In the arbitration, NGCP sought, among other things, a declaration that the prepayment made on 15 July 2013 amounting to PhP57.88 billion was valid, and the payment of other monetary claims of approximately PhP4 billion which should have been borne by TRANSCO under the Concession Agreement, but were advanced by NGCP.

On 19 February 2025, the Arbitral Tribunal of the SIAC rendered a Final Award in the case filed by NGCP against the PSALM and TRANSCO. The Arbitral Tribunal declared:

1. NGCP did not breach the nationality restrictions in the Philippine Constitution, the Anti-Dummy Law, and its obligations under the Concession Agreement in relation to permitted indebtedness or insurance;
2. NGCP validly exercised its right to make the prepayment in the amount of PhP57.88 billion that it effectuated on 15 July 2013;
3. NGCP shall pay only approximately PhP372.77 million to TRANSCO out of its claim of around PhP3.9 billion;
4. The agreed difference for the Projects Under Construction in the amount of PhP10.106 billion shall

be converted into US Dollars at the rate of 1 USD : 49.62 PhP, which is the rate claimed by NGCP to be the appropriate rate.

5. NGCP is entitled to an indemnification from PSALM and TRANSCO up to the amount of PhP56.5 million for expenses on right of way claims with interest;
6. NGCP shall be compensated by TRANSCO through a corresponding reduction in the Concession Fee for Sub-Transmission Assets (STAs) that were on the Bid Date the subject of an ongoing negotiation, and as such, remain within the transferred assets;
7. NGCP's claim for capital expenditures on STAs was denied as TRANSCO is not obliged to account to NGCP in respect of any portion of the proceeds that may be attributable to NGCP's capital expenditure;
8. NGCP has, during the Concession Period, the exclusive right and responsibility of preparing the Transmission Development Plan (TDP) on an annual basis and is entitled to deal directly, and without intervention (or prior approval) by TRANSCO, with the regulators;
9. NGCP shall be reimbursed by TRANSCO for its Retained Obligations of PhP51.80 million;
10. NGCP has the exclusive right during the Concession Period to use the Transmission Assets which includes the right to use such assets for a Related Business, including for a telecommunications system;
11. Finally, the Tribunal declared that title to any Documented Property Rights acquired by NGCP in the exercise of its power of eminent domain is to be registered in the name of TRANSCO.

Under the UNCITRAL Rules, the Tribunal's award is final and binding on the parties and the parties are obligated to carry out the award without delay. As of report date, NGCP is in the process of execution of the above Arbitral Award.

Other Cases

While the ERC already issued NGCP's Final Determination for the 4th Regulatory Period, there are a total of seventeen (17) NGCP separate CAPEX Applications that are pending with the ERC for approval. Due to urgency of the projects, NGCP is constrained to file separate CAPEX Applications for approval of the ERC. Moreover, the ERC has not yet issued NGCP's Final Determination for the 5th Regulatory Period.

The Company has other possible claims from, or obligations to other parties from past events and whose existence may only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

(e) Certain Relationships and Related Transactions

Related Party Disclosures

Relationship with Related Parties	Year	Note	Amount of Transaction (in Millions)	Outstanding Balance (in Millions)	Terms and Conditions	
Companies with the Same BOD						
▪ PGAI	June 30, 2025	A	P59.19	P1.53	On demand;	Unsecured
	December 31, 2024	A	191.32	2.44	On demand;	Unsecured
	December 31, 2023	A	775.64	1.58	non-interest	
▪ SMDC	June 30, 2025	B	P-	P-		
	December 31, 2024	B	3.85	-		
	December 31, 2023	B	-	-		
Shareholders						
	June 30, 2025	C	P-	P843.27		
	December 31, 2024	C	-	843.27	On demand;	Unsecured
	December 31, 2023	C	-	843.27	non-interest	
Key Management Personnel						
▪ Short-term benefits	June 30, 2025	d	P251.41	P-		
	December 31, 2024	d	424.04	-		
	December 31, 2023	d	418.82	-		
▪ Post-employment benefits	June 30, 2025	d	P19.21	P-		
	December 31, 2024	d	30.82	-		
	December 31, 2023	d	30.07	-		
June 30, 2025				P844.80		

December 31, 2024	P845.71
December 31, 2022	P844.85

The related party transactions of the Corporation and the Group are disclosed in Note 9 (Page 20) of the 2024 Audited Financial Statements (AFS) of the Company attached as **Annex “1”**, Note 21 (Page 64) of the 2024 Consolidated AFS of the Group attached as **“Annex 2”**, and Note 21 (Page 63) of the Interim AFS as of 30 June 2025 attached as **“Annex 3”**.

- a. The Group, through NGCP, has related party transactions with Prudential Guaranty Assurance, Inc. (PGAI) amounting to P59.19 million, P191.32 million, and P775.64 million on June 30, 2025, December 31, 2024 and 2023, respectively, representing insurance premiums. The outstanding insurance payable to PGAI amounting to P1.53 million and P2.44 million as of June 30, 2025 and December 31, 2024, respectively, are recorded under the “Trade and other current payables” account in the consolidated statements of financial position. This pertains to motor vehicle insurance, aviation, commercial general liability insurance, PGA protect, motor comprehensive, industrial all risk, engineering electronic equipment insurance and warehouse insurance in nature.
- b. The Group, through NGCP, also has existing lease agreement for parking space with SM Development Corporation (SMDC) amounting to nil, P3.85 million and nil in June 30, 2025, December 31, 2024 and 2023. There was no outstanding balance payable to SMDC amounting as of June 30, 2025 and December 31, 2024, which are recorded under the “Trade and other current payables” account in the consolidated statements of financial position.
- c. As at and June 30, 2025 and December 31, 2024, Group, through P21, has outstanding payables to its stockholders amounting to P843.27 million, which are included under “Other current liabilities” account in the consolidated statements of financial position. These payables were obtained for working capital requirements and part of these payables were used to pay for CHPC’s professional fees and other various expenses and liabilities. These payables are non-interest bearing, payable on demand and will be settled in cash. On September 23, 2021, the Parent Company paid its outstanding advances from its two major stockholders amounting to P250.05 million which was used by the Group as its source of fund in relation to the share swap transactions.
- d. Total remunerations of key management personnel which represent short-term benefits in June 30, 2025, December 31, 2024 and 2023 amounted to P251.41 million, P424.04 million and P418.82 million respectively. Total key management compensation relating to post-employment benefits in June 30, 2025, December 31, 2024 and 2023 amounted to P19.21 million, P30.82 million and P30.07 million, respectively.

Amounts owed to related parties will be settled in cash.

- (f) There is no director of the Corporation who has resigned or declined to stand for re-election since the date of the last annual meeting of stockholders because of a disagreement with the registrant on any matter relating to the registrant’s operations, policies, or practices. The Corporation has not received from any director any letter describing a disagreement and requesting that the matter be disclosed.

Item 6. Compensation of Directors and Executive Officers

- (a) (i) Compensation of Directors and Executive Officers

On 10 August 2021, the Board of Directors approved the per diem allowance for attendance at each meeting.

- (a) The standard arrangement pursuant to which directors of the Corporation are to be compensated starting 10 August 2021 is as follows:

	Position	Compensation
1	Board of Directors	PhP50,000.00 per BOD meeting
2	Corporate Secretary	PhP30,000.00 per BOD meeting
3	Committee Chairman	PhP40,000.00 per Committee meeting
4	Committee Members	PhP30,000.00 per Committee meeting

- (b) There are no other arrangements, including consulting contracts, pursuant to which any director of the Corporation was compensated, or is to be compensated, directly or indirectly, during the Corporation's last completed fiscal year, and the ensuing year, for any service provided as director.

SUMMARY COMPENSATION TABLE
Year 2018-2025 Annual Compensation

	YEAR	SALARY	BONUS	***OTHERS	
Chairman and the 4 most highly compensated executives	2025*	44,219,562.57	11,954,107.52	25,415,557.84	81,589,227.93
	2024	67,713,229.95	15,244,320.29	48,402,348.17	131,359,898.41
	2023	63,000,334.15	13,686,835.81	38,303,434.92	114,990,604.88
	2022	58,376,728.92	13,123,989.50	36,716,904.76	108,217,623.18
	2021	37,441,768.54	10,282,443.28	42,383,870.09	90,108,081.91
	2020	55,892,370.34	9,848,225.68	3,962,990.59	69,703,586.61
	2019	66,889,159.94	12,506,010.20	3,525,977.77	82,921,147.91
	2018	66,668,087.71	16,948,995.78	20,533,147.41	104,150,230.90
All other officers and Directors as a group	2025*	193,685,966.44	53,449,487.41	32,304,855.85	279,440,309.70
	2024	263,441,666.36	73,323,375.55	36,855,047.88	373,620,089.78
	2023	245,528,765.42	65,417,418.35	23,003,642.65	333,949,826.42
	2022	208,076,971.01	57,724,715.59	21,966,492.44	287,768,179.04
	2021	181,628,098.33	47,771,457.07	28,685,768.63	258,085,324.03
	2020	183,635,238.15	46,996,633.51	16,815,805.24	247,447,676.90
	2019	229,854,776.95	45,840,826.41	19,162,411.92	294,858,015.28
	2018	226,143,837.41	58,168,665.15	18,168,466.53	302,480,969.09
TOTAL	2025*	237,905,529.01	65,403,594.93	57,720,413.69	361,029,537.63
	2024	331,154,896.31	88,567,695.83	85,257,396.05	504,979,988.19
	2023	308,529,099.57	79,104,254.16	61,307,077.57	448,940,431.30
	2022	266,453,699.93	70,848,705.09	58,683,397.20	395,985,802.22
	2021	219,069,866.87	58,053,900.35	71,069,638.72	348,193,405.94
	2020	239,527,608.49	56,844,859.19	20,778,795.83	317,151,263.51
	2019	296,743,936.89	58,346,836.61	22,688,389.69	377,779,163.19
	2018	292,811,925.12	75,117,660.93	38,701,613.94	406,631,199.99
***OTHERS					
Retirement Benefits					

Position allowance				
Leave Commutation				
Anniversary Cash Gift				

** As of 31 August 2025.*

The names of the compensated executive officers as of 2024 are:

1. Chairman of SGP – Henry T. Sy, Jr.
2. Vice-Chairman of SGP – Robert G. Coyiuto, Jr.
3. President of SGP – Paul P. Sagayo, Jr.
4. Chief Finance Officer (CFO) of SGP – Justice Lady P. Soriano
5. Audit and Risk Officer of SGP – Zurohayda Yoko M. Montierro
6. President and CEO/CAO of NGCP (PCEO/CAO) - Anthony L. Almeda
7. Chief Technical Officer of NGCP (CTO) - Engr. Rico C. Vega
8. Chief Finance Officer of NGCP (CFO) - Nancy Nanette G. Bugnosen

There is no action to be taken with regard to the following:

- (a) any bonus, profit sharing, or other compensation plan, contract or arrangement in which any director, nominee for election as a director, or executive officer of the Corporation will participate;
- (b) any pension or retirement plan in which any person will participate; or
- (c) granting or extension to any such person of any options, warrants or rights to purchase any securities, other than warrants or rights issued to security holders as such, on a pro rata basis.

(a) (ii) Employment Contracts and Termination of Employment and Change in Control Arrangements

There are no employment contracts or compensatory plan or arrangements between SGP and any of its executive officers.

(a) (iii) Warrants and Options Outstanding

There are no outstanding warrants or option agreements between SGP and any of directors or executive officers.

Item 7. **Independent Public Accountants**

- (a) For the year 2024, SGP's external auditor was R.G. Manabat & Co. The partner in charge was Wilfredo Z. Palad.

The Board, upon recommendation of the Audit Committee, recommends the appointment of R.G. Manabat & Co. as the external auditor of the Corporation for 2025.

R.G. Manabat and Co. will be acting as SGP's external auditor for the twelfth (12th) time. Wilfredo Z. Palad shall be re-appointed as the partner-in-charge.

The members of the Audit Committee are Luis Jose P. Ferrer and Vicente D. Gerochi IV.

There have been no changes in and disagreements with SGP's external auditors on accounting and financial disclosures.

- (b) External Audit Fees

For the calendar year 2024 and 2023, R.G. Manabat & Co. billed SGP the amount of PhP1,461,834 and PhP1,328,940 respectively, for audit and audit-related fees.

- (c) Representatives from R.G. Manabat & Co. are expected to be present at the Annual Meeting. They shall have the opportunity to make a statement if they desire to do so. Further, they are expected to be

available to respond to appropriate questions that may be raised during the Annual Meeting.

Item 8. **Compensation Plans**

On August 10, 2021, the Board approved the following compensation plan as reasonable per diem for attendance in Board meetings:

	Position	Compensation
1	Board of Directors	PhP50,000.00 per BOD meeting
2	Corporate Secretary	PhP30,000.00 per BOD meeting
3	Committee Chairman	PhP40,000.00 per Committee meeting
4	Committee Members	PhP30,000.00 per Committee meeting

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

At present, SGP's authorized capital stock is PhP5.3 billion divided into 5.3 billion common shares with a par value of PhP1.00 per share.

Item 10. **Modification or Exchange of Securities**

There is no action to be taken at the annual stockholders' meeting with respect to the modification of any class of shares of the Corporation, or the issuance or authorization of one class of shares of the Corporation in exchange for outstanding shares of another class.

Item 11. **Financial and Other Information**

The audited financial statements of SGP for the year ended 31 December 2024 is attached to this Statement as **Annex "1"**. A copy of SGP's Statement of Management's Responsibility for Financial Statements signed by (a) Henry Sy, Jr. as Chairman of the Board; (b) Paul P. Sagayo, Jr. as President and CEO; (c) Justice Lady P. Soriano as Treasurer and CFO is attached as **Annex "1-A"**.

The Corporation's consolidated financial statements as of 31 December 2024 is attached as **Annex "2."**

The interim unaudited financial statements of SGP as of 30 June 2025 is attached as **Annex "3."**

Item 12. **Mergers, Consolidations, Acquisitions and Similar Matters**

Share Swap Transaction

On 28 May 2021, the SEC approved SGP's increase in authorized capital stock. As a result, 4,100,400,000 common shares of SGP were issued at a price of PhP20.00 per share in exchange for 67% the outstanding shares of each of OneTaipan Holdings, Inc. ("**OneTaipan**") and Pacifica21 Holdings, Inc. ("**Pacifica21**"). Specifically, 2,050,200,000 common shares of SGP were swapped with 86,430,000 common shares of OneTaipan legally and beneficially owned by Henry Sy, Jr. On the other hand, 2,050,200,000 common shares of SGP were swapped with 871,000,000 common shares of Pacifica21 legally and beneficially owned by Robert C. Coyiuto, Jr.

Due to the completion of the share swap as described above, SGP became the owner of 67% of the outstanding shares of each of Pacifica21 and OneTaipan.

Further, Pacifica21 owns controlling shares in Calaca High Power Corporation, which in turn owns 30% minus one share in National Grid Corporation of the Philippines ("**NGCP**"). OneTaipan owns controlling shares in Monte Oro Grid Resources Corporation, which holds 30% plus one share in NGCP.

The share swap formally consolidated Mr. Sy's and Mr. Coyiuto's ownership and control of NGCP through a common corporate structure.

Other than the dilution of their respective ownership interests in SGP, the rights of the existing shareholders will not be affected by the share swap referred to above.

Follow-On Offering

On 20 October 2021, the SEC approved SGP's additional increase in authorized capital stock to enable SGP to conduct a follow-on offering ("**FOO**") of its shares to achieve the target public float of twenty percent (20%) of NGCP and for other business purposes.

On 10 November 2021 SGDPI, under the symbol "SGP", the Company conducted a follow on offering of 1,053,500,000 shares in the Philippine Stock Exchange with an overallotment option of up to 101,000,000 secondary shares at PhP12.00 per common share.

The Company used the proceeds of the FOO to directly subscribe to non-voting preferred shares issued by NGCP. Proceeds from the issuance of the non-voting preferred shares will be used by NGCP to finance its capital expenditure requirements and related costs and expenses.

Subscription to Non-Voting Preferred Shares in NGCP

On 07 June 2022, the SEC approved NGCP's application for increase in authorized capital stock and creation of non-voting preferred shares. On 12 April 2022, upon signing of the Subscription Contract on the non-voting preferred shares of NGCP, the Company paid 25% of its total subscription of PhP12,238,163,000, amounting to PhP3,059,540,750. On 09 June 2022, the Company fully paid the remaining 75% balance of the total subscription amounting to PhP9,178,622,250.

The subscription to the Non-Voting Preferred Shares in NGCP was approved by the Board of Directors of the Corporation in a Special Meeting held on 04 April 2022.

Item 13. Acquisition or Disposition of Property

There is no action to be taken at the annual stockholders' meeting with respect to the acquisition or disposition of any property of the Corporation.

Item 14. Restatement of Accounts

There is no action to be taken at the annual stockholders' meeting with respect to the restatement of any asset, capital, or surplus account of the Corporation.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

The following matters will be submitted to a vote of security holders on 16 October 2025:

- a. Approval of the Minutes of the Previous Annual Stockholders' Meeting held on 17 October 2024;
- b. Ratification of the Corporate Acts of the Board of Directors and Management since 17 October 2024;
- c. Election of Directors for 2025-2026:
 1. Henry T. Sy, Jr.
 2. Vicente D. Gerochi IV
 3. Paul P. Sagayo, Jr.
 4. Justice Lady P. Soriano
 5. Jose Perpetuo M. Lotilla (Independent Director)
 6. Luis Jose P. Ferrer (Independent Director)

7. Daniel D. Ibasco (Independent Director)

- d. Management Report and Presentation of the Audited Financial Statements of the Corporation for the Year Ended 31 December 2024;
- e. Appointment of R.G. Manabat & Co. (an affiliate of KPMG) as External Auditor for 2025;

The minutes of the 2024 Annual Stockholders' Meeting is attached in this Information Statement as **Annex "J"**, and will also be made available for download through the Corporation's website.

The minutes of the 2024 Annual Stockholders' Meeting and resolutions of the Board of Directors since the date of the 2024 Annual Stockholders' Meeting will also be available for examination during office hours at the Office of the Corporate Secretary.

Item 16. Matters Not Required to be Submitted

There were no matters not required to be submitted.

Item 17. Other Proposed Action

Aside from the election of directors and officers for the year 2025 to 2026, the following are the other matters to be considered during the Annual Meeting:

- a. Approval of the Minutes of the Previous Annual Stockholders' Meeting held on 16 October 2024;
- b. Ratification of corporate acts since 16 October 2024;
- c. Approval and presentation of the Management Report of the Chairman of the Board;
- d. Approval and presentation of the Audited Financial Statements for the year ended 31 December 2024; and
- e. Appointment of External Auditor for 2025.

Item 18. Voting Procedures

(i) Vote required for approval

All matters submitted for approval by the stockholders require the approval of the majority of the stockholders representing at least a majority of the issued and outstanding capital stock entitled to vote and constituting a quorum.

Subject to the stockholders' right to cumulative voting in the election of the Directors and the guidelines on the election of Independent Directors set forth above, candidates receiving the highest number of votes shall be declared elected as members of the Board.

(ii) Method by which votes will be counted

Shareholders will only cast their votes through ballots or proxies submitted on or before 03 October 2025 at 5:00 p.m., in accordance with the Procedure for Attending the Meeting Through Remote Communication set forth in this Information Statement, and approved by the majority of the shareholders present through remote communication or represented at the meeting as the method of voting for any or all of the proposals or matters submitted to a vote at the meeting. In all proposals or matters for approval except for election of directors, each share of stock entitles its registered owner (who is entitled to vote on such particular matter) to one vote. In case of election of directors, cumulative voting as set out in this Information Statement shall be adopted. Counting of the votes will be done by the Corporate Secretary with the assistance of the independent auditors and the stock transfer agent of the Corporation.

Undertaking

Upon the written request of a stockholder, the Corporation undertakes to furnish such stockholder with a copy of the SEC Form 17-A without any fee. At the discretion of management, a charge may be made for exhibits, which shall be limited to reasonable expenses incurred by the Corporation in furnishing such exhibits.

Stockholders may send their requests to the Office of the Audit and Risk Officer at 16th Floor, Tycoon Center Bldg. Condominium Pearl Drive, Pasig City, Metro Manila.

PART III.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasig on 24 September 2025.



CHERYL S. SALDAÑA-DE LEON
Corporate Secretary

Annex "A"

PROCEDURE FOR ATTENDING THE MEETING THROUGH REMOTE COMMUNICATION

1. Stockholders of record as of **26 September 2025** who intend to attend the meeting through remote communication are requested to notify the Corporation and register by email to corporatesecretary@synergygrid.ph not later than **02 October 2025 at 2:00 p.m.** Stockholders whose shares are lodged with brokers are requested to directly contact their respective brokers for guidance on their participation in the meeting.
2. For validation purposes, the email should contain the following information:
 - a. Name;
 - b. Address;
 - c. Telephone number;
 - d. Email address; and
 - e. A scanned copy of any valid government-issued identification card ("ID") with photo of the stockholder.

Only the stockholders who have notified the Corporation of their intention to participate through remote communication as above-described and have been validated to be stockholders of record of the Corporation will be considered in computing stockholder attendance at the meeting, together with the stockholders attending through proxies.

3. Votes of all stockholders can only be cast through ballots or proxies submitted on or before **03 October 2025 at 2:00 p.m.** A sample of the ballot and proxy is attached herein.

All ballots and proxies should be received by the Corporate Secretary on or before **03 October 2025 at 2:00 p.m.** through the following means:

- a. By e-mail to the Corporate Secretary at corporatesecretary@synergygrid.ph; and
- b. By ordinary mail to the Office of the Corporate Secretary at Suite 2801 Discovery Center, 25 ADB Avenue, Ortigas Center, Pasig City.

For an individual, his/her ballot or proxy must be accompanied by a valid government-issued ID with a photo. For a corporation, its proxy must be accompanied by its corporate secretary's certification stating the representative's authority to represent the corporation in the meeting. Validation of ballots and proxies will be on **09 October 2025 at 5:00 p.m.** at the office of the Corporation's Corporate Secretary.

4. Shareholders may send their questions and/or comments prior to or during the meeting to the Corporate Secretary at corporatesecretary@synergygrid.ph. Questions and comments may also be written in the space provided in the sample ballot/proxy form.
6. The proceedings of the meeting will be recorded.

Should you have questions or requests for clarification on the procedure for attending the annual stockholders' meeting through remote communication, please email them to the Corporate Secretary at corporatesecretary@synergygrid.ph.

Annex “B”

EXPLANATION AND RATIONALE OF AGENDA ITEMS FOR THE ANNUAL MEETING OF STOCKHOLDERS OF SYNERGY GRID & DEVELOPMENT PHILS., INC. (the “Corporation”)

1. Call to Order

Our Chairman will formally open the meeting at 2:00PM.

2. Certification of Notice and Quorum

The Corporate Secretary will certify that notice for the meeting was duly sent to stockholders and that a quorum exists for the transaction of business.

3. Approval of the Minutes of the Previous Annual Stockholders’ Meeting held on 17 October 2024

The draft of minutes of the meeting held on 17 October 2024 is available for download at the Corporation website.

4. Ratification of the Corporate Acts of the Board of Directors and Management since 17 October 2024

All acts and resolutions of the Board of Directors and all the acts of Corporate Officers taken or adopted from the date of the last annual stockholders’ meeting until the date of this meeting will be submitted for ratification. A brief summary of the resolutions and actions is set forth in this Information Statement for this meeting. Copies of the minutes of the meetings of the Board of Directors are available for inspection by any shareholder at the office of the Corporate Secretary during business hours.

5. Election of Directors for 2025-2026

The Corporate Secretary will present the names of the persons, whose background information are contained in the Information Statement, who have been duly nominated for election as directors of the Corporation in accordance with the By-Laws and Manual on Corporate Governance of the Corporation and applicable laws and regulations. The voting procedure is set forth in the Information Statement for this meeting.

6. Management Report and Presentation of the Audited Financial Statements of the Corporation for the Year Ended 31 December 2024

The Audited Financial Statements (“AFS”) as of 31 December 2024 will be presented to the stockholders for their approval. The AFS will be embodied in the Information Statement to be sent to the stockholders prior to the meeting.

7. Appointment of R.G. Manabat & Co. (an affiliate of KPMG) as External Auditor for 2025

The Audit Committee of our Board will endorse to the stockholders the re-appointment of R.G. Manabat & Co. (an affiliate of KPMG) as the external auditor for the ensuing year. Representatives of the said firm are expected to be present at the annual meeting and to respond to appropriate questions from the shareholders.

8. Other Matters

The Chairman will open the floor for comments and questions by the stockholders. The stockholders may raise other matters or issues that may be properly taken up at the meeting by sending their questions and/or comments prior to the meeting to the Corporate Secretary at corporatesecretary@synergygrid.ph.

SAMPLE BALLOT/PROXY

☐ **Vote by Ballot:** The undersigned stockholder of **SYNERGY GRID & DEVELOPMENT PHILS., INC.** (the “**Corporation**”) casts his/her vote on the agenda items for the Annual Stockholders’ Meeting, as expressly indicated with “**X**” in this ballot.

☐ **Vote by Proxy:** The undersigned stockholder of **SYNERGY GRID & DEVELOPMENT PHILS., INC.** (the “**Corporation**”) hereby appoints _____ or in his absence, the Chairman of the meeting, *as attorney-in-fact and proxy*, with power of substitution, to represent and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Meeting of the Stockholders of the Corporation on **16 October 2025** and any of the adjournments thereof for the purpose of acting on matters as may properly come before the meeting.

Printed Name and Signature of Stockholder
Date:

The ballot of those who will attend the meeting personally should be submitted to the Corporate Secretary at the time of registration to attend the meeting on or before **02 October 2025 at 2:00 p.m.**

This proxy should be received by the Corporate Secretary on or before **02 October 2025 at 2:00 p.m** the deadline for submission of proxies. For corporate stockholders, please attach to this proxy form the secretary’s certificate on the authority of the signatory to appoint the proxy and sign this form.

This ballot/proxy, when properly executed, will be voted in the manner as directed herein by the stockholder(s). If no direction was made, this ballot/proxy will be voted for the approval of the matters stated above and such other matters as may properly come before the meeting in the manner described in the Information Statement and/or as recommended by management or board of directors.

A stockholder giving this proxy has the power to revoke it at any time before the right granted is exercised. A proxy is also considered revoked if the stockholder attends the meeting in person and expressed his intention to vote in person.

REPUBLIC OF THE PHILIPPINES)
CITY OF MANILA) s.s.

AFFIDAVIT OF PUBLICATION

I, **MARIQUITA O. ADRIANO**, of legal age, single, Filipino and with office address at c/o PhilSTAR Daily, Inc., Amvel Business Park, Dr. A. Santos Ave., Brgy. San Dionisio, Parañaque City after being duly sworn to in accordance with law depose.

That I am the **ADVERTISING MANAGER** of **The PhilSTAR Daily, Inc.** a domestic corporation duly organized and existing under by virtue of Philippine laws with office and business Amvel Business Park, Dr. A. Santos Ave., Brgy. San Dionisio, Parañaque City.

That the said corporation publishes **The Philippine STAR**, a daily broadsheet newspaper published in English and of general circulation.

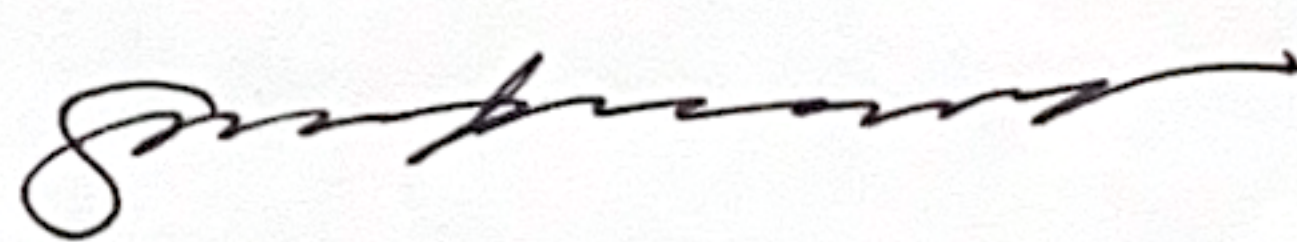
That the order of SYNERGY GRID & DEVELOPMENT PHILS., INC.

Captioned as follows: NOTICE OF ANNUAL MEETING OF STOCKHOLDERS OF

SYNERGY GRID & DEVELOPMENT PHILS., INC.

(Please see attached printed text) had been published in The Philippine STAR in its issue/s of: September 4 and 5, 2025 issued in The Philippine STAR; September 4 and 5, 2025 uploaded on bworldonline.com

FURTHER AFFIANT SAYETH NAUGHT.
Manila, Philippines


MARIQUITA O. ADRIANO
Affiant

SUBSCRIBED AND SWORN to before me this 5th day of September 2025 affiant exhibited to me her Driver's License ID No. N25-09-013541 and which expires on 2028/02/22.


ATTY. GARY A. SANCIO

Notary Public

Until December 31, 2026

Adm. Matter NP-103 (2025-2026)

Roll No. 44261

IBP -No. 1082447 (Lifetime)/06-30-17/ Q.C.

PTR No. 6991051/01-06-25/Q.C.

MCLE Compliance No. VIII-0023572/03-04-25

Unit 203, STG Bldg. 190 P. Tuazon Blvd.

Araneta City, Quezon City, 1109

Doc. No. 305
Page No. 62
Book No. V
Series of 2025

AFFIDAVIT OF PUBLICATION

REPUBLIC OF THE PHILIPPINES)
CITY OF MANILA) S.S.

I, ODILIA A.O. RUFINO, of legal age, Filipino, with office address at Manila Bulletin Building, Muralla corner Recoletos Streets, Intramuros, Manila 1002, after being duly sworn to in accordance with law, do hereby depose and say that:

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS OF SYNERGY GRID & DEVELOPMENT PHILS., INC.
NOTICE is hereby given that the Annual Meeting of the Stockholders of SYNERGY GRID & DEVELOPMENT PHILS., INC. (the "Corporation") will be held on 16 October 2025 at 2:00 p.m., at the Corporation's principal office through videoconferencing, as authorized by resolution of the Board of Directors on 06 August 2025, with the following agenda:
I. Call to Order
II. Proof of Notice of Meeting
III. Certification of Notice and Quorum
IV. Approval of the Minutes of the Previous Annual Stockholders' Meeting held on 17 October 2024
V. Ratification of the Corporate Acts of the Board of Directors and Management since 17 October 2024
VI. Election of Directors for 2025-2026
VII. Management Report and Presentation of the Audited Financial Statements of the Corporation for the Year Ended 31 December 2024
VIII. Appointment of R.G. Manabat & Co. (an affiliate of KPMG) as External Auditor for 2025
IX. Other Matters
X. Adjournment
Minutes of the Corporation are accessible through the Corporation's website (www.synergysgrid.ph/v3.3)
Stockholders may participate in the annual meeting via remote communication and cast their votes electronically or in absentia, or by appointing the Chairman of the Meeting as proxy.
Only stockholders of record as of 26 September 2025 are entitled to vote at this meeting. Stockholders intending to attend the meeting by remote communication should notify the Corporation not later than 02 October 2025 at 2:00 p.m. by e-mail to the Corporate Secretary at corporatesecretary@synergysgrid.ph. Further details and procedure for attendance and participation in the meeting through remote communication are set forth in Annex "A", which shall be made available to the public not later than 25 September 2025, through the PSE Edge and the Corporation's website.
Duly accomplished ballots, proxies, and copies of valid government IDs shall be submitted through any of the following:
1. By e-mail to the Corporate Secretary at corporatesecretary@synergysgrid.ph; and
2. By ordinary mail to the Office of the Corporate Secretary as follows:
CHERYLS S. SALDAÑA-DE LEON
SYNERGY GRID & DEVELOPMENT PHILS., INC.
c/o Suite 2801 Discovery Center
25 ADB Avenue, Ortigas Center, Pasig City
PLEASE NOTE THAT THE CORPORATION IS NOT SOLICITING PROXIES.
The deadline for submission of ballots and proxies is on 03 October 2025 at 2:00 p.m. For corporations, ballots and proxies must be accompanied by the Corporate Secretary's sworn certification stating the corporate officer's authority to vote for and to represent the corporation in the meeting. Ballots and proxies need not be notarized.
Validation of ballots and proxies will be on 09 October 2025 at 5:00 p.m. at the office of the Corporate Secretary at Suite 2801 Discovery Center, 25 ADB Avenue, Ortigas Center, Pasig City. For your convenience, samples of the proxy are available at the Corporation's website.
Questions and comments to the Board of Directors and/or Management may be sent in advance of, or during, the meeting by email to the Corporate Secretary at corporatesecretary@synergysgrid.ph.
Please refer to Annex "B" of the notice in the Definitive Information Statement, which shall be made available to the public not later than 25 September 2025, through the PSE Edge and the Corporation's website, for a brief discussion of and the rationale for the above agenda items. A visual and audio recording of the proceedings of the annual meeting shall be kept by the Corporation.
For the Board of Directors
Cheryl S. Saldaña-de Leon
CHERYLS S. SALDAÑA-DE LEON
Corporate Secretary

1. I am the Head of Operations for the Advertising Department of MANILA BULLETIN (the "Newspaper"), a newspaper of general and national circulation published by the Manila Bulletin Publishing Corporation;

2. An advertisement regarding NOTICE OF ANNUAL MEETING OF STOCKHOLDERS OF SYNERGY GRID & DEVELOPMENT PHILS., INC. (the "Corporation") will be held on 16 October 2025 at 2:00 p.m., at the Corporation's principal office through videoconferencing, as authorized by resolution of the Board of Directors on 06 August 2025. (See Advertisement for complete details), a printed copy of which is hereby attached, was published in the said Newspaper both in print and online formats on September 04 and 05, 2025.

ODILIA A.O. RUFINO
Affiant

SUBSCRIBED AND SWORN TO before me this 05 SEP 2025 in the above jurisdiction, with Affiant exhibiting to me LTO DRIVER'S LICENSE NO. N04-04-004675, which bears Affiant's photograph and signature and is valid until September 22, 2033, as competent proof of identity.

Doc. No. 372;
Page No. 75;
Book No. XIV;
Series of 2025.
ATTY. MARIELLE JENELLE L. LAGUERTA
Notary Public for City of Manila- Until Dec. 31, 2025
Notarial Commission No. 2024-179
Tower 3, 3K, No. 182 N. Lopez St., Ermita, Manila
I.B.P. NO. 488207- Dec. 27, 2024 for the year 2025
PTR. NO. 2041441- Jan. 2, 2025 at Manila
MCLE NO. VIII-0010660- Valid until 4-14-2028 Roll No. 88314

MANAGEMENT REPORT

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

During the meeting of the board of directors ("**Board**") of Synergy Grid & Development Phils., Inc. (formerly UEM Development Phils., Inc.; "**SGP**" or the "**Corporation**" or the "**Parent Company**" or the "**Company**") held on October 17, 2024, the Board confirmed and approved the appointment of R.G. Manabat & Co. (an affiliate firm of KPMG) as its External Auditor for the eleventh time. The stockholders during the annual stockholders meeting held on October 17, 2024 approved and ratified the said appointment.

Mr. Wilfredo Palad of R.G. Manabat & Co. (an affiliate firm of KPMG) has been the partner-in-charge of the Corporation for 2024 and is expected to be rotated every seven (7) years.

There are no changes in and disagreements with accountants on accounting and financial disclosure during the two most recent fiscal years.

INFORMATION ON INDEPENDENT ACCOUNTANT

(a) Audit and Audit-related fees

For the calendar year 2024, the total amount billed by external auditors for professional fees and other audit related fees is P1,461,834.00, which includes out-of-pocket expenses in the amount of P190,674.00. In 2023, audit and audit-related fees amounted to P1,328,940.00.

(b) Tax Fees – none

(c) All other fees – none

The following are SGP Audit Committee's approval policies and procedures for the external auditor:

- Recommend nominees for external auditors.
- Ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties, and personnel to enable them to perform their respective audit functions.
- Prior to the commencement of the audit, discuss with the external auditor the nature, scope, and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.
- Review the reports submitted by the external auditor.
- Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Corporation's overall consultancy expenses. The Audit Committee shall disallow any non-audit work that will conflict with the duties of the external auditor or may pose a threat to his independence.
- Review and evaluation, on an annual basis (at the minimum), of the performance of the external auditors (including lead partner) and recommend to the Board the appointment of the external auditor.
- Review the external auditor's proposed audit scope and approach.
- On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

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

On May 28, 2021, the SEC approved the increase in the Parent Company's authorized capital stock from P50.00 million to P5.05 billion. Consequently, the 4.10 billion common shares for the share swap transaction were issued at a price of P20 per share on the same date. The incremental costs directly attributable to the issuance of common shares amounting to P206.66 million is recognized as a deduction from additional paid-in capital.

On June 30, 2021 and on August 10, 2021, the Parent Company's BOD and stockholders, respectively, resolved and approved the increase in authorized capital stock from P5.05 billion to P5.30 billion, with the increase of 250.00 million to be divided into 250.00 million common shares at a par value of P1.00 per share.

This increase is for the Company to conduct a follow-on offering of its shares to achieve the target public float of twenty percent (20%) of the outstanding capital stock of the Company and for other business purposes.

The above increase was approved by the SEC on August 25, 2021. Consequently, of the 250.00 million increase in shares of the Company, 25% of which was subscribed and paid by the Company's major shareholders amounting to P62.50 million.

On August 10, 2021, the Company's BOD approved and authorized the offer and issuance of 1,053,500,000 common shares at an offer price of up to P29 per share, and also grants over-allotment option pursuant to which a stabilizing agent or its affiliate has the right to purchase up to 101,000,000 common shares of the Company's owned by its major shareholders.

Commercial Operations

On August 12 and September 10, 2021, the Company's shareholders have also secured the Certificate Authorizing Registration with the Bureau of Internal Revenue (BIR) in order to transfer in the name of the Company the following shares:

(i) 86,430,000 common shares in OTHI representing 67% of its total capital stock; and (ii) 871,000,000 common shares in P21 representing 67% of its total capital stock.

The details the equity interest of the Parent Company in its subsidiaries after the Share Swap are as follows:

	Percentage of Ownership		Country of Incorporation
	Direct	Indirect	
OneTaipan Holdings, Inc. ("OTHI")	67.0%	-	Philippines
Pacifica21 Holdings, Inc. ("P21")	67.0%	-	Philippines
Monte Oro Grid Resources Corporation ("MOGRC")*	-	67.0%	Philippines
Calaca High Power Corporation ("CHPC")**	-	67.0%	Philippines
National Grid Corporation of the Philippines ("NGCP")***	-	40.2%	Philippines

* Indirectly owned through OTHI

** Indirectly owned through P21

*** Indirectly owned through MOGRC and CHPC

OTHI is 67% directly owned subsidiary of the Parent Company and was incorporated and registered with Philippine SEC on February 23, 2010. OTHI's primary purpose is to acquire by purchase, exchange, assignment or otherwise, and to sell, assign, transfer, exchange, lease, let, develop, mortgage, pledge, deal in and with and otherwise operate, enjoy and dispose of, all properties of every kind and description and whatever situated and to the extent permitted by law.

MOGRC is a wholly-owned subsidiary of OTHI and was incorporated and registered with Philippine SEC on August 29, 2006. MOGRC's primary purpose is to invest or hold interests in the shares of stocks of companies engaged in or proposing to engage in infrastructure projects, whether as proponent, equity investor or financial or technical advisor and to do all acts and things necessary to carry out the foregoing purpose.

P21 is 67% directly owned by the Parent Company and was incorporated and registered with Philippine SEC on May 12, 2008. P21's purpose is to invest or acquire interest, purchase, own or hold directly or indirectly shares of stock, debentures or securities in other companies including related services and business activities.

CHPC is a wholly-owned subsidiary of P21 and was incorporated and registered with Philippine SEC on December 15, 2006. CHPC's primary purpose is to engage in the general business of operating, managing, maintaining, and rehabilitating energy systems and services from gas, steam and electricity including related services and business activities.

NGCP is 30%-owned each by MOGRC and CHPC and was incorporated in the Philippines and registered with Philippine SEC on February 21, 2008 primarily to operate and maintain a nationwide transmission grid throughout the Philippines; to provide open and non-discriminatory access to the transmission system to all authorized electricity distributors and electricity users; and to carry on all business incidental to the same.

On October 14, 2021, the listing of the Offer Shares was approved by the Philippine Stock Exchange. The Philippine SEC approved the listing of SGP on October 20, 2021.

On November 10, 2021 SGDPI, under the symbol "SGP", the Company publicly listed its 1,053,500,000 shares from its Follow-On Offering (FOO) on the Philippines Stock Exchange with overallotment option of up to 101,000,000 secondary shares at PHP 12.00 per common share.

The Parent Company will use the proceeds of the FOO to directly subscribe to non-voting preferred shares that will be issued by NGCP. Proceeds from the issuance of the non-voting preferred shares will be used by NGCP to finance its capital expenditure requirements and related costs and expenses.

On April 4, 2022, the Parent Company used the proceeds of the FOO to subscribe to 203,630,000 non-voting preferred shares of National Grid Corporation of the Philippines (NGCP) with a par value of P1.00 per share at a subscription price of P60.10/share or a total subscription price of P12,238,163,000.

The subscription will give the Parent Company a direct shareholding in NGCP of 9.240% of the latter's outstanding capital stock. The Parent Company will be entitled to dividends as a direct shareholder of NGCP, and this is in addition to the dividends that the Parent Company already indirectly receives from NGCP through the holding entities.

On April 12, 2022, the Parent Company paid P3,059,540,750, representing twenty-five percent (25%) of the total subscription price.

On June 7, 2022, the SEC approved the Amendment of Articles of Incorporation and Increase in Authorized Capital Stock of NGCP for the issuance of 203,630,000 Non-Voting Preferred Shares with a par value of P1.00 per share. The Company subscribed to the 203,630,000 Non-Voting Preferred Shares of NGCP, using the proceeds from the FOO. Proceeds from the issuance of the non-voting preferred shares will be used by NGCP to finance its capital expenditure requirements and related costs and expenses.

On February 28, 2008, the Group, through NGCP entered into a Concession Agreement with Power Sector Assets and Liabilities Management Corporation (PSALM) and the National Transmission Corporation (TRANSCO) granting the Group as Concessionaire the right to take over and operate the whole of TRANSCO's regulated transmission business was a going concern and be the sole representative of Regulated Entity before the Philippine Energy Regulatory Commission (ERC). The commencement date of the Concession Agreement is on January 15, 2009 and shall expire on the 25th anniversary of the commencement date. The Concession can be extended but not to exceed beyond the 50th anniversary of the commencement date or for longer than the remaining term of the Group's franchise.

The Corporation has 9 employees, a President, a Chief Finance Officer, an Audit, Risk and Compliance Manager, a Finance and Administrative Manager, three (3) Accountants, a Secretary and a Messenger and has no plans to hire employees in the ensuing 12 months.

There are no major risks that the Corporation is involved in other than the credit and liquidity risks as discussed in the Corporation's 2024 audited separate and consolidated financial statements as of December 31, 2024, attached as **Annexes "1" and "2"** unaudited financial statements as of June 30, 2024, attached as **Annex "3"**

In addition to the information disclosed above, the Corporation further discloses that:

- a. The Corporation does not anticipate any cash flow or liquidity problem within the next 12 months. The Corporation is not in default in any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.
- b. The Corporation does not have or is not aware of any trends, demands commitments, events or uncertainties that will have a material impact on its liquidity.
- c. At present, the Corporation has no material commitments for any capital expenditure.
- d. There are no significant elements of income or loss that did not arise from its operations. For the past several years, the Corporation has continuously sustained losses due to lack of income stream attributable to its non-operation. The Corporation's proposed corporate re-organization and diversification of its business is intended to improve the Corporation's performance and address its current financial losses.
- e. All expenses of the Corporation are current and the Corporation does not expect any direct or contingent financial obligation that is substantial or material.
- f. The following is an explanation of material changes in certain items of the Corporation's financial statements:

Six months ended June 30, 2025 compared to year ended December 31, 2024 (Balance Sheet Accounts)

Assets

Total assets as of June 30, 2025 amounted to P544.27 billion, wherein 2.43% represents cash and cash equivalents, 8.28% represents other current assets and 89.29% represents noncurrent assets. As of December 31, 2024, total assets amounted to P512.34 billion.

Liquidity and Capital Resources

As of June 30, 2025, current assets exceeded by the current liabilities by P51.41 billion. The current ratio as of June 30, 2025 increased as compared to December 31, 2025.

	June 30, 2025	December 31, 2024
Current Assets	P 58,251,361,096	P 48,817,134,627
Current Liabilities	109,662,741,226	100,970,143,968
Difference	(51,411,380,130)	(52,153,009,341)
Current Ratio	0.53 : 1.00	0.48 : 1.00

Six months ended June 30, 2025 compared to six months ended June 30, 2024 (Income Statement Accounts)

Income

Operation services revenues as of June 30, 2025 totaled to P39.61 billion, 48.93% higher than P26.60 billion as of June 30, 2024. The increase is mainly due to recording of under-recovery for CY 2016-2022.

Interest income as of June 30, 2025 totaled to P66.17 million, 27.24% lower than P90.95 million as of June 30, 2024. The decrease is due to lower funds invested for the period.

Operating expenses

As of June 30, 2025, Operating Expenses is P13.24 billion, which is 12.74% higher than P11.74 billion as of June 30, 2024 due to higher amortization of due to higher amortization of intangible asset, outside services, salaries, wages, and employees' benefits, security and janitorial, depreciation.

Amortization of intangible asset for the six months ended June 30, 2025 totaled to P6.54 billion, 18.98% higher than P5.50 billion as of June 30, 2024. The increase is mainly due to the unitization of completed projects resulting to higher amortization.

Outside services for the six months ended June 30, 2025 totaled to P310.29 million, 301.99% higher than P77.19 million as of June 30, 2024. The increase is mainly due to higher other services - others.

Salaries, wages, and employees' benefits for the six months ended June 30, 2025 totaled to P2.71 billion, 6.84% higher than P2.54 billion as of June 30, 2024. The increase is mainly due to merit increase effective March 1, 2024.

Security and janitorial for the six months ended June 30, 2025 totaled to P328.92 million, 26.49% higher than P260.04 million as of June 30, 2024. The increase is due to the exclusion of security expenses from cost allocation and an increase in the number of security guards.

Key Performance Indicators

Performance Indicators	Formula	June 30, 2025	December 31, 2024	June 30, 2024
Current Ratio	Current Assets/	0.53 : 1.00	0.48 : 1.00	0.49 : 1.00
	Current Liabilities	58,251,361,096 / 109,662,741,226	48,817,134,627 / 100,970,143,968	44,002,833,020 / 89,954,468,426
Debt to Equity Ratio	Total Liabilities /	1.88 : 1.00	2.04 : 1.00	2.01 : 1.00
	Stockholder's Equity	355,445,759,501 / 188,828,628,740	343,615,372,503 / 168,720,812,777	325,259,423,850 / 162,028,482,657
Asset to Equity Ratio	Total Assets /	2.88 : 1.00	3.04 : 1.00	3.01 : 1.00
	Stockholder's Equity	544,274,388,241 / 188,828,628,740	512,336,185,280 / 168,720,812,777	487,287,906,507 / 162,028,482,657
Equity to Debt Ratio	Stockholder's Equity /	0.53 : 1.00	0.49 : 1.00	0.50 : 1.00
	Total Liabilities	188,828,628,740 / 355,445,759,501	168,720,812,777 / 343,615,372,503	162,028,482,657 / 325,259,423,850
Book Value per share	Stockholder's Equity /	22.19 : 1.00	20.32 : 1.00	19.75 : 1.00
	Total number of shares	116,837,775,465 / 5,265,866,000	107,006,552,886 / 5,265,866,000	103,975,006,307 / 5,265,866,000
Income (Loss) per share	Net Income (Loss) /	1.85 : 1.00	1.50 : 1.00	0.88 : 1.00
	Total number of shares	9,722,439,059 / 5,265,866,000	7,884,429,113 / 5,265,866,000	4,642,052,285 / 5,265,866,000

	EBIT /	5.62 : 1.00	3.17 : 1.00	3.97 : 1.00
Interest Rate	Interest	25,935,293,425 /	25,361,436,097 /	13,635,914,052 /
Coverage Ratio	Expense	4,612,433,070	8,005,129,465	3,435,468,043

Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company

The Corporation's subsidiary, National Grid Corporation of the Philippines (NGCP) is a party to cases or claims under protest pending with various administrative bodies or court, including but not limited to the following:

- NGCP is a defendant in an Arbitration case filed by Kalpataru Power Transmission Limited (KPTL) before the Construction Industry Arbitration Commission (CIAC) where the Arbitral Tribunal awarded damages in favor of KPTL, as follows:

	DAMAGES		
PROJECT	PHP	USD	INR
Abaga-Kirahon	28,749,664	93,041	1,329,869
Kirahon-Maramag	16,658,168	77,369	2,333,347
Ormoc-Babatngon	27,053,362	-	394,743

Moreover, the Arbitral Tribunal also directed NGCP to release the Retention Money previously withheld by NGCP from the payments to KPTL, as follows:

	RETENTION MONEY	
PROJECT	PHP	USD
Abaga-Kirahon	30,000,000	2,000,000
Kirahon-Maramag	21,929,714	143,563

NGCP filed a Petition for Review with the Court of Appeals assailing the erroneous award and also posted a bond before the CIAC in an amount equal to the award in order to restrain the implementation of the Final Award pending the resolution of NGCP's Petition. In its Decision dated June 29, 2018, the Court of Appeals deleted all the actual damages granted by the Arbitral Tribunal in favor of Kalpataru but ordered NGCP to release the retention money to Kalpataru. The June 29, 2018 Decision of the Court of Appeals is now subject of separate Petitions for review by NGCP and Kalpataru before the Supreme Court which is pending resolution.

- NGCP also has a case involving customer High Street (SPV-AMC), Inc., (High Street) concerning the manner of calculating the transmission charge of High Street, NGCP filed on March 10, 2022 a Motion (to remand the Case) before the Supreme Court requesting that case be remanded to the Energy Regulatory Commission (ERC) for proper disposition, particularly, on the implementation and computation of the billing due from High Street consistent with the Decision and Resolution of the Court of Appeals, as affirmed by the Supreme Court, declaring the non-coincident peak demand (NCPD) as the correct billing determinant in the computation of transmission charges of High Street, Inc. Consequently, on September 9, 2022, NGCP filed with the Supreme Court a Reiteratory Motion praying that case be remanded to the ERC to implement and compute the billing due from High Street. On November 2, 2022 the 1st Indorsement of the Supreme Court to the Court of Appeals - the case was remanded to CA on June 14, 2021. And on December 12, 2022 NGCP received the CA letter transmitting the records of the case to ERC for proper disposition. Hence, on March 9, 2023, NGCP filed with the ERC its Motion to Set the Case for hearing to finally determine the billings of High Street in relation to the Supreme Court ruling. Said motion is pending action by the ERC.
- NGCP is the Plaintiff in the case of NGCP vs Posadas docketed as Civil Case No. 14-2547-M for Quieting of Title with Prayer for the issuance of Writ of Preliminary Injunction and/or TRO filed before the RTC Branch 80 of Morong Rizal. On 30 June 2022, NGCP received the hard copy of the Decision dated June

20, 2022 dismissing the quieting of title, partially granting counterclaims of defendants such as P500,000 temperate damages, P100,000 exemplary damages, P 25,000 Attorney's fees and setting aside the writ of preliminary injunction case of NGCP. On July 15, 2022, NGCP through external counsel filed a Motion for Reconsideration of the Decision dated June 20, 2022. On August 23, 2022, NGCP received the Order dated August 12, 2022 denying NGCP's Motion for Reconsideration dated July 15, 2022. On August 26, 2022, NGCP filed a Notice of Appeal assailing the Decision dated June 20, 2022. RTC gave due course to the Notice of Appeal and transmitted the records to the CA. NGCP is still waiting for the CA's action on the appeal.

- d. NGCP is the Plaintiff in the case of NGCP vs Bulcio et al. docketed as Civil Case No. 19-CV-3500 for the issuance of Writ of Preliminary Injunction with TRO filed before the RTC Branch 10 of La Trinidad, Benguet. Defendants prayed for the dismissal of the complaint as well as P50,000.00 for moral damages, P500,000.00 for exemplary damages and P20,000.00 cost of litigation expenses. On April 27, 2022, NGCP received the Memorandum of defendants. On May 18, 2023, NGCP received the decision dismissing the complaint. On July 14, 2023, NGCP received a resolution denying MR of NGCP. On August 08, 2023, NGCP received an order finding the Notice of Appeal by NGCP filed within the reglementary period and immediately transmitting records of the case to CA. On January 31, 2025, NGCP filed its Appellant's Brief. On March 31, 2025, NGCP received Appellee's Brief. NGCP will file its Reply-Brief. On April 15, 2025, NGCP filed its Reply-Brief.
- e. NGCP is the Plaintiff in the case of NGCP v. Consolidated Mines, Inc. and Benguet Corporation, docketed as Civil Case No. R-QZN-13-04310-CV for Breach of Contract, Collection of Sum of Money with Damages with Prayer for Issuance of Writ of Attachment. On 3 August 2018, the RTC issued a Decision directing CMI and Benguet to pay NGCP the principal amount of P8,929,397.69. NGCP was able to garnish P16,132,404.96 from Benguet Corporation. Consolidated Mines Inc. appealed to the Court of Appeals, and, upon denial of its Petition therein, to the Supreme Court. The Supreme Court similarly denied Consolidated Mines Inc.'s appeal, and the case was remanded to the RTC for execution. Consolidated Mines Inc. submitted a Compromise Settlement Proposal to NGCP, which was accepted. The payment of the settlement amount is currently ongoing, while the Writ of Execution of the Judgment is held in abeyance pending full settlement of the compromise amount.
- f. NGCP is the Defendant in the case of Melanie Villarao vs NGCP docketed as Civil Case No. II-6665 for Damages based on Quasi-delict before the RTC Branch 08 of Aparri, Cagayan. Plaintiff prayed for incurred medical and other related expenses in the total amount of P8.02 million consisting of P1,050.00, funeral expenses of P92,700.00, Loss of earning capacity of P6.42 million, P1.00 million for moral damages, and P500,000.00 for exemplary damages. On March 12, 2025, NGCP, through its external counsel, received a copy of the Decision in favor of the plaintiff and ordering NGCP to pay total amount of Php6,580,560.27 as damages. NGCP filed Motion for Reconsideration on March 27, 2025. NGCP is still waiting for RTC Resolution to the Motion for Reconsideration. On April 4, 2025, the RTC denied the Motion for Reconsideration. On April 29, 2025, NGCP, through its retainer, filed of Notice of Appeal. RTC gave due course to the Notice of Appeal and transmitted the records to the CA. NGCP is still waiting for the CA's action on the appeal.
- g. NGCP is the Defendant in the case of Leonardo San Pedro vs NGCP represented by Rodolfo Ilarde Jr. docketed as Civil Case No. 3333 for Removal of Structures and Damages before the MTCC Branch 03 of Tuguegarao City, Cagayan. Plaintiff prayed for the removal of electrical posts and payment of P50,000.00 cost of litigation expenses, P50,000.00 for Attorney's Fee and P50,000.00 for exemplary damages as well as payment of the cost of suit. During trial, the Plaintiff moved for amendment of the Complaint to which the Court granted. In the Amended Complaint dated May 15, 2024, the Plaintiff included another parcel of land on which he claims the structures are erected. The Plaintiff likewise amended the prayer for cost of litigation expenses to P100,000.00. Accordingly, NGCP also filed its Amended Answer. On August 21, 2024, the Plaintiff submitted an Offer of Compromise allowing the retention of the structures within his property subject to the payment of just compensation amounting to Php1,000,000.00. NGCP did not accept the proposal since it was the Plaintiff who requested TransCo in 2005 to relocate the poles in their current location and that such request is covered by a Memorandum of Agreement. Moreover, in the relocation of poles, ROW Grants were executed and

duly annotated in the Titles. The presentation for the evidence of the plaintiff was terminated on October 16, 2024. Trial is still ongoing with the next hearing set for presentation of witness of NGCP.

- h. NGCP is the Plaintiff in the case of NGCP vs Sps. Manolo Hernal and Mildred Villaroman-Hernal docketed as Civil Case No. 6740-AF for the issuance of Writ of Preliminary Injunction with TRO filed before the RTC Branch 30, Cabanatuan City. In a Decision dated January 25, 2024, NGCP is ordered to pay just compensation in the total amount of P19.61 million. NGCP filed MR which the court denied hence, NGCP filed Notice of Appeal. RTC gave due course to the Notice of Appeal and transmitted the records to the CA. NGCP is still waiting for the CA's action on the appeal.
- i. NGCP is the Defendant in the case of Heirs of Miguel D. Guansing Et. Al. vs TRANSCO and NGCP docketed as Civil Case No. 180-M-2021 for Inverse Condemnation before the RTC Branch 19 of Malolos, Bulacan. Plaintiffs prayed for payment of just compensation for the alleged area occupied by the transmission lines and Attorney's fees of P50,000.00 including all litigation expenses and cost of suit. The case is set for Pre-trial on May 20, 2024 per order received on April 5, 2024. Received on June 19, 2024 is the Order resetting the pre-trial on August 19, 2024 and requiring the counsel for NGCP to put into writing the motion she orally raised during the hearing on May 20, 2024 (i.e. dropping of NGCP as defendant). On August 16, 2024, NGCP received an Order denying the Motion to drop NGCP as defendant in the above subject case. Trial is still ongoing with the next hearing set for presentation of witness of the plaintiff. On May 27, 2025, TransCo deposited Php160,933,800 as provisional deposit and moved for the issuance of Writ of Possession. On June 9, 2025, the RTC ordered the issuance of Writ of Possession in favor of Transco and/or NGCP. The RTC likewise noted the manifestation of the parties to adopt the report of the commissioners as to the determination of just compensation. The commissioners have yet submitted their reports.
- j. NGCP is the Defendant in the case of Angel Tan Chua vs NPC, PSALM, NTC and NGCP docketed as Civil Case No 352-M-2022 for Just Compensation before the RTC Branch 15 of Malolos Bulacan. Plaintiff prayed for just compensation for the alleged affected total area of 37,261 square meters and consequential damages of no less than P1.00 billion, P500,000.00 for exemplary damages, P200,000.00 for attorney's fees and the cost of litigation. The case is set for pre-trial. The commissioners have been nominated by the parties for the purpose of determining just compensation. Commissioner Ernesto Borja and Gina De Guzman have submitted their reports. However, in an Order dated May 20, 2024, the Court ordered the commissioners to submit further report. Commissioner Gina De Guzman submitted her further report on June 17, 2024. In an Order dated December 27, 2024, the court waived the further report from commissioner Ernesto Borja so as not to delay the resolution of the case. In the same Order, the court ordered the parties to comment on the further report of commissioner Gina De Guzman within 30 days from the receipt of the Order. The comment to the report was submitted to the court on January 20, 2025.
- k. NGCP is the Defendant in the case of American Technologies, Inc. v. NGCP, docketed as R-MND-24-00551-CV for Specific Performance with Damages before RTC Branch 213 of Mandaluyong. Plaintiff prayed for the return of 99 GPS units that NGCP previously leased, or, in the alternative, the payment of the value of the said GPS units, and the payment of Php100,000.00 exemplary damages, Php30,000.00 attorney's fees, Php5,000.00 additional attorney's fees per appearance of plaintiff's counsel, and the costs of litigation. The case is set for Court-Annexed Mediation and Pre-Trial Conference. NGCP offered to pay for the unreturned GPS, and ATI accepted such settlement offer. NGCP has already paid the amount of Php370,000.00 to ATI, and the parties have already signed a Compromise Agreement. A Motion to Render Judgment based on Compromise is set to be filed for the dismissal of the case with prejudice.
- l. NGCP is the Defendant in the case of Palisoc et.al. v. TransCo and NGCP docketed as Special Civil Action Case No. 143-R for Inverse Condemnation before the RTC, Branch 53 of Rosales, Pangasinan. Plaintiffs prayed for just compensation in consonance with RA No. 10752 and attorney's fees amounting to P60,000, appearance fee of P15,000 for every hearing of this case as well as litigation expenses and cost of suit. NGCP filed Motion for Extension of Time to file Answer on March 6, 2025.

- m. NGCP is Defendant in the case of Ester Untalan, et. al. vs. TransCo and NGCP docketed as Civil Case No. 1757-R for Inverse Condemnation before RTC, Branch 53 of Rosales, Pangasinan. Plaintiffs prayed for just compensation in consonance with RA No. 10752 and attorney's fees amounting to P80,000, appearance fee of P25,000 for every hearing of this case as well as litigation expenses and cost of suit. NGCP filed its Answer on June 18, 2025.
- n. NGCP is Defendant in the case of Felicidad E. Rapisura vs. Spouses Mario Donato and Jeneleine Alfonso-Donato, NGCP, et. al., docketed as Civil Case No. Sm-1341 for Annulment of Land Title/Tax Declaration/ Deed of Quitclaim and Waiver of Rights/Other Documents, Reconveyance and Damages before 7th Municipal Circuit Trial Court of Asingan-San Manuel, Pangasinan. The Plaintiff impleaded NGCP as an indispensable and necessary party and prayed that NGCP will be ordered to transact business with the plaintiff and pay just compensation for the use and utilization of subject property. On June 25, 2025, NGCP received the Answer of Defendant Spouses Donato with a Crossclaim against NGCP for indemnity for any judgement, damages, or liabilities that may be adjudged against them. NGCP is drafting its Answer to the Complaint and Answer to the Crossclaim.
- o. NGCP is the Respondent in the case of Phirst Park Homes, Inc. vs NGCP Et Al. docketed as Civil Case No. 57-M-2023 for Indirect Contempt before the RTC Branch 82 of Malolos, Bulacan. Plaintiff prays to impose appropriate fines and imprisonment in accordance with law against respondents. The case was transferred and consolidated to under Civil Case No. 221-M-2022 before the RTC, Br. 12 (121) Meycauayan Bulacan, where the case for expropriation is being heard. In a Resolution dated February 28, 2024, the Supreme Court dismissed the Petition for Prohibition w/ Urgent Prayer of Issuance of a TRO and WPI. Accordingly, the TRO issued by the Court on July 3, 2023 is lifted.
- p. NGCP is the defendant in the case of Edgardo LL. Padilla vs TransCo and NGCP, docketed as Special Civil Action No.: 24-8621 for Inverse Condemnation, with Interest and Damages before the RTC Branch 5 of Iligan City. Plaintiff prays for the payment of true and fair market value of the land and the damaged improvements thereon, to have a provisional deposit related to the land affected by the transmission line project pursuant to Section 6 of Republic Act No. 10752 and consequential damages in the amount of Php2,000,000.00 and recovery of costs of litigation and attorney's fees in the amount of Php200,000.00. Pre -trial conference is on 29 April 2025. Still on mediation stage. Plaintiff's lawyer requested for extension of time to submit compromise agreement between Transco and Atty. Edgardo Padilla.
- q. NGCP is the defendant in the case of Aissah M. Tomawis and Aga Khan M. Tomawis represented by Acmad M. Tomawis vs TransCo and NGCP, docketed as Civi Case No. 2379-MTCC for Recovery of Ownership and Possession with Damages before the MTCC Branch 1, Ozamis City. Plaintiff prays that defendant to immediately vacate or surrender its possession and use of a portion of Lot No. 4191-A to the plaintiffs, to reimburse the plaintiffs Php50,000.00 for legal consultation expenses and Php25,000.00 for court fees and other amount litigation expenses, to reimburse plaintiffs Php150,000.00 for attorney's fees, to pay moral and exemplary damages in the amount of at least Php50,000.00 and directing for the installation and restoration of plaintiff's to the peaceful possession and enjoyment of Lot No. 4191-A. Endorsed to retained counsel Atty. Edgardo B. Prospero to handle the case. Pre-trial conference on July 23, 2025 @ 2:00 o'clock in the afternoon.
- r. NGCP is the defendant in the case of Jessica Morandarte represented by Lea M. Bustalino and Renan Morandarte, docketed as Civil Case No. 255 for Recovery of Possession, Payment of Rental and Damages before the MTC of Polanco, Zamboanga del Norte. Plaintiff prays for a rental from 2012 until final turn-over of the possession of the subject portion of land, moral damages, attorney's fee in the amount of Php30,000.00, filing fees and other litigation expense, and exemplary damages. Filed Answer on 13 June 2025. For endorsement to retained counsel.

There are several other cases for ejectment, damages, recovery of possession, and other cases of civil in nature filed by and against the Company and pending with the different courts and quasi-judicial bodies nationwide. The total estimated amount of claim against NGCP for these civil cases is P566.00 million.

There are also forty-seven (47) pending cases arising from show cause orders (SCOs) issued by the ERC. These SCOs involve allegations of possible violations of the Philippine Grid Code (PGC), the Ancillary Services Procurement Plan (ASPP), the 2021 DOE AS-CSP Circular, the Rules for Setting Transmission Wheeling Rates (RTWR), Commonwealth Act No. 146, and the Republic Act No. 9136, and various ERC Orders and Decisions involving CAPEX applications.

In one SCO (ERC Case No. 2022-129 to 131 SC), after NGCP has filed its Explanation, the ERC issued a Decision and ruled that NGCP violated the 2021 DOE AS-CSP Circular and meted out a penalty in the amount of P5.10 million. NGCP timely filed a Motion for Partial Reconsideration of the Decision and paid the penalty imposed with reservation. Said motion is pending resolution. However, on May 17, 2023, NGCP received Order stating that Commissioner did not receive the NGCP's Motion for Reconsideration of the Decision dated October 27, 2022 and that the said case is being closed and terminated. NGCP filed on the following day, May 18, 2023, the Urgent Motion to Withdraw/Recall the said Order. This case is still pending for Resolution.

NGCP has also timely filed its Explanations on various dates for the other SCOs which are pending resolution.

[ERC CASE NO. 2024-010 MC]

In the February 06, 2024, Order of the ERC (ERC Case No. 2024-010MC), the ERC commenced its investigation on the January 02, 2024, Panay Sub-Grid Blackout Incident. Hearings were conducted attended by NGCP, the Generators located in Panay, and the interim Grid Management Committee. The result of the investigation is still pending with ERC.

[ERC CASE NO. 2023-196 TO 232 SC]

For the SCOs on the alleged delayed implementation of thirty-seven (37) CAPEX projects (ERC Case No. 2023-196 to 232 SC), NGCP timely filed its written Explanations on July 29, 2023, through a Compliance [Submission of Written Justifications in compliance with the Order dated June 14, 2023] dated July 28, 2023.

In 2024, the ERC conducted clarificatory hearings on ten (10) of the 37 SCOs. On 30 August 2024, NGCP received the Decision dated June 25, 2024 on the above-mentioned 10 SCOs (ERC Case No. 2023-197 et al.) where NGCP was declared administratively liable for violation of the Orders and Decision of the Commission in seven out of the ten SCOs. NGCP was ordered to pay the total administrative penalty of Three Million Five Hundred Thousand Pesos. NGCP filed the Motion for Partial Reconsideration to the 25 June Decision 2024 on September 16, 2024. In addition, on October 02, 2024 NGCP received an Order where NGCP's Motion for Confidential Treatment of Information is denied.

On November 26, 2024, NGCP received the ERC's Decision (ERC Case No. 2023-196 to 232SC) dated January 16, 2024 where NGCP was declared administratively liable for violation of the remaining twenty-seven (27) Orders and Decisions of the Commission and was ordered to pay the aggregate administrative penalty of Twelve Million Three Hundred Thousand Pesos (PhP12,300,000 within Fifteen (15) days from receipt of the Decision. NGCP filed a Motion for Reconsideration on December 10, 2024 and a Supplemental Submission on December 16, 2024.

On 30 April 2025, NGCP received the ERC's Order dated 05 March 2025 where the Motion for Reconsideration filed by NGCP was Denied and the Order dated 25 June 2024 is hereby affirmed. On 30 May 2025, NGCP filed a Petition for Review with the Court of Appeals challenging the above orders.

NGCP also has a number of tax cases, briefly described below:

- a. In the case of National Grid Corporation of the Philippines vs. Ofelia M. Oliva, G.R. No. 213157, August 10, 2016, and Ofelia M. Oliva vs. National Grid Corporation of the Philippines, G.R. No. 213558, August 10, 2016 (Oliva case), the Supreme Court ruled that NGCP is exempt from payment of real property tax on properties used in connection with its franchise. The cases were remanded to the Central Board of Assessment Appeals (CBAA), Case No. V-31, and on April 10, 2019, the CBAA ruled that the maintenance office and warehouse buildings are used in connection with NGCP's franchise. However, the Supreme Court also ruled in the Oliva cases that NGCP cannot ask for refund from the Cebu City Government for the taxes it paid from 2001-2008 in the amount of P2.79 million but shall take its relief from NPC/TransCo. NGCP may only ask for reimbursement from the City of Cebu the amount paid in excess

of the correct tax that should have been collected if the tax is computed applying the 10% assessed value for the period 2001-2008, and refund of the amount paid for the year 2009. Likewise, in another similar case, NGCP vs Local Board of Assessment Appeals (LBAA) and the City Treasurer of Cebu, CBAA Case No V-35, the CBAA recognized NGCP's exemption from payment of real property tax pursuant to the Supreme Court decision in the Oliva case and ordered the refund of taxes paid for the year 2009 on two office buildings used in the Talamban substation. The refund of the taxes paid in both cases are still under negotiation with the City of Cebu.

- b. NGCP obtained another favorable Resolution, dated June 23, 2021, from the Supreme Court in the consolidated cases docketed as G.R. Nos. 218289-90 (NGCP vs. CBAA, LBAA of Cabanatuan City and Ms. Heidi Pangilinan, in her capacity as City Assessor of Cabanatuan and NGCP vs. CBAA, LBAA of Cabanatuan City and Ms. Florida Oca, in her capacity as the City Treasurer of Cabanatuan City). NGCP questioned the assessment issued by the Assessor of Cabanatuan City in the first case; while in the second case, NGCP paid under protest the real property tax in the amount of P3.82 million for the period 2009 to 2010. In its Resolution, the Supreme Court reiterated its ruling in the case of NGCP vs. Oliva that NGCP is exempt from payment of real property tax on properties that are used for electric power transmission. As in the Oliva case, the SC ordered to remand the cases to the CBAA to determine the actual use of subject machineries, buildings and lands for the purpose of resolving the merits of NGCP's claim for exemption from paying the real property taxes. The CBAA rendered its decision on 23 January 2023 granting NGCP's exemption from payment of Real Property Taxes effective taxable year 2009 and the City of Cabanatuan was ordered to issue revised tax declarations on the subject properties with annotation tax exempt and to refund the Real Property Taxes for taxable year 2009-2010 in the total amount of P3.82 million. Likewise, the City of Cabanatuan was ordered to cancel subsequent assessments and collection of real property taxes inclusive of penalties on the subject properties. The City of Cabanatuan filed a Motion for Reconsideration of the decision but this was denied by the CBAA. A Petition for Review was then subsequently filed by the City of Cabanatuan and now pending before the CTA. On 22 December 2024 NGCP received a favorable Decision from the CTA dated December 13, 2024 granting NGCP's exemption from real property taxes and the City Government of Cabanatuan City has fifteen days to act upon their receipt of the said decision. As of March 7, 2025, NGCP has not received any Motion for Reconsideration filed by the City Government of Cabanatuan City regarding the said decision. As of June 30, 2025, NGCP has not received any Motion for Reconsideration filed by the City Government of Cabanatuan City regarding the said decision. On January 21, 2025, an Entry of Judgment was rendered by the CTA, making its Decision final and executory. Negotiation is now on-going between the parties for the refund of the amount that was paid under protest.
- c. On September 24, 2024, NGCP received a favorable resolution in GR. No. 265730, dated 05 June 2024, issued by the Second Division of the Supreme Court in the case of NGCP vs. the City of Tacloban, in her capacity as Treasurer of Tacloban. This case involves the assessment of contractor's tax, including surcharges and penalties, for the period from 2001 to 2009, initially amounting to Php29,493,740.00. The assessment was subsequently reduced to Php2,022,864, covering only the period from January to December 2009, upon NGCP's filing of a written protest pursuant to Section 195 of the Local Government Code. As a result, NGCP filed a petition before the Regional Trial Court (RTC) challenging the revised assessment issued by the City Government of Tacloban. The RTC dismissed NGCP's appeal as premature due to its failure to file a written protest against the revised assessment from the City Treasurer. NGCP's subsequent filed petition for review before the Court of Tax Appeals (CTA) which was denied for failure to prove payment of the required 3% franchise tax for 2009. After elevating the case to the CTA En Banc, which also denied the petition without considering the BIR certifications from NGCP, NGCP filed a Petition for Review on Certiorari with the Supreme Court. The Supreme Court found merit in NGCP's case, ruling that it had been denied due process by not being allowed to present evidence of tax payment and that the CTA En Banc erred in disregarding the BIR Certification presented by NGCP. Thus, the Supreme Court reversed the CTA En Banc's decision and remanded the case to the RTC in Tacloban City for further proceedings to determine whether the amounts collected, as mentioned in the BIR certifications submitted by NGCP, were the same franchise taxes referred to in Section 9 of RA 9511 and whether the franchise taxes collected from NGCP in 2009 corresponded to 3% of NGCP's gross receipts for that year.
- d. Likewise, in G.R. No. 208225 (NGCP vs. CBAA and Butuan City), NGCP filed a Petition for Review dated September 9, 2013, praying for exemption from real property taxes on properties located in Butuan City. Adverse decisions denying NGCP's petition were issued by the LBAA on December 28, 2009, CBAA

- on September 2, 2010, and CTA on July 8, 2013. Consequently, the case proceeded to the Supreme Court. In a Resolution dated January 15, 2025, the SC First Division required the parties, to inform the Court of any supervening events or subsequent developments necessary for the immediate disposition of the case or for the Court to determine if the case has been rendered moot and academic. In compliance, NGCP filed its manifestation on January 9, 2025, informing the Supreme Court that six (6) out of the fifteen (15) properties involved are already exempt and that NGCP is coordinating with the LGU of Butuan City for the possible exemption of the remaining properties subject of this petition.
- e. In the case of NGCP vs. Fatima Tenorio, et al, the CTA in its Decision dated April 26, 2017 dismissed the Petition filed by NGCP for failure to pay the tax under protest. However, since a similar case involving the same properties is also pending before the LBAA of Ilocos Sur, NGCP subsequently paid the real property tax under protest in the amount of P10.17 million. NGCP then filed another Petition before the LBAA on November 5, 2018, contesting the collection and payment of the tax. The cases are still pending before the LBAA.
 - f. In NGCP vs. the OIC, Provincial Assessor of South Cotabato and the Municipal Assessor of Tupi, South Cotabato, a case involving properties with assessed value of P78.89 million was dismissed on appeal by the CTA in its Decision dated February 27, 2018 for failure to pay the tax under protest. This was brought to the Supreme Court by way of Petition for Review, docketed as G.R. No. 241105. A Reply to the Comment of Respondents to NGCP's Petition for Review dated January 3, 2019, was filed by NGCP on September 16, 2020. On August 24, 2023, NGCP received Resolution dated March 27, 2023 *requiring parties to file a Manifestation as to the subsequent development that may help the disposition of the case.* Hence, on September 08, 2023 NGCP filed a Manifestation informing the Supreme Court of a pending negotiation for settlement by the parties.
 - g. In the case of NGCP vs. LBAA of Batangas City and Guadalupe Judy Tumambing, City Assessor of Batangas City, involving properties with assessed value of P1.40 million, the Supreme Court dismissed the Petition for Review filed by NGCP in a Resolution dated February 28, 2022. NGCP subsequently filed a Motion for Reconsideration of said Resolution on March 15, 2022 praying, among others, that the properties involved be classified as exempt from the payment of RPT in the Assessment Roll. On July 13, 2022, NGCP received a Resolution denying its Motion for Reconsideration. The subject properties are now the subject of pending verification by South Luzon O&M for possible payment under protest of the assessed real property taxes.
 - h. With regards to the pending Petition for Injunction with TRO (NGCP vs. The Province of Cebu, et al. (Declaratory Relief with Prayer of Cancellation of TDs, with Urgent Application for TRO and/or Preliminary Injunction) against the collection of RPT in the amount of P192.00 million filed with the Regional Trial Court Regional Trial Court (RTC) of Cebu, the parties already submitted their respective Memoranda on July 19, 2019, and the case is still pending for resolution.
 - i. On October 12, 2020, NGCP received a copy of the CTA Decision, dated September 23, 2020, in CTA EB No. 2110 (City Assessor's Office of Valenzuela City vs. NGCP) reversing and setting aside the Decision dated August 22, 2012, of the LBAA and the October 8, 2018 Decision and May 31, 2019 Resolution of the CBAA. The CTA declared the Notice of Assessment dated October 9, 2012, as final, executory and unappealable. On October 23, 2020, NGCP filed its Motion for Reconsideration. Thereafter, NGCP received on October 23, 2020, the Statement of Account issued by the City Treasurer on the 37 machineries/transmission towers subject of the case in the total amount of P421.75 million. On October 30, 2020, NGCP wrote a letter and requested the City Treasurer and City Assessor the following: (a) refer to TransCo the notice of delinquency for real property tax covering years 2002 to 2008; (b) classify the 37 machineries/transmission towers, as exempt from payment of real property tax from year 2009 onwards; and (c) issue revised tax declarations on 37 machineries/transmission towers and indicate thereon that NGCP is the beneficial user of the same and to re-classify said properties from taxable to exempt. On June 28, 2021, NGCP received the CTA Resolution dated June 02, 2021 denying NGCP's Motion for Reconsideration. NGCP filed Petition for Review dated July 13, 2021, which it is still pending resolution before the Supreme Court.
 - j. In Civil Case No. Q-10-68076, NGCP vs. City Government of Quezon City, which involves a petition for the cancellation of tax billings and refund of the amount of Php18,144,185.00, the RTC-QC Branch 85 rendered a decision on February 25, 2025, dismissing the petition for lack of merit. NGCP filed a Motion for Reconsideration (MR) on May 13, 2025. The Respondent, City Government of Quezon City, submitted its Comment on March 10, 2025. The Motion for Reconsideration is now submitted for resolution.

- k. Under Civil Case No. R-QZN-21-07791, entitled NGCP vs. City Government of Quezon City, the RTC-QC Branch 225 in its Resolution dated September 8, 2022, dismissed due to lack of merit NGCP's Petition questioning the assessment issued by the LGU of Quezon City for the year 2021 and seeking the refund of the amount of P21.98 million which NGCP paid under protest. The RTC subsequently denied NGCP's Motion for Reconsideration (MR). NGCP filed a Petition for Review before the CTA docketed as CTA Case No. AC-273. This was partially granted by the CTA in a decision dated May 29, 2024, and ordered the remand of the case to the RTC-QC Br. 225 for further proceedings, more particularly on the reception of evidence on the payment of 3% franchise tax and determination of the amount to be refunded to NGCP. Respondent Quezon City filed a Motion for Reconsideration (MR) of the Decision. On February 27, 2025, NGCP filed an Urgent Motion to Suspend Proceedings before the RTC which assumed jurisdiction over the remanded case, despite the pendency of the MR filed by Quezon City before the CTA. On May 31, 2025, the RTC granted NGCP's Urgent Motion to Suspend the Proceedings, citing a jurisdictional issue considering that the CTA Decision had not yet become final and executory due to the respondent's pending MR.
- l. On May 24, 2024, NGCP received a favorable decision in the case of NGCP vs. Quezon City under Civil Case No. R-QZN 22-05086 CV Br. 215. The court declared NGCP is exempt from payment of local business tax, city tax, Mayor's Permit Fee, local franchise tax and other regulatory fees and charges in relation to the operation and legislative franchise and the NGCP's assessment for city tax, mayor's permit fee, business and other regulatory fees and charges in the amount of P22.27 million for calendar year 2022 is cancelled and declared null and void. Also, the court ordered the City Treasurer of Quezon City to refund in favor of NGCP the amount of P22.27 million. Quezon City filed a MR of the Decision dated December 27, 2023, but the Court denied the said MR. Hence, the City Government of Quezon City filed a Petition for Review on November 12, 2024, and the Court instructed NGCP to file a comment within 10 days, or until January 20, 2025. On January 20, 2025, NGCP filed its Comment, praying that the instant Petition for Review filed by Petitioner Quezon City be dismissed for utter lack of merit. On 28 January 2025, the CTA issued a Minute Resolution ordering the parties to submit their respective Memoranda. The City Government of Quezon City filed a Memorandum on April 4, 2025, while NGCP filed its Memorandum on 02 May 2025.
- m. In Civil Case No. R-QZN-20-05148-CV (NGCP vs Quezon City), RTC-QC Branch 223 for Cancellation of Tax Billings for CY 2020 and Claim for Refund of the amount of Php19,102,993.54 which was paid under protest, the presentation of NGCP's next witness, Ms. Marteza Crisostomo, has been reset to August 14, 2025.
- n. In the case of NGCP vs. City Government of Santiago, Isabela, represented by Hon. Joseph S. Tan as the City Mayor and Atty. Artemio R. Villaluz Jr., as the City Licensing Officer and Ms. Elizabeth Casabar, City Treasurer of Santiago City, NGCP received a favorable Decision dated March 31, 2023 granting NGCP's exemption from the payment of franchise tax and other regulatory fees in the amount of P60. 61 million and no appeal has been filed by the City Government of Santiago, Isabela.
- o. On May 12, 2023, a new Petition was filed before the RTC of Quezon City (NGCP vs. The City Government of Quezon City) under Civil Case No. R-QZN-045425 CV relative to the Appeal of Assessment and Claim for Refund of Business Tax in the amount of P26.53 million. The case has been submitted for decision per the Order of the Court dated May 20, 2025.
- p. On June 21, 2023, another Petition was filed before the MTCC Branch 1 - Davao City entitled NGCP vs. City Government of Davao City, as represented by Atty. Lawrence D. Batinding, in his official capacity as City Treasurer of Davao involving an Appeal of Assessment and Claim for Refund of Business Tax and other regulatory fees in the total amount of P184,942. On 03 July 2024, the MTCC issued a Decision denying NGCP's petition for failure to establish sufficient and competent evidence that it is exempt from paying business taxes. NGCP filed a Motion for Reconsideration on 19 November 2024 and the same is still pending resolution.
- q. On June 5, 2024, a new Petition was filed before the RTC of Quezon City (NGCP vs. The City Government of Quezon City) under Civil Case No. R-QZN-24-04776 relative o the Appeal of Assessment and Claim for Refund of Business Tax for CY 2024 in the amount of P26.49 million. On June 23, 2025, NGCP received the Order of the Court setting the Pre-trial on August 6, 2025.
- r. In Civil Case No. R-QZN-25-05150-CV (NGCP vs. City Government of Quezon City), NGCP filed a petition appealing the assessment for business tax for CY 2025 and claiming refund of the amount of Php27.82 million which NGCP paid under protest. On June 30, 2025, NGCP received the Order of the Court dated June 19, 2025, issuing and summons to respondent City Government of Quezon City.

- s. With the ruling of the Supreme Court in Oliva cases, Cabanatuan City cases and BLGF Memorandum Circulars and letters confirming NGCP's exemption from RPTs, local franchise tax and business taxes, NGCP is continuously and actively asserting its exemption on all properties used in connection with its franchise and is pro-actively negotiating with various LGUs for the recognition of its exemption, and for the refund of all real property taxes paid under protest. Constant communication and coordination meetings and negotiations with the various LGUs are being conducted all year round for this purpose.

As of June 30, 2025, NGCP obtained four thousand six hundred forty-three (4,643) tax exemptions covering lands, buildings and machineries located in various cities, municipalities, provinces with assessed value in the total amount of Php12.31 billion.

As of June 30, 2025, NGCP has a total of ninety-eight (98) RPT, franchise and business tax cases pending before the LBAA, RTC, Municipal Trial Court in Cities (MTCC), the CTA and the Supreme Court, summarized as follows:

1. Thirty-seven (37) cases pertain to Petitions filed contesting the Notices of Assessment issued by the Provincial or City Assessors involving properties with an estimated tax due of P5.7 billion (2% of the total assessed value of properties).
2. Eleven (11) cases pertain to Petition filed contesting the tax billing issued by the Provincial or City Assessors involving properties with total tax due of 1.5 billion
3. Thirty-eight (38) cases with Payment Under Protest contesting the Statements of Account or Billings issued by the Local Treasurers in the total amount of Php43.506 million.
4. Twelve (12) cases with Payment Under Protest contesting the assessment for Franchise/Business Taxes and Fees issued by the Provincial or City or Municipal Treasurers in the total amount of P170 million. Suspension of pass-on of Franchise Tax - On August 15, 2023, the ERC promulgated Resolution No. 10, Series of 2023 (the "2023 ERC Resolution"), entitled "A Resolution Suspending the Inclusion of the National Franchise Tax of the National Grid Corporation of the Philippines (NGCP) in the Total Monthly Transmission Cost Billing of Distribution Utilities." Citing Republic v. Manila Electric Company ("MERALCO") and Maynilad Water Services, Inc. v. National Water and Resources Board, et al. ("Maynilad"). NGCP submitted a letter of reconsideration on August 24, 2023, and same is still pending resolution before the ERC.
5. As of June 30, 2025, the total number of expropriation cases filed/pending with the Courts, including Projects Under Construction (PUC) cases turned over to the company by the National Transmission Corporation (TRANSCO) is 5,943, with the total estimated amount involved of P7.32 billion (based on provisional deposits).
6. There are ten (10) reclassification cases filed before the ERC by various Applicants/Petitioners. While eight (8) of these cases were already approved through respective Decisions; RAAC/NCL, through the 4th RP DFD, recommended an independent valuation to determine the reasonable acquisition value of these assets.
7. There are six (6) cases pending with the Supreme Court (which were consolidated and will be resolved in one decision) involving ERC's imposition of Fees in relation to approved various CAPEX projects. The issue involved is whether or not NGCP is liable to pay all types of fees taking into consideration the provisions of R.A. No. 9511 which exempts NGCP from paying all other kinds of fees, taxes, and charges in consideration of its payment of the 3% Franchise Tax. The resolution of these cases may not have an impact on NGCP's revenue considering that the ERC considers Permit Fees as part of the capital expense in NGCP's Final Determination. NGCP has paid these permit fees under protest.
8. NGCP is being assessed by the ERC of Supervision and Regulation Fees in the amount of P468.00 million annually and Metering Authority Fees in the amount of P15.00 million every three years upon the renewal of NGCP's authority as the metering service provider. The Supervision and Regulation Fee is required to be paid on or before September 30th of each year with a penalty of fifty per centum in case of delinquency; Provided, further, that if the fees or any balance thereof are not paid within sixty days from the said date, the penalty shall be increased one per centum for each month of delinquency thereafter. On the other hand, the metering fee is being assessed by ERC based on the authority granted to NGCP as the WESM metering service provider.

The assessment is based on ERC Resolution No. 21, Series of 2007 entitled 'A Resolution Approving the Revised Schedule of ERC Fees and Charges' which provides that supervision and regulatory fees are for annual reimbursement of the expenses incurred by the ERC in the supervision of electric utilities,

transmission companies and/or in the regulation or fixing of their rates. Both the supervision and regulatory fee and metering authority assessment fee are computed at one peso for each one hundred pesos or fraction thereof, of the capital stock subscribed or paid.

NGCP is paying both Fees although under protest on the ground that NGCP should be exempt from payment of these fees pursuant to Section 9 of R.A. No. 9511, which provides that NGCP's payment of 3% franchise tax shall be in lieu of, and expressly exempted from paying all other kinds of fees, taxes, and charges. The resolution of its protest may not have an impact on NGCP's revenue because the ERC considers the Supervision and Regulation Fees as part of the operating expense.

9. There are seventeen (17) labor cases pending before the Supreme Court, Court of Appeals, National Labor Relations Commission, and the Department of Labor and Employment filed either by (i) former NGCP employees against NGCP in different areas/regions for illegal dismissal, with prayer for reinstatement, and payment of backwages and damages or for other money claims; or (ii) by employees of service providers with service contracts with NGCP wherein NGCP was impleaded as co-defendant. The contingent liabilities arising from the labor cases are difficult to estimate considering that in most of the complaints, the specific amount claimed are not specified by the complainants and the award of backwages, if any, will accrue until the finality of judgment.
10. There are sixteen (16) NGCP CAPEX Applications pending with the ERC for approval.
11. On February 14, 2018, NGCP filed with the Singapore International Arbitration Centre ("SIAC") a Notice of Arbitration, docketed as SIAC Case No. ARB044/18/CHB, against Power Sector Assets & Liabilities Management Corporation (PSALM) and National Transmission Corporation (TRANSCO) pursuant to the Arbitration Clause in Section 16 of the Concession Agreement relative to the implementation and interpretation of the parties' Concession Agreement. In the arbitration, NGCP sought, among other things, a declaration that the prepayment made on July 15, 2013 amounting to ₱57.88 billion was valid, and the payment of other monetary claims of approximately ₱4 billion which should have been borne by TRANSCO under the Concession Agreement, but were advanced by NGCP.

On February 19, 2025, the Arbitral Tribunal of the SIAC rendered a Final Award in the case filed by NGCP against the PSALM and TRANSCO. The Arbitral Tribunal declared:

- a. NGCP did not breach the nationality restrictions in the Philippine Constitution, the Anti-Dummy Law, and its obligations under the Concession Agreement in relation to permitted indebtedness or insurance;
- b. NGCP validly exercised its right to make the prepayment in the amount of P57.88 billion that it effectuated on July 15, 2013;
- c. NGCP shall pay only approximately PhP372.77 million to TRANSCO out of its claim of around PhP3.90 billion;
- d. The agreed difference for the Projects Under Construction in the amount of P10.11 billion shall be converted into US Dollars at the rate of 1 USD: 49.62 PhP;
- e. NGCP is entitled to an indemnification from PSALM and TRANSCO up to the amount of PhP56.50 million for expenses on right of way claims with interest;
- f. NGCP shall be compensated by TRANSCO through a corresponding reduction in the Concession Fee for Sub-Transmission Assets (STAs) that were on the Bid Date the subject of an ongoing negotiation, and as such, remain within the transferred assets;
- g. NGCP's claim for capital expenditures on STAs was denied as TRANSCO is not obliged to account to NGCP in respect of any portion of the proceeds that may be attributable to NGCP's capital expenditure;
- h. NGCP has, during the Concession Period, the exclusive right and responsibility of preparing the Transmission Development Plan (TDP) on an annual basis and is entitled to deal directly, and without intervention (or prior approval) by TRANSCO, with the regulators;
- i. NGCP shall be reimbursed by TRANSCO for its Retained Obligations of PhP51.80 million;
- j. NGCP has the exclusive right during the Concession Period to use the Transmission Assets which includes the right to use such assets for a Related Business, including for a telecommunications system;
- k. Finally, the Tribunal declared that title to any Documented Property Rights acquired by NGCP in the exercise of its power of eminent domain is to be registered in the name of TRANSCO.

Under the UNCITRAL Rules, the Tribunal's award is final and binding on the parties and the parties are obligated to carry out the award without delay. As of report date, NGCP is in the process of execution of the above Arbitral Award.

The Group has other possible claims from or obligations to other parties from past events and whose existence may only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Any Known Trends, Events or Uncertainties (Material Impact on Sales)

The ERC, in an Order dated August 21, 2024 issued the 4th RP Draft Final Determination (DFD) which was received on November 8, 2024. Accordingly, NGCP submitted its comments on the aforesaid documents on November 25, 2024. NGCP is now awaiting for the issuance of the Final Determination.

In an ERC Order dated September 27, 2024, NGCP was directed to submit data and information, as well as its responses to the clarificatory questions on its land and land-related capital expenditure (CAPEX) projects covering the period from calendar years 2009 to 2023. NGCP filed before the ERC its Partial Compliance and Full Compliance dated October 28, 2024 and November 7, 2024, respectively.

In an ERC Order dated November 26, 2024, a Clarificatory Hearing was set on December 5 and 6, 2024 and NGCP was directed to submit its Compliance to the Commission's clarificatory questions, including all relevant information and supporting documents. NGCP filed before the ERC its Partial Compliance, Second Partial Compliance, and Full Compliance dated December 17, 2024, December 27, 2024, and January 27, 2025, respectively.

Inspection activities with the ERC and its consultant were scheduled from March 3 to 21, 2025, of the sample land and land related CAPEX of NGCP pursuant to the Terms of Reference on the Consulting Services for the Prudency Review of Land and Land-Related Capital Expenditure (CAPEX) Projects of the National Grid Corporation of the Philippines (NGCP) and the National Transmission Corporation (TransCo) Covering the Period From the Calendar Years (CY) 2009 to 2023.

On March 20, 2025, NGCP received the following draft reports of ERC's Consultants: (1) Determination of Performance Incentive Scheme (PIS) for National Grid Corporation of the Philippines (NGCP) for the Fifth Regulatory Period (5th RP) and Review of NGCP's Proposed PIS for the 5th RP dated 03 January 2025; (2) Validation of the Forecasts Expenditure for the Fifth Regulatory Period of the National Grid Corporation of the Philippines in Setting the Transmission Wheeling Rates dated 06 October 2023; and (3) Determination of the Regulatory WACC for Transmission for the 5th Regulatory Period (2023-2027) and Review of the NGCP WACC Report for the 5th Regulatory Period (5th RP) (commencing 2021 per NGCP) dated 17 March 2024 (Revised 16 June 2024) and 18 March 2024 (Revised 15 June 2024), respectively. NGCP submitted its comments before the ERC on the aforesaid drafts on April 4, 2025. NGCP submitted a Supplemental Comment (To the Final Reports of the Commission's Consultants) dated May 13, 2025.

On April 11, 2025, the ERC posted in its website, www.erc.gov.ph, the Notice of Commission Action during the 1125th Regular Commission Meeting held on March 26, 2025 providing the overview of the Decision related to NGCP's 4th RP Application. The summary of the Commission Action provides, among others, that after due deliberation, the Majority resolved to adopt the following parameters in relation to the determination of the final rate for the 4th RP of NGCP: zero (0) Net Efficiency Adjustment (NEA); Weighted Average Cost of Capital (WACC) of 11.33%; and As Spent Approach. The Notice also provides that the Majority likewise resolved to approve the recommendation to make permanent NGCP's 2015 Maximum Allowable Revenue (MAR) in the amount of PhP43,078.95 Million and grant NGCP's Net Performance Incentive (NPI) reward claim for 2014 in the amount of PhP783.06 Million – both under ERC Case No. 2014-155RC entitled, "In the Matter of the Application for the Maximum Allowable Revenue (MAR) for Calendar Year (CY) 2015 and the Net Performance Incentive for 2014 Under the Rules for Setting the Transmission Wheeling Rates, With Prayer for Provisional Authority – National Grid Corporation of the Philippines, Applicant".

On April 15, 2025, the ERC posted in its website the Notice of Commission Action Application during the 3rd Special Commission Meeting No. 03-2025 held on April 11, 2025 providing the overview of the Decision related to the NGCP 4th RP Application. The summary of the Commission Action provides that after careful deliberation, the Majority resolved to approve the basic Maximum Annual Revenue adjustment (increase) of P0.0629/kWh, and an Under Recovery of P0.0384/kWh with a recovery period of eighty-four (84) month, thus a total rate impact (total increase) amounting to PhP0.1013/kWh. The computed MAR for the lapsed period is equivalent to P335,788.65 million.

NGCP filed to ERC a “Very Urgent Motion to Resolve 4th Regulatory Period Reset Application” dated May 23, 2025.

NGCP filed to ERC a “Very Urgent Reiteratory Motion to Issue Final Determination of 4th Regulatory Period Reset Application” dated June 18, 2025.

NGCP filed to ERC a “Very Urgent Third Motion to Issue Final Determination of 4th Regulatory Period Reset Application” dated June 30, 2025.

On July 7, 2025, NGCP received the ERC Decision and Final Determination on NGCP’s 4th Regulatory Period Revenue Reset Application. In the said Decision, the ERC approved NGCP’s 2016-2022 Annual Revenue Requirement (ARR) in the amount of PhP335,788.65Million. The ERC also directed NGCP to collect, as a separate line item in the power bill of transmission customers, an Under Recovery of PhP28,296.88Million, with an equivalent rate of PhP0.0384/kWh, to be implemented over a period of approximately eighty-four (84) months or until such time that the said amount shall have been fully recovered. NGCP was further directed to accomplish and submit a report based on the prescribed format from the ERC on or before the 30th day of the following month until such time that the amount of under recovery shall have been fully collected.

On 18 July 2025, the ERC, on its website, posted an Explainer entitled “ERC Releases Explainer on Final Determination for NGCP’s 4th Regulatory Reset”, stating that,

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The under-recoveries and the increased MAR will result in an increase in transmission charges effective in the billing month of August. The Commission set a seven-year recovery period for the P28.29-Billion under-recoveries. The total average increase of P0.1013 per kilowatt-hour (kWh) in transmission charges is the sum of the average increase of P0.0629/kWh in the basic transmission charge resulting from the higher MAR and P0.0384/kWh for the under-recovered portion (to be collected over 84 months). (emphasis supplied)

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As detailed in the Results of the Final Determination for the National Grid Corporation of the Philippines’ Rate Reset for Years 2016-2022 included in the said explainer, the approved MAR for 2022 of NGCP is at **P58,100.01 million**. The incremental increase in revenue from the currently implemented interim MAR of P51,471.13 million is anticipated to result in an increase in transmission rates by P0.0629/kWh. This, along with the 4th RP-approved “Under Recovery 2016 - 2022” of P0.0384/kWh translates to a total indicative increase of P0.1013/kWh.

With the foregoing, ERC has authorized NGCP to bill the **P58,100.01 million as its MAR for 2025** and the **“Under-recovery 2016-2022” of P28,296.88 million** with the fixed rate of **P0.0384/kWh** to be collected in 84 months or until such time the amount is fully recovered.

Accordingly, **NGCP shall commence the billing of the authorized MAR and the “Under-recovery 2016-2022” to Transmission Customers effective July 2025 billing month (or June 26 to July 25, 2025)**, which will then billed by Distribution Utilities (DUs) to their customers in August 2025.

Seasonal Aspects that have Material effect on the Financial Statements

No dividends were declared for the first and second (1st & 2nd) quarter of 2025.

CAUSES OF ANY MATERIAL CHANGES

a. Six months ended June 30, 2025 with six months ended June 30, 2024

Income

Operation services revenues as of June 30, 2025 totaled to P39.61 billion, 48.93% higher than P26.60 billion as of June 30, 2024. The increase is mainly due to recording of under-recovery for CY 2016-2022.

Interest income as of June 30, 2025 totaled to P66.17 million, 27.24% lower than P90.95 million as of June 30, 2024. The decrease is due to lower funds invested for the period.

Operating expenses

As of June 30, 2025, Operating Expenses is P13.24 billion, which is 12.74% higher than P11.74 billion as of June 30, 2024 due to higher amortization of due to higher amortization of intangible asset, outside services, salaries, wages, and employees' benefits, security and janitorial, depreciation.

Amortization of intangible asset for the six months ended June 30, 2025 totaled to P6.54 billion, 18.98% higher than P5.50 billion as of June 30, 2024. The increase is mainly due to the unitization of completed projects resulting to higher amortization.

Outside services for the six months ended June 30, 2025 totaled to P310.29 million, 301.99% higher than P77.19 million as of June 30, 2024. The increase is mainly due to higher other services - others.

Salaries, wages, and employees' benefits for the six months ended June 30, 2025 totaled to P2.71 billion, 6.84% higher than P2.54 billion as of June 30, 2024. The increase is mainly due to merit increase effective March 1, 2024.

Security and janitorial for the six months ended June 30, 2025 totaled to P328.92 million, 26.49% higher than P260.04 million as of June 30, 2024. The increase is due to the exclusion of security expenses from cost allocation and an increase in the number of security guards.

Intangible Assets- net

Intangible assets as of June 30, 2025 amounted to P443.01 billion, 4.10% higher than P425.55 billion as of December 31, 2024. The increase is primarily due to the additional expenditures incurred on NGCP priority and other major projects, such as Western 500 KV Backbone-Stage2, Visayas SS Upgrading Project2, Mindanao-Visayas Interconnection Project, Grid Protection Relay Replacement Project, North Luzon SS Upgrading Project 2, Taguig EHV Substation Project, San Francisco-Tago 138 KVTLP, South Luzon Substation Upgrading Project 2, Visayas Voltage Improvement Project 2, Cebu-Bohol Interconnection Project.

Receivables

Receivables as of June 30, 2025 consist of:

Receivables – net of current portion	P 25.14 billion
Receivables – current portion	<u>23.03 billion</u>
Total	P 48.17 billion

Receivables as of June 30, 2025 amounted to P48.17 billion, 42.06% higher than P33.91 billion as of December 31, 2024. The increase is mainly due to recording of under-recovery for CY 2016-2022, higher Ancillary services and Fit-all charges that is offset by lower Output VAT receivable.

Other noncurrent assets

Other non-current assets as of June 30, 2025 amounted to P2.13 billion, 10.86% lower than P2.39 billion as of December 31, 2024. The decrease is mainly due to recoupment of project prepayments and utilization of Input VAT for the period.

Cash and cash equivalents

Cash and cash equivalents as of June 30, 2025 amounted to P13.21 billion, 47.39% higher than P8.96 billion as of December 31, 2024. The increase is due to proceeds from loan drawdown for the settlement of CAPEX.

Other current assets

Prepaid expenses and other current assets as of June 30, 2025 amounted to P22.01 billion, 14.65% lower than P25.79 billion as of December 31, 2024. The decrease is mainly due to lower Other deposit court, recoupment of advance payments and Input VAT which was offset by higher Prepaid expense.

Loans Payable

Loans Payable as of June 30, 2025 consist of:

Loans Payable – net of current portion	P 206.51 billion
Current portion of loans payable	<u>26.07 billion</u>
Total	P 232.58 billion

Loans Payable as of June 30, 2025 amounted to P232.58 billion, 5.63% higher than P220.18 billion as of December 31, 2024. This is mainly due to newly drawn Term Loans.

Retirement benefits liability

Retirement benefits liability as of June 30, 2025 amounted to P2.87 billion, 2.69% lower than P2.95 billion as of December 31, 2024. The decrease is due to lower service cost and interest expense and actuarial loss for the period.

Other current and other non-current liabilities

Other Current and noncurrent liabilities as of June 30, 2025 consist of:

Other noncurrent liabilities	P 0.33 billion
Other current liabilities	<u>23.79 billion</u>
Total	P 24.12 billion

Other current and other noncurrent liabilities as of June 30, 2025 amounted to P24.12 billion, 2.60% higher than P23.51 billion as of December 31, 2024. This is mainly due to additional retention payable on on-going projects.

Trade and other current payables

Trade and other current payables as of June 30, 2025 amounted to P49.97 billion, 7.36% higher than P46.55 billion as of December 31, 2024. The increase is mainly due to higher accounts payable and ancillary services providers offset by lower GRIR due to higher settlement of invoices.

b. Year ended December 31, 2024 compared to year ended December 31, 2023**Intangible Assets - net**

Intangible assets as of December 31, 2024 amounted to P425.55 billion, 12.57% higher than P378.01 billion as of December 31, 2023. The increase is primarily due to the additional expenditures incurred on NGCP priority and other major projects, such as South Luzon Substation Upgrading Project 2, Visayas SS Upgrading Project 2, North Luzon SS Upgrading Project 2, Western 500 KV Backbone-Stage 2, Zamboanga Peninsula Voltage Imp. Project Lapulapu 230KV SS Project, Panay-Guimaras 138KV Interconnection, Mindanao Substation Upgrading Project 2, Mindanao-Visayas Interconnection Project, Laguindingan 230 KV Substation Project.

Receivables

Receivables as of December 31, 2024 consist of:

Receivables – net of current portion	P 19.85 billion
Receivables – current portion	<u>14.06 billion</u>
Total	P 33.91 billion

Receivables as of December 31, 2024 amounted to P33.91 billion, 12.93% lower than P30.03 billion as of December 31, 2023. The increase is mainly due to higher Ancillary services and Fit-all charges that is offset by lower Output VAT receivable.

Other noncurrent assets

Other non-current assets as of December 31, 2024 amounted to P2.39 billion, 21.42% lower than P3.04 billion as of December 31, 2023. The decrease is mainly due to recoupment of project prepayments and utilization of Input VAT for the period.

Cash and cash equivalents

Cash and cash equivalents as of December 31, 2024 amounted to P8.96 billion, 9.59% lower than P9.91 billion as of December 31, 2023. The decrease is due to settlement of liabilities/obligations.

Other current assets

Other current assets as of December 31, 2024, amounted to P25.79 billion, 13.23% lower than P29.72 billion as of December 31, 2023. The decrease is mainly due to recoupment of project prepayments and a decrease in Input VAT offset by higher Prepaid expense and Other deposit court.

Loans Payable

Loans Payable as of December 31, 2024 consist of:

Loans Payable – net of current portion	P196.90 billion
Current portion of loans payable	<u>23.29 billion</u>
Total	P220.19 billion

Loans Payable as of December 31, 2024 amounted to P220.19 billion, 13.78% higher than P193.51 billion as of December 31, 2023. The increase is due to newly drawn Term Loans.

Retirement benefits liability

Retirement benefits liability as of December 31, 2024 amounted to P2.95 billion, 12.80 % higher than P2.62 billion as of December 31, 2023. The increase is due to the current service cost, interest expense and actuarial loss for the period based on the actuarial valuation by FFMiravite as of December 31, 2024.

Other current and other non-current liabilities

Other Current and noncurrent liabilities as of December 31, 2024 consist of:

Other noncurrent liabilities	P1.71 billion
Other current liabilities	<u>21.80 billion</u>
Total	P23.51 billion

Other current and other noncurrent liabilities as of December 31, 2024 amounted to P23.51 billion, 18.84% higher than P19.78 billion as of December 31, 2023. The increase is mainly due to additional retention payable on on-going/completed projects.

Trade and other current payables

Trade and other current payables as of December 31, 2024 amounted to P46.55 billion, 16.22% higher than P40.05 billion as of December 31, 2023. The increase is mainly due to higher Ancillary services and fit-all charges, output VAT payable, and offset by settlement of accounts payable and interest on Concession fee payable.

Income

Operation services revenues as of December 31, 2024 totaled to P53.01 billion, 0.03% higher than P53.00 billion as of December 31, 2023.

Interest income as of December 31, 2024 totaled to P188.02 million, 58.15% higher than P118.89 million as of December 31, 2023. The increase is due to higher funds invested and higher interest rates for the period.

Operating expenses

For the year ended December 31, 2024, Operating Expenses totaled to P25.72 billion, 8.87% higher than P23.62 billion as of December 31, 2023 primarily because of higher amortization of intangible assets, salaries, wages and employee benefits, taxes and licenses, security and janitorial offset by lower repairs and maintenance, miscellaneous expenses and supplies and tools.

Amortization of intangible assets for the year ended December 31, 2024 totaled to P11.79 billion, 14.68% higher than P10.28 billion as of December 31, 2023. The increase is due to the unitization of completed projects resulting in higher amortization.

Salaries, wages, and employee benefits for the year ended December 31, 2024 totaled to P5.76 billion, 5.94% higher than P5.44 billion as of December 31, 2023. The increase is mainly due to a merit increase effective March 1, 2024.

Taxes and licenses for the year ended December 31, 2024 totaled P195.02 million, 185.61% higher than P68.28 million as of December 31, 2023. The increase is mainly due to payment of 2024 Annual SAPA FEE CNP3P1 Cebu-Magdugo and SAPA of Talavera-Sn Isidro 230kVSC.

Security and janitorial fees for the year ended December 31, 2024 totaled P613.62 million, 12.56% higher than P545.13 million as of December 31, 2023. The increase is due to an increase in the number of security guards and lower cost allocation offset by reclass of janitorial expenses to other accounts such as ICS, ITOSS and Fleet operations.

Repairs and maintenance for the year ended December 31, 2024 totaled to P2.53 billion, 3.74% lower than P2.63 billion as of December 31, 2023. The decrease is due to lower maintenance of TL, substation equipment and underground/ submarine lines offset by higher fleet operation services, maintenance of relaying equipment and building.

Miscellaneous expense for the year ended December 31, 2024 totaled to P11.05 million, 78.93% lower than P52.45million as of December 31, 2023. The decrease is due to lower regulatory reset expenses.

Supplies and tools for the year ended December 31, 2024 totaled to P176.18 million, 10.71% lower than P197.30 million as of December 31, 2023. The decrease is due to lower office supplies and uniform expense during the period.

Interest Expense

Interest Expense for the year ended December 31, 2024 amounts to P8.01 billion, 38.97% higher than P5.76 billion as of December 31, 2023. The increase was mainly due to reclassification of IDC from completed projects to Interest expense.

c. Year ended December 31, 2023 compared to year ended December 31, 2022

Intangible Assets-net

Intangible assets as of December 31, 2023 amounted to P378.01 billion, 14.06% higher than P331.43 billion as of December 31, 2022. The increase is primarily due to the additional expenditures incurred by NGCP on priority and other major projects, such as Visayas SS Upgrading Project2, Hermosa - San Jose 500KV TLP, Cebu-Bohol Interconnection Project, TUY 500KV SSP Stage 1 (Formerly Calaca-Dasma), San Francisco-Tago 138 KV TLP, Laguindingan 230 KV Substation Project, North Luzon SS Upgrading Project 2, Mindanao Substation Upgrading Project 2, Mindanao Substation Expansion 4 Project, and Marilao EHV Substation Project.

Receivables

Receivables as of December 31, 2023 consist of:

Receivables – net of current portion	P 19.82 billion
Receivables – current portion	<u>10.21 billion</u>
Total	P 30.03 billion

Receivables as of December 31, 2023 amounted to P30.03 billion, 1.35% lower than P30.44 billion as of December 31, 2022. This is due to decrease in AS Cost and AS VAT billing for the period.

Other noncurrent assets

Other non-current assets as of December 31, 2023 amounted to P3.04 billion, 16.04% lower than P3.62 billion as of December 31, 2022. This is primarily due to amortization of deferred Input VAT and reclass of non-current to current project prepayments.

Cash and cash equivalent

Cash and cash equivalents as of December 31, 2023 amounted to P9.91 billion, 104.39% higher than P4.85 billion as of December 31, 2022. The is mainly due to newly drawn Term Loans offset by settlement of liabilities/obligations.

Other current assets

Other current assets as of December 31, 2023, amounted to P29.72 billion, 5.99% lower than P31.62 billion as of December 31, 2022. This is mainly due to recoupment of project prepayments and reclassification of court deposits with court decisions to Asset Under Construction (AUC) offset by higher Input Value Added Tax (VAT).

Loans Payable

Loans Payable as of December 31, 2023 consist of:

Loans Payable – net of current portion	P169.77 billion
Current portion of loans payable	<u>23.74 billion</u>
Total	P193.51 billion

Loans Payable as of December 31, 2023 amounted to P193.51 billion, 15.81% higher than P167.09 billion as of December 31, 2022. This is mainly due to new loan drawn downs to fund additional CAPEX.

Retirement benefits liability

Retirement benefits liability as of December 31, 2023 amounted to P2.62 billion, 24.94% higher than P2.09 billion as of December 31, 2022. This is due to the service cost, interest expense and actuarial loss for the period based on the actuarial valuation as of December 31, 2023.

Other current and other non-current liabilities

Other Current and noncurrent liabilities as of December 31, 2023 consist of:

Other noncurrent liabilities	P1.56 billion
Other current liabilities	<u>18.22 billion</u>
Total	P19.78 billion

Other current and other noncurrent liabilities as of December 31, 2023 amounted to P19.78 billion, 20.78% higher than P17.75 billion as of December 31, 2022. The increase in other current liabilities is mainly due to additional retention payable on on-going projects offset by the decrease in other noncurrent liabilities mainly due to reclassification of the Finance lease to current portion and settlement of Advances for Construction.

Trade and other current payables

Trade and other current payables as of December 31, 2023 amounted to P40.05 billion, 1.65% higher than P39.41 billion as of December 31, 2022. This is mainly due to increase in GRIR arising from higher Goods receipts and/or services and higher Output VAT payable.

Income

Operation services revenues as of December 31, 2023 totaled to P53.00 billion, 14.27% lower than P61.82 billion as of December 31, 2022, since all revenue and accrual on recovery on new IMAR with ERC Order received on April 29, 2022 has been booked in June 2022. As of date, the recovery is still pending for ERC approval.

Interest income as of December 31, 2023 totaled to P118.89 million, 14.87% lower than P139.66 million as of December 31, 2022. This is due to higher short-term investments and interest rates during the year.

Operating expenses

For the year ended December 31, 2023, Operating Expenses totaled to P23.62 billion, 14.24% higher than P20.68 billion as of December 31, 2022 primarily because of higher Repairs and Maintenance, Salaries, wages and employee benefits, insurance, Supervision and regulatory fees offset by lower Public relation and corporate social responsibility and Outside services.

Repairs and maintenance for the year ended December 31, 2023 totaled to P2.63 billion, 78.20% higher than P1.47 billion as of December 31, 2022 mainly due to account of Maintenance of Substation Equipment/Transmission Lines as a result of Comprehensive maintenance of GIS Substations

Salaries, wages and employee benefits for the year ended December 31, 2023 totaled to P5.44 billion, 11.80% higher than P4.87 billion as of December 31, 2022. This is due to salary adjustments effective March 1, 2023

Insurance expense for the year ended December 31, 2023 totaled to P982.47 million, 41.60% higher than P693.85 million as of December 31, 2022, mainly due to higher premium payment for Industrial All Risk insurance.

Supervision and regulatory fees for the year ended December 31, 2023 totaled to P590.82 million, 26.13% higher than P468.43 million as of December 31, 2022. This is due higher paid-up capital as a result of the issuance of preferred shares.

Public relations and corporate social responsibility for the year ended December 31, 2023 totaled to P249.14 million, 63.45% lower than P681.73 million as of December 31, 2022. This is due to lower expenses for Public Relations during the period.

Outside services for the year ended December 31, 2023 totaled to P163.02 million, 60.14% higher than P408.96 million as of December 31, 2022. This is mainly due to lower services cost relating to arbitration in CY 2023.

Interest Expense

Interest Expense for the year ended December 31, 2023 totaled to P5.76 billion, 1.97% higher than P5.65 billion as of December 31, 2022 mainly due to reclassification of IDC from completed projects to Interest expense.

Key Performance Indicators

Performance Indicators	Formula	Year 2024	Year 2023	Year 2022
Current Ratio	Current Assets /Current Liabilities	0.48 : 1 48,817,134,627 / 100,970,143,968	0.58 : 1 49,845,374,548 / 86,436,253,275	0.68 : 1 53,101,150,742 / 78,034,429,197
Debt to Equity Ratio	Total Liabilities / Stockholders Equity	2.04 : 1 343,615,372,503 / 168,720,812,777	2.00 : 1 310,720,229,166 / 155,455,267,330	2.06 : 1 281,091,862,151 / 136,399,949,107
Asset to Equity Ratio	Total Asset / Stockholders Equity	3.04 : 1 512,336,185,280/ 168,720,812,777	3.00 : 1 466,175,496,492 / 155,455,267,330	3.06 : 1 417,491,811,258 / 136,399,949,107
Equity to Debt Ratio	Stockholders Equity / Total Liabilities	0.49 : 1 168,720,812,777/ 343,615,372,503	0.50 : 1 155,455,267,330 / 310,720,229,166	0.49 : 1 136,399,949,107 / 281,091,862,151
Book Value per share	Stockholders Equity / Total number of shares	20.32 : 1 107,006,552,886/ 5,265,866,000	19.18 : 1 101,000,600,399 / 5,265,866,000	17.53 : 1 92,330,405,404 / 5,265,866,000
Income (Loss) per share	Net Income (Loss) / Total number of shares	1.50: 1 7,884,429,113 / 5,265,866,000	2.02 : 1 10,645,372,151 / 5,265,866,000	2.85 : 1 15,021,096,101 / 5,265,866,000
Interest Rate Coverage Ratio	EBIT / Interest Expense	3.17 : 1 25,361,436,097 / 8,005,129,465	5.06 : 1 29,135,745,559 / 5,760,365,950	7.14 : 1 40,351,815,540 / 5,648,991,642

Expenses

The Group incurred recurring normal expenses such as stock listing fees, stock transfer agent fee, lawyer's retainer fees, audit fees, business permits, filing fees and other miscellaneous expenses. Operating expenses for the year ended December 31, 2024 amounting to P25.72 billion is higher than the P23.62 billion recorded for the year 2023, primarily because of higher Repairs and maintenance, Salaries, wages and employee benefits, insurance, supervision and regulatory fees offset by lower public relation and corporate social responsibility and outside services.

Interest and Other Income

The Group earns interest income from its cash deposits with the bank and short-term money placements. The Group earned P188.02 million for the year 2024.

Assets

Total assets as of December 31, 2024 amounted to P512.34 billion where 90.47% is noncurrent and 9.53% is current.

Liquidity and Capital Resources

The Company's principal requirements for the liquidity are mainly for the payment of operating expenses. As of December 31, 2024, the Company's current liabilities exceeded the current assets by P52.15 billion. The current

ratio decreased as compared with previous year because of the payment of normal operating expenses of the Company. At present, the Company is using these funds for its operations.

	2024	2023
Current Assets	P48,817,134,627	P49,845,374,548
Current Liabilities	100,970,143,968	86,436,253,275
Difference	(52,153,009,341)	(36,590,878,727)
Current Ratio	0.48:1.00	0.58:1.00

BUSINESS AND GENERAL INFORMATION

On February 22, 1994, the SEC approved the Corporation's change of corporate name to UEM Development Phils., Inc., and the change of its primary purpose from engaging in mining activities to general construction and other allied businesses. The amendment of its primary purpose was due to the potential opportunity in the construction industry brought about by the entry of a new foreign investor.

On October 10, 1997, the SEC approved the Amendment to the Seventh Article of the Corporation's Articles of Incorporation increasing the par value of its authorized capital stock from P.01 to P1.00, decreasing the Corporation's shares of stock from 500,000,000 shares to 50,000,000 shares, and stating that the stockholders shall have no pre-emptive rights.

On November 5 and 9, and 22, 2010, the Board considered and approved the amendment of the Articles of Incorporation and By-Laws of the Corporation for the purpose of, among others, changing the Corporation's corporate name to Synergy Grid & Development Phils., Inc., changing its primary purpose to enable it to engage in the business of investing in, purchasing or acquiring, and selling or disposing of the shares of stock, bonds, evidences of indebtedness and other securities issued or created by corporations and other entities engaged in power, energy, utilities, infrastructure and other allied businesses; and for the above purposes, to acquire, lease, hold, occupy, use, mortgage real and personal properties, to obtain financing from local and international funding sources or otherwise raise capital and funds by issuing or creating equity and debt securities, and to do or engage in any and all other businesses and activities incidental to or connected with, or in furtherance and/or the implementation of any and all of the foregoing and increasing the Corporation's authorized capital stock to 215,000,000 million. The amendments to the Articles of Incorporation and By-Laws of the Corporation were approved by the stockholders on December 21, 2010. The SEC approved the Amended Articles of Incorporation on March 28, 2011.

On August 29, 2014, and to comply with SEC Memorandum Circular No. 6, series of 2014 which requires corporations to specify their complete and specific address, the Board considered and approved the amendment of the Articles of Incorporation and By-Laws of the Corporation to change its principal address to 1607, 16th floor, Tycoon Center Bldg. Condominium, Pearl Drive, Pasig City. The amendment to the Articles of Incorporation and By-Laws of the Corporation were approved by the stockholders on October 23, 2014. The SEC approved the Amended Articles of Incorporation on February 18, 2015.

On January 1, 2015, the Corporation entered into a Shared Services Agreement with MOGRC and CHPC for a period of three years. The Corporation renders monthly management consulting and financial advisory services and, in consideration of the services rendered, the Corporation receives a monthly management fee of P300,000.00 from each entity. The Shared Services Agreement is effective until December 31, 2021.

On August 25, 2015, the Board considered and approved the amendment of the By-Laws of the Corporation to change the date of the annual meeting of the stockholders from the third Monday of May, to the third Thursday of October of each calendar year. On October 22, 2015, the stockholders of the Corporation approved the Board's recommendation to amend the Corporation's By-Laws. On January 15, 2018, the SEC approved the Corporation's Amended By-Laws.

On February 23, 2016, the Board approved the cancellation of the increase in authorized capital stock which was previously approved by the SEC. The Corporation filed an application with the SEC to approve such cancellation.

On October 12, 2016, the SEC approved the application for the cancellation of the certificate of approval of increase in authorized capital stock and the certificate of filing of amended articles of incorporation issued by the SEC on March 28, 2011.

On February 26, 2018, the Shared Services Agreement was further amended extending the period up to December 31, 2021. This was superseded by a Revised Shared Services Agreement entered into by the Corporation on January 1, 2019, increasing the monthly management fee to P500,000 with a period of three years commencing January 1, 2019, unless otherwise cancelled or extended by mutual agreement of the related parties and the Corporation.

In 2019, the Board and the stockholders resolved and approved the increase in authorized capital stock of the Corporation and the share swap transaction.

On November 14, 2019, the Board resolved and approved the increase in the authorized capital stock of SGP from P50 million to P5.050 billion, with the increase of P5.0 billion to be divided into 5.0 billion common shares at a par value of P1.00 per share.

On the same date, in connection with the above resolution, the Board resolved and approved that, upon approval by the SEC of SGP's increase in authorized capital stock, 4,100,400,000 common shares of SGP, which will be created and issued out of such increase in authorized capital stock, will be issued at a price of P20.00 per share in exchange for 67% the outstanding shares of each of OTHI and P21.

The Board also approved the execution of any and all agreements and documents as may be necessary in connection with the said share swap, and designated the officers and other persons authorized to sign for and on behalf of the Corporation.

During the annual meeting held of December 20, 2019, the stockholders approved the share swap transaction and SGP's increase in authorized capital stock.

On March 26, 2020, the proposed share swap transaction was approved by the Philippine Competition Commission (PCC) on the grounds that: (1) the transaction will not result in any substantial change in the control, operations, and management of NGCP; and (2) the transaction will not likely result in any significant change in the structure of the market for the provision of electricity transmission services. The PCC likewise noted that the corresponding transaction does not meet the size of transaction threshold.

On May 28, 2021, the SEC approved SGP's increase in authorized capital stock. As a result, 4,100,400,000 common shares of SGP was issued at a price of P20.00 per share in exchange for 67% the outstanding shares of each of OTHI and P21. Specifically, 2,050,200,000 common shares of SGP was swapped with 86,430,000 common shares of OTHI legally and beneficially owned by Henry Sy, Jr. On the other hand 2,050,200,000 common shares of SGP was swapped with 871,000,000 common shares of P21 legally and beneficially owned by Roberto C. Coyiuto, Jr.

Due to the completion of the share swap as described above, SGP became legally and/or beneficial owner of 67% of the outstanding shares of each of P21 and OTHI.

Further, P21 owns controlling shares in CHPC, which in turn owns 30% minus one share in NGCP. OTHI owns controlling shares in MOGRC, which holds 30% plus one share in NGCP.

The share swap formally consolidated Mr. Sy's and Mr. Coyiuto's ownership and control of NGCP through a common corporate structure.

Other than the dilution of their respective ownership interests in SGP, the rights of the existing shareholders will not be affected by the share swap referred to above.

On October 14, 2021, the listing of the Offer Shares was approved by the Philippine Stock Exchange. The Philippine SEC approved the listing of SGP on October 20, 2021.

On November 10, 2021 SGDPI, under the symbol “SGP”, the Company publicly listed its 1,053,500,000 shares from its Follow-On Offering (FOO) on the Philippines Stock Exchange with overallotment option of up to 101,000,000 secondary shares at PHP 12.00 per common share.

The Company will use the proceeds of the FOO to directly subscribe to non-voting preferred shares that will be issued by NGCP. Proceeds from the issuance of the non-voting preferred shares will be used by NGCP to finance its capital expenditure requirements and related costs and expenses.

On April 12, 2022, upon signing of the Subscription Contract on the non-voting preferred shares of NGCP, the Company paid 25% of its total subscription of P12,238,163,000, amounting to P3,059,540,750. On 07 June 2022, the SEC approved NGCP’s application for increase in authorized capital stock and creation of non-voting preferred shares. On 09 June 2022, the Company fully paid the remaining 75% balance of the total subscription amounting to P9,178,622,250.

On February 28, 2008, the Group, through NGCP entered into a Concession Agreement with Power Sector Assets and Liabilities Management Corporation (PSALM) and the National Transmission Corporation (TRANSCO) granting the Group as Concessionaire the right to take over and operate the whole of TRANSCO’s regulated transmission business was a going concern and be the sole representative of Regulated Entity before the Philippine Energy Regulatory Commission (ERC). The commencement date of the Concession Agreement is on January 15, 2009 and shall expire on the 25th anniversary of the commencement date. The Concession can be extended but not to exceed beyond the 50th anniversary of the commencement date or for longer than the remaining term of the Group’s franchise.

DIRECTORS AND EXECUTIVE OFFICERS

The list of SGP’s directors and executive directors and their directorships and officerships in other corporations are discussed in Part I, Item 5(b) of the Preliminary Information Statement.

MARKET FOR ISSUER’S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

(1) Market Information

The principal market where SGP’s common equity is traded is at the Philippine Stock Exchange (“PSE”).

		Stock Prices	
		High	Low
2022	1 st Quarter	P12.28	P12.16
	2 nd Quarter	P12.26	P12.16
	3 rd Quarter	P11.78	P11.38
	4 th Quarter	P11.28	P11.10
2023	1 st Quarter	P10.08	P10.66
	2 nd Quarter	P9.10	P9.03
	3 rd Quarter	P8.56	P8.22
	4 th Quarter	P6.59	P6.39
2024	1 st Quarter	P7.74	P7.43
	2 nd Quarter	P9.88	P9.55
	3 rd Quarter	P9.38	P9.20
	4 th Quarter	P9.85	P9.30
2025	1 st Quarter	P11.80	P11.68
	2 nd Quarter	P10.94	P10.86

Stock Prices
 High Low
 August 31, 2025 P15.06 P13.80

(2) Holders

SGP has 161 shareholders. The top 20 shareholders of SGP as of August 31, 2025 are as follows:

TOP 20 STOCKHOLDERS AS OF AUGUST 31, 2025

No.	SHAREHOLDERS	NATIONALITY	RANK	HOLDINGS
1	Henry T. Sy, Jr.	Filipino	2,050,464,288	38.94%
2	Robert G. Coyiuto Jr.	Filipino	2,050,268,450	38.94%
3	PCD Nominee Corporation (Filipino)	Filipino	713,169,723	13.54%
4	PCD Nominee Corporation (Non-Filipino)	Foreign	386,096,389	7.33%
5	Syntrix Holdings, Inc.	Filipino	31,020,000	0.59%
6	Tansmart Holdings, Inc.	Filipino	13,000,000	0.25%
7	Sysmart Corporation	Filipino	10,641,200	0.20%
8	Carousel Holdings, Inc.	Filipino	1,758,300	0.03%
9	Samantha Louise A. Tan	Filipino	1,483,980	0.03%
10	United Engineers (Malaysia) Berhad	Malaysian	1,472,477	0.03%
11	Shaghayegh Nikaein	Iranian	1,370,000	0.03%
12	Malayco, Inc.	Filipino	1,077,520	0.02%
13	David Ian Ang Tan	Filipino	1,016,020	0.02%
14	Marmon Holdings, Inc.	Filipino	467,700	0.01%
15	Qiaohong Wang	Chinese	465,200	0.01%
16	Richard D. Uyan or Robert D. Uyan or Rodney D. Uyan	Filipino	350,000	0.01%
17	Hui Zhang	Chinese	250,200	0.00%
18	Yubao Weng	Chinese	144,600	0.00%
19	Ruimu Jiang	Chinese	130,500	0.00%
20	Kevin Philip Kearny	American	120,550	0.00%
	TOTAL		5,264,767,097	99.98%

The foreign stockholders of SGP and their corresponding shareholdings as of August 31, 2025 are as follows:

SHAREHOLDERS	NATIONALITY	NO. OF SHARES
AWAD KENNETH RICHARD	AMERICAN	4,000
BIRMINGHAM T. J.	AMERICAN	4,000
DUMMERMUTH, WALTER (DECEASED)	SWISS	3,000
F.C. HAGEDORN & CO. INC.	AMERICAN	1,000
FOSTER FRANK	AMERICAN	3,000
H.E. BENNETT SECURITIES	CHINESE	1,000
JIANG RUIMU	CHINESE	130,500
KEARNY KEVIN PHILIP	AMERICAN	120,550

KLINGER JOHN	AMERICAN	2,000
LILAY JOSEPH	CHINESE	4,000
LUHMANN BERKLEY M.	AMERICAN	58,200
MANDRIAK ROGER	FOREIGN	8,600
MEARS MABEL E.	AMERICAN	10,000
METROPOLITAN INVESTMENT CORPORATION	AMERICAN	10,000
MITCHELL PETER	AMERICAN	2,000
MITCHELL WILLIAM E. &/OR MARGARET A. MITCHELL	AMERICAN	5,000
NASSR JUAN D.	MALAYSIAN	10,000
OH CHU KIONG	CHINESE	15,000
PCD NOMINEE CORPORATION (NON-FILIPINO)	FOREIGN	386,096,389
QUI BO	CHINESE	53,300
SCHOLEY GEORGE T.	AMERICAN	42,900
SCHOLEY GUY E.	AMERICAN	5,000
SCIPLE JAMES O.	AMERICAN	1,000
SHAGHAYEGH NIKAEIN	IRANIAN	1,370,000
UNITED ENGINEERS (MALAYSIA) BERHAD	MALAYSIAN	1,472,477
WANG QIAOHONG	CHINESE	465,200
WENG YUBAO	CHINESE	144,600
YAM SENG LAM	MALAYSIAN	1
ZHANG HUI	CHINESE	250,200
Total Foreign Shareholdings		390,292,917
Total Outstanding Capital Stocks		5,265,866,000
Percentage of Total Foreign Ownership		7.41%

(3) Dividends

There is no restriction that limits the ability of the Corporation to pay dividends on common equity other than the unavailability of unrestricted retained earnings.

The Corporation started to declare and pay dividends to its stockholders on 3rd quarter of 2021.

Summary of dividends declared and paid:

	2024		2023		2022		2021	
	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount
1 st Quarter	P0.3474	P1,829,361,848.14	P0.1737	P914,680,923.47	P0.22	P1,158,490,520.00	-	-
2 nd Quarter	-	-	P0.1737	P914,680,923.47	P0.26	P1,369,125,160.00	-	-
3 rd Quarter	-	-	-	-	P0.26	P1,369,125,160.00	P0.475	P2,000,873,850.00
4 th Quarter	-	-	-	-	P0.26	P1,369,125,160.00	P0.20	P1,053,173,200.00

No dividends were declared and paid as of the 2nd quarter of 2025.

(4) Recent Sales of Unregistered Securities

The share swap described in the Management's Discussion and Analysis of Financial Condition and Results of Operations is exempt under Section 10.1 (k) of the Securities Regulation Code which states that the sale of securities by an issuer to fewer than 20 persons in the Philippines during any 12-month period is an exempt

transaction. Apart from the said share swap, there were no other recent sales of unregistered securities of the Corporation within the past three years.

CORPORATE GOVERNANCE

On June 21, 2010, SGP submitted its Manual of Corporate Governance to the SEC and PSE in compliance with SEC Memorandum Circular No. 6 Series of 2009.

On September 28, 2012, the Audit Committee of the Corporation approved the Audit Committee Charter. The Audit Committee conducts an annual self-assessment required under SEC Memorandum Circular No. 4 Series of 2012 and the Audit Committee Charter.

On May 13, 2017, the Corporation filed its Revised Manual on Corporate Governance ("**Manual**") with the SEC. The Corporation's Manual of Corporate Governance is compliant with the Revised Code of Corporate Governance and will continue to adopt best practices in Corporate Governance as may be prescribed by the Commission.

The Corporation has in place a performance evaluation system for corporate governance. The Compliance Officer regularly monitors and evaluates the Board's compliance with the Manual. The Board regularly reviews the Manual to ensure that the same remains relevant, is responsive to the needs of the organization, and is compliant with regulatory requirements. The Corporation substantially complies with its Manual on Corporate Governance and did not materially deviate from its provisions. No sanctions have been imposed on any director, officer, or employee on account of non-compliance with the Corporation's Manual on Corporate Governance.

Further to SEC Memorandum Circular No. 15, Series of 2017, the Corporation's Integrated Annual Corporate Governance Report was submitted on May 30, 2018.

FINANCIAL STATEMENTS

The consolidated audited balance sheets or statements of financial position, in comparative format, as of the end of each of the two most recent completed fiscal years and the Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity, in comparative format for the most recent completed fiscal years may be found in **Annexes "1" and "2."**

The interim audited balance sheet or statement of financial position as of the end of the most recent quarter, with comparative figures as of the end of the preceding fiscal year and the interim audited of Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity for the most recent quarter with comparative figures for period ending of the same quarter of the preceding year maybe found in **Annex "3"**.

**THE CORPORATION UNDERTAKES TO PROVIDE WITHOUT CHARGE TO EACH PERSON, ON
THE WRITTEN REQUEST OF ANY PERSON, COPY OF SGP'S ANNUAL REPORT ON SEC FORM 17-A.**

Written request for a copy of the Annual Report on SEC Form 17-A should be addressed to:

CHERYL S. SALDAÑA-DE LEON
Corporate Secretary
SYNERGY GRID & DEVELOPMENT PHILS., INC.
c/o Suite 2801 Discovery Center
25 ADB Avenue, Ortigas Center, Pasig City

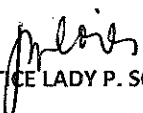
At the discretion of management, a charge may be made for exhibits, which shall be limited to reasonable expenses incurred by the Corporation in furnishing such exhibits.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized in the City of Pasig.

Synergy Grid & Development Phils., Inc.
Issuer

By:


JUSTICE LADY P. SORIANO
Chief Finance Officer
For the Board of Directors

OUTSTANDING BALANCES FOR A SPECIFIC COMPANY

Company Code - SGP000000000

Business Date: August 29, 2025

BPNAME	FOREIGN	LOCAL
A & A SECURITIES, INC.	50,000	2,676,100
A. T. DE CASTRO SECURITIES CORP.		811,906
AAA SOUTHEAST EQUITIES, INCORPORATED	4,300	1,898,780
AB CAPITAL & INVESTMENT CORP. - TRUST & INVESTMENT DIV.		1,894,200
AB CAPITAL SECURITIES, INC.	791,620	20,890,377
ABACUS SECURITIES CORPORATION	323,000	6,967,158
ALAKOR SECURITIES CORPORATION		1,230,600
ALPHA SECURITIES CORP.		149,300
ANSALDO, GODINEZ & CO., INC.		1,777,970
AP SECURITIES INCORPORATED		1,269,912
APEX PHILIPPINES EQUITIES CORPORATION		85,000
ARMSTRONG SECURITIES, INC.		1,047,500
ASIA PACIFIC CAPITAL EQUITIES & SECURITIES CORP.		261,000
ASIA UNITED BANK - TRUST & INVESTMENT GROUP		15,747,400
ASIASEC EQUITIES, INC.	1,600,700	3,575,340
ASTRA SECURITIES CORPORATION		2,535,500
AURORA SECURITIES, INC.	8,000	1,932,000
B. H. CHUA SECURITIES CORPORATION		772,000
BA SECURITIES, INC.		230,800
BANCO DE ORO - TRUST BANKING GROUP		5,904,467
BANK OF COMMERCE - TRUST SERVICES GROUP		1,034,200
BDO SECURITIES CORPORATION	6,210,510	57,097,310
BELSON SECURITIES, INC.	30,000	796,300
BERNAD SECURITIES, INC.		2,983,900
BPI ASSET MANAGEMENT AND TRUST CORPORATION		96,400
BPI SECURITIES CORPORATION	91,450	42,034,573
CABALLES GO SECURITIES INC		300,000
CAMPOS, LANUZA & COMPANY, INC.	30,000	451,800
CHINA BANK SECURITIES CORPORATION	20,000	3,080,700
CHINA BANKING CORPORATION - TRUST GROUP		2,533,400
CITIBANK N.A.	158,658,842	10,056,700
CLSA PHILIPPINES, INC.	20	
CNN SECURITIES, INC.	1,500	6,885,700
COHERCO SECURITIES, INC.		152,500
COL Financial Group, Inc.	5,407,660	53,272,606
CTS GLOBAL EQUITY GROUP, INC.		1,036,050
CUALOPING SECURITIES CORPORATION		1,589,900
DA MARKET SECURITIES, INC.		1,089,600
DAVID GO SECURITIES CORP.		18,354,100
DEUTSCHE BANK MANILA-CLIENTS A/C	19,422,876	238,310
DIVERSIFIED SECURITIES, INC.	17,000	758,000
DRAGONFI SECURITIES, INC.		777,993
E. CHUA CHIACO SECURITIES, INC.	265,800	1,988,000

BPNAME	FOREIGN	LOCAL
EAGLE EQUITIES, INC.	160,140	8,582,300
EAST WEST CAPITAL CORPORATION		1,593,300
EASTERN SECURITIES DEVELOPMENT CORPORATION		3,052,400
EQUITIWORLD SECURITIES, INC.		562,900
EVERGREEN STOCK BROKERAGE & SEC., INC.	190,000	927,410
F. YAP SECURITIES, INC.	3,200	573,230
FIDELITY SECURITIES, INC.		62,030
FIRST METRO SECURITIES BROKERAGE CORP.	9,419,290	34,180,336
FIRST ORIENT SECURITIES, INC.		2,559,240
G.D. TAN & COMPANY, INC.		1,029,800
GLOBALINKS SECURITIES & STOCKS, INC.		5,926,400
GOLDEN TOWER SECURITIES & HOLDINGS, INC.	30,000	190,000
GOLDSTAR SECURITIES, INC.		4,316,400
GUILD SECURITIES, INC.		872,431
H. E. BENNETT SECURITIES, INC.		1,243,120
I. B. GIMENEZ SECURITIES, INC.		1,134,020
IGC SECURITIES INC.		2,314,800
IMPERIAL,DE GUZMAN,ABALOS & CO.,INC.		612,730
INTRA-INVEST SECURITIES, INC.		253,400
INVESTORS SECURITIES, INC,		256,986
JSG SECURITIES, INC.	30,000	1,008,700
LANDBANK SECURITIES, INC.		1,443,510
LARRGO SECURITIES CO., INC.		659,000
LOPEZ, LOCSIN, LEDESMA & CO., INC.		109,000
LUCKY SECURITIES, INC.		6,303,400
LUNA SECURITIES, INC.		56,600
LUYS SECURITIES COMPANY, INC.		377,300
MANDARIN SECURITIES CORPORATION		5,761,600
MAYBANK SECURITIES, INC.	55,000	13,455,340
MBTC - TRUST BANKING GROUP		55,000
MDR SECURITIES, INC.	34,500	4,904,540
MERCANTILE SECURITIES CORP.		318,400
MERIDIAN SECURITIES, INC.		1,941,700
MOUNT PEAK SECURITIES, INC.		2,260
NEW WORLD SECURITIES CO., INC.		237,500
OPTIMUM SECURITIES CORPORATION		329,500
PAN ASIA SECURITIES CORP.		410,000
PAPA SECURITIES CORPORATION		27,226,370
PHILIPPINE EQUITY PARTNERS, INC.	155,605,800	99,149,591
PHILSTOCKS FINANCIAL INC	514,800	12,511,863
PLATINUM SECURITIES, INC.		2,353,400
PNB SECURITIES, INC.		26,044,800
PNB TRUST BANKING GROUP		90,000
PREMIUM SECURITIES, INC.		1,448,300
QUALITY INVESTMENTS & SECURITIES CORPORATION	25,000	912,700
R. COYIUTO SECURITIES, INC.	13,954	25,019,748
R. NUBLA SECURITIES, INC.	260,000	9,024,900
R. S. LIM & CO., INC.		462,500
RCBC SECURITIES, INC.	304,000	2,654,500
REGINA CAPITAL DEVELOPMENT CORPORATION		1,308,900
REGIS PARTNERS, INC.		26,532,613

BPNAME	FOREIGN	LOCAL
RTG & COMPANY, INC.		295,100
S.J. ROXAS & CO., INC.		832,200
SALISBURY SECURITIES CORPORATION		711,750
SARANGANI SECURITIES, INC.		416,000
SB EQUITIES, INC.	55,500	4,122,920
SECURITIES SPECIALISTS, INC.		4,235,720
SEEDBOX SECURITIES, INC.		46,000
SINCERE SECURITIES CORPORATION		974,800
SOLAR SECURITIES, INC.	238,000	1,894,800
STANDARD CHARTERED BANK	9,334,938	8,780,700
STANDARD SECURITIES CORPORATION		3,335,400
STAR ALLIANCE SECURITIES CORP.		550,000
STRATEGIC EQUITIES CORP.		1,270,810
SUMMIT SECURITIES, INC.		2,028,200
SunSecurities, Inc.		6,304,030
SUPREME STOCKBROKERS, INC		84,000
TANSENGCO & CO., INC.		764,100
THE FIRST RESOURCES MANAGEMENT & SECURITIES CORP.		2,621,800
THE HONGKONG AND SHANGHAI BANKING CORP. LTD.	16,174,489	
TIMSON SECURITIES, INC.		1,330,500
TOWER SECURITIES, INC.		21,403,610
TRITON SECURITIES CORP.		2,172,600
UCPB GENERAL INSURANCE CO., INC.		40,000
UNICAPITAL SECURITIES INC.	200,000	2,710,682
UPCC SECURITIES CORP.	4,000	555,900
VALUE QUEST SECURITIES CORPORATION	200,000	18,292,300
VC SECURITIES CORPORATION		138,500
VENTURE SECURITIES, INC.		609,300
WEALTH SECURITIES, INC.		3,711,531
WESTLINK GLOBAL EQUITIES, INC.		166,000
WONG SECURITIES CORPORATION		40,000
YAO & ZIALCITA, INC.		950,150
YU & COMPANY, INC.	500,000	968,700
TOTAL	386,285,889	712,980,223

from receipt hereof, you shall be deemed to have accepted the accuracy and completeness of the details indicated in this report.

This document is computer generated and requires no signature.

REPUBLIC OF THE PHILIPPINES)
PASIG CITY) S.S.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **JOSE PERPETUO M. LOTILLA**, of legal age, Filipino, and with address at 82 Katipunan Road Extension, Loyola Grand Villas, Marikina City, after being duly sworn in accordance with law, state that:

1. I am an independent director of **SYNERGY GRID & DEVELOPMENT PHILS., INC.** (the Corporation).

2. I am affiliated with the following companies or organizations (including government entities):

Company/ Organization	Position/ Relationship	Period of Service
Philippine Bar Association	President	September 2019 to September 2020 (1 Year)
	Trustee	September 2019 to Present
Eagle Cement Corporation	Independent Director	December 2016 to February 2017 (3 months)
Security Bank	Director	2000 to 2011 (11 years)
	Independent Director	April 2021 to Present
SB Capital	Director	2003 to 2011 (8 years)
Department of Transportation and Communications	Undersecretary for Legal Affairs – Chief Legal Counsel	October 2011 to October 2015 (4 years)
Sycip Salazar Hernandez and Gatmaitan Law Offices	Senior Partner	January 1981 to December 2011 (31 years)

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations, and other issuances of the Securities and Exchange Commission (SEC).

4. To the best of my knowledge, I am not related to any of the directors, officers or substantial shareholders of the Corporation and its subsidiaries as defined under Rule 38.2.3 of the Securities Regulation Code.

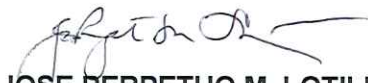
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance, and other SEC issuances.

7. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

8. I am executing this Certification of Independent Director to attest to the truth of the foregoing and for all legal intents and purposes, hereby waiving my right to receive a duplicate original electronic copy of this Certificate, as allowed under Rule VI Section 7 of the 2004 Rules on Notarial Practice, as amended by A.M. No. 02-8-13-SC, and thereby waiving any objections to the completeness of the reproduction of this Certification of Independent Director.

IN WITNESS WHEREOF, I have affixed my signature this 09 SEP 2025 in Pasig City.


JOSE PERPETUO M. LOTILLA
Affiant

SUBSCRIBED AND SWORN to before me this 09 SEP 2025 in Pasig City, affiant having exhibited to me his competent evidence of identity in the form of his Philippine Passport with No. P7054808B valid until 27 June 2031, with the said affiant waiving the right to receive a duplicate original electronic copy of this Certification of Independent Director in effect waiving any objections to the completeness of the reproduction of this Certification of Independent Director.

Doc. No. 252 ;
Page No. 52 ;
Book No. 1 ;
Series of 2025.




JAKE S. BELUSO
Notary Public for the City of Pasig and Municipality of Pateros
Commission until 31 December 2026
2801 Discovery Center 25 ADB Ave. Ortigas Center Pasig City
APPT. No. 264 (2025-2026)
Roll of Attorneys No. 88983
PTR No. 3044612; 01-16-2025: Pasig City
IBP No. 488655: 12-27-2024: Cebu City
MCLE Compliance No. VIII-0030490: 4-28-2025

REPUBLIC OF THE PHILIPPINES)
PASIG CITY) S.S.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **LUIS JOSE P. FERRER**, of legal age, Filipino, and with address at 1 Wood St., Capitol Hills Golf Subdivision, Matandang Balara, Quezon City, after being duly sworn in accordance with law, state that:

1. I am an independent director of **SYNERGY GRID & DEVELOPMENT PHILS., INC.** (the Corporation).

2. I am affiliated with the following companies or organizations (including government entities):

Company/ Organization	Position/ Relationship	Period of Service
University of the Philippines – Diliman, College of Law	Senior Lecturer	July 2018 to Present (On Leave)
Philippine Judicial Academy	Lecturer	August 2021 to Present
Carag Zaballero Llamado & Abiera Law Offices	Senior Counsel	September 2019 to Present
SGV & Co.	Tax Partner and Head of Tax Services	July 1998 to June 2019 (21 years)
National Power Corporation	Legal Manager, Office of the General Counsel	January 1994 to June 1998 (4 years)
Court of Tax Appeals	Court Attorney, Legal and Technical Services	January 1992 to December 1993 (2 years)
Bureau of Internal Revenue – National Office	Revenue Officer	October 1988 to December 1991 (4 years)
Republic Planters Bank/Maybank	Assistant Manager, Trust Department	January 1980 to December 1987 (7 years)
Philippine Women's University	Faculty Member (Part Time – Evening Class)	June 1982 to April 1983 (1 year)
Integrated Bar of the Philippines	Member	August 1989 to Present
Philippines Institute of Certified Public Accountants	Chairman, Legislation and Taxation Committee	July 2021 to June 2022 (1 year)
		July 2011 to June 2013 (2 years)
Philippine Chamber of Commerce and Industry	Member, Tax Committee	January 2016 to 2020 (4 years)
The Philippine Foundation of the Brotherhood of Christian Businessmen and Professionals	Chairman, Board of Trustees	January 2024 to Present
	Member, Board of Trustees	January 2021 to December 2023 (3 years)
	Member	1990 to Present
UP Law Alumni Association	Member	April 1988 to Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations, and other issuances of the Securities and Exchange Commission (SEC).

4. To the best of my knowledge, I am not related to any of the directors, officers or substantial shareholders of the Corporation and its subsidiaries as defined under Rule 38.2.3 of the Securities Regulation Code.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

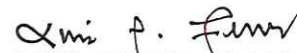
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance, and other SEC issuances.

7. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

8. I am executing this Certification of Independent Director to attest to the truth of the foregoing and for all legal intents and purposes, hereby waiving my right to receive a duplicate original electronic copy of this Certificate, as allowed under Rule VI Section 7 of the 2004 Rules on Notarial Practice, as amended by A.M. No. 02-8-13-SC, and thereby waiving any objections to the completeness of the reproduction of this Certification of Independent Director.

(Signature page follows)

IN WITNESS WHEREOF, I have affixed my signature this 04 SEP 2025 in Pasig City.


LUIS JOSE P. FERRER
Affiant

SUBSCRIBED AND SWORN to before me this 04 SEP 2025 in Pasig City, affiant having exhibited to me his competent evidence of identity in the form of his Philippine Passport with No. P9089088B valid until 24 February 2032, with the said affiant waiving the right to receive a duplicate original electronic copy of this Certification of Independent Director in effect waiving any objections to the completeness of the reproduction of this Certification of Independent Director.

Doc. No. 293;
Page No. 60;
Book No. VI;
Series of 2025.




ANNE DENISE C. MUNOZA
Notary Public for the City of Pasig and Municipality of Pateros
Commission until 31 December 2025
2801 Discovery Center 25 ADB Ave., Ortigas Center Pasig City
APPT. No. 158 (2024-2025) - Roll No. 86638
PTR No. 3044621; 01-16-2025; Pasig City
IBP No. 512460; 01-09-2025; Manila III
MCLE Compliance No. VIII-0008312; 04-23-2024

REPUBLIC OF THE PHILIPPINES)
) S.S.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **DANIEL D. IBASCO**, of legal age, Filipino, and with address at 321 Santiago St., Ayala Alabang Village, Muntinlupa City, after being duly sworn in accordance with law, state that:

1. I am an independent director of **SYNERGY GRID & DEVELOPMENT PHILS., INC.** (the Corporation).

2. I am affiliated with the following companies or organizations (including government entities):

Company/ Organization	Position/ Relationship	Period of Service
Fortman Cline Capital Markets Ltd. (Hongkong and Manila)	President and CEO	July 2007-Present
Bear Stearns Singapore Pte Limited	Head of Asian Capital Markets	2002-2006
Hambrecht and Quist Asia Pacific Limited	Senior Investment Officer	2001-2002
Bear Stearns Singapore Pte Limited	Head of Southeast Asian Investment Banking	1997-2001
Bank of Boston, United States and Asia Pacific	Managing Director	1982-1996

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations, and other issuances of the Securities and Exchange Commission (SEC).

4. To the best of my knowledge, I am not related to any of the directors, officers or substantial shareholders of the Corporation and its subsidiaries as defined under Rule 38.2.3 of the Securities Regulation Code.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance, and other SEC issuances.

7. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five days from its occurrence.

8. I am executing this Certification of Independent Director to attest to the truth of the foregoing and for all legal intents and purposes, hereby waiving my right to receive a duplicate original electronic copy of this Certificate, as allowed under Rule VI Section 7 of the 2004 Rules on Notarial Practice, as amended by A.M. No. 02-8-13-SC, and thereby waiving any objections to the completeness of the reproduction of this Certification of Independent Director.

IN WITNESS WHEREOF, I have affixed my signature this 24 SEP 2025 in

PASIG CITY


DANIEL D. IBASCO
Affiant

SUBSCRIBED AND SWORN to before me this 24 SEP 2025 in PASIG CITY,
affiant having exhibited to me his competent evidence of identity in the form of his Philippine
Passport with No. P3120986B valid until 07 September 2029 with the said affiant waiving the
right to receive a duplicate original electronic copy of this Certification of Independent Director
in effect waiving any objections to the completeness of the reproduction of this Certification of
Independent Director.

Doc. No. 354 ;
Page No. 72 ;
Book No. 1 ;
Series of 2025.




JAKE S. BELUSO

Notary Public for the City of Pasig and Municipality of Pateros
Commission until 31 December 2026
2801 Discovery Center 25 ADB Ave. Ortigas Center Pasig City
APPT. No. 264 (2025-2026)
Roll of Attorneys No. 88983
PTR No. 3044612; 01-16-2025: Pasig City
IBP No. 488655; 12-27-2024: Cebu City
MCLE Compliance No. VIII-0030490: 4-28-2025

REPUBLIC OF THE PHILIPPINES)
PASIG CITY) S.S.

CERTIFICATE

I, **CHERYL S. SALDAÑA-DE LEON**, of legal age, Filipino, and with office address at Suite 2801 Discovery Center, 25 ADB Avenue, Ortigas Center, Pasig City, do hereby certify, based on corporate records and information provided by the Corporation, that:

1. I am the duly elected and incumbent Corporate Secretary of **SYNERGY GRID & DEVELOPMENT PHILS., INC.** (Corporation), a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office address at 16th Floor, Tycoon Center Bldg. Condominium, Pearl Drive, Ortigas Center, Pasig City.

2. To the best of my knowledge, none of the Corporation's directors or officers are connected with any government agencies or instrumentalities of the Philippines.

3. This Certificate is being executed in connection with the Corporation's Information Statement that will be submitted to the Securities and Exchange Commission (SEC).

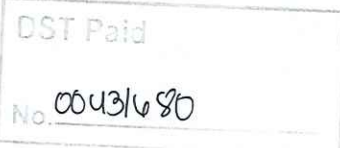
4. I am executing this Certificate to attest to the truth of the foregoing and for all legal intents and purposes, hereby waiving my right to receive a duplicate original electronic copy of this Certificate, as allowed under Rule VI Section 7 of the 2004 Rules on Notarial Practice, as amended by A.M. No. 02-8-13-SC, and thereby waiving any objections to the completeness of the reproduction of this Certificate.

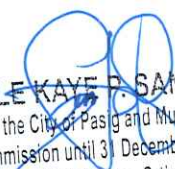
IN WITNESS WHEREOF, I have hereunto set my hand and affixed my signature this 01 September 2025 in Pasig City.


CHERYL S. SALDAÑA-DE LEON
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 01 September 2025 in Pasig City, affiant who is personally known to me and likewise exhibiting to me her Community Tax Certificate No. 11130431 issued on 11 January 2025 in Pasig City and competent evidence of her identity in the form of her Taxpayer's Identification Card with No. 202-946-957, with the said affiant waiving the right to receive a duplicate original electronic copy of this Certificate in effect waiving any objections to the completeness of the reproduction of this Certificate.

Doc. No. 116 ;
Page No. 25 ;
Book No. II ;
Series of 2025.




RENIELLE KAYE P. SANTANDER
Notary Public for the City of Pasig and Municipality of Pateros
Commission until 31 December 2026
2801 Discovery Center 25 ADB Ave., Ortigas Center Pasig City
APPT. No. 230 (2025-2026) - Roll No. 91103
PTR No. 3044627-01-16-2025: Pasig City
IBP No. 502891: 01-08-2025: Cebu Province
MCLE Compliance No. VIII-0008378: 04-29-2024

MINUTES OF THE ANNUAL MEETING
OF THE STOCKHOLDERS
OF

SYNERGY GRID & DEVELOPMENT PHILS., INC.
(the "Corporation")

Held at the office of the Corporation and via Remote Communication
On 17 October 2024, at 2:00 P.M.

RECORD OF ATTENDANCE

Total number of shares present in person or represented by proxy	4,144,196,142 common shares
Total number of shares issued, outstanding, and entitled to vote	4,144,196,142 common shares
Percentage of the total issued and outstanding shares present in person/represented by proxies	78.70%

1. CALL TO ORDER

The Chairman, Mr. Henry T. Sy, Jr., called the meeting to order, and presided over the same. The Corporate Secretary, Atty. Cheryl S. Saldaña-de Leon, recorded the minutes of the proceedings.

The Board of Directors approved a resolution dated 04 September 2024 authorizing the holding of the meeting by remote communication pursuant to Section 57 of the Revised Corporation Code, and the Securities and Exchange Commission (SEC) Memorandum Circular No. 06, Series of 2020. The Corporate Secretary advised the stockholders that, in compliance with the requirements of the SEC for meetings held through remote communication, the meeting is being recorded, which recording shall form part of the records of the Corporation.

2. PROOF OF NOTICE OF MEETING

The Chairman requested the Corporate Secretary to certify that the notices for the meeting have been sent to the stockholders. The Corporate Secretary certified that the notices for the annual meeting of the stockholders of the Corporation, together with the agenda were published in the business section of two newspapers of general circulation (i.e. Philippine Star and Manila Bulletin), in print and online format, on 05 September 2024 and 06 September 2024. Copies of the Information Statement, Management Report, and Audited Financial Statements are available and can likewise be accessed through the Corporation's website and the PSE Edge website.

3. CERTIFICATION OF NOTICE AND QUORUM

The Chairman announced that the first order of business is the certification by the Corporate Secretary of the sending of the notice of the meeting to the stockholders and the determination of a quorum. The Corporate Secretary certified that out of 5,265,866,000 issued and outstanding common shares, stockholders owning a total of 4,144,196,142 common shares, representing 78.70% of the total issued and outstanding capital stock of the Corporation are present through remote communication or by proxy. Therefore, there is a quorum for the transaction of business.

4. APPROVAL OF THE MINUTES OF THE ANNUAL MEETING OF THE STOCKHOLDERS HELD ON 22 DECEMBER 2023

Upon motion duly made and seconded, the stockholders passed and approved the following resolution:

“RESOLVED, that the minutes of the Annual Meeting of the Stockholders of the Corporation held on 22 December 2023 be approved.”

5. RATIFICATION OF THE CORPORATE ACTS OF THE BOARD OF DIRECTORS AND MANAGEMENT SINCE THE LAST ANNUAL STOCKHOLDERS’ MEETING

The Chairman presented to the stockholders a summary of all acts of the Board of Directors and Management, embodied in resolutions issued up to the date of this meeting:

1. Approval of the Audited Financial Statements for the year ended 31 December 2023
2. Declaration of Cash Dividends
 - a. 08 April 2024 – PhP0.3474 dividend per share for the first quarter of 2024 amounting to PhP1,829,361,848.00.
3. Approval of Quarterly Financial Reports
4. Setting of the Annual Meeting of the Stockholders and Approval of Agenda

Upon motion duly made and seconded, the stockholders passed and approved the following resolution:

“RESOLVED, that the Corporation hereby affirms, approves, and ratifies the acts of the Corporation’s officers and Board of Directors as embodied in the resolutions that have been issued in accordance with the procedures provided in the Corporation’s By-Laws.”

6. ELECTION OF DIRECTORS

The Corporate Secretary explained that under the SIXTH Article of the Amended Articles of Incorporation, there are seven (7) seats in the Board of Directors. Under the Corporation’s By-Laws and Manual of Corporate Governance, the Board shall have at least three (3) independent directors, or such number as to constitute at least one-third of the members of the Board, whichever is higher. Considering the seven (7) seats in the Board and the commencement of commercial operations, the Corporation shall have at least three (3) independent directors.

Under Rule 38.8 of the Implementing Rules and Regulations of the Securities Regulation Code (SRC) and the Manual on Corporate Governance of the Corporation, nominations of independent directors shall be conducted by the Corporate Governance Committee prior to this meeting. In a meeting held prior to the Annual Stockholders’ Meeting on 17 October 2024, the Corporate Secretary received the following nominations from the Corporate Governance Committee for the members of the Board of Directors:

1. Henry T. Sy, Jr.
2. Robert G. Coyiuto, Jr.
3. Paul P. Sagayo, Jr.
4. Vicente D. Gerochi IV

The Corporate Governance Committee likewise recommended the following names to be nominated as independent directors:

1. Francis Saturnino C. Juan
2. Jose Perpetuo M. Lotilla
3. Luis Jose P. Ferrer

Upon nominations duly made and seconded, the following were elected as directors of the Corporation, to serve as such for 2024-2025 and until their successors are duly elected:

Director	Mr. Henry T. Sy, Jr.
Director	Mr. Robert G. Coyiuto, Jr.
Director	Atty. Paul P. Sagayo Jr.
Director	Atty. Vicente D. Gerochi IV
Independent Director	Atty. Jose Perpetuo M. Lotilla
Independent Director	Atty. Francis Saturnino C. Juan
Independent Director	Atty. Luis Jose P. Ferrer

Upon motion duly made and seconded, the stockholders passed and approved the following resolution:

“RESOLVED, that the election of the following directors for the year 2024-2025 be confirmed and these directors will serve as such until their successors shall have been duly appointed and qualified:

Director	Mr. Henry T. Sy, Jr.
Director	Mr. Robert G. Coyiuto, Jr.
Director	Atty. Paul P. Sagayo Jr.
Director	Atty. Vicente D. Gerochi IV
Independent Director	Atty. Jose Perpetuo M. Lotilla
Independent Director	Atty. Francis Saturnino C. Juan
Independent Director	Atty. Luis Jose P. Ferrer.”

7. **MANAGEMENT REPORT AND PRESENTATION OF THE AUDITED FINANCIAL STATEMENTS OF THE CORPORATION FOR THE YEAR ENDED 31 DECEMBER 2023**

The management report and audited financial statements for the year ended 31 December 2023 were presented by the Treasurer, Chief Finance Officer, and Investor Relations Officer, Ms. Justice Lady P. Soriano. After a brief discussion and upon motion duly made and seconded, the stockholders passed and approved the following resolution:

“RESOLVED, that the Corporation’s audited financial statements for the year ended 31 December 2023, as presented by the Corporation’s Treasurer, Chief Finance Officer, and Investor Relations Officer be, as it is hereby, approved.”

The Corporate Secretary then proceeded to read the questions submitted in advance by the stockholders. In response to the inquiry on the declaration of dividends, the CFO explained that due to substantial increase in capital expenditures to implement critical projects, the cash flow of National Grid Corporation of the Philippines (NGCP) is tight for dividend declaration. On the part of the Corporation, it declares dividends once received from NGCP, consistent with its dividend policy, and subject to available unrestricted retained earnings and settlement of operational expenses in the regular course of business.

In response to the inquiry on the possible investment of Maharlika Wealth Fund in NGCP, the President, Atty. Paul P. Sagayo, Jr., explained that NGCP has not received any formal communication from Maharlika Investment Corporation regarding any plan for investment in NGCP. Should any formal correspondence be made, the Corporation will make the necessary public disclosures.

8. **APPOINTMENT OF R.G. MANABAT & CO. (AN AFFILIATE OF KPMG) AS EXTERNAL AUDITOR FOR TAXABLE YEAR 2024**

Upon the recommendation of the Audit and Risk Committee and upon motion duly made and seconded, the stockholders passed and approved the following resolution:

“RESOLVED, that the Corporation be authorized to appoint R.G. Manabat & Co.as its external auditor for taxable year 2024 and it shall serve as such until its replacement is appointed and qualified.”

9. ADJOURNMENT

There being no other matters to discuss and upon motion duly made and seconded, the meeting was adjourned.

Certified Correct:


CHERYL S. SALDAÑA-DE LEON
Corporate Secretary

Attested:

HENRY T. SY, JR.
Chairman

Approved:

ROBERT G. COYIUTO, JR.
Vice Chairman

PAUL P. SAGAYO, JR.
Director/President

VICENTE D. GEROCHI IV
Director

JOSE PERPETUO M. LOTILLA
Lead Independent Director

LUIS JOSE P. FERRER
Independent Director

FRANCIS SATURNINO C. JUAN
Independent Director



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: ICTD ERMD

Receipt Date and Time: April 15, 2025 04:33:39 PM

Company Information

SEC Registration No.: 0000041376

Company Name: SYNERGY GRID & DEVELOPMENT PHILS., INC.

Industry Classification: F45203

Company Type: Stock Corporation

Document Information

Document ID: OST10415202583175240

Document Type: Financial Statement

Document Code: FS

Period Covered: December 31, 2024

Submission Type: Parent

Remarks: None

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

COVER SHEET

for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	1	9	7	0	4	1	3	7	6

COMPANY NAME

S	Y	N	E	R	G	Y		G	R	I	D		&		D	E	V	E	L	O	P	M	E	N	T				
P	H	I	L	S	.	,		I	N	C	.																		

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

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C	e	n	t	e	r		B	l	d	g	.		C	o	n	d	o	m	i	n	i	u	m						
P	e	a	r	l		D	r	i	v	e	,		P	a	s	i	g		C	i	t	y							
M	e	t	r	o		M	a	n	i	l	a																		

Form Type

A A F S

Department requiring the report

Secondary License Type, If Applicable

COMPANY INFORMATION

Company's email Address

synergy072015@yahoo.com

Company's Telephone Number/s

8584-39-30

Mobile Number

No. of Stockholders

Annual Meeting (Month / Day)

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Justice Lady P. Soriano

Email Address

tish.soriano@gmail.com

Telephone Number/s

8584-3930

Mobile Number

CONTACT PERSON'S ADDRESS

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

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



SYNERGY GRID <synergy072015@gmail.com>

Your BIR AFS eSubmission uploads were received

Isang mensahe

eafs@bir.gov.ph <eafs@bir.gov.ph>
Para kay: SYNEGRY072015@yahoo.com
Cc: SYNERGY072015@gmail.com

Abril 15, 2025 nang 12:55 PM

Hi SYNERGY GRID & DEVELOPMENT PHILS., INC.,

Valid files

- EAFS000593240ITRTY122024.pdf
- EAFS000593240TCRTY122024-01.pdf
- EAFS000593240AFSTY122024.pdf
- EAFS000593240RPTTY122024.pdf

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- <None>

Transaction Code: **AFS-0-BKF8DDKJ09GJB9FE9MYX42SVN0BLJ95DD5**
Submission Date/Time: **Apr 15, 2025 12:54 PM**
Company TIN: **000-593-240**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

SYNERGY GRID & DEVELOPMENT PHILS., INC.

SEPARATE FINANCIAL STATEMENTS
December 31, 2024 and 2023

With Independent Auditors' Report



R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Synergy Grid & Development Phils., Inc.
Unit 1602, 16th Floor
Tycoon Center Bldg. Condominium
Pearl Drive Pasig City, Metro Manila

Report on the Audit of the Financial Statements

Opinions

We have audited the separate financial statements of Synergy Grid & Development Phils., Inc. (the "Company"), which comprise the separate statements of financial position as at December 31, 2024 and 2023, and the separate statements of income, separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at December 31, 2024 and 2023, and its unconsolidated financial performance and its unconsolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

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

Firm Regulatory Registration & Accreditation:

PRC-BOA Registration No. 0003, valid until September 20, 2026

SEC Accreditation No. 0003-SEC, Group A, valid for the audit of annual financial statements for the year ended December 31, 2024

and until the audit of annual financial statements for the year ended December 31, 2025, pursuant to SEC Notice dated April 4, 2025

IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)

BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

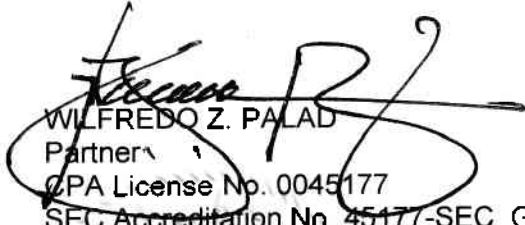
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The supplementary information in Note 14 to the separate financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic separate financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic separate financial statements. In our opinion, the information is fairly stated in all material respects, in relation to the basic separate financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditors' report is Wilfredo Z. Palad.

R.G. MANABAT & CO.



WILFREDO Z. PALAD
Partner
CPA License No. 0045177

SEC Accreditation No. 45177-SEC, Group A, valid for five (5) years
covering the audit of 2021 to 2025 financial statements
Tax Identification No. 106-197-186
BIR Accreditation No. 08-001987-006-2024
Issued July 17, 2024; valid until July 17, 2027
PTR No. MKT 10467188
Issued January 2, 2025 at Makati City

April 11, 2025
Makati City, Metro Manila



R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

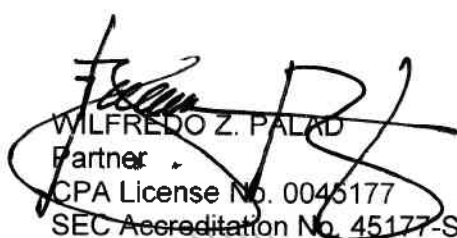
**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING
WITH THE BUREAU OF INTERNAL REVENUE**

The Board of Directors and Stockholders
Synergy Grid & Development Phils., Inc.
Unit 1602, 16th Floor
Tycoon Center Bldg. Condominium
Pearl Drive Pasig City, Metro Manila

We have audited the accompanying separate financial statements of Synergy Grid & Development Phils., Inc. (or the "Company"), as at and for the year ended December 31, 2024, on which we have rendered our report dated April 11, 2025.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or any officer of the Company.

R.G. MANABAT & CO.


WILFREDO Z. PALAD
Partner
CPA License No. 0046177

SEC Accreditation No. 45177-SEC, Group A, valid for five (5) years
covering the audit of 2021 to 2025 financial statements

Tax Identification No. 106-197-186

BIR Accreditation No. 08-001987-006-2024

Issued July 17, 2024; valid until July 17, 2027

PTR No. MKT 10467188

Issued January 2, 2025 at Makati City

April 11, 2025
Makati City, Metro Manila

Firm Regulatory Registration & Accreditation:

PRG-BOA Registration No. 0003, valid until September 20, 2026

SEC Accreditation No. 0003-SEC, Group A, valid for the audit of annual financial statements for the year ended December 31, 2024

and until the audit of annual financial statements for the year ended December 31, 2025, pursuant to SEC Notice dated April 4, 2025

IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)

BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



Synergy Grid & Development Phils., Inc.
1601-1602 Tycoon Centre
Pearl Drive Ortigas Center
San Antonio, Pasig City, Philippines

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

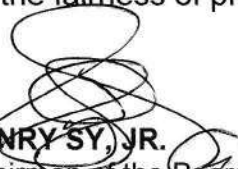
The Management of **Synergy Grid & Development Phils., Inc.** (the "Company") is responsible for the preparation and fair presentation of the financial statements, as at and for the years ended December 31, 2024 and 2023, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

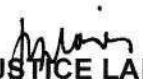
The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements, and submits the same to the Stockholders.

R. G. Manabat & Co., the independent auditor appointed by the Stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the Stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.


HENRY SY, JR.
Chairman of the Board


PAUL SAGAYO, JR.
President & CEO


JUSTICE LADY SORIANO
Treasurer & CFO

Signed this 7th day of April 2025

Doc. No. 382;

Page No. 78;

Book No. IV;

Series of 2025.

REPUBLIC OF THE PHILIPPINES)
PASIG CITY)S.S.

ACKNOWLEDGMENT

BEFORE ME, a Notary Public for and in Pasig City, this 07 April 2025, personally appeared:

Name	Competent Evidence of Identity
HENRY SY, JR.	TIN: 106-215-722
PAUL SAGAYO, JR.	TIN: 200-383-080
JUSTICE LADY SORIANO	TIN: 147-694-879

known to me to be the same persons who executed the foregoing Statement of Management's Responsibility for Financial Statements consisting of two (2) pages including this page on which this Acknowledgment is written, duly signed by the parties and their instrumental witnesses, and they acknowledged to me that the same is their free and voluntary act and deed.

WITNESS MY HAND AND SEAL, at the place and date above written.

Doc. No. 382 ;
Page No. 78 ;
Book No. N ;
Series of 2025.


SELINA IRENE O. ABLAZA
Notary Public for the City of Pasig and Municipality of Pateros
Commission until 31 December 2025
2801 Discovery Center 25 ADB Ave., Ortigas Center Pasig City
APPT. No. 162 (2024-2025) – Roll No. 84322
PTR No. 3044610; 01-16-2025; Pasig City
IBP No. 512456; 01-09-2025; RSM
MCLE Compliance No. VIII-0008966; 05-24-2024



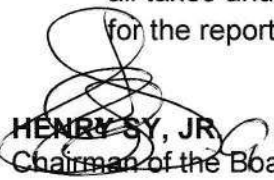
Synergy Grid & Development Phils., Inc.
1601-1602 Tycoon Centre
Pearl Drive Ortigas Center
San Antonio, Pasig City, Philippines

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Management of **Synergy Grid & Development Phils., Inc.** (the "Company") is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2024. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the withholding tax returns and any and all other tax returns.

In this regard, Management affirms that the attached audited financial statements for the year ended December 31, 2024 and the accompanying Annual Income Tax Return are in accordance with the books and records of the Company, complete and correct in all material respects. Management likewise affirms that:

- (a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to Philippine Financial Reporting Standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- (c) Synergy Grid & Development Phils, Inc. has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.


HENRY SY, JR.
Chairman of the Board


PAUL SAGAYO, JR.
President & CEO


JUSTICE LADY SORIANO
Treasurer & CFO

Signed this 7th day of April 2025

Doc. No. 380 ;
Page No. 77 ;
Book No. IV ;
Series of 2025.

REPUBLIC OF THE PHILIPPINES)
PASIG CITY)S.S.

ACKNOWLEDGMENT

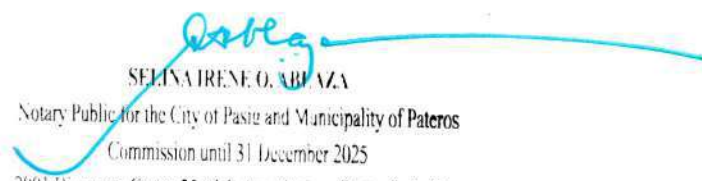
BEFORE ME, a Notary Public for and in Pasig City, this 07 April 2025, personally appeared:

Name	Competent Evidence of Identity
HENRY SY, JR.	TIN: 106-215-722
PAUL SAGAYO, JR.	TIN: 200-383-080
JUSTICE LADY SORIANO	TIN: 147-694-879

known to me to be the same persons who executed the foregoing Statement of Management's Responsibility for Annual Income Tax Return consisting of two (2) pages including this page on which this Acknowledgment is written, duly signed by the parties and their instrumental witnesses, and they acknowledged to me that the same is their free and voluntary act and deed.

WITNESS MY HAND AND SEAL, at the place and date above written.

Doc. No. 360 ;
Page No. 77 ;
Book No. IV ;
Series of 2025.


SELINA IRENE O. ABAZA
Notary Public for the City of Pasig and Municipality of Pateros
Commission until 31 December 2025
2801 Discovery Center 25 ADB Ave., Ortigas Center Pasig City
APPT. No. 162 (2024-2025) – Roll No. 84322
PTR No. 3044610: 01-16-2025: Pasig City
IBP No. 512456: 01-09-2025: RSM
MCLE Compliance No. VIII-0008966: 05-24-2024

SYNERGY GRID & DEVELOPMENT PHILS., INC.
SEPARATE STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2024	2023
ASSET			
Current Asset			
Cash and cash equivalents	4, 13	P247,783,144	P324,427,621
Due from related parties	9, 13	-	5,100,000
Prepayments and other current assets	5	30,032,221	24,164,847
Total Current Assets		277,815,365	353,692,468
Noncurrent Asset			
Property and equipment - net	6	655,699	1,265,566
Investment in subsidiaries	7	94,246,163,000	94,246,163,000
Total Noncurrent Assets		94,246,818,699	94,247,428,566
		P94,524,634,064	P94,601,121,034
LIABILITIES AND EQUITY			
Current Liabilities			
Accrued expenses and other current liabilities	8, 13	P5,482,904	P3,879,146
Dividends payable	10, 13	7,875,333	5,953,554
Total Current Liabilities		13,358,237	9,832,700
Noncurrent Liability			
Deferred tax liability	12	5,405	-
Total Liabilities		13,363,642	9,832,700
Equity			
Capital stock	10	5,265,866,000	5,265,866,000
Additional paid-in capital	10	88,928,018,694	88,928,018,694
Retained earnings	10	317,385,728	397,403,640
Total Equity		94,511,270,422	94,591,288,334
		P94,524,634,064	P94,601,121,034

See Notes to the Separate Financial Statements.

SYNERGY GRID & DEVELOPMENT PHILS., INC.
SEPARATE STATEMENTS OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME

Years Ended December 31			
	Note	2024	2023
INCOME			
Dividend income	7, 9	P1,782,120,800	P1,815,620,800
Management income	9	48,000,000	48,000,000
Interest income	4, 11	25,308,574	32,915,882
		1,855,429,374	1,896,536,682
OPERATING EXPENSES			
Salaries and other employee benefits	9	55,440,720	40,823,257
Director's fee		35,402,261	35,040,000
Professional fees		3,299,910	3,803,512
Filing fees		2,012,825	2,030,055
Rent	5	1,563,718	1,504,204
Depreciation	6	609,867	660,168
Taxes and licenses		389,690	390,535
Transportation		367,198	436,700
Communications, light and water		255,917	229,576
Advertising fees		178,946	178,946
Office supplies		116,551	149,646
Repairs and maintenance		85,381	69,551
Bank charges		2,558	2,711
Miscellaneous		354,403	376,385
		100,079,945	85,695,246
INCOME FROM OPERATIONS		1,755,349,429	1,810,841,436
FOREIGN EXCHANGE GAIN (LOSS) - Net		21,621	(4,890)
INCOME BEFORE INCOME TAX AND FINAL TAX		1,755,371,050	1,810,836,546
TAXES	12	6,027,114	7,292,453
NET INCOME/TOTAL COMPREHENSIVE INCOME		P1,749,343,936	P1,803,544,093

See Notes to the Separate Financial Statements.

SYNERGY GRID & DEVELOPMENT PHILS., INC.
SEPARATE STATEMENTS OF CHANGES IN EQUITY

Years Ended December 31					
	<i>Note</i>	Capital Stock (Note 10)	Additional Paid-in Capital (Note 10)	Retained Earnings	Total Equity
Balance at January 1, 2024		P5,265,866,000	P88,928,018,694	P397,403,640	P94,591,288,334
Net income/total comprehensive income for the year		-	-	1,749,343,936	1,749,343,936
Transactions with Owners of the Company					
Cash dividends declared	10	-	-	(1,829,361,848)	(1,829,361,848)
		-	-	(1,829,361,848)	(1,829,361,848)
Balance at December 31, 2024		P5,265,866,000	P88,928,018,694	P317,385,728	P94,511,270,422
Balance at January 1, 2023		P5,265,866,000	P88,928,018,694	P423,221,394	P94,617,106,088
Net income/total comprehensive income for the year		-	-	1,803,544,093	1,803,544,093
Transactions with Owners of the Company					
Cash dividends declared	10	-	-	(1,829,361,847)	(1,829,361,847)
		-	-	(1,829,361,847)	(1,829,361,847)
Balance at December 31, 2023		P5,265,866,000	P88,928,018,694	P397,403,640	P94,591,288,334

See Notes to the Separate Financial Statements.

SYNERGY GRID & DEVELOPMENT PHILS., INC.
SEPARATE STATEMENTS OF CASH FLOWS

Years Ended December 31			
	Note	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		P1,755,371,050	P1,810,836,546
Adjustments for:			
Depreciation	6	609,867	660,168
Dividend income	7, 9	(1,782,120,800)	(1,815,620,800)
Interest income	4, 11	(25,308,574)	(32,915,882)
Unrealized foreign exchange (gain)/loss - net		(21,621)	4,890
Operating loss before working capital changes		(51,470,078)	(37,035,078)
Decrease (increase) in:			
Due from related parties		5,100,000	(5,100,000)
Prepayments and other current assets		(5,865,490)	(6,675,387)
Increase in accrued expenses and other current liabilities		1,603,758	804,399
Cash absorbed by operations		(50,631,810)	(48,006,066)
Interest received		25,306,690	32,915,882
Income taxes paid		(6,021,709)	(7,303,857)
Net cash provided (used in) by operating activities		(31,346,829)	(22,394,041)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash dividends received	7	1,782,120,800	1,815,620,800
Additions to property and equipment	6	-	(20,041)
Net cash generated by (used in) investing activities		1,782,120,800	1,815,600,759
CASH FLOW FROM FINANCING ACTIVITIES			
Payment of cash dividends	10	(1,635,749,853)	(2,870,208,605)
Payment of final tax on dividends paid	10	(191,690,216)	(329,708,155)
Net cash used in financing activities		(1,827,440,069)	(3,199,916,760)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(76,666,098)	(1,406,710,042)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		21,621	(4,890)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		324,427,621	1,731,142,553
CASH AND CASH EQUIVALENTS AT END OF YEAR	4, 13	P247,783,144	P324,427,621

See Notes to the Separate Financial Statements.

SYNERGY GRID & DEVELOPMENT PHILS., INC.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. Reporting Entity

Synergy Grid & Development Phils., Inc. (the “Company” or “SGDPI”) was originally a mining corporation and registered with the Philippine Securities and Exchange Commission (SEC) on June 1, 1970 under the name Mankayan Minerals Development Company, Inc.

On February 22, 1994, the SEC approved the Company’s change of corporate name to UEM Development Phils., Inc. and the change in its primary purpose from engaging in mining activities to general construction and other allied businesses. The amendment of its primary purpose was due to the potential opportunity in the construction industry brought about by the entry of a new foreign investor.

On October 10, 1997, the SEC approved the Amendment to the Seventh Article of the Company’s Articles of Incorporation increasing the par value of its authorized capital stock from P0.01 to P1.00, decreasing the Company’s shares of stock from 500,000,000 shares to 50,000,000 shares, and stating that the stockholders shall have no pre-emptive rights.

On December 14, 2010, the Board of Directors (BOD) considered and approved the Amendment of the Articles of Incorporation and By-Laws of the Company for the purpose of, among others, changing the Company’s corporate name to Synergy Grid & Development Phils., Inc., changing its primary purpose to enable it to engage in the business of investing in, purchasing or acquiring, and selling or disposing of the shares of stock, bonds, evidences of indebtedness and other securities issued or created by corporations and other entities engaged in power, energy, utilities, infrastructure and other allied businesses; and for the above purposes, to acquire, lease, hold, occupy, use, mortgage real and personal properties, to obtain financing from local and international funding sources or otherwise raise capital and funds by issuing or creating equity and debt securities, and to do or engage in any and all other businesses and activities incidental to or connected with, or in furtherance and/or the implementation of any and all of the foregoing. The amendments to the Articles of Incorporation and By-Laws of the Company were approved by the stockholders on December 21, 2010.

On November 14, 2019, the BOD of the Company, and on December 20, 2019, the Stockholders of the Company, approved the amendment of the Articles of Incorporation of the Corporation pursuant to an increase in authorized capital stock from P50.00 million divided into 50.00 million common shares at par value of P1.00 per share to P5.05 billion divided into 5.05 billion common shares at par value of P1.00 per share.

This amendment and increase in capital stock were pursued in connection with the issuance of 4.10 billion shares of the Company in exchange for shares of stock in OneTaipan Holdings, Inc. (“OTH”) and Pacifica21 Holdings, Inc. (“P21”) (the “Share Swap Transaction”).

On December 20, 2019, the Company and the stockholders of OTHI and P21 entered into a Share Purchase Agreement, pursuant to which, the two major shareholder of the Company will acquire additional 4.10 billion shares of the Company at a price of P20 per share for a total purchase price of P82.00 billion. As consideration for its acquisition, the two major shareholders will exchange their respective ownership in OTHI and P21. Accordingly, the 2.10 billion shares with a P1.00 par value of the Company to be swapped with 86.40 million shares of OTHI with a par value of P100 per share while the 2.00 billion shares of Company to be swapped with 871.00 million common shares of P21 with a par value of P1.00 per share.

As a result of the Share Swap Transaction, the Company will legally and/or beneficially owns 67% of the outstanding shares of each of OTHI and P21. OTHI owns controlling shares in Monte Oro Grid Resources Corporation ("MOGRC"), which holds 30% plus one share in National Grid Corporation of the Philippines ("NGCP"). P21 owns controlling shares in Calaca High Power Corporation (CHPC), which in turn owns 30% minus one share in NGCP. The Share Swap Transaction was undertaken to formally consolidate the two major shareholder's ownership and control of NGCP through a common corporate structure. Accordingly, the effective ownership of the Company in NGCP will be 40.20%, with control of 60% voting rights through its subsidiaries MOGRC and CHPC.

On March 26, 2020, the proposed share-swap transaction was approved by the Philippine Competition Commission on the grounds that it will not likely result in substantial lessening of competition in the Philippine market.

On May 28, 2021, the SEC approved the increase in the Company's authorized capital stock from P50.00 million to P5.05 billion. Consequently, the 4.10 billion common shares for the share swap transaction were issued at a price of P20 per share on the same date. The incremental costs directly attributable to the issuance of common shares amounting to P206.66 million is recognized as a deduction from additional paid-in capital.

On June 30, 2021 and on August 10, 2021, the Company's BOD and stockholders, respectively, resolved and approved the increase in authorized capital stock from P5.05 billion to P5.30 billion, with the increase of 250.00 million to be divided into 250.00 million common shares at a par value of P1.00 per share.

This increase is for the Company to conduct a follow-on offering of its shares to achieve the target public float of twenty percent (20%) of the outstanding capital stock of the Company and for other business purposes.

The above increase was approved by the SEC on August 25, 2021. Consequently, of the 250.00 million increase in shares of the Company, 25% of which was subscribed and paid by the Company's major shareholders amounting to P62.50 million.

On August 10, 2021, the Company's BOD approved and authorized the offer and issuance of 1,053,500,000 common shares at an offer price of up to P29 per share, and also grants over-allotment option pursuant to which a stabilizing agent or its affiliate has the right to purchase up to 101 million common shares of the Company's owned by its major shareholders.

On August 12 and September 10, 2021, the Company's shareholders have also secured the Certificate Authorizing Registration with the Bureau of Internal Revenue (BIR) in order to transfer in the name of the Company the following shares:

- (i) 86,430,000 common shares in OTHI representing 67% of its total capital stock; and
- (ii) 871,000,000 common shares in P21 representing 67% of its total capital stock.

The details of the equity interest of the Company in its subsidiaries after the Share Swap are as follows:

	Percentage of Ownership		Country of Incorporation
	Direct	Indirect	
OneTaipan Holdings, Inc. ("OTHI")	67.0%	-	Philippines
Pacifica21 Holdings, Inc. ("P21")	67.0%	-	Philippines
Monte Oro Grid Resources Corporation ("MOGRC")*	-	67.0%	Philippines
Calaca High Power Corporation ("CHPC")**	-	67.0%	Philippines
National Grid Corporation of the Philippines ("NGCP")***	-	40.2%	Philippines

* Indirectly owned through OTHI

** Indirectly owned through P21

*** Indirectly owned through MOGRC and CHPC

OTHI is 67% directly owned subsidiary of the Company and was incorporated and registered with Philippine SEC on February 23, 2010. OTHI's primary purpose is to acquire by purchase, exchange, assignment or otherwise, and to sell, assign, transfer, exchange, lease, let, develop, mortgage, pledge, deal in and with and otherwise operate, enjoy and dispose of, all properties of every kind and description and whatever situated and to the extent permitted by law.

MOGRC is a wholly-owned subsidiary of OTHI and was incorporated and registered with Philippine SEC on August 29, 2006. MOGRC's primary purpose is to invest or hold interests in the shares of stocks of companies engaged in or proposing to engage in infrastructure projects, whether as proponent, equity investor or financial or technical advisor and to do all acts and things necessary to carry out the foregoing purpose.

P21 is 67% directly owned by the Company and was incorporated and registered with Philippine SEC on May 12, 2008. P21's purpose is to invest or acquire interest, purchase, own or hold directly or indirectly shares of stock, debentures or securities in other companies including related services and business activities.

CHPC is a wholly-owned subsidiary of P21 and was incorporated and registered with Philippine SEC on December 15, 2006. CHPC's primary purpose is to engage in the general business of operating, managing, maintaining, and rehabilitating energy systems and services from gas, steam and electricity including related services and business activities.

NGCP's common shares is 30%-owned each by MOGRC and CHPC. NGCP was incorporated in the Philippines and registered with Philippine SEC on February 21, 2008 primarily to operate and maintain a nationwide transmission grid throughout the Philippines; to provide open and non-discriminatory access to the transmission system to all authorized electricity distributors and electricity users; and to carry on all business incidental to the same.

On October 14, 2021, the listing of the Offer Shares was approved by the Philippine Stock Exchange. The Philippine SEC approved the listing of SGP on October 20, 2021.

On November 10, 2021 SGDPI, under the symbol “SGP”, the Company publicly listed its 1,053,500,000 shares from its Follow-On Offering (FOO) on the Philippines Stock Exchange with overallotment option of up to 101,000,000 secondary shares at PHP 12.00 per common share.

On April 4, 2022, the Company used the proceeds of the FOO to subscribe to 203,630,000 non-voting preferred shares of National Grid Corporation of the Philippines (NGCP) with a par value of One Peso (PHP 1.00) per share at a subscription price of PHP 60.10/share or a total subscription price of P12,238,163,000.

The subscription will give the Company a direct shareholding in NGCP of 9.240% of the latter’s outstanding capital stock. The Company will be entitled to dividends as a direct shareholder of NGCP, and this is in addition to the dividends that the Company already indirectly receives from NGCP through the holding entities.

On April 12, 2022, the Company paid P3,059,540,750, representing twenty-five percent (25%) of the total subscription price. On June 9, 2022, the Company paid the balance of the total subscription price in the amount of P9,178,622,250.

The Company indirectly controls 60% of the outstanding voting capital stock of NGCP, the Company’s sole operating asset with an effective equity interest of 40.20%.

The Company’s shares of stock are listed on the Philippine Stock Exchange (PSE) under the stock symbol “SGP”.

The Company’s registered office address is Unit 1602, 16th Floor, Tycoon Center Bldg. Condominium, Pearl Drive, Pasig City, Metro Manila.

2. Basis of Preparation

Statement of Compliance

The separate financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) Accounting Standards. PFRS Accounting Standards are based on International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). PFRS Accounting Standards which are issued by the Philippine Financial Reporting Standards Council, consist of PFRS Accounting Standards, Philippine Accounting Standards (PAS), and Philippine Interpretations.

The Company also prepares and issues consolidated financial statements for the same period as the separate financial statements prepared and presented in compliance with PFRS Accounting Standards. Said consolidated financial statements may be obtained from the SEC.

The separate financial statements were authorized for issue by the BOD on April 7, 2025.

Basis of Measurement

The separate financial statements of the Company have been prepared on a historical cost basis of accounting.

Functional and Presentation Currency

The separate financial statements are presented in Philippine peso, which is the Company's functional currency. All financial information presented in Philippine peso has been rounded off to the nearest peso, unless otherwise indicated.

Use of Judgments and Estimates

The preparation of the financial statements in conformity with PFRS Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The estimates and assumptions used in the separate financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the separate financial statements. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Judgments are made by management on the development, selection and disclosure of the Company's critical accounting policies and estimates and the application of these policies and estimates.

In particular, below is the information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognized in the separate financial statements:

Estimating Realizability of Deferred Tax Assets

The Company reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The Company's assessment on the recognition of deferred tax assets on deductible temporary difference and carryforward benefits of Minimum Corporate Income Tax (MCIT) and Net Operating Loss Carry Over (NOLCO) is based on the projected taxable income within the prescription period.

The Company has not recognized the deferred tax assets amounting to P281,686,714 and P228,614,230 as at December 31, 2024 and 2023, respectively, since management does not expect to have sufficient taxable profit that will be available against which the Company can utilize the benefit therefrom (Note 12).

Determining whether the Company has Control over its Investee Company

The Company uses judgment in determining control over its investee. The Company controls the entity when it is exposed, or has rights, to variable returns from its involvement with the investee; has the ability to affect those returns through its power over the investee and there is a link between power and returns. The principle of control sets out the following three elements of control:

- power over the relevant activities of the investee;
- exposure, or rights, to variable returns from involvement with the investee; and
- the ability to use power over the investee to affect the amount of the investor's returns.

The Company assessed that it controls its investee company, OTHI, P21, and NGCP. Accordingly, the Company treats OTHI, P21, and NGCP as subsidiaries (Note 7).

3. Summary of Material Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these separate financial statements.

Adoption of Amendments to Standards

The FSRSC approved the adoption of a number of new and amendments to standards effective for annual reporting periods beginning January 1, 2024 as part of the PFRS Accounting Standards.

None of these are expected to have an effect to the separate financial statements.

New and Amended Standards Not Yet Adopted

A number of new and amended standards are effective for annual periods beginning after January 1, 2024 and have not been applied in preparing the separate financial statements. Unless otherwise indicated, none of these are expected to have a significant effect on the separate financial statements.

- Amendments to the Classification and Measurement of Financial Instruments (Amendments to PFRS 9 *Financial Instruments* and PFRS 7 *Financial Instruments: Disclosures*). The amendments relate to the date of recognition and derecognition, classification of financial assets, contractually linked instruments and non-recourse features, and disclosures on investments in equity instruments.

Date of Recognition and Derecognition. The amendments clarified that:

- a financial asset or financial liability is recognized on the date on which the entity becomes party to the contractual provisions of the instrument unless the regular way exemption applies;
- a financial asset is derecognized on the date on which the contractual rights to cash flows expire or the asset is transferred; and
- a financial liability is derecognized on the settlement date, which is the date on which the liability is extinguished because the obligation specified in the contract is discharged or cancelled or expires or the liability otherwise qualifies for derecognition.

However, the amendments provide an exception for the derecognition of financial liabilities where an entity may choose to derecognize a financial liability that is settled using an electronic payment system before the settlement date if, and only if, the entity has initiated the payment instruction that resulted in:

- the entity having no practical ability to withdraw, stop or cancel the payment instruction;
- the entity having no practical ability to access the cash to be used for settlement as a result of the payment instruction; and
- the settlement risk associated with the electronic payment system is insignificant.

Entities may choose to apply the exception on a system-by-system basis.

Classification of Financial Assets. The amendments related to classification of financial assets introduces an additional test to assess whether the sole payments of principal and interest (SPPI) criterion is met for financial assets with contingent features that are not related directly to a change in basic lending risks or costs.

The amendments clarified that when a contingent feature gives rise to contractual cash flows that are consistent with a basic lending arrangement both before and after the change in contractual cash flows, but the nature of the contingent event itself does not relate directly to changes in basic lending risks and costs, the financial asset has contractual cash flows that are SPPI if, and only if, in all contractually possible scenarios, the contractual cash flows would not be significantly different from the contractual cash flows on a financial instrument with identical contractual terms, but without such a contingent feature.

Additional disclosures are required for all financial assets and financial liabilities that have certain contingent features that are not related directly to a change in basic lending risks or costs and are not measured at fair value through profit or loss.

Contractually Linked Instruments and Non-recourse Features. The amendments clarify the key characteristics of contractually linked instruments (CLIs) and how they differ from financial assets with non-recourse features. The amendments also include factors that a company needs to consider when assessing the cash flows underlying a financial asset with non-recourse features (the 'look through' test). For example, it clarifies that a financial asset has non-recourse features if an entity's ultimate right to receive cash flows is contractually limited to the cash flows generated by specified assets; that CLIs have non-recourse features, but not all financial assets with non-recourse features are CLIs; and that the underlying pool of instruments of CLIs may include financial assets outside the scope of IFRS 9.

Disclosures on Investments in Equity Instruments. The amendments require additional disclosures for investments in equity instruments that are measured at fair value with gains or losses presented in other comprehensive income (FVOCI). The entity discloses for each class of investment the fair value gain or loss presented in other comprehensive income during the period, showing separately the fair value gain or loss related to investments derecognized during the reporting period and the fair value gain or loss related to investments held at the end of the reporting period. It also discloses any transfers of the cumulative gain or loss within equity during the reporting period related to investments derecognized during that reporting period.

The amendments apply for reporting periods beginning on or after January 1, 2026. Earlier application is permitted. Entities may choose to early-adopt the amendments for the recognition and derecognition of financial assets and financial liabilities separately from the other amendments.

- PFRS 18 *Presentation and Disclosure in Financial Statements* will replace PAS 1 *Presentation of Financial Statements* and aims to provide greater consistency in presentation of the income and cash flow statements, and more disaggregated information.
- *A More Structured Income Statement.* PFRS 18 promotes a more structured income statement. It introduces a newly defined 'operating profit or loss' and 'profit or loss before financing and income tax' subtotals, and a requirement for all income and expenses to be classified into three new distinct categories - operating, investing, and financing - based on a company's main business activities. PFRS 18 also requires companies to analyze their operating expenses directly on the face of the income statement - either by nature, by function or on a mixed basis. Companies need to choose the presentation method that provides the 'most useful structured summary' of those expenses. New disclosures apply if any operating expenses are presented by function.
- *Management-defined Performance Measures.* PFRS 18 provides a definition for management-defined performance measures (MPMs) and introduces specific disclosure requirements. MPMs are subtotals of income and expenses that are used in public communications outside the financial statements, communicate management's view of an aspect of the financial performance of the entity as a whole and are not a required subtotal or a common income and expense subtotal listed in PFRS 18. For each MPM presented, companies will need to explain in a single note to the financial statements why the measure provides useful information and how it is calculated, and to reconcile it to an amount determined under PFRS Accounting Standards.
- *Greater Disaggregation of Information.* PFRS 18 provides enhanced guidance on how companies group information in the financial statements, including newly defined roles of the primary financial statements and the notes, principles of aggregation and disaggregation based on shared and non-shared characteristics, and specific guidance for labelling and describing items in a way that faithfully represents an item's characteristics.

PFRS 18 also now require goodwill to be presented as a line item in the separate statement of financial position.

Consequential amendments to PAS 7 require the use of the operating profit or loss subtotal as the starting point when presenting operating cash flows under the indirect method and eliminate the options for classifying interest and dividend cash flows.

PFRS 18 also amends PAS 33 *Earnings per Share* to permit companies to disclose additional amounts per share using as numerator a required income and expenses total or subtotal, a common subtotal listed in PFRS 18 or an MPM disclosed by the entity.

PFRS 18 applies for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. It applies retrospectively in accordance with PAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Specific reconciliations are required to be disclosed. Eligible entities including venture capital organizations, mutual funds and some insurers will be allowed to change their election for measuring investments in associates and joint ventures from equity method to fair value through profit or loss.

Financial Instruments

Non-derivative Financial Instruments. Non-derivative financial instruments consist of cash and cash equivalents, accrued expenses and other current liabilities (excluding government payables) and dividends payable.

Recognition and Initial Measurement. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair Value through Profit or Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial Assets

Classification and Subsequent Measurement. On initial recognition, the Company classifies its financial assets in the following measurement categories: amortized cost; fair value through other comprehensive income (FVOCI) - debt investment; FVOCI - equity investment; or FVTPL.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

The Company has no financial assets classified as measured at: FVOCI - debt investment or FVOCI - equity investment.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Included in this category are the Company's cash and cash equivalents, due from related parties, interest receivable and security deposit (Notes 4, 5, 9 and 13).

Cash includes cash on hand and in banks which are stated at amortized cost equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and are subject to an insignificant risk of changes in value.

On initial recognition, an entity may choose to designate a financial asset that would otherwise qualify for amortized cost or FVOCI classification as at FVTPL. This optional designation is permitted only if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring financial assets or financial liabilities, or recognizing gains or losses on them, on different bases.

Business Model Assessment. The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- a. the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- b. how the performance of the portfolio is evaluated and reported to the Company's management;
- c. the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- d. how managers of the business are compensated - e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- e. the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Solely Payments of Principal and Interest Assessment. Principal is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

Investments in Subsidiaries

A subsidiary is an entity controlled by the Company. The Company controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns over its power to the entity. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Investments in subsidiaries are stated at cost less impairment in value, if any, in the separate statements of financial position. Dividends are recognized from a subsidiary in profit or loss when its right to receive the dividend is established. When the Company loses control over a subsidiary, any interest retained in the former subsidiary is measured at fair value.

Financial Liabilities

Classification, Subsequent Measurement and Gains and Losses. Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Included under other financial liabilities are accrued expenses and other current liabilities (excluding government payables) and dividends payable (Notes 8,9 and 13).

Derecognition of Financial Assets and Liabilities

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

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

When the Company has transferred its right to receive cash flow from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset or the maximum amount of consideration that the Company could be required to pay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

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

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the separate statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, where the related assets and liabilities are presented at gross in the separate statements of financial position.

Determination of Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Company.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the separate financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognized in the separate financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For purposes of the fair value disclosure, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Capital Stock

Common Shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Additional Paid-in Capital

The amount of contribution in excess of par value is accounted for as "Additional paid-in capital." Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefit.

Earnings Per Share

Basic Earnings Per Share (EPS) is calculated by dividing income applicable to common shares by the weighted average number of common shares outstanding during the year with retroactive adjustments for stock dividends, if any. Diluted EPS is computed in the same manner as basic EPS, however, net income attributable to common shares and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential common shares, if any.

Operating Segment

A segment is a distinguishable component of the Company that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those other segments.

The Company, having no operations, assessed that it has no reportable segment. Accordingly, the Company does not present segment information.

Revenue Recognition

Revenue from Contracts with Customers

The Company recognizes management income from its related parties. Management income, which is derived from management consulting and financial advisory services, is recognized over time at a monthly fixed rate as the services are provided and are due on demand.

Interest Income

Interest income from cash in banks is recognized on a time proportion basis, taking into account the principal outstanding and the effective rate over the period of maturity. It is subject to final withholding tax and is presented at gross amount and the tax paid or withheld is included in income tax expense.

Expense Recognition

Expenses are recognized when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Expenses are recognized when they are incurred.

Taxes

Income tax on the profit or loss for the year is composed of current and deferred income tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

Deferred Tax

Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes and the carryforward tax benefits of the NOLCO and the excess of MCIT over the Regular Corporate Income Tax (RCIT). The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, carryforward benefits of NOLCO and MCIT, using tax rates enacted or substantively enacted by the end of the reporting period.

Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for carryforward tax benefits of unused NOLCO, unused tax credits from excess MCIT and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans of the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recognized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accrual for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax availabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

Value Added Tax (VAT). Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

Related Party Transactions and Relationship

Related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, between and/or among entities which are under control with reporting enterprise and its Key Management Personnel (KMP), directors, or the entity, or any member of the group of which it is part, that provides key management personnel services to the reporting entity.

Provisions

Provisions are recognized when the Company has: (a) a present obligation (legal or constructive) as a result of past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and those risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where some or all of the expenditures required to settle a provision are expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies

Contingent liabilities are not recognized in the separate financial statements but are disclosed in the notes to the separate financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the separate financial statements but are disclosed in the notes to the separate financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date

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

4. Cash and Cash Equivalents

This account at December 31 consists of:

	<i>Note</i>	2024	2023
Cash on hand		P50,000	P50,000
Cash in banks		25,910,909	33,926,554
Short-term placements		221,822,235	290,451,067
	13	P247,783,144	P324,427,621

Cash in banks earn annual interest at the respective bank's deposit rates. Short-term placements represent money market placements made for varying periods up to three (3) months which can be withdrawn at any time depending on the immediate cash requirements of the Company and earn interest rates at the respective short-term investment rates.

Interest income from cash in banks and short-term placements amounted to P24,540,432 and P32,173,419 in 2024 and 2023, respectively (Note 11).

5. Prepayments and Other Current Assets

This account at December 31 consists of the following:

	<i>Note</i>	2024	2023
Creditable withholding tax		P29,243,290	P23,003,290
Prepaid rent		297,838	273,388
Security deposit	13	248,760	235,785
Advances to employees		229,640	641,575
Interest receivable	13	1,884	-
Others		10,809	10,809
		P30,032,221	P24,164,847

Advances to employees include salary loan made by employees which are recoverable through salary deduction. The payment term is normally within one year.

The Company entered into various lease agreements for its office and parking spaces for a period of one year or less, renewal of which are subject to mutual agreement of the parties. Prepaid rent and security deposit related to these leases amounted to P297,838 and P248,760 as of December 31, 2024 and P273,388 and P235,785 as of December 31, 2023, respectively. Security deposit related to office space is refundable upon expiration of the contract. Rent expense relating to these leases amounted to P1,563,718 and P1,504,204 in 2024 and 2023, respectively were recorded as part of "Rent" in the separate statements of comprehensive income.

6. Property and Equipment - net

The movements and balances of this account are as follows:

	Furniture and Fixtures	Office Equipment	Computer Equipment	Computer Software	Office Improvement	Total
Cost						
January 1, 2023	P460,261	P625,139	P207,518	P474,956	P1,561,677	P3,329,551
Additions	5,857	14,184	-	-	-	20,041
December 31, 2024 and 2023	466,118	639,323	207,518	474,956	1,561,677	3,349,592
Accumulated Depreciation						
January 1, 2023	185,712	234,643	207,518	474,956	321,029	1,423,858
Depreciation	142,492	205,341	-	-	312,335	660,168
December 31, 2023	328,204	439,984	207,518	474,956	633,364	2,084,026
Depreciation	119,920	177,611	-	-	312,336	609,867
December 31, 2024	448,124	617,595	207,518	474,956	945,700	2,693,893
Net Carrying Amount						
December 31, 2023	P137,914	P199,339	P -	P -	P928,313	P1,265,566
December 31, 2024	P17,994	P21,728	P -	P -	P615,977	P655,699

Management believes that there are no indications that property and equipment are impaired or their carrying value may not be recoverable as at December 31, 2024.

As of December 31, 2024 and 2023, the Company's fully depreciated assets that are still being used in operations amount to P1,459,198 and P738,921, respectively.

7. Investment in Subsidiaries

The carrying amount of investment in subsidiaries are as follows:

	Percentage of Ownership		Amount	Country of Incorporation
	Direct	Indirect		
OneTaipan Holdings, Inc.	67.00	-	P41,004,000,000	Philippines
Pacifica21 Holdings, Inc.	67.00	-	41,004,000,000	Philippines
Monte Oro Grid Resources Corporation	-	67.00	-	Philippines
Calaca High Power Corporation	-	67.00	-	Philippines
National Grid Corporation of the Philippines	9.24	40.20	12,238,163,000	Philippines
			P94,246,163,000	

As discussed in Note 1, OTHI was incorporated and registered with the SEC on February 23, 2010. Its primary purpose is to acquire by purchase, exchange, assignment or otherwise, and to sell, assign, transfer, exchange, lease, let, develop, mortgage, pledge, deal in and with and otherwise operate, enjoy and dispose of, all properties of every kind and description and wherever situated and to the extent permitted by law. The registered office of OTHI is at One Esplanade, Seaside cor. J.W. Diokno Blvd., SM Mall of Asia Complex, Pasay City.

MOGRC is a wholly-owned subsidiary of OTHI and was incorporated and registered with Philippine SEC on August 29, 2006. The Company indirectly owned 67% of MORGC through its investment in OTHI.

Following is the financial information of OTHI as at and for the years ended December 31, 2024 and 2023:

	2024	2023
Current assets	P17,388,957	P19,406,713
Noncurrent asset	28,464,000,000	28,464,000,000
Current liability	(746,800)	(703,140)
Noncurrent liability	(8,699)	-
Net assets	P28,480,633,458	P28,482,703,573
Income	P1,069,735,373	P1,084,815,546
Expenses	(12,711,586)	(12,430,535)
Foreign exchange gain/ (loss) - net	34,797	(7,868)
Income tax (expense)/ benefit	(8,699)	17,852
Net income/total comprehensive income	P1,057,049,885	P1,072,394,995

As discussed in Note 1, P21 was incorporated and registered with the SEC on May 12, 2008. Its purpose is to invest or acquire interest, purchase, own or hold directly or indirectly shares of stock, debentures or securities in other companies including related services and business activities. The registered office of Pacifica 21 is at 201 EDSA, Mandaluyong City.

CHPC is a wholly-owned subsidiary of P21 and was incorporated and registered with Philippine SEC on December 15, 2006. The Company indirectly owned 67% of CHPC through its investment in P21.

Following is the financial information of P21 as at and for the years ended December 31, 2024 and 2023:

	2024	2023
Current assets	P14,583,052	P6,612,897
Noncurrent asset	3,150,750,000	3,150,750,000
Current liability	(844,021,643)	(843,978,629)
Noncurrent liability	(11,806)	-
Net assets	P2,321,299,603	P2,313,384,268
Income	P1,069,432,975	P1,084,221,340
Expenses	(12,433,059)	(12,428,349)
Foreign exchange (loss)/gain - net	47,225	(10,668)
Income tax benefit/(expense)	(11,806)	24,226
Net income/total comprehensive income	P1,057,035,335	P1,071,806,549

NGCP's common shares is 30%-owned each by MOGRC and CHPC. NGCP was incorporated in the Philippines and registered with Philippine SEC on February 21, 2008. Its purpose is to operate and maintain a nationwide transmission grid throughout the Philippines, to provide open and non-discriminatory access to the transmission system to all authorized electricity distributors and electricity users, and to carry on all business incidental to the same. The Company indirectly owned 40.20% of NGCP through its investments in MOGRC and CHPC.

Upon signing of the Subscription Contract on the non-voting preferred shares of NGCP, the Company paid 25% of its total subscription of P12,238,163,000, amounting to P3,059,540,750 on April 12, 2022, and paid the remaining 75% balance of the total subscription amounting to P9,178,622,250 on June 9, 2022. The subscription will give the Company a direct shareholding in NGCP of 9.240% of the latter's outstanding capital stock.

Following is the financial information of NGCP as at and for the years ended December 31, 2024 and 2023:

	2024	2023
Current assets	P48,469,579,546	P49,440,661,356
Noncurrent asset	453,046,557,268	405,856,855,265
Current liability	(100,110,430,340)	(85,580,248,970)
Noncurrent liability	(242,645,202,268)	(224,283,975,891)
Net assets	P158,760,504,206	P145,433,291,760
Income	P53,014,087,918	P52,999,780,707
Expenses	(25,612,243,229)	(23,530,378,891)
Other charges - net	(9,967,160,082)	(6,035,366,068)
Other comprehensive loss	(107,472,161)	(319,070,697)
Net income/total comprehensive income	P17,327,212,446	P23,114,965,051

Dividend income received from the Company's subsidiaries amounted to P1.78 billion and P1.82 billion, in 2024 and 2023, respectively (Note 9).

8. Accrued Expenses and Other Current Liabilities

This account at December 31 consists of:

	Note	2024	2023
Accrued expenses	13	P1,573,699	P1,332,257
Government payables		3,909,205	2,546,889
		P5,482,904	P3,879,146

Accrued expenses consist mainly of professional fees.

Government payables include withholding taxes payable to various government agencies.

9. Related Party Transactions

The Company's balances and transactions with related parties as at December 31 are as follows:

Relationship with Related Parties	Note	Year	Amounts of Transactions	Receivables	Dividends Payable	Terms and Conditions
Subsidiaries						
▪ Dividend Income						
OneTaipan Holdings, Inc.	7	2024	P709,610,400	P -	P -	
		2023	723,010,400	-	-	
Pacifica21 Holdings, Inc.	7	2024	702,910,400	-	-	
		2023	723,010,400	-	-	
National Grid Corporation of the Phils	7	2024	369,600,000	-	-	
.		2023	369,600,000	-	-	
▪ Management Fee						
Monte Oro Grid Resources Corporation	a	2024	12,000,000	-	-	Payable quarterly at the end of each quarter; no impairment
		2023	12,000,000	2,550,000	-	
Calaca High Power Corporation	a	2024	12,000,000	-	-	Payable quarterly at the end of each quarter; no impairment
		2023	12,000,000	2,550,000	-	
OneTaipan Holdings, Inc.	a	2024	12,000,000	-	-	Payable quarterly at the end of each quarter
		2023	12,000,000	-	-	
Pacifica21 Holdings, Inc.	a	2024	12,000,000	-	-	Payable quarterly at the end of each quarter
		2023	12,000,000	-	-	
Shareholders						
▪ Dividends						
	10	2024	1,829,361,848	-	7,875,333	
		2023	1,829,361,847	-	5,953,554	
Short-term Employee Benefits						
	b	2024	55,440,720	-	-	
		2023	40,823,257	-	-	
	13	2024		P -	P7,875,333	
	13	2023		P5,100,000	P5,953,554	

- a. On January 1, 2019, the Company entered into a Shared Services Agreement with MOGRC and CHPC. The Company shall render monthly management consulting and financial advisory services to MOGRC and CHPC for a period of three (3) years commencing January 1, 2019, unless otherwise cancelled or extended by mutual agreement of both parties. In consideration of the services rendered, the Company shall receive a monthly fee of P500,000 from each entity.

On January 22, 2020, the Shared Services Agreement was amended to include the one-time share of MOGRC and CHPC in the professional fees incurred by the Company in relation to the ongoing processing of share swap transactions amounting to a total of P16,506,190.

On March 15, 2022, the Shared Services Agreement was replaced with a new Shared Services Agreement with MOGRC, CHPC, OTHI and P21, wherein the Company shall render monthly management, consulting and financial advisory services for a period of five (5) years commencing January 1, 2022, unless otherwise cancelled or extended by mutual agreement of the Company and any of the parties. In consideration of the services rendered, the Company shall receive a monthly fee of P1,000,000 from each entity. The Company has receivables from related parties amounted to nil and P5,100,000 as at December 31, 2024 and 2023, respectively.

- b. Short-term employee benefits are included under "Salaries and other employee benefits" account in the separate statements of profit or loss and other comprehensive income.

Related party transactions are normally settled in cash.

10. Equity

Paid-up Capital

Paid-up capital at December 31 consists of:

	Years Ended December 31			
	2024		2023	
	Shares	Amount	Shares	Amount
Authorized - P1 par value per share	5,300,000,000	P5,300,000,000	5,300,000,000	P5,300,000,000
Issued, fully paid and outstanding balance at end of year	5,265,866,000	P5,265,866,000	5,265,866,000	P5,265,866,000
Additional Paid-in Capital		88,928,018,694		88,928,018,694
Total paid-up capital		P94,193,884,694		P94,193,884,694

As at December 31, 2024 and 2023, the Company's stock price is P9.80 and P6.55 respectively.

Retained Earnings

Cash Dividends

On August 10, 2021, the BOD of the Company approved the adoption of the policy to declare dividends equivalent to up to 100% of the prior year's net income after tax based on the Company's audited separate financial statements as of such year, upon declaration of the BOD and subject to the availability of unrestricted retained earnings and settlement of operational expenses and other relevant taxes, cost and expense required to pay the ordinary course of business and subject to any financing covenants, if applicable.

On September 27, 2021, the Board of Directors of the Company approved the declaration of P0.2375 dividend per share for each of the second and third quarter of 2021 totaling to P0.475 dividend per share amounting to P2.00 billion. These cash dividends were paid to shareholders of record as at October 11, 2021 on October 18, 2021. Out of the cash dividends declared for the 2nd and 3rd quarter, P1.40 million is still outstanding as of December 31, 2024.

On November 19, 2021, the BOD of the Company approved the declaration of P0.20 cash dividends per share for the fourth quarter of 2021 totaling to P1.05 billion. These cash dividends were paid to shareholders of record as of December 14, 2021 on January 10, 2022. Out of the cash dividends declared for the 4th quarter P595 thousand is still outstanding as of December 31, 2024.

On March 23, 2022, the BOD of the Company approved the declaration of P0.22 cash dividends per share for the first quarter of 2022 totaling to P1.16 billion. These cash dividends were paid to shareholders of record as of April 6, 2022 on April 26, 2022. Out of the cash dividends declared for the 1st quarter P639 thousand is still outstanding as of December 31, 2024.

On June 22, 2022, the BOD of the Company approved the declaration of P0.26 cash dividends per share for the second quarter of 2022 totaling to P1.37 billion. These cash dividends were paid to shareholders of record as of July 6, 2022 on July 22, 2022. Out of the cash dividends declared for the 2nd quarter P757 thousand is still outstanding as of December 31, 2024.

On September 21, 2022, the BOD of the Company approved the declaration of P0.26 cash dividends per share for the third quarter of 2022 totaling to P1.37 billion. These cash dividends were paid to shareholders of record as of October 5, 2022 on October 19, 2022. Out of the cash dividends declared for the 3rd quarter P759 thousand is still outstanding as of December 31, 2024.

On December 7, 2022, the BOD of the Company approved the declaration of P0.26 cash dividends per share for the fourth quarter of 2022 totaling to P1.37 billion. These cash dividends were paid to shareholders of record as of December 22, 2022 on January 13, 2023. Out of the cash dividends declared for the 4th quarter P756 thousand is still outstanding as of December 31, 2024.

On March 8, 2023, the BOD of the Company approved the declaration of P0.1737 cash dividends per share for the 1st quarter of 2023 totaling to P914.68 million. These cash dividends were paid to shareholders of record as of March 23, 2023 on April 13, 2023. Out of the cash dividends declared for the 1st quarter P506 thousand is still outstanding as of December 31, 2024.

On June 21, 2023, the BOD of the Company approved the declaration of P0.1737 cash dividends per share for the second quarter of 2023 totaling to P914.68 million. These cash dividends were paid to shareholders of record as of July 6, 2023 on July 21, 2023. Out of the cash dividends declared for the 2nd quarter P509 thousand is still outstanding as of December 31, 2024.

On April 8, 2024, the BOD of the Company approved the declaration of P0.3474 cash dividends per share for the 1st quarter of 2024 amounting to P1.83 billion. These cash dividends will be paid to shareholders of record as of April 26, 2024 on May 10, 2024. Out of the cash dividends declared for the 1st quarter P1.96 million is still outstanding as of December 31, 2024.

The reconciliation of movements of accounts to cash flows arising from financing activities are as follows:

2024

	Dividends Payable
Balance at the beginning of year	P5,953,554
Non-cash Movement	
Dividends declared	1,829,361,848
Changes from Financing Cash Flows	
Dividends paid	(1,635,749,853)
Final tax paid	(191,690,216)
Balance at the end of year	P7,875,333

2023

	Accrued Expenses and Other Current Liabilities	Dividends Payable	Total
Balance at the beginning of year	P144,056,417	P1,235,526,797	P1,379,583,214
Non-cash Movement			
Dividends declared	-	1,829,361,847	1,829,361,847
Changes from operating cash flows	804,399	-	804,399
Changes from Financing Cash Flows			
Dividends paid	-	(2,870,208,605)	(2,870,208,605)
Final tax paid	(140,981,670)	(188,726,485)	(329,708,155)
Balance at the end of year	P3,879,146	P5,953,554	P9,832,700

Subsequent Event

On January 27, 2025, the Company was authorized to transact with Maharlika Investment Corporation (MIC) for the subscription of shares representing approximately 20% equity interest in the Corporation. MIC shall subscribe to convertible preferred shares to be created and issued out of the increase in the authorized capital stock of the Company.

There are no further developments and management assessed that an estimate cannot be made yet as of report date.

11. Interest Income

Interest income consists of income from:

	Note	2024	2023
Cash in banks	4	P35,410	P50,378
Short-term placements	4	24,505,022	32,123,041
UITF investment		768,142	742,463
		P25,308,574	P32,915,882

In 2024 and 2023, the Company earned interest income from investments in Unit Investment Trust Fund (UITF). UITF represents funds entrusted to a financial institution for the purpose of maximizing the yield on investible funds. As at December 31, 2024 and 2023, the Company has no outstanding UITF investment.

12. Income Tax

The components of taxes are as follows:

	2024	2023
Current tax	P960,000	P720,684
Deferred tax expense (benefit)	5,405	(11,404)
Final tax on interest income	5,061,709	6,583,173
	P6,027,114	P7,292,453

Current income tax expense of the Company in 2024 and 2023 represents MCIT amounting to P960,000 and P720,684 which was computed based on the new tax rate of 2% and 1.5%.

The reconciliation of the taxes computed at the statutory income tax rate to the taxes as shown in profit or loss follows:

	2024	2023
Income before income tax	P1,755,371,050	P1,810,836,546
Tax on income at statutory tax rate	P438,842,763	P452,709,137
Tax effects of:		
Dividend income	(445,530,200)	(453,905,200)
Movement in unrecognized deferred tax	13,979,986	10,134,065
Interest income subjected to final tax	(6,327,144)	(8,228,971)
Final tax on interest income	5,061,709	6,583,173
Nondeductible expense	-	249
	P6,027,114	P7,292,453

The Company did not recognize the deferred tax assets in respect of the following items since management does not expect the Company to have sufficient taxable profit that will be available against which the Company can utilize the benefit there from:

	2024	2023
NOLCO	P277,952,119	P224,726,185
MCIT	2,160,896	1,320,896
Accrued expenses	1,573,699	2,562,259
Foreign exchange loss	-	4,890
	P281,686,714	P228,614,230

As at December 31, 2024 and 2023, the movement in the Company's deferred tax liability is as follows:

	2024	2023
Beginning balance	P -	P11,404
Deferred tax on unrealized foreign exchange gain	5,405	-
Reversal of deferred tax liability	-	(11,404)
	P5,405	P -

The Company has NOLCO that can be claimed as deduction from future taxable income as follows:

Year Incurred	Expiry	Amount	Expired	Balance	
				2024	2023
2021	2026*	P153,583,793	P -	P153,583,793	P153,583,793
2022	2025	34,826,017	-	34,826,017	34,826,017
2023	2026	36,316,375	-	36,316,375	36,316,375
2024	2027	53,225,934	-	53,225,934	-
		P277,952,119	P -	P277,952,119	P224,726,185

**Per Section 4 of Revenue Regulations No. 25-2020 of Bureau of Internal Revenue provides that businesses or enterprises which incurred net operating loss for taxable years 2020 and 2021 shall be allowed to carry over the same as a deduction from gross income for the next five (5) consecutive taxable years, immediately following the year of such loss, unless otherwise disqualified.*

The Company has carryforward benefit of MCIT which can be claimed as tax credits against future income tax liabilities. Details of MCIT are as follows:

Year Incurred	Expiry Date	Beginning Balance	Additions	Expired	Ending Balance
2021	December 31, 2024	P120,000	P -	P120,000	P -
2022	December 31, 2025	480,212	-	-	480,212
2023	December 31, 2026	720,684	-	-	720,684
2024	December 31, 2027	-	960,000	-	960,000
		P1,320,896	P960,000	P120,000	P2,160,896

13. Financial Risks and Capital Management Objectives and Policies

The Company's separate financial instruments comprise of cash and cash equivalents, due from related parties, interest receivable, security deposit, accrued expenses and other current liabilities (excluding government payables) and dividends payable.

The Company has exposure to credit risk and liquidity risk primarily from its use of financial instruments.

This note presents information about the Company's exposure to each of the foregoing risks, the Company's objectives, policies and processes for measuring and managing these risks, and the Company's management of capital.

The Company's aim is to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Company's financial performance. The BOD provides written principles for overall risk management.

The BOD constituted the Company's Audit Committee which has oversight responsibility over Company's corporate governance process relating to the: (a) quality and integrity of the Company's separate financial statements and financial reporting process and the Company's system of internal accounting and financial controls; (b) annual independent audit of the Company's separate financial statements; (c) compliance by the Company with legal and regulatory requirements, including the Company disclosures control and procedures; and (d) evaluation of management's process to access and manage the Company's enterprise risk issues.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from cash.

The maximum credit risk exposure of the Company is its cash and cash equivalents, due from related parties, interest receivable and security deposit amounting to P248,033,788 and P329,713,406 as at December 31, 2024 and 2023, respectively. These excludes cash on hand amounting to P50,000 as at December 31, 2024 and 2023 (Notes 4, 5 and 9).

The credit qualities of financial assets are determined as follows:

- High grade financial assets are those assessed as having minimal credit risk, otherwise, they are of standard quality.

As at December 31, 2024 and 2023, the credit quality of the Company's cash and cash equivalents, due from related parties and interest receivable are high grade given that the credit risk for cash and cash equivalents, due from related parties and interest receivable is considered negligible since the counterparties are reputable entities with high quality external credit rating.

- Standard grade pertains financial assets with satisfactory financial capability and credit standing based but with some elements of risks where certain measure of control is necessary in order to mitigate risk of default. The credit risk of security deposit is considered standard grade based on historical experience of collectability from the counterparties.

Impairment on cash and cash equivalents, due from related parties, interest receivable and security deposit has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that cash and cash equivalents, due from related parties, interest receivable and security deposit have low credit risk based on the external credit ratings of the counterparties and any ECL is expected to be immaterial.

Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay creditors and fulfill commitments.

To manage liquidity risk, the Company maintains sufficient liquid assets to meet its maturing obligations and to meet current operating requirements.

The table below summarizes the maturity profile of the Company's financial assets and financial liabilities based on contractual undiscounted payments used for liquidity management as at December 31, 2024 and 2023.

		2024			
	Note	Carrying Amount	Contractual Cash Flows	Within 1 Year	More than 1 Year
Financial Asset					
Cash and cash equivalents	4	P247,783,144	P247,783,144	P247,783,144	P -
Interest receivable	5	1,884	1,884	1,884	-
Security deposit	5	248,760	248,760	248,760	-
Financial Liabilities					
Accrued expenses and other current liabilities*	8	1,573,699	1,573,699	1,573,699	-
Dividends payable	9, 10	7,875,333	7,875,333	7,875,333	-

*Excluding government payables amounting to P3,909,205.

		2023			
	Note	Carrying Amount	Contractual Cash Flows	Within 1 Year	More than 1 Year
Financial Asset					
Cash and cash equivalents	4	P324,427,621	P324,427,621	P324,427,621	P -
Due from related parties	9	5,100,000	5,100,000	5,100,000	-
Security deposit	5	235,785	235,785	235,785	-
Financial Liabilities					
Accrued expenses and other current liabilities*	8	1,332,257	1,332,257	1,332,257	-
Dividends payable	9, 10	5,953,554	5,953,554	5,953,554	P -

*Excluding government payables amounting to P2,546,889.

Fair Value of Financial Assets and Liabilities

The carrying amounts of the Company's financial assets and financial liabilities at reporting dates approximate their fair values considering that these have short-term maturities.

Capital Management

The Company defines capital as capital stock, additional paid-in capital and retained earnings as shown in the separate statements of financial position.

Management's objectives in managing capital are to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns to its shareholders and to maintain an optimal capital structure to reduce the cost of capital.

There were no changes in the Company's approach to capital management during the year.

The Company's current ratio, calculated as total current asset over total current liabilities, and debt-to-equity ratio, calculated as total liabilities over equity, as at December 31, 2024 and 2023 are as follows:

Current Ratio

	2024	2023
Current asset	P277,815,365	P353,692,468
Current liabilities	13,358,237	9,832,700
	20.80:1.00	35.97:1.00

Debt-to-Equity Ratio

	2024	2023
Total liabilities	P13,363,642	P9,832,700
Total equity	94,511,270,422	94,591,288,334
	0.00:1.00	0.00:1.00

14. Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue (BIR)

In addition to the disclosures mandated under PFRS Accounting Standards, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the separate financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the separate financial statements which were prepared in accordance with PFRS Accounting Standards. The following are the tax information/disclosures required for the taxable year ended December 31, 2024:

A. VAT

1. Output VAT	P6,480,000
Account title used:	
Basis of the Output VAT:	
Vatable sales	P54,000,000
Exempt sales	-
Zero rated sales	-
	P54,000,000
2. Input VAT	
Beginning of the year	P -
Goods other than for resale or manufacture	69,585
Capital goods not subject to amortization	-
Services lodged under other accounts	993,237
VAT payment for the year	(1,062,822)
Balances at the end of the year	P -

B. Withholding Taxes

Final withholding taxes	P191,690,216
Expanded withholding taxes	3,659,208
Fringe benefit taxes	1,234,746
Tax on compensation and benefits	10,156,546
	P206,740,716

C. All Other Taxes (Local and National)

Other taxes paid during the year recognized under	
“Taxes and Licenses” account in Operating Expenses	
Business tax	P388,192
Others	1,498
	P389,690

D. Tax Cases

As at December 31, 2024, the Company has no pending tax court cases nor has received tax assessment notices from the BIR.



Synergy Grid & Development Phils., Inc.
1601-1602 Tycoon Centre
Pearl Drive Ortigas Center
San Antonio, Pasig City, Philippines

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

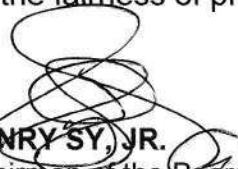
The Management of **Synergy Grid & Development Phils., Inc.** (the "Company") is responsible for the preparation and fair presentation of the financial statements, as at and for the years ended December 31, 2024 and 2023, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

The Board of Directors reviews and approves the financial statements, and submits the same to the Stockholders.

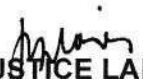
R. G. Manabat & Co., the independent auditor appointed by the Stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the Stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.



HENRY SY, JR.
Chairman of the Board



PAUL SAGAYO, JR.
President & CEO



JUSTICE LADY SORIANO
Treasurer & CFO

Signed this 7th day of April 2025

Doc. No. 382;

Page No. 78;

Book No. IV;

Series of 2025.

REPUBLIC OF THE PHILIPPINES)
PASIG CITY)S.S.

ACKNOWLEDGMENT

BEFORE ME, a Notary Public for and in Pasig City, this 07 April 2025, personally appeared:

Name	Competent Evidence of Identity
HENRY SY, JR.	TIN: 106-215-722
PAUL SAGAYO, JR.	TIN: 200-383-080
JUSTICE LADY SORIANO	TIN: 147-694-879

known to me to be the same persons who executed the foregoing Statement of Management's Responsibility for Financial Statements consisting of two (2) pages including this page on which this Acknowledgment is written, duly signed by the parties and their instrumental witnesses, and they acknowledged to me that the same is their free and voluntary act and deed.

WITNESS MY HAND AND SEAL, at the place and date above written.

Doc. No. 382 ;
Page No. 78 ;
Book No. N ;
Series of 2025.


SELINA IRENE O. ABLAZA
Notary Public for the City of Pasig and Municipality of Pateros
Commission until 31 December 2025
2801 Discovery Center 25 ADB Ave., Ortigas Center Pasig City
APPT. No. 162 (2024-2025) – Roll No. 84322
PTR No. 3044610; 01-16-2025; Pasig City
IBP No. 512456; 01-09-2025; RSM
MCLE Compliance No. VIII-0008966; 05-24-2024



SECURITIES AND EXCHANGE COMMISSION

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



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Company Information

SEC Registration No.: 0000041376

Company Name: SYNERGY GRID & DEVELOPMENT PHILS., INC.

Industry Classification: F45203

Company Type: Stock Corporation

Document Information

Document ID: OST10415202583175262

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Period Covered: December 31, 2024

Submission Type: Consolidated

Remarks: None

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

COVER SHEET

for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	1	9	7	0	4	1	3	7	6

COMPANY NAME

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

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M	e	t	r	o		M	a	n	i	l	a																		

Form Type

A	A	F	S

Department requiring the report

Secondary License Type, If Applicable

COMPANY INFORMATION

Company's email Address

synergy072015@yahoo.com

Company's Telephone Number/s

8584-39-30

Mobile Number

No. of Stockholders

Annual Meeting (Month / Day)

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Justice Lady P. Soriano

Email Address

tish.soriano@gmail.com

Telephone Number/s

8584-3930

Mobile Number

CONTACT PERSON'S ADDRESS

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

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

SYNERGY GRID & DEVELOPMENT PHILS., INC AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024, 2023 and 2022

With Independent Auditors' Report



R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Synergy Grid & Development Phils., Inc.
Unit 1602, 16th Floor
Tycoon Center Bldg. Condominium
Pearl Drive, Pasig City, Metro Manila

Opinion

We have audited the financial statements of Synergy Grid & Development Phils., Inc. and Subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2024 and 2023, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2024, and notes, comprising material accounting policies and other explanatory information.

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

Basis for Opinion

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

Firm Regulatory Registration & Accreditation:

PRC-BOA Registration No. 0003, valid until September 20, 2026

SEC Accreditation No. 0003-SEC, Group A, valid for the audit of annual financial statements for the year ended December 31, 2024 and until the audit of annual financial statements for the year ended December 31, 2025, pursuant to SEC Notice Dated April 4, 2025

IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-09, Transition clause)

BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting for Intangible Asset

Refer to Note 8, Intangible Asset - net, to the consolidated financial statements.

The Risk

The Group has Intangible asset amounting to P425.55 billion as at December 31, 2024 which mainly consists of assets related to the transmission projects pursuant to the Concession Agreement entered into by the Group with PSALM and TRANSCO. The accounting for intangible asset involves significant management judgement particularly in the determination of the completeness and appropriateness of the costs recognized related to approved capital expenditures, assessment of work completion and allocation of related costs that need to be capitalized in accordance with IFRIC 12, *Service Concession Arrangements*.

Moreover, due to the materiality of intangible asset in the consolidated financial statements, it is deemed as one of our key audit matters.

Our response

We performed the following procedures, among others, on the Accounting for Intangible Asset:

- We assessed the operating effectiveness of key controls in respect to the appropriateness of completeness of the costs recognized related to approved capital expenditures;
- We assessed whether the Group's capitalization of intangible asset is in accordance with IFRIC 12 by obtaining and reviewing sample construction contracts;
- We performed cut-off testing to check whether transactions were recorded in the appropriate accounting period by checking the transactions subsequent to year end within the relevant period and verifying contracts, work status and other relevant documentation on a sample basis.
- We have also evaluated the appropriateness and adequacy of the presentation and the relevant disclosures in the consolidated financial statements.

Valuation of Goodwill

Refer to Note 9, Goodwill, to the consolidated financial statements.

The risk

The Group has goodwill amounting to P10.47 billion arising from several business acquisitions. The annual impairment testing in accordance with Philippine Accounting Standard 36, *Impairment of Assets*, is complex by nature and involves significant management judgment and assumptions on future market and/or economic conditions. The assumptions include cash flow projections, growth rates and discount rates.



Our response

We performed the following procedures, among others, on the Valuation of Goodwill:

- We tested the integrity of the Group's discounted cash flow model. This involved using our valuation specialists assessing and challenging the methodology and key assumptions used by the Group in preparing the discounted cash flows;
- We compared the Group's assumptions to historical results and externally derived data such as projected economic growth, competition, cost inflation and discount rates, as well as performing break-even analysis on the assumptions;
- We also evaluated the adequacy of the disclosures in respect to the sensitivity of the outcome of the impairment assessment to changes in key assumptions used in the valuation of goodwill.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2024, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2024 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

When we read the other information mentioned above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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



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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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



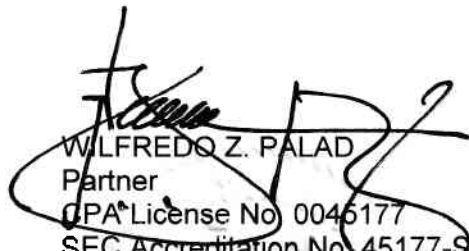
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Wilfredo Z. Palad.

R.G. MANABAT & CO.



WILFREDO Z. PALAD
Partner
CPA License No. 0046177

SEC Accreditation No. 45177-SEC, Group A, valid for five (5) years
covering the audit of 2021 to 2025 financial statements

Tax Identification No. 106-197-186

BIR Accreditation No. 08-001987-006-2024

Issued July 17, 2024; valid until July 17, 2027

PTR No. MKT 10467188

Issued January 2, 2025 at Makati City

April 11, 2025

Makati City, Metro Manila



Synergy Grid & Development Phils., Inc.
1601-1602 Tycoon Centre
Pearl Drive Ortigas Center
San Antonio, Pasig City, Philippines

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **Synergy Grid & Development Phils., Inc. & Subsidiaries** (the "Group") is responsible for the preparation and fair presentation of the financial statements **including the schedules attached therein**, as at and for the years ended December 31, 2024 and 2023, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

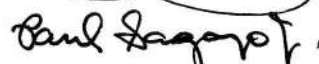
The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

R. G. Manabat & Co., the independent auditor appointed by the Stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the Stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.



HENRY SY, JR.
Chairman of the Board



PAUL SAGAYO, JR.
President & CEO



JUSTICE LADY SORIANO
Treasurer & CFO

Signed this 7th day of April 2025

Doc. No. 381 ;
Page No. 78 ;
Book No. IV ;
Series of 2025.

REPUBLIC OF THE PHILIPPINES)
PASIG CITY)S.S.

ACKNOWLEDGMENT

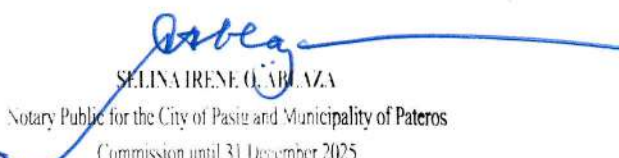
BEFORE ME, a Notary Public for and in Pasig City, this 07 April 2025, personally appeared:

Name	Competent Evidence of Identity
HENRY SY, JR.	TIN: 106-215-722
PAUL SAGAYO, JR.	TIN: 200-383-080
JUSTICE LADY SORIANO	TIN: 147-694-879

known to me to be the same persons who executed the foregoing Statement of Management's Responsibility for Financial Statements consisting of two (2) pages including this page on which this Acknowledgment is written, duly signed by the parties and their instrumental witnesses, and they acknowledged to me that the same is their free and voluntary act and deed.

WITNESS MY HAND AND SEAL, at the place and date above written.

Doc. No. 381 ;
Page No. 38 ;
Book No. IV ;
Series of 2025.


SELINA IRENE O. ALCALA

Notary Public for the City of Pasig and Municipality of Pateros
Commission until 31 December 2025

2801 Discovery Center 25 ADB Ave., Ortigas Center Pasig City

APPL No. 162 (2024-2025) – Roll No. 84322

PIR No. 3044610; 01-16-2025; Pasig City

IBP No. 512456; 01-09-2025; RSM

MCLE Compliance No. VIII-0008966; 05-24-2024

SYNERGY GRID & DEVELOPMENT PHILS., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2024	2023
ASSETS			
Noncurrent Assets			
Intangible asset - net	5, 8, 27	P425,545,128,032	P378,011,065,089
Goodwill	9	10,471,611,069	10,471,611,069
Property and equipment - net	10	5,269,531,199	4,992,871,834
Receivables - net of current portion	12, 24	19,847,089,431	19,818,733,434
Other noncurrent assets	13	2,385,690,922	3,035,840,518
Total Noncurrent Assets		463,519,050,653	416,330,121,944
Current Assets			
Cash and cash equivalents	11, 24	8,962,528,586	9,912,916,098
Receivables - net	12, 24	14,062,169,695	10,207,624,712
Prepaid expenses and other current assets	13	25,792,436,346	29,724,833,738
Total Current Assets		48,817,134,627	49,845,374,548
		P512,336,185,280	P466,175,496,492
LIABILITIES AND EQUITY			
Noncurrent Liabilities			
Loans payable - net of current portion	14, 24	P196,897,291,275	P169,769,601,209
Retirement benefits liability	23	2,952,295,049	2,617,270,403
Customers' and other deposits	24	529,046,209	441,061,705
Concession fee payable - net of current portion	4, 5, 24	40,555,005,331	49,894,945,952
Other noncurrent liabilities	16, 24	1,711,590,671	1,561,096,622
Total Noncurrent Liabilities		242,645,228,535	224,283,975,891
Current Liabilities			
Trade and other current payables	15, 22, 24, 25	46,549,353,046	40,053,769,159
Current portion of concession fee payable	4, 5, 24	9,339,940,622	4,424,182,400
Current portion of loans payable	14, 24	23,285,478,167	23,738,528,528
Other current liabilities	16, 24	21,795,372,133	18,219,773,184
Total Current Liabilities		100,970,143,968	86,436,253,271
Total Liabilities		343,615,372,503	310,720,229,162
Equity			
Capital stock	17	5,265,866,000	5,265,866,000
Additional paid-in capital	17	88,928,018,694	88,928,018,694
Remeasurements on defined benefit liability	23	(210,261,489)	(161,146,711)
Equity adjustments from common control transactions	6	(73,359,171,000)	(73,359,171,000)
Retained earnings	17	86,382,100,681	80,327,033,416
Equity Attributable to Equity Holders of the Parent Company		107,006,552,886	101,000,600,399
Non-controlling Interests	6, 7	61,714,259,891	54,454,666,931
Total Equity		168,720,812,777	155,455,267,330
		P512,336,185,280	P466,175,496,492

See Notes to the Consolidated Financial Statements.

SYNERGY GRID & DEVELOPMENT PHILS., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31				
	<i>Note</i>	2024	2023	2022
REVENUES	20	P53,014,087,918	P52,999,780,707	P61,821,367,993
EXPENSES				
Amortization of intangible asset	8	11,786,867,981	10,278,219,986	8,967,361,234
Salaries, wages and employee benefits	23	5,762,943,736	5,439,712,298	4,865,776,722
Repairs and maintenance		2,527,505,300	2,625,578,279	1,473,362,816
Insurance		1,012,202,538	982,473,548	693,849,145
Depreciation	3, 10	825,828,778	790,527,075	705,731,012
Security and janitorial		613,618,614	545,126,932	451,460,678
Communication, light and water		596,419,269	557,278,889	581,555,973
Supervision and regulatory fees	25	590,815,380	590,815,380	468,433,750
Transportation and travel		420,461,619	408,192,185	331,600,860
Public relation and corporate social responsibility		260,963,984	249,139,128	681,725,902
Outside services		225,032,886	163,019,179	408,958,180
Fuel and oil		213,651,343	220,091,207	253,744,891
Supplies and tools		176,181,866	197,303,539	209,577,433
Representation and entertainment		134,491,825	127,809,509	103,818,942
Rent	3, 22	114,373,096	108,602,088	100,859,453
Taxes and licenses		195,017,652	68,280,992	125,587,393
Meetings and conferences		65,471,299	43,733,652	28,190,411
Provision for impairment losses on receivables	12	64,670,000	64,670,000	64,670,000
Professional fees		40,340,510	41,329,368	49,466,652
Director's fee		35,402,261	35,040,000	35,520,000
Advertising		33,957,686	26,829,753	18,179,927
Charitable contributions		8,161,721	4,675,485	6,711,857
Filing fees		2,012,825	2,030,055	2,024,568
Miscellaneous		11,051,391	52,451,539	50,468,728
		25,717,443,560	23,622,930,066	20,678,636,527
INCOME FROM OPERATIONS		27,296,644,358	29,376,850,641	41,142,731,466
OTHER CHARGES - Net				
Interest income	11	188,019,373	118,889,542	139,664,024
Foreign exchange gain (loss) - net	24	(506,738,843)	116,865,867	(905,638,788)
Interest expense	3, 5, 14	(8,005,129,465)	(5,760,365,950)	(5,648,991,642)
Bank and finance charges	14	(261,961,278)	(245,751,861)	(226,191,423)
Miscellaneous income (loss)	26	(1,354,527,513)	(231,108,630)	201,250,261
		(9,940,337,726)	(6,001,471,032)	(6,439,907,568)
CONSTRUCTION REVENUE AND COSTS				
Construction revenue	1	59,320,930,924	56,863,637,830	40,921,410,818
Construction costs	1	(59,320,930,924)	(56,863,637,830)	(40,921,410,818)
		-	-	-

Forward

Years Ended December 31				
	Note	2024	2023	2022
NET INCOME BEFORE TAX		P17,356,306,632	P23,375,379,609	P34,702,823,898
INCOME TAX EXPENSE	26	6,047,976	7,249,642	17,523,836
NET INCOME		P17,350,258,656	P23,368,129,967	P34,685,300,062
Attributable to				
Equity holders of the Parent Company		P7,884,429,113	P10,645,372,151	P15,021,096,101
Non-controlling interests		9,465,829,543	12,722,757,816	19,664,203,961
		P17,350,258,656	P23,368,129,967	P34,685,300,062
BASIC AND DILUTED EARNINGS PER SHARE	18	P1.50	P2.02	P2.85

See Notes to the Consolidated Financial Statements.

SYNERGY GRID & DEVELOPMENT PHILS., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years Ended December 31				
	<i>Note</i>	2024	2023	2022
NET INCOME		P17,350,258,656	P23,368,129,967	P34,685,300,062
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Item that will never be reclassified to profit or loss</i>				
Remeasurement gain (losses) on defined benefit liability	23	(107,472,161)	(319,070,697)	239,273,933
TOTAL COMPREHENSIVE INCOME		P17,242,786,495	P23,049,059,270	P34,924,573,995
Attributable to				
Equity holders of the Parent Company		P7,835,314,335	P10,499,556,842	P15,115,863,674
Non-controlling interests		9,407,472,160	12,549,502,428	19,808,710,321
		P17,242,786,495	P23,049,059,270	P34,924,573,995

See Notes to the Consolidated Financial Statements.

SYNERGY GRID & DEVELOPMENT PHILS., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years Ended December 31

	<i>Note</i>	Capital Stock (Note 17)	Additional Paid-in Capital	Equity Adjustments From Common Control Transactions	Remeasurement Gains (Losses) on Defined Benefit Liability	Retained Earnings	Total	Non-controlling Interests	Total Equity
As at January 1, 2024		P5,265,866,000	P88,928,018,694	(P73,359,171,000)	(P161,146,711)	P80,327,033,416	P101,000,600,399	P54,454,666,931	P155,455,267,330
Total Comprehensive Income									
Net income for the year		-	-	-	-	7,884,429,113	7,884,429,113	9,465,829,543	17,350,258,656
Other comprehensive loss:									
Remeasurement loss on defined benefit liability	23	-	-	-	(49,114,778)	-	(49,114,778)	(58,357,383)	(107,472,161)
Total Comprehensive Income for the Year		-	-	-	(49,114,778)	7,884,429,113	7,835,314,335	9,407,472,160	17,242,786,495
Transactions with Owners of the Group									
Dividends	17	-	-	-	-	(1,829,361,848)	(1,829,361,848)	(2,147,879,200)	(3,977,241,048)
Balance at December 31, 2024		P5,265,866,000	P88,928,018,694	(P73,359,171,000)	(P210,261,489)	P86,382,100,681	P107,006,552,886	P61,714,259,891	P168,720,812,777

See Notes to the Consolidated Financial Statements.

SYNERGY GRID & DEVELOPMENT PHILS., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years Ended December 31

	Note	Capital Stock (Note 17)	Additional Paid-in Capital	Equity Adjustments From Common Control Transactions	Remeasurement Gains (Losses) on Defined Benefit Liability	Retained Earnings	Total	Non-controlling Interests	Total Equity
As at January 1, 2023		P5,265,866,000	P88,928,018,694	(P73,359,171,000)	(P15,331,402)	P71,511,023,112	P92,330,405,404	P44,069,543,703	P136,399,949,107
Total Comprehensive Income									
Net income for the year		-	-	-	-	10,645,372,151	10,645,372,151	12,722,757,816	23,368,129,967
Other comprehensive loss:									
Remeasurement loss on defined benefit liability	23	-	-	-	(145,815,309)	-	(145,815,309)	(173,255,388)	(319,070,697)
Total Comprehensive Income for the Year		-	-	-	(145,815,309)	10,645,372,151	10,499,556,842	12,549,502,428	23,049,059,270
Transactions with Owners of the Group									
Dividends	17	-	-	-	-	(1,829,361,847)	(1,829,361,847)	(2,164,379,200)	(3,993,741,047)
Balance at December 31, 2023		P5,265,866,000	P88,928,018,694	(P73,359,171,000)	(P161,146,711)	P80,327,033,416	P101,000,600,399	P54,454,666,931	P155,455,267,330

See Notes to the Consolidated Financial Statements.

SYNERGY GRID & DEVELOPMENT PHILS., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years Ended December 31

	Note	Capital Stock (Note 17)	Additional Paid-in Capital	Equity Adjustments From Common Control Transactions	Remeasurement Gains (Losses) on Defined Benefit Liability	Retained Earnings	Total	Non-controlling Interests	Total Equity
As at January 1, 2022		P5,265,866,000	P88,928,018,694	(P73,359,171,000)	(P110,098,975)	P61,755,793,011	P82,480,407,730	P30,919,736,582	P113,400,144,312
Total Comprehensive Income									
Net income for the year		-	-	-	-	15,021,096,101	15,021,096,101	19,664,203,961	34,685,300,062
Other comprehensive income:									
Remeasurement gain on defined benefit liability	23	-	-	-	94,767,573	-	94,767,573	144,506,360	239,273,933
Total Comprehensive Income for the Year		-	-	-	94,767,573	15,021,096,101	15,115,863,674	19,808,710,321	34,924,573,995
Transactions with Owners of the Group									
Dividends	17	-	-	-	-	(5,265,866,000)	(5,265,866,000)	(6,658,903,200)	(11,924,769,200)
Balance at December 31, 2022		P5,265,866,000	P88,928,018,694	(P73,359,171,000)	(P15,331,402)	P71,511,023,112	P92,330,405,404	P44,069,543,703	P136,399,949,107

See Notes to the Consolidated Financial Statements.

SYNERGY GRID & DEVELOPMENT PHILS., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	2024	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income before tax		P17,356,306,632	P23,375,379,609	P34,702,823,898
Adjustments for:				
Amortization of intangible asset	8	11,786,867,981	10,278,219,986	8,967,361,234
Interest expense	5, 14	8,005,129,465	5,760,365,950	5,648,991,642
Depreciation	10	825,828,778	790,527,075	705,731,012
Retirement benefits cost	23	338,584,281	300,202,372	279,124,642
Provision for impairment losses on receivables	12	64,670,000	64,670,000	64,670,000
Interest income	11	(188,019,373)	(118,889,542)	(139,664,024)
Unrealized foreign exchange loss	24	136,066,309	44,189,165	(15,578,197)
Gain on pre-termination of contract		-	-	(811)
Operating income before working capital changes		38,325,434,073	40,494,664,615	50,213,459,396
Decrease (increase) in:				
Receivables		(3,664,967,735)	388,565,815	(13,185,271,884)
Prepaid expenses and other current assets		141,173,834	(444,076,263)	(2,182,414,177)
Increase (decrease) in:				
Trade and other current payables		5,484,397,867	207,362,764	(5,564,549,106)
Other current liabilities		3,573,679,901	3,444,136,413	2,429,564,693
Customers' and other deposits		87,984,504	18,363,054	33,362,121
Other noncurrent liabilities		(17,502,786)	(113,785,756)	(1,177,446,174)
Net cash generated from operations		43,930,199,658	43,995,230,642	30,566,704,869
Interest paid	5, 14	(7,306,459,446)	(5,080,609,113)	(5,254,262,196)
Interest received		188,437,693	115,518,458	139,834,094
Contribution to retirement fund		(123,472,612)	(131,794,997)	(105,141,542)
Income tax paid		(6,024,442)	(7,304,787)	(17,494,726)
Net cash provided by operating activities		36,682,680,851	38,891,040,203	25,329,640,499
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment in capital expenditures	8, 13, 27	(54,879,145,831)	(53,944,952,828)	(43,653,584,543)
Additions to property and equipment	10	(1,102,488,143)	(718,568,745)	(1,640,225,334)
Increase in other noncurrent assets		-	-	500,383
Net cash used in investing activities		(55,981,633,974)	(54,663,521,573)	(45,293,309,494)

Forward

Years Ended December 31				
	Note	2024	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds of loans payable	14	P51,500,000,000	P49,400,000,000	P31,500,000,000
Payment of cash dividends	17	(3,647,701,004)	(5,364,295,961)	(11,518,777,150)
Payment of loans payable and debt issue costs	14	(24,825,360,295)	(22,983,370,877)	(15,644,570,001)
Payment of concession fee		(4,424,182,400)	-	-
Settlement of obligation under lease liabilities	22	(255,720,096)	(215,942,915)	(110,553,982)
Net cash provided by financing activities		18,347,036,205	20,836,390,247	4,226,098,867
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
		(951,916,918)	5,063,908,877	(15,737,570,128)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS				
		1,529,406	(921,856)	13,738,781
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	11	9,912,916,098	4,849,929,077	20,573,760,424
CASH AND CASH EQUIVALENTS AT END OF YEAR	11	P8,962,528,586	P9,912,916,098	P4,849,929,077

See Notes to the Consolidated Financial Statements.

SYNERGY GRID & DEVELOPMENT PHILS., INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting Entity

Synergy Grid & Development Phils., Inc. (SGDPI or the "Parent Company") was originally a mining corporation and registered with the Philippine Securities and Exchange Commission (SEC) on June 1, 1970 under the name Mankayan Minerals Development Company, Inc.

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries, namely OneTaipan Holdings, Inc. ("OTHI"), Pacifica21 Holdings, Inc. ("P21"), Monte Oro Grid Resources Corporation ("MOGRC"), Calaca High Power Corporation ("CHPC") and National Grid Corporation of the Philippines ("NGCP"), (collectively referred to as the "Group"). The Parent Company's shares of stock are listed on the Philippine Stock Exchange (PSE) under the stock symbol "SGP."

On February 22, 1994, the SEC approved the Parent Company's change of corporate name to UEM Development Phils., Inc. and the change in its primary purpose from engaging in mining activities to general construction and other allied businesses. The amendment of its primary purpose was due to the potential opportunity in the construction industry brought about by the entry of a new foreign investor.

On October 10, 1997, the SEC approved the Amendment to the Seventh Article of the Parent Company's Articles of Incorporation increasing the par value of its authorized capital stock from P0.01 to P1.00, decreasing the Parent Company's shares of stock from 500.00 million shares to 50.00 million shares, and stating that the stockholders shall have no pre-emptive rights.

On December 14, 2010, the Board of Directors (BOD) considered and approved the Amendment of the Articles of Incorporation and By-Laws of the Parent Company for the purpose of, among others, changing the Parent Company's corporate name to Synergy Grid & Development Phils., Inc., changing its primary purpose to enable it to engage in the business of investing in, purchasing or acquiring, and selling or disposing of the shares of stock, bonds, evidences of indebtedness and other securities issued or created by corporations and other entities engaged in power, energy, utilities, infrastructure and other allied businesses; and for the above purposes, to acquire, lease, hold, occupy, use, mortgage real and personal properties, to obtain financing from local and international funding sources or otherwise raise capital and funds by issuing or creating equity and debt securities, and to do or engage in any and all other businesses and activities incidental to or connected with, or in furtherance and/or the implementation of any and all of the foregoing. The amendments to the Articles of Incorporation and By-Laws of the Parent Company were approved by the stockholders on December 21, 2010.

On November 14, 2019, the BOD of the Parent Company, and on December 20, 2019, the Stockholders of the Parent Company, approved the amendment of the Articles of Incorporation of the Corporation pursuant to an increase in authorized capital stock from P50.00 million divided into 50.00 million common shares at par value of P1.00 per share to P5.05 billion divided into 5.05 billion common shares at par value of P1.00 per share.

This amendment and increase in capital stock were pursued in connection with the issuance of 4.10 billion shares of the Parent Company in exchange for shares of stock in OTHI and P21 (the “Share Swap Transaction”).

On December 20, 2019, the Parent Company and the stockholders of OTHI and P21 entered into a Share Purchase Agreement, pursuant to which, the two major shareholder of the Parent Company acquired additional 4.10 billion shares of the Parent Company at a price of P20 per share for a total purchase price of P82.00 billion. As consideration for its acquisition, the two major shareholders exchanged their respective ownership in OTHI and P21. Accordingly, the 2.10 billion shares with a P1.00 par value of the Parent Company were swapped with 86.40 million shares of OTHI with a par value of P100 per share, while the 2.00 billion shares of Parent Company were swapped with 871.00 million common shares of P21 with a par value of P1.00 per share.

As a result of the Share Swap Transaction, the Parent Company will legally and/or beneficially owns 67% of the outstanding shares of each of OTHI and P21. OTHI owns controlling shares in MOGRC, which holds 30% plus one share in National Grid Corporation of the Philippines (“NGCP”). P21 owns controlling shares in CHPC, which in turn owns 30% minus one share in NGCP. The Share Swap Transaction was undertaken to formally consolidate the two major shareholder’s ownership and control of NGCP through a common corporate structure. Accordingly, the effective ownership of the Parent Company in NGCP would be 40.20%, with control of 60% voting rights through its subsidiaries MOGRC and CHPC.

On March 26, 2020, the proposed share-swap transaction was approved by the Philippine Competition Commission on the grounds that it will not likely result in substantial lessening of competition in the Philippine market.

On May 28, 2021, the SEC approved the increase in the Parent Company’s authorized capital stock from P50.00 million to P5.05 billion. Consequently, the 4.10 billion common shares for the share swap transaction were issued at a price of P20 per share on the same date. The incremental costs directly attributable to the issuance of common shares amounting to P206.66 million is recognized as a deduction from additional paid-in capital.

On June 30, 2021 and on August 10, 2021, the Parent Company’s BOD and stockholders resolved and approved, respectively the increase in authorized capital stock from P5.05 billion to P5.30 billion, with the increase of 250.00 million to be divided into 250.00 million common shares at a par value of P1.00 per share.

This increase is for the Parent Company to conduct a follow-on offering of its shares to achieve the target public float of twenty percent (20%) of the outstanding capital stock of the Parent Company and for other business purposes.

The above increase was approved by the SEC on August 25, 2021. Consequently, of the 250.00 million increase in shares of the Parent Company, 25% of which was subscribed and paid by the Parent Company’s major shareholders amounting to P62.50 million.

On August 10, 2021, the Parent Company’s BOD approved and authorized the offer and issuance of 1.05 billion common shares at an offer price of up to P29 per share, and also grants over-allotment option pursuant to which a stabilizing agent or its affiliate has the right to purchase up to 101 million common shares of the Parent Company’s shares owned by its major shareholders.

On August 12 and September 10, 2021, the Parent Company's shareholders have also secured the Certificate Authorizing Registration with the Bureau of Internal Revenue (BIR) in order to transfer in the name of the Parent Company the following shares:

- (i) 86,430,000 common shares in OTHI representing 67% of its total capital stock; and
- (ii) 871,000,000 common shares in P21 representing 67% of its total capital stock.

The details the equity interest of the Parent Company in its subsidiaries after the Share Swap are as follows:

	Percentage of Ownership		Country of Incorporation
	Direct	Indirect	
OneTaipan Holdings, Inc. ("OTHI")	67.0%	-	Philippines
Pacifica21 Holdings, Inc. ("P21")	67.0%	-	Philippines
Monte Oro Grid Resources Corporation ("MOGRC")*	-	67.0%	Philippines
Calaca High Power Corporation ("CHPC")**	-	67.0%	Philippines
National Grid Corporation of the Philippines ("NGCP")***	-	40.2%	Philippines

* Indirectly owned through OTHI

** Indirectly owned through P21

*** Indirectly owned through MOGRC and CHPC

OTHI is 67% directly owned subsidiary of the Parent Company and was incorporated and registered with Philippine SEC on February 23, 2010. OTHI's primary purpose is to acquire by purchase, exchange, assignment or otherwise, and to sell, assign, transfer, exchange, lease, let, develop, mortgage, pledge, deal in and with and otherwise operate, enjoy and dispose of, all properties of every kind and description and whatever situated and to the extent permitted by law.

MOGRC is a wholly-owned subsidiary of OTHI and was incorporated and registered with Philippine SEC on August 29, 2006. MOGRC's primary purpose is to invest or hold interests in the shares of stocks of companies engaged in or proposing to engage in infrastructure projects, whether as proponent, equity investor or financial or technical advisor and to do all acts and things necessary to carry out the foregoing purpose.

P21 is 67% directly owned by the Parent Company and was incorporated and registered with Philippine SEC on May 12, 2008. P21's purpose is to invest or acquire interest, purchase, own or hold directly or indirectly shares of stock, debentures or securities in other companies including related services and business activities.

CHPC is a wholly-owned subsidiary of P21 and was incorporated and registered with Philippine SEC on December 15, 2006. CHPC's primary purpose is to engage in the general business of operating, managing, maintaining, and rehabilitating energy systems and services from gas, steam and electricity including related services and business activities.

NGCP's common shares is 30%-owned each by MOGRC and CHPC and was incorporated in the Philippines and registered with Philippine SEC on February 21, 2008 primarily to operate and maintain a nationwide transmission grid throughout the Philippines; to provide open and non-discriminatory access to the transmission system to all authorized electricity distributors and electricity users; and to carry on all business incidental to the same.

On October 14, 2021, the listing of the Offer Shares was approved by the Philippine Stock Exchange. The Philippine SEC approved the listing of SGP on October 20, 2021.

On November 10, 2021, SGDPI, under the symbol “SGP”, publicly listed its 1,053,500,000 shares from its Follow-On Offering (FOO) on the Philippine Stock Exchange with overallotment option of up to 101 million secondary shares at P12.00 per common share.

The Parent Company will use the proceeds of the FOO to directly subscribe to non-voting preferred shares that will be issued by NGCP. Proceeds from the issuance of the non-voting preferred shares will be used by NGCP to finance its capital expenditure requirements and related costs and expenses.

On April 4, 2022, the Parent Company used the proceeds of the FOO to subscribe to 203.63 million non-voting preferred shares of National Grid Corporation of the Philippines (NGCP) with a par value of one peso (P1.00) per share at a subscription price of P60.10/share or a total subscription price of P12,238,163,000.

The subscription will give the Parent Company a direct shareholding in NGCP of 9.240% of the latter's outstanding capital stock. The Parent Company will be entitled to dividends as a direct shareholder of NGCP, and this is in addition to the dividends that the Parent Company already indirectly receives from NGCP through the holding entities.

On 12 April 2022, the Parent Company paid P3,059,540,750 in cash, representing twenty-five percent (25%) of the total subscription price.

On June 9, 2022, the Parent Company paid the balance of the total subscription price in the amount P9,178,622,250.

On February 28, 2008, the Group, through NGCP entered into a Concession Agreement with Power Sector Assets and Liabilities Management Corporation (PSALM) and the National Transmission Corporation (TRANSCO) granting the Group as Concessionaire the right to take over and operate the whole of TRANSCO's regulated transmission business as a going concern and be the sole representative of Regulated Entity before the Philippine Energy Regulatory Commission (ERC). The commencement date of the Concession Agreement is on January 15, 2009 and shall expire on the 25th anniversary of the commencement date. The Concession can be extended but not to exceed beyond the 50th anniversary of the commencement date or for longer than the remaining term of the Group's franchise (see Note 4).

SGP indirectly controls 60% of the outstanding common shares of NGCP, SGP's sole operating asset with an effective equity interest of 40.20%.

Significant Contracts and Agreements

Construction Management Agreement (CMA)

From the commencement date, TRANSCO appointed the Concessionaire to act as its Construction Manager (CM) to implement, manage and administer the construction and completion of each Project Under Construction (PUC) as an independent contractor for and on its behalf, in accordance with the requirements of the Concession Agreement and as further set forth below:

- a) The CM shall have principal day-to-day on-site management, oversight and administrative responsibilities over all projects under construction and all contractors' construction activities in relation thereto.

- b) The CM shall be the primary point of contact for communications with all Contractors' Construction of such fact.
- c) The CM shall perform its responsibilities in accordance with the standards required under the CMA.

Nothing in the CMA shall release the CM from complying with its functions and obligations including the completion of all the PUCs at its own cost and expense, provided however, that if the sole and exclusive reason for the non-completion of a PUC is due to TRANSCO's failure to make available the committed funding under the Funding Agreements, then the CM shall be released from completing such PUC. Any such release shall be limited to the obligation that the CM would have had, had TRANSCO not failed to make such funding available and shall be subjected to the Concessionaire being in full compliance with the Transaction Documents.

External Consultant Agreements

In 2024 and 2023, the Group, through NGCP, executed various external consultancy agreements in relation to the conduct of its business and in compliance with regulatory requirements, several of which are as follows:

- Legal services;
- Advisory and consulting services for regulatory filings;
- Implementation consultancy services; and
- Other consultancy services as needed.

Expenses incurred pertaining to these agreements are included in "Outside services" and "Professional fees" in profit or loss in the consolidated statements of income.

Construction Contracts

The Group, through NGCP, agreed to manage the construction and completion of all PUC that have not been commissioned and placed in service on behalf of TRANSCO in accordance with the CMA. Upon the acceptance by the Group of the completion of PUC in accordance with the provisions of the applicable PUC contracts, each PUC completed and accepted by the Group shall immediately form part of the Transmission Grid.

New Construction Contracts.

As of December 31, 2024, the Group, through NGCP, entered into new significant construction contracts amounting to P18.75 billion, among the major contracts are as follows:

- Calbayog - Allen Transmission Line Project (Substation Portion)
- Calbayog - Allen Transmission Line Project (TL Portion), Schedule II - Calbayog - Victoria 138kv Transmission Line (CA 87-163) And Victoria - Allen 69kv Transmission Line
- Calbayog - Allen Transmission Line Project (TL Portion), Schedule I: Calbayog - Victoria 138kV Transmission Line (CA 01-87) and Rerouting of Paranas - Calbayog & Calbayog - Catarman 69kV Line at Calbayog Substation
- Site Development Works, Foundation Works and Construction of Buildings for San Simon Substation Project
- Tuguegarao - Enrile 69kV Transmission Line Project, Luzon Primary Equipment Substation Upgrading Project (Tuguegarao and San Rafael S/S), and Wan Chiong and Linde 69kV Feeders (Under San Simon 230kV Substation Project)
- Dasmariñas 500kV Substation 5th Bank Transformer
- Replacement of Borrowed Materials and Additional Supply of Various Transmission Line Materials for Luzon Projects
- Supply, Delivery, Installation, Testing, Configuration, and Commissioning of Optical Transport Network (OTN)- Visayas/Mindanao

- Relocation of Mexico Calumpit 69kV Transmission Line Project (MC-209 to MC-233) Affected By DOTR-NSCR Project
- Luzon Voltage Improvement Project 4, Schedule III - Malvar (Tanauan) and Tigaon (Lagonoy) 69kV Switching Stations
- Supply, Delivery, Installation, Testing, Configuration, and Commissioning of Optical Transport Network (OTN)-Luzon
- 2024 Fleet Operations Services
- 2024 NGCP Group Health Maintenance Plan - Dependents
- Security Services for Packages 7, 8, 9, 20 and 21 (2024-2025)
- Replacement of Damaged/Affected Steel Towers (Tower Nos. 47 To 50) Along Cadacan River Of Naga - Sta. Magdalena 350kV HVDC Line
- Dauin 69kV Load End Station Under Visayas Mobile Capacitor Bank Project
- Roxas 69kV Load End Station Under Visayas Voltage Improvement Project 2
- Luzon Primary Equipment Substation Upgrading Project (Pantabangan S/S)
- 2024 Fleet Operations Services
- Tigbauan 69kV Load End Station Under Visayas Mobile Capacitor Bank Project
- Optical Groundwire (OPGW) Retrofitting Project, 5 Segments
- IFM South Luzon And Visayas (Contract Extension)
- Luzon Primary Equipment Substation Upgrading Project (Calamba Substation Portion)
- Sorsogon - Samar Submarine Fiber Optic Cable Repair
- Supply Service Agreement: Supply And Delivery of Various Metering Requirement (Combined Instrument Transformer, Current Transformer, Voltage Transformer)

For 2024, the Capital Expenditures approved and confirmed by the Group, through NGCP's Board amounted to P49.54 billion.

As of December 31, 2023, the Group, through NGCP, entered into new significant construction contracts amounting to P16.57 billion, among the major contracts are as follows:

- Supply and Delivery of Steel Poles
- Rehabilitation of Damaged Perimeter Fence, Site Development of Switchyard Area and Enhancement of Flood Control System at Laoag Substation
- Design, Manufacture, Delivery, Installation, Assembly, Testing and Turnover of Spare Shunt Reactors at Tuguegarao and Laoag Substations
- Construction of Shelter for the Mobile Transformer Units at Daraga, Cadiz, and General Santos Substations
- Construction Of Shelter for the Mobile Transformer Units At Mexico Substation
- Site Preparation, Design, Manufacture, Factory Test, Delivery, Installation, Assembly, Field Test, Commissioning and Turn-Over of Fifteen (15) Units Online Dissolved Gas Analyzer (DGA Monitoring System) To Various Substations
- Supply & Delivery of 28 Units (Euro 4) Lineman's Truck to Various Sites.
- Supply & Delivery of 11 Units Land Forklift Vehicle and 44 Units of Electric Pallet & 3 Units Three (3) Wheel Electric Cargo Vehicle
- Supply, Delivery, Installation, Test, Commissioning and Training for Airborne Light Detection and Ranging (Lidar) Equipment
- Retrofitting of Optical Ground Wire (Opgw) for Compostela – Daan Bantayan Line 1
- Supply And Delivery of Revenue Meters for Metering Projects and Spares Program
- Binan - Calaca 230kv Line 1 Optical Ground Wire (OPGW) Retrofitting Project
- Identity Access Management (IDAM)
- Notice of Award for the Design, Manufacture, Factory Test and Delivery of Voltage Transformers (VTS) Intended for NGCP's Various Substations
- Luzon-Visayas Bipolar Operations Project Consultancy Services

- Cable Route Study, Marine Survey and Engineering Feasibility Study of the Submarine Power Cable For: Sch. II: Quezon-Marinduque Interconnection Project; Sch III: Camarines Sur-Catanduanes Interconnection Project
- Replacement of Transmission Line Materials for Cebu-Negros-Panay 230kv Backbone Project Stage 3 (OHTL Portion) and Various Transmission
- Supply And Delivery of Power Conductor for Cebu-Umapad 230kv Transmission Line Project
- Cable Route Study, Marine Survey and Engineering Feasibility Study of the Submarine Power Cable For Sch. I: Cebu-Leyte Lines 3 & 4 Interconnection Project
- Network Management System
- Supply and Delivery of Lineman's Truck
- Variation Order for Project: Bataan Grid 230kv Reinforcement Project (Erection/ Construction of Intermediate Steel Poles for the Raising of Conductor Sags of Mexico – Hermosa 230kv Transmission Lines)
- Supply Service Agreement: Design, Manufacture, Factory Test and Delivery of Surge Arresters to Various Substations
- Corporate Notebook Std Performance
- Supply Service Agreement (SSA): Supply and Delivery of Steel Poles
- Supply Service Agreement: Supply and Delivery of Various Metering Requirement (Combined Instrument Transformer, Current Transformer, Voltage Transformer)
- Variation Order No. 1 for the Design, Supply of Labor, Tools and Materials for the Fit-Out of Office Space Located at Bonaventure Plaza,
- Remaining Works for the Hermosa-San Jose 500kv Transmission Line (20 Towers)

For 2023, the Capital Expenditures approved and confirmed by NGCP's Board amounted to P45.67 billion.

Projects under Construction (PUC). PUC refer to the 42 transmission projects listed in Schedule 2 and defined under Section 4.02 of the Concession Agreement.

From its commencement, the Group, through NGCP has various existing Construction Project Agreements with different contractors for the construction, rehabilitation, upgrade, and infrastructure of transmission assets to provide transmission services with an average term of more than one year. In accordance with the agreements, the Contractor agreed to furnish all labor, materials, equipment, and other incidentals necessary to complete the procurement, manufacturing, supply, construction, erection, testing, and commissioning of the transmission assets. In consideration of such services, the Group agreed to pay the contractors a fee under mutually agreed upon terms and conditions specified in the agreement.

In compliance with the mandate under the Concession Agreement, the Group engages the services of third-party contractors for its construction and upgrade services. Construction costs comprise of all expenses related to the construction contracts which are equal to construction revenues because it is already the fair value of the intangible asset recognized.

The Group recognizes construction costs and revenues in compliance with Accounting Standards specifically, Philippine Interpretation, International Financial Reporting Interpretations Committee (IFRIC) 12, *Service Concession Arrangements*, but do not receive any cash inflow nor does the Group receive any revenue from these activities. The annual revenue the Group receives from Transmission Wheeling Rates for the provision of Transmission Services is determined in accordance with the Rules in Setting Transmission Wheeling Rates (RTWR) as approved by the Regulator.

Republic Act No. 9511

Republic Act No. 9511 (RA 9511), which took effect on December 20, 2008, granted the Group, through NGCP a fifty (50) year franchise from effectivity date to operate, manage and maintain, and in connection therewith, to engage in the business of conveying or transmitting electricity through high voltage back-bone system of interconnected transmission lines, substations and related facilities, system operations, and other activities that are necessary to support the safe and reliable operation of a transmission system and to construct, install, finance, manage, improve, expand, operate, maintain, rehabilitate, repair and refurbish the present nationwide transmission system of the Republic of the Philippines.

Pursuant to Section 9 of RA 9511, in consideration of the franchise and rights granted, the Group pays a franchise tax equivalent to three percent (3%) of all gross receipts derived from its operation under the franchise, in lieu of income tax and any and all taxes, duties, fees and charges of any kind, nature or description levied, established or collected on its franchise, rights, privileges, receipts, revenues and profits, and on properties used in connection with its franchise except for real property tax on real estate, buildings and personal property, exclusive of the franchise (see Note 26).

Pursuant to Section 8 of RA 9511, NGCP is required to list, subject to the requirements of the SEC and the PSE, and make a public offering of the shares representing at least twenty *per centum* (20%) of its outstanding capital stock or a higher percentage that may hereafter be provided by law within ten (10) years from the commencement of its operations. Provided, that the listing in the PSE of any company which directly or indirectly owns or controls at least thirty per centum (30%) of the outstanding shares of stock of NGCP shall be considered full compliance of this listing requirement. In case compliance with this requirement is not reached, the ERC may, upon application of NGCP, and after notice and hearing, allow such reasonable extension of the period within which NGCP should list its shares of stock, if the market condition is not suitable for such listing. NGCP has complied with this requirement on November 12, 2021, as confirmed by ERC in its order dated May 26, 2022 under ERC Case No. 2018 - 014MC. The Parent Company who is listed in the PSE, indirectly owns NGCP after the completion of the Share Swap transaction and the Follow On Offering in 2021.

The Parent Company's registered office address is Unit 1602, 16th Floor, Tycoon Center Bldg. Condominium, Pearl Drive, Pasig City, Metro Manila.

2. Basis of Preparation

Statement of Compliance

These consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) Accounting Standards. PFRS Accounting Standards are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS Accounting Standards consist of PFRS Accounting Standards, Philippine Accounting Standards (PAS), and Philippine Interpretations issued by the Financial and Sustainability Reporting Standards Council (FSRSC).

The accompanying consolidated financial statements were authorized for issue by the Board of Directors (BOD) on April 7, 2025.

Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis of accounting, and retirement benefits liability, which has been measured at fair value of plan assets less the present value of the defined benefit obligation.

Functional and Presentation Currency

These consolidated financial statements are presented in Philippine peso, which is the Group's functional currency. All financial information has been rounded off to the nearest peso, except when otherwise indicated.

Basis of Consolidation

The consolidated financial statements include the financial statements of Parent Company and its subsidiaries.

A subsidiary is an entity controlled by the Group. Control exists when an investor is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

When the Group has less than majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangement with other vote holders of the investee, rights arising from other contractual arrangements and the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events under similar circumstances. Intergroup balances and transactions, including intergroup realized profits and losses, are eliminated in preparing both the consolidated financial statements.

Non-controlling interests represent the portion of profit or loss and net assets not attributable to the Parent Company and are presented in the consolidated statements of income and within equity in the consolidated statements of financial position, separately from the equity attributable to equity holders of the Parent Company.

Non-controlling interests include the interests not held by the Parent Company in its subsidiary as follows: OTHI, P21 and NGCP.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a Subsidiary, the Group: (i) derecognizes the assets (including goodwill) and liabilities of the Subsidiary, the carrying amount of any non-controlling interests and the cumulative transaction differences recorded in equity; (ii) recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in the consolidated statements of comprehensive income; and (iii) reclassify the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Use of Judgments and Estimates

The preparation of the consolidated financial statements in conformity with PFRS Accounting Standards requires management to make judgments, estimate and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Judgments are made by management on the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized on the period on which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the consolidated financial statements is as follows:

Determining the Fair Value of Financial Instruments

The Group's financial assets and financial liabilities measured at fair value, require the use of accounting estimates and judgment. The significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates). Any changes in fair value of these financial assets and liabilities would affect the consolidated statements of income and consolidated statements of changes in equity.

The fair values of the Group's financial instruments are presented in Note 24 to the consolidated financial statements.

Service Concession Arrangements as Operator

Based on management's judgment, the provisions of Philippine Interpretation IFRIC 12, *Service Concession Arrangements* apply to the Group. The consideration receivable under the concession agreement is accounted for as a financial asset or an intangible asset according to its substance, considering the terms of the arrangement as a whole. A financial asset is recognized to the extent that the Group receives an unconditional right to receive cash irrespective of the use of the infrastructure. An intangible asset is recognized to the extent that the Group receives a right (license) to charge users of the transmission system.

Concession Rights

The Group's service concession agreement was accounted for under the intangible asset model where it recognized an intangible asset arising from its agreement to pay the Concession Fee and as consideration for construction services it provides. The intangible asset represents the right (license) the Group received to charge users of the transmission system in accordance with the rates approved by the ERC, the Regulator, pursuant to Republic Act No. 9136. The Group does not receive an unconditional right to receive cash from or at the direction of the grantor where the grantor contractually guarantees to pay the Group specified or determinable amounts or any shortfall between amounts received from users of the transmission system and specified or determinable amounts (see Notes 4, 5 and 8).

Determining the Transaction Price - Regulated Transmission Services

A complex regulatory rate-setting process is in place intended for the recovery of costs and reasonable margin, where amounts are subject to review and adjustment or correction for various factors, being done annually and at the end of each 5-year regulatory period where revenue can be adjusted for over- or under-recoveries. The Group assessed that in the absence of other ERC issuance or directive that states otherwise (i.e. that revenue has been modified), similar to the practice adopted by the industry, the amounts chargeable to customers based on the currently effective Maximum Allowed Revenue (MAR) remains to best represent the transaction price for its transmission services in a reporting period, considering the substantive nature of the ERC's approvals under the present rules and regulations as well as the degree of uncertainty in terms of timing and amounts (see Notes 4, 20 and 27).

In determining the transaction price, an entity is required to adjust the promised amount of consideration for the effects of the time value of money if that contract contains a significant financing component. The Group has assessed that the revenue accrued for iMAR and under-recovery to be collected in succeeding years do not have a significant financing component because the timing difference arises for non-finance reasons and a substantial portion of the consideration is variable, and the amount or timing of the consideration is outside the customer's or entity's control. The timing of payments is not specified in revenue contracts to intend any significant benefit of financing from both the Group and its customers, and the determination of iMAR and recovery scheme of incremental revenue is decided purely by the ERC and is beyond the control of the Group or its customers.

Estimating Accrued Transmission Revenue

Revenue is billed covering the period which starts from the 26th day of the current month to the 25th day of the following month while recognition is based on calendar month. The recognition of unbilled revenues as at month-end cut-off date requires the use of estimates based on the number of days of the customers' unbilled consumption.

The carrying amount of the Group's accrued power receivables as at December 31, 2024 and 2023 amounted to P19.24 billion (see Note 12).

Estimating Allowance for Impairment Losses on Receivables

The Group has elected to measure loss allowances for receivables at an amount equal to lifetime expected credit loss (ECL).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

As at December 31, 2024 and 2023, the analysis of allowance for impairment losses on receivables is presented in Note 12.

Estimating Useful Lives of Property and Equipment

The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment 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.

In addition, estimation of the useful lives of property and equipment is based on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by the changes in these factors and circumstances.

A reduction in the estimated useful lives of property and equipment would increase the recorded depreciation and amortization expenses and decrease noncurrent assets.

The carrying amount of the Group's property and equipment as at December 31, 2024 and 2023 amounted to P5.27 billion and P4.99 billion, respectively (see Note 10).

Estimating Net Realizable Value of Materials, Spare Parts and Supplies

The Group carries spare parts and supplies at net realizable value when such value is lower than cost due to damage, physical deterioration and obsolescence. The estimated net realizable value is reviewed regularly.

No write-down was recognized in profit or loss in 2024 and 2023. As at December 31, 2024 and 2023, accumulated amount of write-down of spare parts and supplies amounted to P346.27 million (see Note 13).

Estimating Useful Life of Intangible Asset

The Group estimates the useful life of intangible asset arising from service concession based on the period over which the asset is expected to be available for use during the concession period. The Group has not included any renewal period on the basis of uncertainty, as at reporting date, of the probability of securing renewal contract at the end of the original contract term.

The Group also estimates the useful life of its computer software and license based on the period over which assets are expected to be available for use. The estimated useful life of computer software and license is updated if expectations differ from previous estimates due to technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful life of computer software and license is based on collective assessment of internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

The carrying amount of the Group's intangible asset as at December 31, 2024 and 2023 amounted to P425.55 billion and P378.01 billion, respectively (see Note 8).

Estimating the Residual Value of Intangible Assets

The estimated residual value of the intangible assets at the end of concession contract was determined based on the quotient of the actual costs of transmission assets commissioned by the Group during the concession period and the ERC approved estimated asset lives multiplied by the difference of the asset life and the remaining life of concession. Under this scenario, the residual value of intangible assets refers to the portion of investment in the additional completed transmission assets that could not be recovered thru regulatory reset filing as at the end of the concession period and shall be excluded from the value of intangible assets to be amortized over the remaining concession period and will be charged against the Recovery Payment at the end of the period.

As at December 31, 2024 and 2023, the estimated residual value of intangible assets from completed projects at the end of the concession period amounted to P113.93 billion and P76.71 billion, respectively.

Impairment of Goodwill

The Group determines whether goodwill is impaired at least annually. This requires the estimation of value in use of the cash-generating units to which the goodwill is allocated. Estimating value in use requires management to make an estimate of the expected future cash flows and to choose a suitable discount rate to calculate the present value of those cash flows.

No impairment loss was recognized on goodwill for December 31, 2024 and 2023. The carrying amount of goodwill amounted to P10.47 billion as at December 31, 2024 and 2023 (see Note 9).

Reliable Measure of the Recovery Payment

The calculation of the Recovery Payment is complex and will involve the use of variables that will only be determined in the future, including among others the use of an input based on the value of the Group's RAB at termination date which is partly dependent on future capital expenditures and recoveries. Based on management's judgment, considering further that the Recovery Payment will only be determinable at termination date by a mutually appointed independent appraiser, estimation of the residual value in the current period involves a significantly high level of estimation uncertainty such that the amount is not yet reliably measurable at this point.

Estimating Retirement Benefits

The determination of the Group's obligation and cost for retirement benefits is dependent on the selection of certain assumptions used in calculating such amounts including discount rates and salary increase rates.

Remeasurements of retirement benefits liability are recognized in other comprehensive income and comprise of actuarial gains and losses on the retirement benefit obligation excluding amounts included in the net interest of the retirement benefits liability.

Retirement benefits cost recognized in profit or loss in 2024 and 2023 amounted to P338.58 million and P300.20 million, respectively. Retirement benefits liability as at December 31, 2024 and 2023 amounted to P2.95 billion and P2.62 billion, respectively (see Note 23).

Impairment of Nonfinancial Assets

In accordance with the Group's policy on impairment of nonfinancial assets, the Group performs an impairment test when certain impairment indicators are present. In determining the present value of future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

Management believes that there is no indication of impairment loss in the carrying value of the Group's property and equipment and intangible asset as at December 31, 2024 and 2023.

Contingencies

The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims shall be developed in consultation with the legal counsels handling these matters and based on analysis of potential results. It is possible, however, that future financial position and performance could be affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 25).

3. Material Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements, except for the changes in accounting policies as explained below.

Adoption of Amendments to Standards and Interpretations

The Group has adopted the following new standards and amendments to standards and interpretations starting January 1, 2024 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on Group's financial statements. These are as follows:

- PAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Noncurrent - 2020 amendments and Non-Current Liabilities with Covenants - 2022 amendments (Amendments)*. To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:
 - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;
 - clarified that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;
 - provided additional disclosure requirements for non-current liabilities subject to conditions within twelve months after the reporting period to enable the assessment of the risk that the liability could become repayable within twelve months; and
 - clarified that settlement of a liability includes transferring an entity's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

- PAS 7, *Statement of Cash Flows* and PFRS 7, *Financial Instruments: Disclosures - Supplier Finance Arrangements (Amendments)* introduce new disclosures about a company's supplier finance arrangements that would enable users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows, and the Group's exposure to liquidity risk. Under the amendments, a company discloses in aggregate for its supplier finance arrangements:
 - the terms and conditions of the arrangements;
 - beginning and ending carrying amounts and associated line items of the financial liabilities that are part of a supplier finance arrangement, distinguishing those for which suppliers were already paid, and range of payment due dates including those for comparable trade payables not part of a supplier finance arrangement; and
 - the type and effect of non-cash changes in the carrying amounts.

The amendments also add supplier finance arrangements as an example to the existing disclosure requirements on factors a company might consider when providing specific quantitative liquidity risk disclosures about its financial liabilities.

A Group is not required to disclose comparative information for any prior reporting periods, information on carrying amounts for which suppliers already received payment and range of payment due dates as at the beginning of the annual reporting period the Group first applies the amendments, and information for any interim period within the annual reporting period in which the Group first applies those amendments.

Standards Issued But Not Yet Adopted

A number of amendments to standards are effective for annual periods beginning after January 1, 2024 and have not been applied in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's financial statements.

Effective January 1, 2027

- PFRS 17, *Insurance Contracts* replace the interim standard, PFRS 4, *Insurance Contracts*. Reflecting the view that an insurance contract combines features of both a financial instrument and a service contract, and considering the fact that many insurance contracts generate cash flows with substantial variability over a long period, PFRS 17 introduces a new approach that:
 - (a) combines current measurement of the future cash flows with the recognition of profit over the period services are provided under the contract;
 - (b) presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and
 - (c) requires an entity to make an accounting policy choice portfolio-by-portfolio of whether to recognize all insurance finance income or expenses for the reporting period in profit or loss or to recognize some of that income or expenses in other comprehensive income.

Under PFRS 17, groups of insurance contracts are measured based on fulfilment cash flows, which represent the risk-adjusted present value of the entity's rights and obligations to the policy holders, and a contractual service margin, which represents the unearned profit the entity will recognize as it provides services over the coverage period. Subsequent to initial recognition, the liability of a group of insurance contracts represents the liability for remaining coverage and the liability for incurred claims, with the fulfilment cash flows remeasured at each reporting date to reflect current estimates.

Simplifications or modifications to the general measurement model apply to groups of insurance contracts measured using the 'premium allocation approach', investment contracts with discretionary participation features, and reinsurance contracts held.

PFRS 17 brings greater comparability and transparency about the profitability of new and in-force business and gives users of financial statements more insight into an insurer's financial health. Separate presentation of underwriting and financial results will give added transparency about the sources of profits and quality of earnings.

Full retrospective application is required, unless it is impracticable, in which case the entity chooses to apply the modified retrospective approach or the fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applies the fair value approach. There is also a transition option allowing presentation of comparative information about financial assets using a classification overlay approach on a basis that is more consistent with how PFRS 9 will be applied in future reporting periods. Early application is permitted for entities that apply PFRS 9 *Financial Instruments* on or before the date of initial application of PFRS 17.

- PAS 21, *The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability (Amendments)* clarify that a currency is exchangeable into another currency when a Group is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

When a currency is not exchangeable, a Group needs to estimate a spot rate. The objective in estimating the spot rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments do not specify how to estimate the spot exchange rate to meet the objective and an entity can use an observable exchange rate without adjustment or another estimation technique.

The amendments require new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements, including the nature and financial impacts of the currency not being exchangeable, the spot exchange rate used, the estimation process, and risks to the Group because the currency is not exchangeable.

Earlier application is permitted. Comparative information is not restated and the effect of initially applying the amendments are adjusted to the opening balance of retained earnings, or to the cumulative amount of translation differences if the Group uses a presentation currency other than its functional currency.

Effective January 1, 2026

- PFRS 9, *Financial Instruments* and PFRS 7, *Financial Instruments: Disclosures Amendments to the Classification and Measurement of Financial Instruments (Amendments)* relate to the date of recognition and derecognition, classification of financial assets, contractually linked instruments and non-recourse features, and disclosures on investments in equity instruments.

Date of recognition and derecognition. The amendments clarified that:

- a financial asset or financial liability is recognized on the date on which the entity becomes a party to the contractual provisions of the instrument unless the regular way exemption applies;
- a financial asset is derecognized on the date on which the contractual rights to cash flows expire or the asset is transferred; and
- a financial liability is derecognized on the settlement date, which is the date on which the liability is extinguished because the obligation specified in the contract is discharged or cancelled or expires or the liability otherwise qualifies for derecognition.

However, the amendments provide an exception for the derecognition of financial liabilities where an entity may choose to derecognize a financial liability that is settled using an electronic payment system before the settlement date if, and only if, the entity has initiated the payment instruction that resulted in:

- the entity having no practical ability to withdraw, stop or cancel the payment instruction;
- the entity having no practical ability to access the cash to be used for settlement as a result of the payment instruction; and
- the settlement risk associated with the electronic payment system is insignificant.

Entities may choose to apply the exception on a system-by-system basis.

Classification of Financial Assets. The amendments related to classification of financial assets introduces an additional test to assess whether the solely payments of principal and interest (SPPI) criterion is met for financial assets with contingent features that are not related directly to a change in basic lending risks or costs.

The amendments clarified that when a contingent feature gives rise to contractual cash flows that are consistent with a basic lending arrangement both before and after the change in contractual cash flows, but the nature of the contingent event itself does not relate directly to changes in basic lending risks and costs, the financial asset has contractual cash flows that are SPPI if, and only if, in all contractually possible scenarios, the contractual cash flows would not be significantly different from the contractual cash flows on a financial instrument with identical contractual terms, but without such a contingent feature.

Additional disclosures are required for all financial assets and financial liabilities that have certain contingent features that are not related directly to a change in basic lending risks or costs and are not measured at fair value through profit or loss.

Contractually Linked Instruments and Non-recourse Features. The amendments clarify the key characteristics of contractually linked instruments (CLIs) and how they differ from financial assets with non-recourse features. The amendments also include factors that a Group needs to consider when assessing the cash flows underlying a financial asset with non-recourse features (the 'look through' test). For example, it clarifies that a financial asset has non-recourse features if an entity's ultimate right to receive cash flows is contractually limited to the cash flows generated by specified assets; that CLIs have non-recourse features, but not all financial assets with non-recourse features are CLIs; and that the underlying pool of instruments of CLIs may include financial assets outside the scope of IFRS 9.

Disclosures on Investments in Equity Instruments. The amendments require additional disclosures for investments in equity instruments that are measured at fair value with gains or losses presented in other comprehensive income (FVOCI). The entity discloses for each class of investment the fair value gain or loss presented in other comprehensive income during the period, showing separately the fair value gain or loss related to investments derecognized during the reporting period and the fair value gain or loss related to investments held at the end of the reporting period. It also discloses any transfers of the cumulative gain or loss within equity during the reporting period related to investments derecognized during that reporting period.

Earlier application is permitted. Entities may choose to early-adopt the amendments for the recognition and derecognition of financial assets and financial liabilities separately from the other amendments

Effective January 1, 2027

- PFRS 18, *Presentation and Disclosure in Financial Statements* will replace PAS 1, *Presentation of Financial Statements* and aims to provide greater consistency in presentation of the income and cash flow statements, and more disaggregated information.
- *A more Structured Income Statement.* PFRS 18 promotes a more structured income statement. It introduces a newly defined 'operating profit or loss' and 'profit or loss before financing and income tax' subtotals, and a requirement for all income and expenses to be classified into three new distinct categories operating, investing, and financing - based on a Group's main business activities. PFRS 18 also requires companies to analyze their operating expenses directly on the face of the income statement - either by nature, by function or on a mixed basis. Companies need to choose the presentation method that provides the 'most useful structured summary' of those expenses. New disclosures apply if any operating expenses are presented by function.
- *Management-defined Performance Measures.* PFRS 18 provides a definition for management-defined performance measures (MPMs) and introduces specific disclosure requirements. MPMs are subtotals of income and expenses that are used in public communications outside the consolidated financial statements, communicate management's view of an aspect of the financial performance of the entity as a whole and are not a required subtotal or a common income and expense subtotal listed in PFRS 18. For each MPM presented, companies will need to explain in a single note to the consolidated financial statements why the measure provides useful information and how it is calculated, and to reconcile it to an amount determined under PFRS Accounting Standards.

- *Greater Disaggregation of Information.* PFRS 18 provides enhanced guidance on how companies group information in the financial statements, including newly defined roles of the primary financial statements and the notes, principles of aggregation and disaggregation based on shared and non-shared characteristics, and specific guidance for labelling and describing items in a way that faithfully represents an item's characteristics.

PFRS 18 also now require goodwill to be presented as a line item in the statement of financial position.

Consequential amendments to PAS 7 *Statement of Cash Flows* requires the use of the operating profit or loss subtotal as the starting point when presenting operating cash flows under the indirect method and eliminate the options for classifying interest and dividend cash flows.

PFRS 18 also amends PAS 33 *Earnings per Share* to permit companies to disclose additional amounts per share using as numerator a required income and expenses total or subtotal, a common subtotal listed in PFRS 18 or an MPM disclosed by the entity.

PFRS 18 applies for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. It applies retrospectively in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. Specific reconciliations are required to be disclosed. Eligible entities including venture capital organizations, mutual funds and some insurers will be allowed to change their election for measuring investments in associates and joint ventures from equity method to fair value through profit or loss.

Service Concession Arrangements

Public-to-private service concession arrangements where: (a) the grantor controls or regulates what services the Group must provide with the infrastructure, to whom it must provide them, and at what price; and (b) the grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement are accounted for under the provisions of Philippine Interpretation IFRIC 12. Infrastructures used in a public-to-private service concession arrangement for its entire useful life (whole-of-life assets) are within the scope of Philippine Interpretation IFRIC 12 if the conditions in (a) are met.

Philippine Interpretation IFRIC 12 applies to both: (a) infrastructure that the Group constructs or acquires from a third party for the purpose of the service arrangement; and (b) existing infrastructure to which the grantor gives the Group access for the purpose of the service arrangement.

Infrastructures within the scope of Philippine Interpretation IFRIC 12 are not recognized as property and equipment of the Group. Under the terms of contractual arrangements within the scope of Philippine Interpretation IFRIC 12, the Group acts as a service provider. The Group constructs and upgrades infrastructure (construction or upgrade services) used to provide a public service and operates and maintains that infrastructure (operation services) for a specified period of time.

The Group recognizes a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. The Group recognizes an intangible asset to the extent that it receives a right (a license) to charge users of the public service.

When the Group has contractual obligations it must fulfill as a condition of its license: (a) to maintain the infrastructure to a specified level of serviceability or (b) to restore the infrastructure to a specified condition before it is handed over to the grantor at the end of the service arrangement, it recognizes and measures these contractual obligations in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the reporting date. Repairs and maintenance and other expenses that are routine in nature are expensed and recognized in the profit or loss as incurred.

In accordance with PAS 23, *Borrowing Costs*, borrowing costs attributable to the arrangement are recognized as an expense in the period in which they are incurred unless the Group has a contractual right to receive an intangible asset (a right to charge users of the public service). In this case, borrowing costs attributable to the arrangement are capitalized during the construction phase of the arrangement.

Intangible Asset

Service Concession Arrangement

The Group recognizes an intangible asset arising from the service concession arrangement through Concession Right when it acquired the right to charge for usage of the concession infrastructure. An intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value upon initial recognition. Subsequent to initial recognition, the intangible asset is measured at cost, which includes capitalized borrowing costs, less accumulated amortization and accumulated impairment losses, if any.

Concession Rights. Concession rights are purchased and recognized at cost at the date of acquisition and consists of:

- a. Concession fees pursuant to Article 6 of the Concession Agreement, broken down into commencement fee and deferred payments, add/deduct adjustments pertaining to IWC, PUC and RSTA; and
- b. The intangible asset resulting from the cost of infrastructures constructed and under construction, including related borrowing costs. These are not recognized as property and equipment of the Group but as intangible asset.

Subsequent performance of construction and upgrade services results to the increase in the rights/license to charge users of the public service and the corresponding future revenue received by the Group, representing an enhancement of the intangible asset. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

Intangible asset is assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization is calculated over the cost of the intangible asset less any determined residual value. Amortization is recognized in profit or loss on a straight-line basis over the remaining life of the concession period. The estimated useful life of the intangible asset is determined to be the period over which the Group can charge for usage of the concession infrastructure but not more than the concession period which is twenty-five (25) years. The amortization method, useful life and residual value are reviewed at each reporting date and adjusted, if appropriate. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense is recognized in profit or loss in the expense category consistent with the function of the intangible asset.

Business Combinations under Common Control

The Group accounts for business combinations involving entities that are ultimately controlled by the same ultimate parent before and after the business combination and the control is not transitory, using pooling of interests method.

The assets and liabilities of the combining entities are reflected in the consolidated statements of financial position at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments are those to align accounting policies between combining entities.

No new goodwill is recognized as a result of the business combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is recognized in equity.

The consolidated statements of income reflect the results of the combining entities for the full year, irrespective of when the combination took place.

Comparatives are presented as if the entities had been combined for the period that the entities were under common control (see Note 6).

Non-controlling Interests

The acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. Any difference between the purchase price and the net assets of the acquired entity is recognized in equity. The adjustments to non-controlling interests are based on a proportionate amount of the identifiable net assets of the subsidiary (see Note 7).

Financial Instruments

Recognition and Initial Measurement

A financial instrument is recognized if the Group becomes a party to the contractual provisions of the instrument. Regular way purchases or sales of financial assets are accounted for at settlement date, i.e., the date that an asset is delivered to or by the Group.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

A financial asset (unless it is a trade receivable without a significant component that is initially measured at the transaction price) or financial liability is initially measured at fair value plus, transaction costs that are directly attributable to its acquisition.

Classification and Measurement of Financial Assets

On initial recognition, a financial asset is classified and measured at: amortized cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL. The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

The Group's cash and cash equivalents and receivables are included in this category.

Business Model Assessment. The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to the management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Assessment Whether Contractual Cash Flows are Solely Payments of Principal and Interest. For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basis lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of the contractual cash flows such that it would not meet these conditions. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;

- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g., non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amounts plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

The Group determines that the business model for financial assets at amortized cost is held to collect contractual cash flows and meets the solely principal and interest criterion as of December 31, 2024 and 2023.

Financial Assets at Amortized Cost. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Debt Investments at FVOCI. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity Investments at FVOCI. These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

The equity securities represent investments that the Group intends to hold for the long term for strategic purposes.

Classification and Subsequent Measurement of Financial Liabilities

Financial liabilities that are classified as measured at amortized cost are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Derecognition of Financial Assets and Liabilities

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

- the contractual rights to receive cash flows from the financial asset have expired;

- the Group has transferred its contractual rights to receive cash flows of the financial asset (the “original asset”) or retained the contractual rights to receive the cash flow from a financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients (the “eventual recipients”), in an arrangement and: (a) the Company has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset; (b) the entity is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and (c) the entity has no obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay; or
- the Company has transferred substantially all the risks and rewards of the ownership of the financial asset or has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred control of the financial asset

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

Offsetting Financial Instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

Debt Issuance Costs

Debt issuance costs are directly attributable transaction costs considered as discount of the related debts upon initial measurement and are subsequently amortized over the expected life of the instrument under the effective interest method.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the respective asset. A qualifying asset is an item of asset that necessarily takes a substantial period of time to get ready for its intended use. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred, and ceases when the assets are substantially ready for their intended use.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and impairment losses, if any.

Initially, an item of property and equipment is measured at cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent costs that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the Group. The costs of day-to-day servicing of an asset are recognized as an expense in the period in which it is incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives.

The estimated useful lives of these assets are as follows:

	Number of Years
Structures and improvements	30
Transportation equipment	10
Machinery and equipment	10
Office furniture and fixtures	5 - 10

The useful lives and depreciation and amortization method are reviewed at each reporting date to ensure that they are consistent with the expected pattern of economic benefits from those assets.

When an asset is disposed of or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and the accumulated depreciation, amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

Prepaid Expenses and Other Current Assets

Advance Payment to Suppliers and Contractors. Advance payment to suppliers and contractors is reclassified to proper asset account and deducted from the contractor's billings as specified in the provisions of the contract.

Spare parts and supplies inventories are valued at the lower of cost or net realizable value. Net realizable value is the current replacement cost.

Cost is determined by using the moving weighted average method. If the cost of inventories exceeds its net realizable value, provisions are made currently for the difference between the cost and the net realizable value.

Prepaid expenses are expenses paid in advance and recorded as asset before they are utilized.

Impairment of Assets

Financial Instruments and Contract Assets

The Group recognizes loss allowances for ECLs on financial assets measured at amortized cost and contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and

- other debt securities and bank balances for which credit risk (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Group has elected to measure loss allowances for power, other receivables and contract assets at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the financial asset is also more than 90 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset. ECLs reflect reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

Credit-impaired Financial Assets. At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired include observable data about the following events:

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

- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Presentation of impairment loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairment losses related to power, other receivables and contract assets are presented separately in the statements of profit or loss and OCI.

Nonfinancial Assets

The carrying amounts of nonfinancial assets such as intangible assets, property and equipment and other noncurrent assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the cost of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit).

Reversal of provision for impairment losses previously recognized is recorded when the decrease can be objectively related to an event occurring after the write-down. Such reversal is recorded as income. However, the increased carrying amount is only recognized to the extent that it does not exceed what carrying value would have been had the impairment not been recognized.

All impairment losses are recognized in profit or loss.

Equity

Capital Stock. Capital stock represents the nominal value of shares that have been issued. Incremental cost directly attributable to the issue of stock, if any, are recognized as a deduction from equity, net of any tax effects.

Additional Paid-in Capital. Additional paid-in capital represents the excess of consideration received over the par value of capital stock.

Remeasurements of Defined Benefits Liability. Remeasurements of defined benefits liability comprise actuarial gains and losses which are recognized immediately in other comprehensive income.

Equity Adjustments from Common Control Transactions. Equity adjustments from common control transactions represents the difference between the purchase price and the net assets of the acquired entity.

Retained Earnings. Retained earnings represent the cumulative balance of net income or loss, dividend distributions, effect of changes in accounting policy and other capital adjustments.

Revenue and Expense Recognition

Revenue from Transmission Services Operating Income

Transmission services operating income pertains to service charges for the use of the transmission facilities under the Concession Agreement where power delivery, system operation and metering services are provided by the Group.

The Group's performance obligations in transmission services include the supply of power delivery service, system operation and metering service. These three services are considered as a bundle and are accounted for as one performance obligation.

Revenue from transmission services is recognized when control has been transferred to the customer and the Group has an enforceable right to payment. This is recognized over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. Revenue from transmission services is recognized upon supply of power to the customer's connection points.

Revenue is measured as the transaction price referred from the approved Maximum Allowed Revenue (MAR) by ERC. During the reset process, the ERC makes a determination of the annual revenue requirements of the transmission business as well as the price control arrangements that will apply during the regulatory period.

Revenue from Connection and Residual Sub-transmission Charges

Connection charges are charges to recover the reasonable costs associated with connecting the transmission customers' facilities to the transmission providers' facilities. These are payable by generation customers on new connection assets and payable by load customers on existing and new connection assets. Residual sub-transmission charges are charges to recover the reasonable costs associated with sub-transmission assets that are not otherwise recovered through the connection charge. These charges are payable by load customers or generation customers.

The connection charges and residual sub-transmission charges are considered each as different performance obligations of the Group which are both satisfied over time, the same with transmission services.

Revenue from connection and residual sub-transmission charges are recognized when control has been transferred to the customer and the Group has an enforceable right to payment. Revenue from connection and residual sub-transmission charges are recognized upon supply of power to the customer's connection points.

The revenue is measured as the transaction price referred from the approved rates by ERC in its decision dated July 6, 2011 under ERC case no. 2008-066RC and 2009-153 RC.

The Billing period starts from the 26th day of the current month to the 25th day of the following month. Within five (5) days after the Billing Period, the Group shall issue billing invoice/billing statement or "Power Bill" to each customer, detailing all charges and credits for that previous Billing Period.

Basic charges are direct revenues of the Group. The components of the "Billing Statement" to the customer are as follows:

1. Power delivery service charge
2. Connection charge

3. Residual sub-transmission charge
4. Metering service charge
5. System operator charge
6. Adjustments such as Interruption Billing Adjustment, Curtailment Billing Adjustment and Temporary Transmission Service Discount, if applicable.

The Group has assessed its revenue arrangement against specific criteria in order to determine if it is acting as principal or agent and concluded that it is not a principal with respect to the Ancillary Service Charges (ASC), Universal Charges (UC) and Feed-in-tariff (FIT-ALL) Charges.

The Group was authorized to engage in ancillary service business through Section 1 of RA 9511 and through Ancillary Service Procurement Plan (ASPP). These are services that are essential to the management of power system security, that facilitate orderly trading in electricity and ensure that electricity supplies are of an acceptable quality. With reference to Section 43 of R.A No. 9136, NGCP is allowed to charge user fees for ancillary services to all electric power industry participants or self- generating entities connected to the grid. Further, as per Ancillary Services - Cost Recovery Mechanism (AS-CRM), charges should be completely passed-on from the user or beneficiary of the service to the service provider.

FIT-ALL and UC are charges that is to be imposed on all On-Grid electricity consumers who are supplied with electricity through the transmission network. The FIT-All is essential to the implementation of the FIT System as established under Section 7 of R.A No. 9513, otherwise known as the Renewable Energy Act of 2008 (RE Law). UC is imposed on electricity consumers for purposes such as missionary electrification, payment of stranded debts and also for environmental charges mandated under Section 34 of the RA 9136. Issued guidelines of both FIT-ALL and UC specifically states that the collection shall not form part of the revenues of NGCP as the collecting agent. Any resulting loss due to failure to collect shall not be borne by the collecting agent.

Any billing/revenue adjustments which are caused by the following:

- change in government policies, rules and regulations;
- incorrect computation, incorrect metering of data, and the like shall be made through issuance of a debit/credit memo in accordance with the Open Access Transmission Services Rules. A debit/ credit memo shall be booked in the period in which the related adjustment is noted.

Since the Group bills transmission customers from the 26th of the previous month to 25th of the current month, at each reporting date, the Group shall record revenue for the remaining days of the reporting month. The Group shall accrue revenue in proportion to what should be recorded as revenue for this period and in accordance with the estimation procedure determined by management, from time to time.

The Group may engage in related business such as Rental of facilities and equipment and Co-location, antenna attachments, use of building lots and space, use of access roads, attachment of telephone cables, and tapping to AC/DC power sources.

Interest income is recognized when earned.

Revenue from Construction and Upgrade Services (Construction Revenues and Costs)

Under Philippine Interpretation IFRIC 12, revenue related to construction or upgrade services under a service concession agreement is recognized over time, consistent with the Group's accounting policy on recognizing revenue on construction contracts. Operation or service revenue is recognized in the period in which the services are provided by the Group. If the service concession arrangement contains more than one performance obligation, then the consideration received is allocated with reference to the relative stand-alone selling prices of the services rendered. No margin has been recognized since the estimated selling price approximates the construction costs. The estimated selling price is classified as a contract asset under Intangible assets during the construction or upgrade period in accordance with PFRS 15.

Cost and Expense Recognition

Expenses are recognized when incurred.

Construction costs comprise of all expenses related to the construction contracts.

Concession Fee Payable

Concession fee payable is recognized at the commencement date as the present value of the concession fee converted to Philippine peso at a fixed exchange rate equal to P42.75 for every US dollar under IFRIC 12. Upon recognition of intangible assets, transferable asset and initial working capital, the Group also recognized the corresponding concession fee payable. Payments to concession fee payable are classified into 25% commencement fee and 75% semi-annual deferred payment subject to interest pursuant to Schedule 5 of concession agreement.

Concession fee payable that are expected to be settled for no more than twelve (12) months after the reporting period are classified as current portion of concession fee payable. Otherwise, these are classified as noncurrent liabilities. Maturities of concession fee payable are shown in Note 24.

Employee Benefits

Short-term Employee Benefits. Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits Cost. The Group's net defined benefit obligation in respect of its retirement plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the reporting date of long-term government bonds that have maturity dates approximating the terms of the Group's plan. The calculation is performed by a qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit obligation, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Related Party Transactions

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

Basic and Diluted Earnings Per Share (EPS)

Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Parent Company, net of dividends on preferred shares, by the weighted average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

Diluted EPS is computed in the same manner, adjusted for the effect of all potential dilutive debt or equity instruments.

Provisions

Provisions are recognized only when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made on the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date

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

4. Concession Agreement

Electric Power Industry Reform Act of 2001 (EPIRA)

On June 8, 2001, Republic Act No. 9136, otherwise known as the “Electric Power Industry Reform Act of 2001” (EPIRA) was passed into law. EPIRA provided for an orderly and transparent privatization of the assets and liabilities of the National Power Corporation (NPC) and created TRANSCO to assume the electrical transmission function of NPC. TRANSCO is wholly-owned by PSALM, a government-owned and controlled corporation. EPIRA also provides for the privatization of TRANSCO by directing PSALM to award in an open competitive bidding, the transmission facilities, including grid interconnections and ancillary services to a qualified party either through an outright sale or a concession agreement.

Concession Agreement

By virtue of its authority under EPIRA, and its Implementing Rules and Regulations, PSALM had carried out an open competitive bidding process in accordance with the Bidding Procedures dated August 1, 2007, as amended, to award a Concession for the Transmission Assets of TRANSCO.

As the bid dated December 12, 2007 (Bid Date) submitted by the consortium of MOGRC, SGIDL and CHPC (the Investors) resulted to being the highest among all the bids submitted and evaluated according to the Bidding Procedures, PSALM agreed to award the Concession to the Group, through NGCP, (Concessionaire), being the special purpose entity established by the Investors.

On February 28, 2008, the Group, through NGCP, entered into a Concession Agreement with PSALM and TRANSCO granting the Group, as Concessionaire the right to take over and operate the whole of TRANSCO's regulated transmission business as a going concern and be the sole representative of TRANSCO before the ERC. The Concession Agreement is for a 25-year period starting on January 15, 2009 (Commencement Date) and ending on January 15, 2034 (Full Term Expiration Date), which can be extended provided the concession period shall not be extended beyond the 50th anniversary of the Commencement Date (the “Term”) or for longer than the remaining term of the Group, through NGCP's franchise.

The Concession Agreement provides for the following, among others:

- a) From Commencement Date and subject to the terms of the Agreement, the Concessionaire shall take over and operate the whole of TRANSCO's regulated transmission business as a going concern and be the sole representative of the regulated entity to the ERC.
- b) The ERC shall regulate the Concessionaire in carrying on the Concession Agreement in accordance with applicable law, including EPIRA or any successor legislation.
- c) The Concessionaire, its employees, contractors and agents, shall have exclusive use of the Transmission Assets, Documented Property Rights and Intellectual Property Rights for the purpose of carrying out the Concession Agreement.
- d) The Concessionaire shall during the concession period assume all of the responsibilities as if it's an owner of the Transmission Assets, other than excluded assets, Documented Property Rights and Intellectual Property Rights including the obligation to license fees, taxes, renewal fees and other charges payable that fall due for payment during the concession period.

- e) So long as no Concessionaire default is continuing, TRANSCO shall make available to the Concessionaire the amounts of budgeted external funding under the Funding Agreements which have not been drawn as at Commencement Date as specified in the schedule of Projects Under Construction (PUC) towards the cost of completing PUC in accordance with the Construction Management Agreement (CMA) (see Note 8).
- f) The Concessionaire will carry out the Concession Agreement as an independent contractor for its own account.
- g) All contracts to be entered into by the Concessionaire relating to the operation of the Concession Agreement during its term and which: (a) are for a term of 12 months or more; and, (b) involving the payment of money or the receipt of money by the Concessionaire in excess of US\$1.0 million shall only be entered into by the Concessionaire if it includes an expressed provision of assignability, at TRANSCO's option, to TRANSCO or its nominee upon the expiration of the Concession Period or earlier termination of the Agreement.
- h) As security for prompt and complete performance of its obligations under the Agreement, the Concessionaire shall deliver to PSALM on Commencement Date a Performance Security in the form of Irrevocable Standby Letter of Credit. Each Performance Security, equal to 2% of the Concession Fee, shall be for a term of not less than twelve months. The Concessionaire shall deliver a replacement Performance Security by the Replacement Deadline (the date that is not less than five business days prior to the expiration date of the then effective Performance Security). Failure to deliver a replacement Performance Security by Replacement Deadline represents a Replacement Failure Draw Event.
- i) Subject to the provisions related to the Replacement Failure Draw Event, PSALM and TRANSCO shall be entitled to draw on and forfeit the entire amount of the Performance Security upon the occurrence of a Performance Security Drawing Event. Performance Security Drawing Event shall mean any one or combination of: (i) a Concessionaire Default, (ii) a Replacement Failure Draw Event, or (iii) any violation by the Concessionaire of any of the terms and conditions of the Agreement (including non-payment of Concession fee or any portion thereof) or any of the other Transaction Documents.
- j) From the Commencement Date, the Concessionaire shall be entitled to exercise all of TRANSCO's rights and shall discharge all of TRANSCO's liabilities (except for excluded liabilities) under all existing contracts relating to the operation of its regulated transmission business, including contracts for related businesses and any rights under any security deposits, letters of credit and other forms of credit support provided by TRANSCO's counterparties to such contracts (the Transferred Contracts).
- k) On the Commencement Date, TRANSCO shall transfer title to the Transferable Assets to the Concessionaire by executing a Deed of Transfer. TRANSCO and the Concessionaire shall execute additional deeds of transfer in respect of any subsequently discovered TRANSCO-owned tangible moving property, the title of which has not been transferred to the Concessionaire, under the Deed of Transfer.
- l) From Commencement Date, the Concessionaire shall manage the construction and completion of all PUC that have not been commissioned and placed in service on behalf of TRANSCO in accordance with the CMA (see Note 8).

- m) On the Commencement Date, and except for Excluded Receivables, the Concessionaire shall acquire all of TRANSCO's cash, receivables and the benefit of prepayments made by TRANSCO and shall assume the liability to pay and discharge all of TRANSCO's current liabilities except for Excluded Liabilities. TRANSCO's estimated working capital position and the Concession Fee shall be adjusted to account for any difference between TRANSCO's actual working capital position on the Commencement Date and such estimate.
- n) TRANSCO shall retain title to: (i) all of the Transmission Assets, Intellectual Property Rights, (ii) all assets comprising PUC or New Projects, and (iii) all easements, rights of way or other real estate interests, including Documented Property Rights acquired by the Concessionaire.
- o) From the Commencement Date, the Concessionaire agrees to design, develop, finance, construct and complete all New Projects that are necessary for the fulfillment of the Concessionaire's responsibilities as the Grid Owner and System Operator at its own cost and expense after taking account of the Transmission Development Plan (see Note 8).
- p) TRANSCO shall be liable to obligations in relation to loans existing prior to the Commencement Date contracted by NPC relating to the Transmission Assets, except those assumed by the Concessionaire under the Loan Covenants Agreement.
- q) TRANSCO shall temporarily assign to the Concessionaire its workforce to ensure a smooth transition in the operation of the Transmission Grid by the Concessionaire under the "Interim Assignment Agreement."
- r) In consideration for the grant of the Concession Agreement, the Concessionaire shall pay PSALM US\$3.95 billion. The Concessionaire shall pay 25% (or at the Concessionaire's option, a higher percentage) of the Concession Fee to PSALM in US dollar on the Commencement Date (Commencement Fee). The balance of the Concession Fee shall be converted to Philippine peso at a fixed exchange rate equal to P42.75 for every US dollar and paid to PSALM with interest in accordance with the Schedule of Deferred Payments. The Concession Fee is subject to adjustments in accordance with Schedule 6 to the Agreement, Adjustments to Concession Fee (see Notes 5, 8 and 14).
- s) The concession period shall terminate on the termination date and the Concessionaire's business shall thereupon be taken over by PSALM or its nominee as a going concern in accordance with the Agreement.
- t) In consideration for the Concessionaire's construction, installation, financing, management, improvement, operation, etc. of the Transmission Assets in the Philippines, TRANSCO shall pay the Concessionaire the Recovery Payment as determined by independent appraisers.

The Recovery Payment shall be paid, together with interest at the applicable rate from the termination date until transfer closing date. The applicable rate shall be:

- (a) In case of a termination by reason of a government default, a rate reflecting a fair and reasonable weighted average cost of capital as at the termination date,
- (b) In case of a termination by reason of a concessionaire default, a rate reflecting a fair and reasonable risk-free rate as at the termination date,
- (c) In the event of termination of the Agreement by reason of a no fault event, a rate reflecting a fair and reasonable cost of debt as at the termination date determined, and
- (d) In the event of expiration of the Concession Period, a rate reflecting a fair and reasonable cost of debt as at the expiration date determined.

PSALM shall remit the Recovery Payment, together with interest from the termination date until the transfer closing date at the applicable rate, by wire transfer to an account designated by the Concessionaire unless within that period PSALM notifies the Concessionaire in writing that it has elected to pay the Recovery Payment over seven (7) years.

The Recovery Payment will only be determinable at termination date by a mutually appointed independent appraiser.

Standby Letter of Credit

In compliance with the terms and conditions of the Concession Agreement, the NGCP obtained an Irrevocable Standby Letter of Credit (SBLC) with The Mizuho Bank, Ltd. amounting to US\$79.00 million in favor of PSALM which is effective September 26, 2024 until September 26, 2025.

Transferred Contracts

Included in the transferred contracts from TRANSCO are existing contracts before the bidding date and subsequent contracts entered into by TRANSCO after the bidding date such as, loan agreements amounting to P5.00 million and above, insurance contracts, software licenses of information technology and intellectual properties, radio station licenses, projects under construction, sub-transmission assets sale, procurement contracts, transmission service agreements, undelivered purchase orders, requirements for award, spatial data infrastructure projects and other agreements with transmission customers.

5. Concession Fee

As discussed in Note 4 to the consolidated financial statements, the Group shall pay PSALM US\$3.95 billion (P172.99 billion) as Concession Fee. Such fee is recognized as part of "Intangible asset" account in the consolidated statements of financial position as at December 31, 2024 and 2023 (see Note 8).

The Group paid PSALM the Commencement Fee amounting to US\$987.50 million (P46.34 billion), representing 25% of the Concession Fee, in January 2009 through funds received by NGCP from its Investors.

The balance of the Concession Fee of US\$2.962 billion was converted to peso liability at a fixed exchange rate of P42.75 for every US dollar at initial recognition, payable in forty (40) semi-annual installments (Deferred Payments). Interest is payable on the aggregate outstanding amount of the Deferred Payments in arrears on each semi-annual payment date (see Note 15).

Subsequently, the Concession Fee shall be adjusted as follows:

- a. The Concession Fee shall be adjusted for the difference between the audited Initial Working Capital (IWC) and the estimated IWC as at Commencement Date. The Concession Fee shall be: (i) increased if the audited IWC at Commencement Date is greater than the amount of estimated IWC; or (ii) decreased if the audited IWC at Commencement Date is less than the amount of estimated IWC (see Note 4).

- b. The Concession Fee shall be reduced by an amount equal to: (i) any reduction in the regulatory asset value resulting from the disposal of sub-transmission assets; and (ii) any difference between the aggregate regulatory asset value of transmission connection projects and sub-transmission projects included in the PUC approved by the ERC on their completion and the aggregate value of such projects if the aggregate ERC-approved value is lower than their aggregate estimated value.
- c. A recalculation of the amount of funding from sources other than the Funding Agreements and source of TRANSCO's actual expenditure on PUC before the Commencement Date and the estimated cost of capital expenditure to complete each PUC after the Commencement Date. If the remaining capital expenditure required to complete all PUC to be funded from sources other than Funding Agreements is higher than the expenditure to be funded from such sources after the Commencement Date, the Concession Fee shall be reduced by the difference between those two amounts. On the other hand, if the remaining capital expenditure required to complete all PUC to be funded from sources other than Funding Agreements is lower than the expenditure to be funded from such sources after the Commencement Date, the Concession Fee shall be increased by the difference between those two amounts (see Note 4).

Whenever it becomes necessary for the Concession Fee to be adjusted, the Concessionaire shall furnish PSALM with its preliminary calculations of the necessary adjustments within thirty days, together with a detailed explanation of its calculation.

Adjustments to Concession Fee

As at December 31, 2010, the audits of the PUC and IWC have been fully completed and agreed to by the parties. The estimated reduction in the regulatory asset value resulting from the disposals of the sub-transmission assets had also been determined and deemed insignificant as at December 31, 2010 while the difference between the aggregate regulatory asset value of transmission connection projects and sub-transmission projects included in the PUC approved by the ERC on their completion and the aggregate value of such projects set out in Schedule 2 to the Concession Agreement will be determined upon completion of the projects. Accordingly, the Group recognized the resulting net determinable adjustment to the Concession Fee amounting to P8.85 billion as at December 31, 2010. Subsequently, the Group determined and adjusted the computed escrow fund utilization amounting to P3.01 billion as at December 31, 2011 (see Note 8) as confirmed by TRANSCO in a letter dated August 15, 2011. On June 14, 2013, NGCP and PSALM had agreed the dollar portion of the PUC amount of P240.05 million resulting to additional adjustments to Concession Fee.

In accordance with Section 4.02 of the Concession Agreement, the Concession Fee shall be subject to adjustment based on Schedule 6 (Adjustments to Concession Fee) in light of the audit to be conducted pursuant to Subsection 4.02 (f) (Projects Under Construction). PSALM, TRANSCO and NGCP appointed Sinclair, Knight, Merz (SKM) as the independent appraiser to conduct the audit of PUC for purposes of determining the adjustment to concession fee. SKM made its independent determination of the estimated cost to complete each PUC and the final report was submitted on July 15, 2009, and was duly accepted and approved by PSALM, TRANSCO and NGCP. NGCP maintains that the proposed adjustment to concession fee be based on the SKM audit. However, there was differing interpretation proposed by PSALM which is currently being resolved.

On July 15, 2013, the Concession Fee was adjusted for P1.57 billion representing overpayment from January 15, 2009 to January 15, 2013, which was netted-out from its scheduled Concession Fee payment to PSALM. Further, PSALM refunded NGCP the amounts of US\$29.26 million representing overpayment on the 25% upfront concession fee payment.

The Concession Fee Adjustment further includes P1.77 billion adjustment to the 75% semi-annual deferred payment amortization for the 10-year period January 15, 2014 to January 15, 2024. As of December 31, 2024, the total Concession Fee Payable amounts to P49.90 billion broken down into Non-Current and Current portions amounting to P40.56 billion and P9.34 billion, respectively. The Current portion amounting to P9.34 billion is due for payment on January 15 and July 15, 2025.

On December 31, 2016, the Concession Fee was adjusted for P557.34 million representing interest receivable and accounts receivable - others which were turned-over by TRANSCO and subsequently determined to be uncollectible.

The Group has reserved its right to further adjustment of the Concession Fee and full refund of any and all overpayments of Concession Fees following the finalization of Adjustments to Concession Fee.

The Adjustments to the Concession Fee are computed based on the formula as set out in Schedule 6 of the Concession Agreement ("Schedule 6, Adjustments to Concession Fee"). The Commencement Fee is increased or decreased by the difference between the Concession Fees prior to the adjustments and the Concession Fee after the adjustments in accordance with Schedule 6, and such difference is multiplied by the ratio of the Commencement Fee to the Concession Fee expressed as a percentage ("M"). In addition, Deferred Payment is increased or decreased by the difference between the Concession Fees prior to the adjustments and the Concession Fee after the adjustments in accordance with Schedule 6, and such difference is multiplied by the percentage difference of 100% - M.

Concession Fee Payable

This account consists of the balance of the Concession Fee amounting to US\$2.962 billion converted to peso liability at a fixed exchange rate of P42.75 for every US dollar at initial recognition and is payable in 40 semi-annual installments (Deferred Payments).

Interest rate applicable to the Deferred Payments has been fixed until the last semi-annual payment date of the Second Regulatory Period (January 2006 to December 2010) to equal to the Philippine Dealing System (PDS) Treasury Fixing or PDST-F or PDST-F 10 year benchmark rate as published by the Philippine Dealing and Exchange (PDEX) Corporation on the Market page of the PDEX System (the 10 Year PDST-F Rate) at approximately 11:16 am on a date designated by PSALM falling approximately one month before the Bid Date plus 230 basis points (2.3%). After the end of the Second Regulatory Period, the interest rate shall be adjusted for the next Regulatory Period and every Regulatory Period, thereafter, and such adjusted interest rate shall be applicable for each Deferred Payment falling due during the relevant Regulatory Period. The adjusted interest rate shall be equal to the 10 Year PDST-F Rate at approximately 11:16 am two business days before the semi-annual payment date on which an adjustment is to take effect plus 230 basis points (2.3%).

For the Fourth Regulatory Period, PSALM Board of Directors approved, on June 16, 2015, through PSALM Board Resolution No. 2015-0616-08 to substitute the interest benchmark rate under the Concession Agreement (CA) from 10-Year PDST-F to 10-Year PDST-R1. This adjusted interest rate was applied for each Deferred Payment falling due during the relevant Regulatory Period. Thus, for the Fourth Regulatory Period starting January 1, 2016 to December 31, 2020, interest rate applied was 6.5391%.

With the retirement of the PDST reference rates effective October 29, 2018, PSALM in its letter dated August 14, 2019, hereby confirms that the 10-year PHP BVAL interest benchmark rate for Philippine Government issued debt securities shall be the interest rate for the next Regulatory Period of the Deferred Payments under the Concession Agreement (CA). The 10-year PHP BVAL as at January 13, 2021, was 3.013% plus 2.30% margin, the applicable interest rate for the Fifth Regulatory Period covering January 1, 2021 to December 31, 2025 shall be 5.313%.

Interest expense on deferred payments in 2024 and 2023 recognized in profit or loss amounted to P2.78 billion and P2.89 billion, respectively (see Note 14).

6. Business Combination under Common Control

As discussed in Note 1, on May 28, 2021, SGDPI entered into a share swap transaction in exchange for the shares of stocks of OTHI and P21. The business combination involving OTHI and P21 including NGCP (collectively referred to as the “acquired subsidiaries”) and SGDPI is considered to be a business combination of entities under common control as two major shareholders, through contractual agreement and with majority representation in the Board of Directors, jointly controls SGDPI and the acquired subsidiaries before and after the acquisition.

The Share Swap Transaction which is considered to be a business combination of entities under common control was accounted for retrospectively using the pooling of interests method with the consolidated financial statements being restated as if the entities had always been combined for the periods that the entities were under common control.

The Group recognized the assets acquired and liabilities assumed at their carrying amounts. The difference between the consideration paid or transferred and the net assets acquired is recognized under “Equity adjustment from common control transactions” account in the consolidated statements of changes in equity.

7. Non-controlling Interests

The details of the Group's material non-controlling interests as a result of the consolidation of OTHI, P21 and NGCP are as follows:

	December 31, 2024			December 31, 2023		
	Consolidated OTHI	Consolidated P21	NGCP	Consolidated OTHI	Consolidated P21	NGCP
Percentage of non-controlling interests	33%	33%	40%	33%	33%	40%
Carrying amount of non-controlling interests	(P13,682,809,782)	(P17,372,737,198)	P92,769,806,871	(P13,332,711,758)	(P17,025,911,823)	P84,813,290,512
Net income attributable to non-controlling interests	(P588,424)	(P615,775)	P9,467,033,742	(P526,233)	(P1,397,362)	12,724,681,411
Other comprehensive income attributable to non-controlling interests	P -	P -	P58,357,383	P -	P -	P173,255,388
Dividends paid to non-controlling interests	P349,509,600	P346,209,600	P1,452,160,000	P356,109,600	P356,109,600	P1,452,160,000

The following are the financial information of OTHI, P21 and NGCP:

	December 31, 2024			December 31, 2023		
	Consolidated OTHI	Consolidated P21	NGCP	Consolidated OTHI	Consolidated P21	NGCP
Current assets	P36,082,659	P33,657,053	P48,469,579,546	P34,182,478	P21,938,247	P49,440,661,356
Noncurrent assets	52,698,983,473	42,448,851,072	453,046,557,268	49,070,382,654	38,820,148,508	405,856,855,265
Current liabilities	1,540,039	844,815,352	100,110,430,340	3,998,040	847,273,566	85,580,248,970
Noncurrent liabilities	8,699	12,163	242,645,202,268	-	-	224,283,975,891
Net assets	P52,733,517,394	P41,637,680,610	P158,760,504,206	P49,100,567,092	P37,994,813,189	P145,433,291,760
Revenues/Income	P4,748,045,526	P4,747,681,043	P53,014,087,918	P6,381,449,623	P6,380,799,296	P52,999,780,707
Net income	P4,721,332,822	P4,721,249,941	P17,434,684,607	P6,355,024,607	P6,352,384,823	P23,434,035,748
Other comprehensive income (loss)	(29,262,520)	(29,262,520)	(107,472,161)	(86,876,569)	(86,876,569)	(319,070,697)
Total comprehensive income	P4,692,070,302	P4,691,987,421	P17,327,212,446	P6,268,148,038	P6,265,508,254	P23,114,965,051
Cash flows provided by (used in) operating activities	(P31,717,941)	(P31,909,744)	P36,777,655,365	(P52,402,965)	(P29,479,552)	P38,995,316,763
Cash flows provided by (used in) investing activities	1,089,120,000	1,089,120,000	(55,981,633,974)	1,088,670,130	1,089,120,000	(54,663,051,663)
Cash flows provided by (used in) financing activities	(1,059,120,000)	(1,049,120,000)	18,322,355,475	(1,079,120,000)	(1,079,120,000)	22,200,686,207
Effect of exchange rate changes on cash and cash equivalents	34,797	48,652	1,424,335	(7,868)	(10,990)	(898,108)
Net increase (decrease) in cash and cash equivalents	(P1,683,144)	P8,138,908	(P880,198,799)	(P42,860,703)	(P19,490,542)	P6,532,053,199

8. Intangible Asset - net

This account consists of:

	Note	2024	2023
Cost:			
Concession fee	2, 5	P160,296,289,265	P160,296,289,265
Cost of completed projects	2	191,634,567,825	141,257,236,694
Computer software	2	487,983,237	487,983,237
		352,418,840,327	302,041,509,196
Less accumulated amortization		128,475,642,442	116,688,774,461
		223,943,197,885	185,352,734,735
Contract assets		201,601,930,147	192,658,330,354
		P425,545,128,032	P378,011,065,089

Concession Fee

This represents the right to operate the entire regulated transmission business of TRANSCO during the concession period. The Concession Fee is subsequently adjusted by the Adjustments to Concession Fee disclosed in Note 5 pursuant to Schedule 6 of the Concession Agreement.

Amortization expense recognized in profit or loss amounted to P6.38 billion in 2024 and 2023.

Costs of Completed Projects

This pertains to the intangible asset resulting from completed transmission projects from Commencement Date to report date which will be transferred to TRANSCO at the end of the concession period in accordance with the Concession Agreement.

Amortization expense recognized in profit or loss amounted to P5.39 billion and P3.88 billion in 2024 and 2023, respectively.

Contract Assets

This pertains to the intangible asset related to costs of assets under construction resulting from the construction of transmission assets as part of the Concession Agreement and will be transferred to TRANSCO at the end of the concession period.

Computer Software and License

This pertains to the costs incurred for the Enterprise Resource Planning (ERP) Project, Enterprise Document Management System (EDMS), Integrated Human Resource Application (IHRA), Integrated Meter Data Validation System (IMDVS), Medical Information System (MEDYSIS) and Visitor's Management System (VMS) amounting to P487.98 million as at December 31, 2024 and 2023.

Amortization expense recognized in profit or loss amounted to P20.58 million and P20.82 in 2024 and 2023, respectively.

The movements and balances of the accounts are as follows:

	Per Concession Right				Computer Software	Total
	Concession Fee	Completed Projects/Others	Contract Assets	Total		
Cost						
January 1, 2023	P160,296,289,265	P96,611,921,945	P180,440,007,273	P437,348,218,483	P487,983,237	P437,836,201,720
Additions/adjustments	-	44,645,314,749	12,218,323,081	56,863,637,830	-	56,863,637,830
December 31, 2023	160,296,289,265	141,257,236,694	192,658,330,354	494,211,856,313	487,983,237	494,699,839,550
Additions/adjustments	-	50,377,331,131	8,943,599,793	59,320,930,924	-	59,320,930,924
December 31, 2024	160,296,289,265	191,634,567,825	201,601,930,147	553,532,787,237	487,983,237	554,020,770,474
Accumulated Amortization						
January 1, 2023	90,163,872,021	15,806,810,161	-	105,970,682,182	439,872,293	106,410,554,475
Additions/adjustments	6,375,674,295	3,881,721,504	-	10,257,395,799	20,824,187	10,278,219,986
December 31, 2023	96,539,546,316	19,688,531,665	-	116,228,077,981	460,696,480	116,688,774,461
Additions/adjustments	6,375,674,295	5,390,615,350	-	11,766,289,645	20,578,336	11,786,867,981
December 31, 2024	102,915,220,611	25,079,147,015	-	127,994,367,626	481,274,816	128,475,642,442
Net Carrying Amount						
December 31, 2023	P63,756,742,949	P121,568,705,029	P192,658,330,354	P377,983,778,332	P27,286,757	P378,011,065,089
December 31, 2024	P57,381,068,654	P166,555,420,810	P201,601,930,147	P425,538,419,611	P6,708,421	P425,545,128,032

9. Goodwill

Goodwill amounting to P10.47 billion as at December 31, 2024 and 2023 arise from the acquisition of OTHI of 100% equity interest in MOGRC and acquisition of MOGRC and CHPC of 30% interest each in NGCP.

The recoverable amount of goodwill has been determined based on valuation using cash flow projections (value in use) covering a five-year period based on long range plans approved by management. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and were based on historical data from both external and internal sources. Cash flows beyond the five-year period are extrapolated using a constant growth rate determined to arrive at its terminal value. The average growth rate used is 17.7% and 14.1% in 2024 and 2023, respectively, are based on Group's expectations of market developments and past historical performance. The discount rate applied to after tax cash flow projections is 11.98% in 2024 and 2023. The discount rate also imputes the risk of the cash-generating units compared to the respective risk of the overall market and equity risk premium. The recoverable amount of goodwill has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique (see Note 3).

No impairment loss was recognized for goodwill for the year ended December 31, 2024 and 2023.

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause their carrying amounts to exceed their recoverable amounts.

The calculations of value in use are most sensitive to discount rate. The risk-adjusted weighted average cost of capital is used as the discount rate, which reflects management's estimate of the risk specific to each unit. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.

10. Property and Equipment - net

The movements of this account are as follows:

	Structures and Improvements	Transportation Equipment	Machinery and Equipment	Office Furniture and Fixtures	Total
Cost					
January 1, 2023	P532,975,792	P3,539,289,849	P5,569,013,339	P4,333,871,592	P13,975,150,572
Additions during the year	24,249,360	327,780,743	133,246,068	233,292,574	718,568,745
December 31, 2023	557,225,152	3,867,070,592	5,702,259,407	4,567,164,166	14,693,719,317
Additions during the year	337,172	742,764,474	204,526,917	154,859,580	1,102,488,143
December 31, 2024	557,562,324	4,609,835,066	5,906,786,324	4,722,023,746	15,796,207,460
Accumulated Depreciation					
January 1, 2023	189,912,121	2,293,013,397	3,384,767,234	3,042,627,656	8,910,320,408
Depreciation during the year	112,306,552	235,057,109	226,320,646	216,842,768	790,527,075
December 31, 2023	302,218,673	2,528,070,506	3,611,087,880	3,259,470,424	9,700,847,483
Depreciation during the year	123,092,272	272,991,343	250,174,627	179,570,536	825,828,778
December 31, 2024	425,310,945	2,801,061,849	3,861,262,507	3,439,040,960	10,526,676,261
Net Carrying Amount					
December 31, 2023	P255,006,479	P1,339,000,086	P2,091,171,527	P1,307,693,742	P4,992,871,834
December 31, 2024	P132,251,379	P1,808,773,217	P2,045,523,817	P1,282,982,786	P5,269,531,199

	Structures and Improvements	Transportation Equipment	Machinery and Equipment	Office Furniture and Fixtures	Total
Cost					
January 1, 2022	P221,286,645	P2,916,701,019	P5,094,083,519	P4,103,103,634	P12,335,174,817
Additions during the year	311,689,147	622,588,830	474,929,820	230,767,958	1,639,975,755
December 31, 2022	532,975,792	3,539,289,849	5,569,013,339	4,333,871,592	13,975,150,572
Additions during the year	24,249,360	327,780,743	133,246,068	233,292,574	718,568,745
December 31, 2023	557,225,152	3,867,070,592	5,702,259,407	4,567,164,166	14,693,719,317
Accumulated Depreciation					
January 1, 2022	87,263,611	2,122,426,355	3,173,085,279	2,821,814,151	8,204,589,396
Depreciation during the year	102,648,510	170,587,042	211,681,955	220,813,505	705,731,012
December 31, 2022	189,912,121	2,293,013,397	3,384,767,234	3,042,627,656	8,910,320,408
Depreciation during the year	112,306,552	235,057,109	226,320,646	216,842,768	790,527,075
December 31, 2023	302,218,673	2,528,070,506	3,611,087,880	3,259,470,424	9,700,847,483
Net Carrying Amount					
December 31, 2022	P343,063,671	P1,246,276,452	P2,184,246,105	P1,291,243,936	P5,064,830,164
December 31, 2023	P255,006,479	P1,339,000,086	P2,091,171,527	P1,307,693,742	P4,992,871,834

Depreciation expense recognized in statements of comprehensive income amounted to P825.83 million and P790.53 million in 2024 and 2023, respectively.

11. Cash and Cash Equivalents

This account consists of:

	Note	2024	2023
Cash on hand		P28,115,283	P23,484,059
Cash in banks		4,702,607,668	3,788,997,572
Short-term placements		4,231,805,635	6,100,434,467
	24	P8,962,528,586	P9,912,916,098

Cash in banks generally earn interest at rates based on daily bank deposit rates. Short-term placements have average tenors of three (3) months or less and earn interests ranging from 1.00% - 6.050% and 1.00% - 6.15% in 2024 and 2023, respectively. Interest income earned amounted to P188.02 million and P118.89 million in 2024 and 2023, respectively.

12. Receivables

This account consists of:

A. Current Receivables

	Note	2024	2023
Power receivables	24	P4,468,438,966	P4,421,503,592
Due from customers	24	7,124,141,542	3,008,838,471
Accrued power receivables	24	735,612,165	732,532,033
Output VAT receivable		1,489,299,276	1,828,431,086
Due from officers and employees and other receivables	24	229,503,291	138,663,332
Restructured power receivables	24	11,666,554	73,729,976
Interest receivable	24	3,507,901	3,926,222
		P14,062,169,695	P10,207,624,712

B. Noncurrent Receivables

	Note	2024	2023
Restructured power receivables		P1,496,372,425	P1,409,399,028
Accrued power receivables		18,507,913,333	18,507,913,333
Power receivables		126,594,475	120,541,875
Due from customers		439,437,957	439,437,957
Other noncurrent account receivable		1,412,909,900	1,412,909,900
	24	21,983,228,090	21,890,202,093
Less allowance for impairment losses		(2,136,138,659)	(2,071,468,659)
		P19,847,089,431	P19,818,733,434

Details of movements of allowance for impairment losses are as follows:

	2024	2023
Balance at beginning of year	P2,071,468,659	P2,006,798,659
Provision for impairment losses on receivables during the year	64,670,000	64,670,000
Balance at end of year	P2,136,138,659	P2,071,468,659

Noncurrent - receivables consist of amount due from power customers relating to transmission and sub-transmission services, ancillary services and the claim from Department of Public Works and Highways (DPWH) amounting to P1.41 billion for the damaged Amlan-Samboan submarine cable which are to be collected beyond 1 year. These receivables pertain mainly to the iMAR2020 approved by ERC in an order dated March 23, 2022, amounting to P51.471 million effective January 1, 2020 until a new transmission revenue has been determined. Starting May 2022 billing period, NGCP already implemented the billing based on the P51.471 million iMAR. However, NGCP is yet to receive ERC's resolution on the proposed manner of recovery of the unbilled iMAR2020 for the years 2020, 2021 and four (4) months of 2022 resulting to the accrual of the unbilled incremental iMAR2020 for the 2020, 2021 and the four (4) months of 2022. As of December 31, 2023, total unbilled non-current power receivables amounted to P17.62 billion, of which P7.38 billion pertains to incremental iMAR of 2020, P7.68 billion for iMAR of 2021, P2.56 billion for the four (4) months of 2022 and P883.06 million pertains to Performance Incentive Scheme (PIS).

Due from customers pertains to receivables for ancillary service charges (ASC), FIT-ALL and universal charges billed to the customers on behalf of the ancillary service providers, TRANSCO and PSALM. These charges will ultimately be remitted to ancillary providers, TRANSCO and PSALM. The noncurrent portion pertains to customers with dispute resolution cases pending with ERC.

Accrued power receivables refers to the estimated amount of revenues earned but not yet billed to the customers at year-end. This contract asset is generally reversed upon billing and recognition of power receivables.

Output VAT Receivables is the value added tax due from sales of goods and services both to customers and to other businesses.

Restructured power receivables represent that portion of restructured power customers' accounts subject to repayment by pre-determined installments.

Accrued interest receivable from short-term placements amounted to P3.17 million and P3.61 million as at December 31, 2024 and 2023, respectively.

13. Prepaid Expenses and Other Assets

A. Prepaid Expenses and Other Current Assets

This account consists of:

	2024	2023
Advance payment to suppliers and contractors	P12,345,647,326	P15,951,538,965
Court and other deposits	6,864,330,608	6,237,280,621
Materials, supplies and spare parts - net	3,624,122,945	3,666,347,815
Input VAT	2,040,454,990	3,010,526,021
Other deposits	612,210,504	526,240,591
Prepaid expenses	233,932,847	194,074,053
Materials, supplies and spare parts in transit	38,348,638	107,830,271
Other supplies	24,278,387	21,862,305
Guaranty deposit	9,072,835	9,072,835
Calamity loan fund	37,266	60,261
	P25,792,436,346	P29,724,833,738

Advance payment to suppliers and contractors includes the balance advanced by the Group to suppliers and contractors in relation with its contracts for the construction of the project or for services rendered.

Court and other deposits include various amounts deposited with the provincial, municipal or city courts and other entities as guaranty for the fulfillment of obligation and for other purposes. These are mostly provisional deposits relative to right of way and/or lot acquisition cases (Note 25).

Materials, supplies and spare parts before write-down to net realizable value amounted to P3.97 billion and P4.03 billion as at December 31, 2024 and 2023, respectively, which resulted to an accumulated write-down amount of P346.27 million as at December 31, 2024 and 2023.

Materials, supplies and spare parts and other supplies charged in the consolidated statements of income amounted to P176.53 million and P235.12 million in 2024 and 2023, respectively.

Materials, supplies and spare parts are items that will be used in the operations and maintenance of utility plants, substation and transmission lines.

Input VAT is the value-added tax added to the price on purchases of goods and services to suppliers/contractors liable to VAT. It is deductible to the amount of Output VAT payable to the Bureau of Internal Revenue (BIR).

Other deposits consist of amounts advanced by the Group such as refundable and security deposits.

Prepaid expenses refer to advance payments made for rent, insurance, communication license and all expenditures related to preliminary surveys, studies, investigations and other related undertakings to determine the feasibility of a project for development by the Group.

Materials, supplies and spare parts in transit pertain to items that were already purchased by the Group but not yet received.

Guaranty deposits include the amount of letters of credit (LC) opened in favor of suppliers corresponding to the marginal guaranty deposits and other charges applicable to the LC. These also include other transactions requiring deposit to guarantee for the fulfillment of an obligation.

Calamity loan fund pertains to the cash advances provided to the employees for the damages suffered by them due to the typhoon calamities.

B. Other Noncurrent Assets

This account consists of:

	2024	2023
Deferred input VAT	P20,644,276	P56,279,256
Project prepayment – noncurrent	2,365,046,646	2,979,561,262
	P2,385,690,922	P3,035,840,518

Deferred Input VAT refers to the balance of input VAT of acquired capital goods with cost of P1.00 million and above and amortized for five (5) years.

Project prepayment represents cash advances to contractors in connection with the contract for the construction of project or for services rendered which will not be recouped within one year from the date of payment. These are expenses to be converted into cash once contractor did not fulfill obligation.

14. Loans Payable

Outstanding Balance and Maturities

Outstanding balance of loans payable is presented below:

	Note	2024	2023
Loan Facilities (Net of Debt Issuance Costs)			
Fixed-rate peso corporate notes		P11,296,965,177	P20,781,381,427
Peso denominated term loan		208,885,804,265	172,726,748,310
	24	220,182,769,442	193,508,129,737
Less current portion		23,285,478,167	23,738,528,528
		P196,897,291,275	P169,769,601,209

Movements in debt issuance costs are as follows:

	2024	2023
Balance at beginning of year	P1,024,700,263	P884,499,386
Debt issuance costs during the year	639,516,129	371,774,193
Amortization during the year	(249,495,834)	(231,573,316)
Balance at end of year	P1,414,720,558	P1,024,700,263

Repayment Schedule

As at December 31, 2024, the annual maturities of loans payable are as follows:

Year	Gross Amount	Debt Issuance Costs	Net
2024	P23,523,340,000	P237,861,833	P23,285,478,167
2025	27,573,340,000	240,713,008	27,332,626,992
2026	26,213,810,000	210,204,152	26,003,605,848
2027	28,903,000,000	172,818,907	28,730,181,093
2028	31,484,000,000	132,176,051	31,351,823,949
More than 5 years	83,900,000,000	420,946,607	83,479,053,393
	P221,597,490,000	P1,414,720,558	P220,182,769,442

As at December 31, 2023, the annual maturities of loans payable are as follows:

Year	Gross Amount	Debt Issuance Costs	Net
2024	P23,935,340,000	P196,811,472	P23,738,528,528
2025	21,523,340,000	168,251,205	21,355,088,795
2026	23,523,340,000	150,329,639	23,373,010,361
2027	21,163,810,000	133,523,178	21,030,286,822
2028	22,178,000,000	109,038,515	22,068,961,485
More than 5 years	82,209,000,000	266,746,254	81,942,253,746
	P194,532,830,000	P1,024,700,263	P193,508,129,737

Details, Description and Terms of the Loans

Following are the details, description and terms of the loans:

Financing of Capital Expenditures

- a. The Group, through NGCP, entered into a P15.00 billion Peso Bilateral Unsecured Term Loan Agreement - P4.00 Billion drawn on February 13, 2024, P8.00 billion drawn on March 15, 2024 and final tranche of P3.00 billion on April 5, 2024 then, a P5.00 billion Bilateral Unsecured Term Loan Agreement drawn on April 8, 2024, another P5.00 billion Bilateral Unsecured Term Loan Agreement drawn on May 22, 2024, a P25.00 billion Bilateral Unsecured Term Loan Agreement - P12.00 billion drawn on July 10, 2024, P1.50 billion drawn on December 11, 2024, a P10.00 billion Bilateral Unsecured Term Loan Agreement - P3.00 billion drawn on September 23, 2024, P5.50 billion drawn on November 11, 2024 and final tranche of P1.50 billion on December 11, 2024 and a P10.00 billion Bilateral Unsecured Term Loan Agreement - P3.00 billion drawn on October 14, 2024, P5.00 billion on January 14, 2025 and a P2.50 billion Bilateral Unsecured Term Loan Agreement drawn on January 14, 2025.

- b. The Group, through NGCP, entered into a P4.60 billion Peso Bilateral Unsecured Term Loan drawn on January 9, 2023; P3.30 billion from P6.00 billion Peso Bilateral Unsecured Term Loan drawn on January 16, 2023; P5.00 billion drawn on March 7, 2023, P8.00 billion drawn on June 6, 2023, P7.00 billion drawn on July 14, 2023, P2.70 billion drawn on September 29, 2023 and P2.30 billion drawn on November 16, 2023 from P25.00 billion Peso Bilateral Unsecured Term Loan; P5.00 billion Peso Bilateral Unsecured Term Loan drawn on March 31, 2023; P5.00 billion Peso Bilateral Unsecured Term Loan drawn on July 14, 2023; P1.50 billion Peso Bilateral Unsecured Term Loan drawn on September 14, 2023 and P5.00 billion Peso Bilateral Unsecured Term Loan drawn on December 13, 2023, intended for purposes of financing New Projects or for any other purpose related to carrying out the Concession including but not limited to financing capital expenditures. Terms of these loans include Ten-year Peso Bilateral Unsecured Term Loan for P3.30 billion from P6.00 billion, for P5.00 billion, P8.00 billion, P7.00 billion, P2.70 billion and P2.30 billion from P25.00 billion, for P5.00 billion and for another P5.00 billion; Seven-year Peso Bilateral Unsecured Term Loan for P4.60 billion and for P1.50 billion; and Five-year Peso Bilateral Unsecured Term Loan for P5.00 billion. For the P4.60 billion, the applicable interest rate for the Loan shall be (i) the Interest Rate for the period beginning on the Drawdown Date until the third anniversary of the Drawdown Date and (ii) the Interest Rate, for the period beginning on the day immediately following the third anniversary of the Drawdown Date until the Maturity Date. For the P3.30 billion from the P6.00 billion, the applicable interest rate for the Loan shall be (i) the Interest Rate for the period beginning on the relevant Drawdown Date until the fifth anniversary of the initial Drawdown Date and (ii) the Reset Interest Rate, for the period beginning on the day immediately following the fifth anniversary of the initial Drawdown date until Maturity Date. For the P5.00 billion, P8.00 billion, P7.00 billion, P2.70 billion and P2.30 billion from the P25.00 billion, the applicable interest rate for the Loan shall be: (i) the Initial Interest Rate for the period beginning on the relevant Drawdown Date until the Reset Date and (ii) the Reset Interest Rate, for the period beginning on the day immediately following the Reset Date until the Maturity Date. For the P5.00 billion, the applicable interest rate for the Loan shall be (i) the Interest Rate for the period beginning on the relevant Drawdown Date until the Reset Date and (ii) the Reset Interest Rate, for the period beginning on the day immediately following the Reset Date until the Maturity Date. For the P5.00 billion, the applicable interest rate for the Loan shall be the Interest Rate for the period beginning on the relevant Drawdown Date until the Maturity Date. For the P1.50 billion, the applicable interest rate for the Loan shall be (i) the Interest Rate for the period beginning on the Drawdown Date until the second anniversary of the Drawdown Date and (ii) the Interest Rate, for the period beginning on the day immediately following the second anniversary of the Drawdown Date until the Maturity Date. For the P5.00 billion, the applicable interest rate for the Loan shall be (i) the Interest Rate for the period beginning on the relevant Drawdown Date until the day immediately preceding the fifth anniversary of the initial Drawdown Date and (ii) the Reset Interest Rate, for the period beginning on the fifth anniversary of the initial Drawdown Date until the Maturity Date.

- c. The Group, through NGCP, entered into a P5.90 billion from P20.90 billion Peso Bilateral Unsecured Term Loan drawn on January 10, 2022; P5.00 billion Peso Bilateral Unsecured Term Loan drawn on February 24, 2022, P10.00 billion Peso Bilateral Unsecured Term Loan drawn on April 7, 2022 (P5.00 billion) and July 14, 2022 (P5.0 billion), P3.20 billion Peso Bilateral Unsecured Term Loan drawn on September 9, 2022, P2.70 billion from P6.00 billion Peso Bilateral Unsecured Term Loan drawn on September 20, 2022 (P1.40 billion) and December 12, 2022 (P1.30 billion), and P4.70 billion Peso Bilateral Unsecured Term Loan drawn on November 14, 2022, intended for purposes of financing New Projects or for any other purpose related to carrying out the Concession including but not limited to financing capital expenditures. Terms of these loans include Ten-year Peso Bilateral Unsecured Term Loan for P5.90 billion from P20.90 billion, for P5.00 billion, for P10.00 billion, for P3.20 billion, for P2.70 billion from P6.0 billion and Five-year Peso Bilateral Unsecured Term Loan for P4.70 billion. The applicable interest rate for the P5.90 billion from P20.90 billion, the applicable interest rate for the Loan shall be (i) the Interest Rate for the period beginning on the relevant Drawdown Date until the fifth anniversary of the initial Drawdown Date and (ii) the Reset Interest Rate, for the period beginning on the Reset Date until the Maturity Date. For the P5.00 billion, the applicable interest rate for the Loan shall be (i) the Interest Rate for the period beginning on the Drawdown Date until the fifth anniversary of the Drawdown Date and (ii) the Reset Interest Rate, for the period beginning on the Reset Date until the Maturity Date. For the P10.00 billion, the applicable interest rate for the Loan shall be (i) the Interest Rate for the period beginning on the relevant Drawdown Date until the fifth anniversary of the initial Drawdown Date and (ii) the Reset Interest Rate, for the period beginning on the Reset Date until the Maturity Date. For the P3.20 billion, the applicable interest rate for the Loan shall be (i) the Interest Rate for the period beginning on the Drawdown Date until the fifth anniversary of the Drawdown Date and (ii) the Reset Interest Rate, for the period beginning on the Reset Date until the Maturity Date. For the P2.70 billion from P6.00 billion, the applicable interest rate for the Loan shall be (i) the Interest Rate for the period beginning on the relevant Drawdown Date until the fifth anniversary of the initial Drawdown Date and (ii) the Reset Interest Rate, for the period beginning on the day immediately following the fifth anniversary of the initial Drawdown Date until the Maturity Date. For the P4.70 billion, the applicable interest rate for the Loan shall be the Interest Rate for the period beginning on the Drawdown Date until the Maturity Date.

- d. The Group, through NGCP, entered into a P4.00 billion; P5.00 billion; P3.00 billion from P6.00 billion; P5.00 billion, P6.00 billion and P4.00 billion from P20.90 billion; and P2.50 billion Peso Bilateral Unsecured Term Loan which were drawn on February 24, 2021, May 21, 2021, June 21, 2021, July 14, 2021, September 13, 2021, November 9, 2021 and December 16, 2021 respectively, intended for purposes of financing New Projects or for any other purpose related to carrying out the Concession including but not limited to financing capital expenditures. Terms of these loans include Ten-year Peso Bilateral Unsecured Term Loan for P4.00 billion; Five-year Peso Bilateral Unsecured Term Loan for P5.00 billion, Ten-year Peso Bilateral Unsecured Term Loan for P3.00 billion from P6.00 billion; Ten-year Peso Bilateral Unsecured Term Loan for P6.00 billion and P4.00 billion from P20.90 billion and Five-year Peso Bilateral Unsecured Term Loan for P2.50 billion drawn as at December 31, 2021. The applicable interest rate for the P4.00 billion Term Loan shall be: (i) the Interest Rate for the period beginning on the Drawdown Date until the fifth anniversary of the Drawdown Date and (ii) the Reset Interest Rate, for the period beginning on the Reset Date until the Maturity Date. For the P5.00 billion, the applicable interest rate shall be the Interest Rate for the period beginning on the Drawdown Date until the Maturity Date. For the P3.00 billion from P6.00 billion, the applicable interest rate for the Loan shall be (i) the Interest Rate for the period beginning on the relevant Drawdown Date until the fifth anniversary of the initial Drawdown Date and (ii) the Reset Interest Rate, for the period beginning on the Reset Date until the Maturity Date. For the P5.00 billion, P6.00 billion and P4.00 billion from P20.90 billion, the applicable interest rate for the Loan shall be (i) the Interest Rate for the period beginning on the relevant Drawdown Date until the fifth anniversary of the initial Drawdown Date and (ii) the Reset Interest Rate, for the period beginning on the Reset Date until the Maturity Date. For the P2.50 billion, the applicable interest rate for the Loan shall be (i) the Interest Rate for the period beginning on the Drawdown Date until the second anniversary of the Drawdown Date and (ii) the Reset Interest Rate, for the period beginning on the Reset Date until the Maturity Date.

- e. The Group, through NGCP, into a P4.20 billion from P7.00 billion, P1.00 billion, P10.00 billion, P3.00 billion from P6.0billion, and P1.00 billion Peso Bilateral Unsecured Term Loan which was drawn on March 10, 2020, April 2, 2020, April 28, 2020, and the last two (2) loans both on July 10, 2020, respectively, intended for purposes of financing New Projects or for any other purpose related to carrying out the Concession including but not limited to financing capital expenditures. Terms of these loans include Five-year Peso Bilateral Unsecured Term Loan for P1.00 billion and Ten-year Peso Bilateral Unsecured Term Loan for P10.00 billion and the balance of P4.20 billion from P7.00 billion term loan, Ten-year Peso Bilateral Unsecured Term Loan for P6.00 billion, and Five-year Peso Bilateral Unsecured Term Loan for P1.00 billion drawn as at December 31, 2020. The applicable interest rate for the P1.00 billion Term Loan shall be: (i) the Interest Rate for the period beginning on the Drawdown Date until the second anniversary of the Drawdown Date and (ii) the Interest Rate, for the period beginning on the day immediately following the second anniversary of the Drawdown Date until the Maturity Date whereas the applicable interest rate for the P10.00 billion Term Loan shall be: (i) the Interest Rate for the period beginning on the relevant Drawdown Date until the fifth anniversary of the initial Drawdown Date and (ii) the Reset Interest Rate, for the period beginning on the Reset Date until the Maturity Date. For the P4.20 billion from P7.00 billion Term Loan, the applicable interest rate shall be (i) the Interest Rate for the period beginning on the relevant Drawdown Date until the fifth anniversary of such Drawdown Date and (ii) the Reset Interest Rate, for the period beginning on the Reset Date until the relevant Maturity Date. For the P6.00 billion, the applicable interest rate shall be (i) the Interest Rate for the period beginning on the relevant Drawdown Date until the fifth anniversary of the initial Drawdown Date and (ii) the Reset Interest Rate, for the period beginning on the Reset Date until the Maturity Date. For the P1.00 billion, the applicable interest rate shall be the Interest Rate for the period beginning on the Drawdown Date until the Maturity Date.
- f. The Group, through NGCP, entered into a P5.00 billion, P5.00 billion, P2.00 billion, P15.00 billion and P2.80 billion from P7.00 billion Peso Bilateral Unsecured Term Loan which was drawn on March 29, 2019, June 17, 2019, September 30, 2019, December 5, 2019 and December 10, 2019, respectively, intended for purposes of financing New Projects or for any other purpose related to carrying out the Concession including but not limited to financing capital expenditures. Terms of these loans include Ten-year Peso Bilateral Unsecured Term Loan for P5.00 billion, P5.00 billion, P2.00 billion, P15.00 billion and P2.80 billion from P7.00 billion TL drawn as at December 31, 2019. The applicable Interest rate for the first 5-years is based on 5-Yr BVal plus spread. Interest rate shall be reset on the fifth anniversary from the Drawdown Date and shall be applicable for the next 5-years.
- g. The Group, through NCGP, entered into a P2.50 billion Peso Bilateral Unsecured Term Loan which was drawn on December 10, 2019, intended for purposes of financing New Projects or for any other purpose related to carrying out the Concession including but not limited to financing capital expenditures. Terms of these loans include Five-year Peso Bilateral Unsecured Term Loan for P2.50 billion drawn as at December 31, 2019. The applicable interest rate is based on 5-Yr BVal plus spread.

- h. In December 2018, the Group, through NGCP, entered into a P2.00 billion, P1.35 billion and P2.00 billion Peso Bilateral Unsecured Term Loan intended for purposes of financing New Projects or for any other purpose related to carrying out the Concession including but not limited to financing capital expenditures. Drawdowns of the P2.00 billion and P1.35 billion loan were made on December 18, 2018, and the remaining P2.00 billion was drawn on January 25, 2019. Terms of these loans include Five-year Peso Bilateral Unsecured Term Loan for P2.00 billion, P1.35 billion and P2.00 billion, of which P3.35 billion has been drawn as at December 31, 2018 and the balance of P2.00 billion has been drawn as at December 31, 2019. Applicable interest rate shall be the Interest Rate for the period beginning on the Drawdown Date until the Maturity Date whereas the other P2.00 billion applicable interest rate shall be: (i) the Interest Rate for the period beginning on the Drawdown Date until the second anniversary of the Drawdown Date and (ii) the Interest Rate, for the period beginning on the day immediately following the second anniversary of the Drawdown Date until the Maturity Date.
- i. The Group, through NGCP, entered into a P5.00 billion, P7.00 billion, P3.80 billion and P5.00 billion Peso Bilateral Unsecured Term Loans which was drawn on May 30, 2018, July 10, 2018, September 26, 2018, and October 16, 2018, respectively, intended for purposes of financing New Projects or for any other purpose related to carrying out the Concession including but not limited to financing capital expenditures. Terms of these loans include Ten-year Peso Bilateral Unsecured Term Loan for P5.00 billion, P3.80 billion, P7.00 billion and P5.00 billion drawn as at December 31, 2018. The applicable interest rate shall be: (i) the Interest Rate for the period beginning on the Drawdown Date until the Reset Date and (ii) the Reset Interest Rate, for the period beginning the day immediately following the Reset date until Maturity Date where the interest rate means from the Drawdown Date to the Reset Date of the aggregate of (a) the Fixed Rate Margin and (b) the applicable Base Rate.
- j. In September 2017, the Group, through NGCP, entered into a P5.00 billion Peso Bilateral Unsecured Term Loan intended to repay the P4.95 billion Peso Term Loan that matured on November 29, 2017. Another P10.00 billion Peso Bilateral Term Loan was availed in December 11, 2017 for purposes of financing New Projects or for any other purpose related to carrying out the Concession including but not limited to financing capital expenditures. Terms of these loans include Ten-year Peso Bilateral Unsecured Term Loan for P5.00 billion and P10.00 billion drawn as at December 31, 2017. Interest rate for the first 5-years is based on 5-Yr PDST-R2 plus spread. Interest rate shall be reset on the fifth anniversary from the Drawdown Date and shall be applicable for the next five years.
- k. In May 2016, the Group, through NGCP, entered into a P17.00 billion Peso Corporate Note Financing for purposes of financing New Projects or for any other purpose related to carrying out the Concession including, but not limited to, financing capital expenditures and paying the fees and expenses on the Facility. Drawdowns were made in the amount of P4.00 billion, P2.00 billion, and P3.00 billion on July 11, 2016, September 30, 2016, and December 15, 2016, respectively. The balance amounting to P8.00 billion was drawn in March 21, 2017. Terms of these loans include Ten-year, Unsecured Corporate Notes Facility with a consortium of five (5) local banks for P17.00 billion, of which P9.00 billion has been drawn as at December 31, 2016 and the balance of P8.00 billion has been drawn as at December 31, 2017. It bears an interest based on 5-Yr PDST-R2 plus spread and the principal payable beginning on the 12th month from initial issue date and the remaining for eighteen (18) semi-annual installments as a percentage of principal amount of borrowing.

- l. In July 2015, the Group, through NGCP, entered into a P15.00 billion Peso Corporate Note Financing for purposes of financing New Projects or for any other purpose related to carrying out the Concession including but not limited to financing capital expenditures and paying the fees and expenses on the Facility. Drawdowns were made in tranches of P5.00 billion, P3.00 billion and P5.00 billion, on July 10, 2015, September 10, 2015, and December 10, 2015, respectively. The balance amounting to P2.00 billion was drawn on March 31, 2016. Terms of these loans include Ten-year, Unsecured Corporate Notes Facility with a consortium of four (4) local banks for P15.00 billion, of which P13.00 billion has been drawn as at December 31, 2015 and the balance of P2.00 billion has been drawn as at December 31, 2016. It bears an interest based on 5-Yr PDST-R2 plus spread and the principal payable beginning on the 12th month from initial issue date and the remaining for eighteen (18) semi-annual installments as a percentage of principal amount of borrowing.
- m. In April 2014, the Group, through NGCP, entered into a P21.00 billion Peso Corporate Financing Facility to cover its funding requirements for calendar year 2014 including the financing of maturing obligations and approved capital expenditures. Initial drawdown amounting to P6.00 billion was made on April 10, 2014, to pay off the maturing US Dollar Bridge Loan. The succeeding drawdown of P8.00 billion, P5.00 billion and P2.00 billion were made on July 10, 2014, December 10, 2014 and January 30, 2015, respectively, to cover the funding of the Company's capital expenditures. Terms of these loans include Ten-year, Unsecured Corporate Notes Facility with a consortium of nine (9) local banks for P21.00 billion, of which P19.00 billion has been drawn as at December 31, 2014 and P2.00 billion has been drawn as at December 31, 2015. It bears an interest based on 5-yr PDST-F plus spread and the principal payable beginning on the 12th month from initial issue date and the remaining for eighteen (18) semi-annual installments as a percentage of principal amount of borrowing. Amendment was made effective April 10, 2019. Interest rate from 5-yr PDST-F to 5-yr BVal and noteholders were decreased to four (4).

Interest from these loans amounting to P7.63 billion and P7.42 billion in 2024 and 2023, respectively, were capitalized, with average capitalization rate of 3.47% and 3.84% in 2024 and 2023, respectively, and recognized in Contract Assets under "Intangible asset" in the consolidated statements of financial position (see Note 6). Interest expense recognized in profit or loss amounted to P5.20 billion and P2.50 billion for the years ended December 31, 2024 and 2023, respectively.

Financing of Concession Fee Prepayment

In June 2013, the Company signed unsecured loan facilities to partly prepay the concession fee payable which then had an outstanding balance of P111.44 billion. These loans were fully drawn on July 15, 2013.

The following are the terms of the Fixed-Rate Peso Corporate Notes:

Ten-year, Unsecured Corporate Loan Facility with a consortium of six (6) local banks for P29.50 billion which bears an interest based on PDST-F plus spread and the principal payable in twenty (20) semi-annual installments.

Interest expense from these loans recognized in profit or loss amounted to nil and P0.34 billion in 2024 and 2023, respectively.

These loan agreements contain, among others, covenants relating to the Concession Agreement and maintenance of certain financial ratios such as the Debt Service Coverage Ratio and Debt-Equity Ratio. As at December 31, 2024 and 2023, the Company is in compliance with the covenants of its debt agreements.

Changes in Liabilities Arising from Financing Activities

The movements and balances of this account are as follows:

	Loans Payable
Balance at January 1, 2024	P193,508,129,737
Changes from financing cash flows:	
Proceeds from loans	51,500,000,000
Payment of loans payable and debt issue costs	(24,435,340,000)
Others - debt issue costs related transactions	(390,020,295)
Total liability related changes	26,674,639,705
Balance at December 31, 2024	P220,182,769,442

	Loans Payable
Balance at January 1, 2023	P167,091,500,614
Changes from financing cash flows:	
Proceeds from loans	49,400,000,000
Payment of loans payable and debt issue costs	(22,843,170,000)
Others - debt issue costs related transactions	(140,200,877)
Total liability related changes	26,416,629,123
Balance at December 31, 2023	P193,508,129,737

15. Trade and Other Current Payables

This account consists of:

	Note	2024	2023
Accounts payable	24	P26,003,210,161	P23,291,190,581
Accrued expenses	24	5,151,489,880	4,802,308,212
Due to government agencies and others		9,910,813,365	7,120,923,566
Interest payable	5, 14, 24	5,164,403,883	4,465,733,864
Current portion of lease liability	22, 24	176,487,462	229,828,921
Franchise tax payable to BIR	26	142,948,295	143,784,015
		P46,549,353,046	P40,053,769,159

Accounts payable include amounts incurred by the Group for trade-related purchases.

Accrued expenses include accruals on capital expenditures, purchases of materials and supplies, personal services, and other operating services.

Due to government agencies and others include amounts accruing to the ancillary services providers, TRANSCO and PSALM for the ancillary service charges, FIT-ALL and universal charges which are being billed and collected from the Group's customers on behalf of the ancillary service providers, TRANSCO, PSALM and the amount due to SSS, Philhealth, HDMF, withholding taxes and output VAT payable due to BIR. (See Notes 12, 13, 26 and 27).

Interest payable pertains to the interest due in relation to the Deferred Payments of the Concession Fee and interest related to loans payable (see Notes 5, 14 and 24).

Current portion of liability arising from lease is the balance of Financing Lease-Current amounting to P176.49 million and P229.83 million as of December 31, 2024 and 2023, respectively.

16. Other Liabilities

This account consists of:

A. Other Current Liabilities

	<i>Note</i>	2024	2023
Retention on contract payments		P16,732,820,551	P13,523,165,836
Advances for construction		3,751,951,035	3,679,311,034
Advances from shareholders	21	843,274,843	843,274,843
Dividends payable	17	335,493,599	5,953,554
Bidders/suppliers deposits		131,832,105	168,065,188
Others		-	2,729
	24	P21,795,372,133	P18,219,773,184

B. Other Noncurrent Liabilities

	<i>Note</i>	2024	2023
Advances for construction		P1,372,396,092	P1,389,898,877
Noncurrent portion of lease liability	22, 24	339,168,312	171,197,745
Deferred tax liability	26	26,267	-
		P1,711,590,671	P1,561,096,622

Advances for construction pertains to advances made by third parties particularly generators for the construction of transmission facilities under Section 9 of the EPIRA consistent with the Transmission Development Plan subject to prior authorization by the ERC or for the cost of assets owned by third parties but reclassified as transmissions assets by ERC.

Retention on contract payments pertains to the amounts withheld from payments to contractors which shall be returned to the latter upon final acceptance of the project at the end of warranty period or upon posting by the contractor of warranty security if still within the warranty period.

Bidders'/suppliers' deposits include all amounts received in compliance to specifications of contract bids or to ensure the fulfillment of contracts.

17. Equity

Capital stock consists of:

	Years Ended December 31					
	2024		2023		2022	
	Shares	Amount	Shares	Amount	Shares	Amount
Capital Stock						
Authorized - P1 par value per share	5,300,000,000	P5,300,000,000	5,300,000,000	P5,300,000,000	5,300,000,000	P5,300,000,000
Issued, fully paid and outstanding balance at beginning of year*	5,265,866,000	P5,265,866,000	5,265,866,000	P5,265,866,000	5,265,866,000	P5,265,866,000
Issued common shares to major shareholders during the year	-	-	-	-	-	-
Issued common shares during FOO	-	-	-	-	-	-
Issued, fully paid and outstanding balance at end of year	5,265,866,000	P5,265,866,000	5,265,866,000	P5,265,866,000	5,265,866,000	P5,265,866,000
Additional Paid-in Capital						
Additional paid-in capital balance at beginning of year	-	P88,928,018,694	-	P88,928,018,694	-	P88,928,018,694
Additional paid-in capital from issued common shares during FOO	-	-	-	-	-	-
Shares issuance costs	-	-	-	-	-	-
Total Paid-up Capital	-	P88,928,018,694	-	P88,928,018,694	-	P88,928,018,694

*includes retroactive effect of Share Swap (Note 6)

As at December 31, 2024, 2023 and 2022, the Parent Company's share offer price is P9.80, P6.55, and P11.10, respectively.

In relation to the Parent Company's Share Purchase Agreement and the stockholders of OTHI and P21, discussed in Note 1, the BOD of the Parent Company approved the increase in the authorized capital stock of the Parent Company from P50.00 million divided into 50.00 million common shares at par value of P1.00 per share to P5.05 billion divided into 5.05 billion common shares at par value of P1.00 per share on November 14, 2019.

The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock was approved by the SEC on May 28, 2021.

On November 10, 2021 SGDPI, under the symbol "SGP", the Parent Company publicly listed its 1,053,500,000 shares from its Follow-On Offering (FOO) on the Philippines Stock Exchange with overallotment option of up to 101,000,000 secondary shares at PHP12.00 per common share.

SGP indirectly controls 60% is the outstanding voting capital stock of NGCP, SGP's sole operating asset with an effective equity interest of 40.20%.

Cash Dividends

On August 10, 2021, the BOD of the Parent Company approved the adoption of the policy to declare dividends equivalent to up to 100% of the prior year's net income after tax based on the Parent Company's audited financial statements as of such year, upon declaration of the BOD and subject to the availability of unrestricted retained earnings and settlement of operational expenses and other relevant taxes, cost and expense required to pay the ordinary course of business and subject to any financing covenants, if applicable.

On April 8, 2024, the BOD of the Parent Company approved the declaration of P0.3474 cash dividends per share for the 1st quarter of 2024 totaling to P1.83 billion. These cash dividends were paid to shareholders of record as of April 26, 2024 on May 10, 2024.

In 2024, the BOD of OTHI approved the declaration of cash dividends amounting to P1.06 billion to all shareholders of record as of date of the meeting.

In 2024, the BOD of P21 approved the declaration of cash dividends amounting to P1.05 billion to all shareholders of record as of date of the meeting.

For the year ended December 31, 2024, the BOD of NGCP approved the declaration of cash dividends amounting to P4.00 billion to all shareholders of record as of date of the meeting. Of the total amount declared, P1.45 billion pertains to the share of the Parent Company which is eliminated during consolidation.

On March 8, 2023, the BOD of the Parent Company approved the declaration of P0.1737 cash dividends per share for the 1st quarter of 2023 totaling to P914.68 million. These cash dividends were paid to shareholders of record as of March 23, 2023 on April 13, 2023.

On June 21, 2023, the BOD of the Parent Company approved the declaration of P0.1737 cash dividends per share for the second quarter of 2023 totaling to P914.68 million. These cash dividends were paid to shareholders of record as of July 6, 2023 on July 21, 2023.

In 2023, the BOD of OTHI approved the declaration of cash dividends amounting to P1.08 billion to all shareholders of record as of date of the meeting.

In 2023, the BOD of P21 approved the declaration of cash dividends amounting to P1.08 billion to all shareholders of record as of date of the meeting.

For the year ended December 31, 2023, the BOD of NGCP approved the declaration of cash dividends amounting to P4.00 billion to all shareholders of record as of date of the meeting. Of the total amount declared, P1.45 billion pertains to the share of the Parent Company which is eliminated during consolidation.

On March 23, 2022, the Board of Directors of the Parent Company approved the declaration of P0.22 dividend /share for the first quarter of 2022 totaling to P1.16 billion. These cash dividends were paid to shareholders of record as of April 6, 2022 on April 22, 2022.

On June 22, 2022, the Board of Directors of the Parent Company approved the declaration of P0.26 dividend /share for the second quarter of 2022 totaling to P1.37 billion. These cash dividends were paid to shareholders of record as of July 6, 2022 on July 22, 2022.

On September 21, 2022, the Board of Directors of the Parent Company approved the declaration of P0.26 dividend /share for the third quarter of 2022 totaling to P1.37 billion. These cash dividends were paid to shareholders of record as of October 5, 2022 on October 19, 2022.

On December 7, 2022, the Board of Directors of the Parent Company approved the declaration of P0.26 cash dividend /share for the fourth quarter of 2022 totaling to P1.37 billion. These cash dividends were paid to shareholders of record as of December 22, 2022 on January 13, 2023.

In 2022, the BOD of OTHI approved the declaration of cash dividends amounting to P3.32 billion to all shareholders of record as of date of the meeting.

In 2022, the BOD of P21 approved the declaration of cash dividends amounting to P3.32 billion to all shareholders of record as of date of the meeting.

For the year ended December 31, 2022, the BOD of NGCP approved the declaration of cash dividends amounting to P12.00 billion to all shareholders of record as of date of the meeting. Of the total amount declared, P7.20 billion pertains to the share of the Parent Company which is eliminated during consolidation.

Total dividends paid amounted to P3.65, P5.36 billion and P11.52 billion in 2024, 2023 and 2022, respectively.

As of December 31, 2024 and 2023, dividends payable from the above declaration amounted to P335.49 million and P5.95 million, respectively.

Retained Earnings

The retained earnings of the Group include the accumulated earnings in subsidiaries not available for declaration as dividends until declared by the respective investee. Retained earnings includes NGCP's unbilled incremental IMAR2020 for the years 2020, 2021 and four (4) months of 2022 amounting to P17.62 billion. NGCP is yet to receive ERC's resolution on NGCP's proposed manner of recovery of the unbilled IMAR2020 (see Notes 20 and 27).

18. Earnings Per Share

Basic and diluted earnings per share at December 31 are computed as follows:

	<i>Note</i>	2024	2023	2022
(a) Net income attributable to Equity holders of the Parent Company		P7,884,429,113	P10,645,372,151	P15,021,096,101
Issued common shares at January 1*		5,265,866,000	5,265,866,000	5,265,866,000
Weighted average number of issued common shares to major shareholders during the year	<i>1</i>	-	-	-
Weighted average number of issued common shares during FOO	<i>1</i>	-	-	-
(b) Weighted average common shares outstanding		5,265,866,000	5,265,866,000	5,265,866,000
Basic/Diluted earnings per share (a/b)		P1.50	P2.02	P2.85

**includes retroactive effect of Share Swap (Note 6)*

As at December 31, 2024 and 2023, the Group does not have any potential common shares or other instruments that may entitle the holder to common shares. Consequently, diluted earnings per share is the same as basic earnings per share in December 31, 2024 and 2023.

19. Segment Reporting

The Group operates through its transmission services across Luzon, Visayas and Mindanao. The Group's results of operations are reviewed by Management on a monthly basis to make decisions and to assess the Group's financial performance and financial position, and for which discrete information is available.

Accordingly, management has assessed that the Group is considered as a single business and, hence, there are no operating segments required to be disclosed under PFRS 8, *Operating Segments*.

20. Revenues

This account at December 31 consists of:

	2024	2023	2022
Transmission services operating income	P51,471,173,513	P51,471,140,608	P60,310,396,241
Connection and residual sub-transmission income	1,542,914,405	1,528,640,099	1,510,376,267
Power factor adjustment	-	-	576,068
Reconnection fee	-	-	19,417
	P53,014,087,918	P52,999,780,707	P61,821,367,993

Transmission services operating income pertains to service charges for the use of the transmission facilities under the Concession Agreement where power delivery, system operation and metering services are provided by the Group.

The transmission services operating income amounting to P51.47 billion, P51.47 billion and P60.31 billion as of December 2024, 2023 and 2022, respectively, were based on the iMAR2020 approved by ERC in an order dated March 23, 2022. The December 2022 balance includes unbilled incremental IMAR2020 approved by ERC in an order dated March 23, 2022 for the year 2020 and 2021 amounting to P8.84 billion. Consequently, on June 8, 2022, the Group, through NGCP submitted to ERC its Compliance dated June 2, 2022 on NGCP proposed manner of recovery of the said unbilled IMAR₂₀₂₀ starting September 2022 to June 2024 which the ERC is yet to issue its resolution.

Connection charges are charges to recover the reasonable costs associated with connecting the transmission customers' facilities to the transmission providers' facilities. Residual sub-transmission charges are charges to recover the reasonable costs associated with sub-transmission assets that are not otherwise recovered through the connection charge.

In the following table, revenue is disaggregated by geographical market and electric power industry participants.

2024:

	Transmission Services Operating Income	Connection and Residual Sub-transmission Income	Total
Luzon	P38,310,001,007	P839,069,164	P39,149,070,171
Distribution utilities	P37,074,274,814	P763,800,978	P37,838,075,792
Generators	506,814,090	5,702,184	512,516,274
Directed Connected/Non-DUs	728,912,103	69,566,002	798,478,105
Accruals for iMAR and Under-recovery	-	-	-
Visayas	P6,176,535,971	P251,875,528	P6,428,411,499
Distribution utilities	P5,817,304,393	P239,127,410	P6,056,431,803
Generators	144,741,718	29,790	144,771,508
Directed Connected/Non-DUs	214,489,860	12,718,328	227,208,188
Accruals for iMAR and Under-recovery	-	-	-
Mindanao	P6,984,636,535	P451,969,713	P7,436,606,248
Distribution utilities	P6,700,794,732	P444,269,626	P7,145,064,358
Generators	193,628,270	-	193,628,270
Directed Connected/Non-DUs	90,213,533	7,700,087	97,913,620
December 31, 2024 Total	P51,471,173,513	P1,542,914,405	P53,014,087,918

2023:

	Transmission Services Operating Income	Connection and Residual Sub-transmission Income	Total
Luzon	P38,309,973,403	P830,126,577	P39,140,099,980
Distribution utilities	P36,707,039,208	P755,861,561	P37,462,900,769
Generators	436,678,759	5,605,302	442,284,061
Directed Connected/Non-DUs	1,166,255,436	68,659,714	1,234,915,150
Accruals for iMAR and Under-recovery	-	-	-
Visayas	P6,176,535,020	P251,168,833	P6,427,703,853
Distribution utilities	P5,710,936,417	P238,637,309	P5,949,573,726
Generators	199,212,495	29,284	199,241,779
Directed Connected/Non-DUs	266,386,108	12,502,240	278,888,348
Accruals for iMAR and Under-recovery	-	-	-
Mindanao	P6,984,632,186	P447,344,688	P7,431,976,874
Distribution utilities	P6,782,844,623	P439,729,922	P7,222,574,545
Generators	105,530,159	-	105,530,159
Directed Connected/Non-DUs	96,257,404	7,614,766	103,872,170
December 31, 2023 Total	P51,471,140,609	P1,528,640,098	P52,999,780,707

2022:

	Transmission Services Operating Income	Connection and Residual Sub-transmission Income	Power Factor Adjustment and Reconnection Fee	Total
Luzon	P44,820,384,671	P821,149,606	P595,485	P45,642,129,762
Distribution utilities	P34,629,010,241	P745,041,979	P -	P35,374,052,220
Generators	344,422,432	6,397,155	-	350,819,587
Directed Connected/Non-DUs	1,430,889,399	69,710,472	595,485	1,501,195,356
Accruals for iMAR and Under-recovery	8,416,062,599	-	-	8,416,062,599
Visayas	P7,269,845,048	P248,253,130	P -	P7,518,098,178
Distribution utilities	P5,296,992,180	P235,680,194	P -	P5,532,672,374
Generators	265,260,756	28,923	-	265,289,679
Directed Connected/Non-DUs	307,000,512	12,544,013	-	319,544,525
Accruals for iMAR and Under-recovery	1,400,591,600	-	-	1,400,591,600
Mindanao	P6,637,147,386	P440,973,531	P -	P7,078,120,917
Distribution utilities	P6,468,173,133	P433,458,150	P -	P6,901,631,283
Generators	78,124,406	-	-	78,124,406
Directed Connected/Non-DUs	90,849,847	7,515,381	-	98,365,228
Accruals for iMAR and Under-recovery	P1,583,019,136	P -	P -	P1,583,019,136
December 31, 2022 Total	P60,310,396,241	P1,510,376,267	P595,485	P61,821,367,993

Based on the ERC-promulgated Transmission Wheeling Rate Guidelines (TWRG) of May 2003, amended in 2009 as the Rules for Setting the Transmission Wheeling Rates (RTWR), the Group is regulated under a performance-based regulation (PBR) revenue cap methodology.

During the reset process, the ERC makes a determination of the annual revenue requirements (ARR) of the transmission business as well as the price control arrangements that will apply during the regulatory period.

The Fourth Regulatory Period (4th RP) reset process for the transmission business under the PBR has been delayed. Under the RTWR, the Group would have filed its revenue application for the 4th RP covering the periods of 2016 to 2020 in 2015. To bridge the gap, on October 2, 2015, the Group filed an Application for the Approval of an Interim Maximum Annual Revenue for 2016 (iMAR₂₀₁₆) in the amount of P45.29 billion.

In an Order dated January 21, 2016, the ERC provisionally approved an iMAR₂₀₁₆ of P41.65 billion. Subsequently, the Group filed a Motion for Reconsideration dated February 24, 2016 and an Omnibus Motion dated December 6, 2016.

As resolution of the foregoing, the ERC issued an Order dated December 19, 2016, authorizing NGCP to implement an adjusted iMAR₂₀₁₆ of P43.79 billion. Further, the ERC directed that the difference between the provisionally-approved iMAR₂₀₁₆ of P41.65 billion and the approved iMAR of P43.79 billion, in the amount of P2.14 billion, be collected by NGCP in 2017 (see Note 27).

Furthermore, the same Order provides that NGCP is authorized to continuously bill its transmission customers using an adjusted iMAR of P43.79 billion for the succeeding regulatory years until the ERC's issuance of the Final Determination for the 4th RP, thus the billing of an iMAR of P43.79 billion in 2018 and 2019.

On October 29, 2019, NGCP filed an Application with the ERC for the Approval of an Interim Maximum Annual Revenue for Calendar Year 2020 (iMAR₂₀₂₀) in the amount of P58,846 million, docketed as ERC Case No. 2019-086RC. Subsequently, the ERC, in its Order dated February 13, 2020, granted NGCP a provisional authority to implement an iMAR₂₀₂₀ in the amount of P47.05 billion effective April 2020 billing month. Billing of the incremental revenue, however, has been deferred in consideration of the situation brought about by the Corona Virus Disease 2019 (COVID-19) pandemic.

Following the easing of quarantine arrangements, NGCP gradually billed portion of the iMAR₂₀₂₀ differential in the total amount of P300 Million for both billing months of July and August 2020. However, in September 2020, the ERC directed the suspension of the billing of the iMAR₂₀₂₀ providing among others that the demand forecast used in the determination are no longer valid and would need to be re-assessed. In compliance with the Order issued in September 2020, NGCP discontinued the billing resulting in an unbilled iMAR₂₀₂₀ differential in the amount of P2.96 billion.

In compliance with the ERC's directive during the September 24, 2020, public hearing and with the ERC's Order dated October 23, 2020 which was received by NGCP on October 29, 2020, NGCP submitted the following information to the ERC in December 2020 to substantiate the proposed iMAR₂₀₂₀.

- a. Reconciliation of the actual CAPEX with NGCP's Financial Statements;
- b. Actual and Forecast Billing Determinant for CY 2019-2021;
- c. NGCPs Actual and Forecasted CAPEX for 2011 to 2020 (Updated);
- d. Percentage Completion of ERC-approved CAPEX Projects under/outside of the 3rd Regulatory Period Final Determination, as at October 2020;
- e. Indicative 2020 Transmission Rate; and
- f. Possible approach on the collection of unbilled portions of the ERC-approved iMAR₂₀₂₀ in the forthcoming year of 2021.

ERC issued a subsequent Order dated December 15, 2020, directing NGCP to submit the following additional information in support of its iMAR₂₀₂₀ Application and which was submitted by NGCP on January 28, 2021, as follows:

- a. Updated Actual Demand for Year 2020;
- b. Detailed Analysis and Basis of the Forecast Demand for Year 2021;
- c. Updated Rate Movement on a Per kW and per kWh as at December 2020;
- d. Updated Actual and Forecast CAPEX for Calendar Years 2011 to 2020;
- e. Estimated Demand Data particularly for the Battery Energy Storage System (BESS) and transmission services to the Kalayaan Pumped Storage Power Plant (KPSPP) which NGCP included in the said forecast; and
- f. Load Billing Determinant with and without BESS and KPSPP.

Relative to the directives of the ERC on the iMAR₂₀₂₀ Application, NGCP submitted Compliances with Motion dated December 3, 2020 and January 28, 2021, which prayed for, among others, the confirmation from ERC that the approved iMAR₂₀₂₀ level shall be implemented continuously until a new MAR is issued, or until the issuance of a Final Determination for the succeeding regulatory period, whichever is earlier. As at report date, the ERC is yet to issue its resolution on said Compliances.

Given the significant recovery of the demand and energy consumption in the country in 2021, in contrast with the recorded data in 2020, NGCP deemed that the circumstances surrounding the issuance of the July 28, 2020 Order no longer exist and that there are justifiable grounds to lift the said Order. Hence, the filing of the Reiteratory Motion in October 2021 praying for the following:

- a. lifting the July 28, 2020 Order;
- b. allowing NGCP to recover the deferred 2020 iMAR on top of the current iMAR and iMAR for 2022, to be implemented starting October 2021 to March 2022 billing period;
- c. allowing NGCP to recover the unbilled 2021 iMAR on top of the iMAR for 2022, to be implemented from April 2022 to December 2022;
- d. confirming that the approved iMAR₂₀₂₀ level of P47,051.64 million shall be implemented continuously until a new MAR is issued, or until the issuance of the Final Determination for the succeeding regulatory period, whichever is earlier.

As at December 31, 2021, management assessed that the suspension order merely defers the implementation of the P47.05 billion, and that there is no other ERC issuance or directive that states otherwise (i.e., that revenue has been modified), similar to the practice adopted by the industry.

On January 17, 2022, NGCP submitted its compliance to the January 5, 2022, ERC Order to submit documents to facilitate the final evaluation of the application, which was received by NGCP on January 7, 2022, more specifically on the following:

- a. Latest actual demand for CY 2021 and forecast demand for 2022 onwards, including economic indicators demand justification; and
- b. Latest actual Capital Expenditure (CAPEX) for CYs 2011 to 2021 (including, but not limited to, Disbursement and Percent Completion as of December 2021) and forecast CAPEX for CY 2022)

On April 29, 2022, the ERC promulgated an Order dated March 23, 2022, resolving the iMAR₂₀₂₀ Application and approving an iMAR₂₀₂₀ of P51.47 billion effective January 2020 until a new transmission revenue has been determined.

Starting May 2022 Billing Period, NGCP has already implemented the billing based on the P51.47 billion iMAR pursuant to the 23 March 2022 Order of the ERC.

On June 8, 2022, in compliance with the direction of the Commission, NGCP submitted to ERC its Compliance dated June 2, 2022, on NGCP's proposed manner of recovery of the unbilled iMAR₂₀₂₀ for the years 2020, 2021 and four (4) months of 2022, for the total amount of P17,624.85 million, starting September 2022 to 2024.

On March 10, 2023, NGCP filed its Motion (To Approve Implementation of Recovery Scheme) reiterating its prayer for the approval of the billing and recovery of the unbilled iMAR for 2020 under a new proposed recovery scheme, i.e., from May 2023 to April 2024.

On May 17, 2023, NGCP filed an Urgent Reiteratory Motion to Resolve with the ERC on the implementation of the new proposed recovery scheme. Subsequently, on June 22, 2023, NGCP once again filed a Reiteratory Motion with Motion to Resolve on the billing and recovery of the unbilled iMAR for 2020 in accordance with the same proposed recovery scheme.

To date, NGCP is yet to receive ERC's resolution on NGCP's proposed manner of recovery of the unbilled iMAR₂₀₂₀ for the years 2020, 2021, and four (4) months of 2022.

Pending the issuance of the ERC Decisions/Orders on the 4th and 5th RP Revenue Applications and in the absence of an issuance on the applicable iMAR for 2023, NGCP shall continue to implement the iMAR2020 level of Php51.47 billion in billing Luzon, Visayas, and Mindanao customer segments until a new level of MAR is approved.

21. Related Party Disclosures

Relationship with Related Parties	Year	Note	Amount of Transaction (in Millions)	Outstanding Balance (in Millions)	Terms and Conditions	
Companies with the Same BOD						
▪ PGAI	December 31, 2024	A	P191.32	P2.44	On demand; non-interest bearing	Unsecured
	December 31, 2023	A	775.64	1.58		
	December 31, 2022	A	476.12	1.99		
▪ SMDC	December 31, 2024	B	3.85	-		
	December 31, 2023	B	-	-		
	December 31, 2022	B	-	-		
Shareholders	December 31, 2024	C	-	843.27	On demand; non-interest bearing	Unsecured
	December 31, 2023	C	-	843.27		
	December 31, 2022	C	-	843.27		
Key Management Personnel						
▪ Short-term benefits	December 31, 2024	d	424.04	-		
	December 31, 2023	d	418.82	-		
	December 31, 2022	d	376.41	-		
▪ Post-employment benefits	December 31, 2024	d	30.82	-		
	December 31, 2023	d	30.07	-		
	December 31, 2022	d	23.20	-		
December 31, 2024				P845.71		
December 31, 2023				P844.85		
December 31, 2022				P845.26		

- a. The Group, through NGCP, has related party transactions with Prudential Guaranty Assurance, Inc. (PGAI) amounting to P191.32 million, P775.64 million and P476.12 million on 2024, 2023 and 2022, respectively, representing insurance premiums. The outstanding insurance payable to PGAI amounting to P2.44 million and P1.58 million as of December 2024 and 2023, respectively, are recorded under the "Trade and other current payables" account in the consolidated statements of financial position. This pertains to motor vehicle insurance, aviation, commercial general liability insurance, PGA protect, motor comprehensive, industrial all risk, engineering electronic equipment insurance and warehouse insurance in nature (see Note 15).
- b. The Group, through NGCP, also has existing lease agreement for parking space with SM Development Corporation (SMDC) amounting to P3.85 million and nil in 2024, 2023 and, 2022. There was no outstanding balance payable to SMDC amounting as of December 31, 2024 and 2023, which are recorded under the "Trade and other current payables" account in the consolidated statements of financial position (see Note 15).

- c. As at and December 31, 2024 and 2023, Group, through P21, has outstanding payables to its stockholders amounting to P843.27 million, which are included under "Other current liabilities" account in the consolidated statements of financial position. These payables were obtained for working capital requirements and part of these payables were used to pay for CHPC's professional fees and other various expenses and liabilities. These payables are non-interest bearing, payable on demand and will be settled in cash. On September 23, 2021, the Parent Company paid its outstanding advances from its two major stockholders amounting to P250.05 million which was used by the Group as its source of fund in relation to the share swap transactions (see Note 16).
- d. Total remunerations of key management personnel which represent short-term benefits in 2024, 2023 and 2022 amounted to P424.04 million, P418.82 million and P376.41 million respectively. Total key management compensation relating to post-employment benefits in 2024, 2023 and 2022 amounted to P30.82 million, P30.07 million and P23.20 million, respectively.

Short-term benefits are consist of salaries, terminal leave, 13th month/bonus and other statutory contributions to Social Security System (SSS), Philippine Health Insurance Corporation (Philhealth, Home Development Mutual Fund (commonly known as the Pag-IBIG Fund).

Post-employment benefits consist of Retirement Benefits, under Republic Act No. 7641, The Retirement Pay Law (the "Act") which provides compulsory retirement at the age of sixty-five (65) or upon optional retirement at the age of sixty (60) or more but not more than sixty-five (65) with at least five (5) years in service. The retirement benefits as required by the Act are equivalent to 22.5 days for every year of service, a fraction of at least six (6) months being considered as one (1) whole year. The 22.5 days shall be defined as one half month (15 days) plus one-twelfth (1/12) of the 13th month pay and the cash equivalent of 5 days of service incentive leaves.

Amounts owed to related parties will be settled in cash.

22. Leases

Leases as Lessee

The Group, through NGCP, leases vehicles, parking lots and office spaces. The leases typically run for a period of five (5) years. Some leases include an option to renew the lease for an additional five years after the end of the non-cancellable lease period. Some leases provide for additional rent payments that are based on change in local price indices.

The Group leases other vehicles, printers and copiers which are short term and/or leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

Information about leases for which the Group is a lessee is presented below.

Right-of-Use Assets

	2024	2023
Balance at January 1	P376,334,751	P372,141,335
Additions	370,274,963	218,574,505
Depreciation for the year	(243,589,315)	(214,381,089)
Balance at December 31	P503,020,399	P376,334,751

Depreciation is recorded as part of “Depreciation Expense” in the consolidated statements of income.

The Group classified its lease liability as part of “Trade and other current payables” and “Other noncurrent liabilities” in the consolidated statements of financial position as follows:

	2024	2023
Balance at beginning of year	P401,026,666	P399,154,032
Additions	370,274,963	218,574,505
Lease payments inclusive of interest payments	(281,155,073)	(241,182,230)
Interest expense	25,434,977	24,480,359
Adjustments	74,241	-
Balance at end of year	P515,655,774	P401,026,666

Adjustments on the lease liability is due to recomputation of present value due to change in monthly amortization in the contract.

Expenses relating to short-term leases amounted to P114.37 million and P108.60 million 2024 and 2023, respectively, were recorded as part of “Rent” in the statements of comprehensive income.

The Group had total cash outflows for the above leases amounting to P395.03 million and P349.78 million in 2024 and 2023, respectively.

The following table sets out a maturity analysis of lease payments, showing undiscounted and discounted lease payments to be made after the reporting date:

December 31, 2024	Future Minimum Lease Payments	Interest	Present Value of Minimum Lease Payments
Less than one year	P203,102,162	P26,614,700	P176,487,462
Between one to five years	371,139,791	31,971,479	339,168,312
	P574,241,953	P58,586,179	P515,655,774

December 31, 2023	Future Minimum Lease Payments	Interest	Present Value of Minimum Lease Payments
Less than one year	P246,650,462	P16,821,541	P229,828,921
Between one to five years	180,223,132	9,025,387	171,197,745
	P426,873,594	P25,846,928	P401,026,666

23. Retirement Benefits

As at December 31, 2024 and 2023, the Group, through NGCP has funded, noncontributory defined benefit retirement plan covering all its regular employees. The current service cost and the present value of obligations were derived on the basis of the projected unit credit method.

The latest actuarial valuation report of the Group is dated February 19, 2025 for the year ended December 31, 2024.

Salient Provisions of the Retirement Plan

The plan provides retirement benefits under Republic Act No. 7641 (the Act) upon compulsory retirement at the age of sixty-five (65) or upon optional retirement at age sixty (60) or more but not more than age sixty-five (65) with at least five (5) years in service. The benefits as required by the Act are equivalent to 22.5 days for every year of service, a fraction of at least six (6) months being considered as one (1) whole year. The 22.5 days shall be defined as follows: One half month (15 days) plus one-twelfth (1/12) of the 13th month pay and the cash equivalent of 5 days of service incentive leaves.

Funding Arrangements

The Group, through NGCP's Compensation Committee, in a meeting on February 26, 2014, approved the establishment of the Employee Retirement Plan in compliance with Republic Act No. 7641. On December 22, 2014, the retirement fund has been established by the Group. Benefit claims under the retirement obligation are paid directly by the Group when they become due.

The following table shows a reconciliation of the net defined benefit retirement liability and its components:

	Fair Value of Plan Assets		Present Value of Defined Benefit Obligation		Net Defined Benefit Retirement Liability	
	2024	2023	2024	2023	2024	2023
Balance at beginning of year	P356,262,162	P336,766,917	P2,973,532,565	P2,431,602,341	P2,617,270,403	P2,094,835,424
Recognized in Profit or Loss and Statement of Financial Position						
Service costs	-	-	234,049,158	198,244,374	234,049,158	198,244,374
Interest expense	-	-	181,385,486	175,075,369	181,385,486	175,075,369
Interest income	21,731,992	24,247,218	-	-	(21,731,992)	(24,247,218)
	21,731,992	24,247,218	415,434,644	373,319,743	393,702,652	349,072,525
Recognized in Other Comprehensive Income						
Remeasurements:						
Actuarial losses (gains) arising from:						
Experience adjustments	-	-	108,406,205	85,381,750	108,406,205	85,381,750
Changes in financial assumptions	-	-	-	228,936,974	-	228,936,974
Return (loss) on plan asset excluding interest	934,044	(4,751,973)	-	-	(934,044)	4,751,973
	934,044	(4,751,973)	108,406,205	314,318,724	107,472,161	319,070,697
Others						
Contributions	166,150,167	145,708,243	-	-	(166,150,167)	(145,708,243)
Benefits paid	(166,150,167)	(145,708,243)	(166,150,167)	(145,708,243)	-	-
	-	-	(166,150,167)	(145,708,243)	(166,150,167)	(145,708,243)
Balance at end of year	P378,928,198	P356,262,162	P3,331,223,247	P2,973,532,565	P2,952,295,049	P2,617,270,403

Plan assets consist of the following:

	2024	2023
Deposits in banks	0.02%	0.01%
Debt securities	72.86%	70.51%
Equity securities	23.29%	25.11%
Investment in unit investment trust fund	2.83%	3.55%
Other assets	1.00%	0.82%
	100%	100%

The retirement benefits cost under “Salaries, wages and employees’ benefits” in the consolidated statements of income is recognized as follows:

	2024	2023
Current service cost	P201,282,276	P170,490,162
Interest cost	155,991,518	150,564,817
Interest Income of plan asset	(18,689,513)	(20,852,607)
	P338,584,281	P300,202,372

The retirement benefits cost under “Intangible asset - net” in the consolidated statements of financial position is recognized as follows:

	2024	2023
Current service cost	P32,766,882	P27,754,212
Interest cost	25,393,968	24,510,552
Interest income of plan asset	(3,042,479)	(3,394,611)
	P55,118,371	P48,870,153

Actuarial Assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as percentages under weighted averages):

	2024	2023
Discount rate	6.10%	6.10%
Future salary growth	5.00%	5.00%

Assumptions regarding future mortality have been based on published statistics and mortality tables.

The mortality and the disability rate used in the valuation were based on 100% of the 1985 Unisex Annuity Table and 100% of the 1952 Disability Table, respectively. The discount rate assumed was based on single-weighted present value approach using bootstrapped-derived zero rates from BVAL index.

The weighted average duration of the defined benefit liability as at December 31, 2024 and 2023 is 11 years.

Assumptions and Relevant Information

Sensitivity Analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarizes how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions by 1%.

	December 31, 2024	
	1% Increase	1% Decrease
Discount rate	(P230,768,076)	P268,419,696
Salary increase rate	249,887,076	(218,769,587)
	December 31, 2023	
	1% Increase	1% Decrease
Discount rate	(P209,628,770)	P244,101,574
Salary increase rate	227,571,168	(199,029,310)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

This defined benefit plan exposes the Group to actuarial risks, such as interest rate risk, longevity and salary risk.

The Group plans to make additional funding in 2025, subject to the approval of the Management.

24. Financial Instruments

The accounting policies for financial instruments classified under loans and receivables have been applied to the line items below:

	Note	2024	2022
Current assets:			
Cash and cash equivalents	11	P8,962,528,586	P9,912,916,098
Accrued power receivables	12	735,612,165	732,532,033
Power receivables	12	4,468,438,966	4,421,503,592
Due from customers	12	7,124,141,542	3,008,838,471
Restructured power receivables	12	11,666,554	73,729,976
Interest receivable	12	3,507,901	3,926,222
Due from officers and employees and other receivables	12	229,503,291	138,663,332
Total current financial assets		21,535,399,005	18,292,109,724
Noncurrent assets:			
Accrued power receivables		18,507,913,333	18,507,913,333
Restructured power receivables		1,496,372,425	1,409,399,028
Power receivables		126,594,475	120,541,875
Due from customers		439,437,957	439,437,957
Other noncurrent account receivable		1,412,909,900	1,412,909,900
Total noncurrent financial assets	12	21,983,228,090	21,890,202,093
Total financial assets		P43,518,627,095	P40,182,311,817

Details of movements of allowance for impairment losses are as follows:

	2024	2023
Balance at beginning of year	P2,071,468,659	P2,006,798,659
Provision for impairment losses on receivables during the year	64,670,000	64,670,000
Balance at end of year	P2,136,138,659	P2,071,468,659

Trade and other current payables, concession fee payable, loans payable, customers' and other deposits and other current liabilities in the consolidated statements of financial position as at December 31, 2024 and 2023 are designated as other financial liabilities. Except for concession fee payable and loans payable, the balances disclosed are the contractual undiscounted cash flows which equal their carrying amounts, as the impact of discounting is not significant.

Financial Risk Management

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group's BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. The BOD has delegated to management the responsibility of developing and monitoring the Group's risk management policies.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practices.

The BOD oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

The Group has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital.

Credit Risk

Credit risk represents the risk of loss the Group would incur if counterparties failed to perform their contractual obligations. The Group has established controls and procedures in its credit policy to determine and to monitor the credit worthiness of customers and counterparties. The carrying amount of each financial asset represents the Group's maximum credit exposure.

The Group's aging per class of financial assets is as follows:

	Neither Past Due nor Impaired	Past Due but not Impaired			Past Due and Impaired	Total
		1 to 30 Days	31 to 60 Days	More than 60 Days		
December 31, 2024						
Cash and Cash Equivalents						
Cash in banks	P4,702,607,668	P -	P -	P -	P -	P4,702,607,668
Short-term placements	4,231,805,635	-	-	-	-	4,231,805,635
Receivables						
Accrued						
Power receivables	23,663,021,776	48,914,943	-	-	126,622,220	23,838,558,939
Due from customers	5,506,338,987	415,172,868	367,369,509	767,257,326	507,440,809	7,563,579,499
Due from officers and employees and other receivables	220,607,982	2,224,504	433,590	4,218,886	2,018,329	229,503,291
Restructured power receivables	6,396,702	-	-	1,900,253	1,499,742,024	1,508,038,979
Interest receivable	3,176,747	4,890	5,512	5,475	315,277	3,507,901
Other accounts receivable	1,412,909,900	-	-	-	-	1,412,909,900
	P39,746,865,397	P466,317,205	P367,808,611	P773,381,940	P2,136,138,659	P43,490,511,812

	Neither Past Due nor Impaired	Past Due but not Impaired			Past Due and Impaired	Total
		1 to 30 Days	31 to 60 Days	More than 60 Days		
December 31, 2023						
Cash and Cash Equivalents						
Cash in banks	P3,788,997,572	P -	P -	P -	P -	P3,788,997,572
Short-term placements	6,100,434,467	-	-	-	-	6,100,434,467
Receivables						
Accrued						
Power receivables	23,622,157,758	8,029,693	4,249,609	27,511,897	120,541,876	23,782,490,833
Due from customers	2,371,353,903	115,986,529	128,215,788	264,940,096	567,780,112	3,448,276,428
Due from officers and employees and other receivables	138,663,332	-	-	-	-	138,663,332
Restructured power receivables	31,486,386	2,223,429	2,223,429	64,360,447	1,382,835,313	1,483,129,004
Interest receivable	3,614,864	-	-	-	311,358	3,926,222
Other accounts receivable	1,412,909,900	-	-	-	-	1,412,909,900
	P37,469,618,182	P126,239,651	P134,688,826	P356,812,440	P2,071,468,659	P40,158,827,758

The Group generally applies lifetime ECL, except for cash and cash equivalents, to financial assets which substantially comprise power receivables and other short-term balances. The Group applies 12-month ECL on cash and cash equivalents.

Credit Risk Concentration. The Group's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of receivables is its carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of customers. The Group does not execute any credit guarantee in favor of any counterparty.

Credit Quality. In monitoring and controlling credit extended to counterparty, the Group adopts a comprehensive credit rating system based on financial and non-financial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the non-financial aspects include, but are not limited to, the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Group.

a) Cash in banks and Short-term Placements

Cash in banks and short-term placements are deposited to banks that qualify as universal and commercial banks as defined by the Philippine Banking System.

b) Receivables Neither Past Due nor Impaired

These refer to accounts of satisfactory financial capability, credit standing and collectability.

c) Receivables Past Due but not Impaired

Past due but not impaired receivables consist mainly of trade receivables which are currently being negotiated for collection with third party customers. Management believes that no provision for impairment losses is required for these receivables as at December 31, 2024 and 2023.

d) Past Due and Impaired Accounts

Receivables with an aggregate nominal value of P2.14 billion and P2.07 billion as at December 31, 2024 and 2023, respectively, were assessed to be impaired and hence, provided with allowance. There is a high concentration of credit risk with respect to these customers. These refer to accounts from customers in default due to financial difficulties without clear indication of recoverability and disputed charges already decided by ERC in favor of the customers. These accounts are in default and assessed as delinquent.

Cash and Cash Equivalents

The Group does not expect material ECL on cash in banks and cash equivalents as these financial assets are deposited with universal and commercial banks with good credit ratings and are either payable on demand or have very short maturities.

Receivables and Contract Assets

The Group estimates ECL for power receivables, due from customers, and accrued transmission revenue by applying both collective assessment and assessment of specific customers, considering what is appropriate under the circumstances.

For the collective assessment, the Group used a provision matrix to separate customer segments sharing common credit risk characteristics. ECLs are calculated based on the probability of a receivable progressing through successive stages of delinquency until finally determined uncollectible. Loss rates are based on the actual credit loss experience over twelve (12) months. The Group has assessed and currently does not expect that the effects of any adjustment for forecasts of future economic conditions could be material considering that power receivables have short credit terms and ordinarily collected substantially within one month. The collective assessment excludes specific customer balances with circumstances that are deemed not representative of the credit risk exposure of a group.

For specific customers that are separately assessed, circumstances specific to the customer are considered in estimating cash flows for ECL measurement, including historical experience with the customer, its current financial condition, and where billing disputes are involved, the status of ERC cases and court cases.

The Group assessed that no material ECL is required for current receivables as at December 31, 2024 and 2023. As at December 31, 2024 and 2023, the Group recognized total impairment allowance amounting to P2.14 billion and P2.07 billion, respectively, attributable to and covers substantially all noncurrent receivables. There is no material difference between the estimated ECL provision required for the years 2024 and 2023 and the P64.67 million per year recognized by the Group based on the forecast bad debts provided in the Final Determination approved by ERC.

Liquidity Risk

Liquidity risk is the risk that the Group will have difficulty in meeting its financial obligations as they fall due.

As part of the Group's prudent liquidity risk management policies and procedures, management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows. Financing requirements for working capital, loan repayments, and capital expenditures are reviewed on a monthly basis. Results of management's review are reported to the Board on a regular basis.

The Group's ability to make payments on its indebtedness and to fund its operations depend on its future performance and financial results, which to a certain extent, are subject to general economic, financial, competitive and interest rate environment that are beyond its control. The Group projects monthly cash flows from operating, investing and financing activities and evaluates actual cash flow information to ensure that the immediate requirements of the Group are attended to.

The contractual maturities of financial liabilities including estimated payments as at December 31, 2024 and December 31, 2023 are as follows:

	Note	As at December 31, 2024			
		Carrying Amount	Contractual Cash Flow	Less than 1 Year	More than 1 Year
Non-derivative financial liabilities:					
Trade and other current payables*	15	P36,638,539,681	P36,638,539,681	P36,638,539,681	P -
Concession fee payable	5	49,894,945,953	49,894,945,953	9,339,940,622	40,555,005,331
Loans payable (current and noncurrent)	14	220,182,769,442	283,096,574,177	36,507,748,472	246,588,825,705
Customers' and other deposits		529,046,209	529,046,209	-	529,046,209
Other current liabilities**	16	18,043,421,098	18,043,421,098	18,043,421,098	-
Other noncurrent liabilities**	16	339,168,312	339,168,312	-	339,168,312
		P325,627,890,695	P388,541,695,430	P100,529,649,873	P288,012,045,557

*excluding due to government agencies and others.

**excluding advances for construction and deferred tax liability.

	Note	As at December 31, 2023			
		Carrying Amount	Contractual Cash Flow	Less than 1 Year	More than 1 Year
Non-derivative financial liabilities:					
Trade and other current payables*	15	P32,789,061,578	P32,789,061,578	P32,789,061,578	P -
Concession fee payable	5	54,319,128,352	54,319,128,352	4,424,182,400	49,894,945,952
Loans payable (current and noncurrent)	14	193,508,129,737	248,331,654,645	34,865,417,511	213,466,237,134
Customers' and other deposits		441,061,705	441,061,705	-	441,061,705
Other current liabilities**	16	14,540,462,150	14,540,462,150	14,540,462,150	-
Other noncurrent liabilities**	16	171,197,745	171,197,745	-	171,197,745
		P295,769,041,267	P350,592,566,175	P86,619,123,639	P263,973,442,536

*excluding due to government agencies and others.

**excluding advances for construction.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return. The Group is subject to various risks, including foreign currency and interest rates.

Foreign Currency Exchange Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's foreign currency exchange risk for the years ended December 31, 2024 and 2023 pertains to its cash in banks, prepaid expenses and other current assets, trade and other liabilities denominated in US dollar, Euro, NZD, JPY and IDR.

The Group regularly monitors outstanding financial assets and liabilities in foreign currencies and maintains them at a level responsive to the current exchange rates so as to minimize the risks related to these foreign currency denominated assets and liabilities.

Information on the Group's foreign currency denominated assets and liabilities and their Philippine peso equivalent are as follows:

	December 31, 2024					
	U.S. Dollar	Euro	NZD	JPY	IDR	CHF Peso Equivalent
Assets						
Cash and cash equivalents	530,285	-	-	-	-	30,763,969
Advance payment to suppliers and contractors	93,189,480	344,162	-	-	-	5,427,107,230
	93,719,765	344,162	-	-	-	5,457,871,199
Liabilities						
Accounts payable and accrued expenses	(494,641,878)	(4,619,208)	(3,261)	(626,040,450)	(27,500,000)	(5,375) (29,205,929,419)
Net foreign currency-denominated liabilities	(400,922,113)	(4,275,046)	(3,261)	(626,040,450)	(27,500,000)	(5,375) (23,748,058,220)

	December 31, 2023					
	U.S. Dollar	Euro	NZD	JPY	IDR	Peso Equivalent
Assets						
Cash and cash equivalents	726,347	-	-	-	-	40,360,948
Advance payment to suppliers and contractors	150,764,567	198,628	-	-	-	8,389,745,122
	151,490,914	198,628	-	-	-	8,430,106,070
Liabilities						
Accounts payable and accrued expenses*	(430,266,084)	(3,206,207)	(3,261)	(986,691,978)	(27,500,000)	(24,493,676,890)
Net foreign currency-denominated liabilities	(278,775,170)	(3,007,579)	(3,261)	(986,691,978)	(27,500,000)	(16,063,570,820)

With the translation of these foreign currency denominated assets and liabilities, the Group reported net foreign exchange gain (loss) of (P506.74) and P116.87 million in 2024 and 2023, respectively.

The following are the closing exchange rates applied as at December 31, 2024 and 2023:

	USD	Euro	NZD	JPY	IDR	CHF
2024	58.014	60.4738	32.6213	0.3672	0.0036	64.5532
2023	55.567	61.4738	35.1739	0.3930	0.0036	65.8065

Sensitivity Analysis. The following table demonstrates the sensitivity to a reasonably possible change in the exchange rates, with all other variables held constant, of the Group's net income and equity:

December 31, 2024			
	Strengthening/ Weakening of the Philippine Peso	Effect on Profit	Effect on Equity
US Dollar	+10%	2,325,909,549	2,325,909,549
	-10%	(2,325,909,549)	(2,325,909,549)
JPY	+10%	22,988,205	22,988,205
	-10%	(22,988,205)	(22,988,205)
NZD	+10%	10,638	10,638
	-10%	(10,638)	(10,638)
EURO	+10%	25,852,832	25,852,832
	-10%	(25,852,832)	(25,852,832)
IDR	+10%	9,900	9,900
	-10%	(9,900)	(9,900)
CHF	+10%	34,697	34,697
	-10%	(34,697)	(34,697)

December 31, 2023			
	Strengthening/ Weakening of the Philippine Peso	Effect on Profit	Effect on Equity
US Dollar	+10%	1,549,069,984	(1,549,069,984)
	-10%	(1,549,069,984)	1,549,069,984
JPY	+10%	38,776,995	(38,776,995)
	-10%	(38,776,995)	38,776,995
NZD	+10%	11,470	(11,470)
	-10%	(11,470)	11,470
EURO	+10%	18,488,733	(18,488,733)
	-10%	(18,488,733)	18,488,733
IDR	+10%	9,900	(9,900)
	-10%	(9,900)	9,900

Interest Rate Risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group manages its interest cost by using an optimal combination of fixed and variable rate debt instruments. The management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up rates charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.

Capital Management

Management's objectives in managing capital are to safeguard the ability of the Group to operate as a going concern, ensure that it has sufficient cash flows to service long-term debt, and to satisfy both maturing short-term debt and upcoming operational expenses, thereby providing returns to shareholders and other stakeholders.

Capital is defined as the Group's capital stock, additional paid-in capital and retained earnings.

Management uses debt-to-equity ratio to monitor and review, on a regular basis, the Group's capital.

There were no changes in the Group's approach to capital management during the year.

The Group, through NGCP has to meet Debt to Equity Ratio required by the concession agreement. For the years ended December 31, 2024 and 2023, the Group is in compliance with these requirements.

Fair Values

The Group analyzes financial instruments carried at fair value by valuation method as at December 31, 2024 and December 31, 2023. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are not based on observable market data.

As at December 31, 2024 and December 31, 2023, the Group has no financial instruments valued based on Levels 1 and 3 and has not introduced any movement among Levels 1, 2 and 3 classifications.

The following summarizes the major methods and assumptions used in determining the fair values of financial instruments:

Cash and Cash Equivalents, Receivables, Trade and Other Current Payables and Other Current Liabilities. The carrying amounts of these financial assets and financial liabilities approximate fair values primarily due to the relative short-term nature/maturities of these financial instruments.

Receivables - Net of Current Portion and Customers and Other Deposits. These accounts are reported at their carrying amounts which approximates its amortized cost as the impact of discounting is immaterial. Carrying amounts approximates the cash amounts that would be settled at reporting date.

Concession Fee Payable and Loans Payable. The carrying value of interest-bearing concession fee payable and loans payable is the present value which approximates the cash amount that would be fully settled as at reporting date. These are classified as current liabilities when they become payable within twelve (12) months from the reporting date.

25. Contingencies

The Group, in the ordinary course of business, is a party to certain cases or claims under protest pending with administrative bodies or the courts, including but not limited to those set out below, the outcome of which are not presently determinable.

a. Civil Cases

NGCP is a defendant in an Arbitration case filed by Kalpataru Power Transmission Limited (KPTL) before the Construction Industry Arbitration Commission (CIAC) where the Arbitral Tribunal awarded damages in favor of KPTL, as follows:

PROJECT	DAMAGES		
	PHP	USD	INR
Abaga-Kirahon	28,749,664	93,041	1,329,869
Kirahon-Maramag	16,658,168	77,369	2,333,347
Ormoc-Babatngon	27,053,362	-	394,743

Moreover, the Arbitral Tribunal also directed NGCP to release the Retention Money previously withheld by NGCP from the payments to KPTL, as follows:

PROJECT	RETENTION MONEY	
	PHP	USD
Abaga-Kirahon	30,000,000	2,000,000
Kirahon-Maramag	21,929,714	143,563

NGCP filed a Petition for Review with the Court of Appeals assailing the erroneous award and also posted a bond before the CIAC in an amount equal to the award in order to restrain the implementation of the Final Award pending the resolution of NGCP's Petition. In its Decision dated June 29, 2018, the Court of Appeals deleted all the actual damages granted by the Arbitral Tribunal in favor of Kalpataru but ordered NGCP to release the retention money to Kalpataru. The June 29, 2018, Decision of the Court of Appeals is now subject of separate Petitions for review by NGCP and Kalpataru before the Supreme Court which is pending resolution.

In a case involving customer High Street (SPV-AMC), Inc., (High Street) concerning the manner of calculating the transmission charge of High Street, NGCP filed on March 10, 2022 a Motion (to remand the Case) before the Supreme Court requesting that case be remanded to the Energy Regulatory Commission (ERC) for proper disposition, particularly, on the implementation and computation of the billing due from High Street consistent with the Decision and Resolution of the Court of Appeals, as affirmed by the Supreme Court, declaring the non-coincident peak demand (NCPD) as the correct billing determinant in the computation of transmission charges of High Street, Inc. Consequently, on September 9, 2022, NGCP filed with the Supreme Court a Reiteratory Motion praying that case be remanded to the ERC to implement and compute the billing due from High Street. On November 2, 2022, the 1st Indorsement of the Supreme Court to the Court of Appeals - the case was remanded to CA on June 14, 2021. And on December 12, 2022, NGCP received the CA letter transmitting the records of the case to ERC for proper disposition. Hence, on March 9, 2023, NGCP filed with the ERC its Motion to Set the Case for hearing to finally determine the billings of High Street in relation to the Supreme Court ruling. Said motion is pending action by the ERC.

NGCP is the Plaintiff in the case of NGCP vs Posadas docketed as Civil Case No. 14-2547-M for Quieting of Title with Prayer for the issuance of Writ of Preliminary Injunction and/or TRO filed before the RTC Branch 80 of Morong Rizal. On 30 June 2022, NGCP received the hard copy of the Decision dated June 20, 2022, dismissing the quieting of title, partially granting counterclaims of defendants such as P500,000 temperate damages, P100,000 exemplary damages, P 25,000 Attorney's fees and setting aside the writ of preliminary injunction case of NGCP. On July 15, 2022, NGCP through external counsel filed a Motion for Reconsideration of the Decision dated June 20, 2022. On August 23, 2022, NGCP received the Order dated August 12, 2022, denying NGCP's Motion for Reconsideration dated July 15, 2022. On August 26, 2022, NGCP filed a Notice of Appeal assailing the Decision dated June 20, 2022. RTC gave due course to the Notice of Appeal and transmitted the records to the CA. NGCP is still waiting for the CA's action on the appeal.

NGCP is the Plaintiff in the case of NGCP vs Bulcio et al. docketed as Civil Case No. 19-CV-3500 for the issuance of Writ of Preliminary Injunction with TRO filed before the RTC Branch 10 of La Trinidad, Benguet. Defendants prayed for the dismissal of the complaint as well as P50,000.00 for moral damages, P500,000.00 for exemplary damages and P20,000.00 cost of litigation expenses. On April 27, 2022, NGCP received the Memorandum of defendants. On May 18, 2023, NGCP received the decision dismissing the complaint. On July 14, 2023, NGCP received a resolution denying MR of NGCP. On August 08, 2023, NGCP received an order finding the Notice of Appeal by NGCP filed within the reglementary period and immediately transmitting records of the case to CA. NGCP is still waiting for the CA's action on the appeal.

NGCP is the Defendant in the case of Melanie Villarao vs NGCP docketed as Civil Case No. II-6665 for Damages based on Quasi-delict before the RTC Branch 08 of Aparri, Cagayan. Plaintiff prayed for incurred medical and other related expenses in the total amount of P8.02 million consisting of P1,050.00, funeral expenses of P92,700.00, Loss of earning capacity of P6.42 million, P1.00 million for moral damages, and P500,000.00 for exemplary damages. During the mediation, Plaintiff manifested that she is willing to amicably settle the case with the following proposals: (1) NGCP will give/indemnify the Plaintiff half or 50% of 8M, the total amount of damages prayed for; (2) Health Insurance will be provided to the Plaintiff's only child at the expense of NGCP. NGCP did not accept the proposal for being unconscionable and not within the ambit of NGCP policy. The case proceeded to trial. The presentation of evidence for the plaintiff was concluded on 17 July 2024. Plaintiff submitted her formal offer of evidence on the same day. NGCP, through its retainer, filed its comments/objections to the formal offer of evidence on 29 July 2024. On 27 November 2024, defendant NGCP presented its lone witness and Plaintiff's counsel manifested that they are not intending to present rebuttal evidence, thus the case is now submitted for Decision.

NGCP is the Defendant in the case of Leonardo San Pedro vs NGCP represented by Rodolfo Ilarde Jr. docketed as Civil Case No. 3333 for Removal of Structures and Damages before the MTCC Branch 03 of Tuguegarao City, Cagayan. Plaintiff prayed for the removal of electrical posts and payment of P50,000.00 cost of litigation expenses, P50,000.00 for Attorney's Fee and P50,000.00 for exemplary damages as well as payment of the cost of suit. During trial, the Plaintiff moved for amendment of the Complaint to which the Court granted. In the Amended Complaint dated May 15, 2024, the Plaintiff included another parcel of land on which he claims the structures are erected and amended the prayer for cost of litigation expenses to P100,000.00. Accordingly, NGCP also filed its Amended Answer. On August 21, 2024, the Plaintiff submitted an Offer of Compromise allowing the retention of the structures within his property subject to the payment of just compensation amounting to PhP1,000,000. NGCP did not accept the proposal since it was the Plaintiff who requested TransCo in 2005 to relocate the poles in their current location and that such request is covered by a Memorandum of Agreement. Moreover, in the relocation of poles, ROW Grants were executed and duly annotated in the Titles. The presentation for the evidence of the plaintiff was terminated on 16 October 2024. Defendant NGCP will present its first witness on 23 January 2025.

NGCP is the Plaintiff in the case of NGCP vs Sps. Manolo Hernal and Mildred Villaroman-Hernal docketed as Civil Case No. 6740-AF for the issuance of Writ of Preliminary Injunction with TRO filed before the RTC Branch 30, Cabanatuan City. In a Decision dated January 25, 2024, NGCP is ordered to pay just compensation in the total amount of P19.61 million. NGCP filed MR which the court denied hence, NGCP filed Notice of Appeal. RTC gave due course to the Notice of Appeal and transmitted the records to the CA. NGCP is still waiting for the CA's action on the appeal.

NGCP is the Defendant in the case of Heirs of Miguel D. Guansing Et. Al. vs TRANSCO and NGCP docketed as Civil Case No. 180-M-2021 for Inverse Condemnation before the RTC Branch 19 of Malolos, Bulacan. Plaintiffs prayed for payment of just compensation for the alleged area occupied by the transmission lines and Attorney's fees of P50,000.00 including all litigation expenses and cost of suit. The case is set for Pre-trial on 20 May 2024 per order received on 05 April 2024. Received on 19 June 2024 is the Order resetting the pre-trial on 19 August 2024 and requiring the counsel for NGCP to put into writing the motion she orally raised during the hearing on 20 May 2024 (i.e. dropping of NGCP as defendant). On 16 August 2024, NGCP received an Order denying the Motion to drop NGCP as defendant in the above subject case. Initial presentation of witness for the plaintiff is set on February 10, 2025.

NGCP is the Defendant in the case of Angel Tan Chua vs NPC, PSALM, NTC and NGCP docketed as Civil Case No 352-M-2022 for Just Compensation before the RTC Branch 15 of Malolos Bulacan. Plaintiff prayed for just compensation for the alleged affected total area of 37,261 square meters and consequential damages of no less than P1.00 billion, P500,000.00 for exemplary damages, P200,000.00 for attorney's fees and the cost of litigation. The case is set for pre-trial. The commissioners have been nominated by the parties for the purpose of determining just compensation. Commissioner Ernesto Borja and Gina De Guzman have submitted their reports. However, in an Order dated 20 May 2024, the Court ordered the commissioners to submit further report. Commissioner Gina De Guzman submitted her further report on 17 June 2024. In an Order dated 27 December 2024, the court waived the further report from commissioner Ernesto Borja so as not to delay the resolution of the case. In the same Order, the court ordered the parties to comment on the further report of commissioner Gina De Guzman within 30 days from the receipt of the Order. The comment to the report was submitted to the court on January 20, 2025.

NGCP is the Defendant in the case of American Technologies, Inc. v. NGCP, docketed as R-MND-24-00551-CV for Specific Performance with Damages before RTC Branch 213 of Mandaluyong. Plaintiff prayed for the return of 99 GPS units that NGCP previously leased, or, in the alternative, the payment of the value of the said GPS units, and the payment of Php100,000.00 exemplary damages, Php30,000.00 attorney's fees, Php5,000.00 additional attorney's fees per appearance of plaintiff's counsel, and the costs of litigation. The case is set for Mediation and Pre-Trial Conference.

NGCP is the Defendant in the case of Sps. Jeoffrey and Novelie Pascua et al vs NTC and NGCP docketed as Civil Case No. U-11767 for Inverse Condemnation before the RTC, Branch 49 of Urdaneta City, Pangasinan. Plaintiffs prayed for just compensation in the total amount of P117.99 million as provisional compensation for alleged areas occupied by the transmission lines and attorney's fees amounting to P60,000.00, hearing expenses of P25,000.00 as well as litigation expenses and cost of suit. Upon motion of NGCP the case was dismissed with Prejudice during Pre-trial on October 12, 2023. The Plaintiffs filed a Motion for Reconsideration which the Court granted and set the case for pre-trial conference. In an Order dated February 29, 2024, the Court discharged NGCP as defendant in the case in view of the manifestation in open court of the Plaintiffs' counsel that they are amenable to drop NGCP as defendant.

NGCP is the Respondent in the case of Phirst Park Homes, Inc. vs NGCP Et Al. docketed as Civil Case No. 57-M-2023 for Indirect Contempt before the RTC Branch 82 of Malolos, Bulacan. Plaintiff prays to impose appropriate fines and imprisonment in accordance with law against respondents. The case was transferred and consolidated to under Civil Case No. 221-M-2022 before the RTC, Br. 12 (121) Meycauayan Bulacan, where the case for expropriation is being heard. In a Resolution dated February 28, 2024, the Supreme Court dismissed the Petition for Prohibition w/ Urgent Prayer of Issuance of a TRO and WPI. Accordingly, the TRO issued by the Court on July 3, 2023 is lifted.

There are several other cases for ejectment, damages, recovery of possession, inverse condemnation and other cases which are civil in nature filed by and against NGCP and pending with the different courts and quasi-judicial bodies nationwide. The total estimated amount of claim against NGCP for these civil cases is P668 million.

b. Revenue Applications

On December 22, 2022, NGCP filed its revenue application for the 4th Regulatory Period (2016-2020). In the Application, NGCP proposed its Annual Revenue Requirement for the years 2016 to 2020 for the ERC's approval. The Application is already submitted for resolution as of date.

Section 4.6 of the 4th RP Draft Final Determination (DFD) provides the ERC's review on NGCP's proposed recovery of the acquisition of assets performing transmission function. This asset acquisition is consistent with Section 9 of the Electric Power Industry Reform Act of 2001 (EPIRA) stating that a generation company may develop and own or operate dedicated point-to-point limited transmission facilities that are consistent with the Transmission Development Plan (TDP) provided that such facilities are required only for purposes of connecting to the transmission system and are used solely by the generating facility, subject to prior authorization by the ERC, and in the event that such assets are required for competitive purposes, ownership of the same shall be transferred to the Regulated Entity at a fair market price. The standard legal instrument covering such turnover of assets between a generation company and the Regulated Entity is the Deed of Absolute Sale (DOAS), and the standard feature of which is that the maximum payment to the generation company for the acquisition of such assets shall only be limited to the ERC Final Approved amount.

On March 30, 2023, NGCP filed its revenue application for the 5th Regulatory Period (2021-2025). While NGCP has already submitted its evidence, presented its witnesses, and submitted various data and information in compliance with ERC orders, the Application is still under evaluation by the ERC.

On December 4, 2023, NGCP also filed a Petition with the Supreme Court seeking for the nullification of Art. IV of the 2022 Rules for Setting of Transmission Wheeling Rates. The Petition will have an impact on the on-going 4th and 5th RP applications. The Supreme Court has yet to act on the Petition filed.

c. Show Cause Orders

There are also forty-seven (47) pending cases arising from show cause orders (SCOs) issued by the ERC. These SCOs involve allegations of possible violations of the Philippine Grid Code (PGC), the Ancillary Services Procurement Plan (ASPP), the 2021 DOE AS-CSP Circular, the Rules for Setting Transmission Wheeling Rates (RTWR), Commonwealth Act No. 146, and the Republic Act No. 9136, and various ERC Orders and Decisions involving CAPEX applications.

In one SCO (ERC Case No. 2022-129 to 131 SC), after NGCP has filed its Explanation, the ERC issued a Decision and ruled that NGCP violated the 2021 DOE AS-CSP Circular and meted out a penalty in the amount of P5.10 million. NGCP timely filed a Motion for Partial Reconsideration of the Decision and paid the penalty imposed with reservation. Said motion is pending resolution. However, on May 17, 2023, NGCP received Order stating that Commissioner did not receive the NGCP's Motion for Reconsideration of the Decision dated October 27, 2022 and that the said case is being closed and terminated. NGCP filed on the following day, May 18, 2023, the Urgent Motion to Withdraw/Recall the said Order. This case is still pending for Resolution.

NGCP has also timely filed its Explanations on various dates for the other SCOs which are pending resolution.

For the SCOs on the alleged delayed implementation of thirty-seven (37) CAPEX projects (ERC Case No. 2023-196 to 232 SC), NGCP timely filed its written Explanations on July 29, 2023, through a Compliance [Submission of Written Justifications in compliance with the Order dated June 14, 2023] dated July 28, 2023. In 2024, the ERC conducted clarificatory hearings on ten (10) of the 37 SCOs. On 30 August 2024, NGCP received the Decision dated 25 June 2024 on the above-mentioned 10 SCOs (ERC Case No. 2023-197 et al.) where NGCP was declared administratively liable for violation of the Orders and Decision of the Commission in seven out of the ten SCOs. NGCP was ordered to pay the total administrative penalty of Three Million Five Hundred Thousand Pesos. NGCP filed the Motion for Partial Reconsideration to the 25 June Decision 2024 on September 16, 2024. In addition, on October 2, 2024 NGCP received an Order where NGCP's Motion for Confidential Treatment of Information is denied.

In the February 6, 2024, Order of the ERC (ERC Case No. 2024-010MC), the ERC commenced its investigation on the January 02, 2024, Panay Sub-Grid Blackout Incident. Hearings were conducted attended by NGCP, the Generators located in Panay, and the interim Grid Management Committee. The result of the investigation is still pending with ERC.

On November 26, 2024, NGCP received the ERC's Decision (ERC Case No. 2023-196 to 232SC) dated January 16, 2024 where NGCP was declared administratively liable for violation of the remaining twenty-seven (27) Orders and Decisions of the Commission and was ORDERED to pay the total administrative penalty of Twelve Million Three Hundred Thousand Pesos (PhP12,300,000.00) within Fifteen (15) days from receipt of the Decision. NGCP filed a Motion for Reconsideration on 10 December 2024 and Supplemental Submission on December 16, 2024.

d. Tax Cases

In the case of National Grid Corporation of the Philippines vs. Ofelia M. Oliva, G.R. No. 213157, August 10, 2016, and Ofelia M. Oliva vs. National Grid Corporation of the Philippines, G.R. No. 213558, August 10, 2016 (Oliva case), the Supreme Court ruled that NGCP is exempt from payment of real property tax on properties used in connection with its franchise. The cases were remanded to the Central Board of Assessment Appeals (CBAA), Case No. V-31, and on April 10, 2019, the CBAA ruled that the maintenance office and warehouse buildings are used in connection with NGCP's franchise. However, the Supreme Court also ruled in the Oliva cases that NGCP cannot ask for refund from the Cebu City Government for the taxes it paid from 2001-2008 in the amount of P2.79 million but shall take its relief from NPC/TransCo. NGCP may only ask for reimbursement from the City of Cebu the amount paid in excess of the correct tax that should have been collected if the tax is computed applying the 10% assessed value for the period 2001-2008, and refund of the amount paid for the year 2009. Likewise, in another similar case, NGCP vs Local Board of Assessment Appeals (LBAA) and the City Treasurer of Cebu, CBAA Case No V- 35, the CBAA recognized NGCP's exemption from payment of real property tax pursuant to the Supreme Court decision in the Oliva case and ordered the refund of taxes paid for the year 2009 on two office buildings used in the Talamban substation. The refund of the taxes paid in both cases are still under negotiation with the City of Cebu.

NGCP obtained another favorable Resolution, dated June 23, 2021, from the Supreme Court in the consolidated cases docketed as G.R. Nos. 218289-90 (NGCP vs. CBAA, LBAA of Cabanatuan City and Ms. Heidi Pangilinan, in her capacity as City Assessor of Cabanatuan and NGCP vs. CBAA, LBAA of Cabanatuan City and Ms. Florida Oca, in her capacity as the City Treasurer of Cabanatuan City). NGCP questioned the assessment issued by the Assessor of Cabanatuan City in the first case; while in the second case, NGCP paid under protest the real property tax in the amount of P3.82 million for the period 2009 to 2010. In its Resolution, the Supreme Court reiterated its ruling in the case of NGCP vs. Oliva that NGCP is exempt from payment of real property tax on properties that are used for electric power transmission. As in the Oliva case, the SC ordered to remand the cases to the CBAA to determine the actual use of subject machineries, buildings and lands for the purpose of resolving the merits of NGCP's claim for exemption from paying the real property taxes. The CBAA rendered its decision on January 23, 2023 granting NGCP's exemption from payment of Real Property Taxes effective taxable year 2009 and the City of Cabanatuan was ordered to issue revised tax declarations on the subject properties with annotation tax exempt and to refund the Real Property Taxes for taxable year 2009-2010 in the total amount of P3.82 million. Likewise, the City of Cabanatuan was ordered to cancel subsequent assessments and collection of real property taxes inclusive of penalties on the subject properties. The City of Cabanatuan filed a Motion for Reconsideration of the decision, but this was denied by the CBAA. A Petition for Review was then subsequently filed by the City of Cabanatuan before the CTA. On 22 December 2024 NGCP received a favorable Decision from the CTA dated December 13, 2024 granting NGCP's exemption from real property taxes and the City Government of Cabanatuan City has fifteen days to act upon their receipt of the said decision. As of March 7, 2025, NGCP has not received any Motion for Reconsideration filed by the City Government of Cabanatuan City regarding the said decision.

On September 24, 2024, NGCP received a favorable resolution in GR. No. 265730, dated 05 June 2024, issued by the Second Division of the Supreme Court in the case of NGCP vs. the City of Tacloban, in her capacity as Treasurer of Tacloban. This case involves the assessment of contractor's tax, including surcharges and penalties, for the period from 2001 to 2009, initially amounting to Php29,493,740.00. The assessment was subsequently reduced to Php2,022,864, covering only the period from January to December 2009, upon NGCP's filing of a written protest pursuant to Section 195 of the Local Government Code. As a result, NGCP filed a petition before the Regional Trial Court (RTC) challenging the revised assessment issued by the City Government of Tacloban. The RTC dismissed NGCP's appeal as premature due to its failure to file a written protest against the revised assessment from the City Treasurer. NGCP's subsequent filed petition for review before the Court of Tax Appeals (CTA) which was denied for failure to prove payment of the required 3% franchise tax for 2009. After elevating the case to the CTA En Banc, which also denied the petition without considering the BIR certifications from NGCP, NGCP filed a Petition for Review on Certiorari with the Supreme Court. The Supreme Court found merit in NGCP's case, ruling that it had been denied due process by not being allowed to present evidence of tax payment and that the CTA En Banc erred in disregarding the BIR Certification presented by NGCP. Thus, the Supreme Court reversed the CTA En Banc's decision and remanded the case to the RTC in Tacloban City for further proceedings to determine whether the amounts collected, as mentioned in the BIR certifications submitted by NGCP, were the same franchise taxes referred to in Section 9 of RA 9511 and whether the franchise taxes collected from NGCP in 2009 corresponded to 3% of NGCP's gross receipts for that year.

In the case of NGCP vs. Fatima Tenorio, et al, the CTA in its Decision dated April 26, 2017, dismissed the Petition filed by NGCP for failure to pay the tax under protest. However, since a similar case involving the same properties is also pending before the LBAA of Ilocos Sur, NGCP subsequently paid the real property tax under protest in the amount of P10.17 million. NGCP then filed another Petition before the LBAA on November 5, 2018, contesting the collection and payment of the tax. The cases are still pending before the LBAA.

Likewise, in NGCP vs. the OIC, Provincial Assessor of South Cotabato and the Municipal Assessor of Tupi, South Cotabato, a case involving properties with assessed value of P78.89 million was dismissed on appeal by the CTA in its Decision dated February 27, 2018 for failure to pay the tax under protest. This was brought to the Supreme Court by way of Petition for Review, docketed as G.R. No. 241105. A Reply to the Comment of Respondents to NGCP's Petition for Review dated January 3, 2019, was filed by NGCP on September 16, 2020. On August 24, 2023, NGCP received Resolution dated March 27, 2023, *requiring parties to file a Manifestation as to the subsequent development that may help the disposition of the case.* Hence, on September 8, 2023, NGCP filed a Manifestation informing the Supreme Court of a pending negotiation for settlement by the parties.

Also, in the case of NGCP vs. LBAA of Batangas City and Guadalupe Judy Tumambing, City Assessor of Batangas City, involving properties with assessed value of P1.40 million, the Supreme Court dismissed the Petition for Review filed by NGCP in a Resolution dated February 28, 2022. NGCP subsequently filed a Motion for Reconsideration of said Resolution on March 15, 2022, praying, among others, that the properties involved be classified as exempt from the payment of RPT in the Assessment Roll. On July 13, 2022, NGCP received a Resolution denying its Motion for Reconsideration. The subject properties are now the subject of pending verification by South Luzon O&M for possible payment under protest of the assessed real property taxes.

With regards to the pending Petition for Injunction with TRO (NGCP vs. The Province of Cebu, et al.) for Declaratory Relief with Prayer of Cancellation of TDs, with Urgent Application for TRO and/or Preliminary Injunction against the collection of RPT in the amount of P192.00 million, filed with the Regional Trial Court Regional Trial Court (RTC) of Cebu, the parties already submitted their respective Memoranda on July 19, 2019, and the case is still pending for resolution.

On October 12, 2020, NGCP received a copy of the CTA Decision, dated September 23, 2020, in CTA EB No. 2110 (City Assessor's Office of Valenzuela City vs. NGCP) reversing and setting aside the Decision dated August 22, 2012, of the LBAA and the October 8, 2018 Decision and May 31, 2019 Resolution of the CBAA. The CTA declared the Notice of Assessment dated October 9, 2012, as final, executory and unappealable. On October 23, 2020, NGCP filed its Motion for Reconsideration. Thereafter, NGCP received on October 23, 2020, the Statement of Account issued by the City Treasurer on the 37 machineries/transmission towers subject of the case in the total amount of P421.75 million. On October 30, 2020, NGCP wrote a letter and requested the City Treasurer and City Assessor the following: (a) refer to TransCo the notice of delinquency for real property tax covering years 2002 to 2008; (b) classify the 37 machineries/transmission towers, as exempt from payment of real property tax from year 2009 onwards; and (c) issue revised tax declarations on 37 machineries/transmission towers and indicate thereon that NGCP is the beneficial user of the same and to re-classify said properties from taxable to exempt. On June 28, 2021, NGCP received the CTA Resolution dated June 2, 2021, denying NGCP's Motion for Reconsideration. NGCP filed Petition for Review dated July 13, 2021, which is still pending resolution before the Supreme Court.

Under Civil Case No. R-QZN-21-07791, entitled NGCP vs. City Government of Quezon City, the RTC-QC Branch 225 in its Resolution dated September 8, 2022, dismissed due to lack of merit NGCP's Petition questioning the assessment issued by the LGU of Quezon City for the year 2021 and seeking the refund of the amount of P21.98 million which NGCP paid under protest. The RTC subsequently denied NGCP's Motion for Reconsideration (MR). NGCP filed Petition for Review with CTA. On May 29, 2024, CTA rendered a decision reversing and setting aside the decision of RTC and remanding the case to the RTC for further proceedings in favor of NGCP. However, the LGU of Quezon City filed MR and it is pending resolution before the CTA.

On May 24, 2024, NGCP received a favorable decision in the case of NGCP vs. Quezon City under Civil Case No. R-QZN 22-05086 CV Br. 215. The court declared NGCP is exempt from payment of local business tax, city tax, Mayor's Permit Fee, local franchise tax and other regulatory fees and charges in relation to the operation and legislative franchise and the NGCP's assessment for city tax, mayor's permit fee, business and other regulatory fees and charges in the amount of P22.27 million for calendar year 2022 is cancelled and declared null and void. Also, the court ordered the City Treasurer of Quezon City to refund in favor of NGCP the amount of P22.27 million. Quezon City filed a MR of the Decision dated December 27, 2023, but the Court denied the said MR. Hence, the City Government of Quezon City filed a Petition for Review on November 12, 2024, and the Court instructed NGCP to file a comment within 10 days, or until January 20, 2025. On January 20, 2025, NGCP filed its Comment (to the Petition for Review dated November 15, 2024) which is still pending before the court.

In the case of NGCP vs. City Government of Santiago, Isabela, represented by Hon. Joseph S. Tan as the City Mayor and Atty. Artemio R. Villaluz Jr., as the City Licensing Officer and Ms. Elizabeth Casabar, City Treasurer of Santiago City, NGCP received a favorable Decision dated March 31, 2023 granting NGCP's exemption from the payment of franchise tax and other regulatory fees in the amount of P60. 61 million and no appeal has been filed by the City Government of Santiago, Isabela.

On May 12, 2023, NGCP filed Petition before the RTC of Quezon City (NGCP vs. The City Government of Quezon City) under Civil Case No. R-QZN- 045425 CV relative to the Appeal of Assessment and Claim for Refund of Business Tax for CY 2023 in the amount of P26.53 million. The case is now pending before the RTC-QC Branch 230.

On June 21, 2023, another Petition was filed before the MTCC Branch 1 - Davao City entitled NGCP vs. City Government of Davao City, as represented by Atty. Lawrence D. Batinding, in his official capacity as City Treasurer of Davao involving an Appeal of Assessment and Claim for Refund of Business Tax and other regulatory fees in the total amount of P184,942. The case is now pending before the MTCC-Davao City.

On June 5, 2024, a new Petition was filed before the RTC of Quezon City (NGCP vs. The City Government of Quezon City) under Civil Case No. R-QZN-24-04776 relative to the Appeal of Assessment and Claim for Refund of Business Tax for CY 2024 in the amount of P26.49 million. The case is now pending before the RTC-QC Branch 226.

With the ruling of the Supreme Court in Oliva cases, Tacloban Case, Cabanatuan City cases and BLGF Memorandum Circulars and letters confirming NGCP's exemption from RPTs, local franchise tax and business taxes, NGCP is continuously and actively asserting its exemption on all properties used in connection with its franchise and is pro-actively negotiating with various LGUs for the recognition of its exemption, and for the refund of all real property taxes paid under protest. Constant communication and coordination meetings and negotiations with the various LGUs are being conducted all year round for this purpose.

As of December 31, 2024, NGCP obtained four thousand two (4,002) tax exemptions covering lands, buildings and machineries located in various cities, municipalities, provinces with assessed value in the total amount of P11.99 billion.

As of December 31, 2024, NGCP has a total of ninety-seven (97) RPT, franchise and business tax cases pending before the LBAA, CBAA, RTC, Municipal Trial Court in Cities (MTCC), the CTA and the Supreme Court, broken down as follows:

- (i) Real Property Tax cases:
 - a. forty-eight (48) cases pertain to Petition filed contesting the Notices of Assessment issued by the Provincial or City Assessors involving properties with total assessed value of P13.128 billion; and
 - b. thirty-eight (38) cases with Payment Under Protest contesting the Statements of Account or Billings issued by the Provincial or City Treasurers in the total amount of P47.173 million.

(ii) Franchise/Business Tax Cases:

Eleven (11) cases with Payment Under Protest contesting the assessment for Franchise/Business Taxes and Fees issued by the Provincial or City or Municipal Treasurers in the total amount of P170 million.

(iii) Suspension of Pass-on of Franchise Tax

On August 15, 2023, the ERC promulgated Resolution No. 10, Series of 2023 (the "2023 ERC Resolution"), entitled "*A Resolution Suspending the Inclusion of the National Franchise Tax of the National Grid Corporation of the Philippines (NGCP) in the Total Monthly Transmission Cost Billing of Distribution Utilities.*" Citing Republic v. Manila Electric Company ("MERALCO") and Maynilad Water Services, Inc. v. National Water and Resources Board, et al. ("Maynilad"). NGCP submitted a letter of reconsideration on August 24, 2023, and same is still pending resolution before the ERC.

e. Right of Way (ROW) Expropriation Cases

Pursuant to R.A. No. 9511, NGCP is authorized to exercise the right of eminent domain insofar as it may be reasonably necessary for the construction, expansion, and efficient maintenance of the transmission system and grid. Thus, NGCP may acquire private property as is actually necessary for the realization of the purposes for which its franchise (R. A. 9511) was granted.

One of the relevant expropriation cases filed on May 6, 2016 by NGCP is NGCP v. Social Security System (SSS), a government-owned and -controlled corporation, for the acquisition of the site for the Pasay 230kV Substation Project. An Omnibus Motion to Withdraw Complaint and Provisional Deposit in the amount of P1.46 billion was filed with the Regional Trial Court of Pasay City (RTC-Pasay) on March 12, 2020. However, the resolution was deferred since the records of the case were forwarded and still with the Supreme Court. Unfortunately, hearings of the court were suspended due to Covid 19 Pandemic at the start of March 2020.

On January 22, 2021, NGCP filed with the Supreme Court a Motion to Enforce the Court's Order to remand the records of the case to RTC-Pasay. On March 18, 2021, NGCP's Motion to Enforce Court Order was granted by the Supreme Court. Consequently, the records were transmitted to the RTC-Pasay on July 13, 2021. The Omnibus Motion to Withdraw Complaint and Provisional Deposit was granted by the RTC-Pasay after the hearing on July 21, 2021. NGCP filed a Partial Motion for Reconsideration regarding the interest on the provisional deposit which was denied by the said court in its Order dated November 5, 2021.

On December 10, 2021, NGCP filed a Notice of Appeal before the Court of Appeals (CA). The provisional deposit's principal amount of P1.46 billion was withdrawn by NGCP on December 22, 2021. On November 7, 2022, NCGP received a Notice to File Brief dated September 17, 2022, from the CA, requiring NGCP to file its Appellant's Brief within 45 days from receipt of the said Notice. On December 22, 2022, the Appellant's Brief praying for the release of the interest on the P1.46 billion principal amount of provisional deposit was filed. On October 3, 2024, NGCP received a copy of the Decision of the CA dated September 13, 2024 denying the appeal. NGCP filed a Motion for Reconsideration on October 18, 2024.

As of December 31, 2024, the total number of expropriation cases filed/pending with the Courts, including Projects Under Construction (PUC) cases turned over to NGCP by the National Transmission Corporation (TRANSCO) 5,137 with the total estimated amount involved of P11.73 billion (based on provisional deposits).

f. Reclassification Cases

There are six (6) reclassification cases pending before the ERC.

These cases involve assets which are currently not part of NGCP's Regulatory Asset Base (RAB) but are performing transmission functions and therefore, should be transferred to NGCP pursuant to R.A. No. 9136. By law, NGCP is required to pay the current owners of these assets the corresponding fair market price of each asset upon its transfer to NGCP to become part of NGCP's RAB. However, considering that the ERC has not yet issued NGCP's Final Determination for the Fourth and Fifth Regulatory Periods, there are still no approved CAPEX for the acquisition of these assets.

g. Permit Fees

There are six (6) cases pending with the Supreme Court (which were consolidated and will be resolved in one decision) involving ERC's imposition of Fees in relation to approved various CAPEX projects. The issue involved is whether or not NGCP is liable to pay all types of fees taking into consideration the provisions of R.A. No. 9511 which exempts NGCP from paying all other kinds of fees, taxes, and charges in consideration of its payment of the 3% Franchise Tax. The resolution of these cases may not have an impact on NGCP's revenue considering that the ERC considers Permit Fees as part of the capital expense in NGCP's Final Determination. NGCP has paid these permit fees under protest.

NGCP has already obtained favorable decisions from the Court of Appeals where the court declared NGCP exempt from payment of permit fees pursuant to its Franchise. These decisions are now subject of appeals by the ERC with the Supreme Court. There are also motions for reconsideration still pending with ERC where NGCP, upon obtaining approval of CAPEX applications, filed motions relative to the imposition of permit fees.

The ERC, on various dates, issued 19 Resolutions denying NGCP'S Motion for Reconsideration on several CAPEX and FME applications wherein NGCP prayed for the reversal of ERC's decisions imposing permit fees, and directing payment of the same. Hence, on various dates, NGCP filed 19 Petitions before the Court of Appeals assailing the 19 Resolutions issued by the ERC. On 8 October 2024, NGCP received the Decision in one of the Petitions, CA G.R. No. 182328. In the Decision, the Court of Appeals, 9th Division granted NGCP's Petition for Review, reversing and setting aside ERC's Decision and Order directing NGCP to pay Permit Fees, and stating that NGCP is not liable to pay permit fees. However, on October 11, 2024, the Court Appeals 4th Division, in another case, CA GR. No. 182321, issued a decision dismissing the petition since the question raised by NGCP is purely matters of law and, according to the said Division, should have been brought to the Supreme Court via a Rule 45 Petition instead of under Rule 43 to the Court of Appeals. NGCP has already filed a Motion for Reconsideration in this case since the Rules of Court specifically provides that on matters concerning facts, facts and law, and purely legal matters should be filed with the CA under Rule 43 of the Rules of Court. On December 4, 2024, the CA issued a Decision in GR No. 182456 granting NGCP's Petition and declaring NGCP exempt from payment of permit fees.

NGCP also filed a Motion for Consolidation in the 19 cases filed considering that these cases arise from similar set of facts and raises the same issue of law. The motion is pending resolution by the Court.

h. Supervision and Regulation Fees; Metering Authority Fees

Similar to Permit Fees, NGCP is being assessed by the ERC of Supervision and Regulation Fees in the amount of P468.00 million annually and Metering Authority Fees in the amount of P15.00 million every three years upon the renewal of NGCP's authority as the metering service provider. The Supervision and Regulation Fee is required to be paid on or before September 30th of each year with a penalty of fifty per centum in case of delinquency; Provided, further, that if the fees or any balance thereof are not paid within sixty days from the said date, the penalty shall be increased one per centum for each month of delinquency thereafter. On the other hand, the metering fee is being assessed by ERC based on the authority granted to NGCP as the WESM metering service provider.

The assessment is based on ERC Resolution No. 21, Series of 2007 entitled 'A Resolution Approving the Revised Schedule of ERC Fees and Charges' which provides that supervision and regulatory fees are for annual reimbursement of the expenses incurred by the ERC in the supervision of electric utilities, transmission companies and/or in the regulation or fixing of their rates. Both the supervision and regulatory fee and metering authority assessment fee are computed at one peso for each one hundred pesos or fraction thereof, of the capital stock subscribed or paid.

NGCP is paying both Fees although under protest on the ground that NGCP should be exempt from payment of these fees pursuant to Section 9 of R.A. No. 9511, which provides that NGCP's payment of 3% franchise tax shall be in lieu of, and expressly exempted from paying all other kinds of fees, taxes, and charges. The resolution of its protest may not have an impact on NGCP's revenue because the ERC considers the Supervision and Regulation Fees as part of the operating expense.

These legal issues are still pending before the Supreme Court for resolution.

i. Labor Cases

There are thirteen (13) labor cases pending before the Court of Appeals, National Labor Relations Commission, and the Department of Labor and Employment filed either by (i) former NGCP employees against NGCP in different areas/regions for illegal dismissal, with prayer for reinstatement, and payment of backwages and damages or for other money claims; (ii) by employees of service providers with service contracts with NGCP wherein NGCP was impleaded as co-defendant; or (iii) employees of Nominated Partner of NGCP's Contractor. The contingent liabilities arising from the labor cases are difficult to estimate considering that in most of the complaints, the monetary claims are not specified by the complainants.

j. SIAC Case

On February 14, 2018, NGCP filed with the Singapore International Arbitration Centre ("SIAC") a Notice of Arbitration, docketed as SIAC Case No. ARB044/18/CHB, against Power Sector Assets & Liabilities Management Corporation (PSALM) and National Transmission Corporation (TRANSCO) pursuant to the Arbitration Clause in Section 16 of the Concession Agreement relative to the implementation and interpretation of the parties' Concession Agreement. In the arbitration, NGCP sought, among other things, a declaration that the prepayment made on July 15, 2013 amounting to ₱57.88 billion was valid, and the payment of other monetary claims of approximately ₱4 billion which should have been borne by TRANSCO under the Concession Agreement, but were advanced by NGCP.

On February 19, 2025, the Arbitral Tribunal of the SIAC rendered a Final Award in the case filed by NGCP against the PSALM and TRANSCO. The Arbitral Tribunal declared:

1. NGCP did not breach the nationality restrictions in the Philippine Constitution, the Anti-Dummy Law, and its obligations under the Concession Agreement in relation to permitted indebtedness or insurance;
2. NGCP validly exercised its right to make the prepayment in the amount of P57.88 billion that it effectuated on July 15, 2013;
3. NGCP shall pay only approximately PhP372.77 million to TRANSCO out of its claim of around PhP3.90 billion;
4. The agreed difference for the Projects Under Construction in the amount of P10.11 billion shall be converted into US Dollars at the rate of 1 USD: 49.62 PhP;
5. NGCP is entitled to an indemnification from PSALM and TRANSCO up to the amount of PhP56.50 million for expenses on right of way claims with interest;
6. NGCP shall be compensated by TRANSCO through a corresponding reduction in the Concession Fee for Sub-Transmission Assets (STAs) that were on the Bid Date the subject of an ongoing negotiation, and as such, remain within the transferred assets;
7. NGCP's claim for capital expenditures on STAs was denied as TRANSCO is not obliged to account to NGCP in respect of any portion of the proceeds that may be attributable to NGCP's capital expenditure;
8. NGCP has, during the Concession Period, the exclusive right and responsibility of preparing the Transmission Development Plan (TDP) on an annual basis and is entitled to deal directly, and without intervention (or prior approval) by TRANSCO, with the regulators;
9. NGCP shall be reimbursed by TRANSCO for its Retained Obligations of PhP51.80 million;
10. NGCP has the exclusive right during the Concession Period to use the Transmission Assets which includes the right to use such assets for a Related Business, including for a telecommunications system;
11. Finally, the Tribunal declared that title to any Documented Property Rights acquired by NGCP in the exercise of its power of eminent domain is to be registered in the name of TRANSCO.

Under the UNCITRAL Rules, the Tribunal's award is final and binding on the parties and the parties are obligated to carry out the award without delay. As of report date, NGCP is in the process of execution of the above Arbitral Award.

k. Other Cases

There are sixteen (16) NGCP CAPEX Applications pending with the ERC for approval. Due to urgency of the projects, NGCP filed the CAPEX Applications for approval considering that ERC has not yet issued NGCP's Final Determination for the 4th and 5th Regulatory Periods.

The Group has other possible claims from or obligations to other parties from past events and whose existence may only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

26. Taxes

Income Tax

The components of income tax expense are shown below:

	2024	2023	2022
Current	P960,000	P723,417	P481,142
Deferred	26,267	(56,947)	28,401
Final tax	5,061,709	6,583,172	17,014,293
	P6,047,976	P7,249,642	P17,523,836

Current income tax expense of the Group in 2024, 2023 and 2022 represents MCIT amounting to P960,000, P723,417 and P481,142 which was computed based on the new tax rate of 2%, 1.5% and 1%, respectively.

The reconciliation of the taxes computed at the statutory income tax rate to the taxes as shown in profit or loss follows:

	2024	2023	2022
Income before income tax	P17,356,306,632	P23,375,379,609	P34,702,823,898
Tax on income at statutory tax rate	P4,339,076,658	P5,843,844,902	P8,675,705,975
Tax effects of:			
Movement in unrecognized deferred tax	27,140,430	23,407,336	24,102,652
Final tax on interest income	5,061,709	6,583,172	17,014,293
Nondeductible expense	81,764	379,409	483,240
Interest income subjected to final tax	(6,641,433)	(8,456,240)	(21,444,496)
Income subject to franchise tax	(4,358,671,152)	(5,858,508,937)	(8,678,337,828)
	P6,047,976	P7,249,642	P17,523,836

The Group did not recognize the deferred tax assets in respect of the following items since management does not expect the Group to have sufficient taxable profit that will be available against which the Group can utilize the benefit there from:

	2024	2023	2022
NOLCO	P560,315,697	P454,100,787	P364,720,992
MCIT	2,164,559	1,324,779	601,394
Accrued expenses	1,573,699	2,580,795	1,230,000
Foreign exchange loss	-	5,212	-
	P564,053,955	P458,011,573	P366,552,386

As at December 31, 2024, 2023 and 2022, the movement in the Group's deferred tax liability is as follows:

	2024	2023	2022
Beginning balance	P -	P56,947	P28,546
Deferred tax (reversal of deferred tax) on unrealized foreign exchange gain	26,267	(56,947)	28,401
	P26,267	P -	P56,947

The Group has NOLCO that can be claimed as deduction from future taxable income as follows:

Year Incurred	Expiry	Amount	Expired	Balance	2024	2023	2022
2020	2025*	P69,372,730	P -	P69,372,730	P69,372,730	P69,372,730	P69,372,730
2021	2026*	200,980,161	-	200,980,161	200,980,161	200,980,161	200,980,161
2022	2025	94,368,101	-	94,368,101	94,368,101	94,368,101	94,368,101
2023	2026	89,379,795	-	89,379,795	89,379,795	-	-
2024	2027	106,214,910	-	106,214,910	-	-	-
		P560,315,697	P -	P560,315,697	P454,100,787	P364,720,992	

**Per Section 4 of Revenue Regulations No. 25-2020 of Bureau of Internal Revenue provides that businesses or enterprises which incurred net operating loss for taxable years 2020 and 2021 shall be allowed to carry over the same as a deduction from gross income for the next five (5) consecutive taxable years, immediately following the year of such loss, unless otherwise disqualified.*

The Group has carryforward benefit of MCIT which can be claimed as tax credits against future income tax liabilities. Details of MCIT are as follows:

Year Incurred	Expiry	Amount	Addition/ (Expired)	Balance	2024	2023	2022
2020	2023	P -	P -	P -	P -	P32	
2021	2024	P120,220	(P120,220)	-	120,220	120,220	
2022	2025	481,142	-	481,142	481,142	481,142	
2023	2026	723,417	-	723,417	723,417	-	
2024	2027	-	960,000	960,000	-	-	
		P1,324,779	P839,780	P2,164,559	P1,324,779	P601,394	

Franchise Tax

As discussed in Note 1 to the consolidated financial statements, in consideration of the franchise and rights granted by R.A. 9511, the Group is required to pay a franchise tax equivalent to three percent (3%) of all gross receipts/actual collection derived from its operations under the franchise, in lieu of income tax and any and all taxes, duties, fees and charges of any kind, nature or description levied, established or collected on its franchise, rights, privileges, receipts, revenues and profits, and on properties used in connection with its franchise except for real property tax on real estate, buildings and personal property, exclusive of the franchise.

In view thereof, the Group's income from business activities included within the scope of its authority under Section 1 of R.A. 9511 is exempt from income tax, and consequently from withholding taxes, minimum corporate income tax (MCIT), improperly accumulated earnings tax (IAET), Value-Added Tax (VAT) and documentary stamp tax (DST). Subsequently, effective January 1, 2018, the implementation of TRAIN Law has changed the classification of NGCP from non-VAT to VAT entity which made all transactions affected therein to be subject to VAT.

Pursuant to Third Regulatory Period Final Determination under Clause 5.20, ERC Final Decision on Other Taxes, particularly Section 5.20.1 specifically states that “the 3% national franchise tax will not be included in the maximum allowed revenue (MAR) but will be recovered through a surcharge on the Regulated Entity’s customers’ invoices”. NGCP started billing its customers the 3% national franchise tax effective on the billing period December 26, 2010 to January 25, 2011 as approved by the ERC under Resolution No. 07, series of 2011, “A Resolution Allowing the Distribution Utilities to Include Their Monthly Transmission Cost the NGCP’s National Franchise Tax Billing.” The Group adopted an accounting treatment for franchise tax that upon billing to its customers, both franchise tax receivable and franchise tax payable to BIR are set-up. As such, franchise tax recovery is not recognized in the profit or loss in view of the pass-through nature of the 3% national franchise tax (see Note 15).

On August 8, 2023, ERC issued Resolution No. 10, Series of 2023 entitled, “A Resolution Suspending the Inclusion of the National Franchise Tax of the NGCP in the Total Monthly Transmission Cost Billing of Distribution Utilities”. This resolution suspends the passing-on of the 3% national franchise tax by NGCP to its customers and the effectivity of Resolution No. 7, series of 2011 which allowed NGCP to pass on to consumers a 3% franchise tax on gross receipts derived from its operations, is likewise suspended.

On August 23, 2024, NGCP sent the Request for Reconsideration of Suspension of ERC Resolution No. 7 Series of 2011 and withdrawal of ERC Resolution No. 10 Series of 2023. To date, NGCP is yet to receive ERC’s resolution on the said request. For the years ended December 31, 2024 and 2023, the related franchise tax expense amounted to P1.59 billion (January to December 2024) and P541.49 million (August to December 2023), respectively, which is part of miscellaneous expense in the “Other Charges - net” in the consolidated statement of income. The remaining items on “Other Charges - net” are immaterial individually.

27. Final Determination and Others

“The Final Determination, Regulatory Reset for the NGCP for 2011 to 2015” (Final Determination) was approved by the Energy Regulatory Commission (ERC) on November 22, 2010.

Pursuant to the Electric Power Industry Reform Act (EPIRA) of 2001 and its Implementing Rules and Regulations (IRR), the ERC promulgated the Guidelines on the Methodology for Setting Transmission Wheeling Rates (TWRG) on May 29, 2003, which was subsequently updated and revised on September 16, 2009 as the Rules for Setting Transmission Wheeling Rates (RTWR) for 2003 to around 2027. The RTWR provides for Performance-Based Regulation (PBR) using a revenue cap methodology to determine the maximum rates that may be charged by the Regulated Entity to its customers for the provision of Regulated Transmission Services. The RTWR amends the TWRG which formed the basis for setting the revenue cap of the Regulated Entity. The methodology in the TWRG, now the RTWR, was applied in setting the revenue for Second Regulatory Period (2nd RP) of January 1, 2006 to December 31, 2010 and for the Third Regulatory Period (3rd RP) of January 1, 2011 to December 31, 2015, with the issuance of the Final Determination on June 13, 2006 and November 22, 2010, respectively.

On September 28, 2022, the ERC issued ERC Resolution No. 08, Series of 2022, *A Resolution Adopting the Amended Rules for Setting Transmission Wheeling Rates (Amended RTWR)*. The Amended RTWR provides, among others, the relevant provisions that would govern the filing of the revenue reset applications of NGCP for the Fourth and Fifth Regulatory Periods (4th and 5th RP).

Relative to this, on October 27, 2022, NGCP filed an Omnibus Motion in ERC Case No. 2018-004RM, requesting ERC to subject Article IV of the 2022 Amended RTWR to public consultation and public hearings, clarify pertinent provisions and hold in abeyance the regulatory reset process for the 4th and 5th RP.

In response to NGCP's Petition, in its Order dated November 25, 2022, the ERC denied NGCP's motion to hold in abeyance the regulatory reset process and directed it to file the 4th RP Revenue Application within a non-extendable period of fifteen (15) calendar days from the receipt of the issuance and the 5th RP Revenue Application by January 19, 2023.

Accordingly, NGCP filed its 4th RP Revenue Application on December 22, 2022 under ERC Case No. 2022-089RC entitled, *"In the Matter of the Application of the Maximum Annual Revenue for the Fourth Regulatory Period (2016 to 2020) of the National Grid Corporation of the Philippines (NGCP) in accordance with the Alternative Form of Rate Setting Methodology under the Rules for Setting the Transmission Wheeling Rates (RTWR) with Prayer for Confidential Treatment of Information"*.

In an Order dated January 4, 2023, the ERC set the determination of compliance with the jurisdictional requirements on January 27, 2023, the expository presentation for Luzon, Visayas, and Mindanao Stakeholders on January 27, 2023, January 31, 2023, and February 3, 2023, respectively, the pre-trial conference on February 10, 2023, and presentation of evidence on February 10 and 14, 2023.

In an Order dated March 3, 2023, the ERC set additional hearing dates on March 14 and 17, 2023. Likewise, hearings were conducted on March 28, 2023 and April 4, 2023.

As regards the 5th RP Revenue Application, NGCP, in a letter dated January 13, 2023, requested for the ERC to allow NGCP to file the 5th RP Revenue Application by April 28, 2023.

In a letter-response from the ERC dated March 3, 2023, which was received by NGCP on March 15, 2023, NGCP was directed to file its 5th RP Revenue Application within fifteen (15) days from receipt of the said letter, i.e., on or before March 30, 2023.

Accordingly, NGCP filed its 5th RP Revenue Application on March 30, 2023 under ERC Case No. 2023-025RC entitled, *"In the Matter of the Application of the Maximum Annual Revenue for the Fifth Regulatory Period (2021 to 2025) of the National Grid Corporation of the Philippines (NGCP) in Accordance with the Alternative Form of Rate Setting Methodology Under the Rules in Setting the Transmission Wheeling Rates (RTWR)"*.

In an Order dated April 13, 2023, the ERC set the determination of compliance with the jurisdictional requirements on May 30, 2023, the expository presentation for Luzon, Visayas, and Mindanao Stakeholders on May 30, 2023, June 6, 2023, and June 13, 2023, respectively, the pre-trial conference on June 20, 2023, and the presentation of evidence on June 20 and 22, 2023.

During the May 30, 2023 Expository Presentation for Luzon Stakeholders, the ERC directed for the cancellation of the Pre-trial Conference and Presentation of Evidence on June 20 and 22, 2023 and had scheduled a clarificatory hearing on July 10-14, 2023.

In an Order dated September 13, 2023, the ERC issued its initial findings on Phase 1 of the 4th RP Revenue Application as embodied in the Partial Initial Determination. On this, NGCP filed its Comment *Ex Abundanti Ad Cautelam* [To ERC's 4th Regulatory Period (RP) Phase 1: Partial Initial Determination] -with- Motion to Lift Suspension of ERC Resolution No. 07, Series of 2011 and its Supplemental Comment (To Phase 1: Partial Initial Determination).

In an Order dated November 22, 2023, the ERC set the Pre-trial Conference and presentation of evidence on the 5th RP Revenue Application on December 5, 2023 and January 16 and 23, 2024. Following various hearings and submission of compliances to the directives of the ERC in January to March 2024, NGCP filed its Formal Offer of Evidence dated March 22, 2024.

The ERC, in an Order dated August 21, 2024 issued the 4th RP Draft Final Determination (DFD) which was received on November 8, 2024. Accordingly, NGCP submitted its comments on the aforesaid documents on November 25, 2024. NGCP is now awaiting for the issuance of the Final Determination.

In an ERC Order dated September 27, 2024, NGCP was directed to submit data and information, as well as its responses to the clarificatory questions on its land and land-related capital expenditure (CAPEX) projects covering the period from calendar years 2009 to 2023. NGCP filed before the ERC its Partial Compliance and Full Compliance dated October 28, 2024 and November 7, 2024, respectively.

In an ERC Order dated November 26, 2024, a Clarificatory Hearing was set on December 5 and 6, 2024 and NGCP was directed to submit its Compliance to the Commission's clarificatory questions, including all relevant information and supporting documents. NGCP filed before the ERC its Partial Compliance, Second Partial Compliance, and Full Compliance dated December 17, 2024, December 27, 2024, and January 27, 2025, respectively.

To date, there is an ongoing inspection with the ERC and its consultant, scheduled from 3-21 March 2025, of the sample land and land related CAPEX of NGCP pursuant to the Terms of Reference on the Consulting Services for the Prudency Review of Land and Land-Related Capital Expenditure (CAPEX) Projects of the National Grid Corporation of the Philippines (NGCP) and the National Transmission Corporation (TransCo) Covering the Period From the Calendar Years (CY) 2009 to 2023.

Regulated Entity

At the time the ERC issued its Final Determination for the 2nd RP (the 2006 Final Determination), Regulated Transmission Services were provided by the National Transmission Corporation (TRANSCO). Under R.A. 9511, which was signed by the President on December 1, 2008 and which became effective on January 15, 2009, a nationwide franchise to manage the transmission system was granted to NGCP.

As discussed in Note 4 to the consolidated financial statements, the Group, through NGCP, has signed a Concession Agreement with PSALM and TRANSCO, which covers the management and development of the transmission grid over the term of the franchise. Under the Concession Agreement, NGCP is responsible for the operation, management, and development of the grid, while TRANSCO continues to hold title over the transmission assets. Notwithstanding this, TRANSCO continues to be responsible for the settlement of Right of Way (ROW) claims in respect of projects that were ongoing at the time R.A. 9511 became effective, while NGCP is responsible for ROW claims for projects that were initiated subsequent to the effectivity of the Act.

Hence, while NGCP will incur the bulk of the costs of providing the Regulated Transmission Services over the 3rd RP, some residual costs for the provision of these services will be incurred by TRANSCO. For the Third Reset, the ERC is concerned only with the total cost of providing the Regulated Transmission Services and not with who incurs these costs.

Performance Based Regulation (PBR)

PBR is an internationally accepted method of rate setting that meets the requirements of Section 43(f) of EPIRA. PBR is forward looking and sets the MAR that the Regulated Entity can earn from the provision of Regulated Transmission Services for each five-year regulatory period. This provides an incentive for cost reduction over time, this leads to price efficiency since savings made in one regulatory period are built into the cost structure used to determine the MAR that will apply over the subsequent regulatory periods.

Maximum Allowed Revenue (MAR)

The ERC makes a determination of the annual revenue requirements (ARR) of the transmission business as well as the price control arrangements that will apply during the regulatory period. The RTWR requires the MAR to be smoothed to reduce the likelihood of price shocks to customers and revenue shocks to the Regulated Entity.

Following an annual rate verification and validation process, and using a price control formula, the ERC sets the MAR that NGCP can bill its transmission customers for each year in the regulatory period.

With the issuance of the Order dated January 21, 2016, NGCP billed an iMAR₂₀₁₆ of P41.65 billion consistent with Module F of the 2006 Revised Open Access Transmission Service (OATS) Rules. As for the iMAR₂₀₁₆ differential of P2.14 billion, following the ERC Order dated December 19, 2016, this was collected by NGCP in 2017. The approved iMAR₂₀₁₆ amounting to P43.79 billion has been applied in CYs 2017, 2018 and 2019.

In its Order dated February 13, 2020, the ERC granted NGCP a provisional authority to implement an iMAR₂₀₂₀ in the amount of P47.05 billion, an increase of P3.26 billion from the iMAR₂₀₁₆ of P43.79 billion, effective April 2020 billing month. However, only P300.00 million of the incremental revenue was billed in July and August 2020 billing months following its deferment in consideration of the COVID-19 pandemic situation and the issuance of the July 28, 2020, directing the suspension of the billing of the iMAR₂₀₂₀. As a result, there was an unbilled iMAR₂₀₂₀ differential in the amount of P2.96 billion.

In October 2021, NGCP filed a Reiteratory Motion for Implementation of iMAR₂₀₂₀ praying for the lifting of the July 28, 2020 Order, recovery of the 2020 iMAR and the unbilled iMAR for 2021 from October 2021 to December 2022, and confirmation that the approved iMAR₂₀₂₀ level of P47.05 billion shall be implemented continuously until a new MAR is issued, or until the issuance of the Final Determination for the succeeding regulatory period, whichever is earlier.

On January 17, 2022, NGCP submitted its compliance to the January 5, 2022 ERC Order, which was received by NGCP on January 7, 2022.

On April 29, 2022, the ERC promulgated an Order dated March 23, 2022 resolving the iMAR₂₀₂₀ Application and approving an iMAR₂₀₂₀ of P51.47 billion. Moreover, the Commission directed the implementation of the approved iMAR₂₀₂₀ in the next billing cycle and required the submission of NGCP's proposed recovery scheme on the unbilled iMAR₂₀₂₀ in CYs 2020, 2021 and first four (4) months of 2022 within 60 days from receipt of the Order.

Accordingly, on June 8, 2022, NGCP submitted to ERC its Compliance dated June 2, 2022 on NGCP proposed manner of recovery of the unbilled iMAR₂₀₂₀ for the years 2020, 2021 and four (4) months of 2022, in the total amount of PhP17.62 billion starting September 2022 to June 2024. Likewise, starting May 2022 Billing Period, NGCP has already implemented its billing based on the P51.47 billion iMAR pursuant to the March 23, 2022 Order of the ERC.

On March 10, 2023, NGCP filed its "Motion to Approve Implementation of Recovery Scheme" reiterating its prayer for the approval of the billing and recovery of the unbilled iMAR for 2020 under a new proposed recovery scheme, i.e., from May 2023 to April 2024.

On June 22, 2023, NGCP filed a Reiteratory Motion with Motion to Resolve (4th Motion) with the Commission on the *Proposed Recovery Scheme for the Recovery of the Unbilled iMAR in 2020* and respectfully prayed, among others, for the Commission to immediately issue an Order approving the billing and the recovery of the CY 2020 unbilled iMAR in the amount of P7.38 billion in accordance with the proposed recovery scheme discussed in its Motion dated March 10, 2023.

On September 12, 2023, October 10, 2023, and June 5, 2024, NGCP filed a Reiteratory Motion with Motion to Resolve for the immediate issuance of an Order approving the billing and recovery of the CY 2020 unbilled iMAR.

To date, NGCP is yet to receive ERC's resolution on NGCP's proposed manner of recovery of the unbilled iMAR₂₀₂₀.

Pending the issuance of the ERC Decisions/Orders on the 4th and 5th RP Revenue Applications and in the absence of an issuance on the applicable iMAR for 2024, NGCP continued to implement the iMAR₂₀₂₀ level of P51.47 billion in billing Luzon, Visayas, and Mindanao customer segments until a new level of MAR is approved.

Forecast Capital Expenditures (CAPEX) and Forecast Operating Expenditures (OPEX)

The ERC building block cost calculations for the approved ARR include allowed forecast CAPEX and forecast OPEX. This entails responsibility on the part of NGCP as the regulated entity to implement projects and/or activities allowed by ERC to be able to perform its mandated function as transmission provider. A significant amount of NGCP's Revenues is used to fund the CAPEX and OPEX approved by the ERC in its Decision and Final Determination for the subsequent year/s. The utilization of these earned profits will allow NGCP to implement projects and meet its performance targets committed with the ERC and its customers.

In Section 5.4 of the Final Determination, ERC's approval on the operating and maintenance expenditures (OPEX) for the 3rd RP considered only, among others, inclusions of TRANSCO of the supervision and permit fees relating to its 2nd RP capital expenditures (CAPEX). However, instead of allowing its recovery as part of the OPEX for the 3rd RP, ERC deemed it more appropriate to treat it as an adjustment to the 3rd RP Revenue Requirement of NGCP thru the OPEX Efficiency Adjustment (OEA).

In Section 5.26 of Final Determination for the 3rd RP, ERC included provisions for the recovery of cost of capital on land-related CAPEX for years 2011 to 2015 based on NGCP's approved CAPEX requirements and the historical levels at which TRANSCO has been able to settle its right-of-way (ROW) claims. Further, ERC decided that land-related CAPEX is to be reflected as a separate item from the approved CAPEX levels of NGCP for the 3rd RP and is to be the subject of an ex-post prudency review during the 4th RP.

Outside the levels of CAPEX and OPEX approved by ERC, NGCP has to finance for the cost of ROW, operation/maintenance and rehabilitation of sub-transmission assets not disposed to distribution utilities (DUs), and value-added tax.

For the 4th RP and 5th RP, NGCP continues to undertake the implementation of CAPEX which it deems prudent and necessary and incur OPEX that is essential in its day-to-day operations to continuously fulfill its mandated function as the Transmission Provider.

Representation and Entertainment

The Representation and Entertainment account encompasses meal expenses and essential consumables utilized during internal business meetings contributing significantly to effective communication and collaboration within the organization. These internal meetings include corporate-wide cascading, internal technical and operational meetings to enhance strategic alignment and bolster collaborative efforts within the organization.

Weighted Average Cost of Capital (WACC)

The rate of return that the Regulated Entity can earn in its investment in transmission system assets is equal to the WACC as set by the ERC during each Reset based on a market analysis of the rate of return a business in the Philippines with a similar risk profile to the Regulated Entity can be expected to earn.

In the absence of a Final Determination for the 4th RP and 5th RP, which should provide, among others the WACC approved by the ERC for the years 2016 to 2020, as stated in Note 17, the ERC approved an interim revenue of P43.79 billion which was implemented in years 2016 to 2019, and subsequently provisionally approved a revenue of P47.05 billion for the year 2020. On April 29, 2022, the ERC promulgated an Order dated March 23, 2022 resolving the iMAR₂₀₂₀ Application and approving an iMAR₂₀₂₀ of P51.47 billion effective January 2020 until a new transmission revenue has been determined.

Other Taxes

As stated in the 3rd RP Final Determination Section 5.20 ERC Final Decision - Other Taxes, the VAT payable on both CAPEX and OPEX inputs will be accounted separately and will not be included in either the CAPEX or OPEX forecasts for the third and subsequent regulatory periods. VAT payable on CAPEX inputs will not be capitalized but will be recovered from customers in full as the expenditure is incurred. It follows that asset valuations will continue to be undertaken on a VAT exclusive basis.

Input VAT related to CAPEX and OPEX presented under “Prepaid expenses and other current assets” and “Deferred input VAT” account in the statements of financial position amounted to P1.97 billion and P20.64 million, respectively as at September 30, 2024.

With the implementation of the TRAIN Law under R.A. No. 10963 which took effect on January 1, 2018, Section 86 thereof, under Clause (bbb) repealed Section 9, with respect to VAT, of R.A. 9511 or the National Grid Corporation of the Philippines Franchise Act, which changes the classification of NGCP from Non-VAT to VAT entity, all transactions affected therein are made subject to VAT. Hence, effective January 1, 2018, all Input Taxes related to purchases of goods and services both for CAPEX and OPEX shall be considered as Input VAT, deductible from NGCP's Output VAT Payable pursuant to the BIR rules and regulations.

PIS

The PIS provides the Regulated Entity an incentive to improve the quality of service provided to customers. Under the PIS, key indicators of service performance are monitored annually. Should the quality-of-service performance be above targets set during the Reset, the Regulated Entity can earn an incentive of up to 3% of ARR or the unsmoothed MAR. Conversely, should the quality of service fall below the targets, a penalty of up to 3% of ARR can be applied.

In the absence of a Final Determination for the 4th RP and 5th RP, which should provide, among others the key indicators, performance targets and the ARR for years 2016 to 2025, the PIS has not been considered in the current iMAR collected by NCGP.

Rate Arrears - Transferred Assets

An issue that has arisen since the Draft Determination is the recovery of rate arrears in respect of sub-transmission and connection assets that are to be transferred to the RAB at the beginning of the 3rd RP. The ERC has not enforced payment of the associated sub-transmission and connection charges from a number of electric cooperatives (ECs), as to have done so, would have been unduly onerous on the ECs' customers. The ERC has decided that the Regulated Entity can recover these arrears through the Final Determination.

In the Final Determination, the total rate arrears from transferred assets carried forward at Consumer Price Index (CPI) to 2011 and added to the 2011 unsmoothed MAR amounted to P1.46 billion.

Force Majeure Events

In the occurrence of Force Majeure Events (FME), transmission assets operated by NGCP may be damaged or destroyed. In such cases, increase in costs incurred by NGCP in addition to the maximum amounts that it is otherwise permitted to charge to its transmission customers through the MAR is allowed to be recovered through FME Pass Through charges, subject to the approval of ERC in accordance with Article X of the RTWR.

For capital expenditures (i.e., replacement with new assets), partial recovery through additional FME charges will be billed on top of the regulated charges from the time of its approval until the end of the current Regulatory Period. The remaining unrecovered cost will then form part of the RAB assets to be carried forward to the subsequent regulatory period and recovered through regulatory depreciation with reasonable rate of return based on WACC. For operating expenditures (e.g., repairs), recovery during the current regulatory period as additional OPEX, is allowable.

The assets destroyed by such FMEs are removed from the RAB in the succeeding regulatory reset, but recovery is allowable through application for “accelerated depreciation”.

Management does not consider the occurrences of FMEs as impairment indications with respect to the future economic benefits.

For the year 2009 to December 31, 2024, the following FME Claims were submitted to the Commission:

2009	Typhoons Cosme and Frank, and for Sabotage of Transmission Towers in Mindanao (ERC Case No. 2009-049RC)	July 13, 2009
	Sabotage in Mindanao (ERC Case No. 2009-161RC)	November 16, 2009
2010	Destruction of the Matnog Repeater Station due to Lightning Strikes and the Sabotage of Tower 142 in Mindanao (ERC Case No. 2010-065RC)	June 15, 2010 (refer to note below)
	Typhoons Ondoy and Pepeng and Sabotage in Mindanao (ERC Case No. 2010-112RC)	September 24, 2010 (refer to note below)
2011	Typhoons Basyang and Juan (ERC Case No. 2011-112RC)	Filed on August 9, 2011 (refer to note below)
2012	Flooding in Mindanao, Typhoon Bebang, Landslide in Midanano and Typhoon Juaning (ERC Case No. 2012-070 RC)	May 7, 2012
	Typhoons Quiel and Sendong (ERC Case No. 2012-106RC)	September 28, 2012
2013	Earthquake, Flooding and Lightning Incidents in Visayas (ERC Case No. 2013-019 RC)	February 6, 2013
	Flooding Caused by Monsoon Rains in Luzon, Sabotage Incidents in Mindanao, and Typhoon Pablo (ERC Case No. 2013-171 RC)	August 7, 2013

2014	Sabotage Incidents and Landslide due to Continuous Heavy Rains in Mindanao, Typhoons Santi and Vinta (ERC Case No. 2014-127 RC)	August 29, 2014
	Typhoon Yolanda (ERC Case No. 2014-163)	November 5, 2014
2015	Typhoon Agaton in Mindanao (ERC Case No. 2015-005RC)	January 14, 2015
	Typhoon Glenda in Visayas and Luzon (ERC Case No. 2015-136)	July 15, 2015
	Typhoons Ruby and Seniang in Visayas and Mindanao (ERC Case No. 2015-205)	December 4, 2015
2016	Typhoon Amang in Visayas and Sabotage Incidents in Mindanao (ERC Case No. 2016-003RC)	January 12, 2016
	Typhoon Ineng in Luzon (ERC Case No. 2016-163RC)	August 22, 2016
	Typhoon Lando in Luzon and Sabotage Incidents in Mindanao (ERC Case No. 2016-179RC)	October 07, 2016
	Typhoon Nona in Luzon and Sabotage Incidents in Mindanao (ERC Case No. 2016-196RC)	December 12, 2016
2017	Typhoons Karen and Lawin in Luzon (ERC Case No. 2017-090RC)	October 12, 2017
	Typhoon Nina in Luzon (ERC Case No. 2017-116RC)	December 22, 2017
2018	Earthquake in Visayas (ERC Case No. 2018-073RC)	July 05, 2018
	Lightning and Sabotage Incidents in Luzon and Bombing Incident in Mindanao (ERC Case No. 2018-100RC)	October 02, 2018
	Typhoon Urduja, Typhoon Vinta, Typhoon Basyang and Flash Flood in Mindanao (ERC Case No. 2018-117RC)	December 11, 2018
2019	Flood due to Enhanced Southwest Monsoon Rain caused by Tropical Depression Josie in Luzon (ERC Case No. 2019-055RC)	July 19, 2019
	Typhoon Ompong in Luzon (ERC Case No. 2019-071RC)	September 13, 2019
	Typhoon Rosita in Luzon (ERC Case No. 2019-085RC)	October 29, 2019
2020	Earthquake Incidents in Mindanao, Typhoon Tisoy in Luzon and Visayas, and Typhoon Ursula in Visayas (ERC Case No. 2020-039RC)	October 30, 2020
2021	Typhoon Quinta, Super Typhoon Rolly, and Tropical Storm Vicky and Landslide in Mindanao (ERC Case No. 2021-084RC)	October 20, 2021
2022	Typhoon Odette in Visayas and Mindanao	December 21, 2022

* Note: With ERC Decision dated December 10, 2012 authorizing Group, through NGCP, to collect the FM Event Pass-Through Amount Charge

The ERC in its decisions dated December 10, 2012 under ERC Case Nos. 2010-112 RC (Typhoons Ondoy and Pepeng and Sabotage in Mindanao), 2011-112 RC (Typhoons Basyang and Juan) and 2010-065 RC (Destruction of the Matnog Repeater Station due to Lightning Strikes and the Sabotage of Tower 142), authorized NGCP to collect the FM Event Pass-Through Amount Charge from its Luzon and Mindanao Grid customers, and allowed FME the billing of the rates corresponding to these FME claim applications until December 31, 2015, which is the last year under the Third Regulatory Period.

On September 28, 2021, NGCP received a copy of ERC Decision dated June 16, 2021, relative to the FME Claim Application for Typhoon Agaton in Mindanao (ERC Case No. 2015-005RC) resolving the instant application. On this, NGCP filed its Motion for Reconsideration on October 13, 2021, and prayed that the Commission reconsiders its June 16, 2021 Decision and issues a new decision on the said case.

Subsequently, NGCP received a copy of ERC Decision dated April 15, 2021, relative to the FME Claim Application for Typhoons Quiel and Sendong (ERC Case No. 2012-106RC) on November 2, 2021. Accordingly, NGCP filed its Motion for Reconsideration on November 16, 2021, and prayed that the Commission reconsiders its April 15, 2021 Decision and issues a new decision.

On March 18, 2022, NGCP received a copy of ERC Decision dated November 24, 2021, relative to the FME Claim Application for Sabotage Incidents and also for Landslide due to Continuous Heavy Rains in Mindanao and Typhoons Santi and Vinta in Luzon (ERC Case No. 2014-127RC). On this, NGCP filed its Motion for Partial Reconsideration dated April 1, 2022.

On April 5, 2022, NGCP received a copy of the ERC Decision dated November 24, 2021, relative to the FME Claim Application for Flooding in Mindanao, Typhoon Bebang, Landslide in Mindanao and Typhoon Juaning (ERC Case No. 2012-070RC). On this, NGCP filed its Motion for Reconsideration dated April 19, 2022.

In summary, of the 29 FME cases filed with the ERC from 2009 to 2024, three (3) FME cases have already been approved and billed, nineteen (19) FME cases are for decision by ERC, and seven (7) FME cases are pending for ERC Resolution of NGCP's Motions.

Excluded Services or Connection Charge and Residual Sub-transmission Charges (CC/RSTC)

The Group, through NGCP, is also engaged in the provision of other services and are earning revenues for these services over and above the MAR.

NGCP's excluded services, as provided in the RTWR. Currently, this includes the provision of Transmission Connection Services, and the management of Residual Sub-transmission Assets. Income from these excluded services is recognized under Connection and Residual Sub-transmission Income under "Revenues" account presented in profit or loss.

The ERC, in its Decision dated July 6, 2011 (ERC Case Nos. 2008-066RC and 2009-153 RC), approved the CC/RSTC for the years 2008 and 2009 with modification. Further, it required the filing of its application for the approval of the 2011 and 2012 CC/RSTC within 30 days from receipt of the Decision and within the same period as the filing of the MAR 2012, respectively.

In compliance with the ERC's directive in the said Decision, NGCP applied for the approval of CY 2011 and 2012 CC/RSTC in December 2011. Also, NCGP commenced billing customers of the ERC-approved 2009 CC/RSTC starting December 2011 billing month.

The ERC, in the same issuance, likewise directed NGCP to bill the approved re-computed charges for CY 2009 as its current charges to all customers effective December 2011 billing month. These re-computed charges considered the asset reclassification made in the 3rd RP Final Determination which brought changes in the charges resulting to over or under billings. On this, ERC directed for the refund/collection of the accounted over or under recovery of the CC/RSTC. NGCP, in December 2011 filed a Motion for Reconsideration (MR) which challenged the interest imposition. To date the ERC is yet to be resolved the MR.

Moreover, this ERC Decision effectively repealed the Deferment Orders issued in year 2008 covering the following nine (9) power customers, namely: Ifugao Electric Cooperative, Inc. (IFELCO), Eastern Samar Electric Cooperative, Inc. (ESAMELCO), Northern Samar Electric Cooperative, Inc. (NORSAMELCO), Leyte IV Electric Cooperative, Inc. (LEYECO IV), Davao Oriental Electric Cooperative, Inc. (DORECO), Surigao del Sur II Electric Cooperative, Inc. (SURSECO II), Mountain Province Electric Cooperative, Inc. (MOPRECO), Negros I Electric Cooperative, Inc. (NORECO I), Busco Sugar Milling Co., Inc. (BUSCO).

Consistent with the foregoing, the accounts of the nine (9) power customers were adjusted to consider the implementation of the approved CYs 2008 and 2009 CC/RSTC and the reclassification of assets.

Subsequent to this, NGCP in a letter dated October 16, 2013, requested for the deferment of the filing of the 2014 CC/RSTC Application to prioritize the re-computation of the CYs 2011, 2012 and 2013 CC/RSTC using the 2004 Sinclair Knight Merz (SKM) Valuation Report as directed by the Commission during the regulatory hearings on the said cases. In compliance, NCGP submitted the 2011, 2012 and 2013 Re-computed CC/RSTC on September 4, 2014.

On October 8, 2014, NGCP also requested the deferment of the filing of its 2015 CC/RSTC Application to allow it considerable time to submit a robust application given that it has just commenced with the preparations and the validation process for the determination of the 2014 as well as 2015 CC/RSTC.

On June 8, 2015, NGCP received a copy of the ERC Order dated June 2, 2015 directing NCGP to submit the refund/collect scheme and over/under recovery on the CC/RSTC for CYs 2008, 2009 and 2010. In compliance with the foregoing, NCGP submitted the CC/RSTC Over/Under-recoveries relative to the implementation of the Refund/Collect Scheme on the 2008 and 2009 CC/RSTC, and the resolution of NGCP's Application for the Approval of the 2010 CC/RSTC on July 13, 2015.

On October 6, 2017, NCGP filed with the ERC its 2014 and 2015 CC/RSTC Application docketed as ERC Case No. 2017-100 RC.

Pending the resolution of the 2010 to 2015 CC/RSTC cases filed with the ERC, NGCP continues to implement the 2009 CC/RSTC level approved by the ERC in its July 6, 2011 Decision with adjustments due to sale of sub-transmission assets and reclassification of assets, as applicable.

Sub-transmission Assets (STAs)

Pursuant to the EPIRA and Rule 6 of its IRR, the ERC adopted and mandated the segregation of transmission and sub-transmission functions and assets for transparency and disposal, and authorized TRANSCO to negotiate and transfer such sub-transmission assets and facilities to qualified DUs based on technical and functional criteria established in Article III of the Guidelines to the Sale and Transfer of the TRANSCO's Sub-transmission Assets and the Franchising of Qualified Consortiums (Guidelines).

ERC Resolution No. 15, Series of 2011, A Resolution Adopting the Amended Rules for the Approval of the Sale and Transfer of TRANSCO's Sub-transmission Assets and the Acquisition by Qualified Consortiums provides some payment option to ECs on the settlement of the sub-transmission cost of service provision brought by regulatory lag of one year (deferred CC/RSTC); capitalization of the CC/RSTC and inclusion of the same in the acquisition cost of the assets.

In ERC Resolution No. 04, Series of 2013, the ERC resolved and clarified, among others, that residual subtransmission assets (RSTAs) with two (2) or more connected Distribution Utilities (DUs) other than those listed in its Annex A, are reverted to NGCP's Regulatory Asset Base (RAB) effective January 1, 2013 and that subtransmission assets, both connection assets (CA) and RSTA with only one (1) connected DU and/or directly connected load end-users shall continue to be sold/divested until further notice.

ERC Resolution No. 7, Series of 2016 further extended deadline for the disposition of the RSTAs listed in Annex A of Resolution No. 4, Series of 2013, until June 30, 2016.

Valuation of STAs

Article V Section 2 of the Guidelines states "Asset valuation shall be the agreed value as negotiated between TRANSCO and the Qualified Distribution Utility or Qualified Consortium in a manner consistent with Section 8 of the Act. This negotiated value shall be deemed to be the Current Sound Value of the Sub-transmission Assets at the time of the acquisition of the assets."

Article V Section 2 of ERC Resolution No. 1, Series of 2009 states that "if the contract was entered after June 13, 2006, the sub-transmission assets shall be valued in reference to the Sinclair Knight Merz (SKM) valuation, or any subsequent valuation as approved by the Commission." This was further amended by ERC Resolution No. 18 Series of 2009.

Negative Pledge

Pursuant to Section 5.03 (Negative Pledge) of the Concession Agreement, TRANSCO shall not without the Concessionaire's prior written consent, sell, dispose of, or create any lien or encumbrance over Transmission Assets except that TRANSCO shall be entitled to dispose of Sub-Transmission Assets in accordance with Section 8 of the EPIRA and retain the proceeds thereof. The Concession Fee shall be reduced in accordance with paragraph 1 (c) of Schedule 6 (Adjustment to Concession Fee) to reflect any disposals of STAs after the Bid Date, subject to Section 6.04 regarding the Commencement Fee.

Sale of STAs

For the year 2016 to December 31, 2024, the following sub-transmissions assets were divested by TRANSCO to Qualified Distribution Utilities:

Year	Acquiring Distribution Utility	Assets Acquired
2016	Zamboanga City Electric Cooperative, Inc. (ZAMCELCO)	Putik Lateral 69 kV line Recodo Lateral 69 69 kV line Pitogo-Tulungatung 69 kV line Pitogo-San Jose Gusu 69 kV line
2017	Ilocos Norte Electric Cooperative, Inc. (INEC)	Currimao - San Nicolas 69kV San Nicolas - Laoag 69kV Laoag - Sarrat 69kV Sarrat - Marcos 69kV Sarrat - Piddig 69kV
	Central Pangasinan Electric Cooperative, Inc. (CENPELCO)	Mangaldan Bari S/S Site Establishment Transformer, two winding, 5 MVA 69/13.8 kV Structures and Improvements
	Isabela I Electric Cooperative, Inc. (ISELCO I)	Cauayan substation (all eqpt. and facilities incl. 15 MVA transformer)
	Mactan Electric Company (MECO)	Mactan Loadend S/S-GIS 69kV TMX/STR #20 MEPZ loadend S/S 69kV Mactan Loadend S/S #3 69kV MECO S/S 31 MECO S/S #3 69kV GIS-MECO S/S #2 69kV GIS 69kV Mactan Loadend S/S-Mulle Osmena 69kV Mactan-PAF 13.8kV Mandaue-Mactan Power Cable 69kV
2018	Cotabato Electric Cooperative (COTELCO)	Tacurong-Kidapawan 69kV Kidapawan-Mto. Apo 69kV Kidapawan-Matalam 69kV
	Iligan Light and Power Co. (ILPI)	Agus 6-Swyd-NSC L2 69kV Line Kiwalan-ICC 69kV Line Overton-ILPI 13.8kV Line Kiwalan-PFC 69kV Line Agus 6-Swyd-NSC L1
2019	La Union Electric Company, Inc. (LUECO)	Buang-Poro 69kV line

2020	Manila Electric Company (MERALCO)	Batch 2 Makban-Los Banos 69kV line Makban-Calamba 69kV line Portion Calamba-CSE 13.8kV line Los Banos-IRRI/ERDB/PPRDI 13.8kV Calamba S/S Eqpt., 10 MVA transformer Los Banos S/S Eqpt., 2x10MVA transformer Makban S/S termination Eqpt. Batch 4 Tayabas 115kV Switchyard incl. 100 MVA Transformer Transformer (T1) - two winding 100MVA 1 - 115kV Power Circuit Breaker 6 - 115kV Current Transformer 4 - 115kV Voltage Transformer Site Establishment - Type 3-115 1 - Switch Bay 115kV with 1 CB Feeder 1 - Switch Bay 115kV with 1 CB Feeder Protection Ternate S/S Equipment, incl. 50MVA Transformer Transformer (T3) - two winding 50MVA 3 - 115kV Power Circuit Breaker 2 - 34.5kV Power Circuit Breaker 3 - 34.5kV Potential Transformer Ancillaries - 115kV Site Establishment - Type 3-115 Site Establishment - Type 2-69 1 - Switchbay 115kV 1 & 1/2 bay with 3 CB 1 - Switchbay 115kV 1 & 1/2 bay with 3 CB Protection 2 - Switchbay 34.5kV with 1 CB Feeder 2 - Switchbay 34.5kV with 1 CB Feeder Protection
2023	Lanao del Norte Electric Cooperative, Inc. (LANECO)	Agus 6 - Kauswagan 69kV Line

Revenue from Related Business

The Group, NGCP, provides the following services that utilize part of the RAB:

- Rental of facilities and equipment; and
- Co-location, antenna attachments, use of building lots and space, use of access roads, attachment of telephone cables, and tapping to AC/DC power sources.

NGCP also earns revenue from provision of the following services that do not involve the use of RAB assets like technical assistance, including assisting with the testing, commissioning, calibration, and maintenance of client's facilities.

Section 1 of RA 9511 provides that NGCP may engage in any related business which maximizes utilization of assets provided that a portion of the net income derived from such undertaking utilizing assets which form part of the rate base shall be used to reduce transmission wheeling rates as determined by the ERC. Such portion of net income used to reduce the transmission wheeling rates shall not exceed 50% of the net income derived from such undertaking.

Ancillary Service Charges

The Group, through NGCP, includes in its monthly billings to customers pass through charges for provision of Ancillary Services (AS) which are generation-related services.

Relative to this, NCGP has undertaken the reconciliation of its billing and payment of AS and AS VAT for years 2009 to 2018.

NCGP has also submitted its compliances with ERC on the Ancillary Services Procurement Agreements (ASPA) with National Power Corporation (NPC) and Therma Marine, Inc. (TMI) involving re-computation of AS costs and collection/refund of AS charges from/to customers pursuant to pertinent ERC Orders/Decisions.

ERC in its Order dated June 16, 2014 in ERC Case Nos. 2010-011 RC and 2010-014 RC entitled, "In the Matter of the Application for Approval of the Ancillary Services Procurement Agreement (ASPA) between the National Grid Corporation of the Philippines (NGCP) and Therma Marine, Inc. (TMI), with Prayer for Provisional Authority," directed NGCP to refund its customers the amount of P12.7 million and the corresponding VAT, for a period of twelve (12) months or the amount of P1.06 million plus VAT, per month starting its next billing cycle from receipt of the Order.

Consistent with the aforesaid Order, NCGP implemented the refund effective September 2014 billing month or August 26 to September 25, 2014 for a period of twelve (12) months or until August 2015 billing month (July 26 to August 25, 2015), equivalent to a monthly credit adjustment of P1.26 million refund of the AS Cost was funded by TMI deposited monthly to NCGP's accounts. TMI shall also fund the AS-VAT refund after its conduct of reconciliation with NCGP.

On March 15, 2016, ERC issued an Order approving the recovery of the Differential Charge for the Ancillary Service provided by NPC to NGCP representing the March 26, 2008 to October 25, 2009 billing period under ERC Case No. 2009-029 RC. Pursuant to this, NCGP commenced the billing of Ancillary Service Differential Charge of P31.38/kW-month for the Luzon, Visayas, and Mindanao grids effective May 2016 billing month or April 26 to May 25, 2016 to customers who benefitted from the Ancillary Services provision from April 2008 to October 2009 billing months. As at October 2016 billing month, NGCP has fully billed and stopped the billing of AS Differential Charge in Luzon.

In a letter from the ERC dated July 22, 2021, NGCP was directed to comply with the Decision on ERC Case No. 2006-049RC entitled, "In the Matter of the Application of Ancillary Services - Cost Recovery Mechanism (AS-CRM) of the Ancillary Services Procurement Plan, with Prayer for Provisional Authority". Thus, in September 2021 Billing Period, NGCP implemented the full recovery of AS costs from the Load Customers and the cessation of the AS Charges in the power bills being issued to Embedded Generators (EGs).

On January 25, 2024, DOE issued an Advisory 2024-01-001-SEC declaring the start of the full commercial operations of the Reserve Market at dispatch interval 0005H of January 26, 2024.

On March 25, 2024, the ERC promulgated an Order in ERC Case No. 2023-002RC entitled, *“In the Matter of the Application for the Issuance of Rules on the Price Determination Methodology for the Implementation of the Co-Optimized Energy and Reserve Market in the Wholesale Electricity Spot Market (WESM)”*, suspending the implementation of the Section 8 of the PDM Manual on the Billing and Settlement under the promulgated Interim Relief dated August 24, 2023. Such suspension will cover the March 2024 billing period and will remain in effect until otherwise lifted by the Commission.

In an ERC Order dated 09 May 2024, the ERC directed Philippine Electricity Market Corporation (PEMC) and Independent Electricity Market Operator of the Philippines (IEMOP) to allow the PARTIAL SETTLEMENT of the 30% of the total reserve trading amount of all WESM trading transactions for the March 2024 billing period for ERC Case No. 2023-002 RC entitled *“In the Matter of the Application for the Issuance of Rules on the Price Determination Methodology for the Implementation of the Co-Optimized Energy and Reserve Market in the Wholesale Electricity Spot Market (WESM)”*.

The ERC, in its Notice of Resolution (NOR) dated July 26, 2024, resolved to lift the suspension of the implementation of Section 8 of the PDM Manual and extended the Interim Relief granted to PEMC and IEMOP for the adoption and implementation of the proposed PDM for the co-optimized energy and reserve market in the Wholesale Electricity Spot Market (WESM).

On August 2, 2024, DOE issued an Advisory 2024-08-001-SEC directing the Market Operator to resume commercial operation of the RM effective at dispatch interval 0005H of August 5, 2024.

The ERC, in its Resolution No. 16, Series of 2024 dated December 17, 2024, resolved to approve and adopt an Interim Offer Price Cap and Floor Price equivalent to PhP25,000/MWh and PhP0/MWh, respectively, for the trading Reserves in the WESM.

28. Events After Reporting Period

The Group has the following transactions after December 31, 2024:

- a. Proceeds from loans in January 2025 amounted to P7,500,000,000. Proceeds amounting to P5,000,000,000 is availed on January 16, 2025 from AUB as part of the P10,000,000,000 Term Loan Agreement.
- b. Payments of loans payable of the Group, through NGCP payable on January 2025 to P2,223,500,000 2024 for various term loans and corporate notes.
- c. Proceeds from the Industrial All Risk (IAR) claim from Amlan Samboan damaged cable was received on March 4, 2025 amounting to USD 3,858,496.
- d. On January 27, 2025, the Group was authorized to transact with Maharlika Investment Corporation (MIC) for the subscription of shares representing approximately 20% equity interest in the Corporation. MIC shall subscribe to convertible preferred shares to be created and issued out of the increase in the authorized capital stock of the Group.

There are no further developments and management assessed that an estimate cannot be made yet, as of report date.



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**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING
WITH THE SECURITIES AND EXCHANGE COMMISSION**

The Board of Directors and Stockholders
Synergy Grid & Development Phils., Inc.
Unit 1602, 16th Floor
Tycoon Center Bldg. Condominium
Pearl Drive Pasig City, Metro Manila

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Synergy Grid & Development Phils., Inc. and Subsidiaries (the "Group") as at December 31, 2024 and 2023 and each of the three years in the period ended December 31, 2024, on which we have rendered report our thereon dated April 11, 2025.

Our audit was made for the purpose of forming an opinion on the consolidated financial statements of the Group taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Group's management. Such additional components include:

- Reconciliation of Retained Earnings Available for Dividend Declaration
- Supplementary Schedules of Annex 68-J
- Map of conglomerate

Firm Regulatory Registration & Accreditation:

PRC-BOA Registration No. 0003, valid until September 20, 2026

SEC Accreditation No. 0003-SEC, Group A, valid for the audit of annual financial statements for the year ended December 31, 2024 and until the audit of annual financial statements for the year ended December 31, 2025, pursuant to SEC Notice dated April 4, 2025

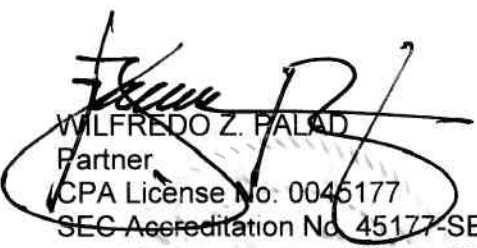
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)

BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2181, Transition clause)



This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and is not a required part of the basic consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

R.G. MANABAT & CO.



WILFREDO Z. PALAD

Partner

CPA License No. 0046177

SEC Accreditation No. 45177-SEC, Group A, valid for five (5) years
covering the audit of 2021 to 2025 financial statements

Tax Identification No. 106-197-186

BIR Accreditation No. 08-001987-006-2024

Issued July 17, 2024; valid until July 17, 2027

PTR No. MKT 10467188

Issued January 2, 2025 at Makati City

April 11, 2025

Makati City, Metro Manila

**RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
FOR THE REPORTING PERIOD ENDED DECEMBER 31, 2024**

SYNERGY GRID & DEVELOPMENT PHILS., INC.
Unit 1602, 16th Floor Tycoon Center Bldg. Condominium,
Pearl Drive Pasig City, Metro Manila

Unappropriated Retained Earnings, beginning of the reporting period		P397,403,640
Add: Category A: Items that are directly credited to Unappropriated Retained Earnings		
Reversal of Retained Earnings Appropriation/s	P -	
Effect of restatements or prior-period adjustments	-	
Others (describe nature)	-	-
Less: Category B: Items that are directly debited to Unappropriated Retained Earnings		
Dividend declaration during the reporting period	1,829,361,848	
Retained Earnings appropriated during the reporting period	-	
Effects of restatements or prior-period adjustments	-	
Others (describe nature)	-	1,829,361,848
Unappropriated Retained Earnings, as adjusted		(1,431,958,208)
Add/Less: Net Income (loss) for the current year		1,749,343,936
Less: <u>Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)</u>		
Equity in net income of associate/joint venture, net of dividends declared	-	
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	-	
Unrealized fair value adjustments (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Unrealized foreign exchange gain of Investment Property	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	-	
Sub-total		-

Forward

Add: Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)		
Realized foreign exchange gain, except those attributable to cash and cash equivalents	P -	
Realized fair value adjustments (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Realized foreign exchange gain of Investment Property	-	
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	-	
Sub-total		P -
Add: Category C.3: Unrealized income recognized in profit or loss in prior reporting periods but reversed in the current reporting period (net of tax)		
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	-	
Reversal of previously recorded fair value adjustments (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Reversal of previously recorded fair value gain of Investment Property	-	
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded (describe nature)	-	
Sub-total		-
Adjusted Net Income/Loss		1,749,343,936
Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)		
Depreciation on revaluation increment (after tax)	-	
Sub-total		-
Add/Less: Category E: Adjustment related to relief granted by the SEC and BSP		
Amortization of the effect of reporting relief	-	
Total amount of reporting relief granted during the year	-	
Others (describe nature)	-	
Sub-total		-

Forward

Add/Less: Category F: Other items that should be excluded from the determination of the amount of available for dividend distribution		
Net movement of treasury shares (except for reacquisition of redeemable shares)	P	-
Net movement of deferred tax asset not considered in the reconciling items under the previous categories		-
Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set-up of right of use of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable		-
Adjustment due to deviation from PFRS/GAAP - gain (loss)		-
Others (describe nature)		-
Sub-total		P -
Total Retained Earnings, end of the reporting period available for dividend		P317,385,728

SYNERGY GRID & DEVELOPMENT PHILS., INC. and SUBSIDIARIES
SCHEDULE A. FINANCIAL ASSETS

Name of Issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (ii)	Valued based on market quotation at balance sheet date (iii)	Income received and accrued

NOT APPLICABLE

SYNERGY GRID & DEVELOPMENT PHILS., INC. and SUBSIDIARIES**SCHEDULE B. AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND
PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES)**

Account Name	Balance at beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
Calamity Loan Fund	P60,261	P -	P22,995	P -	P37,266	P -	P37,266
Due From Officers and Employees	5,714,370	16,389,788	16,607,804	-	5,496,354	-	5,496,354
Advances to Officers and Employees	40,738,203	651,204,844	621,715,471	-	70,227,576	-	70,227,576
Total	P46,512,834	P667,594,632	P638,346,270	P -	75,761,196	P -	P75,761,196

SYNERGY GRID & DEVELOPMENT PHILS., INC. and SUBSIDIARIES

**SCHEDULE C. AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE
CONSOLIDATION OF SEPARATE FINANCIAL STATEMENTS**

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected (i)	Amounts written off (ii)	Current	Not Current	Balance at end of period

NOT APPLICABLE

SYNERGY GRID & DEVELOPMENT PHILS., INC. and SUBSIDIARIES
SCHEDULE D. INTANGIBLE ASSETS - OTHER ASSETS

Description (i)	Beginning balance	Additions at cost (ii)	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions) (iii)	Ending balance
Intangible Assets	P378,011,065,089	P59,320,930,924	(P11,786,867,981)	P -	P -	P425,545,128,032

SYNERGY GRID & DEVELOPMENT PHILS., INC. and SUBSIDIARIES
SCHEDULE E. LONG TERM DEBT

Title of Issue and type of obligation (i)	Lender	Outstanding Balance	Amount shown under caption "Current portion of long-term debt" in related balance sheet (ii)	Amount shown under caption "Long-Term Debt" in related balance sheet (iii)	Interest Rates	Number of Periodic Installments
Long Term Debt	LAND BANK OF THE PHILIPPINES, MAYBANK PHILIPPINES INC., PHILIPPINE NATIONAL BANK, UNION BANK OF THE PHILIPPINES	P4,500,000,000	P4,500,000,000	P -	5.0282%	10 years; Semi-annual
Long Term Debt	BDO UNIBANK, INC., LAND BANK OF THE PHILIPPINES, PHILIPPINE NATIONAL BANK, SECURITY BANK CORPORATION, UNION BANK OF THE PHILIPPINES	6,800,000,000	1,700,000,000	5,100,000,000	5.0657%	10 years; Semi-annual
Long Term Debt	PHILIPPINE NATIONAL BANK	2,500,000,000	500,000,000	2,000,000,000	5.5253%	10 years; Semi-Annual
Long Term Debt	BDO UNIBANK, INC.	5,000,000,000	1,000,000,000	4,000,000,000	5.6889%	10 years; Semi-Annual
Long Term Debt	LAND BANK OF THE PHILIPPINES	2,750,000,000	500,000,000	2,250,000,000	6.2102%	10 years; Semi-Annual
Long Term Debt	CHINA BANKING CORPORATION	4,200,000,000	700,000,000	3,500,000,000	4.7980%	10 years; Semi-Annual
Long Term Debt	BANK OF COMMERCE	2,280,000,000	380,000,000	1,900,000,000	5.4242%	10 years; Semi-Annual
Long Term Debt	BANK OF THE PHILIPPINE ISLANDS	3,000,000,000	500,000,000	2,500,000,000	6.6242%	10 years; Semi-Annual
Long Term Debt	CHINA BANKING CORPORATION	3,250,000,000	500,000,000	2,750,000,000	5.6707%	10 years; Semi-Annual
Long Term Debt	PHILIPPINE NATIONAL BANK	3,250,000,000	500,000,000	2,750,000,000	5.9222%	10 years; Semi-Annual
Long Term Debt	SECURITY BANK CORPORATION	1,300,000,000	200,000,000	1,100,000,000	5.9222%	10 years; Semi-Annual
Long Term Debt	BDO UNIBANK, INC.	7,000,000,000	1,000,000,000	6,000,000,000	5.0152%	10 years; Semi-Annual
Long Term Debt	BDO UNIBANK, INC.	3,500,000,000	500,000,000	3,000,000,000	5.0152%	10 years; Semi-Annual
Long Term Debt	LAND BANK OF THE PHILIPPINES	1,960,000,000	280,000,000	1,680,000,000	5.2273%	10 years; Semi-Annual
Long Term Debt	LAND BANK OF THE PHILIPPINES	3,150,000,000	420,000,000	2,730,000,000	4.8424%	10 years; Semi-Annual
Long Term Debt	MIZUHO BANK, LTD. - MANILA BRANCH	1,000,000,000	1,000,000,000	-	4.0530%	5 years; Semi-Annual
Long Term Debt	BDO UNIBANK, INC.	3,620,000,000	340,000,000	3,280,000,000	3.1538%	10 years; Semi-Annual
Long Term Debt	CHINA BANKING CORPORATION	2,820,000,000	210,000,000	2,610,000,000	4.2929%	10 years; Semi-Annual
Long Term Debt	MUFG BANK, LTD.	1,000,000,000	1,000,000,000	-	5.3200%	5 years; Semi-Annual
Long Term Debt	BDO UNIBANK, INC.	5,430,000,000	510,000,000	4,920,000,000	3.1538%	10 years; Semi-Annual
Long Term Debt	SECURITY BANK CORPORATION	3,820,000,000	200,000,000	3,620,000,000	4.9859%	10 years; Semi-Annual
Long Term Debt	PHILIPPINE NATIONAL BANK	1,500,000,000	1,000,000,000	500,000,000	4.8684%	5 years; Semi-Annual
Long Term Debt	CHINA BANKING CORPORATION	2,820,000,000	210,000,000	2,610,000,000	4.2929%	10 years; Semi-Annual
Long Term Debt	BDO UNIBANK, INC.	4,850,000,000	150,000,000	4,700,000,000	4.0404%	10 years; Semi-Annual
Long Term Debt	BDO UNIBANK, INC.	5,820,000,000	180,000,000	5,640,000,000	4.0404%	10 years; Semi-Annual
Long Term Debt	BDO UNIBANK, INC.	3,880,000,000	120,000,000	3,760,000,000	4.7815%	10 years; Semi-Annual
Long Term Debt	BANK OF CHINA LIMITED	2,500,000,000	-	2,500,000,000	4.0000%	5 years; Semi-Annual
Long Term Debt	BDO UNIBANK, INC.	5,723,000,000	177,000,000	5,546,000,000	5.0514%	10 years; Semi-Annual
Long Term Debt	SECURITY BANK CORPORATION	4,875,000,000	100,000,000	4,775,000,000	5.7040%	10 years; Semi-Annual

Title of Issue and type of obligation (i)	Lender	Outstanding Balance	Amount shown under caption "Current portion of long-term debt" in related balance sheet (ii)	Amount shown under caption "Long-Term Debt" in related balance sheet (iii)	Interest Rates	Number of Periodic Installments
Long Term Debt	LAND BANK OF THE PHILIPPINES	4,875,000,000	100,000,000	4,775,000,000	6.1294%	10 years; Semi-Annual
Long Term Debt	LAND BANK OF THE PHILIPPINES	4,875,000,000	100,000,000	4,775,000,000	6.1294%	10 years; Semi-Annual
Long Term Debt	BANK OF COMMERCE	3,136,000,000	32,000,000	3,104,000,000	6.8404%	10 years; Semi-Annual
Long Term Debt	CHINA BANKING CORPORATION	1,372,000,000	14,000,000	1,358,000,000	6.8281%	10 years; Semi-Annual
Long Term Debt	MIZUHO BANK, LTD. - MANILA BRANCH	3,133,490,000	1,044,340,000	2,089,150,000	7.3000%	5 years; Quarterly
Long Term Debt	CHINA BANKING CORPORATION	1,274,000,000	13,000,000	1,261,000,000	7.2172%	10 years; Semi-Annual
Long Term Debt	MUFG BANK, LTD.	4,600,000,000	460,000,000	4,140,000,000	7.2400%	7 Years; Semi-Annual
Long Term Debt	CHINA BANKING CORPORATION	3,234,000,000	33,000,000	3,201,000,000	6.9781%	10 years; Semi-Annual
Long Term Debt	BDO UNIBANK, INC.	4,925,000,000	50,000,000	4,875,000,000	6.8124%	10 years; Semi-Annual
Long Term Debt	PHILIPPINE NATIONAL BANK	4,925,000,000	50,000,000	4,875,000,000	6.7591%	10 years; Semi-Annual
Long Term Debt	BDO UNIBANK, INC.	7,880,000,000	80,000,000	7,800,000,000	6.8124%	10 years; Semi-Annual
Long Term Debt	BDO UNIBANK, INC.	6,895,000,000	70,000,000	6,825,000,000	7.1408%	10 years; Semi-Annual
Long Term Debt	METROPOLITAN BANK AND TRUST CO.	4,000,000,000	1,000,000,000	3,000,000,000	7.2309%	5 years; Semi-Annual
Long Term Debt	MUFG BANK, LTD.	1,500,000,000	-	1,500,000,000	6.7020%	7 Years; Semi-Annual
Long Term Debt	BDO UNIBANK, INC.	2,659,500,000	27,000,000	2,632,500,000	7.1117%	10 years; Semi-Annual
Long Term Debt	BDO UNIBANK, INC.	2,265,500,000	23,000,000	2,242,500,000	7.1117%	10 years; Semi-Annual
Long Term Debt	CHINA BANKING CORPORATION	4,950,000,000	50,000,000	4,900,000,000	6.7847%	10 years; Semi-Annual
Long Term Debt	LAND BANK OF THE PHILIPPINES	4,000,000,000	60,000,000	3,940,000,000	6.9044%	10 years; Semi-Annual
Long Term Debt	LAND BANK OF THE PHILIPPINES	8,000,000,000	120,000,000	7,880,000,000	6.9328%	10 years; Semi-Annual
Long Term Debt	LAND BANK OF THE PHILIPPINES	3,000,000,000	45,000,000	2,955,000,000	7.0097%	10 years; Semi-Annual
Long Term Debt	METROPOLITAN BANK AND TRUST CO.	4,500,000,000	1,000,000,000	3,500,000,000	7.2162%	5 years; Semi-Annual
Long Term Debt	PHILIPPINE NATIONAL BANK	5,000,000,000	-	5,000,000,000	7.3080%	7 years; Semi-Annual
Long Term Debt	BDO UNIBANK, INC.	12,000,000,000	600,000,000	11,400,000,000	6.7864%	8 years; Semi-Annual
Long Term Debt	SECURITY BANK CORPORATION	3,000,000,000	30,000,000	2,970,000,000	6.4222%	7 years; Semi-Annual
Long Term Debt	ASIA UNITED BANK CORPORATION	3,000,000,000	-	3,000,000,000	6.2504%	5 years; Semi-Annual
Long Term Debt	SECURITY BANK CORPORATION	5,500,000,000	55,000,000	5,445,000,000	6.4222%	7 years; Semi-Annual
Long Term Debt	BDO UNIBANK, INC.	1,500,000,000	75,000,000	1,425,000,000	6.7864%	8 years; Semi-Annual
Long Term Debt	SECURITY BANK CORPORATION	1,500,000,000	15,000,000	1,485,000,000	6.4222%	7 years; Semi-Annual
	TOTALS	P221,597,490,000	P23,523,340,000	P198,074,150,000		

SYNERGY GRID & DEVELOPMENT PHILS., INC. and SUBSIDIARIES

SCHEDULE F. INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED PARTIES)

Name of Related Parties (i)	Balance at beginning of period	Balance at end of period (ii)

NOT APPLICABLE

SYNERGY GRID & DEVELOPMENT PHILS., INC. and SUBSIDIARIES

SCHEDULE G. GUARANTEES OF SECURITIES OF OTHER ISSUERS

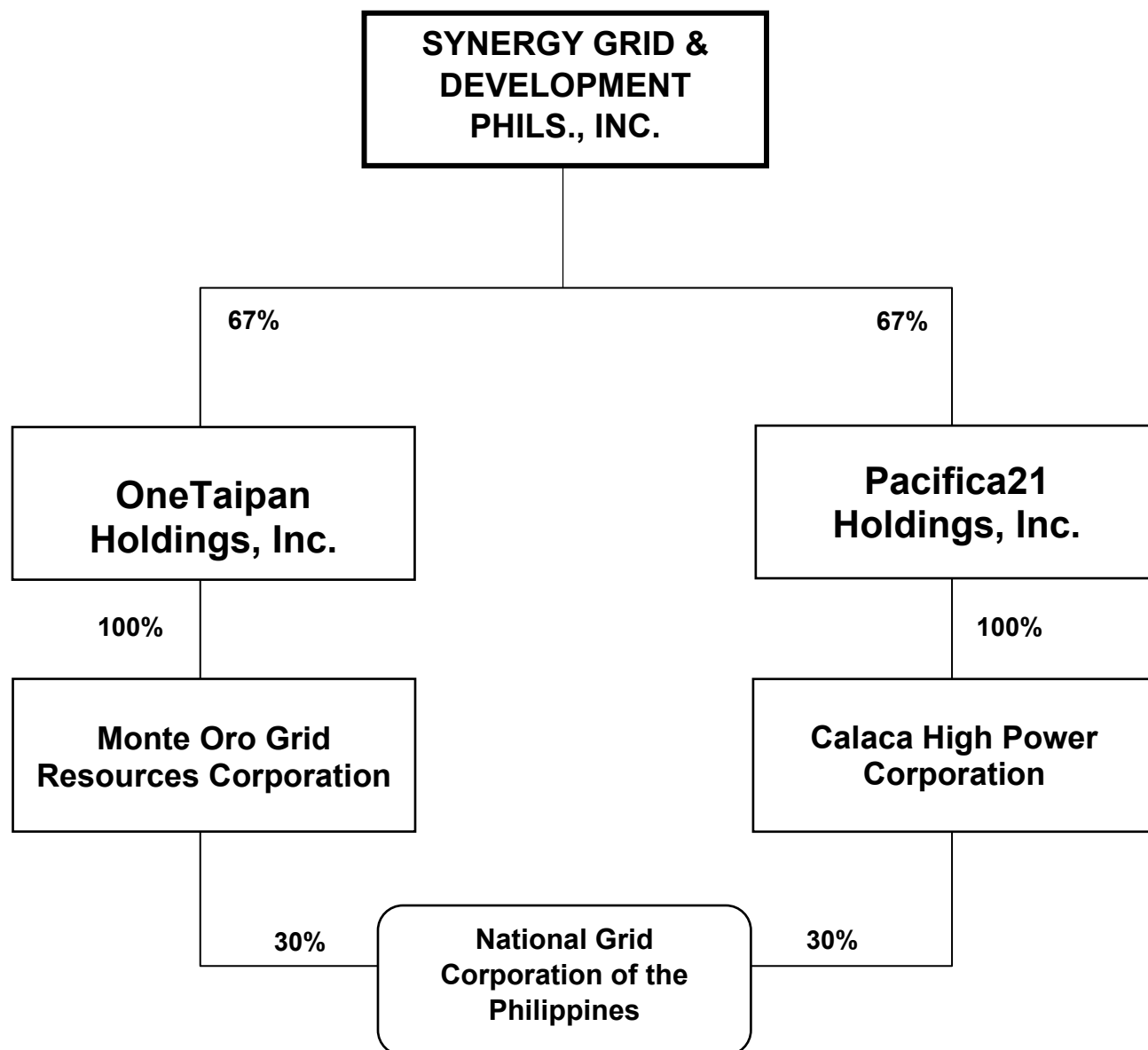
Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding (i)	Amount owned by person for which statement is filed	Nature of guarantee (ii)

NOT APPLICABLE

SYNERGY GRID & DEVELOPMENT PHILS., INC. and SUBSIDIARIES

SCHEDULE H. CAPITAL STOCK

Title of Issue (2)	Number of Shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by affiliates (3)	Directors, officers and employees	Others
Common Shares	5,300,000,000	5,265,866,000	-	-	4,100,732,772	1,165,133,228





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Email ph-inquiry@kpmg.com

REPORT ON INDEPENDENT AUDITOR'S COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
Synergy Grid & Development Phils., Inc.
Unit 1602, 16th Floor
Tycoon Center Bldg. Condominium
Pearl Drive Pasig City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Synergy Grid & Development Phils., Inc. and Subsidiaries (the "Group") as at December 31, 2024 and 2023 and each of the three years in the period ended December 31, 2024, on which we have rendered report our thereon dated April 11, 2025.

Firm Regulatory Registration & Accreditation:

PRC-BOA Registration No. 0003 valid until September 20, 2026

SEC Accreditation No. 0003-SEC Group A, valid for the audit of annual financial statements for the year ended December 31, 2024 and until the audit of annual financial statements for the year ended December 31, 2025 pursuant to SEC Notice dated April 4, 2025

IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)

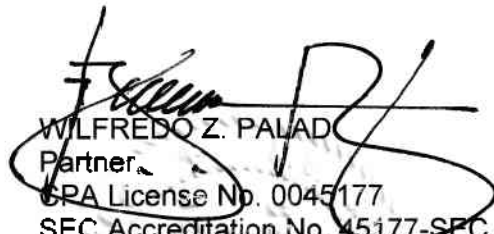
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements of the Group taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) Accounting Standards and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS Accounting Standards. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2024 and 2023 and each of the three years in the period ended December 31, 2024, and no material exceptions were noted.

R.G. MANABAT & CO.



WILFREDO Z. PALAD
Partner
CPA License No. 0045177

SEC Accreditation No. 45177-SEC, Group A, valid for five (5) years
covering the audit of 2021 to 2025 financial statements

Tax Identification No. 106-197-186

BIR Accreditation No. 08-001987-006-2024

Issued July 17, 2024; valid until July 17, 2027

PTR No. MKT 10467188

Issued January 2, 2025 at Makati City

April 11, 2025

Makati City, Metro Manila

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

SYNERGY GRID & DEVELOPMENT PHILS., INC. & SUBSIDIARIES

As of December 31, 2024

Ratios	Formula	Current Period	Prior Year
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	0.48	0.58
Acid test ratio	$\frac{\text{Cash and cash equivalents+ marketable securities+accounts receivable}}{\text{Current liabilities}}$	0.23	0.23
Solvency ratio	$\frac{\text{Total assets}}{\text{Total liabilities}}$	1.49	1.50
Debt-to-equity ratio	$\frac{\text{Total liabilities}}{\text{Equity}}$	2.04	2.00
Asset-to-equity ratio	$\frac{\text{Total assets}}{\text{Equity}}$	3.04	3.00
Interest rate coverage ratio	$\frac{\text{Earnings before interest and tax}}{\text{Interest expense}}$	3.17	5.06
Return on equity	$\frac{\text{Net Income}}{\text{Equity}}$	0.07	0.11
Return on assets	$\frac{\text{Net Income}}{\text{Average total assets}}$	0.04	0.05
Net profit margin	$\frac{\text{Net Income}}{\text{Net sales}}$	0.33	0.44

SYNERGY GRID & DEVELOPMENT PHILS., INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF EXTERNAL AUDITOR
FEE-RELATED INFORMATION
December 31, 2024 and 2023

	2024	2023
Total Audit Fees	P11,131,660	P10,741,825
Non-audit services fees:		
Other assurance services	535,714	535,714
All other services	267,857	266,918
Total Non-audit Fees	803,571	802,632
Total Audit and Non-audit fees	P11,935,231	P11,544,457

SYNERGY GRID & DEVELOPMENT PHILS., INC AND SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2025, 2024 and December 31, 2024**

SYNERGY GRID & DEVELOPMENT PHILS., INC. AND SUBSIDIARIES
(Formerly UEM Development Phils., Inc.)

INTERIM STATEMENTS OF FINANCIAL POSITION

30 June 2025

(With Comparative figures for 31 December 2024 and 30 June 2024)

			Audited		Unaudited Year to Date	
	<i>Note</i>		31 December 2024		30 June 2024	30 June 2025
ASSETS						
Noncurrent Assets						
Intangible asset - net	5,8,27	P	425,545,128,032	P	405,313,931,658	P 443,006,835,057
Property and equipment - net	10		5,269,531,199		4,995,469,986	5,275,837,804
Receivables - net of current portion	12,24		19,847,089,431		19,881,130,226	25,142,223,170
Goodwill	9		10,471,611,069		10,471,611,069	10,471,611,069
Other noncurrent assets			2,385,690,922		2,622,930,548	2,126,520,045
Total Noncurrent Assets			463,519,050,653		443,285,073,487	486,023,027,145
Current Assets						
Cash and cash equivalents	11,24		8,962,528,586		5,944,366,656	13,209,534,015
Receivables - net	12,24		14,062,169,695		10,062,999,144	23,028,191,357
Other current assets - net	13		25,792,436,346		27,995,467,220	22,013,635,724
Total Current Assets			48,817,134,627		44,002,833,020	58,251,361,096
		P	512,336,185,280	P	487,287,906,507	P 544,274,388,241
LIABILITIES AND EQUITY						
Noncurrent Liabilities						
Loans payable - net of current portion	14,24	P	196,897,291,275	P	185,455,782,890	P 206,505,645,995
Retirement benefits liability	23		2,952,295,049		2,419,312,034	2,872,833,647
Customers' and other deposits	24		529,046,209		513,365,467	558,615,317
Concession fee payable	5,24		40,555,005,331		45,347,869,597	35,516,353,153
Other noncurrent liabilities	16		1,711,590,671		1,568,625,436	329,570,163
Total Noncurrent Liabilities			242,645,228,535		235,304,955,424	245,783,018,275
Current Liabilities						
Trade and other current payables	15,24,25		46,549,353,046		42,027,317,828	49,973,180,021
Current portion of concession fee payable			9,339,940,622		8,971,258,755	9,831,516,444
Current portion of loans payable	14,24		23,285,478,167		19,069,794,129	26,068,859,866
Other current liabilities	16,24		21,795,372,133		19,886,097,714	23,789,184,895
Total Current Liabilities			100,970,143,968		89,954,468,426	109,662,741,226
Total Liabilities			343,615,372,503		325,259,423,850	355,445,759,501
Equity						
Capital stock	6,17		5,265,866,000		5,265,866,000	5,265,866,000
Additional paid-in capital	6		88,928,018,694		88,928,018,694	88,928,018,694
Remeasurement losses on defined benefit liabi	6,23		(210,261,489)		568,760	(101,477,969)
Equity adjustments from common control tran	6		(73,359,171,000)		(73,359,171,000)	(73,359,171,000)
Retained earnings	6,7		86,382,100,681		83,139,723,853	96,104,539,740
Equity Attributable to Equity Holders of the						
Parent Company			107,006,552,886		103,975,006,307	116,837,775,465
Non-controlling interests			61,714,259,891		58,053,476,350	71,990,853,275
Total Equity			168,720,812,777		162,028,482,657	188,828,628,740
		P	512,336,185,280	P	487,287,906,507	P 544,274,388,241

See Notes to Financial Statements

SYNERGY GRID & DEVELOPMENT PHILS., INC. AND SUBSIDIARIES
(Formerly UEM Development Phils., Inc.)

INTERIM STATEMENTS OF COMPREHENSIVE INCOME

30 June 2025

(With Comparative figures for 31 December 2024 and 30 June 2024)

		Audited	Unaudited Year to Date		Unaudited Quarter Ending	
	<i>Note</i>	31 December 2024	30 June 2024	30 June 2025	30 June 2024	30 June 2025
OPERATION SERVICE REVENUES - Net		53,014,087,918	26,595,506,247	39,607,400,720	13,135,502,689	26,233,036,054
OPERATING EXPENSES						
Amortization of intangible asset	8	11,786,867,981	5,499,554,454	6,543,539,670	2,834,675,609	3,440,118,957
Salaries, wages and employee benefits	21,23	5,762,943,736	2,535,558,770	2,708,956,344	1,288,266,651	1,377,831,622
Repairs and maintenance		2,527,505,300	1,056,073,658	1,037,286,561	576,737,401	594,137,782
Depreciation	3,10	825,828,778	395,578,967	437,268,659	199,764,294	214,889,121
Insurance		1,012,202,538	474,350,142	511,639,769	238,921,476	301,307,407
Security and janitorial		613,618,614	260,041,994	328,921,095	168,637,727	172,948,681
Supervision and regulatory fees		590,815,380	295,407,690	295,407,690	147,703,845	147,703,845
Communication, light and water		596,419,269	311,831,989	295,029,492	192,308,591	172,117,781
Supplies and tools		176,181,866	68,648,999	98,764,372	37,961,915	39,749,382
Public relation and corporate social responsibility		260,963,984	100,386,365	65,734,492	(43,239,239)	25,456,763
Transportation and travel		420,461,619	180,339,685	182,826,586	117,367,407	111,714,081
Representation and enertainment		134,491,825	74,113,884	72,018,070	39,147,659	38,323,548
Fuel and oil		213,651,343	106,946,206	133,360,365	47,995,638	47,878,332
Rent	3,22	114,373,096	58,916,035	64,365,996	33,795,746	33,838,482
Outside services		225,032,886	77,187,179	310,288,485	44,317,107	122,816,652
Taxes and licenses		195,017,652	133,529,092	55,780,555	105,297,568	9,521,982
Provision for impairment losses on receivab	12	64,670,000	32,335,000	32,335,000	32,335,000	32,335,000
Professional fees		40,340,510	11,763,047	17,482,047	6,120,805	7,937,295
Advertising		33,957,686	17,704,658	4,131,608	12,995,506	2,835,680
Director's fee		35,402,261	17,200,000	17,390,000	8,880,000	8,910,000
Meetings and conferences		65,471,299	20,626,696	13,970,856	14,272,045	8,897,142
Charitable contributions		8,161,721	7,191,959	2,060,184	4,354,619	799,076
Filing fees		2,012,825	2,005,250	3,504,375	5,250	4,375
Miscellaneous		11,051,391	3,905,648	4,882,377	696,827	4,105,503
		25,717,443,560	11,741,197,367	13,236,944,648	6,109,319,447	6,916,178,489
INCOME (LOSS) FROM OPERATIONS		27,296,644,358	14,854,308,880	26,370,456,072	7,026,183,242	19,316,857,565
OTHER CHARGES - Net						
Interest expense	3,5,14	(8,005,129,465)	(3,435,468,043)	(4,612,433,070)	(1,916,119,307)	(2,261,427,599)
Interest income	11,	188,019,373	90,952,199	66,172,430	48,004,092	30,733,984
Foreign exchange gain - net	24	(506,738,843)	(454,246,883)	339,297,115	(408,721,527)	256,413,685
Bank and finance charges	14	(261,961,278)	(124,797,434)	(158,026,278)	(63,387,862)	(81,112,489)
Loss on disposal of property and equipment		-	-	-	-	-
Miscellaneous income		(1,354,527,513)	(730,302,710)	(682,605,914)	(364,862,190)	(320,098,371)
		(9,940,337,726)	(4,653,862,871)	(5,047,595,717)	(2,705,086,794)	(2,375,490,790)
CONSTRUCTION REVENUE AND COSTS						
Construction revenues		59,320,930,924	32,799,296,913	24,005,246,693	18,050,155,903	13,594,099,619
Construction costs		(59,320,930,924)	(32,799,296,913)	(24,005,246,693)	(18,050,155,903)	(13,594,099,619)
		-	-	-	-	-
NET INCOME BEFORE TAX		17,356,306,632	10,200,446,009	21,322,860,355	4,321,096,448	16,941,366,775
INCOME TAX EXPENSE		6,047,976	3,852,809	922,730	2,870,053	533,279
NET INCOME		17,350,258,656	10,196,593,200	21,321,937,625	4,318,226,395	16,940,833,496
Attributable to:						
Equity holders of the Parent Company		7,884,429,113	4,642,052,285	9,722,439,059	1,966,569,064	7,731,986,827
Non-controlling interests		9,465,829,543	5,554,540,915	11,599,498,566	2,351,357,331	9,208,846,669
		17,350,258,656	10,196,593,200	21,321,937,625	4,317,926,395	16,940,833,496
OTHER COMPREHENSIVE INCOME						
<i>Item that will never be reclassified to profit or loss</i>						
Remeasurement gains on defined benefit lia	23	(107,472,161)	353,863,175	238,038,338	353,863,175	238,038,338
TOTAL COMPREHENSIVE INCOME	P	17,242,786,495	P 10,550,456,375	P 21,559,975,963	P 4,672,089,570	P 17,178,871,834
Attributable to:						
Equity holders of the Parent Company		7,835,314,335	4,803,767,756	9,831,222,579	2,128,284,535	7,840,770,347
Non-controlling interests		9,407,472,160	5,746,688,619	11,728,753,384	2,543,505,035	9,338,101,487
		17,242,786,495	10,550,456,375	21,559,975,963	4,671,789,570	17,178,871,834
BASIC AND DILUTED						
INCOME (LOSS) PER SHARE	18 P	1.50 P	0.88 P	1.85 P	0.37 P	1.47

See Notes to Financial Statements

SYNERGY GRID & DEVELOPMENT PHILS., INC. AND SUBSIDIARIES
(Formerly UEM Development Phils., Inc.)

INTERIM STATEMENTS OF CHANGES IN EQUITY

30 June 2025

(With Comparative figures for 31 December 2024 and 30 June 2024)

	Note		Audited		Unaudited Year to Date		
			31 December 2024		30 June 2024		30 June 2025
CAPITAL STOCK - P1 par value							
Authorized - 5,300,000,000 shares							
Issued/subscribed (paid)	6	P	5,265,866,000	P	5,265,866,000	P	5,265,866,000
		P	5,265,866,000	P	5,265,866,000	P	5,265,866,000
ADDITIONAL PAID-IN CAPITAL							
Balance at beginning of period	6	P	88,928,018,694	P	88,928,018,694	P	88,928,018,694
		P	88,928,018,694	P	88,928,018,694	P	88,928,018,694
EQUITY ADJUSTMENTS FROM COMMON CONTROL TRANSACTIONS							
Balance at beginning of period	6	P	(73,359,171,000)	P	(73,359,171,000)	P	(73,359,171,000)
		P	(73,359,171,000)	P	(73,359,171,000)	P	(73,359,171,000)
EQUITY RESERVES							
Balance at beginning of period	6	P	(161,146,711)	P	(161,146,711)	P	(210,261,489)
Remeasurement gain on defined benefit liability			(49,114,778)		161,715,471		108,783,520
		P	(210,261,489)	P	568,760	P	(101,477,969)
RETAINED EARNINGS							
Balance at beginning of period			80,327,033,416		80,327,033,416		86,382,100,681
Net income (loss) for the period			7,884,429,113		4,642,052,285		9,722,439,059
Dividend			(1,829,361,848)		(1,829,361,848)		-
Balance at end of the period			86,382,100,681		83,139,723,853		96,104,539,740
		P	107,006,552,886	P	103,975,006,307	P	116,837,775,465
NON-CONTROLLING INTEREST							
Balance at beginning of period	6	P	54,454,666,931	P	54,454,666,931	P	61,714,259,891
Net income (loss) for the period			9,465,829,543		5,554,540,915		11,599,498,566
Dividends			(2,147,879,200)		(2,147,879,200)		(1,452,160,000)
Remeasurement gain on defined benefit liability			(58,357,383)		192,147,704		129,254,818
		P	61,714,259,891	P	58,053,476,350	P	71,990,853,275
TOTAL EQUITY		P	168,720,812,777	P	162,028,482,657	P	188,828,628,740

SYNERGY GRID & DEVELOPMENT PHILS., INC. AND SUBSIDIARIES
(Formerly UEM Development Phils., Inc.)

INTERIM STATEMENTS OF CASH FLOWS

30 June 2025

(With Comparative figures for 31 December 2024 and 30 June 2024)

		Audited		Unaudited Year to Date		
	Note	31 December 2024		30 June 2024		30 June 2025
CASH FLOWS FROM						
OPERATING ACTIVITIES						
Income (loss) before income tax		P	17,356,306,632	P	10,200,446,009	P 21,322,860,355
Adjustments for:						
Amortization of intangible asset			11,786,867,981		5,499,554,454	6,543,539,670
Interest expense	5,14		8,005,129,465		3,435,468,043	4,612,433,070
Depreciation	10		825,828,778		395,578,967	437,268,659
Provision for impairment losses on receivables	12		64,670,000		32,335,000	32,335,000
Retirement benefit cost	23		338,584,281		169,292,140	184,507,041
Gain on pre-termination of contract			-		-	-
Interest income			(188,019,373)		(90,952,199)	(66,172,430)
Unrealized foreign exchange gain (loss) - net	24		136,066,309		132,617,847	(146,992,769)
Operating income before working capital changes						
			38,325,434,073		19,774,340,261	32,919,778,596
Decrease (Increase) in:						
Receivables			(3,664,967,735)		445,991,031	(14,490,219,465)
Prepaid rent amd other current assets			141,173,834		74,490,082	2,304,238,129
Increase (Decrease) in						
Trade and other current payables			5,484,397,867		901,121,629	3,631,871,636
Other current liabilities			3,573,679,901		1,663,789,487	2,321,593,507
Customers' and other deposits			87,984,504		72,303,762	29,569,108
Other noncurrent liabilities			(17,502,786)		(17,502,786)	(1,372,396,092)
Cash absorbed by operations			43,930,199,658		22,914,533,466	25,344,435,419
Interest paid	5,24		(7,306,459,446)		(3,057,536,269)	(4,311,947,114)
Interest received			188,437,693		94,525,397	66,792,608
Income tax paid			(6,024,442)		(3,855,542)	(922,730)
Contribution to retirement fund			(123,472,612)		(40,946,520)	(55,966,136)
Net used in operating activities			36,682,680,851		19,906,720,532	21,042,392,047
CASH FLOWS FROM						
INVESTING ACTIVITIES						
Investment in capital expenditures	8,13,23		(54,879,145,831)		(30,734,231,742)	(22,271,381,802)
Additions to property and equipment	10		(1,102,488,143)		(398,177,118)	(443,575,263)
Net cash used in investing activities			(55,981,633,974)		(31,132,408,860)	(22,714,957,065)
CASH FLOWS FROM						
FINANCING ACTIVITIES						
Proceeds of loans payable	14		51,500,000,000		25,000,000,000	21,000,000,000
Payment of cash dividends			(3,647,701,004)		(3,647,085,009)	(1,779,940,745)
Payment of loans payable and debt issue costs	14		(24,825,360,295)		(13,982,552,718)	(8,608,263,581)
Payment on concession fee			(4,424,182,400)		-	(4,547,076,355)
Settlement of obligation under lease liabilities	22		(255,720,096)		(115,701,104)	(139,790,569)
Net cash provided by (used in) financing activities			18,347,036,205		7,254,661,169	5,924,928,750
EFFECT OF EXCHANGE						
RATE CHANGES ON CASH						
AND CASH EQUIVALENTS						
			1,529,406		2,477,717	(5,358,303)
NET INCREASE (DECREASE) IN CASH						
AND CASH EQUIVALENTS						
			(950,387,512)		(3,968,549,442)	4,247,005,429
CASH AND CASH EQUIVALENTS						
AT BEGINNING OF THE PERIOD						
			9,912,916,098		9,912,916,098	8,962,528,586
CASH AND CASH EQUIVALENTS						
AT END OF THE PERIOD						
	11 P	P	8,962,528,586	P	5,944,366,656	P 13,209,534,015

See Notes to Financial Statements

SYNERGY GRID & DEVELOPMENT PHILS., INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting Entity

Synergy Grid & Development Phils., Inc. (SGDPI or the "Parent Company") was originally a mining corporation and registered with the Philippine Securities and Exchange Commission (SEC) on June 1, 1970 under the name Mankayan Minerals Development Company, Inc.

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries, namely OneTaipan Holdings, Inc. ("OTHI"), Pacifica21 Holdings, Inc. ("P21"), Monte Oro Grid Resources Corporation ("MOGRC"), Calaca High Power Corporation ("CHPC") and National Grid Corporation of the Philippines ("NGCP"), (collectively referred to as the "Group"). The Parent Company's shares of stock are listed on the Philippine Stock Exchange (PSE) under the stock symbol "SGP."

On February 22, 1994, the SEC approved the Parent Company's change of corporate name to UEM Development Phils., Inc. and the change in its primary purpose from engaging in mining activities to general construction and other allied businesses. The amendment of its primary purpose was due to the potential opportunity in the construction industry brought about by the entry of a new foreign investor.

On October 10, 1997, the SEC approved the Amendment to the Seventh Article of the Parent Company's Articles of Incorporation increasing the par value of its authorized capital stock from P0.01 to P1.00, decreasing the Parent Company's shares of stock from 500.00 million shares to 50.00 million shares, and stating that the stockholders shall have no pre-emptive rights.

On December 14, 2010, the Board of Directors (BOD) considered and approved the Amendment of the Articles of Incorporation and By-Laws of the Parent Company for the purpose of, among others, changing the Parent Company's corporate name to Synergy Grid & Development Phils., Inc., changing its primary purpose to enable it to engage in the business of investing in, purchasing or acquiring, and selling or disposing of the shares of stock, bonds, evidences of indebtedness and other securities issued or created by corporations and other entities engaged in power, energy, utilities, infrastructure and other allied businesses; and for the above purposes, to acquire, lease, hold, occupy, use, mortgage real and personal properties, to obtain financing from local and international funding sources or otherwise raise capital and funds by issuing or creating equity and debt securities, and to do or engage in any and all other businesses and activities incidental to or connected with, or in furtherance and/or the implementation of any and all of the foregoing. The amendments to the Articles of Incorporation and By-Laws of the Parent Company were approved by the stockholders on December 21, 2010.

On November 14, 2019, the BOD of the Parent Company, and on December 20, 2019, the Stockholders of the Parent Company, approved the amendment of the Articles of Incorporation of the Corporation pursuant to an increase in authorized capital stock from P50.00 million divided into 50.00 million common shares at par value of P1.00 per share to P5.05 billion divided into 5.05 billion common shares at par value of P1.00 per share.

This amendment and increase in capital stock were pursued in connection with the issuance of 4.10 billion shares of the Parent Company in exchange for shares of stock in OTHI and P21 (the “Share Swap Transaction”).

On December 20, 2019, the Parent Company and the stockholders of OTHI and P21 entered into a Share Purchase Agreement, pursuant to which, the two major shareholder of the Parent Company acquired additional 4.10 billion shares of the Parent Company at a price of P20 per share for a total purchase price of P82.00 billion. As consideration for its acquisition, the two major shareholders exchanged their respective ownership in OTHI and P21. Accordingly, the 2.10 billion shares with a P1.00 par value of the Parent Company were swapped with 86.40 million shares of OTHI with a par value of P100 per share, while the 2.00 billion shares of Parent Company were swapped with 871.00 million common shares of P21 with a par value of P1.00 per share.

As a result of the Share Swap Transaction, the Parent Company will legally and/or beneficially owns 67% of the outstanding shares of each of OTHI and P21. OTHI owns controlling shares in MOGRC, which holds 30% plus one share in National Grid Corporation of the Philippines (“NGCP”). P21 owns controlling shares in CHPC, which in turn owns 30% minus one share in NGCP. The Share Swap Transaction was undertaken to formally consolidate the two major shareholder’s ownership and control of NGCP through a common corporate structure. Accordingly, the effective ownership of the Parent Company in NGCP would be 40.20%, with control of 60% voting rights through its subsidiaries MOGRC and CHPC.

On March 26, 2020, the proposed share-swap transaction was approved by the Philippine Competition Commission on the grounds that it will not likely result in substantial lessening of competition in the Philippine market.

On May 28, 2021, the SEC approved the increase in the Parent Company’s authorized capital stock from P50.00 million to P5.05 billion. Consequently, the 4.10 billion common shares for the share swap transaction were issued at a price of P20 per share on the same date. The incremental costs directly attributable to the issuance of common shares amounting to P206.66 million is recognized as a deduction from additional paid-in capital.

On June 30, 2021 and on August 10, 2021, the Parent Company’s BOD and stockholders resolved and approved, respectively the increase in authorized capital stock from P5.05 billion to P5.30 billion, with the increase of 250.00 million to be divided into 250.00 million common shares at a par value of P1.00 per share.

This increase is for the Parent Company to conduct a follow-on offering of its shares to achieve the target public float of twenty percent (20%) of the outstanding capital stock of the Parent Company and for other business purposes.

The above increase was approved by the SEC on August 25, 2021. Consequently, of the 250.00 million increase in shares of the Parent Company, 25% of which was subscribed and paid by the Parent Company’s major shareholders amounting to P62.50 million.

On August 10, 2021, the Parent Company’s BOD approved and authorized the offer and issuance of 1.05 billion common shares at an offer price of up to P29 per share, and also grants over-allotment option pursuant to which a stabilizing agent or its affiliate has the right to purchase up to 101 million common shares of the Parent Company’s shares owned by its major shareholders.

On August 12 and September 10, 2021, the Parent Company's shareholders have also secured the Certificate Authorizing Registration with the Bureau of Internal Revenue (BIR) in order to transfer in the name of the Parent Company the following shares:

- (i) 86,430,000 common shares in OTHI representing 67% of its total capital stock; and
- (ii) 871,000,000 common shares in P21 representing 67% of its total capital stock.

The details the equity interest of the Parent Company in its subsidiaries after the Share Swap are as follows:

	Percentage of Ownership		Country of Incorporation
	Direct	Indirect	
OneTaipan Holdings, Inc. ("OTHI")	67.0%	-	Philippines
Pacifica21 Holdings, Inc. ("P21")	67.0%	-	Philippines
Monte Oro Grid Resources Corporation ("MOGRC")*	-	67.0%	Philippines
Calaca High Power Corporation ("CHPC")**	-	67.0%	Philippines
National Grid Corporation of the Philippines ("NGCP")***	-	40.2%	Philippines

* Indirectly owned through OTHI

** Indirectly owned through P21

*** Indirectly owned through MOGRC and CHPC

OTHI is 67% directly owned subsidiary of the Parent Company and was incorporated and registered with Philippine SEC on February 23, 2010. OTHI's primary purpose is to acquire by purchase, exchange, assignment or otherwise, and to sell, assign, transfer, exchange, lease, let, develop, mortgage, pledge, deal in and with and otherwise operate, enjoy and dispose of, all properties of every kind and description and whatever situated and to the extent permitted by law.

MOGRC is a wholly-owned subsidiary of OTHI and was incorporated and registered with Philippine SEC on August 29, 2006. MOGRC's primary purpose is to invest or hold interests in the shares of stocks of companies engaged in or proposing to engage in infrastructure projects, whether as proponent, equity investor or financial or technical advisor and to do all acts and things necessary to carry out the foregoing purpose.

P21 is 67% directly owned by the Parent Company and was incorporated and registered with Philippine SEC on May 12, 2008. P21's purpose is to invest or acquire interest, purchase, own or hold directly or indirectly shares of stock, debentures or securities in other companies including related services and business activities.

CHPC is a wholly-owned subsidiary of P21 and was incorporated and registered with Philippine SEC on December 15, 2006. CHPC's primary purpose is to engage in the general business of operating, managing, maintaining, and rehabilitating energy systems and services from gas, steam and electricity including related services and business activities.

NGCP's common shares is 30%-owned each by MOGRC and CHPC and was incorporated in the Philippines and registered with Philippine SEC on February 21, 2008 primarily to operate and maintain a nationwide transmission grid throughout the Philippines; to provide open and non-discriminatory access to the transmission system to all authorized electricity distributors and electricity users; and to carry on all business incidental to the same.

On October 14, 2021, the listing of the Offer Shares was approved by the Philippine Stock Exchange. The Philippine SEC approved the listing of SGP on October 20, 2021.

On November 10, 2021, SGDPI, under the symbol “SGP”, publicly listed its 1,053,500,000 shares from its Follow-On Offering (FOO) on the Philippine Stock Exchange with overallotment option of up to 101 million secondary shares at P12.00 per common share.

The Parent Company will use the proceeds of the FOO to directly subscribe to non-voting preferred shares that will be issued by NGCP. Proceeds from the issuance of the non-voting preferred shares will be used by NGCP to finance its capital expenditure requirements and related costs and expenses.

On April 4, 2022, the Parent Company used the proceeds of the FOO to subscribe to 203.63 million non-voting preferred shares of National Grid Corporation of the Philippines (NGCP) with a par value of one peso (P1.00) per share at a subscription price of P60.10/share or a total subscription price of P12,238,163,000.

The subscription will give the Parent Company a direct shareholding in NGCP of 9.240% of the latter's outstanding capital stock. The Parent Company will be entitled to dividends as a direct shareholder of NGCP, and this is in addition to the dividends that the Parent Company already indirectly receives from NGCP through the holding entities.

On 12 April 2022, the Parent Company paid P3,059,540,750 in cash, representing twenty-five percent (25%) of the total subscription price.

On June 9, 2022, the Parent Company paid the balance of the total subscription price in the amount P9,178,622,250.

On February 28, 2008, the Group, through NGCP entered into a Concession Agreement with Power Sector Assets and Liabilities Management Corporation (PSALM) and the National Transmission Corporation (TRANSCO) granting the Group as Concessionaire the right to take over and operate the whole of TRANSCO's regulated transmission business as a going concern and be the sole representative of Regulated Entity before the Philippine Energy Regulatory Commission (ERC). The commencement date of the Concession Agreement is on January 15, 2009 and shall expire on the 25th anniversary of the commencement date. The Concession can be extended but not to exceed beyond the 50th anniversary of the commencement date or for longer than the remaining term of the Group's franchise (see Note 4).

SGP indirectly controls 60% of the outstanding common shares of NGCP, SGP's sole operating asset with an effective equity interest of 40.20%.

Significant Contracts and Agreements

Construction Management Agreement (CMA)

From the commencement date, TRANSCO appointed the Concessionaire to act as its Construction Manager (CM) to implement, manage and administer the construction and completion of each Project Under Construction (PUC) as an independent contractor for and on its behalf, in accordance with the requirements of the Concession Agreement and as further set forth below:

- a) The CM shall have principal day-to-day on-site management, oversight and administrative responsibilities over all projects under construction and all contractors' construction activities in relation thereto.

- b) The CM shall be the primary point of contact for communications with all Contractors' Construction of such fact.
- c) The CM shall perform its responsibilities in accordance with the standards required under the CMA.

Nothing in the CMA shall release the CM from complying with its functions and obligations including the completion of all the PUCs at its own cost and expense, provided however, that if the sole and exclusive reason for the non-completion of a PUC is due to TRANSCO's failure to make available the committed funding under the Funding Agreements, then the CM shall be released from completing such PUC. Any such release shall be limited to the obligation that the CM would have had, had TRANSCO not failed to make such funding available and shall be subjected to the Concessionaire being in full compliance with the Transaction Documents.

External Consultant Agreements

In 2025 and 2024, the Group, through NGCP, executed various external consultancy agreements in relation to the conduct of its business and in compliance with regulatory requirements, several of which are as follows:

- Legal services;
- Advisory and consulting services for regulatory filings;
- Implementation consultancy services; and
- Other consultancy services as needed.

Expenses incurred pertaining to these agreements are included in "Outside services" and "Professional fees" in profit or loss in the consolidated statements of income.

Construction Contracts

The Group, through NGCP, agreed to manage the construction and completion of all PUC that have not been commissioned and placed in service on behalf of TRANSCO in accordance with the CMA. Upon the acceptance by the Group of the completion of PUC in accordance with the provisions of the applicable PUC contracts, each PUC completed and accepted by the Group shall immediately form part of the Transmission Grid.

New Construction Contracts.

As of June 30, 2025, the Group, through NGCP, entered into new significant construction contracts amounting to P8.16 billion, among the major contracts are as follows:

- Augmentation Works of Western Luzon 500kV Backbone Project (Stage 2), Schedule I - 84 Tower Sites (Castillejos S/S To Cb-220)
- Interim Scheme of Muntinlupa- Biñan 230kV Lines 3 And 4 Affected By DOTR NSCR-Ex Project-Site 7 (Supply and Erection/Installation)
- Remaining Works for the Tuguegarao-Lal-Lo(Magapit) 230kV TL Project (T/L Portion) (Rebidding)
- Stringing Of 138kV Barotac Viejo - Dingle Line 3 Under Barotac Viejo-Unidos 230kV Transmission Line Project
- 2025 LFM Services for South Luzon and Visayas
- Raising of Conductor Sags for the Mexico - Hermosa 230kV Transmission Line (Erection/Construction) Under Bataan 230kV Grid Reinforcement Project (Re-Bidding)
- Variation Order (Change Order No. 1) for the Cebu - Bohol Interconnection Project, Submarine Cable Portion
- Supply And Delivery Of 2hp Submersible Water Pumps for Various Sites.
- Supply And Delivery of Stacir Cable for the Reconductoring of Baung-Sanfaban 138kV Line (Offshore Portion)

- Supply And Delivery of Stacir Cable for the Reconductoring of Ormoc-Lemon 69kV Line (Offshore Portion)
- Supply Of Labor and Services for the Reconductoring of Babatngon-Apitong 69kV Line
- Raising of Conductor Sags for the Mexico – Hermosa 230kV Transmission Line (Supply and Delivery of Steel Pole) Under Bataan 230kV Grid Reinforcement Project (Local Delivery for Foreign Supply)
- Supply and Delivery of Stacir Cable for the Reconductoring of Labrador - Lingayen 69kV Line (Offshore Portion)
- Supply And Delivery of Stacir Cable for the Reconductoring of Babatngon-Apitong 69kV Line (Offshore Portion)
- Connection Point of Mangima Hydro Power Corp's 12mw Mangima Hydro Electric Power Plant Project at NGCP Manolo Fortich 69kV Substation

For 2025, the Capital Expenditures approved and confirmed by the Group, through NGCP's Board amounted to P42.21 billion.

As of December 31, 2024, the Company entered into new significant construction contracts amounting to P18.75 billion, among the major contracts are as follows:

- Calbayog - Allen Transmission Line Project (Substation Portion)
- Calbayog - Allen Transmission Line Project (TL Portion), Schedule II - Calbayog - Victoria 138kv Transmission Line (CA 87-163) And Victoria - Allen 69kv Transmission Line
- Calbayog - Allen Transmission Line Project (TL Portion), Schedule I: Calbayog - Victoria 138kV Transmission Line (CA 01-87) and Rerouting of Paranas - Calbayog & Calbayog - Catarman 69kV Line at Calbayog Substation
- Site Development Works, Foundation Works and Construction of Buildings for San Simon Substation Project
- Tuguegarao – Enrile 69kV Transmission Line Project, Luzon Primary Equipment Substation Upgrading Project (Tuguegarao and San Rafael S/S), and Wan Chiong and Linde 69kV Feeders (Under San Simon 230kV Substation Project)
- Dasmariñas 500kV Substation 5th Bank Transformer
- Replacement of Borrowed Materials and Additional Supply of Various Transmission Line Materials for Luzon Projects
- Supply, Delivery, Installation, Testing, Configuration, and Commissioning of Optical Transport Network (OTN)- Visayas/Mindanao
- Relocation of Mexico Calumpit 69kV Transmission Line Project (MC-209 to MC-233) Affected By DOTR-NSCR Project
- Luzon Voltage Improvement Project 4, Schedule III - Malvar (Tanauan) and Tigaon (Lagonoy) 69kV Switching Stations
- Supply, Delivery, Installation, Testing, Configuration, and Commissioning of Optical Transport Network (OTN)-Luzon
- 2024 Fleet Operations Services
- 2024 NGCP Group Health Maintenance Plan – Dependents
- Security Services for Packages 7, 8, 9, 20 and 21 (2024-2025)
- Replacement of Damaged/Affected Steel Towers (Tower Nos. 47 To 50) Along Cadacan River Of Naga – Sta. Magdalena 350kV HVDC Line
- Dauin 69kV Load End Station Under Visayas Mobile Capacitor Bank Project
- Roxas 69kV Load End Station Under Visayas Voltage Improvement Project 2
- Luzon Primary Equipment Substation Upgrading Project (Pantabangan S/S)
- 2024 Fleet Operations Services
- Tigbauan 69kV Load End Station Under Visayas Mobile Capacitor Bank Project
- Optical Groundwire (OPGW) Retrofitting Project, 5 Segments
- IFM South Luzon And Visayas (Contract Extension)
- Luzon Primary Equipment Substation Upgrading Project (Calamba Substation Portion)

- Sorsogon - Samar Submarine Fiber Optic Cable Repair
- Supply Service Agreement: Supply And Delivery of Various Metering Requirement (Combined Instrument Transformer, Current Transformer, Voltage Transformer)

For 2024, the Capital Expenditures approved and confirmed by NGCP's Board amounted to P49.54 billion.

Projects under Construction (PUC). PUC refer to the 42 transmission projects listed in Schedule 2 and defined under Section 4.02 of the Concession Agreement.

From its commencement, the Group, through NGCP has various existing Construction Project Agreements with different contractors for the construction, rehabilitation, upgrade, and infrastructure of transmission assets to provide transmission services with an average term of more than one year. In accordance with the agreements, the Contractor agreed to furnish all labor, materials, equipment, and other incidentals necessary to complete the procurement, manufacturing, supply, construction, erection, testing, and commissioning of the transmission assets. In consideration of such services, the Group agreed to pay the contractors a fee under mutually agreed upon terms and conditions specified in the agreement.

In compliance with the mandate under the Concession Agreement, the Group engages the services of third-party contractors for its construction and upgrade services. Construction costs comprise of all expenses related to the construction contracts which are equal to construction revenues because it is already the fair value of the intangible asset recognized.

The Group recognizes construction costs and revenues in compliance with Accounting Standards specifically, Philippine Interpretation, International Financial Reporting Interpretations Committee (IFRIC) 12, *Service Concession Arrangements*, but do not receive any cash inflow nor does the Group receive any revenue from these activities. The annual revenue the Group receives from Transmission Wheeling Rates for the provision of Transmission Services is determined in accordance with the Rules in Setting Transmission Wheeling Rates (RTWR) as approved by the Regulator.

Republic Act No. 9511

Republic Act No. 9511 (RA 9511), which took effect on December 20, 2008, granted the Group, through NGCP a fifty (50) year franchise from effectivity date to operate, manage and maintain, and in connection therewith, to engage in the business of conveying or transmitting electricity through high voltage back-bone system of interconnected transmission lines, substations and related facilities, system operations, and other activities that are necessary to support the safe and reliable operation of a transmission system and to construct, install, finance, manage, improve, expand, operate, maintain, rehabilitate, repair and refurbish the present nationwide transmission system of the Republic of the Philippines.

Pursuant to Section 9 of RA 9511, in consideration of the franchise and rights granted, the Group pays a franchise tax equivalent to three percent (3%) of all gross receipts derived from its operation under the franchise, in lieu of income tax and any and all taxes, duties, fees and charges of any kind, nature or description levied, established or collected on its franchise, rights, privileges, receipts, revenues and profits, and on properties used in connection with its franchise except for real property tax on real estate, buildings and personal property, exclusive of the franchise (see Note 26).

Pursuant to Section 8 of RA 9511, NGCP is required to list, subject to the requirements of the SEC and the PSE, and make a public offering of the shares representing at least twenty *per centum* (20%) of its outstanding capital stock or a higher percentage that may hereafter be provided by law within ten (10) years from the commencement of its operations. Provided, that the listing in the PSE of any company which directly or indirectly owns or controls at least thirty per centum (30%) of the outstanding shares of stock of NGCP shall be considered full compliance of this listing requirement. In case compliance with this requirement is not reached, the ERC may, upon application of NGCP, and after notice and hearing, allow such reasonable extension of the period within which NGCP should list its shares of stock, if the market condition is not suitable for such listing. NGCP has complied with this requirement on November 12, 2021, as confirmed by ERC in its order dated May 26, 2022 under ERC Case No. 2018 - 014MC. The Parent Company who is listed in the PSE, indirectly owns NGCP after the completion of the Share Swap transaction and the Follow On Offering in 2021.

The Parent Company's registered office address is Unit 1602, 16th Floor, Tycoon Center Bldg. Condominium, Pearl Drive, Pasig City, Metro Manila

2. Basis of Preparation

Statement of Compliance

These consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) Accounting Standards. PFRS Accounting Standards are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS Accounting Standards consist of PFRS Accounting Standards, Philippine Accounting Standards (PAS), and Philippine Interpretations issued by the Financial and Sustainability Reporting Standards Council (FSRSC).

The accompanying consolidated financial statements were authorized for issue by the Board of Directors (BOD) on August 6, 2025.

Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis of accounting, and retirement benefits liability, which has been measured at fair value of plan assets less the present value of the defined benefit obligation.

Functional and Presentation Currency

These consolidated financial statements are presented in Philippine peso, which is the Group's functional currency. All financial information has been rounded off to the nearest peso, except when otherwise indicated.

Basis of Consolidation

The consolidated financial statements include the financial statements of Parent Company and its subsidiaries.

A subsidiary is an entity controlled by the Group. Control exists when an investor is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

When the Group has less than majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangement with other vote holders of the investee, rights arising from other contractual arrangements and the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events under similar circumstances. Intergroup balances and transactions, including intergroup realized profits and losses, are eliminated in preparing both the consolidated financial statements.

Non-controlling interests represent the portion of profit or loss and net assets not attributable to the Parent Company and are presented in the consolidated statements of income and within equity in the consolidated statements of financial position, separately from the equity attributable to equity holders of the Parent Company.

Non-controlling interests include the interests not held by the Parent Company in its subsidiary as follows: OTHI, P21 and NGCP.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a Subsidiary, the Group: (i) derecognizes the assets (including goodwill) and liabilities of the Subsidiary, the carrying amount of any non-controlling interests and the cumulative transaction differences recorded in equity; (ii) recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in the consolidated statements of comprehensive income; and (iii) reclassify the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Use of Judgments and Estimates

The preparation of the consolidated financial statements in conformity with PFRS Accounting Standards requires management to make judgments, estimate and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Judgments are made by management on the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized on the period on which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the consolidated financial statements is as follows:

Determining the Fair Value of Financial Instruments

The Group's financial assets and financial liabilities measured at fair value, require the use of accounting estimates and judgment. The significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates). Any changes in fair value of these financial assets and liabilities would affect the consolidated statements of income and consolidated statements of changes in equity.

The fair values of the Group's financial instruments are presented in Note 24 to the consolidated financial statements.

Service Concession Arrangements as Operator

Based on management's judgment, the provisions of Philippine Interpretation IFRIC 12, *Service Concession Arrangements* apply to the Group. The consideration receivable under the concession agreement is accounted for as a financial asset or an intangible asset according to its substance, considering the terms of the arrangement as a whole. A financial asset is recognized to the extent that the Group receives an unconditional right to receive cash irrespective of the use of the infrastructure. An intangible asset is recognized to the extent that the Group receives a right (license) to charge users of the transmission system.

Concession Rights

The Group's service concession agreement was accounted for under the intangible asset model where it recognized an intangible asset arising from its agreement to pay the Concession Fee and as consideration for construction services it provides. The intangible asset represents the right (license) the Group received to charge users of the transmission system in accordance with the rates approved by the ERC, the Regulator, pursuant to Republic Act No. 9136. The Group does not receive an unconditional right to receive cash from or at the direction of the grantor where the grantor contractually guarantees to pay the Group specified or determinable amounts or any shortfall between amounts received from users of the transmission system and specified or determinable amounts (see Notes 4, 5 and 8).

Determining the Transaction Price - Regulated Transmission Services

A complex regulatory rate-setting process is in place intended for the recovery of costs and reasonable margin, where amounts are subject to review and adjustment or correction for various factors, being done annually and at the end of each 5-year regulatory period where revenue can be adjusted for over- or under-recoveries. The Group assessed that in the absence of other ERC issuance or directive that states otherwise (i.e. that revenue has been modified), similar to the practice adopted by the industry, the amounts chargeable to customers based on the currently effective Maximum Allowed Revenue (MAR) remains to best represent the transaction price for its transmission services in a reporting period, considering the substantive nature of the ERC's approvals under the present rules and regulations as well as the degree of uncertainty in terms of timing and amounts (see Notes 4, 20 and 27).

In determining the transaction price, an entity is required to adjust the promised amount of consideration for the effects of the time value of money if that contract contains a significant financing component. The Group has assessed that the revenue accrued for iMAR and under-recovery to be collected in succeeding years do not have a significant financing component because the timing difference arises for non-finance reasons and a substantial portion of the consideration is variable, and the amount or timing of the consideration is outside the customer's or entity's control. The timing of payments is not specified in revenue contracts to intend any significant benefit of financing from both the Group and its customers, and the determination of iMAR and recovery scheme of incremental revenue is decided purely by the ERC and is beyond the control of the Group or its customers.

Estimating Accrued Transmission Revenue

Revenue is billed covering the period which starts from the 26th day of the current month to the 25th day of the following month while recognition is based on calendar month. The recognition of unbilled revenues as at month-end cut-off date requires the use of estimates based on the number of days of the customers' unbilled consumption.

The carrying amount of the Group's accrued power receivables as at June 30, 2025 and December 31, 2024 amounted to P32.35 billion and P19.24 billion (see Note 12).

Estimating Allowance for Impairment Losses on Receivables

The Group has elected to measure loss allowances for receivables at an amount equal to lifetime expected credit loss (ECL).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

As at June 30, 2025 and December 31, 2024, the analysis of allowance for impairment losses on receivables is presented in Note 12.

Estimating Useful Lives of Property and Equipment

The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment 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.

In addition, estimation of the useful lives of property and equipment is based on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by the changes in these factors and circumstances.

A reduction in the estimated useful lives of property and equipment would increase the recorded depreciation and amortization expenses and decrease noncurrent assets.

The carrying amount of the Group's property and equipment as at June 30, 2025 and December 31, 2024 amounted to P5.28 billion and P5.27 billion, respectively (see Note 10).

Estimating Net Realizable Value of Materials, Spare Parts and Supplies

The Group carries spare parts and supplies at net realizable value when such value is lower than cost due to damage, physical deterioration and obsolescence. The estimated net realizable value is reviewed regularly.

No write-down was recognized in profit or loss in June 30, 2025 and 2024. As at June 30, 2025 and December 31, 2024, accumulated amount of write-down of spare parts and supplies amounted to and P346.27 million (see Note 13).

Estimating Useful Life of Intangible Asset

The Group estimates the useful life of intangible asset arising from service concession based on the period over which the asset is expected to be available for use during the concession period. The Group has not included any renewal period on the basis of uncertainty, as at reporting date, of the probability of securing renewal contract at the end of the original contract term.

The Group also estimates the useful life of its computer software and license based on the period over which assets are expected to be available for use. The estimated useful life of computer software and license is updated if expectations differ from previous estimates due to technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful life of computer software and license is based on collective assessment of internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

The carrying amount of the Group's intangible asset as at June 30, 2025 and December 31, 2024 amounted to P443.01 billion and P425.55 billion, respectively (see Note 8).

Estimating the Residual Value of Intangible Assets

The estimated residual value of the intangible assets at the end of concession contract was determined based on the quotient of the actual costs of transmission assets commissioned by the Group during the concession period and the ERC approved estimated asset lives multiplied by the difference of the asset life and the remaining life of concession. Under this scenario, the residual value of intangible assets refers to the portion of investment in the additional completed transmission assets that could not be recovered thru regulatory reset filing as at the end of the concession period and shall be excluded from the value of intangible assets to be amortized over the remaining concession period and will be charged against the Recovery Payment at the end of the period.

As at June 30, 2025 and December 31, 2024, the estimated residual value of intangible assets from completed projects at the end of the concession period amounted to P133.32 billion and P113.93 billion, respectively.

Impairment of Goodwill

The Group determines whether goodwill is impaired at least annually. This requires the estimation of value in use of the cash-generating units to which the goodwill is allocated. Estimating value in use requires management to make an estimate of the expected future cash flows and to choose a suitable discount rate to calculate the present value of those cash flows.

No impairment loss was recognized on goodwill for June 30, 2025 and 2024. The carrying amount of goodwill amounted to P10.47 billion as at June 30, 2025 and December 31, 2024 (see Note 9).

Reliable Measure of the Recovery Payment

The calculation of the Recovery Payment is complex and will involve the use of variables that will only be determined in the future, including among others the use of an input based on the value of the Group's RAB at termination date which is partly dependent on future capital expenditures and recoveries. Based on management's judgment, considering further that the Recovery Payment will only be determinable at termination date by a mutually appointed independent appraiser, estimation of the residual value in the current period involves a significantly high level of estimation uncertainty such that the amount is not yet reliably measurable at this point.

Estimating Retirement Benefits

The determination of the Group's obligation and cost for retirement benefits is dependent on the selection of certain assumptions used in calculating such amounts including discount rates and salary increase rates.

Remeasurements of retirement benefits liability are recognized in other comprehensive income and comprise of actuarial gains and losses on the retirement benefit obligation excluding amounts included in the net interest of the retirement benefits liability.

Retirement benefits cost recognized in profit or loss on June 30, 2025 and 2024 amounted to P184.51 million and P169.29 million, respectively. Retirement benefits liability as at June 30, 2025 and December 31, 2024 amounted to P2.87 billion and P2.95 billion, respectively (see Note 23).

Impairment of Nonfinancial Assets

In accordance with the Group's policy on impairment of nonfinancial assets, the Group performs an impairment test when certain impairment indicators are present. In determining the present value of future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

Management believes that there is no indication of impairment loss in the carrying value of the Group's property and equipment and intangible asset as at June 30, 2025 and December 31, 2024.

Contingencies

The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims shall be developed in consultation with the legal counsels handling these matters and based on analysis of potential results. It is possible, however, that future financial position and performance could be affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 25).

3. Material Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements, except for the changes in accounting policies as explained below.

Adoption of Amendments to Standards and Interpretations

The Group has adopted the following new standards and amendments to standards and interpretations starting January 1, 2024 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on Group's financial statements. These are as follows:

- PAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Noncurrent - 2020 amendments and Non-Current Liabilities with Covenants - 2022 amendments (Amendments)*. To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:
 - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;
 - clarified that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;
 - provided additional disclosure requirements for non-current liabilities subject to conditions within twelve months after the reporting period to enable the assessment of the risk that the liability could become repayable within twelve months; and
 - clarified that settlement of a liability includes transferring an entity's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.
- PAS 7, *Statement of Cash Flows* and PFRS 7, *Financial Instruments: Disclosures - Supplier Finance Arrangements (Amendments)* introduce new disclosures about a company's supplier finance arrangements that would enable users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows, and the Group's exposure to liquidity risk. Under the amendments, a company discloses in aggregate for its supplier finance arrangements:
 - the terms and conditions of the arrangements;
 - beginning and ending carrying amounts and associated line items of the financial liabilities that are part of a supplier finance arrangement, distinguishing those for which suppliers were already paid, and range of payment due dates including those for comparable trade payables not part of a supplier finance arrangement; and
 - the type and effect of non-cash changes in the carrying amounts.

The amendments also add supplier finance arrangements as an example to the existing disclosure requirements on factors a company might consider when providing specific quantitative liquidity risk disclosures about its financial liabilities.

A Group is not required to disclose comparative information for any prior reporting periods, information on carrying amounts for which suppliers already received payment and range of payment due dates as at the beginning of the annual reporting period the Group first applies the amendments, and information for any interim period within the annual reporting period in which the Group first applies those amendments.

Standards Issued But Not Yet Adopted

A number of amendments to standards are effective for annual periods beginning after January 1, 2024 and have not been applied in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's financial statements.

Effective January 1, 2027

- PFRS 17, *Insurance Contracts* replace the interim standard, PFRS 4, *Insurance Contracts*. Reflecting the view that an insurance contract combines features of both a financial instrument and a service contract, and considering the fact that many insurance contracts generate cash flows with substantial variability over a long period, PFRS 17 introduces a new approach that:
 - (a) combines current measurement of the future cash flows with the recognition of profit over the period services are provided under the contract;
 - (b) presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and
 - (c) requires an entity to make an accounting policy choice portfolio-by-portfolio of whether to recognize all insurance finance income or expenses for the reporting period in profit or loss or to recognize some of that income or expenses in other comprehensive income.

Under PFRS 17, groups of insurance contracts are measured based on fulfilment cash flows, which represent the risk-adjusted present value of the entity's rights and obligations to the policy holders, and a contractual service margin, which represents the unearned profit the entity will recognize as it provides services over the coverage period. Subsequent to initial recognition, the liability of a group of insurance contracts represents the liability for remaining coverage and the liability for incurred claims, with the fulfilment cash flows remeasured at each reporting date to reflect current estimates.

Simplifications or modifications to the general measurement model apply to groups of insurance contracts measured using the 'premium allocation approach', investment contracts with discretionary participation features, and reinsurance contracts held.

PFRS 17 brings greater comparability and transparency about the profitability of new and in-force business and gives users of financial statements more insight into an insurer's financial health. Separate presentation of underwriting and financial results will give added transparency about the sources of profits and quality of earnings.

Full retrospective application is required, unless it is impracticable, in which case the entity chooses to apply the modified retrospective approach or the fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applies the fair value approach. There is also a transition option allowing presentation of comparative information about financial assets using a classification overlay approach on a basis that is more consistent with how PFRS 9 will be applied in future reporting periods. Early application is permitted for entities that apply PFRS 9 *Financial Instruments* on or before the date of initial application of PFRS 17.

- PAS 21, *The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability (Amendments)* clarify that a currency is exchangeable into another currency when a Group is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

When a currency is not exchangeable, a Group needs to estimate a spot rate. The objective in estimating the spot rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments do not specify how to estimate the spot exchange rate to meet the objective and an entity can use an observable exchange rate without adjustment or another estimation technique.

The amendments require new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements, including the nature and financial impacts of the currency not being exchangeable, the spot exchange rate used, the estimation process, and risks to the Group because the currency is not exchangeable.

Earlier application is permitted. Comparative information is not restated and the effect of initially applying the amendments are adjusted to the opening balance of retained earnings, or to the cumulative amount of translation differences if the Group uses a presentation currency other than its functional currency.

Effective January 1, 2026

- PFRS 9, *Financial Instruments* and PFRS 7, *Financial Instruments: Disclosures Amendments to the Classification and Measurement of Financial Instruments (Amendments)* relate to the date of recognition and derecognition, classification of financial assets, contractually linked instruments and non-recourse features, and disclosures on investments in equity instruments.

Date of recognition and derecognition. The amendments clarified that:

- a financial asset or financial liability is recognized on the date on which the entity becomes a party to the contractual provisions of the instrument unless the regular way exemption applies;
- a financial asset is derecognized on the date on which the contractual rights to cash flows expire or the asset is transferred; and
- a financial liability is derecognized on the settlement date, which is the date on which the liability is extinguished because the obligation specified in the contract is discharged or cancelled or expires or the liability otherwise qualifies for derecognition.

However, the amendments provide an exception for the derecognition of financial liabilities where an entity may choose to derecognize a financial liability that is settled using an electronic payment system before the settlement date if, and only if, the entity has initiated the payment instruction that resulted in:

- the entity having no practical ability to withdraw, stop or cancel the payment instruction;
- the entity having no practical ability to access the cash to be used for settlement as a result of the payment instruction; and
- the settlement risk associated with the electronic payment system is insignificant.

Entities may choose to apply the exception on a system-by-system basis.

Classification of Financial Assets. The amendments related to classification of financial assets introduces an additional test to assess whether the sole payments of principal and interest (SPPI) criterion is met for financial assets with contingent features that are not related directly to a change in basic lending risks or costs.

The amendments clarified that when a contingent feature gives rise to contractual cash flows that are consistent with a basic lending arrangement both before and after the change in contractual cash flows, but the nature of the contingent event itself does not relate directly to changes in basic lending risks and costs, the financial asset has contractual cash flows that are SPPI if, and only if, in all contractually possible scenarios, the contractual cash flows would not be significantly different from the contractual cash flows on a financial instrument with identical contractual terms, but without such a contingent feature.

Additional disclosures are required for all financial assets and financial liabilities that have certain contingent features that are not related directly to a change in basic lending risks or costs and are not measured at fair value through profit or loss.

Contractually Linked Instruments and Non-recourse Features. The amendments clarify the key characteristics of contractually linked instruments (CLIs) and how they differ from financial assets with non-recourse features. The amendments also include factors that a Group needs to consider when assessing the cash flows underlying a financial asset with non-recourse features (the 'look through' test). For example, it clarifies that a financial asset has non-recourse features if an entity's ultimate right to receive cash flows is contractually limited to the cash flows generated by specified assets; that CLIs have non-recourse features, but not all financial assets with non-recourse features are CLIs; and that the underlying pool of instruments of CLIs may include financial assets outside the scope of IFRS 9.

Disclosures on Investments in Equity Instruments. The amendments require additional disclosures for investments in equity instruments that are measured at fair value with gains or losses presented in other comprehensive income (FVOCI). The entity discloses for each class of investment the fair value gain or loss presented in other comprehensive income during the period, showing separately the fair value gain or loss related to investments derecognized during the reporting period and the fair value gain or loss related to investments held at the end of the reporting period. It also discloses any transfers of the cumulative gain or loss within equity during the reporting period related to investments derecognized during that reporting period.

Earlier application is permitted. Entities may choose to early-adopt the amendments for the recognition and derecognition of financial assets and financial liabilities separately from the other amendments

Effective January 1, 2027

- PFRS 18, *Presentation and Disclosure in Financial Statements* will replace PAS 1, *Presentation of Financial Statements* and aims to provide greater consistency in presentation of the income and cash flow statements, and more disaggregated information.

- *A more Structured Income Statement.* PFRS 18 promotes a more structured income statement. It introduces a newly defined 'operating profit or loss' and 'profit or loss before financing and income tax' subtotals, and a requirement for all income and expenses to be classified into three new distinct categories operating, investing, and financing - based on a Group's main business activities. PFRS 18 also requires companies to analyze their operating expenses directly on the face of the income statement - either by nature, by function or on a mixed basis. Companies need to choose the presentation method that provides the 'most useful structured summary' of those expenses. New disclosures apply if any operating expenses are presented by function.
- *Management-defined Performance Measures.* PFRS 18 provides a definition for management-defined performance measures (MPMs) and introduces specific disclosure requirements. MPMs are subtotals of income and expenses that are used in public communications outside the consolidated financial statements, communicate management's view of an aspect of the financial performance of the entity as a whole and are not a required subtotal or a common income and expense subtotal listed in PFRS 18. For each MPM presented, companies will need to explain in a single note to the consolidated financial statements why the measure provides useful information and how it is calculated, and to reconcile it to an amount determined under PFRS Accounting Standards.
- *Greater Disaggregation of Information.* PFRS 18 provides enhanced guidance on how companies group information in the financial statements, including newly defined roles of the primary financial statements and the notes, principles of aggregation and disaggregation based on shared and non-shared characteristics, and specific guidance for labelling and describing items in a way that faithfully represents an item's characteristics.

PFRS 18 also now require goodwill to be presented as a line item in the statement of financial position.

Consequential amendments to PAS 7 *Statement of Cash Flows* requires the use of the operating profit or loss subtotal as the starting point when presenting operating cash flows under the indirect method and eliminate the options for classifying interest and dividend cash flows.

PFRS 18 also amends PAS 33 *Earnings per Share* to permit companies to disclose additional amounts per share using as numerator a required income and expenses total or subtotal, a common subtotal listed in PFRS 18 or an MPM disclosed by the entity.

PFRS 18 applies for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. It applies retrospectively in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. Specific reconciliations are required to be disclosed. Eligible entities including venture capital organizations, mutual funds and some insurers will be allowed to change their election for measuring investments in associates and joint ventures from equity method to fair value through profit or loss.

Service Concession Arrangements

Public-to-private service concession arrangements where: (a) the grantor controls or regulates what services the Group must provide with the infrastructure, to whom it must provide them, and at what price; and (b) the grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement are accounted for under the provisions of Philippine Interpretation IFRIC 12. Infrastructures used in a public-to-private service concession arrangement for its entire useful life (whole-of-life assets) are within the scope of Philippine Interpretation IFRIC 12 if the conditions in (a) are met.

Philippine Interpretation IFRIC 12 applies to both: (a) infrastructure that the Group constructs or acquires from a third party for the purpose of the service arrangement; and (b) existing infrastructure to which the grantor gives the Group access for the purpose of the service arrangement.

Infrastructures within the scope of Philippine Interpretation IFRIC 12 are not recognized as property and equipment of the Group. Under the terms of contractual arrangements within the scope of Philippine Interpretation IFRIC 12, the Group acts as a service provider. The Group constructs and upgrades infrastructure (construction or upgrade services) used to provide a public service and operates and maintains that infrastructure (operation services) for a specified period of time.

The Group recognizes a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. The Group recognizes an intangible asset to the extent that it receives a right (a license) to charge users of the public service.

When the Group has contractual obligations it must fulfill as a condition of its license: (a) to maintain the infrastructure to a specified level of serviceability or (b) to restore the infrastructure to a specified condition before it is handed over to the grantor at the end of the service arrangement, it recognizes and measures these contractual obligations in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the reporting date. Repairs and maintenance and other expenses that are routine in nature are expensed and recognized in the profit or loss as incurred.

In accordance with PAS 23, *Borrowing Costs*, borrowing costs attributable to the arrangement are recognized as an expense in the period in which they are incurred unless the Group has a contractual right to receive an intangible asset (a right to charge users of the public service). In this case, borrowing costs attributable to the arrangement are capitalized during the construction phase of the arrangement.

Intangible Asset

Service Concession Arrangement

The Group recognizes an intangible asset arising from the service concession arrangement through Concession Right when it acquired the right to charge for usage of the concession infrastructure. An intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value upon initial recognition. Subsequent to initial recognition, the intangible asset is measured at cost, which includes capitalized borrowing costs, less accumulated amortization and accumulated impairment losses, if any.

Concession Rights. Concession rights are purchased and recognized at cost at the date of acquisition and consists of:

- a. Concession fees pursuant to Article 6 of the Concession Agreement, broken down into commencement fee and deferred payments, add/deduct adjustments pertaining to IWC, PUC and RSTA; and
- b. The intangible asset resulting from the cost of infrastructures constructed and under construction, including related borrowing costs. These are not recognized as property and equipment of the Group but as intangible asset.

Subsequent performance of construction and upgrade services results to the increase in the rights/license to charge users of the public service and the corresponding future revenue received by the Group, representing an enhancement of the intangible asset. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

Intangible asset is assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization is calculated over the cost of the intangible asset less any determined residual value. Amortization is recognized in profit or loss on a straight-line basis over the remaining life of the concession period. The estimated useful life of the intangible asset is determined to be the period over which the Group can charge for usage of the concession infrastructure but not more than the concession period which is twenty-five (25) years. The amortization method, useful life and residual value are reviewed at each reporting date and adjusted, if appropriate. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense is recognized in profit or loss in the expense category consistent with the function of the intangible asset.

Business Combinations under Common Control

The Group accounts for business combinations involving entities that are ultimately controlled by the same ultimate parent before and after the business combination and the control is not transitory, using pooling of interests method.

The assets and liabilities of the combining entities are reflected in the consolidated statements of financial position at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments are those to align accounting policies between combining entities.

No new goodwill is recognized as a result of the business combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is recognized in equity.

The consolidated statements of income reflect the results of the combining entities for the full year, irrespective of when the combination took place.

Comparatives are presented as if the entities had been combined for the period that the entities were under common control (see Note 6).

Non-controlling Interests

The acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. Any difference between the purchase price and the net assets of the acquired entity is recognized in equity. The adjustments to non-controlling interests are based on a proportionate amount of the identifiable net assets of the subsidiary (see Note 7).

Financial Instruments

Recognition and Initial Measurement

A financial instrument is recognized if the Group becomes a party to the contractual provisions of the instrument. Regular way purchases or sales of financial assets are accounted for at settlement date, i.e., the date that an asset is delivered to or by the Group.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

A financial asset (unless it is a trade receivable without a significant component that is initially measured at the transaction price) or financial liability is initially measured at fair value plus, transaction costs that are directly attributable to its acquisition.

Classification and Measurement of Financial Assets

On initial recognition, a financial asset is classified and measured at: amortized cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL. The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

The Group's cash and cash equivalents and receivables are included in this category.

Business Model Assessment. The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to the management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future salary activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Assessment Whether Contractual Cash Flows are Solely Payments of Principal and Interest. For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basis lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of the contractual cash flows such that it would not meet these conditions. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g., non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amounts plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

The Group determines that the business model for financial assets at amortized cost is held to collect contractual cash flows and meets the solely principal and interest criterion as of June 30, 2025 and December 31, 2024.

Financial Assets at Amortized Cost. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Debt Investments at FVOCI. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity Investments at FVOCI. These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

The equity securities represent investments that the Group intends to hold for the long term for strategic purposes.

Classification and Subsequent Measurement of Financial Liabilities

Financial liabilities that are classified as measured at amortized cost are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Derecognition of Financial Assets and Liabilities

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

- the contractual rights to receive cash flows from the financial asset have expired;
- the Group has transferred its contractual rights to receive cash flows of the financial asset (the “original asset”) or retained the contractual rights to receive the cash flow from a financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients (the “eventual recipients”), in an arrangement and: (a) the Company has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset; (b) the entity is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and (c) the entity has no obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay; or
- the Company has transferred substantially all the risks and rewards of the ownership of the financial asset or has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred control of the financial asset

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

Offsetting Financial Instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

Debt Issuance Costs

Debt issuance costs are directly attributable transaction costs considered as discount of the related debts upon initial measurement and are subsequently amortized over the expected life of the instrument under the effective interest method.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the respective asset. A qualifying asset is an item of asset that necessarily takes a substantial period of time to get ready for its intended use. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred, and ceases when the assets are substantially ready for their intended use.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and impairment losses, if any.

Initially, an item of property and equipment is measured at cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent costs that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the Group. The costs of day-to-day servicing of an asset are recognized as an expense in the period in which it is incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives.

The estimated useful lives of these assets are as follows:

	Number of Years
Structures and improvements	30
Transportation equipment	10
Machinery and equipment	10
Office furniture and fixtures	5 - 10

The useful lives and depreciation and amortization method are reviewed at each reporting date to ensure that they are consistent with the expected pattern of economic benefits from those assets.

When an asset is disposed of or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and the accumulated depreciation, amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

Prepaid Expenses and Other Current Assets

Advance Payment to Suppliers and Contractors. Advance payment to suppliers and contractors is reclassified to proper asset account and deducted from the contractor's billings as specified in the provisions of the contract.

Spare parts and supplies inventories are valued at the lower of cost or net realizable value. Net realizable value is the current replacement cost.

Cost is determined by using the moving weighted average method. If the cost of inventories exceeds its net realizable value, provisions are made currently for the difference between the cost and the net realizable value.

Prepaid expenses are expenses paid in advance and recorded as asset before they are utilized.

Impairment of Assets

Financial Instruments and Contract Assets

The Group recognizes loss allowances for ECLs on financial assets measured at amortized cost and contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Group has elected to measure loss allowances for power, other receivables and contract assets at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the financial asset is also more than 90 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset. ECLs reflect reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

Credit-impaired Financial Assets. At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Presentation of impairment loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairment losses related to power, other receivables and contract assets are presented separately in the statements of profit or loss and OCI.

Nonfinancial Assets

The carrying amounts of nonfinancial assets such as intangible assets, property and equipment and other noncurrent assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the cost of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit).

Reversal of provision for impairment losses previously recognized is recorded when the decrease can be objectively related to an event occurring after the write-down. Such reversal is recorded as income. However, the increased carrying amount is only recognized to the extent that it does not exceed what carrying value would have been had the impairment not been recognized.

All impairment losses are recognized in profit or loss.

Equity

Capital Stock. Capital stock represents the nominal value of shares that have been issued. Incremental cost directly attributable to the issue of stock, if any, are recognized as a deduction from equity, net of any tax effects.

Additional Paid-in Capital. Additional paid-in capital represents the excess of consideration received over the par value of capital stock.

Remeasurements of Defined Benefits Liability. Remeasurements of defined benefits liability comprise actuarial gains and losses which are recognized immediately in other comprehensive income.

Equity Adjustments from Common Control Transactions. Equity adjustments from common control transactions represents the difference between the purchase price and the net assets of the acquired entity.

Retained Earnings. Retained earnings represent the cumulative balance of net income or loss, dividend distributions, effect of changes in accounting policy and other capital adjustments.

Revenue and Expense Recognition

Revenue from Transmission Services Operating Income

Transmission services operating income pertains to service charges for the use of the transmission facilities under the Concession Agreement where power delivery, system operation and metering services are provided by the Group.

The Group's performance obligations in transmission services include the supply of power delivery service, system operation and metering service. These three services are considered as a bundle and are accounted for as one performance obligation.

Revenue from transmission services is recognized when control has been transferred to the customer and the Group has an enforceable right to payment. This is recognized over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. Revenue from transmission services is recognized upon supply of power to the customer's connection points.

Revenue is measured as the transaction price referred from the approved Maximum Allowed Revenue (MAR) by ERC. During the reset process, the ERC makes a determination of the annual revenue requirements of the transmission business as well as the price control arrangements that will apply during the regulatory period.

Revenue from Connection and Residual Sub-transmission Charges

Connection charges are charges to recover the reasonable costs associated with connecting the transmission customers' facilities to the transmission providers' facilities. These are payable by generation customers on new connection assets and payable by load customers on existing and new connection assets. Residual sub-transmission charges are charges to recover the reasonable costs associated with sub-transmission assets that are not otherwise recovered through the connection charge. These charges are payable by load customers or generation customers.

The connection charges and residual sub-transmission charges are considered each as different performance obligations of the Group which are both satisfied over time, the same with transmission services.

Revenue from connection and residual sub-transmission charges are recognized when control has been transferred to the customer and the Group has an enforceable right to payment. Revenue from connection and residual sub-transmission charges are recognized upon supply of power to the customer's connection points.

The revenue is measured as the transaction price referred from the approved rates by ERC in its decision dated July 6, 2011 under ERC case no. 2008-066RC and 2009-153 RC.

The Billing period starts from the 26th day of the current month to the 25th day of the following month. Within five (5) days after the Billing Period, the Group shall issue billing invoice/billing statement or "Power Bill" to each customer, detailing all charges and credits for that previous Billing Period.

Basic charges are direct revenues of the Group. The components of the "Billing Statement" to the customer are as follows:

1. Power delivery service charge
2. Connection charge
3. Residual sub-transmission charge
4. Metering service charge
5. System operator charge
6. Adjustments such as Interruption Billing Adjustment, Curtailment Billing Adjustment and Temporary Transmission Service Discount, if applicable.

The Group has assessed its revenue arrangement against specific criteria in order to determine if it is acting as principal or agent and concluded that it is not a principal with respect to the Ancillary Service Charges (ASC), Universal Charges (UC) and Feed-in-tariff (FIT-ALL) Charges.

The Group was authorized to engage in ancillary service business through Section 1 of RA 9511 and through Ancillary Service Procurement Plan (ASPP). These are services that are essential to the management of power system security, that facilitate orderly trading in electricity and ensure that electricity supplies are of an acceptable quality. With reference to Section 43 of R.A No. 9136, NGCP is allowed to charge user fees for ancillary services to all electric power industry participants or self-generating entities connected to the grid. Further, as per Ancillary Services - Cost Recovery Mechanism (AS-CRM), charges should be completely passed-on from the user or beneficiary of the service to the service provider.

FIT-ALL and UC are charges that is to be imposed on all On-Grid electricity consumers who are supplied with electricity through the transmission network. The FIT-All is essential to the implementation of the FIT System as established under Section 7 of R.A No. 9513, otherwise known as the Renewable Energy Act of 2008 (RE Law). UC is imposed on electricity consumers for purposes such as missionary electrification, payment of stranded debts and also for environmental charges mandated under Section 34 of the RA 9136. Issued guidelines of both FIT-ALL and UC specifically states that the collection shall not form part of the revenues of NGCP as the collecting agent. Any resulting loss due to failure to collect shall not be borne by the collecting agent.

Any billing/revenue adjustments which are caused by the following:

- change in government policies, rules and regulations;
- incorrect computation, incorrect metering of data, and the like shall be made through issuance of a debit/credit memo in accordance with the Open Access Transmission Services Rules. A debit/ credit memo shall be booked in the period in which the related adjustment is noted.

Since the Group bills transmission customers from the 26th of the previous month to 25th of the current month, at each reporting date, the Group shall record revenue for the remaining days of the reporting month. The Group shall accrue revenue in proportion to what should be recorded as revenue for this period and in accordance with the estimation procedure determined by management, from time to time.

The Group may engage in related business such as Rental of facilities and equipment and Co-location, antenna attachments, use of building lots and space, use of access roads, attachment of telephone cables, and tapping to AC/DC power sources.

Interest income is recognized when earned.

Revenue from Construction and Upgrade Services (Construction Revenues and Costs)

Under Philippine Interpretation IFRIC 12, revenue related to construction or upgrade services under a service concession agreement is recognized over time, consistent with the Group's accounting policy on recognizing revenue on construction contracts. Operation or service revenue is recognized in the period in which the services are provided by the Group. If the service concession arrangement contains more than one performance obligation, then the consideration received is allocated with reference to the relative stand-alone selling prices of the services rendered. No margin has been recognized since the estimated selling price approximates the construction costs. The estimated selling price is classified as a contract asset under Intangible assets during the construction or upgrade period in accordance with PFRS 15.

Cost and Expense Recognition

Expenses are recognized when incurred.

Construction costs comprise of all expenses related to the construction contracts.

Concession Fee Payable

Concession fee payable is recognized at the commencement date as the present value of the concession fee converted to Philippine peso at a fixed exchange rate equal to P42.75 for every US dollar under IFRIC 12. Upon recognition of intangible assets, transferable asset and initial working capital, the Group also recognized the corresponding concession fee payable. Payments to concession fee payable are classified into 25% commencement fee and 75% semi-annual deferred payment subject to interest pursuant to Schedule 5 of concession agreement.

Concession fee payable that are expected to be settled for no more than twelve (12) months after the reporting period are classified as current portion of concession fee payable. Otherwise, these are classified as noncurrent liabilities. Maturities of concession fee payable are shown in Note 24.

Employee Benefits

Short-term Employee Benefits. Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits Cost. The Group's net defined benefit obligation in respect of its retirement plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the reporting date of long-term government bonds that have maturity dates approximating the terms of the Group's plan. The calculation is performed by a qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit obligation, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Related Party Transactions

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

Basic and Diluted Earnings Per Share (EPS)

Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Parent Company, net of dividends on preferred shares, by the weighted average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

Diluted EPS is computed in the same manner, adjusted for the effect of all potential dilutive debt or equity instruments.

Provisions

Provisions are recognized only when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made on the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date

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

4. Concession Agreement

Electric Power Industry Reform Act of 2001 (EPIRA)

On June 8, 2001, Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001" (EPIRA) was passed into law. EPIRA provided for an orderly and transparent privatization of the assets and liabilities of the National Power Corporation (NPC) and created TRANSCO to assume the electrical transmission function of NPC. TRANSCO is wholly-owned by PSALM, a government-owned and controlled corporation. EPIRA also provides for the privatization of TRANSCO by directing PSALM to award in an open competitive bidding, the transmission facilities, including grid interconnections and ancillary services to a qualified party either through an outright sale or a concession agreement.

Concession Agreement

By virtue of its authority under EPIRA, and its Implementing Rules and Regulations, PSALM had carried out an open competitive bidding process in accordance with the Bidding Procedures dated August 1, 2007, as amended, to award a Concession for the Transmission Assets of TRANSCO.

As the bid dated December 12, 2007 (Bid Date) submitted by the consortium of MOGRC, SGIDL and CHPC (the Investors) resulted to being the highest among all the bids submitted and evaluated according to the Bidding Procedures, PSALM agreed to award the Concession to the Group, through NGCP, (Concessionaire), being the special purpose entity established by the Investors.

On February 28, 2008, the Group, through NGCP, entered into a Concession Agreement with PSALM and TRANSCO granting the Group, as Concessionaire the right to take over and operate the whole of TRANSCO's regulated transmission business as a going concern and be the sole representative of TRANSCO before the ERC. The Concession Agreement is for a 25-year period starting on January 15, 2009 (Commencement Date) and ending on January 15, 2034 (Full Term Expiration Date), which can be extended provided the concession period shall not be extended beyond the 50th anniversary of the Commencement Date (the "Term") or for longer than the remaining term of the Group, through NGCP's franchise.

The Concession Agreement provides for the following, among others:

- a) From Commencement Date and subject to the terms of the Agreement, the Concessionaire shall take over and operate the whole of TRANSCO's regulated transmission business as a going concern and be the sole representative of the regulated entity to the ERC.
- b) The ERC shall regulate the Concessionaire in carrying on the Concession Agreement in accordance with applicable law, including EPIRA or any successor legislation.
- c) The Concessionaire, its employees, contractors and agents, shall have exclusive use of the Transmission Assets, Documented Property Rights and Intellectual Property Rights for the purpose of carrying out the Concession Agreement.
- d) The Concessionaire shall during the concession period assume all of the responsibilities as if it's an owner of the Transmission Assets, other than excluded assets, Documented Property Rights and Intellectual Property Rights including the obligation to license fees, taxes, renewal fees and other charges payable that fall due for payment during the concession period.
- e) So long as no Concessionaire default is continuing, TRANSCO shall make available to the Concessionaire the amounts of budgeted external funding under the Funding Agreements which have not been drawn as at Commencement Date as specified in the schedule of Projects Under Construction (PUC) towards the cost of completing PUC in accordance with the Construction Management Agreement (CMA) (see Note 8).
- f) The Concessionaire will carry out the Concession Agreement as an independent contractor for its own account.

- g) All contracts to be entered into by the Concessionaire relating to the operation of the Concession Agreement during its term and which: (a) are for a term of 12 months or more; and, (b) involving the payment of money or the receipt of money by the Concessionaire in excess of US\$1.0 million shall only be entered into by the Concessionaire if it includes an expressed provision of assignability, at TRANSCO's option, to TRANSCO or its nominee upon the expiration of the Concession Period or earlier termination of the Agreement.
- h) As security for prompt and complete performance of its obligations under the Agreement, the Concessionaire shall deliver to PSALM on Commencement Date a Performance Security in the form of Irrevocable Standby Letter of Credit. Each Performance Security, equal to 2% of the Concession Fee, shall be for a term of not less than twelve months. The Concessionaire shall deliver a replacement Performance Security by the Replacement Deadline (the date that is not less than five business days prior to the expiration date of the then effective Performance Security). Failure to deliver a replacement Performance Security by Replacement Deadline represents a Replacement Failure Draw Event.
- i) Subject to the provisions related to the Replacement Failure Draw Event, PSALM and TRANSCO shall be entitled to draw on and forfeit the entire amount of the Performance Security upon the occurrence of a Performance Security Drawing Event. Performance Security Drawing Event shall mean any one or combination of: (i) a Concessionaire Default, (ii) a Replacement Failure Draw Event, or (iii) any violation by the Concessionaire of any of the terms and conditions of the Agreement (including non-payment of Concession fee or any portion thereof) or any of the other Transaction Documents.
- j) From the Commencement Date, the Concessionaire shall be entitled to exercise all of TRANSCO's rights and shall discharge all of TRANSCO's liabilities (except for excluded liabilities) under all existing contracts relating to the operation of its regulated transmission business, including contracts for related businesses and any rights under any security deposits, letters of credit and other forms of credit support provided by TRANSCO's counterparties to such contracts (the Transferred Contracts).
- k) On the Commencement Date, TRANSCO shall transfer title to the Transferable Assets to the Concessionaire by executing a Deed of Transfer. TRANSCO and the Concessionaire shall execute additional deeds of transfer in respect of any subsequently discovered TRANSCO-owned tangible moving property, the title of which has not been transferred to the Concessionaire, under the Deed of Transfer.
- l) From Commencement Date, the Concessionaire shall manage the construction and completion of all PUC that have not been commissioned and placed in service on behalf of TRANSCO in accordance with the CMA (see Note 8).
- m) On the Commencement Date, and except for Excluded Receivables, the Concessionaire shall acquire all of TRANSCO's cash, receivables and the benefit of prepayments made by TRANSCO and shall assume the liability to pay and discharge all of TRANSCO's current liabilities except for Excluded Liabilities. TRANSCO's estimated working capital position and the Concession Fee shall be adjusted to account for any difference between TRANSCO's actual working capital position on the Commencement Date and such estimate.

- n) TRANSCO shall retain title to: (i) all of the Transmission Assets, Intellectual Property Rights, (ii) all assets comprising PUC or New Projects, and (iii) all easements, rights of way or other real estate interests, including Documented Property Rights acquired by the Concessionaire.
- o) From the Commencement Date, the Concessionaire agrees to design, develop, finance, construct and complete all New Projects that are necessary for the fulfillment of the Concessionaire's responsibilities as the Grid Owner and System Operator at its own cost and expense after taking account of the Transmission Development Plan (see Note 8).
- p) TRANSCO shall be liable to obligations in relation to loans existing prior to the Commencement Date contracted by NPC relating to the Transmission Assets, except those assumed by the Concessionaire under the Loan Covenants Agreement.
- q) TRANSCO shall temporarily assign to the Concessionaire its workforce to ensure a smooth transition in the operation of the Transmission Grid by the Concessionaire under the "Interim Assignment Agreement."
- r) In consideration for the grant of the Concession Agreement, the Concessionaire shall pay PSALM US\$3.95 billion. The Concessionaire shall pay 25% (or at the Concessionaire's option, a higher percentage) of the Concession Fee to PSALM in US dollar on the Commencement Date (Commencement Fee). The balance of the Concession Fee shall be converted to Philippine peso at a fixed exchange rate equal to P42.75 for every US dollar and paid to PSALM with interest in accordance with the Schedule of Deferred Payments. The Concession Fee is subject to adjustments in accordance with Schedule 6 to the Agreement, Adjustments to Concession Fee (see Notes 5, 8 and 14).
- s) The concession period shall terminate on the termination date and the Concessionaire's business shall thereupon be taken over by PSALM or its nominee as a going concern in accordance with the Agreement.
- t) In consideration for the Concessionaire's construction, installation, financing, management, improvement, operation, etc. of the Transmission Assets in the Philippines, TRANSCO shall pay the Concessionaire the Recovery Payment as determined by independent appraisers.

The Recovery Payment shall be paid, together with interest at the applicable rate from the termination date until transfer closing date. The applicable rate shall be:

- (a) In case of a termination by reason of a government default, a rate reflecting a fair and reasonable weighted average cost of capital as at the termination date,
- (b) In case of a termination by reason of a concessionaire default, a rate reflecting a fair and reasonable risk-free rate as at the termination date,
- (c) In the event of termination of the Agreement by reason of a no fault event, a rate reflecting a fair and reasonable cost of debt as at the termination date determined, and
- (d) In the event of expiration of the Concession Period, a rate reflecting a fair and reasonable cost of debt as at the expiration date determined.

PSALM shall remit the Recovery Payment, together with interest from the termination date until the transfer closing date at the applicable rate, by wire transfer to an account designated by the Concessionaire unless within that period PSALM notifies the Concessionaire in writing that it has elected to pay the Recovery Payment over seven (7) years.

The Recovery Payment will only be determinable at termination date by a mutually appointed independent appraiser.

Standby Letter of Credit

In compliance with the terms and conditions of the Concession Agreement, the NGCP obtained an Irrevocable Standby Letter of Credit (SBLC) with The Mizuho Bank, Ltd. amounting to US\$79.00 million in favor of PSALM which is effective September 26, 2024 until September 26, 2025.

Transferred Contracts

Included in the transferred contracts from TRANSCO are existing contracts before the bidding date and subsequent contracts entered into by TRANSCO after the bidding date such as, loan agreements amounting to P5.00 million and above, insurance contracts, software licenses of information technology and intellectual properties, radio station licenses, projects under construction, sub-transmission assets sale, procurement contracts, transmission service agreements, undelivered purchase orders, requirements for award, spatial data infrastructure projects and other agreements with transmission customers.

5. Concession Fee

As discussed in Note 4 to the consolidated financial statements, the Group shall pay PSALM US\$3.95 billion (P172.99 billion) as Concession Fee. Such fee is recognized as part of "Intangible asset" account in the consolidated statements of financial position as June 30, 2025 and December 31, 2024 (see Note 8).

The Group paid PSALM the Commencement Fee amounting to US\$987.50 million (P46.34 billion), representing 25% of the Concession Fee, in January 2009 through funds received by NGCP from its Investors.

The balance of the Concession Fee of US\$2.962 billion was converted to peso liability at a fixed exchange rate of P42.75 for every US dollar at initial recognition, payable in forty (40) semi-annual installments (Deferred Payments). Interest is payable on the aggregate outstanding amount of the Deferred Payments in arrears on each semi-annual payment date (see Note 15).

Subsequently, the Concession Fee shall be adjusted as follows:

- a. The Concession Fee shall be adjusted for the difference between the audited Initial Working Capital (IWC) and the estimated IWC as at Commencement Date. The Concession Fee shall be: (i) increased if the audited IWC at Commencement Date is greater than the amount of estimated IWC; or (ii) decreased if the audited IWC at Commencement Date is less than the amount of estimated IWC (see Note 4).
- b. The Concession Fee shall be reduced by an amount equal to: (i) any reduction in the regulatory asset value resulting from the disposal of sub-transmission assets; and (ii) any difference between the aggregate regulatory asset value of transmission connection projects and sub-transmission projects included in the PUC approved by the ERC on their completion and the aggregate value of such projects if the aggregate ERC-approved value is lower than their aggregate estimated value.

- c. A recalculation of the amount of funding from sources other than the Funding Agreements and source of TRANSCO's actual expenditure on PUC before the Commencement Date and the estimated cost of capital expenditure to complete each PUC after the Commencement Date. If the remaining capital expenditure required to complete all PUC to be funded from sources other than Funding Agreements is higher than the expenditure to be funded from such sources after the Commencement Date, the Concession Fee shall be reduced by the difference between those two amounts. On the other hand, if the remaining capital expenditure required to complete all PUC to be funded from sources other than Funding Agreements is lower than the expenditure to be funded from such sources after the Commencement Date, the Concession Fee shall be increased by the difference between those two amounts (see Note 4).

Whenever it becomes necessary for the Concession Fee to be adjusted, the Concessionaire shall furnish PSALM with its preliminary calculations of the necessary adjustments within thirty days, together with a detailed explanation of its calculation.

Adjustments to Concession Fee

As at December 31, 2010, the audits of the PUC and IWC have been fully completed and agreed to by the parties. The estimated reduction in the regulatory asset value resulting from the disposals of the sub-transmission assets had also been determined and deemed insignificant as at December 31, 2010 while the difference between the aggregate regulatory asset value of transmission connection projects and sub-transmission projects included in the PUC approved by the ERC on their completion and the aggregate value of such projects set out in Schedule 2 to the Concession Agreement will be determined upon completion of the projects. Accordingly, the Group recognized the resulting net determinable adjustment to the Concession Fee amounting to P8.85 billion as at December 31, 2010. Subsequently, the Group determined and adjusted the computed escrow fund utilization amounting to P3.01 billion as at December 31, 2011 (see Note 8) as confirmed by TRANSCO in a letter dated August 15, 2011. On June 14, 2013, NGCP and PSALM had agreed the dollar portion of the PUC amount of P240.05 million resulting to additional adjustments to Concession Fee.

In accordance with Section 4.02 of the Concession Agreement, the Concession Fee shall be subject to adjustment based on Schedule 6 (Adjustments to Concession Fee) in light of the audit to be conducted pursuant to Subsection 4.02 (f) (Projects Under Construction). PSALM, TRANSCO and NGCP appointed Sinclair, Knight, Merz (SKM) as the independent appraiser to conduct the audit of PUC for purposes of determining the adjustment to concession fee. SKM made its independent determination of the estimated cost to complete each PUC and the final report was submitted on July 15, 2009, and was duly accepted and approved by PSALM, TRANSCO and NGCP. NGCP maintains that the proposed adjustment to concession fee be based on the SKM audit. However, there was differing interpretation proposed by PSALM which is currently being resolved.

On July 15, 2013, the Concession Fee was adjusted for P1.57 billion representing overpayment from January 15, 2009 to January 15, 2013, which was netted-out from its scheduled Concession Fee payment to PSALM. Further, PSALM refunded NGCP the amounts of US\$29.26 million representing overpayment on the 25% upfront concession fee payment.

The Concession Fee Adjustment further includes P1.77 billion adjustment to the 75% semi-annual deferred payment amortization for the 10-year period January 15, 2014 to January 15, 2024. As of June 30, 2025, the total Concession Fee Payable amounts to P45.35 billion broken down into Non-Current and Current portions amounting to P35.52 billion and P9.83 billion, respectively. The Current portion amounting to P9.83 billion is due for payment on July 15, 2025 and January 15, 2026.

On December 31, 2016, the Concession Fee was adjusted for P557.34 million representing interest receivable and accounts receivable - others which were turned-over by TRANSCO and subsequently determined to be uncollectible.

The Group has reserved its right to further adjustment of the Concession Fee and full refund of any and all overpayments of Concession Fees following the finalization of Adjustments to Concession Fee.

The Adjustments to the Concession Fee are computed based on the formula as set out in Schedule 6 of the Concession Agreement ("Schedule 6, Adjustments to Concession Fee"). The Commencement Fee is increased or decreased by the difference between the Concession Fees prior to the adjustments and the Concession Fee after the adjustments in accordance with Schedule 6, and such difference is multiplied by the ratio of the Commencement Fee to the Concession Fee expressed as a percentage ("M"). In addition, Deferred Payment is increased or decreased by the difference between the Concession Fees prior to the adjustments and the Concession Fee after the adjustments in accordance with Schedule 6, and such difference is multiplied by the percentage difference of 100% - M.

Concession Fee Payable

This account consists of the balance of the Concession Fee amounting to US\$2.962 billion converted to peso liability at a fixed exchange rate of P42.75 for every US dollar at initial recognition and is payable in 40 semi-annual installments (Deferred Payments).

Interest rate applicable to the Deferred Payments has been fixed until the last semi-annual payment date of the Second Regulatory Period (January 2006 to December 2010) to equal to the Philippine Dealing System (PDS) Treasury Fixing or PDST-F or PDST-F 10 year benchmark rate as published by the Philippine Dealing and Exchange (PDEX) Corporation on the Market page of the PDEX System (the 10 Year PDST-F Rate) at approximately 11:16 am on a date designated by PSALM falling approximately one month before the Bid Date plus 230 basis points (2.3%). After the end of the Second Regulatory Period, the interest rate shall be adjusted for the next Regulatory Period and every Regulatory Period, thereafter, and such adjusted interest rate shall be applicable for each Deferred Payment falling due during the relevant Regulatory Period. The adjusted interest rate shall be equal to the 10 Year PDST-F Rate at approximately 11:16 am two business days before the semi-annual payment date on which an adjustment is to take effect plus 230 basis points (2.3%).

For the Fourth Regulatory Period, PSALM Board of Directors approved, on June 16, 2015, through PSALM Board Resolution No. 2015-0616-08 to substitute the interest benchmark rate under the Concession Agreement (CA) from 10-Year PDST-F to 10-Year PDST-R1. This adjusted interest rate was applied for each Deferred Payment falling due during the relevant Regulatory Period. Thus, for the Fourth Regulatory Period starting January 1, 2016 to December 31, 2020, interest rate applied was 6.5391%.

With the retirement of the PDST reference rates effective October 29, 2018, PSALM in its letter dated August 14, 2019, hereby confirms that the 10-year PHP BVAL interest benchmark rate for Philippine Government issued debt securities shall be the interest rate for the next Regulatory Period of the Deferred Payments under the Concession Agreement (CA). The 10-year PHP BVAL as at January 13, 2021, was 3.013% plus 2.30% margin, the applicable interest rate for the Fifth Regulatory Period covering January 1, 2021 to December 31, 2025 shall be 5.313%.

Interest expense on deferred payments in June 30, 2025 and 2024 recognized in profit or loss amounted to P1.21 billion and P1.44 billion, respectively (see Note 14).

6. Business Combination under Common Control

As discussed in Note 1, on May 28, 2021, SGDPI entered into a share swap transaction in exchange for the shares of stocks of OTHI and P21. The business combination involving OTHI and P21 including NGCP (collectively referred to as the “acquired subsidiaries”) and SGDPI is considered to be a business combination of entities under common control as two major shareholders, through contractual agreement and with majority representation in the Board of Directors, jointly controls SGDPI and the acquired subsidiaries before and after the acquisition.

The Share Swap Transaction which is considered to be a business combination of entities under common control was accounted for retrospectively using the pooling of interests method with the consolidated financial statements being restated as if the entities had always been combined for the periods that the entities were under common control.

The Group recognized the assets acquired and liabilities assumed at their carrying amounts. The difference between the consideration paid or transferred and the net assets acquired is recognized under “Equity adjustment from common control transactions” account in the consolidated statements of changes in equity.

7. Non-controlling Interests

The details of the Group's material non-controlling interests as a result of the consolidation of OTHI, P21 and NGCP are as follows:

	June 30, 2025			December 31, 2024		
	Consolidated OTHI	Consolidated P21	NGCP	Consolidated OTHI	Consolidated P21	NGCP
Percentage of non-controlling interests	33%	33%	40%	33%	33%	40%
Carrying amount of non-controlling interests	(13,683,182,783)	(17,373,112,871)	103,047,148,929	(P13,682,809,782)	(P17,372,737,198)	P92,769,806,871
Net income attributable to non-controlling interests	(373,001)	(375,673)	11,600,247,240	(P588,424)	(P615,775)	P9,467,033,742
Other comprehensive income attributable to non-controlling interests	P -	P -	P -	P -	P -	P58,357,383
Dividends paid to non-controlling interests	P -	P -	P1,452,160,000	P349,509,600	P346,209,600	P1,452,160,000

The following are the financial information of OTHI, P21 and NGCP:

	June 30, 2025			December 31, 2024		
	Consolidated OTHI	Consolidated P21	NGCP	Consolidated OTHI	Consolidated P21	NGCP
Current assets	P1,122,608,452	P1,120,109,568	P55,402,856,530	P36,082,659	P33,657,053	P48,469,579,546
Noncurrent assets	57,491,398,532	47,241,331,109	475,550,789,454	52,698,983,473	42,448,851,072	453,046,557,268
Current liabilities	11,159	843,286,271	108,808,856,847	1,540,039	844,815,352	100,110,430,340
Noncurrent liabilities	8,699	12,163	245,782,992,008	8,699	12,163	242,645,202,268
Net assets	P58,613,987,126	P47,518,142,243	P176,361,797,129	P52,733,517,394	P41,637,680,610	P158,760,504,206
Revenues/Income	P5,816,837,963	P5,816,792,224	P39,607,400,720	P4,748,045,526	P4,747,681,043	P53,014,087,918
Net income	P5,815,656,653	P5,815,648,554	P21,363,254,585	P4,721,332,822	P4,721,249,941	P17,434,684,607
Other comprehensive income (loss)	64,813,079	64,813,079	238,038,338	(29,262,520)	(29,262,520)	(107,472,161)
Total comprehensive income	P5,880,469,732	P5,880,461,333	P21,601,292,923	P4,692,070,302	P4,691,987,421	P17,327,212,446
Cash flows provided by (used in) operating activities	(P2,700,209)	(P2,763,344)	P21,089,678,647	(P31,717,941)	(P31,909,744)	P36,777,655,365
Cash flows provided by (used in) investing activities	1,089,120,000	1,089,120,000	(22,714,957,065)	1,089,120,000	1,089,120,000	(55,981,633,974)
Cash flows provided by (used in) financing activities	-	-	3,377,251,229	(1,059,120,000)	(1,049,120,000)	18,322,355,475
Effect of exchange rate changes on cash and cash equivalents	(20,421)	(28,537)	(5,296,653)	34,797	48,652	1,424,335
Net increase (decrease) in cash and cash equivalents	P1,086,399,370	P1,086,328,119	P1,746,676,158	(P1,683,144)	P8,138,908	(P880,198,799)

8. Intangible Asset - net

This account consists of:

		June 30, 2025	December 31, 2024
	Note		
Cost:			
Concession fee	2, 5	P160,296,289,265	P160,296,289,265
Cost of completed projects	2	219,711,991,051	191,634,567,825
Computer software	2	487,983,237	487,983,237
		380,496,263,553	352,418,840,327
Less accumulated amortization		135,019,182,112	128,475,642,442
		245,477,081,441	223,943,197,885
Contract assets		197,529,753,616	201,601,930,147
		P443,006,835,057	P425,545,128,032

Concession Fee

This represents the right to operate the entire regulated transmission business of TRANSCO during the concession period. The Concession Fee is subsequently adjusted by the Adjustments to Concession Fee disclosed in Note 5 pursuant to Schedule 6 of the Concession Agreement.

Amortization expense recognized in profit or loss amounted to P3.19 billion for the period ended June 30, 2025 and 2024, respectively.

Costs of Completed Projects

This pertains to the intangible asset resulting from completed transmission projects from Commencement Date to report date which will be transferred to TRANSCO at the end of the concession period in accordance with the Concession Agreement.

Amortization expense recognized in profit or loss amounted to P3.35 billion and P2.30 billion in June 30, 2025 and 2024, respectively.

Contract Assets

This pertains to the intangible asset related to costs of assets under construction resulting from the construction of transmission assets as part of the Concession Agreement and will be transferred to TRANSCO at the end of the concession period.

Computer Software and License

This pertains to the costs incurred for the Enterprise Resource Planning (ERP) Project, Enterprise Document Management System (EDMS), Integrated Human Resource Application (IHRA), Integrated Meter Data Validation System (IMDVS), Medical Information System (MEDYSIS) and Visitor's Management System (VMS) amounting to P487.98 million as at June 30, 2025 and December 31, 2024.

Amortization expense recognized in profit or loss amounted to P5.64 million and P10.37 million in June 30, 2025 and 2024, respectively.

The movements and balances of the accounts are as follows:

	Per Concession Right				Computer Software	Total
	Concession Fee	Completed Projects/Others	Contract Assets	Total		
Cost						
January 1, 2024	P160,296,289,265	P141,257,236,694	P192,658,330,354	P494,211,856,313	P487,983,237	P494,699,839,550
Additions/adjustments	-	50,377,331,131	8,943,599,793	59,320,930,924	-	59,320,930,924
December 31, 2024	160,296,289,265	191,634,567,825	201,601,930,147	553,532,787,237	487,983,237	554,020,770,474
Additions/adjustments		28,077,423,226	(4,072,176,531)	24,005,246,695	-	24,005,246,695
June 30, 2025	160,296,289,265	219,711,991,051	197,529,753,616	577,538,033,932	487,983,237	578,026,017,169
Accumulated Amortization						
January 1, 2024	96,539,546,316	19,688,531,665	-	116,228,077,981	460,696,480	116,688,774,461
Additions/adjustments	6,375,674,295	5,390,615,350	-	11,766,289,645	20,578,336	11,786,867,981
December 31, 2024	102,915,220,611	25,079,147,015	-	127,994,367,626	481,274,816	128,475,642,442
Additions/adjustments	3,187,837,148	3,350,057,122	-	6,537,894,270	5,645,400	6,543,539,670
June 30, 2025	106,103,057,759	28,429,204,137	-	134,532,261,896	486,920,216	135,019,182,112
Net Carrying Amount						
December 31, 2024	P57,381,068,654	P166,555,420,810	P201,601,930,147	P425,538,419,611	P6,708,421	P425,545,128,032
June 30, 2025	P54,193,231,506	P191,282,786,914	P197,529,753,616	P443,005,772,036	P1,063,021	P443,006,835,057

9. Goodwill

Goodwill amounting to P10.47 billion as at June 30, 2025 and December 31, 2024 arise from the acquisition of OTHI of 100% equity interest in MOGRC and acquisition of MOGRC and CHPC of 30% interest each in NGCP.

The recoverable amount of goodwill has been determined based on valuation using cash flow projections (value in use) covering a five-year period based on long range plans approved by management. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and were based on historical data from both external and internal sources. Cash flows beyond the five-year period are extrapolated using a constant growth rate determined to arrive at its terminal value. The average growth rate used is 17.7% in 2025 and 2024, are based on Group's expectations of market developments and past historical performance. The discount rate applied to after tax cash flow projections is 11.98% in 2025 and 2024. The discount rate also imputes the risk of the cash-generating units compared to the respective risk of the overall market and equity risk premium. The recoverable amount of goodwill has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique (see Note 3).

No impairment loss was recognized for goodwill for the period ended June 30, 2025 and 2024.

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause their carrying amounts to exceed their recoverable amounts.

The calculations of value in use are most sensitive to discount rate. The risk-adjusted weighted average cost of capital is used as the discount rate, which reflects management's estimate of the risk specific to each unit. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.

10. Property and Equipment - net

The movements of this account are as follows:

	Structures and Improvements	Transportation Equipment	Machinery and Equipment	Office Furniture and Fixtures	Total
Cost					
January 1, 2024	P557,225,152	P3,867,070,592	P5,702,259,407	P4,567,164,166	P14,693,719,317
Additions during the year	337,172	742,764,474	204,526,917	154,859,580	1,102,488,143
December 31, 2024	557,562,324	4,609,835,066	5,906,786,324	4,722,023,746	15,796,207,460
Additions during the period	233,488,854	88,430,414	99,754,029	21,901,966	443,575,263
June 30, 2025	791,051,178	4,698,265,480	6,006,540,353	4,743,925,712	16,239,782,723
Accumulated Depreciation					
January 1, 2024	P302,218,673	P2,528,070,506	P3,611,087,880	P3,259,470,424	P9,700,847,483
Depreciation during the year	123,092,272	272,991,343	250,174,627	179,570,536	825,828,778
December 31, 2024	425,310,945	2,801,061,849	3,861,262,507	3,439,040,960	10,526,676,261
Depreciation during the year	68,911,202	169,207,011	127,437,205	71,713,240	437,268,658
June 30, 2025	494,222,147	2,970,268,860	3,988,699,712	3,510,754,200	10,963,944,919
Net Carrying Amount					
December 31, 2024	P132,251,379	P1,808,773,217	P2,045,523,817	P1,282,982,786	P5,269,531,199
June 30, 2025	P296,829,031	P1,727,996,620	P2,017,840,641	P1,233,171,512	P5,275,837,804

	Structures and Improvements	Transportation Equipment	Machinery and Equipment	Office Furniture and Fixtures	Total
Cost					
January 1, 2023	P532,975,792	P3,539,289,849	P5,569,013,339	P4,333,871,592	P13,975,150,572
Additions during the year	24,249,360	327,780,743	133,246,068	233,292,574	718,568,745
December 31, 2023	557,225,152	3,867,070,592	5,702,259,407	4,567,164,166	14,693,719,317
Additions during the year	337,172	742,764,474	204,526,917	154,859,580	1,102,488,143
December 31, 2024	557,562,324	4,609,835,066	5,906,786,324	4,722,023,746	15,796,207,460
Accumulated Depreciation					
January 1, 2023	189,912,121	2,293,013,397	3,384,767,234	3,042,627,656	8,910,320,408
Depreciation during the year	112,306,552	235,057,109	226,320,646	216,842,768	790,527,075
December 31, 2023	302,218,673	2,528,070,506	3,611,087,880	3,259,470,424	9,700,847,483
Depreciation during the year	123,092,272	272,991,343	250,174,627	179,570,536	825,828,778
December 31, 2024	425,310,945	2,801,061,849	3,861,262,507	3,439,040,960	10,526,676,261
Net Carrying Amount					
December 31, 2023	P255,006,479	P1,339,000,086	P2,091,171,527	P1,307,693,742	P4,992,871,834
December 31, 2024	P132,251,379	P1,808,773,217	P2,045,523,817	P1,282,982,786	P5,269,531,199

Depreciation expense recognized in statements of comprehensive income amounted to P437.27 million and P395.58 million in June 30 2025 and 2024, respectively.

11. Cash and Cash Equivalents

This account consists of:

	Note	June 30, 2025	December 31, 2024
Cash on hand		P27,445,961	P28,115,283
Cash in banks		7,281,836,241	4,702,607,668
Short-term placements		5,900,251,813	4,231,805,635
	24	P13,209,534,015	P8,962,528,586

Cash in banks generally earn interest at rates based on daily bank deposit rates. Short-term placements have average tenors of three (3) months or less and earn interests ranging from 1.00% - 6.05% and 1.00% - 6.15% in June 30, 2025 and 2024, respectively. Interest income earned amounted to P66.17 million and P90.95 million in June 30, 2025 and 2024, respectively.

12. Receivables

This account consists of:

A. Current Receivables

	Note	June 30, 2025	December 31, 2024
Power receivables	24	P4,455,116,246	P4,468,438,966
Due from customers	24	8,477,025,844	7,124,141,542
Accrued power receivables	24	8,318,716,035	735,612,165
Output VAT receivable		1,437,498,494	1,489,299,276
Due from officers and employees and other receivables	24	332,114,917	229,503,291
Restructured power receivables	24	4,833,981	11,666,554
Interest receivable	24	2,885,840	3,507,901
		P23,028,191,357	P14,062,169,695

B. Noncurrent Receivables

	Note	June 30, 2025	December 31, 2024
Restructured power receivables		P1,514,301,339	P1,496,372,425
Accrued power receivables		24,029,850,053	18,507,913,333
Power receivables		132,379,059	126,594,475
Due from customers		445,010,642	439,437,957
Other noncurrent account receivable		1,189,155,736	1,412,909,900
	24	P27,310,696,829	21,983,228,090
Less allowance for impairment losses		(2,168,473,659)	(2,136,138,659)
		P25,142,223,170	P19,847,089,431

Details of movements of allowance for impairment losses are as follows:

	June 30, 2025	December 31, 2024
Balance at beginning of period	P2,136,138,659	P2,071,468,659
Provision for impairment losses on receivables during the period	32,335,000	64,670,000
Balance at end of period	P2,168,473,659	P2,136,138,659

These receivables consist of amounts due from power customers relating to transmission and sub-transmission services, ancillary services and the claim from Department of Public Works and Highways (DPWH) for the damaged Amlan-Samboan submarine cable.

Non-current receivables pertain mainly to the claim from Department of Public Works and Highways (DPWH) for the damaged Amlan-Samboan submarine cable to be collected beyond one (1) year and the Under Recovery from ERC approved 4th RP Final Determination to be implemented over a period of eighty-four (84) months or until such time that the approved amount have been fully recovered.

As of June 30, 2025, the unbilled current and non-current power receivables amounting to P8.32 billion and P24.03 billion, respectively includes the Under Recovery from ERC approved 4th RP Final Determination and the unbilled receivables for January to June 2025. As of December 31, 2024, total unbilled non-current power receivables amounted to P17.62 billion, of which P7.38 billion pertains to incremental iMAR of 2020, P7.68 billion for iMAR of 2021, P2.56 billion for the four (4) months of 2022 and P883.06 million pertains to Performance Incentive Scheme (PIS). These receivables pertain mainly iMAR2020 approved by ERC in an order dated March 23, 2022, amounting to P51.47 million effective January 1, 2020

Due from customers pertains to receivables for ancillary service charges (ASC), FIT-ALL and universal charges billed to the customers on behalf of the ancillary service providers, TRANSCO and PSALM. These charges will ultimately be remitted to ancillary providers, TRANSCO and PSALM. The noncurrent portion pertains to customers with dispute resolution cases pending with ERC.

Accrued power receivables refers to the estimated amount of revenues earned but not yet billed to the customers at the end of the period. This contract asset is generally reversed upon billing and recognition of power receivables.

Output VAT Receivables is the value added tax due from sales of goods and services both to customers and to other businesses.

Restructured power receivables represent that portion of restructured power customers' accounts subject to repayment by pre-determined installments.

Accrued interest receivable from short-term placements amounted to P1.92 million and P3.17 million as at June 30, 2025 and December 31, 2024, respectively.

13. Prepaid Expenses and Other Assets

A. Prepaid Expenses and Other Current Assets

This account consists of:

	June 30, 2025	December 31, 2024
Advance payment to suppliers and contractors	P10,927,875,098	P12,345,647,326
Court and other deposits	3,868,681,239	6,864,330,608
Materials, supplies and spare parts - net	3,649,316,522	3,624,122,945
Input VAT	1,825,810,849	2,040,454,990
Other deposits	642,548,622	612,210,504
Prepaid expenses	1,049,054,031	233,932,847
Materials, supplies and spare parts in transit	19,595,180	38,348,638
Other supplies	21,644,082	24,278,387
Guaranty deposit	9,072,835	9,072,835
Calamity loan fund	37,266	37,266
	P22,013,635,724	P25,792,436,346

Advance payment to suppliers and contractors includes the balance advanced by the Group to suppliers and contractors in relation with its contracts for the construction of the project or for services rendered.

Court and other deposits include various amounts deposited with the provincial, municipal or city courts and other entities as guaranty for the fulfillment of obligation and for other purposes. These are mostly provisional deposits relative to right of way and/or lot acquisition cases (Note 25).

Materials, supplies and spare parts before write-down to net realizable value amounted to P4.00 billion and P3.97 billion as at June 30, 2025 and December 31, 2024, respectively, which resulted to an accumulated write-down amount of P346.27 million as at June 30, 2025 and December 31, 2024.

Materials, supplies and spare parts and other supplies charged in the consolidated statements of income amounted to P87.40 million and P64.63 million in June 30, 2025 and 2024, respectively.

Materials, supplies and spare parts are items that will be used in the operations and maintenance of utility plants, substation and transmission lines.

Input VAT is the value-added tax added to the price on purchases of goods and services to suppliers/contractors liable to VAT. It is deductible to the amount of Output VAT payable to the Bureau of Internal Revenue (BIR).

Other deposits consist of amounts advanced by the Group such as refundable and security deposits.

Prepaid expenses refer to advance payments made for rent, insurance, communication license and all expenditures related to preliminary surveys, studies, investigations and other related undertakings to determine the feasibility of a project for development by the Group.

Materials, supplies and spare parts in transit pertain to items that were already purchased by the Group but not yet received.

Guaranty deposits include the amount of letters of credit (LC) opened in favor of suppliers corresponding to the marginal guaranty deposits and other charges applicable to the LC. These also include other transactions requiring deposit to guarantee for the fulfillment of an obligation.

Calamity loan fund pertains to the cash advances provided to the employees for the damages suffered by them due to the typhoon calamities.

B. Other Noncurrent Assets

This account consists of:

	June 30, 2025	December 31, 2024
Deferred input VAT	P16,785,263	P20,644,276
Project prepayment – noncurrent	2,109,734,782	2,365,046,646
	P2,126,520,045	P2,385,690,922

Deferred Input VAT refers to the balance of input VAT of acquired capital goods with cost of P1.00 million and above and amortized for five (5) years.

Project prepayment represents cash advances to contractors in connection with the contract for the construction of project or for services rendered which will not be recouped within one year from the date of payment. These are expenses to be converted into cash once contractor did not fulfill obligation.

14. Loans Payable

Outstanding Balance and Maturities

Outstanding balance of loans payable is presented below:

	Note	June 30, 2025	December 31, 2024
Loan Facilities (Net of Debt Issuance Costs)			
Fixed-rate peso corporate notes		P10,450,000,000	P11,296,965,177
Peso denominated term loan		222,124,505,861	208,885,804,265
	24	232,574,505,861	220,182,769,442
Less current portion		26,068,859,866	23,285,478,167
		P206,505,645,995	P196,897,291,275

Movements in debt issuance costs are as follows:

	June 30, 2025	December 31, 2024
Balance at beginning of period	P1,414,720,558	P1,024,700,263
Debt issuance costs during the period	18,750,000	639,516,129
Amortization during the period	(152,156,419)	(249,495,834)
Balance at end of period	P1,281,314,139	P1,414,720,558

Repayment Schedule

As at June 30, 2025, the annual maturities of loans payable are as follows:

Year	Gross Amount	Debt Issuance Costs	Net
2025	26,363,340,000	294,480,134	26,068,859,866
2026	31,190,840,000	277,566,387	30,913,273,613
2027	31,628,640,000	234,183,782	31,394,456,218
2028	34,228,500,000	181,912,541	34,046,587,459
2029	36,047,000,000	125,498,573	35,921,501,427
More than 5 years	74,397,500,000	167,672,722	74,229,827,278
	233,855,820,000	1,281,314,139	232,574,505,861

As at December 31, 2024, the annual maturities of loans payable are as follows:

Year	Gross Amount	Debt Issuance Costs	Net
2025	P23,523,340,000	P237,861,833	P23,285,478,167
2025	27,573,340,000	240,713,008	27,332,626,992
2026	26,213,810,000	210,204,152	26,003,605,848
2027	28,903,000,000	172,818,907	28,730,181,093
2028	31,484,000,000	132,176,051	31,351,823,949
More than 5 years	83,900,000,000	420,946,607	83,479,053,393
	P221,597,490,000	P1,414,720,558	P220,182,769,442

Details, Description and Terms of the Loans

Following are the details, description and terms of the loans:

Financing of Capital Expenditures

- The Group, through NGCP drawn P5.00 billion on January 14, 2025 and P2.00 billion on March 18, 2025 from the P10.00 billion Peso Bilateral Unsecured Term Loan then, entered into a P2.50 billion Peso Bilateral Unsecured Term Loan drawn on January 14, 2025, then drawn P4.00 billion on April 8, 2025 and Php7.50 billion on June 16, 2025 from the Php25.00 billion Peso Bilateral Unsecured Term Loan.
- The Group, through NGCP, entered into a P15.00 billion Peso Bilateral Unsecured Term Loan Agreement - P4.00 Billion drawn on February 13, 2024, P8.00 billion drawn on March 15, 2024 and final tranche of P3.00 billion on April 5, 2024 then, a P5.00 billion Bilateral Unsecured Term Loan Agreement drawn on April 8, 2024, another P5.00 billion Bilateral Unsecured Term Loan

Agreement drawn on May 22, 2024, a P25.00 billion Bilateral Unsecured Term Loan Agreement - P12.00 billion drawn on July 10, 2024, P1.50 billion drawn on December 11, 2024, a P10.00 billion Bilateral Unsecured Term Loan Agreement - P3.00 billion drawn on September 23, 2024, P5.50 billion drawn on November 11, 2024 and final tranche of P1.50 billion on December 11, 2024 and a P10.00 billion Bilateral Unsecured Term Loan Agreement - P3.00 billion drawn on October 14, 2024, P5.00 billion on January 14, 2025 and a P2.50 billion Bilateral Unsecured Term Loan Agreement drawn on January 14, 2025.

- c. The Group, through NGCP, entered into a P4.60 billion Peso Bilateral Unsecured Term Loan drawn on January 9, 2023; P3.30 billion from P6.00 billion Peso Bilateral Unsecured Term Loan drawn on January 16, 2023; P5.00 billion drawn on March 7, 2023, P8.00 billion drawn on June 6, 2023, P7.00 billion drawn on July 14, 2023, P2.70 billion drawn on September 29, 2023 and P2.30 billion drawn on November 16, 2023 from P25.00 billion Peso Bilateral Unsecured Term Loan; P5.00 billion Peso Bilateral Unsecured Term Loan drawn on March 31, 2023; P5.00 billion Peso Bilateral Unsecured Term Loan drawn on July 14, 2023; P1.50 billion Peso Bilateral Unsecured Term Loan drawn on September 14, 2023 and P5.00 billion Peso Bilateral Unsecured Term Loan drawn on December 13, 2023, intended for purposes of financing New Projects or for any other purpose related to carrying out the Concession including but not limited to financing capital expenditures. Terms of these loans include Ten-year Peso Bilateral Unsecured Term Loan for P3.30 billion from P6.00 billion, for P5.00 billion, P8.00 billion, P7.00 billion, P2.70 billion and P2.30 billion from P25.00 billion, for P5.00 billion and for another P5.00 billion; Seven-year Peso Bilateral Unsecured Term Loan for P4.60 billion and for P1.50 billion; and Five-year Peso Bilateral Unsecured Term Loan for P5.00 billion. For the P4.60 billion, the applicable interest rate for the Loan shall be (i) the Interest Rate for the period beginning on the Drawdown Date until the third anniversary of the Drawdown Date and (ii) the Interest Rate, for the period beginning on the day immediately following the third anniversary of the Drawdown Date until the Maturity Date. For the P3.30 billion from the P6.00 billion, the applicable interest rate for the Loan shall be (i) the Interest Rate for the period beginning on the relevant Drawdown Date until the fifth anniversary of the initial Drawdown Date and (ii) the Reset Interest Rate, for the period beginning on the day immediately following the fifth anniversary of the initial Drawdown date until Maturity Date. For the P5.00 billion, P8.00 billion, P7.00 billion, P2.70 billion and P2.30 billion from the P25.00 billion, the applicable interest rate for the Loan shall be: (i) the Initial Interest Rate for the period beginning on the relevant Drawdown Date until the Reset Date and (ii) the Reset Interest Rate, for the period beginning on the day immediately following the Reset Date until the Maturity Date. For the P5.00 billion, the applicable interest rate for the Loan shall be (i) the Interest Rate for the period beginning on the relevant Drawdown Date until the Reset Date and (ii) the Reset Interest Rate, for the period beginning on the day immediately following the Reset Date until the Maturity Date. For the P5.00 billion, the applicable interest rate for the Loan shall be the Interest Rate for the period beginning on the relevant Drawdown Date until the Maturity Date. For the P1.50 billion, the applicable interest rate for the Loan shall be (i) the Interest Rate for the period beginning on the Drawdown Date until the second anniversary of the Drawdown Date and (ii) the Interest Rate, for the period beginning on the day immediately following the second anniversary of the Drawdown Date until the Maturity Date. For the P5.00 billion, the applicable interest rate for the Loan shall be (i) the Interest Rate for the period beginning on the relevant Drawdown Date until the day immediately preceding the fifth anniversary of the initial Drawdown Date and (ii) the Reset Interest Rate, for the period beginning on the fifth anniversary of the initial Drawdown Date until the Maturity Date.

- d. The Group, through NGCP, entered into a P5.90 billion from P20.90 billion Peso Bilateral Unsecured Term Loan drawn on January 10, 2022; P5.00 billion Peso Bilateral Unsecured Term Loan drawn on February 24, 2022, P10.00 billion Peso Bilateral Unsecured Term Loan drawn on April 7, 2022 (P5.00 billion) and July 14, 2022 (P5.0 billion), P3.20 billion Peso Bilateral Unsecured Term Loan drawn on September 9, 2022, P2.70 billion from P6.00 billion Peso Bilateral Unsecured Term Loan drawn on September 20, 2022 (P1.40 billion) and December 12, 2022 (P1.30 billion), and P4.70 billion Peso Bilateral Unsecured Term Loan drawn on November 14, 2022, intended for purposes of financing New Projects or for any other purpose related to carrying out the Concession including but not limited to financing capital expenditures. Terms of these loans include Ten-year Peso Bilateral Unsecured Term Loan for P5.90 billion from P20.90 billion, for P5.00 billion, for P10.00 billion, for P3.20 billion, for P2.70 billion from P6.0 billion and Five-year Peso Bilateral Unsecured Term Loan for P4.70 billion. The applicable interest rate for the P5.90 billion from P20.90 billion, the applicable interest rate for the Loan shall be (i) the Interest Rate for the period beginning on the relevant Drawdown Date until the fifth anniversary of the initial Drawdown Date and (ii) the Reset Interest Rate, for the period beginning on the Reset Date until the Maturity Date. For the P5.00 billion, the applicable interest rate for the Loan shall be (i) the Interest Rate for the period beginning on the Drawdown Date until the fifth anniversary of the Drawdown Date and (ii) the Reset Interest Rate, for the period beginning on the Reset Date until the Maturity Date. For the P10.00 billion, the applicable interest rate for the Loan shall be (i) the Interest Rate for the period beginning on the relevant Drawdown Date until the fifth anniversary of the initial Drawdown Date and (ii) the Reset Interest Rate, for the period beginning on the Reset Date until the Maturity Date. For the P3.20 billion, the applicable interest rate for the Loan shall be (i) the Interest Rate for the period beginning on the Drawdown Date until the fifth anniversary of the Drawdown Date and (ii) the Reset Interest Rate, for the period beginning on the Reset Date until the Maturity Date. For the P2.70 billion from P6.00 billion, the applicable interest rate for the Loan shall be (i) the Interest Rate for the period beginning on the relevant Drawdown Date until the fifth anniversary of the initial Drawdown Date and (ii) the Reset Interest Rate, for the period beginning on the day immediately following the fifth anniversary of the initial Drawdown Date until the Maturity Date. For the P4.70 billion, the applicable interest rate for the Loan shall be the Interest Rate for the period beginning on the Drawdown Date until the Maturity Date.
- e. The Group, through NGCP, entered into a P4.00 billion; P5.00 billion; P3.00 billion from P6.00 billion; P5.00 billion, P6.00 billion and P4.00 billion from P20.90 billion; and P2.50 billion Peso Bilateral Unsecured Term Loan which were drawn on February 24, 2021, May 21, 2021, June 21, 2021, July 14, 2021, September 13, 2021, November 9, 2021 and December 16, 2021 respectively, intended for purposes of financing New Projects or for any other purpose related to carrying out the Concession including but not limited to financing capital expenditures. Terms of these loans include Ten-year Peso Bilateral Unsecured Term Loan for P4.00 billion; Five-year Peso Bilateral Unsecured Term Loan for P5.00 billion, Ten-year Peso Bilateral Unsecured Term Loan for P3.00 billion from P6.00 billion; Ten-year Peso Bilateral Unsecured Term Loan for P6.00 billion and P4.00 billion from P20.90 billion and Five-year Peso Bilateral Unsecured Term Loan for P2.50 billion drawn as at December 31, 2021. The applicable interest rate for the P4.00 billion Term Loan shall be: (i) the Interest Rate for the period beginning on the Drawdown Date until the fifth anniversary of the Drawdown Date and (ii) the Reset Interest Rate, for the period beginning on the Reset Date until the Maturity Date. For the P5.00 billion, the applicable interest rate shall be the Interest Rate for the period beginning on the Drawdown

Date until the Maturity Date. For the P3.00 billion from P6.00 billion, the applicable interest rate for the Loan shall be (i) the Interest Rate for the period beginning on the relevant Drawdown Date until the fifth anniversary of the initial Drawdown Date and (ii) the Reset Interest Rate, for the period beginning on the Reset Date until the Maturity Date. For the P5.00 billion, P6.00 billion and P4.00 billion from P20.90 billion, the applicable interest rate for the Loan shall be (i) the Interest Rate for the period beginning on the relevant Drawdown Date until the fifth anniversary of the initial Drawdown Date and (ii) the Reset Interest Rate, for the period beginning on the Reset Date until the Maturity Date. For the P2.50 billion, the applicable interest rate for the Loan shall be (i) the Interest Rate for the period beginning on the Drawdown Date until the second anniversary of the Drawdown Date and (ii) the Reset Interest Rate, for the period beginning on the Reset Date until the Maturity Date.

- f. The Group, through NGCP, into a P4.20 billion from P7.00 billion, P1.00 billion, P10.00 billion, P3.00 billion from P6.0 billion, and P1.00 billion Peso Bilateral Unsecured Term Loan which was drawn on March 10, 2020, April 2, 2020, April 28, 2020, and the last two (2) loans both on July 10, 2020, respectively, intended for purposes of financing New Projects or for any other purpose related to carrying out the Concession including but not limited to financing capital expenditures. Terms of these loans include Five-year Peso Bilateral Unsecured Term Loan for P1.00 billion and Ten-year Peso Bilateral Unsecured Term Loan for P10.00 billion and the balance of P4.20 billion from P7.00 billion term loan, Ten-year Peso Bilateral Unsecured Term Loan for P6.00 billion, and Five-year Peso Bilateral Unsecured Term Loan for P1.00 billion drawn as at December 31, 2020. The applicable interest rate for the P1.00 billion Term Loan shall be: (i) the Interest Rate for the period beginning on the Drawdown Date until the second anniversary of the Drawdown Date and (ii) the Interest Rate, for the period beginning on the day immediately following the second anniversary of the Drawdown Date until the Maturity Date whereas the applicable interest rate for the P10.00 billion Term Loan shall be: (i) the Interest Rate for the period beginning on the relevant Drawdown Date until the fifth anniversary of the initial Drawdown Date and (ii) the Reset Interest Rate, for the period beginning on the Reset Date until the Maturity Date. For the P4.20 billion from P7.00 billion Term Loan, the applicable interest rate shall be (i) the Interest Rate for the period beginning on the relevant Drawdown Date until the fifth anniversary of such Drawdown Date and (ii) the Reset Interest Rate, for the period beginning on the Reset Date until the relevant Maturity Date. For the P6.00 billion, the applicable interest rate shall be (i) the Interest Rate for the period beginning on the relevant Drawdown Date until the fifth anniversary of the initial Drawdown Date and (ii) the Reset Interest Rate, for the period beginning on the Reset Date until the Maturity Date. For the P1.00 billion, the applicable interest rate shall be the Interest Rate for the period beginning on the Drawdown Date until the Maturity Date.
- g. The Group, through NGCP, entered into a P5.00 billion, P5.00 billion, P2.00 billion, P15.00 billion and P2.80 billion from P7.00 billion Peso Bilateral Unsecured Term Loan which was drawn on March 29, 2019, June 17, 2019, September 30, 2019, December 5, 2019 and December 10, 2019, respectively, intended for purposes of financing New Projects or for any other purpose related to carrying out the Concession including but not limited to financing capital expenditures. Terms of these loans include Ten-year Peso Bilateral Unsecured Term Loan for P5.00 billion, P5.00 billion, P2.00 billion, P15.00 billion and P2.80 billion from P7.00 billion TL drawn as at December 31, 2019. The applicable Interest rate for the first 5-years is based on 5-Yr BVal plus spread. Interest rate shall be reset on the fifth anniversary from the Drawdown Date and shall be applicable for the next 5-years.

- h. The Group, through NCGP, entered into a P2.50 billion Peso Bilateral Unsecured Term Loan which was drawn on December 10, 2019, intended for purposes of financing New Projects or for any other purpose related to carrying out the Concession including but not limited to financing capital expenditures. Terms of these loans include Five-year Peso Bilateral Unsecured Term Loan for P2.50 billion drawn as at December 31, 2019. The applicable interest rate is based on 5-Yr BVal plus spread.
- i. In December 2018, the Group, through NGCP, entered into a P2.00 billion, P1.35 billion and P2.00 billion Peso Bilateral Unsecured Term Loan intended for purposes of financing New Projects or for any other purpose related to carrying out the Concession including but not limited to financing capital expenditures. Drawdowns of the P2.00 billion and P1.35 billion loan were made on December 18, 2018, and the remaining P2.00 billion was drawn on January 25, 2019. Terms of these loans include Five-year Peso Bilateral Unsecured Term Loan for P2.00 billion, P1.35 billion and P2.00 billion, of which P3.35 billion has been drawn as at December 31, 2018 and the balance of P2.00 billion has been drawn as at December 31, 2019. Applicable interest rate shall be the Interest Rate for the period beginning on the Drawdown Date until the Maturity Date whereas the other P2.00 billion applicable interest rate shall be: (i) the Interest Rate for the period beginning on the Drawdown Date until the second anniversary of the Drawdown Date and (ii) the Interest Rate, for the period beginning on the day immediately following the second anniversary of the Drawdown Date until the Maturity Date.
- j. The Group, through NGCP, entered into a P5.00 billion, P7.00 billion, P3.80 billion and P5.00 billion Peso Bilateral Unsecured Term Loans which was drawn on May 30, 2018, July 10, 2018, September 26, 2018, and October 16, 2018, respectively, intended for purposes of financing New Projects or for any other purpose related to carrying out the Concession including but not limited to financing capital expenditures. Terms of these loans include Ten-year Peso Bilateral Unsecured Term Loan for P5.00 billion, P3.80 billion, P7.00 billion and P5.00 billion drawn as at December 31, 2018. The applicable interest rate shall be: (i) the Interest Rate for the period beginning on the Drawdown Date until the Reset Date and (ii) the Reset Interest Rate, for the period beginning the day immediately following the Reset date until Maturity Date where the interest rate means from the Drawdown Date to the Reset Date of the aggregate of (a) the Fixed Rate Margin and (b) the applicable Base Rate.
- k. In September 2017, the Group, through NGCP, entered into a P5.00 billion Peso Bilateral Unsecured Term Loan intended to repay the P4.95 billion Peso Term Loan that matured on November 29, 2017. Another P10.00 billion Peso Bilateral Term Loan was availed in December 11, 2017 for purposes of financing New Projects or for any other purpose related to carrying out the Concession including but not limited to financing capital expenditures. Terms of these loans include Ten-year Peso Bilateral Unsecured Term Loan for P5.00 billion and P10.00 billion drawn as at December 31, 2017. Interest rate for the first 5-years is based on 5-Yr PDST-R2 plus spread. Interest rate shall be reset on the fifth anniversary from the Drawdown Date and shall be applicable for the next five years.
- l. In May 2016, the Group, through NGCP, entered into a P17.00 billion Peso Corporate Note Financing for purposes of financing New Projects or for any other purpose related to carrying out the Concession including, but not limited to, financing capital expenditures and paying the fees and expenses on the Facility. Drawdowns were made in the amount of P4.00 billion, P2.00 billion, and

P3.00 billion on July 11, 2016, September 30, 2016, and December 15, 2016, respectively. The balance amounting to P8.00 billion was drawn in March 21, 2017. Terms of these loans include Ten-year, Unsecured Corporate Notes Facility with a consortium of five (5) local banks for P17.00 billion, of which P9.00 billion has been drawn as at December 31, 2016 and the balance of P8.00 billion has been drawn as at December 31, 2017. It bears an interest based on 5-Yr PDST-R2 plus spread and the principal payable beginning on the 12th month from initial issue date and the remaining for eighteen (18) semi-annual installments as a percentage of principal amount of borrowing.

- m. In July 2015, the Group, through NGCP, entered into a P15.00 billion Peso Corporate Note Financing for purposes of financing New Projects or for any other purpose related to carrying out the Concession including but not limited to financing capital expenditures and paying the fees and expenses on the Facility. Drawdowns were made in tranches of P5.00 billion, P3.00 billion and P5.00 billion, on July 10, 2015, September 10, 2015, and December 10, 2015, respectively. The balance amounting to P2.00 billion was drawn on March 31, 2016. Terms of these loans include Ten-year, Unsecured Corporate Notes Facility with a consortium of four (4) local banks for P15.00 billion, of which P13.00 billion has been drawn as at December 31, 2015 and the balance of P2.00 billion has been drawn as at December 31, 2016. It bears an interest based on 5-Yr PDST-R2 plus spread and the principal payable beginning on the 12th month from initial issue date and the remaining for eighteen (18) semi-annual installments as a percentage of principal amount of borrowing.
- n. In April 2014, the Group, through NGCP, entered into a P21.00 billion Peso Corporate Financing Facility to cover its funding requirements for calendar year 2014 including the financing of maturing obligations and approved capital expenditures. Initial drawdown amounting to P6.00 billion was made on April 10, 2014, to pay off the maturing US Dollar Bridge Loan. The succeeding drawdown of P8.00 billion, P5.00 billion and P2.00 billion were made on July 10, 2014, December 10, 2014 and January 30, 2015, respectively, to cover the funding of the Company's capital expenditures. Terms of these loans include Ten-year, Unsecured Corporate Notes Facility with a consortium of nine (9) local banks for P21.00 billion, of which P19.00 billion has been drawn as at December 31, 2014 and P2.00 billion has been drawn as at December 31, 2015. It bears an interest based on 5-yr PDST-F plus spread and the principal payable beginning on the 12th month from initial issue date and the remaining for eighteen (18) semi-annual installments as a percentage of principal amount of borrowing. Amendment was made effective April 10, 2019. Interest rate from 5-yr PDST-F to 5-yr BVal and noteholders were decreased to four (4).

Interest from these loans amounting to P3.89 billion and P7.63 billion in June 30, 2025 and December 31, 2024, respectively, were capitalized, with average capitalization rate of 3.47% and 3.84% in 2025 and 2024, respectively, and recognized in Contract Assets under "Intangible asset" in the consolidated statements of financial position (see Note 6). Interest expense recognized in profit or loss amounted to P3.38 billion and P1.98 billion for the periods ended June 30, 2025 and 2024, respectively.

These loan agreements contain, among others, covenants relating to the Concession Agreement and maintenance of certain financial ratios such as the Debt Service Coverage Ratio and Debt-Equity Ratio. As at June 30, 2025 and December 31, 2024, the Company is in compliance with the covenants of its debt agreements.

Changes in Liabilities Arising from Financing Activities

The movements and balances of this account are as follows:

	Loans Payable
Balance at January 1, 2025	P220,182,769,442
Changes from financing cash flows:	
Proceeds from loans	21,000,000,000
Payment of loans payable and debt issue costs	(8,741,670,000)
Others - debt issue costs related transactions	133,406,419
Total liability related changes	12,391,736,419
Balance at June 30, 2025	P232,574,505,861

	Loans Payable
Balance at January 1, 2024	P193,508,129,737
Changes from financing cash flows:	
Proceeds from loans	51,500,000,000
Payment of loans payable and debt issue costs	(24,435,340,000)
Others - debt issue costs related transactions	(390,020,295)
Total liability related changes	26,674,639,705
Balance at December 31, 2024	P220,182,769,442

15. Trade and Other Current Payables

This account consists of:

	Note	June 30, 2025	December 31, 2024
Accounts payable	24	P27,983,164,257	P26,003,210,161
Accrued expenses	24	4,768,206,897	5,151,489,880
Due to government agencies and others		11,325,772,426	9,910,813,365
Interest payable	5, 14, 24	5,464,889,839	5,164,403,883
Current portion of lease liability	22, 24	289,573,877	176,487,462
Franchise tax payable to BIR	26	141,572,725	142,948,295
		P49,973,180,021	P46,549,353,046

Accounts payable include amounts incurred by the Group for trade-related purchases.

Accrued expenses include accruals on capital expenditures, purchases of materials and supplies, personal services, and other operating services.

Due to government agencies and others include amounts accruing to the ancillary services providers, TRANSCO and PSALM for the ancillary service charges, FIT-ALL and universal charges which are being billed and collected from the Group's customers on behalf of the ancillary service providers, TRANSCO, PSALM and the amount due to SSS, Philhealth, HDMF, withholding taxes and output VAT payable due to BIR. (see Notes 12, 13, 26 and 27).

Interest payable pertains to the interest due in relation to the Deferred Payments of the Concession Fee and interest related to loans payable (see Notes 5, 14 and 24).

Current portion of liability arising from lease is the balance of Financing Lease-Current amounting to P289.57 million and P176.49 million as of June 30, 2025 and December 31, 2024, respectively.

16. Other Liabilities

This account consists of:

A. Other Current Liabilities

	Note	June 30, 2025	December 31, 2024
Retention on contract payments		P17,650,693,947	P16,732,820,551
Advances for construction		5,155,847,127	3,751,951,035
Advances from shareholders	21	843,274,843	843,274,843
Dividends payable	17	7,712,854	335,493,599
Bidders/suppliers deposits		131,656,124	131,832,105
	24	P23,789,184,895	P21,795,372,133

B. Other Noncurrent Liabilities

	Note	June 30, 2025	December 31, 2024
Advances for construction		P -	P1,372,396,092
Noncurrent portion of lease liability	22, 24	329,543,896	339,168,312
Deferred tax liability	26	26,267	26,267
		P329,570,163	P1,711,590,671

Advances for construction pertains to advances made by third parties particularly generators for the construction of transmission facilities under Section 9 of the EPIRA consistent with the Transmission Development Plan subject to prior authorization by the ERC or for the cost of assets owned by third parties but reclassified as transmissions assets by ERC.

Retention on contract payments pertains to the amounts withheld from payments to contractors which shall be returned to the latter upon final acceptance of the project at the end of warranty period or upon posting by the contractor of warranty security if still within the warranty period.

Bidders'/suppliers' deposits include all amounts received in compliance to specifications of contract bids or to ensure the fulfillment of contracts.

17. Equity

Capital stock consists of:

	Periods Ended					
	June 30, 2025		December 31, 2024		December 31, 2023	
	Shares	Amount	Shares	Amount	Shares	Amount
Capital Stock						
Authorized - P1 par value per share	5,300,000,000	P5,300,000,000	5,300,000,000	P5,300,000,000	5,300,000,000	P5,300,000,000
Issued, fully paid and outstanding balance at beginning of period*	5,265,866,000	P5,265,866,000	5,265,866,000	P5,265,866,000	5,265,866,000	P5,265,866,000
Issued common shares to major shareholders during the period	-	-	-	-	-	-
Issued common shares during FOO	-	-	-	-	-	-
Issued, fully paid and outstanding balance at end of period	5,265,866,000	P5,265,866,000	5,265,866,000	P5,265,866,000	5,265,866,000	P5,265,866,000
Additional Paid-in Capital						
Additional paid-in capital balance at beginning of period	-	P88,928,018,694	-	P88,928,018,694	-	P88,928,018,694
Additional paid-in capital from issued common shares during FOO	-	-	-	-	-	-
Shares issuance costs	-	-	-	-	-	-
Total Paid-up Capital	-	P88,928,018,694	-	P88,928,018,694	-	P88,928,018,694

*includes retroactive effect of Share Swap (Note 6)

As at June 30, 2025, December 31, 2024 and 2023, the Parent Company's share offer price is P10.92, P9.80, and P6.55, respectively.

In relation to the Parent Company's Share Purchase Agreement and the stockholders of OTHI and P21, discussed in Note 1, the BOD of the Parent Company approved the increase in the authorized capital stock of the Parent Company from P50.00 million divided into 50.00 million common shares at par value of P1.00 per share to P5.05 billion divided into 5.05 billion common shares at par value of P1.00 per share on November 14, 2019.

The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock was approved by the SEC on May 28, 2021.

On November 10, 2021 SGDPI, under the symbol "SGP", the Parent Company publicly listed its 1,053,500,000 shares from its Follow-On Offering (FOO) on the Philippines Stock Exchange with overallotment option of up to 101,000,000 secondary shares at PHP12.00 per common share.

SGP indirectly controls 60% is the outstanding voting capital stock of NGCP, SGP's sole operating asset with an effective equity interest of 40.20%.

Cash Dividends

On August 10, 2021, the BOD of the Parent Company approved the adoption of the policy to declare dividends equivalent to up to 100% of the prior year's net income after tax based on the Parent Company's audited financial statements as of such year, upon declaration of the BOD and subject to the availability of unrestricted retained earnings and settlement of operational expenses and other relevant taxes, cost and expense required to pay the ordinary course of business and subject to any financing covenants, if applicable.

On April 8, 2024, the BOD of the Parent Company approved the declaration of P0.3474 cash dividends per share for the 1st quarter of 2024 totaling to P1.83 billion. These cash dividends were paid to shareholders of record as of April 26, 2024 on May 10, 2024.

In 2024, the BOD of OTHI approved the declaration of cash dividends amounting to P1.06 billion to all shareholders of record as of date of the meeting.

In 2024, the BOD of P21 approved the declaration of cash dividends amounting to P1.05 billion to all shareholders of record as of date of the meeting.

For the year ended December 31, 2024, the BOD of NGCP approved the declaration of cash dividends amounting to P4.00 billion to all shareholders of record as of date of the meeting. Of the total amount declared, P1.45 billion pertains to the share of the Parent Company which is eliminated during consolidation.

On March 8, 2023, the BOD of the Parent Company approved the declaration of P0.1737 cash dividends per share for the 1st quarter of 2023 totaling to P914.68 million. These cash dividends were paid to shareholders of record as of March 23, 2023 on April 13, 2023.

On June 21, 2023, the BOD of the Parent Company approved the declaration of P0.1737 cash dividends per share for the second quarter of 2023 totaling to P914.68 million. These cash dividends were paid to shareholders of record as of July 6, 2023 on July 21, 2023.

In 2023, the BOD of OTHI approved the declaration of cash dividends amounting to P1.08 billion to all shareholders of record as of date of the meeting.

In 2023, the BOD of P21 approved the declaration of cash dividends amounting to P1.08 billion to all shareholders of record as of date of the meeting.

For the year ended December 31, 2023, the BOD of NGCP approved the declaration of cash dividends amounting to P4.00 billion to all shareholders of record as of date of the meeting. Of the total amount declared, P1.45 billion pertains to the share of the Parent Company which is eliminated during consolidation.

On March 23, 2022, the Board of Directors of the Parent Company approved the declaration of P0.22 dividend /share for the first quarter of 2022 totaling to P1.16 billion. These cash dividends were paid to shareholders of record as of April 6, 2022 on April 22, 2022.

On June 22, 2022, the Board of Directors of the Parent Company approved the declaration of P0.26 dividend /share for the second quarter of 2022 totaling to P1.37 billion. These cash dividends were paid to shareholders of record as of July 6, 2022 on July 22, 2022.

On September 21, 2022, the Board of Directors of the Parent Company approved the declaration of P0.26 dividend /share for the third quarter of 2022 totaling to P1.37 billion. These cash dividends were paid to shareholders of record as of October 5, 2022 on October 19, 2022.

On December 7, 2022, the Board of Directors of the Parent Company approved the declaration of P0.26 cash dividend /share for the fourth quarter of 2022 totaling to P1.37 billion. These cash dividends were paid to shareholders of record as of December 22, 2022 on January 13, 2023.

In 2022, the BOD of OTHI approved the declaration of cash dividends amounting to P3.32 billion to all shareholders of record as of date of the meeting.

In 2022, the BOD of P21 approved the declaration of cash dividends amounting to P3.32 billion to all shareholders of record as of date of the meeting.

For the year ended December 31, 2022, the BOD of NGCP approved the declaration of cash dividends amounting to P12.00 billion to all shareholders of record as of date of the meeting. Of the total amount declared, P7.20 billion pertains to the share of the Parent Company which is eliminated during consolidation.

Total dividends paid amounted to P0.16 million, P3.65 billion and P5.36 billion in June 30, 2025, December 31, 2024 and 2023, respectively.

As of June 30, 2025 and December 31, 2024, dividends payable from the above declaration amounted to P335.33 million and P335.49 million, respectively.

Retained Earnings

The retained earnings of the Group include the accumulated earnings in subsidiaries not available for declaration as dividends until declared by the respective investee. Retained earnings includes ERC's approved NGCP's 4th Regulatory Period Revenue Reset (2016-2022) Under Recovery of P28,296.88Million to be implemented over a period of eighty-four (84) months or until such time that the approved amount have been fully recovered was added to the receivables (see Notes 20 and 27).

18. Earnings Per Share

Basic and diluted earnings per share at June 30, 2025, December 31, 2024 and 2023 are computed as follows:

	<i>Note</i>	2025	2024	2023
(a) Net income attributable to Equity holders of the Parent Company		P9,722,439,059	P7,884,429,113	P10,645,372,151
Issued common shares at January 1*		5,265,866,000	5,265,866,000	5,265,866,000
Weighted average number of issued common shares to major shareholders during the period	1	-	-	-
Weighted average number of issued common shares during FOO	1	-	-	-
(b) Weighted average common shares outstanding		5,265,866,000	5,265,866,000	5,265,866,000
Basic/Diluted earnings per share (a/b)		P1.85	P1.50	P2.02

**includes retroactive effect of Share Swap (Note 6)*

As at June 30, 2025 and December 31, 2024, the Group does not have any potential common shares or other instruments that may entitle the holder to common shares. Consequently, diluted earnings per share is the same as basic earnings per share in June 30, 2025 and December 31, 2024.

19. Segment Reporting

The Group operates through its transmission services across Luzon, Visayas and Mindanao. The Group's results of operations are reviewed by Management on a monthly basis to make decisions and to assess the Group's financial performance and financial position, and for which discrete information is available.

Accordingly, management has assessed that the Group is considered as a single business and, hence, there are no operating segments required to be disclosed under PFRS 8, *Operating Segments*.

20. Revenues

This account at June 30 consists of:

	2025	2024	2023
Transmission services operating income	P38,841,692,813	P25,825,388,815	P25,743,712,466
Connection and residual sub-transmission income	765,707,907	770,117,432	751,662,450
Power factor adjustment	-	-	-
Reconnection fee	-	-	-
	P39,607,400,720	P26,595,506,247	P26,495,374,916

Transmission services operating income pertains to service charges for the use of the transmission facilities under the Concession Agreement where power delivery, system operation and metering services are provided by the Group.

The transmission services operating income amounting to P 38.84 billion as of June 30, 2025 is based on the P58.10 billion ERC approved CY2022 MAR in an order dated April 11, 2025 while the P25.82 billion and P25.74 billion as of June 30, 2024 and June 30, 2023, respectively, is based on the P51.47 billion iMAR approved by ERC in an order dated March 23, 2022. As of June 30, 2025, the revenue includes differential between the unbilled incremental iMAR 2020 for years 2020, 2021, four (4) months of 2022 and PIS and the under recovery based on ERC approved 4th RP Final Determination (2016-2022) dated April 11, 2025 amounting to P9.79 billion. It also includes unbilled revenue for January to June 2025 amounting to P3.31 billion

Connection charges are charges to recover the reasonable costs associated with connecting the transmission customers' facilities to the transmission providers' facilities. Residual sub-transmission charges are charges to recover the reasonable costs associated with sub-transmission assets that are not otherwise recovered through the connection charge.

In the following table, revenue is disaggregated by geographical market and electric power industry participants.

2025:

	Transmission Services Operating Income	Connection and Residual Sub- transmission Income	Total
Luzon	P28,193,562,803	P415,889,269	P28,609,452,072
Distribution utilities	P18,482,364,790	P378,850,051	P18,861,214,841
Generators	338,469,025	2,838,318	341,307,343
Directed Connected/Non-DUs	338,623,438	34,200,900	372,824,338
Accruals of Under-recovery 2016-2022	9,034,105,550	-	9,034,105,550
Visayas	P5,336,758,811	P126,339,411	P5,463,098,222
Distribution utilities	P2,936,132,534	P119,993,910	P3,056,126,444
Generators	61,016,451	14,828	61,031,279
Directed Connected/Non-DUs	91,648,959	6,330,673	97,979,632
Accruals of Under-recovery 2016-2022	2,247,960,867	-	2,247,960,867
Mindanao	P5,311,371,199	P223,479,227	P5,534,850,426
Distribution utilities	P3,367,973,156	P219,646,433	P3,587,619,589
Generators	74,029,780	-	74,029,780
Directed Connected/Non-DUs	48,028,013	3,832,794	51,860,807
Accruals of Under-recovery 2016-2022	1,821,340,250	-	1,821,340,250
June 30, 2025 Total	P38,841,692,813	P765,707,907	P39,607,400,720

2024:

	Transmission Services Operating Income	Connection and Residual Sub-transmission Income	Force Majeure Event	Total
Luzon	P19,220,426,371	P419,222,676	P38,719	P19,639,687,766
Distribution utilities	P18,689,148,821	P381,480,793	P -	P19,070,629,614
Generators	147,501,662	2,838,318	38,719	150,378,699
Directed Connected/Non-DUs	383,775,888	34,903,565	-	418,679,453
Visayas	P3,104,225,375	P124,398,948	P -	P3,228,624,323
Distribution utilities	P2,911,788,175	P118,053,447	P -	P3,029,841,622
Generators	78,251,968	14,828	-	78,266,796
Directed Connected/Non-DUs	114,185,232	6,330,673	-	120,515,905
Mindanao	P3,500,696,796	P226,495,807	P1,555	P3,727,194,158
Distribution utilities	P3,343,143,920	P222,663,013	P -	P3,565,806,933
Generators	112,339,913	-	1,555	112,341,468
Directed Connected/Non-DUs	45,212,963	3,832,794	-	49,045,757
June 30, 2024 Total	P25,825,348,542	P770,117,431	P40,274	P26,595,506,247

2023:

	Transmission Services Operating Income	Connection and Residual Sub- transmission Income	Total
Luzon	P19,164,217,070	P408,194,034	P19,572,411,104
Distribution utilities	P18,286,836,372	P371,553,542	P18,658,389,914
Generators	160,891,188	2,755,277	163,646,465
Directed Connected/Non-DUs	716,489,510	33,885,215	750,374,725
Visayas	P3,089,147,940	P123,553,759	P3,212,701,699
Distribution utilities	P2,889,505,352	P117,393,909	P3,006,899,261
Generators	62,355,212	14,395	62,369,607
Directed Connected/Non-DUs	137,287,376	6,145,455	143,432,831
Mindanao	P3,490,347,455	P219,914,658	P3,710,262,113
Distribution utilities	P3,402,116,813	P216,148,495	P3,618,265,308
Generators	39,391,065	-	39,391,065
Directed Connected/Non-Dus	48,839,577	3,766,163	52,605,740
June 30, 2023 Total	P25,743,712,465	P751,662,451	P26,495,374,916

Based on the ERC-promulgated Transmission Wheeling Rate Guidelines (TWRG) of May 2003, amended in 2009 as the Rules for Setting the Transmission Wheeling Rates (RTWR), the Group is regulated under a performance-based regulation (PBR) revenue cap methodology.

During the reset process, the ERC makes a determination of the annual revenue requirements (ARR) of the transmission business as well as the price control arrangements that will apply during the regulatory period.

The Fourth Regulatory Period (4th RP) reset process for the transmission business under the PBR has been delayed. Under the RTWR, the Group would have filed its revenue application for the 4th RP covering the periods of 2016 to 2020 in 2015. To bridge the gap, on October 2, 2015, the Group filed an Application for the Approval of an Interim Maximum Annual Revenue for 2016 (iMAR₂₀₁₆) in the amount of P45.29 billion.

In an Order dated January 21, 2016, the ERC provisionally approved an iMAR₂₀₁₆ of P41.65 billion. Subsequently, the Group filed a Motion for Reconsideration dated February 24, 2016 and an Omnibus Motion dated December 6, 2016.

As resolution of the foregoing, the ERC issued an Order dated December 19, 2016, authorizing NGCP to implement an adjusted iMAR₂₀₁₆ of P43.79 billion. Further, the ERC directed that the difference between the provisionally-approved iMAR₂₀₁₆ of P41.65 billion and the approved iMAR of P43.79 billion, in the amount of P2.14 billion, be collected by NGCP in 2017 (see Note 27).

Furthermore, the same Order provides that NGCP is authorized to continuously bill its transmission customers using an adjusted iMAR of P43.79 billion for the succeeding regulatory years until the ERC's issuance of the Final Determination for the 4th RP, thus the billing of an iMAR of P43.79 billion in 2018 and 2019.

On October 29, 2019, NGCP filed an Application with the ERC for the Approval of an Interim Maximum Annual Revenue for Calendar Year 2020 (iMAR₂₀₂₀) in the amount of P58,846 million, docketed as ERC Case No. 2019-086RC. Subsequently, the ERC, in its Order dated February 13, 2020, granted NGCP a provisional authority to implement an iMAR₂₀₂₀ in the amount of P47.05 billion effective April 2020 billing month. Billing of the incremental revenue, however, has been deferred in consideration of the situation brought about by the Corona Virus Disease 2019 (COVID-19) pandemic.

Following the easing of quarantine arrangements, NGCP gradually billed portion of the iMAR₂₀₂₀ differential in the total amount of P300 Million for both billing months of July and August 2020. However, in September 2020, the ERC directed the suspension of the billing of the iMAR₂₀₂₀ providing among others that the demand forecast used in the determination are no longer valid and would need to be re-assessed. In compliance with the Order issued in September 2020, NGCP discontinued the billing resulting in an unbilled iMAR₂₀₂₀ differential in the amount of P2.96 billion.

In compliance with the ERC's directive during the September 24, 2020, public hearing and with the ERC's Order dated October 23, 2020 which was received by NGCP on October 29, 2020, NGCP submitted the following information to the ERC in December 2020 to substantiate the proposed iMAR₂₀₂₀.

- a. Reconciliation of the actual CAPEX with NGCP's Financial Statements;
- b. Actual and Forecast Billing Determinant for CY 2019-2021;
- c. NGCPs Actual and Forecasted CAPEX for 2011 to 2020 (Updated);
- d. Percentage Completion of ERC-approved CAPEX Projects under/outside of the 3rd Regulatory Period Final Determination, as at October 2020;
- e. Indicative 2020 Transmission Rate; and
- f. Possible approach on the collection of unbilled portions of the ERC-approved iMAR₂₀₂₀ in the forthcoming year of 2021.

ERC issued a subsequent Order dated December 15, 2020, directing NGCP to submit the following additional information in support of its iMAR₂₀₂₀ Application and which was submitted by NGCP on January 28, 2021, as follows:

- a. Updated Actual Demand for Year 2020;
- b. Detailed Analysis and Basis of the Forecast Demand for Year 2021;
- c. Updated Rate Movement on a Per kW and per kWh as at December 2020;
- d. Updated Actual and Forecast CAPEX for Calendar Years 2011 to 2020;
- e. Estimated Demand Data particularly for the Battery Energy Storage System (BESS) and transmission services to the Kalayaan Pumped Storage Power Plant (KPSPP) which NGCP included in the said forecast; and
- f. Load Billing Determinant with and without BESS and KPSPP.

Relative to the directives of the ERC on the iMAR₂₀₂₀ Application, NGCP submitted Compliances with Motion dated December 3, 2020 and January 28, 2021, which prayed for, among others, the confirmation from ERC that the approved iMAR₂₀₂₀ level shall be implemented continuously until a new MAR is issued, or until the issuance of a Final Determination for the succeeding regulatory period, whichever is earlier. As at report date, the ERC is yet to issue its resolution on said Compliances.

Given the significant recovery of the demand and energy consumption in the country in 2021, in contrast with the recorded data in 2020, NGCP deemed that the circumstances surrounding the issuance of the July 28, 2020 Order no longer exist and that there are justifiable grounds to lift the said Order. Hence, the filing of the Reiteratory Motion in October 2021 praying for the following:

- a. lifting the July 28, 2020 Order;
- b. allowing NGCP to recover the deferred 2020 iMAR on top of the current iMAR and iMAR for 2022, to be implemented starting October 2021 to March 2022 billing period;
- c. allowing NGCP to recover the unbilled 2021 iMAR on top of the iMAR for 2022, to be implemented from April 2022 to December 2022;

- d. confirming that the approved iMAR2020 level of P47,051.64 million shall be implemented continuously until a new MAR is issued, or until the issuance of the Final Determination for the succeeding regulatory period, whichever is earlier.

As at December 31, 2021, management assessed that the suspension order merely defers the implementation of the P47.05 billion, and that there is no other ERC issuance or directive that states otherwise (i.e., that revenue has been modified), similar to the practice adopted by the industry.

On January 17, 2022, NGCP submitted its compliance to the January 5, 2022, ERC Order to submit documents to facilitate the final evaluation of the application, which was received by NGCP on January 7, 2022, more specifically on the following:

- a. Latest actual demand for CY 2021 and forecast demand for 2022 onwards, including economic indicators demand justification; and
- b. Latest actual Capital Expenditure (CAPEX) for CYs 2011 to 2021 (including, but not limited to, Disbursement and Percent Completion as of December 2021) and forecast CAPEX for CY 2022)

On April 29, 2022, the ERC promulgated an Order dated March 23, 2022, resolving the iMAR2020 Application and approving an iMAR2020 of P51.47 billion effective January 2020 until a new transmission revenue has been determined.

Starting May 2022 Billing Period, NGCP has already implemented the billing based on the P51.47 billion iMAR pursuant to the 23 March 2022 Order of the ERC.

On June 8, 2022, in compliance with the direction of the Commission, NGCP submitted to ERC its Compliance dated June 2, 2022, on NGCP's proposed manner of recovery of the unbilled iMAR₂₀₂₀ for the years 2020, 2021 and four (4) months of 2022, for the total amount of P17,624.85 million, starting September 2022 to 2024.

On March 10, 2023, NGCP filed its Motion (To Approve Implementation of Recovery Scheme) reiterating its prayer for the approval of the billing and recovery of the unbilled iMAR for 2020 under a new proposed recovery scheme, i.e., from May 2023 to April 2024.

On May 17, 2023, NGCP filed an Urgent Reiteratory Motion to Resolve with the ERC on the implementation of the new proposed recovery scheme. Subsequently, on June 22, 2023, NGCP once again filed a Reiteratory Motion with Motion to Resolve on the billing and recovery of the unbilled iMAR for 2020 in accordance with the same proposed recovery scheme.

On September 12, 2023, October 10, 2023, June 5, 2024 and March 11, 2025, NGCP filed Reiteratory Motions with Motion to Resolve for the immediate issuance of an Order approving the billing and recovery of the CY 2020 unbilled iMAR.

To date, NGCP is yet to receive ERC's resolution on NGCP's proposed manner of recovery of the unbilled iMAR2020 for the years 2020, 2021, and four (4) months of 2022.

On July 7, 2025, NGCP received the ERC Decision and Final Determination on NGCP's 4th Regulatory Period Revenue Reset Application. In the said Decision, the ERC approved NGCP's 2016-2022 Annual Revenue Requirement (ARR) in the amount of P335,788.65 million. The ERC also directed NGCP to collect, as a separate line item in the power bill of transmission customers, an Under Recovery of P28,296.88 million, with an equivalent rate of PhP0.0384/kWh, to be implemented over a period of approximately eighty-four (84) months or until such time that the said amount shall have been fully recovered. NGCP was further directed to accomplish and submit a report based on the prescribed format from the ERC on or before the 30th day of the following month until such time that the amount of under recovery shall have been fully collected.

Following ERC's issuance of its Decision and the Final Determination on NGCP's 4th Regulatory Period Revenue Reset Application on July 7, 2025 as well as the posting of ERC's Explainer on its website on July 18, 2025, ERC has authorized NGCP to bill the P58,100.01 million as its MAR for 2025 and the "Under-recovery 2016-2022" of P28,296.88 million with the fixed rate of P0.0384/kWh to be collected in 84 months or until such time the amount is fully recovered

NGCP shall commence the billing of the authorized MAR and the "Under-recovery 2016-2022" to Transmission Customers effective July 2025 billing month (or June 26 to July 25, 2025), which will then billed by Distribution Utilities (DUs) to their customers in August 2025.

21. Related Party Disclosures

Relationship with Related Parties	Year	Note	Amount of Transaction (in Millions)	Outstanding Balance (in Millions)	Terms and Conditions	
Companies with the Same BOD						
▪ PGAI	June 30, 2025	A	P59.19	P1.53	On demand;	Unsecured
	December 31, 2024	A	191.32	2.44	On demand;	Unsecured
	December 31, 2023	A	775.64	1.58	non-interest	
▪ SMDC	June 30, 2025	B	P-	P-		
	December 31, 2024	B	3.85	-		
	December 31, 2023	B	-	-		
Shareholders	June 30, 2025	C	P-	P843.27		
	December 31, 2024	C	-	843.27	On demand;	Unsecured
	December 31, 2023	C	-	843.27	non-interest	
Key Management Personnel						
▪ Short-term benefits	June 30, 2025	d	P251.41	P-		
	December 31, 2024	d	424.04	-		
	December 31, 2023	d	418.82	-		
▪ Post-employment benefits	June 30, 2025	d	P19.21	P-		
	December 31, 2024	d	30.82	-		
	December 31, 2023	d	30.07	-		
June 30, 2025				P844.80		
December 31, 2024				P845.71		
December 31, 2022				P844.85		

- a. The Group, through NGCP, has related party transactions with Prudential Guaranty Assurance, Inc. (PGAI) amounting to P59.19 million, P191.32 million, and P775.64 million on June 30, 2025, December 31, 2024 and 2023, respectively, representing insurance premiums. The outstanding insurance payable to PGAI amounting to P1.53 million and P2.44 million as of June 30, 2025 and December 31, 2024, respectively, are recorded under the "Trade and other current payables" account in the consolidated statements of financial position. This pertains to motor vehicle insurance, aviation, commercial general liability insurance, PGA protect, motor comprehensive, industrial all risk, engineering electronic equipment insurance and warehouse insurance in nature (see Note 15).
- b. The Group, through NGCP, also has existing lease agreement for parking space with SM Development Corporation (SMDC) amounting to nil, P3.85 million and nil in June 30, 2025, December 31, 2024 and 2023. There was no outstanding balance payable to SMDC amounting as of June 30, 2025 and December 31, 2024, which are recorded under the "Trade and other current payables" account in the consolidated statements of financial position (see Note 15).
- c. As at and June 30, 2025 and December 31, 2024, Group, through P21, has outstanding payables to its stockholders amounting to P843.27 million, which are included under "Other current liabilities" account in the consolidated statements of financial position. These payables were obtained for working capital requirements and part of these payables were used to pay for CHPC's professional fees and other various expenses and liabilities. These payables are non-interest bearing, payable on demand and will be settled in cash. On September 23, 2021, the Parent Company paid its outstanding advances from its two major stockholders amounting to P250.05 million which was used by the Group as its source of fund in relation to the share swap transactions (see Note 16).
- d. Total remunerations of key management personnel which represent short-term benefits in June 30, 2025, December 31, 2024 and 2023 amounted to P251.41 million, P424.04 million and P418.82 million respectively. Total key management compensation relating to post-employment benefits in June 30, 2025, December 31, 2024 and 2023 amounted to P19.21 million, P30.82 million and P30.07 million, respectively.

Short-term benefits consist of salaries, terminal leave, 13th month/bonus and other statutory contributions to Social Security System (SSS), Philippine Health Insurance Corporation (Philhealth, Home Development Mutual Fund (commonly known as the Pag-IBIG Fund).

Post-employment benefits consist of Retirement Benefits, under Republic Act No. 7641, The Retirement Pay Law (the "Act") which provides compulsory retirement at the age of sixty-five (65) or upon optional retirement at the age of sixty (60) or more but not more than sixty-five (65) with at least five (5) years in service. The retirement benefits as required by the Act are equivalent to 22.5 days for every year of service, a fraction of at least six (6) months being considered as one (1) whole year. The 22.5 days shall be defined as one half month (15 days) plus one-twelfth (1/12) of the 13th month pay and the cash equivalent of 5 days of service incentive leaves.

Amounts owed to related parties will be settled in cash.

22. Leases

Leases as Lessee

The Group, through NGCP, leases vehicles, parking lots and office spaces. The leases typically run for a period of five (5) years. Some leases include an option to renew the lease for an additional five years after the end of the non-cancellable lease period. Some leases provide for additional rent payments that are based on change in local price indices.

The Group leases other vehicles, printers and copiers which are short term and/or leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

Information about leases for which the Group is a lessee is presented below.

Right-of-Use Assets

	June 30, 2025	December 31, 2024
Balance at January 1	P503,020,399	P376,334,751
Additions	243,279,191	370,274,963
Depreciation for the period	(152,516,668)	(243,589,315)
Balance at June 30 and December 31	P593,782,922	P503,020,399

Depreciation is recorded as part of "Depreciation Expense" in the consolidated statements of income.

The Group classified its lease liability as part of "Trade and other current payables" and "Other noncurrent liabilities" in the consolidated statements of financial position as follows:

	June 30, 2025	December 31, 2024
Balance at beginning of period	P515,655,774	P401,026,666
Additions	243,279,191	370,274,963
Lease payments inclusive of interest payments	(161,140,463)	(281,155,073)
Interest expense	21,349,893	25,434,977
Adjustments	(26,621)	74,241
Balance at end of period	P619,117,774	P515,655,774

Adjustments on the lease liability is due to recomputation of present value due to change in monthly amortization in the contract.

Expenses relating to short-term leases amounted to P63.56 million and P58.92 million in June 30, 2025 and 2024, respectively, were recorded as part of "Rent" in the statements of comprehensive income.

The Group had total cash outflows for the above leases amounting to P224.70 million and P340.07 million in June 30, 2025 and December 31, 2024, respectively.

The following table sets out a maturity analysis of lease payments, showing undiscounted and discounted lease payments to be made after the reporting date:

June 30, 2025	Future Minimum Lease Payments	Interest	Present Value of Minimum Lease Payments
Less than one year	P319,169,289	P29,595,412	P289,573,877
Between one to five years	355,940,008	26,396,111	329,543,897
	P675,109,297	P55,991,523	P619,117,774

December 31, 2024	Future Minimum Lease Payments	Interest	Present Value of Minimum Lease Payments
Less than one year	P203,102,162	P26,614,700	P176,487,462
Between one to five years	371,139,791	31,971,479	339,168,312
	P574,241,953	P58,586,179	P515,655,774

23. Retirement Benefits

As at June 30, 2025 and 2024, the Group, through NGCP has funded, noncontributory defined benefit retirement plan covering all its regular employees. The current service cost and the present value of obligations were derived on the basis of the projected unit credit method.

The latest actuarial valuation report of the Group is dated February 19, 2026 for the period ended June 30, 2025.

Salient Provisions of the Retirement Plan

The plan provides retirement benefits under Republic Act No. 7641 (the Act) upon compulsory retirement at the age of sixty-five (65) or upon optional retirement at age sixty (60) or more but not more than age sixty-five (65) with at least five (5) years in service. The benefits as required by the Act are equivalent to 22.5 days for every year of service, a fraction of at least six (6) months being considered as one (1) whole year. The 22.5 days shall be defined as follows: One half month (15 days) plus one-twelfth (1/12) of the 13th month pay and the cash equivalent of 5 days of service incentive leaves.

Funding Arrangements

The Group, through NGCP's Compensation Committee, in a meeting on February 26, 2014, approved the establishment of the Employee Retirement Plan in compliance with Republic Act No. 7641. On December 22, 2014, the retirement fund has been established by the Group. Benefit claims under the retirement obligation are paid directly by the Group when they become due.

The following table shows a reconciliation of the net defined benefit retirement liability and its components:

	Fair Value of Plan Assets		Present Value of Defined Benefit Obligation		Net Defined Benefit Retirement Liability	
	June 30, 2025	December 31, 2024	June 30, 2025	December 31, 2024	June 30, 2025	December 31, 2024
Balance at beginning of period	P378,928,198	P356,262,162	P3,331,223,247	P2,973,532,565	P2,952,295,049	P2,617,270,403
Recognized in Profit or Loss and Statement of Financial Position						
Service costs	-	-	124,498,073	234,049,158	124,498,073	234,049,158
Interest expense	-	-	101,602,309	181,385,486	101,602,309	181,385,486
Interest income	11,557,310	21,731,992	-	-	(11,557,310)	(21,731,992)
	11,557,310	21,731,992	226,100,382	415,434,644	214,543,072	393,702,652
Recognized in Other Comprehensive Income						
Remeasurements:						
Actuarial losses (gains) arising from:						
Experience adjustments	-	-	108,406,205	108,406,205	(116,376,146)	108,406,205
Changes in financial assumptions	-	-	-	-	(120,768,625)	-
Return (loss) on plan asset excluding interest	893,567	934,044	-	-	(893,567)	(934,044)
	893,567	934,044	108,406,205	108,406,205	(238,038,338)	107,472,161
Others						
Contributions	55,966,136	166,150,167	-	-	(55,966,136)	(166,150,167)
Benefits paid	(55,966,136)	(166,150,167)	(166,150,167)	(166,150,167)	-	-
	-	-	(166,150,167)	(166,150,167)	(55,966,136)	(166,150,167)
Balance at end of period	P391,379,075	P378,928,198	P3,499,579,667	P3,331,223,247	P2,872,833,647	P2,952,295,049

Plan assets consist of the following:

	June 30, 2025	December 31, 2024
Deposits in banks	0.00%	0.02%
Debt securities	71.93%	72.86%
Equity securities	24.37%	23.29%
Investment in unit investment trust fund	2.61%	2.83%
Other assets	1.09%	1.00%
	100%	100%

The retirement benefits cost under “Salaries, wages and employees’ benefits” in the consolidated statements of income is recognized as follows:

	June 30, 2025	December 31, 2024
Current service cost	P107,068,343	P201,282,276
Interest cost	87,377,986	155,991,518
Interest Income of plan asset	(9,939,287)	(18,689,513)
	P184,507,042	P338,584,281

The retirement benefits cost under “Intangible asset - net” in the consolidated statements of financial position is recognized as follows:

	June 30, 2025	December 31, 2024
Current service cost	P17,429,730	P32,766,882
Interest cost	14,224,323	25,393,968
Interest income of plan asset	(1,618,023)	(3,042,479)
	P30,036,030	P55,118,371

Actuarial Assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as percentages under weighted averages):

	June 30, 2025	December 31, 2024
Discount rate	6.60%	6.10%
Future salary growth	5.00%	5.00%

Assumptions regarding future mortality have been based on published statistics and mortality tables.

The mortality and the disability rate used in the valuation were based on 100% of the 1985 Unisex Annuity Table and 100% of the 1952 Disability Table, respectively. The discount rate assumed was based on single-weighted present value approach using bootstrapped-derived zero rates from BVAL index.

The weighted average duration of the defined benefit liability as at June 30, 2025 and 2024 is 11 years.

Assumptions and Relevant Information

Sensitivity Analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarizes how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions by 1%.

	June 30, 2025	
	1% Increase	1% Decrease
Discount rate	(P216,583,609)	P250,968,195
Salary increase rate	234,250,505	(205,557,736)

	December 31, 2024	
	1% Increase	1% Decrease
Discount rate	(P230,768,076)	P268,419,696
Salary increase rate	249,887,076	(218,769,587)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

This defined benefit plan exposes the Group to actuarial risks, such as interest rate risk, longevity and salary risk.

The Group plans to make additional funding in 2025, subject to the approval of the Management.

24. Financial Instruments

The accounting policies for financial instruments classified under loans and receivables have been applied to the line items below:

	<i>Note</i>	June 30, 2025	December 31, 2024
Current assets:			
Cash and cash equivalents	11	P13,209,534,015	P8,962,528,586
Accrued power receivables	12	8,318,716,035	735,612,165
Power receivables	12	4,455,116,246	4,468,438,966
Due from customers	12	8,477,025,844	7,124,141,542
Restructured power receivables	12	4,833,981	11,666,554
Interest receivable	12	2,885,840	3,507,901
Due from officers and employees and other receivables	12	332,114,917	229,503,291
Total current financial assets		34,800,226,878	21,535,399,005
Noncurrent assets:			
Accrued power receivables		24,029,850,053	18,507,913,333
Restructured power receivables		1,514,301,339	1,496,372,425
Power receivables		132,379,059	126,594,475
Due from customers		445,010,642	439,437,957
Other noncurrent account receivable		1,189,155,736	1,412,909,900
Total noncurrent financial assets	12	27,310,696,829	21,983,228,090
Total financial assets		P62,110,923,707	P43,518,627,095

Details of movements of allowance for impairment losses are as follows:

	June 30, 2025	December 31, 2024
Balance at beginning of period	P2,136,138,659	P2,071,468,659
Provision for impairment losses on receivables during the period	32,335,000	64,670,000
Balance at end of period	P2,168,473,659	P2,136,138,659

Trade and other current payables, concession fee payable, loans payable, customers' and other deposits and other current liabilities in the consolidated statements of financial position as at December 31, 2025 and 2024 are designated as other financial liabilities. Except for concession fee payable and loans payable, the balances disclosed are the contractual undiscounted cash flows which equal their carrying amounts, as the impact of discounting is not significant.

Financial Risk Management

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group's BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. The BOD has delegated to management the responsibility of developing and monitoring the Group's risk management policies.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practices.

The BOD oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

The Group has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital.

Credit Risk

Credit risk represents the risk of loss the Group would incur if counterparties failed to perform their contractual obligations. The Group has established controls and procedures in its credit policy to determine and to monitor the credit worthiness of customers and counterparties. The carrying amount of each financial asset represents the Group's maximum credit exposure.

The Group's aging per class of financial assets is as follows:

	Neither Past Due nor Impaired	Past Due but not Impaired			Past Due and Impaired	Total
		1 to 30 Days	31 to 60 Days	More than 60 Days		
June 30, 2025						
Cash and Cash Equivalents						
Cash in banks	P7,281,836,241	P -	P -	P -	P -	P7,281,836,241
Short-term placements	5,900,251,813	-	-	-	-	5,900,251,813
Receivables						
<i>Accrued</i>						
Power receivables	36,757,485,611	46,168,977	-	-	132,406,805	36,936,061,393
Due from customers	6,670,299,271	411,438,795	306,682,982	916,953,891	616,661,547	8,922,036,486
Due from officers and employees and other receivables	296,757,430	1,309,206	190,269	31,839,683	2,018,329	332,114,917
Restructured power receivables	1,800,000	-	-	100,259,700	1,417,075,620	1,519,135,320
Interest receivable	1,971,721	584,899	177	17,685	311,358	2,885,840
Other noncurrent accounts receivable	1,189,155,736	-	-	-	-	1,189,155,736
	P58,099,557,823	459,501,877	306,873,428	1,049,070,959	2,168,473,659	62,083,477,746

	Neither Past Due nor Impaired	Past Due but not Impaired			Past Due and Impaired	Total
		1 to 30 Days	31 to 60 Days	More than 60 Days		
December 31, 2024						
Cash and Cash Equivalents						
Cash in banks	P4,702,607,668	P -	P -	P -	P -	P4,702,607,668
Short-term placements	4,231,805,635	-	-	-	-	4,231,805,635
Receivables						
Accrued						
Power receivables	23,663,021,776	48,914,943	-	-	126,622,220	23,838,558,939
Due from customers	5,506,338,987	415,172,868	367,369,509	767,257,326	507,440,809	7,563,579,499
Due from officers and employees and other receivables	220,607,982	2,224,504	433,590	4,218,886	2,018,329	229,503,291
Restructured power receivables	6,396,702	-	-	1,900,253	1,499,742,024	1,508,038,979
Interest receivable	3,176,747	4,890	5,512	5,475	315,277	3,507,901
Other accounts receivable	1,412,909,900	-	-	-	-	1,412,909,900
	P39,746,865,397	P466,317,205	P367,808,611	P773,381,940	P2,136,138,659	P43,490,511,812

The Group generally applies lifetime ECL, except for cash and cash equivalents, to financial assets which substantially comprise power receivables and other short-term balances. The Group applies 12-month ECL on cash and cash equivalents.

Credit Risk Concentration. The Group's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of receivables is its carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of customers. The Group does not execute any credit guarantee in favor of any counterparty.

Credit Quality. In monitoring and controlling credit extended to counterparty, the Group adopts a comprehensive credit rating system based on financial and non-financial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the non-financial aspects include, but are not limited to, the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Group.

a) Cash in banks and Short-term Placements

Cash in banks and short-term placements are deposited to banks that qualify as universal and commercial banks as defined by the Philippine Banking System.

b) Receivables Neither Past Due nor Impaired

These refer to accounts of satisfactory financial capability, credit standing and collectability.

c) Receivables Past Due but not Impaired

Past due but not impaired receivables consist mainly of trade receivables which are currently being negotiated for collection with third party customers. Management believes that no provision for impairment losses is required for these receivables as at June 30, 2025 and December 31, 2024.

d) Past Due and Impaired Accounts

Receivables with an aggregate nominal value of P2.17 billion and P2.14 billion as at June 30, 2025 and 2024, respectively, were assessed to be impaired and hence, provided with allowance. There is a high concentration of credit risk with respect to these customers. These refer to accounts from customers in default due to financial difficulties without clear indication of recoverability and disputed charges already decided by ERC in favor of the customers. These accounts are in default and assessed as delinquent.

Cash and Cash Equivalents

The Group does not expect material ECL on cash in banks and cash equivalents as these financial assets are deposited with universal and commercial banks with good credit ratings and are either payable on demand or have very short maturities.

Receivables and Contract Assets

The Group estimates ECL for power receivables, due from customers, and accrued transmission revenue by applying both collective assessment and assessment of specific customers, considering what is appropriate under the circumstances.

For the collective assessment, the Group used a provision matrix to separate customer segments sharing common credit risk characteristics. ECLs are calculated based on the probability of a receivable progressing through successive stages of delinquency until finally determined uncollectible. Loss rates are based on the actual credit loss experience over twelve (12) months. The Group has assessed and currently does not expect that the effects of any adjustment for forecasts of future economic conditions could be material considering that power receivables have short credit terms and ordinarily collected substantially within one month. The collective assessment excludes specific customer balances with circumstances that are deemed not representative of the credit risk exposure of a group.

For specific customers that are separately assessed, circumstances specific to the customer are considered in estimating cash flows for ECL measurement, including historical experience with the customer, its current financial condition, and where billing disputes are involved, the status of ERC cases and court cases.

The Group assessed that no material ECL is required for current receivables as at June 30, 2025 and December 31, 2024. As at June 30, 2025, the Group through NGCP, recognized total impairment allowance amounting to P2.17 billion attributable to and covers substantially all noncurrent receivables. There is no material difference between the estimated ECL provision required for the period ended June 30, 2025 and the P32.34 million recognized by the Group based on the forecast bad debts provided in the Final Determination approved by ERC.

Liquidity Risk

Liquidity risk is the risk that the Group will have difficulty in meeting its financial obligations as they fall due.

As part of the Group's prudent liquidity risk management policies and procedures, management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows. Financing requirements for working capital, loan repayments, and capital expenditures are reviewed on a monthly basis. Results of management's review are reported to the Board on a regular basis.

The Group's ability to make payments on its indebtedness and to fund its operations depend on its future performance and financial results, which to a certain extent, are subject to general economic, financial, competitive and interest rate environment that are beyond its control. The Group projects monthly cash flows from operating, investing and financing activities and evaluates actual cash flow information to ensure that the immediate requirements of the Group are attended to.

The contractual maturities of financial liabilities including estimated payments as at June 30, 2025 and December 31, 2024 are as follows:

	Note	As at June 30, 2025			
		Carrying Amount	Contractual Cash Flow	Less than 1 Year	More than 1 Year
Non-derivative financial liabilities:					
Trade and other current payables*	15	P38,505,834,870	P38,505,834,870	P38,545,834,870	P -
Concession fee payable	5	45,347,869,597	45,347,869,597	4,792,864,266	40,555,005,331
Loans payable (current and noncurrent)	14	225,433,294,340	286,094,636,333	38,169,307,665	247,925,328,668
Customers' and other deposits		4,520,302,696	4,520,302,696	-	4,520,302,696
Other current liabilities**	16	18,633,337,768	18,633,337,768	18,633,337,768	-
Other noncurrent liabilities**	16	329,543,896	329,543,896	-	329,543,896
		P332,770,183,167	P393,431,525,160	P100,101,344,569	P293,330,180,591

*excluding due to government agencies and others.

**excluding advances for construction and deferred tax liability.

		As at December 31, 2024			
	Note	Carrying Amount	Contractual Cash Flow	Less than 1 Year	More than 1 Year
Non-derivative financial liabilities:					
Trade and other current payables*	15	P36,638,539,681	P36,638,539,681	P36,638,539,681	P -
Concession fee payable	5	49,894,945,953	49,894,945,953	9,339,940,622	40,555,005,331
Loans payable (current and noncurrent)	14	220,182,769,442	283,096,574,177	36,507,748,472	246,588,825,705
Customers' and other deposits		529,046,209	529,046,209	-	529,046,209
Other current liabilities**	16	18,043,421,098	18,043,421,098	18,043,421,098	-
Other noncurrent liabilities**	16	339,168,312	339,168,312	-	339,168,312
		P325,627,890,695	P388,541,695,430	P100,529,649,873	P288,012,045,557

*excluding due to government agencies and others.

**excluding advances for construction.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return. The Group is subject to various risks, including foreign currency and interest rates.

Foreign Currency Exchange Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's foreign currency exchange risk for the periods ended June 30, 2025 and December 31, 2024 pertains to its cash in banks, prepaid expenses and other current assets, trade and other liabilities denominated in US dollar, Euro, NZD, JPY and IDR.

The Group regularly monitors outstanding financial assets and liabilities in foreign currencies and maintains them at a level responsive to the current exchange rates so as to minimize the risks related to these foreign currency denominated assets and liabilities.

Information on the Group's foreign currency denominated assets and liabilities and their Philippine peso equivalent are as follows:

		June 30, 2025				
		U.S. Dollar	Euro	NZD	JPY	IDR
Assets						
Cash and cash equivalents		9,174,237	-	-	-	-
Advance payment to suppliers and contractors		76,676,674	312,170	-	-	-
		85,850,911	312,170	-	-	-
Liabilities						
Accounts payable and accrued expenses*		(538,593,935)	(5,090,540)	(3,261)	(626,040,450)	(27,500,000)
Net foreign currency-denominated liabilities		(452,743,024)	(4,778,370)	(3,261)	(626,040,450)	(27,500,000)
						(26,179,273,125)

		December 31, 2024				
		U.S. Dollar	Euro	NZD	JPY	IDR
Assets						
Cash and cash equivalents		530,285	-	-	-	-
Advance payment to suppliers and contractors		93,189,480	344,162	-	-	-
		93,719,765	344,162	-	-	-
Liabilities						
Accounts payable and accrued expenses*		(494,641,878)	(4,619,208)	(3,261)	(626,040,450)	(27,500,000)
Net foreign currency-denominated liabilities		(400,922,113)	(4,275,046)	(3,261)	(626,040,450)	(27,500,000)
						(5,375)

With the translation of these foreign currency denominated assets and liabilities, the Group reported net foreign exchange gain (loss) of P339.36 million and (P454.25) million in June 30, 2025 and 2024, respectively.

The following are the closing exchange rates applied as at June 30, 2025 and December 31, 2024:

	USD	Euro	NZD	JPY	IDR
June 30, 2025	56.581	66.3808	34.2711	0.3917	0.0035
December 31, 2024	58.014	60.4738	32.6213	0.3672	0.0036

Sensitivity Analysis. The following table demonstrates the sensitivity to a reasonably possible change in the exchange rates, with all other variables held constant, of the Group's net income and equity:

June 30, 2025			
	Strengthening/ Weakening of the Philippine Peso	Effect on Profit	Effect on Equity
US Dollar	+10%	2,561,665,302.85	(2,561,665,302.85)
	-10%	(2,561,665,302.85)	2,561,665,302.85
JPY	+10%	24,522,004.43	(24,522,004.43)
	-10%	(24,522,004.43)	24,522,004.43
NZD	+10%	11,176.01	(11,176.01)
	-10%	(11,176.01)	11,176.01
EURO	+10%	31,719,204.19	(31,719,204.19)
	-10%	(31,719,204.19)	31,719,204.19
IDR	+10%	9,625.00	(9,625.00)
	-10%	(9,625.00)	9,625.00
CHF	+10%	2,561,665,302.85	(2,561,665,302.85)
	-10%	(2,561,665,302.85)	2,561,665,302.85

December 31, 2024			
	Strengthening/ Weakening of the Philippine Peso	Effect on Profit	Effect on Equity
US Dollar	+10%	2,325,909,549	2,325,909,549
	-10%	(2,325,909,549)	(2,325,909,549)
JPY	+10%	22,988,205	22,988,205
	-10%	(22,988,205)	(22,988,205)
NZD	+10%	10,638	10,638
	-10%	(10,638)	(10,638)
EURO	+10%	25,852,832	25,852,832
	-10%	(25,852,832)	(25,852,832)
IDR	+10%	9,900	9,900
	-10%	(9,900)	(9,900)
CHF	+10%	34,697	34,697
	-10%	(34,697)	(34,697)

Interest Rate Risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group manages its interest cost by using an optimal combination of fixed and variable rate debt instruments. The management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up rates charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.

Capital Management

Management's objectives in managing capital are to safeguard the ability of the Group to operate as a going concern, ensure that it has sufficient cash flows to service long-term debt, and to satisfy both maturing short-term debt and upcoming operational expenses, thereby providing returns to shareholders and other stakeholders.

Capital is defined as the Group's capital stock, additional paid-in capital and retained earnings.

Management uses debt-to-equity ratio to monitor and review, on a regular basis, the Group's capital.

There were no changes in the Group's approach to capital management during the period.

The Group, through NGCP has to meet Debt to Equity Ratio required by the concession agreement. For the periods ended June 30, 2025 and December 31, 2024, the Group is in compliance with these requirements.

Fair Values

The Group analyzes financial instruments carried at fair value by valuation method as at June 30, 2025 and December 31, 2024. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are not based on observable market data.

As at June 30, 2025 and December 31, 2024, the Group has no financial instruments valued based on Levels 1 and 3 and has not introduced any movement among Levels 1, 2 and 3 classifications.

The following summarizes the major methods and assumptions used in determining the fair values of financial instruments:

Cash and Cash Equivalents, Receivables, Trade and Other Current Payables and Other Current Liabilities. The carrying amounts of these financial assets and financial liabilities approximate fair values primarily due to the relative short-term nature/maturities of these financial instruments.

Receivables - Net of Current Portion and Customers and Other Deposits. These accounts are reported at their carrying amounts which approximates its amortized cost as the impact of discounting is immaterial. Carrying amounts approximates the cash amounts that would be settled at reporting date.

Concession Fee Payable and Loans Payable. The carrying value of interest-bearing concession fee payable and loans payable is the present value which approximates the cash amount that would be fully settled as at reporting date. These are classified as current liabilities when they become payable within twelve (12) months from the reporting date.

25. Contingencies

The Group, in the ordinary course of business, is a party to certain cases or claims under protest pending with administrative bodies or the courts, including but not limited to those set out below, the outcome of which are not presently determinable.

a. Civil Cases

NGCP is a defendant in an Arbitration case filed by Kalpataru Power Transmission Limited (KPTL) before the Construction Industry Arbitration Commission (CIAC) where the Arbitral Tribunal awarded damages in favor of KPTL, as follows:

PROJECT	DAMAGES		
	PHP	USD	INR
Abaga-Kirahon	28,749,664	93,041	1,329,869
Kirahon-Maramag	16,658,168	77,369	2,333,347
Ormoc-Babatngon	27,053,362	-	394,743

Moreover, the Arbitral Tribunal also directed NGCP to release the Retention Money previously withheld by NGCP from the payments to KPTL, as follows:

PROJECT	RETENTION MONEY	
	PHP	USD
Abaga-Kirahon	30,000,000	2,000,000
Kirahon-Maramag	21,929,714	143,563

NGCP filed a Petition for Review with the Court of Appeals assailing the erroneous award and also posted a bond before the CIAC in an amount equal to the award in order to restrain the implementation of the Final Award pending the resolution of NGCP's Petition. In its Decision dated June 29, 2018, the Court of Appeals deleted all the actual damages granted by the Arbitral Tribunal in favor of Kalpataru but ordered NGCP to release the retention money to Kalpataru. The June 29, 2018, Decision of the Court of Appeals is now subject of separate Petitions for review by NGCP and Kalpataru before the Supreme Court which is pending resolution.

In a case involving customer High Street (SPV-AMC), Inc., (High Street) concerning the manner of calculating the transmission charge of High Street, NGCP filed on March 10, 2022 a Motion (to remand the Case) before the Supreme Court requesting that case be remanded to the Energy Regulatory Commission (ERC) for proper disposition, particularly, on the implementation and computation of the billing due from High Street consistent with the Decision and Resolution of the Court of Appeals, as affirmed by the Supreme Court, declaring the non-coincident peak demand (NCPD) as the correct billing determinant in the computation of transmission charges of High Street, Inc. Consequently, on September 9, 2022, NGCP filed with the Supreme Court a Reiteratory Motion praying that case be remanded to the ERC to implement and compute the billing due from High Street. On November 2, 2022, the 1st Indorsement of the Supreme Court to the Court of Appeals - the case was remanded to CA on June 14, 2021. And on December 12, 2022, NGCP received the CA letter transmitting the records of the case to ERC for proper disposition. Hence, on March 9, 2023, NGCP filed with the ERC its Motion to Set the Case for hearing to finally determine the billings of High Street in relation to the Supreme Court ruling. Said motion is pending action by the ERC.

NGCP is the Plaintiff in the case of NGCP vs Posadas docketed as Civil Case No. 14-2547-M for Quieting of Title with Prayer for the issuance of Writ of Preliminary Injunction and/or TRO filed before the RTC Branch 80 of Morong Rizal. On 30 June 2022, NGCP received the hard copy of the Decision dated June 20, 2022, dismissing the quieting of title, partially granting counterclaims of defendants such as P500,000.00 temperate damages, P100,000.00 exemplary damages, P25,000.00 Attorney's fees and setting aside the writ of preliminary injunction case of NGCP. On July 15, 2022, NGCP through external counsel filed a Motion for Reconsideration of the Decision dated June 20, 2022. On August 23, 2022, NGCP received the Order dated August 12, 2022, denying NGCP's Motion for Reconsideration dated July 15, 2022. On August 26, 2022, NGCP filed a Notice of Appeal assailing the Decision dated June 20, 2022. RTC gave due course to the Notice of Appeal and transmitted the records to the CA. NGCP is still waiting for the CA's action on the appeal.

NGCP is the Plaintiff in the case of NGCP vs Bulcio et al. docketed as Civil Case No. 19-CV-3500 for the issuance of Writ of Preliminary Injunction with TRO filed before the RTC Branch 10 of La Trinidad, Benguet. Defendants prayed for the dismissal of the complaint as well as P50,000.00 for moral damages, P500,000.00 for exemplary damages and P20,000.00 cost of litigation expenses. On April 27, 2022, NGCP received the Memorandum of defendants. On May 18, 2023, NGCP received the decision dismissing the complaint. On July 14, 2023, NGCP received a resolution denying MR of NGCP. On August 08, 2023, NGCP received an order finding the Notice of Appeal by NGCP filed within the reglementary period and immediately transmitting records of the case to CA. On 31 January 2025, NGCP filed its Appellant's Brief. On 31 March 2025, NGCP received Appellee's Brief. NGCP will file its Reply-Brief. On 15 April 2025, NGCP filed its Reply-Brief.

NGCP is the Plaintiff in the case of NGCP v. Consolidated Mines, Inc. and Benguet Corporation, docketed as Civil Case No. R-QZN-13-04310-CV for Breach of Contract, Collection of Sum of Money with Damages with Prayer for Issuance of Writ of Attachment. On 3 August 2018, the RTC issued a Decision directing CMI and Benguet to pay NGCP the principal amount of P8,929,397.69. NGCP was able to garnish P16,132,404.96 from Benguet Corporation. Consolidated Mines Inc. appealed to the Court of Appeals, and, upon denial of its Petition therein, to the Supreme Court. The Supreme Court similarly denied Consolidated Mines Inc.'s appeal, and the case was remanded to the RTC for execution. Consolidated Mines Inc. submitted a Compromise Settlement Proposal to NGCP, which was accepted. The payment of the settlement amount is currently ongoing, while the Writ of Execution of the Judgment is held in abeyance pending full settlement of the compromise amount.

NGCP is the Defendant in the case of Melanie Villaraos vs NGCP docketed as Civil Case No. II-6665 for Damages based on Quasi-delict before the RTC Branch 08 of Aparri, Cagayan. Plaintiff prayed for incurred medical and other related expenses in the total amount of P8.02 million consisting of P1,050.00, funeral expenses of P92,700.00, Loss of earning capacity of P6.42 million, P1.00 million for moral damages, and P500,000.00 for exemplary damages. On 12 March 2025, NGCP, through its external counsel, received a copy of the Decision in favor of the plaintiff and ordering NGCP to pay total amount of Php6,580,560.27 as damages. NGCP filed Motion for Reconsideration on 27 March 2025. NGCP is still waiting for RTC Resolution to the Motion for Reconsideration. On 04 April 2025, the RTC denied the Motion for Reconsideration. On 29 April 2025, NGCP, through its retainer, filed of Notice of Appeal. RTC gave due course to the Notice of Appeal and transmitted the records to the CA. NGCP is still waiting for the CA's action on the appeal.

NGCP is the Defendant in the case of Leonardo San Pedro vs NGCP represented by Rodolfo Ilarde Jr. docketed as Civil Case No. 3333 for Removal of Structures and Damages before the MTCC Branch 03 of Tuguegarao City, Cagayan. Plaintiff prayed for the removal of electrical posts and payment of P50,000.00 cost of litigation expenses, P50,000.00 for Attorney's Fee and P50,000.00 for exemplary damages as well as payment of the cost of suit. During trial, the Plaintiff moved for amendment of the Complaint to which the Court granted. In the Amended Complaint dated May 15, 2024, the Plaintiff included another parcel of land on which he claims the structures are erected and amended the prayer for cost of litigation expenses to P100,000.00. Accordingly, NGCP also filed its Amended Answer. On August 21, 2024, the Plaintiff submitted an Offer of Compromise allowing the retention of the structures within his property subject to the payment of just compensation amounting to Php1,000,000. NGCP did not accept the proposal since it was the Plaintiff who requested TransCo in 2005 to relocate the poles in their current location and that such request is covered by a Memorandum of Agreement. Moreover, in the relocation of poles, ROW Grants were executed and duly annotated in the Titles. The presentation for the evidence of the plaintiff was terminated on 16 October 2024. Trial is still ongoing with the next hearing set for presentation of witness of NGCP.

NGCP is the Plaintiff in the case of NGCP vs Sps. Manolo Hernal and Mildred Villaroman-Hernal docketed as Civil Case No. 6740-AF for the issuance of Writ of Preliminary Injunction with TRO filed before the RTC Branch 30, Cabanatuan City. In a Decision dated January 25, 2024, NGCP is ordered to pay just compensation in the total amount of P19.61 million. NGCP filed MR which the court denied hence, NGCP filed Notice of Appeal. RTC gave due course to the Notice of Appeal and transmitted the records to the CA. NGCP is still waiting for the CA's action on the appeal.

NGCP is the Defendant in the case of Heirs of Miguel D. Guansing Et. Al. vs TRANSCO and NGCP docketed as Civil Case No. 180-M-2021 for Inverse Condemnation before the RTC Branch 19 of Malolos, Bulacan. Plaintiffs prayed for payment of just compensation for the alleged area occupied by the transmission lines and Attorney's fees of P50,000.00 including all litigation expenses and cost of suit. The case is set for Pre-trial on 20 May 2024 per order received on 05 April 2024. Received on 19 June 2024 is the Order resetting the pre-trial on 19 August 2024 and requiring the counsel for NGCP to put into writing the motion she orally raised during the hearing on 20 May 2024 (i.e. dropping of NGCP as defendant). On 16 August 2024, NGCP received an Order denying the Motion to drop NGCP as defendant in the above subject case. Trial is still ongoing with the next hearing set for presentation of witness of the plaintiff. On 27 May 2025, TransCo deposited Php160,933,800 as provisional deposit and moved for the issuance of Writ of Possession. On 9 June 2025, the RTC ordered the issuance of Writ of Possession in favor of Transco and/or NGCP. The RTC likewise noted the manifestation of the parties to adopt the report of the commissioners as to the determination of just compensation. The commissioners have yet submitted their reports.

NGCP is the Defendant in the case of Angel Tan Chua vs NPC, PSALM, NTC and NGCP docketed as Civil Case No 352-M-2022 for Just Compensation before the RTC Branch 15 of Malolos Bulacan. Plaintiff prayed for just compensation for the alleged affected total area of 37,261 square meters and consequential damages of no less than P1.00 billion, P500,000.00 for exemplary damages, P200,000.00 for attorney's fees and the cost of litigation. The case is set for pre-trial. The commissioners have been nominated by the parties for the purpose of determining just compensation. Commissioner Ernesto Borja and Gina De Guzman have submitted their reports. However, in an Order dated 20 May 2024, the Court ordered the commissioners to submit further report. Commissioner Gina De Guzman submitted her further report on 17 June 2024. In an Order dated 27 December 2024, the court waived the further report from commissioner Ernesto Borja so as not to delay the resolution of the case. In the same Order, the court ordered the parties to comment on the further report of commissioner Gina De Guzman within 30 days from the receipt of the Order. The comment to the report was submitted to the court on January 20, 2025.

NGCP is the Defendant in the case of American Technologies, Inc. v. NGCP, docketed as R-MND-24-00551-CV for Specific Performance with Damages before RTC Branch 213 of Mandaluyong. Plaintiff prayed for the return of 99 GPS units that NGCP previously leased, or, in the alternative, the payment of the value of the said GPS units, and the payment of Php100,000.00 exemplary damages, Php30,000.00 attorney's fees, Php5,000.00 additional attorney's fees per appearance of plaintiff's counsel, and the costs of litigation. The case is set for Court-Annexed Mediation and Pre-Trial Conference. NGCP offered to pay for the unreturned GPS, and ATI accepted such settlement offer. NGCP has already paid the amount of Php370,000.00 to ATI, and the parties have already signed a Compromise Agreement. A Motion to Render Judgment based on Compromise is set to be filed for the dismissal of the case with prejudice.

NGCP is the Defendant in the case of Palisoc et.al. v. TransCo and NGCP docketed as Special Civil Action Case No. 143-R for Inverse Condemnation before the RTC, Branch 53 of Rosales, Pangasinan. Plaintiffs prayed for just compensation in consonance with RA No. 10752 and attorney's fees amounting to P60,000, appearance fee of P15,000 for every hearing of this case as well as litigation expenses and cost of suit. NGCP filed Motion for Extension of Time to file Answer on 6 March 2025.

NGCP is Defendant in the case of Ester Untalan, et. al. vs. TransCo and NGCP docketed as Civil Case No. 1757-R for Inverse Condemnation before RTC, Branch 53 of Rosales, Pangasinan. Plaintiffs prayed for just compensation in consonance with RA No. 10752 and attorney's fees amounting to P80,000, appearance fee of P25,000 for every hearing of this case as well as litigation expenses and cost of suit. NGCP filed its Answer on 18 June 2025.

NGCP is Defendant in the case of Felicidad E. Rapisura vs. Spouses Mario Donato and Jeneleine Alfonso-Donato, NGCP, et. al., docketed as Civil Case No. Sm-1341 for Annulment of Land Title/Tax Declaration/ Deed of Quitclaim and Waiver of Rights/Other Documents, Reconveyance and Damages before 7th Municipal Circuit Trial Court of Asingan-San Manuel, Pangasinan. The Plaintiff impleaded NGCP as an indispensable and necessary party and prayed that NGCP will be ordered to transact business with the plaintiff and pay just compensation for the use and utilization of subject property. On 25 June 2025, NGCP received the Answer of Defendant Spouses Donato with a Crossclaim against NGCP for indemnity for any judgement, damages, or liabilities that may be adjudged against them. NGCP is drafting its Answer to the Complaint and Answer to the Crossclaim.

NGCP is the Respondent in the case of Phirst Park Homes, Inc. vs NGCP Et Al. docketed as Civil Case No. 57-M-2023 for Indirect Contempt before the RTC Branch 82 of Malolos, Bulacan. Plaintiff prays to impose appropriate fines and imprisonment in accordance with law against respondents. The case was transferred and consolidated to under Civil Case No. 221-M-2022 before the RTC, Br. 12 (121) Meycauayan Bulacan, where the case for expropriation is being heard. In a Resolution dated February 28, 2024, the Supreme Court dismissed the Petition for Prohibition w/ Urgent Prayer of Issuance of a TRO and WPI. Accordingly, the TRO issued by the Court on July 3, 2023 is lifted.

NGCP is the defendant in the case of Edgardo LL. Padilla vs TransCo and NGCP, docketed as Special Civil Action No.: 24-8621 for Inverse Condemnation, with Interest and Damages before the RTC Branch 5 of Iligan City. Plaintiff prays for the payment of true and fair market value of the land and the damaged improvements thereon, to have a provisional deposit related to the land affected by the transmission line project pursuant to Section 6 of Republic Act No. 10752 and consequential damages in the amount of Php2,000,000.00 and recovery of costs of litigation and attorney's fees in the amount of Php200,000.00. Pre -Jtrial conference is on 29 April 2025. Still on mediation stage. Plaintiff's lawyer requested for extension of time to submit compromise agreement between Transco and Atty. Edgardo Padilla.

NGCP is the defendant in the case of Aissah M. Tomawis and Aga Khan M. Tomawis represented by Acmad M. Tomawis vs TransCo and NGCP, docketed as Civi Case No. 2379-MTCC for Recovery of Ownership and Possession with Damages before the MTCC Branch 1, Ozamis City. Plaintiff prays that defendant to immediately vacate or surrender its possession and use of a portion of Lot No. 4191-A to the plaintiffs, to reimburse the plaintiffs Php50,000.00 for legal consultation expenses and Php25,000.00 for court fees and other amount litigation expenses, to reimburse plaintiffs Php150,000.00 for attorney's fees, to pay moral and exemplary damages in the amount of at least Php50,000.00 and directing for the installation and restoration of plaintiff's to the peaceful possession and enjoyment of Lot No. 4191-A. Endorsed to retained counsel Atty. Edgardo B. Prospero to handle the case. Pre-trial conference on July 23, 2025 @ 2:00 o'clock in the afternoon.

NGCP is the defendant in the case of Jessica Morandarte represented by Lea M. Bustalino and Renan Morandarte, docketed as Civil Case No. 255 for Recovery of Possession, Payment of Rental and Damages before the MTC of Polanco, Zamboanga del Norte. Plaintiff prays for a rental from 2012 until final turn-over of the possession of the subject portion of land, moral damages, attorney's fee in the amount of Php30,000.00, filing fees and other litigation expense, and exemplary damages. Filed Answer on 13 June 2025. For endorsement to retained counsel.

There are several other cases for ejectment, damages, recovery of possession, inverse condemnation and other cases which are civil in nature filed by and against the NGCP and pending with the different courts and quasi-judicial bodies nationwide. The total estimated amount of claim against NGCP for these civil cases is P566 million.

b. Revenue Applications

On December 22, 2022, NGCP filed its revenue application for the 4th Regulatory Period (2016-2020). In the Application, NGCP proposed its Annual Revenue Requirement for the years 2016 to 2020 for the ERC's approval. The Application is already submitted for resolution as of date.

On March 30, 2023, NGCP filed its revenue application for the 5th Regulatory Period (2021-2025). While NGCP has already submitted its evidence, presented its witnesses, and submitted various data and information in compliance with ERC orders, the Application is still under evaluation by the ERC.

On December 4, 2023, NGCP also filed a Petition with the Supreme Court seeking for the nullification of Art. IV of the 2022 Rules for Setting of Transmission Wheeling Rates. The Petition will have an impact on the on-going 4th and 5th RP applications. The Supreme Court issued a Resolution dated August 19, 2024 directing the ERC, through the Office of the Solicitor General (OSG) to file its Comment on the Petition. The ERC, through the OSG filed its Comment on April 15, 2025.

While the 4th RP Final Determination (FD) is yet to be issued, on April 11, 2025, the ERC released a notice informing the public of a resolution to adopt the following parameters in relation to the determination of the final rate for the 4th RP of NGCP:

Net Efficiency Adjustment	zero (0)
WACC	11.33%
Approach	As spent

Subsequently, on April 15, 2025, ERC posted in its official website a Notice of Commission Action in relation to NGCP's 4th RP Revenue Application wherein the Honorable Commission resolved to approve the basic Maximum Allowable Revenue (MAR) adjustment (increase) of PhP 0.0629/kWh, and an Under Recovery of PhP 0.0384/kWh with a recovery period of eighty-four (84) months, and a MAR for 2016 to 2022 in the amount of PhP335,788.65Million.

On 7 July 2024, NGCP received the ERC's Decision for the 4th Regulatory Period, which included the release of the 4th RP FD and affirmed the figures stated in the Notice of Commission Action.

c. Show Cause Orders

There are also forty-seven (47) pending cases arising from show cause orders (SCOs) issued by the ERC. These SCOs involve allegations of possible violations of the Philippine Grid Code (PGC), the Ancillary Services Procurement Plan (ASPP), the 2021 DOE AS-CSP Circular, the Rules for Setting Transmission Wheeling Rates (RTWR), Commonwealth Act No. 146, and the Republic Act No. 9136, and various ERC Orders and Decisions involving CAPEX applications.

In one SCO (ERC Case No. 2022-129 to 131 SC), after NGCP has filed its Explanation, the ERC issued a Decision and ruled that NGCP violated the 2021 DOE AS-CSP Circular and meted out a penalty in the amount of P5.10 million. NGCP timely filed a Motion for Partial Reconsideration of the Decision and paid the penalty imposed with reservation. Said motion is pending resolution. However, on May 17, 2023, NGCP received Order stating that Commissioner did not receive the NGCP's Motion for Reconsideration of the Decision dated October 27, 2022 and that the said case is being closed and terminated. NGCP filed on the following day, May 18, 2023, the Urgent Motion to Withdraw/Recall the said Order. This case is still pending for Resolution.

NGCP has also timely filed its Explanations on various dates for the other SCOs which are pending resolution.

[ERC CASE NO. 2024-010 MC]

In the February 06, 2024, Order of the ERC (ERC Case No. 2024-010MC), the ERC commenced its investigation on the January 02, 2024, Panay Sub-Grid Blackout Incident. Hearings were conducted attended by NGCP, the Generators located in Panay, and the interim Grid Management Committee. The result of the investigation is still pending with ERC.

[ERC CASE NO. 2023-196 TO 232 SC]

For the SCOs on the alleged delayed implementation of thirty-seven (37) CAPEX projects (ERC Case No. 2023-196 to 232 SC), NGCP timely filed its written Explanations on July 29, 2023, through a Compliance [Submission of Written Justifications in compliance with the Order dated June 14, 2023] dated July 28, 2023.

In 2024, the ERC conducted clarificatory hearings on ten (10) of the 37 SCOs. On 30 August 2024, NGCP received the Decision dated June 25, 2024 on the above-mentioned 10 SCOs (ERC Case No. 2023-197 et al.) where NGCP was declared administratively liable for violation of the Orders and Decision of the Commission in seven out of the ten SCOs. NGCP was ordered to pay the total administrative penalty of Three Million Five Hundred Thousand Pesos. NGCP filed the Motion for Partial Reconsideration to the 25 June Decision 2024 on September 16, 2024. In addition, on October 02, 2024 NGCP received an Order where NGCP's Motion for Confidential Treatment of Information is denied.

On November 26, 2024, NGCP received the ERC's Decision (ERC Case No. 2023-196 to 232SC) dated January 16, 2024 where NGCP was declared administratively liable for violation of the remaining twenty-seven (27) Orders and Decisions of the Commission and was ordered to pay the aggregate administrative penalty of Twelve Million Three Hundred Thousand Pesos (PhP12,300,000 within Fifteen (15) days from receipt of the Decision. NGCP filed a Motion for Reconsideration on December 10, 2024 and a Supplemental Submission on December 16, 2024.

On 30 April 2025, NGCP received the ERC's Order dated 05 March 2025 where the Motion for Reconsideration filed by NGCP was Denied and the Order dated 25 June 2024 is hereby affirmed. On 30 May 2025, NGCP filed a Petition for Review with the Court of Appeals challenging the above orders.

d. Tax Cases

In the case of National Grid Corporation of the Philippines vs. Ofelia M. Oliva, G.R. No. 213157, August 10, 2016, and Ofelia M. Oliva vs. National Grid Corporation of the Philippines, G.R. No. 213558, August 10, 2016 (Oliva case), the Supreme Court ruled that NGCP is exempt from payment of real property tax on properties used in connection with its franchise. The cases were remanded to the Central Board of Assessment Appeals (CBAA), Case No. V-31, and on April 10, 2019, the CBAA ruled that the maintenance office and warehouse buildings are used in connection with NGCP's franchise. However, the Supreme Court also ruled in the Oliva cases that NGCP cannot ask for refund from the Cebu City Government for the taxes it paid from 2001-2008 in the amount of P2.79 million but shall take its relief from NPC/TransCo. NGCP may only ask for reimbursement from the City of Cebu the amount paid in excess of the correct tax that should have been collected if the tax is computed applying the 10% assessed value for the period 2001-2008, and refund of the amount paid for the year 2009. Likewise, in another similar case, NGCP vs Local Board of Assessment Appeals (LBAA) and the City Treasurer of Cebu, CBAA Case No V- 35, the CBAA recognized NGCP's exemption from payment of real property tax pursuant to the Supreme Court decision in the Oliva case and ordered the refund of taxes paid for the year 2009 on two office buildings used in the Talamban substation. The refund of the taxes paid in both cases are still under negotiation with the City of Cebu.

NGCP obtained another favorable Resolution, dated June 23, 2021, from the Supreme Court in the consolidated cases docketed as G.R. Nos. 218289-90 (NGCP vs. CBAA, LBAA of Cabanatuan City and Ms. Heidi Pangilinan, in her capacity as City Assessor of Cabanatuan and NGCP vs. CBAA, LBAA of Cabanatuan City and Ms. Florida Oca, in her capacity as the City Treasurer of Cabanatuan City). NGCP questioned the assessment issued by the Assessor of Cabanatuan City in the first case; while in the second case, NGCP paid under protest the real property tax in the amount of P3.82 million for the period 2009 to 2010. In its Resolution, the Supreme Court reiterated its ruling in the case of NGCP vs. Oliva that NGCP is exempt from payment of real property tax on properties that are used for electric power transmission. As in the Oliva case, the SC ordered to remand the cases to the CBAA to determine the actual use of subject machineries, buildings and lands for the purpose of resolving the merits of NGCP's claim for exemption from paying the real property taxes. The CBAA rendered its decision on January 23, 2023 granting NGCP's exemption from payment of Real Property Taxes effective taxable year 2009 and the City of Cabanatuan was ordered to issue revised tax declarations on the subject properties with annotation tax exempt and to refund the Real Property Taxes for taxable year 2009-2010 in the total amount of P3.82 million. Likewise, the City of Cabanatuan was ordered to cancel subsequent assessments and collection of real property taxes inclusive of penalties on the subject properties. The City of Cabanatuan filed a Motion for Reconsideration of the decision, but this was denied by the CBAA. A Petition for Review was then subsequently filed by the City of Cabanatuan before the CTA. On 22 December 2024 NGCP received a favorable Decision from the CTA dated December 13, 2024 granting NGCP's exemption from real property taxes and the City Government of Cabanatuan City has fifteen days to act upon their receipt of the said decision. As of March 7, 2025, NGCP has not received any Motion for Reconsideration filed by the City Government of Cabanatuan City regarding the said decision. As of June 30,

2025, NGCP has not received any Motion for Reconsideration filed by the City Government of Cabanatuan City regarding the said decision. On January 21, 2025, an Entry of Judgment was rendered by the CTA, making its Decision final and executory. Negotiation is now on-going between the parties for the refund of the amount that was paid under protest.

On September 24, 2024, NGCP received a favorable resolution in GR. No. 265730, dated 05 June 2024, issued by the Second Division of the Supreme Court in the case of NGCP vs. the City of Tacloban, in her capacity as Treasurer of Tacloban. This case involves the assessment of contractor's tax, including surcharges and penalties, for the period from 2001 to 2009, initially amounting to Php29,493,740.00. The assessment was subsequently reduced to Php2,022,864, covering only the period from January to December 2009, upon NGCP's filing of a written protest pursuant to Section 195 of the Local Government Code. As a result, NGCP filed a petition before the Regional Trial Court (RTC) challenging the revised assessment issued by the City Government of Tacloban. The RTC dismissed NGCP's appeal as premature due to its failure to file a written protest against the revised assessment from the City Treasurer. NGCP's subsequent filed petition for review before the Court of Tax Appeals (CTA) which was denied for failure to prove payment of the required 3% franchise tax for 2009. After elevating the case to the CTA En Banc, which also denied the petition without considering the BIR certifications from NGCP, NGCP filed a Petition for Review on Certiorari with the Supreme Court. The Supreme Court found merit in NGCP's case, ruling that it had been denied due process by not being allowed to present evidence of tax payment and that the CTA En Banc erred in disregarding the BIR Certification presented by NGCP. Thus, the Supreme Court reversed the CTA En Banc's decision and remanded the case to the RTC in Tacloban City for further proceedings to determine whether the amounts collected, as mentioned in the BIR certifications submitted by NGCP, were the same franchise taxes referred to in Section 9 of RA 9511 and whether the franchise taxes collected from NGCP in 2009 corresponded to 3% of NGCP's gross receipts for that year.

Likewise, in G.R. No. 208225 (NGCP vs. CBAA and Butuan City), NGCP filed a Petition for Review dated September 9, 2013, praying for exemption from real property taxes on properties located in Butuan City. Adverse decisions denying NGCP's petition were issued by the LBAA on December 28, 2009, CBAA on September 2, 2010, and CTA on July 8, 2013. Consequently, the case proceeded to the Supreme Court. In a Resolution dated January 15, 2025, the SC First Division required the parties, to inform the Court of any supervening events or subsequent developments necessary for the immediate disposition of the case or for the Court to determine if the case has been rendered moot and academic. In compliance, NGCP filed its manifestation on January 9, 2025, informing the Supreme Court that six (6) out of the fifteen (15) properties involved are already exempt and that NGCP is coordinating with the LGU of Butuan City for the possible exemption of the remaining properties subject of this petition.

In the case of NGCP vs. Fatima Tenorio, et al, the CTA in its Decision dated April 26, 2017, dismissed the Petition filed by NGCP for failure to pay the tax under protest. However, since a similar case involving the same properties is also pending before the LBAA of Ilocos Sur, NGCP subsequently paid the real property tax under protest in the amount of P10.17 million. NGCP then filed another Petition before the LBAA on November 5, 2018, contesting the collection and payment of the tax. The cases are still pending before the LBAA.

Likewise, in NGCP vs. the OIC, Provincial Assessor of South Cotabato and the Municipal Assessor of Tupi, South Cotabato, a case involving properties with assessed value of P78.89 million was dismissed on appeal by the CTA in its Decision dated February 27, 2018 for failure to pay the tax under protest. This was brought to the Supreme Court by way of Petition for Review, docketed as G.R. No. 241105. A Reply to the Comment of Respondents to NGCP's Petition for Review dated January 3, 2019, was filed by NGCP on September 16, 2020. On August 24, 2023, NGCP received Resolution dated March 27, 2023, *requiring parties to file a Manifestation as to the subsequent development that may help the disposition of the case*. Hence, on September 8, 2023, NGCP filed a Manifestation informing the Supreme Court of a pending negotiation for settlement by the parties.

Also, in the case of NGCP vs. LBAA of Batangas City and Guadalupe Judy Tumaming, City Assessor of Batangas City, involving properties with assessed value of P1.40 million, the Supreme Court dismissed the Petition for Review filed by NGCP in a Resolution dated February 28, 2022. NGCP subsequently filed a Motion for Reconsideration of said Resolution on March 15, 2022, praying, among others, that the properties involved be classified as exempt from the payment of RPT in the Assessment Roll. On July 13, 2022, NGCP received a Resolution denying its Motion for Reconsideration. The subject properties are now the subject of pending verification by South Luzon O&M for possible payment under protest of the assessed real property taxes.

With regards to the pending Petition for Injunction with TRO (NGCP vs. The Province of Cebu, et al.) for Declaratory Relief with Prayer of Cancellation of TDs, with Urgent Application for TRO and/or Preliminary Injunction against the collection of RPT in the amount of P192.00 million, filed with the Regional Trial Court Regional Trial Court (RTC) of Cebu, the parties already submitted their respective Memoranda on July 19, 2019, and the case is still pending for resolution.

On October 12, 2020, NGCP received a copy of the CTA Decision, dated September 23, 2020, in CTA EB No. 2110 (City Assessor's Office of Valenzuela City vs. NGCP) reversing and setting aside the Decision dated August 22, 2012, of the LBAA and the October 8, 2018 Decision and May 31, 2019 Resolution of the CBAA. The CTA declared the Notice of Assessment dated October 9, 2012, as final, executory and unappealable. On October 23, 2020, NGCP filed its Motion for Reconsideration. Thereafter, NGCP received on October 23, 2020, the Statement of Account issued by the City Treasurer on the 37 machineries/transmission towers subject of the case in the total amount of P421.75 million. On October 30, 2020, NGCP wrote a letter and requested the City Treasurer and City Assessor the following: (a) refer to TransCo the notice of delinquency for real property tax covering years 2002 to 2008; (b) classify the 37 machineries/transmission towers, as exempt from payment of real property tax from year 2009 onwards; and (c) issue revised tax declarations on 37 machineries/transmission towers and indicate thereon that NGCP is the beneficial user of the same and to re-classify said properties from taxable to exempt. On June 28, 2021, NGCP received the CTA Resolution dated June 2, 2021, denying NGCP's Motion for Reconsideration. NGCP filed Petition for Review dated July 13, 2021, which is still pending resolution before the Supreme Court.

In Civil Case No. Q-10-68076, NGCP vs. City Government of Quezon City, which involves a petition for the cancellation of tax billings and refund of the amount of Php18,144,185.00, the RTC-QC Branch 85 rendered a decision on February 25, 2025, dismissing the petition for lack of merit. NGCP filed a Motion for Reconsideration (MR) on May 13, 2025. The Respondent, City Government of Quezon City, submitted its Comment on March 10, 2025. The Motion for Reconsideration is now submitted for resolution.

Under Civil Case No. R-QZN-21-07791, entitled NGCP vs. City Government of Quezon City, the RTC-QC Branch 225 in its Resolution dated September 8, 2022, dismissed due to lack of merit NGCP's Petition questioning the assessment issued by the LGU of Quezon City for the year 2021 and seeking the refund of the amount of P21.98 million which NGCP paid under protest. The RTC subsequently denied NGCP's Motion for Reconsideration (MR). NGCP filed a Petition for Review before the CTA docketed as CTA Case No. AC-273. This was partially granted by the CTA in a decision dated May 29, 2024, and ordered the remand of the case to the RTC-QC Br. 225 for further proceedings, more particularly on the reception of evidence on the payment of 3% franchise tax and determination of the amount to be refunded to NGCP. Respondent Quezon City filed a Motion for Reconsideration (MR) of the Decision. On February 27, 2025, NGCP filed an Urgent Motion to Suspend Proceedings before the RTC which assumed jurisdiction over the remanded case, despite the pendency of the MR filed by Quezon City before the CTA. On May 31, 2025, the RTC granted NGCP's Urgent Motion to Suspend the Proceedings, citing a jurisdictional issue considering that the CTA Decision had not yet become final and executory due to the respondent's pending MR.

On May 24, 2024, NGCP received a favorable decision in the case of NGCP vs. Quezon City under Civil Case No. R-QZN 22-05086 CV Br. 215. The court declared NGCP is exempt from payment of local business tax, city tax, Mayor's Permit Fee, local franchise tax and other regulatory fees and charges in relation to the operation and legislative franchise and the NGCP's assessment for city tax, mayor's permit fee, business and other regulatory fees and charges in the amount of P22.27 million for calendar year 2022 is cancelled and declared dull and void. Also, the court ordered the City Treasurer of Quezon City to refund in favor of NGCP the amount of P22.27 million. Quezon City filed a MR of the Decision dated December 27, 2023, but the Court denied the said MR. Hence, the City Government of Quezon City filed a Petition for Review on November 12, 2024, and the Court instructed NGCP to file a comment within 10 days, or until January 20, 2025. On January 20, 2025, NGCP filed its Comment, praying that the instant Petition for Review filed by Petitioner Quezon City be dismissed for utter lack of merit. On 28 January 2025, the CTA issued a Minute Resolution ordering the parties to submit their respective Memoranda. The City Government of Quezon City filed a Memorandum on April 4, 2025, while NGCP filed its Memorandum on 02 May 2025.

In Civil Case No. R-QZN-20-05148-CV (NGCP vs Quezon City), RTC-QC Branch 223 for Cancellation of Tax Billings for CY 2020 and Claim for Refund of the amount of Php19,102,993.54 which was paid under protest, the presentation of NGCP's next witness, Ms. Marteza Crisostomo, has been reset to August 14, 2025.

In the case of NGCP vs. City Government of Santiago, Isabela, represented by Hon. Joseph S. Tan as the City Mayor and Atty. Artemio R. Villaluz Jr., as the City Licensing Officer and Ms. Elizabeth Casabar, City Treasurer of Santiago City, NGCP received a favorable Decision dated March 31, 2023 granting NGCP's exemption from the payment of franchise tax and other regulatory fees in the amount of P60. 61 million and no appeal has been filed by the City Government of Santiago, Isabela.

On May 12, 2023, NGCP filed Petition before the RTC of Quezon City (NGCP vs. The City Government of Quezon City) under Civil Case No. R-QZN- 045425 CV relative to the Appeal of Assessment and Claim for Refund of Business Tax for CY 2023 in the amount of P26.53 million. The case has been submitted for decision per the Order of the Court dated May 20, 2025.

On June 21, 2023, another Petition was filed before the MTCC Branch 1 - Davao City entitled NGCP vs. City Government of Davao City, as represented by Atty. Lawrence D. Batinding, in his official capacity as City Treasurer of Davao involving an Appeal of Assessment and Claim for Refund of Business Tax and other regulatory fees in the total amount of P184,942. On 03 July 2024, the MTCC issued a Decision denying NGCP's petition for failure to establish sufficient and competent evidence that it is exempt from paying business taxes. NGCP filed a Motion for Reconsideration on 19 November 2024 and the same is still pending resolution.

On June 5, 2024, a new Petition was filed before the RTC of Quezon City (NGCP vs. The City Government of Quezon City) under Civil Case No. R-QZN-24-04776 relative to the Appeal of Assessment and Claim for Refund of Business Tax for CY 2024 in the amount of P26.49 million. On June 23, 2025, NGCP received the Order of the Court setting the Pre-trial on August 6, 2025.

In Civil Case No. R-QZN-25-05150-CV (NGCP vs. City Government of Quezon City), NGCP filed a petition appealing the assessment for business tax for CY 2025 and claiming refund of the amount of Php27.82 million which NGCP paid under protest. On June 30, 2025, NGCP received the Order of the Court dated June 19, 2025, issuing and summons to respondent City Government of Quezon City.

With the ruling of the Supreme Court in Oliva cases, Tacloban Case, Cabanatuan City cases and BLGF Memorandum Circulars and letters confirming NGCP's exemption from RPTs, local franchise tax and business taxes, NGCP is continuously and actively asserting its exemption on all properties used in connection with its franchise and is pro-actively negotiating with various LGUs for the recognition of its exemption, and for the refund of all real property taxes paid under protest. Constant communication and coordination meetings and negotiations with the various LGUs are being conducted all year round for this purpose.

As of June 30, 2025, NGCP obtained four thousand six hundred forty-three (4,643) tax exemptions covering lands, buildings and machineries located in various cities, municipalities, provinces with assessed value in the total amount of Php12.31 billion.

As of June 30, 2025, NGCP has a total of ninety-eight (98) RPT, franchise and business tax cases pending before the LBAA, RTC, Municipal Trial Court in Cities (MTCC), the CTA and the Supreme Court, broken down as follows:

(i) Real Property Tax cases:

- a. Thirty-seven (37) cases pertain to Petitions filed contesting the Notices of Assessment issued by the Provincial or City Assessors involving properties with an estimated tax due of P5.7 billion (2% of the total assessed value of properties);
- b. Eleven (11) cases pertain to Petition filed contesting the tax billing issued by the Provincial or City Assessors involving properties with total tax due of 1.5 billion; and
- c. Thirty-eight (38) cases with Payment Under Protest contesting the Statements of Account or Billings issued by the Local Treasurers in the total amount of Php43.506 million.

(ii) Franchise/Business Tax Cases:

- a. Twelve (12) cases with Payment Under Protest contesting the assessment for Franchise/Business Taxes and Fees issued by the Provincial or City or Municipal Treasurers in the total amount of P170 million.

(iii) Suspension of Pass-on of Franchise Tax

On August 15, 2023, the ERC promulgated Resolution No. 10, Series of 2023 (the "2023 ERC Resolution"), entitled "*A Resolution Suspending the Inclusion of the National Franchise Tax of the National Grid Corporation of the Philippines (NGCP) in the Total Monthly Transmission Cost Billing of Distribution Utilities.*" Citing Republic v. Manila Electric Company ("MERALCO") and Maynilad Water Services, Inc. v. National Water and Resources Board, et al. ("Maynilad"). NGCP submitted a letter of reconsideration on August 24, 2023, and same is still pending resolution before the ERC.

e. Right of Way (ROW) Expropriation Cases

Pursuant to R.A. No. 9511, NGCP is authorized to exercise the right of eminent domain insofar as it may be reasonably necessary for the construction, expansion, and efficient maintenance of the transmission system and grid. Thus, NGCP may acquire private property as is actually necessary for the realization of the purposes for which its franchise (R. A. 9511) was granted.

One of the relevant expropriation cases filed on May 6, 2016 by NGCP is NGCP v. Social Security System (SSS), a government-owned and -controlled corporation, for the acquisition of the site for the Pasay 230kV Substation Project. An Omnibus Motion to Withdraw Complaint and Provisional Deposit in the amount of P1.46 billion was filed with the Regional Trial Court of Pasay City (RTC-Pasay) on March 12, 2020. However, the resolution was deferred since the records of the case were forwarded and still with the Supreme Court. Unfortunately, hearings of the court were suspended due to Covid 19 Pandemic at the start of March 2020.

On January 22, 2021, NGCP filed with the Supreme Court a Motion to Enforce the Court's Order to remand the records of the case to RTC-Pasay. On March 18, 2021, NGCP's Motion to Enforce Court Order was granted by the Supreme Court. Consequently, the records were transmitted to the RTC-Pasay on July 13, 2021. The Omnibus Motion to Withdraw Complaint and Provisional Deposit was granted by the RTC-Pasay after the hearing on July 21, 2021. NGCP filed a Partial Motion for Reconsideration regarding the interest on the provisional deposit which was denied by the said court in its Order dated November 5, 2021.

On December 10, 2021, NGCP filed a Notice of Appeal before the Court of Appeals (CA). The provisional deposit's principal amount of P1.46 billion was withdrawn by NGCP on December 22, 2021. On November 7, 2022, NGCP received a Notice to File Brief dated September 17, 2022, from the CA, requiring NGCP to file its Appellant's Brief within 45 days from receipt of the said Notice. On December 22, 2022, the Appellant's Brief praying for the release of the interest on the P1.46 billion principal amount of provisional deposit was filed. On October 3, 2024, NGCP received a copy of the Decision of the CA dated September 13, 2024 denying the appeal. NGCP filed a Motion for Reconsideration on October 18, 2024.

As of June 30, 2025, the total number of expropriation cases filed/pending with the Courts, including Projects Under Construction (PUC) cases turned over to the company by the National Transmission Corporation (TRANSCO) is 5,943, with the total estimated amount involved of P7.32 billion (based on provisional deposits).

f. Reclassification Cases

There are ten (10) reclassification cases filed before the ERC by various Applicants/Petitioners. While eight (8) of these cases were already approved through respective Decisions; RAAC/NCL, through the 4th RP DFD, recommended an independent valuation to determine the reasonable acquisition value of these assets.

g. Permit Fees

There are six (6) cases pending with the Supreme Court (which were consolidated and will be resolved in one decision) involving ERC's imposition of Fees in relation to approved various CAPEX projects. The issue involved is whether or not NGCP is liable to pay all types of fees taking into consideration the provisions of R.A. No. 9511 which exempts NGCP from paying all other kinds of fees, taxes, and charges in consideration of its payment of the 3% Franchise Tax. The resolution of these cases may not have an impact on NGCP's revenue considering that the ERC considers Permit Fees as part of the capital expense in NGCP's Final Determination. NGCP has paid these permit fees under protest.

NGCP has already obtained favorable decisions from the Court of Appeals where the court declared NGCP exempt from payment of permit fees pursuant to its Franchise. These decisions are now subject of appeals by the ERC with the Supreme Court. There are also motions for reconsideration still pending with ERC where NGCP, upon obtaining approval of CAPEX applications, filed motions relative to the imposition of permit fees.

The ERC, on various dates, issued 19 Resolutions denying NGCP'S Motion for Reconsideration on several CAPEX and FME applications wherein NGCP prayed for the reversal of ERC's decisions imposing permit fees, and directing payment of the same. Hence, on various dates, NGCP filed 19 Petitions before the Court of Appeals assailing the 19 Resolutions issued by the ERC, and they were docketed as CA GR SP Nos. 182314 to 182330, 182456 and 182457.

On October 08, 2024, NGCP received the Decision in one of the Petitions, CA G.R. No. 182328. In the Decision, the Court of Appeals, 9th Division granted NGCP's Petition for Review, reversing and setting aside ERC's Decision and Order directing NGCP to pay Permit Fees, and stating that NGCP is not liable to pay permit fees. OSG filed a Motion for Reconsideration and NGCP has already filed a Comment on the said Motion.

However, on October 11, 2024, the Court Appeals 4th Division, in another case, CA GR. No. 182321, issued a decision dismissing the petition since the question raised by NGCP is purely matters of law and, according to the said Division, should have been brought to the Supreme Court via a Rule 45 Petition instead of under Rule 43 to the Court of Appeals. On 23 April 2025, the CA rendered a Resolution denying NGCP's Motion for Reconsideration. NGCP will be filing a Petition for Review on Certiorari with the Supreme Court to challenge this ruling.

On December 04, 2024, the CA issued a Decision in GR No. 182456 granting NGCP's Petition and declaring NGCP exempt from payment of permit fees.

On 25 February 2025, the CA issued a Decision in GR No. 182324 granting NGCP's Petition and declaring NGCP exempt from payment of permit fees. OSG filed a Motion for Reconsideration and NGCP filed a Comment thereto. The Motion is currently pending Resolution.

NGCP also filed a Motion for Consolidation in the 19 cases filed considering that these cases arise from similar set of facts and raises the same issue of law. Currently, GR Nos. 182314, 182315, 182317, 182318, 182319, 182320, 182322, 182323, 182324, 182325, and 182326 have been consolidated. Still awaiting Resolution for GR Nos. 182316, 182327, 182328, 182329, 182330, 182456, and 182457 on consolidation of the said cases. The CA Division handling GR No. 182321 already denied NGCP's Motion for Consolidation.

h. **Supervision and Regulation Fees; Metering Authority Fees**

Similar to Permit Fees, NGCP is being assessed by the ERC of Supervision and Regulation Fees in the amount of P468.00 million annually and Metering Authority Fees in the amount of P15.00 million every three years upon the renewal of NGCP's authority as the metering service provider. The Supervision and Regulation Fee is required to be paid on or before September 30th of each year with a penalty of fifty per centum in case of delinquency; Provided, further, that if the fees or any balance thereof are not paid within sixty days from the said date, the penalty shall be increased one per centum for each month of delinquency thereafter. On the other hand, the metering fee is being assessed by ERC based on the authority granted to NGCP as the WESM metering service provider.

The assessment is based on ERC Resolution No. 21, Series of 2007 entitled 'A Resolution Approving the Revised Schedule of ERC Fees and Charges' which provides that supervision and regulatory fees are for annual reimbursement of the expenses incurred by the ERC in the supervision of electric utilities, transmission companies and/or in the regulation or fixing of their rates. Both the supervision and regulatory fee and metering authority assessment fee are computed at one peso for each one hundred pesos or fraction thereof, of the capital stock subscribed or paid.

NGCP is paying both Fees although under protest on the ground that NGCP should be exempt from payment of these fees pursuant to Section 9 of R.A. No. 9511, which provides that NGCP's payment of 3% franchise tax shall be in lieu of, and expressly exempted from paying all other kinds of fees, taxes, and charges. The resolution of its protest may not have an impact on NGCP's revenue because the ERC considers the Supervision and Regulation Fees as part of the operating expense.

These legal issues are still pending before the Supreme Court for resolution.

i. Labor Cases

There are seventeen (17) labor cases pending before the Supreme Court, Court of Appeals, National Labor Relations Commission, and the Department of Labor and Employment filed either by (i) former NGCP employees against NGCP in different areas/regions for illegal dismissal, with prayer for reinstatement, and payment of backwages and damages or for other money claims; or (ii) by employees of service providers with service contracts with NGCP wherein NGCP was impleaded as co-defendant. The contingent liabilities arising from the labor cases are difficult to estimate considering that in most of the complaints, the specific amount claimed are not specified by the complainants and the award of backwages, if any, will accrue until the finality of judgment.

j. SIAC Case

On February 14, 2018, NGCP filed with the Singapore International Arbitration Centre ("SIAC") a Notice of Arbitration, docketed as SIAC Case No. ARB044/18/CHB, against Power Sector Assets & Liabilities Management Corporation (PSALM) and National Transmission Corporation (TRANSCO) pursuant to the Arbitration Clause in Section 16 of the Concession Agreement relative to the implementation and interpretation of the parties' Concession Agreement. In the arbitration, NGCP sought, among other things, a declaration that the prepayment made on July 15, 2013 amounting to ₱57.88 billion was valid, and the payment of other monetary claims of approximately ₱4 billion which should have been borne by TRANSCO under the Concession Agreement, but were advanced by NGCP.

On February 19, 2025, the Arbitral Tribunal of the SIAC rendered a Final Award in the case filed by NGCP against the PSALM and TRANSCO. The Arbitral Tribunal declared:

1. NGCP did not breach the nationality restrictions in the Philippine Constitution, the Anti-Dummy Law, and its obligations under the Concession Agreement in relation to permitted indebtedness or insurance;
2. NGCP validly exercised its right to make the prepayment in the amount of P57.88 billion that it effectuated on July 15, 2013;
3. NGCP shall pay only approximately PhP372.77 million to TRANSCO out of its claim of around PhP3.90 billion;
4. The agreed difference for the Projects Under Construction in the amount of P10.11 billion shall be converted into US Dollars at the rate of 1 USD: 49.62 PhP;
5. NGCP is entitled to an indemnification from PSALM and TRANSCO up to the amount of PhP56.50 million for expenses on right of way claims with interest;

6. NGCP shall be compensated by TRANSCO through a corresponding reduction in the Concession Fee for Sub-Transmission Assets (STAs) that were on the Bid Date the subject of an ongoing negotiation, and as such, remain within the transferred assets;
7. NGCP's claim for capital expenditures on STAs was denied as TRANSCO is not obliged to account to NGCP in respect of any portion of the proceeds that may be attributable to NGCP's capital expenditure;
8. NGCP has, during the Concession Period, the exclusive right and responsibility of preparing the Transmission Development Plan (TDP) on an annual basis and is entitled to deal directly, and without intervention (or prior approval) by TRANSCO, with the regulators;
9. NGCP shall be reimbursed by TRANSCO for its Retained Obligations of PhP51.80 million;
10. NGCP has the exclusive right during the Concession Period to use the Transmission Assets which includes the right to use such assets for a Related Business, including for a telecommunications system;
11. Finally, the Tribunal declared that title to any Documented Property Rights acquired by NGCP in the exercise of its power of eminent domain is to be registered in the name of TRANSCO.

Under the UNCITRAL Rules, the Tribunal's award is final and binding on the parties and the parties are obligated to carry out the award without delay. As of report date, NGCP is in the process of execution of the above Arbitral Award.

k. Other Cases

There are sixteen (16) NGCP CAPEX Applications pending with the ERC for approval. Due to urgency of the projects, NGCP filed the CAPEX Applications for approval considering that ERC has not yet issued NGCP's Final Determination for the 4th and 5th Regulatory Periods.

The Group has other possible claims from or obligations to other parties from past events and whose existence may only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

26. Taxes

Income Tax

The components of income tax expense are shown below:

	June 30, 2025	December 31, 2024	December 31, 2023
Current	P -	P960,000	P723,417
Deferred	-	26,267	(56,947)
Final tax	922,730	5,061,709	6,583,172
	P922,730	P6,047,976	P7,249,642

Current income tax expense of the Group in 2025, 2024 and 2023 represents MCIT amounting to nil, P960,000 and P723,417 which was computed based on the new tax rate of 2%, 1.5% and 1%, respectively.

The reconciliation of the taxes computed at the statutory income tax rate to the taxes as shown in profit or loss follows:

	June 30, 2025	December 31, 2024	December 31, 2023
Income before income tax	P21,322,860,355	P17,356,306,632	P23,375,379,609
Tax on income at statutory tax rate	P5,330,715,089	P4,339,076,658	P5,843,844,902
Tax effects of:			
Movement in unrecognized deferred tax	11,258,894	27,140,430	23,407,336
Final tax on interest income	922,730	5,061,709	6,583,172
Nondeductible expense	7,145	81,764	379,409
Interest income subjected to final tax	(1,167,483)	(6,641,433)	(8,456,240)
Income subject to franchise tax	(5,340,813,645)	(4,358,671,152)	(5,858,508,937)
	P922,730	P6,047,976	P7,249,642

The Group did not recognize the deferred tax assets in respect of the following items since management does not expect the Group to have sufficient taxable profit that will be available against which the Group can utilize the benefit there from:

	June 30, 2025	December 31, 2024	December 31, 2023
NOLCO	P605,351,278	P560,315,697	P454,100,787
MCIT	2,164,559	2,164,559	1,324,779
Accrued expenses	1,573,699	1,573,699	2,580,795
Foreign exchange loss	-	-	5,212
	P609,089,536	P564,053,955	P458,011,573

As at December 31, 2025, 2024 and 2023, the movement in the Group's deferred tax liability is as follows:

	June 30, 2025	December 31, 2024	December 31, 2023
Beginning balance	P26,267	P -	P56,947
Deferred tax (reversal of deferred tax) on unrealized foreign exchange gain	-	26,267	(56,947)
	P26,267	P26,267	P -

The Group has NOLCO that can be claimed as deduction from future taxable income as follows:

Year				Balance		
Incurred	Expiry	Amount	Expired	June 30, 2025	December 31, 2024	December 31, 2023
2020	2025*	P69,372,730	P -	P69,372,730	P69,372,730	P69,372,730
2021	2026*	200,980,161	-	200,980,161	200,980,161	200,980,161
2022	2025	94,368,101	-	94,368,101	94,368,101	94,368,101
2023	2026	89,379,795	-	89,379,795	89,379,795	89,379,795
2024	2027	106,214,910	-	106,214,910	106,214,910	-
2025	2028	45,035,581	-	45,035,581	-	-
		P605,351,278	P -	P605,351,278	P560,315,697	P454,100,787

*Per Section 4 of Revenue Regulations No. 25-2020 of Bureau of Internal Revenue provides that businesses or enterprises which incurred net operating loss for taxable years 2020 and 2021 shall be allowed to carry over the same as a deduction from gross income for the next five (5) consecutive taxable years, immediately following the year of such loss, unless otherwise disqualified.

The Group has carryforward benefit of MCIT which can be claimed as tax credits against future income tax liabilities. Details of MCIT are as follows:

Year		Amount	Addition/ (Expired)	Balance		
Incurred	Expiry			June 30, 2025	December 31, 2024	December 31, 2023
2020	2023	P -	P -	P -	P -	P -
2021	2024	-	-	-	-	120,220
2022	2025	481,142	-	481,142	481,142	481,142
2023	2026	723,417	-	723,417	723,417	723,417
2024	2027	960,000	-	960,000	960,000	-
2025	2028	-	-	-	-	-
		P2,164,559	P -	P2,164,559	P2,164,559	P1,324,779

Franchise Tax

As discussed in Note 1 to the consolidated financial statements, in consideration of the franchise and rights granted by R.A. 9511, the Group is required to pay a franchise tax equivalent to three percent (3%) of all gross receipts/actual collection derived from its operations under the franchise, in lieu of income tax and any and all taxes, duties, fees and charges of any kind, nature or description levied, established or collected on its franchise, rights, privileges, receipts, revenues and profits, and on properties used in connection with its franchise except for real property tax on real estate, buildings and personal property, exclusive of the franchise.

In view thereof, the Group's income from business activities included within the scope of its authority under Section 1 of R.A. 9511 is exempt from income tax, and consequently from withholding taxes, minimum corporate income tax (MCIT), improperly accumulated earnings tax (IAET), Value-Added Tax (VAT) and documentary stamp tax (DST). Subsequently, effective January 1, 2018, the implementation of TRAIN Law has changed the classification of NGCP from non-VAT to VAT entity which made all transactions affected therein to be subject to VAT.

Pursuant to Third Regulatory Period Final Determination under Clause 5.20, ERC Final Decision on Other Taxes, particularly Section 5.20.1 specifically states that "the 3% national franchise tax will not be included in the maximum allowed revenue (MAR) but will be recovered through a surcharge on the Regulated Entity's customers' invoices". NGCP started billing its customers the 3% national franchise tax effective on the billing period December 26, 2010 to January 25, 2011 as approved by the ERC under Resolution No. 07, series of 2011, "A Resolution Allowing the Distribution Utilities to Include Their Monthly Transmission Cost the NGCP's National Franchise Tax Billing." The Group adopted an accounting treatment for franchise tax that upon billing to its customers, both franchise tax receivable and franchise tax payable to BIR are set-up. As such, franchise tax recovery is not recognized in the profit or loss in view of the pass-through nature of the 3% national franchise tax (see Note 15).

On August 8, 2023, ERC issued Resolution No. 10, Series of 2023 entitled, "A Resolution Suspending the Inclusion of the National Franchise Tax of the NGCP in the Total Monthly Transmission Cost Billing of Distribution Utilities". This resolution suspends the passing-on of the 3% national franchise tax by NGCP to its customers and the effectivity of Resolution No. 7, series of 2011 which allowed NGCP to pass on to consumers a 3% franchise tax on gross receipts derived from its operations, is likewise suspended.

On August 23, 2024, NGCP sent the Request for Reconsideration of Suspension of ERC Resolution No. 7 Series of 2011 and withdrawal of ERC Resolution No. 10 Series of 2023. To date, NGCP is yet to receive ERC's resolution on the said request. For the period ended June 30, 2025 and 2024, the related franchise tax expense amounted to P803.26 million and P798.62 million respectively, which is part of miscellaneous expense in the "Other Charges - net" in the consolidated statement of income. The remaining items on "Other Charges - net" are immaterial individually.

27. Final Determination and Others

"The Final Determination, Regulatory Reset for the NGCP for 2011 to 2015" (Final Determination) was approved by the Energy Regulatory Commission (ERC) on November 22, 2010.

Pursuant to the Electric Power Industry Reform Act (EPIRA) of 2001 and its Implementing Rules and Regulations (IRR), the ERC promulgated the Guidelines on the Methodology for Setting Transmission Wheeling Rates (TWRG) on May 29, 2003, which was subsequently updated and revised on September 16, 2009 as the Rules for Setting Transmission Wheeling Rates (RTWR) for 2003 to around 2027. The RTWR provides for Performance-Based Regulation (PBR) using a revenue cap methodology to determine the maximum rates that may be charged by the Regulated Entity to its customers for the provision of Regulated Transmission Services. The RTWR amends the TWRG which formed the basis for setting the revenue cap of the Regulated Entity. The methodology in the TWRG, now the RTWR, was applied in setting the revenue for Second Regulatory Period (2nd RP) of January 1, 2006 to December 31, 2010 and for the Third Regulatory Period (3rd RP) of January 1, 2011 to December 31, 2015, with the issuance of the Final Determination on June 13, 2006 and November 22, 2010, respectively.

On September 28, 2022, the ERC issued ERC Resolution No. 08, Series of 2022, *A Resolution Adopting the Amended Rules for Setting Transmission Wheeling Rates (Amended RTWR)*. The Amended RTWR provides, among others, the relevant provisions that would govern the filing of the revenue reset applications of NGCP for the Fourth and Fifth Regulatory Periods (4th and 5th RP).

Relative to this, on October 27, 2022, NGCP filed an Omnibus Motion in ERC Case No. 2018-004RM, requesting ERC to subject Article IV of the 2022 Amended RTWR to public consultation and public hearings, clarify pertinent provisions and hold in abeyance the regulatory reset process for the 4th and 5th RP.

In response to NGCP's Petition, in its Order dated November 25, 2022, the ERC denied NGCP's motion to hold in abeyance the regulatory reset process and directed it to file the 4th RP Revenue Application within a non-extendable period of fifteen (15) calendar days from the receipt of the issuance and the 5th RP Revenue Application by January 19, 2023.

Accordingly, NGCP filed its 4th RP Revenue Application on December 22, 2022 under ERC Case No. 2022-089RC entitled, *"In the Matter of the Application of the Maximum Annual Revenue for the Fourth Regulatory Period (2016 to 2020) of the National Grid Corporation of the Philippines (NGCP) in accordance with the Alternative Form of Rate Setting Methodology under the Rules for Setting the Transmission Wheeling Rates (RTWR) with Prayer for Confidential Treatment of Information"*.

In an Order dated January 4, 2023, the ERC set the determination of compliance with the jurisdictional requirements on January 27, 2023, the expository presentation for Luzon, Visayas, and Mindanao Stakeholders on January 27, 2023, January 31, 2023, and February 3, 2023, respectively, the pre-trial conference on February 10, 2023, and presentation of evidence on February 10 and 14, 2023.

In an Order dated March 3, 2023, the ERC set additional hearing dates on March 14 and 17, 2023. Likewise, hearings were conducted on March 28, 2023 and April 4, 2023.

As regards the 5th RP Revenue Application, NGCP, in a letter dated January 13, 2023, requested for the ERC to allow NGCP to file the 5th RP Revenue Application by April 28, 2023.

In a letter-response from the ERC dated March 3, 2023, which was received by NGCP on March 15, 2023, NGCP was directed to file its 5th RP Revenue Application within fifteen (15) days from receipt of the said letter, i.e., on or before March 30, 2023.

Accordingly, NGCP filed its 5th RP Revenue Application on March 30, 2023 under ERC Case No. 2023-025RC entitled, *"In the Matter of the Application of the Maximum Annual Revenue for the Fifth Regulatory Period (2021 to 2025) of the National Grid Corporation of the Philippines (NGCP) in Accordance with the Alternative Form of Rate Setting Methodology Under the Rules in Setting the Transmission Wheeling Rates (RTWR)"*.

In an Order dated April 13, 2023, the ERC set the determination of compliance with the jurisdictional requirements on May 30, 2023, the expository presentation for Luzon, Visayas, and Mindanao Stakeholders on May 30, 2023, June 6, 2023, and June 13, 2023, respectively, the pre-trial conference on June 20, 2023, and the presentation of evidence on June 20 and 22, 2023.

During the May 30, 2023 Expository Presentation for Luzon Stakeholders, the ERC directed for the cancellation of the Pre-trial Conference and Presentation of Evidence on June 20 and 22, 2023 and had scheduled a clarificatory hearing on July 10-14, 2023.

In an Order dated September 13, 2023, the ERC issued its initial findings on Phase 1 of the 4th RP Revenue Application as embodied in the Partial Initial Determination. On this, NGCP filed its Comment *Ex Abundanti Ad Cautelam* [To ERC's 4th Regulatory Period (RP) Phase 1: Partial Initial Determination] -with- Motion to Lift Suspension of ERC Resolution No. 07, Series of 2011 and its Supplemental Comment (To Phase 1: Partial Initial Determination).

In an Order dated November 22, 2023, the ERC set the Pre-trial Conference and presentation of evidence on the 5th RP Revenue Application on December 5, 2023 and January 16 and 23, 2024. Following various hearings and submission of compliances to the directives of the ERC in January to March 2024, NGCP filed its Formal Offer of Evidence dated March 22, 2024.

The ERC, in an Order dated August 21, 2024 issued the 4th RP Draft Final Determination (DFD) which was received on November 8, 2024. Accordingly, NGCP submitted its comments on the aforesaid documents on November 25, 2024. NGCP is now awaiting for the issuance of the Final Determination.

In an ERC Order dated September 27, 2024, NGCP was directed to submit data and information, as well as its responses to the clarificatory questions on its land and land-related capital expenditure (CAPEX) projects covering the period from calendar years 2009 to 2023. NGCP filed before the ERC its Partial Compliance and Full Compliance dated October 28, 2024 and November 7, 2024, respectively.

In an ERC Order dated November 26, 2024, a Clarificatory Hearing was set on December 5 and 6, 2024 and NGCP was directed to submit its Compliance to the Commission's clarificatory questions, including all relevant information and supporting documents. NGCP filed before the ERC its Partial Compliance, Second Partial Compliance, and Full Compliance dated December 17, 2024, December 27, 2024, and January 27, 2025, respectively.

Inspection activities with the ERC and its consultant were scheduled from March 3 to 21, 2025, of the sample land and land related CAPEX of NGCP pursuant to the Terms of Reference on the Consulting Services for the Prudency Review of Land and Land-Related Capital Expenditure (CAPEX) Projects of the National Grid Corporation of the Philippines (NGCP) and the National Transmission Corporation (TransCo) Covering the Period From the Calendar Years (CY) 2009 to 2023.

On March 20, 2025, NGCP received the following draft reports of ERC's Consultants: (1) Determination of Performance Incentive Scheme (PIS) for National Grid Corporation of the Philippines (NGCP) for the Fifth Regulatory Period (5th RP) and Review of NGCP's Proposed PIS for the 5th RP dated 03 January 2025; (2) Validation of the Forecasts Expenditure for the Fifth Regulatory Period of the National Grid Corporation of the Philippines in Setting the Transmission Wheeling Rates dated 06 October 2023; and (3) Determination of the Regulatory WACC for Transmission for the 5th Regulatory Period (2023-2027) and Review of the NGCP WACC Report for the 5th Regulatory Period (5th RP) (commencing 2021 per NGCP) dated 17 March 2024 (Revised 16 June 2024) and 18 March 2024 (Revised 15 June 2024), respectively. NGCP submitted its comments before the ERC on the aforesaid drafts on April 4, 2025. NGCP submitted a Supplemental Comment (To the Final Reports of the Commission's Consultants) dated May 13, 2025.

On April 11, 2025, the ERC posted in its website, www.erc.gov.ph, the Notice of Commission Action during the 1125th Regular Commission Meeting held on March 26, 2025 providing the overview of the Decision related to NGCP's 4th RP Application. The summary of the Commission Action provides, among others, that after due deliberation, the Majority resolved to adopt the following parameters in relation to the determination of the final rate for the 4th RP of NGCP: zero (0) Net Efficiency Adjustment (NEA); Weighted Average Cost of Capital (WACC) of 11.33%; and As Spent Approach. The Notice also provides that the Majority likewise resolved to approve the recommendation to make permanent NGCP's 2015 Maximum Allowable Revenue (MAR) in the amount of PhP43,078.95 Million and grant NGCP's Net Performance Incentive (NPI) reward claim for 2014 in the amount of PhP783.06 Million – both under ERC Case No. 2014-155RC entitled, "In the Matter of the Application for the Maximum Allowable Revenue (MAR) for Calendar Year (CY) 2015 and the Net Performance Incentive for 2014 Under the Rules for Setting the Transmission Wheeling Rates, With Prayer for Provisional Authority – National Grid Corporation of the Philippines, Applicant".

On April 15, 2025, the ERC posted in its website the Notice of Commission Action Application during the 3rd Special Commission Meeting No. 03-2025 held on April 11, 2025 providing the overview of the Decision related to the NGCP 4th RP Application. The summary of the Commission Action provides that after careful deliberation, the Majority resolved to approve the basic Maximum Annual Revenue adjustment (increase) of P0.0629/kWh, and an Under Recovery of P0.0384/kWh with a recovery period of eighty-four (84) month, thus a total rate impact (total increase) amounting to PhP0.1013/kWh. The computed MAR for the lapsed period is equivalent to P335,788.65 million.

NGCP filed to ERC a “Very Urgent Motion to Resolve 4th Regulatory Period Reset Application” dated May 23, 2025.

NGCP filed to ERC a “Very Urgent Reiteratory Motion to Issue Final Determination of 4th Regulatory Period Reset Application” dated June 18, 2025.

NGCP filed to ERC a “Very Urgent Third Motion to Issue Final Determination of 4th Regulatory Period Reset Application” dated June 30, 2025.

On July 7, 2025, NGCP received the ERC Decision and Final Determination on NGCP’s 4th Regulatory Period Revenue Reset Application. In the said Decision, the ERC approved NGCP’s 2016-2022 Annual Revenue Requirement (ARR) in the amount of PhP335,788.65Million. The ERC also directed NGCP to collect, as a separate line item in the power bill of transmission customers, an Under Recovery of PhP28,296.88Million, with an equivalent rate of PhP0.0384/kWh, to be implemented over a period of approximately eighty-four (84) months or until such time that the said amount shall have been fully recovered. NGCP was further directed to accomplish and submit a report based on the prescribed format from the ERC on or before the 30th day of the following month until such time that the amount of under recovery shall have been fully collected.

On 18 July 2025, the ERC, on its website, posted an Explainer entitled “*ERC Releases Explainer on Final Determination for NGCP’s 4th Regulatory Reset*”, stating that,

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The under-recoveries and the increased MAR will result in an increase in transmission charges effective in the billing month of August. The Commission set a seven-year recovery period for the P28.29-Billion under-recoveries. The total average increase of P0.1013 per kilowatt-hour (kWh) in transmission charges is the sum of the average increase of P0.0629/kWh in the basic transmission charge resulting from the higher MAR and P0.0384/kWh for the under-recovered portion (to be collected over 84 months). (emphasis supplied)

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As detailed in the *Results of the Final Determination for the National Grid Corporation of the Philippines’ Rate Reset for Years 2016-2022* included in the said explainer, the approved MAR for 2022 of NGCP is at **P58,100.01 million**. The incremental increase in revenue from the currently implemented interim MAR of P51,471.13 million is anticipated to result in an increase in transmission rates by P0.0629/kWh. This, along with the 4th RP-approved “Under Recovery 2016 - 2022” of P0.0384/kWh translates to a total indicative increase of P0.1013/kWh.

With the foregoing, ERC has authorized NGCP to bill the **P58,100.01 million as its MAR for 2025** and the **“Under-recovery 2016-2022” of P28,296.88 million** with the fixed rate of **P0.0384/kWh** to be collected in 84 months or until such time the amount is fully recovered.

Accordingly, **NGCP shall commence the billing of the authorized MAR and the “Under-recovery 2016-2022” to Transmission Customers effective July 2025 billing month** (or June 26 to July 25, 2025), which will then be billed by Distribution Utilities (DUs) to their customers in August 2025.

Regulated Entity

At the time the ERC issued its Final Determination for the 2nd RP (the 2006 Final Determination), Regulated Transmission Services were provided by the National Transmission Corporation (TRANSCO). Under R.A. 9511, which was signed by the President on December 1, 2008 and which became effective on January 15, 2009, a nationwide franchise to manage the transmission system was granted to NGCP.

As discussed in Note 4 to the consolidated financial statements, the Group, through NGCP, has signed a Concession Agreement with PSALM and TRANSCO, which covers the management and development of the transmission grid over the term of the franchise. Under the Concession Agreement, NGCP is responsible for the operation, management, and development of the grid, while TRANSCO continues to hold title over the transmission assets. Notwithstanding this, TRANSCO continues to be responsible for the settlement of Right of Way (ROW) claims in respect of projects that were ongoing at the time R.A. 9511 became effective, while NGCP is responsible for ROW claims for projects that were initiated subsequent to the effectivity of the Act.

Hence, while NGCP will incur the bulk of the costs of providing the Regulated Transmission Services over the 3rd RP, some residual costs for the provision of these services will be incurred by TRANSCO. For the Third Reset, the ERC is concerned only with the total cost of providing the Regulated Transmission Services and not with who incurs these costs.

Performance Based Regulation (PBR)

PBR is an internationally accepted method of rate setting that meets the requirements of Section 43(f) of EPIRA. PBR is forward looking and sets the MAR that the Regulated Entity can earn from the provision of Regulated Transmission Services for each five-year regulatory period. This provides an incentive for cost reduction over time, this leads to price efficiency since savings made in one regulatory period are built into the cost structure used to determine the MAR that will apply over the subsequent regulatory periods.

Maximum Allowed Revenue (MAR)

The ERC makes a determination of the annual revenue requirements (ARR) of the transmission business as well as the price control arrangements that will apply during the regulatory period. The RTWR requires the MAR to be smoothed to reduce the likelihood of price shocks to customers and revenue shocks to the Regulated Entity.

Following an annual rate verification and validation process, and using a price control formula, the ERC sets the MAR that NGCP can bill its transmission customers for each year in the regulatory period.

With the issuance of the Order dated January 21, 2016, NGCP billed an iMAR₂₀₁₆ of P41.65 billion consistent with Module F of the 2006 Revised Open Access Transmission Service (OATS) Rules. As for the iMAR₂₀₁₆ differential of P2.14 billion, following the ERC Order dated December 19, 2016, this was collected by NGCP in 2017. The approved iMAR₂₀₁₆ amounting to P43.79 billion has been applied in CYs 2017, 2018 and 2019.

In its Order dated February 13, 2020, the ERC granted NGCP a provisional authority to implement an iMAR₂₀₂₀ in the amount of P47.05 billion, an increase of P3.26 billion from the iMAR₂₀₁₆ of P43.79 billion, effective April 2020 billing month. However, only P300.00 million of the incremental revenue was billed in July and August 2020 billing months following its deferment in consideration of the COVID-19 pandemic situation and the issuance of the July 28, 2020, directing the suspension of the billing of the iMAR₂₀₂₀. As a result, there was an unbilled iMAR₂₀₂₀ differential in the amount of P2.96 billion.

In October 2021, NGCP filed a Reiteratory Motion for Implementation of iMAR₂₀₂₀ praying for the lifting of the July 28, 2020 Order, recovery of the 2020 iMAR and the unbilled iMAR for 2021 from October 2021 to December 2022, and confirmation that the approved iMAR₂₀₂₀ level of P47.05 billion shall be implemented continuously until a new MAR is issued, or until the issuance of the Final Determination for the succeeding regulatory period, whichever is earlier.

On January 17, 2022, NGCP submitted its compliance to the January 5, 2022 ERC Order, which was received by NGCP on January 7, 2022.

On April 29, 2022, the ERC promulgated an Order dated March 23, 2022 resolving the iMAR₂₀₂₀ Application and approving an iMAR₂₀₂₀ of P51.47 billion. Moreover, the Commission directed the implementation of the approved iMAR₂₀₂₀ in the next billing cycle and required the submission of NGCP's proposed recovery scheme on the unbilled iMAR₂₀₂₀ in CYs 2020, 2021 and first four (4) months of 2022 within 60 days from receipt of the Order.

Accordingly, on June 8, 2022, NGCP submitted to ERC its Compliance dated June 2, 2022 on NGCP proposed manner of recovery of the unbilled iMAR₂₀₂₀ for the years 2020, 2021 and four (4) months of 2022, in the total amount of PhP17.62 billion starting September 2022 to June 2024. Likewise, starting May 2022 Billing Period, NGCP has already implemented its billing based on the P51.47 billion iMAR pursuant to the March 23, 2022 Order of the ERC.

On March 10, 2023, NGCP filed its "Motion to Approve Implementation of Recovery Scheme" reiterating its prayer for the approval of the billing and recovery of the unbilled iMAR for 2020 under a new proposed recovery scheme, i.e., from May 2023 to April 2024.

On May 17, 2023, NGCP filed an Urgent Reiteratory Motion with Motion to Resolve before the ERC on the implementation of the new proposed recovery scheme

On June 22, 2023, NGCP filed a Reiteratory Motion with Motion to Resolve (4th Motion) with the Commission on the *Proposed Recovery Scheme for the Recovery of the Unbilled iMAR in 2020* and respectfully prayed, among others, for the Commission to immediately issue an Order approving the billing and the recovery of the CY 2020 unbilled iMAR in the amount of P7.38 billion in accordance with the proposed recovery scheme discussed in its Motion dated March 10, 2023.

On September 12, 2023, October 10, 2023, and June 5, 2024 and March 11, 2025, NGCP filed a Reiteratory Motion with Motion to Resolve for the immediate issuance of an Order approving the billing and recovery of the CY 2020 unbilled iMAR.

To date, NGCP is yet to receive ERC's resolution on NGCP's proposed manner of recovery of the unbilled iMAR₂₀₂₀.

Following ERC's issuance of its Decision and the Final Determination on NGCP's 4th Regulatory Period Revenue Reset Application on July 7, 2025 as well as the posting of ERC's Explainer on its website on July 18, 2025, ERC has authorized NGCP to bill the **P58,100.01 million as its MAR for 2025** and the **"Under-recovery 2016-2022" of P28,296.88 million** with the fixed rate of **P0.0384/kWh** to be collected in 84 months or until such time the amount is fully recovered.

NGCP shall commence the billing of the authorized MAR and the "Under-recovery 2016-2022" to Transmission Customers effective July 2025 billing month (or June 26 to July 25, 2025), which will then billed by Distribution Utilities (DUs) to their customers in August 2025.

Forecast Capital Expenditures (CAPEX) and Forecast Operating Expenditures (OPEX)

The ERC building block cost calculations for the approved ARR include allowed forecast CAPEX and forecast OPEX. This entails responsibility on the part of NGCP as the regulated entity to implement projects and/or activities allowed by ERC to be able to perform its mandated function as transmission provider. A significant amount of NGCP's Revenues is used to fund the CAPEX and OPEX approved by the ERC in its Decision and Final Determination for the subsequent year/s. The utilization of these earned profits will allow NGCP to implement projects and meet its performance targets committed with the ERC and its customers.

In Section 5.4 of the Final Determination, ERC's approval on the operating and maintenance expenditures (OPEX) for the 3rd RP considered only, among others, inclusions of TRANSCO of the supervision and permit fees relating to its 2nd RP capital expenditures (CAPEX). However, instead of allowing its recovery as part of the OPEX for the 3rd RP, ERC deemed it more appropriate to treat it as an adjustment to the 3rd RP Revenue Requirement of NGCP thru the OPEX Efficiency Adjustment (OEA).

In Section 5.26 of Final Determination for the 3rd RP, ERC included provisions for the recovery of cost of capital on land-related CAPEX for years 2011 to 2015 based on NGCP's approved CAPEX requirements and the historical levels at which TRANSCO has been able to settle its right-of-way (ROW) claims. Further, ERC decided that land-related CAPEX is to be reflected as a separate item from the approved CAPEX levels of NGCP for the 3rd RP and is to be the subject of an ex-post prudency review during the 4th RP.

Outside the levels of CAPEX and OPEX approved by ERC, NGCP has to finance for the cost of ROW, operation/maintenance and rehabilitation of sub-transmission assets not disposed to distribution utilities (DUs), and value-added tax.

For the 4th RP and 5th RP, NGCP continues to undertake the implementation of CAPEX which it deems prudent and necessary and incur OPEX that is essential in its day-to-day operations to continuously fulfill its mandated function as the Transmission Provider.

Representation and Entertainment

The Representation and Entertainment account encompasses meal expenses and essential consumables utilized during internal business meetings contributing significantly to effective communication and collaboration within the organization. These internal meetings include corporate-wide cascading, internal technical and operational meetings to enhance strategic alignment and bolster collaborative efforts within the organization.

Weighted Average Cost of Capital (WACC)

The rate of return that the Regulated Entity can earn in its investment in transmission system assets is equal to the WACC as set by the ERC during each Reset based on a market analysis of the rate of return a business in the Philippines with a similar risk profile to the Regulated Entity can be expected to earn.

In the absence of a Final Determination for the 4th RP and 5th RP, which should provide, among others the WACC approved by the ERC for the years 2016 to 2020, as stated in Note 17, the ERC approved an interim revenue of P43.79 billion which was implemented in years 2016 to 2019, and subsequently provisionally approved a revenue of P47.05 billion for the year 2020. On April 29, 2022, the ERC promulgated an Order dated March 23, 2022 resolving the iMAR₂₀₂₀ Application and approving an iMAR₂₀₂₀ of P51.47 billion effective January 2020 until a new transmission revenue has been determined.

In the 4th RP Final Determination issued by the ERC on 7 July 2025, the ERC approved a WACC of 11.33%.

Other Taxes

As stated in the 3rd RP Final Determination Section 5.20 ERC Final Decision - Other Taxes, the VAT payable on both CAPEX and OPEX inputs will be accounted separately and will not be included in either the CAPEX or OPEX forecasts for the third and subsequent regulatory periods. VAT payable on CAPEX inputs will not be capitalized but will be recovered from customers in full as the expenditure is incurred. It follows that asset valuations will continue to be undertaken on a VAT exclusive basis.

Input VAT related to CAPEX and OPEX presented under "Prepaid expenses and other current assets" and "Deferred input VAT" account in the statements of financial position amounted to P1.75 billion and P16.78 million, respectively as at June 30, 2025.

With the implementation of the TRAIN Law under R.A. No. 10963 which took effect on January 1, 2018, Section 86 thereof, under Clause (bbb) repealed Section 9, with respect to VAT, of R.A. 9511 or the National Grid Corporation of the Philippines Franchise Act, which changes the classification of NGCP from Non-VAT to VAT entity, all transactions affected therein are made subject to VAT. Hence, effective January 1, 2018, all Input Taxes related to purchases of goods and services both for CAPEX and OPEX shall be considered as Input VAT, deductible from NGCP's Output VAT Payable pursuant to the BIR rules and regulations.

PIS

The PIS provides the Regulated Entity an incentive to improve the quality of service provided to customers. Under the PIS, key indicators of service performance are monitored annually. Should the quality-of-service performance be above the targets set during the Reset, the Regulated Entity can earn an incentive of up to 3% of ARR or the unsmoothed MAR. Conversely, should the quality of service fall below the targets, a penalty of up to 3% of ARR can be applied.

In the 4th RP Final Determination, the ERC stated that the provisions of the Amended RTWR on PIS specifically refer to subsequent regulatory periods and are wholly inapplicable to the 4th RP. Hence, no implementation of the PIS for the 4th RP.

In the absence of a Final Determination for the 5th RP, which should provide, among others the key indicators, performance targets and the ARR for years 2023 to 2025, the PIS has not been considered in the current iMAR collected by the Company.

Rate Arrears - Transferred Assets

An issue that has arisen since the Draft Determination is the recovery of rate arrears in respect of sub-transmission and connection assets that are to be transferred to the RAB at the beginning of the 3rd RP. The ERC has not enforced payment of the associated sub-transmission and connection charges from a number of electric cooperatives (ECs), as to have done so, would have been unduly onerous on the ECs' customers. The ERC has decided that the Regulated Entity can recover these arrears through the Final Determination.

In the Final Determination, the total rate arrears from transferred assets carried forward at Consumer Price Index (CPI) to 2011 and added to the 2011 unsmoothed MAR amounted to P1.46 billion.

Relative to this, in the 4th RP Final Determination, the ERC approved under-recoveries relating to the error in the computation of the 3rd RP rate arrears of MOPRECO and NORSAMELCO in the amount of PhP637.18Mn.

Force Majeure Events

In the occurrence of Force Majeure Events (FME), transmission assets operated by NGCP may be damaged or destroyed. In such cases, increase in costs incurred by NGCP in addition to the maximum amounts that it is otherwise permitted to charge to its transmission customers through the MAR is allowed to be recovered through FME Pass Through charges, subject to the approval of ERC in accordance with Article X of the RTWR.

For capital expenditures (i.e., replacement with new assets), partial recovery through additional FME charges will be billed on top of the regulated charges from the time of its approval until the end of the current Regulatory Period. The remaining unrecovered cost will then form part of the RAB assets to be carried forward to the subsequent regulatory period and recovered through regulatory depreciation with reasonable rate of return based on WACC. For operating expenditures (e.g., repairs), recovery during the current regulatory period as additional OPEX, is allowable.

The assets destroyed by such FMEs are removed from the RAB in the succeeding regulatory reset, but recovery is allowable through application for "accelerated depreciation".

Management does not consider the occurrences of FMEs as impairment indications with respect to the future economic benefits.

For the year 2009 to June 30, 2025, the following FME Claims were submitted to the Commission:

2009	Typhoons Cosme and Frank, and for Sabotage of Transmission Towers in Mindanao (ERC Case No. 2009-049RC)	July 13, 2009
	Sabotage in Mindanao (ERC Case No. 2009-161RC)	November 16, 2009
2010	Destruction of the Matnog Repeater Station due to Lightning Strikes and the Sabotage of Tower 142 in Mindanao (ERC Case No. 2010-065RC)	June 15, 2010 (refer to note below)
	Typhoons Ondoy and Pepeng and Sabotage in Mindanao (ERC Case No. 2010-112RC)	September 24, 2010 (refer to note below)
2011	Typhoons Basyang and Juan (ERC Case No. 2011-112RC)	Filed on August 9, 2011 (refer to note below)
2012	Flooding in Mindanao, Typhoon Bebeng, Landslide in Midanano and Typhoon Juaning (ERC Case No. 2012-070 RC)	May 7, 2012
	Typhoons Quiel and Sendong (ERC Case No. 2012-106RC)	September 28, 2012
2013	Earthquake, Flooding and Lightning Incidents in Visayas (ERC Case No. 2013-019 RC)	February 6, 2013
	Flooding Caused by Monsoon Rains in Luzon, Sabotage Incidents in Mindanao, and Typhoon Pablo (ERC Case No. 2013-171 RC)	August 7, 2013
2014	Sabotage Incidents and Landslide due to Continuous Heavy Rains in Mindanao, Typhoons Santi and Vinta (ERC Case No. 2014-127 RC)	August 29, 2014
	Typhoon Yolanda (ERC Case No. 2014-163)	November 5, 2014
2015	Typhoon Agaton in Mindanao (ERC Case No. 2015-005RC)	January 14, 2015
	Typhoon Glenda in Visayas and Luzon (ERC Case No. 2015-136)	July 15, 2015
	Typhoons Ruby and Seniang in Visayas and Mindanao (ERC Case No. 2015-205)	December 4, 2015
2016	Typhoon Amang in Visayas and Sabotage Incidents in Mindanao (ERC Case No. 2016-003RC)	January 12, 2016
	Typhoon Ineng in Luzon (ERC Case No. 2016-163RC)	August 22, 2016
	Typhoon Lando in Luzon and Sabotage Incidents in Mindanao (ERC Case No. 2016-179RC)	October 07, 2016
	Typhoon Nona in Luzon and Sabotage Incidents in Mindanao (ERC Case No. 2016-196RC)	December 12, 2016
2017	Typhoons Karen and Lawin in Luzon (ERC Case No. 2017-090RC)	October 12, 2017
	Typhoon Nina in Luzon (ERC Case No. 2017-116RC)	December 22, 2017
2018	Earthquake in Visayas (ERC Case No. 2018-073RC)	July 05, 2018

	Lightning and Sabotage Incidents in Luzon and Bombing Incident in Mindanao (ERC Case No. 2018-100RC)	October 02, 2018
	Typhoon Urduja, Typhoon Vinta, Typhoon Basyang and Flash Flood in Mindanao (ERC Case No. 2018-117RC)	December 11, 2018
2019	Flood due to Enhanced Southwest Monsoon Rain caused by Tropical Depression Josie in Luzon (ERC Case No. 2019-055RC)	July 19, 2019
	Typhoon Ompong in Luzon (ERC Case No. 2019-071RC)	September 13, 2019
	Typhoon Rosita in Luzon (ERC Case No. 2019-085RC)	October 29, 2019
2020	Earthquake Incidents in Mindanao, Typhoon Tisoy in Luzon and Visayas, and Typhoon Ursula in Visayas (ERC Case No. 2020-039RC)	October 30, 2020
2021	Typhoon Quinta, Super Typhoon Rolly, and Tropical Storm Vicky and Landslide in Mindanao (ERC Case No. 2021-084RC)	October 20, 2021
2022	Typhoon Odette in Visayas and Mindanao	December 21, 2022

* Note: With ERC Decision dated December 10, 2012 authorizing Group, through NGCP, to collect the FM Event Pass-Through Amount Charge

The ERC in its decisions dated December 10, 2012 under ERC Case Nos. 2010-112 RC (Typhoons Ondoy and Pepeng and Sabotage in Mindanao), 2011-112 RC (Typhoons Basyang and Juan) and 2010-065 RC (Destruction of the Matnog Repeater Station due to Lightning Strikes and the Sabotage of Tower 142), authorized NGCP to collect the FM Event Pass-Through Amount Charge from its Luzon and Mindanao Grid customers, and allowed FME the billing of the rates corresponding to these FME claim applications until December 31, 2015, which is the last year under the Third Regulatory Period.

On September 28, 2021, NGCP received a copy of ERC Decision dated June 16, 2021, relative to the FME Claim Application for Typhoon Agaton in Mindanao (ERC Case No. 2015-005RC) resolving the instant application. On this, NGCP filed its Motion for Reconsideration on October 13, 2021, and prayed that the Commission reconsiders its June 16, 2021 Decision and issues a new decision on the said case.

Subsequently, NGCP received a copy of ERC Decision dated April 15, 2021, relative to the FME Claim Application for Typhoons Quiel and Sendong (ERC Case No. 2012-106RC) on November 2, 2021. Accordingly, NGCP filed its Motion for Reconsideration on November 16, 2021, and prayed that the Commission reconsiders its April 15, 2021 Decision and issues a new decision.

On March 18, 2022, NGCP received a copy of ERC Decision dated November 24, 2021, relative to the FME Claim Application for Sabotage Incidents and also for Landslide due to Continuous Heavy Rains in Mindanao and Typhoons Santi and Vinta in Luzon (ERC Case No. 2014-127RC). On this, NGCP filed its Motion for Partial Reconsideration dated April 1, 2022.

On April 5, 2022, NGCP received a copy of the ERC Decision dated November 24, 2021, relative to the FME Claim Application for Flooding in Mindanao, Typhoon Bebang, Landslide in Mindanao and Typhoon Juaning (ERC Case No. 2012-070RC). On this, NGCP filed its Motion for Reconsideration dated April 19, 2022.

On 24 April 2023, NGCP received a copy of the ERC Decision dated 19 December 2022 relative to the FME Claim Application for Earthquake, Flooding, and Lightning Incidents in Visayas (ERC Case No. 2013-019RC). On this, NGCP filed its Motion for Reconsideration dated 09 May 2023.

On 30 June 2023, NGCP received a copy of the ERC Decision dated 19 December 2022 relative to the FME Claim Application for Flooding caused by Monsoon Rains in Luzon, Sabotage Incidents in Mindanao and Typhoon Pablo (ERC Case No. 2013-171RC). On this, NGCP filed its Motion for Reconsideration dated 14 July 2023.

On 13 September 2023, NGCP filed its Motion to Withdraw the FME Claim Application for the Sabotage Incidents in Mindanao (ERC Case No 2009-161RC).

On 09 January 2025, NGCP received a copy of the ERC Decision dated 30 July 2024 relative to the FME Claim Application for Typhoon Nina in Luzon (ERC Case No. 2017-116RC). On this, NGCP filed its Motion for Reconsideration and Compliance dated 22 January 2025.

On 28 January 2025, NGCP received a copy of the ERC Decision dated 30 July 2024 relative to the FME Claim Application for Typhoon Rosita in Luzon (ERC Case No. 2019-085RC). On this, NGCP filed its Motion for Reconsideration and Compliance dated 11 February 2025.

On 12 March 2025, NGCP received a copy of the ERC Decision dated 30 July 2024 relative to the FME Claim Application for Typhoon Lando in Luzon and Sabotage Incidents in Mindanao (ERC Case No. 2016-179RC). On this, NGCP filed its Motion for Reconsideration and Compliance dated 26 March 2025.

On 13 March 2025, NGCP received a copy of the ERC Decision dated 30 July 2024 relative to the FME Claim Application for Typhoon Ruby and Tropical Storm Seniang in Visayas and Mindanao (ERC Case No. 2015-205RC). On this, NGCP filed its Motion for Reconsideration and Compliance dated 28 March 2025.

On 21 March 2025, NGCP received a copy of the ERC Decision dated 30 July 2024 relative to the FME Claim Application for Typhoon Glenda in Luzon and Visayas (ERC Case No. 2015-136RC). On this, NGCP filed its Motion for Reconsideration and Compliance dated 04 April 2025.

On 28 March 2025, NGCP received a copy of the ERC Decision dated 30 July 2024 relative to the FME Claim Application for Typhoon Ompong in Luzon (ERC Case No. 2019-071RC). On this, NGCP filed its Motion for Reconsideration and Compliance dated 11 April 2025.

On April 29, 2025, NGCP received a copy of the Decision dated July 30, 2024 relative to the FME Claim Application for Typhoon Nona in Luzon and Visayas and Sabotage Incidents in Mindanao (ERC Case No. 2016-196RC). On this, NGCP filed its Motion for Reconsideration and Compliance dated May 14, 2025.

On April 30, 2025, NGCP received a copy of the Decision dated July 30, 2024 relative to the FME Claim Application for Severe Tropical Storm Urduja in Visayas, Typhoon Vinta in Mindanao, Tropical Storm Basyang in Visayas and Mindanao, and Flash Flood in Mindanao (ERC Case No. 2018-117RC). On this, NGCP filed its Motion for Reconsideration and Compliance dated May 15, 2025.

On May 9, 2025, NGCP received a copy of the Decision dated July 30, 2024 relative to the FME Claim Application for Flood due to Enhanced Southwest Monsoon Rain Caused by Tropical Depression Josie in Luzon (ERC Case No. 2019-055RC). On this, NGCP filed its Motion for Reconsideration and Compliance dated May 23, 2025.

On May 21, 2025, NGCP received a copy of the Decision dated July 30, 2024 relative to the FME Claim Application for Sabotage Incidents in Mindanao and Luzon and Lightning Incident in Luzon (ERC Case No. 2018-100RC). On this, NGCP filed its Motion for Reconsideration and Compliance dated June 4, 2025.

On May 22, 2025, NGCP received a copy of the Decision dated July 30, 2024 relative to the FME Claim Application for Tropical Storm Amang in Visayas and Sabotage Incidents in Mindanao (ERC Case No. 2016-003RC). On this, NGCP filed its Motion for Reconsideration and Compliance dated June 5, 2025.

On May 23, 2025, NGCP received a copy of the Decision dated July 30, 2024 relative to the FME Claim Application for Earthquake in Leyte in the Visayas Region (ERC Case No. 2018-073RC). On this, NGCP filed its Motion for Reconsideration and Compliance dated June 5, 2025.

On June 26, 2025, NGCP received a copy of the Decision dated July 30, 2024 relative to the FME Claim Application for Earthquake Incidents in Mindanao, Typhoon Tisoy in Luzon and Visayas, and Typhoon Ursula in Visayas (ERC Case No. 2020-039RC). On this, NGCP filed its Motion for Reconsideration and Compliance dated July 11, 2025.

On June 26, 2025, NGCP received a copy of the Decision dated July 30, 2024 relative to the FME Claim Application for Typhoon Ineng in Luzon (ERC Case No. 2016-163RC). On this, NGCP filed its Motion for Reconsideration and Compliance dated July 11, 2025.

On July 8, 2025, NGCP received a copy of the Decision dated July 30, 2024 relative to the FME Claim Application for Typhoons Karen and Lawin in Luzon (ERC Case No. 2017-090RC). NGCP filed its Motion for Reconsideration and Compliance dated July 23, 2025.

In summary, of the 29 FME cases filed with the ERC from 2009 to 2024, three (3) FME cases have already been approved and billed, four (4) FME cases are for decision by ERC, and twenty two (22) FME cases are pending for ERC Resolution of NGCP's Motions..

Excluded Services or Connection Charge and Residual Sub-transmission Charges (CC/RSTC)

The Group, through NGCP, is also engaged in the provision of other services and are earning revenues for these services over and above the MAR.

NGCP's excluded services, as provided in the RTWR. Currently, this includes the provision of Transmission Connection Services, and the management of Residual Sub-transmission Assets. Income from these excluded services is recognized under Connection and Residual Sub-transmission Income under "Revenues" account presented in profit or loss.

The ERC, in its Decision dated July 6, 2011 (ERC Case Nos. 2008-066RC and 2009-153 RC), approved the CC/RSTC for the years 2008 and 2009 with modification. Further, it required the filing of its application for the approval of the 2011 and 2012 CC/RSTC within 30 days from receipt of the Decision and within the same period as the filing of the MAR 2012, respectively.

In compliance with the ERC's directive in the said Decision, NGCP applied for the approval of CY 2011 and 2012 CC/RSTC in December 2011. Also, NCGP commenced billing customers of the ERC-approved 2009 CC/RSTC starting December 2011 billing month.

The ERC, in the same issuance, likewise directed NGCP to bill the approved re-computed charges for CY 2009 as its current charges to all customers effective December 2011 billing month. These re-computed charges considered the asset reclassification made in the 3rd RP Final Determination which brought changes in the charges resulting to over or under billings. On this, ERC directed for the refund/collection of the accounted over or under recovery of the CC/RSTC. NGCP, in December 2011 filed a Motion for Reconsideration (MR) which challenged the interest imposition. To date the ERC is yet to be resolved the MR.

Moreover, this ERC Decision effectively repealed the Deferment Orders issued in year 2008 covering the following nine (9) power customers, namely: Ifugao Electric Cooperative, Inc. (IFELCO), Eastern Samar Electric Cooperative, Inc. (ESAMELCO), Northern Samar Electric Cooperative, Inc. (NORSAMELCO), Leyte IV Electric Cooperative, Inc. (LEYECO IV), Davao Oriental Electric Cooperative, Inc. (DORECO), Surigao del Sur II Electric Cooperative, Inc. (SURSECO II), Mountain Province Electric Cooperative, Inc. (MOPRECO), Negros I Electric Cooperative, Inc. (NORECO I), Busco Sugar Milling Co., Inc. (BUSCO).

Consistent with the foregoing, the accounts of the nine (9) power customers were adjusted to consider the implementation of the approved CYs 2008 and 2009 CC/RSTC and the reclassification of assets.

Subsequent to this, NGCP in a letter dated October 16, 2013, requested for the deferment of the filing of the 2014 CC/RSTC Application to prioritize the re-computation of the CYs 2011, 2012 and 2013 CC/RSTC using the 2004 Sinclair Knight Merz (SKM) Valuation Report as directed by the Commission during the regulatory hearings on the said cases. In compliance, NCGP submitted the 2011, 2012 and 2013 Re-computed CC/RSTC on September 4, 2014.

On October 8, 2014, NGCP also requested the deferment of the filing of its 2015 CC/RSTC Application to allow it considerable time to submit a robust application given that it has just commenced with the preparations and the validation process for the determination of the 2014 as well as 2015 CC/RSTC.

On June 8, 2015, NGCP received a copy of the ERC Order dated June 2, 2015 directing NCGP to submit the refund/collect scheme and over/under recovery on the CC/RSTC for CYs 2008, 2009 and 2010. In compliance with the foregoing, NCGP submitted the CC/RSTC Over/Under-recoveries relative to the implementation of the Refund/Collect Scheme on the 2008 and 2009 CC/RSTC, and the resolution of NGCP's Application for the Approval of the 2010 CC/RSTC on July 13, 2015.

On October 6, 2017, NCGP filed with the ERC its 2014 and 2015 CC/RSTC Application docketed as ERC Case No. 2017-100 RC.

Pending the resolution of the 2010 to 2015 CC/RSTC cases filed with the ERC, NGCP continues to implement the 2009 CC/RSTC level approved by the ERC in its July 6, 2011 Decision with adjustments due to sale of sub-transmission assets and reclassification of assets, as applicable.

Sub-transmission Assets (STAs)

Pursuant to the EPIRA and Rule 6 of its IRR, the ERC adopted and mandated the segregation of transmission and sub-transmission functions and assets for transparency and disposal, and authorized TRANSCO to negotiate and transfer such sub-transmission assets and facilities to qualified DUs based on technical and functional criteria established in Article III of the Guidelines to the Sale and Transfer of the TRANSCO's Sub-transmission Assets and the Franchising of Qualified Consortiums (Guidelines).

ERC Resolution No. 15, Series of 2011, A Resolution Adopting the Amended Rules for the Approval of the Sale and Transfer of TRANSCO's Sub-transmission Assets and the Acquisition by Qualified Consortiums provides some payment option to ECs on the settlement of the sub-transmission cost of service provision brought by regulatory lag of one year (deferred CC/RSTC); capitalization of the CC/RSTC and inclusion of the same in the acquisition cost of the assets.

In ERC Resolution No. 04, Series of 2013, the ERC resolved and clarified, among others, that residual subtransmission assets (RSTAs) with two (2) or more connected Distribution Utilities (DUs) other than those listed in its Annex A, are reverted to NGCP's Regulatory Asset Base (RAB) effective January 1, 2013 and that subtransmission assets, both connection assets (CA) and RSTA with only one (1) connected DU and/or directly connected load end-users shall continue to be sold/divested until further notice.

ERC Resolution No. 7, Series of 2016 further extended deadline for the disposition of the RSTAs listed in Annex A of Resolution No. 4, Series of 2013, until June 30, 2016.

Valuation of STAs

Article V Section 2 of the Guidelines states "Asset valuation shall be the agreed value as negotiated between TRANSCO and the Qualified Distribution Utility or Qualified Consortium in a manner consistent with Section 8 of the Act. This negotiated value shall be deemed to be the Current Sound Value of the Sub-transmission Assets at the time of the acquisition of the assets."

Article V Section 2 of ERC Resolution No. 1, Series of 2009 states that "if the contract was entered after June 13, 2006, the sub-transmission assets shall be valued in reference to the Sinclair Knight Merz (SKM) valuation, or any subsequent valuation as approved by the Commission." This was further amended by ERC Resolution No. 18 Series of 2009.

Negative Pledge

Pursuant to Section 5.03 (Negative Pledge) of the Concession Agreement, TRANSCO shall not without the Concessionaire's prior written consent, sell, dispose of, or create any lien or encumbrance over Transmission Assets except that TRANSCO shall be entitled to dispose of Sub-Transmission Assets in accordance with Section 8 of the EPIRA and retain the proceeds thereof. The Concession Fee shall be reduced in accordance with paragraph 1 (c) of Schedule 6 (Adjustment to Concession Fee) to reflect any disposals of STAs after the Bid Date, subject to Section 6.04 regarding the Commencement Fee.

Sale of STAs

For the year 2016 to June 30, 2025, the following sub-transmissions assets were divested by TRANSCO to Qualified Distribution Utilities:

Year	Acquiring Distribution Utility	Assets Acquired
2016	Zamboanga City Electric Cooperative, Inc. (ZAMCELCO)	Putik Lateral 69 kV line Recodo Lateral 69 69 kV line Pitogo-Tulungatung 69 kV line Pitogo-San Jose Gusu 69 kV line
2017	Ilocos Norte Electric Cooperative, Inc. (INEC)	Currimao - San Nicolas 69kV San Nicolas - Laoag 69kV Laoag - Sarrat 69kV Sarrat - Marcos 69kV Sarrat - Piddig 69kV
	Central Pangasinan Electric Cooperative, Inc. (CENPELCO)	Mangaldan Bari S/S Site Establishment Transformer, two winding, 5 MVA 69/13.8 kV Structures and Improvements
	Isabela I Electric Cooperative, Inc. (ISELCO I)	Cauayan substation (all eqpt. and facilities incl. 15 MVA transformer)
	Mactan Electric Company (MECO)	Mactan Loadend S/S-GIS 69kV TMX/STR #20 MEPZ loadend S/S 69kV Mactan Loadend S/S #3 69kV MECO S/S 31 MECO S/S #3 69kV GIS-MECO S/S #2 69kV GIS 69kV Mactan Loadend S/S-Mulle Osmena 69kV Mactan-PAF 13.8kV Mandaue-Mactan Power Cable 69kV
2018	Cotabato Electric Cooperative (COTELCO)	Tacurong-Kidapawan 69kV Kidapawan-Mto. Apo 69kV Kidapawan-Matalam 69kV
	Iligan Light and Power Co. (ILPI)	Agus 6-Swyd-NSC L2 69kV Line Kiwalan-ICC 69kV Line Overton-ILPI 13.8kV Line Kiwalan-PFC 69kV Line Agus 6-Swyd-NSC L1
2019	La Union Electric Company, Inc. (LUECO)	Buang-Poro 69kV line

2020	Manila Electric Company (MERALCO)	Batch 2 Makban-Los Banos 69kV line Makban-Calamba 69kV line Portion Calamba-CSE 13.8kV line Los Banos-IRRI/ERDB/PPRDI 13.8kV Calamba S/S Eqpt., 10 MVA transformer Los Banos S/S Eqpt., 2x10MVA transformer Makban S/S termination Eqpt. Batch 4 Tayabas 115kV Switchyard incl. 100 MVA Transformer Transformer (T1) - two winding 100MVA 1 - 115kV Power Circuit Breaker 6 - 115kV Current Transformer 4 - 115kV Voltage Transformer Site Establishment - Type 3-115 1 - Switch Bay 115kV with 1 CB Feeder 1 - Switch Bay 115kV with 1 CB Feeder Protection Ternate S/S Equipment, incl. 50MVA Transformer Transformer (T3) - two winding 50MVA 3 - 115kV Power Circuit Breaker 2 - 34.5kV Power Circuit Breaker 3 - 34.5kV Potential Transformer Ancillaries - 115kV Site Establishment - Type 3-115 Site Establishment - Type 2-69 1 - Switchbay 115kV 1 & 1/2 bay with 3 CB 1 - Switchbay 115kV 1 & 1/2 bay with 3 CB Protection 2 - Switchbay 34.5kV with 1 CB Feeder 2 - Switchbay 34.5kV with 1 CB Feeder Protection
2023	Lanao del Norte Electric Cooperative, Inc. (LANECO)	Agus 6 - Kauswagan 69kV Line

Revenue from Related Business

The Group, NGCP, provides the following services that utilize part of the RAB:

- Rental of facilities and equipment; and
- Co-location, antenna attachments, use of building lots and space, use of access roads, attachment of telephone cables, and tapping to AC/DC power sources.

NGCP also earns revenue from provision of the following services that do not involve the use of RAB assets like technical assistance, including assisting with the testing, commissioning, calibration, and maintenance of client's facilities.

Section 1 of RA 9511 provides that NGCP may engage in any related business which maximizes utilization of assets provided that a portion of the net income derived from such undertaking utilizing assets which form part of the rate base shall be used to reduce transmission wheeling rates as determined by the ERC. Such portion of net income used to reduce the transmission wheeling rates shall not exceed 50% of the net income derived from such undertaking.

Ancillary Service Charges

The Group, through NGCP, includes in its monthly billings to customers pass through charges for provision of Ancillary Services (AS) which are generation-related services.

Relative to this, NCGP has undertaken the reconciliation of its billing and payment of AS and AS VAT for years 2009 to 2018.

NCGP has also submitted its compliances with ERC on the Ancillary Services Procurement Agreements (ASPA) with National Power Corporation (NPC) and Therma Marine, Inc. (TMI) involving re-computation of AS costs and collection/refund of AS charges from/to customers pursuant to pertinent ERC Orders/Decisions.

ERC in its Order dated June 16, 2014 in ERC Case Nos. 2010-011 RC and 2010-014 RC entitled, "In the Matter of the Application for Approval of the Ancillary Services Procurement Agreement (ASPA) between the National Grid Corporation of the Philippines (NGCP) and Therma Marine, Inc. (TMI), with Prayer for Provisional Authority," directed NGCP to refund its customers the amount of P12.7 million and the corresponding VAT, for a period of twelve (12) months or the amount of P1.06 million plus VAT, per month starting its next billing cycle from receipt of the Order.

Consistent with the aforesaid Order, NCGP implemented the refund effective September 2014 billing month or August 26 to September 25, 2014 for a period of twelve (12) months or until August 2015 billing month (July 26 to August 25, 2015), equivalent to a monthly credit adjustment of P1.26 million refund of the AS Cost was funded by TMI deposited monthly to NCGP's accounts. TMI shall also fund the AS-VAT refund after its conduct of reconciliation with NCGP.

On March 15, 2016, ERC issued an Order approving the recovery of the Differential Charge for the Ancillary Service provided by NPC to NGCP representing the March 26, 2008 to October 25, 2009 billing period under ERC Case No. 2009-029 RC. Pursuant to this, NCGP commenced the billing of Ancillary Service Differential Charge of P31.38/kW-month for the Luzon, Visayas, and Mindanao grids effective May 2016 billing month or April 26 to May 25, 2016 to customers who benefitted from the Ancillary Services provision from April 2008 to October 2009 billing months. As at October 2016 billing month, NGCP has fully billed and stopped the billing of AS Differential Charge in Luzon.

In a letter from the ERC dated July 22, 2021, NGCP was directed to comply with the Decision on ERC Case No. 2006-049RC entitled, "In the Matter of the Application of Ancillary Services - Cost Recovery Mechanism (AS-CRM) of the Ancillary Services Procurement Plan, with Prayer for Provisional Authority". Thus, in September 2021 Billing Period, NGCP implemented the full recovery of AS costs from the Load Customers and the cessation of the AS Charges in the power bills being issued to Embedded Generators (EGs).

On January 25, 2024, DOE issued an Advisory 2024-01-001-SEC declaring the start of the full commercial operations of the Reserve Market at dispatch interval 0005H of January 26, 2024.

On March 25, 2024, the ERC promulgated an Order in ERC Case No. 2023-002RC entitled, "*In the Matter of the Application for the Issuance of Rules on the Price Determination Methodology for the Implementation of the Co-Optimized Energy and Reserve Market in the Wholesale Electricity Spot Market (WESM)*", suspending the implementation of the Section 8 of the PDM Manual on the Billing and Settlement under the promulgated Interim Relief dated August 24, 2023. Such suspension will cover the March 2024 billing period and will remain in effect until otherwise lifted by the Commission.

In an ERC Order dated 09 May 2024, the ERC directed Philippine Electricity Market Corporation (PEMC) and Independent Electricity Market Operator of the Philippines (IEMOP) to allow the PARTIAL SETTLEMENT of the 30% of the total reserve trading amount of all WESM trading transactions for the March 2024 billing period for ERC Case No. 2023-002 RC entitled “In the Matter of the Application for the Issuance of Rules on the Price Determination Methodology for the Implementation of the Co-Optimized Energy and Reserve Market in the Wholesale Electricity Spot Market (WESM)”.

The ERC, in its Notice of Resolution (NOR) dated July 26, 2024, resolved to lift the suspension of the implementation of Section 8 of the PDM Manual and extended the Interim Relief granted to PEMC and IEMOP for the adoption and implementation of the proposed PDM for the co-optimized energy and reserve market in the Wholesale Electricity Spot Market (WESM).

On August 2, 2024, DOE issued an Advisory 2024-08-001-SEC directing the Market Operator to resume commercial operation of the RM effective at dispatch interval 0005H of August 5, 2024.

The ERC, in its Resolution No. 16, Series of 2024 dated December 17, 2024, resolved to approve and adopt an Interim Offer Price Cap and Floor Price equivalent to PhP25,000/MWh and PhP0/MWh, respectively, for the trading Reserves in the WESM.

In an Order dated 03 December 2024 which NGCP received on 23 December 2024, the ERC approved for the settlement of the 70% of the March 2024 AS transaction in a staggered manner starting January 2025 Billing Period – three (3) months for Luzon and Mindanao and six (6) months for Visayas.

28. Events After Reporting Period

The Group has the following transactions through NGCP, after June 30, 2025:

- a) Proceeds from loans in July 2025 amounted to P7,000,000,000.
- b) Payments of loans payable in July 2025 amounted to P9,433,500,000 which includes P5,350,000,000 payment for the P15 billion and P17 billion corporate notes.
- c) On July 15, 2025, Payment to Concession Fee and Interest on Concession Fee was made amounting to P4.79 billion and P2.03 billion, respectively.

SYNERGY GRID & DEVELOPMENT PHILS., INC. and SUBSIDIARIES
SCHEDULE A. FINANCIALS ASSETS

Name of Issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (ii)	Valued based on market quotation at balance sheet date (iii)	Income received and accrued

NOT APPLICABLE

SYNERGY GRID & DEVELOPMENT PHILS., INC. and SUBSIDIARIES**SCHEDULE B. AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES).**

Account Name	Balance at beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
Calamity Loan Fund	37,266	-	-	-	37,266	-	37,266
Due From Officers & Employees	5,496,354	10,003,719	(10,296,248)	-	5,203,825	-	5,203,825
Advances to Officers & Employees	70,227,576	570,627,433	(434,585,215)	-	240,269,794	-	240,269,794
Total	P75,761,196	P580,631,151	(P444,881,463)	-	P211,510,885	-	P211,510,885

SYNERGY GRID & DEVELOPMENT PHILS., INC. and SUBSIDIARIES

SCHEDULE C. AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF SEPARATE FINANCIAL STATEMENTS

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected (i)	Amounts written off (ii)	Current	Not Current	Balance at end of period

NOT APPLICABLE

SYNERGY GRID & DEVELOPMENT PHILS., INC. and SUBSIDIARIES
SCHEDULE D. INTANGIBLE ASSETS - OTHER ASSETS

Description (i)	Beginning balance	Additions at cost (ii)	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions) (iii)	Ending balance
Intangible Assets	P425,545,128,032	P24,005,246,695	(P6,543,539,670)	P -	P -	P443,006,835,057

SYNERGY GRID & DEVELOPMENT PHILS., INC. and SUBSIDIARIES
SCHEDULE E. LONG TERM DEBT

Title of Issue and type of obligation (i)	Lender	Outstanding Balance	Amount shown under caption "Current portion of long-term debt" in related balance sheet (ii)	Amount shown under caption "Long-Term Debt" in related balance sheet (iii)	Interest Rates	Number of Periodic Installments
Long Term Debt	Land Bank of the Philippines, Maybank Philippines Inc. , Philippine National Bank , Union Bank of the Philippines	4,500,000,000	4,500,000,000	-	5.0282%	10 years; Semi-annual
Long Term Debt	BDO Unibank, Inc., Land Bank of the Philippines, Philippine National Bank , Security Bank Corporation, Union Bank of the Philippines	5,950,000,000	850,000,000	5,100,000,000	5.0657%	10 years; Semi-annual
Long Term Debt	PHILIPPINE NATIONAL BANK	2,250,000,000	500,000,000	1,750,000,000	5.5253%	10 years ; Semi-Annual
Long Term Debt	BDO UNIBANK, INC.	4,500,000,000	1,000,000,000	3,500,000,000	5.6889%	10 years ; Semi-Annual
Long Term Debt	LAND BANK OF THE PHILIPPINES	2,500,000,000	500,000,000	2,000,000,000	6.2102%	10 years ; Semi-Annual
Long Term Debt	CHINA BANKING CORPORATION	3,850,000,000	700,000,000	3,150,000,000	4.7980%	10 years ; Semi-Annual
Long Term Debt	BANK OF COMMERCE	2,090,000,000	380,000,000	1,710,000,000	5.4242%	10 years ; Semi-Annual
Long Term Debt	BANK OF THE PHILIPPINE ISLANDS	2,750,000,000	500,000,000	2,250,000,000	6.6242%	10 years ; Semi-Annual
Long Term Debt	CHINA BANKING CORPORATION	3,000,000,000	500,000,000	2,500,000,000	5.6707%	10 years ; Semi-Annual
Long Term Debt	PHILIPPINE NATIONAL BANK	3,000,000,000	640,000,000	2,360,000,000	5.9222%	10 years ; Semi-Annual
Long Term Debt	SECURITY BANK CORPORATION	1,200,000,000	200,000,000	1,000,000,000	5.9222%	10 years ; Semi-Annual
Long Term Debt	BDO UNIBANK, INC.	6,500,000,000	1,000,000,000	5,500,000,000	5.0152%	10 years ; Semi-Annual
Long Term Debt	BDO UNIBANK, INC.	3,250,000,000	500,000,000	2,750,000,000	5.0152%	10 years ; Semi-Annual
Long Term Debt	LAND BANK OF THE PHILIPPINES	1,820,000,000	140,000,000	1,680,000,000	5.2273%	10 years ; Semi-Annual
Long Term Debt	LAND BANK OF THE PHILIPPINES	2,940,000,000	420,000,000	2,520,000,000	4.8424%	10 years ; Semi-Annual
Long Term Debt	MIZUHO BANK, LTD. - MANILA BRANCH	1,000,000,000	1,000,000,000	-	4.0530%	5 years ; Semi-Annual
Long Term Debt	BDO UNIBANK, INC.	3,480,000,000	400,000,000	3,080,000,000	3.1538%	10 years ; Semi-Annual
Long Term Debt	CHINA BANKING CORPORATION	2,715,000,000	255,000,000	2,460,000,000	4.2929%	10 years ; Semi-Annual
Long Term Debt	BDO UNIBANK, INC.	5,220,000,000	600,000,000	4,620,000,000	3.1538%	10 years ; Semi-Annual
Long Term Debt	SECURITY BANK CORPORATION	3,760,000,000	280,000,000	3,480,000,000	4.9859%	10 years ; Semi-Annual
Long Term Debt	PHILIPPINE NATIONAL BANK	1,000,000,000	1,000,000,000	-	4.8684%	5 years ; Semi-Annual

Long Term Debt	CHINA BANKING CORPORATION	2,715,000,000	255,000,000	2,460,000,000	4.2929%	10 years ; Semi-Annual
Long Term Debt	BDO UNIBANK, INC.	4,775,000,000	250,000,000	4,525,000,000	4.0404%	10 years ; Semi-Annual
Long Term Debt	BDO UNIBANK, INC.	5,730,000,000	300,000,000	5,430,000,000	4.0404%	10 years ; Semi-Annual
Long Term Debt	BDO UNIBANK, INC.	3,820,000,000	200,000,000	3,620,000,000	4.7815%	10 years ; Semi-Annual
Long Term Debt	BANK OF CHINA LIMITED	2,500,000,000	-	2,500,000,000	4.0000%	5 years ; Semi-Annual
Long Term Debt	BDO UNIBANK, INC.	5,634,500,000	295,000,000	5,339,500,000	5.0514%	10 years ; Semi-Annual
Long Term Debt	SECURITY BANK CORPORATION	4,850,000,000	150,000,000	4,700,000,000	5.7040%	10 years ; Semi-Annual
Long Term Debt	LAND BANK OF THE PHILIPPINES	4,850,000,000	150,000,000	4,700,000,000	6.1294%	10 years ; Semi-Annual
Long Term Debt	LAND BANK OF THE PHILIPPINES	4,850,000,000	150,000,000	4,700,000,000	6.1294%	10 years ; Semi-Annual
Long Term Debt	BANK OF COMMERCE	3,120,000,000	64,000,000	3,056,000,000	6.8404%	10 years ; Semi-Annual
Long Term Debt	CHINA BANKING CORPORATION	1,365,000,000	28,000,000	1,337,000,000	6.8281%	10 years ; Semi-Annual
Long Term Debt	MIZUHO BANK, LTD. - MANILA BRANCH	2,611,320,000	1,044,340,000	1,566,980,000	7.3000%	5 years ; Quarterly
Long Term Debt	CHINA BANKING CORPORATION	1,267,500,000	26,000,000	1,241,500,000	7.2172%	10 years ; Semi-Annual
Long Term Debt	MUFG BANK, LTD.	4,600,000,000	920,000,000	3,680,000,000	7.2400%	7 Years ; Semi-Annual
Long Term Debt	CHINA BANKING CORPORATION	3,217,500,000	66,000,000	3,151,500,000	6.9781%	10 years ; Semi-Annual
Long Term Debt	BDO UNIBANK, INC.	4,900,000,000	50,000,000	4,850,000,000	6.8124%	10 years ; Semi-Annual
Long Term Debt	PHILIPPINE NATIONAL BANK	4,900,000,000	75,000,000	4,825,000,000	6.7591%	10 years ; Semi-Annual
Long Term Debt	BDO UNIBANK, INC.	7,840,000,000	80,000,000	7,760,000,000	6.8124%	10 years ; Semi-Annual
Long Term Debt	BDO UNIBANK, INC.	6,860,000,000	70,000,000	6,790,000,000	7.1408%	10 years ; Semi-Annual
Long Term Debt	METROPOLITAN BANK AND TRUST CO.	3,500,000,000	1,000,000,000	2,500,000,000	7.2309%	5 years ; Semi-Annual
Long Term Debt	MUFG BANK, LTD.	1,500,000,000	150,000,000	1,350,000,000	6.7020%	7 Years ; Semi-Annual
Long Term Debt	BDO UNIBANK, INC.	2,646,000,000	27,000,000	2,619,000,000	7.1117%	10 years ; Semi-Annual
Long Term Debt	BDO UNIBANK, INC.	2,254,000,000	23,000,000	2,231,000,000	7.1117%	10 years ; Semi-Annual
Long Term Debt	CHINA BANKING CORPORATION	4,925,000,000	25,000,000	4,900,000,000	6.7847%	10 years ; Semi-Annual
Long Term Debt	LAND BANK OF THE PHILIPPINES	3,960,000,000	40,000,000	3,920,000,000	6.9044%	10 years ; Semi-Annual
Long Term Debt	LAND BANK OF THE PHILIPPINES	7,920,000,000	80,000,000	7,840,000,000	6.9328%	10 years ; Semi-Annual
Long Term Debt	LAND BANK OF THE PHILIPPINES	2,970,000,000	30,000,000	2,940,000,000	7.0097%	10 years ; Semi-Annual
Long Term Debt	METROPOLITAN BANK AND TRUST CO.	4,000,000,000	1,000,000,000	3,000,000,000	7.2162%	5 years ; Semi-Annual
Long Term Debt	PHILIPPINE NATIONAL BANK	5,000,000,000	-	5,000,000,000	7.3080%	7 years ; Semi-Annual
Long Term Debt	BDO UNIBANK, INC.	12,000,000,000	1,200,000,000	10,800,000,000	6.7864%	8 years ; Semi-Annual
Long Term Debt	SECURITY BANK CORPORATION	3,000,000,000	60,000,000	2,940,000,000	6.4222%	7 years ; Semi-Annual

Long Term Debt	ASIA UNITED BANK CORPORATION	3,000,000,000	375,000,000	2,625,000,000	6.2504%	5 years ; Semi-Annual
Long Term Debt	SECURITY BANK CORPORATION	5,500,000,000	110,000,000	5,390,000,000	6.4222%	7 years ; Semi-Annual
Long Term Debt	BDO UNIBANK, INC.	1,500,000,000	150,000,000	1,350,000,000	6.7864%	8 years ; Semi-Annual
Long Term Debt	SECURITY BANK CORPORATION	1,500,000,000	30,000,000	1,470,000,000	6.4222%	7 years ; Semi-Annual
Long Term Debt	ASIA UNITED BANK CORPORATION	5,000,000,000	625,000,000	4,375,000,000	6.7091%	5 years ; Semi-Annual
Long Term Debt	BANK OF CHINA LIMITED	2,500,000,000	-	2,500,000,000	6.7091%	5 years ; Semi-Annual
Long Term Debt	ASIA UNITED BANK CORPORATION	2,000,000,000	250,000,000	1,750,000,000	6.5622%	5 years ; Semi-Annual
Long Term Debt	BDO UNIBANK, INC.	4,000,000,000	400,000,000	3,600,000,000	6.7213%	8 years ; Semi-Annual
Long Term Debt	BDO UNIBANK, INC.	7,500,000,000	750,000,000	6,750,000,000	6.8191%	8 years ; Semi-Annual
	Totals	233,855,820,000	26,363,340,000	207,492,480,000		

SYNERGY GRID & DEVELOPMENT PHILS., INC. and SUBSIDIARIES

SCHEDULE F. INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED PARTIES)

Name of Related Parties (i)	Balance at beginning of period	Balance at end of period (ii)

NOT APPLICABLE

SYNERGY GRID & DEVELOPMENT PHILS., INC. and SUBSIDIARIES
SCHEDULE G. GUARANTEES OF SECURITIES OF OTHER ISSUERS

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding (i)	Amount owned by person for which statement is filed	Nature of guarantee (ii)

NOT APPLICABLE

SYNERGY GRID & DEVELOPMENT PHILS., INC. and SUBSIDIARIES
SCHEDULE H. CAPITAL STOCK

Title of Issue (2)	Number of Shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by affiliates (3)	Directors, officers and employees	Others
Common Shares	5,300,000,000	5,265,866,000	-	-	4,100,400,023	1,165,465,977

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	1	9	7	0	4	1	3	7	6

COMPANY NAME

S	Y	N	E	R	G	Y		G	R	I	D		&		D	E	V	E	L	O	P	M	E	N	T				
P	H	I	L	S	.	,		I	N	C		A	N	D		S	U	B	S	I	D	I	A	R	I	E	S		

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

U	n	i	t		1	6	0	2	,		1	6	t	h		F	l	o	o	r	,		T	y	c	o	o	n	
C	e	n	t	e	r		B	l	d	g	.		C	o	n	d	o	m	i	n	i	u	m						
P	e	a	r	l		D	r	i	v	e	,		P	a	s	i	g		C	i	t	y							
M	e	t	r	o		M	a	n	i	l	a																		

Form Type

A	A	F	S

Department requiring the report

Secondary License Type, If Applicable

COMPANY INFORMATION

Company's email Address

synergy072015@yahoo.com

Company's Telephone Number/s

8584-39-30

Mobile Number

No. of Stockholders

Annual Meeting (Month / Day)

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Justice Lady P. Soriano

Email Address

tish.soriano@gmail.com

Telephone Number/s

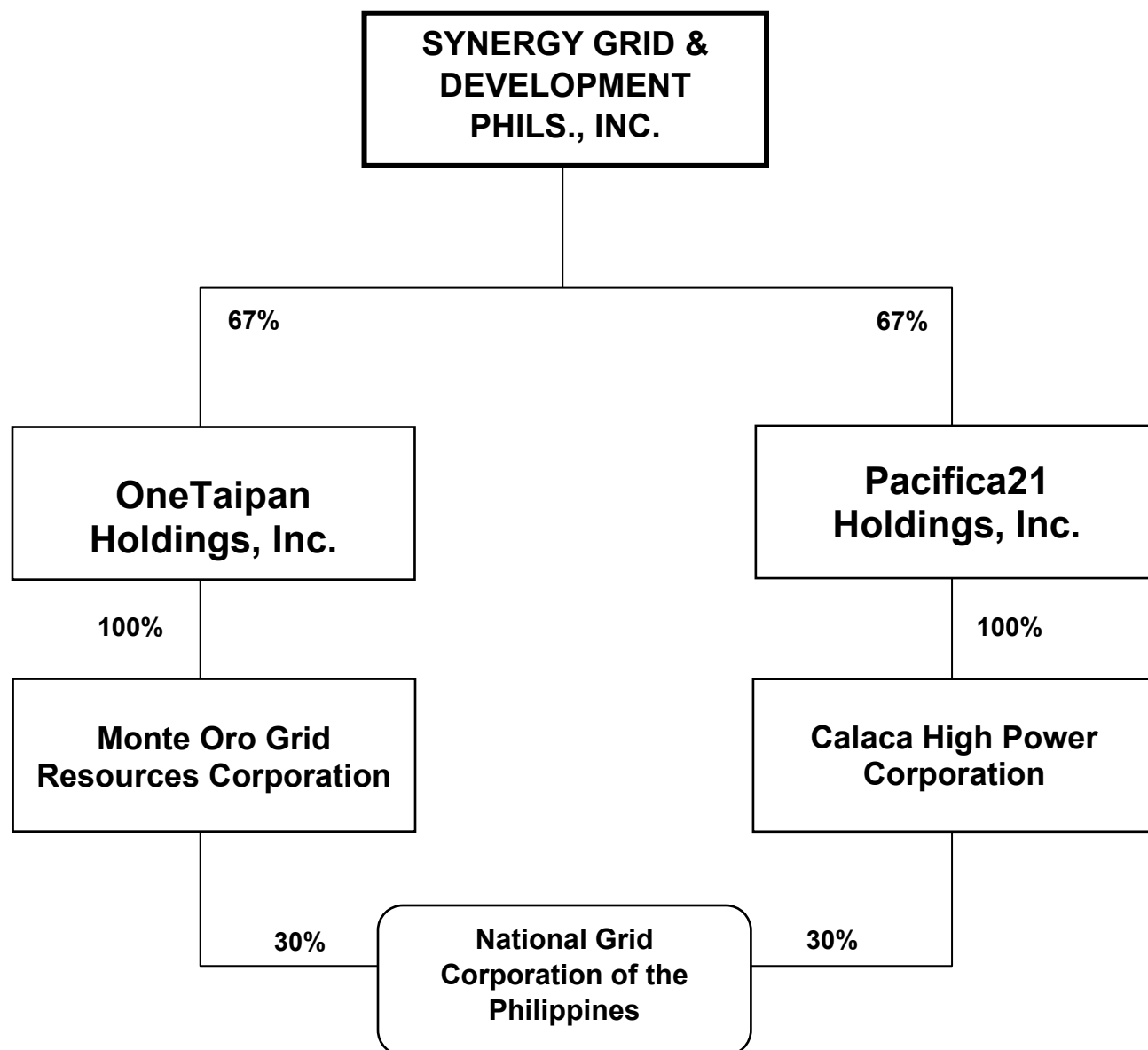
8584-3930

Mobile Number

CONTACT PERSON'S ADDRESS

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

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





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Philippines 1209
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Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT ON INDEPENDENT AUDITORS' COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
Synergy Grid & Development Phils., Inc.

Unit 1602, 16th Floor
Tycoon Center Bldg. Condominium
Pearl Drive Pasig City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Synergy Grid & Development Phils., Inc. and Subsidiaries (the "Group") as at December 31, 2024 and 2023 and each of the three years in the period ended December 31, 2024, on which we have rendered our report dated April 11, 2025.

Firm Regulatory Registration & Accreditation:

PRC-BOA Registration No. 0003, valid until September 20, 2026

SEC Accreditation No. 0003-SEC, Group A, valid for the audit of annual financial statements for the year ended December 31, 2024 and until the audit of annual financial statements for the year ended December 31, 2025, pursuant to SEC Notice dated April 4, 2025

IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)

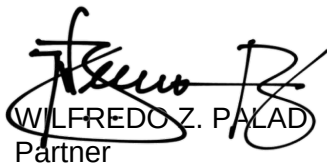
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements of the Group taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) Accounting Standards and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS Accounting Standards. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2024 and 2023 and each of the three years in the period ended December 31, 2024, and no material exceptions were noted.

R.G. MANABAT & CO.



WILFREDO Z. PALAD
Partner

CPA License No. 0045177

SEC Accreditation No. 45177-SEC, Group A, valid for five (5) years
covering the audit of 2021 to 2025 financial statements

Tax Identification No. 106-197-186

BIR Accreditation No. 08-001987-006-2024

Issued July 17, 2024; valid until July 17, 2027

PTR No. MKT 10467188

Issued January 2, 2025 at Makati City

April 11, 2025

Makati City, Metro Manila

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

SYNERGY GRID & DEVELOPMENT PHILS., INC. & SUBSIDIARIES

As of December 31, 2024

Ratios	Formula	Current Period	Prior Year
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	0.48	0.58
Acid test ratio	$\frac{\text{Cash and cash equivalents+ marketable securities+accounts receivable}}{\text{Current liabilities}}$	0.23	0.23
Solvency ratio	$\frac{\text{Total assets}}{\text{Total liabilities}}$	1.49	1.50
Debt-to-equity ratio	$\frac{\text{Total liabilities}}{\text{Equity}}$	2.04	2.00
Asset-to-equity ratio	$\frac{\text{Total assets}}{\text{Equity}}$	3.04	3.00
Interest rate coverage ratio	$\frac{\text{Earnings before interest and tax}}{\text{Interest expense}}$	3.17	5.06
Return on equity	$\frac{\text{Net Income}}{\text{Equity}}$	0.07	0.11
Return on assets	$\frac{\text{Net Income}}{\text{Average total assets}}$	0.04	0.05
Net profit margin	$\frac{\text{Net Income}}{\text{Net sales}}$	0.33	0.44